

Public Debt Management in Sri Lanka

Performance in 2021 & medium term strategies



Public Debt Department
CENTRAL BANK OF SRI LANKA

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&
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Public Debt Department
Central Bank of Sri Lanka

Central Bank of Sri Lanka
Public Debt Department
P O Box 590
Colombo
Sri Lanka

Tel. : 94 11 2477277

Fax : 94 11 2477718

E-mail : publicdebt@cbsl.lk

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Abbreviations

ABP	Annual Borrowing Plan	LIBOR	London Inter-Bank Offered Rate
ADB	Asian Development Bank	LSB	Licensed Specialized Bank
ALMA	Active Liability Management Act	LSD	LankaSecure Division
ATM	Average Time to Maturity	LTBO	Local Treasury Bills Ordinance
ATR	Average Time to Re-fixing	MLA	Monetary Law Act
BCP	Business Continuity Plan	MLDS	Medium and Long-Term External Debt Service
BO	Back Office	MO	Middle Office
BOP	Balance of Payment	MOF	Ministry of Finance
bps	Basis Points	Moody's	Moody's Investors Service
CBSL	Central Bank of Sri Lanka	MTDS	Medium Term Debt Management Strategy
CCP	Central Counterparty Clearing and Settlement System	MTFF	Medium Term Fiscal Framework
CCPI	Colombo Consumer Price Index	NPV	Net Present Value
CDS	Central Depository System	NRM	Non-Reserve Management
CH	Clearing House	NSB	National Savings Bank
CMDP	Capital Market Development Project	O/D	Over Draft
CPC	Ceylon Petroleum Corporation	OBU	Off-shore Banking Unit
CSD	Central Securities Depository	OECD	Organization for Economic Cooperation and Development
CWE	Corporative Wholesale Establishment	OMO	Open Market Operations
DDMC	Domestic Debt Management Committee	PC	Personal Computer
DIW	Direct Issuance Window	PDD	Public Debt Department
DMS	Debt Management Strategy	PD	Primary Dealer
DOD	Disbursed Outstanding External Debt	PMWAYR	Primary Market Weighted Average Yield Rates
DRS	Disaster Recovery Site	PV	Present Value
DVP	Delivery Versus Payment	Repo	Repurchase
EDD	External Debt Disbursements	RSSO	Registered Stocks and Securities Ordinance
EPP	External Principal Payments	RTGS	Real Time Gross Settlement System
EPV	Present value of all future external debt service payment obligations	RWCAR	Risk Weighted Capital Adequacy Ratio
E-Trading	Electronic Trading	SDR	Special Drawing Right
ETP	Electronic Trading Platform	SOE	State Owned Enterprise
FCTFF	Foreign Currency Term Financing Facility	S&P	S&P Global Ratings
FDI	Foreign Direct Investment	SDFR	Standing Deposit Facility Rate
FInNet	Financial Information Network	SED	Short Term External Debt
FIQ	Fixed Income Quote	SIA	Securities Investment Account
Fitch	Fitch Ratings	SLA	Staff Level Agreement
FO	Front Office	SLDB	Sri Lanka Development Bond
FX	Exchange Rate	SLNBB	Sri Lanka Nation Building Bond
GDP	Gross Domestic Product	SLFR	Standing Lending Facility Rate
GNP	Gross National Product	SMS	Short Message Service
GOSL	Government of Sri Lanka	SSSS	Scripless Securities Settlement System
IDA	International Development Agency	TDS	Total External Debt Service
IDR	Issuer Default Rating	USA	United States of America
IMF	International Monetary Fund	WAYR	Weighted Average Yield Rate
INT	Interest Service	WB	World Bank
ISIN	International Securities Identification Number	WFH	Work From Home
ISB	International Sovereign Bond	XGS	Receipts in exports of goods and non-factor services including workers' remittances and compensation of employees
LCB	Licensed Commercial Bank		

KEY GOVERNMENT DEBT INDICATORS								
	2015	2016	2017	2018	2019	2020	2021(a)	
Borrowings								
Approved Gross Borrowing Limit (Rs.billion)	1,780.0	1,699.0	1,629.0	1,893.8	2,079.0	2,830.0	3,397.0	
Actual Gross Borrowing (Rs.billion)	1,744.5	1,519.5	1,620.0	1,880.7	2,077.4	2,801.3	3,376.0	
Domestic Sources	1,188.2	945.2	1,018.7	1,109.1	1,142.3	2,410.4	2,856.5	
Foreign Sources	556.4	574.2	601.3	771.6	935.1	390.9	519.5	
Actual Net Borrowing (Rs.billion)	829.5	640.3	733.5	760.8	1,439.1	1,667.7	2,057.9	
Domestic Sources	592.7	248.4	294.3	437.2	896.4	1,750.9	2,071.8	
Foreign Sources	236.8	391.9	439.2	323.5	542.6	-83.2	-13.9	
Outstanding Debt								
Outstanding Government Debt (Rs.billion)	8,599.2	9,478.9	10,382.8	12,030.5	13,031.5	15,117.2	17,589.4	
Domestic Debt	5,055.2	5,433.1	5,664.2	6,071.0	6,830.3	9,065.1	11,097.2	
Foreign Debt	3,544.0	4,045.8	4,718.6	5,959.5	6,201.3	6,052.2	6,492.2	
Outstanding Debt (% of GDP)	74.3(b)	74.0(b)	72.2(b)	78.4(b)	81.9(b)	95.4(b)	99.5	
By Source								
Domestic Debt (% of GDP)	43.7(b)	42.4(b)	39.4(b)	39.5(b)	42.9(b)	57.2(b)	62.7	
Foreign Debt (% of GDP)	30.6(b)	31.6(b)	32.8(b)	38.8(b)	39.0(b)	38.2(b)	36.7	
By Currency								
Domestic (% of GDP)	40.3(b)	39.7(b)	36.7(b)	35.8(b)	37.7(b)	50.1(b)	57.2	
Foreign (% of GDP)	34.0(b)	34.3(b)	35.5(b)	42.5(b)	44.2(b)	45.4(b)	42.2	
ATM of Total Debt (Years)	6.7	6.4	6.2	6.2	6.1	5.4	4.9	
ATM of Domestic Debt (Years)	6.3	6.0	5.8	5.9	5.8	4.7	4.0	
Share of Domestic Debt in Total Outstanding Debt (%)	58.8	57.3	54.6	50.5	52.4	60.0	63.1	
Interest Cost								
Total Interest Cost (Rs.billion)	509.7	610.9	735.6	852.2	901.4	980.3	1,048.4	
Domestic Debt	394.3	484.2	570.6	639.5	667.4	713.6	794.6	
Foreign Debt	115.4	126.7	164.9	212.7	234.0	266.7	253.8	
Interest Cost/GDP ratio (%)	4.4(b)	4.8(b)	5.1(b)	5.6(b)	5.7(b)	6.2(b)	5.9	
Interest Cost/Government Revenue ratio (%)	35.0	36.2	40.2	44.4	47.7	71.7	72.0	
Average Yield Rates (Primary Market Weighted Average)								
T-bills	91 day	6.32	8.26	9.01	8.40	8.15	5.93	6.35
	182 day	6.50	9.23	9.81	8.58	8.44	5.72	6.13
	364 day	6.60	10.20	10.07	9.67	9.40	6.37	5.33
	Overall Average	6.46	9.38	9.77	9.35	9.06	6.09	6.24
T-bonds	2-year	7.98	11.45	11.05	-	10.27	5.70	7.39
	4-year	8.68	11.87	11.54	-	-	7.59	6.66
	5-year	8.63	12.16	11.53	10.33	10.55	7.72	7.57
	10-year	9.78	12.60	11.16	11.06	11.43	9.99	9.55
	Overall Average	9.46	12.27	11.48	10.74	10.74	7.46	8.41
Foreign Investment in Government Securities								
Non-residents' Holdings as a % of Total Outstanding Stock – Treasury bonds		8.1	6.1	7.0	3.4	1.7	0.1	0.02
Non-residents' Holdings as a % of Total Outstanding Stock - Treasury bills		0.8	1.6	3.8	1.6	2.6	0.04	0.01

(a) Provisional

(b) Revised according to rebased GDP estimates (base year 2015) of Department of Census and Statistics

KEY ECONOMIC INDICATORS							
	2015	2016	2017	2018	2019	2020	2021(a)
DEMOGRAPHY							
Mid year population ('000 persons)	20,970	21,209(b)	21,444(a)	21,670(a)	21,803(a)	21,919(a)	22,156
Growth of mid year population (per cent)	0.9	1.1	1.1(a)	1.1(a)	0.6(a)	0.5(a)	1.1
Population density (persons per sq.km.)	334	338	342(a)	346(a)	348(a)	350(a)	353
Labour force ('000 persons)	8,214	8,311	8,567	8,388	8,592	8,467	8,553(c)
Unemployment rate (per cent of labour force)	4.7	4.4	4.2	4.4	4.8	5.5	5.1(c)
OUTPUT							
GDP at current market prices (Rs. billion)	11,567 (d)	12,813(d)	14,387(d)	15,352(d)	15,911(d)	15,840(d)	17,686
GNI at current market prices (Rs. billion)	11,292(d)	12,493(d)	14,034(d)	14,962(d)	15,470(d)	15,417(d)	17,279
Per capita GDP at market prices (Rs.)	551,597(d)	604,129(d)	670,925(d)	708,442(d)	729,761(d)	722,668(d)	798,242
Per capita GDP at market prices (USD)	4,058(d)	4,149(d)	4,401(d)	4,359(d)	4,082(d)	3,895(d)	4,014
REAL OUTPUT (percentage change)							
GNI	4.8	4.9(d)	6.6(d)	2.2(d)	-0.5(d)	-3.3(d)	3.7
GDP	5.0	5.1(d)	6.5(d)	2.3(d)	-0.2(d)	-3.5(d)	3.3
PRICES AND WAGES (percentage change)							
CCPI (2006/07 = 100) - annual average ^(e)	0.9	3.7	-	-	-	-	-
CCPI (2006/07 = 100) - year-on-year - end period	2.8	4.1	-	-	-	-	-
NCPI (2013 = 100) - annual average ^(f)	3.8	4.0	7.7	2.1	3.5	6.2	7.0
NCPI (2013 = 100) - year-on-year - end period	4.2	4.2	7.3	0.4	6.2	4.6	14.0
Producer's Price Index (2013 Q4=100) Annual Average	3.6	1.7	17.0	6.3	2.9	5.7(b)	-
GDP deflator	0.6	5.4(d)	5.5(d)	4.3(d)	3.9(d)	3.1(d)	8.1
EXTERNAL TRADE							
Trade balance (USD million)	-8,388	-8,873	-9,619	-10,343	-7,997	-6,008	-8,139
Exports (USD million)	10,546	10,310	11,360	11,890	11,940	10,047	12,499
Imports (USD million)	18,935	19,183	20,980	22,233	19,937	16,055	20,637
EXTERNAL FINANCE							
Services and primary income account (net) (USD million)	312	678	984	1,381	388	-1,386(b)	-432
Current account balance (USD million)	-1,883	-1,742	-2,309	-2,799	-1,843	-1,187(b)	-3,343
Overall balance (USD million)	-1,489	-500	2,068	-1,103	377	-2,328	-3,967
Current account balance (per cent of GDP)	-2.2(d)	-2.0(d)	-2.4(d)	-3.0(d)	-2.1(d)	-1.4(d)	-3.8
Gross official reserves (months of the same year imports)	4.6	3.8	4.6	3.7	4.6	4.2	1.8
Overall debt service ratio							
As a percentage of export of goods and services	28.2	25.6	23.9	28.9	29.7	35.2(b)	30.0
Total external debt and liabilities (per cent of GDP)	52.7(d)	52.7(d)	54.7(d)	55.5(d)	61.6(d)	57.4(d)	57.0
EXCHANGE RATES							
Annual average Rs/USD	135.94	145.60	152.46	162.54	178.78	185.52	198.88
NEER (2017 = 100) (24 - currency basket) (g)	109.46	104.91	100.00	94.05	88.17	85.93	78.64
REER (2017 = 100) (24 - currency basket) (g)	103.01	100.55	100.00	95.45	90.42	91.52(b)	86.13
Year-end Rs/USD	144.06	149.80	152.85	182.75	181.63	186.41	200.43
GOVERNMENT FINANCE (per cent of GDP)							
Revenue and Grants	12.6(d)	13.2(d)	12.8(d)	12.6(d)	11.9(d)	8.7(d)	8.3
Expenditure and net lending	19.8(d)	18.2(d)	17.9(d)	17.5(d)	21.0(d)	19.2(d)	19.9
Primary balance	-2.8(d)	-0.2(d)	0.01(d)	0.6(d)	-3.4(d)	-4.3(d)	-5.7
Overall fiscal balance	-7.2(d)	-5.0(d)	-5.1(d)	-5.0(d)	-9.0(d)	-10.5(d)	-11.6
MONETARY AGGREGATES (year-on-year percentage change)							
Reserve money	16.5	27.1	9.8	2.3	-3.0	3.4	35.4
Domestic credit from the banking system to Government (net)	22.5	12.1	10.0	16.1	11.1	62.7	28.2
INTEREST RATES (per cent per annum at year end)							
Standing Deposit Facility Rate (SDFR)	6.00	7.00	7.25	8.00	7.00	4.50	5.00
Standing Lending Facility Rate (SLFR)	7.50	8.50	8.75	9.00	8.00	5.50	6.00
Commercial banks' average weighted deposit rate	6.20	8.17	9.07	8.81	8.20	5.80	4.94
NSB 12 month fixed deposit rate	7.25	11.00	11.00	10.50	9.83	5.25	5.50
Commercial banks' average weighted lending rate	11.00	13.20	13.88	14.40	13.59	10.29	9.87

(a) Provisional

(b) Revised

(c) Average of four quarters of 2021

(d) Revised according to rebased GDP estimates (base year 2015) of Department of Census and Statistics

(e) CCPI: Colombo Consumer Price Index

(f) NCPI: National Consumer Price Index

(g) NEER and REER indices have been rebased to 2017



1. Highlights of 2021

1.1 Borrowing limit and borrowing strategy for 2021

- The Parliament approved a gross borrowing limit of Rs. 2,997.0 billion for the financial year 2021 as specified in the Appropriation Act, No. 07 of 2020, which was subsequently increased up to Rs. 3,397.0 billion for financing the resource gap in the budget.
- The direction of the borrowing strategy during 2021 was mainly focused on raising funds from the domestic market due to unfavourable international capital market conditions for frontier and emerging markets economies emanated due to COVID-19 pandemic.

1.2 Actual borrowing, debt level and servicing of Government debt

- Actual gross borrowing was well maintained within the borrowing limit approved for 2021 and amounted to Rs. 3,376.0 billion, out of which Rs. 2,856.5 billion (84.6 per cent) was sourced domestically while Rs. 519.5 billion (15.4 per cent) was sourced from foreign sources.
- The total outstanding Central Government debt stood at Rs. 17,589.4 billion at end 2021, recording an increase of Rs. 2,472.1 billion (16.4 per cent) from the corresponding debt stock of Rs. 15,117.2 billion at end 2020. Accordingly, the total

outstanding domestic debt increased to Rs. 11,097.2 billion at end 2021 from Rs. 9,065.1 billion at end 2020 and the total outstanding foreign debt increased to Rs. 6,492.2 billion at end 2021 from Rs. 6,052.2 billion at end 2020.

- High borrowing requirements of the Government as a result of COVID-19 related expenses resulted a marked significant rise in the outstanding domestic debt that was further aggravated by the depreciation of Sri Lankan rupee against major foreign currencies.
- The outstanding total debt as a percentage of Gross Domestic Product (GDP) increased to 99.5 per cent at end 2021 from 95.4 per cent at end 2020 reflecting performance in fiscal variables. Within the debt stock, domestic debt to GDP ratio increased to 62.7 per cent at end 2021 from 57.2 per cent at end 2020. However, foreign debt to GDP ratio decreased to 36.7 per cent from 38.2 per cent during the period under review (GDP estimates as per base year 2015).
- At end 2021, the share of domestic debt accounted for 63.1 per cent of the total debt stock while foreign debt accounted for 36.9 per cent of the total debt stock, compared to 60.0 per cent and 40.0 per cent, respectively, recorded at end 2020.

- The share of domestic currency debt increased to 57.5 per cent (Rs. 10,122.3 billion) at end 2021 from the 52.5 per cent prevailed (Rs. 7,931.6 billion) at end 2020. Inversely, a notable decline in the foreign currency debt composition of total debt portfolio was observed during 2021 from 47.5 per cent by end 2020 to 42.5 per cent by end 2021. Despite this reduction, outstanding foreign currency debt increased to Rs. 7,467.1 billion at end 2021 from Rs. 7,185.7 billion at end 2020. However, outstanding foreign currency debt in dollar terms, declined to US dollars 37,254.6 million at end 2021 from US dollars 38,548.1 million at end 2020.
- Average Time to Maturity (ATM) of the domestic currency debt continuously decreased to 4.0 years at end 2021 from 4.7 years at end 2020 and 5.8 years at end 2019, mainly due to the shift of investor preference to Treasury bills and shorter tenure Treasury bonds as a result of the uncertainties emanated due to COVID-19 pandemic. ATM of the foreign currency debt also declined to 6.0 years at end 2021 compared to 6.2 years at end 2020 due to the increase in outstanding debt to be matured within a shorter period of time at end 2021 compared to end 2020. Accordingly, the ATM of the total debt portfolio declined to 4.9 years at end 2021 compared to 5.4 years at end 2020.

1.3 Interest rates, yield rates and its impact on interest cost on Government debt

- The conducive monetary policy stance of the Central Bank of Sri Lanka

(CBSL) together with strategic issuance arrangements introduced by the in collaboration with the Ministry of Finance (MOF) has led to the all time low interest rates in the domestic market in 2020 and early 2021. However, the low interest rate environment started gradually adjusting upward during the latter part of 2021 due to the tightening monetary policy stance introduced in August 2021 and relaxing interest rate ceiling in the form of maximum acceptance yield rate for 364 day maturity at Treasury bill announced at auctions with effect from 22 September 2021.

- Accordingly, by end 2021, the primary market weighted average yield rates (PMWAYR) of 91 day, 182 day and 364 day Treasury bills issued through auctions increased by 349, 355 and 321 basis points (BPS) to 8.16 per cent, 8.33 per cent and 8.24 per cent, respectively, from the yield rates prevailed at end 2020.
- Thus, the PMWAYR of Treasury bills issued through auctions increased to 6.24 per cent in 2021 from 6.09 per cent in 2020. In parallel, PMWAYR of Treasury bonds issued through auctions also increased to 8.41 per cent in 2021 from 7.46 per cent in 2020. During 2021, the weighted average yield rate (WAYR) of Treasury bonds issued through auctions ranged between 6.66 per cent and 11.63 per cent and Treasury bonds with remaining maturities ranging from 2 years to 10 years were issued.
- The interest payments on debt to Government revenue ratio remained at elevated levels in both 2020 and 2021 (71.7

per cent in 2020 and 72.0 per cent in 2021) compared to 47.7 per cent in 2019. The continuation of such a higher allocation for interest payments from Government revenue is clearly unsustainable because when a significant portion of the Government revenue is spent on current expenditure, the funds to be utilized for capital expenditure would be limited. This has been resulted not only due to increased interest payments but also due to lowered revenue front of the Government.

- The increased current expenditure will minimise the capacity for investments and would amplify the need for debt financing in the future. The interest cost for debt financing increased due to higher volumes of frequent short term borrowings during 2020 and 2021 mainly as a result of need for financing the heightened cash flow requirement of the Government. Further, the continuation of substantially low levels of revenue mobilisation of the government, resulted by continuation of suboptimal economic activities and tax relief measures introduced during 2019.
- The total interest payments in 2021 amounted to Rs. 1,048.4 billion, an increase of 6.9 per cent from the Rs. 980.3 billion reported in 2020. Out of this, interest payments on domestic debt accounted for Rs. 794.6 billion in 2021 compared to Rs. 713.6 billion in 2020 and interest cost for foreign debt amounted to Rs. 253.8 billion that stood at Rs. 266.7 billion in 2020.
- The ratio of interest cost to GDP, marginally decreased to 5.9 per cent in

2021 from 6.2 in 2020 due to increase in GDP (GDP estimates as per base year 2015). However, interest cost as a percentage of the government revenue increased to 72.0 per cent in 2021 from 71.7 per cent in 2020 and 47.7 per cent in 2019 indicating continuous weakening of Government fiscal operations. On the other hand, incurring a larger portion of Government revenue for interest servicing has resulted in a rapid debt accumulation to meet financing for fiscal operations such as debt amortization and other budgetary expenses.

1.4 Broadening the investor base

- Number of investors in government securities, as recorded in the Central Depository System (CDS) of LankaSecure, increased by 2.7 per cent during 2021 to 96,825.
- The uncertainties associated with the COVID-19 pandemic and weakening of Sri Lanka's rating profile alongside risk averseness of international investors, total amount of investments by non-residents in rupee denominated Treasury bills and Treasury bonds continued to decline to to Rs. 0.2 billion Treasury bills and Rs. 1.7 billion Treasury bonds at end 2021, compared to Rs. 0.7 billion and Rs. 6.2 billion at end 2020 respectively, marking a 72.5 per cent decrease year on year.
- Accordingly, foreign holdings in government securities as a percentage of total outstanding of Treasury bills and

Treasury bonds recorded considerably low at 0.02 per cent at end 2021.¹

- A comparison of foreign investments in government securities and the gross official reserves during the corresponding period highlights meagre contribution by foreign investments in government securities to build the reserve positions in 2021.
- Total value of the issuances of Sri Lanka Development Bonds (SLDBs) in 2021 amounted to US dollars 1,041.3 million against the maturing amount of US dollars 1,384.5 million. Low investments in SLDBs were due to reduction of foreign currency liquidity in Sri Lanka as a result of multitude of factors such as decline in earnings from tourism and foreign remittances.
- With the objective of broadening the SLDB investor base, among others, a Direct Issuance Window (DIW) for SLDBs was introduced for eligible investors including Sri Lankans working abroad and Recipients of Goods and Services Export proceeds, effective from 24 December 2021. The minimum investment amount through the said DIW has been brought down to US dollars 1,000 to entice more retail level investors and broadening the SLDB investor base.

1. Considering the developments over time, the threshold of foreign investments in Treasury bills and Treasury bonds out of the total outstanding stock of Treasury bills and Treasury bonds reduced from 12.5 per cent to 10 per cent from 01 January 2016 and further reduced to 5 per cent from 28 January 2019 with the objective to reduce the impacts from foreign currency exposures due to foreign exchange volatility.

1.5 Infrastructure developments

- All critical operations of Public Debt department (PDD) have been covered under a comprehensive Business Continuity Plan (BCP) and a fully-fledged Disaster Recovery Site (DRS). Such coverage ensured continuous and uninterrupted business during the pandemic through activation of BCP either through DRS or Work From Home (WFH) arrangements. Accordingly, LankaSecure System and Real Time Gross Settlement (RTGS) System were opened for business to carry out scripless government securities transactions smoothly.
- A secondary market Trade Reporting system was introduced in April 2021 for government securities [except Open Market Operations (OMO)] to strengthen the secondary market trading practices including improving the reliability of trading, and increasing investor safety, transparency and confidence.
- During 2021 extensive discussions and brainstorming for the proposed implementation of the state-of-the-art infrastructure under the ongoing Capital Market Development Project (CMDP) were concluded. Once implemented it is expected to transform overall investment behaviour in Sri Lanka to match with international best practices by shifting its landscape in trading and settlements. BTA Consulting Limited of United Kingdom has been providing consultancy services for the project. CMDP is envisaged to implement an Electronic Trading Platform

(ETP), a Clearing House (CH) with the Central Counterparty Clearing and Settlement System (CCP), an upgraded Central Securities Depository (CSD) and a market surveillance system. During 2021, the operating model of the infrastructure, the technical specifications of the model and required legal reforms have been developed.

1.6 Market development activities

- PDD took several measures in 2021 to maintain orderly market conditions amidst the challenges posed by the COVID-19 pandemic and substantively high reliance on domestic financing as accessing international capital markets become challenging.
- PDD introduced following two changes to the existing Treasury bond issuance system effective from 23 September 2021.
 - Enhancing the minimum acceptance at Phase II of the Treasury bond issuance system to 80 per cent of the offered amount for the activation of Phase II.
 - Limitation of activation of Phase III to remaining maturities of 5 years or below.
- The Treasury bond primary issuance system was extended by a way of a DIW with effect from 29 July 2021 thereby opening DIW for International Securities Identification Numbers (ISINs) that are fully accepted at Phase I of the auction until the day prior to the auction settlement date at the WAYR determined for the corresponding ISINs at the auction, up to 20 per cent of the amount offered from the respective ISINs. In the event of oversubscription at the DIW, allocation was made based on successful participation at the auction by participants for the respective ISINs at the auction.
- In line with the Government policy of maintaining a low interest rate environment to spur the growth momentum in the economy that was hampered by the COVID-19 pandemic, measures were taken in 2020 to publish the maximum yield rate of acceptance at auctions for Treasury bills and Treasury bonds. However, with the return of a certain degree of normalcy in the real economic activities, publishing of the maximum yield rate for acceptance was limited only for 364 day maturity and acceptance for 91 day and 182 day maturities was accommodated within the announced yield rate for 364 day maturity at the Treasury bill auctions, while continuing to publish the maximum yield rate for acceptance for all Treasury bond maturities effective from 03 February 2021. In order to further facilitate the market-oriented auction process in line with the broad restoration of normalcy in the real economic activities, publication of the maximum acceptance yield rate for 364 day maturity Treasury bills as well as all T-bond maturities was ceased, effective from 22 September 2021.
- A process for establishment of a new external debt payment module under the Non-Reserve Management (NRM) System in place of the existing module under the GUAVA Treasury Management System

was initiated with effect from 01 January 2022. The main purpose of the system is to increase the efficiency of the foreign debt service payment process.

1.7 Awareness programmes and engagements with rating agencies

- With the objective of enhancing the market awareness, increased participation and improved transparency, several investor awareness programmes, and investor meetings were conducted during 2021. These awareness programmes and investor meetings were focused on enriching the market participants with the knowledge on evolving government securities market with modern technology and legal framework, concurrent economic developments, and prospects of the Sri Lankan economy. These awareness programmes and investor meetings were conducted to both local and

international investors both physically and virtually.

- Sri Lanka had to face multiple sovereign rating downgrades during 2021 due to the enhanced fiscal deficit and increasing external sector vulnerabilities triggered partly by COVID-19 pandemic related economic circumstances. However, the Government and the CBSL continued to closely engage with three major sovereign rating agencies, namely Fitch Ratings, Moody's Investors Service and S&P Global Ratings.
- PDD was actively engaged with bilateral and multilateral agencies and other stakeholders in updating country's current economic developments and the debt profile going by the periodic schedules as well as responding to many stakeholder inquiries.

2. Public Debt Management in 2021

2.1 Overview

The Central Bank of Sri Lanka (CBSL) is responsible for the management of the public debt as the agent of the Government in terms of section 113 of the Monetary Law Act (MLA), No. 58 of 1949. Consequently, the Public Debt Department (PDD) on behalf of the Government issues debt instruments and handles all matters relating to servicing the domestic and foreign debt of the Government. The Ministry of Finance (MOF) handles the matters relating to obtaining loans from foreign sources and cash flow management. Accordingly, the PDD ensures that the Government's financing needs are met at the lowest possible cost consistent with a prudent degree of risk, while enhancing the efficiency of the Government securities market.

Moreover, the Domestic Debt Management Committee (DDMC) comprising of senior officials of the MOF and the CBSL which meets monthly or more frequently, formulates market based strategy to raise debt considering the domestic market conditions, and appetite macroeconomic factors, government cash flow requirements, the maturity profile of the existing debt and risks in the debt portfolio, etc.

Several debt management initiatives were undertaken during 2021. The share of debt maturing within one year increased to 27.4 per cent in 2021, due to the reliance of issuing Treasury bills to facilitate the increased cash

flow requirement of the Government to ensure smooth functioning of critical government services during the pandemic and to timely service debt obligations. In addition, measures were taken to record all secondary market trades of government securities on the trade date basis to enhance and strengthen the secondary market trading practices and improve the reliability of trading practices of government securities as well as increase investor safety and confidence. Moreover, the Direct Issuance Windows (DIW) for Treasury bonds and Investment Window for Sri Lanka Development Bonds (SLDBs) were established during the period. In addition, PDD initiated the process for the establishment of a new external debt payment system under the Non-Reserve Management (NRM) System which replaces the current Treasury Management System.

