



FISCAL MANAGEMENT REPORT 2018

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

09th NOVEMBER 2017

Issued under the Fiscal Management (Responsibility) Act, No. 3 of 2003, consisting of the Fiscal Strategy Statement - 2018 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report - 2018 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance and Mass Media

ISBN 978-955-0814-16-9

Printed at Government Press, No. 118, Base Line Road, Colombo 08, and published by the Ministry of Finance and Mass Media, The Secretariat, Colombo 01, Sri Lanka.

CONTENTS	
	Page
Key Economic Indicators	vi
Reporting Requirements under the Fiscal Management (Responsibility) Act, No. 3 of 2003	vii
Compliance - 2017	viii
PART I	
1. Medium Term Fiscal Strategy	3
1. Overview	3
2. Fiscal Strategy in the Medium Term	4
3. Reform Initiatives	8
4. The Global Economic Conditions and its Impact on Sri Lanka	13
5. Medium Term Strategic Priorities of the Fiscal policy	13
6. Key Fiscal Measures for the Improvement of Overall Fiscal Policy Implementation	14
PART II	
Budget Economic and Fiscal Position Report - 2018	
1. Fiscal Developments	17
1.1 Overview	18
1.2 Government Revenue	25
1.3 Government Expenditure	37
2. Treasury Operations	41
2.1 Performance of Cash Flow of the General Treasury	42
2.2 Management of Public Debt	42
2.3 Disclosure of Contingent Liabilities on Treasury Guarantees	43
3. Foreign Financing	45
3.1 Foreign Financing Commitments from January to september 2016	46
3.2 Foreign Financing Disbursements	51
3.3 Committed Undisbursed Balance (CUB) of Foreign Financing and Utilization	53
3.4 External Debt Stock and Debt Service Payments	53
4. Performance of State Owned Business Enterprises	55
4.1 Overview	56
4.2 A Brief Review of the 10 Major SOBEs	56
5. The Economy	65
5.1 Economic Growth	66
5.2 Agriculture	67
5.3 Industry	74
5.4 Services	77
5.5 Unemployment	81
5.6 Monetary Sector Developments	82
5.7 Inflation	84
5.8 Stock Market	85
5.9 External Sector Developments	86
6. Global Economic Trends	93
6.1 World Economic Growth	94
6.2 Inflation	94
6.3 Fiscal Deficits	96
6.4 Government Debt	96
6.5 Unemployment	96
6.6 Interest Rates	96
6.7 International Trade	96
6.8 Commodity Prices	97
6.9 Energy Prices	97
6.10 Capital Flows	97
Basis Used for the Preparation of 2017 Budget Estimates	98

TABLES		Page
PART I		
Table 1.1	Medium Term Macro Fiscal Framework: 2017-2021	6
Table 1.2	Summary of Key Indicators of World Economy	7
PART II		
Table 1.1	Summary of the Budget	19
Table 1.2	Estimated and Actual Revenue and Expenditure : 2017	24
Table 1.3	Summary of Performance of Government Revenue	26
Table 1.4	Performance of Income Tax	27
Table 1.5	Performance of VAT	28
Table 1.6	Performance of Excise Duty	29
Table 1.7	Excise Duty Rate Revisions on Cigarettes	30
Table 1.8	Motor Vehicle Imports and New Registration of Vehicles	31
Table 1.9	Coverage of Product and Value of Imports Under Free Trade Agreements	31
Table 1.10	Special Commodity Levy Rates	32
Table 1.11	Performance of NBT, Stamp Duty and Motor Vehicle Registration Fees	34
Table 1.12	Cess Revenue from International Trade	35
Table 1.13	Variance Analysis of Government Revenue	36
Table 1.14	Performance of Government Expenditure	37
Table 1.15	Behavior of Yield Rates (%) on Government Securities and Exchange Rate 2016-2017	38
Table 1.16	Welfare Expenditure	39
Table 2.1	Statement on Treasury Cash Flow Operations	42
Table 2.2	Gross Domestic Borrowings by Instruments	43
Table 3.1	Foreign Financing Development Commitments and Market Borrowings with Terms	47
Table 3.2	Disbursements Made by Each Development Partner in the form of ODA	51
Table 4.1	Composition of Electricity Generation Capacity	58
Table 4.2	Financial Outturn of AASL	61
Table 4.3	Financial Outturn of Sri Lankan Airlines	62
Table 4.4	Profitability of 55 State Owned Business Enterprises (SOBES)	62
Table 4.5	Levy/Dividend of State Owned Enterprises	64
Table 5.1	Sectoral Composition of GDP (at 2010 Constant Prices)	71
Table 5.2	Selected Indicators of the Services Sector	78
Table 5.3	Performance of the Tourism Sector	79
Table 5.4	Sectoral Distribution of GDP Growth (%)	81
Table 5.5	Headline Inflation, Core Inflation and Food Inflation	84
Table 5.6	Movements in the Capital market	85
Table 5.7	External Trade	87
Table 6.1	Key Indicators of the World Economy - 2017	95

CHARTS		Page
PART II		
Chart 1.1	Composition of Total Revenue	26
Chart 1.2	Total Revenue by Source	27
Chart 1.3	Performance of Excise Duty	29
Chart 2.1	Gross Domestic Borrowings by Instruments	43
Chart 3.1	Sector-Wise Commitment for Development Activities	46
Chart 3.2	Disbursements Made by Each Development Partner	52
Chart 3.3	Disbursement Made for each Sector	52
Chart 3.4	CUB of Development Projects and Programs	53
Chart 5.1	GDP Growth	66
Chart 5.2	Composition of GDP - First Half 2017	67
Chart 5.3	Composition of Agriculture Sector - First Half 2017	68
Chart 5.4	Composition of Industry Sector - First Half 2017	75
Chart 5.5	Composition of Manufacturing Sector - First Half 2017	76
Chart 5.6	Composition of Services Sector - First Half 2017	77
Chart 5.7	Unemployment	82
Chart 5.8	Yield Rates, Monetary Aggregates and Private Sector Credit Growth	83
Chart 5.9	Movements in Headline, Core and Food Inflation (Based: 2006/07=100)	85
Chart 5.10	Trade Balance and Exchange Rate Movements	88
Chart 5.11	Composition of Exports	89
Chart 5.12	Composition of Imports	90
Chart 5.13	Workers' Remittances by Amount, Type of Employment and Originating Country	91

BOXES		Page
Box 1	Key Features of the New Inland Revenue Act	7
Box 2	Income Tax Regime as at September 2017	8
Box 3	Major Fiscal Measures (January - September 2017)	21

ANNEXES		Page
Annex I	Allocations Provided from the Budgetary Support Services and Contingent Liability Project (January- August, 2017)	102
Annex II	List of Treasury Guarantees Issued by the General Treasury up to 31.08.2017	139
Annex III	Macroeconomic Indicators	140
Annex IV	Assumptions for Revenue Estimates - 2018	148

Key Economic Indicators

Indicator	Period	Unit	Value	
			2016	2017
REAL SECTOR				
Economic Growth	First Half	%	3.7	3.9
Agriculture	First Half	%	-3.0	-3.1
Industry	First Half	%	5.8	5.8
Services	First Half	%	3.6	4.0
Inflation (Point to Point)- CCPI	End Sep	%	4.2	7.1
Inflation (Average)-CCPI	End Sep	%	3.9	5.8
Unemployment Rate	First Qtr	%	4.2	4.1
Labour Force Participation Rate	First Qtr	%	54.1	54.7
FISCAL SECTOR				
Budget Deficit	Jan-Aug	Rs. Bn.	-485	-520
Total Revenue	Jan-Aug	Rs. Bn.	1,013	1,172
Tax Revenue	Jan-Aug	Rs. Bn.	932	1,095
Non Tax Revenue	Jan-Aug	Rs. Bn.	81	77
Total Expenditure	Jan-Aug	Rs. Bn.	1,499	1,695
Recurrent Expenditure	Jan-Aug	Rs. Bn.	1,159	1,294
Public Investment	Jan-Aug	Rs. Bn.	349	405
Government Debt	End Jun	Rs. Bn.	9,062	10,164
EXTERNAL SECTOR				
Exports	Jan-Jul	US\$ Mn.	6,022	6,413
Agriculture Exports	Jan-Jul	US\$ Mn.	1,313	1,560
Industrial Exports	Jan-Jul	US\$ Mn.	4,683	4,823
Textile and Garments	Jan-Jul	US\$ Mn.	2,940	2,850
Other	Jan-Jul	US\$ Mn.	1,743	1,973
Imports	Jan-Jul	US\$ Mn.	10,754	11,742
Consumer Goods	Jan-Jul	US\$ Mn.	2,431	2,558
Intermediate Goods	Jan-Jul	US\$ Mn.	5,485	6,251
o/w Petroleum Products	Jan-Jul	US\$ Mn.	1,320	1,840
Investment Goods	Jan-Jul	US\$ Mn.	2,830	2,799
Trade Balance	Jan-Jul	US\$ Mn.	4,732	5,329
Tourist Arrivals	Jan-Aug	No.	1,359,906	1,406,854
Earnings From Tourism	Jan-Aug	US\$ Mn.	2,333	2,414
Workers' Remittances	Jan-Aug	US\$ Mn.	4,804	4,503
Portfolio Investments (Net)	Jan-Jul	US\$ Mn.	-31	253
Overall Balance of Payments (BOP)	Jan-Jul	US\$ Mn.	356	1449
Gross Official Reserves	End Aug	US\$ Mn.	6,599	7,694
Exchange Rate (End Month)	End Sep	Rs. per US\$	146.72	153.09
Exchange Rate (Monthly Average)	Jan- Sep	Rs. per US\$	145.78	152.89
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Sep	%	7.00	7.25
Standing Lending Facility Rate (SLFR)	End Sep	%	8.50	8.75
Statutory Reserve Requirement (SRR)	End Sep	%	7.50	7.50
Commercial Bank Weekly Average Weighted Prime Lending Rate (AWPR)	End Sep	%	12.29	11.42
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End Sep	%	10.61	9.31
W.A. Yield Rate of Treasury Bills (91 Days)	End Sep	%	8.55	8.71
W.A. Yield Rate of Treasury Bills (364 Days)	End Sep	%	10.11	9.10
Growth in Money Supply (M _{2b})	Aug 2017/ Aug 2016	%	17.3	21.3
Growth in Credit to the Private Sector	Aug 2017/ Aug 2016	%	27.3	18.0

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 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 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 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 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 - 2017

- **Final Budget Position Report - The Annual Report - 2016 of the Ministry of Finance**

Stating the fiscal and economic position of 2016 was released to the public by end May 2017 and was soon thereafter placed before Parliament.

- **Mid-Year Fiscal Position Report- 2017** was released to the public by end June 2017 and was soon thereafter placed before Parliament.

This Fiscal Management Report-2018 contains:

Fiscal Strategy Statement-2018, 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 Parliament on the day of the second reading of the Appropriation Bill.

- **Budget, Economic and Fiscal Position Report - 2018** 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 Parliament on the day of the second reading of the Appropriation Bill.

PART I

Fiscal Strategy Statement - 2018
Issued by the Hon. Minister of Finance and Mass Media
Under sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act, No. 3 of 2003

This report is issued under 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 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 the key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

Medium Term Fiscal Strategy

MEDIUM TERM FISCAL STRATEGY

1. Overview

The government has formulated a medium-term fiscal strategy in line with the “**Vision 2025, A Country Enriched**” launched on 5th September 2017, aimed at *creating an environment where all citizens have the opportunity to achieve higher incomes and better standards of living* while making Sri Lanka a prosperous nation by 2025. The strategy has been articulated to create an export-oriented, knowledge-based, highly competitive, social market economy that would be resilient to challenges arisen in both domestic and external environments. The foundation has already been laid for the transformation of the economy by enhancing incomes, generating employment, assuring housing for all, and improving the quality of life for all citizens. By 2020, the government expects to raise per capita income to US dollar 5,000 advancing to a higher-middle income country. Some of the other major targets include generating one million employments, attracting Foreign Direct Investments (FDI) amounting to US dollar 5 billion, and doubling the exports to US dollar 20 billion. These targets will be realized with the help of envisaged structural transformation of the economy underpinned by outward-looking policies, efficiency improvements and overcoming structural barriers to growth. A series of reforms is in place in order to strengthen macroeconomic stability, institutional capacity, market structures and legal reforms while improving the productivity and competitiveness of the economy. These reforms will help enhance domestic private investment as well as FDI thereby

enhancing the economic growth in the medium term.

Sri Lanka will become a trade and services hub through the provision of an appropriate incentive regime to promote private investment and export-led economic growth. The reform initiatives will address the policies, the state of markets, the role of government, and regulatory institutions that determine long-term growth dynamics. A strong and stable macroeconomic foundation has been laid on the basis of a broader reform effort, a better mix of fiscal consolidation efforts coupled with prudent monetary and exchange rate policy reforms. This will provide the basis for deeper reforms pertaining to trade and investment as well as factor market constraints in land, labour, and capital. The government will provide socio-economic security to the poorer segment of the society through stronger social safety nets to mitigate their vulnerability to shocks.

The Sri Lankan economy is expected to strengthen over the medium term with the envisaged development strategy. Real GDP is forecast to edge up to 5 percent in 2017 due to lingering supply-side shocks in the domestic economy and continued downside risks in the global economy. Economic transition to a broader-based growth in 2018 is expected, supported by household consumption, investment, and exports. Broader macroeconomic conditions have been improved with the revenue-based fiscal consolidation process, well-anchored inflation expectations, and improved external reserves. Headline inflation will remain below 5 percent in 2018 and the Central

Bank of Sri Lanka (CBSL) is in the process of implementing flexible inflation targeting over the medium term. Meanwhile, the shortcomings in the fiscal front are being addressed by introducing revenue-based fiscal consolidation measures such as New Inland Revenue Act (IRA) and improved tax administration. The unemployment is forecast to gradually decline with the creation of new job opportunities.

In June 2016, Sri Lanka entered into a three-year arrangement under the Extended Fund Facility (EEF) of US dollar 1.5 billion with the International Monetary Fund (IMF) to support the country's economic performance. By July 2017, the IMF has conducted two periodical reviews and the total disbursements amounted to US dollar 501.5 million. With the EEF arrangement, it is expected to further reduce the fiscal deficit, rebuild foreign reserves and foster macroeconomic conditions of the country while improving investment conditions in the medium term.

The government remains committed to its fiscal strategy of containing budget deficit to a sustainable level by maintaining fiscal discipline, revenue-based fiscal consolidation and rationalizing government expenditure to improve productivity. The overall fiscal policy is framed by fiscal consolidation targets as specified in the Fiscal Management (Responsibility) Act, No. 3 of 2003. In 2016, the budget deficit contained to 5.4 percent of GDP from 7.4 percent recorded in 2015. The budget deficit is expected to fall from the estimated 5.2 percent of GDP in 2017 to 3.5 percent of GDP in 2020. The gradual containment of budget deficit will help record surpluses in both current and

primary accounts in 2018 and beyond. Government revenue as a percentage of GDP is forecast to increase from 14.7 percent in 2017 to 16.4 percent in 2020. Tax revenue as a percentage of GDP remained unchanged at 12.4 percent in 2015 and 2016. The tax to GDP ratio is expected to increase from 13.5 percent in 2017 to 14.9 percent in 2020 with the rationalization of the tax system, broadening the tax base, strengthening the tax administration while minimizing tax evasion. Government expenditure as a share of GDP declined to 19.7 percent in 2016 from 21.6 percent in 2015. This ratio is forecast to increase to 20.0 percent in 2020 from 19.9 percent in 2017.

Rationalization of expenditure continued, in particular, better targeting of welfare expenditure such as fertilizer subsidy and school uniforms with cash transfers. With these fiscal consolidation measures, the debt to GDP ratio is expected to drop to 70 percent in 2020 from 79.3 percent in 2016. This fiscal strategy of containment of the budget deficit and public debt on a sustained path will help achieve macroeconomic stability in the country. The fiscal consolidation would enhance public investment to the tune of 5-6 percent of GDP for the period 2017-2020 in socioeconomic infrastructure development, and human resource development.

2. Fiscal Strategy in the Medium Term

Revenue-based fiscal consolidation continued aiming at reducing fiscal deficit as a percentage of GDP to 3.5 percent and debt to GDP ratio down to 70 percent by 2020. The fiscal operations have been

governed by the Fiscal Management (Responsibility) Act, No. 3 of 2003, which provides a legal framework to phase out fiscal deficits and associated debt to support the broad-based development objectives in the Medium Term Macro-Fiscal Framework (MTMFF). The revenue-based fiscal consolidation will be cushioned by the expected tax and administrative reforms coupled with efficiency gains in public expenditure management in the medium term. Delivering these medium-term objectives will move the country into a new growth trajectory that can cope with economic shocks and natural disasters such as floods and drought and reduce the burden of debt for future generations.

In line with the *Vision 2025* and above medium-term fiscal objectives, the government's priorities are:

- reducing the public debt to 70 percent of GDP in 2020;
- curtailing the budget deficit to 3.5 percent of GDP in 2020;
- maintaining a primary surplus in 2018 and beyond;
- balancing direct to indirect tax ratio to 40:60 from its current ratio of 20:80;
- increasing government revenue to around 16-17 percent of GDP and tax revenue to about 14-15 percent of GDP in the medium term;
- maintaining public investment at 5-6 percent of GDP in the medium term; and
- rationalizing government expenditure while eliminating unproductive expenditure.

Revenue-based fiscal consolidation has been identified as a measure of reducing public debt and gross financing requirements in the medium term. Tax revenue to GDP ratio, which declined until 2015, remained as a constraint to fiscal consolidation efforts and this ratio was low at about 10.8 percent over the period 2010-2014. This ratio increased to 12.4 percent in 2015 and it sustained in 2016. The revenue shortfall exerted pressure on the public debt resulting in an increase of debt to GDP ratio to 79.3 percent in 2016. In addition, some loss-making State-Owned Enterprises (SOEs) have contributed to the accumulation of public debt in the country. The ongoing prudent fiscal consolidation and public financial management measures will help mitigate possible risks associated with macroeconomic vulnerabilities in the country over the medium term.

A series of measures has been taken by the government to rationalize tax exemptions and concessions and simplify the tax laws while strengthening the tax administration in revenue collecting agencies such as Inland Revenue Department (IRD), Sri Lanka Customs (SLC) and the Excise Department. Meanwhile, IT solutions such as Revenue Administration Management Information System (RAMIS) at IRD, "Single Window System" at SLC and the linkage of these systems with the Integrated Treasury Management Information System (ITMIS) at the General Treasury has been initiated to strengthen the administrative process and improve the capacity of the staff. These administrative measures will minimize tax evasion while improving tax compliance and public financial management. The government is keen on

gradually changing the ratio of direct to indirect tax collection in the medium term to reduce the burden of taxes on the poorer segment of the society. In addition, improvement of the non-tax collection is underway.

Sri Lanka has a full potential to grow faster in 2018 and beyond since the South Asia remains as the fastest growing region in the world led by excessively positive growth in India. The projection on the global economy for the medium term are provided in Table 1.2.

Table 1 | Medium Term Macro Fiscal Framework : 2017-2021 (As a percent of GDP)

Indicator	2016	2017	2018	Projections		
		Forecast Revised	Forecast	2019	2020	2021
Total Revenue and Grants	14.3	14.7	15.3	15.9	16.4	17.0
Total Revenue	14.2	14.6	15.2	15.8	16.4	16.9
Tax Revenue	12.4	13.5	14.0	14.4	14.9	15.4
Income Tax	2.2	2.4	2.6	2.8	3.1	3.4
VAT	2.4	3.5	3.7	4.0	4.1	4.2
Excise Tax	3.8	3.7	3.8	3.7	3.8	3.8
Tax on External Trade	3.1	3.0	3.0	2.9	2.9	2.9
Other	0.9	0.9	1.0	1.0	1.0	1.1
Non Tax Revenue	1.9	1.1	1.2	1.4	1.5	1.5
PC Tax Sharing & Devolved Revenue	0.7	0.7	0.7	0.7	0.7	0.7
Grants	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	19.7	19.9	19.8	19.9	20.0	20.2
Recurrent Expenditure	14.8	15.1	15.1	15.0	15.0	15.0
Salaries and Wages	4.8	4.6	4.4	4.3	4.3	4.2
Interest Payments	5.2	5.6	5.8	5.9	5.9	5.9
Subsidies and Transfers	3.6	3.6	3.5	3.5	3.4	3.4
Other Goods and Services	1.3	1.4	1.4	1.4	1.4	1.5
Expenses from PC Revenue	0.7	0.7	0.7	0.7	0.7	0.7
Public Investment	5.0	4.9	4.8	4.9	5.0	5.2
o/w Roads	1.5	1.5	1.5	1.5	1.5	1.7
Education	0.6	0.6	0.6	0.6	0.6	0.8
Health	0.4	0.4	0.4	0.4	0.4	0.6
Irrigation	0.5	0.5	0.5	0.5	0.5	0.7
Transport	0.5	0.5	0.5	0.5	0.5	0.7
Revenue Deficit(-)/Surplus(+)(% of GDP)	-0.6	-0.5	0.1	0.8	1.4	1.9
Budget Deficit(-)/Surplus(+)(% of GDP)	-5.4	-5.2	-4.5	-4.0	-3.5	-3.2
Government Debt (% of GDP)	79.3	78.5	77.5	75.6	73.0	70.0

Sources: Department of Fiscal Policy and Department of National Budget

As the first major post-independence tax reform in Sri Lanka, the introduction of New IRA is expected to be implemented with effect from April 01, 2018 thereby

supporting Government's revenue based fiscal consolidation, creating efficient and equitable tax system and expanding the fiscal space to provide more resources for

social and development needs. The IRA will help boost Sri Lanka's low-level government revenue by the introduction of more efficient, modern and broad-based tax system. The major features in the Act include low corporate tax rate for

Small and Medium Enterprises (SMEs) and exporters, tax exemptions for investments in Northern Province and the increase of tax threshold for employees and senior citizens.

Table 2 | Summary of Key Indicators of World Economy

Indicator	Unit	2016	Projection		
			2017	2018	2021
GDP Growth	%				
Advanced Economies		1.7	2.0	2.0	1.7
Emerging and Developing Economies		4.1	4.5	4.8	5.0
Inflation	%				
Advanced Economies		0.8	2.0	1.9	2.1
Emerging and Developing Economies		4.4	4.7	4.4	4.1
Fiscal Deficit	% of GDP				
Advanced Economies		-2.9	-2.7	-2.7	-2.7
Emerging Market and Middle Income Economies		-4.8	-4.4	-3.9	-3.0

Sources: World Economic Outlook, IMF, April 2017, Fiscal Monitor, IMF, April 2017

Box 1 | Key Features of the New Inland Revenue Act

- ◇ Classification of sources of income under the major areas of (i) employment; (ii) business; (iii) investment; and (iv) other income
- ◇ Reintroduction of tax on capital gain arising on investment assets at the rate of 10%
- ◇ Taxation of employment income at progressive rates up to 24% and the revision of slabs applicable for individual taxable income
- ◇ The increase of qualifying payment relief on employment income of resident individuals to Rs. 700,000 from Rs. 250,000
- ◇ Revision of capital allowance rate
- ◇ Revision of rules on utilization of losses and carrying forward unutilized losses only up to 6 years
- ◇ Revision of the definition of "dividend" for the inclusion of share repurchase and capital reduction
- ◇ Expansion of the withholding tax (WHT) scope and revision of withholding tax rates
- ◇ Removal of WHT on Treasury Bills and Treasury Bonds
- ◇ The increase in the rate of tax applicable to dividends and certain interest to 14% from 10%
- ◇ Revision of tax rates and the introduction of a three-tier tax structure of 14%, 28% and 40%
- ◇ Streamline exemptions and withdrawal of the most of the institutional exemptions
- ◇ Extension of time bar provision for raising assessments to 30 months, other than in the case of default assessments
- ◇ Strengthen the provisions for advanced ruling system
- ◇ Introduction of new investment incentives regime based on investment value
- ◇ Temporary concessions for IT/BPO, renewable energy and relocation of international headquarters.

3. Reform Initiatives

The government announced a series of focused macroeconomic reforms including revenue-based fiscal consolidation, price stability and market-based competitive exchange rate, factor market, legislative, administrative, institutional and capacity improvement reforms under the *Vision 2025*. These reforms mainly cover reforms in the areas of revenue enhancement, expenditure management, and public debt management, improvements in the areas of the investment climate, public enterprises, procurement and overall policy perspectives.

Tax Reforms

Several tax reforms have been undertaken to address issues in the tax system to enable the government to sustainably cover its commitments through broadening the tax base, simplifying the tax system, rationalizing the tax exemptions and strengthening the tax administration. The reforms include the increase in Value Added Tax (VAT) rate from 11 percent to 15 percent, the expansion of VAT base by reducing VAT registration threshold and removing several tax exemptions, reducing the threshold level of Nation Building Tax (NBT), the increase of Economic Service Charge (ESC) rate from 0.25 percent to 0.5

percent, the removal of existing exclusion of profit-making business and imposition of ESC at the point of importation on certain goods, the increase in unit rates of excise duty applicable to motor vehicles. Also, Excise (Ordinance) duty on imported foreign liquor was imposed while reducing the allowance for the loss of ethanol by evaporation and leakage in storage and transportation. The tax administration is being strengthened through the commencement of RAMIS and the expansion of this system for major domestic taxes, effective risk-based tax audit, tax consultation and taxpayer services at IRD, Single Window System at SLC to simplify export and import trade and ITMIS at the General Treasury followed by other VAT base broadening reforms. In addition, New IRA has been passed in Parliament to simplify the tax laws which will help increase the direct tax revenue collection of the government.

Reforms have been implemented in international trade-related taxes with the introduction of a three-band tariff structure (0, 15 and 30) by replacing a four-band tariff system (0, 7.5, 15 and 25). The government is moving towards phasing out para-tariffs to increase competitiveness in the international trade while giving sufficient time to the stakeholders to adjust to the liberalization process.

Box 2 Income Tax Regime (as at end of September 2017)	
Description	Tax Rate (%)
Individuals	
Tax free allowance for residents/non- resident citizens of Sri Lanka	Rs. 500,000
Tax on Taxable Income	
First Rs. 500,000	4.0
Next Rs. 500,000	8.0
Next Rs. 500,000	12.0
Next Rs. 500,000	16.0

Box 2 Income Tax Regime (as at end of September 2017)	
Description	Tax Rate (%)
Next Rs. 1,000,000	20.0
Balance	24.0
Pay-As-You-Earn (PAYE) tax is not applicable on employment income up to Rs.750,000	
Tax on Taxable Income	
First Rs. 500,000	4.0
Next Rs. 500,000	8.0
Next Rs. 500,000	12.0
Balance	16.0
Tax rates for professionals (providing professional services)	
Taxable income does not exceed Rs. 25 Mn.	12.0
Exceeds Rs. 25 Mn. but not exceed Rs. 35 Mn.	14.0
Exceeds Rs. 35 Mn.	16.0
For Employees who work for more than one employer	
If payment does not exceed Rs. 25,000 per month	10.0
If payment exceeds Rs. 25,000 per month	16.0
Employees of public sector who work for more than one employer	
If payment does not exceed Rs. 50,000 per month	10.0
If payment exceeds Rs. 50,000 per month	16.0
Terminal benefits from employment (Retiring Gratuity etc.)	
Period of service or contribution is less than 20 years - first Rs. 2 Mn.	Exempted
Period of service or contribution is not less than 20 years - first Rs. 5 Mn.	Exempted
On the next Rs. 1,000,000	5.0
On the balance	10.0
Compensation under Voluntaries Retirement Scheme (VRS) uniformly applicable- up to Rs. 2 Mn.	Exempted
Compensation under Labour Commissioner approved scheme- up to Rs. 2 Mn.	Exempted
Non-uniform compensation for loss of employment-normal rates	Maximum 16
Corporate Income Tax	
Standard Rate	
All companies (other than companies taxed at special rates)	
Not dealing in Liquor and Tobacco	28.0
Dealing in Liquor and Tobacco	40.0
Dividend Tax	10.0
Remittance Tax on Non-Resident Companies	10.0
Other	
Partnerships tax on divisible profits	8.0
Co-operative societies	Exempted
Non-Governmental Organizations (3% of the fund received is deemed to be profit)	28.0
<i>Compiled by the Department of Fiscal Policy</i>	

Reforms in Tax Administration

Several reforms are underway geared towards improving tax administration with minimal enforcement cost. New IRA has been given enhanced powers to IRD to review transactions. In parallel, Taxpayer Identification Number (TIN) will be introduced. RAMIS, an automated tax system that facilitates a number of web-based services such as registrations, returns, tax payments, collection, and appeals etc., have been operationalized. The proposed Customs Act facilitate digitalization of the SLC.

The application of information technology has a great potential to improve tax administration by automating processes. As such, automation process of the tax systems at revenue collection agencies such as IRD, SLC and EDSL has been commenced.

Public Expenditure Management

The preparation of Budget 2018 and beyond will be based on the Performance Based Budgeting (PBB) framework, aiming at rationalizing recurrent expenditure and prioritizing capital expenditure while enhancing the government revenue and public investment which will lead to the containment of the budget deficit and the outstanding government debt. The PBB has been initiated based on the experience of implementing the zero-based budgeting approach adopted in the preceding years. In addition, quarterly expenditure and revenue commitments would help efficient management of public finance. Meanwhile, structural adjustments on key State-Owned

Enterprises (SOEs) are being undertaken to improve their efficiency and productivity and actions have already been taken to convert such SOEs to commercially viable entities. The government is committed to assuring that the social welfare expenditure such as fertilizer subsidy and Samurdhi is devoted only to the most vulnerable group of the society. Meanwhile, resources will be allocated for investing in economic infrastructure and human resources such as health, education and research and development (R&D). Public-Private Partnerships (PPPs) will be encouraged to attract foreign investors in the economic infrastructure development activities thereby easing the budgetary constraints of the government. A well-defined PPP policy will be formulated to attract private sector investment in the provision of public amenities and other services such as healthcare, tourism, and ports and aviation.

Public Financial Management

Reforms in the public financial management continued particularly in procurement, public assets management, and other public resources in order to assure transparency and accountability. The 19th amendment to the Constitution created the National Procurement Commission (NPC) to regulate and oversight the procurement in the country. The NPC is engaged in revising and improving the regulatory framework, monitoring and evaluating and handling complaints. The government is at the stage of implementing electronic government procurement (eGP) strategy after completion of its readiness assessment. Meanwhile, the government

has created a new position of Comptroller General to manage public assets and develop a 'National Asset Registry' of non-financial assets. In addition, Public Finance Act will provide the basis for the sound budget formulation, public debt management, financial management and financial reporting.

State Owned Enterprises (SOEs)

The government has identified the importance of reforming SOEs in the structural transformation of the economy. The government established the 'Ministry of Public Enterprise Development' to oversee the restructuring of SOEs while developing a strategy to address the issues pertaining to them. Meanwhile, *Vision 2025* has identified the requirement of market-based structural reforms while improving the performance and efficiency of SOEs to make them commercially viable entities. The government will introduce a cost-reflective pricing mechanism enabling them to absorb the effects of global price fluctuations to domestic users. Furthermore, the government is in the process of restructuring loss-making SOEs such as Sri Lankan Airlines in order to lessen the impact on public finance. Institutional reforms such as financial and business management, systems and procedures, internal controls and productive use of employees and capital assets etc., continued. Meanwhile, four major SOEs such as Ceylon Electricity Board (CEB), Ceylon Petroleum Corporation (CPC), National Water Supply and Drainage Board (NWSDB) and Sri Lanka Ports Authority (SLPA) have improved their performance indicators and providing the basis for increased financial discipline.

Meanwhile, CEB and CPC will implement automatic cost-reflective pricing mechanism for fuel and electricity.

Public Investment

The public investment is forecast to maintain at around 5-6 percent of GDP over the medium term in order to provide sufficient level of economic infrastructure as well as human resource development. Public Investment Programme (PIP) on infrastructure development continued through PPPs which would play a greater role in modernizing infrastructure and improvement of public services while attracting foreign investments in infrastructure development. The government is committed to providing the impetus for PPPs mainly in health, education, ports infrastructure, water supply, agriculture and other areas as feasible. Meanwhile, resources are also devoted to supporting rural economy, agriculture, Micro, Small and Medium Enterprises (MSMEs), education, healthcare and the vulnerable segments of the society.

Foreign Direct Investment

Foreign Direct Investment (FDI) plays an important role in accelerating economic growth, creating employment opportunities and transferring technological and managerial skills and know-how to domestic firms. FDI inflows to Sri Lanka average around 1.5 percent of GDP over the last five years and the bulk of them are on real estates and mixed development projects. The *Vision 2025* envisages to increase FDI inflows to USD 5 billion over the medium term. Steps have been taken to ensure policy

consistency and streamline procedures to create a conducive climate for businesses by improving existing legal and regularity framework, financial market structure and institutional development.

Debt Management

The government has endeavored to reduce its debt to a risk-free and manageable level through revenue enhancement and mobilization efforts. The debt to GDP ratio increased to 79.3 percent in 2016 from 77.6 percent in 2015 reflecting the debt financing of budget deficit, lower nominal GDP growth rate and the significant rupee depreciation on the stock of foreign currency denominated debt. However, the ratio will gradually reduce to 70 percent in 2020 with the expected lower fiscal deficit supported by a higher economic growth. The government will implement a forward-looking liability management strategy for domestic and foreign debt portfolios under the Medium Term Debt Management Strategy (MTDS) as a measure of resolving high debt stock. The MTDS will use an appropriate composition of domestic and foreign debt instruments and maturities to meet requirements of the government's cash flow.

Financial sector

A broader and liquid financial system is vital to stimulate the investment and economic stability. Several policy measures are being implemented to strengthen the financial sector. Key regulations in the financial sector such as Banking Act will be reviewed and the supervisory function of the Central Bank

will be further strengthened to assure financial stability. Despite the financial system remains stable, banks' Capital Adequacy Ratio (CAR) has declined due to the increase in credit growth. To cope with international standards, all commercial and specialized banks are expected to maintain a minimum capital ratio. Meanwhile, the comprehensive pre-risk assessment will be conducted for all banks. In order to strengthen the resilience of licensed banks, the Basel III Minimum Capital Requirement has been implemented since July 2017. The financial sector will be further strengthened with the establishment of 'Colombo International Financial Centre (CIFC)' to attract international banks to operate in Sri Lanka and the CIFC will be served as a financial hub located between Dubai and Singapore.

External Sector

External sector has been strengthened with the continued accumulation of international reserves and increased flexibility in exchange rate thereby mitigating the external shocks and vulnerabilities. By 2020, the external sector is poised to take off with the initiation of the export-oriented economic hub in the Indian Ocean. Sri Lanka's export performance over the years has been deteriorating and the export basket was limited to a few export products, mainly agricultural items, textiles and other industrial items. Sri Lanka needs far-reaching reforms to boost export sector through diversification of products, increase value addition, promotion of export-oriented foreign direct investments, entering into bilateral and regional trade agreements and creation of

competitive infrastructure. With these reforms, *Vision 2025* postulates doubling the exports to US dollar 20 billion per year. Meanwhile, the Generalized System of Preferences Plus (GSP+) facility coupled with the lifting of the fish ban imposed by the European Commission (EU) will provide impetus to the export sector. To promote the export sector, Sri Lanka Export Credit Insurance Corporation (SLECIC) will help access to trade finance and the provision of trade-related services to exporters to access overseas markets. Knowledge Process Outsourcing (KPO) and Business Process Outsourcing (BPO) will be encouraged. Further, implementation of a market-determined competitive exchange rate policy will gear towards strengthening the resilience to external shocks.

4. The Global Economic Conditions and its Impact on Sri Lanka

The global economic activity improved led by Sri Lanka's major trading partners such as the United States (US), Euro area and Japan. However, low commodity prices and geopolitical uncertainty dragged the economic situation in the Middle East and sub-Saharan Africa. Emerging economies such as China, Russia, and India reflect stronger growth despite some weaknesses. India's medium-term outlook is positive and there is a strong growth momentum with the revival of private investment. Indian economic growth is expected to average 7.4 percent in 2017 and 2018. The positive outlook in Sri Lanka's export destinations has a favourable impact on the Sri Lankan economy when the broad-based macroeconomic and financial reforms are

implemented. However, several risks are impeding the potential growth in Sri Lanka. In line with the strengthening of the US dollar and increased interest rates in the US, there can be a risk in increased capital outflows. Domestically, revenue mobilization, reforms in the SOEs and large financial needs of the government and depreciation of exchange rate will impose certain risks. Further, environmental hazards such as drought, floods, and landslide can have an adverse economic impact on the economy.

5. Medium Term Strategic Priorities of the Fiscal Policy

- Increasing tax revenue to GDP ratio to around 16-17 percent on the expansion of tax base while creating a simple, efficient and equitable tax system.
- Balancing the ratio of direct taxation to indirect tax revenue to 40:60 from its current ratio of 20:80.
- Enhancing revenue mobilization through improving capacity in tax administration through automation, risk-based audit, efficiency-enhancing measures, human resource development and simplification of tax legislation.
- Curtailing fiscal deficit to 3.5 percent in 2020 through increased tax revenue, expenditure rationalization and reducing the fiscal risks from SOEs.
- Rationalizing ineffective public expenditure and improving public expenditure management with the implementation of ITMIS and performance-based budgeting.

- Restructuring the SOEs to operate them on a commercial-footing and become viable commercial entities.
- Implementing revenue-based fiscal consolidation and improving fiscal transparency and accountability in public financial management.
- Maintaining public debt at prudent levels with strengthened fiscal consolidation and improved management of public debt.

