



Fiscal Management Report - 2010

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President and Minister of Finance and Planning

29th June 2010

Issued under section under the Fiscal Management (Responsibility) Act No. 3 of 2003, consisting of the *Fiscal Strategy Statement* (in compliance with Sections 4, 5 and 6), the *Budget Economic and Fiscal Position Report -2010* (in compliance with Sections 7, 8 and 9) and Mid Year Fiscal Position Report -2010 (in compliance with sections 10,11,12) by the Hon. Minister of Finance.

Fiscal Management Report - 2010

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Reporting Requirements under Fiscal Management (Responsibility) Act No. 3 of 2003

Section	Requirement	Required Contents	Compliance
Section 4, 5 and 6	Submission of the Fiscal Strategy Statement *	Fiscal Strategy Statement to increase public awareness of Government's fiscal policy and establish standards for evaluating the conduct of Government's fiscal strategy.	To be released to the public and laid before the Parliament on the day of the 2 nd reading of the Appropriation Bill.
Section 7 8 and 9	Submission of The Budget, Economic and Fiscal Position Report *	The Budget, Economic and Fiscal Position Report to set out the basis to evaluate Government's fiscal performance as against its fiscal strategy.	To be released to the public and placed before the Parliament on the day of the 2 nd reading of the Appropriation Bill.
Sections 10, 11 and 12	Submission of the Mid-year Fiscal Position Report *	Mid-year Fiscal Position Report to provide updated information of the Government's fiscal performance pertaining to the first four months of the relevant year, to enable an evaluation of the same against Government's fiscal strategy.	To be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed before Parliament within 2 weeks from the date of such release.
Section 13, 14 and 15	Submission of the Final Budget Position Report (Annual Report)*	Final Budget Position Report (Annual Report) to provide updated information of the Government's fiscal performance pertaining to the relevant financial year, to enable an evaluation of the same against Government's fiscal strategy.	To be released to the public within five months from the end of the Financial Year and placed before the Parliament within 2 weeks from the date of such release.
Section 16,17,18 and 19	Submission of Pre-Election Budgetary position report **	Pre-Election budgetary Position Report to provide updated information of the fiscal position of the country	To be released to the public within three weeks of the publication of proclamation order requiring the holding of a general election for the election of members of parliament and placed before the parliament within two weeks of the first sitting of the new parliament.

* by the Minister of Finance

** by the Secretary to Ministry of Finance

COMPLIANCE - 2010

- **Pre-Election Budgetary Position Report -2010** of Ministry of Finance and Planning stating the fiscal position of the country was released to the public by 1st March 2010 and was soon after placed before the parliament.
 - **Final Budget Position Report – The *Annual Report - 2009 of Ministry of Finance and Planning*** stating the fiscal and economic position of 2009 was released to the public by end May 2010 and was soon thereafter placed before the Parliament.
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This Fiscal Management Report, 2010 contains;

- **Fiscal Strategy Statement** of the *Ministry of Finance and Planning*, setting out government fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures which the Government considers important for the overall fiscal policy, to be placed before the Parliament on the day of the 2nd reading of the Appropriation Bill.
 - **Budget, Economic and Fiscal Position Report - 2010** , of the *Ministry of Finance and Planning* setting out the basis to evaluate Governments fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc., to be placed before the Parliament on the day of the 2nd reading of the Appropriation Bill.
 - **Mid Year Fiscal Position Report 2010** of the *Ministry of Finance and Planning*, setting out the actual fiscal performance of the first four months of 2010 with an overview of the economy to be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed in Parliament within 2 weeks from the date of such release.
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FISCAL STRATEGY STATEMENT

Fiscal strategy statement 2010
Issued by the Hon. Minister of Finance

Under sections 4,5,6 of the Fiscal Management (Responsibility) Act No. 3 of 2003

This report is issued under the sections 4,5,6 of Fiscal Management (Responsibility) Act No. 3 of 2003 where the Finance Minister is requested to present the fiscal strategy statement of the Government to the public and also laid before parliament on the day of the second reading of the Appropriation Bill in Parliament.

This report explains the broad strategic priorities on which the budget is based and specifying key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

Medium Term Fiscal Strategy

The recent global economic and financial crisis had exerted severe strain on budget management in many countries as the governments were forced to intervene to stimulate economic activities leading to high fiscal deficits. In this global background, and given the ongoing commitments to accommodate public investments relating to continuation of the infrastructure development, maintaining government support to agriculture, small and medium enterprises, education, health and protection of the vulnerable segments of the society in addition to channeling resources urgently to provide relief to the conflict affected people and implementing the resettlement of internally displaced persons (IDPs) while maintaining all strategic public services, particularly the post conflict national security, law and order arrangements, necessitated additional resources.

This strategy enabled the country to ensure uninterrupted progress in ongoing infrastructure development programs covering power generation plants, port and airports, irrigations, expressways, roads and bridges, water supply, schools and hospitals. It also enable the government to progress in demining and resettlement of IDPs and bringing down the number of IDPs living in camps to below 30,000 from around 275,000 in May 2009. Fiscal stimulus provided by way of subsidize credit for agriculture and SMEs, tax moratorium, concessionary electricity and fuel prices for industry etc helped private sector to manage challenges in global economic situation. These developments together with high interest rates on public debt and falling government revenue due to depressed global trade, the government's fiscal deficit reached to 9.9 percent of GDP.

The excessively high interest rates prevailed in the past also had an adverse circular effect on the budget. Interest expenditure increased from 4.8 percent in 2008 to 6.4 percent in 2009. In the context of several major challenges faced, both externally and internally, the time needed to reach the deficit reduction target stipulated in Fiscal Management Responsibility Act has become longer.

Given the prevailing uncertainty in the speed of recovery of international trade and hence on government revenues, a modest improvement in revenue to GDP ratio of 14.8 percent is expected in 2010. While maintaining the public investment at 6.5 percent of GDP, total expenditure will be 23.2 percent of GDP, which is a reduction of around 2 percent of GDP compared to 2009. The budget deficit in 2010 is expected to be contained at 8 percent of GDP and further improvements are required to bring it below 7 percent in 2011 and around 5 percent in 2012.

This deficit reduction path is expected to be realized with the economy accelerating its growth rate from 6 percent to 8 percent in the medium term which requires sustained public investments at current level and facilitating to augment private investment well in excess of 28 percent of GDP through continuous improvements in infrastructure, tax system, regulatory arrangements and quality improvement in public services

Table 1
Medium Term Macro Fiscal Framework 2010-2013
(as a percentage of GDP)

Indicator	2009	Projections			
		2010	2011	2012	2013
Revenue	14.5	14.8	15.5	16.6	17.0
Tax Revenue	12.8	13.1	13.8	14.8	15.2
Income Tax	2.9	2.9	3.0	3.4	3.5
VAT	3.6	3.8	4.4	5.1	5.5
Excise Tax	2.0	2.1	2.0	2.0	2.0
Tax on External Trade	3.4	3.4	3.5	3.5	3.5
Other	0.9	1.0	0.9	0.8	0.7
Non Tax Revenue	1.7	1.6	1.7	1.8	1.8
Grants	0.5	0.4	0.4	0.3	0.1
Expenditure	24.9	23.2	22.7	22.0	21.9
Current Expenditure	18.2	16.9	16.5	15.8	15.6
Salaries and Wages	5.6	5.4	5.3	5.1	5.1
Interest payments	6.4	6.1	6.0	5.8	5.7
Subsidies and Transfers	3.9	3.8	3.7	3.5	3.5
Other goods and services	2.2	1.6	1.5	1.4	1.3
Public Investment	6.8	6.5	6.5	6.5	6.3
<i>O/W:</i>					
Highways	1.7	1.5	1.7	1.4	1.3
Ports and Aviation	0.6	0.6	0.3	0.3	0.2
Electricity	0.6	0.3	0.3	0.3	0.2
Water and Irrigation	0.8	0.7	1.0	1.5	1.3
Education and Health	0.6	0.7	0.9	0.8	0.8
Rural Sector	0.3	0.3	0.3	0.3	0.2
Revenue Deficit (-)/Surplus (+)	(3.7)	(2.1)	(1.0)	0.8	1.4
Budget Deficit (-)/Surplus (+)	(9.9)	(8.0)	(6.8)	(5.2)	(4.8)
Government Debt (% of GDP)	86.2	83.1	78.0	72.0	70.0

Source : Department of Fiscal Policy

Major improvement in the overall fiscal position is expected to come in the form of a significant recovery in government revenues and a continued improvement of quality of government spending together contributing to generate a revenue surplus by 2012.

Revenue enhancement is planned through a simplification of the tax system and a reduction of tax concessions and broadening Income Tax and indirect tax bases as well as improvement in the overall tax administration. Towards this direction a four band tariff structure consisting of 0, 5, 15 and 30 percent together with exemptions limited to national security, health, environment considerations and international commitments have been implemented. Import surcharges have been eliminated and prohibitive excise taxes applied to a wide range of items including motor vehicles have been simplified. Various taxes that were applied on most essential commodities also have been unified under Special Commodity Levy which is also another major step taken towards making the tax administration more efficient and taxation simpler. Consumer durables such as cameras, watches, phones, computers etc which are not made in Sri Lanka but vulnerable to smuggling and tax evasions have been exempted from almost all indirect taxes / Levys except Port and Airport Development Levy and Nation Building Tax which make tax incidence of such items below 10 percent which is considered less rewarding for smuggling and tax evasions. These initiatives are expected to promote formal business activities and generate better revenue performance.

Further, the excessive tax concessions including ad hoc tax holidays and duty exemptions are being reduced and phased out. The Board of Investment (BoI) incentive regime is being revisited in the process of moving towards a broad base low tax regime and to provide an equitable incentive regime for private investment. The extension of existing tax holidays have been stopped and the granting of new tax concessions, unless a firm commitment has already been made, have been suspended until the announcement of a new incentive regime.

Priority has been given to simplify operational modalities of the VAT and Income Tax systems to eliminate weaknesses such as complexities, a wide range of exemptions, high and multiple tax rates, differential tax rates for different sectors and cumbersome refund / setting off mechanisms. Taking into consideration the Tax Commission's recommendations, specific proposals for broadening the tax bases and reducing tax rates together with required enabling legislations and institutional improvements are being studied as a part of the ongoing fiscal reforms.

A process for improving tax administration has already been launched with financial support from the Asian Development Bank under the Fiscal Management Efficiency Project. It is expected to help simplification of procedures and processes, improvement in management information system, human resource development, tax audit and effective use of information technology.

The above wide ranging initiatives together with the expected positive effects on private investment and economic growth is expected to improve the tax system and its administration thereby contributing to improve revenue-to-GDP ratio to around 15.5 percent in 2011 with further improvement thereafter.

On the expenditure front it is expected that continued improvement of quality of public spending could be made. The structure of reformulated duties of the functions of the ministries is expected to play a major role in this regard, particularly in focusing their core activities within the available financial resources. The public investment has been raised over the last few years and is expected to maintain in the range of 6.5-7.0 percent of GDP during the next few years.

The current fiscal strategy also places strong emphasize on improving the performance and efficiency of public enterprises to free resources to support infrastructure development and for private sector activities. It envisaged that management improvements including their pricing decisions will make them financially stronger. The two key enterprises in the energy sector, the Ceylon Petroleum Corporation and Ceylon Electricity Board are expected to come up with a medium term turnaround plan to address their financial imbalances.

The high interest rates have been a burden on the government budget as well as on the entire economy. The recent reduction in interest rates consequent to the success in bringing down inflation to around 5 percent from over 28 percent through the removal of structural impediments in real economy and tight monetary policy stance would also be conducive to consolidate fiscal deficit.

**BUDGET ECONOMIC & FISCAL POSITION REPORT
AND MID YEAR FISCAL POSITION REPORT
2010**

**Budget, Economic & Fiscal Position Report
and Mid Year Fiscal Position Report 2010
Issued by the Hon. Minister of Finance**

**Under sections 7,8,9 and 10,11,12 of the
Fiscal Management (Responsibility) Act No. 3 of 2003**

Budget, Economic and Fiscal Position report is issued in terms of sections 7, 8, 9 of the Fiscal Management (Responsibility) Act No. 3 of 2003, which requires to provide a basis for the evaluation of the Government's fiscal performance as against its fiscal strategy statement and to be placed before the parliament on the day of the second reading of the Appropriation Bill in parliament. It includes estimates relating to gross domestic product, consumer prices, balance of payments, assumptions based for estimating revenue and expenditure.

Mid Year Fiscal Position Report is issued under the section 10 of the above Act which required to present the to the public by the last day of June of the year or prior to the laps of 6 months from the date of passing of Appropriation Act whichever is later and thereafter lay before the parliament. The report contains the performance of Government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2010 and also provides updated information, depending on the availability of information, relating to macro economic performance, price developments, foreign aid, Government debt, balance of payments, money and credit developments, as stipulated in sections 11 and 12 of the above Act.

Fiscal Developments

An Overview

- With the revival of the economy in the post war environment coupled with the expansion in the international trade activities, the Government revenue grew by 21 percent in the first four months of 2010. Import duty concessions granted on wheat grain and petroleum products and downside revisions in Special Commodity Levy to maintain domestic price stability had a negative impact on the revenue performance in the reviewed period.
- The expenditure for the first four months of 2010 was governed by the vote of account approved by the parliament. The recurrent expenditure grew moderately with non interest recurrent expenditures recording significant decline while capital expenditure were maintained at 2009 levels.
- Reflecting the improved revenue performance and the slower growth in recurrent expenditure the deficit in the revenue account declined to Rs. 86 billion and was 1.5 percent of GDP compared to a deficit of 2.3 percent in the first four months of 2009. Consequently, the overall deficit reduced to Rs. 168 billion or 3.1 percent of GDP compared to 4.1 percent in the corresponding period of 2009.
- Even under a volatile external environment Government was able to mobilize US \$ 483 million by May 2010 as gross project related foreign funding compared to US \$ 403 million in the first five months of 2009.

Table 2
Summary of the Budget (Jan-April) - Economic Classification

Rs. Mn.

	2009	2010
Revenue and Grants	193,808	243,345
Revenue	190,138	240,654
Tax	175,308	204,035
Non-Tax	14,830	36,619
Grants	3,670	2,691
Expenditure	389,788	410,865
Current	308,416	327,041
Public Investment	85,973	89,114
Other	(4,601)	(5,290)
Revenue Deficit (-) / Surplus (+)	(118,278)	(86,387)
Overall Deficit (-) / Surplus (+)	(195,981)	(167,520)
Financing	195,981	167,520
Foreign Loans*	(2,133)	42,333
Domestic Financing	198,114	125,188
Non Bank	48,846	109,064
Bank	149,267	16,124
Revenue/ GDP(%)	3.9	4.4
Current Expenditure/GDP (%)	6.4	5.9
Public Investment/GDP (%)	1.8	1.8
Revenue Deficit (-) / Surplus (+)/GDP (%)	(2.3)	(1.5)
Overall Budget Deficit (-) / Surplus (+)/GDP (%)	(4.1)	(3.1)

Source: Department of Fiscal Policy

* Includes foreign investment in Treasury Bonds.

