



THE BUDGET 1986

On November 13th the Minister of Finance and Planning Mr Ronnie de Mel presented his 9th consecutive Budget with the opening note of assurance that since he believed neither in the stars nor in numbers he was confident that the combination of the good fortune with which his previous Budgets had been blessed". The Minister's task, however, has been more burdensome with each succeeding year, with expenditure in the coming year recording an increase each time of between 10-15 percent. From an expenditure of Rs 38 bn. in 1982 to Rs 46 bn in 1983, Rs 51 bn. in 1984 and Rs 59 bn. in 1985 expenditure reached a record level of Rs 67 bn. in 1986. A significant feature in the Budget 1986 is that current expenditure in the coming year will reach Rs 37 bn.

which represents an increase of 9.5 percent over that of 1985. This increase is due mainly to the higher provisions to meet the interest payment of public debt (particularly foreign loans) and the higher expenditure on defence. "These two items account for Rs 12,952 mn. or 35 percent of current expenditure. We have little control over them", stated the Minister in his Budget speech.

The Opposition in Parliament, however, were generally of the view that sufficient consideration has not been given to the poorest sections of society, particularly salary earners, while certain better-off sections of society were favoured. The thrust of the Opposition's criticism of the Budget was summed up in the speech of the opening speaker for the Opposition, the Member for Attanagalla in

the following words. "It is a direct attack on the poor and is definitely going to defend rich people of this country. There has been no fresh thinking that has come into it. There were no fresh proposals, no new schemes. The reason is that this Budget has been a budget that has not been prepared here; it has been prepared by the IMF and the World Bank".

The Minister of Finance however, was not very optimistic about conditions in the year ahead. This prospect was summed up by the Minister in his concluding speech of the Budget debate on December 20, 1985 with the warning that "1986 will be a very difficult year for us, a very difficult year for the whole country. Probably it may even be the most difficult year the country faces after Independence in 1947. Let us have no qualms about this matter. 1983 was a difficult year, 1984 was a difficult year, 1985 was a difficult year but there was in all these three years one little silver lining; our economic fundamentals remained sound in 1983, 1984 and part of 1985 due largely to very good tea prices and prices of our other commodities. So despite the ethnic troubles in the North and the East, despite all the violence, all the political difficulties this country faced, our economic fundamentals remained in good shape in 1983, 1984 and 1985 and our economy was probably the only silver lining, the only saving grace in a rather dark and dismal picture. But in 1986 it would look as if the picture is changing even so far as the economy is concerned. In 1986, we will face many difficulties with regard to our economy".

The papers on pages 4 to 27 of this issue discuss the economic rationale behind the Budget proposals; specific fiscal and monetary features of the Budget; the Budget and agriculture; the revenues and taxation proposals of the Budget 1986; together with a general critique of some features of the Budget.