

Annual Report

2013



De-risking the Economy.....

**Ministry of Finance and Planning
Sri Lanka**

ANNUAL REPORT
2013

**MINISTRY OF
FINANCE AND PLANNING
SRI LANKA**



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MINISTRY OF FINANCE AND PLANNING

(AS AT 31ST MARCH 2014)

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Deputy Minister of Finance and Planning

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(AS AT 31ST MARCH 2014)

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SRI LANKA AT A GLANCE

	2004	2009	2013		2004	2009	2013
THE ECONOMY				TOTAL GOVERNMENT DEBT (US\$ Mn)	21,144	36,205	52,616
GDP at Market Prices (Rs.Bn.)	2,091	4,835	8,674	Total Debt Service (GDP %)	14.8	17.1	13.4
GDP at Market Prices (US\$ Bn.)	21.0	42,1	67.2	Total Government Debt (GDP %)	102.3	86.1	78.3
Per Capita GDP at Market Prices (Rs.)	107,432	236,445	423,467	Domestic (GDP %)	54.7	49.7	44.2
Per Capita GDP at Market Prices (US\$)	1,062	2,057	3,280	Foreign (GDP %)	47.6	36.4	34.1
GDP (Growth %)	5.4	3.5	7.3				
GNP (Growth %)	5.3	4.8	6.6	PROVINCIAL BUDGET			
Inflation - GDP Implicit Price Deflator (%)	8.8	5.9	6.7	Revenue (Rs.Bn)	13.5	29.4	50.1
Inflation - CCPI (%) (Annual Average)	9.0	3.5	6.9	Tax Revenue (Rs.Bn)	11.5	24.9	43.9
Unemployment (%)	8.3	5.8	4.4	Expenditure (Rs.Bn)	56.9	130.3	186.1
Labour Force Participation Rate (%)	48.6	48.7	53.8	Central Government Transfers (Rs.Bn)	45.8	93.9	135.6
STRUCTURE OF THE ECONOMY				MONETARY SECTOR DEVELOPMENTS			
Share of GDP (%)				Narrow Money (Rs.Bn.)	188.4	336.7	484.6
Agriculture	12.5	12.7	10.8	Broad Money (Rs.Bn)	687.9	1,536.7	3,058.8
Industry	28.6	29.7	32.5	Money Growth (M _{2b}) (%)	19.6	18.6	16.7
Services	58.8	57.6	56.8				
Sectoral Growth (%)				ACCESS TO BANKING & FINANCE			
Agriculture	-0.3	3.2	4.7	Domestic Commercial Banks	11	11	12
Industry	5.2	4.2	9.9	Branches	1,056	1,333	2,576
Services	7.6	3.3	6.4	Foreign Commercial Banks	11	11	12
				Branches	33	44	221
EXTERANL TRADE				Specialized Banks (Excluding RDBs)	8	8	8
Exports (US\$ Mn.)	5,759	7,085	10,394	Branches	178	239	390
Imports (US\$ Mn.)	8,000	10,207	18,003	Regional Development Bank	6	6	1
Trade Balance (US\$ Mn.)	-2,241	-3,122	-7,609	Branches	197	226	255
Tourism (US\$ Mn.)	417	349	1,707	ATMs	-	1,876	2,538
Worker Remittances (US\$ Mn.)	1,564	3,330	6,407	Domestic Commercial Banks	-	1,710	2,310
Current Account Balance (US\$ Mn)	-648	-214	-2,607	Foreign Commercial Banks	-	47	48
Overall Balance of Payment (US\$ Mn)	-205	2,725	985	Specialized Banks	-	119	180
GOVERNMENT FINANCE							
Revenue (Rs.Bn)	311	700	1,137				
Tax Revenue (Rs.Bn)	282	619	1,006	Insurance Companies	13	18	22
Non Tax Revenue (Rs.Bn)	30	81	131	Registered Finance Companies	26	35	48
				Specialized Leasing Companies	17	21	10
Total Expenditure and Net Lending (Rs.Bn)	477	1,202	1,669	Student Savings Units	978	2,788	3,039
o/w Current Expenditure (Rs.Bn.)	390	880	1,205	Credit Cards Issued	153,186	68,430	166,181
Public Investment (Rs.Bn.)	98	330	481	Credit Cards In Use	491,196	840,905	951,320
Current Account Deficit / GDP %	-3.9	-3.7	-0.8				
Primary Deficit/GDP %	-2.2	-3.5	-0.8				
Budget Deficit / GDP %	-8.2	-9.9	-5.9				
EXCHANGE RATE							
Revenue (US\$ Mn.)	3,078	6,087	8,810	Annual Average			
Tax Revenue (US\$ Mn)	2,782	5,385	7,791	Rs/US\$	101.19	114.94	129.11
Non Tax Revenue (US\$ Mn)	296	702	1,019	Rs/SDR	149.88	177.22	196.19
Total Expenditure Net Lending (US\$.Mn)	4,713	10,457	12,930				
o/w Current Expenditure (US\$ Mn.)	3,851	7,653	9,334	Year End			
Public Investment (US\$ Mn..)	968	2,875	3,727	Rs/US\$	104.60	114.38	130.75
Budget Deficit (US\$ Mn.)	-1,635	-4,144	-3,997	Rs/SDR	161.60	178.67	201.36

SRI LANKA AT A GLANCE

TARIFF REGIME AS AT 31 DECEMBER

2004			2009			2013		
Duty free items	Raw Materials	651	Duty free items	Raw	764	Duty free items	Raw	3,379
Duty 2%		1,560	Duty below 5%	Materials	2,087	Duty 7.5%	Materials	184
Duty 5%		761	Duty between 5%-10%	Intermediate Goods	475	Duty 15%	Intermediate Goods	1,590
Duty 10%	Intermediate Goods	1,478	Duty between 15%-28%	Luxury Goods & Motor Vehicles	2,923	Duty 25%	Luxury Goods & Motor Vehicles	1,415
Duty 25%	Luxury Goods & Motor Vehicles	1,170	Duty between 75%-100%	Tobacco, Cigarettes & Liquor	9	Duty 75%	Tobacco, Cigarettes & Liquor	3
Duty 50%	Tobacco, Cigarettes & Liquor	1	Specific	Food Items & Local Industries	52	Duty 85%		1
Duty 75%		2				Duty 125%		5
Duty 100%		5				Specific	Food Items & Local Industries	84
			Specific & Advelorum			Specific & Advelorum		183
Total		5,628	Total		6,520	Total		6,844

	2004	2009	2013		2004	2009	2013
SOCIAL DEVELOPMENT				ACCESS TO BASIC INFRASTRUCTURE			
Growth of Population	1.2	1.1	0.8	Electricity to Households (%)	73	85	96
Life Expectancy at Birth	67.9	74.1	75.1	Access to Pipe-borne Water (% of Population)	28	37	45
Infant Mortality (Per 1,000 Live Births)	9.8	9.7	9.7	Access to Safe Drinking Water (% of Population)	72	80	88
Maternal Mortality Rate (Per 100,000 Live Births)	12.1	7.2	7.2	Telecommunications			
Crude Birth Rate (Per 1,000)	18.8	18.4	17.5	Fixed Access Services (No.'000)	991	3,436	2,707
Crude Death Rate (Per 1,000)	5.9	5.9	6.0	Cellular Phones (No. of Subscribers '000)	2,211	14,264	20,315
Literacy Rate (%)				Internet and email Subscribers (Including mobile internet services) (No.'000)	93	240	2,012
Average	92.5	92.5	95.6	Postal			
Male	94.5	94.5	96.8	Public Post Offices	4,040	4,057	4,026
Female	90.6	90.6	94.6	Private Post Offices	650	657	602
Ability to use Computer (Projection)				Roads			
Age 10 Years and above (%)	n.a.	20.3	40.0	Total Road Length (Km)	111,001	113,674	115,425
Dependency Ratio (%)	48.3	48.4	49.4	Road Density (Km ²)	1.69	1.73	1.76
MOTOR VEHICLE IMPORTS				Ports			
Motor Bicycles	142,445	117,913	159,769	Vessels Arrived	3,883	4,592	4,024
Three-Wheelers	41,445	30,356	80,585	Total Container Traffic (TEUs '000)	2,221	3,464	4,306
Tractors	15,288	12,874	14,178	Total Cargo Handled - (MT '000)	33,959	48,778	66,292
Motor Vehicles for Transport of Goods	18,291	5,639	25,654	Transshipment Containers (TEUs '000)	1,531	2,712	3,274
Passenger Van and Buses	2,241	649	1,627	MEGA IRRIGATION SCHEMES			
Motor Cars	16,876	1,852	27,088	(Extent to be newly cultivated)-ha.			
Other	282	210	409	Deduru Oya Reservoir	-	-	11,115
Total Vehicle Stock	2,297,711	3,595,068	5,203,678	Menikganga Reservoir	-	-	10,000
Motor Cars	293,747	387,210	528,094	Rambukkan Oya Reservoir	-	-	1,400
Three Wheelers	213,108	443,895	850,457	Yanoya Project	-	-	650
Motor Cycles	1,134,818	1,896,021	2,715,727	Moragahakanda & Kalu Ganga	-	-	5,624
Buses	71,818	81,789	93,428				
Dual Purpose Vehicles	174,091	197,516	304,746				
Goods Transport Vehicles - Lorries	209,478	284,847	329,648				
Land Vehicle - Tractors	165,343	259,634	326,292				
Land Vehicles - Trailers	35,308	44,156	55,286				

SRI LANKA AT A GLANCE

	2004	2009	2013		2004	2009	2013
ACCESS TO BASIC NEEDS				PRINT MEDIA			
HEALTH				Newspapers (No.)			
Public Hospitals	606	555	813	Sinhala	146	105	193
Private Hospitals	172	161	206	Tamil	108	63	115
Central Dispensaries	397	461	484	English	13	19	25
Beds	61,868	68,905	79,820	Bilingual	25	23	45
					-	-	08
Doctors	12,210	15,930	19,847	ELECTRONIC MEDIA			
Nurses	17,316	26,351	30,892	Television Services			
Attendants	6,696	8,358	8,087	Government	11	19	25
Midwives	7,407	8,276	9,119	Sinhala	4	6	7
Public Health Inspectors (PHI)	1,564	1,691	1,693	Tamil	2	2	2
				English	1	2	3
				Private	7	13	18
				Sinhala	4	7	11
				Tamil	-	2	2
EDUCATION				English	3	4	5
Government							
Schools	9,765	9,410	10,010				
Students ('000')	3,871	3,865	4,036	Radio Services			
Teachers	187,337	213,126	223,730	Government	20	52	54
Private				Sinhala	14	21	19
Schools	85	98	104	Tamil	12	14	12
Students ('000')	101	115	128	English	-	5	5
Teachers	4,846	5,701	6,200	Private	2	2	2
Pirivenas				Sinhala	6	31	35
Schools	651	697	736	Tamil	4	19	21
Students ('000')	57	58	66	English	1	3	4
Teachers	5,514	5,845	6,097		1	9	10
				CAPACITY OF ON-GOING THERMAL PLANTS (MW)			
WOMEN PARTICIPATION				Norochcholai Coal Fired Plant (Phase 11 & 111)	-	-	600
Women Population ('000)	7,994	10,715	10,463	INSTALLED CAPACITY (MW)			
Employed Women ('000)	2,179	2,639	2,153	Total	2,436	2,737	3,371
				Public Sector - CEB	1,783	1,758	2,242
				Hydro Power	1,207	1,207	1,361
Women Participation in the Labour Force (%)	31.4	32.8	30.0	Thermal Power	573	548	878
Women in the Public Service ('000)	342	464	393	Fuel	573	548	578
Unemployed Women (%)	13.2	8.2	2.9	Coal	-	-	300
				Other	3	3	3

SRI LANKA AT A GLANCE

	2004	2009	2013		2004	2009	2013	
POVERTY (2006/2007, 2009/2010 & 2012/2013)				Private Sector	653	979	1,129	
				Hydro Power	84	158	262	
	Poverty Head Count Index - US\$ 1.25 a day	15.2	8.9	6.7	Thermal Power - Fuel	567	779	771
	Poverty Gap Index - US\$ 2.00 a day	3.1	1.7	1.1	Other	2	42	96
Average Daily Calorie Intake (2007 and 2012)	2,120	2,118	2,145	Capital Market				
Multi Diamentional Poverty Index	3.6	2.7	1.8	Market Capitalization (Rs.Bn)	382	1,092	2,460	
				Average Daily Turnover (Rs.Mn)	245	142	828	
				All Share Price Index (ASPI) 1985 = 100	1,507	3,386	5,913	
				S&P SL 20 Index (2004 Dec. = 1,000)	-	-	3,264	
				Market Price Earning Ratio- End of the Year (%)	10.8	16.5	15.9	
				Turnover to Market Capitalization (%)	15.5	13.0	8.7	

Personal Income Tax (%)

2004		2009		2014	
Tax Free Allowance Rs.	240,000	Tax Free Allowance Rs.	300,000	Tax Free Allowance Rs.	500,000
Tax on Taxable income		Tax on Taxable income		Tax on Taxable income	
First Rs. 0-180,000	10	First Rs. 0-300,000	5	First Rs. 0-500,000	4
Next Rs.180,000	20	Next Rs.200,000	10	Next Rs.500,000	8
Balance	30	Next Rs.200,000	15	Next Rs. 500,000	12
		Next Rs.200,000	20	Next Rs.500,000	16
		Next Rs.200,000	25	Next Rs.1,000,000	20
		Next Rs.500,000	30	Balance	24
		Balance	35		

SRI LANKA AT A GLANCE

	2004	2009	2014		2004	2009	2014
Corporate Tax (%)				Excise Duty			
Standard Rate	35	35	28	Cigarettes (Rs. Per 1,000)			
Taxable Income Less Than Rs.5.0 Mn.	20	15	12	Length below 60mm	1,640	2,289	5,722
Export Income	15	15	12	Length 60-67mm	3,137	5,706	10,355
				Length 67-72mm	5,088	8,485	12,100
				Length 72-84mm	5,904	10,715	16,610
Economic Service Charge (ESC) (%)				Length Exceeding 84mm	6,150	12,170	20,000
ESC Rate	1	0.05-1	0.25	Motor Vehicles (%)			
(ESC Paid is Deductible from				Passenger Transport			
Income Tax / Corporate Tax					0	0	0
Payable)				Three - Wheelers			
Value Added Tax (VAT) (%)				Petrol	4	4	53
Standard Rate	15	15	12	Diesel	14	14	53
Exports	0	0	0	Other Vehicles	15-65	34-120	14 -183
				Liquor Duty Structure			
Nation Building Tax (NBT) (%)				(Rs. Per Proof Liter)			
	-	3	2	Coconut Processed/Molasses Arrack			
Ports and Airports Development Levy (%)					366	610	1,110
	1.5	3	5	Country Made Foreign Liquor			
Telecommunications Levy (%)					490	740	1,250
	-	-	25	Malt Liquor (Beer) above 5% in Strength (Per Liter)			
Share Transactions Levy (%)					43.50	64	130
	-	0.2	0.3	Malt Liquor Less than 5% in Strength (Per Liter)			
CUSTOMS DUTY (%)					27.50	48	110
Inputs / Raw Material	0-3	0-2.5	0 -7.5	Wine (Foreign)			
Intermediate Goods	12	6-15	7.5-15		200	465	898
Finished and Luxury Goods	27.5	28	25	Aerated Water (Per Liter)			
					5.50	6	12

SRI LANKA AT A GLANCE

SRI LANKA'S POSITION IN SOCIAL & ECONOMIC DEVELOPMENT BY COUNTRY RANKING

No	Index Name	No. of Countries	Sri Lanka's Ranking				
			2006	2008	2010	2012	2013
1	Global innovation Index	142	N/A	58 (2008/09)	79 (2009/10)	94	98
2	Logistic Performance Index	160	N/A	92 (2007)	137	81	89 (2014)
3	Doing Business Index	189	N/A	103	105	81	83
4	Global Competitiveness Index	148	79	77	62	68	65
5	Basic Requirements Index	148	80	92	73	72	77
6	Infrastructure Index	148	76	65	70	62	73
7	Human Development Index (Value)	186	0.683 (2005)	0.693	0.705	0.715	N/A
8	Economic Freedom Index	185	80	86	119	96	81
9	Global Peace Index	162	111 (2007)	125	133	103	110
10	Prosperity Index	142	-	68 (2009)	59	58	60
11	Sri Lanka Prosperity Index (value)	-	50.3	56.5(2009)	58.2	66.8	N/A
12	ICT Development Index	155	N/A	106	105	105(2011)	N/A

PART I

FISCAL AND MACROECONOMIC PERFORMANCE

01

ECONOMIC PERSPECTIVES

1.1 Overview

2013 made further consolidations in the economy towards stronger growth. The economy registered a 7.3 percent growth in GDP from 6.3 percent in 2012, satisfactorily above the annual average growth of 7 percent recorded over the past 10 years. Headline price inflation moderated at a single digit level of 5 percent, well below the past 10-year average of 12 percent. The employment level that was averaging around 95.5 percent of the labour force in an environment of higher income growth was evident in the poverty headcount which declined to 6.7 percent in 2013 securing a consistent downward trend in the past decade from 15.9 percent.

On the social front, maternal mortality declined to 0.3 per 1,000 live births and infant mortality to 9.7 per 1,000 live births while life expectancy improved to 75 years for women and 70 for men. Primary and secondary school enrolment rose to 99 percent and 84 percent respectively, while showing a marked decline in primary and secondary school drop outs from 7 percent and 20 percent respectively in 2003 to 1 percent and 4 percent respectively in 2013. Country's general literacy stood at 96 percent and computer literacy sharply rose to 40 percent. Capturing these developments the Human Development Index 2013 ranked Sri Lanka at 92nd place among 186 countries in the world. With the highest level of human development among SAARC countries.

Access to public utilities has become widespread. Reflecting the success in providing electricity and safe drinking water to all, access to electricity increased to 96 percent of households, with access to safe drinking water rising to 88.7 percent of the population with access to pipe-borne water at 45 percent. Cellular phone usage in 2013 has risen to 20.3 Mn. as against 2.2 Mn. in 2004 and internet and e-mail subscribers have

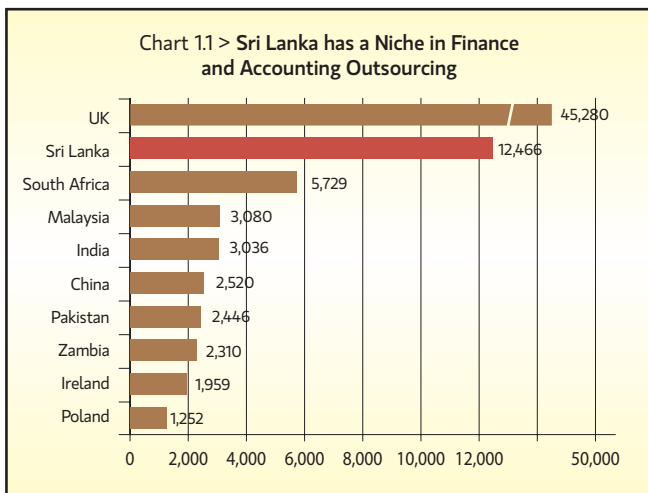
increased to 2 Mn. from a virtually zero base up to 2009. Credit Card users have expanded to almost 1 Mn. doubling the number of users in 2004. The number of private television stations has expanded to 18, almost a threefold increase over 2004 while private radio stations have increase to 35 in 2013 from 6 in 2004 reflecting a vibrant growth in the media industry.

The total vehicle stock stood at 5.2 Mn. in 2013 in comparison to 2.3 Mn. in 2004 showing the rising demand for an improved road network and the widespread nature of transportation facilities associated with growth in employment and middle income living. Underpinning this expansion of basic urban public facilities to the rural Sri Lanka, are the inclusive development strategies followed by the Government since 2005. It is evident that three main factors namely health, education and the standards of living have contributed towards this vast poverty reduction from a multidimensional perspective. The percentage of multi dimensionally poor people in the country has dropped from 3.6 percent in 2006/07 to 2.7 percent in 2009/10 and further to 1.8 percent in 2012/13.

Access to Basic Facilities (2013)	
Electrification Level	96%
Access to Safe Drinking Water	88.7%
Paved Roads in the Total Road Network	85%
International Roughness Index (IRI) - less than 5mm/km of National Roads	62%
Telephone Density - including Cellular Phones per 100 persons	112.4
Primary School Entrolment Ratio	98.4
Student/ Teacher Ratio (Governement Schools)	18
Life Expectancy (years)	75.1
Maternal Matality Rate (per 1,000 live births)	0.3

Source: Compiled by the Ministry of Finance & Planning

The economy has gained its international competitive edge while registering sustained improvements in the rankings noted in the Ease of Doing Business Index becoming 83rd from among 189 countries, registering the 65th place out of 148 countries in the Global Competitive Index 2013/2014, 73rd out of 148 countries in the Infrastructure Index and 81st out of 185 countries in the Economic Freedom Index. ATKerney a leading global management



Source: ATKearney 'Competitive Benchmarking: Sri Lanka Knowledge Services'

consultancy firm who publishes Global Services Location Index widely regarded as one of the world's leading barometers on the relative attractiveness of different countries as locations for delivery of IT, BPO, and other knowledge services has ranked Sri Lanka 21st among the top 50 leading service locations in the world, describing the country as a location with a highly skilled workforce and a cost-competitive business environment, showing new avenues of growth for the country.

Overall Policy Framework

The socio economic development of the decade ending 2013 with stronger performance since 2009 when the country ended the prolonged terrorist conflict in the North, was feasible due to the careful sequencing of underlying development strategies as set out in Mahinda Chintana: Vision for a New Sri Lanka - 10 Year Development Framework of the Government from 2006 and further focusing on development in terms of Sri Lanka -The Emerging Wonder of Asia : Mahinda Chintana - Vision for the Future from 2010. The major building blocks that enabled this development include improving island wide infrastructure and human resource development, deepening reconciliation and reconstruction efforts, implementing policy reforms towards designing a broad based low tax regime and institutional developments, realigning domestic prices in line with global energy prices, incentivizing domestic production and services, strengthening the public service delivery mechanism and adopting rural centric development strategies with a well protected social spending mechanism for the benefit of low income and vulnerable groups.

Managing Challenges

The development that has been experienced in a more stable economic environment in recent years has been achieved admits many challenges. It underscores a strong resilience in the backdrop of adjustments to a challenging global economic environment, extreme weather conditions, policy changes towards creating a value chain economy to address a structurally weak external trade balance and the need to strengthen both government and state enterprise finance. The economy was confronted with a competitive pressure brought about by the non-extension of the GSP+ concession to Sri Lanka by the European

Union, subsequent capital market crisis in the US and UK in 2008/2009, the Euro-Zone financial crisis and the US Fiscal Cliff in 2012 and their contagion effect on emerging economies. These depressed conditions in the global economy affected exports, tourism, overseas employment and foreign investments.

The global economy was also fragile during 2011-2012 and during most parts of 2013, on top of which the US sanctions on Iran made crude oil imports costly. High oil prices in the range of US\$ 90-110 per bbl imposed a severe strain on the economy through high cost of operations in power generation and domestic industries, and on the Balance of Payments through large foreign exchange outflows as high as US\$ 5,500 Mn. per annum. The extreme drought and flood conditions on the one hand and the ever growing competing demands for water for power generation, irrigation, commercial and personal consumption on the other, posed new challenges to the economy compelling the Government to seek effective economic solutions to diversify risks associated with food, energy and environment security.

De-Risking the Economy

In responding to these multifaceted challenges, the Government encouraged greater flexibility in the exchange rate, imposition of high tariff on the importation of motor vehicles, prescription of credit ceilings in the banking system, increasing the Central Bank policy interest rate and imposing administered prices on petroleum, electricity, water and transport to realign their prices to new cost structures and to address the way-too-high trade deficits of 2011 - 2012. The Special Commodity Levy was applied selectively on many agricultural products, to ensure that remunerative

producer prices are maintained during harvesting times while protecting consumer interest during off production seasons. The domestic economy was placed on price induced transitional adjustments towards encouraging local production particularly in favor of food crops, dairy, fish, sugar etc. to reduce import dependency.

The collapse of the international gold price in late 2012 caused a set back to the banking system, in particular lending by domestic banks to the rural economy, and the pawning business suffered heavy losses requiring high capital provisioning. The low income people suffered the most as they were confronted with reduced access to formal credit due to their reliance on gold backed borrowings from the banking system. This too caused a drop in consumer demand and hence impacted negatively on value chain activities in the economy.

Timely measures adopted by the Government contributed towards strengthening the resilience of the economy. The export earnings reached US\$ 10 Bn. in 2013 in comparison to average annual export earnings of US\$ 5.2 Bn. during 2000-2004. A rapid expansion in IT and enabling services generated US\$ 720 Mn. which was below US\$ 100 Mn. till 2005. Foreign Direct Investments remained above US\$ 1 Bn. for three consecutive years since 2011, almost double the value recorded before. A substantial expansion was witnessed in both domestic tourism and foreign tourist arrivals raising foreign earnings of US\$ 1.7 Bn. in 2013, a fourfold increase against pre 2004. Remittances from overseas employment increased to US\$ 6.4 Bn. in

2013 from an average annual level of US\$ 1,316 Mn. during 2000-2004.

The economy in 2013 demonstrated weaning risks, displaying signs of transition to an upper middle income economy free of poverty, by sustaining a high growth in excess of 7 percent with low inflation of around 6 percent. Price inflation has further declined to a mid single digit level of 5 percent during the first four months of 2014 with stable supply conditions and diversified production and distribution channels, placing the country on a relatively low cost regime. The reliance on costly fuel based thermal power generation and weather sensitive hydropower generation was diversified with 25 percent generation capacity being added by coal based power.

The CEB and CPC that had a history of loss making, reached a breakeven in their

commercial operations. Foreign Assets which reached US\$ 7,495 Mn. have further improved to US\$ 8 Bn. in April 2014 with the stability of the exchange rate. Fiscal imbalances have been narrowed and debt to GDP ratio is on a downward path towards 65 percent with a commitment by the Government to further reduce the Budget deficit to below 4 percent by 2016. Underlying reforms as detailed in Chapter 3 of this report argue for a graduation for Sri Lanka, as a regionally superior destination with a buoyant growth. The task ahead is to consolidate these gains while focusing on the remaining facets of poverty and challenges to the vulnerable, particularly due to vagaries of weather affecting agriculture and environment in order to ensure that food security and living conditions of the agricultural community will not be compromised.

The economy in 2013 demonstrated weaning risks, displaying signs of transition to an upper middle income economy free of poverty, by sustaining a high growth in excess of 7 percent with low inflation of around 6 percent.

Box 1.1 De-risking the Economy...

- A sustained economic growth in excess of 7 percent
- Inflation continue at mid-single digit of 5 percent
- A flexible yet stable Foreign Exchange Rate regime is maintained
- External reserves are buoyant with reserves being maintained to cover over 5 months of imports
- Banking system is consolidating towards strengthening system stability
- Current Account Deficit is narrowed to 3.9 percent of GDP from 9.5 percent of GDP in 2008
- A buoyant growth in inflows from tourism, (US\$ 1,700 Mn.) with tourist arrivals reaching 1.4 Mn, in 2013 underscoring prospects to reached the targeted income of US\$ 2,500 Mn. in 2016
- Remittance from overseas employment (US\$ 6,400 Mn.) has turned to a skilled based buoyant earning sources with prospects of reaching US\$ 10 Bn. in 2016
- IT exports (US\$ 719 Mn.) in 2013 have surged in 5 years changing the economic landscape towards a knowledge based economy
- Multi-dimensional poverty declined to 1.8 percent and people below poverty line declined to 6.7 percent
- The ICT work force has registered an impressive growth from 15,586 in 2003 to 75,107 in 2013
- Literacy rate of the population is 99 percent and computer literacy reaching 40 percent in 2013 in a matter of 8 years
- The country command the second highest number of Chartered Accountant students in the world, with a high enrollment in medicine, engineering, commerce, law, nursing and teaching.
- Employment of the labour force is maintained at a stable 95.5 percent.
- Access to electricity is raised to 96 percent of households with progress being made to provide electricity to all by 2015
- A diversified power generation capacity is created to reduce over reliance on fuel based power and unreliable hydro power by installing a new 900 MW coal based power plant accounting for 25 percent of power generation
- Revenue Deficit and Primary Deficit reduced to 0.8 percent and the Budget Deficit to 5.9 percent of GDP with a commitment to sustain a surplus in revenue and primary balances and a deficit below 4 percent by 2016
- Debt/GDP reduced to 78 percent in 2013 from 102 in 2003 is to be further reduced to 65 percent in 2016
- Doing Business Index ranked Sri Lanka (SL) at 83rd from 81st place in 2012
- Global Competitiveness Index ranked SL at 65th place from 68th place in 2012
- Infrastructure Index ranked SL at 73rd place from 62nd place in 2012
- Economic Freedom Index ranked SL at 81st place out of 185 countries
- Sri Lanka ranked 21st out of 50 leading service locations for delivery of IT, BPO and other knowledge services by ATKerney
- Human Development Index ranked Sri Lanka at 92nd place among 186 countries, and with the highest ranking among SAARC
- A shift in the skilled category of overseas employees to 24 percent and a drop in the housemaid category to 33 percent of people leaving for overseas employment
- An island wide network for preventive and curative health care has increased the life expectancy 75 years supported by a cost effective health care system.

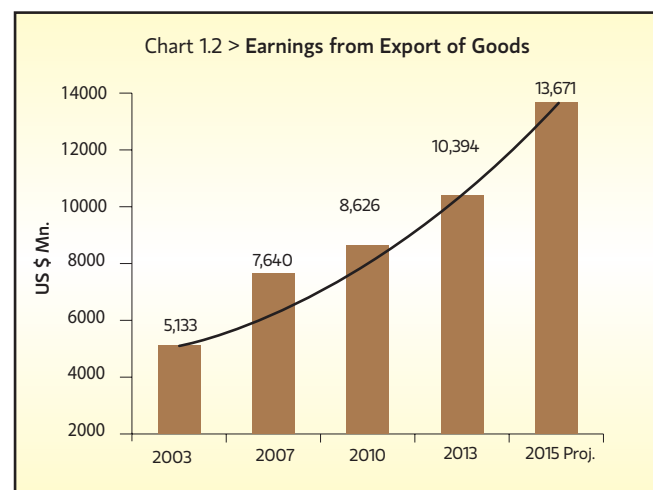
1.2 Macro-Economic Trends

Underpinning the overall improvement in the macro economic environment, was the further narrowing of revenue and primary deficits to 0.8 percent of GDP each in 2013. These are the lowest deficits recorded in 30 years in the Budget. These outcomes underscored the effectiveness in managing recurrent expenditure to stabilize at around 14 percent of GDP while implementing sustained tax reforms, which would bring about the necessary elasticity in revenue efforts towards 16 percent of GDP in the medium term. Revenue yield totaled Rs. 1,137.4 Bn. in 2013 in comparison to Rs. 311.4 Bn. in 2004 whereas current expenditure has increased from Rs. 389.7 Bn. in 2004 to Rs. 1205.2 Bn in 2013 leading to a narrowing of the gap between the two. The Budget deficit was contained at 5.9 percent of GDP in 2013 while securing public investments to the tune of 5.5 percent of GDP. This was the lowest deficit in 30 years with an average annual level of public investments at 6 percent of GDP that took place since 2005. With these developments along with a higher economic growth, debt to GDP has consistently declined to 78 percent in 2013 from 102 percent in 2003.

The performance of State Owned Business Enterprises (SOBEs) also made its contribution towards stability, by phasing out their losses by about Rs. 200 Bn. of which the Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC) were significant stakeholders in 2013. The cost recovery pricing strategy, targeted subsidized tariff for low income households consuming electricity below 90 units, continued investments in coal and renewable energy sources, reduced dependency on fuel fired power generation and curtailing transmission losses contributed to minimize financial vulnerabilities of the CEB.

The cost recovery pricing of petroleum products and procurement improvements helped to make a turn around in the Balance

Sheet of CPC despite the severe strain caused by US sanctions on Iran and high oil prices. Sri Lanka Ports Authority completed country's largest PPP investments with the commissioning of Colombo Southport Terminal while also up-scaling the operations of the newly built Hambantota Port. Complementing these developments, the Airport & Aviation Authority continued its investments and expanded the Bandaranaike International Airport (BIA) and Mattala Rajapaksa International Airport (MRIA) to meet emerging aviation needs and strengthened country's locational advantage in shipping and aviation for trade and tourism. Bank of Ceylon (BOC), People's Bank (PB) and National Savings Bank (NSB) maintained their lead role in banking. The NSB successfully raised US\$ 750 Mn. and BOC raised US\$ 500 Mn. through the issuance of 5 year bonds overseas, underpinning the capacity of these banks in mobilizing long-term capital while consolidating their presence in international financial markets.



Source: Central Bank of Sri Lanka

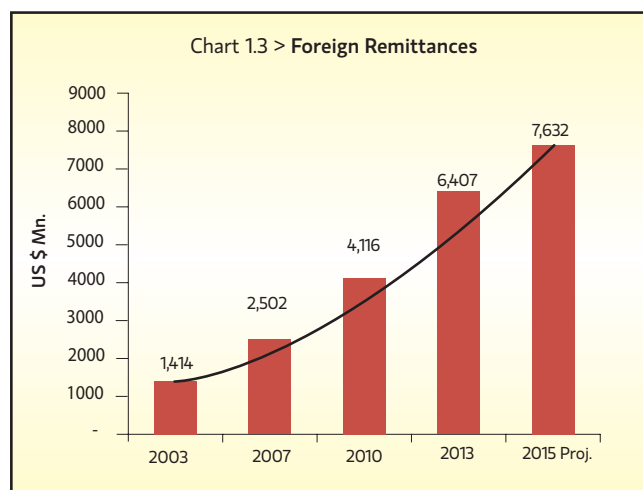
On the external front, the trade deficit narrowed to US\$ 7,609 Mn. in 2013 reversing the widening trend observed till 2012 when it reached US\$ 9,417 Mn. almost the value of

exports. Manufacture of high value apparel products generated US\$ 4,500 Mn., with Sri Lankan tea increasingly turning to be value added branded products with export earnings rising to US\$ 1,500 Mn., light engineering, mechanical appliances, transport equipment and structures and machinery exports totaling US\$ 971 Mn., rubber based advanced manufactured product earnings rising to US\$ 888 Mn., gems, cut diamonds and jewellery exports yielding US\$ 446 Mn. and non traditional exports of fruits, vegetable, spices and seafood earning US\$ 762 Mn., have shown the emergence of a diversified industrial and high value exports having gone through adjustments since the irruption of the global crisis in 2009. Underscoring the structural change in the economy, port and shipping related earnings stood at US\$ 1,784 Mn., tourism trade earnings rose to US\$ 1,715 Mn. while foreign inflows from the export of IT services reached US\$ 719 Mn. reflecting a 3 fold expansion in the scale of export of services, in 2013.

The export of goods and services have reached US\$ 15,098 Mn. while the import of goods and services totaled US\$ 21,499 Mn. raising country's external trade turnover to US\$ 36,597 Mn., accounting for 54 percent of country's economy. The scale of import of goods and services reflects the scope the private sector could explore through domestic production by capitalizing on the incentive structure created through the exchange rate and taxation improving prospects of domestic production particularly in dry food, milk powder, sugar as well as cement, steel, furniture, building materials, renewable energy and education and health services to reduce large foreign exchange outflows for imports.

The remittance income from foreign employment has also become a steady and buoyant source of foreign earnings. The underlying dynamics of remittances

from overseas employment, which rose to US\$ 6,407 Mn. is attributable to the decline in the housemaid category to 33 percent and the increase in skilled and semi skilled categories to 24 percent of people leaving for overseas employments, securing enhanced opportunities in high wage paying economies, improved banking facilities and the tax incentives granted for overseas earnings. Consequently, the current account deficit of the Balance of Payments declined to US\$ 2,607 Mn. This was 3.9 percent of GDP in 2013 in comparison to 9.5 percent in 2008.

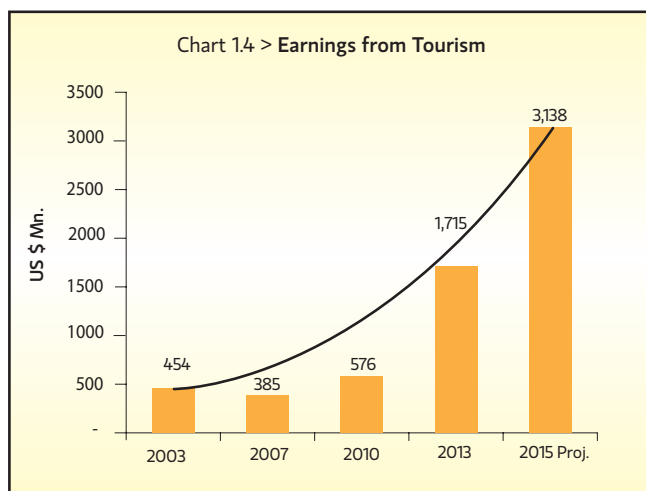


Source: Central Bank of Sri Lanka

The developments in public sector finance and Balance of Payments facilitated the banking system to expand private sector credit by 7.5 percent. Consequently, the monetary growth was 16.7 percent; a growth in liquidity considered to be supportive for a high economic growth, with a lower inflation which was witnessed in 2013. However, a further rebalancing of credit expansion in favour of private sector credit growth with special emphasis on SMEs is warranted in the wake of moderation of the credit growth in the public sector, in order to further facilitate private sector led activities.

1.3 Emerging Growth Prospects

The economy is showing strong growth prospects with several underlying changes in the economic structure. Capitalizing on the outlook changes with the recent investments in port and airport infrastructure along with the policy announcement declaring free port facilities, and the introduction of a new regulatory environment in the use of terminal handling charges, the country is poised to expand transshipment trade. With the newly commissioned deep port facility in the Colombo Port, transshipment connectivity is expected to grow rapidly. Aviation and airport connectivity have also increased with transit passenger attraction recording 1,359,328 passengers in 2013 in comparison to 608,946 in 2004.

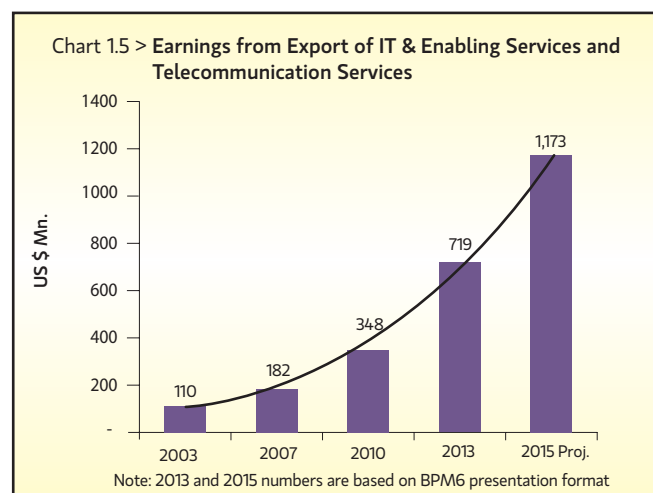


Source: Central Bank of Sri Lanka

Tourism has grown steadily, not only in terms of the number of arrivals, but also in terms of the diversity in the product demand and the quality, raising its income to around US\$ 1.7 Bn. in 2013. With the expansion in the tourism industry, the associated industries and services have also become attractive sources of employment to youth, providing high

income. The total number of direct and indirect employment in the tourism sector increased to 270,150 in comparison to 132,055 in 2010. The sector is poised for a further expansion with committed foreign direct investments of around US\$3,000 Mn. and large scale involvements by domestic entrepreneurs providing high end boutique hotels capitalizing on the bio diversity of the country and providing 'home-stay' facilities in and around popular tourist locations to raise room capacity to 40,000 by 2016 to be able to accommodate diverse interests in regional tourism.

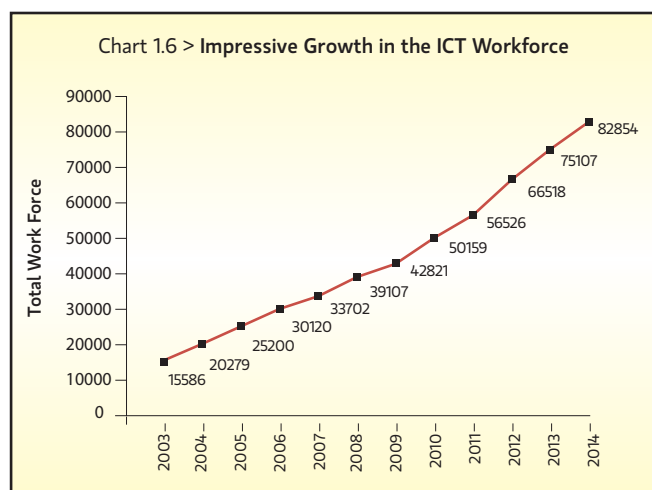
IT and professional services are other areas in the economy that have shown signs of a speedy growth. Export earnings in the IT sector rose to US\$ 719 Mn. and several international service operators have shown their presence in the country considering the comparative advantage of having an educated and skilled labour force with required amenability.



Source: Central Bank of Sri Lanka

IT education through degree and diploma awarding institutions is being expanded in addition to making it as a main stream subject in the school curricula. The general IT literacy

has reached 40 percent by 2013 and is expected to be 70 percent by 2020. Both, the private sector as well as the public sector have expanded investments to broaden IT related high education and IT education has also been made a key component in vocational and skills education reform initiatives. The ICT work force has registered an impressive growth from 15,586 in 2003 to 75,107 in 2013. The industry is expected to become a Billion Dollar economy and generate over 100,000 employment opportunities by 2016.



Source: ICT Workforce Survey 2013 ICTA/ World Bank

In the backdrop of there being several global challenges and adjustments in domestic activities involving export and import substitution and the economy bouncing back to a high growth of 7.3 percent underpins that several simultaneous changes have taken place in the economy. High energy prices, in particular the high electricity tariff compelled several industries to shift to use renewable energy sources, and adopt energy efficient technologies and energy conservation methods in production and at business places. The use of biogas and solar

power and placing reliance on mini hydro plants could be widely seen. In response to high taxes and fuel prices, a visible increase was seen in the importation of hybrid and fuel efficient vehicles. The incentive structure created by the Government along with changing comparative advantages associated with producing grain, vegetables, fruits, milk, dairy products and poultry, have encouraged increased domestic production and thereby raising rural farmer income and livelihood sources.

In the backdrop of Sri Lanka's competitive benchmarking turning infavour of knowledge and technology driven both sectors, the country is poised to be a platform to nurture research in areas of medicine - both western and indigenous, energy, engineering, environment, irrigation, animal husbandry, agriculture and food technology, IT and enabling services.

Research and Development

Towards making further advancements in the various sectors in which Sri Lanka has secured a competitive edge, the Government has introduced a series of measures to promote related research and development, as an integral part of country's development strategy.

In 2011 a scheme to provide a research allowance for university staff and professionals was introduced to the public sector to promote research. The 2012 Budget, announced Government policy to make suitable legal provision enabling the provision of triple deductions to the private sector to fund research in collaboration with Government research institutions. A considerable enthusiasm was reported in the medical field, with several innovative research initiatives on varied aspects of medical science and health administration being presented at international fora and were published in reputed medical journals.

The enabling regulatory framework is being developed to encourage clinical research. Scientific researchers in Government as well as Research Institutions committed to carry out around 500 research projects, attracting global interest. Further, public research institutions engaged in research on plantation crops, medicine and agriculture and the universities are being encouraged to work with the private sector to relate their facilities to economic progress.

Research initiatives were undertaken by university academia of various disciplines including research on food technology, dairy farming and animal husbandry, aquaculture, nanotechnology, seeds and planting material, Dengue control, Information Technology, clinical research, textile technology, renewable energy, organic products etc., which are of immense value towards national development. In this backdrop the allocations to the National Research Council were also increased to fund research expenses of universities and other research institutions so as to intensify the research interest among scientists. Triple deductions for research expenditure and a lump sum depreciation for capital expenditure on required equipment and development of laboratory facilities have been extended to the private sector



The Nanotechnology and Science Park at Homagama was opened in October 2013

from 2013 to encourage private sector engagement in research and innovation.

Taking these initiatives further, a Government/ Private Sector partnership was established to setup Sri Lanka's first Nanotechnology and Science Park and Nanotechnology Research Centre at Homagama in 2013. This unique facility promotes research and development to make innovative products and add value to natural resources. It is a collaboration which proves how well the Public/ Private sectors could work towards achieving a common goal with mutual trust.

The research initiatives undertaken by both sectors made particular progress in the field of agriculture. The Wayamba University while being actively involved in research on food technology and on the livestock industry was able to produce encouraging results. Recognizing the importance of promoting farm level research applications, Budget support was extended to improve research labs, equipment etc. to promote research work by Agricultural Faculties in provincial universities at field level in dairy, poultry, inland fisheries, animal husbandry and food technology. Industrial Technology Institute (ITI), with the Bio Technology Centre and the Advance Material Technology Complex are to be relocated in a modern facility at Malabe and quality testing process is being promoted in manufacturing for domestic consumption as well as exports. Systems and procedures required to be followed by research institutes are being further simplified to encourage active involvement of universities and Research Institutions to be able to meet market demands. Channelling of resources towards developing incentive structures for research and development, and the use of private/public synergies in these areas need to be intensified.

Exploring Small Sector Potentials

Uplifting informal and semi formal economic sectors in which a large number of self employment and livelihood opportunities are found, received special attention in the formulation of Government development strategies. The potential to support value chain activities in production and distribution processes is increasing parallel to the organized formal economy thus creating considerable competitiveness in the economy. The Government made concerted efforts to encourage such participation through the provision of many facilities. Institutional support has been developed with the formation of Divi Neguma Development Department. A tax free environment has been created by exempting annual transaction turnover below Rs.12 Mn. from VAT and NBT. The fee levying services provided by Provincial and Local Authorities are being simplified. Administrative regulations, registration procedures and the legal framework are being regularly reviewed through discussions with representatives of transport operators, mobile traders, taxi operators, street vendors, small scale women entrepreneurs, small suppliers engaged in outsourcing businesses, and those engaged in backyard economic activities to ensure that doing business at this scale is made easy.



Small sector farmers rely on Sathi Polas to sell their harvest



Yoghurt making is popular among small sector

Special emphasis has also been placed on rural agrarian smallholder operations in dairy, fish processing, poultry, floriculture and fruits and vegetable production. Small industries producing handloom, gift items and household ornaments, pottery, handicrafts etc. have been incentivized through technology transfers, product development support, organized exhibitions and such other trade promotions. On a similar thrust, micro financing has been strengthened to improve access to credit from formal channels. Basic infrastructure requirements such as access roads, parking places, market centers (Sathi Polas, dedicated streets for pavement vendors etc) are also being developed. The activities in the small sector informal economy are encouraged through regular interactions with industry clusters while also extending assistance to resolve any operational issues and the Annual Budget consultations have helped to develop synergies, in an endeavour to make the small economy large.

A substantial increase in the utility vehicle stock between 2004 and 2013, such as three wheelers from 213,108 to 850,457, dual purpose vehicles from 174,091 to 304,746 and land tractors from 165,343 to 326,292 reflects some new facets in the economy and



Nanasala centres while assisting to improve computer literacy island-wide also help public service delivery

the increased role of the small sector in the economy. Micro financing loans extended by the 5 Government sponsored micro financing institutions reached 8.5 Mn. in 2013, out of which the Samurdi Authority itself has granted 5.4 Mn. while the RDB Bank has extended 1.3 Mn. worth of loans. This is a phenomenal growth in terms of activities undertaken by this important layer in the economy, during an eight year period.

The development of this sector could be further encouraged by providing a liberal market environment by simplifying processes associated with Police Stations and Divisional Secretariats, by introducing a composite annual payment system for all service related transactions through the use of the Nanasala network and through regular mobile telephones, and by introducing simpler legal processes where ever possible with assistance of the Legal Aid Commission, to be considered under the on going Legal and Judicial Reform program. Orderly functioning of small sector activities requires several public facilities and hence local authorities are encouraged to develop such an enabling environment. Public service delivery agencies are encouraged to develop best practice manuals for self-compliance by the small sector so that their transaction cost could be reduced. Dedicated micro financing arrangements should also be strengthened.

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Box 1.2 Improving Fiscal Responsibility

- Commitment to contain the Budget Deficit at 5 percent of GDP in 2014, to be reduced to below 4 percent of GDP by 2016 by generating a Revenue Surplus of 1 percent of GDP in 2014 and 2 percent of GDP in 2016
- Revenue Deficit was reduced to 0.8 percent of GDP in 2013 from 2.4 percent of GDP in 2006 and 4.9 percent of GDP in 2001 and the overall Budget Deficit was reduced from 10.4 percent in 2001 to 5.9 percent in 2013
- Public investment is protected and maintained at an annual average of 6 percent of GDP during post 2005 period while the deficit will be gradually phased out towards 4 percent by 2016.
- Public Debt / GDP was reduced from 103 percent in 2001 to 78 percent in 2013 and is targeted to be 70 percent by 2014 and 65 by 2016
- Approval for tax concessions for investments to be as per the provisions of the inland Revenue Act and for Strategic Investments as per the Strategic Development Projects Act subject to the approval of Parliament after the expiry of time as set out in the Act enabling public response
- A comprehensive coverage of data and an analysis thereof is disclosed to Parliament with the submission of the Mid- Year Fiscal Position Report (June), Fiscal Management Report (November) along with the Annual Budget Speech, in terms of the Fiscal Management (Responsibility) Act
- Procurement management has been decentralized at line ministry level by appointing Cabinet Appointed Standing Procurement Committees and Procurement Planning Committees for large transactions
- Financial Regulations and a Practice Manual to be introduced shortly having revisited Financial Regulations amended in 1992, having simplified the process of public financial management while meeting contemporary demands
- The management of Treasury Operations were streamlined to avoid payment delays
- Management of the procurement cycles, the contractual obligations, contingencies and commitment controls are being strengthened to facilitate full compliance with budgetary ceilings and to prevent downside risks of accumulation of arrears
- Line ministry management committees were strengthened to be able to address concerns of internal and external audits on a regular basis
- Budget preparation is undertaken after having gone through a wider consultative process island wide involving trade unions, industry representatives, the business community, civil society, development partners, farmers, women, SME and informal economy groups and after having called for public proposals
- Pre and post budget seminars are held to connect with the aspirations of the society
- Detailed Budget Proposals are given as annexures to the Budget Speech seeking in puts from stakeholders to proceed to draft enabling legislation

1.4 Public Financial Management

The Government has introduced a number of public financial management reform initiatives in recent years targetting improvements in planning, Budget preparation, Budget control and execution, accounting, reporting and audit. Development planning, budget preparation and execution in recent years have been broad based through wider consultations with line agencies, devolved and decentralize administrative units and also with the private sector, Trade Unions and even unorganized small sector representatives. Financial Regulations are being revamped to meet contemporary demands and to make the public financial management process simpler. The new Financial Regulations (FRs) will be issue in mid 2014.

Operational Guidelines with regard to functioning of State Owned Enterprises (SOEs) are being streamlined. The much needed capital infusions to strengthen their Balance Sheets are being made while granting greater commercial autonomy inrelaton to the operations of SOEs. Best Practice Manuals are being modernized to complement Public Financial Management.

Administration of public procurement was streamlined with the appointment of a larger number of Procurement Committees to be assisted by Technical Evaluation Committees and Procurement Planning Committees. Efforts are being made to strengthen the capacity of public sector officials who are entrusted with procurement related functions. Considering the expanded scale of operations handled by Spending Agencies, steps are being taken to strengthen the commitment control mechanism to get Spending Agencies to ensure compliance with annual budgetary ceilings, timely management of the procurement cycle, related contract management and financial disbursements towards effective Budget

control and management. A new framework on Commitment Controls is being prepared particularly for the benefit of infrastructure spending agencies engaged in infrastructure related activities to promote that orderly payments will take place within budget ceilings.

Financing Public Investment

In the backdrop of the country consolidating with a lower annual fiscal deficit of around 4 percent of GDP while financing core public investments beyond 6 percent of GDP would require the Government to maintain a revenue GDP ratio in excess of 16 percent with recurrent expenditure being maintained at around 14 percent of GDP. Such level of recurrent expenditure seems justifiable to further strengthen essential public services in respect of education, health, social security, public administration, national security, law and order and poverty reduction, while targeting to address the remaining facets of poverty.

In this context, the ongoing efforts to consolidate a broad based and simple tax regime with high revenue elasticity in growth sectors will continue to remain the core of public financial management. Since taxation of the growing service sectors with enhanced self employment and professional service providers will continue to be a challenge, compliance driven incentives and enforcement methods need to be introduced. The expected growth in construction, tourism, IT and enabling activities, wholesale and high spending retail businesses, professional services, sports and recreation and banking and finance are expected to generate high elasticity in both income tax and VAT revenue in the medium term considering the prospects for these activities in the economy. The buoyant expansion of corporate activities in high value apparels,

value added tea, and manufactured rubber based products, construction, light engineering, tourism and leisure, insurance, banking and finance, domestic basic industries and the manufacturing sector are expected to augment corporate tax revenue significantly in the backdrop of the already rationalized tax structure. The use of deductible expenditure, depreciation provisions, limitations imposed on tax holidays and concessions extended to investments with long gestation will also be conducive to raise the revenue buoyancy in the tax system.

Revenue generated by all 9 Provincial Councils, 12 Municipal Councils and 25 Urban Councils which adds to around 0.7 percent of GDP could be augmented by adopting realistic property taxes that correspond to market valuations. Simplification of multiple license fees and such other charges that are prevalent, through the introduction of a composite and simple levy will no doubt make the revenue flows stronger, while also making doing business at provincial level much simpler.

Recent performance in major State Owned Business Enterprise (SOBEs) shows that they have the capacity to undertake potentially large public investments, while complementing the underlying core public investment capacity of the Budget. The performance of Sri Lanka Ports Authority and Ceylon Electricity Board shows their capacity to undertake Private Public Partnership (PPP) arrangements to develop future investment needs in commercial infrastructure. The progress made by the Urban Development Authority demonstrates how un-tapped urban land could be used to raise capital through innovative planning to meet public investments in urban housing and commercial property development. The ongoing efforts to strengthen Balance Sheets of SOBEs along with cost recovery

pricing policies could become a powerful mechanism to raise investible funds for public investments outside the national Budget. Hence concerted efforts must be made to consolidate the recent turn around in State Owned Business Enterprises to further strengthen them to play a complementary role in financing public investments.

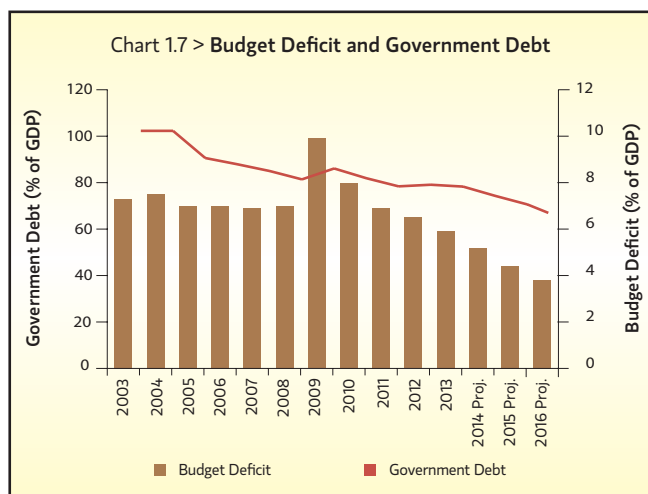
Progressing Towards a Low Risk Investment Grade

In the backdrop of rising demands for investments by the Government, State Owned Business Enterprises and the private sector, the Government policy is to continue to focus towards elevating the country's sovereign status in the debt market to a Low Risk Investment Grade capable of securing funds at low interest rates with longer maturity. In recent years, the Government has taken the lead in floating sovereign bonds with a view to register country's active presence in the international market, in the backdrop of Sri Lanka elevating as a middle income economy with regional superiority through the locational advantage, skills, infrastructure and economic stability. Whilst this has been conducive to tap long term international savings to supplement country's capital formation, persistent efforts should be made to stabilize the fiscal deficit below 4 percent together with a high economic growth of around 8 percent in the medium term to contain public debt below 65 percent of GDP and sustain such status to improve country's prospects to be able to attract longer term funds at least cost. This can be further strengthened by eliminating losses of large State Owned Business Enterprises to improve their Balance Sheets as already done by the 3 State Banks, presently making a marked progress.

To be able to attract foreign investments and PPP investment arrangements for infrastructure development with long

gestation and to attract reputed investments in exports, tourism, finance, IT and technology driven industrial activities, priority should be given to reduce the current account deficit of the Balance of Payments to further improve the country profile in the capital market. The ongoing consolidation of banking and financial institutions will assist to strengthen their own ability to raise capital having gone beyond domestic markets.

The recent initiatives taken to popularize the domestic debt market to be able to cater to credit requirements of the private sector need to be strengthened with considerable improvements in private sector corporate business practices to move towards securing 'Investment Grade'. The corporate bond market should be graded to encourage risk free private debt instruments in view of availability of funds consequent to debt reduction of State Owned Business Enterprises leaving them with stronger Balance Sheets and the National Budget with a lower deficit. However, in order to make such consolidation on a gradual basis in a low interest environment, the inflation in the economy also need to be stabilized at a mid-single digit level through continued improvements in the supply and distribution of goods and services while also maintaining appropriate liquidity through greater fiscal - monetary coordination as articulated in the 2014 Road Map of the Central Bank of Sri Lanka.



Sources: Department of Fiscal Policy and Central Bank of Sri Lanka

To be able to attract foreign investments and PPP investment arrangements for infrastructure development with long gestation and to attract reputed investments in exports, tourism, finance, IT and technology driven industrial activities, priority should be given to reduce the current account deficit of the Balance of Payments to further improve the country profile in the capital market.

Box 1.3 Improvements in Governance

- A Tax Interpretation Committee was appointed to improve consistency and transparency in the tax administration with a time bar of 6 months to conclude an interpretation.
- Revision of Financial Regulations (FRs) were finalized to introduce a simpler framework for Public Financial Management while meeting contemporary demands.
- A Code of Best Practices on Related Party Transactions was introduced to all public listed companies to improve corporate governance and to protect minority interests.
- Banks were required to prepare Risk Management Frameworks on exposures to stock market activities including prudential limits for Margin Trading and the Boards to assess risks on an ongoing basis.
- Introduced time bound disclosure requirements relating to dealings by Directors/ CEOs.
- Commenced the introduction of an Integrated Treasury Management Information System (ITMIS) to automate the processes of the Treasury with seamless data transfers across all spending agencies.
- Commenced the introduction of a Revenue Administration Management Information System (RAMIS) to automate the processes/ collection of taxes by the Inland Revenue Department.
- Enhanced the automated capabilities of the Customs Department furthering the introduction of ASYCUDA World, reducing document processing time and enabling further online services.
- Introduced several ICT led innovations through the ICTA to empower Government entities/ citizens, enabling faster and easy access to government services.
- Introduced an e-Land Registry pilot project at the Nugegoda/Delkanda Land Registry, enabling citizens to obtain title deed extracts etc. immediately upon application.
- Automated the Birth, Marriage and Death (BMB) Certificates issuing process enabling the issuance of copies of such certificates immediately upon application.
- Imposed upper limits on fees chargeable on the transactions effected through Common ATMs from customers to prevent them being charged unjustifiable amounts.
- Reduced interest rates on Credit Card and other loans/ advances and requiring that penal interest rates charged on loans / advances and credit facilities to a level not exceeding 2 % per annum.
- Insurance Companies were required to provide legal compliance certifications on a quarterly basis and to obtain an acknowledgement upon delivering a policy to ensure timely delivery in the public interest.
- Trading platform infrastructure of the CSE was improved enabling the trading of fixed income instruments on an uniform trading platform to increase transparency and efficiency of debt trading.
- Upgrading of the Central Securities Depository System commenced to enable trading of diversified products to improve market integrity and investor confidence.
- Services of the Central Depository System (CDS) was extended to all listed companies, custodian banks, stockbrokers and CDS account holders, improving data quality, accessibility and accountability.
- Hub Regulation 2013 was issued to promote market friendly behavior in shipping related services and to promote import and export competitiveness in a transparent and accountable manner.
- Enabled the submission of cargo manifests electronically to the SLPA and enabling related payments to be made electronically through banks reducing human intervention/ improving governance.
- Legal framework was introduced for importers/ exporters to be able to appeal to DGC on imposition/exemption of Customs Duty, applicability of conditions/ exemptions, description of goods with a right of appeal to the Tax Appeals Commission.

Mobilization of Government Revenue

Government revenue has increased to Rs. 1,137 Bn. in 2013 from Rs. 276 Bn. in 2003. The revenue raised from taxation itself has increased to 1,006 Bn. in 2013 from Rs. 232 Bn. in 2003. Although the growth in revenue does not commensurate with the growth in nominal GDP, the underlying revenue structure has compensated for the transitional characteristics in the economy while also nurturing a buoyant revenue growth from income taxation and broad-based main stream Value Added Taxation. The tax system has been simplified having reduced the multiplicity of taxes that were in existence. Further, the importance of traditional export and import duties and excise revenue from cigarettes and liquor is eroding with the economic growth, the taxes on such products reaching excessive levels and in view of public education discouraging consumption. The economic structure itself has shifted to a manufacturing and service orientation from primary commodity export nature.

The taxation of agriculture which predominantly involves small holder operations compared to the nature of agriculture in the 1980s is counterproductive. Therefore, the future revenue lies with broad-based consumption taxation at a low rate and income taxation at source to make an efficient tax administration. The implementation of the Revenue Administration Management Information System (RAMIS) that is in progress at the Inland Revenue Department will provide technology based expertise capable of managing a sophisticated tax system. The ongoing measures being taken at Customs and Excise administration to address valuation related issues and leakages, need to be further strengthened.

Learning lessons from the imposition of a composite Special Commodity Levy at Customs for the benefit of products generally involving small time importers, it may also be

useful to develop a simpler process for small timers in local activities, instead of making them liable to general taxes.

1.5 Industrialization through Skills Advantage and Technology

In the background of rapidly declining poverty and unemployment and increasing labour movements towards overseas employment, the country's industrial economy need to systematically shift towards preferring medium and high technology industries from the traditional labour intensive low technology industries for which the country had an advantage in 1970s through 1990s. Existing traditional industries in textiles and apparel, food and beverages, wooden furniture and agricultural machinery which benefitted from low cost labour, energy inefficient production processes in the low end of the market are required to shift to up end market product manufacturing with energy efficient, environment friendly, socially responsible business practices to position the country's emerging comparative advantage over competing neighboring countries.

The manufacturing of machinery and spare parts, electronics, boat manufacturing, ship building and repairs, aircraft overhauling and maintenance, construction and building material, manufacturing rubber and plastic based items, communication equipment, pharmaceuticals are gaining importance in terms of country's comparative advantage as Sri Lanka's business model is resourceful with skilled and professional labour inputs, bio diversity in the land use, water resource management and environment, quality consciousness in product development and ethical practices in business management. This imminent shift is reflected in the Global Competitive Index compiled by the World Economic Forum which has identified that Sri Lanka is among 20 countries which are

in transition from Factor Driven Economies - competing primarily on unskilled labour and natural resources, to Efficiency Driven Economies - when countries begin to develop more efficient production processes and increase productivity where competitiveness become increasing driven by higher education, training, efficient goods and labour markets.

The presence of a competitive tax regime, Free Port facilities, the Free Trade Agreements with India and Pakistan, the proposed free trade arrangement with China, the availability of modern infrastructure and a reliable power supply and the recognition that Sri Lanka has secured as an emerging service hub, are factors that support such direction of the economy. Efforts made by the private sector consisting of domestic and foreign investors who have succeeded in expanding their industries in the past 3 decades must be further encouraged to consolidate their investment planning in the backdrop of this emerging scenario.

1.6 Towards a Net Food Exporting Economy

The Sri Lankan economy has a unique advantage of becoming a net food exporting economy contrary to its post independent economic structure in which the country relied on imports for consumption needs. While the



Several high-tech rice milling facilities have been setup to meet changing demands in rice processing



High value added tea for niche markets

tea industry has maintained its global leadership as a quality supplier, the recent achievements in self-sufficiency in rice, maize, and black gram and partial self-sufficiency (around 50 percent) in selected food crops, poultry and sea food, has strengthened the transformation towards becoming a net food exporting country.

Export agriculture has a huge potential to change the economic landscape of the country. In the last decade ending 2013, earnings from agricultural exports have more than doubled. This development is largely due to a marked shift towards high priced tea in packed and bag form which has generated almost US\$ 1 Bn. in 2013 in comparison to less than US\$ 300 Mn. in 2003. The value creation potential in the tea industry still remains large. The country's tea plantation which is the only pesticide free cultivation in the entire Asian region could improve its plantation quality and shift towards a locally branded high quality tea manufacturing process to secure prices in excess of US\$ 12/ Kg as envisaged in the 2013 Budget Speech. Such a shift could augment export earnings at least by US\$ 1 Bn. over the Medium Term as the export of tea in packed and bag form has

already shown that the remaining quantity could also be converted as higher value tea exports. The export of cinnamon, spices, fruits and vegetables have increased from US\$ 150 Mn. in 2003 to US\$ 529 Mn. in 2013 while a substantial expansion was recorded in sea food exports.

The local production of red onions, green gram, soya beans, black gram, potatoes, big onions and dry chilies currently meet only 30-40 percent of the total requirement of the country while meeting the shortfall by imports with an annual cost of around US\$ 225 Mn. The recent progress in cultivating these crops in major agricultural districts with the adoption of climatic resilient crop varieties and high yielding, locally researched seeds while also adopting soil and water management technologies supported by remunerative price incentives, should be further promoted to attract greater farming commitments in diversified agriculture.

The incentive structure created for the production of liquid milk and dairy products and sugar has encouraged investments in these activities towards gradually reducing such imports. The agriculture sector credit must be directed towards the ongoing popularization efforts of greenhouse cultivation technology, seed farm development, drip irrigation systems and soil conservation efforts among farmers instead of lending for traditional cultivation & purchase arrangements. Agricultural research, marketing and technology advancements to improve pre and post-harvest practices would also help to improve productivity in agriculture. Research findings that suggest ways and means to deal with climate change must also be popularized among farmers through effective extension services. The development of livelihood activity among the agricultural community, value chain activities in the domestic economy and food security, can make a turnaround in the Balance of Payments supported by agricultural sector development.

As the Government has put in place several measures to sustain a high economic growth while protecting low income and vulnerable groups, a further rationalization of the public service delivery mechanism together with intensified facilitation for the production sectors in the economy would be conducive to realize the targeted per capita income of US\$ 4,000 in a country free from extreme poverty before the end of the 10 year development framework in 2016.

1.7 Public Service Delivery Strategy

The public service is the center of Government's Development Strategy and needs to be strengthened particularly in view of its integral role in providing national security, education, health, social service delivery and rural centric development. Underscoring these priorities, the recruitment of about 500,000 people including 40,583 deployed to health services, 114,487 to education, 158,694 for rural centric development work and 186,983 to be engaged in national security and law and order are involved in strengthening the public service delivery mechanism, carrying out important responsibilities. Accordingly, the actual number of public servants attached to the direct government services at national and provincial level, which was 633,729 persons or 75 percent of the actual cadre in 2006 has increased to 1.0 Mn. or 89 percent of the authorized cadre in 2013. With the expansion of State

Owned Enterprises, the total number of actual employees has increased from 809,161 in 2003 to 1.3 Mn. in 2013.

However, what is evident is that the management of the actual public service cadre has faced several challenges considering the purpose for which it was created. First, despite the approved cadre having increased to 1.4 Mn. the actual utilization has remained at around 90 percent since annual retirements in the various categories have increased to around 15,000 with replacements becoming a constant need. Second, due to rigid administrative procedures in recruitments and difficulties in harmonizing working groups in terms of occupational categories in different organizations, the recruitment process remain a time consuming and costly exercise. Third, the cadre positions connected with the skilled categories, particularly at technical and managerial levels are fast losing the attraction due to salaries and incentive structure becoming unattractive in comparison with the market reality and there being alternative opportunities available in the private sector and overseas markets. Last but not least, there is still a skills deficiency particularly in languages, science, mathematics and technical subjects, making quality improvements in the services a challenge.



Maternity care centres have been setup in many locations to complement the hospital network

The deployment of public servants particularly in education and health services is constrained

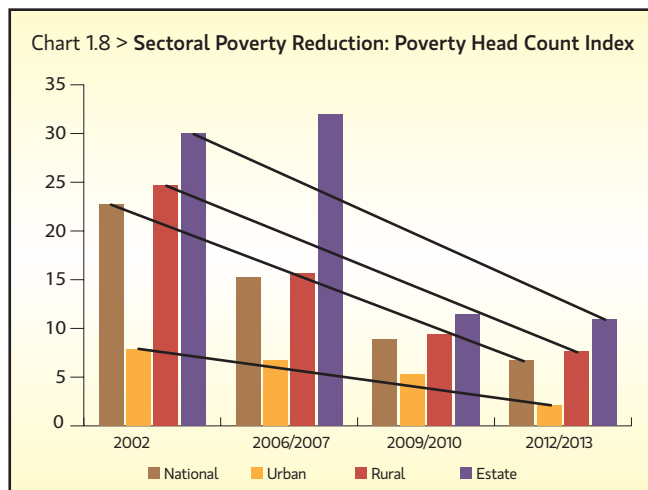
by the reluctance of those who join the services to serve in rural and underserved areas. Hence, despite the increase in the number of teachers recruited the deployment of required teachers to underserved areas remain a challenge and demands considerable attention being placed on the prevailing recruitment approach, particularly with regard to deployment and incentives. District wise distribution of employees engaged in essential rural development programs are also faced with similar challenges. Efforts are being made to provide residential facilities and transportation to improve mobility at field level in addition to providing the required skills through training and career development initiatives.

The prevailing retirement age poses a challenge, in the context of improved life expectancy and the difficulties faced in attracting experienced professionals. In the professional and technical categories such as medical specialist, engineers and senior administrators the present retirement age appears to be too low considering the public investments made on their career developments and the wealth of experience gained in service. Although, the conventional model suggests that the retirement age should be increased which will also avail a one off fiscal benefit through the postponement of retirement benefits, considering the need to attract young staff with new skills to the public service and the demand for more experienced and skilled persons in the growing private sector and overseas employment, the extension of the retirement age appears appropriate only with regard to skilled and professional categories.

1.8 The Remaining Multi-Dimensional Poverty

The growth strategies followed since 2005 have proved that they have been pro-poor since economic growth during this period has passed development benefit to the poorer segments and contributed towards uplifting the income

level of a majority. In this background, Sri Lanka has already met the goal of reducing extreme poverty in terms of the Millennium Development Framework. People living below US\$ 2 per day poverty line have also been halved from 43 percent in 2002 to 18 percent in 2012/13. The decline in the share of expenditure spent on food by the lower income groups from 65.7 percent in 2002 to 46 percent in 2013 along with the expenditure incurred by such households on food rich with protein from 18 percent to 24 percent indicates an improved consumption pattern with income growth.



Source: Compiled by the Ministry of Finance & Planning

The evidence supports that increase in wage income is mainly responsible for the decline in poverty. However, data on non-income aspects underscores that poverty is not confined to low income alone but encompasses poor health, education, water, sanitation and housing conditions as well. The recent improvements in access to electricity, education and health are among the key non-income factors that have contributed to alleviate multi-dimensional poverty, making positive contributions to elevate many low income people from such poverty. While access to electricity has increased among all income groups and in all sectors, disparities in access to pipe-borne

water and toilet facilities vary particularly in certain rural and plantation areas. School attendance of the age group between 12-17 years and secondary completion of the age group between 17-18 years, also remain low among low income categories requiring further attempts to address such issues affecting children in distance areas. Improvement in housing conditions, drinking water and water sealed toilet facilities in the lower segment of income groups in the society also require a more targeted approach.

The rationalization of a range of programs such as Thripasha, school meals and nutrition invention initiatives targeting lactating mothers and children, with an annual expenditure of around Rs. 5 Bn., while adopting more focused strategies towards providing nutrition at pre school level and also promoting a more nutritionally balanced food basket, could be directed towards addressing malnutrition challenges among the poor. Similarly, public assistance provided to disabled and elderly people with an annual expenditure of Rs. 3.8 Bn. could be strengthened to address families with the head of the household being a disabled person or suffering from a permanent illnesses. The deepening of Gama Neguma: the rural centric development program of the Government, assisted by provincial and local authority budgets could target uplifting community hospitals and dispensaries in distant locations to further strengthen basic health care.

As the growth outlook for the Medium Term 2014- 2016 supports a growth rate in excess of 7 percent, with special emphasis placed on food security, diversified agriculture, small sector activities and livelihood development, the channeling of public expenditure allocations for specific aspects of poverty through a well integrated institutional arrangement between provincial and national agencies, will improve the effectiveness of ongoing programs to reduce the number of people below US\$ 2 per day poverty line to a single digit level by

Table 1.1 > **Direction of 2014**

Key Variables	2014 Jan - March (Provisional/ Projections)	2013 Jan - March
Y O Y Inflation (%)	4.2	7.5
GDP Growth (%)	6.4	6.1
Exports (US\$ Mn)	2,809	2,358
Earnings from Tourism (US\$ Mn.)	609	455
Remittance Income (US\$ Mn.)	1,663	1,483
Imports (US\$ Mn.)	4,707	4,510
Gross Official Reserves (US\$ Mn.)	8,060	6,806
Government Revenue (Rs. Mn.)	245,240	220,069
Recurrent Expenditure (Rs. Mn.)	399,397	376,551
Public Investment (Rs. Mn.)	161,513	146,615
Budget Deficit /GDP (%)	3.1	3.4
Private Sector Credit Growth (%)	4.3	10.9
Broad Money Supply Growth (%)	14.5	15.6

Sources: Department of Fiscal Policy, Department of Census and Statistics, Central Bank of Sri Lanka

2016. The organized private sector could also undertake complementing programs to assist Government initiatives by earmarking their corporate social responsibility expenditure for such aspects of poverty reduction as proposed by His Excellency the President in his 2013 Budget Speech. A well designed Public Private Partnership (PPP) for alleviating poverty among low income and vulnerable groups could help to share social spending of deserving people and to deepen the role of the private sector in social welfare.

1.9 Medium Term Outlook

The medium term outlook has turned on to a positive direction since the second half of 2013. Benefitting from sustained public investments in critical infrastructure such as electricity, roads and expressways, ports and airports, urban property, water and irrigation, system-wide reforms to improve the investment climate, weaning macro-economic risks, consistency in public sector deficit reduction and price stability, private investments both domestic and foreign, have gathered momentum. Accordingly,

private investments which stood at 18 percent of GDP in 2003 have increased to 23 percent of GDP in 2013 underscoring the steady expansion in private sector participation, while gaining momentum particularly since 2010. Foreign Direct Investments have averaged around US\$ 1,000 Mn. during the last 3 years as many projects in urban property development, infrastructure, tourism and leisure, health and educational facilities, agricultural processing, manufacturing, transport and logistics have got onto various stages of project implementation as evident from the turnover recorded in recent times with regard to construction material and import of plant and machinery.

Despite the mixed economic outlook for member nations of BRICS and emerging economies, the stable recovery in the US and EU and the favorable outlook for Japan, Korea, Singapore, lead economies in the Middle East and the newly found enthusiasm in neighboring India, remain favorable for medium term expansion of Sri Lankan exports, tourism, IT, agriculture and overseas employment which have grown steadily with

a comparative edge through ethical business practices being observed, the skills advantages we command over our competitors and the high value product manufacturing strategy being followed in the country.

The Government's commitment to reduce the fiscal deficit to below 4 percent of GDP with the reduction in Debt to GDP towards 65 percent and the Central Bank road map pointing to a low inflation and a steady rise in external reserves, gives a stable outlook for interest rates and exchange rates over the medium term. The availability of 900 MW of coal power capacity from mid 2014, the implementation of a least cost power generation plan to expand renewable energy sources such as solar and wind and continuous improvements are being done to transmission and distribution systems in the power sector, are conducive for socio economic development.

In this background, the economic prospects have improved demonstrating positive signals and endorsing Government's vision to accelerate the growth rate that was 6.3 percent in 2012 and 7.3 percent in 2013 to 7.8 percent in 2014 and to around 8 percent thereafter. The recent experience in the decline in poverty due to rural centric basic infrastructure development, targeted and non-targeted social spending programs, the revitalization of agriculture, livestock, fisheries, SMEs, livelihood development and employment generation activities, have enabled the maintenance of a high growth momentum that are also conducive to sustain the progress in poverty reduction and improvements in welfare. Selected performance indicators for the first quarter of 2014 point to a further strengthening of the economy in this direction.

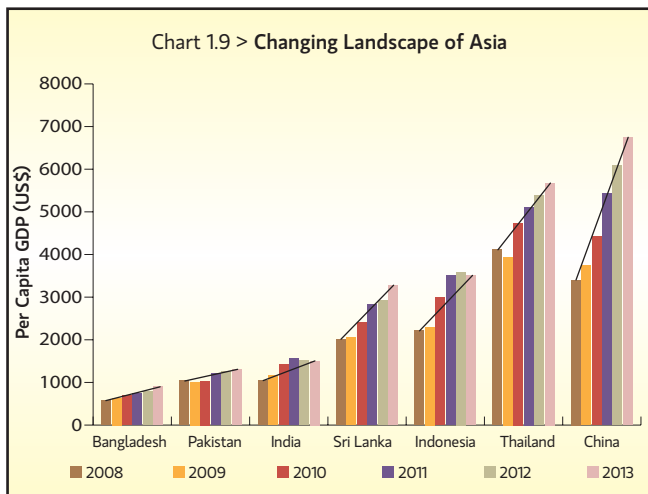
1.10 Sum Up

The ultimate goal of development is to secure an environment that supports sustained

improvements in the standard of living of the people. While a higher economic growth is necessary to create such environment, the improvements in living conditions of the people particularly those who do not have affordability to have access to education, health, basic utilities and are compelled to manage a variety of risks associated with market forces and climate changes, requires the Government to provide related support parallel to achieving economic growth to ensure improved living conditions for the poor through gainful employment. It is in this context, that the Government has recognized the need to implement an inclusive development strategy in which the role of the Government is to provide essential services such as education, health and basic public utilities along with rural development programs to create an enabling environment for low income people to move out of poverty, which is strategic while promoting an enabling environment for capital formation and efficiency improvements by the private sector.

The development experience for the 8 year period ending 2013 in terms of Mahinda Chintana Towards New Sri Lanka – The 10 Year Development Framework 2006-2016 argues well for making progress in economic growth with poverty reduction and improvements in living conditions. As the Government has put in place several measures to sustain a high economic growth while protecting low income and vulnerable groups, a further rationalization of the public service delivery mechanism together with intensified facilitation for the production sectors in the economy would be conducive to realize the targeted per capita income of US\$ 4,000 in a country free from extreme poverty before the end of the 10 year development framework in 2016.

The recent development experience in the Asian region has positioned Sri Lanka as a stable economy with growth scenarios shifting from South Asian characteristics towards



Sources: IMF World Economic Outlook, April 2014 and Central Bank of Sri Lanka

more fast growing East Asian characteristics. The substance of such an intense growth rate supported by expanded modern infrastructure, research and technology and growth generated from diversified sources such as the supply of up market products through manufacturing and services, could make the country a role model in development by achieving a higher per capita income as an emerging economy free of poverty with environmental superiority and quality in the standard of living.

The continued upward trend of the country's growth dynamics is likely to provide a strong competitive edge in the region enabling Sri Lanka to be one of the high performing economies in the region.

02

RECONCILIATION AND DEVELOPMENT

2.1 Overview

Sri Lanka has passed 5 peaceful years since the ending of 30-year long conflict in May 2009. The country has progressed with around 7 percent economic growth making use of its hard earned peace and stability to achieve a transformation towards a middle income economy free of poverty and going beyond Millennium Development Goals. The new environment has restored the public confidence. In particular, remittance income from overseas employment has increased to US\$ 6.4 billion, and tourist earnings to US\$ 1.7 billion while foreign direct investments in each year since 2010 have exceeded US\$ 1 billion, indicating the enhanced investor confidence and the enthusiasm of investors to harness the opportunities of the post-conflict rebound.

The gross foreign portfolio investment (mainly to stock market) has been in the positive territory throughout this period and amounted to US\$ 270 million in 2013 reflecting a greater resilience to volatile global financial conditions. The government was able to strengthen country's active presence in the international capital market by floating international sovereign bonds at competitive rates during the post-conflict period except in 2013. The yield rate on Sri Lanka's international sovereign bonds gradually stabilized at around 5 percent during this period despite uncertain global financial outlook. In January 2014, the government raised

funds by floating US\$ 1 billion through a 5-year international sovereign bond at a yield rate of 6 percent per annum and in April 2014, another US\$ 500 million 5-year bond at a yield rate of 5.125 percent per annum with the offer oversubscribed 8.3 times, despite the rising benchmark US Treasury yield. These tighter yields reflect the continued confidence that the international investors have placed on Sri Lanka and the country's growth prospects after the end of the decade long conflict.

With the peaceful climate in the country, the tourism, which remained stagnant for almost three decades, has begun to take off. There is an unprecedented surge in tourist arrivals as well as domestic tourists boosting the post conflict economic activities all over the country. Many countries that had imposed adverse travel advisories on Sri Lanka have removed them. Tourist arrivals, which increased by 46.1 percent to a record level of 654,476 in 2010, increased further to 855,975 in 2011, 1,005,605 in 2012 and reached 1,274,593 in 2013. The earnings from tourism exceeded US\$ 1.7 billion in 2013 in comparison to average earnings of about US\$ 400 million during the period prior to 2009. In 2014 up to April, tourist arrivals has increased by 27.6 percent over the same period in 2013 to 534,132, which is higher than the total annual tourist arrivals of 447,890 in 2009 thus signifying the magnitude of rapid expansion in this lucrative industry, which is being promoted by the government and the private sector to recoup lost opportunities for decades.

UN acknowledges Sri Lanka's progress

Dr. John W. Ashe, President of the United Nations General Assembly who is in the country to attend the inauguration of the 15th World Youth Conference called on President Mahinda Rajapaksa at Temple Trees last morning. During the discussion, the UNGA President acknowledged the progress Sri Lanka has made in the recent past.

"We have seen the development that has taken place," Dr. Ashe told President Rajapaksa. He also expressed his appreciation

of the speech made by the President at the inauguration of the World Youth Conference in Hambantota on Tuesday.



The President briefed Dr. Ashe about the progress that Sri Lanka has made having suffered nearly 30 years of terrorism. "At present, Sri Lanka's annual average growth rate is 7%. In the North it is around 22%. Sri Lanka is among the few countries in Asia with a high growth rate after China," President Rajapaksa pointed out. To page 14

Source: Daily News, 08 May 2014

Highlights of the Reconciliation and Development: 2009 – 2014 March/April

- Demining of a land area of 1,982 sq. km at a cost of Rs. 12.6 billion. Only 82 sq. km. remain to be demined.
- Re-opening of blocked access for livelihood while clearing agricultural lands and water resources which were suspected as contaminated.
- Resettlement of almost 300,000 IDPs at a cost of Rs. 6.1 billion.
- Rehabilitation of about 12,000 ex-LTTE combatants and re-integrating them into the society.
- Restoring and strengthening of the civil administration to improve service delivery.
- Restoration of the education system in the Northern province by rehabilitating/improving facilities for schooling.
- Ensuring access for quality health services to the people in the North by improving/rehabilitating hospitals, primary medical care units, clinic centers, dispensaries, curative care institutions etc.
- Providing assistance to commence livelihood activities.
- Providing facilities and assistance including medical treatment to mine survivors.
- Implementation of a comprehensive infrastructure development programme at a cost of Rs. 221 billion covering Northern province during 2009-2013 period to restore highways, railway system, water supply, irrigation, housing, hospitals and school facilities and administrative buildings.
- Allocation Rs. 61 billion for development work through Budget 2014 for the Northern province development.
- Conducting Local Government Elections in 2011 to ensure people's representation in local administration.
- Completion of the Northern Provincial Council election in September 2013 reflecting a significant landmark in the country's strong democratic system.
- Conducting a professionally designed household census covering all affected families.
- Implementation of social integration development programmes with the participation of stakeholders to improve social harmony.
- Formulation of a Special Integration Policy, National Languages Policy, and Awareness program to respect cultural diversity, religion and communal values.
- Setting up of Language Labs to promote skills in both Sinhala & Tamil for public officials and establishment of 2,343 Language Clubs.
- Implementation of Equal Access to Justice programme to resolve legal issues.
- Reduction of presence of security forces in the Northern Province.
- Employment of Tamil speaking police officers.
- Recruiting competent people for government service in respective areas.
- Appointment of the Commission on Lessons Learnt and Reconciliation (LLRC) in May 2010 to look back at the conflict in Sri Lanka and to look ahead for an era of healing and peace building.
- Setting up of the National Action Plan (NAP) in July 2012 to implement LLRC recommendations.
- Implementation of 86 Articles of LLRC, which considered as most significant and important through NAP.

Table 2.1 > **Tourist Arrivals: 2009 - 2014 April**

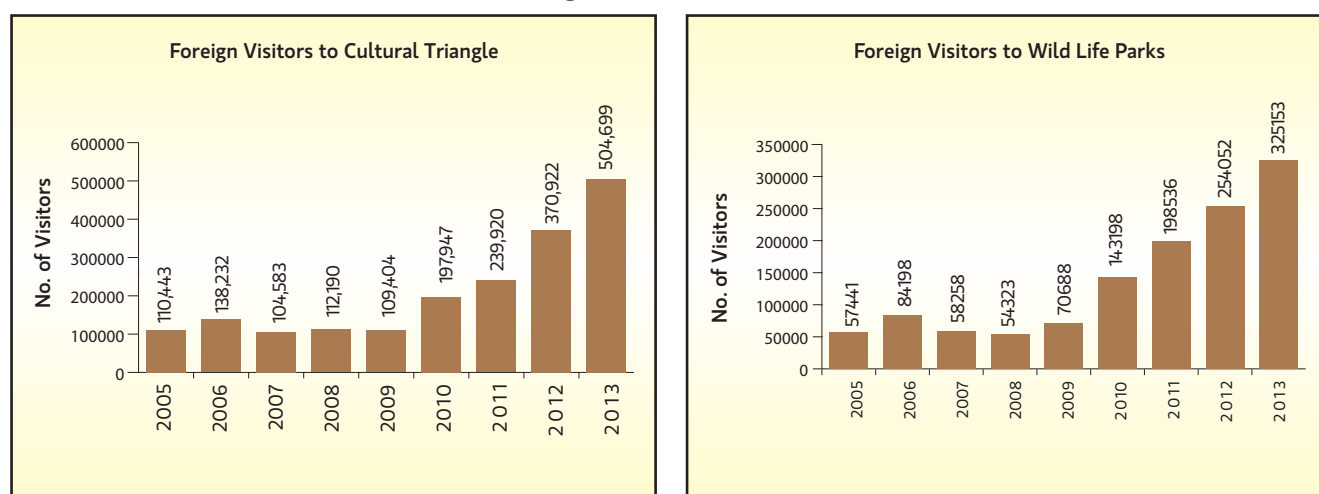
Country	2009	2013	January - April		% Change
			2013	2014	
India	83,634	208,795	59,305	71,346	20.3
UK	81,594	137,416	47,186	51,415	9.0
Germany	29,654	85,470	33,204	41,101	23.8
China	9,880	54,288	15,601	36,803	135.9
Russia	11,834	51,235	18,967	34,347	81.1
France	15,886	64,388	25,983	34,283	31.9
Maldives	31,916	79,474	23,285	26,852	15.3
Japan	10,926	31,505	8,731	12,377	41.8
Pakistan	7,373	25,336	7,198	9,381	30.3
Saudi Arabia	6,685	23,753	5,165	6,872	33.0
Israel	1,901	8,545	3,077	3,513	14.2
Other	156,607	504,388	170,754	205,842	20.5
Total	447,890	1,274,593	418,456	534,132	27.6

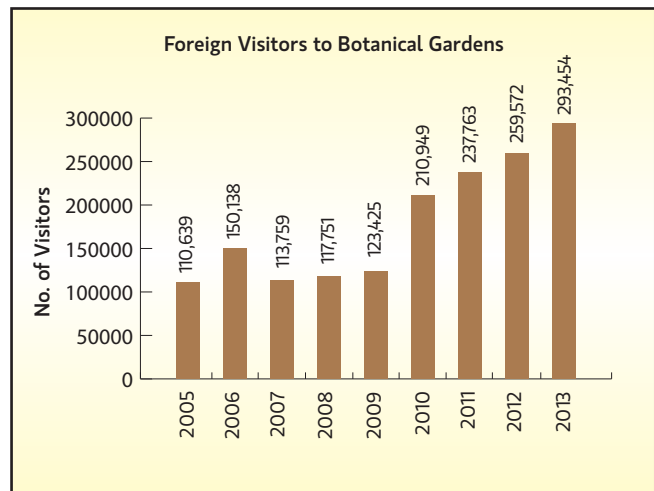
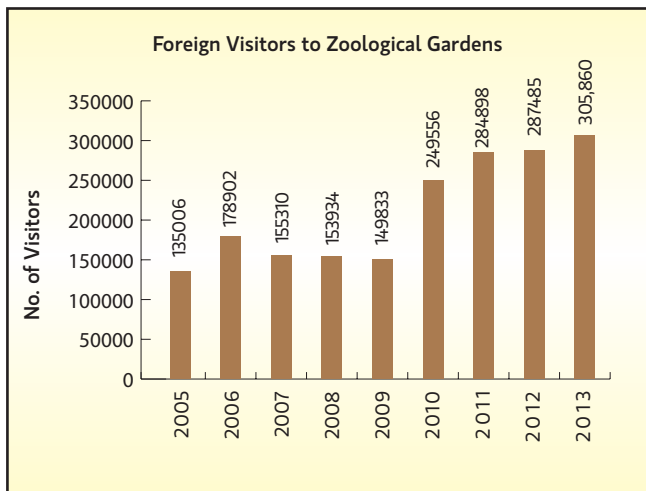
Source: Sri Lanka Tourism Development Authority

Many of the tourist attractions which were not accessible due to the conflict are now opened with improved facilities to both local and foreign tourists. Many tourist attractions, including Zoological Gardens, receive a record number of visitors, helping them to achieve new heights in

their expansion programmes while stimulating economic activities in many related areas.

Induced by the peaceful climate, the tourism sector caters to a total of 6.5 million tourists, including domestic tourists.

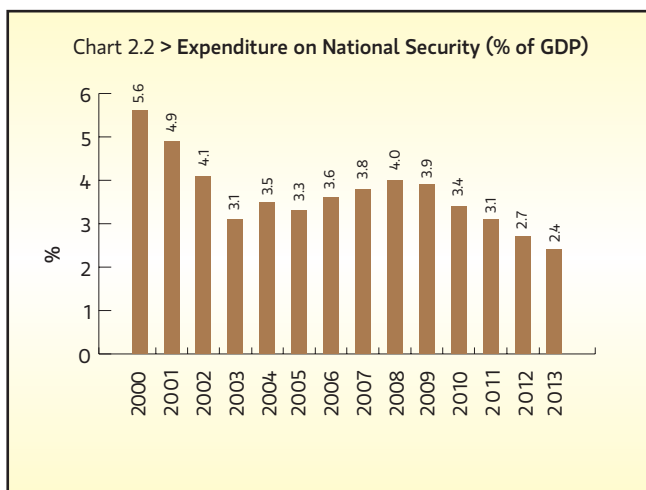
Chart 2.1 > **Foreign Visitors to Tourist Attractions**



One of the major beneficiary factors of the end to the conflict is the decline in expenditure on national security as a result of the lower expenditure on military hardware due to the absence of terrorist offensives. The expenditure on national security as a percent of GDP declined to 2.4 percent in 2013 from 3.9 percent in 2009. Resources are increasingly being channeled for rehabilitation and reconstruction activities and security personnel are also engaged in the reconstruction and development work. A landmark contribution made by security personnel in the post conflict environment include the demining of more than 95 percent of the mined areas and the

resettlement of almost 300,000 internally displaced persons (IDPs).

The government implemented a comprehensive and coherent policy for the resettlement of IDPs since the end of conflict in 2009. The policy of resettlement is in line with accepted principles in achieving durable solutions for IDPs. In line with this, a broad set of policies and development initiatives have been implemented by the government, complemented by the support of the development partners, including Japan, China, India, Germany, Switzerland, Australia, the US, World Bank, Asian Development Bank (ADB), United Nations Development Programme (UNDP), World Food Programme (WFP), United Nations Children's Fund (UNICEF), the European Union (EU) and International Fund for Agriculture Development (IFAD) as well as other stakeholders, to bring the affected areas back to rapid development and reconciliation. Resettlement of 295,136 IDPs and fast track development of the Northern Province while creating a safe environment for the people to return their places of origin, rehabilitation of ex-combatant and child soldiers and reconciliation through the promotion of Tamil and Sinhala as working languages and addressing housing and livelihood related activities of affected people where the key components in government's initiatives towards post conflict reconciliation efforts.



Highlights of the Government Policy on Resettlement

When resettling IDPs, the government has taken due notes of the Guiding Principles on Internal Displacement which recognizes that the right to choose among three settlement options that include (i) return to their place of origin, (ii) integration in the area of displacement, or (iii) settlement in another part of the country. No IDPs were forcibly resettled at any point. The government has had a comprehensive plan to achieve the “Five Rs”, namely resettlement, rehabilitation, re-integration, reconstruction and reconciliation, in the post May 2009 period. This plan meets the criteria stipulated in the Guiding Principles on Internal Displacement.

In the nearly 5 years since the end of the conflict in May 2009, the government has incrementally shifted its focus from the provision of humanitarian assistance to IDPs to provision of more durable solutions through a more development oriented focus¹. In line with this, livelihood development of already resettled IDPs as well as IDPs to be resettled, their integration into society, schooling, education, and health needs etc. continue to be addressed by the government through reconciliation and development work.

The government has not begun to view IDP resettlement as a closed issue despite resettlement of the majority displaced by the conflict. While physical resettlement alone is not adequate, the government is firmly of the view that provision of conditions for physical resettlement, including the provision of relevant infrastructure such as housing, schools, hospitals as well as basic services are a prerequisite for the resettlement process. While much has been addressed and achieved, there are many challenges that remain and continue to be addressed by the government, land issue being one such complex challenge.

The optimal level of achievement (100 percent) of IDP resettlement and reintegration into society as focused by Inter-Agency Standing Committee (IASC) Framework on Durable Solutions could not be practically achieved within a short period of five years, given the complicated nature of Sri Lanka's post conflict challenges. The IASC itself has recognized that “a solution becomes durable only years, or even decades, after the physical movement to the place of origin or place of resettlement has taken place, or the decision to locally integrate has been made”. In this context, it has to be accepted that even after all IDPs are resettled, durable solutions for some issues will come their way only after some time. In this context, Sri Lanka's progress within the IASC framework deserves greater acknowledgement.

The government has re-iterated its commitment to continue with the provision of support for the resettlement of IDPs towards achievement of durable solutions, i.e. resettlement of IDPs in their original habitats as well as development of livelihood support in the context of ensuring safe return (including mine clearance), right to land and resolution of land issues, provision of housing, access to clean water and sanitation, re-integration, livelihood support and options, education and vocational training, healthcare, the right to vote etc.

¹According to the Inter-Agency Standing Committee (IASC) Framework on Durable Solutions for IDPs, “a durable solution is achieved when internally displaced persons no longer have any specific assistance and protection needs that are linked to their displacement and can enjoy their human rights without discrimination on account of their displacement”.

Infrastructure development was also undertaken in this process. Initially, the essential infrastructure such as access roads, public buildings, hospitals, schools and minor tanks were rehabilitated to facilitate speedy resettlement. Large infrastructure development projects such as township development, renovation of the road network, including the A-9 road, while the restoration of railway tracks was also undertaken subsequently, along with the provision of electricity, water supply and sanitation, upgrading of healthcare facilities and schools. These initiatives were beneficial not only to the civilian population but also nearly 12,000 ex-LTTE combatants, including child soldiers, who surrendered to the security forces at the end of the humanitarian operation were also benefited through the reintegration of the vast majority of them to the society after rehabilitation.

The progress in demining, resettlement, infrastructure development and rehabilitation of ex-combatants in the conflict affected areas etc. are consistent with the recommendations of the Commission on Lessons Learnt and Reconciliation (LLRC), which are also being implemented under the National Action Plan (NAP) for implementing recommendations of LLRC with a view of ensuring lasting peace in the country in which the work related to a considerable number of recommendations had already been completed. In addition to the local government elections held in the Northern province in 2011, the successful completion of the election for the Northern Provincial Council (PC) in , the first election held since the establishment of the PC system in 1987, was a significant landmark in the country's strong democracy and reconciliation process. With the implementation of all these measures while facilitating the return of normalcy to the people in the Northern province, the government has created a platform on which they can build a better future.

2.2 Secured Environment for Internally Displaced Persons and their Resettlement

At the time of ending the conflict in May 2009, there were 295,136 IDPs who could not go back to their own places. The majority of them were from Mullaitivu and Killinochchi districts, which had been highly contaminated by land mines and other unexploded ordinances (UXOs). They were initially accommodated in welfare centers and subsequently brought in to welfare villages. The highest priority was given to the welfare of these IDPs. The welfare villages were managed in keeping with international best practices in running such activities. Accordingly, the IDPs were provided with all basic facilities, including food, water, sanitation, and shelters. More importantly, the IDPs were given 1,900 Kilo Calorie daily, which is equivalent to standards of the World Food Programme (WFP). Facilities such as primary healthcare centers, mobile health clinics, night clinics, mobile labs, operation theaters, counseling services, were provided to welfare villages. Furthermore, other main facilities, such as schools, religious support, banks, shops, communication facilities etc. are also provided. The security for the IDPs was provided by the security forces and police while the day to day work was handled by civilian administration. In 1 December 2009, the government converted these welfare villages into "open camps" ensuring "freedom of movement" of IDPs. The government also welcomed the visits of Sri Lanka development partners to these cities and conflict affected areas. The government incurred Rs. 19,166 million during 2009 - 2013 period for the welfare of IDPs. At the initial stage, the welfare activities were conducted by using domestic funds, which were subsequently complemented by assistance by development partners.

Two multi-pronged regional development strategies, i.e. "Uthuru Wasanthaya"

and “Negenahira Navodaya” have been implemented to address the immediate requirements as well as long standing development needs of the Northern and Eastern provinces. The identification of priorities and preparation of plans accordingly, accelerated implementation of “180 - Day programme”, effective implementation, continuous monitoring, setting up of necessary institutions and ensuring their capacity building were among the salient features of the initiatives taken by the government, particularly in the Northern province.

