

**MID - YEAR
FISCAL POSITION REPORT
2017**

Ministry of Finance and Mass Media, Sri Lanka



MID - YEAR FISCAL POSITION REPORT - 2017

Issued under Section 10 of the
Fiscal Management (Responsibility) Act, No. 3 of 2003

**Mangala Samaraweera, M. P.
Minister of Finance and Mass Media**

30th June 2017

Mid-Year Fiscal Position Report

Issued by the Hon. Minister of Finance and Mass Media Under sections 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003

In terms of Section 10 of the Fiscal Management (Responsibility) Act, No. 03 of 2003, the Minister of Finance is required to present the Mid-Year-Fiscal Position Report to the public by the last day of June of the year and thereafter lay before Parliament.

The purpose of this report is to provide updated information on the Government's fiscal performance as per the fiscal strategy of the Government.

The report contains the performance of government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2017. The report also provides provisional budget outturn for the first four months of 2017, updated information depending on the availability of information relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of State Owned Business Enterprises.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2016	2017 Provisional
REAL SECTOR				
Economic Growth	First Quarter	%	5.5	3.8
Agriculture	First Quarter	%	1.9	(3.2)
Industry	First Quarter	%	8.3	6.3
Services	First Quarter	%	4.9	3.5
Inflation (Point to Point)	End May	%	4.8	6.0
Inflation (Average)	End May	%	2.7	5.4
Unemployment Rate	Annual	%	4.4	n.a.
Labour Force Participation Rate	Annual	%	53.8	n.a.
FISCAL SECTOR				
Budget Deficit	Jan-April	Rs. Mn.	-233,444	-233,171
Total Revenue	Jan-April	Rs. Mn.	472,689	589,019
Tax Revenue	Jan-April	Rs. Mn.	441,211	554,294
Non Tax Revenue	Jan-April	Rs. Mn.	31,478	34,725
Recurrent Expenditure	Jan-April	Rs. Mn.	559,697	626,049
Public Investment	Jan-April	Rs. Mn.	151,978	201,012
Government Debt	End Dec	Rs. Bn.	9,387.3	n.a.
EXTERNAL SECTOR				
Exports	Jan-April	US\$ Mn.	3,450	3,569
o/w Agriculture Exports	Jan-April	US\$ Mn.	722	852
Industrial Exports	Jan-April	US\$ Mn.	2,714	2,701
Textile and Garments	Jan-April	US\$ Mn.	1,710	1,626
Other	Jan-April	US\$ Mn.	1,004	1,075
Imports	Jan-April	US\$ Mn.	6,055	6,883
Consumer Goods	Jan-April	US\$ Mn.	1,426	1,516
Intermediate Goods	Jan-April	US\$ Mn.	3,019	3,692
o/w Petroleum Products	Jan-April	US\$ Mn.	687	1,208
Investment Goods	Jan-April	US\$ Mn.	1,608	1,615
Trade Balance	Jan-April	US\$ Mn.	-2,606	-3,314
Tourist Arrivals	Jan-May	No.	846,229	887,093
Earnings From Tourism	Jan-May	US\$ Mn.	1,451.8	1,521.9
Workers' Remittances	Jan-April	US\$ Mn.	2,371	2,222
Portfolio Investments - Equity (Net)	Jan-April	US\$ Mn.	-19.5	154.5
Overall Balance of Payments (BOP)	Jan-March	US\$ Mn.	(720.2)	(175.9)
Gross Official Reserves	End March	US\$ Mn.	6,221	5,117
Exchange Rate (End Month)	End May	Rs. Per US\$	145.75	152.71
Exchange Rate (Monthly Average)	Jan- May	Rs. Per US\$	145.65	152.33

Key Economic Indicators

Indicator	Period	Unit	Value	
			2016	2017 Provisional
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End June	%	6.50	7.25
Standing Lending Facility Rate (SLFR)	End June	%	8.00	8.75
Statutory Reserve Requirement (SRR)	End June	%	7.50	7.50
Commercial Bank Average Weighted Prime Lending Rate (AWPLR)	End June	%	10.23	11.88
Commercial Bank Average Weighted Lending Rate (AWLR)	End April	%	11.66	13.52
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End June	%	9.50	10.52
W.A. Yield Rate of Treasury Bills (91 Days)	End June	%	8.86	9.60
W.A. Yield Rate of Treasury Bills (364 Days)	End June	%	10.55	10.47
Growth in Money Supply (M_{2b})	Apr 2017/ Apr 2016	%	18.2	20.1
Growth in Credit to the Private Sector	Apr 2017/ Apr 2016	%	28.1	20.0

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level	2016	%	99.3
Water			
Access to Safe Drinking Water	2016	% of Population	89.7
Access to Pipe borne Water	2016	% of Population	47.7
Roads			
Road Density	2016	Km ²	2.0
Total Road Length	2016	Km	118,059
Communication			
Telephone Density including Cellular Phones	2016	Per 100 persons	135.7
Access to Internet	2016	Per 100 persons	23.2
Education			
General Education			
Primary Net Enrolment Ratio	2016	%	95.9
Student/Teacher Ratio (Government Schools)	2016	Number	18
Literacy Rate (Average)	2015	%	93.2
Computer Literacy Rate (First 06 months)	2016	%	27.5
University Education			
Student/Teacher Ratio	2016	Number	17.5
Age Specific Enrolment Ratio (Age 19-23 yrs) (a)	2016	%	6.9
Health			
Hospitals (Practicing Western Medicine) (b)	2016	Number	598
Beds (b)	2016	Number	76,829
Hospital Beds	2016	Per 1000 persons	3.6
Persons per Doctor	2016	Number	1,036
Population			
Population Density	2016	Persons per sq. km	338
Population Growth	2016	%	1.1
Life Expectancy at Birth	2015	Years	75.0
Infant Mortality Rate	2013	Per 1000 live births	8.2
Maternal Mortality Rate	2013	Per 1000 live births	26.8
Crude Birth Rate	2016	Per 1000 persons	15.6
Crude Death Rate	2016	Per 1000 persons	6.2
Dependency Ratio	2016	%	49.4

Indicator	Period	Unit	Value
Poverty			
Poverty Head Count Index	2012/2013	%	6.7
Gini Coefficient of Household Income	2012/2013	Coefficient	0.48
Poverty Gap Index	2012/2013	%	1.2
Average Daily Calorie Intake	2012/2013	Kilocalories	2,111
International Rankings			Rank
Human Development Index	2015	Rank out of 188 Countries	73
Doing Business Index	2017	Rank out of 190 Countries	110
Global Competitiveness Index	2016/17	Rank out of 138 Countries	71
Economic Freedom Index	2017	Rank out of 180 Countries	112
Global Peace Index	2017	Rank out of 163 Countries	80
e-Government Development Index	2015	Rank out of 193 Countries	79

(a) Only includes internal enrolment of students

(b) Government

CHAPTER 1

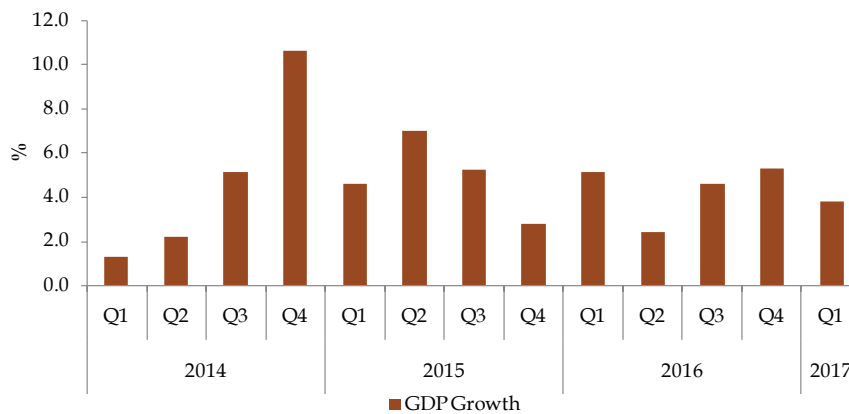
The Economy

1.1 Economic Growth

Sri Lankan economy grew by 3.8 percent, in real terms, in the first quarter of 2017 compared to 5.1 percent in the same period of 2016 amid a challenging both domestic and external environment. The growth was mainly driven by the marked improvements in construction, mining and quarrying, financial services, insurance, textile and apparel and inland and marine fishing industry. Manufacturing of other non-metallic mineral products, water supply and health activities are showing some signs of recovery after a slowdown. Meanwhile, Industry and Services sectors expanded by 6.3 percent and 3.5 percent, respectively in the first quarter of 2017. Despite the pickup of the certain economic activities, the contraction of the Agriculture sector was mainly attributable to the slowdown in GDP. Prolonged drought condition in certain areas and the floods and landslides occurred in

percent and 4.7 percent, respectively in the first quarter of 2017. Value-added agricultural activities contracted by 3.2 percent in the first quarter of 2017 from 0.2 percent negative growth recorded in the same quarter of 2016. Agriculture sector was hindered by the contraction of value-added rice, cereals, coconut, tea, rubber, sugar and vegetable production mainly due to the inclement weather condition prevailed. However, inland and marine fishing, forestry, other field crops, spices and beverage crops and fruits contributed to the growth in Agriculture sector. Paddy production during 2016/17 Maha season declined significantly by 51.1 percent to 1.4 million metric tons compared to 2.9 million metric tons recorded in 2015/16 Maha season mainly due to the sharp reduction of extent under cultivation stemming from severe drought prevailed. Meanwhile, cereals sub-sector comprising cowpea, kurakkan and ground nuts contracted by 15.1 percent

Chart 1.1: Quarterly GDP Growth



several wet zones in the country adversely affected to the value-added production in the Agriculture sector.

Agriculture, Industry, Services and 'Taxes less Subsidies on products' contributed to GDP by 7.2 percent, 32.2 percent, 55.9

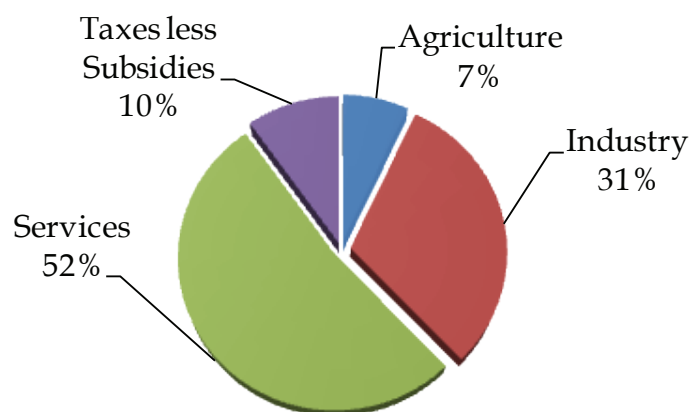
in the first quarter of 2017 compared to a positive growth of 5.6 percent recorded in the same quarter of 2016. Tea and rubber production declined considerably owing to both supply and demand factors. Tea production declined by 6.1 percent to 66.2 million kg in the first quarter of 2017

compared to 70.4 million kg recorded in the same quarter of 2016, reflecting the prolonged drought in the tea growing areas, low global commodity prices and geopolitical uncertainty in several tea export destinations. Due to the supply shortages, the average prices recorded at the Colombo Tea Auction increased by 50.9 percent to Rs. 643.79 per kg in the first quarter of 2017 from Rs. 426.67 per kg in the same quarter of 2016. Meanwhile, the rubber production declined by 17.2 percent to 23.3 million kg in the review period compared to 28.2 million kg in the first quarter of 2016. The decline in rubber production was due to the drop in tapping days and low international rubber prices. The average prices at the Colombo Rubber Action declined. The average price of Ribbed Smoked Sheet 1 (RSS1) was Rs. 250 per kg, a decline by 10.3 percent in the first quarter of 2017 compared to the same quarter of 2016. Coconut production in the

Fisheries sector regained its momentum in the first quarter of 2017. Value-added inland and marine fish production increased significantly by 5.8 percent and 21.5 percent, respectively in the first quarter of 2017 after the contraction in the same period of 2016. Inland fishery sub-sector was benefitted by the increase in releasing fingerlings to the tanks while the marine fish sub-sector expanded due to the increase in demand for Sri Lankan sea foods exports after lifting the ban on the fish exports by the European Union (EU). Meanwhile, value-added livestock production increased by 6.9 percent in the review period mainly due to the Government policy towards increasing the production of milk and poultry sectors.

The value-added Industry sector expanded by 6.3 percent in the first quarter of 2017

Chart 1.2: Sectoral Composition of GDP at current prices - First Quarter 2017



first quarter of 2017 recorded a slowdown with a decline in production by 6.5 percent to 683.6 million nuts mainly due to the unfavourable weather condition prevailed in coconut growing areas. Vegetables and sugar sub-sectors contracted by 3.2 percent and 11 percent, respectively in the review period.

compared to 9.1 percent in the same quarter of 2016. Industry activities including mining and quarrying, construction, textile and apparel, manufacturing of paper products, basic metals machinery and equipment, water supply and sewerage and waste activities positively contributed to the growth in Industry sector. The construction activities expanded by 16.1 percent in the review

period from 16.3 percent growth recorded in the same period of 2016. Reflecting this significant performance, the total cement supply covering the local production and imports increased by 6.4 percent to 2 million metric tons during the first quarter of 2017. Mining and quarrying activities grew by 17.9 percent in the first quarter of 2017 recovering from the contraction of 0.9 percent recorded in the first quarter of 2016. The recovery of this sector reflected in the exports of mineral and other sub-sector which increased by 4.2 percent to US\$ 11.9 million in the first quarter of 2017.

The value-added production of textile and apparel sector expanded marginally by 0.6 percent in the review period, despite the sector contributed the highest earnings from total industrial exports. However, export earnings from textile and garments declined by 6.8 percent to US\$ 1,275.8 million in the first quarter of 2017 from US\$ 1,369.3 million in the same quarter of 2016. Similarly, total exports from industrial exports contracted by 2.7 percent to US\$ 2,106.6 million in the review period due to the reduction of export earnings from textiles, rubber products, food and beverages and plastic products.

Electricity, gas, steam and air-conditioning supply sub-sector recorded a negative growth of 0.3 percent, in value added terms, in the first quarter of 2017. However, electricity power generation increased marginally by 0.7 percent to 3,463 GWh during January-March 2017 from 3,440 GWh in the first quarter of 2016. The hydropower generation declined by 66.9 percent to 347 GWh in the review period due to prolonged drought prevailed in the water catchment areas.

Services sector accounted for 55.9 percent share of GDP and grew by 3.5 percent in the first quarter of 2017 from 3.7 percent recorded in the same quarter of 2016, in value added terms. The most of the Services relaxed activities excluding programming

and broadcasting, professional services and public administration contributed positively to this growth. The growth of Services sector was largely supported by the expansion of financial services and insurance, wholesale and retail trade, transport services, food and beverages and postal and courier services. Financial service activities in value-added terms increased by 14.9 percent in the first quarter of 2017 from 15.1 percent recorded in the same period of 2016, reflecting the increase in profits before taxes of Licensed Commercial Banks and Licensed Specialized Banks during the period. Meanwhile, insurance activities also expanded by 9.7 percent in the review period.

Wholesale and retail trade increased by 4.5 percent in value-added terms in the first quarter of 2017 compared to 3.2 percent recorded in the same quarter of 2016 with the increased domestic activities and the performance in the external sector. The total exports increased by 1.3 percent to US\$ 2,774.3 million during the review period compared to US\$ 2,739.2 million due to the increase in export earnings from agricultural commodities such as tea, coconut, spices and machinery and mechanical appliances. Imports expenditure increased by 14.9 percent to US\$ 5,278.9 million in the review period of 2017 from US\$ 4,594.5 million in the first quarter of 2016 with the increase in imports from consumer and intermediate goods.

Transportation services increased moderately by 3.1 percent in the first quarter of 2017. This reflected the increased motor vehicles registration by 6.4 percent in the review period. The telecommunication sub-sector increased by 3.4 percent in value added terms in the first quarter of 2017 from 12 percent recorded in the same quarter of 2016. Meanwhile, postal and courier services, accommodation, food and beverages, real estate recorded growth of 2.7 percent, 3.7 percent and 1.0 percent, respectively during the review period.

Table 1.1: Sectoral Composition of GDP at Constant (2010) Prices - First Quarter 2016-2017

		Rs. Million		
Sector		2016	2017 (Prov.)	Rate of Change (%)
Agriculture, Forestry and Fishing		161,662	156,419	-3.2
1	Growing of Cereals (except rice)	4,104	3,483	-15.1
2	Growing of Rice	10,646	4,993	-53.1
3	Growing of Vegetables	13,851	13,406	-3.2
4	Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	534	475	-11.0
5	Growing of Fruits	14,260	14,539	2.0
6	Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	18,884	16,966	-10.2
7	Growing of Tea (Green Leaves)	15,411	14,534	-5.7
8	Growing of Other Beverage Crops (Coffee, Cocoa etc.,)	338	341	0.9
9	Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	17,081	18,115	6.1
10	Growing of Rubber	8,214	6,800	-17.2
11	Growing of Other Perennial Crops	4,042	4,481	10.9
12	Animal Production	12,625	13,498	6.9
13	Plant Propagation and Support Activities to Agriculture	2,399	2,556	6.5
14	Forestry and Logging	10,682	11,679	9.3
15	Marine Fishing and Marine Aquaculture	26,625	28,162	5.8
16	Fresh Water Fishing and Fresh Water Aquaculture	1,967	2,390	21.5
Industries		655,053	696,380	6.3
17	Mining and Quarrying	51,584	60,794	17.9
18	Manufacture of Food, Beverages and Tobacco Products	152,460	151,954	-0.3
19	Manufacture of Textile, Wearing Apparel and Leather Related products	97,119	97,736	0.6
20	Manufacture of Wood and Products of Wood and Cork, except Furniture	9,023	8,833	-2.1
21	Manufacture of Paper Products, Printing and Reproduction of Media Products	9,831	10,557	7.4
22	Manufacture of Coke and Refined Petroleum Products	13,569	11,463	-15.5
23	Manufacture of Chemical Products and Basic Pharmaceutical Products	19,355	19,337	-0.1

		Rs. Million		
	Sector	2016	2017 (Prov.)	Rate of Change (%)
24	Manufacture of Rubber and Plastic Products	11,608	11,579	-0.2
25	Manufacture of Other Non-metallic Mineral Products	16,573	19,801	19.5
26	Manufacture of Basic Metals and Fabricated Metal Products	10,975	11,578	5.5
27	Manufacture of Machinery and Equipment i.e..	11,485	13,579	18.2
28	Manufacture of Furniture	29,242	30,357	3.8
29	Other Manufacturing and Repair and Installation of Machinery and Equipment	21,120	18,973	-10.2
30	Electricity, Gas, Steam and Air Conditioning Supply	22,501	22,441	-0.3
31	Water Collection, Treatment and Supply	2,816	3,424	21.6
32	Sewerage, Waste, Treatment and Disposal Activities	5,996	6,793	13.3
33	Construction	169,794	197,182	16.1
	Services	1,167,216	1,207,523	3.5
34	Wholesale and Retail Trade	233,533	244,006	4.5
35	Transport of Goods and Passenger including Warehousing	208,190	214,586	3.1
36	Postal Courier Activities	1,056	1,084	2.7
37	Accommodation, Food and Beverage Service Activities	34,377	35,658	3.7
38	Programming and Broadcasting Activities and Audio Video Productions	703	637	-9.4
39	Telecommunication	9,281	9,593	3.4
40	IT Programming Consultancy and Related Activities	3,133	3,223	2.9
41	Financial Service Activities and Auxiliary Financial Services	110,424	126,836	14.9
42	Insurance, Reinsurance and Pension Funding	15,152	16,628	9.7
43	Real Estate Activities, Including Ownership of Dwelling	127,798	129,137	1.0
44	Professional Services	37,606	37,153	-1.2
45	Public Administration and Defence; Compulsory Social Security	101,235	96,321	-4.9
46	Education	41,239	41,617	0.9
47	Human Health Actives, Residential Care and Social Work Activities	29,449	32,728	11.1
48	Other Personal Service Actives	214,040	218,315	2.0
	Gross Value Added (GVA), at basic prices	1,983,930	2,060,322	3.9
	(+) Taxes less Subsidies on Products	98,614	101,448	2.9
	Gross Domestic Product(GDP), at market prices	2,082,544	2,161,770	3.8

1.2 Inflation

Inflation, as measured by National Consumer Price Index (NCPI) (2013=100), declined to 7.1 percent in May 2017 compared to 8.4 percent in April 2017. Reflecting a base year effect, inflation in May 2017 increased from 5.3 percent recorded in May 2016. The inflation increased from 6.5 percent in January 2017 to 8.4 percent in April 2017 due to the unfavorable weather conditions, the effect of the revision of certain taxes and the increase in international commodity prices. The NCPI core inflation, which depicts the underlying inflation in the economy declined significantly to 4.7 percent in May 2017 from 7.2 percent in May 2016 on a year-on-year basis, reflecting a base year effect. However, annual average NCPI core inflation also increased to 6.4 percent in May 2017 from 5.0 percent in May 2016.

Meanwhile, Colombo Consumer's Price Index (CCPI) (2013=100) based headline inflation increased to 6.0 percent, on year-on-year basis, in May 2017 from 4.8 percent recorded in May 2016. Contributions to the CCPI based inflation from food group and the non-food group were 2.70 percent and 3.27 percent, respectively in May 2017. The CCPI annual average inflation increased to 5.4 percent in May 2017 compared to 2.7 percent recorded in May 2016. However, Core inflation, which measures the price movements excluding volatile food, energy, and transport in terms of year-on-year, decreased to 5.2 in May 2017 compared to 5.6 percent recorded in May 2016. Annual average NCPI based core inflation increased to 5.5 percent in May 2017 from 5.0 percent in May 2016. Inflation is expected to remain mid-single digit level during 2017 with the gradual management of demand pressures.

