FISCAL MANAGEMENT REPORT
2015

24th OCTOBER 2014

MINISTRY OF FINANCE AND PLANNING

SRI LANKA

Ministry of Finance and Planning
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FISCAL MANAGEMENT REPORT 2015

Mahinda Rajapaksa
President and Minister of Finance and Planning

24th OCTOBER 2014

Issued under the Fiscal Management (Responsibility) Act No. 3 of 2003, consisting of the Fiscal Strategy Statement-2015 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report-2015 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance.

Contents

Key Economic Indicators

Indicator	Period	Unit	Value	
			2013	2014
REAL SECTOR				
Economic Growth	First Half	%	6.4	7.7
Agriculture	First Half	%	1.2	3.1
Industry	First Half	%	10.4	12.4
Services	First Half	%	5.5	6.1
Inflation (Point to Point)	End Sep	%	6.2	3.5
Inflation (Average)	End Sep	%	7.8	4.2
Unemployment Rate	First Quarter	%	4.6	4.1
Labour Force Participation Rate	First Quarter	%	54.2	53.4
FISCAL SECTOR				
Budget Deficit	Jan-Sep	Rs. Mn.	(491,850)	(489,791)
Budget Deficit	Jan-Sep	% of GDP	(5.6)	(4.9)
Total Revenue	Jan-Sep	Rs. Mn.	784,201	828,191
Tax Revenue	Jan-Sep	Rs. Mn.	710,667	752,180
Non Tax Revenue	Jan-Sep	Rs. Mn.	73,534	76,011
Recurrent Expenditure	Jan-Sep	Rs. Mn.	920,350	962,076
Public Investment	Jan-Sep	Rs. Mn.	372,655	375,872
Government Debt	End June	Rs. Bn.	6,519	7,341
EXTERNAL SECTOR				
Exports	Jan-Aug	US$ Mn.	6,434	7,385
o/w Agriculture Exports	Jan-Aug	US$ Mn.	1,598	1,848
Industrial Exports	Jan-Aug	US$ Mn.	4,813	5,477
Textile and Garments	Jan-Aug	US$ Mn.	2,740	3,256
Other	Jan-Aug	US$ Mn.	2,073	2,221
Imports	Jan-Aug	US$ Mn.	12,002	12,555
Consumer Goods	Jan-Aug	US$ Mn.	2,100	2,288
Intermediate Goods	Jan-Aug	US$ Mn.	7,051	7,739
o/w Petroleum Products	Jan-Aug	US$ Mn.	2,876	3,448
Investment Goods	Jan-Aug	US$ Mn.	2,842	2,519
Trade Balance	Jan-Aug	US$ Mn.	(5,568)	(5,170)
Trade Balance	Jan-Aug	% of GDP	(8.29)	(6.78)
Tourist Arrivals	Jan-Aug	No.	813,858	1,001,643
Earnings From Tourism	Jan-Aug	US$ Mn.	1,095	1,447
Workers' Remittances	Jan-Aug	US$ Mn.	4,106	4,515
Overall Balance of Payments (BOP)	Jan-Jun	US$ Mn.	700	1,760
Gross Official Reserves	End Aug	US$ Mn.	6,353	9,204
Exchange Rate (End Month)	End Sep	RS. Per US$	131.95	130.43
Exchange Rate (Monthly Average)	Jan- Sep	RS. Per US$	132.47	130.26
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Sep	%	7.0	6.5
Standing Lending Facility Rate (SLFR)	End Sep	%	9.0	8.0
Statutory Reserve Requirement (SRR)	End Sep	%	6.0	6.0
Commercial Bank Average Weighted Prime Lending Rate (AWPR)	End Sep	%	11.94	6.75
Sri Lanka Inter Bank Offered Rate (SLIBOR) (I Month)	End Sep	%	10.01	6.66
W.A. Yield Rate of Treasury Bills (91 Days)	End Sep	%	9.56	6.17
W.A. Yield Rate of Treasury Bills (364 Days)	End Sep	%	11.74	6.19
Growth in Money Supply (M2b)	Aug 2014/Aug 2013	%	15.3	12.3
Growth in Credit to the Private Sector	Aug 2014/Aug 2013	%	7.9	2.6

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

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

** By the Minister of Finance*
*** By the Secretary to Ministry of Finance*

Compliance - 2014

- **Final Budget Position Report – The Annual Report - 2013 of the Ministry of Finance and Planning** stating the fiscal and economic position of 2013 was released to the public by end May 2014 and was soon thereafter placed before the Parliament.

- **Mid Year Fiscal Position Report - 2014** was released to the public by end June 2014 and was soon thereafter placed before the Parliament.

This Fiscal Management Report-2015 contains:

- **Fiscal Strategy Statement-2015**, setting out the Government's fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures which the Government considers important for the overall fiscal policy, to be placed before the Parliament on the day of the second reading of the Appropriation Bill.

- **Budget, Economic and Fiscal Position Report - 2015** setting out the basis to evaluate the Government's fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc., to be placed before the Parliament on the day of the second reading of the Appropriation Bill.

Fiscal Strategy Statement - 2015

Issued by the Hon. Minister of Finance
Under sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act No. 3 of 2003

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

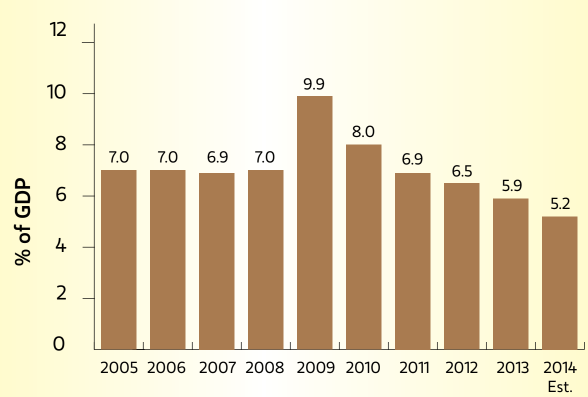
This report explains the broad strategic priorities on which the budget is based while specifying key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

Background

The policy shift took place in 2005 in terms of *Mahinda Chintana - National Vision* has enabled Sri Lanka to achieve positive developments in many spheres of its economy. Consequent to the peaceful environment secured by the government in the country and well coordinated policy efforts, a strong macroeconomic environment has been accomplished as reflected in the GDP growth of over 7 percent reflecting a break from the past pattern of unstable growth that averaged around 4.5 percent, moderated headline inflation at a single digit level of around 5 percent which is well below the past 10-year average of about 12 percent, lower interest rate regime of around 7-8 percent, improved balance of payments with a surplus of about US$ 2 billion supported by a buoyant growth of export earnings from goods and services, and strengthened foreign exchange reserves of about US$ 9 billion. A material shift in the lifestyles of the people is also seen with Sri Lanka's gradual transformation towards a middle income country complemented by the significant increase in access to basic facilities as a result of the continuous improvement in economic infrastructure as well as the strong human resource development drive. The continuous progress in these key areas has improved the country's growth outlook with stability.

The post 2005 achievements are inextricably linked with the steady progress realized in the fiscal management front. The fiscal consolidation process progressed well in the recent years as reflected in the gradual decline in the budget deficit from a high 9.9 percent of GDP in 2009 to 5.2 percent in 2014, supporting towards creating a stable macroeconomic policy environment, amidst enormous domestic and international challenges.

Chart 1 > **Budget Deficit as a % of GDP**



In the domestic front, the Tsunami disaster in 2004 and the rehabilitation efforts thereof, national security expenditure related to the humanitarian operation which successfully concluded in May 2009, subsequent resource needs for the resettlement of internally displaced persons (IDPs) as well as rehabilitation and reconstruction of the affected areas, erratic weather conditions that resulted in frequent droughts and floods as well as countrywide economic and social infrastructure development needs required the National Budget to channel enhanced amount of resources. In the external front, the 2007-08 world food crisis which resulted in worldwide increases in food prices causing political and economic instability, the sharp rise in oil prices, the tumultuous collapse of Lehman in 2008 prompting a near meltdown of the global financial system sending shock waves around the world, the subsequent severe financial crisis and the loss of confidence worldwide, which plunged the global economy into the worst recession since the Second World War, the US fiscal crisis and the Euro zone economic crisis in 2011/12 and the global economic slowdown created severe strains on budget management in many countries, including Sri Lanka. Nevertheless, the government was able to take bold corrective economic measures to face these challenges and to pursue a policy of responsible fiscal management with strong commitment to reduce the budget deficit and government debt as a share of GDP on a sustainable basis.

Medium Term Fiscal Strategy

The overall fiscal policy strategy has been designed to support the broad based development objectives in the medium term in line with the policy direction provided by the *Mahinda Chintana - National Vision*, the policy framework of the government. The guidance in conducting fiscal operations as well as a legal framework to phase out fiscal deficits and associated debt while promoting fiscal accountability is provided by the Fiscal Management (Responsibility) Act (FMRA)

No. 3 of 2003. The fiscal strategy envisages creating conducive environment to sustain stable macroeconomic conditions with lower debt while creating an enabling environment for achieving higher economic growth with stability for Sri Lanka to become an upper middle income country, free from poverty.

Major improvement in the overall fiscal position is expected to come in the form of a gradual recovery in government revenue and a continued improvement of quality of government spending together contributing to generate a revenue surplus by 2015. In line with this, the government introduced far reaching changes to the country's tax system in 2011. The thrust of these reforms is to create a simple and broad based tax regime to generate a buoyant growth in government revenue and create an enabling environment for private investment and growth in the economy. With this, a regionally competitive rate structure has been introduced. Accordingly, a number of taxes have been abolished while rationalizing many exemptions. Personal income taxes are applied after a threshold of Rs. 50,000 per month with a sliding scale ranging from 4 percent to 24 percent with several deductible allowances. Investment incentives have been brought under Strategic Investment Law and income tax law has been amended to rationalize tax holidays and concession regime. Emerging sectors such as IT, construction, agriculture, Small and Medium Enterprises (SMEs), exports and knowledge based activities have brought under a lower single corporate income tax rate of 12 percent and the banking, finance and domestic manufacturing businesses are subject to 28 percent with generous depreciation provisions and triple deductions for expenditure on research and development. The retail and wholesale trade has brought into the Value Added Tax (VAT) net and the supply of financial services has made liable for Nation Building Tax (NBT). The policy regime has been further strengthened by increasing the tax free threshold for VAT and NBT so as to exclude small businesses allowing tax authorities to concentrate on the large taxpayer base, effective auditing, tax consultation and better taxpayer services with taxpayer friendly environment based on mutual respect and trust.

The improvement in tax administration and human resource development of tax administrators has also given priority. The introduction of information and communication technology through a Revenue Administration Management Information System (RAMIS) as well as the human resource development on subject specific knowledge and change management are taking place in the Inland Revenue Department. The automation of Sri Lanka Customs import and export documentation process is also being operationalised to provide an improved service. The appointment of a Committee on Interpretation of Tax Laws to give interpretations and setting up of a separate Tax Appeals Commission by an Act of Parliament has helped to maintain consistency and improve the dispute settlement arrangements relating to taxation. Going forward, the tax base will be expanded further and ad hoc changes to tax rates will be avoided to maintain clarity, consistency and credibility of the tax system. The objective of these efforts is to ensure that the revenue commensurate with the growth in nominal GDP.

Total revenue of around 14 percent of GDP in 2014 is expected to record a modest improvement to around 16 percent of GDP by 2017 when the present tax reforms generate a revenue elastic tax system with the support of improved tax administration complemented by the expected improvements in the domestic economic activities and gradual recovery of the global economy. Income tax, VAT, NBT, Excise taxes and trade based taxes will be the major revenue sources. In the meantime, a strong effort will be made to address the challenge of taxing the Services sector, which has become an important issue with the structural shift of the economy towards more service oriented one. Non tax revenues are also expected to increase particularly with the expected increase in profits and dividends transfers of state owned business enterprises to the consolidated fund. This medium term revenue effort would provide adequate liquidity to Treasury operations facilitating better execution of the national budget.

On the expenditure front, the government has made a concerted effort in managing the government expenditure by improving its quality, encouraging appropriate prioritization to enable that the government's financial resources be managed prudently while improving fiscal discipline. The moderation in recurrent expenditure is expected to continue, particularly with the support of the relatively low expenditure on national security as a percent of GDP. In the backdrop of continued improvement in livelihood opportunities, decline in unemployment, poverty and inflation, the provision of expenditure for welfare will help to improve the quality of such schemes. The low interest rate regime consequent to the success in bringing down inflation to mid single digit through the removal of structural impediments in real economy and conducive monetary policy stance also has created considerable space in the national budget while having a favourable impact on the entire economy and would continue to be conducive in consolidating fiscal deficit further. Stringent monitoring of the other goods and services component of the budget will also help stabilize the recurrent expenditure as a percent of GDP. The introduction of the proposed Integrated Treasury Management Information System (ITMIS) to automate the activities in the Treasury will help efficient management of government resources.

The commitment to ensure the social protection of vulnerable and the needy, including the elderly population and differently-able people, is an important element of the medium term fiscal strategy. The existing income support programmes and the community empowerment through infrastructure support by providing roads, electricity, quality water & sanitation, minor irrigation projects at rural levels and through the rural centric development projects, such as Divi Neguma, Gama Neguma, and Pura Neguma, will be continued to promote productive livelihood development to empower the poor.

The current fiscal strategy also places strong emphasis on improving the performance and efficiency of state owned enterprises to free resources to support infrastructure development and for private sector activities. It envisages that management improvements, including their pricing decisions, will make them financially stronger. The two key enterprises in the energy sector, the Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB) are in the process of addressing their financial imbalances and the positive results so far achieved are expected to continue. The cost-reflective price adjustments are expected to progress in order to improve the financial viability of state owned business enterprises supporting to phase out the deficit in the revenue account.

Meanwhile, the activities of the Committee on Public Enterprises (COPE) which has the intention of ensuring the compliance of financial discipline in Public Corporations and other Semi Governmental bodies in which the government has a financial stake and Committee on Public Accounts (COPA), which is engaged in probing the managerial efficiency and financial discipline of the government Ministries, Departments, Provincial Councils and Local Authorities, are becoming stronger thereby helping to ensure better management of public expenditure.

The government put in place a public investment programme for infrastructure development as a critical component towards a well connected road and expressway network, improved railway network, a globally competitive port and airport network, an irrigation and water distribution network, diversified power generation mix, and a strong telecommunication network together with well distributed urban and township development. The government's inclusive road development strategy will promote several themes, including tourism, exports, logistics, IT/BPO services, high learning educational establishments and townships, for rapid development. This is expected to create various opportunities to cross sections of the economy and enable the linking of local and global market places thereby enhancing the investments in real economy, particularly in rural areas to ensure an inclusive growth. To complement this, enhanced resources were channeled to maintaining government support to agriculture, small and medium enterprises (SMEs), education, health and protection of the vulnerable segments of the society while maintaining all strategic public services. The public investment, which has been raised over the last few years enabling to enhance the country's capacity for the future economic growth, is expected to maintain in the range of 6.5-7.0 percent of GDP during the next few years as well.

Consequent to these developments, the revenue deficit, which has been reduced from 3.7 percent of GDP in 2009 to 0.8 percent in 2013, is expected to be consolidated further by recording a revenue surplus of around 3 percent of GDP over the medium term. The continued improvement in revenue account will be conducive for the protection of public investment at around 6.5-7 percent of GDP and reduce borrowing requirement of the government.

The government envisages reducing the budget deficit and debt to a level conducive to support the growth process in the medium to long run. This deficit reduction path is to be realized with the economy accelerating its growth rate over 8 percent in the medium term which requires sustained public investments at current level and facilitating to augment private investment well in excess of 30 percent of GDP through continuous improvements in infrastructure, tax system, regulatory arrangements and quality improvement in public services.

Accordingly, the consolidation of the government fiscal operations achieved in the recent past by reducing the deficit from a high level of 9.9 percent of GDP in 2009 to 5.2 percent in 2014 is expected to continue in 2015 as well with a deficit of 4.4 percent of GDP to ensure the continuity of this path for the 6th consecutive year. This process is expected to continue further by reducing the deficit to below 4 percent of GDP over the period of 2015-17 as indicated in the medium term macro fiscal framework and further to around 3 percent of GDP by 2020. This medium-term target is consistent in accommodating available long-term financing from foreign and domestic sources while creating an increased space for borrowings by the private sector. This level of deficit will also provide greater freedom to the Central Bank to conduct its monetary policy towards further consolidating price stability with mid-single digit inflation.

The reduction of the government debt to GDP ratio to a risk free level will remain as the main objective of the government's debt management strategy. Accordingly, within the above medium term macro fiscal framework, the debt to GDP ratio is targeted to reduce to below 65 percent by 2017 with the expected lower fiscal deficit and anticipated higher economic growth of over 8 percent. The debt management policy will be continued to focus on making borrowings at the lowest possible cost.

The medium term macro fiscal framework is given in Table 1. Further details on the framework and reform initiatives undertaken are given in the Fiscal Management Report – 2014, published with the Budget 2014 on 21 November 2013.

Table 1 > **Medium Term Macro Fiscal Framework : 2014-2017 (As a percentage of GDP)**

Indicator	2013	2014 Revised	2015 Estimate	Projections 2016	Projections 2017
Total Revenue	**13.9**	**14.2**	**14.9**	**15.6**	**16.0**
Tax Revenue	11.6	11.8	12.5	13.2	13.6
Income Tax	2.4	2.7	2.8	3.0	3.2
VAT	2.9	2.9	3.1	3.3	3.4
Excise Tax	2.9	2.5	2.6	2.6	2.5
Tax on External Trade	2.6	2.8	2.9	3.2	3.3
Other	0.8	0.9	1.0	1.1	1.1
Non Tax Revenue	1.5	1.5	1.5	1.6	1.6
PC Tax Sharing & Devolved Revenue	0.6	0.6	0.6	0.6	0.6
Grants	0.2	0.3	0.3	0.3	0.3
Total Expenditure	**19.8**	**19.4**	**19.3**	**19.3**	**19.1**
Recurrent Expenditure	14.5	13.8	12.9	12.8	12.6
Salaries and Wages	4.5	4.5	4.3	4.3	4.3
Interest Payments	5.1	4.4	3.8	3.5	3.3
Subsidies and Transfers	3.1	3.0	3.0	3.0	3.0
Other Goods and Services	1.1	1.3	1.3	1.3	1.4
Expenses from PC Revenue	0.6	0.6	0.6	0.6	0.6
Public Investment	5.5	5.7	6.5	6.5	6.5
o/w Roads	1.8	1.8	2.0	2.1	2.2
Education	0.3	0.5	0.5	0.6	0.6
Health	0.2	0.4	0.5	0.5	0.6
Irrigation	0.3	0.5	0.5	0.5	0.5
Transport	0.3	0.4	0.5	0.6	0.7
Rural Sector	0.7	0.8	0.9	0.9	0.9
Revenue Deficit (-)/Surplus (+)(% of GDP)	**(0.8)**	**..**	**1.7**	**2.5**	**3.1**
Budget Deficit (-)/Surplus (+)(% of GDP)	**(5.9)**	**(5.2)**	**(4.4)**	**(3.6)**	**(3.0)**
Government Debt (% of GDP)	**78.3**	**75.0**	**71.0**	**67.0**	**63.0**

Sources : Department of Fiscal Policy and Department of National Budget

The achievement of medium term fiscal targets is not free from risks and uncertainties, both domestically and internationally. Domestically, the vulnerability of the national budget to weather related adversaries and associated adverse implications has increased in the recent past. Internationally, the fiscal management has become complex as the advanced economies are working towards bringing their fiscal houses in order and new issues and challenges continue to emerge, which could have implications on Sri Lanka. The relatively slow recovery of the global economy, the ongoing sovereign debt issue in the Euro Zone area, the impact of the tapering of quantitative easing measures and the possible policy rate increase by the US, relatively high oil prices, geo political tensions in many areas in the world, particularly in the Middle East, are among the other key factors that the Sri Lankan economy could have an unfavourable impact in sustaining its adjustments to achieve targets.

Hence, constant refinement of policies and strategies will be undertaken to curtail such downside risks and uncertainties satisfactorily so that in a situation of crisis, people will not suffer. This risk weighted approach to development in a globalised economic framework is expected to help sustaining medium to long term prospects of high investment and high growth momentum with economic and financial system stability.

Medium Term Strategic Priorities of the Fiscal Policy

- Streamlining and consolidation of the tax policy reforms introduced in 2011 to simplify the tax system to consolidate a regionally competitive tax regime with low rates and a broader tax base
- Introducing information technology to revenue institutions and the General Treasury to strengthen tax administration aimed at supporting the enforcement and improve public expenditure management, respectively
- Continued strengthening of institutional and human resources and management capacity building
- Quality improvement in public spending through sectoral budget planning
- Line ministries to work on a medium term framework to effectively manage sectoral coordination and improvement in commitment control and imprest management through the improvement of Treasury management and procurement
- Consolidation of the public security to ensure peaceful environment in the country
- Improving lagging regions through strengthening regional/rural centric infrastructure development initiatives
- Continuation and completion of the strategic infrastructure development projects and continued implementation of other national economic and social infrastructure development projects
- Continuation of the livelihood development activities to empower the poor while providing social protection for the vulnerable people and the needy in the society
- Maintaining public debt at prudent levels with gradual reduction in the borrowing requirement of the government with the decline in the overall budget deficit and improved management of public debt
- Ensuring a proper mix of domestic and foreign debt in the government debt management
- Improving fiscal transparency and accountability

Key Fiscal Measures for the Improvement of Overall Fiscal Policy Implementation

- Further expansion of tax base and avoiding ad hoc changes to tax rates to maintain clarity, consistency and credibility of the tax system to augment the revenue
- Strengthening legal and regulatory framework to curtailing tax evasion and avoidance
- Introducing RAMIS and ITMIS to the IRD and Ministry of Finance and Planning (MOFP), respectively
- Infusing capital to State Owned Business Enterprises (SOBEs) to make them financially viable entities

Budget, Economic and Fiscal Position Report - 2015

Issued by the Hon. Minister of Finance
Under Sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act No. 3 of 2003

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

Accordingly, this Report contains provisional figures of Government revenue, expenditure and borrowing in the first 9 months of 2014. This Report also provides key macro economic developments during this period to facilitate the understanding of the overall economic situation within which fiscal operations have been conducted. This Report also refers to the basis of information on economic and other assumptions used in preparation of estimates for 2015 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of the Government.

Fiscal Developments

Overview

The government fiscal operations reflected a further consolidation during the first nine months of 2014 in comparison to the previous year benefiting from the increasing trend in the revenue and the improved public expenditure management. The expansion of domestic economic activities, benefiting from the growth in domestic demand, recovering from the impact of corrective measures adopted in February/March 2012 to reduce imports and stabilize Balance of Payments, and the enhancement of exports induced by the gradual recovery of the global economy as well as the increase in the importation of consumption goods, including motor vehicles, resulted in a 5.6 percent increase in the total revenue. The continued closer monitoring, improved cash flow management and decline in the interest payments helped an improved performance in the total government expenditure, with an increase of 3.7 percent during this period.

The disaggregated data on the indirect taxes indicates that there has been a 7.1 percent growth in the domestic consumption based taxes to Rs. 209,931 million in the first nine months of 2014 in comparison to Rs. 196,062 million during the corresponding period of the previous year. The revenue from VAT on domestic consumption at Rs. 102,366 million registered an increase of 11.7 percent, reflecting the system improvement under single rate VAT of 12 percent as against dual rate structure of 15 and 20 percent prevailed prior to 2011 as well as the gradual consolidation of the expansion of the VAT base to wholesale and retail trade. The Nation Building Tax (NBT) on domestic activities also indicated a buoyant growth of 18.7 percent reflecting the enhanced economic activities. Excise duty on liquor increased by 5.1 percent due to higher prices despite the drop in sales. The revenue from cigarettes and tobacco declined by 5.5 percent during this period mainly due to the lower sales of cigarettes.

The import based taxes also increased by 5.9 percent due to the increased imports of consumption goods, including motor vehicles, despite the lower growth in the overall imports. The revenue from Excise (Special) Provision Tax, primarily imposed on motor vehicles, increased by 14.6 percent in comparison to the corresponding period in 2013. The VAT revenue from imports increased by 10.6 percent and NBT revenue from imports also increased by 4.9 percent. However, the revenue from customs duties reflected a marginal increase of 1.6 percent during this period. Special Commodity Levy (SCL) collected at the point of imports showed a 9.4 percent increase mainly reflecting higher tax rate imposed in support of maintaining a stable remunerative domestic producer margins in agriculture commodities. The revenue from Ports and Airports Development Levy (PAL) increased by 9.7 percent reflecting the increase in consumer goods imports, including motor vehicles, home appliances, textiles and chemical products and a fewer number of exemptions under this levy. The total increase in the revenue from import based taxes amounted to Rs. 20 billion in the first nine months of 2014 in comparison to Rs. 4 billion decline in the same period of 2013.

In the context of direct taxes, the revenue from Pay-As-You-Earn (PAYE) tax or tax on wage income increased by 15 percent to Rs. 16,717 million during the first nine months of 2014 from Rs. 14,537 million in the previous year despite the lower rate structure and higher threshold inbuilt in the new tax system introduced in 2011, higher wage income and employment liable to such taxes, improved compliance from employers and collection of this tax at the source as the final tax. The revenue from corporate and non corporate income tax increased by 1.7 percent to Rs. 71,895 million reflecting the continuous increase in domestic economic activities during the period. The gradual completion of tax holiday period by many companies and buoyant performance of banking and financial institutions, food and beverage, manufacturing and tourism and services despite the impact of relatively lower credit growth has contributed to the revenue from this source. Meanwhile, the revenue from tax on interest imposed at source as final tax declined by 2.8 percent to Rs. 62,724 million during the first nine months of 2014 mainly reflecting the relatively lower yield rates and lower turnover of government securities during the period. The revenue from ESC also declined by 3.6 percent due to the exemption of the turnover of any business of which the profit is subject to income tax and the increase of the ESC threshold.

Meanwhile, the non tax revenue also increased by 3.4 percent to Rs. 76,011 million in comparison to the 9.0 percent decline recorded in the same period of 2013. The profits and dividends from State Owned Enterprises and state banks, fees and charges as well as social security contribution from public servants increased while profit transfers from the Central Bank and interest income showed a decline.

The government expenditure during the first nine months of the year was Rs. 1,327 billon in comparison to Rs. 1,279 billion during the corresponding period of 2013. This consisted of recurrent expenditure of Rs. 962 billion and capital expenditure of Rs. 365 billion. The recurrent expenditure increased by 4.5 percent while capital expenditure rose by 1.6 percent. The salient feature in the expenditure performance is the decline in the recurrent expenditure as a percent of GDP by 0.9 percentage points to 9.7 percent from 10.6 percent in the same period in 2014. About 67 percent of this decline came from the 0.6 percentage point savings in the interest payments in terms of GDP, which dropped to 3.7 percent in the first nine months of 2014 from 4.2 percent in the same period of 2013, reflecting the combined impact of relatively low domestic interest rates and the stability in exchange rate. This has created a significant space in the recurrent expenditure thereby enhancing the maneuverability of the government fiscal operations. The expenditure on the defence related procurement also has declined as a result of the peaceful environment prevailing in the country. In order to make a room in government fiscal operations, the government made a concerted effort to manage the expenditure on other goods and services as well.

In line with the sustained commitment of the government to continue public investments with the view of facilitating the expansion of economic activities despite the challenges in fiscal management, the national infrastructure development projects continued. The due consideration was also given to undertake regional and rural development programmes, such as Divi Neguma, Gama Neguma, Maga Neguma, Pura Neguma, and to continue a number of other regional/rural development initiatives. Human resource development, including education, health and vocational training, was also continued. The expenditure on public investment during the first nine months of 2014 accounted for 3.8 percent of GDP.

The overall deficit, produced by the total government expenditure in excess of government revenue, was Rs. 489,791 million or 4.9 percent of GDP during the first nine months of 2014 in comparison to Rs. 491,850 million or 5.6 percent of GDP in the corresponding period of 2013. The revenue deficit, the difference between the recurrent expenditure and the total revenue, declined to 1.4 percent of GDP from 1.6 percent in the previous year reflecting the substantial adjustments both in interest as well as non-interest recurrent expenditure amidst the considerable shortfall in the total revenue as against the budgetary target of 2014. The provisional data for the first nine months with comparable figures for 2013 is presented in Table 2.

The government revenue is expected to increase at a higher rate going forward with the expected improvement in income taxation, full impact of extension of VAT coverage to wholesale and retail trade, continued improvement in domestic economic activities complemented by gradual recovery of global economy, expected enhancement of the private sector credit in line with the adjustment of lending rates responding to lower market interest rates as well as the availability of adequate liquidity in the banking system, end of the moratorium on BOI enterprises, further rationalization of exemptions, and improvement in the tax administration with the introduction of IT enabling environment and related human resource development activities facilitating efficient management of the new tax system. These developments together with the continued closer monitoring of public expenditure management within the overall budgetary ceilings will enable the maintenance of annual budget deficit at 5.2 percent of GDP as announced in Budget 2014.

Table 2 > **Summary of the Budget: January - September**

Rs. Mn

Item	2013	2014 (Provisional)
Revenue and Grants	**787,218**	**836,903**
Revenue	784,201	828,191
Tax	710,667	752,180
Non Tax	73,534	76,011
Grants	3,017	8,712
Expenditure	**1,279,068**	**1,326,694**
Current	920,350	962,076
Salaries	286,028	305,594
Interest Payments	367,572	363,489
Other	266,750	292,993
Public Investments	372,655	375,872
Other	(13,937)	(11,254)
Revenue Deficit (-)/Surplus (+)	**(136,149)**	**(133,885)**
Overall Budget Deficit (-)/Surplus (+)	**(491,850)**	**(489,791)**
Financing	**491,850**	**489,791**
Foreign Financing	95,379	244,581
Domestic Financing	396,471	245,210
Revenue/GDP (%)	9.0	8.4
Current Expenditure/GDP (%)	10.6	9.7
Public Investment/GDP (%)	4.3	3.8
Revenue Deficit/GDP (%)	(1.6)	(1.4)
Overall Budget Deficit/GDP (%)	(5.6)	(4.9)

Source: Department of Fiscal Policy

Meanwhile, the overall performance of the key State Owned Enterprises (SOEs) has shown a considerable improvement over the years. Out of the 55 strategic SOBEs, the number of profitable SOBEs has increased from 33 in 2005 to 41 in 2014 (as per provisional data as at 30th June 2014). The profitable SOEs have contributed to the government by way of levies and dividends of about Rs 24 billion in 2014 accounting for about 2 percent of the total government revenue.

The Ceylon Petroleum Corporation (CPC) recorded an operating profit of Rs. 3.5 billion during this period. Although it originally expected to close the year 2014 with a profit of Rs. 6.6 billion, the price reduction of Petrol, Diesel and Kerosene in the mid of September 2014 by the government in order to provide the benefit of the relatively modest movements in the international oil prices and exchange rate and to uplift the living conditions of the people, it is now expected to close the year 2014 with a marginal profit.

The CEB incurred a loss of Rs. 19.7 billion during the first 8 months of 2014 due to the provision of uninterrupted power throughout the country amidst increase in the weighted average generation cost per unit to Rs. 22.43 from to Rs. 17.70 in 2013 since the delays and/or lack of rainfall as expected in the catchment areas made the Hydro power generation during this period very volatile and hence declined to 23 percent of total generation compared to 51 percent in 2013. With the commissioning of the 3rd phase of the Lakvijaya coal power plant in Norachcholai in September 2014, the diversification of the power generation mix was continued of which 900MW or 23 percent of the installed capacity is now from the coal. Along with this commissioning, the government granted a 25 percent reduction of electricity tariffs for household consumers passing on the benefit of the decline in the generation cost to the general public. As the generation mix gets more diversified towards coal and non conventional renewable energy (NCRE) sources, the cost per unit is expected to be reduced further thereby reducing the operational losses of CEB.

The expected improvement in the financial position of these two largest SOBEs in particular will be conducive to enhance overall liquidity position in the economy thereby leaving more resources with the financial institutions for lending to the economic activities of the private sector. It will also strengthen the government fiscal operations by lowering market interest rates consequent to the enhanced market liquidity.

Box 1
Key Policy Measures (January – October 2014)

- Import Cess rates on laminated packaging materials of pharmaceuticals were removed and Cess was increased or imposed on imports of wet cleaning tissues to 30% or Rs.350/kg and sanitary towels and tampons to 30% or Rs.300/kg with effect from 20 January 2014.
- Custom duty on shrink wrap films, Hi-barrier Liner etc, was revised under Revenue Protection Act No. 19 of 1962 with effect from 20 January 2014.
- Excise duty on motor vehicles for the transport of goods etc. was revised with effect from 20 January 2014.
- Declaring that rules made under sub section (1) of section 32 of Excise Ordinance came into force with effect from 20 January 2014.
- Excise duty on import / local supply of Spirit (Ethyl Alcohol) was revised with effect from 20 January 2014.
- Special Commodity Levy (SCL) on Split Lentils was reduced to Rs. 22/- per kg for a period of 5 months with effect from 05 February 2014.
- SCL on Potatoes was increased to Rs. 25/- per kg with effect from 06 February 2014.
- SCL on Whole Lentils was reduced to Rs. 10/- per kg for 5 months with effect from 07 March 2014.
- The validity period of the SCL rates on Red Onions and Big Onions was extended for a period of 5 months with effect from 14 March 2014.
- The method of calculation of value of used motor vehicles and brand new motor vehicles was revised for a period of 02 years under the Custom Ordinance with effect from 07 April 2014.
- Regulations were declared for adjustments made in the ascertainment of profits or income for tax purposes in the preparation of financial statements in relation to any year of assessment commencing on or after 01 April 2012 with effect from 09 April 2014.
- The Regulation made in relation to section 2 of the Economic Service Charge Act, No. 13 of 2006 was amended with effect from 09 April 2014.
- SCL on Rice was introduced at the rate of Rs.5/- per kg for a period of 3 months with effect from 09 April 2014.
- SCL on Maize and Sorghum was introduced at the rate of 10% for a period of 2 months with effect from 11 April 2014.
- The validity period of the SCL rates on 32 commodities was extended for a period of 7 months with effect from 21 May 2014.
- SCL rates on Potatoes and Sugar were reduced to Rs. 15/- per kg and Rs. 25/- per kg respectively, with effect from 21 May 2014.
- SCL on Whole Lentils was reduced to Rs. 5/- per kg for a period of 5 months with effect from 23 May 2014.
- Stamp Duty (Special Provisions) Act, No. 12 of 2006 was amended with effect from 26 May 2014.
- Duty Waiver on Customs Import Duty (CID) on milk powder was revised as given in the following Table.

Description	Period	General CID	Duty Waiver	Recoverable CID
Milk Powder	03.02.2014 - 02.06.2014	25% or Rs.125/- per Kg	Rs.68/-per Kg	Rs.57/- per Kg
	02.06.2014 - To date	25% or Rs.125/= per Kg	Rs.43/- per Kg	Rs.82/-per Kg

- The validity period of the SCL rates on Maize and Sorghum was extended from 11 June 2014 to 15 July 2014 with effect from 10 June 2014.
- The validity period of the SCL rates on Rice was extended from 09 July 2014 to 08 December 2014 with effect from 09 July 2014.
- SCL on Potatoes was reduced to Rs.5/- per kg and Sugar was increased to Rs.28/- per kg for a period of 3 months with effect from 15 July 2014.
- SCL was introduced on Frozen Mackerel Fish at the rate of Rs.10/- per kg for a period of 07 months with effect from 17 July 2014.
- SCL on Cereals (Maize and Sorghum, Lentils, Watana, Chickpeas, Green Gram, Cowpea, Kurakkan) was reduced for a period of 03 months with effect from 25 July 2014.
- The validity period of the SCL rates on Red Onions and Big Onions was extended for a period of 4 months and the duty on Big Onions was increased by Rs. 25/- per kg with effect from 11 August 2014.
- SCL on Potatoes was increased by Rs.15/- per kg for a period of 04 months with effect from 14 August 2014.
- SCL rates on Potatoes and Big Onions were increased to Rs. 40/- per kg and Rs. 35/- per kg respectively, with effect from 22 August 2014.
- SCL on Rice was reduced to Rs.1/- per kg and SCL on Sugar was increased by Rs.5/- per kg with effect from 04 September 2014.
- Domestic Petroleum prices were reduced as given in the following Table with effect from 17 September 2014.

Domestic Petroleum Price Adjustments on 17 September 2014

Item	Price (Rs. Per litre) as at		Change (Rs.)
	16.09.2014	17.09.2014	
Petrol 92 Octane	162.00	157.00	-5.00
Petrol 95 Octane	170.00	165.00	-5.00
Lanka Auto Diesel	121.00	118.00	-3.00
Lanka Super Diesel	145.00	140.00	-5.00
Lanka Kerosene	106.00	86.00	-20.00
Lanka Industrial Kerosene	115.00	115.00	0.00

- Electricity tariffs were revised as given in the following Table with effect from 16 September 2014.

Electricity Tariff Structure approved by the Public Utilities Commission of Sri Lanka with effect from 16 September 2014

Consumption (Units)		Tariff up to 15 September 2014*			New Tariff Rate from 16 September 2014**		
Old	New	Unit Charge	Fixed Charge	FAC %	Unit Charge	Fixed Charge	FAC
		Rs. / Unitt	Rs. / Month		Rs. / Unit	Rs. /Month	%
0-30	0-30	3.00	30.00	25.00	2.50	30.00	0.00
31-60	31-60	4.70	60.00	35.00	4.85	60.00	0.00
	0-60	10.00	N/A	N/A	7.85	N/A	0.00
61-90	61-90	12.00	90.00	10.00	10.00	90.00	0.00
91-120	91-121	26.50	315.00	40.00	27.75	480.00	0.00
121-180	121-180	30.50	315.00	40.00	32.00	480.00	0.00
>180	>181	42.00	420.00	40.00	45.00	540.00	0.00

Sources: Ceylon Electricity Board and Public Utilities Commission of Sri Lanka.

Notes:

* The Fuel Adjustment Charge (FAC) was imposed on the total energy charge of the monthly electricity bill (Tariff = Unite Charge + FAC + FC)

** In the new tariff structure FAC has been removed. As such, only the unit charge and the fixed charge is applicable (Tariff = Unit Charge + FC)

- Domestic Gas Price was reduced by Rs. 250.00 to Rs. 2,146.00 for a 12.5 kg cylinder with effect from 10 October 2014.

- Excise duty on Cigarettes was increased with effect from 10 October 2014 under Excise (Special Provisions) Act, No. 13 of 1989.

- Excise duty on Hard Liquor and Malt Liquor were increased with effect from 10 October 2014.

- Excise duty on import / local supply of Spirit (Ethyl Alcohol) was revised with effect from 10 October 2014.

The economy grew by 7.7 percent during the first half of 2014 in comparison to equally higher growth rates of 7.9 percent and 8.2 percent in the last two quarters of 2013 and 6.4 percent growth recorded in the first half of 2013. The growth in both the first and the second quarters of 2014 was high at 7.6 percent and 7.8 percent, respectively in comparison to 6.1 percent and 6.8 percent recorded during the same period in 2013. This growth was supported by the enhanced domestic demand benefiting from the favorable macroeconomic environment, sustained public investments in infrastructure and the prevailing peaceful situation in the country and the expansion in external demand with the gradual recovery of the global economy, particularly the US, which is a major destination for Sri Lankan exports.