Government Revenue

- Government Revenue generated Rs. 298,163 million during January-May 2010 recording a 25 percent increase over the corresponding period of 2009. The improved performance in the overall domestic economic activities coupled with the increase in imports contributed for these growth in revenue collection.
- Improved performance in the domestic manufacturing sector & the services sector resulted in an improvement in domestic VAT and Excise duty collections while a 40 percent increase in imports boosted the trade related tax revenues. However, the import revenue growth from import duties was stalled as the Government scaled down such duties when international oil and commodity prices moved up with a view to stabilize prices without permitting imports to hurt domestic economic activities.

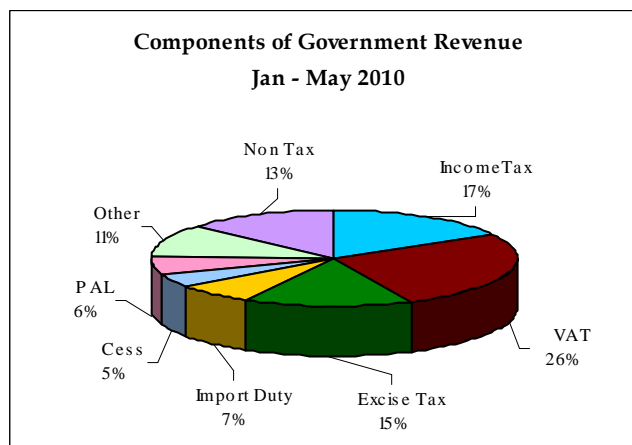
Table 3
Revenue Performance (Jan-May)

Rs.Mn

	2009	2010	Growth
			%
Tax Revenue	220,973	258,396	16.9
Income Tax	56,305	49,402	(12.3)
VAT	65,787	79,185	20.4
Excise Tax	32,452	44,214	36.2
Stamp Duty	1,195	1,417	18.6
PAL	11,676	17,553	50.3
Import Duty	24,537	21,052	(14.2)
Other	29,021	45,573	57.0
Non Tax Revenue	18,331	39,767	116.9
Total Revenue	239,304	298,163	24.6

Source: Department of Fiscal Policy

Chart 1



Income Tax

Total revenue from corporate profit tax, personal income tax, tax on interest income and Economic Service charge at Rs. 49,402 million registered a 12 percent decrease during the first five months of 2010 over the corresponding period of 2009. Despite the increases in revenue collected from Economic Service Charge (ESC) due to the removal of concessions granted on certain sectors in the back drop of the world economic crisis, a sharp drop in tax on interest income arising from the declining yield rates on Government securities caused the contraction in income tax revenue in the period under review compared to same period in 2009. Also broadening of the PAYE Tax slabs had an impact on the tax collection from the source.

**Table 4
Performance in Income tax Revenue Jan-May**

Tax Base	2009	2010	Rs.Mn
			Growth %
Corporate and Non Corporate	19,463	20,921	8
PAYE	7,331	7,280	(1)
Economic Services Charge	6,359	8,130	28
Tax on Interest	23,152	13,070	(44)
Total	56,305	49,402	(12)

Source: Department of Fiscal Policy

Value Added Tax (VAT)

VAT revenue upto May 2010 amounted to Rs. 79,185 million, compared to Rs. 65,787 million in the corresponding period of 2009. Reflecting the growth in the manufacturing and services sectors, the domestic VAT collection on net basis expanded by 12 percent in Jan-May 2010. With the increase in imports in value terms coupled with high petroleum prices compared to the first few months of 2009 helped to increase the VAT on imports on net basis to Rs. 30 billion from Rs. 22 billion in the corresponding period of 2009. Improving in domestic sales in the post war environment and revitalizing of the tourist sector has added a positive impact on VAT revenue collection.

Table 5
Performance of VAT (Jan-May)

Tax Base	2009	2010	Rs.Mn
			Growth %
Domestic	44,427	49,529	12
Import	24,111	32,362	34
Gross Revenue	68,538	81,891	20
Refunds	2,751	2,706	(2)
Net Revenue	65,787	79,185	20
Refunds As a % of Gross Revenue	4.0	3.3	

Source: Department of Fiscal Policy

Excise Taxes

Revenue for excise taxes on liquor, cigarettes, petroleum products, motor vehicle and selected consumer durables generated Rs. 44,214 million in the first five months of 2010 compared to Rs. 32,452 million in the period Jan - May 2009.

With the increase in hard and malt liquor production by 14 percent and 32 percent respectively coupled with certain measures adopted on issuing of alcohol for domestic industries to curtail malpractices, the excise duty revenue on liquor expanded by 19 percent to Rs. 14,257 million in Jan-May 2010 over the same period in 2009.

Table 6
Performance of Excise Duty - (January - May)

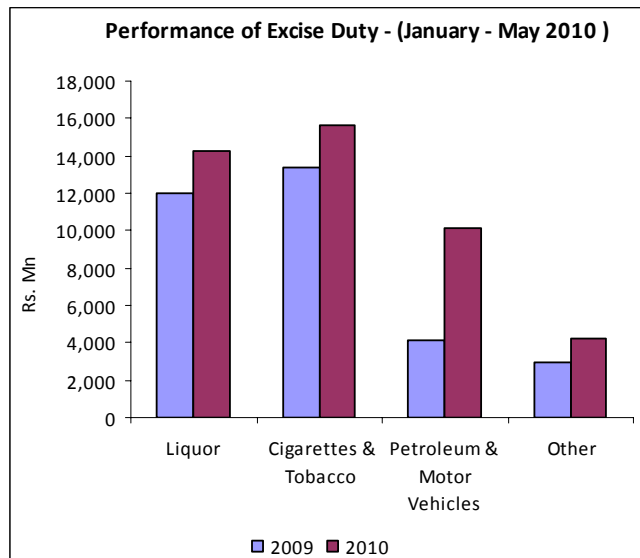
Tax Base	2009	2010	Growth
			%
Liquor	12,006	14,257	19
Cigarettes & Tobacco	13,360	15,663	17
Petroleum & Motor Vehicles	4,172	10,082	142
Other	2,914	4,213	45
Total	32,452	44,214	36

Rs.Mn

Source: Department of Fiscal Policy

Revenue from excise duty on cigarettes generated Rs. 15,663 million in Jan - May 2010 compared to Rs. 13,360 million in the same period of 2009. The cigarette sales have risen by 5 percent in 2010 mainly due to opening up of new markets in North and East. Excise duty on motor vehicles also recorded an improvement during the period generating Rs. 2,202 million compared to Rs. 1,266 million in 2009 with the expansion in motor vehicle imports. Considering the positive outlook in the economy and further to boost the expected revival in the tourist sector, Government further slashed the high excise duties applicable on motor vehicle imports with effect from 1st June 2010.

Chart 2



Import Duty

Import duty revenue collected during first five months of 2010 amounted to Rs. 21,066 million. Even though total imports have increased by nearly 40 percent during the period, duty waivers granted on petroleum products and wheat grain had a negative impact on the revenue performance of this source. Further, with the coverage of free trade agreements entered by Sri Lanka expanding over a period of time and bulk of imports have also enjoyed duty free or nominal duty status exerting a negative impact on revenue from import duty. The estimated revenue loss due to concessions granted under these agreements was around Rs 2 billion in Jan-May 2010.

As a major step towards simplifying and broad basing the tax structure the Government took several measures with effect from 1st June 2010. The multiplicity of custom duty structure was simplified with a four band duty structure of 0,5,15 and 30 percent while the 15 percent surcharge was totally removed. In order to further support local value added activities the 2.5 percent import duty applicable on machinery and raw materials was removed. Also with a view to promote Sri Lanka as an attractive shopping centre for internationally branded products the import duty, VAT, excise duty and cesses imposed on most of the electronics items were removed and brought them to an effective tax rate of below 10 percent.

The revenue generated from Special Commodity Levy which is a single tax on selective commodities amounted to Rs. 4,191 million during Jan-May 2010 compared to Rs. 9,000 million in the corresponding period of 2009. The significant decline in revenue collection was due to the reduction in rates in the first five months of 2010 on sugar, onion, potatoes dhal etc considering the cost of living and the availability of domestic supply especially in the latter part of the 2009. The change in duty structure during the period under review is shown in the following table.

Table 7

Special Commodity Levy - Rates Applicable on Selected Commodities - Jan-May

Tax Base	Tax Rate	2009	2010
Dhal			
- Whole	Rs. per Kg	15	1
- splits	Rs. per Kg	20	2
Potatoes	Rs. per Kg	25	10
B' onions	Rs. per Kg	25	10
Sugar	Rs. per Kg	16	1
Chillies			
-crushed	Rs. per Kg	50	25
-not crushed	Rs. per Kg	40	20
Canned fish	Rs. per Kg	85	85
Sprats	Rs. per Kg	30	30
Green gram	Rs. per Kg	15	15
Chick peace	Rs. per Kg	25	15

Source: Department of Trade Tariff and Investment Policy

Other Taxes

Reflecting the growth in value of imports the Port Airport Development Levy increased by 50 percent to Rs. 17,553 million in the first five months of 2010 compared to same period of 2009. Cess revenue at Rs. 13,560 million grew by 31 percent over 2009 corresponding period mainly benefiting from import growth, scaling up of existing cess rates and the expansion of the coverage in certain items to give price incentives for local value addition. These revisions were carried out with a view to safeguard local industries from comparatively low prices and substandard imports.

The Nation Building tax generated Rs. 16,947 million as the full impact of the rate revision which was introduced to meet the post war rehabilitation and reconstruction expenditure was applicable during the review period of 2010.

Non tax Revenue

Non tax revenue in Jan-May 2010 amounted to Rs. 39,577 million compared to Rs. 18,331 million in the same period of 2009. This increase was mainly due to Central Bank profit transfer of Rs. 10 billion compared to no profit transfer in the same period of 2009. Increased profit transfers from state banks and a levy of Rs. 10 billion from Telecommunication Regulatory Commission also boosted the non tax revenue in 2010.

Government Expenditure

The overall government expenditure for the first four months of 2010 stood at Rs. 410,865 million which constituted of Rs. 327,041 million of recurrent expenditure and Rs. 89,114 of public investment. The expenditure for the first four months of 2010 was governed by the vote on account approved by the parliament. The recurrent expenditure grew moderately in 2010 despite the increased disbursements in account of interest cost reflecting the high interest rates that prevailed in the latter part of 2008 and beginning of 2009. A significant development is the decline in the non interest recurrent expenditure complementing the governments effort in rationalizing the recurrent expenditure.

The public investment stood at Rs. 89 billion during the first four months of 2010. Major development projects in the areas such as power generation, ports, roads and irrigation continued, while rural development initiatives were also carried out with enhanced resources.

Table 8
Performance of Government Expenditure (Jan-April)

Rs. Mn.

	2009	2010(Pro)
Current Expenditure	308,416	327,041
Salaries and wages	86,681	99,026
Interest	108,341	138,205
Samurdhi	3,719	3,448
Fertilize Subsidy	17,428	2,596
Pension	27,233	28,640
Other expenditure	65,014	55,126
Public Investment	85,993	89,114

Source: Department of National Budget.

Salaries & Pension Cost

Expenditure on salaries for public servants stood at Rs. 99,026 million an increase of 13 percent over the corresponding period of the previous year. Increased cost of living allowance of Rs. 5,250 per month, the full impact of the special payment of Rs. 1,000 per month for the security personal introduced in November 2009 and the extension of the operational area risk allowance to all security personal contributed for the increase in the salary bill.

Total pension payments increased to Rs. 28,640 million recording a 4 percent increase. The full impact of around 21,000 retirees in 2009 and further around 6,000 in the first four months of 2010 contributed to these increase. The enhancement of COLA per pensioner from Rs. 2,000 per month to Rs. 2,375 per month also influenced the increase in pension payments.

Interest Cost

Interest payments on foreign and domestic debt amounted to Rs. 138,205 million registering a 30 percent increase over the corresponding period of last year. Although the interest rates have reduced sharply starting from September 2009, the spill over effects of the high interest rates that prevailed in the late 2008 and early 2009 enhanced the interest cost. Also in a high interest rate regime the investor performance on Government Securities moving to shorter maturities contributed for the high interest costs.

Table 9**Behavior of Yield Rates (%) - 2009-2010**

Period	Treasury Bills			Treasury Bonds			
	91 days	182 days	364 days	2 year	3 year	4 year	5 year
2009 Apr	12.65	13.95	14.05	13.32	13.73	13.63	-
2009 Jul	10.64	11.46	11.97	-	12.83	12.88	12.94
2009 Oct	8.50	9.35	9.88	9.55	-	9.78	-
2009 Dec	7.73	8.73	9.33	9.55	-	9.78	-
2010 Jan	7.95	8.90	9.46	9.55	-	9.78	-
2010 Feb	8.26	9.06	9.47	-	-	-	-
2010 Mar	8.52	9.24	9.47	-	-	-	-
2010 Apr	8.40	9.10	9.40	-	9.60	9.65	-
Percentage Change (2009 Apr-2010 APR)	(4.25)	(4.85)	(4.65)	-	(4.13)	(3.98)	-

Source: Department of Treasury Operations

Welfare payments and social safety net on vulnerable groups

The total expenditure on welfare payment and subsidies amounted to Rs. 17,205 million up to May 2010. The welfare assistance provided in support of poorer segments of the society, displaced persons, differently abled soldiers and vulnerable groups was Rs 10,795 million.

Nutritional Intervention Programms conducted with the intention of improving maternal and child health care continued in 2010. "Poshana Malla" a programme to provide nutritional food to expectant mothers and school children was continued at a cost of Rs. 85 million in the first five months of 2010 while school nutritional food programme continued at a cost of Rs. 433 million in period under reviews. Other nutritional programs such as the infant milk food subsidy and Thripasha Programme were continued at a cost of Rs. 200 million. Other food assistance programmes such as World Food Programme were carried out at a cost of Rs. 1,677 million.

The cost of welfare programms implemented for the benefit of school children by providing free school text books, uniforms, season tickets and free dharma school books , bursaries etc stood at Rs. 1,959 million.

The assistance to disabled soldiers continued with an enhanced cost of Rs. 3,967 million. Rs. 709 million was spent to provide cooked meals and other welfare assistance to 15,117 resettled internally displaced families and 16,838 IDP families in 7 welfare centres in the North.

