

2014

Public Debt Management in Sri Lanka

Performance in 2014 and
Strategies for 2015 and beyond



Public Debt Department
Central Bank of Sri Lanka

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Abbreviations

ABMI	Asian Bond Market Initiatives	MTDS	Medium Term Debt Management Strategy
ADB	Asian Development Bank	NPV	Net Present Value
ATM	Average Time to Maturity	NSB	National Savings Bank
ATR	Average Time to Re-fixing	O/D	Over Draft facility
BCP	Business Continuity Plan	OBU	Off-shore Banking Unit
BPS	Basis Points	OED	Outstanding External Debt
CAR	Capital Adequacy Ratio	OTC	Over The Counter
CBSL	Central Bank of Sri Lanka	PDD	Public Debt Department
CCP	Central Counterparty	PD	Primary Dealer
CCPI	Colombo Consumer Price Index	PDU	Primary Dealer Unit
CDS	Central Depository System	PMWAYR	Primary Market Weighted Average Yield Rates
CIPC	Cash In Process of Collection	Repo	Repurchase
CPC	Ceylon Petroleum Corporation	ROA	Return on Assets
CSE	Colombo Stock Exchange	Road Map	'ROAD MAP: Monetary and Financial Sector Policies
CWE	Corporative Wholesale Establishment	ROE	Return On Equity
DDP	Dealer Direct Participant	RSSO	Registered Stocks and Securities Ordinance
DRS	Disaster Recovery Site	RTGS	Real Time Gross Settlement System
DVP	Delivery Versus Payment	RWCAF	Risk Weighted Capital Adequacy Framework
EPF	Employees' Provident Fund	RWCAR	Risk Weighted Capital Adequacy Ratio
ETF	Employees' Trust Fund	SDR	Special Drawing Right
E-Trading	Electronic Trading	SEC	Securities and Exchange Commission of Sri Lanka
Fitch	Fitch Ratings	SOE	State Owned Enterprise
GDP	Gross Domestic Product	S&P	Standard and Poor's
GNP	Gross National Product	SIA	Securities Investment Account
GOSL	Government of Sri Lanka	SLDB	Sri Lanka Development Bond
IDA	International Development Agency	SLIBOR	Sri Lanka Inter Bank Offered Rate
IDR	Issuer Default Rating	SPD	Superintendent of Public Debt
IMF	International Monetary Fund	SSSS	Scripless Securities Settlement System
INT	Interest Payment (External)		
ISB	International Sovereign Bond		
KPI	Key Performance Indicator		
LCB	Licensed Commercial Bank		
LIBOR	London Inter Bank Offered Rate		
LTBO	Local Treasury Bills Ordinance		
MLDS	Medium to Long-Term Debt Service		

T-bill	Treasury bill
T-bond	Treasury bond
TDS	Total External Debt Service Payments
WAYR	Weighted Average Yield Rate
WB	World Bank
XGS	Receipts in exports of goods and non- factor services including workers' remittances and compensation of employees.

KEY GOVERNMENT DEBT INDICATORS

	2008	2009	2010	2011	2012	2013 ^(a)	2014 ^(b)	
Borrowings								
Approved Gross Borrowing Limit (Rs.bn)	689.0	1050.0	980.0	997.0	1,139.0	1,302.5	1,478.0	
Actual Gross Borrowing (Rs.bn)	689.0	999.1	922.1	994.1	1,139.0	1,301.2	1,453.3	
Domestic Sources	559.4	643.3	594.2	671.3	656.7	952.5	1,006.3	
Foreign Sources	129.6	355.8	327.9	322.8	482.3	348.7	447.0	
Actual Net Borrowing (Rs.bn)	322.3	483.6	451.0	457.4	489.0	601.2	591.2	
Domestic Sources	314.3	242.6	201.3	233.4	286.5	456.5	378.7	
Foreign Sources	8.0	241.0	249.7	224.0	202.5	144.7	212.5	
Outstanding Debt								
Outstanding Government Debt (Rs.bn)	3,588.9	4,161.4	4,590.2	5,133.4	6,000.1	6,793.2	7,390.9	
Domestic Debt	2,140.2	2,400.9	2,565.6	2,804.1	3,232.8	3,832.8	4,277.8	
Foreign Debt	1,448.7	1,760.5	2,024.6	2,329.3	2,767.3	2,960.4	3,113.1	
Outstanding Debt (% of GDP)	81.37	86.25	81.93	78.46	79.15	78.32	75.54	
By Source								
Domestic Debt	48.52	49.86	45.83	42.86	42.64	44.19	43.72	
Foreign Debt	32.85	36.39	36.10	35.59	36.50	34.13	31.82	
By Currency								
Domestic	44.74	49.59	46.63	43.85	44.65	45.14	44.20	
Foreign	36.63	36.65	35.30	34.59	34.49	33.18	31.34	
ATM of Total Debt (Years)	n.a.	5.29	5.25	5.41	5.74	6.92	n.a.	
ATM of Domestic Debt (Years)	2.17	2.25	2.10	2.35	3.23	4.82	5.75	
Share of Domestic Debt in Total	59.63	57.70	55.89	54.62	53.88	56.42	57.88	
Outstanding Debt (%)								
Interest Cost								
Total Interest Cost (Rs.bn)	212.5	309.6	352.6	356.7	408.5	462.9	443.6	
Domestic Debt	182.2	273.9	297.1	288.1	317.7	354.7	327.9	
Foreign Debt	30.3	35.7	55.5	68.6	90.8	108.2	115.7	
Interest Cost/GDP ratio (%)	4.82	6.40	6.29	5.45	5.39	5.34	4.53	
Interest Cost/Government Revenue ratio (%)	32.43	44.27	43.14	38.16	41.35	40.69	37.11	
Yield Rates (Primary Market Annualized Weighted Average)								
T-bills	91 day	18.54	11.43	7.86	7.28	10.72	8.95	6.58
	182 day	18.45	12.18	8.42	7.21	12.29	9.91	6.57
	364 day	18.89	12.76	8.43	7.41	12.14	10.65	6.73
	Overall	18.59	12.25	8.32	7.31	11.81	10.45	6.68
Average T-bonds	2-year	18.95	16.32	9.46	7.77	11.30	11.02	n.a.
	4-year	17.87	14.29	9.65	8.23	11.58	n.a.	n.a.
	5-year	17.00	11.20	9.31	8.55	13.32	10.95	8.78
	10-year	-	13.39	9.59	9.15	14.00	11.80	10.00
	Overall	18.59	14.69	9.45	8.64	12.46	11.72	10.17
Foreign Investment in Government Securities								
Foreign Investments in T-bonds/Total T-bonds Stock (%)		1.36	8.75	10.04	9.88	9.91	10.83	9.82
Foreign Investments in T-bills/Total T-bills Stock(%)		1.55	8.39	10.02	10.61	11.31	9.55	7.40
n.a.: not available								

(a) Revised

(b) Provisional

KEY ECONOMIC INDICATORS

	2000	2008	2009	2010	2011	2012	2013 ^(a)	2014 ^(b)
DEMOGRAPHY								
Mid-year population ('000 persons)	19,102	20,217	20,450	20,653	20,869	20,328	20,483	20,675
Growth of population (per cent)	1.4	1.1	1.1	1.0	1.0	0.9	0.8	0.9
Population density (persons per sq.km.)	305	322	326	329	333	324	327	330
Labour force ('000 persons)	6,827	8,082	8,074	8,108	8,555	8,454	8,802	8,805
Unemployment rate (per cent of labour force)	7.6	5.4	5.8	4.9	4.2	4.0	4.4	4.3
OUTPUT								
GDP at current market prices (Rs. billion)	1,258	4,411	4,835	5,604	6,544	7,579	8,674	9,785
GNP at current market prices (Rs. billion)	1,233	4,306	4,779	5,534	6,472	7,424	8,448	9,545
Per capita GDP at market prices (Rs.)	68,102	218,167	236,445	271,346	313,542	372,814	423,484	473,261
Per capita GDP at market prices (USD)	899	2,014	2,057	2,400	2,836	2,922	3,280	3,625
REAL OUTPUT (percentage change)								
GNP	5.8	4.6	4.8	7.9	8.4	5.3	6.6	7.5
GDP	6.0	6.0	3.5	8	8.2	6.3	7.2	7.4
PRICES AND WAGES (percentage change)								
CCPI (2002 = 100) - annual average ^(c)	6.2	22.6	3.4	5.9	-	-	-	-
CCPI (2002 = 100) - year-on-year - end period	10.8	14.4	4.8	6.9	-	-	-	-
CCPI (2006/07 = 100) - annual average	-	-	3.5	6.2	6.7	7.6	6.9	3.3
CCPI (2006/07 = 100) - year-on-year - end period	-	-	5.0	6.8	4.9	9.2	4.7	2.1
Wholesale Price Index (1974 = 100) - annual average	1.7	24.9	-4.2	11.2	10.6	3.5	9.2	3.2
GDP deflator	6.7	16.3	5.9	7.3	7.9	8.9	6.7	5.1
EXTERNAL TRADE								
Trade balance (USD million)	-1,798	-5,981	-3,122	-4,825	-9,710	-9,417	-7,609	-8,287
Exports (USD million)	5,522	8,111	7,085	8,626	10,559	9,774	10,394	11,130
Imports (USD million)	7,320	14,091	10,207	13,451	20,269	19,190	18,003	19,417
EXTERNAL FINANCE								
Services and income account (net) (USD million)	-266	-571	-97	90	452	43	-572	41
Current account balance (USD million)	-1,066	-3,886	-214	-1,075	-4,615	-3,982	-2,541	-2,018
Overall balance (USD million)	-522	-1,385	2,725	921	-1,061	151	985	1,369
Current account balance (per cent of GDP)	-6.4	-9.5	-0.5	-2.2	-7.8	-6.7	-3.8	-2.7
Gross official reserves (months of same year imports)	1.7	2.0	6.3	6.4	4.0	4.4	5.0	5.1
Overall debt service ratio As a percentage of export of goods and services	14.7	18.0	22.4	16.7	12.7	19.7	23.5	20.2
Total external debt and liabilities (per cent of GDP)	61.0	43.7	49.7	50.1	55.3	62.5	59.4	57.4
EXCHANGE RATES								
Annual average Rs/USD	75.78	108.33	114.94	113.06	110.57	127.60	129.11	130.56
NEER (2010 = 100) (24 - currency basket)	-	100.07	99.85	100.00	99.84	90.44	91.39	91.99
REER (2010 = 100) (24 - currency basket)	-	95.19	97.36	100.00	101.84	95.80	100.61	101.94
Year end Rs/USD	80.06	113.14	114.38	110.95	113.90	127.16	130.75	131.05
GOVERNMENT FINANCE (per cent of GDP)								
Revenue	16.8	14.9	14.5	14.6	14.8	13.9	13.1	12.2
Expenditure and net lending	26.7	22.6	24.9	22.9	21.9	20.5	19.2	18.3
Primary deficit (-) / surplus (+)	-3.8	-2.2	-3.5	-1.7	-1.4	-1.1	-0.8	-1.6
Overall deficit (-) / surplus (+)	-9.5	-7.0	-9.9	-8.0	-6.9	-6.5	-5.9	-6.0
MONETARY AGGREGATES (year-on-year percentage change)								
Reserve money	4.7	1.5	13.1	18.8	21.9	10.2	0.9	18.3
Domestic credit from the banking system to Government (net)	56.8	55.8	9.9	-2.1	32.9	25.4	24.5	10.3
INTEREST RATES (per cent per annum at year end)								
Repurchase rate (overnight)	17.00	10.50	7.50	7.25	7.00	7.50	6.50	6.50
Reverse Repurchase rate (overnight)	20.00	12.00	9.75	9.00	8.50	9.50	8.50	8.00
Commercial banks' average weighted deposit rate	9.89	11.63	8.01	6.23	7.24	10.10	9.37	6.20
Commercial banks' 12 month fixed deposit rate (max.)	15.00	20.25	19.00	17.00	11.00	17.00	n.a.	n.a.
Commercial banks' average weighted lending rate	19.30	20.13	17.41	14.80	13.44	15.98	15.18	11.91

(a) Revised

(b) Provisional

(c) CCPI: Colombo Consumer Price Index

1. Highlights of 2014

1.1. Borrowing Limit and Strategy for 2014

- The gross borrowing limit of the Government of Sri Lanka (GOSL) for 2014, approved by the Parliament under the Appropriation Act No. 36 of 2013, was Rs. 1,478 billion, an increase of Rs. 175.5 billion against the 2013 gross borrowing limit.
- Out of the 2014 gross borrowing limit, Rs. 1,003.5 billion was expected to be raised from the domestic sources while the balance Rs. 474.5 billion was expected to be raised from foreign sources.
- On net basis, total borrowing limit for 2014 was estimated at Rs. 516.1 billion, with Rs. 229.3 billion from domestic sources and the balance of Rs. 286.8 billion from the foreign sources.

1.2. Actual Borrowing and Debt Level

- Actual gross borrowing was maintained within the approved annual borrowing limits for 2014.
- Total borrowing from domestic sources was favorably increased to 69.20 per cent against the planned 67.90 per cent.
- Total outstanding debt stock stood at Rs. 7,390.9 billion as at end of 2014 recording an increase of Rs. 597.7 billion (8.80 per cent) compared to the corresponding debt stock of Rs. 6,793.2 billion at the end of 2013.
- As a percentage of Gross Domestic Product (GDP), total outstanding debt stock decreased to 75.54 per cent at end 2014 from 78.32 per cent at end 2013. Within the debt stock, domestic debt to GDP ratio decreased to 43.72 per cent at end 2014 from 44.19 per cent at end 2013. The foreign debt to GDP ratio also decreased to 31.82 per cent from 34.13 per cent, for the same period.
- The share of domestic debt in total debt stock was 57.88 per cent while that of foreign debt was 42.12 per cent at the end of 2014, compared with 56.42 per cent and 43.58 per cent, respectively, at the end of 2013.
- Average Time to Maturity (ATM) of the domestic debt was lengthened to approximately 5.75 years by converting short term debt into low cost long term debt and for the first time lengthened the maturity period of T-Bonds up to 30 years in 2014.

1.3. Interest Cost on Public Debt

- Total interest cost on public debt decreased by 4.17 per cent in 2014 to Rs. 443.6 billion consisting of Rs. 327.9 billion on domestic debt and Rs. 115.7 billion on foreign debt.
- Interest cost, as a percentage of GDP, improved significantly to 4.53 per cent in 2014 from that of 5.34 per cent in 2013. Interest Cost as a percentage of Government Revenue, also improved during the year.

- Average cost of domestic borrowing through Treasury bills (T- bills) and Treasury bonds (T- bonds) recorded substantial decreases in 2014 to 6.68 per cent and 10.17 per cent, respectively, compared to 10.45 per cent and 11.72 per cent, respectively, in 2013.

1.4. Interest Rates and Yield

- Primary market yield rates for 91-day, 182-day and 364-day T-bills reduced by 180 bps, 201 bps and 228 bps, respectively, in 2014.
- During 2014, the secondary market yield rates for the medium to long term T-bonds decreased by around 100 to 220.
- The benchmark risk free yield curve was extended up to 30 years in 2014 with the issuance of 30 year T- bonds in 2014. The 30 year T-bond was auctioned in 2014 in line with strengthening secondary market activities for benchmark long term T-bonds, thereby creating sufficient space in managing annual borrowing requirement in coming years.
- Half-yearly T-bond Primary Auction Calendar was published in 2014.

1.5. Broadening the Investor Base

- Number of investors in government securities, as recorded in the Central Depository System (CDS) of LankaSecure increased by 2.92 per cent to 86,944 during 2014.
- As at 31 December 2014, the total investment by foreign investors and non-resident Sri Lankans in rupee denominated T-bills and T-bonds amounted to Rs. 55.5 billion and Rs. 401.7 billion, respectively, compared to Rs. 73.9 billion and Rs. 403.4 billion at end 2013. This drop in holdings resulted from a net outflow of Rs. 20.1 billion in foreign investment during the year 2014.
- Total value of issuances of Sri Lanka Development Bonds (SLDBs) in 2014 amounted to USD 731.5 million against the maturing amount of USD 521.0 million.

1.6. Infrastructure Developments

- Initiated a mechanism of sending periodic customer statements in the electronic form through e-mail in place of printed statements for account holders who opted for such facility with a view to enhance the safety of investors in government securities. Accordingly, PDD sent 1,786 e-statements from April to December 2014.
- With a view to develop the domestic debt market, measures have been taken to establish an electronic trading facility and a Central Counterparty arrangement for trading and net clearing and settlement of domestic financial market transactions including government securities transactions.
- As a measure to promote the secondary market for Sri Lanka Development Bonds measures have been taken to introduce a multi-currency functionality into LankaSettle System to facilitate scrip less trading, electronic recording and transferring of legal ownership of such Bonds denominated in United States Dollars.

1.7. Market Development Activities

- Conducted 02 public seminars for investors at provincial level, participated in on-site promotion activities and 3 TV programmes during the year to educate general public on investments in government debt securities.
- The investor awareness programmes and investor meetings to inform the recent economic developments and prospects of the Sri Lankan economy continued in 2014.

1.8. Primary Dealer System

- The overall financial performance of PDs in terms of growth in capital funds, liquidity and profitability demonstrated an improvement at end 2014 compared to the corresponding position at end 2013.
- PDs reliance on repo borrowing to finance the portfolio of government securities continued in 2014. However, total borrowing by PDs under repo agreements decreased by 6.00 per cent to Rs. 118.8 billion as at end 2014 from Rs. 126.4 billion as at end 2013.
- Total capital funds of Standalone PDs increased significantly by 43.73 per cent to Rs. 9.5 billion as at end 2014 from Rs. 6.6 billion as at end 2013 due to increase in accumulated retained earnings.
- Key prudential indicators such as Risk Weighted Capital Adequacy Ratio (RWCAR) and Leverage Times of Standalone PDs maintained well above the prescribed prudent levels in 2014.
- Profitability measured in terms of Return on Assets (ROA) of the PD industry and Return on Equity (ROE) of Standalone PDs increased to 4.27 per cent and 44.07 per cent, respectively, in 2014 from 4.04 per cent and 28.40 per cent, respectively, in 2013, mainly due to marked-to-market gains and realized capital gains in the PD industry.
- Secondary market transactions, dominated by repo transactions in government securities (68.17 per cent), decreased to Rs. 12,063.3 billion in 2014 from Rs. 12,305.6 billion in 2013.
- Exposure to market risk in the government securities market decreased in 2014 due to the decline in market yield rates throughout the year.
- The overnight negative mismatch of the maturity profile of assets and liabilities of the Industry narrowed significantly to Rs. 23.3 million in 2014 compared to Rs. 7,379.5 million in 2013. As a result, liquidity risk profile of the Industry improved very significantly.
- PD industry was further strengthened by appointing a new PD, namely, Union Bank of Colombo PLC. Thus the total number of PDs increased to 16 at end 2014.
- CBSL introduced several new initiatives in 2014 to develop and secure the government securities market while facilitating and setting the benchmark for overall advancement of debt securities market in the country.

2. Public Debt Management in 2014

Overview

The focus of public debt management in 2014 was centered on managing the borrowing cost at a level conducive compared against the borrowing cost of 2013 and to phase-off amortization payments falling due across the medium term. In this endeavor, the Average Time to Maturity (ATM) of domestic public debt portfolio was successfully extended by lengthening the issuance ATM while the cost of debt contracted was also brought down by employing appropriate issuance and instrument mix strategies throughout 2014.

Tapping the international market with the issuance of International Sovereign Bonds (ISBs) twice in January and April 2014 for amounts of USD 1,000 million and USD 500 million, respectively, enabled managing the domestic debt issuance programme with greater flexibility in the first half of the year. Further, the strategies to lengthen and activate the longer end of the yield curve up to 30 years with continued issuances of medium to long term T-bonds enabled converting part of maturing short term government securities to spread out debt service payment across the medium term took prominence in 2014. In addition, strategic issuance of SLDBs at times of conducive market conditions positively contributed to manage both cost and risk objectives of public debt management. As a result,

considerable saving on the interest cost was achieved in 2014 compared against the interest cost in 2013. The reduction in debt service payments together with the extension of the maturity profile of the public debt portfolio propelled considerable improvements in the country's public debt profile. The increased interest of foreign investors up to the first three quarters by rolling over the maturities and new investments in long term government securities also contributed to sustain the low and stable interest rate structure across all maturities in 2014 despite some reversal in foreign investor preference in the last quarter.

2.1. Targets and Strategies for Government Borrowings

The gross borrowing limit of the government for 2014 approved by the Parliament under the Appropriation Act No. 36 of 2013 was Rs. 1,278.0 billion, including Rs. 140.0 billion for contingent provisions. This was subsequently increased by Rs. 200.0 billion to Rs. 1,478.0 billion recording an increase of Rs. 175.5 billion (13.47 per cent) compared to Rs. 1,302.5 billion gross borrowing limit for 2013. The annual borrowing programme for 2015

TABLE 1
GOVERNMENT BORROWINGS IN 2014 ^(a)

	Original Plan ^(b)		Actual ^(c)	
	Rs. billion	%	Rs. billion	%
Net Borrowing				
Domestic	229.3	44.43	378.7	64.05
Foreign	286.8	55.57	212.5	35.95
Total	516.1	100.00	591.2	100.00
Gross Borrowing by Instrument				
Domestic	1003.5	67.90	1006.3	69.24
T-bonds	828.6	56.06	822.4	56.59
T-bills	40.0	2.71	26.3	1.81
SLDBs	98.1	6.63	95.5	6.57
CBSL advances	36.8	2.49	34.7	2.39
Domestic banks and other sources	0.0	0.00	27.5	1.89
Foreign	474.5	32.10	447.0	30.76
Project/Programme Loans ^{(d) (e)}	234.0	15.83	195.2	13.43
Commercial Loan ^(f)	240.5	16.27	251.8	17.32
International Bond	0.0	0.00	0.0	0.00
T-Bonds	0.0	0.00	168.0	11.37
T-Bills	0.0	0.00	0.0	0.00
Total	1478.0	100.00	1453.3	100.00

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

(a) Book Value.