6. Key Fiscal Measures for the Improvement of Overall Fiscal Policy Implementation

- Streamlining and consolidating tax policy to broaden the tax base, reforming towards risk-based tax administration and simplify the tax system to augment the revenue.
- Integrating RAMIS, ASYCUDA, Single Window platform and ITMIS for an effective management of revenue.
- Implementing the proposed foolproof stickers and its management system at EDSL to curb imported counterfeits and illicit alcohol in the domestic market while enhancing revenue collection.
- Simplifying the tariff system to increase competitiveness and enhancing market access.
- Improving public financial management through rationalizing non-interest expenditure within the resource envelope, curtailing unproductive expenditure and enhancing fiscal transparency and strengthening fiscal reporting system.
- Making SOEs financially viable entities through improving their financial discipline, resolution strategy (e.g. Sri Lankan Airlines) and re-aligning the current price structure to a cost-reflective price method.
- Attracting higher level of FDI and stimulating private sector investment through PPPs while entering into preferential trade agreements and focusing on unilateral trade reforms to raise overall export competitiveness.
- Improving the human capital to increase the productivity of the labour force.
- Supporting MSMEs and SMEs in capacity development and integrating them into the formal sector, strengthening ICT based marketing facilities, introducing concessionary loan schemes and implementing an SME credit guarantee scheme.
- Creating a conducive business environment through correcting legislative and regulatory changes.
- The inclusion of poor and the most vulnerable segments of the society in the development process through the establishment of an integrated, efficient social protection system while targeting subsidies for the needy.
- Removing barriers to foster private sector economic activities and improve the investment climate in the country.

PART II

Budget, Economic and Fiscal Position Report - 2018

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 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 8 months of 2017. This Report also provides key macroeconomic 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 2018 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of government.

Fiscal Developments | 01

1.1 Overview

The fiscal policy strategy of the government has been formulated to support broad based development objectives of balance economy while sustaining fiscal consolidation process in the country. This stands with benefiting from expansion of tax base and improvement of tax administration together with rationalization of expenditure. The total government revenue increased by 15.7 percent to Rs. 1,172.4 billion in the first eight months of 2017 compared to Rs. 1,013.4 billion in the same period of 2016. The tax revenue increased by 17.5 percent to Rs. 1,094.9 billion whereas non-tax revenue declined by 4.9 percent to Rs. 77.4 billion during the review period in 2017.

Domestic consumption base tax revenue increased by 26.9 percent to Rs. 342.3 billion in the first eight months of 2017, compared to Rs. 269.7 billion recorded in the same period of 2016. This was mainly due to increased domestic Value Added Tax (VAT) revenue by 67.5 percent to Rs. 181.4 billion in the review period of 2017 compared to Rs. 108.3 billion in the same period of 2016 reflecting increased VAT rate to 15 percent from 11 percent with effect from November 2016. Revenue from Nation Building Tax (NBT) also contributed to this increment on domestic base tax consumption on domestic activities by increase on NBT on domestic revenue by 37.6 percent to Rs. 32.6 billion in the first eight months of 2017 compared to Rs. 23.7 billion recorded in the same period of 2016. However, revenue generated from liquor decreased by 5.9 percent to Rs. 73.6 billion in the respective period of 2017 due to declined

consumption resulted with increased excise duty rates on liquor products. Meanwhile the revenue from cigarette products declined by 8.1 percent to Rs. 54.6 billion in the review period in 2017 due declined production stemmed with increased tax rates on cigarettes. As a result, revenue collected from excise duty imposed on liquor and cigarettes dropped by 6.9 percent to Rs 128.3 billion in the review period of 2017.

Revenue from import base tax revenue increased by 16.3 percent to Rs. 552.1 billion during the first eight months of 2017 compared to Rs. 474.9 billion recorded in the same period of 2016. The revenue generated from VAT on imports significantly increased by 61 percent to Rs. 108.6 billion mainly due to increased VAT rate to 15 percent. Revenue from NBT on imports increased by 6.0 percent to Rs. 12.4 billion resulted with the enhanced import base economic activities. Revenue from Ports and Airports Development Levy (PAL) increased by 15.8 percent to Rs. 65.6 billion. Meanwhile, revenue from Special Commodity Levy (SCL) increased by 23.4 percent to Rs. 49.2 billion in the reference period of 2017 benefiting the rate revisions done to encourage domestic productions. However import duty was decreased by 8.3 percent to Rs. 92.5 billion reflecting enhanced exempted items such as fertilizer, pharmaceutical manufacturing items and items exempted under investment agreements.

Total revenue from excise duty imposed on imported items enhanced by 15.5 percent to Rs 184.2 billion in the first eight months of 2017. The revenue generated

from excise duty on motor vehicles increased by 8.0 percent to Rs 129.5 billion during the review period of 2017 due to increased vehicles imports by 2.1 percent to 298,182 coupled with increased unit rates of excise duty rates on motor vehicles in the reference period along with the government policy towards discouraging high emission vehicle

imports. Meanwhile, re-introduction of concessionary duty schemes on import of motor vehicles was negatively impact on the government revenue. Revenue from petroleum products increased by 35.2 percent to Rs. 50.1 billion resulted with increased duty rates on diesel/gas oil from Rs. 3 per liter to Rs. 13 per liter.

Table 1.1 | Summary of the Budget

Item	Jan. - Aug.	
	2016	2017 (a)
Revenue and Grants	1,014,088	1,174,639
Revenue	1,013,395	1,172,374
Tax	931,980	1,094,948
Non Tax	81,415	77,426
Grants	693	2,265
Expenditure	1,499,138	1,694,859
Current	1,159,488	1,294,354
Salaries	378,940	392,534
Interest Payments	414,585	518,630
Other	365,963	383,190
Public Investments	348,795	404,859
Other	-9,145	-4,354
Revenue Deficit (-)/Surplus (+)	-146,093	-121,980
Overall Budget Deficit (-)/Surplus (+)	-485,050	-520,220
Financing	485,050	520,220
Foreign Financing (Net)	149,074	239,716
Domestic Financing (Net)	335,976	280,504

Source: Department of Fiscal Policy

(a) Provisional

In context of direct taxes, the revenue was increased by 9.1 percent to Rs. 171.0 billion in the first eight months of 2017 compared to Rs. 156.7 billion in the same period of 2016. The revenue from Economic Service Charge (ESC) significantly increased by 181.7 percent to Rs. 31.2 billion due to increased tax rate to 0.5 percent from 0.25 percent, broadening ESC liability with reducing the liable threshold to Rs. 12.5 Mn per quarter from Rs. 50 Mn per quarter and expanding the liability for profit making business and SCL applicable commodities. Imposition of ESC at the point of importation of

vehicles, gold and other precious metals were also positively contributed to this increment of revenue. Meanwhile, revenue from Pay-As-You- Earn (PAYE) increased by 18.6 percent to Rs. 22.4 billion due to improved tax administration and enhance high wage employment in high earning categories such as professional services etc. However, revenue from corporate and Non-corporate income tax marginally declined by 1.3 percent to Rs. 81.2 billion while revenue on tax on interest declined by 18.6 percent to Rs. 36.2 billion due to lower issuance of Treasury Bills and

Bonds. In the meantime, revenue from Telecommunication Levy (TL) declined by 1.6 percent to Rs. 23.3 billion during the first eight months of 2017.

Non-tax revenue was declined by 4.9 percent to Rs. 77.4 billion in the first eight months of 2017 compared to Rs. 81.4 billion recorded in the same period of 2016. This was resulted with the combined effect of negative growth recorded from profits and dividends despite the positive growth recorded from rent income, sales and charges and social security contribution for the review period.

The government expenditure consists with recurrent and capital expenditure increased by 18.0 percent to Rs. 1,694.9 billion in the first eight months of 2017 compared to Rs. 1,499.1 billion recorded in the same period of 2016. The recurrent expenditure increased by 11.6 percent to Rs. 1,294.3 billion mainly due to increased interest payment by 25.1 percent to Rs. 518.6 billion due to increase in interest rates during the period. Salaries payment and pension payments increased by 3.6 percent to Rs. 392.5 billion and by 5.9 percent to Rs. 120.2 billion during the review period of 2017 due to increase of basic salary from 2016. Meanwhile, capital expenditure was increased by 17.9 percent to Rs. 400.5 billion in the first eight months of 2017 compared to Rs. 339.6 billion recorded in the same period of 2016 reflecting enhanced implementation of infrastructure mega scale projects.

The expenditure in welfare programme marginally declined by 2.8 percent to Rs. 113.6 billion while continuing “Free Medicine for All” concept and livelihood support programmes together with

nutritional improvement programmes during the review period in 2017. The expenditure on fertilizer subsidy increased by 17.0 percent to Rs. 16.3 billion in the corresponding period reflecting enhanced government assistance to improve agricultural production sector in the country and providing relief activities to farmers affected by unfavorable weather condition prevailed during the review period.

The public investment was increased by 16.1 percent to Rs. 404.8 billion in the period of January to August, 2017 compared to Rs. 348.7 billion recorded in the same period of 2016 reflecting enhanced infrastructure developments in sectors such as highways, power generation, water supply, transport, health and education.

The overall budget deficit was Rs. 520 billion during the first eight months of 2017 compared to Rs. 485 billion in the same period of 2016. It was estimated to maintain at 5.5 percent of GDP in 2017 while 5.4 percent of GDP recorded in 2016.

The government strategy on sustaining financial balance with increasing tax revenue and rationalizing expenditure continued to manage with implementing policy reforms in both revenue and expenditure fronts. Consequently, Revenue Management Information System (RAMIS) at Inland Revenue Department (IRD), “Single Window” system at Sri Lanka Customs and Integrated Treasury Management System (ITMIS) at General Treasury are expected to implement for this purpose.

Box 3 | Major Fiscal Measures: January – September 2017¹

Effective Date	Measures
Excise (Special provisions)Duty	
10.06.2017	Excise duty concessions were revised to purchase a locally manufactured or imported motor vehicle on a concessionary permit for the public officers.
19.06.2017	Excise duty concession was granted to import motor vehicles on a concessionary permit for members of the first Northern Provincial Council.
12.07.2017	Excise duty concession was revised to purchase a locally manufactured or imported motor vehicle on a concessionary permit for a diplomatic officer who served in missions aboard.
18.08.2017	Excise duty on mini trucks and single cabs was reduced and ad-valorem rate of 90 percent on motor cycle with engine capacity less than 150 cc was removed.
Excise (Ordinance)Duty	
01.01.2017	The allowance for the loss of ethanol by evaporation and leakage in storage and transportation was reduced.
01.01.2017	Annual liquor license fees were revised.
01.01.2017	Excise duty on bottled toddy was increased to Rs. 50 per litre from Rs. 30 per litre.
01.01.2017	A license fee of Rs. 100,000 for the sales of locally produced and Rs. 50,000 for the sale of bottled toddy were introduced.
28.07.2017	The process of issuing licenses to import of foreign liquor was simplified.
Stamp Duty	
21.02.2017	Motor vehicle categories which are liable for paying stamp duty on policy insurance, finance lease agreement and hire purchase agreement were specified.
CESS Levy	
22.03.2017	Cess on unbranded new tyre casing without any marking, bars and rods not further worked that hot rolled, hot drawn or extruded and linear low density polyethylene was removed.
02.08.2017	Cess levy on wheat flour was reduced by Rs. 10 per Kg to Rs.15 per Kg.
Economic Service Charges (ESC)	
01.04.2017	ESC was imposed at the point of importation for vehicles and ESC threshold was reduced to Rs.12.5 Mn. per quarter from Rs.50 Mn. per quarter.
Nation Building Tax (NBT)	
01.08.2017	The following exemptions were removed and made liable for NBT <ul style="list-style-type: none">- Goods required for the purpose of providing of services of international transportation, being goods consigned to Sri Lankan Airlines Ltd, Mihin Lanka (pvt) Ltd or Air Lanka Catering Services Ltd.- Supply of any goods or services provided by any Cooperative Society or Lak Sathosa.- Construction services by a contractor other than by sub- contractor.- Services of a travel agent in respect of inbound tours received a foreign currency through a bank.

¹This is comprised of major fiscal policy measures implemented during the period of January – September 2017

	- Sale of residential apartments.
Customs Import Duty and Others	
07.01.2017	New HS National Sub Divisions was introduced for rice varieties.
01.02.2017	Customs duty waiver of Rs. 3 per liter (from applicable Customs duty of Rs. 15 per liter) for diesel and Rs. 10 per liter (from applicable customs duty of Rs. 35 per liter) for Petrol was granted.
17.02.2017	Customs import duty on identified tariff lines was revised to facilitate local industries and trade flows.
15.03.2017	A method for determination of Customs value on disposal of machinery and equipment imported under concessionary basis by enterprises in the business of manufacturing and exporting apparel was prescribed.
08.07.2017	Customs duty waiver of Rs. 223 per Kg (from applicable Customs duty 20% or Rs.225 per Kg) was increased for milk powder.
02.08.2017	Customs duty waiver of Rs. 6 per Kg (from applicable Customs duty Rs.12 per Kg) was increased for wheat grain.
12.08.2017	Descriptions of selected HS codes were amended and new HS National sub divisions was created.
14.08.2017	A method for determination of Customs value for disposal of motor vehicles imported under an approved scheme of exemption of duty on conditional basis was prescribed.
Special Commodity Levy	
07.01.2017	SCL on imported semi- milled or wholly milled raw rice (kekulu), Nadu rice (red or white) and Samba rice (red or white) was imposed at a rate of Rs. 15 per Kg.
19.01.2017	- The validity period of SCL on 8 items including Maldive fish, dried sprats, blackgram, chilies, turmeric, etc was extended. - SCL on vegetable oil was decreased by Rs. 20 per Kg for a period of six months.
28.01.2017	SCL duty waiver on imported semi- milled or wholly milled raw rice (kekulu), Nadu rice (red or white) and Samba rice (red or white) was granted by Rs.10 per Kg for a period of 30 days.
17.02.2017	- The validity period of SCL on potatoes and B' Onions was extended for a period of six months. - SCL rates on red and yellow lentils were increased by Rs. 5 per Kg.
24.02.2017	SCL on vegetable oil was reduced by Rs. 20 per Kg for a period of six months.
27.02.2017	The validity period of SCL duty waver on imported semi- milled or wholly milled raw rice (kekulu), Nadu rice (red or white) and Samba rice (red or white) was extended for a period of 30 days.
08.03.2017	The validity period of SCL on 6 items including mackerel, peas, chickpeas, Kurakkan , sugar other than white sugar etc. was extended for a period of six months.
28.03.2017	The validity period of SCL duty waiver on rice varieties (kekulu, nadu and samba) was extended for a period of 28 th March to 31 st March, 2017.
01.04.2017	SCL duty rate on rice was revised to Rs. 5 per Kg from Rs. 15per Kg for a period of sixty days.
02.04.2017	The validity period of SCL on 12 items including dried fish, yogurt, butter, garlic, oranges, apples, salt, kurakkan flour etc. was extended for a period of six months.
08.05.2017	The validity period of SCL on 9 items including fish, green gram, magoesteen, dried oranges, kiwifruit etc. was extended for a period of six months.
21.05.2017	SCL concessionary rate of Rs. 5 per Kg for imported brown rice was introduced and the validity period of SCL on 5 items including dates, red onions, dried grapes etc was extended for a period of six months.

31.05.2017	The validity period of SCL on selected varieties of imported rice was extended up to 31 st of August 2017.
06.06.2017	- The validity period of SCL on margarine was extended for a period of six months. - SCL rate on imported white sugar and brown sugar was increased by Rs. 10 per Kg.
07.06.2017	SCL duty waver of Rs 25 per Kg on fish was granted for a period of 30 days.
01.07.2017	SCL on broken rice was introduced at a rate of Rs. 5 per Kg. for a period of three months.
19.07.2017	The validity period of SCL on 8 items including Maldiva fish, sprats, black gram, chillies, turmeric, etc was extended for a period of six months.
27.07.2017	SCL on imported brown rice, Raw/kekulu rice, Nadu and Samba rice was reduced to Rs. 0.25 per Kg from Rs. 5 per Kg.
01.08.2017	- SCL on Sail fish and Marlin fish was reduced to Rs. 25 per Kg from 10 percent or Rs 75 per Kg. for a period of three months. - SCL on Maize was reintroduced at a rate of Rs.10 per Kg for a period of six months.
02.08.2017	SCL on broken rice was reduced to Rs. 0.25 per Kg from Rs. 5 per Kg.
16.08.2017	SCL on sugar (white and brown) was increased by Rs.8 per Kg for a period of six months.
17.08.2017	The validity period of SCL on potato, B'Onion and lentil was extended for a period of six months.
24.08.2017	The validity period of SCL on vegetable oil was extended for a period of four months.
08.09.2017	The validity period of SCL on 5 items including mackerel, peas, chickpeas, Kurakkan etc. was extended for a six months.
Other Levies and Charges	
01.01.2017	Embarkation Levy rate was increased to USD 50 for both ship and air passengers.
01.09.2017	Telecommunication levy on internet services was removed.
Administrative Charges	
09.01.2017	The retail price of Kerosene was reduced by Rs. 5 to Rs. 44 per liter
27.01.2017	The maximum retail prices of selected consumer goods were imposed.
08.02.2017	The maximum retail prices on rice were imposed.
17.02.2017	The maximum retail prices on locally produced and imported rice were imposed.
26.09.2017	The domestic gas price was increased by Rs. 110 to Rs.1,431 For a 12.5 Kg cylinder.

Table 1.2 | Estimated and Actual Revenue and Expenditure : 2017

Rs. Bn.

Item	Jan. -Aug.		Deviation
	Estimated	Actual (a)	
Total Revenue	1,310	1,172	-138
Tax Revenue	1,187	1,095	-92
Inland Revenue Department			
Tax on Income and Profit	215	171	-44
VAT - Domestic (Net)	151	181	30
Nation Building Tax (Domestic)	27	33	6
Other	5	2	-3
Sub Total	398	387	-11
Customs Department			
Import Duty	110	93	-17
VAT - Imports (Net)	98	109	11
Nation Building Tax (Import)	16	12	-4
Ports & Airports Development Levy (PAL)	71	66	-5
Cess Levy	39	40	1
Special Commodity Levy & Other	42	49	7
Excise Special Provisions	234	205	-29
Cigarettes	44	21	-23
Petroleum	36	50	14
Motor Vehicles & Other	154	134	-20
Sub Total	610	573	-37
Excise Department			
Liquor/Tobacco	143	107	-36
Sub Total	143	107	-36
Other			
Telecommunication Levy	28	23	-5
Licence Tax & Other	9	4	-5
Sub Total	37	27	-10
Non Tax Revenue	123	77	-46
Total Expenditure	1,753	1,695	-58
Current Expenditure	1,324	1,294	-30
Salaries and Wages	403	393	-10
Interest Payments	483	519	36
Pension Payments	123	120	-3
Transfers to Public Corporations & Institutions	189	171	-18
Other	125	92	-33
Capital Expenditure and Net Lending	429	401	-28

Sources: Department of Treasury Operations and Department of Fiscal Policy

(a) Provisional

1.2 Government Revenue

Government revenue increased by 15.7 percent to Rs. 1,172 billion during the first eight months of 2017 compared to the same period of 2016. Tax revenue increased by 17.5 percent to Rs.1,095 billion whereas non-tax revenue contracted by 4.9 percent to Rs. 77.4 billion during this review period compared to same period in 2016.

Income tax, a direct tax component expanded by 9.1 percent to Rs. 171.0 billion in the first eight months of 2017 compared to positive growth of Rs. 156.7 billion recorded during the same review period of 2016. The revenue from corporate and non-corporate income tax has decreased marginally by 1.3 percent compared to the same period of previous year due to policy changes made to Economic Service Charge (ESC) which can be set off against Income tax. The revenue from ESC increased by 181.7 percent to Rs. 31.2 billion in the first eight months of 2017 from Rs. 11.1 billion income generated in the same period of 2016. Revenue collected from Pay as You Earn (PAYE) expanded by 18.6 percent to Rs. 22.4 billion in the reference period of 2017. However, withholding tax on interest decreased by 18.6 percent in the first eight months of 2017.

The VAT and NBT increased by 65.0 percent and 27.1 percent respectively during the review period in 2017. The revenue from VAT on domestic economic activities increased by 67.5 percent to Rs. 181.4 billion while the revenue from VAT on imports also increased by 61.0 percent to Rs. 108.6 billion compared to same period of 2016, reflecting the whole impact of policy measures made in

November 2016. The policy changes made at the end of 2016 to reduce the threshold for NBT resulted revenue generated from NBT on domestic transactions positively increase of 37.6 percent to 32.6 billion during first eight months of 2017. Similarly, NBT revenue generated from imports significantly increased by 6.0 percent to 12.4 billion during the same period.

The revenue from Import and Export Cess levy moderately increased by 1.7 percent to Rs. 39.5 billion in comparison of the same period of previous year as an impact of government policy direction toward minimizing CESS. The Special Commodity Levy (SCL) increased by 23.4 percent to Rs. 49.2 billion during this corresponding period of 2017. Furthermore, Ports and Aviation levy (PAL) increased by 15.8 percent to Rs. 65.6 billion during the reference of 2017. Meanwhile, the revenue from import duty decreased marginally by 8.3 percent to Rs. 92.5 billion in this review period.

The revenue from excise duty on liquor and cigarettes/tobacco significantly decreased by 5.9 percent to Rs. 73.7 billion and by 8.1 percent to Rs. 54.6 billion due to the slowdown the volume of sales as an impact of government initiatives against usage of narcotic items. However, revenue from excise duty imposed on petroleum products expanded by 35.2 percent to Rs. 50.1 billion during the review period in 2017. Excise duty on imported motor vehicles increased by 8.0 percent to Rs. 129.5 billion during the reference period.

Revenue generated from telecommunication levy declined slightly by 1.6 percent to Rs. 23.3 billion in the first eight month period of 2017. Further,

revenue from license and other taxes also decreased by 3.7 percent to Rs. 29.5 billion

during the reference period of 2017 compared to previous year.

Chart 1.1 | Composition of Total Revenue - Jan. -Aug. 2017

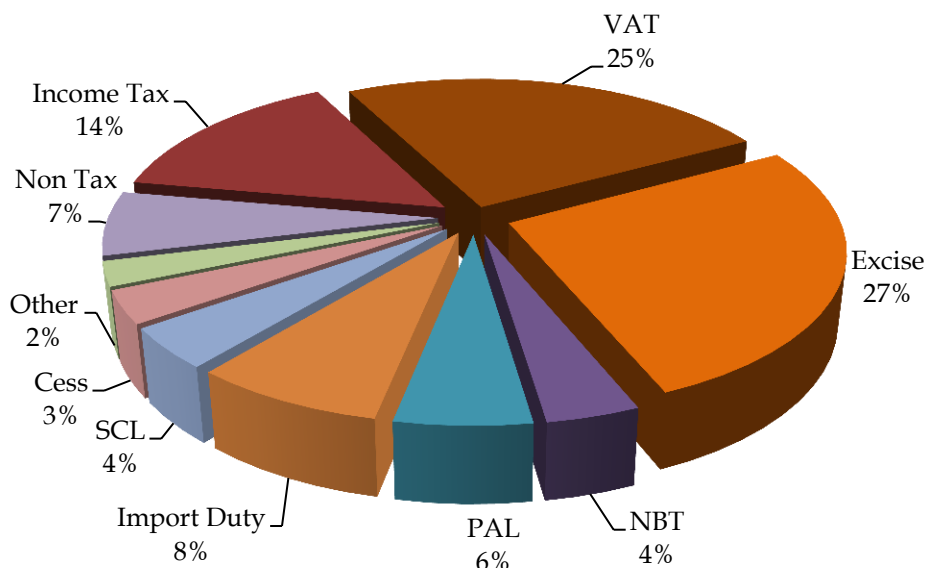


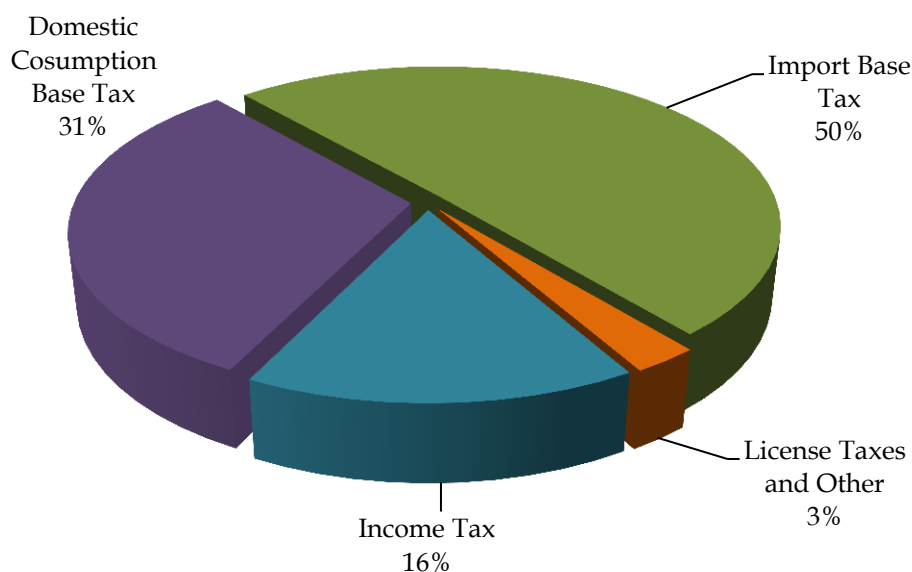
Table 1.3 | Summary of Performance of Government Revenue

Item	Jan. -Aug.		Rs. Mn.
	2016	2017 (a)	Change (%)
Tax Revenue	931,980	1,094,948	17.5
Income Tax	156,743	171,038	9.1
Domestic Consumption Based Tax	269,734	342,306	26.9
VAT	108,310	181,421	67.5
Excise Tax	137,727	128,288	-6.9
Nation Building Tax (NBT)	23,697	32,597	37.6
Import Based Tax	474,897	552,130	16.3
Custom Duty	100,849	92,514	-8.3
VAT	67,475	108,628	61.0
Nation Building Tax (NBT)	11,720	12,428	6.0
Ports & Airports Development Levy (PAL)	56,655	65,619	15.8
Special Commodity Levy (SCL)	39,856	49,175	23.4
Excise Tax	159,488	184,236	15.5
Cess	38,854	39,530	1.7
License Taxes and Other	30,606	29,474	-3.7
Non Tax Revenue	81,415	77,426	-4.9
Total Revenue	1,013,395	1,172,374	15.7

Sources: Department of Treasury Operations and Department of Fiscal Policy

(a) Provisional

Chart 1.2 | Total Revenue by Source - Jan. -Aug. 2017



Income Tax

The revenue from income tax accounted for 16 percent of the total tax revenue for the first eight months of 2017. Components of income tax such as corporate and non-corporate taxes, withholding tax, ESC and PAYE comprised 47 percent, 21 percent, 18 percent and 13 percent of the income tax respectively in this review period of 2017.

The revenue from income tax increased by 9.1 percent to Rs. 171.0 billion compared to Rs. 156.7 billion in the same period of 2016. This was contributed positively by ESC and Pay-As-You-Earn (PAYE) tax. Meantime there was a decline in the revenue from withholding tax on interest mainly due to limited issuance of government debt instruments which is the main contributor to the revenue from interest.

Table 1.4 | Performance of Income Tax

Tax Base	Jan. - Aug.		Growth (%)
	2016	2017 (a)	
Corporate and Non Corporate	82,314	81,204	-1.3
PAYE	18,897	22,417	18.6
Tax on Interest Income	44,445	36,190	-18.6
Economic Service Charge	11,087	31,227	181.7
Total	156,743	171,038	9.1

Source: Department of Fiscal Policy

(a) Provisional

The corporate and non-corporate income tax revenue contracted by 1.3 percent to Rs. 81.2 billion during the first eight months of 2017 compared to Rs. 82.3 billion in the same period of 2016 reflecting impact of increases of ESC during the reference period. The revenue from ESC increased by 181.7 percent to Rs. 31.2 billion during the reference period by reflecting the revision of ESC policy removing exemption on the turnover of any profitable business of which the profit is subject to income tax and decreased the ESC threshold.

The revenue generated from Pay-As You-Earn (PAYE) tax increased by 18.6 percent to Rs. 22.4 billion for the first eight months of 2017 compared to Rs. 18.9 billion in the same period of 2016. Enhanced numbers of the employments especially in high earning categories such as managers, senior officials, technicians in the sectors of information and communication, construction, manufacturing, education, health and social services, whole sale and

retail trade. Further improvement in revenue administration via online application (RAMIS) of the Inland Revenue Department eased tax collection mechanism..

Meanwhile, the revenue from tax on interest income declined by 18.6 percent to Rs. 36.1 billion during the first eight months of 2017 as a result of decline in the market interest rates and the relatively lower issuance of Treasury bills and Treasury bonds during this period.

Value Added Tax (VAT) The total revenue collected from VAT, increased by 65.0 percent to Rs. 290.0 billion during the first eight months in 2017, compared to the same period in 2016. The increases of VAT revenue was due to the expansion of domestic activities by 67.5 percent to Rs. 181.5 billion during the first eight months in 2017, coupled with the increase in VAT revenue on imports by 60.9 percent to Rs. 108.9 billion compared to the same period in 2016.

Table 1.5 | Performance of VAT

Tax Base	Jan. - Aug.		Rs.Mn.
	2016	2017 (a)	Growth (%)
Domestic	108,375	181,510	67.5
Imports	67,740	108,984	60.9
Gross Revenue	176,115	290,494	64.9
Refunds	331	444	34.4
Net Revenue	175,785	290,049	65.0
Refunds as % of Gross Revenue	0.19	0.15	

Source : Department of Fiscal Policy

(a) Provisional

Moreover, the upward revision of VAT rate to 15% which was implemented from November 2016, and the policy decision taken to rationalize the tax exemptions, accelerated the revenue collection. Particularly, the policy decision taken to

impose VAT on health care services and telecommunication services boosted the VAT revenue in the first eight months of 2017 compared to the same period in 2016. Implementation of Revenue Administration Management System

(RAMIS) by the Department of Inland Revenue (IRD), which subsequently improved the tax administration, helped to increase VAT revenue in the review period.

Excise Taxes

Total revenue generated from excise duty on liquor, cigarettes/tobacco, petroleum

and motor vehicles increased by 5.2 percent to Rs. 312.5 billion during the first eight months of 2017, compared to Rs. 297.2 billion recorded in the same period of 2016. This performance was a combined effect of the increased excise duty revenue from motor vehicles and petroleum products while reduction of revenue from cigarette and liquor during the review period.

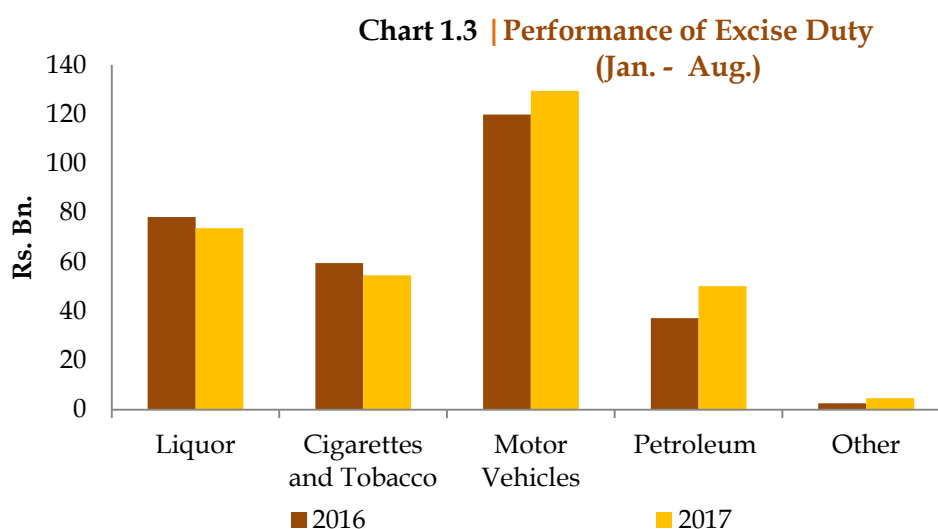
Table 1.6 | Performance of Excise Duty

Tax Base	Jan. - Aug.		Growth (%)
	2016	2017 (a)	
Liquor	78,264	73,654	-5.9
Cigarettes and Tobacco	59,463	54,634	-8.1
Motor Vehicles	119,883	129,494	8.0
Petroleum	37,096	50,147	35.2
Other	2,509	4,595	83.1
Total	297,215	312,524	5.2

Source : Department of Fiscal Policy
(a) Provisional

The revenue generated from excise duty on motor vehicles increased by 8.0 percent to Rs. 129.5 billion in the first eight months of 2017, compared to Rs. 119.9 billion in the same period of 2016. This was mainly resulted increased duties on

motor vehicles together with increased number of motor vehicles imported by 2.0 percent to 298,182 during the review period. Notably, new registration of motor vehicles decreased by 3.0 percent to 304,873 in the review period.



Meanwhile, the revenue from petroleum products increased by 35.2 percent to Rs. 50.1 billion between January to August, 2017, compared to Rs. 37.1 billion recorded during the same period of 2016 reflecting increased petroleum imports by 27.1 percent in the reference period coupled with increased duty rate on diesel to Rs. 13 per liter from Rs. 3 per liter.

The revenue collected from excise duty on liquor decreased by 5.9 percent to Rs. 73.6 billion during January to August, 2017, compared to Rs. 78.3 billion recorded in the same period of 2016 as a result of drop

of liquor production. Although, Beer (Alcohol less than 5%, bulk) and Wine & Sake liquor production increased by 26 percent and 23 percent respectively, while hard liquor production decreased by 11 percent to support sluggish growth. Moreover, the revenue generated from cigarettes and tobacco decreased by 8.1 percent to Rs. 54.6 billion during the reference period, compared to the same period of 2016 due to government policy revision on cigarettes and tobacco together with decreased consumption of cigarettes.

Table 1.7 | Excise Duty Rate Revisions on Cigarettes Rs./1,000 Sticks

Category	2011 Jan	2011 Oct	2012 Mar	2012 Oct	2013 July	2014 Oct	2015 Oct	2016 Oct
Cigarettes each not exceeding 60mm in length (eg. CAPSTAN, THREE ROSES)	3,465	3,465	4,037	4,612	5,722	6,975	6,975	11,675
Cigarettes each exceeding 60mm but not exceeding 67mm in length (eg. FOUR ACES)	6,973	7,540	8,112	9,258	10,355	12,675	12,675	17,375
Cigarettes each exceeding 67mm but not exceeding 72mm in length (eg. PALL MALL)	9,811	10,381	10,953	12,100	12,100	14,660	14,660	20,500
Cigarettes each exceeding 72mm but not exceeding 84mm in length (eg. GOLD LEAF)	12,108	13,243	13,815	14,963	16,610	21,610	23,750	30,500
Cigarettes each exceeding 84mm in length	15,000	16,400	17,100	18,500	20,000	25,100	27,240	34,250

Source : Department of Fiscal Policy

Table 1.8 | Motor Vehicle Imports and New Registration of Vehicles

Unit: Number

Item	Imports				New Registrations			
	Jan. - Aug				Jan. - Aug			
	2016	2017	Change	%	2016	2017	Change	%
Buses	1,866	2,339	473	25	1,765	2,063	298	17
Motor Cars	30,486	26,546	-3,940	-13	29,686	26,787	-2,899	-10
Three Wheelers	33,839	12,107	-21,732	-64	35,773	15,439	-20,334	-57
Motor Cycles	196,664	234,177	37,513	19	216,297	233,453	17,156	8
Goods Transport Vehicles(a)	20,173	16,725	-3,448	-17	20,562	17,461	-3,101	-15
Land Vehicles (b)	8,689	6,053	-2,636	-30	8,470	8,492	22	0
Other (c)	207	235	28	14	912	1,178	266	29
Total	291,924	298,182	6,258	2	313,465	304,873	-8,592	-3

Sources: Department of Customs and Department of Motor Traffic

(a) Goods Transport Vehicles-including single cabs, dual purpose vehicles, motor lorries, prime movers and lorry trailers goods transport vehicles including dual purpose vehicles

(b) Land vehicles-including land vehicle hand tractors, land vehicle tractors and land vehicle other(trailers)

(c) Others-special purpose vehicles, ambulance and motor hearses

Import Duty

The revenue collected from import duty decreased by 8.3 percent to Rs. 92.5 billion during the first eight months of 2017, compared to Rs. 100.8 billion recorded in the same period of 2016. It was 8.4 percent of total tax revenue.

This lessening was caused by the impact of Sri Lankan rupees depreciated against the US dollar during the review period, changes of duty structure on various

items such as fuel, coal, textile articles and vehicle machinery parts. Further import duty revised on milk power, rice, fertilizer and pharmaceutical items in order to minimize cost of living.

The importation of various products especially gems and jewelries, which were granted duty free of normal duty status under the free trade agreements strengthening bilateral and regional trade during the period.

Table 1.9 | Coverage of Product and Value of Imports Under Free Trade Agreements

Free Trade Agreement	Jan. - Aug. 2017	
	No. of Products Subject to Tariff Concessions	Imports (Rs. Mn)
India - Sri Lanka Free Trade Agreement (ISFTA)	5576	71,117
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	5541	6,924
South Asia Free Trade Agreement (SAFTA)	5072	2,038
Asia - Pacific Trade Agreement (APTA)	498	5,959
Total	16,687	86,038

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

Special Commodity Levy (SCL)

Revenue from SCL expanded by 23.4 percent to Rs. 49.2 billion during the first eight months of 2017, compared to Rs. 39.9 billion collected during the same period of 2016. The SCL increased on

Imports of sugar, lentils and SCL newly introduced on selected fruits significantly contributed revenue form SCL during this period.

