

2016

Public Debt Management in Sri Lanka Performance in 2016 and Strategies for 2017 and beyond



**Public Debt Department
Central Bank of Sri Lanka**

Public Debt Management in Sri Lanka

Performance in 2016

&

Strategies for 2017 and beyond



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Abbreviations

ABMI	Asian Bond Market Initiatives	O/D	Over Draft facility
ADB	Asian Development Bank	OBU	Off-shore Banking Unit
ATM	Average Time to Maturity	OED	Outstanding External Debt
ATR	Average Time to Refixing	OTC	Over The Counter
BCP	Business Continuity Plan	PDD	Public Debt Department
BPS	Basis Points	PD	Primary Dealer
CAR	Capital Adequacy Ratio	PDU	Primary Dealer Unit
CBSL	Central Bank of Sri Lanka	PMWAYR	Primary Market Weighted Average Yield Rates
CCP	Central Counterparty	Repo	Repurchase
CCPI	Colombo Consumer Price Index	ROA	Return on Assets
CDS	Central Depository System	Road Map	'ROAD MAP: Monetary and Financial Sector Policies
CIPC	Cash In Process of Collection	ROE	Return on Equity
CPC	Ceylon Petroleum Corporation	RSSO	Registered Stocks and Securities Ordinance
CSE	Colombo Stock Exchange	RTGS	Real Time Gross Settlement System
CWE	Corporative Wholesale Establishment	RWCAF	Risk Weighted Capital Adequacy Framework
DDP	Dealer Direct Participant	RWCAR	Risk Weighted Capital Adequacy Ratio
DRS	Disaster Recovery Site	SDR	Special Drawing Right
DVP	Delivery Versus Payment	SEC	Securities and Exchange Commission of Sri Lanka
EPF	Employees' Provident Fund	SOE	State Owned Enterprise
ETF	Employees' Trust Fund	S&P	Standard and Poor's
E-Trading	Electronic Trading	SIA	Securities Investment Account
Fitch	Fitch Ratings	SLDB	Sri Lanka Development Bond
GDP	Gross Domestic Product	SLIBOR	Sri Lanka Inter Bank Offered Rate
GNP	Gross National Product	SPD	Superintendent of Public Debt
GOSL	Government of Sri Lanka	SSSS	Scripless Securities Settlement System
IDA	International Development Agency	T-bill	Treasury bill
IDR	Issuer Default Rating	T-bond	Treasury bond
IMF	International Monetary Fund	TDS	Total External Debt Service Payments
INT	Interest Payment (External)	WAYR	Weighted Average Yield Rate
ISB	International Sovereign Bond	WB	World Bank
KPI	Key Performance Indicator	XGS	Receipts in exports of goods and non-factor services including workers' remittances and compensation of employees.
LCB	Licensed Commercial Bank		
LIBOR	London Inter-Bank Offered Rate		
LTBO	Local Treasury Bills Ordinance		
MLDS	Medium to Long-Term Debt Service		
Moody's	Moody's Investors Service		
MTDS	Medium Term Debt Management Strategy		
NPV	Net Present Value		
NSB	National Savings Bank		

KEY GOVERNMENT DEBT INDICATORS									
	2009	2010	2011	2012	2013	2014	2015 ^(a)	2016 ^(b)	
Borrowings									
Approved Gross Borrowing Limit (Rs.bn)	1050.0	980.0	997.0	1,139.0	1,302.5	1,478.0	1,780.0	1,699.0	
Actual Gross Borrowing (Rs.bn)	999.1	922.1	994.1	1,139.0	1,301.2	1,453.3	1,695.3	1,516.3	
Domestic Sources	643.3	594.2	671.3	656.7	952.5	1,006.3	1,139.0	942.0	
Foreign Sources	355.8	327.9	322.8	482.3	348.7	447.0	556.3	574.3	
Actual Net Borrowing (Rs.bn)	483.6	451.0	457.4	489.0	601.2	591.2	829.5	640.3	
Domestic Sources	242.6	201.3	233.4	286.5	456.5	378.7	592.7	248.4	
Foreign Sources	241.0	249.7	224.0	202.5	144.7	212.5	236.8	391.9	
Outstanding Debt									
Outstanding Government Debt (Rs.bn)	4,161.4	4,590.2	5,133.4	6,000.1	6,793.2	7,390.9	8,503.2	9,387.3	
Domestic Debt	2,400.9	2,565.6	2,804.1	3,232.8	3,832.8	4,277.8	4,959.2	5,341.5	
Foreign Debt	1,760.5	2,024.6	2,329.3	2,767.3	2,960.4	3,113.1	3,544.0	4,045.8	
Outstanding Debt (% of GDP)	86.2	81.9	78.5	68.7	70.8	70.7	76.6	79.3	
By Source ^(b)									
Domestic Debt	49.7	40.0	38.8	37.0	40.0	41.3	45.3	45.1	
Foreign Debt	36.4	31.6	32.3	31.7	30.9	30.0	32.4	34.2	
By Currency ^(b)									
Domestic	49.5	40.7	39.8	38.8	40.8	41.7	41.8	42.2	
Foreign	36.6	30.8	31.4	29.9	30.0	29.6	35.9	37.1	
ATM of Total Debt (Years)	5.29	5.25	5.41	5.74	6.92	6.62	6.73	6.41	
ATM of Domestic Debt (Years)	2.25	2.10	2.35	3.23	4.82	5.75	6.29	5.98	
Share of Domestic Debt in Total Outstanding Debt (%)	57.70	55.89	54.62	53.88	56.42	57.88	58.32	56.90	
Interest Cost									
Total Interest Cost (Rs.bn)	309.6	352.6	356.7	408.5	462.9	443.6	509.7	610.9	
Domestic Debt	273.9	297.1	288.1	317.7	354.7	327.9	394.3	484.2	
Foreign Debt	35.7	55.5	68.6	90.8	108.2	115.7	115.4	126.7	
Interest Cost/GDP ratio (%) ^(b)	6.40	5.50	4.94	4.68	4.83	4.28	4.65	5.16	
Interest Cost/Government Revenue ratio (%)	44.27	43.14	38.16	41.35	40.70	37.12	35.06	36.23	
Average Yield Rates (Primary Market Weighted Average)									
T-bills	91 day	11.43	7.86	7.28	10.72	8.95	6.58	6.32	8.26
	182 day	12.18	8.42	7.21	12.29	9.91	6.57	6.50	9.23
	364 day	12.76	8.43	7.41	12.14	10.65	6.73	6.60	10.20
	Overall Average	12.25	8.32	7.31	11.81	10.45	6.68	6.46	9.38
T-bonds	2-year	16.32	9.46	7.77	11.30	11.02	n.a.	7.98	11.45
	4-year	14.29	9.65	8.23	11.58	n.a.	n.a.	8.68	11.87
	5-year	11.20	9.31	8.55	13.32	10.95	8.78	8.63	12.16
	10-year	13.39	9.59	9.15	14.00	11.80	10.00	9.78	12.60
	Overall Average	14.69	9.45	8.64	12.46	11.72	10.17	9.46	12.27
Foreign Investment in Government Securities									
Non-residents' Holdings as a % of Total outstanding Stock - T-bonds	8.75	10.04	9.88	9.91	10.83	9.82	6.85	5.10	
Non-residents' Holdings as a % of Total outstanding Stock - T-bills	8.39	10.02	10.61	11.31	9.55	7.40	0.76	1.62	

n.a.: not available

(a) Provisional

(b) Revised

KEY ECONOMIC INDICATORS							
	2000	2011	2012	2013	2014 ^(a)	2015 ^(a)	2016 ^(b)
DEMOGRAPHY							
Mid-year population ('000 persons)	19,102	20,892	20,425	20,585	20,771	20,996	21,203
Growth of mid-year population (per cent)	1.4	1.0	0.7(a)	0.8	0.9	0.9	1.1
Population density (persons per sq.km.)	305	333	326(a)	328(a)	331	334	338
Labour force ('000 persons)	6,827	7,926	7,798	8,034	8,049	8,214	8,311
Unemployment rate (per cent of labour force)	7.6	4.2	4.0	4.4	4.3	4.6	4.4
OUTPUT							
GDP at current market prices (Rs. billion)	1,258	7,219	8,732	9,592	10,361	10,952	11,839
GNI at current market prices (Rs. billion)	1,233	7,147	8,578	9,366	10,125	10,670	11,506
Per capita GDP at market prices (Rs.)	65,838	345,544	427,538	465,976	498,828(a)	522,355	558,363
Per capita GDP at market prices (USD)	869	3,125	3,351	3,609	3,821(a)	3,843	3,835
REAL OUTPUT (percentage change)							
GNI	5.8	8.5	8.3	2.8	5.1(b)	4.5	4.1
GDP	6.0	8.4	9.1	3.4	5.0(b)	4.8	4.4
PRICES AND WAGES (percentage change)							
CCPI (2006/07 = 100) - annual average (c)	-	6.7	7.6	6.9	3.3	0.9	3.7
CCPI (2006/07 = 100) - year-on-year - end period	-	4.9	9.2	4.7	2.1	2.8	4.1
NCPI (2013 = 100) - annual average (d)	-	-	-	-	-	3.8	4.0
NCPI (2013 = 100) - year-on-year - end period	-	-	-	-	-	4.2	4.2
Wholesale Price Index (1974 = 100) - annual average	1.7	10.6	3.5	9.2	3.2	1.0	4.2
GDP deflator	6.7	3.8	10.8	6.2	2.9(b)	0.8	3.6
EXTERNAL TRADE							
Trade balance (USD million)	-1,798	-9,710	-9,417	-7,609	-8,287	-8,388	-9,090
Exports (USD million)	5,522	10,559	9,774	10,394	11,130	10,546	10,310
Imports (USD million)	7,320	20,269	19,190	18,003	19,417	18,935	19,400
EXTERNAL FINANCE							
Services and income account (net) (USD million)	-267	452	43	-572	72 (b)	312	695
Current account balance (USD million)	-1,066	-4,615	-3,982	-2,541	-1,988 (b)	-1,883	-1,942
Overall balance (USD million)	-522	-1,059	151	985	1,369	-1,489	-500
Current account balance (per cent of GDP)	-6.4	-7.1	-5.8	-3.4	-2.5(b)	-2.3	-2.4
Gross official reserves (months of same year imports)	1.7	4.0	4.4	5.0	5.1	4.6	3.7
Overall debt service ratio							
As a percentage of export of goods and services	14.7	13.2	19.7	26.8	20.8	27.3	25.0
Total external debt and liabilities (per cent of GDP)	54.5	50.2	54.2	53.7	54.1	55.7	57.3
EXCHANGE RATES							
Annual average Rs/USD	75.78	110.57	127.60	129.11	130.56	135.94	145.6
NEER (2010 = 100) (24 - currency basket)	-	99.84	90.44	91.39	91.99	96.61	92.46
REER (2010 = 100) (24 - currency basket)	-	102	95.63	101.13	103.77	109.50	106.94
Year-end Rs/USD	80.06	113.90	127.16	130.75	131.05	144.06	149.80
GOVERNMENT FINANCE (per cent of GDP)^(a)							
Revenue	17.2	13.4	12.0	11.9	11.5	13.3	14.2
Expenditure and net lending	26.7	19.9	17.8	17.4	17.3	20.9	19.7
Primary deficit (-) / surplus (+)	-3.8	-0.8	-0.9	-0.7	-1.2	-2.3	-0.6
Overall deficit (-) / surplus (+)	-9.5	-6.2	-5.6	-5.4	-5.7	-7.6	-5.4
MONETARY AGGREGATES (year-on-year percentage change)							
Reserve money	4.7	21.9	10.2	0.9	18.3	16.5	27.1
Domestic credit from the banking system to Government (net)	56.8	32.9	25.4	24.5	10.3	22.5	12.1
INTEREST RATES (per cent per annum at year end)							
Repurchase rate (overnight)	17.00	7.00	7.50	6.50	6.50	6.00	7.00
Reverse Repurchase rate (overnight)	20.00	8.50	9.50	8.50	8.00	7.50	8.50
Commercial banks' average weighted deposit rate	9.89	7.24	10.10	9.37	6.20	6.20	8.17
NSB 12 month fixed deposit rate	15.00	8.50	12.50	9.50	6.50	7.25	11.00
Commercial banks' average weighted lending rate	19.30	13.44	15.98	15.18	11.91	11.00	13.20

(a) Revised

(b) Provisional

(c) CCPI: Colombo Consumer Price Index

(d) NCPI: National Consumer Price Index

1. Highlights of 2016

1.1. Borrowing Limit and Strategy for 2016

- The gross borrowing limit of the Government of Sri Lanka (GOSL) for 2016, approved by the Parliament under the Appropriation Act No. 16 of 2015, was Rs. 1,699 billion (including the contingency provision of Rs. 190 billion), a decrease of Rs.81 billion against the 2015 gross borrowing limit.
- Out of the 2016 gross borrowing limit, Rs.990 billion was expected to be raised from the domestic sources while the balance Rs.519 billion was expected to be raised from foreign sources.

1.2. Actual Borrowing and Debt Level

- Actual gross borrowing was maintained within the approved annual borrowing limits for 2016.
- Total borrowing from domestic sources (net of contingency provision) in 2016 was decreased to 62.13 per cent against the planned 65.61 per cent.
- Total outstanding debt stock stood at Rs.9, 387.3 billion as at end of 2016 recording an increase of Rs.884.1 billion (10.40 per cent) compared to the corresponding debt stock of Rs.8, 503.2 billion as at the end of 2015.
- As a percentage of Gross Domestic Product (GDP), total outstanding debt stock increased to 79.29 per cent at end 2016 from 77.60 per cent at end 2015. Within the debt stock, domestic debt to GDP ratio declined marginally to 45.12 per cent at end 2016 from 45.28 per cent at end 2015. However, the foreign debt to GDP ratio increased to 34.17 per cent from 32.36 per cent, for the same period.
- The share of domestic debt in total debt stock was 56.90 per cent while that of foreign debt was 43.10 per cent at end 2016, compared with 58.32 per cent and 41.68 per cent, respectively, at end 2015.
- Average Time to Maturity (ATM) of the domestic debt was shortened to approximately 5.98 years due to the increased issuance of short term domestic debt in 2016.

1.3. Interest Cost on Public Debt

- Total interest cost was increased by 19.86 per cent to Rs. 610.9 billion in 2016 consisting of Rs. 484.2 billion on domestic debt and Rs. 126.7 billion on foreign debt.
- Total interest cost, as a percentage of GDP, increased to 5.16 per cent in 2016 from that of 4.65 per cent in 2015. Further, interest cost as a percentage of Government revenue also increased from 35.03 per cent in 2015 to 36.23 per cent in 2016.
- Average cost of domestic borrowing through Treasury bills (T- bills) and Treasury bonds (T- bonds) recorded substantial increases in 2016 to 9.38 per cent and 12.27 per cent, respectively, compared to 6.46 per cent and 9.46 per cent, respectively, in 2015.

1.4. Interest Rates and Yield

- Primary market weighted average yield rates for 91-day, 182-day and 364-day T-bills increased by 194 bps, 273 bps and 360 bps, respectively, in 2016.
- Primary market weighted average yield rates for T-bonds ranged between 10.00 per cent on 2-year T-bonds to 12.09 per cent on 30-year T-bonds during 2016.
- Half-yearly T-bond Primary Auction Calendar was published in 2016, with a view to provide advance knowledge on such issuances to the prospective investors.

1.5. Broadening the Investor Base

- Number of investors in Government securities, as recorded in the Central Depository System (CDS) of Lanka Secure increased by 2.64 per cent to 92,065 during 2016.
- As at 31 December 2016, the total of investment by foreign investors and non-resident Sri Lankans in rupee denominated T-bills and T-bonds amounted to Rs.12.82 billion and Rs.247.22 billion, respectively, compared to Rs.5.05 billion and Rs.298.73 billion at end 2015 and Rs.55.50 billion and Rs.401.71 billion, respectively at end 2014.
- Total value of issuances of Sri Lanka Development Bonds (SLDBs) in 2016 amounted to USD 1,365.88 million against the maturing amount of USD 2,186.19 million.

1.6. Infrastructure Developments

- PDD continued of sending periodic customer electronic statements through e-mail in place of printed statements for account holders who opted for such facility with a view to enhance the safety of investors in government securities. Accordingly, PDD sent 1,506 e - statements during 2016.

- With a view to develop the domestic debt market, measures have been taken to establish an Electronic Trading Facility (ETF) and a Central Counter Party (CCP) arrangement for trading and net clearing and settlement of government securities transactions.
- Towards promoting the secondary market for US dollar denominated Sri Lanka Development Bonds (SLDB), measures have been taken to introduce multi-currency functionality into Lanka Settle System and also to facilitate scripless issuances of SLDBs, enabling trading, electronic recording and transferring of legal ownership of such instruments.

1.7. Market Development Activities

- Introduction of secondary market trading and reporting system (through Bloomberg trading platform by Primary Dealers) in 2016 for outright transactions in Government Securities and publish them to improve the price discovery process and increase transparency in market activities.
- Introduction of pre-bid meetings to share information on upcoming Treasury bond auctions and market developments in a transparent manner with primary auction participants and commercial bank community.

1.8. Awareness Programmes

- The investor awareness programmes and investor meetings to inform the recent economic developments and prospects of the Sri Lankan economy continued in 2016.
- Facilitated two public investor awareness programmes for investors at provincial level, participated in on-site promotion activities and one television programme during the year to educate general public on investments in government debt securities.

2. Public Debt Management in 2016

Overview

In 2016, the management of public debt faced with numerous challenges emanating domestically as well as globally. In the domestic front, the Central Bank continued to tighten its monetary policy stance and monetary conditions throughout the year with a view of curtailing possible rise in demand driven inflationary pressures. Accordingly, interest rates structure across the maturities witnessed an upward adjustment during 2016. In the global front, the monetary policy normalization in the United States of America (USA) resulted in capital outflows from many emerging market economies, including Sri Lanka. Moreover, reflecting the pressure on the domestic foreign exchange market, the rupee depreciated against major foreign currencies during the period concerned. As such, rising interest rates in both domestic and international markets coupled with the depreciation of the rupee against major foreign currencies increased the interest cost of foreign currency borrowing during 2016. Nevertheless, the focus of public debt management in 2016 was centered around successful implementation of prudential debt strategies in ensuring that the government's financing needs are met at a lowest possible cost with a prudent degree of risk.

Sri Lanka tapped the international capital market with the issuance of dual-tranche International Sovereign Bonds (ISBs) in

July 2016 for amounts of USD 500 million and USD 1,000 million, with 5.5 year and 10 year maturities, respectively. These issuances facilitated managing the domestic debt issuance programme with greater flexibility during the year. Additionally, the strategic issuance of SLDBs at times of conducive market conditions positively contributed towards managing both the cost and the risk objectives of public debt management.

During 2016, Average Time to Maturity (ATM) of domestic public debt portfolio somewhat contracted while share of foreign currency debt to total debt showed a marginal increase compared to levels at end 2015. Further, reflecting the impact of gradual normalization of US interest rates and weakening of domestic currency against major foreign currencies, the foreign holdings of government securities declined considerably.

2.1. Targets and Strategies for Government Borrowings

In line with Medium Term Debt Management Strategy (MTDS) for 2016-2021, the borrowing plan and related strategies for 2016 were aimed at further strengthening public debt dynamics over the medium term. Accordingly, key objectives of the borrowing strategy for 2016 were to mobilise funds at the lowest possible cost, enhancing ATM of the debt portfolio,

reducing the share of short-term domestic debt to total domestic debt, reducing the share of foreign currency debt to total debt, broadening and diversification of investor base, and sustaining and activating the benchmark yield-curve by issuing long-term government securities.

The gross borrowing limit of the Government of Sri Lanka (GOSL) for 2016, approved by

the Parliament under the Appropriation Act No. 16 of 2015, was Rs. 1,699.0 bn (including the contingency provision of Rs. 190.0 bn), a decrease of Rs. 81.0 bn against the 2015 gross borrowing limit. Out of the 2016 gross borrowing limit, Rs. 990.0 bn was expected to be raised from the domestic sources while the balance Rs. 519.0 bn was expected to be raised from foreign sources.

TABLE 1
GOVERNMENT BORROWINGS IN 2016 ^(a)

Item	Original Plan ^(b)		Actual ^(c)	
	Rs. bn	%	Rs. bn	%
Net Borrowing				
Domestic	283.1	49.28	248.4	38.79
Foreign	291.4	50.72	391.9	61.21
Total	574.5	100.00	640.3	100.00
Gross Borrowing by Instrument				
Domestic	990.0	65.61	877.7	60.45
T-bonds ^(d)	542.2	35.93	575.0	39.60
T-bills net ^(d)	57.8	3.83	105.7	7.28
SLDBs & OBU's	357.2	23.67	197.0	13.57
CBSL advances	32.8	2.17	-	-
Domestic banks and other sources	-	-	-	-
Foreign	519.0	34.39	574.3	39.55
Project/Programme Loans	309.0	20.48	254.6	17.53
Commercial Loans ^(e)	210.0	13.92	319.7	22.02
Total	1,509.0	100.00	1,452.0	100.00

(a) Book Value.

(b) Net borrowings as per Budget 2016.

(c) Provisional.

(d) Includes Treasury bonds and Treasury bills(net) issued to non-residents

(e) Includes International Sovereign bonds and non-project loans.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

The total net financing requirement for 2016 was estimated at Rs. 574.5 bn of which Rs. 283.1 bn was expected to be financed from domestic sources, whereas the remaining Rs. 291.4 bn was expected to finance from foreign sources.

In 2016, about 60.45 per cent of the gross borrowing requirement was raised from the domestic market compared to that of 67.18 per cent in 2015. The domestic borrowing was raised mainly through T-bonds, T-bills and SLDBs. The total financing from foreign sources in the gross borrowing programme for 2016 increased to Rs. 574.3 bn (39.55 per cent) including Rs. 254.6 bn (17.53 per cent) of project related loans, compared to Rs. 556.4 bn (32.82 per cent) of foreign source borrowings in 2015. Commercial loans represented non-concessional borrowing from International Sovereign Bonds (ISBs) and non-project loans. In 2016, Rs. 319.7 bn (22.02 per cent) of the gross borrowing was raised via commercial loans.

The aggregate actual gross borrowing in 2016 was maintained within the approved borrowing limit, yet the composition of actual borrowings deviated from the originally expected plan due to the market conditions. Accordingly, total gross borrowing from domestic sources was decreased to 60.45 per cent against the planned 65.61 per cent while actual gross borrowing from foreign sources increased to 39.55 per cent against the planned 34.39 per cent. These deviations were mainly propelled by the issuance of ISBs in 2016.

Reflecting the upward pressure on interest rates, the primary market Weighted Average Yield Rates (WAYR) of T-bills increased for all maturities at end 2016 over the WAYR of T-bills prevailed at end 2015. Compared to end 2015, the WAYRs of 91-day, 182-day and 364-day T-bills increased by 194 bps, 273 bps and 360 bps, respectively, as at end 2016. The overall WAYR of the T-bill primary market increased in 2016 by 281 bps to 12.27 per cent at end 2016 compared to 9.46 per cent recorded at end 2015.

TABLE 2
INCREASE IN OUTSTANDING GOVERNMENT DEBT

Rs. bn

Description	2014 ^(a)	2015 ^(a)	2016 ^(b)
Net Borrowing	591.2	829.5	640.3
Effect of Parity variance	-89.3	285.1	186.6
Discount Effect	-98.6	-54.4	71.8
Other	194.3	52.1	-14.7
Total Increase	597.6	1,112.3	884.1

(a) Adjusted

(b) Provisional

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

TABLE 3**PRIMARY MARKET WEIGHTED AVERAGE YIELD RATES OF TREASURY BILLS AND TREASURY BONDS ^(a)**

Instrument	2010	2011	2012	2013	2014	2015	2016
Treasury bills (Days)							
91	7.86	7.28	10.72	8.95	6.58	6.32	8.26
182	8.42	7.21	12.29	9.91	6.57	6.50	9.23
364	8.43	7.41	12.14	10.65	6.73	6.60	10.20
Overall Average	8.32	7.31	11.81	10.45	6.68	6.46	9.38
Treasury bonds (Years)							
2	9.46	7.77	11.30	-	-	7.98	11.45
3	9.01	7.99	11.11	10.95	-	8.32	11.58
4	9.65	8.23	11.58	-	-	8.68	11.87
5	9.31	8.55	13.32	10.95	8.78	8.63	12.16
6	9.43	8.70	11.84	10.97	-	9.19	12.01
7	9.19	8.84	12.50	-	-	8.99	12.18
8	9.15	8.91	14.40	11.51	9.03	9.55	12.28
9	-	9.00	-	11.77	9.23	-	13.07
10	9.59	9.15	14.00	11.80	10.00	9.78	12.60
12	-	9.10	-	12.09	-	-	13.72
15	-	9.30	-	12.17	10.34	10.24	-
20	-	-	11.00	12.19	11.32	11.20	-
30	-	-	-	12.50	11.75	11.73	-
Overall Average	9.45	8.64	12.46	11.72	10.17	9.46	12.27

(a) Net of 10% withholding tax. Effective from May 3, 2002, Government has imposed withholding tax on interest of Government Securities.

Source: Central Bank of Sri Lanka

TABLE 4**KEY DEBT INDICATORS – END 2016**

Description	2014	2015	2016 ^(a)
Debt/GDP ratio (%) ^(b)	71.8	76.0	79.3
Government Budget Deficit/GDP (%)	-5.7	-7.4	-5.4
Interest Cost/GDP ratio (%)	4.2	4.7	5.2
Interest Cost/Government Revenue ratio (%)	30.9	33.9	40.6
ATM of Domestic Debt (Years)	5.7	6.3	6.0
ATM of Total Debt (Years)	6.6	6.7	6.4
Share of Foreign currency debt to Total Debt (%)	41.6	46.3	46.8

(a) Provisional.