Debt to Gross Domestic Product (GDP) ratio increased to 99.5 per cent at end 2021 from 95.4 per cent at end 2020 (GDP estimates as per base year 2015) due to the widening government budget deficit amidst COVID-19 related economic disruptions including lockdowns, depreciation of rupee against major foreign currencies, and low growth in nominal GDP. Of the nominal increase in outstanding central government debt, the parity variation, which is an outcome of the depreciation of the exchange rate, resulted in an increase of the rupee value of foreign debt by Rs. 500.2 billion at end 2021. Key fiscal balances remained weak in 2021

TABLE 1
KEY DEBT INDICATORS – END 2021

Description	2019	2020	2021(a)
Debt/GDP (b) (%)	81.9	95.4	99.5
Government Budget Deficit/GDP(b) (%)	(9.0)	(10.5)	(11.6)
Interest Cost/GDP (b) (%)	5.7	6.2	5.9
Interest Cost/Government Revenue (%)	47.7	71.7	72.0
Weighted ATM of Domestic Currency Debt (Years)	5.8	4.7	4.0
Weighted ATM of Total Debt (Years)	6.1	5.4	4.9
Share of Foreign Currency Debt to Total Debt (%)	54.01	47.53	42.45

(a) Provisional

(b) Base year for GDP = 2015

Sources: Ministry of Finance
Central Bank of Sri Lanka

owing to lower government revenue collection and persistently higher government expenditure. Accordingly, the overall budget deficit as a percentage of GDP further weakened to 11.6 per cent in 2021 from 10.5 per cent in 2020 (GDP estimates as per base year 2015).

Moreover, the share of foreign currency debt to total debt declined to 42.5 per cent at end 2021 compared to 47.5 per cent at end 2020, mainly due to dried up of the access to international capital markets. It was also supported by the Government's focus on reducing the foreign debt exposure of the outstanding debt portfolio to about one-third of the debt portfolio in the medium term while lowering the unmatured International Sovereign Bond (ISB) debt stock to around 10 per cent of GDP to minimise the risk of foreign currency exposure.

Although total interest payments as a percentage of GDP decreased to 5.9 per cent in 2021 from 6.2 per cent in 2020 (GDP estimates as per base year 2015), interest payments accounted for 72.0 per cent of government revenue in 2021 compared to 71.7 per cent in 2020, underlining the pressing concern of lack of adequate revenue mobilisation at least to cover the rigid recurrent

expenditure of the Government. Meanwhile, the Average Time to Maturity (ATM) of the domestic currency debt portfolio declined to 4.0 years in 2021 compared to 4.7 years in 2020 and the ATM of the total debt portfolio also declined to 4.9 years in 2021 compared to 5.4 years in 2020. This decline in ATM was mainly due to the shift in investor preference towards short term debt instruments resulting from uncertainties that emerged due to the COVID-19 pandemic.

2.2 Targets and Strategies for Government Borrowings

The Parliament approved an amount of Rs 3,397 billion as the gross borrowing limit of the Government for 2021 (including book value adjustment and risk provision), which is an increase of Rs. 567 billion over the gross borrowing limit for 2020.¹

The aggregate actual gross borrowing in 2021 was maintained well within the approved gross borrowing limit. However, the composition of

¹ Appropriation (Amendment) Bill was submitted to Parliament on October 21, 2021, accordingly, to amend the borrowing limit of Rs. 2,997 billion stipulated in Appropriation Act, No.07 of 2020 to Rs. 3,397 billion and it was enacted as Appropriation (Amendment) Act, No. 26 of 2021 on November 12, 2021.

TABLE 2
GOVERNMENT BORROWINGS IN 2021(a)

Item	Approved Limit		Usage(a)	
	Rs. billion	Rs. billion	Rs. billion	%
Net Borrowing				
Domestic		2,071.8		100.7
Foreign		(13.9)		(0.7)
Total		2,057.9		100.0
Gross Borrowing				
Domestic		2,857		84.6
Rupee Loans		-		-
Treasury Bonds(b)		1,762		52.2
Treasury Bills (net)(b)		649		19.2
Sri Lanka Development Bonds		208		6.1
Other		238		7.0
Foreign		520		15.4
International Sovereign Bonds		-		-
Other(c)		520		15.4
Gross Borrowing (Including Contingency Provision and Book Value Adjustment)	3,397	3,376		100.0

(a) Provisional

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

(c) Includes project loans and syndicated loans

Sources: Ministry of Finance
Central Bank of Sri Lanka

actual borrowings deviated marginally from the initial plan due to both global and domestic market conditions prevailing in 2021. The actual share of gross borrowing from domestic sources was 84.6 per cent amounting to Rs. 2,856.5 billion while the share of actual gross borrowing from foreign sources accounted for 15.4 per cent amounting to Rs.519.5 billion. The increase in the share of foreign financing was mainly due to increased disbursements of foreign project loans and borrowings from Foreign Currency Term Financing Facility (FCTFF) in 2021.

Deficit financing from domestic sources, especially through the banking sector, increase in policy rates in mid August 2021 and the removal of maximum yield rates for acceptance at primary auctions of government securities in

mid September 2021 resulted in upward pressure on the yields on government securities during the year. Primary market-weighted average auction issuance yield rates of 91 day and 182 day Treasury bills increased by 42, and 41 basis points (bps) while 364 day Treasury bills decreased by 104 bps to 6.35 per cent, 6.13 per cent and 5.33 per cent, respectively, during the year in comparison to yield rates that prevailed in 2020. As a result, the overall primary market weighted average auction issuance yield rate of Treasury bills increased by 15 bps to 6.24 per cent in 2021 compared to 2020. The primary market weighted average auction issuance yield rates of benchmark maturities of 2 year, 3 year, 7 year and 8 year Treasury bonds increased by 169, 39, 90 and 290 bps during the year

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

	Per cent						
Instrument	2015	2016	2017	2018	2019	2020	2021 (b)
Treasury Bills (Days)							
91	6.32	8.26	9.01	8.40	8.15	5.93	6.35
182	6.50	9.23	9.81	8.58	8.44	5.72	6.13
364	6.60	10.20	10.07	9.67	9.40	6.37	5.33
Overall Average	6.46	9.38	9.77	9.35	9.06	6.09	6.24
Treasury Bonds (Years)							
2	7.98	11.45	11.05	-	10.27	5.70	7.39
3	8.32	11.58	-	10.44	10.38	7.44	7.83
4	8.68	11.87	11.54	-	-	7.59	6.66
5	8.63	12.16	11.53	10.33	10.55	7.72	7.57
6	9.19	12.01	11.36	-	-	7.58	9.16
7	8.99	12.18	12.94	10.37	-	7.52	8.42
8	9.55	12.28	11.44	11.21	10.81	8.73	11.63
9	-	13.07	12.91	12.16	10.56	-	11.54
10	9.78	12.60	11.16	11.06	11.43	9.99	9.55
12	-	13.72	-	-	11.27	-	-
15	10.24	-	-	10.49	10.59	-	-
20	11.20	-	-	-	10.52	-	-
30	11.73	-	-	-	-	-	-
Overall Average	9.46	12.27	11.48	10.74	10.74	7.46	8.41

(a) Net of 10% withholding tax. Effective from May 3, 2002, Government has imposed withholding tax on interest of government securities. However, effective from April 1, 2018, Government has removed the withholding tax of 10%

(b) Provisional

Source: Central Bank of Sri Lanka

in comparison to yield rates that prevailed in 2020, to 7.39, 7.83, 8.42 and 11.63 per cent, respectively. Accordingly, the overall primary market weighted average auction issuance yield rate of Treasury bonds increased by 95 bps to 8.41 per cent in 2021 compared to 2020.

2.3 Sovereign Ratings of Sri Lanka

Sovereign rating downgrades by international credit rating agencies have made accessing foreign financing a highly challenging task during 2021 amidst increased funding requirements in an environment of pandemic

and risk averseness of investors. S&P Global Ratings affirmed CCC+ long-term Sovereign credit rating on Sri Lanka and the outlook was revised to Negative on 27.08.2021. Moody's Investors Service downgraded Sri Lanka's long-term foreign-currency issuer and senior unsecured debt rating to Caa2 on 28.10.2021, while Fitch Ratings downgraded Sri Lanka's Long Term Foreign Currency Issuer Default Rating (IDR) to CC on 17.12.2021. Rating downgrades highlighted the rising risks to external debt servicing capacity in the context of very low foreign exchange reserves and

limited financing inflows which made further adverse impacts on reaching out to international capital markets.

2.4 Debt Level

Continued high fiscal deficit and persistently weak fiscal performance, which were exacerbated during the pandemic times, and the depreciation of Sri Lankan rupee against major foreign currencies led to a substantial increase in outstanding central government debt by end 2021. A nominal increase of Rs. 2,472.1 billion

(14.0 per cent) in the total central government debt stock was recorded at end 2021 compared to end 2020, marking the outstanding Government debt stock reaching Rs. 17,589.4 billion at end 2021. The adverse exchange rate variations have increased the total outstanding debt by Rs. 500.2 billion in 2021 compared to Rs. 355.7 billion in 2020. Moreover, net discount of Treasury bills and Treasury bonds contributed to decline the total outstanding debt by Rs. 63.5 billion at end 2021.

Total central government domestic debt

**TABLE 4
INCREASE IN OUTSTANDING GOVERNMENT DEBT**

Description	Rs. billion	
	2020	2021(a)
Effect of Parity Variance	355.7	500.2
Discount Effect	-63.5	-63.5

(a) Provisional

Sources: Central Bank of Sri Lanka

**TABLE 5
OUTSTANDING GOVERNMENT DEBT (AS AT END OF YEAR 2021)**

	2019	2020	2021(a)
Outstanding Debt (Rs. billion) - By Source			
Domestic	6,830.3	9,065.1	11,097.2
Foreign (b) (c)	6,201.3	6,052.2	6,492.2
Total	13,031.5	15,117.2	17,589.4
Outstanding Debt (Rs. billion) - By Currency			
Domestic	5,993.6	7,931.6	10,122.3
Foreign(b)	7,037.9	7,185.7	7,467.1
Total	13,031.5	15,117.2	17,589.4
Outstanding Debt (% of GDP) - By Source(c)(d)			
Domestic	42.9	57.2	62.7
Foreign(b)	39.0	38.2	36.7
Total	81.9	95.4	99.5
Outstanding Debt (% of GDP) - By Currency(c)(d)			
Domestic	37.7	50.1	57.2
Foreign(b)	44.2	45.4	42.2
Total	81.9	95.4	99.5

(a) Provisional

Sources: Ministry of Finance

(b) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

Central Bank of Sri Lanka

(c) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards

(d) Base year for GDP = 2015

CHART 1
COMPOSITION OF GOVERNMENT DEBT

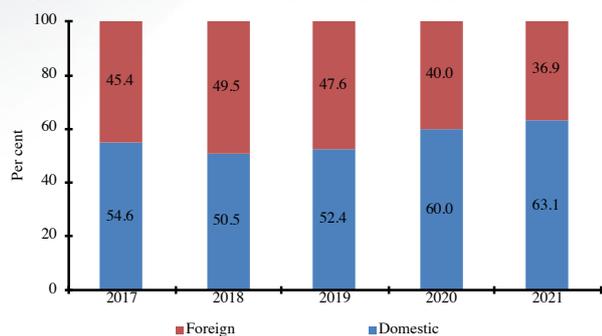


CHART 2
DOMESTIC DEBT (BY SOURCE)

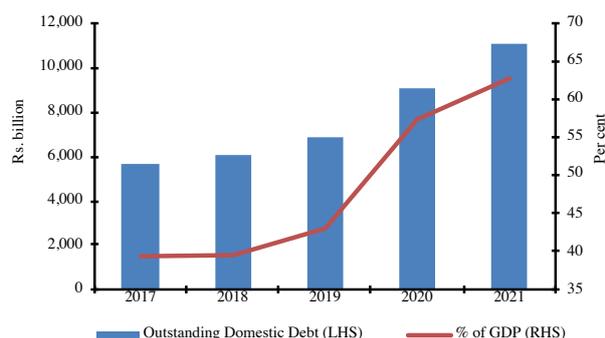


TABLE 6

CHANGE IN OUTSTANDING FOREIGN DEBT (BY SOURCE) IN RUPEE TERMS - CURRENCY WISE

	Rs. billion		
Currency	2019 (b)	2020 (b)	2021(a)(b)
Special Drawing Rights	-27.4	43.3	15.4
Japanese Yen	2.1	39.3	-41.1
US Dollar	295.0	-200.6	399.5
Euro	2.9	22.7	-10.9
Other	-30.8	-53.8	77.1
Total	241.7	-149.1	440.0

Memo: Year End Exchange Rates (Sri Lankan Rupees per Unit of Foreign Currency)			
Special Drawing Rights	251.17	268.48	280.53
Japanese Yen	1.67	1.81	1.74
US Dollar	181.63	186.41	200.43
Euro	203.67	229.42	226.86

(a) Provisional

(b) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt

Sources: Ministry of Finance
Central Bank of Sri Lanka

reached Rs. 11,097.2 billion by end 2021 from Rs 9,065.1 billion at end 2020 as well as foreign debt increased by Rs. 440.0 billion to Rs. 6,492.2 billion at end 2021. Further, the rupee-denominated debt stock of the Central Government increased by Rs. 2,190.7 billion to Rs. 10,122.3 billion at end 2021 compared to Rs. 7,931.6 billion at end 2020. The rupee value of foreign currency denominated Government debt stock increased by Rs. 281.4 billion to Rs. 7,467.1 billion at end 2021. Accordingly,

the total outstanding debt stock recorded an increase of Rs. 2,472.1 billion to Rs. 17,589.4 billion at end 2021 compared to end 2020.

The outstanding domestic debt as a percentage of GDP increased notably to 62.7 per cent by end 2021 from 57.2 per cent at end 2020, while foreign debt as a percentage of GDP decreased to 36.7 per cent at end 2021 from 38.2 per cent reported at end 2020 (GDP estimates as per base year 2015). Nevertheless, the level of foreign currency denominated debt as a share of total

outstanding central government debt declined to 44.4 per cent by end 2021 from 47.8 per cent that prevailed at end 2020, reflecting a higher concentration on financing budget deficit through domestic sources as well as settlement of foreign debt obligations including the ISB which matured in 2021.

2.5 The Structure of the Central Government Debt Portfolio

2.5.1 Net Domestic Borrowings

Net domestic borrowings during 2021 amounted to Rs. 2,071.8 billion through domestic financing, primarily through domestic market borrowings, partly in line with the debt financing strategy for 2021 and constraints to access international capital markets. However, borrowings from Offshore Banking Units (OBUs) and SLDBs recorded net repayments during 2021.

2.5.2 Domestic Debt by Investor Base

Government borrowings from the banking sector accounted for 63.0 per cent (Rs. 1,304.3 billion) of total net domestic financing. Out of this quantum, the net CBSL financing stood at Rs. 1,225.2 billion. Net financing from commercial banks amounted to Rs. 79.1 billion in 2021. Meanwhile, financing from the non-bank sector, which is considered a noninflationary source, amounted to Rs. 767.5 billion with a share of 37.0 per cent of total net domestic financing in 2021. In terms of instruments, 62.8 per cent (Rs. 1,301.5 billion) of the domestic financing was sourced from Treasury bonds followed by 30.7 per cent (Rs. 635.1 billion) and 16.6 per cent (Rs. 343.0 billion) from Treasury bills and overdraft facilities, respectively.

In addition, the provident and pension funds continued to be the major non-bank investors

in domestic government securities. The total investment by these pension funds increased by Rs. 297.1 billion (11.1 per cent) to Rs. 2,984.7 billion at end 2021 from Rs. 2,687.6 billion at end 2020. The other investors in the domestic government securities market include savings institutions, insurance funds, official funds and other business and individual investors. The total non-bank sector investment in the domestic government securities market increased by Rs. 1,296.7 billion (29.9 per cent) to Rs. 5,630.1 billion of the total domestic debt at end 2021 compared to Rs. 4,333.4 billion at end 2020.

2.5.3 Maturity Structure of the Domestic Debt Portfolio

The short term domestic debt stock increased by 42.9 per cent to Rs. 3,139.8 billion by end 2021 from Rs. 2,197.6 billion reported at end 2020. Accordingly, the share of short term debt in total domestic debt stock also increased to 28.3 per cent by end 2021 from 24.2 per cent at end 2020. In nominal terms, the increase in the short term debt stock was largely driven by the increase in the outstanding stock of Treasury bills, with a growth of 40.1 per cent, to Rs. 2,270.5 billion at end 2021, compared to Rs. 1,620.7 billion recorded at end 2020.

The ATM of Treasury bonds decreased to 5.3 years at end 2021 compared to 5.9 years recorded at end 2020. The Treasury bond ATM dropped by about 0.6 years in 2021 mainly due to the shift in investor preference towards shorter tenure Treasury bonds, partly due to uncertainties emanated from the COVID-19 pandemic. In addition, ATM of Treasury bills also decreased to 0.3 years at end 2021 compared to 0.5 years recorded at end 2020. Accordingly, ATM of the overall domestic currency debt declined to 4.0

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)		
	2019	2020	2021(a)(b)	2019	2020	2021(a)(b)
Treasury Bills	0.4	0.5	0.3	0.4	0.5	0.3
Treasury Bonds	4.4	4.3	3.5	6.8	5.9	5.3
Rupee Loans	2.5	1.8	1.0	3.1	2.1	1.1
Overall	3.8	3.5	2.8	5.8	4.7	4.0

(a) Weighted average maturity of the cash flows

Source: Central Bank of Sri Lanka

(b) Provisional

years at the end of 2021 compared to 4.7 years recorded at end of 2020. The overall duration of the domestic currency debt portfolio decreased to 2.8 years in 2021 compared to 3.5 years in 2020.

2.5.4 Net Foreign Borrowing

The net foreign debt borrowing was negative Rs. 13.9 billion in 2021, reflecting a higher

repayments of foreign debt obligations including the ISBs of Rs. 199.9 billion (US dollars 1 billion) which matured in July 2021.

2.5.5 Composition of Foreign Debt

The rupee value of the outstanding concessional and commercial foreign debt stood at Rs. 3,097.6 billion (47.7 percent of total foreign

**TABLE 8
COMPOSITION OF FOREIGN DEBT (BY SOURCE)**

Category	2020 (b)		2021 (a) (b)	
	Total Equivalent Amount in Rupees Billion	%	Total Equivalent Amount in Rupees Billion	%
Concessional	2,988.1	49.4	3,097.6	47.7
Bilateral	973.9	16.1	940.3	14.5
Multilateral	1,445.2	23.9	1,548.1	23.8
Other	568.9	9.4	609.2	9.4
Commercial	3,064.1	50.6	3,394.6	52.3
Sovereign Bonds	2,203.3	36.4	2,243.0	34.6
Bilateral	189.0	3.1	176.2	2.7
Multilateral	156.3	2.6	324.1	5.0
Foreign Holdings in Treasury Bills and Treasury Bonds	6.9	0.1	1.9	0.0
Other	508.6	8.4	649.3	10.0
Total (c)	6,052.2	100.0	6,492.2	100.0

(a) Provisional

Sources: Ministry of Finance
Central Bank of Sri Lanka

(b) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt

(c) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

debt) and Rs. 3,394.6 billion (52.3 percent of total foreign debt), respectively at end 2021. In 2020, corresponding values of concessional and commercial sources stood at Rs. 2,988.1 billion (49.4 percent of total foreign debt) and Rs. 3,064.1 billion (50.6 percent of total foreign debt), respectively due to the increased receipts of non concessional multilateral loans and FCTFF.

Average interest rate of the overall foreign debt stock stood at 4.95 per cent at end 2021 with commercial loan rates averaging 9.13 per cent while bilateral and multilateral loan rates

averaging to 1.66 per cent and 1.67 percent, respectively.

Meanwhile, investments in government securities by non residents declined considerably. investments in Treasury bills and Treasury bonds by non residents declined to Rs. 1.9 billion at end 2021 from Rs. 6.9 billion recorded at end 2020 due to uncertainties emanated due to the COVID-19 pandemic in 2021.

2.5.6 Currency Composition of Foreign Debt

Total foreign debt stock at end 2021 was comprised of four major currencies namely

TABLE 9
MATURITY, GRANT ELEMENT & INTEREST RATES OF EXTERNAL DEBT - 2021

Category	Grace Period (Years)	Repayment Period (Years)	Grant Element (%)	Avg. Interest Rates(a) (% p.a.)
Bilateral	0 - 21	0 - 40	0 - 100	1.66
Multilateral	0 - 18	0 - 41	0 - 100	1.67
Commercial	0 - 14	0 - 30	(13) - 61	9.13
Export Credit	0 - 18	0 - 23	(12) - 100	3.20
Average				4.95

(a) Interest paid in 2021/ Disbursed outstanding debt as at end 2020

Sources: Ministry of Finance
Central Bank of Sri Lanka

CHART 3
FOREIGN OUTSTANDING IN TREASURY BILLS AND TREASURY BONDS - 2019 to 2021

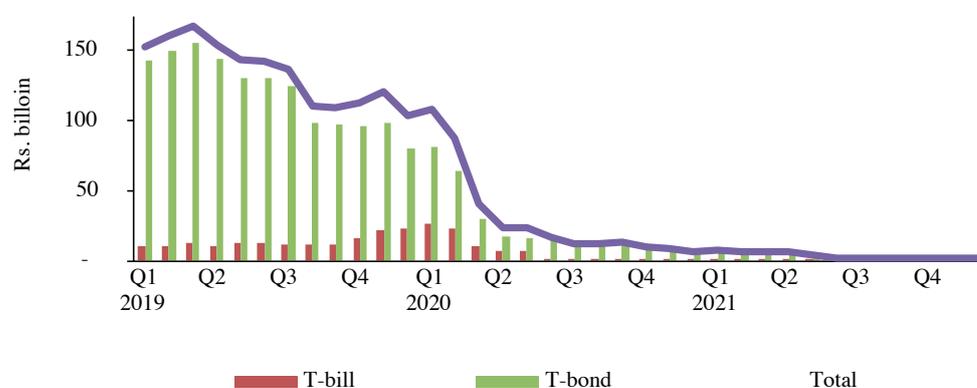


TABLE 10
CURRENCY COMPOSITION OF FOREIGN DEBT BY SOURCE (AS AT END OF YEAR)

Currency	Per cent		
	2019	2020(b)	2021(a)(b)
US Dollar	65.74	64.04	65.86
Special Drawing Rights	14.95	16.04	15.19
Japanese Yen	10.08	10.98	9.60
Sri Lankan Rupee(c)	1.68	0.11	0.03
Euro	3.69	4.15	3.70
Other	3.86	4.68	5.62
Total(d)	100.00	100.00	100.00
Memo: Total External Debt (Rs.billion)	6,201.28	6,052.18	6,492.15

Sources: Ministry of Finance
Central Bank of Sri Lanka

(a) Provisional

(b) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards

(c) Non-residents' investments in Treasury bills and Treasury bonds

(d) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

US dollars, Special Drawing Rights (SDR), Japanese Yen and Euro which accounted for over 94.4 percent of the total foreign debt stock. In 2021, the share of SDR, Japanese Yen and Euro denominated foreign debt decreased while the share of US dollar denominated foreign debt increased marginally. Meanwhile, foreign debt denominated in Sri Lankan rupees decreased to 0.03 per cent at end 2021 from 0.11 per cent recorded at end 2020 due to a decrease in foreign holdings of Treasury bills and bonds.

2.5.7 Usage of Foreign Debt

Around 49.12 percent of outstanding foreign debt at end 2021 has been utilised for the

development of economic services, out of which 31.41 per cent has been spent on the industrial and construction sector and 11.27 percent has been spent on the service sector. Moreover, a substantial share of foreign debt amounting to 18.20 percent of the total outstanding foreign debt has also been utilised for transportation infrastructure developments including roads and bridges. In addition, foreign debt has also been utilised to improve social services and to import essential commodities and food, which accounted for around 9.92 percent and 0.54 percent of the total outstanding foreign debt at end 2021, respectively.

TABLE 11
USE OF EXTERNAL DEBT BY MAJOR SECTORS^(a)

	Rs. billion			
Economic Sector^(b)	2020	%	2021^(c)	%
1. Economic Services	3,094.02	51.12	3,188.74	49.12
1.1 Agricultural Development	238.82	3.95	254.34	3.92
Agriculture	57.66	0.95	65.39	1.01
Fishing	8.24	0.14	7.65	0.12
Forestry	5.36	0.09	4.99	0.08
Plantation	31.84	0.53	30.13	0.46
Irrigation & Related Activities	119.82	1.98	135.66	2.09
Livestock Development	15.90	0.26	10.51	0.16
1.2 Industrial/Construction	1,967.05	32.50	2,039.49	31.41
Energy	457.50	7.56	443.48	6.83
Water Supply	362.83	5.99	388.66	5.99
Industrial Development	25.38	0.42	23.79	0.37
Roads & Bridges	1,119.23	18.49	1,181.54	18.20
Other Construction	2.10	0.03	2.03	0.03
1.3 Service Sector	728.36	12.03	731.38	11.27
Telecommunications	17.61	0.29	14.75	0.23
Ports & Shipping	224.99	3.72	217.75	3.35
Ground Transport	385.23	6.37	404.03	6.22
Air Transport	37.27	0.62	35.48	0.55
Finance, Insurance, etc.	63.26	1.05	59.37	0.91
Trade	-	-	-	-
1.4 Other Economic Services	159.78	2.64	163.53	2.52
Land Development	1.13	0.02	1.73	0.03
Management & Institutional Development	23.58	0.39	22.85	0.35
Information Technology Development	11.84	0.20	11.75	0.18
Private Sector Development	51.36	0.85	46.99	0.72
Rural Development	66.98	1.11	69.71	1.07
Science & Technology	4.89	0.08	10.50	0.16
2. Social Services	540.35	8.93	643.99	9.92
Education & Training	138.73	2.29	188.90	2.91
Health & Social Welfare	108.30	1.79	153.24	2.36
Environment	31.06	0.51	28.69	0.44
Housing & Urban Development	78.15	1.29	93.97	1.45
Labour & Vocational Training	36.42	0.60	36.64	0.56
Media	0.08	0.00	0.07	0.00
Rehabilitation	97.93	1.62	96.66	1.49
Sewerage	2.97	0.05	2.81	0.04
Tsunami Rehabilitation	46.72	0.77	43.02	0.66
3. Commodities & Food	43.02	0.71	34.90	0.54
Commodities	29.61	0.49	23.00	0.35
Food	13.41	0.22	11.90	0.18
4. Other Activities	2,374.79	39.24	2,624.52	40.43
Total Outstanding Debt (d)	6,052.18	100.00	6,492.15	100.00

(a) Based on Outstanding External Debt data recorded in Commonwealth Secretariat Debt Recording & Management System (CS-DRMS) at end December 2021

Sources: Ministry of Finance
Central Bank of Sri Lanka

(b) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

(c) Provisional

(d) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards

3. Servicing Public Debt in 2021

3.1. Debt Service Payments

Total debt service (TDS) payments¹ witnessed an increase of 22.4 per cent to Rs. 2,375.6 billion in 2021 compared to debt servicing cost of Rs. 1,941.4 billion recorded in 2020 with the rise in both debt amortisation and interest payments. Total amortisation payment increased by 38.1 per cent to 1,327.2 billion in 2021. This was mainly due to the increase in maturing of Treasury bonds and Sri Lanka Development Bonds (SLDBs) by 89.0 per cent and 55.4 per cent, respectively, in 2021. Overall interest cost increased by 6.9 per cent to 1,048.4 billion in 2021 due to the increase in domestic borrowings during the year compared to the previous year amidst limited access to foreign financing and rise in domestic interest rates, particularly towards the latter half of 2021.

Total domestic debt service payments increased by 36.0 per cent to Rs. 1,590.1 billion in 2021 with the rise in both amortisation and interest payments. Overall foreign debt payments marginally increased by 1.8 per cent to Rs. 785.5 billion during 2021. With the increasing debt stock and the consequent high interest payments, the main indicators related to debt service payments elevated in 2021. TDS payments as a percentage of government revenue further weakened to 163.0 per cent in 2021 from 141.9 per cent in 2020, while the TDS payments increased to 13.4 per cent of Gross Domestic Product (GDP) in 2021 from 12.3 per cent in 2020 (GDP estimates as per base year 2015).