Table 1.10 | Special Commodity Levy Rates

		<i>Rs. Per Kg.</i>	
	Item	End September 2016	End September 2017
1	Spratts	11	11
2	Potatoes	40	40
3	Red Onions	25	25
4	B' Onions	40	40
5	Garlic	40	40
6	Green Gram	10	40
7	Lentils - Whole	5	10
	Lentils - Split	10	15
8	Chilies - Neither Crushed nor ground	25	25
	Chilies - Crushed or ground	125	125
9	Canned fish	50	50
10	white Sugar	2	31
	Raw/Brown Sugar	15	33
11	Watana - Whole	15	15
	Watana - Split	18	18
12	Chick Peas - Whole	7	7
	Chick Peas - Split	10	10
13	Black Gram	60	60
14	Cowpea	70	70
15	Millet	70	70
16	Maldive Fish	102	102
17	Dried Fish	102	102
18	Orange-Fresh	65	65
19	Grapes - Fresh	130	130
20	Apples - Fresh	45	45
21	Seeds of Coriander - Neither Crushed nor Ground	26	26
	Seeds of Coriander - Crushed or Ground	52	52
22	Seeds of Cumin	162	162
23	Seeds of Fennel	162	162
24	Turmeric - Neither crush Nor Ground	102	102
	Turmeric - Other	360	360
25	Mathe - Seed	50	50
26	Kurakkan	70	70
	Kurakkan Flour	150	150

27	Black Gram Flour	200	200
28	Ground Nut - Shelled	112	112
29	Mustard Seeds	62	62
30	Palmoil/Veg. Oil - Crude	150	110
	Palmoil/Veg. Oil - Refine	170	135
	Plam Kernal - Crude	170	130
	Plam Kernal - Refine	185	145
31	Fish	10% or Rs.50 per Kg, the amount of levy whichever is higher	10% or Rs.75 (Thalapath and Copperra Rs.25 per Kg)
32	Mackerel	6	6
33	Yoghurt	625	625
34	Butter	880	880
35	Margarine(Fat 80% or more)	215	215
	Margarine - Other	315	315
36	Salt	40	40
37	Dates	60	40
38	Dried Grapes	-	230
39	Mangoesteen	-	200
40	Dried Orange	-	200
41	Peras	-	175
42	Cherries	-	250
43	Plums and Sloes	-	200
44	Kiwifruits	-	175
45	Pomegranate(Other)	-	200
46	Rice(Samba, Nadu, Kekulu, Brown, Rice, Broken Rice)	-	0.25
47	Maize	-	10

Compiled by the Department of Trade and Investment Policy

Nation Building Tax (NBT)

The revenue generated from Nation Building Tax (NBT) significantly increased by 27.1 percent to Rs. 45.0 billion in the first eight months of 2017, compared to Rs. 35.4 billion in the same period of 2016. The revenue collected from NBT on domestic activities increased by 37.6 percent to Rs. 32.6 billion in the review period of 2017. Expansion of sub sectors such as whole sale and retail trade, construction, manufacturing, textile and garment products, tourism sector such as

hotels and restaurants and educational services resulted positive growth of revenue from NBT. Meanwhile, revenue collected from NBT on imports increased by 6.0 percent to Rs. 12.4 billion in the reference period in 2017, compared to the same period of 2016.

Under the revenue sharing mechanism introduced in 2011, 33 percent of total revenue collected from NBT amounting of Rs. 22.5 billion was transferred to

Provincial Councils (PCs) during the first eight months of 2017.

Stamp duty collected during the first half of 2017 that was fully transferred to PCs,

contracted by 14.4 percent to Rs. 5.7 billion. Similarly, 70 percent of total revenue of Rs 1.9 billion from motor vehicle registration fees transferred to the provincial councils.

Table 1.11 | Performance of NBT, Stamp Duty and Motor Vehicle Registration Fees

Rs. Mn.

Item	2016			2017 (a)			% Change 2016/2017		
	Jan. - Aug.			Jan. - Aug.			Jan. - Aug.		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT(b)	35,417	17,709	53,126	45,025	22,512	67,537	27.1	27.1	27.1
Domestic	23,697	11,849	35,546	32,597	16,298	48,895	37.6	37.6	37.6
Import	11,720	5,860	17,580	12,428	6,214	18,310	6.0	6.0	6.0
Stamp Duty (c)	-	6,485	6,485	-	5,676	5,676	-	-12.5	-12.5
Motor Vehicle Registration Fees (d)	570	1,330	1,900	562	1,311	1,873	-1.4	-1.4	-1.4
Total	35,987	25,524	61,511	45,587	29,499	75,086	17.8	5.8	12.8

Source : Department of Fiscal Policy

(a) Provisional

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

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

(d) 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

Telecommunications Levy (TL)

The revenue from TL decreased marginally by 1.6 percent to Rs. 23.3 billion during the first eight months of 2017 compared to the same period of 2016 reflecting reintroduction of VAT and NBT to telecommunication services sector.

Cess Levy

Revenue from Cess levy on imports and exports increased by 1.7 percent to Rs.39.5 billion during the first eight months of 2017, compared to Rs 38.8 billion recorded

in the same period of 2016. Cess revenue from exports of rubber and rubber based products increased to Rs. 87 million whereas revenue generated from exports of tea and coconut declined slightly to Rs. 352 million and Rs 72 million respectively in the first eight months period. Expansion of construction sector importing cement, tiles and steel significantly contributed to increase revenue from Cess on imports during this period. However, government policy on minimizing Cess exempting several items had negatively impact on total revenue collection in the review period.

Table 1.12 | Cess Revenue from International Trade

Item	Rs. Mn.	
	Jan. - Aug.	
	2016	2017 (a)
Cess on Exports	1,773	2,012
Tea-under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	385	352
Rubber-under Rubber Replanting Subsidy Act	5	87
Coconut-under Coconut Development Act	89	72
EDB Cess- under Sri Lanka Export Development Act	1,294	1,501
Cess on Imports- under Sri Lanka Export Development Act	37,081	37,518
Total	38,854	39,530

Source: Department of Fiscal Policy

(a) Provisional

Ports and Airports Development Levy

The revenue generated from Ports and Airports Development Levy (PAL) increased by 15.8 percent to Rs. 65.6 billion during the first eight months of 2017 in comparison to Rs. 56.7 billion 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 7.5 percent applied for general goods while a concessionary rate of 2.5 percent was continued for raw materials used for pharmaceuticals, printed books and certain machineries.

Non-Tax Revenue

Total non-tax revenue during the first eight months of 2017 decreased by 4.9 percent to Rs. 77.4 billion compared to Rs. 81.4 billion recorded in the same period in 2016. The non-tax revenue by way of sales and charges and social security contribution increased by 25.0 percent and 34.6 percent respectively during the review period of 2017. The revenue from rent and interest increased by 25.9 percent and 35.2 percent respectively during the first half of 2017 in comparison of same period of 2016. However, profits & dividends from State Owned Business Enterprises declined by 58.4 percent in this review period compared to 158.0 percent recorded in the same period of 2016.

Table 1.13 | Variance Analysis of Government Revenue (January - August)

Rs. Bn.

Item	2016	2017 Est.	2017 Prov.	Reason
Income Tax	156.7	215.0	171.0	Revenue from corporate and non-corporate tax increased due to the expansion of domestic activities such as financial and insurance, construction and textile, manufacturing products. This was further supported by the implementation of RAMIS to access timely and accurate information, monitor collections, and reach taxpayers in a more efficient and effective manner. Revenue from Pay-As-You-Earn (PAYE) tax increased by 18.6 percent mainly due to increased employments and better wages in high earning categories such as air transportation, commercial banks, construction, professional services, communication services.
VAT	175.7	248.8	290.0	The increase of VAT revenue was mainly due to the government tax policy changes, to increase VAT rate to 15 percent from 11 percent, the reduction of VAT liability threshold to Rs. 12 million per annum. The VAT extended to telecommunication, cigarettes, liquor and health care services also supported to increase VAT revenue.
Excise Tax	297.2	376.5	312.5	Revenue from excise duty moderately increased by 5.2 percent due to a combined effect of increased excise duty revenue from petroleum products (35.2%), motor vehicles (8.0%) and the decline of excise tax revenue from liquor (5.9%), cigarettes (8.1%). The increase of excise duty rates on motor vehicles, and the significant increase of petroleum imports contributed to this increase.
Import Duty	100.8	110.0	92.5	Increased import duty rates for certain articles with the introduction of four band tariff structure.
Port and Airport Development Levy (PAL)	56.7	71.0	65.6	The increase in overall imports, including consumer goods, petroleum, textiles and textile articles, was positively contributed to this growth.
Nation Building Tax (NBT)	35.4	43.0	45.0	Broadening NBT base and improvement in sectors such as retail trade and distribution, construction, manufacturing products, hotels and restaurants and educational services were contributed to this performance.
Other Taxes	109.6	123.0	118.3	Increased in the number of items coming under the Special Commodity Levy (SCL) and revision of the SCL rates coupled with the increase of Cess rate on textiles and footwear helped increase revenue.
Non Tax Revenue	81.4	123.0	77.4	Declining profit and dividends from SOEs is shown marginal revenue dropped in 2017 with compared to same period in the last year.
Total	1,013.4	1310.3	1,172.3	

Compiled by the Department of Fiscal Policy

1.3 Government Expenditure

The government expenditure accounted for Rs. 2,479 billion in the first eight months of 2017. This includes Rs. 1,294 billion of recurrent expenditure and Rs. 400 billion of capital expenditure. The recurrent expenditure increased by 11.6 percent while capital expenditure increased by 17.9 percent in the review period, compared to the same period of 2016 (Table 1.14). The significant increase in the capital expenditure is due to accelerated implementation of mainly infrastructure projects.

Personal Emoluments and Pensions

Total expenditure on personal emoluments for public servants including

the Provincial Councils' employees amounted to Rs. 392.5 billion during the first eight months of 2017, whereas it was Rs. 378.9 billion for the corresponding period in 2016. This slight increase of 3.6 percent is due to the increase of basic salary from 2016 and onwards.

The pension payments increased to Rs. 120.2 billion in the first eight months of 2017 compared to Rs. 113.5 billion in the same period of 2016. The increase of pension payment is 5.9 percent. This is because the increase of basic salaries of public servants continued to impact on increasing pension payments.

Table 1.14 | Performance of Government Expenditure

Item	Jan.- Aug.	
	2016	2017 (a)
Recurrent Expenditure	1,159,488	1,294,354
Salaries	378,940	392,534
Pension	113,530	120,253
Interest	414,585	518,630
Other	252,433	262,937
Capital Expenditure	339,650	400,505
Public Debt Repayment	554,586	784,465
Total	2,053,724	2,479,324

Sources: Department of National Budget and Department of Fiscal Policy

(a) Provisional

Interest Payment

Interest payments on domestic and foreign debt has been increased by a 25.1 percent to Rs. 518.6 billion in the first eight months of 2017 from Rs. 414.6 billion in the corresponding period of 2016

reflecting an increase in the interest rates. Total interest payments consisted domestic loan of Rs. 377 billion and foreign loan of Rs. 97 billion.

Table 1.15 | Behavior of Yield Rates on Government Securities and Exchange Rate: 2016-2017

Period	Treasury Bills (%)			Treasury Bonds (%)				Average Exchange Rate Rs/US dollar	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year		
2016	Jan	6.63	7.12	7.56	-	-	-	-	143.94
	Feb	7.04	7.61	8.06	-	-	-	-	143.93
	Mar	7.90	8.90	9.72	10.00	-	11.87	11.42	143.96
	Apr	8.51	9.55	10.19	11.75	11.75	12.78	13.00	143.90
	May	8.64	9.62	10.37	-	11.53	11.76	-	145.65
	Jun	8.84	9.79	10.53	11.70	-	12.11	12.30	145.28
	Jul	8.87	9.78	10.50	11.04	11.60	11.93	11.85	145.41
	Aug	9.02	9.92	10.73	-	-	-	12.07	145.60
	Sep	8.71	9.65	10.48	-	-	11.76	-	145.78
	Oct	8.57	9.41	10.19	-	-	10.61	-	146.87
	Nov	8.60	9.51	10.14	-	-	-	-	147.77
	Dec	8.62	9.58	10.11	-	-	-	-	148.88
2017	Jan	8.95	9.94	10.29	11.41	-	11.94	12.16	150.10
	Feb	9.18	10.09	10.47	-	-	-	12.19	150.82
	Mar	9.49	10.45	10.92	12.2	-	-	12.89	151.43
	Apr	9.70	10.73	11.06	-	-	-	12.60	151.76
	May	9.62	10.45	10.77	11.12	-	-	11.44	152.33
	Jun	9.60	10.32	10.55	-	-	11.38	-	152.83
	Jul	9.53	10.06	10.28	-	-	11.13	-	153.67
	Aug	8.94	9.15	9.47	-	-	-	10.43	153.19

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

Welfare Expenditure

The expenditure on welfare programs is Rs. 113.6 billion between January and August of 2017 compared to Rs. 116.8 billion for the corresponding period in 2016. There is a decline shown in the expenditure of the education sector during the review period of 2017 compared to the same period of 2016 due to the expenditure on uniform, textbooks and shoes will be incurred at the latter part of the year.

Rs. 43.5 billion has been incurred in first eight months of 2017 on Livelihood Support Programs. Though with a slight

decline compared to previous year "Samurdhi" is continued to be the largest welfare expenditure program in 2017 with Rs. 26.6 billion expenditure, followed by programs under "Free Medicine for All" concept. At the same time Rs. 33.0 billion has been incurred under Social Welfare and Safety Net activities including Rs. 18.4 billion incurred under Assistance to Differently Able Soldiers program.

The nutritional improvement programs targeting mothers and children like "Poshana Malla", "Triposha", "School Nutritional Foods" and "Glass of Milk for School Children" showed a expenditure of Rs. 7.1 million in the first eight months of 2017.

Table 1.16 | Welfare Expenditure

Item	Rs. Mn.	
	Jan.- 2016	Aug. 2017 (a)
Healthcare & Nutrition	27,973	27,110
Free Medicine for All	24,404	22,814
Thripasha Programme	875	1,110
Poshana Malla	2,695	3,186
Education	15,551	9,874
Free Text Books	5,415	1,927
Free School Uniforms	2,157	781
School Season Tickets	1,936	3,194
School Nutritional Foods	3,916	2,706
Glass of Milk for School Children	212	144
Shoes for Students in Difficult and Very Difficult area Schools	480	89
Grade Five Scholarships	324	157
Mahapola Scholarships	488	365
Bursaries	418	310
Dhamma School Text Books	51	111
Dhamma School Uniforms for Teachers	17	14
Library Allowances for Dhamma School Teachers	79	39
Dehami Diriya (Monthly Allowance for Dhamma School Teachers)	58	38
Livelihood Support	42,084	43,535
Fertilizer Subsidy	13,082	15,417
Fertilizer Subsidy (Plantation)	886	912
Samurdhi Relief	27,329	26,560
Credit Subsidies for Replanting (Tea /rubber)	655	566
Assisting the Farmers for Export Crop Development	131	80
Social Welfare & Safety Net	31,195	33,041
Assistance for Differently Abled Persons & Kidney Patients	1,008	1,205
Assistance to Elderly Persons	6,023	5,999
Assistance to Differently Able Soldiers	17,508	18,410
Social Care of Ranaviru Parents	1,599	1,591
Food Assistance as Flood and Drought Relief	80	836
Bus Services in Uneconomical Roots	4,975	4,978
Total	116,803	113,560

Source: Department of National Budget

The fertilizer subsidy program including the plantation sector incurred Rs. 16.3 billion expenditure up to end of August 2017. This is 17 percent increase compared to Rs. 13.9 billion expenditure for the same period in 2016. This shows the commitment towards livelihood support programs even in the context of prevailing severe drought in the dry zone of Sri Lanka. The disaster relief expenditure has increased to Rs 836 million in the review period of 2017 from Rs 80 million in the same period of 2016 reflecting the flood and drought condition prevailed in the country.

Public Investment

The expenditure on public investment including infrastructure developments in highways, power generation, water supply, irrigation, transport, agriculture and health and education sectors etc. was Rs. 404.8 billion in the first eight months of 2017. This is an increase of 16.1 percent compared to Rs. 348.8 billion in the same period of 2016. Increases of expenditure of

Rs. 102 billion to the highway sector during the review period of 2017 resulted a 39 percent growth compared to expenditure of Rs. 74 billion for the same period in 2016. Health and education sectors showed a significant expansion. The public investment in Health sector has grown from Rs. 8.0 billion in 2016 to Rs. 12 billion in 2017 for the first eight months. Further, public investment to the education sector expanded by 84 percent from Rs. 13 billion in 2016 to Rs. 24 billion in the review period of 2017.

Debt Repayment

The debt repayment is continued to consume a major portion of government's resources. Debt repayment increased by 41 percent to Rs. 784 billion in first eight months of 2017 compared to repayments made Rs. 555 billion during the same period in 2016. Local debt of Rs. 647 billion and foreign debt of Rs. 137 billion were repaid during the review period of 2017.

Treasury Operations | 02

2.1 Performance of Cash Flow of the General Treasury

Cash inflows from revenue and other receipts to the General Treasury were Rs. 1,289.0 billion while cash deficit after outflow for recurrent and capital payments amounted to Rs. 521.0 billion during the first nine months of 2017. This was an increase in net cash deficit by Rs.93.0 billion in the period under review compared to the same period of 2016. This increase in net cash deficit was mainly due to the

increase in cash outflows to the capital expenditure by 31.3 percent which was more than the increase in cash inflows to the General Treasury by 11.4 percent during the first nine months of 2017 compared to the same period of 2016. The increase of the overall closing cash bank balance (deficit) as at 30th September 2017 up to Rs. 160.3 billion compared to the same period of 2016 was mainly due to the rise of the Debt repayment and operational and investment expenses.

Table 2.1 | Statement on Treasury Cash Flow Operations

Item	Rs. Bn.		
	2016	2017	
	Jan-Sep. Actual	Jan-Sep. Estimate	Actual
Opening Cash Balance as at 1 st January	(196.8)	(160.3)	(160.3)
Total Cash Inflow from Revenue and Other Receipts	1,157.1	1,387.1	1,289.0
Total Cash Outflow for Recurrent Payments	(1,274.3)	(1,452.8)	(1,401.9)
Total Cash Outflow for Capital Payments*	(310.8)	(517.0)	(408.1)
Net Cash Surplus / (Deficit)	(428.0)	(582.7)	(521.0)
Gross Borrowing *	1,134.5	1,375.8	1,324.5
Debt Repayment	(626.9)	(778.5)	(813.1)
Net Borrowing	507.6	597.3	511.4
(Temporary Employed Balance (TEB), Net Deposits, etc.)	11.9		9.6
Closing Cash Balance as at 30 th September	(105.3)	(145.7)	(160.3)

Source: Department of Treasury Operations

*Includes project/ programme loans received by the government and recorded in the CS-DRMS as at August 31, 2017

2.2 Management of Public Debt

The total gross borrowing of the Government was Rs. 1,324.5 billion during the first nine months of 2017 which include domestic borrowings of

Rs.920.5 billion and foreign borrowings of Rs.404.0 billion. The Domestic borrowings of 920.5 billion were utilized for domestic as well as some foreign currency debt services up to May, 2017 while Rs. 271.9 billion

out of the total foreign borrowings was utilized for both debt services in foreign and domestic debts. The net borrowing was Rs. 511.4 billion during

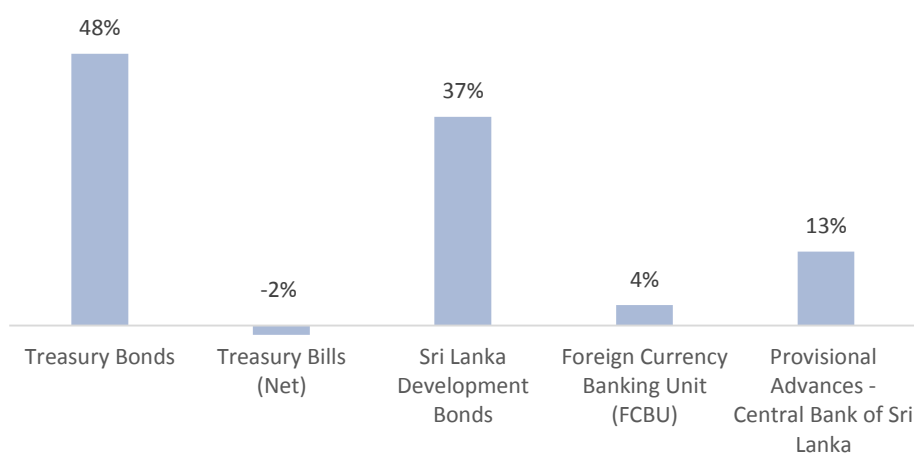
this period. Table 2.2 summarizes the government gross domestic borrowings during January - September 2017.

Table 2.2 | Gross Domestic Borrowings by Instruments

Instruments	Rs. Bn. Jan-Sep. 2017
Treasury Bonds	442.3
Treasury Bills (Net)	(15.4)
Sri Lanka Development Bonds	339.8
Foreign Currency Banking Unit (FCBU)	33.3
Provisional Advances - Central Bank of Sri Lanka	120.5
Total	920.5

Source: Department of Treasury Operations

Chart 2.1 | Gross Domestic Borrowings by Instrument
Jan. - Sep. 2017



2.3 Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remained valid as at 30 th September 2017, was Rs.854.62 billion

which were within the limit applicable as per the section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016. The list of Treasury Guarantees issued by the General Treasury as at September 30, 2017, is given in Annex II.

Foreign Financing | 03

3.1 Foreign Financing Commitments from January to August 2017

The government has entered into 24 financing commitment agreements with foreign development partners and lending agencies for development activities from 1st January to 31st August 2017 worth US dollar 1,187.2 million, to support the public investment program, in-line with the macroeconomic targets set by Medium Term Macro Fiscal Framework: 2015-2018. Of the total commitments made during this period, US dollar 1,020.2 million was made in the form of loans and US dollar 167.0 million was made as grants.

From the commitments made for the development activities, Japan has made the highest commitment during this period which amounted to US dollar 431.3 million, followed by India (US dollar 320.0 million), World Bank (WB) (US dollar 220.5 million), China (US dollar 58.0 million) and European Investment Bank (EIB) (US dollar 53.4 million) respectively. Apart from the external financing obtained for development activities through Official Development Assistance

(ODA), the government has obtained a Foreign Currency Financing Facility arrangement worth US dollar 1,000 million during the period under review with the interest rate being LIBOR 6 months for US dollar with 2 percent margin. This commercial loan has a 3-years maturity period from the date of signing and the repayment is to be made by 6 equal installments. In addition to them, the government has also issued an International Bond of US dollar 1,500 million for 2017 at an interest rate of 6.2 percent and with 10 year maturity. Complete list of commitments is shown in the Table 5.1 along with financial terms of each loan.

From the sectoral perspective of the commitments made to finance development activities, by 31st August 2017, the highest amount has been committed for Water Supply & Sanitation sector (US dollar 394.5 million) whereas for the Ground Transport (Railway) (US dollar 318.0 million) sector was also received considerable amount of commitments during this period followed by Agriculture sector (US dollar 188 million) and Education and training sector (US dollar 120.0 million).



Other: Defense, Fisheries, Humanitarian Assistance
Source: Department of External Resources

Table 3.1 : Foreign Financing Development Commitments and Market Borrowings with Terms - from 1st January to 31st August 2017

Development Partner/ Lending Agency	Instrument Type	Agreement Date (YYYY/MM/DD)	Project /Program/ Instrument Name	Currency	Amount Committed (million)			Terms			
					In Instrument Currency	Rupees	US dollar	Financial Terms	Other Chargers	Grace Period (Years)	Maturity /Availability Period from the Date of Signing (Years)
					Type	Annual Rate (%)	Margin (100 basis points)				
Bilateral ODA											
India	Grant	2017/02/02	Construction of Multi-Ethnic Trilingual Secondary School in Polonnaruwa	LKR	300.0	300.0	1.9	Fixed	1.75	Not Applicable	0
	Loan	2017/06/06	Dollar Credit Line 318M of the Development of Railway Sector	USD	318.0	48,493.9	318.0	Fixed	1.75	Not Applicable	5
	Loan	2017/07/07	Rural Infrastructure Development Project in Emerging Regions	JPY	12,957.0	17,498.4	113.8	Fixed	1.4 & 0.01	Not Applicable	7
Japan	Loan	2017/07/07	Kalu Ganga Water Supply Expansion Project (I)	JPY	31,810.0	42,959.4	279.5	Fixed	1.4 & 0.01	Not Applicable	7
	Economic and Social Development Programme										
	Grant	2017/02/27	(Improvement of Public Security and Strengthening of Counter Terrorism Activities)	JPY	250.0	337.3	2.2	Not Applicable			3.8
Establishment of a Doppler Weather Radar Network in Sri											
Grant	2017/06/30		JPY	2,503.0	3,436.1	22.4	Not Applicable			3.0	

in Sri Lanka													
European Investment Bank	Loan	2017/01/20	Implementation of Greater Colombo Water and Wastewater Management Improvement Program-Project 3	EUR	50.0	8,014.6	53.4	Variable	LIBOR 6 Months for US dollar	0	-	1	11
			Development of site specific fertilizer management systems for sustainable crop production										
Food & Agriculture Organization	Grant	2017/02/15	Emergency Assistance to Restore Agricultural Livelihoods of Vulnerable Households Affected by Drought	USD	0.3	40.8	0.3	-	-	-	-	-	0
			Agriculture Sector Modernization Project										
World Bank (International Development Association)	Loan	2017/07/17	Accelerating Higher Education Expansion and Development Operation (AHEAD) Programme	SDR	24.4	5,202.1	33.8	Fixed	1.25	Not Applicable	Service Fee 0.75%	5	24
			Accelerating Higher Education Expansion & Development Operation (AHEAD) programme										
World Bank (International Bank for Reconstruction & Development)	Loan	2017/07/17	Accelerating Higher Education Expansion & Development Operation (AHEAD) programme	USD	67.0	10,299.9	67.0	-	-	-	Frontend fee USD 167,500	10	24
			Accelerating Higher Education Expansion & Development Operation (AHEAD) programme										

International Fund for Agricultural Development	Loan	2007/06/26	Implementation of Smallholder Agribusiness Partnership(SAP) Program	USD	33.7	5,167.7	33.7	Fixed	2	Not Applicable	-	5	24
World Food Programme	Grant (and Enhancem ent)	2017/05/12 (and 2017/06/28)	Relief Assistance for Drought Affected Communities - Emergency Operation SL	USD	4.9	743.6	4.9			Not Applicable			
Market Borrowings													
Foreign Currency Term Loan (Agent : Sumitomo Mitsui Banking Corporation Singapore Branch)	Loan	2017/05/09	Foreign Currency Term Financing Facility - 2017	USD	1,000.0	152,888.7	1,000.0	Variable	Months for US dollar	2	Up Front Fee US dollar 6,750,000	1	3
International Bond Issuance	Loan	2017/05/11	International Bond Issuance 2017	USD	1,500.0	228,473.1	1,500.0	Fixed	6.2	Not Applicable	-	10	10
Total						562,574.4	3,687.2						

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offer Rate

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

3. SDR = Special Drawing Rights

4. - = no value

3.2 Foreign Financing Disbursements

Total foreign disbursements made through development projects and programmes during the period from 1st January to 31st August, 2017 was US dollar 901.6 million (or Rs. 136,979.6 million), of which, US dollar 19.6 million

(or Rs. 2,980.3 million) was made as grants and US dollar 882.1 million (or Rs. 133,999.3 million) was made as loans. As depicted in Chart 3.2, majority of the total disbursements were made by China, which is almost 35 percent, followed by Asian Development Bank (22 percent) and the World Bank (16 percent).

Table 3.2: Disbursements Made by Each Development Partner in the form of ODA, from 1st January to 31st August 2017

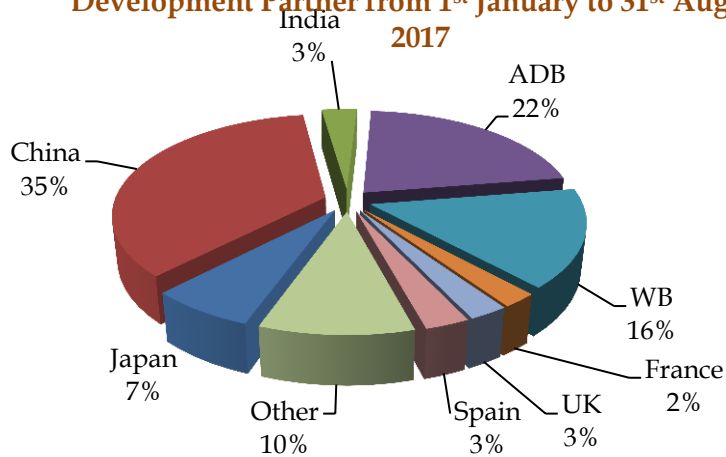
Development Partner / Lending Agency	Disbursed Amount (million) (a)					
	Loan		Grant		Total	
	Rupees	US dollar	Rupees	US dollar	Rupees	US dollar
Bilateral	81,669.7	538.0	1,532.7	10.1	83,202.4	548.1
Export-Import Bank of China	39,006.1	257.1	0.0	0.0	39,006.1	257.1
China Development Bank Corporation	9,459.7	62.2	0.0	0.0	9,459.7	62.2
Government of Japan	7,774.4	51.1	1,465.9	9.6	9,240.3	60.7
Government of India	4,349.0	28.6	0.0	0.0	4,349.0	28.6
Kingdom of Spain	2,925.7	19.3	0.0	0.0	2,925.7	19.3
Deutsche Bank AG of United Kingdom	2,693.7	17.7	0.0	0.0	2,693.7	17.7
Co-op Centrale Raiffeisen-Boerenleen Bank of the Netherlands	2,004.6	13.2	0.0	0.0	2,004.6	13.2
Saudi Fund For Arab Economic Development	1,834.8	12.2	0.0	0.0	1,834.8	12.2
HSBC (With Guarantee of EKF Denmark)	1,718.2	11.3	0.0	0.0	1,718.2	11.3
Agence Francaise De development of France	1,630.1	10.8	0.0	0.0	1,630.1	10.8
Calyon Credit Agricole CIB of France	1,450.3	9.5	0.0	0.0	1,450.3	9.5
Export Finance & Insurance Corporation of Australia	1,173.2	7.7	0.0	0.0	1,173.2	7.7
Banco Bilbao Vizcaya Argentaria S.A. of Spain	982.1	6.5	0.0	0.0	982.1	6.5
Government of Kuwait	821.9	5.4	0.0	0.0	821.9	5.4
Export Import Bank of Hungary	810.3	5.3	0.0	0.0	810.3	5.3
HSBC Bank PLC (UK)	734.8	4.8	0.0	0.0	734.8	4.8
Govt. of the Federal Republic of Germany	663.7	4.4	66.8	0.4	730.5	4.8
Export Import Bank of United States	526.5	3.5	0.0	0.0	526.5	3.5
KBC Bank of Belgium.	452.5	3.0	0.0	0.0	452.5	3.0
UniCredit Bank Austria AG of Austria	290.9	1.9	0.0	0.0	290.9	1.9
Raiffeisen Zentral Bank of Austria	228.1	1.5	0.0	0.0	228.1	1.5
Government of the Republic of Korea	139.1	0.9	0.0	0.0	139.1	0.9
Multilateral	52,329.6	344.0	1,447.5	9.5	53,777.1	353.6
Asian Development Bank	29,671.9	194.8	0.0	0.0	29,671.9	194.8
International Development Association	18,308.8	120.5	1,343.6	8.9	19,652.5	129.4
International Bank for Reconstruction & Development	1,727.3	11.5	28.0	0.2	1,755.2	11.6
OPEC Fund for International Development	1,439.3	9.5	0.0	0.0	1,439.3	9.5
International Fund for Agricultural Development	1,182.3	7.8	75.9	0.5	1,258.2	8.3
Total	133,999.3	882.0	2,980.3	19.6	136,979.6	901.6

Source: Department of External Resources

Note: For conversion of disbursements made in difference currencies into US dollar and Rupees, the exchange rates prevailing to 31st August 2017 have been used

(a) Provisional

Chart 3.2 | Disbursements Made by Each Development Partner from 1st January to 31st August 2017

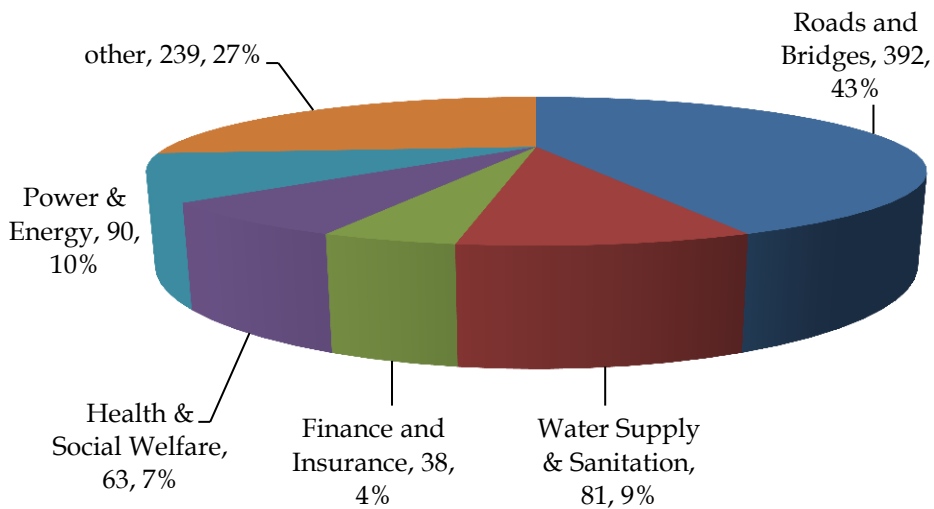


Other: Denmark, Hungary, OPEC Fund for International Development, International Fund for Agricultural Development, United States, Germany, Kuwait, Australia, Belgium, Austria, Netherlands, Saudi Arabia, and Korea
 Source: Department of External Resources

From the total disbursements made during the period under review, the highest amount was disbursed to Roads & Bridges sector, which is 43 percent followed by

Power & Energy (10 percent), Water Supply & Sanitation (9 percent) and Health & Social Welfare (7 percent) sectors.

Chart 3.3 | Disbursement Made for each Sector from 1st January to 31st August 2017 (US dollar million)



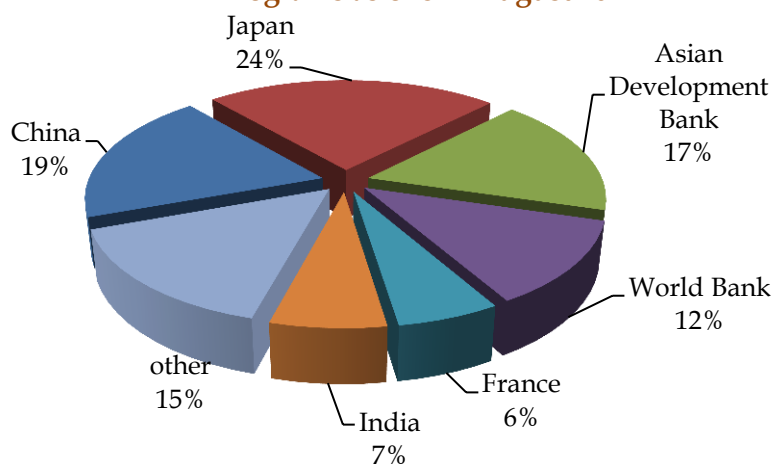
Other: Education & Training, Livestock Development, Defense, Disaster Management, Labor & Vocational Training, Environment, Plantation, Agriculture, Management & Institutional Development
 Source: Department of External Resources

3.3 Committed Undisbursed Balance (CUB) of Foreign Financing and Utilization

As at 31st August 2017, the total undisbursed balance of foreign financing

available from already committed loans that are to be utilized in next 3-5 years was US dollar 8,599.3 million.

Chart 3.4 | CUB of Development Projects and Programs as of 31st August 2017



Note: CUBs of State Owned Enterprises are not included, CUB of Iran has been affected by international sanctions, CUB was calculated based on exchange rates as at 31st August 2017.

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

3.4 External Debt Stock and External Debt Service Payments

By the end of August 2017, total outstanding external debt of the government was US dollar 28.5² billion. Total debt service payments³ from 1st

January to 31st August 2017 amounted to US dollar 1,378.9 million. Of which, US dollar 805.4 million was paid for principal repayments and the balance US dollar 573.5 million was paid for interest payment.

² Non-residential holdings of Treasury Bills/Bonds and outstanding debt of State Owned Enterprises (SOEs) are not included.

³ Debt Service = Principal Payments + Interest Payments, Debt Service Payment of SOEs are not included

Performance of State Owned Business Enterprises | 04

4.1 Overview

State Owned Business Enterprises (SOBEs) in Sri Lanka plays a pivotal role in the economy of Sri Lanka while private sector being the engine of growth in the country. SOBEs directly and indirectly help to upkeep the living standards of the population while contributing considerably to the key segments of the national economy.

During first eight months of the year 2017, SOBEs contributed to the national economy by way of non-tax revenue amounting Rs. 12.5 billion which comprised of Rs. 10.2 billion as levy and Rs. 2.2 billion as dividends. Profitability of 55 SOBEs has been recorded as Rs. 104.8 billion for the first eight months of the current year.

4.2 A Brief Review of the Ten Major SOBEs

4.2.1 Bank of Ceylon (BOC)

Bank of Ceylon has continued its digital transformation process to provide modern banking facilities to the island wide customers. In line with the government objective to bring in the un-bankable population in the country to the banking stream, the bank has introduced the newest concept of “Branch on wheels” to reach the customers in remote areas. BOC covers the customer base through its branch network of 580.

The BOC won the Overall Gold award for excellence in interbank transactions, Gold award for excellence in customer convenience in Category ‘A’ and Gold award for financial inclusivity in Category

‘A’ at the 2017 Lanka Pay Technnovation awards.

The BOC has continued its lead position in the Sri Lankan banking industry with the largest asset base of Rs.1.9 trillion by the end of August 2017. The asset base of the bank increased by 11 percent compared to the asset base of Rs.1.7 trillion as at the end of 2016. The deposit base of the bank has recorded an increase of 12 percent to Rs.1.4 trillion by the end of August 2017 compared to the deposit base of Rs.1.2 trillion as at end of 2016. Gross Non-performing loan ratio has deteriorated during the first eight months of 2017 to 4 percent from 3 percent as at the end of 2016. The BOC has recorded a profit before tax of Rs.17.9 billion for the first eight months of 2017.

4.2.2 People’s Bank (PB)

People’s Bank operates in Sri Lanka with the largest network of 737 banking outlets to provide modern banking facilities to more than 17.4 million customers. The bank possesses 541 ATMs, 68 CDMs and 48 Kiosks. Government infused Rs.5 billion capital to PB in July 2017 as a measure to assist the bank to meet the international Basel III standards. PB awarded “Bank of the year - Sri Lanka” for the second time at the European Global Banking and Finance Awards 2016. Fitch Ratings Lanka Limited has re-affirmed the national long-term rating on People's Bank at AA+ (lka) with a stable outlook in 2017.