(b) Revised/ Base year for GDP = 2010

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.2. Sovereign Ratings on Sri Lanka

In the Sovereign Rating front, Sri Lanka had to undergo an adverse rating scenario during 2016 whereas all three rating agencies downgraded Sri Lanka's rating outlook from 'stable' to 'negative' in 2016.

On February 29, 2016, Fitch Ratings downgraded Sri Lanka's credit rating from

'BB-' to 'B+' with 'Negative' rating outlook while on March 3, 2016, S&P Ratings Services affirmed its 'B+' sovereign rating while downgrading the rating outlook to 'negative' from 'positive' outlook a year ago. Meanwhile, on June 20, 2016, Moody's Investor Services reaffirmed Sri Lanka's B1 sovereign rating and downgraded its rating outlook to 'negative' from 'stable' outlook a year ago.

TABLE 5
OUTSTANDING GOVERNMENT DEBT (AS AT END OF YEAR 2016)

	2014 ^(a)	2015 ^(a)	2016 ^(b)
Outstanding Debt (Rs. bn) - By Source			
Domestic	4,277.8	4,959.2	5,341.5
Foreign ^(c)	3,113.1	3,544.0	4,045.8
Total	7,390.9	8,503.2	9,387.3
Outstanding Debt (Rs. bn) - By Currency			
Domestic	4,318.7	4,566.8	4,989.5
Foreign ^(c)	3,072.2	3,936.4	4,397.8
Total	7,390.9	8,503.2	9,387.3
Outstanding Debt (% of GDP) - By Source			
Domestic	39.06	44.30	45.12
Foreign ^(c)	28.43	31.70	34.17
Total	67.49	76.00	79.29
Outstanding Debt (% of GDP) - By Currency			
Domestic	41.68	41.70	42.14
Foreign ^(c)	29.65	35.94	37.15
Total	71.33	77.64	79.29

(a) Revised

(b) Provisional

(c) Excludes outstanding loans of Projects under State Owned Business Enterprises

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.3. Debt Level

The total government debt at end 2016 stood at Rs. 9,387.3 bn recording a nominal increase of Rs. 884.1 bn (10.40 per cent) over the debt stock at end 2015. Of this increase, Rs. 640.3 bn was due to the new borrowings, while Rs. 186.6 bn was due to the adverse impact of exchange rate depreciation. Meanwhile, due to the discount effect of issuance of T-bonds and T-bills, the debt stock was increased by Rs. 71.8 bn.

Notable deviations in debt levels from MTDS targets reflect the challenges faced by the government during the year 2016. The Debt to GDP ratio, a key debt sustainability indicator, increased to 79.29 per cent in 2016 from 76.00 per cent at end 2015 (Base Year = 2010), in spite the improvement in Government budget deficit as a percentage of GDP to 5.4 per cent by end 2016, compared to 7.4 per cent recorded at end 2015.

The domestic debt (by source) increased by Rs. 382.3 bn (7.71 per cent) to Rs. 5,341.5 bn at end 2016 from Rs. 4,959.2 bn at end

2015. Meanwhile, the foreign debt (by source) increased by Rs. 501.8 bn (14.16 per cent) to Rs. 4,045.8 bn at end 2016 from Rs. 3,544.0 bn at end 2015. Further, the domestic currency debt stock increased by Rs. 422.6 bn (9.25 per cent) to Rs. 4,989.5 bn at end 2016, compared to Rs. 4,566.8 bn at end 2015. The rupee value of foreign currency denominated government debt stock increased by Rs. 461.5 bn (11.72 per cent) to Rs. 4,397.8 bn at end 2015 compared to Rs. 3,936.4 bn at end 2015.

Although the total domestic debt stock of the government increased to Rs. 5,341.5 bn at end 2016, the share of total domestic debt in total government debt decreased to 56.90 per cent compared to 58.32 per cent at end 2015. Yet the total domestic debt as a percentage of GDP increased marginally to 45.12 per cent at end 2016 from 44.30 per cent at end 2015. Meanwhile, the total foreign debt as a percentage of GDP increased substantially to 34.17 per cent at end 2016 from 31.70 per cent reported at end 2015.

TABLE 6
CHANGE IN OUTSTANDING FOREIGN CURRENCY DENOMINATED DEBT IN
RUPEE TERMS - CURRENCY WISE

Currency	2014	2015	2016 ^(a)
Special Drawing Rights	-32.1	54.7	21.1
Japanese Yen	-55.7	40.5	26.7
US Dollar	289.9	441.7	473.6
Euro	-22.9	18.3	2.5
Other	-26.5	-124.4	-282.2
Total	152.7	430.9	241.7
Memo: End Year Exchange Rates (Sri Lanka Rupees per Unit of Foreign Currency)			
Special Drawing Rights	189.86	199.63	201.38
Japanese Yen	1.10	1.20	1.29
US Dollar	131.05	144.06	149.80
Euro	159.42	157.37	157.87

(a) Provisional.

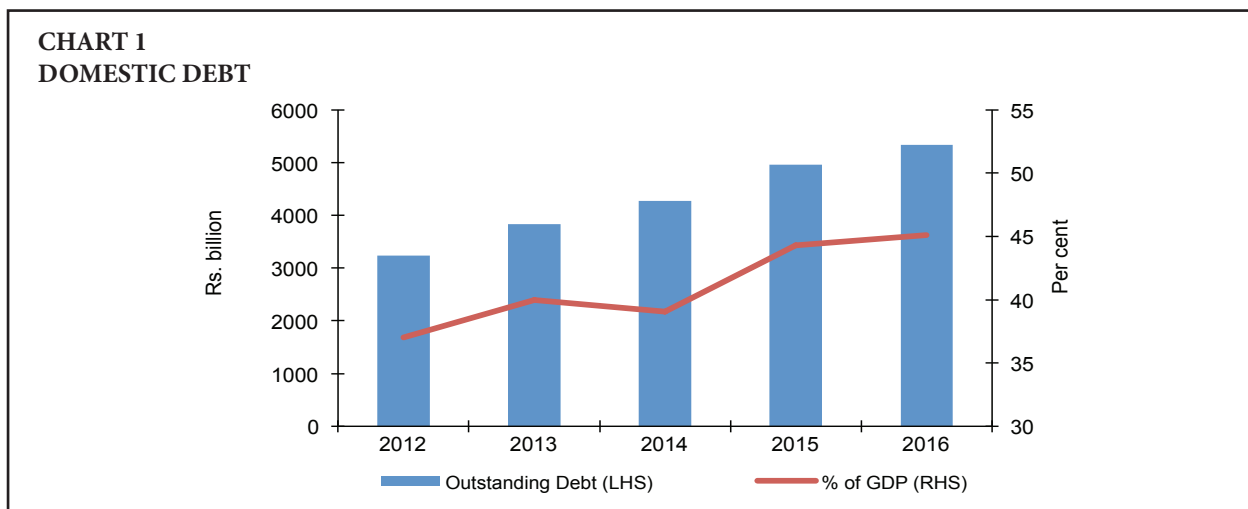
Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.4. The Structure of the Public Debt Portfolio

2.4.1. Domestic Debt

In line with the debt strategy for 2016, CBSL mobilised funds through tradable government

cent at end 2016 compared to 93.9 per cent at end 2015. The foreign currency denominated domestic debt stock as a percentage of total domestic debt stock decreased to 11.46 per cent at end 2016 from 13.91 per cent at end 2015.



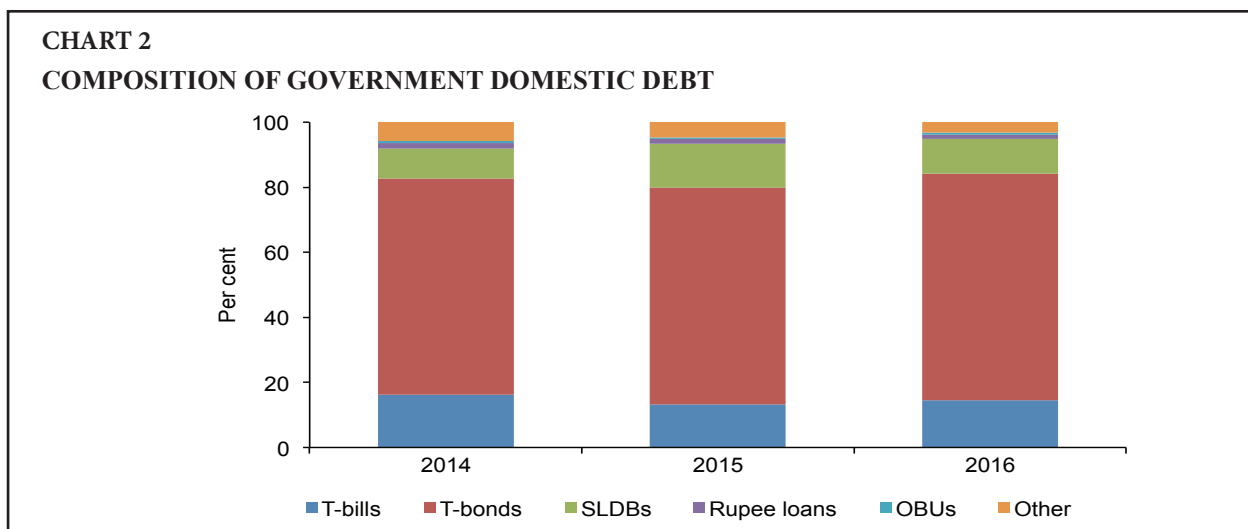
securities, and there were no new Rupee Loans issued in 2016. The stock of Rupee Loans remained unchanged at Rs. 24.1 bn at end 2016.

2.4.2. Composition of Domestic Debt

The share of total tradable government securities in the total domestic debt stock stood at 94.9 per

2.4.3. Domestic Debt by Investor Base

Non-bank sector: Non-bank sector, consisting of Employees' Provident Fund (EPF), National Savings Bank (NSB), Insurance companies, and other official funds continued to be the major holders of domestic debt of the government with



a holding of Rs. 3,226.6 bn (60.4 per cent) of the total domestic debt at end 2016 compared to Rs. 3,035.2 bn (61.2 per cent) at end 2015. The face value of domestic debt held by Licensed Commercial Banks (LCBs) increased by Rs. 32.0 bn to Rs. 1,700.0 bn at end 2016.

Banking Sector: Banking sector (consisting of LCBs and CBSL) investments in domestic debt instruments of the government increased by Rs. 190.9 bn (9.9 per cent) to Rs. 2,114.9 bn at end 2016 compared to Rs. 1,924.0 bn held at end 2015, mainly due to the increase in T-bills held by CBSL by Rs. 226.6 bn. The amount of domestic debt held by LCBs increased marginally to Rs. 1,700.0 bn (31.8 per cent) at end 2016 from that of Rs. 1,668.0 bn (33.6 per cent) held at end 2015. LCBs' holding of T-bills decreased by Rs. 96.5 bn to Rs. 244.1 bn and T-bonds increased by Rs. 214.3 bn to Rs. 731.9 bn, in 2016.

Meanwhile, the holdings of SLDBs by LCBs decreased by Rs. 96.3 bn to Rs. 572.2 bn at end 2016 from Rs. 668.5 bn held at end 2015.

TABLE 7

DURATION AND AVERAGE TIME TO MATURITY (ATM) OF DOMESTIC CURRENCY DEBT (AS AT END OF YEAR)

Instrument	Duration ^(a) (Years)			Average Time to Maturity (Years)		
	2014	2015	2016	2014	2015	2016
T-bills	0.4	0.3	0.4	0.4	0.3	0.38
T-bonds	4.5	4.3	3.9	7.0	7.4	7.07
Rupee loans	2.4	4.7	4.3	3.7	7.1	6.09
Overall	3.8	3.7	3.3	5.7	6.3	5.98

(a) Weighted average maturity of the cash flows.

Source: Central Bank of Sri Lanka

2.4.4. Maturity Structure of the Domestic Debt

The structure of domestic debt portfolio shifted to long and medium-term debt from short-term

debt consequent to the instrument and issuance strategies implemented by CBSL in 2016.

Accordingly, CBSL was able to reduce short term debt as a percentage of domestic debt marginally to 18.1 per cent at end 2016 compared to 18.4 per cent recorded at end 2015. This was the result of issuing more medium term T-bonds and SLDBs to meet the borrowing requirement in 2016. However, ATM of T-bonds declined to 7.1 years at end 2016 compared to 7.4 years recorded at end 2015. Further, ATM of T-bills increased to 0.4 years in 2016 from that of 0.3 years recorded in 2015. With above developments, ATM of domestic currency debt portfolio decreased to 6.0 years at end 2016 compared to 6.3 years recorded at end 2015.

2.4.5. Foreign Debt

The rupee value of the foreign debt and the foreign debt to GDP ratio increased during the year 2016. The rupee value of total foreign debt stock amounted to Rs. 4,045.8 bn at end 2016, with an increase of Rs. 501.8 bn (14.2 per cent), compared to Rs. 3,544.0 bn recorded at end 2015. In line with the increase in the

volume of foreign debt stock, total outstanding foreign debt stock as a percentage of GDP also increased to 34.2 per cent at end 2016 from 31.7 per cent recorded in 2015. The increase was

mainly due to lower growth rate of nominal GDP and unfavorable parity adjustment owing to the depreciation of the rupee against major currencies such as US Dollars, SDR, Japanese yen and Euro.

TABLE 8.1
COMPOSITION OF FOREIGN DEBT

Category	2015		2016 ^(a)	
	Total Equivalent Amount in Rs bn	%	Total Equivalent Amount in Rs bn	%
Bilateral	889.0	25.08	945.8	23.38
Multilateral	994.4	28.06	1076.5	26.61
Sovereign Bonds	958.0	27.03	1220.9	30.18
Foreign Holdings in T-bills and T-bonds	303.8	8.57	260.0	6.43
Other	398.8	11.26	542.6	13.40
Total	3,544.0	100.0	4,045.8	100.0

(a) Provisional.

Sources: Central Bank of Sri Lanka

TABLE 8.2
COMPOSITION OF FOREIGN DEBT

Category	2015		2016 ^(a)	
	Total Equivalent Amount in Rs bn	%	Total Equivalent Amount in Rs bn	%
Concessional	1,729.9	48.81	1,897.7	46.90
Bilateral	581.9	16.42	627.4	15.51
Multilateral	794.5	22.42	856.0	21.16
Other	353.5	9.97	414.2	10.23
Commercial	1,814.1	51.19	2,148.1	53.10
Sovereign Bonds	958.0	27.03	1,220.9	30.18
Bilateral	307.1	8.67	318.3	7.87
Multilateral	199.9	5.64	220.6	5.45
Foreign Holdings in T-bills and T-bonds	303.8	8.57	260.0	6.43
Other	45.3	1.28	128.3	3.17
Total	3,544.0	100.00	4,045.8	100.00

(a) Provisional.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.4.6. Composition of Foreign Debt

Total rupee value of outstanding foreign debt from concessional and commercial sources stood at Rs 1,897.7 bn (46.9 per cent of the total outstanding foreign debt) and Rs. 2,148.1

bn (53.1 per cent), respectively, at end 2016. Meanwhile, the concessional and commercial sources stood at Rs. 1,729.9 bn (48.8 per cent) and Rs. 1,814.1 bn (51.2 per cent), respectively, at end 2015.

TABLE 9
MATURITY, GRANT ELEMENT & INTEREST RATES OF EXTERNAL DEBT 2016

Category	Grace Period (Yrs)	Repayment Period (Yrs)	Grant Element (%)	Avg. Interest Rates ^(a) (% p.a.)
Bilateral	0 - 21	0 - 40	0 - 100	2.32
Multilateral	0 - 18	0 - 41	0 - 100	0.98
Commercial	0 - 14	0 - 30	(13) - 100	4.22
Export Credit	0 - 13	0 - 21	(12) - 100	5.66
Average				2.99

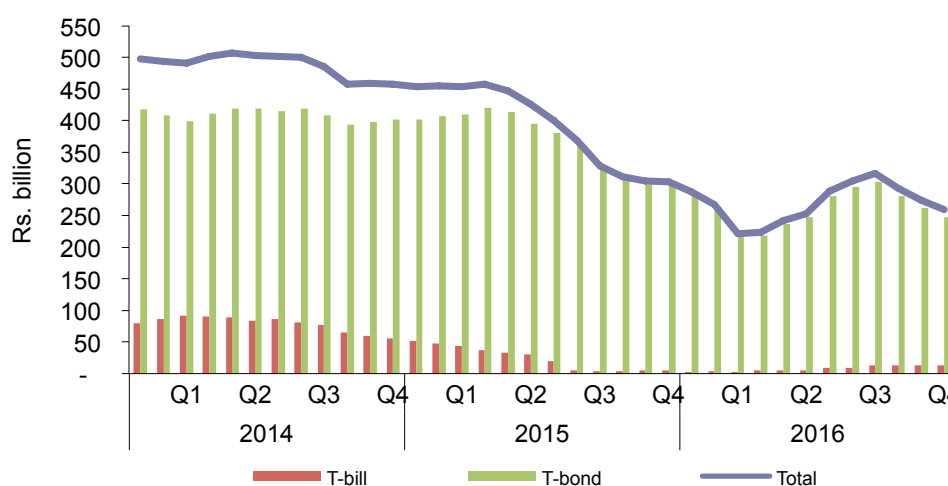
(a) Interest paid in 2016/Disbursed outstanding debt as at end 2015.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

Reflecting the capital outflows from many emerging market economies, including Sri Lanka mainly due to monetary policy normalization in the USA, foreign investor preference for government securities declined

in 2016. The total investments by foreigners in T-bills and T-bonds declined to Rs. 260.0 bn at end 2016 compared to Rs. 303.8 bn recorded at end 2015.

CHART 3
FOREIGN OUTSTANDING IN TREASURY BILLS AND TREASURY BONDS - 2016



2.4.7. Currency Composition of Foreign Debt

TABLE 10

CURRENCY COMPOSITION OF FOREIGN DEBT (AS AT END OF YEAR)

Per cent

Currency	2014	2015	2016 ^(a)
US Dollar	41.50	48.92	54.56
Special Drawing Rights	21.84	20.73	18.68
Japanese Yen	13.80	13.26	12.28
Sri Lanka Rupee ^(b)	14.69	8.57	6.43
Euro	5.23	5.11	4.54
Other	2.94	3.41	3.52
Total	100.00	100.00	100.00
Memo: Total External Debt (Rs.bn)	3,113.1	3,544.0	4,045.8

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Non-residents' investments in T-bills and T-bonds.

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Meanwhile, 96.5 per cent of the total foreign debt stock at end 2016 comprised of four major currencies viz, USD, SDR, Japanese Yen, Euro and Sri Lankan rupee. In 2016, the share of SDR, Japanese Yen, and Euro denominated foreign debt declined while the share of USD denominated foreign debt increased. The external debt denominated in Sri Lankan rupee decreased to 6.43 per cent at end 2016 from 8.57 per cent recorded in 2015 due to decrease in foreign holdings of T-bills and T-bonds.

2.4.8. Usage of Foreign Debt

The debt raised through external sources was used for the development of economic, social

and administrative services in the country, while substantial investment has been made for enhancing the capacity and productivity of the economy. Out of the total outstanding external debt at end 2016, 47.1 per cent had been utilized for the development of economic services in 2016. Meanwhile, 9.4 per cent and 1.2 per cent of total external debt had been utilized for the development of social services and import of commodities, respectively, during 2016. Further, a share of 21.7 per cent of total external debt at end 2016 was used for the development of transportation system of the country including roads and bridges (14.2 percent) and ground transport (7.4 per cent).

TABLE 11

USE OF EXTERNAL DEBT BY MAJOR SECTORS ^(a)

Rs. bn

Economic Sector ^(b)	2015	%	2016 ^(c)	%
1. Economic Services	1,790.8	50.53	1,905.2	47.09
1.1 Agricultural Development	181.2	5.11	183.7	4.54
Agriculture	43.8	1.23	43.7	1.08
Fishing	9.1	0.26	8.5	0.21
Forestry	6.2	0.18	5.8	0.14
Plantation	32.3	0.91	30.6	0.76
Irrigation & Related Activities	77.0	2.17	80.8	2.00
Livestock Development	12.8	0.36	14.2	0.35
1.2 Industrial/Construction	974.1	27.49	1,066.1	26.35
Energy	260.9	7.36	255.8	6.32
Water Supply	190.8	5.38	204.9	5.06
Industrial Development	28.9	0.81	27.2	0.67
Roads and Bridges	491.4	13.86	576.1	14.24
Other Construction	2.2	0.06	2.1	0.05
1.3 Service Sector	485.2	13.69	505.9	12.50
Telecommunications	24.7	0.70	23.3	0.58
Ports & Shipping	77.6	2.19	75.0	1.85
Ground Transport	291.7	8.23	299.8	7.41
Air Transport	16.9	0.48	39.3	0.97
Finance, Insurance, etc.	72.9	2.06	67.3	1.66
Trade	1.5	0.04	1.3	0.03
1.4 Other Economic Services	150.2	4.24	149.4	3.69
Land Development	0.6	0.02	0.6	0.01
Management & Institutional Development	16.2	0.46	20.1	0.50
Information Technology Development	10.0	0.28	9.9	0.25
Private Sector Development	57.9	1.63	54.1	1.34
Rural Development	63.3	1.79	62.5	1.55
Science & Technology	2.3	0.06	2.3	0.06
2. Social Services	365.2	10.31	378.2	9.35
Education & Training	88.1	2.49	92.9	2.30
Health & Social Welfare	51.4	1.45	52.4	1.29
Environment	35.4	1.00	35.0	0.86
Housing & Urban Development	44.1	1.25	46.8	1.16
Labour & Vocational Training	15.2	0.43	20.5	0.51
Media	0.1	0.00	0.1	0.00
Rehabilitation	78.6	2.22	80.5	1.99
Sewerage	3.3	0.09	3.1	0.08
Tsunami Rehabilitation	49.1	1.39	47.0	1.16
3. Commodities & Food	71.5	2.02	69.1	1.71
Commodities	50.3	1.42	49.6	1.23
Food	21.1	0.60	19.5	0.48
4. Other Activities	1,316.6	37.15	1,693.3	41.85
Total Outstanding Debt	3,544.0	100.00	4,045.8	100.00

Sources: Central Bank of Sri Lanka

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(a) Based on Outstanding External Debt data recorded in CS-DRMS as at end December 2016. Sovereign bond issues in 2009,2010, 2011,2012,2014,2015 and 2016 and T-bills and T-bonds held by non-residents are recorded under other activities.

(b) Excludes outstanding loans of Projects under State Owned Business Enterprises

(c) Provisional.

3. Servicing Public Debt in 2016

3.1 Debt Service Payments

CBSL maintained its unblemished record of servicing public debt obligations in 2016 as well in terms of payment of principal, interest and other contractual obligations. Timely and accurate debt service payment remains a crucial part of managing the public debt portfolio.

The total debt service payments in 2016 amounted to Rs. 1,352.4 billion, an increase of 2.63 per cent compared to the total debt service payments of Rs. 1,317.8 billion in 2015. Out of Rs. 1,352.4 billion of total debt service payments, amortization payments

amounted to Rs. 741.5 billion (54.83 per cent) while the interest payments amounted to Rs. 610.9 billion (45.17 per cent). In 2016, Rs. 1,056.6 billion (78.13 per cent) was paid on account of domestically raised debt while remaining Rs. 295.8 billion (21.87 per cent) was paid on account of debt raised from foreign sources. Total debt service payments as a percentage of total government revenue decreased considerably to 80.2 per cent in 2016 compared to 90.58 per cent in 2015. Further, total debt service payments as a percentage of GDP recorded 11.4 per cent in 2016 compared to 12.0 per cent in 2015.

TABLE 12
DEBT SERVICE PAYMENTS

Category	Rs. bn	
	2015	2016 ^(a)
Domestic	918.1	1056.6
Principal Payments ^(b)	523.8	572.4
Interest Payments ^(c)	394.3	484.2
Foreign ^(d)	399.7	295.8
Principal Payments ^(e)	284.3	169.1
Interest Payments ^(f)	115.4	126.7
Total Payments	1,317.8	1352.4

(a) Provisional.

Source: Central Bank of Sri Lanka

(b) Excludes T-bond payments to non-residents

(c) Excludes T-bill & T-bond interest payments to non-residents

(d) Excludes debt service payments on SOEs

(e) Includes T-bond payments to non-residents

(f) Includes T-bill & T-bond interest payments to non-residents

3.2 Amortization of Debt

The total debt amortization payments made in 2016 decreased considerably by 8.24 per cent to Rs. 741.5 billion compared to Rs. 808.1 billion in 2015. The total amortization payment as a per cent of total revenue of the government decreased in 2016 to 43.98 per cent from 55.54 per cent recorded in 2015. Of the total amortization payments in 2016, Rs.572.4 billion (77.19 per cent) represented payments made on domestic debt and the balance Rs. 169.1 billion (22.81 per cent) represented payment made on foreign debt. Total amortization cost as a percentage of

GDP, decreased to 6.26 per cent in 2016 against 7.38 per cent in 2015.

3.2.1 Amortization of Domestic Debt

Amortization of domestic debt amounted to Rs. 572.4 billion in 2016 and recorded an increase of Rs. 48.6 billion (9.28 per cent) compared to Rs. 523.8 billion in 2015. The increase in amortization of domestic debt was mainly driven by the higher repayment of SLDBs. Amortization of SLDBs increased by 184.49 per cent to Rs.317.5 billion in 2016 from Rs.111.6 billion in 2015. However, amortization payments on T-bonds decreased considerably.