The fertilizer subsidy programme continued at a cost of Rs 4,317 million, providing all varieties of fertilizer for paddy farmers at Rs. 350 per 50 Kg bag while small holder tea producers received urea at a subsidized price of Rs. 1,000 per 50 Kg bag. Amount spent on the corresponding period of 2009 was 17.6 billions which contained arrears payments of past years.

Table 10
Welfare payment and subsidies- (Jan.-May)

Item	Rs. Mn.	
	2008	2009
Mothers and Children		
Infant Milk Food Subsidy	19	32
Poshana Malla	183	85
Thriposha Programme	412	170
Free Text Books & Uniforms	894	964
School Season Tickets	355	192
Dharma School Text Books & Uniforms	31	52
School Nutritional Foods	586	433
Agriculture		
Interest Subsidy for Agricultural Loans etc	127	165
Fertilizer Subsidy	17,362	4,317
Welfare Payments		
Samurdhi Relief	3,143	4,350
Assistance to differently abled Soldiers	3,773	3,967
WFP food Assistance	3,269	1,677
Welfare Assistance to IDP	-	709
Flood and Drought Relief	91	92

Source: Department of National Budget

Public Investment Expenditure

The Government continued in channeling enhanced resources with a commitment to accelerate development programmes, targeting the rural sector especially through the rural development initiatives such as "Gama Neguma" and "Maga Neguma", "Uthuru Wasanthaya" and other pro poor growth development initiatives. The momentum gained with respect to key national infrastructure development projects consisting of roads, bridges, ports, power generation, irrigation etc was maintained in 2010. The total public investment amounted to Rs. 89 billion during Jan-April 2010 .

Rural Development Initiatives

The expenditure on "Maga neguma" the island wide rural infrastructure development program amounted to Rs. 1,214 million during Jan-May 2010. During this period around 534 Km of rural roads have been rehabilitated using modern techniques benefiting 38,617 families. So far over 7,900 Km of rural roads have been rehabilitated under "Maga Neguma" programme at a cost of Rs. 13,000 million .

Table 11
Maga Neguma Rural Development Programme (Jan-May 2010)

District	No. of Projects	Total Road length completed (Km)	Expenditure (Rs.Mn)	Beneficiary Families
Colombo	39	13.18	23	1,803
Gampaha	112	14.3	63	2,528
Kalutara	149	17.51	56	1,923
Kandy	95	22.11	54	1,515
Matale	30	9.16	26	609
Nuwara Eliya	28	17.96	35	801
Galle	19	9.8	20	806
Matara	237	55.88	128	3,765
Hambantota	608	93.14	408	9,054
Jaffna	7	2.96	7	184
Mannar	1	0.28	1	60
Vavunia	4	3.9	3	162
Mullaitive	-	-	-	-
Kilinochchi	-	-	-	-
Batticaloa	-	-	-	-
Ampara	83	21.08	51	1,130
Trincomalee	2	0.18	1	20
Kurunegala	150	188.89	157	9,442
Puttalam	49	16.37	35	1,434
Anuradhapura	99	18.54	64	1,527
Polonnaruwa	25	17.57	18	844
Badulla	8	1	5	169
Moneragala	16	3.36	15	257
Ratnapura	33	4.78	20	393
Kegalle	16	1.78	14	191
Total	1,810	533.73	1,214	38,617

Source: Department of National Budget.

"Gama Neguma" the major initiative to empower the rural economy through creation of an economically prosperous village was further extended at a cost of Rs. 3,068 million in the first five months of 2010.

Spending on Development Programs

Infrastructure Development

Roads

The investment on road sector was around Rs. 13,000 million during the period of January- April 2010. This included Rs. 2,485 million on expressway development, Rs. 3,512 million on development of highways island wide. Also Rs. 1,941 million on rehabilitation of Tsunami affected roads while Rs. 360 million was spent on construction of bridges and flyovers. Further Rs. 6,344 million has been utilized for road widening and improving of roads in all provinces.

Ports

The port development work continued with an accelerated pace during the period under review and Rs. 1,870 million was utilized within this period for construction and development of different ports and out of this Rs. 1,461 million was utilized for the Hambantota Port Development Project. Oluwil Port Development and Colombo South Brake Water Project continued satisfactory during the period.

Power and Energy

The funds channeled during the first four months of 2010 for major power sector projects amounted to Rs. 6,668 million. Electricity generation projects utilized Rs. 5,231 million out of which Norochcholai Coal Power Project expenditure during Jan-April amounted to Rs. 4,684 million. Further Rs. 769 million was incurred for electricity transmission covering major projects such as Colombo City Electricity Development Program, Kerawalapitiya-Kotugoda Transmission Line Project, Lightening Sri Lanka - Hambantota. Electricity distribution projects were carried out at a cost of Rs. 667 million with projects covering provinces such as Southern, Central, North Central, Northern and Sabaragamuwa.

Irrigation and Water Management

Construction work on Moragahakanda dam and social and irrigation infrastructure development activities in resettlement areas progressed in 2010 using local funds. This included construction of

road network, other infrastructure development and land acquisition for resettlements. Construction on Administrative office buildings, bridges under Kaluganga and Moragahakanda project has been completed. Design work of the reservoir tunnel and head work under Kaluganga project has been started using Kuwait funds while downstream development of Moragahakanda project work commenced in January 2010 with JICA assistance. During January-April Rs. 965 million was allocated bringing the cumulative expenditure of this project up to April 2010 to Rs. 2,296 million.

Uma Oya diversion project which commenced in 2009 under the Iranian assistance at a cost of US \$ 529 million is expected to cultivate 15,000 acres in Badulla, Monaragala & Hambantota districts benefiting 12,000 farmer families while generating 120 MW of hydro power. Funds amounting to Rs. 2,133 million was allocated during January-April 2010 for the completion of geological surveys along the tunnel connecting two reservoirs at Puhulpola and Dyraaba and road deviations. The cumulative expenditure up to end April 2010 stood at Rs. 8,708 million.

Construction of Deduru Oya reservoir Project which is design to irrigate 1500 Ha new land and 8500 Ha of excising land in Kurunegala and Puttlam districts and generate hydro electricity continued with construction work of the main dam, left and right bank sluices main canal, spillway and trans basin. Cumulative expenditure up to April 2010 was Rs 1,372 million.

Dam Safety and Water Resource Planning Project with World Bank assistance aiming to ensure safety an operational efficiency of 32 large dams, to establish a modern hydro meteorological information system and to improve water resource planning of the country continued in 2010. Under this project rehabilitation works of Parakrama Samudraya (Rs. 207 million) Kantale Dam (Rs. 175 million) and Dambulu Oya and Kandalama reservoir was carried out in 2010. The cumulative expenditure of the project upto end April was Rs. 686 million.

Water Supply and Sanitation

Total investment made for the 1st quarter of 2010 for water supply and sanitation is Rs 11,189 million. The actual expenditure was Rs. 7,188 million. The expenditure is mainly in the following areas;

Table 12
Water Supply and Sanitation

Rs. Mn.

	Foreign Funds	Domestic Funds	Total
Large scale water supply schemes; Ampara, Kandy, Colombo, Polonnaruwa, Batticaloa, Muttur, Hambantota, Galle, Nuwara Eliya, Kadugannawa, Geliya, Udunuwara, Yatinuwara, Gampola, Peradeniya, Ulapane, Ginigathhena, Hatton, Maskeliya, Ragala, Rikillagaskada, Negambo & Lunugamvehera	4,163	1,525	5,688
Small scale water supply schemes; Thalawakele-Lindula, Medirigiriya, Ippalogama, Pelmadulla, Kantale, Mahawa, Udawalawa, Galigamuwa, Akuressa, Monaragala, Ohiya, Thihagoda etc.		285	285
Rural water supply schemes; Anuradhapura, Colombo, Matara, Ratnapura, Gampaha, Kandy, Matale, Nuwara Eliya, Ampara, Kurunegala Districts & in Estates	68.1	114.9	183
Sewerage schemes; Moratuwa, Ratmalana, Jaela, Ekala, Kandy and Colombo	831	201	1,032
Total	5,062.1	2,125.9	7,188

Source: National Water Supply & Drainage Board.

Several water supply schemes were commissioned in the first quarter 2010. The water supply project implemented in Ampara Urban Council area was fully commissioned and now Ampara town has a 95% coverage. By the first quarter 2010, 6200 new connections have been given in Ampara and the system is ready to provide another 100 new connections immediately. Ragala and Walapane two schemes were also commissioned under the Nuwara Eliya Group Towns Water Supply Scheme. Service levels of about 27,000 existing consumers were improved in the southern towns of Kandy District through commissioning of Towns South of Kandy Water Supply Project. 2,700 new connections have been provided immediately after the commissioning and thereafter every month about 50 new connections have been given. The 600 meter long pipe laying of the sea outfall at Angulana was completed under Moratuwa/Ratmalana & Jaela/Ekala Wastewater Disposal Project.

Also, on completion of the concrete works of Jaela sewer treatment plant, plant installation which is due to be completed by September 2010 was commenced.

The following major construction work have been carried out in the first quarter of 2010;

- Supply & laying of transmission line of Kaluganga scheme
- Laying of distribution lines in Kutikawatta-Mulleriyawa
- Jaela, Kandana, Ekala, Mahara & Biyagama Water Supply Scheme
- Laying of 18km raw water transmission main, 31km treated water transmission main & 168km of distribution system in Batticaloa
- 154 km distribution pipe laying in Muttur
- 120,000 m³/day intake, 15,000 m³/day treatment plant, 5 water towers & 147.5 km distribution pipe net work in Hambantota
- New water treatment plant & intake with 40 million gallons per day capacity at Kelani Right Bank

Human Resource Development

Education

A total expenditure of Rs. 11,672 million has been incurred on education during the first four months of 2010.

Financial assistance amounting to Rs. 604 million has been provided for infrastructure development of universities in 2010. Further, Rs. 707 million has been utilized on higher education development projects assisted by Work Bank, ADB, Kuwait funds etc.

In order to improve the educational facilities provided for school children, capital investment amounting to Rs. 333 million has been spent to build school buildings, computer labs, furniture and equipment.

Health

The government expenditure on health during first four months of 2010 amounted to Rs. 14,828 million covering both health and indigenous sectors. In order to maintain a safe and effective medical supply to government institutes around Rs. 2,000 million has been utilized on medical supplies during January-April 2010.

Several hospital development projects such as Matara-Godagama hospital, Hambantota hospital ward complex, Neuro Trauma Centre at Karapitiya hospital continued in 2010. In addition Rs. 195 million have been spent to supply bio medical equipment and lab apparatus for the hospitals.

Allocations made under Vote on Account

Table 13
Allocations made under Vote on Account approved by the Parliament on 05th
November 2009 during the period 1st January 2010 to 30th April 2010.

Head No.	Ministry /Department	Purpose	Expenditure (Rs.)	
			Recurrent	Capital
1	His Excellency the President	Programme for rehabilitation of misguided youth surrendered (Commissioner General of Rehabilitation), Sri Lanka Foundation, establishment of a new Government owned Company to provide technical and economic support for the local artists, Information and Communication Technology Regulator Capacity Building Project	250,000,000	31,941,634
3	Judges of the Superior Courts	Foreign traveling, maintenance of vehicles	3,500,000	
4	Office of the Cabinet of Ministers	Cost of Living Allowance, rehabilitation of plant ,machinery and equipment	362,273	107,000
16	Commission to Investigate Allegations of Bribery and Corruption	Tamil Language Training Programme (UNDP), Personal Emoluments	2,200,000	97,200
17	Department of Elections	Presidential Election 2010, General Election 2010	1,550,000,000	
103	Ministry of Defense, Public Security, Law and Order	Domestic traveling, diets and uniforms, stationary and office requisites, welfare programmes, services	140,500,000	
110	Ministry of Justice and Law Reforms	Accounting of the financial grant given by the Norwegians Refugee Council to launch of magazine "Justice"		735,000
112	Ministry of Foreign Affairs	Legal fees	2,817,000	
114	Ministry of Transport	Cost of Living Allowance(Sri Lanka Transport Board)	100,000,000	
121	Ministry of Public Administration and Home Affairs	To conduct efficiency bar examinations and second language tests by Sri Lanka Institute of Development Administration	2,873,675	
130	Ministry of Local Government and Provincial Council	Provincial Road Improvement Project (PRIP)		162,000,000
134	Ministry of Constitutional Affairs and National Integration	Official language Commission, National language Education and Training Institute	5,800,000	
135	Ministry of Plantation Industries	Plantation Reform Project		375,000,000
136	Ministry of Sports and Public Recreation	Initial expenses for the Common Wealth Games to be held in Sri Lanka in 2018	11,400,000	

Table 13 continued . .

142	Ministry of Cultural Affairs and National Heritage	Central Cultural Fund	50,000,000	
143	Ministry of Parliamentary Affairs	Retirement benefits for staff of the MP's	10,000,000	
145	Ministry of Re-settlement and Disaster Relief Services	Accounting of the financial grant given by the Government of India for purchasing the agriculture equipment to expedite the resettlement programme.		22,730,000
149	Ministry of Industrial Development	Salaries for the employees of Ceylon Ceramic Corporation(Cabinet decision)		27,000,000
153	Ministry of Land and Land Development	Cost of Living Allowance	4,100,000	
160	Ministry of Environment and Natural Resources	Personal Emoluments, domestic traveling, supplies, rehabilitation of vehicles	3,450,000	500,000
161	Ministry of Internal Administration	Cost of Living Allowance	300,000	
207	Department of Archaeology	Domestic traveling, maintenance of vehicles,	8,440,000	
210	Department of Government Information	Accounting of the grant given by the American Ambassador for conservation of films produced on national heritage		450,968
212	Department of Examination	Payment of evaluation fees for answer scripts and other examination related activities in GCE(O/L) 2009	200,000,000	
215	Department of Technical Education and Training	Personal Emoluments , retirements benefits	24,500,000	
222	Sri Lanka Army	To settle outstanding payments on rehabilitation of buildings and acquisition of fixed assets		750,000,000
223	Sri Lanka Navy	Deferred payment, Cost of Living Allowance	200,000,000	407,000,000
225	Department of Police	Personal emoluments, domestic traveling,	1,027,000,000	
227	Department of Registration of Persons	Cost of Living Allowance	4,000,000	
228	Courts Administration	Vehicle rent	5,317,700	
229	Attorney General's Department	Purchase of a vehicle, foreign traveling, legal fees	3,950,000	7,500,000
232	Department of Prisons	Diets and Uniforms	100,000,000	
234	Registrar of Supreme Court	Cost of Living Allowance	881,250	
239	Department of External Resources	Payment of taxes and duties for obtaining a vehicle forfeited by the Department of Customs		1,512,000
242	Department of Management Services	Cost of Living Allowance	250,000	
245	Department of Public Finance	Rehabilitation and improvement of capital assets		9,000,000
251	Department of Valuation	Salaries and wages	5,650,000	

Table 13 continued . .