(b) Net borrowings as per Budget 2014.

(c) Provisional.

(d) Includes foreign receipts of Rs.60,780.1 million received in 2013 which has been postponed to 2014 since there were no approved allocations in 2013 and Excludes foreign receipts of Rs.37,349.7 million received in 2014 which has been postponed to 2015 since there were no approved allocations in 2014.

(e) Excludes receipts of projects under State Owned Business Enterprises.

(f) Includes Treasury bonds, Treasury bills (net) issued to non-residents, International Sovereign bonds and non-project loans.

proposed Rs. 1,003.5 billion to be raised from domestic sources and the balance of Rs. 474.5 billion from the foreign sources.. The total net financing requirement for 2014 was estimated at Rs. 516.1 billion of which, Rs. 229.3 billion was expected from domestic sources while the balance Rs. 286.8 billion was to be financed from foreign sources.

In line with the Medium Term Debt Management Strategy (MTDS) for 2014-2018, the borrowing plan and related strategies for 2014 were aimed at further strengthening the public debt dynamics over the medium term. Accordingly, key objectives of the borrowing strategy for 2014 envisaged to mobilise funds at the lowest possible cost, enhancing the ATM of the debt portfolio, further reducing the share of short-term domestic

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

Accordingly, the 2014 borrowing programme envisaged to raise about 67.90 per cent of the gross borrowing requirement from the domestic market compared to 70.56 per cent in 2013. The 62.69 per cent of the planned domestic borrowings was expected to be raised through issuing long term instruments, T-bonds (56.06 per cent) and SLDBs (6.63 per cent). The reliance the domestic short-term borrowings, mainly through T-bills and advances from CBSL, was intended to be limited to less than 4.50 per cent of the gross borrowing requirement of 2014.

The total financing from foreign sources in the 2014 gross borrowing programme increased to

Rs. 474.5 billion (32.10 per cent) compared to Rs. 383.4 billion (29.44 per cent) in 2013. This included Rs. 234.0 billion (15.83 per cent) in the form of project related loans. The total of non-concessional commercial borrowing from foreign sources of Rs. 240.5 billion (16.27 per cent) in 2014 consisted of foreign investments in T-bonds and T-bills and International Sovereign Bonds (ISBs).

The actual gross borrowing in 2014 was maintained within the approved borrowing limit. The composition of the actual borrowing for 2014, however, deviated from the original plan based on market conditions. Accordingly, total gross borrowing from domestic sources was favourably increased to 69.20 per cent against the planned 67.90 per cent while actual gross borrowing from foreign sources marginally decreased to 30.80 per cent against the planned

TABLE 2
T-BILLS PRIMARY AUCTION YIELD RATES AND T-BILLS COMPOSITE RATE - 2014

Year	Month	Weighted Average Yield Rates on T-Bills (Net of Tax)			
		(Per cent per annum)			
		91 day	182 day	364 day	Composite Rate
2013	December	7.68	8.27	8.75	8.64
	Total	8.95	9.91	10.65	10.45
2014	January	6.89	7.08	7.41	7.23
	February	6.76	6.90	7.09	6.98
	March	6.67	6.86	7.06	6.99
	April	6.62	6.79	7.03	6.89
	May	6.57	6.76	7.02	6.94
	June	6.53	6.72	7.00	6.95
	July	6.47	6.62	6.82	6.79
	August	6.28	6.36	6.41	6.40
	September	6.16	6.26	6.05	6.13
	October	0.00	0.00	6.00	6.00
	November	0.00	5.84	6.00	5.93
	December	5.74	5.84	5.99	5.92
	Total	6.58	6.57	6.73	6.68

Source: Central Bank of Sri Lanka

32.10 per cent. These deviations were propelled by favourable domestic market conditions, including that of the lower interest rates and high level of market liquidity prevailed mainly during second half of 2014. The funds raised through issuance of T-bonds to domestic investors was Rs. 822.4 billion as the demand for T-bonds increased due to the declining yield rates in line with developments in macroeconomic variables. Further, the demand for T-bonds by foreign investors also increased during 2014 due to enhanced investor confidence with the successful issuance of two ISBs during the year. Accordingly, foreign investments in ISBs and T-bonds increased to Rs. 251.8 billion in excess of the planned Rs. 240.5 billion. The above favourable developments not only helped to negate the pressure on domestic yield rates and thereby reducing the overall borrowing cost of the government in 2014 but also enabled to lengthen the ATM of the overall debt portfolio. As a result, the actual reliance on short- term borrowings such as T-bills, advances from CBSL and bank over drafts, was limited to 5.20 per cent of the total gross borrowing requirement as envisaged in the Medium Term Debt Management Strategy (MTDS). This development helped to reduce refinance risks associated with the public debt portfolio.

The primary market WAYR of T-bills continued to decline throughout 2014 for all maturities. During 2014, the monthly Weighted Average Yield Rates (WAYR) of 91 day, 182 day and 364 day T-bills decreased by 237 bps, 334 bps and 392 bps, respectively. The annualized composite yield rate of T-bills also decreased by 272 bps to 5.92 per cent at end 2014 from 8.64 per cent at end 2013.

The spread between 91 day and 364 day T-bills narrowed down to 25 bps at end 2014 compared to 107 bps prevailed at end 2013.

The declining trend in T-bill yield rates also reflected in the T-bond primary market. The annualized composite yield rate of T-bonds declined by 155 bps to 10.17 per cent at end 2014 compared to 11.72 per cent in 2013. The decline in government securities yield rates could be attributed to debt management strategies implemented in 2014.

In the Sovereign Rating front, Sri Lanka was able to maintain its Sovereign rating unchanged in 2014 despite the unfavourable global economic conditions and associated volatility of Sovereign rating downgrades of number of advanced and emerging market economies. Considering the strong policy measures taken by the government and CBSL to ensure price and economic stability

TABLE 3
INCREASE IN OUTSTANDING GOVERNMENT DEBT

Description	Rs. billion		
	2012	2013	2014 ^(a)
Net Borrowing	489.0	601.2	591.2
Effect of Parity variance	127.2	-19.0	-89.3
Discount Effect	165.1	159.7	-98.6
Other	85.4	51.3	987.4
Total Increase	866.7	793.1	1,390.8

(a) Provisional

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

and the financial system stability, improving macroeconomic indicators, improving external liquidity position and unblemished track record in debt servicing, three credit rating agencies, namely Standard & Poor's (S&P), Fitch Ratings (Fitch) and Moody's Investor Services (Moody's) rated Sri Lanka with the following rating credentials. (a) On July 2014, S&P Ratings Services affirmed its 'B+' long-term and 'B' short-term sovereign credit ratings on Democratic

Socialist Republic of Sri Lanka. The outlook on the long-term rating was Stable. (b) Fitch affirmed Sri Lanka's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB-' with the Stable rating outlook. The agency also affirmed the Country Ceiling at 'BB-' and the Short-Term Foreign-Currency IDR at 'B'. (c) On July 23, 2014, Moody's affirmed Sri Lanka's B1 sovereign bond rating with the Stable outlook.

TABLE 4

KEY DEBT INDICATORS – END 2014

Description	2012	2013	2014 ^(a)
Debt/GDP ratio (%) ^(b)	68.71	70.82	71.81
Government Budget Deficit/GDP (%)	6.45	5.90	5.7 ^(c)
Interest Cost/GDP ratio (%) ^(b)	4.68	4.83	4.53
Interest Cost/Government Revenue ratio (%)	38.85	40.69	30.86
ATM of Domestic Debt (Years)	3.23	4.82	5.75
ATM of Total Debt (Years)	5.74	6.47 ^(b)	6.64
Share of Foreign currency debt to Total Debt (%)	43.58	42.37	41.57

(a) Provisional.

(b) Revised

(c) Base year = 2010

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

TABLE 5

OUTSTANDING GOVERNMENT DEBT (AS AT END OF YEAR)

	2012 ^(a)	2013	2014 ^(b)
Outstanding Debt (Rs. billion) - By Source			
Domestic	3,232.8	3,832.8	4,277.8
Foreign ^(c)	2,767.3	2,960.4	3,113.1
Total	6,000.1	6,793.2	7,390.9
Outstanding Debt (Rs. billion) - By Currency			
Domestic	3,385.3	3,915.2	4,318.7
Foreign ^(c)	2,614.8	2,878.0	3,072.2
Total	6,000.1	6,793.2	7,390.9
Outstanding Debt (% of GDP) - By Source			
Domestic	42.64	44.19	43.72
Foreign ^(c)	36.50	34.13	31.82
Total	79.14	78.32	75.54
Outstanding Debt (% of GDP) - By Currency			
Domestic	44.65	45.14	44.14
Foreign ^(c)	34.49	33.18	31.40
Total	79.14	78.32	75.54

(a) Revised.

(b) Provisional.

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

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

Foreign investor preference for medium to long-term T-bonds declined in 2014. The foreign investments in T-bonds in 2014 amounted to Rs. 70.27 billion (4.75 per cent of total gross borrowing) compared to original estimate of Rs. 110.50 billion, as the demand shifted to International Sovereign Bonds (ISBs) amounting to Rs. 195.96 bn against the original estimate of Rs. 130.00 bn signaling strong and continuous

foreign investor preference for Sri Lanka government securities. Accordingly, the total investments by foreigners in T-bills and T-bonds amounted to Rs. 457.2 billion at end 2014. The funds raised through concessional foreign borrowings and project/ programme loans were maintained within the overall borrowing programme of the government.

TABLE 6
CHANGE OF DEBT IN RUPEE TERMS DUE TO MOVEMENT IN EXCHANGE RATES

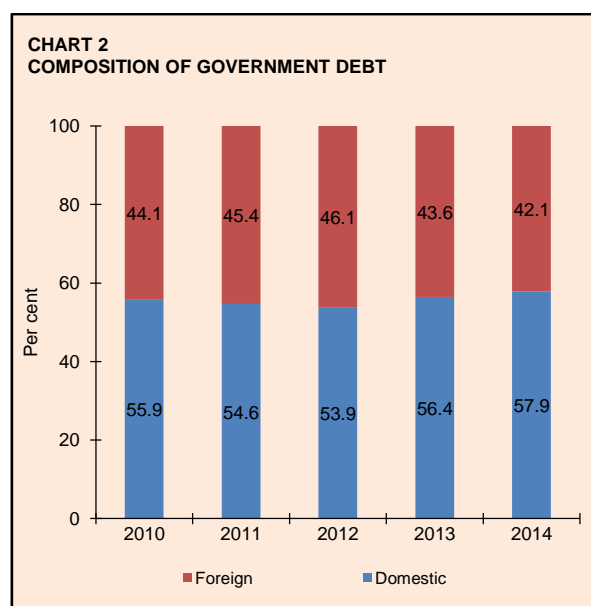
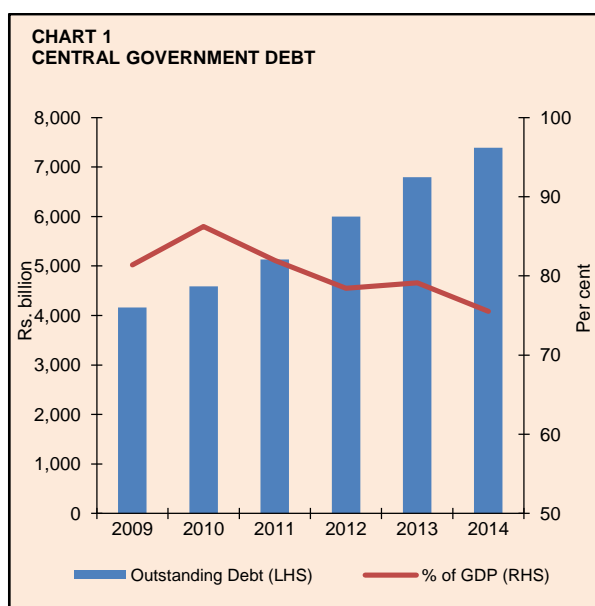
Currency	2012	2013	2014
Special Drawing Rights	70.6	8.2	-32.1
Japanese Yen	4.8	-87.1	-55.7
US Dollar	21.1	39.6	289.9
Euro	20.5	11.2	-22.9
Other	10.2	9.1	-26.5
Total	127.2	-19.0	152.7

Rs. billion

Memo: End Year Exchange Rates (Sri Lanka Rupees per Unit of Foreign Currency)	2012	2013	2014
Special Drawing Rights	195.31	201.36	189.86
Japanese Yen	1.48	1.25	1.10
US Dollar	127.16	130.75	131.05
Euro	168.13	180.45	159.42

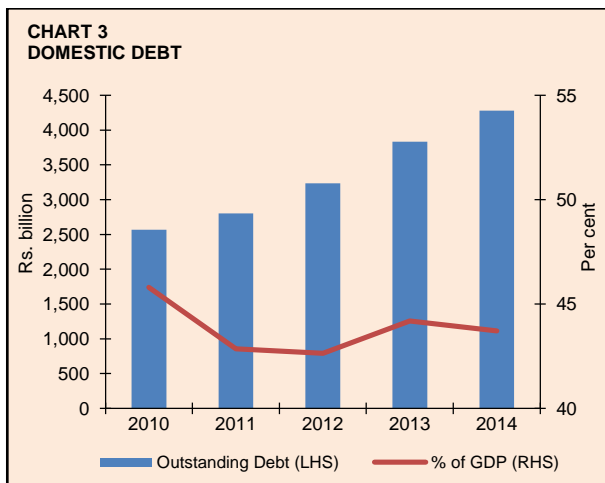
(a) Provisional.

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



2.2. Debt Level

The total government debt as at end 2014 stood at Rs. 7,390.9 billion. This was an increase of Rs. 597.7 billion (8.80 per cent) over the previous year end position of Rs. 6,793.2 billion. Of this increase, Rs. 591.2 billion was due to the increase in net borrowings. The balance increase was mainly due to the discount effect of issuance of discounted T-bonds and T-bills. The appreciation of the rupee had a positive impact on the foreign currency denominated debt stock in 2013 and the resultant reduction in rupee value of foreign debt due to the appreciation of rupee amounted to Rs. 89.3 billion, while



In line with the MTDS targets, the Debt to GDP ratio, a key debt sustainability indicator, further improved to 75.54 per cent in 2014 from 78.32 per cent at end 2013. All other key debt indicators, which are given in Table 4, also showed improvements in 2014 compared to the previous year. The improvement of such ratios reflects the continuing improvement in debt sustainability of the country.

By end 2014, the domestic debt increased by Rs. 445.0 billion (11.61 per cent) to Rs. 4,277.8 billion from Rs. 3,832.8 billion as at end 2013,

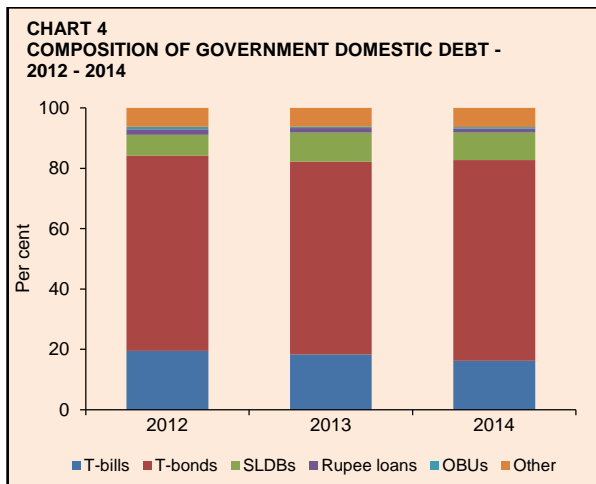
the foreign debt increased only by Rs. 152.7 billion (5.16 per cent) to Rs. 3,113.1 billion at end 2014 from Rs. 2,960.4 billion, at end 2013. The domestic currency debt stock increased by Rs. 403.5 billion (10.31 per cent) to Rs. 4,318.7 billion at end 2014, compared to Rs. 3,915.2 billion at end 2013. The rupee value of foreign currency denominated government debt stock increased by Rs. 194.2 billion (6.75 per cent) to Rs. 3,072.2 billion at end 2014 compared to Rs. 2,878.0 billion at end 2013.

2.3. The Structure of the Public Debt Portfolio

2.3.1. Domestic Debt

The total domestic debt stock of the government increased by, Rs. 445.0 billion in 2014 to Rs. 4,277.8 billion. As a result, the share of total domestic debt in total government debt increased to 57.88 per cent compared to 56.42 per cent at end 2013 as envisaged in the MTDS. The total domestic debt as a percentage of GDP decreased to 43.72 per cent at end 2014 from 44.19 per cent at end 2013 and total foreign debt as a percentage of GDP decreased to 31.82 per cent at end 2014 from 34.13 per cent at end 2013. The reduction in foreign debt as a percentage of GDP was another positive development in debt management envisaged in the MTDS.

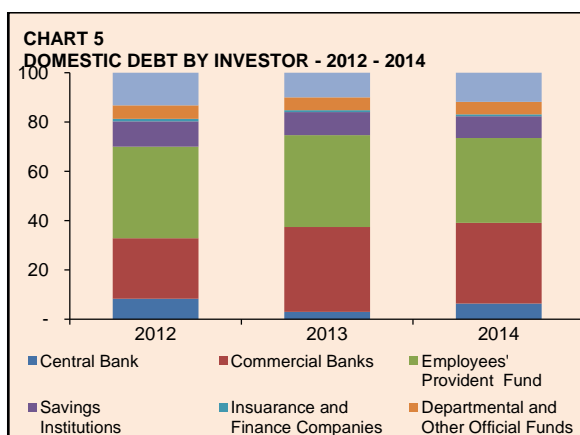
In line with the debt strategy for 2014, CBSL took action to mobilize funds only through medium to long term tradable government securities. As a result, there was no new Rupee Loans issued in 2014. As no outstanding Rupee Loans were settled during the year 2014, the Rupee Loan stock remained at Rs. 55.5 billion



(1.30 per cent of the total domestic debt stock) at end 2014.

2.3.2. Composition of Domestic Debt

The total non-tradable debt consisting of Rupee Loans, borrowings from Offshore Banking Units (OBUs), CBSL advances and borrowing from two state banks, as a percentage of total domestic debt, remained approximately at levels of 8.13 per cent at end 2014 compared to 8.12 per cent at end 2013. The share of total tradable government securities in the total domestic debt stock stood at 91.87 per cent at end 2014 compared to 91.88 per cent at end 2013. The foreign currency denominated domestic debt stock as a percentage of total domestic debt stock decreased to 9.60 per cent at end 2014 from 10.08 per cent at end 2013.

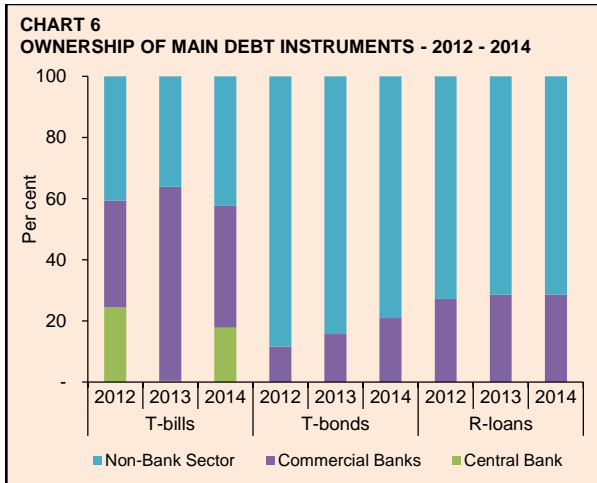


2.3.3. Domestic Debt by Investor Base

Non-bank sector consisting of Employees Provident Fund (EPF) and National Savings Bank (NSB), Insurance companies, and other official funds, continued to be the major holders of domestic debt of the government and held Rs. 2,607.9 billion (60.96 per cent) of the total domestic debt at end 2014 compared to Rs. 2,399.1 billion (62.60 per cent) at end 2013. Even though the face value of domestic debt held by non-bank sector increased from Rs. 2,399.1 billion at end 2013 to Rs. 2,607.9 billion at end 2014, the relative share decreased to 60.96 per cent from 62.60 per cent as a result of increase of such debt holdings by Licensed Commercial Banks (LCBs). The face value of domestic debt held by LCBs increased by Rs. 80.8 billion in 2014.

2.3.4. Banking Sector and Non-bank Sector

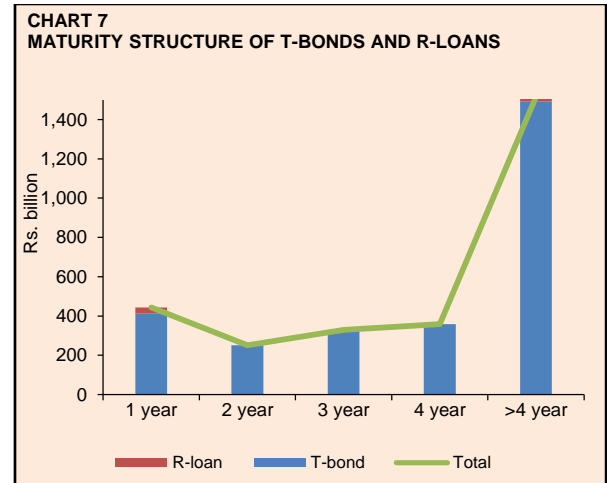
Banking sector (consisting of LCBs and CBSL) investments in domestic debt instruments of the government increased by Rs. 236.1 billion (16.47 per cent) to Rs. 1,669.9 billion at end 2014 compared to Rs. 1,433.8 billion held at end 2013, due to Rs. 80.8 billion incremental investments by LCBs in government securities and increase in T-bills held by CBSL Rs. 123.5 billion at end 2014 from Rs. 3.1 billion held at end 2013. The amount of domestic debt held by LCBs increased to Rs. 1,402.2 billion (32.78 per cent) from that of Rs. 1,321.4 billion for the same period. LCB's holding of T-bills decreased by Rs. 165.7 billion to Rs. 278.3 billion and T-bonds increased by Rs. 208.7 billion to Rs. 595.1 billion, in 2014. The holdings of SLDBs by LCBs increased by



Rs. 21.9 billion (5.92 per cent) to Rs. 391.1 billion at end 2014 from Rs. 369.2 billion held at end 2013.