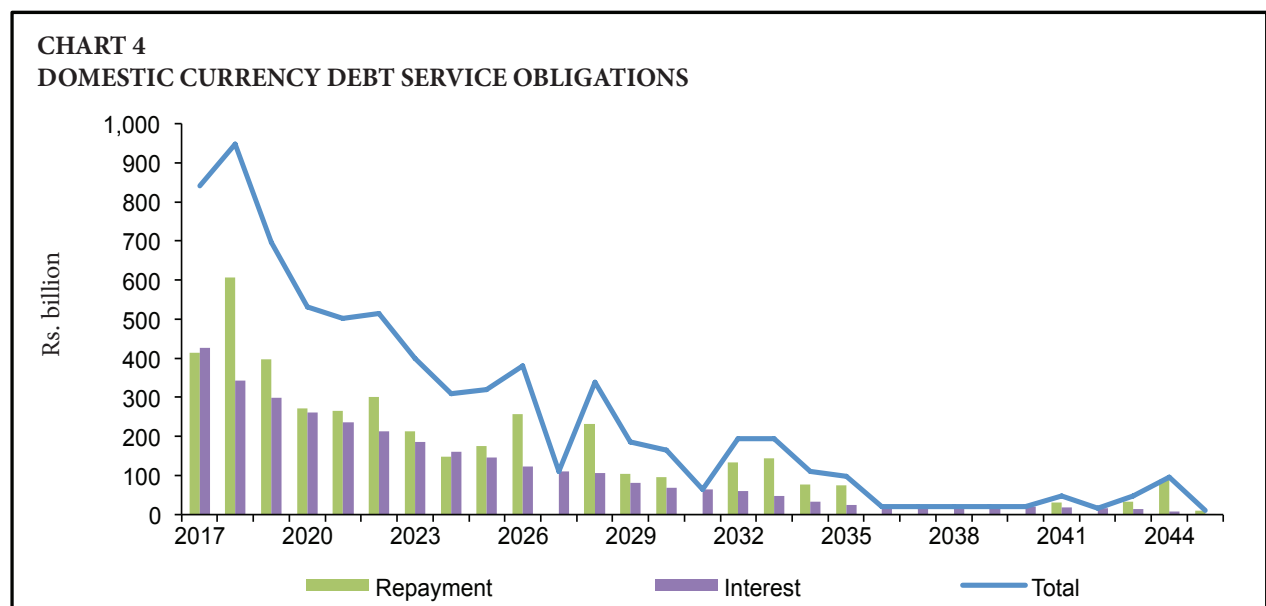


TABLE 13

AMORTIZATION OF DEBT

Rs. bn

Source/ Instrument	2014	2015	2016 (a)
Domestic Debt	449.6	523.8	572.4
T-bonds (b)	374.2	379.4	245.6
Rupee Loans	-	31.4	-
OBU Loans	0.8	1.4	8.7
SLDBs	74.5	111.6	317.5
Other Domestic	-	-	0.61
Foreign Debt (c)	183.1	284.3	169.1
T-bonds held by Foreigners	65.5	91.9	23.8
Sovereign Bond	-	65.8	-
Other	117.6	126.6	145.3
Total Amortization Payments	632.7	808.1	741.5

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Excludes T-bill interest payments to non-residents.

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(c) Excludes T-bond interest payments to non-residents and Excludes debt service payments on SOEs.

3.2.2 Amortization of Foreign Debt

The rupee value of total amortization payments on account of foreign debt amounted to Rs. 169.1 billion in 2016, which was a decrease of Rs. 115.2 billion compared to 2015.

The decrease in amortization payment on account of T-bonds held by foreigners and absence of maturing International Sovereign

Bonds (ISBs) mainly contributed to the decrease in foreign debt amortization payments during 2016.

Amortization payment on account of T-bonds held by foreigners decreased by Rs. 68.1 billion to Rs. 23.8 billion in 2016 from Rs. 91.9 billion in 2015. There were no ISB maturities in 2016 compared to ISB maturity of US dollars 500 million recorded in 2015.

CHART 5
FOREIGN CURRENCY DEBT SERVICE OBLIGATIONS

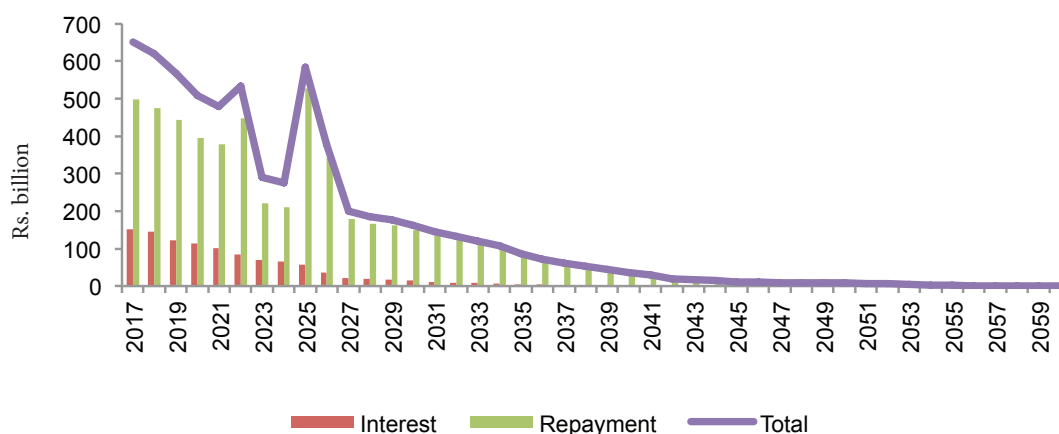


TABLE 14

TREASURY BILLS PRIMARY AUCTION WEIGHTED AVERAGE YIELD RATES Per cent per annum

Period	31/12/2016	2016			
		End March	End June	End September	End December
91 day	6.39	8.30	8.86	8.55	8.72
182 day	6.69	9.29	9.83	9.39	9.63
364 day	7.11	9.90	10.55	10.11	10.17

Source: Central Bank of Sri Lanka

TABLE 15

PRIMARY MARKET WEIGHTED AVERAGE INTEREST COST ON DOMESTIC BORROWING ^(a) Per cent

Instrument	2014	2015	2016
T-bills	6.68	6.46	9.38
T-bonds	10.17	9.46	12.27
Rupee Loans ^(b)	-	-	-

(a) Weighted average interest cost = $\sum(\text{Amount issued} * \text{Yield}) / \text{Total amount issued}$

Source: Central Bank of Sri Lanka

(b) No new rupee loans were issued since 2012.

TABLE 16

INTEREST COST ON PUBLIC DEBT

Rs. bn

Source/ Instrument	2014	2015	2016 ^(a)
Domestic Debt	327.9	394.3	484.2
T-bills ^(b)	78.8	57.7	78.8
T-bonds ^(c)	207.7	295.8	356.8
Rupee Loans	5.9	4.6	2.9
OBU Loans	1.4	1.5	1.7
SLDBs	18.8	23.4	33.4
Other Domestic ^(d)	15.3	11.2	10.6
Foreign Debt ^(e)	115.7	115.4	126.7
Total Interest Cost	443.6	509.7	610.9

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Excludes T-bill interest payments to non-residents.

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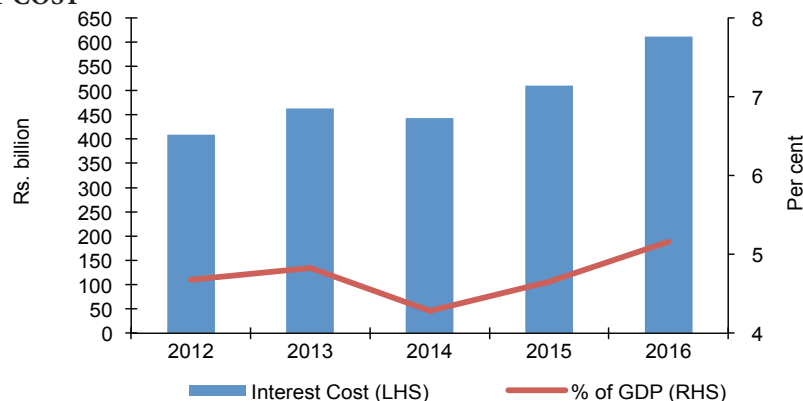
(c) Excludes T-bond interest payments to non-residents.

(d) Includes interest on overdraft facility taken from Commercial Banks, administrative borrowings etc.

(e) Includes T-bill and T-bond interest payments to non-residents and Excludes debt service payments on SOEs.

CHART 6

TOTAL INTEREST COST



3.3 Interest Cost

The total interest cost on public debt in 2016 amounted to Rs. 610.9 billion, an increase of Rs. 101.2 billion (19.85 per cent), compared to Rs. 509.7 billion of total interest cost in 2015 reflecting a relatively higher domestic interest payments in 2016. The total interest cost on public debt as a percentage of GDP increased to 5.16 per cent in 2016 from 4.65 per cent in 2015. Further, the expenditure on payment of interest on public debt slightly increased to 36.23 per cent of the total revenue of the Government in 2016 compared to 35.03 per cent in 2015.

3.3.1 Interest Cost on Domestic Debt

The interest cost on domestic debt increased by 22.80 per cent to Rs. 484.2 billion in 2016 from Rs. 394.3 billion in 2015 reflecting relatively high interest rates and the increase in domestic debt stock by 7.71 per cent to Rs. 5,341.5 billion at end 2016 from that of Rs.4,959.2 billion at end 2015. Interest payments on T-bills, T-bonds and SLDBs, mainly contributed to the increase in domestic interest cost.

3.3.2 Interest Cost on Foreign Debt

The total interest payments on foreign debt increased by Rs. 11.3 billion (9.79 per cent) to Rs. 126.7 billion in 2016 from Rs. 115.4 billion in 2015. The increase in interest payments on foreign debt was mainly attributable to the increase in the stock of non-concessional foreign borrowings.

The prudent mix of domestic and foreign instruments enabled managing the increase in interest cost on foreign debt amidst increase in the volume of foreign debt on the back of depreciation of rupee against major foreign currencies during 2016.

3.4 Future Debt Service Obligations

The maturity structure of government securities was maintained through the issuance of 25-year Treasury bonds in the domestic market. The debt service obligations of the foreign currency denominated debt too extended up to 2060 by end 2016. Appropriate strategies for overall debt management were consistently evaluated to manage total maturity and interest payments taking overall debt service payment obligations in the medium term.

4. Market Operations in 2016

Overview

The Central Bank of Sri Lanka (CBSL), being the agent responsible for raising the government funding requirement, implemented the Government's borrowing programme for 2016 to achieve the objective of raising funds at lowest possible cost with a prudent degree of risk. The borrowing programme has been executed within the overall borrowing limit specified in the Appropriation Act number 16 of 2015, by issuing T-bills, T-bonds and SLDBs in the domestic market and ISBs in the international capital market. Raising other external loan facilities by way of project loans, commodity loans, syndicated loans etc. were handled by the External Resources Department of the Ministry of National Policies and Economic Affairs.

Monetary tightening adopted by the Central Bank in view of curtailing possible rise of demand driven inflationary pressures in the domestic economy coupled with adverse effect of gradual normalization of United States policy interest rates in the global front, posed significant challenges to market operations in managing public debt.

In particular, marked deviations in certain fiscal targets owing to the decline in real growth, higher expenditure and depreciation of the rupee had an adverse impact on the implementation of the borrowing program in 2016. Primary market yields on government securities witnessed an increasing trend during the first quarter of 2016 and thereafter broadly stabilized during the period

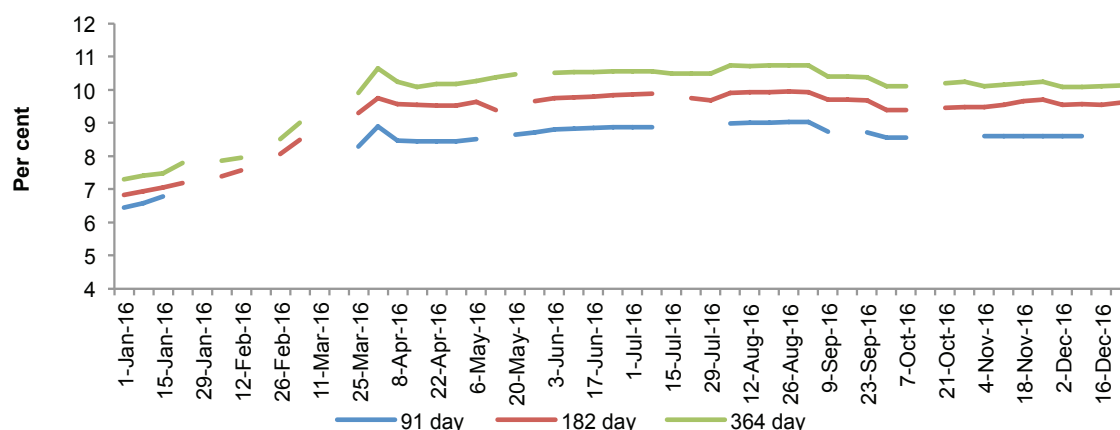
April to July albeit an upward adjustment in line with the policy rate increase in July 2016. With successful issuance of ISB and receipt of syndicated loan proceeds, primary market yields gradually declined thereafter albeit a marginal increase in December 2016. In the backdrop of such developments, CBSL had to resort to various strategies to launch the Government's borrowing program at lowest possible cost with a prudent degree of risk. Issuance of ISBs in May 2016, eased the pressure on the interest rates in the domestic front amidst decline of investments by foreign investors in the rupee denominated government securities market during 2016.

4.1 Treasury Bills Primary Market

Government used T-bills as the key debt instrument to manage the short-term Treasury cash-flow requirement and issued T-bills via weekly auctions of three standard maturities (91-day, 182-day and 364-day) during 2016.

The gross fund mobilization through T-bills (91-day, 182-day and 364-day) in 2016 was Rs. 1,635.3 bn on face value basis compared to Rs. 1,589.5 bn in 2015. The face value of outstanding T-bills at end 2016 was Rs. 792.4 bn in comparison to Rs. 663.2 bn recorded at end 2015. Further, CBSL conducted 52 weekly T-bill auctions in 2016.

Chart 7
T-BILL PRIMARY MARKET WEIGHTED AVERAGE YIELDS



Reversing the declining trend in the foreign holdings witnessed from 2012, T-bills owned by foreign investors increased by Rs. 7.8 bn during 2016 to Rs. 12.8 bn by end 2016 compared to Rs. 5.0 bn recorded at end 2015.

An upward trend in primary market WAYR of T-bills was observed during 2016 although the increase moderated somewhat towards the latter part of the year. Accordingly, during the first quarter of 2016, primary market WAYR of T-bills showed an increasing trend mainly due to increased demand for funds by the government owing to delays in expected foreign financial inflows to the government and effects of monetary tightening. Accordingly, WAYR of 91-

day, 182-day and 364-day maturities increased by 245 basis points, 293 basis points and 334 basis points, respectively, to 8.90 per cent, 9.76 per cent and 10.64 per cent, respectively, by end March 2016 compared to end 2015.

With noticeable improvement in foreign inflows to the government securities market, the upward pressure on T-bill yields witnessed during the first quarter moderated and the yields remained broadly stable during the period from April – July 2016. Successful issuance of the ISB in May 2016 coupled with proceeds from the syndicated loans further lessened the upward pressure on T-bill yields. However, T-bill yields adjusted upwards with the increase in the Central Bank

TABLE 17
TREASURY BILL PRIMARY AUCTION DETAILS

Rs . bn

2016	91 Days				182 Days				364 Days			
	Offered	Accepted	%	WAYR (%)	Offered	Accepted	%	WAYR (%)	Offered	Accepted	%	WAYR (%)
Q1	43.50	63.18	145.25	7.26	117.00	73.92	63.18	7.77	117.00	37.43	31.99	8.57
Q2	124.00	59.61	48.07	8.69	130.00	115.46	88.81	9.65	104.00	112.33	108.01	10.29
Q3	75.50	49.40	65.43	8.85	104.00	77.02	74.06	9.78	127.00	136.38	107.39	10.58
Q4	90.00	23.72	26.35	8.61	112.50	53.15	47.24	9.52	119.50	43.02	36.00	10.14

Source: Central Bank of Sri Lanka

policy rates in July 2016. Despite a marginal increase in December 2016, a declining trend was observed in T-bill yields from August 2016 onwards reflecting the improved government cashflows as well as improved foreign inflows to the government securities market. Accordingly, T-bill primary market WAYR for 91-day, 182-day and 364-day maturities declined by 18 bps, 13 bps and 47 bps, respectively, to 8.72 per cent, 9.63 per cent and 10.17 per cent, respectively, from the yield rates of end March 2016.

At end 2016, ATM of the T-bills was recorded at 0.38 years compared to 0.29 years recorded at end 2015. Further, reflecting the elevated interest rate environment that prevailed during 2016, overall WAYR of T-bills issued in 2016 increased to 9.38 per cent compared to that of 6.46 per cent recorded in 2015. Further, the overall WAYR for 91-day, 182-day and 364-day maturity T-bills in 2016 were recorded at 8.26 per cent, 9.23 per cent and 10.20 per cent, respectively, compared to that of 6.32 per cent, 6.56 per cent and 6.60 per cent in 2015.

4.2 Treasury Bonds Primary Market

The total outstanding T-bonds, excluding those held by foreign investors, increased to Rs. 3,714.8 bn by end 2016 from Rs. 3,305.2 bn recorded at the end 2015. Further, 23 T-bond auctions offering single or multiple maturities in the range of 2-29 years were conducted during the year. As at end 2016, there were 61 outstanding T-bond series. The primary market WAYR for T-bonds ranged between 11.11 per cent and 15.81 per cent.

The ATM of T-bond portfolio declined marginally to 7.07 years at end 2016 from 7.36

years recorded at end 2015. Further, reopening of existing T-bond series continued in 2016 with the purpose of increasing the liquidity of the benchmark T-bond series available in the market and to manage new-issuance premium of debt securities financing.

Meanwhile, accommodation of foreign investments within the expected lee-way arising from the gross borrowing limit also helped in managing adverse effects in the domestic market. Further, reflecting the foreign capital outflow from emerging markets including Sri Lanka mainly due to gradual normalization of US policy interest rates, foreign investment in T-bonds declined further to Rs. 247.2 bn at end 2016 from Rs. 298.7 bn recorded at end 2015.

However, T-bonds owned by foreign investors decreased by Rs. 51.5 bn during 2016 to Rs. 247.2 bn by end 2016 compared to Rs. 298.7 bn recorded at end 2015. Gradual normalization of US interest rates and the resultant foreign outflows from emerging economies, including Sri Lanka, was the main contributory factor towards above decrease in foreign investments.

4.3 Sri Lanka Development Bonds

The funds raised through the issuances of SLDBs in 2016 amounted to USD 1,365.9 mn. CBSL was successful in easing the pressure on yield rates of domestic debt instruments through issuing USD denominated SLDBs at various floating rates and the ISBs issuance of USD 1,500 mn in May 2016, at a yield rate of 6.2 per cent.

The outstanding SLDB stock declined to USD 3,819.8 mn at end 2016 compared to USD

4,640.1 mn recorded at end 2015. Yields of six months London Inter-Bank Offered Rate (LIBOR) plus a weighted average margin ranging from 276 bps to 525 bps were given to raise SLDBs where LCBs were the main investors and majority of such investments was held to maturity by these banks.

4.4 Secondary Market Yield Rates

Reflecting the upward pressure on yield rates of government securities in the primary market, the secondary market yield rates of T-bills increased substantially during 2016. Accordingly, as per indicative quotes reported by PDs, 91-day, 182-day and 364-day secondary market T-bill yields increased by 230 bps, 294 bps and 306 bps,

respectively, by end 2016 compared to that of end 2015.

In line with the increasing trend in the yield rates of short term government securities in the secondary market, secondary market yields of medium to longer term T-bonds also increased during 2016. Accordingly, as per indicative quotes reported by PDs, the secondary market yields of 2-year, 5-year, 8-year and 10-year maturity T-bonds increased by 373 bps, 256 bps, 227 bps and 215 bps, respectively, by end 2016 compared to that of end 2015.

The total transaction volume of government securities (T-bills and T-bonds) on an outright basis during 2016 was recorded at Rs. 5,800.0 bn compared to Rs. 5,378.4 bn recorded in 2015.

5. The Medium-Term Debt Management Strategy 2017 - 2020 and Issues and Challenges

Overview

The Medium-Term Debt Management Strategy (MTDS) outlines a framework for formulation and implementation of a prudent borrowing program that the CBSL intends to execute over the next three to five-year (medium term) period with the aim of achieving government debt management objectives. The MTDS is mainly focused in raising funds in an appropriate composition focusing on the projected path of macroeconomic indicators and market environment, to ensure that the government debt management objectives are met prudently.

The MTDS for 2017-2020 outlines the public debt management direction in formulating debt management plan to achieve the cost and risk consideration in line with current market developments. Accordingly, considerations such as potential variation in debt servicing costs and its budgetary impact, linkages with other key macroeconomic policy objectives and/or targets, improvement in debt sustainability and the need for the development of the domestic debt markets are considered in formulating the MTDS. Executing the debt management strategy eventually aims at containing risks to the government's balance sheet while minimizing the potential public debt-related burden and maximizing the resource availability for other sectors of the economy.

The MTDS for 2017-2020 is a continuation of MTDS for 2016-2020. The strategy considers

the changes in local and global economy while articulating on an ongoing basis of the required adjustments in implementing overall targets stipulated in the MTDS. The MTDS for 2017-2020 has been formulated based on the Government Budget 2016 and the medium-term policy direction announced by CBSL in the Annual Report 2016.

5.1 Expected Benefits of the MTDS

The MTDS is expected to provide a framework for decision making and to make informed choice on how the government's financing requirement is to be met under a given set of constraints and potential risks. Such a methodical approach to government debt management related decision making would strengthen the efficiency and effectiveness of the function of the CBSL as the fiscal agent of the government. The following benefits are expected to be accrued through implementation of the MTDS.

5.1.1 Evaluating the cost-risk trade-off:

The MTDS allows well considered decisions after identification and analysis of costs and risks associated with alternative strategies available for financing the government's borrowing requirement. CBSL believes that clearly defined strategic goals of MTDS would avoid the possibility of making one sided decisions only on the basis of the cost while compromising on risk parameters.

5.1.2 Identifying and managing risks:

Despite limited alternative sources available for meeting the government borrowing requirement, MTDS allows CBSL, to identify, estimate, and monitor risks associated with such alternative funding sources. Further, it provides an opportunity to evaluate the impact on the overall risk profile of the public debt portfolio deriving from exercising alternative financing options within the overall risk parameters defined for public debt of the country. Identification of risks associated with alternative financing options on a proactive basis, provides CBSL an opportunity to put in place an appropriate risk mitigating mechanism to better utilization of such alternative funding arrangements and manage the impact of negative eventualities, if any. In the process of identification of suitable risk mitigates, the MTDS facilitates numerous considerations, including further development of the domestic debt market, on a proactive basis.

5.1.3 Policy Coordination:

The MTDS facilitates proper coordination of fiscal policy with monetary policy within the envisaged path of macroeconomic variables. The MTDS framework allows understanding the constraints, including developments in the domestic debt market and balance of payment consideration. Such smooth policy coordination allows eliminating and/or minimizing externalities and enhances the overall economic efficiency while also helping to achieve transparency and accountability on the management of the public debt of the country without compromising other policy objectives.

5.1.4 Proactive Identification of constraints:

The MTDS allows CBSL and the Government

to identify constraints that affect their overall objectives, including economic and price stability and financial system stability for higher growth, in advance, so that suitable remedial measures can be formulated and implemented to ease-off such constraints.

5.2 Implication of medium term fiscal policy direction as mentioned in 2017 Budget and the Medium Term Macroeconomic Outlook of the Annual Report of the Central Bank on MTDS 2017-2020

The medium-term macro fiscal framework of the government, as articulated in 2017 budget, is designed to further strengthen the fiscal consolidation process by reducing the budget deficit and improving the government debt profile. The budget deficit is expected to be reduced to around 3.50 per cent of GDP in the medium term, making the government debt to further reduce to a conducive level in line with its rating peers. Moreover, the increase of government revenue to reach 16.50 per cent of GDP over the medium term from 14.30 per cent of GDP in 2016, with continuous efforts to rationalize recurrent expenditure, in an environment of appropriate and stable interest rate regime continued. As a result, the envisaged current account surplus in 2017 would be further strengthened in the medium term, creating more fiscal space to achieve the government's MTDS designed to gradually reduce the debt stock to GDP ratio to around 75.10 per cent by 2018, and further to around 70 per cent by 2020. Further, it is envisaged to lengthen the ATM of the debt stock, while reducing debt servicing costs in the medium term. In the monetary front, CBSL expects to maintain inflation at

around mid-single digits in the medium term, through prudent conduct of monetary policy, supported by productivity enhancing supply side measures. Maintaining headline and core inflation at single digit levels for a period of over five years has led to well anchored inflation expectations, allowing market interest rates to remain at appropriate and stable levels, facilitates a prudent debt management in the medium term.

5.3 Stated Objectives of the MTDS 2017-2020

The primary objective of the MTDS is to ensure that the government's financial needs are met at the lowest possible cost over the medium term, consistent with a prudent level of risk. Besides, the following secondary objectives are stated in the MTDS to facilitate the primary objective.

- (a) Evaluating and managing the risk involved in different debt compositions;
- (b) Facilitating coordination with fiscal and monetary management;
- (c) Enhancing the transparency in public debt management;

- (d) Enhancing the efficiency and competition of the primary market for government securities;
- (e) Broadening and deepening of the secondary market for government securities;
- (f) Diversification of investor and instrument base;
- (g) Enhancing the efficiency of the secondary market by developing a dynamic benchmark yield curve across the term structure;
- (h) Enhancing Debt Dynamics;
- (i) Publishing a Treasury bond calendar for both domestic currency and foreign currency issuances; and
- (j) Upgrading the infrastructure of the domestic debt market supported by e-trading platform together with a central clearing arrangement.

5.4 Targets as set out in the MTDS 2017 – 2020

The targets, as set out in the MTDS for 2017-2020 are as follows.