The livelihood aspects of IDPs commenced with the early recovery phase of the resettlement in the early part of 2010, immediately after fulfilling the urgent humanitarian needs of the IDPs. The government has made every effort to provide those who were resettled with livelihood support, including commencement of agriculture, fisheries, as well as assistance provided for livelihood support through local banks.

Special attention to those whose livelihoods are dependent on fisheries to ensure that they have access to their traditional means of livelihood. Fishermen who were unable to engage in their livelihood activities during the conflict were provided with livelihood and technical support. The government has enhanced infrastructure and support facilities for the fishing industry in the North and East, with the support of bilateral and multilateral development partners.

The housing needs of the IDPs has been a priority in the governments resettlement policy as well as the reconciliation process right from the inception. A total of 206,686 houses have been built by the government during the period of 2004 to March 2014 at a cost of Rs. 54,588 million. This includes 49,488 houses built under the North East Housing Reconstruction Programme (NEHRP), 2,122 houses built under North East Community Restoration and Development Project (NECORD), 7,146 houses built to date under the Indian Housing Programme, as well as 24,529 houses built by INGO/NGOs.

IDPs and the Presence of Security Forces in the Northern Province

Following the termination of humanitarian operation in 2009, the government has undertaken a gradual process of reducing the presence of security forces in the former conflict affected areas. The government continues to evaluate and rationalize military presence according to national security imperatives. The timeline for such activities is correlated directly to the threat perceptions of the government to national security and is one which evolves as situations unfold. The prevention of Terrorism Act (PTA) has no bearing on the freedom of movement of IDPs, unless they have been found to be involved in terrorist activity as the PTA comes into force for individuals who are suspected of being involved in terrorist activity.

The civilian administration in the North and the East is fully functional with social and community networks involving civil society groups, INGOs/NGOs, assisting the civilian administration in the discharge of duties. The activities carried out by the Sri Lankan security forces are within the ambit of Civil Military Cooperation and are not intended to usurp the powers of civil administration. These activities are similar to post-conflict activities undertaken by military forces across the globe and involve reconstruction/renovation of houses, provision of adequate safe drinking water, construction of sanitary facilities, reconstruction of religious places for communities, improving access roads, irrigation projects etc. Whilst these were undertaken more intensively in the immediate post-conflict period, these activities have also become limited due to the strengthening of civilian institutions and their capacity to undertake such work.

The armed forces have not undertaken any commercial activities in the North. All agricultural/ other projects maintained by the Sri Lankan security forces are on state owned lands and have been undertaken to meet the basic food requirements of security forces personnel and is not being undertaken as a commercial activity. The hotels run by Sri Lankan security forces are for the purposes of welfare of the families of armed forces to provide leisure activities at a lesser cost. These facilities are also open to the public in order to obtain revenue which would facilitate granting welfare prices to security forces personnel and their families. Similar projects have been undertaken in the South and elsewhere in the country as well. Similar examples in cantonment areas exist in many parts of the world where security forces engage in such activities as welfare measures for service personnel.

2.3 Mined Fields to Green Fields

The end to the 30 year long terrorist insurgency in the Northern province in May 2009 provided a long awaited opportunity for Sri Lanka to enjoy peace. However, the immediate challenge at the end of the conflict was the creation of mines free environment in the former conflict affected areas which contaminated with land mines, both the anti-personal and anti-vehicle, unexploded ordinances (UXOs) and improvised



Table 2.2 > **Progress and Expenditure on De-Mining Programme (As at end March 2014)**

Description	Unit	Amount
Area Cleared - Clearance Progress (BAC & MF)		
From 2002 to May 2009	Km2	359
From June 2009 to March 2014	Km2	1,623
Area to be cleared	Km2	82
Total expenditure by the Government 2009 - March 2014 (Including expenditure made under Uthuruwasanthaya and salaries of soldiers etc.)	Rs. Mn	12,174
Total expenditure by foreign development partners and other NGOs INGOs	Rs. Mn	9,247

Source: Ministry of Economic Development



explosives devices (IEDs). It has initially been identified that over 640 villages are affected by these mines. It was estimated that there are over one million (estimated 1.3 million to be unearth) landmines in the conflict affected area of Sri Lanka. The existence of landmines became an impediment in resettlement of people in their communities of origin and implementation of development activities in the conflict affected areas. Considering the economic dynamism in all sectors in the province, particularly in agriculture activities and thereby helping the people in the area to have employment and various other income generating opportunities, de-mining turned out to be a major priority of the government. Consequently, a humanitarian de-mining programme was implemented by the government at an accelerated pace to clear the respective areas and create an environment free of mine and explosive remnants of war (ERW)

particularly targeting public places, farm lands, livelihood areas, schools, and hospitals etc. with the help of development partners as well as domestic and international non-governmental organizations (NGOs). Demining was carried out in several stages. Firstly, the priority was given to demining the towns and villages and the demining of agricultural areas was undertaken at second. The demining of the forested regions was the third priority. By now, the first and two stages have been completed.

Sri Lanka has made a steady progress in demining activity and resettlement of IDPs. During the 5 year period of 2009-2013, Over 95 percent of demining has been completed by the government with a total land area of 1,982 Sq. km cleared as of March 2014 with a view of addressing resettlement issues. The significant and incremental progress made in demining by the government has facilitated rapid resettlement. As at 15 March 2014, only about 82 Sq. km of confirmed areas remain to be cleared. The areas so cleared have been released for livelihood development and infrastructure activities. With these initiatives, out of 295,136 IDPs in the North, almost the entirety has been resettled and only 8,237 families or 26,919 persons remained to be resettled by April 2014 thus indicating a remarkable progress in resettling IDPs compared to such programmes in other countries.

Table 2.3 > **Progress of Demining - As at 15th March 2014**

Districts	Confirmed Hazardous Areas (CHA) in Sqm	Area Cleared in Sqm (BAC & MF & Mech V)	Areas released by Survey in Sqm	Total Area Cleared in Sqm	Ares to be cleared in Sqm
Jaffna	51,935,532	35,261,775	12,983,880	48,245,656	3,689,876
Killinochchi	597,375,765	32,940,048	546,554,949	579,494,997	17,880,768
Mullaitivu	230,331,444	169,390,454	45,564,185	214,954,639	15,376,805
Vavuniya	223,251,300	81,452,381	136,840,211	218,292,592	4,958,708
Mannar	314,669,910	195,724,039	102,511,817	298,235,856	16,434,054
Sub Total	1,417,563,950	514,768,697	844,455,042	1,359,223,739	58,340,211
Trincomalee	101,665,234	95,282,716		95,282,716	6,382,518
Batticaloa	495,262,449	235,717,032	245,155,039	480,872,071	14,390,378
Ampara	46,651,013	46,579,414		46,579,414	71,599
Sub Total	643,578,696	377,579,162	245,155,039	622,734,201	20,844,495
Anuradhapura	3,547,971	231,225		231,225	3,316,746
Pollonnaruwa	105,669	73,810		73,810	31,859
Sub Total	3,653,640	305,035	-	305,035	3,348,605
Total	2,064,796,286	892,652,894	1,089,610,081	1,982,262,975	82,533,311

Source: IMSMA

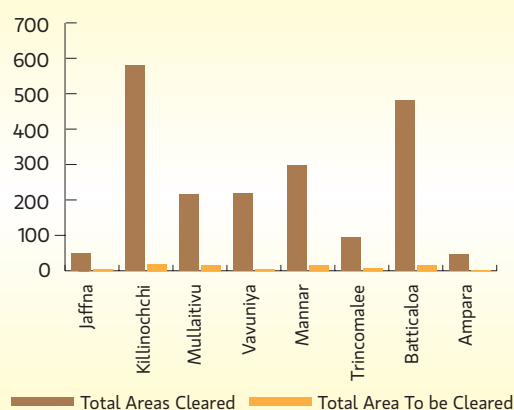
Note: Confirmed Hazardous Areas (CHA) is always determined based on the None Technical Survey (NTS)

Accordingly, the remaining CHA could be varied, as NTS is continuous process of Sri Lanka Mine Action Programme

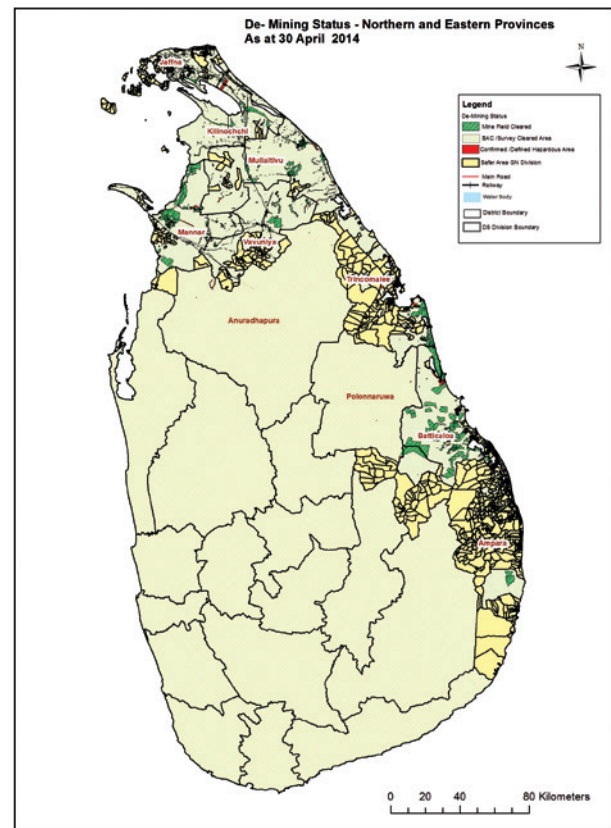
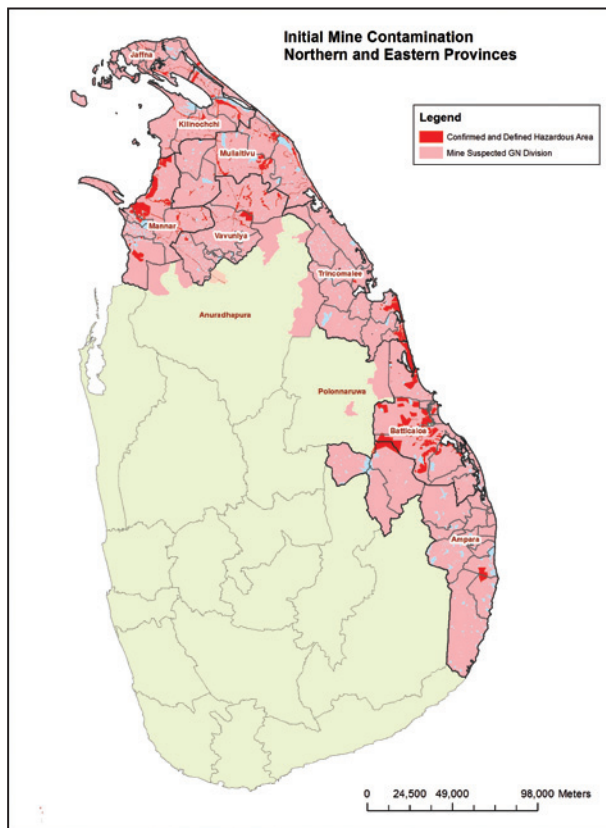
At present, the mine action activities are implemented by the government through the Sri Lanka National Mine Action Centre (SLNMAC) that has been setup at the Ministry of Economic Development (MED) to coordinate and fast tract the de-mining process. National

Steering Committee for Mine Action (NSCMA) acts as the decision making body on mine action through SLNMAC in collaboration with respective institutions and agents.

The de-mining operations, which is a high cost, high risk, time consuming as well as painstaking process, at the ground level are led by the Humanitarian De-mining Unit (HDU) of the Sri Lanka Army and participated by eight other local and foreign mine action operators. They are The HALO Trust, Danish Demining Group, Foundation Suisse de Déminage, MAG (Mines Advisory Group), Sarvatra, Horizon, Milinda Moragoda Institute for Peoples' Empowerment and Delvon Assistance for Social Harmony. The government has spent approximately Rs. 3,346 million during the period of 2009 and 2013 in de-mining activities after liberation of the entire country from terrorist activities, especially in the procurement of equipment for mine clearance activities as well as maintenance

Chart 2.3 > **Land Cleared and Remaining Areas to be Cleared**

2009 - 2014 Sri Lanka: Moving Steadily from Mined Fields to Green Fields



of demining cadre. Australia, the US, Japan, China, India and international institutions such as, United Nations High Commissioner for Refugees (UNHCR) and International Organization for Migration (IOM) are among the major partners helped in implementing government's demining programme. The United Nations Development Programme (UNDP), and United Nations Children's Fund (UNICEF) help the activities by coordination and quality management, and providing necessary expertise and technical assistance. In addition, both local and international agencies are engaged in mine surveys and mine risk education (MRE) in the identified areas.

The government is also engaged in providing various facilities, including medical treatments, to mine survivors while such assistance as counseling and mobility aids, are provided by domestic and international organizations. Livelihood development programmes are also being implemented for them. In addition, MRE campaigns are also being implemented in

collaboration with NGOs, community based partners and volunteers.

De-mining organizations, excluding Humanitarian Demining Unit of the Sri Lanka Army, generate funding for de-mining operations through their own fund raising programmes. Various donors such as Japan, Australia, EU, Canada, Switzerland, the United Kingdom, and Norway etc. are funding for them to undertake de-mining operations in Sri Lanka.

2.4 Resettlement and Rehabilitation

The resettlement was continued in parallel with the demining programme. From an original 295,136 IDPs at the time of ending the internal conflict in May 2009, only 26,919 persons remained to be resettled by April 2014, reflecting the strong effort made by the government to resettle them with the help of development partners and other stakeholders.

Table 2.4 > **IDPs to be Resettled as at end April 2014**

District	Place	No of Welfare Centers	Total to be Resettled	
			Families	Persons
Northern Province				
Jaffna	Open Welfare Centre	34	1,228	4,410
	With Friends and Relatives	-	4,650	15,355
Sub Total		34	5,878	19,765
Killinochchi	With Friends and Relatives	-	100	296
Vauniya	With Friends and Relatives		434	1,413
Mullaitivu	With Friends and Relatives		60	164
Mannar	With Friends and Relatives		169	421
Total			6,641	22,059
Eastern Province				
Trincomalee	Welfare Centre	3	266	836
	With Friends and Relatives	-	822	2,371
Sub Total		3	1,088	3,207
Batticaloa	With Friends and Relatives		508	1,653
Ampara			-	-
Sub Total			1,596	4,860
Grand Total		37	8,237	26,919

Source: Ministry of Resettlement

The first phase of the resettlement and rehabilitation concentrated on the provision of humanitarian assistance required for the successful resettlement of IDPs. This was achieved through the provision of a package of humanitarian assistance consisting of cash disbursements, and various other support, such as food rations, nonfood relief items, shelter material, agricultural assistance and a cash grant for land preparation. Provision of livelihood assistance to create income generating activities while concentrating on shelter, food security, water and sanitation was also a part of the process. In the second phase, continuation of the above measures was stepped up and concentrated more on the livelihood development. Accordingly, enhanced attention was paid on other areas such as health, education, creation of a supportive environment for agriculture activities by

providing required inputs and services as well as providing necessary equipment and support for sea, lagoon and inland fishing.

Table 2.5 > **Progress of Resettlement Programme**

Item	Description
Total IDPs in Welfare Centers in 2009 (No.)	295,136
Persons to be Resettled as at April 2014	26,919
Resettlement Expenditure by the Government (Rs. Mn.)	6,096

Sources: Ministry of Resettlement and Department of National Budget

2.5 Reconstruction and Development

The resettlement and rehabilitation activities in the Northern Province are complemented

by the reconstruction of social and economic infrastructures that have been devastated due to the conflict. It included a short, medium and long term projects aiming at creating an environment conducive for a decent, peaceful and active life for people in the area with intra and inter-province connectivity. These include the rehabilitation and rebuilding of housing facilities, water supply, sewerage, hospitals, school buildings, roads & rail network, highways, irrigation schemes, bridges and culverts, electricity facilities, administrative buildings, livelihood improvement support, vocational training, and industrial zones to redevelop the entire area.

Under the infrastructure development initiatives, the government has invested Rs. 49.4 billion in 2013. Total cost of the development and welfare activities carried out by the government during 2009-2013 period amounts to Rs. 264 billion.

Table 2.6 > Resources Used in Northern Province Development

Item	Total Amount (Rs. Million)
Welfare of IDPs	23,933
Demining of 1,982 Sq. km. Area	12,174
Resettlement of 295,136 Persons	6,096
Infrastructure Development	221,444
Roads	68,000
Transport	30,701
Electricity	14,762
Water Supply & Irrigation	14,103
Health	20,410
Education	19,561
Housing	11,716
Court Houses	1,110
Agriculture and Fisheries	17,878
Livelihood Development & Other	23,203
Total	263,647

Source : Department of National Budget and Ministry of Resettlement

The government has restored the education system in the North and ensured equal access to education to the students of the Northern and Eastern provinces. The number of schools opened in the Northern province has increased from 840 (in 2010) to 974 (in 2013). The number of students has increased from 239,633 to 249,573 and the number of teachers has increased from 13,402 to 15,251 during the corresponding period. The students/trained teacher ratio of the Northern province is 32 whereas the corresponding national level figure is 31.

There is an increasing trend by the school children in these two provinces too perform significantly better than other provinces at all island public examinations. This is reflected by the securing of the top and third slot in the all island GCE Advanced Level examination performance by students in the Northern and Eastern provinces, respectively. All schools damaged during the conflict have been repaired and rehabilitated.

The highest success rate in performance of school candidates by province (63.9 percent) at GCE Advanced Level 2013 has been recorded from the Northern province. The Eastern province is placed third, with 60.7 percent. The highest success rate in performance of all candidates by province (62.2 percent) has also been recorded from the Northern province. The eastern province is placed fifth, with a percentage of 58.4.

The government has taken measures to ensure access to quality health services to the people in the North. As of January 2014, there is one Teaching Hospital, 04 District General Hospitals, 07 District Base Hospitals, 57 Divisional Hospitals, 33 Primary Medical Care Units, 30 MOH Offices, and 381 Clinic Centers in the Northern province. In 2013, the government opened a fully equipped new three story building complex in the Jaffna Teaching Hospital. The number of Curative Care Institutions and the number of beds per population in the Northern province are 102 and

Table 2.7 > **Sectorwise Provisions to the Northern Province - 2014**

Sector/Project	Consolidated Fund			Rs. mn.
	Foreign Borrowings	Domestic Borrowings	Total	
Education	112	575	687	
Health	345	52	397	
Irrigation	775	750	1,525	
Transport (Including roads, railways)	25,575	4,743	30,318	
Power & Energy	2,433	1,050	3,483	
Water Supply	1,330	485	1,815	
Agriculture (Including fisheries, livestock & fertilizer subsidy)		1,341	1,341	
Small Scale Rural Infrastructure Facilities	14,150	5,250	19,400	
Skill Development	85	100	185	
Public Administration		151	151	
Subsidy Payments (Samurdhi, Thripasha etc.)		1,618	1,618	
Disaster and Other	201	225	426	
Total	45,006	16,341	61,346	

Source: Department of National Budget, Department of National Planning

5,348, respectively. The corresponding figures in the Western province are 149 and 20,955, respectively.



The unemployment rate in the Northern province has declined from 6.1 percent to 5.2 percent and in the eastern province from 15.5 percent to 4.3 percent in the period 2005-2013. The government has taken the initiative to establish a Vocational Training Centre (Sri Lanka - German Training Institute) in the Kilinochchi district with the assistance of GIZ (Total cost of Rs. 1,000 million of which the cost is shared by GIZ and the government of

Sri Lanka) to service the vocational training needs of the entire Northern province with international training certification standard. The Institute, which comes under the Ministry of Youth Affairs and Skills Development, is now under construction and will be completed by 2015.

The food ratio which is one of the principal indicators used to measure living standards of a population, for the Northern and Eastern provinces has declined from 59 percent to 44.8 percent and from 57 percent to 55 percent, from 2009/10 to 2012/13, respectively.

The government is working with an effective coordination mechanism to ensure complementarity of action between relevant partners and stakeholders, including IDPs, in many areas such as the followings;

- Advertisement of de-mined areas and initiatives to resettle
- Land Kachcheri initiative to address land issues
- Systems put in place to accept requests/appeals on land issues

- Work carried out by the local administrative agencies such as the Division Secretariat in resolving land issues and in addressing the grievances
- Conducting of elections in the Northern and the Eastern provinces
- Employment of Tamil speaking police officers
- Recruiting competent people for government service in respective areas
- The work of the government with INGOs and NGOs

2.6 Towards Reconciliation and Development

Following the restoration of peaceful conditions, removal of infrastructure barriers through public investments in power generation, highway network, irrigation and port facilities and corrective actions to adjust the economy in external and market places, the growth of the economy of the Northern Province has accelerated significantly. The Northern province has recorded a Provincial GDP (PGDP) growth rate of 25.9 percent in 2012 contributing to 4.0 percent to the national economy up from 3.4 percent in 2010. The average GDP growth at 25.2 percent in the Northern Province has been much higher than the national average of 16.2 percent from 2010 to 2012 period.

Many positive factors such as resettlement, rehabilitation and reconciliation towards consolidation peaceful environment, improved macroeconomic conditions, revitalized production activity, non-existence of security related barriers, increased use of available land, sustained expansion in tourism and construction, particularly helped increase the production while creating new opportunities for the private sector. In particular, the improvement in import substitution in agriculture and fishery was supported by the enhanced extent of land and sea resources. The new and abandoned lands are being increasingly cultivated in the conflict affected



districts and about 120,921 ha. of land have been brought under cultivation of paddy and other highlands crops during last three years.

The output of fishing, livestock and other field crops also have improved significantly. In particular, the fish production in the districts in North and East, which was increased by 37 percent to 99,190 metric tons in 2011 continued to increase to 154,974 metric tons in 2013. In addition, many industries that were not operative for years are also being revamped. The new prosperity that has been extended to all over the country has boosted the wholesale and retail trade, particularly with the Northern and Eastern provinces, providing more opportunities for people in those areas.

The 14.4 percent expansion in the construction sector in 2013, supported by the 5.3 percent growth in the availability of cement, also a reflection of the impact of peaceful situation on the construction activities throughout the country. The construction activities in the conflict affected areas in restoring railway system, highways, water supply, irrigation, housing, hospitals and school facilities and administrative buildings have boosted construction activities in those areas.

In the services sector, tourism and other services, such as telecommunication and transportation, are being increased thereby supporting the achievement of a higher economic growth. In addition, business

Table 2.8 > **Performance of Development Indicators**

Item	North		East	
	Jaffna, Mullaitivu Kilinochchi, Mannar & Vavuniya Districts		Ampara, Batticaloa & Trincomalee Districts	
	2012	2016	2012	2016
Provincial GDP (Rs Bn)	305	787	474	797
Poverty Head Count Index	12.8	6.9	14.8	2.0
Infant Mortality Per 1,000 live Births	3	1.5	10.7	5.9
Maternal Mortality Ratio per 100,000 Live Births	0.56	0.31	0.53	0.38
Access to Electricity (%)	72	100	80.6	100
Access to Water (%)	89	100	94	100
Sanitation Facilities (%)	77	100	89	100
Houses - Permanent Walls (%)	77	100	89	100
- Roofs (%)	91	100	95	100

Source: Department of Census and Statistics

activities related to banking and finance as well as industries are also being expanded. Since the end of the terrorist insurgency, 431 branches and outlets have been opened by banking and financial institutions reflecting the business progress in the country.

2.7 Promoting National Reconciliation

The Government has implemented several initiatives to promote national reconciliation efforts as well. The Local Government Elections were conducted in 2011 and civil administration setup was strengthened to improve the service delivery and country level. These include a formulation of a Special Integration Policy, National Languages Policy, and Awareness program to respect cultural diversity, religion and communal values. In order to implement these programs at grass route level, key level officials have been attached to District Secretariats and Divisional Secretariats. Mobile services are being carried out to attend needs of vulnerable groups. Language labs are being setup to promote

the skills in both Sinhala & Tamil for public officials and 2,343 language clubs have been established to promote bilingual language skills among the ordinary people.

With regard to the ex-combatants, including child combatants, the government has implemented rehabilitation programs to re-integrate them with the society. 9,568 male ex-combatants and 2,283 female ex-combatants have been rehabilitated since 2009. The progress in the re-integration of Ex-LTTE combatants is given in Table 2.9.

Table 2.9 > **No. of Ex-LTTE Combatants Rehabilitated**

Year	Male	Female	Total
2009	108	116	224
2010	3,589	1,977	5,566
2011	4,495	70	4,565
2012	668	101	769
2013	708	19	727
Total	9,568	2,283	11,851

Source : Ministry of Rehabilitation and Prison Reforms

2.8 Lessons Learnt and Reconciliation Commission (LLRC) – Towards Lasting Peace and Stability

Parallel with the progress in demining, resettlement and reconstruction in the affected areas an independent Commission on Lessons Learnt and Reconciliation (LLRC) was appointed by His Excellency the President in view of looking back at the conflict Sri Lanka has suffered, as well as to look ahead for an era of healing and peace building in the country. The independent eight-person Commission brought together eminent individuals representing all of Sri Lanka's communities. The committee held hearings in Colombo and in former conflict affected areas such as Batticaloa, Jaffna, Kilinochchi, Mannar and Vavuniya. Field visits too were conducted to the region and detention centers where surrendered Tamil Tiger combatants were held. After analyzing over 1,000 oral and 5,000 written submissions it had received, the commission presented its 388-page final report to the President on 15 November, 2011. It was made public on 16 December 2011. The LLRC identified 135 recommendations focusing five major areas; International Humanitarian Law Issues, Human Rights, Land Return and Resettlement, Restitution & Compensatory Relief and Reconciliation.

2.8.1 Implementation of LLRC Recommendations

It is noticeable that, as a result of the high priority given to the Northern and Eastern Provinces, most of the LLRC recommendations had been already implemented through different projects and programmes at the time of the recommendations were issued. Some of the activities covered by recommendations are still being continued under different programmes implemented by the government agencies. Example: Bimsaviya programme-

Ministry of Land and Land Development. Nevertheless, a National Plan of Action (NPA) for implementing of these recommendations was prepared and approved by the Cabinet of Ministers in July, 2012. The implementation responsibility of NPA rests with 19 line Ministries, Presidential Secretariat, Attorney General's Department and the Presidential Task Force for Resettlement, Development & Security in the Northern Province. The NPA has considered 86 recommendations as the most significant and given priority in implementation. However, as per the decision taken by the Cabinet of Ministers in 2013, recommendations were revisited and another 44 articles were included as an addendum. All implementing agencies have combined together and working towards reaching the desired targets in recommendations.

Since 2005, a considerable amount of funds have been spent on activities implemented for rebuilding war affected areas under respective agencies to promote trilingual Sri Lanka, social integration programmes, rehabilitation and resolution of land related issues, providing housing needs and strengthening local authorities and public service in these areas. The steering committee headed by Secretary to the President oversees the methodologies undertaken by the agencies. The implementing agencies are working closely with the Presidential Secretariat and the progress is being monitored regularly.

2.8.2 Implementation Progress of LLRC Recommendations

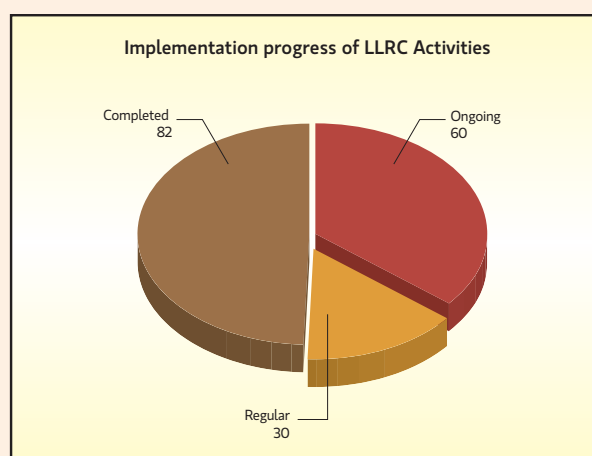
The NPA which comprises of 86 recommendations has identified 172 activities under five thematic areas and for the implementation during 2013 – 2015. The implementation progress of the NPA is recorded and periodically uploaded to the official website of the Presidential Secretariat, www.presidentsoffice.gov.lk and www.piru.gov.lk in all three languages.

Table 2.10 > **Number of Agencies Involved in Implementing LLRC Recommendations**

Focus Area	No. of Recommendations	No. of Agencies Involved	No. of Activities
International Humanitarian Law	7	5	9
Human rights	52	13	67
Land, returns and resettlement	23	5	31
Reconciliation	42	16	56
Restitution and Compensatory Relief	6	4	9

Source: www.presidentsoffice.gov.lk

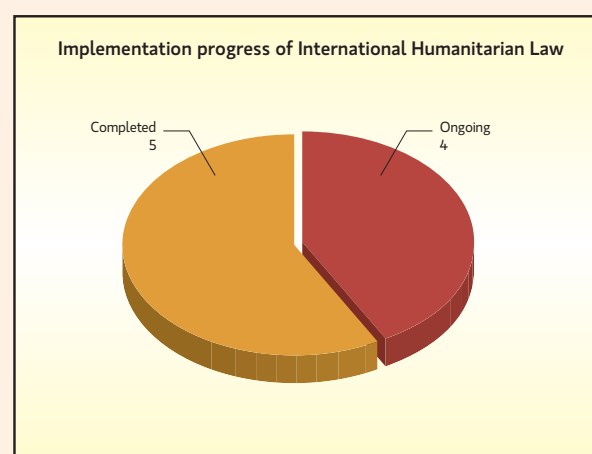
A considerable progress has been observed in the implementation of the activities of NPoA. It is noticeable that, due to a considerable amount of funds have been spent on development activities implemented in war affected areas and on the community since 2005, most of the recommendations of LLRC had already been implemented at the time of recommendations were issued. The accelerated resettlement and rehabilitation activities which reconstructed the social and economic infrastructure in the Northern and Eastern provinces have also complemented to reach the targets set out by the LLRC. In addition, the Provincial Council election held in the Northern Province in 2013 has also



strengthened the civil administration and thereby improve the service delivery at a certain extent.

International Humanitarian Law

The primary aim of International Humanitarian Law area is to “protect the victims of armed conflict and to regulate the conduct of hostilities based on striking a balance between principles of humanity and military necessity”. Seven recommendations have been made under this focus area and 05 government agencies i.e. Presidential Secretariat, Ministries of Defense, Prison rehabilitation and Health, and Departments of Attorney General’s and Census have been involved in the implementation of the recommendation. By the end of 2013, fifty five percent of the activities identified to implement the recommendations were completed.



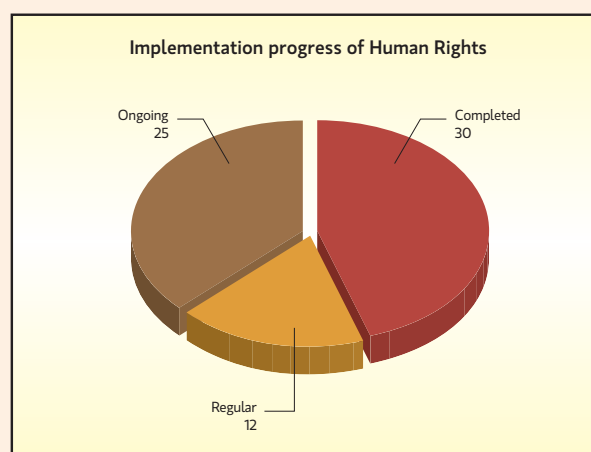
One of the significant achievements in 2013 is implementation of the LLRC Recommendation 9.37b by the Department of Census and Statistics. The recommendation specifies to conduct a professionally designed household census covering all affected families in all parts of the country to ascertain the scale and circumstances of deaths and injury to civilians as well as damages to property during the period of conflict.

Even though it was a challenging exercise, as many of the war affected persons had already spread through the country, the necessary efforts were taken in time. Accordingly a census was carried out to collect data on deaths/disappearances/injuries/disabilities and property damages that have occurred from 1982 until the date of enumeration as a direct or indirect result of the internal conflicts in the country.

More than 15,000 enumerators were deployed to collect information from about 5.3 million residential units in 14,022 Grama Niladhari Divisions of the country. Enumeration activities were conducted throughout the country between 27 November to 20 December 2013.

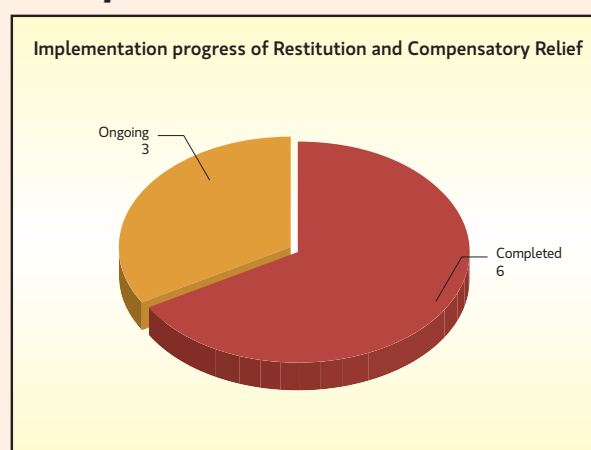
Human Rights

Considering the alleging of the violation of fundamental rights and freedoms of people affected by the conflict, 52 recommendations have been made by the Commission. Accordingly, 27 government agencies have combined together to implement 67 activities to achieve the desired results. However, it has been noted that, in certain instances implementation of some activities such as implement livelihood / self employment projects, strengthen women etc. cannot be framed in to a clear time period as they are being implemented on regular basis. By the end of 2013, 45 percent of activities on human right thematic area were completed while 37 percent are ongoing. The balance is implemented on regular basis.



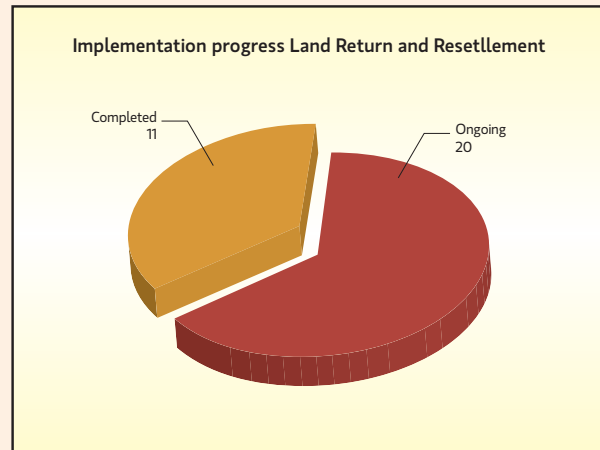
Restitution/Compensatory Relief

The objective of these recommendations is to ensure that the persons who suffered loss/damage due to terrorist violence and operations of the Government Security Forces have access to compensatory relief within a reasonable timeframe. The Commission has recommended six articles. Accordingly, four government agencies have involved in the implementation of nine activities. Of them, six activities were completed by 2013, while the balance three were in progress.



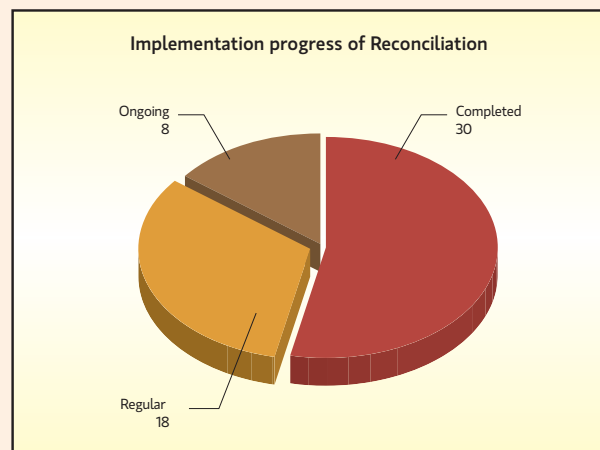
Land Return and Resettlement

The objective of this recommendation is to ensure the land rights, especially among the returning IDPs, which would significantly contribute to restoring normalcy and promoting reconciliation. Twenty three (23) recommendations were proposed and 31 activities have been identified for this purpose. Of them, 11 activities were completed and 20 activities are in the process of implementation.



Reconciliation

Fourty eight Recommendations were made to remedy the issues that were of concern to persons who have been either directly or indirectly affected due to the conflict. Accordingly, 56 activities were identified to implement through 23 government agencies. The areas of concern are basically, resettlement, livelihood issues, the difficulties experienced by the public due to the long period of displacement during the conflict, shelter, education, health, transport facilities, concerns of vulnerable persons such as widows, disabled persons, children and elderly persons, compensation, establishment of civil administration etc.



Recognizing the need and urgency of the achievement of desired results through the LLRC recommendations, in 2013, the government has invested Rs. 10,138 million among 13 line agencies to implement the activities related to the articles of the LLRC.

Table 2.11 > **Investments Made by the Government Relating to Activities Identified in the Articles of the LLRC in 2013**

Implementing Agency	Financial Progress (Rs. Mn)	Progress/Activity
Presidential Secretariat	7	<ul style="list-style-type: none"> Conducted a study to ascertain whether practices infringe on legal rights to acquire land and steps have been taken to remove infringements, if exists any. Effective implementation of the policy on land use is ensured. Finalization of activities relating to setting up of 4th Land Commission is underway.
Ministry of National Languages and Social Integration	124	<ul style="list-style-type: none"> Formulated a Road Map for the effective implementation of the Language Policy. Preparation of Language Plan according to the Language Guide Book is in progress. 14 Model Sites were established island wide 14 Model Sites were established island wide (07 local authorities, 03 hospitals, 03 Police Stations and a Divisional Secretariat) and the Ministry conducted field observations in 03 Model Sites with a view to further strengthen them.
Ministry of Resettlement	142	<p>Community development activities were carried out among the newly resettled IDPs in following manner.</p> <ul style="list-style-type: none"> Sanitary facilities were improved in 1600 families Water facility has been given by constructing 40 dug wells Housing were given in Vali Oya area for 500 families
Ministry of Rehabilitation and Prison Reforms	253	<ul style="list-style-type: none"> Any person affected by shells and had applied to the REPPIA for compensation has been granted redress. Implemented programmes for detainees and rehabilitees in collaboration with several private sector organizations Provided compensation for 2613 persons who damaged / lost their lives, and properties during the conflict.
Ministry of Land and Land Development	40	<ul style="list-style-type: none"> Formulated a Policy to deal with the issue of settlements. Conducted a study to ascertain whether practices infringe on legal rights to acquire land and steps have been taken to remove infringements, if any exist. Effective implementation of the policy on land use is ensured. Finalized activities relating to setting up of 4th Land Commission is underway.
Ministry of Sports	287	<ul style="list-style-type: none"> Development of sports in the former conflict areas is actively promoted. Selected rehabilitated ex-LTTE members are trained in various national sports in cooperation with National sporting institutions. Such sports include cricket, football, volleyball, hockey, athletics and swimming. Sports infrastructure is also developed through construction of the Duraipappah Sports ground, Provincial Sports complex in Kilinochchi, District Sports Complexes in Batticaloa and Mannar.
Ministry of Education	1,939	<ul style="list-style-type: none"> Secondary school education curriculum has incorporated Human Rights Education. Supplementary curriculum material on Human Rights is also being developed.
Departments of Census	47	<ul style="list-style-type: none"> A professionally designed household census covering all affected families in all parts of the island was carried out to ascertain first hand the scale and circumstances of deaths and injury to civilians as well as damages to property during the period of conflict.
Ministry of Health	8	<ul style="list-style-type: none"> Inter-Ministerial Committee established and coordinates work carried out separately by stakeholder line Ministries to ensure that the needs of the target groups are met in a comprehensive manner, without duplication, and that gaps are filled through timely interventions. The status of women, children, elderly and other vulnerable groups is monitored by each stakeholder agency

Implementing Agency	Financial Progress (Rs. Mn)	Progress/Activity
Ministry of Child Development and Women's Affairs	47	<p>Engaged in protection, livelihood and care giving activities for children and women in war affected areas and plantation community in following manner.</p> <ul style="list-style-type: none"> • Provide livelihood assistance for 300 women headed families • Provide training and awareness for 1400 women • Improved 40 preschool and child development centers
Ministry of Social Services	87	<ul style="list-style-type: none"> • Detainee status has been reviewed and facilitated according to their special requirements. • Act No. 28 of 1996 "Protection of the Rights of Persons with Disabilities" has been amended to recognize all the rights of persons with disabilities in accordance with the UN Convention; • An Election Special Act of 2011 was enacted to make provision for a disabled voter to be accompanied by another person during voting; • "Accessibility Regulations No. 1 of 2006", providing additional facilities to persons with disabilities is in operation; • Provided assistive devices such as artificial limbs, wheel chairs etc. for 118 reintegrated rehabilitees.
Ministry of Youth Affairs and Skills Development	90	<ul style="list-style-type: none"> • Civil Society is encouraged to engage in community development at the grass roots level to help IDP communities (in collaboration with Ministry of Resettlement and Ministry of Child Development & Women's Affairs) • A fully fledged Sri Lanka -German Training Institute (SLGTI) is being established in Kilinochchi district with the assistance of the Government of Germany to cater to needs of people, including those affected by the war. • Established 8 feeder training centres in Northern Province. • Completed Mannar Technical College.
Ministry of Economic Development	7,067	<p>Following activities which covers the article 9.80, 87, 98, 99, 103, 105, 143 of LLRC have been carried out to extend the livelihood opportunities for IDP families through major development projects implimented wich are being in North and East.</p> <ul style="list-style-type: none"> • Completed 61,553 small scale water supply projects. • Completed 9,426 km of road constructions • Provided 283,087 livelihood opportunities • Provided financial support to 85,961 persons for livelihood development • Completed 114 minor irrigation projects • Completed 396 rural bridges & culverts • Formed 3,562 Community based organizations • 147,548 Mt of essential food items distributed among displaced and returnee households
Total	10,138	

Source: www.presidentsoffice.gov.lk and relevant line ministries

03

REFORMS

3.1 Overview

In the context of Sri Lanka consolidating as a rapidly developing middle income country, the Government in 2013 continued to address the concerns of the still vulnerable areas to further diversify the economy in terms of Mahinda Chinthana: Vision for the Future - the Development Policy Framework of the Government. Several reform measures were witnessed in power and energy, banking and finance, public financial management, legal and judicial and ICT spheres, facilitating to well position Sri Lanka in the challenging and competitive global economic environment.

In the real economy, the Government undertook to reshape its policy on the alienation of land to ensure the productive use of natural resources. Human resources being a salient component that facilitate development, continuous emphasis was placed on education and skills development. Since mobility of labour has become the order of the era, emphasis was also placed to promote skills and professional competencies by creating the desired flexibility through legal and regulatory measures. Earnings of professionals were given tax incentives to minimize brain-drain. A concerted effort was made by the Government to strengthen State Owned Enterprises,

in particular the State Owned Business Enterprises to groom them to be 'budget independent' and play a complementary role to Government's continued efforts towards fiscal consolidation in order to lower the Budget deficit and achieve a rapid growth in investment and development. The Government continued its emphasis in providing critical infrastructure such as power and energy, water and irrigation, ports, roads etc. in the real sector and banking, insurance and leasing in the financial sector.

The South Container Terminal under the Colombo Port Expansion Project was declared opened in August 2013 marking the successful completion of a flagship private public investment in Asia, to strengthen country's advantage in the global shipping route. A never before witnessed landscape change was seen in the area of infrastructure development with the opening of the Colombo-Katunayake Expressway in October 2013. Further, a Framework Agreement was signed in May 2013 for the construction and operation of the Northern Expressway to enable a faster connectivity between the North of Sri Lanka with the South.

The policy direction was spelt out on the need to proceed with consolidations in the banking



South Container Terminal under the Colombo Port Expansion Project was built by China Merchant Holdings



Colombo - Katunayake Expressway
The Gateway to Sri Lanka

and non-banking sectors. Recognising the need to maintain a predictable and stable economic environment, continuous improvements were made in the areas of best practices and corporate governance. The revision of Government Financial Regulations (FRs) also made progress in 2013, since its last revision in 1992, towards simplifying and updating the FRs to meet contemporary demands. The introduction of ICT systems to automate the processes of the Inland Revenue Department and the General Treasury also marked several breakthroughs and agreements for the introduction of an Integrated Treasury Management Information System and a Revenue Administration Management Information System were signed respectively, in August 2013 and May 2014. While the Public Service took the lead in providing universal access to education, health, social security and welfare, the Government continued with its commitment to go beyond Millennium Development Goals (MDGs) to reach a poverty free country situation.

Inclusive development being the foundation on which Government's Development Policy Framework is based upon, measures were taken to boost the performance of SMEs while integrating them with the upstream corporate economy as well as with the downstream household economy. Underscoring these, the Government intensified multifaceted reform initiatives to transform Sri Lanka as an upper middle-income economy by 2015, while also endeavoring to connect with an aspirational society.

Human Development Report United Nations Development Program

The Human Development Report 2013 (HDR 2013) published by the United Nations Development Program (UNDP), titled 'The Rise of the South: Human Progress in a

Diverse World' examines the profound shift in global dynamics driven by the fast-rising new powers of the developing world and its long-term implications for human development. It has analysed more than 40 developing countries that have made striking human development gains in recent years and has attributed their achievements to some strong national commitments: better public health and education services, innovative poverty eradication programs and strategic engagement with the world economy.

According to the Human Development Index (HDI) monitored annually by the HDR, Sri Lanka is in the high human development category with a HDI ranking of 0.715 against the global average of 0.694, ranking 92nd position out of 186 countries in 2012 improving from its 97th position in 2011. Sri Lanka has the highest level of Human Development among SAARC countries and is in fact the only SAARC country in the high development group. Sustained investments on education, health, livelihood support programs including Divineguma, Samurdhi and agricultural subsidies and high investments on infrastructure development are attributable for this achievement.

Multidimensional Poverty Index (MPI)

According to the Multidimensional Poverty Index (MPI) which identifies multiple deprivations at the individual level in 3 dimensions; education, health, and the standard of living, the percentage of multidimensionally poor people in Sri Lanka has dropped. In fact it has recorded a sustained drop from 3.9 percent in 2006/07 to 2.7 percent in 2009/10, and to 1.9 percent in 2012/13 (HIES preliminary results), due to the drop in child mortality and improved nutrition, schooling, access to safe drinking water, sanitation, housing assets etc. This is attributable to continuous public investments made to address poverty from a multi dimensional perspective.

Networked Readiness Index (NRI) World Economic Forum and INSEAD

According to the Networked Readiness Index (NRI) which measures the propensity for countries to exploit the opportunities offered by information and communications technology, published in the 'Global Information Technology Report' (GITR) of the World Economic Forum and INSEAD, Sri Lanka in relation to 2013 is ranked 76th. Although Sri Lanka and India have dropped in their rankings: Sri Lanka from 69th place to 76th, a fall of seven places, being overtaken by countries such as South Africa, Indonesia and Thailand: India has dropped from 68th to 83rd place. Philippines, which is a BPO powerhouse has advanced from 86th place to 78th, ahead of India, but behind Sri Lanka. What is noteworthy is that Sri Lanka ranks first in South Asia for the first time in history, seven (7) places over India.

France's COFACE Sri Lanka among 10 Emerging Countries Hot on Heels of BRICS

Sri Lanka has been identified as one of the 10 emerging countries Hot on Heels of BRICS, a grouping acronym that refers to Brazil, Russia, India, China and South Africa. COFACE which is a worldwide leader in credit insurance with presence in over 66 nations, has identified Sri Lanka as one of the 10 "new emerging" countries, while noting that these countries are not the same in terms of their business environment. COFACE has noted Sri Lanka as a country possessing a strong potential confirmed by a sound business environment on par with Colombia, Indonesia, Peru and the Philippines.

Index of Economic Freedom 2013 published by Wall Street Journal and the Heritage Foundation, Best in the Region for Economic Freedom

The Index of Economic Freedom 2013 published by Wall Street Journal and the Heritage Foundation, has ranked Sri Lanka at 81st out of 185 countries which is an improvement of 16 places, with Hong Kong at 1st, Singapore 2nd, Malaysia 56th, Thailand 61st, Philippines 97th, Indonesia 108th, India 119th, Pakistan 121st and Bangladesh 132nd. The index covers 10 measures of economic openness, regulatory efficiency, the rule of law and competitiveness. Sri Lanka has got an overall score of 60.7 - an improvement over 2012 which was 58.3.

Global Competitiveness Index Sri Lanka among 20 countries in transition from Stage 1 to Stage 2

Sri Lanka has moved up three places to number 65 out of 148 countries in the 2013/2014 Global Competitiveness Index compiled by the World Economic Forum with Singapore being Asia's best. Sri Lanka is among 20 countries which are in transition from Stage 1, Factor Driven economies (competing on factor endowments - primarily unskilled labour and natural resources) to Stage 2, Efficiency Driven economies (when countries begin to develop more efficient production processes and increase product quality where competitiveness become increasingly driven by higher education, training, efficient goods and labour markets etc.) The Global Competitiveness Index assesses the ability of countries to provide high levels of prosperity to their citizens which in turn depends on how productively a country uses its available resources. This index measures the set of institutions, policies and factors that set the sustainable current and medium term levels of economic prosperity and integrates the macroeconomic and micro business aspects of competitiveness into a single index.

Ease of Doing Business Index 2014 World Bank

In the Ease of Doing Business Index - Sri Lanka is ranked 85th among 189 countries considered for the Doing Business analysis in 2014 on the year 2013. Even though the position of Sri Lanka has come down by 2 places compared to 2012, a closer scrutiny reveals that there are positive developments in several areas when compared with last year's indicators particularly in getting electricity, dealing with construction permits, paying taxes and trading across borders. This report is also an eye opener which reminds that if we remain complaisant or static, other countries are bound to surpass, pushing us behind.

Positives include:

- Starting a business is easier and more expeditious since the processes has been computerized, enabling the obtaining of registration numbers as members of the Employees' Provident Fund and Employees' Trust Fund.
- Registering a property is faster with the introduction of an electronic system at the Land Registry - Colombo.
- The Secured Transactions System has been strengthened by establishing an electronic, searchable collateral registry and by issuing regulations on its operations.
- Time taken to process exports has been reduced with the improvements done to the ASYCUDA World electronic data interchange system at Customs.

Table 3.1 > **The Overall Ranking of Sri Lanka
in the 'Ease of Doing Business' (out of 189 economies)**

Doing Business 2014 Rank	Doing Business 2013 Rank	Change in Rank
85	83	-2
Doing Business 2014 DTF (% Points)	Doing Business 2013 DTF (% Points)	Improvement in DTF (% Points)
61.83	60.87	0.96

Source: Compiled by the Ministry of Finance and Planning

Table 3.2 > **Rankings of Sri Lanka by Topic**

Topics	2013 Rank	2014 Rank	Change
Starting a Business	47	54	-7
Dealing with Construction Permits	116	108	8
Getting Electricity	107	91	16
Registering Property	136	145	-9
Getting Credit	71	73	-2
Protecting Investors	51	52	-1
Paying Taxes	175	171	4
Trading Across Borders	54	51	3
Enforcing Contracts	136	135	1
Resolving Insolvency	51	59	-8

Source: Compiled by the Ministry of Finance and Planning

3.2 Taxation

Since the Government ventured on to harmonize and rationalize taxes particularly from the year 2005 in line with its Development Policy Framework, Sri Lanka is in the fourth year of sustained tax reforms to ensure clarity, consistency and continuity in the tax regime since the release of the Final Report of the Presidential Commission on Taxation in 2010. The thrust of tax reforms, introduced in Budget 2011 and further consolidated in 2012 and 2013 was to create a simple and broad based tax regime to be able to generate a buoyant growth in Government revenue, to create an enabling environment for investment and promote rapid growth in the economy, with equity.

Key Tax Reforms

- simplifying the tax structure having done away with multiple taxes, such as Regional Infrastructure Development Levy, Debit Tax and Social Responsibility Levy
- harmonizing the Board of Investment and Inland Revenue tax regimes on the basis that strategic investments would be dealt with as per the provisions of the Strategic Development Projects Act No. 14 of 2008 and all other investments would be dealt with under the Inland Revenue Act No.10 of 2006
- streamlining tax holidays into three categories, small and medium enterprises, large enterprises and strategically important import replacement enterprises
- simplifying the personal income tax structure to bring it on par with countries having low tax regimes in the Asian region
- reducing applicable marginal tax rates with the maximum marginal rate for personal income tax being reduced to 24 percent with fewer tax brackets and a high threshold to exclude low income people from having to pay tax
- reducing the maximum rate of income tax applicable on employment income of professionals to 16 percent
- introducing a single corporate income tax rate of 12 percent in respect of emerging sectors and a single rate of 28 percent for other sectors, while allowing provisioning for traditional expenditure on depreciation and research and development
- introducing a 40 percent income tax on liquor, cigarettes and gaming.
- incentivizing export oriented sectors by reducing their income tax rate to 12 percent
- making the Pay-As-You-Earn (PAYE) Tax a final tax, while extending PAYE tax to Government sector employees
- imposing an all inclusive 5 percent levy on the gross collection of activities of Betting and Gaming on a monthly basis in lieu of multiple taxes.
- increasing the annual levy payable for tax purposes by operators involved in the business of gaming from Rs. 50 Mn. to Rs. 100 Mn.
- requiring the registration of gaming activities with the Inland Revenue Department to ensure tax compliance
- unifying the VAT rate at 12 percent including VAT on financial services, and modifying the VAT system to avoid complexities/ cumbersome refunds by introducing a Simplified VAT (SVAT) system, addressing cash flow and refund issues of exporters
- extending VAT that was applicable to wholesale trade to retail trade with a quarterly turnover not less than Rs. 250 Mn. with the value of exemptions being limited to 25 percent of total supplies, thereby removing the cascading effect of VAT while broadening

the tax base and removing loopholes that made large scale revenue leakages possible

- granting incentives to encourage relocation of global/regional business headquarters
- granting incentives in relation to construction of residential units by professionals
- granting incentives to unit trust companies, listed corporate entities, internal and corporate debt securities, and the introduction of municipal bonds to deepen the Capital Market
- granting tax holidays to those who cultivate renewable energy crops, to encourage the use of renewable energy sources
- granting concessionary income tax rates for the operation of mini hydro power projects and permitting income tax deductions on the purchase of energy saving equipment to reduce upfront costs
- granting a series of incentives to companies and individuals to encourage repatriation of earnings in foreign countries
- simplifying NBT having reduced the rate and extending NBT to wholesale and retail levels having amalgamated Provincial Turnover Tax of related sectors with a revenue sharing mechanism between the Central Government and Provincial Councils to compensate the effects of abolition of Turnover Tax at provincial level
- increasing the threshold of the annual turnover for VAT and NBT to Rs.12 Mn. with a view to facilitate the SME sector and to make the tax administration more effective and efficient having reduced a large number of small tax payer files
- NBT which is 2 per cent but has a far greater penetration to all sectors of the economy

compared to VAT, was extended to retail and banking sectors, to further broaden the tax base

- introducing new measures to promote domestic value additions and simplifying the administration of trade related taxes at the point of Customs
- Custom Duty was brought into a 4 band tariff structure i.e. 0, 7.5, 15 and 25 percent
- Custom Duty and CESS exemptions were extended to raw material and machinery
- introducing a low tax regime for intermediary goods that are necessary for local value adding industries
- introducing a CESS on products where Sri Lanka has a comparative advantage to create fair competition
- introducing high tax rates on exports in raw form to encourage domestic value addition
- introducing a composite Telecommunication Levy having removed VAT, NBT, Environment Conservation Levy and Mobile Subscribers' Levy
- most of the essential consumer items were brought under a single tax called Special Commodity Levy, in place of multiple taxes such as PAL, NBT, VAT, Customs Duty and CESS to simplify taxation of such commodities imported by small scale traders
- establishing a Tax Interpretation Committee to streamline Tax interpretations while taking away the possibility for arbitrary/*ad hoc* interpretations
- establishing a Tax Appeals Commission to ensure that a structured and autonomous entity would hear tax appeals

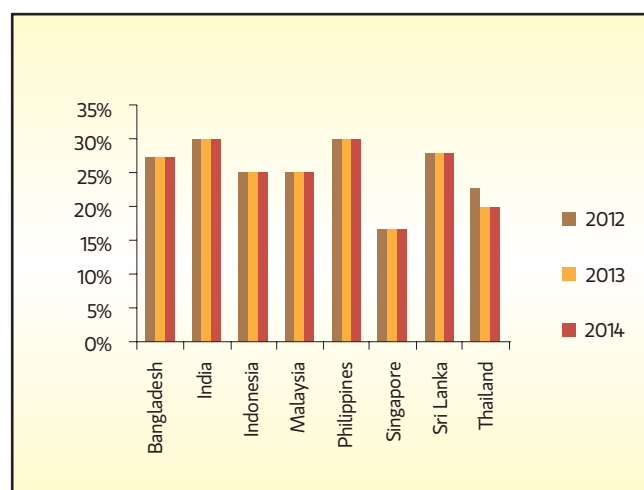
- introducing Default Taxes (Special Provisions) Act No. 16 of 2010 to provide for a streamlined and speedier process for the recovery of taxes in default in a time bound manner to make provision to be able to write-off taxes in default as specified in the Act, so that taxes in arrears could be maintained within reasonable limits in the future and officials responsible for the collection of taxes could be made more accountable
- amending the Customs Ordinance to enable importers/ exporters to appeal to the Director General of Customs on matters relating to imposition or exemption of Customs Duty, on the applicability of conditions or exemptions, on clarifications relating to the description of goods etc. with a right to appeal to the Tax Appeals Commission
- amending the Strategic Development Projects Act to enable the grant of full or partial waivers to projects falling under its purview and to broaden the coverage of the Act
- granting concessions to promote and encourage investments in entrepot trade, off-shore businesses and in the provision of front end services to manufacturers abroad
- exempting income from services rendered for which payments are received in foreign currency from having to pay income tax.

From a regional perspective, compared to other countries in the Asian region such as India, Indonesia, Malaysia, Philippines, Thailand and Bangladesh, Sri Lanka has been successful in maintaining low corporate and personal income tax rates at a maximum of 28 percent and 24 percent respectively, being among the most competitive tax regimes in the Asian region. The only other country that has comparable lower income tax rates is

Hong Kong where the tax system is based on the source principle of taxation as opposed to Sri Lanka and several others in the region that practice the residence principle of taxation. This low tax rate regime has been maintained while also applying a maximum income tax rate of 12 percent to emerging sectors of the economy

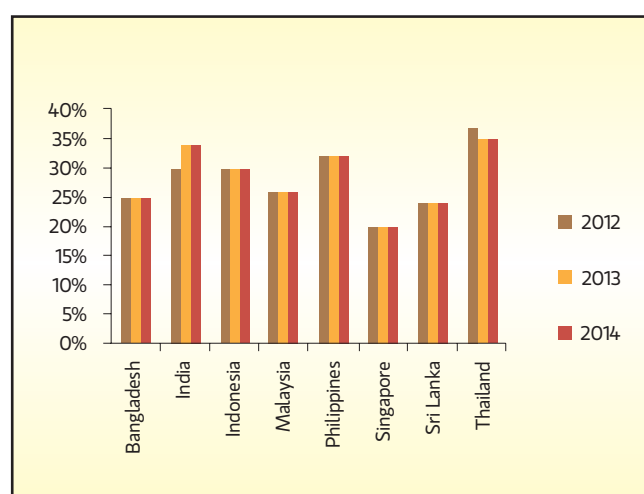
A Regional Comparison

Corporate Income Tax Rates



Source: Compiled by the Ministry of Finance and Planning

Personal Income Tax Rates



Source: Compiled by the Ministry of Finance and Planning

Sri Lanka has been successful in maintaining low corporate and personal income tax rates at a maximum of 28 percent and 24 percent respectively, being among the most competitive tax regimes in the Asian region.

such as exports, tourism, construction, agriculture and the SME sectors in a bid to continue to promote the growth of these sectors.

In relation to tax administration, the Inland Revenue Department is going through institutional reforms, both in terms of manpower and technology advancements. A Revenue Administration Management Information System is being implemented to automate the processes of the Inland Revenue Department. The agreement to proceed with the automation was signed in May 2014.

Between 2010 - 2014 double taxation avoidance agreements have been signed by the Inland Revenue Department for and on-behalf of the Government of Sri Lanka with Seychelles, Luxembourg, Palestine, India and Belarus. Discussions were initiated in October 2013 with Oman towards signing an Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion. Negotiations to revise the existing agreement with Singapore which was signed in 1979, commenced in October 2013.

Tax Interpretation Committee

A committee for the interpretation of tax laws was appointed in April 2011 in terms of the Inland Revenue Act No. 10 of 2006. This was to ensure consistency, credibility and transparency in the tax administration, while taking away the discretionary powers till then held by individual officers of the Inland Revenue Department, on interpretations. The committee is headed by a Senior Deputy Commissioner General of the Inland Revenue Department. As announced in Budget 2013, a time bar of 6 months was introduced to conclude an interpretation.

The Committee has dealt with 108 requests through interpretations out of 241 requests referred till end 2013. The unattended number denotes requests pertaining to which further information has been requested by the Committee, requests that cannot be dealt with in terms of the mandate of the Committee and new cases that have been referred. What is notable is that most interpretations have been sought in relation to Income Tax exemptions and on the liability to pay VAT. Once an interpretation is given, it is circulated among relevant officers of the Inland Revenue Department so as to ensure uniformity in application.

Table 3.3 > **Progress of Tax Related Interpretations (01.01.2013 - 31.12.2013)**

Tax Type	Area	No. of Cases dealt	Cases Pending
Income Tax	Exemptions	10	
	Liability of Income Tax	4	
	Ascertainment of Profits and Income (Allowably of Deduction) and Deductions from Statutory Income	8	
	Employment Income	9	
	WHT on Debt Securities	8	
	Dividend	4	
	Rental Income	1	
	Qualifying Payments	1	
	Application for concessionary rates	9	
	Reduction or waiver of penalties	1	
	Definitions	3	
	Sub Total	58	62
VAT	Exemptions	3	
	Liability for VAT	10	
	Zero rated Supplies of a company	6	
	Deferment Facility on imports	2	
	Investment Fund Account	2	
	Set-off of Input Tax	1	
	Sub Total	24	32
NBT	Exemptions	1	
	Liability for NBT	8	
	Definitions and computation of liable turnover	8	
	Sub Total	17	22
Stamp Duty	Exemptions	1	
	Liability on share certificates on transfer or issue of shares	5	
	Sub Total	6	7
ESC	Computation of liable turnover	2	
	Sub Total	2	2
Betting & Gaming Levy	Liability for B & G Levy	1	
	Sub Total	1	0
PAYE	Sub Total		8
	Total	108	133

Source; Tax Interpretations Committee

Default Tax Recovery Unit

Default Taxes (Special Provisions) Act, No. 16 of 2010 introduced a streamlined and speedier process for the recovery of taxes in default in a time bound manner and to write off taxes that

have been in default for a long period of time in certain circumstances. Having compiled a register containing data of all taxes in default, the Default Tax Recovery Unit of the Inland Revenue Department was made operational in 2013.

Table 3.4 > **Progress of Recovery of Default Taxes (2011 - 2013)**

					Rs. Mn.
Year	Cash Collected	Refund Setoff	Credit Given ESC etc.	Discharged	Total
2011	79.7	-	-	1,240.7	1,320.4
2012	252.6	477.8	434.6	33,208.6	34,373.6
2013	374.9	337.5	1,409.9	25,293.7 ¹	27,416.0

Source: Inland Revenue Department

¹ Discharges, Error Corrections, Journal Transfers and Versions issued

Table 3.5 > **Outstanding Taxes in Default (as at 31.12.2013)**

					Rs. Mn.
Description	Government Institutions & Co-Operative Societies	Unidentified Taxes	Uncollectible Taxes	Others	Total
Default Taxes transferred to the Unit during the Year 2011	40,228.9	5,551.2	-	95,145.1	140,925.2
Reduction of arrears up to 31.12.2011	-	-	-	(1,320.5)	(1,320.5)
Balance as at 01.01.2012	40,228.9	5,551.2	-	93,824.6	139,604.7
Default Taxes transferred to the Unit after 01.01.2012	-	360.0	-	194.9 ¹	554.9
Identified uncollectible taxes during the year 2012	-	-	108.7	(108.7)	-
Transferred to branches	-	-	-	(18,142.5)	(18,142.5)
Reduction of arrears up to 31.12.2012	(4,949.5)	-	-	(11,281.6)	(16,231.1) ²
Balance as at 01.01.2013	35,279.3	5,911.2	108.7	64,486.7	105,785.9
Identified uncollectible taxes	-	-	-	-	-
Transferred to branches	-	-	-	(5,537.8)	(5,537.8)
Reduction of arrears up to 31.12.2013	(6,376.6)	(5,911.2)	-	(9,590.5)	(21,878.3) ²
Balance as at 31.12.2013	28,902.8	-	108.7	49,358.4	78,369.8

Source: Inland Revenue Department

¹ Penalty on Incorrect Returns+WHT+IT(Regional),

² Cash Collected, Journal Transfers, Refunds, Set-offs, Credit Given, Error Corrections, Discharges, Versions Issued

3.3 Revamping the Land Policy

Further to the announcement made in the Budget 2013, alienation of land to foreigners, is prohibited as from 01.01.2013. Accordingly instructions were issued to the relevant agencies as approved by the Cabinet of Ministers on the proposed restrictions.

The Restrictions on Alienation of Land (Special Provisions) Bill, is due to be submitted to Parliament shortly having addressed various concerns expressed by line agencies such as the Urban Development Authority (UDA), Board of Investment (BOI), the Land Commissioner General's Department, several Foreign Missions and investors. The salient features of the proposed Bill are broadly based on the following;

Transfer of Land

Exempted Persons/Categories

A transfer of land is permitted;

- to a Diplomatic Mission
- to a Dual Citizen
- as approved by the Minister of Finance/ Land, with Cabinet approval;
 - to any foreign entity engaged in Banking, Finance, Insurance, Maritime, Aviation, Advanced Technology or Infrastructure Development, that satisfies Strategic Development Project objectives
 - to any foreign entity involved in international operations to locate or relocate its global or regional operations or to setup a branch office
- to a Licensed Commercial Bank, Finance Leasing Institution, to give effect to an execution of a decree of court etc.
- in view of a Cabinet Decision taken prior to 01.01.2013 in relation to a Foreign Direct Investment
- in terms of intestacy to a next of kin, in terms of a testamentary disposition etc.
- of a Condominium Property on or above the 4th floor.

Lease of Land

15 percent Land Lease Tax

A lease is possible up to 99 years and will attract a Land Lease Tax of 15 percent, unless the Lease is to any person/category exempted or to whom a lesser rate is applicable.

Reduced Land Lease Tax

A reduced rate is applicable if the lease;

- is to a company incorporated in Sri Lanka under the Companies Act, in which the foreign shareholding is 50 per cent or above, which company has been operating in Sri Lanka for a consecutive period of not less than 10 years, immediately prior to the date of the Lease
- is to a subsidiary of a company (parent company) incorporated in Sri Lanka under the Companies Act, in which the foreign shareholding of the parent company is 50 percent or above, if the parent company has been operating in Sri Lanka for a consecutive period of not less than ten years, immediately prior to the date of the lease, provided the parent company shareholding in the subsidiary is 50 percent or above. However, if the parent company shareholding reduces to below 50 percent, a 15 percent tax shall become applicable
- is of a Condominium Property, situated on or above 4th floor where the duration of the lease is for a short tenure
- is of a Condominium Property, situated below the 4th floor, up to a maximum period of 99 years
- is of a land situated in;
 - an area declared under the Board of Investment of Sri Lanka Act No. 4 of 1978.
 - a Tourist Development Area declared under the Tourism Act No. 38 of 2005 or Tourist Development Act No. 14 of 1968
 - an Industrial Estate established under the Industrial Development Act No. 36 of 1969
 - any other area declared by law as an area in respect of which similar exemptions are applicable.

No Land Lease Tax

If the Lease;

- is to a Diplomatic Mission
- is to a Dual Citizen
- is approved by the Minister of Finance/ Land with the approval of the Cabinet of Ministers;
 - to any foreign entity engaged in Banking, Finance, Insurance, Maritime, Aviation, Advanced Technology or Infrastructure Development, that satisfies Strategic Development Project objectives
 - to any foreign entity involved in international operations to locate or relocate its global or regional operations or to setup a branch office
- is of a land situated within a Bonded Area or a Free Port
- is in terms of a Cabinet Decision taken prior to 01.01.2013 in relation to a Foreign Direct Investment
- is that of a Condominium Property on or above 4th floor where the duration of the lease is for a long tenure.

3.4 ICT Initiatives**Introducing/ Improving Revenue Related ICT Networks****Revenue Administration Management Information System (RAMIS)**

A successful bidder could not be secured to implement a RAMIS after having followed the International Competitive bidding process through the Fiscal Management Efficiency Project (FMEP), the reform arm of the MOFP facilitated by the Asian Development Bank (ADB)¹. With the approval of the Cabinet of Ministers, discussions were initiated with the Ministry of Finance of the Singapore Government seeking assistance to implement a RAMIS on a Government to Government basis using government funds and a MOU was signed in June 2013 to introduce a Revenue

Administration Management Information System (RAMIS) at the IRD of Sri Lanka.

As reflected in the MoU IDA - International Pte. Ltd (IDA-I), a fully owned subsidiary of IDA, being the Singapore Government's execution arm for collaborations with overseas Governments on ICT Projects, submitted a proposal in August 2013.

The Cabinet Appointed Procurement Committee (CAPC) and the Project Committee (PC) having conducted a detailed technical evaluation of the proposal submitted by IDA-I, concluded the evaluation process in November 2013, deciding that the solution proposed by IDA-I, is technically acceptable and fulfills the requirements of the Inland Revenue Department. A further Due Diligence process was carried out in November 2013 by the Commissioner General and a Core Committee of the IRD by visiting the Inland Revenue Authority of Singapore and it was concluded that IDA-I and its nominated subcontractors have the capability and required experience to undertake the implementation of RAMIS at the IRD.

Negotiations that started in January 2014 to finalize the work scope of RAMIS, the Terms of Contract etc. for the Supply, Delivery, Installation, Commissioning and Warranty of Application Software, System Software and Supporting IT Infrastructure, were concluded in March 2014.

The related agreement was signed in May 2014. RAMIS is expected to go-live by September 2015 taking around 16 months to automate major taxes such as Value Added Tax (VAT), Corporate and Non-Corporate Income Tax and the Nation Building Tax (NBT). It is expected that within a further period of 12 months the system will automate the other taxes administered by the IRD.

The time that would have to be spent for the introduction of RAMIS has been substantially

¹ The loan component allocated to FMEP was duly withdrawn by the ADB following the process generally adopted in such situations.

reduced since the Local Area Network (LAN) covering the Inland Revenue Head Office and the Wide Area Network (WAN) connecting the IRD Head Office with its islandwide branch network which provides the backbone for the RAMIS had been already completed by the FMEP, facilitated by the Asian Development Bank.

Further, the state-of-the-art Data Centers which have been already setup under the FMEP with the facilitation of the Asian Development Bank, at Jawatte Road, Colombo 5 and at Kurunegala, will be used as the Backup Center and the Disaster Recovery Center respectively for the RAMIS.

Integrated Treasury Management Information System (ITMIS)

The proposed implementation of an Integrated Treasury Management Information System (ITMIS) is spearheaded by the Fiscal Management Efficiency Project (FMEP), facilitated by the Asian Development Bank. Having gone through an International Competitive Bidding process, Samsung SDS Co. Ltd. of Korea was selected as the successful bidder in July 2013 for the implementation of an ITMIS at the Ministry of Finance and Planning (MOFP).

With the approval of the Cabinet of Ministers, the related agreements were signed in August 2013, for the supply, delivery, installation, commissioning, operations and maintenance of application software and supporting IT infrastructure for an ITMIS.

ITMIS is expected to provide an automated environment for MOFP for fiscal operations management, to improve planning, execution and control of the National Budget, to improve access to information on financial and operational performance, to facilitate Government financial management, to maintain accuracy and integrity of reporting on the fiscal performance of the Government

through an integrated system with seamless data transfer across spending agencies island-wide.

The data centers which have been already setup under the FMEP with the facilitation of the Asian Development Bank, at Jawatte Road, Colombo 5 and at Kurunegala will be used as the Backup Center and the Disaster Recovery Center respectively for, ITMIS as well. With the automation related activities presently being carried out, it is expected that the MOFP will be automated with the implementation of ITMIS by mid 2015.

ASYCUDA World

The Customs Department elevated to ASYCUDA WORLD platform, the latest version of ASYCUDA software through an automation process which started in June 2010. In 2013, the automation of CusDecs processing was completed. Further, all Customs offices including the Bonding Division and the Investor Facilitation Centre (INFAC) were taken into the ASYCUDA World system in 2013. Consequently, Customs house agents are now connected online and are able to submit Customs declarations directly through the ASYCUDA World system, assess and pay duties and other levies using this system. This facility has reduced the document processing time by about 50 per cent. In 2013 submission of foreign remittance details to commercial banks and receiving e-manifest for sea cargo were also automated, while improving data storage capabilities and networked features of the Customs Department.

Once the introduction of RAMIS and ITMIS is completed, RAMIS, ITMIS and ASYCUDA World will be interlinked to manage Revenue Administration and Treasury Management in an integrated manner.

Other ICT Innovations/ Expansions

In 2013, a series of ICT led innovations were introduced to improve efficiency of the

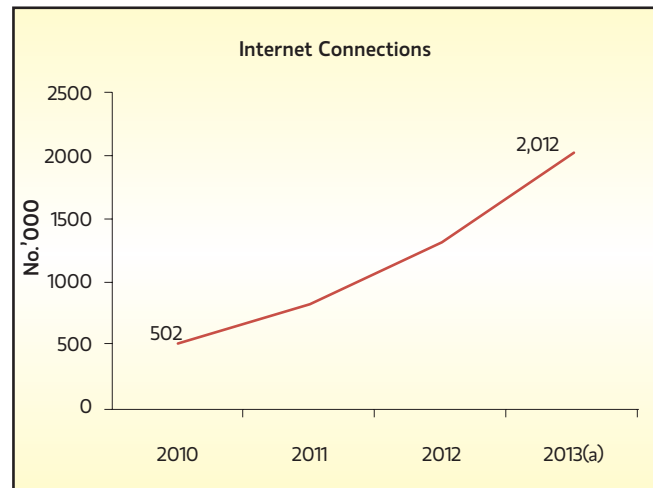
Government service delivery, facilitated by the ICT Agency of Sri Lanka (ICTA) having up-scaled and enhanced existing IT infrastructure.

The popular e-Service applications such as eRevenue License (e-RL) and e-Civil Registry were further enhanced and rolled out during 2013. With the e-Revenue License rollout being completed in the Western Province, pilot projects were commenced in the Southern and Central Provinces in 2013. As part of the Lanka Gate initiative, many eServices were offered to clients through the internet, SMS and mobile applications. These multiple online service options provide an effective, efficient and citizen friendly mechanism for delivering public services by Government Organizations. By end 2013, approximately 48 eServices were offered by 22 Government organizations. The key initiatives are eServices to the Employees' Trust Fund and enabling ETF membership management, viewing ETF balances and claim application status and to the Colombo Municipal Council, facilitating property tax payments, trade tax payments and business tax payments.

74 new Government organizations were connected to the Lanka Government Network (LGN) in 2013, which provides remote services to citizens through secure electronic communications. As of end 2013, around 550 central and provincial Government organizations were connected to the LGN.

Further, 54 new Nenasala Centers were established island wide (41 in North and East) in 2013, increasing the total number to 741, enabling the rural community to have better access to Information and Communication Technology (ICT) based services. Consequently, the number of citizens that conduct on-line transactions with the Government has increased from 5.8 Mn. in December 2011 to 11.0 Mn. by end November 2013. Total internet connections grew by 47 percent during 2013 increasing internet penetration (connections per

100 persons) to 9.8 percent. This was largely supported by the accelerated growth in mobile internet connections, followed by fixed internet connections.



Source: ICT Agency of Sri Lanka

As such, the number of internet connections in the country topped the 2 Mn. mark in 2013. There were 2.012 Mn. internet connections as at end 2013, up by 47 percent from 2012. The Internet connections showed a steady increase over the medium term from around 500,000 connections in 2010, bypassing the two million mark in 2013.

Lanka Government Cloud (LGC) launched by ICTA, which is the IaaS (infrastructure as a service) platform for the Government, is hosting Lanka Gate, the middleware infrastructure, e-Services. The 'Lanka Gov Cloud' allows resource pooling, elasticity and scalability, a pay-as-you-use model and minimizes ICT costs for the Government. The system also allows for automatic scalability, ensures high reliability with no down time, thus helping Government organizations to enjoy a continuously available system with seamless functions for their use.

During 2013, over 20 Government organizations hosted around 45 services on LGC and the number of virtual servers in LGC was expanded to 200, including data on e-Revenue License,

Sahana Disaster Management System, e-Local Government and e-Samurdhi.

e-Land Registry pilot project that was implemented at Nugegoda/Delkanda Land Registry, benefitted from the e-Land Registry Project. Citizens requiring land title deed extracts can now obtain them in 30 minutes which earlier took around two days. with ICTA providing facilities to scan the extracts. The areas covered by this Land Registry include Divisional Secretariat areas of Kottawa, Maharagama, Kesbewa, Moratuwa, Ratmalana, and Dehiwala. On average 500 applicants visit this Land Registry daily to obtain extracts of title deeds. This has been noted as a positive move in the Doing Business Index.

By end 2013 the e-Civil Registry System, which generates a unique ID number at birth (Sri Lanka ID Number- SLIN) with a new & secure format of a Birth Certificate has been replicated in 89 Divisional Secretariats in 6 Districts. The e-Civil Register System will become fully functional, upon the issuance of Regulations under the Electronic Transactions Act No. 19 of 2006, which is pending publication. The Birth, Marriage and Death (BMB) Certificates are now available in scanned form, that can be retrieved and issued to the public without delay in all districts, excluding the recently set up offices in the Eastern Province.

The Hospital Health Information Management System (HHIMS) that was launched in 2013, is being implemented in 18 provincial hospitals, with the latest being implemented at the Dambadeniya Base Hospital. Through this, information on all steps that a patient goes through from registration on arrival to leaving the hospital, will be automated. While a number is assigned to the patient on arrival, all services provided thereafter are linked to that number and registered in a database. As such, if a patient is transferred from one hospital to another, this system will facilitate accessing his previous medical reports through the internet.

The stock position of drugs, facilities available at hospitals, clinical details of patients treated that enables perusal of previous clinical records, quarterly health statistics etc. will also be available while printing of visit slips or discharge letters is also possible. This system is being piloted in the 'Pain Clinic' of the National Hospital of Sri Lanka.

3.5 Legal and Judicial Reforms

Legal and Judicial Reforms Project

Having concluded the last phase of Judicial Reforms implemented in 2001 -2008, the country ventured on another wave of legal and judicial reforms commencing 2013. The focus of reforms was primarily to reduce laws delays and provide easier access to justice to make the legal system more efficient and less expensive. Reforms are being implemented under the purview of a Steering Committee headed by the Honourable Chief Justice.

In 2013, judicial training was conducted in Bhopal - India, Singapore, Malaysia and USA at a cost of around Rs. 32 Mn. Adopting contemporary techniques in the dispensation of cases, the digitization of court records was commenced at the Matara Civil Appellate Court. This is proposed to be completed covering the entire Southern Province in the first half of 2014, and will be spread over the entire island over time. Progress was made towards the introduction of e-filing and digitization of records of the Supreme Court, that will be spread over to the Civil Appellate Courts and eventually to all courts. Measures were taken to accept electronic evidence generously.

Eminent judges such as Judge Clifford Wallace, the Emeritus President of the United States Court of Appeals was brought down to Sri Lanka to share their experiences with the members of the Judiciary, particularly on improving case management.

Table 3.6 > **Proposed Legal and Judicial Reforms**

Reforms	Objective
Introduce e - filing and digitizing case dockets, on a pilot basis	improve the speed and efficiency of procedures being followed in Court.
Introduce alternate Dispute Resolution through Court Assisted Mediation and improve Case Management.	reduce laws delays by clearing the backlog of cases.
Revise the rules of Superior Courts	reduce paperwork and simplify the procedural requirements relating to the filing of appeals and applications in review, and to enable electronic filing of cases.
Reduced laws delays	<ul style="list-style-type: none"> • identify procedural impediments that hamper the expeditious disposal of cases pertaining to propriety rights and introduce necessary legal amendments to expedite the adjudication of propriety rights. • establish Courts to hear cases of special disciplines such as taxation, recovery of dues to the state, Intellectual Property rights, Information Technology related disputes etc. having appointed judges with specialized knowledge to hear and determine such cases.
Facilitate to improve "Doing Business" indicators	undertake a study on procedural impediments that cause delays in 'Doing Business' and take legal / regulatory related measures as necessary to address such issues.
Enhance knowledge of members of the Judiciary	provide judicial training particularly in commercial areas that have undergone rapid change inter alia due to expanding development frontiers.
Revisit the curriculum adopted by the Council of Legal Education	study the present curricular and introduce changes as may be necessary, taking into consideration the contemporary needs Sri Lanka as a middle income country.
Develop and maintain an electronic statistical database	collate information of data relating to Courts at different levels to enable assessment of progress, etc.
Setup a Regional Arbitration and Mediation Centre	to enable Sri Lanka to become as a regional centre for arbitration and mediation.

Source: Legal and Judicial Reforms Steering Committee

Dedicated Courts were established to improve expertise and to clear the backlog in an expeditious manner. A dedicated Family Court to deal with matrimonial disputes and a Buddhist Ecclesiastical Court to deal with all temporalities cases were established in 2013/2014. The operations of Commercial High Courts that deal with high value commercial matters were further streamlined in 2013 primarily to expedite the recovery of monies lent by banks, assist enforcement of contracts and arbitral awards. The process to amend Supreme Court rules to do away with certain redundant steps also commenced in 2013 and will be concluded in due course. This will lessen paper work and make the legal process cheaper and less cumbersome.

International Arbitration Centre

Arbitration is a superior means of Alternative Dispute Resolution through which laws delays

could be reasonably avoided. In line with the Government's vision to setup an International Arbitration Center, Rs. 100 Mn. was allocated in the Budget 2012. A state-of-the-art Center has been established at the World Trade Center, Colombo 1. Initial administrative steps required to be taken to put the Centre into operation is being carried out. Once the Centre is opened, it will operate as a venue for international and local arbitration and as a conferences and training venue.

Legal Aid

The Legal Aid Commission of Sri Lanka (LAC) established by Legal Aid Law No.27 of 1978, provides legal aid to 'deserving persons' throughout Sri Lanka. Its mandate is to ensure that low income groups including the poorest of the poor will have access to justice while creating greater awareness to the entire society on legal procedure.

By end 2013 the LAC had 76 Centers island-wide including the Colombo Center located within the Head Office in Colombo. In the process of assisting litigation, the policy of LAC is to grant legal aid to persons whose monthly income is Rs.15,000 or less although in exceptional/ deserving circumstances this threshold is disregarded. Legal representation is generally availed in Court by the LAC in the case of women who seek maintenance for themselves and or their children, irrespective of their income level. In 2013 the LAC employed around 230 lawyers to assist the process.

In addition to direct legal representations, the LAC also telecasts programs to educate the public on legal issues, 30 such programs were telecasted in 2013 on subjects relevant to women, migrant workers, youth, land and matrimonial issues. Similar assistance is provided through Q & A articles and editorials in the print media. The LAD continued to print and distribute booklets in the year 2013 on topics of interests to the public and also

Public Officials such as Police Officers, Grama Niladharis etc. A total of 35,000 booklets have been published in Sinhala, and 6,000 in Tamil. The topics include child protection, migration, rights of elders, child protection, grant of bail, consumer protection and prescription. The LAC also conducted a Certificate Course in Para Legal Studies, courses to create awareness on the rights of migrant workers, women & children, pensioners and accident victims.

There is also a Human Rights Bureau in operation and out of 13 Fundamental Rights Applications filed in the year 2013, two cases have been concluded.

In 2013, LAC conducted legal aid and Awareness Program and a clinic for HIV-Aids Victims, being the first of its kind. LAC also function in the conflict affected areas in the North and East through its centers in Jaffna, Vavuniya, Batticaloa, Kalmunai, Valachchenai, Trinccomalee, Point Pedro, Chavakachcheri, Kilinochchi, Mullaitivu, Pottuvil and Mutuur.

Table 3.7 > **Consultations held by the Legal Aid Commission (as at 31.12.2013)**

Number of Centers through which services were provided	No of Cases brought forward from 2012	No of cases filed in 2013	No of cases closed in 2013	No of cases carried forward to 2014.	No of total consultations held in 2013
74 Centers	27,351	9,135	4,932	31,554	53,414

Source: Legal Aid Commission

Note: Reports of Point Pedro and Chavakachcheri is not included

Table 3.8 > **Cases handled by the Legal Aid Commission**

Institutions & Indicators	Covering all 76 centers	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
No. of Consultations provided	Target	12,500	12,500	12,500	12,500	50,000
	Performance	13,943	14,442	15,839	14,446	58,670
No. of New cases filed	Target	2,200	2,200	2,200	2,200	8,800
	Performance	2,276	2,262	2,525	2,232	9,295

Source: Legal Aid Commission of Sri Lanka

3.6 Banking and Finance

Sri Lanka hosted the Commonwealth Finance Ministers' Meeting

Sri Lanka was the host country of the September 2013 Commonwealth Finance Ministers' Meeting and the Senior Finance Officials' Meeting. The special theme for the Ministerial Meeting was 'Agenda for Growth and Livelihoods', a subject important for all Commonwealth countries who deal with multi-faceted challenges of poverty reduction and wealth creation, in order to ensure sustainable and equitable development. The world economic situation and prospects, issues of the small states and review of Commonwealth Development Corporation were among other topics discussed. The Senior Finance Officials Meeting focused on the reform of international aid architecture with user perspective.

These meetings were followed by the 23rd Commonwealth Heads of Government Meeting (CHOGM) which was also held in Colombo in November 2013 Chaired by His Excellency the President Mahinda Rajapaksa on the theme "Growth with Equity: Inclusive Development". Out of the 50 Countries that attended the meeting, 27 were represented by their Heads of State or Government.

Regulatory Advancements

The banking sector comprised of 33 licensed banks as of end 2013, and continued to support the expansion of economic activities in the country. Following prudential regulations were issued to banks by the Central Bank during 2013 to facilitate prudent business operations:

- a Direction on Supervisory Review Process (Pillar 2 of Basel II) was issued requiring licensed banks to implement an Internal Capital Adequacy Assessment Process, which would strengthen the regulatory capital requirements by taking into account all risk exposures of individual banks and ensure that the banks have adequate capital to support all risks.
- all banks were requested to formulate an appropriate risk management framework on exposures to the stock market activities including prudential limits for margin trading and the Board of Directors to assess the related risk exposures such as credit, liquidity and concentration on an on-going basis.
- subsequent to significant changes in financial reporting due to convergence with International Financial Reporting Standards (IFRS), new formats for the preparation,



His Excellency the President, Mahinda Rajapaksa addressing the gathering as the Chairman of CHOGM



Representatives of States/Governments who attended CHOGM

presentation and publication of Annual Audited Accounts and publication of Quarterly Financial Statements of Licensed Banks were introduced.

- 90% of the investments by Licensed Commercial Banks in open ended mutual Gilt Unit Trusts (GUT) where the underlying investment portfolio of GUT's was in Sri Lanka Government securities were determined as liquid assets for the purpose of meeting the Statutory Liquid Asset Ratio.
- Licensed Commercial Banks (LCBs) were allowed to apply for Primary Dealership and were exempted from the requirements on Risk Weighted Capital Adequacy Framework where a minimum capital requirement of Rs.300 million was required.
- considering that there were no significant differences in the level of responsibilities of Directors of a Specified Business Entity as against the other business entities, the Corporate Governance Directions on Licensed Banks was amended to withdraw the restriction on holding office as a director in more than 10 Specified Business Entities while retaining the overall restriction on holding office as a director in not more than 20 entities.
- in order to facilitate the implementation of proposals of Budget 2013, approval was granted to LCBs for foreign borrowings of up to US dollars 50 million each during 2013 to 2015 and further borrowings of US dollars 250 million by National Development Bank PLC and the non-agricultural credit facilities granted by banks through the utilization of these funds were exempted when computing the respective bank's mandatory lending to the agricultural sector.
- the utilization of the Investment Fund Account was broadened to include new criteria such as housing development projects focusing on building low cost houses, investments in sustainable energy sources and women entrepreneurship venture capital projects up to Rs 10 million.
- a direction was issued to impose upper limits on fees chargeable on transactions effected through the Common ATM switch from customers by card issuers and interchange fee from card issuers by financial acquirers.
- given the reduction in policy rates and other monetary policy easing mechanisms adopted recently, licensed banks were requested to reduce the interest rates on Credit Card advances and all other loans and advances, since the related rates were relatively higher than prevailing market rates. Licensed banks were also requested to reduce the penal interest rates charged on all loans and advances, including credit facilities already granted to a level not exceeding 2 per cent per annum for the amount in arrears during the overdue period.
- off-shore banking units of Licensed Commercial Banks were permitted to invest in International Sovereign Bonds issued by the Government of Sri Lanka in the secondary market.

Bank Consolidation

Bank consolidation is the process by which one banking company takes over or merges with another.

It was deemed prudent to propose bank consolidations in Sri Lanka to enable larger merged entities to gain greater domestic and international capital raised on the strength of a stronger balance sheet to improve system stability and provide access to funds at competitive interest rates in the context of emerging prospects in the economy.

The Budget 2014 announced, Government's policy towards consolidations in the Banking

Sector. With the specific announcement of the NDB and DFCC/ Vardhana Bank merger, it was intended that the establishment of a large development bank will provide an impetus to emerging growth sectors and exports by being able to avail access to long term funds.

It was also proposed that banks, which have finance companies as subsidiaries, should consolidate their operations by acquiring such finance companies within the group. This move is based on the premise that while Finance Companies create additional sources of funding and offers investors and borrowers alternatives to bank deposits, there is also a potential threat to long-term financial stability of the banks unless related risks are sufficiently managed. Through such steps it is possible to limit the emergence of risks in the less regulated non-bank financial sector, in particular risks of systemic nature that have been seen from time to time which generally arise through the shadow banking sector's interconnectedness with the banking system through contagion risks.

3.7 Insurance

The Insurance Board of Sri Lanka which is entrusted with the mission of protecting insurance policy holders through prudential regulation, supervision and facilitation of the development of the insurance industry took several measures in 2013 including the following, to improve industry, standards and governance and accountability;

- Rules were issued requiring insurance companies to increase their paid-up share capital to Rs. 500 Mn. for each class of insurance business on or before February 2015.
- Rules were issued requiring insurance brokering companies to increase their paid-up share capital up to not less than Rs. 2.5 Mn. on or before 31.12.2014. Rules are being finalized to permit insurance companies formed pursuant to the segregation requirement to have a paid up share capital of Rs. 100 Mn. at the time of its registration as an insurer and thereafter to increase the capital to Rs. 500 Mn. on or before February 2015.
- The Board determined that the maximum sum assured for long-term insurance business is Rs. 100 Mn. as decided in May 2009. The Board also decided that the maximum sum assured for general insurance business will be to be Rs. 200,000 Mn.
- Insurance Companies were required to provide Compliance Certifications to the Board on a quarterly basis, whether they have complied with the provisions of the Regulation of Insurance Industry Act and the Financial Transactions Reporting Act.
- The Board having observed that certain Insurers delay to hand over policy documents to policyholders, issued a Direction requiring all insurance companies to obtain an acknowledgement in writing from the policyholder within one week time from the date of issue of the policy stating the date of issue.
- A Direction was issued effective 01.07.2014 that all insurance companies should have a Principal Officer and a Specified Officer, both of whom cannot be employees of any other Insurance Company. Hence any insurance company already having a common Principal Officer and a common Specified Officer were required to take timely steps to comply.
- From October 2013, Sri Lankans were permitted to directly or indirectly place health and travel insurance covers with an insurer licensed or registered overseas even if such insurer is not registered in Sri Lanka, under the Act; (i). for the purpose of travel abroad (ii) for the period of stay abroad; and through insurance brokering companies registered under the Act. However, health and travel insurance policies which are not available with

insurance companies registered under the Act may be placed with foreign insurers, only after having obtained the written approval from the Board under section 101 of the Act.

- Guidelines were issued on the segregation of composite insurance companies carrying on both long term and general insurance businesses, requiring them to comply with the legal requirements and segregate by February 2015.
- Legal amendments were finalized to exempt a local subsidiary insurance company of any Holding Foreign Insurance Company already listed in a Licensed Stock Exchange outside Sri Lanka, from having to list on a Licensed Stock Exchange in Sri Lanka.

3.8 Capital Market

The stock market recorded a steady growth during the year 2013 with the benchmark of all Share Price Index (ASPI) recording a growth of 4.8 percent and the Blue Chip S&P SL 20 Index recording an increase of 5.8 percent. The ASPI closed the year at 5,912.8 points while the S&P 20 closed at 3,263.9 points. This is as against a 7.1 percent negative growth recorded by the ASPI in 2012. The S&P 20 Index was launched in 2012. The market witnessed certain selected stocks performing well providing high yields to investors who have diversified their investments over a range of equities.

A total of 57 companies have given a total return in excess of 15 percent YoY for 2013 (with 26 companies giving a return above 30 percent and 31 companies giving a return between 15 percent to 30 percent).

The total market capitalization of the Colombo Stock Exchange (CSE) stood at Rs 2,459.9 Bn at the end of 2013, an increase of 13.4 percent as against the previous year end of Rs 2,167.6 Bn. At the end of 2013, the Price Earnings Ratio

(PER) stood at 15.9 times. A total turnover of Rs 200.4 Bn. was recorded in 2013 with an average daily turnover of Rs 828.4 Mn. Foreign investors accounted for 36.1 percent of the total market turnover while domestic investors accounted for the balance 63.9 percent. In 2012 foreign and domestic investors accounted for 24.9 percent and 75.1 percent of the total market turnover respectively. Initiatives taken by the Securities and Exchange Commission together with other market participants made the market attractive to foreign investors. The net buyers in the market were foreign investors with net purchases of Rs 33.9 Bn. in 2013, with Rs 22.7 Bn. recorded from the secondary market and Rs 11.1 Bn. recorded from the primary market, excluding net foreign inflows for the corporate debt market.

Rs 119.4 Bn. was raised in the primary market in 2013, a record amount for a given year. 28 Debt Initial Public Offerings (IPOs) raised Rs 68.2 Bn. The incentives provided in the Budget 2013 to develop the corporate debt market had a significant positive impact on the performance. A total turnover of Rs 2.2 Bn. was recorded in debt trading in the year 2013 as against Rs 75.1 Mn recorded in 2012. At the end of 2013, there were 730,046 accounts registered with the Central Depository System (CDS). The comparative figure was 702,438 in 2012.

The Net Asset Value of Unit Trust Funds stood at around Rs. 54 Bn. as at end 2013 as against Rs. 31 Bn. recorded in 2012, a significant increase of 75 percent. The concessions given through the National Budget and other positive steps taken by stakeholders had a significant impact on the growth of the industry in 2013.

The Securities and Exchange Commission of Sri Lanka (SEC) continued to make steady progress in the implementation of its Master Plan with regard to the following;

- a mandatory minimum public float requirement was introduced for listed

companies being a practice that has been already adopted in a large number of international and regional jurisdictions, which is expected to facilitate a better price discovery mechanism and increase the liquidity in the market.

- a Code of Best Practices on Related Party Transactions was introduced for public listed companies to further enhance their corporate governance and to protect minority interests. This measure is expected to significantly increase Sri Lanka's ranking in the 'Ease of Doing Business' index, under the 'Investor Protection' category.
- a policy directive on the requirement of disclosure of dealings by the Directors and the CEOs was introduced to increase transparency when Directors and CEOs deal with related shares, which also made timely disclosures mandatory.
- a special mechanism of Listing by Introduction, with necessary safeguards to protect the integrity of the investors and the Capital Market was re-instated in order to promote new companies to list.
- Directions were issued to Managing Companies and Trustees of Unit Trusts, specifying the daily valuation method in order to standardize and adopt a uniform valuation method for fixed income instruments in Trust Funds.
- Amendments to the SEC Act were drafted and are being reviewed by an expert committee prior to submission to the Cabinet of Ministers, primarily intended to enhance the efficiency and attractiveness of the capital market as a financing or investment vehicle and to broaden the product range.

The Colombo Stock Exchange that provides facilities to trade diversified products and ensures balanced regulation to maintain market

integrity and investor confidence, upgraded its trading platform infrastructure over 2013 enabling the trading of fixed income instruments on a uniform trading platform. This will increase the transparency and efficiency of debt trading, leading to improved aftermarket activity.

Further, the Disaster Recovery (DR) capabilities of the trading platform were enhanced with the aim of reducing system recovery time. The CSE commenced the implementation of a new Central Securities Depository System which is a robust, extensible, multi-asset class clearing, settlement and depository system built around a revolutionary flexible and scalable web-based architecture. Having identified core risks, the formulation of an Enterprise Risk Management (ERM) framework was also commenced. The Central Depository Systems (Pvt.) Limited (CDS) which provides post trade services, extended its services to listed companies, custodian banks, stockbrokers and CDS account holders, improving data quality and accessibility.

The CSE achieved three ISO certifications, and joined the select band of exchanges globally to be certified in compliance with ISO standards in relation to the Information Security Management System (ISO 27001), the Business Continuity Management System (ISO 22301) covering trading, clearing, settlement, registry and depository services and IT service management (ISO 20000) supporting the provision of IT services in the Exchange. The certifications procured, assert that investors and other stakeholders are serviced on par with global standards and that all technological resources are well aligned to deliver superior service quality.

3.9 Power and Energy

The CEB provides electricity to 4.5 Mn. households out of a total 5.2 Mn. with tariff well below its average cost to consumers using electricity below 60 units per month. The annual

cost of such subsidies in 2013 amounted to Rs.12 Bn. This cross-subsidized tariff policy resulted in having to maintain high tariffs on middle and upper income consumers and industries. Further, the demand for petroleum and petroleum related products is estimated to increase by 5-7 percent annually in the context of growing transportation demands.

Considering the strong positive co-relation between power and energy and other sectors of the economy, the strengthening of Ceylon Electricity Board (CEB) and the Ceylon Petroleum Corporation (CPC) being the two largest State Owned Enterprises received Government's highest priority. The CEB and CPC which incurred a combined operational loss of around Rs.141 Bn. in 2012 with outstanding debt at Rs. 443 Bn., registered a turnaround recording an operational profit in 2013. This was made possible through several reform initiatives including the implementation of a cost reflective tariff structure, strengthening the balance sheet and introducing efficiency improvements in power generation and transmission.