253	Department of Pensions	Payment of pension for disabled soldiers, retirement benefits, social security for disabled soldiers	2,903,630,000	
254	Department of Registrar General	Security services of Divisional Land Registrar Office, personal emoluments	11,500,000	
256	District Secretariat - Gampaha	Personal emoluments , fuel, domestic travelling, services	10,539,000	
261	District Secretariat - Galle	Personal emoluments	17,500,000	
263	District Secretariat - Hambantota	Cost of Living Allowance	2,016,000	
279	District Secretariat - Kegalle	Cost of Living Allowance	7,425,000	
281	Department of Agrarian Services	Cost of Living Allowance	60,000,000	
285	Department of Agriculture	Cost of Living Allowance, salaries and wages	27,019,560	
286	Department of Land Commissioner	Cost Living Allowance	3,200,000	
288	Department of Surveyor General	Cost of Living Allowance	40,000,000	
301	Department of Co-operative Development	Working capital for Co-operative Societies		450,000,000
308	Department of Posts	Cost of Living Allowance	120,000,000	
314	Southern Provincial Council	Accounting of the grant given by Wilson Transformer Co. Pvt. LTD in Australia for the construction of two storied building at All Saints Madya Maha Vidyalaya Galle		2,000,000
317	North Central Provincial Council	Salaries, Cost of Living Allowance, Provincial Roads Project	110,000,000	242,200,000
322	Department of National Botanic Gardens	Cost of Living Allowance, services	3,900,000	
323	Department of Legal Affairs	Personal Emoluments, rehabilitation and improvement of capital assets	1,100,000	100,000
	Total		7,035,121,458	2,489,873,802

Source: Department of National Budget

TREASURY OPERATIONS

Performance of the Government Cash Flow

There was a marginal increase in revenue as against the revenue forecast of Rs.290.6 billion for the period from January to May in 2010. This increase has resulted in lower net cash deficit when compared to same at the end of corresponding time period. Cash deficit after outflow for operating activities and investment activities amounted to Rs. 183.8 billion which is less than the comparative figure for the year 2009 by Rs.32.2 billion. The reduction in cash deficit was mainly due to increase in revenue collection during the period of 5 months over the same period in last year. The overall closing cash balance (deficit) was Rs.83.9 billion which is higher than the cash balance prevailed at end of corresponding time period in 2009 by Rs. 7.4 billion.

Table 14
Statement on Government Cash Flow Operations -January to May 2009 and 2010

Rs. Mn

Item	Actual 2009 Jan - May	Jan - May 2010	
		Original Estimate	Actual Cash Flow
Total Cash inflow from revenue	232,421	290,679	295,687
Total Cash outflow for operating activities	(343,645)	(390,298)	(373,825)
Net Cash flow for Operating Activities	(111,224)	(99,619)	(78,138)
Cash Flow for investing Activities	(104,845)	(108,137)	(105,709)
Net Cash Surplus (Deficit)	(216,069)	(207,756)	(183,847)
Opening Cash Balance	(69,195)	(75,969)	(75,969)
Gross Borrowing	436,380	342,512	308,370
Debt Repayment	(240,305)	(134,620)	(134,536)
Net Borrowing	196,075	207,892	173,834
Adjustment Account Balance (TEB, RFA, Deposits, etc)	12,676	(49)	1,999
Closing cash balance	(76,513)	(75,882)	(83,983)

Source: Department of Treasury Operations

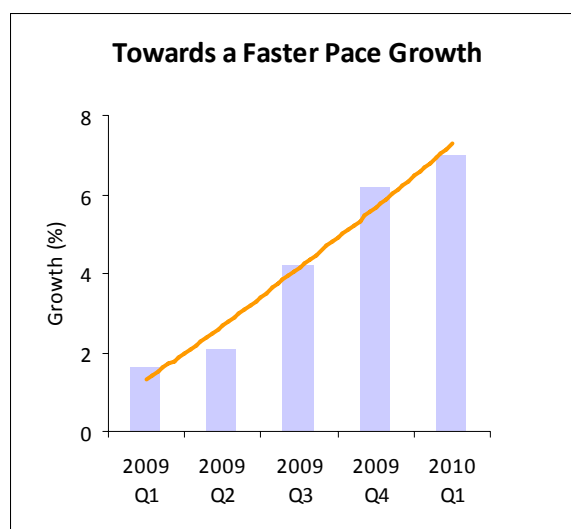
Government Debt Managed within Approved limits

The Government debt operations indicated a total gross borrowing of Rs. 308.3 billion for the period from January to May in 2010. The repayments of public debt, which included domestic and foreign loans, amounting to Rs. 134.5 billion thus limiting net borrowing to Rs.173.8 billion. The total gross borrowings were within the approved limit of Rs. 437.5 billion for the period from January to May in 2010. The value of Bank Guarantees issued and remaining valid as at 31.05.2010 amounting to Rs. 173.2 billion which does not exceed 4.5% of GDP as prescribed in section 3(e) of Fiscal Management (Responsibility) Act No.3 of 2003. Summary of the Bank Guarantee issued by the Treasury up to 31.05.2010 is given in annex III

The Economy

The economy posted a significant growth of 7 percent in the first quarter of 2010 supported by resilient domestic demand and the gradual recovery in the global economic conditions. The robust growth was exhibited in all the sub sectors with agriculture, industry and services sector recording growth rates of 9 percent, 6.9 percent and 6.7 percent, respectively. The economy grew by 6.2 percent in last quarter of 2009 and is expected that the economy will grow at a faster pace of about 7-8 percent in 2010 with much favourable macroeconomic environment and political stability entailed with the cessation of internal conflict.

Chart 3



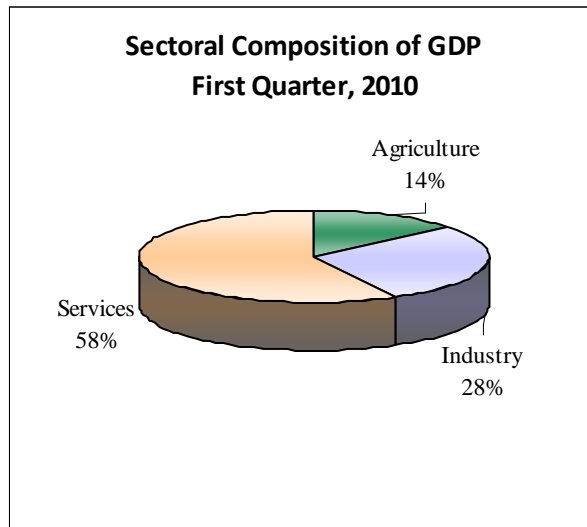
Agriculture, forestry and fishing sector expanded at an accelerated pace of 9 percent during the first quarter of 2010 from 3.6 percent in the same quarter of 2009. This sector, contributed 14 percent of GDP in first quarter of 2010. This upturn largely came from relatively significant performance of the tea, rubber and minor export crops sectors.

The tea sector registered a 47.2 percent growth for the first quarter of 2010 compared to a 39.7 percent in the review period of 2009, reflecting the expansion of export demand coupled with favourable weather condition prevailed during the first quarter of 2010. The tea production during the January-April period was 102.3 million kg, an increase of 27 percent over the corresponding

period of 2009. The absence of labour unrest, continued good agricultural practices such as timely pruning, and recovered external demand led this surge. The average all tea prices at Colombo Tea Auction reached the highest ever price recorded and registered Rs.379.20 per kg in March 2010 as compared to Rs. 325.34 per kg in March 2009.

The rubber sector also benefited from the attractive prices with increasing demand for natural rubber due to a gradual increase in oil prices and an adoption of new technologies. The contracted rubber production in the first quarter of 2009, picked up in the first four months of 2010 and recorded a growth of 10 percent. The production increased to 54.3 million kg in the first four months of 2010 from Rs. 49.3 mn kg in the same period of 2009. The unfavourable conditions prevailed in other rubber producing countries such as Thailand, Indonesia helped to increase the prices of natural rubber in international markets. The value added rubber production grew by 11.7 percent in the first quarter of 2010 as compared to 2.6 percent recorded in the review period of 2009. The average prices of rubber at Colombo Auction rose to Rs. 321.24 per kg in the first quarter of 2010 from Rs. 132.17 per kg in the corresponding period of 2009, indicating a 143 percent growth in prices in the first quarter of 2010.

Chart 4



However, the coconut production dipped in the first four months of 2010 by 8 percent due to reduction in extent harvested during the period. The total production in January-April period of 2010 was 899 million nuts compared to 975 million nuts in the reference period of 2009. However,

the coconut oil production rose by 31 percent in the first quarter of 2010 to 21,667 mt, benefiting from the increased tax rates on imported coconut oil substitutes.

The paddy production in 2009/2010 Maha season increased by 9 percent to around 2.6 million mt compared to the 2008/2009 Maha season, a highest ever paddy production since 1952, benefiting from increased extent in cultivation, increased average yield by 4 percent supported by favourable weather condition during the period and continuation of fertilizer subsidy. The total extent harvested also increased by almost 5 percent over 2009/2010 Maha season. It is also noteworthy that the paddy production in the Eastern Province, Mannar and Jaffna Districts recorded significant growths of 10.6 percent, 65.1 percent and 13.8 percent respectively.

Table 15
Key Statistics in the Paddy Sector

Category	Unit	2007			2008			2009			2010*
		2006/2007 Maha Season	Yala Season	Total	2007/ 2008 Maha Season	Yala Season	Total	2008/2009 Maha Season	Yala Season	Total	2009/2010 Maha Season
Production	'000 mt	1,973	1,158	3,131	2,125	1,750	3,875	2,384	1,268	3,652	2,597
Area Sown	'000 hectares	525	291	816	582	471	1,053	632	345	977	642
Area Harvested	'000 hectares	512	284	796	568	465	1,033	605	338	943	633
Yield	Kg/ hectare	4,299	4,543	4,421	4,181	4,195	4,188	4,421	4,186	4,304	4,599

Source: Department of Census and Statistics

* Provisional

Minor export agricultural crops comprising of cinnamon, cardamom, cloves and peppers etc. recorded the highest ever growth of 118 percent during the review quarter from contracted 5.3 percent growth of the first quarter of 2009. The increased export prices stemming from the improved external demand from the major buyers coupled with favourable weather condition could be cited as the main factors that contributed to this surge. The most of subsidiary food crops such as highland crops, fruits and vegetables sub sector recoded a favourable growth of 5.5 percent during

this period. The production of maize, big onion, red onion and potatoes recorded an encouraging growth of 9 percent, 23 percent, 59 percent and 8 percent respectively. The livestock production

increased by 5 percent particularly with increased in dairy production responding to the higher prices. During the first quarter of 2010, local milk production reached 48.9 million litres a 15 percent growth over the corresponding period of 2009 benefiting from favourable producer prices and other incentives given to the sector by the Government to boost the local milk production.

Fisheries sub sector recorded a 4 percent growth in the first quarter of 2010 with the increased marine and inland fish production by 4 percent and 1 percent respectively. The marine fishing sub sector was benefited from lifting the imposed restrictions for fishing activities in the North and East amidst the vagaries of the climatic changes in contrast, the inland fishing sector was affected due to drought conditions which resulted a contraction of the storage of water in reservoirs and tanks.

The industry sector value addition expanded by 6.9 percent in the first quarter of 2010 compared to a mere 1.9 percent growth recorded in the same period of 2009. This growth was achieved with favourable contributions from all sectors namely, manufacturing, mining and quarrying, construction, electricity, gas and water. The industry sector accounted for 28.4 percent of GDP.

Despite the declining external demand and high cost of production, the textile wearing apparel and leather products sector grew by 1 percent in the first quarter of 2010. However, continuous efforts were made to improve the qualitative standards while introducing a range of styles and designs to mitigate the negative impacts faced by the industry.

The factory industry grew by 5.4 percent in the first quarter of 2010 compared to 3.3 percent registered in the same period of 2009. The factory industry recovered gradually since the latter part of 2009 with revival of external demand and increase in domestic demand due to access of the new markets in the Northern and Eastern regions.

The output of food, beverages and tobacco products registered an a higher growth of 6.8 percent with enhance production of biscuits, canned fruits and vegetables, ice cream, milk and coconut based products benefiting from the improved connectivity of the whole country coupled with the expansion of tourists activities. The sector will be revived during the rest of period of 2010 with further expansion of domestic markets, improved value added products, modernization of dairy factories and establishment of milk collection and sales centres.

The chemical, rubber and plastics products category grew by 7.1 percent in the first quarter of 2010 compared to 0.2 percent recorded in the review period of 2009. The gradual recovery of the economic downturn and related recovery in the automobile industry emerged an increase demand

for natural rubber products and increase in PVC, plastics and paints production due to improved domestic construction industry help this growth. Signifying the recovery of the gem and jewellery sub –sector, the exports of precious stones increased by almost 28 percent in the review period. The manufacturing sector which accounts for 62.2 percent of the industry sector, expanded by 5.8 percent in the first quarter of 2010 reflecting the gradual recovery of the economies, provided tax and other concessions to the sector, accelerated development activities particularly in the North and East coupled with the expansion of the construction industry. Meanwhile electricity, gas and water sub sector grew by 6.4 percent in real terms in the review period. This has witnessed a 10.1 percent growth in overall electricity generation. During the first quarter of 2010 benefiting from the conducive weather conditions, hydro power electricity generation grew by 58.5 percent reducing thermal power generation contracted by 7.8 percent.

The construction industry sustained its growth momentum at 8.5 percent in first quarter of 2010 in comparison to an equally high growth rates witnessed in 2006 and 2007. The growth rate registered for the first quarter of 2009 was at 3 percent. This is attributable to Government initiatives taken to improve infrastructure mainly in roads, irrigation, ports, power, water, resumption of private sector initiatives on urban property development projects coupled with low interest rate regime that prevailed during this period.

The services sector expanded by 6.7 percent during the first quarter of 2010 compared to 1 percent in the same period of 2009. This sector, which accounted for 57.7 percent of GDP mainly driven by recovered wholesale and retail trade, hotels and restaurants, tourism sector services and transport services.

Reflecting the expansion activities in external sector, the export earning registered a 7.1 percent growth in the first quarter of 2010. The export earning for the review period was US \$ 1,764 mn against the US \$ 1,647 mn in the same period of 2009. Agricultural and mineral exports grew at a pace of 29 percent and 33 percent respectively. The import sector also performed well in the first quarter of 2010 making 39.5 percent growth in imports compared to sluggish growth of 1.7 percent witnessed in the same quarter of 2009 . The import bill for the first quarter of 2010 stood at Rs. US \$

3,225 million over the US \$ 2,313 million in the first quarter of 2009. The domestic trade sector also expanded at a pace of 8.3 percent in the first quarter of 2010 from 3.8 percent recorded in the review period of 2009.