TABLE 18
MEDIUM TERM DEBT MANAGEMENT STRATEGIES (MTDS)

Indicator	Annual Targets				
	2016	2017	2018	2019	2020
Overall Budget Deficit/GDP Ratio (%)	5.4	4.6	4.3	3.8	3.5
Debt/GDP Ratio (%)	79.3	77.5	75.1	72.7	70.0
Total Revenue and Grants / GDP	14.3	15.0	15.5	16.0	16.5
Average Time to Maturity (years)	5.98	6.5	6.6	6.7	6.7
Ratio of Short Term Domestic Debt to Total Domestic Debt (%)	18.1	19.5	19.0	18.5	18.5
Ratio of Foreign Currency Debt to Total Debt (%)	46.7	48.0	46.0	44.0	40.0

Source: Central Bank of Sri Lanka

5.5 Issues and Challenges of Implementation of MTDS

5.5.1 Maintaining the dynamism of the benchmark yield curve for government securities:

A dynamic benchmark yield curve is an essential element for a well-functioning secondary market for government securities and other financial instruments. An effective and dynamic benchmark yield curve provides opportunities to reduce refinance risk in fulfilling government financing requirements. The extension of yield curve, up to a 30-year maturity horizon by issuing benchmark securities on a periodic basis has minimized the market fragmentation and provided a clear benchmark for private sector to emulate and develop other financial products. Frequent issuance of long term bonds and reissuances of existing securities has improved market liquidity. However, due to its segmented nature and less volume of transactions in the secondary market for long term maturities, reduce the dynamism in the secondary market on the longer-end of the benchmark yield curve.

Currently, most of the secondary market trades in government securities take place via Over the Counter (OTC) market. The reluctance of market participants to conduct trade between counterparties, freely and transparently, has increased reliance on the OTC market. As there is no regulatory reporting requirement for all the OTC transactions, the underlying prices and yields of these transactions are not reflected on real-time basis, thus creates an asymmetry in market information. Currently, sellers/buyers of government securities do not transact with buyers/sellers if there are no pre-determined internal credit limits. Such practices have

created discernment among segments of market participants and discouraged price discovery, transparency and efficiency of the market.

5.5.2 Lack of secondary market liquidity in terms of rupee leg and the security leg:

Since 2004, settlement of government securities transactions in the secondary market have been made through Scrip-less Securities Settlement System (SSSS) and Real Time Gross Settlement System (RTGS). These systems employ, a DVP-1 settlement mechanism that settles each security and payment instruction individually, irrevocably on real time basis, using funds and securities in the participants' Settlement Accounts held in the SSSS and RTGS.

Accordingly, each secondary market transaction in government securities is required to be settled on one-to-one gross basis, where market participants are expected to maintain substantial amounts of liquidity in both security and rupee terms. As a result, transaction volumes of government securities in the secondary market has remained rather hindering.

5.5.3 Exclusivity in primary auction system and primary auction participation:

Primary auctions for government securities are conducted only through the dedicated Primary Dealers (PDs). There were 15 PDs operating in the market in 2016. These PDs are expected to act as intermediaries between the CBSL and the investors in government securities. Hence, PDs are acting as market makers for such instruments.

However, due to limited resource availability, shallow and illiquid secondary market for government securities along with unpredictable

yield curve, PDs have not been able to perform the market making role effectively.

5.5.4 Effective cash flow forecasting and cash balance management of the government:

Even though, cash flow forecasts and cash balance management practices of the government exist, prudent and timely information on the aggregate level of overnight cash balances, or float, and the accuracy of such balances are essential for the formulation of an efficient borrowing programme and to ensure that the float is in accordance with the MTDS. Furnishing accurate and timely forecasts on government cash flows and the end-of-day balances would enhance efficiency of the MTDS.

Further, if there is any excess liquidity available in government accounts, it could be used to retire or buy back government securities that would enable managing of the cost of financing effectively. Lack of provisions, for liability management options such as a) buy back arrangements outside the gross borrowing limit b) maintenance of a pre-funding account and c) active trade desk facilitation at the issuer, is a hindrance to facilitate improved efficiency in cash flow management and risk mitigation measures.

5.6 Measures taken to address the issues and challenges of implementing MTDS

5.6.1 Standardization of market regulations and other legal documents:

The CBSL continued to review the existing laws and regulations and introduced system reforms to improve the government securities market

in 2016. The initiatives aimed at reducing the information asymmetry, increasing the core capital requirements, enhancing secondary market liquidity, improving safety of investors and increasing the overall efficiency of the PD industry.

5.6.2 Enhancing market transparency through System Reforms:

From 2016, CBSL has started conducting pre-bid meetings on forthcoming T-bond auctions, with all primary dealers with the view of enhancing market transparency and thereby improving market efficiency. Further, in order to enhance the predictability of the primary auction process and ensure the availability of the information in advance, CBSL has provided more information in the auction calendar by newly introducing the ISIN and Settlement date information along with the auction date and tenor during the year 2016.

5.6.3 Electronic Trading System (ETS):

Electronic Trading or commonly named as e-Trading is an automated facility, which is used in capital/ money market dealings between traders. ETS facilitates order entry, deal management, order matching with defined priority rules such as price- time priority coupled with deferred net settlement procedure and information dissemination using industry accepted protocols. Currently, CBSL is in the process of implementing a state of art ETS for government securities. Meanwhile, the introduction of Bloomberg trading platform for government securities has resulted in a limited improvement in price discovery and transparency in the secondary market transactions.

5.6.4 Central Counterparty Platform:

A Central Counter Party (CCP) is an arrangement that guarantees the settlement of securities and funds, thus minimizes the settlement risk and the counter-party credit risk of trades/ transactions through contribution of its clearing members (CM). Initiatives such as appointing Technical Evaluating Committees and Cabinet Appointed Procurement Committees have been established to procure CCP.

5.6.5 Market based mechanism in auctioning of T-bills and T-bonds:

Raising of funds from the primary market, to meet the borrowing requirement of the government, was entirely done through auctions since March 2015. As a result, the yield rates were entirely determined through the market based mechanism hoping that it would enable to derive a more representative long-term benchmark yield curve for government securities. As a way forward, CBSL is planning to upgrade the web based auction system for T-Bills and T-Bonds.

In view of inherited limitations in the “auction only” system for primary issuances of T-bills and T-bonds, discussions were initiated to introduce a new auction mechanism for T-Bond and T-Bill issuances to enhance “competitive market clearing pricing” with meeting government funding requirement through transparent mechanism.

5.6.6 Conversion of SLDBs to Scripless Securities:

The issuances of SLDBs have significantly increased due to the growing market preference for SLDBs. However, due to the hassle of dealing with physical certificates, the secondary market for SLDBs are not very active as in case for secondary market for Scripless Government Securities. Thus, initiatives have been taken for issuance of SLDBs in Scripless form with the target to increase the efficiency in the SLDB market by improving secondary market trading, while eliminating the risks associated with paper-based securities.

6. Risk Management in Public Debt and Sustainability of External Debt

6.1 Risk Management in Public Debt

Government debt portfolio remains the largest single financial portfolio in most of the countries. Therefore, risk management of the government debt portfolio needs to go beyond passive risk mitigation strategies and explore active means of cost and risk mitigation. The overall profile of risk parameters to be followed in Sri Lanka is comprehensively articulated by the MTDS. The overall profile of risk parameters to be followed over the next three years, and the annual borrowing programme, which primarily distinguishes the instrument composition are directly linked with MTDS.

CBSL implemented robust mechanism to manage risks pertaining to public debt portfolio. This contains predetermined risk tolerance limits and portfolio preference, measurement, monitoring, independent risk identification and reporting by the middle office of Public Debt Department (PDD) consistent with internationally accepted best practices and norms.

6.2 Risks Pertaining to the Public Debt Portfolio

Refinancing (rollover) risk and market (exchange rate and interest rate) risk continue to be the major risks that CBSL managed during 2016. However, the possible incidences of other risks namely liquidity risk, legal risk, operational risk and reputational risk have been

adequately factored into the risk management framework with appropriate risk mitigation strategies during the year.

6.3 Analysis of the Risk Profile of the Public Debt Portfolio

6.3.1 Refinancing Risk: Refinancing or rollover risk is the likelihood that the reissue of existing debt would be at an unusually high cost or, in the extreme case, inability to reissue at all. Thus, the risk, if materialized, could lead to, or exacerbate a debt crisis and thereby cause real economic losses, besides the financial effects of higher interest cost burden. Thus, high importance was given to the management of refinancing risk associated with the government debt portfolio in 2016 as in past years.

The ATM and the Ratio of Short-term Debt to Total Outstanding Debt are two of the most widely used indicators to measure the refinancing risk of the debt portfolio and are commonly considered by CBSL to measure the refinance risk. The risk tolerance levels of these indicators are specified in the MTDS for Sri Lanka. The refinancing risk indicators of public debt portfolio remained healthy in 2016. The overall ATM of the government debt portfolio marginally decreased to 6.41 years at end 2016 from 6.72 years at end 2015 mainly due to the decrease in ATM of domestic currency debt.

Further, with the issuance of short to medium term government securities in the domestic market as against the issuances of long tenors in 2015, the ATM of domestic currency debt portfolio declined to a value of 5.98 years at the end of 2016 from 6.29 years at end 2015. The ATM of foreign currency debt decreased

at the rate reset dates. CBSL continue to use three indicators, namely, the duration of the debt stock, Average-Time-to-Refixing (ATR) and the Ratio of Floating Interest Rate Debt to Total Debt for the management of interest rate risk in the public debt portfolio.

TABLE 19
RISK ASSESSMENT INDICATORS (AS AT END OF YEAR)

Indicator	Domestic Currency Debt		Foreign Currency Debt		Aggregate	
	2015 ^(a)	2016 ^(b)	2015 ^(a)	2016 ^(b)	2015 ^(a)	2016 ^(b)
Refinancing Risk						
Average Time to Maturity (ATM) (yrs)	6.29	5.98	7.19	6.85	6.73	6.41
Short-term (original maturity less than or equal to one year) / Outstanding debt (%) ^(a)	20.11	19.67	7.14	6.40	10.80	10.45
Interest Risk						
Duration (yrs)	3.68	3.28	6.14	4.86	4.86	4.07
Average Time to Re-fixing (ATR) (yrs)	6.29	5.98	5.82	5.68	6.06	5.83
Floating Rate debt / Outstanding debt (%)	-	-	35.26	31.57	16.32	14.78
Foreign Exchange Risk						
Share of Foreign Currency Commercial debt / Official Reserves (%)	-	-	-	-	157.11	214.50
Share of Foreign Currency debt / Total debt (%)	-	-	-	-	46.29	46.85

(a) Revised

Source: Central Bank of Sri Lanka

(b) Provisional

to 6.85 years as at the end of 2016, partly due to the issuance of medium term ISB during the year amounting to USD 500 million.

Concentration of domestic currency debt in short maturities at end of 2016 decreased, comparative to end of 2015, with lesser issuances of short term T-bills to finance the government borrowing requirement. The share of domestic currency debt maturing within one year at the issuance date to the outstanding domestic currency debt dropped to 19.67 percent at end of 2016 as compared with 20.11 percent at end of 2015. The share of short-term foreign currency

debt to total foreign currency debt improved to 6.40 percent in 2016 compared to 7.14 percent in 2015. Similarly, Total short-term debt as a percentage of total outstanding debt improved to 10.45 percent at end 2016 compared to 10.80 percent at end 2015.

6.3.2 Interest Rate Risk: Interest rate risk refers to the risk associated with changes in market interest rates on servicing cost of public debt. For both domestic and foreign currency debt, changes in interest rates affect debt servicing costs on new issues when the fixed-rate debt is refinanced and on floating-rate debt

Duration is an indicator, which measures the time taken to payback the initial investment of the debt stock in present value terms. Duration of the overall public debt portfolio decreased to 4.07 years in 2016 from 4.86 years in 2015 mainly due to issuance of short to medium term T-bonds at comparatively higher yields in 2016. ATR of the debt portfolio measures the average time in which debt coupons are re-fixed. For zero coupon bonds or bonds with fixed coupons, ATR is the residual life of the bond. For floating rate bonds, the ATR is the time left until fixing of the next coupon. ATR of the overall debt portfolio decreased to 5.83 years at end 2016 from 6.06 years at end 2015. ATR of foreign currency debt portfolio marginally decreased to 5.68 years in 2016 from 5.82 years in 2015. Similarly, ATR of rupee denominated debt also decreased to 5.98 years by end of 2016 from 6.29 years by end of 2015. The exposure of Government debt to interest rate changes has increased during 2016.

Floating interest rate debt to total debt decreased to 14.78 per cent as at end 2016 from 16.32 per cent as at end 2015. Similarly, floating rate foreign currency debt to total foreign currency debt decreased to 31.57 per cent at end 2016 from 35.26 at end 2015. This was mainly attributable to the fact of conversion of short term SLBDs to medium term and issuance of fixed rate SLDBs in 2016. Fixed rate SLDBs were issued to mitigate the interest rate volatility in the market.

6.3.3 Exchange Rate Risk: Exchange rate risk arises due to adverse fluctuations in the exchange rate, where depreciation of domestic currency increases the rupee value of debt servicing cost and the outstanding value of foreign currency denominated debt.

CBSL continued to use the Ratio of Foreign Currency Debt to Total Debt to assess the degree of susceptibility of the debt portfolio to exchange rate risk. The share of foreign currency denominated debt in the total debt marginally increased to 46.85 per cent at the end 2016 from 46.29 percent at end 2015.

The marginal increase in the relative share of foreign currency denominated debt stock was mainly attributable to increase in net borrowings through International Sovereign Bonds, FCBUs, Foreign Project Loans and Syndicated Loans. Tightening monetary conditions, such as increasing policy interest rate and the SRR, and high borrowing pressure from market based mechanism in auctioning Treasury bills and Treasury bonds resulted an increase in interest rates of the domestic market. Further, the upward movement in short-term interest rates have pushed, the T-bond yields on an upward trajectory towards end 2016. Thus, financing of budget deficit has been greatly relied on foreign currency, striking a trade-off between costs of borrowing from domestic sources and exposure to foreign exchange risk, financing from foreign source.

6.3.4 Liquidity Risk: There are two types of liquidity risks affecting the public debt of a country. One refers to the cost or penalty that investors in government debt securities market face at the time of exit from such investment, when the number of transactions has markedly decreased or because of the lack of depth of a market. The other form of liquidity risk, for the borrower, refers to a situation where the volume of liquid assets can diminish quickly in the face of unanticipated cash flow obligations

and /or possible difficulty in raising cash through borrowing in a short period of time. A liquid market facilitates the issuance of large quantities of a debt instrument without significant movement in the interest rate/price.

CBSL implemented several strategies in 2016 to further improve the liquidity risk profile of the public debt portfolio. Those strategies included issuing medium-term T- bonds mainly in benchmark maturities, maintaining sustainable foreign participation within the threshold of 10.00 per cent of the total outstanding stock of Treasury bills and bonds, increasing the demand for government securities of Sri Lanka by enhancing the confidence among foreign investors, maintaining and taking measures to improve sovereign rating of the country and increasing the competition in the primary market. Due to these measures, the domestic debt securities market liquidity increased during 2016, as reflected in improved outright transactions in government securities.

6.3.5 Operational Risk: Operational risk is endogenous to an institution, which means that it cannot be captured and measured as easily as rollover, interest rate, exchange rate or liquidity risk. As the risk management process of the operational risk is linked to the nature and complexity of the activities, the systems and processes in place, the level of expertise of the people involved in the process, the quality of top management and the flow of information, managing the operational risk is inherently complex. Operational risk associated with public debt includes risk of loss, whether direct or indirect, arising from a range of different types of risks, including transaction errors

at various stages of executing and recording transactions, inadequacies or failures in internal controls, processes, people or systems, legal risk, security breaches, or natural disasters that affect business community.

The operational risk associated with the public debt portfolio continued to be minimized through several measures in 2016. These measures included various stringent internal control measures implemented in line with international best practices and risk management principles. Segregation of duties such as dual access control for auction systems are in place as internal controls. Availability of fully automated SSSS and RTGS to facilitate DVP are in operation to minimize the settlement risk associated with the government debt portfolio, while protecting participants to a transaction. Continuation of comprehensive Business Continuity Plan (BCP) is in place with a fully-fledged Disaster Recovery Site (DRS), to support crucial public debt management activities in case of a contingency situation. BCP and DRS that are made mandatory for every direct dealer in government securities were periodically tested in 2016.

6.4 Sustainability of External Debt

In general, debt sustainability of a borrower is the ability to service its debt as they fall due without restructuring, defaulting or compromising its long-term goals and objectives. Maintaining the sustainability of external debt is vital for a country as it has limited options to settle financial obligations in foreign currencies.

Sustainable level of external debt can be determined using various indicators, where there is no unanimity in adopting a sole

indicator as each indicator has its own strengths and weaknesses. These indicators are primarily in the nature of ratios, to be precise, comparisons between two relevant variables, which facilitate the policy makers in their external debt management exercise.

The sustainability of external debt is measured using five groups of indicators, namely, liquidity monitoring indicators, debt burden indicators, debt structure indicators, NPV indicators, and dynamic indicators. The external debt indicators discussed in this review are mainly based on the proportion of receipts from exports of goods and non-factor services including workers' remittances and compensation of employees (XGS) that is absorbed for servicing of external debt.

6.4.1 Liquidity Monitoring Indicators

Liquidity Monitoring Indicators illustrate the capacity of a country to settle its external liabilities. These include; Interest Service Ratio, Medium and Long-term Debt Service Ratio, Total Debt Service Ratio and Short-term Debt Ratio.

The Interest Service Ratio (INT/XGS) measures the interest cost of external debt as a percentage of XGS. The value of the ratio marginally decreased to 3.52 per cent in 2016 from 3.55 per cent in 2015 resulting from the increase in XGS at a higher rate than that of foreign interest payments. Both the ratios, the Medium to Long-term Debt Service Ratio (MLDS/XGS) and the Total Debt Service Ratio (TDS/XGS) substantially decreased to 8.22 and 8.23 per cent respectively in 2016 from 12.30 and 12.30 per cent in 2015. However, Short-term debt ratio (Short-term debt/XGS) marginally increased to 0.36 per cent at end 2016 from 0.16 per cent at end 2015.

6.4.2 Debt Burden Indicators

Debt burden indicators measure the level of the burden of external debt on the country's economy. For this purpose, the first ratio that was used is by comparing Disbursed Outstanding External Debt (DOD) with XGS. This ratio measures the foreign debt level as a proportion of exports of goods and services. It shows the debt burden level over exports or the capability of acquiring foreign exchange. The second indicator is the ratio of DOD/GNP.

Both the ratios, the DOD/GNP and the DOD/XGS ratio increased to 35.16 and 112.49 per cent as at the end of 2016 compared to 33.21 and 109.05 per cent at the end of 2015.

6.4.3 Debt Structure Indicators

External debt portfolio has a great impact on the level of risk exposure of a country and the risk exposure is measured by rollover ratio, which indicates the principal payments to disbursements. This ratio reflects the ability of a country to meet its debt service obligations via external disbursements.

The rollover ratio decreased to 23.71 per cent in 2016 compared to 52.97 per cent in 2015, due to decreased repayments of external debt and the increase in disbursements. The second indicator, short-term debt to total DOD ratio marginally increased to 0.32 per cent at end 2016 from 0.14 per cent at end 2015.

6.4.4 Net Present Value Indicators

There are two commonly used NPV indicators. The first is the ratio of NPV of debt service to GNP. The objective of using this ratio is to compare future debt service payments in present

value terms, with general level of current economic activity. Second ratio is the ratio of NPV of debt service to XGS and this implies that the capacity of a country to generate foreign exchange receipts.

The ratio of NPV of Debt Service/ GNP and Debt Service/ XGS ratios moderated and recorded 0.24 and 0.79 at end of 2016 compared to 0.23 and 0.77 at end 2015 respectively.

6.4.5 Debt Dynamic Indicators

Debt dynamic indicators compare growth in cost of borrowing with the increase in exports earnings and also with the growth in the overall economy. The share of average interest rate of the debt portfolio to the rate of export growth reported 0.26 in 2016 compared to the 4.07 recorded in 2015, as a result of relatively higher service receipts and workers' remittance recorded in 2016 compared to 2015. The share of average interest rate to the rate of GNP growth has improved to 0.38 per cent in 2016 compared to 0.41 percent in 2015 due to relatively higher GNP growth rate prevailed in 2016 compared to 2015.

6.4.6 Overall Sustainability of Debt

Overall debt sustainability can be broadly assessed using two aggregate indicators, namely, overall debt to GDP ratio and foreign debt service payments as a ratio of official reserves.

TABLE 20

OVERALL DEBT SUSTAINABILITY		Per cent	
Indicator	2014	2015	2016^(a)
Debt/GDP	67.49	76.00	79.29
Share of foreign debt service /Official reserves ^(b)	27.78	37.98	32.81

(a) Provisional

Source: Central Bank of Sri Lanka

(b) Official reserves at end of the previous year

The total debt to GDP ratio increased to 79.29 per cent at end 2016 from 76.00 per cent at end 2015. The ratio of external debt service payments to official reserves decreased to 32.81 per cent in 2016 compared to 37.98 per cent in 2015. These ratios reflected the weak fiscal performance during the year and relatively low economic growth. Increasing borrowing requirement resulting from lower than expected revenue collection and significant depreciation of the rupee against major foreign currencies has largely contributed to the increase in total debt to GDP ratio during 2016. This show case a risky debt outlook for Sri Lanka in the near future which would increase cost of foreign debt. However, with the implementation of effective debt management strategies, Sri Lanka is expected to improve the debt sustainability indicators in the medium term.

TABLE 21
EXTERNAL DEBT SUSTAINABILITY INDICATORS (AS AT END OF YEAR) *

Description	2014	2015 ^(a)	2016 ^(b)
Liquidity Monitoring Indicators ^(c)			
Interest Service Ratio (INT/XGS) (%)	3.73	3.55	3.52
Medium & Long-term Debt Service Ratio (MLDS/XGS) (%)	9.38	12.30	8.22
Total Debt Service Ratio (TDS/XGS) (%)	9.63	12.30	8.23
Short-term Debt Ratio (Short-term Debt/XGS) (%)	1.79	0.16	0.36
Debt Burden Indicators			
DOD/GNP (%)	30.48	33.21	35.16
DOD/XGS (%)	100.38	109.05	112.49
Debt Structure Indicators			
Rollover Ratio (Principal Payments/ Disbursements) ^(c) (%)	40.56	55.83	23.71
Short-term Debt / Total DOD (%)	1.78	0.14	0.32
NPV Indicators ^(d)			
NPV of Debt Service/GNP	0.33	0.23	0.24
NPV of Debt Service/XGS	1.10	0.77	0.79
Dynamic Indicators ^(c)			
Avg. rate of Interest/rate of growth of export	0.27	4.07	0.26
Avg. rate of Interest/rate of growth of GNP	0.38	0.41	0.38

(a) Based on central government debt.

Source: Central Bank of Sri Lanka

(b) Provisional.

(c) Including T-bill & T-bond payments to non-residents.

Note: Premature unloading of foreign investments in Treasury bonds tearted as repayments to the external sector that resulted to deteriorate several sustainability indicators such as Medium & Long term Debt Service Ratio, Total Debt Service Ratio, Rollover Ratio etc.

(d) NPV calculation is based on UN-ESCAP definitions and methodology.

Note: DOD represents total disbursed external debt outstanding.

GNP: gross national product.

XGS: exports of goods and non factor services including workers' remittances and compensation of employees,

TDS: total external debt service payments

INT: external interest payments

MLDS: external medium and long-term debt service payments and,

NPV represents the present value of the stream of future debt payments on foreign debt, discounted at CIRR.

Special Appendix

Major Developments in the Government Securities Market in Sri Lanka

- 1923 - Enactment of the Local Treasury Bills Ordinance (LTBO) enabling the Government to borrow through the issue of Treasury bills (T-bills)
- 1937 - Enactment of the Registered Stock and Securities Ordinance (RSSO) enabling the Government to borrow through the issue of medium and long-term government securities
- 1941 - Commencement of T-bill issues under parliamentary approval
- 1949 - Enactment of the Monetary Law Act (MLA) entrusting the Central Bank of Ceylon to act as the agent of the government in managing public debt
- 1957 - Enactment of the Foreign Loans Act
 - Enactment of the Tax Reserve Certificates Act
- 1981 - Commencement of the issuance of six months (182 days) T-bills. Prior to 1981, only three months (91 days) T-bills were issued.
 - Introduction of secondary market operations for T-bills
- 1982 - Enactment of the Loans (Special Provisions) Act
- 1986 - Commencement of weekly issues of T-bills. Fortnightly issues of T-bills on the 1st and the 15th of each month had taken place before 1986.
 - Introduction of Tap system through the regional offices of the Central Bank of Sri Lanka (CBSL).
- 1989 - Issuance of T-bills with multiple maturities of 91-days, 182-days and 364-days
 - Introduction of the Treasury Certificates of Deposit Act
 - Tap system extended through authorized agents
- 1992 - Introduction of accredited Primary Dealer (PD) system. Eleven PDs consisting of eight Licensed Commercial Banks (LCBs) and three non-bank dealers were appointed
- 1993 - Introduction of repurchase agreements on T-bills
- 1994 - Reforming the PD system. Eighteen PDs consisting of thirteen LCBs and five non-bank dealers were appointed.
- 1995 - Phasing out of non-competitive bidding by public sector institutional investors
 - Introduction of reverse repurchase transactions on T-bills

- Fixing and prior announcement of T-bills to be issued under each maturity
- Amendment of LTBO and RSSO to facilitate the issue of scripless T-bills and T-bonds and maintenance of the Central Depository System (CDS)
- 1997 - Commencement of the issuance of Treasury bonds (T-bonds)
- Formation of the Association of Primary Dealers in June 1997
- 1998 - Introduction of an electronic bidding facility
- 2000 - Introduction of the dedicated PD system, where only the dedicated companies were appointed as PDs.
- 2001 - Issuance of Sri Lanka Development Bonds (SLDBs)
- 2002 - Expansion of PD system to LCBs
- 2003 - Enactment of the Fiscal Management (Responsibility) Act
- Introduction of a Code of Conduct for PDs
- CBSL moved from a system of ‘passive’ Open Market Operations to an ‘active’ OMO system in order to enhance the effectiveness and market orientation of monetary policy operations.
- Introduction of a screen based trading platform for government bonds.
- 2004 - Conversion of T-bills and T-bonds issued in scrip form into scripless form pursuant to the Regulations issued under LTBO and RSSO in 2004.
- Introduction of Scripless Securities Settlement System (SSSS) (on Delivery Versus Payment (DVP) basis) and the CDS for government securities
- Issue of government securities in scripless form
- 2005 - Issuance of first index-linked T-bonds
- Issue of the first sovereign credit rating of Sri Lanka by Standard and Poor’s (S&P) and Fitch Ratings (Fitch).
- 2006 - Introduction of the Risk Weighted Capital Adequacy framework for PDs
- Opening up the T-bond market to foreign investors with an aggregate ceiling of 5 per cent of the outstanding bonds.
- Issue of Sri Lanka Nation Building Bonds (SLNBB)
- Suspension of the participation of PDs in the CBSL’s OMOs
- 2007 - Opening of retail outlets to sell government securities
- Lifting the suspension of PDs’ participation in the CBSL’s OMOs
- Enhancement of the aggregate ceiling of 5 per cent to 10 per cent in respect of investment in T-bonds by foreign investors.
- Issuance of the first International Sovereign Bond (ISB) of USD 500 million in the international capital market.