Table 1.2: Movements in Inflation (%)

Year	Month	CCPI (2013 = 100)				NCPI (2013=100)			
		Headline Inflation		Core Inflation*		Headline Inflation		Core Inflation*	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2016	January	1.7	2.1	3.6	4.9	-0.7	2.9	3.0	4.3
	February	2.9	2.1	4.4	5.0	1.7	2.6	4.6	4.4
	March	2.6	2.2	3.7	5.0	2.2	2.4	5.0	4.5
	April	3.4	2.4	3.5	4.9	4.3	2.6	5.9	4.7
	May	4.8	2.7	5.6	5.0	5.3	2.7	7.2	5.0
	June	5.5	3.0	5.4	5.1	6.4	3.1	7.5	5.3
	July	5.8	3.4	5.0	5.1	5.8	3.4	6.8	5.5
	August	4.4	3.7	3.8	4.9	4.5	3.6	6.0	5.6
	September	4.2	3.9	3.7	4.8	4.7	3.8	5.7	5.7
	October	4.1	4.0	3.8	4.6	5	4.0	5.7	5.7
	November	4.0	4.0	4.8	4.5	4.1	4.0	6.8	5.8
	December	4.5	4.0	5.8	4.4	4.2	4.0	6.7	5.9
2017	January	5.5	4.3	7.0	4.7	6.5	4.6	7.1	6.2
	February	6.8	4.6	7.1	5.0	8.2	5.1	7.1	6.4
	March	7.3	5.0	7.3	5.3	8.6	5.6	7.0	6.6
	April	6.9	5.3	6.8	5.5	8.4	6.0	5.9	6.6
	May	6.0	5.4	5.2	5.5	7.1	6.1	4.7	6.4

Source: Department of Census and Statistics

*Excluding Volatile Food, Energy and Transport

1.3 Money and Credit

Growth in reserve money, broad money (M_{2b}) and the private sector credit increased during the first four months of 2017. The Central Bank of Sri Lanka (CBSL) tightened its monetary policy by increasing Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 25 basis points to 7.25 percent and 8.75 percent, respectively in March 2017. As a result, short-term interest rates increased substantially and the effect is gradually transmitting to the lending and deposit rates of the financial institutions.

Reserve money grew by 16 percent in April 2017 on year-on-year basis, while the year-on-year growth of broad money increased by 20.1 percent in April 2017 compared to 18.2 percent in April 2016 mainly due to the expansion of credit to the private sector and the Government. Meanwhile, private sector credit increased by 20 percent in April 2017 on year-on-year basis. With regard to the sectoral distribution of credit, Industry and Services sectors attracted the highest levels of credit disbursements while personal loans and advances also recorded a significant increase.

Table 1.3 : Money and Private Sector Credit

Item	Rs. Billion								2017 April/ 2016 April Growth (%)
	2016				2017				
	January	February	March	April	January	February	March	April	
Reserve Money	718.6	739.3	791.6	763.1	828.5	847.6	892.2	885.6	16.1
Broad Money (M_{2b})	4,638.3	4,703.8	4,731.6	4,772.1	5,460.4	5,552.0	5,677.4	5,731.0	20.1
Private Sector Credit	3,493.1	3,546.8	3,634.6	3,662.0	4,222.3	4,293.2	4,375.2	4,394.0	20.0

Source: Central Bank of Sri Lanka

1.4 Stock Market

The stock market regained its momentum during the first five months of 2017 with increased net foreign inflows to the market. All Share Price Index (ASPI) increased by 1.4 percent to 6,610 points by end May 2017 and the S&P SL 20 Index increased by 10.2 percent to 3,786 points at end May 2017 compared to 3,436 points at end May 2016. The daily average turnover increased by 13.5 percent to Rs. 901 million at end May

2017 compared to Rs. 794 million in the corresponding period of the previous year. In addition, market capitalization increased by 4.8 percent to Rs. 2.9 trillion at end May 2017 from Rs. 2.8 trillion recorded in the same period of 2016. Meanwhile, cumulative foreign purchases increased significantly by 81 percent to Rs. 50 billion by end May 2017 whereas foreign sales declined by 6 percent to Rs. 32 billion by end May 2017, reflecting the increase in net inflows of Rs. 19 billion to the market.

Table 1.4 : Movements in the Capital Market

Indicators	2012	2013	2014	2015	2016	End May	
						2016	2017
All Share Price Index (1985=100)	5,643	5,913	7,299	6,895	6,228	6,516	6,610
Milanka Price Index/ S&P SL 20 Index*	3,085	3,264	4,089	3,626	3,496	3,436	3,786
Market Capitalization (Rs. Bn.)	2,168	2,460	3,105	2,938	2,745	2,777	2,909
No. of Listed Companies in Trading **	287	289	294	294	295	294	296
Daily Average Turnover (Rs.Mn.)	884	828	1,415	1,060	737	794	901
Foreign Sales (Rs. Mn.)	33,954	60,873	83,554	89,790	74,270	33,649	31,615
Foreign Purchases (Rs. Mn)	72,614	83,657	104,771	84,418	74,608	27,855	50,411
Net Purchases (Rs. Mn)	38,660	22,784	21,217	-5,372	338	-5,794	18,796

Sources: Colombo Stock Exchange and Central Bank of Sri Lanka

* with effect from June 2012 Milanka Price Index has been replaced by S&P SL 20 Index

** Excluding Closed End Funds

1.5 External Sector Developments

The external sector reflected a subdued performance during the first four months of 2017 with the expansion of trade deficit and the decline of workers' remittances amidst the increase in earnings from tourism. The trade deficit expanded by 27.2 percent to US\$ 3,313.8 million during the first four months of 2017 compared to US\$ 3,314.3 million recorded in the same period of 2016, reflecting a substantial increase in import expenditure and the moderate increase in earnings from exports. The earnings from exports increased by 3.5 percent to US\$ 3,569.0 million during this period and the expenditure on imports increased by 13.7 percent to US\$ 6,883.3 million.

The remittances from overseas employments declined by 3.3 percent to US\$ 1,733.7 million during the first three months of 2017 compared to US\$ 1,793.4 million in the same period of 2016 resulting from the adverse economic and geopolitical conditions prevailing in the Middle Eastern region. However, earnings from tourism increased by 3.4 percent to US\$ 1,037.9 million during the first three months of 2017 compared to US\$ 1,003.3 million recorded during the same period of 2016. Meanwhile, gross official reserves stood at US\$ 5.1 billion by end March 2017 which is equivalent to

3.1 months of imports while total reserves stationed at US\$ 7.1 billion, which is sufficient for 4.2 months of imports.

Exports

Earnings from exports increased moderately by 3.5 percent to US\$ 3,569.0 million during the first four months of 2017 compared to US\$ 3,449.6 million recorded in the respective period of 2016 mainly due to the plunge in commodity prices in international market and the slow economic recovery of export destinations of Sri Lankan products. However, the increase in earnings from exports of tea, machinery, and mechanical appliances and spices contributed to this moderate growth. Amidst the decline in the volume of tea exported, the earnings from tea exports increased by 12.8 percent to US\$ 458.2 million in the first four months of 2017 compared to the respective period of 2016 owing to a substantial increase in tea prices in the international market.

Meanwhile, export earnings from machinery and mechanical appliances increased by 37.8 percent to US\$ 101.8 million in the first three months of 2017 compared to US\$ 73.9 million recorded during the same period of 2016. With the increased export volumes of cloves, cinnamon, and pepper, the earnings from spices increased significantly by 41.1 percent to US\$ 86.0 million in the first three

months of 2017 compared to US\$ 60.9 million recorded during the respective period of 2016. In addition, earnings from coconut exports increased by 3.6 percent to US\$ 91.0 million during the first three months of 2017 compared to US\$ 87.8 million recorded in the respective period of 2016. Meanwhile, export earnings from petroleum products increased by 30.1 percent to US\$ 120.1 million during the first four months of 2017 compared to US\$ 92.3 million recorded during the first four months of 2016. However, export earnings from textile and garments declined by 4.9 percent to US\$ 1,626.3 million during

the first four months of 2017 compared to same period of 2016, reflecting a significant decline in garment exports to the European Union (EU) and the United States (US). Similarly, export earnings from rubber products, food, beverages and tobacco products and transport equipment declined by 1.8 percent, 17.5 percent, and 17.3 percent, respectively during the first three months of 2017. The US, the United Kingdom (UK), India, Germany, and Italy were the main export destinations during the first three months of 2017, accounting for nearly 51 percent of total exports.

Table 1.5 : External Trade (January - April)

Category	US\$ Million		
	2016	2017 Prov.	% Change
Exports	3,449.6	3,569.0	3.5
Agricultural Products	721.8	851.7	18.0
Tea	406.3	458.2	12.8
Primary Products (Rubber and Coconut products)	127.4	134.7	5.7
Other Agricultural Products	188.1	258.8	37.6
Industrial Products	2,713.5	2,701.5	-0.4
Textile and Garments	1,709.8	1,626.3	-4.9
Petroleum Products	92.3	120.1	30.1
Other Industrial Products	911.5	955.1	4.8
Mineral	9.2	10.0	8.2
Other	5.1	5.9	15.7
Imports	6,055.4	6,883.3	13.7
Consumer Goods	1,425.5	1,515.6	6.3
Food and Drinks	516.9	629.2	21.7
Other Consumer Goods	908.6	886.5	-2.4
Intermediate Goods	3,019.3	3,692.2	22.3
Petroleum	686.5	1,208.3	75.9
Fertilizer	54.1	22.6	-58.2
Textiles and Clothing	896.8	860.6	-4.0
Other Intermediate Goods	1,381.9	1,600.7	15.8
Investment Goods	1,607.8	1,614.6	0.4
Machinery and Equipment	925.2	871.9	-5.8
Transport Equipment	195.1	215.1	10.3
Building Material	485.3	524.1	8.0
Other Investment Goods	2.2	3.4	53.8
Other	2.8	60.9	2059.2
Trade Balance	(2,605.8)	(3,314.3)	27.2

Sources: Department of Customs and Central Bank of Sri Lanka

Imports

Expenditure on imports increased moderately by 13.7 percent to US\$ 6,883.3 million during the first four months of 2017 compared to US\$ 6,055.4 million in the same period of 2016 mainly due to the increase in expenditure on fuel including refined petroleum and coal, gold and cereals and milling industry products including rice. Import expenditure on fuel increased by 81.6 percent to US\$ 882.1 million during the first three months of 2017 due to a higher expenditure on refined petroleum and coal imports to meet the increased demand for thermal and coal-based power generation.

In addition, import expenditure on diamonds, precious stones and metal category including gold increased by 116.5 percent to US\$ 175.1 million during the first three months of 2017 compared to the same period of 2016. Meanwhile, import expenditure on cereals and milling industry products including rice increased by 1,972.4 percent to US\$ 103.4

million during the first three months due to the increase in rice imports to meet the rice shortage in the domestic market. However, expenditure on vehicle imports declined by 17.2 percent to US\$ 191.9 million during the first three months of 2017 compared to US\$ 231.6 million recorded during the same period of 2016.

Import expenditure on textiles and textile articles also declined by 4.0 percent to US\$ 860.6 million during the first four months of 2017 compared to US\$ 896.8 million recorded during the respective period of 2016. In addition, import expenditure on machinery and equipment declined by 5.8 percent to US\$ 871.9 million during this period mainly due to the decline in imports of machinery and equipment used in the telecommunication industry. India, China, the United Arab Emirates (UAE), Singapore and Japan were the main import origins during the first three months of 2017 which were responsible for about 59 percent of total imports.

CHAPTER 2

Global Economic Trends

2.1 Overview

The global economic outlook remains positive in 2017 with several encouraging signs in advanced and emerging economies. The global economic growth is forecast to pick up from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. This is in part due to the recovery of investment, trade and manufacturing sectors. Advanced economies are expected to grow at a moderate pace of 2.0 percent in 2017 compared to 1.7 percent in 2016 led by the improved performance in the United States partly due to the increased business confidence, strong labour market coupled with robust consumption growth. Meanwhile, the recovery of the Euro Area is expected to remain modest and is forecast to grow at 1.7 percent and 1.6 percent in 2017 and 2018, respectively due to the heightened financial market volatility stemming from the outcome of the “Brexit” referendum in June 2016. Increased non-performing loans in some countries pose risks to the Euro area. However, the manufacturing activity and export growth in the euro area have been lifted by strengthening global trade with the gradual recovery of investment. The economic growth in Japan is expected to increase modestly to 1.2 percent in 2017 from 1.0 percent in 2016 with stimulus package announced in 2016 to boost the struggling Japanese economy coupled with the delay in a consumption tax increase.

Economic activity in emerging market and developing economies (EMDEs) remains resilient. Economic growth is expected to accelerate to 4.5 percent in 2017 from 4.1 percent in 2016 despite the gradual increase

in global demand. The growth in commodity importers particularly in East Asia and Pacific and South Asia remain robust with the solid domestic demand, strong infrastructure spending, FDI-led investment into highly competitive manufacturing sectors and services, and rising global demand. According to the “Global Economic Perspectives” of the World Bank, Asian EMDEs are also benefitted by the increased intraregional trade and investment flows which may receive a further boost from China’s “One Belt, One Road” initiative. Meanwhile, the growth in commodity exporters such as Argentina, Brazil, and Russia is expected to grow at 1.8 percent in 2017 and 2.8 percent, on average, in 2018-19 supported by improved confidence and rising commodity prices. China is expected to achieve growth targets in 2017 and 2018 mainly driven by policy reforms and robust credit growth.

The outlook for India remains important for Sri Lanka. As per the medium-term forecast, India remains the world’s fastest growing economy supported by the policy reforms being implemented in the financial and fiscal sector along with the measures taken to mitigate corruption. The economic growth in India is expected to be at around 7.2 percent and 7.7 percent in 2017 and 2018, respectively. However, the potential growth was dragged by the recent high-denomination currency exchange from circulation which has made a negative shock to the consumption. The economies such as Indonesia, the Philippines, and Vietnam have remained resilient while Malaysia and Thailand have been moderate.

Low-income countries are expected to rebound the growth to 4.7 percent in 2017, after a slowdown in 2016, reflecting the increase in commodity prices and global trade and policy actions to tackle macroeconomic imbalances. Metals exporters such as Democratic Republic of Congo, Guinea, and Niger have been benefitted by the improvement of metal prices. In many non-resource intensive low-income countries (e.g., Ethiopia, Indonesia, Malaysia, Rwanda,

Senegal, and Tanzania) will expand at a faster pace supported by the expansion of services sector, infrastructure investment and agricultural activities. However, non-economic factors such as intensification of security threats, geopolitical uncertainty, the emergence of conflict and worsening weather conditions would severely affect economic performance in low-income countries and beyond.

Table 2.1 : A Snapshot of the World Economy- 2016

Country	GDP Growth (Annual percentage change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-2.3	...	8.5	-5.8	51.3
Australia	2.5	1.3	5.7	-2.7	41.1
Brazil	-3.6	8.7	11.3	-9.0	78.3
Canada	1.4	1.4	7.0	-1.9	92.3
Chile	1.6	3.8	6.5	-2.9	21.2
China	6.7	2.0	4.0	-3.7	46.2
France	1.2	0.3	10.0	-3.3	96.6
Germany	1.8	0.4	4.2	0.8	67.6
Greece	0.0	0.0	23.8	0.0	181.3
India	6.8	4.9	...	-6.6	69.5
Indonesia	5.0	3.5	5.6	-2.5	27.9
Italy	0.9	-0.1	11.7	-2.4	132.6
Japan	1.0	-0.1	3.1	-4.2	239.2
Korea	2.8	1.0	3.7	0.3	38.6
Malaysia	4.2	2.1	3.5	-3.0	56.3
Mexico	2.3	2.8	4.3	-2.9	58.1
Russia	-0.2	7.0	5.5	-3.7	17.0
Singapore	2.0	-0.5	2.1	3.3	112.0
South Africa	0.3	6.3	26.7	-3.5	50.5
Spain	3.2	-0.2	19.6	-4.6	99.3
Sri Lanka	4.4	4.0	4.4	-5.4	79.3
Thailand	3.2	0.2	0.8	0.5	42.2
United Kingdom	1.8	0.6	4.9	-3.1	89.2
United States	1.6	1.3	4.9	-4.4	107.4
Vietnam	6.2	2.7	2.4	-6.6	62.4

Sources: World Economic Outlook, IMF, April 2017; Fiscal Monitor, IMF, April 2017 and Annual Report 2016, Central Bank of Sri Lanka
 ... Not Available

2.2 Inflation

The global headline inflation is expected to increase in 2017 with the uptick in commodity prices in both advanced and emerging market and developing economies. Advanced economies with the exception of Norway inflation rates are expected to be higher in 2017 than in 2016. The consumer price inflation in advanced economies is forecast to be 2.0 percent in 2017 from 0.8 percent in 2016. The annual inflation in the United States (US) is expected to increase to 2.7 percent in 2017 from 1.3 percent in 2016 due to the rise in energy prices. Inflation in the Euro economies is expected to reach 1.7 percent in 2017 from 0.2 percent in 2016 reflecting the base year effects from energy and food prices. The inflation in the United Kingdom (UK) increased to 2.5 percent in 2017 from 0.6 percent in 2016 due to the decline in consumer spending stemming from the depreciation of the sterling pound and rise in energy prices. Inflation in Japan is expected to moderate to 1.0 percent with higher energy prices, the depreciation of the Yen and a moderate increase in wages in 2017.

Meanwhile, inflation in emerging market and developing economies (excluding Argentina and Venezuela) is expected to pick up to 4.7 percent in 2017 from 4.4 percent in 2016 mostly owing to the increase in commodity prices. The inflation in China rose to 2.4 percent in 2017 from 2.0 percent in 2016 due to the uptick in producer prices and recovery of real estate investment. Inflation in India is expected to be at around 4.8 percent and 5.1 percent in 2017 and 2018, respectively. However, inflation rates in Brazil and Russia are expected to continue to decline due to the measures taken to reduce the currency depreciations and administered price hikes.

2.3 Interest Rates

The “World Economic Outlook” (WEO) 2017 hypothesizes that the London interbank

offered rate (LIBOR) on six-month U.S. dollar deposits, on average, will be 1.7 percent in 2017 and 2.8 percent in 2018. Meanwhile, the rate on three-month Euro deposits is expected to average -0.3 percent and -0.2 percent in 2017 and 2018, respectively. The interest rate on six-month Japanese Yen deposits will turn out to be 0.0 in 2017 and 2018, respectively.

2.4 Exchange Rates

Exchange rates in both advanced economies and emerging market and developing economies are expected to strengthen in 2017, reflecting the firming of commodity prices. The US dollar started appreciating, after the US elections and Fed rate increase. With widening interest differentials, the U.S. dollar has strengthened by about 3.5 percent between August 2016 and late March 2017, whereas the euro and especially the Japanese yen have weakened. Several emerging market currencies depreciated substantially in recent months, particularly the Turkish Lira and Mexican Peso. The sharp decline of emerging-market currencies against the dollar have contributed to the high level of dollar-denominated debt of many non-financial corporations in emerging markets. However, the currencies of some commodity exporters particularly Russia, have appreciated with the gradual recovery in oil prices.

2.5 Fiscal Deficits

The average fiscal balance of the world contracted by 0.2 percentage points to 3.4 percent of GDP in 2017 from 3.6 percent of GDP in 2016 and it is expected to further narrow in 2018. This contraction was mainly due to the improvements in economic activities in both advanced and emerging market and developing economies, gradual recovery in commodity prices and the recovery of the global trade. The fiscal deficit to GDP ratio of advanced economies, on

average, marginally improved to 2.7 percent in 2017 and expected to remain at the same level in 2018. However, fiscal deficit to GDP ratio of the emerging market and middle-income economies slightly contracted to 4.4 percent in 2017 from 4.8 percent in 2016 owing to the expected rise in oil and metal prices coupled with measures taken to the reduction of the deficit. However, many commodity exporters face substantial consolidation needs to ensure fiscal sustainability in the medium-term. Furthermore, the average fiscal deficit in low-income developing economies remained unchanged at around 4.4 percent of GDP in 2017 with the expected gradual tightening of the fiscal position.

2.6 Government Debt

In 2017, the government debt as a percentage of GDP in the globe contracted to 83.1 percent from 83.6 percent in 2016. The gross government debt as a percentage of GDP in advanced economies declined marginally to 107.1 percent in 2017 from 107.6 percent in 2016 and it is expected to stabilize in the medium-term. In contrast, government debt to GDP ratio in emerging market and developing economies is estimated to be around 48.6 percent and 49.8 percent in 2017 and in 2018, respectively. The government debt to GDP ratio in EMDEs is on the increase due to the weak fiscal situation related to the slow growth, higher financing costs, and the depreciations exchange rate. Meanwhile, the government debt to GDP ratio in low-income developing countries is expected to increase to 41.9 percent in 2017 from 40.4 percent in 2016, due to the widened fiscal deficits as a result of low tax revenue, high public investments and current spending and high interest expenses.