Bank’s asset base has recorded an increase of 13 percent to Rs.1.47 trillion as at the end of August 2017, from Rs.1.3 trillion as at the end of 2016. The deposit base increased by 9 percent to Rs.1.18 trillion

by the end of August 2017 compared to Rs.1.08 trillion as at the end of 2016. Loan portfolio of the bank has increased by 4 percent to Rs.1 trillion during the first eight months of 2017. PB recorded a profit before tax of Rs.15.3 billion for the period from January to August 2017.

4.2.3 National Savings Bank (NSB)

National Savings Bank is the largest government owned licensed specialized bank in Sri Lanka and it is the only bank which has 100 percent government guarantee on deposits and interest. The NSB celebrated its 45th anniversary in March 2017. The bank has retained the AAA (lka) national long term rating by Fitch Ratings Lanka for the fifteenth consecutive year in 2017. The NSB serves its customer base through a network of 251 branches, including 12 postal banking units and 6 loan centers.

The asset base of the bank has increased by 8 percent to Rs.981 billion by the end of August 2017, from Rs.912 billion as at end 2016. The deposit base of the bank recorded an increase of 10 percent to Rs.721 billion compared to the deposit base of Rs. 657 billion as at end 2016. During the first eight months of 2017, gross loans and advances have increased by 8 percent to Rs.349.5 billion. NSB recorded a profit before tax of Rs.8.3 billion for the period from January to August 2017.

4.2.4 Sri Lanka Insurance Corporation (SLIC)

Sri Lanka insurance Corporation (SLIC) has taken initiatives to split life and general insurance businesses into two

separate companies as per the Insurance Industry (Amendment) Act No.03 of 2011. Accordingly, during the first seven months of 2017, General Insurance business has recorded Rs. 9.2 billion of total revenue while life insurance business recorded total revenue of Rs. 13.8 billion which resulted total revenue of Sri Lanka Insurance Corporation to stand at Rs. 23.0 billion which is a 15.5 percent increase over the corresponding period in 2016. SLIC earned a profit before tax of Rs. 8.8 billion which comprised of General Insurance Rs. 1.6 billion and Life Insurance Rs. 7.2 billion up to 30th July 2017 which is a 26 percent increase over the same period of 2016.

By considering the SLIC's sound profitability and healthy capitalization, Fitch rating has upgraded the Sri Lanka Insurance Corporation Limited's national Insurer Financial Strength (IFS) rating and national long-term rating to "AA+(lka)" from "AA(lka)" and assigned a stable outlook with effect from August 2017 which reflects its established franchise and market position in Sri Lanka.

4.2.5 Ceylon Electricity Board (CEB)

The CEB has successfully covered 99 percent of the household electricity of the country at present. Increased operating loss from Rs. 851 million for the first half of the year 2016 to Rs. 22 billion for the first six months of 2017 would have been backed by increased cost per unit (excluding taxes) to Rs. 19.98 in 2017 from Rs. 16.58 in 2016.

Source of electricity generation comprised of 963 MW Hydro, 2,732 MW Thermal (Fuel) and 2,962 MW Thermal (Coal)

during the review period changed to 14:41:45 from 38:28:35 in 2016. The generation of electricity depended more from thermal during the review period in

2017 compared to same period of previous year due to the dry weather condition prevailed in 2017.

Table 4.1 | **Composition of Electricity Generation Capacity**

	Installed Capacity MW	Composition (%)
Major Hydro	963	13
CEB-Coal	2962	41
CEB - Oil	1319	18
IPP - Oil	1413	20
NCRE	549	8
Total	7206	100

Source: Ceylon Electricity Board

Due to the reduction of the hydro power generation in the first six month of the year, increased working capital requirement was financed by borrowings amounting Rs.1.1 billion while the government has provided Rs. 6 billion to cover the additional fuel cost used for the generation of power during the period. However, outstanding dues to banks decrease to Rs. 29.3 billion in the first six months of 2017 from Rs. 34.9billion compared to the same period of the last year. Further, the imposition of 15 percent VAT on coal imports from 2017 and 2 percent NBT on sales from 2016 has negatively affected by almost Rs. 11 billion in the CEB's cash position during 2017.

Statement of Corporate Intent (SCI) was signed with the CEB by fixing key performance targets as to improve the quality of electricity to the customers, become a low cost electricity supplier, optimize generation capacity and ensure the financial stability of the CEB.

Government has given its highest priority for the promotion of renewable energy, particularly solar energy by introducing

the concept of "Battle for Solar Energy" which is a national program to develop one million rooftop solar power plants in households .

4.2.6 Ceylon Petroleum Corporation (CPC)

The oil imports of CPC during the first six months of year 2017 was US dollar 1,277 million. It represents nearly 12.5 percent of the total imports of the country which was stood at US dollar 10,151 million. The International Market average crude oil prices prevailed around US dollar 40/bbl during the first eight months of 2016 has increased to US dollar 50/bbl during the corresponding period of the year 2017. The increasing trend of the international market oil prices from the beginning of the year 2017 resulted to increase by 34 percent the oil import bill of CPC for the first half of the year 2017 compared to the same period of the year 2016. The prices are further an increasing trend from the month of July 2017.

These changes in the prices have resulted the CPC to operate at a marginal profit for the first eight month of the year 2017

compared to the overall profit of Rs. 53.4 billion for the eight months period in 2016. It is important to note that even though the CPC operate at a marginal profit in overall, it incurred heavy losses from the transport sector due to selling of the petrol and the diesel at below the cost. These losses are being recovered from the considerable profit margin of fuel sold for power sector mainly for CEB. This pricing mechanism has had negative impact on both CEB as well as CPC.

The revised estimated profits of the CPC for the year 2017 is around Rs. 25 billion. However, to achieve the estimated profits, the market condition should be such that the crude prices needs to remain below US dollar 52/bbl, the exchange rate would not depreciate against the US dollar further from the current level and the demand for power sector oil is required to be stable as at present during next four month period.

As a result of maintaining a marginal operating profit and then the stable cash flow position during the period of first eight months, CPC was able to maintain the same level of its bank liability of US dollar 2 billion as reported at the end of the year 2016. However, the depreciation of rupee against the US dollar has resulted to increase liability in rupee term and it has also resulted the CPC to incur exchange loss of Rs. 7 billion for the period. The CPC has paid around Rs. 12 billion which is about 3.5 percent of its revenue as at end of August in 2017 to the government through levies, taxes and other payments. The CPC's previous losses which occurred due to non-passing the high cost of fuel to consumers, exchange rate variances, the huge finance

costs and hedging transactions have had a substantial negative impact on its balance sheet. The lack of a fully cost reflective pricing structures from 2005 to 2013 resulted in CPC accumulating a loss of Rs. 258 billion as at the end of year 2015. These accumulated losses impacted the CPC to run at a net liability position. Therefore, the CPC must be turned into a net asset position by way of operational profits. It urges the introduction of proposed pricing formula without further delay.

4.2.7 National Water Supply & Drainage Board

With the development activities taking place in the country, the requirement of safe drinking water and sewerage facilities in several emerging towns have increased. In order to cater such future requirements, the National Water supply and Drainage Board together with the Ministry of City Planning & Water supply have worked out a ten year development plan with identification of locations, Project costs, financial implications and coverage to be achieved during next ten years. The challenging target of NWS&DB is to provide safe drinking water for all citizens of the country by 2025, which is currently at 47.7 percent.

In accordance with the unaudited financial statements of NWS&DB, an operating profit of Rs. 1,737 million has been ended up with Rs. 2,914 million of profit after tax with the coziness of Rs. 1,244 million of finance income for the financial year ending 31.12.2016.

During the first half of 2017, the NWS&DB has recorded a revenue of Rs.11.7billion

which is 26 percent behind the budgeted revenue, mainly due to the non-implementation of expected tariff hike by 30 percent. NWS&DB has recorded 15 percent increase in total assets which is Rs. 395.8 billion during first half of 2017 compared to Rs 335.3 billion for the same period in 2016. With a view of enhancing the operational and financial performance of the NWS&DB, the Statement of Corporate Intent (SCI) was signed on 15th March 2017. At the end of the second quarter of 2017, Key Performance Indicators (KPI) such as reduction of non-revenue water percentage, total staff per 1,000 connections, reduction of debtors in arrears, improvement of gross profit ratio and bacteriological quality test passed percentage recorded favorable variances of 1 percent to 22 percent, total connections, NWS&DB piped borne water coverage, percentage of population access to safe drinking water and leak repair cost (Rs) (Km/Month) recorded unfavorable variances of 1 percent to 17 percent compared to the targets of the year 2017.

The General Treasury issued Rs. 113.3 billion worth treasury guarantees on behalf of the NWS&DB and another Rs. 34.1 billion worth of guarantee is scheduled to be issued. By considering the national importance of water supply & sewerage projects, the Ministry of Finance and Mass Media enhanced borrowing limit to Rs. 7.4 billion for local funded projects, US dollar 1155.38 million and Euro 119.43 million for foreign funded projects.

4.2.8 Sri Lanka Ports Authority.

Total revenue of the Sri Lanka Ports Authority (SLPA) for the first 06 months

of the year 2017 increased marginally by 1 percent to Rs. 21.1 billion compared to the same period in 2016.

SLPA recorded expansion of profit before tax and a foreign exchange loss by 18.5 percent to Rs.8.4 billion, during the first six months of the year 2017 compared to the same period in 2016 benefitting from reduction of administration and other expenses. By identifying the Galle Port as a priority project for the development of tourism activities in the Southern Coastal Belt, Rs. 1.0 billion was allocated to the Ministry of Ports and Shipping from the consolidated fund under Galle Regional Port development in 2017 for which initial steps have already been taken in this regard by the Ministry.

Total outstanding borrowings of SLPA increased by 1.2 percent to Rs. 240.2 billion in June 2017 which was Rs. 237.3 billion at the end of 2016. In order to reduce loan liabilities of the Hambantota Port and port development activities, an agreement signed to lease out Hambantota Port to Hambantota International Port Services Co. (Pvt.) Ltd. (HIPS) and Hambantota International Port Group (Pvt.) Ltd. (HIPG) companies.

4.2.9 Airport and Aviation Services (Sri Lanka) Limited (AASL)

The closure of runway in Bandaranayake International Airport (BIA) during day times for 03 months in early 2017 due to its necessary overlaying works was negatively affected to the achievement of set target by the AASL. Although, AASL handled almost 5,520,000 passengers (including 750,000 transits passengers) during the first seventh months of 2017 it

is a 27 percent decline against the targeted level. In the presence of unfavorable constraints, AASL was able to increase its net profit for the first seven months of 2017 by 42 percent over budgeted net profit. The AASL's progress is closely

monitored by the General Treasury as they have already signed for the Statement of Corporate Intent for next 3 consecutive years starting from 2017.

Table 4.2 | Financial Outturn of AASL

Item	Actual	Budget
Revenue (Rs Mn)	13,035	14,600
Expenditure (Rs Mn)	8,012	10,273
Operating Profit/(loss)	5,024	4,327
Profit After tax	3,617	2,530
Passenger Movements (Nos) in Mn	5.52	7.57
Transits passenger (Nos) in Mn	0.75	1.23
Aircraft Movements (Nos)	34,059	41,980

Source: Airport and Aviation Services (Sri Lanka) Ltd

GOSL secured total foreign loans of the AASL as at end of July 2017 was Rs 43.0 billion. Capacity to handle passenger of the BIA is around 6 million passenger per annum. However the airport experienced to handle almost 9 million passengers in the 2016. The AASL recorded a 5.52 million passengers used the airport up to end of July 2017. Increasing the capacity of the BIA expanding facilities in multifaceted is important requirement in terms of the development of the aviation industry and the tourism industry in the country. Nevertheless, AASL has not yet finalized the procurement process of BIA phase II stage 2 expansion project which need to be completed by 2020 to meet the increasing demand of another 2 million passengers.

4.2.10 Sri Lankan Airlines (SLA).

The restructuring process of SLA align with suitable business partner dragged further even after two years without

having meaningful outputs. Thus committee appointed to study to propose an appropriate model for profitable business process of SLA since delays in the restructuring process increase the burden of business loss to the organization.

The loss of SLA increased to Rs. 28.4 billion in review period of 2017 compared to loss of Rs. 12.6 billion recorded in previous year as an impacts of additional cost of Rs.14.3 billion incurred on cancellation of three aircrafts (A350-900) on lease agreement during the review period of 2017 and closure of Bandaranaike International Airport (BIA) in day time for first three months of 2017, therefore cancelled around 600 flights during the period. However, there is an agreement to purchase brand new four aircrafts (A350-900) which are to be delivered in 2020. The Cabinet has appointed a special ministerial committee to make final decision in this regard.

Table 4.3 | **Financial Outturn of Sri Lankan Airlines (April to August-2017)**

Item	Estimated (Rs. Mn)	Provisional * (Rs. Mn)
Revenue	62,042	61,436
Expenditure	69,686	67,404
Company Operating Profit / (Loss)	(7,644)	(5,968)

Source: Sri Lankan Airlines Ltd , *- Not audited

Having considered the deteriorated financial position, the government of Sri Lanka (GOSL) as the principal owner of the airline companies secured Rs. 30 billion and US dollar 210 million bank loans as at the end of July 2017 to the SLA and Mihin Lanka Limited (MLL).

Further, in order to secure the going concern status of the SLA, the treasury issued a letter of support ensuring continuous assistance for running business until the ongoing restructuring process as instructed by the cabinet of ministers.

Table 4.4 | **Profitability of 55 State Owned Business Enterprises (SOBEs) as at 31.08.2017**

Rs. Mn.

Enterprises	Profit Before Tax			
	2015	2016	01/01/2017 to 31/08/2017 (a)	2017 Estimate
Bank of Ceylon	25,109	31,635	17,905	27,100
People's Bank	19,497	19,399	15,315	16,300
National Savings Bank	13,034	13,251	8,257	13,644
State Mortgage & Investment Bank	731	460	250	492
Housing Development Finance Corporation	972	636	140	926
Lankaputhra Development Bank	204	255	80	295
Regional Development Bank	2,112	2,089	298	2,118
Sri Lanka Savings Bank	331	464	146	616
Employment Trust Fund Board	18,095	15,846	12,726	24,888
Sri Lanka Insurance Corporation	3,017	9,903	5,139	14,136
National Insurance Trust Fund	4,449	6,000	1,171	3,743
Sri Lanka Export Credit Insurance Corporation	224	193	181	181
Agriculture & Agrarian Insurance Board	(256)	(3,261)	(1,580)	(4,135)
Ceylon Electricity Board	20,720	(13,234)	(21,996)	(35,141)
Ceylon Petroleum Corporation	(18,384)	69,620	62,792	10,621
Sri Lanka Ports Authority	(9,575)	11,074	1,549	15,966
National Water Supply & Drainage Board	1,084	302	886	5,752
Airport & Aviation Services Ltd	2,378	6,908	5,890	8,831
Sri Lankan Airlines Ltd	(16,433)	(28,930)	(5,968)	(9,495)
Mihin Lanka Ltd	(1,215)	(1,579)	NA	NA

Sri Lanka Transport Board	(4,038)	(3,617)	1,033.55	5,550
State Engineering Corporation of Sri Lanka	(586)	(938)	(521)	(454)
Central Engineering Consultancy Bureau	520	469	253	704
State Development and Construction Corporation	80	28	(515.23)	25
Milco (Pvt) Ltd	(250)	363	(19)	340
National Livestock Development Board	39	(8)	102	191
Sri Lanka State Plantation Corporation	(168)	(134)	(7.6)	75
Janatha Estate Development Board	(401)	(443)	(128)	13
Kurunegala Plantations Ltd	147	132	165	170.9
Chilaw Plantations Ltd	86	79	135	160
Kalubovitiyana Tea Factory Ltd	17	31	(16)	70
Sri Lanka Cashew Corporation	17	(52)	9.26	12.5
Lanka Mineral Sands Ltd	509	170	535	704
Lanka Phosphate Ltd *	59	(34)	0.746	24.75
Kahatagaha Graphite Lanka Ltd *	12	14	12.08	20
Development Lotteries Board	2,390	2,833	1,438	2,381
National Lotteries Board	871	414	(18.75)	144.9
State Pharmaceuticals Manufacturing Corporation	414	262	379	443
Sri Lanka Ayurvedic Drugs Corporation	49	72	NA	42
State Pharmaceuticals Corporation	1,230	1940	557	1345
Sri Jayewardenepura General hospital	(250)	(206)	(784)	44
Independence Television Network Ltd	477	(70)	(168)	367
Sri Lanka Rupavahini Corporation	375	(231)	(60)	30.5
Sri Lanka Broadcasting Corporation	62	84	77	29
Sri Lanka Handicraft Board	9	4	(8)	26
State Timber Corporation	795	531	NA	NA
STC General Trading Company	19	26	21	167
Lanka Sathosa Ltd	(3,647)	(4,805)	(100)	(1,018)
State Printing Corporation	3	10	(902)	17
Ceylon Fisheries Corporation	(187)	(161)	NA	NA
Ceylon Fishery Harbour Corporation	(60)	(113)	NA	NA
Ceylon Fertilizer Company Ltd	411	713	63	84
Colombo Commercial Fertilizer Company Ltd	436	147	11	146
Hotel Developers Lanka Ltd.	433	605	86	126
Lanka Sugar Company (Pvt) Ltd	(981)	1,103	NA	700
Total	64,986	140,249	104,811	109,519

Sources: SOBEs, Department of Public Enterprises

(a) Provisional,

(b) *- Financial Year from 1st April 2016 to 31st March 2017

(c) NA- Not Available

Table 4.5 | Levy/Dividend of State Owned Enterprises

Item	2013	2014	2015	2016	Rs. Mn.
					As at 31.08.2017
Levy	30,400	42,137	26,118	92,338	10,219
Bank of Ceylon	5,000	6,500	5,000	18,000	1,000
People's Bank	4,500	6,000	3,000	8,000	1,000
National Savings Bank	5,000	4,000	2,800	12,026	-
Telecommunication Regulatory Commission	10,100	10,000	10,000	28,000	5,000
Ceylon Petroleum Corporation	-	10,000	-	10,000	-
State Mortgage & Investments Bank	40	10	10	10	-
Regional Development Bank	500	-	87	88	-
State Timber Corporation	50	25	50	175	100
State Pharmaceuticals Manufacturing Corporation	20	25	30	65	-
National Insurance Trust Fund	3,200	4,000	3,000	2,500	1,962
Geological Survey and Mines Bureau	700	650	850	900	-
National Gem and Jewelry Authority	100	-	75	175	-
Ceylon Electricity Board	-	-	-	8,000	-
Board of Investment	-	100	141	115	-
National Lotteries Board	500	-	50	550	-
Sri Lanka Tourism Promotion Bureau	-	500	500	1,500	500
Securities and Exchange Commission	94	-	-	-	-
Insurance Board of Sri Lanka	300	-	-	-	-
Civil Aviation Authority	200	250	400	760	600
State Pharmaceutical Corporation	50	75	100	216	-
Sri Lanka Bureau of Foreign Employment	-	-	-	1,000	57
National Transport Medical Institute	-	-	-	200	-
Other*	46	2	25	50	-
Dividends	4,767	4,676	3,679	15,821	2,245
Bank of Ceylon	346	346	346	346	346
People's Bank	316	316	316	316	316
National Savings Bank	60	60	60	60	60
National Development Bank	10	6	5	2	1
Sri Lanka Telecom PLC	760	759	795	795	795
De La Rue Lanka (Pvt) Ltd	44	49	61	62	-
Lanka Mineral Sands Ltd	-	43	14	-	-
Lanka Industrial Estates Ltd	55	55	55	47	-
Airport and Aviation Services Ltd	500	500	497	1,500	350
Lanka Electricity Company Ltd	75	25	87	152	218
Plantation Companies*	139	93	62	10	89
Sri Lanka Insurance Corporation Ltd	2,199	2,001	1,003	11,857	-
Lankaputhra Development Bank	36	36	36	36	41
Lanka Phosphate Ltd	25	35	30	-	5
Independence Television Network Ltd	50	125	84	-	-
Rakna Arakshaka Lanka Ltd	17	68	93	-	-
Ceylon Fertilizer Ltd	9	38	54	116	-
Lanka Leyland Ltd	97	11	54	34	-
Other**	38	117	31	488	24
Total	35,167	46,813	29,797	108,159	12,464

Sources: Department of Treasury Operations and Department of Public Enterprises

* includes Skills Development Fund, Ceylon Agro Industries, Asian Reinsurance Corporation, Hummas falls Ltd, Carsons Management Ltd, Lanka Canneries Ltd, United Motors Lanka Ltd, Bogala Graphite Lanka Ltd, Autogrill Lanka Ltd, Sri Lanka Export Credit Insurance Board, National Livestock and Development Board, Sri Lanka Rupavahini Corporation, Sri Lanka Convention Bureau, National Development Bank, Colombo Commercial Fertilizer Ltd, Paranthan Chemicals Company Ltd, Ceylon Shipping Corporation Ltd, Kahatagaha Graphite Lanka Ltd, Sri Lanka Standards Institution, Central Engineering Consultancy Bureau, Lanka Sugar Company Ltd, Mihin Lanka, Mantai Salt Ltd. ** includes Chilaw, Kalubowitiyana, Elkaduwa, Kurunegala, Namunuluka, Kegalle, Agalawatte, Kotagala, Balangoda, Watawala, Horana, Elpitiya and Pussellawa Plantations

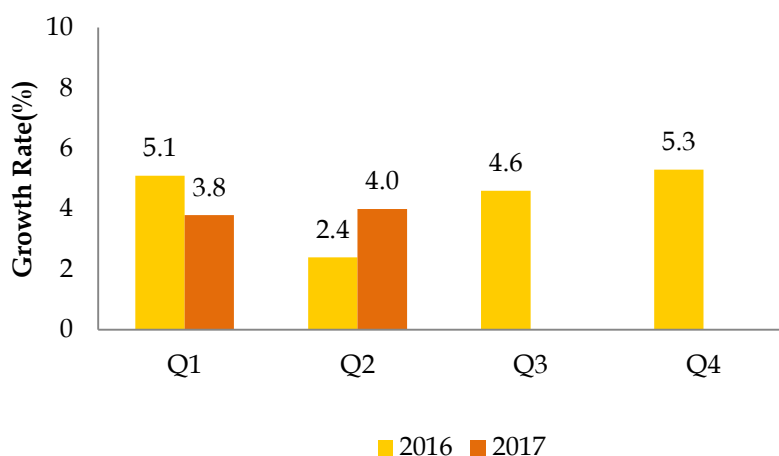
Economy | 05

5.1 Economic Growth

The economy of Sri Lanka grew 3.9 percent during the first half of the year 2017 compared to growth of 3.7 in the same review period in 2016 as a result of improvement in services and industry sectors. Since country faced unfavorable weather condition prevailed from end of 2016, agriculture sector negatively

impacted on the economic growth of review period in 2017. Services sector continued the momentum of growth by 4 percent in the review period of 2017. The Agriculture, Industry, Services and Taxes less subsidies contributed to GDP by 7 percent, 29 percent, 58 percent and 6 percent respectively in the review period.

Chart 5.1 | GDP Growth



The agriculture sector contracted by 3.1 percent in the first half of 2017 compared to the same period in 2016. Contraction of sub-sectors such as rice, oleaginous fruits (coconut, king coconut and oil palm), cereal, sugar cane, tobacco and other non-perennial crops, vegetables and rubber were largely attributed for the negative growth. Fresh water fishing and aquaculture, animal production, forestry and logging, marine fishing and aquaculture, plant propagation and agricultural supporting activities, other perennial crops, fruits, spices and pharmaceutical crops, green tea, and other beverage crops (coffee, cocoa etc) contributed positively to the growth of the agriculture sector.

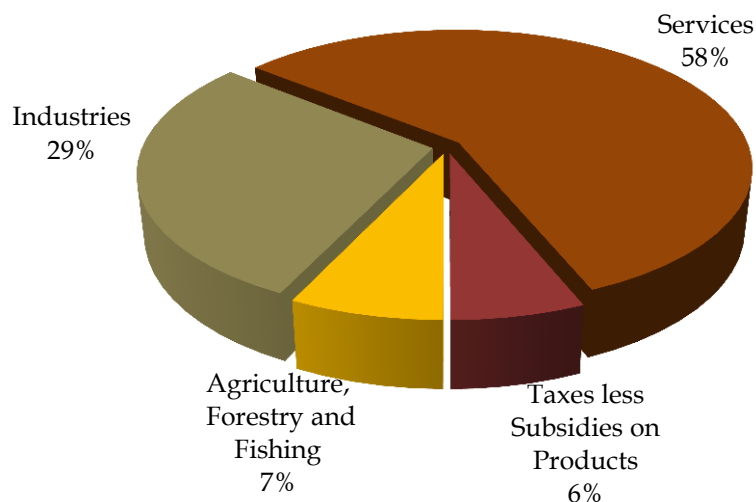
The industrial sector continued the momentum of growth by 5.8 percent during the first half of 2017. Share of industrial sector to GDP increased to 28.7 percent in 2017 in comparison of 27.7 percent during the corresponding period in 2016. Manufacturing non-metallic mineral products showed significant growth of 16.8 percent compared to a negative growth of 17.2 percent in the review period of 2016. Mining and quarrying, construction, water collection treatment and supply, products of textile, wearing apparel and leather related products, paper products, printing, reproduction of media products, rubber based and plastic products, basic metals, fabricated metal products, manufacturing

of machine and equipment, furniture, electricity, gas, steam, air conditioning supply supported for the positive growth of the industry sector. Contraction of the sub sectors of coke, and refined petroleum products, repair and installation of machinery and equipment and other manufacturing, chemical products, basic pharmaceutical products, wood, products of wood, cork, food, beverages and tobacco products resulted to slow down the growth in the industrial sector.

The services sector grew by 4.0 percent in value added terms in the reference period, compared to 3.6 percent growth recorded in the review period in 2016. The growth was mainly contributed by the favorable expansion of financial and insurance sub sectors, telecommunication and postal courier services. Expansion of whole sale and retail trade, hospitality services such as accommodation, food and beverages,

transport services for goods and passengers, warehousing, consultancy to IT programming, real estate business including ownership of dwelling, education and other personal services such as personal grooming, funeral activities positively supported for this growth. Notably personal service activities such as human health, residential care, and social works showed a robust growth of 12.4 percent compared to the negative growth of 3.1 percent in the first half of 2016. However, professional services and programming and broadcasting activities contracted in the first half of 2017, compared to the same period of 2016 decelerating the overall growth in the services sector. Further, public administration, defense and security services recorded a negative growth of 4.8 percent, compared to 5.2 percent growth was in the review period of 2016.

Chart 5.2 | Composition of GDP - First Half 2017



5.2 Agriculture

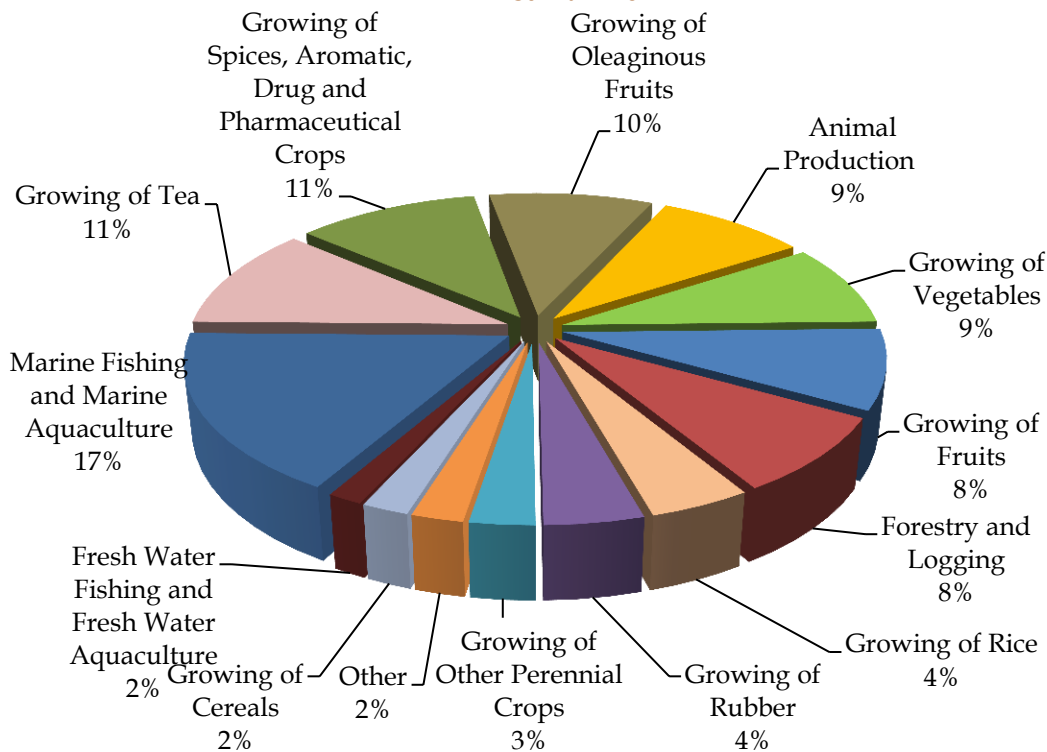
The agriculture, forestry and fishing sector contracted by 3.1 percent in value added terms during the first half of 2017 in comparison to a negative growth of

3percent registered in the same period of 2016. The share of this sector to GDP decreased to 7.1 percent in the first half of 2017 from 7.6 percent share to GDP in the same review period of 2016. Paddy by 42.1 percent, cereals by 15.2 percent, sugar

cane, tobacco and other non-perennial crops by 10.2 percent contracted in the first half of 2017, compared to the corresponding period of the previous year. The drop in paddy sub sector was resulted of decline in production of rice in both Maha and Yala seasons due to unfavorable weather condition prevailed since last months of 2016. Unfavorable weather condition caused drastic decreased in production of other agricultural crops such as cereal crops by 15.2 percent, vegetables by 4.6 percent, sugarcane, tobacco and other non-perennials crops by 10.2 percent. Notably, the oleaginous fruits (coconut, king coconut, oil palm) showed negative growth of 14.9 percent in the first half of the year compared to a positive growth of 1.7 percent in the same review period in 2016. Products of rubber negatively affected to the growth in the agriculture sector. However freshwater fishing and

aquaculture showed a robust growth of 15.1 percent in the first half of 2017 from negative growth of 21.4 percent recorded in the same corresponded period of previous year. Similarly, the agriculture sector was driven by significant growth of marine fishing and marine aquaculture and animal production by 4.5 percent and 9.0 percent respectively in the year 2017. Further favorable expansion in sub sectors such as forestry and logging, products of spices, aromatic, drugs, pharmaceutical crops, other beverage crops (Coffee, Cocoa etc), fruits and other perennial crops contributed positively to the overall growth in agriculture sector. Moreover product of tea (green leaves) showed a strong performance of 1.2 percent growth in first half of 2017, compared to a 11.1percent negative growth recorded in the same period of 2016 as increased export demand a value of US dollar 871.4 million up to July 2017.

Chart 5.3 | Composition of Agriculture Sector - First Half 2017



Paddy

The value addition of paddy production which contributed 4 percent to the agriculture sector further dropped by 42.1 percent during the first half of 2017 compared to negative growth of 12.8 percent recorded in the first half of 2016. Paddy production in 2017 was lower due to a significant decline in the extent cultivated and low yields arisen from adverse weather conditions that prevailed since last months of 2016. Paddy production of Maha in 2016/17 and Yala in 2017 seasons decreased by 49 percent and 33 percent to 1.4 million Mt and 1.0 million Mt respectively compared to the same period in 2016.

Tea

The agriculture sector was accounted for 11.0 percent by the tea sub sector in first half of 2017 grew by 1.2 percent compared to negative growth of 11.1percent in the same review period of 2016. The tea production was 181.1 million kg during the review period in 2017 showing an increases of 3.03percent compared to tea production in the same period of previous year. The earnings from tea exports also increased by 20percent to US dollar871.4 million during first seven months of 2017 compared to US dollar 726.1 million in the review period of 2016 reflecting Colombo auction price increased by 31.0 percent to Rs 593.09 per kg in the first half of the 2017 compared to Rs 453.27 per kg in the same period of 2016. However total tea exports was decreased by 4.0 percent, compared to 172.1 million kg exported in the corresponded period in 2016. Lower demand from the Middle Eastern economics had an adverse impact on tea exports. Several policy measures were

taken by government promoting tea sector resulted the growth in the year.

Rubber

The rubber sub sector contributed 4.0 percent to the agriculture sector, contracted by 5.9 percent in the first half of 2017 compared to negative growth of 4.9 percent recorded in the reference period of 2016. The total rubber production contracted by 3.3percent to 51.34 million kg in the first half of 2017 compared to 53.09 million kg in the reviewed period in 2016. Slowdown of tapping activities caused lower rubber production in addition to unfavorable weather condition prevailed in the review period in 2017. However the average Colombo auction rubber prices of ribbed smoked sheet (RSS) 1 and RSS 2 increased to 52.4 percent to Rs. 343.00 and 56.6 percent to Rs. 346.00 respectively in the first nine months of 2017 compared to same period in 2016. Exports of rubber based products earned US dollar 467.1 million in the first seven months of 2017, increased by 6.1percent compared to export earnings of US dollar 440.2 million in the same review period in 2016. Meanwhile earning of export of rubber increased by 40.3percent to US dollar 26.1 million in the review period of 2017 from US dollar 18.6 million earned in the same period of 2016 reflecting mainly by depreciation of rupees against US dollar and increases demand for rubber and rubber based products in world market. In addition the government took several measures encouraging rubber producers to enhance production.

Coconut and related products

The value added production of coconut and related products contributed

10percent to the agriculture sector in first half of 2017. The oleaginous (coconut, king coconut, oil palm) sub sector dropped by 14.9 percent in the first half of 2017 compared to positive growth of 1.7percent in the reference period in 2016. The total production of coconut decreased by 14percent to 1.5 billion nuts in the first seven months of 2017 compared to 1.7 billion nuts produced in 2016. Drought during the review period severely affected the production of coconut. The local average market prices of large and small coconut increased by 66 percent and 87 percent to Rs. 77.50 per nut and Rs. 67.50 per nut respectively as at end of September 2017 compared to the same period of previous year. Total export earnings from coconut based products during the first seven months of 2017 was US dollar 345.28 million increased by 4 percent more than the export earnings of US dollar 330.69 million in the first half of 2016. Further, revenue from exports of coconut kernel products increased by 8percent to Rs. 27.5 billion. Depreciation of Sri Lanka rupees against US dollar and decreased of coconuts due to unfavorable weather condition prevailed during the review period had an impact on the export earnings too.

Beverage crops and spices

The value addition of beverage crops such as coffee and cocoa recorded a positive growth of 0.7 percent in the first half of 2017, compared to 7.5percent growth showed in the same period in 2016. Similarly, spices, aromatic, drugs and pharmaceutical crops sub sector grew by 1.3 percent, compared to 9percent growth in the review period in 2016. Export earnings from spices increased by 54.2 percent to US dollar 193.21 million during

the review period in 2017 compared to same period in 2016.

Cereals, fruits and vegetables

The cereals, fruits and vegetables sub sector accounted for 19.0 percent of agriculture sector. The value added production of cereal and vegetables showed a negative growth of 15.2percent and 4.6 percent respectively in the first half of 2017 whereas fruits sub sector recorded a positive growth of 1.7 percent in the same period. Unfavorable weather condition resulted contraction of growing of cereals and vegetables during the period. However, export earnings from vegetables increased by 27.6 percent to US dollar 16.84 million compared to export earnings US dollar 13.2 million in the same period in 2016.

Marine and fresh water fishing

Sub sectors of fresh water fishing and marine water fishing had a positive growth by 15.1 percent and 4.5 percent respectively during the review period of 2017 compared to negative growth of 21.4 percent and 5percent recorded in the first half of 2016. Fishing sector accounted 18 percent to agriculture sector in the first half of 2017. Marine and fresh water fish production in the first half of 2017 increased by 4.1 percent and 17.7 percent respectively compared to the same period in 2016. Total production of marine and fresh production were 263,820 Mt and 31,660 Mt respectively during the review period of 2017. Total export earnings from sea food was US dollar 137.42 million while aqua fish export earned US dollar 8.63 million in the review period. Positive growth of EU economics and GSP plus had positive impact on increasing

demand of Sri Lanka's exports to the EU market.

Animal Production

The animal production sub sector such as milk, egg and value added slaughtered animals recorded 9percent of agriculture sector had a positive growth of 8.9percent in the first half of 2017

compared to a positive growth of 2.7percent registered in the same period of 2016. Government implemented several assistance programs including concessionary tax policy towards lowering cost of production, encourage new entrepreneurs and farmers in order to increase production especially milk and dairy based products resulted the favorable expansion of this sector.

Table 5.1 | Sectoral Composition of GDP at Constant (2010) Prices

RS.Mn.