Transport and communication sector accelerated by 10.4 percent in the reference period of 2010 compared to 3.9 percent achieved in the same period of 2009. Post and telecommunication sector recorded a buoyant growth of 16.4 percent in the quarter particularly with the continuation of services expanded by the telecom service providers in terms of value added products, competitive rates and the expansion of coverage.

Table 16
Selected Indicators of Service Sector Expansion

Indicator	2006	2007	2008	2009	End March	
					2009	2010
Port Services						
Vessels arrived	4,469	4,710	4,814	4,456	1,097	1,004
Total Cargo Handled (MT '000)	42,661	46,344	50,582	48,777	10,427	14,650
Total Container Handled (TEU '000)	3,079	3,381	3,687	3,464	780	993
Transshipment (TEU '000)	2,330	2,578	2,785	2,785	585	738
Telecommunication Sector						
Fixed Telephone lines (No. '000)	910	932	934	871	876	875
Cellular Phones (No. '000)	5,412	7,983	11,083	13,950	11,492	15,107
Wireless Phones (No. '000)	974	1,810	2,513	2,560	2,474	2,585
Internet and E-mail Subscribers (No. '000)	130	202	234	240	240	250
Health Sector						
Private Hospitals	208	212	220	220	220	220
Public Hospitals	604	619	609	555	555	555
Financial Sector						
Bank Branches & Other Outlets	4,128	4,951	5,427	5,703	5,450	5,722
Credit Cards Issued	811,289	889,338	917,418	840,509	896,176	827,983
Automated Teller Machines	1,155	1,422	1,654	1,876	1,699	1,895

Sources: Central Bank of Sri Lanka

Ministry of Finance & Planning

Telecommunication Regulatory Commission Sri Lanka

Sri Lanka Ports Authority

The port services expanded in the review period of 2010 with cargo and container handling increased by 40 percent and 27 percent respectively, benefiting the strong performance in the trade sector aligned with a gradual recovery of the global economy. The total number of new registrations of vehicles also increased by 56.5 percent in the first quarter of 2010 compared to the negative growth of 30.5 percent recorded in the reference period of 2009.

The hotels and restaurant sector responded quickly to the cessation of terrorist activities coupled with gradual recovery of the global economic conditions and recorded a buoyant growth of 61 percent in the first quarter of 2010 compared to - 16.7 percent growth in the first quarter of 2009. Tourist arrivals increased to 160,409 in the first quarter of 2010 from 106,702 in the same period of 2009, reflecting a 50 percent growth while, the earnings from tourism related activities and room occupancy rate climbed by 70 percent and 89 percent respectively. The earning from the tourism sector in the period of January-April, 2010 was US \$ 175 million.

The performance of the banking, insurance and real estate sector picked up in the first quarter of 2010 registering a growth of 5.6 percent with improved economic conditions. The commercial banks and Licensed Specialized Banks showed a high profit due to increased non-interest income and introduced cost-management policies amidst declining interest income.

Table 17

Gross Domestic Product – Sectoral Composition at (2002) Constant Prices

Rs. Mn.

	First Quarter	
	2009	2010
Agriculture, Forestry and Fishing	81,774	89,072
Agriculture, Livestock and Forestry	74,954	81,999
Tea	4,321	6,361
Rubber	966	1,079
Coconut	7,979	6,830
Minor export crops	1,720	3,754
Paddy	20,942	22,806
Highland crops	11,152	11,743
Fruits and Vegetables	15,776	16,649
Livestock	4,412	4,619
Other Agriculture	4,158	4,432
Firewood & Forestry	3,527	3,745
Fishing	6,820	7,073
Industry	171,058	182,779
Mining and Quarrying	11,745	13,084
Manufacturing	107,544	113,781
Processing Industries	3,304	3,958
Factory industry	97,212	102,462
Small industries	7,028	7,302
Electricity, gas and water	12,200	12,981
Electricity	10,555	11,251
Gas	1,028	1,105
Water	617	630
Construction	39,570	42,933
Services	348,252	371,470
Wholesale and retail trade	136,460	143,692
Import trade	43,089	45,588
Export trade	23,903	22,947
Domestic trade	69,468	75,234
Hotels and restaurants	1,537	2,475
Transport and communication	80,958	89,378
Transport	68,996	75,344
Cargo handling-Ports and Civil aviation	3,154	3,785
Post and telecommunication	8,808	10,253
Banking , insurance and real estate etc.	52,953	55,918
Ownership of dwellings	18,463	18,684
Government services	43,179	45,856
Private Services	14,702	15,467
Gross Domestic Product	601,084	643,321

Source : Department of Census and Statistics

Inflation

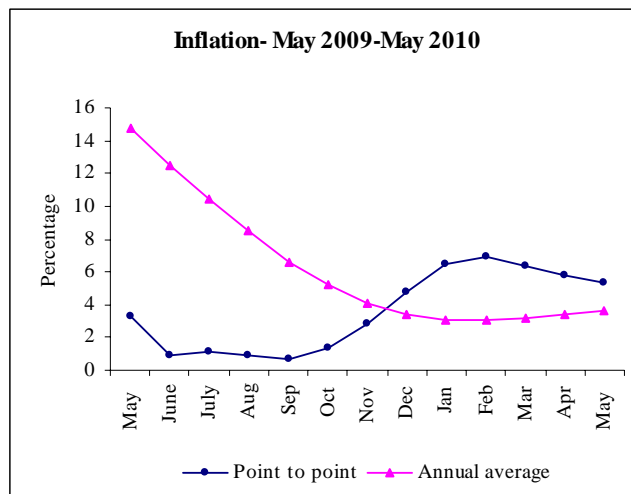
The annual average inflation declined to a record seven-year low of 3.1 percent in the months of January and February 2010 from a peak of 28.2 percent in June 2008. Point to point Inflation declined to 5.3 percent in May 2010, reflecting the supply side improvements particularly the significant growth in paddy production in the 2009/2010 Maha season coupled with slowing down of price pressure in international market in key commodities. Core inflation that measures the price movements of non-food and non-energy items in the Colombo Consumer Price Index (CCPI) basket stood at 6.4 percent on a point-to-point basis in May 2010.

Table 18
Headline Inflation and Core Inflation in Sri Lanka

Month	Headline Inflation CCPI (N)	Core Inflation
2009		
January	10.7	14.3
February	7.6	14.1
March	5.3	15.2
April	2.9	15.5
May	3.3	15.8
June	0.9	15.2
July	1.1	14.2
August	0.9	13.2
September	0.7	12.1
October	1.4	11.0
November	2.8	9.9
December	4.8	9.2
2010		
January	6.5	8.6
February	6.9	8.1
March	6.3	7.5
April	5.8	7.0
May	5.3	6.4

Source: Department of Census and Statistics and Central Bank of Sri Lanka

Chart 5



Stock market on a positive note

The stock market continued to grow with the positive outlook in the macro economic environment and decline in interest rates, higher business confidence and brightened growth prospects following the end of the conflict. The Colombo Stock Exchange (CSE) was among the best performing stock market in the world, during this peiord.

The All Share Price Index (ASPI) averaged at 4,232.9 at the end of May 2010, a 100 percent increase over the end May 2009 while Milanka Price Index (MPI) also increased by 95 percent to close at 4,765.1. The average turnover was Rs. 1,814 million, an increase of 32 percent as against end May 2009. Market capitalization at the end of May 2010 was Rs. 1,378 billion, a 100 percent increase over the same period of 2009.

Table 19
Movements in the Capital Market

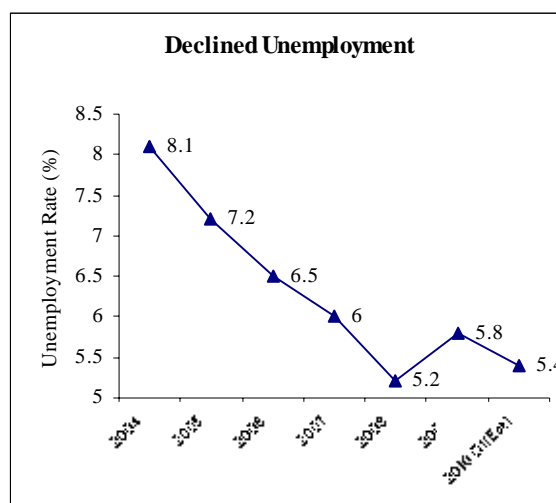
Indicator	2005	2006	2007	2008	2009	End April	
						2009	2010
All Share Price Index (1985=100)	1,922	2,722	2,541	1,503	3,386	1,839	4,189
Milanka Price Index	2,451	3,712	3,292	1,631	3,849	1,963	4,712
Market Capitalization (Rs. Bn)	584	835	821	489	1,092	599	1363
No. of Listed Companies in Trading	242	232	231	232	231	231	231
Annual Average Turn Over (Rs.Bn)	115	105	105	110	142	261	1,540
Foreign Sales (Rs.Mn)	21,568	31,790	35,543	52,682	43,846	877	7,120
Foreign Purchases (Rs.Mn)	27,712	37,167	46,797	66,632	43,057	393	3,751

Source: Colombo Stock Exchange

Unemployment

The unemployment continued to decline from 8.8 percent in 2002 to its lowest level of 5.2 percent in 2008. A gradual decline in unemployment is observed during the 2002- 2009 period although it turned out to 5.7 percent in 2009 due to the pressure on the domestic establishments from shrinking external demand. The unemployment rate for the first quarter of 2010 reduced to 5.4 percent and it is estimated that the unemployment will be further decline in 2010 with the improved economic activities in the whole country in the post-conflict situation, especially the increased demand from tourist sector coupled with the continuation of large scale infrastructure projects .

Chart 6



External Sector Developments

The recovery that was witnessed in the external sector from the 2nd half of 2009 continued in 2010, with increased investor confidence and positive sentiments brought in line with the end of terrorism coupled with the improvements in the external demand. Exports grew by 7.1 percent in the first quarter of 2010 compared to first quarter of 2009, while the imports grew by 40 percent responding to increased domestic activities. Although the trade balance widened it was mitigated from enhanced worker remittances, improved performance in service account with increased earnings especially from tourism and port related activities. During this period Balance of Payment (BoP) generated a surplus of US\$ 135 million compared to the deficit of US\$ 52.7 million in the first quarter of 2009. The gross official reserves at end May stood at US \$ 5,440 million while total reserves at end May reached US\$ 6,803 million sufficient to cover 5.6 months of imports.

Exports

The export earnings in the first quarter of 2010 expanded by 7.1 percent to US\$ 1,764 million compared to US\$ 1,647 million in 2009. The agricultural export earnings grew by 29 percent during this period and reached to US\$ 469 million compared to US\$ 363 million in first quarter of 2009. The tea and rubber exports benefiting from favourable international prices grew by 26 percent and by two folds respectively during the period while minor agricultural crops sector with increased exports of products such as cashew, cloves, vegetables and fruits recorded a growth of 47 percent during the reviewed period. Textile and garments exports declined during the period by 15 percent and generated US\$ 703 million compared to US\$ 826 million in 2009 mainly to the decline in exports to the lower end of the market stemming from high competition.

Imports

The total import bill for the first three months of 2010 amounted to US \$ 3,225 mn, an increase of 40 percent over the same period of 2009. Consumer goods imports increased by 40 percent to reach US \$ 740 million while the intermediate goods imports increase by 54 percent as stood at US \$ 1,686 million. The increase in intermediate goods imports reflects the high crude oil prices during this period compared to same period of 2009. Petroleum products imports cost at US\$ 752 million recorded 100 percent increase during the first quarter of 2010. While the non oil intermediate imports increase by 27 percent reflecting the revival of the domestic manufacturing sector. Investment goods imports cost US\$ 692 million by end March 2010 compared to US\$ 674 million in the same period of 2009.

Table 20
External Trade (January-March)

US\$ Mn.

Category	2009	2010
Exports	1,647	1,764
Agriculture	363	469
Tea	242	306
Rubber	26	57
Coconut products	44	32
Other agricultural products	51	75
Industrial	1,265	1,269
Textiles and Garments	826	703
Petroleum products	27	43
Other Industrial	412	523
Gems	17	21
other	3	5
Imports	2,313	3,225
Consumer goods	509	740
Food & Drink	338	522
Other Consumer Goods	211	271
Non consumable goods	172	219
Intermediate goods	1,098	1,686
Petroleum	363	752
Fertilizer	30	34
Textiles & Clothing	331	367
Other Intermediate Goods	373	524
Investment goods	674	692
Machinery & Equipment	279	285
Transport Equipment	116	136
Building Materials	213	196
Other Investment Goods	66	75
Trade Balance	(665)	(1,461)

Source: Department of Sri Lanka Customs

Worker Remittances

Worker remittance flows posted a 14 percent increase compared to the review period of 2009 to US \$ 891 million complemented by expanding of banking facilities particularly in opening of bank branches in the North and East.

Foreign Assistance

The total commitment made by lenders and donor agencies to Sri Lanka during the period of January to end April 2010 was US\$ 1,487.7 million, of which project loans accounted for US\$ 1,458 million and grants accounted for US\$ 29.7 million.