In April 2013, electricity tariffs were revised, bridging the gap between the cost incurred by the CEB of Rs.22.13/unit and the average tariff per unit of electricity (in 2012) of Rs.15.66/unit, through a revision of around 20 percent. On a similar note, in February 2013, prices of all key petroleum products were revised between 20- 30 percent. Considering the weak financial position of the CEB, the Government made direct investments of around Rs.20 Bn. from 2005- 2013, to improve power generation, distribution and transmission. The cost of the Debt moratorium enjoyed by CEB since 2007 was almost Rs. 34.8 Bn. in 2013. The heavy investment made in 3*300MW Norochcholai Coal Fired Power Plant, enabled the CEB to diversify its energy base that was confined to hydro and fuel based thermal power. In addition, the advent of

coal powered generators resulted in making significant savings to the CEB since coal based electricity costs only Rs. 8.50/unit as opposed to Rs. 23.50/unit in the case of Heavy Fuel/ Diesel based electricity. Until end September 2013, about 172,828 new electricity supply connections were given with the completion of 339 new rural electrification schemes on top of which another 3,717 new extensions were also given.

The combined operational profit of Rs. 30 Bn. of CEB and CPC demonstrates the success of reforms. The reduction of their exposure to the banking sector, has afforded the much needed space for banks to expand credit to the private sector. CEB or CPC are now strong enough even to access international capital markets for their financing needs based on the strength of their respective Balance Sheets on terms that are more favorable. By end 2012, CEB dues to CPC amounted to Rs.18.2 Bn. Further, dues from state entities to CPC amounted to Rs.54 Bn. These heavy dues caused a liquidity issue to the CPC, compelling it to resort to increased borrowings from State Banks to be able to meet its commitments, in turn increasing its cost of financing. To remedy this situation, the Government announced the issuance of bonds amounting to Rs.56.8 Bn. in 2014 to the CPC in lieu of dues from the CEB and Armed Forces, which significantly improved the liquidity position of the CPC while the CEB also saw a significant improvement in its Balance Sheet.

3.10 Shipping and Aviation

In line with Government's vision to make Sri Lanka a maritime and commercial hub in Asia by capitalizing on the strategic location of the country in the Silk Route, port sector related reforms gathered further momentum during 2013. To make Sri Lanka more than a mere container transshipment hub, the Government introduced diverse reform initiatives.

Declaring Free Ports

Finance Act No. 12 of 2013 and Commercial Hub Regulation No.1 of 2013 issued there under, would create a more competitive environment by exempting identified off shore businesses, free ports, bonded areas etc. from the application of the Customs Ordinance, Exchange Control Act and Import and Export (Control) Act to exploit the full potential of the massive infrastructure development that has taken place in the country and be able to synergize such strengths with the complementarities prevalent in the Asian region. The private sector was thereby enabled to engage in entrepot trade, transshipment activities and multi country consolidations, front end services and undertake Head Quarters operations in Sri Lanka in an environment where the domestic fiscal framework does not apply. Free ports, free bonded areas and specialized bonded areas were declared in 2013 through which regionalization and globalization is facilitated to local industries, promoting greater access to external markets.

Promoting Market Competition in Shipping Related Services

Having recognized the emergence of new trading practices as a result of containerization and to allow the liberalized shipping environment prevalent in the country to benefit from of the economic development in a structured environment, the Government issued Regulation 2013 operative from 06.01.2013, under Section 10 of the Licensing of Shipping Agents, Freight Forwarders, Non Vessel Operating Common Carriers and Container Operators Act No.10 of 1972 (read with Article 44 (2) of the Constitution), to promote market friendly behavior in shipping related services and to further promote export and import competitiveness in Sri Lanka, to elevate the country as a commercial hub. Further, in the interest of promoting the Shipping Economy, applicable income tax rate was reduced from 28 percent to 12 percent, permitting the sector to consolidate on a single low tax rate.

Sri Lanka Ports Authority (SLPA) regulates and licenses ports and marine services and facilities and manages sea vessel traffic while ensuring safety and security. In 2013, the SLPA took several measures to further streamline its activities, benefitting both customers and employees. Such measures include (1) enabling the submission of cargo manifests electronically due to which Ship Agents, Vessel Operators, Freight Forwarders can now upload e-manifests without visiting any port office (2) enabling e-payments having integrated with Customs due to which Freight Forwarders can now make their service requests and payments through banks and even generate gate passes by themselves (3) from the administration point of view, introducing an Oracle e-Business suit for financial management, procurement and inventory controls, and an automating attendance and HR management system at the SLPA.

Greater Direct Market Access for Export Enterprises

As announced in Budget 2013, export oriented companies were permitted to sell up to 40 percent of their production in the domestic market to popularize high quality products and attract tourists for domestic shopping.

In order to support this harmonized initiative, the domestic turnover was made liable to a 12 percent income tax in place of 28 percent that prevailed.

Aviation

In 2013, Sri Lanka celebrated the completion of one hundred years since the commencement of aviation services. This coincided with a landmark development in aviation related infrastructure with the opening of the Mattala Rajapaksa International Airport in March 2013. The new infrastructure developments that have taken place in international airports, the seaports and the connecting highway system, combined with the favourable geographic location, offer the

country a great opportunity to become an aviation hub as envisaged in Government's Development Policy Framework. With the gazetting of Commercial Hub Regulation in 2013, the new airport was declared a free specialized bonded area.

Sri Lanka entered into new air services agreements with seven countries i.e. Azerbaijan, Kazakhstan, New Zealand, Ethiopia, Seychelles, Finland and Spain in 2013 and seven existing agreements were revised in line with present day requirements with India, South Korea, Norway, Denmark, Sweden, Kenya and Greece. Action was initiated to suitably adopt the 'Montreal Convention of 1999 for the Unification of Certain Rules for International Carriage by Air' as an Act of Parliament and accordingly Carriage by Air Bill is due to be submitted to Parliament. Sri Lanka continued to register attractive safety standards as per the Safety Oversight Audits and Security Oversight Audits conducted by the International Civil Aviation Organization, which would improve passenger confidence.

Bilateral Air Services Negotiations 2012 / 2013

Discussions with the following countries made progress towards obtaining traffic rights, increase the number of frequencies, 3rd, 4th and 5th freedom rights and Code Share Arrangements.

Table 3.9 > **Countries with which Sri Lanka held Bilateral Air Services Negotiations**

2012	2013
Japan	India
Indonesia	Azerbaijan
Vietnam	Kazakhstan
	Seychelles
	Korea

Source: Airport and Aviation Services (Sri Lanka) Ltd

SriLankan Airlines

In terms of strengthening SriLankan Airlines and Mihin Air to consolidate to a viable scale of operations to gain regional superiority in aviation, re-fleeting orders for the new six (6) A330-300s and seven (7) A350-900s were finalized in 2013. Progress was made in 2013 to join the Oneworld airline alliance, which is the



SriLankan Airlines became the first 'oneworld' member from the Indian subcontinent

3rd largest global alliance, the objective of which is to be the first choice airline alliance for the world's frequent international travellers. The member airlines of Oneworld include American Airlines, Airberlin, British Airways, Finnair, Cathay Pacific, Japan Airlines, Malaysia Airlines, Qantas, Qatar Airways. SriLankan became a full member of this alliance in April 2014.

SriLankan Airlines launched direct flights from Mattala Rajapakse International Airport to Beijing and Shanghai, to facilitate increasing air tourist traffic from China. SriLankan also launched flights to Jeddah in Saudi Arabia from Mattala Rajapaksa International Airport to facilitate pilgrims to Mecca through Jeddah. While nonstop flights to Moscow were launched to cater to the increased tourist traffic flow from Russia, the frequencies to Riyadh, Saudi Arabia, Muscat and Oman were also increased to facilitate travel for migrant workers to/from Sri Lanka. The Government also continued to infuse capital to SriLankan Airlines and strengthened its Board of Directors.

Expansion of the Bandaranaike International Airport (BIA)

Negotiations were held and agreements were entered into in 2013 between Airport and Aviation Services Limited and JV- Japan Airport Consultants & Nippon Koei Co. Ltd. for the design and post design consultancy services for the construction of Phase II Stage 2 - BIA and the detailed designing was being finalized in March 2014. The 'World Duty-free' zone at the BIA was modernized in 2013 along with the rest of the facilities in view of CHOGM which was hosted by Sri Lanka in November 2013.

During the year 2013, BIA handled 50,802 aircrafts recording an increase of 5 percent compared to the year 2012. The Airport was used by 7,311,869 passengers during the year 2013 including 1,359,328 transit passengers recording an increase of 3.27 percent compared to 2012. The total cargo handled during the period was 193,975 MT indicating an increase of 3.94 percent compared to 2012.



Mattala Rajapaksa International Airport opened its doors to the world in March 2013

Opening of Mattala Rajapaksa International Airport (MRIA)

The newly built Mattala Rajapaksa International Airport was declared opened by His Excellency, President Mahinda Rajapaksa on 18th March 2013. As an airport which is in the promotional stage in its industry life cycle, MRJA currently shows a gradual increase in both flight movements and passenger movements. Dubai Government airline flydubai is operating weekly flights connecting MRJA and many international airports.

From March 2013 to December 2013, MRJA handled 1,362 aircrafts. It was used by 36,137 passengers and the total cargo handled was 64.4 MT.

The runway can handle A380 type large Aircrafts. MRJA has a state-of-the-art energy efficient Passenger Terminal Building equipped with boarding bridges, a baggage handling system, a passenger and baggage screening system, lifts, escalators, a Flight Information system and other terminal equipments. It has one million passenger handling capacity per year, with a 45 meter height Air Traffic Control Tower. It has a 50,000 MT cargo handling capacity per year with plant and animal quarantine facilities, and cold storage.

Refurbishment of Colombo Airport Ratmalana

In 2013, the Colombo Airport, Ratmalana was converted as a modern city airport which is used by corporate jets and inland carriers. The domestic flight operators who use this airport include Fits Air, Heli Tours, Millennium Airlines, Cosmos Aviation, Senok Aviation, Asian Aviation and Daya Aviation. In the year 2013, a new Airline Operator Lakwin Aviation, has entered into an agreement for the utilization of the hangar space to commence domestic operations. In the year 2013, AASL

entered into a ground handling agreement with SriLankan Airlines, which agreed to provide ground handling facilities to all international corporate jets arriving at the Colombo Airport Ratmalana. Its old terminal building was renovated after many decades and was given a facelift, while protecting the historical grandeur and other facilities were also upgraded.

3.11 Health Care

Health related improvements were carried out by the Government in line with the Five Year National Health Sector Development Plan (NHSDP) 2013-2017, which is being implemented within the overall National Development Policy Framework of the Government. The total estimated investment for the implementation of this five year plan is USD 5,170 Mn. This plan envisages bringing about a sustainable and improved maternal and child health status, while lowering communicable diseases. It also envisages providing the entire population of the country high quality preventive, curative and rehabilitative services, though a strengthened national health care delivery mechanism having upgraded standards of performance of the public health system. It further aims at addressing challenges of malnutrition and non-communicable diseases.

A salient contemporary challenge in the Health Sector is the higher expectations of the people. This is being addressed through the expansion of preventive, curative and rehabilitative health care services, to make such facilities available throughout the country. Although there is a secondary care hospital within every 4.8 km of access, inadequate health facilities necessary for essential care at such hospitals have prevented people from depending on secondary care hospitals. This has left the upper level of hospitals overcrowded with long waiting lists, specially when it comes to specialized medical treatment.

In this backdrop, the 1000 hospital development program was initiated in 2012 with emphasis on fulfilling the basic biomedical equipment requirements. Further, the said NHSDP 2013- 2017 which is also endorsed by the World Bank with Budget Support amounting to US\$ 200 Mn. aim at supporting improvements in the public sector health system, particularly with regard to nutritional related issues and non communicable diseases with emphasis on the following;

- controlling hypertension and diabetes
- reducing anemia in pregnant women
- establishing Emergency Treatment Units
- availing morbidity and mortality data *via* a web based system
- equipping Mother and Baby Clinics
- establishing Healthy Lifestyle Centers

Management of medical supplies is also given special consideration. What is notable is that there is a high dependency on pharmaceutical imports and 80 percent of country's pharmaceutical requirements are fulfilled from imports. The Government has taken steps to improve the manufacturing capacity of pharmaceutical products locally to meet the rising pharmaceutical demand. In 2013, steps were taken to expand the capacity of the State Pharmaceutical Manufacturing Corporation (SPMC) at a cost of Rs. 1,120 Mn. SPMC presently produces around 1,035 Mn. units per year, concentrating on 59 items. With the introduction of new technology and machinery it is expected to increase the capacity of SPMC. Steps are also being taken to establish Special Pharmaceutical Production Zones, for the production of pharmaceuticals and other medical supplies.

In a bid to overcome the emerging nutritional challenges, knowledge, skills and attitude in relation to nutrition are being addressed with the involvement of the National Nutritional Council which has developed a Multi - Sector Action Plan, aimed at achieving Government's Vision - 'Sri Lanka : A Nourished Nation', by

the year 2016. Under the plan, it is proposed that all nutrition specific projects implemented by various ministries will be integrated to make a concerted effort to achieve the required nutrition related targets. Considering the number of migrants who make a valuable contribution to the economy through foreign exchange earnings, a Sri Lankan National Migration Health Policy is being developed by the Government with a broader vision towards protecting public health within the country and the migrants themselves and the formulation of this plan made considerable progress in 2013.

By way of new additions to the hospital chain, Dr. Neville Fernando Teaching Hospital which is a Russia Friendship Teaching Hospital was declared opened in 2013. This is one of the largest hi-tech multi specialty tertiary care private hospitals in Sri Lanka, which is also the Teaching Hospital to the South Asian Institute of Technology and Medicine (SAITM), providing clinical training facilities to medical students. It has a bed strength of 1002. Hemas Hospital chain that targets urban areas within Greater Colombo limits, opened its 3rd Branch at Thalawathugoda in 2013 which is a state-of-the-art multi specialty hospital with a 60 bed strength built at a cost of Rs. 1.4 Bn. Further,



Dr. Neville Fernando Teaching Hospital which is a hi-tech multi specialty tertiary care private hospital has added a new dimension for affordable patient care

the construction work of the largest state-of-the-art military hospital at Narahenpita was completed in 2013 and was declared opened in May 2014. This 10 storied hospital was built at a cost of around Rs. 6.5 Bn. to provide health services to the members of tri forces and police and their family members as well as retired

military personnel and their family members. It has 20 wards and 1024 bed strength and is the largest Military Hospital in South Asia.

The Greater Colombo area is now endowed with privately owned state-of-the-art hospitals such as Nawaloka, The Central, Asiri Hospital, Asiri Surgical Hospital, Hemas Hospitals, Durdans, Lanka Hospitals, Ninewells Care Mother and Baby Hospital, Oasis Hospitals etc. that complement the national hospital network of the country and helps to make optimum use of medical professionals in the country, supporting the endeavours to position Sri Lanka as a regional medical hub.

3.12 Education

Implementing Government's vision to equip the future generation with competencies to meet challenges of an ever changing, globalized, knowledge-driven economy, the improvements in the Education Sector was continued in 2013.

Towards promoting a major transformation in the Education Sector, emphasis was placed towards creating quality and 'child friendly' education, that promotes diverse skills and abilities in children while reducing regional imbalances. In this endeavour, the networking of well performing and fully equipped 1000 Secondary Schools, and the networking of 5000 Feeder Primary Schools, was put in motion. This has been recognized as the core of infrastructure development initiative in the Education Sector. While Mahindodaya Technology Labs including Language, Mathematics and ICT laboratories were continued to be setup, more Nanasa Distance Learning Centers were completed in 2013. Further, 3,322 Primary Schools were uplifted having provided basic facilities. Development of 1,552 isolated schools used by fewer students also received Government attention. These schools were provided with basic infrastructure facilities and were linked with welfare measures. Recruitment of school teachers to schools in

needy locations and availing them training on required subjects was adopted towards finding a practical solution to resolve the teacher shortage in provinces and to improve quality standards at Primary Schools. Career development measures were introduced for the benefit of teachers and university academia by improving their working environments and by providing them incentive structures. A program to construct 60 multi storied hostels in 17 universities proposed to be completed over a 2 year period was commenced in 2013. It is planned that while 30 will be completed in 2014 the balance will be completed in 2015. Around 24,000 undergraduates will benefit from this initiative.

Considering the importance of interconnecting formal education and skills education, the Government introduced the Technology Stream to the GCE - Advanced Level in 2013 intended for candidates sitting Advance Level Examination in 2015, to provide students with a job oriented practical knowledge and training. Linking general education to skills development and vocational education, a 2014 - 2016 Medium Term Plan was launched with program support from the ADB and the World Bank to the volume of USD 300 Mn. to improve skills requirements in IT, Tourism, Light Engineering, Construction, Agriculture, Ship and Boat Building etc. aiming to produce 50,000 Diploma holders and 50,000 Certificate holders, commanding different skills.

Attention has been placed on the 17 National Universities to transform them into University Townships, having diversified the Degree Programs conducted by them in line with demands in the national, regional and global platforms. Emphasis in higher education was drawn towards improving technological and research capabilities of the academic staff so that foreign students could be attracted to study in Sri Lankan Universities and also to enable Sri Lankan universities to secure better rankings. The Government also promoted the setting up of information management technology centers, advance medical facilities, post graduate

institutes in the areas of medicine, electrical engineering, petroleum, food technology, veterinary science & agriculture and advance degree institutes in indigenous medicine.

The introduction of the Technology Stream to the Advanced Level and other measures taken to promote students to move towards science, mathematics and commerce streams at the GCE - Advanced Level stage are expected to reverse the preferred trend to follow the Arts Stream, so that education will cater to labour market demands of a middle income country and a knowledge-driven economy.

The first ever Nanotechnology and Science Park and Nanotechnology Research Centre in Sri Lanka was opened in Homagama as a public/private partnership and was declared opened in October 2013. The park creates opportunities for all businesses to develop new products through a collaborative innovation process, taking them from research through development towards commercialization. It provides an environment and systems which will deliver a unique transformation towards wealth creation through advancement in science and technology whilst offering unique opportunities to nurture young entrepreneurs in the pursuit of science discovery.



The Nanotechnology and Science Park was opened in October 2013

3.13 Water and Irrigation

Since water has become a globally scarce resource, in 2013 the Government remained committed to proceed with the reforms undertaken with its vision, 'Ensuring access to safe water for all by 2020'. Challenges are many, including the influx of the population to urban centers particularly to Colombo and Greater Colombo areas, aging infrastructure that is 60- 70 years old in most areas and vagaries of whether more frequently experienced due to climate-change. The ability to provide water in an uninterrupted manner and at an affordable cost, tackling issues that arise in having to supply safe drinking water, the need to manage water resources in an integrated manner, the high level of non revenue water in relation to pipe borne water and the depleting quality and quantity of water sources, are the key challenges. The ratio of non revenue water (NRW) which is around 30 percent island wide and which is around 49 percent in the Colombo Municipality area is also a major challenge. Further, there are under-served settlements which need improved physical infrastructure in the supply of water.

The key reform initiatives undertaken in the water sector aims at achieving the following;

- to upgrade water related infrastructure and reduce the ratio of non revenue water, through the Multi Tranche Financing Facilities (MTFF) up to USD 300 Mn. equivalent, agreed with the ADB in 2012 to supplement Government initiative in the Greater Colombo Water and Wastewater Management Improvement Program over the next 5 years. Agreements were discussed and finalized during 2013 and are due to be signed shortly.
- to setup a structured regulatory mechanism through the establishment of a dedicated Department to ensure the sustainability of around 3573 Community Based Organizations (CBOs) that are operating in 8 Provinces.

- to take measures to prevent the spreading of Chronic Kidney Disease (CKD), which is a critical issue demanding attention since there are currently around 68,000 kidney disease patients being treated.
- to proceed with the implementation of large scale water supply projects and provide service extensions from existing water supply schemes to be able to meet the demand for purified drinking water over the medium to long term.

In the context of effects of climate-change and resultant food security concerns, the management of water resources is given high priority, particularly in the backdrop of having to meet competing demands of water users with diverse needs. This is important since the existing irrigation network facilitates collect only 35 percent of annually available freshwater out of rainfall, through 103 river basins spread across the country, resulting in 65 per cent of rainfall flowing to the sea without being productively used.

Trans- basin diversions were considered by the Government as a possible solution towards reducing water shortage . Mau-Ara, Weli Oya and Weheragala (Menik Ganga) diversions in the Hambantota District have shown positive impacts during droughts. The Uma Oya, Yan Oya and Deduru Oya projects are in progress to divert water across basins to water short areas. Feasibility studies of the Gin-Nilwala diversion and North-Central Province (NCP) Canal Project are ongoing. The de-silting program has also shown a significant impact in increasing the capacity of minor tanks which have reduced their capacity over time. Steps are being taken to increase the capacity of larger tanks to their critical storage levels to improve water security during droughts. Dam Safety is a vital concern when increasing storage, to be able to avoid climate related disasters that could affect public safety as well. Adopting the Small Tank Cascade System while managing them



Sino - Sri Lanka Trade Relations Discussions



Indo - Sri Lanka Trade Relations Discussions



Japan - Sri Lanka Trade Relations Discussions

as river basin units along with watersheds, is also considered helpful to tackle water related problems in a more sustainable manner. This program is being continued and nearly 1,000 tanks are being rehabilitated every year giving due attention to the cascade system approach

contributing directly towards enhancing the rural economy. Under the ongoing Dam Safety Project facilitated by the World Bank, 32 high risks large dams are being fully rehabilitated while improving basic safety facilities in 80 other dams spread across the country. Over 100 Hydro Meteorological Stations are also being upgraded under this project, to enable the collection of climate related data, and improve water resource planning and also cater as an early warning system. The implementation period of this Project was extended till 2019, having secured additional funding from the World Bank.

3.14 Trade Related Discussions

Several Trade related discussions were held during 2013. Sino - Sri Lanka Trade Relations discussions were held in April and October 2013 towards establishing a Free Trade Arrangement with China. Having signed a MOU in April 2013, a Joint Working Group was appointed to take the process forward. The related feasibility study was completed in March 2014, and negotiation towards finalizing matters will be held in due course. Indo-Sri Lanka Trade Relations discussions were held in June 2013 towards improving trade relations with India with whom Sri Lanka already has a Free Trade Agreement. Japan-Sri Lanka Trade Relations discussions were also held in September 2013 to work towards establishing a free trade arrangement between Sri Lanka and Japan.

3.15 Capacity Building

Capacity building continued to be a priority area of the Government. The Ministry of Finance and Planning (MOFP) continuing to take the lead in facilitating to produce a Public Service capable of handling aspirations of the people of a Middle Income Country, through the Fiscal Management Efficiency Project facilitated by the Asian Development Bank, established

Miloda - Academy of Financial Studies in 2012, as the training arm of the MOFP. This state-of-the-art training center aims at training staff of the MOFP, the Revenue Agencies and other agencies coming under the purview of the MOFP as well as other public servants as and when relevant.

Miloda was incorporated as a Company by Guarantee on 17th May 2013.

In 2013 a multipronged approach was taken in capacity development;

- Human Resource Development, equipping individuals with the understanding, skills and access to information, knowledge and training to enable them to perform effectively;
- Procedural Development, to facilitate organizational improvements; and
- Institutional and Legal Framework Development, to facilitate legal and regulatory changes to meet contemporary demands.

Human Resource Development

In 2013, the Orientation Programs for the new entrants to the Planning Service and Accountancy Service were conducted from 15th July to 27th September 2013 and from 1st August to 4th October 2013 respectively, based on the theme 'Towards Grooming the 2025 Public Service'. The lecturers consisted of some of the top achievers in the private and public sectors and the topics covered included Introduction to Planning / Accountancy, Project Estimates and Budgets, Role of Commercial Banks in Facilitating Economic Development, The Legal Framework, Fundamental Rights and the Writ Jurisdiction, Managing Agriculture Amidst Climate Change, Good Grooming, Leadership and Presentation Skills, IT Skills etc. The participants were exposed to witness the operational aspects of certain Provincial Councils, Divisional Secretariats and the Central Bank, to make an awareness on the diversity of the public service.

Table 3.10 > **Local Training - 2013**

Training Programme	Category	Number of Participants	Date
Towards Grooming the 2025 Public Service - Orientation Program	New entrants to the Planning Service	174	15 th July- 27 th September 2013
	New entrants to the Accountancy Service	154	1 st August - 4 th October 2013
IMF sponsored workshop on Treasury and Cash Management	Officials of MOFP	30	22 nd April - 24 th April 2013
AFS - JICA Seminar Series on Microeconomic & Financial Policies, Framework of monetary & fiscal policy; Issues for a small open developing economy	Senior Officials of MOFP	109	28 th August - 30 th August 2013
Training Programme on E-Governance and Introduction to ITMIS	Officials of MOFP	30	26 th February - 28 th February 2013
Training Programme by the Fiscal Policy Department		60	27 th March 2013
Training Programme Conducted by the ADB on Technical Assistance Input & Output	Officials of the Census and Statistics Dept. & MOFP	55	4 th July - 6 th July 2013
Training Programme on CIGAS	Officials of MOFP	110	12 th December 2013

Source : Compiled by the Fiscal Management Efficiency Project - MOFP

Table 3.11 > **Foreign Training - 2013**

Training Programme	Beneficiaries	Number of Participants	Date
Executive Training Programmes on - Strategic Management - Investment and Procurement - Economics and Public Policy - Public Finance at the Lee Kuan Yew School of Public Policy, National University of Singapore	Officials of Ministry of Finance and Planning, Census and Statistics Department, Import and Export Control Department and Inland Revenue Department	88	18 th - 22 nd March 2013 6 th -10 th May 2013 1 st - 5 th July 2013 29 th July - 2 nd August 2013
Training Programmes on e-Governance and Change Management at the e-Government Leadership Centre, National University of Singapore	Officials of Ministry of Finance and Planning and Inland Revenue Department	179	25 th Feb - 1 st March 2013 22 nd - 26 th April 2013 15 th - 19 th July 2013 19 th - 23 rd August 2013 9 th - 13 th September 2013 4 th - 8 th October 2013 25 th - 29 th October 2013 29 th Nov - 3 rd December 2013
Executive Programme on Cultivating Effective Performance Management Systems - Best Practices at the Lee Kuan Yew School of Public Policy, National University of Singapore	Officials of the Public Services Commission, Ministry of Finance and Planning and Ministry of Health	05	23 rd - 25 th September 2013

Source : Compiled by the Fiscal Management Efficiency Project - MOFP

The details of programmes conducted by Miloda are contained in Table 3.10 and Table 3.11

The Eminent Speaker Series was designed to avail opportunities to public sector officials and their counterparts in the private sector to listen and engage in a dialogue with distinguished personalities. The inaugural lecture was delivered by Professor Kishore Mahbubani, Dean of the Lee Kuan Yew School of Public Policy of the National University of Singapore (LKY) and the second by Mr. Dimitri Gvindadze, former Minister of Finance, Republic of Georgia, a renowned reformist.

Towards reaching a firm understanding on knowledge sharing and training, a Memorandum of Understanding (MOU) was signed between the Lee Kuan Yew School of Public Policy and the Ministry of Finance and Planning on 15th May 2013. Another Memorandum of Understanding was signed on knowledge sharing and financial assistance with the Japan International Cooperation Center (JICE) of Tokyo, Japan and the Ministry of Finance and Planning, on 22nd April 2014.

On top of foreign training opportunities afforded through the External Resources Department, the undernoted training opportunities were also extended by the MOFP.

Procedural Development Revision of Financial Regulations

Financial Regulations of the Government issued in terms of Article 44 (1) of the Constitution, initially published in 1966 and amended in 1992, were undertaken to be revisited, intended to satisfy the need for a simpler regulatory and administrative framework in the process of Public Financial Management and to facilitate to meet the demands of Sri Lanka as a middle - income country.

After an in-depth consultations process, the 1992 Financial Regulations were rearranged having done the required amendments and

additions, specially in the backdrop of the Fiscal Management (Responsibility) Act No. 3 of 2003.

Part I consists of separate Chapters dealing with key topics in the area of Public Financial Management and Part II consists of technical arrangements and procedures in the form of a Practice Manual that will be issued supplemental to Financial Regulations.

These FRs while elaborating the basic precepts of Public Financial Management, also reiterate the related accountability to Parliament in terms of Article 148 of the Constitution, which sets out that Parliament shall have full control over Public Finance. The role of the Committee on Public Accounts (COPA) established in terms of Article 74 of the Constitution read together with Parliamentary Standing Order 125, which has oversight responsibilities with regard to Ministries and Departments of Government, including Government Revenue Collecting Agencies and the role of the Committee on Public Enterprises (COPE) established in terms of Article 74 of the Constitution read together with Parliamentary Standing Order 126, which has oversight responsibilities with regard to all Public Corporations, Government Owned Companies, Trust Funds and Special Statutory Funds are also reiterated.

The Financial Regulations will be issued shortly, after having obtained the necessary approvals.

Re-orienting State Owned Business Enterprises

The significance of creating a supportive climate for State Owned Business Enterprises (SOBEs) and enabling them to make an effective contribution to facilitate the Sri Lankan economy to reach USD 100 Bn. by 2016 was announced in November 2013 in the 2014 Budget Speech. In this backdrop, steps were taken to strategically reorient SOBEs, to improve business turnover while meeting economic demand of a middle income economy, and to increase the socio economic returns on public investment. Emphasis

was placed on grooming them to be 'Budget independent' and play a complementary role to Government's continued efforts towards fiscal consolidation to lower the Budget deficit and achieve a rapid growth in investment and development. It is encouraging to note that the volume of investments, operational activities and business network undertaken by SOBEs have more than doubled in less than 7 years.

In this backdrop it was stressed upon that SOBEs should reorient themselves, by making a concerted effort to make improvements through the following key measures;

- strengthen the Balance Sheets of SOBEs to enable them to raise funds from Development Partners and market sources based on their respective Balance Sheets.
- adopt cost recovery pricing strategies to eliminate past losses and outstanding debt and to avoid making further losses, considering public investments made by Government in SOBEs through successive National Budgets, particularly in power generation and distribution, port and airport infrastructure facility expansion and water supply and distribution.
- proceed with required staff recruitment, while ensuring competencies, offering justifiable competitive remuneration and incentives.
- comply with Government Financial Regulations, be responsiveness to observations made by the Auditor General and submit in a timely manner the Annual Reports and such other reporting requirements towards improved governance and accountability.
- To improve and sustain their performance, make continued efforts to strengthen best corporate and management practices in line with international standards, consolidate prudent financial management, increase

exposure to market competition, ensure effective human resource management and enhance public accountability

- recognized that SOBEs have an economic and social responsibility to ensure that their services are accorded to the public with an affordable price-tag and to support the country to achieve rapid economic development.
- quantify all non-commercial activities that SOBEs are performing in carrying out their economic and social responsibilities so that any support from the Treasury could be limited to such amounts, enabling these entities to operate in a commercially viable manner.

SOBEs have made encouraging progress having adopted inter alia the aforementioned strategies. As such, out of the 55 strategic SOBEs, the number of SOBEs making profit has increased from 33 in 2005 to 43 in 2013. However, most SOBEs carry substantial past dues in their Balance Sheets, reflecting loans from other SOBEs and Government agencies, primarily of inter-governmental or intra-governmental nature, reflecting substantial values in the balance sheets. Bank of Ceylon and People's Bank which have provided financing to these entities being the leading State Banks are also faced with limitations in their business diversification due to provisioning requirements on their long outstanding and significantly large exposures to SOBEs. This has in turn restricted their ability to expand business to SMEs and the private sector.

In this backdrop, the following measures are underway to strengthen the Balance Sheets of the large SOBEs, Ceylon Petroleum Corporation (CPC), Ceylon Electricity Board (CEB), National Water Supply and Drainage Board (NWSDB), SriLankan Airlines (SLA) and Mihini Lanka (MLL), so as to align their focus towards effective and efficient resource utilization.

- convert all previous loans granted to selected SOBEs by the Treasury, as Government equity

since this measure will be budget neutral and will improve the Balance Sheets of such SOBEs.

- Infuse fresh capital to be able to meet capital adequacy.
- Buy back equity of underperforming SOBEs held by state banks, to allow commercial performance of state banks.
- Issuance of Treasury Bonds where deemed suitable to settle long outstanding dues of SOBEs from other SOBEs and Government

departments/agencies, including import bills, to be looked at favourably.

While these measures are expected to improve the Balance Sheets of the said SOBEs, such improvements will also have a mirror image positive effect on the Balance Sheets of the two State Banks as majority of their financial transactions have been done through these banks. Such improvement in State Banks will increase their dividend pay back to the Government, which in turn could be used to retire Treasury Bonds.

Institutional and Legal Framework Development

Legislation passed by Parliament - 2013

1.	Divinaguma Act No. 1 of 2013
2.	Code of Criminal Procedure (Special Provisions) Act No. 2 of 2013
3.	Convention of the suppression of Terrorist Financing (Amendment) Act No. 3 of 2013
4.	Society of the Ceylonese Brother's of St. Joseph (Incorporation) Act No. 4 of 2013
5.	Ports and Airports Development Levy (Amendment) Act No. 5 of 2013
6.	Economic Service Charge (Amendment) Act No. 6 of 2013
7.	Excise (Amendment) Act No. 7 of 2013
8.	Telecommunication Levy (Amendment) Act No. 8 of 2013
9.	Customs Ordinance (Amendment) Act No. 9 of 2013
10.	Resettlement Authority (Amendment) Act No. 10 of 2013
11.	Nation Building Tax (Amendment) Act No. 11 of 2013
12.	Finance (Amendment) Act No. 12 of 2013
13.	Notaries (Amendment) Act No. 13 of 2013
14.	Powers of Attorney (Amendment) Act No. 14 of 2013
15.	Fiscal Management (Responsibility) (Amendment) Act No. 15 of 2013
16.	Strategic Development Projects (Amendment) Act No. 16 of 2013
17.	Value Added Tax (Amendment) Act No. 17 of 2013
18.	Inland Revenue (Amendment) Act No. 18 of 2013
19.	Betting and Gaming Levy (Amendment) Act No. 19 of 2013
20.	Tax Appeals Commission (Amendment) Act No. 20 of 2013
21.	Registration of Documents (Amendment) Act No. 21 of 2013
22.	Marriage Registration (Amendment) Act No. 22 of 2013
23.	Kandyan Marriage and Divorce (Amendment) Act No. 23 of 2013
24.	Muslim Marriage and Divorce (Amendment) Act No. 24 of 2013
25.	Births and Deaths Registration (Amendment) Act No. 25 of 2013
26.	Hanguranketha Madanwala Rajamaha Vihara Development Foundation (Incorporation) Act No. 26 of 2013
27.	Registration of Electors (Special Provisions) Act No. 27 of 2013
28.	Parliamentary Scholarship Board (Repeal) Act No. 28 of 2013
29.	Defence Services Command and Staff College (Amendment) Act No. 29 of 2013
30.	Local Authorities filling of vacancies (Special Provisions) Act No. 30 of 2013
31.	Sri Lanka Electricity (Amendment) Act No. 31 of 2013
32.	Science and Technology Development (Amendment) Act No. 32 of 2013
33.	Convention Against Doping in Sport Act No. 33 of 2013
34.	Buddhist Temporalities (Amendment) Act No. 34 of 2013
35.	Fisheries and Aquatic Resources (Amendment) Act No. 35 of 2013
36.	Appropriation Act No. 36 of 2013

Bills facilitated to be finalized by the Ministry of Finance and Planning are marked in blue.

Table 3.13 > **Gazettes Published by the MoFP - 2013**

Gazette	Descriptions	Objective
Fiscal Policy Department		
1842/16 2013/12/27	The Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators Act, No. 10 of 1972 (Terminal Handling and Other Charges by Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators Act No. 10 /1972	Regulations made under Section 10 of the Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators Act, No. 10 of 1972 read with Article 44(2) of the Constitution of the Democratic Socialist Republic of Sri Lanka.
1837/46 2013/11/22	Ports and Airports Development Levy Act, No.18 of 2011. Order under Section 3	To exempt the payment of Ports and Airports Development Levy on importation of Petroleum oils and obtained from bituminous minerals goods under the specified HS Codes, other products including glands and other organs for organ therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organ-therapeutic uses, human blood: animal blood prepared for therapeutic, prophylactic or diagnostic uses, immunological products, medicaments (excluding goods of heading 30.02,30.05 or 30.06) and on importation of Pharmaceutical goods and exemption of Aircraft launching gear; deck arrestors or similar gear
1837/31 2013.11.21	Export Development Act, No. 40 of 1979. Order under Section 14 (Export Cess)	To introduce a Cess on the export of Pepper, Cinnamon, Clove and Nutmeg in order to encourage local value added exports.
1837/30 2013/11/21	Export Development Act, No. 40 of 1979. Order under Section 14 (Import Cess)	To revise Cess on Dairy Products, Vegetables and Fruits, Food items, Steel Products, Furniture etc. to promote local value additions and to remove Cess on Designer pens and ties and bows in order to promote branded items for international shopping
1794/10 2013/01/22	Sri Lanka Export Development Act, No. 40 Of 1979, Order Under Section 14 (Export Cess)	To revise Export Cess on bulk tea to Rs.10/- per kg or to 2.5% of the Colombo Tea Auction average price, whichever is higher. Colombo Tea Auction average price is determined for each month by the Director General of Customs in consultation with the Director General of Sri Lanka Tea Board and comes into effect from the first day of the month and is computed by taking the average prices of the Colombo Tea Auction during the immediately preceding consecutive two months prior to one month from the effective date.
1794/9 2013/01/22	Sri Lanka Export Development Act, No. 40 Of 1979, Order Under Section 14 (Import Cess)	To reduce the Import Cess rates on unbleached cotton woven fabrics to Rs. 75 per kg and other fabrics to Rs. 100 per kg to encourage domestic processing in apparel industry using imported unprocessed raw material
1837/29 2013/11/21	Excise (Special Provisions) Act No.13 of 1989, Order under Section 3	To implement budget proposals – 2014 with regards to introduce national sub headings and revise descriptions of identified HS Codes revise excise duty rates of HS Codes, 2710.12.20, 2710.19.40, 8704.21.51, 8704.21.52, 8704.31.41 and 8704.31.42 and to adjust excise duty rates of chapter 87 to make revenue neutral with the down ward revision of custom duty rates.

Gazette	Descriptions	Objective
1821/1 2013/07/29	Excise (Special Provisions) Act No.13 of 1989, Order under Section 3	To increase the excise duty on cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes and to increase excise duty to 27% from 12% for vehicles with separate bodies for cabin and cargo area (crew cabs), to 29% from 15% for vehicles exceeding 5 tons but not exceeding 20 tons and to 35% from 20% for vehicles exceeding 20 tons mainly to minimize the anomalies of tax rates of motor vehicles for transport of goods and to ensure more contribution from those vehicles to maintain the national road network.
1793/5 2013/01/15	Excise (Special Provisions) Act, No. 13 of 1989 Order under Section 3C	To amend the conditions granted to reduce the applicable taxes as per the 2012 budget proposal, on a motor vehicle imported as a replacement of a motor vehicle which is used to transport air passengers from and to airports by any Airport Taxi Operator who holds a valid permit issued by the Airport and Aviation Services (Sri Lanka) Ltd.
1821/4 2013/07/29	Excise Ordinance, Excise Notification No. 959, 960 and 961	To increase the Excise Duty charged for Molasses, Palmyra, Coconut and Processed Arrack from Rs. 1,043.00 to Rs. 1,110.00 per proof liter, to increase the Excise Duty on Country Made Foreign Spirits manufactured in Sri Lanka from Rs. 1,183.00 to Rs. 1,250.00 per proof liter, to increase the Excise Duty on Malt liquor of less than 5% of absolute strength from Rs. 100.00 to Rs. 110.00 per every liter and to increase the Excise Duty on Malt liquor of more than 5% of absolute strength from Rs. 116.00 to Rs. 130.00 per every liter with effect from 31.07.2013.
1821/3 2013/07/29	Excise Ordinance, Excise Notification No. 958	To increase the Excise Duty charged for the supply of locally manufactured or import of Spirits (Ethyl Alcohol) up to 20,000 liters per month to be used by Government approved research and educational institutions, hospitals and Government Departments and supply of locally manufactured or imported Spirit (Ethyl Alcohol) up to 20,000 liters per month to be used in the production of medical preparations and industrial products, which are final products that are not subject to payment of Excise Duty and the Excise Duty charged for the supply of locally manufactured or import of Impure Ethyl Alcohol Spirits (Technical Spirits/ Weak Spirits) for each liter as specified in the schedule to this gazette notification.
1804/16 2013/04/03	Excise Ordinance, Excise Notification No. 957	To amend the Excise duty on import/local manufactory of spirit (Ethyl Alcohol) to be used by Government approved research and educational institutions, hospitals and Government departments, Spirit (Ethyl Alcohol) to be used in the production of medicinal preparations and industrial products which are final Products that are not subject to payment of Excise Duty manufacturing of Alcohol and Impure Ethyl Alcohol spirits (Technical spirits/ weak spirits).
1809/19 2013/05/10	Stamp Duty (Special Provisions) Act, No. 12 OF 2006, Order under Section 3	To reduce the Stamp Duty rate applicable on an Affidavit from Rs. 250/- to Rs. 50/-
1838/19 2013/11/26	Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Luxembourg	To publish the Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Luxembourg.

Gazette	Descriptions	Objective
1838/8 2013/11/26	Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Palestine	To publish the Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Palestine.
1837/14 2013/11/20	Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Seychelles	To publish the Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Seychelles.
1837/13 2013/11/20	Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Belarus	To publish the Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and Belarus.
1828/9 2013/09/17	Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and India	To publish the Agreement for Affording Relief from Double Taxation and Prevention of Fiscal Evasion between Sri Lanka and India.
1823/05 2013/08/12	Transfer Pricing Regulations published under the Inland Revenue Act, No. 10 of 2006	To amend the regulations of Transfer Pricing Regulations on International Transactions and Transfer Pricing Regulations on Transactions other than International Transactions.
1824/23 2013/08/23	Finance Act, No. 12 of 2013, Order under Section 15	To introduce One per centum of Crop Insurance Levy on profit after tax, of Banks, Financial Agencies and Insurance Agencies. The income from this fiscal levy is used for payment of compensation to farmers on damaged crops due to drought, floods and wild elephants.
1818/30 2013/07/11	The Finance Act No. 12 of 2012 (Commercial Hub Regulation No. 1 of 2013)	<p>To provide the followings, in respect of the implementation of proposals, in Budget 2013;</p> <p>a) to publish regulations to form the basis on which guidelines and approvals would be granted</p> <p>b) to determine the scope of the exemption to be granted and</p> <p>c) to declare relevant areas to be brought under the Act</p> <p>The main aim of this is to extend business activities in Free Ports and Bonded Areas and promote foreign investments. Provisions relating to the agreements to be entered into by enterprises with the BOI, the approved business activities for such enterprises, the investment criteria and provisions to exempt the imposition of taxes as well as the provisions in respect of free port and designated bonded areas specified in this Gazette.</p>
Trade and Investment Policy Department		
1796/20 2013/02/08	Under section 2 of the Special Commodity Levy Act No. 48 of 2007	The Special Commodity Levy that was effective on 31 commodities under 4 Gazette Notifications. Since the validity period of these Gazette Notifications ended, a new Gazette Notification was issued without affecting the existing tax rates. Additionally, with a view to safeguard local oil producers, the Special Commodity Levy was made applicable to palm kernel or Babassu oil imported under a lower tax rates and used to be mixed with coconut oil.
1808/21 2013/05/03	Under section 2 of the Special Commodity Levy Act No. 48 of 2007	The Special Commodity Levy that was applicable on a kilo gram of potatoes was increased from Rs. 15 to 25, while extending the validity of the Gazette for a further period of 4 months with a view to offer a better and reasonable prices to local potato farmers.

Gazette	Descriptions	Objective
1813/24 2013/06/07	Under section 2 of the Special Commodity Levy Act No. 48 of 2007	The validity period of this Gazette relating to 30 commodities except potato, expired on 8th June 2013 and a new Gazette was duly published for a further period of six months without changing the levy that was in existence.
1815/14 2013/06/20	Section 2 of the Revenue Protection Act, No 19 of 1972	To impose a 5% import duty on the importation of gold, in order to stabilize the price of gold in the local market, taken place due to the decrease of the price of gold in international markets.
1815/15 2013/06/20	Under section 10(A) of the Customs Ordinance (Chapter 235)	To apply a surcharge of 100% on customs Duty (5%) on Gold.
1818/36 2013/07/11	Under section 2 of the Special Commodity Levy Act No. 48 of 2007	To increase the prevailing Special Commodity Levy on Bónions from Rs. 15 to 30 per KG with a view to offer a better and reasonable price to local farmers of Bónions.
1821/18 2013/07/29	Section 2 of the Revenue Protection Act, No 19 of 1972	To increase Import Duty on butter and dairy products, beer and alcohol sprits, cigarettes and tobacco products, tyres and Motor vehicles used for transport of goods .
1821/32 2013/07/31	Special Commodity Levy Act No 48 of 2007	Having observed a declining trend in respect of prices of sugar in the international market and considering the possibility of further decreasing of prices of sugar in international market, prevailing levy on a kilo gram of Sugar was increased from Rs. 20 to Rs. 27
1824/22 2013/08/22	Special Commodity Levy Act No 48 of 2007	Having considered the supply of local production to the market, the existed tax on a kilo gram of Potatoes was increased from Rs. 25 to 40 and B'onions from Rs. 30 to 35 in order to ensure a better and reasonable price for local cultivators of Potatoes and B'onions.
1836/41 2013/11/16	Under section 2 of the Special Commodity Levy Act No. 48 of 2007	To reduce the SCL rate on Potatoes from Rs.40 per Kg to Rs.10 per Kg , Bónions from Rs.35 per Kg to Rs.10 per Kg and Red Onions from Rs.15 per Kg to Rs.05 per Kg.
1837/25 2013/11/21	Under section 2 of the Revenue Protection Act, No 19 of 1972	To introduce new tariff bands on CID as 0%, 7.5%, 15% and 25%. Reduced the CID rate for IT supportive printers, Optical fiber cables, Solar control films. Change the CID rate for Branded items for up market development ,Local value addition and backward integration with domestic value creation – Machinery and heavy industry – Tea machinery, Tractors, steel, Cement, Ayurvedic industry, fisheries industry, Confectionary industry, Flavors, Cocoa beans, gold, Boat manufacturing industry, Wheel barrows and Gauze. Created new HS codes for Diesel hybrid vehicles. Under SAFTA and ISFTA, 208 and 10 items are removed respectively from the negative list of Sri Lanka.
1837/26 2013/11/21	Under section 2 of the Special Commodity Levy Act No. 48 of 2007	To revise the SCL rates according to 2014 Budget proposals and introduced 4 new items to the SCL (Salt, Yoghurt, Butter and Margarine).
1837/27 2013/11/21	Under section 10 of schedule 'E' of the Customs Amendment Act No .2 of 2003	To revise the method of Calculation of Value of used Motor Vehicles.
1837/28 2013/11/21	Under section 10(A) of the Customs Ordinance (Chapter 235)	To remove the surcharge on imported Gold.

Source : Ministry of Finance and Planning

Circular Instructions Issued by the MoFP - 2013

Table 3.14 > **Public Enterprises**

Public Enterprise Circular No.	Caption
01/2013	Retirement age of employees in Public Enterprises (15.01.2013)
02/2013	Remittance of contributions in terms of provisions under the Employee Provident Fund Act, Employee Trust Fund Act, Employee Gratuity Payment Act and Acts on Income Tax (11.09.2013).
03/2013	Application of Sri Lanka Public Sector Accounting Standards (SLPSAS) Volumes I & II (02.10.2013).

Source: Ministry of Finance and Planning

Table 3.15 > **Public Finance**

Public Finance Circular No.	Caption
01/2013	Granting preference for locally manufactured Goods by Local Bidders who participate in Supply Contracts under Domestic Funds (02.01.2013).
02/2013	Introduction of a Bank Pre-paid Card System for private payments in Public Institutions (31.01.2013).

Source: Ministry of Finance and Planning

Table 3.15 > **Trade and Investment Policy**

Trade and Investment Policy Circular No.	Caption
01/2013	Issuance of motor vehicle permits on concessionary terms (02.08.2013).

Source: Ministry of Finance and Planning

Responses to Parliamentary Questions

A summary of areas relating to which Parliamentary Questions have been raised by Hon. Members of Parliament in terms of the Parliamentary Standing Order No.23(2) is as follows. Complying with the provisions

in Parliamentary Standing Orders, all these questions have been answered by the Ministry of Finance and Planning providing explanation/ additional information for the benefit of the Hon. Members of Parliament.

Table 3.16 > **A Summary of Areas and the Number of Responses to Parliamentary Questions**

Description	2010	2011	2012	2013
Questions on Gross Domestic Product (GDP)	-	-	2	3
Issues on the cost-of-living	2	-	1	-
Trends and issues in public investment	-	2	-	-
Measuring methods and trends in inflation	1	3	-	-
Government loans (foreign and local) and grants	3	4	5	3
Issues and interpretations on Budgetary provisions	2	1	-	2
Limits and interpretations on expenditure	-	-	1	1
Imports, exports and Balance of Payments	1	5	-	-
Issues on tax policy and taxation	1	2	-	1
Foreign currency reserves and gold reserves	-	2	3	2
Activities relating to Departments and other institutions, under the purview of the MOFP (Progress, recruitment etc.)	2	5	4	5
Activities of State Banks (profits, cadre and recruitment)	3	5	4	4
Activities of state related financial institutions/ Pramuka Bank and Ceylinco Bank	4	-	10	2
Pension schemes and compensation for farmers	1	1	1	2
Issues on public sector pension	1	-	-	-
Details under Fiscal Management (Responsibility) Act	-	-	-	1
Details on public enterprises	-	-	1	-
Details on foreign funded projects	1	-	1	2
Details on population, labour force/ unemployment	1	-	2	2
Cadre related issues in the public sector	-	2	1	-
Details of the stock market and its trends	-	1	3	-
Details of issuing liquor licenses	-	-	1	-
Issue on in-house gaming industry	-	-	1	1
Details on fuel concessions for farmers, three wheelers and others	-	-	1	3
Printing of currency notes	-	-	2	-
Details of the Airport Lottery				2
Other questions	4	4	6	4
Total	27	37	50	40

Source: Ministry of Finance and Planning

04

THE 2013 MACROECONOMIC REVIEW

4.1 Overview

The Sri Lankan economy grew by 7.3 percent in 2013, recovering from 6.3 percent growth recorded in 2012 amidst a challenging domestic and external environment. The economy has been in a consistent growth trajectory during the past nine years since 2005 recording an average growth rate of 6.7 percent in comparison to an average of 4.5 percent in the previous years. However, erratic rainfall and unfavourable weather conditions, high international oil prices and associated adjustments as well as financial crisis in the US and Europe affected the economic advancement. The average growth during the last four years was 7.5 percent in the climate of peace underscoring the fact that the economy has moved into a high growth path. The growth was benefited from post conflict peace and reconciliation, new capacity created in terms of economic and social infrastructure through improved public investments, enhanced private investments in traditional and emerging sectors in the real economy and stable macroeconomic conditions.

In 2013, the economic growth was higher than the inflation, which continued to remain in the single digit level for the fifth consecutive year. With this growth, Sri Lanka has marked an impressive progress in many aspects, including the reduction of poverty to 6.7 percent and maintaining unemployment at 4.4 percent while increasing the per capita income to US\$ 3,280. The current trend is consistent in realizing a per capita income of over US\$ 4,000 by 2016 thereby consolidating its position as a middle income economy.

The growth in 2013 was supported by the expansion in all three sectors, particularly the gradual recovery of Industry and Services sectors in the second half of the year complemented by the strong contribution by

the Agriculture sector. The rate of inflation, as measured in terms of GDP deflator, was 6.7 percent in 2013 in comparison to 16.3 percent recorded in 2008 and remained at single digit level for last five years. The unemployment rate increased marginally to 4.4 percent reflecting the inclusion of new job seekers in to the labour force. Market interest rates declined gradually responding to the easing of the monetary policy of the Central Bank. Yield rates of government securities declined across all the maturities while the lending rates moved to a range of 15 percent resulting in a real interest rate for lending to increase to around 8 percent in 2013. Financial sector continued to remain resilient and the financial system stability was preserved amidst challenging international financial environment benefiting from proactive measures adopted by the Central Bank and the government.

The budget deficit declined for the fourth consecutive year to 5.9 percent of GDP in 2013 in comparison to the target of 5.8 percent reflecting the continued efforts to strengthen fiscal consolidation while maintaining public investment at a moderate level of 5.5 percent. The financial position of key state owned business enterprises indicated a marked improvement, although the domestic price adjustments continued to lag behind international prices.

The external sector performance continued to improve reflecting the impact of policy package introduced in early 2012 to ensure macroeconomic stability while benefiting from the enhanced external demand. The slow recovery in many advanced and emerging market economies, geo political tensions in the Middle East region, fiscal crisis in the Euro Zone area and changes in the movement of international capital flows with the expectation of tapering the purchases of long term assets by major Central Banks were among the major challenges faced by the external trade and

finance in the country. Imports continued to decline in 2013, in absolute terms, while exports recovered strongly thereby recording a significant decline in the trade deficit. Sustained inflows from overseas employment, tourism and export of services as well as capital inflows helped generate a surplus in the country's Balance of Payments (BOP). As a result, gross official reserves increased to US\$ 7.5 billion by end 2013 providing sufficient safeguard to manage short term capital requirements to maintain external stability.

As a middle income economy, Sri Lanka is confronted with a number of challenges in its journey towards economic and social advancement. Lowering the debt financing of the government budget, enhancement of exports, import replacement, energy conservation and enhancing the use of renewable energy, adjustments to high international petroleum prices, changing consumption patterns, effective use of new infrastructure capacity, concerted effort to promote tourism, lowering the high level of youth unemployment, productivity improvement as well as population ageing and related issues are among the key challenges that need particular attention.

Real Economy Rebounded

The primary agriculture sector, which accounted for 10.8 percent of GDP and provided employment opportunities, particularly for the people in the rural areas, grew by 4.7 percent in 2013 in comparison to 5.2 percent growth in 2012. The expansion in the paddy sub sector due to significant increase in Yala harvest in the second half of the year which helped neutralize the moderation in the growth due to crop damage in Maha season was the main reason for this achievement. The Industry sector recorded a 9.9 percent growth and accounted for 31.1 percent of GDP in 2013. This was supported by the growth in all the sub sectors, particularly

The current trend is consistent in realizing a per capita income of over US\$ 4,000 by 2016 thereby consolidating its position as a middle income economy.

by the manufacturing sector, responding to enhanced external and domestic demand. The Services sector, which accounts for 58.1 percent of GDP, grew by a higher rate of 6.4 percent in 2013 in comparison to 4.6 percent recorded in the previous year. The Services sector also benefitted from the growth in all the subsectors, particularly the strong performance in the wholesale and retail trade, transport and communication as well as banking, insurance and real estate subsectors.

Inflation Single Digit

Inflation, as measured by the year on year change in the Colombo Consumers' Price Index (base=2006/07) (CCPI), was 4.7 percent by the end of 2013 in comparison to 9.2 percent in the previous year and was maintained at single digit level for the fifth consecutive year. The improvements in domestic supply conditions of agricultural commodities, subdued commodity prices in the international market and prudent policies adopted by the Central Bank and the government. The inflation which reached upper single digit levels during the first two months of the year due to supply disruptions caused by adverse weather conditions that prevailed in major cultivating areas, increase in LP gas and petroleum prices and the low base in 2012, declined gradually thereafter with the release of the seasonal harvest to the market. The annual average inflation, as measured in overall consumer prices, also declined to 6.9 percent from 7.6 percent in 2012 while the GDP deflator produced 6.7 percent in 2013.

Market Interest Rates Moved Down

Market interest rates moved downwards in 2013 responding to the easing of the monetary policy stance adopted by the Central Bank by reducing policy interest rates i.e. Repurchase and Reverse Repurchase rates, by 125 basis points i.e. 25 basis points in December 2012 and 50 basis points each in May and October 2013 while allowing the ceiling imposed on licensed banks on the expansion of private sector credit to expire and reducing the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of commercial banks by 2.0 percent to 6.0 percent in July 2013.

Accordingly, interbank average call money rate (AWCMR), which experienced a considerable volatility and hovered around the upper bound of the policy rate corridor until mid 2013, began to stabilize and declined gradually towards the middle of the policy rate corridor. The deposit rates, although continued its upward trend until mid 2013 reflecting the lagged effect of tight liquidity conditions and tight monetary policy stance in 2012, gradually adjusted downwards by the end of the year due to the easing of monetary policy. The Average Weighted Deposit Rate (AWDR) of the commercial banks declined by 73 basis points to 9.37 percent by end 2013. The Average Weighted Lending Rate (AWLR) also declined by 80 basis points to 15.18 in December 2013 from 15.98 percent in 2012 with the commercial banks adjusting their lending rates downwards given the declined market interest rates and corresponding adjustments in deposit rates. The yield rates on 91 days, 182 days and 364 days Treasury bills declined in 2013 by 246 basis points, 347 basis points and 340 basis points, respectively.

Unemployment Increased Moderately

The unemployment rate increased in 2013 to 4.4 percent from 4.0 percent in 2012 mainly due to the entry of new job seekers into the labour market. Although increased marginally in 2013, the level of unemployment in the country

remains relatively low mainly due to the higher average growth of around 7.5 percent in GDP during 2010-2013 period, expansion in the construction activities, tourism and services as well industry related activities and increase in overseas employment opportunities for Sri Lankans.

External Sector Improved

The external sector performance continued to improve in 2013 responding to the policy initiatives introduced in early 2012 to strengthen the macroeconomic stability complemented by favourable developments in the external economy. Exports rebounded strongly to US\$ 10.4 billion in 2013 from US\$ 9.8 billion in 2012 while the expenditure on imports declined to US\$ 18.0 billion in 2013 from US\$ 19.2 billion in the previous year. Consequently, trade deficit declined significantly to US\$ 7.6 billion from US\$ 9.4 billion in 2012. The deficit in the current account also narrowed to US\$ 2.6 billion from US\$ 4.0 billion in the previous year with higher inflows by way of workers' remittances and increased earnings from tourism and other services exports. With the increased inflows to the capital and financial account, including Foreign Direct Investments, foreign investments in government securities and long term debt inflows to projects, the Balance of Payments (BOP) recorded a surplus of US\$ 985 million in 2013. Consequently, the external reserves increased to US\$ 7.5 billion which is 85 percent of short term external debt (excluding Treasury bonds), as against 83 percent by end 2012.

Growth in Monetary Aggregates Decelerated

The year on year growth in reserve money which reflected an average growth of around 10.7 percent in the first half of 2013 declined in the second half mainly the growth of reserve money turned negative with the reduction of SRR in July and recorded a 0.9 percent

growth by end 2013. However, reserve money growth was broadly in line with the quarterly projections. Meanwhile, the growth in the broad money (M2b) moderated to 16.7 percent in 2013 to Rs. 3,417.9 billion and recorded an average growth of 16.5 percent in 2013.

The private sector credit grew by 7.3 percent in 2013 in comparison to 17.6 percent in the previous year. The downward rigidity of market lending rates, decline in pawning activities due to drop in international prices of gold and slowdown in the economy during the first half of 2013 were the major reasons to the lower recovery of private sector credit growth. However, with the impact of monetary policy easing in 2013 and early 2014 transmitting to the economy gradually, an increase in the private sector credit is expected to support the growth momentum. Meanwhile, the rupee depreciated by 2.8 percent against US\$ in 2013 as a result of the policy of maintaining flexibility in determination of the exchange rate.

Financial System Stability Strengthened

The financial sector continued its catalytic role in facilitating diverse financial and investment needs towards supporting the country's growth momentum while remaining resilient. The financial system stability was preserved through supervisory and regulatory activities by the Central Bank in the midst of challenging domestic and global environment, including the tensions in international financial markets thereby reinforcing the public confidence and supporting economic stability.

During the year, the credit growth of banks and financial institutions moderated mainly due to the slow progress in trade related activity, improved performance in SOBEs and the decline in the pawning advances with the significant decline in international gold prices. The increase in non-performing pawning advances mainly affected the increase in non-performing loans during the year. Nevertheless,

the banks and financial institutions remained sound due to the diversification of their lending portfolios, strong liquidity buffers and improved risk management practices. The enhancement of the access to financial services to promote inclusive growth was possible due to the widened branch network of these institutions. The sources of funding of financial institutions continued to be diversified with the permission granted to raise funds from abroad thereby strengthening their balance sheets further to provide a better service. The work related to the consolidation of the financial sector in Sri Lanka is in progress, as proposed in Budget 2014, with the view of creating a stronger financial sector to improve the institutional as well as sectoral performance.

Fiscal Consolidation Continued

The budget deficit declined for the fourth consecutive year reflecting the continued efforts towards further consolidation of the government fiscal operations within the medium term fiscal management framework. The deficit as a percentage of GDP has been declining from 9.9 percent in 2009, 8.0 percent in 2010, 6.9 percent in 2011, 6.5 percent in 2012, and to 5.9 percent in 2013. This was achieved through the alignment of the government expenditure in line with the government revenue which was lagging behind the growth in GDP. The overall fiscal operations confronted with several challenges in 2013, including the slowdown in the domestic economic activity, particularly during the first half of the year and the decline in imports. The fiscal system also continued to be vulnerable to the high oil prices in the international markets and developments in the global economy.

Revenue Needs Further Improvement

Total government revenue increased by 8.1 percent in 2013 to Rs. 1,137 billion in comparison to Rs. 1,052 billion recorded in

2012. All major taxes, except Ports and Airports Development Levy (PAL) and Economic Service Charge (ESC), contributed positively to the growth in the revenue. There was a buoyant growth in the revenue from income taxes in 2013 amidst the adjustments to a lower tax regime. The revenue from indirect taxes on domestic economic activities also improved in line with the recovery of the domestic economic activities towards the second half of the year. However, the revenue performance on the taxes imposed at the point of imports continued to suffer due to decline in imports while the decline in the volume in cigarettes and liquor affected the revenue from these commodities. In 2013, tax revenue to GDP ratio was 11.6 percent in comparison to 12.0 percent in 2012. Meanwhile, non-tax revenue declined to 1.5 percent of GDP from 1.9 percent in the previous year mainly due to lower revenue from profits and dividends of state owned enterprises. Total revenue as a percentage of GDP accounted to 13.1 percent in comparison to 13.9 percent in 2012.

Recurrent Expenditure Stabilized

Recurrent expenditure of the government increased by 6.6 percent to Rs. 1,205 billion in 2013 over the previous year. However, as a percentage of GDP, it continued to decline reaching 13.9 percent in 2013 in comparison to 14.9 percent in the previous year reflecting the government's efforts in managing expenditure in line with the revenue trends to strengthen fiscal consolidation process. Interest payments increased by 8.8 percent mainly due to lower market interest rates but declined as a percentage of GDP to 5.1 percent from 5.4 percent in 2012. Non interest recurrent expenditure increased by 5.1 percent to Rs. 761 billion in 2013 and accounted to 8.8 percent of GDP. Expenditure on salaries and wages increased by 13.1 percent due to the increase of special non-pensionable allowance to all public servants by a further 5 percent of the monthly basic salary, increase in cost of

living allowance (COLA) and other upward revisions in allowances together with the new recruitments to various categories. Total expenditure on national security declined to 2.4 percent of GDP in 2013 from 2.7 percent in 2012 with the gradual normalization of recruitment. Meanwhile, the expenditure on key social welfare programmes continued at a cost of Rs. 52.3 billion and transfers to state owned enterprises to cover their operational losses amounted to Rs. 13.8 billion in 2013.

Public Investments Sustained

The public investment at 5.5 percent of GDP in 2013 in comparison to the budgetary target of 6.1 percent of GDP despite many challenges faced in the management of fiscal operations. A steady progress was witnessed by the country in expanding the capacity of power generation, transmission and distribution, and the construction of expressways, highways, ports, airports, railways, irrigation systems, water supply and sanitation systems and schools, vocational training and health facilities, administration buildings as well as rural centric infrastructure development consequent to the sustained expenditure on public investment. The steady progress in the public investment programme reflected the commitment of the government to maintain public investment at a higher level conducive to provide services and stimulate private sector economic activities.

Net Domestic Financing Increased

The revenue deficit declined to 0.8 percent of GDP in 2013 in comparison to 1.0 percent in the previous year due to decline in the recurrent expenditure than the decline in the revenue. The overall budget deficit of Rs. 516 billion in 2013 was financed mainly by domestic borrowings of Rs. 448 billion (87 percent) and the balance Rs. 68 billion (13 percent) was from foreign borrowings. Treasury bonds continued to be the major source of domestic financing. The

borrowings from domestic banking sector increased to Rs. 297 billion from Rs. 131.5 billion in 2012 while borrowings from the non-bank sources amounted to Rs. 95 billion compared to Rs. 71 billion in 2012. Net foreign investments in Treasury bills and Treasury bonds contributed to 12.4 percent of the total net domestic financing in 2013. Addressing debt management concerns in fiscal reforms to deal with debt service impact on the budget has given special attention in the fiscal management process. Meanwhile, the government debt to GDP ratio declined to 78.3 percent in 2013 from 79.2 percent in 2012 and 90.6 percent in 2005.

Performance of SOBEs Improved

The improvement of the performance and efficiency of key State Owned Enterprises (SOEs) encompasses an important position within the overall economic strategy and a strong effort is being made by the government towards this direction. Consequently, there was a significant expansion in the SOBEs in 2013. The asset base of the currently operational 55 State Owned Business Enterprises (SOBEs) grew by 12 percent to Rs 5,132 billion or 59 percent of GDP. The policy reforms introduced in early 2012 and 2013 which involved upward revision of the administrative prices of petroleum products, electricity, passenger transportation and water, were particularly conducive to improve the performance of key SOBEs. It is important to note that 43 enterprises have been profitable in 2013 out of the 55 SOBEs, while operating in line with the policy framework of the government and delivering essential utilities and services at affordable prices. A total profit before tax of Rs. 44 billion was generated collectively by these SOBEs indicating a 162 percent increase in comparison to the loss of Rs. 109 billion in 2012. In 2013, SOBEs transferred Rs. 24 billion of dividends and levies to the Consolidated Fund as non-tax revenue to the government. Benefiting from the improved financial

position, the liabilities of CEB and CPC to the state banking system are expected to decline from Rs. 463 billion as at end 2013 to Rs. 382 billion by end 2015 mainly reflecting the cost reflective pricing policies and measures taken to strengthen their balance sheets.

The management improvements and new capital infusion, which is being taken place to improve productive capacity of SOBEs, are expected to make them financially stronger institutions. These enterprises are encouraged to adopt effective and innovative management practices, recruitment of skilled personnel with required expertise are being encouraged for achieving higher productivity and minimizing inefficiencies to become commercially viable entities. With these, SOBEs are expected to pay dividends as returns on investments instead of relying on the assistance from the government budget, given the government's clear policy of non-privatization of state enterprises. The audit and accounting processes of the SOBEs have been strengthened as they are under close scrutiny of the parliamentary Committee on Public Enterprises (COPE). Annual Accounts and Annual Reports are submitted by SOBEs complying with requirements of the COPE. Further, all SOBEs follow government procurement procedures.

Measures are also being taken to reduce the large exposures of the state banks to the SOBEs such as CEB and CPC under the government's initiative for reorientation of SOBEs, aimed at strengthening the commercial viability of the strategically important SOBEs, in order to strengthen their balance sheets as well as the liquidity position. Measures such as conversion of debt to equity in CEB, CPC and National Water Supply & Drainage Board (NWSDB), infusion of fresh capital to Sri Lankan Airlines (SLA) and Mihin Lanka Ltd (MLL) and buy back of equity in SLA from BOC, PB and NSB have been proposed in 2014 National budget and are currently

being implemented. As the SOBEs enhance their productivity, processes and financial management, the balance sheets are expected to be further strengthened. SOBEs are encouraged to obtain a credit rating to assess their financial strength to facilitate raising of funds on their own for future expansion and to meet development targets.

Medium Term Fiscal Policy Strategy

The government is committed to strengthen the fiscal consolidation process to reduce the deficit to below 4 percent of GDP under the 2014-2016 medium term macro-fiscal framework. The improvement in the revenue has been identified as the most important component in achieving this objective by keeping the operational expenditure on check while protecting public investment at around 6 percent of GDP to sustain the capacity to achieve higher economic growth, both in terms of physical infrastructure and human resource skills. A number of measures have already been taken to strengthen the government revenue and the revenue is expected to increase to around 16 percent of GDP in the medium term benefiting from the gradually establishing new tax regime, which was introduced in 2011 and consolidated and streamlined since then, supported by institutional capacity building in revenue agencies, human resource development and technology development in tax administration. Revision of financial regulations to suit for the fiscal management in a middle income country is also being undertaken as a part of the public financial management reforms. The improvement in the operations and financial viability of key SOBEs will be the other integral part in the medium term fiscal strategy to reduce downside risks on the national budget and the banking system.

Overall Macroeconomic Policy Direction

The importance of strengthening macroeconomic stability further and building sufficient buffers to improve resilience of the economy to external and domestic shocks has been clearly identified by the government. The economy is expected to continue its high growth at above 7.5 percent in 2014 and at an accelerated pace of about 8 percent in the medium term supported by the peaceful environment, additional capacity that has been created through infrastructure projects, growth momentum in exports as well as import replacement initiatives, stable macroeconomic conditions, political stability and continued optimism on the global economy. Consequent to the success in inflation management in last five years, supported by continued reduction in budget deficit, inflation is projected to maintain at mid single digit level in 2014. This would need facing potential risks and challenges effectively.

Major Challenges

Despite the positive developments achieved in the recent past, the economy is confronted with a number of challenges which need to be addressed proactively to sustain higher economic growth, reduce unemployment and poverty while ensuring food security, energy security, and environmental security.

Lowering the Debt Financing of the Government

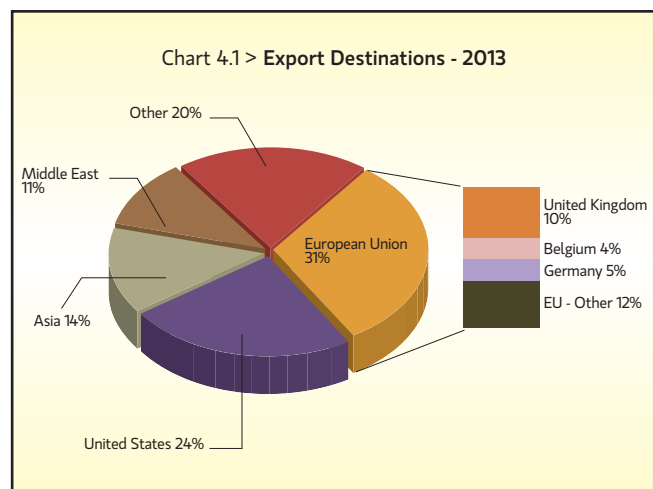
Budget: The continuation of a deficit in the revenue account of the government budget, as the revenue is not sufficient to meet recurrent expenditure, has been a key issue in the country's fiscal system. Hence, the public investment is entirely financed through borrowings. Therefore, as has already been identified by the government, a sufficient amount of revenue, over and above recurrent expenditure, needs to be generated to have

Key Areas to Augment Government Revenue

- Streamlining the enforcement of VAT and NBT to improve compliance of those who are liable (prevailing threshold turnover is Rs. 12 million per annum for both VAT and NBT) and consolidate wholesale/retail VAT to ensure optimum tax base is covered.
- Expanding the coverage of personal income tax through better compliance from professional providing self-services.
- Streamlining the tax on interest at source to prevent non-compliance.
- Use of improved and transparent methods in the valuation of imports of items vulnerable for undervaluation.
- Further streamlining of deductible expenses for taxation to prevent leakages/manipulations through well targeted provisions for deductions.
- Enforcement of excise tax on liquor to be further improved in preventive actions on spirit leakages.
- Taking a harmonized effort by government and provincial authorities to raise property based revenue at provincial and local authority level.
- Strengthening State Owned Enterprises (SOBEs) to expand their revenue base and contribute to the national budget as return on equity investments on SOEs.

a revenue surplus in the national budget to meet a part of the investment expenditure. Otherwise, the continuation of the deficit budget and resultant accumulation of the debt could be counterproductive by creating a vicious cycle of deficit, debt and interest payments.

Enhancement of Exports: The enhancement of exports is a key factor in sustaining the high economic growth path and enhancing foreign reserves to strengthen the external position of the country in the medium to long term. In this context, a number of areas need immediate attention in which key areas are as follows.



A sufficient amount of revenue, over and above recurrent expenditure, needs to be generated to have a revenue surplus in the national budget to meet a part of the investment expenditure.

Key Areas to Concentrate in Enhancing Exports

- Identification of a few key products where Sri Lanka has the advantage in producing and working collectively towards bringing Sri Lanka to the top ten countries in the world that export such products.
- Maintenance of a competitive exchange rate conducive to encourage exports.
- Enhancement of the utilization of various incentives granted by the government over the years by improving awareness about those concessions.
- Discouraging the export of primary products and enhancement of domestic value addition.
- Diversification of export base by expanding the basket of goods available for export while diversifying the product base.
- Diversification of export markets to reach emerging markets through enhanced efforts as about 80 percent of the total exports are directed towards traditionally matured markets and to the Middle East economies.
- Encouraging better and bigger exports penetration to such emerging economies as China, India, Brazil, South Africa and Russia
- Enhancement of the market access in the East Asian advanced economies like Japan, Korea and Singapore through bilateral trade reforms.
- Making efforts to enhance the ability to enter large economies to make full use of existing free trade agreements.
- Strengthening the domestic investor capacity to supply products to the Chinese market under the proposed FTA with China.
- Enhancement of the export of tourism, IT/BOP services, as well as professional, personal, educational and health services.
- Concentration on exporting complex and high-tech exports in line with middle income country industrialization as against the export of simple products.
- Enhancement of research & development as well as innovation to improve productivity and efficiency.
- Identification of emerging new sectors within the country and globally and concentrating on those areas.
- Commercial Hub Operations No.01 of 2013, which has declared identified areas as free ports and bonded areas, dedicated for offshore business activities in terms of provisions in the Finance Act.

Import Replacement: The enhancement of the domestic production of selected items to replace imports has so far delivered encouraging results as reflected in the increase in the production of rice, maize, B-onions, sugar and milk thereby helping to reduce the import cost. This needs to be strengthened with the encouragement of other possible areas as well to lower the import expenditure.

Key Areas in Import Replacement

- Enhancement of the domestic agricultural production, including sugar, chillies, big onions, red onions and potatoes, which has the domestic production scope to an estimated value of over US\$ 1 billion.
- Enhancement of domestic milk and milk products, fish, dried fish, canned fish and pharmaceutical products which involves import cost in excess of US\$ 1 billion.
- Encouragement of manufacturing activities, light engineering and renewable energy industry which include steel, cement, machinery, textiles, furniture and a wide range of building materials which has domestic production scope in excess of US\$ 3 billion per annum.
- Encouraging already established domestic and foreign investors to expand their investments in import replacement areas while enhancing Foreign Direct Investments (FDIs) towards these industries.

Energy Conservation and Renewable Energy:

The import cost of petroleum, energy resources and fertilizer stands at about US\$ 5 billion at present accounting for about one fourth of the imports and if investments are increased in these areas, a huge benefit could be obtained.

Followings are important in this context;

- Shifting to renewable energy sources such as small hydro, wind, biomass, solar and Municipal solid waste etc. with management efficiency and cost reflective pricing
- Enhancement of energy conservation while introducing new technologies

Adjustment to High International Petroleum Prices:

The annual cost on importing petroleum products stands at about US\$ 5 billion at present as Sri Lanka totally depends on its entire petroleum requirement on imports. Heavy dependency of oil imports to meet this requirement has made the macroeconomic management more vulnerable for the developments in the international oil prices, particularly affecting the country's Balance of Payments (BOP) as well as overall living conditions in the economy. Although it appears that the oil prices have stabilized around US\$ 105 per barrel, there is a risk of increasing prices in the future with the gradual recovery of the global economy. Hence, the introduction of adjustments in both supply and demand sides, including the followings, is necessary;

- Strengthening energy conservation through adjustments in pricing policies to eliminate hidden subsidies.
- Strengthening alternative energy use to reduce reliance on fuel based power consumption.

Chart 4.2 > Monthly Average Crude Oil (Brent) Prices

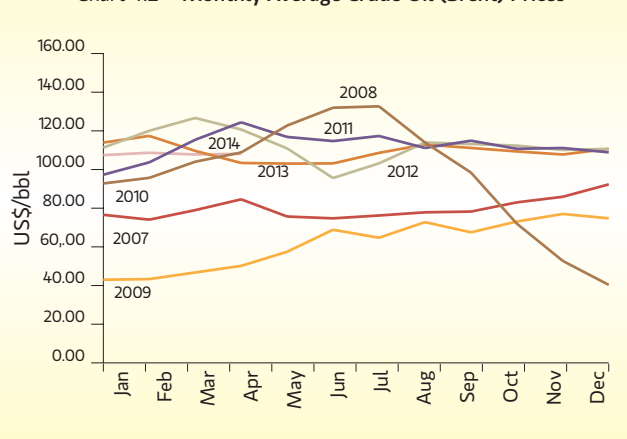
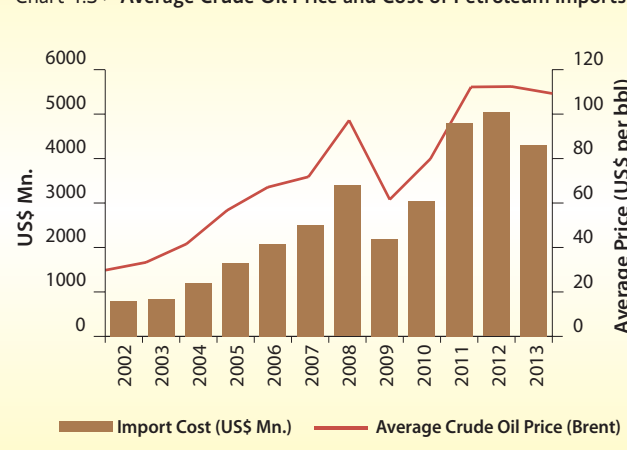


Chart 4.3 > Average Crude Oil Price and Cost of Petroleum Imports



- Encouraging industries, including those in the manufacturing sector, to use energy efficient machinery and management systems.
- Enhancing investments to reduce system losses further and improve transmission efficiency.
- Improving systematic traffic management while creating an efficient urban public transport system.

Changing Consumption Patterns: Sri Lanka has been able to achieve a per capita income of US\$3,280 (Rs. 423,467) in 2013 and the country has graduated to middle-income status. In line with the changing income position, graduation to a middle income status is further corroborated by the changing food and non-food consumption behavior of the Sri Lankans. It is apparent that the relative share of the total expenditure spent by an average household on food items is in the decline. The periodical household surveys also have shown that the food ratio, which stood at 65 per cent in 1980/81, has declined to 42.3 percent in 2009/10, reflecting the emergence of diverse consumption patterns among Sri Lankan people. This has increased the proportion of expenditure being spent on non-food items i.e. housing, personal care and health, education and other social and cultural activities, by the Sri Lankan consumer. Significant changes could also be noted in the quantities consumed per capita as well. These developments underscore the necessity of improving production, market and institutional conditions to ensure their efficient delivery in the future.

Effective Use of New Infrastructure Capacity:

The expansion in the physical infrastructure in the country has created long due space in the economy to grow faster. The completion of infrastructure projects related to ports, airports, convention centers and performing arts centers, etc. are expected to generate long term benefits to the country as the gestation period of some of these projects is longer. Hence, the effective use of these projects to generate satisfactory revenue streams is vital to ensure that value for money is realized from these projects. In this context, the challenge would be to improve their efficient usage through a concerted effort by all the stakeholders which encompasses proper marketing mechanisms and better coordination among relevant agencies.

Concerted Effort to Promote Tourism: As the positive benefits that could accrue from the tourism sector are manifold, the government has already introduced optimistic plans to maximize the benefit that country could get from this growing industry. The realization of these objectives however would depend on the effective implementation of the policies through a concerted effort by all the stakeholders. The identification of changing tastes and other trends in the industry with timely and appropriate responses, proper utilization of existing and new infrastructure, and better coordination among the institutions is extremely important to get the desired outcomes.

High Level of Youth Unemployment: The significantly high unemployment of about 19 percent among the youth in comparison to the national average of 4.4 percent has mainly reflected in the mismatch between competencies of the young aspirants and the job requirements domestically and globally. This has become an issue that needs urgent attention. In a middle income country like Sri Lanka, which is confronted with a technology driven economic and social transformation, the thinking and attitudes of the youth is also being changed rapidly. Therefore, it will be an important responsibility of all the stakeholders to provide these youth with necessary competencies and training through appropriate avenues to have gainful employment and unleash their potential.

Productivity Improvement: The improvement of the overall productivity of the economy is an important factor in sustaining a higher economic growth. Hence, it is vital to the economy to maximize the impact of capital and labor through technology advancements, supply chain and logistics improvements, and increased skills of the workforce by intensifying and strengthening the existing programmes and introducing new programmes. In line with this, proper identification of productivity

gaps, optimization of business processes and investment, renewal of obsolete capacity and production methods, enhancing professional education and training and skills development have to be strengthened. This will have to equally apply to the public sector, private sector as well to the community as a whole.

Population Ageing and Related Issues: Over the past several decades, Sri Lanka has experienced a demographic transition from high birth and death rates to steadily declining population growth and low mortality rates. With this, the share of older people in the total population of the country in 2012 was 12.3 percent and is expected to increase further to 16.7 percent in 2021 posing important social challenges in ensuring their well being. In an environment where social norms are changing rapidly, increasing migration and higher female participation in the labour force, prominence will have to give in the economic and social policy agenda in addressing issues related to this transformation. In this context, national policies have to be directed towards reformulating the existing pension systems to provide enhanced benefits while making retirement age more flexible in comparison to existing retirement age of 60 years, identification of obstacles and resolving issues related to employment of older workers, improving their skills, and enhancing the choices available to them, improving health status and eliminating social problems. Hence, relevant stakeholders will also have to increase their capacity and competencies in responding to the needs of old age population.

4.2 Real Economy

The Sri Lankan economy recorded a 7.3 percent growth in real terms in 2013 rebounding strongly from 6.3 percent growth rate recorded in 2012 in the midst of a challenging domestic and external

environment. Accordingly, the per capita income increased to US\$ 3,280 in 2013 compared to US\$ 2,923 in 2012.

The gradual easing of the stabilization policy measures introduced in early 2012 to ensure macroeconomic stability, relatively low inflation and interest rates, augmented domestic demand, driven by the striving environment emerged throughout the country in tandem with the improved confidence, continued infrastructure development programmes, favourable weather conditions, the revival in tourism industry and recovery of external demand coupled with the appropriate fiscal and monetary policy measures, had an impetus on the economic growth in 2013.

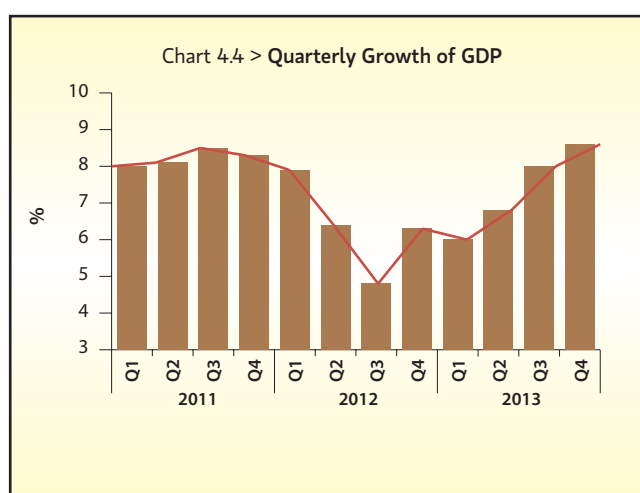


Table 4.1 > GDP - Sectoral Growth Rates in 2013

Sector	Q1	Q2	Q3	Q4	Annual
GDP (Nominal)	14.9	13.8	14.1	14.7	14.5
Agriculture	16.8	6.0	14.1	8.2	12.0
Industry	19.0	16.7	15.2	19.9	17.9
Services	12.2	13.7	13.6	12.7	13.0
GDP (Real)	6.0	6.8	7.8	8.2	7.3
Agriculture	2.0	-1.1	7.0	10.4	4.7
Industry	10.7	10.1	8.1	10.7	9.9
Services	4.3	6.6	7.9	6.5	6.4

Source: Department of Census and Statistics

During the first half of the year, slow economic growth in advanced economies negatively impacted the economic activities, particularly related to the export sector. However, it was bounced back in the second part of the year with the gradual improvement in advanced economies, particularly the USA and the European Union, which are main destinations to Sri Lankan exports. In 2013, the Service sector made the highest contribution to the economic growth as in the previous years, with a share of 58.1 percent and recorded a growth rate of 6.4 percent compared to 4.6 percent recorded in 2012. Increase in the wholesale and retail trade activities with higher value added growth together with expansion of financial services, albeit at a lower pace, supported for this growth. In the meantime, as in the last two years, Industry sector continued to maintain highest GDP sectoral growth rate in 2013 as well by growing at 9.9 percent and contributing to 31.1 percent of GDP. The relatively high expansion in the manufacturing sector and the higher value addition of the construction and hydropower generation subsectors were the main contributors to the growth in the Industry sector in 2013. Despite the fluctuations in the weather conditions, which was affected the growth of certain agricultural products in 2013, a positive growth was particularly recorded by the paddy, tea and minor export crops within the Agriculture sector. The growth in the Agriculture sector showed a slight decrease to 4.7 percent from the 5.2 percent growth recorded in the previous year. As a result, Agriculture sector contribution to GDP recorded a decline to 10.8 percent in 2013 from 11.1 percent in 2012.

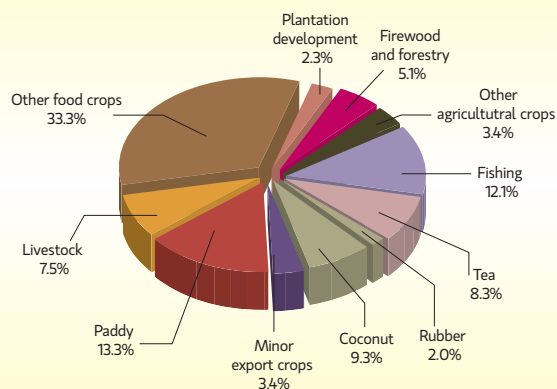
Agriculture

In 2013, tea, paddy and minor export crops recorded highest growth rate compared to last two years. Paddy subsector grew by 19.5 percent in 2013 as the main contributor to this growth. The moderation in the growth during the first half of the year due to crop damage in Maha harvest was turned around with the

significant increase in Yala harvest during latter half of 2013. Tea production expanded by 3.6 percent recording the highest output with compared to last two years. However, the growth of “other food crops” which has the largest share in the Agriculture sector, slowed down in 2013 with compared to last year due to unfavourable weather conditions affecting to highland crops during the first half of the year. Minor export crops and livestock, and other agriculture crops also made a significant contribution to growth in agriculture sector. However, the unfavourable weather condition affected negatively on the expansion of rubber and coconut production in 2013. The fishing sub sector, which accounted for 1.3 percent of GDP, recorded a slower growth of 6.2 percent in 2013 over the 9.3 percent growth in the previous year due to extreme weather condition affecting the industry during the year.

It is noticeable that during the third and fourth quarters of 2013, total agriculture sector grew by 7.0 percent and 10.4 percent, respectively strongly recovering from the slow growth of 2.0 percent and 1.1 percent contraction during the first and second quarters, respectively in 2013 in comparison to higher growth rate of 12.0 percent and 8.5 percent in first and second quarters and a 0.5 percent contraction and a growth of 0.3 percent in the third and fourth quarters respectively in the previous year.

Chart 4.5 > Agriculture Sector Composition - 2013



Paddy

Following the policy towards making Sri Lanka self-sufficient in paddy production, continuation of government programmes on improving irrigation systems, provision of fertilizer at subsidized prices, provision of financial assistance and maintaining better farm-gate prices through government paddy purchasing programme contributed to increase the paddy extent to 1,834 thousand acres (742 thousand hectare) harvested with paddy production of 136 million Bushels (2.8 million metric tons), in the Maha season while 1,105 thousand acres (447 thousand hectare) harvested with paddy production of 85 million Bushels (1.8 million metric tons) in the Yala season in 2013.

This resulted in the national paddy production to increase by 20 percent to 4.62 million metric tons in 2013 over the previous year. Maha season harvest grew by 4.8 percent and Yala season recorded a significant growth of 57 percent over the last year as a result of high water levels in reservoirs due to the favourable North-East monsoon and the expansion in the extent of cultivation. Reflecting the negative effects of the weather conditions, the yield in the 2012/13 Maha season declined to 4,281 kg. per hectare from 4,444 kg per hectare in 2011/12 while the crop yield in Yala season in 2013 enhanced to 4,408 kg per hectare from 4,145 kg per hectare in the previous year. Further, a slight increase was recorded in the paddy prices during the first half of 2013 compared to the corresponding period in 2012 partly due to the increase in the paddy purchasing price by the government to Rs 35 per kg (samba) and also reflecting the crop damage due to heavy rain and flooding in December 2012 and January 2013. However, as a result of bumper paddy harvest in Yala season, paddy prices declined in the latter half of the year.

Tea

The favourable weather conditions in the tea growing elevations, higher prices made at the

Colombo Tea Auction and strong export demand resulted in the tea production to increase an all time high level of 340.2 million kg recording a 3.6 percent increase over the previous year. The government assistance through the provision of fertilizer at subsidized prices and the provision of credit facilities also supported the increase in tea production. The highest increase of 6.8 percent was recorded in the medium grown elevation followed by low grown and high grown elevations. The contribution by the tea smallholders to the total national tea production increased to 248 million kg in 2013 from 234 million kg in the previous year. The average yield of tea production increased by 3.6 percent to 1,727 kg / hectare in 2013. The average prices of tea at the Colombo Tea Auction increased by 14 percent to Rs. 446 per kg, in 2013 from Rs. 392 per kg in 2012. This enabled tea manufacturers to sustain the increase in costs as a result of higher wages and electricity.

Meanwhile, earnings from tea exports increased by 9.2 percent to US\$ 1,542 million in 2013 from US\$ 1,412 million in 2012. This was mainly due to high prices fetched due to increasing external demand for high quality Sri Lankan Tea. The average price of tea increased by 9.3 percent to US\$ 4.82 per kg in 2013 from US\$ 4.41 per kg in 2012. However, the volume of tea exported remained unchanged at 320 million kg in two consecutive years in 2012 and 2013.

Value addition in tea production in 2013 grew by 8.1 percent and 3.0 percent during the first two quarters, respectively and contribution to the GDP in 2013 was 0.9 percent. However, it was contracted by 5.1 percent in third quarter and then bounced back to 6.5 percent in the last quarter in the year. During the period, the extent of tea replanting amounted to 1,558 hectares while there were tea new planting of 263 hectares.

Table 4.2 > **Gross Domestic Product -Sectoral Composition (2002) Constant Price**

Sector	2009	2010	2011	2012	2013(a)	Rs. Mn	
						2012/2011	2013/2012
						Change (%)	Change (%)
Agriculture, Forestry and Fishing	295,097	315,610	320,178	336,817	352,641	5.2	4.7
1. Agriculture, Livestock and Forestry	266,208	283,203	282,748	295,923	309,192	4.7	4.5
1.1 Paddy	41,179	48,377	44,325	43,596	52,084	(1.6)	19.5
1.2 Livestock	21,761	22,397	24,029	25,556	27,175	6.4	6.3
1.3 Other food crops	95,799	99,994	102,378	111,722	116,546	9.1	4.3
1.3.1 Highland crops	31,368	33,117	33,507	36,297	36,463	8.3	0.5
1.3.2 Vegetables	62,436	64,821	66,832	73,376	77,906	9.8	6.2
1.3.3 Fruits	1,995	2,057	2,039	2,049	2,178	0.5	6.3
1.4 Other Agricultural Crops	9,390	10,146	10,853	11,535	12,407	6.3	7.6
1.5 Tea	25,272	28,770	28,432	28,507	29,534	0.3	3.6
1.6 Rubber	6,198	6,983	7,128	6,693	6,083	(6.1)	(9.1)
1.7 Coconut	33,685	28,855	29,720	31,504	26,440	6.0	(16.1)
1.8 Minor Export Crops	11,028	14,955	12,114	11,507	12,480	(5.0)	8.5
1.9 Plantation Development	6,540	6,895	7,287	7,926	8,191	8.8	3.3
1.10 Firewood and Forestry	15,357	15,832	16,481	17,377	18,252	5.4	5.0
2. Fishing	28,888	32,407	37,431	40,894	43,449	9.3	6.2
2.1 Inland - Fishing	3,960	4,359	5,054	5,775	5,660	14.3	(2.0)
2.2 Marine - Fishing	24,928	28,048	32,377	35,119	37,789	8.5	7.6
Industry	701,129	760,334	838,932	925,152	1,016,886	10.3	9.9
3. Mining and Quarrying	52,031	60,079	71,191	84,672	94,388	18.9	11.5
3.1 Gem Mining	11,220	12,111	14,211	15,660	17,340	10.2	10.7
3.1 Other Mining	40,811	47,968	56,980	69,012	77,048	21.1	11.6
4. Manufacturing	427,334	458,661	494,991	520,938	559,843	5.2	7.5
4.1 Processing (Tea, Rubber and Coconut)	14,995	15,868	16,006	17,043	17,147	6.5	0.6
4.2 Factory Industry	385,927	414,925	449,177	472,721	509,932	5.2	7.9
4.2.1 Food and Beverages	185,142	197,731	211,848	222,722	239,519	5.1	7.5
4.2.2 Textile, Apparel & Leather	87,762	92,293	102,263	107,242	116,828	4.9	8.9
4.2.3 Chemicals, Petroleum, Coal, Rubber & Plastic	59,706	66,990	73,203	77,455	83,306	5.8	7.6
4.2.4 Non-Metallic Mineral Products	14,794	16,328	17,670	18,826	19,873	6.5	5.6
4.2.5 Fabricated Metal Products, Machinery & Equipments	32,794	35,482	37,733	39,663	43,135	5.1	8.8
4.2.6 Other Industries	5,730	6,101	6,459	6,813	7,272	5.5	6.7
4.3 Cottage Industry or SMEs	26,412	27,868	29,808	31,174	32,764	4.6	5.1
5. Electricity, Gas and Water	58,974	63,682	69,547	72,452	79,913	4.2	10.3
5.1 Electricity	52,017	56,291	61,722	64,352	71,620	4.3	11.3
5.2 Gas	4,280	4,593	4,855	5,100	5,181	5.0	1.6
5.3 Water	2,677	2,798	2,970	2,999	3,113	1.0	3.8

6. Construction	162,790	177,912	203,204	247,091	282,742	21.6	14.4
Services	1,452,988	1,569,598	1,704,605	1,783,318	1,896,572	4.6	6.4
7. Wholesale and Retail Trade	570,697	613,358	676,565	701,408	739,826	3.7	5.5
7.1 Import Trade	195,247	213,477	243,963	246,446	253,617	1.0	2.9
7.2 Export Trade	102,578	106,279	117,064	117,960	125,839	0.8	6.7
7.3 Domestic Trade	272,872	293,602	315,538	337,002	360,370	6.8	6.9
8. Hotels and Restaurants	9,901	13,845	17,501	21,029	25,715	20.2	22.3
9. Transport and Communication	329,578	368,643	410,402	435,872	476,721	6.2	9.4
9.1 Transport	272,086	302,983	337,088	357,221	390,847	6.0	9.4
9.1.1 Transport - Railway	2,754	2,899	2,980	3,126	3,194	4.9	2.2
9.1.2 Transport- Passenger and Goods	269,332	300,084	334,108	354,095	387,653	6.0	9.5
9.2 Cargo Handling-Ports and Civil Aviation	16,017	18,706	20,060	21,194	21,842	5.7	3.1
9.3 Post and Telecommunication	41,475	46,953	53,254	57,457	64,032	7.9	11.4
10. Banking, Insurance and Real Estate and etc.	217,819	234,255	252,706	269,744	285,750	6.7	5.9
11. Ownership of Dwellings	74,051	74,692	75,607	76,926	79,175	1.7	2.9
12. Government Services	191,778	202,187	204,704	207,559	213,439	1.4	2.8
13. Private Services	59,164	62,617	67,119	70,779	75,946	5.5	7.3
Gross Domestic Product	2,449,214	2,645,542	2,863,715	3,045,288	3,266,099	6.3	7.3

Source: Department of Census and Statistics

(a) Provisional

Rubber

The growth in the rubber sub sector contracted by 9.1 percent in 2013 compared to the contraction of 6.1 percent in the previous year and contributed to 0.2 percent of the GDP. The unfavorable weather pattern largely due to the torrential rainfall, particularly in first three quarters in the year, which reduced number of tapping days, significantly impacted the rubber production in 2013. However, rubber production improved considerably during the last quarter of the year supported by favourable weather conditions in the major rubber growing areas. As a result, overall rubber production declined by 14.2 per cent to 130,421 metric tons in 2013 in comparison to the previous year. Earnings from raw rubber exports declined by 43 percent due to the decline in production and increased usage of rubber in the domestic value added products. Further, the earning from rubber exports declined to US\$ 71 million in 2013 from US\$ 125 million in 2012 mainly due to the low international rubber

prices which declined by 9.7 percent to US\$ 3.02 per kg in 2013 from US\$ 3.35 per kg in 2012.

Coconut

Coconut production experienced a drawback throughout the year 2013 mainly due to the lower rainfall in main coconut cultivation areas. Consequently, the overall coconut production which contributed to 1 percent of GDP had a negative growth of 16.1 percent in 2013 in comparison to the growth rate of 6.0 percent recorded in 2012. During the first and second quarters of 2013, there was a contraction of 7.4 percent and 20.4 percent, respectively compared to the growth rate of 9.8 percent and 6.0 percent, respectively in the corresponding quarters in the previous year. Meanwhile, the third and fourth quarters in 2013 also showed a contraction of 33.2 percent and 3.0 percent, respectively compared with 10.2 percent growth and the 1.1 percent contraction in the same period in the previous year. Consequently, the coconut production

declined by 14.5 per cent to 2,513 million nuts in 2013. The decline in the production affected the coconut industry negatively. As a result, coconut oil production decreased by 45 percent to 45,208 metric tons. The decline in coconut oil production prompted import of palm oil which is a substitute for coconut oil recording an increase of 41 percent to 89,959 metric tons despite the upward revision of Special Commodity Levy (SCL) on palm oil to Rs.115 per kg. The shortage of coconut nut production pushed the average retail price of coconut up to 43.16 per nut from Rs.34.56 per nut in 2012. The average auction price also increased to Rs. 32.64 per nut in 2013 from Rs. 22.95 per nut in 2012. Total earnings from the export of coconut declined by 2 percent to US\$ 205 million in 2013.