Sector	2014R	2015R	2016	First Half		Growth (%)	
				2016	2017(a)	2016	2017(a)
Agriculture, Forestry and Fishing	639,696	670,106	641,943	320,269	310,400	(3.0)	(3.1)
1 Growing of Cereals (except rice)	13,969	14,982	13,410	7,356	6,238	(1.8)	(15.2)
2 Growing of Rice	61,019	76,256	52,649	23,315	13,497	(12.8)	(42.1)
3 Growing of Vegetables	55,244	56,714	55,522	28,539	27,231	1.4	(4.6)
4 Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	2,287	1,944	2,205	1,182	1,061	19.4	(10.2)
5 Growing of Fruits	40,888	48,033	46,258	25,913	26,348	(5.4)	1.7
6 Growing of Oleaginous Fruits(Coconut, King Coconut, Oil Palm)	64,158	67,504	67,074	35,673	30,367	1.7	(14.9)
7 Growing of Tea (Green Leaves)	73,936	71,978	63,893	33,713	34,105	(11.1)	1.2
8 Growing of Other Beverage Crops (Coffee, Cocoa etc.)	1,538	1,259	1,353	677	682	7.5	0.7
9 Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	57,505	61,483	65,417	33,303	33,728	9.0	1.3
10 Growing of Rubber	28,688	25,777	23,023	13,946	13,119	(4.9)	(5.9)
11 Growing of Other Perennial Crops	15,402	16,839	16,473	8,279	8,604	(3.9)	3.9
12 Animal Production	47,950	51,811	55,060	25,482	27,763	2.7	9.0

13	Plant Propagation and Support Activities to Agriculture	9,767	10,421	9,936	4,948	5,124	(6.3)	3.6
14	Forestry and Logging	47,450	48,360	51,020	23,599	25,306	(0.9)	7.2
15	Marine Fishing and Marine Aquaculture	105,822	104,245	104,915	50,303	52,578	(5.0)	4.5
16	Fresh Water Fishing and Fresh Water Aquaculture	14,072	12,501	13,734	4,041	4,651	(21.4)	15.1
	Industries	2,218,711	2,264,673	2,416,276	1,186,196	1,255,249	5.8	5.8
17	Mining and Quarrying	201,613	191,112	218,545	98,975	116,914	4.9	18.1
18	Manufacture of Food, Beverages and Tobacco Products	513,960	532,936	519,815	263,476	260,512	(2.0)	(1.1)
19	Manufacture of Textile, Wearing Apperal and Leather Related products	276,800	282,070	281,481	150,826	152,768	(1.1)	1.3
20	Manufacture of Wood and Products of Wood and Cork, except Furniture	23,139	26,239	30,311	12,540	12,136	32.9	(3.2)
21	Manufacture of Paper Products, Printing and Reproduction of Media Products	24,968	27,092	29,730	15,176	16,213	15.4	6.8
22	Manufacture of Coke and Refined Petroleum Products	28,723	29,075	31,245	18,759	15,907	28.1	(15.2)
23	Manufacture of Chemical Products and Basic Pharmaceutical Products	82,243	82,303	85,623	44,113	41,881	5.0	(5.1)
24	Manufacture of Rubber and Plastic Products	71,909	76,446	90,119	37,094	39,197	12.9	5.7
25	Manufacture of Other Non-metallic Mineral Products	78,671	74,269	64,520	32,281	37,708	(17.2)	16.8
26	Manufacture of Basic Metals and Fabricated Metal	24,882	28,516	36,711	16,236	17,010	35.7	4.8

	Products							
27	Manufacture of Machinery and Equipment	32,064	38,838	44,300	18,308	20,680	23.8	13.0
28	Manufacture of Furniture	82,748	93,529	96,684	47,762	51,174	5.6	7.1
29	Other Manufacturing and Repair and Installation of Machinery and Equipment	55,993	68,380	72,922	35,564	33,020	9.5	(7.2)
30	Electricity, Gas, Steam and Air Conditioning Supply	80,298	85,067	92,175	45,151	45,712	8.9	1.2
31	Water Collection, Treatment and Supply	11,504	12,005	12,950	6,100	6,913	3.8	13.3
32	Sewerage, Waste, Treatment and Disposal Activities	17,355	21,681	25,539	12,518	13,856	21.0	10.7
33	Construction	611,842	595,115	683,604	331,315	373,650	13.5	12.8
	Services	4,618,501	4,883,444	5,087,452	2,439,053	2,536,917	3.6	4.0
34	Wholesale and Retail Trade	884,094	929,208	952,652	500,637	521,757	1.9	4.2
35	Transport of Goods and Passenger including Warehousing	885,506	929,854	968,421	416,526	426,310	2.7	2.3
36	Postal Courier Activities	4,056	4,052	4,259	1,970	2,088	7.3	6.0
37	Accommodation, Food and Beverage Service Activities	131,481	133,984	139,406	68,155	70,536	3.7	3.5
38	Programming and Broadcasting Activities and Audio Video Productions	2,513	2,623	2,824	1,327	1,317	12.4	(0.8)
39	Telecommunication	30,986	34,125	36,967	18,598	20,062	12.1	7.9
40	IT Programming Consultancy and Related Activities	10,579	12,144	13,011	6,448	6,659	6.9	3.3
41	Financial Service Activities and Auxiliary Financial Services	420,223	492,642	553,826	273,794	317,008	14.5	15.8
42	Insurance, Reinsurance and Pension Funding	74,978	81,960	88,962	32,129	34,215	8.7	6.5

43	Real Estate Activities, Including Ownership of Dwelling	444,049	489,217	509,993	251,251	258,110	2.5	2.7
44	Professional Services	166,486	154,239	149,382	74,304	73,710	(3.9)	(0.8)
45	Public Administration and Defense; Compulsory Social Security	402,205	430,098	452,579	208,105	198,213	5.2	(4.8)
46	Education	173,751	159,758	171,707	81,820	85,375	5.1	4.3
47	Human Health Activities, Residential Care and Social Work Activities,	147,962	159,901	162,243	73,531	82,632	(3.1)	12.4
48	Other Personal Service Activities,	839,633	869,640	881,221	430,459	438,923	1.8	2.0
	Gross Value Added (GVA), at basic prices	7,476,908	7,818,224	8,145,671	3,945,518	4,102,566	3.7	4.0
	(+) Taxes less Subsidies on Products	758,522	815,667	866,355	262,874	270,781	4.1	3.0
	Gross Domestic Product(GDP), at market prices	8,235,429	8,633,890	9,012,026	4,208,393	4,373,347	3.7	3.9

Source: Department of Census and Statistics

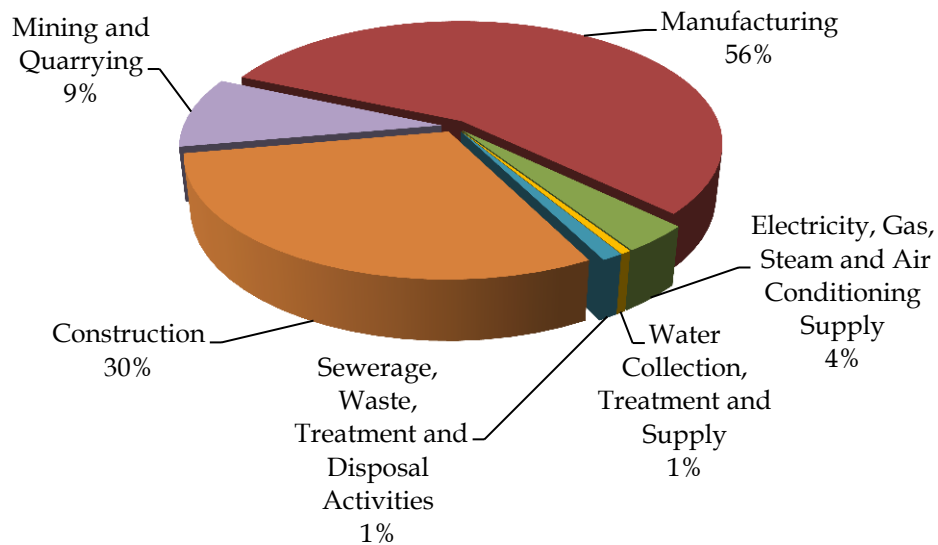
(a) Provisional (R) Revised

5.3 Industry

The industry sector that accounted for 28.7 percent to GDP, continued momentum of growth by 5.8 percent during the first half of 2017 same as a growth of 5.8percent in the same period of 2016 reflecting expansion of construction, mining and quarrying and manufacturing of furniture, textiles, garments, paper production, printing, rubber and plastic products, basic metals and fabricated metal

products, machinery and equipment. Notable, non-metallic mineral products sub sector regained a momentum of positive growth from negative growth recorded in the previous year. However, sub sectors such as manufacturing hotel and restaurant sector such as food, beverages, tobacco, wood and products of wood, cork, coke and refined petroleum products, chemical and pharmaceutical products contracted during the review period.

Chart 5.4 | Composition of Industries Sector- First Half 2017



Manufacturing

Manufacturing sub sector, which proportioned for 56.0 percent of the industry sector and 16.0 percent of GDP, showed a positive growth of 1percent in the reference period driven by higher performance of furniture, paper products, printing, reproduction of media products, rubber and plastic products, machinery and equipment, basic metal and fabricated metal products and non-metallic products subs sectors.

Food, beverages, tobacco products contributed 6percent to the GDP in the first half of the 2017, contracted by 1.1 percent compared to negative growth of 2 percent in the same period in 2016. Further chemical products, and basic pharmaceutical products, wood, products of wood and cork, coke, refined petroleum products, repair and installation of machinery and equipment sub sectors showed negative growth of 5.1 percent, 3.2 percent, 15.2 percent and 7.2 percent respectively in the review period of 2017

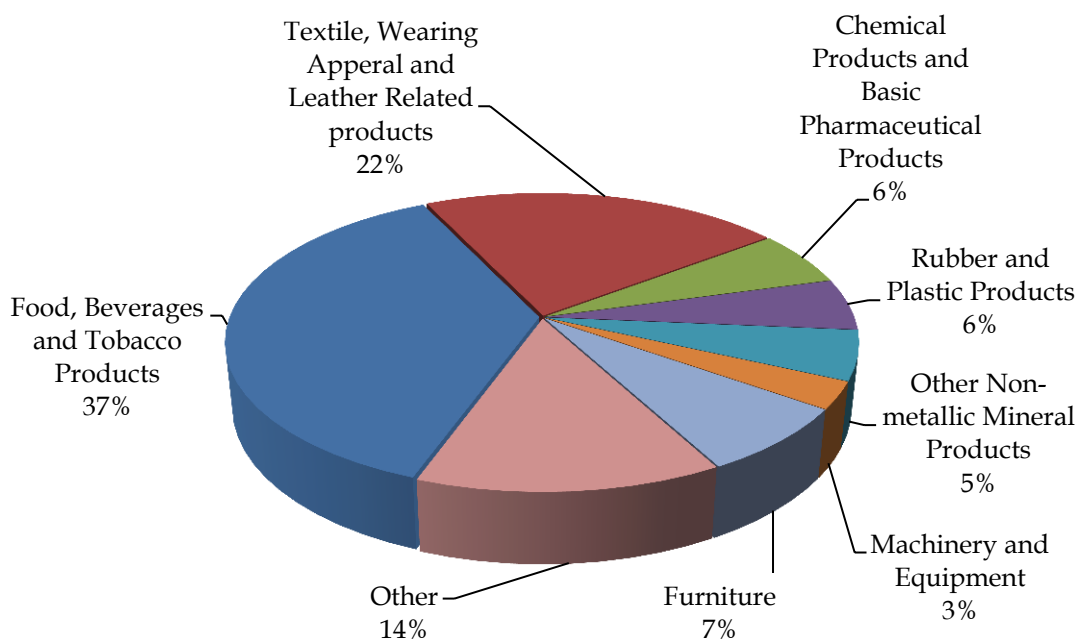
compared to positive growth recorded in the first half of 2016.

The textile, wearing apparel and leather related products contributed 3.5 percent of GDP in the first half of 2017 gained positive growth of 1.3percent. Re introduced GSP plus scheme to Sri Lanka and growth of EU economics had favorable outcome to the apparel industries boosting exports. The garment export earned US dollar 2.9 billion in the first half of 2017 showed contraction of 3.1 percent compared to same period in the previous year as an outcome of labor shortages in garment sector and geopolitical changes in the export destinations such as EU and US in the year 2017. Sub sectors such as paper products, printing and reproduction of media products by 6.8 percent, basic metals and fabricated metals products by 4.8 percent, manufacture of furniture by 7.1 percent had positive growth in the review period compared to same period in the previous year.

Rubber and plastic products contributed 0.9 percent of GDP in the first half of 2017 grew by 5.7 percent compared to a growth of 12.9 percent in during the corresponding period in 2016. Export of rubber and rubber based products increased by 7.5 percent with earnings of

US dollar 493.12 million in the first seven months of 2017. Notably, Non-metallic mineral products sub sector gained momentum of growth by 16.8 percent in the review period in 2017 compared to negative growth of 17.2 percent registered in the same period of 2016.

Chart 5.5 | Composition of Manufacturing Sector-First Half 2017



Electricity, Gas, Water and Sewerage

Water collection, treatment and supply sub sector expanded by 13.3 percent in the first half of 2017 compared to positive growth of 3.8 percent in the same period of 2016. Similarly, sewerage, waste treatment and disposal activities sub sector increased by 10.7 percent in the review period in 2017 in comparison of positive growth of 21 percent in the same period in 2016. Electricity, gas, steam, and air conditioning supply contributed 1 percent in the GDP, showed a slower pace of growth of 1.2 percent in the review period of 2017 compared to 8.9 percent growth in the first half of 2016

reflecting total electricity power generated 8,374 Gwh, increased by 2.9 percent in the first half of 2017, from 8,141 Gwh electricity generated in the same period of 2016. The ratio between source of electricity generation such as hydro power, thermal power by fuel oil, thermal power by coal and Non-Conventional Renewable Energy (NCRE) changed as 15:37:40:8 in the review period of 2017 from 30:27:34:9 during the same review period in 2016. It means that source of electricity generation during the first half of 2017 changed as depending more on thermal power source than hydro as result of unfavorable weather conditions prevailed during the review

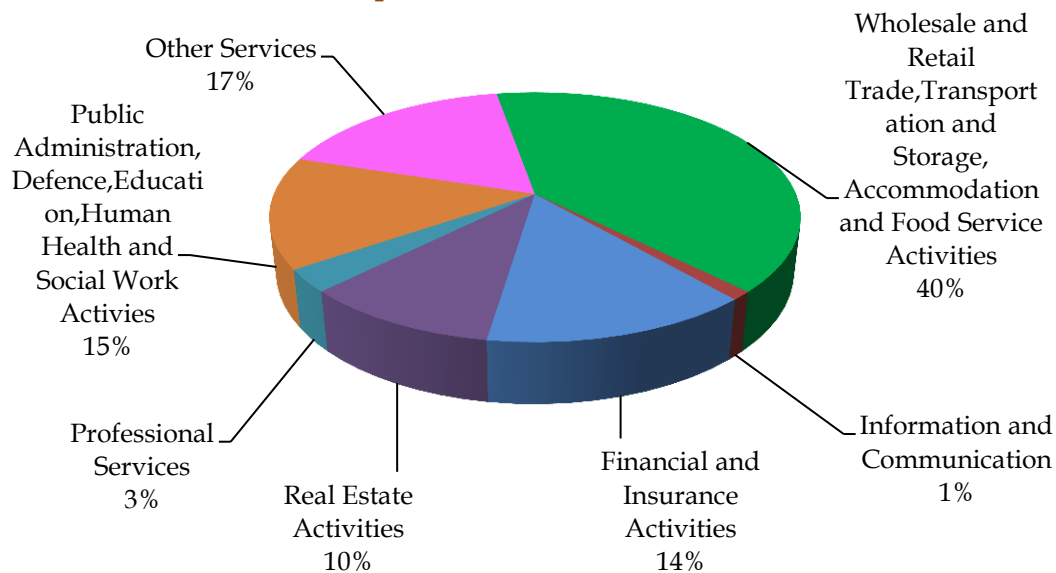
period. Private sector contribution to the electricity generation increased by 25.03 percent in the reference period of 2017. Notably, electricity supplied by NCRE sources contracted by 1.2 percent to 684 GwH in the first seven months of 2017 from 692 Gwh generated in the same review period of 2016 whereas energy generated using wind increased by 55.32 percent in the first half of 2017 compared to same period in 2016.

5.4 Services

The services sector mainly contributed 58 percent to the GDP, grew by 4.0 percent in the first half of the year 2017, compared to positive growth of 3.6 percent recorded in the same period of 2016. Whole sale and retail sale services contributed 11.0 percent to the services sector, showed

positive growth of 4.2 percent in the review period of 2017. Sub sectors such as transportation of goods and passengers, warehousing, real estate activities, financial services, insurance services accommodation, food and beverages showed favorable expansion in the first half of the year 2017. Similarly personal services such as human health activities, residential care and social work activities and education recorded positive growth in the review period in 2017. Communication services such as telecommunication, postal and courier services, IT programming consultancy and related services significantly grew during the first half of 2017. However, both professional services and programming of audio, video productions and broadcasting contracted by 0.8 percent in this period.

Chart 5.6 | Composition of Services Sector -First Half 2017



Wholesale and Retail Trade

The whole and retail trade services sub sector contributed 11.9 percent of GDP, showed positive growth of 4.2 percent in the review period of 2017 compared to

growth of 1.9 percent recorded in the first half of 2016. The growth was an outcome of relative high interest rate environment coupled with increased inflation rate and influenced momentum of domestic and international market factors.

Table 5.2 | Selected Indicators of Service Sector

Indicator	2013	2014	2015	2016	2016	2017
					Jan-Aug.	Jan-Aug. (a)
Port Services						
Vessels Arrived (No)	4,024	4,298	4,728	4,998	3,356	3,249
Total Cargo Handled (Mt '000)	66,292	74,431	77,579	86,519	57,229	61,355
Total Container Handled (TEU '000)	4,306	4,908	5,185	5,735	3,785	4,022
Transshipment (TEU '000)	3,274	3,781	3,888	4,355	2,885	3,057
Telecommunication Sector					Jan-Jun	Jan-Jun (a)
Fixed Telephone Lines (No.'000) (b)	2,707	2,679	2,601	2,550	2,597	2,514
Cellular Phones (No.'000)	20,315	22,123	24,385	26,228	24,696	28,113
Wireless Phones (No.'000)	1,645	1,556	1,473	1,384	1,445	1,331
Internet and E-mail Subscribers (No. '000)	2,010	3,383	4,091	4,921	4,232	5,479
Health Sector					Jan-Jun	Jan-Jun (a)
Private Hospitals	206	210	217	225	225	178
Public Hospitals	603	601	610	598	610	612
No. of Beds (Government)	74,636	76,918	76,781	76,829	76,781	76,829
No. of Doctors (Government)	19,672	21,331	19,429	20,458	20,458	20,575 (c)
No. of Nurses (Government)	30,928	31,964	32,272	32,499	32,499	33,363
Financial Sector						
Bank Branches and Other Outlets (d)	6,487	6,554	6,583	3,524	6,569(e)	6,587(e)
Credit Cards in Use	951,625	1,032,833	1,142,231	-	-	-
Licensed Finance Companies	48	48	47	46	46(f)	45 (f)
Specialized Leasing Companies	10	8	7	7	7(f)	6 (f)
Tourism Sector						
Tourist Arrivals	1,274,593	1,527,153	1,798,380	2,050,832	1,359,906(f)	1,406,854(f)
Tourist Earnings (US dollar Mn)	1,715	2,431	2,981	3,519	2,333.1(f)	2,413.65 (f)
Room Occupancy Rate	71.7	74.3	74.5	74.8	74.2	71.3
Transport Services (New Registration)					Jan-Aug	Jan-Aug (a)
Buses	1,805	3,851	4,140	2,685	1,765	2,063
Cars	28,380	38,780	105,628	45,172	29,686	26,787
Lorries (g)	5,872	5,121	7,142	7,563	4,567	7,475
Motor Cycles	169,280	272,885	370,889	340,129	216,297	233,453
Three Wheelers	83,673	79,038	129,547	56,945	35,773	15,439
Tractors and Trailers	13,038	9,082	12,105	13,947	8,470	8,492

Source: Central Bank of Sri Lanka, Sri Lanka Tourism Development Authority

(a) Provisional

(b) This includes the number of fixed wireless phones

(c) This includes trainees of the Postgraduate Institute of Medicine

(e) As at end June

(f) As at end August

(g) This includes the number of special purpose vehicles

Transportation of Goods and Passengers including Warehousing

The transport of goods and passengers including warehousing sub sector

contributed 9.7 percent of GDP expanded 2.3 percent in the first half of 2017, compared to positive growth of 2.7 percent recorded in the same period in 2016. However, newly registered vehicles such

as Lorries, tractors and trailers, motorbikes and buses increased by 63.7 percent, 0.3 percent, 8.0 percent and 16.9 percent respectively in the first eight months of 2017. In contrast, new registration of vehicles such as motor cars and three wheelers declined by 9.8 percent and 56.8 percent respectively during the reference period in 2017. Totally, the newly registered vehicles contracted by 1.0 percent to 293,709 in the review period as a result of the upward revision of taxes on motor vehicles.

Total vessels arrived to Sri Lanka ports decreased by 3.2 percent to 3,249 in the first eight months of 2017 compared to 3,356 total vessel arrived in the same period of 2016. Totally 61.4 million MT of cargo was handled in the reference period in 2017 compared to 57.3 million MT of cargo handled in the same period of 2016. Totally 4.0 million Twenty-Foot Equivalent Units (TEU) handled in the

this review period through Sri Lanka ports that is 6.3 percent more compared to total TEU handled in the same period of 2016.

Accommodation Food and Beverages

The accommodation, food and beverages sub sector contributed 1.6 percent to GDP, expanded by 3.5 percent in the first half of 2017 compared to 3.7 percent growth recorded in the same period of 2016. The expansion was supported by increasing capacity of hotels and restaurant due to 1.41 million tourist arrived during the review period in 2017 with growth rate of 3.5 percent compared to 1.36 million tourist arrived during the same period in 2016. Total earnings from the tourism grew by 3.5 percent with earnings of US dollar 2,413.6 million during the first eight months of 2017.

Table 5.3 | Performance of Tourism Sector

Month	Tourist Arrivals					Tourist Earnings US Dollar Mn.				
	2013	2014	2015	2016	2017 (b)	2013	2014	2015(a)	2016(a)	2017 (b)
January	110,543	146,575	156,246	194,280	219,360	148.8	233.3	259.0	333.3	376.3
February	113,968	141,878	165,541	197,697	197,517	153.4	225.9	274.4	339.2	338.9
March	113,208	133,048	157,051	192,841	188,076	152.4	211.8	260.3	330.8	322.7
April	80,737	112,631	122,217	136,367	160,249	108.7	179.3	202.6	234.0	274.9
May	74,838	90,046	113,529	125,044	121,891	100.7	143.3	188.2	214.5	209.1
June	90,279	103,175	115,467	118,038	123,351	121.5	164.2	191.4	202.5	211.6
July	107,016	133,971	175,804	209,351	205,482	144.0	213.3	291.4	359.2	352.5
August	123,269	140,319	166,610	186,288	190,928	165.9	223.4	276.1	319.6	327.6
September	90,339	105,535	143,374	148,499	n.a	121.6	168.0	237.6	254.8	n.a
October	107,058	121,576	132,280	150,419	n.a	144.1	193.5	219.2	258.1	n.a
November	109,420	119,727	144,147	167,217	n.a	147.3	190.6	238.9	286.9	n.a
December	153,918	178,672	206,114	224,791	n.a	207.2	284.4	341.6	385.7	n.a
Total	1,274,593	1,527,153	1,798,380	2,050,832	1,406,854	1,715.6	2,431.1	2,980.7	3,518.6	2,413.6

Source: Sri Lanka Tourism Development Authority, central bank of Sri Lanka

(a) Revised

(b) Provisional, n.a : Data Not Available

Telecommunication, Postal and Courier Activities

The telecommunication sub sector contributed 0.5 of GDP, expanded by 7.9 percent in the first half of 2017, compared to positive growth 12.1 percent in the same period of 2016 reflecting the increases of usage of cellular phone by 13.8 percent to 28.1 million phones during the first eight months of 2017 compared to 24.7 million phones in the review period of previous year. Further, internet subscribers increased by 29.5 percent to 5.5 million during the reference period in 2017 compared to the same period in 2016. Postal courier service had positive growth of 6 percent in the first half of 2017 compared to a positive growth of 7.3 percent in the same period of 2016.

Financial and Auxiliary Financial Services

Financial and auxiliary financial services sub sector that contributed 7.2 percent of GDP, continued a growth of 15.8 percent in the first half of 2017, compared to a positive growth of 14.5 percent in the same corresponding period in 2016. The number of bank branches and outlets were being operated to 6,587 by end of June 2017. Credit card services enhanced by 8.3 percent operating 1.3 million local as well as globally accepted cards by end of June 2017, compared to 1.2 million cards used in the same period of 2016.

Real Estate, Professional Services and Public Administration

Real estate, professional services and public administration sub sector that contributed 12.1 percent of GDP in the first half of 2017. Real estate sub sector

grew 2.7 percent during the review period in 2017, compared to 2.5 percent growth in the same period of 2016. Professional services showed contraction of 0.8 percent in the first half of 2017. Notably, Public administration sub sector that 4.5 percent of the GDP, contracted 4.8 percent in the review period of 2017, compared to a positive growth of 5.2 percent in the same period of 2016.

IT Programming, Consultancy and Related Activities

Sub sector of IT programming, consultancy and related activities contributed 0.2 percent to GDP, grew continuously by 3.3 percent in the review period of 2017, compared to a positive growth of 6.9 percent in the same period of 2016 as an outcome government initiatives and assistance for digitalization of Sri Lanka including digital government services in order to engine the economic growth.

Education, Health and Other Personal Services

Education sub-sector that contributed 2.0 to the GDP, grew by 4.3 percent in the first half of 2017 compared to positive growth of 5.1 percent recorded in the same reference period of 2016. Human health activities, residential care and social work activities sub sector showed significant performance of 12.4 percent to Rs. 82.6 billion in the first half of 2017 compared to negative growth of 3.1 percent in the same review period in 2016. Personal services including arts and recreations that contributed 10.0 percent to the GDP, grew by 2.0 percent in the review period of 2017, compared to a positive growth of 1.8 percent recorded in the same period of 2016.

Table 5.4 | Sectoral Distribution of GDP Growth (%)

Sector	2012	2013	2014	2015	2016	First Half	
						2016	2017(a)
Agriculture	3.9	3.2	-2.2	5.5	(4.2)	(3.0)	(3.1)
Growing of Tea	0.5	3.7	-1.3	-2.6	(11.2)	(11.1)	1.2
Growing of Rice	-11.3	5.3	-18.6	23.3	(31.0)	(12.8)	(42.1)
Growing of Rubber	-3.7	-14.2	-24.5	-10.1	(10.7)	(4.9)	(5.9)
Growing of Cereal	18.2	14.3	-1.9	1.0	(10.5)	(1.8)	(15.2)
Growing of Vegetables	-2.1	5.7	1.4	24.9	(2.1)	1.4	(4.6)
Animal Production	12.0	24.0	-25.4	8.0	6.3	2.7	8.9
Forestry and Logging	-10.2	12.7	8.3	1.9	5.5	(0.9)	7.2
Fishing	8.9	6.1	2.1	-2.7	1.6	(6.0)	5.3
Industry	9.0	4.1	1.2	3.0	6.7	5.8	5.8
Mining and Quarrying	24.6	7.6	2.2	-0.9	14.4	4.9	18.1
Manufacturing Activities	3.2	2.3	2.9	4.7	1.8	2.0	0.9
Other Industries	4.7	2.9	4.1	10.1	10.0	11.0	4.3
Construction	21.2	7.5	-3.4	-0.9	14.9	13.5	12.8
Services	11.2	3.8	6.5	5.3	4.2	3.6	4.0
Wholesale and Retail Trade	7.7	1.3	3.8	4.7	2.5	1.9	4.2
Transportation and Storage	8.0	5.4	4.5	5.5	4.1	2.7	2.3
Accommodation and Food Service Activities	27.3	-5.8	4.0	-1.3	4.0	3.7	3.5
Information and Communication	8.5	7.7	11.4	12.5	8.0	12.0	7.7
Financial and Insurance Activities	13.5	5.3	14.6	14.8	11.8	12.0	12.5
Real Estate Activities	12.7	12.8	6.4	9.6	4.2	2.5	2.7
Professional Services	22.3	4.0	2.8	-7.1	(3.1)	(3.9)	(0.8)
Education, Human Health and Social Work Activities	16.7	-10.8	5.7	-1.6	4.5	1.0	1.8
Public Administration and Defence	5.0	-0.8	5.2	6.9	5.2	5.2	(4.8)
Other Services (Excluding Own-services)	13.6	10.0	8.6	2.9	1.3	1.8	2.0
GDP	9.1	3.4	4.5	4.8	4.2	3.7	3.9

Source: Department of Census and Statistics

(a) Provisional

5.5 Unemployment

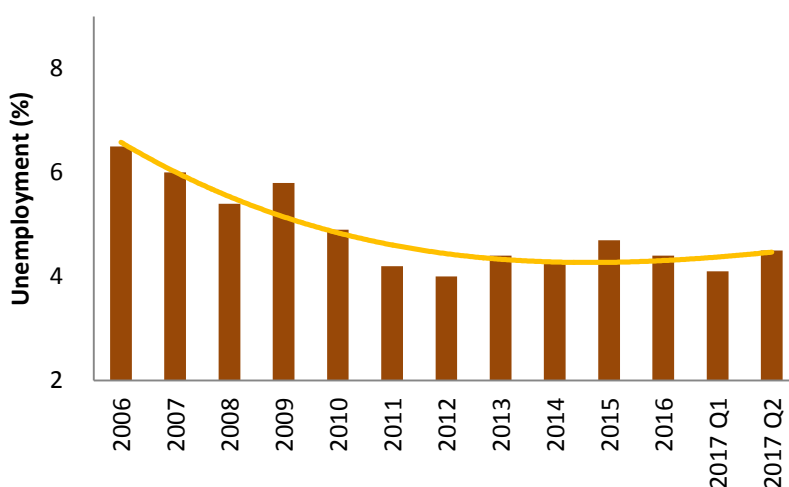
The unemployment rate in the second quarter of 2017 showed improvement as 4.5 percent compared to 4.6 percent in the same period of 2016 reflecting employment opportunities were created in the manufacturing, construction, information communication and personal services

sectors. The unemployment rate among male decreased to 3.0 percent in second quarter of 2017 from 3.1 in the same period of 2016 while unemployment among female also decreased to 7.1 percent in 2017 from 7.3 in the same review period of 2016. However, youths as unemployed in the age

between 20 and 29 slightly increased in the second quarter of 2017 compared to same period of previous year. Nevertheless unemployment rate was high as 20.0 percent among youths in the age cohort between 15 and 24 reflecting most of them were students in these ages. Unemployed population who qualified G.C.E (A/L) and above recorded to 8.2 percent while unemployed who qualified G.C.E (O/L)

recorded to 6.0 percent. Unemployed with qualification above G.C.E (A/L) contracted slightly in the second quarter of 2017 compared to the same review period in 2016. The government concern on creating one million jobs that are highlighted enhancement of human capital especially in ICT sector and other initiatives on job oriented vocational trainings facilitated employment generation in the job market

Chart 5.7 | Unemployment

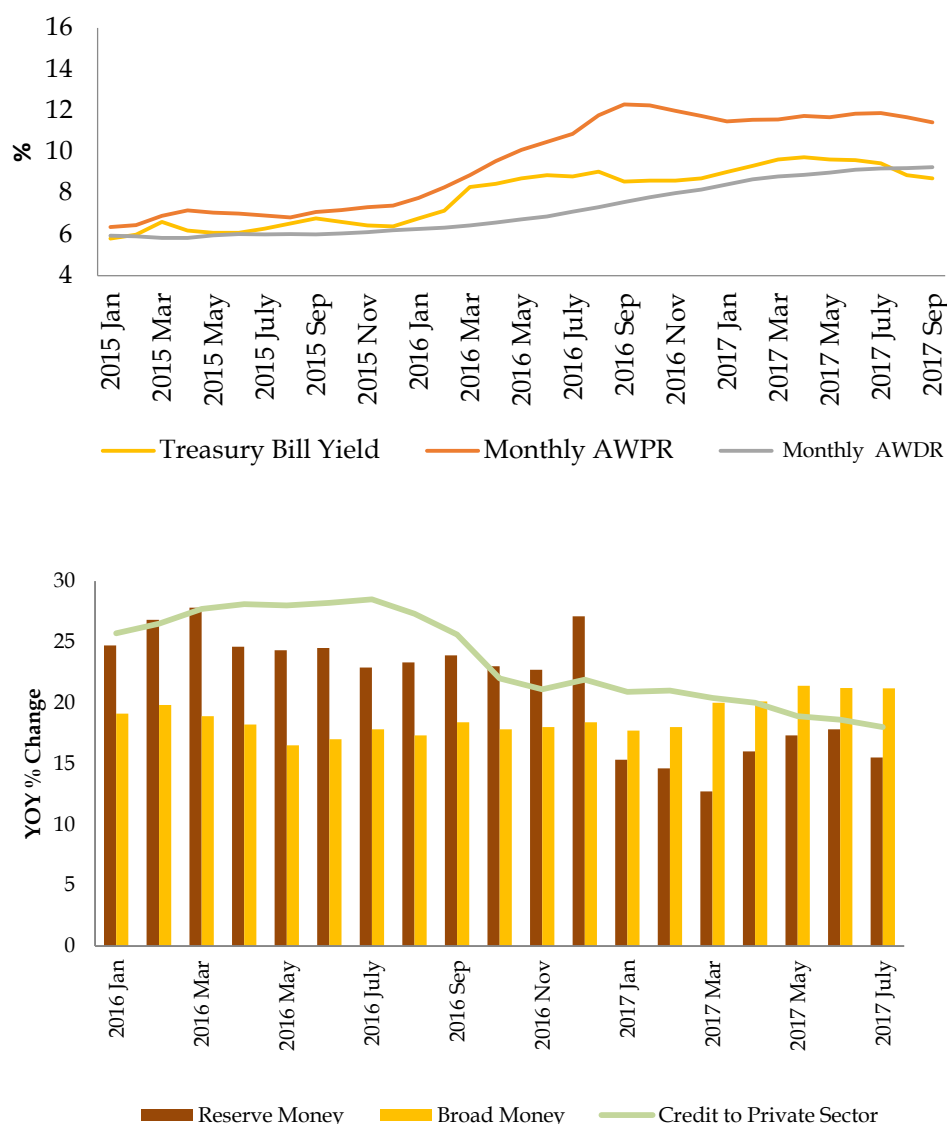


5.6 Monetary Sector Developments

The Central Bank of Sri Lanka (CBSL) adopted tight monetary policy measures due to the relatively higher nominal and real interest rates coupled with high inflation and credit expansion to the government to achieving the objective of maintain economic stability. Accordingly, the CBSL tightened monetary policy by remains Statutory Reserve Ratio (SRR) as 7.50 since March 2017. Policy interest rates such as Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) increased by 25 basis points to 7.25 percent and 8.75 percent in March 2017 from 7.0 percent and 8.5 percent in

July 2016 respectively. Furthermore, SDFR and SLFR remained unchanged at 7.25 percent and 8.75 percent, respectively from March to September 2017. The broad money (M_{2b}) expanded by 21.3 percent to Rs. 6,050.6 billion in August 2017 compared to same period in 2016 on year-on-year basis. Credits granted to the private sector by commercial banks increased by 18.0 percent in August 2017 to Rs. 4,609.1 billion on year-on-year basis, in comparison to expansion of 27.3 percent recorded in the same review period of 2016 due to higher level of interest rates. Government gross official reserves increased by 16.6 percent to US dollar 7693.5 million in the review period of 2017.

Chart 5.8 | Yield Rates, Monetary Aggregates and Private Sector Credit Growth



The Average Weighted Call Money Rate (AWCMR) decreased by 68 basis points to 8.07 percent and Average Weighted Prime Lending Rate (AWPR), weekly decreased by 42 basis points from end March 2017 to end September 2017. The Average Weighted Yield Rates pertaining to Treasury Bill of 91 days, 182 days and 364 days decreased by 73, 99 and 80 basis points, respectively during the period from second quarter to third quarter of 2017. However, the Average Weighted Deposit Rate (AWDR) increased by 104

basis points and the Average Weighted Fixed Deposit Rate (AWFDR) increased by 132 basis points by end August of 2017 from end of December 2016 while Average Weighted New Deposit Rate (AWNDR) decreased by 13 basis points during the same period. In addition, Average Weighted New Lending Rate (AWNLR) increased by 75 basis points and Average Weighted Lending Rate (AWLR) increased by 63 basis points to 13.83 percent by end of August 2017 from 13.20 percent in December 2016. The CBSL

is continuing further, moving towards the framework of Monetary Targeting (MT) and Flexible Inflation Targeting (FIT) with the aim of stabilizing inflation in mid-single digits level while supporting economic growth and the management of exchange rate at flexible level over the medium term and long term policy arena.

5.7 Inflation

Inflation measured by Colombo Consumer Price Index (CCPI, 2013=100) and by National Consumer Price Index (NCPI, 2013=100) increased to 6.0 percent and to 7.9 percent respectively in August 2017 on year-on-year basis reflecting the certain changes in the tax policy as well as higher prices of vegetables and sea food commodities as a result of unfavorable

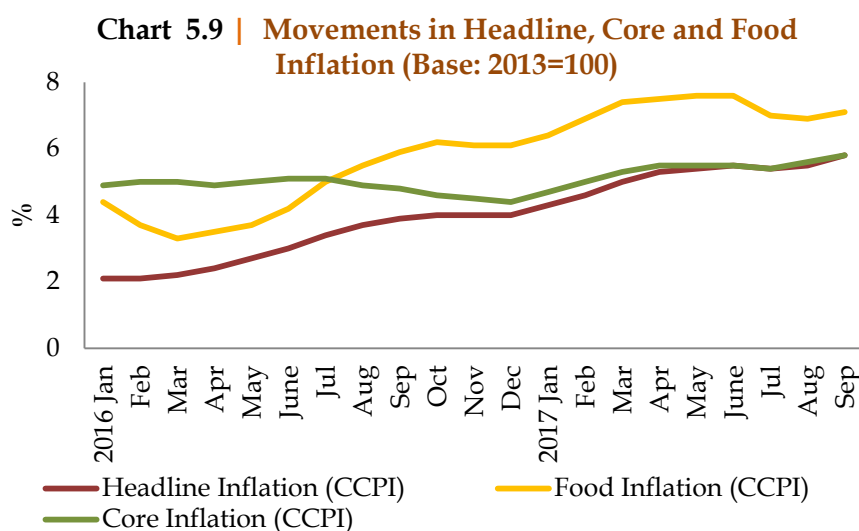
weather condition prevailed during the review period in 2017. Especially food inflation showed an upward movement during February to May in 2017. The headline inflation measured by CCPI increased to 6.0 percent in August 2017 on year-on-year basis from 4.4 percent recorded in August 2016. Correspondingly, NCPI based on year-on-year headline inflation increased to 7.9 percent in August 2017 compared to 4.5 percent in August 2016. NCPI showed continuous increase during the review period in 2017 reflecting increases of price in food and non-food by 5.29 percent and by 2.68 percent respectively. Sectors of alcoholic beverages, tobacco and narcotics, health, transport and communication mainly contributed for increases of NCPI in August 2017.