The structure of domestic debt portfolio shifted to long and medium term debt from short-term debt consequent to the instrument and issuance strategies practiced by CBSL in 2014.

Accordingly, CBSL was able to reduce short term debt as a percentage of domestic debt to 22.00 per cent at end 2014 compared to 23.70 per cent at end 2013. This was the result of the strategy of issuing medium to long term T-bonds and SLDBs to meet the borrowing requirement in 2014. The ATM of T-bonds increased to 6.98 years at end 2014 compared to 5.97 years at end 2013. Further, due to relatively low issue of T-bills in 2014, ATM of T-bills decreased marginally to 0.41 years in 2014 from that of 0.45 years in 2013. With the substantial increase in ATM of T-bonds, ATM of domestic currency debt portfolio increased significantly to 5.75 years at end 2014 compared to 4.82 years at end 2013 enabling to reduce the refinance and rollover risk of the domestic debt portfolio. The ATM of Rupee Loans decreased to 3.67 years at end 2014 from that of 4.67 years in 2013 mainly



due to maturities and non-issuance of new Rupee Loans during the year.

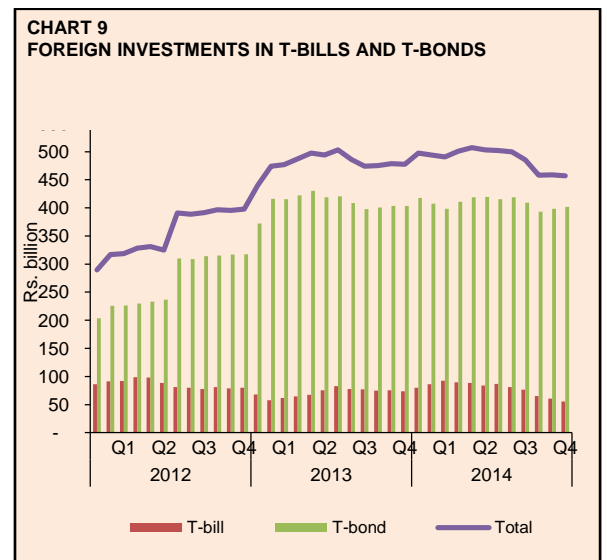
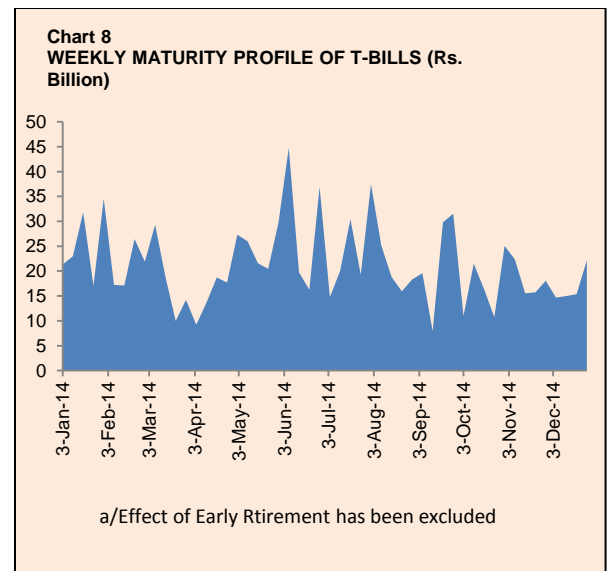


TABLE 7

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)		
	2012	2013	2014	2012	2013	2014
T-bills	0.37	0.45	0.41	0.38	0.45	0.41
T-bonds	2.44	3.61	6.25	3.99	5.97	6.98
Rupee loans	3.67	3.10	2.42	5.41	4.67	3.67
Overall	1.89	2.94	6.16	3.23	4.82	5.75

(a) Weighted average maturity of the cash flows.

Sources: Central Bank of Sri Lanka

TABLE 8.1

COMPOSITION OF FOREIGN DEBT

Category	2013		2014 ^(a)	
	Total Equivalent Amount in Rupees billion	%	Total Equivalent Amount in Rupees billion	%
Concessional	1,492.8	42.77	1,491.0	47.89
Bilateral	549.5	18.56	786.9	25.28
Multilateral	716.8	24.21	704.0	22.62
Commercial	1,467.6	49.57	1,622.1	52.11
Sovereign Bonds	457.6	15.46	655.2	21.05
Bilateral	273.7	9.25	273.7	8.79
Multilateral	186.7	6.31	183.9	5.91
Foreign Holdings in T-bills and T-bonds	477.4	16.13	457.2	14.69
Other	72.1	2.43	52.0	1.67
Total	2960.4	92.35	3113.1	100.00

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

(a) Provisional.

TABLE 8.2

COMPOSITION OF FOREIGN DEBT

Category	2013 ^(a)		2014 ^(b)	
	Total Equivalent Amount in Rupees billion	%	Total Equivalent Amount in Rupees billion	%
Bilateral	823.2	27.81	1060.7	34.07
Multilateral	903.5	30.52	888.0	28.52
Sovereign Bonds	457.6	15.46	655.2	21.05
Foreign Holdings in T-bills and T-bonds	477.4	16.13	457.2	14.69
Other	298.7	10.09	52.0	1.67
Total	2960.4	100.0	3113.1	100.0

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

(a) Revised.

(b) Provisional.

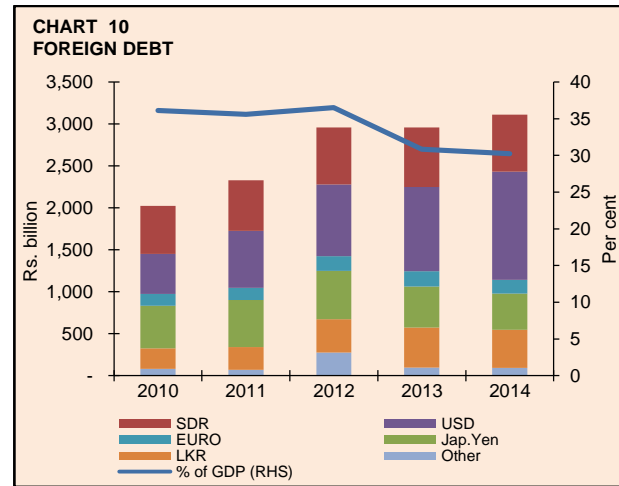
2.3.6. Foreign Debt

The rupee value of the foreign debt stock increased during the year while the foreign debt to GDP ratio contracted in 2014. The rupee value of total foreign debt stock amounted to Rs. 3,113.1 billion at end 2014, with an increase of Rs. 152.7 billion (5.16 per cent) compared to the Rs. 2,960.4 billion held at end 2013. Despite the increase in the volume of foreign debt stock, total outstanding foreign debt stock as a percentage of GDP decreased to 31.82 per cent at end 2014 from 34.13 per cent in 2013. The decrease was mainly due to higher growth rate of nominal GDP than the foreign debt stock and favourable parity adjustment owing to the appreciation of the rupee against Japanese yen (11.88 per cent) and Indian rupee (2.09 per cent). The net contribution from positive parity adjustment to the decline in foreign debt stock amounted to Rs. 19.0 billion in 2013.

2.3.7. Composition of Foreign Debt

Total rupee equivalent of foreign debt raised through concessional and commercial sources stood at Rs 1,491.0 billion (47.89 per cent) and Rs. 1,164.5 billion (37.41 per cent), respectively, at end 2014 in comparison to Rs 1,492.8 billion (50.43 per cent) and Rs 1,007.1 billion (34.02 per cent), respectively, at end 2013.

Total amount of funds raised through project loans for projects and programmes representing 61.18 per cent of total foreign debt decreased by Rs. 34.3 billion (1.77 per cent) to Rs. 1,904.6 billion at end 2014, while the concessional loans decreased by Rs. 1.8 billion to Rs. 1,491.0 billion at end 2014.



Accordingly, the relative share of concessional loans in the total foreign debt stock decreased to 47.89 per cent as at end 2014 from 50.43 per cent at end 2013, while the share of commercial and other non-concessional loans increased to 62.68 per cent at end 2014 from 60.23 per cent in 2013. Total bilateral loans amounted to Rs. 786.9 billion at end 2014 and constituted 25.28 per cent of total foreign debt while the share of total multi-lateral loans amounted to Rs. 704.0 billion in the total foreign debt and constituted 22.61 per cent. Total of the commercial loans amounted to Rs. 1,164.5 billion (37.41 per cent) of the total foreign loans including Export Credits of Rs. 298.7 billion and ISBs of Rs. 655.2 billion at end 2014.

2.3.8. Currency Composition of Foreign Debt

The total foreign debt at end 2014 comprised 97.06 per cent in 5 major currencies viz, USD, SDR, Japanese Yen, Sri Lankan rupee and Euro. During 2014, the share of Japanese Yen, SDR and Euro denominated foreign debt declined while USD denominated foreign debt increased. This was partly due to the appreciation of Sri Lankan rupee against Japanese Yen, SDR and Euro by 11.88 per cent, 11.65 per cent and 10.18 per cent, respectively

TABLE 9
MATURITY, GRANT ELEMENT & INTEREST RATES OF EXTERNAL DEBT 2014

Category	Grace Period (Yrs)	Repayment Period (Yrs)	Grant Element (%)	Avg. Interest Rates ^(a) (% p.a.)
Bilateral	0 - 21	6 - 40	0 - 100	2.18
Multilateral	0 - 18	5- 50	0 - 100	0.87
Commercial	4 - 11	0 - 20	0 - 34	7.52
Export Credit	1 - 13	1 - 21	(12) - 100	3.13
Average				2.81

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

(a) Interest paid in 2014/Disbursed outstanding debt as at end 2013.

in 2014. Meanwhile, external debt denominated in Sri Lankan rupee decreased to 14.69 per cent at end 2014 from 16.13 per cent in 2013 due to decrease in foreign holdings of T-bills and T-bonds.

2.3.9. Duration of Foreign Debt

The ATM of external debt decreased to 8.48 years at end 2014 from 9.78 years at end 2013. Meanwhile the duration of foreign currency loans decreased by 0.23 years to 6.52 years at end 2014 from 6.75 years in 2013.

2.3.10. Usage of Foreign Debt

The debt raised through external sources was used for the development of economic, d bridges (12.10 per cent) and ground

social and administrative services in the country while substantial investment has been made for enhancing the capacity and productivity of the economy. Out of the total outstanding external debt, 50.65 per cent had been utilized for the development of economic services, 10.35 per cent for development of social services, 2.25 per cent for import of commodities and the balance for the improvement of administrative and other activities of the economy. A share of 20.38 per cent of total external debt was used for the development of transportation system of the country including roads and bridges (12.10 per cent) and ground transport (8.28 per cent) while 3.06 per cent of the total external debts was utilized for the port and air transportation

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

Currency	2012	2013	Per cent 2014 ^(a)
US Dollar	30.85	33.85	41.50
Special Drawing Rights	24.68	24.05	21.84
Japanese Yen	20.79	16.39	13.80
Sri Lanka Rupee ^(b)	14.37	16.13	14.69
Euro	6.31	6.27	5.23
Other	3.00	3.31	2.94
Total	100.00	100.00	100.00
Memo: Total External Debt (Rs.billion)	2,767.3	2,960.4	3,113.1

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

(a) Provisional.

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

TABLE 11

USE OF EXTERNAL DEBT BY MAJOR SECTORS ^(a)

Rs. billion

Economic Sector ^(b)	2013		2014 ^(c)	
	Amount	%	Amount	%
1. Economic Services	1,609.5	54.37	1,576.9	50.65
1.1 Agricultural Development	176.8	5.97	166.7	5.35
Agriculture	48.3	1.63	44.4	1.43
Fishing	10.3	0.35	9.2	0.30
Forestry	6.6	0.22	6.3	0.20
Plantation	34.9	1.18	32.6	1.05
Irrigation & Related Activities	71.9	2.43	67.8	2.18
Livestock Development	4.8	0.16	6.4	0.20
1.2 Industrial/Construction	791.9	26.75	806.5	25.91
Energy	254.9	8.61	236.2	7.59
Water Supply	165.4	5.59	162.2	5.21
Industrial Development	31.6	1.07	29.2	0.94
Roads and Bridges	337.7	11.41	376.7	12.10
Other Construction	2.4	0.08	2.2	0.07
1.3 Service Sector	476.8	16.11	455.3	14.63
Telecommunications	31.3	1.06	25.8	0.83
Ports & Shipping	95.0	3.21	79.7	2.56
Ground Transport	245.6	8.30	257.7	8.28
Air Transport	17.7	0.60	15.6	0.50
Finance, Insurance, etc.	85.0	2.87	74.8	2.40
Trade	2.1	0.07	1.7	0.06
1.4 Other Economic Services	163.9	5.54	148.4	4.77
Land Development	0.6	0.02	0.6	0.02
Management & Institutional Development	15.9	0.54	15.7	0.50
Information Technology Development	10.3	0.35	9.7	0.31
Private Sector Development	68.7	2.32	58.2	1.87
Rural Development	67.0	2.26	62.0	1.99
Science & Technology	1.5	0.05	2.2	0.07
2. Social Services	320.6	10.83	322.1	10.35

Education & Training	73.1	2.47	77.3	2.48
Health & Social Welfare	33.1	1.12	39.1	1.25
Environment	36.5	1.23	31.7	1.02
Housing & Urban Development	39.3	1.33	38.9	1.25
Labour & Vocational Training	7.0	0.24	8.8	0.28
Media	0.1	0.00	0.1	0.00
Rehabilitation	70.6	2.39	73.0	2.35
Sewerage	3.7	0.13	3.3	0.11
Tsunami Rehabilitation	57.2	1.93	50.0	1.61
3. Commodities & Food	61.6	2.08	70.0	2.25
Commodities	37.8	1.28	48.5	1.56
Food	23.8	0.80	21.5	0.69
4. Other Activities	968.7	32.72	1,144.1	36.75
Total Outstanding Debt	2,960.4	100.00	3,113.1	100.00

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

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

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

(c) Provisional.

3. Servicing of Public Debt in 2014

3.1. Debt Service Payments

The CBSL maintained its perfect record of servicing public debt obligations in 2014 in terms of payment of principal, interest and other contractual obligations. Timely and accurate debt service payment remains a crucial part of managing the public debt portfolio. In 2014, the PDD further streamlined the process of debt service payments by restructuring payment contracts with paying agents and introducing required infrastructure systems in Back Office operations.

The total debt service payments in 2014 amounted to Rs. 1,076.3 billion, a decrease of 7.45 per cent compared against the total debt service payments of Rs. 1,162.9 billion in 2013. Out of Rs. 1,076.3 billion total debt service payments, amortization payments amounted to Rs. 632.7 billion (58.78 per cent) while the interest payments amounted to Rs. 443.6 billion (41.22 per cent). In 2014, Rs. 777.5 billion (72.24 per cent) was paid on account of domestically-raised debt while the remaining Rs. 298.8 billion (27.76 per cent) was paid to foreign funding sources on account of externally-raised debt. Total debt service payments as a percentage of total government revenue decreased to 90.05 per cent in 2014 compared to 102.24 per cent in 2013

partly owing to the concerted efforts in maintaining a low and stable interest rate structure for government securities and further lengthening of T-bond maturity profile during 2014. Further, total debt service payments as a percentage of GDP reported noteworthy improvement to 11.00 per cent in 2014 compared to 13.41 per cent in 2013.

3.2. Amortization of Debt

The total amortization payments made in 2014 decreased by 9.61 per cent to Rs. 632.7 billion compared to Rs. 700.0 billion in 2013. The total amortization payment as a per cent of total revenue of the government declined in 2014 to 52.94 per cent from 61.54 per cent recorded in 2013. Of the total amortization payments in 2014, Rs. 449.6 billion (71.06 per cent) represented payments made for domestic debt and the balance Rs. 183.1 billion (28.94 per cent) represented payment of foreign debt during the year. Total amortization cost as a percentage of GDP, decreased to 6.47 per cent in 2014 against 8.07 per cent in 2013.

3.2.1. Amortization of Domestic Debt

Amortization of domestic debt amounted to

TABLE 12
DEBT SERVICE PAYMENTS

Category	Rs. billion	
	2013	2014(a)
Domestic	850.7	777.5
Principal Payments (b)	496.0	449.6
Interest Payments (c)	354.7	327.9
Foreign (d)	312.2	298.8
Principal Payments (e)	204.0	183.1
Interest Payments (f)	108.2	115.7
Total Payments	1,162.9	1,076.3

Sources: Central Bank of Sri Lanka

- (a) Provisional.
- (b) Excludes T-bond payments to non-residents
- (c) Excludes T-bill & T-bond interest payments to non-residents
- (d) Excludes debt service payments on SOEs
- (e) Includes T-bond payments to non-residents
- (f) Includes T-bill & T-bond interest payments to non-residents

Rs. 449.6 billion in 2014 and recorded a decline of 9.35 per cent (Rs.46.4 billion) compared to Rs. 496.0 billion in 2013. The decline in amortization payment was a result of comparatively lower rupee denominated domestic debt as well as the foreign currency denominated domestic debt repayments . In 2014, amortization payment of T-bonds decreased by Rs. 20.9 billion (5.29 per cent) to Rs. 374.2 billion and SLDBs decreased by Rs. 23.2 billion (23.75 per cent) to Rs. 74.5 billion.

3.2.2. Amortization of Foreign Debt

The rupee value of total amortization payment on account of foreign debt amounted to Rs. 183.1 billion in 2014, a decrease of Rs. 20.9 billion compared to 2013. There were no ISB repayments during the year. Amortization payment on account of T-bonds held by foreigners decreased by Rs. 27.1 billion to Rs. 65.5 billion in 2014 compared to the repayment of Rs. 76.1 billion in 2013. Attracting foreign investments in rupee denominated government securities for long term maturities resulting less number of maturing T-bonds held by foreigners within the year

contributed significantly to the reduction in amortization payments of rupee denominated foreign debt in 2014.

3.3. Interest Cost

The total interest cost on public debt in 2014 amounted to Rs. 443.6 billion, a decrease of Rs. 19.3 billion (4.17 per cent), compared to Rs. 462.9 billion of total interest cost in 2013. increased by Rs. 2.6 billion in 2014. The total interest cost on public debt as a percentage of the GDP decreased to 4.53 per cent in 2014 from 5.34 per cent in 2013. Further, the expenditure on payment of interest on public debt decreased to 37.11 per cent of the total revenue of the government in 2014 compared to 40.69 per cent in 2013.

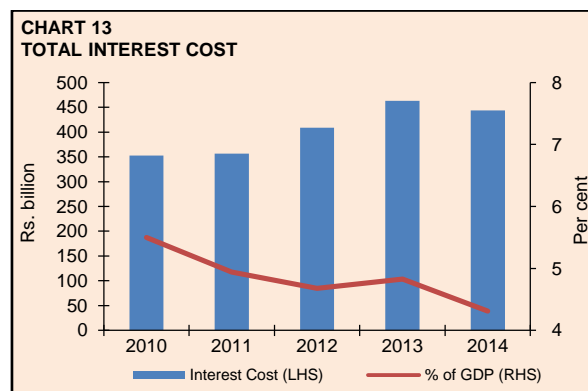


TABLE 13

AMORTIZATION OF LOANS

Rs. billion

Source/ Instrument	2012	2013	2014 (a)
Domestic Debt	415.4	496.0	449.6
T-bonds (b)	369.6	395.1	374.2
Rupee Loans	3.6	2.9	0.0
OBU Loans	0.2	0.4	0.8
SLDBs	42.1	97.7	74.5
Other Domestic	0.0	0.0	0.0
Foreign Debt (c)	193.5	204.0	183.1
T-bonds held by Foreigners	16.5	92.6	65.5
Sovereign Bond	64.50	0.0	0.0
Other	112.5	111.4	117.6
Total Amortization Payments	609.0	700.0	632.7

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional.

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

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

TABLE 14

INTEREST COST ON PUBLIC DEBT

Rs. billion

Source/ Instrument	2012	2013	2014 (a)
Domestic Debt	317.6	354.7	327.9
T- bills (b)	65.0	69.7	78.8
T-bonds (c)	227.7	254.1	207.7
Rupee Loans	6.4	6.1	5.9
OBU Loans	1.0	1.3	1.4
SLDBs	8.9	10.8	18.8
Other Domestic (d)	8.5	12.7	15.3
Foreign Debt (e)	90.8	108.2	115.7
Total Interest Cost	408.5	462.9	443.6

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional.

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

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

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

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

TABLE 15

TREASURY BILLS PRIMARY AUCTION WEIGHTED AVERAGE YIELD RATES

Per cent per annum

Period	2014				
	31/12/2013	End March	End June	End September	End December
91 day	7.54	6.65	6.51	6.15	5.74
182 day	7.85	6.82	6.69	6.23	5.84
364 day	8.29	7.05	6.99	5.89	6.00

Source: Central Bank of Sri Lanka

TABLE 16

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

Per cent

Instrument	2012	2013	2014
T-bills	11.81	10.45	6.68
T-bonds	12.46	11.72	10.17
Rupee Loans(b)	-	-	-

Source: Central Bank of Sri Lanka

- (a) Weighted average interest cost = $\frac{\sum(\text{Amount issued} * \text{Yield})}{\text{Total amount issued}}$
 (b) No new rupee loans were issued since 2012.