2.7 International Trade

The growth in world trade has rebounded since the second half of 2016 and remains strong in the first quarter of 2017. The

recovery in trade growth in 2017 will be supported by stronger industrial activity, investment growth in advanced economies, increased trade flows to and from China, and a diminished drag from weak import demand from commodity exporting EMDEs. The world trade volume is expected to grow by 2.4 percent in 2017 from a sluggish rate of 1.3 percent in last year. In 2018, the World Trade Organization (WTO) forecasts trade growth between 2.1 percent and 4.0 percent. According to the latest update of the WTO, exports of developed and developing and emerging economies are expected to be at 2.8 percent and 2.2 percent, respectively in 2017. Meanwhile, imports of developed and developing and emerging countries are expected to grow at 3.0 percent and 2.2 percent, respectively in 2017. Meanwhile, services trade is expected to be remained stable during the year with the robust global consumer spending, particularly in major advanced economies and strengthening of global goods trade.

2.8 Commodity prices

Commodity prices are expected to strengthen in 2017. Oil production declined in early 2017 as a result of the implementation of production cuts agreed in November 2016 by some OPEC and non-OPEC producers. However, these cuts were partly offset by stronger than expected shale oil production in the United States, following steep productivity improvements. However, the crude oil prices are forecast to rise to an average of USD 55 per barrel in 2017 from USD 43 per barrel in 2016. This increase reflects the rise in oil demand and falling stocks and the extension of production cuts by OPEC and non-OPEC producers until March 2018. Agricultural prices are projected to remain stable in 2017 and 2018. According to the “WEO 2017 report” of the IMF, oils and meals prices are projected to increase 3 percent amid tight supplies in the East Asian and South American supplies.

Beverage prices are forecast to decline 6 percent in 2017 due to the large cocoa supplies from West Africa. Raw materials prices are projected to gain 4 percent because of a supply shortfall in natural rubber.

Fertilizer prices are projected to increase 1 percent. Metal prices are forecast to increase 16 percent in 2017 mainly due to the strong demand from China and tightening markets for most metals.

Table 2.2 : International Commodity Prices

Item	Unit	US Dollar					
		Actual		Projection			
		2015	2016	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Energy							
Coal, Australia	\$MT	62.7	70.1	87.9	84.0	78.9	77.4
Crude oil, average*	\$/bbl	50.8	42.8	53.0	50.9	51.8	52.1
Natural gas, US	\$/ MMBTU	2.6	2.5	3.0	3.2	3.3	3.4
Non-energy							
Agriculture							
Beverages							
Cocoa Beans	\$MT	3,135.2	2,892.0	2,097.4	1,926.1	1,920.1	1,953.1
Coffee, robusta	cts/lb	94.2	94.3	110.5	103.4	103.7	103.7
Tea	cts/kg	340.4	287.4	369.2	369.8	378.3	378.3
Food							
Fats and Oils							
Palm oil	\$MT	565.1	639.8	698.9	647.6	602.5	573.7
Soybean meal	\$MT	352.7	350.2	364.3	339.0	334.0	336.8
Soybeans	\$MT	347.4	362.7	375.5	346.4	341.0	341.4
Grains							
Maize	\$MT	169.8	159.2	160.6	158.4	163.7	170.0
Rice	\$MT	380.0	388.3	369.6	397.3	423.4	436.5
Wheat	\$MT	185.6	143.2	143.6	144.3	151.6	161.4
Other food							
Sugar, free market	cts/lb	13.2	18.5	19.6	15.7	15.1	15.4
Raw materials							
Cotton	cts/lb	70.4	74.2	84.8	87.5	86.3	82.8
Rubber	cts/lb	70.7	74.5	115.4	100.0	92.6	87.0
Sawn wood, Hardwood	\$/M3	833.3	738.9	674.9	688.4	688.4	688.4
Metals and Minerals							
Aluminum	\$MT	1,664.7	1,604.2	1,851.2	1,925.9	1,951.4	1,959.8
Copper	\$MT	5,510.5	4,867.9	5,840.0	5,643.8	5,659.8	5,680.2
Nickel	\$MT	11,862.6	9,595.2	10,273.1	9,277.1	9,077.5	9,133.3

Source: Adapted from the Price Forecast (29.05.2017) IMF, available at www.imf.org/external/np/res/commod/index.aspx

* Petroleum price is average of spot prices for U.K. Brent, Dubai and West Texas Intermediate.

CHAPTER 3

Fiscal Developments

3.1 Overview

The Government continued the implementation of revenue based fiscal consolidation process in the first four months of 2017 which will assist in containing budget deficit in the medium-term. Consistent with Government's sturdy commitment towards returning the budget deficit to a sustainable level, the total revenue increased significantly by 24.6 percent to Rs. 589.7 billion in the review period of 2017 compared to Rs. 472.7 billion in the same period of 2016. Similarly, the non-tax revenue increased by 10.3 percent to Rs. 35 billion in the review period from Rs. 31 billion in the respective period of 2016. This fiscal consolidation helped relatively expand the fiscal space in the first four months of 2017 and allowed the Government to accommodate more resources for public investment. Total expenditure increased by 16.5 percent to Rs. 822.8 billion in the review period as a result of the increased expenditure on public investments by 32.3 percent to Rs. 201 billion in the first four months of 2017 compared to Rs. 152 billion in the same period of 2016.

The Several tax reforms were undertaken to augment the government revenue through broadening the tax base, simplifying the tax system, rationalizing the tax exemptions and strengthening the tax administration. The reforms included the increase in Value Added Tax (VAT) rate from 11 percent to 15 percent, the expansion of VAT base by reducing VAT registration threshold and removing several tax exemptions, reducing the threshold level of Nation Building Tax (NBT), Economic Service Charge (ESC) rate hike, the increase in unit rates of excise duty applicable to motor vehicles followed by strengthening the tax administration through the commencement of Revenue Management Information System (RAMIS) at the Inland Revenue Department (IRD),

Single Window System at the Sri Lanka Customs (SLC) and Integrated Treasury Management Information System (ITMIS) at the General Treasury. In addition, new Inland Revenue Act has been already drafted to simplify the tax laws which will help increase tax revenue collection of the Government.

Benefiting from the policy measures taken by the Government coupled with the increase in domestic activities, the revenue generated from indirect taxes gained its momentum in the first four months of 2017. Domestic consumption-based taxes increased significantly by 32.3 percent to Rs. 177,153 million while import-based taxes increased by 22.5 percent to Rs. 277,927 million in the first four months of 2017 compared to same period of 2016. Revenue generated from Value Added Tax (VAT) on domestic activities increased by 88.6 percent to Rs. 96,811 million and VAT on imports increased by 95.1 percent to Rs. 55,759 million in the first four months of 2017 compared to same period of 2016 due to the increase in tax rate to 15 percent from 11 percent together with the expansion of the VAT base by reducing the VAT liable threshold to Rs. 12 million per annum and reducing the threshold of VAT liability turnover applicable for wholesale and retail trade to Rs. 12.5 million per quarter from Rs. 100 million per quarter. Revenue from NBT on domestic activities increased by 55.3 percent to Rs. 16,644 million, reflecting the policy decision taken to reduce the NBT threshold for registration from Rs. 15 million per annum to Rs. 12 million per annum. Meanwhile, NBT on import activities increased marginally by 1.6 percent to Rs. 6,119 million during the review period.

Revenue collected from excise duty on liquor and cigarette declined by 9.3 percent and 17.1 percent, respectively in the review period as a result of the decline in production coupled

with the decline in consumption stemming from the increase in excise duty rates of liquor and cigarette products. Revenue from excise duty on motor vehicles increased by 7.7 percent to Rs. 64,004 million in the first four months of 2017 from Rs. 59,433 million in the same period of 2016. This was mainly due to the increased motor vehicle imports by 16.8 percent in part, stemming from the increased duty rates coupled

with the introduction of unit rate of excise duty on electric vehicles and motorcycles. Meanwhile, the revenue from petroleum products increased significantly by 62.6 percent to Rs. 27,995 million in the first four months in 2017 compared to Rs. 17,221 million in the same period of 2016, reflecting the increase in petrol imports by 43 percent and diesel/gas oil imports by 30 percent.

Table 3.1 : Summary of the Budget: January - April

Item	Rs. Million	
	2016	2017 (Provisional)
Revenue and Grants	472,689	589,669
Revenue	472,689	589,019
Tax Revenue	441,211	554,294
Non Tax Revenue	31,478	34,725
Grants	-	650
Expenditure	706,133	822,840
Recurrent	559,697	626,049
Interest Payments	196,676	243,499
Other	363,021	382,550
Public Investments	151,978	201,012
Other	-5,542	-4,221
Revenue Deficit (-)/Surplus (+)	-87,008	-37,030
Overall Budget Deficit (-)/Surplus (+)	-233,444	-233,171
Financing	233,444	233,171
Foreign Financing	-17,058	14,342
Borrowing	42,400	75,000
Repayment	-59,458	-60,658
Domestic Financing	250,502	218,829
Borrowing	410,070	613,456
Repayment	-159,568	-394,627

Source: Department of Fiscal Policy

Revenue from Ports and Airports Development Levy (PAL) increased significantly by 18.1 percent to Rs. 32,353 million in the first four months of 2017 compared to Rs. 27,406 million in the same period of 2016 due to the increase in imports. Revenue from commodity export subsidy scheme (Cess) levy increased by 8.2 percent to Rs. 20,214 million and revenue from Special Commodity Levy (SCL) increased by 14.1 percent to Rs. 24,091 million in the review period owing to the rate revisions made in selected commodities to support domestic production. Meanwhile, revenue from import duties declined moderately by 2.2 percent to Rs. 47,392 million in the first four months of 2017.

In terms of direct taxes, the revenue generated from corporate and non-corporate income tax increased by 13.3 percent to Rs. 34,643 million in the first four months of 2017 reflecting the expansion of banking and financial services, wholesale trade and manufacturing sectors. The revenue from Pay-As-You-Earn (PAYE) tax enhanced by 24.9 percent to Rs. 12,274 million in the review period benefiting from the enhanced salaries and wages in both private and public sectors. Meanwhile, revenue collected from ESC increased significantly by 564.4 percent to Rs. 19,199 million during the review period as a result of the increase in ESC rate from 0.25 percent to 0.5 percent, the removal of existing exclusion of profit making business and imposition of ESC at the point of importation on certain goods. However, revenue from a tax on interest declined by 14.8 percent to Rs. 18,359 million in the review period of 2017.

Meanwhile, non-tax revenue increased by 10.3 percent to Rs. 34,725 million in the first four months of 2017 compared to Rs. 31,478 million in the same period of 2016. All sources of non-tax revenue covering rent, interest, sales and charges and social security contributed this increase. The only exception was the profit and dividends income which has declined by 44.1 percent in the review period.

The government expenditure increased by 16.5 percent to Rs. 822,840 million in the first four months of 2017 compared to Rs. 706,133 million recorded in the same period of 2016. The recurrent expenditure which constitutes of 78.1 percent of total expenditure, increased by 11.9 percent to Rs. 626,049 million while expenditure on public investments increased by 32.3 percent to Rs. 201,012 million during the review period. The government deficit marginally declined by 0.1 percent to Rs. 233,171 million during January to April 2017 compared to Rs. 233,444 million recorded in the same period of 2016.

The Government has taken several measures to contain government expenditure by rationalizing expenditure along with prioritizing public investments. Expenditure management and implementation of the zero-based budgetary system will pave the way to reduce unproductive expenditure. In addition, quarterly expenditure and revenue commitments would help efficient management of public finance. Meanwhile, structural adjustments on key State Owned Business Enterprises (SOBEs) are being undertaken to improve their efficiency and productivity.

Table 3.2 : Estimated and Actual Revenue and Expenditure: January to April 2017

Item	Rs. Billion		
	Estimated	Actual	Deviation
Total Revenue	654.1	589.0	(65.1)
Tax Revenue	580.6	554.3	(26.3)
Non-Tax Revenue	73.5	34.7	(38.8)
Total Expenditure	820.0	822.8	2.8
Recurrent Expenditure	600.0	626.0	26.0
Capital Expenditure & Net Lending	220.0	196.8	(23.2)

Sources: Department of National Budget, Department of Treasury Operations and Department of Fiscal Policy

3.2 Government Revenue

Total government revenue, in nominal terms, increased by 24.6 percent to Rs. 589,017 million during the first four months of 2017 from Rs. 472,689 million recorded in the same period of 2016 benefiting from the increase in tax revenue and non-tax revenue in the period concerned. The tax revenue increased by 25.6 percent to Rs. 554,294 million during the first four months of 2017 from Rs. 441,211 million in the same period of 2016, reflecting the increase in the revenue from income tax, domestic consumption-based taxes and import-based taxes.

The domestic consumption-based taxes increased by 32.3 percent to Rs. 177,153 million in the first four months of 2017 compared to Rs. 133,862 million recorded in the same period of 2016 while import-based taxes increased by 22.5 percent to 277.927 million in the review period from Rs. 226,892 million in the same period of 2016. This surge was mainly due to higher revenue collection from VAT (90.9 percent),

Income tax (30.2 percent), excise tax on petroleum products (62.6 percent), Ports and Airports Development Levy (18.1 percent) and Nation Building Tax (36 percent). In particular, revenue from Economic Service Charge (ESC) significantly increased by 564.4 percent to Rs. 19,199 million in the first four months of 2017 mainly due to the increase in ESC rate from 0.25 percent to 0.5 percent and the removal of the maximum liability of Rs. 120 million per year coupled with the arrest of profit making business into ESC liability. However, the revenue from Excise duty on liquor, tobacco and cigarette, import duty, Telecommunication levy and Withholding tax declined during the first four months of 2017 compared to the same period of 2016.

Meanwhile, the non-tax revenue increased by 10.3 percent to Rs. 34,725 million in the first four months of 2017 benefiting from the increase in sales and chargers, social security contribution and rent income,. However, the revenue from profit and dividends transfers of State Owned Business Enterprises (SOBEs) declined during the period.

Table 3.3 : Estimated and Actual Tax Revenue: January - April 2017

Item	Rs. Billion	
	Estimated	Actual
Inland Revenue Department		
Tax on Income and Profit	102.7	84.5
VAT - Domestic	75.0	96.8
NBT - Domestic	13.0	16.6
Sub Total	190.7	197.9
Customs Department		
Import Duties	55.0	47.4
VAT - Imports	50.0	55.8
NBT - Imports	7.0	6.1
Ports and Airports Development Levy	35.0	32.4
Import/Export Cess	20.0	20.2
Special Commodity Levy & Other	20.0	24.1
Excise Special Provisions	121.8	117.4
Excise on Cigarettes	32.0	23.8
Petroleum Products	18.0	28.0
Motor Vehicle & Other	71.8	65.6
Sub Total	308.8	303.4
Excise Department		
Liquor	55.0	38.3
Sub Total	55.0	38.3
Other		
Telecommunication Levy	15.0	11.6
License Tax & Other	7.0	3.1
Sub Total	22.0	14.7
Total Tax Revenue	576.5	554.3

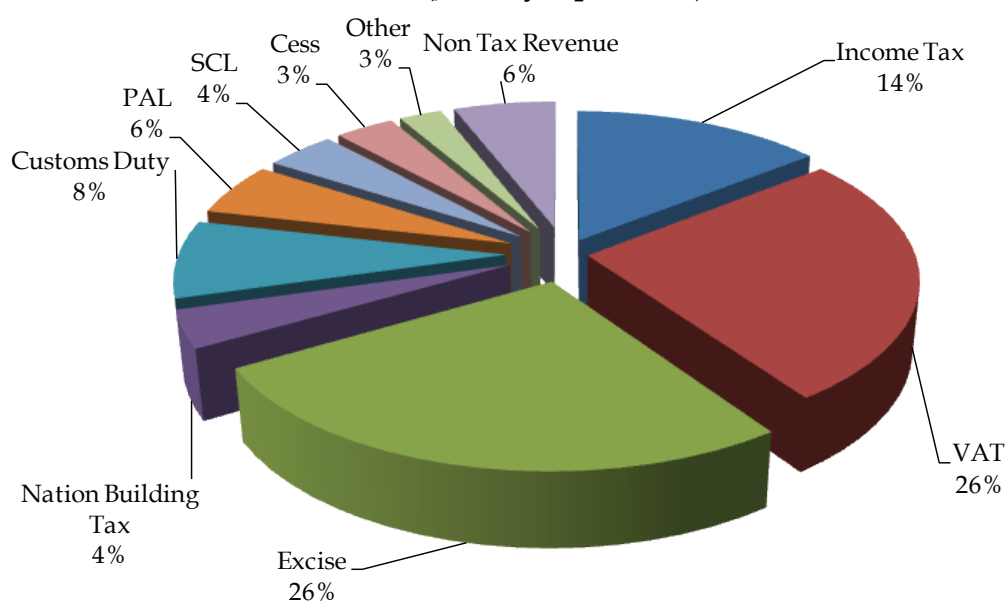
Source: Department of Fiscal Policy

Table: 3.4 : Summary of Performance of Government Revenue (January - April)

Item	Rs. Million		
	2016	2017 Provisional	Growth %
Tax Revenue	441,211	554,294	25.6
Income Tax	64,857	84,475	30.2
Domestic Consumption Based Tax	133,862	177,153	32.3
VAT	51,342	96,811	88.6
Excise Duty	71,804	63,698	-11.3
Nation Building Tax	10,716	16,644	55.3
Import Based Tax	226,892	277,927	22.5
Customs Duty	48,441	47,392	-2.2
VAT	28,574	55,759	95.1
Nation Building Tax	6,024	6,119	1.6
PAL	27,406	32,353	18.1
SCL	21,119	24,091	14.1
Excise Duty	76,654	91,999	20.0
Cess	18,674	20,214	8.2
License Taxes and Other	15,601	14,739	-5.5
Non Tax Revenue	31,478	34,725	10.3
Total Revenue	472,689	589,019	24.6

Source: Department of Fiscal Policy

Chart 3.1: Composition of Government Revenue (January-April, 2017)



Income Tax

The total revenue from income tax increased by 30.2 percent to Rs. 84,475 million during

the first four months of 2017, compared to Rs. 64,857 million in the respective period of the previous year.

Table 3.5 : Performance of Income Tax Revenue (January - April)

Tax Base	Rs. Million		
	2016	2017 Provisional	% Change
Corporate and Non Corporate	30,582	34,643	13.3
PAYE	9,828	12,274	24.9
Tax on Interest Income	21,557	18,359	-14.8
Economic Service Charge	2,890	19,199	564.3
Total	64,857	84,475	30.2

Source: Department of Fiscal Policy

The revenue generated from corporate and non-corporate income tax significantly increased by 13.3 percent to Rs. 34,643 million in first four months of 2017 compared to Rs. 30,582 million in the respective period of 2016. Banking and financial services, wholesale trade and manufacturing sectors mainly contributed to this growth. During the first four months of 2017, the revenue from PAYE tax increased by 24.9 percent to Rs. 12,274 million from Rs. 9,828 million in the review period of 2016. The increase in salaries and wages in both private sector and the government sector and employment in high earning categories in sectors such as professional services, banking sector and tourism were attributable to this growth.

The tax on ESC increased significantly by 564.4 percent to Rs.19,199 million in the first for months of 2017, compared to the same period of 2016 benefiting from the broadening tax base by removing the tax exemption on profit making businesses and the increased tax rate from 0.25 percent to 0.5 percent. However, the revenue from tax on

interest declined by 14.8 percent to Rs. 18,359 million.

Value Added Tax (VAT)

Revenue collected from VAT increased significantly by 90.9 percent to Rs. 152,570 million during the first four months of 2017 compared to Rs. 79,916 million in the same period of 2016. This was mainly due to the increase in VAT rate from 11 percent to 15 percent, the expansion of VAT base by reducing VAT registration threshold and removing several tax exemptions, and increased VAT compliance with the commencement of Revenue Management Information System (RAMIS) at the Inland Revenue Department (IRD).

Revenue generated from VAT on domestic activities expanded by 88.6 percent to 96,811 million in the first four months of 2017 from Rs. 51,342 million recorded in the same period of 2016 while VAT revenue on imports increased by 95.1 percent to 55,759 million January-April 2017 compared to Rs. 28,574 million in the same period of 2016.

Table 3.6 : Performance of Revenue of VAT (January - April)

Tax Base	Rs. Million		
	2016	2017 Provisional	Growth (%)
Domestic	51,342	96,811	88.6
Imports	28,574	55,759	95.1
Gross Revenue	79,916	152,570	90.9
Refunds	123	199	61.9
Net Revenue	79,793	152,371	91.0
Refunds as % of Gross Revenue	0.2	0.1	

Source : Department of Fiscal Policy

Excise Duty

The revenue generated from excise duty increased by 4.9 percent to Rs. 155,697 million in the first four months of 2017 compared to Rs. 148,458 million in the same period of 2016 led by the increase in revenue from petroleum products and motor vehicles. The revenue from petroleum products

significantly increased by 62.6 percent to Rs. 27,995 million in the first four months in 2017 compared to Rs. 17,221 million in the same period of 2016. This was mainly due to the increase in petrol imports by 43 percent and diesel/gas oil imports by 30 percent together with the enhanced domestic demand for such products in the economy.

Table 3.7: Performance of Excise Duty (January - April)

Tax Base	Rs. Million		
	2016	2017 Provisional	Growth (%)
Liquor	42,193	38,262	(9.3)
Cigarettes and Tobacco	28,764	23,840	(17.1)
Motor Vehicles	59,433	64,004	7.7
Petroleum	17,221	27,995	62.6
Other	847	1,596	88.5
Total	148,458	155,697	4.9

Source: Department of Fiscal Policy

Revenue from motor vehicle imports increased by 7.7 percent to Rs. 64,004 million in the first four months of 2017 compared to Rs. 59,433 million in the same period of 2016. This increase was mainly owing to the increase in unit rates of excise duty applicable to motor vehicles during the reference period along with the Government policy towards discouraging high-emission vehicle imports to the country. Total vehicle imports increased by 16.8 percent to 155,942 during the review period of 2017 compared to 133,511 recorded in the same period of 2016. This was mainly benefited with increased motor cycle imports by 40.6 percent. However, imports of motor cars declined by 13.8 percent and three-wheelers by 69.2 due to increased tax rates on Excise duty.