This buoyant growth was primarily driven by the 12.4 percent expansion in Industry sector, supported by the 6.1 percent growth in Services sector and the 3.1 percent growth in Agriculture sector. The growth in the emerging sectors, including manufacturing, construction, IT services, hotels and restaurants with enhanced tourism, livestock, pharmaceutical and other services as well as the expansion in wholesale and retail trade, transport and communication despite the slowdown in credit growth amidst relatively low interest regime. The growth in the Agriculture sector was mainly supported by the growth in fishing, coconut and other food crops sub sectors, amidst unfavourable weather conditions which affected adversely on the paddy production. The growth of 7.7 per cent in the first half of

2014 augurs well in meeting the expected annual growth rate of 7.8 percent in 2014.

The low inflation environment continued as reflected in the lower rate of 3.5 percent in the year on year inflation, as measured by the Colombo Consumer Price index (CCPI-2006/07 base year) in September 2014 in comparison to 4.7 percent in December 2013. This was the 68th consecutive month where the inflation was at single digit level. The annual average inflation as at end September 2014 was 4.2 percent compared to 6.9 percent by end 2013. With the continued easing of the monetary policy stance by the Central Bank to support the growth momentum, the market interest rates have declined gradually. Reflecting this favourable trend, the private sector credit growth is also expected to increase gradually.

The overall performance of the external sector remained buoyant with the momentum derived from increased earnings from exports with relatively lower increase in imports thus helping to reduce the trade gap as well as the enhanced inflows from higher service exports, workers' remittances and earnings from tourism. The trade deficit declined by 7.1 percent to US$ 5,170 million during the first eight months of 2014 from US$ 5,568 million in the same period of 2013 as a result of the considerably higher 14.8 per cent, year-on-year, increase in the earnings from exports to US$ 7,385 million and the relatively lower growth in the expenditure on imports of 4.6 percent to US$ 12,002 million during this period compared to the corresponding period of 2013.

The continued improvement in remittances from overseas employment to US$ 2,217 million and income from tourism to US$ 1,447 million during first eight months of 2014 helped strengthen the Balance of Payments (BOP). These developments, coupled with the continued inflows to the financial account, resulted in an estimated BOP surplus of over US$ 2 billion during this period. The Central Bank absorbed over US$ 1 billion from the domestic foreign exchange market and gross official reserves remained above US$ 9 billion, equivalent to around 5.9 months of imports by mid October 2014. In addition to the above foreign reserves, the Central Bank also obtained the access to a further CNY 10 billion, equivalent to US$ 1.6 billion, through the bilateral Currency Swap agreement entered into with the People's Bank of China on 16 September 2014.
This Swap facility, which is of a tenor of 3 years and renewable, will strengthen the external stability of the Sri Lankan economy further.

Table 3 > **Estimated and Actual Revenue and Expenditure: January - September 2014**

Rs. Billion

Item	Estimated	Provisional	Deviation
Total Revenue	**1,000.3**	**828.1**	**-172.2**
Tax Revenue	**910.0**	**752.1**	**-157.8**
Inland Revenue Department			
Tax on Income and Profit	195.5	155.8	-39.7
VAT - Domestic (Net)	127.1	102.4	-24.7
Nation Building Tax (Domestic)	28.4	19.5	-8.9
Other	5.7	3.0	-2.7
Sub Total	**356.7**	**280.7**	**-76.0**
Customs Department			
Import Duty	73.5	59.5	-14.0
VAT - Imports (Net)	105.5	98.0	-7.5
Nation Building Tax (Import)	18.8	11.7	-7.1
PAL	61.1	47.1	-14.0
Cess Levy	33.7	27.5	-6.2
Special Commodity Levy & Other	41.6	36.9	-4.7
Excise Special Provisions	133.8	116.5	-17.3
Cigarettes	43.9	39.6	-4.3
Petroleum	24.3	4.7	-19.6
Motor Vehicles & other	65.6	72.1	6.5
Sub Total	**468.1**	**397.1**	**-71.0**
Excise Department			
Liquor/Tobacco	55.5	48.4	-7.1
Sub Total	**55.5**	**48.4**	**-7.1**
Other			
Telecommunication Levy	26.3	23.4	-2.9
License Tax & Other	3.4	2.5	-0.9
Sub Total	**29.7**	**25.9**	**-3.7**
Non Tax Revenue	**90.4**	**76.0**	**-14.3**
Total Expenditure	**1,415.2**	**1,326.7**	**-88.6**
Current Expenditure	**1,003.7**	**962.1**	**-41.7**
Salaries and Wages	304.5	305.6	1.1
Interest Payments	371.2	363.5	-7.7
Pension Payments	95.3	96.2	0.9
Transfers to Public Corporations & Institutions	43.3	36.6	-6.7
Other	189.4	160.2	-29.2
Capital Expenditure	**411.5**	**364.6**	**-46.9**

Sources: Department of Treasury Operations and Department of Fiscal Policy

Government Revenue

Total revenue of the government during the first nine months of 2014 increased by 5.6 percent to Rs. 828,191 million compared to the same period of 2013. Tax revenue increased by 5.8 percent to Rs.752,180 million, while non-tax revenue increased by 3.4 percent to Rs. 76,011 million during this period.

The revenue from VAT on domestic economic activities increased by 11.7 percent while the revenue from VAT on imports also increased by 10.6 percent reflecting the impact of increase in consumer goods imports, including motor vehicles, which affected positively on the other import based taxes such as NBT, Excise and PAL as well. The revenue from Cess levy increased by 4.1 percent and the Special Commodity Levy (SCL) revenue also increased at a moderate rate of 9.4 percent during this period. Meanwhile, the revenue from import duty increased marginally by 1.6 percent. Total revenue generated from income taxes grew by 0.9 percent during the first nine months of 2014. Increase of revenue from corporate and non-corporate income tax and Pay-As –you- Earn (PAYE) tax has contributed to this growth, while the tax revenue from interest income and Economic Service Charge (ESC) declined. The revenue from excise duty on liquor increased moderately by 5.1 percent due to the slowdown in sales while the revenue from cigarettes and tobacco declined by 5.5 percent reflecting the decline in the volume of sales. However, increase of revenue from the import of motor vehicles by 14.6 percent mainly contributed to the growth in the revenue from excise duties. The increase in the non-tax revenue was mainly due to the increase in the revenue from profit and dividends and social security contributions.

Table 4 > **Summary of Performance of Government Revenue (January - September)**

Rs. Million

Item	2013	2014 (Provisional)	Change (%)
Tax Revenue	**710,667**	**752,180**	**5.8**
Income Tax	**154,400**	**155,841**	**0.9**
Domestic Consumption Based Tax	**196,062**	**209,931**	**7.1**
VAT	91,610	102,366	11.7
Excise Tax	88,040	88,085	0.1
Nation Building Tax	16,412	19,480	18.7
Import Based Tax	**337,527**	**357,484**	**5.9**
Custom Duty	58,554	59,497	1.6
VAT	88,627	98,010	10.6
Nation Building Tax	11,128	11,675	4.9
PAL	42,962	47,124	9.7
SCL	33,681	36,862	9.4
Excise Tax	76,176	76,831	0.9
Cess	26,399	27,485	4.1
Licence Taxes and Other	**22,678**	**28,925**	**27.5**
Non Tax Revenue	**73,534**	**76,011**	**3.4**
Total Revenue	**784,201**	**828,191**	**5.6**

Sources: Department of Treasury Operations and Department of Fiscal Policy

Chart 2 > **Composition of Total Revenue: Jan. - Sep. 2014**

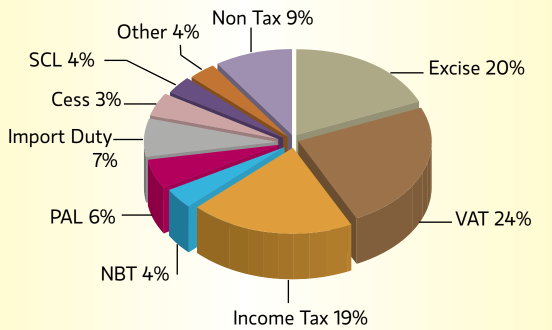
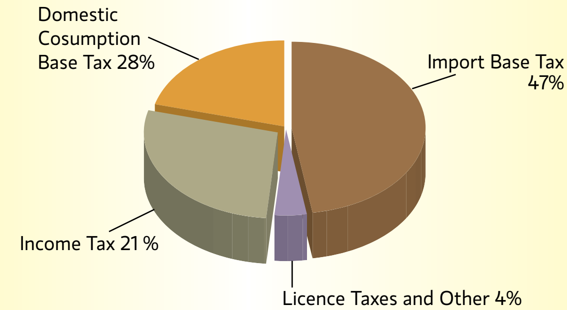


Chart 3 > **Source wise Total Revenue - Jan-Sep 2014**



Income Tax

During the first nine months of 2014, the revenue from income tax increased by 0.9 percent to Rs. 155,842 million compared to Rs. 154,400 million in the same period of 2013. It was contributed positively by corporate and non corporate tax and Pay-As-You-Earn (PAYE) tax and there was a decline in the revenue from ESC and tax on interest. The revenue from income tax accounted for 20.7 percent of the total tax revenue during the respective period.

The corporate and non corporate income tax revenue recorded a growth rate of 1.7 percent to Rs. 71,895 million during the January to September period of 2014 compared to Rs. 70,673 million in the same period of 2013. The commercial banking, financial and insurance, construction & concrete work, export trade, manufacturing products, textile and alcoholic beverages sectors positively contributed to this growth. The sectors like employment agencies, quarrying, legal service, video & motion picture production etc. also recorded higher growth of income tax payments reflecting the enhancement of their economic activities.

The revenue generated from Pay-As You-Earn (PAYE) tax has increased by 15.0 percent to Rs. 16,717 million for the first nine months of 2014 compared to Rs. 14,537 million in the same period of 2013. This significant increase was mainly due to increased employment and better wages in high earning categories of air transportation, commercial banks, imports and export trade, tourism, construction, legal service, consultancy services, communication services and manufacturing products sectors etc. This has been achieved amidst the reduction of tax rate on employment income of professionals as a measure of encouraging qualified individuals in high salary earning categories.

Meanwhile, the revenue from tax on interest declined by 2.8 percent to Rs. 62,724 million during the first nine months of 2014 with

Table 5 > **Performance of Revenue from Income Tax (January - September)**

Rs. Million

Tax Base	**2013**	**2014 (Provisional)**	**Growth (%)**
Corporate and Non Corporate	70,673	71,895	1.7
PAYE	14,537	16,717	15.0
Tax on Interest Income	64,515	62,724	-2.8
Economic Service Charge	4,674	4,506	-3.6
Total	**154,400**	**155,842**	**0.9**

Source: Department of Fiscal Policy

the decline in the market interest rates and the relatively lower issuance of Treasury bills and Treasury bonds during this period. The revenue generated from ESC also declined by 3.6 percent to Rs. 4,506 million during this period compared to Rs. 4,674 million in the same period of 2013 due to the exemption on the turnover of any business of which the profit is subject to income tax and the increase of the ESC threshold.

Value Added Tax (VAT)

The revenue from VAT, on a gross basis, increased by 11.4 percent to Rs. 201,074 million during the first nine months of 2014, compared to the same period in 2013. This improvement was supported by the increase in both domestic VAT revenue as well as the VAT on imports. During this period, the revenue from VAT on domestic activities increased by 11.8 percent to Rs. 102,506 million, reflecting the increase in manufacturing activities, construction works, sale of food items, hire purchase and leasing facilities and increased revenue from banking and financial services. Imposition of VAT on wholesale and retail trade with a quarterly turnover more than Rs.250 million, broadening the VAT base while restricting the exempt supplies, also had a positive impact on increasing the domestic VAT revenue. The revenue from the VAT on imports increased by 10.9 percent to Rs. 98,568 million on gross basis during the first nine months of 2014 compared to the corresponding period of 2013. This was supported by the removal of the VAT exemptions on import of such goods as liquid/ powdered milk, Spices, wheat flour and rice flour. Further, the significant increase in the importation of motor vehicles during the first nine months of 2014 also had a positive impact on increasing the VAT revenue on imports.

Excise Taxes

Total revenue generated from excise duty on liquor, cigarettes and tobacco, petroleum, motor vehicles and other items during the period of January to September in 2014 was Rs.164,915 million, which is a marginal increase compared to the corresponding period of 2013. The considerable increase in the importation of motor vehicles, other products, including washing, packing and wrapping machineries and refrigerators, freezers, air conditioning machines and revenue from liquor mainly contributed to this increase. The decline in the sales slowed down the growth in the revenue from cigarettes.

Table 6 > **Performance of Revenue from VAT (January - September)**

Rs. Million

Tax Base	2013	2014 (Provisional)	Growth (%)
Domestic	91,675	102,506	11.8
Imports	88,885	98,568	10.9
Gross Revenue	**180,560**	**201,074**	**11.4**
Refunds	322	698	116.5
Net Revenue	**180,238**	**200,376**	**11.2**
Refunds as % of Gross Revenue	0.18	0.35	

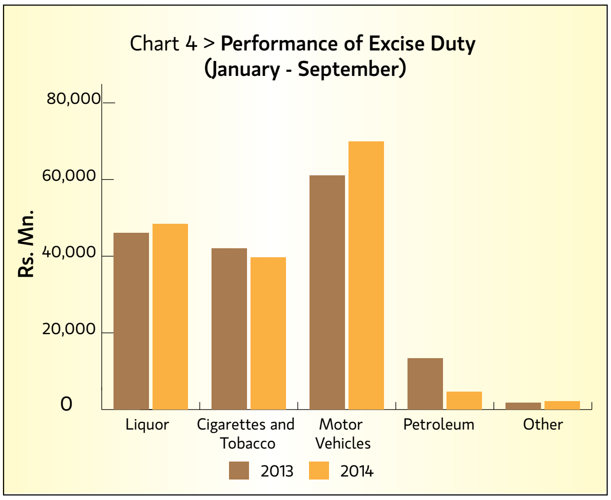
Source: Department of Fiscal Policy

Table 7 > **Performance of Excise Duty (January - September)**

Rs. Million

Tax Base	2013	2014	Growth (%)
Liquor	46,075	48,411	5.1
Cigarettes and Tobacco	41,965	39,674	-5.5
Motor Vehicles	61,064	69,956	14.6
Petroleum	13,326	4,675	-64.9
Other	1,786	2,201	23.2
Total	**164,216**	**164,915**	**0.4**

Source: Department of Fiscal Policy



The import value of motor vehicles increased by 34 percent during the first nine months of 2014 compared to the same period in the previous year, mainly in the categories of motor cars, motor cycles and buses, generating revenue of Rs.69,956 million during this period. The revenue from excise duty on petroleum products was Rs.4,675 million, during this period.

In the first nine months of 2014, the revenue from excise duty on cigarettes declined to Rs. 39,674 million, from Rs.41,965 million during the same period in 2013. This decline of revenue by 5.5 percent was due to the continuous drop in the sales of cigarettes reflecting the decline in demand due to higher cigarette and tobacco prices resulting from the increased excise taxes on cigarettes, increased Beedi consumption by some segments of the community as well as the government policy adopted towards discouraging smoking and public health concerns relating to tobacco consumption.

As a main source of excise duty, the revenue on liquor increased by 5.1 percent to Rs.48,411 million during the first nine months of 2014 compared to the same period in 2013. The excise duty revenue from hard liquor increased by 4.7 and the revenue from malt liquor increased to 15.4 percent over the same period in 2013, contributing to above growth of revenue.

Table 8 > **Excise Duty Rate Revisions on Cigarettes Rs./1,000 Sticks**

Category	2010 June	2010 Oct	2010 Nov	2011 Jan	2011 Oct	2012 Mar	2012 Oct	2013 July	2014 Oct
Cigarettes each not exceeding 60mm in lenth (eg. CAPSTAN, THREE ROSES)	2,830	3,425	3,440	3,465	3,465	4,037	4,612	5,722	5,722
Cigarettes each exceeding 60mm but not exceeding 67mm in length (eg. FOUR ACES)	6,246	6,893	6,922	6,973	7,540	8,112	9,258	10,355	10,355
Cigarettes each exceeding 67mm but not exceeding 72mm in length (eg. PALL MALL)	9,028	9,720	9,751	9,811	10,381	10,953	12,100	12,100	12,100
Cigarettes each exceeding 72mm but not exceeding 84mm in length (eg. GOLD LEAF)	11,260	11,988	12,030	12,108	13,243	13,815	14,963	16,610	17,746
Cigarettes each exceeding 84mm in length	13,170	14,360	14,400	15,000	16,400	17,100	18,500	20,000	21,200

Source : Department of Fiscal Policy

Table 9 > **Motor Vehicle Imports and New Registration of Vehicles (January - September)**

Unit: Number

Item	Imports				New Registrations			
	2013	2014	Change	%	2013	2014	Change	%
Buses	1,114	1,891	777	70	1,341	2031	690	51
Motor Cars	19,865	24,715	4,850	24	20,450	24,982	4,532	22
Three Wheelers	66,795	59,863	-6,932	-10	64,459	57,202	-7,257	-11
Motor Cycles	115,249	206,981	91,732	80	124,091	160,848	36,757	30
Goods Transport Vehicles(a)	20,280	17,668	-2,612	-13	23,739	18,467	-5,272	-22
Land Vehicles (b)	10,933	3,239	-7,694	-70	9,692	5,978	-3,714	-38
Other	312	278	-34	-11	589	42	-547	-93
Total	**234,548**	**314,635**	**80,087**	**34**	**244,361**	**269,550**	**25,189**	**10**

Sources: Department of Customs and Department of Motor Traffic
(a) Lories and Other Goods Transport Vehicles.
(b) Tractors, Hand Tractors and Other Land Vehicles.

Table 10 > **Coverage of Product and Value of Imports Under Free Trade Agreements (January - September 2014)**

Free Trade Agreement	No. of Products Subject to Tariff Concessions	Imports (Rs. Mn)
India - Sri Lanka Free Trade Agreement (ISFTA)	4,645	51,591
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	5,477	8,571
South Asia Free Trade Agreement (SAFTA)	5,210	157
Asia - Pacific Trade Agreement (APTA)	561	1,032
Total	**15,893**	**61,351**

Sources: Department of Customs and Department of Trade and Investment Policy

Import Duty

The revenue from import duties increased marginally by 1.6 percent to Rs. 59,497 million during the first nine months of 2014 compared to Rs. 58,554 million during the same period of 2013. This was mainly due to the increase in the import value of both consumer and intermediate goods amidst the decrease in the import of investment goods. In particular, 29.3 percent increase in the value of motor vehicles categorized under consumer goods mainly contributed to this improvement. Further, the revision of the method of calculation of value of used motor vehicles and brand new motor vehicles for a period of 2 years also contributed positively to the revenue from import duty during this period. Nevertheless, the import of duty free items, consisting of pharmaceuticals, fertilizer, textiles etc. and imports under FTA with India and Pakistan as well as duty free imports under investment agreements etc. caused the slowdown in the revenue from import duty during this period.

Special Commodity Levy

The revenue from Special Commodity Levy (SCL) amounted to Rs. 36,862 million during the first nine months of 2014 with a 9.4 percent increase over the same period of 2013. This was mainly due to the increase in number of items coming under the SCL and revision of the SCL rates periodically to support the domestic products by maintaining higher domestic producer margins for agriculture commodities. Sugar, Potatoes, Big Onions, Palm Oil (crude) and Mackerel were among the major imports that contributed significantly to generate revenue from SCL during this period. The adjustment of SCL has helped increase the domestic production of items such as Potatoes, Big Onions as well as local dairy production thereby enabling a decline in import of these items. The government continued to use SCL, which is a single tax on selected commodities, as a mechanism to provide remunerative prices to domestic farmers during the harvesting seasons which were adjusted appropriately during the off-season to stabilize domestic consumer prices.

Table 11 > **Special Commodity Levy Rates**

Rs. Per kg.

	Item	End September 2013	End September 2014
1	Spratts	10	26
2	Potatoes	40	40
3	Red Onions	15	5
4	B' Onions	35	35
5	Garlic	40	40
6	Green Gram	100	70
7	Lentils - Whole	18	2
	Lentils - Split	22	5
8	Chilies - Neither Crushed nor ground	25	25
	Chilies - Crushed or ground	150	150
9	Canned fish	100	102
10	Sugar	27	33
11	Watana - Whole	20	15
	Watana - Split	25	18
12	Chick Peas - Whole	10	7
	Chick Peas - Split	15	10
13	Black Gram	110	110
14	Cowpea	100	70
15	Millet	100	70
16	Maldive Fish	275	302
17	Dried Fish	75	102
18	Orange-Fresh	60	65
19	Grapes - Fresh	130	130
20	Apples - Fresh	45	45
21	Seeds of Coriander - Neither Crushed nor Ground	45	46
	Seeds of Coriander - Crushed or Ground	200	202
22	Seeds of Cumin	160	162
23	Seeds of Fennel	50	52
24	Turmeric - Neither crush Nor Ground	200	202
	Turmeric - Other	500	510
25	Mathe - Seed	50	50
26	Kurakkan (Eleusine Coracana Spp.)	100	70
	Kurakkan (Eleusine Coracana Spp.) Powder	150	150
27	Black Gram Flour	200	300
28	Ground Nut - Shelled	110	112
29	Mustard Seeds	60	62
30	Palmoil - Crude	80	90
	Palmoil - Refine	110	110
	Plam kernal - Crude	-	110
	Plam kernal - Refine	-	125
31	Fish	10% or Rs.10 per Kg, the amount of levy whichever is higher	10% or Rs.10 per Kg, the amount of levy whichever is higher
	Mackerel	-	10
32	Yoghurt	-	625
33	Butter	-	880
34	Margarine(Fat 80% or more)	-	175
	Margarine - Other	-	275
35	Salt	-	40
36	Rice	-	1
37	Maize / Sorghum	-	10% or Rs. 10 per Kg

Compiled by the Department of Trade and Investment Policy

Table 12 > **Performance of NBT, Stamp Duty and Motor Vehicle Registration Fees (January - September)**

Rs. Mn.

Item	2013			2014 (Provisional)			% Change - 2014/2013		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT *	27,540	13,770	41,310	31,155	15,578	46,733	13.1	13.1	13.1
Domestic	16,412	8,206	24,618	19,480	9,740	29,220	18.7	18.7	18.7
Import	11,128	5,564	16,692	11,675	5,838	17,513	4.9	4.9	4.9
Stamp Duty**	-	4,541	4,541	-	5,988	5,988	-	31.9	31.9
Motor Vehicle Reg. Fees***	494	1,153	1,667	517	1,207	1,724	4.7	4.7	3.4
Total	28,034	19,464	47,498	31,672	22,773	54,445	13.0	17.0	14.6

* *Since 2011, 33 1/3 percent of the revenue collected from the NBT by the central government is transferred to Provincial Councils.*

** *Since 2011, 100 percent of the revenue collected from the stamp duty by the central government is transferred to Provincial Councils.*

*** *Data represent 70 percent of the revenue collected by the central government from Motor Vehicles Registration Fee and transferred to PCs*

Note: CG = Central Government, PCs = Provincial Councils

Nation Building Tax

The total revenue from Nation Building Tax (NBT) increased by 13.1 percent to Rs. 46,733 million during the first nine months of 2014 in comparison to Rs. 41,310 million during the same period in 2013. Reflecting the impact of the introduction of NBT on financial services, the revenue recorded from NBT on financial services amounted to Rs.2,299 during the first nine months of 2014. The NBT revenue generated from domestic activities increased by 18.7 percent to Rs. 29,220 million in the first nine months of 2014 from Rs. 24,618 million in the same period in 2013. However, improvement in service sectors such as driving schools, banks (non-commercial), tailoring and allied services, hire purchasing, leasing, financing and several manufacturing sectors such as petroleum, domestically used gas, water works, vegetable and fruits products contributed positively to the performance in NBT revenue from domestic activity. The NBT revenue from imports also increased by 4.9 percent to Rs. 17,513 million in the first nine months of 2014 from Rs. 16,692 million in the same period in 2013.

Out of the total NBT revenue of Rs. 46,733 million, one third or Rs. 15,578 million was transferred to Provincial Councils (PCs) under the revenue sharing mechanism with the government which was introduced in 2011 as a part of the simplification of the tax system. In addition, 70 percent of revenue amounting to Rs. 1,207 million collected from motor vehicle registration fees and the entire revenue collection from stamp duty of Rs. 5,988 million was also transferred to PCs during the first nine months of 2014. Hence, the total transfers made to PCs in support of their devolved activities amounted to Rs. 22,773 million during the first nine months of 2014.

Telecommunications Levy

The Telecommunications Levy was introduced in lieu of different indirect taxes charged on the industry by Telecommunication Levy Act No. 11 of 2011. The rapid growth in the Telecommunications sector resulted in an increased revenue of Rs. 23,425 million from this levy reflecting a 29.2 percent increase during the first nine months of 2014 in comparison to Rs. 18,134 million in the same period in 2013. Out of this, 5 percent of increase was due to the rate increase in Telecommunications Levy by the Telecommunications Levy (Amendment) Act No.11 of 2014. The VAT exemptions given for importation of machinery and high-tech equipment used in the telecommunications industry has promoted the acquisition of latest technology and expansion in the Telecommunications sector. The cconsequent expansion of the services, introduction of new technology and the high demand in the Information and Communication Technology sector (especially KPO/ BPO industry) have supported this improved performance of the industry.

Import/Export Cess Levy

During the first nine months of 2014, total revenue from Cess on imports and exports increased by 4.1 percent to Rs.27,485 million, respectively compared to Rs.26,399 million recorded in the same period in 2013. The Cess Levy on imports amounted to Rs.25,375 million, with an increase of 5.2 percent compared to the corresponding period of 2013. Portland cement, tiles and steel were among the imports that contributed significantly for the increase of revenue from Cess on imports during this period mainly due to the increased demand for construction activities. Meanwhile, in November 2013, Cess on export was introduced on a number of primary form exports of minor agricultural crops under the Sri Lanka Export Development Act No. 40 of 1979, with a view of discouraging low value added exports and moving increasingly in to value added exports. During the period under review, the revenue from Cess on exports decreased by 7.7 percent to Rs. 2,110 million.

Table 13 > **Cess Revenue from International Trade: (January to September)**

Rs. Million

Item	2013	2014 (Provisional)
Cess on Exports	**2,286**	**2,111**
Tea-under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	567	578
Rubber-under Rubber Replanting Subsidy Act	36	30
Coconut-under Coconut Development Act	67	104
EDB Cess- under Sri Lanka Export Development Act	1,616	712
Cess on Imports- under Sri Lanka Export Development Act	24,113	25,373
Total	**26,399**	**27,485**

Source: Department of Fiscal Policy

Ports & Airports Development Levy

The revenue generated from Ports and Airports Development Levy (PAL) increased by 9.7 percent to Rs. 47,124 million during the first nine months of 2014 in comparison to Rs. 42,962 million in the same period of previous year. The increase in overall imports, including consumer goods, petroleum, textiles and textile articles, was positively contributed to this growth. In addition to the standard PAL rate of 5 percent applied for general goods, a lower rate of 2 percent was continued for raw materials used for pharmaceuticals and certain machineries.

Non Tax Revenue

Total non tax revenue during the first nine months of 2014 increased by 3.4 percent to Rs. 76,011 million compared to Rs. 73,533 million recorded in the same period in 2013. The non tax revenue by way of profits & dividends from State Owned Business Enterprises increased by 6.6 percent while that from sales & charges increased by 6.8 percent. The Social Security Contribution also had a higher growth by 18.6 percent. However, the decline in the profit transfers from the Central Bank by 19.9 percent and interest income by 26.7 percent in comparison to respective period of 2013 had a negative impact on the non tax revenue during this period.

Table 14 > **Variance Analysis of Government Revenue (January – September)**

Rs. Bn

Item	2013	2014 Prov	Reason
Income Tax	154.4	155.8	The increase of revenue was contributed positively by corporate and non-corporate tax reflecting continuous increase in domestic economic activities such as commercial banking, financial and insurance, construction & concrete work, export trade, manufacturing products, textile and alcoholic beverages sectors. A notable increase in Pay-As-You-Earn (PAYE) tax was resulted mainly due to increased employment and better wages in high earning categories such as air transportation, commercial banks, imports and export trade, tourism, construction, professional services, communication services and manufacturing sectors etc.
VAT	180.2	200.4	The increase of VAT from wholesale and retail trade by broadening VAT base by bringing down the threshold for the liability to Rs.250 million and restriction imposed on exempt supplies contributed positively for the revenue increase. This was supported by the increase in domestic VAT revenue due to the increase in manufacturing activities, construction works, sale of food items, and increased revenue from banking and financial services, as well as the VAT on imports due to the significant increase in the importation of motor vehicles.
Excise Tax	164.2	164.9	The considerable increase in the importation of motor vehicles, other products, including washing, packing and wrapping machineries and refrigerators, freezers, air conditioning machines and revenue from liquor mainly contributed the revenue from this source.
Import Duty	58.6	59.5	The marginal increase in revenue from import duties was mainly due to the increase in the import value of both consumer and intermediate goods amidst the decrease in the import of investment goods. In particular, 29.3 percent increase in the value of motor vehicles imports categorized under consumer goods mainly contributed to this improvement.
Port and Airport Development Levy (PAL)	43.0	47.1	The increase in overall imports, including consumer goods, petroleum, textiles and textile articles, was positively contributed to this growth.
Nation Building Tax (NBT)	27.5	31.2	The impact of the introduction of NBT on financial services and improvement in service sectors such as driving schools, banks (non-commercial), tailoring and allied services, hire purchasing, leasing, financing and several manufacturing sectors contributed positively to the performance in NBT.
Other Taxes	82.8	93.3	Increase of revenue from Special Commodity Levy mainly due to the increase in number of items coming under the SCL and revision of the SCL rates, increase in Cess, increase of Telecommunication Levy mainly due to the rate increase, etc. contributed positively to the increase of other tax revenue.
Non Tax Revenue	73.5	76.0	The increase in profits & dividends from State Owned Business Enterprises, sales & charges, Social Security Contribution were positively contributed for this increase.
Total	**784.2**	**828.2**	

Compiled by the Department of Fiscal Policy

Table 15 > **Performance of Government Expenditure: January – September**

Rs. Mn

	2013	2014 (Provisional)
Current Expenditure	**920,350**	**962,076**
Salaries	286,028	305,594
Pension	91,458	96,218
Interest	367,572	363,489
Other	175,292	196,775
Capital Expenditure	**358,718**	**364,618**
Total	**1,279,068**	**1,326,694**

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

Government Expenditure

Total government expenditure during the first nine months of 2014 amounted to Rs. 1,326,694 million, which constituted of Rs. 962,076 million of recurrent expenditure and Rs. 364,618 million of capital expenditure. It reflected increases of 4.5 percent and 1.6 percent, respectively, compared to the corresponding period of 2013.

Salaries and Pension Payments

Expenditure on salaries for public servants, including those attached to the Provincial Councils (PCs) and security services, stood at Rs. 305.6 billion, which is an increase of 6.8 percent compared to the same period of the previous year. This increase was mainly due to the provision of all public servants with an increase of monthly cost of living allowance (COLA) by Rs.1,200 with effect from January 2014.

Meanwhile, the total pension payments increased to Rs.96.2 billion during the first nine months of 2014, an increase of 5.2 percent compared to the corresponding period in the previous year. The full impact of around 19,276 retirees in 2013 and the partial impact of the new retirees of around 13,265 during the first nine months of 2014 as well as the increase of COLA to pensioners who retired prior to 2006 by Rs.500 and Rs.350 per month for retirees after 2006 contributed to this increase.

Interest Payments

Interest payments on domestic and foreign debt during the first nine months of 2014 amounted to Rs. 363.4 billion, which is a marginal decline over the corresponding period of the previous year. More importantly, the interest cost as a percent of GDP continued to decline and reached 3.7 percent during this period from 4.2 percent in the same period of 2013. The positive impact of the relatively low market interest rates on government securities was the main reason for this improvement.

Table 16 > **Behaviour of Yield Rates on Government Securities and Exchange Rate: 2013 - 2014**

Period		Treasury Bills			Treasury Bonds				Average Exchange Rate
		91 Days	182 Days	364 Days	2 Years	3 Years	4 Years	5 Years	(Rs. / USD)
2013	Jan	9.63	10.41	11.25	-	10.98	-	10.90	126.85
	Feb	9.10	10.08	11.10	-	-	-	10.74	127.70
	Mar	9.26	-	11.35	-	-	-	-	126.81
	Apr	9.23	10.23	11.34	-	-	-	11.45	126.03
	May	8.73	9.90	10.86	-	-	-	-	126.31
	Jun	8.66	9.70	10.66	-	-	-	-	127.81
	Jul	9.60	10.75	11.79	-	-	-	11.17	131.00
	Aug	9.57	10.72	11.72	-	10.87	-	11.17	131.82
	Sep	9.56	70.71	11.74	-	-	-	-	132.46
	Oct	8.57	9.44	10.38	-	-	-	-	131.09
	Nov	8.08	8.89	9.77	-	-	-	10.64	131.08
	Dec	7.77	8.29	8.86	-	-	-	-	130.82
2014	Jan	6.98	7.15	7.36	-	-	-	8.65	130.72
	Feb	6.74	6.90	7.08	-	-	-	-	130.82
	Mar	6.67	6.84	7.05	-	-	-	-	130.62
	Apr	6.61	6.79	7.03	-	-	-	-	130.62
	May	6.56	6.76	7.02	-	-	-	8.90	130.45
	Jun	6.51	6.69	6.99	-	-	-	-	130.33
	Jul	6.47	6.61	6.84	-	-	-	-	130.24
	Aug	6.28	6.34	6.39	-	-	-	-	130.19
	Sep	6.17	6.26	6.19	-	-	-	-	130.26

Source: Department of Treasury Operations and Department of Public Debt, Central Bank of Sri Lanka

Welfare Expenditure

The government continually committed to the implementation of welfare programmes aiming at alleviation of poverty and strengthen assistance to the needy segments of the society, spending Rs. 99,906 million during the first nine months of 2014.

A total of Rs. 22,178 million was spent on continuing social welfare and safety net programmes as well as on subsidy payments ensuring the wellbeing of the vulnerable groups during the first nine months of 2014 compared to Rs. 18,099 million in the same period of 2013. The Samurdhi Social Security programme was continued during this period distributing Rs.11,536 million as income supplements among 1.5 million families. Rs. 12,860 million was paid as social security for differently-abled soldiers.

The fertilizer subsidy programme was continued during the corresponding period providing Rs.29,512 million, especially to small scale paddy farmers to get a 50 kg fertilizer bag at Rs. 350. The drought experienced at the mid of this year caused huge harvest losses of farmers and hence, Rs.797 million (including expenditure under World Food Programme) was incurred by the government to provide drought relief for affected families.

In order to ensure the provision of free education for all school going-age children, the government has spent Rs.7,481 million on providing free school textbooks, school uniforms, season tickets, shoes for school children in difficult areas, bursaries, and also free Dhamma school textbooks during the first nine months of 2014, with an increase of 15.6 percent over the same period of the previous year.

The programmes on uplifting the nation's healthiness and nutritional standards continued during the first nine months of this year spending Rs. 25,454 million to provide free medicine for all, Rs. 263 million for infant and mother care

Table 17 > **Welfare Expenditure: January - September**

Rs. Mn

	2013	2014 (Provisional)
Healthcare and Nutrition	**20,912**	**27,140**
Free Medicine for All	19,742	25,454
Thriposha Programme	912	1,410
Infant Milk Food Subsidy	147	126
Poshana Manpetha	10	12
Poshanamalla	101	137
Educational Support	**6,728**	**7,733**
Free Text Books	1,519	1,924
Free Uniforms	1,431	2,193
School Season Tickets	1,072	1,271
School Nutritional Foods	2,100	1,656
Mahapola scholarships	64	69
Bursaries	226	316
Dhamma School Text Books	59	52
Dhamma School Uniforms For Teachers	116	92
Library Allowance for Dhamma School Teachers	141	161
Livelihood Supports	**33,296**	**42,855**
Fertilizer Subsidy	18,760	29,512
Samurdhi Relief	13,084	11,536
Credit Subsidies -SME	821	962
Credit Subsidies - Livestock	16	18
Credit Subsidies -Fisheries	23	23
Credit Subsidies - Replanting (Rubber)	448	618
Credit Subsidies - Export Crops	145	187
Social Welfare and Safety	**18,099**	**22,178**
Assistance to Differently Abled Soldiers	11,939	12,860
Flood and Drought Relief	143	99
Disaster Management Activities	393	790
Social Care of Ranaviru Parents	859	1,849
Assistance for Diffrently Abled Persons	353	348
Assistance to Elders	1,586	1,959
Bus Services in Uneconomical Routes	1,751	3,578
World Food Programme	1,076	698
Total	**79,035**	**99,906**

Source: Department of National Budget

programmes, Rs. 1,410 million for Thriposha Programme and Rs.1,656 million for the school nutritional food programme.

The livelihood support programmes carried out by the government to improve agriculture and rural economic activities, such as Fertilizer subsidy scheme, providing seeds and planting materials and credit subsidies continued during this period incurring about Rs.42,855 million.

Public Investment

The expenditure on public investment continued during the first nine months of 2014 reflecting the commitment of the government in implementing on-going infrastructure development programmes covering roads, ports, highways, power generation, water supply and irrigation while continuing rural (Divi Neguma and Gama Neguma), urban (Pura Neguma) and regional development initiatives to reduce regional economic disparities and improve the living conditions of the people in emerging regions. Total public investment of Rs. 375.9 billion during the first nine months of 2014 accounted for 56 percent of the budgeted amount for 2014.

Table 18 > **Public Investment - By Key Areas of Investment (Jan - Sep)**

Rs. Mn.

Sector	**2013**	**2014 (Provisional)**
Roads and Bridges	101,025	106,137
Electricity	15,036	16,237
Ports and Aviation	29,145	17,567
Irrigation	15,004	23,773
Agriculture & Products	8,292	9,981
Water Supply	15,374	14,281
Education	17,102	18,746
Health	16,267	21,125
Rural Infrastructure	61,003	58,867
Transport	38,469	26,915
Administration/ Judicial/Security Related and Other	55,938	62,243
Total	**372,655**	**375,872**

Sources: Department of National Budget, Department of State Accounts and Department of External Resources.

Treasury Operations

Performance of the Government Treasury Cash Flow

Cash inflows to the General Treasury during the first nine months of 2014 increased by 6 percent compared to the same period of 2013. Net cash deficit for the same period was Rs. 636.7 billion after outflow for recurrent and capital expenditure, which is Rs 68.5 billion higher than the corresponding figure for the same period in 2013. This was mainly due to the increase in cash outflows for recurrent expenditure by 8 percent and capital expenditure by 10 percent compared to the corresponding period of the previous year. The overall closing cash balance (deficit) as at end September 2014 was Rs 178.6 billion, which is higher than the cash deficit by Rs. 57.7 billion, which prevailed at the end of September 2013.

Management of Government Debt

The government debt operations indicated total gross borrowings of Rs 1,203 billion during the first nine months of 2014. The repayment of Government debt, both domestic and foreign amounted to Rs 567.8 billion while the net borrowing limiting to Rs 635.2 billion during this period. The Tables below summarize the government's gross domestic borrowings during the period from January to September 2014.

Table 19 > **Statement on Government Treasury Cash Flow Operations**

Rs. Bn.