- 2008 - Authorizing LCBs to invest in the ISB issued by the Government of Sri Lanka (GOSL), in the secondary market.
- Opening up of the T-bill market to foreign investors with the aggregate ceiling of 10 per cent of the outstanding bills.
 - Introduction of the PC based payment and securities settlement system as part of the Business Continuity Plan (BCP) of the LankaSettle System.
- 2009 - Issuance of the second ISB of USD 500 million.
- Opening up of the T-bill and T-bond market to the Sri Lankan Diaspora and Migrant workforce
 - Providing concessions in obtaining Dual Citizenship status by ex-Sri Lankans (holding foreign citizenship) who invest in Sri Lanka government T-bonds subject to certain conditions.
 - Extending the yield curve on government securities up to 10 years
 - Increasing the maximum number of days accepted by the LankaSecure system for future value dated transactions from 31 calendar days to 364 calendar days
 - Upgrading of the sovereign credit rating outlook by S&P and Fitch
 - Setting up of the Domestic Debt Management Committee (DDMC) by the Monetary Board on 05 November 2009.
- 2010 - Introduction of participant managed Intraday Liquidity Facility to the LankaSettle and LankaSecure Systems
- Introduction of an Analytical Tool to develop a Medium-term Public Debt Management Strategy
 - Conducting a workshop for the dealers and treasury officials of PDs on the development of domestic and international economy
 - Issuance of the third ISB of USD 1,000 million with 10 year maturity.
 - Issue of first sovereign credit rating of Sri Lanka by Moody's Investors Service (Moody's) and upgrading of the sovereign credit rating of Sri Lanka by Fitch and S&P.
- 2011 - Issuance of the fourth ISB of USD 1,000 million with 10 year maturity.
- Upgrading the sovereign credit ratings of Sri Lanka by Fitch, S&P and Moody's.
 - Appointment of three new participants to LankaSecure including one PD and two LCBs namely, WealthTrust Securities Limited, Amana Bank Limited and Axis Bank Limited.
 - Limit on foreign investments in government securities was increased from 10 per cent

- to 12.5 per cent of the total outstanding stock of T-Bills and T-Bonds.
- 2012
- Issuance of the fifth ISB of USD 1,000 million with 10 year maturity.
 - Upgrading of LankaSettle and LankaSecure (new version 3.6) with many new features to make the day-to-day business operations more efficient and effective.
 - Standardization of investor information registration in the CDS in LankaSecure.
 - Implementation of an Electronic Trading (E-Trading) platform to promote the secondary market for Government securities.
 - Issuance of 20 year T-Bonds.
 - Fitch affirmed Sri Lanka's Foreign- and Local-Currency Issuer Default Rating (IDRs) at BB- with a "Stable" outlook in May 2012.
 - Moody's affirmed Sri Lanka's rating of B1 with a "Positive" outlook in November 2012.
 - S&P's affirmed Sri Lanka's rating of B+ with "Stable" outlook in December 2012.
- 2013
- Issuance of 30 years T-Bonds.
 - Half-yearly T-Bond Primary Auction Calendar was published.
 - Conducted investor awareness programmes and investor meetings in Europe, East Asia including mainland China, and Middle East and in the USA.
 - Streamlined investor records in CDS by having unique identification numbers for each participant.
 - Commenced a Survey to identify investors who wish to receive the periodic statements in the electronic form instead of printed statements sent through mail.
 - Measures have been initiated to put in place an E-Trading Platform and a Central Counterparty arrangement by end 2015 for trading and settlement of domestic financial market transactions including the transactions in government securities.
 - Introduction of a new computer information system for foreign debt service payments to increase the efficiency of the foreign debt service payment process.
 - Simplification of Guidelines relating to investments in Government Securities by Foreign Investors, Sri Lankan Diaspora and Migrant Workforce under Securities Investment Account (SIA) in April 2013.
 - Issued the Direction on Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions of Primary Dealer Companies in May 2013.
 - PDs were permitted to act as market makers in corporate bonds or debentures and permitted to invest up to a limit of 5 per cent of total investments in quoted shares, quoted

debentures or bonds and quoted commercial papers in July 2013.

- Pan Asia Banking Corporation PLC was appointed as a PD in terms of the RSSO and the LTBO in August 2013.
- Issued the Direction on Funds remaining unclaimed in the Customer Accounts maintained by the Dealer Direct Participants in September 2013.
- The Hong Kong & Shanghai Banking Corporation Ltd. and Perpetual Treasuries Ltd. were appointed as PDs in terms of the RSSO and the LTBO in September 2013.
- Customer Charter for PDs in Government securities was introduced in November 2013.
- PDs were permitted to engage in covered Short Selling of T-bills and T-bonds up to the amount of successful bids accepted and confirmed at primary auctions in December 2013.

2014 - Issued USD 1,000 million 5 year International Sovereign Bond at a yield rate of 6.00 per cent.

- The Sri Lanka Development Bond (SLDB) issuance was authorized up to a limit of USD 750 million for 2014.

- Issued USD 500 million 5-year International Sovereign Bond at a yield rate of 5.125 per cent.

- Union Bank of Colombo PLC was appointed as a Primary Dealer in terms of the Registered Stock and Securities Ordinance and Local Treasury Bill Ordinance.

2015 - The SLDB issuance was authorized up to a limit of USD 1,500 million for 2015.

- In addition to issuance of SLDBs at floating rate, issuance of SLDBs at fixed rates in different maturities was approved.

- A ten year International Sovereign Bond was issued for US dollars 650 million at 6.125 per cent per annum.

- SLDBs issuance limit was increased from USD 1,500 million to USD 2,500 million.

- Multi-currency functionality in Lankasettle system was enabled to facilitate the Scripless trading and recording of legal ownership of SLDBs, denominated in US dollar, with the objective to promote the secondary market for SLDBs.

- Under the provision of the Local Treasury Bills Ordinance, the parliament granted approval for an increase in authorized limit of T-bills from Rs.850 billion to Rs.1, 250 billion.

- The direction on minimum core capital requirement was revised, increasing the minimum unimpaired core capital to be maintained by the primary dealer companies from Rs. 300 million to Rs. 1,000 million.

- The direction on Capital Adequacy Ratio was revised, increasing the minimum Risk

Weighted Capital Adequacy Ratio to be maintained by the primary dealer companies from 8 per cent to 10 per cent.

- A 10-year International Sovereign Bond was issued for US dollars 1,500 million at 6.850 per cent per annum.
- The threshold of investment in T-bills and T-bonds by foreigners reduced from 12.5 per cent to 10 per cent of the total outstanding stock of T-bills and T-bonds.

2016 - The SLDB issuance was authorized up to a limit of USD 2,500 million for 2016.

- Change the minimum investment amount in SLDBs from USD 100,000 to USD 10,000.
- Five year and ten-year International Sovereign Bonds were issued for US dollars 500 million and US dollar 1,000 million at 5.75 per cent and 6.825 per cent per annum respectively.
- A Circular was issued on “Recording of Ownership of Government Securities in the LankaSecure Central Depository System” to all Participants of LankaSettle System to ensure compliance with LankaSettle System Rules (Version 2.1)
- The regulatory and supervisory functions of the Central Bank in relation to Primary Dealers and other participants have been assigned to the Director, Department of Supervision of Non-Bank Financial Institutions.
- All primary dealers were directed to use the Bloomberg trading platform (FIQ) designed for Sri Lanka to conduct all inter-primary dealer outright trades and report yield rates and volumes of all outright trades carried out over-the-counter in excess of Rs.50 million with non-primary dealer investors within 30 minutes of each trade.
- The above circular was extended to all Licensed Commercial Banks and Licensed Specialized Banks to conduct all outright trades with other banks and primary dealers and report yield rates and volumes of all outright trades carried out over-the-counter in excess of Rs.50 million, within 30 minutes of each such trade.

Glossary

Average Time to Maturity - Weighted average time to maturity of all the debt securities/loans in the debt portfolio.

Benchmark Bond - A bond that provides a standard against which the performance of other bonds can be measured. Government bonds are often used as benchmark bonds. This is also referred to as “benchmark issue”.

Bunching of Debt Stock - An excessive amount of debt maturing on a given date or within a given period of time.

Central Counterparty (CCP) - A central counterparty interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts. A CCP becomes counterparty to trades with market participants through novation, an open-offer system, or through an analogous legally binding arrangement. CCPs have the potential to reduce significantly risks to participants through the multilateral netting of trades and by imposing more-effective risk controls on all participants and, as a result, they can reduce systemic risk in the markets they serve.

Central Depository - A computerized central system which records primary issuance of scripless securities and their trades taking place in the secondary market.

Coupon - The interest payment made to bond holders during the lifetime of the bond. Coupon

payments are usually paid semi-annually. The annual amount of interest is equal to the principal value times the coupon rate.

Debt Sustainability - The level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

Duration - The weighted average maturity of the cash flows of a debt security/portfolio.

DVPIII - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day.

E-Trading - It is an Information Technology enabled trading mechanisms which enables traders to connect, place orders and conduct trading activities for a pre-determined tangible/intangible types of items.

Floating Rate Bond - A bond that has a variable coupon equal to a money market reference rate, like LIBOR plus a spread. The spread is a value that remains constant.

FinNet - Financial Information Network (FinNet) is a common interface to submit financial information by banks, finance

companies, leasing companies and primary dealers.

Grace Period - Period of time provided for in a loan agreement for commencement of repayment of the loan.

Grant Element - A measure of concessionally of a loan, calculated as the difference between the face value of the loan and the sum of discounted future debt service payments to be made by the borrower expressed as a percentage of the face value of the loan.

Index Linked Bond - A bond, which pays a coupon that, varies according to some underlying Index usually the Consumer Price Index.

Intra-day liquidity - Funds, which can be accessed during a business day and settled on the same day, usually to enable financial institutions to make payments on real time.

LIBOR - The London Inter Bank Offered Rate. This rate is used as a reference rate by the international banking markets and is commonly the basis on which lending/borrowing margins are fixed.

Maturity - Refers to the date on which the issuer has promised to redeem the issue by paying the principal value. The number of days or years until the date of redemption is called the maturity period.

Novation - Replacement of a contract between the original counterparties with two new contracts; one between the buyer's clearing agent and the CCP, and another between the CCP and the seller's clearing agent.

Open Market Operations - The process of which the Central Bank buys or sells securities

in the open market to control the volume of money (liquidity) or price of money (interest rates).

Outright Transactions - Transactions by which ownership (title) of the securities are transferred permanently to the buyer.

Parity Variance - Effect of the appreciation/depreciation of foreign currencies against the local currency on the existing foreign currency debt portfolio stated in the local currency

Primary Dealer - An intermediary appointed by the CBSL to deal in government securities.

Primary Market - Market where securities are first issued to buyers.

Repayment Period - The period during which the debt obligation is to be repaid.

Repurchase Transaction - A transaction involving a sale of securities with an agreement to reverse the transaction on a future date.

Risk Weighted Capital Adequacy Ratio - The ratio computed by dividing available capital by the risk weighted assets.

Running Cost Ratio - The interest paid as a proportion of the outstanding debt stock at the beginning of the year.

Rupee Loan - A medium to long-term debt instrument issued with maturities more than two years on tap basis or as private placements by the CBSL on behalf of the government under the Registered Stock and Securities Ordinance. Interest rates of this instrument are determined administratively.

Scriptless Securities - Treasury bills and Treasury bonds issued in book entry form or as paperless securities.

Secondary Market - The market where securities are traded and exchanged among buyers and sellers after the securities are issued at the primary market.

Short Selling - The sale of an asset (a security/ stock, commodity futures contract, corporate or sovereign bond) that is not owned by the seller at the time of sale. Short selling are of two kinds, namely “Naked Short Selling and “Covered Short Selling” and “Naked Short Selling”.

Special Drawing Rights - The unit of account of the IMF of which the value is based on a basket of key international currencies.

Sovereign Bond - A debt security issued by a sovereign government denominated in domestic or a foreign currency. The foreign currency most likely is a hard currency.

Sovereign Credit Rating - Sovereign Credit Rating is an assessment of the credit worthiness of a country or sovereign entity. At the request of the country, a credit rating agency will evaluate the country’s economic and political environment to determine representative credit ratings.

Statutory Reserve Ratio - Percentage of deposits, which the commercial banks should keep with the central bank, through which the central bank can influence their credit creating ability.

Treasury Bill - A short-term debt instrument issued usually on a discount basis and for maturities of 91, 182, and 364 days by the CBSL on behalf of the government under the Local Treasury Bills Ordinance.

Treasury Bond - A medium to long-term debt instrument issued by the CBSL on behalf of the government under the Registered Stock and Securities Ordinance.

Yield - The coupon or discount when expressed as a percentage of the price.

Yield Curve - A graphical depiction of the relationship between the yield on the securities and different maturities.

Zero Coupon Bond - A bond that does not pay interest during the life of the bond. Instead, investors buy a zero coupon bond at a deep discount on the face value. The face value of the bond is paid at the maturity.

Statistical Appendix

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Definitions and Explanatory Notes

The following general notes supplement the footnotes given below the individual tables:

1. In an attempt to bring the material up-to-date provisional figures are included in some tables.
2. Figures in some tables have been rounded off to the nearest final digit. Hence there may be slight discrepancy between the total as shown and the sum of its components.
3. Differences as compared with previously published figures are due to subsequent revisions.
4. Values indicated within parenthesis are negative values.
5. The following symbols have been used throughout:-

n.a. = not available

- = nil

... = negligible

6. PD industry financial indicators for 2012 have been adjusted to represent the audited figures.
7. PD industry figures have been adjusted to accommodate the change for exempting LCBs from the requirements on RWCAF with effect from 14.02.2013. Therefore, adjusted figures for the capital requirement represent only the 'Standalone PDs'. This change has been applied for all past years as well.

CENTRAL GOVERNMENT OUTSTANDING DEBT
TABLE 1
CENTRAL GOVERNMENT OUTSTANDING DEBT

Rs. million

Year ^(a)	Domestic debt					Foreign Debt ^(b,c)	Total Debt	As a % of GDP ^(d)		
	Treasury bills ^(b)	Ruppee loans	Treasury bonds ^(c)	Other	Total			Domestic	Foreign	Total
1951	30	582	-	14	626	125	751	13.6	2.7	16.3
1952	93	684	-	75	852	192	1,044	18.9	4.3	23.2
1953	184	731	-	129	1,044	205	1,249	23.2	4.6	27.8
1954	105	782	-	66	953	211	1,164	20.1	4.4	24.5
1955	60	829	-	-	889	232	1,121	17.0	4.4	21.4
1956	68	882	-	-	950	258	1,208	18.6	5.1	23.7
1957	65	962	-	105	1,132	278	1,410	21.8	5.3	27.1
1958	140	1,007	-	91	1,238	293	1,531	22.5	5.3	27.9
1959	320	1,102	-	138	1,560	307	1,867	24.3	4.8	29.1
1960	550	1,217	-	170	1,937	345	2,282	28.9	5.1	34.0
1961	750	1,397	-	198	2,345	407	2,752	34.1	5.9	40.0
1962	1,000	1,515	-	179	2,694	412	3,106	38.7	5.9	44.6
1963	1,125	1,684	-	222	3,031	489	3,520	41.1	6.6	47.7
1964	1,250	1,909	-	216	3,375	549	3,924	43.3	7.0	50.3
1965	1,300	2,150	-	246	3,696	739	4,435	45.7	9.1	54.9
1966	1,425	2,475	-	295	4,195	1,074	5,269	50.3	12.9	63.2
1967	1,500	2,785	-	298	4,583	1,376	5,959	50.7	15.2	65.9
1968	1,750	3,118	-	329	5,197	1,578	6,775	48.5	14.7	63.2
1969	1,750	3,409	-	354	5,513	1,800	7,313	47.1	15.4	62.5
1970	1,950	3,925	-	420	6,295	2,394	8,689	46.1	17.5	63.6
1971	2,025	4,512	-	446	6,983	2,795	9,778	49.7	19.9	69.6
1972	2,325	5,103	-	498	7,926	2,936	10,862	52.0	19.3	71.2
1973	2,250	5,812	-	522	8,584	3,705	12,289	46.6	20.1	66.8
1974	2,250	6,591	-	604	9,445	2,859	12,304	39.7	12.0	51.8
1975	2,350	7,560	-	949	10,859	3,705	14,564	40.9	13.9	54.8
1976	2,700	9,001	-	990	12,691	4,968	17,659	42.0	16.4	58.5
1977	2,500	10,391	-	1,501	14,392	10,593	24,985	39.5	29.1	68.6
1978	2,635	12,049	-	1,684	16,368	14,583	30,951	38.4	34.2	72.5
1979	3,000	14,929	-	1,705	19,634	15,840	35,474	37.5	30.2	67.7
1980	9,800	17,611	-	1,659	29,070	22,276	51,346	43.7	33.5	77.2
1981	13,920	20,025	-	1,573	35,518	29,172	64,690	41.8	34.3	76.1
1982	17,320	25,800	-	2,147	45,267	35,267	80,534	45.6	35.5	81.1
1983	17,400	31,953	-	2,416	51,769	46,688	98,457	42.6	38.4	81.0
1984	14,860	33,228	-	3,564	51,652	53,681	105,333	33.6	34.9	68.5
1985	22,280	36,570	-	3,761	62,611	67,673	130,284	38.6	41.7	80.3
1986	26,173	39,130	-	4,196	69,499	86,208	155,707	38.7	48.0	86.8
1987	29,850	44,957	-	4,190	78,997	111,812	190,809	40.2	56.8	97.0
1988	43,700	49,797	-	5,099	98,596	125,657	224,253	44.4	56.6	101.0
1989	57,246	54,217	-	6,099	117,562	156,298	273,860	46.7	62.0	108.7
1990	67,968	54,677	-	11,251	133,896	176,883	310,779	41.6	55.0	96.6
1991	72,968	66,823	-	12,328	152,119	214,579	366,698	40.9	57.6	98.5
1992	87,096	69,180	-	13,744	170,020	235,539	405,559	40.0	55.4	95.4
1993	97,196	105,707	-	10,782	213,685	270,224	483,909	42.8	54.1	96.9
1994	98,896	137,554	-	12,669	249,119	301,812	550,931	43.0	52.1	95.1
1995	113,771	157,928	-	17,711	289,410	346,286	635,696	43.3	51.9	95.2
1996	124,996	205,975	-	25,731	356,702	359,685	716,387	46.4	46.8	93.2
1997	114,996	239,475	10,000	23,269	387,740	376,331	764,071	43.5	42.3	85.8
1998	119,996	250,570	48,915	43,945	463,426	461,273	924,699	45.5	45.3	90.8
1999	124,996	262,056	104,867	51,546	543,465	507,866	1,051,331	49.1	45.9	95.0
2000	134,996	263,888	204,124	73,652	676,660	542,040	1,218,700	53.8	43.1	96.9
2001	170,995	292,813	229,174	122,983	815,965	636,741	1,452,706	58.0	45.3	103.3
2002	210,995	287,701	347,128	102,562	948,386	721,956	1,670,343	60.0	45.6	105.6
2003	219,295	248,414	483,107	69,153	1,019,969	843,882	1,863,851	56.0	46.3	102.3
2004	243,886	164,758	643,349	91,396	1,143,389	996,138	2,139,527	54.7	47.6	102.3
2005	234,174	140,563	751,569	139,416	1,265,722	956,621	2,222,342	51.6	39.0	90.6
2006	257,732	116,713	885,972	218,813	1,479,230	1,103,418	2,582,648	50.3	37.5	87.9
2007	307,012	131,509	1,018,852	257,825	1,715,198	1,326,487	3,041,685	47.9	37.1	85.0
2008	402,600	130,009	1,281,978	325,641	2,140,228	1,448,734	3,588,962	48.5	32.8	81.4
2009	441,032	112,292	1,513,512	334,120	2,400,955	1,760,467	4,161,422	49.8	36.5	86.2
2010	514,442	87,709	1,643,887	319,624	2,565,662	2,024,583	4,590,245	40.0	31.6	71.6
2011	590,885	61,961	1,819,251	331,988	2,804,085	2,329,280	5,133,365	38.8	32.3	71.1
2012	629,070	58,386	2,095,054	450,304	3,232,813	2,767,299	6,000,112	37.0	31.7	68.7
2013	700,137	55,518	2,452,360	624,811	3,832,825	2,960,424	6,793,249	40.0	30.9	70.8
2014	694,767	55,518	2,844,054	683,444	4,277,783	3,113,116	7,390,899	39.1	28.4	67.5
2015 ^(e) (g)	658,240	24,088	3,305,248	971,620	4,959,196	3,544,031	8,503,227	44.3	31.7	76.0
2016 ^(f) (g)	779,581	24,088	3,714,787	823,051	5,341,507	4,045,796	9,387,303	45.1	34.2	79.3

 Sources: Central Bank of Sri Lanka
Department of Census and Statistics

- (a) From 1950 to 1973, outstanding position as at end September and since then as at end December.
- (b) Rupee denominated Treasury bills issued to foreign investors from 2008 and to the Sri Lankan diaspora and migrant workers from 2009 are excluded from domestic debt and included in foreign debt.
- (c) Rupee denominated Treasury bonds issued to foreign investors from 2007 and to the Sri Lankan diaspora and migrant workers from 2009 are excluded from domestic debt and included in foreign debt.
- (d) From 2003, based on GDP estimates by the Department of Census and Statistics.
- (e) Revised.
- (f) Provisional.
- (g) Excludes government bonds of Rs. 4,397 million issued to CWE in 2003, Rs. 78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

CENTRAL GOVERNMENT DEBT

TABLE 2

OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Item	2012	2013	2014	2015	2016
					Provisional
Rs million					
Total Domestic Debt	3,232,813	3,832,825	4,277,783	4,959,196	5,341,507
By Maturity					
Short-Term	813,273	909,156	941,162	913,291	968,396
Treasury bills ^(a)	629,070	700,137	694,767	658,240	779,581
Provisional advances from the Central Bank	111,292	109,167	143,898	151,132	83,307
Import bills held by commercial banks	18,340	23,960	25,542	4	-
Other liabilities to the banking sector net of bank deposits	53,638	61,959	76,386	103,345	105,508
Other (Administrative Borrowing)	933	13,933	570	570	-
Medium and Long-term	2,419,541	2,923,670	3,336,620	4,045,905	4,373,111
Rupee loans	58,386	55,518	55,518	24,088	24,088
Treasury bonds ^(b)	2,095,054	2,452,360	2,844,054	3,305,248	3,714,787
Sri Lanka Development Bonds	222,994	369,215	391,083	668,458	572,199
Other	43,107	46,577	45,966	48,111	62,037
By Debt Instrument	3,232,813	3,832,825	4,277,783	4,959,196	5,341,507
Rupee loans	58,386	55,518	55,518	24,088	24,088
Treasury bills ^(a)	629,070	700,137	694,767	658,240	779,581
Treasury bonds ^(b)	2,095,054	2,452,360	2,844,054	3,305,248	3,714,787
Sri Lanka Development Bonds	222,994	369,215	391,083	668,458	572,199
Provisional advances	111,292	109,167	143,898	151,132	83,307
Other	116,017	146,429	148,463	152,031	167,545
By Institution	3,232,813	3,832,825	4,277,783	4,959,196	5,341,507
Banks	1,060,317	1,433,773	1,669,882	1,924,036	2,114,901
Central Bank					
By debt instrument	265,198	112,396	267,676	256,050	414,950
Treasury bills ^(a)	154,005	3,053	123,496	104,754	331,389
Treasury bonds ^(b)	-	-	-	-	-
Provisional advances	111,292	109,167	143,898	151,132	83,307
Other	(99)	176	282	164	254
Commercial Banks					
By debt instrument	795,119	1,321,377	1,402,206	1,667,986	1,699,952
Rupee loans	15,870	15,870	15,870	15,870	15,870
Treasury bills ^(a)	219,748	443,951	278,296	340,664	244,139
Treasury bonds ^(b)	244,770	386,398	595,067	517,614	731,942
Sri Lanka Development Bonds	222,994	369,215	391,083	668,458	572,199
Other	91,737	105,943	121,890	125,382	135,802
Non bank sector					
By debt instrument	2,172,496	2,399,053	2,607,901	3,035,160	3,226,605
Rupee loans	42,516	39,648	39,648	8,218	8,218
Treasury bills ^(a)	255,317	253,133	292,975	212,822	204,052
Treasury bonds ^(b)	1,850,284	2,065,962	2,248,987	2,787,635	2,982,845
Other	24,379	40,310	26,291	26,485	31,490
By institution	2,172,496	2,399,053	2,607,901	3,035,160	3,226,605
National Savings Bank	330,150	358,243	379,877	428,236	426,771
Employees' Provident Fund	1,173,870	1,393,458	441,106	592,220	1,778,276
Other	668,476	647,352	1,786,918	2,014,704	1,021,558
Total Foreign Debt	2,767,300	2,960,424	3,113,116	3,544,031	4,045,796
By Type	2,767,300	2,960,424	3,113,116	3,544,031	4,045,796
Project Loans	1,846,772	1,938,909	1,904,599	2,180,388	2,361,118
Non-Project Loans	920,527	1,021,515	1,208,516	1,363,642	1,684,678
Commodity	56,599	61,597	69,993	71,470	69,101
Other ^(c)	863,928	959,918	1,138,523	1,292,173	1,615,577
By Institution ^(d)	2,767,300	2,960,424	3,113,116	3,544,031	4,045,796
Concessional Loans ^(e)	1,369,568	1,492,842	1,490,978	1,729,895	1,897,680
Multi-lateral	670,692	716,792	704,044	794,485	855,998
Bi-lateral ^(f)	698,876	776,050	786,934	935,410	1,041,682
Non-Concessional Loans	455,069	460,475	457,668	507,046	538,859
Multi-lateral	173,600	186,748	183,916	199,945	220,551
Bi-lateral	281,469	273,727	273,751	307,101	318,308
Commercial Loans	942,663	1,007,106	1,164,470	1,307,090	1,609,257
International Sovereign bonds	445,063	457,636	655,243	958,014	1,220,870
Non-resident investments in Treasury bills	80,184	73,916	55,500	5,045	12,816
Non-resident investments in Treasury bonds	317,604	403,486	401,710	298,734	247,222
Other ^(g)	99,812	72,070	52,017	45,296	128,350
Total Outstanding Government Debt	6,000,113	6,793,249	7,390,899	8,503,227	9,387,303

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

- (a) Outstanding Treasury bills and Treasury bonds have been adjusted for secondary market transactions.
 (b) Excludes rupee denominated Treasury bills held by foreign investors from 2008.
 (c) Excludes rupee denominated Treasury bonds held by foreign investors from 2007 and Treasury bonds amounting to Rs. 78,447 million issued to settle dues to CPC in January 2012, Rs. 13,125 million issued to capitalise SriLankan Airlines in March 2013.
 (d) Includes sinking fund.
 (e) Excludes outstanding loans of projects under state owned business enterprises
 (f) Includes outstanding defence loans.
 (g) Outstanding amount of loans obtained by public corporations under Treasury guarantee
 (h) Revised.

