

Management and Sustainability of Public Debt in Sri Lanka

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Sri Lanka's public debt has been a critical issue for last two decades since it has been rising in absolute terms continuously. Especially, in recent, this has been a debatable topic in political and economic arenas. The level of internal and external debt in Sri Lanka is similarly responsible for this situation. Particularly, the amount of external debt and its repayment with interest is critical with respect to huge borrowings of last ten year period. For instance, in 2007, the country's external debt amounted to only \$ 12 billion. But in 2013, that had stood at \$ 39 billion or 59% of GDP and \$ 50 billion in 2017 Or 55% Of GDP. Similarly, level of internal public debt is also soaring tremendously in using as the main source of financing budgetary balance. Between 2009 and 2014 Sri Lanka's total government debt tripled and external debt doubled and domestic debt grew by 12% and external debt by 25%. Altogether, by the end of 2014, Sri Lanka's public debt level was 51 billion US dollars (9 billion in 2000). Post-war Sri Lanka's foreign debt service is to double by 2015 to an estimated US\$ 1,539.4 million (Rs. 171 billion) from \$ 810 million (Rs.90 billion) in 2016, Finance Ministry officials said. The forecast level of foreign debt service by 2018/2019 is US \$ 4 billion. Nonetheless, the per capita level of debt has increased to about three hundred fifty thousand by 2016 (Ministry of finance, 2018).

The public debt problem of Sri Lanka has been critical as it leads for an economic crisis. Specially, the sustainability of the public debt is an issue that involves macroeconomic variables and in finding a durable solution it is necessary to address the issue at the macro level. Nevertheless, as a serious issue, CBSL information says that the government had spent Rs. 1,162,900 million alone to repay loans and interest in 2013, whereas its total revenue and grants stood at only Rs. 1,153,300 million. Accordingly, the government had fallen short of Rs. 9,600 million in that year to pay back borrowings together with interest. A sum of Rs. 462,900 million had gone to pay interest, while repayment of loans cost Rs. 700,000 million. Since there is no a promising economic growth and growing government revenue generation in the country, this situation is further worse off. Is this an indication that Sri Lanka has fallen into a serious debt trap? The objective of this research paper is that the review of this situation. Using secondary data and the descriptive methodology, this paper reviews the nature and extent of public debt in Sri Lanka, its management and sustainability.

Key words: *Debt amortization, Debt trap, Public debt, Sustainability*