Item	2013 (Jan.-Sep.)	2014 (Jan.- Sep.)	
	Actual	Estimate	Actual
Opening Cash balance as at 1st January	(144.5)	(165.7)	(165.7)
Total cash inflow from revenue and other receipts	723.8	994.7	769.1
Total cash outflow for recurrent expenditure	(921.6)	(1,002.8)	(999.0)
Total cash outflow for capital expenditure*	(370.4)	(420.0)	(406.8)
Net cash surplus (deficit)	(568.2)	(428.1)	(636.7)
Gross borrowings *	1,133.7	1,030.5	1,203.0
Debt repayment	(528.8)	(598.9)	(567.8)
Net borrowing	604.9	431.6	635.2
Adjustment account balance (TEB, net deposits, etc.)	(13.1)	-	(11.4)
Closing Cash balance as at 30th September	(120.9)	(162.2)	(178.6)

Source: Department of Treasury Operations
**Includes project/programme loans received by the government and recorded in the CS-DRMS as at August 31,2014*

Table 20 > **Domestic Borrowings - Sri Lanka Development Bonds - 2014 (Jan - Sep)**

Series	Settlement Date	Maturity Date	Amount Accepted (US$ Mn.)	Margin (basis points Over 6 months LIBOR)
2017A	17/03/2014	17/03/2017	187.0	400
2017B	30/06/2014	30/06/2017	194.5	375

Source: Central Bank of Sri Lanka

Table 21 > **Domestic Borrowings - Treasury Bills - 2014 (Jan - Sep)**

Issue Date	Amount Accepted (Rs. Mn.)			Weighted Average Yield Rates		
	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days
03.01.2014	1,031	3,943	15,440	7.42	7.53	7.95
10.01.2014	2,000	3,000	13,579	7.00	7.20	7.42
17.01.2014	5,340	11,662	20,084	6.86	7.02	7.15
24.01.2014	1,105	6,443	2,656	6.84	7.02	7.15
31.01.2014	7,163	12,426	8,232	6.82	7.00	7.14
07.02.2014	-	-	15,446	-	-	7.10
14.02.2014	5,972	11,067	3,790	6.77	6.92	7.10
21.02.2014	3,050	5,390	10,457	6.75	6.90	7.08
28.02.2014	1,000	8,756	12,900	6.72	6.89	7.07
07.03.2014	1,000	7,793	18,280	6.71	6.88	7.07
14.03.2014	500	4,306	13,446	6.69	6.85	7.06
21.03.2014	700	2,878	8,500	6.66	6.83	7.05
28.03.2014	1,815	957	5,510	6.65	6.82	7.05
04.04.2014	380	516	1,287	6.64	6.81	7.05
11.04.2014	500	500	9,350	6.63	6.80	7.04
18.04.2014	500	5,337	4,656	6.61	6.79	7.03
25.04.2014	500	2,000	12,361	6.58	6.79	7.02
02.05.2014	-	3,982	7,410	-	6.78	7.02
09.05.2014	-	2,254	12,397	-	6.76	7.02
16.05.2014	1,105	2,145	13,006	6.57	6.76	7.02
23.05.2014	1,511	3,209	6,282	6.57	6.75	7.02
30.05.2014	1,400	2,964	14,223	6.56	6.75	7.02
06.06.2014	1,200	2,060	15,830	6.55	6.73	7.01
13.06.2014	905	1,275	12,366	6.54	6.72	7.00
20.06.2014	785	750	12,065	6.53	6.71	7.00
27.06.2014	1,000	1,000	20,000	6.51	6.69	6.99
04.07.2014	1,548	1,000	6,874	6.50	6.68	6.97
11.07.2014	970	2,816	22,591	6.49	6.63	6.91
18.07.2014	1,000	1,000	16,300	6.46	6.59	6.79
25.07.2014	1,000	1,000	16,000	6.43	6.54	6.68
01.08.2014	1,000	2,000	12,000	6.36	6.47	6.58
08.08.2014	1,000	1,376	10,260	6.28	6.39	6.45
15.08.2014	1,000	2,000	10,595	6.19	6.30	6.31
22.08.2014	-	556	3,837	-	6.28	6.30
29.08.2014	-	1,335	7,424	-	6.28	6.30

Source: Central Bank of Sri Lanka

Table 22 > **Domestic Borrowings - Treasury Bonds - 2014 (Jan - Sep)**

Series	Settlement Date	Maturity Date	Amount Accepted (Rs. Mn.)	Weighed Average Yield
10.60%2019A	16/01/14	01/07/19	2,000	9.61
13.00%2029A	16/01/14	01/01/29	3,500	11.79
11.20%2022A	03/03/14	01/07/22	1,050	11.00
11.40%2024A	03/03/14	01/01/24	1,000	11.11
13.00%2029A	03/03/14	01/01/29	1,000	11.96
11.20%2022A	01/04/14	01/07/22	1,000	11.11
13.25%2034A	01/04/14	01/01/34	2,000	12.58
13.50%2044A	01/04/14	01/01/44	2,000	13.06
10.60%2019A	02/06/14	01/07/19	1,750	9.92
13.00%2029A	02/06/14	01/01/29	2,200	12.09
13.50%2044B	02/06/14	01/06/44	2,000	13.06
11.40%2024A	15/07/14	01/01/24	2,000	10.26
13.00%2029B	15/07/14	01/05/29	3,300	11.75

Source: Central Bank of Sri Lanka

Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Treasury guarantees issued and remaining valid as at 30 September 2014 was Rs.503.7 billion which did not exceed 7 percent of GDP as prescribed in the section 3(e) of the Fiscal Management (Responsibility) Act No.3 of 2003 as amended by the Fiscal Management (Responsibility) (Amendment) Act No. 15 of 2013. The list of guarantees issued by the General Treasury up to 30 September 2014 is given in Annex II.

Foreign Financing

Mobilizing Foreign Financing for Development

A substantial level of public investment is essential to ensure robust and sustainable economic growth. As such, Sri Lanka will continue to maintain high level of public investment of about 6-7 percent of GDP over the medium term. A major portion of this investment will be secured through foreign financing from development partners and will be invested in priority economic sectors focusing on vital infrastructure needs to uplift the country's economy in to upper middle income status.

The external financing raised by the government from 2005 to Sep. 2014 has largely been invested in large and strategic infrastructure development projects which are necessary to drive the economic growth, draw foreign investments and expand markets and promote foreign exchange earnings through export of goods and services as well as creating employment opportunities. The government has taken steps to streamline the Official Development Assistance (ODA) focusing on emerging needs of the country and as a result, ODA has now been more aligned with the objectives of sustainable economic growth, reduction of regional disparities, inclusive development, building skills, strengthening disaster management and climate change mitigation and human development. The development partners and lending agencies are also encouraged to adopt programmes based financing rather than focusing on individual projects in order to improve quality of public spending.

During the past decade from 2005 up to Sep. 2014, the government invested foreign financing of about US$ 15 billion raised from development partners in almost all economic sectors, including roads and highways, irrigation, power and energy, water supply, drainage and sanitation, ports, aviation, railways, fisheries, agriculture and plantation, urban and rural infrastructure development. Furthermore, the government has been able to maintain a substantial investment on education, health and social protection. This investment paved the way for Sri Lanka to emerge as a thriving, dynamic and attractive regional economic centre of the world as envisaged in the Mahinda Chintana – National Vision and helped the government to maintain a solid economic growth over last decade along with steady increase of per capita income and export earning as well as reduction of poverty indicators.

The current foreign financing portfolio of the country is significantly different from its past structure. Noteworthy differences can be seen in the areas of the volume of the funds received and disbursed, the type of credit, allocation of funding and the nature of projects as well as the sources of the development partners and funding agencies themselves. The main reasons for these changes include, among others, the steady economic growth and change in the country's economic situation towards a middle income economy, change in the types of needs and status of the global economy. Significant increase in development assistance by development partners over last decade was a reflection of the confidence placed by them in the Sri Lanka's development strategy and the progress of its implementation.

With the improved business environment and living conditions, the demand for improved economic services and connected infrastructure in the country has increased substantially during the past decade, creating a need for foreign financing in greater amounts. However, as Sri Lanka being categorized as a middle income economy, the country is becoming increasingly less eligible for concessionary loans from development partners, which carry low interest rates, long tenors and grace periods and a high grant element to finance its public investments. As a result, the volume of semi-concessional credit, mixed credit, export credit and commercial credit has increased over time. Hence, the options for foreign borrowings have been explored and new development partners have shown interest to engage in Sri Lanka's economic development process.

The foreign financing strategy of the government recognizes that the development projects which are implemented using foreign financing would create an asset base and economic activities that will generate future stream of income sources leading to an increase of government revenue and other sources of income in support of debt servicing. Securing the default free status of the country while maintaining debt service obligations at low risk levels has been a prime objective of the borrowing strategy of the government. From 2005 to September 2014, the government has paid about US$ 9 billion as interest payment and capital repayments for the loans obtained for development projects. The government has gradually been moved towards mobilizing long term foreign financing by giving attention to cost of borrowing, maturity structure and efficiency in resource utilization. As a result of the prudent fiscal management policies, the sovereign debt of the country, as a percentage of GDP, has continuously been declined over the past decade. As per the "Framework for Mobilization of External Finance in the Medium Term", all new borrowings for the implementation of development projects are required to undergo a comprehensive assessment process prior to entering in to a formal agreement with lenders to ensure that such funding will generate significant economic returns in the medium and long term and promote direct investments.

When determining the source of foreign financing, the advantages of engaging different lending institutions in different economic sectors and development projects are carefully assessed by the Department of External Resources. The cost of borrowing, past experience, systems and procedures, conditionality, technical expertise available with the respective lenders are some of the key aspects taken into consideration in the process of working with potential sources of financing.

Unsolicited proposals are considered by the General Treasury only if they are designed to achieve specific development targets identified in the development policy framework of the government "Mahinda Chintana", the National Vision. The government of Sri Lanka has already rationalized the screening process for unsolicited proposals, and all necessary guidelines have been issued to line Ministries to ensure that borrowings are well within the debt servicing capacity of the government.

Reflecting the confidence placed by the development partners in Sri Lanka's development vision and its implementation progress, more than US$ 2,000 million of foreign finance has been committed up to the end of September 2014 to implement the identified strategic infrastructure development projects.

Foreign Financing Commitments

Foreign financing has enabled Sri Lanka to continue improvement of much needed infrastructure facilities over the past decade, resulting in many projects identified under the "Mahinda Chintana", National Vision, being completed or nearing completion today, quickening the advancement of the country towards the status of a middle income nation and beyond.

The accelerated infrastructure development programme initiated by the government since 2005, and the substantial investment made in economic sub-sectors resulted in a steady progress in the capacity expansion of many economic service areas, including power generation, sea ports and airports, expressways, highways, railways, irrigation system, water supply and sanitation, schools, vocational training institutions, universities, hospitals and other service delivery facilities.

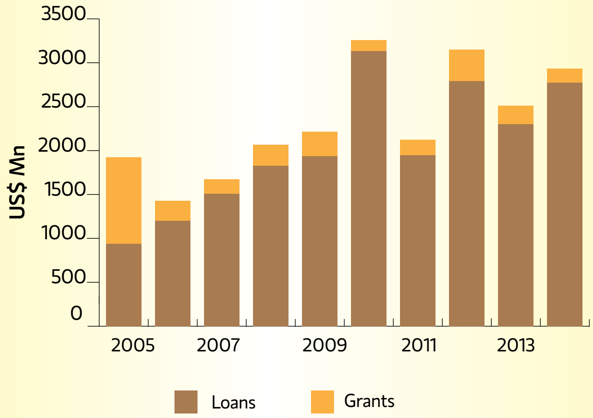
At present, about 40 percent of the public investment expenditure is financed through external financing. From 2005 to September 2014, the government entered into about 600 financial agreements for loans and grants with foreign development partners and lending agencies. Over 80 percent of the financing committed under these agreements have been allocated for priority development projects, mainly to develop new economic and social infrastructure facilities and to enhance the existing such facilities island-wide.

The total commitment made by development partners and export credit agencies during 2005-September 2014 period amounted to US$ 18,058 million[1] of which, 85 percent (or US$ 15,386 million) was committed in the form of loans and the balance (almost 15 percent or US$ 2,672 million) was made as grants.

1 Foreign Financing commitments made by development partners and lending agencies for the State Owned Business Enterprises (SOBEs) are not included.

Chart 5 depicts the commitments made by development partners and lending agencies to implement development projects from 2005 to September 2014.

Chart 5 > **Foreign Financing Commitments on Development Projects: 2005-2014 Sep.**



Source: Department of External Resources

Roads and bridges sector is the largest sector benefitted from these commitments as almost 25 percent of the total commitments during this period have been allocated for construction of expressways and highways and rehabilitation of the national road network.

As shown in the table 23, the investments in terms of foreign financing on other sectors, including, ports and aviation, irrigation, water supply and sanitation, power and energy increased drastically over the last decade reflecting the government's commitment to develop the infrastructure facilities required for a middle income economy. Furthermore, external financing in social sectors, including education and health, also increased over last 10 years. Chart 6 figures out the external financing portfolio over last six years according to the lender category.

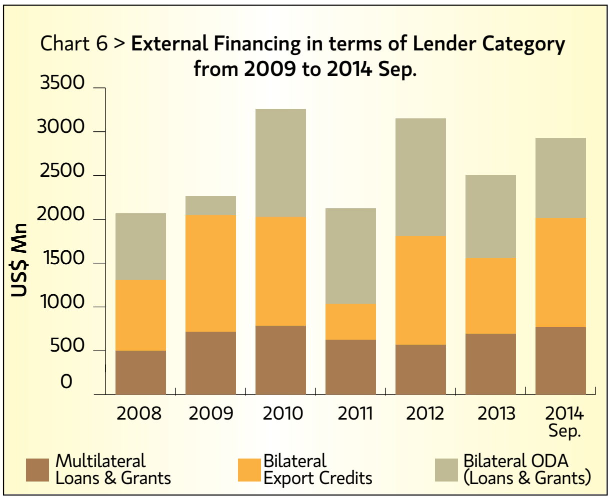
Table 23 > **Sectoral Distribution of Foreign Financing Commitments 2005 - 2014 Sep.**

US$ Mn

Sector	Loans	Grants	Total	%
Roads and Bridges	4,344.2	81.1	4,425.3	24.5
Rehabilitation	883.5	1,312.7	2,196.2	12.2
Ground Transport	1,926.5	22.8	1,949.3	10.8
Water Supply & Sanitation	1,736.5	89.6	1,826.1	10.1
Power & Energy	1,374.3	14.8	1,389.1	7.7
Health & Social Welfare	539.5	269.5	809.0	4.5
Ports & Shipping	643.9	20.0	663.9	3.7
Irrigation & Related Activities	635.4	7.4	642.8	3.6
Housing & Urban Development	340.7	291.8	632.5	3.5
Education & Training	459.4	145.3	604.7	3.3
Other*	2,502.5	416.8	2,919.4	16.1
Total	**15,386.4**	**2,671.8**	**18,058.5**	**100.0**

Source: Department of External Resources

**Other - Including Defence 3.2%, Mgt. & Institutional Development 1.3%, Disaster Mgt. 1.2%, Labour & Vocational Training 1%, Rural Development 1%, Environment 0.9%, Agriculture 0.7%, SME Development 0.7%*



Source: Department of External Resources

Broadening of foreign financing options to accommodate mixed credit from bilateral and multilateral sources as well as financial markets in the backdrop of declining concessional financing have led to substantive changes in the form and composition of the foreign financing. At present, the mixed credit and export credit represent a significant share of the total foreign financing portfolio. However, a larger portion of foreign financing is still coming in the form of bilateral and multilateral ODA and the government has been able to maintain a proper blend of concessional and non-concessional financing with available concessional financing from multilateral and bilateral sources as well as financial markets with appropriate maturity structures to keep the cost of borrowing at an affordable level.

Total external financing commitment received for the implementation of development projects and programmes during the first 9 months of 2014 amounted to US$ 2,931 million. Almost 60 percent of the total commitments received during this period were under concessionary or semi-concessionary terms, without making much burden to the future debt repayments and external debt structure. A list of foreign financing loan agreements signed during the first 9 months of 2014 is given in Table 24.

Table 24> **List of Foreign Financing Loan Agreements Signed during January – September, 2014 with their terms**

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed				Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
Bilateral													
Japan	28/03/2014	New Bridge Construction over the Kelani River	JPY	35,020.00	44,808.10	342.8	Fixed	0.10%	N/A	-	Front- End Fee (0.2% of the loan amount, payable one time)	10	40
	23/08/2014	Digitalization of Terrestrial Television Broadcasting Project	JPY	13,171.00	17,199.70	132.1	Fixed	Tranche 1 – (0.10%) Tranche 2 – (0.01%)	N/A	-	Front- End Fee (0.2% of the loan amount, payable one time)	10	40
China Development Bank Corporation (CDB)	11/03/2014	Improvement and Rehabilitation of Priority Road Project 3 (Phase 1)	USD	300	39,166.40	300	Variable	LIBOR 6 Months for USD	2.95%	-	Management Fee (0.5% of the loan amount, payable one time)	3	15.5
Kuwait Fund for Arabic Economic Development (KFAED)	30/01/2014	Reconstruction of 25 Bridges	KWD	10	4,630.10	35.4	Fixed	0.20%	N/A	0.50%	-	5.25	24.75
Export Credit													
KBC Bank of Belgium	16/01/2014	Implementation of Monaragala _ Buttala Water Supply Project	EUR	12.9	2,291.70	17.6	Fixed	1.20%	N/A	0.50%	-	0.5	7.5
The Export – Import Bank of China	16/09/2014	Construction of Outer Circular Highway Project – Phase III	USD	494	64,321.80	494	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5.5	20
	16/09/2014	Southern Expressway Extension-Section 4 from Mattala to Hambantota	CNY	2,528.10	53,557.10	411.4	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5.5	20
	16/09/2014	Hambanthota Hub Development Project	CNY	1,555.90	32,962.40	253.2	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5.5	20

Table 24> **List of Foreign Financing Loan Agreements Signed during January – September, 2014 with their terms**

Contd....

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed				Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
France	29/09/2014	Ambatale Water Supply System Improvement and Energy Saving Project	USD	70	9,129.00	70	Variable	EURIBOR 6 Months	1.26%	0.50%	Front- End Fee (0.5% of the loan amount, payable one time)	7	25
Multilateral													
Asian Development Bank	27/05/2014	Skills Sector Enhancement Programme – Result Based Lending	USD	50	6,520.70	50	Variable	LIBOR 6 Months for USD	0.60%	0.15%	-	5	25.5
	27/05/2014	Skills Sector Enhancement Programme – Result Based Lending	XDR	32.6	6,597.70	50.6	Fixed	2.00%	N/A	-	-	5	24.5
	27/05/2014	Southern Road Connectivity Project	USD	70	9,129.00	70	Variable	LIBOR 6 Months for USD	0.60%	0.15%	-	4.5	25
	27/05/2014	Southern Road Connectivity Project	XDR	3.3	673.8	5.2	Fixed	2.00%	N/A	-	-	4.5	24
International Bank for Reconstructions & Development (IBRD) of the World Bank	10/07/2014	Disaster Risk Management Development Policy loan with a Catastrophe Differed Drawn Option CAT - DDO	USD	102	13,282.50	102	Variable	LIBOR 6 Months for USD	0.63%	-	-	3	19.5

Table 24> **List of Foreign Financing Loan Agreements Signed during January – September, 2014 with their terms**

Contd....

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed				Interest Rate per Annum			Commit ment Fee (from the undis- bursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
Inter - national Develop- ment Association (IDA) of the World Bank	10/07/2014	Climate Resilience Improvement Management	XDR	71.7	14,442.70	110.9	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	24.5
	09/12/2014	Strategic Cities Development Project	XDR	95	18,780.30	144.2	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	24.5
	09/12/2014	Additional Financing for Dam Safety & Water Recourses Planning Project	XDR	53.7	10,615.80	81.5	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	24.5
	09/12/2014	Skills Development Project (Portion B)	XDR	14.1	1,787	21.4	Fixed	1.40%	N/A	0.50%	Service Fees (0.75%)	5	24.5
	09/12/2014	Skills Development Project (Portion A)	XDR	51.6	10,200.70	78.3	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	24.5
Commercial Bank													
Inter- national Bond Issuances	01/01/2014	Sovereign Bond Issuances	USD	1,000.00	1,30,681.10	1,000.00	Fixed	6.00%	N/A	-	-	-	5
	04/07/2014	Sovereign Bond Issuances	USD	500	65,281.20	500	Fixed	5.13%	N/A	-	-	-	5
		Total			**557,078.0**	**4270.6**							

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offer Rate (Average LIBOR 6 Months rate from January to September 2014 was 0.3286 per cent)

2. EURIBOR = Euro Interbank Offer Rate (Average Euribor 6 Months rate from January to September 2014 was 0.3699 per cent)

3. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made

4. Foreign loans commitments received by SOEs are not included

5. N/A = Not Applicable

Table 25 indicates a list of grant agreements signed with development partners during the first 9 months of 2014.

Table 25 > **Foreign Financing Grant Commitment by Development Partner from January - September 2014**

	Project Name	**Amount (US$ Mn)**	**Committed By**
1.	Provide Medical teaching Equipment	1.6	Government of China
2.	Outpatient Building Project of National Hospital	100.0*	Government of China
3.	Medical Equipment and Welfare Apparatus Package – 2014	4.8	Japan
4.	TA for the introduction of Quinoa toward improved food security	0.1	FAO
5.	Reduction of post – harvest losses in horticultural chains in SAARC	0.5	FAO
6.	Promotion of Appropriate Feeding Techniques to – Dairying	0.3	FAO
7.	Improving Sea bass Aquaculture in Sri Lanka	0.4	FAO
8.	Transforming the School Education System as the Foundation of Knowledge Hub Project	6.1	IDA
9.	Additional Financing for North East Local Services Improvement Project –NELSIP	18.8	IDA
10.	Enhancement(Additional Financing for North East Local Services Improvement Project – NELSIP)	1.5	IDA
11.	Disaster Reduction & Recovery Support to Mainstreaming Disaster Risk management Project	0.4	IDA
12.	Comprehensive Disaster Management Program 2014 - 18	2.0	UNDP
13.	Expedited Enabling Activities to facilitate Early Action on the implementation of the Stockholm convention on Persistent Organic Pollutants	0.1	UNIDO
14.	Protracted relief & Recovery Operation	23.6	World Food Programme
	Total	**160.2**	

** Grants received through Economic and Technical Cooperation Agreements will be used.*

Source: External Resources Department

Table 26 summarizes foreign financing commitments on lender category received from development partners and lending agencies during the first 9 months of 2014:

Table 26 > **Foreign Financing commitments made by development partners (including international bond issuances) from January - September 2014**

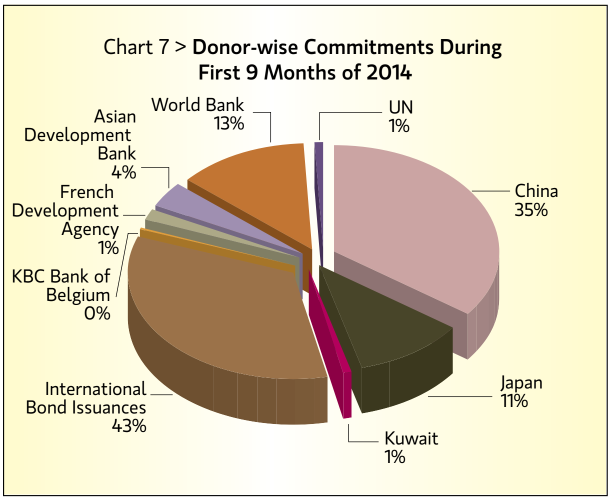
Million

Development Partner/ Lending Agency	Amount Committed					
	Loan		Grant		Total	
	Rs.	US$	Rs.	US$	Rs.	US$
Bilateral	**1,322.7**	**169,176.9**	**32.9**	**4,167.0**	**1,355.6**	**173,344.1**
China*	39,166.4	300.0	13,279.9	101.6	52,446.3	401.6
Japan	62,007.8	474.9	631.6	4.9	62,639.4	479.8
Kuwait	4,630.1	35.4			4,630.1	35.4
Commercial	**195,962.3**	**1,500.0**			**195,962.3**	**1,500.0**
International Bond Issuances	195,962.3	1,500.0			195,962.3	1,500.0
Export Credit	**162,280.8**	**1,246.2**			**162,280.8**	**1,246.2**
KBC Bank of Belgium	2,291.8	17.6			2,291.8	17.6
French Development Agency	9,147.7	70.0			9,147.7	70.0
China Exim Bank	150,841.3	1158.6			150,841.3	1158.6
Multilateral	**93,030.6**	**714.1**	**6,995.1**	**53.7**	**100,025.7**	**767.8**
Asian Development Bank	22,921.2	175.8			22,921.2	175.8
Food & Agriculture Organization			160.2	1.3	160.2	1.3
International Bank for Reconstruction & Development (IBRD) of the World Bank	13,282.5	102.0			13,282.5	102.0
International Development Association (IDA) of the World Bank	56,826.9	436.3	3,502.6	26.8	60,329.5	463.1
UNDP			265.7	2.0	265.7	2.0
UNIDO			8.5	0.1	8.5	0.1
World Food Programme			3,058.1	23.5	3,058.1	23.5
Total	**557,078.0**	**4270.6**	**20,906.6**	**160.2**	**577,984.8**	**4,430.8**

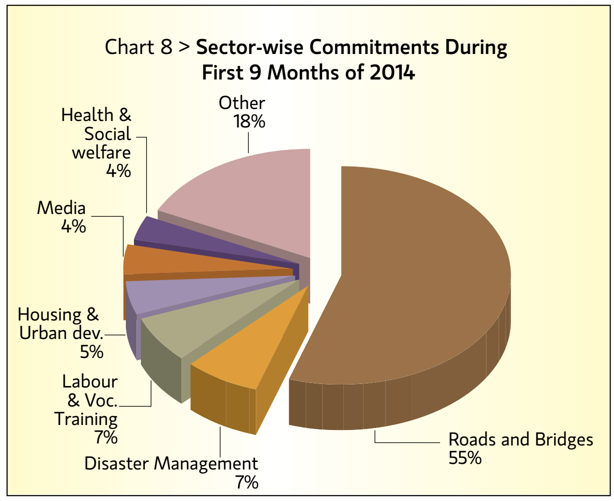
* *Including grants committed by the Government of China through Economic and Technical Cooperation agreements*

Note : The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where each Agreement was signed
Source: External Resources Department

Chart 7 indicates donor-wise commitments during first 9 months of 2014. Out of the total commitments during the period under review in 2014, 35 percent of the funds have been committed by China, followed by the funds raised through international bond issuances and the World Bank and Japan, which contributed to 13 percent and 11 percent, respectively.



Source: External Resources Department



Source: External Resources Department

Chart 8 depicts the foreign financing commitments (without funds raised through sovereign bond issuances) made during the period under review by sector. More than 50 percent of the total commitment was allocated for the development of roads and bridges in the country while disaster management, vocational training, housing & urban development and health and social welfare received a considerable amount of foreign financing for development projects of the respective sectors.

Apart from the above, bilateral development partners, multilateral funding agencies, including Asian Development Bank (ADB) and the Word Bank (WB) have made substantial contributions towards the development of the country during the last 9 years.

It is noted that the disbursements were increased significantly after the end of the internal conflict in 2009. Improved business environment in the country and increased investments in conflict affected and un-served areas in the Northern and Eastern provinces have been the main reasons for this improvement. The total disbursements from January to September 2014 amounted to US$ 1,096 million. A summary of the disbursements made from January to September 2014 is given in Table 28.

Table 27 > **External Financing disbursements by major development partner from 2006 to September 2014**

US$ Mn

Development Partner	2006	2007	2008	2009	2010	2011	2012	2013(R)	2014 (Jan -Sep.)	Total
China*	9	174	41	298	845	319	490	584	264	3,024
Japan	284	230	279	311	333	380	396	277	195	2,685
Western Countries	173	214	319	331	307	166	211	414	118	2,253
ADB	205	174	290	284	143	290	302	281	210	2,179
World Bank	168	122	144	202	156	216	173	216	154	1,551
India	22	13	1	47	28	208	295	297	117	1,028
UN Agencies	96	36	102	111	50	81	66	30	3	575
Middle East Countries	12	11	11	19	7	27	56	42	19	204
Other	169	143	27	18	252	99	69	45	16	838
Total	**1,138**	**1,117**	**1,214**	**1,621**	**2,121**	**1,786**	**2,058**	**2,186**	**1,096**	**14,338**

Source: Department of External Resources
(R) Revised
** Disbursements of foreign loans obtained by State Owned Business Enterprises (SOBEs) are not included*

Note : The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made

External Financing Disbursements

A larger share of foreign financing disbursements amounting to US$ 5,709 million (almost 40 percent) was recorded from the projects funded through Chinese and Japanese assistance followed by projects with funding assistance from Western countries during the period 2006-2014 Sep.

Table 28 > **Foreign Financing Disbursements from January – September 2014 by Development Partner**

Million

Development Partner/ Lending Agency	Loan		Grant		Total Amount	
	Rs.	US$	Rs.	US$	Rs.	USD
Bilateral	**87,644.22**	**671.55**	**6,197.39**	**47.55**	**93,841.62**	**719.10**
China	34,506.92	264.44			34,506.92	264.44
Japan	24,212.30	185.50	1,197.55	9.18	25,409.85	194.68
India	11,746.57	89.98	3,564.70	27.35	15,311.28	117.34
United kingdom	5,030.60	38.55			5,030.60	38.55
Netherlands	4,531.29	34.71			4,531.29	34.71
South Korea	1,617.54	12.40			1,617.54	12.40
Hungry	659.18	5.05			659.18	5.05
Sweden	439.82	3.37			439.82	3.37
Spain	508.53	3.90			508.53	3.90
France	1,296.67	9.94			1,296.67	9.94
Austria	801.16	6.15			801.16	6.15
Belgium	288.04	2.21			288.04	2.21
Denmark	285.54	2.18			285.54	2.18
Germany	174.44	1.34	103.66	0.80	278.09	2.13
Kuwait	181.95	1.40			181.95	1.40
Saudi Fund	1,257.56	9.63			1,257.56	9.63
United States of America			1,331.48	10.22	1,331.48	10.22
Australia	106.12	0.81			106.12	0.81
Multilateral	**46,641.28**	**357.46**	**2,514.95**	**19.28**	**49,173.28**	**376.88**
Asian Development Bank	26,492.46	203.12	934.64	7.16	27,427.10	210.28
World Bank - International Development Association	16,271.71	124.63	1,407.55	10.80	17,679.26	135.43
World Bank - International Bank for Reconstruction and Development	2,368.52	18.16			2,368.52	18.16
International Fund for Agricultural Development	305.18	2.34			305.18	2.34
UNHCR			26.03	0.20	26.03	0.20
OPEC Fund for International Development (OFID)	1,203.41	9.22			1,203.41	9.22
Food & Agriculture Organization			128.33	0.98	128.33	0.98
UNDP			18.40	0.14	18.40	0.14
UNFPA					17.05	0.13
Total	**134,285.51**	**1,029.01**	**8,712.34**	**66.83**	**143,014.90**	**1,095.98**

Source: Department of External Resources

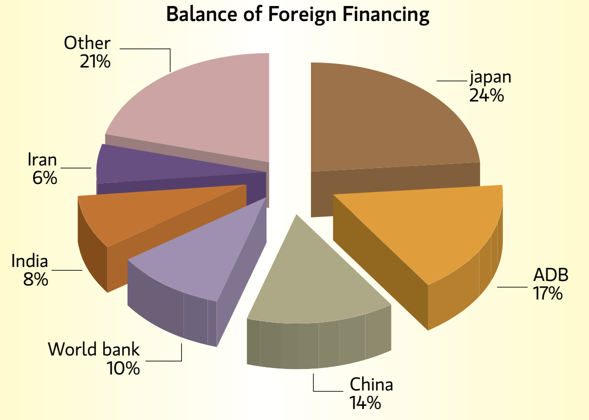
Note : The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made

Table 29 > **Committed Undisbursed Balance**

Sector	US$ Mn	%
Roads and Bridges	2,178.6	28.2
Power & Energy	950.1	12.3
Water Supply	929.7	12.0
Ports & Shipping	684.0	8.9
Irrigation	532.1	6.9
Health & Social Welfare	448.4	5.8
Education, Vocational Training	343.9	4.5
Housing & Urban Development	324.1	4.2
Environment	160.2	2.1
Rehabilitation	160.0	2.1
SME Development	126.1	1.6
Other	879.0	11.4
Total	**7,716.2**	**100.0**

Source: External Resources Department

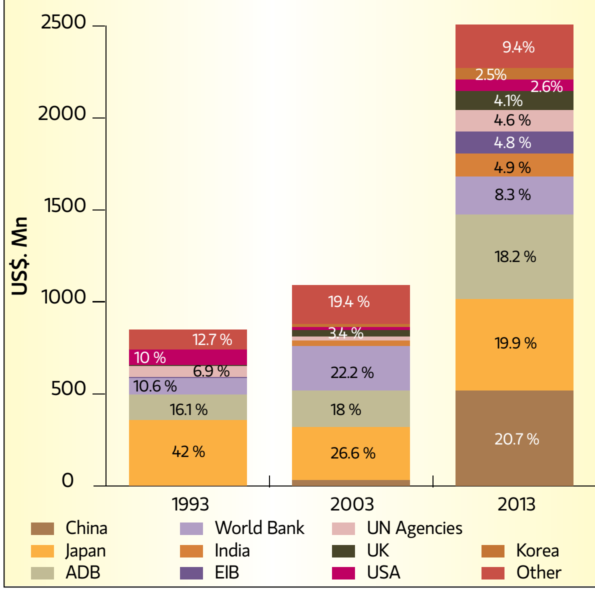
Chart 9 > **Donor-wise Committed Undisbursed Balance of Foreign Financing**



Source: Central Bank of Sri Lanka

Meanwhile, the committed undisbursed balance as at end September 2014 amounted to US$ 7.7 billion. The highest amount of committed undisbursed foreign financing balance is available for development of roads, expressways and transport facilities. As chart 9 depicts, ADB, China, World Bank and India record more than 65 percent of the total undisbursed amount of the foreign financing committed during the last 3 years.

Chart 10 > **Foreign Financing Portfolio of 1993, 2003 and 2013: A Comparison**



Source: Department of External Resources

Change in the Foreign Financing Composition

Foreign borrowings of the country including foreign borrowings obtained by the State Owned Enterprises (SOEs) has shown an increasing trend over last decade with commencement of a number of large scale strategic infrastructure development projects, such as the Southern Expressway project, Colombo Port Expansion project, construction of Hambantota New Sea Port and Mattala International Airport, reconstruction of Northern Railway, construction of Norachchole Coal Power Plant and Upper Kotmalee Hydro Power Plant, Moragahakanda, Uma Oya and Kaluganga Irrigation Development Projects, Colombo - Katunayake Airport Expressway and Outer Circular Highway.

Emergence of China as one of the major development partners of the country has significantly contributed to noteworthy changes to the composition of the external debt stock in terms of the funding sources and the amounts. Similar to the increasing trend of Chinese assistance, other major development partners including Japan, ADB, World Bank, India and European countries such as the UK, the Netherlands, Austria and Belgium have also increased their contribution to Sri Lanka's development projects.

Meanwhile, the government has broadened the foreign financing options to accommodate mix and export credits from emerging financial institutions. Accordingly, at present, the mix credit and export credit represent a substantial share of the total foreign financing portfolio.

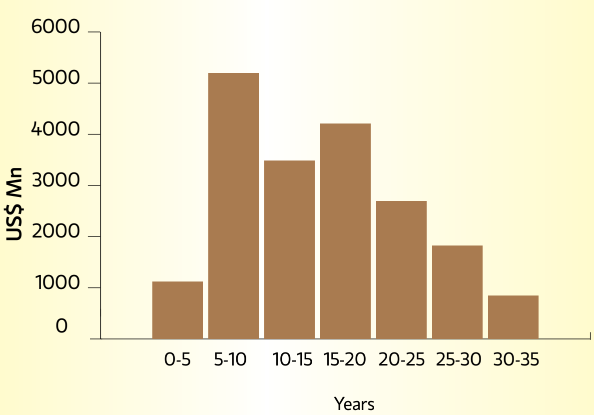
Managing External Debt

With the gradual accumulation of foreign loans raised for development projects and programmes implemented during the past 6 decades after independence, debt servicing has become an important aspect of monetary and fiscal management of the country. Despite the setbacks stemming from external shocks and domestic hurdles, Sri Lanka has maintained default free status by settling all the debt service payments on time.

Government Foreign Debt Stock

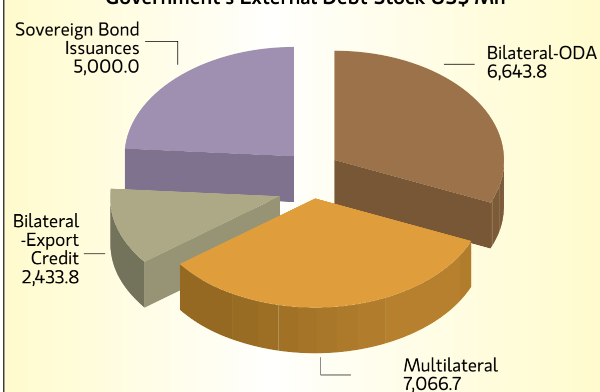
At the end of September 2014, the foreign debt of the government obtained for the implementation of development projects/ programmes amounted to US$ 21,119 million[2]. Out of this, 33.2 percent was from multilateral development partners followed by 31.6 percent obtained from bilateral development partners and lending agencies under Official Development Assistance (ODA). Since the government is also engaged in tapping financial resources from capital markets, external debt obtained through international bond issuances amounted to 23.6 percent of the total external debt and remaining 11.5 percent of the total debt stock represented the external borrowings through export credits.

Chart 11 > **Maturity Structure of Outstanding External Debt**



Source: Department of External Resources

Chart 12 > **Composition of the Existing Government's External Debt Stock US$ Mn**



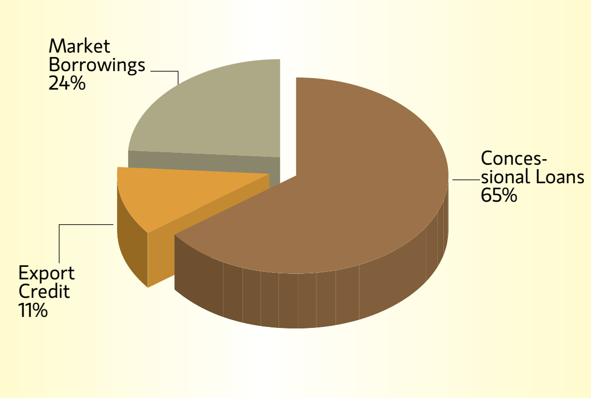
Source: Department of External Resources

According to the maturity structure of the accumulated external debt stock as at the end of 2013, more than 50 percent of the external debt stock is to be matured after 15 years and the maturity is well spread throughout next 30 to 40 years. This suggests that there will be a lesser burden to the future cash flows due to the foreign debt and therefore, there is a considerable space for future borrowings for development projects. Moreover, the expected return from the current investments in many areas, including infrastructure, education and health, will ease the pressure on the future debt payments.

Of the above total foreign debt, around 65 percent consists of loans obtained at concessionary terms, including low interest rates and longer repayment periods with fairly long grace periods. As a result, Sri Lanka is in a good position with regard to loan repayments. Regular discussions with development partners are held with the participation of the Department of External Resources in consultation with the other Treasury Departments and the Central Bank of Sri Lanka to agree on terms and conditions that facilitate borrowing foreign finance at the lowest possible cost to the government. At the loan negotiations, the loan repayments are scheduled throughout the financial year to minimize the pressure on cash flow in specific months.

2 Contain outstanding debt of loans obtained to finance development projects and outstanding debt of International sovereign bonds. Outstanding debts of loans obtained for SOEs and foreign investments on Treasury Bills / Bonds are not included.

