

THE ECONOMY

CAPITAL INVESTMENT REACHES PEAK IN 1976

Expenditure on the Government's investment programme reached its highest point on record in 1976. Last year the net capital expenditure showed a sharp increase of 42 per cent over the previous fiscal year, going up from Rs. 1,960 million in 1975 to Rs. 2,786 million in 1976. The bulk of the capital spending was on the infrastructure development of the economy with as much as Rs. 553 million being spent on Irrigation, Power and Highways. Capital investment on infrastructure in Agriculture and Lands amounted to Rs. 188 million; and Public Administration and Local Government Rs. 90 million. The other major sectors where there was heavy capital spending last year were Industries and Scientific Affairs Rs. 499 million; Transport Rs. 218 million; Housing and Construction Rs. 116 million; Shipping, Aviation and Tourism Rs. 60 million and Postal and Telecommunication Services Rs. 31 million.

The total provision for capital expenditure was Rs. 3,056 million though only Rs. 2,786 million was actually spent, which shows an underexpenditure of 9 per cent, the lowest level in several years. The usual level of underexpenditure in recent times has ranged between 20 and 25 per cent. A large proportion of these unspent allocations have been in respect of projects with a foreign exchange component to be found from free resources or aid. The extent to which underexpenditure has been curtailed comes out more clearly when we realise that the anticipated underexpenditure for 1976 only 9 per cent.

The Government's recurrent expenditure now conforms to a regular pattern. In 1976 of the Rs. 5,554 million spent, Social Services including Education and Health accounted for 22 per cent; the Food Subsidy claimed 17 per cent; Civil and Defence Administration required another 16 per cent. Interest on Public Debt was 15 per cent and Pensions to retired Government employees required 7 per cent. The only item subject to fluctuations in this group is the Food Subsidy. In spite of certain reliefs granted to consumers, the relatively lower commodity prices in 1976 led to a decline in the share of the food subsidy from 23 per cent in 1975 to 17 per cent in 1976. The cost of servicing the Public Debt has also shown a regular increase over the years in view of the Government's stepped-up borrowing programme. Such a policy would be justifiable, however, if the Government's investments contribute a satisfactory return.