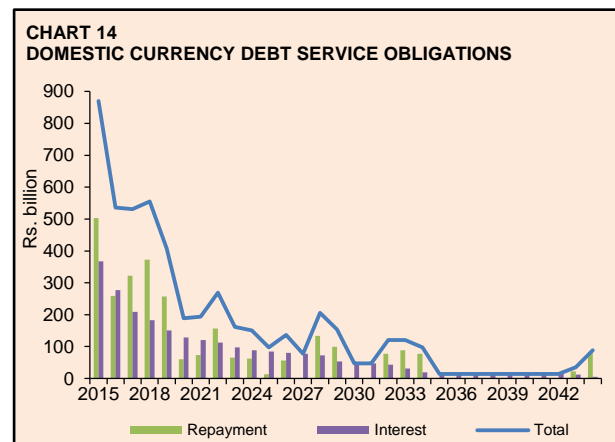
3.3.1. Interest Cost on Domestic Debt

The interest cost on domestic debt decreased by 26.8 per cent to Rs. 327.9 billion in 2014 from Rs. 354.7 billion in 2013 amidst the 11.61 per cent increase in domestic debt stock to Rs. 4,277.8 billion at end 2014 from that of Rs. 3,832.8 billion at end 2013. The cautious approach to manage government securities issuance and ideal mix of domestic and foreign instruments enabled to manage the primary market interest expenditure on domestic debt in 2014.

3.3.2. Interest Cost on Foreign Debt

The total interest payments on foreign debt increased by Rs. 7.5 billion (6.93 per cent) to Rs. 115.7 billion in 2014 from Rs. 108.2 billion in

2013. Although the relatively stable Sri Lankan Rupee against major foreign currencies contributed to manage the interest cost on foreign debt during 2014, the increase in foreign debt stock including the ISBs increased the foreign debt interest payments in 2014.

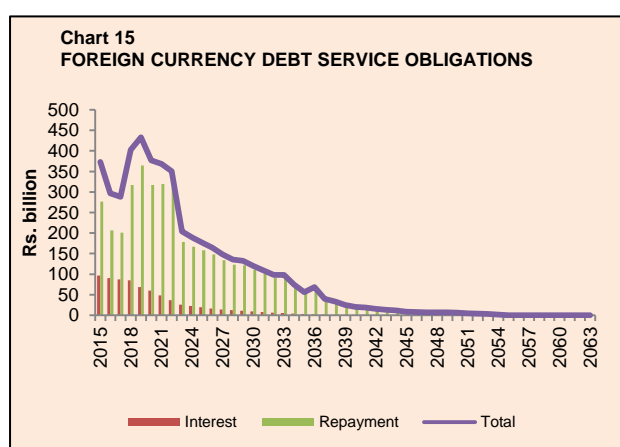


3.4 Future Debt Service Obligations

The continuation of extending the maturity structure of government securities including the issuance of 30 year maturity Treasury bonds in the domestic market enabled the government to spread out its debt service obligation further to 2044 in 2014. The improvements made to the maturity profile of the domestic debt is reflected by the reduced portion of future domestic currency debt

service obligations, that is expected to mature over the next five years.

Strategic objectives stipulated in the MTDS, enhancement of ATM of both local and foreign currency denominated debt while reducing the debt stock measured in terms of GDP, debt service obligations of the government on account of foreign debt also extended up to 2063 at end 2014. Further, the distribution of foreign currency denominated debt obligations across longer



maturities was also considered during 2014 amidst the expectation of increasing international interest rates. Appropriate strategies to manage total cost of repayments and interest payments of foreign debt were consistently evaluated within the overall public debt service payments across the medium term.

4. Market Operations in 2014

Overview

As the agent of the Government, the Public Debt Department (PDD) implemented the Government's borrowing programme for 2014 within the overall borrowing limit specified in the Appropriation Act by issuing Treasury bills (T-bills), Treasury bonds (T-bonds) and Sri Lanka Development Bonds (SLDBs) in the domestic market and International Sovereign Bonds (ISBs) in the international capital market with a view to achieve the prime objective of raising funds at lowest possible cost while giving considerations to maintain a manageable level of risk of the public debt portfolio.

The conducive macroeconomic environment in an environment of declining inflation in 2014 and effective financing strategies adopted by the PDD enabled maintaining an orderly interest rate and market condition for government securities during the year. The strategies in the form of continuous engagement of both domestic and foreign investors in preparation of a T-bond issuance calendar and regular discussions both direct and through periodic briefs on macroeconomic developments, issuance of instruments based on investor and financing preference, non-deal road shows and investor awareness programmes and continuing efforts to

regularize cash flow management approaches in the form of prefunding and use of the Treasury bill space enabled to reduce the cost of financing throughout 2014 and lengthen the yield curve for government securities.

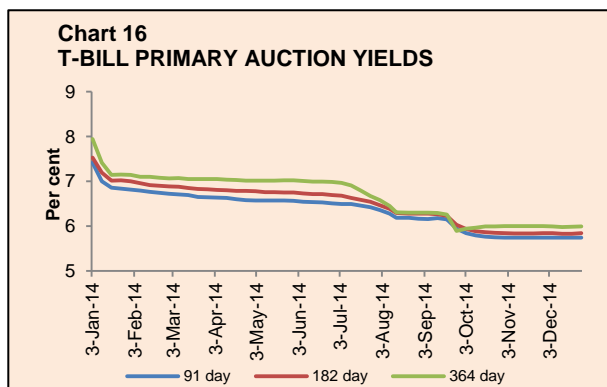
The increased demand for USD denominated SLDBs also contributed to tighten the spreads of government security interest rates in 2014. The downward revisions to the CBSL policy rates by reducing CBSL lending rate by 50 bps to 8.00 per cent on 02.01.2014 and by reducing both lending and borrowing rates by 50 bps to 7.50 per cent and 6.00 percent respectively on 15.04.2015, introducing the lower base rate of 5.00 per cent for the deposits at the Standing Deposit Facility (SDF) window for deposits exceeding three times by an OMO participants contributed to reduce the interest rate particularly towards latter part of 2014.

4.1. Treasury bills Primary Market

Treasury bills (T-bills) remained the prime debt instrument in mobilizing short term funds for the purposes of treasury cash-flow and liquidity management. T-bills were issued mainly through weekly auctions of standard maturities, 91-day, 182-day and 364-day, throughout 2014.

The gross amount mobilized through T-bills

(91-day, 182-day and 364-day) in 2014 amounted to Rs. 1,121.7 bn on a face value basis compared to Rs. 1,235 bn in 2013. The reduction in gross amount of T-bills raised in 2014 was primarily due to conversion of part of the maturing T-bills to medium to long term Treasury bonds. Of the total gross amount mobilized Rs. 1,145.51 bn were issued in place of maturing T-bills.



As at end 2014, the face value of outstanding T-bills stood at Rs. 750.3 bn in comparison to Rs. 774 bn at end 2013. Fifty one weekly T-bill auctions were conducted by PDD during the year. In 2014, the direct placement of T-bills were discouraged as majority of institutional investors preferred medium to long-term government securities in place of T-bill investments. The preference of foreign investors in T-bills also shifted in favour of medium to long dated government securities resulting foreign investments in T-bills to decline to Rs. 55.5 bn at end 2014 compared to Rs. 73.9 bn as at end 2013.

Yield rates of T-bills in the primary market continued to decline throughout 2014. The decline in the yield rates can largely be attributed to the policy rate changes and prudent issuance strategies practised to smoothen the maturity profile of the debt stock in a declining inflation and inflation expectation environment. Accordingly, the primary market yield rate for 91-day, 182-day and 364-day maturities decreased by 180 bps, 201 bps and 228

bps, respectively, in 2014.

The declining interest rate environment and increased investor preference for longer-end of the T-bill market coupled with the contraction of the supply of short term maturities resulted in the, major part of the T-bill maturities to be rolled over at the longer end of the T-bill maturities. The Average Time to Maturity (ATM) of the T-bill portfolio was 0.41 years at end 2014 compared against 0.36 years at end 2013.

4.2. Treasury bonds primary market

The total outstanding Treasury bonds (T-bonds) recorded an increase of Rs. 539 bn to Rs. 2,952 bn comprising 48 T-bond series as at end 2013. PDD conducted 6 T-bond auctions, either as single or multiple maturity auctions, for 15 different maturities during the year.

In T-bond issuances, PDD was successful in issuing medium to long term T-bonds to extend the benchmark yield curve for government securities up to 30 years and reopened or issued around such long term maturities to maintain the longer end of government securities market active through 2014. The extension and activation of government securities yield curve up to 30 years also helped PDD to create sufficient space in managing annual borrowing requirement in coming years.

The issuances of T-bonds in favour of long term maturities enabled extending the ATM of T-bond portfolio to 6.98 years at end 2014 from 5.97 years at end 2013. Extension of ATM of T-bonds reduced the roll-over risk and enabled the management of debt amortization cost in the government budget. Further, reopening of existing T-bond series continued with the purpose of

TABLE 17

TREASURY BILL PRIMARY AUCTION DETAILS (Rs. Billion)

2014	91 day				182 day				364 day			
	Offered	Accepted	%	WAYR	Offered	Accepted	%	WAYR	Offered	Accepted	%	WAYR
Q1	19.0	30.7	161.45	6.82	34.0	78.6	231.24	6.98	116.0	148.3	127.86	7.21
Q2	10.5	9.8	93.20	6.56	22.5	28.0	124.41	6.76	102.5	141.2	137.79	7.01
Q3	10.0	9.5	94.90	6.35	19.5	25.3	129.91	6.37	99.0	127.6	128.86	6.55
Q4	2.5	5.7	228.60	5.74	24.0	44.8	186.48	5.84	95.5	110.1	115.29	6.00

Source: Central Bank of Sri Lanka

improving the liquidity of T-bond series available in the market and to manage new-issuance premium of debt securities financing.

Following the declining trend in T-bill yield rates and prudent debt financing strategies employed throughout the year, T-bond yield rates also declined in 2014. The favourable macroeconomic developments and declining inflation expectations helped sustain the downward trend of T-bond yield rates during 2014. Coupled with declining yield rates and increased investor preference for T-bonds, PDD was able to replace a considerable amount of T-bills maturities with long dated T-bonds during the year. Hence, PDD enabled to mitigate the roll over and refinancing risks in issuing T-bonds which in turn helped in easing the pressure on future debt service obligations.

Accommodation of foreign investments within the expected lee-way arising from the gross borrowing limit also helped in managing adverse effects in the domestic market and continued to tighten the spreads and yield levels of T-bonds in 2014. Total foreign investments in T-bonds stood at Rs. 401.7 bn at end 2014 compared to Rs. 403.5 bn at end 2013.

4.3. Sri Lanka Development Bonds

A total of USD 731.5 mn was raised through issuances of SLDBs in 2014. The re-issuance of maturing SLDBs amounting to USD 521.0 mn was accommodated by 2 primary auctions held in 2014.

The increased foreign currency inflows including the issuance of USD 1.5 billion ISBs in 2014 and establishment of new and enhancement of existing credit lines to Sri Lanka by international banks and financial institutions and investor preference also enabled PDD to issue new SLDBs in 2014.

**TABLE 18
SLDBs ISSUED DURING 2014**

Date of Issue	Amount Accepted (USD million)	Period (Years)	WA Margin %
17-Mar-14	50	0.4	2.36
17-Mar-14	100	1.0	2.65
17-Mar-14	187	3.0	4.00
17-Mar-14	5	3.0	4.00
1-Apr-14	25	1.0	2.65
2-Jun-14	15	4.1	3.95
30-Jun-14	200	3.0	3.75
1-Jul-14	45	3.0	3.75
20-Aug-14	15	2.9	3.25
3-Oct-14	15	5.0	3.50
30-Oct-14	70	1.8	2.80
12-Dec-14	5	2.6	3.20

Source: Central Bank of Sri Lanka

TABLE 21

TRANSACTIONS IN TREASURY BONDS

Rs. billion

TOP TEN TRADED TREASURY BONDS BY VALUES					
2013			2014		
Series	ISIN	Values	Series	ISIN	Values
11.75%2015A	LKB00615C156	2,166.9	08.50%2018C	LKB00618D018	1,755.9
08.00%2022A	LKB01022A018	1,477.1	11.75%2015A	LKB00615C156	1,745.5
11.75%2014B	LKB00614D017	1,406.1	08.25%2017A	LKB00317C019	1,710.2
08.50%2018C	LKB00618D018	1,365.4	10.60%2019A	LKB00619G019	1,544.1
08.00%2032A	LKB02032A016	1,343.7	08.00%2017A	LKB00517A018	1,492.8
07.00%2014A	LKB00414C014	1,320.1	07.50%2018A	LKB01518H150	1,464.7
06.75%2013A	LKB00313I015	1,263.2	08.00%2022A	LKB01022A018	1,380.9
07.50%2018A	LKB01518H150	1,063.8	11.20%2022A	LKB00922G017	1,293.2
08.00%2017A	LKB00517A018	897.0	11.40%2024A	LKB01024A014	1,175.7
06.40%2016A	LKB00616H013	702.4	08.00%2032A	LKB02032A016	1,126.0

Source: Central Bank of Sri Lanka

The outstanding SLDB stock amounted to USD 2,984.3 mn at end 2014 compared to USD 2,323.8 mn at end 2013. Yields of six months London Inter-Bank Offered Rate (LIBOR) plus a weighted average margin ranging from 280 bps to 400 bps were given to raise SLDBs where Licensed Commercial Banks were the main investors and majority of the investments were held to maturity by these banks. Fixed rate SLDBs were also introduced for the first time in 2014.

4.4. Secondary Market Operations

A total volume of Rs. 5,705 bn was transacted in government securities (T-bills and T-bonds) on an outright basis during 2014 compared to Rs. 5,984 bn recorded in 2013. The total volume of government securities transacted on Repurchase and Reverse Repurchase basis stood at Rs. 32,737 bn representing an increase of 8.2 Per cent compared to Rs. 30,260 bn in 2013. The transaction volume of top ten traded T-bond series on outright and repurchase basis amounted to Rs. 19,605 bn, representing a 54.09 percentage of the total volume of transactions during 2014.

TABLE 19
SECONDARY MARKET TRANSACTIONS

Year	Rs. billion			
	T-Bills		T-Bonds	
	Outright Purchases / Sales	Repo / Rev. Repo	Outright Purchases / Sales	Repo / Rev. Repo
2013	2,509.2	14,479.9	3,474.9	15,780.3
2014	1,547.0	13,513.7	4,158.5	19,223.1

Source: Central Bank of Sri Lanka

4.5. Secondary Market Yield Rates

The secondary market yield rates for government securities followed the declining trend of primary market yield rates. The gradual decline in secondary market yield rates owed to several factors. Indicating prudent issuance strategies employed throughout 2014 with diversification of financing sources, increased investor confidence, low inflation at mid-single digit levels and declining inflation expectations and continuous improvement in macroeconomic environment. The secondary market yield rates of T-bills showed a

TABLE 20
TURNOVER RATIOS

2008	2009	2010	2011	2012	2013	2014
16	16.1	22.5	24.4	17.7	19.1	16.6
times	times	times	times	times	times	times

Source: Central Bank of Sri Lanka

significant decrease especially towards the third quarter of the year where the 91-day, 182-day and 364-day T-bill yields declined by 180 bps, 199 bps and 228 bps, respectively, by year end 2014 when compared to end December 2013. Following the trend in the yield rates of short term government securities, the medium to long term T-bonds also declined in the range of 100 bps – 220 bps at end December 2014 compared to end December 2013.

5. The Medium Term Debt Management Strategy 2015 - 2018 and Issues and Challenges

Overview

The Medium Term Debt Management Strategy (MTDS) provides a framework for formulation and implementation of a prudent borrowing program that the CBSL intends to execute over the next three to five year (medium) period with the aim of achieving government debt management objectives. The MTDS is primarily focused in raising of funds in an appropriate composition focusing on the projected path of macroeconomic indicators and market environment to ensure financing the governments' budgetary needs at the least possible cost while the risk of the public debt portfolio is managed prudently.

The MTDS for 2015-2018 outlines the debt management direction to achieve the cost and risk considerations involved in public debt management. In particular, considerations such as potential variation in debt servicing costs and its budgetary impact, linkages with other key macroeconomic policy objectives/ targets, improvement in debt sustainability and the need for the development of the domestic debt markets are factored in formulating the MTDS. Executing the debt management strategy eventually entails at containing risks to the government's balance sheet

liability for other sectors of the economy.

The MTDS for 2015-2018 is a continuation of MTDS for 2014-2017. The strategy takes into account the changes in domestic and global economy while articulating on an ongoing basis of the required adjustments in implementing overall targets stipulated in the MTDS. The MTDS for 2015 has been formulated and articulated on the basis of the Government Budget 2015 and the medium term policy direction announced by CBSL in the Annual Report 2014.

5.1. Expected Benefits of the MTDS

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

5.1.1. Evaluating the cost-risk trade-offs:

The MTDS allows well considered decisions after identification and analysis

on costs and risks associated with alternative strategies available for financing the government's borrowing requirement. CBSL recognizes that clearly defined MTDS would avoid the possibility of making one sided decisions on the basis of minimizing cost while compromising on risk parameters.

5.1.2. Identifying and managing risks: In spite of the availability of several alternative financing sources for meeting the government financing requirement, the MTDS allows the CBSL to identify, estimate, and evaluate risks associated with such alternative funding sources. Further, it provides an opportunity to evaluate the impact on the overall risk profile of the public debt portfolio emanating from exercising alternative financing options. Identification of risks associated with alternative financing options on a proactive basis, provides CBSL with an opportunity to put in place appropriate risk mitigating mechanisms to better utilize such alternative funding opportunities, while the impact of negative eventualities, if any, are managed. In the process of identification of suitable risk mitigates, the MTDS facilitates numerous considerations, including further development of the domestic debt markets.

5.1.3. Coordination: The MTDS facilitates proper coordination of debt management with fiscal and monetary policies and other macroeconomic variables. The MTDS framework allows understanding the constraints, including domestic debt market

development and balance of payment considerations. Such policy coordination allows different agencies of the government to focus clearly on its core objectives and also helping to achieve transparency and accountability on the management of the public debt of the country, without compromising on respective policy considerations.

5.1.4. Identification of constraints: The MTDS allows CBSL to identify constraints that affect its role as the fiscal agent of the government and also its own statutory objectives, economic and price stability and financial system stability, in advance, so that suitable remedial measures can be formulated and implemented to ease such constraints.

5.2. Implication of medium term fiscal policy direction as mentioned in 2015 Budget and the Medium Term Macroeconomic Outlook of the Annual Report of the Central Bank on MTDS 2015-2018.

The medium term macro fiscal framework of the government, as articulated in 2015 budget, is designed to further strengthen the fiscal consolidation process by reducing the budget deficit and improving the Government debt profile. The budget deficit is expected to be reduced to around 4 per cent of GDP in the medium term and thereby allowing the government debt to further reduce to a conducive level in line with country's development objectives. The underlying fiscal strategy envisages an increase of government revenue to

reach 14 to 15 per cent of GDP over the medium term while continuous efforts to rationalize expenditure in an environment of appropriate and stable interest rate regime continued. As a result, the current account surplus in 2015 would be further strengthened in the medium term, creating more fiscal space to achieve the government's MTDS designed to gradually reduce the debt stock to GDP ratio to around 63 per cent by 2018, and further to about 60 per cent by 2020. Further, it is envisaged to lengthen ATM of the debt stock, while reducing debt servicing costs in the medium term. In the monetary front, CBSL expects to maintain inflation at around mid-single digits in the medium term, through prudent conduct of monetary policy, supported by productivity enhancing supply side measures. Maintaining headline and core inflation at single digit levels for a period of over five years has led to well anchored inflation expectations, allowing market interest rates to remain at appropriate and stable levels in the medium term, facilitating prudent debt management over the medium term.

5.3. Stated Objectives of the MTDS 2015-2018

Primary objective of the MTDS is to ensure that the government's financial needs are met at the lowest possible cost over the medium term, consistent with a prudent risk level. In addition, the following secondary objectives have been set under the MTDS to support the primary objectives of cost-risk trade-off by reducing both cost and risk of government borrowing requirements.

- (a) Evaluating and managing the risk involved in different debt compositions;
- (b) Facilitating coordination with fiscal and

monetary management;

- (c) Enhancing the transparency in public debt management;
- (d) Enhancing the efficiency of the primary market for government securities;
- (e) Broadening and deepening of the secondary market for government securities;
- (f) Diversification of investor and instrument base;
- (g) Enhancing the efficiency of the secondary market by development of a dynamic benchmark yield curve across the term structure;
- (h) Enhancing of Debt Dynamics;
- (i) Issuance of a Treasury bond calendar for both domestic currency and foreign currency issuances;
- (j) Enhancing the competition at the primary market for government securities;
- (k) Upgrading the infrastructure of the domestic debt market supported by e-trading platform together with a central clearing arrangement; and
- (l) Increasing the efficiency of market making mechanism in the secondary market for government and corporate debt instruments.

5.4. Targets as set out in the MTDS 2015 – 2018

The targets, as set out in the MTDS for 2015-2018 are as follows.

Indicator	2014	Annual Targets					
		2015	2016	2017	2018	2019	2020
Overall Budget Deficit/GDP Ratio (%)	-5.7	-4.4	-4.2	-4.0	-3.8		
Debt/GDP Ratio (%)	71.8	72.0	69.0	66.0	63.0		
Average Time to Maturity (years)	5.75	6.2	6.4	6.6	6.8	7.0	7.0
Ratio of Short Term Domestic Debts to Total Domestic Debts (%)	22.0	20.5	20.0	19.5	19.0	18.5	18.0
Ratio of Foreign Currency Debts to Total Debts (%)	41.49	35.0	33.0	30.0	30.0	30.0	30.0

5.5. Issues and Challenges of Implementation of MTDS

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

A dynamic benchmark yield curve is an essential element for a well-functioning secondary market for government securities and other financial instruments. Effective and dynamic benchmark yield curve provides opportunities to reduce the refinance risk while benefitting on cost considerations of government financing requirements. The current yield curve up to a 30-year maturity horizon by issuing benchmark securities on a periodic basis enabled to minimize the market fragmentation and provided a clear benchmark for private sector to emulate and develop other financial products. Continuing the issuances and increasing the issue size of the same security with new extensions will improve market liquidity in addition to helping to activate the already existing benchmark securities in the market. However, the fewer and segmented transactions and at times in

smaller volumes of trades reduce the dynamism in the secondary market on the longer-end of the benchmark yield curve.