TABLE 12
DEBT SERVICE PAYMENTS

Category	Rs. billion		
	2019	2020	2021(a)
Domestic	1,213.7	1,169.5	1,590.1
Principal Payments(b)	546.3	455.9	795.5
Interest Payments(c)	667.4	713.6	794.6
Foreign(d)	808.8	771.9	785.5
Principal Payments(e)	574.8	505.2	531.7
Interest Payments(f)	234.0	266.7	253.8
Total Payments	2,022.5	1,941.4	2,375.6

(a) Provisional

(b) Excludes Treasury bond amortisation payments to non-residents

(c) Excludes Treasury bills and Treasury bond interest payments to non-residents

(d) Excludes debt service payments on state-owned enterprises

(e) Includes Treasury bond amortisation payments to non-residents

(f) Includes Treasury bills and Treasury bond interest payments to non-residents

Sources: Ministry of Finance
Central Bank of Sri Lanka

1. Debt service payments do not include the amortisation payments of Treasury bills amounting to Rs. 3,068.3 billion in 2021.

3.2. Amortisation of Debt

Total amortisation payments increased by 38.1 per cent to Rs. 1,327.2 billion in 2021 due to the notable increase in domestic amortisation payments by 74.5 per cent to Rs. 795.5 billion in 2021 reflecting higher amortisation on Treasury bonds and SLDBs compared to Rs. 455.9 billion in 2020. Foreign debt repayments increased by 5.3 per cent to Rs. 531.7 billion in 2021 from Rs. 505.2 billion in 2020.

Total amortisation payments as a percentage of government revenue increased significantly to 91.1 per cent in 2021 compared to 70.3 per cent in 2020 due to higher increase in debt repayments against the marginal increase in government revenue. Moreover, the ratio of total amortisation payments to GDP increased to 7.5 per cent in 2021 compared to 6.1 per cent in 2020 (GDP estimates as per base year 2015).

The total domestic amortisation payments accounted for 59.9 per cent of total amortisation

payments in 2021 while compared to the 47.4 per cent recorded in 2020. As a percentage of total amortisation payments, the total foreign amortisation payments accounted 40.1 per cent in 2021 compared to 52.6 per cent in 2020.

3.2.1. Amortisation of Domestic Debt

With the mounting of maturing Treasury bonds and SLDBs, the domestic amortisation payments increased to Rs. 795.5 billion in 2021.

The total amortisation payments on Treasury bonds and SLDBs increased by 89.0 per cent and 55.4 per cent to Rs. 512.3 billion and Rs. 275.8 billion, respectively. However, amortisation payments on Offshore Banking Units (OBUs) Loans remained broadly unchanged at Rs. 2.7 billion in 2021 compared to Rs. 2.8 billion in 2020.

3.2.2. Amortisation of Foreign Debt

Foreign debt repayments increased by 5.3 per cent to Rs. 531.7 billion in 2021, primarily

TABLE 13
AMORTISATION OF DEBT

Source/ Instrument	Rs. billion		
	2019	2020	2021(a)
Domestic Debt	546.3	455.9	795.5
Treasury Bonds(b)	427.2	271.0	512.3
Rupee Loans	-	-	-
Loans from Offshore Banking Units	2.6	2.8	2.7
Sri Lanka Development Bonds	111.8	177.4	275.8
Other Domestic	4.7	4.7	4.6
Foreign Debt(c)	574.8	505.2	531.7
Treasury Bonds held by Foreigners	2.5	1.0	1.2
Sovereign Bonds	269.8	185.3	199.9
Other	302.5	318.9	330.6
Total Amortisation Payments	1,121.2	961.1	1,327.2

(a) Provisional

(b) Excludes Treasury bond amortisation payments to non-residents

(c) Includes Treasury bond amortisation payments to non-residents and excludes debt service payments on state-owned enterprises

Sources: Ministry of Finance
Central Bank of Sri Lanka

TABLE 14
INTEREST COST ON GOVERNMENT DEBT

	Rs. billion		
Source/ Instrument	2019	2020	2021(a)
Domestic Debt	652.8	713.6	794.6
Treasury Bills(b)	81.0	78.0	98.7
Treasury Bonds(c)	494.8	547.4	593.1
Rupee Loans	2.9	2.9	2.9
Loans from Offshore Banking Units	10.3	12.7	16.3
Sri Lanka Development Bonds	35.4	29.1	26.1
Other Domestic(d)	28.4	43.6	57.6
Foreign Debt(e)	248.6	266.7	253.8
Total Interest Cost	901.4	980.3	1,048.4

(a) Provisional

(b) Excludes Treasury bill interest payments to non-residents

(c) Excludes Treasury bond interest payments to non-residents

(d) Includes interest on overdraft facility taken from commercial banks, administrative borrowings etc

(e) Includes Treasury bill and Treasury bond interest payments to non-residents and excludes debt service payments on state-owned enterprises

Sources: Ministry of Finance
Central Bank of Sri Lanka

reflecting the settlement of Rs. 199.9 billion (US dollars 1 billion) worth of International Sovereign Bonds (ISBs) maturities in July 2021 and the repayments in foreign currency term financing facility (FCTFF) and project loans amounting to Rs. 330.6 billion during the year.

Maturing of Treasury bonds held by non-resident investors also increased by 25.6 per cent to Rs. 1.2 in billion 2021.

3.3. Interest Cost

The total interest payments on government debt increased by 6.9 per cent to Rs. 1,048.4 billion in 2021 due to the notable increase in domestic borrowings during the year compared to the previous year and increase in domestic interest rates during the second half of the year.

However, with the reduction in interest payments on ISBs, FCTFF and project loans, interest payments on foreign debt decreased marginally by 1.8 per cent to Rs. 253.8 billion in 2021.

Total interest cost as a percentage of GDP stood at 5.9 per cent in 2021 compared to 6.2 per cent in 2020 (GDP estimates as per base year 2015). The share of government revenue expended on servicing of total interest increased marginally to 72.0 per cent in 2021.

3.3.1. Interest Cost on Domestic Debt

Interest payments on domestic debt increased by 11.4 per cent to Rs. 794.6 billion in 2021, mainly due to the limited access to foreign financing and rise in domestic interest rates particularly towards the latter half of 2021.

Accordingly, interest payments on Treasury bills and Treasury bonds in 2022 increased by 26.6 per cent and 8.4 per cent respectively. Total domestic interest payments on Treasury bills and Treasury bonds cumulatively accounted for 66.0 per cent of total interest payments in 2021.

The increase in policy rates in mid August 2021 and removal of maximum yield rates for acceptance at primary auctions of government

securities in mid September 2021, a notable increase in the yields on government securities was observed.

3.3.2. Interest Cost on Foreign Debt

With the reduction in interest payments on ISBs, FCTFF and project loans, interest payments on foreign debt decreased by 4.8 per cent to Rs. 253.8 billion in 2021 compared to Rs. 266.7 billion in 2020. This was mainly due to the marginal decline in the foreign debt stock in dollar terms in 2021 including ISB debt stock as well as maturing of the ISBs amounting to US dollars 1.0 billion in 2021 without re-issuing a new ISB.

3.4. Future Debt Service Obligations

Future debt service obligations up until 2060 based on debt stock at end 2021 subject to adjustment for the interim policy arrangement and debt restructuring process taking effect post 2021, are shown in charts no. 5 and 6.

As the debt profile of Government of Sri Lanka (GOSL) has surpassed conducive levels, a joint effort by all stakeholders for prudent debt management remain indispensable. In the meantime, the Government announced the “Interim Policy Regarding the Servicing of Sri Lanka’s External Public Debt” on 12 April 2022 with further measures to be introduced following a more structured programme with the concurrence of its lenders as assisted by the International Monetary Fund (IMF).

CHART 4
TOTAL INTEREST COST

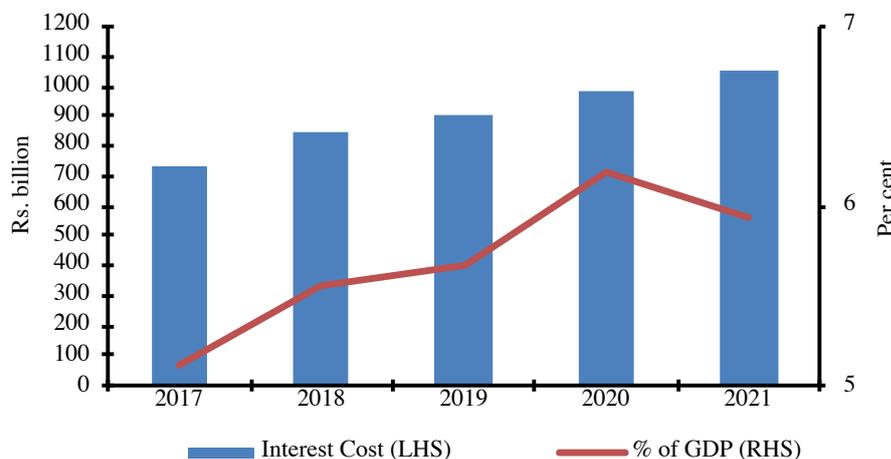


CHART 5
DOMESTIC CURRENCY DEBT SERVICE OBLIGATIONS

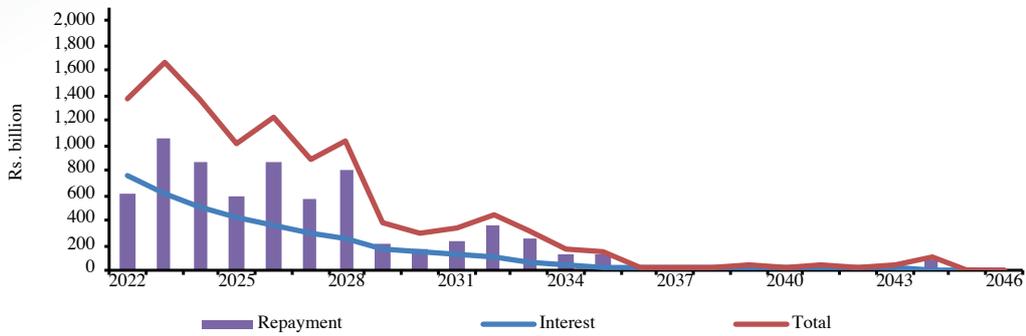
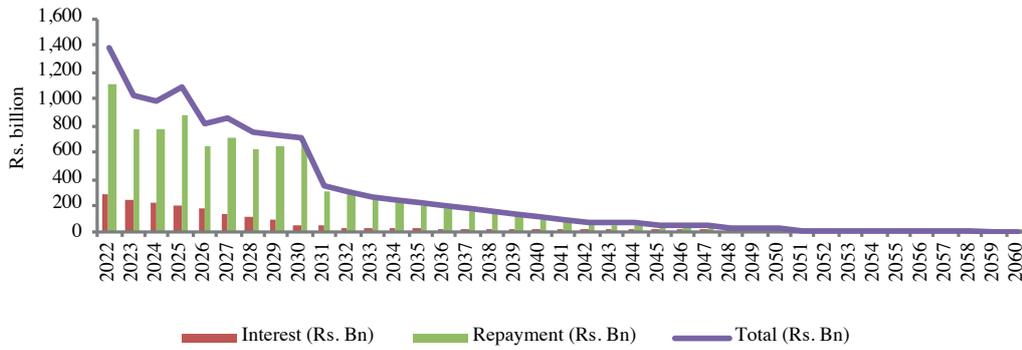


CHART 6
FOREIGN CURRENCY DEBT SERVICE OBLIGATIONS



4. Market Operations in 2021

4.1 Overview

Government's borrowing programme for 2021 was implemented by the Central Bank of Sri Lanka, discharging its responsibility of managing public debt while ensuring that funds were raised at the lowest possible cost and, at a prudent degree of risk, despite considerable constraints observed in resource availabilities. This endeavour was subject to challenging due to the domestic conditions that prevailed during 2021 mainly emanating from underlying structural economic deficiencies including lower government revenue collection than expected which was exacerbated by the impacts of the COVID-19 pandemic as well as global market volatilities. Amidst these circumstances, the CBSL continued to issue Treasury bills, Treasury bonds and Sri Lanka Development Bonds (SLDBs) in the domestic financial market in line with the overall borrowing limit specified under the Appropriation Act No. 7 of 2020. International Sovereign Bond (ISB) maturities in July 2021 were settled sans any new ISB issuances given the challenging international financial market conditions to raise funds at favourable terms largely driven by the uncertainties stemming from the COVID-19 pandemic and multiple sovereign rating downgrades by rating agencies.

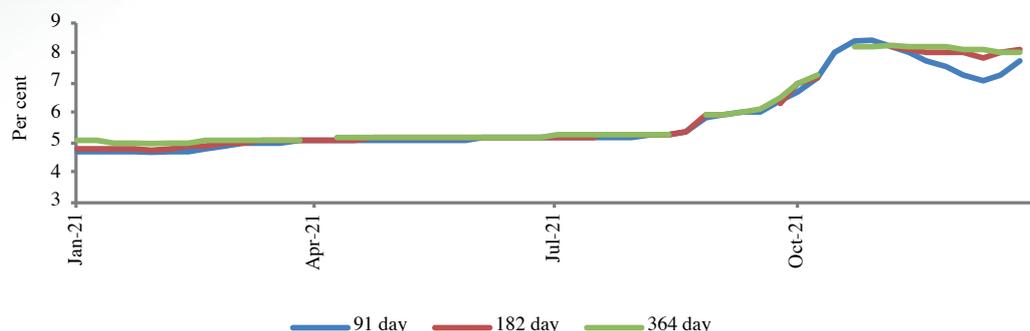
The primary market yield rates which have reached historically low levels with the

introduction of publishing of the maximum yield rate for acceptance for all maturities offered at Treasury bill and Treasury bond auctions in May 2020, continued to remain subdued throughout the first eight months of 2021. However, these yield rates started adjusting upward with the tightening Monetary Policy stance adopted by the CBSL from 19 August 2021 and, the upward adjustment in yield rates in government securities gathered further momentum with the cancellation of publishing of the aforesaid maximum acceptance yield rates, effective from the Treasury bill auction held on 22 September 2021. The primary market yield rates, particularly of Treasury bills, peaked by end October 2021 and broadly stabilized thereafter albeit at elevated levels except for the 91 day maturity which recorded a decline during the month of November 2021. The decline in 91 day Treasury bill yield rate was mainly driven by the notable shift in market preference towards the shorter term securities as a possible risk mitigating measure in the face of heightening uncertainty.

In the external front, compared to 2020, inflows to the Government securities market decreased in 2021. The net foreign outflows from the government securities market remained sizable due to developments in both domestic and external market volatilities coupled with the low interest rate structure environment that prevailed. The gross Treasury bill holding of the

CHART 7

T - BILL PRIMARY MARKET WEIGHTED AVERAGE YIELDS



CBSL increased to Rs. 1,391.3 billion by end 2021 compared to Rs. 654.6 billion recorded at end 2020 reflecting Government reliance on CBSL financing owing to lack of resource availability in the domestic market and inability to access the international commercial financing. Accordingly, during 2021, the CBSL subscribed to Rs. 736.7 billion worth of Treasury bills, on net basis.

4.2 Treasury bills Primary Market

Treasury bills continued to remain one of the key debt instruments deployed by the Public Debt Department (PDD) to manage short term cashflow requirements of the General Treasury. These were issued in three standard maturities of 91 days, 182 days and 364 days during 2021. Gross fund mobilisation through the issuance of Treasury bills amounted to Rs. 3,821.4 billion on face value basis in 2021

compared to that of Rs. 2,590.5 billion in 2020. The face value of outstanding Treasury bills at end 2021 was recorded at Rs. 2,270.7 billion in comparison to Rs. 1,620.7 billion recorded at end 2020, reflecting the largest annual growth ever recorded. Further, 52 weekly Treasury bill auctions were conducted by the CBSL in 2021. The increase in Treasury bill gross fund mobilisation was mainly due to tight financing requirement of the General Treasury driven by low revenue generation.

An overall increasing trend was observed in the Primary Market Weighted Average Yield Rates (PMWAYRs) for Treasury bills during 2021. Compared to the levels prevailed at end 2020, the yield rates of 91 day, 182 day and 364 day maturity Treasury bills increased by 347, 353 and 319 basis points (bps), respectively, at end

TABLE 15
PRIMARY MARKET WEIGHTED AVERAGE YIELD RATES OF TREASURY BILL AUCTIONS(a)

Per cent

Period	End December 2020	2021			
		End Quarter 1	End Quarter 2	End Quarter 3	End Quarter 4
91 Days	4.67	5.04	5.17	6.38	8.16
182 Days	4.78	5.08	5.17	6.27	8.33
364 Days	5.03	5.11	5.21	6.50	8.24

a) Weighted Average Yield Rate (WAYR) of each quarter end Treasury bill auction issue for each maturity

Source: Central Bank of Sri Lanka

2021. Accordingly, the PMWAYRs for Treasury bills of 91 day, 182 day and 364 day maturity Treasury bills were recorded at 8.16 per cent, 8.33 per cent and 8.24 per cent, respectively at end 2021.

4.3 Treasury bonds Primary Market

During the year 2021, twenty two (22) Treasury bond auctions were conducted offering multiple maturities in the range of 2 to 10 years comprising of bond series with 56 existing International Securities Identification Numbers

(ISINs) and 2 new ISINs. At end 2021, there were sixty-one (61) outstanding Treasury bond series. The Average Time to Maturity (ATM) of Treasury bond portfolio decreased to 5.3 years at end 2021 from 5.9 years reported at end 2020 driven by the shift in market preference towards short and medium term maturity Treasury bonds in 2021.

Meanwhile, the overall WAYRs of Treasury bonds issued in 2021 increased from 7.46 per cent recorded in 2020 to 8.41 per cent in 2021 with a notable increase observed in the WAYRs

TABLE 16
PRIMARY MARKET WEIGHTED AVERAGE YIELD RATES OF TREASURY BILLS AND TREASURY BONDS ISSUED THROUGH AUCTIONS(a)

Instrument	Per cent						
	2015	2016	2017	2018	2019	2020	2021(b)
Treasury Bills (Days)							
91	6.32	8.26	9.01	8.40	8.15	5.93	6.35
182	6.50	9.23	9.81	8.58	8.44	5.72	6.13
364	6.60	10.20	10.07	9.67	9.40	6.37	6.35
Overall Average	6.46	9.38	9.77	9.35	9.06	6.09	6.24
Treasury Bonds (Years)							
2	7.98	11.45	11.05	-	10.27	5.70	7.39
3	8.32	11.58	-	10.44	10.38	7.44	7.83
4	8.68	11.87	11.54	-	-	7.59	6.66
5	8.63	12.16	11.53	10.33	10.55	7.72	7.57
6	9.19	12.01	11.36	-	-	7.58	9.16
7	8.99	12.18	12.94	10.37	-	7.52	8.42
8	9.55	12.28	11.44	11.21	10.81	8.73	11.63
9	-	13.07	12.91	12.16	10.56	-	11.54
10	9.78	12.60	11.16	11.06	11.43	9.99	9.55
12	-	13.72	-	-	11.27	-	-
15	10.24	-	-	10.49	10.59	-	-
20	11.20	-	-	-	10.52	-	-
30	11.73	-	-	-	-	-	-
Overall Average	9.46	12.27	11.48	10.74	10.74	7.46	8.41

(a) Net of 10% withholding tax. Effective from May 3, 2002, Government has imposed withholding tax on interest of government securities. However, effective from April 1, 2018, Government has removed the withholding tax of 10%

(b) Provisional

Source: Central Bank of Sri Lanka

of medium to longer end of the yield curve. The increase was mainly due to the uplifting of the maximum acceptance yield rate published for Treasury bonds starting from mid-September 2021.

4.4 Sri Lanka Development Bonds

The US dollar denominated SLDBs were issued with maturities ranging from 6 months to 5 years with fixed coupon rates during 2021, which amounted to US dollars 1,041.3 million including funds raised through SLDB auctions and Direct Issuance arrangements compared to US dollars 507.0 million raised in 2020. The increase in accumulation of funds through SLDBs was mainly achieved through continuous engagement with the market participants. Meanwhile, the outstanding SLDB stock decreased to US dollars 2,295.4 million at end 2021 compared to US dollars 2,638.6 million recorded at end 2020. Licensed Commercial Banks (LCBs) continued to be the main investors of SLDBs, and majority of such investments were held to maturity by LCBs.

In addition, another Direct Window for SLDBs was introduced on 24 December 2021. The broader objective of this initiative was to provide investment opportunities in SLDBs for recipients of goods and services export proceeds and other foreign currency holders including Sri Lankans working abroad, in line with the Extraordinary Gazette No. 2251/42 dated 28 October 2021.

4.5 Secondary Market Yield Rates

In line with the primary market yield rates, the secondary market yield rates of Treasury bills adjusted upward in 2021. Accordingly, as per indicative quotes reported by Primary Dealers (PDs), compared to end 2020, 91 day, 182 day and 364 day secondary market Treasury bill yield rates increased considerably by 318, 342 and 336 bps respectively, by end 2021.

Secondary market yield rates of medium to longer term Treasury bonds also increased in line with the primary market yield rates. As per indicative quotes reported by PDs, compared to end 2020, the secondary market yields of 3 year, 5 year, 8 year and 10 year maturity Treasury bonds increased by 368, 407, 452 and 429 bps, respectively, by end 2021.

As experienced by several other developing and frontier market economies, Sri Lanka also experienced considerable outflow in foreign investments in Government securities. Accordingly, a net foreign investment outflow of US dollars 27.32 million was recorded from the Government securities market in 2021, compared to the net outflow of US dollars 552.7 million recorded in 2020. Consequently, Treasury bonds owned by foreign investors recorded a sharp decline to Rs. 4.5 billion by end 2021 compared to Rs. 6.2 billion recorded at end 2020. Similarly, outstanding foreign holdings of Treasury bills also decreased to Rs. 0.2 billion at end 2021 compared to Rs. 0.7 billion recorded at end 2020.

5. The Medium Term Debt Management Strategy

5.1 Overview

The Medium-term Debt Management Strategy (MTDS) is a comprehensive framework jointly developed by the World Bank (WB) and the International Monetary Fund (IMF) to help countries to guide the debt management decisions to ensure Government's financing requirements are met at the lowest possible cost with a prudent degree of risk. Accordingly, the Central Bank of Sri Lanka (CBSL) and the Ministry of Finance (MOF) cooperatively developed the MTDS in Sri Lanka, with technical assistance from the IMF and the WB, and published the same on the CBSL website initially in April 2019. The MTDS, originally covered the period 2019– 2023 and the same metrics were used as the baseline for 2021 as well.

Foreign exchange and rollover risks were identified as the key risks associated with the debt portfolio of Sri Lanka. Therefore, the MTDS focuses primarily on minimising the foreign currency debt exposure to a prudent level, improving the Average Time to Maturity (ATM)¹ of the foreign currency debt portfolio and minimising the debt maturing within one year. Moreover, the MTDS enunciates the Government's debt management direction to achieve the cost and risk objectives over the medium term within the well-defined risk parameters. Therefore, considerations such as

1. ATM is used to assess refinancing risk based on the current ATM of outstanding debt.

potential variation in debt servicing costs and its budgetary impact, linkages with other key macroeconomic objectives, improvements in debt sustainability measures and the development of the domestic debt market have been factored in formulating the MTDS. The MTDS incorporates the Government's medium-term macroeconomic projections along with the Medium Term Fiscal Framework (MTFF) of the Government.

Given the debt sustainability concerns in the country, the Government announced an "Interim Policy Regarding the Servicing of Sri Lanka's External Public Debt" on 12 April 2022 and introduced a debt standstill with the aim of entering into an economic recovery programme with the IMF. The direction of the MTDS is expected to review in the near-term upon the conclusion of debt restructuring initiatives now initiated and expected to align a sustainable path for debt portfolio.

5.2 Stated Objectives of the MTDS

The primary objective of the MTDS is to ensure that the Government's financial requirements are met at the lowest possible cost with a prudent degree of risk over the medium term. In addition, the following secondary objectives are also defined in the MTDS to facilitate its primary objectives.

- (a) Evaluating and managing the risks involved in different debt compositions,

based on different debt related variables (e.g., the type of instrument, the currency in which debt is denominated, the lending/borrowing sector, and the maturity period).

- (b) Facilitation and coordination with fiscal and monetary management to the continuation of better overall macro-fiscal and financial system stability.
- (c) Enhancing transparency in Government debt management through good debt management practices and policies, including a DMS.
- (d) Enhancing efficiency and competition of the primary market for government securities.
- (e) Broadening and deepening the secondary market for government securities.
- (f) Diversification of investor base 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 (e.g., the average interest rate that the government pays on debt, the nominal growth rate of the economy).
- (i) Publishing a Treasury bill and Treasury bond issuance/settlement calendar on a rolling basis, and
- (j) Upgrading the infrastructure of the domestic debt market supported by an Electronic Trading (e-trading)

platform together with a central clearing arrangement.

5.3 Expected Benefits of the MTDS

The MTDS framework allows countries to evaluate the costs and risks of alternative financing options of the Government. Moreover, a better understanding can be obtained of how Government debt portfolios would be affected if different financing options are pursued. In addition, the MTDS targets are consistent with both the Governments' debt-service cost and risk preferences and debt sustainability and are fully transparent about their DMS.

The MTDS takes into consideration of the cost and associated risk of all available Government financing strategies in determining the best combination among alternative options in selecting an appropriate financing approach. After a cautious evaluation of costs and risks associated with each strategy, the MTDS recommends the most prudent strategy to manage the Government debt portfolio. Furthermore, the MTDS framework facilitates enhanced coordination and establishes the link between various stakeholders in line with fiscal policy, monetary policy, exchange rate policy and other macroeconomic variables. Such enhanced policy coordination allows different Government agencies to focus on their main objectives whilst providing clear segregation of Central Government debt management decisions. Similarly, a well-established MTDS would facilitate ascertaining constraints affecting the debt management alternatives and approaches to addressing potential constraints. Moreover, a well-structured MTDS enhances

the governance of debt management and improves the effectiveness of the overall debt management process.

5.4 MTDS and the Macroeconomic Framework

The MTDS should be in line with the overall macroeconomic policy framework to achieve the stipulated MTDS targets. It is also important that the interlinkages and feedback effects are well articulated and that coordination mechanisms are in place. For emerging and developing economies, interlinkages are likely to be more significant, given developing domestic debt markets, capacity constraints and availability of space for institutional improvements. Accordingly, close coordination with an overall macroeconomic framework is essential to ensure a further stable environment for debt management operations.

The MTDS also interlinks with other key policy areas to efficiently achieve the cost risk trade-offs.

- **MTDS and Fiscal Policy** – The required debt financing for a financial year is mainly determined by the fiscal policy (the government's expenditure and revenue-raising decisions) of the Government. Moreover, the level of Government debt is determined through the fiscal policy outcomes, and it plays an important role in future debt dynamics. Therefore, the MTDS needs to be formulated in line with an operational medium-term fiscal framework to achieve success.
- **MTDS and Monetary Policy** – Debt management is not a standalone process but also has close linkages to the monetary policy. As such the monetary policy mechanism also plays an important role in determining the success of the MTDS. For instance, when credible monetary policy is lacking, it will lead to high inflation and a high inflation risk premium and increase the cost of borrowing for domestic debt in the long term. In these circumstances, governments may be forced to issue more short term domestic debt or inflation-linked debt.
- **MTDS, Exchange Rate Policy and Balance of Payments** – The exchange rate policy, the balance of payment (BOP) trends and successive developments in the real exchange rate also have consequences for the MTDS. For instance, the exchange rate depreciation increases the debt servicing cost and the value of the outstanding debt stock in local currency terms. This would lead to an adverse effect on the debt maturing within a year (percent of total debt) and the share of foreign currency debt metrics of MTDS. Accordingly, foreign currency borrowing requires a careful analysis of trends in the balance of payments and exchange rate policies. In addition, maintaining an adequate level of foreign reserves for meeting foreign currency debt service payments is also critical.
- **MTDS and the Development of Domestic Debt Markets** – There are various financing sources available to the country to meet its borrowing needs. The trade-off between domestic borrowing and foreign borrowing is always determined by the level of development and the capacity of the

domestic debt market and the crowding out effect for the private sector from excessive Government borrowing.² The MTDS helps to identify key challenges in this area and articulate strategies to address these challenges.

- **MTDS and Annual Borrowing Plan (ABP)**
- An ABP for the country is important for the development of a prudent debt management strategy and it should be formulated within the overall direction set out by MTDS considering the underlying volatility in the Government cash flow (e.g., the specifics on debt instruments to be issued, the size and timing of the new borrowing).