During the past few years, various measures have been taken to protect the coconut cultivation such as using advanced methods of cultivation, fertilizer application through the provision of fertilizer at subsidized prices and moisture conservation. Coconut crop subsidy scheme continued to help small scale growers to expand the extent of cultivation. In 2013 coconut replanted extent amounted to 4,541 hectares.

Other Food and Agricultural Crops

In line with the government development policy towards making Sri Lanka self-sufficient in food and agricultural products, various initiatives have been undertaken, including the distribution of high yielding seed and planting

materials through "DiviNeguma" programme for encouraging home gardening, provision of fertilizer at subsidized prices, establishing better producer prices through the fiscal measures such as the adjustment of Special Commodity Levy and Cess Levy on imports. These endeavors were supported by the expansion of extent of cultivation and the resumption of economic activities in the Northern province.

The value addition in the production of highland crops and vegetables accounted for 1.2 percent and 2.4 percent of GDP, respectively in 2013. During the year, the export of vegetables increased by 86 percent to US\$ 25 million in value terms and over 100 percent by volume terms. As far as the earning from export of minor agricultural crops is concerned, cocoa has shown a sharp decline while betel leaves showed an increase in value terms, due to the change in global demand. Further, value addition in production of fruits accounted for 0.1 percent of GDP in 2013 and grew by 6.3 percent in comparison to the 0.5 percent growth in 2012. Export of fruits increased by 26 percent in volume terms and by 63 percent in value terms. Cash crops production, which accounted for 0.4 percent of the total GDP, grew by 7.6 percent in 2013 in comparison to 6.3 percent growth in 2012 reflecting a significant improvement due to the increase in local production of cowpea, chilies and potatoes, in volume terms. The local production of green gram, gingerly, maize, kurakkan and ground nuts also increased in

Table 4.3 > **Production & Exports of Minor Export Agricultural Crops (MT)**

Crop	Production					Export				
	2005	2010	2011	2012	2013	2005	2010	2011	2012	2013
Cinnamon	15,898	16,435	18,250	17,165	17,500	12,549	11,960	13,777	14,435	13,799
Pepper	14,303	17,332	10,800	18,604	28,000	8,131	12,224	5,065	10,487	21,310
Cocoa	902	520	525	513	515	164	1,644	4,343	2,524	102
Cardamom	79	48	57	80	50	12	7	12	10.5	4
Clove	6,082	9,551	5,553	4,009	6,190	5,517	8,344	5,208	2,914	5,467
Nutmeg & Mace	2,054	2,376	2,116	2,002	2,545	1,935	2,210	1,896	1,582	1,652

Source: Department of Export Agriculture

volume terms in 2013. Meanwhile, the production of sugar indicated a significant improvement in 2013 recording an increase of 48.8 percent to 53,061 metric tons reflecting the impact of increase in the use of fertilizer, use of high yielding varieties, expansion in the extent of sugar cane cultivation by 28.2 percent to 11,801 hectares and sufficient rainfall during the year.

The minor export crops production rebounded in 2013 benefiting from the favourable weather, continuation of crop subsidy scheme and provision of fertilizer at subsidized prices. Accordingly, the production of pepper increased significantly to its highest production due to favorable weather and the expansion of the extent of cultivation. Other crops such as cocoa, cinnamon, cloves, arecanuts, betel and cashew also showed improvement in production in 2013. The export of pepper, sesame seeds, cloves, nutmeg and arecanuts, coffee and betel leaves increased both in volume and value terms. However, export of cereals and cocoa declined both in volume and value terms in 2013 in comparison to 2012. During the year, the income from export of cinnamon increased by 3.4 percent despite the decline in the volume of export by 4.2 percent over the previous year.

Livestock

The livestock production accounted for 0.8 percent of the total GDP and recorded a moderate growth of 6.3 percent in 2013 following the 6.4 percent growth in 2012. This growth in livestock production was supported by the increased production in milk, poultry and egg. The domestic production of milk increased by 7.0 percent to 320 million liters over 299 million litres in 2012 while the dairy products increased by 19.3 percent to 36.5 million liters during the period. Consequently, the import of milk powder declined by 16.9 percent in 2013 over the last year in line with government policy of being self-sufficient milk by 2016. This growth was supported by various initiatives, such as improving chilling center facilities, provision of financial assistance, stabilization of remunerative

farm gate prices, provision of high yielding cows and promoting liquid milk consumption, implemented by the government to promote local production, diversify the income generation avenues of the people and also to reduce imports. The performance in the livestock sector was also supported by the tax policy structure adopted by the government to boost the domestic livestock production by adjusting taxes appropriately to discourage the import of such products in excessive levels and granting tax concessions on supply of milk and poultry products, import of machineries and equipment for the use of milk production and encourage the investment in animal husbandry and milk powder production.

Fishery Industry

Fishery sector, which accounted for 1.3 percent of the GDP, grew by 6.2 percent following the 9.3 percent and 15.5 percent growth recorded in the previous two consecutive years. Marine fish production grew by 7.6 while inland fishing contracted by 2.0 percent in 2013. The growth in marine fishing production, which accounted for 1.2 percent of GDP, revived with the resumption of fishing industry in liberated areas, development of fishery industry infrastructure throughout the country by developing fishery harbours, provision of vessels and other equipment as relief assistance for those in liberated areas. This was also supported by the fiscal policy adopted by the government to boost the domestic fish production by adjusting taxes to manage importation of excessive level of fish products and granting tax concessions to encourage investment in fisheries and fish processing. Total fish production in the country recorded as 513 million kg in 2013 out of which 446 million kg was in the form of marine fish. The export of seafood, including fresh and frozen fish, increased by 18.1 percent to US\$ 234 million while the importation of sea food, including fresh fish and dried fish, also increased by almost the same percentage to US\$ 162 million in 2013.

Table 4.4 > **Fishery Sector Information**

Year	Operating Fishing Boats by Type			Annual Fish Production by Fishing Sub-sectors (MT)					Fish Imports & Exports			
				Marine Fish Catch		Inland & Aquaculture	Total Fish Production	Wet Fish for Dry or Smoking	Total Fish Imports		Total Fish Exports	
	Marine Fishing Fleets	Inland Fishing Fleet	Total Fishing Crafts	Coastal	Off Shore/ Deep Sea				(Rs. Mn)	(MT)	(Rs. Mn)	(MT)
2002	28,135	5,600	33,735	176,250	98,510	28,130	302,890	61,720	5,747	71,537	8,047	13,532
2003	29,694	5,800	35,494	163,850	90,830	30,280	284,960	54,340	6,145	75,119	9,543	15,005
2004	30,567	6,000	36,567	154,470	98,720	33,180	286,370	63,470	5,944	67,284	9,435	13,681
2005	29,901	6,200	36,101	63,690	66,710	32,830	163,230	18,900	7,099	76,584	10,695	15,985
2006	35,350	7,046	42,396	121,360	94,620	35,290	251,270	71,740	9,681	77,382	14,440	18,647
2007	37,040	6,600	43,640	150,110	102,560	38,380	291,050	77,830	11,961	86,156	19,123	21,423
2008	39,717	7,170	46,887	165,320	109,310	44,490	319,120	93,240	12,521	76,266	19,077	20,593
2009	41,454	7,560	49,014	180,410	112,760	46,560	339,730	97,690	13,939	75,411	21,015	18,714
2010	46,134	7,990	54,128	202,420	129,840	52,410	384,670	100,120	14,162	80,013	19,834	18,325
2011	53,476	8,020	61,492	222,350	162,920	59,560	444,830	145,270	16,240	81,957	21,876	18,462
2012	53,210	8,350	61,620	259,530	159,680	68,950	486,170	158,380	17,401	71,413	26,363	18,631
2013	52,301	7,988	60,289	250,180	162,280	59,360	407,460	68,200	21,119	78,401	31,792	23,910

Source: Ministry of Fisheries and Aquatic Resources Development

Industry

Industry sector accounted for 31.1 percent of GDP and recorded a 9.9 percent growth in 2013 benefiting from the positive contribution from all forms of industrial activities. A higher growth rate was recorded in the manufacturing industry from 5.2 percent in 2012 to 7.5 percent in 2013 while electricity generation grew from 4.3 percent to 11.3 percent during the same period. Meanwhile, the construction and mining and quarrying sub sectors recorded a moderate growth during the year by 14.4 percent and 11.5 percent, respectively.

Export earnings from in industrial goods recorded a 5.1 percent growth to US\$ 7,749 million in 2013. Highest export income was shown in the garment industry with a value of US\$ 4,508 million reflecting a 13 percent growth over the last year. Earnings from rubber products grew by 3.3 percent to US\$ 888 million in 2013. Export of leather products grew by 38.7 percent to US\$ 77 million in 2013 mainly supported by the export of footwear which was increased by more than

two fold providing the major contribution to this achievement. However, the export income from petroleum products and gem and jewellery showed a significant drop over the previous year due to declining global demand and a sharp decrease in gold prices in the international market.

Mining and Quarrying

Mining and quarrying industry, which comprises of gem and other mining products, accounted for 2.9 percent of GDP and grew by 11.5 percent in 2013 in comparison to 18.9 percent growth recorded in 2012. This improvement was largely due to the growth in the other mining sub sector which includes construction related materials such as sand, rock metal and lime and mineral products such as graphite, phosphate, mineral sands and salt production, which accounted for 2.4 percent of GDP and recorded a growth of 11.6 percent following the 21.1 percent growth in 2012. This was supported by the increased domestic demand for construction related materials in tandem with the continued improvement in

the construction industry. Gem mining which accounts for 0.5 percent of GDP recorded a slightly higher growth of 10.7 percent in 2013 in comparison to 10.2 percent in 2012, while gem exports grew by 10.2 percent to US\$ 130 million in 2013.

Manufacturing

Manufacturing industry, which comprises of processing, factory and cottage industries, accounted to 17.1 percent of the GDP and recorded a 7.5 percent considerable growth in 2013, in comparison to 5.2 percent growth in 2012. The growth in manufacturing industry was supported by the applying of lower tax

policy regime, greater flexibility in exchange rate that promoted exports complemented by the rebound in the external demand, low interest rate regime that encouraged investment, import replacement initiatives and national level programmes to promote locally value added products, export promotion and to strengthen the small and medium entrepreneurs. Further, the accelerated economic activities coupled with the rapid infrastructure development throughout the country, relatively stable price levels, construction and tourism sector revival substantially retrieved the decline in local demand and supported the value addition in manufacturing sector production.

Table 4.5 > **Selected Industrial Exports**

	US\$ Mn.					
Item	2008	2009	2010	2011	2012	2013
Rubber Products	542	385	558	885	859	888
Rubber Tyres	337	213	336	569	540	551
Surgical Gloves and Other Gloves	117	114	137	181	177	195
Other Rubber Products	88	58	85	135	143	141
Gems, Diamonds and Jewellery	514	402	409	532	559	446
Gems	76	69	70	95	118	130
Diamonds	418	317	322	414	417	295
Jewellery	20	17	17	22	24	21
Machinery and Mechanical Appliances	322	187	259	312	297	312
Transport Equipment	108	127	144	225	165	146
o/w Ships, Boats and Floating Structures	22	58	59	149	57	82
Petroleum Products	255	134	263	553	463	428
o/w Bunkers and Aviation Fuel	253	133	259	524	457	423
Chemical Products	71	74	93	118	117	120
Wood and Paper Products	84	59	85	111	112	116
Leather Travel Goods and Footwear	57	47	60	65	55	77
Plastics and Articles Thereof	57	40	47	55	53	55
Base Metals and Articles	57	36	63	56	56	59
Ceramic Products	49	36	40	38	36	40
Tiles	12	8	8	6	7	8
Tableware, Household Items and Sanitaryware	30	24	27	28	25	29
Other	7	4	5	5	4	3
Total	2,116	1,527	2,021	2,950	2,772	2,687
Memo: Total Industrial Exports	6,112	5,228	6,096	7,992	7,371	7,749

Source: Sri Lanka Customs and Central Bank of Sri Lanka

Processing Industry

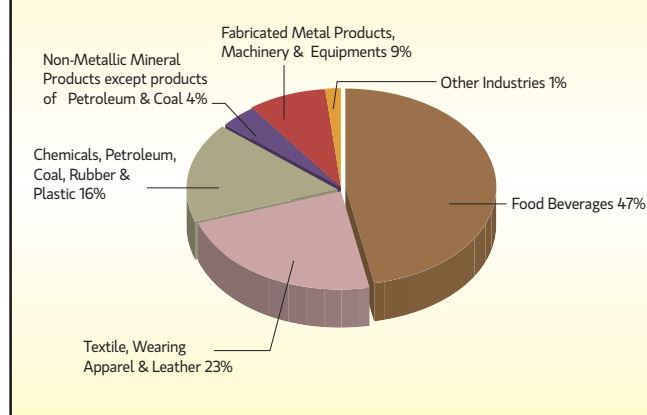
The processing sub sector, which consists of industries such as processing of tea, rubber and coconut accounted to 0.5 percent share to GDP and grew marginally by 0.6 per cent in comparison to the growth of 6.5 percent in 2012. Contraction of rubber and coconut production due to unfavourable weather condition prevailed in such crop growing areas reflected in the slow growth in 2013. However, the negative impact of these were negated to a considerable extent by the high growth in tea production with the support of favourable weather conditions along with satisfactory prices which encouraged producers to optimize the yield.

Factory Industry

The factory industry, which is the main contributor for the industry sector, accounted for 15.6 percent of GDP and recorded a higher growth of 7.9 percent in 2013 in comparison to 5.2 percent growth in 2012. All forms of factory industries, positively contributed to this high growth rate. The value addition in the production of food, beverages and tobacco products which accounted for 7.3 percent of GDP, grew by 7.5 percent in 2013 in comparison to 5.1 percent in 2012. Increased production in preparing and preserving of meat products, processing and preserving of fish products, sugar and confectionary products, prepared animal feed products and production of beverages such as soft drinks, mineral water and bottled water, were the key contributory factors for this growth. The growth in this sub sector was also driven by the increasing per capita income of the Sri Lankan people as well as the tourism sector development which increased the private consumption mainly in terms of the usage of hotels, cafes and restaurants coupled with the increase in leisure and entertainment activities.

Meanwhile, the textile, wearing apparel and leather products, which accounted for 3.6 percent of GDP, grew by 8.9 percent in 2013 in comparison to 4.9 percent growth in 2012. The increase in the export of textiles and garments

Chart 4.6 > Factory Industry Sector Composition - 2013



by 13.0 percent and leather related products by 38.7 percent contributed this nearly two fold growth in this sector in 2013 over the previous year. The contribution from the private sector enthusiasm on improving quality standards, diversifying products mix and markets to persist in export market and the tax concessions granted for reducing the cost of production and for promoting domestic demand by allowing the supply of garments by export oriented companies to domestic market supported this growth in the apparel industry.

Chemicals, petroleum, coal, rubber and plastic products, which accounted for 2.6 percent of GDP, grew by 7.6 percent in 2013 in comparison to 5.8 percent in 2012. Increased production in fertilizer, soaps and detergents, paints and varnishes, and plastic products primarily contributed for the growth of this subsector. This performance was followed by the increased demand for fertilizer with the expansion of agricultural sector and provision of fertilizer at subsidized prices for all varieties of crops supporting the increase in fertilizer production. Further, the production increases of soaps and detergents were supported by the growing demand from private consumption to use in hotels, cafes and restaurants benefitting from the revival in the tourism sector and the increased

income levels of the Sri Lankan people. Also, the notable growth in construction industry had an impetus on increase in demand for paints and varnishes thereby positively affecting the growth of that industry. Despite the drop in production of rubber due to unfavourable weather condition, value addition of rubber exports increased by 3.3 percent in 2013. The export income from rubber declined by 43 percent to US\$ 71 million in 2013 due to decline in international prices and lower international demand. The tax adjustments introduced to discourage import of tyres and thereby to promote local production also had a positive impact on the growth of this sub sector. However, during the year, income from export of petroleum products contracted by 7.5 percent to US\$ 428 million in comparison to the previous year and the decline in the production of refined petroleum products negatively affected the growth of this subsector.

Non-metallic mineral products, except petroleum and coal products, sub sector, which accounted for 0.6 percent of GDP, recorded a moderate growth of 5.6 percent in 2013 in comparison

to 6.5 percent in 2012. Increasing demand for glass and glass products and cement consequent to the increased domestic demand in line with the higher growth in construction industry mainly contributed for this growth. Meanwhile, the decline in the production of porcelain and ceramic products and polished diamonds lowered the growth rate of this sub sector. However, the export income from ceramic products grew by 13 percent to US\$ 40 million in 2013. Fabricated metal products, machinery and equipment products grew by 8.8 percent in 2013 compared to 5.1 percent in previous with a to 1.3 percent contribution to the GDP. Production of fabricated metal products increased with the substantial improvements in commercial activities in ship building and repairing. This was contributed by the increased demand for small and medium scale boats with the improvements in tourism activities and increased leisure and entertainment activities and also by the increased demand for fishing boats with the expansion of fishery industry.

Table 4.6 > **Manufacturing Sector Statistics**

Category	Value Addition (Current Prices) Rs. Mn.				Number of Projects Approved by BOI			
	2010	2011	2012	2013	2010	2011	2012	2013
Food, Beverages and Tobacco Products	458,151	537,691	610,891	697,903	28	7	17	7
Textiles, Apparel and Leather Products	172,726	207,578	239,351	268,431	30	22	11	7
Wood and Wood Products	1,786	2,580	2,908	3,253	1	2	3	1
Paper and Paper Products, Publishing and Printing	7,653	8,466	9,372	10,235	3	1	-	-
Chemical, Petroleum, Coal, Rubber and Plastic Products	170,000	207,654	235,515	263,842	11	7	8	10
Non-Metallic Mineral Products	27,865	32,167	35,991	38,920	8	1	14	7
Basic Metal Products	1,826	2,119	2,399	3,017	-	-	-	-
Fabricated Metal Products, Machinery and Transport Equipment	72,990	82,852	93,261	112,202	18	3	6	4
Manufactured Products (n.e.s.)	3,410	3,149	3,545	4,550	16	5	16	10

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

Small Industry

The small industry, which comprised of small scale industries, accounted for 1.0 percent of GDP and grew by 5.1 percent in comparison to 4.6 percent in 2012. In order to promote small scale livelihood development industries, the government implemented various programmes such as "Divi Neguma" programme, "Industrial Production Village" programme and various other programmes to provide training needs as well as financial and advisory support while providing tax exemptions to reduce the cost of production. These encouragements and the increased demand for handicrafts and similar products with the improvements in tourism sector, contributed to the growth in the small industry.

Electricity, Gas and Water

The value addition by the electricity, gas and water sub sector, which accounted for 2.4 percent of GDP, grew significantly by 10.3 percent in 2013 compared to 4.2 percent in 2012. This was achieved mainly by the 11.3 percent high growth in electricity production which accounted for 2.2 percent of GDP, in comparison to the 4.3 percent growth in 2012, resulting from the

significant growth of hydropower generation by over 110 percent following the 28.6 percent contraction in 2012, due to favourable weather conditions. With the enhanced reliance on hydropower, the high cost thermal power generation contracted by 42.8 percent in comparison to the significant 22.9 percent increase in the usage of thermal power in the previous year. Addition of the Upper Kothmale hydropower plant to the national grid during the second half of 2012 also contributed to the high value addition in the electricity generation from hydropower in 2013.

The gas subsector grew by 1.6 percent in 2013 following the 5.1 percent growth in 2012, reflecting the increased demand for LP gas for domestic and industrial purposes. Value addition in the water sub sector grew by 3.4 percent with the increase in water supply by the National Water Supply and Drainage Board by 4.0 percent in volume terms in 2013. This was supported by the increase in new water connections by 7.6 percent to 1,707,747 benefiting from the many water supply development projects implemented by the government throughout the country.

Table 4.7 > **Private Sector Industrial Volume Index (2010 = 100)**

Description	2010	2011	2012	2013
Food Products	100.0	108.5	108.5	105.3
Beverages	100.0	110.2	107.4	103.0
Tobacco Products	100.0	106.0	99.9	96.7
Textile	100.0	99.8	113.9	128.5
Wearing Apparel	100.0	113.8	118.5	126.5
Leather and Related Products	100.0	94.0	93.1	98.3
Wood and Products of Wood	100.0	107.9	98.4	114.6
Paper and Paper Products	100.0	89.0	98.8	127.0
Printing and Reproduction of Media	100.0	100.5	106.3	110.3
Refined Petroleum Products	100.0	106.3	81.3	83.4
Chemical and Chemical Products	100.0	67.5	77.6	74.1
Pharmaceuticals	100.0	133.0	138.8	185.1
Rubber and Plastic Products	100.0	116.6	116.9	118.2
Non-metallic Mineral Products	100.0	116.7	117.5	103.2
Basic Metals	100.0	110.2	99.0	100.0
Fabricated Metal Products	100.0	89.6	111.7	136.5
Electrical Equipment	100.0	98.7	98.4	107.6
Overall Industrial Production Index	100.0	107.2	108.8	109.6

Source: Central Bank of Sri Lanka

Construction

Construction industry, which accounted for 8.7 percent of GDP in 2013, recorded a 14.4 percent growth, following a 21.6 percent growth in 2012. This noteworthy improvement in the construction activities was driven by the increased investment by the public sector as well as the private sector. Public sector investment in construction activities expanded covering a wide range of infrastructure development activities, viz., development of ports and airports, railways and road network, including highway projects such as Phase II of the Southern Expressway, the Colombo – Katunayake Expressway, the Colombo Outer Circular Highway Project and the Northern Railway Project, power generation and water supply, housing development, improving irrigation systems and communication network, towards upgrading the country to the expected level of development. The public investment as a share of GDP accounted to 5.5 percent and grew by 8.4 percent in nominal terms in 2013 over the previous year. In tandem with the expansion in the public sector investment followed by the investor confidence bolstered by the peaceful environment in the country, private sector investment activities grew by 9.7 percent in 2013 and accounted for 22.7 percent of GDP with the improved commercial activities, particularly in the areas of hotels sector, communication and housing development. This improvement was achieved benefiting from the development friendly environment in the country and tax exemptions granted for investments as well as for import of construction machineries, equipment and materials. This could also be witnessed through the increase in import of investment goods which accounted for 23.6 percent of total imports out of which import of building materials alone increased by 9.7 percent in value terms and by 11.9 percent in volume terms accounting for 7.5 percent of total imports in 2013. Further, loans and advances by commercial banks to private sector construction activities witnessed an increase of 16.6 percent reaching 15.2 percent of total commercial loan advances to the private sector in 2013.

Services

Services sector accounted for 58.1 percent of GDP in 2013 and recorded a higher growth of 6.4 percent in comparison to 4.6 percent growth recorded in 2012. Notably, benefiting from the conducive environment for improved economic activities throughout the country, all forms of services contributed positively to this growth. The moderate growth in domestic trade and banking, insurance and real estate services, which accounted for 11.0 percent and 8.7 percent of GDP, respectively had an impetus for the growth of the services sector. The strong recovery of external trade activities due to the improvements in the global economy together with the expansion of import trade, which accounted for 8.1 percent and 7.8 percent of GDP, respectively contributed to the higher growth rate of 2.9 percent in 2013 compared to 1.0 percent growth in 2012. The hotels and restaurants sector continued to record a healthy growth of 22.3 percent, while the banking, insurance and real estate grew by a moderate 5.9 percent mainly due to the slow growth in the private sector credit. Further, the significant growth rates recorded by post and telecommunication, government and private services also helped the expansion of the services sector in 2013.

Wholesale and Retail Trade

Wholesale and retail trade which comprised of import, export and domestic trade activities, accounted for 22.7 percent of GDP and recorded a relatively higher growth of 5.5 percent in comparison to 3.7 percent in the previous year. Import trading activities recorded a relatively high growth of 2.9 percent in comparison to 1.0 percent growth in 2012, and accounted for 7.8 percent of GDP. However, the growth in this sector remained low compared to the average growth before 2011 period. During the year, US\$ 3,183 million worth of consumer goods, representing 17.7 percent of the total imports, were imported and recorded a 6.3 percent growth over the previous year. The expenditure on fuel imports declined significantly to US\$ 4,308 million from US\$ 5,045 million in 2012 mainly due to the declined usage of fuel for

thermal power generation. Further, the import of fertilizer also declined from US\$ 311 million to US\$ 239 million in the corresponding year mainly due to the use of existing stocks. Consequently, the share of intermediate goods imports declined to 58.6 percent and amounted to US\$ 10,554 million in 2013 from 60.3 percent or US\$ 11,578 million in 2012. Further, there was a 9.7 percent increase in the import of building materials to US\$ 1,357 million in 2013 from US\$ 1,237 million in 2012 reflecting the expansion in the construction sector although the total investment goods imports declined by 7.3 percent to US\$ 4,253 million in 2013. Consequently, the total value of imports in 2013 contracted by 6.2 percent to US\$ 18,003 million compared to US\$ 19,190 million in the previous year. This was reflected in the relatively slower growth in the import related trade in 2013.

Export trade sub sector recorded a significant growth of 6.7 percent in 2013 in comparison to subdued 0.8 percent growth in 2012 and accounted for 3.9 percent of GDP. Gradual improvements in the global economy, including the United States and the Eurozone, which are main export destinations for Sri Lanka, supported this growth. This expansion in the external demand, particularly during the second half of the year, resulted in an enhancement in the growth in export volumes and thereby the export trade related activities in the second part of the year after months of contractions in the first part of 2013. The export volumes reflected positive developments particularly during the second half of the year and the export volume index also

showed a positive development in contrast to the contraction recorded in the previous year. Industrial exports dominated the export trade subsector due to the significant share of textile and garment exports.

The domestic trade services recorded a 6.9 percent growth in 2013 in comparison to 6.8 percent growth recorded in 2012 and accounted for 11.0 percent of GDP. The performance in the domestic trade services partly reflected the lagged effect of the measures adopted in early 2012 to curtail imports and reduce domestic demand and subsequent improvement as a result of the gradual relaxation of those policies. The support extended by the government to Agriculture and industry sectors, mainly to Small and Medium Enterprises (SMEs) through the provision of tax concessions, encouragement of import replacement activities, implementation of livelihood programmes, such as Divi Neguma, helped the expansion of the domestic trade sub sector. The slowdown in imports coupled with the expansion in the domestic demand also affected positively on this sub sector. Consequently, there was an increase in the growth in local manufacturing goods by 7.9 percent in 2013 in comparison to 5.2 percent in 2012 and in particular, the enhanced production of agriculture crops, such as paddy, during the Yala season benefiting from favourable weather conditions, helped to maintain the growth in the domestic trade services at a level almost similar to the previous year.

Table 4.8 > **Sectoral Distribution of GDP Growth (%) - Constant (2002) Prices**

Sector	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Agriculture	1.8	6.3	3.4	7.5	3.2	7.0	1.4	5.2	4.7
Tea	3.0	-2.0	-1.8	4.2	-8.4	13.8	-1.2	0.3	3.6
Paddy	23.6	2.9	-6.2	23.1	-5.1	17.5	-8.4	-1.6	19.5
Minor Export Crops	16.3	2.2	5.1	-2.1	5.2	35.6	-19.0	-5.0	8.5
Livestock	2.3	8.1	7.9	5.6	6.2	2.9	7.3	6.4	6.3
Other Food Crops	5.4	3.0	4.4	4.7	7.0	4.4	2.4	9.1	4.3
Fisheries	-43.0	53.5	15.6	9.9	6.9	12.2	15.5	9.3	6.2
Industry	8.0	8.1	7.6	5.9	4.2	8.4	10.3	10.3	9.9
Agriculture Processing	1.4	0.8	2.4	5.3	0.7	5.8	0.9	6.5	0.6
Factory Industry	6.4	5.7	6.7	5.0	3.4	7.5	8.3	5.2	7.9
SMEs	6.3	5.7	5.6	4.5	3.3	5.5	7.0	4.6	5.1
Electricity	16.3	16.2	4.6	3.9	3.7	8.2	9.6	4.3	11.3
Construction	9.0	9.2	9.0	7.8	5.6	9.3	14.2	21.6	14.4
Services	6.4	7.7	7.1	5.6	3.3	8.0	8.6	4.6	6.4
Trade	6.4	7.1	6.1	4.7	-0.2	7.5	10.3	3.7	5.5
Hotel	-14.1	2.5	-2.3	-5.0	13.3	39.8	26.4	20.2	22.3
Cargo handling	10.3	20.0	8.8	8.0	0.4	16.8	7.2	5.7	3.1
Post & Telecommunications	36.0	21.6	21.5	22.3	11.7	13.2	13.4	7.9	11.4
Financial Services	7.0	8.5	8.7	6.6	5.7	7.5	7.9	6.7	5.9
Government Services	5.4	5.0	6.0	5.7	5.9	5.4	1.2	1.4	2.8
Private Services	6.4	7.8	7.8	6.5	5.8	5.8	7.2	5.5	7.3
GDP	6.2	7.7	6.8	6.0	3.5	8.0	8.2	6.3	7.3

Source: Department of Census and Statistics

(a) Provisional

Hotels and Restaurants

Reflecting the peaceful climate, bio diversity and positive outlook, Sri Lanka has emerged as an attractive tourist destination in the region with a strong potential to grow with backward linkages to all sectors in the economy. Attesting this, the hotels and restaurants sector, which accounted for 0.8 percent of GDP in 2013, maintained its high growth momentum by recording a 22.3 percent growth in 2013 following the equally high growth rates of 20.2 percent in 2012 and 26.4 percent in 2011. Tourist arrivals increased by 26.7 percent to over 1.27 million in 2013 exceeding the target of 1.2 million tourists with a significant increase in arrivals from the Europe, the USA, Canada, Asia and Australia. Significant increases were recorded in the arrivals from non-conventional markets such as China and Eastern Europe, due to the efforts made by the relevant authorities, including the Sri Lanka Tourism Development Authority (SLTDA). The earnings from tourism also increased by 64.4 percent to US\$ 1.7 billion in 2013, exceeding the target of US\$ 1 billion.

Recognizing the potential in the tourism industry, the government is taking many efforts to develop this promising sector at a rapid pace with the collaboration of private sector players and foreign investors aiming at attracting 2.5 million tourists by 2016 with increased earnings of US dollars 2.75 billion as indicated in the National Tourism Strategy introduced in 2011. In order to enhance the accommodation capacity of the growing number of tourists, many internationally renowned luxury hotel chains, including Shangri-La, Sheraton, Hyattas well as well-established local names are in the process of establishing or enhancing their presence in the country. The improved infrastructure, including airports, ports, expressways, highways, Colombo City beautification project and the development of many places, including Pasikuda, Kuchchaveli, Kalpitiya, Dedduwa and Yala as tourist attractions etc. will also

be conducive for the expansion of the hotel and tourism sub sector thereby enhancing its contribution to the national economy in the future.

Transport and Communication

Transport and communication services sub sector, which is comprised of transport, cargo handling, ports and civil aviation services, and post and telecommunication services, accounted for 14.6 percent of GDP and recorded a significant growth of 9.4 percent in comparison to 6.2 percent growth in the previous year. This was largely due to the increase in passenger and goods transport services, which accounted for 12.0 percent of GDP and grew by 9.4 percent in 2013 in comparison to 6.0 percent growth in 2012 due to increase in demand due to high domestic mobility in the peaceful environment, development of the transport network in the country, and improvement of the rolling stock of the public transport services. The growth in transport services was mainly driven by the improvements in passenger transport services. Railway transport services, which accounted for 0.1 percent of GDP, recorded a moderate growth of 2.2 percent in 2013 compared to 4.9 percent growth in 2012. Passenger kilometers run by Sri Lanka Transport Board, private bus operators and Sri Lanka Railways increased by 2.5 percent, 2.7 percent and 24.2 percent, respectively in 2013. Passenger kilometers flown by Sri Lankan Airlines in 2013 amounted to 12,988 million km, which was significantly supported by the increased tourist arrivals with the revival in the tourism sector. Resulting from the moderate growth in import and export trade activities, cargo handling services of ports and civil aviation services recorded a 3.1 percent growth in 2013 in comparison to 5.7 percent in 2012 and accounted for 0.7 percent of GDP.

In 2013, although the total number of vessels arrived declined by 3.6 percent to 4,024, total cargo handled increased by 1.9 percent to 66.3 million metric tons. Further, total container throughput increased by 2.8 percent to 4.3 million TEUs and transshipment container

throughput, including re-stowing, also increased by 3.4 percent to 3.3 million TEUs. Meanwhile, the air cargo services also grew by 2.0 percent to 100 million kg in 2013.

Post and telecommunication services, which accounted for 2.0 percent of GDP, recorded a high growth of 11.4 percent over the 7.9 percent in 2012. Postal services operated amidst increasing competition from alternative communication modes while the growth in telecommunication services continued. Total number of subscribers for cellular phones was over 20.3 million, while fixed access telephone services declined by 21.5 percent to 2.7 million in 2013 due to the decline in wireless subscribers, with a slight increase in wireline subscribers. As a result, telephone density, decreased by 3.9 percent to 112.4 per 100 persons. The significant increase in internet connections and mobile broadband subscribers continued in 2013 by recording a 47.3 percent increase to 2,011,600 subscribers. Continued growth in telecommunication services is supported by increased investment in telecommunication infrastructure by private and public sector with the expansion in economic activities as well as increased investor confidence coupled with the tax concessions granted on importation of required equipment. Further, increased demand for internet and broadband services with the increased trend in use of such services as well as the policies on developing the country as a acknowledge hub and e-Sri Lanka initiative which is used to strengthen the institutional framework to enhance delivery of government services also supported the growth in telecommunication services. Further, the Department of Posts launched the tele-mail service, replacing the telegram service and commenced the Sri Lanka Speed Post Courier service as a pilot project in 2013 for providing better and efficient service to their customers.

Banking, Insurance and Real Estate

Banking, insurance and real estate services sub sector recorded a moderate growth of 5.9 percent in comparison to 6.7 percent in the previous year and contributed to 8.7 percent of GDP in 2013, partly reflecting the impact of policy package introduced in early 2012 to ensure macroeconomic stability and the subsequent easing of the monetary policy. Financial system stability was strengthened further under the supervision of the Central Bank of Sri Lanka in a challenging domestic and global environment. In 2013, total number of bank branches and outlets in the country was 6,487 while the number of registered Finance Companies and Leasing Companies was 48 and 10, respectively. Total number of credit cards users increased by 6.7 percent to 951,320 in 2013. The banking sector reported an after tax profit of Rs. 74.6 billion for 2013, compared to the profit after tax of Rs. 82.7 billion recorded for 2012 reflecting a contraction by 9.7 percent in 2013 due to sharp decline in pawning advances as a result of the decline in international gold prices and decline in the interest rates. The operations of non-bank financial institutions (NBFIs), which comprised of licensed finance companies and specialized leasing companies representing 7 percent of Sri Lankan's financial system, posted an after tax profit of Rs. 8 billion compared to Rs.15 billion in 2012, reflecting nearly 47 percent decrease due to fluctuations in the market prices of gold and relatively high lending rates offered by NBFIs during 2012, which also led to an increase in non-performing loans. There were 21 insurance companies operating in Sri Lanka which are registered with the Insurance Board of Sri Lanka (IBSL). The before tax profit of the insurance sector in 2013 was increased by 11.4 percent to Rs.13.5 billion reflecting an improvement in the insurance sector in the country.

Table 4.9 > **Selected Indicators of Service Sector**

Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Port Services									
Vessels Arrived *	4,139	4,469	4,710	4,814	4,592	4,075	4,358	4,178	4,024
Total Cargo Handled (MT '000)	37,300	42,661	46,344	50,582	48,778	61,240	65,097	65,030	66,292
Total Container Traffic (TEU '000)	2,455	3,079	3,381	3,687	3,464	4,137	4,263	4,187	4,306
Transshipment Container ** (TEU '000)	1,716	2,330	2,578	2,874	2,712	3,205	3,216	3,167	3,274
Telecommunication Sector									
Fixed Telephone Lines (No '000)	919	910	932	934	872	897	942	999	1,062
Cellular Phones (No '000)	3,362	5,412	7,983	11,083	14,264	17,247	18,319	20,324	20,315
Wireless Phone (No '000)	325	974	1,810	2,513	2,564	2,638	2,667	2,450	1,645
Internet (No. of Subscribers '000)	115	130	202	234	240	502	845	1,366	2,012
Health Sector									
Private Hospitals	n.a	n.a	115	135	161	172	186	197	206
Public Hospitals	606	604	619	612	555	568	592	593	607
No of Beds (Government)	61,937	61,835	66,430	66,835	68,905	69,501	69,731	73,437	79,820
No of Doctors (Government)	12,692	13,276	14,060	15,185	15,930	16,492	18,299	18,252	19,847
No of Nurses (Government)	20,332	20,912	22,088	22,977	26,351	27,494	29,234	30,217	30,892
Financial Sector									
Bank Branches and other Outlets	2,279	4,128	4,961	5,427	5,697	5,913	6,184	6,374	6,487
Credit Cards in Use	629,740	810,179	905,561	929,112	840,905	778,544	862,352	891,170	951,320
Registered Finance Companies	28	29	32	34	35	36	39	47	48
Registered Leasing Companies	18	18	20	22	21	21	16	13	10
Tourism Sector									
Tourist Arrivals	549,308	559,603	494,008	438,475	447,890	654,476	855,975	1,005,605	1,274,593
Tourist Earnings (US\$ Mn.)	362	410	384	320	349	575	830	1,039	1,708
Annual Room Occupancy Rate	45.5	47.8	46.2	43.9	48.4	70.1	77.1	71.2	71.7
Transport Services (New Registrations)									
Buses	2,069	3,346	2,637	1,180	739	2,491	4,248	3,095	1,805
Cars	17,283	27,578	22,603	20,237	5,762	23,072	57,886	31,546	28,380
Dual Purpose Vehicles	6,851	7,245	5,193	2,856	1,280	11,712	33,518	37,397	24,603
Goods Transport Vehicles - Lorries	14,262	20,436	18,408	14,038	8,225	11,845	14,818	12,266	5,872
Motor Cycles	130,696	156,626	182,508	155,952	135,421	204,811	253,331	192,284	169,280
Three Wheelers	41,085	64,466	43,068	44,804	37,364	85,648	138,426	98,815	83,673
Land Vehicles - Tractors	15,597	19,040	21,346	24,357	13,951	17,363	20,073	18,450	10,772
Land Vehicles - Trailers	1,826	1,785	2,129	1,775	1,333	2,301	3,121	3,442	2,266

Sources: Sri Lanka Ports Authority, Telecommunications Regulatory Commission of Sri Lanka, Ministry of Health, Department of Motor Traffic, Sri Lanka Tourism Development Authority, Central Bank of Sri Lanka

(a) Provisional

* Excluding of Sailing craft, Naval Vessels, Fishing trawlers, Yatch & Dredgers

**Including Re-Stowing

4.3 Domestic Demand and Supply

As Sri Lanka's domestic demand (absorption), consisting of consumption, fixed capital formation and changes in inventories, is higher than the country's own production of goods and services, the country generally runs a deficit in trade in goods and services. In 2013, the domestic demand as a percentage of GDP declined to 109.5 from 113.7 percent in 2012.

10.7 percent compared to 18.3 percent in the previous year and accounted for 29.6 percent of GDP reflecting a decline from 30.6 percent in 2012. Private investments declined to 22.7 percent of GDP from 23.7 percent in 2012 while the Government and Public Enterprises Investment remained unchanged at 6.9 percent in 2013. The improved investor confidence, supported by improved business environment and stable macroeconomic conditions in

Table 4.10 > **Domestic Demand, Supply and Trade Balance**

Item	Current Market Prices (Rs. Bn.)		Change (%)		Ratio to GDP (%)	
	2012	2013	2012	2013	2012	2013
Domestic Demand	8,614	9,499	14.9	10.3	113.7	109.5
Consumption	6,296	6,934	13.7	10.1	83.1	79.9
Private	5,275	5,798	15.5	9.9	69.6	66.8
Government	1,021	1,137	5.5	11.3	13.5	13.1
Investment	2,318	2,565	18.3	10.7	30.6	29.6
Private	1,794	1,969	15.8	9.8	23.7	22.7
Government	524	596	27.9	13.7	6.9	6.9
Net External Demand (Trade balance)	(1,035)	(827)	8.7	(20.1)	(13.7)	(9.5)
Export of Goods and Services	1,730	1,949	14.7	12.7	22.8	22.5
Import of Goods and Services	2,765	2,776	12.4	0.4	36.5	32.0
Domestic Supply = GDP	7,579	8,674	15.8	14.4	100.0	100.0

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

In 2013, total consumption increased by 10.1 percent in comparison to 13.7 percent increase in the previous year. Both domestic consumption as well as domestic investment demand increased, albeit at a slower pace, facilitating the growth process. Private consumption increased by 9.9 percent due to the expansion in the economic activity benefiting from the relatively low interest rates, improved financial market conditions and increase in workers' remittances and amounted to 66.8 percent of GDP in 2013 compared to 69.6 percent in the previous year. The growth in the government consumption was mainly due to the increase in salaries and allowances. Total investment grew by a slower rate of

the country while reflecting the use of new opportunities, particularly in such areas as tourism and hotel industry, manufacturing, telecommunications etc. helped maintain the growth momentum of the private investments. The continuation of major infrastructure development projects helped the growth in government investment.

The domestic demand increased by 10.3 percent in 2013 in comparison to 14.9 percent in 2012. Despite the expansion in the domestic demand, the demand for imports recorded only a marginal increase of 0.4 percent. Consequently, import of goods and services as a percent of GDP declined to 32.0 percent

from 36.5 percent of GDP in 2012. The exports of goods and services remained almost unchanged accounting for 22.5 percent in comparison to 22.8 percent recorded in the previous year.

Trade Balance

The net external demand as reflected in the trade deficit declined further to 9.5 percent of GDP from 13.7 percent and 14.6 percent in 2012 and 2011, respectively, primarily reflecting the policy measures adopted in early 2012 to ensure external sector sustainability. The maintenance of the export to GDP ratio almost at the previous year level was an achievement

given the challenging external environment. Further improvement in export is essential through a concerted effort while taking import replacement measures to reduce expenditure on imports.

Aggregate Supply

The aggregate supply, which comprises with gross domestic production (GDP) and the use of imports for consumption, formation of fixed capital assets, inventories as well as raw materials for export industries, increased by 10.7 percent in comparison to 14.9 percent in 2013. The aggregate supply as a percentage of GDP was 132.0 percent in comparison to 136.5 percent in 2012.

Table 4.11 > **Aggregate Supply and Use of Goods and Services**

Item	(Rs. Bn.)		Growth (%)		% of GDP	
	2012	2013	2012	2013	2012	2013
Aggregate Demand	10,344	11,450	14.9	10.7	136.5	132.0
Domestic Demand	8,614	9,500	14.9	10.3	113.7	109.5
External Demand = Export of Goods and Services	1,730	1,949	14.7	12.7	22.8	22.5
Aggregate Supply	10,344	11,450	14.9	10.7	136.5	132.0
Gross Domestic Product	7,579	8,674	15.8	14.5	100.0	100.0
Import of Goods and Services	2,765	2,776	12.4	0.4	36.5	32.0
Trade Gap of Goods and Services	(1,035)	(827)	8.8	(20.1)	(13.7)	(9.5)
Share of Imports in Aggregate Supply (%)	26.7	24.2				

Sources: Department of Census and Statistics, Central Bank of Sri Lanka

The value of the total supply of goods and services or GDP increased by 14.5 percent while the growth in import of goods and services decelerated significantly to 0.4 percent from 12.4 percent in 2012. The share of imports in aggregate supply also declined to 24.2 percent in 2012 in comparison to 26.7 percent in the previous year. This mainly reflected the decline in the import demand over and above the domestic production while reflecting the impact of policy measures adopted in 2012 to rationalize imports, lower expenditure on fuel imports as well as subdued commodity prices in international markets.

Meanwhile, the domestic output contributed to cater to about 75.8 percent of the total domestic requirement of goods and services in 2013 in comparison to 73.3 percent in the previous year. This reflected a gradual enhancement in the domestic production as well as the further potential available in the country to promote import replacement economic activities. The government has already created conducive environment for the growth of domestic economy through the provision of various incentives, including tax concessions. The country imports agricultural products spending about US\$ 1,100 million and pharmaceutical products of about US\$ 375 million, which provides a significant scope to enhance domestic production. The country's energy related product imports cost about US\$ 5,000 million emphasizing the need for investing in energy saving mechanisms and alternative energy sources to save this significant outflow of foreign exchange while contributing to the national economy. It is important to identify several key items that Sri Lanka has the advantage in increasing domestic production and promote those items to get the maximum outcome of such a policy.

Aggregate Demand

The aggregate demand, the domestic demand and the export of goods and services, increased by 10.7 percent in 2013 and external demand as a percentage of GDP, remained almost unchanged at 22.5 percent in 2013 in comparison to 22.8 percent in 2012. In absolute terms however, exports have increased to US\$ 10,394 million from US\$ 9,774 million in 2012. The gradual recovery of the global economy and the resultant increase in the external demand, various incentives given by the government to the export sector, favourable domestic macroeconomic conditions and efforts made by exporters to improve their own productivity have mainly helped to achieve this improvement.

There is a strong need of promoting exports to enhance the country's foreign exchange earning capacity to reduce trade deficit in the medium to long run. This can be realized by continuing the progress achieved in 2013 by getting the benefit of higher external demand that would emanate in the medium term, particularly from the recovery of the US and the European economies. At the same time, use of existing Free Trade Agreements (FTAs) with regional economies and preferential agreements as well as the effective use of proposed FTA with China will have to give the priority to enhance exports while continuing the search for new markets for Sri Lankan products. This has to be complemented through a comprehensive export strategy which includes maintain in greater flexibility in exchange rates, diversification of products, while trying to strongly work to be among the top countries of exporting a few key products in the world, enhancing research & development and innovation to improve productivity and efficiency, increasing high-tech exports, and improving the value added and services exports.

4.4 Investment and Savings

Total gross investment of the country accounted for 29.6 percent of GDP in 2013 in comparison to 30.6 percent in 2012. The private sector investment, which accounts for about 77 percent of total investment, continued its strong performance recorded since 2010 recovering from the weak performance experienced in 2009 due to the recessionary conditions, declined marginally to 22.7 percent of GDP from 23.7 percent in the previous year. Meanwhile, public investment declined to 5.5 percent of GDP in 2013 in comparison to 5.9 percent in the previous year.

In 2013, private investments grew by 10.7 percent in comparison to 18.3 percent growth recorded in the previous year. The growth in investments in both residential and other construction activities including hotels and tourism, telecommunication as well as infrastructure development projects helped achieve this growth. The continued growth in private sector investments benefiting from the easing of the monetary stance adopted in 2013 in order to promote domestic investments and the improved investor confidence, which

helped achieve foreign investments were the major reasons for this improvement. The growth in the investment sector is reflected in the import of investment related raw materials, including machinery and equipment, and building materials in to the country.

Within the private sector investments, major investments were in such areas as housing, condominium projects and mega hotel developments. In 2013, Foreign Direct Investment (FDI) inflows including loans increased to US\$ 1,421 million from US\$ 1,382 million in the previous year. The FDI flows were mainly for the infrastructure development, housing property development, construction of shops & office complexes, telephone and telecommunication network and port container terminals, textile, wearing apparel and leather products, chemical, coal, petroleum, non-metallic mineral products, and rubber products as well as various service sector areas. China, Malaysia, Hong Kong, Netherlands, Singapore, and UAE were the major FDI contributors in 2013 in terms of origin. Meanwhile, the government investments were directed towards the development of national, regional and rural infrastructure development.

Table 4.12 > **Investment and Savings**

Item	Rs. Bn		% of GDP	
	2012	2013	2012	2013
Domestic Investment	2,318	2,565	30.6	29.6
Private	1,794	1,969	23.7	22.7
Public Enterprises	80	115	1.1	1.3
Government	444	481	5.9	5.5
Domestic Savings	1,283	1,739	16.9	20.0
Private	1,362	1,806	18.0	20.8
Government	(79)	(67)	(1.0)	(0.8)
Investment - Domestic Savings Gap	1,035	826	13.6	9.5
Net Factor Income From Abroad	(155)	(235)	(2.0)	(2.7)
Net Foreign Private Transfers	688	729	9.1	8.4
National Savings	1,816	2,233	24.0	25.7

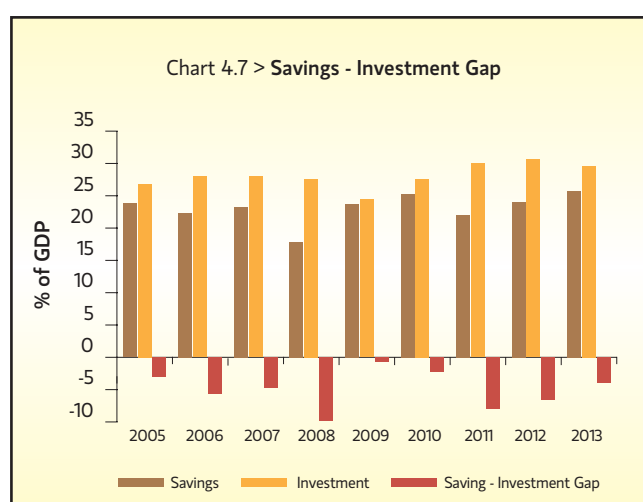
Source: Department of Census and Statistics

The government expects to move the economy from a consumption driven expansion to a savings and investments-driven real economy in the medium term. In this context, there is significant space to enhance investments in Sri Lanka's growing economy, particularly in the areas of infrastructure development, hotel and tourism, renewable energy, pharmaceutical industry, light industries, IT/BPO services, international professional/consultancy services. The expected improvement in the domestic private investments, FDI and portfolio investments, which will be complemented by the mobilization of a large amount of project related funds from development partners, will help enhance the level of investments of the country to sustain higher economic growth in the medium term.

In 2013, the domestic savings to GDP ratio improved by 3.1 percentage points to 20.0 percent (Rs. 1,739 billion) from 16.9 percent (Rs. 1,283 billion) in the previous year. This was entirely driven by the increase in private savings by 2.8 percentage points to 20.8 percent as there was government dis-savings of 0.8 percent of GDP, which was declined from 1.0 percent of GDP in 2012 and 3.7 percent in 2009. The improvement in the domestic savings was reflected in the narrowing down of the country's trade deficit consequent to the considerable decline in the value of imports and an encouraging growth in exports. Benefiting from the increase in domestic savings, the national savings, which is the sum of domestic savings, net foreign private transfers and net factor income from abroad, increased to 25.7 percent of GDP in 2013 from 24 percent in the previous year. This was also supported by the

decline in the net foreign private transfers to 8.4 percent of GDP from 9.1 percent in 2012 despite the deterioration of net factor income from abroad to 2.7 percent of GDP from 2.0 percent in the previous year due to higher interest payments and had a dampening effect on the national savings. Workers' remittances, which continued to dominate the foreign private transfers showed an improvement continuously, are expected to increase further in the future benefiting from the gradual increase in the migration of skilled labour.

The savings - investment gap continued to narrow reaching 3.9 percent of GDP in 2013 from 6.6 percent in 2012 and 7.8 percent in 2011, as reflected in the sustained improvement in the external current account balance. The generation of a revenue surplus in the government budget and the reduction of losses in state owned business enterprises expected in the medium term are expected to reduce the country's savings - investment gap further in the medium term.



4.5 External Sector Developments

The external sector improved in 2013 as well reflecting the lagged effect of the fiscal and monetary policy measures adopted since early 2012 to address the potential instability in the overall performance of the external sector and decline in external reserves¹. The deficit in the trade account narrowed significantly in 2013 with the significant increase in the earnings export and the decline in expenditure on imports. The increase in international demand due to the gradual recovery of global economy and the impact of greater flexibility in the exchange rate which augmented the export competitiveness of the country mainly supported the growth in exports. The decline in the import expenditure was mainly due to lower petroleum imports during the year. The strong growth in the inward workers' remittances and earnings from tourism helped offset about two thirds of the deficit in the trade account. This, together with an increase in the receipts from other services helped reduce the current account deficit or the savings-investment gap to US\$ 2,607 million (3.8 percent of GDP) from US\$ 3,982 million (6.6 percent of GDP) in 2012 and 4,615 million (7.8 percent of GDP) in 2011.

The capital account recorded a lower amount of net inflows of US\$ 71 million in comparison to US\$ 130 million in 2012 due to the decline in the inflows as capital transfers, including the capital grants received by the government with the country's graduation to lower middle income country. Foreign inflows by way project related inflows to the government, investment in government securities, foreign loans by banking and private sector entities encouraged by the relaxation of exchange control regulations, and FDI constituted the inflows to the financial account.

Consequently, the balance of payments (BOP) recorded a surplus of US dollars 985 million in 2013 in comparison to US\$ 151 million in 2012. As a result, the gross official reserves of the country increased to US\$ 7.5 billion from US\$ 6.9 billion by end 2012, which was equivalent to 5 months of imports in comparison to 4.3 months of imports by end of the previous year. The improvement in the reserve position helped stabilize the domestic foreign exchange market while improving the external sector outlook of the country. Further adjustments in the trade and current account deficits are important to sustain these achievements, thereby strengthening the external position further.

Table 4.13 > **External Trade**

	US\$ Mn.								
Item	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Exports	6,347	6,883	7,640	8,111	7,085	8,626	10,560	9,774	10,395
Agricultural Exports	1,250	1,424	1,647	1,976	1,836	2,305	2,528	2,332	2,583
Industrial Exports	4,948	5,401	5,937	6,112	5,228	6,097	7,992	7,371	7,748
Mineral Products	23	17	22	22	20	24	33	61	52
Unclassified	125	42	38	-	-	199	7	10	12
Imports	8,863	10,253	11,296	14,091	10,207	13,451	20,269	19,190	18,003
Consumer Goods	1,289	1,550	1,664	2,007	1,565	2,476	3,654	2,995	3,183
Intermediate Goods	5,607	6,257	6,983	9,019	6,159	8,054	12,274	11,577	10,554
Investment Goods	1,937	2,400	2,597	2,852	2,093	2,758	4,286	4,590	4,253
Unclassified	31	48	52	213	390	162	54	28	14
Trade Deficit	(2,516)	(3,370)	(3,656)	(5,980)	(3,122)	(4,825)	(9,709)	(9,416)	(7,608)

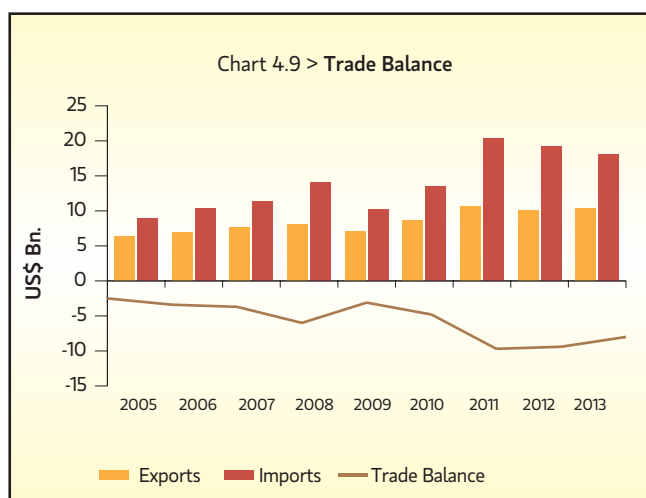
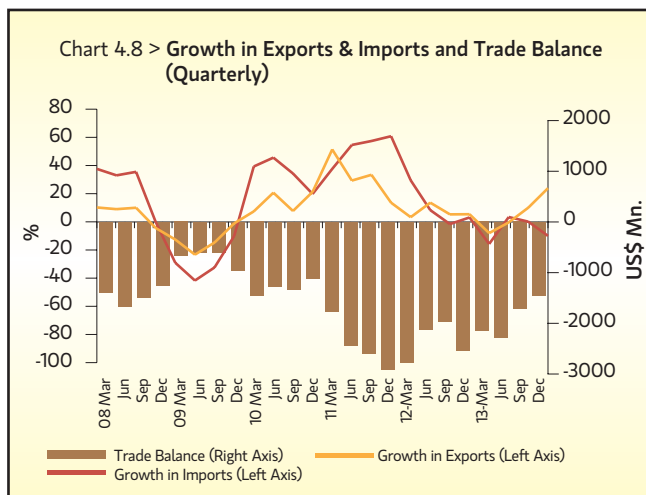
Source: Central Bank of Sri Lanka

(a) Provisional

¹The policy package introduced in early 2012 to address the issue of potential external sector imbalances included the allowing of greater exchange rate flexibility, increase of Central Bank policy interest rates in two occasions, initiatives introduced to limit the private sector credit growth, upward revision of domestic petroleum, electricity and transport prices and the revision of tax structure related to importation of selected items, including motor vehicles.

Trade Balance

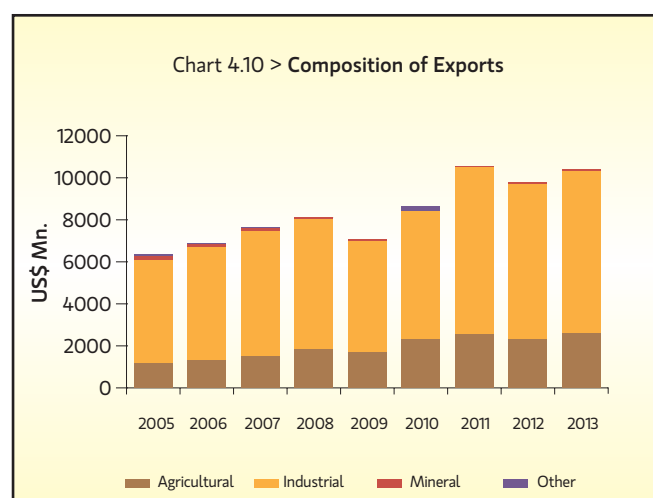
The trade deficit narrowed in 2013 by 19.2 percent to US\$ 7,609 million from US\$ 9,417 million the previous year as a result of the decline in imports by 6.2 percent and the increase in exports by 6.4 percent. As a percentage of GDP also, the trade deficit declined to 11.3 percent from 15.9 percent in 2012. The decline in imports, which mainly helped to reduce the trade deficit affected the tax base and hence, the import based government tax revenue increased by 7.4 percent to Rs. 494 billion in 2013.



Exports

Earnings from exports recovered strongly by 6.4 percent to US\$ 10,395 million in 2013 in comparison to the 7.4 percent contraction experienced in the previous year. The gradual recovery of the global economy, particularly the USA and the EU, which are Sri Lanka's traditional markets, and the consequent expansion of demand, efforts taken by exporters to improve productivity, support extended by the government by way of exchange rate depreciation, and lower taxes and other incentives helped achieve this improvement. Industrial exports, which constitute a 75 percent of the total exports, increased by 5.1 percent in 2013 in comparison to the decline of 4.8 percent recorded in 2012 mainly benefiting from the significant 13 percent growth in textiles and garments, which accounts to about 43 per cent of total export earnings, to US\$ 4,508 million, mainly due to the vertical and backward integration, acquisition of specialized knowledge and greater emphasis on activities at the higher end of the value chain.

Meanwhile, the earnings from the export of rubber products increased by 3.3 percent to US\$ 887 million in 2013 in comparison to 2.8



percent contraction in 2012 due to the increase in the export of surgical and other gloves and tyres and made the second largest contribution to the growth in industrial exports. The export of leather products and ceramic products also contributed to this increase. However, the exports earnings from gems, diamonds and jewellery declined significantly by 20.3 percent to US\$ 446 million in 2013 mainly due to the decline in the global demand and the sharp fall in gold prices in the international market. The earnings from the export of petroleum products declined by 7.6 percent to US\$ 428 million in 2013 mainly reflecting the decline in international bunkering prices and the rising competition from regional ports.

Meanwhile, total earnings from agricultural exports increased by 10.7 percent to US\$ 2,581 million in 2013 mainly due to the 9.2 percent increase in the export of tea to highest ever annual amount of US\$ 1,542 million in comparison to the 5.3 percent drop in 2012. The increase in the average price of tea exported to US\$ 4.82 from US\$ 4.41 was the main reason for

this increase in 2013 as the volume exported remained almost unchanged at 320 million kg.

The earnings from the export of raw rubber declined by 43 percent to US\$ 71 million mainly reflecting the increased usage of rubber in the domestic market to produce value added rubber products and the decline in international rubber prices to US\$ 3.02 per kg in 2013 from US\$ 3.35 per kg in 2012. The earnings from exports of coconut products declined by 1.9 percent to US\$ 205 million in 2013 despite the 7.5 percent growth in the export of coconut kernel products such as desiccated coconut as the earnings from non-kernal products declined by 6.8 percent to US\$ 119 million over the previous year. The export earnings from seafood increased by 18 percent to US\$ 234 million in 2013 from US\$ 198 million in the previous year. The export earnings from other agriculture exports, including spices, unmanufactured tobacco and Sesame Seeds continued to increase while there were declines in the earnings from some minor agricultural exports.

Table 4.14 > **Value of Agricultural Exports**

US\$ Mn

Category	2000	2003	2007	2008	2009	2010	2011	2012	2013 (a)
Tea	700	683	1,027	1,272	1,185	1,441	1,491	1,412	1,542
Black Tea	637	601	890	1,111	1,072	1,383	1,430	1,354	1,471
Bulk	393	338	535	643	616	567	534	512	561
Packets	180	183	235	321	301	607	667	640	693
Bags	64	81	121	147	156	209	229	203	217
Instant	8	11	9	11	10	13	15	11	15
Green Tea	3	8	22	29	29	44	46	47	56
Other	52	63	106	118	74	-	-	-	-
Rubber	29	39	109	125	99	173	206	125	71
Sole Crepe	-	-	-	-	6	10	16	7	9
Latex and Other Crepe	-	-	-	-	25	63	102	58	38
Sheet Natural	13	22	59	69	46	67	63	38	14
Latex Natural	0.2	0.5	10	17	11	15	8	8	2
Block Rubber	14	14	25	23	2	1	2	1	1
Other	1	2	15	16	10	18	15	14	9
Coconut	121	93	141	171	166	166	266	209	205
Kernal Product	77	48	60	82	58	56	136	80	86
Other	44	45	81	89	108	110	130	129	119
Other Agricultural Exports	155	150	208	243	215	335	379	388	529
Seafood	128	93	163	165	171	192	185	198	234
Total	1,134	1,057	1,647	1,976	1,836	2,306	2,528	2,332	2,581

Sources: Sri Lanka Customs, Department of Trade and Investment Policy, Central Bank of Sri Lanka

(a) Provisional

Table 4.15 > **Value of Industrial Exports**

US\$ Mn

Category	2000	2003	2007	2008	2009	2010	2011	2012	2013 (a)
Textile and Garments	2,982	2,575	3,337	3,478	3,261	3,356	4,191	3,991	4,508
Garments	2,712	2,400	3,144	3,284	3,120	3,178	3,986	3,784	4,265
Woven Fabrics	65	47	61	66	55	70	85	92	124
Yarn	32	23	45	44	42	50	57	58	58
Other Made Up Textile Articles	173	105	86	84	44	57	64	56	61
Natural Rubber Based Products	196	231	483	542	385	558	885	860	888
Rubber Tyres	101	121	309	337	213	336	569	540	551
Surgical Gloves and Other Gloves	62	73	111	117	114	137	181	177	195
Other Rubber Products	33	37	64	88	58	85	135	143	141
Petroleum and Chemical Products	128	100	248	326	208	356	671	580	548
Gems, Diamonds and Jewellery	334	346	474	514	402	409	532	559	446
Gems	143	113	105	76	69	70	95	118	130
Cut Diamonds	178	216	348	418	317	322	414	417	295
Jewellery	13	17	22	20	17	17	22	24	21
Machinery, Mechanical and	410	381	780	748	531	683	802	800	825
Other Industrial Exports									
Food, Beverages and Tobacco	25	78	323	244	183	245	348	284	235
Milling Industry Products	8	9	48	62	40	71	142	90	37
Vegetable, Fruit and Nut Preparations	6	10	29	49	55	51	61	59	63
Cereal Preparations	1	2	7	11	9	11	19	20	25
Fish Preparations	...	...	1	1	1	1	...	...	...
Manufactured Tobacco	2	8	23	28	24	26	41	47	49
Other	9	48	215	93	54	85	85	67	61
Other/1	240	264	291	260	258	490	563	298	300
Total	4,315	3,975	5,937	6,112	5,228	6,096	7,992	7,371	7,749

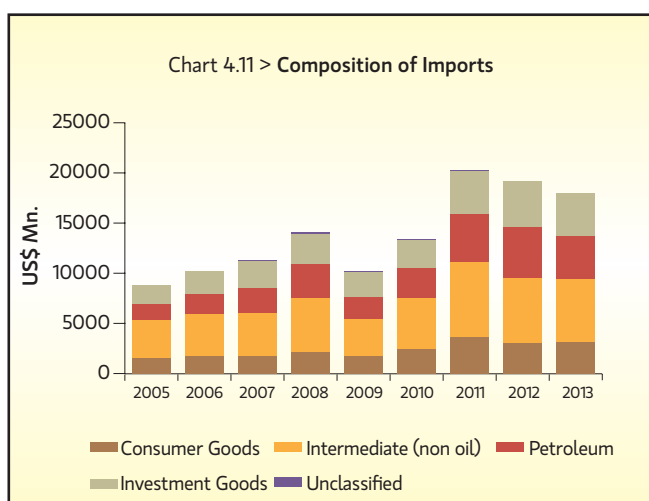
Sources: Sri Lanka Customs, Department of Trade and Investment Policy, Central Bank of Sri Lanka

(a) Provisional

1/ Including unclassified exports

Imports

Total expenditure on imports declined by 6.2 percent to US\$ 18,003 million in 2013 over the previous year. The impact of policy measures adopted in early 2012 to rationalize imports to reduce the trade deficit, decline in the expenditure on import of petroleum products and subdued commodity prices in the international markets mainly attributed to this decline. The import expenditure on non-petroleum imports also declined by 3.2 percent to US\$ 13,695 million in comparison to US\$ 14,146 million in 2012.



The most significant decline was in the import of intermediate goods imports, which declined by 8.8 percent to US\$ 10,554 million in 2013 from US\$ 11,577 million in 2012 due to the 14.6 percent decline in petroleum imports to US\$ 4,308 million in 2013 from US\$ 5,045 million in the previous year. The decline in the average import price of crude oil to US\$ 109.84 per barrel in 2013 from US\$ 114.00 per barrel in 2012 and the decline in the volumes imported, mainly due to increased hydro power generation in the country, were the major reason to lower fuel import cost in 2013. The cost of non-petroleum intermediate goods imports also declined by 4.6 percent to US\$ 6,246 million in 2013 from US\$ 6,533 million in the previous year. In particular, the import expenditure on textiles and textile articles declined to US\$ 2,046 million mainly reflecting the increasing domestic value addition in the garments industry. The decline in the import expenditure of fertilizer reflected the utilization of existing stocks in the country, gradual improvement in the usage of fertilizer and efforts taken by the government to encourage the use of organic fertilizer. The expenditure on the import of diamonds and precious stones declined by 17.8 percent despite the increase in expenditure on the import of gold by 17.5 percent to US\$ 200 million.

Table 4.16 > Value of Imports

	US\$ Mn.							
Category	2000	2007	2008	2009	2010	2011	2012	2013(a)
Consumer Goods	844	1,664	2,007	1,565	2,476	3,654	2,995	3,183
Food and Beverages	383	802	1,089	933	1,322	1,567	1,304	1,368
Sugar	141	151	203	218	363	426	345	289
Milk and Milk Products	118	186	288	165	259	345	307	291
Rice	4	39	44	23	59	18	24	18
Flour	8	2	1	1	1	14	5	2
Fish	68	108	115	119	128	147	134	162
Other Food and Beverages	213	317	437	407	512	617	489	607
Potatoes	5.5	20.0	23.6	23.0	36.9	35.7	22.7	28.5
Chilies	22.2	36.9	41.3	42.5	44.2	82.4	46.4	49.3
Onions	26.0	57.0	53.0	60.0	96.0	86.0	51.9	100.1
Lentils	39.5	59.6	108.0	113.0	129.0	116.8	68.9	104.1
Green Gram	5.3	7.4	11.0	10.7	15.6	13.8	8.3	11.2
Peas	7.1	10.0	18.8	12.9	14.9	18.5	19.0	19.9
Chick Peas	9.8	9.8	17.3	17.7	17.8	26.9	25.6	20.5
Kurakkan	0.3	0.3	0.6	0.6	0.6	0.6	0.4	...
Oil and Fat	11.0	21.0	31.0	14.0	19.0	25.9	20.0	59.2
Spices	28.0	50.0	64.0	65.0	72.0	111.0	68.0	79.9
Other	58.0	44.7	68.8	47.4	66.5	99.3	158.7	134.1
Non-food Consumables	461	862	918	632	1,154	2,087	1,691	1,814
Vehicles	40	244	239	93	455	881	495	582
Home Appliances-Radio and Television Sets	56	59	64	24	45	118	118	103
Rubber Products	34	44	51	46	72	83	80	88
Medical and Pharmaceutical Products	96	179	212	202	217	348	372	378
Household and Furniture Items	55	70	75	61	88	127	117	125
Other	180	266	277	206	277	530	509	538
Garments	131.9	85.9	89.1	98.9	94.4	112.0	131.9	157.6
Other Articles of Plastics	34.1	32.9	29.8	18.3	20.7	33.0	35.4	515.2
Printed Books	4.2	5.0	4.4	21.5	19.8	15.0	14.1	11.9
Fans	7.7	7.5	7.1	7.0	12.3	23.1	23.4	27.4
Washing Preparations	6.6	7.5	9.7	11.0	10.6	6.0	6.0	5.6
Powders, Makeup	4.9	4.2	6.2	4.8	5.6	10.7	6.8	8.1
Gas Cookers	4.5	3.5	3.8	3.7	5.0	9.4	6.4	6.8
Intermediate Goods	3,376	6,983	9,019	6,159	8,054	12,274	11,578	10,554
Fertilizer	79	192	577	182	240	407	311	239
Petroleum	902	2,516	3,392	2,184	3,041	4,795	5,045	4,308
Chemical Products	202	405	508	432	520	702	670	734
Paper and Paper Boards	116	290	328	264	350	427	363	380
Wheat and Maize	143	255	402	269	265	429	364	323
Textile	1,139	1,724	1,788	1,529	1,812	2,321	2,266	2,046
Diamond and Presious Metals	161	284	545	277	378	1,076	588	483
Base Metal	64	252	275	167	239	354	440	406
Vehicle and Machinery Parts	79	127	159	127	176	223	211	210
Other Intermediate Goods	491	938	1,045	728	1,033	1,540	1,320	1,425
Semi Finished Products of Iron	80	105	137	72	91	157	256	238
Polymer of Ethylene	89	106	103	76	103	109	99	106
Unmanufactured Tobacco	49	40	42	39	31	52	71	62
Palm Oil (Refined)	71	145	127	35	68	161	67	81
Investment Goods	1,387	2,597	2,852	2,093	2,758	4,286	4,590	4,253
Machinery and Equipment	844	1,428	1,467	1,077	1,339	2,141	2,356	2,222
Recorders and Primary Batteries	38	119	124	107	87	124	138	152
Medical Instruments and Appliance- Used	63	60	73	54	63	81	87	92
Wire Cables (Electrical)	26	5	13	11	38	33	32	34
Gas Cylinders (For industries)	6	7	6	3	6	12	n.a	n.a
Transport Equipments	245	410	481	357	593	1,065	992	668
Building Materials	296	753	900	656	822	1,076	1,237	1,357
Iron pipe and Tube	84	93	126	88	108	85	84	70
Other Investment Goods	2	6	4	3	4	4	5	6
Unclassified Imports	1,715	52	213	390	162	54	28	14
Total Imports	7,320	11,296	14,091	10,207	13,451	20,269	19,190	18,003

Sources: Sri Lanka Customs, Department of Trade and Investment Policy, Central Bank of Sri Lanka

(a) Provisional

The expenditure on the import of investment goods, including building materials and machinery and equipment, declined by 7.3 percent to US\$ 4,253 million from US\$ 4,590 million in 2012. This was mainly due to the significant 32.7 percent decline in the transport equipment, classified under investment goods, which includes vehicles for transport of passengers and goods, heavy-duty vehicles and small scale ships and boats, to US\$ 668 million from US\$ 992 million in the previous year. Nevertheless, there was a 9.7 percent increase in the import of building materials reflecting the expansion in construction activities throughout the country, including the ongoing large scale infrastructure development projects and various private sector investment projects. There was a 5.7 percent decline in the import expenditure on machinery and equipment, which mainly includes engineering equipment, telecommunication devices, electronic equipment, office machinery, medical and laboratory equipment and machinery and equipment parts in 2013 over the previous year.

However, the consumer goods import, which provides a strong base for the fiscal operations of the government, recovered by recording a 6.3 percent increase to US\$ 3,183 million in 2013 over 2012 in comparison to 18 percent decline recorded in 2012 due to the increase in the import expenditure on both food and beverages, as well as non-food consumables. Higher expenditure on the importation of vegetables, oils and fats and seafood resulted in an increase in the expenditure on food and beverages by 4.9 percent to US\$ 1,368 million from US\$ 1,304 million. Partly reflecting the impact of the increase of the import duty applicable to milk powder imports to

encourage domestic milk production, import expenditure on dairy products, including milk powder, declined by 5.3 percent to US\$ 291 million in 2013. Following the same trend, the expenditure on the importation of sugar also declined by 16.2 percent to US\$ 289 million partly reflecting the efforts made by the government to increase domestic production. Meanwhile, the expenditure on the importation of motor vehicles increased by 17.6 percent to US\$ 582 million in 2013 in comparison to sharp decline of 43.8 percent in the previous year reflecting the recovery from the impact of policy package introduced in 2012 and the removal of margin requirement and provided a considerable base for the government revenue collection.

Current Account

The current account deficit narrowed significantly to US\$ 2,607 million in 2013 from US\$ 3,982 million in 2012. The significant decline in the trade deficit coupled with the higher receipts by way of workers' remittances, and the increase in earnings from tourism helped achieve this improvement.

In 2013, the inflows to the services account amounted to US\$ 4,685 million reflecting a 23.3 percent increase over the previous year. The major contribution was from the services related to transportation (US\$ 1,784 million), travel and tourism (US\$ 1,715 million), telecommunication and computer services (US\$ 719 million). In particular, the significant 65 percent increase in earnings from tourism to US\$ 1,715 million from US\$ 1,039 million in 2012 was due to the significant increase in tourist arrivals to highest ever number of 1.27 million in 2013 surpassing the target of 1.2 million and the increase in average spending per day per tourist to US\$ 156.5 in 2013 from US\$ 103 in the previous year.

Table 4.17 > **Export of Services (Gross Income)**

	US\$ Mn.								
Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation Services	685	751	840	1,000	865	1,162	1,392	1,634	1,784
IT, Business Processing & other Business Services	270	288	306	452	464	510	621	835	879
Travel and Tourism	429	410	385	342	350	576	830	1,039	1,715
Communication Services	44	68	72	81	80	83	85	109	114
Construction Services	29	29	33	40	40	42	43	50	55
Insurance Services	73	57	55	68	75	80	91	107	109
Government Expenditure n.i.e.	21	21	20	21	19	21	22	27	28
Total	1,551	1,625	1,711	2,004	1,892	2,474	3,084	3,800	4,685

Source: Central Bank of Sri Lanka

Table 4.18 > **Import of Services (Gross Expenditure)**

	US\$ Mn.								
Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation Services	470	540	597	702	631	817	953	1,172	1,382
IT, Business Processing & Other Business Services	322	329	349	330	319	348	373	464	663
Travel and Tourism	314	373	393	428	411	453	501	710	1,188
Communication Services	19	49	54	55	54	56	57	68	87
Construction Services	6	6	6	6	6	6	7	9	26
Insurance Services	34	37	40	47	46	50	55	64	85
Government Expenditure n.i.e.	37	35	34	35	35	38	39	51	73
Total	1,202	1,368	1,473	1,603	1,501	1,768	1,985	2,538	3,505

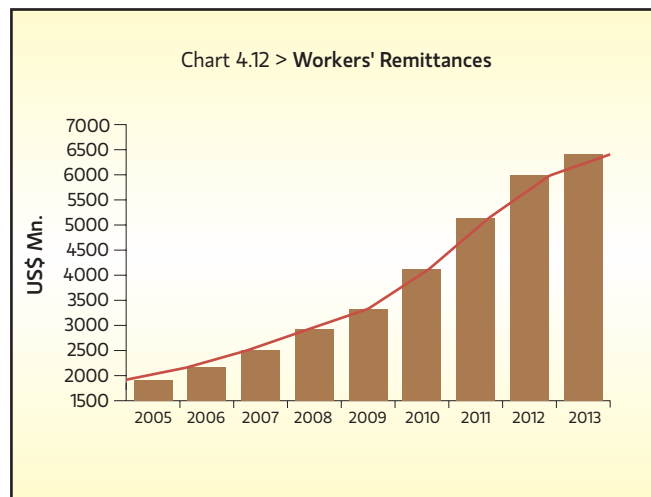
Source: Central Bank of Sri Lanka

In 2013, the deficit in the income account widened to US\$ 1,817 million from US\$ 1,219 million in 2012 mainly due to the higher interest payments on outstanding government securities and loans as well as on the loans of banks and private sector. Meanwhile, net current transfers increased by 4.6 percent to US\$ 5,639 million in 2013 compared to US\$ 5,392 million in the previous year. The 7 percent increase in workers' remittances to US\$ 6,407 million in 2013 in comparison to US\$ 5,985 million was the major reason for this increase.

Consequently, the deficit in the current account narrowed to US\$ 2,607 million in 2013 from US\$ 3,982 million in the previous year. The current account deficit contracted as a percentage of GDP as well to 3.9 percent from 6.7 percent in the previous year thereby improving the country's savings-investment gap.

Workers' Remittances

Workers' remittances continued to be the foremost and stable foreign exchange earner



of Sri Lanka. The increase in the workers' remittances by 7.0 percent to US\$ 6,407 million in 2013 was mainly due to the increase in the total number of migrant workers leaving for foreign employment to 293,105, increase in the number of migration under professional (15.6 percent) and skilled categories (6.9 percent), increased

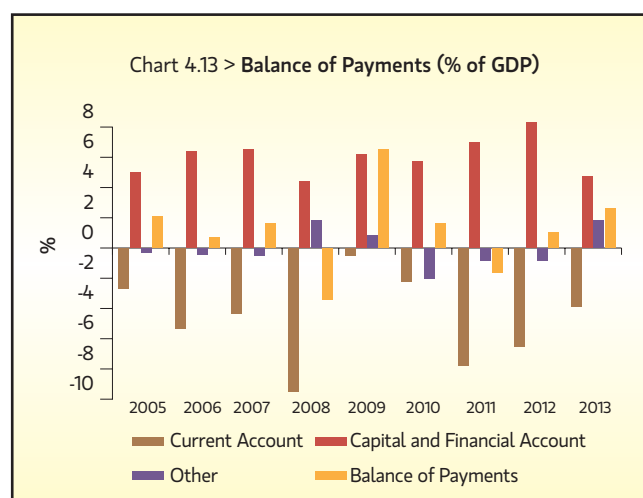
employment opportunities in high wage paying countries, such as Korea and Singapore and expansion in the availability of formal channels to remit foreign earnings to Sri Lanka.

A healthy growth is expected in the workers' remittances in the future as a result of the increased migration of professional and skill categories as well as the improvements in the existing facilities and the incentives granted by the government to this sector. Accordingly, the improvement in the vocational training facilities throughout the country to train foreign employment aspirants with necessary skills is being undertaken while tax concessions to commence small and medium businesses by the returning foreign employees have also been initiated.

Capital and Financial Account

Total Foreign Direct Investment (FDI) inflows, including loans, amounted to US\$ 1,421 million in comparison to US\$ 1,382 million in the previous year. Infrastructure development in telephones and telecommunication networks, ports and container terminals and housing and property development as well as hotels and tourism related activities, education, information technology, textiles, wearing apparels, chemical and petroleum products and other manufacturing were among the key areas that received FDI in 2013. This reflected the improved investor confidence on the growth potential in the emerging sectors in the economy and improvements in the macroeconomic conditions.

Private long term capital, on a net basis, stood at US\$ 456 million in 2013 in comparison to US\$ 719 million in 2012. Total net foreign inflows to the Colombo Stock Exchange (CSE) amounted to US\$ 270 million in 2013 compared to US\$



305 million in the previous year. Meanwhile, total long term official flows to the government infrastructure development initiatives moderated to US\$ 1,677 million in 2013 from US\$ 1,854 million in 2012. In 2013, the short term borrowings of the government by way of foreign investment in Treasury bills and Treasury bonds, on net basis, amounted to US\$ 493 million in comparison to US\$ 843 million in the previous year. In 2013, the Balance of Payments (BOP) recorded a surplus of US\$ 985 million compared to US\$ 151 million in 2012. This was supported by the significant improvement in the current account and the continued inflows to the capital and financial account. Consequently, total gross official reserves increased to US\$ 7,495 million in comparison to US\$ 7,106 million by end 2012, which was equivalent to 5.0 months of imports compared to 4.4 months in the previous year. Total reserves of the country by end 2013, which include the gross official reserves and the reserve balances in the deposit taking corporations, including banks, amounted to US\$ 8,574 million.

Table 4.19 > **Balance of Payments: 2006 - 2013**

	US\$ Mn.							
Item	2006	2007	2008	2009	2010	2011	2012	2013(a)
Trade Balance	-3,370	-3,657	-5,981	-3,122	-4,825	-9,710	-9,417	-7,609
Exports	6,883	7,640	8,111	7,085	9,626	10,559	9,774	10,394
Imports	10,253	11,296	14,091	10,207	13,451	20,269	19,190	18,003
Service (net)	257	302	401	391	707	1,099	1,262	1,180
Receipts	1,625	1,775	2,004	1,892	2,474	3,084	3,800	4,685
Payments	1,368	1,472	1,603	1,501	1,768	1,985	2,538	3,505
Income (net)	-389	-358	-972	-488	-617	-647	-1,219	-1,817
Receipts	311	449	-32	116	323	467	142	148
Payments	700	807	940	603	940	1,114	1,361	1,965
Goods, Services and Income (net)	-3,503	-3,712	-6,552	-3,219	-4,735	-9,258	-9,374	-8,246
Current Transfers (net)	2,004	2,311	2,666	3,005	3,660	4,643	5,392	5,639
Private Transfers(net)	1,904	2,214	2,565	2,927	3,608	4,583	5,339	5,619
Receipts (Workers' Remittances)	2,161	2,502	2,918	3,330	4,116	5,145	5,985	6,407
Payments	257	288	353	403	508	562	646	788
Official Transfers (net)	101	97	101	77	52	60	53	21
Current Account	-1,499	-1,402	-3,886	-214	-1,075	-4,615	-3,982	-2,607
Capital and Financial Account	1,808	2,097	1,773	2,594	2,877	4,262	4,960	4,903
Capital Account	291	269	291	233	164	164	130	71
Financial Account(b)	1,517	1,828	1,483	2,361	2,713	4,098	4,263	3,126
o/w Long Term								
Direct Investment (net)	451	548	691	384	435	896	877	850
Private Long Term (net)	-35	31	74	79	149	175	719	456
Govt. Long Term (net)	491	672	252	840	1,796	2,237	992	821
Debt securities (net)							1,343	493
Commercial Bank Long Term (net)							1,311	2,183
Reserve Assets (net) (c)							-567	-1,706
Other Long Term (net)							193	-125
Short Term	610	577	466	1,058	334	790	-606	154
Allocation of SDRs	-	-	-	508	-	-	-	-
Errors and Omissions	-105	-165	728	346	-881	-708	-412	-590
Overall Balance (Balance of Payments)	204	531	-1,385	2,725	921	-1,061	151	985
As a percentage of GDP								
Trade Deficit	-11.9	-11.3	-14.7	-7.4	-9.7	-16.4	-15.9	-11.3
Current Account Deficit	-5.3	-4.3	-9.5	-0.5	-2.2	-7.8	-6.7	-3.9

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Includes additional components in the financial account based on BPM 6 new classification from 2012 onwards

(c) Reserve assets- reserve related liabilities

4.6 Monetary Sector Developments

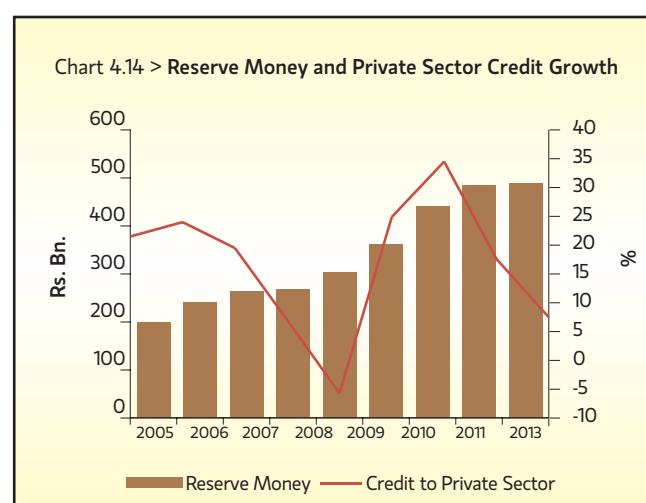
The Central Bank continued to ease the monetary policy since end 2012 following the continued deceleration in inflation and favourable inflation expectations, as well as the improvements in the external sector performance, to support the expanding economy further. Accordingly, the tight monetary policy stance adopted by the Central Bank since early 2012 to ensure the macroeconomic stability by evading possible adverse impacts from expansion in private sector credit and imports in excessive levels was reversed gradually. In line with this, the ceiling imposed on licensed banks on the expansion of private sector credit was allowed to expire and the Central Bank policy interest rates were reduced proactively by 25 basis points in December 2012 and by 50 basis points each in May and October 2013 to bring the Repurchase rate to 6.50 percent and Reverse Repurchase rate to 8.50 percent. The Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of commercial banks was also reduced by 2.0 percent to 6.0 percent in July 2013 to strengthen this process by reducing the cost of funds of banks. On 02 January 2014, the Central Bank established the Standing Rate Corridor (SRC) in place of the hitherto existed Policy Rate Corridor. Accordingly, the Repurchase Rate was renamed as Standing Deposit Facility Rate (SDFR) with a decision of un-collateralizing this facility with effect from February 2014. The Reverse Repurchase Rate also renamed as Standing Lending Facility Rate (SLFR) while reducing it by 50 basis points thereby compressing the SRC to 150 basis points from the current 200 basis points mainly to reduce the volatility of the short term interest rates further.

The rupee liquidity remained in excess in the domestic money market in much of 2013

reflecting the easing of monetary policy. The average weighted call money rate declined by 217 basis points to 7.66 percent and average weighted prime lending rate (AWPLR) declined by 427 basis points to 10.13 percent by end 2013. The yield on 91 days, 182 days and 364 days Treasury bills declined by 246 basis points, 347 basis points and 340 basis points respectively, and average weighted deposit rate (AWDR) and average weighted fixed deposit rate (AWFDR) also declined by 73 basis points and 143 basis points, respectively to 9.37 percent and 11.78 percent in 2013.

The year on year growth in reserve money remained within the revised average projection of 5.5 percent for 2013, with an average growth of around 10.7 percent in the first half of 2013 and subsequently reflecting a negative growth with the reduction of SRR in July 2013. Total reserve money stood at Rs. 488.6 billion by end 2013. Meanwhile, the growth in the broad money (M2b) moderated to 16.7 percent in 2013 to Rs. 3,417.9 billion and recorded an average growth of 16.5 percent during the year.

The growth in credit extended to the private sector by commercial banks moderated to 7.5



percent in 2013 and amounted to Rs. 2,534.3 billion in comparison to the 17.6 percent growth in 2012 while showing the signs of increasing towards the end of the year with the gradual transmission of the impact of monetary policy easing into the economy. The lower growth in the private sector credit was mainly attributable to the downward rigidity of lending rates in the market, significant decline in pawning activity and slowdown in economic activity, particularly during the first half of the year. According to the sectoral distribution

of loans and advances by commercial banks, the total loans and advances increased by 7.2 percent to Rs. 2,535 billion in 2013. The growth in the services and industry sector related loans and advances was 17.3 percent and 13.9 percent, respectively in 2013. However, the loans on agriculture and fishing, and personal loans & advances declined by 5.2 percent and 2.5 percent, respectively. The slower growth in the private sector credit is partly reflected in the overall decline in imports, which has helped to reduce the trade deficit in 2013.

Chart 4.15 > Private Sector Credit Growth and Trade Deficit

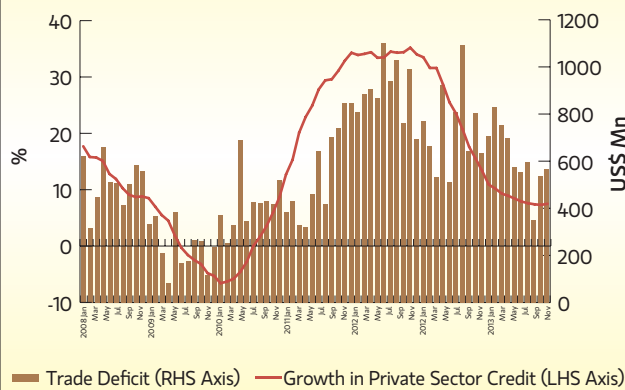


Chart 4.16 > Composition of Imports: 2012 and 2013

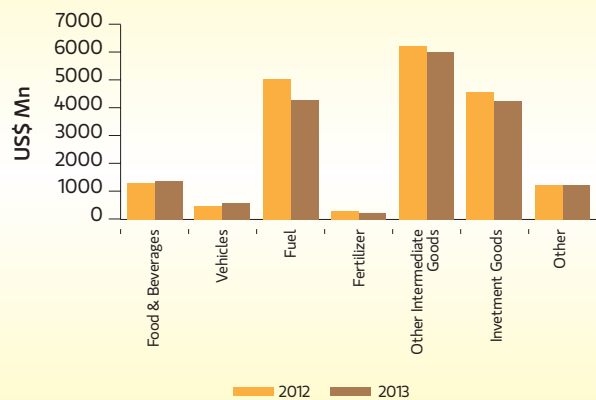


Table 4.20 > **Outstanding Loans and Advances Granted by Commercial Banks (a)(b)**

Rs. Bn

Item	2012	2013	2013/2012 % Change
Agriculture and Fishing	321.8	304.9	-5.2
o/w			
Tea	43.1	54.3	26.1
Rubber	14.6	18.9	29.5
Coconut	5.1	7.0	37.3
Paddy	12.6	14.8	17.5
Vegetable, Fruits and Minor Food Crops	14.0	14.7	4.8
Fisheries	10.4	10.4	-0.2
Industry	789.7	899.6	13.9
o/w			
Construction	329.6	384.2	16.6
Food and Beverages	53.5	60.6	13.3
Textiles and Apperal	96.3	106.0	10.1
Machinery and Transport Equipment	72.4	86.0	18.8
Services	525.5	616.6	17.3
o/w			
Wholesale and Retail Trade	183.2	233.8	27.6
Tourism	54.2	63.0	16.2
Financial and Business Services	121.1	117.7	-2.8
Personal Loans and Advances	702.7	684.8	-2.5
o/w			
Consumer Durables	60.5	74.9	23.8
Pawning	339.4	292.9	-13.7
Safety Net Scheme Related	24.3	29.0	19.2
Total	2,364.0	2,535.0	7.2

Source: Central Bank of Sri Lanka

(a) Based on the Quarterly Survey of commercial banks' loans and advances to the private sector

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

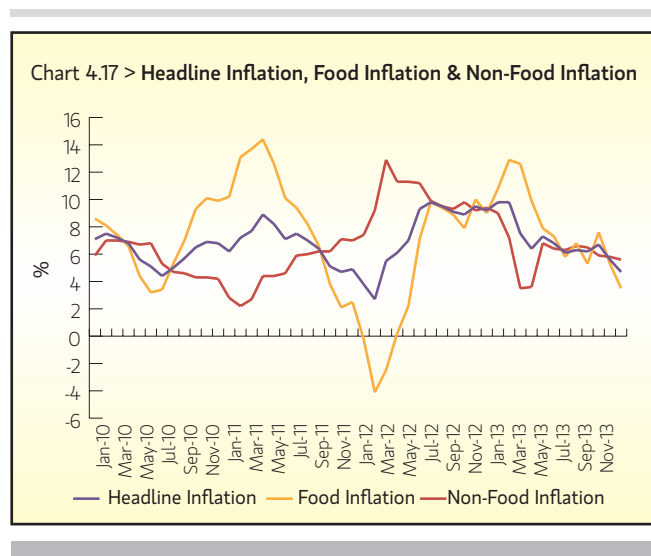
4.7 Inflation

The inflation continued to remain in single digit in 2013 also as reflected in the year on year head line inflation, which was 4.7 percent in December 2013 compared to 9.2 percent in December 2012 with

the improvements in domestic supply conditions of agricultural commodities, subdued commodity prices in the international market and prudent demand management policies adopted by the Central Bank². The supply disruptions caused by adverse weather conditions that

²The Colombo Consumer Price Index (CCPI) is the official measure of inflation in Sri Lanka. The CCPI was revised in June 2011 by the Department of Census and Statistics to capture the most recent expenditure and consumption trends. The new practice is to revise weights periodically based on more up-to-date information and most countries adopt a five year rebasing for the consumer price indices. Accordingly, the Index is now computed on weights based on the expenditure patterns of households in the urban areas of the Colombo district as revealed in the Household and Income and Expenditure Survey (HIES) 2006/2007 whereas the earlier series was based on the expenditure patterns of the same HIES in 2002.

prevailed in major cultivating areas, increase in gas and petroleum prices and the low base in 2012, resulted in the inflation reaching upper single digit levels during the first two months of 2013. However, prices declined gradually thereafter and the year-on-year inflation reached its lowest level of the year in December 2013 with the release of the seasonal harvest to the market thereafter.



The annual average head line inflation, as measured by the CCPI (2006/07=100), also followed the same trend and reached 6.9 percent in December 2013 compared to 7.6 percent in the previous year from a relative increase in the first few months of the year and subsequent deceleration from June onwards. Meanwhile, annual average core inflation, which represents the underlying long-term trend in inflation in the economy, decelerated continuously from June 2013. Year-on-year core inflation moved on a declining path from March 2013 and reached 2.1 per cent in December 2013, the lowest level recorded since its inception in 2007, indicating the effectiveness of demand management policies.

The food inflation in early months of 2013 rose mainly due to the increase in food prices as a result of the supply disruptions owing to

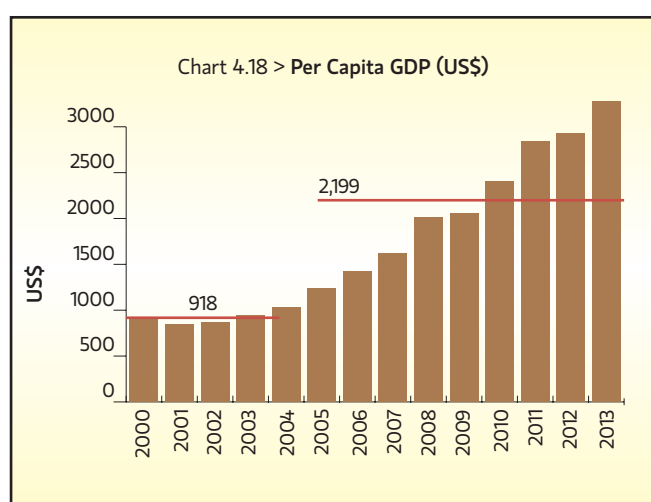
drought that prevailed in major cultivation areas causing crop damages. There was a downward trend in food inflation since April 2013. This was considerably supported by the improvement of the food supply in the domestic market by Divi-Neguma, the government initiative to develop a backyard economy to promote economic security of 2.5 million households by meeting their food requirements outside the market thereby reducing the price pressures in the market. Meanwhile, the annual average food inflation was higher in 2013 in comparison to the annual average food inflation in 2012 mainly due to the relatively high average prices of rice, vegetables, fruits, meat, coconuts and edible oils. Meanwhile, the annual average non food inflation decelerated to 6.1 per cent in 2013, compared to 10.0 percent in the previous year and became the major contributor towards the deceleration in inflation in 2013. It is observed that the impact of revisions of administrative prices of LP Gas and petroleum products on inflation was also less in 2013 than that in 2012 while the pressure due to the upward adjustment of electricity tariffs was also contained in 2013.

The core inflation, which measures the price movements excluding fresh food, energy, transport, rice and coconut in the CCPI basket, which captures underlying long-term trend of inflation, also moved on a declining path in 2013 to record the lowest figure since its inception in 2007. The year-on year core inflation has declined steadily, reaching its lowest of 2.1 percent in December 2013 compared to 7.6 percent recorded in December 2012. The annual average core inflation also continued to decline since mid-2013 and reached 4.4 per cent by December 2013. This favourable development is a reflection of the effectiveness of prudent demand management policies of the Central Bank which have been implemented successfully in containing price pressure emanating from the demand side complemented by the consolidation of the government fiscal operations.

The continuation of the production drive towards raising food production, removal of supply bottlenecks in the distribution of goods and services at a competitive environment and present cautious monetary and fiscal policy stances adopted by the Central Bank and the Government with a well-coordinated and interactive approach to maintain the macroeconomic stability to manage aggregate demand are essential to sustain the improvement in investment and to minimize the fluctuations in employment, production and prices for the economy to achieve non-inflationary, stable and relatively higher economic growth to reduce poverty with a complementary growth in gainful employment and improvement in the generation and distribution of income.

4.8 Per Capita Income

In 2013, the per capita income of the country increased to US\$ 3,280 from US\$ 2,923 in the previous year. The per capita GDP has more than doubled during the last 9 years in comparison to a period of 15 years that took to reach the US\$ 1,000 mark in 2004. It is a reflection of the faster phase of economic growth that the country has reached during this period.



4.9 Capital Market Developments

Colombo Stock Exchange (CSE) continuously maintained its upward trend witnessed from the mid of 2012 in 2013 as well. The downward trend in domestic interest rates, stable exchange rates and the favorable impact of the gradual recovery of the global economy on domestic macroeconomic performance were highly contributed to the performance of the stock market.

The All Share Price Index (ASPI) recorded a 4.8 percent increase in 2013, against the 8.5 percent and 7.1 percent decline recorded in 2011 and 2012 respectively, while the S&P SL 20 index, which was introduced on 27 June 2012 increased by 5.8 per cent in the respective year. Alongside the increase in the ASPI, price indices of several sectors such as Beverage Food and Tobacco, Power and Energy, Healthcare, Land and Property, Manufacturing, Bank Finance and Insurance and Construction Engineering also recorded gains for 2013. The Market Price Earnings ratio (PER) moved to 15.92 by end 2013 from 15.93 at the end of 2012. In primary market activities, amount raised through right issues by 9 companies and initial public offers by 2 companies amounted to Rs. 26 billion in 2013. Net Inflows from foreign investment amounted to Rs. 22.9 billion compared to Rs. 38.7 billion in the previous year, as a result of increased participation by foreign investors, including institutional investors.