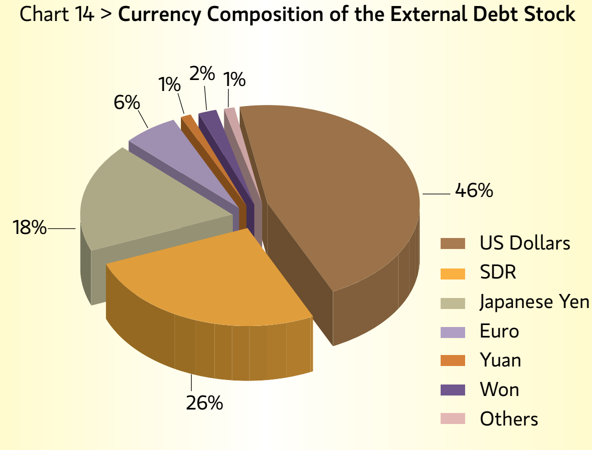
Chart 13 > **Composition of Foreign Debt Stock in terms of Concessionality**



Source: Department of External Resources

In terms of currency composition of the external debt stock, US$ dominates the existing debt while Special Drawing Rights (SDR) and Japanese Yen represent the subsequent major currencies of the accumulated foreign debt stock, respectively.

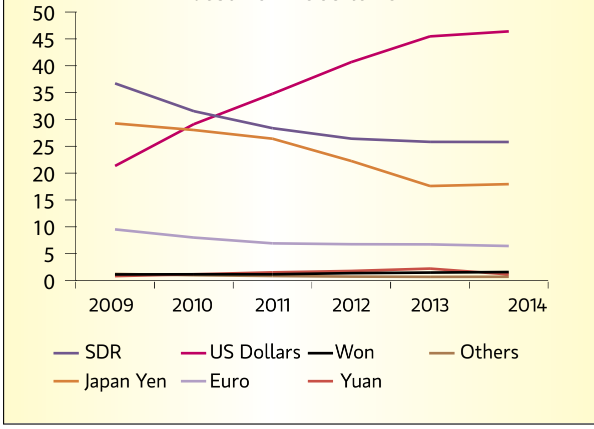
Chart 14 > **Currency Composition of the External Debt Stock**



Source: Department of External Resources

From 2010 onwards, US$ has gradually increased its share in the total foreign debt stock while SDR and Japanese Yen indicate a declining trend over the years.

Chart 15 > **Change of currency composition of external debt from 2009 to 2014**

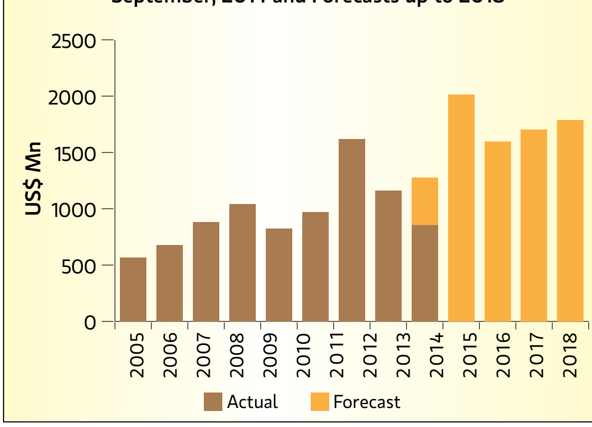


Source: Department of External Resourcest

Debt Service Payments

The debt service payments during the first nine months of 2014 for the loans obtained for development projects and international bond issuances amounted to US$ 856.3[3] million of which principal payments amounted to US$ 528 million and interest payments amounted to US$ 328.3 million. Chart 16 depicts the variation of the debt service payments to development partners and lending agencies during the last 9 years and projection for the next 4 years.

Chart 16 > **External Debt Service Payments from 2005 to September, 2014 and Forecasts up to 2018**



Source: Department of External Resources

The values include the sum of principal and interest payments. Sri Lanka annually repaid about US$ 890 million to the development partners and lending agencies as principal and interest payments during the last 9 years.

3 Debt Service of loans obtained for SOEs are not included as they are serviced by respective SOEs as reflected in those balance sheets. Repayments of matured sovereign bonds and their interest payments are included.

Performance of State Owned Business Enterprises

Overview

The 2014 Budget Speech highlighted the significance of creating a supportive climate for the strategic state owned business enterprises (SOBEs) to enable them to effectively contribute towards the growth trajectory of the economy while enabling the government to increase the socio economic returns on its public investments. The primary strategy was to facilitate these SOBEs to be "Budget independent" and be complementary to the government's continued efforts on fiscal consolidation towards lower deficits in the Budget and rapid growth in investment and development. The government, through its successive National Budgets, significantly increased the public investment expenditure on power generation and distribution, port and airport infrastructure facility expansion as well as water supply and distribution and for the development of other economic and social infrastructures. Cost recovery pricing strategies were also adopted to eliminate past losses.

In this backdrop, the following Budget proposals of 2014 were implemented during the first nine months of the year.

a) The aviation sector was strengthened by capital contributions to Sri Lankan Airlines and Mihin Lanka Limited amounting to Rs. 19.58 billion and Rs 6.52 billion, respectively, to facilitate further expansion of the destination network and passenger carriage and thereby provide the necessary boost to the tourism industry as well.

b) Investments of Bank of Ceylon, Peoples' Bank and National Savings Bank (NSB) in the shares of Sri Lankan Airlines were bought back by the government to enable the state banks to reflect their performance in terms of their commercial activities.

c) Public investment was further extended to energy and water sectors by way of converting the outstanding balances of all on-lent facilities given by Treasury to Ceylon Electricity Board (CEB) and National Water Supply and Drainage Board (NWSDB) into government equity, thereby strengthening their balance sheets. This is expected to enable these SOBEs, specifically CEB, to independently raise the finances for development initiatives in the future.

d) A total of Rs 30.7 billion intra-governmental dues were settled so that the exposure of the state banks to the state sector, specifically Ceylon Petroleum Corporation (CPC), would be brought down to a reasonable level and the banks would be able to diversify their portfolios towards the fast growing sectors of the economy and the SMEs.

Moving towards one of the key mileposts of the government which is achieving 100 percent electrification while ensuring energy security, the third phase of the Lakvijaya Coal Power Plant (300MW) in Norochcholai was commissioned in September 2014 increasing the total volume of coal powered electricity provided to the national grid to 900MW. As more coal powered electricity is produced, the weighted average generation cost has declined thereby enabling the government to pass on the savings towards the household consumption. It is expected to extend such benefit to the identified prioritized industries as well.

Table 30 > **Profitability of Non Financial State Owned Business Enterprises**

Rs. Mn.

	Enterprises	2012	2013	June 2014*	2014 Estimate
1	Ceylon Electricity Board	(61,572)	18,593	(22,135)	(24,655)
2	Ceylon Petroleum Corporation	(97,310)	(7,984)	3,007	2,676
3	Sri Lanka Ports Authority	5,211	2,481	5,358	6,458
4	Sri Lankan Airlines Ltd.	(21,751)	(27,751)	(15,346)	(28,896)
5	Mihin Lanka Ltd.	(2,866)	(2,866)	(1,103)	(1,732)
6	Sri Lanka Transport Board	(5,610)	(6,311)	(294)	4,987
7	State Engineering Corporation	226	128	597	194
8	Central Engineering Consultancy Bureau	384	544	320	872
9	State Development & Construction Corporation	48	111	33	137
10	Milco (Pvt) Ltd.	(267)	(267)	(44)	185
11	National Livestock Development Board	29	50	138	229
12	Ceylon Fisheries Corporation	(42)	(80)	(18)	73
13	Ceylon Fishery Harbours Corporation	(259)	(170)	22	30
14	State Pharmaceuticals Manufacturing Corporation	116	329	128	275
15	Sri Lanka Ayurvedic Drugs Corporation	54	56	36	52
16	State Pharmaceuticals Corporation	468	834	241	518
17	Independent Television Network Ltd.	813	831	213	870
18	Sri Lanka Rupawahini Corporation	47	48	50	64
19	Ceylon Fertilizer Company Ltd.	200	108	144	236
20	Colombo Commercial Fertilizer Company Ltd.	14	137	118	144
21	National Water Supply & Drainage Board	408	595	173	1,809
22	Airport and Aviation Service Limited	3,859	4,527	2,098	3,777
23	Employees' Trust Fund Board	14,130	15,875	8,135	16,476
24	Sri Lanka Insurance Corporation	4,236	5,012	5,421	10,466
25	National Insurance Trust Fund	2,083	4,374	2,892	4,649
26	Agiculture and Agrarian Insurance Board	(1,343)	(5,291)	(414)	(1,000)
27	Sri Lanka Export Credit Insurance Coporation	163	193	62	274
28	National Lotteries Board	590	413	63	260
29	Development Lotteries Board	1,758	1,980	1,070	2,017
30	Sri Lanka State Plantation Coporation	(117)	(201)	(29)	(181)
31	Janatha Estate Development Board	(235)	(85)	(74)	(77)
32	Chilaw Plantations Limited	86	98	53	146
33	Kurunegala Plantations Limited	186	210	108	197
34	Kalubovitiyana Tea Factory Limited	91	28	(7)	34
35	Sri Lanka Cashew Corporation	44	9	4	20
36	Lanka Sugar Company Ltd.	(155)	1,337	(395)	1,724
37	Sri Jayewardenepura General Hospital	(121)	(70)	41	(59)
38	Sri Lanka Broadcasting Coporation	(68)	(130)	(25)	(94)
39	Lanka Sathosa Limited	652	881	359	1,230
40	Sri Lanka Handicrafts Boards (Laksala)	73	25	139	50
41	STC General Trainning Coporation Ltd.	97	157	23	172
42	State Timber Coporation	202	339	142	290
43	State Printing Coporation	140	132	11	140
44	Hotel Developers Lanka Plc	757	153	126	(298)
45	Lanka Phosphate Ltd	114	150	54	207
46	Kahatagaha Graphite Lanka Ltd	17	37	(9)	26
47	Lanka Mineral Sands Ltd	1,302	221	(4)	276
Total		**(153,118)**	**9,790**	**(8,518)**	**5,248**

Sources: SOBEs and Department of Public Enterprises
** Provisional*

Table 31 > **Profitability of State Owned Financial Enterprises**

Rs. Mn.

	Enterprise	2012	2013	2014 June*	Forecast 2014
1	Bank of Ceylon	19,794	15,709	9,499	20,493
2	People's Bank	15,249	10,304	5,991	16,616
3	National Savings Bank	6,169	3,764	3,300	8,032
4	State Mortgage and Investment Bank	522	447	174	465
5	HDFC Bank	176	231	310	843
6	LankaPuthra Development Bank	294	333	125	306
7	Pradeshiya Sanwardana Bank	1,492	687	634	1,717
8	Sri Lanka Savings Bank	645	702	148	788
Total		**44,341**	**32,177**	**20,181**	**49,260**

Sources: SOBEs and Department of Public Enterprises
** Provisional*

Table 32 > **Outstanding Debts to Banks - Non Financial Business Enterprises**

Rs Mn.

	Enterprise	Actual				Forcast	Change%		
		2012	2013	2014 March	2014 June	2014	2012/2013	2013/ 2014 June	2013/ 2014 forecast
1	Ceylon Electricity Board	39,788	44,404	44,475	41,034	39,404	11.60	-8	-23
2	Ceylon Petroleum Corporation	402,517	221,103	373,674	383,060	368,000	-45.07	73	66
3	Sri Lanka Ports Authority	5,435	7,151	5,897	10,445	13,729	31.57	46	92
4	Si Lanka Air Lines Ltd.	27,684	30,486	31,157	25,701	33,925	10.12	-16	19
5	Mihin Lanka Ltd	351	283	256	233	234	-19.37	-18	-17
6	Sri Lanka Transport Board	627	660	660	660	690	5.26	-60	-92
7	State Engineering Corporation	695	389	385	307	415	-44.03	-21	7
8	State Development & Construction Corporation	429	777	735	700	825	81.12	-10	6
9	MILCO (Pvt)Ltd	581	581	1,240	1,378	494	-	137	-15
10	National Livestock Development Board	1,005	1,738	1,635	1,615	1,823	72.94	-7	5
11	Ceylon Fisheries Corporation	176	233	206	208	17	32.39	-11	-93
12	Ceylon Fishery Harbour Corporation	54	43	39	22	15	-20.37	-49	-65
13	State Pharmacaceuticals Manufacturing Corporation	148	282	290	252	324	90.54	-11	15
14	Sri Lanka Ayurvedic Drugs Corporation	60	56	55	54	52	-6.67	-4	-7
15	State Parmaceuticals Corporation	7,897	6,200	4,634	3,173	6,944	-21.49	-49	12
16	Independed Telivision Network Ltd.	-	-	1	-	-	-	-	-
17	Sri lanka Rupevahini Corporation	-	-	44	27	-	-	-	-
18	Ceylon Fertilizer Company Ltd.*	7,300	11,300	17,728	25,034	10,000	54.79	122	12
19	Colombo Commercial Fertilizer Company Ltd.*	10,715	9,727	11,469	11,184	6,194	-9.22	15	-36
20	Sri Lanka State Trading (General) Corporation Ltd.	1,172	911	780	780	650	-22.27	-14	-29
21	Hotel Developers Lanka PLC	-	598	606	519	-	-	-13	-100
22	State Printing Corporation	308	443	432	306	223	43.83	-31	-50
23	Sri Lanka State Plantation Corporation	180	46	32	46	42	-74.44	-	-9
24	Janatha Estate Development Board	607	607	245	242	305	-	-60	-50
25	Sri Lanka Handicraft Board (Laksala)	160	628	140	15	200	292.50	-98	-68
Total		**507,889**	**338,646**	**496,815**	**506,995**	**484,505**			

Source : SOBEs & PED

** These amounts are to be reimbursed by the Treasury for the supply of fertilizer subsidy.*

Performance of Key SOBEs

Energy

Ceylon Electricity Board

The Hydro power generation during the first 8 months of 2014 was very volatile due to the weather conditions and declined to 23 percent of total generation compared to 50 percent in 2013. Therefore, the weighted average cost per unit increased to Rs. 22.43 from to Rs. 17.70 in 2013. Due to this increase in the generation cost, CEB incurred a loss amounting to Rs.19.7 billion during the first 8 months of 2014. With the diversification of the power generation mix, in line with CEB's long term generation plan (2013-2032), the 3rd phase of the Lakvijaya coal power plant was commissioned in September 2014 and electricity generation capacity changed significantly as follows:

Along with this commissioning, a total of 900MW of coal powered electricity was being made available to the national grid and the government announced a 25 percent reduction of electricity tariffs for household consumers passing on the benefits to the public. As the generation mix gets more diversified towards coal and Non- Conventional Renewable Energy (NCRE) sources, the cost per unit is expected to be further reduced. As at end September 2014, the electrification level of the country has reached to 96 percent and is expected to reach to 100 percent by end 2014.

CEB's capital was enhanced in line with a 2014 budget proposal, where a total of Rs 161.9 billion worth of outstanding on-lent balances payable to the General Treasury were converted into equity. As the liabilities of CEB declined by 29.4 percent CEB's balance sheet was improved enabling CEB to independently source its future financial requirements for expansion and development. More investments are being planned by CEB towards increasing the system efficiency and safety standards in next couple of years. However, with the fast paced economic development taking place in the country, the future demand for electricity may significantly increase along with the requirement for capacity improvement in Generation, Transmission and Distribution systems in the medium term.

Table 33 > **Generation Capacity of Ceylon Electricity Board**

Category of Generation	Installed Capacity MW	Percentage
Hydro	1,361	34.0
CEB-Coal	900	22.5
IPP-Oil	771	19.3
CEB-Oil	564	14.1
NCRE	403	10.1
Total	**3,999**	**100.0**

Source: Ceylon Electricity Board

Table 34 > **Financial Outturn of Ceylon Electricity Board**

	Actual			Revised Forecast 2014
	2012	2013	Aug 2014*	
Revenue (Rs.Mn)	**170,652**	**200,934**	**143,597**	**203,002**
Sale of Electricity	163,998	194,147	140,080	193,002
Other Income	6,654	6,787	3,517	10,000
Expenditure (Rs.Mn)	**231,815**	**182,338**	**163,309**	**227,657**
Generation	173,658	120,410	129,315	176,093
IPP	120,264	80,308	78,242	107,890
CEB	53,394	40,102	51,073	68,203
Generation O&M, Transmission & Distribution	27,658	24,142	14,136	21,204
Corporate expenses	3,238	2,426	1,618	3,000
Interest on borrowings	6,334	14,868	4,624	6,936
Other Expenses	20,927	20,492	13,616	20,424
Profit/ (loss) (Rs.Mn)	**-61,163**	**18,596**	**-19,712**	**-24,655**
Borrowings from Banks (Rs.Mn)	37,518	27,579	15,000	15,000
Payments to Banks (Rs. Mn)	-8,308	-22,963	-12,164	-20,000
Outstanding Debt to Banks (Rs.Mn)	43,839	44,404	47,239	39,404
Purchases From CPC and IPP (Rs. Mn)	156,395	93,390	110,186	169,087
Payment to CPC and IPP (Rs. Mn)	-182,192	-120,743	-101,553	-149,724
Outstanding to CPC and IPP (Rs. Mn)	49,705	23,950	32,583	43,313
Key Performance Indicators				
Generation Hydro: Thermal	30:70	50:50	23:77	27:73
Electricity Coverage (%)	93	95	96	100
System losses (%)	11.2	11	11.3	11.2
Generation Composition (Gwh)				
Thermal (Fuel)	6,932	3,303	3,789	4934
Hydro	2,729	6,011	1,857	3281
Mini Hydro and NCRE	727	1,162	624	962
Coal	1,413	1,469	1,939	3158
Total	**11,801**	**11,945**	**8,209**	**12,335**

Sources: Ceylon Electricity Board, Department of Public Enterprises
** Provisional*

Ceylon Petroleum Corporation

The Ceylon Petroleum Corporation (CPC) recorded an operating profit of Rs. 3.5 billion during the first nine months of the year 2014 while it was originally expected to close the year 2014 with a profit of Rs. 6.6 billion. However, with the price reduction of Petrol, Diesel and Kerosene in the mid of September 2014 by the government in order to provide the general public with the benefit of declined generation cost with the commissioning of the third phase of the Norochcholai Coal Power Plant, it is now expected to close the year 2014 with a marginal profit. CPC still maintains a cost reflective price structure for Petrol 92 and 95, Super Diesel 4 stars and aviation fuel. CPC became cost reflective for price of aviation fuel as well with its' removal from Ports and Airports Development Levy (PAL) from the beginning of the year as per the Budget proposal for 2014. Amendments are to be proposed to the tax laws on export of aviation fuel and bunkering fuel as well to ensure that prices in Sri Lanka are competitive in the region.

CPC initiated a Joint Venture Company with Hirax Lubricant Oil Company of Malaysia to set up a plant to process lubricant oil in Sri Lanka with a view to becoming the market leader in the Lubricant Industry in the country being the third market player at present.

In view of its environmental friendly approach, CPC introduced Petrol 92 octane in place of Petrol 90 octane and 10 ppm super diesel 4 stars in place of 500 ppm auto diesel in 2014. Significant reductions in import costs were achieved through entering into term contracts under favorable terms and conditions with petroleum products suppliers while ensuring energy security in the country.

During the first 9 months of the year, CPC initiated improvement to infrastructure facilities with projects such as cross country pipe line project and the new pipe line to connect the Muthurajawela terminal to the Bandaranaike International Airport for aviation fuel transportation. Steps are also being taken to initiate the Sapugaskanda Oil Refinery Expansion and Modernization Project (SOREM).

CPC's outstanding borrowings (total exposure) from state banks decreased from Rs. 398 billion as at the end of 2013 to Rs. 358 billion as at 31st August 2014. Treasury bonds amounting to Rs. 30.7 billion were issued to CPC in February 2014 by the General Treasury to settle long outstanding dues to CPC by government institutions. Further, as per the 2014 Budget proposal, the outstanding debts amounting to Rs. 26.1 billion to CPC by Sri Lankan Airlines and Mihin Lanka Ltd. were settled by issuing Treasury bonds during the first quarter of 2014. The General Treasury will issue a Rs. 150 billion bond to CPC in 2015 as a part of the Kerosene subsidy, to strengthen the balance sheet of the corporation while increasing the equity contribution by the government.

Table 35 > **Financial Outturn of Ceylon Petroleum Corporation**

	2012	2013	August 2014*	2014 Revised	Forecast 2015
Total Revenue (Rs.Mn.)	**520,917**	**494,010**	**373,099**	**539,960**	**528,052**
Octane90	91,301	102,733	71,446	108,392	115,315
Octane 95	5,451	7,739	6,163	9,089	11,422
Auto Diesel	237,996	211,233	168,353	221,519	214,723
Super Diesel	3,445	4,037	3,191	4,830	6,919
HF 800cc	5,750	5,882	3,410	6,126	5,779
HF 1500cc	43,827	45,095	27,975	48,677	19,033
HF 3500cc	14,071	12,708	12,800	21,670	18,439
LSHF	21,295	8,668	13,482	18,634	29,960
Napththa	7,645	13,026	9,665	13,822	14,383
Kerosene	18,099	16,746	10,794	14,326	9,667
JET- A-1	49,921	52,609	37,585	56,175	58,815
Other Products	14,110	9,905	5,808	13,410	20,361
Other Income	8,006	3,629	2,427	3,700	3,236
Total Expenditure (Rs.Mn.)	**610,613**	**501,780**	**369,546**	**537,284**	**532,713**
Cost of Sales	**573,692**	**467,638**	**350,310**	**508,474**	**506,107**
Imports-Refined oil	397,696	285,034	219,215	291,555	301,162
Refinery-crude oil	175,996	182,604	131,095	216,919	204,945
Sales and Distribution	12,633	11,480	8,352	11,138	13,575
Administration	5,466	3,600	1,724	3,142	2,040
Finance Cost	18,360	18,540	8,839	14,000	10,448
Depreciation	335	485	260	500	543
Other Cost	127	37	60	30	-
Profit/ (Loss) (Rs.Mn.)	**-89,696**	**-7,770**	**3,553**	**2,676**	**-4,661**
Hedging Cost	-7,612	-214	-36	-	-
Adjusted Profit	**97,309**	**-7,984**	**3,517**	**2,676**	**-4,661**
Outstanding dues (Rs.Mn.)					
Foreign currency Borrowings	210,516	219,042	169,220	193,500	53,500
Import Bills Payable	189,355	179,457	188,470	178,000	170,000
Total Outstandings	**399,871**	**398,499**	**357,690**	**371,500**	**223,500**

Sources: Ceylon Petroleum Corporation and Deparment of Public Enterprises
** Provisional*
After settling foreign currency borrowings from the capital contribution of Rs.150 billion bond in 2015.

Water

National Water Supply and Drainage Board (NWSDB)

During the first half of 2014, NWSDB earned 42 percent of the revenue forecast for the year 2014. Income from sale of water totaling Rs.8, 598 million accounted for 89 percent of the total revenue, however it fell short of the forecast of Rs8, 782 million. Although, a total operating profit of Rs 1,809 million is projected as per the budget for 2014, the profit for the first half has been only Rs. 650 million.

During the first six months, NWSDB has provided 0.07 million water connections increasing the total water connections to 1.77 million with only 0.08 million connections to be provided to reach the target of 1.85 million by end 2014. Water production and water sales statistics also show that NWSDB would achieve its half yearly targets. While the target for 2014 is to reduce the Non-Revenue Water (NRW) percentage to 29.5 percent, the current level is still 29.7 percent. Several new projects are currently underway to reduce the NRW. It is also expected to enhance the pipe borne water coverage upto 46.4 percent as at end of 2014.

Table 36 > **Financial Outturn of National Water Supply & Drainage Board**

	Actual			Forecast
	2012	2013*	June 2014*	2014
Revenue (Rs. Mn)	**15,930**	**18,269**	**9,650**	**22,042**
Water	13,132	16,018	8,598	17,565
Water Related Income	1,212	1,056	592	284
Other Income	1,586	1,195	461	4,193
Operating Cost (Rs. Mn)	**14,724**	**16,406**	**8,553**	**20,233**
Profit/(loss) (Rs. Mn)	**366**	**1,002**	**650**	**1,809**
Outstanding dues to the Government (Rs. Mn)	29,406	36,418	41,102	-
Key Performance Indicators				
Connections (Nos Mn)	1.58	1.7	1.77	1.85
Water Production (m3 Mn)	526	547	286	560
Water Sales (m3 Mn)	368	383	203	400
Non-Revenue Water (%)	29.9	29.3	29.7	29.5
Piped Borne Water Coverage (%)	43.5	43.7	43.6	46.4

Sources: National Water Supply & Drainage Board, Department of Public Enterprises
** Provisional*

Ports

Sri Lanka Ports Authority

The Sri Lanka Ports Authority (SLPA) has gained a 6.7 percent growth in container operations in the first half of this year compared to the same period of last year. Accordingly, SLPA operated 1,270,828TEUs from January to June this year against 1,191,380 TEUs in the corresponding period last year with a prominent growth in all transshipment operations. SLPA won four Main Line Services at its Jaya Container Terminal (JCT) marking a distinctive achievement of container operations at the port during the period.

New promotional tariff rates were introduced at the Magam Ruhunupura Mahinda Rajapaksa (MRMR) Port in order to encourage and expand the transshipment of vehicles as well as bunkering trade. Tariff rates at the Colombo Port were also revised to cover the expenses and to facilitate new services. Fuel bunkering at the MRMR Port commenced operations in June 2014. The MRMR Port is fast becoming a major stop over for vessels to stem bunkers with its brand new tank farm and terminal complex in full operation. The main customers are the very large bulk carriers and Crude Oil tankers which are plying the busy sea lanes in the region. Since its inauguration in June, around 70 vessels have called for bunkers with a total volume of 26,000mt. MRMR Port received 161 Roll On Roll Off (RO-RO) vessels from January to September this year against 74 such vessels during the period last year indicating a positive change of 117.6 percent. The total number of motor vessels handled at MRMR Port amounts to 116,861 units against 26,932 units during the period last year, with an increase of 333.9 percent. MRMR Port has handled 19,628 domestic and 97,233 transshipment units in RO-RO operations during the period. In September 2014, the Chinese President Xi Jingping inaugurated the construction work of the Colombo Port City project.

Table 37 > **Financial Outturn of Sri Lanka Ports Authority**

	Actual			Forecast
	2012	2013*	June 2014*	2014
Total Revenue (Rs.Mn)	**37,125**	**36,384**	**17,424**	**49,300**
Navigation	4,860	4,967	2,469	6,618
Stevedoring	19,433	19,741	9,689	23,971
Wharf Handling	3,634	3,633	1,710	4,640
Port Facilities	3,682	2,851	1,882	5,204
Other	5,517	5,192	1,673	8,867
Total Expenditure (Rs.Mn)	**31,914**	**33,903**	**12,163**	**42,842**
Operational Expenses	13,667	16,189	4,607	15,596
Repair and Maintenance Expenses	4,459	4,209	1,823	5,057
Administrative Expenses	13,033	10,473	5,723	14,853
Net Finance Cost	755	3,032	271	7,336
Profit/(Loss) Before Tax (Rs.Mn)	**5,211**	**2,481**	**4,999**	**6,458**
Outstanding debts to Banks (Rs.Mn)	5,435	7,151	12,250	13,729
Foreign Loans (Rs.Mn)	141,365	188,625	216,354	222,772
Interest on Foreign Loans (Rs.Mn)	2,255	5,751	271	5,967
Key Performance Indicators				
TEU's Handling (Nos Mn)	**2.32**	**2.5**	**2.34**	**2.83**
Vessels Arrival (Nos)	**4,178**	**4,024**	**2,078**	**5,514**
Colombo	3,870	3,667	1,846	5,487
Galle	69	36	30	58
Trincomalee	161	134	60	272
KKS Port	44	48	34	54
MRMRP	34	139	109	158

Source: Sri Lanka Ports Authority, Department of Public Enterprises
** Provisional*

Aviation

Airport & Aviation Services (Sri Lanka) Limited

Airport & Aviation Services (Sri Lanka) Limited (AASL) recorded 7 percent growth in its revenue by earning Rs. 7 billion during the first six months of 2014 compared to Rs 6 billion during the same period in 2013. The company was able to record an operational profit of Rs 2 billion during first six months of 2014 in comparison to Rs.2.9 billion in 2013. The AASL recorded operating profit margins of 33 percent, 42 percent and 40 percent for 2012, 2013 and first six months of 2014 respectively and declared a dividend of Rs.500 million for the year 2013. Total foreign borrowings of AASL as at 30th June 2014 stood at Rs.37 billion. The Company has paid Rs 491 million in the first six months of 2014 to service seven foreign loans obtained through the General Treasury. AASL will commence the servicing of the loan amounting to US$ 190 Million obtained for the construction of Mattala International Airport in the near future.

In recognizing the need for doubling the handling capacity at Bandaranaike International Airport, the Japanese funded project commenced under the auspices of the Japanese Prime Minister, Hon. Sinzo Abe on 8th September 2014.

Table 38 > **Financial Outturn of Airport and Aviation Services (Sri Lanka) Limited (AASL)**

	Actual			Forecast 2014
	2012	**2013***	**June 2014***	
Revenue (Rs.Mn)	**11,114**	**12,219**	**7,024**	**14,688**
Aeronautical	2,708	3,45	1,521	3,233
Non Aeronautical	7,974	9,164	5,206	10,754
Other	432	(109)	297	701
Expenditure (Rs.Mn)	**10,985**	**8,376**	**5,055**	**1,911**
Operating profit/(loss) (Rs.Mn)	**4,064**	**4,917**	**1,969**	**3,777**
Total Borrowings	38,839	37,317	37,195	37,072
Key Performance Indicators				
Passengers Movements (Nos)	7,079,920	7,311,869	3,800,956	8,120,661
Aircraft Movements (Nos)	48,416	50,802	25,987	53,076

Source: Airport and Aviation Services (Sri Lanka) Limited, Department of Public Enterprises
** Provisional*

Sri Lankan Airlines Limited

Sri Lankan Airlines Limited (SLA) recorded a revenue of Rs 26.5 billion during the first three months of the financial year 2014/15, which is a 1 percent decrease over the budgeted revenue and 7 percent increase compared to the same period in 2012/13. Although the passenger load factor increased by 1 percent in 2013/14 against the previous year and SLA recorded a loss of Rs. 32 billion in 2013/14 and Rs. 10 billion in first three months of 2014/15.

In order to financially strengthen the national carrier, the government, as the main shareholder, provided financial support of Rs.14.3 billion in 2012, Rs. 12.6 billion in 2013 and Rs.19.59 billion in March 2014. Therefore, a total capital of Rs.46.48 billion was provided to SLA in accordance with the Cabinet decision to infuse capital to the tune of US$ 500 million over 5 year period commencing 2012.

Further, SLA raised a syndicated loan of US$ 150 million from a consortium of banks led by the Standard Chartered Bank with a government guarantee for US$ 50 million at LIBOR + 400 bp per annum. This loan was utilized to settle the outstanding loan of US$ 112.5 million obtained from Mushreq Bank at LIBOR + 400bp per annum. Further, SLA successfully issued an international bond of US$ 175 million at a rate of 5.3 percent in 2014. These funds would be used for re-fleeting and working capital purposes.

Table 39 > **Financial Outturn of the Sri Lankan Airlines**

	Actual			Forecast
	2012/13	2013/14	2014/15* Apr-June	2014/15
Revenue (Rs.Mn)	**117,186**	**121,585**	**26,512**	**129,024**
Passenger	98,581	99,669	22,509	104,954
Cargo	12,896	12,425	3,233	13,653
Other	5,709	9,491	770	10,416
Expenditure (Rs.Mn)	**147,159**	**150,389**	**14,562**	**157,920**
Operational Cost	89,899	28,804	4,944	152,131
Finance Cost	3,228	6,197	798	4,048
Others	54,032	115,388	8,820	1,743
Operating profit (loss) (Rs.Mn)	**(29,973)**	**(32,320)**	**(10,052)**	**28,896**
Outstanding Debt to Banks (Rs.Mn)	27,684	19,600	25,700	33,925
Capital Contribution (Rs Mn)	12,600	19,585	-	13,000
Key Performance Indicators				
Passengers carried (No's Mn)	**3,964**	**4,175**	**1,054**	**4,423**
Aircraft Fleet (Nos)	**21**	**21**	**21**	**21**
Routes (Nos)	38	38	43	42

Sources: Sri Lankan Airlines, Department of Public Enterprises
** Provisional*

Commuter Transportation

Sri Lanka Transport Board

Sri Lanka Transport Board (SLTB) has been continuously operating with losses and severe liquidity issues due to high salary costs, repair costs and low level of running fleet. In addition, overstaffing and improper bus replacement policy has also had a negative impact on the operations of SLTB.

SLTB recorded a 8 percent growth in total revenue by the end of July 2014 as a result of injecting new buses to the running fleet in comparison to average seven months period in 2013 while the total expenditure increased by 14 percent due to increased administrative expenses.

By end August 2014, the running fleet of the SLTB increased to 5,015 busses from 4,806 buses in 2013. Under the procurement plan of purchasing 2,200 buses, 343 new buses have been received by end August 2014. The government has allocated Rs.5 billion for the above purpose over the period of 2014 - 2018. In addition, 68 Youtong buses, 6 luxury busses, 10 semi-luxury buses and 20 small busses were added to the running fleet during the first eight months of 2014.

The unsettled EPF contributions at the end of June 2014 was Rs. 5,044 million which has been accumulated since 2010, creating an employee unrest which has led to legal actions against the Board. However, in October 2013, SLTB started to remit the employee contributions to the EPF. As a result, by the end of June 2014, the outstanding statutory dues have increased only by Rs 1,022 million.

Table 40 > **Financial Outturn of Sri Lanka Transport Board**

	2012*	2013*	July 2014*	Forecast 2014
Revenue (Rs.Mn)	**20,140**	**22,182**	**14,002**	**23,762**
Waybill Income	18,193	19,819	12,425	21,512
Season ticket income	645	685	442	752
Other income	1,302	1,678	1,135	1,498
Expenditure (Rs.Mn)	**30,137**	**30,837**	**20,147**	**34,724**
Operational Expenditure	27,021	27,191	16,414	31,096
Financial Cost	129	93	89	181
Other Expenditure	2,987	3,553	3,644	3,447
Treasury Subsidy (Rs. Mn)	**5,894**	**7,471**	**5,067**	**7,895**
Recurrent	5,319	6,565	4,460	5,975
Capital	575	906	607	1,920
Loss after Recurrent Subsidy (Rs.Mn)	**-4,678**	**-2,090**	**-1,685**	**-4,987**
Outstanding Dues to Banks	627	660	660	690
Outstanding Statutory Dues	2,971	4,022	5,044	2,824
Key Performance Indicators				
Operated Passenger Kilometres	923,034	941,621	963,323	935,000
Buses in Operation (Avg per annum)	4,779	4,373	4,410	4,830

Source: Sri Lanka Transport Board, Department of Public Enterprises
** Provisional*

State Banks

Bank of Ceylon

The Bank of Ceylon (BOC) positioning itself to be a premier bank in the region, celebrated its 75th anniversary in August 2014. The Bank's asset base grew by 5 percent to Rs.1.3 trillion by the June 2014 continuing its position as the only domestic bank with a balance sheet of Rs 1 trillion assets. The capital adequacy ratio of BOC by June 2014 was 12.06 percent in comparison to 12.1 percent in 2013. Deposit base of the Bank has increased by 4 percent to Rs.876.3 billion by June 2014 while improving the Current Accounts Savings Accounts Ratio (CASA) to 41 percent from 38 percent in 2013. The decline in pawning loan portfolio by 27 percent to Rs.95.3 billion during the period was the primary contribution to the decrease in gross loans and advances by 3 percent to Rs.730.3 billion. Strategies implemented to improve the asset quality have made only a marginal impact to the Bank as evidenced by the Non-Performing Loan (NPL) ratio of 4.28 percent by the June 2014 as against 4.3 percent in 2013. The Bank is the market leader in inward remittances (40 percent) and non-residence foreign currency deposit base (35 percent).

Decrease in net interest margin to 2.51 percent at the end of June 2014 from 3.31 percent in 2013 and the negative credit growth have resulted in achieving only 39 percent of the annual net interest income target of 2014. Despite pressure on the interest rate margin and the negative credit growth, the Bank achieved a profit before tax of Rs.8.6 billion due to increase in fee based income, investment income and reduction in impairment charges on non-performing assets.

As part of the government's initiatives to strengthen the balance sheet of state banks as proposed in the 2014 Budget, BOC's investments in Sri Lankan Airlines was bought back by the Government and measures were taken to phase out the financial dues of Ceylon Petroleum Corporation to BOC. In this context, the Bank is expected to utilize the lending space to expand credit to fast growing sectors such as exports, high value agriculture, construction, tourism, SME sector and leisure related activities. In order to strengthen the Bank's Tier 2 capital base and reduce asset and liability maturity mismatch, BOC issued unsecured, subordinated, redeemable debentures worth Rs.8 billion in September 2014, which was oversubscribed on its official opening day.

The Bank operates with 570 branches including 3 international branches in Male, Chennai and Seychelles and 15 SME centers. BOC has retained its AA+ (lka) long term rating from Fitch Ratings Lanka for 2014 as well.

Table 41 > **Financial Outturn of Bank of Ceylon**

	Actual			Forecast 2014
	2012	2013	June 2014*	
Total Income (Rs. Mn)	**109,483**	**126,717**	**61,039**	**135,147**
Interest Income	95,022	114,863	51,463	119,906
Interest Expense	59,701	77,720	36,134	82,070
Net Interest Income (Rs. Mn)	**35,321**	**37,143**	**15,329**	**37,836**
Other Income	14,461	11,854	9,576	15,241
Total Operating Expenses (Rs. Mn)	**20,870**	**23,681**	**15,641**	**25,500**
Personnel Expenses	12,927	14,669	6,831	14,084
Other Expenses	7,943	9,012	5,828	11,416
Profit Before Tax (Rs. Mn)	**19,794**	**15,709**	**8,577**	**20,493**
Key Performance Indicators				
Investments (Rs.Mn)	229,880	304,063	316,171	353,140
Deposits (Rs.Mn)	693,441	842,070	876,270	928,770
Loans and Advances (Rs.Mn)	714,847	755,385	730,348	855,926
Non Performing Advances (Rs.Mn)	19,254	31,754	30,488	32,525
ROA (%)	2.1	1.4	1.4	1.6
ROE (%)	31.24	22.2	20.6	24.5
NPL Ratio (%)	2.8	4.3	4.28	3.8

Sources: Bank of Ceylon, Department of Public Enterprises
** Provisional*

People's Bank

Asset base of the People's Bank (PB) recorded a decrease by June 2014 to Rs. 911 billion from Rs.930 billion in 2013 mainly due to the decline in loans and advances by 9 percent or Rs.62 billion. Although the deposit base recorded a marginal decrease, CASA ratio of the Bank improved to 41.5 percent from 38 percent in 2013 with the re-pricing of deposit mix in a favorable manner. Reduction in pawning loans by 29 percent has resulted in a gross loan portfolio of Rs.619 billion in June 2014 in comparison to Rs.681 billion in 2013. Measures taken to reduce the interest on pawning loans will enable the Bank to increase the pawning loan portfolio during the fourth quarter of 2014. The non-performing loan ratio has deteriorated to 6.9 percent from 5.3 percent in 2013.