The achievement of MTDS targets largely depends on the MTFE of the Government which aims at further strengthening the fiscal consolidation process by lowering the budget deficit and improving the Government debt profile in the medium term. The MTFE of the Government has been severely constrained by the spill over effects of the COVID-19 pandemic. Therefore, the Government's policy framework is geared toward striking a balance between mitigating challenges emanated due to COVID-19 and maintaining fiscal and financial system stability in the medium term. Accordingly, the commitment of the fiscal authority is required to lower the budget deficit in the medium term, and thereby bring the Central Government debt as a percentage of gross domestic product (GDP) to a sustainable level. However, the budget deficit widened

2. To finance the budget deficit, the Government may borrow money through the sale of government securities. If the borrowing comes from the domestic market, this will increase the demand for loanable funds, which will increase the real rate of interest while limiting the credit available for the private sector.

in 2021 as a result of increased government expenditure and declined revenue. High budget deficits over the last years have resulted in mounting Government debt. The COVID-19 pandemic made a challenging situation worse, frustrating debt sustainability concerns. Due to the economic contraction and the increased budget deficit, the debt to GDP ratio increased to 99.5 percent in 2021 (GDP estimates as per base year 2015).

5.5 Progress of the MTDS during 2021

5.5.1 MTDS Targets and Performance

The MTDS provides a framework for a prudent borrowing programme having considered factors such as potential variation in debt servicing costs, budgetary impact, and bunching issues of the debt portfolio. The key debt portfolio risks for the Government of Sri Lanka (GOSL) include (but not limited to) foreign exchange risk and refinancing risk. Accordingly, specific MTDS targets for a set of risk indicators have been established and they facilitate clear communication of debt management objectives such as “risk” and “cost,” and the trade-offs between them. In addition, they have been set to mitigate the identified risks in the medium term. Foreign currency denominated debt as a percentage of total debt, the ATM of the foreign currency debt portfolio and the amount of debt maturing within a year as a percentage of total debt were chosen as the key MTDS targets.

The MTDS envisages reducing the foreign currency debt exposure in the medium term by gradually bringing down the foreign currency debt share. Further, it envisages lengthening the ATM of the foreign currency debt while

reducing the share of debt maturing within a year. The foreign currency debt share is already on the envisaged trajectory towards the end of 2021. However, re-aligning the debt portfolio from foreign currency to domestic currency debt needs to be performed carefully to avoid bunching issues in domestic currency debt and in line with the developments in the domestic securities market as well as the developments in the international capital markets. Nevertheless, countries with rising foreign currency debt are most prone to deviate away from the path of sustainable fiscal policy because of increased government expenditure during the pandemic period and are constrained to introduce country cyclical policies to sustain growth or employ speedy economic recoveries.

foreign currency financing in the international capital markets due to dry down liquidity for developing and frontier economies because of COVID-19 pandemic, the ATM of foreign currency debt was maintained at a reasonable level of 6.0 years. However, the debt maturing within one year increased to 22.7 per cent mainly due to the shift in investor preference towards shorter tenure securities as a result of the uncertainties emanated due to COVID-19 pandemic and the increase of Government Overdraft (O/D). Public Debt department (PDD) has suggested that compilations are required to be considered only for non CBSL issuances to accommodate exceptional circumstances of government financing. At the same time, the budget deficit increased significantly due to the

TABLE 17
THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY

Indicator	2019	2020	2021(a)
Ratio of Foreign Currency Debt to Total Debt (Per cent)	54.0	47.5	42.5
Average Time to Maturity of Foreign Currency Debt (years)	6.4	6.2	6.0
Debt maturing within a year (Per cent of total debt)	16.6	21.1	22.7

(a) Provisional

Source: Ministry of Finance, Central Bank of Sri Lanka

The debt management strategies applied in 2021 resulted in some improvements in MTDS targets amidst extremely volatile market conditions emanated because of COVID-19 pandemic. Accordingly, the share of foreign currency debt in total debt reduced by a significant margin to 42.5 per cent at end 2021 compared to 47.5 per cent prevailed at end 2020. Part of the improvements in foreign currency to domestic currency share has also attributed to difficulties in accessing international capital markets and downgrading in Sovereign rating profile. Despite the heightened difficulties of sourcing long term

continuous underperformance of government revenue and the increased expenditure. This invites policy priority on the part of the Government to achieve sustainable fiscal positions over the short and long term to avoid escalating vulnerabilities posed by large budget deficits and financing requirements. Financing the Government funding requirement through short term debt was also necessitated in order to maintain the functions of the Government uninterrupted during the pandemic period given the exceptional market conditions. However, strategies now warrant gradually

phasing off the accumulated short term debt and thereby decreasing the share of debt maturing within one year.

5.5.2 Strategy Implementation

The MTDS is being executed with the collaboration of the CBSL and the MOF.³ These institutions monitor and evaluate the MTDS on a periodic basis. The success of MTDS is determined solely based on the accomplishment of these targets. However, the execution of the planned MTDS requires a credible commitment from the Government to follow the envisaged fiscal path. Nevertheless, this has been extremely difficult during 2021 owing to the increased uncertainties in market conditions emanating as a result of the COVID-19 pandemic. Further, the plunge in non-debt creating foreign currency inflows such as tourism earnings, export earnings and foreign direct investments (FDIs) together with moderate growth in worker remittances has exerted significant pressure on macroeconomic management in the country and thereby generated considerable challenges to the smooth execution of MTDS in 2021.

5.6. Issues and Challenges of Implementing the MTDS

5.6.1 Market Disruptions

Following the current pandemic of COVID-19, fiscal sustainability is an issue that has arisen in policy discussions in both developed and developing countries. Specifically, fiscal imbalances are regarded as one of the major risks facing the global economy today.

3. The CBSL is responsible for the management of the public debt as the Agent of the Government and The MoF handles the matters relating to obtaining loans from foreign sources.

The year 2021 remained extremely challenging due to the spread of the COVID-19 pandemic and multifaceted external sector challenges. The budget deficit further widened in 2021 and reached the highest level since 1988. The Government relied mostly on the domestic banking sector, especially the CBSL, to finance the budget deficit due to a series of Sovereign credit rating downgrades and limited foreign financing avenues. The overall budget deficit increased to 11.6 per cent of GDP in 2021 compared to 10.5 per cent of GDP in 2020 (GDP estimates as per base year 2015). The increase in net financing owing to the expansion in the budget deficit during 2021 along with increased market interest rates as well as the parity variation, which was an outcome of exchange rate depreciation contributed to the increase of the rupee value of the outstanding debt. The Sri Lankan economy was also severely affected, and the economic activities contracted substantially resulting in an increase in debt to GDP ratio 99.5 per cent in 2021. The revenue and grants mobilisation decreased to 8.3 per cent of GDP in 2021 compared to 8.7 per cent in 2020 (GDP estimates as per base year 2015) resulting from the pandemic-induced subpar economic performance and the continuation of the low tax regime instituted in late 2019.

5.6.2 Unfavourable Sovereign Ratings

Sovereign rating downgrades by international credit rating agencies have made accessing foreign financing highly challenging during 2021 amidst increased funding requirements with the pandemic. S&P Global Ratings affirmed CCC+ long term Sovereign credit rating on Sri Lanka and the outlook was revised to Negative during 2021. Moody's Investors Service downgraded

Sri Lanka's long-term foreign-currency issuer and senior unsecured debt rating to Caa2, while Fitch Ratings downgraded Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to CC. Rating downgrades highlighted the rising risks to external debt servicing capacity in the context of very low foreign exchange reserves and limited financing inflows, which further adversely impacted reaching out to international capital markets. The Government and the CBSL are making efforts to improve the country's Sovereign rating in the future through coordinated efforts.

5.6.3 Foreign Currency Denominated Debt Maturities and Interest Payments

Similar to 2020, foreign currency debt service payment requirements (foreign currency principal and interest payments) over the short to medium term increased in 2021 as a result of having to rely on, at times, short term financing in an environment of uncertainties emanated from the COVID-19 pandemic and rating downgrades. The investor preference has tilted in favour of short to medium term foreign currency denominated debt instruments, creating concerns over bunching of foreign currency debt maturities in the short to medium term. Further, already built debt service obligations also remained sizable requiring the strategy to gradually phase-off foreign currency debt within a mix of domestic currency options, non-debt creating inflows and sourcing of long term credit to lengthen the ATM continually.

5.6.4 Pressures on Foreign Currency Liquidity Condition

The shortage of foreign exchange in the country has led to the challenge of managing foreign currency debt service payments while meeting

domestic needs depend on importation of goods and services. Dollar inflow from tourism industry has dried up due to the pandemic although there was an uptick in the latter part of 2021. Moreover, the workers' remittances were on the decline due to a wide margin between the official exchange rates and the "grey-market" exchange rates in spite of the measures taken to attract remittances through official channels. In addition, due to undue speculation on exchange rate movements, there has been a reluctance to convert export earnings, thereby limiting inflows to the domestic foreign exchange market.

5.6.5 Primary and Secondary Market Participation

The fundraising through Treasury bill, Treasury bond, and SLDB primary auctions was challenging in general amidst Government's increased financing requirements and the slowdown in the economy due to COVID-19 pandemic-related lockdowns and market uncertainty in 2021. Reflecting these challenges, Treasury bill primary auctions were more relied upon to raise the required funds for the Government. At times of entire requirements being not raised from the Treasury bill primary auctions due to adverse bidding; the shortfall was allocated to the CBSL to ensure the smooth functioning of essential Government services during the pandemic period. The continuous and regular subscriptions to the Treasury bill primary auction shortfall by the CBSL and the resulted significant increase in the CBSL holdings of Treasury bills was a major concern at the end of 2021. The PDD is currently in the process of introducing a new Treasury bill issuance system similar to the existing Treasury bond issuance system. This would replace the existing and

dated AS-400 system and further improve the operational efficiency of the primary auction process.

Since 2004, the secondary market settlement of government securities has been made through Scripless Securities Settlement System (SSSS) and Real Time Gross Settlement System (RTGS). Accordingly, each secondary market transaction in government securities is required to be settled bilaterally and on a gross basis, where market participants must maintain a considerable level of liquidity in both security and rupee accounts to settle the transactions. These liquidity requirements impede the growth of transaction volumes of government securities in the secondary market. Information asymmetry due to the lack of full scale real time price discovery mechanism in the current infrastructure further hampers the development of the secondary market. Accordingly, the introduction of market surveillance and further information for improved market regulation are timely needs. Limited tradability of SLDBs due to immobilise characteristics i.e., script, absence of price discovery and cost of foreign exchange transfers is another major impediment in the government securities market.

5.6.6 Cash Flow Forecasting and Management

A timely and accurate forecast of government cash flow is an integral part of the formulation and implementation of the MTDS effectively and efficiently. Significant deviations in forecasted cashflows and rigidity in expenditure management would impede the successful implementation of the MTDS and may deviate frequently from the envisioned path. In 2021, with the significant uncertainties emanating

due to the COVID-19 pandemic, substantial deviations in the cash flow forecasts were observed imposing challenges in achieving the set MTDS targets, often tilting in favour of exploring short term financing options.

Given the tight financing requirement of the Government stemming from reduced revenue and unexpected increase in expenditure largely on the back of the implications of the COVID-19 pandemic, the CBSL subscribed for Treasury bills to the tune of Rs. 1,923.1 billion during the year 2021 to facilitate smooth cash flow management of the General Treasury.

5.6.7 Derailment of Envisaged Fiscal Targets and resulting strain on debt portfolio

The continuous departure of fiscal outturns to worsen the debt outlook often highlighted with a near to medium-term fiscal consolidation effort on the part of the Government. Revenue targets were underperformed, and expenditure outlook revised upward resulting significant financing requirements repetitively in recent years. The strain on public debt were felt not only in the increase in debt stock but also in terms of reducing the overall ATM and increasing the roll-over risk.

Additionally, drying of financing from external commercial sources further strained the availability of foreign currency resources and increasingly pressurised domestic financing requirement.

Advisory to explore engagement with multilateral lending institutions with an economic recovery programme was delayed until early part of 2022 and the opportunities to access non-conventional capital markets with possible credit enhancement opportunities were missed.

5.7 Measures Taken and Methods to Address the Issues and Challenges of Implementing the MTDS

5.7.1 Strengthen the Economy and Macroeconomic Stability

The CBSL at numerous points highlighted the requirement to address fiscal consolidation as a priority. The focus on reducing the overall foreign currency debt within the overall debt portfolio was initiated and partly supported by constraints to access the international capital markets. The efforts in terms of facilitating non-debt creating foreign exchange inflows and pursuing efforts to attract foreign investments into government securities tried but the success remained limited as international capital markets remain cautious.

Actions were taken to diversify the SLDB investor base and attract foreign investments for SLDBs with limited success. Campaigns to attract government and private institutional investors for SLDBs from the Middle East, Asia, and the rest of the world as well as eligible domestic investors, and gradually diversifying the concentrated SLDB investor base in the domestic banking sector was also launched. Besides, a Direct Window for SLDBs was introduced to facilitate an investment opportunity in SLDBs for recipients of goods and services export proceeds and other foreign currency holders including Sri Lankans working abroad, in line with the Extraordinary Gazette No. 2251/42 dated 28 October 2021.

5.7.2 Enhancing Market Transparency through System Reforms

With the view to enhancing the market transparency and enhancing the predictability

in the issuance process, an auction calendar has been published, informing the market on future Treasury bill and Treasury bond issuances even during the period of the pandemic. Amidst the prevalence of high uncertainty, the auction calendar was made available to the market to support maintaining orderly market conditions during the unprecedented times due to the pandemic.

Measures were taken to publish the maximum yield rate for acceptance only for 364-day maturity and accommodate acceptance for 91-day and 182-day maturities within the announced yield rate for 364-day maturity at the Treasury bill auctions, while continuing to publish the maximum yield rate for acceptance for all Treasury bond maturities from 03 February 2021, during the period of uncertainty. However, measures were taken to gradually return to normal market operations with market determination of Government securities yields rates with Treasury bill auctions held on 22 September 2021.

In line with the intention of further enhancing the effectiveness and efficiency of primary issuance of government securities, PDD is in the final stages of introducing a new issuance system for Treasury bills and introduced a Direct Issuance Window (DIW) for Treasury bonds in July 2021. Furthermore, during the year, the minimum acceptance at Phase I to execute Phase III of the web-based Treasury bond issuance system was increased up to 80 per cent of the offered amount from respective ISINs at Phase I. Further, execution of Phase III of the Treasury bond issuance process was limited to Treasury bonds with a remaining maturity of 5 years or below. These envisaged

system reforms and improvements are expected to further facilitate orderly market conditions while ensuring smooth cash flow management by the General Treasury.

Moreover, several measures were taken to enhance the effectiveness of primary auction participation for the government securities such as regular issuances of 2–15-year bond series to develop the “Benchmark Yield Curve” of the 2–15-year segment and reopening of the series within the benchmark cycle for the purpose of liquidity and price discovery.

In addition, measures were taken to record all secondary market trades of government securities on the trade date with a view to enhancing and strengthening the secondary market trading practices, improving the reliability of trading, and increasing investor safety and confidence. Accordingly, all participants in the LankaSettle System were required to report all trades to the CBSL Financial Information Network through (FInNet) system effective from 01 April 2021. The Trade Reporting System mainly focuses on identifying market dynamics in the process of implementation of the envisaged Capital Market Development Project (CMDP).

5.7.3 Establishing Electronic Trading

Platform (ETP), Central Counterparty Clearing and Settlement System (CCP) and Central Securities Depository (CSD)

The CBSL plans to establish a state-of-the-art market infrastructure to improve the secondary market for government securities. The procurement of four systems is underway to achieve this objective. The systems would be CCP, ETP, CSD and Market Surveillance System. These will be equipped to facilitate

straight-through processing of government securities transactions with improved market transparency and low liquidity requirements for market participants. A new legal framework shall be introduced to facilitate the sophistication of the proposed business procedures that will be in line with international best practices.

During the year, system specifications were drafted and finalised under the guidance of consultants who have been selected to guide the procurement process. In addition, a supporting legal framework was drafted by the legal consultant in collaboration with the CBSL.

5.7.4 Conducting of Liability Management Activities

Liability management initiatives were not exercised in 2021 due to continued pandemic driven uncertainties and high financing requirements of the Government. Even from the external financing point of view, possible liability management options remained restrained. During crisis periods, monitoring existing contingent liabilities is critical. Debt managers will need to consider the potential impact of any new contingent liabilities entered into as part of the COVID-19 response and the potential impact on future cash and debt liabilities. PDD explored the possibility of initiating arrangements to buy back ISBs to be matured in 2022 with some international investors.

5.7.5 Interim Policy Regarding the Servicing of Sri Lanka’s External Public Debt

Sri Lanka has had an unblemished record of debt service since independence in 1948. Although the Government has taken extraordinary steps

to remain current on all its external indebtedness amidst constraints, it was clear by early April 2022 that the efforts to remain current is no longer a tenable policy and that a comprehensive restructuring of external debt obligations will be required. Hence, the Government has decided to suspend normal debt servicing of all affected debts with effect from 12 April 2022 for an interim period pending an orderly and consensual restructuring of those obligations

in a manner consistent with an economic adjustment programme supported by the IMF. In this endeavour, significant progress is made with a Staff Level Agreement (SLA) entered with the IMF and the appointment of international financial advisors and legal consultants with experience in advising sovereigns in debt restructuring. The engagement with creditors is now envisaged to implement the receive “financial assurances” from creditors to take part in the debt restructuring initiative.

6.

Risk Management of Central Government Debt and Sustainability of External Debt

6.1. Overview

The tax concessions introduced towards latter part of 2019 and the emergence of COVID-19 pandemic constrained the revenue receipts of the Government. Additionally, the need to introduce economy-wide relief measures to cope with the impact of the pandemic compelled policy authorities to introduce loan moratoria programmes for affected segments of the economy. In addition, rapid vaccination programme and related health initiatives, contributed to significant increase in Government expenditure deviating from the envisaged expenditure path of the Government. The resultant increase in expenditure and drop in revenue widened the budget deficit to more than 10 per cent of Gross Domestic Product (GDP) in 2020 and 2021 (GDP estimates as per base year 2015).

In 2021, the access to international capital markets remained constrained as Sri Lanka's Sovereign ratings were repetitively downgraded and any efforts of liability management and risk mitigation remain constrained. The risk mitigation indicators remains and the sustainability of significantly high fiscal deficit and servicing of already built obligations were highlighted for consideration of policy remedies. In March 2022, the International Monetary Fund (IMF) reviewed that Sri Lanka's public debt was unsustainable. Having noticed above developments and non receipt of

expected financing flows, in mid April 2022, the Ministry of Finance (MOF) announced a debt standstill to suspend normal debt servicing of all Affected Debts for an interim period pending an orderly and consensual restructuring of those obligations in manner consistent with an economic adjustment programme supported by IMF.

6.2. Analysis of the Risk Profile of the Central Government Debt Portfolio

6.2.1 Refinancing Risk

In debt management, "refinancing or rollover risk" refers to situations in which debt may have to be rolled over at an unusually high interest cost or which in extreme cases, debt cannot be rolled over at all to replace the maturing debt due to various market conditions, such as dried out liquidity, and significant change in investor preferences to other alternative safe asset classes.

To the extent that refinancing risk is limited to the possibility that debt might have to be financed at higher interest rates, including changes in credit spreads, it may be considered a type of interest rate risk.

A number of indicators can be used to measure and assess sovereign refinancing risk including average time-to-maturity (ATM), rollover ratio, maturity profile of the outstanding debt portfolio

and the ratio of short term refinancing volume to total outstanding debt. Although there is no widely accepted optimal benchmark for these indicators, higher ATM and a lower short term refinancing volume are generally preferred.

The ATM summarises the entire maturity profile of the central government debt portfolio into a single figure. The ATM is calculated as a weighted average of the time until maturity, the weights being the payments' shares of the total nominal payments. The short term refinancing volume is the sum of maturing central government debt (securities and loans) over the next 12 months period. This indicator expresses the size of the principal payments on both the domestic and foreign currency debt to be made by the central government in the short term. The maturity profile provides an overview of the volume of payment obligations, particularly the principal repayment, facing the central government in the coming years. The Public Debt Department (PDD) publishes the maturity profile of Treasury bills, Treasury bonds, Rupee Loan Securities, Sri Lanka Development Bonds (SLDBs), and International Sovereign Bonds (ISBs) every month end in the Central Bank of Sri Lanka (CBSL) website in facilitating transparency of public debt management and to provide information on refinancing requirements of debt to the general public.

At end 2021, the overall ATM of the outstanding central government debt portfolio was 4.9 years compared to 5.4 years at end 2020. The ATM of outstanding domestic currency debt which had decreased to 4.7 years at end 2020 further decreased to 4.0 years at end 2021 mainly due to the continuation of issuance of significant amount of Treasury bills during 2021 in order

to finance the cash flow requirements of the Government during the pandemic period. The ATM of foreign currency debt portfolio which had also decreased to 6.2 years at end 2020 further decreased to 6.0 years at end 2021 mainly as a result of not being able to re-issue the maturing US dollars 1,000 million ISB in 2021 and also due to the investor preference shifting towards much shorter tenure securities due to the increased uncertainty emanated from the COVID-19 pandemic and limited fiscal space.

The share of outstanding domestic currency debt with remaining maturity less than or equal to one year (short term debt) as a ratio of the outstanding domestic currency debt increased to 31.0 per cent at end 2021 compared to 27.7 per cent a year ago, mainly because of reliance on Treasury bills to finance the government funding requirement in 2021. Countries that can issue domestic currency debt generally face much lower refinancing risk. The share of short term (remaining maturity less than or equal to one year) foreign currency debt to total foreign currency debt also increased to 14.8 per cent at end 2021 compared to 13.9 per cent at end 2020 mainly due to ISBs amounting to US dollar 1,500 million to be matured in 2022. Further, the total short term debt as a percentage of total outstanding debt increased to 24.1 per cent at end 2021 compared to 21.1 per cent that prevailed at end 2020 due to an increase in both short term domestic and foreign currency debt.

While these indicators provide important insights into the assessment of refinancing risk, there are other factors-such as strong macroeconomic fundamentals, high credit ratings and liquid government securities markets-affecting a

sovereign's exposure to refinancing risk through liquidity and perceived safety of debt.

6.2.2 Interest Rate Risk

Refinancing risk is closely interlinked with interest rate risk (risk premia), as investors demand to be compensated for greater uncertainty. The greater the perceived refinancing risk, the higher the risk premiums on sovereign debt. The interest rate risk is associated with the cost of servicing the government's new or existing floating debt, stemming from potential changes in domestic and foreign interest rates. Hence, fixed short term debt and floating rate debt is usually considered to be more sensitive to interest rate risk than long-term and fixed rate debt, because of the periodic reset of interest rates.

For both domestic and foreign currency debt, changes in market interest rates affect debt servicing costs on new issuances when fixed-rate debt is refinanced, and on floating rate debt at the rate-reset dates. Therefore, higher the frequency of government raising funds from the primary market, and/or higher the share of floating exchange rate instrument within the overall debt portfolio, higher will be the government's exposure to the interest rate risk. Accordingly, it would be beneficial for the government to lock its financing cost by issuing long term debt instruments when the interest rates are lower and is expected to rise in the future. This will not only minimize the interest rate risk, but it will also lower the refinancing risk of the portfolio.

The conducive monetary policy environment also attributed to a historically low interest rate environment that prevailed until August 2021.

However, the Government was not able to fully capitalise the advantage of this low interest rate environment by issuing long term securities since the investor preference had shifted towards shorter tenure maturities as a result of uncertainties in the interest rates behaviour and economic recovery.

In measuring and managing interest rate risk of the government debt portfolio, three indicators are generally used by the CBSL, namely—(i) the duration of the debt stock; (ii) Average Time to Refixing (ATR), and (iii) the ratio of floating interest rate debt to total debt.

The duration is a measure of the sensitivity of bond or other debt instrument prices to changes in interest rates. PDD uses the Macaulay duration, which measures how long it takes, in years, for an investor to be repaid the bond's price by the bond's total cash flows. Duration can also measure the sensitivity of a bond's or fixed income portfolio's price to changes in interest rates. More specifically, duration measures the change in market value of a security due to 1 per cent change in interest rates. Usually, the higher the duration, the more is the volatility in the prices. More specifically, the higher the duration, the more a bond's price will drop as interest rates rise. The duration of the overall government debt portfolio decreased to 3.6 years in 2021 from 4.0 years in 2020 mainly due to issuance of Treasury bills which matures in the shorter term. The duration of the domestic currency debt portfolio declined to 2.8 years in 2021 from 3.5 years in 2020 while that of the foreign currency debt portfolio increased to 4.6 years in 2021 from 4.4 years in 2020.

ATR on the other hand, is commonly used to provide a detailed sense of exposure to interest

TABLE 18

RISK ASSESSMENT INDICATORS (AS AT END OF YEAR)

Indicator	Domestic Currency Debt		Foreign Currency Debt		Aggregate	
	2020	2021 (a)	2020	2021 (a)	2020	2021 (a)
Refinancing Risk						
Average Time to Maturity (ATM) (yrs)	4.71	4.04	6.15	6.02	5.44	4.94
Short-term (remaining maturity less than or equal to one year) / Outstanding Debt (%) (b)	27.72	31.02	13.86	14.77	21.13	24.12
Interest Risk						
Duration (yrs)	3.52	2.76	4.39	4.58	3.96	3.59
Average Time to Re-fixing (ATR) (yrs)	4.71	4.04	5.04	4.55	4.88	4.28
Share of Floating Interest Rate Debt / Outstanding Debt (%)	-	-	22.83	25.41	10.85	10.79
Foreign Exchange Risk						
Share of Foreign Currency Commercial Debt / Official Reserves (%)	-	-	-	-	343.64	583.36
Share of Foreign Currency Debt / Total Debt (%)	-	-	-	-	47.53	42.45

(a) Provisional

Source: Central Bank of Sri Lanka

(b) Foreign currency short term debt considers SLDBs and loans from OBUs

rate risk. ATR is a measure of the weighted average time taken for principal payments to be subject to a new interest rate. As an average measure, this indicator gives information over time of the change in the debt portfolio's average time to re-fixing. Accordingly, ATR measures the average time for changes in market interest rates to have an effect on the debt stock, i.e., how often the interest rates on the portfolio are re fixed. A shortening of this indicator suggests that the debt portfolio is, on average, facing a new interest rate more frequently and therefore is more exposed to re-financing risk. A high value of ATR indicates low risk. In the case of zero coupon bonds or bonds with fixed coupons, ATR is the residual life of the bond. For floating rate bonds, ATR is the time left until fixing of

the next coupon. The ATR for domestic currency debt portfolio (includes Treasury bonds, Treasury bills and Rupee Loans) continuously decreased to 4.0 years at end 2021 from 4.7 years at end 2020 and 5.8 years at end 2019 reflecting declines in ATR for all the domestic currency debt instruments at end 2021 mainly due to new issuances of government securities with short to medium tenure maturities. ATR of foreign currency debt portfolio includes foreign projects and term loans, ISBs, SLDBs and loans from Offshore Banking Units (OBUs) also decreased to 4.6 years at end 2021 from 5.0 years at end 2020 due to declined ATR of all the foreign currency debt instruments and loans at end 2021. Accordingly, the overall ATR of the central government debt portfolio continuously

declined during the past three years to 4.3 years at end 2021 from 4.9 years at end 2020 and 5.3 years at end 2019.

The floating interest rate foreign currency debt to total foreign currency debt ratio increased to 25.4 per cent at end 2021 from 22.8 per cent at end 2020 mainly due to the increase of outstanding floating rate foreign currency project loans. Consequently, the total floating debt to total debt ratio marginally decreased to 10.8 per cent at end 2021 from 10.9 per cent at end 2020.

6.2.3 Exchange Rate Risk

Exchange rate (FX) risk is one of the principal risks in a government debt portfolio that need to be appropriately reviewed. In particular, the FX risk relates to the vulnerability of the government's debt portfolio and the implied debt cost, stemming from a depreciation/ devaluation in the external value of the domestic currency, that need to be estimated for budget purposes.

More precisely, the parity variation caused by the depreciation of Sri Lankan rupee against foreign currencies in 2021, resulted in the rupee value of foreign currency debt portfolio being increased by around Rs. 500.2 billion or 2.8 per cent of GDP (GDP estimates as per base year 2015), which was around one fifth of the increase in total central government debt stock in 2021. The depreciation of rupee would also affect the cost of servicing foreign currency debt, further widening the budget deficit over and above the original estimate creating cashflow concerns.

The CBSL uses common yardsticks to evaluate the extent of exposure of the debt portfolio to exchange rate risk. The foreign currency debt to total debt ratio declined significantly to 42.5

per cent at end 2021 compared to 47.5 per cent at end 2020. This reduction was caused mainly having to finance the foreign debt maturities using domestic currency debt due to unfavourable international capital market circumstances emanated during 2021 as a result of COVID-19 pandemic. The share of foreign currency commercial debt to official reserves has increased notably to 583.4 per cent at end 2021 compared to 343.6 per cent at end 2020. This is clearly an effect of the significant decline in external reserves (by 44.6 per cent) to US dollars 3.1 billion at end 2021 from US dollars 5.7 billion at end 2020 although outstanding foreign currency commercial debt declined to US dollars 18,311.8 million at end 2021 from US dollars 19,464.0 million at end 2020.