Currently, more than 80 per cent of the secondary market trades in government securities take place via Over the Counter (OTC) market. The underlying prices and yields of these transactions are not reflective on a real-time basis thereby creating asymmetry in market information. Such inefficiencies also create outdated benchmarks for government securities.

The significant reliance on an OTC market is the result of reluctance of market participants to freely and transparently conduct trade between counterparties. This was due to the underlying credit and settlement risks and reasons of inwardness of majority of market participants. Currently, sellers/buyers of government securities do not transact with buyers/sellers if there are no pre-determined internal credit limits. Such practice creates substantial discrimination among various segments of market participants and discourages price discovery and transparency and overall efficiency of the market. For example, LCBs prefer transacting among themselves and not with PDs, even on 100 per cent collateralized basis.

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

Since 2004, settlements of government securities transactions in the

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

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

5.5.3. Exclusivity in primary auction system and primary auction participation:

Primary auctions in government securities are currently made only through the dedicated Primary Dealers (PDs). There are 16 PDs. These PDs expected to act as intermediaries between the issuer and investors in government securities. Hence, PDs have to act as the market makers for such instruments.

However, PDs have not been able to perform the market making role effectively and efficiently on a continuous basis in recent times and remain one-sided often in the market. Specially, non-bank PDs have become passive investors in T-bills and T-bonds leaving bank-PD units to

dominate primary auctions.

This has been further aggravated by PDs carrying a large stock of T-bills and T-bonds held in proprietary portfolios. When market interest rate reversals take place, PDs tend to accumulate large marked-to-market losses refraining them from actively trade in government securities and further diminishing prospects of market making activities.

5.5.4. Effective cash flow forecasting and cash balance management of the

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

At times there is an excess pool of liquidity in government accounts, it could be adjusted from domestic debt transactions or retirement or buy back of government securities would enable to manage the cost of financing effectively. Lack of provisions for a) buy back arrangements outside the gross borrowing limit b) maintenance of a pre-funding account and c) active trade desk

facilitation at the issuer would facilitate improving efficiency of cash flow management exercise and to address possible risks parameters including the bunching of maturities.

5.6. Measure taken to address the issues and challenges of implementing MTDS. (Check with SU on some of the below points)

5.6.1. Covered short selling: Short selling is an important element for the smooth and efficient market making in government securities, as it provides improved operational flexibility for efficient price discovery while enhancing the market liquidity by increasing the secondary market activities. In view of above, PDs were allowed to engage in covered short selling in T-bills and T-bonds.

5.6.2. Standardization of market Regulations and other legal documents: The CBSL introduced several new initiatives in 2014 to develop the government securities market while contributing to the overall advancement of debt securities market in the country. The initiatives aimed at reducing the information asymmetry, enhancing secondary market liquidity, improving safety of investors, increasing the level of primary auction participation and increasing the overall stability of the PD industry.

5.6.3 Increasing the number of PDs: During 2014, the PD industry was further

broadened by appointing another PD to strengthen the number of institutions to 16 in line with announced policies of CBSL to appoint LCBs as PDs and also to increase competition in primary market.

5.6.4. Customer Charter: CBSL is of the view that the quality and content of dispensing of customer service is required to be improved further to ensure meeting demands and expectations of investors in government securities. In view of above, CBSL issued a Customer Charter in November 2013, in order to ensure a higher standard of service and protection for investors in government securities regardless of the PD they chose to invest their funds.

5.6.5. Electronic Trading System (ETS): Electronic Trading or commonly named as e-Trading is an automated facility which is used in capital/ money market dealings between traders. ETS facilitates order entry, deal management, order matching with defined priority rules such as price-time priority coupled with deferred net settlement procedure and information dissemination using industry accepted protocols. Arrangements have been made by CBSL to put in place a state of art ETS.

5.6.6. Central Counterparty Platform (CCP): A Central Counter Party or commonly named as CCP, is an arrangement that guarantees settlement of securities and funds, minimizing the settlement risk and the counter-party credit

risk of trades/ transactions through contribution of its clearing members (CM). CBSL has initiated measures to put in place a CCP.

6. Performance of Primary Dealers

The Primary Dealers (PDs) are specialized institutions appointed by the Monetary Board of CBSL to deal in government securities under the Local Treasury Bills Ordinance No 8 of 1923 (LTBO) and the Registered Stock and Securities Ordinance No. 7 of 1937 (RSSO). PDs play a vital role in the government securities market by building a stable and dependable source of demand for government securities via active market participation being market makers. The role of PDs as intermediaries in the government securities market has strengthened the competitiveness in the government securities

The PD system was first introduced in 2000 with the objective of expanding the government securities market and raising funds at the lowest possible cost and expanding and broad basing the government securities market. During 2014, number of PDs grew to 16 comprising Licensed Commercial Banks (LCBs) with latest entrant Union Bank of Colombo PLC. and 8 Standalone PDs consisting of 2 Primary Dealer Companies owned by Licensed Banks and 6 Non-Bank Primary Dealer Companies. Bank PDs operate through their Primary Dealer Units (PDU's)

6.1. Financial Performance

Table 6.1

Selected Key Financial Indicators of PD Industry

Item	2012	2013 ^(a)	2014 ^(b)	(% Change in	
				2013 ^(a)	2014 ^(b)
Total Assets (Rs. Bn.)	160.10	212.76	191.09	32.89	(10.19)
Total Gov. Securities Portfolio (Rs. Bn.)	159.40	210.95	186.96	32.34	(11.37)
Repo (Rs. Bn.)	104.20	126.41	118.82	21.31	(6.00)
Capital Base (Rs. Bn.) ^(c)	5.50	6.61	9.50	20.18	43.73
Risk Weighted Capital Adequacy Ratio (%)	22.13	18.36	21.78	(3.77)	3.42
Repo/Assets Ratio at end Period (%)	65.06	59.41	62.18	(5.65)	2.77
Leverage (times) ^(c)	7.54	7.43	6.57	(0.11)	(0.86)
Net Interest Margin (%)	1.55	2.99	2.65	1.44	(0.34)
Trading Gains Ratio (%)	1.26	2.38	4.27	1.12	1.89
ROA (%)	1.82	4.04	4.27	2.22	0.23
ROE (%) ^(c)	17.70	28.40	44.07	10.70	15.67
One year T-bill yield (year-end)	11.69	8.29	6.00	(3.40)	(2.29)

(a) Revised

(b) Provisional (c) Standalone PDs

Source: Central Bank of Sri Lanka

Financial performance of the industry strengthened in 2014. The gradual tightening and downward movement of yields of government securities and term structure of interest rates in the country contributed to the improved performance of the industry in 2014. Profitability and capital base of PDs recorded healthy growth. However, total assets, total portfolio and repo borrowings decreased. Table 6.1 tabulates the Key Performance Indicators (KPIs) of PD industry for the period 2012-2014.

Improved Capital Base: Capital base of the standalone PDs increased by 43.73 per cent to Rs. 9.5 billion at end 2014 compared to Rs. 6.6 billion at end 2013. Accordingly, the Risk Weighted Capital Adequacy Ratio (RWCAR) of the standalone PDs also increased to 21.78 per cent at end 2014 from 18.36 per cent at end 2013. During 2014, all standalone PDs were well in compliance with the minimum regulatory capital requirement of Rs. 300 million and RWCAR of 8 per cent. The capital leverage ratio of the standalone PDs, the ratio of borrowed funds to own funds, recorded at 6.57 times at end 2014 compared to 7.43 times as at end 2013.

Improved Profitability: The downward movement in yield rates and increased activities in the medium to long-term maturities of government securities enabled PDs to record higher profits in 2014. Profitability measured in terms of the Return on Assets (ROA) and Return on Equity

(ROE) of standalone PDs increased from 4.04 per cent and 28.40 per cent respectively, in 2013 to 4.27 per cent and 44.07 per cent respectively, in 2014. PD industry as a whole, secured a profit before tax of Rs. 8.7 billion in 2014 compared to Rs. 8.6 billion recorded in 2013. Interest income accounted for 77.49 per cent of the total income and the balance was capital gains. PDUs of LCBs contributed to 52.57 per cent of the industry profit, before adjusting for tax, amounting to Rs. 4.6 billion for the year 2014.

Repo Borrowings continued to be the major funding source of PDs: PDs reliance on repo borrowings to finance the portfolio of government securities continued to be prominent during the year. Despite the decrease in total borrowings of PDs under repo agreements by 6.00 per cent to Rs. 118.8 billion at end 2014 from Rs. 126.4 billion at end 2013, total repo borrowing as a percentage of total assets increased to 62.18 per cent at end of 2014 from 59.41 per cent at end of 2013.

Decline in Total Assets: Total assets of the industry mainly consisting of government securities declined by 10.19 per cent to Rs. 191.1 billion at end 2014, compared to Rs. 212.8 billion in 2013. The portfolio of government securities, consisting trading, investment, available for sale and reverse repo, accounted for 97.84 per cent of the total assets of the industry. Government securities held by PDs in their trading portfolios

recorded a decline of 19.64 per cent to Rs. 115.1 billion at end 2014 from Rs. 143.3 billion at end 2013, mainly driven by the gradual downward adjustment of yield rates for government securities during the year and PDs' disposing their trading portfolio to earn capital gains.

6.2. Risk Management

Market Risk: The proportion of trading portfolio to total portfolio declined to 61.59 per cent by end 2014 compared to 69.62 per cent at end 2013, reducing the possible market risk exposure of the industry. PD industry recorded a marked-to-market loss of Rs. 992.97 million at end 2014, compared to the mark-to-market gain of Rs. 1,749.36 million at end 2013.

Stress testing, which is used as a risk assessment technique to assess the resilience of the PDs portfolio to a change in interest rates, revealed that there was no imminent threat to the stability of the PD system during 2014. The stress test results indicate that 100 bps increase in interest rates would erode the capital base of the standalone PDs by only Rs. 886.06 million and reduce RWCAR by 2.47 per cent. However, given the standalone PDs' higher RWCAR, it would still be able to maintain RWCAR above the 8 per cent requirement, even in the event of an upward movement of interest rates by 100 bps from the interest rates prevailed at end 2014.

Liquidity Risk: The liquidity risk exposure of the PDs is measured and monitored by the negative mismatches in overnight maturity profile of assets and liabilities. The overnight negative mismatch of the maturity profile of assets and liabilities of the industry stood at Rs. 23.32 million at end 2014, compared to Rs. 7,379.55 million at end 2013, indicating a significant improvement in liquidity risk profile of PDs. A similar pattern was observed in the 2-7 days maturity basket which stood at Rs. 9,051.89 million at end 2014, compared to Rs. 11,838.13 million at end 2013. In the 8-30 days maturity basket, PD industry reported a significantly lower negative mismatch of Rs. 26,588.49 million at end 2014, compared to Rs. 66,440.15 million at end 2013.

In view of PDs holding a large proportion of low risk free government securities and also the ability of PDs to use such government securities as collateral for obtaining funds to bridge unforeseen liquidity gaps, the liquidity risk profile of PDs remained low throughout the year. Further, most PDs had stand-by contingency funding arrangements to bridge any unforeseen liquidity gaps.

6.3. Participation of PDs in Primary and Secondary Markets

Primary Market Participation: During 2014, Bank PDUs dominated T-bill auctions recording a high effective participation level of 67.90 per cent of the industry compared to

65.49 per cent participation level recorded in 2013. However, a significant decline was seen in the effective participation at T-bond auctions by Bank PDUs to 7.24 per cent in 2014 from 33.74 per cent in 2013. Standalone PDs were the main subscribers at T-bond auctions during 2014, recording 50.24 per cent of the total subscriptions compared to 9.79 per cent in 2013. Effective participation of Employees' Provident Fund at T-bond auctions decreased in 2014 to 42.52 per cent from 56.47 per cent of the total subscriptions in 2013.

Secondary Market Participation: Total secondary market transactions of PD industry, which includes outright as well as repurchase transactions, decreased slightly by

1.97 per cent to Rs. 12,063.29 billion in 2014 from Rs. 12,305.56 billion in 2013. The decrease can be mainly attributed to the decrease in repo transactions by 19.66 per cent to Rs. 8,223.56 billion in 2014 from Rs. 10,235.40 billion in 2013. The ratio of repo transactions to total secondary market transactions in 2014 recorded at 68.17 per cent compared to 83.20 per cent in 2013.

7. Risk Management in Public Debt and Sustainability of External Debt - 2014

7.1. Risk Management as an Integral Part of Public Debt Management

Active cost and risk mitigation need to be sought in place of passive risk mitigation strategies in managing the risks of a Government debt portfolio as it remains the largest single financial portfolio in majority of countries. The overall profile of risk parameters to be followed in Sri Lanka is comprehensively articulated by the MTDS where the risk tolerance and portfolio preference of expected cost and risk trade-off of public debt portfolio for the medium term (over next five years) are clearly indicated while the annual borrowing plan recognizes the annual risk tolerance and portfolio preference.

Risks pertaining to public debt portfolio were effectively managed by the implementation of a robust mechanism which includes predetermined risk tolerance limits and portfolio preference, independent risks identification, measurement, monitoring and reporting by the Middle Office of the Public Debt Department (PDD)

in line with internationally accepted best practices and norms. Availability of more updated and sophisticated risk analysing software tools towards the latter part of 2013 has enabled a complete and comprehensive risk analysis of the country's public debt portfolio facilitating improvements in risk analysing capabilities to ensure systematic analysis of diverse risk management strategies and to compare these individual strategies with the optimal scenario while supporting operational decision making by weighing the adverse or favourable impact of such strategies.

7.2. Key Risks Pertaining to the Public Debt Portfolio

Key risks pertaining to the management of country's public debt portfolio were identified as the refinancing/rollover risk and market risk (exchange rate risk and interest rate risk) by CBSL in 2014. However, due consideration was given to other associated risks such as liquidity risk, operational risk, legal risk and reputational risk in formulation of the risk management

TABLE 23

RISK ASSESSMENT INDICATORS (AS AT END OF YEAR)

Indicator	Domestic Currency Debt		Foreign Currency Debt		Overall	
	2013	2014 ^(a)	2013 ^(b)	2014 ^(a)	2013 ^(b)	2014 ^(a)
Refinancing Risk						
Average Time to Maturity (ATM) (yrs)	4.82	5.75	8.80	7.75	6.47	6.64
Short-term (original maturity less than or equal to one year) / Outstanding debt (%)	25.65	23.30	-	-	14.47	13.48
Interest Risk						
Duration (yrs)	2.94	3.82	6.75	6.52	4.55	4.97
Average Time to Re-fixing (ATR) (yrs)	4.82	5.75	7.89	6.25	6.12	5.97
Floating Rate debt / Outstanding debt (%)	-	-	29.43	28.67	12.47	12.87
Foreign Exchange Risk						
Share of Foreign Currency Commercial debt / Official Reserves (%)					87.00	99.61
Share of Foreign Currency debt / Total debt (%)					42.37	41.57

(a) Provisional.

(b) Revised

Source – Central Bank of Sri Lanka

framework with relevant risk mitigation strategies/ techniques during the year 2014.

7.3. Analysis of the Risk Profile of the Public Debt Portfolio

7.3.1. Refinancing Risk: Refinancing or rollover risk is the likelihood that the reissue of existing debt would be at an unusually high cost or, in the extreme case, inability to reissue at all. Thus, the risk, if materialized, could lead to, or exacerbate a debt crisis and thereby cause real economic losses, in addition to the purely financial effects of higher interest cost burden. Thus, increased importance was given to the management of refinancing risk associated with the government debt portfolio in 2014 as well.

The ATM and the Ratio of Short-term Debt to Total Outstanding Debt are two of the most globally used indicators to measure the refinancing risk of the debt portfolio and are commonly considered by CBSL as well to measure the refinance risk. In addition, the country's MTDS stipulates the medium term risk tolerance levels of the said two indicators.

The refinancing risk indicators of public debt portfolio continued to remain healthy in 2014. The overall ATM of the government debt portfolio marginally increased to 6.64 years at end 2014 from 6.47 years at end 2013 mainly due to the significant increase in ATM of domestic currency debt. The ATM of domestic currency debt portfolio enhanced to a value

of 5.75 years at the end of 2014 from that of 4.82 years in 2013. ATM of foreign currency debt decreased to 7.75 years as at the end of 2014 partly due to the issuance of two medium term ISB issuances during the year amounting to USD 1,500 million.

The ratio of Short-Term Debt to Outstanding Domestic Debt continuously improved in 2014 mainly due to the issuance of longer-dated T-bonds to finance the government borrowing requirement. The ratio of short-term debt to outstanding domestic debt significantly improved to 23.30 per cent as at end 2014 from 25.65 per cent as at end 2013. Short-term foreign currency debt was insignificant compared to the total foreign currency loans outstanding at end 2013. Total short-term debt as a percentage of total outstanding debt decreased to 13.48 per cent at end 2014 compared to 14.47 per cent at end 2013.

7.3.2. Interest Rate Risk: Interest rate risk refers to the risk associated with changes in market interest rates on the cost of public debt servicing. For both domestic and foreign currency debt, changes in interest rates affect debt servicing costs on new issuances, fixed-rate debt being converted to floating-rate debt on the re-set date. CBSL continue to use three indicators, namely, the duration of the debt stock, Average-Time-to-Refixing (ATR) and the Ratio of Floating Interest Rate Debt to Total Debt for the

management of interest rate risk in the public debt portfolio.

Duration is an indicator, which measures the time taken to payback the initial investment of the debt stock in present value terms. Duration of the overall public debt portfolio increased to 4.97 years as at the end 2014 from 4.55 years at the end 2013 mainly due to issue of longer dated T-bonds at lower yields in 2014.

ATR of the debt portfolio measures the average time in which debt coupons are re-fixed. For zero coupon bonds or bonds with fixed coupons, ATR is the residual life of the bond. For floating rate bonds, the ATR is the time left until fixing of the next coupon. At end 2014, ATR of the overall debt portfolio decreased to 5.97 years from 6.12 years at end 2013. ATR of foreign currency debt portfolio decreased significantly to 6.25 years at end 2014 from 7.89 years at the end of year 2013. However, ATR of rupee denominated debt increased to 5.75 years as at the end of 2014 from 4.82 years at the end 2013.

Floating interest rate debt to total debt increased to 12.87 per cent at end 2014 from 12.47 per cent at end 2013. However, floating rate foreign currency debt to total foreign currency debt decreased marginally to 28.67 per cent at end 2014 from 29.43 at end 2013. This was mainly due to the

issuance of ISBs during 2014. There was no domestic currency floating rate debt in the debt portfolio.

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

CBSL continued to use the Ratio of Foreign Currency Debt to Total Debt to assess the degree of susceptibility of the debt portfolio to exchange rate risk. In 2014, a careful assessment of the trade-off between cost and risk was made in deciding the optimal borrowing mix from domestic currency and foreign currency.

The share of foreign currency denominated debt in the total debt decreased to 41.57 per cent at the end 2014 as envisaged in the MTDS from 42.37 per cent at the end 2013. The increase in the relative share of domestic currency denominated debt stock was mainly due to increased foreign investments in Treasury bills (T-bills) and T-bonds during the year. This has been achieved while maintaining the domestic bond market more liquid during the period under review thereby, striking a trade-off between costs of borrowing from

domestic sources and exposure to foreign exchange risk.

7.3.4. Liquidity Risk: The public debt of a country is affected by two types of liquidity risks. One refers to the cost or penalty that investors in government debt securities market face in trying to exit a position when the number of transactions has markedly decreased or because of the lack of depth of a particular market. The other form of liquidity risk, for the government/ borrower, refers to a situation where the volume of market liquidity can diminish quickly in the face of unanticipated cash flow/ debt maturity obligations or possible difficulty in raising cash through borrowing in a short period of time. A liquid market facilitates the issuance of large quantities of a debt instrument without significant movement in the interest rate/ price.

CBSL implemented several strategies in 2014 to further improve the liquidity risk profile of the public debt portfolio. Such strategies included issuing long-term T- bonds mainly in benchmark maturities, encourage more foreign participation in longer dated T-bonds within the existing threshold of 12.50 per cent thereby allowing more participation in T-bonds within the approved leeway, increasing the demand for government securities of Sri Lanka by enhancing the confidence among foreign investors in

Middle East and Japan, maintaining and taking measures to improve sovereign rating of the country and increasing the competition in the primary market. Due to these measures, the domestic debt securities market liquidity increased during 2014, as reflected in improved outright transactions in government securities and also the substantial amount of new SLDBs issued in 2014.

7.3.5. Operational Risk: Operational risk is endogenous to an institution, which means that it cannot be captured and measured as easily as rollover, interest rate, exchange rate or liquidity risk. As the risk management process of the operational risk is linked to the nature and complexity of the activities, the systems and processes in place, the level of expertise of the people involved in the process, the quality of top management and the flow of information, the process is inherently complex. Operational risk associated with public debt portfolio include the risk of loss, whether direct or indirect, arising from a range of different types of risks, including transaction errors, in various stages of executing and recording transactions, inadequacies or failures in internal controls, processes, people or systems, reputation risk, legal risk, security breaches, or natural disasters that affect business continuity.

Several measures including stringent internal control measures in line with international best practices and risk management principles were taken in 2014 to continuously minimise the operational risk associated with the public debt portfolio. Segregation of duties, dual access control for auction systems, etc. were put in place as internal controls. Availability of fully automated SSSS and RTGS to facilitate DVP are in operation to minimize the settlement risk associated with the government debt portfolio while protecting both parties to a transaction. Further, Contingency situations are effectively managed with the continuation of comprehensive BCP is in place with a fully-fledged DRS, to support crucial public debt management activities. Periodic assessment of BCP and DRS that are made mandatory for every dealer direct participant in government securities was carried out in 2014.

7.4. Sustainability of External Debt

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

Sustainable level of external debt can be determined using various indicators where there is no unanimity in adopting a sole indicator as each indicator has its own advantages and disadvantages. These indicators are primarily in the nature of ratios, i.e., comparison between two relevant variables, and facilitate the policy makers in their external debt management exercise.