Table 21
Foreign Financing Commitments (Jan-April, 2010)

Donor	US\$ mn
Bilateral	1,280.0
Austria	34.78
China	293.52
France	16.3
India	67.4
Iran	111.2
Japan	421.8
Russia	300.0
United Kingdom	35.0
Multilateral	207.7
Asian Development Bank	3.0
World Bank	179.0
UN Agencies	25.73
Total	1,487.7

Source: Department of External Resources

Chart 7
Aid Commitments (by percentage)

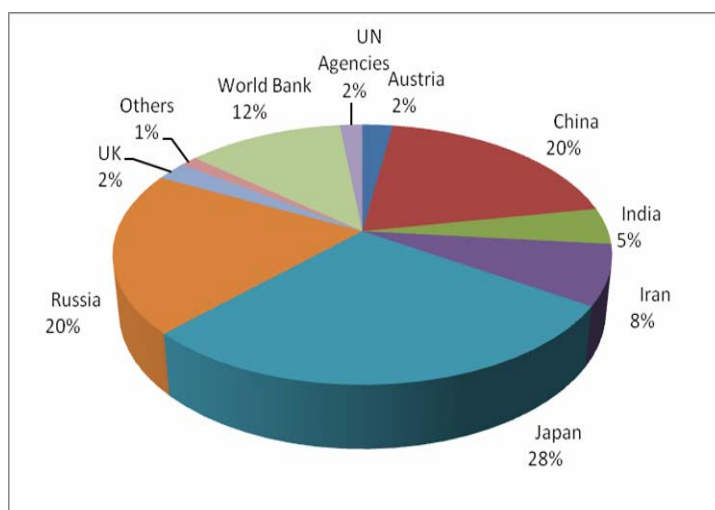


Table 22

Foreign Financing Commitments -From January to April 2010

Donor	Project Name	In Loan/Grant Currency	Grant	Loan	Total
			In US\$	In US\$	In US\$
ADB	Improving Connectivity to Support Livelihoods & Gender Equality	USD 3,000,000	3,000,000		3,000,000
Austria	Rehabilitation of Old Laxapana Hydroelectric Power Plant	EUR 24,141,348		34,776,820	34,776,820
China	Mattala Hambantota International Airport Project	CNY 1,300,000,000		190,785,771	190,785,771
	Supply of 13 Nos. Diesel Multiple Units to Sri Lanka Railway	CNY 700,000,000		102,730,800	102,730,800
Food and Agriculture Organization	Surveillance for Accreditation of freedom from Rinderpest	USD 184,000	184,000		184,000
	Dairy Cattle and Buffalo Improvement Project	USD 335,000	335,000		335,000
	Provision of Seed & Other Essential Agricultural Inputs in North	USD 876,000	876,000		876,000
	Improving Post-harvest & Sustainable Market Development for Fisheries	USD 85,800	85,800		85,800
France	Grater Trincomalee Water Supply Project	EUR 2,500,000		3,385,375	3,385,375
	Provision of Oxygen Concentrators, Operating Theaters & Medical Equipment to Tsunami Affected & Remote Hospital Project	EUR 9,529,000		12,901,316	12,901,316
India	Upgrading of Railway Line Colombo Matara Phase II	USD 67,400,000		67,400,000	67,400,000
International Fund for Agriculture Development	National Agribusiness Development Programme	SDR 15,550,000		24,245,264	24,245,264
Iran	Implementation of Rural Electrification Project 8	EUR 77,140,574		111,217,410	111,217,410

Japan	Provincial/Rural Road Development Project (Central Province and Sabaragamuwa Province)	JPK 9,156,000		99,047,097	99,047,097
	Provincial/Rural Road Development Project (Eastern Province)	JPK 3,965,000		42,892,283	42,892,283
	Eastern Province Water Supply Development Project	JPK 4,904,000		53,050,127	53,050,127
	Kandy City Wastewater Management Project	JPK 14,087,000		152,389,303	152,389,303
	Upper Kotmale Hydro Power Project (II)	JPK 4,552,000		49,242,288	49,242,288
	Reconstruction of 5 Bridges in Eastern Province (Detailed Design)	JPK 29,000	319,980		319,980
	The Project for the Improvement of Central Functions of Jaffna Teaching Hospital	JPK 2,298,000	24,859,134		24,859,134
Russian Federation	Line of Credit	USD 300,000,000		300,000,000	300,000,000
HSBC plc,	Emergency Purchase of Container Handling Equipments- Jaya Terminal	USD 35,000,000		35,000,000	35,000,000
World Bank	Provincial Roads Project	SDR 66,100,000		103,238,346	103,238,346
	Additional Financing for Community Livelihoods in Conflict Affected Areas	SDR 7,600,000		11,870,067	11,870,067
	Emergency Northern Recovery Project	SDR 40,900,000		63,877,358	63,877,358
	Total		29,659,914	1,458,049,625	1,487,709,539

Source: Department of External Resources

Committed Undisbursed Balance

The total Committed Un-disbursed Balance of foreign financing available for government's development program as at end of April 2010 was US\$ 7.2 billion. The project implementation duration for these commitments will be in the range of 2 -5 years and hence the utilization will be on that basis. Table 23 indicates the sector-wise classification of the committed un-disbursed balance.

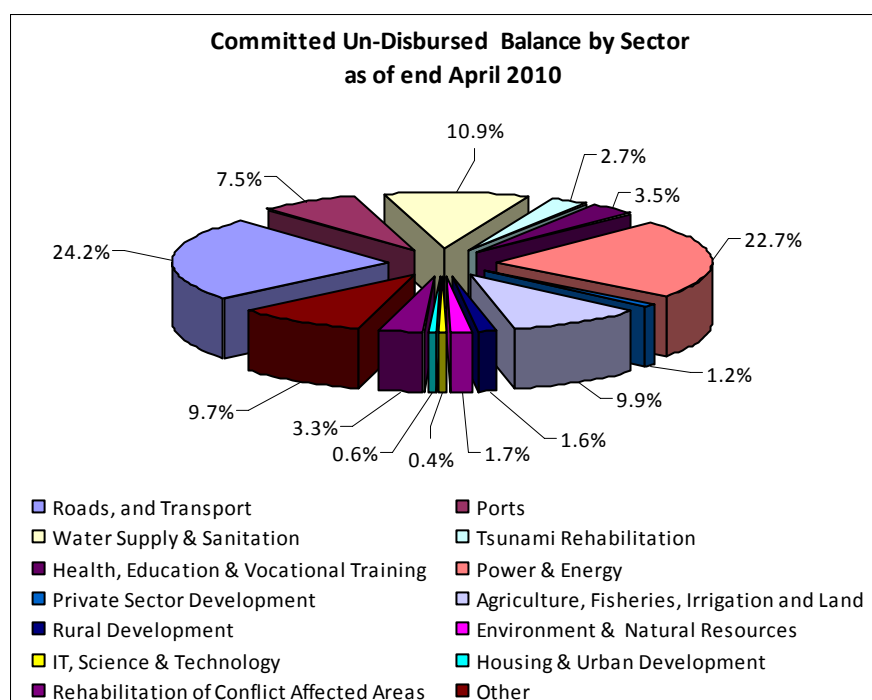
Table 23

Committed Un-disbursed Balance – (by sector) as of end April 2010

Sector	US\$ Mn	% of Total
Roads, and Transport	1748.9	24.2
Ports	543.2	7.5
Water Supply & Sanitation	784.9	10.9
Tsunami Rehabilitation	197.2	2.7
Health, Education & Vocational Training	250.1	3.5
Power & Energy	1641.1	22.7
Private Sector Development	85.9	1.2
Agriculture, Fisheries, Irrigation and Land	715.4	9.9
Rural Development	115.0	1.6
Environment & Natural Resources	122.5	1.7
IT, Science & Technology	30.3	0.4
Housing & Urban Development	45.7	0.6
Rehabilitation of Conflict Affected Areas	236.2	3.3
Other	703.3	9.7
Total	7,219.7	

Source: Department of External Resources

Chart 8



Foreign Fund Disbursements

The total foreign fund disbursement up to end of April 2010 was US\$ 442.7 million. Of the total disbursement, project loans accounted for US\$ 416.8 million and grants US\$ 25.9 million.

Table 24

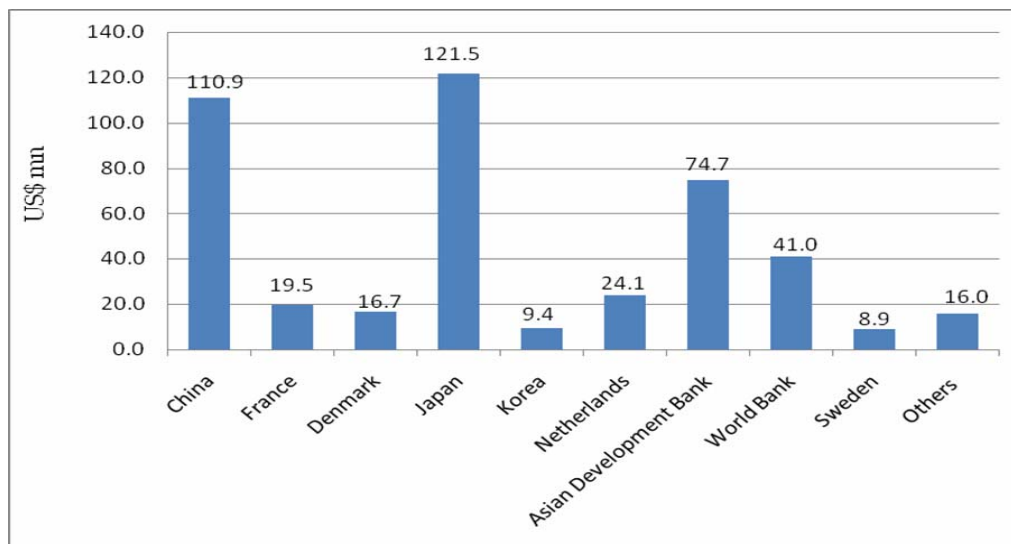
Foreign Aid Disbursement –in US\$ million

Donor	Loan	Grant	Total
Bilateral	314.7	6.6	321.3
Austria	2.2		2.2
China	110.9		110.9
Denmark	16.7		16.7
France	19.5		19.5
India	4.5		4.5
Japan	115	6.5	121.5
Korea	9.4		9.4
Kuwait	1.2		1.2
Netherlands	24.1		24.1
Spain	0.3		0.3
Saudi Fund	0.3		0.3
Sweden	8.9		8.9
United Kingdom	0.9		0.9
Other Bilateral	0.8	0.1	0.9
Multilateral	102.1	19.3	121.4
Asian Development Bank	65.3	9.4	74.7
World Bank	36.3	4.7	41.0
European Commission		3.7	3.7
UN Agencies		1.5	1.5
Other Multilateral	0.5		0.5
Total	416.8	25.9	442.7

Source: Department of External Resources

Chart 9

Foreign Aid Disbursements by Donors



External Debt

- The total external debt of the government as at end of April 2010 stood at US\$ 13.7 billion. This was a decrease of US\$ 93 million compared to the debt stock stood at end 2009.
- The total debt service payment up to 30th April 2010 amounted to US\$ 263.2 million. Of this US\$ 168 million was for principal payments and the balance US\$ 95.2 for the interest payments. The total estimated debt service payment for 2009 is US\$ 877.6 million, of which 30 percent has already been paid by 30th April 2010.

Basis used for the preparation of 2010 Budget Estimates.

Gross Domestic Product. (GDP)

The economy is expected to register a growth around 7 percent in 2010 and the growth is projected to be broad based, with the expected recovering in all key sectors. The agriculture sector is expected to perform well with additional impetus generated from the revival in the North and Eastern Provinces . The implementation of several planned mega projects such as expressways, highways, ports and acceleration of development projects in the country is likely to boost aggregate demand and output. The higher growth projected for 2010 would be supported by the expected increase in investment expenditure by both private and public sector.

Consumer Prices.

Inflation as per the GDP deflator is expected to moderate in 2010 to around 6 percent. The easing of commodity prices in international markets would lessen the external pressures on domestic prices coupled with production improvements in the domestic agriculture which would have favorable impact on the supply side. Tight monetary policy with the fiscal consolidation is expected to contain demand driven inflationary pressures. However, the prices would be vulnerable to the global price movements of oil.

Employment and Unemployment.

Greater employment opportunities are expected to be created through Government's strategies towards improved production and commitment to speed up the infrastructure development. Emphasis placed on human resource and skills development are also expected to create a better skilled and productive labour force capable of being gainfully employed in new opening. These measures coupled with the expansion in the private sector, investment and production are expected to reduce unemployment around 5 percent of the labour force.

Balance of Payment (BoP)

The external sector is expected to improve further in 2010 recording an overall BoP surplus and thereby increasing country's external reserves. Export growth is expected to continue in 2010 at around 10 percent (in dollar terms). Positive impact of Free Trade agreements and revival of the world economy will favourably influence the exports. Imports are projected to grow around 12-14

percent. Even though the trade deficit is expected to widen, renewed foreign investor confidence in debt and equity investment and continuous improvement in inflows of foreign worker remittances is expected to ease the deficit of the external current account and maintaining a healthy capital account which will result in a Bop surplus. Worker remittances are expected to generate around US \$ 4,000 million in 2010.

Exchange Rate

The stabilization of the exchange rate which was witnessed in 2009 would be continued in the backdrop of the strengthening of the external resources.

Monetary Aggregates

The road map already implemented by the Central Bank of Sri Lanka to conduct the monetary policy and reserve money targets for a monetary growth of 13 percent is consistent with the growth and inflationary expectations.

Revenue

Assumptions used for revenue estimate are given in Annex II.

Expenditure

The preparation of 2010 Budget in line with the fiscal strategy and the vote on account estimates approved by the Parliament places emphasis on infrastructure development in areas including roads, ports electricity etc at national level and supporting infrastructure at provincial and local levels, to ensure that the high economic growth will spread across regions, benefiting lower income groups as well. With emphasis on a sectoral prospective in priority areas, it is expected to minimize duplication of activities among spending agencies, thus ensuring efficient use of public funds. It is expected that public investment would be, maintained around 6.5 percent of GDP to complement a 7 - 8 percent economic growth in the medium- term. Recurrent expenditure estimates have taken into consideration the need to allocate adequate provisions for payments pertaining to wages, pensions, utility services and supplies. Emphasis is also given to strengthen public expenditure management and accountability through further tightening the treasury supervision and internal audit functions.

Borrowings

It is proposed to adopt a proper combination of domestic and foreign borrowings to ensure that the existing declining trend of debt/GDP ratio would continue while minimizing the cost of borrowing.

Sensitivities to the Estimates

Economic projections could be sensitive to following challenges;

- Price trends in international oil price and other commodities. These would affect imports as well as the domestic supply and budget costs.
- Capacity constraints to the medium term transformation may affect the use of funds in relation to foreign funded large projects and thereby investment level and growth.
- Weather conditions would have an impact on agriculture and hydro-power generation.
- Natural Disasters
- Adjustment costs to external shocks.
- Administrative and procurement impediments.

Risks likely have a Material Effect on the Fiscal Position.

- Higher than expected oil and commodity prices in international markets could threaten the macroeconomic stability and growth targets while affecting Government expenditure and revenue.
- Global imbalances resulting lower than expected global economic growth could adversely affect external demand for Sri Lankan goods and services which will result in slowing down of the Sri Lankan economy.
- New recruitments to the public service in excess of the targeted retirements.
- Poor / under performance of state and public enterprises.