6.2.4 Liquidity Risk

Liquidity risk emphasises the inability to meet obligations falling due in a timely manner or have to meet the obligations at a higher cost. PDD implemented prudent strategies in order to mitigate the liquidity risk in the government securities market during 2021. Accordingly, the advance Treasury bill and Treasury bond auction calendar was published on monthly basis in providing forward guidance to the market participants. The auction calendar is envisaged in improving market transparency, predictability, and preparedness of market participants and holds the issuer accountable to adhere to the announced issuance calendar thereby ensuring fiscal discipline. This will facilitate the certainty in the government securities market and minimises any unpredictable action that would negatively impact the stabilisation of the market. The liquidity risk is best managed through implementation of the Active Liability

Management¹ exercises. However, the macroeconomic circumstances did not favour the implementation of liability management activities in 2021.

6.2.5 Operational Risk

Operational risk is institution specific and endogenous to an institution. Unlike other risk categories viz. rollover, interest rate, exchange rate, settlement risk and liquidity risks; operational risk is hard to measure in advance. Operational risk is the risk of losses emanated from faulty or unproductive procedures, policies, guidelines, arrangements, structures or incidents that disrupt business operations. Employee errors, illegal and unlawful behaviour are among the factors that can trigger operational risk.

However, the CBSL implemented robust operational risk management measures that are consistent with the international best practices and risk management principles. The operations of the PDD are segregated among four key divisions with clearly demarcated tasks. The Front Office (FO) division of PDD is engaged in the issuance of debt instruments in both domestic and international markets, while Middle Office (MO) is responsible for maintaining a comprehensive database on government securities and publishing periodic reports, providing recommendations on the

1. The objective of the Active Liability Management Act is to manage public debt to ensure the financing needs and payment obligations of the Government are met at the lowest possible cost over the medium to long term consistent with a prudent degree of risk. This exercise enables the Government to manage the public debt more proactively by addressing part of the refinancing requirements ahead of time (reducing rollover peaks) and extending the maturity duration and smoothening the repayment structure of ISBs and other debt securities.

debt management strategy, and preparation of various debt analysis reports for the top management. The Back Office (BO) division of the PDD is engaged in servicing debt obligations on time, while Lanka Secure Division (LSD) is responsible for maintaining the LankaSecure System with 100 per cent system availability and ensuring investor safety through measures including improvement of investor information and awareness.

LankaSettle System which comprised of Central Depository System (CDS), Scripless Securities Settlement System (SSSS) and the Real Time Gross Settlement System (RTGS), facilitates for minimising the settlement risk associated with the government debt portfolio by providing fully automated settlement arrangements on Delivery versus Payment (DVP) basis and ensures safety of transactions improving the safety of investments in government securities. All critical operational activities of the CBSL which includes public debt management operations are entrusted with a comprehensive Business Continuity Plan (BCP) and a fully-fledged Disaster Recovery Site (DRS). BCP and DRS operations are a mandatory requirement for all participants (Dealer Direct Participants) of the LankaSettle System as well. During the period of COVID-19 pandemic in 2020 and 2021, continuous and uninterrupted business operations were maintained through activation of BCP either through DRS or Work from Home (WFH) arrangements. A secondary market Trade Reporting system was introduced in April 2021 for trades of all government securities [except Open Market Operations (OMO)] to enhance and strengthen the secondary market trading practices, to improve the reliability of trading, and to increase the investor safety and confidence.

PDD is in the process of introducing a web based auction system for Treasury bills as well during 2022, in line with the existing Treasury bond system. This will replace the existing AS-400 based auction system and is expected to improve the efficacy of the Treasury bill issuance process while also significantly minimising any operational risks associated with the dated AS-400 platform. PDD is also continuing the process of introducing an electronic bidding platform for SLDBs to reduce the operational risk of PDD thereby enhancing the efficiency and effectiveness of the issuance process. Shortening the number of days allocated for an SLDB issuance and elimination of manual intervention are some of the benefits envisaged with the introduction of the electronic bidding platform for SLDBs. The said electronic bidding platform for SLDBs is expected to be introduced during 2022.

The divisions of PDD have separate lines of internal reporting to the top management that has minimised the opportunities for any operational conflict. In line with the modern international best practices of portfolio risk management, an up-to-date operational manual is maintained by the PDD with relevant updates incorporated in 2021 with the market developments. The divisions of the PDD are also physically separated with restricted access and CCTV monitoring. In addition to that a voice recording system has been installed in the FO of PDD in order to enhance the transparency of the FO operations.

6.3. External Debt Sustainability

A debt instrument is a financial claim that requires payment of interest, principal, or both by the debtor [in this context it's the

Government of Sri Lanka (GOSL)] to the creditor/lender at a future date. Countries raise debt from a wide range of creditors, including private bond holders, banks, other countries (bi-lateral) and their official lending institutions, and multilateral lenders such as the World Bank (WB) and the IMF. Despite being widely used by academics and policy makers, the concept of “debt sustainability” does not have a widely agreed economic definition (Wyplosz, 2007).² Nevertheless, as per the IMF definition, a country’s public debt is considered sustainable if the government is able to meet all its current and future repayment obligations in full without exceptional financial assistance, or without altering the contractual terms of the debt or rendering them irrelevant, via default, restructuring, or hyperinflation.

Debt sustainability, thus, reflects a country’s solvency, liquidity, and adjustment capacity:

- A government is solvent if the Present Value (PV) of its income stream is at least as large as the PV of its expenditure plus any initial debt (i.e., future primary balances must be greater than or equal to the public debt stock).
- A government is liquid if it is able to rollover its maturing debt obligations in an orderly manner.
- Debt sustainability also captures the notion that there are social and political limits to adjustments in spending and revenue that determine a country’s willingness (as opposed to its economic ability) to pay.

The debt sustainability analysis of the WB and IMF mainly consider the capacity of a country to meet its debt obligations under different circumstances including various shock

2. Wyplosz, C. (2007). Debt Sustainability Assessment: The IMF Approach and Alternatives. HEI Working Paper 3/2007, Graduate Institute of International Studies, Geneva.

scenarios. Debt sustainability is positively and strongly correlated with the country's fiscal policy. A country with long standing fiscal deficits would have to be financed through continuous borrowing. As a result, the cascading debt obligations would trigger inability to honour debt service payments falling due and issuance of new debt. Therefore, it is always essential for a government to maintain a prudent fiscal policy which is also supported by a proper tax policy, revenue policy, and expenditure policy to foster economic growth while also maintaining debt sustainability. Further, debt sustainability plays a pivotal role in maintaining political and social stability of a country.

The debt sustainability can be broadly classified into two categories, viz domestic debt sustainability and external debt sustainability. The external debt sustainability is essential for a country not only for achieving external sector stability but also to achieve overall macroeconomic stability. The worsening sovereign credit ratings and outlook, weakening international investor confidence and relationships, declining demand for foreign currency debt instruments issued by the country and loss of market access, diminishing secondary market trades for the foreign currency debt instruments that have been already issued coupled with declining foreign currency inflows and external reserves and accelerated depreciation of the domestic currency against the external currencies are major signs of deteriorating external debt sustainability in Sri Lanka.

The sustainability of external debt is measured using five sets of indicators namely, (i) liquidity monitoring indicators, (ii) debt burden

indicators, (iii) debt structure indicators, (iv) Net Present Value (NPV), and (v) debt dynamic indicators. These indicators measure the country's "solvency" in that they reflect the stock of debt at a particular time in relation to its ability to generate resources to pay off the outstanding debt balance. All these external debt indicators are measured as a percentage of exports of goods and non-factor services including workers' remittances and compensation of employees (XGS), which are absorbed for servicing of external debt. Further, XGS indicates a country's potential for securing foreign exchange.

6.3.1 Liquidity Monitoring Indicators

The ability of a country to settle its external debt obligations when they fall due is measured using a series of liquidity monitoring indicators. These indicators measure the outflow of foreign currency for external debt service payments compared to non debt creating foreign currency inflows, that is XGS excluding Foreign Direct Investments (FDIs). There are four main indicators under this category, namely, (i) interest service (INT) ratio, (ii) medium (iii) long term debt service ratio, (iv) total debt service ratio, and short term debt ratio.

The INT ratio measures the total interest payments relating to the external debt as a percentage of XGS, (INT/XGS) (%). The INT ratio declined to 6.2 per cent in 2021 from 7.1 per cent in 2020 indicating an improvement in the liquidity position. Yet the ratio is still above the 2019 level which was only 5.0 per cent. This decline is due to decrease in external interest payments and increase in XGS during 2021 compared to 2020.

The *medium and long term external debt service (MLDS) to XGS ratio* measures the sum of principal and interest payments of external debt (excluding repayments for foreign holdings of Treasury bills) as a percentage of XGS, (MLDS/XGS) (%). The medium and long term external debt to XGS ratio decreased to 19.3 per cent in 2021. While this ratio has improved compared to 20.7 per cent prevailed in 2020, it is still much higher compared to pre pandemic levels which was only 17.3 per cent in 2019. The decline of this ratio in 2021 can be attributed to increase in XGS in 2021 compared to 2020 because the sum of principal and interest payments of medium and long term external debt (excluding repayments for foreign holdings of Treasury bills) marginally increased to Rs. 785.5 billion in 2021 compared to Rs. 771.9 billion in 2020 and had not contributed to decline of this ratio.

The *total external debt service (TDS) to XGS ratio* measures the total external debt service payments (including interest payments for foreign holdings of Treasury bills) as a percentage of XGS. The TDS/XGS ratio also decreased to 19.3 per cent in 2021 from 20.7 per cent in 2020 which had increased from 17.3 per cent in 2019. This emphasises the size of the short term external debt servicing remained very low over these years. The short term external debt is primarily comprised of investments by non residents in Treasury bills.

The *short term external debt ratio* measures the outstanding face value of Treasury bills held by non residents as a percentage of XGS, (Short Term Debt/XGS) (%). The short term external debt ratio declined to 0.01 per cent at end 2021 compared to 0.02 per cent at end 2020 which has substantially declined from 0.50 per cent

at end 2019. This is mainly due to substantial decline in the outstanding value of Treasury bills held by non residents to US dollars 1.0 million at end 2021 and US dollars 3.6 million at end 2020 compared to US dollars 130.7 million that prevailed at end 2019.

6.3.2 Debt Burden Indicators

The debt burden and the debt distress imposed by external debt on an economy are being measured by debt burden indicators. Among these indicators, *disbursed outstanding external debt (DOD) to XGS ratio*, (DOD/XGS) (%) measures the level of external debt burden as a percentage of exports. That is, the ratio measures the repayment capability of the country using export proceed inflows and it's a measure of solvency of the Government. A strong external sector performance would reduce this ratio for any given level of DOD. A lower level of this ratio indicates the ability of the government to use export proceeds to service its external debt in the medium to long term, thereby building foreign investor confidence.

The ratio of DOD/XGS marginally declined to 159.6 per cent in 2021 compared to 162.0 per cent at end 2020 showing a marginal improvement in government debt profile. Yet it remains high compared to the pre-Pandemic level of 132.7 per cent prevailed at end 2019.

The ratio of *DOD to Gross National Product (GNP)*, (DOD/GNP) (%) measures the DOD as a percentage of GNP. The DOD/GNP ratio is in a decreasing trend since 2019. The ratio has decreased marginally to 37.6 percent at end 2021 from 39.3 per in 2020, 40.1 percent at end 2019. The marginal decline of the DOD/GNP different font in 2021 is primarily as a result of relatively higher increase in GNP (12.1 per

cent) compared to a much lower increase in total DOD (7.3 per cent) in 2021.

6.3.3 Debt Structure Indicators

The two widely used debt structure indicators are, (i) *external debt rollover ratio*, which measures the External Principal Payments (EPP) as a percentage of External Debt Disbursements (EDD), (EPP/EDD) (%), and (ii) *Short Term External Debt (SED) to total DOD*, (SED/Total DOD) (%). The external debt rollover ratio reflects the ability of a country to meet its debt service obligations by utilising external debt disbursements.

In 2021, external debt rollover ratio reached 110.4 per cent. The considerable decline in rollover ratio from 144.6 per cent in 2020 is mainly as a result of significant increase in EDD (EDD by 37.8 per cent to Rs. 481.5 billion in 2021 from Rs. 349.3 billion in 2020) compared to relatively low increase in EPP in 2021 (EPP increased only by 5.3 per cent to Rs. 531.7 billion in 2021 from Rs. 505.2 billion in 2020). However, despite the sizable improvement in the ratio, this is still significantly higher. The external debt rollover ratio of 110.4 per cent indicates that EDD were not sufficient to finance the maturing external debt. This in turn results in the government having to finance the additional external debt maturities from other funding sources creating significant pressure on already low external reserves. The improvement in EDD were mainly as a result of increased disbursement of multilateral and term loans during 2021 compared to 2020, without differentiating for availability of liquid foreign exchange reserve/ resources.

The SED to total DOD ratio is another important indicator that measures the non resident holdings of Treasury bills as a percentage of the total

external outstanding debt. As a consequence of foreign investors switching to safe heaven investments to mitigate the uncertainties emanated from the COVID-19 pandemic, the non resident investments in Treasury bills became almost non existent by end 2021. Accordingly, SED to total DOD ratio reached the level of zero.

6.3.4 The Present Value (PV) Indicators

The PV indicators measure the sovereign's ability to obtain foreign exchange to meet its future debt service payment obligations. Two types of PV indicators are commonly used to measure the sustainability of external debt; (i) *the PV of all future external debt service payment obligations (EPV) as a percentage of GNP*, (EPV/GNP) (%). (ii) *the PV of all future external debt service payment obligations as a percentage of XGS*, (EPV/XGS) (%). The EPV/GNP ratio stayed around the same level of 45 per cent in 2020 and 2021 due to marginal change in the PV of the external outstanding debt portfolio. The EPV/XGS ratio increased to 171.9 per cent at end 2021 compared to 159.3 at end 2020.

6.3.5 Debt Dynamic Indicators

Debt dynamic indicators measure the average cost of external borrowings with respect to (i) *the growth in export earnings (XGS growth)*, and (ii) with respect to *the growth rate of the overall economy* as determined by GNP. The average interest rate of the external debt portfolio is 3.6 times the growth rate of XGS in 2021 compared to negative 0.2 in 2020 and negative 0.9 in 2019. This is due to positive growth rate of XGS in 2021 and negative XGS growth rate in both 2020 and 2019. The XGS growth rate was negative

4.2 per cent in 2019 and negative 22.8 per cent in 2020 due to Easter Sunday attack in 2019 and COVID-19 related economic downturn in 2019 and 2020, respectively. However, a recovery of XGS was evident in 2021 with a positive 1.4 per cent growth rate of XGS. Further, the average cost of external borrowings increased to 4.9 per cent in 2021 compared to 4.0 per cent in both 2020 and 2019 indicating an increase in cost of external financing.

The ratio of average interest rate of the external debt portfolio to the GNP growth rate stood at 0.4 in 2021 compared to 11.9 in 2020. This is due to the much larger growth in GNP in 2021 by 12.1 per cent compared to 0.3 per cent decline in 2020.

6.3.6 Overall Debt Sustainability

The overall debt sustainability can be evaluated using two key indicators, namely; (i) total outstanding debt to GDP, and (ii) foreign debt service payments as a share of official reserves. The total outstanding debt to GDP ratio measures the ability of a country to repay its total outstanding debt obligations using the country's total income as measured by the GDP. This ratio increased to 99.5 per cent at end 2021 compared to 95.4 per cent at end 2020 and 81.9 per cent at end 2019 (GDP estimates as per base year 2015). The significant increase in debt to GDP ratio in 2021 and 2020 compared to 2019 was due to the significant contraction in GDP and the massive increase in outstanding debt in 2020 and 2021. In addition to the significant reduction in tax revenue due to the tax concessions introduced in late 2019, together with the increased government expenditure with respect to healthcare to battle with COVID-19

pandemic, budget deficit widened, thereby increasing outstanding government debt significantly.

With the investor preferences switching to short term securities due to uncertainties emanated from the COVID-19 pandemic, the increased government budget deficit had to be fulfilled primarily by issuing Treasury bills and short term Treasury bonds. Eventually this resulted in an increase in short term financing raising the debt sustainability concerns because a higher amount of debt has to be rolled over within a shorter period of time. Further, the parity variation, which is an outcome of the depreciation/appreciation of the exchange rate, had also increased the debt stock. Accordingly, the loss arising due to the parity variance in 2021 recorded at Rs. 500.2 billion which in turn had contributed to the increase in outstanding debt portfolio.

With the rapid depletion of external reserves, the share of foreign debt service payments to official reserves deteriorated significantly to 124.8 per cent in 2021 from 73.1 per cent and 58.3 per cent in 2020 and 2019, respectively.

As a result of the continued deterioration of debt statistics, in March 2022, IMF in their country report on Sri Lanka that concluded the article IV consultation, concluded that Sri Lanka's public debt is no longer sustainable. In mid April 2022, the MOF announced that the policy of the Sri Lankan Government was to suspend normal debt servicing on external debt, for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment programme supported by the IMF.

TABLE 19

EXTERNAL DEBT SUSTAINABILITY INDICATORS (AS AT END OF YEAR) (a)

Description	2018	2019	2020	2021 (b)
Liquidity Monitoring Indicators (c)				
Interest Service Ratio (INT/XGS) (%)	4.80	5.01	7.14	6.24
Medium and Long term External Debt Service Ratio (MLDS/XGS) (%)	11.88	17.28	20.65	19.31
Total Debt Service Ratio (TDS/XGS) (%)	11.90	17.31	20.66	19.31
Short term External Debt Ratio (SED/XGS) (%)	0.27	0.51	0.02	0.01
Debt Burden Indicators				
DOD/GNP (%) (e)	42.87	42.60	41.44	39.58
DOD/XGS (%)	134.51	132.70	162.02	159.61
Debt Structure Indicators				
Rollover Ratio (External Debt Principal Payments/ External Debt Disbursements) (c) (%)	40.26	53.31	144.60	110.43
SED / Total DOD (%)	0.20	0.38	0.01	0.00
PV Indicators (d)				
PV of External Debt Service/GNP (%) (e)	32.84	49.65	47.49	47.08
PV of External Debt Service/XGS (%)	105.26	156.97	159.27	171.92
Dynamic Indicators (c)				
Avg. Rate of Interest/Rate of Growth of Export	1.14	(0.95)	(0.18)	3.58
Avg. Rate of Interest/Rate of Growth of GNP (e)	0.62	0.85	12.11	0.40

(a) Based on Central Government Debt

Source: Central Bank of Sri Lanka

(b) Provisional

(c) Including Treasury bill and Treasury bond payments to non-residents

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

(e) Base year for GNP = 2015

Note: DOD: 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

PV: present value of the stream of future debt payments on foreign debt, discounted at CIRR

TABLE 20

OVERALL DEBT SUSTAINABILITY

Indicator	2019	2020	Per cent 2021 (a)
Overall Debt Sustainability			
Debt/GDP (b)	86.9(b)	100(b)	104.6
Share of Foreign Debt Service Payments /Official Reserves (c)	58.27	73.10	124.84

(a) Provisional

Source: Central Bank of Sri Lanka

(b) Base year for GDP = 2015

(c) Official reserves at end of the previous year

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
- 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 Treasury 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) Treasury bills. Prior to 1981, only three months (91 days) Treasury bills were issued
- Introduction of secondary market operations for Treasury bills
- 1982 – Enactment of the Loans (Special Provisions) Act
- 1986 – Commencement of weekly issues of Treasury bills. Fortnightly issues of Treasury 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 Treasury bills with multiple maturities of 91-days, 182-days and 364-days
- Introduction of the Treasury Certificates of Deposit Act
- Extension of the Tap system 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 Treasury bills
- 1994 – Reformation of 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 Treasury bills
- Fixing and prior announcement of Treasury bills to be issued under each maturity
- Amendment of LTBO and RSSO to facilitate the issue of scripless Treasury bills and Treasury bonds and maintenance of the Central Depository System (CDS)
- 1997 – Commencement of the issuance of Treasury bonds

- 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
- Transition of CBSL from a system of ‘passive’ Open Market Operations (OMO) 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 Treasury bills and Treasury 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
- Issuance of government securities in scripless form
- 2005 – Issuance of first index linked Treasury bonds
- Issuance 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
- Introduction of the Treasury bond market to foreign investors with an aggregate ceiling of 5 per cent of the outstanding bonds
- Introduction of Sri Lanka Nation Building Bonds (SLNBB)
- Suspension of the participation of PDs in the CBSL’s OMOs
- 2007 – Commencement of retail outlets to sell government securities
- Removal of 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 Treasury bonds by foreign investors
- Issuance of the first International Sovereign Bond (ISB) of US dollars 500 million in the international capital market
- 2008 – Authorisation of LCBs to invest in the ISB issued by the Government of Sri Lanka (GOSL), in the secondary market
- Introduction of the Treasury bill market to foreign investors with the aggregate ceiling of 10 per cent of the outstanding bills
- Introduction of the Personal Computer (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 US dollars 500 million
- Introduction of the Treasury bill and Treasury 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 Treasury bonds, subject to certain conditions
 - Extension of the yield curve on government securities up to 10 years
 - Increasing of 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 (ILF) 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 US dollars 1,000 million with 10 year maturity
 - Issuance 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 US dollars 1,000 million with 10 year maturity
 - Enhancement of 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
 - Increasing the limit of foreign investments in government securities from 10 per cent to 12.5 per cent of the total outstanding stock of Treasury bills and Treasury bonds
- 2012
- Issuance of the fifth ISB of US dollars 1,000 million with 10 year maturity
 - Upgrading of the 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 Treasury bonds
 - Affirmation of Sri Lanka's Foreign and Local Currency Issuer Default Rating (IDRs) at BB- with a "Stable" outlook by Fitch in May 2012
 - Affirmation of Sri Lanka's rating of B1 with a "Positive" outlook by Moody's in November 2012
 - Affirmation of Sri Lanka's rating of B+ with "Stable" outlook by S&P in December 2012
- 2013
- Issuance of 30 years Treasury bonds
 - Publication of half yearly Treasury bond primary auction calendar
 - Conducted investor awareness programmes and investor meetings in Europe, East Asia including mainland China, and Middle East and in the United States of America (USA)

- Streamlining of investor records in CDS by having unique identification numbers for each participant
 - Commencement of a survey to identify investors who wish to receive the periodic statements in the electronic form instead of printed statements sent through mail
 - Initiation of measures to put in place an Electronic Trading Platform (ETP) 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
 - Issuance of the direction on assessment of fitness and propriety of directors and officers performing executive functions of PD companies in May 2013
 - Granting the permission for PDs to act as market makers in corporate bonds or debentures and 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
 - Appointment of Pan Asia Banking Corporation PLC as a PD in terms of the RSSO and the LTBO in August 2013
 - Issuance of the direction on funds remaining unclaimed in the customer accounts maintained by the Dealer Direct Participants (DDP) in September 2013
 - Appointment of the Hong Kong & Shanghai Banking Corporation Ltd. and Perpetual Treasuries Ltd. as PDs in terms of the RSSO and the LTBO in September 2013
 - Introduction of the Customer Charter for PDs in government securities in November 2013
 - Granting the permission for PDs to engage in covered short selling of Treasury bills and Treasury bonds up to the amount of successful bids accepted and confirmed at primary auctions in December 2013
- 2014
- Issuance of US dollars 1,000 million 5 year ISB at a yield rate of 6.00 per cent
 - Authorization of the SLDB issuance up to a limit of US dollars 750 million for 2014
 - Issuance of US dollars 500 million 5-year ISB at a yield rate of 5.125 per cent
 - Appointment of Union Bank of Colombo PLC as a PD in terms of the RSSO and LTBO
- 2015
- Authorization of the SLDB issuance up to a limit of US dollars 1,500 million for 2015
 - Approval of issuance of SLDBs at fixed rates in different maturities in addition to issuance of SLDBs at floating rate
 - Issuance of a 10 year ISB for US dollars 650 million at 6.125 per cent per annum
 - Increase of SLDBs issuance limit from US dollars 1,500 million to US dollars 2,500 million
 - Enabling of multi-currency functionality in Lankasettle system 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
 - Authorization of parliamentary approval to increase the authorized limit of Treasury bills from Rs. 850 billion to Rs.1, 250 billion under the provision of the LTBO
 - Revision of the Direction on minimum core capital requirement to be maintained by the PD companies, (increased from Rs. 300 million to Rs. 1,000 million)

- Revision of the direction on Capital Adequacy Ratio, increasing the minimum Risk Weighted Capital Adequacy Ratio (RWCAR) to be maintained by the PD companies from 8 per cent to 10 per cent
 - Issuance of a 10 year ISB for US dollars 1,500 million at 6.850 per cent per annum
 - Reduction of the threshold of investment in Treasury bills and Treasury bonds by foreigners from 12.5 per cent to 10 per cent of the total outstanding stock of Treasury bills and Treasury bonds
- 2016
- Authorization of the SLDB issuance up to a limit of US dollars 2,500 million for 2016
 - Revision of the minimum investment amount in SLDBs from US dollars 100,000 to US dollars 10,000
 - Issuance of five year and ten year ISBs for US dollars 500 million and US dollars 1,000 million at 5.75 per cent and 6.825 per cent per annum, respectively
 - Issuance of a circular 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)
 - Assignment of the regulatory and supervisory functions of the CBSL in relation to PDs and other participants to the Director, Department of Supervision of Non Bank Financial Institutions
 - Introduction of the direction to all PDs 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
 - Extension of the above Circular to all LCBs and Licensed Specialized Banks (LSBs) to conduct all outright trades with other banks and PDs 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
- 2017
- Authorization of the SLDB issuance up to a limit of US dollars 1,500 million for 2017
 - Issuance of a Circular to all LCBs, LSBs and PDs to use the Bloomberg trading platform (Fixed Income Quote - FIQ) to:
 - Quote repurchase rates, tenures and volumes
 - Report rates, tenures and volumes of all repurchase transactions carried out over the counter within 30 minutes of each such trade of Rs. 100 million or above and
 - Report all inter participant transactions
 - Re-authorization of the SLDB issuance limit up to a limit of US dollars 3,000 million for 2017
 - Issuance of a ten year ISB for US dollars 1,500 million with a coupon of 6.20 per cent per annum
 - Introduction of a New Primary Issuance System for Treasury bonds
- 2018
- Authorization of the SLDB issuance up to a limit of US dollars 3,000 million for 2018
 - Issuance of ISBs was upsized up to a limit of US dollars 2,500 million for 2018
 - Receival of the approval for the Active Liability Management Act (ALMA), No. 8 of 2018 by the Parliament
- 2019
- Authorization of the SLDB issuance up to a limit of US dollars 1,500 million for 2019

- Reduction of the threshold of foreign investments in Treasury bills and Treasury bonds from 10 per cent to 5 per cent out of the total outstanding stock of Treasury bills and Treasury bonds
- Introduction of the real time notification facility for the customers of LankaSecure to send SMS or/and e-mail notification for each and every debit and credit record of scripless securities carried out in each Securities Account in the LankaSecure System
- Formulation of the Medium Term Debt Management Strategy (MTDS) for the period 2019 - 2023 and published in the CBSL website
- Approval of the resolution to raise up to Rs. 480 billion as per the Active Liability Management Act (ALMA), No. 8 of 2018 by the Parliament
- Review of the new Treasury bond Issuance System to enhance the minimum acceptance level to initiate phase III of the issuance system and to recognize the phase II subscription in computing of the minimum successful participation by PDs
- Capturing of the settlement value, price and interest rate of each and every Securities transaction in the LankaSecure System, with effect from 01 January 2020. Participants of the LankaSettle system were informed of the development and requested to comply, through the Circular issued on 01 October 2019
- Issuance of five year ISBs for US dollars 1,500 million, a ten year ISB for US dollars 1,400 million and a long-ten year ISB of US dollars 1,500 million in 2019
- 2020 - Commencement of the CBSL's facilitation to subscribe Treasury bills to cover any shortfall arising at weekly Treasury bill auctions with effect from 29 March 2020
- Publication of the maximum yield rate for acceptance only for 364 day maturity and accommodating acceptance for 91 day and 182 day maturities within the announced yield rate for 364 day maturity at Treasury bill auctions with effect from 06 April 2020
- Publication of the maximum yield rate for acceptance for all maturities offered at all Treasury bill and Treasury auctions with effect from 12 May 2020
- Activation of Phase III of the Treasury bond auction system was temporary halted
- Enactment of actions to record relevant information (including settlement value, price and interest rate) of the transactions in the Scripless Securities Settlement System (SSSS) to capture more attributes of transactions carried out in the government securities market (secondary market)
- 2021 - Publication of maximum yield rate for acceptance only for 364-day maturity and accommodation of acceptance for 91 day and 182-day maturities within the announced yield rate for 364-day maturity at Treasury bill auctions, effective from 03 February 2021 while continuing to publish the maximum yield rate for acceptance for all Treasury bond maturities
- Measures were taken to record all secondary market trades of Government Securities on the trade date with a view to enhancing and strengthening the secondary market trading practices, improving the reliability of trading, and increasing investor safety and confidence. Accordingly, all participants of the LankaSettle System were required to report all trades to the CBSL effective from 01 April 2021
- A resolution to increase the limit on Treasury bills to Rs. 3,000 billion from the previous limit of Rs. 2,000 billion was approved by the Parliament on 23 June 2021
- Fiscal Management (Responsibility) Act, No. 3 of 2003 was amended by the Fiscal Management (Responsibility) (Amendment) Act, No. 12 of 2021 on 23 June 2021 to increase the maximum level of guaranteed debt to 15 per cent of GDP from 10 per cent of GDP, and to shift the targeted period of maintaining total liabilities of the Government

(including external debt at the prevailing exchange rate) below 60 per cent of GDP to end 2030 from end 2020

- Introduction of a Direct Issuance Window for Treasury bonds for the ISINs which are fully accepted at Phase I at a Treasury bond auction up to a maximum of 20 per cent of the amount offered at Phase I from respective ISINs, effective from 20 July 2021
 - Publication of maximum acceptance yield rate for 364-day maturity at Treasury bills auctions were halted from 22 September 2021
 - Limitation of activation of Phase III of the Treasury Bond Issuance System to instances where 80 per cent of the offered amount in minimum is accepted at Phase I, effective from 23 September 2021
 - Limitation of activation of Phase III to remaining maturities of 5 years or below, effective from 23 September 2021
 - Introduction of a Direct Issuance Window for Sri Lanka Development Bonds for foreign currency holders including Sri Lankans working abroad and recipients of goods and services export proceeds, effective from 24 December 2021
- 2022
- Initiated the process for establishment of a new external debt payment system under the Non-Reserve Management System to replace the current Treasury Management System to settle the foreign debt obligations. The main purpose of the system is to increase the efficiency of the foreign debt service payment process. This has been effective from 01 January 2022

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 computerised 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 semiannually. 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.