Table 5.5 | Headline Inflation, Core Inflation and Food Inflation (Base: 2013=100)

Month	HEADLINE INFLATION (% Changes)				CORE INFLATION* (%)				FOOD INFLATION (%)			
	YoY		Annual Average		YoY		Annual Average		YoY		Annual Average	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
January	1.7	5.5	2.1	4.3	3.6	7	4.9	4.7	0.9	4.5	4.4	6.4
February	2.9	6.8	2.1	4.6	4.4	7.1	5.0	5	2.0	7.7	3.7	6.9
March	2.6	7.3	2.2	5	3.7	7.3	5.0	5.3	3.1	9.2	3.3	7.4
April	3.4	6.9	2.4	5.3	3.5	6.8	4.9	5.5	7.3	8.6	3.5	7.5
May	4.8	6.0	2.7	5.4	5.6	5.2	5.0	5.5	7.4	9.3	3.7	7.6
June	5.5	6.1	3.0	5.5	5.4	5.1	5.1	5.5	9.8	9.1	4.2	7.6
July	5.8	4.8	3.4	5.4	5.0	4.9	5.1	5.4	11.7	4.8	5.0	7.0
August	4.4	6.0	3.7	5.5	3.8	6.0	4.9	5.6	8.3	6.9	5.5	6.9
September	4.2		3.9		3.7		4.8		7.5		5.9	
October	4.1		4.0		3.8		4.6		6.9		6.2	
November	4.0		4.0		4.8		4.5		4.3		6.1	
December	4.5		4.0		5.8		4.4		4.1		6.1	

Source: Department of Census and Statistics

*CCPI Core Inflation - Excluding Fresh Food, Energy, Transport, Rice and Coconut



5.8 Stock Market

The Colombo Stock Exchange (CSE) has recorded considerable turnaround in the first eight months of 2017, compared to the subdued performance during the same period in 2016. The All Share Price Index (ASPI), a major stock market index which tracks the performance of all companies listed in CSE, declined by 2.1 percent and closed at 6,390 point by end of August 2017, compared to the 6,528 points recorded by end of August 2016. The more sensitive S&P SL 20 Index reached 3,686 points, recording a 2.8 percent

increase during the review period, compared to the same period of 2016. The market capitalization of the CSE increased by 4.1 percent and reached Rs. 2,898 billion by end of August 2017. During the first eight months of 2017, the total equity turnover amounted to Rs. 139 billion, an increase of 15.83 percent, compared to the same period of 2016. The cumulative values of foreign purchases and foreign sales were amounted to Rs. 77.4 billion and Rs. 50.7 billion respectively in the first eight months of 2017, resulting in a net inflow of Rs. 26.7 billion.

Table 5.6 | Movements in the Capital Market

Indicators	2011	2012	2013	2014	2015	2016	End August	
							2016	2017 (a)
All Share Price Index (1985=100)	6,074	5,643	5,913	7,299	6,895	6,228	6,528	6,390
Milanka Price Index/ S&P SL 20 Index*	5,229	5,119	3,264	4,089	3,626	3,496	3,585	3,686
Market Capitalization (Rs. Bn.)	2,214	2,168	2,460	3,105	2,938	2,745	2,783	2,898
No. of Listed Companies in Trading	272	287	289	294	294	295	295	295
Annual Turnover (Rs. Bn.)	546	214	200	341	253	177	120	139
Foreign Sales (Rs. Mn.)	68,854	33,972	60,873	83,554	89,790	74,200	47,894	50,649
Foreign Purchases (Rs. Mn)	49,875	72,653	83,657	104,771	84,418	74,583	43,971	77,391
Net Purchases (Rs. Mn)	-18,979	38,681	22,784	21,217	-5,372	383	-3,923	26,742

Sources: Colombo Stock Exchange and Central Bank of Sri Lanka

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

(a) provisional

5.9 External Sector Developments

Sri Lanka's external sector demonstrated a modest performance during the first seven months of 2017. However, the trade deficit during the review period of 2017 widened by 12.6 percent to US dollar 5,329 million from US dollar 4,732 million in the corresponding period of 2016 due to higher import expenditure that outweighs the increase in export earnings. The growth in exports was mainly driven by industrial exports followed by agricultural exports. Earnings from industrial exports grew by 3.0 percent to US dollar 4,823 million during the first seven months of 2017, led by increased exports of textile and garments, machinery and mechanical appliances, and petroleum products. Earnings from agricultural exports increased substantially by 18.8 percent to US dollar 1,560 million during the review period mainly due to notable performance recorded in tea exports. On a cumulative basis, earnings from exports grew by 6.5 percent to US dollar 6,413 million during the first seven months of 2017 due to increased earnings received from exports of tea, transport equipment, petroleum products, spices and seafood. In contrast, on a cumulative basis, export earnings from textiles and garments, gems, diamonds and jewelry and leather declined during the period under consideration. Moreover, import expenditure increased by 9.2 percent to US dollar 11,742 million during the first seven months of 2017 largely due to higher imports of fuel, gold and rice. However, import expenditure on machinery and equipment, and fertilizer declined during this period.

During the first seven months of 2017, the overall balance of the Balance of payments (BoP) is estimated to have recorded a surplus of US dollar 1,448.5 million in comparison to a surplus of US dollar 356.0 million recorded during the corresponding period of 2016. Meanwhile, inflows to the financial account continued to strengthen with long term loans to the government, receipt of the third tranche of the Extended Fund Facility (EFF) of the International Monetary Fund, US dollar 1,500 million worth International Sovereign Bonds Issues, net inflows to the government securities market, and continued portfolio investment inflows to the Colombo Stock Exchange. During the first seven months of the year 2017, foreign investments in the CSE recorded a net inflows of US dollar 252.7 million, including net inflows of US dollars 169.3 million to the secondary market and inflows of US dollar 83.4 million to the primary market. Foreign investments in the government securities market continued to record net inflows, registering a net inflow of US dollar 134.6 million in July 2017. However, on a cumulative basis, the government securities market experienced a net outflow of US dollar 18.4 million during the first seven months of 2017. Long term loans to the government including the proceeds of the syndicated loan, recorded a net inflow of US dollar 483.0 million during the first seven months of 2017, compared to a net inflow of US dollar 387.5 million during the corresponding period of 2016. In addition, Sri Lanka received the third tranche of the IMF-EFF programme amounting to US dollar 167.2 million during July 2017.

With the increased tourist arrivals by 3.6 percent to 1,215,926 tourists, the earnings from tourism increased by 3.6 percent to US dollar 2,086 million during the first seven months of 2017 compared to US dollar 2,013.5 million recorded during the same period in 2016; whereas, remittances from migrant workers abroad dropped by 5.7 percent to US dollar 3,946.7 million during the first seven months of 2017, compared to US dollar 4,185.8 million recorded in the same period of 2016.

Sri Lanka's gross official reserves as at end July 2017 amounted to US dollar 6.7 billion, equivalent to 3.9 months of

imports, while total foreign assets amounted to US dollar 9.0 billion, equivalent to 5.3 months of imports. The Sri Lankan rupee recorded a modest depreciation of 2.6 percent against the US dollar during the period from end 2016 up to 31 July 2017. Reflecting cross-currency movements, the rupee also depreciated against all other major currencies i.e. against the euro by 12.5 percent, the pound sterling by 8.8 percent, the Japanese yen by 7.6 percent, the Canadian dollar by 9.9 percent, the Australian dollar by 11.6 percent and the Indian rupee by 8.0 percent, during this period.

Table 5.7 | External Trade

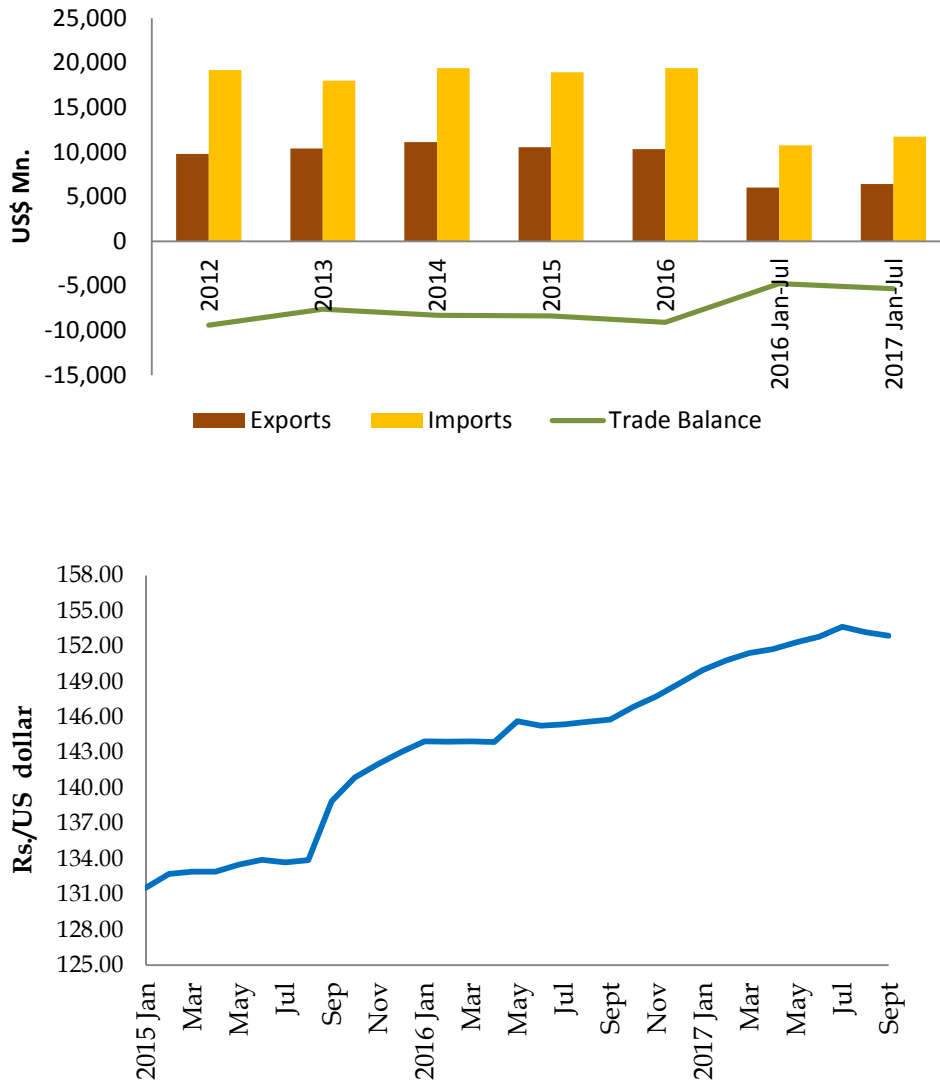
US dollar Mn.

Category	2014	2015	2016 (a)	Jan-July	
				2016	2017 (a)
Exports	11,130	10,505	10,310	6,022	6,413
Agricultural Exports	2,794	2,481	2,326	1,313	1,560
Tea	1,628	1,341	1,269	726	871
Other Agricultural Products	1,166	1,141	1,057	587	688
Industrial Exports	8,262	7,976	7,940	4,683	4,822
Textile and Garments	4,930	4,820	4,884	2,940	2,850
Food, Beverages and Tobacco	289	265	324	197	224
Rubber Products	890	761	768	440	467
Machinery and Mechanical Appliances	343	294	318	172	210
Petroleum Products	338	374	287	162	213
Other Industrial Exports	1,472	1,461	1,360	772	858
Mineral Exports	59	28	29	17	21
Unclassified	15	20	15	9	10
Imports	19,417	18,934	19,400	10,754	11,742
Consumer Goods	3,854	4,714	4,319	2,431	2,558
Food and Beverages	1,634	1,628	1,627	897	1,057
Other Consumer Goods	2,220	3,086	2,692	1,535	1,502
Intermediate Goods	11,398	9,638	9,870	5,485	6,251
Petroleum	4,597	2,700	2,481	1,320	1,840
Textiles and Garments	2,328	2,296	2,705	1,545	1,544
Wheat and Maize	405	357	249	141	194
Other	4,068	4,285	4,435	2,479	2,673
Investment Goods	4,152	4,567	5,198	2,830	2,799
Machinery and Equipment	2,131	2,278	2,741	1,597	1,514
Building Materials	1,309	1,352	1,569	882	901
Transport Equipment	707	931	880	348	379
Other	5	6	8	4	5
Unclassified	14	16	13	8	134
Trade Deficit	(8,287)	(8,429)	(9,090)	(4,732)	(5,329)

(a) Provisional

(b) Source: Central Bank of Sri Lanka

Chart 5.10 | Trade Balance and Exchange Rate Movements



Exports

Earnings from exports increased by 6.5 percent to US dollar 6,413 million during the first seven months of 2017, compared to US dollar 6,022 million recorded in the same period of 2016, due to the increased revenue from agricultural exports, industrial exports, mineral exports and unclassified exports by 18.8 percent, 3.0 percent, 23.5 percent and 11.1 percent respectively. Earnings from agricultural exports, which account for around one

fourth of total exports, increased by 18.8 percent to US dollar 1,560 million during the review period of 2017, mainly owing to the increased contribution of tea exports by 20 percent to US dollar 871 million and export earnings from other agricultural products by 17.2 percent to US dollar 688 million respectively. Meanwhile, earnings from industrial exports increased by 3.0 percent to US dollar 4,823 million during the review

period of 2017, compared to US dollar 4,683 million recorded in the same period of previous year, mainly owing to the increased export earnings from machinery & mechanical appliances by 22.1 percent to US dollar 210 million and petroleum products by 32.1 percent to US dollar 214 million, partly offsetting the contraction in textile & garments export earnings by 3.1 percent to US dollar 2,850 million from US dollar 2,940 million. Due to higher export volumes and prices of bunker and aviation fuel, earnings from export of petroleum products increased significantly. In addition, earnings from seafood exports increased during the review period and the notable performance in seafood exports indicates the positive impact of the removal of the ban on exports of fisheries products to the

EU market and regaining of the GSP+ facility. However, contribution of industrial exports to the total exports decreased slightly to 75.2 percent during the review period of 2017, compared to 77.8 percent recorded in the same period of 2016. During the review period of 2017, earnings from mineral exports increased by 23.5 percent to US dollar 21 million from US dollar 17.0 million; showing the potential of Sri Lanka to earn high foreign exchange from mineral resources exports. Meanwhile, earnings from unclassified exports increased by 11.1 percent to US dollar 10 million from US dollar 9 million. During the first seven months of 2017, the USA, the UK, India, Germany and Italy were the leading markets for merchandise exports of Sri Lanka accounting for about 50 percent of total exports.

Chart 5.11 | Composition of Exports



Imports

Expenditure on imports increased by 9.2 percent to US dollar 11,742 million during the first seven months of 2017, compared to US dollar 10,754 million recorded in the corresponding period of the previous year. Higher expenditure on intermediate goods largely contributed to this growth. Import expenditure on intermediate

goods increased significantly by 14.0 percent to US dollar 6,251 million from US dollar 5,485 million, mainly due to increased expenditure on imports of fuel, gold, textiles and textile articles. Expenditure on fuel imports increased considerably driven by higher imports of refined petroleum products. Further, reflecting the impact of high prices of fuel in the international market, expenditure

on crude oil imports increased despite a reduction recorded in import volumes. Average import price of crude oil increased to US dollar 49.75 per barrel in July 2017 from a purchase price of US dollar 46.10 per barrel in July 2016. Further, expenditure on gold imports increased substantially owing to higher volumes of gold imports. Import expenditure on textiles and textile articles increased with higher expenditure on fabrics and fibers indicating the likelihood of increased exports of textiles and garments in the period ahead. Meanwhile, expenditure on consumer goods imports increased by 5.2 percent to US dollar 2,558 million during the review period due to increased imports of food and beverages despite a decline in non-food consumer goods. Import expenditure on food and beverages grew by 17.8 percent to US dollar 1,057 million from US dollar 897 million, mainly due to higher expenditure incurred on the importation

of rice. Accordingly, although there was a reduction in average import prices, expenditure on rice imports continued to increase during the review period due to the significant increase recorded in the import volume of rice following the measures taken to import rice to fulfil the shortage in the domestic market. Import expenditure on investment goods declined by 1.1 percent to US dollar 2,799 million during the review period, reflecting lower imports of machinery and equipment by 5.2 percent with the decline in imports of machinery and equipment parts, telecommunication devices, turbines and agricultural machinery. Moreover, import expenditure on transport equipment increased by 8.9 percent to US dollar 379 million. With regard to origins of imports, India, China, the UAE, Singapore and Japan were the main import origins during the first seven months of 2017 accounting for about 59 percent of total imports.

Chart 5.12 | Composition of Imports



Earnings from Tourism and Receipts from Workers’ Remittances

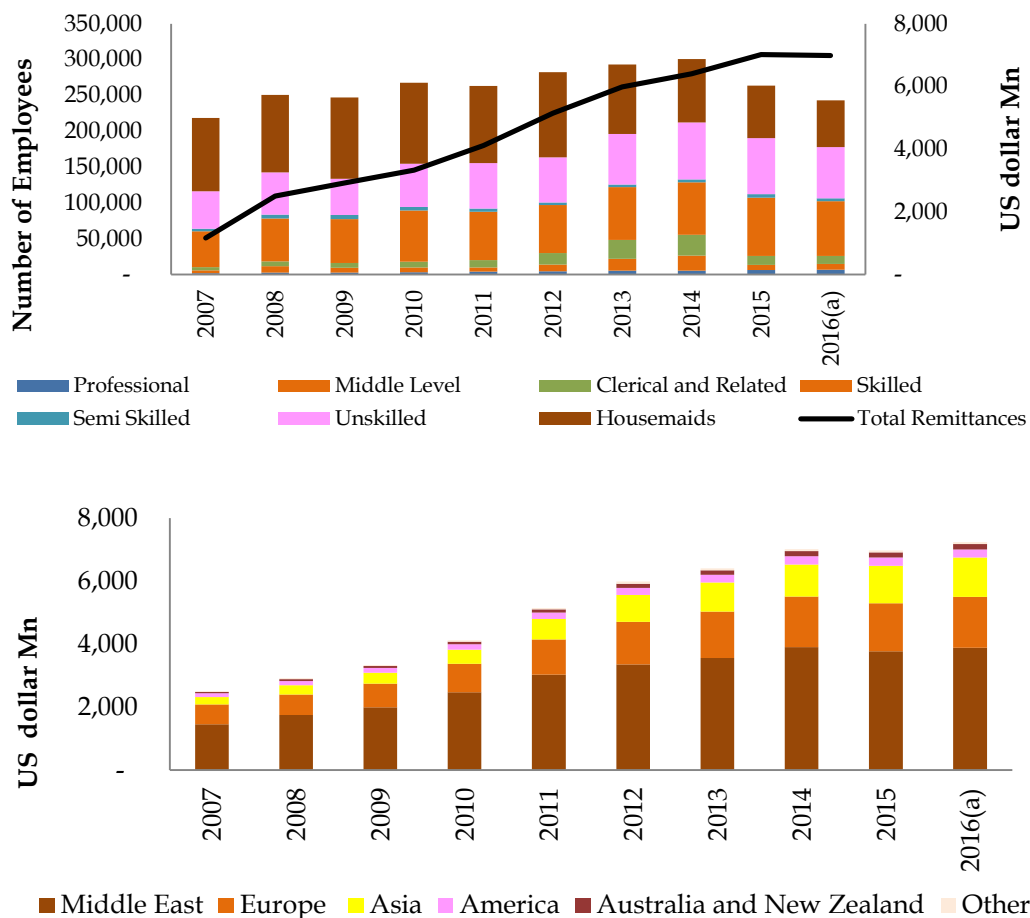
Earnings from tourism increased by 3.6 percent to US dollar 2,086.1 million during the first seven months of 2017 compared

to US dollar 2,013.5 million recorded during the same period in 2016. Moreover, tourist arrivals also recorded an increase of 3.6 percent to 1,215,926 tourists during the review period of 2017 compared to the corresponding period of 2016. The top five

sources of tourist arrivals during the first seven months of 2017 were India, China (P.R.), the UK, Germany and France and the number of tourists arrived from each country were 201900, 163189, 119475, 78466 and 62351 respectively, which accounting for 51.4 percent of the total tourist arrivals during the review period. Western Europe was recorded as the region which the highest number of tourists arrived from during the review period. Meanwhile, there was a moderate growth in tourist arrivals from South and East Asian regions.

Sri Lanka is a comparatively small open market economy with a large expatriate labour force that sends substantial remittances to the country. Remittances from migrant workers abroad dropped by 5.7 percent to US dollar 3,946.7 million during the first seven months of 2017 in comparison to US dollar 4,185.8 million recorded in the corresponding period of 2016. During the review period, remittance inflows account for almost 9.4 percent of GDP. Remittances, in fact, have great potential to generate a positive impact on development and poverty reduction of the country.

Chart 5.13 | Workers' Remittances by Amount, Type of Employment and Originating Country



Global Economic Trends | 06

6.1 World Economic Growth

The International Monetary Fund (IMF) predicted in the July 2017 report of World Economic Outlook that global economy is expected to grow at 3.5 percent in 2017 and 3.6 percent in 2018 due to the strengthening of global activities, especially growth in global trade and industrial production. Advanced economies are expected to grow at 2.0 percent in 2017, while emerging market and developing economies grow by 4.6 percent. The respective growth rates for these economies in 2018 are expected to be 1.9 percent and 4.8 percent. However, economy in the United Kingdom (UK) experienced the downward revision in projected growth. The forecasted growth rates for 2017 and 2018 are slightly weak to 1.7 percent and 1.5 percent mainly due to the increase in uncertainty on investor confidence following the U.K. referendum over Brexit. However, growth in the United States (US) economy is expected to reach 2.1 percent, reflecting increased business confidence, strong labour market coupled with robust consumption growth.

The recovery of the Euro Area is anticipated to remain modest and is forecast to grow at 1.9 percent and 1.7 percent in 2017 and 2018, respectively due to the heightened financial market volatility stemming from the outcome of the “Brexit” referendum in June 2016. Meanwhile, Japanese economy is predicted to grow at 1.3 percent, with the improvement in private consumption, investment and exports. IMF forecast for China is 6.7 percent for 2017 and 6.4 percent for 2018 mainly driven by policy reforms and robust credit growth.

Growth in South Asia is projected to remain strong. India’s growth is projected to expand by 7.2 percent and 7.7 percent in 2017 and 2018 respectively, benefiting from the large improvement in trade, structural reforms including tax reforms and formalization of the inflation-targeting and improved investor confidence. However, among the ASEAN-5 economies, the growth is focused to remain strong at around 5 percent in 2017, with a pickup in global trade and strengthening domestic demand. Meanwhile, economic activities in the Brazil and Russia are anticipated to recover gradually in 2017-2018. However, the growth outlook of Brazil’s economy is subdued mainly due to the weakness in domestic demand and an increase in political and policy uncertainty. Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is projected as slow considerably in 2017 since slowdown in activity in oil exporters.

6.2 Inflation

Inflation rates in advanced economies excluding Norway are projected to reach 2.0 percent in 2017 from 0.8 percent in 2016, reflecting the increase in commodity prices. The annual inflation in the US is estimated to increase to 2.7 percent in 2017 from 1.3 percent in 2016. While the Euro economies is projected to reach 1.7 percent in 2017 from 0.2 percent in 2016 reflecting the base year effects from energy and food prices. Meanwhile, Japan’s inflation is expected to be moderate as 1.0 percent resulting higher energy prices, the depreciation of the Yen and a moderate increase in wages in 2017.

Inflation in emerging market and developing economies (EMDs) except Argentina and Venezuela is anticipated to pick up to 4.7 percent in 2017 from 4.4 percent in 2016 mostly owing to the increase in commodity prices. In addition, inflation in China is expected to pick up to 2.4 percent in 2017 due to the uptick in producer prices and recovery of real estate

investment. It is expected that reduction in currency depreciation and administered price hikes in countries such as Brazil and Russia, result continuously strengthen inflation rate. Inflation in India is expected to be at between around 4.8 percent and 5.1 percent in 2017 and 2018, respectively.

Table 6.1 | Key Indicators of World Economy - 2017

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	2.2	25.6	7.4	-6.1	49.4
Australia	3.1	2.0	5.2	-2.3	42.9
Brazil	0.2	4.4	12.1	-9.1	81.2
Canada	1.9	2.0	6.9	-2.4	91.2
Chile	1.7	2.8	7.0	-3.2	24.8
China	6.6	2.4	4.0	-3.7	49.3
France	1.4	1.4	9.6	-3.2	97.4
Germany	1.6	2.0	4.2	0.6	64.7
Greece	2.2	1.3	21.9	-1.6	180.7
India	7.2	4.8	n.a	-6.4	67.8
Indonesia	5.1	4.5	5.4	-2.4	28.2
Italy	0.8	1.3	11.4	-2.5	132.8
Japan	1.2	1.0	3.1	-3.9	239.2
Korea	2.7	1.8	3.8	0.7	38.6
Malaysia	4.5	2.7	3.4	-3.0	56.0
Mexico	1.7	4.8	4.4	-2.9	57.2
Russia	1.4	4.5	5.5	-2.6	17.1
Singapore	2.2	1.1	2.1	1.7	112.0
South Africa	0.1	6.2	27.4	-3.6	52.4
Spain	2.6	2.4	17.7	-3.2	98.5
Sri Lanka	6.1	5.9	4.1*	-5.3	79.6
Thailand	3.0	1.4	0.7	-1.6	41.8
United Kingdom	2.0	2.5	4.9	-2.8	89.0
United States	2.3	2.7	4.7	-4.1	108.3
Vietnam	6.5	4.9	2.4	-5.7	63.4

Sources: World Economic Outlook, IMF, April 2017, Fiscal Monitor, IMF, April 2017, Ministry of Finance Central Bank of Sri Lanka

*Based on 1st quarter labour force survey data 2017 published by Department of Census and Statistics
n.a : not applicable

6.3 Fiscal Deficits

Fiscal deficit of the advanced economies is estimated to be 2.7 percent of GDP in 2017 and to remain in the following year. However, fiscal deficit to GDP ratio of the emerging market and middle-income economies is expected to slightly contract to 4.4 percent in 2017 from 4.8 percent in 2016 owing to the expected rise in oil and metal prices coupled with measures taken to the reduction of the deficit. Furthermore, the average fiscal deficit in low-income developing economies remained unchanged at around 4.4 percent of GDP in 2017 with the expected gradual tightening of the fiscal position.

6.4 Government Debt

Gross government debt of the advanced economies is to be 107.1 percent of GDP slightly declined compared to 107.6 percent in 2016. It is expected to stabilize in the medium-term. Government debt to GDP ratio in emerging market and developing economies is predicted to increase as 48.6 percent in 2017 and 49.8 percent in 2018 reflecting slow growth, higher financing costs and the depreciations of exchange rates. Meanwhile, the government debt to GDP ratio in low-income developing countries is predicted to increase to 41.9 percent in 2017 from 40.4 percent in 2016, due to the widened fiscal deficits as a result of low tax revenue, high public investments and current spending and high interest expenses.

6.5 Unemployment

The world unemployment remains high due to continuous supply of labour force

particularly, from emerging economies. In 2017, the global unemployment rate is expected to rise modestly to 5.8 percent to reach 201.1 million. The unemployment rate in the US is expected to be at around 4.9 percent and 5.0 percent in 2017 and 2018 respectively. Unemployment in developed countries would decrease to 6.2 percent in 2017 whereas unemployment rate of developing countries is to be around 5.5 percent in 2017. As economic growth stabilizes in Eastern Europe, the unemployment rate is projected to decline to reach 6.1 percent in 2017 reflecting falling unemployment rates in most of the countries in the region, notably the Czech Republic, Hungary and Poland, largely offset by increasing unemployment in Bulgaria, Romania and the Russian Federation. The unemployment rates in China and India are expected to be at around 4.6 percent and 3.4 percent, respectively in 2017.

6.6 Interest Rates

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

6.7 International Trade

The recovery of trade growth in 2017 would be determined by factors such as stronger industrial activity, investment growth in advanced economies, increased trade flows to and from China, and a

diminished drag from weak import demand from commodity exporting EMDEs. The world trade volume is expected to grow by 3.6 percent in 2017 from a sluggish rate of 1.3 percent recorded in the last year. Trade growth in 2018 is projected by World Trade Organization (WTO) to be moderate as 3.2 percent between a range from 1.4 percent to 4.4 percent since global GDP growth remains stable at 2.8 percent. According to the latest update of the WTO, exports of developed and developing economies in 2017 are expected to be at 3.0 percent and 4.7 percent, respectively. Meanwhile, imports of developed and developing countries in 2017 are expected to grow at 3.0 percent and 5.1 percent, respectively. Global commercial trade services other than in United Kingdom would be enhanced in the most economies.

6.8 Commodity Prices

According to the recent report on “Commodity Market Outlook”, World Bank, published in September 2017, prices of food and beverages declined by 3.4 percent and 0.2 percent respectively during the month of August in 2017. However, the prices of raw materials and fertilizers increased by 2.3 percent and 2.4 percent respectively. Precious metals prices rose by 4.0 percent, while prices of metals and minerals jumped by 4.0 percent because of the strong demand from China and tightening markets of most metals.

6.9 Energy Prices

Some of OPEC and non-OPEC countries’ actions on decreases of oil production in November 2016 resulted shortage of oil supply to the rest of the world. Therefore crude oil price is expected to be an average of US dollar 51 per barrel in 2017 and further increased to USD 52 in 2018. However oil prices jumped to USD 52 per barrel in August 2017. According to the “Annual Energy Outlook -2017”, the average price of a barrel of Brent crude oil will rise to USD 74.84 per barrel in 2020 and USD 109.37 per barrel in 2040. Furthermore, the shale oil production will slow after 2021.

6.10 Capital Flows

Accelerated economic growth in all major regions with a strong performance of stock markets and a rebound a world trade volume forecast a recovery of global capital flows in 2017. According to the “World Investment Report -2017”, Global Foreign Direct Investment (FDI) flows would be increased by about 5 percent in 2017, to USD 1.8 trillion and to USD 1.85 trillion in 2018. About USD 1 trillion worth of FDI to developed countries is anticipated in 2017. FDI into developing Asia are expected to be increased by 15 percent to USD 515 billion in 2017 as a result of increased investor confidence in major Asian economies and renewed policy efforts in China, India and Indonesia to attract FDI. It is predicted that recovery of the economic downturn, higher oil prices and privatization plans in the transition economics would attract increases of FDI of USD 80 billion in 2017.

BASIS USED FOR THE PREPARATION OF 2018 BUDGET ESTIMATES

Gross Domestic Product

Along with turbulent global economic conditions, the Sri Lankan economy is expected to expand its real GDP by 5-6 percent in 2018 which is expected to be a broad based growth with a positive contribution from all major sectors of the economy.

The agriculture sector is expected to perform well with potential recovery of agricultural output with the prevalence of conducive weather conditions complemented by government initiatives. Modernization in agriculture sector enable to face challenges of climate changes in terms of introduction of high yield crops, export oriented agribusiness development, strengthen stable value chains through trader-farmer contracts, contract grower system and agriculture mega zones, explore high potential of marine and inland fishing sector. Expansion of fisheries sector will contribute not only for income source but also ensure food security.

The services sector the largest contributor to the GDP is expected to maintain its momentum with positive contribution from external and domestic trade, telecommunication, IT programming, tourism, transportation, financial services and real estate. The projected growth momentum is expected to be supported by private sector investment in Information Communication Technology sector such as robotics, cybernetics and electronics and science and technology in the fields of pharmaceutical, medical equipment, automotive component industries. Education system of the country has to be improved to produce

skillful manpower who are able to fulfil requirements of labour market.

The industry sector is also poised to sustain its expansion in 2018, particularly with the enhanced contribution from the growth in manufacturing industry and construction activities stemming from the encouragement of Public Private Partnerships (PPPs) and with more favorable domestic and external economic environment.

Consumer Prices

Inflation is expected to remain in the mid-single digits, around 4-6 percent in the year 2018 and is expected to stabilize in mid-single digits over the medium term while supporting economic growth objectives and flexibility in exchange rate management. The improved domestic supply and distribution network and allow imports of food at reasonable price within a competitive market framework with increasing agricultural products will maintain stable prices for short term period. Maintaining low inflation rate while supporting economic activity and competitiveness along with keeping interest rates low will create conducive environment for attracting more investments and long term economic growth.

Employment and Unemployment

A one million employment opportunities are expected to be generated through the vigorous initiatives carried out by the government in revising curricula that is to be implemented throughout education

system of the country through vocational training and schools targeting skill requirements of labor market. Further infrastructure development along with greater investor confidence will be prioritized. Increasing women participation in the active labour force is indispensable by improving access to work with affordable child care facilities, transportation facilitation on part time and flexible work arrangements, improving maternity benefits for private sector employees, and improving access to vocational trainings. Foreign employment is to be promoted without affecting domestic labour shortages. The unemployment rate is expected to reduce around 4.0 percent of the total labour force in 2018 coupled with the expansion in the private sector investments and production and related expansion in all sectors of the economy.

Balance of Payment (BOP)

Along with global economic fluctuations Sri Lanka's external sector is expected to improve further in 2018 recording an overall surplus in the BOP and thereby the country's external reserves. The outlook for the growth in Sri Lanka's major trading partners such as US, Europe and India is expected to be stronger in 2018. Deeper economic integration with countries such as China and Japan will also favorable affect the country's exports. The improvement in services account through enhanced earnings from tourism and port related services and inflows from foreign worker remittances 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 2018.

Exchange Rate

A stable exchange rate is expected to be continued in 2018 while taking necessary steps for allowing a flexible exchange rate regime supported by the strengthened external reserves of the country and the competitiveness of Sri Lanka's exports in global market.

Monetary Aggregates

Money supply would be maintained at a level compatible with the expected growth in the nominal GDP in 2018. 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

Assumptions used for the revenue estimates are given in Annex IV.

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 600,000 in estimating the expenditure on pension payments with the partial impact of about 25,000 retirees who would retire in 2018.