The revenue generated from liquor dropped by 9.3 percent to Rs. 38,262 million in January-April 2017 from Rs. 42,193 million in the same period of 2016 as a result of decline in production of hard liquor by 7.3 percent and malt liquor by 38.9 percent. Similarly, the revenue from cigarette and tobacco products declined by 17.1 percent to Rs. 23,840 million in the first four months of 2017 compared to Rs. 28,764 million in the same period of 2016. This was a combined effect of the drop in production of cigarette by 31 percent coupled with increased duty rates on cigarette sticks.

Chart 3.2: Performance of Excise Duty (January-April 2016 and 2017)

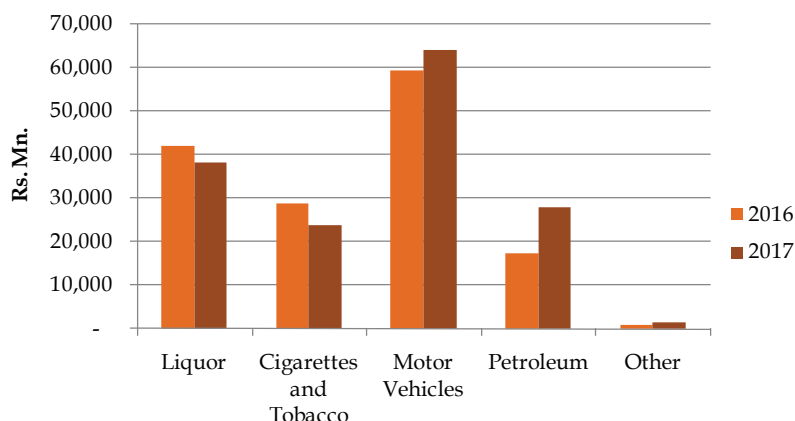


Table 3.8 : Motor Vehicle Imports and New Registration of Vehicles - January to April

Unit: Number

Item	Imports				New Registrations			
	2016	2017	Change	% Change	2016	2017	Change	% Change
Motor Cars	15,436	13,313	-2,123	-13.8	15,300	12,760	-2,540	-16.6
Three Wheelers	13,345	4,112	-9,233	-69.2	14,555	7,546	-7,009	-48.2
Motor Cycles	88,198	123,999	35,801	40.6	99,006	113,225	14,219	14.4
Passenger Vehicles	923	955	32	3.5	871	999	128	14.7
Goods Transport Vehicles(a)	9,853	9,605	-248	-2.5	9,346	9,507	161	1.7
Land Vehicles (b)	5,756	3,958	-1,798	-31.2	4,103	4,398	295	7.2
Total	133,511	155,942	22,431	16.8	143,181	148,435	5,254	3.7

Source: Department of Customs and Department of Motor Traffic

(a) Lorries and Other Goods Transport Vehicles.

(b) Tractors, Hand Tractors and Other Land Vehicles.

Import Duty and Special Commodity Levy (SCL)

Revenue generated from import duty moderately declined by 2.2 percent to Rs. 47,392 million during the first four months of 2017 compared to Rs. 48,440 million in the same period of 2016.

The revenue generated from Special Commodity Levy (SCL) increased by 14.1 percent to Rs. 24,091 million during the first four months of 2017, compared to Rs. 21,119 million recorded in the first four months of 2016. The increase of the revenue was mainly attributable to the increase of number of products coming under the SCL and upward revision of the SCL rates to encourage domestic production of potatoes, big onions, onions, green gram and sugar etc.

Nation Building Tax (NBT)

The revenue collected from Nation Building Tax (NBT) increased significantly by 36.0

percent to Rs. 22,763 million in the first four months of 2017 compared to Rs. 16,740 million in the same period of 2016. The revenue from NBT on domestic activities increased considerably by 55.3 percent to Rs. 16,644 million in the first four months of 2017 mainly due to the policy decision taken to reduce the NBT threshold for registration from Rs. 15 million per annum to Rs. 12 million per annum. Meanwhile, the revenue collected from NBT on imports increased marginally by 1.6 percent Rs. 6,119 million in the reference period compared to Rs. 6,024 million in the same period of 2016.

Meanwhile, Rs. 15,546 million was transferred to Provincial Councils (PCS) in the review period compared to the total transfer of Rs. 12,537 million in the first four months of 2016.

Table 3.9 : Revenue Transferred to Provincial Councils (January-April 2017)

Month	NBT		Motor Vehicle Registration Fees	Stamp Duty	Total
	Inland Revenue Department	Customs			
January	2,210	783	186	1,538	4,717
February	1,556	716	138	197	2,607
March	2,197	934	179	209	3,519
April	2,450	682	138	1,433	4,703
Total	8,413	3,115	641	3,377	15,546

Source: Department of Fiscal Policy

The revenue generated from Ports and Airports Development Levy (PAL) increased by 18.1 percent to Rs. 32,353 million in the first four months of 2017 compared to the same period of 2016. The total revenue collected from Cess on imports and exports increased by 8.2 percent to Rs. 20,214 million in the first four months of 2017 compared

to Rs. 18,674 million in the same period of 2016. The imposition of Cess on selected imports and low value added exports helped maintaining a buoyant growth in revenue from this source which is primarily used for development of specific sectors and products. However, revenue from telecommunication levy declined by 2 percent to Rs. 11,616 million in the review period.

Box 3.1 : Fiscal Measures : January 2017-May 2017

Effective Date	Measures
Excise (Ordinance) Duty	
01.01.2017	Excise Notification No. 991 (Gazette Notification No. 1996/52of 09.12.2016) - to reduce the allowance for the loss of ethanol by evaporation and leakage in storage and transportation.
01.01.2017	Excise Notification No. 992(Gazette Notification No. 1997/16 of 15.12.2016) - to revise annual liquor license fees.
01.01.2017	Excise Notification No. 993 (Gazette Notification No. 1998/6 of 20.12.2016) - to increase excise duty on bottled toddy to Rs. 50 per litre from Rs. Rs. 30 per litre.
01.01.2017	Excise Notification No. 994 (Gazette Notification No. 1998/07 of 20.12.2016) - to impose license fee of Rs. 100,000 for arrack licenses which issued together with foreign liquor license and Rs. 50,000 for the sale of bottled toddy.
13.03.2017	Excise Notification No. 995 (Gazette Notification No. 2009/45 of 10.03.2017) - to simplify the process of issuing licenses to import foreign liquor.
Stamp Duty	
21.02.2017	Stamp Duty (Special Provisions) Act, No 12 of 2006 (Gazette Notification No. 2007/24 of 21.02.2017) - to specify the motor vehicle categories which are liable for paying stamp duty on policy insurance, finance lease agreement and hire purchase agreement.
CESS Levy	
22.03.2017	Sri Lanka Export Development Act. No. 40 of 1979 (Gazette Notification No. 2011/9 of 21.03.2017) - to remove Cess on unbranded new tyre casing without any marking, bars and rods not further worked that hot rolled, hot drawn or extruded and linear low density polyethylene.
Economic Service Charges (ESC)	
01.04.2017	Economic Service Charges (Amendment) Act, No. 7 of 2017 - to impose ESC at the point of importation for vehicles and to reduce ESC threshold to Rs.12.5 mn. per quarter from Rs.50 mn. per quarter.
Revenue Protection Act	
07.01.2017	Revenue Protection Act No. 19 of 1962 (Gazette Notification No. 2000/86 of 06.01.2017) - to introduce new HS National Sub Divisions for rice varieties.
01.02.2017	Customs Ordinance - to grant custom duty waiver of Rs. 3/- per liter (from applicable customs duty of Rs. 15 per liter) for diesel and Rs. 10/- per liter (from applicable customs duty of Rs. 35 per liter) for Petrol .
17.02.2017	Revenue Protection Act No. 19 of 1962 (Gazette Notification No. 2006/42 of 16.02.2017) - to revise customs import duty on identified tariff lines to facilitate local industries and trade flows.

Effective Date	Measures
15.03.2017	Customs Ordinance (Gazette Notification No. 2010/20 of 15.03.2017) - to prescribe a method for determination of Customs value for disposal of machinery and equipment imported under concessionary basis by enterprises in the business of manufacturing and exporting apparel.
Special Commodity Levy	
07.01.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2000/85 of 06.01.2017) - to impose SCL on imported semi- milled or wholly milled row rice (kekulu), nadu rice (red or white) and samba rice (red or white at a rate of Rs. 15 per Kg.
19.01.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2002/29 of 18.01.2017) - to extend the validity period of SCL on 9 items including Maldive fish, dried sprats, black gram, chilies, turmeric, etc. and to decrease SCL on vegetable oils by Rs. 20 per Kg.
28.01.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2003/43 of 27.01.2017) - to grant a SCL duty waver on imported semi- milled or wholly milled row rice (kekulu), nadu rice (red or white) and samba rice (red or white by Rs.10 per Kg for a period of 30 days.
17.02.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2006/41 of 16.02.2017) - to extend the validity period of SCL on potatoes and B' Onions for a period of six months and to increase SCL rates on red and yellow lentils by Rs. 5 per Kg.
24.02.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2007/38 of 23.02.2017) - to reduce SCL on vegetable oil by Rs. 20 per Kg for a period of six months.
27.02.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2007/44 of 26.02.2017) to extend the validity period of SCL duty waver on imported semi- milled or wholly milled row rice (kekulu), nadu rice (red or white) and samba rice (red or white) for a period of 30 days.
08.03.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2009/05 of 07.03.2017) - to extend the validity period of SCL on 6 items including mackerel, peas, chickpeas, Kurakkan , sugar other than white sugar etc. for a period of six months.
28.03.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2012/16 of 28.03.2017) - to extend the Rs. 10/- per Kg duty waiver granted under Section 5 of SCL Act to apply Rs. 5/- per Kg duty for rice varieties of kekulu, nadu and samba for period of 28 th March to 31 st March, 2017.
01.04.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2012/17 of 28.03.2017) - to revise the duty rate on rice to Rs. 5/- per Kg from Rs. 15/- per Kg for a period of sixty days.
02.04.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2012/52 of 31.03.2017) - to extend the validity period of SCL on 12 items including dried fish, yogurt, butter, garlic, oranges, apples, salt, kurakkan flour etc. for a period of six months.
08.05.2017	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2018/2 of 08.05.2017) - to extend the validity period of SCL on 9 items including fish, green gram, magoosteen, dried oranges, kiwifruit etc. for a period of six months.

3.3 Government Expenditure

The total government expenditure was Rs. 822.8 billion during the first four months of 2017, an increase of 16.5 percent compared to the same period of 2016, of which recurrent expenditure was Rs. 626 billion and the capital

expenditure and net lending was Rs. 196.8 billion. Recurrent expenditure increased by 11.9 percent, reflecting the increase in salaries and wages of the government employees and pensioners and interest payments while public investment increased by 32.3 percent in the review period.

Table 3.10: Performance of Government Expenditure: January - April 2017

Item	Rs. Million	
	2016	2017 Provisional
Recurrent Expenditure	559,697	626,049
Salaries	188,604	197,518
Pension	56,008	59,186
Interest Payments	196,676	243,499
Other	118,409	125,846
Capital Expenditure & Net Lending	146,436	196,791
Total	706,133	822,840

Source: Department of National Budget, Department of State Accounts and Department of Treasury Operations

Salaries and Pension

Expenditure on salaries and wages of public servants including Provincial Councils increased moderately by 5 percent to Rs. 197,518 million in the first four months of 2017, compared to the same period of 2016. The pension payment was Rs. 59,186 million for the first four months of 2017, an increase of 6 percent over the same period of 2016.

Interest Cost

The expenditure on interest payments increased by 24 percent to Rs. 243,499 million during the first four months of 2017 compared to Rs. 196,676 million in the same period of 2016. Out of the total interest payments, Rs. 195,068 million was for interest payments for the domestic debt and the rest, Rs. 48,431 million for interest payments for foreign debts.

Table 3.11 : Behavior of Yield Rates (%) on Government Securities and Exchange Rate : 2016-2017 June

Period	Treasury Bills			Treasury Bonds				Monthly Average Exchange Rate (Rs./US\$)	
	91 Days	182 Days	364 Days	2 Years	3 Years	4 Years	5 Years		
2016	Jan	6.78	7.19	7.80	-	-	-	-	143.94
	Feb	7.14	8.07	8.50	10	-	-	11.42	143.93
	Mar	8.90	9.76	10.64	11.75	11.75	12.78	13.00	143.96
	Apr	8.45	9.53	10.17	-	11.53	11.78	-	143.90
	May	8.71	9.67	10.48	11.83	11.51	12.11	12.48	145.65
	Jun	8.88	9.86	10.55	11.42	11.58	11.93	11.89	145.28
	Jul	8.80	9.69	10.48	11.04	11.62	-	12.07	145.41
	Aug	9.03	9.94	10.73	-	-	-	11.76	145.60
	Sep	8.55	9.39	10.11	-	-	10.61	-	145.78
	Oct	8.60	9.48	10.24	-	-	-	-	146.87
	Nov	8.60	9.55	10.10	-	-	-	-	147.77
	Dec	8.72	9.63	10.17	-	-	11.94	-	148.88
2017	Jan	9.03	10.07	10.37	-	-	-	12.19	150.09
	Feb	9.32	10.19	10.58	12.10	-	-	12.89	150.82
	Mar	9.63	10.62	10.98	-	-	-	-	151.43
	Apr	9.73	10.70	11.02	-	-	-	-	151.76
	May	9.61	10.35	10.71	11.07	-	-	11.42	152.33
	Jun*	9.60	10.29	10.47	-	-	-	-	153.12

Source : Department of Treasury Operations and Central Bank of Sri Lanka

* As at 22nd June 2017

Welfare Expenditure

Total expenditure on welfare payments and subsidies increased by 4 percent to Rs. 38,879 million during the first four months of 2017 from Rs. 37,309 million compared to the same period of the last year. The following major welfare programmes contributed to this increase.

- Samurdhi relief
- School Text Books and Uniforms
- Elders allowance
- Fertilizer subsidy
- Food nutritional programme for pregnant mothers (Poshanamalla)
- Special grant for Kidney patients
- Flood and drought relief

The welfare assistance programmes such as Samurdhi cash grant, payments to elderly, payments to parents of security personnel and flood and drought relief to affected families amounted to Rs. 17,264 million. Of this total welfare expenditure, the service compensation for the dead and differently-abled soldiers was Rs. 9,032 million during the first four months of 2017 compared to Rs. 8,622 million in the same period of 2016.

The Government implemented National Nutritional Intervention Programmes such as Poshanamalla, Thriposha program, morning meal and school nutrition programme incurring Rs. 2,959 million in the

first four months of 2017. The expenditure on Thripasha and Poshanamalla programmes amounted to Rs. 516 million and Rs. 1,258 million, respectively in the review period.

School children were benefitted by providing free text books, uniforms, season tickets, free Dhamma school text books and bursaries amounting to Rs. 2,472 million during the period.

The Government places priority in providing free medicine for patients with no disruption spending Rs. 11,318 million during the first four months of 2017.

The Government incurred Rs. 7,762 million to provide cash grants to obtain fertilizer for paddy farmers and other small crop holders under the fertilizer subsidy programme during the review period.

Table 3.12: Welfare Expenditure : January-April 2016

Item	Jan- April 2016	Jan- April 2017
Mothers and Children		
Thripasha Programme and Infant Milk Food Subsidy/Poshanamalla	1,753	1,913
Free text books & uniforms	2,570	2,041
School season tickets	1,263	245
School Nutritional foods	863	1,143
Agriculture		
Fertilizer subsidy	7,360	7,762
Welfare payments		
Samurdhi Relief	13,817	13,311
Assistance to differently able soldiers	8,622	9,032
Elder Allowance	3,008	3,010
Assistance for differently-able	354	356
Food assistance, flood and drought Relief	2	163

Source: Department of National Budget

Public Investment Expenditure

(1). Education

The total expenditure on education sector including general school education, higher education, tertiary and vocational education, science, technology and research amounted to Rs. 38,810 million in the first four months of 2017. This was an increase of 20 percent over the first four months of 2016.

General Education

The total expenditure of Rs. 23,043 million was incurred for general education for the first four months of 2017 of which Rs.

15,927 million of recurrent expenditure and Rs. 7,116 million of capital expenditure. The expenditure on welfare programmes declined by 6 percent to Rs. 3,237 million in the review period compared to the same period of 2016. This was mainly due to the settlement of more bills of printing of school text books for 2016 in the same year without carry forwarding the bills to next year.

The 'Nearest School is the Best School' (NSBS) programme which was commenced in 2016 continued in the review period. The total investment made for this NSBS programme was Rs. 5,464 million as at end April 2017.

Higher Education

The Government has spent Rs. 12,646 million during the first four months of 2017 for the development of higher education, of which recurrent and capital expenditure were Rs. 9,798 million and Rs. 2,848 million, respectively.

Rs. 255 million was incurred for the construction of new building complexes for establishment of technological faculties in ten (10) universities at end April 2017. During the first four months of 2017, 3,379 university students has obtained loans to purchase laptops and also Rs. 40 million was paid to the People's Bank and Bank of Ceylon to bear the interest cost of the loans provided from 2016. In order to provide easy access to technology, Pan Audio (Pvt) Ltd has been selected as a WiFi service provider for all state universities and the provision of WiFi facility has already been undertaken in four (04) state universities at end April 2017.

Total expenditure on skills development and vocational training sector was Rs. 2,085

million in the first four months of 2017, of which Rs. 360 million was the capital expenditure. Establishment of Colombo Vocational Training Center and Gampaha Technical College and Skills Sector Development Programme are the two main projects being implemented by the Ministry of Skills Development and Vocational Training. Total capital expenditure spent on these two projects for the first four months was Rs. 41.2 million and Rs. 205 million, respectively.

Total expenditure on science, technology and research area was Rs. 1,036 million for the first four months of 2017, of which capital expenditure was Rs. 473 million. (i) Nano Technology Programme, (ii) establishment of National Science Centre and (iii) assist research in diabetes, Dengue and CKDus and cancer are the three main projects being implemented during the period. Total capital expenditure on these three projects was Rs. 63.75 million, Rs. 100 million and Rs. 92.79 million, respectively during the first four months of 2017.

Table 3.13: Expenditure on Major Activities of Education Sector

Description	Rs. Million	
	Jan - April 2016	Jan - April 2017
Recurrent Expenditure		
General Education		
National		
Personnel Emoluments for School Teachers and other support staff	10,115	10,843
Welfare Program	3,463	3,237
Evaluation of examinations	687	833
Provincial		
Provincial Education	39,800	40,214
Higher Education		
Personnel Emoluments of Universities & other Higher Educational Institutions	7,440	8,004
Mahapola and Bursary Payment	339	199
Tertiary & Vocational Training		
Salaries for Vocational Training and other support staff	1,327	1,365
Stipend and season tickets provided for Technical Training students	3	6.5

Description	Rs. Million	
	Jan - April 2016	Jan - April 2017
Science, Technology & Research		
Personnel Emoluments for science, Technology & Research Institutes and other staff	407	424
Public Investment Expenditure		
General Education		
National		
Primary school development	22	110
Secondary school development	1,304	588
Special Education development	14	17
Teacher development	132	405
General Education Development Projects	53	5,821
Provincial		
Provincial Education	1,121	1,783
Higher Education		
Development of Universities & Other Higher Educational Institutions	3,147	1,180
Construction of 84 Hostel Complexes	755	1,272
Establishment of Technology Faculty of the Universities	-	255
Loan Interest for Laptops (University Students)	-	40
Faculty of Fisheries & Marine Science, University of Ruhuna		56
Development Plan for South Eastern University Phase 1 "B"	98	45
Tertiary & Vocational Training		
Vocational Training Institutes *	40	65
Skills Sector Development Program	196	206
Establishment of Colombo Vocational Training Center & Gampaha Technical College	128	402
Science, Technology & Research		
Science, Technology & Research Institutes and other capital investments	95	473

Source: Department of State Accounts

* Do not include the expenditure of Youth Services Council and National Youth Corps as the youth development component has been transferred to the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs from 2015 onwards

(2). Health

The total government expenditure on health consisting of Western and indigenous medicine sectors increased by 4.7 percent to Rs. 61,606 million during the first four

months of 2017 compared to the same period of 2016 covering both Provincial and Central Government health expenditure. Out of the total health expenditure, the recurrent expenditure was Rs. 52,993 million and the capital investment was Rs. 8,663 million.

Table 3.14: Expenditure on Major Activities of Health Sector

Description	Rs. Million	
	2016 Jan-April	2017 Jan-April
Total Recurrent Expenditure	53,270	52,993
service delivery expenditure	24,132	25,773
of which Salaries of medical personnel and support staff	20,372	21,209
Provision of Medicine	13,138	11,325
Provincial Health	16,000	15,895
Public Investment Expenditure	5,572	8,663
Development of District Hospital - Polonnaruwa	23	53
Epilepsy unit at National Hospital, Colombo	699	129
Development of DGH Hambantota and DGH Nuwaraeliya	1	3
Construction of the State of the Art Cancer Ward Complex at National Institute of Cancer, Maharagama (Razavi Project)	15	-
Maternity Ward Complex at TH Kurunegala	21	95
Development of Estate Sector Hospitals	31	23
Accident Service and Ward Complex at TH Ragama	33	87
Helmut Khol Maternity Hospital Karapitiya, Galle (GOSL-Germany-kfw)	46	64
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	471	-
Other capital investments	3,238	6,452
Provincial Health Investment	994	1,757

Source: Department of National Budget

(3). Irrigation and Water Resources Management

The Government has invested Rs. 15,195 million for the development activities related to irrigation and water resources management during the first four months of 2017, of which, Rs 11,455 million was spent on development of Mahaweli irrigation schemes through rehabilitation and construction of new reservoirs under the Ministry of Mahaweli Development. The expenditure on major irrigation schemes such as Moragahakanda, Kaluganga and Uma Oya projects amounted to Rs. 9,960 million during the review period. The balance, Rs. 3,740 million has been invested by the Ministry of Irrigation and Water Resources for the development of irrigation schemes and construction of reservoirs. Yan Oya project, which secured the largest portion of the total allocation for development activities exhibited a 100 percent financial progress as at end of the first four months of 2017.