CENTRAL GOVERNMENT DEBT

TABLE 3

COMPOSITION OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^(a)
1. Foreign Debt	1,103,418	1,326,487	1,448,734	1,760,467	2,024,583	2,329,280	2,767,299	2,960,424	3,113,116	3,544,031	4,045,796
1.1 Project Loans ^{(b) (c)}	978,356	1,087,359	1,261,304	1,362,806	1,461,729	1,640,117	1,846,772	1,938,909	1,904,599	2,180,388	2,361,118
1.2 Non -Project Loans	125,062	239,128	187,430	397,661	562,854	689,163	920,527	1,021,515	1,208,516	1,363,642	1,684,678
Commodity ^(c)	69,021	68,665	66,499	62,304	54,653	53,460	56,599	61,597	69,993	71,470	69,101
Other ^(d)	56,041	170,463	120,931	335,357	508,201	635,703	863,928	959,918	1,138,523	1,292,173	1,615,577
2. Domestic Debt	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783	4,959,196	5,341,507
2.1 Rupee loans	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518	55,518	24,088	24,088
2.2 Treasury bills ^(e)	257,732	307,012	402,600	441,032	514,442	590,885	629,070	700,137	694,767	658,240	779,581
2.3 Treasury bonds ^(f)	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251	2,095,054	2,452,360	2,844,054	3,305,248	3,714,787
2.4 Sri Lanka Development Bonds	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215	391,083	668,458	572,199
2.5 Central Bank Advances ^(g)	49,015	60,679	76,308	73,881	77,879	94,743	111,292	109,167	143,898	151,132	83,307
2.6 Other ^(h)	107,329	110,686	90,528	92,160	67,869	53,400	116,017	146,429	148,463	152,031	167,545
Total	2,582,648	3,041,685	3,588,962	4,161,422	4,590,245	5,813,074	6,000,112	6,793,249	7,390,899	8,503,227	9,387,303

Rs. million

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional

(b) Represents the amounts withdrawn and outstanding on the loans contracted with the IBRD, USA, Canada, Denmark, People's Republic of China, Germany, UK, India, IDA, ADB, Netherlands, Kuwait, OPEC, Japan, UAE, IFAD, Skandinaviska Enskilda Bankens -Sweden, Solomon Brothers Incorporated-New York, Bank Indosuez, BFCE-France, Citi bank International of USA, Australia, Austria, Saudi Arabian Fund, EIB, Hong Kong and Korea.

(c) Represents the amounts withdrawn and outstanding on the loans contracted with the USA, Canada, Germany, Japan, France, India, Italy, Pakistan and Netherlands.

(d) Includes cash loans received from the ADB, USA, China, Germany, Japan, OPEC, outstanding defence deferred loans, Treasury bonds and Treasury bills held by non-residents and sovereign bond issues.

(e) Excludes outstanding Treasury bills issued to non-residence.

(f) Excludes government Treasury bonds of Rs. 4,397 million, Rs. 78,441 million, Rs. 13,125 million issued to CWE,CPC, Sri Lankan Airlines respectively and Treasury bonds held by non-residents.

(g) Excludes contributions to international financial organizations.

(h) Includes administrative borrowings arising from foreign loans channeled through government or semi - government agencies and outstanding balance of borrowing from Offshore Banking Units (OBUs)

CENTRAL GOVERNMENT DEBT

TABLE 4

OWNERSHIP OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Owner	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^(a)
1. Domestic Debt^(b)	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783	4,959,196	5,341,507
1.1 Banking Sector	395,470	415,318	657,425	705,766	691,716	886,221	1,060,317	1,433,773	1,669,882	1,924,036	2,114,902
Central Bank	117,624	104,817	239,248	109,593	78,376	263,329	265,198	112,396	267,676	256,050	414,950
Commercial Banks	277,846	310,501	418,177	596,172	613,340	622,892	795,119	1,321,377	1,402,205	1,667,986	1,699,952
1.2 Non Bank Sector	1,083,760	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864	2,172,495	2,399,053	2,607,900	3,035,160	3,226,606
Market Borrowings	1,069,577	1,289,688	1,478,553	1,685,638	1,866,267	1,916,930	2,171,562	2,385,120	2,607,330	3,034,590	3,226,606
Savings Institutions	166,457	192,413	204,067	257,084	286,514	314,319	330,150	358,243	379,877	428,236	426,771
Insurance Funds	13,234	21,012	25,976	34,490	32,839	34,356	33,768	30,849	30,536	42,036	76,944
Provident and Pension	480,731	595,807	698,192	835,402	884,279	959,303	1,204,729	1,428,534	1,474,560	1,655,336	1,826,413
Official Fund ^(d)	95,988	107,480	107,234	132,485	167,374	161,568	178,900	202,118	221,584	252,615	271,630
Private Business	313,166	372,976	443,084	426,177	495,261	447,385	424,015	365,376	500,773	656,367	624,848
Non Market Borrowings	14,183	10,191	4,251	9,551	7,678	933	933	13,933	570	570	0
2. Foreign Debt	1,103,418	1,326,487	1,448,734	1,760,467	2,329,280	2,329,280	2,767,299	2,960,424	3,113,116	3,544,031	4,045,796
Total	2,582,648	3,041,685	3,588,962	4,161,422	4,894,942	5,133,365	6,000,112	6,793,249	7,390,899	8,503,227	9,387,303

Rs. million

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional.

(b) Excludes government bonds of Rs. 4,397 million issued to CWE in 2003, Rs. 78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(c) Trusts, Benevolent, Pension and Provident Funds and Employees Provident Fund.

(d) The Central Government, Local Authorities, State Corporations, Departmental and other official funds.

DOMESTIC DEBT

TABLE 5

DETAILS OF OUTSTANDING TREASURY BONDS AS AT END 2016 ^(a)

Rs.million

Maturity Date	Issue Date	Series	ISIN	Face Value
1/1/17	1/1/12	08.00%2017A	LKB00517A018	72,807.42
1/15/17	1/15/11	05.80%2017A	LKB00617A156	52,490.85
3/1/17	3/1/14	08.25%2017A	LKB00317C019	63,839.64
5/15/17	11/15/13	08.75%2017A	LKB00417E153	97,131.65
6/15/17	6/15/12	08.00%2017B	LKB00517F157	46,569.51
7/15/17	7/15/11	05.80%2017B	LKB00617G153	82,084.14
2/1/18	2/1/03	08.50%2018A	LKB01518B013	95,224.12
4/1/18	4/1/12	08.50%2018C	LKB00618D018	92,414.20
6/1/18	6/1/12	08.50%2018D	LKB00618F013	90,826.50
7/15/18	7/15/03	08.50%2018B	LKB01518G152	90,715.73
8/15/18	8/15/03	07.50%2018A	LKB01518H150	97,845.50
10/15/18	10/15/14	08.75%2018A	LKB00418J150	36,532.00
11/15/18	11/15/11	08.00%2018A	LKB00718K151	102,690.99
1/15/19	1/15/11	05.65%2019A	LKB00819A158	32,244.45
5/1/19	5/1/09	08.50%2019A	LKB01019E016	93,974.55
7/1/19	7/1/13	10.60%2019A	LKB00619G019	109,578.20
9/15/19	9/15/13	10.60%2019B	LKB00619I155	105,584.62
11/1/19	11/1/11	08.00%2019A	LKB00819K017	55,851.09
5/1/20	5/1/15	09.25%2020A	LKB00520E014	100,089.00
6/1/20	6/1/12	08.00%2020A	LKB00820F015	33,896.05
8/1/20	8/1/10	06.20%2020A	LKB01020H017	71,515.90
12/15/20	12/15/15	09.50%2020A	LKB00520L159	65,590.00
3/1/21	3/1/16	10.75%2021A	LKB00521C016	73,519.00
5/1/21	5/1/12	09.00%2021A	LKB00921E014	75,778.09
8/1/21	8/1/13	11.00%2021A	LKB00821H019	91,414.06
10/15/21	10/15/14	09.45%2021A	LKB00721J157	25,456.00
1/1/22	1/1/12	08.00%2022A	LKB01022A018	97,934.25
7/1/22	7/1/13	11.20%2022A	LKB00922G017	103,772.09
10/1/22	10/1/13	10.00%2022A	LKB00922J011	99,208.41
9/1/23	9/1/13	11.20%2023A	LKB01023I019	99,881.32
9/1/23	9/1/12	09.00%2023A	LKB01123I017	22,428.00
10/1/23	10/1/03	07.00%2023A	LKB02023J016	67,366.00
1/1/24	1/1/14	11.40%2024A	LKB01024A014	96,474.80
8/1/24	8/1/16	11.00%2024A	LKB00824H013	45,181.00
12/1/24	12/1/14	06.00%2024A	LKB01024L011	7,000.03
3/15/25	3/15/15	10.25%2025A	LKB01025C157	82,147.00
5/1/25	5/1/13	09.00%2025A	LKB01225E019	16,986.90
8/1/25	8/1/15	11.00%2025A	LKB01025H016	75,477.00
2/1/26	2/1/12	09.00%2026A	LKB01326B011	21,050.00
3/1/26	3/1/11	05.35%2026A	LKB01526C014	90,586.00
6/1/26	6/1/14	11.00%2026A	LKB01226F014	90,998.23
8/1/26	8/1/16	11.50%2026A	LKB01026H014	44,515.00
12/20/26	12/20/16	05.00%2026A	LKB01026L206	9,142.22

Rs.million

Maturity Date	Issue Date	Series	ISIN	Face Value
5/1/28	5/1/13	09.00%2028B	LKB01528E016	92,783.72
7/1/28	7/1/12	09.00%2028A	LKB01628G019	94,571.20
9/1/28	9/1/13	11.50%2028A	LKB01528I017	45,084.00
1/1/29	1/1/14	13.00%2029A	LKB01529A012	83,087.54
5/1/29	5/1/14	13.00%2029B	LKB01529E014	21,785.34
5/15/30	5/15/15	11.00%2030A	LKB01530E152	96,102.00
1/1/32	1/1/12	08.00%2032A	LKB02032A016	99,070.50
10/1/32	10/1/12	09.00%2032A	LKB02032J017	35,294.85
6/1/33	6/1/13	09.00%2033A	LKB02033F013	101,455.90
7/1/33	7/1/13	13.25%2033A	LKB02033G011	23,511.76
11/1/33	11/1/13	09.00%2033B	LKB02033K013	20,008.84
1/1/34	1/1/14	13.25%2034A	LKB02034A012	77,858.98
3/15/35	3/15/15	11.50%2035A	LKB02035C155	74,565.00
1/1/41	1/1/16	12.00%2041A	LKB02541A016	29,885.00
6/1/43	6/1/13	09.00%2043A	LKB03043F011	33,809.25
1/1/44	1/1/14	13.50%2044A	LKB03044A010	10,969.85
6/1/44	6/1/14	13.50%2044B	LKB03044F019	77,861.76
3/1/45	3/1/15	12.50%2045A	LKB03045C013	10,058.00
Total				4,053,574.99

Source: Central Bank of Sri Lanka

(a) Includes Treasury bonds held by non-residence and Treasury bonds of Rs. 4,397million, Rs. 78,441 million and Rs. 13,125million issued for CWE, CPC and Sri Lankan Air Lines respectively .

DOMESTIC DEBT

TABLE 6

DETAILS OF OUTSTANDING SRI LANKA DEVELOPMENT BONDS AS AT END 2016

USD million

Maturity Date	Issue Date	Series	ISIN	Face Value
1/21/17	1/21/16	SLDB2017F	LKG00217A218	233.00
3/17/17	3/17/14	SLDB2017A	LKG00317C170	192.00
3/17/17	8/18/15	SLDB2017A	LKG00317C170	78.10
3/17/17	2/26/16	SLDB2017A	LKG00317C170	247.15
3/17/17	3/11/16	SLDB2017A	LKG00317C170	69.49
3/17/17	3/28/16	SLDB2017A	LKG00317C170	203.46
3/17/17	3/28/16	SLDB2017A	LKH00117C173	0.04
4/30/17	4/30/15	SLDB2017D	LKG00217D303	30.00
4/30/17	6/29/15	SLDB2017D	LKG00217D303	255.00
6/30/17	6/30/16	SLDB2017G	LKG00117F300	250.04
6/30/17	6/30/14	SLDB2017B	LKG00317F306	199.50
6/30/17	7/1/14	SLDB2017B	LKG00317F306	45.00
6/30/17	8/20/14	SLDB2017B	LKG00317F306	15.00
6/30/17	12/12/14	SLDB2017B	LKG00317F306	5.00
8/1/17	8/3/15	SLDB2017E	LKG00217H015	55.25
1/21/18	1/21/15	SLDB2018C	LKG00318A214	55.00
1/21/18	8/18/15	SLDB2018C	LKG00318A214	94.27
3/16/18	3/16/15	SLDB2018D	LKG00318C160	156.50
3/28/18	3/28/16	SLDB2018G	LKG00218C287	71.00
4/30/18	4/30/15	SLDB2018F	LKG00318D309	51.25
4/30/18	6/1/15	SLDB2018F	LKG00318D309	9.00
4/30/18	7/16/15	SLDB2018F	LKG00318D309	10.00
4/30/18	1/21/16	SLDB2018F	LKG00318D309	2.00
4/30/18	2/26/16	SLDB2018F	LKG00318D309	47.00
4/30/18	3/11/16	SLDB2018F	LKG00318D309	6.13
7/1/18	7/1/13	SLDB2018A	LKG00518G018	167.00
7/1/18	7/15/13	SLDB2018A	LKG00518G018	643.07
7/1/18	6/2/14	SLDB2018A	LKG00518G018	15.00
9/17/18	9/18/13	SLDB2018B	LKG00518I188	375.00
1/30/19	6/29/15	SLDB2019B	LKG00419A301	35.00
1/30/19	10/19/15	SLDB2019B	LKG00419A301	2.50
10/3/19	10/3/14	SLDB2019A	LKG00519J036	15.00
4/1/20	4/1/15	SLDB2020A	LKG00520D011	100.00
6/29/20	6/29/15	SLDB2020B	LKG00520F297	37.00
6/29/20	10/19/15	SLDB2020B	LKG00520F297	50.00
Total				3819.75

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 7

DETAILS OF OUTSTANDING RUPEE LOANS AS AT END 2016

Rs.million

Maturity Date	Issue Date	Series	Interest Rate	Face Value
2/1/23	2/1/93	12%2023	12.00	24,088.0
Total		1		24,088.0

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 8

CHANGES IN RELATIVE COMPOSITION OF GOVERNMENT SECURITIES ^(a)

	2012	2013	2014	2015	2016
1. Maturity (%)					
Short term	23	22	19	17	17
Medium and long term	77	78	81	83	83
2. Marketability (%)					
Marketable	98	98	98	99	99
Non-marketable	2	2	2	1	1
3. Investor base (%)					
Central Bank	6	0	3	3	7
Commercial banks	17	26	25	22	22
Captive sources	54	55	54	52	55
Others	27	27	23	20	16
4. Maximum maturity in the yield curve (yrs)					
Primary market	10	15	20	30	30
Secondary market	10	15	15	20	30

Sources: Central Bank of Sri Lanka

Ministry of Finance & Planning

(a) Treasury bills, Treasury bonds and Rupee loans only. Excludes Treasury bills and Treasury bonds held by non-residents.

MATURITY PROFILE OF DOMESTIC DEBT AS AT END 2016 ^(a)

Rs. million

Maturity Year	Instrument					Total
	Treasury bill ^(b)	Treasury bond ^{(b),(c)}	Rupee loan	SLDB ^(d)	OBU ^(d)	
2017	738,447	414,923	-	281,329	29,960	1,464,659
2018	-	606,249	-	254,993	-	861,242
2019	-	397,233	-	7,865	-	405,097
2020	-	271,091	-	28,013	-	299,104
2021	-	266,167	-	-	-	266,167
2022	-	300,915	-	-	-	300,915
2023	-	189,675	-	-	-	189,675
2024	-	148,656	24,088	-	-	172,744
2025	-	174,611	-	-	-	174,611
2026	-	256,291	-	-	-	256,291
2028	-	232,439	-	-	-	232,439
2029	-	104,873	-	-	-	104,873
2030	-	96,102	-	-	-	96,102
2032	-	134,365	-	-	-	134,365
2033	-	144,977	-	-	-	144,977
2034	-	77,859	-	-	-	77,859
2035	-	74,565	-	-	-	74,565
2041	-	29,885	-	-	-	29,885
2043	-	33,809	-	-	-	33,809
2044	-	88,832	-	-	-	88,832
2045	-	10,058	-	-	-	10,058
Total	738,447	4,053,575	24,088	572,199	29,960	5,418,269

Sources : Central Bank of Sri Lanka

(a) Other liabilities to the banking sector are not included.

(b) Includes Treasury bonds and Treasury bills issued to non-residents.

(c) Includes government bonds issued to CWE in 2003 ,Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(d) Exchange rate used for conversion is 1 USD = Rs. 149.8000 as at end 2016.

DOMESTIC DEBT

TABLE 10

FUTURE DOMESTIC CURRENCY DEBT OBLIGATIONS AS AT END 2016 ^(a)

Rs. million

Year	Capital	Interest	Grand Total
2017	414,923	425,794	840,718
2018	606,249	342,069	948,318
2019	397,233	298,869	696,102
2020	271,091	260,704	531,795
2021	266,167	236,692	502,859
2022	300,915	212,952	513,867
2023	213,763	186,046	399,809
2024	148,656	161,181	309,836
2025	174,611	145,317	319,928
2026	256,291	123,665	379,956
2027	-	110,170	110,170
2028	232,439	105,995	338,434
2029	104,873	81,307	186,180
2030	96,102	69,205	165,307
2031	-	63,919	63,919
2032	134,365	59,956	194,322
2033	144,977	48,251	193,228
2034	77,859	33,612	111,471
2035	74,565	24,166	98,731
2036	-	19,879	19,879
2037	-	19,879	19,879
2038	-	19,879	19,879
2039	-	19,879	19,879
2040	-	19,879	19,879
2041	29,885	18,085	47,970
2042	-	16,292	16,292
2043	33,809	14,771	48,580
2044	88,832	7,253	96,085
2045	10,058	629	10,687
Total	4,077,663	3,146,294	7,223,957

Sources: Central Bank of Sri Lanka

(a) Represents capital payments (Face values of Treasury bonds and Rupee loans) and interest payments (coupon payments and discounts of Treasury bonds, Treasury bills and Rupee loans) as at end 2016.

DOMESTIC DEBT

TABLE 11

OWNERSHIP OF TREASURY BILLS ^(a)

Ownership	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^(b)	2016 ^(b)
1. Bank Sector	122,175	113,782	251,453	197,532	223,351	355,552	373,753	447,004	401,792	445,418	575,528
1.1 Central Bank	69,370	44,964	163,584	37,451	2,993	169,797	154,005	3,053	123,496	104,754	331,389
1.2 Commercial Banks	52,805	68,818	87,869	160,081	220,358	185,756	219,748	443,951	278,296	340,664	244,139
2. Non Bank Sector	135,558	193,231	151,146	243,499	291,091	235,333	255,317	253,133	292,975	212,822	204,053
2.1 Employees' Provident Fund	4,793	5,208	1	420	5,969	-	33,410	13,969	1,000	-	41,057
2.2 Other Provident Funds	42	166	55	-	15	1,279	122	45	-	162	77
2.3 Savings Institutions	33,456	32,046	20,791	42,677	52,541	58,733	61,972	68,328	47,945	67,766	18,049
2.4 Insurance and Finance Companies	5,963	8,623	10,988	7,192	12,072	11,010	19,097	28,629	47,461	47,375	57,918
2.5 Departmental and Other Official Funds	28,173	29,481	16,431	21,452	20,636	5,968	2,566	8,114	10,986	7,570	7,616
2.6 Private and Other	63,131	117,707	102,882	171,757	199,858	158,344	138,149	134,048	185,582	89,949	79,336
3 Foreign Investors^(c)	-	-	6,358.00	40,410	57,317	70,123	80,184	73,916	55,500	5,045	12,816
Total	257,732	307,012	408,958	481,441	571,759	661,008	709,254	774,053	750,267	663,285	792,397

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Adjusted for secondary market transactions.

(b) Provisional.

(c) Includes rupee denominated Treasury bills held by foreign investors from 2008 and the Sri Lankan diaspora and migrant workers from 2009.

DOMESTIC DEBT

TABLE 12

OWNERSHIP OF TRASURY BONDS ^{(a)(b)}

Ownership	Rs million										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^(c)	2016 Provisional
1. Bank Sector	46,595	58,416	90,082	188,576	162,215	206,547	244,770	386,398	595,067	517,613	731,942
1.1 Commercial Banks	46,595	58,416	90,082	188,576	162,215	206,547	244,770	386,398	595,067	517,613	731,942
2. Non Bank Sector	839,377	960,436	1,191,897	1,324,936	1,481,672	1,612,704	1,850,284	2,065,962	2,248,986	2,787,635	2,982,846
2.1 Employee's Provident Fund	408,757	501,331	607,770	718,717	814,451	927,374	1,117,360	1,356,389	1,450,144	1,612,461	1,737,219
2.2 Other Provident Funds	4,940	7,862	9,507	13,766	19,872	7,550	30,639	35,031	315	42,713	48,060
2.3 Savings Institutions	112,062	134,994	164,457	195,588	221,805	246,418	261,309	285,915	327,932	358,470	406,722
2.4 Insurance and Finance Companies	13,632	21,215	26,410	33,194	33,624	34,410	31,711	26,636	42,742	58,808	87,124
2.5 Departmental and Other Official Funds	58,061	69,588	90,778	21,949	36,963	37,006	37,596	187,904	210,598	245,045	264,014
2.6 Private and Other	241,925	225,446	292,975	341,722	354,957	359,946	371,669	174,087	217,255	470,138	439,707
3 Foreign Investors^(d)	-	49,647	17,647	145,124	183,538	199,531	317,603	403,486	401,710	298,734	247,222
Total	885,972	1,068,499	1,299,625	1,658,636	1,827,425	2,018,782	2,412,657	2,855,846	3,245,763	3,603,982	3,962,010

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Adjusted for secondary market transactions.

(b) Excludes government bonds of Rs. 4,397million issued to CWE in 2003 a.Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(c) Provisional.

(d) Includes rupee denominated Treasury bonds held by foreign investors from 2007 and the Sri Lankan diaspora and migrant workers from 2009.

DOMESTIC DEBT

TABLE 13

OWNERSHIP OF RUPEE LOANS

Rs. million

Ownership	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^(a)	2016
1. Bank Sector - Commercial Banks	22,088	15,870	15,870	17,252	17,615	16,234	15,870	15,870	15,870	15,870	15,870
2. Non Bank Sector	94,625	115,639	114,139	95,040	70,094	45,727	42,516	39,648	39,648	8,218	8,218
2.1 Savings Institutions	20,938	19,938	18,820	18,820	12,168	9,168	6,868	4,000	4,000	2,000	2,000
2.2 Departmental and Other Official Funds ^(b)	9,755	8,410	8,400	6,111	6,103	6,101	5,190	6,101	6,101	-	-
2.3 Employees' Provident Fund	56,068	68,921	68,539	56,583	40,921	23,100	23,100	23,100	23,100	-	-
2.4 Other Provident Funds	6,132	12,320	12,327	11,417	10,369	7,358	7,358	6,447	6,447	6,218	6,218
2.5 Other State Corporations	1,575	1,575	1,575	1,575	-	-	-	-	-	-	-
2.7 Other ^(c)	158	4,475	4,477	535	532	-	-	-	-	-	-
Total	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518	55,518	24,088	24,088

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional.

(b) Including Employees Trust Fund.

(c) Comprises co-operative banks, other companies, institutions and individuals.