In terms of the performance of turnover, activity levels at the CSE recorded a slight drop. Annual turnover recorded a 6.2 per cent drop to Rs. 200.4 billion in 2013, compared to the Rs. 213.8 billion in 2012. Average daily turnover decreased by 6.3 percent to 828 million in 2013 from 884 million in 2012. The value of shares traded and the average number of shares traded also declined by Rs. 13.3 billion and 637 million, respectively partly due to lower retail activity.

Several regulatory measures were taken to uphold the performance of CSE during the year. With a view of encouraging listings of companies, measures such as the introduction of a code of best practices in respect of related party transactions, changes to Directors' disclosure requirements, reinstating

introductions as a method for listing, were taken. Further, a mandatory public float was introduced with the intention of increasing liquidity and turnover in CSE along with an imposition of additional conditions to the general listing requirements while letting the Primary Dealers to become trading members of Capital Market.

Table 4.21 > **Movements in the Capital Market**

Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013
All Share Price Index (1985=100)	1,922	2,722	2,541	1,503	3,386	6,636	6,074	5,643	5,913
Milanka Price Index	2,451	3,712	3,292	1,631	3,849	7,061	5,229	-	-
S&P SL 20 Index*	-	-	-	-	-	-	-	3,085	3,264
Market Capitalization (Rs. Bn.)	584	835	821	489	1,092	2,210	2,214	2,168	2,460
No. of Listed Companies in Trading	242	232	231	235	232	242	272	287	289
Annual Average Turn Over (Rs.Bn.)	115	105	105	110	142	570	546	214	200
Foreign Sales (Rs. Mn.)	21,568	31,790	35,543	52,682	43,899	118,761	68,854	33,972	60,873
Foreign Purchases (Rs. Mn)	27,712	37,167	46,797	66,632	43,253	92,426	49,875	72,653	83,657

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

05

FISCAL DEVELOPMENTS

5.1 Overview

The budget deficit declined further in 2013 for the fourth consecutive year underpinning the strong efforts taken towards fiscal consolidation within the medium term fiscal management framework as explained in Annual Fiscal Management Report submitted to Parliament along with the National Budget. The deficit has been on a declining path from 9.9 percent of GDP in 2009, 8.0 percent in 2010, 6.9 percent in 2011, 6.5 percent in 2012, and to 5.9 percent in 2013. The gradual decline in the budget deficit was achieved by continued effort to align government expenditure in line with the government revenue. Accordingly, government revenue increased from Rs. 699.6 billion in 2009 to Rs. 1,137.4 billion in 2013 while government expenditure increased from Rs. 1,202 billion to Rs. 1,669.4 billion. Nominal growth of revenue on average was 11.8 percent since 2009 while that of government expenditure was 11.0 percent underscoring that both revenue and expenditure have increased below the nominal growth in GDP. While this is conducive for the reduction in fiscal imbalances, as reflected above, the government revenue growth was lagging behind the nominal growth in GDP, which underpins the fact that revenue is not buoyant enough to accommodate higher public investment beyond 5.5 percent of GDP. This demands further efforts to strengthen government revenue to reduce debt financing of public investment. Apart from the sustained reduction in the budget deficit, the performance of revenue and recurrent expenditure of the budget showed a further narrowed revenue deficit of Rs. 67.7 billion and a primary deficit of Rs. 72.1 billion in 2013. Both deficits were about 0.8 percent of GDP each.

The overall fiscal operations in 2013 continued to face several challenges. An imbalance was experienced in the early part of the year as a result of the revenue lags associated with erosion in the revenue from import based

taxes, continued transitional adjustments towards lower rates, combined with broader base tax policy regime and challenges in tax administration to concentrate on the rapidly expanding services sector. Expenditure leads were in the form of bunching of debt services and front loaded personal emoluments in the first four months of the year due to wage increase and salary adjustments for new year. However, it was settled down towards the second half of the year with the improvement in the revenue and further improvement in public expenditure management.

The revenue performance of the government, although indicated an improvement, lagged behind the targeted amount of Rs. 1,257.6 billion due to the decline in imports and the slowdown in the domestic economic activities, continuing from last year, in the first half of 2013 as well as the impact of granting tax exemptions and tax concessions for selected sectors to encourage production. The revenue collection, which declined during the first half of the year, turned around thereafter to record a positive growth towards the end of the year. The positive contribution from all main taxes, except Ports and Airports Development Levy (PAL) and Economic Service Charge (ESC), helped achieve 10.7 percent growth in the tax revenue in 2013, which is an encouraging development under the new tax regime introduced in 2011. The tax revenue as a percent of GDP accounted for 11.6 percent in 2013 in comparison to 12.0 percent recorded in 2012.

The revenue performance in 2013, particularly during the second half of the year, reflected a favourable consolidation of the impact of new tax reforms which are aimed at lower rates and broader base and has commenced to provide desired outcomes. The performance in the income tax is particularly encouraging and the VAT and NBT revenues are also picking up gradually with the broadening of their bases. The lower performance which is still seen in the

revenue from import based taxes highlights the need for taking a concerted effort to enhance the revenue from domestic taxes, particularly the taxation of services sector, given the future direction of international trade related taxes are likely to moderate due to lower import and corresponding increase in domestic economic activities.

Meanwhile, the relatively low market interest rates and measures taken to reduce the share of short term debt in the total domestic debt stock helped maintain interest cost of the government to increase only by 8.7 percent to Rs. 444 billion from Rs. 408 billion in 2012. However, the non interest recurrent expenditure as a percent of GDP contained at 8.8 percent in 2013 compared to 9.5 percent in 2012 benefiting from a further moderation of the expenditure on national security from 3.9 percent of GDP in 2009 to 2.4 percent in 2013 due to the peaceful environment prevailing in

the country and the decline in the expenditure on other goods and services to Rs. 119.4 billion (1.4 percent of GDP) from Rs. 140 billion (1.8 percent of GDP) in the previous year. This enabled to maintain recurrent expenditure at 13.9 percent of GDP in 2013 in comparison to 14.9 percent in the previous year. The revenue deficit of 0.8 percent of GDP in 2013 as against 1.0 percent in 2012 helped managing public investment at Rs. 481.2 billion (5.5 percent of GDP) compared to a target of 529.3 billion (6.1 percent of GDP) in Budget 2013 while adhering to the planned deficit for the year.

Continued efforts to rationalize the recurrent expenditure have provided a significant space in the government budget to accommodate the revenue shortfalls experienced in the recent past (See Box 5.1). This has significantly lowered the pressure on the fiscal operations, particularly in the aftermath of tax reforms since 2011.

The performance of revenue and recurrent expenditure of the budget showed a further narrowed revenue deficit of Rs. 67.7 billion and a primary deficit of Rs. 72.1 billion in 2013. Both deficits were about 0.8 percent of GDP each.

Box 5.1

Trends in Government Revenue and Recurrent Expenditure: 1977 - 2013

The decline in the government revenue to GDP ratio is a much discussed issue in countries in their early stage of transition towards service oriented economy. In Sri Lanka, although the tax to GDP ratio was around 20 percent of GDP in the late 1970s, the recurrent expenditure was also high at above 23 percent. The higher tax revenue to GDP ratio reported particularly in the late 1970s till mid 1990s was mainly due to the revenue obtained from the taxation on international trade, particularly from export taxation which was on average 5 percent of GDP in addition to about 4 percent of GDP from import duties.

Table B.5.1 > **Budget Deficit and Government Debt in Selected Countries (% of GDP)**

	2012	2013 Est.	2014 Proj.
Budget Deficit			
China	-2.2	-1.9	-2.0
India	-7.4	-7.3	-7.2
Japan	-8.7	-8.4	-7.2
Malaysia	-4.8	-4.6	-3.9
Pakistan	-8.4	-7.8	-5.3
Philippines	-0.7	-0.1	-0.8
Sri Lanka	-6.5	-5.9	-5.2
Thailand	-1.8	-0.2	-1.6
United Kingdom	-8.0	-5.8	-5.3
United States	-9.7	-7.3	-6.4
Government Debt			
China	26.1	22.8	20.2
India	66.6	66.7	65.3
Japan	237.3	237.9	243.5
Malaysia	54.3	55.5	54.8
Pakistan	63.8	63.1	63.7
Philippines	40.6	38.3	35.2
Sri Lanka	79.2	78.3	74.5
Thailand	45.4	44.3	46.6
United Kingdom	88.6	90.3	91.5
United States	102.4	106.5	105.7

Sources: World Bank, International Monetary Fund, Central Bank of Sri Lanka and Department of Fiscal Policy

Table B.5.2 > **Government Revenue in Selected Countries (% of GDP)**

Country	2012	2013 Est.	2014 Proj.
China	22.6	22.9	22.4
India	19.5	20.0	19.7
Japan	31.2	31.7	32.9
Malaysia	25.9	25.0	24.3
Pakistan	13.1	13.2	14.9
Philippines	18.2	18.6	18.9
Sri Lanka	13.9	13.1	14.8
Thailand	23.1	24.1	22.0
United Kingdom	36.8	37.7	37.1
United States	29.0	30.7	31.0

Source: International Monetary Fund and Department of Fiscal Policy

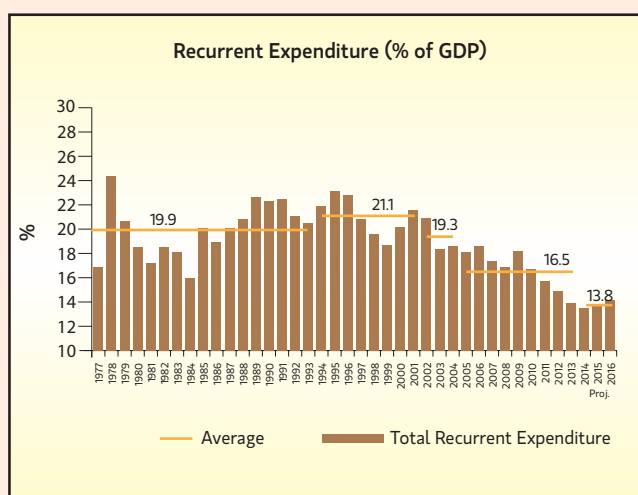
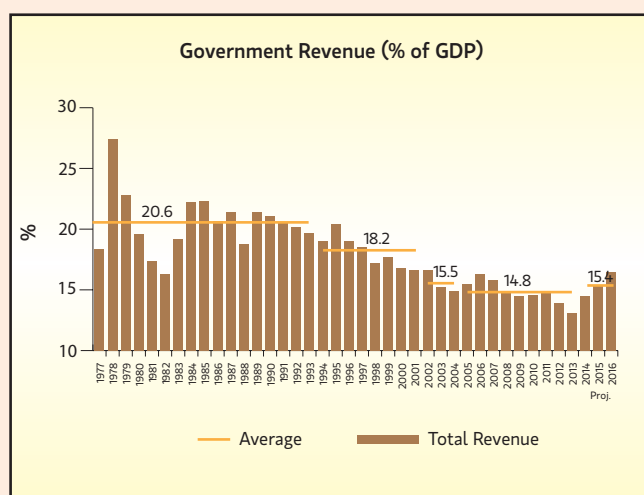
However, the transformation of the Sri Lankan economy from a primary commodity export structure to a more value added export structure resulted in a decline in the high revenue level of around 20 percent of GDP to around 15 percent at present. Consequently, the revenue from exports has declined from around 5 percent of GDP in 1978 to 0.3 percent of GDP in 2013 as exports are free of export taxes at the exporting country and were liable for tax only at the consuming country in terms of that country's tax system. At the same time, the revenue from import tariffs also has declined from 4.0 percent to around 1 percent as tariff and non-tariff barriers are to be kept at minimum levels thereby reducing the trade related tax to GDP ratio from nearly 10 percent in early 1980s to 1.9 percent by 2000 and further to around 1 percent at present.

Meanwhile, the average recurrent expenditure during the 2005-2013 period has reduced to around 16.5 percent of GDP from over 21 percent earlier. The average revenue deficit also has declined to 1.7 percent during this period and remains at around 1 percent at present in comparison to an average of around 4 percent before 2005, underscoring an overall improvement in the management of the revenue account of the budget in recent times. This has been possible as the decline in the level of recurrent expenditure has been much faster than the revenue while maintaining around 6 percent of GDP ratio of public investments annually.

Table B.5.3 > **Revenue Account Balance: 1977-2016**

Period	Average Revenue	Average Recurrent Expenditure	% of GDP
			Average Revenue Account Balance
1977-1993	20.6	19.9	0.7
1994-2001	18.2	21.1	-2.9
2002-2004	15.5	19.3	-3.8
2005-2013	14.8	16.5	-1.7
2014-2016 Proj.	15.4	13.8	1.6

Source: Department of Fiscal Policy



The task ahead would be to generate a positive savings balance which will facilitate to finance part of public investments and reduce the borrowing requirement, particularly by increasing the revenue and stabilising recurrent expenditure. Hence, the improvement of the revenue has been clearly recognized as a priority within the 2014-16 medium term fiscal framework. Accordingly, it is projected that average revenue to GDP ratio will be maintained at 15.4 percent while average recurrent expenditure to GDP ratio is maintained at 13.8 percent of GDP. In order to achieve this, the taxation policy and administrative environment has to ensure that revenue will commensurate with the nominal growth in GDP.

In this context, the reforms introduced in 2011 towards a simplified tax structure, with a broader base and lower rates, along with improvements in tax administration will be conducive to generate expected revenue in the medium term. With the gradual transformation of the economy towards a more service based one, the challenge would be to get the services sector into the tax system sufficiently. The recent changes introduced in respect of the taxation of services sector constitute an important step towards this direction.

A number of policy changes were introduced during the year to deal with various imbalances in the macroeconomic outlook. The key measures include the revision of petroleum and electricity prices to reduce large financial deficits in the Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB) associated with high international oil prices, revision of Special Commodity Levy (SCL) and the revision of Cess on several imported commodities to improve the domestic value added production sources. During the year, the excise duties on hard liquor and malt liquor as well as the excise duty on cigarettes were also increased to keep revenue buoyancy for these taxes. In addition, the stamp duty on any affidavit was reduced and commercial-hub regulations were introduced under the Finance Act – Commercial Hub Regulation No. 1 of 2013 to declare identified areas as free ports and bonded areas, dedicated for offshore business activities to strengthen exports from Sri Lanka.

Government Revenue

The government revenue reflected an improved performance in 2013 with a turnaround of its declining trend experienced until June 2013. The circumstances which led to a weak tax revenue collection as a result of the lagged effect of the policy package adopted by the government in early 2012 to ensure the macroeconomic stability while allowing greater flexibility in the exchange rate to contain domestic demand and curtail import of selected items from excessive levels through credit restriction to manage the widening trade deficit, waned with the acceleration in economic activities during the second half of the year, complemented by the impetus from the gradual recovery of the global economy. Consequently, the revenue from all major taxes recorded increases except that from Ports and Airports Development Levy (PAL) and Economic Service Charge (ESC).

Total revenue increased by 8.2 percent in 2013 to Rs. 1,137.4 billion in comparison to Rs. 1,051.5 billion recorded in 2012. Total revenue which reflected a declining trend in the first half of the year

increased in the second half of the year. The overall revenue performance was a combined effect of 10.7 percent increase in tax revenue to Rs. 1,005.9 billion and a 7.7 percent decline in the non-tax revenue to Rs. 131.6 billion over that of 2012. As a percentage of GDP, total revenue accounted for 13.1 percent in 2013, reflecting a shortfall in comparison to the budgetary target of 14.7 percent in the wake of depressed import demand and the slowdown in domestic economic activities in the first half of 2013.

There was a buoyant growth of 19.2 percent in the revenue from income taxes in 2013. This reflected the consolidation of the impact of 2011 tax reforms introduced with the view to lowering tax rates and broadening the tax base. Tax revenue from wage income (PAYE) increased by 25.7 percent due to higher wage income and employment liable to such taxes, collection of such tax at source as final tax and improved compliance from employers despite the lower rate structure and higher threshold inbuilt in the tax system introduced in 2011. Tax on interest, imposed at source as the final tax, also recorded a higher growth in of 30.7 percent in 2013. Higher turnover and issuance of longer term government securities and growth the deposit base in the banking and financial system were mainly attributable for this increase. Tax on corporate and non-corporate income and profit also reflected an encouraging performance with an increase of 23.1 percent due to a buoyant performance of banking and financial institutions, insurance, import and export trade, tobacco and food beverages, manufacturing, tourism and services despite the impact of continued slowdown in credit growth during the year. What is unique is the high growth in income based tax revenue than consumption based indirect taxes, which is vital to raise the share of income tax in the overall tax revenue. Meanwhile, the revenue from ESC declined by 55.6 percent mainly due to the impact of increase of ESC threshold to Rs. 50 million per quarter to provide relief to SMEs, removing the ESC liability on the turnover of any business of which the profits are subject to income tax and the moratorium on the extension of tax holiday.

Table 5.1 > **Government Tax Revenue - By Source**

Source	2012	2013	Rs. Mn.
			2013/2012 Change (%)
Income Tax	172,593	205,666	19.2
Corporate & Non Corporate	83,360	102,578	23.1
PAYE	14,764	18,558	25.7
ESC	14,864	6,596	(55.6)
Tax on interest	59,606	77,934	30.7
Domestic Consumption Based Taxes	249,432	276,540	10.9
VAT - Domestic	109,370	124,206	13.6
NBT - Domestic	23,076	25,243	9.4
Tax on Liquor	60,086	66,008	9.9
Tax on Cigarettes/Tobacco	53,563	58,567	9.3
Other (Excise)	3,336	2,516	(24.6)
Import Based Taxes	459,541	493,526	7.4
Import Duties	80,155	83,123	3.7
VAT - Import	120,234	126,317	5.1
NBT - Import	15,660	15,694	0.2
PAL	70,111	61,987	(11.6)
SCL	33,666	46,705	38.7
Cess Levy	32,741	36,091	10.2
Petroleum - Excise	28,466	27,131	(4.7)
Motor Vehicles - Excise	78,509	96,478	22.9
Licence and Other	27,348	30,163	10.3
Telecommunications Levy	22,290	24,445	9.7
Other	5,058	5,718	13.0
Total Tax Revenue	908,913	1,005,895	10.7

Source: Department of Fiscal Policy

The revenue from indirect taxes on domestic economic activities also showed an improvement in line with the improved economic performance towards the second half of the year. Reflecting the systemic improvement under the single rate VAT at 12 percent as against the dual rate structure of 12 and 20 percent prevailed prior to 2011, tax revenue from VAT on domestic economic activities increased by 13.6 percent in 2013. Similarly, Nation Building Tax (NBT) on domestic activities also increased by 9.4

percent. The volume decline in cigarettes and liquor affected the revenue from these commodities despite the increase in tax values on these commodities.

The revenue performance on the taxes imposed at the point of imports continued to suffer due to decline in imports. Consequently, the revenue from VAT on imports increased only by 5.1 percent and revenue from NBT on imports increased marginally. Nevertheless, there was a 22.9 percent increase in the revenue from Excise (Special Provisions) Tax, primarily imposed on motor vehicles, consequent to the 17.6 percent increase in the value of motor vehicle imports. In addition, reflecting the higher tax rates imposed in support of maintaining a stable remunerative domestic producer margins in agriculture commodities, Special Commodity Levy (SCL) collected at the point of imports showed 38.7 percent increase in 2013. The revenue from Cess increased by 10.2 percent to Rs. 36.1 billion due to the increase in the import of lubricants, fats, oils, Portland cement, glazed ceramic tiles, printed or coloured woven fabric and iron or non-alloy steel while recording 1.2 percent increase in the export Cess revenue due to the imposition of high Cess on exports in raw forms in order to encourage domestic value creation in export industry. However, as a result of the decline in import value of home appliances, textiles, chemical products, wheat and maize and continued exemption of several items with the view of supporting exports, the revenue from Ports and Airports Development Levy (PAL) declined by 11.6 percent.

Total non tax revenue decreased by 7.7 percent to Rs. 131.6 billion in 2013 in comparison to 2012 mainly due to the decrease in profits transferred by the Central Bank of Sri Lanka and the lower than expected profits and dividends transferred by State Banks and other State Owned Business Enterprises (SOBES).

Table 5.2 > **Government Revenue**

Rs. Mn

Item	2002	2007	2008	2009	2010	2011	2012	2013
Tax Revenue	221,839	508,947	585,621	618,932	724,748	845,697	908,913	1,005,895
Income Tax	37,437	107,169	126,541	139,558	135,624	157,310	172,593	205,666
Value Added Tax	66,692	187,452	203,646	171,510	219,990	225,858	229,604	250,523
Nation Building Tax	-	-	-	27,205	46,022	35,667	38,736	40,937
Excise Tax	52,114	96,675	100,971	97,604	129,864	204,821	223,960	250,700
Import Duties	28,345	56,017	63,842	79,560	64,165	79,811	80,155	83,123
Ports & Airports Development Levy	3,497	26,700	31,017	36,286	49,632	66,028	70,111	61,987
Special Commodity Levy	-	-	14,603	18,965	10,173	15,622	33,666	46,705
Other	33,754	34,934	45,001	48,244	69,278	60,580	60,088	66,255
Non Tax Revenue	40,050	56,104	69,639	80,712	92,532	122,165	142,547	131,552
Interest / Rent	13,852	10,951	11,355	10,468	10,065	13,426	11,686	11,995
Profit and Dividends	3,055	7,682	7,365	11,982	31,301	34,351	46,761	35,169
Sales and Charges	4,477	18,437	32,260	25,387	22,925	37,292	26,019	40,720
Social Security Contributions	2,930	8,777	9,791	11,165	11,120	12,628	11,738	15,145
Central Bank Profit Transfers	10,000	4,000	8,000	20,000	15,000	22,000	43,000	26,350
Other	5,736	6,257	868	1,710	2,122	2,468	3,343	2,173
Total Revenue	261,889	565,051	655,259	699,644	817,279	967,861	1,051,460	1,137,447
As a % of GDP								
Tax Revenue	14.0	14.2	13.3	12.8	12.9	12.9	12.0	11.6
Income Tax	2.4	3.0	2.9	2.9	2.4	2.4	2.3	2.4
Value Added Tax	4.2	5.2	4.6	3.5	3.9	3.5	3.0	2.9
Nation Building Tax	-	-	-	0.6	0.8	0.5	0.5	0.5
Excise Tax	3.3	2.7	2.3	2.0	2.3	3.1	3.0	2.9
Import Duties	1.8	1.6	1.4	1.6	1.1	1.2	1.1	1.0
Ports & Airports Development Levy	0.2	0.7	0.7	0.8	0.9	1.0	0.9	0.7
Special Commodity Levy	-	-	0.3	0.4	0.2	0.2	0.4	0.5
Other	2.1	1.0	1.0	1.0	1.2	0.9	0.8	0.8
Non Tax Revenue	2.5	1.6	1.6	1.7	1.7	1.9	1.9	1.5
Interest / Rent	0.9	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Profit and Dividends	0.2	0.2	0.2	0.2	0.6	0.5	0.6	0.4
Sales and Charges	0.3	0.5	0.7	0.5	0.4	0.6	0.3	0.5
Social Security Contributions	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Central Bank Profit Transfers	0.6	0.1	0.2	0.4	0.3	0.3	0.6	0.3
Other	0.4	0.2	..	..	..	..	..	..
Total Revenue	16.6	15.8	14.9	14.5	14.6	14.8	13.9	13.1

Source: Department of Treasury Operations, Department of State Accounts and Department of Fiscal Policy.

Recurrent Expenditure

The current expenditure increased by 6.6 percent to Rs. 1,205 billion in 2013 in comparison to Rs. 1,131 billion in 2012. Interest expenditure amounted to Rs. 444 billion accounting for 37 percent of total recurrent expenditure compared to Rs. 408 billion in 2012. However, as a percentage of GDP, it declined to 5.1 percent from 5.4 percent in the previous year. The increase in the interest payments was driven by the 8 percent increase in the domestic interest payments and the foreign interest payment increased by 11.2 percent. Interest expenditure of which Rs. 343 billion was on account of domestic interest accounted for a third of recurrent expenditure.

Non interest recurrent expenditure was Rs. 761 billion in comparison to Rs. 723 billion in 2012 only an increase of 5.3` percent and accounted to 8.8 percent of GDP. The salary bill increased by 13.1 percent to Rs. 393 billion from 348 billion mainly due to the wage increases and further filling of vacancies in the public service. As a result of the increase in allowances paid to retired pensioners by Rs. 500 per month and the full impact of around 16,794 new retirees in 2012 and the partial impact of about 22,111 new retirees in 2013, the pension bill of the government increased by 10.4 percent to Rs. 123 billion in 2013.

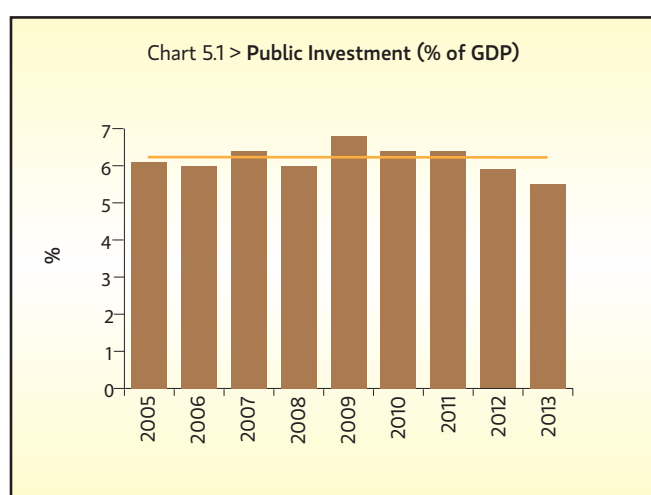
Meanwhile, the expenditure on key social welfare programs amounted to Rs. 52.3 billion in 2013, of which Rs. 16.2 billion was for payments to disabled soldiers, Rs. 15.3 billion for Samurdhi cash grants, Rs. 7.7 billion for providing free school uniforms, text books

and nutrition programmes and Rs. 13.1 billion for assistance to needy people and other welfare programmes. Meanwhile, the transfers to public institutions amounted to Rs. 39.4 billion mainly to cover the payments due to increase in personal emoluments while transfers to Sri Lanka Railways, Department of Posts and Sri Lanka Transport Board amounted to Rs. 13.9 billion to cover their operational losses. Consequently, the current expenditure as a percentage of GDP declined to 13.9 percent in 2013 in comparison to 14.9 percent in the previous year as its growth was lower than the growth in nominal GDP reflecting the government's efforts in rationalization of expenditure to strengthen fiscal consolidation process.

The expenditure on key social welfare programs amounted to Rs. 52.3 billion in 2013, of which Rs. 16.2 billion was for payments to disabled soldiers, Rs. 15.3 billion for Samurdhi cash grants, Rs. 7.7 billion for providing free school uniforms, text books and nutrition programmes and Rs. 13.1 billion for assistance to needy people and other welfare programmes.

Public Investment

With the view of facilitating the country's economic transition towards resource-driven growth in the economy, the government proactively involved in improving economic and social infrastructure. Accordingly, the government spent Rs. 481 billion on public investment in 2013 in comparison to Rs. 444 billion in 2012. This accounted for 5.5 percent of GDP compared to 5.9 percent in the previous year and was achieved in keeping with the commitment of maintaining annual public investment at around 6.0 percent of GDP.



The average public investment during the period from 2005 to 2013 was 6.2 percent of GDP. The steady progress achieved in expansion in the capacity of power generation, seaports and airports, expressways, highways, railways, national irrigation system, water supply and sanitation, schools, vocational training institutions, universities, hospitals and service delivery facilities continued in 2013. The sustained expenditure on public investment has enabled to enhance the country's capacity, thereby helping to be in an advantageous position in the future in achieving higher economic growth. As a result of the continuous public investment expenditure, the country's

power generation capacity improved from 2,231 MW in 2002 to 3,371 MW in 2013, capacity of seaports increased from 4.3 million TEU in 2002 to 6.9 million TEU in 2013, passenger capacity of international airports increased from 3 million in 2002 to 7 million in 2013 along with the expansion of domestic airports, road density increased from 1.68 km per square kilo meter in 2002 to 1.76 km per square kilo meter in 2013 and water production capacity increased from 350 million cubic meters in 2005 to 547 million cubic meters in 2013. This public investment has also helped increase the access of the people to electricity to 96 percent, safe drinking water to 88.7 percent and greater access to transport, education and health facilities. The primary net enrolment ratio of the general education sector has grown to 98.4 percent (2012) from 97.2 percent in 2002. Public health facilities have also improved recording increases in the number of hospital beds (per 1,000 persons) to 3.6 from 3.1 in 2004, and nurses (per 10,000 persons) to 15.1 from 8.9 and declined in persons per doctor to 1,167 from 2,224 in 2004. These infrastructure development projects were conducive for the reduction of poverty to 6.7 percent in 2013 from 22.7 percent in 2002.

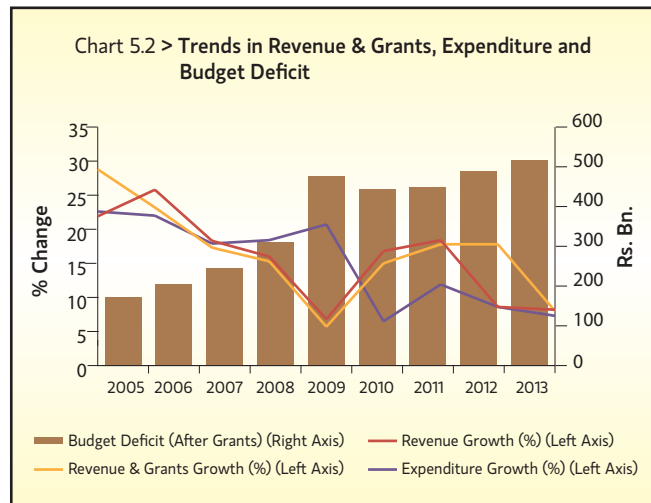
The commencement of the operations of the Mattala Rajapaksa International Airport, Colombo South Harbour Development Project and Colombo - Katunayake Expressway were the important landmarks in the public investment programme in 2013. In addition, the Godagama - Pinnaduwa section of the Southern Expressway Project and the Kottawa - Kaduwela section of the Colombo Outer Circular Highway were declared opened in March 2014. The phase II of the mega infrastructure development projects of the Mahinda Rajapaksa Port in Hambanthota, Norochcholai Coal Power Plant, Northern Railway Project, Colombo South Harbour Project and Colombo Outer Circular Road Project were in progress. A number of urban development projects were also progressed in selected major cities to develop them as growth

centers with urban housing, water, sanitation, markets and leisure facilities.

As a part of the regional/rural development initiatives of the government to improve the living standards of the people in these areas and reduction of economic disparity among regions, the development of access roads, electricity distribution network, community water supply and minor irrigation systems, market places in rural areas continued. This rural centric development strategy helped the achievement of sustained reduction in poverty to 6.5 percent, multidimensional poverty to 1.8 percent¹ and unemployment to 4.4 percent in 2013. The work related to the rehabilitation and the rebuilding of the infrastructure in the conflict affected areas progressed as a priority to ensure that the people in these provinces are provided with necessary infrastructure effectively to engage in productive economic activity. The economic growth of 25 percent recorded by these areas in 2012 in comparison to national average of 15.8 percent in 2012 and 14.5 percent in 2013 was also supported by the clearance of over 95 percent of mined lands in the conflict affected areas and the resettlement of all internally displaced persons of nearly 300,000 in post 2009.

Key Fiscal Balances and Deficit Financing

In 2013, the revenue deficit, the gap between the total revenue and the total current expenditure, was Rs. 67.7 billion in comparison to Rs. 79.6 billion in 2012. As a percentage of GDP, the revenue deficit declined to 0.8 percent from 1.0 percent in the previous year. This was attributed to the containment of the recurrent expenditure in line with the revenue shortfall. The deficit in the revenue account, foreign grants of Rs. 15.9 billion and the capital expenditure and net lendings of Rs 464.2 billion resulted in an overall budget deficit of Rs. 516 billion in 2013 as against Rs. 489 billion in 2012. Nevertheless, the budget deficit as a percentage of GDP declined to 5.9 percent from 6.5 percent in 2012 continuing the gradual



reduction for the fourth consecutive year from a much higher deficit of 9.9 percent recorded in 2009.

In financing the budget deficit, Rs. 448 billion (86.8 percent of the total financing or 5.2 percent of GDP) was obtained as net borrowings from domestic sources. Net domestic financing included investments by non-residents in government securities of Rs. 55.8 billion in 2013 compared to Rs. 106 billion in 2012. Foreign sources contributed to the balance Rs. 68 billion (13.2 percent of the total financing or 0.8 percent of GDP) of the total net financing.

Of the total net domestic financing, the net borrowings from the banking system increased to Rs. 297 billion from Rs. 131.5 billion in 2012. Net bank financing in 2013 accounted for 66.3 percent of the total net domestic financing in comparison to 42.7 percent recorded in the previous year. This increase entirely came from the net new borrowings of Rs. 461.8 billion from commercial banks as there was a repayment to the Central Bank amounting to Rs. 164.8 billion by way of reduction in Treasury bills held by the Central Bank and the provisional advances from the Central Bank. The increase

¹Poverty and multidimensional poverty indexes for 2012 are as per the Household Income and Expenditure preliminary survey 2012/2013 conducted by the Department of Census and Statistics.

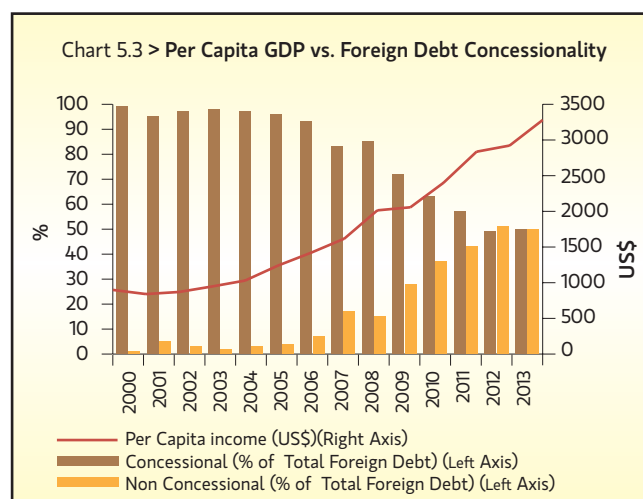
in borrowings from commercial banks was mainly due to an increase in Treasury bills and bonds held by commercial banks. As a percentage of GDP, net bank financing increased to 3.4 percent in 2013 from 1.7 percent in 2012.

Total net borrowings from non-bank sector increased to Rs. 95.4 billion compared to Rs. 71 billion in 2012. As a percentage of the total domestic financing, it accounted for 21.3 percent in 2013, compared to 23 percent in the previous year. Employees' Provident Fund (EPF), National Savings Bank (NSB) and Employees' Trust Fund (ETF) were the main contributors to the non-bank financing in 2013 as in the previous years. Net non-bank financing as a percentage of GDP increased to 1.0 percent in 2013 from 0.9 percent in 2012. Despite the increased borrowings from the domestic sources, the interest rates on government securities remained broadly stable as a result of the high excess liquidity prevailed in the domestic money market. When making domestic borrowings, the government increasingly relied on medium to long term marketable debt instruments such as Treasury bonds and also commenced the issuance of 30 year Treasury bonds in 2013.

On a gross basis, total foreign loan proceeds in 2013 amounted to Rs. 179.3 billion which were the disbursements related to project loans received for public investment activities. As the repayments of foreign loans were Rs. 111.4 billion, total foreign financing on a net basis amounted to Rs. 67.9 billion or 0.8 percent of GDP in 2013.

Government Debt

The government debt at the end of 2013 amounted to Rs. 6,793.2 billion. This consisted of Rs. 3,832.8 billion of domestic debt and Rs. 2,960.4 billion of foreign debt. As a percentage of GDP, total debt in 2013 accounted for 78.3 percent in comparison to 79.2 percent recorded in 2012. The reduction of debt from 105.6 percent of GDP in 2002 to 78.3 percent in 2013, a decline of 27.6 percentage points, was a reflection of the containment of the budget deficit from 9.9 percent in 2009 to 5.9 percent of GDP in 2013 and relatively high average GDP growth rate of 6.7 percent. Meanwhile, there was a decline in the foreign debt in rupee terms by Rs. 25.5 billion in 2013 due to the variations in exchange rates while the domestic debt was affected by the increase in the discount factor (the net difference in the book value and the face value of issues and maturities of Treasury bills and Treasury bonds), mainly due to increased issuance of longer tenure government securities to reduce rollover risk.



Total domestic debt in 2013 amounted to 56.4 percent of the total debt. Reflecting the more reliance on domestic financing in 2013, the domestic debt to GDP ratio increased to 44.2 percent from 42.7 percent recorded in 2012. Of the total domestic debt, Rs. 2,923 billion or about 76.3 percent was with the maturity periods from medium to long term in comparison to 74.8 percent recorded in the previous year. The balance Rs. 909 billion or 23.7 percent was with a short term maturity periods, a decline from 25.2 percent recorded in 2012.

Total foreign debt in 2013 accounted to 43.6 percent of the total debt. The foreign debt to GDP ratio declined to 34.1 percent from 36.5 percent in 2012 mainly due to the lower reliance on foreign debt in 2013. The government foreign debt on concessional terms and conditions accounted for 50 percent of total foreign debt. Hence, the non-concessional and market debt amounted to the balance 50 percent in the total foreign debt by end 2013 mainly due to the higher foreign investment in government securities by foreign investors and the borrowings made in the previous years from international sovereign bonds. The increased borrowings from non-concessional and market sources to finance the budget deficit is consistent with the borrowing pattern of a middle income country with the gradual decline in the access to concessional foreign financing amidst rising per capita income. However, the increasing reliance on non-concessional foreign borrowings emphasises the necessity of strengthening the country's debt servicing capacity by enhancing revenue and increasing earnings from export of goods and services for which fiscal policy need to create further space.

Medium Term Direction

The government remains committed to ensure that the deficit reduction path seen in the post conflict period is continued to reach further progress by bringing the deficit down below 5 percent of GDP in the medium term to facilitate

the objective of sustaining economic growth of around 8 percent with lower inflation of around 5 percent. In achieving this target, the policies in the medium term fiscal policy framework, within which the government formulates its fiscal strategy, are being constantly refined to address immediate challenges underpin by the downside risks of high deficit in national budget and the Balance of Payments as well as rise in debt and slowdown in economic growth. Under this strategy, the government envisages to reduce the budget deficit to 5.2 percent of GDP in 2014 and to 3.8 percent by 2016, which would be the lowest in the country's post-independence history, together with the reduction in the debt to GDP ratio below 65 percent by 2016. This has already been announced in the 2014 Budget and accompanied report under the Fiscal Management (Responsibility) Act (FMRA) No. 3 of 2003.

The main thrust of the medium term fiscal strategy will be on the enhancement of the revenue to strengthen the fiscal consolidation process. In line with this, the revenue to GDP ratio is expected to be increased to 16.5 percent of GDP by 2016. The improvement in the revenue is envisaged through the expansion in the taxable avenues over the medium term, benefiting from prevailing low tax regime, infrastructure development and high priority investments in SMEs, constructions, tourism, value added industries in both export and import substitution sectors.

A progressive improvement in tax to GDP ratio is expected in the medium term in an environment where the use of tax concessions has been addressed by explicitly incorporating them in the income tax laws, the Strategic Development Project Law has been introduced to govern large investments, and the Tax Appeals Commission and Committee on Interpretation of Tax Laws have been institutionalized. Further expanding of the tax base, including the consolidation of retail level VAT introduced in 2013, while reducing tax

exemptions, reducing the demand from private sector for new tax concessions, strengthening tax administration and sustaining economic growth around 8 percent will be among the priorities in the medium term in order to reduce the dis-savings of the government and keep the budget deficit below 5 percent of GDP while protecting public investments at around 6 percent of GDP.

The government has also embarked on administrative reforms to manage a middle income country tax system with greater self-compliance, strict enforcement of laws and efficiency gain in tax administration through the information technology based Revenue Administration Management Information System (RAMIS), which is being established at the Inland Revenue Department (IRD). Human resource development is also being undertaken by providing subject specific knowledge and change management through distinguished institutions, including the National University of Singapore and other training programmes.

On the expenditure front, priority will be on the stabilisation of the recurrent expenditure at 14 percent of GDP while maintaining public investment at around 6 percent of GDP. In line with this, cash flow management and commitment controls on the budgetary provisions are being improved while paying attention to the promotion of quality of the expenditure primarily aiming at the reduction in the underlying revenue deficit in the medium term, which has already been reduced from 3.7 percent in 2009 to 0.8 percent in 2013. The relatively low expenditure on national security and expenditure relating to the internally displaced persons (IDP) will also help the continuation of moderation in recurrent expenditure. An Integrated Treasury Management Information System (ITMIS) is being established to improve Treasury operations, project planning and preparations for public investment, effective use of

funding, and productivity focused expenditure management. Introduction of new and streamlined financial regulations, strengthening budget preparation, and improving the medium-term budget framework are also a part of the ongoing public financial management reform agenda of the government.

The profitability and the return on investments of key State Owned Business Enterprises (SOBES) are expected to be improved through the cost reflective price adjustments as well as financial and business management reform initiatives while benefitting from the relatively modest movements in international oil prices and exchange rates. In particular, large SOBES, that are involved in the field of port operations, aviation, water supply, electricity, petroleum, banking and insurance, accounting for about 95 percent of the asset base of state enterprises, are expected to be strong revenue sources after the completion of the ongoing capital infusion process and capacity creation. All of these would help phase out the deficit in the revenue account of the government budget. This coupled with the anticipated reduction in the budget deficit and the borrowings of the government will create conducive environment to improve the overall liquidity in the economy and expand private sector lending to support their economic activities while helping reduce inflation and interest rates. It will facilitate the achievement of around 8 percent economic growth in the medium term by promoting savings and investments thereby creating employment opportunities to enhance income earning capacity and keep unemployment below 4 percent. The achievement of such a growth path is also necessary to maintain buoyant government revenue in the medium term. The lower level of budget deficits which are to be achieved over the 2014-16 medium term macro fiscal framework will be conducive to provide greater freedom to the Central Bank to conduct its monetary policy towards maintaining a mid-single digit inflation and stability in exchange rate and interest rates.

Table 5.3 > **Summary of Government Fiscal Operations**

	Rs. Bn								
	2002	2007	2008	2009	2010	2011	2012	2013	2014
	Budget								
Total Revenue and Grants	269.0	595.6	686.4	725.6	834.1	983.0	1,067.5	1,153.3	1,469.5
Total Revenue	261.9	565.1	655.2	699.7	817.2	967.9	1,051.5	1,137.4	1,437.5
Tax	221.8	509.0	585.6	619.0	724.7	845.7	908.9	1,005.9	1,274.6
Income Tax	37.4	107.2	126.5	139.6	135.6	157.3	172.6	205.7	283.3
Taxes on Goods and Services	98.9	328.6	356.2	352.0	435.4	497.3	519.7	572.3	688.6
Taxes on External Trade	85.5	73.2	102.9	127.4	153.7	191.1	216.7	227.9	302.7
Non Tax Revenue	40.1	56.1	69.6	80.7	92.5	122.2	142.6	131.6	162.9
Grants	7.1	30.5	31.2	25.9	16.9	15.1	16.1	15.9	32.0
Total Expenditure & Net Lending	403.0	841.7	996.2	1,201.9	1,280.2	1,433.1	1,556.5	1,669.4	1,985.6
Recurrent	330.9	622.8	743.7	879.6	937.1	1,024.9	1,131.0	1,205.2	1,328.3
Personnel Emoluments	88.8	214.2	239.1	271.2	300.6	319.6	347.7	393.2	410.6
Interest	116.5	182.7	212.5	309.7	352.6	356.7	408.5	444.0	441.0
Subsidies and Transfers	74.4	147.4	170.9	190.2	196.2	216.6	234.7	248.5	284.8
Other Goods and Services	51.1	78.5	121.2	108.5	87.7	132.0	140.1	119.4	191.9
Capital Expenditure and Net Lending	72.1	218.9	252.5	322.3	343.1	408.3	425.5	464.2	657.3
Public Investment	72.2	229.3	263.9	330.4	356.5	422.3	443.9	481.2	668.5
Other	(0.1)	(10.4)	(11.4)	(8.1)	(13.4)	(14.0)	(18.5)	(17.0)	(11.1)
Revenue Surplus(+)/Deficit(-)	(69.0)	(57.7)	(88.5)	(179.9)	(119.9)	(57.0)	(79.5)	(67.7)	109.2
Primary Surplus(+)/Deficit(-)	(17.5)	(63.3)	(97.1)	(166.7)	(93.3)	(93.5)	(80.5)	(72.1)	(75.1)
Budget Surplus(+)/Deficit(-)	(134.0)	(246.0)	(309.6)	(476.4)	(445.9)	(450.2)	(489.0)	(516.1)	(516.1)
Total Net Financing	134.0	246.0	309.6	476.4	445.9	450.2	489.0	516.1	516.1
Net Foreign Financing	2.0	63.8	12.9	83.9	194.9	193.9	180.8	67.9	235.5
Gross Foreign Borrowing	39.0	127.9	67.7	194.1	270.0	282.3	357.8	179.3	331.5
Repayments	37.1	64.1	54.8	110.3	75.1	88.4	177.0	111.4	96.0
Net Domestic Financing	126.4	182.3	296.7	392.5	251.1	256.3	308.2	448.2	280.6
Non Bank Financing	131.2	129.4	119.1	196.5	204.1	39.4	71.0	95.4	129.3
Foreign Investment in T Bills and Bonds	-	37.1	(17.6)	149.6	48.8	25.1	105.7	55.8	51.4
Bank Borrowings	(4.8)	15.8	195.2	49.0	(1.9)	191.9	131.5	297.0	100.0
Privatization Proceeds	5.7	-	-	-	-	-	-	-	-
As a % of GDP									
Revenue and Grants	17.0	16.6	15.6	15.0	14.9	15.0	14.1	13.3	14.8
Total Revenue	16.6	15.8	14.9	14.5	14.6	14.8	13.9	13.1	14.5
Tax Revenue	14.0	14.2	13.3	12.8	12.9	12.9	12.0	11.6	12.9
Non Tax Revenue	2.5	1.6	1.6	1.7	1.7	1.9	1.9	1.5	1.6
Grants	0.4	0.9	0.7	0.5	0.3	0.2	0.2	0.2	0.3
Total Expenditure & Net Lending	24.6	23.5	22.6	24.9	22.8	21.9	20.5	19.2	20.0
Recurrent Expenditure	20.2	17.4	16.9	18.2	16.7	15.7	14.9	13.9	13.4
Public Investment	4.4	6.4	6.0	6.8	6.4	6.5	5.9	5.5	6.7
Revenue Surplus(+)/Deficit(-)	(4.4)	(1.6)	(2.0)	(3.7)	(2.1)	(0.9)	(1.0)	(0.8)	1.1
Primary Surplus(+)/Deficit(-)	(1.1)	(1.8)	(2.2)	(3.5)	(1.7)	(1.4)	(1.1)	(0.8)	(0.8)
Budget Surplus(+)/Deficit(-)	(8.2)	(6.9)	(7.0)	(9.9)	(8.0)	(6.9)	(6.5)	(5.9)	(5.2)
Total Net Financing	8.2	6.9	7.0	9.9	8.0	6.9	6.5	5.9	5.2
Net Foreign Financing	0.1	1.8	0.3	1.7	3.5	3.0	2.4	0.8	2.4
Net Domestic Financing	8.1	5.1	6.7	8.2	4.5	3.9	4.1	5.1	2.8

Sources: Department of Treasury Operations, Department of State Accounts and Department of Fiscal Policy

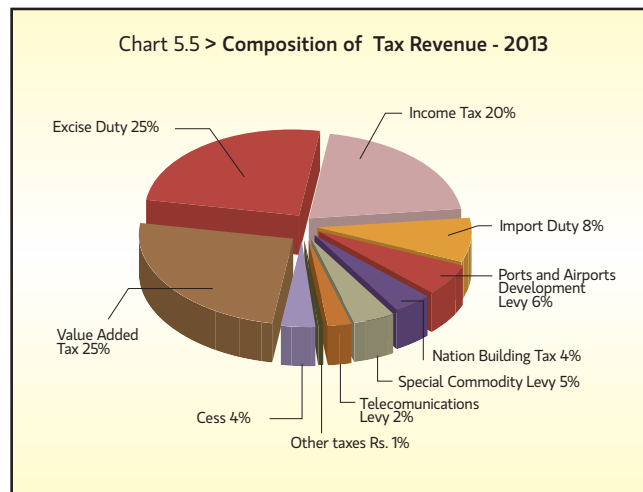
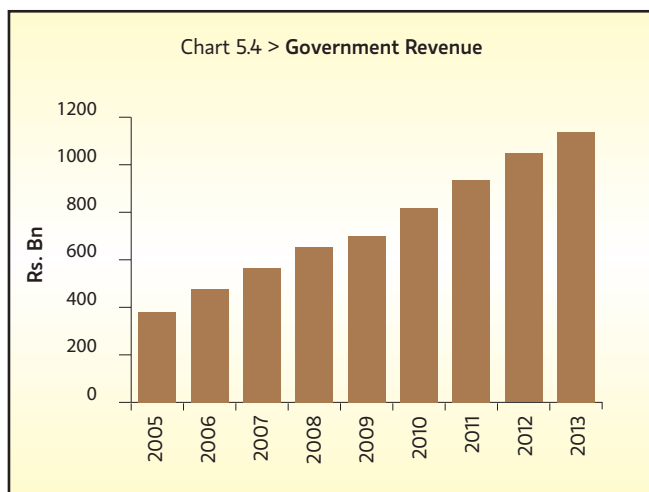
5.2 Government Revenue

Total revenue of the government in 2013 increased by 8.2 percent to Rs. 1,137.4 billion in comparison to Rs. 1,051.5 billion generated in 2012. This was achieved with the 10.7 percent increase of tax revenue to Rs. 1,005.9 billion as the non-tax revenue declined by 7.7 percent to Rs. 131.6 billion. Total revenue in 2013 fell short of the target of Rs. 1,257.6 billion envisaged in Budget 2013.

5.2.1 Tax Revenue

Total tax revenue in 2013 increased by 10.7 percent to Rs. 1,005.9 billion compared to Rs. 908.9 billion in 2012 and amounted to 88.4 percent of the total government revenue. The performance in the tax revenue in 2013 was a combined outcome of the enhanced performance in the tax revenue with the

improved domestic economic activity during the second half of the year supported by the strengthened global economic conditions, the negative impact on the import related tax revenue from the overall decline in imports and the granting of exemptions and concessions for selected sectors to encourage production and domestic value addition. A noteworthy improvement was shown in the revenue from corporate and non corporate income tax (23.1 percent) and pay as you earn (PAYE) tax (25.7 percent). Also, the 10.9 percent growth in the domestic consumption based taxes and the 7.4 percent growth in import based taxes, despite the drop in imports and the decline in the revenue from ESC and PAL, signifies the fact that the revenue buoyancy is being gradually establishing in the economy compared to the lackluster performance experienced in the first half of 2013.

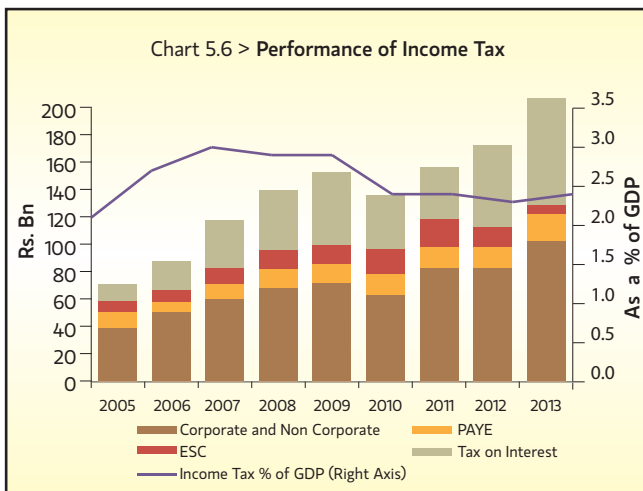


Income Tax

The revenue from income tax by way of corporate and non corporate income tax, PAYE tax, Economic Service Charge (ESC) and tax on interest amounted to Rs. 205.7 billion in 2013, reflecting a buoyant growth of 19.2 percent in comparison to Rs. 172.6 billion in the previous year. This was achieved with the lower personal as well as corporate income tax rates other than on liquor and tobacco industries and the broadened base supported by improved performance in the domestic economic activities.

The corporate and non corporate income tax revenue increased by 23.1 percent to Rs. 103 billion benefitting from the improved performance in commercial banking, finance and insurance, food and beverages, import and export trade, manufacturing, construction, telecommunication and tourism sectors as well as the gradual completion of tax holiday period by many companies thereby negating the negative impact of slowdown in private sector credit growth and business of motor vehicles and financial leasing activities.

The revenue from the tax on wage income, which is the PAYE tax, increased by 25.7 percent to Rs. 19 billion in 2013 due to the higher wage income and employment liable to such taxes, improved compliance by employers as well as the collection of this tax at the source as the final tax despite the lower rate structure and higher threshold inbuilt in the new income tax system introduced in 2011. Meanwhile, the revenue from tax on interest increased by 30.7 percent to Rs. 77.9 billion as a result of the growth in deposit base in the banking and financial system and higher collection of withholding tax from the issuance of longer term government securities.



The main thrust of the medium term fiscal strategy will be on the enhancement of the revenue to strengthen the fiscal consolidation process. In line with this, the revenue to GDP ratio is expected to be increased to 16.5 percent of GDP by 2016. The improvement in the revenue is envisaged through the expansion in the taxable avenues over the medium term, benefiting from prevailing low tax regime, infrastructure development and high priority investments in SMEs, constructions, tourism, value added industries in both export and import substitution sectors.

Box 5.2 Income Tax Regime

Description	Tax Rate (%)
Individuals	
Up to Rs.500,000 (Tax Free Allowance)	Exempted
On the Balance (Taxable Income)	
First Rs.500,000 (of the taxable income)	4.0
Second Rs.500,000	8.0
Third Rs.500,000	12.0
Fourth Rs.500,000	16.0
Fifth Rs.1,000,000	20.0
Balance	24.0
Pay-As-You-Earn (PAYE) Tax is not applicable on employment income upto Rs. 600,000	
The maximum rate of income tax applicable on employment income of professionals	16.0
For employes who works under more than one employer	
If payment does not exceed Rs. 25,000.00 per month	10.0
If payment exceed Rs. 25,000.00 per month	16.0
Employees of public sector works under more than one employer	
If payment does not exceed Rs. 50,000.00 per month	10.0
If payment exceed Rs. 50,000.00 per month	16.0
Terminal Benefits from Employment (Retiring Gratuity etc.)	
Period of service or contribution is not less than 20 years-First Rs. 5 Mn	Exempted
Period of service or contribution is less than 20 years - First Rs. 2 Mn	Exempted
On the next Rs. 1,000,000.00	5.0
On the balance	10.0
Compensation under VRS uniformly applicable- up to Rs. 2 Mn	Exempted
Compensation under Labour Commissioner approved scheme- up to Rs. 2 Mn	Exempted
Non-uniform compansation for loss of employment- Maximum rate	16.0
Corporate Income Tax	
Standard Rate	28.0
Concessionary Rate	
Agriculture	
Exports with 65 percent value addition	
Operation of storage facilities	
Development of software	
Supply of Labour	
Educational services	10.0
Clubs and associations	
Remittance tax	
Any unit trust, mutual fund and unit trust management	
Poultry	
Dividend income	
Small companies (taxable income not exceeding Rs. 5 million)	
Manufacture of any article or provision of any service with the turnover not exceeding Rs. 500 million per annum	
Non-traditional exports*	
Animal produce	
Livestock	
Manufacture of animal feed	12.0
Tourism	
Construction	
Healthcare services	
Manufacture of handloom products	
Venture capital companies	
Petroleum exploration	
Other	
Lottery, Betting or Business of Liquor, Tobacco and Gaming	40.0
Partnerships tax on divisible profits	8.0
Employees' Trust Fund and Provident or Pension Funds	10.0
Charitable Institutions	10.0
Cooperative Societies	Exempted
Non-Governmental Organizations (3% of the fund received is deemed to be profit)	28.0

*Exports, including deemed exports, other than black tea in bulk (more than 1 kilogram in a package) not being organic tea in bulk, crape rubber, sheet rubber, scrap rubber, latex or fresh coconuts

However, the revenue from ESC declined significantly by 55.6 percent to Rs. 6.6 billion in 2013 in comparison to Rs. 14.9 billion in 2012 mainly due to exemptions introduced for businesses which are subject to income tax and the increase in the tax free threshold to Rs. 50 million per quarter from Rs. 25 million with effect from 01 April 2012.

Value Added Tax

In 2013, the total revenue collected from VAT increased by 9.1 percent to Rs. 250.5 billion on net basis, in comparison to the Rs. 229.6 billion in 2012 accounting for 25 percent of total tax revenue. This growth was mainly supported by the 13.6 percent growth in the domestic VAT revenue to Rs. 124.2 billion while the 5.1 percent growth recorded in the VAT revenue from imports also helped achieve this performance.

The enhanced domestic demand as well as the increase in industrial exports by 5.1 percent in 2013 in comparison to a 7.8 percent decline in the previous year due to improved demand from major export destinations had a positive impact on domestic factory industries. Hence, food, beverages and tobacco production and textile, wearing apparel and leather products, which form the major part of factory industry base, grew by 7.5 percent and 8.9 percent in 2013, respectively in comparison to 5.1 percent and 4.9 percent growth in 2012. Growth in hotels and restaurants services by 22.3 percent and construction activities by 14.4 percent also contributed positively to the growth in domestic VAT revenue. Further, the domestic trading activities also grew by 6.9 percent compared to 6.8 percent in 2012 and had a positive impact on improving the growth in the revenue from domestic VAT. The VAT on banking sector and other financial activities also showed a significant improvement. The imposition of VAT on wholesale and retail trade with a quarterly turnover more than Rs. 500 million also helped the increase in the domestic VAT revenue.

The impact of the policy measures introduced in early 2012 to contain the domestic demand and widening trade deficit had a partial impact on the VAT liable import base in 2013, particularly in the first half of the year as reflected by the decline in the value of motor vehicle imports and other VAT liable imports during that period. The year as a whole, vehicle imports increased by 17.6 percent to US\$ 582.4 million as a bulk of this was imported under concessionary duty. However, there was a contraction of home appliances by 12.0 percent to US\$ 192.2 million, textiles by 9.7 percent to US\$ 2,045.8 million and diamond and precious metals by 17.8 percent to US\$ 482.9 million, which had a negative impact on the growth in the VAT revenue from imports. The import of investment goods also decreased by 7.3 percent, due to the 32.7 percent drop in transport equipment and 5.7 percent decline in machinery and equipment. However, the impact from such imports for VAT revenue generation was marginal since most of the machinery and equipment and many of the transport equipment are exempted from the VAT to reduce upfront cost as well as to minimize refunds. VAT exemptions are granted administratively for the import of such goods for the use of infrastructure development projects with the view of reducing transaction costs of such projects. Such administrative exemptions, which amounted to Rs. 26.8 billion in 2013 in comparison to Rs. 20.8 billion in 2012, helped to neutralize the impact on cash management of government's infrastructure development projects. These are reflected in the economic classification as revenue and expenditure to reflect true revenue and expenditure and there is no net impact on the budget balance.

The Simplified Value Added Tax (SVAT) scheme, which was introduced in 2011 with the view of improving VAT revenue on a net basis while avoiding possible loopholes for undue cash refunds as well as to facilitate the exporters and the implementation of Strategic Development

Table 5.4 > **Value Added Tax Revenue**

Rs. Mn

Item	2002	2007	2008	2009	2010	2011	2012	2013
Domestic	34,322	95,738	112,616	105,486	129,046	111,245	112,214	124,424
Imports	41,541	101,813	100,831	73,997	99,669	120,961	120,539	126,538
Gross Revenue	75,863	197,551	213,447	179,483	228,715	232,206	232,753	250,962
Refunds	9,171	9,957	9,801	7,973	8,724	6,348	3,149	439
Net Revenue	66,692	187,594	203,646	171,510	219,991	225,858	229,604	250,523
Net Revenue as a % of GDP	4.2	5.2	4.6	3.5	3.9	3.5	3.0	2.9

Source: Department of Fiscal Policy

Projects as well as other large infrastructure development projects (Specified Projects) by reducing their upfront cost on purchasing goods and services for the use of such activities, continued in 2013². The introduction of this scheme has resulted in a decline in VAT cash refunds by 86 percent to Rs. 439 million in 2013 from Rs. 3.1 billion in 2012.

Excise Duty

Total revenue generated from excise duties was Rs. 250.7 billion in 2013, an increase of 11.9 percent in comparison to Rs. 223.9 billion in 2012 which accounted for 24.9 percent of the total tax revenue in 2013. The major sources of excise revenue, i.e., liquor, cigarettes and motor vehicles contributed positively to the revenue during the year in comparison to 2012 although the duty collection from motor vehicle and liquor was undermined largely by undervaluation while the revenue from petroleum products declined by 4.7 percent in comparison to 26.7 growth recorded in 2012 mainly due to the decline in sale of diesel. The revenue from excise duty includes the non-cash revenue of Rs. 41 billion in 2013 in

comparison to Rs. 32 billion in 2012, which is attributed to the concessionary duty on import of motor vehicles to public servants, a non-salary benefit for them to encourage effective public sector service delivery.

The excise duty revenue from liquor increased by 9.9 percent to Rs. 66 billion in 2013 in comparison to Rs. 60 billion in 2012 despite the 11.0 percent decline in the production of hard liquor, mainly due to 11.6 percent drop in the production of Arrack to 39.9 million proof liters, which had a negative impact on the revenue growth from this source. The full impact of the upward revision of excise duty rates in March and October 2012 and the significant growth in tourism related activities mainly contributed to the increase of revenue from the liquor. The 21 percent increase in the production of malt liquor to 120.2 million liters in 2013 from 99.3 million liters in 2012 also contributed for this increase. Meanwhile, there was a 26.5 percent significant growth in the revenue from wine to Rs. 4.3 million in 2013 from Rs. 3.4 million in the previous year.

² Under the SVAT Scheme, both the beneficiaries and the suppliers are required to register and the eligible registered persons are provided with the credit vouchers to be used in the payment of VAT in lieu of cash payments on the purchase of goods and services from the suppliers registered under this scheme. The exporters or zero rated service providers, manufacturers who supply domestically manufactured goods to such exporters, registered persons engaged in Strategic Development Projects and Specified Projects, service providers to exporters or persons who supply more than 50 percent of their products and services to SVAT registered persons are eligible for registration under this scheme.

Table 5.5 > **Excise Duty Revenue**

	Rs. Mn							
Item	2002	2007	2008	2009	2010	2011	2012	2013
Liquor	10,235	23,723	27,434	28,525	36,654	55,286	60,085	66,008
Cigarettes/Tobacco	20,579	31,437	37,288	37,601	40,675	49,623	53,528	58,567
Motor Vehicle	4,261	17,415	11,067	3,192	21,199	71,646	78,509	96,478
Petroleum Products	16,708	19,124	18,977	23,018	28,038	22,470	28,466	27,130
Other	332	4,976	6,205	5,268	3,298	5,798	3,336	2,516
Total	52,114	96,675	100,970	97,604	129,864	204,821	223,924	250,700

Source: Department of Fiscal Policy

In 2013, although the total number of vehicles imported declined by 17.3 percent to 309,310 from 374,175 in 2012, the value of motor vehicles imported increased by 17.6 percent to US\$ 582.2 million thereby helping to increase the excise duty revenue from this source to Rs. 96.4 billion in comparison to Rs. 78.5 billion in 2012. The number of motor cars imported increased by 2.9 percent in 2013. There was a

shift within the diesel category from motor vehicles with engine capacity of less than 2500 cc to more than 2500 cc vehicles while the petrol vehicles also showed a shift to less than 1500 cc and 3000 cc vehicles from less than 1000 cc motor vehicles which has resulted in a considerable increase in the total value of motor vehicle imports in 2013.

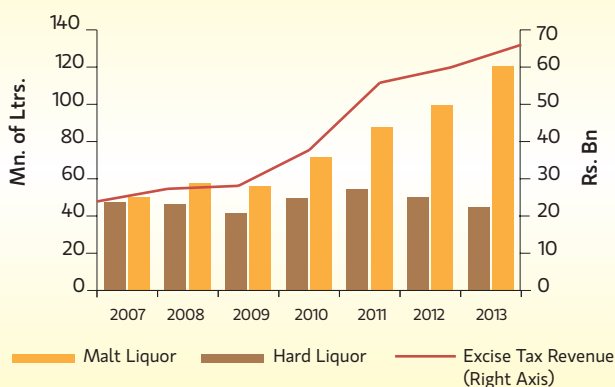
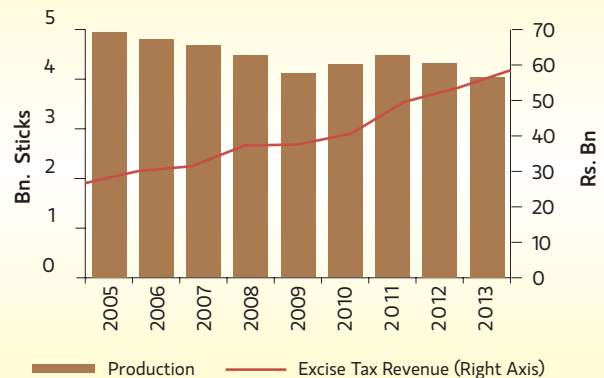
Chart 5.7 > **Liquor: Production & Excise Tax Revenue**Chart 5.8 > **Cigarette: Production and Excise Tax Revenue**

Table 5.6 > **Production and Excise Tax Collection from Liquor and Cigarettes**

Year	Quantity Produced						Excise Tax Revenue			
	Hard Liquor (Liter Mn)	% Change	Malt Liquor (Liter Mn)	% Change	Cigarettes (Mn. Sticks)	% Change	Liquor (Rs. Bn)	% Change	Cigarettes (Rs. Bn)	% Change
2002	28.4	5.5	42.8	6.0	4,711	7.1	8.8	4.5	20.5	5.6
2006	44.7	16.1	46.9	-8.9	4,791	(3.1)	20.7	27.0	30.1	12.1
2007	46.8	4.7	49.5	5.5	4,670	(2.5)	23.9	15.4	31.4	4.5
2008	45.8	(2.1)	57.4	16.0	4,467	(4.4)	27.3	14.2	37.3	18.6
2009	41.1	(10.3)	55.5	(3.3)	4,101	(8.2)	28.1	3.1	37.6	0.8
2010	49.4	20.2	71.4	28.6	4,286	(4.5)	37.7	34.3	40.6	8.1
2011	53.8	8.9	87.5	22.5	4,469	4.3	55.8	47.8	49.6	22.0
2012	49.7	(7.6)	99.3	13.5	4,320	(3.3)	59.9	7.3	53.9	7.9
2013	44.2	(11.0)	120.2	21.0	4,035	(6.6)	66.0	9.9	58.5	9.3

Sources: Department of Fiscal Policy, Department of Sri Lanka Customs and Department of Excise

Total revenue generated from excise duty on cigarettes and tobacco was Rs. 58.5 billion in 2013 with an increase of 9.3 percent in comparison to Rs. 53.9 billion in 2012 despite the decline in the sale of cigarettes by 6.6 percent to 4,035 million sticks in 2013, which had a negative impact on the revenue generation from this source. The upward revision of excise duty on cigarettes and tobacco in July 2013 mainly resulted in this revenue growth.

There is a decline in the consumption of cigarettes, tobacco and liquor due to the government policy on discouraging cigarettes, tobacco and liquor consumption, strict enforcement of the related legislations, such as

National Alcohol and Tobacco Act, implementation of awareness programmes and higher taxes. However, it has negatively affected the revenue from excise duty on these items. This situation highlights the need for alternative revenue sources in the medium term to replace the revenue from these products.

The revenue from excise duty on petroleum products declined by 4.7 percent to Rs. 27.1 billion in 2013 in comparison to Rs. 28.5 billion recorded in 2012 as a combined outcome of the decline in the import value of refined products due to decline in domestic sale of diesel by 16.3 percent to 1,755,000 MT and increase in sale of petrol by 2.9 percent to 788,000 MT in 2013 compared to 2012.

Table 5.7 > **Motor Vehicle Imports**

Item	No. of Motor Vehicles				% Change		
	2010	2011	2012	2013	2011	2012	2013
Motor Bicycles	221,832	252,036	186,372	159,769	13.6	(26.1)	(14.3)
Three-Wheelers	92,207	137,389	93,284	80,585	49.0	(32.1)	(13.6)
Tractors	18,617	26,870	18,967	14,178	44.3	(29.4)	(25.2)
Transport Vehicles	20,655	55,786	45,560	25,654	170.1	(18.3)	(43.7)
Passenger Van and Buses	2,766	3,836	3,245	1,627	38.7	(15.4)	(49.9)
Motor Cars	26,745	56,370	26,312	27,088	110.8	(53.3)	2.9
Other	277	769	435	409	177.6	(43.4)	(6.0)
Total	383,099	533,056	374,175	309,310	39.1	(29.8)	(17.3)

Source: Department of Sri Lanka Customs

Import Duty

In 2013, the total revenue generated from import duty increased by 3.7 percent to Rs. 83.1 billion in comparison to Rs. 80.2 billion recorded in 2012 and accounted for 8.3 percent of total tax revenue. The slower growth in the revenue from import duty in 2013 was mainly attributable to the overall decline in the imports by 6.2 percent to US\$ 18,003 million. The 32.7 percent decline in transport equipment to US\$ 667.8 million, 17.8 percent drop in diamonds, precious stones and metals to US\$ 482.9 million and 11.2 percent drop in wheat and maize to US\$ 323.2 million mainly had an adverse impact on the revenue from import duties. Further, the duty free items, consisting of pharmaceuticals, fertilizer, textiles etc. as well as duty free imports under investment agreements caused the decline in revenue from import duty. Meanwhile, the existence of a significant amount of imports with duty free or normal duty status due to the Free Trade Agreements (FTAs) that have been entered into by Sri Lanka with India, Pakistan, the South Asian Region and the Asia Pacific Region in order to strengthen liberal trade and integration with the region has led those imports to come either duty free or at lower duty rates. The import value in respect of the goods imported under FTAs entered into by Sri Lanka amounted to Rs. 65.9 billion in 2013 in comparison to Rs. 64.8 billion in 2012. However, the reduction of the duty waiver on milk powder imports to promote the local dairy production and the increase of import duty on beer and alcohol spirits, cigarettes and tobacco products contributed positively to the revenue from import duty in 2013.

Special Commodity Levy

The Special Commodity Levy (SCL) is levied under the Special Commodity Levy Act No. 48 of 2007 on commodities with seasonal variation of supplies with the view of promoting domestic production by providing necessary protection for domestic producers during harvesting seasons while adjusting the levy periodically during the off seasons to stabilize consumer prices and promote consumer protection for a specific period mentioned in the relevant Gazette notifications. Through this levy, the small time importers who are predominantly engaged in the importation of dry foods are provided with a simple, convenient and efficient to handle tax system with a single composite levy for their imports in lieu of different indirect taxes levied at the point of customs. The number of essential commodities subjected to SCL expanded to 36 by the end of 2013 from 31 commodities by the end of 2012.

The domestic production of number of items, including sugar, potatoes, chilies and green gram, increased in volume terms in 2013 in comparison to 2012 with the adjustment of SCL to promote domestic production. It also resulted in a decline in the import of several items including sugar, green gram and peas. In addition, there was a reduction in the cost on import of sugar by 16.2 percent to US\$ 289 million, chick peas by 19.9 percent to US\$ 20.5 million, Maldives fish by 12 percent to US\$ 6.6 million and other dried fish by 16.3 percent to US\$ 25.1 million in 2013 in comparison to 2012.

Table : 5.8 > **Domestic Production and Import Performance of Selected Agricultural Commodities subjected to Special Commodity Levy : 2012 & 2013**

Item	Domestic Production (MT '000)			Imports (MT'000)			SCL Revenue (Rs. Mn)	
	2012	2013	% Change	2012	2013	% Change	2012	2013
Big onion	83.6	69.6	-16.7	145.9	168.9	15.8	3,916	2,637
Red onion	74.0	55.6	-24.9	7.0	15.4	120.0	166	204
Black gram	10.2	9.4	-7.8	3.2	4.2	31.3	329	449
Cowpea	14.8	15.4	4.1	0.7	1.1	57.1	68	108
Chillies	15.4	18.0	16.9	40.7	44.0	8.1	938	1101
Potatoes	72.2	78.8	9.1	110.8	124.7	12.5	2,674	2,364
Green gram	12.0	14.1	17.5	7.9	7.1	-10.1	644	705
Kurakkan	6.0	6.9	15.0	3.6	12.0	233.3	191	115
Sugar	36.7	53.0	44.4	559.0	539.0	-3.6	8,252	11,630

Sources: Department of Customs, Ministry of Agriculture, Department of Census and Statistics and Department of Fiscal Policy

In 2013, the revenue generated from SCL increased by 38.7 percent to Rs. 46.7 billion in comparison to Rs. 33.7 billion in 2012 and accounted for 4.6 percent of the total tax revenue. This was mainly supported by the increase in SCL rates on sugar in August 2013. Crude palm oil, sugar and lentils were the key revenue items under the SCL system in 2013 while the revenue from big onions, potatoes and fish declined.

The domestic production of number of items, including sugar, potatoes, chilies and green gram, increased in volume terms in 2013 in comparison to 2012 with the adjustment of SCL to promote domestic production.

Table 5.9 > **Special Commodity Levy Rates**

Item	Rate (Rs. Per kg)	
	End 2012	End 2013
Spratts	10	26
Potatoes	15	10
Red Onions	15	5
B Onions	15	10
Garlic	40	40
Green Gram	100	102
Lentils - Whole	18	18
Split	22	22
Chilies - Not Crushed	25	25
Crushed	150	150
Canned Fish	100	102
Sugar	20	30
Watana - Whole	20	22
Split	25	25
Chick Peas - Whole	10	12
Split	15	15
Black Gram	110	110
Cowpea	100	100
Millet	100	100
Maldive Fish and Subsittutes There for	275	302
Other-Dried Fish	75	102
Orange-Fresh	60	65
Mandarins-Fresh	50	-
Grapes - Fresh	130	130
Apples - Fresh	45	45
Seeds of Coriander - Neither Crushed nor Ground	45	46
Seeds of Coriander - Crushed or Ground	200	202
Seeds of Cumin	160	162
Seeds of Fennel	50	52
Turmeric - Neither crushed Nor Ground	200	202
Turmeric - Other	500	510
Mathe - Seed	50	50
Kurakkan (Eleusine Coracana Spp.)	100	100
Kurakkan (Eleusine Coracana Spp.) Powder	150	150
Black Gram Flour	200	300
Ground Nut - Shelled	110	112
Mustard Seeds	60	62
Palm Oil Crude	80	90
Palm Oil Refined	110	110
Fish	10% of the CIF value or Rs. 10 per Kg, whichever is higher	10% of the CIF value or Rs. 10 per kg., whichever is higher
Yoghurt	-	625
Butter	-	880
Margarine (Fat 80% or more)	-	175
Margarine - Other	-	275
Salt	-	40

Source: Department of Trade and Investment Policy

Nation Building Tax

Nation Building Tax (NBT) generated total revenue of Rs. 40.9 billion in 2013, an increase by 5.7 percent in comparison to Rs. 38.7 billion in 2012. The revenue from NBT on domestic activities increased by 9.4 percent while NBT on imports increased marginally over the previous year in contrast to the contraction of 5.8 percent in 2012. The improvement in activities related to manufacturing sector including food, beverages, metal product and services sector including hotels, restaurants and commercial banking activities amidst challenging conditions and the boost in the tourism related activities under the peaceful environment prevailing in the country were the major factors attributable to the growth in the revenue from NBT on domestic activities despite the negative impact of the increase in the NBT threshold of all the businesses carried out by any person or partnership to Rs. 3 million per quarter or Rs. 12 million per year to facilitate the small and medium enterprises (SMEs).

However, the overall decline in the imports by 6.2 percent to US\$ 18,003 million and the provision of certain exemptions resulted in a marginal growth in the revenue from NBT on imports to Rs. 15.7 billion in 2013 over the previous year. Out of the total revenue from NBT, a one third or Rs. 20.5 billion was transferred to Provincial Councils (PCs) under the revenue sharing mechanism with the government, which was introduced in 2011.

Table 5.10 > **Transfer of NBT Revenue to Provincial Councils - 2013**

Provincial Council	Revenue (Rs. Mn)	% of the Total
Western Province	9,825	48
Central Province	1,842	9
Southern Province	1,842	9
North Western Province	1,842	9
Sabaragamuwa Province	1,023	5
North Central Province	1,023	5
Uva Province	1,023	5
Eastern Province	1,023	5
Northern Province	1,023	5
Total	20,466	100

Source: Department of Fiscal Policy

Ports and Airports Development Levy (PAL)

The Ports & Airports Development Levy (PAL) generated total revenue of Rs. 61.9 billion in 2013 reflecting a decline of 11.6 percent in comparison to Rs. 70.1 billion recorded in the previous year. It accounted for 6.2 percent of the total tax revenue in 2013. The decline in overall imports, was the major reason for this decline although a fewer number of exemptions and the well-defined base of this source of revenue. The slower growth in the revenue from PAL was mainly due to the decline in the revenue from kerosene type jet fuels, fertilizers, and iron and steel in 2013. The lower rate of 2 percent for raw materials used for pharmaceuticals and certain machinery, including machinery for textile and fabric industries was continued in addition to the standard rate of 5 percent applied for general goods.

Telecommunications Levy

The revenue collected from Telecommunications Levy which was introduced as a single composite levy in lieu of different indirect taxes charge in this industry, under the Telecommunication Levy Act No. 11 of 2011 increased by 9.7 percent to Rs. 24.4 billion in 2013 compared to Rs. 22.3 billion in 2012. The VAT exemption given on importation of machinery and high-tech equipment used in the industry resulted in an enhancement of the investment in the telecommunication sector. The consequent expansion of the services, including in the Northern and Eastern provinces, and high demand for data transmission (IT and BPO industry) service from business enterprises mainly supported this improved performance.

Cess

The total cess revenue increased by 10.2 percent to Rs. 36 billion and accounted for 3.3 percent of total revenue in 2013, in comparison to Rs. 32.7 billion in 2012. The revenue from cess on imports increased by 11.5 percent to Rs. 33 billion in 2013. The increase in cess on import of Lubricants, Fats, Oils and Other Portland Cement in 2013 mainly contributed for this improvement. Import of Portland cement, glazed ceramic tiles, printed

Table 5.11 > **Cess Revenue from International Trade and Government Subsidy for Agriculture Sector Development : 2011-2013**

	Cess Revenue				Government Subsidy Cost		
	2011	2012	2013		2011	2012	2013
Cess Exports	2,785	3,140	3087	Commercial Crop Development			
Tea-Under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	690	737	758	Tea	171	182	295
Rubber-Under Rubber Replanting Subsidy Act	58	30	53	Rubber	485	435	623
Coconut-Under Coconut Development Act	119	119	101	Coconut	293	353	580
EDB Cess- Under Sri Lanka Export Development Act	1,918	2,254	2175	Cashew	29	27	65
				Minor Export Crops (Cinnamon, Cocoa, Coffee, Pepper)	220	184	361
Cess on imports- Under Sri Lanka Export Development Act	26,876	29,600	33,004	Fertilizer Subsidy for Total Agriculture Sector Development	29,802	36,456	19,706*
Total	29,662	32,740	36,091	Total	30,999	37,637	21,630

Sources: Department of Sri Lanka Customs and Department of National Budget

* Fertilizer Subsidies on Agriculture Sector Expenditure

or coloured woven fabric and iron or non-alloy steel were the main sources for import cess revenue in 2013. However, the cess revenue from exports declined by 1.6 percent to Rs. 3.0 billion in 2013, despite the upward revision of cess on export of cinnamon, cloves and natural minerals since end of 2012, mainly reflecting the reduced demand. In order to protect the local industry, cess was imposed on salt, bakery products, confectioneries, vinegar, and dairy products in Budget 2013. Meanwhile, in Budget 2013, cess on export was introduced a number of primary or raw forms of minor export crops and minerals in order to discourage low value added exports and move into a domestic value creation in export industry.

5.2.2 Non Tax Revenue

Total non-tax revenue in 2013 amounted to Rs. 131.6 billion in comparison to Rs. 142.5 billion recorded in 2012 and contributed to 11.6 percent of the total revenue. The revenue from fees and charges increased by 56.5 percent to Rs. 40.7 billion in 2013 and that from interest/rent also increased by 2.6 percent. However, the decline in the profit transfers from the Central Bank by 38.7 percent and profit and dividends by state banks and SOBEs by 24.8 percent in comparison to 2012 had a negative impact on the non-tax revenue in 2013. The limited capacity to adjust output prices to reflect market conditions considering potential social and economic implications, inadequate separation of business and social development goals, inadequate corporate freedom in management and consequentially very low return on investment have resulted in the non-contribution by the loss making SOBEs into the government revenue.

Table 5.12 > **Non Tax Revenue**

Rs Mn

Item	2002	2007	2008	2009	2010	2011	2012	2013	2013/2012 (% change)	2013 (% of Total Non Tax Revenue)
Interest/Rent	13,852	10,951	11,355	10,468	10,065	13,426	11,686	11,995	2.6	9.1
Profits and Dividends	3,055	7,682	7,365	11,982	31,301	34,351	46,761	35,169	(24.8)	26.7
Sales and Charges	4,477	18,437	32,260	25,387	22,925	37,292	26,019	40,720	56.5	31.0
Social Security Contribution	2,930	8,777	9,791	11,165	11,120	12,628	11,738	15,145	29.0	11.5
Central Bank Profit Transfers	10,000	4,000	8,000	20,000	15,000	22,000	43,000	26,350	(38.7)	20.0
Other	5,736	6,257	868	1,710	2,122	2,468	3,343	2,173	(35.0)	1.7
Total	40,050	56,104	69,639	80,712	92,533	122,165	142,547	131,552	(7.7)	100.0

Sources: Department of Treasury Operations, Department of State Accounts and Department of Fiscal Policy

Table 5.13 > **Variance Analysis of Government Revenue – 2013 (Rs. Mn)**

Item	2012	2013 Estimate	2013 Prov.	Reason
Income Tax	172,593	221,984	205,666	There was a notable increase in revenue from Pay-As-You-Earn (PAYE) tax due to high wages, enhanced employment in high earning categories, improved compliance and expanded base with the inclusion of public sector employees. As a result of growing private sector activities, corporate income tax also increased. Issuance of Treasury Bonds and Treasury Bills, in high volumes resulted in a tax on interest indicating a positive growth. However, the decline in the revenue from ESC mainly contributed to lower than expected revenue from income tax.
VAT	229,604	283,342	250,523	Imposition of VAT on wholesale and retail trade and better performance in certain sectors such as hotels, restaurants and catering services and manufacturing sector coupled with the decline in VAT cash refunds with the introduction of SVAT system helped to increase the VAT revenue from domestic activities. However, decline in imports due to policy measures taken in early 2012 to address the BOP issues including higher excise tax, credit restrictions and exchange rate depreciation and the resulted decline in imports affected negatively on the growth in VAT on imports.
Excise Tax	223,960	247,256	250,700	The upward revision of excise duty on liquor, cigarettes & tobacco products and higher value of motor vehicle imports helped improved revenue from the source. However, the decline in the excise duty from petroleum products and other sources had a negative impact.
Import Duty	80,155	97,353	83,123	Decline in the import of dutiable goods had a negative impact on the revenue from this source. However, the reduction of the duty waiver on milk powder imports to promote the local dairy production and the increase of import duty on beer and alcohol spirits, cigarettes and tobacco products contributed positively to the revenue from import duty.
Ports and Airports Development Levy (PAL)	70,111	93,053	61,987	Decline in the overall imports mainly resulted in a drop in the revenue from PAL.
Nation Building Tax (NBT)	38,736	61,743	40,937	The improvement of activities related to manufacturing sector including food, beverages, metal product and services including hotels, restaurants and commercial banking activities and the boost in tourism industry of the country were the major factors attributable the growth in NBT revenue from domestic sources with compared to 2012 despite the negative impact due to the increase of NBT threshold of all the businesses. However, the overall decline in the imports and the provision of certain exemptions resulted in a drop in NBT revenue from imports thereby lowering the total revenue compared to the estimate.

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Item	2012	2013 Estimate	2013 Prov.	Reason
Other Taxes	93,749	126,360	112,958	Increased revenue from Special Commodity Levy (SCL) due to the adding up of new commodities to the SCL list and the rate revisions carried out to encourage domestic production process in selected commodities as well as the increase in the revenue from Telecommunications Levy mainly contributed to the increase compared to previous year. However, decline in total imports, resulted in a deviation in the actual revenue from SCL and CESS from the estimate.
Non Tax Revenue	142,547	126,503	131,553	Despite the increase in revenue from sales and charges, the decline in profit transfers from Central Bank of Sri Lanka and other SOBEs attributed mainly to the decline in the non tax revenue compared to previous year.
Total	987,843	1,257,594	1,137,447	

Compiled by the Department of Fiscal Policy

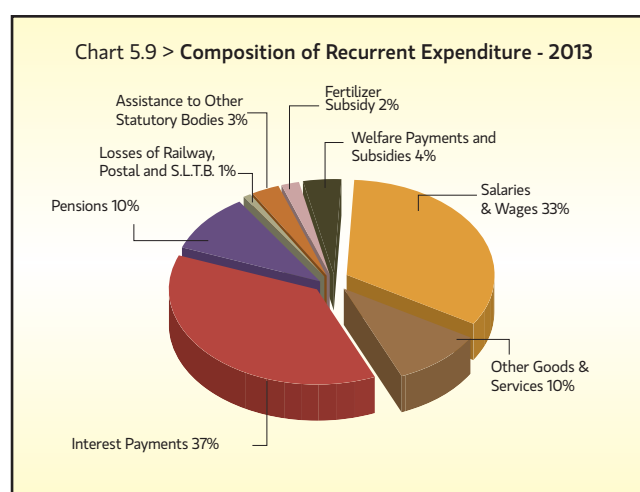
5.3 Government Expenditure³

Total government expenditure amounted to Rs. 1,669.4 billion in 2013 with an increase of 7.3 percent in comparison to Rs. 1,556.5 billion in 2012. As a percentage of GDP, the government expenditure declined to 19.2 percent from 20.5 percent in 2012. Expenditure for salaries and wages increased by 13.1 percent to Rs. 393.2 billion and interest payments increased by 8.7 percent to Rs. 444.0 billion. Expenditure on transfers to public institutions mainly to cover the operational losses of Department of Railways and Department of Postal as well as to complement the salary increases amounted to Rs. 53.3 billion, an increase of 13.8 in comparison to 2012. Subsidy transfers to households including pension payments, fertilizer subsidy and other welfare activities covering mothers, school children and vulnerable section of the society amounted to Rs. 195.3 billion reflecting a 3.9 percent increase compared to Rs. 187.9 billion in the previous year. The expenditure on other goods and service indicated a decline of 14.8 percent mainly due to the declines in the other goods and services related to central government and defence establishments. The expenditure on public investment increased by 8.4 percent to Rs. 481.2 billion in 2013 in comparison to Rs. 443.9 billion recorded in 2012.

5.3.1 Recurrent Expenditure

In 2013, total recurrent expenditure amounted to Rs. 1,205.2 billion, a 6.6 percent increase in

comparison to 2012. The increase was largely due to the growth in salaries and wages, which accounted to the 33 percent of the total current expenditure. These expenditures are incurred in respect of the provision of various public services such as national security, civil administration, education, health and provincial public services. The interest cost continued to be the largest share in the current expenditure accounting for 37 percent of the total current expenditure while the expenditure on subsidies and transfers accounted for 20.6 percent. Recurrent expenditure as a percentage of GDP continued to decline in 2013 as well and reached 13.9 percent in comparison to 14.9 percent in 2012 reflecting the government's efforts to further rationalize current expenditure in line with strengthening the fiscal consolidation process.



³ For a detailed discussion on government expenditure, refer to chapter 12 of this publication.

Table 5.14 > **Recurrent Expenditure of the Government**

Item	Rs. Mn								
	2002	2007	2008	2009	2010	2011	2012	2013(a)	2014 Budget
Total Recurrent Expenditure	330,849	622,758	743,711	879,575	937,094	1,024,906	1,131,023	1,205,180	1,328,283
Salaries & Wages	88,806	214,160	239,078	271,229	300,558	319,601	347,747	393,228	410,614
Other Goods & Services	51,088	78,472	121,250	108,502	87,728	132,004	140,086	119,396	191,884
Interest Payments	116,514	182,681	212,475	309,676	352,591	356,699	408,498	444,007	441,035
Foreign	10,617	21,311	30,277	35,698	55,464	68,565	90,839	100,985	76,000
Domestic	105,897	161,370	182,198	273,978	297,127	288,134	317,659	343,022	365,035
Pensions	31,123	68,822	74,922	85,139	90,995	99,961	111,682	123,293	133,000
Operational Losses of Railway, Postal and SLTB	7,998	10,137	12,157	11,078	11,434	12,999	11,817	13,854	15,736
Operational Support to Statutory Bodies	12,093	26,248	27,192	30,097	28,588	32,164	34,979	39,407	46,289
Fertilizer Subsidy	2,448	11,000	26,450	26,935	26,028	29,802	36,456	19,706	38,000
Welfare Payments and Subsidies	20,779	31,238	30,187	36,919	39,172	41,676	39,757	52,289	51,725
As a % of GDP									
Total Recurrent Expenditure	19.5	17.4	17.2	18.2	16.7	15.7	14.9	13.9	13.4
o/w Salaries & Wages	6.2	6.0	5.5	5.6	5.4	4.9	4.6	4.5	4.1
Other Goods & Services	2.7	2.2	2.8	2.2	1.6	2.0	1.8	1.4	1.9
Interest Payments	5.1	5.1	4.9	6.4	6.3	5.5	5.4	5.1	4.4
Pensions	1.9	1.9	1.7	1.8	1.6	1.5	1.5	1.4	1.3
Operational Losses of Enterprises	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Assistance to Other Statutory Bodies	0.9	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.5

Sources: Department of State Accounts and Department of National Budget

(a) Provisional

Interest Payments

In 2013, interest payments on government debt increased by 8.7 percent to Rs. 444 billion from Rs. 408.5 billion in 2012. The downward adjustment of the policy interest rates by the Central Bank, excess liquidity prevailed in the money market and decline in the inflation and inflation expectations resulted in a decline in the domestic interest rates for government securities in 2013. Reflecting the impact of relatively low interest rates prevailed in the domestic market, the interest payments on domestic debt increased only by 8.0 percent

in 2013. The average interest cost on domestic debt in 2013 declined to 10.6 percent in 2013 in comparison to 11.3 percent in 2012. Interest payments on foreign debt increased by 11.2 percent in 2013, mainly due to the increase in the foreign debt by 7.0 percent and the relatively high non-concessional debt, which accounted for 50 percent of the total foreign debt. The average interest cost on foreign debt in 2013 was 3.6 percent in comparison to 3.9 percent in 2012. As a percentage of GDP, interest payments declined to 5.1 percent in 2013 from 5.4 percent in 2012.

Table 5.15 > **Behaviour of Yield Rates**

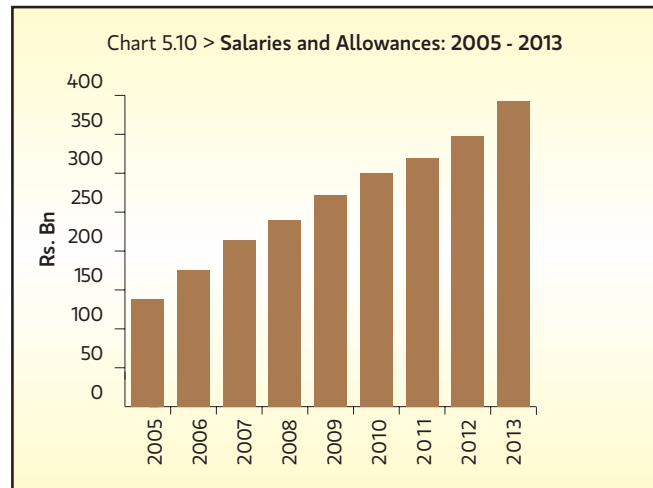
Period	Treasury Bills (%)			Treasury Bonds (%)			
	91 days	182 days	364 days	2 year	3 year	4 year	5 year
2011 Sep	7.15	7.23	7.31	-	-	8.30	8.60
2011 Dec	8.68	8.71	9.31	-	-	-	-
2012 Mar	11.00	11.06	11.32	10.61	-	10.83	-
2012 Jun	11.12	12.61	12.88	-	-	-	-
2012 Sep	11.30	12.57	13.02	13.62	-	14.10	-
2012 Dec	10.00	11.32	11.69	-	-	-	-
Change (Basis Points) (2011 Dec-12 Dec)	132.00	261.00	238.00	-	-	-	-
2013 Mar	9.26	10.25	11.35	-	-	-	-
2013 Jun	8.66	9.70	10.66	-	-	-	-
2013 Sep	8.60	9.63	10.57	-	-	-	-
2013 Dec	7.54	7.85	8.29	-	-	-	10.64
Change (Basis Points) (2012 Dec-13 Dec)	-246.00	-347.00	-340.00	-	-	-	-
2014 Mar	6.65	6.82	7.05	-	-	-	-

Sources: Department of Treasury Operations and Department of Public Debt

Salaries and Allowances

The expenditure on salaries and allowances for the government sector employees engaged at national and provincial public services as well as in national security increased by 13.1 percent to Rs. 393.2 billion in 2013. The increase in special non-pensionable allowance given to all public servants by a further 5 percent of the monthly basic salary, increase in cost of living allowance (COLA) and other upward revisions in allowances together with the new recruitments to various categories contributed for this increase. Non salary benefit of concessionary duty on import of motor vehicles for public servants amounted to Rs. 55.4 billion in comparison to Rs. 42.8 billion in 2012. Salaries and allowances as a percentage of GDP declined marginally to 4.5 percent in 2013

from 4.6 percent in 2012 and continued to be the second largest item accounting for 33 percent in the recurrent expenditure of the government.

Table 5.16 > **Salaries and Allowances of the Government**

Sector	Rs. Mn							
	2002	2007	2008	2009	2010	2011	2012	2013
Central Government	24,383	61,799	65,315	73,100	75,817	83,072	95,965	113,223
Provincial Councils	29,213	69,366	73,791	73,393	81,887	90,818	88,217	105,034
Defence	25,748	60,185	73,509	93,770	110,335	112,703	126,950	134,295
Police and Public Security	9,462	22,810	26,463	30,966	32,519	33,008	36,615	40,677
Total	88,806	214,160	239,078	271,229	300,558	319,601	347,747	393,228

Sources: Department of State Accounts and Department of National Budget

National Security Expenditure

Total expenditure on national security in 2013 amounted to Rs. 216 billion, comprising of Rs. 170 billion on salaries and Rs. 46 billion on other goods and services. As a percentage of GDP, spending on national security declined to 2.4 percent in 2013 in comparison to 2.7 percent in 2012 with the gradual normalization of recruitment and procurement to three forces with the dawn of peace after the completion of humanitarian operation in 2009 thereby significantly reducing the fiscal stress in managing the country's public finances.

The expenditure on national security has produced numerous encouraging returns to the country. The ending of the conflict has created peaceful situation which is the most valuable outcome conducive for living and investments. It has also created an enabling environment for the restoration of civil administration in the Northern and the Eastern provinces, conduct elections to local governments and Provincial Councils, and undertake various economic and social infrastructure development projects, including the re-building of the war torn areas.

An appropriate level of national security expenditure is necessary in Sri Lanka, like in any

other country, to ensure secured environment to the people, public property and strategic assets, which will be conducive for national development. Resources would also be necessary to deal with new challenges such as drug trafficking, money laundering and crime. Sri Lanka's national security expenditure remains below the levels of many countries which did not have the level of security threats and risks that the country used to confront with.

Pension Payments

In 2013, pension payments increased by 10.4 percent to Rs. 123.3 billion in comparison to Rs. 111.7 billion recorded in 2012. The full impact of 17,375 new pensioners in 2012, the partial impact of the 17,809 new pensioners in 2013, increase in the monthly COLA for pensioners by Rs. 500 per month with effect from January 2013 and correction of pension anomalies, for higher pension payments contributed for this increase. The expenditure on non-contributory monthly pension scheme of the government has increased gradually over the years and accounts for about 10 percent of the total current expenditure. The emerging developments such as population ageing in the country will require the payments of pension for an extended period of time. This situation highlights the necessity

Chart 5.11 > Defence Expenditure: 2005-2013 (% of GDP)

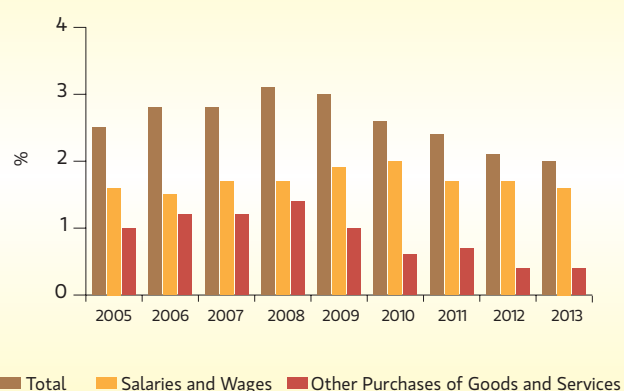
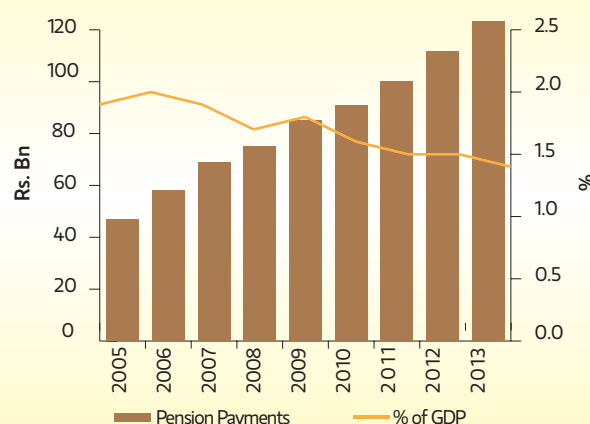


Chart 5.12 > Pension Payments



of introducing measures to ease the potential pressure that would emanate from this to the national budget through reformulation of the public sector pension scheme, mainly focusing on optional and compulsory retirement age appropriately.

Welfare and Social Safety

The government implemented a number of welfare programmes aiming at strengthening the assistance to needy segments of the society. Accordingly, the provision of free text books, uniforms and season tickets, and nutritional supplements was continued with a view of improving the access to better education for school, Pirivena and university students and improving healthcare facilities for children and mothers while providing free medicine for all. The low income and vulnerable groups in the society were also supported through the livelihood development and income generation support programmes.