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

7.5. Liquidity Monitoring Indicators

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

The Interest Service Ratio (INT/XGS) measures the cost of external debt as a percentage of XGS, where INT represents interest payments relating to

external debt. The value of the ratio decreased slightly to 3.73 per cent in 2014 from 3.89 per cent in 2013 resulting from the increase in XGS at a higher rate than that of foreign interest payments. . The Medium to Long-term Debt Service Ratio (MLDS/XGS) and the Total Debt Service Ratio (TDS/XGS) decreased to 9.37 per cent and 9.63 per cent respectively in 2014 from 11.02 per cent and 11.24 per cent, respectively, in 2013. Short-term debt ratio (Short-term debt/XGS) also decreased to 1.79 per cent at end 2014 from 2.66 per cent at end 2013.

7.6. Debt Burden Indicators

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

The ratio of DOD/GNP was recorded at 30.97 per cent as at the end of 2014 compared to 31.61 per cent at the end of 2013. The DOD/XGS ratio decreased to 100.33 per cent at the end 2014 compared to 106.61 per cent at the end of 2013.

TABLE 24

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

Description	Per cent		
	2012	2013 ^(b)	2014 ^(c)
Liquidity Monitoring Indicators ^(d)			
Interest Service Ratio (INT/XGS)	3.64	3.89	3.73
Medium & Long-term Debt Service Ratio (MLDS/XGS)	11.16	11.02	9.37
Total Debt Service Ratio (TDS/XGS)	11.40	11.24	9.63
Short-term Debt Ratio (Short-term Debt/XGS)	3.21	2.66	1.79
Debt Burden Indicators			
DOD/GNP	32.26 ^(b)	31.61	30.97
DOD/XGS	110.94	106.61	100.33
Debt Structure Indicators			
Rollover Ratio (Principal Payments/ Disbursements) ^(d)	40.13	51.99	49.82
Short-term Debt / Total DOD	2.90	2.50	1.78
NPV Indicators ^(e)			
NPV of Debt Service/GNP	35.59 ^(b)	35.45	32.87
NPV of Debt Service/XGS	124.84	121.03	109.88
Dynamic Indicators ^(d)			
Avg. rate of Interest/rate of growth of export	67.12	26.19	26.45
Avg. rate of Interest/rate of growth of GNP	13.76 ^(b)	28.07	38.33

Source: Central Bank of Sri Lanka

(a) Based on central government debt.

(b) Revised

(c) Provisional.

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

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

Note: DOD represents total disbursed external debt outstanding.

GNP: gross national product.

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

TDS: total external debt service payments

INT: external interest payments

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

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

7.7. Debt Structure Indicators

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

The rollover ratio decreased to 49.82 per cent in 2014 compared to 51.99 per cent in 2013, due to higher decrease in repayments of external debts than the decrease in disbursements. A second indicator, short-term debt to total DOD ratio decreased to 1.78 per cent at end 2014 from 2.50 per cent at end 2013 indicating the favourable change in ATM.

6.8. Net Present Value Indicators

There are two commonly used NPV indicators. The first is the ratio of NPV of debt service to GNP. The objective of using this ratio is to compare future debt service payments in present value terms, with general level of current economic activity. Second ratio is the ratio of NPV of debt service to XGS and this implies the capacity of a country to generate foreign exchange receipts.

The ratio of NPV of Debt Service/ GNP showed an improvement. This ratio stood at 32.87 at end of 2014 compared to

35.45 at end 2013. The NPV of Debt Service/ XGS ratio too, showed a significant degree of positive impact during the period under review, recording 109.88 per cent at end 2014, from 121.03 per cent at end 2013. This was mainly due to the increase in XGS in 2014 compared to the previous year.

6.9. Debt Dynamic Indicators

Debt dynamic indicators compare growth in cost of borrowing with the increase in exports earnings and also with the growth in the overall economy. The ratio of average interest rate of the debt portfolio to the rate of export growth reported 26.45 per cent in 2014 compared to the 26.19 percent recorded in 2013. The ratio of average interest rate to the rate of GNP growth has increased to 38.33per cent in 2014 compared to 28.07 percent in 2013. The increase in each of these indicators reflects mainly the relatively higher average interest rate prevailed during 2014 compared to 2013.

6.10. Overall Sustainability of Debt

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

The total debt to GDP ratio increased slightly to 71.81 per cent at end 2014 from 70.82 per cent at end 2013. The ratio of

external debt service payments to official reserves, improved considerably to 30.49 per cent in 2014, compared to 34.55 per cent in 2013. These ratios reflected the continuation of the positive trend in public debt sustainability indicators in 2014 as well. By comparing the debt sustainability indicators with their critical values, Sri Lanka is considered as a country in the class of less indebted countries. Further, Sri Lanka has

been able to successfully face spillover effects of several global and regional economic drawbacks without having much variance on its debt portfolio and the debt management indicators, owing to prudent management of country's public debt.

TABLE 25
OVERALL DEBT SUSTAINABILITY

Indicator	Per cent		
	2012	2013	2014 ^(a)
Overall Debt Sustainability			
Debt/GDP	68.71	70.82	71.81
Share of foreign debt service payments /Official reserves ^(b)	37.00	34.55	30.49

(a) Provisional

Source: Central Bank of Sri Lanka

OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs million

Item	2010	2011	2012	2013	2014 Provisional
Total Domestic Debt	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783
By Maturity					
Short-Term	619,549	698,190	813,273	909,156	941,162
Treasury bills ^(a)	514,442	590,885	629,070	700,137	694,767
Provisional advances from the Central Bank	77,879	94,743	111,292	109,167	143,898
Import bills held by commercial banks	9,154	11,479	18,340	23,960	25,542
Other liabilities to the banking sector net of bank	10,396	150	53,638	61,959	76,386
Other (Administrative Borrowing)	7,678	933	933	13,933	570
Medium and Long-term	1,946,113	2,105,895	2,419,541	2,923,670	3,336,620
Rupee loans	87,709	61,961	58,386	55,518	55,518
Treasury bonds ^(b)	1,643,887	1,819,251	2,095,054	2,452,360	2,844,054
Sri Lanka Development Bonds	173,877	183,845	222,994	369,215	391,083
Other	40,640	40,838	43,107	46,577	45,966
By Debt Instrument	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783
Rupee loans	87,709	61,961	58,386	55,518	55,518
Treasury bills ^(a)	514,442	590,885	629,070	700,137	694,767
Treasury bonds ^(b)	1,643,887	1,819,251	2,095,054	2,452,360	2,844,054
Sri Lanka Development Bonds	173,877	183,845	222,994	369,215	391,083
Provisional advances	77,879	94,743	111,292	109,167	143,898
Other	67,869	53,400	116,017	146,429	148,463
By Institution	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783
Banks	691,716	886,221	1,060,317	1,433,773	1,669,882
Central Bank					
By debt instrument	78,376	263,329	265,198	112,396	267,676
Treasury bills ^(a)	2,993	169,797	154,005	3,053	123,496
Treasury bonds ^(b)	-	-	-	-	-
Provisional advances	77,879	94,743	111,292	109,167	143,898
Other	(2,496)	(1,210)	(99)	176	282
Commercial Banks					
By debt instrument	613,340	622,892	795,119	1,321,377	1,402,206
Rupee loans	17,615	16,234	15,870	15,870	15,870
Treasury bills ^(a)	220,358	185,756	219,748	443,951	278,296
Treasury bonds ^(b)	162,215	206,547	244,770	386,398	595,067
Sri Lanka Development Bonds	173,877	183,845	222,994	369,215	391,083
Other	39,276	30,511	91,737	105,943	121,890
Non bank sector					
By debt instrument	1,873,945	1,917,864	2,172,496	2,399,053	2,607,901
Rupee loans	70,094	45,727	42,516	39,648	39,648
Treasury bills ^(a)	291,091	235,333	255,317	253,133	292,975
Treasury bonds ^(b)	1,481,672	1,612,704	1,850,284	2,065,962	2,248,987
Other	31,089	24,100	24,379	40,310	26,291
By institution	1,873,945	1,917,864	2,172,496	2,399,053	2,607,901
National Savings Bank	286,514	314,319	330,150	358,243	379,877
Employees' Provident Fund	861,341	950,474	1,173,870	1,393,458	1,441,106
Other	726,090	653,071	668,476	647,352	1,786,918
Total Foreign Debt	2,024,583	2,329,280	2,767,300	2,960,424	3,113,116
By Type	2,024,583	2,329,280	2,767,300	2,960,424	3,113,116
Project Loans	1,461,729	1,640,117	1,846,772	1,938,909	1,904,599
Non-Project Loans	562,854	689,163	920,527	1,021,515	1,208,516
Commodity	54,653	53,460	56,599	61,597	69,993
Other ^(c)	508,201	635,703	863,928	959,918	1,138,523
By Institution	2,024,583	2,329,280	2,767,300	2,960,424	2,845,626
Concessional Loans	1,266,910	1,328,797	1,369,568	1,492,842	1,223,489
Multi-lateral	601,691	624,634	670,692	716,792	704,044
Bi-lateral	665,218	704,163	698,876	776,050	519,445
Non-Concessional Loans	147,240	235,923	455,069	460,475	457,668
Multi-lateral	73,245	97,282	173,600	186,748	183,916
Bi-lateral	73,995	138,641	281,469	273,727	273,751
Commercial Loans	610,433	764,560	942,663	1,007,106	1,164,470
International Sovereign bonds	221,906	341,704	445,063	457,636	655,243
Non-resident investments in Treasury bills	57,317	70,123	80,184	73,916	55,500
Non-resident investments in Treasury bonds	183,538	199,531	317,604	403,486	401,710
Other ^(c)	147,672	153,202	99,812	72,070	52,017
Total Outstanding Government Debt	4,590,245	5,133,365	6,000,113	6,793,249	7,390,899

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

(a) Excludes Treasury bills held by non-residents.

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

(c) Includes outstanding defence loans.

CENTRAL GOVERNMENT DEBT

TABLE 3

COMPOSITION OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs.million

Source	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)
1. Foreign Debt	956,620	1,103,418	1,326,487	1,448,734	1,760,467	2,024,583	2,329,280	2,767,299	2,960,424	3,113,116
1.1 Project Loans ^{(b) (c)}	865,494	978,356	1,087,359	1,261,304	1,362,806	1,461,729	1,640,117	1,846,772	1,938,909	1,904,599
1.2 Non -Project Loans	91,126	125,062	239,128	187,430	397,661	562,854	689,163	920,527	1,021,515	1,208,516
Commodity ^(c)	69,116	69,021	68,665	66,499	62,304	54,653	53,460	56,599	61,597	69,993
Other ^(d)	22,010	56,041	170,463	120,931	335,357	508,201	635,703	863,928	959,918	1,138,523
2. Domestic Debt	1,265,722	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783
2.1 Rupee loans	140,563	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518	55,518
2.2 Treasury bills ^(e)	234,174	257,732	307,012	402,600	441,032	514,442	590,885	629,070	700,137	694,767
2.3 Treasury bonds ^(f)	751,569	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251	2,095,054	2,452,360	2,844,054
2.4 Sri Lanka Development Bonds	25,519	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215	391,083
2.5 Central Bank Advances ^(g)	39,746	49,015	60,679	76,308	73,881	77,879	94,743	111,292	109,167	143,898
2.6 Other ^(h)	74,151	107,329	110,686	90,528	92,160	67,869	53,400	116,017	146,429	148,463
Total	2,222,342	2,582,648	3,041,685	3,588,962	4,161,422	4,590,245	5,813,074	6,000,112	6,793,249	7,390,899

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

(a) Provisional

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

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

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

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

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

(g) Excludes contributions to international financial organizations.

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

CENTRAL GOVERNMENT DEBT

TABLE 4

OWNERSHIP OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs.million

Owner	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)
1. Domestic Debt^(b)	1,265,722	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085	3,232,813	3,832,825	4,277,783
1.1 Banking Sector	298,411	395,470	415,318	657,425	705,766	691,716	886,221	1,060,317	1,433,773	1,669,882
Central Bank	78,364	117,624	104,817	239,248	109,593	78,376	263,329	265,198	112,396	267,676
Commercial Banks	220,047	277,846	310,501	418,177	596,172	613,340	622,892	795,119	1,321,377	1,402,206
1.2 Non Bank Sector	967,311	1,083,760	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864	2,172,495	2,399,053	2,607,900
Market Borrowings	951,547	1,069,577	1,289,688	1,478,553	1,685,638	1,866,267	1,916,930	2,171,562	2,385,120	2,607,330
Savings Institutions	169,590	166,457	192,413	204,067	257,084	286,514	314,319	330,150	358,243	379,877
Insurance Funds	20,704	13,234	21,012	25,976	34,490	32,839	34,356	33,768	30,849	30,536
Provident and Pension Funds ^(c)	423,283	480,731	595,807	698,192	835,402	884,279	959,303	1,204,729	1,428,534	1,474,560
Official Fund ^(d)	65,825	95,988	107,480	107,234	132,485	167,374	161,568	178,900	202,118	221,584
Private Business and Individuals ^(e)	272,145	313,166	372,976	443,084	426,177	495,261	447,385	424,015	365,376	500,773
Non Market Borrowings	15,764	14,183	10,191	4,251	9,551	7,678	933	933	13,933	570
2. Foreign Debt	956,620	1,103,418	1,326,487	1,448,734	1,760,467	2,329,280	2,329,280	2,767,299	2,960,424	3,113,116
Total	2,222,342	2,582,648	3,041,685	3,588,962	4,161,422	4,894,942	5,133,365	6,000,112	6,793,249	7,390,899

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

(a) Provisional.

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

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

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

(e) Includes the value of Treasury Certificates of Deposits.

DOMESTIC DEBT

TABLE 5

DETAILS OF OUTSTANDING TREASURY BONDS AS AT END 2014 ^(a)

Rs.million

Maturity Date	Issue Date	Series	ISIN	Face Value
1/15/2015	1/15/2011	06.20%2015A	LKB00415A155	50,926.5
3/15/2015	3/15/2009	11.75%2015A	LKB00615C156	79,358.4
6/15/2015	6/15/2011	06.20%2015B	LKB00415F154	39,782.5
7/15/2015	7/15/2010	06.50%2015A	LKB00515G159	83,666.0
8/1/2015	8/1/2009	11.00%2015A	LKB00615H015	84,054.4
9/1/2015	9/1/2009	11.00%2015B	LKB00615I013	79,578.4
9/20/2015	9/20/2013	12.50%2015A	LKB00215I202	24,258.0
11/1/2015	11/1/2011	08.50%2015A	LKB00415K014	70,080.8
4/1/2016	4/1/2010	07.25%2016A	LKB00616D012	82,577.1
6/1/2016	6/1/2011	08.00%2016B	LKB00516F019	54,763.8
8/1/2016	8/1/2010	06.40%2016A	LKB00616H013	79,771.2
9/1/2016	9/1/2011	08.00%2016A	LKB00516I013	43,944.1
10/1/2016	10/1/2010	06.40%2016B	LKB00616J019	34,533.0
11/10/2016	11/10/2003	00.00%2016A	LKC01316K103	4,397.0
1/1/2017	1/1/2012	08.00%2017A	LKB00517A018	72,807.4
1/15/2017	1/15/2011	05.80%2017A	LKB00617A156	52,490.9
3/1/2017	3/1/2014	08.25%2017A	LKB00317C019	63,839.6
5/15/2017	5/15/2013	08.75%2017A	LKB00417E153	1,500.0
5/15/2017	11/15/2013	08.75%2017A	LKB00417E153	74,392.7
6/15/2017	6/15/2012	08.00%2017B	LKB00517F157	33,649.3
7/15/2017	7/15/2011	05.80%2017B	LKB00617G153	82,084.1
2/1/2018	2/1/2003	08.50%2018A	LKB01518B013	80,919.1
4/1/2018	4/1/2012	08.50%2018C	LKB00618D018	92,414.2
6/1/2018	6/1/2012	08.50%2018D	LKB00618F013	48,068.5
7/15/2018	7/15/2003	08.50%2018B	LKB01518G152	90,715.7
8/15/2018	8/15/2003	07.50%2018A	LKB01518H150	97,845.5
11/15/2018	11/15/2011	08.00%2018A	LKB00718K151	64,346.0
1/15/2019	1/15/2011	05.65%2019A	LKB00819A158	32,244.5
5/1/2019	5/1/2009	08.50%2019A	LKB01019E016	82,174.6
7/1/2019	7/1/2013	10.60%2019A	LKB00619G019	70,448.2
9/15/2019	9/15/2013	10.60%2019B	LKB00619I155	55,493.6
11/1/2019	11/1/2011	08.00%2019A	LKB00819K017	54,151.1
6/1/2020	6/1/2012	08.00%2020A	LKB00820F015	10,787.5
8/1/2020	8/1/2010	06.20%2020A	LKB01020H017	71,515.9
5/1/2021	5/1/2012	09.00%2021A	LKB00921E014	75,778.1
8/1/2021	8/1/2013	11.00%2021A	LKB00821H019	11,124.1
1/1/2022	1/1/2012	08.00%2022A	LKB01022A018	84,634.2
7/1/2022	7/1/2013	11.20%2022A	LKB00922G017	85,532.1
10/1/2022	10/1/2013	10.00%2022A	LKB00922J011	628.6
10/1/2022	10/1/2013	10.00%2022A	LKB00922J011	12,267.1
9/1/2023	9/1/2013	11.20%2023A	LKB01023I019	2,500.0
9/1/2023	9/1/2012	09.00%2023A	LKB01123I017	7,128.0
10/1/2023	10/1/2003	07.00%2023A	LKB02023J016	67,366.0
1/1/2024	1/1/2014	11.40%2024A	LKB01024A014	56,580.6
12/1/2024	12/1/2014	06.00%2024A	LKB01024L011	7,000.0
5/1/2025	5/1/2013	09.00%2025A	LKB01225E019	15,486.9
2/1/2026	2/1/2012	09.00%2026A	LKB01326B011	21,050.0
3/1/2026	3/1/2011	05.35%2026A	LKB01526C014	90,586.0
5/1/2028	5/1/2013	09.00%2028B	LKB01528E016	92,783.7
7/1/2028	7/1/2012	09.00%2028A	LKB01628G019	94,571.2
1/1/2029	1/1/2014	13.00%2029A	LKB01529A012	83,087.5
5/1/2029	5/1/2014	13.00%2029B	LKB01529E014	16,524.6
1/1/2032	1/1/2012	08.00%2032A	LKB02032A016	99,070.5
10/1/2032	10/1/2012	09.00%2032A	LKB02032J017	35,294.9
6/1/2033	6/1/2013	09.00%2033A	LKB02033F013	101,455.9
7/1/2033	7/1/2013	13.25%2033A	LKB02033G011	23,511.8
11/1/2033	11/1/2013	09.00%2033B	LKB02033K013	20,008.8
1/1/2034	1/1/2014	13.25%2034A	LKB02034A012	77,859.0
6/1/2043	6/1/2013	09.00%2043A	LKB03043F011	33,809.3
1/1/2044	1/1/2014	13.50%2044A	LKB03044A010	10,969.9
6/1/2044	6/1/2014	13.50%2044B	LKB03044F019	71,538.6
Total		61		3,341,726.6

Source: Central Bank of Sri Lanka

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

DOMESTIC DEBT

TABLE 6

DETAILS OF OUTSTANDING SRI LANKA DEVELOPMENT BONDS AS AT END 2014

USD million

Maturity Date	Issue Date	Series	ISIN	Face Value
3/16/2015	3/16/2011	SLDB2015A	LKG00415C164	93.0
3/16/2015	3/17/2014	SLDB2015A	LKG00415C164	100.0
3/16/2015	4/1/2014	SLDB2015A	LKG00415C164	25.0
6/29/2015	6/29/2011	SLDB2015B	LKG00415F290	23.0
8/18/2015	8/18/2011	SLDB2015C	LKG00415H189	30.0
3/16/2015	3/26/2012	SLDB2015D	LKG00315C166	74.5
6/29/2015	7/2/2012	SLDB2015E	LKG00315F292	229.0
8/18/2015	9/24/2012	SLDB2015F	LKG00315H181	141.1
6/30/2016	6/30/2011	SLDB2016B	LKG00516F303	25.0
6/30/2016	7/1/2013	SLDB2016B	LKG00516F303	90.0
6/30/2016	7/15/2013	SLDB2016B	LKG00516F303	30.0
8/18/2016	8/18/2011	SLDB2016C	LKG00516H184	55.0
8/18/2016	11/26/2013	SLDB2016C	LKG00516H184	16.0
8/18/2016	10/30/2014	SLDB2016C	LKG00516H184	70.0
3/26/2016	3/26/2012	SLDB2016D	LKG00416C261	12.0
3/26/2016	2/22/2013	SLDB2016E	LKG00316C263	159.1
3/26/2016	3/27/2013	SLDB2016E	LKG00316C263	129.0
3/26/2016	8/30/2013	SLDB2016E	LKG00316C263	11.0
3/17/2017	3/17/2014	SLDB2017A	LKG00317C170	192.0
6/30/2017	6/30/2014	SLDB2017B	LKG00317F306	199.5
6/30/2017	7/1/2014	SLDB2017B	LKG00317F306	45.0
6/30/2017	8/20/2014	SLDB2017B	LKG00317F306	15.0
6/30/2017	12/12/2014	SLDB2017B	LKG00317F306	5.0
7/1/2018	7/1/2013	SLDB2018A	LKG00518G018	167.0
7/1/2018	7/15/2013	SLDB2018A	LKG00518G018	643.1
7/1/2018	6/2/2014	SLDB2018A	LKG00518G018	15.0
9/17/2018	9/18/2013	SLDB2018B	LKG00518I188	375.0
10/3/2019	10/3/2014	SLDB2019A	LKG00519J036	15.0
Total		28		2,984.3

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 7

DETAILS OF OUTSTANDING RUPEE LOANS AS AT END 2014

Rs.million

Maturity Date	Issue Date	Series	Interest Rate	Face Value
4/1/2015	4/1/2005	09.50%2009-2015	9.50	26,000.0
5/1/2015	5/1/2005	09.50%2009-2015A	9.50	1,366.4
7/1/2015	7/1/2005	11.00%2009-2015	11.00	4,063.4
2/1/2023	2/1/1993	12%2023	12.00	24,088.0
Total		4		55,517.8

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 8

CHANGES IN RELATIVE COMPOSITION OF GOVERNMENT SECURITIES ^(a)

	2010	2011	2012	2013	2014
1. Maturity (%)					
Short term	23	24	23	22	19
Medium and long term	77	76	77	78	81
2. Marketability (%)					
Marketable	96	97	98	98	98
Non-marketable	4	3	2	2	2
3. Investor base (%)					
Central Bank	0	7	6	0	3
Commercial banks	18	17	17	26	25
Captive sources	54	55	50	54	52
Others	27	27	23	20	20
4. Maximum maturity in the yield curve (yrs)					
Primary market	10	15	20	30	30
Secondary market	10	15	15	20	30

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

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

DOMESTIC DEBT

TABLE 9

MATURITY PROFILE OF DOMESTIC DEBT AS AT END 2014 ^(a)

Maturity Year	Instrument					Total
	Treasury bill ^(b)	Treasury bond ^{(b),(c)}	Rupee loan	SLDB ^(d)	OBU ^(d)	
2015	694,767	412,162	31,430	93,774	19,657	1,251,790
2016	-	251,510	-	78,252	-	329,762
2017	-	329,162	-	59,824	-	388,985
2018	-	358,975	-	157,267	-	516,243
2019	-	223,253	-	1,966	-	225,219
2020	-	82,303	-	-	-	82,303
2021	-	45,821	-	-	-	45,821
2022	-	179,562	-	-	-	179,562
2023	-	51,764	24,088	-	-	75,852
2024	-	63,581	-	-	-	63,581
2025	-	15,487	-	-	-	15,487
2026	-	111,636	-	-	-	111,636
2028	-	181,395	-	-	-	181,395
2029	-	63,967	-	-	-	63,967
2043	-	33,806	-	-	-	33,806
2044	-	82,508	-	-	-	82,508
Total	694,767	2,844,054	55,518	391,083	19,657	3,647,917

Sources : Central Bank of Sri Lanka

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

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

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

(d) Exchange rate used for conversion is 1 USD = Rs. 130.753 as at end 2013.