- 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 to approximately 4.5 percent of GDP.
- Expenditure on utility services and supplies etc. would be tightened by strictly managed to meet medium term fiscal targets.
- Transfers and subsidies to households will be continued by implementing support programs for school children and disabled soldiers. Social security and welfare schemes for needy people such as free medicine, poverty alleviation programs will be continued together with agriculture support programs and one million employment program.
- Private sector participation through PPP concept will be positively applied for enhancing IT based programs 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 around 5-6 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 curtailment of 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

The government debt to GDP ratio is to be reduced to from 79.3 percent to 70.0 percent by 2020. A proper combination of domestic and foreign borrowings will be maintained to ensure that the government debt to GDP ratio would continue to decline. Minimizing debt is to be through increasing government revenue especially expansion tax revenue as 16 percent of GDP, tighten budgetary expenditure and enhancing climate for more invest in to the country. 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 the 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

- Adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth
 - Risks associated with natural disasters and international geo-political pressures especially Middle East and Korean peninsula.
 - Unfavorable weather conditions which could have an adverse impact on agriculture, hydro power generation and government budget
 - Administrative and procurement related impediments
 - Capacity constraints to the medium term transformation may affect the use of funds in relation to foreign funded large projects and thereby investment level and economic growth.
- Risks likely to have a material effect on the fiscal position
 - Deterioration of global imbalances resulting in a lower than expected global economic growth which could adversely affect external demand for Sri Lankan goods and services which will result in a slowing down of the Sri Lankan economy
 - Fluctuated prices of petroleum and commodity in international market could have impact on the macroeconomic stability and growth targets while affecting government expenditure and revenue.
 - Increasing trend in public sector employees' salaries and pensions related recurrent expenditure
 - Underperforming State Owned Business Enterprises (SOBEs)

Annexure I

Allocations Provided from the Budgetary Support Services and Contingent Liability Project (01st January to 30th September 2017)

Head No.	Ministry / Department	Purpose	Rs.	
			Recurrent	Capital
1 - 22	Special Spending Units			
1	His Excellency the President	"Wasa Wisu Nethi Ratak" National Programme, "Siri Sara Pivisuma" Programme, Development of Religious Places, Budget proposal on addressing the regional level issues, Special Fund for the Assistance to Artists, Journalists and Writers, Settle the outstanding bills relevant to year 2014, lease rentals of vehicles, purchase a Three Wheeler, National Agribusiness Development Programme, settle the PAL,NBT and VAT for Fire Truck donated by Japan, rehabilitation and improvement of Capital Assets and settle the outstanding bills of Nelum Pokuna Mahinda Rajapaksha Theatre and other bills relevant to 2014, Allocation to the President Fund, Presidential Commissions and National Economic Council	1,705,967,710	2,078,327,200
2	Office of the Prime Minister	Awareness Programme for General Public, Establishing Japan-Sri Lanka Joint Comprehensive Partnership (JCP) Secretariat, Purchase equipment, Acquisition of a vehicle and ambulances, Settle the outstanding bills relevant to the CEB-2016, settle the outstanding electricity bills of Temple Trees -2015, transport	100,406,500	90,373,304

		expenses, establishment and continuation of Millennium Challenge Corporation		
4	Judges of the Superior Courts	Capacity Building		25,000,000
5	Office of the Cabinet of Ministers	Foreign travelling and staff training	648,336	304,500
6	Public Service Commission	Acquisition of Capital Assets		300,000
7	Judicial Service Commission	Personal emoluments, stationary & office requisites and other services	18,206,000	
8	National Police Commission	Personal emoluments, stationary & office requisites, other services and acquisition of Capital Assets	15,800,000	1,300,000
9	Administrative Appeals Tribunal	Transport services	906,200	
10	Commission to Investigate Allegations of Bribery or Corruption	Strengthening the Commission as per the continuation of Budget Proposal 2016, Rehabilitation and Improvement of Capital Assets and foreign travelling	4,000,000	27,000,000
11	Finance Commission	Personnel Emoluments, fuel, transport and postal services	6,074,000	
13	Human Rights Commission of Sri Lanka	Provision for the Retirement Benefits, rent and local taxes, transport and rehabilitation/ improvement & acquisition of Capital Assets relevant to relocation of the commission	11,200,000	4,500,000
16	Parliament	Refurbishment of Parliamentary Complex, Pay monthly allowances, Acquisition of a vehicle , Personal Emoluments, Infrastructure Development, Project on Strengthening the Parliamentary System, pay Rs.100,000 per month per M.Ps to maintain an office, compensation payment to the employee who injured on the job, personal emoluments, supplies and other services, Conference of the SAARC Speakers and	530,560,000	392,221,430

		Parliamentarians and for the future events of Inter - Parliamentary Association		
17	Office of the Leader of the House of Parliament	Foreign Travelling, Property Loan Interest to Public Servants, other allowances and vehicle maintenance	3,098,250	
18	Office of the Chief Government Whip of Parliament	Foreign Travelling, salaries and allowances, personal emoluments, vehicle maintenance and other services	19,651,000	
19	Office of the Leader of the Opposition of Parliament	Acquisition of a vehicle, Rehabilitation of Capital Assets, renovation of official residence	-	80,473,540
20	Election Commission	Conducting awareness training programs pertaining to the Student Parliament, Project on Election Complaints Tracking System and Disaster Recovery Centre	4,800,000	29,100,000
21	Auditor General	Lease Rental for Vehicle, Foreign Travelling Expenses and Acquisition of Capital Assets, purchase Finger Print Machines and shortfall of provision for the losses and write off	92,774,390	14,800,000
22	Office of the Parliamentary Commissioner for Administration	Foreign Travelling Expenses, transport, rents & local taxes and maintenance expenditure	3,515,286	-
324	Department of Management Audit	Foreign travelling expenses	3,077,000	
101	Ministry of Buddha Sasana	Celebrate the Official Vesak Day of the United Nations, Develop the Buddhist Temples, Construction of Canopy, upliftment of religious activities, acquisition of Capital Assets and foreign travelling	274,067,441	49,696,800
201	Department of Buddhist Affairs	Printing of Dhamma School Text Books, Library Book Allowance, Uniforms and Monthly Allowance for Dhamma School Teachers, Teacher's Training & Dham Sarasaviya Programme	824,075,000	5,000,000

102	Ministry of Finance	Travelling Expenses, Acquisition of Vehicle, Personal Emolument, foreign travelling, rental advance & partition expenses for the new office building of Tax Appeals Commission and acquisition of Capital Assets, Implement the Right to Information Act as per the Budget Proposal, "Establish the "Pandit Amaradeva Sangeetha Ashramaya", staff training, interest subsidy for the loan scheme for media personnel to purchase motor bikes, Ranmihithenna Tele-Cinema Village, improvement of TV Programmes of SLBC, vehicle maintenance	238,790,000	318,027,470
210	Department of Information	Expenditure on "Thirasara Yugayaka Thewasara Pivisuma & National Development Programme" and Utthamavi Wandana Viru Samaru Festival Programme, advertisement for Strengthening the National Integration Mechanism, personal emoluments and media publicity on the Government Development Project	176,000,000	
238	Department of Fiscal Policy	Foreign Travelling Expenses	6,500,000	
240	Department of National Budget	Lump sum payment for July Strikers, foreign travelling and staff training	101,500,000	3,000,000
241	Department of Public Enterprises	Account the Treasury Bonds issued in favour of National Water Supply and Drainage Board, acquisition of shares of Commercial Bank PLC, capital infusion for People's Bank and lease rental of vehicle	865,000	15,000,359,450
242	Department of Management Services	Personal Emoluments, Fuel, Transport & Postal Services, Rehabilitation and	14,517,300	400,000

		Improvement of Capital Assets, lease rental for vehicle, stationery & office requisites and capacity building & other services		
243	Department of Development Finance	Agro Livestock Development Loan Scheme, Interest Subsidy for the Loan Scheme of Media Personnel, Artists, Tea Factory Owners and Fixed deposits of senior citizens through Licensed Finance Companies, Granting price subsidy to domestic milk powder manufactures, SME Credit Guarantee Scheme, Provide interest subsidy loan scheme to implement the Budget Proposals, Advertising Expenses, foreign travelling, SME Credit Line Project, warehouse operations Management and interest subsidy to purchase Solar Panel Systems for households	11,237,566,050	3,981,604,000
244	Department of Trade and Investment Policy	Meeting of the SAARC Development Fund Board of Directors and the Brainstorming Workshop, foreign travelling	2,900,000	
245	Department of Public Finance	Forth South Asia Regional Public Procurement Conference and acquisition, rehabilitation and improvement of Capital Assets	3,000,000	45,000,000
246	Department of Inland Revenue	Implementation of New Inland Revenue Act & Revenue Administration Management Information System (RAMIS) project, Staff Training , implementation of New Inland Revenue Act , acquisition of Capital Assets		1,097,830,000
247	Sri Lanka Customs	Implementation of Budget Proposal for purchasing of boats for sea patrolling, Construction of new Customs building, payment of Local	296,022,800	385,868,000

		Taxes pertaining to 2016, personal emoluments and acquisition of Capital Assets, rents and local taxes		
248	Department of Excise	Acquisition of Furniture & Office Equipment, Implement the Production Monitoring and Tax Automation System Project and construction of Department Head Office	17,000,000	57,120,000
249	Department of Treasury Operations	Foreign Travelling Expenses, Write off the sub loan amount of Badulla District Prajashakthi Sanvidanaya, European Investment Bank Credit Line project	8,020,000	1,453,282,660
250	Department of State Accounts	Maintenance of plant and machinery, rehabilitation/ improvement and acquisition of Capital Assets, foreign travelling	1,500,000	450,000
103	Ministry of Defence	Implement the Budget Proposals of pension payments for differently abled soldiers and allowance for legal officers in the tri-forces, Procuring National Cyber Security System, Introduce New Domestic Airline on PPP basis , Procure defence vehicles, "Senehasa" Education Resource Research & Information Centre, rehabilitation and improvements of building and Structures, Ranaviru Welfare Programmes, construction of "Suhurupaya" Building, acquisition of the land for Teaching Hospital Kotalawala Defence University, procuring National Cyber Security System, acquisition of Capital Assets, Special Communication Project, maintenance of plant and machinery, settle the outstanding bills of 2016 and	4,683,137,000	5,751,148,870

		construct a building and monthly compensatory allowance to the non-academic staff, interest payment of Teaching Hospital, defence service command and staff college		
222	Sri Lanka Army	UN Peace Keeping Operation, settle the outstanding bills of foreign travelling , maintenance, rehabilitation, improvement and acquisition of Capital Assets, Capacity Building and release of lands for resettlement at Keppapilavu in Mullaitive District	343,400,000	5,033,900,000
223	Sri Lanka Navy	Relocation of Vidura - Navy Recruits Training Center, Continuation of the construction work of Quay at Dockyard Trincomalee, Construction of Inshore Patrol Craft, Acquisition of furniture & office equipment, Settle the outstanding payment of 2016, Building and Structures, foreign travelling, rehabilitation and improvement of Capital Assets and Capacity Building	178,100,000	922,406,000
224	Sri Lanka Air Force	Lease rental of vehicle procured under operational leasing method, vehicle maintenance and other services	89,462,100	
320	Department of Civil Security	Acquisition of Capital Assets, supplies and maintenance, construction of Head Quarters Building and foreign travelling	10,500,000	43,000,000
325	Department of Sri Lanka Coast Guard	Transport services	1,000,000	
		Implement the Budget Proposals on Vocational Training Programme, Interest Free Loan Scheme to finance the Small Business Ventures and Establish a Special Fund to Empower the Local		

104	Ministry of National Policies and Economic Affairs	<p>Leaders, Developing of Selected Religious Centers, set up a Central Programme Management Unit, Drug prevention and rehabilitation of drug addicts, Development of Selected Religious Centers project, Poverty Alleviation Micro Finance Project, implement the "Commence Operation of EXIM Bank of Sri Lanka", Payment to Golden Key Depositors and Global Marketing Campaign, Taxes on importing a water bowser, Implement the Central Programme Management Unit, Granting of Loans for Small and Medium Enterprise Sector Development and Employment Generation, implement the Poverty Alleviation Micro Finance project, setting up a Central Programme Management Unit (CPMU), implement the redevelopment of the Bogambara Prison Precinct project, settle the outstanding bills of Rural Infrastructure Development Programme and Decentralized Budget in 2016, expanding the youth participation in rural development, Loan scheme for Resumption of Economic Activities affected by Disasters (READ) , empowering the Youth Parliament, Rural Infrastructure Development Programme, project on interest free loan scheme to finance the Small Business Ventures and administrative expenditure of the Colombo Cultural Hub Trust, Assistance for disaster</p>	68,974,211	37,189,520,200
-----	--	--	------------	----------------

		affected people, National Human Resources Development Council		
239	Department of External Resources	Foreign travelling, staff training, supplies & maintenance, subscriptions and contributions fees	145,000,000	2,000,000
252	Department of Census and Statistics	Implement the Research and Development Project on Statistical Capacity Building, Labour Demand Survey project, acquisition of Capital Assets and Census of Population and Housing Programme -2021, vehicle maintenance, capacity building, implement the Improving Price Collection of non-Household Expenditure Component & Upgrading of Purchasing Power project	4,000,000	62,931,970
280	Department of Project Management and Monitoring	Establishment of Ministry of Development Assignment, acquisition of a vehicle, consultancy cost for development of ETF Inspection System Application	25,000,000	76,300,000
106	Ministry of Disaster Management	Flood and Drought Relief, Purchase 25 flatbed boats and Fire Brigade Units, Establish Disaster Management Training Centre at Pelmadulla and increase the coverage of Natural Disaster and Emergency Relief Scheme, Purchasing water bowsers, Complete remaining activities of Programme for Flood and Landslide Disaster Response, Relief assistance granted to the victims of the boat accident in Kaluthara, Purchase 2,000 water tanks, Custom clearance of the rice which granted by Indonesian Government, transport & foreign travelling, Construct 24 houses in Badulla District,	4,916,760,600	4,061,900,000

		Construction of 98 houses for the Victims of Meethotamulla and provide furniture, transport and rent relief, Flood and Drought relief, relief activities of sudden disaster which is not covered by existing Insurance Policy, rent allowances for flood victims, compensation for the people due to landslides occurred at the Garbage Dump in the Meethotamulla, rehabilitation relief at Meethotamulla, allowances of Damage Evaluation, construction of 806 houses for the flood victims in Kalutara District, accounting the financial grant given by the Government of China for construction of houses in Kegalle and construction of houses in Rantnapura & Hambanthota, 1.0 million for each District Secretaries to respond immediately at disaster situations		
304	Department of Meteorology	Implement the Development of Meteorological Observation, Weather Forecasting and Dissemination Project		15,000,000
108	Ministry of Posts, Postal Service and Muslim Religious Affairs	Improve the Postal Network in Jaffna District, Rehabilitation and Improvement of Capital Assets, Acquisition of a vehicle and computer accessories, construction of Muslim Cultural Complex		161,903,180
202	Department of Muslim Religious and Cultural Affairs	Uniform and Library Allowances for Dhamma School Teachers and Dhamma School Text Books Printing, Construction of Muslim Cultural Centers & improvements of Mosques	20,000,000	20,000,000
308	Department of Posts	Rents and local taxes, rehabilitation of Post Offices,	253,700,000	36,000,000

		Sub Post Offices and other assets damaged by the recent adverse weather and personal emoluments		
110	Ministry of Justice	Recruit Research Officers for Supreme Court and Appeal Court as per the Budget Proposal, Digitalization of the archives & subsidiary legislation and conducting Legal Reform Programmes as per the continuation of the Budget Proposal-2016 and personal emoluments, travelling, maintenance, rehabilitation & improvement of Capital Assets, Authority for Protection of Victims of Crimes and witnesses	46,125,000	15,000,000
205	Department of Public Trustee	Transport Expenses	1,000,000	
228	Courts Administration	Construction of court complexes in Anuradhapura, Matale, Jaffna and residential facilities for judges and Court Automation, Establishment of 4 Commercial Courts as per the Budget Proposal, improvements of Court Administration and Automated Court Administration system, personal emoluments, maintenance & other services and property loan interest to public servants	210,000,000	707,000,000
229	Department of Attorney General	Lease Rental for Vehicles Procured Under Operational Leasing Method, expenditure on Corporation Branch and transport services	49,265,000	
230	Department of Legal Draftsman	Lease Rental for Vehicles Procured under Operational Leasing Methods, Staff Training and vehicle maintenance	1,942,000	15,000,000

233	Department of Government Analyst	Establishment of Digital Multi Media Crime Investigation Center, personal emoluments, vehicle maintenance and external analyst and other supplies	14,840,000	2,041,700
234	Registrar of Supreme Court	Expenditure for copying fee and other allowances	1,037,957	
111	Ministry of Health, Nutrition and Indigenous Medicine	Acquisition of vehicles, Upgrading of Primary School Healthcare and Nurses Training Schools, Establish Specialized Pediatric Care Complexes, Base Hospital in Nintavur, Oral Health Center in Karapitiya and Bone Marrow Transplant Unit at Kandy, Control of Kidney Disease Programme, Increasing the number of Nutritionists to 300 within 3 years as per the Budget Proposal, project on construction of the Epilepsy Unit at National Hospital-Colombo, personal emoluments, purchase Ambulances , increased overtime of the Nurses, Para-Medics and PSM, Global Fund to Fight Against Aids, Tuberculosis and Malaria , Improvement of Primary School Healthcare, project on Emergency Pre Hospital Care Ambulance Service, National Dengue Control Programme, operational expenditure of the Neville Fernando Teaching Hospital	5,045,000,000	5,996,000,000
220	Department of Ayurveda	Payment of personal emolument to the newly appointed intern Ayurvedic Medical Doctors, construction of a Ward Complex at Borella Ayurveda Teaching Hospital and two storied building for Ayurveda Hospital Kaithady and capacity building	114,200,000	302,663,000

112	Ministry of Foreign Affairs	Purchase flag cars for the Sri Lanka Missions in Addis Ababa Ethiopia, Beirut and Kuwait, Milan and London and Oslo, National Ocean Affairs Committee Secretariat, foreign travelling, purchase a security backup vehicle and vehicles for the use of Sri Lanka Missions abroad, acquisition of properties owned by the Central Bank of Sri Lanka in New York and Brasilia, implementation of the Economic Diplomacy Initiatives , grant received from Norwegian Embassy for Agreement on Technical assistance, renovation of Palestine Embassy	267,715,600	889,207,865
114	Ministry of Transport & Civil Aviation	School & Higher Education Season Tickets and Grants to SLTB for Operating on Unremunerated Routes, Armed Forces - Bus Passes of SLCTB, Purchase 489 nos. of new Engine Kits for SLCTB, recover the damages caused to SLTB due to the strike launched by the private sector bus operators, pay compensation of SLTB employees retired under the VRS scheme, outstanding bills for spare parts purchased by SLCTB, bus fleet augmentation, institutional development and capacity building	10,396,809,000	2,633,600,000
306	Department of Sri Lanka Railways	Extension of railway line from Kankesanthurai to Ponnalai Junction, Double tracking of the railway line in Polgahawela - Kurunegala section and the Aluthgama - Galle section as per the Budget Proposal, settle the retention money of the Project on Rolling Stock to		1,170,555,000

		Coastal Line		
117	Ministry of Higher Education and Highways	<p>Acquisition of a vehicle, Scholarship scheme to best performing undergraduates of the state universities, Provide full interest subsidy for loans of Rs.1.5 million to at least 1,000 graduates, Interest subsidy for providing Loan scheme to 5,000 students, Construct 10 storey building at Ruhuna University Medical Faculty, Strengthen the Post Graduate Institute of Ayurvedic Medicine, Establish an e-Learning Resource Center at the University of Kelaniya, Establish a Centre for Advanced Electronic Design at University of Moratuwa, Establish a Centre for Gender Equity and Equality and Prevention of Sexual and Gender Based Violence, Development of 1,000 Km of road length in rural areas as per the Budget Proposals, Establishment of Bridge Maintenance System(BMS) and Bridge Assessment Unit (BAU), Subway construction across the Chilaw town, Land acquisition, Rural Road construction project, Widening & Improvements of Road Projects, widening and improvement of roads in Matara-Kamburupitiya, compensations for land acquisition for Colombo District Road Development Project, compensation for land acquisition related to the Project on second new Kelani Bridge Construction, extension of Southern Expressway, rehabilitation & improvement of Priority Road Project 3-Phase I and Phase II , Land & Land</p>	1,072,680,000	35,661,300,000

		Improvement Works and preparatory activities of the Kandy Tunnel Construction Project, Interest & Loan Repayment of the Government Guaranteed Local Bank Funded Road Rehabilitation Project and the personal emoluments		
214	University Grants Commission	Mahapola & Bursary, Payment 8% of additional monthly compensation allowance, Construction of the Computer and Technological Faculty, Mahapola & Bursary for the university students, compensation on land acquired for the expansion of Faculty of Agriculture in Rajarata University, mobilization advance for the construction of the 17 storied building of Faculty of Medicine, land acquisition for Postgraduate Institute of Pali & Buddhist Studies, personal emoluments of Sabaragamuwa University, pay tax component of laboratory and field equipment	2,113,000,000	700,059,364
118	Ministry of Agriculture	Development Programme of Restoration, Rehabilitation and de-silting of 1,500 small tanks, Fertilizer Subsidies, Financial assistance to the farmers affected by drought, Partition and purchase furniture and office equipment, Big Onion Seed Production Programme, Establishing Four Rice Export Zones, Skill Sector Development Programme, Rehabilitation of Small Tanks and Canals, Production of High Quality Seeds through PPP modes, foreign travelling expenses, Skills Sector	39,138,763,660	4,751,773,686

		Development Programme, Research Allowances, repairing and procurement of equipment, Initiatives for Commercial Breadfruit Production project, rents and local taxes and acquisition of furniture & office equipment, capacity building for SLCARP, Water, Sanitation and Hygiene project, personal emoluments and research allowances		
281	Department of Agrarian Development	Rehabilitation/ improvement and acquisition of Capital Assets, Corp Diversification, Development of Minor Irrigation Systems and Abandoned Paddy Lands		582,686,180
285	Department of Agriculture	Post-harvest Management and Value Addition of Fruits Programme, Strengthening of Seed Certification Activities, Research on Infrastructure Development needs to Improve Rice Research and Development Institute (RRDI), Personal Emoluments, National Seed Production and Purchasing Programme, development subsidies, duties/ taxes to transfer the 2 vehicles belonged to the FAO to the Department of Agriculture	307,000,100	143,517,400
119	Ministry of Power and Renewable Energy	Interest subsidy to households with monthly electricity bill over Rs. 2,000 to convert in to solar energy and Convert public sector buildings to green energy as per the Budget Proposals, Additional cost incurred by CEB for the thermal power generation, Promoting Sustainable Biomass Energy Production and Modern Bio-energy Technologies, generation of electricity through thermal power by	1,508,000,000	6,373,859,334

		CEB, foreign travelling, vehicle maintenance, foreign loan disbursement.		
		Nutritional Food Package for Expectant Mothers, Morning Meal for Pre-school Children and Lamadiriya Programme - Allowances for Pre-school Teachers, Acquisition of a vehicle , Ensuring Child Protection and Child Rights Project, Purchasing furniture and household equipment for the official residence,		
120	Ministry of Women and Child Affairs	payment of outstanding bills for the renovation of the official residence, programme of Emergency Relief Package for Women and Child who are affected in Disaster-May 2017, travelling expenses and stationary & office requisites, accounting financial grant for the Gender Based Violence Programme, foreign travelling, salaries & wages and other allowances	5,834,080,000	69,191,000
121	Ministry of Home Affairs	Establishing 1,000 "Sewa Piyasa" centres, Settle the outstanding bills of Development Projects at District Secretariat Matale and Settle the bills from 2011-2014 District Secretariats of Colombo, Gampaha, Kalutara, Galle, Matara, Hambantota, Ampara, Kurunegala, Puttalam, Anuradhapura, Polonnaruwa, Monaragala, Rathnapura and Kegalle, Special Development Projects in Rathnapura, Matale & Gampaha District, rents and local taxes, support for flood relief from Asian Development Bank project and rehabilitation of Pugoda Bus Stand	21,735,000	5,124,097,000
254	Department of	Provide sanitary facilities for		9,000,000

	Registrar General	the Maligawatta Central Record Room		
257	District Secretariat/ Kachcheri - Kalutara	Rehabilitation works due to disaster on May 2017		1,000,000,000
260	District Secretariat/ Kachcheri - Nuwara- Eliya	Rehabilitation works due to disaster on May 2017		7,650,000
261	District Secretariat/ Kachcheri - Galle	Rehabilitation works due to disaster on May 2017		1,500,000,000
262	District Secretariat/ Kachcheri - Matara	Rehabilitation of the access road and roads in Mulatiyana and works due to disaster on May 2017		1,506,200,000
263	District Secretariat/ Kachcheri - Hambantota	Rehabilitation works due to disaster on May 2017		350,000,000
267	District Secretariat/ Kachcheri - Mullaitivu	Transport Expenses.	1,200,000	
272	District Secretariat - Kurunegala	Services obtained for cleaning and security	10,700,000	
275	District Secretariat/ Kachcheri - Polonnaruwa	Write off the losses arising due to destroying the paddy purchased by the cooperative societies	28,017,000	
278	District Secretariat/ Kachcheri - Ratnapura	Rehabilitation works due to disaster on May 2017		1,000,000,000
279	District Secretariat, Kegalle	Continuation of rehabilitation works of provincial roads damaged due to disaster on May 2016 and 2017		372,000,000
122	Ministry of Lands & Parliamentary Reforms	Acquisition of vehicle , Buildings and Structures, transport expenditure, Acquisition of Capital Assets and salaries and wages of Kantale Sugar Company Limited	36,262,000	55,100,000
286	Department of Land Commissioner General	Lease rental of vehicles and personal emoluments	4,800,000	

288	Department of Surveyor General	Lease rental of vehicle, rents and local taxes	13,900,000	
327	Department of Land Use Policy Planning	Acquisition of Capital Assets, lease rental of vehicles, travelling expenses and other capital expenditure	5,000,000	10,000,000
123	Ministry of Housing and Construction	Construction of 50,000 houses in the country, Construction of houses for low income families, Conduct Training on Construction Equipment & Mechanics, implement the "virusumithuru" Housing Project, implement the Project on Housing Development in Bogaswewa village in Vauniya District, Subscription & Contributions Fees, Sustainable Model Village Programme for Poverty Eradication , lease rental of the vehicle, outstanding payments of Lanka Kect (Pvt) Ltd, infrastructure facilities for Model Villages and middle income housing project	244,922,131	4,020,300,000
309	Department of Buildings	Stationery, fuel, supplies & maintenance and personal emoluments	5,000,000	
124	Ministry of Social Empowerment and Welfare	Support to Low Income Disable Persons, Financial Support to Elderly Over 70 years of Age and Financial Support to Kidney Patients, Acquisition & Rehabilitation of Capital Assets, expenditure for Plant, Machinery and Equipment, lease rental of the vehicles, construction of Thelabuyaya Vocational Training Centre, foreign travelling, stationary and office requisites, vehicle maintenance and other services, Committees on Establishing Statutory Board/ Authority for Kandiyani Heritage, BIMSTEC Summit on	11,308,824,000	62,600,000

		Poverty-2017		
216	Department of Social Services	Increase the daily allowance to differently abled children, Lease rental for two vans procured under the operational leasing method	28,999,670	
331	Department of Divineguma Development	Samurdhi Relief Assistance & Kerosene Oil, lease rental for vehicle, property loan interest to public servants	43,957,049,300	
126	Ministry of Education	School Nutritional Food, Shoes for Students in difficult and very difficult Schools, School Uniforms, Printing of Text Books and Glass of Milk for School Children and Scholarships-(Year 5), Lease rental of 6 vehicles procured under the NBD, Acquisition of a vehicles, Provide maximum of 50 computers per school on rental basis, Extend Agrahara Insurance Benefit Scheme, Property Loan and Distress Loan facility to semi government schools, Free tabs to A/L teachers and students, Improvement of special education for differently abled children, Augment the infrastructure of Pirivena and the capacity development of the Privena teachers, Basic facilities such as electricity, water and sanitation facilities to all schools, Upgrading 25 Plantation Schools and Facilitate the activities of Censor Board, "Subhaga" scholarship scheme, Health Insurance scheme for students, Bursary for Bhikkus studying at pirivena and Upgrading the National Library Colombo, "13 Year of Mandatory Schooling Policy" as per the Budget Proposals, Staff Training (UNICEF), personal emoluments, Salary	22,879,570,000	13,052,197,000

		arrears of teachers and principals		
209	Department of National Archives	Personal emoluments	2,700,000	
130	Ministry of Public Administration and Management	Productivity improvement projects, Capacity Building of Service Excellence Programme-2017/2018, Establish Film Archives and Restoration Unit (FARU) at National Film Corporation, Establish a National Film Academy to train artists and technicians to expand their capacities as per the Budget Proposals, expenditure of the Presidential Cinema Awarding Ceremony – 2015 & 2017	33,000,000	191,305,000
211	Department of Government Printer	Rehabilitation and improvement of Capital Assets and other supplies	300,000,000	14,000,000
253	Department of Pensions	Pension Gratuities and compensation for Public Officers, rehabilitation & improvement of Capital Assets and Pension Date Commemoration by utilizing CSR Funds,	1,401,216,000	7,000,000
135	Ministry of Plantation Industries	Establish a National Finite Element Simulation Center, Produce genetically superior high yielding coconut planting materials, Develop an Automated Commodity Exchange System as per the Budget Proposals, Welfare Programme on providing Fertilizer Subsidy, Compensation and Gratuity to the employees, acquisition of a vehicles, rehabilitation, improvement and acquisition of Capital Assets and Building and Structures, rental of the vehicle ,salaries and wages of Tea Research Institute, estimated interest lost by Sri Lanka Tea Board, relief those who were	1,583,681,100	1,042,338,000

		subjected to political victimization of the Coconut Cultivation Board and relief for the damages caused to the Tea and Rubber plantations in Kegalle District, local/ foreign travelling expenses and acquisition of Capital Assets, payment of arrears of EPF to employees of the Tea Research Institute, expenditure for the damages caused to the Tea Small Holders due to Flooding and Landslides of May-2017, improvement of Monaragala Kumarawatta Estate and vehicle maintenance		
293	Department of Rubber Development	Rents and local taxes, lease rental of vehicle and foreign travelling	24,075,000	
136	Ministry of Sports	Infrastructure Development of Sports Schools, Capacity Development of Sports Trainers and Coaches, Construction of Kumar Anandan Swimming Pool and Human Performance Laboratory, Development of Cricket, Construction of Synthetic tracks, Sugathadasa National Sports Complex as per the Budget Proposals, Acquisition of a vehicle, foreign travelling & rehabilitation & improvements of Capital Assets , implementation of the Diyagama Mahinda Rajapaksha National Sports Academy & High Altitude Sports Complex in Nuwara Eliya, renovate Soccer & Rugby Playground, reconstruction of the pavilion of Sugathadasa Outdoor Stadium	3,000,000	1,710,921,000
		Implementation of the Development Activities of		

219	Department of Sports Development	Sports Talent Identification and Represent Sri Lanka in International Sports Competition programme, Construction of the Provincial and District Sports Complexes, outstanding bills pertaining to Talent Development Programme and Construction of Provincial & District Sports Complexes in 2016	150,000,000	509,000,000
140	Ministry of Hill Country New Villages, Infrastructure and Community Development	Construction of 50,000 houses in the country, Expenditure on Rents and Local Taxes.	600,000	1,000,000,000
145	Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs	Resettlement of Protracted IDPs in Northern Province, Engage in drug prevention, Eradication and rehabilitation of those who addicted to drugs as per the Budget Proposal, Expenditure of duty and other taxes on materials imported for construction of Jaffna Cultural Centre, Compensation for the persons who are victimized at the incident of Welikada Prisons, housing development project, compensation to the families of Beruwala and Aluthgama areas who were killed due to the incident	53,972,500	2,007,575,000
204	Department of Hindu Religious and Cultural Affairs	Uniform, Library and Dehami Diriya Teachers Allowances for Dhamma School Teachers, rents and local taxes	31,500,000	
232	Department of Prison	Construction of Tangalle Prison		243,000,000
326	Department of Community Based Correction	Travelling expenses, rents & local taxes and other services	4,510,000	
147	Ministry of Regional	Rehabilitation and Improvement of Capital		36,825,000

	Development	Assets and renovation of official residence		
149	Ministry of Industry and Commerce	Establishment of the Centre of Excellence in Robotics Applications, Expand Lak Sathosa Retail Network, Expand Lak Sathosa and Osu Sala franchise shops, Rehabilitation of Tharapuram tank, Trade Promotional Activities, Establishment of the National Business Registry and the office of the Trade Prosecutor, Provide necessary infrastructure and entrepreneur training in handloom industry, Establish a "Unique Craft Marketing Centre" and Establish a Mega Showroom by Sri Lanka State Trading Corporation as per the Budget Proposals, Acquisition of a vehicles, salaries to the employees of Hingurana Sugar Industries, Vocational Skills Training Project, Lab equipment and upgrade the training facility of the Sri Lanka Institute of Textile and Apparel, Expenses of Industrial Production Village Promotion, Upgrading and Modernization of Mini Industrial Estates, Economic Empowerment of Women through Apparel Based Mini Factories and National Enterprise Development Authority, Implement the Mechanism for Promoting Local Canned Fish Production, Development of Industrial Zones, Subsidy payment on Price difference of Rs.7.50 per 1kg of maize, Expenses of lease rental for a vehicle, Foreign assisted training programmes, continue the project of Small and Micro Industries Leader	371,839,700	5,285,220,230

		and Entrepreneur Promotion III , reimbursement for loss incurred by Lanka Sathosa Ltd., release the financial constraints of Sri Lanka Handicraft Board-Laksala and personal emoluments		
297	Department of Registrar of Companies	Personal emoluments	2,063,000	
299	National Intellectual Property Office of Sri Lanka	Personal emoluments and other services	800,000	
300	Department of Food Commissioner	Renovation of Veyangoda Paddy Stores		38,000,000
303	Department of Textile Industries	Lease rental for vehicles, Compensation of workers who worked in Power Loom Industry, foreign travelling	47,240,000	
150	Ministry of Petroleum Resources Development	Foreign travelling, rents and local taxes, retirements benefits	15,400,000	
151	Ministry of Fisheries and Aquatic Resources Development	Gandara Fishery Harbour Development Project, Establish Aquaculture Industry Zones in Hambantota, Mannar and Batticaloa, Improve Fishery Villages in 10 Coastal districts including Hambantota, Jaffna and Batticaloa, Establish integrated Inland Fishery Villages - "Wewak Sahitha Gamak Programme and Expand Operation of National Aquaculture Development Authority, formulate the new Fisheries and Aquaculture Policy, Acquisition of vehicle, rehabilitation/improvement, acquisition of Capital Assets, travelling expenses, Stationery and Office Requisites, vehicle maintenance & other	18,070,000	2,287,620,000

		services, expenditure of National Aquatic Resources Research and Development Agency	
154	Ministry of Rural Economic Affairs	Provide high yielding and quality milk-producing cows to farmers and Establish Economic Centre – Eastern province as per the Budget Proposals, Partition of a New Building, Rehabilitation and Improvement of Capital Assets, Acquisition of a vehicle , Bill payment of Kithul Development Project and Rural infrastructure facilities and Livelihood development project	1,397,954,800
155	Ministry of Provincial Councils and Local Government	Development Assistance for Waste Management, Community Infrastructure Development., Development of 1,000 Km of road length in rural areas, Vertical Building for mixed development, Recreational facilities and entertainment facilities to facilitate private businesses as per the Budget Proposals, Providing infrastructure facilities to Shangri La Hotel project, Acquisition of a vehicle, Bill Payments of Pellepola Town Development Programme, Construction of New Buildings, Development of Emergency Response Capacity Project and Mulatiyana Pradeshiya Sabha maintenance expenses, Local Government Enhancement Sector- "Pura Neguma" project, renovation of the official residence, construction of 1000 Rural Bridges, procure 100 compactors for Local Authorities in 2017 and development of pre-school education	8,819,083,000

312	Western Provincial Council	Settle the bills of 2016, special allowance for principals and settle the outstanding contract commitments	24,153,936	2,454,100,000
313	Central Provincial Council	Renovation of the official residence of Hon. Governor and settle the bills of 2016, compensation for those who are to be evacuated from the proposed compost/energy project site around the Gohagoda waste, account the financial loan to the project of improvement of Basic Social Services Targeting Emerging Regions, agricultural development work, special allowance for principals and teachers salary arrears	665,294,090	2,851,760,000
314	Southern Provincial Council	Rehabilitate the Provincial irrigation tanks, canals and roads, Construction of Kamburupitiya Bus Stand, Settle the bills of 2016, construct a water tank for Hakmana Kongala Kurundupiyasa water supply scheme, development of Malimbada Weekly Fair, Salaries and Wages, special allowance for principals	1,642,933,096	2,566,631,586
315	Northern Provincial Council	Specific Development Grants for Contribution to Provincial Councils, Settle the bills of 2016, acquisition of a vehicle, refund the stamp duty of immovable properties from 2011-2014, expenditure of the new appointments made in 2016 & 2017 and special allowance for principals	515,789,094	2,525,098,400
316	North Western Provincial Council	Settle the bills of 2016, expenditure of the new appointments in Health Service made in 2016 & 2017 and special allowance for principals	125,502,358	1,726,300,000
317	North Central Provincial Council	Settle the bills of 2016 and salary arrears, allowances and overtime payments,	227,529,530	1,879,000,000

		development work and special allowance for principals		
318	Uva Provincial Council	Rehabilitate the agriculture roads and minor irrigation, Settle the bills of 2016, agricultural exhibition to commemorate 40 years of introducing open economy to Sri Lanka, rehabilitate roads through Provincial Road Development Authority and reconstruct 07 affected minor tanks through Provincial Department of Irrigation, special allowance for principals	23,386,922	1,624,480,000
319	Sabaragamuwa Provincial Council	Settle the bills of 2016 and special allowance for principals	18,030,878	2,091,840,000
321	Eastern Provincial Council	Acquisition of a vehicle and Completion work of Sampoor hospital building and Purchasing of furniture and equipment, Settle the bills of 2016, personal emoluments of newly recruited teachers, expenditure of the new appointments made in 2016 & 2017	857,640,096	1,398,002,000
157	Ministry of National Co-Existence, Dialogue and Official Languages	Implementation of the Budget Proposal on "Promotion of National Co-existence, Dialogues and Official Languages", Acquisition of a vehicle , Rent and Local Taxes and lease rental for Vehicles, foreign travelling, rehabilitation and improvement of Capital Assets,	42,206,475	344,591,600
158	Ministry of Public Enterprise Development	Acquisition of a vehicle, Personal Emoluments of JEDB, State Plantation Corp and Elkaduwa Plantation, Create Housing Bank as per the Budget Proposal, Rehabilitation and improvements, statutory dues of SLSPC, JEDB and	5,480,000	8,552,428,310

		Elkaduwa Plantation Ltd, staff salaries to the Elkaduwa Plantation Ltd and the SLSPC, renovate the official residence, foreign travelling, supplies, maintenance and other services, acquisition of a Motor Bicycle		
159	Ministry of Tourism Development and Christian Religious Affairs	Acquisition of a vehicle , Update printed and electronic brochures, Establish Training Center and an Integrated Information Center, Expand Tourist Police Units, Investment in jetties, Interest subsidy loan scheme, Construct a MICE Convention Centre as per the Budget Proposals and special allowance for principals	560,000,000	1,293,000,000
203	Department of Christian Religious Affairs	"Rehabilitation of religious places as per the Budget Proposal, Uniform, Library & Dehami Diriya Teachers Allowances for Dhamma School Teachers, rent and local taxes and acquisition of Capital Assets	115,101,000	25,400,000
160	Ministry of Mahaweli Development and Environment	"Project on National Implementation plan, International Training Workshop, Mainstreaming Agro Biodiversity Conservation, Effective Management of Invasive Alien Species, Project on Preparation of Sri Lanka's Third National Communication, ""Mainstreaming Biodiversity Conservation and Sustainable use for Improved Human Nutrition and Wellbeing"" and "" Mechanism for Reducing Emissions from Deforestation and Degradation"" , Personal Emoluments, Implementation of the	78,407,000	218,510,825

		Montreal Protocol, acquisition of a vehicle, Construction of Sanitary Land Fill for Waste Management for Gampaha District, ""Pilisaruu"" Waste Management Programme, Mechanism for reducing Emissions from Deforestation and Degradation, rents and local taxes, salary arrears of the Managers of Central Environment Authority, personal emoluments, domestic & foreign travelling, vehicle maintenance and other services, rehabilitation and improvement of Capital Assets		
283	Department of Forests	Establishment and Management of Industrial Plantation, Overtime and Holiday payment, Stationary and Office Requisites, Transport, Postal, Electricity and Water	16,600,000	40,000,000
291	Department of Coast Conservation	Acquisition of Capital Assets and other services	2,000,000	40,800,000
161	Ministry of Sustainable Development and Wild Life	Acquisition of vehicles, purchase ten tractor bowsers and 2 containers		71,000,000
284	Department of Wildlife Conservation	Mitigate Human-Elephant Conflict in Sri Lanka as per the Budget Proposal of 2016, Personal Emoluments.	11,140,000	109,775,000
294	Department of National Zoological Gardens	Personal Emoluments.	41,013,000	
322	Department of National Botanical Gardens	Personal emoluments, travelling expenses, postal & communication services and property loan interest to public servants, vehicle maintenance	19,710,000	
		Expenditure on Mega polis Development Projects, Greater Colombo Flood Protection and Environment		