DVP^{III} - 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 mechanism 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 LI-BOR 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 concessionality 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”.

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 February 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(a)

Rs. million

Year(b)	Domestic debt					Foreign Debt(c) (d)(f)	Total Debt(e)(f)	As a % of GDP(g)		
	Treasury Bills(c)	Rupee Loans	Treasury Bonds(d)(e)	Other	Total(e)			Domestic	Foreign(f)	Total(f)
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	50.4
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	81.2
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	80.2
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	356,703	359,685	716,388	46.4	46.8	93.3
1997	114,996	239,475	10,000	23,269	387,740	376,331	764,071	43.6	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	95.1
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	721,957	1,670,343	60.0	45.6	105.6
2003	219,295	248,414	487,504	69,153	1,024,366	843,882	1,868,248	56.2	46.3	102.5
2004	243,886	164,758	647,746	91,396	1,147,786	996,138	2,143,924	54.9	47.6	102.5
2005	234,174	140,563	755,966	139,416	1,270,119	956,620	2,226,739	51.8	39.0	90.8
2006	257,732	116,713	890,369	218,813	1,483,627	1,103,418	2,587,045	50.5	37.5	88.0
2007	307,012	131,509	1,023,249	257,825	1,719,595	1,326,487	3,046,082	48.1	37.1	85.1
2008	402,600	130,009	1,286,375	325,641	2,144,625	1,448,734	3,593,359	48.6	32.8	81.5
2009	441,032	112,292	1,517,909	334,119	2,405,352	1,760,467	4,165,819	49.7	36.4	86.2
2010	514,442	87,709	1,648,284	319,624	2,570,059	2,024,583	4,594,642	38.8	30.5	69.3
2011	590,885	61,961	1,823,648	331,988	2,808,482	2,329,280	5,137,762	37.5	31.1	68.6
2012	629,070	58,386	2,177,892	450,303	3,315,651	2,767,299	6,082,950	36.9	30.8	67.7
2013	700,137	55,518	2,548,323	624,810	3,928,788	2,960,424	6,889,212	39.5	29.8	69.3
2014	694,767	55,518	2,940,017	683,444	4,373,746	3,113,116	7,486,862	40.6	28.9	69.5
2015	658,240	24,088	3,401,211	971,620	5,055,159	3,544,031	8,599,190	43.7	30.6	74.3
2016	779,581	24,088	3,806,353	823,051	5,433,073	4,045,796	9,478,869	42.4	31.6	74.0
2017	697,154	24,088	3,892,408	1,050,565	5,664,215	4,718,618	10,382,832	39.4	32.8	72.2
2018	746,887	24,088	4,197,323	1,102,703	6,071,001	5,959,547	12,030,548	39.5	38.8	78.4
2019	873,943	24,088	4,606,232	1,325,997	6,830,260	6,201,283	13,031,543	42.9	39.0	81.9
2020 ^{(h)(i)}	1,620,705	24,088	5,713,300	1,706,975	9,065,068	6,052,179	15,117,247	57.2	38.2	95.4
2021 ^(h)	2,270,508	24,088	6,966,218	1,836,410	11,097,223	6,492,150	17,589,373	62.7	36.7	99.5

(a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards

Sources: Ministry of Finance
Central Bank of Sri Lanka

(b) From 1955 to 1973, the outstanding balance is reported as at end September and thereafter as at end December

(c) Rupee denominated Treasury bills issued to foreign investors from 2008 onwards are excluded from domestic debt and included in foreign debt

(d) Rupee denominated Treasury bonds issued to foreign investors from 2007 onwards are excluded from domestic debt and included in foreign debt

(e) Includes Treasury bonds of Rs. 4,397 million issued to the Co-operative Wholesale Establishment (CWE) in November 2003 (matured on 14 November 2016), Rs. 13,125 million issued to capitalise Sri Lankan Airlines in March 2013 (matured on 01 June 2018) and Rs. 78,441 million issued to the Ceylon Petroleum Corporation (CPC) in January 2012 (of which Rs. 21,778 million matured on 01 January 2017 and the outstanding as at end December 2020 is Rs. 56,662 million. Further, Out of Rs 56,662 million, Rs 25,217 million is to be matured on 01 January 2022 and Rs. 31,446 million is to be matured on 01 January 2032)

(f) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

(g) From 2003 to 2009, the data are based on GDP estimates compiled by the DCS and from 2010 onwards, the data are based on rebased GDP estimates (base year 2015) of the DCS

(h) Provisional

(i) The central government debt statistics at end 2019 could increase should the adjustment for payment arrears in government expenditure as per the Ministry of Finance be incorporated into the net financing of the budget deficit in 2019. However, such an adjustment would have no impact on the outstanding central government debt at end 2020

CENTRAL GOVERNMENT OUTSTANDING DEBT
TABLE 2
OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs million

Source	2017	2018	2019 (a)	2020 (a)	2021 (a) (b)
Total Domestic Debt	5,664,215	6,071,001	6,830,260	9,065,068	11,097,223
Short-Term	1,031,181	1,134,553	1,270,374	2,197,594	3,139,794
Treasury Bills(c)	697,154	746,887	873,943	1,620,705	2,270,508
Provisional Advances from the Central Bank	199,801	198,633	236,609	153,079	150,129
Import Bills held by Commercial Banks	-	-	131	155	9
Other Liabilities to the Banking Sector Net of Bank Deposits	134,227	189,034	159,691	423,656	719,148
Medium and Long-term	4,633,033	4,936,447	5,559,887	6,867,473	7,957,430
Rupee Loans	24,088	24,088	24,088	24,088	24,088
Treasury Bonds(d)	3,892,408	4,197,323	4,606,232	5,713,300	6,966,218
Sri Lanka Development Bonds	637,886	614,219	559,284	486,870	455,203
International Sovereign Bonds	n.a.	n.a.	202,099	415,756	372,612
Other	78,652	100,817	168,184	227,459	139,308
By Debt Instrument	5,664,215	6,071,001	6,830,260	9,065,068	11,097,223
Rupee Loans	24,088	24,088	24,088	24,088	24,088
Treasury Bills(c)	697,154	746,887	873,943	1,620,705	2,270,508
Treasury Bonds(d)	3,892,408	4,197,323	4,606,232	5,713,300	6,966,218
Sri Lanka Development Bonds	637,886	614,219	559,284	486,870	455,203
International Sovereign Bonds	n.a.	n.a.	202,099	415,756	372,612
Provisional Advances from the Central Bank	199,801	198,633	236,609	153,079	150,129
Other	212,879	289,851	328,006	651,269	858,466
By Institution(e)	5,664,215	6,071,001	6,830,260	9,065,068	11,097,223
Banks	2,361,254	2,321,802	2,887,739 (m)	4,731,652 (m)	5,467,126
Central Bank					
By Debt Instrument	209,412	244,128	310,910	876,817	1,565,494
Treasury Bills	9,908	45,797	25,873	654,611	1,391,281
Treasury Bonds (f)	-	-	48,872	70,574	25,471
Other	199,504	198,331	236,165	151,632	148,742
Commercial Banks					
By Debt Instrument	2,151,843	2,077,674	2,576,829 (m)	3,854,835 (m)	3,901,632
Rupee Loans	15,870	15,870	15,870	15,870	15,870
Treasury Bills	463,198	489,199	684,680	813,040	600,149
Treasury Bonds	858,574	698,378	821,908	1,513,286	1,646,838
Sri Lanka Development Bonds	615,477	584,081	523,831 (m)	444,173 (m)	406,317
International Sovereign Bonds	n.a.	n.a.	202,099	415,756	372,612
Other	198,723	290,145	328,442	652,710	859,845
By Institution	2,151,843	2,077,674	2,576,829 (m)	3,854,835 (m)	3,901,632
State Banks	744,055	835,052	1,078,970	1,535,216	1,658,454
Other	1,407,788	1,242,622	1,497,859 (m)	2,319,619 (m)	2,243,178
Non Bank Sector					
By Debt Instrument	3,302,961	3,749,199	3,942,521 (m)	4,333,416 (m)	5,630,097
Rupee Loans (g)	8,218	8,218	8,218	8,218	8,218
Treasury Bills	224,048	211,891	163,390	153,053	279,078
Treasury Bonds	3,033,833	3,498,945	3,735,452	4,129,440	5,293,908
Sri Lanka Development Bonds	22,409	30,137	35,453 (m)	42,697 (m)	48,886
Other	14,453	7	7	7	7
By Institution	3,302,961	3,749,199	3,942,521 (m)	4,333,416 (m)	5,630,097
National Savings Bank	447,792	494,976	593,965	710,999	795,869
Savings Institutions & Individuals	486,181	600,755	405,690	401,785 (m)	1,257,103
Employees' Provident Fund	1,930,141	2,147,176	2,390,177	2,612,216	2,903,950
Insurance Institutions	72,305	67,506	55,309	54,070 (m)	69,571
Finance Companies	64,791	64,756	73,169	75,468 (m)	92,380
Other	301,752	374,029	424,210 (m)	478,877 (m)	511,225
Total Foreign Debt (h)	4,718,618	5,959,547	6,201,283	6,052,179	6,492,150
By Type	4,718,618	5,959,547	6,201,283	6,052,179	6,492,150
Project Loans	2,610,547	3,149,905	3,231,464	3,458,461	3,764,319
Non-Project Loans	2,108,070	2,809,642	2,969,819	2,593,718	2,727,832
Commodity	62,727	63,267	52,312	43,023	34,904
Other	2,045,344	2,746,375	2,917,507	2,550,695	2,692,927
By Institution	4,718,618	5,959,547	6,201,283	6,052,179	6,492,150
Concessional Loans	2,130,482	2,705,836	2,767,459	2,988,113	3,097,585
Multi-lateral	954,662	1,392,857	1,356,925	1,445,230	1,548,129
Bi-lateral (i)	1,175,820	1,312,979	1,410,534	1,542,883	1,549,456
Non-Concessional Loans	560,207	268,556	311,676	340,303	495,439
Multi-lateral	243,581	58,586	112,943	156,252	324,112
Bi-lateral	316,626	209,970	198,733	184,051	171,327
Commercial Loans	2,027,928	2,985,156	3,122,148	2,723,763	2,899,126
International Sovereign Bonds (j)	1,475,049	2,220,411	2,531,493	2,203,279	2,243,049
Sri Lanka Development Bonds	n.a.	n.a.	943	4,986	4,875
Foreign Currency Term Financing Facilities	217,054	330,174	242,191	279,612	445,521
Non-resident investments in Treasury bills	27,552	11,909	23,727	670	204
Non-resident investments in Treasury bonds	295,059	146,914	80,294	6,204	1,710
Other (j)	13,215	275,747	243,501	229,011	203,768
Total Outstanding Central Government Debt	10,382,832	12,030,548	13,031,543	15,117,247	17,589,373
Memorandum item: Public Guaranteed Debt (k) (l)	590,492 (m)	781,741 (m)	778,305	986,391	1,506,743

- (a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government by have been classified under domestic debt
- (b) Provisional
- (c) Excludes Treasury bills held by non resident investors
- (d) Excludes Treasury bonds held by non resident investors and includes Government Treasury bonds of Rs. 13,123 million issued to capitalise Sri Lankan Airlines in March 2013 (matured on 01 June 2018) and Rs. 78,441 million issued for CPC in January 2012 of which Rs. 21,778 million matured on 01 January 2017 and the current outstanding is Rs. 56,662 million. Further, Out of Rs. 56,662 million, Rs. 25,217 million is to be matured on 01 January 2022 and Rs. 31,446 million is to be matured on 01 January 2032
- (e) The composition of domestic debt held by the banking and non banking sectors was revised from 2016 due to the adjustment for holdings of SLDBs by businesses and individuals
- (f) The CBSL introduced outright purchase of Treasury bonds auctions under Open Market Operations w.e.f. 06 September 2019
- (g) Includes sinking fund
- (h) Excludes outstanding loans of projects involving Putalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects
- (i) Includes concessionary by bilateral outstanding debt obligations to commercial banks and for export credit.
- (j) Figure for 2019 and 2020 have been revised to reflect classification revision with the availability of a new survey on ISB holdings of domestic entities as well
- (k) Outstanding amount of loans obtained by public corporations under Treasury guarantee
- (l) Includes an international bond amounting to US dollars 175 million issued by the Sri Lankan Airlines in June 2014. This was matured in June 2019 and reissued for a period of 05 years
- (m) Revised

Sources: Ministry of Finance
Central Bank of Sri Lanka

CENTRAL GOVERNMENT OUTSTANDING DEBT

**TABLE 3
COMPOSITION OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR**

Rs.million

Source	2012	2013	2014	2015	2016	2017	2018	2019 (a)	2020 (a)	2021 (a) (b)
1. Foreign Debt (c)	2,767,299	2,960,424	3,113,116	3,544,031	4,045,796	4,718,618	5,959,547	6,201,283	6,052,179	6,492,150
1.1 Project Loans (d)	1,846,772	1,938,909	1,904,599	2,180,388	2,361,118	2,610,547	3,149,905	3,231,464	3,458,461	3,764,319
1.2 Non-Project Loans	920,527	1,021,515	1,208,516	1,363,642	1,684,678	2,108,070	2,809,642	2,969,819	2,593,718	2,727,832
Commodity	56,599	61,597	69,993	71,470	69,101	62,727	63,267	52,312	43,023	34,904
Other	863,928	959,918	1,138,523	1,292,173	1,615,577	2,045,344	2,746,375	2,917,507	2,550,695	2,692,927
2. Domestic Debt	3,315,651	3,928,788	4,373,746	5,055,159	5,433,073	5,664,215	6,071,001	6,830,260	9,065,068	11,097,223
2.1 Rupee Loans	58,386	55,518	55,518	24,088	24,088	24,088	24,088	24,088	24,088	24,088
2.2 Treasury Bills (e)	629,070	700,137	694,767	658,240	779,581	697,154	746,887	873,943	1,620,705	2,270,508
2.3 Treasury Bonds (f)	2,177,892	2,548,323	2,940,017	3,401,211	3,806,353	3,892,408	4,197,323	4,606,232	5,713,300	6,966,218
2.4 Sri Lanka Development Bonds	222,994	369,215	391,083	668,458	572,199	637,886	614,219	559,284	486,870	455,203
2.5 International Sovereign Bonds	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	202,099	415,756	372,612
2.6 Central Bank Advances	111,292	109,167	143,898	151,132	83,307	199,801	198,633	236,609	153,079	150,129
2.7 Other (g)	116,017	146,428	148,463	152,030	167,546	212,878	289,851	328,006	651,269	858,466
Total	6,082,949	6,889,212	7,486,862	8,599,190	9,478,869	10,382,832	12,030,548	13,031,543	15,117,247	17,589,373

(a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards

Sources: Ministry of Finance
Central Bank of Sri Lanka

(b) Provisional

(c) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

(d) Includes outstanding balance of loans contracted with multilateral and bilateral lending partners

(e) Excludes outstanding Treasury bills held by non resident investors

(f) Excludes Treasury bonds held by non resident investors and Includes Treasury bonds of Rs. 4,397 million issued to the Co-operative Wholesale Establishment (CWE) in November 2003 (matured on 14 November 2016), Rs. 13,125 million issued to capitalise Sri Lankan Airlines in March 2013 (matured on 01 June 2018) and Rs. 78,441 million issued to the Ceylon Petroleum Corporation (CPC) in January 2012 (of which Rs. 21,778 million matured on 01 January 2017 and the outstanding as at end December 2020 is Rs. 56,662 million. Further, Out of Rs 56,662 million, Rs 25,217 million is to be matured on 01 January 2022 and Rs. 31,446 million is to be matured on 01 January 2032)

(g) Includes administrative borrowings arising from foreign loans channelled through Government or Semi-Government agencies and outstanding borrowings from OBUs

CENTRAL GOVERNMENT OUTSTANDING DEBT

**TABLE 4
OWNERSHIP OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR (a)**

Rs.million

Owner	2012	2013	2014	2015	2016	2017	2018	2019(a)	2020(a)(b)	2021(a)(c)
1. Domestic Debt (d) (e) (f)	3,315,651	3,928,788	4,373,746	5,055,159	5,433,073	5,664,215	6,071,001	6,830,260	9,065,068	11,097,223
1.1 Banking Sector	1,148,937	1,524,832	1,756,380	2,007,961	2,181,014	2,361,254	2,321,802	2,887,739	4,731,652	5,467,126
Central Bank	265,198	112,396	267,677	256,050	414,950	209,412	244,128	310,910	876,817	1,565,494
Commercial Banks	883,739	1,412,436	1,488,703	1,751,911	1,766,064	2,151,843	2,077,674	2,576,829	3,854,835	3,901,632
1.2 Non Bank Sector	2,166,714	2,403,956	2,617,366	3,047,198	3,252,059	3,302,960	3,749,198	3,942,521	4,333,416	5,630,097
Market Borrowings	2,165,780	2,390,023	2,616,796	3,046,628	3,252,059	3,302,960	3,749,198	3,942,521	4,333,416	5,630,097
Savings Institutions	330,150	358,243	379,877	428,236	426,771	447,792	494,976	593,965	710,999	795,869
Insurance Funds	33,768	30,849	30,536	50,597	57,944	72,305	67,506	55,309	54,070	69,571
Provident and Pension Funds (g)	1,204,729	1,428,534	1,474,560	1,655,336	1,826,633	1,942,739	2,203,365	2,460,440	2,687,627	2,984,689
Official Funds (h)	178,900	202,118	221,584	252,615	271,630	289,154	317,840	363,119	405,795	418,202
Business and Individuals (i)	418,234	370,279	510,238	659,845	669,081	550,971	665,511	469,688	474,924	1,361,766
Non Market Borrowings	933	13,933	570	570	-	-	-	-	-	-
2. Foreign Debt (j) (k)	2,767,299	2,960,424	3,113,116	3,544,031	4,045,796	4,718,618	5,959,547	6,201,283	6,052,179	6,492,150
Total	6,082,950	6,889,212	7,486,862	8,599,190	9,478,869	10,382,832	12,030,548	13,031,543	15,117,247	17,589,373

(a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards

Sources: Ministry of Finance
Central Bank of Sri Lanka

(b) Revised

(c) Provisional

(d) Excludes Treasury bills held by non resident investors

(e) Excludes Treasury bonds held by non resident investors and Includes Treasury bonds of Rs. 4,397 million issued to the Co-operative Wholesale Establishment (CWE) in November 2003 (matured on 14 November 2016), Rs. 13,125 million issued to capitalise Sri Lankan Airlines in March 2013 (matured on 01 June 2018) and Rs. 78,441 million issued to the Ceylon Petroleum Corporation (CPC) in January 2012 (of which Rs. 21,778 million matured on 01 January 2017 and the outstanding as at end December 2020 is Rs. 56,662 million. Further, Out of Rs 56,662 million, Rs 25,217 million is to be matured on 01 January 2022 and Rs. 31,446 million is to be matured on 01 January 2032)

(f) The composition of domestic debt held by the banking and non banking sectors was revised from 2016 due to the adjustment for holdings of SLDBs by businesses and individuals

(g) Trusts, Benevolent, Pension and Provident Funds and the Employees' Provident Fund

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

(i) Includes the value of Treasury Certificates of Deposits, Public Debt Sinking Funds (the Investment Fund w.e.f. September,1971) and the National Housing Sinking Fund

(j) Includes Treasury bills and Treasury bonds held by non resident investors

(k) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

DOMESTIC DEBT

TABLE 5

DETAILS OF OUTSTANDING TREASURY BONDS AS AT END 2021 (a)

Rs.million

Maturity Date	Issue Date	Series	ISIN	Face Value
1-Jan-22	1-Jan-12	08.00%2022A	LKB01022A018	97,934.2
15-Mar-22	15-Mar-19	10.70%2022A	LKB00322C159	64,001.4
1-Jul-22	1-Jul-13	11.20%2022A	LKB00922G017	114,772.1
1-Oct-22	1-Oct-13	10.00%2022A	LKB00922J011	121,708.4
15-Nov-22	15-Nov-19	05.75%2022A	LKB00322K152	90,594.5
15-Dec-22	15-Dec-19	07.90%2022A	LKB00322L150	120,000.0
15-Jan-23	15-Jan-20	08.65%2023A	LKB00323A151	89,491.8
15-Mar-23	15-Mar-18	10.00%2023A	LKB00523C152	107,000.0
15-May-23	15-May-17	11.50%2023A	LKB00623E156	103,565.0
15-Jul-23	15-Jul-18	10.20%2023A	LKB00523G153	65,000.0
1-Sep-23	1-Sep-12	09.00%2023A	LKB01123I017	71,605.0
1-Sep-23	1-Sep-13	11.20%2023A	LKB01023I019	99,881.3
1-Oct-23	1-Oct-03	07.00%2023A	LKB02023J016	223,221.6
15-Nov-23	15-Nov-20	06.30%2023A	LKB00323K150	180,593.3
15-Dec-23	15-Dec-18	11.60%2023A	LKB00523L153	90,468.8
1-Jan-24	1-Jan-14	11.40%2024A	LKB01024A014	102,434.8
15-Mar-24	15-Mar-19	10.90%2024A	LKB00524C150	93,235.3
15-Jun-24	15-Jun-19	10.25%2024A	LKB00524F153	187,204.5
1-Aug-24	1-Aug-16	11.00%2024A	LKB00824H013	107,327.0
15-Sep-24	15-Sep-19	09.85%2024A	LKB00524I157	195,596.5
1-Dec-24	1-Dec-14	06.00%2024A	LKB01024L011	184,028.3
15-Mar-25	15-Mar-15	10.25%2025A	LKB01025C157	1,000.0
15-Mar-25	15-Mar-15	10.25%2025A	LKB01025C157	133,048.0
1-May-25	1-May-13	09.00%2025A	LKB01225E019	162,441.0
1-Aug-25	1-Aug-15	11.00%2025A	LKB01025H016	132,027.0
15-Oct-25	15-Oct-17	10.35%2025A	LKB00825J156	159,907.7
15-Jan-26	15-Jan-21	06.75%2026A	LKB00526A159	183,879.6
1-Feb-26	1-Feb-13	09.00%2026A	LKB01326B011	184,851.1
1-Mar-26	1-Mar-11	05.35%2026A	LKB01526C014	240,730.3
1-Jun-26	1-Jun-14	11.00%2026A	LKB01226F014	112,998.2
1-Aug-26	1-Aug-16	11.50%2026A	LKB01026H014	126,237.0
20-Dec-26	20-Dec-16	05.00%2026A	LKB01026L206	9,142.2
15-Jan-27	15-Jan-19	11.40%2027A	LKB00827A151	139,691.7
15-Jun-27	15-Jun-17	11.75%2027A	LKB01027F156	112,000.0
21-Jul-27	21-Jul-17	11.00%2027A	LKB01027G212	5,000.0
15-Aug-27	15-Aug-19	07.80%2027A	LKB00827H156	127,756.6
15-Oct-27	15-Oct-19	10.30%2027A	LKB00827J152	187,026.3
15-Dec-27	15-Dec-17	11.25%2027A	LKB01027L154	7,500.0
15-Mar-28	15-Mar-18	10.75%2028A	LKB01028C151	155,500.0
1-May-28	1-May-13	09.00%2028B	LKB01528E016	167,620.8
1-Jul-28	1-Jul-12	09.00%2028A	LKB01628G019	191,134.2
1-Sep-28	1-Sep-13	11.50%2028A	LKB01528I017	282,068.4
1-Jan-29	1-Jan-14	13.00%2029A	LKB01529A012	103,087.5
1-May-29	1-May-14	13.00%2029B	LKB01529E014	109,785.3
15-May-30	15-May-15	11.00%2030A	LKB01530E152	164,702.0
15-Mar-31	15-Mar-19	11.25%2031A	LKB01231C151	223,255.0
1-Jan-32	1-Jan-12	08.00%2032A	LKB02032A016	242,596.7
1-Oct-32	1-Oct-12	09.00%2032A	LKB02032J017	108,292.9
15-Jan-33	15-Jan-18	11.20%2033A	LKB01533A154	105,000.0
1-Jun-33	1-Jun-13	09.00%2033A	LKB02033F013	101,455.9
1-Jul-33	1-Jul-13	13.25%2033A	LKB02033G011	23,511.8
1-Nov-33	1-Nov-13	09.00%2033B	LKB02033K013	20,008.8
1-Jan-34	1-Jan-14	13.25%2034A	LKB02034A012	77,859.0
15-Sep-34	10.25%2034A	10.25%2034A	LKB01534I155	45,000.0
15-Mar-35	15-Mar-15	11.50%2035A	LKB02035C155	124,565.0
15-Aug-39	15-Aug-19	10.50%2039A	LKB02039H156	25,000.0
1-Jan-41	1-Jan-16	12.00%2041A	LKB02541A016	29,885.0
1-Jun-43	1-Jun-13	09.00%2043A	LKB03043F011	33,809.3
1-Jan-44	1-Jan-14	13.50%2044A	LKB03044A010	10,969.9
1-Jun-44	1-Jun-14	13.50%2044B	LKB03044F019	77,861.8
1-Mar-45	1-Mar-15	12.50%2045A	LKB03045C013	10,058.0
Treasury bond outstanding as end Dec 2021				6,967,927.7

(a) Includes Government Treasury bonds of Rs. 56,662 million issued to Ceylon Petroleum Corporation (CPC) in January 2012

(The amount of Treasury bonds issued to CPC was Rs. 78,441 million in January 2012. But due to maturity of Treasury bonds

amounting to Rs. 21,779 million in 01 January 2017, the outstanding as at end December 2020 is Rs. 56,662 million. Further, Out of Rs 56,662 million, Rs 25,217 million matured on 01 January 2022 and Rs. 31,446 million is to be matured on 01 January 2032)