DOMESTIC DEBT

TABLE 10

FUTURE DOMESTIC CURRENCY DEBT OBLIGATIONS AS AT END 2014 ^(a)

Year	Rs. million		
	Capital	Interest	Grand Total
2015	502,757	367,167	869,924
2016	259,438	276,787	536,225
2017	322,473	208,570	531,042
2018	372,386	182,665	555,051
2019	256,772	150,397	407,169
2020	60,070	128,996	189,067
2021	72,908	120,721	193,629
2022	156,377	112,702	269,079
2023	64,918	97,013	161,931
2024	62,358	88,723	151,081
2025	12,961	84,381	97,342
2026	56,651	80,313	136,964
2027	-	76,943	76,943
2028	133,578	72,768	206,346
2029	99,612	53,606	153,218
2030	-	47,131	47,131
2031	-	47,131	47,131
2032	77,077	43,169	120,246
2033	88,661	31,464	120,125
2034	77,859	19,340	97,199
2035	-	14,181	14,181
2036	-	14,181	14,181
2037	-	14,181	14,181
2038	-	14,181	14,181
2039	-	14,181	14,181
2040	-	14,181	14,181
2041	-	14,181	14,181
2042	-	14,181	14,181
2043	22,143	12,660	34,803
2044	82,508	5,569	88,078
Total	2,781,508	2,421,667	5,203,176

Sources: Central Bank of Sri Lanka

(a) Represents capital payments (book values of Treasury bonds and Rupee loans) and interest payments (coupon payments and discounts of Treasury bonds, Treasury bills and Rupee loans) as at end 2013.

DOMESTIC DEBT

TABLE 11

OWNERSHIP OF TREASURY BILLS ^(a)

Rs million

Ownership	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Bank Sector	78,102	122,175	113,782	251,453	197,532	223,351	355,552	373,753	447,004	401,792
1.1 Central Bank	38,951	69,370	44,964	163,584	37,451	2,993	169,797	154,005	3,053	123,496
1.2 Commercial Banks	39,151	52,805	68,818	87,869	160,081	220,358	185,756	219,748	443,951	278,296
2. Non Bank Sector	156,072	135,558	193,231	151,146	243,499	291,091	235,333	255,317	253,133	292,974
2.1 Employees' Provident Fund	5,659	4,793	5,208	1	420	5,969	0	33,410	13,969	1,000
2.2 Other Provident Funds	-	42	166	55	-	15	1,279	122	45	-
2.3 Savings Institutions	39,938	33,456	32,046	20,791	42,677	52,541	58,733	61,972	68,328	47,945
2.4 Insurance and Finance Companies	18,034	5,963	8,623	10,988	7,192	12,072	11,010	19,097	28,629	47,461
2.5 Departmental and Other Official Funds	19,574	28,173	29,481	16,431	21,452	20,636	5,968	2,566	8,114	10,986
2.6 Private and Other	72,867	63,131	117,707	102,882	171,757	199,858	158,344	138,149	134,048	185,582
3 Foreign Investors^(c)	-	-	-	6,358	40,410	57,317	70,123	80,184	73,916	55,500
Total	234,174	257,732	307,013	408,958	481,441	571,759	661,008	709,254	774,053	750,266

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

(a) Adjusted for secondary market transactions.

(b) Provisional.

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

DOMESTIC DEBT

TABLE 12

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

Rs million

Ownership	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(c)
1. Bank Sector	55,118	46,595	58,416	90,082	188,576	162,215	206,547	244,770	386,398	595,067
1.1 Central Bank	-	-	-	-	-	-	-	-	-	-
1.2 Commercial Banks	55,118	46,595	58,416	90,082	188,576	162,215	206,547	244,770	386,398	595,067
2. Non Bank Sector	696,452	839,377	960,436	1,191,897	1,324,936	1,481,672	1,612,704	1,852,235	2,065,962	2,248,986
2.1 Employee's Provident Fund	344,830	408,757	501,331	607,770	718,717	814,451	927,374	1,117,360	1,356,389	1,450,144
2.2 Other Provident Funds	-	4,940	7,862	9,507	13,766	19,872	7,550	30,639	35,031	315
2.3 Savings Institutions	104,235	112,062	134,994	164,457	195,588	221,805	246,418	261,309	285,915	327,932
2.4 Insurance and Finance Companies	8,214	13,632	21,215	26,410	33,194	33,624	34,410	31,711	26,636	42,742
2.5 Departmental and Other Official Funds	34,922	58,061	69,588	90,778	21,949	36,963	37,006	37,596	187,904	210,598
2.6 Private and Other	204,251	241,925	225,446	292,975	341,722	354,957	359,946	373,620	174,087	217,255
3 Foreign Investors^(c)	0	0	49,647	17,647	145,124	183,538	199,531	317,604	403,486	401,710
Total	751,569	885,972	1,068,499	1,299,625	1,658,636	1,827,425	2,018,782	2,414,609	2,855,846	3,245,763

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

(a) Adjusted for secondary market transactions.

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

(c) Provisional.

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

DOMESTIC DEBT

TABLE 13

OWNERSHIP OF RUPEE LOANS

Rs.million

Ownership	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(b)
1. Bank Sector	41,481	22,088	15,870	15,870	17,252	17,615	16,234	15,870	15,870	15,870
1.1 Central Bank	-	-	-	-	-	-	-	-	-	-
1.2 Commercial Banks	41,481	22,088	15,870	15,870	17,252	17,615	16,234	15,870	15,870	15,870
2. Non Bank Sector	99,081	94,625	115,639	114,139	95,040	70,094	45,727	42,516	39,648	39,648
2.1 Savings Institutions	25,418	-	19,938	18,820	18,820	12,168	9,168	6,868	4,000	4,000
2.2 Departmental and Other Official Funds ^(b)	9,754	9,755	8,410	8,400	6,111	6,103	6,101	5,190	6,101	6,101
2.3 Employees' Provident Fund	56,068	56,068	68,921	68,539	56,583	40,921	23,100	23,100	23,100	23,100
2.4 Other Provident Funds	6,105	6,132	12,320	12,327	11,417	10,369	7,358	7,358	6,447	6,447
2.5 Insurance Corporations	-	-	-	-	-	-	-	-	-	-
2.6 Insurance Companies	-	-	-	-	-	-	-	-	-	-
2.7 Other State Corporations	1,575	1,575	1,575	1,575	1,575	-	-	-	-	-
2.8 Other ^(c)	161	158	4,475	4,477	535	532	-	-	-	-
Total	140,562	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518	55,518

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

(a) Provisional.

(b) Including Employees Trust Fund.

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

FOREIGN DEBT

TABLE 14

COMPOSITION OF OUTSTANDING FOREIGN DEBT AS AT END 2014 ^(a)

Rs.million

Creditor Category/ Use of Funds	Bi-lateral	Multi-lateral	Commercial	Export Credit	Total Debt	% of Total
Cash ^(b)	411	79	655,243		655,733	21.06
Commodity	7,047	-	-	210	7,256	0.23
Food	21,543	-	-		21,543	0.69
Goods & Services	15,966	-		25,228	41,194	1.32
Programme	5,843	79,259	-		85,103	2.73
Project	741,858	791,559	4,535	281,545	1,819,497	58.45
Other ^(c)	529	17,063	458,237	6,962	482,791	15.51
Total Debt	793,196	887,960	1,118,014	313,945	3,113,116	100.00
%	25.48	28.52	35.91	10.08	100.00	

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional .

(b) Includes Sovereign bond issued in 2009, 2010, 2011 and 2012.

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

FOREIGN DEBT

TABLE 15

OWNERSHIP OF OUTSTANDING FOREIGN DEBT

Rs. million

Source	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)
1. Multi-lateral	459,837	534,356	580,719	618,181	665,040	674,936	721,916	844,292	903,540	887,960
ADB	230,510	269,211	292,151	317,763	344,661		383,461	448,421	478,796	471,762
EIB	4,838	9,345	15,326	18,010	20,463		18,054	23,438	23,248	21,133
IBRD	220	228	231	240	0	0	0	322	4,530	6,987
IDA	213,916	242,940	258,748	267,475	284,074	281,217	302,244	349,997	373,085	363,052
IFAD	7,109	7,997	8,719	9,052	10,309	11,032	13,007	16,013	17,419	17,098
OPEC	1,582	2,098	2,357	2,355	2,173	1,913	2,052	2,699	2,998	4,783
Nordic Development Fund	1,662	2,537	3,188	3,285	3,360	3,110	3,099	3,403	3,464	3,145
2. Bi-lateral	433,382	486,530	564,500	666,533	684,750	739,213	842,804	1,035,907	823,180	793,196
Canada	8,635	8,753	9,852	7,718	8,488	8,134	7,701	8,269	7,409	6,339
France ^(b)	8,726	9,714	10,255	12,424	15,021	18,427	19,503	24,273	26,861	24,698
Germany	49,374	61,644	65,977	61,528	58,279	50,263	47,547	51,164	52,112	43,342
India	10,118	12,382	14,843	15,294	17,902	17,292	41,927	78,322	102,843	119,982
Japan	277,882	305,897	327,711	426,936	426,767	478,931	529,013	547,515	468,366	416,408
Kuwait	3,573	3,794	3,855	4,649	5,103	5,237	5,799	6,194	5,749	5,357
Netherlands	2,196	2,080	1,455	751	291	87	0	0	0	0
People's Republic of China ^(c)	3,604	5,121	22,668	29,688	46,641	56,459	59,497	67,434	67,154	87,743
Saudi Arabian Fund	43	327	749	1,217	2,328	2,338	2,544	2,648	3,868	4,982
USA	55,341	57,310	52,797	50,708	46,952	42,414	40,318	41,386	38,854	35,246
Other	13,892	19,508	54,339	55,619	56,978	59,633	88,957	208,702	49,963	49,100
3. Financial Markets	63,401	82,533	181,268	164,020	410,677	759,030	764,560	887,100	1,233,704	1,431,959
Riggs National Bank	3,769	3,843	3,746	3,674	3,476	3,140	2,984	3,064	2,922	2,651
Indo-Suez Bank (France & Stockholm)	82	48	16	-	0	0	0	0	0	0
Bankers Trust Co.	786	754	685	634	560	466	399	356	275	184
Solomon Bros. Inc. - New York	627	560	462	374	270	157	54	0	0	0
Citi Bank/NEXI	18,082	27,122	24,637	11,314	0	0	0	0	0	0
Other ^(d)	40,055	50,206	151,722	148,024	406,370	755,267	761,124	883,680	1,230,507	1,429,125
International Sovereign bonds	0	0	54,360	56,570	114,384	341,704	341,704	445,063	457,636	655,243
Non-resident investments in Treasury bills	0	0		6,358	40,410	70,123	70,123	80,184	73,916	55,500
Non-resident investments in Treasury bonds	0	0	49,647	17,647	145,124	199,531	199,531	317,604	403,486	401,710
Other	40,055	50,206	47,715	67,449	106,452	143,909	149,766	40,829	295,470	316,672
Total	996,138	956,620	1,103,418	1,326,487	1,448,734	1,760,467	2,024,583	2,329,280	2,960,424	3,113,116

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional.

(b) Includes loans from Financial Institutions.

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

(d) Includes outstanding defence loans, Rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and Treasury bonds and Treasury bills held by Sri Lankan diaspora and migrant workers (since 2009) and proceeds from the international sovereign bond issues.

FOREIGN DEBT

TABLE 16

FOREIGN LOAN - 2014

Rs million

Type and Source	Gross Receipts	Repayments	Net Change in the Liability ^(a)	Liability as at end December
1. Project Loans	164,594	96,634	(34,310)	1,904,599
ADB	32,225	18,732	43,636	463,364
Australia	200	2,241	(611)	11,756
Austria	894	1,551	(2,958)	17,237
Canada	-	331	(728)	4,500
China (b)	39,472	13,124	33,935	229,882
Denmark	286	3,199	(4,687)	15,437
EIB	2,754	2,189	(2,115)	21,133
Finland	-	385	(724)	2,365
France	1,375	1,386	(2,503)	30,815
Germany	195	2,727	(7,703)	37,868
Hong Kong	-	902	(1,034)	2,299
India	14,451	1,769	18,504	104,016
IDA	16,956	10,273	27,155	354,307
Japan	31,308	25,757	(50,964)	417,099
Korea	2,645	957	320	41,241
Kuwait	194	403	(392)	5,357
Netherlands	3,817	1,644	1,369	18,281
Opec Fund for International Development	1,974	251	1,785	4,783
Saudi Arabian Fund	1,415	347	1,114	4,982
Spain	1,004	537	(479)	7,388
Sweden	467	1,423	(1,302)	19,592
UK	7,269	3,273	3,356	29,405
USA	1,463	2,181	(333)	18,191
Other	4,231	1,051	(88,951)	43,302
2. Non-Project Loans	431,223	165,794	187,002	1,208,516
2.1 Commodity Loans	626	4,814	38,854	48,334
Canada	-	178	(342)	1,840
France	-	40	(44)	9
India	626	1,293	15,376	15,966
Pakistan	-	491	3,570	3,779
Germany	-	301	(990)	5,063
Netherlands	-	-	-	-
USA (b)	-	2,308	21,499	21,590
Japan	-	203	(214)	89
2.2 Other Loans	430,597	160,980	148,147	1,160,182
ADB	-	1,792	(50,672)	8,397
China	843	250	577	4,123
USA	-	-	(23,763)	-
Germany	-	21	(8,038)	411
Japan	-	-	-	-
Other (C)	429,754	158,917	230,043	1,147,251
Memo: Liability due to variations in exchange rates			(90,230)	
Grand Total (d)	595,817	262,428	152,692	3,113,116

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Includes the impact of exchange rate variation.

(b) Includes rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and Treasury bonds and Treasury bills issued to Sri Lankan diaspora and migrant workers (since 2009).

(c) Liability as at end 2013 includes outstanding defence loans.

FOREIGN DEBT

TABLE 17

FOREIGN LOAN DISBURSEMENTS BY SOURCE

Rs million

Category	Disbursements									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)
1. Lender	75,180	92,296	183,046	129,628	256,402	327,878	322,771	482,259	392,351	367,532
Bi-lateral	25,552	38,614	50,102	42,248	60,131	59,272	78,739	109,165	83,109	73,690
Multi-lateral	35,014	33,942	29,126	39,981	48,547	52,685	54,459	65,782	63,335	61,156
Commercial ^{(b)(c)}	10,208	10,756	95,147	31,127	109,371	163,892	144,963	250,505	158,918	197,453
Export Credits	4,406	8,984	8,671	16,272	38,353	52,028	44,611	56,807	86,989	35,234
2. Use of Funds	75,180	92,296	183,046	129,628	256,402	327,878	322,771	482,259	233,433	367,532
Cash ^(b)	10,209	9,138	56,202	-	57,404	111,926	109,488	130,695	139,483	195,989
Commodity	-	-	-	-	-	-	-	-	-	-
Food	-	-	-	-	-	-	-	-	-	-
Goods & Services	280	3,227	2,515	58	314	126	3,254	2,316	8,195	626
Programme	1,987	5,362	270	1,791	593	4,788	194	-	21	-
Project	62,472	73,052	84,830	112,560	145,850	158,770	174,097	227,041	272,433	164,352
Technical Assistance	232	127	288	249	275	302	232	210	39	241
Other ^(c)	-	1,390	38,941	14,970	151,967	51,967	35,507	121,997	27,294	6,323

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Includes Sovereign bond issued in 2009, 2010, 2011 and 2012.

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

DEBT SERVICE PAYMENTS

TABLE 18

GOVERNMENT DEBT REPAYMENTS AND INTEREST PAYMENTS

Rs.million

Year	Principal Repayments			Interest Payments		
	Domestic ^(a)	Foreign ^(b)	Total	Domestic ^(c)	Foreign ^(d)	Total
1977	513	434	947	811	136	947
1978	664	501	1,165	1,055	285	1,340
1979	683	499	1,182	1,277	357	1,634
1980	902	600	1,502	1,787	412	2,199
1981	1,001	607	1,608	3,025	713	3,738
1982	1,938	674	2,612	4,189	915	5,104
1983	3,860	1,165	5,025	5,336	1,270	6,606
1984	764	1,465	2,229	5,115	1,623	6,738
1985	5,108	1,789	6,897	5,458	1,970	7,428
1986	4,505	3,020	7,525	6,553	2,209	8,762
1987	902	4,690	5,592	7,593	2,564	10,157
1988	4,471	5,209	9,680	9,694	2,896	12,590
1989	3,796	5,742	9,538	11,015	3,337	14,352
1990	7,304	4,906	12,210	16,990	3,678	20,668
1991	12,901	4,881	17,782	17,960	4,113	22,073
1992	18,123	7,955	26,078	21,201	4,739	25,940
1993	20,327	6,963	27,290	25,101	5,102	30,203
1994	15,065	7,606	22,671	32,520	5,511	38,031
1995	28,069	8,477	36,546	32,064	6,162	38,226
1996	22,749	10,491	33,240	42,184	6,739	48,923
1997	15,232	13,251	28,483	48,554	6,692	55,246
1998	41,617	18,351	59,968	47,598	7,300	54,898
1999	20,322	21,440	41,762	53,371	8,752	62,123
2000	81,244	23,282	104,526	62,185	9,015	71,200
2001	56,844	27,921	84,765	84,560	9,747	94,307
2002	130,786	37,057	167,843	105,897	10,617	116,514
2003	185,083	34,425	219,508	113,540	11,586	125,126
2004	147,740	33,041	180,781	105,878	13,904	119,782
2005	203,347	21,360	224,707	113,164	6,995	120,159
2006	247,536	45,989	293,525	133,787	16,990	150,777
2007	251,900	65,934	317,834	158,701	23,980	182,681
2008	258,720	121,609	380,330	182,198	30,277	212,475
2009	403,723	114,716	518,439	273,977	35,698	309,675
2010	389,672	78,184	467,856	297,127	55,464	352,592
2011	439,894	98,789	538,683	288,134	68,565	356,699
2012	415,441	193,529	608,970	317,659	90,839	408,498
2013	496,042	203,993	700,035	354,706	108,160	462,865
2014 ^(e)	449,554	183,109	632,662	327,934	115,660	443,595

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

(a) Excludes Treasury bond payments to non-residents .

(b) Includes Treasury bond payments to non-residents

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

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

(e) Provisional. Excludes Foreign Interest Payments for the Projects under State Owned Business Enterprises

GOVERNMENT BORROWINGS
TABLE 19
ISSUES AND MATURITIES OF DOMESTIC DEBT IN 2013 AND 2014 ^(a)

Rs. million

	Maturity (M)	2013			2014		
		Issues ^(b)	Repayments	Net Issues	Issues ^(c)	Repayments	Net Issues
Treasury bills	0 < M ≤ 91 days	207,430	272,691	(65,261)	232,807	236,641	(3,834)
	91 < M ≤ 182 days	252,073	555,377	(303,303)	358,167	161,873	196,294
	182 < M ≤ 364 days	775,801	342,438	433,362	604,647	745,521	(140,874)
Total		1,235,304	1,170,506	64,798	1,195,621	1,144,035	51,586
Treasury bonds							
	1 year	91,776	100,215	(8,440)	15,105	100,200	(85,095)
	2 year	48,160	25,683	22,478	82,336	76,216	6,120
	3 year	23,795	135,873	(112,078)	147,294	139,510	7,784
	4 year	14,571	114,495	(99,924)	-	70,326	(70,326)
	5 year	273,814	26,072	247,742	150,442	81,975	68,467
	6 year	23,533	85,937	(62,404)	167	2,550	(2,383)
	7 year	2,580	24,970	(22,390)	12,908	-	12,908
	8 year	82,475	3,625	78,850	98,428	-	98,428
	9 year	1,207	10,000	(8,793)	14,889	-	14,889
	10 year	7,388	33,950	(26,562)	55,634	-	55,634
	11 year	8,529	-	8,529	-	-	-
	12 year	9,296	-	9,296	-	-	-
	13 year	52,088	-	52,088	-	-	-
	14 year	3,000	-	3,000	10,296	-	10,296
	15 year	184,355	-	184,355	89,316	-	89,316
	19 year	19,378	-	19,378	33,667	-	33,667
	20 year	137,382	-	137,382	67,704	-	67,704
	30 year	33,809	-	-	82,508	-	82,508
Total		1,017,134	560,820	422,505	860,695	470,777	389,918
Rupee loans							
	4/7 year	-	-	-	-	-	-
	4/8 year	-	2,868	(2,868)	-	-	-
	3/10 year	-	-	-	-	-	-
Total		-	2,868	(2,868)	-	-	-
Sri Lanka Dev. Bonds							
	≤ 1 year	26,612	-	26,612	22,859	32,625	(9,766)
	2 year	-	-	-	9159.5	-	9,160
	3 year	55,806	45,701	10,105	59,543	41,858	17,685
	4 year	-	-	-	1,956	-	1,956
	5 year	155,542	51,981	103,561	1,957	-	1,957
Total		211,347	97,682	113,665	95,475	74,483	20,992
Loans from OBUs							
	≤ 1 year	-	-	-	-	-	-
	2 years	-	-	-	-	-	-
	3 years	-	-	-	-	-	-
Total		-	-	-	-	-	-
Grand Total		2,463,786	1,831,877	598,100	2,151,790	1,689,295	462,496

(a) Face Value.