Due to the decline in net interest margin from 4.1 percent in 2013 to 2.9 percent by June 2014, the Bank achieved only 36.6 percent of the net interest income target for the year. PB's investments in Sri Lankan Airlines was bought back by the Government and measures were taken to phase out the financial dues of Ceylon Petroleum Corporation to PB.

With the repositioning of its SME banking business, PB expects to accommodate financial and non-financial requirements of SMEs in a more prudent manner. The Bank operates with 738 branches with 463 ATM locations covering almost all parts of the island. PB has retained its AA+ (lka) long term rating from Fitch Ratings Lanka for 2014 as well.

Table 42 > **Financial Outturn of People's Bank**

	Actual			Forecast 2014
	2012	**2013**	**June 2014***	
Total Income (Rs. Mn)	**94,633**	**120,321**	**47,187**	**153,865**
Interest Income	85,241	110,441	42,154	103,604
Interest Expense	51,323	73,791	29,027	67,714
Net Interest Income (Rs. Mn)	**33,918**	**36,650**	**13,126**	**35,890**
Other Income	9,392	9,880	5,033	10,292
Total Operating Expenses (Rs. Mn)	**24,186**	**22,776**	**11,756**	**25,266**
Personnel Expenses	13,819	11,958	6,157	12,509
Other Expenses	10,367	10,551	5,599	12,757
Profit Before Tax (Rs. Mn)	**15,249**	**10,304**	**5,991**	**16,616**
Key Performance Indicators				
Investments (Rs.Mn)	176,380	226,956	265,640	291,323
Deposits (Rs.Mn)	683,951	762,249	752,260	859,188
Loans and advances (Rs.Mn)	660,624	681,467	619,177	742,778
Non Performing Advances (Rs.Mn)	17,407	33,435	42,723	44,566
ROA (%)	2.0	1.1	1.3	1.6
ROE (%)	41.7	22.8	22.8	30.1
NPL Ratio (%)	2.8	5.3	6.9	6.0

Sources: People's Bank, Department of Public Enterprises
** Provisional*

National Savings Bank

National Savings Bank (NSB) recorded profit before tax of Rs 3,987 million the first six months in 2014, as the interest margin increased from 1.67 percent to 2.38 percent from 31 December 2013 to 30 June 2014. However Non-Performing Advances (NPA) of the Bank has increased to12.37 percent from 6.96 percent in 2013 due to the increase of pawning NPA which accounts for 73 percent of the total NPA.

NSB marked its second entry to the international bond market issuing a US$ 250 million bond in11 September 2014 NSB opened a new branch in Ragala in the Nuwara Eliya district in 2014 and introduced new products and services; "NSB Buddhi " a higher education loan, "Diriya Diyanee" loan for women entrepreneurs, "Divi Surekum" Pension plan and a Personal Loan Scheme for SMEs to make available micro financing to the priority sectors. Further, the NSB is moving into project finance associated with Sri Lankan corporate enterprises by financing many pioneering projects in several sectors including agriculture, apparels, food & beverage, hotels & tourism, infrastructure, manufacturing, property development, renewable energy and telecommunications etc. NSB's investment in Sri Lankan Airlines was bought back by the Government.

Table 43 > **Financial Outturn of National Savings Bank**

	Actual			Forecast
	2012	**2013**	**June 2014***	**2014**
Total Income (Rs. Mn)	**53,045**	**65,540**	**37,135**	**77,566**
Interest Income	52,673	64,248	36,071	76,798
Interest Expense	39,142	54,563	27,384	59,284
Net Interest Income (Rs. Mn)	**13,531**	**9,684**	**8,687**	**17,515**
Other Income	372	1,292.20	1,064	736.6056
Total Operating Expenses (Rs. Mn)	**7,734**	**8,073**	**5,764**	**10,219**
Personnel Expenses	4,077	4,209	2,264	4,828
Other Expenses	3,657	3,865	3,500	5,391
Profit Before Tax (Rs. Mn)	**6,169**	**2,903**	**3,987**	**8,032**
Key Performance Indicators				
Investments (Rs.Mn)	329,532	432,465	456,324	458,325
Deposits (Rs.Mn)	457,650	501,890	522,448	581,879
Loans and advances (Rs.Mn)	168,619	158,870	162,870	251,643
Non Performing Advances (Rs.Mn)	3,469	10,003	19,109	12,890
ROA (%)	1.3	3.9	0.81	1.13
ROE (%)	18.3	5.15	15.8	20.17
NPL Ratio (%)	1.8	6.96	12.37	5.12

Sources: National Savings Bank, Department of Public Enterprises
** Provisional*

Employees Trust Fund Board

Employees Trust Fund Board (ETF) maintained a total of 10.5 million member accounts of which 2.2 million were active member accounts as at 30 September 2014. A total of 73,315 claims amounting to Rs.4.9 billion were settled during this period. The member contributions of ETF has increased to Rs.13, 458million for the period, in comparison to Rs.10,994 million recorded in the same period of 2013.

Table 44 > **Financial Outturn of the Employees' Trust Fund Board**

	Actual			Forecast
	2012	**2013***	**Sep 2014***	**2014**
Total Income (Rs.Mn)	**13,488**	**16,477**	**13,458**	**17,260**
Investment Income	13,229	16,122	13,274	17,043
Other Income	259	286	184	217
Income Net of Tax	13,232	16,224	13,377	17,223
Total Expenditure (Rs.Mn)	**1,174**	**1,310**	**1,080**	**1,551**
Operating Expenses	766	866	692	938
Member Expenses	408	444	388	613
Net Income (Rs.Mn)	**12,148**	**14,913**	**12,298**	**16,476**
Profit for Distribution (Rs.Mn)	**11,877**	**15,368**	**12,298**	**18,752**
Key Performance Indicators				
Interest on Members Fund 3%	4,190	4,752	-	-
Dividend 7%	9,777	11,089	-	-
Total Rate-Interest & Dividend (%)	10	10	-	-

Sources: Employees' Trust Fund Board, Department of Public Enterprises
** Provisional*

Insurance

Sri Lanka Insurance Corporation

Sri Lanka Insurance Corporation (SLIC)recorded a gross written premium of Rs 22,594 Million for the 9 month period in 2014 against the forecast of Rs. 31,514 million for 2014. The net earned premium is Rs 13,506 million against the forecast for the year of Rs 19,884 million.The contribution of Life Insurance to the gross written premium is 31 percent while Non-life Insurance accounts for 69 percent. SLIC is the largest insurer in terms of assets and also second largest in terms of premium.

The SLIC has recorded an invested income of Rs.8, 571 million that accounts for 37.9 percent of the total revenue which is fairly equal to the percentage of the previous year. As per the regulations of the Insurance Industry (Amendment) Act No 3 of 2011, the composite insurance companies needed to be spilt in to separate life insurance and general insurance companies. The SLIC is in the process of complying with this requirement and expects to be finalized by the end of this year. The collective agreement for the period of 2013-2016 was signed during this year between the management and the trade unions.

Table 45 > **Financial Outturn of Sri Lanka Insurance Corporation**

	Actual			Forecast
	2012	2013	Sep 2014*	2014
Revenue(RsMn)	**25,644**	**27,980**	**22,594**	**31,514**
Gross written premium	20,173	21,351	15,534	23,792
Net earned premium	16,768	17,805	13,506	19,884
Investment income	7,301	9276	8571	11049
Benefits,Losses and Expenses	15,625	17,080	8,393	13,622
Operating & Administrative Expenses	**4,156**	**5,533**	**1,914**	**4,996**
Profit from operations (Rs.Mn)	**5,864**	**6,354**	**8,470**	**12,896**
Net Profit for the year (Rs.Mn)	**4,236**	**4,655**	**-**	**10,468**
Key Performance Indicators				
Claims ratio – General	65	47	-	-
Solvency ratio- Life	11	13	-	-
Solvency ratio – General	3	4	-	-
Life Fund	60,085	66,960	-	-

Sources: SLIC and Department of Public Enterprises
** Provisional*

Livestock

MILCO (Pvt.) Limited

MILCO generated revenue of Rs. 1,615 million for the three months ended 30 June 2014 against the forecast of Rs 8,088 million for 2014/2015, and it is doubtful whether the Company will reach the expected target within the year at the current operating levels. During the three months ended 30 June 2014, expenditure to total revenue increased from 96 percent to 101 percent mainly due to the increase in administration, selling & distribution and finance expenses.

Outstanding debts to bank as at 31 March 2014 were expected to come down to Rs 484 million by 31 March 2015. However, in contrast it has increased from Rs. 612 million to Rs. 1,378 million at the end June 2014 by Rs.766 million as company has gone for new borrowings. Under the Denmark funded DESMI project, renovation of Ambewela, Digana and Polonnaruwa factories have commenced and renovations of two factories at Digana and Polonnaruwa have already completed.Further renovation of the Ambewela milk powder factory will be completed in mid of 2015. With the implementation of this project, the capacity of the factories will increase by 200 percent.

Table 46 > **Financial Outturn of Lanka Sathosa Limited**

	Actual			Forecast 2014/15
	2012/13	**2013/14**	**June 2014***	
Revenue (Rs.Mn)	**6,488**	**7,162**	**1,615**	**8,088**
Sales of Milk Production	6,385	7,022	1,608	7,963
Other Income	103	140	7	125
Expenditure (Rs.Mn)	**6,755**	**6,878**	**1,633**	**7,903**
Profit/ (Loss) Before Tax (Rs.Mn)	**-267**	**284**	**-18**	**185**
Outstanding Debts to Banks (Rs.Mn)	**581**	**612**	**1,378**	**494**
Key Performance Indicators				
Milk Collection (ltrs.Mn)	69	66	16	73

Source: MILCO (Pvt) Limited and Department of Public Enterprises
** Provisional*

National Livestock Development Board

Revenue of National Livestock Development Board (NLDB) during the first half of 2014 was Rs 974 million against the forecast of Rs. 4,085 million for 2014. During the period, outstanding debt to banks has increased from Rs. 1,005 million to Rs. 1,738 million due to new borrowings for capital expenditure to accommodate imported heifers under the dairy animal importation project.

Table 47 > **Financial Outturn of National Livestock Development Board**

	Actual			Forecast 2014
	2012	2013	June 2014*	
Revenue (Rs.Mn)	**1,334**	**1,413**	**974**	**4,085**
Expenditure (Rs.Mn)	**1,305**	**1,363**	**836**	**3,856**
Profit/ (Loss) Before Tax (Rs.Mn)	**29**	**50**	**138**	**229**
Outstanding Debts to Banks (Rs.Mn)	**1,005**	**1,738**	**2,618**	**1,823**
Key Performance Indicators				
Neat Cattle Milk (lt,'000)	3,442	8,699	4,837	11,980
Buffaloes Milk (lt,'000)	684	700	427	920
Goat Milk (lt, '000)	5	6	4	8
Curd Production (lt,'000)	396	411	240	576
Yoghurt (80ml Cups) (Nos,'000)	526	485	262	675

Source: National Livestock Development Board and Department of Public Enterprises
**Provisional*

Health

Table 48 > **Financial Outturn of the Health Enterprises**

		Actual			Forecast 2014*
		2012	2013	June 2014*	
State Pharmceuticals Corporation	**Revenue (Rs.Mn)**	**20,960**	**21,887**	**9,803**	**21,172**
	Sales-DHS	15,938	16,816	7,467	16,129
	-DHS	5,003	4,320	2,328	5,026
	Other Income	19	751	8	17
	Expenditure (Rs.Mn)	**20,739**	**21,110**	**9,562**	**20,654**
	Net Profit before Tax (Rs.Mn)	**221**	**777**	**241**	**518**
	Outstanding Debts to Bank (Rs.Mn)	7,897	6,200	3,173	6,854
	Osusala Outlets Operated (No)	25	29	32	33
State Pharmaceutical Manufacturing Corporation	**Revenue (Rs.Mn)**	**1,455**	**1,975**	**856**	**1,848**
	Sales-DHS	1,001	1,412	549	1,186
	Sales- SPC	412	10	7	15
	Direct Marketing	-	519	300	648
	Other Income	42	34	-	-
	Expenditure (Rs.Mn)	**1,338**	**1,647**	**729**	**1,573**
	Net Profit Before Tax (Rs.Mn)	**117**	**328**	**127**	**275**
	Outstanding Debts to Bank (Rs.Mn)	148	282	252	290

Sources: SPC, SPMC, Department of Public Enterprises
** Provisional*

State Pharmaceuticals Corporation

The revenue of State Pharmaceuticals Corporation (SPC) increased by 32 percent during the first six months of 2014 as a result of the 40 percent increase in the sales to the Department of Health Services (DHS) in comparison to the same period of 2013. However, expenditure increased by 57 percent and net profit before tax decreased by 38 percent in first half of 2014 compared to the year 2013.The government provided a revolving facility to the SPC to ensure the continuous supply of drugs to the hospital network and a total of Rs. 3,173 million remains as outstanding debt to banks as at end June 2014.

The Osusala network with 32 outlets accounted for almost 24 percent of the revenue of SPC in the first half of 2014. The expansion of this network in the medium term with proper coordination with other state entities such as Lak Sathosa and Sri Lanka railways will have a positive impact in easing off the liquidity constraint faced by the SPC. Its operations and drug supply chain is largely dependent on the proper coordination with DHS. The procurement arrangements of the SPC require a mechanism to identify the actual drug necessity of the entire hospital network and private sector. Market share of the SPC could be increased by exploring its business opportunities in the private sector. Its fully fledged laboratory which has obtained ISO-17025 accreditation will facilitate the provision of quality drugs for the nation.

State Pharmaceuticals Manufacturing Corporation

State Pharmaceuticals Manufacturing Corporation (SPMC) has achieved 85 percent of its annual revenue target of Rs. 1,005 million within the first half of 2014 with the progress of direct marketing channels. Almost 64 percent of total revenue comes from the Department of Health Services (DHS) while the balance from the direct marketing channels and the State Pharmaceuticals Manufacturing Corporation. Total expenditure of SPMC declined by 13 percent to Rs. 729 million from Rs.838million due to the decrease in cost of sales by 17 percent in comparison to the same period in 2013. The corporation has achieved 84 percent of its profit target of Rs. 150 million during the first half of the year.

SPMC is unable to meet the demand for its products due to limitations in storage facilities and operations with more than 25 year old machineries leading to high maintenance costs and low operational efficiencies. The SPMC initiated development projects with Japan International Cooperation Agency (JICA) during the reviewed period to expand the production capacity of the SPMC to meet country's rising pharmaceuticals demands.

As the largest pharmaceuticals manufacturer in Sri Lanka, SPMC manufactures a broad range of branded generic products in Oral Solid dosage forms. The Corporation has introduced 63 formulas since 1987 in compliance with International Quality Standards. SPMC conforms to the Current Good manufacturing Practice (CGMP) requirements under the guidelines of the World Health Organization.

Fertilizer

Colombo Commercial Fertilizers Limited

Colombo Commercial Fertilizers Limited (CCFL) mainly engages in importing, mixing, packing and distribution of fertilizer using 17 regional stores. CCFL covers 35 percent of total fertilizer requirement of the country.

The profitability of the company increased by 40 percent at the end of the first six months of the financial year 2014/15 in comparison to the same period in 2013/14. Total revenue increased by 26 percent due to the increase in the quantity of per-hectare-fertilizer distributed to farmers, while CCFL had been able to keep the increase in total expenditure at a lower level of 23 percent during the period concerned.

Ceylon Fertilizer Company Limited

Ceylon Fertilizer Company (CFC) is the leading state entity engaged in importing, blending and distributing of 65 percent of fertilizer subsidy to paddy farmers. Although CFC is expected to encourage usage of organic fertilizer to avoid adverse effect on soil, water and bio-diversity, it has not yet been able to get involved in the organic fertilizer business. Therefore, it would be necessary to promote small and medium scale fertilizer manufacturers to invest in organic fertilizer production.

At the end of first six months of the financial year 2014/15, total revenue of CFC increased by 27 percent in comparison to the corresponding period of the financial year 2013/14. As a result, profit increased by 66 percent. During the period, the revenue of the core-business increased by 24 percent due to the increase of the quantity of fertilizer per hectare distributed to the farmers, while the other revenue items increased by Rs.37 million relative to previous financial year.

Table 49 > **Financial Outturn of Fertilizer Companies**

		Actual			Forecast 2014/15
		2012/13	2013/14	2014* April-Sep	
Ceylon Fertilizer Company Ltd	**Revenue (Rs.Mn)**	**2,615**	**2,753**	**1,477**	**4,143**
	Core-Business	2,450	2,563	1,425	3,997
	Other Income	165	190	52	146
	Expenditure (Rs.Mn)	**2,488**	**2,575**	**1,393**	**3,907**
	Finance Cost	41	19	2	40
	Profit/Loss (Rs.Mn)	**127**	**178**	**84**	**236**
	Outstanding Debt (Rs.Mn)	7,300	11,300	15,200	10,000
	Govt. Fertilizer Subsidy (Rs. Mn)	17,646	14,121	14,807	17,950
Colombo Commercial Fertilizer Ltd	**Total Revenue (Rs. Mn)**	**867**	**1,056**	**399**	**1,109**
	Expenditure (Rs. Mn)	**853**	**919**	**301**	**965**
	Finance Cost	65	39	14	41
	Profit Before Tax (Rs. Mn)	**14**	**137**	**98**	**144**
	Importation of Fertilizer (MT'000)	125,098	83,839	86,803	115,000
	Outstanding Debt (RsMn)	10,715	9,727	11,675	6,194
	Govt. Fertilizer Subsidy	445	625	205	656

Sources: Ceylon Fertilizer Company, Colombo Commercial Fertilizers Limited, Department of Public Enterprises
** Provisional*

Table 50 > **Submission of Annual Reports to the Department of Public Enterpirses – State Owned Business Enterprises**

Enterprise		2011	2012	2013
1	Bank of Ceylon	√	√	√
2	Peoples' Bank	√	√	√
3	National Savings Bank	√	√	√
4	State Mortgage and Investment Bank	√	√	×
5	Housing Development Finance Corporation (HDFC)	√	√	√
6	Lankaputhra Development Bank	√	√	√
7	Pradeshiya Sanwardena Bank	√	√	√
8	Sri Lanka Savings Bank	√	√	√
9	Employee Trust Fund Board	√	√	×
10	Sri Lanka Insurance Corporation	√	√	√
11	National Insurance Trust Fund	√	×	×
12	Sri Lanka Export Credit Insurance Corporation	×	×	×
13	Agriculture and Agrarian Insurance Board	√	×	×
14	Ceylon Electricity Board	√	√	×
15	Ceylon Petroleum Corporation	√	×	×
16	Lanka Mineral Sands Ltd	√	√	√
17	Lanka Phosphate Ltd	√	√	√
18	Kahatagaha Graphite Lanka Limited	√	√	√
19	Sri Lanka Ports Authority	√	√	√
20	Airport and Aviation Services (SL) Ltd	√	√	√
21	National Water Supply and Drainage Board	√	×	×
22	Sri Lankan Airlines Ltd	√	√	√
23	Mihin Lanka Ltd	√	√	×
24	Sri Lanka Transport Board	×	×	×
25	State Engineering Corporation of Sri Lanka	√	×	×
26	Central Engineering Consultancy Bureau	√	×	×
27	State Development and Construction Corporation	√	×	×
28	Milco Pvt Ltd	√	√	×
29	National Livestock Development Board	√	√	×
30	Sri Lanka State Plantations Corporation	×	×	×
31	Janatha Estates Development Board	×	×	×
32	Kurunegala Plantations Ltd	√	√	√
33	Chilaw Plantations Ltd	√	√	√
34	Kalubovitiyana Tea Factory Ltd	√	×	×
35	Sri Lanka Cashew Corporation	√	√	×
36	State Pharmaceuticals and Manufacturing Corp. of Sri Lanka	√	√	×
37	Sri Lanka Ayurvedic Drugs Corporation	√	√	×
38	State Pharmaceuticals Corporation	√	×	×
39	Sri Jayawardenapura General hospital	√	√	×
40	Independent Television Network Ltd	√	√	√

Enterprise		2011	2012	2013
41	Sri Lanka Rupavahini Corporation	√	√	×
42	Sri Lanka Broadcasting Corporation	√	×	×
43	State Printing Corporation	√	√	×
44	Sri Lanka Handicrafts Board	√	√	×
45	Ceylon Fisheries Corporation	√	×	×
46	Ceylon Fishery Habour Corporation	√	×	×
47	Ceylon Fertilizer Company	√	√	√
48	Colombo Commercial Fertilizer Company Ltd	√	√	×
49	State Timber Corporation	√	√	×
50	STC General Trading Company	√	√	×
51	Lanka Sathosa Limited	√	×	×
52	Development lottery Board	√	√	×
53	National Lottery Board	√	√	×
54	Hotel Developers Lanka PLC	√	√	√
55	Lanka Sugar Pvt Ltd	√	√	×

Sources: Department of Public Enterprises

Table 51 > **Levy/Dividend Income from SOEs**

Rs. Mn.

	2002	2007	2008	2009	2010	2011	2012	2013	2014 Sep
Levy	**0**	**3,668**	**4,404**	**7,762**	**24,434**	**20,189**	**32,774**	**20,960**	**9,391**
National Savings Bank	-	1,060	1,060	1,750	2,312	4,560	8,260	5,060	2,560
Telecommunication Regulatory Commission	-	2,250	3,150	3,321	13,800	9,050	7,200	10,100	3,250
State Mortgage & Investments Bank	-	25	-	50	-	-	25	40	10
Regional Development Bank	-	50	40	144	55	-	500	500	-
State Timber Corporation	-	150	75	50	10	75	50	50	25
State Pharmaceuticals Manufacturing Corporation	-	30	40	30	85	59	20	20	-
National Insurance Trust Fund	-	-	-	2,250	2,000	3,495	4,200	3,200	2,970
Geological Survey and Mines Bureau	-	-	-	-	-	740	750	700	250
National Gem and Jewellry Authority	-	-	-	-	-	-	-	100	-
Sri Lanka Ports Authority	-	65	-	-	-	-	-	-	-
Sri Lanka Export Credit Insurance Corporation	-	16	25	30	-	-	-	25	-
Ceylon Electricity Board	-	-	-	-	-	2,000	-	-	-
Board of Investment	-	-	-	-	-	210	200	-	-
National Lotteries Board	-	-	-	-	-	-	502	500	-
Securities and Exchange Commission	-	-	-	-	-	-	-	94	-
Insurance Board of Sri Lanka	-	-	-	-	-	-	-	300	-
State Institutions Temporary Surplus Trust Fund	-	-	-	-	6,110	-	10,700	-	-
Sri Lanka Rupavahini Corporation	-	-	-	-	-	-	5	-	0.8
Sri Lanka Convention Bureau	-	-	-	-	-	-	12	-	
Civi Aviation Authority	-	-	-	-	-	-	350	200	250
State Pharmaceutical Corporation	-	-	-	-	-	-	-	50	75
Sri Lanka Standards Institution	-	-	-	-	-	-	-	20	-
National Livestock and Development Board	-	-	-	-	-	-	-	1	-
Other*	-	22	14	137	62	-	-	-	-
Dividends	**435**	**4,014**	**2,966**	**4,219**	**6,867**	**14,162**	**13,987**	**14,208**	**10,380**
Bank of Ceylon	-	846	1,046	1,346	2,923	4,020	5,346	5,346	3,346
People's Bank	-	1,416	816	1,139	3,253	4,500	4,658	4,816	4,316
Sri Lanka Telecom Plc	300	893	893	893	223	536	759	760	759
De La Rue Lanka (Pvt) Ltd	20	100	100	38	-	68	42	43	49
Lanka Mineral Sands Ltd	-	50	34	60	35	500	1,700	-	-
Lanka Industrial Estates Ltd	11	62	31	31	31	31	47	54	55
Ceylon Petroleum Storage Terminal Ltd	-	438	-	-	-	-	-	-	-
Airport and Aviation Services Ltd	-	100	-	200	-	2,406	-	500	500
West Coast Power (Pvt) Ltd	-	-	-	392	-	-	-	-	-
Lanka Electricity Company Ltd	100	75	-		300	-	75	75	25
Plantation Companies**	-	-	-	30	-	219	179	139	65
Sri Lanka Insurance Corporation Ltd	-	-	-	-	-	1,750	1,001	2,199	1,001
Sri Lankan Airlines Ltd	-	-	-	-	-	-	-	-	-
Lankaputhra Development Bank	-	-	-	-	-	6	18	36	36
National Development Bank	-	-	-	-	-	2	4	10	3
Lanka Phosphate Ltd	-	4	4	5	10	20	40	25	-
Independence Television Network Ltd	-	-	-	-	-	49	88	50	125
Rakna Arakshaka Lanka Ltd	-	-	-	-	-	-	10	17	34
Colombo Commercial Fertilizer Ltd	-	-	-	-	-	-	8	10	10
Paranthan Chemicals Company Ltd	-	-	-	-	-	2	3	-	10
Ceylon Fertilizer Ltd	-	-	-	-	-	12	4	9	38
Ceylon Shipping Corporation Ltd	-	-	-	-	-	-	-	10	-
Kahatagaha Graphite Lanka Ltd	-	-	-	-	-	-	-	4	-
Lanka Leyland Ltd	-	-	-	-	-	35	5	97	-
Other *	4	30	42	85	92	6	-	8	8
Total	**435**	**7,682**	**7,370**	**11,981**	**31,301**	**34,351**	**46,761**	**35,168**	**19,770**

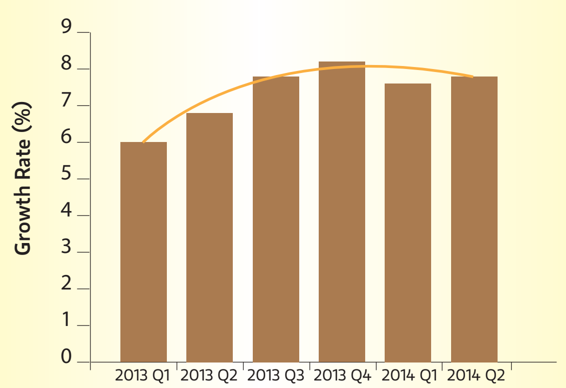
Sources: Department of Treasury Operations and Department of Public Enterprises
** Skills Development Fund,Ceylon Agro Industries,Asian Reinsurance Corporation, Hunnas falls Ltd, Lanka Canneries Ltd,United Motors Lanka Ltd, Bogala Graphite lank ltd, Autogrill Lanka ltd*
***Chilaw, Kalubowitiyana, Elkaduwa, Kurunegala, Namunuluka, Kegalle, Agalawatte, Kotagala, Balangoda,Watawala, Horana, Elpitiya and Pussellawa Plantations*

The Economy

Economic Growth

The Sri Lankan economy grew by 7.7 percent during the first half of 2014 in comparison to 6.4 percent growth recorded during the first half of 2013 and equally higher growth of 8.0 percent in the second half of the previous year. The growth in both the first and the second quarters of 2014 was high at 7.6 percent and 7.8 percent, respectively in comparison to 6.1 percent and 6.8 percent recorded during the same period in 2013. The continued noteworthy performance in the Services sector complemented by the growth in Industry and Agriculture sectors helped achieving this growth amidst challenges confronted in domestic as well as external front. This growth was achieved benefiting from the prevailing peaceful situation in the country, favourable macroeconomic environment and appropriate fiscal and monetary policy measures, revival in tourism industry, sustained public investments in economic and social infrastructure, enhanced domestic demand and the expansion in external demand with the gradual recovery of the global economy.

Chart 17 > **GDP Growth**



The agriculture sector recorded a growth rate of 3.1 percent during the first half of 2014 in comparison to 1.2 percent growth recorded during the first half of 2013, mainly due to the expansion in fishing, coconut and other food crops sub sectors. A slower growth rate or decline in the growth was recorded in tea, rubber, and paddy due to adverse impact of severe drought prevailed in major growing areas. However, the improved growth in highland crops, vegetables and fruits subsector, and fishing activities contributed positively for the growth. The Industry sector grew by 12.4 percent during the first half of 2014. All the subsectors of the industry sector, particularly the considerable growth in the manufacturing sector, contributed positively to this growth. The growth in the manufacturing sector was induced by the significant growth in factory industry, reflecting the enhancement of domestic and foreign demand, and the construction sub sector also grew substantially with significant growth in the construction activities, including the leisure industry, all over the country. The Services sector recorded a 6.1 percent growth in comparison to 5.5 percent growth in the same period of the previous year with the positive contribution from all the sub sectors, particularly the 7.1 percent growth in wholesale and retail trade and 7.4 percent growth in transport and communication sub sectors, reflecting the enhanced economic activities. In particular, during the first half of 2014, all the main subsectors of these two sectors positively contributed to the growth and notably the domestic trade subsector grew by 9.2 percent compared to 7.2 percent growth recorded during the same period in 2013, reflecting the improved economic activities during this period.

Agriculture

The agriculture, forestry and fishing sector share to GDP declined by 0.5 percent to 11.1 percent during the first half of 2014 despite recording a high growth of 3.1 compared to 1.2 percent growth recorded during the first half of 2013. The high growth of 6.5 percent during the second quarter of 2014 and 0.2 percent lower growth during the first quarter of 2014 permitted this increase in the agriculture sector growth. The increase in coconut, highland crops, vegetables and fruits production as well as fishing subsector contributed this growth momentum despite the severe drought and unfavorable rainfall pattern prevailed in the major agricultural areas. The government continued its commitment to ensure the food security in the country by promoting the agriculture sector in all spheres, including fishing and livestock farming as well as self-sufficiency in food crops. Towards this direction, many development initiatives, including the development of agriculture infrastructure, provision of encouragement to mechanization, provision of agriculture extension services, credit facilities and interest subsidies through special loan schemes, provision of high yielding seeds, fertilizer and other farming needs at subsidized prices, maintaining better farm gate prices through market intervention and tax policy measures adopted appropriately to safeguard domestic producers as well as consumers, implementation of "Divi Neguma" programme focusing income generation of 2.5 million households through development of backyard economies, as well as consumers were implemented by the government.

Chart 18 > **Composition of GDP - First Half 2014**

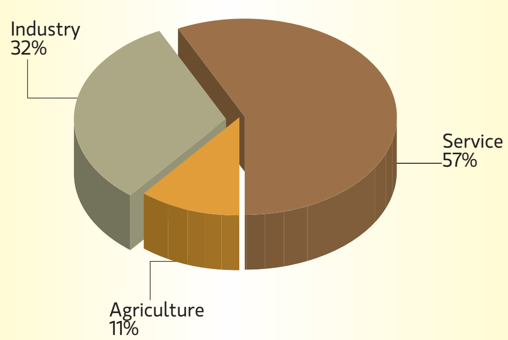
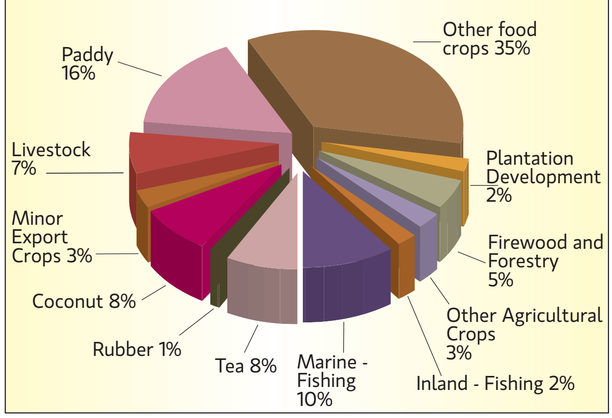


Chart 19 > **Composition of Agriculture Sector - First Half 2014**



Tea

The Tea subsector, which accounted for 8.3 percent of Agriculture sector and 0.9 percent of GDP, grew only by 2.9 percent during the first half of 2014, compared to the 6.3 percent growth during the first half of 2013. This was a combined outcome of the decrease in the value addition by 2.3 percent in the first quarter due to the drought in the tea grown areas and the significant 7.6 percent increase in the second quarter of 2014 due to the favorable weather conditions prevailed in tea grown areas. The tea production declined during the first half of 2014 by 1.1 percent to 172.2 million kgs. The average yield of tea production is estimated to be increased by 1.3 percent to 1,771 kgs per hectare during this period. The low grown tea production has contributed for 59 percent of total tea production while the tea small holders contributed for 71 percent of total tea production. The average of all tea prices at the Colombo Tea Auctions (CTA) during the first eight months fetched higher than that of the corresponding period of the last year. The increasing demand for orthodox black tea from countries in the Middle East and European Union mainly triggered orthodox black tea prices to surge amidst the shortage in the global supply of orthodox black tea. Meanwhile, the exports of tea grew by 12.5 percent to US$ 1,083 million during the first 8 months of 2014, benefiting from the enhanced external demand.

Rubber

The value addition of Rubber subsector, which accounted for 1.0 percent of Agriculture sector and 0.1 percent of GDP, contracted by 2.5 percent during the first half of 2014 compared to the decrease in the value addition by 23.0 percent during the first half of 2013. Total rubber production in the first half of 2014 declined by 2.3 percent to 61.0 million kgs. The dry weather conditions in the first quarter of 2014 that affected the harvest, wet weather conditions which disrupted the tapping in some rubber growing areas in the second quarter of 2014, and the lower prices for rubber were among the key factors that affected the performance in the rubber sector during the first half of 2014. The average prices of RSS No. 1, RSS No.2 and crepe rubber in Colombo Auction decreased by 20 percent, 22 percent and 17 percent to Rs. 301.38 per kg, Rs. 294.61 per kg and Rs. 314.65 per kg., respectively during the first half of 2014. Although the continued decline in the international price of raw rubber has had a negative effect on raw rubber exports, benefiting domestic manufacturers of rubber products and encouraging value added rubber exports. Accordingly, although the export of rubber declined by 19.2 percent to US$ 30.2 million, the exports of rubber products increased by 10 percent to US$ 436.9 million during the first half of 2014.

Coconut

The Coconut subsector, which accounted for 8.2 percent of Agriculture sector and 0.9 percent of GDP, grew by 8.1 percent during the first half of 2014 compared to 14.7 percent contraction during the first half of 2013. The coconut production grew by around 12 percent to 1,426 million nuts during the first half of 2014 mainly due to the lagged effect of the favourable weather conditions prevailed in the corresponding period of the previous year. The average retail price of fresh coconuts increased to Rs. 45 per nut in June 2014 from Rs 42 in June 2013. Meanwhile, the export of coconut kernel products increased by 185.6 percent to US$ 90.8 million and other coconut products increased by 38 percent to US$ 73.4 million during the first half of 2014 in comparison to the same period in 2013.

Paddy

The value addition of the Paddy subsector, which accounted for 16.5 percent of Agriculture sector and 1.8 percent of GDP, decreased by 5.7 percent during the first half of 2014 compared to 1.2 percent growth recorded in the first half of 2013. The severe drought continued in the dry zone during the early months of 2014 was accountable for the decline in paddy production by 15.8 percent to 2.4 million MT in the Maha season of 2014. The 2013/2014 Maha season showed a decline in the sown and harvested extents by 18.5 percent and 23.5 percent, respectively in comparison to the 2012/2013 Maha season. Nevertheless, the average yield increased to 4,491 kgs per hectare during this period in comparison to the Maha season in the previous year.

Table 52 > **Sectoral Composition of GDP (at 2002) Constant Prices (Rs.Million)**

Sector	2011	2012	2013	First Half		Growth (%)	
				2013	2014(a)	2013	2014(a)
Agriculture, Forestry and Fishing	**320,154**	**336,817**	**352,641**	**182,293**	**187,895**	**1.2**	**3.1**
1. Agriculture, Livestock and Forestry	**282,724**	**295,923**	**309,192**	**162,398**	**165,631**	**1.0**	**2.0**
1.1 Tea	28,432	28,507	29,534	15,072	15,516	6.3	2.9
1.2 Rubber	7,119	6,693	6,083	1,933	1,884	-23.0	-2.5
1.3 Coconut	29,720	31,504	26,440	14,215	15,368	-14.7	8.1
1.4 Minor Export Crops	12,114	11,507	12,480	5,483	4,987	9.6	-9.0
1.5 Paddy	44,325	43,596	52,084	32,854	30,981	1.2	-5.7
1.6 Livestock	24,029	25,556	27,175	12,721	13,033	5.2	2.5
1.7 Other food crops	102,378	111,722	116,546	61,296	65,163	2.0	6.3
1.7.1 Highland crops	33,507	36,297	36,463	16,731	17,412	-5.0	4.1
1.7.2 Vegetables	66,832	73,376	77,906	43,536	46,695	5.0	7.3
1.7.3 Fruits	2,039	2,049	2,178	1,029	1,056	1.1	2.6
1.8 Plantation Development	7,287	7,926	8,191	3,771	3,683	5.7	-2.3
1.9 Firewood & Forestry	16,481	17,377	18,252	8,740	8,650	5.2	-1.0
1.10 Other Agricultural Crops	10,839	11,535	12,407	6,313	6,366	5.7	0.8
2. Fishing	**37,431**	**40,894**	**43,449**	**19,896**	**22,262**	**3.1**	**11.9**
2.1 Inland - Fishing	5,054	5,775	5,660	1,746	3,196	-20.5	83.0
2.2 Marine - Fishing	32,377	35,119	37,789	18,150	19,066	6.1	5.0
Industry	**838,932**	**925,153**	**1,016,886**	**484,802**	**544,912**	**10.4**	**12.4**
3. Mining and Quarrying	**71,191**	**84,672**	**94,388**	**42,191**	**47,558**	**15.5**	**12.7**
3.1 Gem Mining	14,212	15,660	17,340	9,359	10,349	4.8	10.6
3.2 Other Mining	56,980	69,012	77,048	32,832	37,209	19.0	13.3
4. Manufacturing	**494,990**	**520,938**	**559,843**	**268,671**	**294,394**	**5.9**	**9.6**
4.1 Processing (Tea, Rubber and Coconut)	16,006	17,043	17,147	9,244	9,810	0.9	6.1
4.2 Factory industry	449,176	472,721	509,932	242,944	267,748	6.2	10.2
4.2.1 Food Beverages	211,848	222,722	239,519	116,768	127,611	6.2	9.3
4.2.2 Textile,Wearing Apparels & Leather	102,263	107,242	116,828	52,437	60,955	6.5	16.2
4.2.3 Chemicals, Petroleum, Coal, Rubber& Plastic	73,203	77,455	83,306	39,800	43,976	6.1	10.5
4.2.4 Non-Metalic Mineral Products except Products of Petroleum & Coal	17,670	18,826	19,873	10,049	10,232	4.9	1.8
4.2.5 Fabricated Metal Products, Machinery & Equipment	37,733	39,663	43,135	20,556	21,339	6.0	3.8
4.2.6 Other Industries	6,459	6,813	7,272	3,334	3,635	5.8	9.0
4.3 Cottage Industry	29,808	31,174	32,764	16,483	16,836	4.4	2.1
5. Electricity, Gas and Water	**69,547**	**72,452**	**79,913**	**39,471**	**40,106**	**13.6**	**1.6**
5.1 Electricity	61,722	64,352	71,620	35,479	35,950	15.2	1.3
5.2 Gas	4,855	5,100	5,181	2,508	2,579	-1.2	2.8
5.3 Water	2,970	2,999	3,113	1,484	1,577	3.8	6.3
6. Construction	**203,204**	**247,091**	**282,742**	**134,471**	**162,854**	**18.0**	**21.1**
Services	**1,704,605**	**1,783,318**	**1,896,572**	**909,597**	**965,344**	**5.5**	**6.1**
7. Wholesale and Retail Trade	**676,565**	**701,408**	**739,826**	**348,693**	**373,492**	**3.5**	**7.1**
7.1 Import Trade	243,963	246,446	253,617	110,217	111,520	-0.2	1.2
7.2 Export Trade	117,064	117,960	125,839	57,648	64,510	-0.4	11.9
7.3 Domestic Trade	315,538	337,002	360,370	180,828	197,462	7.2	9.2
8. Hotels and Restaurants	**17,501**	**21,029**	**25,715**	**9,360**	**11,412**	**19.8**	**21.9**
9. Transport and Communication	**410,402**	**435,872**	**476,721**	**229,326**	**246,384**	**9.5**	**7.4**
9.1 Transport	337,088	357,221	390,847	189,878	203,201	9.9	7.0
9.1.1 Transport- Railway	2,980	3,126	3,194	1,684	1,794	1.9	6.5
9.1.2 Transport - Passenger and Goods	334,108	354,095	387,653	188,194	201,407	10.0	7.0
9.2 Cargo Handling-Ports and Civil Aviation	20,060	21,194	21,842	10,087	10,954	1.0	8.6
9.3 Post and Telecommunication	53,254	57,457	64,032	29,362	32,229	9.8	9.8
10. Banking, Insurance and Real Estate etc.	**252,706**	**269,744**	**285,750**	**140,358**	**148,210**	**6.2**	**5.6**
11. Ownership of Dwellings	**75,607**	**76,926**	**79,175**	**39,334**	**39,898**	**2.8**	**1.4**
12. Government Services	**204,704**	**207,559**	**213,439**	**104,590**	**105,703**	**2.5**	**1.1**
13. Private Services	**67,119**	**70,779**	**75,946**	**37,936**	**40,243**	**6.7**	**6.1**
Gross Domestic Product	**2,863,691**	**3,045,288**	**3,266,099**	**1,576,693**	**1,698,151**	**6.4**	**7.7**

Source: Department of Census and Statistics
(a) Provisional

Minor Export Crops

The minor export crops subsector, which accounted for 2.7 percent of Agriculture sector and 0.3 percent of GDP, recorded a contraction of 9.0 percent during the first half of 2014 in comparison to 9.6 percent an increase growth during the corresponding period in 2013 due to the negative impact of the severe drought on these agriculture products. During the period under review, export of spices declined by 15.5 percent to US$ 110 million.