FOREIGN DEBT

TABLE 14

COMPOSITION OF OUTSTANDING FOREIGN DEBT AS AT END 2016 ^(a)

Creditor Category/ Use of Funds	Rs. million					% of Total
	Bi-lateral	Multi-lateral	Commercial	Export Credit	Total Debt	
Cash ^(b)	367	72	1,325,730		1,326,170	32.78
Commodity	5,924			192	6,116	0.15
Food	19,483				19,483	0.48
Goods & Services	15,791			27,712	43,503	1.08
Programme	16,720	86,254			102,974	2.55
Project	887,146	974,580	2,448	393,970	2,258,144	55.81
Other ^{(b) (c)}	324	15,642	260,193	13,248	289,407	7.15
Total Debt	945,754	1,076,549	1,588,371	435,122	4,045,796	100.00
%	23.38	26.61	39.26	10.75	100.00	

(a) Provisional

(b) Includes Sovereign bond issued in 2009, 2010, 2011, 2012, 2014, 2015 and 2016

(c) Includes Treasury bonds and Treasury bills held by non-residents.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

FOREIGN DEBT

OWNERSHIP OF OUTSTANDING FOREIGN DEBT

TABLE 15

Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Provisional
1. Multi-lateral	580,719	618,181	665,040	674,936	721,916	844,292	903,540	887,960	994,430	1,076,549	
ADB	292,151	317,763	344,661	358,872	383,461	448,421	478,796	471,762	533,806	569,686	
EIB	15,326	18,010	20,463	18,792	18,054	23,438	23,248	21,133	29,728	27,518	
IBRD	231	240	0	0	0	322	4,530	6,987	10,382	27,760	
IDA	258,748	267,475	284,074	281,217	302,244	349,997	373,085	363,052	391,149	417,636	
IFAD	8,719	9,052	10,309	11,032	13,007	16,013	17,419	17,098	18,631	21,520	
OPEC	2,357	2,355	2,173	1,913	2,052	2,699	2,998	4,783	7,547	9,309	
Nordic Development Fund	3,188	3,285	3,360	3,110	3,099	3,403	3,464	3,145	3,187	3,119	
2. Bi-lateral	564,500	666,533	684,750	739,213	842,804	1,035,907	823,180	793,196	888,971	945,754	
Canada	9,852	7,718	8,488	8,134	7,701	8,269	7,409	6,339	5,373	5,275	
France ^(a)	10,255	12,424	15,021	18,427	19,503	24,273	26,861	24,698	25,406	24,448	
Germany	65,977	61,528	58,279	50,263	47,547	51,164	52,112	43,342	40,726	39,145	
India	14,843	15,294	17,902	17,292	41,927	78,322	102,843	119,982	137,413	142,277	
Japan	327,711	426,936	426,767	478,931	529,013	547,515	468,366	416,408	457,483	486,199	
Kuwait	3,855	4,649	5,103	5,237	5,799	6,194	5,749	5,357	6,765	7,774	
Netherlands	1,455	751	291	87	-	-	-	-	-	-	
People's Republic of China	22,668	29,688	46,641	56,459	59,497	67,434	67,154	87,743	117,284	131,604	
Saudi Arabian Fund	749	1,217	2,328	2,338	2,544	2,648	3,868	4,982	10,724	13,255	
USA	52,797	50,708	46,952	42,414	40,318	41,386	38,854	35,246	34,594	31,798	
Other	54,339	55,619	56,978	59,633	88,957	208,702	49,963	49,100	53,205	63,978	
3. Financial Markets	181,268	164,020	410,676	610,433	764,560	887,100	1,233,704	1,431,959	1,660,630	2,023,493	
Riggs National Bank	3,746	3,674	3,476	3,140	2,984	3,064	2,922	2,651	2,607	2,336	
Indo-Suez Bank (France & Stockholm)	16	-	-	-	-	-	-	-	-	-	
Bankers Trust Co.	685	634	560	466	399	356	275	184	101	-	
Solomon Bros. Inc. - New York	462	374	270	157	54	-	-	-	-	-	
Citi Bank/NEXI	24,637	11,314	-	-	-	-	-	-	-	201	
Export-Import Bank of China ^(b)	151,722	148,024	406,370	606,670	761,124	883,680	1,230,507	1,282,863	1,464,832	1,778,741	
Other ^(c)	54,360	56,570	114,384	221,906	341,704	445,063	457,636	655,243	958,014	1,220,870	
International Sovereign bonds	-	6,358	40,410	57,317	70,123	80,184	73,916	55,500	5,045	12,816	
Non-resident investments in Treasury bills	49,647	17,647	145,124	183,538	199,531	317,604	403,486	401,710	298,734	247,222	
Non-resident investments in Treasury bonds	47,715	67,449	106,452	143,909	149,766	40,829	295,470	170,410	203,039	297,833	
Total	1,326,487	1,448,734	1,760,466	2,024,583	2,329,280	2,767,299	2,960,424	3,113,116	3,544,031	4,045,796	

Sources: Central Bank of Sri Lanka
Ministry of Finance

(a) Includes loans from Financial Institutions.
(b) Excludes outstanding loans of Projects under State Owned Business Enterprises
(c) Includes outstanding defence loans, Rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and proceeds from the international sovereign bond issuances.

Type and Source	Gross Receipts	Repayments	Net Change in the Liability	Liability as at end December 2016
1. Project Loans	229,269	123,883	192,708	2,373,097
ADB	49,315	22,738	37,639	564,413
Australia	431	1,661	(761)	11,596
Austria	1,102	2,143	(1,128)	15,175
Canada	-	305	(40)	3,801
China (a)	61,744	24,133	61,695	365,734
Denmark	-	2,658	(2,875)	9,453
EIB	-	2,352	(2,210)	27,518
Finland	-	362	(354)	1,622
France	339	2,543	(1,657)	29,758
Germany	786	2,193	(1,295)	34,329
Hong Kong	-	1,022	(930)	635
India	6,048	5,138	5,751	126,486
IDA	34,367	11,588	26,750	407,195
Japan	22,501	29,813	28,618	486,808
Korea	2,734	1,148	2,303	48,683
Kuwait	1,168	516	1,009	7,774
Netherlands	6,960	3,247	4,566	33,496
Opec Fund for International Development	1,795	334	1,762	9,309
Saudi Arabian Fund	2,051	829	2,531	13,255
Spain	4,283	711	3,551	12,319
Sweden	307	1,228	(231)	20,219
UK	6,624	3,587	2,257	43,803
USA	2,401	2,202	1,340	20,604
Other	24,315	1,432	24,415	79,114
2. Non-Project Loans	509,958	34,490	309,057	1,672,699
2.1 Commodity Loans	344	5,306	(3,317)	44,343
Canada	-	163	(58)	1,475
France	-	1	(1)	-
India	344	1,846	(887)	15,791
Pakistan	-	570	(444)	3,145
Germany	-	283	(267)	4,450
Netherlands	-	-	-	-
USA	-	2,443	(1,660)	19,483
Japan	-	-	-	-
2.2 Other Loans	509,615	29,183	312,374	1,628,356
ADB	-	2,069	(1,759)	5,273
China	2,627	430	2,152	8,286
USA	-	-	-	-
Germany	-	20	(19)	367
Japan	-	-	-	-
Other (b)	506,988	26,664	311,999	1,614,429
Memo: Liability due to variations in exchange rates (c)			161,697	
Grand Total (d)	739,227	158,372	501,765	4,045,796

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Excludes outstanding loans of projects under State Owned Enterprises.

(b) Includes rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and proceeds from the international sovereign bond issuances.

(c) This includes the impact of exchange rate variation.

(d) Liability as at end 2016 includes outstanding defence loans.

FOREIGN DEBT

TABLE 17

FOREIGN LOAN DISBURSEMENTS BY SOURCE

Rs million

Category	Disbursements									
	2007	2008	2009	2010	2011	2012	2013	2014 (a)	2015	2016 (b)
1. Lender	183,046	129,628	256,402	327,878	322,771	482,259	392,351	451,430	509,201	713,181
Bi-lateral	50,102	42,248	60,131	59,272	78,739	109,165	83,109	73,690	66,955	56,884
Multi-lateral	29,126	39,981	48,547	52,685	54,459	65,782	63,335	61,156	71,924	104,900
Commercial ^{(e)(d)}	95,147	31,127	109,371	163,892	144,963	250,505	158,918	281,350	311,659	481,295
Export Credits	8,671	16,272	38,353	52,028	44,611	56,807	86,989	35,234	58,664	70,102
2. Use of Funds	183,046	129,628	356,402	327,878	322,771	482,259	447,465	451,430	509,201	713,181
Cash ^(e)	56,202	-	57,404	111,926	109,488	130,695	139,483	195,989	87,035	319,689
Commodity	-	-	-	-	-	-	-	-	-	-
Food	-	-	-	-	-	-	-	-	-	-
Goods & Services	2,515	58	314	126	3,254	2,316	8,195	626	1,064	344
Programme	270	1,791	593	4,788	194	-	21	-	-	27,517
Project	84,830	112,560	145,850	158,770	174,097	227,041	272,433	164,352	190,923	201,752
Technical Assistance	288	249	275	302	232	210	39	241	35	-
Other ^(d)	38,941	14,970	151,967	51,967	35,507	121,997	27,294	90,221	230,145	163,880

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Revised

(b) Provisional

(c) Includes Sovereign bond issued in 2009, 2010, 2011, 2012, 2014 and 2015.

(d) Includes Treasury bonds and Treasury bills(net) issued to non-residents since 2007.

DEBT SERVICE PAYMENTS

TABLE 18

GOVERNMENT DEBT REPAYMENTS AND INTEREST PAYMENTS

Rs.million

Year	Principal Repayments			Interest Payments		
	Domestic ^(a)	Foreign ^(b)	Total	Domestic ^(c)	Foreign ^(d)	Total
1978	664	501	1,165	1,055	285	1,340
1979	683	499	1,182	1,277	357	1,634
1980	902	600	1,502	1,787	412	2,199
1981	1,001	607	1,608	3,025	713	3,738
1982	1,938	674	2,612	4,189	915	5,104
1983	3,860	1,165	5,025	5,336	1,270	6,606
1984	764	1,465	2,229	5,115	1,623	6,738
1985	5,108	1,789	6,897	5,458	1,970	7,428
1986	4,505	3,020	7,525	6,553	2,209	8,762
1987	902	4,690	5,592	7,593	2,564	10,157
1988	4,471	5,209	9,680	9,694	2,896	12,590
1989	3,796	5,742	9,538	11,015	3,337	14,352
1990	7,304	4,906	12,210	16,990	3,678	20,668
1991	12,901	4,881	17,782	17,960	4,113	22,073
1992	18,123	7,955	26,078	21,201	4,739	25,940
1993	20,327	6,963	27,290	25,101	5,102	30,203
1994	15,065	7,606	22,671	32,520	5,511	38,031
1995	28,069	8,477	36,546	32,064	6,162	38,226
1996	22,749	10,491	33,240	42,184	6,739	48,923
1997	15,232	13,251	28,483	48,554	6,692	55,246
1998	41,617	18,351	59,968	47,598	7,300	54,898
1999	20,322	21,440	41,762	53,371	8,752	62,123
2000	81,244	23,282	104,526	62,185	9,015	71,200
2001	56,844	27,921	84,765	84,560	9,747	94,307
2002	130,786	37,057	167,843	105,897	10,617	116,514
2003	185,083	34,425	219,508	113,540	11,586	125,126
2004	147,740	33,041	180,781	105,878	13,904	119,782
2005	203,347	21,360	224,707	113,164	6,995	120,159
2006	247,536	45,989	293,525	133,787	16,990	150,777
2007	251,900	65,934	317,834	158,701	23,980	182,681
2008	258,720	121,609	380,330	182,198	30,277	212,475
2009	403,723	114,716	518,439	273,977	35,698	309,675
2010	389,672	78,184	467,856	297,127	55,464	352,592
2011	439,894	98,789	538,683	288,134	68,565	356,699
2012	415,441	193,529	608,970	317,659	90,839	408,498
2013	496,042	203,993	700,035	354,706	108,160	462,865
2014	449,554	183,109	632,662	327,934	115,660	443,595
2015 ^(e)	523,824	284,293	808,117	394,289	115,386	509,674
2016	572,442	169,107	741,549	484,182	126,713	610,895

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

- (a) Excludes Treasury bond payments to non-residents .
(b) Includes Treasury bond payments to non-residents
(c) Excludes Treasury bill & Treasury bond interest payments to non-residents .
(d) Includes Treasury bill & Treasury bond interest payments to non-residents .

GOVERNMENT BORROWINGS

TABLE 19

ISSUES AND MATURITIES OF DOMESTIC DEBT IN 2015 and 2016

Rs. million

	Maturity (M)	2015			2016		
		Issues ^(b)	Repayments	Net Issues	Issues ^(b)	Repayments	Net Issues
Treasury bills	0 < M ≤ 91 days	703,978	625,411	78,568	549,427	495,504	53,923
	91 < M ≤ 182 days	601,710	491,159	110,551	604,084	688,659	(84,575)
	182 < M ≤ 364 days	283,839	559,939	(276,100)	481,838	322,075	159,763
Total		1,589,527	1,676,509	(86,981)	1,635,349	1,506,238	129,111
Treasury bonds							
	1 year	9,500	9,105	395	-	13,500	(13,500)
	2 year	34,659	99,562	(64,903)	59,012	23,026	35,986
	3 year	48,878	86,001	(37,123)	50,800	22,195	28,605
	4 year	79,134	61,884	17,250	75,172	67,147	8,025
	5 year	133,577	110,529	23,048	87,898	111,822	(23,924)
	6 year	65,743	144,624	(78,881)	22,100	67,899	(45,799)
	7 year	84,371	-	84,371	8,050	-	8,050
	8 year	100,528	-	100,528	82,461	-	82,461
	9 year	20,600	-	20,600	47,176	-	47,176
	10 year	106,389	-	106,389	110,737	-	110,737
	11 year	39,477	-	39,477	-	-	-
	12 year	-	-	-	-	-	-
	13 year	23,424	-	23,424	21,660	4,397	17,263
	14 year	8,121	-	8,121	68,665	-	68,665
	15 year	24,577	-	24,577	-	-	-
	19 year	56,675	-	56,675	-	-	-
	20 year	17,890	-	17,890	-	-	-
	25 year	-	-	-	29,885	-	29,885
	30 year	16,381	-	16,381	-	-	-
Total		869,923	511,705	358,218	663,616	309,986	353,630
Rupee loans							
	4/7 year	-	-	-	-	-	-
	4/8 year	-	-	-	-	-	-
	3/10 year	-	-	-	-	-	-
Total		-	-	-	-	-	-
Sri Lanka Dev. Bonds							
	≤ 1 year	250,197	32,681	217,517	178,826	231,139	(52,312)
	2 year	19,162	-	19,162	18,153	10,185	7,968
	3 year	39,888	59,431	(19,543)	-	62,810	(62,810)
	4 year	7,048	19,454	(12,406)	-	1,727	(1,727)
	5 year	18,237	-	18,237	-	11,634	(11,634)
Total		334,532	111,565	222,967	196,979	317,495	(120,516)
Loans from OBUs							
	≤ 1 year	-	-	-	14,980	-	14,980
	2 years	-	-	-	-	-	-
	3 years	-	-	-	-	-	-
Total		-	-	-	14,980	-	14,980
Grand Total		2,793,982	2,299,779	494,204	2,510,924	2,133,719	377,205

(a) Includes Treasury bonds of Rs. 13,125 million issued to Sri Lankan Air Lines in March 2013.

(b) Revised

GOVERNMENT BORROWINGS

TABLE 20

AUCTION AND PRIMARY ISSUE DETAILS IN 2015 AND 2016^(a)

Rs. million

	2015 ^(b)			2016 ^(b)		
	Treasury Bills ^(c)	Treasury Bonds ^{(b)(c)}	Rupee Loans	Treasury Bills ^(b)	Treasury Bonds ^(b)	Rupee Loans
Auctions						
Number of Auctions	52	36	-	52	23	-
Amount Offered	983,000	632,000	-	1,264,000	564,000	-
Bids Received	2,966,280	2,340,313	-	2,984,590	2,651,027	-
Amount Accepted	1,006,488	712,332	-	844,611	654,474	-
CBSL Purchases	564,159	-	-	790,738	-	-
Placements	18,880	157,591	-	-	9,142	-
Total Issues	1,589,527	869,923	-	1,635,349	663,616	-

(a) Face Value.

(b) Provisional

GOVERNMENT BORROWINGS

TABLE 21

GOVERNMENT BORROWING LIMITS AND USAGE IN 2014, 2015 AND 2016

Rs. billion

	2014		2015		2016	
	Approved Limit	Usage	Approved Limit	Usage	Approved Limit	Usage
1. Gross Borrowing	1,478	1,453	1,780	1,695	1,509	1,516
1.1. Domestic	1,114	1,062	1,327	1,139	990	942
1.2. Foreign	364	391	453	556	519	574
2. Sources of Financing						
2.1. Domestic Financing	1,114	1,062	1,327	1,139	990	942
2.1.1. Rupee Loans	-	-	-	-	-	-
2.1.2. Treasury bonds ^(a)	939	893	1,167	871	542	575
2.1.3. Treasury bills (net) ^(a)	40	12	15	(74)	58	106
2.1.4. CBSL Advances	37	35	15	7	33	-
2.1.5. SLDBs	98	95	130	335	357	197
2.1.6. OBUs	-	-	-	-	-	15
2.1.7. Other	-	27	-	-	-	49
2.2 Foreign Financing	364	391	453	556	519	574
2.2.1. Project/Programme Loans	234	195	258	258	309	255
2.2.2. Commercial Loans ^(b)	130	196	195	299	210	320
Total Financing	1,478	1,453	1,780	1,695	1,509	1,516

(a) Includes Treasury bonds and Treasury bills issued to non-residents.

(b) Includes International Sovereign bonds and non-project loans.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

GOVERNMENT BORROWINGS

TABLE 22

FINANCING OF THE GOVERNMENT NET CASH DEFICIT

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^(a)
1. NET CASH SURPLUS (+) / DEFICIT (-)	(215,516)	(262,252)	(322,329)	(486,626)	(451,924)	(455,207)	(551,142)	(612,599)	(801,408)	(980,776)	(640,325)
1.1 Revenue and grants	527,435	614,329	708,596	746,359	858,372	973,476	1,030,128	1,098,355	1,169,543	1,413,318	1,725,278
1.2 Expenditure ^(b)	(742,951)	(876,581)	(1,030,925)	(1,232,984)	(1,310,295)	(1,428,683)	(1,581,271)	(1,710,955)	(1,970,952)	(2,394,094)	(2,365,603)
2. FINANCING OF THE DEFICIT	215,516	262,252	322,329	486,626	451,924	455,207	551,142	612,599	801,408	980,776	640,325
2.1 Domestic Financing	163,808	145,136	314,312	245,556	202,229	231,224	257,847	487,542	525,843	743,973	248,411
2.1.1 Domestic Market Borrowings	164,458	127,076	309,694	234,276	191,999	236,021	252,409	474,542	539,206	743,973	248,411
Rupee Loans	23	18,833	-	1,904	-	-	-	-	-	-	-
Less: Direct Repayments	23,873	8,500	1,500	19,621	24,583	25,748	3,576	2,868	-	31,430	-
Net	(23,850)	10,333	(1,500)	(17,717)	(24,583)	(25,748)	(3,576)	-	-	(31,430)	-
Treasury Bills	20,300	37,092	69,766	49,008	82,796	79,616	16,782	53,510	26,077	(26,375)	98,482
Treasury Bonds	97,429	52,807	192,356	201,935	140,440	168,401	154,548	252,125	369,135	442,582	349,814
Sri Lanka Development Bonds (SLDBs)	34,254	23,592	65,497	7,564	11,073	5,268	18,359	140,277	20,968	222,967	(120,516)
Central Bank Advances	9,269	11,664	15,629	(2,428)	3,998	16,864	16,549	(2,125)	34,731	7,234	(67,825)
Other Borrowings from Banks ^(c)	33,874	(3,025)	(43,598)	(2,918)	(7,291)	13,730	45,139	31,725	101,967	133,400	(19,926)
Use of Cash Balances	(6,818)	(5,386)	11,544	(1,169)	(14,434)	(22,109)	4,609	1,898	(13,672)	(4,405)	8,383
2.1.2 Domestic Other Borrowings ^(d)	(650)	18,060	4,618	11,280	10,230	(4,798)	5,438	13,000	(13,363)	-	-
2.2 Foreign Financing	51,708	117,115	8,018	241,070	249,694	223,983	293,295	125,057	275,565	236,803	391,914
2.2.1 Project Loans	78,254	72,871	114,600	146,717	163,860	174,523	228,808	164,191	188,025	201,655	254,559
Less: Repayments	33,715	39,108	47,762	66,059	55,360	63,632	80,958	98,231	96,634	117,031	145,266
Net	44,539	33,763	66,838	80,658	108,500	110,892	147,850	65,960	91,391	84,623	109,293
2.2.2 Non-project Loans	7,169	83,352	(58,820)	160,412	141,194	113,092	145,445	59,098	184,174	35,148	282,620
Commodity Loans	3,227	2,510	58	314	126	3,254	2,316	8,195	626	1,064	344
Less: Repayments	5,163	5,417	5,771	5,871	6,100	5,793	5,634	5,226	4,814	5,443	5,306
Net	(1,936)	(2,907)	(5,713)	(5,557)	(5,974)	(2,539)	(3,319)	2,969	(4,188)	(4,379)	(4,963)
Other loans ^(e)	16,216	105,848	14,970	208,755	163,893	144,995	255,700	156,664	270,023	34,084	306,117
Less: Repayments	7,111	19,589	68,077	42,786	16,724	29,364	106,937	100,535	81,661	1,618,119	18,534
Net	9,105	86,259	(53,107)	165,969	147,169	115,631	148,764	56,128	188,362	(127,734)	287,583

Sources : Central Bank of Sri Lanka
Ministry of Finance and Planning

- (a) Provisional.
- (b) Consists of government expenditure excluding contributions to sinking funds, direct repayment of public debt and subscriptions to international financial organisations. Also excludes book adjustments arising from losses on Advance Account operations incurred and financed in previous financial years. Hence, the figures may not tally with the figures published in the Accounts of the Government of Sri Lanka.
- (c) Includes cash items in process of collection in the Central Bank and commercial banks, government import bills overdraft and borrowings from offshore the banking units of commercial banks.
- (d) Includes domestic grants, administrative borrowings and payments to be made.
- (e) Includes cash loans received from the Iraq, China, OPEC, Japan and military equipment loans and Euro currency commercial loans.

COST OF BORROWING

TABLE 23

TREASURY BILLS PRIMARY AUCTION YIELD RATES AND COMPOSITE RATE - 2016

Year	Month	Weighted Average Yield Rates of T-Bills (Net of Tax)			
		91 Days	182 Days	364 Days	Composite Rate
2015	January	5.78	5.89	6.02	5.91
	February	5.89	6.01	6.10	6.00
	March	6.93	7.04	6.99	6.98
	April	6.33	6.60	6.67	6.59
	May	6.10	6.23	6.34	6.21
	June	6.08	6.18	6.29	6.16
	July	6.20	6.33	6.40	6.26
	August	6.53	6.59	6.70	6.60
	September	6.78	7.07	7.18	6.86
	October	6.73	7.02	7.10	6.92
	November	6.44	6.57	6.95	6.65
	December	6.23	6.43	6.94	6.47
	Total		6.32	6.50	6.60
2016	January	6.63	7.12	7.56	7.05
	February	7.04	7.61	8.06	7.51
	March	7.90	8.90	9.72	8.69
	April	8.51	9.55	10.19	9.78
	May	8.64	9.62	10.37	9.66
	June	8.84	9.79	10.53	9.84
	July	8.87	9.78	10.50	9.84
	August	9.02	9.92	10.73	10.29
	September	8.71	9.65	10.48	9.95
	October	8.57	9.41	10.19	9.56
	November	8.60	9.51	10.14	9.77
	December	8.62	9.58	10.11	9.44
	Total		8.26	9.23	10.20

Source: Central Bank of Sri Lanka

a) Calculated based on Simple average of WAYR for each maturity period.