Source: Central Bank of Sri Lanka

DOMESTIC DEBT
TABLE 6
DETAILS OF OUTSTANDING SRI LANKA DEVELOPMENT BONDS AS AT END 2021

USD million

Maturity Date	Issue Date	Series	ISIN	Face Value
22-Jan-22	22-Jan-18	SLDB2022B	LKG00422A222	113.7
22-Jan-22	22-Jan-20	SLDB2022B	LKG00422A222	8.9
22-Jan-22	22-Jan-20	SLDB2022B	LKH00422A221	13.2
22-Jan-22	18-Nov-20	SLDB2022B	LKH00422A221	62.2
22-Jan-22	22-Jan-21	SLDB2022B	LKH00422A221	44.6
9-Feb-22	9-Nov-21	SLDB2022H	LKH00222B090	22.0
9-Feb-22	12-Nov-21	SLDB2022H	LKH00222B090	8.0
9-Feb-22	16-Nov-21	SLDB2022H	LKH00222B090	15.0
17-Feb-22	17-Feb-21	SLDB2022E	LKH00222B173	35.0
17-Feb-22	3-May-21	SLDB2022E	LKH00222B173	191.2
16-Mar-22	16-Mar-18	SLDB2022C	LKG00422C160	27.0
16-Mar-22	29-Jun-20	SLDB2022C	LKH00422C169	8.4
16-Mar-22	30-Jul-20	SLDB2022C	LKH00422C169	19.0
17-Mar-22	17-Mar-17	SLDB2022A	LKG00522C175	154.2
17-Mar-22	9-May-17	SLDB2022A	LKG00522C175	89.8
17-Mar-22	30-Jun-17	SLDB2022A	LKG00522C175	175.3
1-May-22	1-May-18	SLDB2022D	LKH00422E017	20.0
1-May-22	2-Jul-18	SLDB2022D	LKH00422E017	6.1
1-May-22	17-Sep-18	SLDB2022D	LKH00422E017	25.5
1-May-22	30-Jan-19	SLDB2022D	LKH00422E018	13.0
1-May-22	30-Jan-19	SLDB2022D	LKH00422E017	0.4
1-May-22	24-May-19	SLDB2022D	LKG00422E018	36.2
1-May-22	17-Mar-20	SLDB2022D	LKH00422E017	59.8
1-May-22	18-Nov-20	SLDB2022D	LKH00422E017	19.2
1-May-22	22-Jan-21	SLDB2022D	LKH00422E017	2.5
1-May-22	30-Jun-21	SLDB2022D	LKH00422E017	29.6
1-May-22	30-Jul-21	SLDB2022D	LKH00422E017	48.3
1-May-22	16-Aug-21	SLDB2022D	LKH00422E017	49.4
1-Aug-22	3-May-21	SLDB2022F	LKH00222H014	152.5
21-Oct-22	21-Oct-21	SLDB2022G	LKH00122J210	5.0
1-Jan-23	22-Jan-21	SLDB2023D	LKH00223A017	1.6
22-Jan-23	22-Jan-18	SLDB2023A	LKG00523A227	149.2
22-Jan-23	22-Jan-20	SLDB2023A	LKG00523A227	21.9
22-Jan-23	22-Jan-20	SLDB2023A	LKH00523A226	21.3
16-Mar-23	16-Mar-18	SLDB2023B	LKG00523C165	42.1
16-Mar-23	16-Mar-18	SLDB2023B	LKH00523C164	0.0
16-Mar-23	28-Mar-18	SLDB2023B	LKG00523C165	104.5
16-Mar-23	17-Mar-20	SLDB2023B	LKH00523C164	14.2
16-Mar-23	30-Jul-21	SLDB2023B	LKH00523C164	4.5
16-Mar-23	16-Aug-21	SLDB2023B	LKH00523C164	6.3
1-May-23	1-May-18	SLDB2023C	LKH00523E012	20.0
1-May-23	30-Jan-19	SLDB2023C	LKG00523E013	21.7
1-May-23	24-May-19	SLDB2023C	LKG00523E013	35.0
1-May-23	4-May-20	SLDB2023C	LKH00523E012	1.2
1-May-23	30-Jul-20	SLDB2023C	LKH00523E012	6.1
1-May-23	18-Nov-20	SLDB2023C	LKH00523E012	5.2
1-May-23	3-May-21	SLDB2023C	LKH00523E012	150.2
1-May-23	30-Jun-21	SLDB2023C	LKH00523E012	1.8
1-May-24	3-May-21	SLDB2024A	LKH00324E015	200.1
1-May-24	30-Jun-21	SLDB2024A	LKH00324E015	4.7
1-May-24	30-Jul-21	SLDB2024A	LKH00324E015	1.3
22-Jan-25	22-Jan-20	SLDB2025B	LKG00525A222	6.2
22-Jan-25	22-Jan-20	SLDB2025B	LKH00525A221	0.0
22-Jan-25	17-Mar-20	SLDB2025B	LKH00525A221	0.8
22-Jan-25	1-Apr-20	SLDB2025B	LKH00525A221	2.1
22-Jan-25	4-May-20	SLDB2025B	LKH00525A221	1.3
22-Jan-25	29-Jun-20	SLDB2025B	LKH00525A221	8.9
22-Jan-25	30-Jul-20	SLDB2025B	LKH00525A221	0.6
22-Jan-25	18-Nov-20	SLDB2025B	LKH00525A221	0.3
22-Jan-25	22-Jan-21	SLDB2025B	LKH00525A221	0.1
22-Jan-25	3-May-21	SLDB2025B	LKH00525A221	0.5
22-Jan-25	30-Jun-21	SLDB2025B	LKH00525A221	0.2
22-Jan-25	16-Aug-21	SLDB2025B	LKH00525A221	0.0
30-Jul-26	30-Jul-21	SLDB2026A	LKH00526G309	5.3
30-Jul-26	16-Aug-21	SLDB2026A	LKH00526G309	1.6
Total				2,295.4

Source: Central Bank of Sri Lanka

DOMESTIC DEBT
TABLE 7
DETAILS OF OUTSTANDING RUPEE LOANS AS AT END 2021

Rs.million

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

Source: Central Bank of Sri Lanka

DOMESTIC DEBT
TABLE 8
CHANGES IN RELATIVE COMPOSITION OF GOVERNMENT SECURITIES (a) (b)

	2017	2018	2019	2020	2021
1. Maturity (%)					
Short Term	15	15	16	22	25
Medium and Long Term	85	85	84	78	75
2. Marketability (%)					
Marketable	99	100	100	100	100
Non-marketable	1	0	0	0	0
3. Investor base (%)					
Central Bank	0	1	1	10	15
Commercial Banks	29	24	28	32	24
Captive Sources	54	59	60	51	45
Others	17	16	11	7	15
4. Maximum maturity of Treasury Bond issued during the year (yrs)	10	15	20	11	11

(a) Treasury bills, Treasury bonds and Rupee loans only.

(b) Excludes Treasury bills and Treasury bonds held by non-residents

Sources: Ministry of Finance
Central Bank of Sri Lanka

DOMESTIC DEBT
TABLE 9
MATURITY PROFILE OF DOMESTIC DEBT AS AT END 2021 (a)

Rs. million

Maturity Year	Instrument					Total
	Treasury Bills (b)	Treasury Bonds (b)(c)	Rupee Loans	Sri Lanka Development Bonds (b) (d)	Loans from Offshore Banking Units (d)	
2022	2,270,711.6	609,010.7	-	291,597.1	129,279.8	3,300,599.1
2023	-	1,030,826.8	24,088.0	121,595.2	-	1,176,510.0
2024	-	869,826.3	-	41,311.4	-	911,137.7
2025	-	588,423.7	-	4,185.1	-	592,608.8
2026	-	857,838.5	-	1,389.0	-	859,227.5
2027	-	578,974.6	-	-	10,021.7	588,996.3
2028	-	796,323.4	-	-	-	796,323.4
2029	-	212,872.9	-	-	-	212,872.9
2030	-	164,702.0	-	-	-	164,702.0
2031	-	223,255.0	-	-	-	223,255.0
2032	-	350,889.5	-	-	-	350,889.5
2033	-	249,976.5	-	-	-	249,976.5
2034	-	122,859.0	-	-	-	122,859.0
2035	-	124,565.0	-	-	-	124,565.0
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	25,000.0	-	-	-	25,000.0
2040	-	-	-	-	-	-
2041	-	29,885.0	-	-	-	29,885.0
2042	-	-	-	-	-	-
2043	-	33,809.3	-	-	-	33,809.3
2044	-	88,831.6	-	-	-	88,831.6
2045	-	10,058.0	-	-	-	10,058.0
Total	2,270,711.6	6,967,927.7	24,088.0	460,077.8	139,301.5	9,862,106.5

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

Sources : Central Bank of Sri Lanka

(b) Includes Treasury bills, Treasury bonds and Sri Lanka Development Bonds issued to non-residents

(c) Includes payments for Government Treasury bonds of Rs. 56,662 million issued to Ceylon Petroleum Corporation (CPC) in January 2012 (The amount of Treasury bonds issued to CPC was Rs. 78,441 million in January 2012. But due to maturity of Treasury bonds amounting to Rs. 21,779 million in 01 January 2017, the outstanding as at end December 2020 is Rs. 56,662 million. Further, Out of Rs 56.662 million, Rs 25.217 million is to be matured on 01 January 2022 and Rs. 31,446 million is to be matured on 01 January 2032)

(d) Exchange rate used for conversion is 1 USD = Rs. 200.4338 as at end 2021

DOMESTIC DEBT
TABLE 10
FUTURE DOMESTIC CURRENCY DEBT OBLIGATIONS AS AT END 2021 (a)

Rs. million

Year	Capital (b) (c)	Interest (d)	Grand Total
2022	609,011	757,036	1,366,047
2023	1,054,915	607,726	1,662,641
2024	869,826	508,832	1,378,659
2025	588,424	432,966	1,021,390
2026	857,838	360,529	1,218,368
2027	578,975	302,887	881,861
2028	796,323	243,511	1,039,835
2029	212,873	163,789	376,662
2030	164,702	140,893	305,595
2031	223,255	119,277	342,532
2032	350,890	97,015	447,904
2033	249,977	67,119	317,095
2034	122,859	46,599	169,458
2035	124,565	29,666	154,231
2036	-	22,504	22,504
2037	-	22,504	22,504
2038	-	22,504	22,504
2039	25,000	22,504	47,504
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	6,992,016	4,044,769	11,036,785

- (a) Represents capital payments (Face values of Treasury bonds and Rupee loans) and interest payments (coupon payments of Treasury bonds, interest payments for Treasury bills and Rupee loans) as at end 2021
- (b) Treasury bill principle is considered rollover
- (c) Includes payments for non-resident investments of Treasury bonds.
- (d) Includes payments for non-resident investments of Treasury bills and Treasury bonds.
- (e) Includes payments to Treasury bonds issued to CPC. The outstanding amount of Treasury bonds issued to CPC is Rs. 31,446 million to be matured on 01 January 2032

Sources: Central Bank of Sri Lanka

DOMESTIC DEBT
TABLE 11
OWNERSHIP OF TREASURY BILLS (AS AT END YEAR)

Rs million

Ownership	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (a)
1. Bank Sector	373,753	447,004	401,792	445,418	575,528	473,106	534,996	710,553	1,467,651	1,991,430
1.1 Central Bank	154,005	3,053	123,496	104,754	331,389	9,908	45,797	25,873	654,611	1,391,281
1.2 Commercial Banks	219,748	443,951	278,296	340,664	244,139	463,198	489,199	684,680	813,040	600,149
2. Non Bank Sector	255,317	253,133	292,975	212,822	204,052	224,048	211,891	163,390	153,053	279,078
2.1 Employees' Provident Fund	33,410	13,969	1,000	-	41,057	74,475	36,321	8,250	3,100	20
2.2 Other Provident Funds	122	45	-	162	77	49	1,091	-	26	48
2.3 Savings Institutions	61,972	68,328	47,945	67,766	18,049	38,378	21,881	21,939	36,078	30,070
2.4 Insurance and Finance Companies	19,097	28,629	47,461	47,388	57,918	58,093	64,628	71,637	61,413	86,860
2.5 Departmental and Other Official Funds	2,566	8,114	10,986	7,570	7,616	760	3,036	6,075	12,648	16,510
2.6 Private and Other	138,149	134,048	185,582	89,937	79,336	52,293	84,933	55,489	39,789	145,570
3 Foreign Investors	80,184	73,916	55,500	5,045	12,816	27,552	11,909	23,727	670	204
Total	709,254	774,053	750,267	663,285	792,396	724,706	758,796	897,670	1,621,375	2,270,712

(a) Provisional

Sources: Ministry of Finance
Central Bank of Sri Lanka

DOMESTIC DEBT
TABLE 12
OWNERSHIP OF TRASURY BONDS (AS AT END YEAR) (a)

Rs million

Ownership	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (b)
1. Bank Sector	333,389	477,457	681,565	601,538	815,950	858,574	698,378	870,780	1,583,860	1,672,309
1.1 Central Bank (c)	-	-	-	-	-	-	-	48,872	70,574	25,471
1.2 Commercial Banks	333,389	477,457	681,565	601,538	815,950	858,574	698,378	821,908	1,513,286	1,646,838
2. Non Bank Sector	1,844,502	2,070,866	2,258,452	2,799,673	2,990,403	3,033,833	3,498,945	3,735,452	4,129,440	5,293,908
2.1 Employees' Provident Fund	1,117,360	1,356,389	1,450,144	1,612,461	1,737,219	1,855,665	2,110,855	2,381,927	2,609,116	2,903,930
2.2 Other Provident Funds	30,639	35,031	315	42,713	48,060	-	42,549	25,637	30,360	44,089
2.3 Savings Institutions	261,309	285,915	327,932	358,470	406,722	407,415	471,095	570,026	672,922	763,799
2.4 Insurance and Finance Companies	31,711	26,636	42,742	58,808	68,124	68,305	56,937	56,842	68,125	75,092
2.5 Departmental and Other Official Funds	37,596	187,904	210,598	245,045	264,014	285,278	311,688	357,044	393,146	401,691
2.6 Private and Other	365,887	178,991	226,720	482,176	466,264	417,170	505,821	343,976	355,771	1,105,308
3 Foreign Investors	317,604	403,486	401,710	298,734	247,222	295,059	146,914	80,294	6,204	1,710
Total	2,495,495	2,951,809	3,341,727	3,699,945	4,053,575	4,187,467	4,344,238	4,686,526	5,719,504	6,967,928

(a) Excludes Treasury bonds held by non resident investors and includes Government Treasury bonds of Rs. 4,397 million issued for CWE in November 2003 (matured on 14 November 2016) and Rs. 13,125 million issued to capitalise SriLankan Airlines in March 2013 (matured on 01 June 2018) and Rs. 78,441 million issued for CPC in January 2012 of which Rs. 21,778 million matured on 01 January 2017 and the current outstanding is Rs. 56,662 million

Sources: Ministry of Finance
Central Bank of Sri Lanka

(b) Provisional

(c) Central Bank introduced outright purchase of Treasury bonds auctions under Open Market Operations w.e.f. 06 September 2019

DOMESTIC DEBT
TABLE 13
OWNERSHIP OF RUPEE LOANS (AS AT END YEAR)

Rs.million

Ownership	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (a)
1. Bank Sector - Commercial Banks	15,870	15,870	15,870	15,870	15,870	15,870	15,870	15,870	15,870	15,870
2. Non Bank Sector	42,516	39,648	39,648	8,218	8,218	8,218	8,218	8,218	8,218	8,218
2.1 Savings Institutions	6,868	4,000	4,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
2.2 Departmental and Other Official Funds (b)	5,190	6,101	6,101	-	-	-	-	-	-	-
2.3 Employees' Provident Fund	23,100	23,100	23,100	-	-	-	-	-	-	-
2.4 Other Provident Funds	7,358	6,447	6,447	6,218	6,218	6,218	6,218	6,218	6,218	6,218
Total	58,386	55,518	55,518	24,088						

(a) Provisional

(b) Including Employees' Trust Fund

Sources: Ministry of Finance
Central Bank of Sri Lanka

FOREIGN DEBT
TABLE 14
COMPOSITION OF OUTSTANDING FOREIGN DEBT AS AT END 2021^(a)

Rs. million

Creditor Category/ Use of Funds	Bi-lateral	Multi-lateral	Commercial	Export Credit	Total Debt	% of Total
Cash (b)	385	63	1,548,230		1,548,678	23.90
Commodity	5,367			96	5,463	0.10
Food	11,904		-		11,904	0.20
Goods & Services	7,746			9,791	17,537	0.30
Programme	21,049	159,263			180,312	2.80
Project	1,070,019	1,686,707	64,477	762,802	3,584,005	55.20
Other (c)	0	26,208	1,084,257	33,785	1,144,250	17.60
Total Debt (d)	1,116,470	1,872,241	2,696,964	806,474	6,492,150	100.00
%	17.20	28.80	41.50	12.40	100.00	

(a) Provisional

(b) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt

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

(d) Excludes outstanding loans of projects involving Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Projects

 Sources: Ministry of Finance
 Central Bank of Sri Lanka

FOREIGN DEBT
TABLE 15
OWNERSHIP OF OUTSTANDING FOREIGN DEBT

Rs. million

Source	2012	2013	2014	2015	2016	2017	2019(a)	2020(a)	2021(b)
1. Multi-lateral	844,292	903,540	887,960	994,430	1,076,549	1,198,243	1,469,867	1,601,482	1,872,241
ADB	448,421	478,796	471,762	533,806	569,686	632,237	802,047	865,457	1,052,418
EIB	23,438	23,248	21,133	29,728	27,518	29,193	27,509	26,810	23,913
IBRD	322	4,530	6,987	10,382	27,760	28,462	45,769	56,757	85,654
IDA	349,997	373,085	363,052	391,149	417,636	467,832	541,074	593,238	642,169
IFAD	16,013	17,419	17,098	18,631	21,520	24,405	29,417	32,153	34,042
OPEC Fund for International Development	2,699	2,998	4,783	7,547	9,309	12,743	20,443	21,686	24,418
Nordic Development Fund	3,403	3,464	3,145	3,187	3,119	3,370	3,480	3,722	3,472
Asian Infrastructure Investment Bank	-	-	-	-	-	-	127	1,659	6,156
2. Bi-lateral	1,035,907	823,180	793,196	888,971	945,754	992,157	1,131,911	1,162,973	1,116,470
Canada	8,269	7,409	6,339	5,373	5,275	5,254	4,854	4,502	4,212
France (c)	24,273	26,861	24,698	25,406	24,448	27,977	34,202	38,584	43,057
Germany	51,164	52,112	43,342	40,726	39,145	43,506	43,113	45,091	41,742
India	78,322	102,843	119,982	137,413	142,277	145,071	153,075	146,530	141,122
Japan	547,515	468,366	416,408	457,483	486,199	506,829	617,973	659,260	621,587
Kuwait	6,194	5,749	5,357	6,765	7,774	8,768	13,146	14,866	17,947
People's Republic of China	67,434	67,154	87,743	117,284	131,604	135,728	138,720	124,665	119,355
Saudi Arabian Fund	2,648	3,868	4,982	10,724	13,255	16,722	23,725	24,085	26,781
USA	41,386	38,854	35,246	34,594	31,798	28,295	24,381	20,632	17,808
Other	208,702	49,963	49,100	53,205	63,978	74,007	78,724	84,758	82,860
3. Financial Markets	887,100	1,233,704	1,431,959	1,660,630	2,023,493	2,528,218	3,599,504	3,287,725	3,503,439
Riggs National Bank	3,064	2,922	2,651	2,607	2,336	2,110	1,986	1,767	1,605
Bankers Trust Co.	356	275	184	101	-	-	-	-	-
Solomon Bros. Inc. - New York	-	-	-	-	-	-	-	-	-
Citi Bank/NEXI	-	-	-	201	-	-	-	-	-
Export-Import Bank of China (d)	-	-	146,262	192,889	242,416	299,405	476,565	528,403	549,807
Other (e) (f)	883,680	1,230,507	1,282,863	1,464,832	1,778,741	2,226,703	3,120,953	2,757,555	2,952,027
o/w International Sovereign bonds	445,063	457,636	655,243	958,014	1,220,870	1,475,049	2,531,493	2,203,279	2,243,049
Foreign Currency Term Financing Facilities	-	-	-	-	104,860	217,054	242,191	279,612	445,521
Total	2,767,299	2,960,424	3,113,116	3,544,031	4,045,796	4,718,618	6,201,283	6,052,179	6,492,150

(a) Revised

(b) Provisional

(c) Includes loans from financial institutions of France

(d) Excludes outstanding loans of projects under SOBEs

(e) Includes outstanding defence loans (up to 2016), Treasury bonds and Treasury bills held by non resident investors

(f) Values for 2019, 2020 and 2021 include SLDBs held by non resident investors and exclude ISBs held by resident investors.

 Sources: Ministry of Finance
 Central Bank of Sri Lanka

FOREIGN DEBT
TABLE 16
FOREIGN LOANS - 2021

Rs million

Type and Source	Gross Receipts	Repayments	Net Change in the Liability	Liability as at end December (a)
1. Project Loans	375,941	280,461	305,858	3,764,319
ADB	122,383	49,624	187,586	1,051,994
Australia	-	2,549	(2,015)	5,002
Austria	2,376	1,677	409	21,969
Canada	-	429	(176)	3,209
China (b)	93,750	66,303	81,531	710,336
EIB	-	3,334	(2,897)	23,913
Finland	-	272	(262)	-
France	8,477	9,334	1,642	81,661
Germany	60	3,230	(2,857)	36,992
Hong Kong	2,375	1,209	2,837	25,290
India	16,527	15,537	12,979	158,136
IDA	56,621	36,977	47,539	616,323
Japan	26,857	41,195	(37,673)	621,587
Korea	2,103	3,528	(2,147)	66,624
Kuwait	2,926	1,418	3,081	17,947
Netherlands	6,134	11,157	(4,826)	43,352
OPEC Fund for International Development	2,979	2,578	2,579	24,265
Saudi Arabian Fund	1,983	2,673	2,696	26,781
Spain	941	1,771	(904)	20,544
Sweden	-	3,198	(2,505)	6,952
UK	1,426	11,210	(6,635)	39,640
USA	-	3,268	(1,984)	15,541
Other	28,024	7,991	27,860	146,262
2. Non-Project Loans	108,883	1,060,764	134,113	2,727,831
2.1 Commodity Loans	673	4,454	(2,874)	13,536
Canada	-	198	(114)	1,003
India	673	3,062	(1,610)	7,746
Pakistan	-	777	(690)	423
Germany	-	417	(460)	4,365
2.2 Other Loans	108,210	1,056,310	136,987	2,714,295
ADB	-	680	(624)	425
China	430	19,236	(95,467)	210,068
USA	-	2,511	(1,506)	11,904
Germany	-	29	(33)	385
Other (c) (d) (e)	107,780	1,033,854	234,617	2,491,514
Grand Total	484,824	1,341,225	439,971	6,492,150

(a) These figures may differ from those appearing in Appendix Table 112 of this Report due to differences in classification.

(b) Excludes outstanding loans of projects under SOBES

(c) Includes Treasury bonds and Treasury bills held by non resident investors and Treasury bonds and Treasury bills issued to Sri Lankan diaspora and migrant workers

(d) Gross Receipts, Repayments and Net Change in the Liability do not include SLDBs and ISBs

(e) Liability as at end 2021 includes SLDBs and ISBs held by non resident investors

Sources: Ministry of Finance
Central Bank of Sri Lanka

FOREIGN DEBT
TABLE 17
FOREIGN LOAN DISBURSEMENTS BY SOURCE

Rs million

Category	Disbursements								
	2012	2013	2014	2015	2016	2017	2019	2020	2021 (a)
1. Lender	482,259	392,351	451,430	509,201	713,181	866,224	1,078,276	349,349	481,515
Bi-lateral	109,165	83,109	73,690	66,955	56,884	59,375	54,835	43,090	41,549
Multi-lateral	65,782	63,335	61,156	71,924	104,900	93,912	87,195	121,574	215,992
Commercial (b)	250,505	158,918	281,350	311,659	481,295	616,814	782,519	93,500	164,865
Export Credit	56,807	86,989	35,234	58,664	70,102	96,123	153,728	91,185	59,108
2. Use of Funds	482,259	447,465	451,430	509,201	713,181	866,224	1,078,276	349,349	481,515
Cash	130,695	139,483	195,989	87,035	319,689	228,473	-	-	-
Commodity	-	-	-	-	-	-	-	-	-
Food	-	-	-	-	-	-	-	-	-
Goods and Services	2,316	8,195	626	1,064	344	1,330	115	79	673
Programme	-	21	-	-	27,517	456	3,532	16,006	15,908
Project	227,041	272,433	164,352	190,923	201,752	246,944	285,711	225,015	359,641
Technical Assistance	210	39	241	35	-	290	360	431	392
Other	121,997	27,294	90,221	230,145	163,880	388,732	788,558	107,817	104,901

(a) Provisional

(b) Includes Sovereign bonds issued in 2011, 2012, 2014, 2015, 2016, 2017, 2018 and 2019

Sources: Ministry of Finance

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
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	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
2017	642,875	224,609	867,484	570,623	164,942	735,566
2018	921,881	314,480	1,236,361	639,482	212,708	852,190
2019	546,315	574,839	1,121,155	667,383	233,970	901,353
2020	455,899	505,172	961,071	713,623	266,679	980,302
2021 (e)	795,498	531,718	1,327,216	794,633	253,750	1,048,383

(a) Excludes Treasury bond payments to non-residents

(b) Includes Treasury bond payments to non-residents

(c) Excludes Treasury bill and Treasury bond interest payments to non-residents

(d) Includes Treasury bill and Treasury bond interest payments to non-residents

(e) Provisional

Sources: Ministry of Finance
Central Bank of Sri Lanka

GOVERNMENT BORROWINGS
TABLE 19
ISSUES AND MATURITIES OF TREASURY BILLS, TREASURY BONDS, RUPEE LOANS AND SRI LANKA DEVELOPMENT BONDS IN 2019, 2020 AND 2021

Rs. million

	Maturity	2019			2020			2021(a)		
		Issues	Repayments	Net Issues	Issues	Repayments	Net Issues	Issues	Repayments	Net Issues
Treasury Bills	≤ 91 days	623,167	606,601	16,566	722,753	677,036	45,717	1,828,953	1,322,580	506,373
	≤ 182 days	243,966	188,335	55,631	549,769	328,149	221,620	819,941	617,356	202,586
	≤ 364 days	852,194	785,518	66,676	1,318,017	861,648	456,368	1,172,524	1,232,147	(59,623)
Total		1,719,327	1,580,453	138,874	2,590,539	1,866,833	723,706	3,821,419	3,172,082	649,336
Treasury Bonds										
	1 year	-	-	-	-	-	-	98,440	-	98,440
	2 year	55,000	58,479	(3,479)	125,648	10,000	115,648	213,121	55,000	158,121
	3 year	22,000	26,800	(4,800)	305,576	18,000	287,576	279,146	72,020	207,126
	4 year	-	74,221	(74,221)	120,985	56,961	64,024	163,291	65,307	97,984
	5 year	283,000	170,996	112,004	391,990	131,827	260,164	309,805	166,083	143,722
	6 year	-	11,911	(11,911)	30,000	-	30,000	82,608	65,743	16,865
	7 year	-	39,707	(39,707)	109,675	1,474	108,201	358,714	15,892	342,822
	8 year	90,000	68,440	21,560	89,670	22,085	67,585	20,000	73,510	(53,510)
	9 year	45,000	68	44,932	-	32,869	(32,869)	105,855	-	105,855
	10 year	100,000	5,089	94,911	15,000	25,876	(10,876)	58,000	-	58,000
	11 year	8,000	-	8,000	143,526	-	143,526	72,998	-	72,998
	12 year	75,000	-	75,000	-	-	-	-	-	-
	13 year	-	-	-	-	-	-	-	-	-
	14 year	-	-	-	-	-	-	-	-	-
	15 year	45,000	-	45,000	-	-	-	-	-	-
	16 year	50,000	-	50,000	-	-	-	-	-	-
	19 year	-	-	-	-	-	-	-	-	-
	20 year	25,000	-	25,000	-	-	-	-	-	-
	25 year	-	-	-	-	-	-	-	-	-
	30 year	-	-	-	-	-	-	-	-	-
Total		798,000	455,712	342,288	1,332,069	299,091	1,032,978	1,761,979	513,555	1,248,424
Rupee Loans		-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-
Sri Lanka Development Bonds										
	≤ 1 year	23,154	-	23,154	51,932	23,785	28,148	101,262	21,891	79,371
	2 year	19,769	102,299	(82,530)	26,227	28,821	(2,594)	63,633	57,316	6,317
	3 year	8,828	454	8,374	11,791	89,560	(77,769)	41,073	165,018	(123,946)
	4 year	10,114	6,357	3,757	156	-	156	151	31,603	(31,451)
	5 year	-	2,729	(2,729)	3,573	35,284	(31,711)	1,385	-	1,385
Total		61,865	111,839	(49,974)	93,679	177,449	(83,771)	207,504	275,828	(68,324)
Grand Total		2,647,128	2,148,004	499,124	4,147,888	2,424,961	1,722,927	5,790,902	3,961,465	1,829,436