Livestock

The livestock subsector, which accounted for 6.9 percent of Agriculture sector and 0.8 percent of GDP, recorded a growth rate of 2.5 percent during the first half of 2014 compared to 5.2 percent during the same period in 2013, due to slower growth of 1.9 percent during the second quarter offsetting the positive impact of a slightly higher growth rate of 3.1 percent during the first quarter of the year. During the first half of 2014, the local milk production increased by 17.8 percent although the “Cattle Hoofs Disease” caused a decline in the milk production by 18.9 percent in the second quarter of 2014. The broiler meat production increased by 12.3 percent while the egg production reflected a 9.7 percent decline. The performance of the livestock sector was supported by the government initiatives to upgrade the living standards of the small scale farmers through different level assistance programmes, including better farm gate prices and provision of other assistance through development of backyard economies under the “Divi Neguma” programme as well as the granting of tax concessions towards lowering the cost of production.

Other Food Crops and Agricultural Crops

Other food crops sub sector, which comprised of highland crops, vegetables and fruits, accounting for 34.7 percent of Agriculture sector and 3.8 percent of GDP, recorded a higher growth of 6.3 percent compared to 2.0 percent growth during the respective period in 2013, resulting from the 4.1 percent and 7.3 percent expansion in highlands crops and vegetables, respectively. The fruits subsector also recorded a higher growth of 2.6 percent compared to 1.1 percent growth during same period in 2013. The unfavorable weather generally affected the output of this sector. However, during the 2013/2014 Maha season, production of potatoes increased by 1.6 percent to 39,306 MT, chilies increased by 3.1 percent to 51,239 MT, maize increased by 25 percent to 216,690 MT, big onion production increased by 87.6 percent to 4,578 MT and red onion production increased by 17 percent to 36,335 MT compared to 2012/2013 Maha season supporting the growth. The government initiatives to extend the fertilizer to all food crops at subsidized prices and other assistance, including credit facilities to promote home gardening under the “Divi Neguma” programme and tax policy measures targeting increased domestic production coupled with better farm gate prices supported the growth of these sub sectors.

Fishery Industry

Fishing subsector, which accounted for 11.8 percent of Agriculture sector and 1.3 percent of GDP, recorded a higher growth of 11.9 percent during the first half of 2014 compared to 3.1 percent growth recorded during the same period in 2013. The Marine Fishing subsector which accounted for 85.6 percent of the fishery industry recorded a lower growth of 5.0 percent compared to 6.1 percent and 8.4 percent growth recorded during the corresponding period in 2013 and 2012, respectively. This was mainly due to the adverse impact of weather condition during the first half of the year. During the review period, Inland Fishing subsector recorded a robust growth of 83.0 percent in comparison to the decline of 20.5 percent during the corresponding period in 2013 mainly due to the substantial distribution of fingerlings to the tanks, the harvesting of the whole stock of fish, including the fish fingerlings that were released to the ponds, in the third quarter of last year, before the tanks got dry due to severe draught and the provision of subsidies to the farmers under “Divi Neguma” programme.

The government provided assistance for the development of this industry by establishing fishery harbors throughout the country, in particular in Northern and Eastern provinces, provision of other assistance viz., credit facilities, provision of vessels and equipment as relief assistance for liberated areas, adjustment of tax policy measures to discourage import of fish and fish products in excessive levels as well as tax concessions to promote local fish processing industry. The reduction in the Kerosene price by Rs. 20 per litre in September 2014 will also be beneficial to the development of the fishery sector. Meanwhile, the import of sea food decreased by 23.3 percent and export of sea food recorded an increase of 23.7 percent compared to 16.7 percent increase and 6.5 percent increase, respectively, recorded during the respective period in the previous year.

Industry

The much of the growth in the value addition in the first half of the 2014 was attributable to the 12.4 percent expansion in the Industry sector in comparison to 10.4 percent growth recorded during the same period in 2013. During the review period, manufacturing subsector contributed for 17.3 percent of GDP recording a 9.6 percent growth, construction services contributed for 9.6 percent of GDP recording an 21.1 percent growth and mining and quarrying subsector contributed for 2.8 percent of GDP recording a 12.7 percent growth while electricity, gas and water subsector contributed for 2.4 percent of GDP recording a 1.6 percent growth.

Mining and Quarrying

The growth in the Mining and Quarrying subsector was mainly supported by the increased demand for raw materials with further expansion in the construction activities and expanding gem industry, complemented by the improvement in the tourism sector. The gem mining subsector grew by 10.6 percent compared to 4.8 percent growth during the first half of 2014 and mining of other items also grew by 13.3 percent compared to 19.0 percent growth during the corresponding period in 2013. During this period, the export value of gems increased by 51 percent, while the export of minerals also increased by 294 percent.

Manufacturing

The Manufacturing subsector which accounted for 54.0 percent of the Industry sector and 17.3 percent of GDP recorded a 9.6 percent growth during the first half of 2014 compared to 5.9 percent growth during the first half of 2013. The factory industry, the main pillar in manufacturing sub sector accounting for 90 percent of the total manufacturing sector GDP, recorded a 10.2 percent growth in the first half of 2014. The major contributors to this sub sector, food beverages, and textile, wearing apparels and leather products showed growth rates of 9.3 percent and 16.2 percent, respectively. Textile, wearing apparel & leather products subsector, which accounted for 3.6 percent of the GDP and 22.8 percent of factory industries, recorded a healthy growth of 16.2 percent during the first half of 2014, compared to 6.5 percent growth during the corresponding

Chart 20 > **Composition of Industry Sector-First Half 2014**

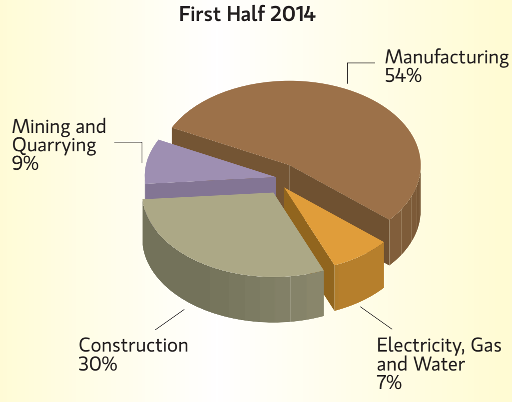
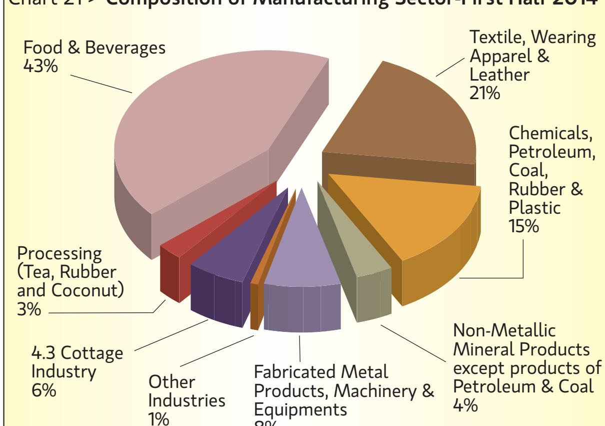


Chart 21 > **Composition of Manufacturing Sector-First Half 2014**



period in 2013. The private sector enthusiasm through product and market diversification amidst the challenges emanated from the uncertainties in major export destinations, increased seasonal demand and new orders placed, particularly by the US market, as well as the tax policy and other measures appropriately adopted to promote the textiles and garment industry helped achieving a robust growth in this sector while contributing to 44 percent of the country's total exports. Accordingly, the textiles and garments exports increased by 20.6 percent to US$ 2,413 million during the first half of 2014, in comparison to 0.9 percent growth during the corresponding period in the previous year.

During the first half of 2014, chemicals, petroleum, coal, rubber & plastic subsector, which accounted for 14.9 percent of the factory industries, recorded a 10.5 percent growth compared to 6.1 percent growth during the same period in 2013. There was a positive contribution from the 20.7 percent, 30.4 percent and 10 percent increase in the export of chemical products, plastic products and rubber products, respectively although the export of petroleum products reflected a 19.5 percent decline. The improvement in chemicals and chemical products could be attributed to the increased output in related industries, such as fertilizer, paint, soap and detergent. The growth in rubber and plastic products during the first half of 2014 was mainly due to the increased production of tyres and tubes for both domestic and export markets.

During the review period in 2014, fabricated metal products, machinery and equipment subsector which accounted for 8.0 percent of the factory industries, recorded a 3.8 percent growth compared to 6.0 percent growth, during the same period in 2013, mainly benefiting from the increased domestic demand for such items. In particular, the fabricated metal products sector grew by 1.8 percent during the first half of 2014, which was highly supported by the better performance of the ship building and ship repairing industry. Tea, rubber and coconut processing industries, which accounted for 3.3 percent of the manufacturing subsector, recorded a robust growth of 6.1 percent compared to 0.9 percent growth during the first half of 2013, benefiting from the increase in exports as well as the enhancement in the domestic demand.

The cottage industries, which accounted for 5.7 percent of manufacturing subsector, recorded a 2.1 percent slow growth compared to 4.4 percent and 5.5 percent growth recorded during the first half of 2013 and 2012, respectively. There are claims that the small scale industries are in a declining trend with the expansion of the economy with technological improvements, and increased public sector and private sector investments as well as opening up of overseas employment opportunities for skilled labour. However, the government continued to empower the low income segment of the society by providing required assistance through a number of initiatives, including "Divi Neguma" programme and "Industrial Development Village" programme, to support the cottage industries. This, complemented by the new developments in the economy, including the revival in tourism industry, will provide opportunities for the future growth of this sub sector.

Electricity, Gas and Water

Electricity, gas and water sub sector, which accounted for 7.4 percent of the Industrial sector and 2.4 percent of GDP, recorded a slower growth of 1.6 percent during the first half of 2014 compared to 13.6 percent growth recorded during the same period in 2013. The electricity subsector, which accounted for 6.6 percent of industry sector and 2.1 percent of GDP, recorded a lower growth of 1.3 percent compared to the higher growth of 15.2 percent in the same period in 2013. This was mainly due to the decrease in hydropower generation by 57.1 percent during this period due to the dry weather prevailed in catchment areas of hydro power stations. Thus, the thermal power generation was compelled to increase to provide electricity uninterruptedly. Accordingly, the thermal power generation increased by 59.2 percent during the first half 2014 in comparison to the same period in 2013. Hence, the existed ratio of 62: 38 hydro and thermal power generation in the first half of 2013 changed to 30:70 in the first half of 2014. As the cost of inputs for thermal power generation is comparatively higher than inputs of hydro power generation, the value addition of electricity sub sector has become lesser during the first half of 2014. Meanwhile, the Gas subsector increased by 2.8 percent during the first half of 2014 compared to the 1.2 percent decline recorded during the same period in 2013, as a result of its enhanced use for industrial purposes. Benefitting from the increased public investment on the provision of water supply facilities throughout the country, the water subsector grew by 6.3 percent during this period in comparison to 3.8 percent growth recorded during the same period in 2013.

Construction

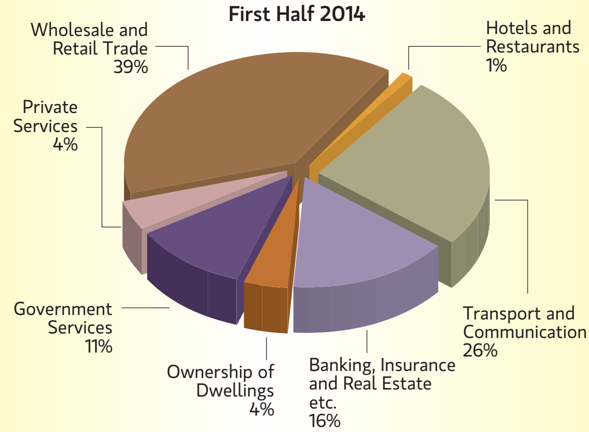
Construction services which accounted for 29.9 percent of the Industrial sector and 9.6 percent of GDP recorded an impressive growth of 21.1 percent during the first half of 2014 in comparison to 18.0 percent growth recorded during the same period in 2013, reflecting the expansion in private investment in economic activities and the continued improvements in public investment in development of ports and airports, roads and highways, electricity generation, irrigation and water supply and sanitation facilities. The improved performance of the construction sector was supported by the tax concessions granted by the government on import of machinery and equipment as well as the easing of monetary conditions since end of 2012.

Services

The Services sector which contributed for 56.8 percent of GDP recorded a 6.1 percent growth during the first half of 2014, in comparison to 5.5 percent growth during the same period in 2013. This improvement was driven by the positive contribution of all the main subsectors. In particular, the wholesale and retail trade sub sector, which gives the highest contribution to the Services sector, showed a 7.1 percent growth compared to the same period in 2013. In addition, the transport and communications services, which accounted for 25.5 percent of the Services sector, recorded a 7.4 percent growth. Further, hotels and restaurants services also grew by a healthy rate of 21.9 percent while banking, insurance and real estate services grew by 5.6 percent in the first half of 2014 contributing for the Services sector expansion in comparison to the growth of 19.8 percent and 6.2 percent, respectively recorded during the same period in 2013.

The Services sector performance is expected to pick up in the future along with the anticipated enhancement of the domestic demand supported by the prevailing peaceful environment in the country, increase in income level, strong revival of the tourism sector, easing of monetary conditions and the resultant decline in the interest rates and cost of borrowings, and prudent fiscal management of the government, which has increased the availability of credit to the private sector.

Chart 22 > **Composition of Services Sector - First Half 2014**



Wholesale and Retail Trade

The wholesale and retail trade subsector, which accounted for 38.7 percent of the Services sector and 22.0 percent of the GDP, recorded a higher growth of 7.1 percent during the first half of 2014 compared to 3.5 percent growth recorded during the respective period in 2013. This growth was achieved due to the increase in import and export trade as well as the steady growth in domestic trade. The domestic trade, which accounted for 20.5 percent of the services sector and 11.6 percent of GDP, recorded a higher growth of 9.2 percent compared to 7.2 percent growth recorded in the same period in 2013, mainly benefiting from the increased domestic demand and the lower interest rate regime. Further, following the rebounding of domestic economy and gradual recovery in the global economy coupled with the expansion in the Services sector, import and export trade recorded a positive growth of 1.2 percent and 11.9 percent, respectively during the first half of 2014 in comparison to the declines of 0.2 percent and 0.4 percent, respectively in the growth mainly caused by the impact of corrective measures introduced in 2012 to improve the Balance of Payments position of the country and the relatively lower export demand during the same period in 2013. This was also reflected in the trends in the international trade, which had a 16.8 percent increase in exports and 5.1 percent decrease in imports during the first half of 2014

Table 53 > **Selected Indicators of Services Sector**

Indicator	2010	2011	2012	2013	2013 Jan-Aug	2014 Jan-Aug.(a)
Port Services						
Vessels Arrived	4,075	4,358	4,178	3,976	2,637	2,786
Total Cargo Handled (MT '000)	61,240	65,097	65,030	66,242	44,109	49,375
Total Container Handled (TEU '000)	4,137	4,263	4,187	4,306	2,864	3,240
Transshipment (TEU '000)	3,205	3,216	3,167	3,208	2,131	2,454
Telecommunication Sector					**Jan-Jun**	**Jan-Jun (a)**
Fixed Telephone Lines (No.'000)	897	942	999	2,707	2,798	2,696
Cellular Phones (No.'000)	17,247	18,319	20,324	20,315	19,533	21,012
Wireless Phones (No.'000)	2,638	2,667	2,450	1,645	1,775	1,604
Internet and E-mail Subscribers (No. '000)	502	845	1,366	2,012	1,475	2,788
Health Sector					**Jan-Jun**	**Jan-Jun (a)**
Private Hospitals	172	186	197	206	206	209
Public Hospitals	568	592	593	603	603	601
No. of Beds (Government)	69,501	69,731	73,437	74,636	74,636	76,918
No. of Doctors (Government)	16,492	18,299	18,252	17,553	17,553	17,903
No. of Nurses (Government)	27,494	29,234	30,217	30,928	30,928	31,527
Financial Sector					**Jan-Aug**	**Jan-Aug (a)**
Bank Branches and Other Outlets	5,913	6,184	6,374	6,487	6,462 (b)	6514 (b)
Credit Cards in Use	778,544	862,352	891,170	951,625	910,705 (c)	973,979 (c)
Registered Finance Companies	36	39	47	48	48 (d)	48 (d)
Registered Leasing Companies	21	16	13	10	10 (d)	9 (d)
Tourism Sector					**Jan-Aug**	**Jan-Aug (a)**
Tourist Arrivals	654,476	855,975	1,005,605	1,274,593	813,858	1,001,643
Tourist Earnings (US $ mn)	575	830	1,039	1,715	1,095	1,447
Room Occupancy Rate	70.1	77.1	71.2	71.7	n.a.	n.a.
Transport Services (New Registration)					**Jan-Sep**	**Jan-Sep (a)**
Buses	2,491	4,248	3,095	1,805	1,341	2,031
Cars	23,072	57,886	31,546	28,380	20,450	24,982
Lorries	11,845	14,818	12,266	5,116	23,739	18,467
Motor Cycles	204,811	253,331	192,284	169,280	124,091	160,848
Three Wheelers	85,648	138,426	98,815	83,673	64,459	57,202
Tractors	17,363	20,073	18,450	13,038	9,692	5,978

Source: Central Bank of Sri Lanka
(a) Provisional
(b) End August
(c) End June
(d) End September

Table 54 > **Performance of Tourism Sector**

	Tourist Arrivals					Tourist Earnings (US$ Mn.)				
Month	**2010**	**2011**	**2012**	**2013**	**2014**	**2010**	**2011**	**2012**	**2013**	**2014**
January	50,757	74,197	85,874	110,543	146,575	44.7	70.5	88.5	148.8	211.8
February	57,300	65,797	83,549	113,968	141,878	50.4	62.5	86.1	153.4	205.0
March	52,352	75,130	91,102	113,208	133,048	46.1	76.2	93.8	152.4	192.2
April	38,300	63,835	69,591	80,737	112,631	33.7	61.9	71.7	108.7	162.7
May	35,213	48,943	57,506	74,838	90,046	31.0	47.0	59.3	100.7	130.1
June	44,730	53,636	65,245	90,279	103,175	39.3	52.0	60.6	121.5	149.1
July	63,339	83,789	90,338	107,016	133,971	55.8	81.3	100.5	144.0	193.6
August	55,898	72,463	79,456	123,269	140,319	49.1	70.3	81.4	165.9	202.7
September	47,339	60,219	71,111	90,339		41.7	58.4	69.3	121.6	
October	52,370	69,563	80,379	107,058		46.1	67.5	79.4	144.1	
November	72,251	90,889	109,202	109,420		63.6	88.1	114.8	147.3	
December	84,627	97,517	122,252	153,918		74.4	94.6	133.4	207.2	
Total	**654,476**	**855,978**	**1,005,605**	**1,274,593**	**1,001,643**	**575.9**	**830.3**	**1,038.8**	**1,715.6**	**1,447.2**

Source: Sri Lanka Tourism Development Authority

Hotels and Restaurants

The hotels and restaurants services, which accounted for 0.7 percent of the total GDP and 1.2 percent of services sector, continued its impressive performance by recording a 21.9 percent growth during the first half of 2014 in comparison to 19.8 percent growth recorded during the same period in 2013. The continued revival in the tourism industry in the peaceful environment and the government commitment to develop the country as an attractive tourist destination emphasizing the up market tourism promotion, increase in local tourism driven by the increase in domestic income level together with the increase in private sector investment in hotels and restaurants industry, including in Northern and Eastern provinces, mainly spurred the growth in hotels and restaurants industry. During the first half of 2014, tourist arrivals increased by 24.6 percent while earnings from tourism also increased by 33.8 percent compared to the same period in 2013.

Transport and Communication

The transport and communication subsector, which accounted for 25.5 percent of the services sector and 14.5 percent of the total GDP, recorded a 7.4 percent moderate growth during the first half of 2014 in comparison to 9.5 percent growth recorded during the same period in 2013. This was mainly due to the 7.0 percent slow growth in the passenger and goods transport services, which accounted for 20.9 percent of the services sector, in comparison to 10.0 percent growth in same period in 2013. This improvement was driven by the development of the road network throughout the country and increased domestic trading activities coupled with the surge in economic activities with the gradual increase in import of vehicles. During the first half of 2014, import of vehicles increased by 5.4 percent and new registration of buses, cars and motor bicycles also increased by 13 percent, 17.2 percent and 18.4 percent, respectively, while the new registration of three wheelers, goods transportation vehicles (lorries and other transport vehicles) and Land Vehicles (Tractors, Hand Tractors and Other Land Vehicles) declined by 17.1 percent, 29.2 percent and 35.0 percent, respectively.

The railway transportation recorded a growth of 6.5 percent during this period compared to 1.9 percent growth during the same period in 2013. The government continued its commitment to develop railway transportation mainly through rehabilitation and reconstruction of railway lines and improving the fleet during this period.

The post and telecommunication sector, which contributed for 3.3 percent of Services sector, recorded a consecutive 9.8 percent higher growth during the review period in both 2014 and 2013, compared to 6.0 percent growth recorded during the same period in 2012. This was supported by the initiatives taken by the service providers in terms of value added products, competitive rates and expansion of the services. The fixed line telephone connection dropped by 3.7 percent to 2.69 million and wireless connections declined by 9.6 percent to 1.6 million, while the cellular phone connections increased by 7.6 percent to 21.0 million during the first half of 2014. Consequently, the total telephone density increased to 114.6 at the end of first half of 2014 from 109.2 as at end of June 2013. Meanwhile, the internet and e-mail subscribers also increased by an impressive rate of 89.0 percent to 2.79 million during this period, thereby increasing the internet penetration to 13.5 connections per 100 persons. The growth momentum in internet penetration is likely to continue in the next few years mainly benefiting from the enhancement in the usage of computers and the government policy towards improving computer literacy and the accessibility to computers throughout the country.

The cargo handling – ports and civil aviation sub sector, which accounted for 1.1 percent of Services sector, recorded a significant growth of 8.6 percent during the first half of 2014 compared to 1.0 percent growth during the first half of 2013, due to increased external trade and related activities and the revival of the tourism sector. Total number of vessels arrived at Sri Lankan ports increased by 5.5 percent to 2,786 during the first eight months of 2014, reflecting the improvement in international trade activities as well as expansion of capacities in Sri Lankan port services. The amount of transshipments handled increased by 15.2 percent to 2.4 million TEUs, while the total container and total cargo handling also increased by 13.1 percent to 3.2 million TEUs and 11.9 percent to 49.4 million MTs, respectively, during the first eight months of 2014, reflecting the increasing arrival of vessels with higher capacities. The Ports sector is expected to continue this favourable growth momentum at a higher rate with the commissioning of the new terminal at the Colombo South Port and the declaration of the Hambanthota and Colombo ports as free ports, which will help to expand the operating throughput.

Banking, Insurance and Real Estate

Banking, insurance and real estate sub sector, which accounted for 15.4 percent of the Services sector and 8.7 percent share of the total GDP, recorded a 5.6 percent growth during the first half of 2014 compared to 6.2 percent growth recorded during the same period in 2013. The number of bank branches and other outlets increased to 6,514 by end August 2014 from 6,462 as at end August 2013 and the number of credit cards in use also increased by 7.0 percent to 973,979 by end June 2014.

Government Services and Private Services

Government services, which accounted for 10.9 percent of the services sector and 6.2 percent share of the GDP, recorded a marginal growth of 1.1 percent during the first half of 2014 compared to 2.5 percent growth recorded during the same period in 2013. Meanwhile, private services, which accounted for 4.2 percent of the services sector and 2.4 percent share of the GDP, recorded a moderate growth of 6.1 percent during the first half of 2014 compared to 6.7 percent growth recorded in the same period in 2013.

Table 55 > **Sectoral Distribution of GDP Growth (%)**

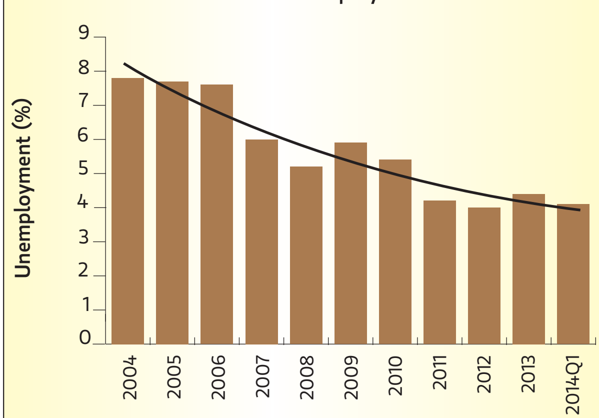
Sector					First Half	
	2010	2011	2012	2013	2013	2014*
Agriculture	**7.0**	**1.4**	**5.2**	**4.7**	**1.2**	**3.1**
Tea	13.8	-1.2	0.3	3.6	6.3	2.0
Paddy	17.5	-8.4	-1.6	19.5	1.2	-5.7
Minor Exports	35.6	-19.0	-5.0	8.5	9.6	-9.0
Livestock	2.9	7.3	6.4	6.3	5.2	2.5
Food Crops	4.4	2.4	9.1	4.3	2.0	4.1
Fisheries	12.2	15.5	9.3	6.2	3.1	11.9
Industry	**8.4**	**10.3**	**10.3**	**9.9**	**10.4**	**12.4**
Agriculture Processing	5.8	0.9	6.5	0.6	0.9	6.1
Factory Industry	7.5	8.3	5.2	7.9	6.2	10.2
Cottage Industries	5.5	7.0	4.6	5.1	4.4	2.1
Electricity	8.2	9.6	4.3	11.3	15.2	1.3
Construction	9.3	14.2	21.6	14.4	18.0	21.1
Services	**8.0**	**8.6**	**4.6**	**6.4**	**5.5**	**6.1**
Trade	7.5	10.3	3.7	5.5	3.5	7.1
Hotels	39.8	26.4	20.2	22.3	19.8	21.9
Cargo Handling	16.8	7.2	5.7	3.1	1.0	8.6
Post and Telecommunications	13.2	13.4	7.9	11.4	9.8	9.8
Financial Services	7.5	7.9	6.7	5.9	6.2	5.6
Government Services	5.4	1.2	1.4	2.8	2.5	1.1
Private Services	5.8	7.2	5.5	7.3	6.7	6.1
GDP Growth	**8.0**	**8.2**	**6.3**	**7.3**	**6.4**	**7.7**

Source: Department of Census and Statistics
** Provisional*

Unemployment

The level of employment in the economy increased to 95.9 percent in the first quarter of 2014 from 92.8 percent in 2005. Consequently, the unemployment rate in the first quarter of 2014 was 4.1 percent, continuing the steady decline observed from 7.2 percent recorded in 2005. The opening up of new employment opportunities in tandem with the increased public investment in infrastructure development, expansion in private investment in economic activities, revival of tourism sector and construction industries as well as creation of self- employment opportunities throughout the country, including in Northern and Eastern provinces, mainly through the development of SMEs, creation of public sector new employment opportunities for graduates and others, and opening of new employment opportunities overseas supported the decline in the level of unemployment.

Chart 23 > **Unemployment**



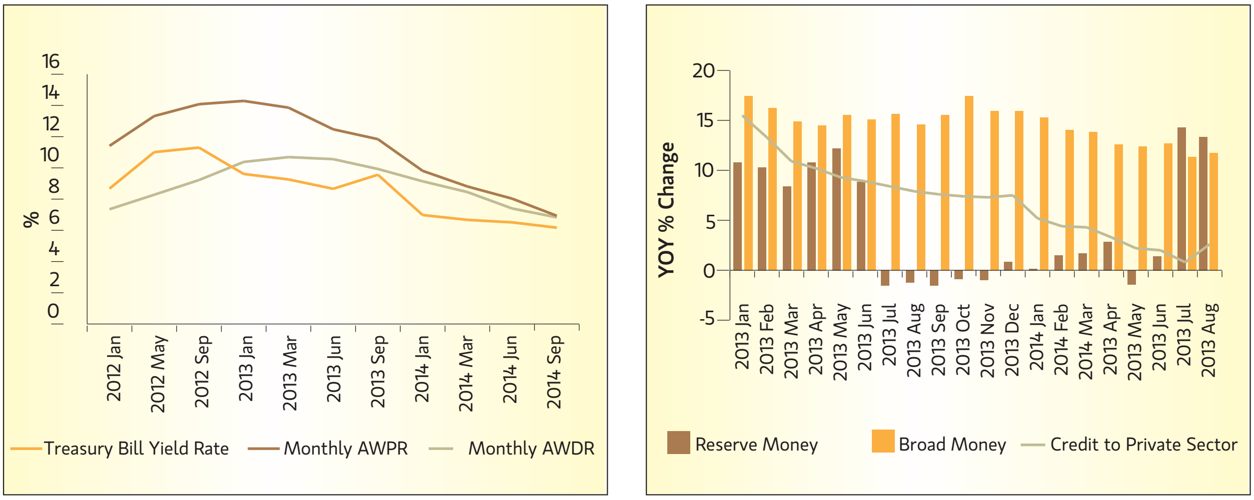
Monetary Sector Developments

The easing of monetary policy which commenced in December 2012, was further continued in 2014 with the deceleration in inflation and favorable inflation expectations to ensure macroeconomic stability and support growing economic activity. On 02 January 2014, the Central Bank established the Standing Rate Corridor (SRC) in place of the hither to existed Policy Rate Corridor. Accordingly, the Repurchase Rate (6.5 percent) was renamed as Standing Deposit Facility Rate (SDFR) with a decision of un-collateralizing this facility with effect from February 2014. The Reverse Repurchase Rate also renamed as Standing Lending Facility Rate (SLFR) while reducing it by 50 basis points to 8.00 percent thereby compressing the SRC to 150 basis points from the current 200 basis points mainly to reduce the volatility of the short term interest rates further. On 22 September 2014, the Central Bank decided to limit the access of Open Market Operations (OMO) participants to the Standing Deposit Facility (SDF) at the currently applicable SDF Rate of 6.50 percent to a maximum of three times per calendar month, and any deposits at the SDF window exceeding three times by an OMO participant to be accepted at a reduced interest rate of 5.00 percent per annum, which became effective from 23 September 2014. The daily auction facility was also suspended with effect from 23 September 2014 while maintaining the SLFR unchanged at 8.00 percent. These measures are expected to actively encourage commercial banks to utilize the substantial amounts of excess liquidity to enhance the credit to the private sector by the banking system at more reasonable interest rates towards supporting the growth momentum of the economy.

Market interest rates have continued to adjust downwards in response to monetary policy measures taken by the Central Bank in the recent past. Accordingly, the short term money market rates adjusted downwards. The average weighted call money rate (AWCMR) declined by 171 basis points to 5.95 percent and average weighted prime lending rate (AWPLR) declined by 313 basis points to 6.75 percent during the first nine months of 2014. The weighted average yield rates on 91 days, 182 days and 364 days Treasury bills were also declined by 139, 162 and 240 basis points, respectively from end December 2013 to end September 2014 mainly reflecting the easing of monetary policy. During the first nine months of 2014, the average weighted deposit rate (AWDR) and the average weighted fixed deposit rate (AWFDR) were also declined by 254 and 360 basis points, respectively, in tandem with the policy interest rates.

Meanwhile, broad money (M2b) growth was 12.3 percent in August 2014 on a year-on-year basis and expected to grow by around 13 percent, on a year on year basis by end of this year. The reserve money expansion was broadly in line with the projections in the monetary programme and reached 14.0 percent in August 2014 on a year on year basis. The year-on-year growth in the private sector credit was 2.6 percent in August 2014. However, the credit to the private sector is expected to increase gradually with the high levels of liquidity in the domestic money market, low short term lending rates and declining long term interest rates.

Chart 24 >**Yield Rates, Monetary Aggregates and Private Sector Credit Growth**



Inflation

The year-on-year inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2006/07=100), remained at single digit level for the 68th consecutive month by September 2014 mainly reflecting the impact of tight monetary policy stance adopted in 2012 in managing the demand, moderating international commodity prices and the impact of improvements in domestic supply conditions. The year-on-year inflation, which was declined to a minimum level of 2.8 percent within this year in June 2014 increased marginally to 3.5 percent in August and September 2014, mainly reflecting the impact of severe drought conditions prevailed in the country, which disrupted the domestic supply of many food items. However, the subsequent decline in many food items reflecting the improved domestic supply conditions is expected to reduce the inflation in the coming months. This, coupled with the positive impact of the recent reduction in administered prices for energy and fuel, will help the year-on-year inflation to remain at around 3-4 percent by end of the year. Meanwhile, the inflation on an annual average basis continued its decelerating trend observed since June 2013 and reached 4.2 percent in September 2014. The core inflation, which indicates the underlying inflation in the economy, decreased to 3.7 per cent in September 2014, from 3.9 percent in August 2014 on a year-on-year basis while the annual average core inflation remained unchanged at 3.2 percent, as recorded in August 2014.

Chart 25 > **Movements in Headline, Core and Food Inflation (Base: 2006/07=100)**

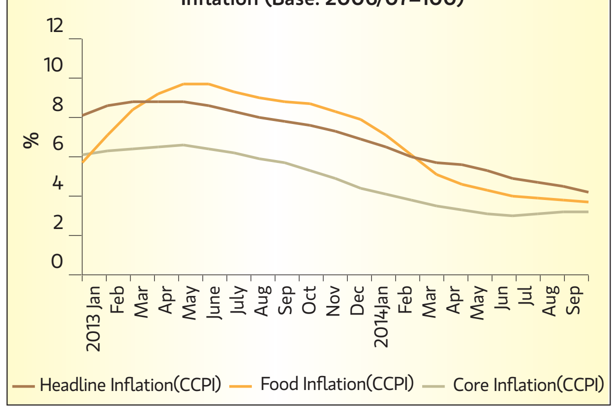


Table 56 > **Headline Inflation, Core Inflation and Food Inflation (Base: 2006/07=100)**

	HEADLINE INFLATION				CORE INFLATION (%)				FOOD INFLATION (%)			
	YoY		Annual Average		YoY		Annual Average		YoY		Annual Average	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
January	9.8	4.4	8.1	6.5	7.3	3.5	6.1	4.1	10.8	1.3	5.7	7.1
February	9.8	4.2	8.6	6.0	7.4	3.1	6.3	3.8	12.9	0.9	7.1	6.1
March	7.5	4.2	8.8	5.7	6.8	3.4	6.4	3.5	12.6	1.2	8.4	5.1
April	6.4	4.9	8.8	5.6	6.1	3.4	6.5	3.3	9.9	3.4	9.2	4.6
May	7.3	3.2	8.8	5.3	5.7	3.3	6.6	3.1	7.9	4.0	9.7	4.3
June	6.8	2.8	8.6	4.9	4.3	3.5	6.4	3.0	7.3	3.1	9.7	4.0
July	6.1	3.6	8.3	4.7	3.1	3.7	6.2	3.1	5.8	5.1	9.3	3.9
August	6.3	3.5	8.0	4.5	3.1	3.9	5.9	3.2	6.0	4.8	9.0	3.8
September	6.2	3.5	7.8	4.2	3.0	3.7	5.7	3.2	5.9	4.8	8.8	3.7
October	6.7		7.6		2.6		5.3		7.6		8.7	
November	5.6		7.3		2.40		4.9		5.3		8.3	
December	4.7		6.9		2.1		4.4		3.5		7.9	

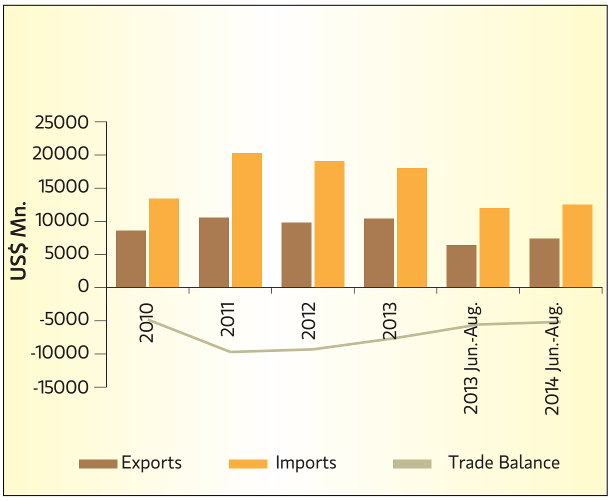
Source: Department of Census and Statistics
**CCPI Core Inflation - Excluding Fresh Food, Energy, Transport, Rice and Coconut*

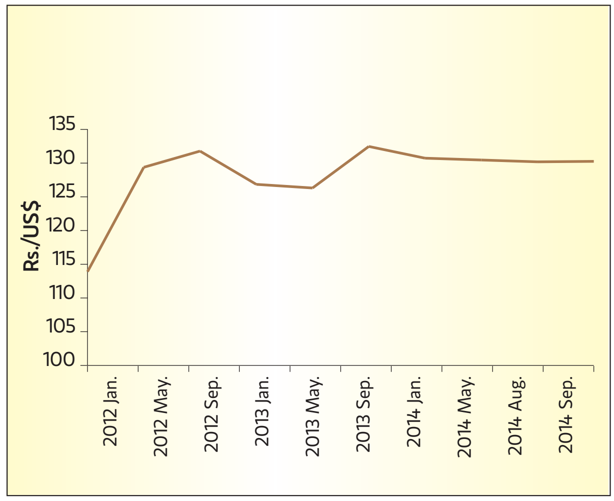
External Sector Developments

The upward momentum in the external sector strengthened with the continued foreign currency inflows in the form of earnings from exports of goods and services, including IT services, tourism, workers' remittances and inflows to the financial account during the first eight months of 2014 thereby creating a higher surplus in the Balance of Payments leading to further strengthening of foreign exchange reserves and exchange rate. The earnings from exports grew by 14.8 percent benefiting from the ongoing recovery in the global economy which is much higher than the 4.6 percent growth in the expenditure on imports thereby narrowing down the trade deficit by 7.1 percent to US$ 5,170 million during this period.