COST OF BORROWING

TREASURY BOND AUCTIONS IN 2016

TABLE 24

Series	Settlement Date	Maturity Date	Maturity Period (Years)	Amount Offered (Rs. million.)	Bids Received (Rs. million.)	Amount Accepted (Rs. million.)	Coupon Rate (%)	Weighed Average Yield(a)
09.50%2020A	1/11/16	12/15/20	5	2,000.00	14,830.00	-	09.50	0.00
11.00%2025A	1/11/16	8/1/25	10	5,000.00	23,379.00	6,059.00	11.00	12.28
11.00%2030A	1/11/16	5/15/30	14	5,000.00	24,285.00	13,585.00	11.00	12.73
12.00%2041A	1/11/16	1/1/41	25	8,000.00	41,975.00	19,635.00	12.00	13.43
09.50%2020A	2/1/16	12/15/20	5	2,000.00	13,275.00	-	09.50	0.00
11.00%2026A	2/1/16	6/1/26	10	3,000.00	19,030.00	6,190.00	11.00	12.38
11.00%2030A	2/1/16	5/15/30	14	5,000.00	27,150.00	15,650.00	11.00	12.82
12.50%2045A	2/1/16	3/1/45	29	5,000.00	44,840.00	-	12.50	0.00
09.50%2020A	2/12/16	12/15/20	5	2,000.00	11,972.00	-	09.50	0.00
11.00%2030A	2/12/16	5/15/30	14	3,000.00	42,865.00	10,455.00	11.00	12.96
12.00%2041A	2/12/16	1/1/41	25	5,000.00	48,080.00	10,250.00	12.00	13.50
08.50%2018A	3/1/16	2/1/18	2	3,000.00	15,760.00	5,305.00	08.50	11.11
11.00%2021A	3/1/16	8/1/21	5	3,000.00	12,277.00	5,312.00	11.00	12.69
11.20%2023A	3/1/16	9/1/23	8	3,000.00	18,750.00	7,637.00	11.20	13.09
08.00%2019A	3/11/16	11/1/19	4	2,000.00	6,514.00	-	08.00	0.00
11.00%2021A	3/11/16	8/1/21	5	2,000.00	7,040.00	-	11.00	0.00
11.40%2024A	3/11/16	1/1/24	8	2,000.00	9,535.00	-	11.40	0.00
08.00%2017B	3/18/16	6/15/17	1	1,000.00	8,300.00	-	08.00	0.00
09.25%2020A	3/18/16	5/1/20	4	1,000.00	6,805.00	1,305.00	09.25	13.19
11.40%2024A	3/18/16	1/1/24	8	2,000.00	13,030.00	6,620.00	11.40	13.62
09.25%2020A	4/1/16	5/1/20	4	5,000.00	13,628.00	-	09.25	0.00
09.45%2021A	4/1/16	10/15/21	6	5,000.00	17,500.00	-	09.45	0.00
10.00%2022A	4/1/16	10/1/22	7	5,000.00	13,520.00	-	10.00	0.00
10.25%2025A	4/1/16	3/15/25	9	5,000.00	33,150.00	-	10.25	0.00
09.25%2020A	4/1/16	5/1/20	4	10,000.00	27,022.00	10,272.00	09.25	14.20
10.25%2025A	4/1/16	3/15/25	9	10,000.00	36,915.00	21,475.00	10.25	15.33
11.00%2026A	4/1/16	6/1/26	10	10,000.00	32,560.00	17,010.00	11.00	15.48
11.00%2030A	4/1/16	5/15/30	14	10,000.00	45,925.00	28,975.00	11.00	15.81
08.50%2018A	4/1/16	2/1/18	2	5,000.00	21,254.00	9,000.00	08.50	13.06
10.60%2019A	4/1/16	7/1/19	3	5,000.00	15,025.00	5,000.00	10.60	13.06
11.00%2021A	4/1/16	8/1/21	5	5,000.00	24,175.00	14,350.00	11.00	14.44
11.50%2028A	4/1/16	9/1/28	12	10,000.00	52,605.00	21,660.00	11.50	15.24
09.50%2020A	4/20/16	12/15/20	5	5,000.00	14,080.00	-	09.50	0.00
10.00%2022A	4/20/16	10/1/22	6	5,000.00	14,200.00	-	10.00	0.00
11.40%2024A	4/20/16	1/1/24	8	5,000.00	31,236.00	-	11.40	0.00
08.00%2018A	5/3/16	11/15/18	3	8,000.00	28,800.00	15,600.00	08.00	12.82
09.25%2020A	5/3/16	5/1/20	4	8,000.00	33,970.00	9,360.00	09.25	13.09
10.00%2022A	5/3/16	10/1/22	6	8,000.00	42,230.00	5,480.00	10.00	13.31
08.00%2018A	5/16/16	11/15/18	3	5,000.00	35,405.00	8,400.00	08.00	12.79
09.25%2020A	5/16/16	5/1/20	4	5,000.00	29,271.00	7,001.00	09.25	13.05
10.00%2022A	5/16/16	10/1/22	6	5,000.00	23,065.00	3,545.00	10.00	13.31
11.40%2024A	5/16/16	1/1/24	8	4,000.00	28,802.00	2,817.00	11.40	13.41
08.00%2018A	6/1/16	11/15/18	2	10,000.00	30,070.00	12,845.00	08.00	13.06
09.25%2020A	6/1/16	5/1/20	4	10,000.00	29,545.00	11,970.00	09.25	13.46
11.40%2024A	6/1/16	1/1/24	8	12,500.00	31,755.00	2,601.00	11.40	13.78
11.00%2026A	6/1/16	6/1/26	10	12,500.00	45,296.00	17,450.00	11.00	14.25
08.75%2018A	6/1/16	10/15/18	2	10,000.00	38,765.00	13,865.00	08.75	13.14
09.45%2021A	6/1/16	10/15/21	5	15,000.00	38,093.00	11,611.00	09.45	13.87
11.40%2024A	6/1/16	1/1/24	8	12,000.00	39,360.00	14,130.00	11.40	14.19
11.00%2026A	6/1/16	6/1/26	10	8,000.00	54,100.00	8,100.00	11.00	14.42
08.75%2018A	6/15/16	10/15/18	2	8,000.00	41,229.00	8,647.00	08.75	12.69
09.45%2021A	6/15/16	10/15/21	5	5,000.00	34,717.00	6,230.00	09.45	13.30
11.40%2024A	6/15/16	1/1/24	8	3,000.00	33,720.00	3,475.00	11.40	13.74
11.00%2026A	6/15/16	6/1/26	10	2,000.00	36,220.00	2,271.00	11.00	13.89
08.50%2019A	7/1/16	5/1/19	3	7,000.00	29,850.00	1,800.00	08.50	12.83

Series	Settlement Date	Maturity Date	Maturity Period (Years)	Amount Offered (Rs. million.)	Bids Received (Rs. million.)	Amount Accepted (Rs. million.)	Coupon Rate (%)	Weighted Average Yield(a)
09.50%2020A	7/1/16	12/15/20	4	10,000.00	37,455.00	12,140.00	09.50	13.25
10.00%2022A	7/1/16	10/1/22	6	7,000.00	40,146.00	2,550.00	10.00	13.36
10.25%2025A	7/1/16	3/15/25	9	6,000.00	50,214.00	7,422.00	10.25	14.04
08.50%2019A	7/1/16	5/1/19	3	12,000.00	35,975.00	10,000.00	08.50	12.87
10.75%2021A	7/1/16	3/1/21	5	12,000.00	47,865.00	14,300.00	10.75	13.31
11.00%2025A	7/1/16	8/1/25	9	10,000.00	62,419.00	12,344.00	11.00	13.95
10.60%2019B	7/15/16	9/15/19	3	10,000.00	39,400.00	10,000.00	10.60	12.92
10.75%2021A	7/15/16	3/1/21	5	9,000.00	40,080.00	10,645.00	10.75	13.21
10.00%2022A	7/15/16	10/1/22	6	9,000.00	38,945.00	10,525.00	10.00	13.37
11.20%2023A	7/15/16	9/1/23	7	7,000.00	47,265.00	8,050.00	11.20	13.53
08.75%2018A	7/20/16	10/15/18	2	9,000.00	46,940.00	9,350.00	08.75	12.27
10.75%2021A	7/20/16	3/1/21	5	8,000.00	41,098.00	4,750.00	10.75	12.97
11.00%2025A	7/20/16	8/1/25	9	6,000.00	41,844.00	5,935.00	11.00	13.42
10.75%2021A	8/1/16	3/1/21	5	20,000.00	53,960.00	20,700.00	10.75	13.41
11.00%2024A	8/1/16	8/1/24	8	20,000.00	59,154.00	20,800.00	11.00	14.01
11.50%2026A	8/1/16	8/1/26	10	20,000.00	82,372.00	21,585.00	11.50	14.29
10.75%2021A	9/1/16	3/1/21	4	15,000.00	74,108.00	15,461.00	10.75	13.07
11.00%2024A	9/1/16	8/1/24	8	15,000.00	59,001.00	17,181.00	11.00	13.60
11.50%2026A	9/1/16	8/1/26	10	15,000.00	109,605.00	16,830.00	11.50	13.91
10.75%2021A	10/3/16	3/1/21	4	8,000.00	38,220.00	7,663.00	10.75	11.79
11.00%2024A	10/3/16	8/1/24	8	7,000.00	42,720.00	7,200.00	11.00	12.18
11.50%2026A	10/3/16	8/1/26	10	7,000.00	55,491.00	6,100.00	11.50	12.29
05.00%2026A	12/20/16	12/20/26	10	9,142.22	9,142.22	9,142.22	05.00	13.33

Source: Central Bank of Sri Lanka

(a) Effect from May 3, 2002, Government imposed a 10% withholding tax on interest of Government Securities. The rates quoted are adjusted for withholding tax.

COST OF BORROWING

TREASURY BILL AUCTIONS IN 2016

Table 25

Issue Date	Amount Offered (Rs. million.)			Amount Bids Received (Rs. million.)			Amount Bids Accepted (Rs. million.)			Weighted Average Yield Rates ^(a)		
	91	182	364	91	182	364	91	182	364	91	182	364
1/1/16	4,000.00	8,000.00	10,000.00	11,936.00	14,449.00	16,735.00	5,286.00	1,149.00	1,000.00	7.1657	7.5884	8.1088
1/8/16	4,000.00	6,000.00	8,000.00	13,291.00	10,045.00	13,848.00	4,496.00	1,345.00	1,183.00	7.322	7.7033	8.242
1/15/16	4,000.00	6,000.00	8,000.00	13,936.00	11,133.00	17,568.00	7,986.00	3,783.00	6,386.00	7.5299	7.843	8.3153
1/22/16	-	12,000.00	12,000.00	-	23,233.00	18,161.00	-	12,000.00	3,704.00	-	7.9914	8.6721
1/29/16	2,500.00	10,000.00	10,000.00	18,630.00	15,842.00	16,024.00	-	-	-	-	-	-
2/5/16	3,000.00	9,000.00	10,000.00	20,995.00	19,798.00	18,180.00	16,002.00	9,567.00	3,002.00	7.7929	8.2192	8.7474
2/12/16	-	12,000.00	8,000.00	-	33,615.00	15,418.00	-	23,535.00	4,513.00	-	8.4078	8.837
2/19/16	5,000.00	10,000.00	8,000.00	16,338.00	18,820.00	12,102.00	5,000.00	-	-	7.9314	-	-
2/26/16	-	12,000.00	10,000.00	-	19,484.00	15,159.00	-	6,849.00	2,389.00	-	8.9661	9.4499
3/4/16	5,000.00	8,000.00	7,000.00	22,600.00	16,242.00	12,361.00	15,953.00	7,667.00	3,036.00	8.5385	9.4337	10.0002
3/11/16	5,000.00	7,000.00	8,000.00	9,588.00	11,193.00	12,867.00	-	-	-	-	-	-
3/18/16	5,000.00	8,000.00	9,000.00	10,872.00	12,543.00	13,986.00	-	-	-	-	-	-
3/25/16	6,000.00	9,000.00	9,000.00	13,170.00	14,396.00	17,455.00	8,460.00	8,026.00	12,216.00	9.218	10.3273	11.0049
4/1/16	8,000.00	8,000.00	5,000.00	16,559.00	14,799.00	18,725.00	1,750.00	978.00	4,350.00	9.8844	10.8416	11.8198
4/8/16	6,000.00	6,000.00	8,000.00	13,968.00	18,764.00	49,175.00	4,650.00	12,119.00	15,225.00	9.4136	10.6341	11.372
4/15/16	9,000.00	9,000.00	5,000.00	13,165.00	16,876.00	39,029.00	2,700.00	3,223.00	25,642.00	9.3889	10.6041	11.2173
4/22/16	9,000.00	9,000.00	7,000.00	15,096.00	19,748.00	24,725.00	3,886.00	11,443.00	17,575.00	9.3843	10.5916	11.3002
4/29/16	8,500.00	8,500.00	7,000.00	14,621.00	24,351.00	26,454.00	586.00	11,345.00	938.00	9.394	10.594	11.3054
5/6/16	10,000.00	15,000.00	10,000.00	16,366.00	35,625.00	30,515.00	6,846.00	10,420.00	16,355.00	9.4719	10.7053	11.4166
5/13/16	6,000.00	12,000.00	12,000.00	13,500.00	21,850.00	36,798.00	-	6,165.00	2,083.00	-	10.4399	11.5277
5/20/16	10,000.00	10,000.00	10,000.00	17,550.00	21,211.00	31,420.00	4,365.00	-	13,915.00	9.6178	-	11.6425
5/27/16	11,000.00	11,000.00	8,000.00	24,072.00	35,617.00	15,674.00	9,155.00	21,594.00	-	9.6816	10.7453	-
6/3/16	12,000.00	10,000.00	9,000.00	24,812.00	37,020.00	24,340.00	9,787.00	7,665.00	7,020.00	9.7777	10.8379	11.6873
6/10/16	13,000.00	10,000.00	7,000.00	19,737.00	21,429.00	19,006.00	1,680.00	9,622.00	2,093.00	9.8054	10.8488	11.7037
6/17/16	11,000.00	11,000.00	8,000.00	18,332.00	26,022.00	20,094.00	1,835.00	10,467.00	5,976.00	9.823	10.893	11.712
6/24/16	10,500.00	10,500.00	8,000.00	25,792.00	21,695.00	12,817.00	12,365.00	10,415.00	1,160.00	9.8491	10.9275	11.7204
7/1/16	8,500.00	8,500.00	5,000.00	20,592.00	18,625.00	17,521.00	9,223.00	7,268.00	6,863.00	9.8676	10.9551	11.721
7/8/16	8,500.00	8,500.00	5,000.00	25,079.00	15,273.00	7,982.00	10,000.00	4,178.00	1,097.00	9.8571	10.9864	11.736
7/15/16	8,000.00	9,000.00	6,000.00	11,926.00	24,588.00	17,505.00	-	-	7,497.00	-	-	11.6552
7/22/16	5,000.00	7,500.00	10,000.00	8,392.00	21,341.00	22,456.00	3,297.00	10,170.00	9,936.00	9.7798	10.8326	11.6528
7/29/16	4,000.00	7,500.00	7,500.00	5,955.00	20,351.00	21,945.00	-	9,571.00	10,585.00	0	10.7681	11.6483
8/5/16	7,500.00	7,500.00	7,500.00	13,669.00	21,619.00	31,693.00	1,437.00	8,295.00	8,420.00	9.994	11.005	11.9247
8/12/16	5,500.00	10,000.00	10,000.00	17,020.00	24,429.00	42,575.00	3,655.00	4,818.00	19,717.00	10.0159	11.0269	11.9149
8/19/16	5,500.00	5,500.00	12,000.00	14,552.00	17,589.00	35,359.00	3,656.00	4,370.00	6,485.00	10.0162	11.0433	11.9388
8/26/16	3,000.00	12,000.00	12,000.00	9,367.00	21,364.00	36,720.00	2,387.00	5,370.00	16,015.00	10.0419	11.0499	11.9406
9/2/16	6,000.00	8,000.00	12,000.00	14,845.00	14,951.00	43,774.00	3,095.00	4,576.00	19,258.00	10.0386	11.0414	11.9263
9/9/16	1,000.00	2,000.00	8,000.00	14,340.00	19,020.00	54,265.00	1,000.00	2,000.00	8,000.00	9.7223	10.7917	11.5454
9/16/16	5,000.00	8,000.00	13,000.00	12,665.00	16,575.00	30,467.00	-	1,045.00	12,308.00	-	10.7941	11.5499
9/23/16	2,000.00	3,000.00	11,000.00	7,750.00	16,996.00	26,569.00	5,350.00	8,361.00	2,200.00	9.6766	10.771	11.5379
9/30/16	6,000.00	7,000.00	8,000.00	15,650.00	31,452.00	37,923.00	6,301.00	7,000.00	8,000.00	9.4992	10.4331	11.2348
10/7/16	8,000.00	8,000.00	10,000.00	14,525.00	19,324.00	20,689.00	4,590.00	9,148.00	5,026.00	9.505	10.4344	11.2387
10/14/16	5,000.00	5,000.00	10,500.00	7,405.00	9,329.00	16,386.00	-	-	-	-	-	-
10/21/16	8,000.00	8,000.00	8,000.00	12,281.00	14,610.00	14,876.00	1,637.00	1,184.00	1,336.00	9.5608	10.5166	11.3277
10/28/16	6,000.00	7,000.00	12,000.00	10,412.00	13,080.00	22,132.00	-	1,130.00	6,457.00	-	10.5321	11.3788
11/4/16	5,000.00	7,500.00	10,000.00	9,170.00	21,068.00	24,036.00	662.00	10,968.00	7,356.00	9.5608	10.5263	11.2264
11/11/16	6,000.00	10,000.00	12,000.00	9,085.00	23,100.00	20,720.00	290.00	4,400.00	5,745.00	9.5599	10.6208	11.271
11/18/16	7,500.00	12,000.00	10,000.00	10,500.00	16,850.00	14,605.00	250.00	500.00	260.00	9.5558	10.7222	11.3333
11/25/16	8,500.00	13,000.00	10,000.00	12,840.00	18,754.00	15,780.00	70.00	950.00	1,960.00	9.5558	10.7852	11.3875
12/2/16	10,000.00	8,000.00	7,000.00	27,640.00	24,850.00	18,026.00	1,035.00	8,000.00	6,698.00	9.5558	10.611	11.2197
12/9/16	9,000.00	9,000.00	7,000.00	21,308.00	27,522.00	12,320.00	9,283.00	6,536.00	2,106.00	9.5516	10.623	11.2187
12/16/16	6,000.00	9,000.00	9,000.00	9,000.00	13,807.00	17,951.00	-	2,150.00	4,041.00	-	10.6213	11.2301
12/23/16	7,500.00	12,000.00	10,000.00	12,755.00	17,553.00	15,260.00	4,300.00	2,033.00	1,280.00	9.6166	10.6831	11.2671
12/30/16	3,500.00	4,000.00	4,000.00	6,100.00	10,350.00	6,500.00	1,600.00	6,150.00	750.00	9.69	10.7018	11.3003

Source: Central Bank of Sri Lanka

(a) Effect from May 3, 2002, Government imposed a 10% withholding tax on interest of government securities. The rates quoted are adjusted for withholding tax.

SRI LANKA DEVELOPMENT BONDS AUCTIONS IN 2016

Date of Issue	Amount Accepted (USD. million.)	Maturity Period (Years)	Weighed Average Margin	Date of Issue	Amount Accepted (USD. million.)	Maturity Period (Years)	Weighed Average Margin
1/21/16	1.00	2.27	4.10	3/11/16	2.00	1.02	4.25
1/21/16	1.00	2.27	4.25	3/11/16	0.99	1.02	4.26
1/21/16	5.00	1.00	3.30	3/11/16	50.00	1.02	4.40
1/21/16	5.00	1.00	3.35	3/11/16	0.13	2.14	4.25
1/21/16	33.00	1.00	3.40	3/11/16	2.00	2.14	4.35
1/21/16	56.49	1.00	3.45	3/11/16	2.00	2.14	4.45
1/21/16	50.00	1.00	3.50	3/11/16	2.00	2.14	4.55
1/21/16	1.50	1.00	3.55	3/28/16	5.00	0.26	3.90
1/21/16	11.51	1.00	3.65	3/28/16	2.00	0.26	3.95
1/21/16	25.00	1.00	3.70	3/28/16	8.38	0.26	4.00
1/21/16	1.00	1.00	3.75	3/28/16	15.00	0.26	4.10
1/21/16	10.00	1.00	3.85	3/28/16	5.00	0.26	4.20
1/21/16	12.00	1.00	3.95	3/28/16	3.50	0.26	4.25
1/21/16	5.00	1.00	3.99	3/28/16	0.50	0.26	4.25
1/21/16	7.50	1.00	4.00	3/28/16	0.50	0.26	4.50
1/21/16	3.00	1.00	4.05	3/28/16	5.05	0.26	4.70
1/21/16	7.00	1.00	4.10	3/28/16	1.28	0.26	4.75
2/26/16	2.00	1.05	3.50	3/28/16	2.00	0.26	4.79
2/26/16	10.00	1.05	3.60	3/28/16	1.00	0.26	5.00
2/26/16	10.00	1.05	3.61	3/28/16	5.00	0.50	3.85
2/26/16	10.00	1.05	3.62	3/28/16	14.00	0.50	4.00
2/26/16	27.00	1.05	3.75	3/28/16	2.00	0.50	4.05
2/26/16	32.00	1.05	3.80	3/28/16	8.00	0.50	4.10
2/26/16	17.00	1.05	3.85	3/28/16	4.00	0.50	4.20
2/26/16	24.50	1.05	3.90	3/28/16	4.00	0.50	4.30
2/26/16	12.00	1.05	3.95	3/28/16	15.00	0.50	4.35
2/26/16	1.00	1.05	3.96	3/28/16	6.00	0.97	4.10
2/26/16	1.00	1.05	3.98	3/28/16	12.00	0.97	4.20
2/26/16	3.16	1.05	3.99	3/28/16	15.00	0.97	4.25
2/26/16	51.50	1.05	4.00	3/28/16	0.27	0.97	4.30
2/26/16	1.00	1.05	4.02	3/28/16	19.19	0.97	4.35
2/26/16	11.00	1.05	4.05	3/28/16	3.00	0.97	4.38
2/26/16	1.00	1.05	4.08	3/28/16	99.00	0.97	4.40
2/26/16	1.99	1.05	4.09	3/28/16	3.00	0.97	4.49
2/26/16	31.00	1.05	4.10	3/28/16	31.00	0.97	4.50
2/26/16	17.00	2.18	4.20	3/28/16	10.00	0.97	4.55
2/26/16	15.00	2.18	4.25	3/28/16	5.00	0.97	4.60
2/26/16	15.00	2.18	4.30	3/28/16	0.04	0.97	5.25
3/11/16	5.00	0.30	4.75	3/28/16	6.50	2.00	4.25
3/11/16	10.00	0.30	2.76	3/28/16	12.00	2.00	4.45
3/11/16	2.50	0.30	3.25	3/28/16	41.00	2.00	4.50
3/11/16	2.50	0.30	3.38	3/28/16	3.50	2.00	4.55
3/11/16	2.50	0.30	3.50	3/28/16	1.00	2.00	4.60
3/11/16	5.00	0.30	3.70	3/28/16	7.00	2.00	4.65
3/11/16	12.50	0.30	3.75	6/30/16	0.10	1.00	4.00
3/11/16	10.00	0.30	3.80	6/30/16	0.01	1.00	4.10
3/11/16	10.00	0.30	3.95	6/30/16	6.00	1.00	4.25
3/11/16	30.36	0.30	4.00	6/30/16	25.85	1.00	4.30
3/11/16	5.00	0.44	2.96	6/30/16	10.00	1.00	4.32
3/11/16	5.00	0.44	3.80	6/30/16	10.00	1.00	4.34
3/11/16	10.00	0.44	3.85	6/30/16	10.31	1.00	4.35
3/11/16	10.00	0.44	3.90	6/30/16	10.00	1.00	4.36
3/11/16	10.00	0.44	4.00	6/30/16	10.50	1.00	4.38
3/11/16	5.00	0.44	4.05	6/30/16	50.00	1.00	4.39
3/11/16	10.00	1.02	3.96	6/30/16	77.30	1.00	4.40
3/11/16	1.49	1.02	4.14	6/30/16	5.00	1.00	4.42
3/11/16	2.00	1.02	4.15	6/30/16	26.23	1.00	4.44
3/11/16	1.50	1.02	4.18	6/30/16	8.74	1.00	4.45
3/11/16	1.51	1.02	4.22				

Source: Central Bank of Sri Lanka

SECONDARY MARKET OPERATIONS

TABLE 27

SECONDARY MARKET TRANSACTIONS AS REPORTED BY PRIMARY DEALERS

	2009	2010	2011	2012	2013	2014	2015	2016 ^(a)
1. Outright Transactions	1,743,780	1,449,390	1,268,287	1,584,095	2,070,161	3,839,729	3,600,396	2,872,317
1.1. Treasury bills								
Purchased	210,284	177,902	239,168	374,597	345,516	322,216	228,769	299,261
Sold	526,246	574,842	398,622	672,438	683,458	710,446	689,602	554,792
Total	736,530	752,744	637,790	1,047,035	1,028,973	1,032,662	918,371	854,053
1.2. Treasury bonds								
Purchased	465,616	344,567	326,589	259,999	509,585	1,370,621	1,181,721	885,600
Sold	541,634	352,079	303,908	277,061	531,603	1,436,446	1,500,304	1,132,664
Total	1,007,250	696,646	630,497	537,060	1,041,187	2,807,067	2,682,025	2,018,264
2. Repurchase Transactions	4,715,910	4,992,887	5,915,725	6,246,422	10,235,395	8,223,558	11,763,524	18,095,909
2.1. Treasury bills								
Repo	1,015,066	1,217,880	1,215,200	1,510,151	2,078,440	1,319,875	2,294,059	2,983,674
Reverse repo	172,238	177,882	159,057	219,855	650,290	436,778	794,382	474,593
Total	1,187,304	1,395,762	1,374,257	1,730,006	2,728,731	1,756,653	3,088,441	3,458,267
2.2 Treasury bonds								
Repo	2,757,851	2,877,407	3,936,271	3,989,074	6,761,249	5,409,509	6,720,895	9,321,832
Reverse repo	770,755	719,718	605,196	527,341	745,416	1,057,396	1,954,188	5,315,810
Total	3,528,606	3,597,125	4,541,468	4,516,416	7,506,664	6,466,905	8,675,083	14,637,642
3. Total Transactions	6,459,690	6,442,277	7,184,012	7,830,517	12,305,556	12,063,287	15,363,920	20,968,226

Source: Central Bank of Sri Lanka

(a) Provisional.

SECONDARY MARKET TRANSACTIONS RECORDED IN THE LANKASECURE ^(a)

	Rs. million				
	2012	2013	2014	2015	2016
1 Treasury bills					
1.1 Outright Purchases / Sales	2,472,283	2,509,156	1,547,014	1,357,827	1,397,399
1.2 Repo / Rev. Repo	13,915,619	14,479,945	13,513,736	8,731,226	8,682,167
Total	16,387,902	16,989,101	15,060,750	10,089,053	10,079,566
2 Treasury bonds					
2.1 Outright Purchases / Sales	1,769,980	3,474,859	4,158,537	4,020,581	4,402,623
2.2 Repo / Rev. Repo	17,284,906	15,780,297	19,223,122	34,385,232	42,288,083
Total	19,054,886	19,255,156	23,381,659	38,405,813	46,690,706
Total Transactions	35,442,788	36,244,257	38,442,409	48,494,866	56,770,272

Source: Central Bank of Sri Lanka

(a) Note:

- All transactions have been recorded in the LankaSecure System in Face Value basis.

- Accuracy of the information is subject to the accuracy of the data recorded by the system participants in the LankaSecure System.