(4.) Agriculture

A total allocation of Rs. 7,860 million for the Ministry of Agriculture has been devoted for the major development activities including special programmes to ensure food security. The expenditure incurred during the first five months of 2017 for these activities was

Rs. 1,284 million. A number of the activities including the production of organic fertilizer and accelerated seed farms development programme have shown steady financial progresses during the period.

(5). Water Supply and Sanitation

The Government invested Rs. 9,961 million in water supply and sanitation sector during the first four months of 2017. Out of this, Rs. 9,121 million was spent on large scale water supply and sanitation schemes such as Badulla, Haliela and Ella Integrated Water Supply Project, Colombo Water Supply Service Improvement - Project 01, Colombo Water Supply Service Improvement - Project 02, Rehabilitation of Labugama and Kalatuwawa Water Treatment Plant Project, Moneragala-Buttala Integrated Water Supply Project, Jaffna Kilinochchi Water Supply and Sanitation Project, Dry Zone Urban Water and Sanitation Project, Kandy City Wastewater Management Project, Greater Kurunegala Water Supply and Sewerage Project, Kataragama Sacred City WWDP. In addition, Rs. 742 million, Rs. 76 million and Rs. 22 million was spent on Water Sector Community Facilitation Projects, Emerging Small Townships Water Supply Schemes and Improvement of Community Water Supply Projects, respectively.

Table 3.15: Expenditure on Water Supply and Sanitation

Project	Rs. Million			
	Local Funds	Treasury Bond	Foreign Fund	Total Expenditure
Foreign Funded Large Scale Water Supply & Sewerage Projects	10	3,730	5,381	9,121
Water Sector Community Facilitation Projects	172	-	570	742
Emerging Small Townships Water Supply Schemes	76	-	-	76
Improvement of Community Water Supply Projects	22	-	-	22
Total Investment	280	3,730	5,951	9,961

Source : Ministry of City Planning and Water Supply
National Water Supply & Drainage Board

(6). Highways and Bridges

The Government has spent Rs. 36,226 million as capital expenditure for National roads and bridges development activities during the first four months of 2017, of which Rs. 9,400 million incurred on Expressway development while Rs. 5,532 million on Highways development. Meanwhile, the Government spent Rs. 4,939 million on widening and improvement of roads, Rs. 1,096 million on construction of bridges and flyovers and Rs. 238 million on Maganeguma, rural road development projects.

Several road constructions, rehabilitation and maintenance projects continued with the

financial support of foreign and local sources. Among them, the Central Expressway, Extension of Southern Expressway, Priority roads projects, i-road project, New Kelani Bridge project and 3 flyovers at Rajagiriya, Polgahawela and Ganemulla were also given national priority.

The Government incurred a considerable amount for interest and capital repayment of local bank funded road projects and Rs. 12,000 million was paid for the first six months period. In addition, Rs. 3,984 million incurred during the first four months of 2017 for the acquisition of lands to implement above projects.

Table 3.16: Expenditure on Water Supply and Sanitation

Rs. Million			
S/No.	Project/Programme	Expenditure as at 30th April 2016	Expenditure as at 30th April 2017
1	Expressways Development	1,578	9,458
	Outer Circular Highway Project - Phase III	899	1,161
	Central Expressway Project	65	742
	Extension of Southern Expressway	592	7,489
	Others	23	66
2	Highways Development	1,842	5,532
	Maintenance of Roads	497	2,195
	Priority Road Projects- III	613	1,214
	Colombo District Road Development Project	589	243
	Southern Road Connectivity Project	15	799
	Integrated Road Investment Programme (iRoad)	23	807
	Others	106	274
3	Widening and Improvement of Roads	2,216	4,939
4	Construction of Bridges and Flyovers	782	1,096
	UK Steel Bridge Project	162	233
	Reconstruction of Damaged/ Weak Bridges on National Highways	51	110
	Reconstruction of 46 Bridges	304	109
	Major Bridge Construction project	14	62
	Construction of Rural Bridges using old bridge components	41	129
	Second New Kelani Bridge Construction Project	109	302
	Others (Including 3 Flyovers)	103	151
5	Natural Disaster Affected Road Rehabilitation	12	13
6	Maganeguma Rural Road Development Programme	293	238
7	Transfers to RDA	2,000	2,038
8	Lands & Land Improvements(Other projects excluding priority projects)	823	912
9	Government Guaranteed Local banks Funded Project	7,808	12,000
10	Others	21	-
	Total	17,375	36,226

Source: Department of National Budget

(7.) Transport

The investment in the transport sector during the period under review was Rs. 3,842 million and it was mainly incurred for infrastructure development and fleet expansion of public transport in order to have efficient and modern public transport system in the country. Out of the total expenditure, Rs. 889 million was incurred by the Sri Lanka Central Transport Board (SLCTB)

for the payment of leasing installment of the purchase of new buses and spare parts. The balance, Rs. 2,953 million was spent for the continuation of construction projects including Matara-Beliatta-Kataragama new rail line, Madu-Thalaimannar rail line, Pallai-Kankasanthurai rail line and Installation of New Railway Signaling and Telecommunication system from Anuradhapura/Thalaimannar/Kankasanthurai.

Table 3.17: Railway Sector Expenditure : January - April 2017

Rs. Million			
Name of the Project	Domestic Financing	Foreign Financing	Total Expenditure
Matara - Beliatta - Kataragama New Rail Line	44	-	44
Madu - Thalaimannar Line	27	-	27
Installation of New Railway Signaling & Telecommunication System from ANP/TLM/KKS	14	409	423
Rehabilitation of Permanent way with New rails and Sleepers	818	-	818
Concrete Sleepers production Plant Unit	102	-	102
Rehabilitation of Vehicles	854	-	854
Total Investment	1,873	409	2,282

Source : Department of National Budget

(8). Power and Energy

With a view of strengthening the financial position of the Ceylon Electricity Board (CEB) and facilitating operations through its self-generated earnings, the Government decided to convert the loans of CEB to equity capital since 2014. As a result, the contribution of the Government for the revenue making power projects was gradually decreased.

The Government investment in power and energy sector projects was Rs. 40.2 million during the first four months of 2017. This includes the expenditure incurred for Clean Energy and Network Efficiency Improvement Project, Improving Gender Inclusive Access to Clean Energy and Renewable Energy in Bhutan, Nepal and Sri Lanka Project, and Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies Project amounting to 23.67 million, Rs. 16.3 million and Rs. 0.5 million, respectively. Meanwhile, Polipto

Lanka (Pvt) Ltd has spent Rs. 8 million during the first four months of 2017 for the project of the conversion of plastic into fuel.

(9). Urban Development

The concept of Megapolis development is a new strategy of the Government for transforming Sri Lanka into a high-income developed country status. Accordingly, the Western Region Megapolis is envisioned and conceptualized to transform the city to a planned mega city to answer the issues of traffic congestion, garbage disposal issues, slums, environmental issues etc. In addition, it is expected to develop strategic cities such as Galle, Kandy, Jaffna, Anuradhapura and Trincomalee.

Rs. 14,914 million was spent for urban development during the first four months of 2017, of which Rs. 13,988 million was invested mainly for large scale urban development project.

Table 3.18: Large Scale Urban Development Project Expenditure: January- April 2017

Project	Rs. Million		
	Local Funds	Foreign Fund	Total Expenditure
Metro Colombo Urban Development Project (GOSL-WB)	323.66	458.58	782.24
Greater Colombo Urban Transport Development Project - Phase I	128.74	-	128.74
Development Strategic Cities - Kandy & Galle (GOSL-WB)	186.76	629.77	816.53
Greater Colombo Flood protection and Environment Development Project	266.73	-	266.73
Relocation of Manning Market to Peliyagoda Project	102.62	-	102.62
Townships Development and Urban Solid Waste Management Project	2,391.50	-	2,391.50
Urban Regeneration Programme	8,500.00	-	8,500.00
Projects implemented by the Urban Development Authority	662.68	-	662.68
Projects implemented by the Sri Lanka Land Reclamation & Development Corporation	337.09	-	337.09
Total Investment	12,899.78	1,088.35	13,988.13

Source : Ministry of Megapolis and Western Development

(10) Housing Development

With the aim of providing decent houses and upgrading the existing houses for all, housing development programmes were strengthened and expedited in the first four months of 2017 under the theme of 'shelter for all'. The total allocation for the Ministry of Housing and Construction for the housing development in 2017 is Rs. 6,707 million. This investment is expected to utilize under the different programmes such as model villages and scattered housing programme through providing concessionary loans or financial grants to beneficiaries based on their income and the requirements.

During the first four months of 2017, a sum of Rs. 1,343 million was spent in housing development activities by the Ministry of Housing and Construction compared to the expenditure of Rs. 671 million in first

four months of the previous year. With this investment, housing loans have been provided for 484 houses in the new model villages and 8,578 houses in scattered housing programme. Further, housing grant has been provided for 2,534 beneficiaries in the Northern and Eastern Provinces.

(11) Disaster Relief Activities

The Government incurred Rs. 1,396.5 million for the provision of the drought relief and other disaster-related activities during the first four months of 2017. Out of the total above expenditure, Rs. 163 million, Rs. 500 million, Rs. 733.5 million devoted for the supply of drinking water, the payment of premium for the National Natural Disaster Insurance Scheme to the National Insurance Trust Fund (NIFT) and the payment of compensation and housing construction for the people who were affected by the Kegalle landslide, respectively.

Table 3.19: Ministry wise Summary of Additional Allocations as of 30.04.2016

					Rs.
Head No.	Ministry / Department	Purpose	Rucurrent	Capital	
1 - 22	Special Spending Units		-	-	
1	His Excellency the President	"Wasa Wisu Nethi Ratak" National Programme, "Siri Sara Pivisuma" Programme, Development of Religious Places, Budget proposal on addressing the regional level issues, Special Fund for the Assistance to Artists, Journalists and Writers, Settle the outstanding bills relevant to year 2014	375,741,710	10,393,360,000	
2	Office of the Prime Minister	Awareness Programme for General Public, Establishing Japan-Sri Lanka Joint Comprehensive Partnership (JCP) Secretariat, Purchase equipments, Acquisition of a vehicle and ambulances, Settle the outstanding bills relevant to the CEB-2016	23,696,000	90,373,304	
6	Public Service Commission	Acquisition of Capital Assets		300,000	
10	Commission to Investigate Allegation of Bribery or Corruption	Strengthening the Commission as per the continuation of Budget Proposal 2016		20,000,000	
13	Human Rights Commission of Sri Lanka	Provision for the Retirement Benefits	1,200,000		
16	Parliament	Refurbishment of Parliamentary Complex, Pay monthly allowances, Acquisition of a vehicle, Personal Emoluments, Infrastructure Development, Project on Strengthening the Parliamentary System	258,960,000	392,221,430	
17	Office of the Leader of the House of Parliament	Foreign Travelling Expenses, Property Loan Interest to Public Servants.	1,548,250		
18	Office of the Chief Government Whip of Parliament	Foreign Travelling Expenses, Pay salaries and allowances	11,476,000		
19	Office of the Leader of the Opposition of Parliament	Acquisition of a vehicle, Rehabilitation of Capital Assets		58,973,540	

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
20	Department of Elections	Conducting awareness training programs pertaining to the Student Parliament, Project on Election Complaints Tracking System and Disaster Recovery Centre	4,800,000	29,100,000
21	Auditor General	Lease Rental for Vehicle, Foriegn Travelling Expenses and Acquisition of Capital Assets.	92,250,000	7,800,000
22	Office of the Parliamentary Commissioner for Administration	Foreign Travelling Expenses	289,040	
101	Ministry of Buddha Sasana	Celebrate the Official Vesak Day of the United Nations, Develop the Buddhist Temples and Construction of Canopy	250,000,000	20,796,800
201	Department of Buddhist Affairs	Printing of Dhamma School Text Books, Liabrary Book Allowance, Uniforms and Monthly Allowance for Dhamma School Teachers, Teacher's Training & Dham Sarasaviya Programme	824,075,000	5,000,000
102	Ministry of Finance	Establishment of Financial Asset Management Agency (FAMA) as per the Budget Proposal, Travelling Expenses, Acquisition of Vehicle, Personal Emoluments	33,700,000	10,130,000,000
238	Department of Fiscal Policy	Foreign Travelling Expenses	6,500,000	
240	Department of National Budget	Lump sum payment for July Srikers.	100,000,000	
241	Department of Public Enterprises	Account the Treasury Bonds issued in favour of National Water Supply and Drainage Board.		10,000,000,000
242	Department of Management Services	Personal Emoluments, Fuel, Transport & Postal Services, Rehabilitation and Improvement of Capital Assets	9,074,000	200,000
243	Department of Development Finance	Agro Livestock Development Loan Scheme, Interest Subsidy for the Loan Scheme of Media Personnel, Artists, Tea Factory Owners and Fixed deposits of senior citizens through Licensed Finance Companies, Granting price subsidy to domestic milk powder manufactures, SME Credit Guarantee Scheme, Provide interest subsidy loan scheme to implement the Budget Proposals, Advertising Expenses	14,223,066,050	500,000,000

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
244	Department of Trade and Investment Policy	Meeting of the SAARC Development Fund Board of Directors and the Brainstorming Workshop	1,000,000	
245	Department of Public Finance	Forth South Asia Regional Public Procurement Conference	3,000,000	
246	Department of Inland Revenue	Implementation of New Inland Revenue Act & Revenue Administration Management Information System (RAMIS) project		209,100,000
247	Sri Lanka Customs	Implementation of Budget Proposal for purchasing of boats for sea patrolling, Construction of new Customs building		323,060,000
248	Department of Excise	Implement the Production Monitoring and Tax Automation System Project	17,000,000	28,600,000
249	Department of Treasury Operations	Foreign Travelling Expenses, Write off the sub loan amount of Badulla District Prajashakthi Sanvidanaya	8,020,000	
103	Ministry of Defence	Implement the Budget Proposals of pension payments for differently abled soldiers and allowance for legal officers in the tri-forces, Procuring National Cyber Security System, Introduce New Domestic Airline on PPP basis , Procure defence vehicles	4,370,000,000	204,016,870
222	Sri Lanka Army	UN Peace Keeping Operation		4,338,000,000
223	Sri Lanka Navy	Relocation of Vidura - Navy Recruits Training Center, Continuation of the construction work of Quay at Dockyard Trincomalee, Construction of Inshore Patrol Craft, Acquisition of furniture & office equipments, Settle the outstanding payment of 2016		576,606,000

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
104	Ministry of National Policies and Economic Affairs	Implement the Budget Proposals on Vocational Training Programme, Interest Free Loan Scheme to finance the Small Business Ventures and Establish a Special Fund to Empower the Local Leaders, Developing of Selected Religious Centers, set up a Central Programme Management Unit, Drug prevention and rehabilitation of drug addicts, Development of Selected Religious Centers project, Poverty Alleviation Micro Finance Project, implement the "Commence Operation of EXIM Bank of Sri Lanka", Payment to Golden Key Depositors and Global Marketing Campaign, Taxes on importing a water bowser, implement the Central Programme Management Unit, Granting of Loans for Small and Medium Enterprise Sector Development and Employment Generation		27,056,130,000
252	Department of Census and Statistics	Implement the Research and Development Project on Statistical Capacity Building.		12,000,000
106	Ministry of Disaster Management	Flood and Drought Relief, Purchase 25 flatbed boats and Fire Brigade Units, Establish Disaster Management Training Centre at Pelmadulla and increase the coverage of Natural Disaster and Emergency Relief Scheme, Purchasing water bowsers, Complete remaining activities of Programme for Flood and Landslide Disaster Response, Relief assistance granted to the victims of the boat accident in Kaluthara, Purchase 2,000 water tanks, Custom clearance of the rice which granted by Indonesian government, Transport Expenses, Construct 24 houses in Badulla District, Construction of 98 houses for the Victims of Meethotamulla and provide furniture, Transport and Rent Relief	329,471,500	1,260,000,000
108	Ministry of Posts, Postal Service and Muslim Religious Affairs	Improve the Postal Network in Jaffna District, Rehabilitation and Improvement of Capital Assets, Acquisition of a vehicle and computer accessories		75,903,180

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
202	Department of Muslim Religious and Cultural Affairs	Uniform and Library Allowances for Dhamma School Teachers and Dhamma School Text Books Printing, Construction of Muslim Cultural Centers & improvements of Mosques	20,000,000	20,000,000
110	Ministry of Justice	Recruit Research Officers for Supreme Court and Appeal Court as per the Budget Proposal, Digitalization of the archives & subsidiary legislation and conducting Legal Reform Programmes as per the continuation of the Budget Proposal-2016	10,000,000	14,000,000
205	Department of Public Trustee	Transport Expenses	1,000,000	
228	Courts Administration	Construction of court complexes in Anuradhapura, Matale, Jaffna and residential facilities for judges and Court Automation, Establishment of 4 Commercial Courts as per the Budget Proposal		700,000,000
229	Department of Attorney General	Lease Rental for Vehicles Procured Under Operational Leasing Methods	5,865,000	
230	Department of Legal Draftsman	Lease Rental for Vehicles Procured under Operational Leasing Methods, Staff Training	1,242,000	15,000,000
234	Registrar of Supreme Court	Expenditure for copying fee.	804,283	
111	Ministry of Health, Nutrition and Indigenous Medicine	Acquisition of vehicles, Upgrading of Primary School Healthcare and Nurses Training Schools, Establish Specialized Pediatric Care Complexes, Base Hospital in Nintavur, Oral Health Center in Karapitiya and Bone Marrow Transplant Unit at Kandy, Control of Kidney Disease Programme, Increasing the number of Nutritionists to 300 within 3 years as per the Budget Proposal	100,000,000	2,782,000,000
112	Ministry of Foreign Affairs	Purchase a flag cars for the Sri Lanka Missions in Addis Ababa Ethiopia, Beirut and Kuwait, Milan and London and Oslo, National Ocean Affairs Committee Secretariat, Foreign Travelling Expenses	53,607,900	49,425,000

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
114	Ministry of Transport & Civil Aviation	School & Higher Education Season Tickets and Grants to SLTB for Operating on Unremunerated Routes, Armed Forces - Bus Passes of SLCTB, Purchase 489 nos. of new Engine Kits for SLCTB	10,392,579,000	1,100,000,000
306	Department of Sri Lanka Railways	Extension of railway line from Kankesanthurai to Ponnalai Junction, Double tracking of the railway line in Polgahawela - Kurunegala section and the Aluthgama - Galle section as per the Budget Proposal		1,050,000,000
117	Ministry of Higher Education and Highways	Acquisition of a vehicle, Scholarship scheme to best performing undergraduates of the state universities, Provide full interest subsidy for loans of Rs.1.5 million to at least 1,000 graduates, Interest subsidy for providing Loan scheme to 5,000 students, Construct 10 storey building at Ruhuna University Medical Faculty, Strengthen the Post Graduate Institute of Ayurvedic Medicine, Establish an e-Learning Resource Center at the University of Kelaniya, Establish a Centre for Advanced Electronic Design at University of Moratuwa, Establish a Centre for Gender Equity and Equality and Prevention of Sexual and Gender Based Violence, Development of 1,000 Km of road length in rural areas as per the Budget Proposals, Establishment of Bridge Maintenance System(BMS) and Bridge Assessment Unit (BAU), Subway construction across the Chilaw town, Land acquisition, Rural Road construction project, Widening & Improvements of Road Projects, widening and improvement of roads in Matara-Kamburupitiya	1,050,000,000	5,372,900,000
214	University Grants Commission	Mahapola & Bursary, Payment 8% of additional monthly compensation allowance, Construction of the Computer and Technological Faculty	593,000,000	50,000,000

				Rs.	
Head No.	Ministry / Department	Purpose	Rucurrent	Capital	
118	Ministry of Agriculture	Development Programme of Restoration, Rehabilitation and de-silting of 1,500 small tanks, Fertilizer Subsidies, Financial assistance to the farmers affected by drought, Partition and purchase furniture and office equipments, Big Onion Seed Production Programme, Establishing Four Rice Export Zones, Skill Sector Development Programme, Rehabilitation of Small Tanks and Canals, Production of High Quality Seeds through PPP modes, Foreign Travelling Expenses	39,067,400,100	4,396,905,286	
285	Department of Agriculture	Post-harvest Management and Value Addition of Fruits Programme, Strengthening of Seed Certification Activities, Research on Infrastructure Development needs to Improve Rice Research and Development Institute(RRDI)		79,029,200	
119	Ministry of Power and Renewable Energy	Interest subsidy to households with monthly electricity bill over Rs. 2,000 to convert in to solar energy and Convert public sector buildings to green energy as per the Budget Proposals, Additional cost incurred by CEB for the thermal power generation, Promoting Sustainable Biomass Energy Production and Modern Bio-energy Technologies		6,865,000,000	
120	Ministry of Women and Child Affairs	Nutritional Food Package for Expectant Mothers, Morning Meal for Pre-school Children and Lamadiriya Programme - Allowances for Pre-school Teachers, Acquisition of a vehicle , Ensuring Child Protection and Child Rights Project, Purchasing furniture and household equipment for the official residence	2,885,000,000	53,371,000	