Earnings from tourism increased by 32.1 percent to US$ 1,447.2 million, workers' remittances increased by 10.0 percent to US$ 4,514.7 million and inflows to the government increased by 24.8 percent to US$ 4,287 million during the first 8 months of 2014. Foreign Direct Investment (FDI) also increased by 54.8 percent to US$ 850 million during the first half of the year. Sri Lanka's gross official reserves by end August 2014 amounted to US$ 9.2 billion while total foreign assets, which include foreign assets of the banking sector, amounted to US$ 10.7 billion. In terms of months of imports, gross official reserves were equivalent to 5.9 months of imports and total foreign assets were equivalent to 6.9 months of imports. These reserves have been accumulated during this period after making the foreign debt service payments of US$ 1,694 million and repayments of US$ 517 million related to the Stand-by Arrangement (SBA) obtained from the IMF. The bilateral Currency Swap agreement entered into by the Central Bank with the People's Bank of China, which has a tenor of 3 years and renewable, has enabled the country's access to a CNY 10 billion, equivalent to US$ 1.6 billion, further strengthening the external stability of the Sri Lankan economy.

Chart 26 >**Trade Balance and Exchange Rate Movements**





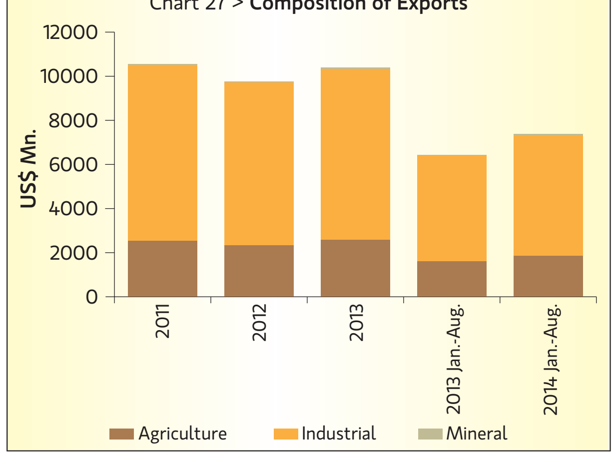
Exports

Earnings from exports increased by 14.8 percent to US$ 7,385 million during the first 8 months of 2014 compared to the decline of 1 percent during the corresponding period in 2013. Increased exports earnings mainly led by the improved performance in industrial exports, which grew by 13.8 percent to US$ 5,477 million.

The increase in the industrial exports was dominated by the significant 18.8 percent growth in the textile and garments exports to US$ 3,256 million during this period. The increase in the earnings from textiles and garments was mainly due to the market diversification, backward integration, promotion of new Sri Lankan brands in the international market, maintenance of safety and other international standards, and the gradual increase in the external demand, particularly from the US. The export of rubber products, which is the second major contributor to industrial exports, grew by 10.4 percent to US$ 599 million during the first 8 months of 2014, mainly reflecting the increase in the export of rubber tyres. The footwear earnings growth of 318.0 percent mainly contributed to the growth in the related sub sector.

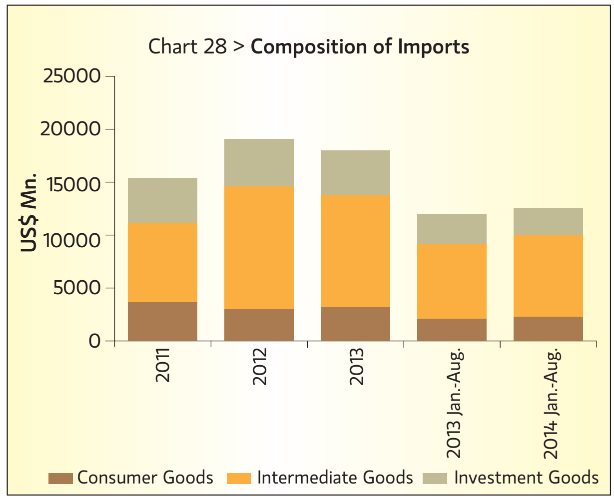
Agricultural exports also recorded a healthy performance with an increase of 15.6 percent to US$ 1,848 million over the same period in the previous year mainly due to the earnings from tea exports, which grew by 12.5 percent to US$ 1,083 million compared to the corresponding period of 2013 with increase in both the price and volume of tea exported. Especially, growth of tea bags earnings by 8.9 percent and green tea earnings by 15.1 percent contributed to this increase while the total volume of tea has recorded as 215 million kg during the first 8 months of 2014. The export earnings from coconut increased significantly by 92.4 percent mainly due to an increase in export of kernel products. Meanwhile, the earnings from rubber declined by 22.8 percent during this period while the higher export earnings from other agricultural products and seafood contributed to the growth in agricultural exports.

Chart 27 > **Composition of Exports**



Imports

Import expenditure increased by 4.6 percent to US$ 12,555 million during the first 8 months of 2014 compared to the corresponding period of 2013, mainly due to the significant 19.9 percent increase in the petroleum imports to US$ 3,448 million during this period. However, non-fuel imports reflected a marginal decline to US$ 9,106 million in comparison to US$ 9,126 million in the corresponding period of 2013. While import expenditure on consumer goods and intermediate goods increased by 9.0 percent and 9.8 percent, respectively, investment goods import expenditure decreased by 11.4 percent.



The expenditure on consumer goods imports increased mainly due to the increase in non-food consumer goods by 11.6 percent to US$ 1,293 million in comparison to the 2.1 percent decline in the corresponding period of 2013. It was mainly driven by the increase of the value of vehicle imports by 29.3 percent to US$ 476.4 million, which was a decline of 7.5 percent in the corresponding period of 2013. In addition to the increase in the import of petroleum products within the intermediate goods category, the textiles and garment imports as intermediate goods also increased reflecting the corresponding increase in the earnings from textiles and garments exports. Increase in the other intermediate goods expenditure mainly consists of fertilizers (by 32.3 percent) and food preparations (by 26.5 percent). Meanwhile, the decline in the expenditure in all the sub categories caused the decrease in expenditure on the import of investment goods by 11.4 percent to US$ 2,519 million during this period.

Table 57 > **External Trade**

US$ Mn.

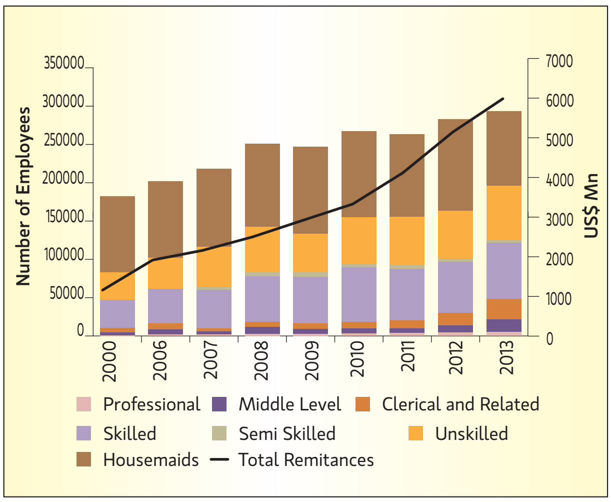
Indicator	2011	2012	2013	2013 Jan-Aug	2014 Jan-Aug(a)
Exports	**10,559**	**9,774**	**10,394**	**6,434**	**7,385**
Agricultural Exports	**2,528**	**2,332**	**2,581**	**1,598**	**1,848**
Tea	1,491	1,412	1,542	963	1,083
Other Agricultural Products	1,037	920	1039	636	765
Industrial Exports	**7,992**	**7,371**	**7,749**	**4,813**	**5,477**
Textile and garments	4,191	3,991	4,508	2,740	3,256
Food beverages and tobacco	348	284	235	148	195
Rubber Products	885	859	888	543	599
Machinery and mechanical appliances	312	297	312	193	225
Petroleum Products	553	463	428	307	238
Other Industrial exports	1,703	1477	1378	882	965
Mineral Exports	**33**	**61**	**52**	**15**	**50**
Unclassified Exports	**6**	**10**	**12**	**8**	**9**
Imports	**20,269**	**19,190**	**18,003**	**12,002**	**12,555**
Consumer Goods	**3,654**	**2,995**	**3,183**	**2,100**	**2,288**
Food and Beverages	1,567	1304	1368	942	996
Other Consumer Goods	2,087	1691	1815	1,158	1,293
Intermediate Goods	**12,275**	**11,578**	**10,554**	**7,051**	**7,739**
Petroleum	4,795	5,045	4,308	2,876	3,448
Textiles and Garments	2,321	2,266	2,046	1,329	1,470
Wheat and Maize	429	364	323	233	268
Other	4,730	3,903	3,877	2,613	2,553
Investment Goods	**4,286**	**4,590**	**4,253**	**2,842**	**2,519**
Machinery and Equipment	2,141	2,356	2,222	1,499	1,369
Building Materials	1,076	1,237	1,357	909	837
Transport Equipments	1065	992	668	431	311
Other	4	5	6	4	2
Unclassified Imports	**54**	**28**	**14**	**9**	**9**
Trade Deficit	**(9,710)**	**(9,416)**	**(7,609)**	**(5,568)**	**(5,170)**

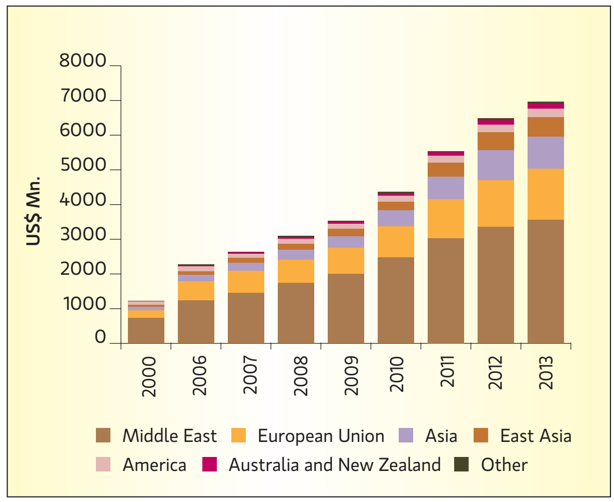
Source: Central Bank of Sri Lanka
(a) Provisional

Workers' Remittances

Workers' remittances, which is a stable source of foreign exchange earnings of Sri Lanka, continued its increasing trend and reached US$ 4,515 million during the first eight months of 2014 recording a 10.0 percent increase in comparison to the same period in 2013 and helped to meet 36 percent of the total import expenditure during this period. When the departures for foreign employments are considered by skills, an increasing trend is seen in the departures by professional, middle level, clerical, and skilled labor categories with a declining trend in the unskilled labor and housemaid categories. The commitment of the government to improve skills in the labour force by providing required vocational training needs, making proper channels for enter in to high wage paying foreign employment and increase in banking facilities throughout the country enabling to remit foreign exchange through formal channels mainly helped to achieve this improvement.

Chart 29 > **Workers' Remittances by Amount, Type of Employment and Originating Country**





Global Economic Trends

World Economic Growth

Projections for global economic growth in 2014 have been cut down marginally by IMF to 3.3 percent from their July forecast of 3.4 percent, considering the weak performance in the first quarter, markedly in the US and weak outlook for Euro Zone, Asia, Latin America and the Middle East. The global growth for 2015 is expected to be at 3.8 percent, 0.2 percent reduction from previous forecast of 4 percent. Advanced economies are expected to grow at 1.8 percent in 2014, while emerging market and developing economies growth rate is predicted at 4.4 percent, a slight decline from 4.6 percent projection in July 2014. The respective growth rates for 2015 are 2.3 and 5.0 percent and are down from July predictions of 2.4 and 5.2 percent, respectively.

However, the US economy regained in the second quarter owing to pick-up in industrial production, surge in house prices and slowly strengthening consumer demand, but it was uneven and weak following a derailing in the first quarter due to adverse weather conditions. IMF forecasts 2.2 percent growth for this year which is 0.5 percent higher than July forecast and 3.1 percent for 2015.

In contrast, a slower than expected growth in the Euro area is projected at 0.8 percent which is 0.3 percent lower than the earlier estimate, mainly due to weak performance in France, Italy, Portugal and the Netherlands. The monetary stimulus by European Central Bank (ECB) with below zero deposit interest rates, reduced benchmark yields with several credit-easing measures is expected to support slow recovery in the 17-nation region. Japanese economy is predicted to grow at 0.8 percent, down from the earlier forecast of 1.6 percent largely due to reduced consumer spending as a result of hike in consumption tax from 5 percent to 8 percent.

In developing economies, the performance varies across regions as driven by various factors. IMF forecast for China is 7.4 percent in 2014 and 7.1 percent in 2015, down from 7.7 percent in 2013. The slowdown is mainly due to fall in housing prices. The outlook for India is favourable with the pick-up in investments and exports. Brazilian growth rate is reduced significantly to 0.3 percent from 2.5 percent in 2013 and also from 1.3 percent in July 2014. This sharp reduction is due to weak investment and consumption related to tighter financial conditions.

Table 58 > **Key Indicators of the World Economy - 2014 (Projections)**

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-1.7	10.6	8.8	-4.5	48.9
Australia	2.8	2.7	6.2	-3.3	30.6
Brazil	0.3	6.3	5.5	-3.9	65.8
Canada	2.3	1.9	7.0	-2.6	88.1
Chile	2.0	4.4	6.6	-1.8	13.9
China	7.4	2.3	4.1	-1.0	40.7
France	0.4	0.7	10.0	-4.4	95.2
Germany	1.4	0.9	5.3	0.3	75.5
Greece	0.6	-0.8	25.8	-2.7	174.2
India	5.6	7.8	....	-7.2	60.5
Indonesia	5.2	6.0	6.1	-2.5	26.2
Italy	-0.2	0.1	12.6	-3.0	136.7
Japan	0.9	2.7	3.7	-7.1	245.1
Korea	3.7	1.6	3.1	0.3	35.4
Malaysia	5.9	2.9	3.0	-3.6	56.6
Mexico	2.4	3.9	4.8	-4.2	48.0
Russia	0.2	7.4	5.5	-0.9	15.7
Singapore	3.0	1.4	2.0	4.3	103.1
South Africa	1.4	6.3	25.2	-4.9	47.9
Spain	1.3	0.0	26.4	-5.7	98.6
Sri Lanka	7.8	5.5	4.0	-5.2	75.0
Thailand	1.0	2.2	0.7	-2.5	47.9
United Kingdom	3.2	2.6	6.3	-5.3	92.0
United States	1.9	1.6	6.3	-5.5	105.6
Vietnam	5.5	5.2	4.4	-6.6	54.8

Sources: World Economic Outlook, IMF, October 2014
Fiscal Monitor, IMF, October 2014
Ministry of Finance and Planning
Central Bank of Sri Lanka

Inflation

Advanced economy inflation is still at significantly low levels and they are facing deflationary threats. The inflation in the US is forecast to be increased to 1.6 percent at the end of the year and 2 percent in 2015. The Euro area inflation is projected at 0.9 and 1.2 percent in 2015 and 2016. The inflation in Japan is expected to increase to 2.7 percent this year as a result of consumption tax hike. Comparatively, inflationary pressures in emerging market economies are in the declining trend due to easing of commodity prices, especially food prices.

Fiscal Deficits

The record-low borrowing costs in advanced economies have made their average fiscal balance to be strengthened further to 3.9 percent of GDP from 4.3 percent in 2013. However, emerging market economies are troubled with increased average fiscal balance from 1.5 percent in 2013 to 1.9 percent as a result of slower economic activities and tighter financial conditions.

Government debt

The gross debt of the advanced economies in terms of GDP is forecast at 106.6 percent, an increase of 0.3 percent from 106.3 percent recorded in 2013 while emerging market economies are predicted with 40.5 percent of gross debt in terms of GDP compared to 39.7 percent recorded in 2013. Even though the gross government debt in terms of GDP in emerging market economies is relatively low compared to advanced economies, they are still at above pre-crisis levels.

Unemployment

Unemployment of the US recorded its lowest post-crisis levels since 2006 reaching 6.1 percent in August 2014. The record high unemployment in Euro area has also started to move down, but still remains a challenge for a sustained economic growth. The unemployment rate in Euro area is projected at 10.2 percent in 2014, moderately lower than the 10.7 percent recorded in 2013. However, the need for broader economic and labour market policy reforms has been emphasized in these economies to address the high unemployment levels.

Interest Rates

IMF projections for LIBOR on six-month US$ deposits for 2014 and 2015 will be averaged at 0.4 and 0.7 percent, respectively. LIBOR on three-month Euro deposits are projected to average at 0.2 percent in 2014 and at 0.1 percent in 2015, respectively. LIBOR on six-month Japanese yen deposits are expected to average at 0.2 percent in 2014 and 2015 as well.

Longer term bond yields of US and German Treasury securities declined since the end of last year. The decline in German bonds is due to monetary stimulus of CB and unfavourable economic picture of the region. Short term rates of the US were stable due to better prospects in unemployment and rising expectations in inflation. South Africa, Ghana and Ukraine cut their policy rates three times in 2014 owing to price pressures caused by currency depreciations while rate cuts were observed in Peru, Hungary and Turkey due to weak economic activities.

World Trade

The sudden contraction in world trade in April, following a post-crisis recovery with a ten month expansion, continued further in May as well due to weak import demand from developing economies as a result of domestic demand adjustments associated with policy tightening measures and currency depreciations and also due to political tensions. Developing country exports strengthened since March as economic activities are picking-up notably in China, India and Brazil.

Commodity Prices

The production of rice and maize were record high at 479 million and 980 million tons, respectively and maize prices went down by 7 percent in June while rice prices gained by 2 percent. Even though wheat prices declined by more than 8 percent in June, there are upward risks arising from El Nino threat as presumed by the US Department of Agriculture. Coffee prices declined by 8 percent in

July, but still at an elevated level of 45 percent than the prices recorded over a year ago. Oil and meal prices weakened by 3 percent in July mainly due to the fall in palm oil and soybean complex by 4 percent each. Metal prices went down by 0.6 percent in June 2014 as a result of decelerating iron prices due to oversupply of low cost iron ore from Australia and Brazil. The prices of precious metals too continued the declining trend since 2012 amidst relatively better macroeconomic situation in advanced economies.

Energy Prices

Energy prices were up by 1 percent in the second quarter of 2014 compared to the growth of 0.5 percent in the first quarter, according to the World Bank energy index and the price peaked at US$ 111/bbl in late June. This was largely supported by the increase in crude oil prices by 2.6 percent during the second quarter. However, undisrupted production in Iraq and reopening of ports which have been shut for about a year in Libya reversed the price to US$ 103/bbl in early July. In the supply side, geo political uncertainties, especially in Iraq, Libya and Ukraine, affect crude oil prices while highly variable growth prospects in developing economies affect the demand side. Oil prices are expected to average at US$ 106/bbl in 2014.

Capital Flows

Bond yields in advanced economies are going down as reflected by US Ten year Treasuries that are about 50 basis points lower than that of at the beginning of the year and monetary stimulus measures by the European Central Bank would make the Euro area bonds to decline further. As a result, capital flows to developing economies that offer higher yielding assets are increasing. According to the World Bank data, gross capital flows to developing economies recorded US$ 63.1 billion and US$ 42.2 billion in June and May 2014, respectively while the monthly average for the first quarter was US$ 58.6 billion. The robust performance in June is due to syndicated bank lending to corporates in the East Asian and Latin American regions.

Basis used for the preparation of 2015 Budget Estimates

Gross Domestic Product

The economy is expected to grow by around 8.0 percent in 2015. The growth is projected to be a broad based with positive contribution from all major sectors of the economy. The Agriculture sector is expected to perform well with the contribution of major agricultural crops in both export and domestic agriculture with the prevalence of favourable weather and revival in the Northern and Eastern Provinces complemented by the government initiatives, such as the fertilizer subsidy, to develop this sector. The Industry sector would also expand in 2015, particularly with the expected enhanced contribution from the growth in factory industry with more favourable domestic and external economic environment. The recovery of the global economy, the mid-single digit inflation rate, lower interest rates and expected stable exchange rate will create conducive environment for industries. The growth in the construction sector is also expected to continue benefiting from the expected growth in public investment and private investments. The Service sector is expected to grow at a higher rate in sustaining the overall growth in 2015 with the positive contribution coming mainly from external and domestic trade, tourism, trade and port related services, transportation and financial services. The projected growth momentum is expected to be supplemented by the positive investor sentiment on the growth prospects of the country.

Consumer Prices

Inflation is expected to remain subdued at around 5 - 6 percent in 2015 continuing the single digit inflation for the sixth consecutive year. The expected robust growth in the economy, particularly the supply side improvements in domestic agricultural production, and favourable developments in the monetary sector are expected to impact positively on the price developments. However, an accelerated recovery of the world economy with the utilization of excess capacities in major economies is likely to exert pressure on commodity prices, especially energy and food prices.

Employment and Unemployment

Greater employment opportunities are expected to be created through government's strategies towards improved production and commitment in infrastructure development. Emphasis placed on human resource and skills development is expected to create a better skilled and productive labor force capable of being gainfully employed in new openings in many areas. These measures, coupled with the expansion in the private sector investments and production and related expansion in all sectors of the economy, will create more employment opportunities thereby the unemployment of the country is expected be declined to below 4 percent.

Balance of Payment (BOP)

Sri Lanka's external sector is expected to improve further in 2015 recording an overall surplus in the BOP and thereby the country's external reserves. Exports are expected to record a steady growth of around 12.5 percent in 2015 consequent to the anticipated recovery in the external demand with the gradual recovery of the US and Euro area, the major trading partners of Sri Lanka, as well as the higher value addition and diversification of export products and markets. The positive impact of the existing free trade agreements (FTAs), deeper regional economic integration and proposed FTAs with China and Japan will also favourably affect the country's exports. Imports are projected to grow by around 7 percent mainly due to higher import demand, particularly for intermediate and investment goods, arising from the expansion in domestic economic activities. The envisaged improvement in services account through enhanced earnings from tourism and port related services etc. and inflows of foreign worker remittances, which are estimated to be around US$ 8.0 billion in 2015, are expected to ease the deficit in the external current account. Increase in the equity and debt investment, reflecting the renewed foreign investor confidence, will help to strengthen the capital and financial account in 2014.

Exchange Rate

A stable exchange rate is expected to be continued in 2015, supported by the strengthened external reserves of the country.

Monetary Aggregates

Money supply would be maintained at a level compatible with the expected growth in the nominal GDP in 2015. The envisaged consolidation in government fiscal operations and the improvement in the performance of state owned enterprises will allow to have enhanced amount of resources in the market, which could be used by the private sector to increase their investment to achieve the expected economic growth.

Revenue

The details of the assumptions used for revenue estimates are given in Annex V.

Expenditure

The basis for the preparation of expenditure estimates are as follows;

- Expenditure on salaries and wages are based on the assumption that there will be about 1.3 million employees in the public sector while allowing a normal annual increase in the salaries due to annual increments entitled by employees.
- The number of pensioners is assumed to be 550,000 in estimating the expenditure on pension payments with the partial impact of about 20,000 retirees who would retire in 2015.
- There will be a lower increase in interest payments given the expected lower domestic interest rates consequent to the anticipated decline in inflation as well as government borrowing requirement with the reduction of the budget deficit less than 5.0 percent of GDP.
- Expenditure on utility services and supplies etc. are expected to be strictly managed to meet medium term fiscal targets.
- Transfers and subsidies to households will be continued by implementing support programmes for school children, and disabled soldiers. Social security and welfare schemes for needy people such as free medicine, poverty alleviation programme will be continued together with agriculture support programmes, such as fertilizer subsidy.
- Transfers to public institutions and corporations will be maintained at a desired level while expecting a strong improvement in their performance.
- Public investment in national, regional and rural level development programmes to develop both economic and social infrastructure such as education, health and vocational training, will be continued at over 6 percent of GDP to support the growth momentum of the economy by stimulating private sector economic activities to reduce poverty and regional economic disparities.
- Efforts to improve the quality of public spending and curtail unproductive expenditures will be strengthened.
- To avoid duplication and smooth functioning of utilization of budgetary provisions, close cooperation and monitoring mechanisms with devolved agencies and line ministries are applied when implementing development activities.
- Commitment control mechanisms will be implemented for fiscal and cash flow management

Borrowings

A proper combination of domestic and foreign borrowings will be maintained to ensure that the government debt to GDP ratio would continue to decline. The debt management will be continued to focus on ensuring that financing needs of the government are met at lowest possible cost.

Sensitivities to the estimates

Economic projections could be sensitive to following challenges

- A faster recovery of the global economy than envisaged leading to an increase in international energy and other commodities, which could adversely affect the import cost, domestic consumer prices, production costs as well as budget costs though it will also generate positive implications, such as enhanced exports.

- The timing and the manner in which economic stimulus packages will be phased out by advanced economies.
- Unexpected and sudden adverse developments in global geo political conditions affecting economic performance of the world.
- Adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth.
- Fluctuations in weather conditions which could have an adverse impact on agriculture, hydro power generation and government budget.
- Administrative and procurement impediments.
- Capacity constraints to the medium term transformation which may affect the use of funds in relation to foreign funded large projects and thereby investment level and growth.

Risks likely have a Material Effect on the Fiscal Position

- Higher than expected petroleum and commodity prices in international markets could threaten the macroeconomic stability and growth targets while affecting government expenditure and revenue.
- Global imbalances resulting in a lower than expected global economic growth could adversely affect external demand for Sri Lankan goods and services which will result in slowing down of the country's economy.
- Increasing trend in public sector employee salary and pensions related recurrent expenditure.
- Underperforming state owned enterprises.

Annex I

Allocations Provided from the Budgetary Support Services and Contingent Liability Project (January - September, 2014)

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
1	His Excellency the President	Purchase of vehicles, repair and maintenance of electrical installations and completion of e- Sri Lanka Development Project, vehicles rental, other expenditure for the staff, Kidney Diseases Elimination Project implemented by Ministry of Special Projects, personal emoluments, rehabilitation of canals in drought affected areas & De-silting Project for Increasing the Water Retention Capacity of Tanks, waste management building and purchase of equipment for Nelum Pokuna Mahinda Rajapaksa Theatre	120,910,000	667,282,982
2	Office of the Prime Minister	Electrical installations, repair and maintenance of buildings of the Prime Minister's Office, installation of a solar power energy system for new building of Prime Minister's Office and purchase of vehicles	13,000,000	5,854,100
3	Secretariat for Special Functions (Senior Ministers)	Purchase of vehicles, repair of building and National Policy Framework and Action Plan on Consumer Welfare Project	7,000,000	35,300,000
4	Judges of the Superior Courts	Electricity and water	2,500,000	
6	Public Service Commission	Purchase of vehicles and service expenses	2,350,000	480,000
12	National Education Commission	Maintenance of vehicles	500,000	
13	Human Rights Commission of Sri Lanka	Purchase of a vehicle		6,500,000
14	Department of Attorney General	Officer-training, foreign travelling expenses, vehicles service and repair, insurance premium charges, personal emoluments and electricity & water	38,730,000	11,000,000
15	Department of Legal Draftsman	Personal emoluments and fuel	1,687,000	
16	Parliament	Purchase of a vehicle, personal emoluments and fuel		6,800,000
18	Office of the Chief Government Whip of Parliament	Purchase of a vehicle		10,700,000
19	Office of the Leader of the Opposition of Parliament	Purchase of new vehicles, rehabilitation and improvement of office premises of the Leader of the Opposition of Parliament		42,208,000
20	Department of Elections	Staff training		1,500,000

Allocations Provided... Continued

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
21	Auditor General	Staff training, purchase of office equipment and payment of incentives for 2012	125,000,000	46,000,000
101	Ministry of Buddha Sasana and Religious Affairs	Purchase of a new vehicle, Asgiriya Temple Restoration Programme based on the 700th year anniversary commemoration as per the budget proposal 2012 and personal emoluments	12,200,000	27,191,236
204	Department of Hindu Religious and Culturl Affairs	Personal emoluments	28,000,000	
102	Ministry of Finance and Planning	Agriculture and Agrarian Insurance Board for payments of farmers' pension, provisions for the grant funded by United Nations Children's Fund (UNICEF) to the project handled by Institute of Policy Studies, building rent of Tax Appeals Commission, Academy of Financial Studies for training programmes, foreign travelling, service expenses and purchase of vehicles	1,287,567,430	67,516,192
237	Department of National Planning	Publications to be presented in Parliament inline with National Budget, Management of Eastern Province Rural Road Project and Eastern Province Water Supply Project	7,750,698	7,300,000
238	Department of Fiscal Policy	Publications to be presented in Parliament to fulfill the legal requirements	20,000,000	
239	Department of External Resources	Bilateral assistance to construct a road in Addu City in Maldives and Staff Training		331,569,000
240	Department of National Budget	Settle the insurance payments for vehicles used for CHOGM	5,062,908	
243	Department of Development Finance	Interest subsidy Loan Scheme for Media Personnel and Artists and District-level drought related development activities	20,000,000	2,124,400,000
246	Department of Inland Revenue	Settlement of bills to Sri Lanka Telecom Ltd under Financial Management and Reform Project, Revenue Administration Management Information System(RAMIS), fuel, plant and machinery, transport, electricity & water, rents & local taxes	101,000,000	836,000,000
249	Department of Treasury Operations	Activities of EIB Credit Line (SME/Green Energy)		2,500,000,000
251	Department of Valuation	Payment of compensation for underperforming enterprises vested to the government under Act No 43 of 2011 as per the Cabinet decision made on 19th December 2012		700,000,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
252	Department of Census and Statistics	Initiate census on damaged property and humans due to civil war as per the recommendations by Lessons Learnt and Reconciliation Commission (LLRC), Asian Development Bank for Social Protection Index and construction of new head office building		347,288,837
323	Department of Legal Affairs	Maintenance of vehicles, foreign travelling, personal emoluments, fuel and property loan interest to public servants	3,468,000	
329	Department of Information Technology Management	Personal emoluments, advertisement / media expenditure	24,050,000	
103	Ministry of Defence and Urban Development	Development of Sathi Pola at Padukka, Delkanda, Embilipitiya and maintenance of staff quarters, compensation on land acquisition for Greater Hambantota Development Project, capacity building of the staff, expenditure incurred for the meeting of Chief of the Defence Staff held in Sri Lanka, Defence Service command and Staff College, Prefabricated Building Project and Weeraketiya Town Development Project	21,000,000	582,150,000
222	Sri Lanka Army	Basic facilities for Sri Lanka Army, purchase of an ambulance and medical equipments, personal emoluments, travelling expenses, medical supplies, stationery and office requisites, maintenance of vehicles and machinery, transport expenses, electricity & water, acquisition, rehabilitation and improvements of capital assets and purchase of vehicles	3,485,000,000	1,756,899,853
223	Sri Lanka Navy	Foreign travelling and staff training, maintenance of vehicles	90,000,000	30,000,000
224	Sri Lanka Air Force	Purchase of a vehicle, rehabilitation and improvement of machinery and equipments and Peace Keeping Mission in Central African Republic	256,000,000	355,000,000
226	Department of Immigration and Emigration	Deport of Pakistani and Afghan prisoners	56,597,000	
320	Department of Civil Security	Fuel, vehicles maintenance, buildings and structures, plant, machinery and equipment	40,000,000	15,000,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
105	Ministry of Economic Development	Implementation of development programmes in line with Deyata Kirula Exhibition 2013/2014, training of frontline officers in community development in North East areas, implementing Community Development and Livelihood Improvement Project, financial grant by World Bank for North East Local Services Improvement Project, purchase of a vehicle, personal emoluments, settle commitments in 2013 and to meet expenditure of Divineguma Programme, Programme for Upgrading 5000 Primary and 1000 Secondary Schools Development Works in 2014.	1,175,000,000	3,879,235,000
106	Ministry of Disaster Management	Accounting the grant by United Nations Human Settlement Programme for the development of the Early Disaster Warning System, housing rehabilitation relief for damaged houses in 2012 and 2013, disaster rehabilitation relief for damaged cultivation and self employment in 2011 and 2012, grant given by the Government of Oman for establishment of disaster resilient houses in flood prone areas, purchase of vehicles and flood and drought relief	65,000,000	1,968,587,938
304	Department of Meteorology	Repairing VAST communication system and staff training	3,600,000	475,000
108	Ministry of Postal Services	Purchase of vehicles, transport expenses and buildings rent, personal emoluments, fuel and other expenses	20,875,000	43,200,000
110	Ministry of Justice	Purchase of a vehicle, UNICEF fund for Child protection programme and rental for temporary building of International Arbitration Centre	25,000,000	17,743,000
228	Courts Administration	Fuel, construction of International Arbitration Centre and construction of judges' bungalow in Puttalam	130,200,000	107,800,000
233	Department of Government Analyst	Personal emoluments	5,000,000	480,000
112	Ministry of External Affairs	Purchase of new vehicles for Sri Lankan missions overseas, settle due payments of Commonwealth Heads of Government Meeting and Lakshman Kadirgamar Institute for International Relations & Strategic Studies	2,500,000	350,878,000
115	Ministry of Petroleum Industries	Purchase of vehicles		22,000,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
116	Ministry of Co-operatives and Internal Trade	Accounting the grant by World Bank to build up capacities of Institute of Chartered Accountants of Sri Lanka, purchase of new vehicles, importation of dates for Ramasan festival and construction of Economic Centers	81,700,000	52,943,411
302	Co-operative Employees Commission	Transport expenses	322,000	
117	Ministry of Highways, Ports and Shipping	Implementation of the Provincial Road Development Project, purchase and repair of vehicles, Rectification of Slope Failure Project on Southern expressway, personal emoluments and Government Guaranteed Local Bank Funded Road Rehabilitation Project - interest & loan repayment	98,138,000	2,743,152,000
118	Ministry of Agriculture	Purchase and repair of vehicles, procure research equipments to newly constructed laboratories, incentive payment of medical leave not taken by 13 employees of Sri Lanka Council for Agricultural Research Policy who were recruited before 05.01.2001, personnel emoluments and Travelling expenses, fuel	10,824,450	149,650,000
285	Department of Agriculture	Research equipments for newly constructed laboratories		70,000,000
119	Ministry of Power and Energy	Purchase of a vehicle		11,500,000
120	Ministry of Child Development and Women's Affairs	Accounting of financial grant by SAARC for "South Asia Initiatives to End Violence Against Children"- project under National Child Protection Authority, personal emoluments, rehabilitation and improvement of vehicles, annual expenditure of Anuradapura Rest House and grant by United Nations Development Programme for ensuring and strengthening protection of women.	210,200,000	45,875,110
217	Department of Probation and Child Care Services	Personal emoluments	35,100,000	
121	Ministry of Public Administration and Home Affairs	Training allowances to newly recruited Grama Niladaries Calss 111 Officers and purchase of vehicles	23,000,000	17,000,000
254	Department of Registrar General	Payment of outstanding allowances to Registrars	65,000,000	
257	District Secretariat, Kalutara	Rehabilitation of damaged properties due to recent disturbances in Beruwala area and personal emoluments	7,000,000	200,000,000
261	District Secretariat, Galle	Personal emoluments	75,000,000	

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
262	District Secretariat, Matara	Allowances for graduate trainees	45,000,000	
263	District Secretariat, Hambantota	Personal emoluments	4,536,000	
264	District Secretariat, Jaffna	Security payment and uniform allowance	1,578,000	
265	District Secretariat, Mannar	Losses arising on Paddy Purchasing Programme conducted by District Secretariat, Mannar in coordination with Presidential Task Force for Resettlement and Construction of office complex for District Secretariat, Mannar.	1,950,000	77,100,000
266	District Secretariat, Vavuniya	Resettlement activities conducted by District Secretariat, Vavuniya in coordination with Presidential Task Force for Resettlement		110,000,000
268	District Secretariat, Killinochchi	Personal emoluments, improvements in new District Secretariat	20,000,000	9,000,000
269	District Secretariat , Batticaloa	Regional development programmes implemented in line with Deyata Kirula Development Programme 2013		200,000,000
272	District Secretariat, Kurunegala	Initial infrastructure development of Deyata Kirula 2014		25,000,000
273	District Secretariat, Puttalam	Operational expenses on coordination of development programmes	1,445,000	
274	District Secretariat, Anuradhapura	Promotion of traditional rice varieties for the prevention of kidney diseases, operational expenses for coordination of special district development meeting.	3,000,000	35,000,000
275	District Secretariat - Polonnaruwa	Operational cost and losses of paddy purchasing programme, regional development programmes implemented in line with Deyata Kirula Development Programme 2013.	85,631,600	38,900,000
276	District Secretariat, Badulla	Coordination of district development programmes	2,100,000	
277	District Secretariat, Monaragala	Construction of new office complex and acquisition of capital assets for District Secretariat, Monaragala.		15,000,000
278	District Secretariat, Ratnapura	New divisional secretariat office complex - Ratnapura		51,500,000
279	District Secretariat, Kegalle	Personal emoluments and electricity & water	64,000,000	
122	Ministry of Mass Media and Information	Renovation of buildings of Sri Lanka Broadcasting Corporation, expenditure for local and international media campaign of Commonwealth Heads of Government Meeting, monthly revenue shortfall of SLBC.	30,000,000	401,000,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
210	Department of Information	Purchase of camera and other related equipments for media unit		3,340,000
211	Department of Government Printing	Personal emoluments	65,000,000	
123	Ministry of Construction, Engineering Services, Housing & Common Amenities	Repair of Minister's quarters		3,000,000
124	Ministry of Social Services	Improvement of Minister bungalow and partitioning of Ministry premises, grant given by United Nations Children's Fund for social service activities		9,260,000
216	Department of Social Services	Personal emoluments	50,500,000	
126	Ministry of Education	Implementation of development activities of Polonnaruwa Royal Central College in line with Deyata Kirula Development Exhibition, operational expenses for vehicles purchased, assistance for differently abled students, educational programmes implemented by United Nations Children's Fund and Education for Knowledge Society Project	10,000,000	714,832,000
127	Ministry of Labour & Labour Relations	Purchase of a vehicle, foreign travelling, personal emoluments, fuel, services, subscriptions and contribution fees	17,600,000	35,500,000
221	Department of Labour	Construction of ladies hostel-Seethawaka		5,000,000
128	Ministry of Traditional Industries & Small Enterprise Development	Implementation of Product Development Programme		3,000,000
130	Ministry of Local Government and Provincial Councils	Purchase of a vehicle, purchase of bowsers and garbage collectors to ensure the smooth functioning of garbage collecting of Local Authorities, Central and Sabaragamuwa Provincial Road Project, maintenance of vehicles and funds of Greater Colombo Waste Management Project funded by ADB	11,000,000	1,195,500,000
312	Western Provincial Council	Completion of school buildings in Western Province under Criteria Based Grant, personal emoluments, UNICEF to implement project activities at provincial level	2,124,000,000	450,000,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
313	Central Provincial Council	Implementation of Emergency Natural Disaster Rehabilitation Project, Central and Sabaragamuwa Provincial Road Project, accounting the financial grant given by United Nations Children's Fund for implemented project activities at provincial level and personal emoluments	1,863,000,000	1,115,000,000
314	Southern Provincial Council	Personal emoluments	1,566,000,000	
315	Northern Provincial Council	UNICEF to implement project activities at provincial level, personal emoluments	930,000,000	15,777,000
316	North Western Provincial Council	Development of Isolated Villages in North Western Province and development programmes implemented under PSDG, personal emoluments and construction of school buildings in North Western Province	1,253,000,000	1,537,900,000
317	North Central Provincial Council	Implementation of Emergency Natural Disaster Rehabilitation Project, Eastern and North Central Provincial Road Project, and personal emoluments	1,341,000,000	220,200,000
318	Uva Provincial Council	Implementing Development of Isolated Villages in Uva Province, personal emoluments and UNICEF to implement project activities at provincial level	1,197,000,000	758,975,000
319	Sabaragamuwa Provincial Council	Personal emoluments	456,000,000	
321	Eastern Provincial Council	Implementation of Emergency Natural Disaster Rehabilitation Project, Eastern and Uva Provincial Roads Project, Eastern Province Rural Roads Development Project (GOSL & JICA), Eastern Province Rural Water Supply Development Project (GOSL & JICA), grant given by United Nations Children's Fund to implement development projects at provincial level and personal emoluments	963,000,000	1,430,700,000
133	Ministry of Technology and Research	National Science Foundation for the implementation of Nanotech Phase 11 Project, Gamma Irradiator Project, relocation of Atomic Energy Authority in Malabe and importation of required equipments and installation of 4D digital projectors in Sri Lanka Planetarium		190,392,776