Education Related Welfare Expenditure

The government continued the provision of free school and Dhamma school textbooks, school uniforms and season tickets for the students of underprivileged schools and scholarships and bursaries programmes for the needy students at a cost of Rs. 9.9 billion in 2013 in comparison to Rs. 8.6 billion in 2012. This consists of Rs. 2.4 billion to provide school and Dhamma school textbooks among 6.2 million students, Rs. 1.7 billion to provide school uniforms to 3.9 million school children and 35,019 free robes to Pirivena students, Rs. 801 million for Mahapola and bursaries and Rs. 1.4 billion for season tickets, respectively. The government also spent Rs. 3.0 billion for school nutrition programme to provide nutritional meal to 1.0 million students in schools in different areas in 2013 compared to Rs. 2.7 billion in 2012.

Table 5.17 > **Expenditure on Key Welfare Programmes - 2013**

Item	Amount (Rs. Mn)
Health	
Free Medicine	27,269
Infant Milk Food Subsidy & Fresh Milk	230
Poshana Malla	203
Triposha Programme	1,396
Education	
School Text Books	2,330
School Uniforms	2,300
Mahapola & Bursaries etc.	801
School Season Tickets	1,430
Divinaguma Back Yard Economy	
School Nutritional Food Programme	3,077
Livelihood Support Programme	2,525
Welfare Support	
Samurdhi Cash Income Support	15,256
Assistance to Differently Abled Soldiers	16,152
Food Assistance (with WFP assistance)	1,600
Flood and Drought Relief	148
Livelihood and Production	
Fertilizer Subsidy	19,706

Sources: Department of State Accounts and Department of National Budget

Healthcare Related Welfare Expenditure

The programmes towards uplifting the nation's healthiness and nutritional standards continued in 2013, spending Rs. 27.3 billion to provide free medicine for all and to supply healthcare facilities for all kinds of diseases at indoor and outdoor forms including drugs, vaccines and other supplies. This was a 38.6 percent increase compared to Rs. 16.7 billion in 2012 and a significant increase in comparison to Rs. 7.1 billion in 2005.

While securing health conditions of the nation, government has given priority to improve nutritional status of the nation at the childhood, spending Rs. 433 million for infant and mother care programme, Rs. 1.4 billion for Thriposha nutritional food programme for children and expectant mothers, Rs. 203 million for Poshana Malla programme and Rs. 19 million on Poshana Manpetha programme in 2013 with an increase of 11.0 percent compared to 2012. Total number of beneficiaries under these programmes

were; Thripasha nutritional food programme (944,042), Poshana Malla (55,299), Poshana Manpetha (4,830) and fresh milk for children below 5 years of age (316,791).

Supplementary Income Support to Poor and Vulnerable Groups

The government is committed to improving the livelihood and income generation activities of low income and most vulnerable groups of the society and hence, the policies are implemented to achieve this objective. The Samurdhi programme continued in 2013 with increased monthly payments, targeting 1.48 million low income families across the country, the expenditure on Samurdhi payments was Rs. 15.3 billion in 2013 with a 44.3 percent increase in comparison to Rs. 10.6 billion in 2012. The government spent Rs. 1.3 billion for food assistance and flood and drought relief, recording lower amount than previous year since year 2013 recorded a fair whether condition all over the island. Meanwhile, the government provided Rs. 43.8 million to make payments to July strikers in 2013.

Livelihood and Production Support

The livelihood support programmes carried out by the government to uplift rural lives by improving agriculture and rural economic activities such as providing seeds and planting materials and credit subsidies under the 'Divi Neguma' backyard economy programme continued in 2013 and spent Rs. 1.5 billion. The government continued the fertilizer subsidy throughout the year 2013, providing small scale farmers to achieve "self sufficiency in food products" by spending Rs. 19.7 billion.

Assistance to State Owned Enterprises

The government provided budget support of Rs. 13.8 billion in 2013 to State Owned Enterprises (SOEs) in comparison to Rs. 11.8 billion in 2012 to cover their operational losses. This highlighted the necessity of improving financial performance as well as service delivery of SOEs. In 2013, transfers to Sri Lanka Railways (SLR) and Department of Posts (DOP), the two departmental enterprises, amounted to Rs. 8.0 billion compared to Rs. 7.1 billion in 2012. Transfers to Sri Lanka Transport Board (SLTB) was Rs. 5.1 billion in comparison to Rs. 4 billion in 2012 while assistance to other SOE such as Sri Lanka Broadcasting Corporation, Palmyrah Development Board, Ceylon Fishery Harbours Corporation amounted to Rs. 0.7 billion in 2013 against Rs. 0.7 billion incurred in the previous year.

Chart 5.13 > Operational Losses in Public Enterprises

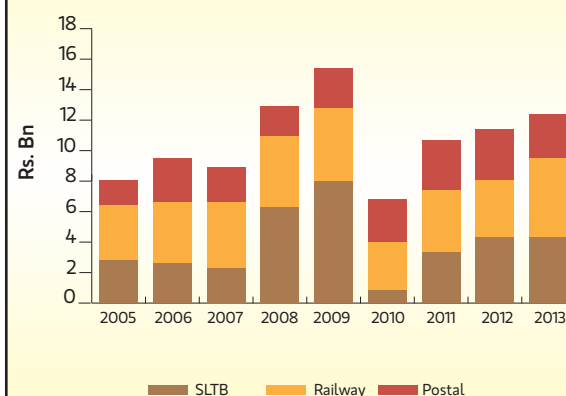


Table 5.18 > **Key Statistics of Sri Lanka Railway Transportation Service**

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Revenue (Rs Mn)	1,958	2,491	2,999	3,671	4,020	4,018	4,235	4,852	5,423
Operational Expenditure (Rs Mn)	5,512	6,473	7,297	8,225	8,788	7,191	8,295	8,648	10,586
Salaries (Rs Mn)	3,544	4,403	5,237	4,720	5,073	5,144	5,428	5,743	5,886
Fuel (Rs Mn)	1,432	1,500	1,425	2,627	2,917	1,260	2,005	2,060	3,770
Operational Losses (Rs Mn)	3,554	3,981	4,297	4,553	4,768	3,173	4,060	3,795	5,161
Passenger Kilometers Operated (Mn)	4,358	4,316	4,767	4,681	4,568	4,353	3,478	5,039	6,257
Passengers Transported ('000)	114,425	100,602	110,464	104,597	101,807	101,454	96,110	106,046	108,705
Train Kilometers Operated (Mn)	8	8	9	7	9	9	10	11	11

Sources : Department of National Budget and Sri Lanka Railways

The operational losses in SLR increased by 36 percent to Rs. 5.2 billion in 2013 from Rs. 3.8 billion in 2012. The significant increase in operational expenditure by 22.4 percent to Rs. 10.6 billion despite the increase in the revenue by 11.8 percent to Rs. 5.4 billion was the main reason for the increase in operational loss of SLR. During the year, the passenger kilometers run by the SLR increased by 24.2 percent and goods kilometerage declined by 10.5 percent in 2013. This situation highlights the necessity of introducing cost reflective prices for selected segments of the rail transportation depending on the distance of travelling in comparison to the very low railway fares at present as well as the promotion of goods transportation via railway as an effective alternative for land transportation of goods.

The operational losses of DOP contained in 2013 as a result of the increase in the revenue by 18 percent over 2012 despite the increase in operational expenditure by 6 percent in comparison to the previous year. Consequently, the total amount of transfers to DOP also

declined by 13.5 percent to Rs. 2.9 billion in 2013 in comparison to Rs. 3.3 billion in 2012. The DOP initiated the remodeling of the speed post courier service as a pilot project in 2013.

The SLTB, which is a state owned enterprise, recorded an operational loss of Rs. 4.3 billion in 2013 compared to Rs. 4.2 billion recorded in the previous year. The revenue increased by 10.9 percent to Rs. 26.5 billion while the operational expenditure also increased by 9.4 percent to Rs. 30.8 billion. The relatively low efficiency in the provision of public transportation and the high wage cost continued to be the major impediments for the improvement in the financial position of the SLTB despite the increase in operated kilometers and passenger kilometers by 1.8 percent and 2.5 percent, respectively in 2013. The operation of SLTB on rural areas ("Gami Sariya" programme), school services ("Sisu Sariya" programme) and off-peak hours ("Nisi Sariya" programme) etc. are among the services provided by the SLTB to the general public, which justifies the role played by SLTB as a state owned enterprise.

Table 5.19 > **Key Statistics of Postal Service**

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Revenue (Rs Bn)	2.6	2.8	4	4.8	4.5	4.6	4.4	5	5.9
Operational Expenditure (Rs Bn)	4.3	5.7	6.3	6.7	7.1	7.3	7.7	8.3	8.8
Operational Losses (Rs Bn)	1.7	2.9	2.3	2	2.6	2.8	3.3	3.3	2.9
Area Served by Post Office (sq km)	13.9	13.8	13.8	13.8	14	14	14	13	14
Population Served by Post Office (No)	4,100	4,167	4,252	4,311	4,316	4,355	4,401	4,290	4,378

Sources: Department of National Budget and Department of Posts

Table 5.20 > **Key Statistics of Sri Lanka Transport Board Transportation Service**

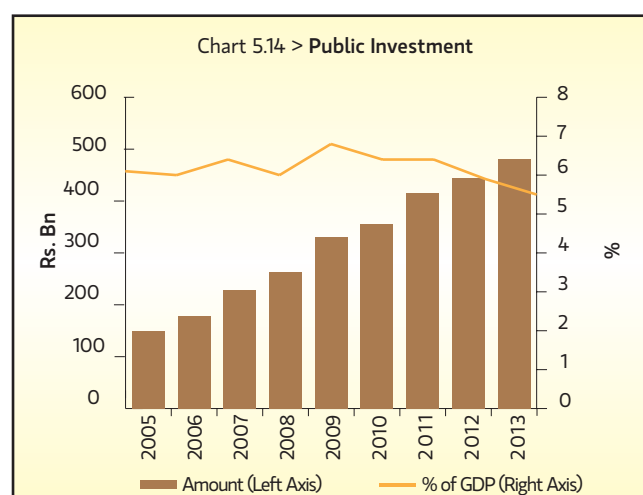
Category	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Revenue (Rs Mn)	10,026	12,379	14,687	14,361	13,979	21,560	21,019	23,894	26,511
Operational Expenditure (Rs. Mn)	12,804	14,921	16,999	20,622	22,005	22,387	24,326	28,181	30,844
Salaries	5,872	7,103	7,216	8,121	10,080	8,434	8,541	13,224	14,034
Fuel	3,632	4,696	6,228	8,505	7,134	7,177	7,997	11,406	12,545
Operational Losses (Rs Mn)	2,778	2,542	2,312	6,261	8,026	827	3,307	4,287	4,333
Budgetary Support	3,891	4,976	3,654	5,638	4,203	3,828	3,939	3,983	5,099
Uneconomical Routes (Rs Mn)	3,689	4,360	3,159	3,736	2,332	2,460	1,922	2,188	2,335
School Season Tickets (Rs Mn)	250	250	500	600	1,384	1,369	1,359	1,339	1,430
Subsidy per Kilometer (Rs)	11.8	15.2	12.5	12	15.1	13.5	10.1	11.8	14.8
Average kilometers Operated per Day	679,092	713,753	835,313	857,033	915,476	935,940	933,810	923,034	942,465

Sources : Department of National Budget and Sri Lanka Transport Board

5.3.2 Public Investment

Total expenditure on public investments amounted to Rs. 481.2 billion in 2013, which is an increase of 8.4 percent in comparison to 2012. As a percent of GDP, the public investment amounted to 5.5 percent in 2013 in comparison to 5.9 percent in 2012 reflecting the revenue shortfall and the resultant prioritization of the government expenditure to strengthen the fiscal consolidation process. Though there is a slight decline in 2013, the government is committed to enhance the public investment at around 6 percent of GDP to develop the much needed physical and human resources to meet medium term high growth targets and facilitate Sri Lanka's next stage of development. In this context, the planned surplus in the revenue account will enable the government to enhance the funds to public investment from non-debt creating sources.

In prioritizing the infrastructure projects, the emphasis was given to continue the education and health sector infrastructure development programmes as it is important to improve the human resources of the country to facilitate the future economic growth. The priority was also given to complete the on-going national infrastructure development projects, including highways, ports, airports, railways and power generation projects to stimulate private sector economic activities. The Colombo city beautification project and countrywide



township development projects were also implemented. The improvement of other economic infrastructure including road network, transportation, irrigation and water supply schemes were continued simultaneously while continuing regional/rural development projects as a part of the poverty reduction strategy of the government for generating gainful employment opportunities.

In 2013, the public investment on education increased by 10.4 percent to Rs. 31.9 billion while that on health increased by 16.1 percent to Rs. 19.9 billion over the previous year. Within the economic infrastructure category, expenditure on transport & communication, energy & water supply, and agriculture & irrigation sectors

Table 5.21 > **Public Investment**

	Rs. Mn							
Item	2002	2007	2008	2009	2010	2011	2012	2013
Education	6,048	19,948	22,942	18,092	19,053	22,326	28,930	31,982
Health	4,713	16,961	18,674	12,664	13,329	14,794	17,155	19,920
Police and Public Security	638	3,705	4,728	1,409	1,298	3,816	945	1,173
Civil Administration	4,075	28,438	29,675	18,686	20,212	28,668	26,565	31,631
Housing and Common Amenities	3,505	4,481	4,826	5,291	5,489	7,105	7,823	8,014
Community Service	1,212	13,596	13,794	17,891	18,334	19,141	17,267	17,727
Agriculture and Irrigation	6,936	14,736	17,681	22,105	24,865	28,617	30,351	36,721
Energy and Water Supply	17,732	47,850	48,783	59,983	66,569	83,186	85,598	87,517
Transport and Communication	18,916	50,995	82,916	139,104	165,505	190,026	204,539	210,398
Other	8,402	28,563	19,825	35,223	21,865	24,621	24,800	36,120
Total	72,177	229,273	263,844	330,448	356,519	422,300	443,973	481,203

Sources: Department of National Budget and Department of State Accounts

increased to Rs. 210.4 billion, Rs. 87.5 billion and Rs. 36.7 billion, respectively.

Under the rural centric development initiatives of the government to up-grade the rural economies, a number of infrastructure development projects were implemented. These included the initiatives such as Divi Neguma and Maga Neguma and 9 provincial development projects for each province. The rural infrastructure initiatives also directed towards developing rural access roads with concrete mix, which has given a new life to the rural economy. The expansion of school facilities, including computer access to rural areas through 'Nanasala' and Mahindodaya Technical Laboratories while developing peripheral hospitals were also a part of the development towards rural economy.

The construction of over 15 irrigation schemes, including Moragahakanda, Uma Oya, Daduru Oya, Manik Ganga, Rambukan Oya, etc. and the rehabilitation of major irrigation schemes would help convert many areas into commercial

agriculture, thereby increase food production and provide livelihood to people living in many lagging regions. The implementation of community water supply facilities as well as rural electrification projects are also being undertaken to develop rural areas. Emphasis was made on developing housing, drinking water, irrigation and livelihood facilities and improving administrative facilities in the projects related to reconstruction and rehabilitation of the basic economic and social infrastructure in the conflict affected areas.

The implementation of infrastructure development projects by SOBEs which are having strong revenue flows was encouraged to make borrowings on their own based on the strength of the balance sheets subject to required due diligence rather than depending on the government for funds. Continuous attention was paid on addressing the issues and impediments in the project management, including the delays in project implementation that lead to cost overruns and to ensure the timely completion of planned projects.

5.4 Financing Provincial Councils

Out of the total NBT revenue of Rs. 70.5 billion in 2013, one third or Rs. 20.5 billion was transferred to Provincial Councils (PCs) under the revenue sharing arrangement with the central government which was introduced on 2011 as a part of the simplification of the tax system following the amalgamation of provincial turnover tax and NBT. In addition, the total revenue of Rs. 6.9 billion collected from Stamp duties and Rs. 1.5 billion which is 70 percent of the total motor vehicle registration fees in 2013 were also transferred to PCs to support the devolved activities.

Tax revenue collected by PCs through devolved taxes such as tax on property and license fees, amounted Rs. 23.7 billion in 2013 in comparison to Rs. 21.7 billion in 2012 while non tax revenue collected by the PCs through interest, profit & dividends and sales & charges amounted to Rs. 6.5 billion in comparison to Rs. 7.6 billion in 2012. Accordingly, total revenue of PCs consisting of the amounts from the government revenue sharing mechanism and the own revenue by PCs increased by 2.6 percent to Rs. 50.5 billion (0.6 percent of GDP) in 2013 in comparison to Rs. 49.2 billion (0.6 percent of GDP) in the previous year.

The transfers made to PCs by the government as block grants to meet expenditure on salaries, specific development grants and grants for special projects amounted to Rs. 135.6 billion and represented 72.9 percent of their total revenue. Transfers from the government to PCs as block grants to cover the salary and other establishment cost amounted to Rs. 108.8 billion in comparison to Rs. 91.8 billion in 2012, a 18.5 percent increase over the previous year. For the continuation of the development activities in provincial roads, transport facilities, land development, rural electrification projects, township facilities and improvement in education and health facilities, paralleled to island wide programmes by the government, total capital expenditure of PCs amounted to Rs. 29.3 billion in 2013.

Total expenditure of the PCs using their own revenue and revenue sharing mechanism with the government amounted to Rs. 50.5 billion in 2013 in comparison to Rs. 49.2 billion in 2012. There was a moderate growth in current expenditure of PCs to Rs. 46.3 billion in 2013 in comparison to Rs. 44.3 billion in 2012 mainly due to the increase in salaries in education and health sectors.

Table 5.22 > **Performance of NBT, Stamp Duty and Motor Vehicle Registration Fees**

Rs. Mn

Item	2012			2013			%Change 2013/2012		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT	38,736	19,368	58,104	40,937	20,468	61,405	5.7	5.7	5.7
Domestic	23,076	11,538	34,614	25,243	12,621	37,864	9.4	9.4	9.4
Import	15,660	7,830	23,490	15,694	7,847	23,541	0.2	0.2	0.2
Stamp Duty	-	6,535	6,535	-	6,883	6,883	-	5.3	5.3
Motor Vehicle Registration Fees	737	1,721	2,458	666	1,553	2,219	(9.6)	(9.8)	(9.7)
Total	39,473	27,624	67,097	41,603	28,904	70,507	5.4	4.6	5.1

Sources: Finance Commission and Department of Fiscal Policy

*Since 2011, 33 1/3 percent of the revenue collected from the NBT by the CG is transferred to PCs.

**Since 2011, 100 percent of the revenue collected from the stamp duty by the CG is transferred to PCs.

***70 percent of the revenue collected by the CG from motor vehicle registration fee is transferred to PCs.

Note: CG-Central Government, PCs-Provincial Councils

Table 5.23 > **Consolidated Budget**

Item	Amount (Rs. Bn)							As a % of GDP						
	2002	2008	2009	2010	2011	2012	2013	2002	2008	2009	2010	2011	2012	2013
Total Revenue	278.4	717.8	754.9	870.9	1025.1	1116.7	1203.8	17.6	16.3	15.6	15.5	15.7	14.7	13.9
Government	269.0	686.4	725.5	834.1	983.0	1067.5	1153.3	17.0	15.6	15.0	14.9	15.0	14.1	13.3
Tax	221.8	585.6	618.9	724.7	845.7	908.9	1005.9	14.0	13.3	12.8	12.9	12.9	12.0	11.6
Non Tax	40.1	69.6	80.7	92.5	122.2	142.5	131.6	2.5	1.6	1.7	1.7	1.9	1.9	1.5
Grants	7.1	31.2	25.7	16.7	15.1	16.1	15.9	0.4	0.7	0.5	0.3	0.2	0.2	0.2
Provincial Councils (a)	9.4	31.4	29.4	36.8	42.1	49.2	50.5	0.6	0.7	0.6	0.7	0.6	0.6	0.6
Tax	8.0	26.0	24.9	31.0	36.0	41.7	43.9	0.5	0.6	0.5	0.6	0.6	0.5	0.5
Non Tax	1.4	5.4	4.5	5.8	6.1	7.6	6.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	412.9	1027.4	1238.4	1317.5	1474.1	1603.9	1719.9	26.1	23.3	25.6	23.5	22.5	21.2	19.8
Government (b)	403.0	996.1	1202.2	1280.2	1433.2	1556.5	1669.4	25.5	22.6	24.9	22.8	21.9	20.5	19.2
Current	330.8	743.7	879.9	937.1	1024.9	1131.0	1205.2	20.9	16.9	18.2	16.7	15.7	14.9	13.9
Capital and Net Lending	72.2	252.4	322.3	343.1	408.3	425.5	464.2	4.6	5.7	6.7	6.1	6.2	5.6	5.4
Provincial Councils (c)	9.9	31.3	36.2	37.3	40.9	47.4	50.5	0.6	0.7	0.7	0.7	0.6	0.6	0.6
Current	7.9	26.4	33.9	33.8	34.1	44.3	46.3	0.5	0.6	0.7	0.6	0.5	0.6	0.6
Capital	2.0	4.9	2.3	3.5	6.8	3.1	4.2	0.1	0.1	0.0	0.1	0.1	0.0	0.0
Budget Deficit	(134.5)	(309.6)	(483.5)	(446.6)	(449.0)	(487.2)	(516.1)	(8.5)	(7.0)	(10.0)	(8.0)	(6.9)	(6.5)	(5.9)

Sources: Department of National Budget and Finance Commission

(a) Includes transfers from Central Government

(b) Includes transfers to PCs

(c) Represents expenditure incurred by PCs using their own funds and tax revenue transfers from the Central Government

5.5 Deficit Financing⁴

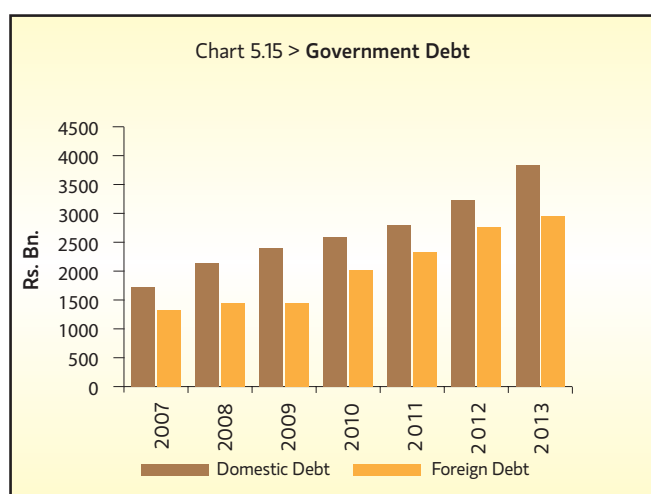
The total deficit of Rs. 516 billion in 2013 was financed mainly by domestic borrowings (including foreign investments in rupee denominated Treasury bills and Treasury bonds) of Rs. 448 billion (86.8 percent) and the balance of Rs. 68 billion (13.2 percent) by foreign borrowings.

In 2013, the government borrowed Rs. 95.4 billion, on net basis, from the non-bank sources in comparison to Rs. 71 billion in 2012. Non-bank financing mainly consisted of the borrowings from key institutional investors i.e. Employees' Provident Fund (EPF), National Savings Bank (NSB) and Employees' Trust Fund (ETF). The borrowings from the domestic banking sector increased significantly to Rs. 297 billion in 2013 in comparison to Rs. 131.5

billion in the previous year and accounted for 66.3 percent of the total net domestic financing. Meanwhile, the net foreign investments in Treasury bills and Treasury bonds amounting to Rs. 55.8 billion contributed to 12.4 percent of the total domestic financing in 2013 compared to Rs. 105.7 billion or 34.3 percent in the previous year.

Net foreign financial inflows into the government budget in 2013 amounted to Rs. 68 billion, and consisted of disbursement of foreign loans to finance on-going infrastructure development projects. A major part of this was received by way of project loans from bilateral and multilateral development partners. China, India, Japan, Asian Development Bank (ADB) and International Development Association (IDA) were the major sources of project financing in 2013.

⁴ For a detailed discussion on deficit financing and government debt, refer to Chapter 6 of this publication.



5.6 Government Debt

Total government debt increased by Rs. 793 billion to Rs. 6,793 billion in 2013 from Rs. 6,000

billion in 2012. Domestic debt of Rs. 3,833 billion accounted for 56.4 percent of the total debt. Foreign debt of Rs. 2,960.4 billion formed the balance 43.6 percent of the total debt.

In 2013, the debt to GDP ratio declined to 78.3 percent from 79.2 percent in 2012 mainly due to the increase in the nominal value of GDP. In Rupee terms, there was a decline in the liability of the foreign debt by Rs. 25.5 billion due to the variation in exchange rates.

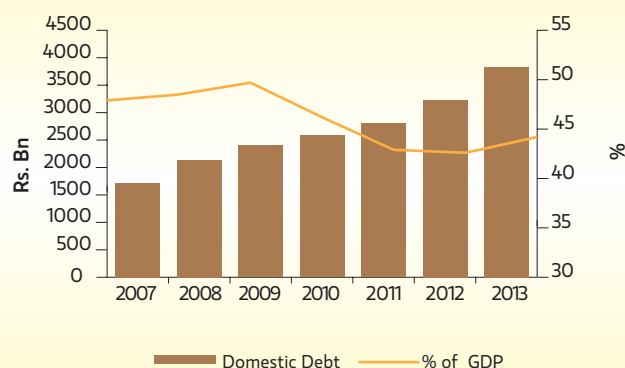
The domestic debt to GDP ratio increased to 44.2 percent from 42.7 percent in 2012 reflecting the higher growth in domestic borrowings. The foreign debt to GDP ratio declined to 34.1 percent from 36.5 percent in 2012 due to the relatively lower growth in foreign debt.

Table 5.24 > Government Debt

	Rs. Bn		
Item	End 2011	End 2012	End 2013
Total Domestic Debt	2,804.1	3,232.8	3,832.8
Short Term	698.2	813.3	909.2
Treasury Bills	590.9	629.1	700.1
Provisional Advances from the Central Bank	94.7	111.3	109.2
Other	12.6	72.9	99.9
Medium & Long Term	2,105.9	2,419.5	2,923.7
Rupee Securities	62.0	58.4	55.5
Treasury Bonds	1,819.3	2,095.1	2,452.4
Sri Lanka Development Bonds	183.8	223.0	369.2
Other	40.8	43.1	46.6
Total Foreign Debt	2,329.3	2,767.3	2,960.4
Concessional Loans	1,328.8	1,369.6	1,492.8
Multilateral	624.6	670.7	716.8
Bilateral	704.2	698.9	776.1
Non-concessional Loans	1,000.5	1,397.8	1,467.6
Multilateral	97.3	173.6	186.7
Bilateral	138.6	281.5	273.7
Market Borrowings	764.6	942.7	1,007.1
Total Government Debt	5,133.4	6,000.1	6,793.3

Sources: Department of External Resources and Central Bank of Sri Lanka

Chart 5.16 > Domestic Debt



Of the total domestic debt, the share of medium to long term debt increased to 76.3 percent in 2013 from 74.8 percent in the previous year. Treasury bonds dominated the medium to long term debt category by accounting for 83.8 percent of it. This policy was in line with the medium term debt management strategy of relying more on medium to long term marketable debt instruments. Meanwhile, the share of Rupee loans declined further to 1.9 percent of the medium and long term debt from 2.4 percent in the previous year reflecting the policy of gradual phasing out of the borrowings from this non-marketable debt instrument.

Within the short term domestic debt category, which accounted for 23.7 percent of the total domestic debt, Treasury bills remained as the main instrument representing 77 percent of the total. In 2013, the government debt to the banking system increased to Rs. 1,433.8 billion from Rs. 1,060.3 billion in 2012 entirely due to the increase of financing from commercial banks as there was a significant repayment of domestic debt held by the Central Bank. Of the total domestic debt, the banking system share increased to 37.4 percent from 32.7 percent in 2012.

Chart 5.17 > Domestic Debt by Source - 2013

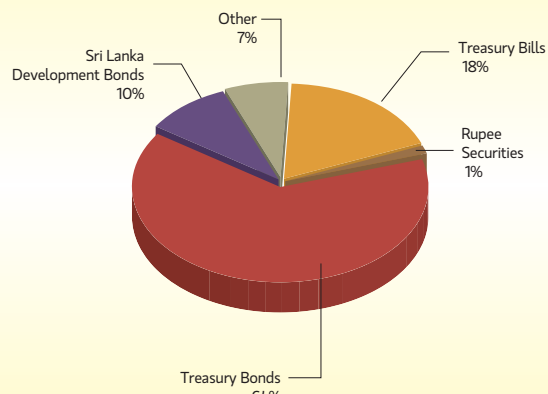
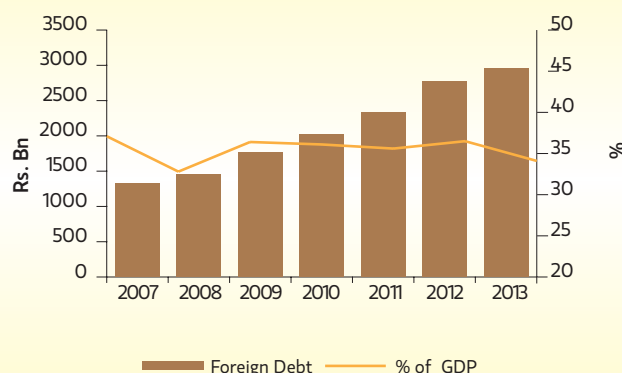


Table 5.25 > Foreign Debt by Source - 2013

Source	Number of Loans	Amount (Rs.Mn)
Japan	107	468,366
China	41	199,493
Germany	16	52,112
USA	71	38,855
ADB	131	478,796
IDA	114	373,085
Other	145	253,387
Export Credit	90	161,293
International Sovereign Bonds	4	457,636
Non Resident Investment in Treasury Bills	-	73,916
Non Resident Investments in Treasury Bonds	-	403,486
Total	687	2,960,424

Sources: Department of External Resources and Department of Public Debt

Chart 5.18 > Foreign Debt



The concessionality of the foreign debt remained almost unchanged at 50 percent of the foreign debt in 2013 as the balance 50 percent was on non concessional terms and conditions. Both bilateral and multilateral development partners continued to account a significant part of the foreign debt and accounted to 35.5 percent and 30.5 percent of the total foreign debt, respectively. In the bilateral category, the outstanding debt to Japan, China and India amounted to Rs. 468 billion, Rs. 196 billion and Rs. 86 billion, respectively. In the multilateral category, the

debt to ADB amounted to Rs. 419 billion while that to IDA was Rs. 327 billion.

The increase in the non concessional debt in the recent past was mainly due to the accomodation of foreign invetments in government securities with specific limits and the issuance of international sovereign bonds by the government. The gradual decline in the access to concessional foreign financing amidst the rising per capita income of the country and the enhanced reliance on non-concesssional foreign fianncing is consistent with the borrowing pattern of middle income countries.

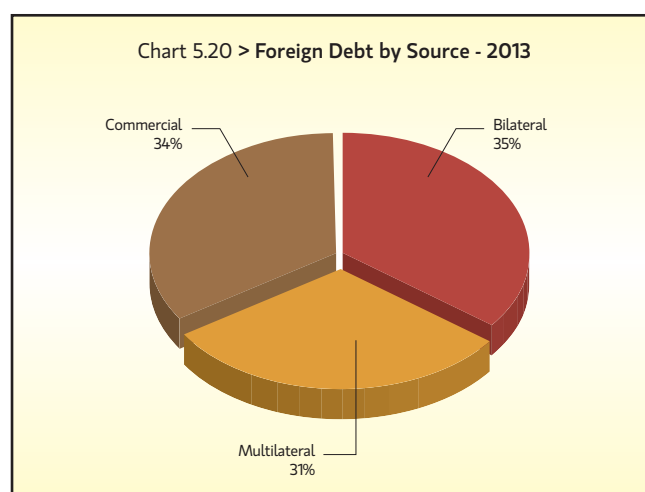
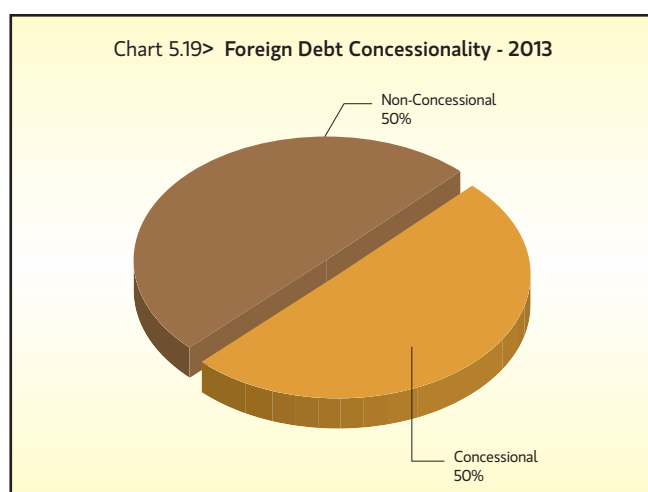


Table 5.26 > **Currency Composition of the Government Foreign Debt**

Currency	Percentage							
	2002	2007	2008	2009	2010	2011	2012	2013
SDR	41.3	38.3	36.7	32.2	28.3	25.8	24.6	24.0
US Dollars	17.9	20.1	19.4	18.8	23.5	29.1	30.9	34.1
Japanese Yen	30.3	25.5	30.8	25.7	25.1	24.1	20.8	16.4
Euro	7.4	9.2	9.1	8.2	7.0	6.3	6.3	6.3
Other	3.1	6.9	4.1	15.1	16.0	14.7	17.4	19.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memo: Total Foreign Debt (Rs. Billion)	721.9	1,326.5	1,448.7	1,760.5	2,024.6	2,329.3	2,767.3	2,960.4

Sources: Department of External Resources and Department of Public Debt

5.7 Debt Service Payments

Total debt service payments in 2013 amounted to Rs. 1,163 billion of which Rs. 700 billion or 60 percent was for repayments while the balance 40 percent or Rs. 462 billion was on interest payments. Total debt service payments as a percentage of GDP was 13.4 percent in 2013 reflecting a significant decline from 17.1 percent recorded in 2009. The debt service payments as a percentage of the government revenue increased to 102.2 percent from 96.1 percent due to the relatively lower growth in the government

revenue in comparison to the higher growth in debt service payments. However, it was lower than the 118.0 percent recorded in 2009. The interest payments to revenue ratio also increased to 40.7 percent from 38.9 percent in 2012. The expected improvements in the government revenue, debt management and the cash flow operations of the Treasury towards containing budget deficit below 4 percent of GDP as committed in the medium term macro fiscal framework are expected to be conducive in improving these ratios in the medium term.

Table 5.27 > **Government Debt Service Payments**

	Rs. Bn							
Item	2002	2007	2008	2009	2010	2011	2012	2013(a)
Interest(b)	116.5	182.7	212.5	309.7	352.6	356.8	408.5	462.9
Domestic	105.9	161.4	182.2	274.0	297.1	288.1	317.7	354.7
Foreign	10.6	21.3	30.3	35.7	55.5	68.7	90.8	108.2
Repayments	167.8	316.3	380.3	516.0	467.9	538.7	609.0	700.0
Domestic	130.8	252.2	258.7	401.3	389.7	439.9	415.4	496.0
Foreign	37.0	64.1	121.6	114.7	78.2	98.8	193.5	204.0
Total	284.3	499.0	592.8	825.7	820.4	895.5	1,017.5	1,162.9
Domestic	236.7	413.6	440.9	675.3	686.8	728.0	733.1	850.7
Foreign	47.6	85.4	151.9	150.4	133.6	167.5	284.4	312.2

Sources: Department of Treasury Operations and Department of Public Debt

(a) Provisional

(b) 2013 numbers include Rs. 18.9 billion of interest paid in respect of the ongoing public investment projects which have been capitalized as per the State Account Circular No. 230/2013, dated 29.11.2013 and shown under public investment in the economic classification.

Table 5.28 > **Government Debt and Debt Service Indicators (Percentage)**

Indicator	2002	2008	2009	2010	2011	2012	2013
Total Debt/GDP	105.6	81.4	86.2	81.9	78.5	79.2	78.3
Domestic Debt/GDP	60.0	48.5	49.7	45.8	42.9	42.7	44.2
Foreign Debt/GDP	45.6	32.8	36.5	36.1	35.6	36.5	34.1
Debt Service/GDP	17.9	13.4	17.1	14.6	13.7	13.4	13.4
Debt Service/Revenue	108.6	90.5	118.0	100.4	92.5	96.8	102.2
Foreign Debt Service/ Export Earnings and Remittances	8.3	12.7	12.6	9.4	9.6	14.2	14.4
Domestic Interest/ Current Expenditure	32.0	24.5	31.1	31.7	28.2	28.1	29.4
Total Interest/ Government Revenue	44.5	32.4	44.3	43.1	37	38.9	40.7

Sources: Department of External Resources, Department of Treasury Operations and Department of Public Debt

06

FINANCING OF THE BUDGET

6.1 Government Debt Management Strategy

The reduction of the government debt to GDP ratio to a risk free level is the main objective of the government's debt management strategy as per the Fiscal Responsibility (Management) Act of 2003, as amended. Accordingly, the debt to GDP ratio is expected to reduce to 65 percent by 2016 and to 60 percent by 2020 from 78.3 percent at the end of 2013. The debt management is also guided by the Medium-Term Macro Fiscal Framework (MTMFF), which regularly outlines in each year the macro-fiscal objectives of the government and decides the level of budget deficit and the borrowings requirement. In this process, the refinancing of government debt appropriately while financing annual government budget deficit to promote sustained growth with stability is recognized.

The government's medium term debt management strategy is implemented in line with the overall fiscal management strategy which is primarily aimed at improving the revenue account and phasing out the primary deficit gradually through enhanced revenue and moderation in the growth of current expenditure while maintaining public investment in excess of 6 percent of GDP over the medium term to support growth momentum. Under this, raising of funds at the lowest possible cost for servicing debt and financing new expenditures from domestic as well as foreign sources considering the market conditions, liquidity needs and financing requirement of the import cost in public investment, largely through foreign borrowings, is envisaged. In implementing

this strategy of government revenue and the mobilization of funds through long term debt instruments in both domestic and external markets has increased in recent years with a continuous progress in reducing the budget deficit, decline in the debt to GDP ratio, while maintaining strong economic performance and positive medium term outlook.

Within the government debt management strategy, raising of foreign borrowings mostly to finance development projects receives specific attention as it is related to financing a major part of the accelerated development programmes under the "Mahinda Chintana - Vision for the Future". Foreign debt portfolio has been diversified over the years with Sri Lanka's graduation to a middle income country where there is a gradual decline in the concessional foreign financing and broadening of financing options with diverse terms. Therefore, obtaining bilateral and multilateral financing from development partners, improvement of country's sovereign rating position towards investment grade to strengthen the sovereign debt profile, and continued presence in the international capital market will be among the priorities.

In the context of domestic debt, the structure of the domestic borrowings has changed with more marketable long term debt instruments. The government focuses on improving government securities market to improve competitive pricing in debt instruments. Non-residents have also allowed to invest in rupee denominated Treasury bills and Treasury bonds with exposure limits to improve market competition and grater financial integration.

Chart 6.1 > Composition of Government Debt

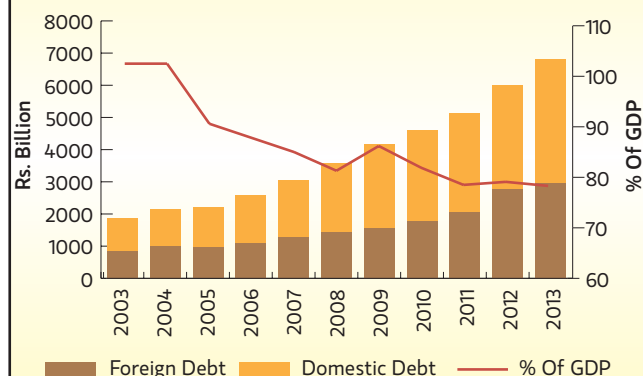


Chart 6.2 > Domestic Debt: 2006-2013

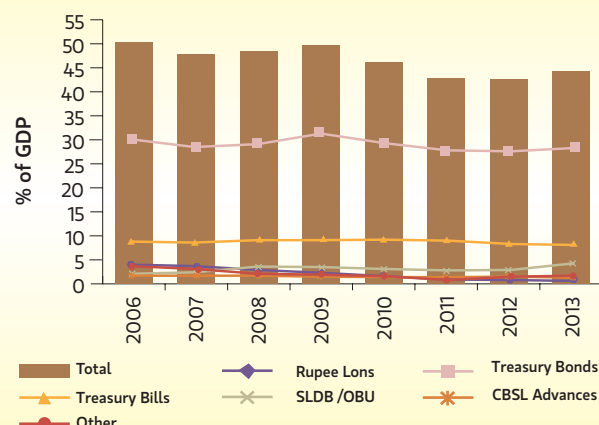


Chart 6.3 > Foreign Debt: 2006 - 2013

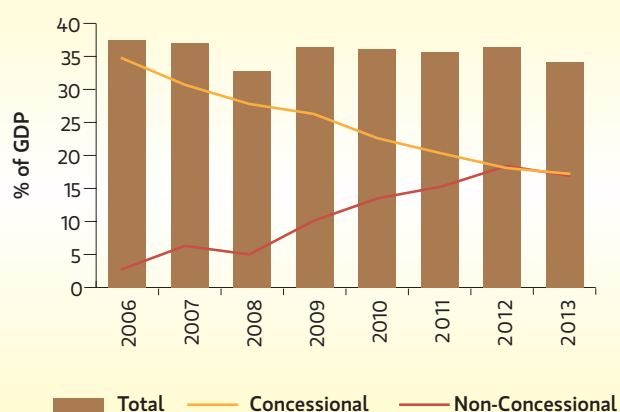
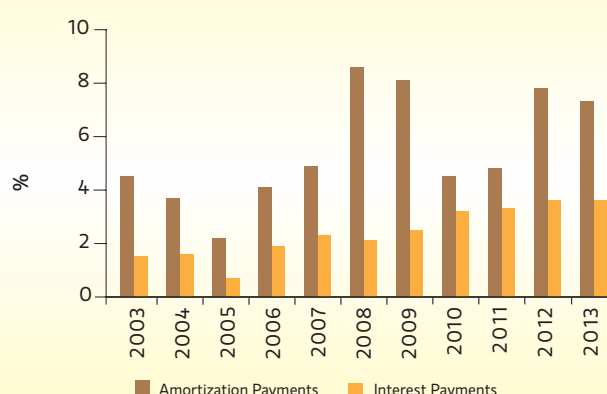


Chart 6.4 > Government Foreign Debt Servicing as a Percentage of Earnings from Exports, Services and Remittances



6.2 Government Borrowing Programme – 2013

The Parliament of Sri Lanka annually decides the gross limit of borrowing for the year through the provisions of the annual Appropriation Act. Accordingly, under the Appropriation Act No. 23 of 2012, a gross borrowing limit of Rs 1,303 billion was provided to finance the resource gap for the year 2013.

In order to finance the resource gap during the year, the government increasingly relied upon domestic sources in 2013. Accordingly, actual total gross borrowing from domestic sources amounted to Rs.1,103 billion, including rupee denominated Treasury bills and Treasury

bonds issued to foreign investors, accounting for 85.8 percent of the domestic borrowings in comparison to 66.9 per cent in 2012. The amount raised from foreign sources amounted to Rs. 183.3 billion, representing the balance 14.2 percent of the total gross form borrowing.

Underscoring the government debt management strategy of borrowing at lowest possible cost with appropriate maturity periods, actions were taken to issue longer tenure Treasury Bonds in place of maturing high cost short term debt securities. Accordingly a major component of domestic borrowing comprised with Treasury Bonds, which amounted to Rs.802.4 billion in gross terms with an increase of 25 percent from Rs. 639.7 billion in 2012 including gross

Table 6.1 > **Government Borrowing Limits and Usage (Rs. Million)**

Item	2012		2013	
	Approved Limit	Usage	Approved Limit	Usage
Gross Borrowing	1,139,000	1,105,205	1,303,000	1,286,013
Domestic	832,277	739,507	1,069,000	1,102,696
Foreign	306,723	365,698	234,000	183,317
Total Financing	1,139,000	1,105,205	1,303,000	1,286,013

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

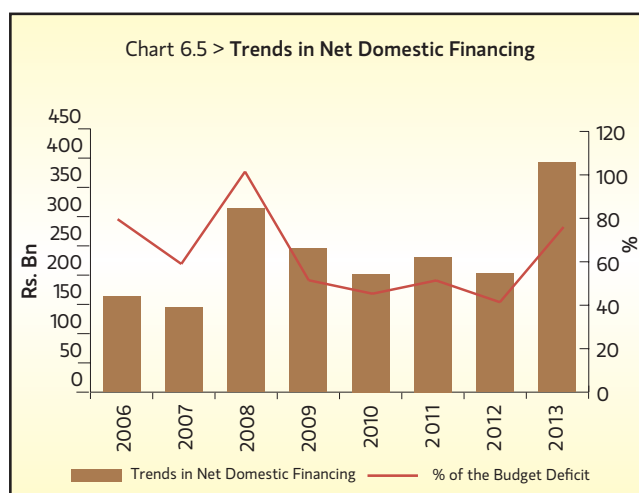
borrowings of Rs 168.0 billion through the investments in Treasury bonds by non residents. Meanwhile, the issuance of Treasury bills increased by 105 percent to Rs. 46.8 billion in 2013 over the previous year, which include gross repayment of Rs 28.5 billion of Treasury bills to the non resident investors. These borrowings were made subject to an exposure limit of 12.5 percent of outstanding Treasury bonds and bills to maintain such borrowings at prudent levels consistent with external resource position of the country. The borrowings from Sri Lanka Development Bonds (SLDBs), denominated in US dollars, amounted to Rs. 237.9 billion in 2013 in comparison to Rs. 60.4 billion in 2012.

6.3 Domestic Financing

The government continued to use domestic financial resources available by way of contractual savings institutions, such as Provident Funds, Pension, Insurance Funds as well as banking and other financial institutions, for financing the national budget. In 2013, both non-bank and bank financing increased in comparison to 2012 as there was a higher reliance on domestic financing in 2013.

6.3.1 Net Domestic Financing (NDF)

The overall resource gap, on a net basis, amounted to Rs.516 billion in 2013. This was mainly financed through total net domestic financing (NDF) of Rs.448.2 billion, which accounted for 86.9 percent of the overall resource gap in the budget¹. NDF comprised mainly of



marketable debt instruments such as Treasury bonds, Treasury bills and Sri Lanka Development Bonds (SLDBs), in line with government strategy of using marketable instruments in deficit financing complemented by the favourable conditions prevailed in the government securities market.

In 2013, net borrowings from Treasury bonds was Rs. 315.1 billion, which accounted for 70 percent of the total NDF. This includes the investments by non-residents in Treasury bonds of Rs. 61 billion. Net borrowings from Treasury bills amounted to Rs. 46.3 billion, which includes the repayment of Rs. 7.1 billion to non-resident investors. It accounted for 10.4 percent of the NDF in 2013. The net borrowings through SLDBs increased to Rs. 140.3 billion in 2013 from Rs. 18.4 billion in 2012 and represented 31.3 percent of the total NDF. There was a repayment of Rs. 53.5 billion of non-marketable borrowings in 2013.

¹The budget deficit here refers to the gross deficit adjusted for debt repayment as per economic classification. See chapter 5 for more details.

Of the total NDF, the short term borrowings declined by 111 percent to Rs. -4.3 billion in 2013 over 2012 while the medium to long term borrowings of Rs.452.5 billion in the total NDF reflected an increase from 68.2 percent.

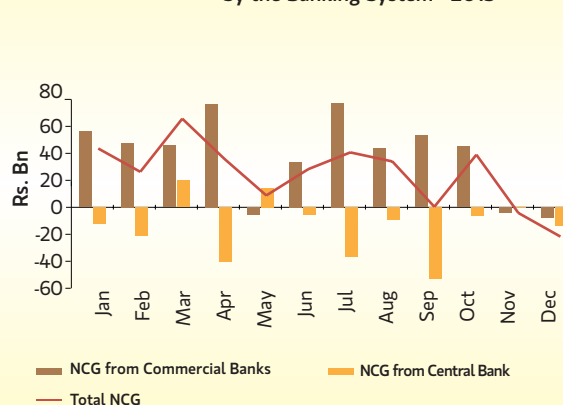
Table 6.2 > **Net Domestic Financing of the Government Budget Deficit: 2012 and 2013**

Item	Amount (Rs.Billion)		As a % of Total	
	2012	2013	2012	2013
By Type	308.2	448.2	100.0	100.0
Borrowing from Instruments	291.8	498.8	94.7	111.3
Treasury Bonds*	254.2	315.1	82.5	70.3
Treasury Bills*	22.8	46.3	7.4	10.3
Rupee Loans	-3.6	-2.9	-1.2	-0.6
Sri Lanka Development Bonds	18.4	140.3	6.0	31.3
Non Instrument Borrowings	16.4	-50.6	5.3	-11.3
Provisional Advances from the Central Bank	16.5	-2.1	5.4	-0.5
Other	-0.1	-48.5	0.0	-10.8
By Maturity	308.2	448.2	100.0	100.0
Medium to Long Term	269.0	452.5	87.3	101.0
Treasury Bonds*	254.2	315.1	82.5	70.3
Rupee Loans	-3.6	-2.9	-1.2	-0.6
Sri Lanka Development Bonds	18.4	140.3	6.0	31.3
Short term	39.2	-4.3	12.7	-1.0
Treasury Bills*	22.8	46.3	7.4	10.3
Provisional Advances from the Central Bank	16.5	-2.1	5.4	-0.5
Other	-0.1	-48.5	0.0	-10.8
By Marketability	308.2	448.2	100.0	100.0
Marketable	295.4	501.7	95.8	111.9
Treasury Bills*	22.8	46.3	7.4	10.3
Treasury Bonds*	254.2	315.1	82.5	70.3
Sri Lanka Development Bonds	18.4	140.3	6.0	31.3
Non - Marketable	12.8	-53.5	4.2	-11.9
By Ownership	308.2	448.2	100.0	100.0
Banks	131.5	297.0	42.7	66.3
Central Bank	16.1	-164.8	5.2	-36.8
Commercial Banks	115.4	461.8	37.4	103.0
Non Bank Sector	71.0	95.4	23.0	21.3
Foreign Investments in Rupee Denominated Government Securities	105.7	55.8	34.3	12.4

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

*Including investment by non residents

The borrowings from the banking system increased to Rs. 297 billion in 2013 compared to Rs. 132 billion in 2012. There was a repayment to the Central Bank of Rs. 164.8 billion while the borrowings from commercial banks increased to Rs. 461.8 billion. The higher amount of net borrowing from commercial banks was due to their increased

Chart 6.6 > **Net Credit to Government (NCG) by the Banking System - 2013**

holdings of Treasury bills and Treasury bonds. Consequently, the share of bank borrowings in the total NDF increased to 66.3 percent in 2013 from 42.7 percent in 2012.

Meanwhile, the net borrowings from the non-bank sector amounted to Rs. 95.4 billion, excluding the net foreign investments of Rs. 55.8 billion in government securities. As in the previous years, institutional investors such as Employees Provident Fund (EPF), National Savings Bank (NSB) and Employees Trust Fund (ETF) were the major contributors in the non-bank sector as government securities provide them with a risk free mode of investment for the funds generated by them. Of the total NDF, the share of non-bank borrowings declined to 21.3 percent from 23.2 percent in the previous year.

The non-resident investments in Treasury Bills and Treasury bonds in 2013 was Rs. 103.6 billion in comparison to Rs. 105.7 billion in 2012 accounting for the balance 12.5 percent of NDF.

6.3.2 Interest Rates on Government Securities

The primary market interest rates of government securities continued to decline in 2013. The downward adjustment of policy interest rates

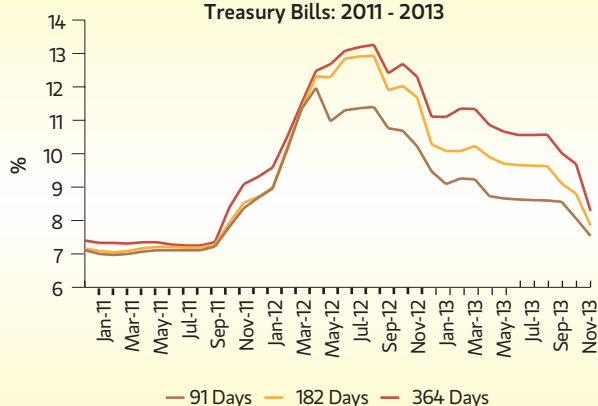
by Central Bank of Sri Lanka, excess liquidity in the domestic money market and decline in inflation as well as lower inflationary expectations consequent to sustainable single digit inflation for nearly five years were the main reasons for this decline.

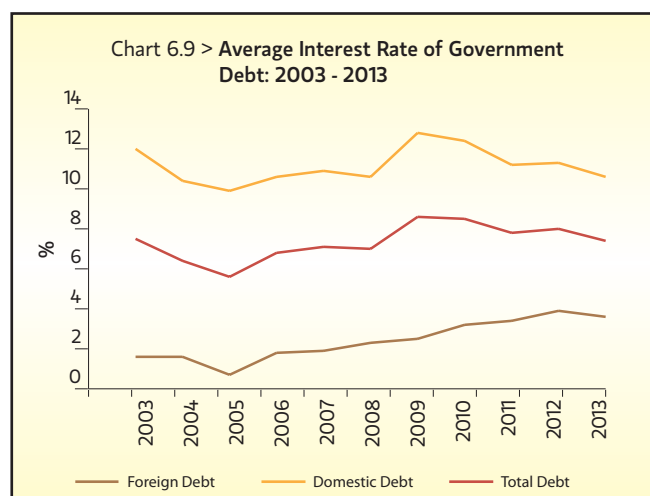
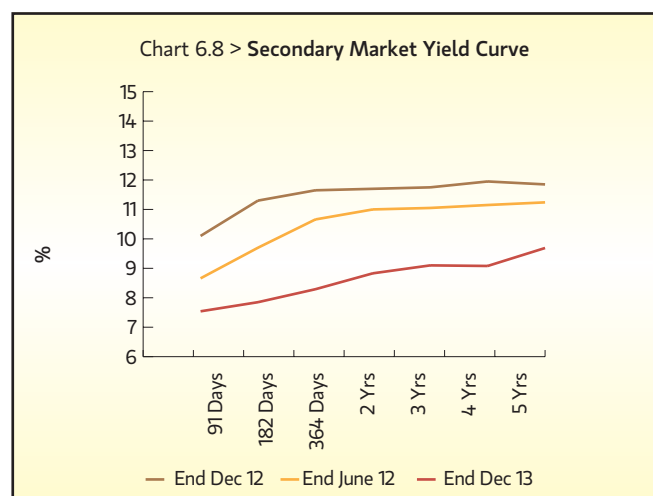
In line with the Medium Term Debt Strategy of issuing longer tenure securities the Central Bank issued 20-year and 30-year Treasury bonds in the primary market commencing end May 2013. The yields on 20-year and 30-year Treasury bonds were at 12.13 per cent and 12.50 per cent, respectively, at end 2013. Overall, the yield rates for primary market bond maturities for the short end of the yield curve (3 years and 5 months) and the longer end of the curve (30 years) ranged from 10.87 per cent to 12.50 per cent, reflecting the downward shift in the yield curve in 2013.

The Treasury bill yields of all three tenors decreased by 246 to 347 basis points in 2013. Yield rates of 91-days, 182 days and 364-days Treasury bills decreased to 7.54 percent, 7.85 percent and 8.29 percent, respectively, by end 2013. The corresponding yield rates by the end of 2012 were 10.00 percent, 11.32 percent and 11.69 percent, respectively. Meanwhile, the average interest rate on SLDBs remained at 6 months LIBOR plus a margin of 4 percent in 2013 reflecting the continued investor confidence.

In 2013, the overall average interest rate on the domestic debt declined to 10.6 from 11.3 percent in 2012 and 11.2 per cent in 2011 reflecting the downward movement of the market interest rates. The yield rates of Treasury bonds also declined to 11.4 percent reflecting the lower cost of long term funds.

Chart 6.7 > Monthly Average Yield Rates of Treasury Bills: 2011 - 2013



Table 6.3 > **Annual Average Yield Rates of Domestic Debt Instruments: 2009 - 2013**

Item	2009	2010	2011	2012	2013
Treasury bills (%)	8.6	7.4	8.9	11.0	7.9
Treasury bonds (%)	10.5	8.7	8.3	13.9	11.4
Rupee Loans (%)	12.6				
SLDBs (%)	LIBOR+4.91	LIBOR+3.86	LIBOR+3.76	LIBOR+4.03	LIBOR+4

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

6.4 Domestic Debt

Total domestic debt, excluding the rupee denominated Treasury bills and bonds issued to non residents, increased by 19 percent or Rs.600 billion over the previous year to Rs. 3,832.8 billion by end 2013. The ratio of domestic debt to total debt increased from 53.9 percent in 2012 to 56.4 percent in 2013 reflecting a high weight in borrowings from the domestic sources. As a percentage of GDP, total domestic debt increased to 44.2 percent from 42.7 percent in 2012. Meanwhile, the US dollar denominated domestic debt (SLDBs and

OBUs) increased by Rs. 6.5 billion in 2013 due to the depreciation of the Sri Lanka rupee against the US dollar.

6.4.1 Composition of Domestic Debt

6.4.1.1 Composition by Type

Of the total domestic debt by end 2013, the share of Treasury bonds and Treasury bills accounted for 64 percent and 18.3 percent, respectively. The balance accounted for SLDBs (9.6 percent), provisional advances from the Central Bank (2.8 percent), Rupee loans (1.4 percent) and other borrowings (3.9 percent).

The stock of Treasury bonds increased by 17.1 percent to Rs. 2,452 billion in 2013 over 2012 while the stock of Treasury bills amounted to Rs.700.1 billion, an increase of 11.3 percent over 2012. Total SLDBs issued increased by 65.6 percent to Rs. 369.2 billion as at end 2013.

Chart 6.10 > **Composition of Domestic Debt by Type**

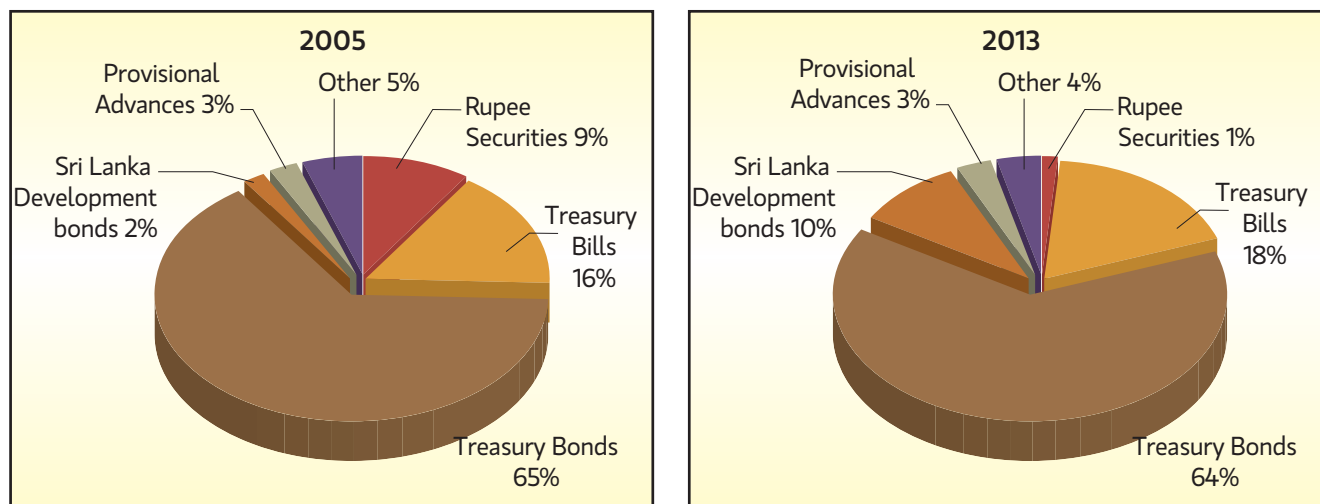


Table 6.4 > **Central Government Domestic Debt^(a)**

Rs Million

Item	2006	2007	2008	2009	2010	2011	2012	2013
Total Domestic Debt	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085	3,232,813	3,832,825
By Type								
Rupee Loans	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518
Treasury Bills	257,732	307,012	402,600	441,032	514,442	590,885	629,070	700,137
Treasury Bonds	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251	2,095,054	2,452,360
Sri Lanka Development Bonds	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215
Provisional Advances	49,015	60,679	76,308	73,881	77,879	94,743	111,292	109,167
Other	107,329	110,686	90,528	92,160	67,869	53,400	116,017	146,428
By Maturity								
Short term	313,218	363,199	516,364	560,646	619,549	698,190	813,273	909,156
Treasury Bills	257,732	307,012	402,600	441,032	514,442	590,885	629,070	700,137
Provisional Advances	49,015	60,679	76,308	73,881	77,879	94,743	111,292	109,167
Other	6,471	-4,492	37,456	45,733	27,228	12,562	72,911	99,852
Medium and Long - Term	1,166,012	1,351,999	1,623,863	1,840,309	1,946,113	2,105,895	2,419,541	2,923,670
Treasury Bonds	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251	2,095,054	2,452,360
Rupee Loans	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518
Sri Lanka Development Bonds	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215
Other	100,858	115,179	53,071	46,426	40,640	40,838	43,107	46,577
By Marketability								
Marketable	1,206,173	1,412,323	1,843,383	2,122,623	2,332,206	2,593,981	2,947,118	3,521,712
Treasury Bills	257,732	307,012	402,600	441,032	514,442	590,885	629,070	700,137
Treasury Bonds	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251	2,095,054	2,452,360
Sri Lanka Development Bonds	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215
Non - Marketable	273,057	302,875	296,845	278,332	233,456	210,104	285,695	311,113
By Ownership								
Banks	395,470	415,318	657,424	705,766	691,716	886,221	1,060,317	1,433,773
Central Bank	117,624	104,817	239,248	109,593	78,376	263,330	265,198	112,396
Treasury Bills	69,370	44,964	163,584	37,451	2,993	169,797	154,005	3,053
Provisional Advances	49,015	60,679	76,308	73,881	77,879	94,743	111,292	109,167
Other	-761	-826	-644	-1,739	-2,496	-1,210	-99	176
Commercial Banks	277,846	310,501	418,175	596,173	613,341	622,893	795,119	1,321,377
Rupee Loans	22,088	15,870	15,870	17,251	17,615	16,234	15,870	15,870
Treasury Bills	52,805	68,818	87,869	160,081	220,358	185,756	219,748	443,951
Treasury Bonds	46,595	58,416	90,081	188,576	162,215	206,547	244,770	386,398
Sri Lanka Development Bonds	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215
Other	93,889	80,938	65,550	62,186	39,276	30,511	91,737	105,943
By Ownership	277,846	310,502	418,177	596,172	613,340	622,892	795,119	1,321,377
State Banks	154,354	130,272	144,641	167,860	138,708	193,698	283,426	435,111
Other	123,592	180,230	273,536	428,313	474,632	429,194	511,693	886,267
Non Bank Sector	1,083,660	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864	2,174,447	2,399,053
By Type	1,083,660	1,299,879	1,482,804	1,696,189	1,873,945	1,917,864	2,172,496	2,399,053
Rupee Loans	94,525	115,539	114,139	95,040	70,094	45,727	42,516	39,648
Treasury Bills	135,557	193,230	151,146	243,499	291,091	235,333	255,317	253,133
Treasury Bonds	839,377	960,436	1,191,897	1,324,936	1,481,672	1,612,704	1,850,284	2,065,962
Other	14,201	30,574	25,622	31,713	31,089	24,100	24,379	40,310
By Ownership	1,083,660	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864	2,172,495	2,399,053
National Savings Bank	166,457	192,413	204,067	257,084	286,514	314,319	330,150	358,243
Savings Institutions & Individuals	305,132	366,161	431,562	410,540	482,305	436,221	408,827	350,562
Employees' Provident Fund	469,618	575,460	676,310	806,192	861,341	950,474	1,173,870	1,393,458
Insurance Institutions	13,234	21,012	25,976	34,490	31,089	34,356	33,768	30,849
Finance Companies	6,361	8,826	11,422	10,756	12,856	11,064	17,040	27,839
Other	122,859	136,007	133,467	176,127	198,090	171,431	208,841	238,102

Sources : Department of Treasury Operations and Department of State Accounts of the General Treasury, and Public Debt Department of the Central Bank of Sri Lanka

(a) Excludes non-residents investments in Treasury bills and Treasury bonds, which are included in foreign debt.

6.4.1.2 Composition by Maturity

The medium and long term debt, which has a maturity period in excess of one year, accounted to Rs. 2,923.7 billion by the end of 2013, which is an increase of Rs. 504 billion compared to Rs. 2,420 billion recorded in 2012. Share of medium and long term debt to the total domestic debt amounted to 76.3 percent, reflecting a 1.5 percent increase over the previous year. Total Treasury bonds of Rs. 2,452.4 billion constituted 83.9 percent of the total medium to long term debt. The concentration of the government borrowings towards medium to longer term instruments facilitated the government to extend its yield curve during the year 2013 and even out debt repayments at maturity to prevent bunching.

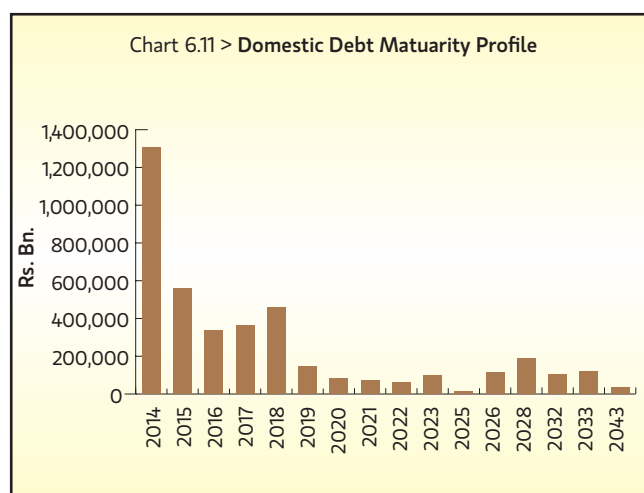


Table 6.5 > **Maturity Structure of Domestic Debt - As at end 2013 (Rs. million)**

Year of Maturity	Instrument				Total	Maturity as a % of Total
	Treasury bills	Treasury bonds	Rupee Loans	SLDBs		
2014	774,052	464,777		68,122	1,306,951	32.20
2015		452,390	31,430	77,219	561,038	13.80
2016		269,063		68,923	337,985	8.30
2017		206,092		154,951	361,044	8.90
2018		460,184			460,184	11.30
2019		144,903			144,903	3.60
2020		82,303			82,303	2.00
2021		73,994			73,994	1.80
2022		59,418			59,418	1.50
2023		74,494	24,088		98,582	2.40
2025		11,044			11,044	0.30
2026		111,636			111,636	2.80
2028		187,355			187,355	4.60
2032		102,920			102,920	2.50
2033		121,465			121,465	3.00
2043		33,809			33,809	0.80
Total	774,052	2,855,846	55,518	369,215	4,054,631	100

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

Excluding Bank OD and Bonds issued in favour of CPC

Of the total domestic debt, the short term debt, which has a maturity period of less than one year, amounted to Rs.909.2 billion by end 2013. This was an increase of Rs. 95.9 billion from Rs. 813.3 billion in 2012. Treasury bills continued to dominate by accounting for 77 percent of the total short term domestic debt of the government. Issuance of longer tenure securities in line with the medium term debt management strategy of the government resulted increase in the average time to maturity (ATM) of domestic debt to 4.8 years in 2013 from 3.25 years in 2012.

6.4.1.3 Marketability of Domestic Debt

Treasury bills, Treasury bonds and SLDBs constituted the portfolio of marketable debt instruments. The stock of marketable debt increased by 19.5 percent to Rs. 3,522 billion in 2013 over Rs. 2,947 billion in 2012 reflecting increased investor confidence on marketable debt instruments. Of the total domestic debt, marketable debt accounted for 91.9 percent while the non-marketable debt was only 8.1 percent (Rs. 311 billion).

Chart 6.12 > **Marketability of Government Domestic Debt**

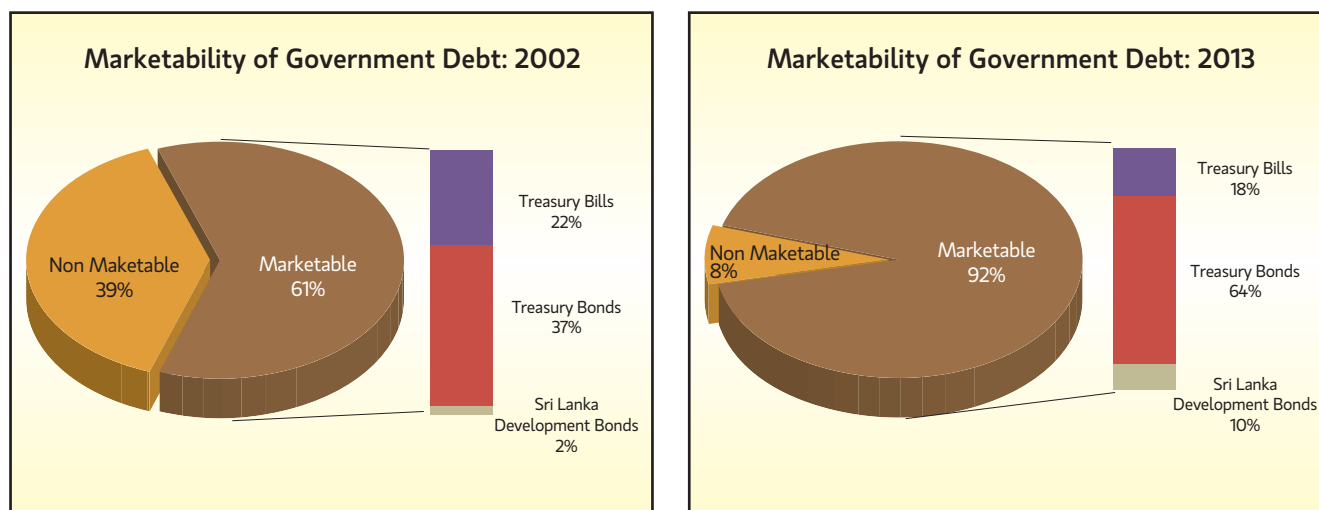
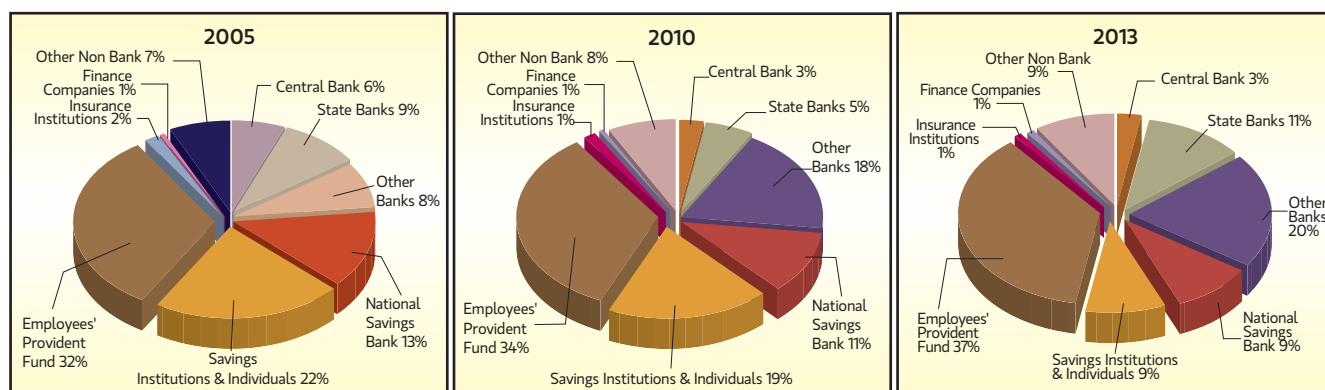


Chart 6.13 > **Composition of Domestic Debt by Ownership**

6.5 Ownership of Domestic Debt

The ownership of domestic debt by both banking sector and non-banking sector increased respectively by 35.2 per cent and 10.4, while the share of non-banking sector in the total domestic debt declined to 62.6 percent in 2013 from 67.2 percent in 2012. Increase in domestic debt owned by commercial banks resulted in due to the increase in holding of domestic debt securities by banking sector, while increase in domestic debt owned by EPF, NSB and finance companies has resulted in the increase in holding of domestic debt by the non bank sector, The domestic debt held by the Central Bank declined to Rs. 112.4 billion in 2013 from Rs. 265.2 billion in 2012 mainly due to the decline in the Central Bank holdings of Treasury bills by Rs. 151 billion in comparison to the marginal decrease in the previous year.

6.6 Domestic Debt Service Payments

Total domestic debt service payments in 2013 amounted to Rs. 850.7 billion in comparison to Rs. 733.1 billion recorded in 2012. This comprised with amortization payments of Rs. 496 billion (58.3 percent) and the interest payments of Rs. 354.8 billion (41.7 percent). Both the amortization payments and the interest payments on domestic debt increased

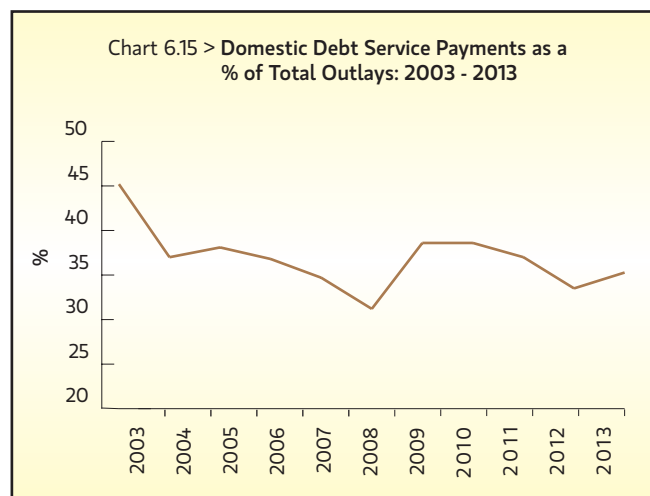
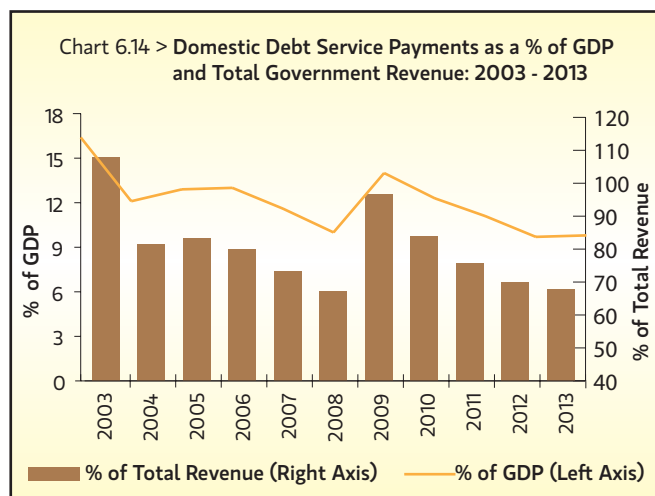
by Rs. 80.6 billion and Rs. 37 billion, respectively in 2013 over the previous year.

Total domestic debt service payments as a percentage of GDP increased marginally to 9.8 percent in 2013 from 9.7 percent in 2012. Domestic interest payments as a percentage of GDP declined to 4.1 percent from 4.2 percent in 2012 while domestic amortization payments increased to 5.7 percent from 5.5 percent in the previous year. Domestic debt service payments to the total government revenue increased to 74.8 percent from 69.7 percent in the previous year.

Table 6.6 > **Domestic Debt Service Payments (Rs. million)**

Year	Principal Repayments	Interest Repayments	Total
2003	185,083	113,540	298,623
2004	147,740	105,878	253,618
2005	203,347	113,164	316,511
2006	247,536	133,787	381,323
2007	252,165	161,370	413,535
2008	258,720	182,198	440,918
2009	401,296	273,977	675,273
2010	389,672	297,127	686,799
2011	439,894	288,134	728,028
2012	415,441	317,659	733,100
2013	496,042	354,706	850,748

Sources : Department of Treasury Operations, Department of State Accounts and Central Bank of Sri Lanka

Table 6.7 > **International Comparison**

Country	Debt to GDP
Canada	89.10
China	22.40
Euro Area	92.60
France	93.50
Germany	78.40
Greece	175.10
India	67.72
Italy	132.60
Japan	227.20
Malaysia	54.80
Pakistan	70.80
Russia	13.41
United Arab Emirates	16.70
United Kingdom	90.60
United States	101.53

Sources : www.tradigeconimics.com

The reduction of the government debt to GDP ratio to a risk free level is the main objective of the government's debt management strategy as per the Fiscal Responsibility (Management) Act of the 2003, as amended. Accordingly, the debt to GDP ratio is expected to reduce to 65 percent by 2016 and to 60 percent by 2020 from 78.3 percent at the end of 2013.

6.7 Foreign Financing

Overview

The Government has attached high priority to implement strategic development initiatives identified in the “Mahinda Chinthana: Vision for the Future” policy framework. Accordingly, the Government will continue to maintain annual public investment in the range of 6-7 percent of GDP during this period. The external financing will represent a significant share of the public investment as domestic financial resources are hardly adequate to meet the resource requirement of the country’s accelerated development programme.

Over the years, the foreign financing portfolio of the country has become very diverse. The volume, composition and the form of foreign financing has changed with the increased demand for foreign financing in parallel to the steady increase of country’s per capita income. While the share of outright grants and concessional financing in the foreign financing basket has been reduced, the proportion of the mix credit and the credit provided through export-credit arrangements of the bilateral and multilateral sources as well as financial markets has taken prominence over the years. In 2013, Sri Lanka has borrowed USD 2,508 million for implementation of development projects. Out of this amount, 35 percent was represented by Export Credit.

The increase of per capita income level of the country has given more flexibility for Government to allocate its resources. Most of the social development programmes which were earlier financed through foreign borrowings are now being financed through local resources. The external borrowings are mobilized mostly to finance large-scale infrastructure projects in the areas of roads and highways, power & energy, ports and aviation, railways, irrigation, urban development, water supply and sanitation. The concessional financing obtained by the

Government are generally allocated for human resources and social infrastructure development including education, health and skills



development to supplement domestic resources. In parallel with the improvements in country’s macroeconomic fundamentals, Sri Lanka entered into the international bond market with the issuance of a sovereign bond for USD 500 million in 2007. Subsequently, the country also tapped the international bond market in 2009, 2010, 2011, 2012 and in January 2014. At the end of January 2014, the country has issued development bonds amounting to USD 4,500 million with maturity of five to ten years.

Despite previous stemming from external shocks and natural disasters, Sri Lanka keeps a sound record of maintaining default free status by settling all debt obligations on time. In 2013, Sri Lanka has paid USD 705.0 million as capital re-payments and USD 454.0 million as interest payments for loans obtain from external development partners to implement development projects and programmes. Total external debt service in relation to foreign earnings from exports of goods, services and remittance in 2013 was 11.2 percent. With the transformation of Sri Lanka from a low income to a middle income country and also the reduction of external debt in relation to the GDP as well as the export of goods, services and remittances in 2013, Sri Lanka has taken initiatives to share its development experience with other countries through technical and grant assistance programmes with the objective of further strengthening its bilateral economic

corporation with other countries. Accordingly in 2013, the government extended grant assistance to Maldives with the amount of USD 10 million.

Foreign Financing Commitments

In line with the development policy framework of the Government and the connected Medium Term Public Investment Strategy 2014-16 as well as the Framework for Mobilization of External Financing 2013-2015, the Government entered into 63 financial agreements with foreign development partners and lending agencies in 2013 subject to the borrowing limits approved by the Parliament. The financing mobilized under these agreements have been allocated for 55 priority development projects with the objective of expanding ongoing development of infrastructure facilities and enhancing such facilities island wide.

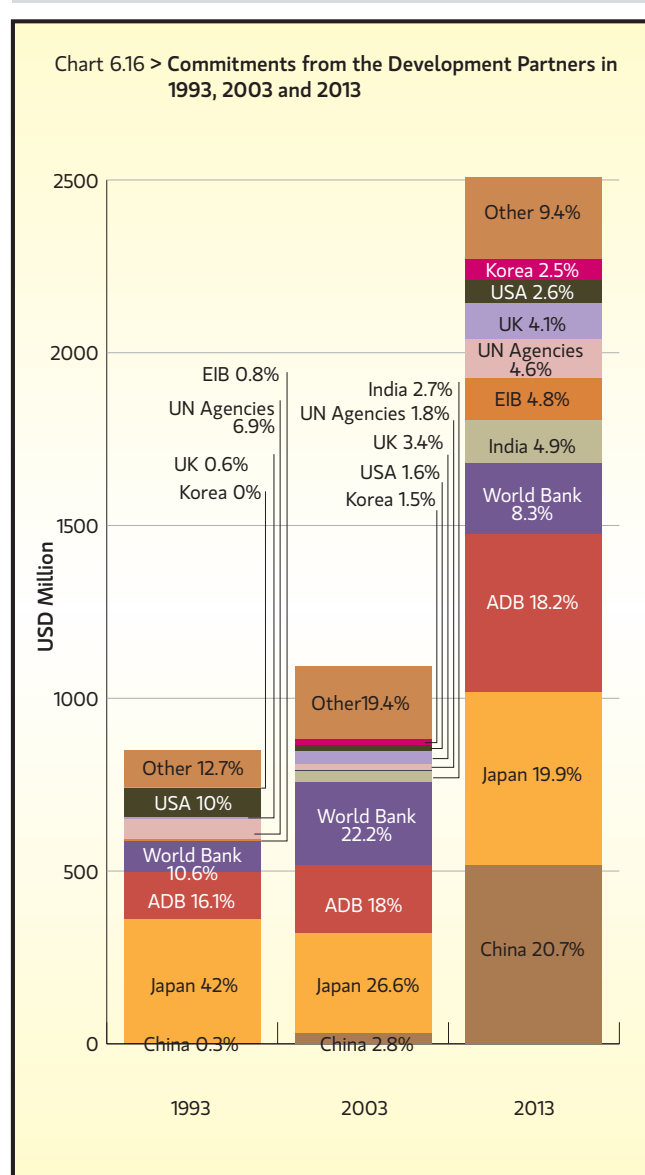
Table 6.8 > **Sectoral Allocation of Foreign Borrowing in 2013**

Sector	Amount (USD Mn)	%
Water Supply & Sanitation	425.4	17
Roads and Bridges	335.3	13
Health & Social Welfare	307.2	12
Power & Energy	298.2	12
Transport	293.9	12
Education	213.9	9
Ports & Shipping	155.4	6
SME and Multi Sector	137.0	5
Agriculture (including Livestock & Fisheries)	57.3	2
Environment	84.0	3
Skills Development	32.0	1
Other	168.0	7
Total	2,507.6	100

Source : Department of External Resources.

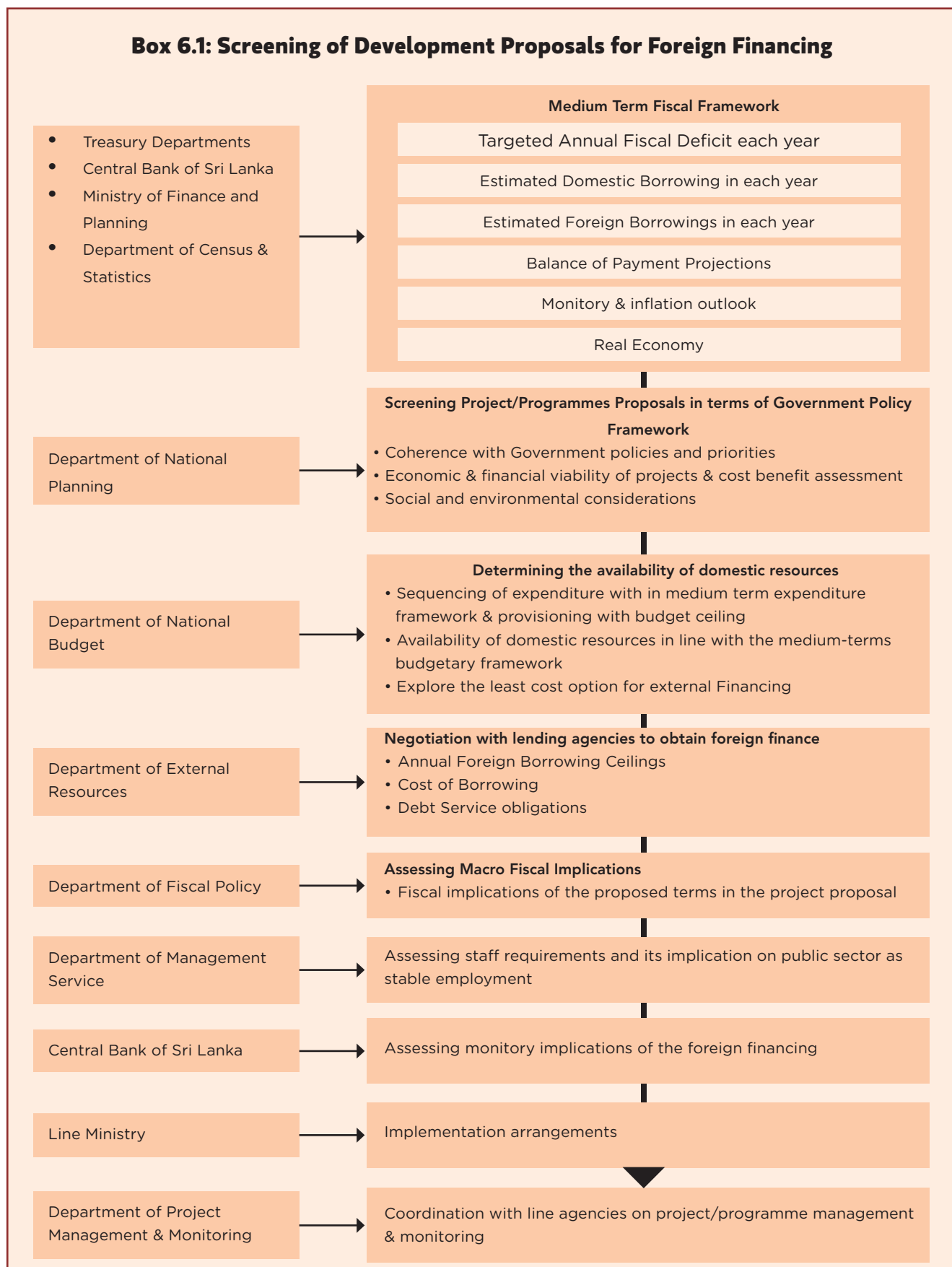
Note : * Other = Defence (USD 124.0 million), Governance and Justice (USD 40.5 million), Institutional Strengthening (USD 3.1 million) and Humanitarian Assistance (USD 0.4 million).

The total commitment made by development partners and export credit agencies in 2013 amounted to USD 2,507.6 million of which, 92 percent (or USD 2,302.0 million) was committed in the form of loans and the balance (8 percent or USD 205.6 million) was made as grants.



Source: Department of External Resources

Box 6.1: Screening of Development Proposals for Foreign Financing



Main Projects for which Commitments have been received in 2013

Education Sector Development Programme (USD 200.8 million) - ADB

This programme aims to achieve four major outputs in the education sector;

- (i) Improved student learning
 - (ii) Improved equity and efficiency of the secondary school system
 - (iii) Strengthening school leadership
 - (iv) Strengthening capacity for effective programme planning and implementation
- The ADB financing will be made purely on sector wide approach and loan proceeds will be used to support the medium-term expenditure programme of the education sector over the 5 year period from 2013.



Clean Energy and Network Efficiency Improvement Project (USD 130.3 million) - ADB

This project aims to achieve future energy requirements of Sri Lanka in an environment friendly way while increasing the clean energy sources to national grid and improving the efficiency and reliability of the delivery of electricity in Sri Lanka.



The outputs of the project involve;

- (i) Construction of two double circuit 132 KV transmission lines from New Anuradhapura to Vavunia (55 km) and Vavunia to Mannar (70 km)
- (ii) Augmentation of grid substations at Vavunia and Mannar
- (iii) Improving the transmission and distribution network efficiency in Western, Sabaragamuwa and North Western Provinces
- (iv) A pilot project on rooftop solar power generation

Matara Beliatta Section of Matara Kataragama Railway Extension Project (USD 282.9 million) - China (EXIM Bank)

The objective of the project is to improve the transport system in the Southern Region by providing an efficient rail transport from Colombo to Kataragama. The proposed Matara Beliatta Section (Phase 1) is 26.75 kilometers in length, and will be designed as a single line track with operating speed of 120 kilometers per hour. The railway extension will provide passenger services as well as freight service to meet the demand for next 25 years with the operation of new port and airport at Hambantota.



Hambantota Port Development Project Phase I for Ancillary Works and Supply of Equipment (USD 147.0 million) - China (EXIM Bank)

The total contract price of the Phase I of the Hambantota Port Development project has been increased by Rs. 16,018.3 million due to price escalation, changes in designs, and change in the scope. The Export - Import (EXIM) Bank of China has provided a Chinese Government Concessional Loan to cover the above cost and the proceeds of the loan utilize for;

- (i) Deepening the harbor basin for additional 1m depth
- (ii) Dredging for approaching channel
- (iii) Additional work of oil terminal, breakwater and revetment modification and handling facilities
- (iv) New administration and services building
- (v) Change specification of navigational aid and price escalation.



Health Sector Development Programme (USD 196.5 million) - Budget Support by World Bank (HSDP)

The total budgetary requirement for the five year Health Sector programme is around USD 5,170 million and the International Development Association (IDA) of World Bank provides USD 196.5 million for SHSDP by way of a budget support loan in support of government commitment towards higher health expenditure.

The HSDP has been developed for a five-year period covering thematic areas such as

- (i) Malnutrition
- (ii) Prevention and control of non-communicable diseases
- (iii) Maternal & child health and health system improvement



Greater Colombo Transmission and Distribution Loss Reduction Project (USD 166.4 million) - JICA/Government of Japan

The project aims in construction of transmission and distribution network in Greater Colombo area according to Medium Voltage Distribution Development Plan and Systems Augmentation Plan by constructing new Low Voltage (LV) lines with distribution sub stations, LV line interconnections, single phase to three phase conversion etc. in order to strengthen transmission and distribution capacity while minimizing the distribution losses thereby contributing to economic developments in greater Colombo area.



Major Bridges Construction Project of the National Road Network (USD 129.2 million) - JICA/ Government of Japan

Realizing that the efficient and reliable transport system is a prerequisite for sustainable economic development of the country, the above project was signed in 2013, with the aim of constructing 37 major new bridges of the national road network which are more than 30 meters in length including;

- (i) 13 bridges in Western Province
- (ii) 8 bridges in Northern Province
- (iii) 9 bridges in Southern Province
- (iv) 3 bridges in Sabaragamuwa Province
- (v) 2 bridges in North Western Province
- (vi) One bridge each in Central as well as in Uva Province



EIB Credit-line for the financing of Investments on Small and Medium Enterprises and Green Energy Sources in Sri Lanka

Out of this credit-line of USD 121 million extended by the European Investment Bank (EIB), 70 percent will be utilized to finance Small and Medium Enterprises development and 30 percent will be channeled to finance investments in Green Energy Sector such as Renewable Energy and Energy Efficient Initiatives in Sri Lanka. Proceeds of the Credit-line will be on-lent and disbursed through DFCC, Commercial and RDB at interest rate of 8 percent to the end users who undertake projects in relevant sectors. It is expected to stimulate economic growth and expand economic development activities in Sri Lanka in line with this Credit-line.



Table 6.9 > **Details of the Commitments made by Development Partners and Lending Agencies (2013)**

Development Partner	Amount (USD Mn)			
	Loan	Grant	Total	%
Bilateral	1,479.4	77.4	1,556.8	62.1
China	517.9	-	517.9	20.7
Japan	429.1	68.7	497.8	19.9
India	124.0	-	124.0	4.9
United Kingdom	103.7	-	103.7	4.1
United States of America	64.9	-	64.9	2.6
Korea	59.6	2.7	62.3	2.5
Other*	180.2	6.0	186.2	7.4
Multilateral	822.6	128.2	950.8	37.9
Asian Development Bank	455.0	2.5	457.5	18.2
World Bank (International Development Association)	196.6	11.1	207.7	8.3
European Investment bank	121.0	-	121.0	4.8
UN Agencies	-	114.6	114.6	4.6
OPEC Fund for International Development	50.0	-	50.0	2.0
Total	2,302.0	205.6	2,507.6	100

Source : Department of External Resources

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

* Other = Netherlands (USD 57.3 million), Hungary (USD 45.9 million), Austria (USD 31.0 million), Spain(USD 29.4 million), Hong Kong(USD 10.6 million), Germany (USD 6.0 million) and Finland (USD 5.9 million)

International Capital Market

Capital Markets, not only provide much needed liquidity to sovereigns and corporates facilitating a faster growth of the economy but it also facilitates the diversification of the funding base which ensures stability in economic systems. For emerging economies such as Sri Lanka which have targeted to maintain an average GDP growth rate of 8 percent in the medium term, it is imperative that the investment to GDP ratio of least 30 percent is maintained. In this regard, capital markets, which constitutes of debt and equity markets and the derivatives market (includes futures, forwards, options and swaps), plays a significant role in bridging the investment to savings gap, in particular through the mobilization of long term funds.

Table 6.10 > **International Bond Issuances**

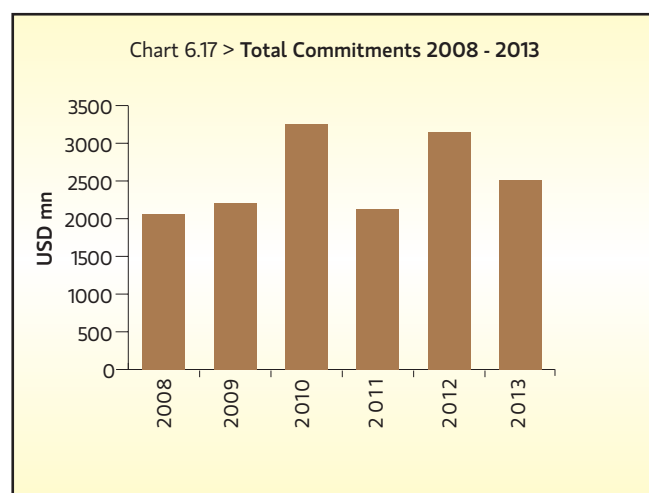
Name	Date of Issuance	Ratings (Moody's/S&P/Fitch)	Amount (USD Mn)	Coupon Rate (%)	Tenure (Years)	Maturity Date	Price As at 31.12.2013	Yield as at 31.12.2013(%)
SL'12*	17/10/2007	--/B+/BB-	500	8.250	5	17/10/12	Retired	Retired
SL'15	22/01/2009	--/B+/BB-	500	7.400	6	22/01/15	103.75	3.676
SL'20	30/10/2010	B1/B+/BB-	1,000	6.250	10	30/10/20	98.25	6.573
SL'21	27/07/2011	B1/B+/BB-	1,000	6.250	10	27/07/21	96.63	6.829
SL'22	25/07/2012	B1/B+/BB-	1,000	5.875	10	25/07/22	93.00	6.976
SL'19	6/1/2014	B1/B+/BB-	1,000	6.000	5	14/01/19	104.50*	4.918*
SL'19	7/4/2014	B1/B+/BB-	500	5.125	5	07/04/19	100.85*	4.929*

Source: Barclays Bank, HSBC and Citi Bank (Joint Lead Managers for the issuances)

*Price and yield as at 21st April 2014

Trend of Foreign Financing Commitments

The Government borrowed USD 15,378 million with annual average commitment of about USD 2,560 million during 2008-2013 period for implementation of priority development projects and programmes that have been identified in the Mahinda Chintana - Vision for the Future policy framework.

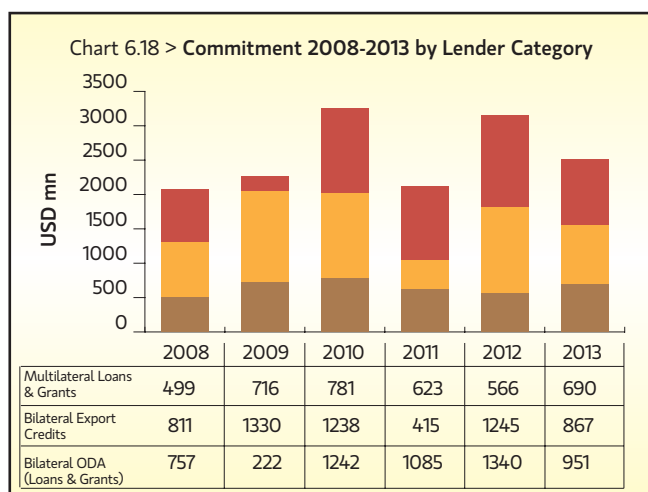


Source: Department of External Resources

The annual borrowings from multilateral agencies during 2008-2013 period remained in the range of USD 500 – 780 million while the assistance received through the bilateral ODA were in the range of USD 757 – 1,340 million. The annual average commitment received through Export Credit arrangements was USD 984 million.

These financing has complemented the public investment on the improving connectivity, enhancing water supply and irrigation facilities and expanding the electricity coverage, providing quality education and health services and building of new economic infrastructure such as power plants, expressways, ports and airports. In addition to expansion of capacity of the Colombo Port, a new sea Port and the second international airport have been constructed to facilitate the economic development of the country.

Out of the total commitments received in 2013, about 38 percent was comprised of bilateral ODA while another 28 percent was received through loans/grants from multilateral development partners. The balance 34 percent is represented by export credit.



Source: Department of External Resources

Foreign Financing Disbursements & Utilization

The total disbursements in 2013 from the commitments already made by various development partners would be USD 1,950.8 million. Of this amount, project loans accounted for USD 1,819.1 million and grants accounted for USD 131.7 million. Disbursements made during the period under review by each development partner are depicted in Table below:

Box 6.2: Sri Lanka, first in South Asia, to Innovative form of World Bank Financing for Risk Management

Sri Lanka has become the First South Asian Country to access an innovative form of World Bank financing that provide immediate payouts after a major catastrophe such as Tsunami, Cyclone, or flood. The World Bank has agreed to provide USD 102 million development policy loan (DPL) with a Catastrophe Differed Drawdown Option (CATDDO), which is a line of credit that can be drawn on a partially or in full if a country declares a state of disaster after a natural disaster.

The World Bank also agreed to finance USD 110 million for Climate Resilience Improvement Project (CRIP), which will finance both short and long term interventions to reduce climate and disaster risk.