				Rs.
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
121	Ministry of Home Affairs	Establishing 1,000 "Sewa Piyasa" centres, Settle the outstanding bills of Development Projects at District Secretariat Matale and Settle the bills from 2011-2014 District Secretariats of Colombo, Gampaha, Kalutara, Galle, Matara, Hambantota, Ampara, Kurunegala, Puttalam, Anuradhapura, Polonnaruwa, Monaragala, Rathnapura and Kegalle, Special Development Projects in Rathnapura District		4,649,697,000
262	District Secretariat/ Kachcheri - Matara	Rehabilitation of the access road and roads in Mulatiyana		6,200,000
267	District Secretariat/ Kachcheri - Mullaitivu	Transport Expenses.	1,200,000	
279	District Secretariat, Kegalle	Continuation rehabilitation works of provincial roads damaged due to disaster on May 2016.		22,000,000
122	Ministry of Parliamentary Reforms and Mass Media	Support to implement the Right to Information Act, Establish Film Archives and Restoration Unit and Establish a National Film Academy as per the Budget Proposals, Aquisition of vehicle , "Establish the "Pandit Amaradeva Sangeetha Ashramaya" , Buildings and Structures, Staff Training, Interest subsidy for the loan scheme for media personnel to purchase motor bikes, Presidential Cinema Awarding Ceremony - 2015	54,200,000	177,000,000
210	Department of Information	Expenditure on "Thirasara Yugayaka Thewasara Pivisuma & National Development Programme" and Utthamavi Wandana Viru Samaru Festival Programme	25,000,000	
123	Ministry of Housing and Construction	Construction of 50,000 houses in the country, Construction of houses for low income families, Conduct Training on Construction Equipment & Mechanics		3,275,000,000

				Rs.
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
124	Ministry of Social Empowerment and Welfare	Support to Low Income Disable Persons, Financial Support to Elderly Over 70 years of Age and Financial Support to Kidney Patients, Acquisition of Capital Assets, Expenditure for Plant, Machinery and Equipment, Rehabilitation of Capital Assets	5,538,342,000	24,110,000
216	Department of Social Services	Increase the daily allowance to differently abled children, Lease rental for two vans procured under the operational leasing method	28,127,000	
331	Department of Divineguma Development	Samurdhi Relief Assistance & Kerosene Oil	21,975,000,000	
126	Ministry of Education	School Nutritional Food, Shoes for Students in difficult and very difficult Schools, School Uniforms, Printing of Text Books and Glass of Milk for School Children and Scholarships-(Year 5), Lease rental of 6 vehicles procured under the NBD, Acquisition of a vehicles, Provide maximum of 50 computers per school on rental basis, Extend Agrahara Insurance Benefit Scheme, Property Loan and Distress Loan facility to semi government schools, Free tabs to A/L teachers and students, Improvement of special education for differently abled children, Augment the infrastructure of Pirivena and the capacity development of the Pirivena teachers, Basic facilities such as electricity, water and sanitation facilities to all schools, Upgrading 25 Plantation Schools and Facilitate the activities of Censor Board, "Subhaga" scholarship scheme, Health Insurance scheme for students, Bursary for Bhikkus studying at pirivena and Upgrading the National Library Colombo, "13 Year of Mandatory Schooling Policy" as per the Budget Proposals, Staff Training (UNICEF)	21,197,100,000	13,052,197,000
130	Ministry of Public Administration and Management	Productivity improvement projects,Capacity Building of Service Excellence Programme-2017/2018		87,300,000

				Rs.
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
135	Ministry of Plantation Industries	Establish a National Finite Element Simulation Center, Produce genetically superior high yielding coconut planting materials, Develop an Automated Commodity Exchange System as per the Budget Proposals, Welfare Programme on providing Fertilizer Subsidy, Compensation and Gratuity to the employees, Acquisition of a vehicles rehabilitation, improvement and acquisition of Capital Assets and Building and Structures.		1,869,258,000
136	Ministry of Sports	Infrastructure Development of Sports Schools,Capacity Development of Sports Trainers and Coaches, Construction of Kumar Anandan Swimming Pool and Human Performance Laboratory, Development of Cricket, Construction of Synthetic tracks, Sugathdasa National Sports Complex as per the Budget Proposals, Acquisition of a vehicle		1,063,200,000
219	Department of Sports Development	Implementation of the Development Activities of Sports Talent Identification and Represent Sri Lanka in International Sports Competition programme, Construction of the Provincial and District Sports Complexes		259,000,000
140	Ministry of Hill Country New Villages, Infrastructure and Community Development	Construction of 50,000 houses in the country, Expenditure on Rents and Local Taxes.	600,000	1,000,000,000
145	Ministry of Presion Reforms ,Rehabilitation, Resettlement and Hindu Religious Affairs	Resettlement of Protracted IDPs in Northern Province, Engage in drug prevention, Eradication and rehabilitation of those who addicted to drugs as per the Budget Proposal, Expenditure of duty and other taxes on materials imported for construction of Jaffna Cultural Centre, Compensation for the persons who are victimed at the incident of Welikada Prisons	42,500,000	1,983,000,000

Rs.				
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
204	Department of Hindu Religious and Cultural Affairs	Uniform, Library and Dehami Diriya Teachers Allowances for Dhamma School Teachers	30,000,000	
147	Ministry of Regional Development	Rehabilitation and Improvement of Capital Assets.		15,000,000
149	Ministry of Industry and Commerce	Establishment of the Centre of Excellence in Robotics Applications, Expand Lak Sathosa Retail Network, Expand Lak Sathosa and Osu Sala franchise shops, Rehabilitation of Minipe Left Bank and Kithul and Rugam tanks and Kubukkan Oya and Tharapuram tanks, Trade Promotional Activities, Establishment of the National Business Registry and the office of the Trade Prosecutor, Provide necessary infrastructure and entrepreneur training in handloom industry, Establish a "Unique Craft Marketing Centre" and Establish a Mega Showroom by Sri Lanka State Trading Corporation as per the Budget Proposals, Acquisition of a vehicles, salaries to the employees of Hingurana Sugar Industries, Vocational Skills Training Project, Lab equipments and upgrade the training facility of the Sri Lanka Institute of Textile and Apparel, Expenses of Industrial Production Village Promotion, Upgrading and Modenization of Mini Industrial Estates, Economic Empowerment of Women through Apparel Based Mini Factories and National Enterprise Development Authority, Implement the Mechanism for Promoting Local Canned Fish Production an Development of Industrial Zones, Subsidy payment on Price difference of Rs.7.50 per 1kg of maize, Expenses of lease rental for a vehicle, Foreign assisted training programmes	241,084,000	3,285,220,230

				Rs.
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
303	Department of Textile Industries	Lease rental for vehicles procured under Operational Leasing Methods, Compensation of workers who worked in Power Loom Industry	43,240,000	
150	Ministry of Petroleum Resources Development	Foreign Travelling Expenses	4,500,000	
151	Ministry of Fisheries and Aquatic Resources Development	Augmentation of Trincomalee water supply scheme, Establish desalination plants in Jaffna and Puttlam, Integrated Townships in Samanthurai and Kalmunai, Gandara Fishery Harbour Development Project, Establish Aquaculture Industry Zones in Hambantota, Mannar and Batticaloa, Improve Fishery Villages in 10 Coastal districts including Hambantota, Jaffna and Batticaloa, Establish intergrated Inland Fishery Villages - "Wewak Sahitha Gamak Programme and Expand Operation of National Aquaculture Development Authority Acquisition of a vehicle formulate the new Fisheries and Aquaculture Policy		2,324,320,000
153	Ministry of Lands	Acquisition of Capital Assets of Furniture and Office Equipment.		600,000
286	Department of Land Commissioner General	Lease rental of vehicles	1,800,000	
327	Department of Land Use Policy Planning	Acquisition of Capital Assets, Lease rental of vehicles, Travelling Expenses and Other Capital Expenditure	5,000,000	10,000,000
154	Ministry of Rural Economic Affairs	Provide high yielding and quality milk-producing cows to farmers and Establish Economic Centre - Eastern province as per the Budget Proposals, Partition of a New Building, Rehabilitation and Improvement of Capital Assets, Acquisition of a vehicle , Bill payment of Kithul Development Project and Rural infrastructure facilities and Livelihood development project		795,705,900

				Rs.
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
155	Ministry of Provincial Councils and Local Government	Development Assistance for Waste Management, Community Infrastructure Development., Development of 1,000 Km of road length in rural areas, Vertical Building for mixed development, Recreational facilities and entertainment facilities to facilitate private businesses as per the Budget Proposals, Providing infrastructure facilities to Shangri La Hotel project, Acquisition of a vehicle, Bill Payments of Pellepola Town Development Programme, Construction of New Buildings, Development of Emergency Response Capacity Project and Mulatiyana Pradeshiya Sabha Maintenance expenses		5,299,083,000
312	Western Provincial Council	Settle the bills of 2016		1,034,840,000
313	Central Provincial Council	Renovation of the official residence of Hon.Governor and settle the bills of 2016		1,210,340,000
314	Southern Provincial Council	Rehabilitate the Provincial irrigation tanks, canals and roads, Construction of Kamburupitiya Bus Stand, Settle the bills of 2016		1,072,871,020
315	Northern Provincial Council	Specific Development Grants for Contribution to Provincial Councils, Settle the bills of 2016		516,500,000
316	North Western Provincial Council	Settle the bills of 2016		483,440,000
317	North Central Provincial Council	Settle the bills of 2016		123,370,000
318	Uva Provincial Council	Rehabilitate the agriculture roads and minor irrigation		287,500,000
319	Sabaragamuwa Provincial Council	Settle the bills of 2016		506,010,000
321	Eastern Provincial Council	Acquisition of a vehicle and Completion work of Sampoor hospital building and Purchasing of furniture and equipment		79,000,000
157	Ministry of National Co-Existence, Dialogue and Official Languages	Implementation of the Budget Proposal on "Promotion of National Co-existence, Dialogues and Official Languages", Acquisition of a vehicle , Rent and Local Taxes and lease rental for Vehicles	17,110,000	343,000,000

				Rs.	
Head No.	Ministry / Department	Purpose	Rucurrent	Capital	
158	Ministry of Public Enterprise Development	Acquisition of a vehicle, Personel Emoluments of JEDB, State Plantation Corp and Elkaduwa Plantation, Create Housing Bank as per the Budget Proposal, Rehabilitation and improvements		7,797,290,000	
159	Ministry of Tourism Development and Christian Religious Affairs	Acquisition of a vehicle , Update printed and electronic brochures, Establish Training Center and an Integrated Information Center, Expand Tourist Police Units, Investment in jetties, Interest subsidy loan scheme, Construct a MICE Convention Centre as per the Budget Proposals	510,000,000	1,293,000,000	
203	Department of Christian Religious Affairs	Rehabilitation of religious places as per the Budget Proposal, Uniform, Library & Dehami Diriya Teachers Allowances for Dhamma School Teachers	114,627,000	25,000,000	
160	Ministry of Mahaweli Development and Environment	Project on National Implementation plan, International Training Workshop, Mainstreaming Agro Biodiversity Conservation, Effective Management of Invasive Alien Species, Project on Preparation of Sri Lanka's Third National Communication, "Mainstreaming Biodiversity Conservation and Sustainable use for Improved Human Nutrition and Wellbeing" and " Mechanism for Reducing Emissions from Deforestation and Degradation", Personal Emoluments and Other, Implementation of the Montreal Protocol	8,034,000	31,941,800	
283	Department of Forests	Establishment and Management of Industrial Plantation		40,000,000	
161	Ministry of Sustainable Development and Wildlife	Acquisition of a vehicle		43,000,000	

Rs.				
Head No.	Ministry / Department	Purpose	Rucurrent	Capital
162	Ministry of Megapolis and Western Development	Expenditure on Megapolis Development Projects, Greater Colombo Flood Protection and Environment Development, Relocation of Manning Market, Townships Development and Urban Solid Waste Management, Beira Lake Rehabilitation and Redevelopment Project, Urban Regeneration Programme, Matara Riverside Development and "Build iconic buildings by Urban Development Authority and Inland Revenue Department" as per the Budget Proposal, Metro Colombo Urban Development project, Compensation for the acquisition of lands, royalty fee for dredging sea sand, Development of Strategic Cities, Metro Colombo Flood Resilient Urban Environment Trust Fund, preparation of Master Plan for Trincomalee District, Settle the bills of 2016, Urubokka City Development Project	551,800,000	20,642,317,000
163	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Establishing an Immigration Police, Contributory Pension Scheme for Artists, Infrastructure Development, Acquisition of furniture & office equipments		612,670,000
206	Department of Cultural Affairs	Renovation project of John De Silva Theatre and National Art Gallery		61,000,000
226	Department of Immigration and Emigration	Expenditure for Staff Training		2,500,000
165	Ministry of National Integration and Reconciliation	Facilitate the undertaking of programmes aimed at improving peace and harmony, Project on key mechanisms process, Hand Book and Workshop on Religious and Cultural Festival Celebrations, Donation of 400 Bicycles to Conflict Affected, Most Vulnerable Students in Jaffna, Reconciliation Focused Economic Empowerment		1,695,396,450

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
166	Ministry of City Planning and Water Supply	Development of comprehensive plan to upgrade cities as per the Budget Proposal, Acquisition of a vehicle , Dry Zone Urban Water Supply Project., Water & Sanitation Development Programme, Water supply facilities for Resettlement Villages, Purchase three Gully Bowsers , Settle the bills of Emerging Small Townships Water Supply Schemes		4,389,887,500
167	Ministry of Special Assignments	Acquisition of a vehicle		42,600,000
176	Ministry of Ports and Shipping	Settle the commitment of Colombo Ports Expansion Project		32,255,000
182	Ministry of Foreign Employment	Acquisition of vehicle		43,000,000
192	Ministry of Law and Order and Southern Development	Adjustments of salaries of the Sri Lanka Police Service as per the Budget Proposal of 2016, Southern Development, Drug prevention and Rehabilitation of drug addicts, UN Peace Keeping Operations, Personal Emoluments	297,600,000	1,968,330,000
225	Department of Police	Adjustments of salaries of the Sri Lanka Police Service as per the Budget Proposal of 2016, Implement the Development Activities and engage in drug prevention, Eradication and rehabilitation of those who addicted to drugs, Purchase 5 Ambulances, Diets and Uniforms	2,932,000,000	5,097,700,000
193	Ministry of Labour and Trade Union Relations	Construction of Circuit Bungalow at Ampara and purchase essential furniture, Subscriptions and Contributions Fee	1,596,200	8,000,000

Rs.

Head No.	Ministry / Department	Purpose	Rucurrent	Capital
194	Ministry of Tele-communication and Digital Infrastructure	Settle the operational Lease rental and CIF and Local Charges, Acquisition of a vehicle, Custom charges and VAT on acquisition of a vehicle, As per the Budget Proposal Digitalizing the Economy, National Digital Identity, National Payment Platform, Establish National Data Center, Toll charging system , Introduce Cryptography and Provide Video conferencing facilities, Foreign Travelling Expenses, Renovation of the official residence	5,670,590	15,082,781,250
195	Ministry of Development Strategies and International Trade	Infrastructre Development, Colombo Fair Exhibition, Foreign Travelling Expenses , Lease rentals for vehicle and Acquisition of a vehicle	66,000,000	1,036,000,000
296	Department of Import and Export Control	Expenditure on Capacity Building		700,000
196	Ministry of Science, Technology & Research	Acquisition of vehicles , Research Assist in Diabetes, Dengue, CKDu and Cancer, Establishment of Innovation Accelerator Fund and Technology Innovation Park, Implemental of Nanotechnology Programme, Establishment of Center for Excellence, Quality Assurance of Imported Products, Product Design Engineering Services Fund and Establishment of Incubators in Collaboration with Nenasala as per the Budget Proposals, expenses of COSTI , Foreign Travelling Expenses,	29,626,000	1,434,000,000
197	Ministry of Skills Development and Vocational Training	Expenditure on Official Residence, Scholarships for students, Stipend for youth to train in apparel, Health care, Hospitality and construction, Upliftment of Matara German Training Technical School and Hotel Training School as per the Budget Proposals, Acquisition of a vehicle rental expenses	640,600,000	229,283,600

Head No.	Ministry / Department	Purpose	Rs.	
			Rucurrent	Capital
198	Ministry of Irrigation and Water Resources Management	Acquisition of the vehicles, Lower Malwathu Oya Irrigation Development Project, Efficiency Management Project, Rehabilitation of Minipe Left Bank and Kithul and Rugam tanks, Kubukkan Oya and Tharapuram tanks and Implement pilot projects to monitor ground water as per the Budget Proposals, Installment of sellers credit, Rehabilitation, Improvement & Acquisition of Capital Assets	7,242,669	1,266,272,422
282	Department of Irrigation	Implementation of Yan Oya Project as per the Budget Proposal		1,000,000,000
199	Ministry of Primary Industries	Lease rental of Vehicle procured under Operational Leasing method	6,411,900	
Total			129,501,377,192	197,008,858,782

Source: Department of National Budget

3.4 Treasury Operations

Performance of the Cash Flow of the General Treasury

Cash inflows from revenue and other receipts to the General Treasury were Rs. 578.5 billion while cash deficit after outflow for recurrent and capital payments amounted to Rs.222.1 billion during the first four months of 2017. This was an increase in net cash deficit by Rs.13.6 billion in the review period compared to the same period of 2016. This

increase in net cash deficit was mainly due to the increase in cash outflows to the capital expenditure by 58.8 percent which was more than that the increase in cash inflows to the General Treasury by 24.1 percent during the first four months of 2017 compared to the same period of 2016. The overall closing cash balance (deficit) as at the end of April 2017 was Rs.146 billion which was Rs.17 billion lower than the cash deficit which prevailed at the end of April 2016.

**Table 3.20 : Statement on Government Treasury Cash Flow Operations
January to April 2017**

Item	Rs.Billion		
	2016	2017	
	Jan-April	Jan-April	
	Actual	Estimate	Actual
Opening Cash Balance as at 1 st January	(196.8)	(160.3)	(160.3)
Total cash inflows from revenue and other receipts	466.1	571.0	578.5
Total cash outflows for recurrent payments	(553.3)	(632.1)	(607.9)
Total cash outflows for capital payments*	(121.3)	(236.2)	(192.7)
Net cash surplus / (deficit)	(208.5)	(297.3)	(222.1)
Gross borrowings*	453.4	618.7	618.3
Debt repayment	(218.0)	(372.1)	(380.9)
Net borrowings	235.4	246.6	237.4
Adjustment account balance (Temporary Employed Balances (TEB), net deposits, etc.)	6.9		(0.9)
Closing Cash Balance as at 30 th April	(163.0)	(211.0)	(145.9)

Source: Department of Treasury Operations

*Includes project/programme loans received by the Government and recorded in the CS-DRMS as at April 30,2017

Management of Government Debt

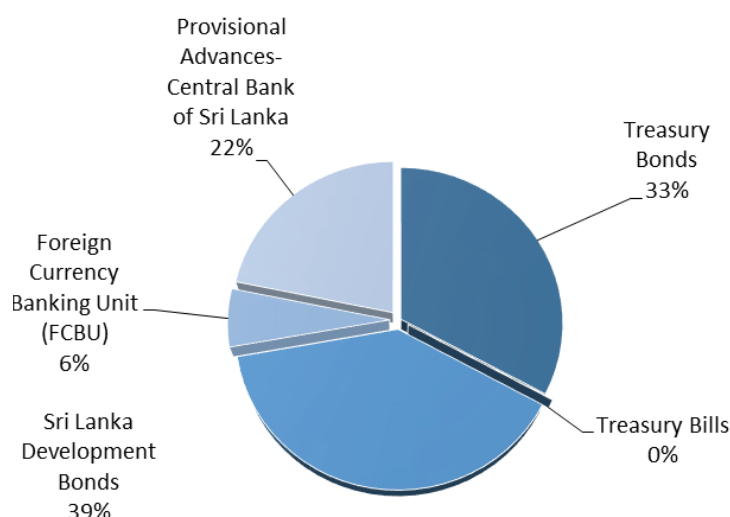
The total gross borrowing of the Government was Rs. 618.3 billion during the first four months of 2017 comprising domestic borrowings of Rs.553 billion and foreign borrowings of Rs.65.3 billion. The domestic

borrowings of Rs. 380.9 billion was utilized for debt repayments and the balance for interest payments. The net borrowing was Rs. 237.4 billion during this period. Table 3.21 summarizes the Government gross domestic borrowings during January - April 2017.

Table 3.21 : Gross Domestic Borrowings (January to April 2017)

Borrowing Instrument	Rs. Billion
Treasury Bonds	181.7
Treasury Bills (Net)	0.3
Sri Lanka Development Bonds	217.3
Foreign Currency Banking Unit (FCBU)	33.3
Provisional Advances - Central Bank of Sri Lanka	120.4
Total	553.0

Chart 3.3 Gross Domestic Borrowings (January to April 2017)



Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remained valid as at April 30, 2017, was Rs.837.43 billion which were within the

limit of 10 percent of GDP as per the Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016. The list of Treasury Guarantees issued by the General Treasury as at April 30, 2017, is given in Table 3.22.