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
134	Ministry of National Languages and Social Integration	Recurrent expenditure of National Institute of Language Education and Training, maintenance of vehicles and buildings, repairing of machinery and equipments, fuel, electricity and water, postal and telecommunication, rental for new building and rental of vehicles, furniture, plant and machinery	22,750,000	4,700,000
135	Ministry of Plantation Industries	Purchase of a vehicle, salaries and wages of the labourers in Dartonfield Estate functioning under Rubber Research Institute due to falling down of earned income by decrease of rubber prices, vehicles maintenance and implementation of Budget Proposal 2014 - soil conservation assistance to tea small holders	12,500,000	742,077,965
136	Ministry of Sports	Purchase of ambulance for the use of the Institute of Sports Medicine		15,600,000
219	Department of Sports Development	Purchase of a vehicle		7,970,000
138	Ministry of Indigenous Medicine	Personal emoluments	14,200,000	
220	Department of Ayurveda	Supplies of medicine, rent and local taxes and acquisition of capital assets, maintenance expenditure, research activities on Communicable and Non Communicable Diseases	10,483,000	116,500,000
139	Ministry of Fisheries and Aquatic Resources Development	Development programmes implemented under Post Tsunami Coastal Rehabilitation, Resources Management Programme and Post Tsunami Livelihood Support and Partnership Programme, Indian Ocean Tuna Commission's Annual Conference, implementing the projects of introducing new technology for fisheries sector development, development of ornamental fish industry and research allowances	222,258,000	72,329,108
290	Department of Fisheries & Aquatic Resources	Other transfers, acquisition of plant, machinery & equipment	9,724,840	4,000,000
140	Ministry of Livestock and Rural Community Development	Purchase of vehicles, reimbursement of losses incurred by Milco due to increase of fresh milk buying prices, development at Ridiyagama farm, Lagging Area Socio Economic Development Project, Facilitation and Promotion of Liquid Milk Consumption Project		233,350,979

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
142	Ministry of National Heritage	Purchase of a vehicle, Sri Lanka-Netherland Cooperation Programme for conservation of Jaffna Fort and personal emoluments	1,640,000	26,310,365
207	Department of Archaeology	Settle the outstanding payments due from 2013 for Yudaganawa Conservation and Preservation, conservation of Rajagalathenna Archaeological Site and construction of new rest house in Anuradhapura, purchase of vehicles		37,190,000
208	Department of National Museums	Rehabilitation of Kandy Museum		16,000,000
209	Department of National Archives	Construction of new cafeteria building in 2013		13,000,000
145	Ministry of Re-settlement	Accounting grant by United Nations High Commission for Refugees (UNHCR) for resettled families in Mulativu District, rehabilitation and improvement of building and structures, construction of houses under Welioya Resettlement Programme Stage - II		46,052,500
149	Ministry of Industry and Commerce	Purchase of vehicles, implementation of Small and Micro Industries Leaders and Entrepreneur Promotion Project		536,000,000
303	Department of Textile Industries	Compensation for workers who worked in Power Loom Industry which was privatized in 1980-1982 and transport expenses	119,880,700	
152	Ministry of Irrigation and Water Resources Management	Purchase of vehicles		70,500,000
282	Department of Irrigation	Purchase of a Prime Mover with Low Bed Trailer		25,285,000
156	Ministry of Youth Affairs and skills Development	Personal emoluments, expenditure of National Human Resources Development Council of Sri Lanka	46,500,000	
160	Ministry of Environment and Renewable Energy	Outstanding bills in 2013 for Pilisaru Programme		178,000,000
283	Department of Forests	Expand the forest cover in Sri Lanka to 35%		325,000,000
166	Ministry of Water Supply and Drainage	Settle outstanding payments in development programmes of North and East Pilot (WASH) Water, Sanitation and Hygiene Project, mobilization advance of Western Province-Upgrading the WW collection and transmission in Kolonnawa Sewerage and Water supply & Sanitation Trust	5,540,000	390,000,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
171	Ministry of Higher Education	Accounting grant by Germany to promote quality education, researches and training of University of Peradeniya, construct 60 university hostels as per the budget proposal 2013, accounting of grant by International Research Centre of Canada under the Project of Building Research Excellence in Wildlife and Human Health in Sri Lanka, grant by Tribhuvan University in Nepal to promote training and research of University of Peradeniya and improve quality of education, Bhikku University of Sri Lanka and Buddhist & Pali University of Sri Lanka	23,000,000	4,461,050,156
214	University Grants Commission	Purchase a land for development of infrastructure facilities of University of Moratuwa and academic allowances	337,000,000	1,053,000,000
173	Ministry of Public Management Reforms	Personal emoluments	12,770,000	
174	Ministry of Rehabilitation and Prison Reforms	Purchase of new vehicles, transport expenses, rehabilitation centers for drug dependent persons, video camera for covering the media activities, personal emoluments and compensation for conflicts, 2006	32,504,000	145,200,000
232	Department of Prisons	New buildings for the relocation of Tangalle Prison to Eraminiyaya-Angunukolapellessa, purchase of equipments for Colombo prison and Dumbara new Bogambara prison, rehabilitation of Bogambara prison and purchase of vehicles		487,296,000
326	Department of Community Based Corrections	Purchase furniture and office equipment, personal emoluments and buildings and structures	73,500,000	5,900,000
175	Ministry of State Resources and Enterprise Development	Personal emoluments of employees of the National Paper Company Ltd, Sri Lanka State Plantation Corporation and Janatha Estate Development Board, outstanding liabilities of Hingurana Sugar Industries Ltd and personal emoluments	2,300,000	117,411,643
177	Ministry of Culture and the Arts	Renovation of Elphinston Arts Theater and purchase of a vehicle		28,100,000
178	Ministry of Coconut Development and Janatha Estate Development	Purchase of vehicles, rehabilitation and improvement of buildings, transport expenses, personal emoluments, fuel, furniture and office equipment, Rs.300/- monthly incentive for field officers as per the budget proposal 2014	92,775,000	38,459,000

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
179	Ministry of Wildlife Resources Conservation	Purchase of a vehicle		9,100,000
180	Ministry of Minor Export Crops Promotion	Transport expenses, purchase of new vehicles, fuel and personal emoluments	15,595,000	34,902,205
289	Department of Export Agriculture	Implementing the Project for Preventing and Control of Nutmeg Leaf-fall Disease in Mid Country		7,450,000
181	Ministry of Productivity Promotion	Personal emoluments, purchase of a vehicle	60,000,000	8,040,000
182	Ministry of Foreign Employment Promotion and Welfare	Travelling, supplies and services of the Ministry of Foreign Employment Promotion and Welfare	25,000,000	
183	Ministry of Public Relation and Public Affairs	Personal emoluments	5,724,000	
184	Ministry of Private Transport Services	Purchase of a vehicle and vehicles maintenance	3,000,000	11,200,000
185	Ministry of Telecommunication and Information Technology	Personal emoluments	3,500,000	
186	Ministry of Sugar Industry Development	Personal emoluments of Kanthale Sugar Industries and Sugarcane Research Institute, rents and local taxes	110,382,346	8,250,000
187	Ministry of Investment Promotion	Purchase of a vehicle, maintenance of vehicles and transport expenses, foreign travelling expenses, postal and telecommunication and settle the commitments in 2013, personal emoluments	19,614,284	38,766,957
188	Ministry of Botanical Gardens and Public Recreation	Purchase of a vehicle, Sri Lanka Handicrafts Board to encourage small scale entrepreneurs through Laksala Network as per the budget proposal - 2013		41,682,951
322	Department of National Botanical Gardens	Renovation of administration building at Janakala Kendraya		50,000,000
189	Ministry of Education Services	Library Promoting Programmes, Water, Sanitation and Hygienic Programme for schools located in Uva, Eastern, North Central and Central Provincial Councils and maintenance of vehicles	8,500,000	128,050,000
190	Ministry of Law and Order	Purchase of a new vehicle		6,510,000
		Total	**21,199,814,256**	**38,385,571,264**

Annex II

List of Guarantees Issued by the General Treasury up to 30.09.2014

Serial No.	Name of the Bank or Institution	Name of Institution	Amount Guaranteed (Rs.Mn)
1	Bank of Ceylon	Ceylon Petroleum Corporation	118,674
1	Bank of Ceylon	General Sir John Kotelawala Defence University	835
1	Bank of Ceylon	Mihin Lanka (Pvt) Ltd	367
1	Bank of Ceylon	National School of Business Management Limited	8,600
1	Bank of Ceylon	Paddy Marketing Board	3,137
1	Bank of Ceylon	Road Development Authority	38,279
1	Bank of Ceylon	State Development and Construction Corporation	400
1	Bank of Ceylon	STC General Trading Company Ltd.	460
1	Bank of Ceylon	Urban Development Authority	18,505
2	Commercial Bank	Ministry of Defence and Urban Development	2,000
2	Commercial Bank	Road Development Authority	7,210
3	DFCC Bank	Ministry of Defence and Urban Development	1,000
3	DFCC Bank	Road Development Authority	1,329
4	Employee's Trust Fund Board	Lakdanavi Ltd.	2,992
5	Hatton National Bank	Ministry of Defence and Urban Development	3,550
5	Hatton National Bank	Road Development Authority	28,262
6	Hongkong & Shanghai Banking Co.Ltd.	West Coast Power(Pvt)Ltd.	22,661
7	National Development Bank	Road Development Authority	8,353
8	National Savings Bank	General Sir John Kotelawala Defence University	26,587
8	National Savings Bank	Lakdanavi Ltd.	2,992
8	National Savings Bank	Paddy Marketing Board	1,031
8	National Savings Bank	Road Development Authority	53,155
8	National Savings Bank	Sri Lanka Land Reclamation & Development Corporation	2,000
8	National Savings Bank	Urban Development Authority	2,770
9	People's Bank	Ceylon Electricity Board	13,866
9	People's Bank	Ceylon Electricity Board 300MW Kerawalapitiya Combine Cycle Power Plant Project	4,116
9	People's Bank	Ceylon Petroleum Corporation	85,709
9	People's Bank	Ceylon Petroleum Storage Terminals Ltd.	4,635
9	People's Bank	Ceylon Shipping Corporarion Ltd	10,400
9	People's Bank	Co-operative Whole Sale Establishment	157
9	People's Bank	Lanka Coal Company (PVT) Ltd	3,000
9	People's Bank	Ministry of Defence and Urban Development	1,000
9	People's Bank	Paddy Marketing Board	2,325
9	People's Bank	People's Bank Pension Trust Fund	5,000
9	People's Bank	Road Development Authority	18,154
9	People's Bank	Sri Lanka Consumer Co-operative Societies Federation Ltd.	50
9	People's Bank	State Trading (Co-operative Wholesale) Company Ltd.	32
10	Pradesiya Sanwardhana Bank	Paddy Marketing Board	106
	Total		**503,698**

Source: Department of Treasury Operations

Annex III

Macro Economic Indicators

Quarterly Growth Rates of Key Sub - Sectors of Agriculture

Sector	2013					2014(a)	
	Q_1	Q_2	Q_3	Q_4	Annual	Q_1	Q_2
Tea (Mn kg)	81.7	92.4	74.5	91.4	340.0	73.5	99.0
Growth %	9.0	3.0	-5.1	6.5	3.6	-2.3	7.6
Rubber (Mn kg)	33.2	29.3	28.9	39.1	130.5	32.8	28.2
Growth %	-23.0	-25.8	-28.1	18.7	-9.1	-1.1	-3.7
Coconuts (Mn nuts)	637.8	637.1	646.7	624.2	2,545.7	679.7	717.5
Growth %	-7.4	-20.4	-32.3	-3.0	-16.1	6.7	9.4
Paddy Growth %	4.8	4.8	56.5	57.2	19.5	-5.7	-5.7
Fish (MT)	120,670	110,300	144,030	137,840	512,840	136,650	122,100
Growth %	13.9	-5.3	9.9	8.2	6.2	13.3	10.5

Source: Department of Census and Statistics
(a) Provisional

Performance in Industrial Sector: 2012 - 2014

Description	2012	2013	2014(a)	
			Q1	Q2
Food, Beverages and Tobacco products	5.1	7.5	9.6	9.0
Textile, apparel and leather Products	4.9	8.9	16.5	15.9
Chemical, petroleum, rubber and plastic products	5.8	7.6	4.1	16.9
Non-metallic mineral products	6.5	5.6	2.4	1.2
Overall Industrial Growth	**10.3**	**9.9**	**12.6**	**12.2**

Source: Department of Census and Statistics
(a)Provisional

Performance in Electricity Generation and Services Sector: 2013 - 2014

Category	2013			2013	2014	2014			2014
	Q1	Q2	Jul	Jan-Jul	Annual Proj	Q1	Q2	Jul	Jan-Jul
Electricity Generaton									
Total Generation (GWh) (Excluding Self Generation)	2,959	2,988	1,008	6,955	12,384	2,987	3,105	1,078	7,170
Growth Rate	0.5	1.9	0.8	1.2	3.6	1.0	3.9	6.9	3.1
Hydro	1,421	1,613	794	3,828	3,727	732	659	421	1,812
Growth Rate	165.6	125.9	220.2	155.7	(46.1)	(48.5)	(59.1)	(47.0)	(52.7)
Thermal (includes Independent Power Plants)	1,511	1,292	172	2,975	8,591	2,213	2,355	616	5,184
Growth Rate	(36.8)	(40.5)	(76.6)	(43.9)	80.0	46.4	82.3	257.9	74.3
Hydro: Thermal Ratio	48:52	54:46	79:21	55:45	30:70	25:75	21:79	39:61	25:75
Reservoir Water Level % (End Period Aeverage))	76.2	66.7	93.2	74.9	-	38.7	33.5	50.3	37.5
Port Services									
			Jul-Aug	**Jan-Aug**				**Jul-Aug**	**Jan-Aug**
Total Cargo Handled ('000 MT)	15,893	16,701	11,515	44,109	76,381	17,638	18,069	13,668	49,375
Growth Rate	-2.9	3.3	2.9	0.9	15.3	11.0	8.2	18.7	11.9
Total Container Handled ('000 TEUs)	1,042	1,060	762	2,864	4,992	1,151	1,204	885	3,240
Growth Rate	1.4	0.4	3.0	1.5	15.9	10.5	13.6	16.1	13.1
Telecommunications Services (No. of Subscribers)									
				Jan-Jun					**Jan-Jun**
Fixed Lines ('000)	2,833	2,798		2,798	2,571	2,696	2,696		2,696
Growth Rate	(21.7)	(18.4)		(18.4)	(5.0)	(4.9)	(3.7)		(3.7)
Cellular ('000)	19,336	19,533		19,533	21,854	21,394	21,012		21,012
Growth Rate	2.5	1.4		1.4	7.6	10.6	7.6		7.6
Total Fixed Lines and Cellular ('000)	22,169	22,331		22,331	24,425	24,090	23,708		23,708
Growth Rate	(1.4)	(1.6)		(1.6)	6.1	8.7	6.2		6.2
Internet and email ('000)	1,504	1,475		1,475		2,318	2,788		2,788

Source : Central Bank of Sri Lanka

Export Performance in 2013 - 2014

USD Mn.

Item	2013(a)			2014		
	Jan-Aug	Sep-Dec	Total	Jan-Aug (a)	Sep-Dec (b)	Total (b)
Agricultural Products	1,598	983	2,581	1,848	1,172	3,020
Tea	963	580	1,542	1,083	639	1,722
Rubber	47	25	71	36	11	47
Coconut Products	122	83	205	234	161	395
Other Agricultural Products	468	295	763	496	362	857
Industrial Products	4,813	2,937	7,749	5,477	3,285	8,762
Textile and Garments	2,740	1,769	4,508	3,256	1,859	5,115
Petroleum Products	307	121	428	238	148	385
Other Industrial Products	1,766	1,047	2,813	1,984	1,278	3,262
Mineral Export	15	36	52	50	38	88
Other Exports	8	4	12	9	4	13
Total Exports	6,434	3,960	10,394	7,385	4,498	11,883

Source : Central Bank of Sri Lanka
(a) Provisional
(b) Projections

Import Performance in 2013 - 2014

USD Mn.

Item	2013(a)			2014		
	Jan-Aug	Sep-Dec	Total	Jan-Aug (a)	Sep-Dec (b)	Total (b)
Consumer Goods	2,100	1,083	3,182	2,288	1,271	3,559
Rice	14	4	18	77	70	146
Sugar	206	83	289	203	91	294
Other Food Products	722	339	1,061	716	381	1,097
Other Consumer Goods	1,158	656	1,814	1,293	728	2,021
Intermediate Goods	7,051	3,502	10,554	7,739	4,008	11,747
Fuel	2,876	1,432	4,308	3,448	1,730	5,178
Wheat and Maize	233	90	323	268	120	388
Fertilizer	123	115	239	163	76	239
Textile & Clothing	1,329	717	2,046	1,470	797	2,266
Other Intermediate Goods	2,490	1,148	3,638	2,390	1,285	3,674
Investment Goods	**2,842**	**1,411**	**4,253**	**2,519**	**1,353**	**3,872**
Other Imports	**9**	**5**	**14**	**9**	**2**	**10**
Total	**12,002**	**6,001**	**18,003**	**12,555**	**6,634**	**19,188**

Source : Central Bank of Sri Lanka
(a) Provisional
(b) Projection

Balance of Payments – 2014 (BPM6 Compilation Format)

USD Mn.

Item	Q1(a)	Q2(a)	Annual Projection
Current Account Balance	**-547**	**-130**	**-1,608**
Trade Balance	**-1,939**	**-1,607**	**-7,305**
Exports	2,809	2,630	11,883
Imports	4,748	4,237	19,188
Services (net)	**471**	**346**	**1,658**
Receipts	1,422	1,300	5,664
Payments	951	954	4,007
Primary Income (net)	**-514**	**-404**	**-2,136**
Receipts	41	41	225
Payments	554	445	2,361
Secondary Income (net)	**1,435**	**1,536**	**6,175**
Secondary Income: credit	1,666	1,717	7,027
Secondary Income: debit	231	181	852
Capital Account (net)	**4**	**30**	**99**
Capital account: credit	8	35	
Capital account: debit	5	5	
Current and Capital Account (net)	**-544**	**-99**	**-1,509**
Financial Account (net)	**6**	**368**	**1,509**
Direct Investment: Assets	**17**	**17**	
Direct Investment: Liabilities	**178**	**121**	**1,179**
Portfolio Investment: Assets	**0**	**0**	
Debt securities	0	0	
Portfolio Investment: Liabilities	**1,045**	**878**	**368**
Equity and investment fund shares	-48	99	168
Debt securities	1,093	779	200
Financial Derivatives	**0**	**0**	
Other Investment: Assets	**265**	**41**	
Currency and deposits	150	-21	
Trade credits and advances	-77	-30	
Other accounts receivable	192	93	
Other Investment: Liabilities	**197**	**758**	**1,722**
Currency and deposits	-173	37	
Loans	313	464	2,996
Trade credits and advances	169	92	-1,274
Other accounts payable	-112	166	
Special Drawing Rights (SDRs)	0	0	
Reserve Assets	**1,132**	**1,332**	**1,760**
Net Errors and Omissions	**537**	**-269**	**0**
Overall Balance	**828**	**1,954**	**1,760**

Source: Central Bank of Sri Lanka
(a) Provisional

International Reserves

USD Mn.

Item	End 2012	End 2013	Jul-2014	Aug-2014
Total External Reserves	8,585.86	8,573.69	10,476.21	n.a.
Months of Imports	5.37	5.71	6.87	n.a.
Gross Official Reserves	7,105.89	7,495.27	8,973.74	9,185.64
Months of Imports	4.44	5.00	5.88	5.94

Source: Central Bank of Sri Lanka

Government Foreign Currency Debt Outstanding

USD Mn.

Items	End Aug 2014
Total Outstanding	28,013.34
Government Foreign Debt	24,969.08
Dollar Dominated Domestic Debt	3,044.26
SLDBs	2,894.26
FCBUs	150.00

Source: Central Bank of Sri Lanka

Outstanding Domestic Foreign Currency Debt of the Government

USD Mn.

	End 2013	End Aug. 2014
Outstanding	**2,973.76**	**3,044.26**
FCBUs	150.00	150.00
SLDBs	2,823.76	2,894.26
Receipts	**1,820.20**	**641.50**
FCBUs	-	-
SLDBs	1,820.20	641.50
Payments	**838.15**	**682.31**
FCBUs	8.10	6.23
SLDBs	830.05	676.08

Source: Central Bank of Sri Lanka

Movements in Selected Exchange Rates (Against the USD)

Currency	Appreciation(+) / Depreciation(-)	
	End 2012 - End 2013	End 2013 - Sep 2014
Sri Lanka Rupee	-2.75	0.29
Indian Rupee	-11.72	0.58
Bangladesh Taka	3.10	0.20
Parkistan Rupee	-7.95	2.92
Singapore Dollar	-3.45	-0.61
Thailand Bhat	-6.88	1.50
Taiwan Dollar	-2.54	-2.18
Indonesian Rupiah	-20.92	-0.16
Philippine Peso	-7.48	-1.17
Korean Won	1.10	-0.04
Japanese Yen	-18.12	-4.02

Source: Central Bank of Sri Lanka

Central Bank Hidings of Treasury Bills

Rs.Mn.

End Period	Gross (Book value)	Net of Repos (Book value)
2007	41.8	41.8
2008	143.7	143.2
2009	36.0	36.0
2010	20.7	2.3
2011	161.9	167.3
2012	155.7	163.3
2013	16.0	13.3
End Sep. 2014	30.7	0

Source: Central Bank of Sri Lanka

Commercial Banks' Loans and Advances to the Private Sector - June 2014 (a)(b)

	Amount (Rs.mn) (c)	as a % of Total
1. Agriculture & Fishing	**280,207**	**11.2**
of which...		
Tea	62,588	2.5
Rubber	19,958	0.8
Coconut	6,768	0.3
Paddy	16,186	0.6
Vegetable, Fruit Cultivation and Minor Food Crops	13,936	0.6
Livestock and Dairy Farming	9,509	0.4
Fisheries	9,931	0.4
2. Industry	**929,929**	**37.3**
of which...		
Construction	406,784	16.3
of which...		
--- Personal Housing including Purchasing/Construction/ Repairs	188,702	7.6
--- Staff Housing	50,753	2.0
Food and Beverages	64,777	2.6
Textiles and Apparel	101,074	4.0
Wood and Wood Products including Furniture	7,220	0.3
Paper and Paper Products	7,318	0.3
Chemical, Petroleum, Pharmaceutical and Healthcare, and Rubber and Plastic Products	39,513	1.6
Non-metallic Mineral Products	9,731	0.4
Basic Metal Products	12,856	0.5
Fabricated Metal Products, Machinery and Transport Equipment	86,701	3.5
Other Manufactured Products	9,189	0.4
3. Services	**626,603**	**25.1**
of which...		
Wholesale and Retail Trade	207,595	8.3
Tourism	70,922	2.8
Financial and Business Services	102,710	4.1
Transport	30,438	1.2
Communication and Information Technology	32,397	1.3
Printing and Publishing	11,524	0.5
Education	5,207	0.2
Health	13,443	0.5
Shipping, Aviation and Supply, and Freight Forwarding	10,981	0.4
4.Personal Loans and Advancse(d)	**624,889**	**25.0**
of which...		
Consumer Durables	84,027	3.4
Pawning	200,941	8.1
Credit Card	54,830	2.2
Personal Education	1,393	0.1
Personal Healthcare	2,139	0.1
5. Safety Net Scheme Related (e.g., Samurdhi)	**34,088**	**1.4**
6. Total	**2,495,717**	**100.0**

Source: Central Bank of Sri Lanka

(a) Based on the Quarterly Survey of Commercial Banks' Loans and Advances to the Private Sector, which includes loans and advances of both DBUs and OBUs of commercial banks.

(b) Includes loans, overdrafts, bills discounted and purchased and excludes cash items in the process of collection

(c) Provisional

(d) Excludes personal housing loans, which have been included under 'Construction' classified under' Industry'

Interest Rate Movements in 2013 - 2014

Interest Rate	**End Dec 2013**	**End Mar 2014**	**End Jun 2014**	**End Sep 2014**
Policy Rates of the Central Bank				
Standing Deposit Facility Rate(SDFR)(a)	6.50	6.50(c)	6.50(c)	6.50(c)
Standing Lending Facility Rate(SLFR)(b)	8.50	8.00(c)	8.00(c)	8.00(c)
Weighted Average Call Money Rate (with tax)	**7.66**	**6.97**	**6.96**	**5.77**
Weighted Average OMO Auction Rate (Repo)	**6.98**	**6.52**	**6.54**	**6.50 (d)**
Weighted Average OMO Auction Rate (Reverse Repo)	**8.28**	**6.72(e)**	**-**	**-**
Treasury Bill Rates				
91 days	7.54	6.65	6.51	6.15(f)
180 days	7.85	6.82	6.69	6.23(f)
364 days	8.29	7.05	6.99	5.89(g)
Lending Rates				
Average Weighted Prime Lending Rate (weekly)	10.13	8.57	7.91	6.75
Average Weighted Prime Lending Rate (monthly)	9.96	8.81	8.03	7.28 (h)
Average Weighted Lending Rate (AWLR)	15.18	14.44	13.83	13.29(h)
Deposit Rates				
Average Weighted Deposit Rate (AWDR)	9.37	8.45	7.40	6.83
Average Weighted Fixed Deposit Rate (AWFDR)	11.78	10.47	8.96	8.18

Source: Central Bank of Sri Lanka

a) Repurchase rate renamed as Standing Deposit Facilty Rate (SDFR) with effect from 02 January 2014
b) Reverse repurchase rate renamed as Standing lending Facilty Rate(SLFR) with effect from 02 January 2014
c) With effect from 02 January 2014
d) Last auction held at 12 September 2014
e) Last auction held at 27 March 2014
f) Last T-bill auction for 91 days and 180 days held at 19 September 2014
g) Last T-bill auction for 364 days held at 26 September 2014
h) Data represent the end of August 2014

CCPI - Changes in Expenditure Values

	Weight	Rupees		Change		
		Sep-13	Sep-14	Rupees	%	Contri. to change (%)
Food and Non Alcoholic Beverages	**41.03**	**22,477.91**	**23,566.86**	**1,088.95**	**4.84**	**2.21**
Food	**34.32**	**18,656.63**	**19,692.14**	**1,035.51**	**5.55**	**2.11**
Bread and Cereals	7.87	4,520.33	5,160.67	640.34	14.17	1.30
Meat and Meat Products	2.29	1,030.79	1,060.12	29.32	2.84	0.06
Fish and Sea Food	5.95	3,182.37	3,405.08	222.71	7.00	0.45
Milk, Cheese and Eggs	6.11	3,468.93	3,698.58	229.65	6.62	0.47
Oils and Fats	1.15	654.88	701.82	46.95	7.17	0.10
Fruit	1.43	782.35	720.86	-61.48	-7.86	-0.12
Vegetables	5.65	2,742.21	2,576.70	-165.52	-6.04	-0.34
Sugar, Jam, Honey, Chocolate and Confectionary	1.54	785.99	779.85	-6.14	-0.78	-0.01
Food Products n.e.c.	2.34	1,488.79	1,588.46	99.67	6.69	0.20
Non - Alcoholic Beverages	**0.87**	**588.13**	**626.93**	**38.79**	**6.60**	**0.08**
Coffee, Tea and Cocoa	0.73	513.61	545.85	32.24	6.28	0.07
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.14	74.52	81.07	6.55	8.78	0.01
Meals Bought from out side	5.84	3,233.15	3,247.79	14.64	0.45	0.03
Clothing and Footwear	**3.14**	**1,500.12**	**1,510.51**	**10.40**	**0.69**	**0.02**
Housing, Water, Electricity, Gas and Other Fuels	**23.72**	**10,357.59**	**10,340.20**	**-17.39**	**-0.17**	**-0.04**
Furnishing, Household Equipment and Routine Household Maintenance	**3.60**	**1,497.50**	**1,544.00**	**46.50**	**3.10**	**0.09**
Health	**3.16**	**2,230.36**	**2,414.73**	**184.37**	**8.27**	**0.37**
Transport	**12.26**	**6,545.32**	**6,835.38**	**290.06**	**4.43**	**0.59**
Communication	**4.75**	**1,199.92**	**1,249.11**	**49.19**	**4.10**	**0.10**
Recreation and Culture	**1.50**	**642.22**	**645.45**	**3.23**	**0.50**	**0.01**
Education	**3.94**	**1,578.11**	**1,579.62**	**1.51**	**0.10**	**0.00**
Miscellaneous Goods and Services	**2.89**	**1,157.09**	**1,198.49**	**41.40**	**3.58**	**0.08**
All Items	**100.00**	**49,186.14**	**50,884.36**	**1,698.22**	**3.45**	**3.45**

Source: Department of Census and Statistics

Annex IV

Assumptions for Revenue Estimates – 2015

The revenue estimates for 2015 are based on the expected macroeconomic development and the status of the country's tax system in which broad assumptions are as follows.

- The economy is expected to grow by about 8 percent in 2015 and the growth is expected to be broad based.
- The inflation is expected to remain subdued at around 5.5 percent in 2015.
- The recovery of the global economy is expected to be strengthened.
- The external sector is expected to improve further in 2015 by maintaining a surplus in the Balance of Payments (BOP).
- Growth in exports is expected to continue with the enhanced external demand while helping a commensurate improvement in domestic economic activities.
- Imports are projected to record a relatively high growth with increased demand for investment and intermediate goods by both private and public sector to support higher export growth and economic growth.
- A stable exchange rate is expected to be continued, supported by the enhanced external reserves of the country.
- Domestic demand is expected to improve consequent to a strong improvement in domestic economic activities complemented by the low interest rate regime.
- The growth in the money supply in 2015 is expected to maintain at a level compatible with the expected nominal growth of around 14 percent of GDP.
- Tax system is expected to continue without significant changes to existing tax rates. The gradual establishment of the tax system in the country will help to generate expected revenue.
- Automation of the Customs clearing process for both import and export will help to enhance the customer satisfaction and enhance the revenue.
- Automation of Inland Revenue Department (IRD) by the introduction of Revenue Administration and Management Information System (RAMIS) will help to provide better service to tax payer and enhance the revenue.

Key Sectoral Growth Rates %

	2012	2013	2014 Jan-Jun(a)
GDP	6.3	7.3	7.7
Agriculture	5.2	4.7	3.1
Industry	10.3	9.9	12.4
Services	4.6	6.4	6.1
Inflation - GDP Deflator (%)	8.9	6.7	5.4
Unemployment Rate (%)	4.0	4.4	-
Private Investment (% of GDP)	23.7	22.7	-

Source: Department of Census and Statistics

(a) Provisional

Value Added Tax (VAT)

Rate	Item
Zero Rate	Export Goods
Standard Rate (12%)	General Items
Exemptions	Goods and Services which are listed in the VAT exemption list of the VAT Act.

Value of Imports

USD Mn.

	2013	2014(a)
Rice	18	146
Sugar	289	294
Other Food	1,061	1,097
Other Consumable Goods	1,814	2,021
O/W Motor Vehicles	582	782
Fuel	4,308	5,178
Fertilizer	239	239
Wheat and Maize	323	388
Chemicals	734	783
Textiles	2,046	2,266
Other Intermediate Goods	2,904	2,892
Machinery and Equipment	2,222	2,094
Transport Equipment	1,357	1,315
Building Materials	668	459
Other	20	14
Total	**18,003**	**19,188**

Source: Central Bank of Sri Lanka
(a) Projection

Composition of Imports

Category	% of Total Imports	
	2013	2014(a)
Consumer Goods	17.7	18.5
Intermediate Goods	58.7	61.3
Investment Goods	23.6	20.2

Source: Central Bank of Sri Lanka
(a) Projection

Customs Duty Structure

	Rate
Essential commodities, Basic raw materials and Machinery	Zero
Semi processed items (Lowest level of protection for domestic industry)	7.5%
Intermediate products (Medium level of protection for domestic industry)	15%
Finished products (Highest level of protection for domestic industry)	25%

Value of Imports and Growth

	2013	2014(a)	2015(a)
Value of Imports (US $ Mn.)	18,003	19,188	20,500
Growth	(6.2)	6.6	6.8

Source: Central Bank of Sri Lanka
(a) Projection

Products/Sales Value - Selected Excisable Items

	2013	2014 Est	2015 Proj
Hard Liquor (Million Lt.)	44	46	47
Malt Liquor (Million Lt.)	120	122	124
Cigarettes (Million Sticks.)	4,035	4,020	4,010
Petrol (Million Lt.)	1,065	1,100	1,150
Diesel (Million Lt.)	2,092	2,400	2,500

Cigarettes Excise Duty Structure (As at 10.10.2014)

	Rs. per 1,000 sticks
Cigarettes each not exceeding 60mm. in length	5,722
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	10,355
Cigarettes each exceeding 67mm. but not exceeding 72mmin length	12,100
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	17,746
Cigarettes each exceeding 84mm. in length	21,000

Liquor Excise Duty Structure (As at 10.10.2014)

	Rs. Per Litre
Coconut Processed/ Molasses Arrack (Per Proof Litre)	1,200
Country Made Foreign Liquor (Per Proof Litre)	1,370
Molt Liquor (Beer) above 5% in strength (Per Litre)	145
Molt liquor (Beer) less 5% in strength (Per Litre)	120
Wine (Per Proof Litre)	898

Petroleum Excise Duty Structure

Petrol	Rs.27.00 per liter
Diesel	Rs.3.00 per liter

Excise (Special Provisions) Duty: Motor Vehicles Duty Structure

Item/ Engine Capacity	Rate
(i) Cars - Petrol	
Less than 1000 cc	92% or Rs. 750,000 per unit
1000 cc - 1600 cc	92%
1600 cc - 2000 cc	92%
Exceeding 2000 cc	122%
Exceeding 3000 cc	137%
(ii) Cars - Diesel	
Less than 1600 cc	122%
1600 cc - 2000 cc	137%
2000 cc - 2500 cc	152%
Exceeding 2500 cc	183%
(iii) Cars - Hybrid/ Petrol	
Less than 1000 cc	14%
1000 cc - 1600 cc	14%
1600 cc - 2000 cc	14%
Exceeding 2000 cc	40%
Exceeding 3000 cc	57%
(iv) Cars - Hybrid/ Diesel	
Less than 1000 cc	21%
1000 cc - 1600 cc	21%
1600 cc - 2000 cc	40%
Exceeding 2000 cc	57%
(v) Vans	
13 - 20 Persons/ Diesel	46%
13 - 20 Persons/ Petrol	46%
Less than 13 Persons/ Diesel	122%
Less than 13 Persons/ Petrol	92%

Ports and Airports Development Levy

	Rate
General Rate	5.0%
Identified accessories, parts etc. for garments industry	2.5%
Raw materials for manufacturing of Pharmaceuticals	2.0%
Imports for Re-export	Exempt

Receipt of Profits/ Profit Transfers and Dividends: 2013 – 2015

Rs.Mn

	2013	2014 Budget	2015 Estimates
1. Bank of Ceylon	5,346	7,346	8,346
2. National Savings Bank	5,060	7,063	7,563
3. People's Bank	4,816	6,158	7,058
4. State Mortgage and Investment Bank	40	20	100
5. Regional Development Bank	500	500	500
6. Lanka Puthra Development Bank	36	32	43
7. National Development Bank	9	10	10
8. Telecommunications Regulatory Commission	10,100	8,000	10,000
9. National Insurance Trust Fund	3,200	3,500	3,500
10. Sri Lanka Insurance Corporation Ltd.	2,199	2,300	2,200
11. Sri Lanka Telecom	760	840	850
12. Geological Survey & Mines Bureau	700	800	850
13. National Lotteries Board	500	800	650
14. Airport and Aviation Servises (SL) Ltd.	500	500	800
15. Civil Aviation Authority	200	400	350
16. Board of Investment of Sri Lanka		300	150
17. Lanka Mineral Sands Ltd.		550	100
18. Lanka Electricity Company Ltd.	75	75	50
19. Independence Television Network	50	75	150
20. Sri Lanka Rupavahini Corporation		30	30
21. State Pharmaceutical Manufacturing Corporation	20	35	40
22. State Pharmaceuticals Corporation	50	25	100
23. State Timber Corporation	50	250	50
24. De La Rue Lanka Currency & Security Print	43	45	51
25. Lanka Industrial Estates	54	60	50

Cont... **Receipt of Profits/**

	2013	2014 Budget	2015 Estimates
26. Lanka Phosphate Ltd.	25	40	50
27. Paranthan Chemicals Co Ltd.		8	10
28. Lanka Leyland Ltd.	96	80	60
29. Rakna Arakshaka Lanka Ltd.	16	25	25
30. Sri Lanka Convention Bureau		15	20
31. Ceylon Fertilizer Ltd.	9	10	20
32. Lanka Sugar Co.Ltd.		500	-
33. Pussellawa Plantation Ltd.	14	15	22
34. Kotagala Plantation Ltd.	8	10	5
35. Chilaw Plantation Ltd.	35	50	50
36. Kurunagala Plantations Ltd.	40	80	66
37. Kalubovitiyana Tea Factory		-	10
38. Namunukula Plantation	33	15	25
39. Elpitiya Plantation	7		8
40. Sri Lanka Export Credit Insuarance Corporation	25	32	50
41. National Gem & Jewellery Authority	100	100	-
42. Insurance Board of Sri Lanka	300	300	-
43. Securities and Exchange Commission	94	100	-
44. Others	59	2,296	4,988
Total Levy & Dividends	**35,169**	**43,390**	**49,000**

Source: Department of Public Enterprises

Rent Income

Rs.Mn

	2013	2014 Revised Budget	2015 Estimate
Rent on Government Buildings & Housing	621	650	740
Rent on Crown Forests	904	2,000	2,500
Rent from Land & Other	50	50	60
Lease Rental from Regional Plantation Companies	695	1,000	1,200
Others	62	3,120	300
Total Rent Income	**2,331**	**6,820**	**4,800**

Fees and Charges

Rs.Mn

	2013	2014 Revised Budget	2015 Estimate
Service Charges by Government Press	469.5	480	550
Fees of Passport, Visas and Dual Citizenship	7,529	8,500	9,000
Examination & Other Fees	156.3	200	230
Fees Under the Motor Traffic Act & Other Receipts	6,525	7,000	7,500
From Others Various Sources	25,470	30,105	40,150
Total	**40,151**	**46,285**	**57,430**