People live in disaster prone areas are usually the first to suffer in natural disasters and they usually do not have adequate resources to cope with the losses of income and property. The package of financial support, including a first of its kind facility for South Asia will help Sri Lanka to respond more effectively to help people suffering from a natural disaster.

The DPL with CATDDO facility was first launched by the World Bank in 2008 with the first users being middle income country in Latin America and the Caribbean. Countries accessing the facility after a major disaster found it to be a flexible and prompt financial tool that enables governments to focus on emergency respond measures that spend valuable time and resources to raise funds.

Sri Lanka's status as the first country in South Asia to access the facility reflects its rise as a middle income country and increasing sophisticated development needs.

Table 6.11 > **Foreign Financing Disbursements in 2013 by Development Partner and Lending Agency**

Development Partner/ Lending Agency	Amount (USD Mn.)		Total
	Loan	Grant	
Bilateral	1,328.8	95.8	1,424.6
China*	526.2		526.2
Japan	265.0	12.1	277.1
India	188.2	71.9	260.1
Russia	64.6	-	64.6
Iran **	27.0	-	27.0
Netherland	55.4	-	55.4
South Korea	36.5	-	36.5
Sweden	23.6	-	23.6
Spain	15.5	-	15.5
Australia	10.5	-	10.5
United States of America	-	9.6	9.6
Austria	10.4	-	10.4
Hungary	9.1	-	9.1
France	14.1	-	14.1
Belgium	3.1	-	3.1
Denmark	3.4	-	3.4
Germany	4.1	2.2	6.3
Saudi Fund	10.7	-	10.7
Kuwait	0.6	-	0.6
United Kingdom	60.8	-	60.8
Multilateral	490.3	35.9	526.2
Asian Development Bank	278.3	2.5	280.8
World Bank	201.1	14.6	215.7
International Fund for Agricultural Development	6.8	-	6.8
OPEC Fund for International Development	4.1	-	4.1
UNDP	-	5.9	5.9
UNICEF	-	7.5	7.5
FAO	-	5.4	5.4
Total	1,819.1	131.7	1,950.8

Source: Department of External Resources

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

*Grant balance around USD 88.3 million is available and is being disbursed under 3 projects. Specific disbursement records are not available in ERD database as those information have not been submitted by the relevant agencies.

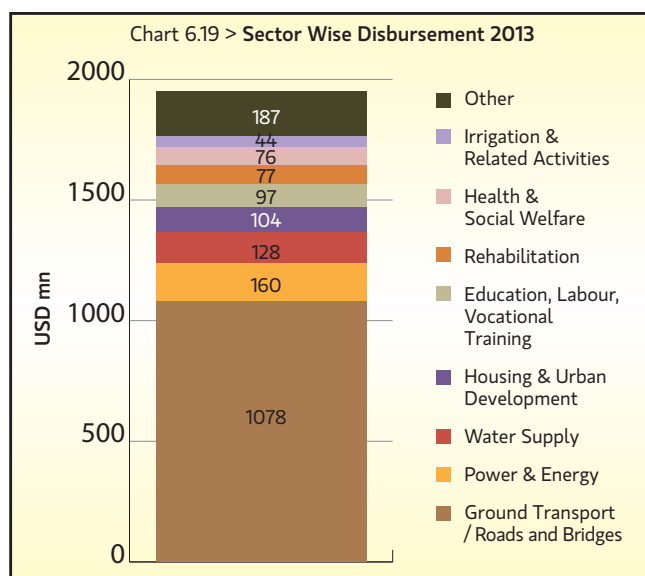
**Disbursements affected due to sanctions on Iranian financial system.

Out of the total disbursements recorded in 2013, 27 percent or USD 526.2 million was reported under the development projects funded by China and 14 percent or USD 277.1 million was from the Japanese- funded projects.

The total disbursements recorded in the projects financed by multilateral agencies such as the World Bank, Asian Development Bank and IFAD amount to USD 526.3 million which is 27 percent of the total disbursements.

Foreign Financing Disbursements by Sector - 2013

About 52 percent of the total recorded disbursements in 2013 was mobilized for the



Source: Department of External Resources

construction / rehabilitation of expressways, roads and bridges. Disbursements under power sector development projects, water supply projects and housing and urban development projects represented 8 percent, 6 percent and 5 percent respectively.

Committed Undisbursed Balance (CUB) and Utilization

The total undisbursed foreign financing balance available for development projects as at the end of 2013 was USD 7,716.6 million. Around 28 percent of this amount is earmarked for development of roads and bridges whereas balance available for Water Supply and Power and energy sectors are 12 percent for each. Average utilization rate of the commitments is 21 percent. The project implementation period relating to the existing commitments is forecasted to be in the range of 2-5 years and it is

expected that the financing commitments made so far by development partners will be utilized during this period. The utilization rates are indicated in the below table:

Table 6.12 > **Utilization Rates by Development Partner – 2013**

Development Partner	Utilization Rate (%)	Balance Available (USD Mn)
Bilateral	26.1	5,305.2
China	20.6	1,693.6
Japan	15.0	1,338.7
India	29.8	707.9
Russia	21.5	235.4
UK	38.4	97.6
Netherlands	34.2	110.1
Korea	34.1	129.7
Other	15.4	992.2
Multilateral	20.1	2,411.0
ADB	21.3	1,240.8
World Bank	32.3	661.5
Other	6.7	508.7
Total	20.8	7,716.2

Source: Department of External Resources

Table 6.13 > **Sector - wise Committed Undisbursed Balance**

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

Source: Department of External Resources

Outstanding External Debt & Debt Service Payments

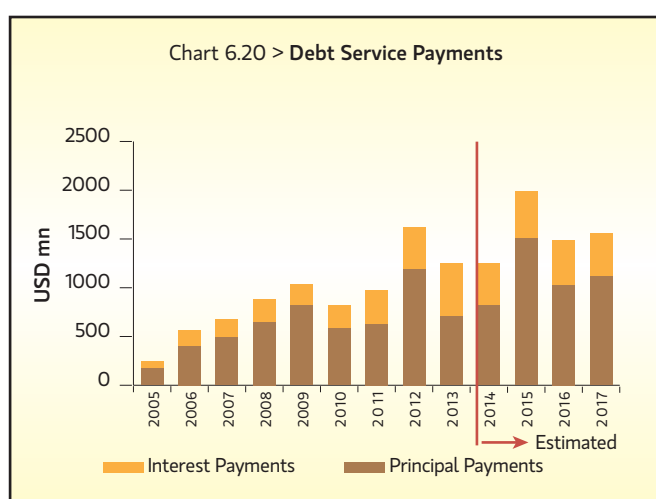
By the end of 2013, the total outstanding external debt of the Government was USD 18.9 billion¹. The total debt service payment in 2013 amounted to USD 1,159.0 million². Of this, USD 705.0 million was for principal payments and the balance USD 454.0 million was for the interest payments. The debt service payments from 2005 to 2013 and the estimated debt service payments up to 2017 are depicted in the below Chart. The noticeable hike in principal repayments reported in 2012, A similar hike in principal repayments is also expected in 2015. These are mainly due to the maturity of sovereign bonds worth of USD 500 mn each issued in 2007 and 2009 respectively by the Government one off capital payment in nature.

The Department of External Resources in consultation with other Treasury Departments and the Central Bank of Sri Lanka is engaged in negotiations with development partners to obtain foreign financing at the lowest cost.

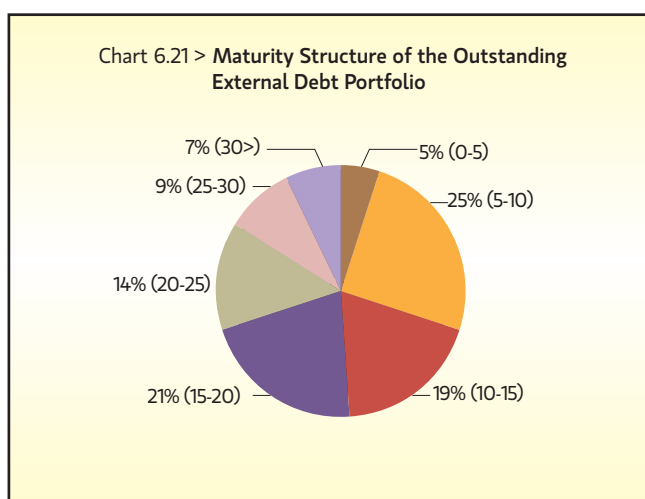
The loan repayments are distributed throughout the year to minimize the pressure on cash flow in specific months.

Maturity Structure of the Outstanding External Debt Portfolio

Since the major portion of the outstanding external debt has obtained at concessional terms and condition, most of the above loans include considerable grace periods and longer repayment periods.



Source: Department of External Resources



Source: Department of External Resources

Note: Figures are based on the existing portfolio. Loans obtained by SOEs are excluded.

¹ Contains outstanding debt of loans obtained to finance development projects and outstanding debt of International sovereign bonds. Outstanding debts of loans obtained for SOEs are not included.

² Debt Service Payments = Principal Payments + Interest Payments, Debt Service of loans obtained for SOEs are not included as they are serviced by respective SOEs as reflected in those balance sheets.

Out of the total outstanding foreign debt of USD 18.9 billion obtained to finance development projects, only about 5 percent will mature during next five years. About 25 percent of the total outstanding external debt will mature in 5-10 years and 19 percent will mature in 10-15 years and another 21 percent will mature in next 15-20 years and 14 percent in next 20-25 years. The remaining 16 percent will mature after 25 years. This maturity structure ensures that total debt service from 2015 onwards is within USD 1,500 million ceiling as about 7.5 percent of export of goods, services and remittance over next 10 years.

The loan conditions and repayment methods of multilateral agencies are basically common and standard-type. However, bilateral development partners and lending agencies offer vast spectrum of loan conditions and repayment terms. Since almost 70 percent of the existing outstanding debt portfolio consists of loans obtained from bilateral development partners and multilateral lending is based on cost plus consideration with a diverse range of repayment terms and conditions, the loan servicing has become more multifaceted than in the past.

Table 6.14 > **Key Debt Indicators in 2013**

Indicator	2004	2008	2009	2010	2011	2012	2013(p)	2014(f)
External Debt to GDP	47.6	32.8	36.5	36.1	35.6	36.5	34.1	32.8
NPV of External Debt to GNP	N/A	28.0	32.0	32.5	34.9	35.3	35.1	N/A
External Debt Service to GDP	2.2	3.4	3.1	2.4	2.6	3.8	3.6	3.2
External Debt to Exports	171	165	216	208	199	222	220	209
External Debt Service to Exports	5.7	13.8	14.1	8	8.5	15.5	15.2	13.2
External Interest Payments to Exports	2.4	3.4	4.4	5.7	5.9	7.3	8.0	7.2

Source: Central Bank of Sri Lanka

(p) Provisional

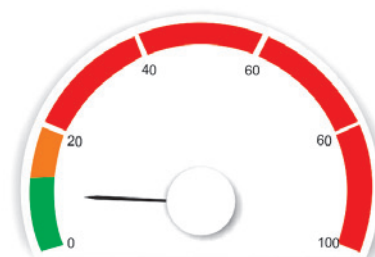
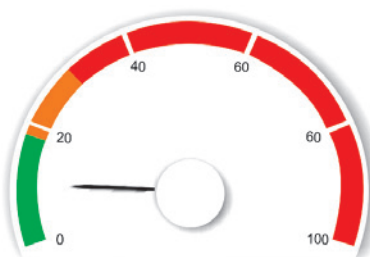
(f) Forecasts

N/A - Not available

External Debt to GDP



External Debt Service to Exports



As per the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) guidelines, Sri Lanka has been maintaining key debt indicators well within the internationally accepted thresholds except External Debt to GDP. This ratio has also gradually declined over last 5 years. The External Debt to GDP which was 47.6 percent in 2004 has declined to 34.1 percent in 2013 and projected at 30 percent by 2015; the category of less indebted ratio.

Table 6.15 > **Assessment of External Debt vulnerability of Sri Lanka 2013**

Indicator	UN - ESCAP Definition Levels			Sri Lanka 2012	Sri Lanka 2013(a)
	Less Indebted	Moderately Indebted	Highly Indebted		
Disbursed External Debt Outstanding/Gross National Income	<30%	>30% and < 50%	>50%	37.20%	35.10%
Disbursed External Debt Outstanding/Exports of Goods and Non Factor Services (b)	<165%	>165% and <275%	>275%	111.10%	106.60%
Total External Debt Service Payments/Exports of Goods and Non Factor Services (b)	<18%	>18% and <30%	>30%	11.40%	11.20%
External Interest Payments/Exports of Goods and Non Factor Services (b)	<12%	>12% and <20%	>20%	3.60%	3.90%
Net Present Value/Gross National Income	<48%	>48% and <80%	>80%	40.40%	39.80%
Net Present Value/Exports of Goods and Non Factor Services (b)	<132%	>132% and <220%	>220%	124.90%	121.03%

(a) Provisional

Source: Manual on Effective Debt Management, UN ESCAP, 2006, CBSL

As per the definition of the UN-ESCAP, external debt status of the country remains as “less indebted” category for 5 indicators out of 6 indicators of UN-ESCAP in 2013.

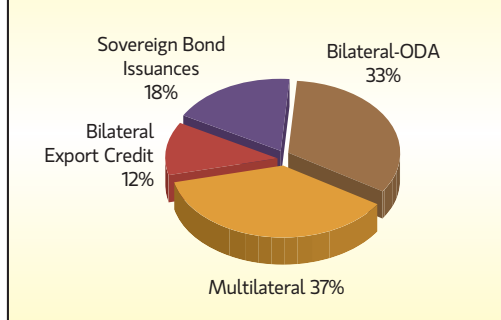
Lender Type of External Debt Stock

By the end of 2013, majority of existing debt stock consisted of the debt obtained from bilateral agencies (33 percent ODA and 12 percent Export Credits) followed by the multilateral development partners and lending agencies. Almost 18 percent from the accumulated total debt consists of funds raised through international bond issuances which are to be matured in 2015 (USD 500 million), 2020, 2021 and 2022 respectively by USD 1,000 million each year.

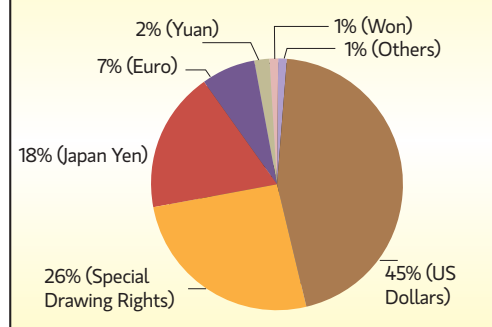
Currency Composition of External Debt Stock

The majority of the external debt stock is denominated by USD followed by SDR and Japanese Yen.

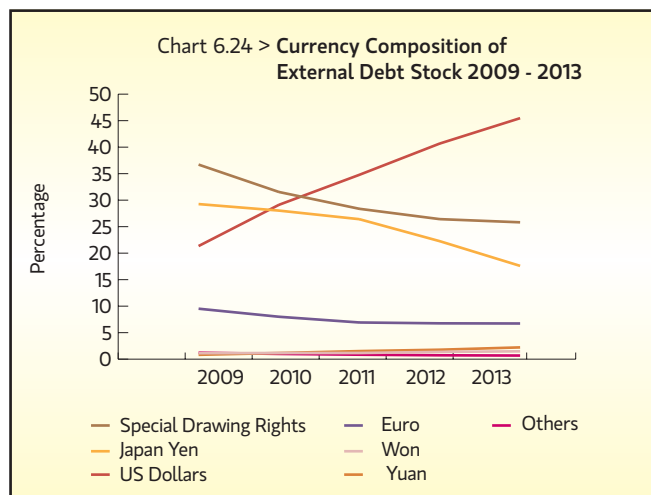
Over last 5 years, new debt obligations are accumulated in USD terms while obligations in other major currencies have been in a declining trend.

Chart 6.22 > **Composition of Outstanding Debt Stock as at the End of 2013**

Source: Department of External Resources

Chart 6.23 > **Currency Composition of External Debt Stock**

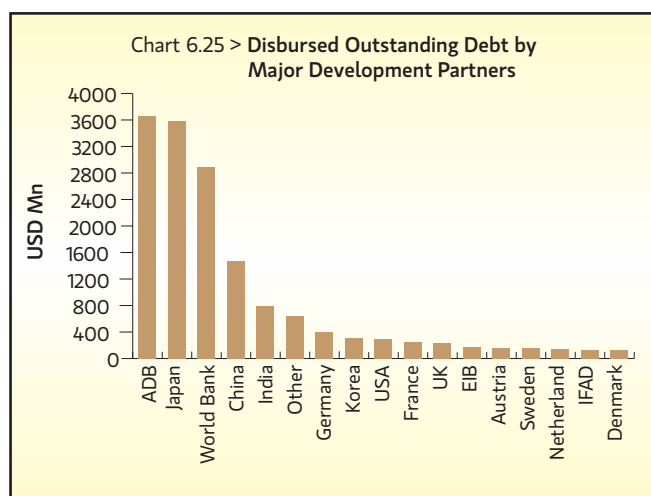
Source: Department of External Resources



Source: Department of External Resources

Disbursed Outstanding Debt by Major Development Partners

In terms of the share, almost 47 percent of the total accumulated debt represents by the ADB and Japan. However, both ADB and Japan has offered very concessional terms with higher repayment periods such as 30 years. The World Bank has become the next largest development partner with a contribution of almost 19 percent of the total foreign financings by concessional terms. China which has become a lead development partner in recent Sri Lankan infrastructure development has provided financing with 15-20 years repayment terms on



Source: Department of External Resources

weighted average interest rates of 2.46 percent reflecting the blend of international normal credit terms.

State Owned Enterprises (excluding Banks) Accessing the Domestic Debt Capital Market

As part of the government fiscal consolidation strategy, State Owned Enterprises in particular are encouraged to access both global and domestic capital markets on the strength of their Balance sheets to raise funds to finance Capital augmentation and expansion.

Road Development Authority was granted approval to access the local banks up to Rs.151 billion to finance 64 road development projects. Funding was initially targeted from the Infrastructure Investment fund that was set up in each local Bank with the savings of the corporate taxes being decreased from 35 percent to 28 percent and VAT on financial services from 20 to 12 percent. However, since the investment funds were utilized in full, the balance credit is being granted out of the Banks' operational funds at commercial rates. During the year, National School of Business Management (NSBM), Kotelawela Defence University and Sri Lanka Land Reclamation and Development Corporation have also accessed local bank financing to expand their investment activities.

The domestic financing also has the added advantages of

- Encouraging local banks to invest in long term infrastructure development projects in the country.
- Replacing external borrowing with long term domestic funds within a very short period of time reducing external debt servicing.
- Enhancing the capacity of local contractors.
- Increasing the opportunity of the local contractors which is limited under funding provided from external agencies

Table 6.16 > **Domestic Borrowings by SOEs for Infrastructure Development**

Name of SOE	Nature of the Project	Bank	Commitment as at 31.12.2013 Rs. Bn	Total disbursement as at 31.12.2013 Rs. Bn
Road Development Authority	Rehabilitation & Improvement of National Highways	BOC	28.04	12.78
		People's Bank	14.58	8.80
		NSB	21.54	6.45
		HNB	34.35	3.87
		Commercial Bank	4.32	3.02
		DFCC	0.58	-
		NDB	5.64	-
Sri Lanka Land Reclamation and Development Corporation	Flood Mitigation of Greater Colombo Area	NSB	14.22	0.40
National Water Supply & Drainage Board	Implementation of Priority Water Supply Projects	NSB	29	-
National School of Business Management	Construction of a University Complex	BOC	8.6	1.42
Kotalawala Defence University	Construction of a Teaching Hospital	NSB	USD 201.63Mn	USD39.78Mn

Sources: Road Development Authority, Sri Lanka Land Reclamation and Development Corporation, NSBM, NSB

Equity Markets

The Colombo Stock Exchange (CSE) the only Stock Exchange in the country has 288 listed companies which is only around 5 percent of the totally active companies in the country as at the end of 31.12.2013, with a market capitalization of around USD 18 billion. The market capitalization to GDP ratio of around 30 percent when

compared with the regional peers is relatively low. However, the relatively low Price earnings ratios of about 14 remain very attractive in comparison to regional peers. Hence, SEC targets that by 2016 it will increase market capitalization to USD 50 billion or 50 percent of the GDP.

Table 6.17 > **Trading Statistics (Equity - CSE)**

Description	2013	2012	Change (%)
Turnover-Equity(Rs. Bn)	200.47	213.82	-6.24
Domestic	128.23	160.54	-20.13
Foreign	72.24	53.28	35.59
Daily Turnover Avg- Equity(Rs. Mn)	828.38	883.58	-6.25
Trades-Equity (No's)	1,421,303	1,857,384	-23.48
Domestic	1,355,380	1,796,868	-24.57
Foreign	65,923	60,516	8.93
Shares Traded-Equity (No's-Bn)	9.05	9.69	-6.60
Domestic	7.86	8.29	-5.19
Foreign	1.19	1.40	-15.00

Source: Colombo Stock Exchange

Table 6.18 > **List of Loan Agreements Signed in 2013 and their Financial Terms**

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount million	Rs. million	USD million	Interest Type	Rate					Margin (100 basis points)
Bilateral	14/03/13	Greater Colombo Transmission and Distribution Loss Reduction	JPY	15,941.00	21,019.80	166.4	Fixed	Tranche 1 - 0.3% Tranche 2- 0.01%	N/A	-	10	40
	14/03/13	Major Bridge Construction Project of the National Road Network	JPY	12,381.00	16,325.60	129.2	Fixed	Tranche 1 - 0.2% Tranche 2- 0.01%	N/A	-	10	40
	14/03/13	Landslide Disaster Protection Project of the National Road Network	JPY	7,619.00	10,046.40	79.5	Fixed	Tranche 1 - 1.4% Tranche 2- 0.01%	N/A	-	7	25
	14/03/13	Anuradhapura North Water Supply (Phase i)	JPY	5,166.00	6,811.90	53.9	Fixed	Tranche 1 - 1.4% Tranche 2- 0.01%	N/A	-	7	25
Korea	23/07/13	Construction of Solid Waste Disposal Facilities	USD	33.5	4,407.10	33.5	Fixed	0.15	N/A	-	10	40
	23/07/13	Establishment of Colombo Central Vocational Training Center and Gampaha College of Technology Project in Sri Lanka	USD	26	3,422.80	26	Fixed	0.15	N/A	-	10	40
India	11/11/13	Procurement of Two Advanced Off-shore Patrol Vessels	USD	124	16,260.30	124	Variable	LIBOR - 6 Month for USD	3.5	Management Fee (0.5% of loan amount, payable one time)	3	10
										Insurance Premium Fee (5% of principal portion & 1% for interest portion)		
										Guarantee Fee (0.5% calculated on accrued interest)		

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount million	Rs. million	USD million	Interest Type	Rate	Margin (100 basis points)			
Banco Bilbao Vizcaya Argentria S.A. (Spain)	15/01/13	Implementation of the Greater Rathnapura Water Supply Scheme	EUR	21.9	3,702.70	29.4	Variable	EURIBOR - 6 Month for EURO	2.1	Management Fee (0.5% of loan amount, payable one time)	2	12
Co-op Centrale Raiffeisen-Borenleenbank (Netherlands)	19/02/13	Upgrading of the National Blood Transfusion Services of SL	USD	27.7	3,519.60	27.7	Fixed	4.94%	N/A	Management Fee (0.25% of loan amount, payable one time)	3	13
	19/02/13	Upgrading of the National Blood Transfusion Services	USD	4.9	621.1	4.9	Fixed	5%	N/A	Management Fee (0.25% of loan amount, payable one time)	2.5	3.5
	14/06/13	Upgrading of the National Blood Transfusion Services	EUR	18.5	3,152.90	24.7	Fixed	4.65%	N/A	-	3	13
Export Import Bank of Hungary	14/02/13	Rehabilitation Of Kalatuwawa Water Treatment Plant	EUR	17.4	2,954.00	23.5	Fixed	1.03%	N/A	-	3	15
	14/02/13	Rehabilitation of Labugama Water Treatment Plant	EUR	16.7	2,840.20	22.5	Fixed	1.03%	N/A	-	3	15
	15/03/13	Modernization of Processing Factories of MILCO (Pvt) Ltd	EUR	33.7	5,505.90	43.6	Variable	Tranche 1 - LIBOR- 6 Month for USD	6	1% Structuring fee (1% of loan amount, payable one time)	1	9
HSBC Bank PLC (UK)	21/06/13	Regional Bridges - Phase II	USD	60	7,715.90	60	Variable	LIBOR- 6 Month for USD	2	1% Structuring fee (0.5% of loan amount, payable one time) EKF Premium EUR 2,274,016.4	2.25	9.25
				10.6	1,361.60	10.6	Variable	LIBOR- 6 Month for USD	4	0.25%	1	6

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount million	Rs. million	USD million	Interest Type	Rate	Margin (100 basis points)			
The Export-Import Bank of China	19/02/13	Matara Beliatta Section of Matara Kataragama Railway Extension	USD	200	25,375.80	200	Fixed	2%	N/A	Management Fee (0.5% of loan amount, payable one time)	7	20
	28/05/13		CNY	508	10,481.30	82.9	Fixed	2%	N/A	0.25%	7	20
	24/03/13	Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment	CNY	960	19,616.10	154.5	Fixed	2%	N/A	Management Fee (0.25% of loan amount, payable one time)	5	20
The Export-Import Bank of China	18/09/13	Greater Kurunegala Water Supply and Sewerage	CNY	487	10,521.10	79.6	Fixed	2%	N/A	Management Fee (CNY 1,217,542.0 payable one time)	5	19
	14/03/13	tAugmentation of Mahiyangana Water Supply	EUR	10.4	1,704.10	13.5	Interest Free	-	N/A	Management Fee (0.45% of loan amount, payable one time) Guarantee Charge (i) Upfront EUR 74,568.83 (ii) (1.093% this behaves as an interest since the charge is calculated on outstanding amount)	6.5	16
UniCredit Bank Austria AG (Austria)												

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)		
			Currency	Original Amount million	Rs. million	USD million	Interest Type	Rate					Margin (100 basis points)	
	27/02/13	Supply of 2 Nos Cardiac Catheterization System to Cardiology Dep. of the NHSL	EUR	2.4	396.3	3.1	Fixed	0.40%	N/A	0.40% Management Fee (0.45% of loan amount, payable one time)	7	19.5		
										Handling Fee (EUR 1,440)				
										Guarantee Charge (EUR 4,400)				
	14/12/13	Upgrading of Sewerage Infrastructure at Kataragama Sacred City Area	EUR	10.5	1,889.10	14.4			0.40%	Service fee 1% of loan amount Management Fee (0.45% of loan amount, payable one time) Guarantee Charge (i) Upfront EUR 59,062.5 (ii) margin part 1% Handling fee EUR 1,440	8	18		
								(Interest Free)						
Export Import Bank of United States	01/07/13	Badulla, Haliaela, Ella Integrated Water Supply	USD	64.9	8,455.80	64.9	Variable	CIRR	1.26%	0.5% Exposure Fee (4.6% of loan amount, payable one time)	3	14.5		
BNP Paribas of Belgium	14/08/13	Reconstruction of 7 Railway Steel Bridges	EUR	4.4	774.8	5.9	Fixed	1%	N/A	0.25% Upfront 0.5% of loan amount	3	16.5		
European Investment Bank	13/11/13	SME and Green Energy Gobar Loan	EUR	90	15,862.90	121	Applicable interest rate will be notified by the disbursement notices of EIB, yet to receive						4	20

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment		Grace Period (Years)	Maturity (Including Grace Period) (Years)	
			Currency	Original Amount million	Rs. million	USD million	Interest Type	Rate	Margin (100 basis points)	Fee (from the undisbursed balance)			Other Payments
Multilateral													
Asian Development Bank	13/02/13	Dry Zone Urban Water & Sanitation Project - Additional Financing	XDR	25.9	5,061.70	40.1	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	8	24	
			USD	100	12,636.70	100	Variable	LIBOR- 6 Month for USD	0.60%	0.15%	-	5	20
	08/05/13	Clean Energy and Network Efficiency Improvement	XDR	19.9	3,825.70	30.3	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	8	32	
			USD	100	13,160.00	100	Variable	LIBOR- 6 Month for USD	0.60%	0.15%	-	5	20
	19/08/13	Education Sector Development Programme	XDR	66.6	13,260.70	100.7	Fixed	2%	N/A	-	5	25	
			USD	70	9,097.20	70	Variable	LIBOR- 6 Month for USD	0.60%	0.15%	-	5	25
	28/06/13	Greater Colombo Water & Wastewater Management Improvement	XDR	9.2	1,795.00	13.8	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	8	31	
International Development Association of the World Bank	19/08/13	Second Health Sector Development	XDR	129.8	25,849.00	196.4	Fixed	2%	N/A	0.5%	-	5	25
OPEC Fund for International Development	10/06/13	Colombo National Highways	USD	50	6,319.40	50	Fixed	4.60%	N/A	-	-	5	20
Total						2,95,833.40		2,301.80					

Source: Department of External Resources

Note : 1 The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the Agreement was signed.

2 N/A = Not Applicable, - = nil

Table 6.19 > List of Grants Committed in 2013

Development Partner	Agreement Date	Project	Currency	Amount in Committed Currency, million	LKR, million	USD, million
Bilateral						
China	2013/04/24	Agreement on Economic and Technical Cooperation	RMB	100.0	2157	16
	2013/05/28	Agreement on Economic and Technical Cooperation	RMB	200.0	4314	32
	2013/11/28	Agreement on Economic and Technical Cooperation	RMB	200.0	4314	32
	2013/11/28	Provisions for Small Agriculture Machinery	RMB	10.0	215.7	1.6
Japan	2013/03/18	Non Project Grant Aid for Provision of SME's	JPY	200.0	266.4	2.1
	2013/03/18	Non Project Grant Aid for Provision of Medical Equipment (2013)	JPY	550.0	732.5	5.8
	2013/03/18	Procurement of a self Propelled Grab Hopper Dredger	JPY	988.0	1,315.9	10.4
	2013/03/18	The Project for the Development of Intelligent Transport System for Expressways in Sri Lanka	JPY	940.0	1,252.0	9.9
	2013/08/22	Human Resources Development Scholarship Programme (JDS)	JPY	192.0	257.5	2.0
	2013/12/19	Non Project Grant for Provision of Industrial Products - 2013	JPY	4,000.0	5,034.8	38.5
Korea	2013/03/22	The Construction of the International Convention Center in Hambantota (Enhancement)	USD	2.7	342.7	2.7
Germany	2013/12/30	Establishment of 8 Satellite Centers to the Vocational Training Centre in the Northern Province	EUR	4.4	790.9	6.0
Multilateral						
Asian Development Bank	2013/05/08	Clean Energy & Network Efficiency Improvement	USD	1.5	189.6	1.5
	2013/11/06	Integrated Road Operation & Dev. Inv. Programme	USD	1.0	131.1	1.0
Food & Agriculture Organization	2013/09/30	Northern Integrated Agricultural Recovery & Growth (Enhancement)	USD	0.3	41.2	0.3
	2013/07/15	Building Statistical Capacity for Quality Food Security & Nutrition	USD	0.5	58.9	0.5
	2013/08/05	Management of Risks Associated with Pesticide in Agri. in Sri Lanka	USD	0.3	35.7	0.3
	2013/10/08	Food Security in the Northern Province	USD	0.8	98.3	0.8
International Development Association	2013/07/18	AusAid+IDA Grant Transforming the School Education System as the Foundation of Knowledge Hub	USD	11.1	1,461.4	11.1
UNDP	2013/02/27	Institutional Strengthening Phase IX	USD	0.1	17.1	0.1
	2013/07/25	UN-REDD National Programme - Sri Lanka	USD	4.0	526.1	4.0
	2013/07/10	Promoting Sustainable Biomass Energy Production	USD	2.0	260.7	2.0
	2013/07/25	Support to Human Rights Commission Phase 2	USD	0.5	69.8	0.5
	2013/07/17	Strategic Positioning of the Dep. of Project Management & Monitoring	USD	0.2	29.5	0.2
	2013/08/13	Law, Access to Justice & Social Integration in Sri Lanka	USD	11.0	1,443.0	11.0
	2013/09/20	Governance for Local Economic Development (G-LED)	USD	29.0	3,837.2	29.0
	2013/10/04	National Bio - diversity Strategic Action Plan	USD	0.3	35.6	0.3
UNFPA	2013/06/07	Strengthened National Capacity to Deliver Quality Reproductive Health Service	USD	5.9	747.4	5.9
UNHCR	2013/09/05	Assistance to return & re-integration of IDPs Sri Lanka	LKR	5.2	5.2	0.0
UNICEF	2013/02/27	UNICEF Country Programme 2013-2017	USD	50.2	6,401.0	50.2
UNIDO	2013/01/15	Enhancing the Capacities of the Cinnamon Value Chain in Sri Lanka	USD	1.5	192.9	1.5
World Food Programme	2013/12/23	Climate Change Impacts on Living in the Mahaweli River Basin	USD	8.0	1,044.6	8.0
Total					37,619.7	287.2

Source: Department of External Resources

Box 6.3: Unsolicited Development Proposals

Recognizing the increasing number of unsolicited development project proposals submitted to the line Ministries by prospective private investors, financiers and promoters extending diverse financial instruments, Government has streamlined the process to be followed in relation to such development proposals. Accordingly, Line Ministry, once receives a draft proposal without calling for a proper proposal, required to assess the preliminary feasibility from the Standing Cabinet Appointed Review Committee (SCARC) for approval. The assessment of this proposal at the SCARC is based on the evaluation of the Department of National Planning (consisting with the National Development Plan), Department of External Resources (confirming the available funds under the policy framework and resources envelope) and the Central Bank of Sri Lanka (monetary and BoP implications) prior to making any commitment to lending agencies with regard to the unsolicited proposals.

The SEARC is expected to advice on the manner in which such proposals should be preceded with the regular project proposals developed by line Ministries as per the strategic guidelines and targets set out in the Economic Policy Framework of the Government.. Such proposals are appraised in detail by the Department of National Planning to decide the suitability of each project proposal to be financed under the Public Investment Programme and its priority. The large scale investment proposals which are difficult to implement with domestic finance are generally selected for implementation with foreign financing, depending on their economic and financial viability. The projects which are generally not of a strategic nature are expected to be proceeded through the normal procedure. Only the projects which are of strategic nature and expected to generate substantial amount of economic value addition are considered by the SCARC for further proceedings.

A comprehensive analysis of economic costs and benefits of each project proposal, including social and environmental cost and benefits is carried out by the Government to select the best proposal for foreign financing. The underline principle is that the assets created or services produced through these projects should be able to generate adequate economic returns to meet the debt service obligations arising from that particular borrowing.

Clearance from the respective Treasury Departments including the National Planning Department Planning), External Resources Department (Financing), the Public Finance Department (Procurements) and the Central Bank of Sri Lanka (Macro Economy) and subsequent approval by the Cabinet of Ministers after securing foreign financing are pre-requirements for inclusion of a foreign financing project in the budget estimates. When Expression of Interest (EOI) on various sectors and specific programmes / projects submitted by lending agencies, the NPD determines whether such EOI should be recognized and prioritized in terms of the Development strategies of the Government as well as whether they should be done by the government under public investment programmes or by private sector as private investments.

The Ministry of Finance and Planning has formulated a framework for the mobilization of external finance for 2013-15 medium terms, considering the needs assessment and underlying public investment strategy of the Government. Accordingly, all new external borrowings should be evaluated by the Credit Assessment Committee (CAC) established in the Department of External Resources with special reference to terms, conditions and net present value assessment prior to enter in to a formal agreement with Development partners and lenders.

Table 6.20 > **Underlining Procurement Strategy of Development Projects**

Donor Agency	Procurement Method	Strategy		
World Bank	There are different procurement methods used. The most commons methods used are International Competitive Bidding (ICB) and National Competitive Bidding (NCB). In addition to the methods, there is a requirement for the Bank's Prior Review. The following matrix indicates the methods and review requirements by the Bank in reference of expenditure supportive of project.			
	Expenditure Category	Contract Value (Threshold)	Procurement Method	Contracts/Processes Subject to Prior Review
	Works	> USD10 mn	ICB	All contracts
		< USD10 mn	NCB	All contracts over USD 5.0 mn
		< USD 50,000	Shopping	None
	Goods and non-Consulting Services	> USD 1 mn	ICB	All contracts
		< USD 1 mn	NCB	
		All contracts over USD 500,000 equivalent		
		< USD5 0,000	Shopping	None
	Consultant Services (firms)	> USD 300,000	All competitive methods; advertise internationally	All contracts
	< USD 300,000	All competitive methods; advertise locally	All contracts over USD 200,000 equivalent	
	< USD 200,000	Selection Based on the consultants' Qualifications (CQS)		
Individual Consultants		Individual Consultants (IC), (Section V of Consultant Guidelines)	All contracts over USD100,000 equivalent	

- WB procurement guidelines apply
- Procurement Plan is mandatory and require the WB's approval before implementation
- WB concurrence is necessary for prior review contracts only
- Implementing Agencies can carry out procurements themselves for the Post Review procurements without referring to the Bank. In such case, the process to be followed is required to be in line with the Bank's procurement guidelines and the procedures agreed in the Financing Agreement
- NCB documents as developed by the ICTAD are used for NCB procurements subject to certain modifications as agreed in the Financing Agreement.

Donor Agency	Procurement Method	Strategy
ADB	Less than USD 5 mn- local competitive bidding Over USD 5 mn- International Competitive bidding	<ul style="list-style-type: none"> • ADB procurement guidelines apply • Approval-Cabinet Appointed Procurement Committee based on the recommendation of Technical Evaluation Committee • ADB concurrence is necessary prior to the award of contract
China	Single source - Chinese contractor	<ul style="list-style-type: none"> • Cabinet Appointed Negotiation Committee (CANC) negotiates with the contractor based on the Engineers estimate of the proposed project and recommendations of the Technical Evaluation Committee
Japan (JICA)	Mutually agreed with implementing agency at the time of loan formulation	<ul style="list-style-type: none"> • JICA procurement guidelines apply. • Approval-Cabinet Appointed Procurement Committee based on the recommendation of Technical Evaluation Committee • Consultancy services: JICA concurrence is necessary prior to contract award. • Civil work: not less than 1bn JICA review and concurrence is needed for PQ doc., Bid doc., result of bid evaluation and contract award • Civil work: less than JPY 1bn JICA review and concurrence is needed only for awarding contract
Korea (EDCF)	Percentage for Korean contractors local contractors and third party contractors are decided at the time of loan formulation with the implementing agency	<ul style="list-style-type: none"> • Guidelines for procurement under the EDCF loan apply • Approval-Cabinet Appointed Procurement Committee based on the recommendation of Technical Evaluation Committee
France (ADF)	Competitive bidding	<ul style="list-style-type: none"> • AFD procurement guidelines apply. In case of co-financing projects with ADB, ADB procurement guidelines apply

Donor Agency	Procurement Method	Strategy
Export Credit extended by European, US and Australian lenders	Single source - selected contractor from the respective country	<ul style="list-style-type: none"> • Cabinet Appointed Negotiation Committee (CANC) negotiates with the contractor based on the Engineers estimate of the proposed project and recommendations of the Technical Evaluation Committee
India Exim	The specifications prepared by the contractor will be matched with the specifications of the Implementing Agency and both parties jointly prepare the procurement plan.	
OFID	International Competitive Bidding will apply	<ul style="list-style-type: none"> • OFID Procurement guidelines will apply
SFD	International Competitive Bidding will apply	<ul style="list-style-type: none"> • SFD Procurement guidelines will apply
KFAED	International Competitive Bidding will apply	<ul style="list-style-type: none"> • KFAED Procurement guidelines will apply
IFAD	Competitive bidding	<ul style="list-style-type: none"> • IFAD Procurement Guidelines apply
Local	Single source - local contractor for the respective project	<ul style="list-style-type: none"> • Cabinet Appointed Negotiation Committee (CANC) negotiates with the contractor based on the Engineers estimate of the proposed project • National Procurement Guidelines apply

Sources: External Resources Department

07

PERFORMANCE OF STATE OWNED BUSINESS ENTERPRISES

7.1 Overview

The state owned business enterprises (SOBEs), particularly those in sectors such as power & energy, water, transport, ports, aviation and banking have a strategic role to play in Sri Lanka's transformation towards an upper middle income country. In 2013, significant expansion was seen among the SOBEs. The asset base of the currently operational 55 SOBEs grew by 12 percent to Rs 5,132 billion or 59 percent of GDP. The ten largest SOBEs, namely, Sri Lanka Ports Authority (SLPA), Airport and Aviation Services Limited (AASL), Sri Lankan Air Lines (SLA), Ceylon Petroleum Corporation (CPC), Ceylon Electricity Board (CEB), National Water Supply and Drainage Board (NWSDB), Bank of Ceylon (BOC), People's Bank (PB), National Savings Bank (NSB) and Sri Lanka Insurance Corporation (SLIC) accounted for Rs 4,633 billion of the total asset base and contributed to 89 percent of the growth.

The three state banks played a significant role in providing financing for infrastructure development in the areas of road network, power and energy and water production, making a significant contribution towards promoting the local construction economy and financial sector development. NSB and BOC successfully raised a total of US\$ 1,250 million in the international market, positioning the country in the global investors' map. The year 2013 was challenging for the state banks which had significant exposures to pawning as the international gold prices declined sharply resulting in increased provisions for loan losses and a 29 percent decline in overall profit before tax.

The adoption of cost reflective pricing measures, along with the implementation of strategies to enhance production capacity as well as productivity, has resulted in transformation in the performance of CEB. Supported also by favourable weather

Table 7.1 > **Sector Wise Performance of Asset Bases of SOBEs**

Sector	Total number of SOBEs	Total Assets as at (Rs Bn)		Growth (%)	Market Share (%)
		31/12/2012	31/12/2013(a)		
Energy	2	944.67	1,007.25	6.60	94.00
Water	1	221.60	242.60	9.50	44.00
Ports	1	249.59	299.80	20.00	60.00
Commuter transportation	1	13.30	14.52	9.20	23.00
Aviation	3	141.32	145.74	3.12	61.00
Construction	3	37.41	30.96	(17.24)	2.90
Banking and Finance	9	2,716.50	3,102.50	14.20	41.00
Insurance	4	142.30	154.60	8.60	27.00
Lotteries	2	7.62	7.77	1.97	100.00
Livestock	2	6.89	7.63	10.74	13.00
Plantation	7	15.03	12.63	(15.97)	3.72
Non Renewable Resources	3	2.98	3.31	11.07	0.90
Health	4	18.92	18.62	(1.59)	27.00
Media	3	8.63	8.86	2.67	32.00
Marketing and Distribution	10	71.58	75.47	5.43	4.30
Total	55	4,598.34	5,132.26	11.61	-

Sources: SOBEs and Department of Public Enterprises

conditions which enabled CEB to produce more hydro power and expansion of coal power generation capacity in order to establish a least cost generation mix with uninterrupted power supply, CEB earned a profit of Rs 18 billion in 2013. The tariff revisions introduced in 2013 enabled CPC also to reduce its losses from Rs 97 billion in 2012 to Rs 8 billion in 2013. The non-availability of Iranian Crude oil due to US sanctions imposed on Iran limited the capacity utilization in the refinery to 79% and compelled CPC to resort to importation of petroleum products at a higher cost to meet the increasing demand from growing economic activities.

Under the Government's initiative for reorientation of SOBEs, aimed at strengthening the commercial viability of the strategically important SOBEs, measures are being taken to reduce the large exposures of the state banks to the SOBEs such as CEB and CPC in order to strengthen their balance sheets as well as the liquidity position. Measures such as conversion of debt to equity in CEB, CPC and NWSDB, infusion of fresh capital to SLA and Mihin Lanka Ltd (MLL) and buy back of equity in SLA from BOC, PB and NSB were proposed in the 2014 National Budget and are currently being implemented.

Contributing significantly to establishing Sri Lanka as a naval centre point along the Indian Ocean Silk Route within the next ten years under the 5+1 Hubs concept, the SLPA embarked on several major infrastructure development projects. Under the Colombo Port Expansion project, the break water of 6.8 kilometres was completed and the first of the three container terminals with a capacity of 80,000 Twenty Equivalent Units (TEUs) per annum was commissioned in 2013 as a flagship Public Private Partnership (PPP) in the country. The new Oluvil Port was completed adding a vital south eastern link to the coastal

harbours of the country. These developments have been funded through public investments supported by development partners, foreign direct investments and domestic financing. The number of ship arrivals at Magam Ruhunupura Mahinda Rajapaksha (MRMR) port increased significantly to 139 during 2013, in comparison to 34 vessel arrivals in 2012. The oil tank project with a capacity of 80,000 m³ for bunkering fuel, aviation fuel and LPG was completed during 2013 at MRMR. Further, the Hambantota industrial zone in the MRMR port has so far attracted 12 foreign investors in petro-chemical, sugar, cement, Liquid Natural Gas, bio gas energy and fertilizer industries.

In line with the national policy to increase safe drinking water coverage to 100 percent and pipe borne water availability to 60 percent by 2020, the coverage increased to 85 percent for safe drinking water (of which 35 percent was by NWSDB) and to 44 percent for pipe born water by end 2013. NWSDB increased its water connections by 120,079 in 2013 to 1,707,747 mainly concentrating in Eastern, North Central, North Western, Northern and Central provinces. While producing 547 million cubic meters of water, which is an increase of 4.2 percent compared to the preceding year, NWSDB earned Rs 595 million profits in 2013 supported by the cost reflective tariff structure and increased productivity.

In the background of rapid infrastructure development, promotion of high tourist catchment areas and improved national carrier services, the 2 international and 12 domestic airports handled about 7.3 million passengers during 2013 which is a 9 percent increase from the preceding year. Both Sri Lankan Airlines (SLA) and Mihin Lanka Ltd (MLL) continued their network expansion to position Sri Lanka as a transit hub. With a view to increasing financial stability of both SLA and MLL, Government's capital contributions

were increased by Rs 12,600 million and Rs 1,894 million, respectively in 2013, while further re-capitalisations of Rs 19,585 million and Rs 6,528 million, respectively were made in 2014 as announced in the Budget 2014.

Out of the 55 SOBEs, 43 have been profitable in the year 2013 while operating in line with the Government's policy framework and delivering essential utilities and services at affordable prices. These SOBEs collectively generated Rs 44 billion profit before tax in the year 2013 which is a 140 percent increase compared to the Rs 109 billion loss during 2012. While banking and finance, insurance, energy, water, ports, construction, plantation, non-renewable resources, lotteries, marketing and distribution, media and health sectors generated profits, aviation, commuter transportation and livestock sectors made losses during the year under review. Although, profitability is an indicator

of performance of SOBEs based on their operations and management of finances, it does not necessarily measure the social and economic contributions made by SOBEs. The 149,460 strong work force employed in the SOBEs provides essential services and utilities at affordable prices significantly facilitating the developmental targets of the economy.

A total of Rs 49 billion was transferred by the Treasury to several SOBEs including CEB, AASL, Sri Lankan Airlines, SLTB, Sri Jayewardenepura General Hospital in 2013 to meet capital and recurrent expenditure and to compensate for the non-commercial activities that these SOBEs undertake in view of their economic and social responsibilities.

During year 2013, 37 SOBEs contributed towards Government's non-tax revenue by way of paying dividends and levies to the Consolidated Fund

Table 7.2 > **Sector Wise Contribution to GDP in 2013**

Sector	Number of SOBEs	Profit/(Loss) before tax (Rs Bn)	Total Revenue (Rs Bn)	Contribution to GDP (%)
Energy	02	10.63	694.9	7.99
Water	01	0.59	18.4	0.21
Ports	01	2.48	36.38	0.42
Commuter transportation	01	(6.31)	26.51	0.31
Aviation	03	(26.25)	141.03	1.62
Construction	03	0.78	26.06	0.30
Banking and Finance	09	47.90	350.32	4.04
Insurance	04	6.26	33.90	0.39
Lotteries	02	2.45	26.62	0.28
Livestock	02	(0.04)	9.50	0.09
Plantations	07	1.39	9.40	0.11
Non-Renewable Resources	03	0.41	1.68	0.02
Health	04	1.10	24.61	0.28
Media	03	0.75	5.65	0.07
Marketing and Distribution	10	1.68	41.04	0.49
Total	55	43.90	1,446.00	16.62

Sources: SOBEs and Department of Public Enterprises

totalling Rs 24 billion. Banking and finance, insurance and lotteries sectors were the key contributors remitting Rs 16 billion, 5 billion and 0.5 billion, respectively. The decline in 2013 was due to banking and non-renewable resource sector entities remitting around Rs 4,900 million less than last year. State banks accounted for around 67 percent of the total dividend and levy income for the year.

While the SOBEs expanded providing vital social and economic benefits to the country and their overall financial positions strengthened facilitating increased profitability and dividends to the Government, the governance and management structures of SOBEs were

also upgraded to conform to international best practice. Improving transparency and accountability in their financial reporting, almost all SOBEs have adopted Sri Lanka Accounting Standards, which are gradually converging with International Financial Reporting Standards/ International Accounting Standards. The submission of audited Annual Reports has improved significantly, although timely submission needs to be further improved. The SOBEs have been under close scrutiny of the parliamentary Committee on Public Enterprises (COPE) and it has strengthened the audit and accounting processes of the entities. Moreover, all SOBEs conform to Government procurement guidelines.

Table 7.3 > **Levy/Dividend Income from SOBEs**

	Rs. Mn							
	2002	2007	2008	2009	2010	2011	2012	2013
Levy	0	1,434	1,279	4,471	4,524	10,379	13,562	9,466
National Savings Bank	-	1,060	1,060	1,750	2,312	4,560	8,260	5,060
State Mortgage & Investments Bank	-	25	-	50	-	-	25	40
Regional Development Bank	-	50	40	144	55	-	500	500
State Timber Corporation	-	150	75	50	10	75	50	50
State Pharmaceuticals Manufacturing Corporation	-	30	40	30	85	59	20	20
National Insurance Trust Fund	-			2,250	2,000	3,495	4,200	3,200
Sri Lanka Ports Authority	-	65	-	-	-	-	-	-
Ceylon Electricity Board	-	-	-	-	-	2,000	-	-
National Lotteries Board	-	-	-	-	-	-	502	500
Others*	-	54	64	197	62	190	5	96
Dividends	435	4,014	2,966	4,219	6,867	14,183	13,987	14,208
Bank of Ceylon	-	846	1,046	1,346	2,923	4,020	5,346	5,346
People's Bank	-	1,416	816	1,139	3,253	4,500	4,658	4,816
Sri Lanka Telecom Plc	300	893	893	893	223	536	759	760
De La Rue Lanka (Pvt) Ltd	20	100	100	38	-	68	42	44
Lanka Mineral Sands Ltd	-	50	34	60	35	500	1,700	-
Lanka Industrial Estates Ltd	11	62	31	31	31	31	47	55

Rs. Mn

	2002	2007	2008	2009	2010	2011	2012	2013
Ceylon Petroleum Storage Terminal Ltd	-	438	-	-	-	-	-	-
Airport and Aviation Services Ltd	-	100	-	200	-	2,406	-	500
West Coast Power (Pvt) Ltd	-	-	-	392	-	-	-	-
Lanka Electricity Company Ltd	100	75	-		300	-	75	75
Plantation Companies**	-	-	-	30	-	212	179	139
Sri Lanka Insurance Corporation Ltd	-	-	-	-	-	1,750	1,001	2,199
Others*	4	34	46	90	102	160	180	274
Total	435	5,448	4,245	8,690	11,391	24,562	27,549	23,674

Sources: Department of Treasury Operations and Department of Public Enterprises

* Independent Television Network of Sri Lanka, SL Rupavahini Corporation, State Pharmaceuticals Corp, SL Export Credit Insurance Corp, Lanka Phosphate Ltd, Lanka Leyland Ltd, Ceylon Agro Industries Ltd, Colombo Commercial Fertilizer Ltd, Paranthan Chemical Company Ltd, Rakna Arakshana Lanka Ltd, Lankaputhra Development Bank, National Development Bank.

**Chilaw, Kalubowitiyana, Elkaduwa, Kurunegala, Namunuluka, Kegalle, Agalawatte, Kotagala, Balangoda, Watawala, Horana, Elpitiya and Pussellawa Plantations

7.2 Energy

The energy policy of the country endeavours to meet the rapidly increasing energy needs of the country by expanding the energy sector while ensuring energy security. Hence the national energy policy prioritises the promotion of energy efficiency and conservation, rationalizing of the energy generation mix, minimizing system losses, introduction of cost effective technologies along with cost reflective pricing policies. The cost structure in the energy sector is highly correlated with the international commodity prices and foreign exchange rates, while the country's weather conditions have a significant impact on the power generation mix and thereby the cost of electricity. While a large proportion of energy sector costs are determined by international and domestic suppliers' conditions, the revenue side has also been restricted due to the

Government's policy of providing energy at affordable prices. However, the policy measures taken by the Government during 2013 to implement a cost reflective pricing policy for electricity and petroleum products through tariff revisions improved the financial positions of CEB and CPC significantly. With this improved performance, both enterprises have been able to settle a significant portion of their debts to state banks and other institutions while reducing the pressure on the Government budget.

Ceylon Electricity Board

The installed capacity for power generation increased by 7 percent to 3,655 Mw while actual generation increased marginally by 1.2 percent to 11,945 GWh in 2013. Hydro power generation accounted for 51 percent (6,011 GWh) of the total generation in 2013 due to favourable weather conditions.

Chart 7.1 > Household Electrification

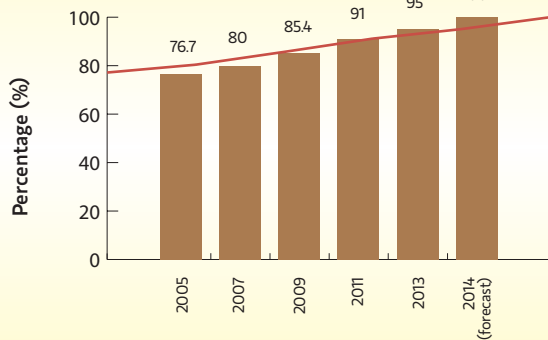


Chart 7.2 > Generation Composition 2005 - 2014

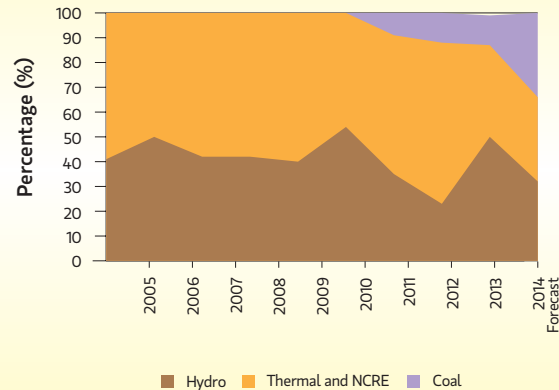


Table 7.4 > Installed Capacity and Generation of CEB

	2012				2013				2015 Expected			
	Installed capacity MW	percentage of capacity usage	Generation MW	Generation GWh	Installed capacity MW	percentage of capacity usage	Generation MW	Generation GWh	Installed capacity MW	percentage of capacity usage	Generation MW	Generation GWh
Hydro	1,357	23	311	2,727	1,357	51	686	6,011	1,357	33	450	3,942
CEB Thermal	564	41	232	2,029	878	17	151	1,326	878	18	162	1,417
IPP* Thermal	771	73	560	4,906	771	29	226	1,977	565	36	205	1,800
Coal	300	53	160	1,403	300	56	168	1,469	900	58	526	4,607
NCRE*	422	20	84	736	349	38	133	1,162	387	26	101	880
Total	3,414	-	1,347	11,801	3,655	-	1,364	11,945	4,087	-	1,444	12,646

Source: Ceylon Electricity Board

* NCRE = Non Conventional Renewable Energy

* IPP = Independent Power Producers

During the year, there was over 50 percent capacity utilization in hydro and coal power generation, which are the most cost effective generation methods currently available to CEB. As a result, the power generation composition based on Hydro:Coal:Thermal:NCRE changed from

23:12:59:6 in 2012 to 51:12:27:10 in 2013 resulting in a reduction in average cost per unit to Rs 17.70 in 2013 from Rs.22.13 in 2012. With the impact of the tariff revisions, the average revenue per unit increased to Rs. 18.27 in 2013 from Rs. 15.66 in 2012 enabling CEB to earn an operational profit of Rs. 18.6 billion in 2013.

Another contributory factor for CEB's strong performance was the reduction of system losses to 11 percent in 2013 from 17 percent in 2005, reaping the benefits of significant investments made during the past few years in expanding transmission and distribution channels.

While the cheapest source of electricity is hydro power, with an average unit cost including capital cost, of about Rs. 5.50 (of which direct cost is Rs. 2.55), most of the feasible and major hydro power sources are already being utilized and further exploration is limited except through rehabilitation and expansion of existing hydro power plants. Moreover, the generation levels of hydro power are volatile due to weather conditions and the demand for water is on the rise for human and animal consumption, irrigation and environment conservation as well. Therefore, to ensure long term sustainability

in generation of electricity, CEB focuses on coal power generation. The capacity of coal power generation is expected to increase by 200 percent to 900 Mw in 2014 with the commissioning of the 2nd and 3rd phases of the Lakvijaya coal power plant in Puttlam, while a 2nd coal power plant is to be set up in Sampur as a joint venture of CEB and National Thermal Power Corporation (a power company owned by the Indian Government), with 500 Mw expected to be added to the national grid by 2017.

The average cost per unit of thermal power generated by Independent Power Producers (IPP) is comparatively very high at Rs. 32.05 (in 2013) due to the embedded fixed costs, which are incurred by CEB irrespective of the number of units purchased. Hence, IPP thermal power generation is expected to decrease by 9 percent to 1,800 GWh by 2015 and will be phased out gradually in line with a diversified least cost generation mix.

Chart 7.3 > Direct cost per unit - 2014 (Projected)

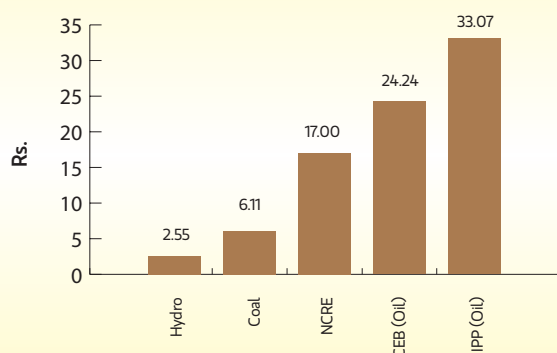


Chart 7.4 > Generation Vs Expenses - 2014 (Projected)

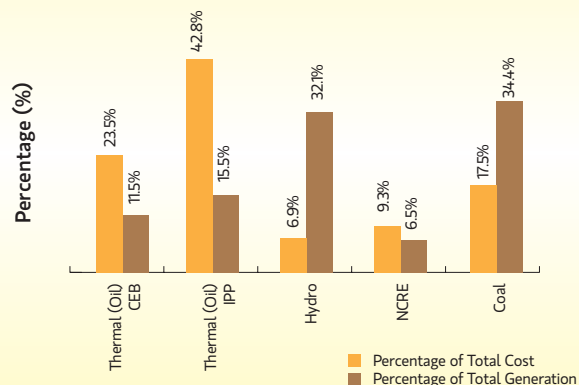
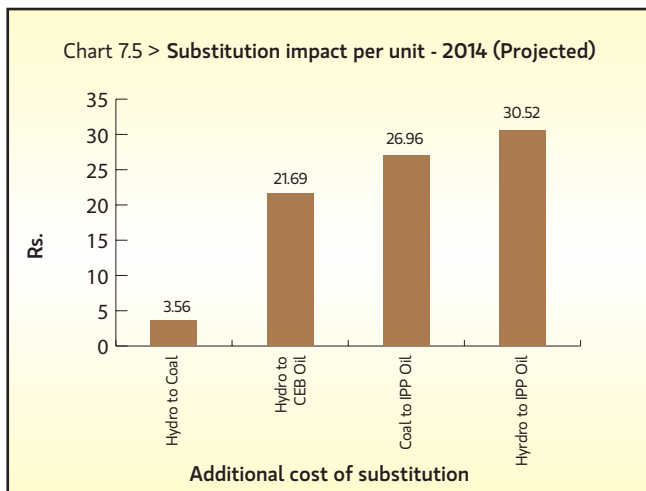


Chart 7.5 > Substitution impact per unit - 2014 (Projected)



In the context of the limitations in further expanding hydro power generation, the most cost effective substitution for hydro power is coal power, the unit cost of which is Rs 6.11. Other sources such as Non-Conventional Renewable Energy (NCRE) and power generation using bio gas (LNG) are also suitable to be added to the generation mix as supplements to ensure future energy security in the country although initial setting up costs of NCRE sources are comparatively high.

Due to the absence of cost reflective pricing policies, CEB incurred operational losses during the last 7 years with the exception of 2010 and 2013. Significant tariffs concessions were made available to the domestic and selected industry sectors. However, even after the tariff revision

in 2013, domestic consumers of less than 90 units per month and the industry sectors are still being subsidized.

CEB was able to maintain a sustainable borrowing position as a result of the improvement in its financial position subsequent to the tariff revision which generated healthy cash flows from June 2013. As such, CEB was able to settle its dues to CPC and IPPs amounting to Rs 121 billion and borrowings during the year declined to Rs 28 billion compared to Rs 37 billion in 2012. However, the total outstanding debts to banks increased marginally to Rs 44 billion by end 2013 from Rs 40 billion in 2012.

Over the years the Government facilitated CEB to obtain foreign funds and provided budgetary support to enhance the generation capacity by diversifying the generation mix, developing of transmission and distribution channels to cater to increasing demand and improving the system efficiencies of the sector. The outstanding external funding totalling Rs 302 billion is currently being serviced by the Treasury in order to mitigate the financial burden on CEB's balance sheet. The 2014 National Budget proposed conversion of these outstanding loans to Government equity to further strengthen the balance sheet enabling CEB to raise funds independently.

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Table 7.5 > **Financial Out-turn of Ceylon Electricity Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	170,167	200,930	212,538	218,824	225,306
Sale of Electricity	163,513	194,147	203,056	209,148	215,422
Other Income	6,654	6,783	9,482	9,676	9,884
Expenditure (Rs. Mn)	231,739	182,337	209,638	214,871	217,339
Direct Generation Cost	173,878	120,410	146,563	146,923	144,692
IPP (With NCRE)	120,264	80,308	86,420	91,064	88,833
CEB - Fuel Cost (Oil & Coal)	53,614	40,102	60,143	55,859	55,859
Generation, Transmission & Distribution O&M Cost	28,266	24,142	26,728	27,128	27,828
Corporate Expenses	3,169	2,426	3,358	3,694	4,063
Interest on Borrowings and Delayed Payments	5,457	14,868	8,209	7,809	7,109
Depreciation	20,968	20,491	24,780	29,317	33,647
Operating profit/(loss) (Rs. Mn)	(61,572)	18,593	2,900	3,953	7,967
Borrowings from Banks (Rs. Mn)	36,455	27,579	-	-	-
Outstanding Debt to Banks (Rs. Mn)	39,788	44,404	34,404	24,404	14,404
Outstanding Debt to Government (Rs. Mn)	277,256	302,351	140,644	140,644	140,644
Outstanding Debt to CPC and IPP (Rs. Mn)	51,303	23,950	13,950	3,950	-
Units Sold	10,474	10,628	10,917	11,245	11,582
Unit Generated	11,801	11,945	12,278	12,646	13,026
Cost Per Unit (Rs.)	22.13	17.70	19.20	19.49	19.17
Revenue Per Unit (Rs.)	15.66	18.27	18.60	18.60	18.60
Generation Composition (GWh)					
Thermal(Fuel)CEB	2,029	1,326	1,418	1,417	1,417
Thermal(Fuel)IPP	4,903	1,977	1,898	1,800	1,751
Hydro	2,729	6,011	3,942	3,942	3,942
Mini Hydro & NCRE	727	1,162	800	880	968
Coal	1,413	1,469	4,220	4,607	4,948
Total	11,801	11,945	12,278	12,646	13,026

Sources: Ceylon Electricity Board and Department of Public Enterprises

(a) Provisional

Table 7.6 > **Government Support to CEB 2007 - 2013**

	2007	2008	2009	2010	2011	2012	2013
On lending (CEB & Lanka Coal)(External loans) (Rs. Mn)	23,945	16,807	32,857	23,586	31,357	29,401	25,095
Rural Electrification-Grant (Rs. Mn)	-	-	-	1,200	1,595	710	2,456
Cost of the debt moratorium (interest + capital repayment)-loss to Government revenue (Rs. Mn)	11,315	12,893	14,273	14,896	17,047	21,920	34,815
Cost of the Rs. 60 Billion Bond issue (annual interest cost to the Budget) (Rs. Mn)						5,750	6,890
Total support (Rs. Mn)	35,260	29,700	47,130	39,682	49,999	57,781	69,256

Sources: Ceylon Electricity Board and Department of External Resources, Department of Public Enterprises

Ceylon Petroleum Corporation

Petroleum and related imports amounted to US\$ 4,308 million in 2013 representing nearly one fourth of the total imports of the country in 2013. Ceylon Petroleum Corporation (CPC), the major market player in the petroleum sector currently holds nearly 80 percent of the market share in the country and is the third largest market player in the lubricant industry.

With the implementation of cost reflective pricing for most of the petroleum products with effect from February 2013 coupled with the reduction of demand for heavy fuel by CEB at subsidized prices due to favourable weather conditions that prevailed up to September 2013, CPC's operational losses declined from Rs 97 billion in 2012 to Rs 8

billion in 2013. Moreover, the fairly stable Murban and Oman crude oil prices in the year 2013 ranging from US\$ 103 to US\$ 115 and US\$ 100 to US\$ 108 per barrel respectively, also contributed to the positive outcome of CPC.

During 2013, revenue declined by 5 percent mainly due to the reduction of heavy fuel demand by the power sector to 301.5 million litres in comparison to 564.8 million litres in 2012. The importation cost of petroleum products amounted to US\$ 3,187 million within the year against the US\$ 3,889 million of the previous year. Supply of fuel to the power sector, generally at a subsidized price, showed a declining trend from 29 percent of the total sales of CPC during 2012 to 13.6 percent in 2013, thus improving the profitability of CPC.

Table 7.7 > **Financial Out-turn of Ceylon Petroleum Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Revenue (Rs. Mn)	520,916	494,010	542,770	658,648	704,497
Octane90	91,301	102,733	109,319	121,084	133,215
Octane 95	5,451	7,739	9,164	10,286	11,310
Diesel	237,996	211,233	221,133	280,980	300,682
Super Diesel	3,445	4,037	4,880	5,501	6,071
HF 800cc	5,750	5,882	6,126	6,461	7,546
HF 1500cc	43,827	45,095	48,677	68,561	67,108
HF 3500cc	14,071	12,708	21,670	22,955	26,043
LSHF	21,295	8,668	12,634	22,576	21,131
Naphtha	7,645	13,026	13,822	14,641	16,611
Kerosene	18,099	16,746	17,189	19,737	21,552
JET- A-1	49,921	52,609	54,175	59,159	64,601
Other Products	14,110	9,905	21,481	21,907	23,347
Other Income	8,006	3,629	2,500	4,800	5,280
Total Expenditure (Rs. Mn)	618,226	501,994	551,654	644,293	688,424
Cost of Sales	573,692	467,638	518,474	614,291	660,573
Imports-Refined oil	397,696	285,034	294,555	395,136	409,912
Refinery- crude oil	175,996	182,604	223,919	219,155	250,661
Sales and Distribution	12,633	11,480	11,138	11,660	12,285
Administration	5,466	3,600	4,542	4,792	4,991
Finance Cost **	25,972	18,754	17,000	13,000	10,000
Depreciation	335	485	500	550	575
Other Costs	128	37	-	-	-
Profit/ (Loss) (Rs. Mn)	(97,310)	(7,984)	(8,884)	14,355	16,073
Outstanding debt to state banks (Rs Mn)	402,517	419,000	368,000	358,000	338,000

Sources: Ceylon Petroleum Corporation and Department of Public Enterprises

**Inclusive of hedging costs - Rs 7.6 billion (2012) and Rs 0.2 billion (2013)

(a) Provisional

Table 7.8 > **Prices and Average Profit/(Loss) of selected Petroleum products as at 31st December 2013**

Product	Unit Price(Rs/L)	Weighted Avg. Profit/(Loss) (Rs./L)	Total Profit/(Loss) Rs Mn
Petrol 90 Octane	162.00	7.88	6,191
Petrol 95 Octane	170.00	11.23	630
Auto Diesel	121.00	(3.51)	(6,235)
Supper Diesel	145.00	18.09	532
Kerosene	106.00	(17.21)	(2,449)
Heavy Fuel 3500	90.00	(7.51)	(1,184)
Heavy Fuel 1500	90.00	(4.08)	(1,581)
Heavy Fuel 1500 (LS)	100.00	(0.18)	(9)
Jet Fuel-International	117.00	(2.80)	(1,251)

Source: Ceylon Petroleum Corporation

Chart 7.6 > Sector Wise Revenue - 2012

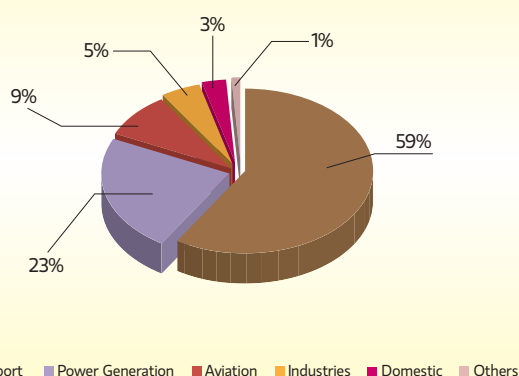
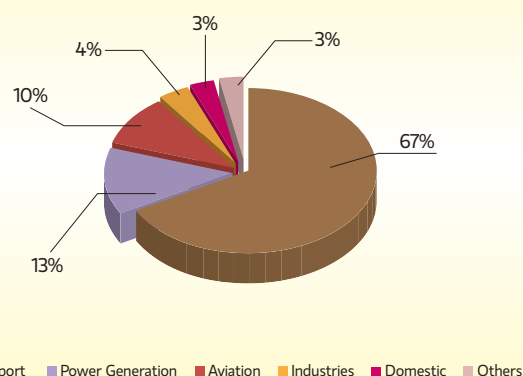


Chart 7.7 > Sector Wise Revenue - 2013



CPC's outstanding borrowings from state banks increased from Rs. 402.5 billion in 2012 to Rs. 419 billion as at end in 2013. However, CPC recovered almost 45 percent of its outstanding trade and other receivables amounting to Rs 46 billion out of Rs 101 billion at the end of 2013, strengthening its balance sheet and liquidity position. In accordance with 2014 Budget proposals, Treasury bonds were issued to CPC by the General Treasury in favour of CEB and several Government departments amounting Rs. 30.69 billion in settlement of long outstanding debts. Further, with the recapitalization of Sri

Lankan Airlines and Mihin Lanka Ltd (totalling Rs. 26.11 billion) as per the Budget proposals of 2014, the outstanding debts to CPC by these two institutions were settled enabling CPC to further reduce its debts to the two state banks.

During the period under review, the refinery was closed down for 22 days apart from shut downs for regular maintenance work. CPC was expected to procure crude oil varieties with higher refined yield in line with its procurement plan for 2013 with a view to ensuring uninterrupted refining process. However, US

sanctions on Iran and non-availability of Iranian Crude has caused significant losses to CPC since the refinery could not be operated at its full capacity, compelling CPC to import more refined petroleum products at a higher cost. During the year 2012, the refinery operated at a capacity of 79 percent while in 2013 it marginally increased to 82 percent. Although there is difficulty in refining other varieties of crude oil in its refinery, CPC has been able to procure Murban Crude and Oman blend crude which have provided higher refined yields in 2013.

During the year, CPC has completed the construction of a drainage system for the tank truck parking yard, access roads and electric power connections to the drum yard at Muturajawela and a fuel hydrant system within the apron area at Mattala Airport. CPC has also taken action to provide overseas training for 17 employees on oil and gas related works during 2013. In line with the 2014 Budget proposals, CPC has initiated action to repair the old pipeline system and to increase the capacity of the refinery from 50,000 barrels per day to 100,000 barrels per day and operations are expected to commence by end 2014.

7.3 Water

National Water Supply & Drainage Board

The National Water Supply & Drainage Board (NWSDB) accounts for 35 percent of the safe drinking water coverage of the country, while the Community Based Organizations and local authorities account for 8.7 percent and 2.4 percent, respectively. Around 38.8 percent of drinking water coverage is through protected wells, hand pumps, tube wells, rainwater and natural springs.

In 2013, NWSDB produced 547 million cubic meters m^3 of water at a recurrent cost of Rs.15,307 million through 85 water supply projects and 6 community based water schemes, which is an increase by 4.2 percent compared to 2012. The average total cost per unit (m^3) of water increased by 4.6 percent to Rs. 45.35 in 2013 from Rs. 43.35 in 2012. The (direct) recurrent cost component in the unit cost of water amounts to Rs.27.98 while the balance Rs. 17.37 consists of interest cost on commissioned projects and depreciation. The sale price of water is currently based on a customer categorization according to usage. Around 85 percent customers use less than 25 units of water per month, consuming approximately 324 million m^3 of water per annum. Moreover, there are 3,022 public stand posts where 1,075,869 m^3 of water was provided in 2013 with no tariff charged.

The total revenue of NWSDB increased by 14 percent in 2013, contributed by increased production enabling profits to increase by 46 percent to Rs 595 million in 2013. Sale of water which constitutes 82 percent of the total revenue amounted to Rs. 16 billion. During 2013, the total consumption was 381 million m^3 of water, a decrease of 4 percent, compared to 398 million m^3 in 2012. The water consumption in 2013 was lower as a result of the increase in tariffs. The water distribution was carried out through 1.57 million household connections, 140,000 non household connections and 3022 public stand posts. In line with the Government policy of higher accessibility to safe drinking water, NWSDB increased the total water connections by 120,079 in 2013 with priority given to Eastern, North Central, North Western, Northern and Central provinces.

Table 7.9 > **Financial Out-turn of National Water Supply & Drainage Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	16,144	18,433	22,042	26,511	28,505
Water	13,132	16,018	17,565	21,781	23,523
Water Related Income	1,212	1,056	284	327	359
Other Income	1,800	1,359	4,193	4,403	4,623
Operating Costs (Rs. Mn)	15,736	17,838	20,233	24,468	27,160
Cost of Sales	2,368	3,064	3,338	4,106	5,050
Personnel	6,493	7,096	8,147	10,184	10,693
Electricity	2,895	3,356	3,810	4,648	5,299
Chemicals	500	579	700	868	990
Other Costs	3,480	3,743	4,238	4,662	5,128
Profit/(loss) (Rs. Mn)	408	595	1,809	2,042	1,346
Outstanding debt to the Government (Rs. Mn)	29,011	38,996	4,451	2,650	1,322
Key Performance Indicators					
Connections (Nos Mn)	1.6	1.7	1.9	2	2.2
Water Production (m ³ Mn)	525	547	560	580	600
Water Sales (m ³ Mn)	398	381	400	422	444
Non-Revenue Water (percent)	29.9	30.2	28.5	27.2	26
Water Supply Projects (Nos)	69	85	89	94	98
Community Based Water Supply Projects (Nos)	3	6	6	7	7
Safe Drinking Water Supply Coverage (percent)	84.1	84.9	86.8	88	89
Sewerage Connections for institutions (Nos)	699	831	981	1,365.00	1,900.00
Sewerage Connections for households (Nos)	13,578	13,946	16,096	22,112	30,472

Sources: National Water Supply & Drainage Board and Department of Public Enterprises

(a) Provisional

Arising from unbilled, unmetered and unauthorized consumption, illegal tapping, meter inaccuracies and water leakages, NWSDB's Non-Revenue Water (NRW) remains at 30 percent of total production while it is even higher in the Colombo city at 47.7 percent. In terms of volume, the annual quantity of NRW amounted to 164 million m³ in 2013. The Greater Colombo Water and Wastewater Management Improvement Project jointly financed by the Asian Development Bank (ADB) and the Government is aimed at reducing NRW up to 20 percent by 2016 and thereby enabling water sales to

increase by 98.5 million m³ which would earn an additional net income of nearly Rs.4 billion per annum.

Out of the total operating costs, personnel costs account for 40 percent, since NWSDB has a 9,953 strong work force while 25 percent of the unit cost of production is the cost of energy. Moreover, the Ambatale water treatment plant which is the largest plant which provides water to Colombo, accounts for 21.4 percent of the total energy cost. Hence, NWSDB should adopt new technologies and strategies aimed

at improving energy, efficiency with the aim of reducing its energy costs.

Maintenance of stocks and non-operating assets amounting Rs.4,562 million had a negative impact on the liquidity position resulting in failure to meet the loan repayments to the Treasury. Hence, NWSDB should adopt an effective stock management systems to improve liquidity and efficiencies. In order to strengthen the balance sheet of NWSDB, the Government proposed in the 2014 Budget to convert all previous loans granted to NWSDB by the Treasury, to Government equity. Measures such as these would enable NWSDB to independently raise funds for its future projects and expansion requirements.

At the end of 2013, NWSDB's project portfolio consisted of 27 large scale water supply projects, 53 emerging township water supply schemes, 3 water supply and sanitation projects in tsunami affected areas, 4 large scale sewerage projects and 6 community based water supply projects. However, it is noted that a number of projects have been behind schedule in

completing, resulting in cost overruns. NWSDB should implement proper procurement and project implementation measures in line with applicable Government procurement guidelines and standards in order to minimize project implementation delays and cost escalations. Moreover, the inherent limitations in unsolicited proposals such as uncompetitive contractual/ financial terms and differences in required specifications of plant and equipment with those in the proposals have also caused significant cost inefficiencies in the entity. Further, the water sector often yields a very low return with a very long payback period primarily because of unmet connection targets as projected.

In line with the Government policy introduced in 2013 negotiations are taking place with local banks to provide funding for water projects. Moreover, the Government provided a capital investment of Rs. 25,889 million to the water sector in 2013.

While the Government is taking measures to strengthen the balance sheet of NWSDB to enable independent sourcing of funds required for expansion, NWSDB will also be required to meet the agreed performance targets to supplement the planned growth path of the national economy.

Table 7.10 > **Total Value of Water Projects as at 2013**

Project	Revised Value (Rs. million)	Total Expected Connections by 2020
Large scale water supply projects	237,806	839,165
Emerging Township water supply schemes	24,529	367,135
Tsunami affected areas water supply and sanitation projects	5,940	2,200
Large scale sewerage projects	40,850	140,580
Community based water supply projects	2,228	11,500
Total	311,353	1,360,580

Sources: National Water Supply & Drainage Board and Department of Public Enterprises

7.4 Ports

Sri Lanka Ports Authority (SLPA) in its strategic plan 'Vision 2020' has set itself a target to be the "Center of Excellence for Maritime and International Trading" by increasing ports related investments to US\$ 10 billion, developing highly skilled professionals to cater to the growing demand, handling 200 million tonnage of cargo and increasing revenue over US\$ 1 billion. Several mega infrastructure development projects such as Colombo Port Expansion Project (CPEP), construction of Magam Ruhunupura Mahinda Rajapaksha

(MRMR) port, development of the ports in Galle, Oluvil and Kankasathurei were embarked on with significant investments by the Government as well as through external funds.

Sri Lanka Ports Authority

Under the Colombo Port Expansion Project, the breakwater of 6.8 k.m. and the first of the three terminals, ie. Colombo International Container Terminals Limited (CICT), was commissioned in August 2013. Meanwhile, CICT, was built as a Public Private Partnership (PPP) project of SLPA and China Merchants Ltd., where China Merchants Ltd invested 85 percent and the balance 15 percent was provided by the SLPA. In 2013, SLPA's terminals attracted nine main liner services as a result of the improved infrastructure facilities of the Colombo Port.

The new Oluvil Port developed at a cost of Rs. 7,000 million (Euro 46.1 million funding by Denmark) was inaugurated on 1st September, 2013. The construction of the Oluvil commercial harbour and the fishing harbor will form the south eastern link in the chain of coastal harbours in the country and will provide more convenient and cost effective access to and from the south eastern region for goods and cargo originating in the west coast.

The number of ship arrivals at MRMR port increased significantly to 139 during 2013 while new tariff rates (a lease rental as well as a minimum guaranteed royalty based on investor's throughputs to the SLPA) have been introduced at the MRMR Port. SLPA recorded a profit before tax of Rs. 2.5 billion during 2013, which is a 52.4 percent deterioration in comparison with profits of 2012, contributed mainly by the significant increase in finance costs. By end 2013, outstanding foreign borrowings increased by 33 percent to Rs. 188.6 billion while foreign loan interest increased by 155 percent to Rs 5.75 billion. Moreover, debts to local banks also increased by 32 percent to Rs. 7.2 billion. As SLPA's debts have increased consequent to investments in large scale

infrastructure development projects in recent years, it should give medium term focus to its income generation activities to match the rising financial costs which are expected to increase to around Rs. 8.3 billion by 2015.

The number of container ship arrivals increased from 3,092 in 2012 to 3,142 in 2013 recording an increase of 1.6 percent while conventional cargo ship arrivals decreased from 52 to 38 or by 26.9 percent. Arrivals of other cargo ships such as Liquid Bulk, Roll on Roll off, etc. decreased from 591 to 354, or by 40.1 percent. "Other Services" such as bunkering, repairs, etc. also decreased by 1.5 percent. However, the Port of Colombo recorded the highest ever annual container throughput in 2013. The total volume handled was 4,306,206 TEUs throughout last year reflecting an increase of 2.8 percent as against the previous year's volume of 4,187,120 TEUs. SLPA also handled its highest ever volume during the year 2013 recording a throughput of 2.5 million TEUs reflecting a growth of 8.0 percent as against the previous year's volume of 2.3 million TEUs. Transshipment container throughput (including re-stowing) which accounts for 76 percent of the total volume of the Colombo Port increased considerably by 3.4 percent. The domestic volume also recorded an increase of 1.1 percent. Overall, the SLPA achieved a growth of 1.8 percent in domestic and 10.5 percent in transshipment volumes during 2013. In 2013, SLPA handled the major share of 58.1 percent of the total container throughput (4,306,206 TEUs) at the Colombo Port, which is a 2.8 percent increase compared with 2012, while its competitor, the South Asia Gateway Terminal (SAGT)'s share was 40.6 percent and CICT's share was 1.3 percent in 2013.

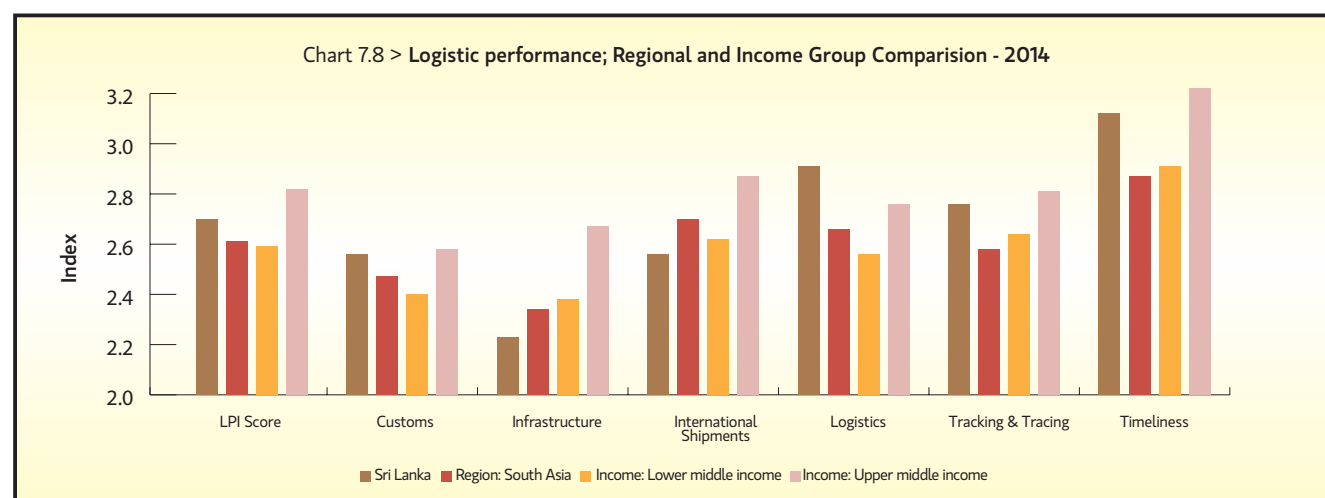
Sri Lanka's ranking in the logistic performance index (LPI) improved from 92 in 2007 to 89 in 2014. The ports industry in Sri Lanka is currently almost on par with upper middle income countries in the areas of customs, logistic competence, tracking and tracing and timeliness.

Table 7.11 > **Financial Out-turn of Sri Lanka Ports Authority**

Description	2012	2013(a)	Forecast		
			2014	2015	2016
Total Revenue (Rs. Mn)	37,125	36,384	49,300	55,869	60,599
Navigation	4,860	4,967	6,618	7,578	8,893
Stevedoring	19,433	19,741	23,971	27,279	28,045
Wharf Handling	3,634	3,633	4,640	5,243	5,401
Port Facilities	3,682	2,851	5,204	5,746	5,721
Other	5,517	5,192	8,867	10,023	12,539
Total Expenditure (Rs. Mn)	31,914	33,903	42,842	45,589	46,914
Operational Expenses	13,667	16,189	15,596	16,375	18,667
Repair and Maintenance Expenses	4,459	4,209	5,057	5,310	4,459
Administrative Expenses	13,033	10,473	14,853	15,596	13,033
Net Finance Cost	755	3,032	7,336	8,308	10,755
Profit/(Loss) Before Tax (Rs. Mn)	5,211	2,481	6,458	10,280	13,685
Outstanding Debt to Banks (Rs. Mn)	5,435	7,151	13,729	15,694	17,407
Foreign Loans (Rs. Mn)	141,365	188,625	222,772	234,611	237,869
Key Performance Indicators					
TEU's Handling (Nos Mn)	2.32	2.5	2.83	3.25	3.52
Ship Arrivals (Nos)	4,178	4,024	5,514	6,969	7,009
Colombo	3,870	3,667	5,487	6,310	6,299
Galle	69	36	58	76	84
Trincomalee	161	134	272	313	331
KKS Port	44	48	54	62	71
MRMRP	34	139	158	208	224

Sources: Sri Lanka Ports Authority and Department of Public Enterprises

(a) Provisional



Sources: The World Bank and Department of Public Enterprises

7.5 Commuter Transportation

Commuter transport in Sri Lanka accounts for nearly 73 percent of the total motorized passenger transport serving a majority of the population. At present bus transport, serviced by both public and private sector accounts for about 68 percent of the total motorized transportation of the country carrying about 1,728 million passengers per annum. While Sri Lanka Transport Board accounts for 23 percent with a running fleet of 4,806 buses, the private bus service accounts for 45 percent with a fleet of 18,000 buses. Comparatively, Sri Lanka Railways accounts for 5 percent of motorized transport in the country. Other private transport modes such as taxi services, three wheelers, office transport services and chartered transport services account for about 11 percent of passenger travel while private vehicles such as cars, motorcycles account for the balance 16 percent of the country's motorized passenger transport.

Sri Lanka Transport Board

Sri Lanka Transport Board (SLTB) is one of the state enterprises that provide a public service covering all parts of the country. By end 2013, SLTB's running fleet of buses decreased to 4,806 from 4,919 as very old buses were removed from the service. During 2013, 281 small buses were procured utilizing Rs 1 billion provided by the Treasury. In addition, 13 luxury busses and three 2-door busses were purchased on lease. During the period from 2014 to 2018, Government has projected to allocate a further Rs.5 billion to strengthen the bus fleet by adding 2,200 new buses on lease. Currently, SLTB operates in 4,848 routes with new additions of 170 routes in 2013. Out of this, 1,903 routes (39 percent) are rural and uneconomical routes which are not attractive to private bus operators. Moreover, the subsidized Sisuseriya bus service is operated on 622 routes (13 percent). The 2,323 routes with cost reflective prices account for 48 percent consisted of 814 long distance routes and 1,509 metro & urban routes.

In 2013, total revenue of SLTB increased by 11 percent of which a 10 percent increase is from operational income which comprised of way bill and season ticket income. The increase in operated kilometers by 7 million and the increase in bus fare with effect from 01.11.2013 have contributed by 78 percent and 18 percent respectively, to the improvement of operating income in 2013.

The total expenditure increased by 8 percent largely due to increased costs on salaries and fuel. Even though SLTB has reduced its total employees from 33,806 in 2012 to 32,630 in 2013, the salary cost has increased by 6 percent. At the same time, total fuel cost has increased by 10 percent due to the increase in operated kilometers, fuel inefficiency in the old buses as well as fuel price escalations. The fuel cost per km has increased from Rs.33.76 in 2012 to Rs.36.50 in 2013. Although, the running fleet of SLTB was strengthened with 297 new buses which accounted for 6 percent of the total fleet and the quality of the road network has also improved, the fuel price increase in February 2013 had a significant effect on the cost escalation. Correspondingly, the running distance per fuel liter decreased to 3.43 kilo metres in 2013 from 3.58 kilo metres in 2012. This indicates a loss of 4.4 million litres of fuel at a cost of Rs. 531 million.

Therefore, SLTB should be vigilant on fuel utilization, while amending loopholes in the system which causes fuel leakages. In addition to high salary and fuel costs, the depletion of SLTB's running fleet has also resulted in increased losses. As SLTB operates in uneconomical routes and provides transport services to students at subsidized rates, the Government provided budgetary support totaling Rs 7,471 million in 2013 for recurrent as well as capital expenditure.

Table 7.12 > **Financial Out-turn of Sri Lanka Transport Board**

	2012(a)	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	23,894	26,511	37,198	43,960	48,300
Operational Income	23,403	25,762	36,802	43,460	47,700
Other income	491	749	396	500	600
Expenditure (Rs. Mn)	28,181	30,844	33,981	39,702	43,075
Salary	13,205	14,034	14,692	17,434	18,620
Fuel	11,405	12,545	15,012	17,246	18,970
Other Running Cost	2,809	3,477	3,633	4,229	4,652
Overhead	762	788	644	793	833
Cash Profit/(Loss) (Rs. Mn)	(4,287)	(4,333)	3,217	4,258	5,225
Depreciation	1,323	1,978	1,265	1,600	1,625
Operating Profit/(Loss) (Rs. Mn)	(5,610)	(6,311)	1,952	2,658	3,625
Treasury Subsidy (Rs. Mn)	5,894	7,471	8,942	8,370	8,370
Recurrent	5,319	6,565	6,745	6,470	6,470
Capital	575	906	2,197	1,900	1,900
Outstanding Debt to Banks (Rs. Mn)	627	660	50	-	-
Outstanding Statutory Dues (Rs. Mn)	2,971	4,022	2,522	522	-

Sources: Sri Lanka Transport Board and Department of Public Enterprises

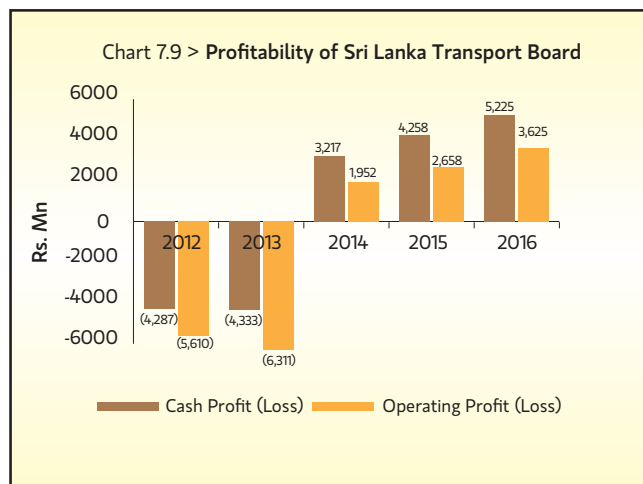
(a) Provisional

Table 7.13 > **KPI of Sri Lanka Transport Board**

Key Performance Indicators	2012(a)	2013(a)	Forecast		
			2014	2015	2016
Fuel Cost per k.m.	33.76	36.5	36.72	36	36
No. of Employees per bus	8	7	7	6	6
Running Fleet	4,919	4,806	7,128	6,233	5,933
Unusable buses	2,721	2,337	1,402	726	1,026
Operated K.m. Mn	337	344	426	530	530
Avg. buses operated per day	4,694	4,720	4,793	4,950	4,950
Bus Fleet Age Analysis					
Less than 5 yrs	742	884	3,206	3,206	2,322
Less than 10 Yrs	1,819	2,014	2,013	2,013	2,897
10 > 15	2,978	2,486	2,098	1,690	1,190
Over 15 Yrs	2,101	1,759	1,213	50	550
Total	7,640	7,143	8,530	6,959	6,959

Sources: Sri Lanka Transport Board and Department of Public Enterprises

(a) Provisional



Source: Sri Lanka Transport Board

7.6 Aviation

The country's aviation sector grew supported by significant investments in infrastructure development since 2005. In 2013, the two international airports and 12 domestic airports handled about 7.3 million passengers recording a year on year growth of 9 percent. The tourism sector expanded rapidly with tourist arrivals surpassing 1.2 million in 2013 contributed by the improved infrastructure facilities in aviation as well as the tourism sector. The air freight market in Sri Lanka expanded at a rate of 4 percent in 2013. The global airline industry experienced an overall decline consequent to the financial crises in advanced economies and increase in fuel costs and Sri Lanka's airline industry was also negatively affected by these events.

Sri Lankan Airlines

The national carrier Sri Lankan Airlines (SLA) received a special 'Award of Appreciation' at the World Travel Awards 2013 - Indian Ocean Ceremony in the Maldives in recognition of services to South Asia's tourism and hospitality. SLA has been successful in gaining entry as a member elect of the world renowned 'One

World' airline alliance enabling the company to expand its global presence by linking 824 new destinations worldwide.

Further, SLA has embarked on a re-fleeting program to replace the entire wide-bodied fleet with new wide-bodied aircrafts and a purchase agreement has been already been entered into with Airbus Industries for the purchase of six A330-300 aircrafts and four 350-900 aircrafts for which delivery is expected to commence in October 2014.

SLA currently flies to 74 destinations in 37 countries. The country's tourism sector has been growing by almost 39 percent since 2010 and almost 55 percent of the tourists have utilized SLA to fly into Sri Lanka. Moreover, SLA expanded its code sharing with Mihin Lanka to Dubai and Seychelles and with Etihad Airways to Washington DC. However, despite the 81 percent increase in the load factor compared to 79 percent in 2012, SLA's losses have been on the increase mainly due to the increase in fuel costs, high maintenance costs and fuel inefficiencies of the aged fleet. Replacement through re-fleeting is essential to improve profitability of SLA.

SLA, has recorded an average revenue growth of 10 percent over the last five years. In 2013/2014, SLA's revenue and operating expenditure decreased by 7.2 percent and 1.3 percent respectively, resulting in a loss of Rs. 28,827 million and increasing the accumulated losses to Rs. 73,433 million. In 2013, the Government provided Rs 12,600 million as capital contribution to SLA. Further, as proposed in the 2014 Budget, the Government infused Rs 19,585 million (US\$ 150 million) in March 2014, as recapitalization to SLA increasing the total recapitalization to Rs 46,471 million (US\$ 375 million). Further, in the same month SLA raised a syndicated loan of US\$ 150 million from

Table 7.14 > **Financial Out-turn of Sri Lankan Airlines**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Revenue (Rs. Mn)	125,359	116,321	119,964	124,570	128,921
Passenger	98,582	96,294	98,394	101,456	103,445
Cargo	12,896	12,350	13,450	13,564	14,911
Other	13,881	7,677	8,120	9,550	10,565
Expenditure (Rs. Mn)	147,110	145,148	149,510	153,424	156,574
Fuel Cost	63,755	59,845	62,125	62,985	63,865
Lease Rentals	14,514	14,464	14,525	15,025	15,726
Aircraft Maintenance	12,478	15,889	16,175	16,995	17,563
Staff Cost	11,445	13,544	14,125	14,887	15,344
Finance Cost	3,138	3,919	4,115	3,567	2,775
Others	41,780	37,487	38,445	39,965	41,301
Operating profit/(loss) (Rs. Mn)	(21,751)	(28,827)	(29,546)	(28,854)	(27,653)
Outstanding Debt to Banks (Rs. Mn)	27,684	19,600	36,310	29,724	23,128
Capital Contribution (Rs. Mn)	12,600	19,585	13,200	3,300	-
Key performance Indicators					
Passengers carried (Nos)	3,964,369	4,024,586	4,787,226	5,725,166	5,890,108
Aircraft Fleet (Nos)	21	21	21	21	21
Routes (Nos)	38	38	40	40	40

Sources: Sri Lankan Airlines and Department of Public Enterprises

(a) Provisional

a consortium of banks led by the Standards Chartered Bank with a Government guarantee for US\$ 50 million at LIBOR + 400 bp pa. This loan was utilized to settle the outstanding loan of US\$ 112.5 million obtained from Mashreq Bank Psc at LIBOR + 400 bp pa. SLA is expected to issue an international bond of US\$ 175 million which will be fully guaranteed by the Government. These funds would be used for re-fleeting purposes.

Mihin Lanka (Pvt) Limited

Mihin Lanka (Pvt) Limited (MLL), the country's budget airline, expanded its fleet during 2013 with the addition of a third aircraft, increasing frequencies to its existing destinations and adding two new destinations, Medan and Seychelles connecting Sri Lanka with the African continent for the first time. Hence, MLL

now flies to 9 destinations with 50 frequencies per week.

Due to the increase in revenue and the number of passengers carried by 32 percent and 5 percent, respectively, MLL's loss decreased to Rs. 1,956 million in 2013/2014. However, the accumulated loss was Rs. 14,036 million as at end of the financial year contributed mainly by high fuel costs and high competition from other regional budget carriers during the past years. The Government provided capital contributions of Rs 1,894 million in 2013 and Rs.6,528 million in March 2014 enabling MLL to rationalize its operations and improve efficiencies expanding further to more profitable routes, while providing affordable transportation to the price conscious travelers.