Annex 1

Macro Economic Indicators

Table 1
Estimated Quarterly Growth Rates of Key Sub-Sectors of Agriculture

Sector	2009					2010
	Q1	Q2	Q3	Q4	Annual	Q1
Tea (Mn kg)	49.8	78.3	74.5	79.4	289.8	73.3
Growth %	-42.1	-11.8	-4.9	17.1	-9.1	47.2
Rubber (Mn kg)	37.9	31.6	32.1	35.3	136.9	42.3
Growth %	2.6	4.5	-3.5	22.4	5.9	11.7
Coconuts (Mn nuts)	729.2	696.7	733.1	731.4	2,762	624.1
Growth %	30.3	8.0	-6.6	-3.7	-5.1	-14.4
Paddy ('000 mt)	2,384.0		1,267.7		2,362	2,597.4
Growth %	12.2		-27.6		-5.8	9.0
Fish (Mn kg)	85.3	74.9	85.2	94.3	339.7	88.5
Growth %	6.0	7.7	12.6	1.0	6.5	3.7

Source: Central Bank of Sri Lanka

Table 2
Performance in Industrial Sector: 2008-2010

Description	2008	2009	2010 Est	2009			
				Q1	Q2	Q3	Q4
Food, Beverages and Tobacco products	5.2	5.9	6.3	4.7	5.6	6.4	6.9
Textile, apparel and leather Products	3.1	0.6	2.3	5.4	-8.9	1.1	3.8
Chemical, petroleum, rubber and plastic products	6.4	1.8	6.9	0.2	-0.9	1.0	6.5
Non-metallic mineral products	5.2	-3.3	6.6	-8.7	-1.9	-5.4	3.2
Fabricated metal products	5.6	3.4	6.0	2.6	3.4	3.0	4.8
Overall Industrial Growth	5.0	3.4	5.5	3.3	0.8	3.5	5.7

Source: Department of Census and Statistics

Table 3
Performance in Electricity Generation and Services Sector: 2008- 2010

Category	2008	2009	2009			2010 proj	2010
			Q1	Q2	1st Half		Q1
Electricity Generation							
Total Generation (GWh) (Excluding Self Generation)	9,901	9,882	2,363	2,426	4,790	10,430	2,581
<i>Growth Rate</i>	0.9	-0.2	-5.1	-1.9	-3.5	5.5	9.2
Hydro	4,128	3,884	632	823	1,456	4,172	1,001
<i>Growth Rate</i>	4.6	-5.9	-26.7	-41.3	-35.7	7.4	58.1
Thermal (includes Independent Power Plants)	5,763	5,974	1,731	1,602	3,333	6,258	1,578
<i>Growth Rate</i>	-1.7	3.7	6.5	49.5	23.6	4.8	-8.8
Hydro:Thermal Ratio	42:58	39:61	27:73	34:66	31:69	40:60	39:61
Reservoir Water Level % (End Period)	52.26	43.16	34.30	30.46	32.38		66.89
Port Services							
Total Cargo Handled ('000 MT)	50,582	48,777	10,427	12,029	22,456	59,500	14,650
<i>Growth Rate</i>	9.1	-3.4	-13.5	-6.1	-9.6	21.9	40.5
Total Container Handled ('000 TEUs)	3,687	3,464	777	844	1,621	4,130	933
<i>Growth Rate</i>	9.1	-6.1	-12.1	-7.3	-9.7	20.4	27.4
Telecommunications Services (No. of subscribers)							
Fixed Lines ('000)	3,446	3,431	3,350	3,391	3,391	3,395	3,460
<i>Growth Rate</i>	25.7	-0.5	12.8	7.8	7.8	-1.1	3.3
Cellular ('000)	11,083	13,950	11,495	11,675	11,675	17,000	15,107
<i>Growth Rate</i>	38.8	25.9	30.1	23.2	23.2	21.9	31.4
Total Fixed Lines & Cellulers ('000)	14,529	17,381	14,843	15,067	15,067	20,395	18,567
<i>Growth Rate</i>	35.5	19.6	25.7	19.4	19.4	17.3	25.1
Internet and email ('000)	234	240	240	n.a.	n.a.	270	250

Sources: Ceylon Electricity Board, Sri Lanka Ports Authority
Telecommunication Regulatory Authority

Table 4
Export Performance in 2009-2010

US \$ Mn

Item	2009			2010		
	Jan-March	April-Dec	Total	Jan-March	April-Dec (a)	Total (a)
Agricultural Products	363.30	1,327.03	1,690.33	468.97	1,446.63	1,915.6
Tea	242.25	942.85	1,185.10	305.64	996.36	1,302.0
Rubber	26.20	72.42	98.62	56.60	86.00	142.6
Coconut Products	43.52	122.69	166.21	31.45	164.55	196.0
Other Agricultural products	51.33	189.07	240.40	75.27	199.73	275.0
Industrial Products	1,264.63	4,040.81	5,305.44	1,268.69	4,619.11	5,887.8
Textile and Garments	826.18	2,448.03	3,274.21	703.20	2,796.80	3,500.0
Petroleum	26.91	107.82	134.73	42.74	141.56	184.3
Other Industrial Products	411.54	1,484.96	1,896.50	522.75	1,680.75	2,203.5
Gems	16.59	52.32	68.91	20.84	68.16	89.0
Other Exports	2.85	16.98	19.83	5.09	14.91	20.0
Total Exports	1,647.37	5,437.15	7,084.52	1,763.59	6,148.81	7,912.4

Sources: Sri Lanka Custom, Department of Fiscal Policy
(a) Projections

Table 5
Import Performance in 2009-2010

US \$ Mn

Item	2009			2010		
	Jan-March	April-Dec	Total	Jan-March	April-Dec (a)	Total (a)
Consumer Goods	509.35	1,462.46	1,971.81	740.20	2,070.8	2,811.0
Rice	2.06	20.79	22.85	55.39	25.61	81.0
Sugar	50.31	168.39	218.70	105.22	224.78	330.0
Wheat	74.38	184.89	259.27	90.13	194.87	285.0
Other Food Products	211.04	534.33	745.37	270.80	829.20	1,100.0
Non Consumable Goods	171.56	554.06	725.62	218.66	796.34	1,015.0
Intermediate Goods	1,097.51	4,571.70	5,669.21	1,685.64	5,191.26	6,876.9
Petroleum Products	363.34	1,803.27	2,166.61	751.98	2,127.92	2,879.9
Fertilizer	29.63	163.80	193.43	33.76	246.24	280.0
Textile & Clothing	331.41	1,110.60	1,442.01	367.15	1,282.85	1,650.0
Other Intermediate Goods	373.13	1,494.03	1,867.16	532.75	1,534.25	2,067.0
Investment Goods	673.97	1,776.86	2,450.83	691.54	2,508.46	3,200.0
Other Imports	31.66	83.12	114.78	107.48	12.52	120.0
Total	2,312.48	7,894.15	10,206.63	3,224.85	9,783.05	13,007.9

Sources: Sri Lanka Custom, Department of Fiscal Policy

Table 6
Balance of Payments – 2009-2010

	US \$ Mn	
Item	2009 Q1	2010 Projection
A. Trade Balance	-665.1	-5,108.0
Exports	1,647.4	8,093.0
Imports	2,312.5	13,200.0
B. Services	79.6	547.0
Receipts	484.2	2,205.0
Payments	404.5	1,658.0
C. Income, Net	-126.3	-768.0
Receipts	19.4	188.0
Payments	145.7	956.0
D. Goods, Services and Income, Net	-711.8	-5,328.0
E. Current Transfers, Net	698.7	3,507.0
Private Transfers, Net	688.1	3,437.0
Official Transfers, Net	10.6	70.0
F. Current Account	-13.1	-1,821.0
G. Capital Account	35.6	218.0
Private Capital Transfers, Net	16.0	88.0
Official Capital Transfers, Net	19.7	130.0
H. Financial Account	-184.1	2,123.0
Long-Term, Net	91.4	1,826.0
Direct Investment	85.0	698.0
Foreign Direct Investment, Net	85.0	698.0
Privatization Proceeds	0.0	0.0
Private long-term, Net	6.3	23.0
Inflows	28.0	306.0
Outflows	21.7	283.0
Government long-term, Net	143.3	1,105.0
Inflows	250.1	1,800.0
Outflows	106.8	695.0
Short-Term, Net	-262.0	297.0
Portfolio Investment, Net	17.7	37.0
Private Short-term, Net	54.9	60.0
Commercial Banks, Net	-334.6	0.0
Government short-term, Net	-156.7	200.0
I. Errors and Omissions	-526.5	0.0
J. Overall Balance	-688.1	520.0
K. Monetary Movements	688.1	-520.0

Source: Central Bank of Sri Lanka

Table 7
International Reserves

Item	US \$ Mn			
	End 2008	End 2009	May-09	May-10
Total External Reserves	3,798.93	7,030.40	2,884.82	6,802.70
Months of Imports	3.25	8.27	2.81	7.04
Gross Official Reserves	2,560.86	5,357.40	1,470.95	5,439.60
Months of Reserves	2.19	6.30	1.43	5.63

Source: Central Bank of Sri Lanka

*Including ACU receipts

Table 8
Government Foreign Currency Debt Outstanding

Items	US \$ Mn
	End April 2010 (a)
Total Outstanding	15,501.5
Government Foreign Debt	13,717.6
Dollar denominated Domestic Debt	1,783.9
SLDBs	1,569.4
FCBUs	214.5

Source: Central Bank of Sri Lanka

(a) Outstanding foreign debt details are available only up to end April 2010

Table 9
Outstanding Domestic Foreign Currency Debt of the Government

	US \$ Mn	
	End 2009	End May 2010
Outstanding	1,683.9	1,783.9
FCBUs	214.5	214.5
SLDBs	1,469.4	1,569.4
	2009	Up to May 2010
Receipts	641	100
FCBUs	100	-
SLDBs	541	100
Payments	643	-
FCBUs	168	-
SLDBs	475	-

Source: Central Bank of Sri Lanka

Table 10
Movements in Selected Exchange Rates (against the US \$)

Currency	Appriciation(+)/ Depreciation (-)		Current Account Deficit(-)/ Surplus(+) (as a percentage of GDP)	Inflation (Annual Average)*
	End 2008 - End 2009	End 2009 - May 2010	2009	2009
Sri Lanka Rupee	-1.09	0.47	-9.5	3.4
Indian Rupee	3.17	0.78	-2.1	10.9
Bangladesh Taka	-0.14	0.07	2.9	6.1
Pakistan Rupee	-6.56	-1.12	-5.6	20.8
Singapore Dollar	2.33	0.29	19.1	0.2
Thailand Bhatt	4.11	2.25	7.7	-0.8
Taiwan Dollar	1.43	0.92	11.2	-0.9
Indonesian Rupiah	16.09	2.69	2.0	4.8
Philippine Peso	2.20	0.39	5.3	3.2
Korean Won	7.64	-2.54	5.1	2.8
Japanese Yen	-1.97	0.78	2.8	-1.4

Sources: Department of Census and Statistics, Central Bank of Sri Lanka, Reuters, International Financial Statistics - IMF

Table 11
Central Bank Holdings of Treasury Bills

End Period	Rs. Bn	
	Gross (Book value)	Net of Repos (Book value)
2007	41.81	41.79
2008*	143.70	143.17
2009	36.00	36.00
End May. 10	44.20	20.23

Source: Central Bank of Sri Lanka

**Including TBills and TBonds received for Reverse Repo of Rs.13.2 bn and excluding TBills allocate for Term Repo's of Rs.6.0 bn*

Table 12
Composition and Growth of Private Sector Credit
(based on quarterly survey of advances)

Purpose/ Sector	Composition			Growth %		
	Dec-08 (*)	Dec-09	Mar-10	Dec-08 (*)	Dec-09	Mar-10 (**)
Commercial	28.1	25.7	25.0	-0.9	-22.3	1.5
Exports	5.8	9.5	7.7	-12.6	-11.4	-15.5
Imports	9.6	6.6	6.4	12.0	-35.0	1.0
Wholesale, Retail/ Other	12.6	5.3	4.9	-3.5	-20.6	-2.7
Consumption	24.4	19.5	19.2	27.5	15.5	2.4
Consumer Durables	2.1	2.3	1.9	42.4	-17.4	-13.3
Other Personal Needs	19.1	7.8	5.0	27.5	54.6	-33.3
Credit Card Loans	3.2	2.8	2.4	19.1	-3.3	-10.3
Housing	15.2	14.0	13.8	-1.4	-1.5	2.9
Personal Housing	12.6	9.3	9.2	8.7	-7.8	2.7
Construction/ Busi. premises	0.9	0.7	0.6	-9.7	-8.9	-3.6
Property Development	1.7	1.5	1.4	-40.3	67.6	-0.9
Industrial	8.4	10.1	10.8	9.7	-1.7	12.3
Financial	5.8	4.0	4.4	-4.2	-29.3	14.0
Agricultural	4.2	10.8	11.3	11.1	11.5	9.2
Tourism	1.2	3.4	3.3	9.5	19.3	2.3
Services	5.9	6.2	6.2	21.4	1.4	3.4
Other	7.1	6.3	6.0	6.8	-13.2	-1.2
Total	100	100	100	7.8	-5.7	4.3

Source: Central Bank of Sri Lanka

*Data for Dec 2008 includes credit extended by Domestic Banking Units (DBUs) only.
 Since March 2009, data includes credit extended by Offshore Banking Units (OBUs) also.