Table 3.22 : The List of Treasury Guarantees Issued by the General Treasury up to 30.04.2017

			Rs. Million
S. No	Name of the Bank or Institution	Name of Institution	Amount
1	People's Bank	Ceylon Electricity Board	16,813.89
		Ceylon Petroleum Corporation	138,816.00
		Ceylon Petroleum Storage Terminals Ltd.	6,215.87
		Ceylon Shipping Corporation Ltd	12,339.20
		Co-operative Whole Sale Establishment	157.10
		Lanka Coal Company (Pvt) Ltd	6,000.00
		Ministry of Defence and Urban Development	1,000.00
		National Water Supply & Drainage Board	957.75
		Paddy Marketing Board	2,247.23
		People's Bank Pension Trust Fund	2,500.00
		Road Development Authority	19,153.56

			Rs. Million
S. No	Name of the Bank or Institution	Name of Institution	Amount
2	Bank of Ceylon	Ceylon Petroleum Corporation	138,816.00
		General Sir John Kotelawala Defence University	835.00
		Mihin Lanka (Pvt)Ltd	367.00
		National School of Business Management Limited	8,600.00
		National Water Supply & Drainage Board	39,630.91
		Northsea Limited	50.00
		Paddy Marketing Board	3,129.78
		Road Development Authority	40,803.31
		State Development and Construction Corporation	400.00
		State Engineering Corporation	750.00
		Urban Development Authority	20,000.00
3	National Savings Bank	Ceylon Electricity Board	8,750.00
		General Sir John Kotelawala Defence University	31,099.41
		Lakdhanavi Ltd.	2,992.00
		National Water Supply & Drainage Board	1,239.48
		Road Development Authority	55,371.44
		Sri Lanka Land Reclamation & Development Corporation	3,500.00
		Urban Development Authority	2,770.00
4	Commercial bank	Ministry of Defence and Urban Development	2,000.00
		National Water Supply & Drainage Board	1,929.61
		Road Development Authority	7,209.81
5	DFCC Bank	Ministry of Defence and Urban Development	1,000.00
		National Water Supply & Drainage Board	3,837.87
		Road Development Authority	1,328.87
6	Employees' Trust Fund Board	Lakdhanavi Ltd.	2,992.00
7	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	13,674.15
8	Hatton National Bank	Ministry of Defence and Urban Development	3,550.00
		National Water Supply & Drainage Board	9,474.17
		Road Development Authority	28,262.54

			Rs. Million
S. No	Name of the Bank or Institution	Name of Institution	Amount
9	Hongkong & Shanghai Banking Co.Ltd.	West Coast Power(Pvt)Ltd.	22,744.81
10	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	10,754.17
11	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	104,029.33
12	National Development Bank	National Water Supply & Drainage Board	3,874.13
		Road Development Authority	8,353.31
13	Exim Bank of India	National Water Supply & Drainage Board	39,593.41
14	China Development Bank	National Water Supply & Drainage Board	7,522.08
Total			837,435.18

CHAPTER 4

Performance of State Owned Business Enterprises

4.1 Overview

The total revenue of the 55 State Owned Business Enterprises (SOBE) to the GDP in 2016 was around 13.3 percent compared to the 12.3 percent recorded in 2015. In this background, of the government policy of strategic reorientation of SOBEs with a view to improving their financial position and service delivery meeting the demands of the rapidly growing economy resulted in the signing of Statements of Corporate Intent (SCI)¹ with five (05) selected key SOBEs namely Ceylon Petroleum Corporation (CPC), Ceylon Electricity Board, National Water Supply and Drainage Board (NWS & DB), Airport and Aviation Services (Sri Lanka) Ltd (AASL) and Sri Lanka Ports Authority (SLPA).

The expected results of the SCIs are;

- to operate SOBEs as budgetary independent institutions in a commercially viable manner
- to improve the practices of Corporate Governance
- the use of efficient Financial Management practices
- strengthening the human resource management
- to change the operational culture and reengineering the business process
- to ensure efficient and effective business operations and generate a reasonable Return on Investment.

The overall performance of SOBEs have been mixed during the first 4 months of 2017, with the performance CEB and CPC incurring losses during this period in comparison to the first 4 months of 2016, mainly due to the dry weather conditions which was carried over to 2017 from 2016. The performance was further effected with global oil prices

increasing by almost USD 10-15/barrel or 20-25percent, during the first 4 months of 2017 against the same period in 2016.

Based on the adverse shocks on the performance, the return of Investment from SOBEs during the first 4 months in 2017 has also declined to Rs. 4,371 million compared to Rs 7,891 million recorded last year in the same time period.

In the meantime, the outstanding debt to banks of 42 non-financial SOBEs increased by 17 percent to Rs. 889,132 million during the first four months of 2017 from Rs. 758,160 million recorded at the end of 2016.

4.2 Review of the ten major SOEs

Bank of Ceylon (BOC)

BOC has the largest asset base in the banking industry in Sri Lanka and has managed to maintain the asset base of above one trillion over the last four years.

BoC's asset base recorded an increase of 8.2 percent to Rs.1,806 billion by the end of April 2017, from Rs.1,669 billion as at the end of the year 2016. The deposit base has increased by 3.9 percent to Rs.1,305 billion during the first four months of 2017 compared to Rs.1,256 billion as at the end of 2016. Non performing loan ratio of the bank has recorded an increase during the period of first four months of 2017 to 3.39 percent from 2.88 percent prevailed as at the end of 2016. BOC has recorded a profit before tax of Rs.10.2 billion for the first four months of 2017, compared to Rs.10.1 billion in the corresponding period of the previous year.

People's Bank (PB)

People's Bank has grown into the second largest commercial bank in Sri Lanka in terms of assets with an asset base over Rs. 1 trillion.

¹ SCI is a tripartite agreement signed by relevant SOBE, Line Ministry and Ministry of finance and Mass Media. This focuses on improving the performances of SOEs within the agreed period in line with the government policy framework. Initially this was included the Financial and operational result oriented targets along with the KPIs.

PB's asset base recorded an increase of 12.0 percent to Rs.1,458 billion as at the end of first four months of 2017, from Rs.1,302 billion as at the end of 2016. Deposit base of the bank increased by 6 percent to Rs.1,143 billion by the end of April 2017, from Rs.1,078 as at the end of 2016. Net loans and advances has recorded an increment of 11.8 percent during the period from January to April 2017 to Rs.995 billion. PB recorded a profit before tax of Rs.4.6 billion for the first four months of 2017 in comparison to Rs.5.6 billion for the corresponding period of 2016.

National Savings Bank (NSB)

National Savings Bank (NSB) is a government owned Licensed Specialized Bank. NSB retained the AAA (lka) national long term rating by Fitch Ratings Lanka for the fourteenth consecutive year up to 2016.

Bank's asset base recorded an increase of 2.3 percent to Rs.933 billion as at the end of first four months of 2017, from Rs.912 billion as at the end of 2016. Deposit base of the bank increased by 2.1 percent to Rs.671 billion by the end of April 2017, from Rs.657 as at the end of previous year. Loans and advances has recorded an increment of 7.2 percent during the period from January to April 2017 to Rs.313 billion. NSB recorded a profit before tax of Rs.3.5 billion for the first four months of 2017 in comparison to Rs.4.4 billion for the corresponding period of 2016.

Sri Lanka Insurance Corporation (SLIC)

The Sri Lanka Insurance Corporation recorded a profit before tax of Rs.5,139 million during the first four months of 2017 and recorded a total revenue of Rs. 13.4 billion, which was a significant increase of 24 percent, compared to 10.8 billion during the corresponding period in 2016.

Ceylon Electricity Board (CEB)

CEB faced severe challenges due to dry weather condition prevailed in the country from the latter part of 2016. Hence, an operating loss of Rs. 16,590 million in the first four months of 2017 has been recorded

compared to the operating loss of Rs. 5,781 million recorded in the same period of 2016. Cost per unit without Tax has increased to Rs. 20.28 per kWh in the first quarter of 2017 over Rs. 17.54 per kWh recorded in 2016. Generation mix comprised with 527 GWh Hydro, 1,351 GWh Thermal (Fuel) and 1,603 GWh Thermal (Coal) during the reporting quarter, which has changed from 36:31:33 in 2016 to 15:39:46 in first three months of 2017 due to the decrease of hydro power generation as result of the dry weather conditions that prevailed.

Further, the total outstanding obligations to the banks of CEB in the first quarter stood at Rs.31,744 million compared to Rs. 39,055 million as at 30.04.2016.

The Treasury has provided Rs. 6,000 million through a supplementary allocation to CEB to compensate for the additional cost incurred in utilizing high cost thermal power generation in order to provide an uninterrupted supply of power to the country.

As per an initiative taken in 2016, Statement of Corporate Intent in between Government of Sri Lanka through its line Ministry of Power and Renewable Energy, and the Ministry of Finance and Ceylon Electricity Board has finalized and relevant parties have signed the agreement in March 2017. The main key performance targets in the SCI are to improve the quality of electricity to customers, to become a low- cost electricity supplier, Optimizing generation capacity and ensuring the financial stability of CEB.

Ceylon Petroleum Corporation (CPC)

The import cost of petroleum and petroleum related products for the first four months of CPC increased by 55 percent from US \$ 470 Mn to 730 Mn US\$ compared to the same period of the preceding year due to increasing in the international market oil prices in the beginning months of year 2017. The average price of a barrel of Brent crude oil during the first four month of year 2017 was US \$ 53.96 while it stood at USD39.61 per barrel in first four months of 2016.

The increased cost of imports has had a negative impact on the financial performance of CPC, with entity incurring a loss of Rs.3.8 billion during the first 4 months of 2017 against the operational profit of Rs. 37.6 billion recorded during the same period in 2016. The depreciation of the Rupee against the USD has resulted in the CPC incurring an overall exchange loss Rs. 5.7 billion during the first 4 months of 2017. The increase in import cost and the depreciation of rupee against US dollar has expanded the bank exposure level by Rs. 73 billion at the end of April 2017, from Rs. 309 billion at the end of December 2016. The upward pressure on the bank exposure will have an adverse impact on the finance cost of CPC during the second half of 2017.

Government has issued Treasury guarantees worth of US \$ 1600 million as collateral to the Bank of Ceylon and Peoples Bank against the borrowings of CPC.

Sri Lanka Ports Authority (SLPA)

SLPA's revenue, during the first four months of the year 2017 was Rs.14.1 billion which is almost equal to the revenue in the same period in 2016. SLPA recorded a profit before tax of Rs. 4.3 billion prior to adjusting foreign exchange losses during the first four months of the year, against the exchange loss of Rs. 4.6 billion incurred during the same period of 2016. As such, SLPA has recorded a loss of Rs. 0.5 Billion during this period, post the adjustment of the Foreign Exchange loss incurred.

Total outstanding borrowings of SLPA by April 2017 has marginally increased by 1.7 percent to Rs. 237.6 billion. The annual interest cost represents approximately 28 percent of operational expenses of the Authority.

During the first quarter of the year, SLPA signed an agreement of Corporate Intent, which is an agreement to achieve defined targets link to KPIs within next 3 years of the organization, with the Ministry of Ports and Shipping and the Ministry of Finance.

National Water Supply and Drainage Board (NWS&DB)

One of the key objectives of the NWS&DB is to increase the total pipe borne water coverage to 60 percent by 2020 from the existing level of 52 percent. As such, the government has decided to support the operations of NWS&DB through budgetary support.

NWS&DB has already launched 337 water supply schemes and 42 projects are in the pipeline.

Non-Revenue Water (NRW), which was created mostly due to issues in linkages, metering problems and unauthorized consumption has a significant impact on the operations of NWS&DB. The current NRW is at comparatively high at around 27.8 percent and it is expected to reduce marginally to 26 percent by 2019.

Even though the revenue for the first four months in 2017 has increased by 7 percent to Rs. 7,405 million compared to same time period in 2016, total profitability of NWS&DB has declined by 50 percent to Rs. 140 million due to the increase in operating cost. However, as per the SCI, NWS&DB is expected to record a profit of Rs. 4,830 million in 2017.

Airport and Aviation Services (Sri Lanka) Ltd (AASL)

AASL initiated resurfacing the runway at the runway at the Bandaranayake International Airport (BIA) in early 2017 since it has not been repaired during the required time at a cost of Rs 7.2 billion. As such, the BIA was closed for commercial operations between 8.30 a.m. to 4.30 p.m continuously for three months and it was successfully completed on 06.04.2017 enabling BIA to handle wide bodied aircrafts. During the three months of restricted access to the BIA, the number of passengers handled by the BIA in the first four months of 2017 has declined by 3percent to 3.1 million compared to 3.2 million recorded during the same period in 2016.

Operational Statistic of Mattala

Period	Total Passenger Handling	International Aircraft Handling
First 4 months of 2016 (Draft)	1,395	320
First 4 months of 2017 (Provisional)	48,810	623

However, it is estimated that revenue has increased marginally to around Rs. 6,596million during the first 4 months of 2017 compared to the same period in 2016.

As per the government policy SCI was signed with the AASL as one strategically important SOBEs out of 5 identified SOBEs. The agreed profit and passenger movements under the signed SCI are 6,699 million and 10.5 million of passengers respectively in 2017.

Sri Lankan Airlines (SLA)

The Government of Sri Lanka (GOSL) is currently in the process of restructuring the SLA and expects to offer an equity stake and management control of the company with a view to turnaround the SLA as commercially viable entity. However, due to the delays in the selecting a suitable business partner, the Cabinet Committee on Economic Management has appointed a high level

committee to study all the options available for the restructuring of the SLA.

The total loss of the SLA has increased by 55 percent to Rs 9,522 million in first four month in 2017 compared to the loss of Rs. 6,125 million recorded in the same period in 2016. However, the accumulated losses and the negative net worth of the SLA as at 30.04.2017 has reached to 170 billion and Rs. 116 billion respectively.

Considering the weak financial liquidity position continuously experienced by the SLA and the Mihin Lanka (Pvt)Ltd. (MLL), Treasury has provided Guarantees and Letters of Comfort in order support the SLA to secure the loan facilities until the restructuring process is concluded. As such, the accumulated commitments up to April 2017 stood at Rs. 29,917 million and US\$ 210 million.

The fleet operations and route networks of MLL were amalgamated to the SLA with effect from 30th October 2016 based on a decision made by the Cabinet Committee on Economic Management (CCEM). Further, the Cabinet of Ministers granted approval to offer VRS to the MLL employees. As such, 168 employees of the MLL resigned under the VRS scheme offered while 124 employees were absorbed to the SLA considering the needful.

Table 4.1: Outstanding Debt to Banks of Non-Financial State Owned Business Enterprises

Rs. Million

Enterprise	Debt to Banks		As at 30.04.2017 (Provisional)
	2015	2016 (Draft)	
1 Ceylon Electricity Board	41,824	33,468	31,744
2 Ceylon Petroleum Corporation	354,094	308,516	382,552
3 Sri Lanka Ports Authority	233,148	233,189	237,656
4 National Water Supply and Drainage Board	9,413	35,728	42,267
5 Airport and Aviation Services (SL) Ltd	37,729	37,679	38,524
6 Sri Lankan Airlines Ltd (a)	76,065	67,599	91,587
7 Mihini Lanka (Pvt) Ltd	165	3,372	4,817
8 Sri Lanka Transport Board	3,395	-	-
9 State Engineering Corporation	431	560	1,205
10 Central Engineering Consultancy Bureau	-	-	-
11 State Development and Construction Corp.	650	650	700
12 Milco (Pvt) Ltd	668	688	460
13 National Livestock Development Board	861	207	250
14 Sri Lanka State Plantations Corporation	83	154	4.1
15 Janatha Estates Development Board	41	-	137
16 Kurunegala Plantations Ltd	-	-	-
17 Chilaw Plantations Ltd	-	-	-
18 Kalubovitiyana Tea Factory Ltd	-	-	44.6
19 Sri Lanka Cashew Corporation	-	-	-
20 Lanka Mineral Sands Ltd	-	100	-
21 Lanka Phosphate Ltd	-	15	25
22 Kahatagaha Graphite Lanka Ltd	-	-	-
23 Development Lotteries Board	-	-	-
24 National Lotteries Board	-	-	-
25 State Pharmaceuticals and Manufacturing Corp.	-	-	434.6
26 SL Ayurvedic Drugs Corporation	49	52	50
27 State Pharmaceuticals Corporation	56	39	49.6
28 Sri Jayawardenapura General hospital	-	-	-
29 Independent Television Network Ltd	-	-	-
30 SL Rupavahini Corporation	195	310	362
31 Sri Lanka Broadcasting Corporation	-	-	-
32 Sri Lanka Handicraft Board	673	592	544
33 State Timber Corporation	-	-	-
34 STC General Trading Company	-	-	1360
35 Lanka Sathosa Ltd	-	-	12,133
36 State Printing Corporation	-	-	550.7
37 Ceylon Fisheries Corporation	-	-	63
38 Ceylon Fishery Harbour Corporation	36	0.2	-
39 Ceylon Fertilizer Company Ltd	31,310	27,481	28,295
40 Colombo Commercial Fertilizer Company Ltd	12,483	7,747	13,317
41 Hotel Developers Lanka PLC	-	-	-
42 Lanka Sugar Company Ltd	23	14	NA
Total	803,392	758,160	889,132

Source: SOBEs and Department of public Enterprises

(a) Financial year ended as at 31st March each year

Table 4.2: Profitability of State Owned Enterprises

Rs. Million

Enterprise	Profit/ (Loss)		As at 30.04.2017 (Provisional)
	2015	2016(Draft)	
1 Bank of Ceylon	25,109	31,635	10,200
2 People's Bank	19,497	19,399	6,954
3 National Savings Bank	13,034	13,251	3,526
4 State Mortgage & Investment Bank	731	460	217
5 HDFC Bank	972	636	164
6 Lankaputhra Development Bank Ltd	204	255	94
7 Pradeshiya Sanwardhana Bank (RDB)	2,112	2,089	345
8 Sri Lanka Savings Bank Ltd	348	464	218
9 Employee's Trust Fund Board	18,152	15,846	7,534
10 Sri Lanka Insurance Corporation	3,017	9,903	5139
11 National Insurance Trust Fund	4,449	6,000	1,561
12 Sri Lanka Export Credit Insurance Corp.	224	193	104
13 Agriculture and Agrarian Insurance Board	(256)	(3,261)	(842)
14 Ceylon Electricity Board	28,845	(14,499)	(16,590)
15 Ceylon Petroleum Corporation	(19,468)	69,620	(3,846)
16 Sri Lanka Ports Authority	(9,575)	2,212	(571.64)
17 National Water Supply and Drainage Board	252	835	140
18 Airport and Aviation Services (SL) Ltd	2,378	6,888	1,893
19 Sri Lankan Airlines Ltd	(12,622)	(28,140)	(9,522)
20 Mihin Lanka (Pvt) Ltd	(1,196)	(1,579)	NA
21 Sri Lanka Transport Board	(3,438)	3,617	3.5
22 State Engineering Corporation	(586)	(703)	(245)
23 Central Engineering Consultancy Bureau	510	833	198
24 State Development and Construction Corp.	80	28	170
25 Milco (Pvt) Ltd	(243)	274	137
26 National Livestock Development Board	39	(18)	(102)
27 Sri Lanka State Plantations Corporation	(189)	(134)	(12)
28 Janatha Estates Development Board	(401)	(404)	(38)
29 Kurunegala Plantations Ltd	155	132	65
30 Chilaw Plantations Ltd	79	69	74
31 Kalubovitiyana Tea Factory Ltd	7	33	30
32 Sri Lanka Cashew Corporation	17	32	1.4

Rs. Million

Enterprise	Profit/(Loss)		As at 30.04.2017 (Provisional)	
	2015	2016(Draft)		
33	Lanka Mineral Sands Ltd	509	206	43
34	Lanka Phosphate Ltd	57	(34)	(36)
35	Kahatagaha Graphite Lanka Ltd	13	14	1.7
36	Development Lotteries Board	1,669	2,833	621
37	National Lotteries Board	700	414	34
38	State Pharmaceuticals and Manufacturing Corp.	414	262	151.7
39	SL Ayurvedic Drugs Corporation	49	72	NA
40	State Pharmaceuticals Corporation	1,230	1,677	370
41	Sri Jayawardenapura General hospital	(250)	418	(36.5)
42	Independent Television Network Ltd	327	(162)	(120)
43	SL Rupavahini Corporation	(375)	(160)	8.8
44	Sri Lanka Broadcasting Corporation	62	84	20.3
45	Sri Lanka Handicraft Board	(40)	4	8.6
46	State Timber Corporation	795	531	80.5
47	STC General Trading Company	19	26	15
48	Lanka Sathosa Ltd	(3,647)	(4,805)	742
49	State Printing Corporation	3	10	(145)
50	Ceylon Fisheries Corporation	(190)	(91)	8
51	Ceylon Fishery Harbour Corporation	(60)	(113)	(22.28)
52	Ceylon Fertilizer Company Ltd	411	713	45
53	Colombo Commercial Fertilizer Company Ltd	436	147	12
54	Hotel Developers Lanka PLC	433	605	1.88
55	Lanka Sugar Company Ltd	(981)	1,103	(653)
Total		73,821	139,720	8,149.96