(a) Provisional

Sources: Central Bank of Sri Lanka

GOVERNMENT BORROWINGS
TABLE 20
AUCTION AND PRIMARY ISSUE DETAILS IN 2019, 2020 AND 2021 (a)

Rs. million

	2019			2020			2021	
	Treasury Bills	Treasury Bonds	Rupee Loans	Treasury Bills	Treasury Bonds	Rupee Loans	Treasury Bonds	Rupee Loans
Auctions(b)								
Number of Auctions	52	12	-	52	15	-	22	-
Amount Offered	1,103,000	798,000	-	1,715,900	982,500	-	1,275,950	-
Bids Received	3,096,791	1,930,995	-	3,498,509	1,951,622	-	2,201,905	-
Amount Accepted	1,087,674	798,000	-	1,360,752	855,752	-	989,283	-
CBSL Purchases(b)	631,653	-	-	1,229,787	-	-	-	-
Placements(b)								
	-	-	-	-	476,317	-	772,696	-
Total Issues	1,719,327	798,000	-	2,590,539	1,332,069	-	1,761,979	-

(a) Face Value

Source: Central Bank of Sri Lanka

(b) Provisional

GOVERNMENT BORROWINGS
TABLE 21
GOVERNMENT BORROWING LIMITS AND USAGE IN 2020 AND 2021 - FACE VALUE

Rs. billion

	2020		2021	
	Approved Limit	Usage	Approved Limit	Usage
1. Gross Borrowing (Including Contingently Provision and Book Value Adjustment)	2,830	2,801	3,397	3,376
1.1. Domestic		2,410		2,857
1.2. Foreign		391		520
2. Sources of Financing				
2.1. Domestic Financing		2,410		2,857
2.1.1. Rupee Loans		-		-
2.1.2. Treasury Bonds (a)		1,332		1,762
2.1.3. Treasury Bills (net) (a)		724		649
2.1.4. Sri Lanka Development Bonds		94		208
2.1.5. Other		261		238
2.2 Foreign Financing		391		520
2.2.1. International Sovereign Bonds		-		-
2.2.2. Other (b)		391		520

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

(b) Includes project loans and syndicated loans

Sources: Ministry of Finance
Central Bank of Sri Lanka

COST OF BORROWING
TABLE 22
TREASURY BILLS PRIMARY AUCTION YIELD RATES AND COMPOSITE RATE - 2021

Year	Month	Weighted Average Yield Rates of T-Bills (Net of Tax)			
		91 Days	182 Days	364 Days	Composite Rate
2020	January	7.53	8.12	8.55	8.47
	February	7.40	8.03	8.53	8.18
	March	7.29	7.74	8.26	7.85
	April	6.77	6.92	7.13	6.94
	May	6.75	6.83	6.94	6.84
	June	6.29	6.53	6.32	6.36
	July	4.72	4.92	5.13	5.01
	August	4.63	4.72	4.91	4.76
	September	4.51	4.65	4.88	4.71
	October	4.58	4.39	4.73	4.62
	November	4.62	4.73	4.98	4.85
	December	4.66	4.77	5.01	4.86
	Total		5.93	5.72	6.37
2021	January	4.70	4.78	5.02	4.90
	February	4.79	4.96	5.03	4.90
	March	4.99	5.05	5.11	5.02
	April	5.10	5.12	5.18	5.10
	May	5.12	5.14	5.18	5.13
	June	5.16	5.17	5.21	5.16
	July	5.20	5.21	5.24	5.20
	August	5.44	5.49	5.54	5.44
	September	6.08	5.96	6.13	6.08
	October	7.92	7.30	7.07	7.91
	November	7.89	8.04	8.18	7.90
	December	7.49	7.96	8.09	7.70
	Total		6.35	6.13	5.33

Source: Central Bank of Sri Lanka

COST OF BORROWING
TABLE 23
TREASURY BOND AUCTIONS IN 2021

Series	Settlement Date	Maturity Date	Remaining Maturity Period (Years)	Amount Offered (Rs. million)	Bids Received (Rs. million)	Amount Accepted (Rs. million)	Weighed Average Yield Rate (%)
06.00%2024A	15-Jan-21	1-Dec-24	4	40,000.00	63,093.00	40,000.00	6.38
06.75%2026A	15-Jan-21	15-Jan-26	5	40,000.00	74,430.00	40,000.00	6.72
09.00%2028B	15-Jan-21	1-May-28	7	20,000.00	61,575.00	20,000.00	7.39
06.00%2024A	1-Feb-21	1-Dec-24	4	50,000.00	51,083.00	30,533.00	6.34
07.80%2027A	1-Feb-21	15-Aug-27	7	25,000.00	45,850.00	25,000.00	7.16
06.30%2023A	1-Mar-21	15-Nov-23	3	25,000.00	29,750.00	14,550.00	6.25
09.85%2024A	1-Mar-21	15-Sep-24	4	30,000.00	33,100.00	17,850.00	6.70
06.75%2026A	1-Mar-21	15-Jan-26	5	30,000.00	56,900.00	30,000.00	7.07
09.00%2028A	1-Mar-21	1-Jul-28	7	40,000.00	58,903.00	28,553.00	7.57
09.00%2023A	15-Mar-21	1-Sep-23	2	20,000.00	26,837.00	19,012.00	6.19
09.00%2026A	15-Mar-21	1-Feb-26	5	15,000.00	24,250.00	15,000.00	7.08
07.80%2027A	15-Mar-21	15-Aug-27	6	25,000.00	39,800.00	20,350.00	7.44
06.30%2023A	1-Apr-21	15-Nov-23	3	25,000.00	26,393.00	14,143.00	6.30
06.75%2026A	1-Apr-21	15-Jan-26	5	20,000.00	22,198.00	3,798.00	7.05
09.00%2028B	1-Apr-21	1-May-28	7	15,000.00	21,750.00	9,500.00	7.58
09.00%2023A	15-Apr-21	1-Sep-23	2	25,000.00	27,645.00	7,145.00	6.30
09.00%2028A	15-Apr-21	1-Jul-28	7	15,000.00	17,590.00	3,340.00	7.70
06.30%2023A	3-May-21	15-Nov-23	3	30,000.00	39,749.00	22,049.00	6.50
06.75%2026A	3-May-21	15-Jan-26	5	25,000.00	24,250.00	2,000.00	7.25
09.00%2032A	3-May-21	1-Oct-32	11	25,000.00	44,750.00	20,500.00	8.44
09.00%2025A	17-May-21	1-May-25	4	10,000.00	22,144.00	10,000.00	7.04
09.00%2028B	17-May-21	1-May-28	7	10,000.00	19,500.00	9,500.00	7.97
06.30%2023A	3-Jun-21	15-Nov-23	2	15,000.00	45,500.00	15,000.00	6.35
09.00%2028A	3-Jun-21	1-Jul-28	7	10,000.00	21,250.00	10,000.00	8.00
06.75%2026A	15-Jun-21	15-Jan-26	5	15,000.00	31,435.00	15,000.00	7.31
09.00%2028B	15-Jun-21	1-May-28	7	10,000.00	23,850.00	10,000.00	8.02
10.35%2025A	1-Jul-21	15-Oct-25	4	27,500.00	33,775.00	16,275.00	7.30
10.75%2028A	1-Jul-21	15-Mar-28	7	22,500.00	44,670.00	22,500.00	7.99
06.30%2023A	15-Jul-21	15-Nov-23	2	27,500.00	54,013.00	27,500.00	6.36
09.00%2028A	15-Jul-21	1-Jul-28	7	22,500.00	44,030.00	22,500.00	8.04
06.00%2024A	2-Aug-21	1-Dec-24	3	30,000.00	47,665.00	30,000.00	6.87
09.00%2026A	2-Aug-21	1-Feb-26	5	35,000.00	51,884.00	21,234.00	7.47
09.00%2028B	2-Aug-21	1-May-28	7	35,000.00	44,950.00	11,450.00	8.17
11.25%2031A	2-Aug-21	15-Mar-31	10	20,000.00	45,710.00	20,000.00	8.86
09.00%2023A	1-Sep-21	1-Sep-23	2	30,000.00	30,000.00	800.00	6.75
10.35%2025A	1-Sep-21	15-Oct-25	4	20,000.00	20,000.00	3,200.00	8.55
10.25%2024A	15-Sep-21	15-Jun-24	3	22,500.00	36,532.00	14,282.00	8.10
11.25%2031A	15-Sep-21	15-Mar-31	10	27,500.00	59,005.00	27,500.00	10.05
06.30%2023A	1-Oct-21	15-Nov-23	2	10,000.00	21,455.00	6,800.00	8.12
11.00%2030A	1-Oct-21	15-May-30	9	10,000.00	29,310.00	10,000.00	10.23
11.60%2023A	15-Oct-21	15-Dec-23	2	30,000.00	33,540.00	22,140.00	9.36
09.00%2032A	15-Oct-21	1-Oct-32	11	40,000.00	76,105.00	40,000.00	11.23
11.40%2027A	15-Oct-21	15-Jan-27	5	30,000.00	40,003.00	17,953.00	11.14
10.25%2025A	1-Nov-21	15-Mar-25	3	15,000.00	39,168.00	11,376.00	9.94
11.50%2028A	1-Nov-21	1-Sep-28	7	20,000.00	64,630.00	20,000.00	11.61
10.90%2024A	15-Nov-21	15-Mar-24	2	15,000.00	41,163.00	15,000.00	9.16
11.25%2031A	15-Nov-21	15-Mar-31	9	25,000.00	57,009.00	25,000.00	11.91
10.25%2025A	1-Dec-21	15-Mar-25	3	15,000.00	47,071.00	15,000.00	9.67
11.00%2030A	1-Dec-21	15-May-30	8	15,000.00	54,547.00	15,000.00	11.63
09.00%2025A	15-Dec-21	1-May-25	3	25,000.00	38,800.00	25,000.00	9.70
10.30%2027A	15-Dec-21	15-Oct-27	6	20,000.00	31,292.00	20,000.00	10.90
13.00%2029A	15-Dec-21	1-Jan-29	7	20,000.00	50,868.00	20,000.00	11.27
11.25%2031A	15-Dec-21	15-Mar-31	9	55,000.00	110,185.00	55,000.00	11.61
11.25%2031A	15-Dec-21	15-Mar-31	9	50.00	50.00	50.00	11.61
11.25%2031A	15-Dec-21	15-Mar-31	9	400.00	400.00	400.00	11.61
11.25%2031A	15-Dec-21	15-Mar-31	9	500.00	500.00	500.00	11.61

Source: Central Bank of Sri Lanka

COST OF BORROWING
TABLE 24
TREASURY BILL AUCTIONS IN 2021

Issue Date	Amount Offered (Rs. million)			Amount Bids Received (Rs. million)					Weighted Average Yield Rate (%)		
	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days	182 Days	364 Days	91 Days	182 Days	364 Days
1-Jan-21	10,000.0	11,000.0	19,000.0	10,015.0	17,083.0	26,226.0	9,783.0	8,476.0	4.7	4.80	5.05
8-Jan-21	10,000.0	5,000.0	25,000.0	21,302.0	25,304.0	39,718.0	5,000.0	25,000.0	4.7	4.80	5.05
15-Jan-21	12,500.0	5,000.0	22,500.0	23,902.0	19,194.0	63,900.0	5,000.0	22,500.0	4.7	4.78	5.02
22-Jan-21	12,000.0	5,000.0	23,000.0	25,934.0	16,599.0	44,700.0	5,000.0	23,000.0	4.7	4.77	4.99
29-Jan-21	11,000.0	4,000.0	25,000.0	14,155.0	7,876.0	31,263.0	5,091.0	14,063.0	4.7	4.75	4.98
5-Feb-21	8,000.0	4,000.0	28,000.0	11,745.0	4,000.0	38,340.0	310.0	16,740.0	4.70	4.78	5.02
12-Feb-21	7,000.0	5,000.0	28,000.0	32,566.0	13,884.0	28,000.0	708.0	1,675.0	4.72	4.85	5.04
19-Feb-21	5,000.0	8,000.0	25,000.0	12,857.0	17,122.0	25,020.0	4,222.0	2,920.0	4.82	4.93	5.09
26-Feb-21	7,000.0	10,500.0	25,000.0	16,475.0	14,566.0	25,180.0	6,791.0	580.0	4.90	4.99	5.09
5-Mar-21	7,500.0	12,500.0	25,000.0	48,446.0	40,466.0	25,000.0	27,516.0	100.0	4.95	5.03	5.10
12-Mar-21	10,000.0	10,000.0	25,000.0	23,786.0	20,667.0	25,225.0	13,917.0	1,557.0	4.99	5.06	5.10
19-Mar-21	10,000.0	10,000.0	25,000.0	25,059.0	15,235.0	25,370.0	8,985.0	657.0	5.01	5.07	5.11
26-Mar-21	10,000.0	15,000.0	20,000.0	18,100.0	15,526.0	20,000.0	1,192.0	1,323.0	5.04	5.08	5.11
2-Apr-21	10,000.0	15,000.0	20,000.0	10,160.0	16,279.0	20,000.0	7,279.0	-	5.05	5.10	-
9-Apr-21	10,000.0	15,000.0	20,000.0	25,067.0	15,677.0	20,000.0	1,277.0	200.0	5.08	5.12	5.15
16-Apr-21	8,000.0	15,000.0	22,000.0	29,468.0	24,250.0	22,300.0	10,600.0	225.0	5.09	5.12	5.15
23-Apr-21	10,000.0	15,000.0	20,000.0	48,410.0	17,651.0	20,000.0	1,151.0	500.0	5.10	5.13	5.18
30-Apr-21	9,000.0	18,000.0	18,000.0	28,040.0	18,359.0	18,000.0	4,034.0	1,775.0	5.11	5.14	5.18
7-May-21	11,000.0	15,000.0	19,000.0	29,469.0	23,923.0	19,438.0	10,473.0	488.0	5.12	5.14	5.18
14-May-21	12,000.0	16,000.0	19,000.0	18,382.0	25,660.0	19,030.0	10,380.0	495.0	5.12	5.14	5.18
21-May-21	12,000.0	16,000.0	19,000.0	32,335.0	28,101.0	19,117.0	15,101.0	177.0	5.12	5.14	5.18
28-May-21	8,000.0	12,000.0	19,000.0	33,560.0	15,962.0	19,100.0	5,462.0	920.0	5.13	5.14	5.18
4-Jun-21	8,000.0	23,000.0	20,000.0	22,973.0	27,878.0	20,000.0	10,905.0	100.0	5.15	5.17	5.21
11-Jun-21	10,000.0	23,000.0	18,000.0	30,976.0	23,362.0	18,057.0	3,439.0	57.0	5.16	5.17	5.21
18-Jun-21	10,000.0	20,000.0	20,000.0	19,475.0	24,674.0	20,150.0	4,774.0	275.0	5.17	5.17	5.21
25-Jun-21	10,000.0	17,500.0	17,500.0	26,005.0	18,400.0	17,575.0	4,400.0	75.0	5.17	5.17	5.21
2-Jul-21	7,000.0	15,000.0	15,000.0	31,008.0	15,212.0	15,000.0	2,927.0	345.0	5.18	5.19	5.23
9-Jul-21	15,000.0	16,500.0	16,500.0	46,720.0	16,566.0	16,535.0	2,130.0	730.0	5.19	5.19	5.23
16-Jul-21	15,000.0	23,500.0	17,500.0	64,175.0	29,650.0	17,530.0	8,210.0	30.0	5.21	5.22	5.24
23-Jul-21	24,000.0	20,000.0	20,000.0	61,478.0	20,037.0	20,000.0	-	112.0	5.22	-	5.25
30-Jul-21	15,000.0	16,000.0	16,500.0	33,464.0	16,037.0	16,550.0	1,337.0	1,650.0	5.22	5.23	5.25
6-Aug-21	14,000.0	18,000.0	14,000.0	41,875.0	20,124.0	14,083.0	3,629.0	283.0	5.24	5.24	5.28
13-Aug-21	8,000.0	10,000.0	12,500.0	32,865.0	11,333.0	12,510.0	2,183.0	10.0	5.27	5.27	5.32
20-Aug-21	17,500.0	17,500.0	18,500.0	31,355.0	17,500.0	18,500.0	932.0	-	5.33	5.34	-
27-Aug-21	16,000.0	20,000.0	20,500.0	43,931.0	24,011.0	20,550.0	3,811.0	200.0	5.87	5.90	5.93
3-Sep-21	18,000.0	23,000.0	27,500.0	32,491.0	23,105.0	27,510.0	1,875.0	40.0	5.92	5.95	5.96
10-Sep-21	18,000.0	22,000.0	24,000.0	38,219.0	22,050.0	24,060.0	-	915.0	6.01	-	6.05
17-Sep-21	12,000.0	12,500.0	15,000.0	24,907.0	12,947.0	15,086.0	-	286.0	6.08	-	6.12
24-Sep-21	10,000.0	13,000.0	16,500.0	25,603.0	13,270.0	16,600.0	58.0	230.0	6.38	6.27	6.50
1-Oct-21	12,500.0	19,000.0	20,000.0	33,173.0	19,160.0	20,101.0	520.0	2,706.0	6.70	6.99	7.01
8-Oct-21	14,500.0	20,000.0	31,200.0	53,243.0	20,022.0	31,800.0	100.0	160.0	7.15	7.20	7.28
15-Oct-21	30,000.0	25,000.0	30,000.0	83,373.0	25,377.0	30,335.0	-	-	8.04	-	-
22-Oct-21	20,000.0	22,000.0	32,500.0	158,528.0	23,805.0	32,850.0	200.0	50.0	8.39	8.16	8.17
29-Oct-21	15,000.0	17,500.0	24,000.0	169,136.0	20,550.0	25,600.0	-	53.0	8.43	-	8.18
5-Nov-21	15,000.0	20,000.0	31,000.0	180,066.0	23,996.0	31,261.0	1,671.0	286.0	8.18	8.21	8.26
12-Nov-21	20,000.0	15,000.0	17,000.0	163,333.0	18,160.0	18,869.0	125.0	394.0	7.98	8.12	8.19
19-Nov-21	15,000.0	18,000.0	20,000.0	134,509.0	23,747.0	21,300.0	5,757.0	300.0	7.77	8.03	8.17
26-Nov-21	18,000.0	18,000.0	25,000.0	112,401.0	28,932.0	26,834.0	10,407.0	1,418.0	7.53	8.02	8.16
3-Dec-21	18,000.0	20,000.0	22,000.0	82,421.0	53,993.0	24,750.0	35,474.0	1,800.0	7.23	7.97	8.12
10-Dec-21	18,000.0	24,000.0	24,000.0	68,183.0	55,964.0	25,270.0	31,661.0	4,620.0	7.05	7.84	8.11
17-Dec-21	20,000.0	22,000.0	24,000.0	49,139.0	41,655.0	24,645.0	22,795.0	35.0	7.24	8.03	8.06
24-Dec-21	13,500.0	17,000.0	17,000.0	39,737.0	25,602.0	18,361.0	9,748.0	2,111.0	7.71	8.10	8.02
31-Dec-21	13,500.0	20,000.0	15,000.0	46,967.0	20,968.0	15,765.0	1,443.0	205.0	8.16	8.33	8.24

Source: Central Bank of Sri Lanka

COST OF BORROWING

**TABLE 25
SRI LANKA DEVELOPMENT BONDS AUCTIONS IN 2021**

Date of Issue	Amount Accepted (USD million)	Maturity Period (Years)	Spread	Date of Issue	Amount Accepted (USD million)	Maturity Period (Years)	Spread
22-Jan-21	2.00	1	6.50	30-Jun-21	0.11	3	7.96
22-Jan-21	2.00	1	6.60	30-Jun-21	0.01	3	7.97
22-Jan-21	2.03	1	6.70	30-Jun-21	0.11	3	7.98
22-Jan-21	10.94	1	6.75	30-Jun-21	3.71	3	8.00
22-Jan-21	0.20	1	6.78	30-Jun-21	0.01	4	6.70
22-Jan-21	2.30	1	6.80	30-Jun-21	0.04	4	7.50
22-Jan-21	0.20	1	6.82	30-Jun-21	0.10	4	7.85
22-Jan-21	0.20	1	6.85	30-Jul-21	1.35	1	7.30
22-Jan-21	2.50	1	6.90	30-Jul-21	6.05	1	7.35
22-Jan-21	7.00	1	7.00	30-Jul-21	1.00	1	7.37
22-Jan-21	4.00	1	7.10	30-Jul-21	2.22	1	7.40
22-Jan-21	6.00	1	7.20	30-Jul-21	2.50	1	7.42
22-Jan-21	0.53	1	6.75	30-Jul-21	0.10	1	7.45
22-Jan-21	0.60	1	6.81	30-Jul-21	4.80	1	7.50
22-Jan-21	0.20	1	6.86	30-Jul-21	0.40	1	7.53
22-Jan-21	0.20	1	6.87	30-Jul-21	3.00	1	7.55
22-Jan-21	0.20	1	6.88	30-Jul-21	1.00	1	7.60
22-Jan-21	0.20	1	6.89	30-Jul-21	0.27	1	7.70
22-Jan-21	0.40	1	6.90	30-Jul-21	0.04	1	7.75
22-Jan-21	0.20	1	7.00	30-Jul-21	0.18	1	7.80
22-Jan-21	0.60	2	6.85	30-Jul-21	5.00	1	7.85
22-Jan-21	0.20	2	6.91	30-Jul-21	10.00	1	7.90
22-Jan-21	0.20	2	6.93	30-Jul-21	5.00	1	7.95
22-Jan-21	0.20	2	6.95	30-Jul-21	5.10	1	8.00
22-Jan-21	0.20	2	6.98	30-Jul-21	0.11	2	7.50
22-Jan-21	0.20	2	7.00	30-Jul-21	2.50	2	7.60
22-Jan-21	0.06	4	5.50	30-Jul-21	0.20	2	7.63
22-Jan-21	0.01	4	6.50	30-Jul-21	0.20	2	7.65
22-Jan-21	0.03	4	7.00	30-Jul-21	0.20	2	7.70
3-May-21	150.00	1	7.40	30-Jul-21	0.25	2	7.75
3-May-21	0.03	4	6.85	30-Jul-21	0.45	2	7.80
3-May-21	0.45	4	7.00	30-Jul-21	0.25	2	7.85
3-May-21	0.03	3	7.00	30-Jul-21	0.35	2	7.90
3-May-21	200.00	3	7.95	30-Jul-21	0.10	3	7.93
3-May-21	0.05	2	7.00	30-Jul-21	0.10	3	7.95
3-May-21	0.05	2	7.10	30-Jul-21	0.56	3	7.99
3-May-21	0.05	2	7.20	30-Jul-21	0.30	3	8.00
3-May-21	150.00	2	7.75	30-Jul-21	4.96	5	7.60
3-May-21	0.06	1	6.95	16-Aug-21	2.60	1	7.50
3-May-21	0.01	1	6.99	16-Aug-21	2.17	1	7.60
3-May-21	0.50	1	7.00	16-Aug-21	5.10	1	7.70
3-May-21	0.20	1	7.05	16-Aug-21	0.20	1	7.71
3-May-21	0.60	1	7.10	16-Aug-21	1.00	1	7.72
3-May-21	0.20	1	7.15	16-Aug-21	1.00	1	7.73
3-May-21	0.40	1	7.20	16-Aug-21	1.00	1	7.74
3-May-21	150.00	1	7.60	16-Aug-21	7.21	1	7.75
30-Jun-21	1.00	1	6.80	16-Aug-21	2.00	1	7.77
30-Jun-21	2.00	1	6.90	16-Aug-21	2.10	1	7.80
30-Jun-21	2.05	1	7.00	16-Aug-21	2.00	1	7.87
30-Jun-21	0.05	1	7.10	16-Aug-21	5.00	1	7.90
30-Jun-21	0.30	1	7.20	16-Aug-21	5.00	1	7.93
30-Jun-21	0.30	1	7.30	16-Aug-21	5.00	1	7.95
30-Jun-21	0.30	1	7.40	16-Aug-21	3.00	1	7.97
30-Jun-21	20.08	1	7.50	16-Aug-21	2.00	1	7.98
30-Jun-21	2.50	1	7.60	16-Aug-21	1.00	1	7.99
30-Jun-21	0.05	2	7.00	16-Aug-21	2.03	1	8.00
30-Jun-21	0.25	2	7.50	16-Aug-21	0.01	2	7.75
30-Jun-21	0.20	2	7.55	16-Aug-21	0.50	2	7.76
30-Jun-21	0.20	2	7.60	16-Aug-21	0.50	2	7.78
30-Jun-21	0.20	2	7.65	16-Aug-21	0.74	2	7.80
30-Jun-21	0.20	2	7.70	16-Aug-21	1.00	2	7.82
30-Jun-21	0.20	2	7.75	16-Aug-21	1.00	2	7.84
30-Jun-21	0.20	2	7.80	16-Aug-21	0.50	2	7.86
30-Jun-21	0.20	2	7.85	16-Aug-21	0.50	2	7.88
30-Jun-21	0.10	3	7.75	16-Aug-21	0.51	2	7.90
30-Jun-21	0.11	3	7.90	16-Aug-21	0.01	3	7.75
30-Jun-21	0.10	3	7.92	16-Aug-21	0.02	3	7.85
30-Jun-21	0.10	3	7.94	16-Aug-21	1.51	5	8.00
30-Jun-21	0.02	3	7.95				

Source: Central Bank of Sri Lanka

SECONDARY MARKET OPERATIONS
TABLE 26
SECONDARY MARKET TRANSACTIONS AS REPORTED BY PRIMARY DEALERS (a) (b)

Rs million

	2014	2015	2016	2017	2018	2019	2020	2021 (c)
1. Outright Transactions	3,839,729	3,600,294	2,872,317	2,024,446	1,994,100	2,690,895	3,987,784	4,830,171
1.1. Treasury Bills								
Purchased	322,216	228,769	299,261	362,496	319,689	596,981	1,187,715	1,757,526
Sold	710,446	689,602	554,792	546,045	534,508	523,950	953,199	1,586,471
Total	1,032,662	918,371	854,053	908,541	854,197	1,120,931	2,140,914	3,343,997
1.2. Treasury Bonds								
Purchased	1,370,621	1,181,621	885,600	468,991	511,038	758,764	963,857	850,484
Sold	1,436,446	1,500,302	1,132,664	646,914	628,865	811,200	883,013	635,690
Total	2,807,067	2,681,923	2,018,264	1,115,905	1,139,903	1,569,964	1,846,870	1,486,174
2. Repurchase Transactions	8,223,558	11,763,524	18,095,909	13,611,491	12,138,303	10,206,918	7,276,219	5,281,085
2.1. Treasury Bills								
Repo	1,319,875	2,294,059	2,983,674	2,101,970	1,843,858	1,256,292	1,463,083	1,107,286
Reverse Repo	436,778	794,382	474,593	140,844	69,669	47,200	36,921	61,727
Total	1,756,653	3,088,441	3,458,267	2,242,814	1,913,527	1,303,492	1,500,004	1,169,013
2.2 Treasury bonds								
Repo	5,409,509	6,720,895	9,321,832	7,428,325	8,089,681	7,548,481	4,495,818	3,223,797
Reverse Repo	1,057,396	1,954,188	5,315,810	3,940,352	2,135,095	1,354,945	1,280,397	888,275
Total	6,466,905	8,675,083	14,637,642	11,368,677	10,224,776	8,903,426	5,776,215	4,112,072
3. Total Transactions	12,063,287	15,363,818	20,968,226	15,635,937	14,132,403	12,897,813	11,264,003	10,111,256

(a) Secondary market information is based on data provided by primary dealers in Government Securities

Source: Central Bank of Sri Lanka

(b) Trading volumes reported are cumulative for the period

(c) Provisional

SECONDARY MARKET OPERATIONS
TABLE 27
SECONDARY MARKET TRANSACTIONS RECORDED IN THE LANKASECURE (a)

Rs. million

	2017	2018	2019	2020	2021
1 Treasury bills					
1.1 Outright Purchases / Sales	1,030,508	1,050,041	895,740	1,383,460	2,391,254
1.2 Repo / Rev. Repo	10,370,688	7,493,917	8,824,859	13,367,479	11,186,638
Total	11,401,196	8,543,958	9,720,598	14,750,939	13,577,892
2 Treasury bonds					
2.1 Outright Purchases / Sales	3,603,279	5,395,664	6,518,022	3,045,360	4,429,061
2.2 Repo / Rev. Repo	33,571,531	31,184,585	23,303,763	18,333,787	32,407,700
Total	37,174,809	36,580,249	29,821,784	21,379,147	36,836,761
Total Transactions	48,576,005	45,124,207	39,542,382	36,130,085	50,414,653

(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

Source: Central Bank of Sri Lanka