** Growth from Dec 2009 to March 2010.

Table 13**Interest Rate Movements in 2008 - 2010**

Interest Rate	End Dec 2008	End Dec 2009	End Mar 2010	End May 2010
Policy Rates of the Central Bank				
Repurchase Rate	10.50	7.50	7.50	7.50
Reverse Repurchase Rate	12.00	9.75	9.75	9.75
Weighted Average Call Money Rate (with tax)				
	14.66	9.07	9.05	9.07
Weighted Average Auction Rate				
	10.96	8.24	8.13	8.17
Treasury Bill Rates				
91 days	17.33	7.73	8.52	8.10
180 days	18.57	8.73	9.24	8.91
364 days	19.12	9.33	9.47	9.26
Lending Rates				
Average Weighted Prime Lending Rate (weekly)	18.50	10.91	10.62	10.65
Average Weighted Prime Lending Rate (monthly)	19.17	11.12	10.54	10.57
Average Weighted Lending Rate (Quarterly)	20.13	17.41	16.89	-
Deposit Rates				
Average Weighted Deposit Rate (AWDR)	11.63	8.01	7.22	7.05
Average Weighted Deposit Rate (AWFDR)	16.89	10.91	9.71	9.50

Source: Central Bank of Sri Lanka

Table 14
CCPI changes in Expenditure Values

	Rupees			Change		
	Weight	May -09	May-10	Rupees	%	Contri. to change
Food and Non Alcoholic Beverages	8,405.65	18,297.33	19,154.14	856.81	4.68	44.13
Food	8,188.70	17,843.65	1,8636.61	792.96	4.44	40.84
Bread and Cereals	3,086.56	7,317.59	7,312.70	-4.89	-0.07	-0.25
Meat and Meat Products	534.75	1,249.62	1,457.26	207.64	16.62	10.69
Fish and Sea Food	1,011.07	2,437.13	2,599.78	162.65	6.67	8.38
Milk, Cheese and Eggs	1,359.96	2,668.70	2,699.15	30.45	1.14	1.57
Oils and Fats	273.28	626.56	649.59	23.03	3.68	1.19
Fruit	392.98	578.69	700.34	121.65	21.02	6.27
Vegetables	579.35	1,060.06	1,199.57	139.51	13.16	7.19
Sugar, Jam, Honey, Chocolate and Confectionary	302.57	682.23	717.59	35.36	5.18	1.82
Food Products n.e.c.	648.17	1,223.08	1,300.63	77.55	6.34	3.99
Non -Alcoholic Beverages	216.95	453.68	517.54	63.86	14.08	3.29
Coffee, Tea and Cocoa	135.80	299.97	355.42	55.45	18.49	2.86
Mineral Waters, Soft drinks, Fruit and Vegetable juices	81.15	153.71	162.12	8.41	5.47	0.43
Clothing and Footwear	554.86	907.95	963.27	55.32	6.09	2.85
Housing, Water, Electricity, Gas and other Fuels	3291.30	7,460.66	7,730.21	269.55	3.61	13.88
Furnishing, household equipment and routine household maintenance	580.16	960.29	1,020.34	60.05	6.25	3.09
Health	752.01	1,396.94	1,711.94	315.00	22.55	16.22
Transport	1,703.83	4,015.98	4,097.83	81.85	2.04	4.22
Communication	796.06	873.14	870.58	-2.56	-0.29	-0.13
Recreation and culture	393.21	637.93	659.63	21.70	3.40	1.12
Education	1,041.67	1,558.34	1,784.27	225.93	14.50	11.64
Miscellaneous goods and services	477.64	795.62	853.49	57.87	7.27	2.98
All Items	17,996.38	36,904.19	38,845.70	1,941.51	5.26	100.00

Source: Department of Census and Statistics

Annex II

ASSUMPTIONS FOR REVENUE ESTIMATES - 2010

Table 1
Key Sectoral Growth Rates %

	2009	2010
Agriculture	2.8	8.0
Industry	4.2	6.4
Services	3.3	7.1
▪ Inflation - GDP deflator (%)	5.7	7.5
▪ Unemployment Rate (%)	5.8	5.0
▪ Private Investment (% of GDP)	17.9	21.0

Source : Central Bank of Sri Lanka

Table 2
Value Added Tax (VAT)

Zero Rate	Export Goods
Standard Rate (12%)	General Items
Luxury Rate (20%)	Luxury consumer goods (motor vehicles, Liquor, air conditioners, refrigerators, washing machines)- Refunds are limited to 12%
Exemptions	Goods and Services which are listed in the VAT exemption list of the VAT Act.

Source: Department of Fiscal Policy

Table 3
Value of Imports

	US \$ Mn.	
	2009	2010
Rice	22.9	81.0
Sugar	218.7	330.0
Wheat Grain	259.3	285.0
Other Food	745.4	1,100.0
Non Consumable Goods	725.6	1,015.0
O / W Motor Vehicles	157.0	350.0
Petroleum	2,166.6	2,879.9
Fertilizer	193.4	280.0
Chemicals	312.5	350.0
Textiles	1,442.0	1,650
Other Intermediate Goods	1,554.6	1,717
Machinery	1,012.8	1,385
Transport	436.3	495.0
Building Materials	714.5	995.0
Other	402.1	325.0
Total	10,206.6	13,007.9

Source : Central Bank of Sri Lanka

Table 4
Composition of Imports

Category	% of Total Imports	
	2009	2010
Consumer Goods	19.3	21.6
Intermediate Goods	55.5	52.9
Investment Goods	25.1	25.5

Source : Central Bank of Sri Lanka

Table 5
Duty Structure

Zero	Essential Commodities, Basic raw materials, and Machinery
5.0%	Semi Processed items
15.0%	Intermediate products, spare parts etc.
30.0%	Motor Vehicles and other finished products

Source : Department of Trade Tariff and Investment Policy

Table 6
Custom Duty

	US \$ Mn.	
	2009	2010
Value of Imports	10,206.6	13,007.9
Growth	-27.6	27.4

Source : Central Bank of Sri Lanka

Table 7
Excise

	2009	2010
Volume of Hard Liquor (Million Lt.)	41	45
Volume of Malt Liquor (Million Lt.)	56	72
Volume of Cigarettes (Million Sticks.)	145	150
Volume of Aerated Water (Million Lt.)	4,100	4,511
Volume of Petrol (Million Lt.)	646	700
Volume of Diesel (Million Lt.)	2,200	2,200
Volume of Kerosene (Million Lt.)	310	325

Source : Department of Fiscal Policy

Table 8
Cigarettes Duty Structure (per 1,000 Cigarettes) as at 31.12.2009

	Rs. per 1,000
Cigarettes each not exceeding 60mm. in length	2,289
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	5,706
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	8,485
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	10,715
Cigarettes each exceeding 84mm. in length	12,170

Source : Department of Fiscal Policy

Table 9
Liquor Duty Structure

	Rs. Per Proof Liter
Coconut Processed / Molasses Arrack	610
Country made Foreign Liquor	740
Molt Liquor (Beer) above 5% in strength (per lit)	64
Molt Liquor less 5% in strength (per lit)	48
Wine containing more than 4% in strength	465
Aerated water	6

Source : Department of Fiscal Policy

Table 10
Petroleum Rate Structure

Petrol	Rs. 25.00 per liter
Diesel	Rs. 2.50 per liter

Source : Department of Fiscal Policy

Table 11
Excise (Special Provision) Duty

Motor Vehicle Duty Structure:	
(i) Petrol	
Cars	
Not exceeding 1000 cc	7%
1000 cc - 1600 cc	17%
Exceeding 1600 cc	27%
Luxury type - Ten seated	40%
Small Vans - Transport of goods	20%
Auto trishaws	0%
(ii) Diesel	
Cars	
Not Exceeding 1600 cc	40%
Exceeding 1600 cc	63%
Vans	
Not Exceeding 1500 cc	40%
Exceeding 1500 cc	63%
Luxury type - Ten seated	74%
Passenger Van - (not more than 17 persons)	30%
Auto trishaws	0%

Source : Department of Fiscal Policy

Table 12
Port and Airport Development Levy

General Rate	5%
Imports for re-export	Exempt

Source : Department of Fiscal Policy

Table 13
Receipt of Profits/ Profit Transfers and Dividends: 2009 – 2010

Rs.Mn

	2009	2010 Estimated
1. Bank of Ceylon	1,346	2,346
2. National Savings Bank	1,810	1,060
3. People's Bank	1,116	1,816
4. State Mortgage and Investment Bank	50	40
5. Telecommunications Regulatory Comm.	3,321	8,000
6. Sri Lanka Export Credit Ins Corp	30	50
7. State Pharmaceuticals Corp.	35	25
8. Local Loan & Development Fund	5	5
9. State Pharmaceutical Manufacturing Corp.	-	25
10. State Timber Corp.	50	250
11. De La Rue Lanka Currency & Security Print	38	100
12. Lanka Electricity Company	-	50
13. Airport Aviation Sri Lanka Ltd.	200	100
14. Sri Lanka Telecom	893	240
15. Lanka Industrial Estates	31	65
16. Lanka Mineral Sands Ltd.	60	81
17. Lanka Phosphate Ltd.	5	6
18. Pussellawa Plantation Ltd.	0	6
19. Kotagala Plantation Ltd.	3	-
20. Chilaw Plantation Ltd	30	30
21. National Development Bank	2	-
22. Paranthan Chemicals Co Ltd.	3	-
23. Rajarata Development Bank	21	25
24. Ruhunu Development Bank	35	17
25. Sabaragamuwa Development Bank	13	17
26. Kandurata Development Bank	6	8
27. Asian Reinsurance Corp	0.6	-
28. Uva Development Bank	10	14
29. Wayamba Development Bank	56	25
30. Independence Television Network	3	50
31. Kurunagela plantation	30	20
32. National Insurance Trust Fund	2,250	4,600
33. Geological Survey & mine Bureau	481	384
34. Others	48	545
Total Levy & Dividends	11,982	20,000

Source: Department of Public Enterprises

Table 14
Rent Income

	Rs. Mn.	
	2009	2010
Rent on Government Buildings & Housing	664	855
Rent on Crown Forests	251	650
Rent from Land & Other	23	50
Lease Rental from Regional Plantation Companies	443	600
Others	44	125
Total Rent Income	1,425	2,280

Source : Department of Fiscal Policy

Table 15
Fees and Charges

	Rs. Mn.	
	2009	2010
Service Charges by Government Press	202	220
Fees of Passport, Visas and Dual Citizenship	3,765	4,850
Examination & other Fees	142	135
Fees under the Motor Traffic Act & other Receipts	2,083	3,000
From others Various Sources	19,195	19,737
Total	25,387	27,942

Source : Department of Fiscal Policy

Annex III

SUMMARY OF BANK GUARANTEES ISSUED BY THE TREASURY UP TO 31.05.2010

NO:	NAME OF INSTITUTE	NAME OF THE BANK	PURPOSE	GURANTEE AMOUNT IN FOREIGN CURRENCIES	GURANTEE AMOUNT (Rs. Million)	DATE OF ISSUE
1	Grayline International Pvt. Ltd.	People's Bank	Credit facilities		400.00	11-Aug-1994
2	Urban Development Authority	National Savings Bank	Secure loan facility		500.00	17-Aug-1999
3	Overseas Reality Ceylon Pvt.Ltd.	SR & CC & Terrorism Fund	Secure loan facility		500.00	14-Feb-2000
4	Galadari Hotel Lanka Ltd	SR & CC & Terrorism Fund	Secure loan facility		350.00	14-Feb-2000
5	Hospitality International Pvt. Ltd.	SR & CC & Terrorism Fund	Secure loan facility		7.03	14-Feb-2000
6	Galadari Hotel Lanka Ltd	SR & CC & Terrorism Fund	Secure loan facility		45.83	14-Feb-2000
7	Hotel Developer's Lanka Ltd	SR & CC & Terrorism Fund	Secure loan facility		236.25	14-Feb-2000
8	Co-operative Whole Sale Establishment	People's Bank	for import of flour		207.10	2-Feb-2005
9	Sri Lanka Consumer Co-operative Societies Federation Ltd.	People's Bank	Credit facilities		50.00	31-Jul-2006
10	Lakdanavi Ltd., West Coast Power(Pvt.)Ltd.	National Savings Bank	Secure Domestic Financing		2,992.00	22-Feb-2007
11	Lakdanavi Ltd., West Coast Power(Pvt.)Ltd.	Employee's Trust Fund Board	Secure Domestic Financing		2,992.00	1-Mar-2007
12	West Coast Power(Pvt)Ltd.	Hongkong & Shanghai Banking Co.	Kerawalapitiya Power Project	Euro 134,836,834	19,142.78	28-Jun-2007
13	Merchant Bank of Sri Lanka	Employee's Trust Fund Board	Secure the debentures		430.00	10-Jan-2008
14	Ceylon Electricity Board 300MW Kerawalapitiya Combine Cycle Power Plant Project	People's Bank	Secure a Loan		4,116.00	7-May-2008
15	Ceylon Electricity Board	People's Bank	Secure Letter of Credit	US \$ 4.2 M + Rs.1.2 Billion	1,681.70	11-Jun-2008

Annex III continued

16	Ceylon Petroleum Corporation	Bank of Ceylon	Secure overdraft facilities	US \$ 700M (US \$ 1= Rs.114.69)	80,283.00	9-Sep-2008
17	Ceylon Electricity Board	People's Bank	Electricity Distribution Development Project Credit	Euro 16,133,193 (Euro 1= Rs.141.97)	2,290.43	29-Sep-2008
18	People's Bank Pension Trust Fund	People's Bank	Debentures		2,500.00	17-Dec-2008
19	Relief Package For Tea Sector	DFCC	Loan scheme on a short-term basis for registered tea factory owners		483.19	12-Jan-2009
20	Relief Package For Tea Sector	DFCC Vardhana Bank	do		11.00	12-Jan-2009
21	Relief Package For Tea Sector	Bank of Ceylon	do		376.30	12-Jan-2009
22	Relief Package For Tea Sector	People's Bank	do		111.21	12-Jan-2009
23	Relief Package For Tea Sector	National Development Bank	do		512.35	12-Jan-2009
24	Relief Package For Tea Sector	Commercial Bank	do		287.60	12-Jan-2009
25	Relief Package For Tea Sector	Hatton National Bank	do		362.98	12-Jan-2009
26	Relief Package For Tea Sector	Seylan Bank	do		76.00	12-Jan-2009
27	Relief Package For Tea Sector	Sampath Bank	do		74.30	12-Jan-2009
28	Ipologama Housing Project "Api Wenuwen Api" Fund	Bank of Ceylon	Secure Loan facility		2,112.60	19-Jan-2009
29	Ceylon Petroleum Corporation (Ceylon Petroleum Storage Terminals Ltd.)	People's Bank	Muthurajawela SPBM Off Shore Fuel Oil Pipe Line Project	US \$ 3.8 M	435.82	3-Sep-2009
30	Ceylon Electricity Board	People's Bank	Short Term Loan Facility		8,000.00	7-Sep-2009
31	Ceylon Petroleum Corporation	Bank of Ceylon	Securing the Loan		25,000.00	29-Sep-2009
32	Ceylon Petroleum Corporation (Ceylon Petroleum Storage Terminals Ltd.)	People's Bank	Muthurajawela SPBM Off Shore Fuel Oil Pipe Line Project	US \$ 40.3 M	4,622.00	9-Oct-2009

Annex III continued

33	People's Bank Pension Trust Fund	People's Bank	Debentures		2,500.00	23-Oct-2009
34	Construction of 'Sethsiripaya" Administrative Complex, Stage ii	National Savings Bank	Construction of 'Sethsiripaya" Administrative Complex, Stage ii		2,770.00	6-Nov-2009
35	Mihin Lanka (Pvt)Ltd	Bank of Ceylon	Mihin Lanka	US \$ 13.5 M	1,548.32	25-Nov-2009
36	STC General Trading Company Ltd.	People's Bank	Introducing a Consumer Goods Budget Pack		440.00	30-Nov-2009
37	State Trading (Co-operative Wholesale) Company Ltd.	People's Bank	Import Cement and other essential commodities	US \$ 10 M	1,146.90	17-Dec-2009
38	STC General Trading Company Ltd.	Bank of Ceylon	Import of 50,000M/T of White Rice		2,500.00	22-Dec-2009
39	Sri Lankan Air Lines Limited	Bank of Ceylon	Letter of Comfort	US \$ 10M	1,146.90	30-Dec-2009
	GRAND TOTAL				173,241.59	