162	Ministry of Mega polis and Western Development	Development, Relocation of Manning Market, Townships Development and Urban Solid Waste Management, Beira Lake Rehabilitation and Redevelopment Project, Urban Regeneration Programme, Matara Riverside Development and "Build iconic buildings by Urban Development Authority and Inland Revenue Department" as per the Budget Proposal, Metro Colombo Urban Development project, Compensation for the acquisition of lands, royalty fee for dredging sea sand, Development of Strategic Cities, Metro Colombo Flood Resilient Urban Environment Trust Fund, preparation of Master Plan for Trincomalee District, Settle the bills of 2016, Urubokka City Development Project, Pilgrim facilities in Anuradhapura area, improving bus services to promote public transport, foreign travelling , Bogambara Prison Precinct Redevelopment project, development of Strategic Cities- Kandy & Galle, Crow Island Beach Park Banquet Hall project	553,800,000	23,250,627,170
311	Department of National Physical Planning	Personal emoluments, foreign travelling expenses and other services	1,800,000	
163	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Establishing an Immigration Police, Contributory Pension Scheme for Artists, Infrastructure Development, Acquisition of furniture & office equipment, subscriptions and contributions fee, personal emoluments, postal and	69,910,300	562,670,000

		communication, vehicle maintenance and other services, electricity and water, lease rental of vehicle procured under operational leasing method and programme on National Literary Art Festival		
206	Department of Cultural Affairs	Renovation project of John De Silva Theatre and National Art Gallery, assistance to Needy Artists	39,000,000	61,000,000
208	Department of National Museums	Lease rental of the vehicles procured under operational leasing method and personal emoluments	10,830,000	
226	Department of Immigration and Emigration	Expenditure for Staff Training, re-establishment of the Department in the Registration of Persons Secretariat Building		52,500,000
227	Department of Registration of Persons	Personal emoluments, stationery and office requisites and other services, lease rental of vehicle procured under operational leasing method and plant and machinery maintenance	58,482,000	
165	Ministry of National Integration and Reconciliation	Facilitate the undertaking of programmes aimed at improving peace and harmony, Project on key mechanisms process, Hand Book and Workshop on Religious and Cultural Festival Celebrations, Donation of 400 Bicycles to Conflict Affected Most Vulnerable Students in Jaffna, Reconciliation Focused Economic Empowerment	-	1,695,396,450
		Augmentation of Trincomalee water supply scheme, Establish desalination plants in Jaffna and Puttlam, Integrated Townships in Samanthurai and Kalmunai, Development of comprehensive plan to		

166	Ministry of City Planning and Water Supply	upgrade cities as per the Budget Proposal, Acquisition of a vehicle , Dry Zone Urban Water Supply Project, Water & Sanitation Development Programme, Water supply facilities for Resettlement Villages, Purchase three Gully Bowsers , Settle the bills of Emerging Small Townships Water Supply Schemes, rehabilitation programme on UNICEF Drought Mitigation and Emergency Activities, foreign travelling, purchase Water Bowsers for Local Authorities, settle the bills of 2016, rehabilitate 50 hand pumps in Kalutara District	2,700,000	6,089,487,500
332	Department of National Community Water Supply	Property loan interest to public servants	140,000	
167	Ministry of Special Assignment	Acquisition of a vehicle and transport expenses	900,000	42,600,000
176	Ministry of Ports and Shipping	Settle the commitment of Colombo Ports Expansion Project		32,255,000
182	Ministry of Foreign Employment	Acquisition of vehicle, procurement of computers and printers, vehicle maintenance	2,000,000	45,000,000
192	Ministry of Law and Order and Southern Development	Adjustments of salaries of the Sri Lanka Police Service as per the Budget Proposal of 2016, Southern Development, Drug prevention and rehabilitation of drug addicts, UN Peace Keeping Operations, Personal Emoluments, acquisition of Capital Assets, maintenance of plant and Machinery, acquisition of a vehicle, continue the Budget Proposal-2016 on "Increase the Salaries of Sri Lanka Police Service", expenditure	471,400,000	2,124,330,000

		on 8th meeting of SAARC Law & Order, initial expenses of Southern Development Board, transport, maintenance and other services, capacity building and foreign travelling		
225	Department of Police	Adjustments of salaries of the Sri Lanka Police Service as per the Budget Proposal of 2016, Implement the Development Activities and engage in drug prevention, Eradication and rehabilitation of those who addicted to drugs, Purchase 5 Ambulances, Diets and Uniforms, acquisition of Capital Assets, personal emoluments, travelling expenses, vehicle maintenance & other services and property loan interest to public servants	3,518,000,000	5,197,700,000
193	Ministry of Labour and Trade Union Relations	Construction of Circuit Bungalow at Ampara and purchase essential furniture, Subscriptions and Contributions Fee, Sabaragamuwa Development Project, personal emoluments, transport & other services, rehabilitation of circuit bungalow at Ampara	17,873,200	11,500,000
328	Department of Manpower and Employment	Travelling expenditure, Property loan Interest to public servants, rents and local taxes and other allowances. administration and establishment services	34,834,689	
194	Ministry of Telecommunication and Digital Infrastructure	Settle the operational Lease rental and CIF and Local Charges, Acquisition of a vehicle, Custom charges and VAT on acquisition of a vehicle, As per the Budget Proposal Digitalizing the Economy, National Digital	76,542,590	15,092,781,250

		Identity, National Payment Platform, Establish National Data Center, Toll charging system , Introduce Cryptography and Provide Video conferencing facilities, Foreign Travelling Expenses, Renovation of the official residence, rents and local taxes, rehabilitation & improvement of Capital Assets		
195	Ministry of Development Strategies and International Trade	Infrastructure Development, Colombo Fair Exhibition, Foreign Travelling Expenses , Lease Rentals for vehicle and Acquisition of a vehicle, expenditure on membership in Commonwealth Enterprise & Investment Council and Countervailing Duty, rents and local taxes	42,125,700	1,036,000,000
296	Department of Import and Export Control	Stationery and office requisites, fuel & other services, foreign travelling	2,900,000	
196	Ministry of Science, Technology & Research	Acquisition of vehicles , Research Assist in Diabetes, Dengue, CKDu and Cancer, Establishment of Innovation Accelerator Fund and Technology Innovation Park, Implemental of Nanotechnology Programme, Establishment of Center for Excellence, Quality Assurance of Imported Products, Product Design Engineering Services Fund and Establishment of Incubators in Collaboration with Nenasala as per the Budget Proposals, expenses of COSTI , overtime & holiday, domestic & foreign travelling, vehicle maintenance, transport, postal & others and rehabilitation & improvement of vehicles, postal & communication,	51,026,000	1,434,400,000

		expenses on Sri Lanka Inventors Commission		
197	Ministry of Skills Development and Vocational Training	Expenditure on Official Residence, Scholarships for students, Stipend for youth to train in apparel, Health care, Hospitality and Construction, Upliftment of Matara German Training Technical School and Hotel Training School as per the Budget Proposals, Acquisition of vehicle , Rental Expenses, expenditure of University of Vocational Technology, procuring a new air conditioner, establishment of Colombo Vocational Training Center and Gampaha Technical College, lease rental for vehicle, conducting NVQ assessments, foreign travelling and new recruitments of VTA	676,686,000	304,583,600
215	Department of Technical Education and Training	Complete the balance construction of building at the HARDI Advanced Technological Institute- Ampara		70,000,000
198	Ministry of Irrigation and Water Resources Management	Acquisition of the vehicles, Installment of sellers credit, Rehabilitation, Improvement & Acquisition of Capital Assets, personal emoluments, travelling expenses, vehicle maintenance & other services, staff training, settle the bills of Talpitigala Reservoir, feasibility studies, lower Malwathuoya multi-sector development project and prefabricated building for government agencies, pilot project to monitor ground water in Polonnaruwa, Mannar, Vavuniya, Monaragala, Ampara, Hambantota, Anuradhapura and Batticaloa, Productivity	39,281,335	1,441,963,132

		Enhancement and Irrigation System Efficiency Management Project, rehabilitation and reconstruction of properties damaged by the recent adverse weather		
282	Department of Irrigation	Implementation of Yan Oya Project as per the Budget Proposal, rehabilitation, improvement and acquisition of Capital Assets, investments and gravity irrigation works, expenditure for the projects of Gurugal Oya, Gonagala Thenna Tank, Extention of Kaudulla Stage II Ella up to Damsopura Wewa and Augmentation of Mahalgamuwa Tank, Menik Ganga Reservoir, Yan Oya, Lower Uva, Gal Oya Navodaya, Morana Reservoir, Kalugal Oya, Kubukkanoya Reservoir and rehabilitation of damaged irrigation structures due to recent flood		3,565,227,997
199	Ministry of Primary Industries	Lease Rental of Vehicle procured under Operational Leasing Method, rents and local taxes and foreign travelling	25,411,900	
Total			185,919,284,342	283,507,653,953

Annex II

The List of Treasury Guarantees Issued by the General Treasury up to 30.09.2017

S. No	Name of the Bank or Institution	Name of Institution	Rs. Mn.
1	People's Bank	Ceylon Electricity Board	16,816.70
		Ceylon Petroleum Corporation	139,419.00
		Ceylon Petroleum Storage Terminals Ltd.	6,242.87
		Ceylon Shipping Corporation Ltd	12,392.80
		Co-operative Whole Sale Establishment	157.10
		Lanka Coal Company (Pvt) Ltd	6,000.00
		Ministry of Defense and Urban Development	1,000.00
		National Water Supply & Drainage Board	957.97
		Paddy Marketing Board	2,247.23
		People's Bank Pension Trust Fund	2,500.00
		Urban Development Authority	4,000.00
		Road Development Authority	19,183.52
2	Bank of Ceylon	Ceylon Petroleum Corporation	139,419.00
		General Sir John Kotelawala Defence University	835.00
		Mihin Lanka (Pvt)Ltd	-
		National School of Business Management Limited	8,600.00
		National Water Supply & Drainage Board	39,684.33
		Northsea Limited	50.00
		Paddy Marketing Board	3,129.78
		Road Development Authority	40,803.31
		State Development and Construction Corporation	400.00
		State Engineering Corporation	750.00
3	National savings Bank	Ceylon Electricity Board	8,750.00
		General Sir John Kotelawala Defence University	31,234.50
		Lakdhanavi Ltd.	2,992.00
		National Water Supply & Drainage Board	1,239.48
		Road Development Authority	74,071.44
		Sri Lanka Land Reclamation & Development Corporation	3,500.00
		Urban Development Authority	2,770.00
4	Commercial bank	Ministry of Defence and Urban Development	2,000.00
		National Water Supply & Drainage Board	1,929.61
		Road Development Authority	7,209.81
5	DFCC Bank	Ministry of Defence and Urban Development	1,000.00
		National Water Supply & Drainage Board	3,837.87
		Road Development Authority	1,328.87
6	Employees' Trust Fund Board	Lakdhanavi Ltd.	2,992.00
7	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	13,733.55
8	Hatton National Bank	Ministry of Defence and Urban Development	3,550.00
		National Water Supply & Drainage Board	10,018.73
		Road Development Authority	28,262.54
9	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	6,837.41
		West Coast Power(Pvt)Ltd.	24,757.97
10	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	10,800.88
11	Japan International Corporation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	103,166.32
12	National Development Bank	National Water Supply & Drainage Board	8,374.13
		Road Development Authority	8,353.31
13	Exim Bank of India	National Water Supply & Drainage Board	39,765.40
14	China Development Bank	National Water Supply & Drainage Board	7,554.76
Total			854,619.18

Source : Department of Treasury Operations

Annex III

Macroeconomic Indicators

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

Sector	2016					2017(a)	
	Q ₁	Q ₂	Q ₃	Q ₄	Annual	Q ₁	Q ₂
Tea (Mn kg)	70.4	83.8	62.5	72.9	289.6	66.2	89.3
Growth %	(11.6)	(10.9)	(21.7)	(3.7)	(12.0)	(6.0)	6.6
Rubber (Mn kg)	28.2	19.7	16.0	15.2	79.1	23.3	21.8
Growth %	(2.6)	(8.4)	(17.5)	(18.7)	(10.7)	(17.4)	10.7
Coconut (Mn nuts)	731.1	752.7	880.9	772.8	3,137.5	683.6	605.0
Growth %	4.2	(3.5)	8.9	1.0	2.7	(6.5)	(19.6)
	Maha	Yala				Maha	Yala
Paddy ('000 Mt)	2,903.0	1600.0				1,484.9	1,019.0
Fish ('000 Mt)	125.6	113.6	141.5	150.2	530.9	134.9	118.0
Growth %	(4.5)	(8.8)	10.0	(10.8)	2.1	7.4	3.9

Source: Department of Census and Statistics

(a) Provisional

Table 2 | Performance in Industrial Sector: 2015-2017

Description	2015	2016	2017 (a)	
			Q ₁	Q ₂
Food, Beverages and Tobacco products	3.7	(2.5)	(0.3)	(2.2)
Textile, Wearing Apparel and Leather Related Products	1.9	(0.2)	0.6	2.5
Chemical Products and Basic Pharmaceutical Products	0.1	4.0	(0.1)	(8.9)
Rubber and Plastic Products	6.3	17.9	(0.3)	8.4
Non-metallic Mineral Products	(5.6)	(13.1)	19.5	14.0
Furniture	13.0	3.4	3.8	12.4
Overall Industrial Growth	2.1	6.7	6.3	5.2

Source: Department of Census and Statistics

(a) Provisional

Table 3 | Performance in Electricity Generation and Services Sector: 2016-2017

Category	2016				2017			
	Q1	Q2	Jul	Jan-July	Q1	Q2	Jul	Jan-Jul
Electricity Generation								
Total Generation (GWh) (Excluding Self Generation)	3,440	3,489	1,211	8,141	3,500	3,620	1,253	8,374
<i>Growth Rate</i>	10.5	7.0	4.5	8.0	1.7	3.8	3.5	2.9
Hydro(Excluding mini hydro)	1,047	1,033	333	2,413	347	608	289	1,243
<i>Growth Rate</i>	(10.3)	(12.8)	18.4	(8.3)	(66.9)	(41.2)	(13.3)	(48.5)
Fuel Oil	1,075	907	247	2,230	1,368	1,282	472	3,122
<i>Growth Rate</i>	165.7	160.8	(29.4)	102.2	27.3	41.2	90.7	40.0
Coal	1,134	1,160	511	2,805	1,602	1,355	368	3,325
<i>Growth Rate</i>	(13.1)	(14.4)	37.0	(7.5)	41.3	16.8	(27.9)	18.5
NCRE (Including mini hydro)	184	389	120	692	183	376	125	684
<i>Growth Rate</i>	(22.3)	3.5	(22.5)	(9.7)	(0.4)	(3.2)	4.0	(1.2)
Hydro:Fuel Oil:Coal:NCRE Ratio	30:31:33:5	30:26:33:11	27:20:42:10	30:27:34:9	10:39:46:5	17:35:37:10	23:38:29:10	15:37:40:8
Reservoir Water Level % (End Period Average)	64.3	54.9	66.4	60.5	34.3	37.7	42.8	37.0
Port Services								
			Aug	Jan-Aug			Aug	Jan-Aug
Total Cargo Handled ('000 MT)	21,030	21,135	7,762	57,229	22,466	22,593	8,314	61,355
<i>Growth Rate</i>	13.8	12.2	13.5	12.1	6.8	6.9	7.1	7.2
Total Container Handled ('000 TEUs)	1,400	1,386	517	3,785	1,469	1,486	539	4,022
<i>Growth Rate</i>	11.5	10.9	9.9	10.1	4.9	7.2	4.2	6.3
Telecommunications Services (No. of Subscribers)								
			Jan-Jun				Jan-Jun	
Fixed Lines ('000)	2,604	2,597		2,597	2,537	2,514		2,514
<i>Growth Rate</i>	(3.9)	(3.0)		(3.0)	(2.6)	(3.2)		(3.2)
Cellular ('000)	24,569	24,696		24,696	27,158	28,113		28,113
<i>Growth Rate</i>	8.1	5.6		5.6	10.5	13.8		13.8
Total Fixed Lines and Cellular ('000)	27,173	27,293		27,293	29,695	30,627		30,627
<i>Growth Rate</i>	6.9	4.7		4.7	9.3	12.2		12.2
Internet and email ('000)	4,202	4,232		4,232	5,221	5,479		5,479

Source: Central Bank of Sri Lanka

Table 4 | Export Performance in 2016-2017

US \$ Mn.

Item	2016 (a)			2017		
	Jan-Jul	Aug-Dec	Total	Jan-Jul(a)	Aug-Dec (b)	Total (b)
Agricultural Products	1,313	1,014	2,326	1,560	1,170	2,730
Tea	726	543	1,269	871	615	1,486
Rubber	19	14	33	26	18	44
Coconut Products	206	160	366	206	163	369
Other Agricultural Products	362	297	658	456	375	830
Industrial Products	4,683	3,257	7,940	4,822	3,896	8,719
Textile and Garments	2,940	1,944	4,884	2,850	2,309	5,159
Petroleum Products	162	125	287	213	143	356
Other Industrial Products	1,581	1,189	2,769	1,759	1,445	3,204
Mineral Export	17	12	29	21	16	37
Other Exports	9	6	15	10	9	19
Total Exports	6,022	4,288	10,310	6,413	5,092	11,504

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Table 5 | Import Performance in 2016-2017

US \$ Mn.

Item	2016 (a)			2017		
	Jan-Jul	Aug-Dec	Total	Jan-Jul (a)	Aug-Dec (b)	Total (b)
Consumer Goods	2,431	1,888	4,319	2,558	2,080	4,638
Rice	6	6	13	155	157	312
Sugar	155	188	343	169	177	345
Other Food Products	735	537	1,272	733	578	1,311
Non-food Consumer Goods	1,535	1,157	2,692	1,502	1,169	2,670
Intermediate Goods	5,485	4,385	9,870	6,251	4,683	10,934
Fuel	1,320	1,161	2,481	1,840	1,314	3,154
Wheat and Maize	141	108	249	194	75	269
Fertilizer	79	58	137	50	32	82
Textile & Textile Articles	1,545	1,160	2,705	1,544	1,281	2,825
Other Intermediate Goods	2,400	1,898	4,298	2,623	1,980	4,603
Investment Goods	2,830	2,368	5,198	2,799	2,365	5,164
Other Imports	8	5	13	134	16	150
Total	10,754	8,646	19,400	11,742	9,144	20,886

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Table 6 | Balance of Payments – 2017

US \$ Mn.

Item	2017		
	Q1 (a)	Q2 (a)	Annual Projection
Current Account Balance	(685)	(795)	(2,487)
Trade Balance	(2,505)	(2,248)	(9,382)
Exports	2,774	2,623	11,504
Imports	5,279	4,872	20,886
Services (net)	887	520	3,003
Receipts	2,024	1,622	7,545
Payments	1,136	1,102	4,543
Primary Income (net)	(537)	(464)	2,322
Receipts	35	38	179
Payments	609	502	2,501
Secondary Income (net)	1,506	1,397	6,215
Secondary income: credit	1,736	1,625	n.a.
Secondary income: debit	230	228	n.a.
Capital Account (net)	2	6	73
Capital account: credit	10	13	n.a.
Capital account: debit	8	7	n.a.
Current and Capital Account (net)	(683)	(790)	(2,414)
Financial Account (net)	(682)	(614)	3,953
Direct Investment: Assets	18	18	n.a.
Direct Investment: Liabilities	114	395	n.a.
Portfolio Investment: Assets	-	-	n.a.
Debt securities	-	-	n.a.
Portfolio Investment: Liabilities	(303)	1,339	n.a.
Equity and investment fund shares	115	86	n.a.
Debt securities	(418)	1,252	n.a.
Financial Derivatives	-	-	n.a.
Other Investment: Assets	(436)	186	n.a.
Currency and deposits	(53)	(34)	n.a.
Trade credits and advances	15	24	n.a.
Other accounts receivable	(398)	197	n.a.
Other Investment: Liabilities	(254)	1,061	n.a.
Currency and deposits	(605)	(2)	n.a.
Loans	382	932	n.a.
Trade credits and advances	207	(56)	n.a.
Other accounts payable	(237)	187	n.a.
Special Drawing Rights (SDRs)	-	-	n.a.
Reserve Assets	(706)	1,976	n.a.
Net Errors and Omissions	1	176	n.a.
Overall Balance	(176)	1,563	1,539

Source: Central Bank of Sri Lanka

(a) Provisional

Table 7 | International Reserves

Item	US \$ Mn.			
	End 2016	Jun-17	Jul-2017	Aug-2017
Total External Reserves	8,432.9	9,092.8	8,993.7	n.a.
Months of Imports	5.2	5.4	5.3	n.a.
Gross Official Reserves	6,019.0	6,959.0	6,710.5	7,693.5
Months of Imports	3.7	4.1	3.9	4.5

Table 8 | Government Foreign Currency Debt Outstanding

Items	US \$ Mn.
	End Aug 2017
Total Outstanding	32,361.63
Government Foreign Debt (a) (b)	27,768.48
Dollar dominated Domestic Debt	4,593.15
Sri Lanka Development Bonds (SLDBs) (c)	4,173.15
Foreign Currency Banking Units (FCBUs) (c)	420.00

Source: Central Bank of Sri Lanka

(a) Includes International Sovereign Bonds, Foreign Project Loans and Syndicated Loans

(b) International Sovereign Bonds as at end Aug 2017, Foreign Project Loans as at end June 2017 and Syndicated loans

(c) As at end Aug 2017

Table 9 | Outstanding Domestic Foreign Currency Debt of the Government

	US \$ Mn.	
	End 2016	End Aug 2017
Outstanding	4,019.75	4,593.15
FCBUs	200.00	420.00
SLDBs	3,819.75	4,173.15
Receipts	1,465.88	2,451.43
FCBUs	100.00	220.00
SLDBs	1,365.88	2,231.43
Payments	2,236.19	1,878.03
FCBUs	50.00	-
SLDBs	2,186.19	1,878.03

Source: Central Bank of Sri Lanka

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

Currency	Appreciation (+)/ Depreciation (-)	
	End 2015 - End 2016	End 2016 - Aug 2017
Sri Lanka Rupee	(3.94)	(1.83)
Indian Rupee	(2.15)	6.14
Bangladesh Taka	(1.01)	(2.67)
Pakistan Rupee	0.12	(0.42)
Singapore Dollar	(2.10)	6.35
Thailand Bhat	0.78	7.76
Taiwan Dollar	2.09	6.84
Indonesian Rupiah	2.68	0.64
Philippine Peso	(5.24)	(3.27)
Korean Won	(2.39)	7.10
Japanese Yen	3.46	5.38

Source: Central Bank of Sri Lanka

Table 11 | Central Bank Holdings of Treasury Bills

End Period	Gross (Book value)	Rs. Bn.
		Net of Repos (Book value)
2009	n.a	36.00
2010	n.a	2.34
2011	n.a	167.30
2012	n.a	163.31
2013	n.a	13.29
2014	n.a	3.14
2015	n.a	79.05
2016	n.a	330.08
End Aug. 2017	n.a	90.48

Source: Central Bank of Sri Lanka

Table 12 | Commercial Banks' Loans and Advances to the Private Sector -June 2017

	Amount (Rs. Mn) (a)(b)	as a % of Total
1. Agriculture & Fishing	382,033	8.4
<i>of which...</i>		
Tea	84,610	1.9
Rubber	25,265	0.6
Coconut	19,567	0.4
Paddy	32,323	0.7
Vegetable, Fruit Cultivation and Minor Food Crops	27,200	0.6
Livestock and Dairy Farming	17,644	0.4
Fisheries	16,767	0.4
2. Industry	1,863,992	41.0
<i>of which...</i>		
Construction	902,762	19.8
<i>of which...</i>		
--- Personal Housing including Purchasing/Construction/Repairs	435,454	9.6
--- Staff Housing	70,991	1.6
Food and Beverages	103,627	2.3
Textiles and Apparel	156,759	3.4
Wood and Wood Products including Furniture	15,651	0.3
Paper and Paper Products	14,493	0.3
Chemical, Petroleum, Pharmaceutical, Healthcare and Rubber and Plastic Products	82,758	1.8
Non-metallic Mineral Products	17,944	0.4
Basic Metal Products	28,182	0.6
Fabricated Metal Products, Machinery and Transport Equipment	158,490	3.5
Other Manufactured Products	20,477	0.5
3. Services	1,331,024	29.3
<i>of which...</i>		
Wholesale and Retail Trade	399,951	8.8
Tourism	160,429	3.5
Financial and Business Services	306,580	6.7
Transport	72,458	1.6
Communication and Information Technology	61,177	1.3
Printing and Publishing	21,677	0.5
Education	10,321	0.2
Health	31,916	0.7
Shipping, Aviation, Supply and Freight Forwarding	22,708	0.5
4. Personal Loans and Advances(a)	972,084	21.4
<i>of which...</i>		
Consumer Durables	207,018	4.6
Pawning	137,517	3.0
Credit Card	82,003	1.8
Personal Education	2,415	0.1
Personal Healthcare	3,848	0.1
Other	502,607	11.0
Total	4,549,133	100.0

Source: Central Bank of Sri Lanka

(a) Excludes personal housing loans, which have been included under 'Construction' classified under 'Industry' and includes Safety Net Scheme Related Loans

(b) Provisional

Table 13 | Interest Rate Movements in 2016-2017

Interest Rate	End Dec 2016	End Mar 2017	End June 2017	End Aug 2017
Policy Rates of the Central Bank				
Standing Deposit Facility Rate(SDFR)	7.00	7.25	7.25	7.25
Standing Lending Facility Rate(SLFR)	8.50	8.75	8.75	8.75
Weighted Average Call Money Rate (AWCMR)	8.42	8.75	8.75	8.20
Weighted Average OMO Auction Rate (Repo)	7.43	7.73	7.26	7.27
Weighted Average OMO Auction Rate (Reverse Repo)	8.50	8.74	8.74	8.75
Treasury Bill Rates				
91-days	8.72	9.63	9.60	8.87
182-days	9.63	10.62	10.29	9.30
364 -days	10.17	10.98	10.47	9.67
Lending Rates				
Average Weighted Prime Lending Rate(AWPR) (weekly)	11.52	11.79	11.70	11.37
Average Weighted Prime Lending Rate (AWPR) (monthly)	11.73	11.56	11.84	11.67
Average Weighted Lending Rate(AWLR)	13.20	13.40	13.73	13.83
Deposit Rates				
Average Weighted Deposit Rate (AWDR)	8.17	8.81	9.13	9.21
Average Weighted Fixed Deposit Rate (AWFDR)	10.46	11.38	11.66	11.78

Source: Central Bank of Sri Lanka

Table 14 | NCPI Headline Inflation, Core Inflation and Food Inflation (Base: 2013=100)

Month	HEADLINE INFLATION (%)				CORE INFLATION* (%)				FOOD INFLATION (%)			
	YoY		Annual Average		YoY		Annual Average		YoY		Annual Average	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
January	(0.7)	6.5	2.9	4.6	3.0	7.1	4.3	6.2	(4.2)	6.6	3.3	4.0
February	1.7	8.2	2.6	5.1	4.6	7.1	4.4	6.4	(0.6)	10.2	2.3	4.9
March	2.2	8.6	2.4	5.6	5.0	7.0	4.5	6.6	0.5	11.2	1.7	5.8
April	4.3	8.4	2.6	6.0	5.9	5.9	4.7	6.6	4.9	11.8	1.8	6.4
May	5.3	7.1	2.7	6.1	7.2	4.7	5.0	6.4	4.8	10.6	1.8	6.9
June	6.4	6.3	3.1	6.1	7.5	4.1	5.3	6.1	7.6	8.6	2.1	7.0
July	5.8	6.3	3.4	6.2	6.8	4.2	5.5	5.9	6.7	8.2	2.6	7.1
August	4.5	7.9	3.6	6.5	6.0	4.8	5.6	5.8	4.2	12.1	2.8	7.7
September	4.7		3.8		5.7		5.7		4.8		3.1	
October	5.0		4.0		5.7		5.7		5.2		3.4	
November	4.1		4.0		6.8		5.8		1.5		3.1	
December	4.2		4.0		6.7		5.9		2.3		3.1	

Source: Department of Census and Statistics

*NCPI Core Inflation - Excluding Volatile Food, Energy and Transport

Annex IV

Assumptions for Revenue Estimates – 2018

The revenue estimates for 2018 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 5-6 percent in 2018 and the growth is expected to be broad based.
- The inflation is expected to remain mid-single digit level in 2018.
- The recovery of the global economy is expected to be strengthened.
- The external sector is expected to improve further in 2018 by maintaining a surplus in the Balance of Payments (BOP) benefiting from the 3-year Extended Fund Facility (2016-2019) provided by the IMF.
- Growth in exports is expected to continue with the enhanced external demand particularly from major trading partners such as the US and India 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 2018 is expected to maintain at a level compatible with the expected nominal growth of around 9 percent of GDP.
- Tax system is expected to be simplified with minimizing exemptions. The gradual establishment of the tax system especially digitalized platform (Revenue Administration and Management Information System - RAMIS) in the country will help to generate expected revenue.
- Automation of the Customs clearing process (Single Window) for both import and export will help to enhance the customer satisfaction and enhance the revenue. ASYCUDA at Sri Lanka Customs will help to provide better service to tax payer and enhance the revenue.
- Integrated Treasury Management Information System (ITMIS) will ensure efficient management of government resources.

Table 1 | Key Sectoral Growth Rate %

	2015	2016	2017 up to 2 nd quarter (a)
GDP	4.8	4.4	3.9
Agriculture	4.8	(4.2)	(3.1)
Industry	2.1	6.7	5.8
Services	5.7	4.2	4.0
Inflation - GDP Deflator (%)	2.1	3.9	5.9
Unemployment Rate (%)	4.7	4.4	4.5*

Source: Department of Census and Statistics

(a) Provisional

* 2nd Quarter, 2017

Table 2 | Value Added Tax (VAT)

Rate	Item
Zero Rate	Export Goods
Standard Rate (15%)	General Items
Exemptions	Goods and Services which are listed in the VAT exemption list of the VAT Act.

Table 3 | Value of Imports

	US \$ Mn.	
	2016 (a)	2017(b)
Rice	12.8	311.7
Sugar	342.5	345.1
Other Food	1,272.1	1,311.2
Other Consumable Goods	2,691.5	2,670.2
O/W Motor Vehicles	794.8	740.6
Fuel	2,481.0	3,154.3
Fertilizer	136.9	82.1
Wheat and Maize	249.2	268.9
Chemical Products	856.3	844.9
Textiles and Textile Articles	2,704.9	2,825.1
Other Intermediate Goods	3,441.7	3,758.3
Machinery and Equipment	2,740.7	2,641.2
Transport Equipment	880.2	920.2
Building Materials	1,568.7	1,594.2
Other	21.5	158.3
Total	19,400.1	20,886.0

Source: Central Bank of Sri Lanka

(a) Provision

(b) Projections

Table 4 | Composition of Imports

Category	% of Total Imports	
	2016 (a)	2017(b)
Consumer Goods	22.3	22.2
Intermediate Goods	50.9	52.3
Investment Goods	26.8	24.7

(a) Provision

(b) Projections

Table 5 | Custom Duty Structure (As at 31.10.2017)

	Rate
Basic raw materials and Machinery	Zero
Semi processed items and Intermediate products	15%
Finished products and Luxury goods	30%

Table 6 | Value of Imports and Growth

	2016 (a)	2017(b)	2018(b)
Value of Imports (US \$ Mn.)	19,400	20,886	22,428
Growth	2.5	7.7	7.4

Source: Central Bank of Sri Lanka

(a) Provision

(b) Projections

Table 7 | Cigarettes Excise Duty Structure (Per 1,000 cigarettes as at 31.10.2017)

	Rs. per 1,000
Cigarettes each not exceeding 60mm. in length	11,675
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	17,375
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	20,500
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	30,500
Cigarettes each exceeding 84mm. in length	34,250

Table 8 | Liquor Excise Duty Structure (As at 31.10.2017)

	Rs. per Proof Liter
Coconut Processed/ Molasses Arrack	1,850
Country Made Foreign Liquor	2,030
Malt Liquor (Beer) above 5% in strength (per bulk liter)	315
Malt liquor (Beer) less 5% in strength (per bulk liter)	190
Wine containing more than 4% in strength	1,120

Table 9 | Petroleum Excise Duty Structure (As at 31.10.2017)

Item	Rs. Per litre
Petrol	Rs.27.00
Diesel	Rs.13.00

Table 10 | Excise (Special Provisions) Duty: Motor Vehicles Duty Structure (As at 31.10.2017)

Item/ Engine Capacity	Rate
(i) Cars - Petrol	
Less than 1000 cc	150% or Rs. 1,750 per cc
1000 cc - 1500 cc	160% or Rs. 2,750 per cc
1500 cc - 1600 cc	160% or Rs. 4,000 per cc
1600 cc - 1800 cc	160% or Rs. 4,500 per cc
1800 cc - 2000 cc	160% or Rs. 5,500 per cc
2000 cc - 3000cc	220% or Rs. 6,000 per cc
Exceeding 3000 cc	250% or Rs. 6,000 per cc
(ii) Cars - Diesel	
Less than 1500 cc	200% or Rs. 3,500 per cc
1500 cc - 1600 cc	200% or Rs. 4,500 per cc
1600 cc - 1800 cc	200% or Rs. 5,000 per cc
1800 cc - 2000 cc	225% or Rs. 6,000 per cc
2000 cc - 2500 cc	250% or Rs. 7,000 per cc
Exceeding 2500 cc	290% or Rs. 7,000 per cc
(iii) Cars - Hybrid/ Petrol	
Less than 1000 cc	70% or Rs. 1,250 per cc
1000 cc - 1500 cc	90% or Rs. 2,000 per cc
1500 cc - 1600 cc	90% or Rs. 3,500 per cc
1600 cc - 1800 cc	90% or Rs. 4,000 per cc
1800 cc - 2000 cc	125% or Rs. 4,500 per cc
2000 cc 3000cc	150% or Rs. 5,000 per cc
Exceeding 3000 cc	200% or Rs. 5,500 per cc
(iv) Cars - Hybrid/ Diesel	
Less than 1500 cc	90% or Rs. 3,000 per cc
1500 cc - 1600 cc	90% or Rs. 4,000 per cc
1600 cc - 1800 cc	90% or Rs. 4,500 per cc
1800 cc - 2000 cc	150% or Rs. 5,000 per cc
2000 cc - 2500 cc	200% or Rs. 5,000 per cc
Exceeding 2500 cc	200% or Rs. 6,000 per cc
(v) Electric Cars	
Car - Electric - By External Source or Generator	
Less than 50 kW	30% or Rs 15,000 per kW
50 kW - 99 kW	40% or Rs 25,000 per kW
100 kW - 200 kW	50% or Rs 40,000 per kW
Over 200 kW	50% or Rs 55,000 per kW
Car - Electric - By Solar Panels	2.5%
(vi) Vans	
13 - 25 Persons/ Diesel	85% or Rs. 4.5 Mn per Unit
13 - 25 Persons/ Petrol	85% or 1,750 per cc
Less than 13 Persons/ Diesel	200%
Less than 13 Persons/ Petrol	150%

Table 11 | Ports and Airports Development Levy As at 31.10.2017)

Category	Rate
General Rate	7.5%
Concessionary rate	2.5%
Imports of Goods which are listed in the PAL Gazette No. 1992/51	Exempt

Table 12 | Receipt of Profits/ Profit Transfers and Dividends: 2016 – 2017

Rs.Mn.

Institution	2016	2017 Budget	2018 Estimated
National Savings Bank	12,086	7,067	7,067
Bank of Ceylon	18,346	10,350	10,350
People's Bank	8,316	8,330	8,330
Pradeshya Sanwardhana Bank	88	100	1,140
State Mortgage and Investment Bank	10	40	211
Lankaputhra Development Bank	36	41	45
National Development Bank	2	3	3
Telecommunication Regulatory Commission	28,000	15,000	15,000
State Timber Corporation	175	80	150
National Insurance Trust Fund	2,500	4,000	4,000
Geological Survey & Mines Bureau	900	1,000	1,000
National Gem and Jewelry Authority	175	150	150
Sri Lanka Convention Bureau	-	10	10
Board of Investment	115	220	250
Civil Aviation Authority	768	600	600
State Pharmaceuticals Manufacturing Corporation	65	50	50
State Pharmaceuticals Corporation	216	222	300
National Lotteries Board	550	100	250
SL Export Credit Insurance Corporation	25	-	60
Sri Lanka Tourism Development Authority	-	100	100
Sri Lanka Tourism Promotion Bureau	1,500	1,000	1,200
Ceylon Petroleum Corporation	10,000	-	-
National Transport Medical Institute	200	200	200
Central Engineering Consultancy Bureau	25	100	100
Sri Lanka Bureau of Foreign Employment	1000	200	200
SL Insurance Corporation Limited	11,857	2,000	2,000
Airport and Aviation Services (SL)Ltd	1,500	300	300
Lanka Mineral Sands Ltd.	-	150	200
Lanka Phosphate Ltd.	-	5	6
Independent Television Network	-	21	30
Lanka Leyland Ltd	34	34	34
Rakna Arakshaka Lanka Limited	-	-	-
Manthai Salt	0.24	0.3	-
Ceylon Fertilizer Ltd	116	90	65
Colombo Commercial Fertilizer Ltd.	25	27	21
Paranthan Chemicals Co. Ltd.	-	6	6
Kahatagaha Graphite Lanka Ltd	-	-	-
Namunukula Plantation	2	24	24
Elpitiya Plantation	8	8	10
Kurunegala Plantation	-	20	30
Chilaw Plantation	-	19	25
Sri Lanka Telecom	795	795	795
De La Rue Lanka Pvt Ltd	62	55	70
Lanka Electricity Company Ltd	152	218	300
Lanka Industrial Estates Ltd	47	55	55
Lanka Sugar Co. Ltd	-	-	-
Lanka Logistics Ltd	5	1	21
Skills Development Fund Ltd	-	-	-
Ceylon Agro Industries	12	12	12
Others	3.8	3	3
National Transport Commission	-	200	300
Sri Lanka Savings Bank	-	100	86.15
STC General Trading Company	5	5	5
Others-Ceylon Petroleum Storage Terminals Ltd	438	300	400
Total Levy & Dividends	108,160	53,411	55,564

Source: Department of Public Enterprises and Department of Fiscal Policy

Table 13 | Rent Income

Rs. Mn

Item	2016	2017 Revised Budget	2018 Estimate
Rent on Government Buildings & Housing	790	800	950
Rent on Crown Forests	2,171	1,800	1,800
Rent from Land & Other	64	60	65
Lease Rental from Regional Plantation Companies	767	1,100	1,200
Others	7,188	100	120
Total Rent Income	10,980	3,860	4,135

Table 14 | Fees and Charges

Rs. Mn

	2016	2017 Revised Budget	2018 Estimate
Service Charges by Government Press	519	600	650
Fees of Passport, Visas and Dual Citizenship	15,604	15,000	16,000
Examination & other Fees	392	420	450
Fees under the Motor Traffic Act & other Receipts	8,848	9,000	9,800
From others Various Sources	26,159	22,639	25,377
Total	51,522	47,659	52,277