Sources: Central Bank of Sri Lanka

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

GOVERNMENT BORROWINGS
TABLE 20
AUCTION AND PRIMARY ISSUE DETAILS IN 2013 AND 2014 ^(a)

Rs. million

	2013			2014 ^(b)		
	Treasury Bills ^(c)	Treasury Bonds	Rupee Loans	Treasury Bills	Treasury Bonds ^(b)	Rupee Loans
Auctions						
Number of Auctions	52	-	-	51	15	-
Amount Offered	653,000	186,000	-	555,000	24,000	-
Bids Received	1,877,328	473,751	-	1,971,337	80,655	-
Amount Accepted	852,237	201,199	-	759,600	27,750	-
CBSL Purchases	334,764	-	-	337,659	-	-
Placements	48,303	815,935	-	24,447	832,945	-
Total Issues	1,235,304	1,017,134	-	1,121,705	860,695	-

(a) Face Value.

Source: Central Bank of Sri Lanka

GOVERNMENT BORROWINGS

TABLE 21

GOVERNMENT BORROWING LIMITS AND USAGE IN 2013 AND 2014

Rs. million

	2013		2014	
	Approved Limit	Usage	Approved Limit	Usage
1. Gross Borrowing	1,302,500	1,301,207	1,478,000	1,467,773
1.1. Domestic	919,100	952,526	1,003,500	1,006,345
1.2. Foreign	383,400	348,681	474,500	461,429
2. Sources of Financing				
2.1. Domestic Financing	919,100	952,526	1,003,500	1,006,345
2.1.1 Rupee Loans	-	-	-	-
2.1.2. Treasury bonds ^(a)	458,000	634,367	828,635	822,388
2.1.3. Treasury bills (net) ^(a)	50,000	46,787	40,000	26,278
2.1.4. CBSL Advances	15,100	-	36,800	34,731
2.1.5. SLDBs	396,000	237,959	98,065	95,451
2.1.6. OBUs	-	-	-	-
2.1.7. Other	-	33,413	-	27,497
2.2 Foreign Financing	383,400	348,681	474,500	461,429
2.2.1. Project/Programme Loans ^{(b) (c)}	234,000	180,645	234,000	195,196
2.2.2. Other ^(d)	149,400	168,036	240,500	266,232
Total Financing	1,302,500	1,301,207	1,478,000	1,467,773

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

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

(b) Includes foreign receipts of Rs.60,780.1 million received in 2013 which has been postponed to 2014 since there were no approved allocations in 2013 and Excludes foreign receipts of Rs.37,349.7 million received in 2014 which has been postponed to 2015 since there were no approved allocations in 2014.

(c) Excludes receipts of projects under State Owned Business Enterprises.

(d) Includes Treasury bonds, Treasury bills(net) issued to non-residents, International Sovereign bonds and non-project loans.

GOVERNMENT BORROWINGS

TABLE 22

FINANCING OF THE GOVERNMENT NET CASH DEFICIT

Item	Rs.million									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)
1. NET CASH SURPLUS (+) / DEFICIT (-)	(177,424)	(215,516)	(262,252)	(322,329)	(486,626)	(451,924)	(455,207)	(551,142)	(612,599)	(801,408)
1.1 Revenue and grants	428,643	527,435	614,329	708,596	746,359	858,372	973,476	1,030,128	1,098,355	1,169,543
1.2 Expenditure ^(b)	(606,067)	(742,951)	(876,581)	(1,030,925)	(1,232,984)	(1,310,295)	(1,428,683)	(1,581,271)	(1,710,955)	(1,970,952)
2. FINANCING OF THE DEFICIT	177,424	215,516	262,252	322,329	486,626	451,924	455,207	551,142	612,599	801,408
2.1 Domestic Financing	123,603	163,808	145,136	314,312	245,556	202,229	231,224	257,847	487,542	525,843
2.1.1 Domestic Market Borrowings	119,303	164,458	127,076	309,694	234,276	191,999	236,021	252,409	474,542	539,206
Rupee Loans	43,679	23	18,833	-	1,904	-	-	-	-	-
Less: Direct Repayments	67,875	23,873	8,500	1,500	19,621	24,583	25,748	3,576	2,868	-
Net	(24,196)	(23,850)	10,333	(1,500)	(17,717)	(24,583)	(25,748)	(3,576)	(2,868)	-
Treasury Bills	(9,402)	20,300	37,092	69,766	49,008	82,796	79,616	16,782	53,510	26,077
Treasury Bonds	108,113	97,429	52,807	192,356	201,935	140,440	168,401	154,548	252,125	369,135
Sri Lanka Development Bonds (SLDBs)	-	34,254	23,592	65,497	7,564	11,073	5,268	18,359	140,277	20,968
Central Bank Advances	4,955	9,269	11,664	15,629	(2,428)	3,998	16,864	16,549	(2,125)	34,731
Other Borrowings from Banks ^(c)	47,492	33,874	(3,025)	(43,598)	(2,918)	(7,291)	13,730	45,139	31,725	101,967
Use of Cash Balances	(7,659)	(6,818)	(5,386)	11,544	(1,169)	(14,434)	(22,109)	4,609	1,898	(13,672)
2.1.2 Domestic Other Borrowings ^(d)	4,300	(650)	18,060	4,618	11,280	10,230	(4,798)	5,438	13,000	(13,363)
2.2 Foreign Financing	53,821	51,708	117,115	8,018	241,070	249,694	223,983	293,295	125,057	275,565
2.2.1 Project Loans	64,691	78,254	72,871	114,600	146,717	163,860	174,523	228,808	164,191	188,025
Less: Repayments	17,274		39,108	47,762	66,059	55,360	63,632	80,958	98,231	96,634
Net	47,417		33,763	66,838	80,658	108,500	110,892	147,850	65,960	91,391
2.2.2 Non-project Loans	6,404	7,169	83,352	(58,820)	160,412	141,194	113,092	145,445	59,098	184,174
Commodity Loans	280	3,227	2,510	58	314	126	3,254	2,316	8,195	626
Less: Repayments	390	5,163	5,417	5,771	5,871	6,100	5,793	5,634	5,226	4,814
Net	(110)	(1,936)	(2,907)	(5,713)	(5,557)	(5,974)	(2,539)	(3,319)	2,969	(4,188)
Other loans ^(e)	10,209	16,216	105,848	14,970	208,755	163,893	144,995	255,700	156,664	270,023
Less: Repayments	3,695	7,111	19,589	68,077	42,786	16,724	29,364	106,937	100,535	81,661
Net	6,514	9,105	86,259	(53,107)	165,969	147,169	115,631	148,764	56,128	188,362

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

(a) Provisional.

(b) Consists of government expenditure excluding contributions to sinking funds, direct repayment.

of public debt and subscriptions to international financial organisations. Also excludes book adjustments

arising from losses on Advance Account operations incurred and financed in previous financial years.

Hence, the figures may not tally with the figures published in the Accounts of the Government of Sri Lanka.

(c) Includes cash items in process of collection in the Central Bank and commercial banks, government import bills

overdraft and borrowings from offshore the banking units of commercial banks.

(d) Includes domestic grants, administrative borrowings and payments to be made.

(e) Includes cash loans received from the Iraq, China, OPEC, Japan and military equipment loans and Euro currency commercial loans.

COST OF BORROWING

TABLE 23

ANNUALIZED WEIGHTED AVERAGE YIELD RATES OF TREASURY BILLS, TREASURY BONDS AND RUPEE LOANS ^(a)

Per cent per annum

Instrument	2008	2009	2010	2011	2012	2013	2014
Treasury bills (Days)							
91	18.54	11.43	7.86	7.28	10.72	8.95	6.58
182	18.45	12.18	8.42	7.21	12.29	9.91	6.57
364	18.89	12.76	8.43	7.41	12.14	10.65	6.73
Overall average	18.59	12.25	8.32	7.31	11.81	10.45	6.68
Treasury bonds (Years)							
2	18.95	16.32	9.46	7.77	11.30	-	-
3	18.44	17.01	9.01	7.99	11.11	10.95	-
4	17.87	14.29	9.65	8.23	11.58	-	-
5	17.00	11.20	9.31	8.55	13.32	10.95	8.78
6	-	12.09	9.43	8.70	11.84	10.97	-
7	-	-	9.19	8.84	12.50	-	-
8	-	-	9.15	8.91	14.40	11.51	9.03
9	-	-	-	9.00	-	11.77	9.23
10	-	13.39	9.59	9.15	14.00	11.80	10.00
12	-	-	-	9.10	-	12.09	-
15	-	-	-	9.30	-	12.17	10.34
20	-	-	-	-	11.00	12.19	11.32
30	-	-	-	-	-	12.50	11.75
Overall average	18.59	14.69	9.45	8.64	12.46		10.17
Rupee Loans (Years) ^(b)							
2	-	12.60	-	-	-	-	-
4	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
Overall average	-	12.60	-	-	-	-	-
Overall average	18.59	12.94	8.69	7.76	12.05	11.70	6.80

Source : Central Bank of Sri Lanka

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

(b) For Callable Rupee loans the compulsory date of repayment was considered.

TABLE 24

TREASURY BOND AUCTIONS IN 2014

Series	Settlement Date	Maturity Date	Maturity Period (Years)	Amount Offered (Rs. million.)	Bids Received (Rs. million.)	Amount Accepted (Rs. million.)	Coupon Rate (%)	Weighed Average Yield (a)
10.60%2019A	1/16/2014	7/1/2019	5	2,000	6,750	2,000	10.60	8.65
13.00%2029A	1/16/2014	1/1/2029	15	3,000	8,100	3,500	13.00	10.61
11.20%2022A	3/3/2014	7/1/2022	8	1,000	2,575	1,050	11.20	9.90
11.40%2024A	3/3/2014	1/1/2024	10	1,000	3,825	1,000	11.40	10.00
13.00%2029A	3/3/2014	1/1/2029	15	1,000	3,625	1,000	13.00	10.76
11.20%2022A	4/1/2014	7/1/2022	8	1,000	2,675	1,000	11.20	10.00
13.25%2034A	4/1/2014	1/1/2034	20	2,000	5,050	2,000	13.25	11.32
13.50%2044A	4/1/2014	1/1/2044	30	2,000	7,875	2,000	13.50	11.75
10.60%2019A	6/2/2014	7/1/2019	5	1,000	6,750	1,750	10.60	8.93
13.00%2029A	6/2/2014	1/1/2029	15	2,000	5,475	2,200	13.00	10.88
13.50%2044B	6/2/2014	6/1/2044	30	2,000	5,530	2,000	13.50	11.75
13.00%2029B	7/15/2014	5/1/2029	15	2,000	7,025	3,300	13.00	10.58
11.40%2024A	7/15/2014	1/1/2024	9	2,000	6,200	2,000	11.40	9.23
10.00%2022A	10/1/2014	10/1/2022	8	1,000	4,050	1,000	10.00	7.15
13.00%2029B	10/1/2014	5/1/2029	15	1,000	5,150	1,950	13.00	8.63

Source: Central Bank of Sri Lanka

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

COST OF BORROWING

TABLE 25

TREASURY BILL AUCTIONS IN 2014

Issue Date	Amount Offered			Bids Received			Amount Accepted			Weighted Average Yield Rates		
	(Rs. million.)			(Rs. million.)			(Rs. million.)			(a)		
	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days
1/3/2014	2,000	3,000	10,000	4,246	14,398	53,049	1,031	3,943	15,440	7.42	7.53	7.95
1/10/2014	2,000	3,000	10,000	9,145	17,215	40,119	2,000	3,000	13,579	7.00	7.20	7.42
1/17/2014	2,000	3,000	10,000	11,170	18,220	32,762	5,340	11,662	20,084	6.86	7.02	7.15
1/24/2014	2,000	3,000	10,000	3,850	14,114	16,816	1,105	6,443	2,656	6.84	7.02	7.15
1/31/2014	2,000	5,000	8,000	9,252	17,754	18,013	7,163	12,426	8,232	6.82	7.00	7.14
2/7/2014	2,000	2,000	8,000	10,154	12,966	23,766	-	-	15,446	-	-	7.10
2/14/2014	1,000	1,000	10,000	7,847	12,192	20,490	5,972	11,067	3,790	6.77	6.92	7.10
2/21/2014	3,000	3,000	4,000	9,335	12,135	19,142	3,050	5,390	10,457	6.75	6.90	7.08
2/28/2014	500	3,000	8,500	4,565	14,331	22,050	1,000	8,756	12,900	6.72	6.89	7.07
3/7/2014	1,000	5,000	12,000	3,665	20,968	29,080	1,000	7,793	18,280	6.71	6.88	7.07
3/14/2014	500	1,000	8,500	3,818	8,872	23,392	500	4,306	13,446	6.69	6.85	7.06
3/21/2014	500	1,000	8,500	2,685	8,013	21,068	700	2,808	8,500	6.66	6.83	7.05
3/28/2014	500	1,000	8,500	2,540	3,093	17,060	1,815	957	5,510	6.65	6.82	7.05
4/4/2014	1,000	1,500	6,500	2,055	3,591	11,247	380	516	1,287	6.64	6.81	7.05
4/11/2014	500	2,000	7,500	1,825	5,975	17,441	500	500	9,350	6.63	6.80	7.04
4/18/2014	500	2,000	7,500	3,568	7,662	13,661	500	5,337	4,656	6.61	6.79	7.03
4/25/2014	500	2,000	5,000	2,142	6,105	19,211	500	2,000	12,361	6.58	6.79	7.02
5/2/2014	500	1,000	13,500	3,190	7,007	21,021	-	3,982	7,410	-	6.78	7.02
5/9/2014	-	2,000	8,000	-	4,808	-	-	2,254	12,397	-	6.76	7.02
5/16/2014	1,000	2,000	9,000	2,725	5,665	-	1,105	2,145	13,006	6.57	6.76	7.02
5/23/2014	1,000	2,000	8,000	2,792	5,650	18,757	1,511	3,209	6,282	6.57	6.75	7.02
5/30/2014	1,500	2,500	8,000	4,590	8,180	22,583	1,400	2,964	14,223	6.56	6.75	7.02
6/6/2014	1,000	3,000	6,000	2,725	6,290	34,810	1,200	2,060	15,830	6.55	6.73	7.01
6/13/2014	1,000	2,000	9,000	2,365	3,990	32,553	905	1,275	12,366	6.54	6.72	7.00
6/20/2014	1,000	1,000	8,000	2,175	2,750	21,840	785	750	12,065	6.53	6.71	7.00
6/27/2014	1,000	1,000	12,000	4,277	5,610	43,643	1,000	1,000	20,000	6.51	6.69	6.99
7/4/2014	1,000	1,000	8,000	2,823	2,835	35,600	1,548	1,000	6,874	6.50	6.68	6.97
7/11/2014	1,000	1,000	8,000	2,095	4,491	53,886	970	2,816	22,591	6.49	6.63	6.91
7/18/2014	1,000	1,000	10,000	3,183	11,530	56,005	1,000	1,000	16,300	6.46	6.59	6.79
7/25/2014	1,000	1,000	8,000	2,651	6,402	29,560	1,000	1,000	16,000	6.43	6.54	6.68
8/1/2014	1,000	2,000	12,000	5,305	8,790	42,280	1,000	2,000	12,000	6.36	6.47	6.58
8/8/2014	1,000	2,000	9,000	2,425	4,196	58,711	1,000	1,376	10,260	6.28	6.39	6.45
8/13/2014	1,000	2,000	9,000	2,534	7,056	30,581	1,000	2,000	10,595	6.19	6.30	6.31
8/22/2014	1,000	2,000	8,000	3,342	3,851	16,160	-	556	3,837	-	6.28	6.30
8/29/2014	1,000	2,000	9,000	2,575	5,310	20,748	-	1,335	7,424	-	6.28	6.30
9/5/2014	-	1,000	7,000	-	4,556	11,150	-	3,606	2,650	-	6.28	6.30
9/12/2014	500	1,500	3,000	1,525	5,518	6,200	800	3,843	1,875	6.18	6.27	6.29
9/19/2014	500	1,500	3,000	2,096	6,350	8,418	1,172	4,800	4,250	6.15	6.23	6.26
9/26/2014	-	2,500	5,000	-	18,706	36,591	-	-	12,918	-	-	5.89
10/3/2014	-	1,500	4,500	-	22,762	52,875	-	-	-	-	-	-
10/10/2014	-	-	-	-	-	-	-	-	-	-	-	-
10/17/2014	500	2,500	5,000	3,505	9,076	20,085	-	-	14,745	-	-	6.00
10/24/2014	-	-	8,000	-	-	27,174	-	-	10,965	-	-	6.00
10/31/2014	-	-	10,000	-	-	32,214	-	-	11,550	-	-	6.00
11/7/2014	-	3,000	9,000	-	15,745	29,977	-	10,620	11,541	-	5.84	6.00
11/14/2014	-	2,000	8,000	-	27,675	28,225	-	13,513	10,204	-	5.84	6.00
11/21/2014	-	-	10,000	-	-	27,594	-	-	11,077	-	-	6.00
11/28/2014	-	3,000	9,000	-	9,535	16,884	-	4,980	5,573	-	5.84	6.00
12/5/2014	-	3,000	7,000	-	10,242	18,391	-	6,237	8,449	-	5.84	5.99
12/12/2014	-	3,000	9,000	-	7,684	27,549	-	1,933	12,648	-	5.83	5.98
12/19/2014	-	3,000	9,000	-	6,419	16,043	-	1,949	3,512	-	5.83	5.99
12/26/2014	2,000	3,000	7,000	7,785	9,225	17,506	5,715	5,524	9,841	5.74	5.84	6.00

Source: Central Bank of Sri Lanka

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

SECONDARY MARKET OPERATIONS

TABLE 26

SECONDARY MARKET TRANSACTIONS AS REPORTED BY PRIMARY DEALERS

	2008	2009	2010	2011	2012	2013	2014 ^(a)
	Rs. million						
1. Outright Transactions	1,356,110	1,743,780	1,449,390	1,268,287	1,584,095	2,070,161	3,839,729
1.1. Treasury bills							
Purchased	284,304	210,284	177,902	239,168	374,597	345,516	322,216
Sold	603,114	526,246	574,842	398,622	672,438	683,458	710,446
Total	887,418	736,530	752,744	637,790	1,047,035	1,028,973	1,032,662
1.2. Treasury bonds							
Purchased	245,722	465,616	344,567	326,589	259,999	509,585	1,370,621
Sold	222,970	541,634	352,079	303,908	277,061	531,603	1,436,446
Total	468,692	1,007,250	696,646	630,497	537,060	1,041,187	2,807,067
2. Repurchase Transactions	4,310,982	4,715,910	4,992,887	5,915,725	6,246,422	10,235,395	8,223,558
2.1. Treasury bills							
Repo	1,359,014	1,015,066	1,217,880	1,215,200	1,510,151	2,078,440	1,319,875
Reverse repo	615,879	172,238	177,882	159,057	219,855	650,290	436,778
Total	1,974,893	1,187,304	1,395,762	1,374,257	1,730,006	2,728,731	1,756,653
2.2 Treasury bonds							
Repo	1,442,266	2,757,851	2,877,407	3,936,271	3,989,074	6,761,249	5,409,509
Reverse repo	893,823	770,755	719,718	605,196	527,341	745,416	1,057,396
Total	2,336,089	3,528,606	3,597,125	4,541,468	4,516,416	7,506,664	6,466,905
3. Total Transactions	5,667,092	6,459,690	6,442,277	7,184,012	7,830,517	12,305,556	12,063,287

Source: Central Bank of Sri Lanka

(a) Provisional.

TABLE 27

SECONDARY MARKET TRANSACTIONS RECORDED IN THE LANKASECURE ^(a)

	2011	2012	2013	2014
	Rs. million			
1 Treasury bills				
1.1 Outright Purchases / Sales	2,366,056	2,472,283	2,509,156	1,547,014
1.2 Repo / Rev. Repo	22,657,601	13,915,619	14,479,945	13,513,736
Total	25,023,656	16,387,902	16,989,101	15,060,750
2 Treasury bonds				
2.1 Outright Purchases / Sales	1,980,582	1,769,980	3,474,859	4,158,537
2.2 Repo / Rev. Repo	26,674,790	17,284,906	15,780,297	19,223,122
Total	28,655,372	19,054,886	19,255,156	23,381,659
Total Transactions	53,679,028	35,442,788	36,244,257	38,442,409

Source: Central Bank of Sri Lanka

(a) Note:

- All transactions have been recorded in the LankaSecure System in Face Value basis.
- Accuracy of the information is subject to the accuracy of the data recorded by the system participants in the LankaSecure System.