Source: SOBEs and Department of public Enterprises

Table 4.3: Levy/Dividend Income from SOEs

Rs. Million

Item	2011	2012	2013	2014	2015	2016	As at 30.04.2017
Levy	28,629	31,514	30,400	42,137	26,118	92,338	3,950
National Savings Bank	4,500	8,200	5,000	4,000	2,800	12,026	-
Bank of Ceylon	4,000	5,000	5,000	6,500	5,000	18,000	1000
Peoples Bank	4,500	4,500	4,500	6,000	3,000	8,000	1000
Telecommunication Regulatory Commission	9,050	7,200	10,100	10,000	10,000	28,000	-
Ceylon Petroleum Corporation	-	-	-	10,000	-	10,000	-
State Mortgage & Investments Bank	-	25	40	10	10	10	-
Regional Development Bank	-	500	500	-	87	88	-
State Timber Corporation	75	50	50	25	50	175	100
State Pharmaceuticals Manufacturing Corporation	59	20	20	25	30	65	-
National Insurance Trust Fund	3,495	4,200	3,200	4,000	3,000	2,500	750
Geological Survey and Mines Bureau	740	750	700	650	850	900	-
National Gem and Jewelry Authority	-	-	100	-	75	175	-
Ceylon Electricity Board	2,000	-	-	-	-	8,000	-
Board of Investment	210	200	-	100	141	115	-
National Lotteries Board	-	502	500	-	50	550	-
Sri Lanka Tourism Promotion Bureau	-	-	-	500	500	1,500	500
Securities and Exchange Commission	-	-	94	-	-	-	-
Insurance Board of Sri Lanka	-	-	300	-	-	-	-
Civil Aviation Authority	-	350	200	250	400	768	600
State Pharmaceutical Corporation	-	-	50	75	100	216	-
Sri Lanka Bureau of Foreign Employment	-	-	-	-	-	1000	-
National Transport Medical Institute	-	-	-	-	-	200	-
Central Engineering Consultancy Bureau	-	-	-	-	25	25	-
SL Export Credit Insurance Corporation	-	-	25	-	-	25	-
Others	-	17	21	2	-	-	-

Rs. Million

Item	2011	2012	2013	2014	2015	2016	As at 30.04.2017
Dividends	5,722	4,548	4,770	4,664	3,678	15,821	421
Bank of Ceylon	20	346	346	346	346	346	173
People's Bank	-	158	316	316	316	316	158
Sri Lanka Telecom PLC	536	759	760	759	795	795	-
De La Rue Lanka Ltd	68	42	44	49	61	62	-
Lanka Mineral Sands Ltd	500	1,700	-	43	14	-	-
Lanka Industrial Estates Ltd	31	47	55	55	55	47	-
Airport and Aviation Services Ltd	2,406	-	500	500	497	1,500	-
Lanka Electricity Company Ltd	-	75	75	25	87	152	-
Plantation Companies**	219	179	139	80	62	10	54
Sri Lanka Insurance Corporation Ltd	1,750	1,001	2,199	2,001	1,003	11,857	-
Lankaputhra Development Bank	6	18	36	36	36	36	-
National Savings Bank	60	60	60	60	60	60	30
National Development Bank	2	4	10	6	5	2	1
Lanka Phosphate Ltd	20	40	25	35	30	-	5
Independence Television Network Ltd	49	88	50	125	84	-	-
Rakna Arakshaka Lanka Ltd	-	10	17	68	93	-	-
Ceylon Fertilizer Ltd	12	4	9	38	54	116	-
Colombo Commercial Fertilizer Ltd	-	8	10	12	10	25	-
Lanka Leyland Ltd	35	5	97	11	54	34	-
Others	8	4	22	99	16	463	-
Total	34,351	36,062	35,170	46,801	29,796	108,159	4,371

Source: SOBEs and Department of public Enterprises

CHAPTER 5

Foreign Financing

5.1 Foreign Financing Commitments

The Government has entered into ten (10) financing commitment agreements with foreign development partners and lending agencies from 1st January to 30th April 2017 amounting to US\$ 244.1 million to support the Public Investment Program (PIP) in accordance with the macroeconomic targets envisaged in the Medium-term Fiscal Framework 2017-2020. Of the total commitments made during this period, US\$ 174.3 million and US\$ 69.8 million were made in the forms of loans and grants respectively. A complete list of commitments is shown in Table 5.1 along with financial terms of each loan.

Out of the commitments made for the development activities, the International Development Association (IDA) of the World Bank has made the highest commitment during January-April 2017 amounting to US\$ 119.4 million followed by the European Investment Bank (US\$ 53.4 million), European Community (US\$ 44.8 million), Korea (US\$ 13.0 million) and Japan (US\$ 11.2 million).

From the sectoral perspective of the commitments, the highest amount has been committed for agriculture sector (US\$ 153.8 million) followed by water supply and sanitation (US\$ 53.4 million) sector during this period.

Chart 5.1: Sector-wise Commitment for Development Activities from 1st January to 30th April 2017 (US\$ million)

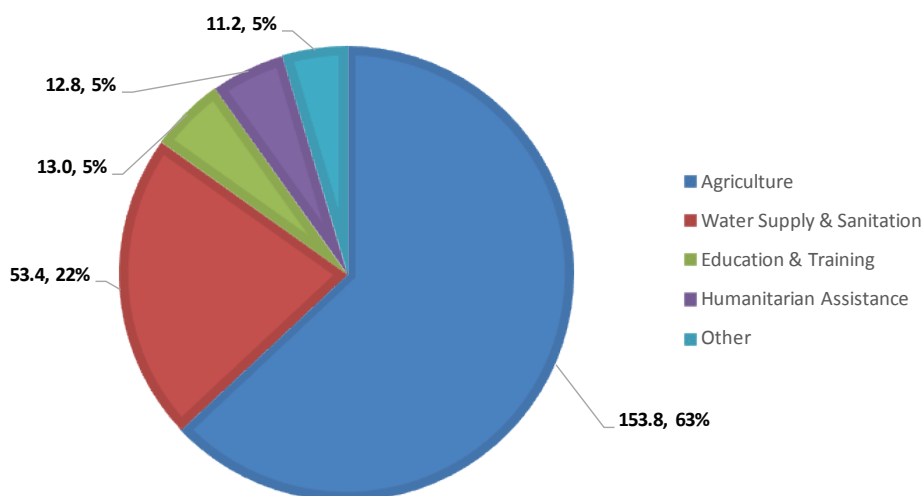


Table 5.1: Foreign Financing Commitments with Terms - from 1st January to 30th April 2017

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project / Program/ Instrument Name	Amount Committed (million)			Financial Terms			Maturity / Availability Period from the Date of Signing (Years)		
				Currency	In Instrument Currency	Rupees	US\$	Interest			Grace Period (Years)	
								Annual Rate (%)	Margin (100 basis points)			Other Charges
Bilateral												
Japan	Grant	2017/02/27	Economic and Social Development Programme (Improvement of Public Security and Strengthening of Counter-Terrorism Activities)	JPY	250.0	337.3	2.2		Not Applicable	3.8		
	Grant	2017/04/12	Economic and Social Development Programme (Port and Nautical Activities)	JPY	1,000.0	1,353.8	8.9		Not Applicable	3		
Korea	Grant	2017/02/22	Project for Establishment of National College of Education (NCoE)	USD	13.0	1,966.2	13.0		Not Applicable	5		
Multilateral												
Asian Development Bank	Loan	2017/02/17	Project Design Advance for Northern Province Sustainable Fisheries Development Project	USD	1.3	196.0	1.3	Fixed	2	Not Applicable	1	6

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project / Program/ Instrument Name	Amount Committed (million)			Financial Terms			Maturity / Availability Period from the Date of Signing (Years)	
				Currency	In Instrument Currency	Rupees	US\$	Type	Interest		
									Annual Rate (%)		Margin (100 basis points)
European Community	Grant	2017/04/06	Strengthening Reconciliation Processes in Sri Lanka	EUR	12.0	1,944.4	12.8		Not Applicable		0
	Grant	2017/04/06	Support to the Modernization of Agriculture Sector in Sri Lanka	EUR	30.0	4,860.9	32.0		Not Applicable		0
European Investment Bank	Loan	2017/01/20	Implementation of Greater Colombo Water and Wastewater Management Improvement Program- Project 3	EUR	50.0	8,014.6	53.4	Variable	LIBOR + 6 Months for US\$	0	11
	Grant	2017/02/15	Development of site specific fertilizer management systems for sustainable crop production	USD	0.3	40.8	0.3		Not Applicable		0
Food & Agriculture Organization	Grant	2017/03/20	Emergency Assistance to Restore Agricultural Livelihoods of Vulnerable Households Affected by Drought	USD	0.5	75.7	0.5		Not Applicable		0
	Loan	2017/01/17	Agriculture Sector Modernization Project	SDR	89.2	17,963.2	119.7	Fixed	1.25	Not Applicable	5
						Total	36,752.9	244.1			

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offer Rate

2. Foreign loans commitments made for State Owned Enterprises (SOEs) are not included

3. The exchange rates prevailing to each agreement date have been used for the conversion of amounts signed by difference currencies into US\$ and Rupees

5.2 Foreign Financing Disbursements

Total foreign disbursements made through development projects and programmes from 1st January to 30th April 2017 was US\$ 440.6 million (or Rs.66,514.0 million) of which, US\$ 8.7 million was made as grants and US\$

431.9 million was made as loans. The majority of the total disbursements were made by China, which is almost 40 percent, followed by World Bank (17 percent) and Asian Development Bank (16 percent) as shown in Chart 5.2.

Table 5.2: Disbursements Made by Each Development Partner from 1st January to 30th April 2017

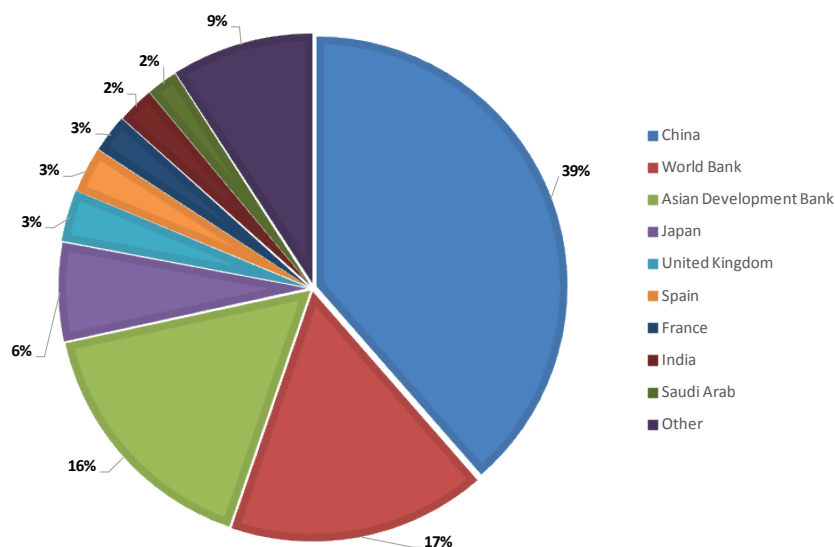
Development Partner / Lending Agency	Disbursed Amount (million)*					
	Loan		Grant		Total	
	Rupees	US\$	Rupees	US\$	Rupees	US\$
Bilateral	42,813.3	283.8	283.2	1.8	43,096.5	285.6
China	25,650.1	170.1	-	-	25,650.1	170.1
Japan	3,990.5	26.4	216.4	1.4	4,206.9	27.8
France	1,630.1	10.8	-	-	1,630.1	10.8
Deutsche Bank AG (United Kingdom)	1,602.1	10.6	-	-	1,602.1	10.6
India	1,576.0	10.5	-	-	1,576.0	10.5
Spain	1,563.4	10.4	-	-	1,563.4	10.4
Saudi Arab	1,329.2	8.8	-	-	1,329.2	8.8
HSBC (With Guarantee of EKF Denmark)	1,043.2	6.9	-	-	1,043.2	6.9
Hungary	810.8	5.4	-	-	810.8	5.4
HSBC Bank PLC (UK)	569.5	3.8	-	-	569.5	3.8
Export Import Bank of United States	526.5	3.5	-	-	526.5	3.5
Germany	397.2	2.7	66.8	0.4	464.0	3.1
Kuwait	447.4	3.0	-	-	447.4	3.0
Export Finance & Insurance Corporation (Australia)	432.0	2.9	-	-	432.0	2.9
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	397.0	2.6	-	-	397.0	2.6
KBC Bank of Belgium	319.9	2.1	-	-	319.9	2.1
UniCredit Bank Austria AG (Austria)	207.0	1.4	-	-	207.0	1.4
Co-op Centrale Raiffeisen-Boerenleenbank (Netherlands)	140.1	0.9	-	-	140.1	0.9
Korea	139.1	0.9	-	-	139.1	0.9
Raiffeisen Zentral Bank (Austria)	42.0	0.3	-	-	42.0	0.3
Multilateral	22,383.4	148.1	1,034.2	6.9	23,417.6	155.0
Asian Development Bank	10,899.1	72.1	-	-	10,899.1	72.1
International Development Association	8,379.1	55.5	902.5	6.0	9,281.6	61.5
International Bank for Reconstruction & Development	1,727.2	11.4	55.8	0.4	1,783.0	11.8
OPEC Fund for International Development	727.1	4.8	-	-	727.1	4.8
International Fund for Agricultural Development	650.8	4.3	75.9	0.5	726.7	4.8
Total	65,196.6	431.9	1,317.4	8.7	66,514.0	440.6

Source: Department of External Resources

Note: For conversion of disbursements made in various currencies into US\$ and Rupees, the exchange rates prevailing to 30th April 2017 have been used

** Provisional*

Chart 5.2: Disbursements Made by Each Development Partner from 1st January to 30th April 2017

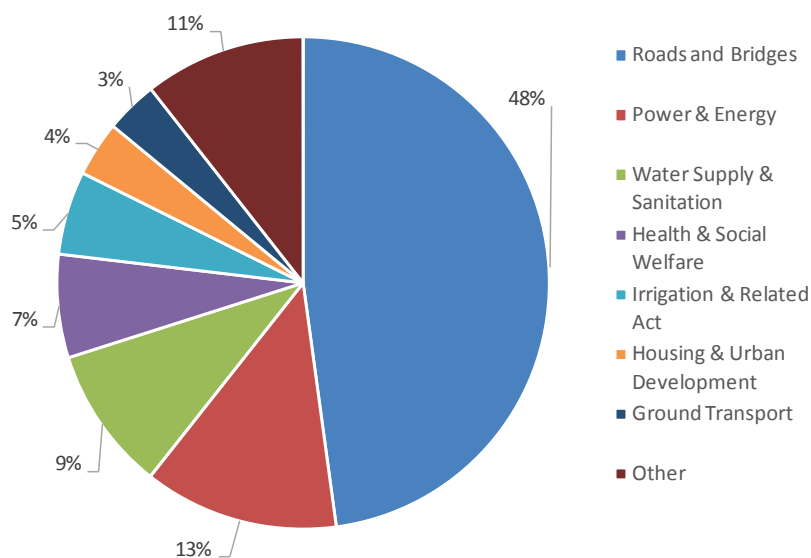


Other: Denmark, Hungary, OPEC Fund for International Development, International Fund for Agricultural Development, United States, Germany, Kuwait, Australia, Belgium, Austria, Netherlands and Korea

From the total disbursements made during the period, the highest amount was disbursed to roads and bridges sector, which

was almost 50 percent, followed by power and energy (13 percent), water supply and sanitation (9 percent) and health and social welfare (7 percent) sectors.

Chart 5.3: Disbursements Made for each Sector from 1st January to 30th April 2017 (US\$ million)



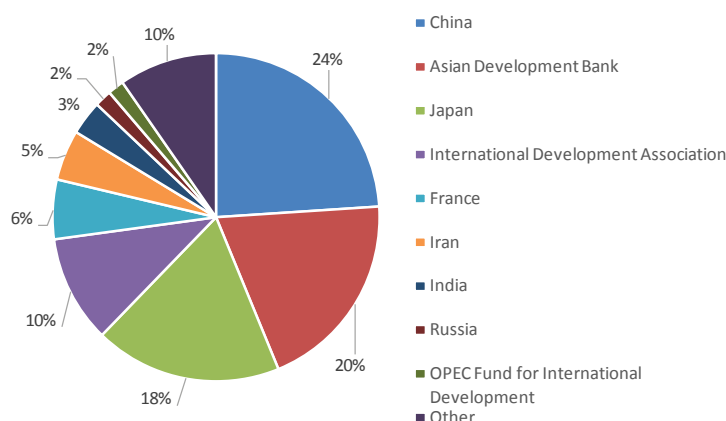
Other: Education & Training, Livestock Development, Defense, Disaster Management, Labor & Vocational Training, Environment, Plantation, Agriculture, Management & Institutional Development

5.3 Committed Undisbursed Balance (CUB) and Foreign Financing Utilization

As at 30th April 2017, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in next 3-5 years was US\$ 8,022.2

million (or Rs. 1,217,251.9million). Out of the total undisbursed balance, US\$ 5,430.7 million or about 68 percent was available for economic infrastructure sector amounting to US\$ 2,751.5 million for roads and bridges, US\$ 1,488.5 million for water supply and sanitation sector and US\$ 751.5 million for power and energy sector.

Chart 5.4: CUB of Development Projects and Programs as of 30th April 2017



Note: CUBs of State Own

Other = Netherlands, International Bank for Reconstructions and Development, Saudi Fund For Arab Economic Development, Korea, Kuwait, European Investment Bank, Spain, International Fund for Agricultural Development, United Kingdom, Denmark, Germany, United States, Pakistan, Australia, Sweden, and Belgium respectively

Table 5.3: Sector –wise CUB as at 30th April 2017

Economic Sector	CUB (million)	
	Rupees	US\$
Agriculture	135,270.5	891.5
Agriculture	19,442.1	128.1
Fisheries	197.3	1.3
Livestock Development	14,832.0	97.7
Land, Plantation and Irrigation	100,799.1	664.4
Economic Infrastructure	824,397.5	5,430.7
Transport	47,485.9	313.0
Ports and Shipping	19,528.0	126.2
Power and Energy	114,023.4	751.5
Water Supply and Sanitation	225,865.5	1,488.5
Roads and Bridges	417,494.7	2,751.5
Social Infrastructure	113,171.8	746.0
Education and Vocational Training	39,256.5	258.8
Health and social welfare	20,933.7	138.0
Housing and Urban Development	50,720.5	334.3
Rehabilitation	2,261.1	14.9
Finance and Banking	53,680.5	353.8
Institutional & Industrial Development	2,907.0	19.2
Environment	14,084.1	92.8
Other	73,740.5	488.2
Total	1,217,251.9	8,022.2

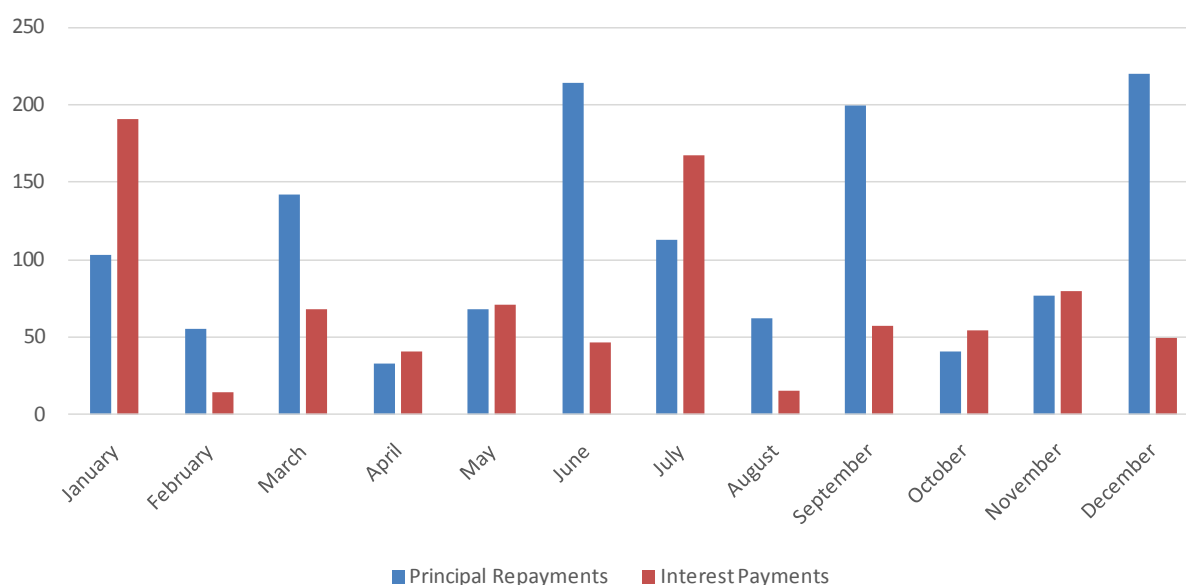
Note: CUBs of State Owned Enterprises are not included

Other = Media, Trade, Disaster Management & Defense

5.4 External Debt Stock and External Debt Service Payments

By the end of April 2017, the total outstanding external debt of the Government was US\$ 25.6¹ billion (or Rs. 3,886.5 billion). Total debt service² payments from 1st January to 30th April 2017 amounted to US\$ 713.4 million of which, US\$ 332.9 million was paid for principal repayments and the balance US\$ 313.3 million was paid for interest payment.

Chart 5.4: Debt Service Payments during January - April 2017 and Forecast¹ for the Remaining Period of 2017 (US\$ million)



Total estimated debt service payment for 2017 is US\$ 2,183.0 million, of which, 30 percent has already been made by 30th April 2017. Monthly breakdown of debt service payments for 2017 is shown in Chart 5.5.

1 Non-residential holdings of Treasury Bills/Bonds and outstanding debt of State Owned Enterprises (SOEs) are not included.

2 Debt Service = Principal Payments + Interest Payments, Debt Service Payment of SOEs are not included

US\$ estimations are based on the exchange rates as at 30th April 2017, Forecast was made based on existing portfolio only, i.e. debt stock to be accumulated due to new commitments were not included