



Source: *Public Investment 1984-1988*
National Planning Division,
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THE BUDGET - 1985

3. safeguarding the incomes and welfare of the mass of the population.

An area that once again received emphasis was financial discipline and sound economic management and here the Minister in his Budget Speech struck a note of caution that the projected deficit for 1985 is still too high. "We must persevere relentlessly with the task of reducing our budget deficits further in order to maintain price stability, reduce inflation, lower interest rates, promote investment and growth, particularly in the private sector, and ensure a viable and sustainable balance of payments", he said.

In commenting on the structural weaknesses requiring remedial measures the Budget Speech drew special attention to the savings effort as follows: Though the economy invests almost 30 percent of gross domestic product it saves only 14 percent of GDP. There is, therefore, a heavy reliance on external resources for financing our programme. This cannot go on without serious debt servicing problems in the future. Mobilisation of domestic resources must be stepped up very quickly. In this context it is important to maintain a positive real interest rate and a realistic exchange rate. Failure to do so will not only lead to dissavings but also undermine efforts at demand management. Businessmen always cry out for lower interest rates, but the overall interests of the economy have to be maintained and safeguarded. We will continue to do so in the coming period, stated the Minister.

Opposition View Point

The opposition in the debate on the Second Reading of the Appropriation Bill 1985 made use of the opportunity to criticise

The Budget 1985, presented in Parliament on November 14 1985, was the eight consecutive budget of the Minister of Finance and Planning and the Minister earned the congratulations of all speakers, both government and opposition, on this achievement.

In his Budget Speech the Minister was drawing on the experience of the past eight years and the emerging economic conditions and prospects. This Budget for 1985 was directed to correct, rationalise and consolidate the budgetary policies within the framework of the package of economic

reforms introduced since November 1977.

The strategy behind the Budget as outlined by the Minister in his Budget Speech covers three priority areas namely :

1. accelerating the growth of exports over the medium term;
2. managing the economy in the face of fluctuations in export earnings by maintaining reasonable fiscal, monetary and balance of payments stability; and

Government's economic policies in general and the economic performance in recent years. Two typical opposition references during this debate on the Budget are as follows:

"This budget gives relief only to 45,000 income tax payers. There are no two words about it. But there are millions and millions of people in this country, the so-called common man, the ordinary folk who labour not only in the wet zone but also in the dry zone, who should have been thought about. Therefore, Sir, whenever we prepare a budget it should help the entire country, the entire populace. It should not be only for certain people - certain categories of people. We appreciate the amount of relief that is given to certain sections, but at the same time please consider the entire population." (Mr. Lakshman Jayakody. M.P. Attanagalla).

"The basic thrust of this Budget is quite different from all the previous Budgets because for the first time you are going to institutionalize accumulations by the private sector over the next four years whereas earlier the basic aim of investment and savings was done through the public sector. Now, for the first time, you are giving them pride of place and telling, "Make your accumulations, we will help you. You put in your money and try to become the strongest sector of the economy of this country". This is the argument behind the present Budget. That thrust of the Budget is what we of the SLFP oppose." (Mr. Anil Moonesinghe. M.P. Matugama)

A discussion of the expenditure and revenue measures and taxation proposals, and economic trends is contained in the following four papers.-