Table 7.15 > **Financial Out-turn of Mihin Lanka (Pvt) Ltd**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Revenue (Rs. Mn)	7,494	9,915	10,563	11,742	13,974
Passenger	6,963	9,437	9,424	10,467	12,441
Cargo	151	195	203	244	294
Other	375	283	936	1,031	1,239
Expenditure (Rs. Mn)	10,773	11,871	12,300	13,271	15,226
Fuel	4,534	5,522	5,376	5,914	7,097
Lease Rentals	1,553	2,021	1,913	2,104	2,411
Finance Cost	466	326	234	192	185
Staff Cost	361	359	408	448	523
Aircraft Maintenance	1,707	853	1,127	1,240	1,364
Others	3,284	2,790	3,242	3,373	3,646
Operating Profit/Loss (Rs. Mn)	(2,866)	(1,956)	(1,732)	(1,529)	(1,252)
Outstanding Debts to Bank (Rs. Mn)	351	264	234	196	148
Capital Contribution (Rs. Mn)	1,894	6,528	-	-	-
Key Performance Indicators					
Fleet (Nos)	3	3	3	4	4
Routes (Nos)	10	10	10	10	11
Passengers Carried (Nos)	401,476	423,227	435,923	449,001	468,642

Sources: Mihin Lanka (Pvt) Ltd and Department of Public Enterprises

(a) Provisional

Airport and Aviation Services (Sri Lanka) Ltd

Airport and Aviation Sri Lanka (AASL) which provides aviation facilities and services is a profitable venture which recorded a 14 percent year on year growth in its revenue during 2013. With increasing demand for its services, AASL with Government support declared open operations of its 2nd International Airport at Mattala at a cost of US\$ 212 million in March 2013.

AASL's revenue which has a strong correlation with air traffic indicators improved by 23 percent compared with 2012. During the year, the company recorded 7,348,006 number of passenger movements, inclusive of 1,359,328 transit passengers, recording an increase of 4 percent. The cargo movements increased by 4 percent to 194,039 MT in 2013. AASL paid Rs. 500 million to the Treasury as dividends during the year.

Table 7.16 > **Financial Out-turn of Airport and Aviation Services (Sri Lanka) Ltd**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	11,818	14,567	14,725	16,155	17,377
Aeronautical	2,708	3,045	3,302	3,865	3,944
Non Aeronautical	7,974	9,160	9,998	10,678	11,978
Other	1136	2362	1425	1612	1455
Expenditure (Rs. Mn)	7,959	10,040	10,004	11,148	12,170
Staff	3,502	4,040	4,465	5,365	6,165
Administration	2,026	3,549	3,655	3,796	3,925
Finance Cost	1,735	574	1,155	1,091	1,065
Other Expenditure	696	1,877	729	896	1015
Operating Profit/(Loss) (Rs. Mn)	3,859	4,527	4,721	5,007	5,207
Borrowings	38,839	37,317	35,212	33,625	31,555
Outstanding Debt to Banks	-	-	-	-	-
Key Performance Indicators					
Passengers Movements (Nos)	7,079,920	7,348,006	7,715,407	8,101,177	8,506,236
Transit Passengers (Nos)	1,314,879	1,359,328	1,414,701	1,471,289	1,544,854
Aircraft Movements (BIA & MRIA)	49,831	52,164	55,294	58,612	62,128

Sources: Airport and Aviation Services (Sri Lanka) Ltd and Department of Public Enterprises

(a) Provisional

7.7 Construction

Sri Lanka's construction industry accounted for 8.7 percent of GDP in 2013 which is a 7.4 percent increase in comparison with 2012 due to large scale development projects initiated within the country based on strategies declared by the Government to achieve long term growth targets. The State Engineering Corporation, Central Engineering Consultancy Bureau, State Development and Construction Corporation are the three state owned enterprises engaged in the industry having completed contracts to a total value of Rs.26 billion out of a total of Rs 895 billion in the construction industry.

The practice of awarding construction contracts of the Government to these state enterprises has resulted in the enterprises undertaking projects beyond their capacity,

leading to cost and time overruns. In order to avoid cost overruns, limits have been imposed on construction and consultancy projects undertaken by these entities based on the work in hand at any given time while these limits are revisited and revised by the Contract Cost Estimate Examination Committee (CEEC) annually.

As the construction industry is projected to grow, these enterprises would need significant investment to expand in order to make best use of the opportunities. However, the liquidity crunch faced by these entities has restricted new investments being made in modern machinery and equipment. Moreover retaining skilled staff has also been a constraint as these state institutions are unable to match the high salaries offered by the private sector and overseas markets.

State Engineering Corporation of Sri Lanka

State Engineering Corporation (SEC) recorded a revenue growth of 2 percent in 2013. Almost 99 percent of its turnover was from Government contracts. SEC completed Rs. 6,459 million worth of Government contracts during 2013 including construction of the Sirimawo Bandaranayke specialized children hospital (Stage II) in Peradeniya, a court complex in Negombo, two hostels, a 400m athletic running track and a pavilion for Tholangamuwa Central College while undertaking Rs.8,485 million worth of new Government contracts during the year.

In 2013, SEC's profit decreased by 43 percent mainly due to increase in expenditure. By end 2013, total receivables of SEC amounted to Rs.6,110 million from 565 Government institutions. The largest debtor of Rs.568 million

is the Sri Lanka Cricket Board for works in upgrading of Kettarama and Pallekale cricket grounds. Due to the long delays in recovering receivables, SEC is faced with a shortage of working capital and liquidity and hence would be compelled to resort to more bank borrowings in the future.

In order to improve its commercial viability, SEC should undertake more private sector projects. Investment in new machinery and equipment will also be essential to improve capacity and productivity.

Central Engineering Consultancy Bureau

Central Engineering Consultancy Bureau (CECB) the leading construction corporation among the three state owned construction enterprises, won the "Excellence in Engineering Award" endowed by the Institution of Engineers in Sri

Table 7.17 > **Financial Out-turn of State Engineering Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	7,980	8,112	8,425	8,702	9,241
Construction	7,693	7,597	7,772	7,881	8,225
Consultancy	258	419	525	615	721
Other Income	29	96	128	206	295
Expenditure (Rs. Mn)	7,754	7,984	8,231	8,490	8,991
Operating Expenditure	5,858	6,067	6,132	6,245	6,395
Staff Cost	1,439	1,627	1,712	1,808	1,993
Financial Cost	18	86	91	115	128
Other Expenditure	439	204	296	322	475
Profit/ (loss) (Rs. Mn)	226	128	194	212	250
Outstanding Debts to Banks (Rs. Mn)	695	368	415	485	520
Receivables (Rs. Mn)	6,082	6,110	6,240	6,310	6,380

Sources: State Engineering Corporation and Department of Public Enterprises

(a) Provisional

Lanka (IESL) and was also awarded the LEED gold certificate by U.S. Green Building Council in 2013. CECB completed several major projects in 2013 including the construction of a new building and renovation of the existing building at Janakala Kendraya Premises, construction of an office and laboratory complex for Government Analyst's Department at Battaramulla and the Canowin Arcade (the service/rest area along the Sothorn Expressway). CECB has been successful in securing the contract for the construction of a ten storied Dental Care Unit at the General Hospital in Polonnaruwa.

Moreover, CECB has secured several projects through competitive bidding with the private sector. Among them are the proposed multi storied building for the Banking Studies Centre

of the Central Bank, a building complex for pre-clinical departments, library, canteen and teaching facilities for the Faculty of Medicine in the University of Colombo and a ten storied hospital building at Hambanthota.

CECB has also secured consultancy services in countries like the Maldives, India, UK, Kenya, Malawi and Uganda as well as East Africa. It has teamed up with leading construction companies in the island to undertake foreign construction contracts aiming to provide an opportunities for local engineers as well as Sri Lankan engineers residing overseas enabling foreign remittances to Sri Lanka. CECB's profits increased by 42 percent and the total receivables were Rs.7,687 million, by end 2013.

Table 7.18 > **Financial Out-turn of Central Engineering Consultancy Bureau**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	13,303	14,634	17,273	19,332	21,067
Construction	11,295	12,425	14,909	16,943	18,637
Consultancy	1,495	1,645	1,764	1,779	1,809
Other Income	513	564	600	610	621
Expenditure (Rs. Mn)	12,919	14,089	16,401	18,155	19,708
Operating Expenditure	11,526	12,511	14,368	16,498	18,023
Staff Cost	792	887	1323	942	958
Financial Cost	20	23	24	24	24
Other Expenditure	581	668	686	691	703
Profit/ (loss) (Rs. Mn)	384	545	872	1,177	1,359
Outstanding Debts to Banks (Rs. Mn)	-	-	-	-	-
Receivables (Rs. Mn)	6,684	7,687	7,765	7,855	7,975

Sources: Central Engineering Consultancy Bureau and Department of Public Enterprises

(a) Provisional

State Development & Construction Corporation

State Development & Construction Corporation (SD & CC) engages in heavy civil engineering works and it manufactures concrete, reinforced concrete (RCC) and pre-stressed concrete products such as railway sleepers, pre stressed post tensioned beams, electrical transmission poles, RCC spun pipes, bridge components, hollow blocks etc. required for different engineering undertakings. During 2013, SD & CC undertook inspection and repairs of Kukuleganga main tunnel, Asphalt surfacing of new Moragahakanda new diversion road and construction of a bridge over Galoya

connecting Salgashandiya Right Bank Canal Road.

SD & CC undertook Rs.1,699 million worth of projects during 2013 while Rs.2,495 million worth of work in progress remains as at end 2013. Due to the decline in operating expenditure, profits increased by 131 percent in 2013. Outstanding debt to banks increased to Rs.777 million as SD & CC obtained a permanent overdraft facility in 2013 to overcome liquidity and working capital constraints as their total receivables amounted to Rs 2,166 million as at end 2013.

Table 7.19 > **Financial Out-turn of State Development & Construction Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	3,580	3,313	4,338	5,527	6,603
Construction	2,985	2,303	3,150	4,225	5,125
Others	595	1,010	1,188	1,302	1,478
Total Expenditure (Rs. Mn)	3,532	3,202	4,201	5,328	6,370
Operating Expenditure	2,832	2,513	3,342	4,397	5,328
Staff Cost	533	524	652	691	775
Financial Cost	63	68	79	88	96
Others	104	97	128	152	171
Profit/ (loss)(Rs. Mn)	48	111	137	199	233
Outstanding Debts to Banks(Rs. Mn)	429	777	825	888	945
Receivables (Rs. Mn)	2,247	2,166	2,265	2,358	2,425

Sources: State Development & Construction Corporation and Department of Public Enterprises

(a) Provisional

7.8 State Banks

The eight state banks in Sri Lanka accounted for 49 percent of the assets of the total banking sector as at end 2013. Among these, Bank of Ceylon (BOC) and People's Bank (PB) are the two largest licensed commercial banks with an asset base of Rs 1,193.6 billion and Rs 926.6 billion, respectively. The National Savings Bank (NSB) is a licensed specialized bank with an asset base of Rs 655 billion while the other five specialized licensed banks, namely, State Mortgage and Investment Bank (SMIB), Pradeshiya Sanwardena Bank (PSB), Lankaputra Development Bank (LDB), Sri Lanka Savings Bank (SLSB) and HDFC Bank (HDFC) have an

aggregate of Rs 149.2 billion in assets. Out of the total branch network in the banking sector, the state banks accounted for 33 percent of branches leading the way towards achieving Government's policy of improving financial accessibility and inclusiveness. The geographic penetration was further extended with state banks opening a total of 275 banking outlets and service delivery points in 2013, increasing the total branches and outlets to 2,113 in the state banks sector. BOC is the only Sri Lankan bank with an international presence with branches in Chennai, Male, Seychelles and a subsidiary in London.

Table 7.20 > **Key Performance Indicators of State Banks**

	State Banks				Rs. Bn
	2010	2011	2012	2013(a)	Banking Industry 2013(a)
Assets	1,757.90	2,076.80	2,558.20	2,924.40	5,942.00
Loans and Advances	878.8	1,061.90	1,336.50	1,718.50	3,427.00
Non Performing Advances	45.5	43.1	55.3	94.3	191.9
Deposits	1,400.10	1,624.30	1,888.40	2,209.70	4,170.00
Capital Funds	84.4	104.4	122.9	132.6	490
Total Borrowings	204.2	278.7	461.5	387.2	1,015.00
Interest Income	167.7	181.9	246.9	309.7	591.4
Interest Expenses	98.8	102.8	158	217.1	394.8
Net Interest Income	68.9	78.9	89	92.6	196.7
Profit Before Tax	31.3	43.7	45	32.1	104.7
Profit After Tax	18.6	30	31.5	23.6	74.6
Return on Assets (ROA) (%)	1.2	1.4	1.2	0.8	1.26
Return on Equity (ROE) (%)	24	29	26	17.8	15.2
NPA Ratio (%)	5.2	4.1	4.1	5.5	5.6

Sources: Department of Public Enterprises, State Banks and Central Bank of Sri Lanka

(a) Provisional

The deposit base of the state banks surpassed Rs. 2 trillion during 2013. Profit after tax of these banks deteriorated by 25 percent in 2013 as non-performing advances increased by 71 percent largely contributed by the non-performing gold backed loans, consequent to the sharp decline in international gold prices.

In the background of policy initiatives introduced in 2012 towards strengthening macroeconomic conditions, the banking industry was compelled to moderate credit growth. The slowdown in credit growth continued in 2013 as well, as the pawning portfolios declined. Hence, the asset base of the state banks grew by 15 percent compared to 23 percent in 2012. The total assets of the banking industry increased by 16.5 percent to Rs. 5.9 trillion by end 2013.

With PB, BOC and NSB using pawning as one of its strategies for expansion during 2011-2012, the pawning portfolios increased rapidly during the period and high credit concentration was seen in pawning during these years. Subsequently, the share of pawning portfolios declined from 28.7 percent in 2012 to 21.9 percent in 2013 as banks took several measures to mitigate the risks arising from the sharp decline in gold prices. Although the banks have scaled down the pawning portfolios, losses incurred due to high default rates remain a significant challenge to the banks with large pawning portfolios.

With respect to credit concentration, credit granted to agriculture, manufacturing, infrastructure, tourism, transport and housing sectors have slightly increased in 2013 when compared with 2012 while credit to sectors

Table 7.21 > **Sector Wise Credit Concentration of State Banks**

	2012		2013	
	Rs. Bn	Percentage	Rs. Bn	Percentage
Agriculture & Fishing	68.2	4.3	110	7.0
Manufacturing	68.5	4.3	86.3	5.5
Tourism	15.9	1.0	21.9	1.4
Transport	19.8	1.3	29	1.9
Housing	166.1	10.4	237.2	15.2
Trading	237.1	14.8	230.8	14.7
Financial & Business Services	31.6	2.0	23.5	1.5
Infrastructure	118.5	7.4	157.4	10.1
Consumption	182	11.4	37.8	2.4
Construction	112.6	7.0	62.2	4.0
Credit Card	3.4	0.2	4.0	0.3
Pawning	460	28.7	343.1	21.9
Others	116.1	7.3	221.6	14.2
Total	1,599.8	100	1564.8	100

Sources: Department of Public Enterprises and State Banks

such as consumption, construction and financial services have slightly declined. The state banks play a significant role in providing necessary funding for the infrastructure development projects as well as other growth sectors supporting the economy.

In 2013, state banks raised a total of US\$ 1,250 million in the international market which is a reflection of international investors' interest in Sri Lanka's debt market. NSB was successful in raising dollar funds totaling US\$750 million at 8.76 percent with a maturity of 5 years while BOC passed yet another milestone by raising its second international dollar bond of 5 years amounting to US\$ 500 million at 5.325 percent which was 6.8 times oversubscribed, endorsing the acceptance the Bank has earned within the global investor community. The BOC earned global recognition as one of the top 1000 banks in the world, as listed by The Bankers Magazine (UK) consecutively in 2012 and 2013. Further, the BOC was also named as one of Asia's Best Brands in 2013 being the only Sri Lankan brand recognized by the Chief Marketing Officer's Council (CMO Council) based in Mumbai India.

It is also a noteworthy feature that despite most banks in the industry experiencing a decline in their respective deposit bases, the three state banks have sustained a growth rate in the range of 11 percent to 29 percent in 2013. Further, the Government and the Central Bank announced plans for consolidation in the financial sector aimed at a financial landscape with a smaller number of strong and stable banks and finance companies conducive for strong economic growth.

Several measures have been announced to further strengthen the balance sheets of the three major state banks. The investments

made in Sri Lankan Airlines by these banks which have not yielded any returns will be bought back by the Government relieving the banks of such long term investments. Further, all long outstanding debts of Government departments/ agencies and state owned enterprises are being identified to be settled. These measures will provide space to expand lending rapidly into emerging sectors such as exports, high value agriculture & SMEs, construction, tourism and leisure related activities, IT and enabling industries etc.

Sri Lanka's banking sector is faced with significant challenges in managing asset quality, accessing low cost capital in the face of rapid expansion, enhancing risk management capabilities and maintaining profitability as margins narrow in the low interest rate regime. Further, the 2.0 percent cap imposed on penal rates, compel banks to improve credit quality as well as efficiency in the recovery mechanisms. Capital adequacy also may come under pressure with increased NPLs and high provisioning requirements.

The state banks need continued improvement in business planning to identify emerging growth sectors of the economy to direct credit towards these sectors. Developing their technological capabilities would be essential to compete with the private sector banks as the usage of internet and mobile phones have significantly expanded into most remote areas of the country. The specialized banks should focus on segments of the economy that requires increased financial accessibility and prioritize on micro finance, SME sector, women entrepreneurs, agriculture, etc.

It is essential that the state banks enhance the skills and capacity of the staff to ensure that the banks' strategies are implemented

effectively and efficiently responding to clients' needs. In 2013, pension schemes for employees who have joined after 1996 were introduced in NSB and PB, while BOC is in the process of finalizing its scheme.

Bank of Ceylon

Bank of Ceylon (BOC), the only local bank with an international network, continued its lead position in the Sri Lankan banking industry with an asset base of Rs. 1,193 billion (20 percent), lending portfolio of Rs 755 billion

(22 percent) and a deposit base of Rs. 842 billion (20 percent) in 2013. The asset base of BOC grew by 14 percent, while the lending portfolio, which continued to be the country's largest, grew only by 5.7 percent in comparison to the industry growth of 8.8 percent in 2013, mainly due to the reduction in pawning advances, loans to Ceylon Petroleum Corporation, Government overdraft and moderation in credit growth in response to monetary and fiscal policy actions initiated in 2012.

Table 7.22 > **Financial Out-turn of Bank of Ceylon**

	2012	2013	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	109,483	126,717	135,147	155,034	178,474
Interest Income	95,022	114,863	119,906	138,294	161,483
Interest Expense	59,701	77,720	82,070	94,828	109,820
Net Interest Income (Rs. Mn)	35,321	37,143	37,836	43,466	51,663
Other Income	14,461	11,854	15,241	16,740	16,991
Total Operating Expenses (Rs. Mn)	20,870	23,681	25,500	30,861	33,951
Personnel Expenses	12,927	14,669	14,084	16,901	18,095
Other Expenses	7,943	9,012	11,416	13,960	15,856
Profit Before Tax (Rs. Mn)	19,794	15,709	20,493	28,812	28,455
Key Performance Indicators					
Investments (Rs. Mn)	229,880	304,063	353,140	377,130	384,066
Deposits (Rs. Mn)	693,441	842,070	928,770	1,083,301	1,266,383
Loans and advances (Rs. Mn)	714,847	755,385	855,926	999,731	1,185,531
Non Performing Advances (Rs. Mn)	19,254	31,754	19,924	19,994	23,794
ROA (%)	2.1	1.4	1.6	3	3.1
ROE (%)	31.24	22.2	24.5	22.7	21.4
NPL Ratio (%)	2.8	4.3	2.3	2	2

Sources: Bank of Ceylon and Department of Public Enterprises

Despite the marginal increase in net interest income, bank's profit before tax decreased by 21 percent to Rs. 15.7 billion due to the decrease in other income coupled with the increase in non-salary benefits and provisions for bad and doubtful debts. BOC's two international branches operating in Chennai and Male recorded profits during the year. BOC paid dividends totaling Rs. 5.3 billion to the Government in 2013.

During 2013, BOC issued an international bond of US\$ 500 million and debentures to the value of Rs. 8 billion to address the maturity mismatch of the bank. The Bank has embarked on Islamic Banking with a target portfolio of Rs. 6 billion by 2016 from its Rs. 2.6 billion in 2013. Bank's capital adequacy ratio (CAR) improved from 11.5 percent in 2012 to 12.1 percent in 2013. The Government proposes to infuse further Rs 10 billion to support the BOC's efforts towards consolidating as the lead bank in the country.

BOC's deposit base grew by 21 percent, which is above the industry growth rate of 15 percent. However, the Bank's deposit mix turned expensive resulting in a Current Accounts Savings Accounts (CASA) ratio of 48 percent over 52 percent in 2012, reflecting the need to attract low cost deposits.

The trading sector accounted for 23 percent of the BOC's lending portfolio in 2013 followed by pawning loans at 16 percent. During the year the Bank continued to lend to major infrastructure projects of the country including road development, power and energy and water supply. Loans to state owned enterprises accounted for 38 percent of the total loan portfolio while the major debtors were Ceylon

Petroleum Corporation, Sri Lanka Ports Authority and Road Development Authority with outstanding loans amounting to Rs.245 billion, Rs.12.8 billion and Rs.12 billion, respectively as at end 2013.

Non-performing loan ratio (NPL) of the bank weakened to 4.3 percent in comparison to 2.8 percent in 2012, mainly due to the increase in non-performing pawning advances by Rs. 9.1 billion to Rs. 11.9 billion at the end of 2013. But the NPL ratio is still below the industry average of 5.6 percent. Strategies such as focus on quality of advances, strict monitoring of non-performing advances, accelerated recourse actions such as rescheduling and restructuring of existing facilities will enable the bank to sustain a prudent NPL ratio well below industry standards. BOC has made a provision of Rs. 2.8 billion in 2013 against the NPLs in the pawning portfolio.

In 2013, BOC opened its third overseas branch in Seychelles along with 16 new branches in Sri Lanka, out of which 4 were in the North and East and added 72 new ATM machines to its ATM network. The bank has 12 subsidiaries and 5 associate companies in its group structure which yielded a dividend income of Rs. 268 million in 2013. BOC retained its AA+ long term rating from Fitch Ratings (Lanka) in 2013 as well.

In 2013, two leasing companies, namely, Ceylease Ltd. and MCSL Financial Services Ltd. merged while the other entities such as MBSL and MBSL Savings Bank is also to be merged in line with the consolidation process initiated by the Central Bank.

People's Bank

People's Bank (PB), the second largest bank in the country with an asset base accounting for 15.6 percent of the banking industry, operates with the largest branch network comprising of 347 branches and 388 service centers with 451 ATM locations covering almost all parts of the island. PB's asset base stood at Rs. 927 billion, an increase of 6 percent over Rs. 873 billion in 2012, which is below the industry asset growth rate of 16.5 percent.

Despite the increase in net interest income by Rs. 2.7 billion or 8 percent over 2012, pre-tax profits of the Bank declined to Rs. 10.1 billion mainly due to the increase in impairment for loans and other losses by 200 percent in 2013.

The net interest margin of the PB deteriorated to 3.2 percent from 4.2 percent in 2012 reflecting the need for low cost deposit mobilization. Personnel expenses of the bank has decreased by Rs. 1.9 billion or 13 percent to Rs. 12 billion as a result of decline in salaries, bonus and related expenses by Rs. 829 million with the decline in number of employees from 7,823 in 2012 to 7,409 in 2013. PB paid Rs 4.8 billion as dividends to the Government in 2013.

Bank's loan book grew only by 3.1 percent in 2013, to Rs. 681.5 billion which is below the industry growth of 8.8 percent. The loan portfolio of the bank is expected to grow at a higher rate in 2014-2016, with strategies to expand the loans to SME sector with the use

Table 7.23 > **Financial Out-turn of People's Bank**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	94,633	120,384	153,865	169,251	186,176
Interest Income	85,241	110,441	143,573	157,930	173,723
Interest Expense	51,323	73,791	106,259	116,885	128,574
Net Interest Income (Rs. Mn)	33,918	36,650	37,314	41,045	45,149
Other Income	9,392	9,943	10,292	11,321	12,453
Total Operating Expenses (Rs. Mn)	24,186	22,776	25,266	27,793	30,572
Personnel Expenses	13,819	11,958	12,509	13,760	15,136
Other Expenses	10,367	10,818	12,757	14,033	15,436
Profit Before Tax (Rs. Mn)	15,249	10,100	16,616	18,278	20,105
Key Performance Indicators					
Investments (Rs. Mn)	176,380	226,956	291,323	320,455	352,501
Deposits (Rs. Mn)	683,951	762,249	859,188	945,107	1,039,617
Loans and advances (Rs. Mn)	660,624	681,467	742,778	817,056	898,761
Non Performing Advances (Rs. Mn)	17,407	33,435	27,011	26,000	25,000
ROA (%)	2	1.1	1.6	1.7	1.8
ROE (%)	41.7	23.6	30.1	31	32
NPL Ratio (%)	2.8	5.3	4	3.2	2.8

Sources: People's Bank and Department of Public Enterprises

(a) Provisional

of its 24 SME centres distributed island wide. Loans to state owned enterprises accounted for 28 percent of the total loan portfolio with high exposure to Ceylon Electricity Board, Ceylon Petroleum Corporation and Ceylon Fertilizer Company Ltd. After the implementation of proposals for strengthening major state owned business enterprises, where long outstanding debts to state banks will be settled, PB will be able to redirect credit to other growing sectors of the economy in the medium term.

Asset quality of the bank has deteriorated as witnessed by the increase in the NPL ratio to 5.3 percent over 2.8 percent in 2012. The increase in non-performing pawning loan portfolio from Rs. 0.3 billion in 2012 to Rs. 13.7 billion in 2013 was the major contributor to the deterioration of the Bank's NPL ratio. In the banking sector, PB had the highest exposure to pawning accounting for 28 percent of its total loan portfolio. The Bank made a provision of Rs. 5.4 billion in 2013 against credit losses on pawning.

Supported by the extensive branch network, bank's deposits recorded a growth of 11.4 percent during the year 2013 while maintaining a CASA ratio at 38 percent. Fitch Ratings (Lanka) affirmed AA+ (lka) national long term rating for People's Bank for the second consecutive year.

National Savings Bank

The National Savings Bank (NSB), the largest savings bank in the country, expanded its branch network by 10 branches to 229 in 2013. Further, NSB has a network of 4,053 post offices/sub post offices distributed throughout the country. The Bank which has an asset base of Rs 655 billion accounted for 11 percent of the total banking sector assets and 17.9 million account holders spread all over the country. NSB retained the AAA (lka) credit rating by Fitch Ratings (Lanka) for the eleventh consecutive year in 2013. Further, the Bank was awarded with B+ stable and BB- stable

international ratings from Standard & Poor's and Fitch Ratings respectively, in 2013.

The NSB issued an international bond in September 2013 which was one of the successful initiatives taken by the Bank in its history. The US\$ 750 million bond issue was the largest transaction completed by a Sri Lankan entity in the international market in a single issue. The funds raised by the bond issue would enable the Bank to provide credit to a wider segment of the market and also to lend in US dollars to its foreign exchange earning/savings activities.

NSB holds 12 percent of the deposits of the total banking sector deposit base. While 14 banks in the banking industry reported a decline in their deposit base, NSB has recorded a 9 percent increase in 2013.

The NSB recorded a profit before tax of Rs. 3,764 million in 2013 which is a 38.9 percent decline compared to 2012. The major contributory factor for the decline in profits in 2013 was the 43 percent increase in loan loss provisions contributed mainly by the deterioration of the pawning portfolio. The loan impairment provision increased from Rs. 130 million in 2012 to Rs. 1,379 million for 2013. In addition, interest expenses increased by 39.4 percent due to high interest rates paid for the time deposits which constitute 90 percent of the total deposits and therefore the net interest income declined by 22 percent during 2013. Further, the net interest margin declined from 2.9 percent to 1.8 percent in 2013. Even though the bank recorded a negative growth in its profits, NSB's asset base grew by 29 percent to Rs. 655 billion by end 2013. The investments made with the proceeds of the international bond issue contributed to a 19 percent increase in the asset base. The Bank's loan and advances portfolio also increased by 8 percent and deposit base by 9 percent. The other income of the bank increased considerably due to realized and unrealized

Table 7.24 > **Financial Out-turn of National Savings Bank**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	53,045	66,422	77,566	93,296	112,791
Interest Income	52,673	65,130	76,798	92,414	111,777
Interest Expense	39,142	54,563	59,284	65,787	75,239
Net Interest Income (Rs. Mn)	13,531	10,566	17,515	26,627	36,538
Other Income	372	1292.2	736.6057	845.49	972.318
Total Operating Expenses (Rs. Mn)	7,734	8,094	10,219	11,885	14,226
Personnel Expenses	4,077	4,230	4,828	6,035	6,940
Other Expenses	3,657	3,865	5,391	5,849	7,285
Profit Before Tax (Rs. Mn)	6,169	3,764	8,032	15,588	23,284
Key Performance Indicators					
Investments (Rs. Mn)	329,532	435,391	458,325	524,750	600,687
Deposits (Rs. Mn)	457,650	501,890	581,879	672,007	792,007
Loans and advances (Rs. Mn)	168,619	175,444	251,643	321,143	456,772
Non Performing Advances (Rs. Mn)	3,469	10,003	12,890	4,500	5,000
ROA (%)	1.3	0.52	1.13	1.4	1.73
ROE (%)	18.3	7.32	20.17	32	37
NPL Ratio (%)	1.8	5.7	5.12	1.8	1.8

Sources: National Savings Bank and Department of Public Enterprises

(a) Provisional

gains from investments in Government securities and dividend income.

Non-performing advances (NPA) of the Bank increased by 188 percent contributed mainly by increase in pawning non-performing loans by 724 percent. However, NSB has taken measures to mitigate the risk of NPLs increasing further by encouraging customers for part settlements and granting personal loans at branch level for the purpose of redemption of pawned articles.

Pradheshiya Sanwardana Bank

The objective of the Pradheshiya Sanwardana Bank (PSB) is to improve the living standards of the rural masses by providing them with accessible and affordable credit facilities that in turn would contribute to strengthen the rural economy. PSB was established in 2010 by

merging 6 Regional Development Banks. The Bank strives to provide innovative yet simple financial services to those at the lower end of the income pyramid. The Bank has a customer base of over 4 million and over 260 branches with island wide staff strength of 2,500.

Further, the bank is implementing strategies to empower its customers in the micro, small and medium scale enterprises and channel credit to predominantly rural based activities such as agriculture, livestock, fisheries, handicrafts, handloom etc., which engage considerable proportion of self-employment and medium and small sized enterprises. The Bank provides working capital loans of up to Rs. 250,000 for women entrepreneurs following the 2014 budget announcement to dedicate the Bank for women entrepreneurs.

Table 7.25 > **Financial Out-turn of Pradheshiya Sanwardana Bank**

	2012	2013	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	9,645	10,995	12,693	15,092	17,997
Interest Income	9,049	10,441	12,135	14,400	17,118
Interest Expense	4,612	5,939	6,340	7,370	8,634
Net Interest Income (Rs. Mn)	4,437	4,502	5,795	7,030	8,484
Other Income	596	554	558	692	878
Total Operating Expenses (Rs. Mn)	3,541	4,369	4,636	5,642	6,355
Personnel Expenses	2,489	2,699	3,102	3,878	4,266
Other Expenses	1,052	1,670	1,533	1,763	2,089
Profit Before Tax (Rs. Mn)	1,492	687	1717	2,080	3,008
Key Performance Indicators					
Investments (Rs. Mn)	11,381	15,620	17,000	19,707	24,724
Deposits (Rs. Mn)	54,735	62,628	74,649	89,579	107,495
Loans and advances (Rs. Mn)	53,667	60,491	71,730	84,642	101,570
Non Performing Advances (Rs. Mn)	2,330	4,387	2,801	3,386	4,063
ROA (%)	1.7	0.94	1.82	2	2.5
ROE (%)	3.3	5.32	18	15	20
NPL Ratio (%)	4.3	7.3	4	4	4

Sources: Pradheshiya Sanwardana Bank and Department of Public Enterprises

The deposit base of PSB increased by 14.4 percent and the net profit declined sharply by 54 percent in 2013. The interest income declined by 1.5 percent to Rs. 4,502 million in 2013 due to the higher interest expense on time deposits compared to interest earned on loans and advances which are re-priced at shorter intervals. Around 62 percent of the total deposit base is in time deposits which

have been mobilized in previous years at higher deposit rates. Moreover, other expenses have also increased by 59 percent due to expenses incurred in relation to the opening of 5 new branches and relocating of 18 branches in 2013. Non-performing loans increased by 88 percent in 2013 mainly due to losses in the pawning portfolio amounting to Rs. 2.3 million.

The objective of the Pradheshiya Sanwardana Bank (PSB) is to improve the living standards of the rural masses by providing them with accessible and affordable credit facilities that in turn would contribute to strengthen the rural economy.

State Mortgage and Investment Bank

The State Mortgage and Investment Bank (SMIB), a licensed specialized bank has been in mortgage loan business for housing and housing related purposes since 1931. In 2013, the Bank has expanded its branch network by opening nine new branches in the districts of Ampara, Anuradapura, Badulla, Monaragala, Matale, Hatton, Kaduruwela, Ratnapura and Vavuniyawa. Out of the total loan portfolio of SMIB, 89 percent accounts for the housing sector while 10 percent is in the agricultural sector.

The net interest margin decreased to 2.1 percent in 2013 from 5.3 percent in 2012. Further, other operational expenses increased by 47 percent due to expenses incurred in relation to the inauguration of nine new branches in 2013. Investments, with majority in fixed deposits and commercial papers, increased by 44 percent. Time deposits account for 91 percent of the total deposit base of Rs. 21,199 million. The NPL ratio increased from 34.41 percent in 2012 to 35.33 percent in 2013.

Table 7.26 > **Financial Out-turn of State Mortgage and Investment Bank**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	2,958	3,742	4,175	7,475	9,343
Interest Income	2,879	3,640	4,067	7,308	9,134
Interest Expense	1,725	2,461	2,760	5,227	6,462
Net Interest Income (Rs. Mn)	1,154	1,179	1,307	2,081	2,672
Other Income	79	102	108	167.4	208.9
Total Operating Expenses (Rs. Mn)	711	833	835	1,289	1,389
Personnel Expenses	464	469	506	878	953.9
Other Expenses	247	365	329	411	434.8
Profit Before Tax (Rs. Mn)	522	447	465	793	1,260
Key Performance Indicators					
Investments (Rs. Mn)	3,566	5,125	6,818	9,221	11,282
Deposits (Rs. Mn)	17,237	21,199	26,090	40,570	50,084
Loans and advances (Rs. Mn)	18,550	21,183	24,187	37,370	45,723
Non Performing Advances (Rs. Mn)	8,024	8,241	4,858	7,474	9,145
ROA (%)	2.01	1.4	1.57	1.98	2.37
ROE (%)	7.43	5.92	8.34	15.61	21
NPL Ratio (%)	34.41	35.33	20	20	20

Sources: State Mortgage and Investment Bank and Department of Public Enterprises

(a) Provisional

Low cost deposit mobilization coupled with improvement in the operational systems is vital for SMIB to increase its Return on Assets to meet targets in the medium term. In 2013, SMIB joined the Sri Lanka Interbank Payment System (SLIPS) on a secondary basis with the Bank of Ceylon to improve efficiency in remittances to and from customers.

Sri Lanka Savings Bank

The Sri Lanka Savings Bank (SLSB) was established as a licensed specialized bank in 2008 to provide relief to the depositors of Pramuka Savings and Development Bank (PSDB) and involves mainly in granting micro finance loans, leasing and hire purchase facilities for small sectors in the

economy. SLSB opened three new branches in Matara, Mannar and Anuradhapura during 2013 and plan to open six new branches during 2014.

In keeping with the vision of the Bank, to be the leading provider of micro-finance, about 20 percent of loans have been granted in the form of direct micro finance, while 50 percent of loans are in the form of leasing and hire purchases for the small sectors. It is desirable that the Bank concentrates on further promotion of micro finance products to meet small sector needs and activities such as 'Sathipola Banking' to fill gaps in financial accessibility in the lower income segment of the society.

Table 7.27 > **Financial Out-turn of Sri Lanka Savings Bank**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	892	1006	1213	1334	1468
Interest Income	742	983	1,073	1,180	1298
Interest Expense	139	141	226	260	312
Net Interest Income (Rs. Mn)	603	842	846	920	986
Other Income	150	23	140	154	169
Total Operating Expenses (Rs. Mn)	108	163	198	218	240
Personnel Expenses	41	44	92	101	111
Other Expenses	67	119	106	117	128
Profit Before Tax (Rs. Mn)	645	702	788	857	916
Key Performance Indicators					
Investments (Rs. Mn)	4,683	5,227	5,834	6,418	7060
Deposits (Rs. Mn)	488	560	650	750	900
Loans and advances (Rs. Mn)	2,528	1,822	4,000	5,500	6,500
Non Performing Advances (Rs. Mn)	1,341	1,460	1,168	934	748
ROA (%)	9.11	9.14	9.97	10.1	10.14
ROE (%)	20.74	19.16	18.02	19.08	19.26
NPL Ratio (%)	49.07	45.02	29.2	16.99	11.5

Sources: Sri Lanka Savings Bank and Department of Public Enterprises

(a) Provisional

SLSB has taken measures to complete recoveries and settlements of all PSDB customers by the end 2017. It has settled Rs 1,037 million of deposits of PSDB by end 2013 and the balance Rs 303.9 million will be settled within the next few years. Further, the Bank has recovered a total of Rs 23.6 million while Rs. 1,342.8 million remain to be recovered from debtors of PSDB.

The total deposit base of SLSB increased by 14.8 percent, while the net profit increased by 9 percent in 2013. The Bank is primarily dependent on investment income rather than earnings from core banking business. Over 80 percent of the income is derived from investment activities out of which 89 percent represent interest earned from fixed deposits in state banks. Even though the rate of interest is in a declining trend, the bank has met its revenue targets. However, the NPL ratio of SLSB

is significantly high at 45 percent although there is an improvement from 49 percent in 2012.

HDFC Bank

Being the only state bank listed on the Colombo Stock Exchange, the HDFC Bank is primarily engaged in granting loans or credit facilities for housing purposes. The Bank's asset base grew by 33 percent in 2013 to Rs.28 billion. The loan book of the Bank grew by 23 percent to Rs. 20 billion of which 98 percent has been granted to construct small and medium housing units. Promotional activities carried out during 2013 have enabled the Bank to increase the deposit base by 29 percent over 2012, of which 87 percent represent time deposits. Although the asset quality of the Bank improved marginally in 2013, with the NPL ratio declining to 19.9 percent, it is still above the industry average of 5.6 percent.

Table 7.28 > **Financial Out-turn of HDFC Bank**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	2,744	3,858	5,239	7,532	10,731
Interest Income	2,634	3,528	4,861	6,995	9,979
Interest Expense	1,805	2,469	3,237	4,658	6,645
Net Interest Income (Rs. Mn)	829	1,059	1,624	2,337	3,334
Other Income	110	330	378	537	752
Total Operating Expenses (Rs. Mn)	763	997	1,159	1,415	1,834
Personnel Expenses	458	559	629	768	995
Other Expenses	305	438	530	647	839
Profit Before Tax (Rs. Mn)	176	392	843	1,459	2,252
Key Performance Indicators					
Investments (Rs. Mn)	3,571	6,500	12,081	8,393	11,362
Deposits (Rs. Mn)	14,695	18,914	25,382	33,573	45,450
Loans and advances (Rs. Mn)	16,290	20,112	25,933	36,100	50,500
Non Performing Advances (Rs. Mn)	3,291	3,843	3,890	4,332	5,050
ROA (%)	0.2	0.9	1.4	0.02	0.03
ROE (%)	2.4	9.3	16.4	25	30
NPL Ratio (%)	20.9	19.9	15	12	10

Sources: HDFC Bank and Department of Public Enterprises

(a) Provisional

During 2013, the Bank raised Rs. 2 billion through a debenture issue with tenure of 3 to 5 years, addressing the assets and liability maturity mismatch experienced by the Bank. HDFC Bank has retained the Fitch Ratings (Lanka) national long term rating of BBB+ in 2013 as well.

Lankaputhra Development Bank

Lankaputhra Development Bank (LDB) operates with 8 branches, with the objective of implementing the Government's policy of facilitating small and medium sized enterprises. The decrease in LDB's deposit base by 5

percent to Rs. 228 million at the end of 2013 reflects the requirement to implement deposit mobilization programs and introduce attractive deposit products. The loan portfolio of the Bank decreased by 2.5 percent to Rs. 2,461 million. The non-performing loan ratio deteriorated to 46.7 percent from 45.8 percent in 2012 revealing the need for close monitoring of poor quality loans. As the net interest income increased by 20 percent, LDB closed the year 2013 with a profit before tax of Rs. 333 million. The Bank was able to secure a credit rating of A- by Fitch Ratings (Lanka) in 2013.

Table 7.29 > **Financial Out-turn of Lankaputhra Development Bank**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	662	720	747	824	908
Interest Income	603	718	742	816	898
Interest Expense	59	65	67	91	115
Net Interest Income (Rs. Mn)	544	653	675	725	783
Other Income	61	2	5	8	10
Total Operating Expenses (Rs. Mn)	311	322	374	389	417
Personnel Expenses	101	95	135	138	141
Other Expenses	210	227	239	251	276
Profit Before Tax (Rs. Mn)	294	333	306	344	376
Key Performance Indicators					
Investments (Rs. Mn)	4,738	5,414	5,266	5,016	4,766
Deposits (Rs. Mn)	240	228	503	800	1,100
Loans and advances (Rs. Mn)	2,525	2,461	3,027	3,527	4,027
Non Performing Advances (Rs. Mn)	1,158	1,150	1,143	1,029	926
ROA (%)	4.3	5.2	4.6	4.8	5.1
ROE (%)	5.5	4.9	4.5	7.4	7.6
NPL Ratio (%)	45.8	46.7	37.7	29	23

Sources: Lankaputhra Development Bank and Department of Public Enterprises

(a) Provisional

Employees' Trust Fund Board

Employees' Trust Fund Board (ETF) was established in terms of the Employees' Trust Fund Act No. 46 of 1980. The contribution of 3 percent on gross earnings of employees who are working in the private sector and non-pensionable Government organizations is mandatory according to the regulations in section 22(1) of the Act.

During the year 2013, Rs. 14.4 billion was contributed to the Fund by 72,145 employers on behalf of 2.2 million active members, while the number of member accounts is 10 million. The contribution in 2013 was an increase of 13.4 percent from Rs. 12.7 billion in 2012. The total member account balances amounted to Rs.174.3 billion in 2013, an increase of 13.5 percent from Rs. 153.6 billion in 2012. A total of 152,866 claims were made during the year 2013 with refunds totaling Rs 9.7 billion. The total investment portfolio grew by 12.4 percent to Rs. 168.6 billion in 2013 from Rs.150 billion in

2012. During the year 2013 there were 33,149 members registered as migrant workers and self-employed persons.

By end 2013, employers making contributions through the on-line payment system were around 1000. The average monthly contribution to the ETF during the year 2013 was Rs.1,200 million and the average monthly refund amounted to Rs.798 million. The ETF board accelerated its claim settlement process from February 2013 enabling its members to obtain their claims within 10 days. The Board increased the life insurance benefit given to members of the Fund from Rs.50,000 to Rs.100,000 from July 2013. The decentralized data entry and claims payment process was initiated from January 2013 but needs to be further expanded to provide a better service to the members. For the year 2013, a dividend plus interest of 10 percent was declared on members' Fund balances.

Table 7.30 > **Financial Out-turn of Employees' Trust Fund Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	13,488	16,477	20,696	26,199	33,679
Investment Income	13,229	16,122	20,391	25,846	32,861
Other Income	259	286	305	353	413
Income Net of Tax	13,322	16,224	20,455	25,891	33,159
Total Expenditure (Rs. Mn)	1,174	1,310	1,564	1,840	2,178
Operating Expenses	766	867	1,001	1,156	1,341
Member Expenses	290	314	563	684	801
Net Income (Rs. Mn)	12,148	14,913	18,891	24,051	26,156
Profit for Distribution (Rs. Mn)	14,130	15,875	18,119	21,862	23,591
Key Performance Indicators					
Interest on Members Fund 3%	4,190	4,752	5,249	5,948	6,451
Dividend	9,777	11,089	13,440	17,996	19,876
Total Rate-Interest & Dividend (%)	10	10	10	10	10

Sources: Employees' Trust Fund Board and Department of Public Enterprises

(a) Provisional

7.9 Insurance

The Insurance sector in the country is regulated by the Insurance Board of Sri Lanka (IBSL) and operates with 16 local companies and 6 foreign based entities. The state presence in the insurance sector is represented through Sri Lanka Insurance Corporation (SLIC), National Insurance Trust Fund (NITF), Agriculture and Agrarian Insurance Board (AAIB) and the Sri Lanka Export Credit Insurance Corporation (SLECIC).

Table 7.31 > **Performance of the Insurance Industry**

	2012	2013(a)
Gross Written premium (Rs. Bn)	87.2	94.5
Life	37.5	41.3
General	49.7	53.2
Total Assets (Rs. Bn)	315.8	356.6
Life	190.6	217
General	131.2	146.8
Penetration as a % of GDP	1.15	1.09
Insurance Density		
Rupees Million	4,288	4,613
US Dollars Million	33.6	35.7

Source: Insurance Board of Sri Lanka

(a) Provisional

The overall Gross Written Premium (GWP) of the industry grew by 8.4 percent while the total assets of the insurance sector grew by 13.0 percent in 2013 reflecting continued expansion in the sector. Although insurance density increased by almost 7.8 percent during 2013, it is far below Asia's average. Insurance penetration of 1.09 per cent in Sri Lanka is the lowest in the region where the average level of penetration is 5.8 percent, indicating significant scope for expansion. With the formal recognition of Bankassurance and institutional agents from 2013, it is expected that the industry will expand its network to cover a larger segment of society.

Sri Lanka Insurance Corporation

Sri Lanka Insurance Corporation (SLIC) which was established in 1962 as a state owned corporation was converted into a limited liability company (handed over the management to the private sector) for a brief period of 6 years and was reinstated in the state sector in June 2009 by a Supreme Court Judgment. SLIC, which is the largest entity in the insurance sector accounted for 40 percent of the total assets of the local insurance industry as at end 2013, plays a vital role in the industry, with a market share of 24 percent in general insurance and 19.86 percent in life insurance.

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Table 7.32 > **Financial Out-turn of Sri Lanka Insurance Corporation**

	2012	2013 (a)	Forecast		
			2014	2015	2016
Revenue(Rs Mn)	25,644	27,625	31,486	34,818	40,498
Gross written premium	20,173	21,254	23,793	26,932	30,693
Net earned premium	16,768	17,823	19,885	21,994	25,446
Investment income	7,301	9221	11,050	12,200	13,775
Expenses (Rs Mn)	19,781	22,613	22,454	23,574	24,897
Benefits, Losses and Expenses	15,625	17,080	17,458	18,094	18,928
Operating & Administrative Expenses	4,156	5,533	4,996	5,480	5,969
Profit from operations (Rs. Mn)	5,863	5,012	9,032	11,244	15,601
Net Profit for the year (Rs. Mn)	4,236	3,401	5,326	6,295	8,165
Key Performance Indicators					
Claims ratio - General	65	47	52	54	58
Solvency ratio- Life	11	13	13	13	13
Solvency ratio - General	3	4	4	4	4
Life Fund	60,085	66,960	74,586	82,675	91,458

Sources: Sri Lanka Insurance Corporation and Department of Public Enterprises.

(a) Provisional

SLIC operates through a network of 138 branches throughout the country and earned a total revenue of Rs. 27.6 billion in 2013, which is a marginal increase of 7.7 percent from 2012. By end 2013, SLIC's asset base was Rs. 142.9 billion while recording the highest shareholders' funds totaling Rs. 52.13 billion. Its Life Fund has increased by 9.9 percent up to Rs. 66.9 billion. In 2013, SLIC's credit ratings were AA(Ika) by FitchRatings (Lanka) and AAA and P1 by Ram Ratings.

The Gross Written Premium (GWP) from life insurance increased by 9.51 percent up to 8.1 billion in 2013 although the number of life policies issued declined by 2.2 percent to 469,512 in 2013 from 479,631 in 2012. Launching of sales promotions, special policy revival schemes and Bancassurance projects during

the year contributed towards the increase in the life insurance income.

The GWP for general insurance marginally increased by 2.97 percent to Rs. 13.2 billion in 2013. The number of general policies in the year 2013 decreased by 3.1 percent to 1,193,126 from 1,230,479 in 2012. Increase in marine insurance policies was the highest contributor towards growth in this category as SLIC's market share in motor insurance declined in 2013 due to increased competition and decline in leasing of vehicles. However despite the slow growth in general insurance business, SLIC secured leadership in the market for the fourth consecutive year. SLIC is the market leader for all classes of general insurance business except fire & engineering insurance.

Although SLIC earned a profit of Rs. 3.4 billion in 2013, it is a marginal decline from Rs 4.2 billion earned in 2012. SLIC invested Rs. 40.6 billion or 32.29 percent of its total investments in Government securities and contributed Rs. 2,199 million as dividends to the Consolidated Fund in 2013.

National Insurance Trust Fund

The National Insurance Trust Fund (NITF) was established in 2006 under the National Insurance Trust Fund Act No.28 of 2006. NITF is mainly engaged in the operation and management of the “Agrahara Insurance Scheme” for public officers and the Strike,

Riots, Civil Commotion and Terrorism Fund (SRCC&T) which is the reinsurance fund of the insurance industry in Sri Lanka.

With the introduction of the crop insurance scheme in line with 2013 budget proposals, commencing from May 2013, the NITF collects a premium of Rs. 150 per 50Kg bag of chemical fertilizer from the farmers, who are using the fertilizer subsidy. Further, it has been made mandatory for banking, finance and insurance institutions to pay a levy of one percent from their annual profit (after tax) to the NITF as a crop insurance levy as per the Gazette notification on 21st August 2013.

Table 7.33 > **Financial Out-turn of National Insurance Trust Fund**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Revenue (Rs. Mn)	4,528	5,935	6,289	6,703	7,036
Gross Written Premium	3,886	5,265	5,589	5,983	6,259
Net Earned premium Income	3,886	5,265	5,589	5,983	6,259
Other Income	642	670	700	720	777
Insurance Claims & Benefits	(2,281)	(1,385)	(1,456)	(1,650)	(1,850)
Total Expenditure (Rs. Mn)	164	176	184	206	232
Staff Related Costs	72	66	68	70	72
Administration Expenses	74	56	60	71	89
Other Expenses	17	53	56	65	71
Income over Expenditure (Rs. Mn)	2,083	4,374	4,649	4,847	4,954
Key performance Indicators					
Agrahara Claims received (Nos)	121,272	123,105	124,500	126,500	129,000
Agrahara Claims paid (Nos)	105,413	105,829	106,200	108,300	112,500
Agrahara Premium Collected (Rs. Mn)	1,490	1,407	1,505	1,520	1,536
Agrahara Claims paid (Rs. Mn)	1,187	1,079	1,218	1,220	1,227

Sources: National Insurance Trust Fund and Department of Public Enterprises.

(a) Provisional

The Agrahara Fund had a membership of 670,000 by end of 2013. All public sector officers except those employed in the three armed forces are members of this fund with a monthly subscription fee of Rs.125 which was increased in 2013 from Rs.75. The Fund recorded a profit of Rs. 329 mn in 2013 in comparison to the loss of Rs. 255 million in 2012.

During 2013, total claims amounted to Rs. 1,385 million while GWP increased by 22 percent to Rs. 5.3 billion. NITF's investments in Government securities amounted to Rs. 5.6 billion and its contribution to the Consolidated Fund as levy was Rs.3,200 million during the year.

Agricultural and Agrarian Insurance Board

Agricultural and Agrarian Insurance Board (AAIB) was established by Agricultural and Agrarian Insurance Act No 20 of 1999 to implement an agricultural insurance scheme, a farmers' pension scheme and a fishermen's pension scheme. AAIB operates with 27 district offices. The farmer's pension scheme which was suspended in 2012 due to the mismatch in inflows and outflows of funds was re-launched in January 2014 with a capital contribution from Government of Rs 1,000 million along with a revision of the pension scheme. As per the Gazette issued on 27th January 2014 in relation to the revised scheme, the minimum pension payment will be Rs.1250 upon reaching the age 63 years. The contribution collected from farmers was also increased to ensure the viability of the Fund.

Table 7.34 > **Financial Out-turn of Agricultural and Agrarian Insurance Board**

Rs. Mn

	2012	2013(a)	Forecast		
			2014	2015	2016
Agriculture Insurance Scheme					
Total Income	137	102	220	312	428
Operational Expenses	(135)	(171)	(116)	(156)	(186)
Operational Profit/(Loss)	1	(69)	104	156	242
Farmer's Pension Scheme					
Farmer's Contribution & Interest	58	38	349	683	978
Govisetha lottery	-	-	350	375	410
Fertilizer Subsidiary Insurance	-	-	500	600	700
Expenses	(1,433)	(1,694)	(2,199)	(2,796)	(2,983)
Operational Profit/(Loss)	(1,375)	(1,656)	(1,000)	(1,138)	(895)
Fishermen's Pension Scheme					
Total Income	63	55	55	68	86
Expenses	(33)	(41)	(70)	(89)	(97)
Operational Profit/(Loss)	31	15	(15)	(21)	(11)
Operational Profit/(Loss) of AAIB	(1,343)	(1,711)	(911)	(1,003)	(664)
Increase of Pension Liability	(3,398)	(3,483)	(4,106)	(4,859)	(3,500)
Government Contribution					
Pension Payment	8	-	2,199	2,796	2,984
Administration Expenses	127	140	144	160	168
Other Income	6	11	9	11	13
Admin. & Expenses	(241)	(247)	(262)	(271)	(283)
Gross Surplus/(Deficit)	(4,841)	(5,291)	(2,927)	(3,166)	(1,282)
Government Capital Contribution	-	-	1,000	5,000	1,000

Sources: Agriculture and Agrarian Insurance Board and Department of Public Enterprises

(a) Provisional

The farmer's pension scheme which was suspended in 2012 due to the mismatch in inflows and outflows of funds was re-launched in January 2014 with a capital contribution from Government of Rs 1,000 million along with a revision of the pension scheme.

Sri Lanka Export Credit Insurance Corporation

Sri Lanka Export Credit Insurance Corporation (SLECIC) was established in 1979 by Act No 15 of 1978 to provide support services to the export sector through the provision of export credit insurance and credit guarantee services to the exporters of the country. The main functions of the SLECIC is issuance of insurance policies covering export payments, providing credit

guarantees to commercial banks and other financial institutions and facilitating finances to the exporters.

During 2013, SLECIC provided insurance to 231 exporters covering a total value of Rs 21.08 billion. The GWP decreased by 16 percent to Rs 145 million in 2013. Due to the increase in investment income, profit before tax increased by 18.1 percent. SLECIC contributed Rs. 25 million to the Consolidated Fund as dividends in the year 2013.

Table 7.35 > **Financial Out-turn of Sri Lanka Export Credit Insurance Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Income (Rs. Mn)	196	178	243	274	303
Gross Premium Income	174	145	199	219	240
Other Operational Income	224	33	43	55	63
Claims	46	31	42	51	57
Cost of Status Reports	6	4	4	6	6
Gross Operational Surplus (Rs. Mn)	145	143	196	218	240
Establishment Expenditure	17	18	18	20	21
Administrative Expenditure	37	38	39	40	40
Selling & Marketing Expenditure	8	13	15	17	20
Total Expenses (Rs. Mn)	62	70	73	78	84
Net Operational Surplus (Rs. Mn)	82	73	122	140	156
Other Income	91	133	177	200	227
Net Surplus before Income Tax (Rs. Mn)	163	193	274	301	336

Sources: Sri Lanka Export Credit Insurance Corporation and Department of Public Enterprises

(a) Provisional

7.10 Lotteries

National Lotteries Board (NLB) and Development Lotteries Board (DLB) are the two players in the Sri Lankan lotteries market offering passive and instant lotteries. NLB contributes its profits from 7 passive and 2 instant lotteries directly to the Consolidated Fund for the development of agriculture, sports, health and other projects while the entire profit of DLB from 6 passive lotteries and 3 instant lotteries are remitted to the President's Fund for the benefit of health and education sectors of the nation. In 2013, the market share of NLB was 59 percent while DLB's share was 41 percent. The total revenue of the industry has

DLB has increased its contribution to the President's Fund by 20 percent to Rs.1,980 million in 2013. NLB is in the process of introducing e-lotteries such as SMS and WEB based lotteries to the local and international markets to capture untapped market share among users of mobile phones and internet.

grew by 23 percent in 2013. Both NLB and DLB sold 1,168 million tickets with declared prizes amounting to Rs 13.6 billion in 2013 compared to Rs. 10.7 billion in 2012.

NLB made a total contribution of Rs. 1,756 million to the Consolidated Fund in 2013 which is an increase of 12 percent. DLB increased its contribution to the President's Fund by 20 percent to Rs.1,980 million in 2013. NLB is in the process of introducing e-lotteries such as SMS and WEB based lotteries to the local and international markets to capture the untapped market share among users of mobile phones and internet.

National Lotteries Board

At present NLB has an island wide agency network of 2,662 agents and dealers. During the year 2013 NLB was able to achieve the highest turnover so far amounting to Rs. 15 billion producing 30 super prize winners.

In 2013, a fully functional, 100 percent customized Enterprise Resources Planning (ERP) system was implemented in line with the e-Government policy. Being the sole agent of the Airport Lottery, which is an international lottery, NLB enabled on line purchasing, using the Lanka Government Payment System.

During 2013, NLB's revenue increased by 22 percent although profits declined by 30 percent as expenditure increased by 25 percent.

Table 7.36 > **Financial Out-turn of National Lotteries Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	12,287	15,009	18,624	24,664	30,201
Lottery Sale Income	12,004	14,775	18,500	24,500	30,000
Other income	283	234	124	164	201
Expenditure (Rs. Mn)	11,697	14,596	18,364	24,317	29,775
Agency Commission	2,233	2,750	3,446	4,564	5,589
Prize Declared	5,787	7,153	9,072	12,014	14,711
Contribution to the Consolidated Fund	1,574	1,756	2,291	3,034	3,715
Selling & Distribution to the cost	29	63	143	189	231
Admin Expenses	347	448	587	777	951
Other Expenses	1,701	2,384	2,687	3,558	4,356
Finance Cost	26	42	138	181	222
Net profit before Tax (Rs Mn)	590	413	260	347	426
Key performance indicators					
Agency network (Nos)	2,593	2,575	2,600	2,650	2,700
Contribution to the Consolidated fund as a Percentage of Revenue	13	12	12	12	12

Sources: National Lotteries Board and Department of Public Enterprises

(a) Provisional

Development Lotteries Board (DLB)

DLB currently operates nine types of lotteries including the “Dayata Kirula” lottery. In 2013, DLB recorded its highest amount of revenue of Rs. 10.6 billion. DLB made a substantial contribution, over Rs. 1.9 billion to the President’s Fund in 2013. Moreover, DLB distributed the highest

ever prize amount of Rs. 6 billion in 2013. The lottery industry was revolutionized by introducing the Highway Dream Lottery with a jackpot value of Rs. 100 million and 50 Micro cars, which was the highest ever prize offered in the country. Further, the launching of the SMS lottery was also a significant achievement in 2013.

Table 7.37 > **Financial Out-turn of Development Lotteries Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs Mn)	8,624	10,611	10,814	11,526	12,048
Expenditure (Rs. Mn)	6,977	8,774	8,437	8,691	9,053
Ticket cost	360	410	345	356	366
Price Declared	5,114	6,480	6,189	6,375	6,566
Other expenses	1,503	1,884	1,903	1,960	2,121
Surplus after Direct Cost (Rs. Mn)	1,647	1,837	2,377	2,835	2,995
Other Income	111	143	40	41	42
Surplus brought forward (Rs. Mn)	1,758	1,980	2,017	2,876	3,037
Key performance indicators					
Agency network (Nos)	2,235	2,337	2,000	2,000	2,000

Sources: National Lotteries Board and Department of Public Enterprises

(a) Provisional

7.11 Livestock

Livestock sector contributed 0.8 percent to the GDP in 2013. With a growth strategy driven by policy on self-sufficiency in milk supply, significant emphasis has been made by the Government to encourage the dairy sector. The domestic milk production of the country increased by 17.7 percent from 299.3 million liters in 2012 to 352 million liters in 2013. Out of the total production in 2013, Milco (Pvt) Ltd (Milco) and National Livestock Development Board (NLDB) produced a total of 77.9 million liters while private sector production accounted for 274 million liters in 2013.

Development programs such as dairy village program, facilitation & promotion of liquid milk consumption, construction of buildings for farmer managed societies, distribution of milk cans and establishment of livestock breeder farms, have been implemented to upgrade the milk

production. Towards achieving self-sufficiency in milk production during 2013, the Government imported 2,000 cows at a cost of Rs 600 million and another 2,500 cows are expected to be imported at a cost of Rs 800 million in 2014. Further to this, 20,000 high quality heifers were proposed to be imported as per 2014 Budget. While this would increase the milk production in the country, it would also promote the dairy industry among SMEs and small farmers.

Milco (Pvt) Ltd

Milco has been set up with the mission to make the country self-sufficient in fresh milk and offer a variety of nutritious food products to all segments & all age groups of the society. It is presently engaged in collecting, processing and distribution of milk in the country. Milco's portfolio of products consist of yoghurt, pasteurized milk, sterilized milk, curd, butter, ice cream, ghee, processed cheese and milk powder.

Table 7.38 > **Financial Out-turn of MILCO (pvt) limited**

	2011/12	2012/13	Forecast		
			2013/14(a)	2014/15	2015/16
Revenue (Rs. Mn)	5,428	6,488	7,597	8,088	8,588
Sale of Milk Production	5,263	6,385	7,483	7,963	8,451
Other Income	165	103	113	125	137
Expenditure (Rs. Mn)	5,673	6,755	7,684	7,903	8,375
Direct Expenses	5,041	5,899	6,710	6,902	7,314
Selling & Distribution	73	152	173	178	188
Administration	500	517	588	605	641
Finance cost	36	130	148	152	161
Other	23	57	65	67	71
Profit/(Loss) Before Tax (Rs. Mn)	(245)	(267)	(87)	185	213
Outstanding Debt to Banks (Rs. Mn)	642	581	612	494	385
Key Performance Indicators					
Milk Collection (lt, Mn)	68.5	69.2	66	72.6	79.9
Earnings per share Rs.	-7.09	-9.33	-2.72	5.79	6.67

Sources: MILCO (Pvt) Limited and Department of Public Enterprises

(a) Provisional

During the past decade, Milco established its brand name “MILCO” and retained a 20 percent share of the milk powder market while holding the market leadership in yoghurt, butter and sterilized milk despite stiff competition from many other dairy producers in the market.

During the financial year 2013/14, the company increased its turnover by 17 percent supported by revision of milk product prices in April 2013, despite a decline in milk collection by 3.2 million liters. However, as total expenditure increased by 19 percent, losses increased during the period.

Fresh milk collection which is one of the key functions of Milco was handed over to Farmer Managed Societies (FMSs) in 2013. To cater to

the increasing demand for Milco products, a project funded by Denmark was commenced to refurbish the three factories in Ambewela, Digana and Polonnaruwa at a cost of Euro 33.2 million. With the implementation of this project, the production capacity will increase from 200,000 liters per day to 800,000 liters per day, increasing the market share of all dairy based products from local fresh milk to 50 percent.

With the implementation of this project, Milco’s challenge would be to ensure that sufficient fresh milk is collected to operate the plant at full capacity. As this project has already commenced it would be necessary to expedite import of 20,000 high quality heifers to cater to the requirements of the country.

National Livestock Development Board

National Livestock Development Board (NLDB) is a self-sustaining public sector organization. It engages in breeding of livestock, issuing quality breeding materials to farmers at a reasonable prices, establishment and maintenance of marketing outlets to supply quality farm products at reasonable prices and sale of fresh cow milk to the public to popularize consumption of fresh milk. NLDB has 22 dairy farms, 5 goat farms, 10 poultry farms, 2 swine farms, 9 buffalo farms, and 79 milk stalls.

The increasing trend in domestic milk production continued in 2013 supported by concerted efforts of the Government to promote the dairy sector. The contribution of NLDB to National Production is around 3 percent with plans to increase to 7 percent by 2015. In order to achieve this objective NLDB successfully imported high yielding 2,000 pregnant heifers from Australia in 2013. They have been located at Menik Palama, Bopaththalawa and Dayagama farms. With

the importation of new heifers the total daily milk production of the Board has increased up to 30,000 liters per day. NLDB has introduced new milking machines, different varieties of grass to obtain maximum yield and grass mixer-wagons to improve productivity. NLDB also expects to import another 2,500 high yielding heifers in 2014 to enable cattle milk production to increase up to 27 million liters by 2015. During 2013, revenue of NLDB increased by 8.5 percent and profit increased by 72 percent.

NLDB upgraded its dairy farms by enhancing the average production of farms through the dairy village programme. Supplying a continuous flow of liquid milk to the country, catering to the entire demand is a challenge for NLDB. Under the promotion and facilitation of liquid milk consumption, steps have been taken to establish liquid milk sales outlets in all nine provinces in the country. NLDB has already initiated action to establish 12 milk sales outlets.

Table 7.39 > **Financial Out-turn of National Livestock Development Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	1,334	1,447	4,085	4,901	5,229
Expenditure (Rs. Mn)	1,305	1,397	3,856	4,511	4,790
Profit/(Loss) Before Tax (Rs. Mn)	29	50	229	391	438
Outstanding Debt to Banks (Rs. Mn)	1005	1738	1823	1916	2012
Key Performance Indicators					
Neat Cattle Milk (lt,'000)	3,442	8,699	11,980	26,853	28,950
Buffaloes Milk (lt,'000)	684	700	920	1279	1292
Goat Milk (lt,'000)	5	5.6	8	76.3	82.6
Curd Production (lt,'000)	396	411	576	531	558
Yoghurt (80ml Cups) (Nos,'000)	526	485	675	1,497	1,572

Sources: National Livestock Development Board and Department of Public Enterprises

(a) Provisional

7.12 Plantation

The Janatha Estate Development Board (JEDB), Sri Lanka State Plantation Corporation (SLSPC), Elkaduwa Plantations Limited (EPL) with land extent of 11,695 ha, 11,757 ha and 4,083 ha, respectively, and Kalubovitiyana Tea Factory Limited (KTFL) are engaged in tea and rubber plantation as left over businesses following the privatization of plantation companies. The Chilaw Plantations Limited (CPL) and Kurunegala Plantations Limited (KPL) along with the Coconut Development Board and the Coconut Research Institute managed a total of 9,303 ha of coconut plantations and other minor crops.

During 2013, JEDB, SLSPC, EPL and KTFL produced a total of 7.79 Kg millions of tea which is a 0.2 percent decrease over 2012 and accounted for 2.32 percent of the total tea production in the country. This is despite the 2 percent increase in the national tea production in 2013. Land held by these companies accounted for almost 11.5 percent of the total land used for tea production in

the country. The average yield in plantations of JEDB, SLSPC and EPL is 795 Kg/ ha which is almost 50 percent lower than the average yield of 1,650 kg/ha in the country.

In 2013, JEDB, SLSPC and KPL together produced 604,000 Kg of rubber which is a 5 per cent decrease over 2012 and accounted for 0.4 percent of the total rubber production in the country. This is despite the total land held by these companies accounting for almost 1 per cent of the total land used for rubber production in the country. The average yield of 380 kg/ ha at the JEDB, SLSPC and KPL is almost 71 percent lower than the average yield of 1,300 kg/ha in the country.

CPL, KPL, Coconut Cultivation Board and the Coconut Research Institute which manages 9,303 ha of land produced 31.3 million coconuts (nuts) which is a 30 percent decrease over 2012 due to the drought which prevailed in coconut cultivated areas during the period. Their production accounts for 1.5 percent of the total coconut production in the country.

Land held by these companies accounted for almost 11.5 percent of the total land used for tea production in the country. The average yield in plantations of JEDB, SLSPC and EPL is 795 Kg/ ha which is almost 50 percent lower than the average yield of 1,650 kg/ha in the country.

Table 7.40 > **Financial Out-turn of State owned Plantation Enterprises**

	2012	2013(a)	Forecast			
			2014	2015	2016	
Kurunegala Plantations Ltd	Operational Performance					
	Rubber Production (MT)	210	189	215	230	248
	Coconut Production (Nuts Mn)	18	13	18	19	20.5
	Yield per Ha. -Rubber	1,115	985	1,114	1,192	1,287
	-Coconut	5,338	3,948	5,463	5,791	6,254
	Financial Performance					
	Total Revenue (Rs. Mn)	484	482	574	631	579
	Rubber Sales (Rs. Mn)	78	63	76	83	80
	Coconut Sales (Rs. Mn)	396	408	475	522	460
	Total Cost of Sales (Rs. Mn)	275	274	338	372	410
	Net Profit/ (Loss) Before Tax (Rs. Mn)	186	210	197	208	224
	Dividends (Rs. Mn)	50	40	40	100	150
	Chilaw Plantations Ltd	Operational Performance				
Coconut Production(Nuts Mn)		16	9.6	16	17	19
Yield per Ha (Nuts)		4,350	2,716	4,658	4,984	5,382
Financial Performance						
Total Revenue (Rs. Mn)		396	440	498	548	602
Coconut Sales (Rs. Mn)		339	287	391	430	473
Cost of Sales (Rs. Mn)		215	174	244	268	295
Net Profit/ (Loss) Before Tax (Rs. Mn)		86	98	146	156	168
Dividends (Rs. Mn)		75	35	80	100	110
Sri Lanka Cashew Corporation	Operational Performance					
	Yield per Ha	340	147	300	321	346
	Average Price Rs/Kg	2,150	1,918	2,200	2,352	2,540
	Financial Performance					
	Total Revenue (Rs. Mn)	150	145	170	182	196
	Net cashew sale	47	79	100	107	118
	Net Profit/ (Loss) Before Tax (Rs. Mn)	44	9	20	21	23

		2012	2013(a)	Forecast		
				2014	2015	2016
Janatha Estate Development Board	Operational Performance					
	Tea Production (MT)	1,750	2,234	2,467	2,639	2,850
	Rubber Production (MT)	250	224	288	308	322
	Financial Performance					
	Total Revenue (Rs. Mn)	926	1263	2000	2200	2376
	Cost of Production (Rs. Mn)	1177	1348	1639	1803	983
	Net Profit/ (Loss) Before Tax (Rs. Mn)	-235	-85	-77	-69	-62
Sri Lanka State Plantation Corporation	Operational Performance					
	Tea Production (MT)	2,102	1,928	2,062	2,206	2,383
	Rubber Production (MT)	39	45	48	51	56
	Yield per Ha. -Tea	654	595	636	681	735
	-Rubber	603	690	738	789	853
	Financial Performance					
	Total Revenue (Rs. Mn)	670	610	671	738	812
	Cost of Production (Rs. Mn)	678	756	808	865	935
	Net Profit/ (Loss) Before Tax (Rs. Mn)	-117	-201	-181	-163	-146
Kalubowitiyana Tea Factory Ltd (KTFL)	Operational Performance					
	Made Tea Production (MT)	1,412	1,534	1,655	1,810	1,992
	Sales Quantity (MT)	1,301	1,554	1,655	1,765	1,890
	Financial Performance					
	Total Revenue (Rs. Mn)	639	769	874	997	1136
	Cost of Production (Rs. Mn)	536	730	760	790	837
	Net Profit/ (Loss) Before Tax (Rs. Mn)	91	28	34	41	58
Lanka Sugar Company Ltd	Operational Performance					
	Sugar Production (MT)	32,343	42,549	55,731	59,632	64,402
	Sprit Production (000 Liters)	2,849	10,708	11,456	12,257	13,238
	Financial Performance					
	Total Revenue (Rs. Mn)	1,474	5,747	8,630	9,493	10,252
	Sugar Sale (Rs. Mn)	1,180	2,812	5,521	5,907	6,380
	Sprit Sales (Rs. Mn)	294	2,916	3,078	3,293	2,622
	Cost of Sales (Rs. Mn)	1,530	3,829	5,616	6,072	5,941
	Net Profit/ (Loss) Before Tax (Rs. Mn)	-155	1,337	1,724	1,844	1,991

Sources: Kurunegala Plantations Ltd., Chilaw Plantations Ltd., Sri Lanka Cashew Corporation, Janatha State Development Board, Sri Lanka State Plantation Corporation, Kalubowitiyana Tea Factory Ltd., Lanka Sugar Company Ltd. and Department of Public Enterprises.

(a) Provisional

7.13 Health

State Pharmaceuticals Corporation

State Pharmaceuticals Corporation (SPC) is the major supplier and importer of essential medicines and surgical devices for all Government hospitals and other state institutions. SPC imports and sells about 600 varieties of pharmaceuticals in the generic form while ensuring that the quality of drugs is being well maintained and continuously upgraded through its ISO (17025) certified pharmaceutical laboratory.

The distribution network of SPC consists of 29 Rajya Osusala outlets, 189 franchised Osusala outlets, 12 authorized retailers

and 52 distributors. SPC established 2 Osusala outlets in northern and north central provinces expanding the distribution network in 2013.

Although SPC's revenue decreased marginally in 2013, profit before tax increased by 78 percent. SPC's debts to banks amounted to Rs. 6,200 million at end 2013. The Government provided a revolving facility to SPC to ease its liquidity constraints to ensure smooth supply of pharmaceutical drugs to the hospitals. However, SPC should adopt strategies to minimize its liquidity constraints by improving its procurement management, distribution and storage systems and also to expand its market share to ensure its commercial viability.

Table 7.41 > **Financial Out-turn of State Pharmaceuticals Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	20,215	20,205	22,630	25,346	28,387
Sales - DHS	15,938	15,863	17,767	19,899	22,287
Sales - SPC	4,277	4,342	4,863	5,447	6,101
Expenditure (Rs. Mn)	19,747	19,371	21,695	24,298	27,214
Operational expenses	18,697	17,948	20,101	22,513	25,215
Establishment and Administration	655	773	866	970	1,086
Other	395	650	728	815	880
Profit/ (loss) (Rs. Mn)	468	834	934	1,048	1,173
Outstanding Debt to Banks (Rs. Mn)	7,897	6,200	6,944	7,777	8,710
Osusala outlets operated (Nos)	25	30	33	35	38

Sources: State Pharmaceuticals Corporation and Department of Public Enterprises

(a) Provisional

State Pharmaceuticals Manufacturing Corporation

State Pharmaceuticals Manufacturing Corporation (SPMC) is the only state sector entity engaged in manufacturing high quality pharmaceuticals in Sri Lanka and making them available at affordable prices. All SPMC's products meet international quality standards of British Pharmacopoeia (BP) and United States Pharmacopoeia (USP) while SPMC adheres to Good Manufacturing Practices laid down by the World Health Organization.

During 2013, SPMC recorded its highest ever turnover as a result of increasing its sales to the Department of Health Services (DHS) by

41 percent. The total expenditure increased by 24 percent due to almost doubling of the cost of raw materials. However, net profit before tax increased by 183 percent in 2013. Under SPMC's plans to enhance production capacity, an investment of Rs. 1,600 million is being phased out over 2013 - 2015. Already upgraded machinery resulted in total production output increasing from 1,796 million units to 2,003 million units (tablets/ capsules) during 2013 which is a 12 percent increase. To ensure the smooth flow of products to meet the domestic demand, particularly that of DHS at affordable prices, SPMC should focus on improving its productivity through use of technological advances.

Table 7.42 > **Financial Out-turn of State Pharmaceuticals Manufacturing Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	1,414	1,941	2,232	2,567	2,953
Sales -DHS	1,001	1,412	1,624	1,868	2,148
Sales - SPC	412	10	11	13	15
Other	1.4	519	597	687	790
Expenditure (Rs. Mn)	1,298	1,613	1,855	2,133	2,453
Cost of Raw Materials	989	1,482	1,705	1,960	2,254
Administration	75	105	120	138	159
Research and Development	8	2	4	7	11
Selling and Distribution	23	23	26	30	34
Finance Cost	2	2	2	2	2
Net profit before tax (Rs. Mn)	116	328	377	433	498
Outstanding Debt to Banks (Rs. Mn)	148	282	324	372	427

Sources: State Pharmaceuticals Manufacturing Corporation and Department of Public Enterprises

(a) Provisional

Sri Jayawardenepura General Hospital

Sri Jayawardenepura General Hospital (SGJH) is the only fee levying state hospital and tertiary referral center which provides curative health services as well as educational training facilities for undergraduate and postgraduate medical students and other health personnel. As the largest semi -Government hospital SJGH provides a comprehensive range of clinical and para clinical services with 1,088 beds, 37 specialists and 12 operating theaters. Around 49 percent of SJGH's revenue consists of hospital revenue. Total revenue of SJGH has increased by 9 percent resulting in a decline in the operating loss in 2013.

Budgetary support has been given to SJGH since its inception as the hospital's pricing structure is not fully cost reflective. In 2013,

SJGH was granted Rs.1,360 million. Although the total patient visits increased marginally by 2.3 percent, total admissions declined by 5 percent in 2013 due to the competition from private sector.

SGJH has huge potential to expand its market share through image building and quality service in the rapidly growing market for health services as health consciousness of the population increased. SJGH should focus on physical expansion as well as modernization of its equipment in specialty units and upgrade existing general wards and special wards. Pricing of services in special wards providing all medical support services could be with a substantial profit margin. Promotional strategies with ventures in conjunction with both private and public sector entities would also bring in added revenue to SJGH.

Table 7.43 > **Financial Out-turn of Sri Jayawardenepura General Hospital**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	1,855	2,025	2,187	2,358	2,546
Hospital Revenue	991	1,011	1,011	1,091	1,178
Other	864	1,014	1,096	1,183	1,277
Expenditure (Rs. Mn)	1,972	2,095	2,246	2,414	2,594
Staff Cost	1,065	1,109	1,181	1,150	1,354
Operating cost	304	662	715	772	833
Other	603	320	346	374	403
Finance Cost	-	4	4	4	4
Operating Surplus/(Deficit) (Rs. Mn)	(117)	(70)	(59)	(56)	(48)
Outstanding Debt to Banks (Rs. Mn)	-	-	-	-	-
Key Performance Indicators					
Clinics Held (Nos)	2,939	3,027	3,050	3,294	3,558
Patient Visits (Nos)	147,757	151,156	154,000	166,320	179,626
Admissions (Nos)	57,119	54,283	58,000	62,640	67,651
Surgeries (Nos)	13,613	13,651	15,000	16,200	17,496

Sources: Sri Jayawardanapura General Hospital and Department of Public Enterprises

(a) Provisional

Sri Lanka Ayurvedic Drugs Corporation

Sri Lanka Ayurvedic Drugs Corporation (SLADC) operates with the prime objective of manufacturing and distributing quality Ayurvedic drugs. It manufactures 156 varieties of drugs and supplies to Government hospitals, Ayurvedic physicians and the private sector. During 2013, SLADC introduced 6 new products most of which are being manufactured through mechanical processes as opposed to the traditional methods. SLADC has continued to maintain its SLA ISO 9001; 2008 quality standards.

Total revenue of the SLADC increased by 4.5 percent to Rs. 434 million in 2013.

As demand for indigenous medicines increased, SLADC expanded its production capacity to meet the demand. The Government contributed towards the purchase of land for the Corporation to increase its storage facility and enhance the diversification of herbal production. Scarcity of herbs as raw materials has been a major challenge for SLADC. However, in order to be competitive in the indigenous health medicine market, SLADC should expand its herbal cultivations to ensure smooth flow of raw material while using modern processing methods to improve productivity.

Table 7.44 > **Financial Out-turn of Sri Lanka Ayurvedic Drugs Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	415	434	499	574	660
Sales	396	424	487	560	644
Non Operational	18	10	12	14	16
Expenditure (Rs. Mn)	361	378	447	514	591
Cost of Sales	245	251	299	343	395
Administration & Establishment	77	74	85	98	112
Sales & Distribution	36	44	51	59	68
Finance Cost	2	9	12	14	16
Operating Profit (Rs. Mn)	54	56	52	60	69
Outstanding Debt to Banks (Rs. Mn)	60	56	52	50	47

Sources: Sri Lanka Ayurvedic Drugs Corporation and Department of Public Enterprises

(a) Provisional

During 2013, SLADC introduced 6 new products most of which are being manufactured through mechanical processes as opposed to the traditional methods. SLADC has continued to maintain its SLA ISO 9001; 2008 quality standards.

7.14 Media

Independent Television Network Limited

Independent Television Network Limited (ITN) is the first commercial television station in Sri Lanka. It is presently a state owned media organization operating two TV channels and two radio channels (Lakhanda and Vasantham) covering the Sinhala and Tamil speaking communities of Sri Lanka with a range of entertaining, educational and informative programmes.

The network has been successful in maintaining its number one position among the TV channels through implementing strategies such as telecasting popular teledramas during prime time and introducing new programmes for children. Vasantham TV expanded its

coverage to Northern Province through the Kokavil telecommunication tower.

ITN recorded its highest ever profit of Rs. 831 million in the year 2013 with increased sale of TV air time which amounted to 83 percent of total turnover. Procurement and production expenditure increased by 29 percent due to enhancement of equipment and technology in 2013. ITN has constructed a high definition studio complex to expand easy public access for information with a move to a more advanced file based video technology, from cassette based technology, which would enhance quality and increase efficiency and productivity. A New transmitting station at Karagahathenna was established in 2013 which covers the East and Uva provinces of Sri Lanka. ITN's digital transmission studio commenced operations in 2013.

Table 7.45 > **Financial Out-turn of Independent Television Network Limited**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	2,378	2,532	2,734	3,008	3,309
Sale of Air Time-ITN	2,043	2,125	2,295	2,525	2,778
Sale of Air Time-VAS.TV	67	86	96	106	117
Sale of Air Time-Lakhanda	102	84	120	132	145
Sale of Air Time-VAS.FM	13	27	30	33	36
Other Income	153	210	193	212	233
Expenditure (Rs. Mn)	1,565	1,701	1,864	2,050	2,255
Procurement and Production	455	498	524	576	634
Distribution	175	161	256	282	310
Administration	935	1,042	1,084	1,192	1,311
Operating profit/ (loss) (Rs. Mn)	813	831	870	958	1,054
Outstanding Debt to Banks (Rs. Mn)	0	0	0	0	0

Sources: Independent Television Network Limited and Department of Public Enterprises

(a) Provisional

Sri Lanka Broadcasting Corporation

Sri Lanka Broadcasting Corporation (SLBC) which commenced its operations in 1925 as “Radio Ceylon” is the oldest radio station in Sri Lanka. It is engaged in broadcasting activities through 07 national channels, 06 regional channels and 02 community radio channels with a view to providing its services as the pioneer radio broadcasting network in Sri Lanka.

In 2013, SLBC’s revenue declined by 10 percent due to the decline in sale of air

time, and operating losses increased by 94 percent. Budgetary support of Rs.203 million was granted to SLBC for capital and recurrent expenditure during the year. The medium term expansion plans in conjunction with the sale of air time to Trans World Radio and N.H.K is expected to bring in more revenue. However in order to improve its viability, SLBC should implement strategies to expand and diversify its customer base to increase market share and introduce new technologies to rationalize its operations.

Table 7.46 > **Financial Out-turn of Sri Lanka Broadcasting Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	1,056	957	929	1,003	1,084
Sale of TV time- Asia Service	21	19	18	19	21
Sale of TV time- TWR	105	78	80	86	93
Sale of TV time- Local Service	409	401	410	443	478
Sale of TV time- Other	37	17	21	23	25
Other Income	493	441	400	432	467
Expenditure (Rs. Mn)	1,142	1,089	1,023	1,105	1,193
Cost of Sales	369	374	320	346	374
Distribution	101	60	61	66	71
Administration	295	309	302	326	352
Operating and maintenance	377	345	340	367	396
Operating profit/(loss) (Rs. Mn)	(86)	(130)	(94)	(102)	(109)
Outstanding Debt to Banks (Rs. Mn)	-	-	-	-	-

Sources: Sri Lanka Broadcasting Corporation and Department of Public Enterprises

(a) Provisional

Sri Lanka Rupavahini Corporation

Sri Lanka Rupavahini Corporation (SLRC) completed its 31st year of operations in 2013 and continues to be the largest television broadcaster in Sri Lanka with island wide reception of its channels. The VHF and UHF frequencies are supported by six main divisions of the entity. As the national television of Sri Lanka, the SLRC broadcasts through four channels namely Rupavahini, Nethra TV (Tamil) Channel Eye and NTV (English). Currently all network services are available only through analog transmissions.

In 2013, SLRC's revenue increased by 7 percent while expenditure increased by 14 percent, although modifications and upgrading was

carried out on all channels to cut back operational expenditure. Sale of TV time of Channel 1 has contributed to 75 percent of the total turnover. The 27 percent salary increase has contributed to the increase in total expenditure. However, operating profits remained at same level of 2012.

In view of the intense competition from private channels and cable TV networks, SLRC needs to adopt innovative strategies to improve the quality of programs while expanding coverage geographically as well as demographically. With the aim of achieving full digitalization by 2015, implementation of DVB - T2 technology to enable digital transmission has already commenced.

Table 7.47 > **Financial Out-turn of Sri Lanka Rupavahini Corporation (SLRC)**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	2,026	2,164	2,537	2,791	3,071
Sale of TV time- Channel 1	1,526	1,622	1,800	1,980	2,178
Sale of TV time- Channel Eye	216	222	400	440	484
Sale of TV time- Contra Deal	87	80	70	77	85
Sale of TV time - Satellite Channel	-	-	35	39	43
Other Income	197	240	232	255	281
Expenditure (Rs. Mn)	1,979	2,116	2,473	2,721	2,993
Programme	1,292	1,397	1,638	1,802	1,982
Distribution	260	247	285	314	345
Administration	412	471	550	605	666
Operating profit/ (loss)	47	48	64	70	78
Outstanding Debt to Banks (Rs. Mn)	0	0	0	0	0

Sources: Sri Lanka Rupavahini Corporation and Department of Public Enterprises

(a) Provisional

7.15 Marketing and Distribution

There are many state owned business enterprises engaged in marketing and distribution activities playing a vital role in market price stabilization of goods and services which are considered to be of significant socio economic value. Along with the need to ensure regular supplies at affordable prices, these entities face intense competition from private sector while taking measures to protect small & medium scale producers and suppliers. Most of these enterprises are self-financed and provide support in the implementation of the Government's policy of uplifting living standards of the people. Dividends totaling Rs. 69 million from three institutions were received by the Government in 2013.

Lanka Sathosa Limited

Lanka Sathosa Limited (LSL) is a Government owned supermarket network operating with 287 outlets providing essential items to consumers at affordable prices. Although, LSL

accounts for almost 25 percent of the market share, aggressive expansion in private sector super market networks has prevented LSL from expanding its market share further.

Opening of 20 new outlets and provision of some selected essential items at lower prices have facilitated LSL to increase its sales revenue by 22 percent in 2013. Total expenditure has increased by 22 percent during 2013 and profit before tax has increased significantly by 35 percent. Further, in 2013 an ERP system was introduced connecting the Head Office with all branches, warehouses and the 60 outlets. Moreover, action was taken to purchase potatoes, onions and chilies at a stable price from farmers in Badulla, Nuwaraeliya and Jaffna districts with the affiliation of relevant District Secretaries. However, while expanding the number of outlets over the medium term, LSL should adopt an appropriate business strategy to face the competition from the private super markets and at the same time offer affordable prices to consumers.

Table 7.48 > **Financial Out-turn of Lanka Sathosa Limited**

	2012(a)	2013(a)	Forecast		
			2014	2015	2016
Revenue(Rs. Mn)	20,679	25,357	31,706	39,594	49,451
Sales	20,547	25,160	31,450	39,313	49,141
Indirect Income	132	197	256	281	310
Expenditure (Rs. Mn)	20,027	24,476	30,476	37,951	47,268
Cost of Sales	18,082	22,090	27,613	34,516	43,145
Other Expenditure	1,945	2,386	2,863	3,435	4,123
Profit/(Loss) Before Tax (Rs. Mn)	652	881	1,230	1,643	2,183
Key Performance Indicators					
No. of Outlets	267	287	317	347	377

Sources: Lanka Sathosa Limited and Department of Public Enterprises

(a) Provisional

State Timber Corporation

State Timber Corporation (STC) is engaged in extracting and purchasing of timber and converting them into value added products, as well as reforestation. Extracted log sales accounted for around 62 percent of total revenue while sawn timber, railway sleepers, transmission poles, elephant poles and furniture accounted for the balance.

In 2013, total revenue declined by 10 percent mainly due to the restrictions on felling of trees

in forests grown above an altitude of 5000 feet. However as cost of sales declined by 2 percent, profit before tax increased by 68 percent. STC paid Rs 50 million as levies to the Government in 2013.

In order to mitigate the effects of the restriction on felling of trees, STC should take necessary measures to ensure its viability in the medium term by focusing more on value added eco-friendly products that derive higher profit margins in line with Government policy of green economy.

Table 7.49 > **Financial Out-turn of State Timber Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	3564	3211	3634	4330	4605
Timber Sales	3,270	2,894	3,356	4,129	4,394
Investment	294	317	278	201	211
Expenditure (Rs. Mn)	3362	2872	3344	3855	4043
Cost of Sales	1,724	1,686	2,124	2,621	2,752
Other Expenditure	1,638	1,186	1,220	1,234	1,291
Profit Before Tax (Rs. Mn)	202	339	290	475	562
Key Performance Indicators					
Production -Non-value Added Logs (Units)	132,859	106,122	105,243	101,000	104,000
Value Added Products - Sleepers (Units)	117,306	73,526	69,100	102,000	102,000
Transmission poles (Units)	30,469	31,887	65,200	34,276	34,276
Sawn timber (Units)	4,955	4,117	9,481	7,000	7,000
Revenue Structure of products					
Non-value Added Products (Logs) (%)	58%	62%	49%	52%	51%
Value Added Products (%)	42%	38%	51%	48%	49%

Sources: Department of Public Enterprises and State Timber Corporation.

(a) Provisional

Sri Lanka Handicrafts Board (Laksala)

Mandate of the Sri Lanka Handicrafts Board, known as Laksala, is to preserve and develop the traditional skills of Sri Lankan craftsmen while improving the traditional handicraft industry and broadening the network of the production of handicraft items.

Six new outlets were opened during the year 2013 at the National Museum, Transit area at BIA Katunayake, Kandy Botanical Gardens, K-Zone Kandana, Ape Gama-Battaramulla

and Pinnawala. The outlet at Galle was fully refurbished. Laksala now has a total of 13 outlets. Supported by the expansion, Laksala recorded a 37 percent increase in turnover in 2013. Moreover, the sales volume increased by 41 percent. However, due to the expenditure incurred in setting up new showrooms and the increase in financial costs, profit before tax declined by 66 percent. With the expanding tourism industry, there is an enormous potential for the handicraft industry to grow rapidly in future.

Table 7.50 > **Financial Out-turn of Sri Lanka Handicrafts Board**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Revenue (Rs. Mn)	511	701	1050	1522	2131
Revenue	490	680	1000	1462	2056
Other Income	21	21	50	60	75
Expenditure (Rs. Mn)	438	676	1000	1385	1968
Cost of Sales	203	272	425	626	943
Other Expenditure	212	344	480	649	900
Finance Cost	23	60	95	110	125
Profit Before Tax (Rs. Mn)	73	25	50	137	163
Outstanding Debt to Banks (Rs. Mn)	160	200	200	250	200
Key Performance Indicators					
Purchases (Rs. Mn)	316	532	600	925	1400
No. of Showrooms	14	13	12	14	16
Tourist Arrivals (Mn)	1	1.27	1.59	1.99	2.5
Per capita per Tourist (Rs)	511	552	660	765	852
Revenue per Outlet (Rs. Mn)	35	52	83	104	128

Sources: Department of Public Enterprises and Sri Lanka Handicrafts Board.

(a) Provisional

Sri Lanka State Trading (General) Corporation Ltd

Sri Lanka State Trading (General) Corporation Ltd (STC) is engaged in a diversified retail business, supplying chemicals and allied products, office supplies, construction materials, agricultural products, motor cycles, machinery and equipment and automotive tire products.

Diversification of the product portfolio and introduction of new brands under the STC brand name has enabled STC to improve its revenue by 30 percent in 2013. As a result, the profit for the financial year 2013/14 increased by 62 percent. While STC has to face stiff competition in the market for its products, it is necessary to identify products which it can offer to niche markets and develop strategies to promote its brand name in these markets.

Table 7.51 > **Financial Out-turn of Sri Lanka State Trading (General) Corporation Ltd**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Total Revenue (Rs. Mn)	2,372	3,092	3,401	3,742	4,111
Revenue	2,270	2,969	3,266	3,593	3,953
Other Income	102	123	135	149	158
Expenditure (Rs. Mn)	2,275	2,935	3,229	3,552	3,907
Cost of sales	1,894	2,478	2726	2998	3297
Operating	353	423	466	513	564
Finance	28	34	37	41	45
Profit before tax (Rs. Mn)	97	157	172	190	204

Sources: Sri Lanka State Trading (General) Corporation Ltd (STC) and Department of Public Enterprises

(a) Provisional

Ceylon Fertilizer Company Limited

Ceylon Fertilizer Company (CFCL) is the leading state entity engaged in importing, blending and distributing 65 percent of fertilizer to paddy farmers under the fertilizer subsidy scheme. In 2013/14, the total quantity of paddy fertilizer distributed by CFCL declined by 29 percent from 281,000 MT in 2012/13 to 199,000 MT, due to the reduction in the fertilizer subsidy by the Government. As a result, some fertilizer shortages were reported in rural areas. However, CFCL improved its profit before tax to Rs. 108 million by 2013/14. CFCL plans to increase the distribution of fertilizer for crops other than paddy from 48,000 MT to 107,000 MT in 2014/15

and it is expected to enhance its profitability to Rs.329 million.

The main focus of CFCL should be on efficient provision of subsidized fertilizer to farmers when and where necessary, avoiding shortages and over purchases in order to ensure prudent use of the subsidy. CFCL obtained several awards in 2013 such as National Business Excellence Award for Manufacturing – State Sector, Sri Lanka National Quality Award for Manufacturing and Compliance Award for its Annual Report (2012) by the Institute of Chartered Accountants of Sri Lanka.

Table 7.52 > **Financial Out-turn of Ceylon Fertilizer Company Limited**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/2017
Revenue (Rs. Mn)	2,615	2,713	4,182	4,190	4,190
Core-Business	2,450	2,501	3,997	4,000	4,000
Other Income	165	212	185	190	190
Expenditure (Rs. Mn)	2,415	2,605	3,853	3,890	3,890
Cost of Sales	1,828	2,022	3,264	3,280	3,280
Distribution	74	28	43	50	50
Administration	472	485	506	520	520
Finance Cost	41	70	40	40	40
Profit/Loss (Rs. Mn)	200	108	329	300	300
Outstanding Debt (Rs. Mn)	136	125	120	110	85
Key Performance Indicators					
Sales Quantity (MT)(,000)					
Paddy Subsidy Fertilizer					
Urea	172	132	162	145	160
TSP	58	33	44	37	40
MOP	51	34	48	38	42
Other Crop Subsidy Fertilizer					
Urea	19	20	35	38	42
TSP	4	5	12	13	14
MOP	4	4	13	14	16
Other	12	19	47	52	57
Govt. Fertilizer Subsidy	1,737	1,921	3,101	3,116	3,116

Sources: Ceylon Fertilizer Company Limited and Department of Public Enterprises

(a) Provisional

Colombo Commercial Fertilizers Limited

Colombo Commercial Fertilizers Limited (CCFL) mainly engages in importing, mixing, packing and distribution of fertilizer using 17 regional stores. CCFL meets around 35 percent of the total fertilizer requirement of the country under the subsidy scheme and accounts for 24 percent of the total fertilizer imports to the country.

In 2013/14, total revenue and profit before tax of CCFL increased by 22 percent and 879

percent, respectively. In expectation of streamlining the distribution of fertilizer among farmers in Southern and Eastern provinces, CCFL is planning to construct a fertilizer warehouse complex in Hambantota. It will help reduce the distribution costs resulting in increased profitability. However, CCFL also should focus on the provision of subsidized fertilizer to farmers when and where necessary avoiding shortages and over purchases.

Table 7.53 > **Financial Out-turn of Colombo Commercial Fertilizers Limited**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Total Revenue(Rs. Mn)	867	1,056	1,109	1,164	1,222
Expenditure (Rs. Mn)	853	919	965	1014	1064
Cost of Sales	468	658	691	725	762
Administration Expenses	78	85	89	94	98
Distribution Expenses	159	75	79	83	87
Finance Cost	65	39	41	43	45
Other	83	62	65	69	72
Profit Before Tax (Rs. Mn)	14	137	144	150	158
Importation of Fertilizer (MT'000)	125	84	115	115	115
Outstanding Debt (Rs. Mn)	10,715	9,727	6,194	2,661	-
Govt. Fertilizer Subsidy (Rs. Mn)	8,576	5,763	8,055	8,055	8,055

Sources: Colombo Commercial Fertilizers Limited and Department of Public Enterprises

(a) Provisional

State Printing Corporation

State Printing Corporation (SPC) accounts for 63 percent of school text book printing, 16 percent of exercise book printing and 19 percent of lottery ticket printing in the market.

While SPC's revenue increased by 7 percent, total expenditure also increased by 9 percent due to the increase in operational expenditure triggered by excessive staff welfare costs. As

a result, the profit before tax declined by 6 percent.

The significant increase in short term loans by 48 percent in 2013 will result in an increase in the finance cost in future. Hence, SPC should maximize the utilization of its capacity and improve its market share by adopting strategies to be more cost efficient, to improve its profitability in the medium term.

Table 7.54 > **Financial Out-turn of State Printing Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Revenue(Rs. Mn)	1,219	1,308	1,520	1,479	1,515
Revenue	1,195	1,285	1,504	1,470	1,506
Indirect Income	24	23	16	9	9
Total Cost (Rs. Mn)	1,079	1,176	1,380	1,324	1,357
Cost of Sales	751	810	966	885	907
Operating Expenditure	253	304	347	316	324
Finance Cost	75	62	67	123	126
Profit/ (Loss) before tax (Rs. Mn)	140	132	140	155	158
Bank Loan L/T (Rs. Mn)	12	6	13	7	7
Bank Loan S/T (Rs. Mn)	296	437	210	260	258

Sources: State Printing Corporation and Department of Public Enterprises

(a) Provisional

Ceylon Fishery Harbours Corporation

Ceylon Fishery Harbours Corporation (CFHC) provides fishery harbour related services and supporting infrastructure facilities to fishing communities through its harbours situated around the country. During 2013, CFHC completed construction of Dickowita and Nilwella Fishery Harbours successfully in line with the Deyata Kirula Programme. In addition, CFHC has also initiated action to sign a MOU with construction companies to construct harbours in Gandara,

Silawatura and Gurunagar and to develop the existing harbours in Point Pedro, Mulative, Pesali, Puduwakattu and Lanka Patuna.

CFHC should adopt proactive strategies to improve profitability of all its harbours. While 11 out of 20 fishery harbours operate at a profit, CFHC recorded a loss of Rs. 170 million during 2013. With financial support from the Government, the operational loss is expected to decrease in 2014.

Table 7.55 > **Financial Out-turn of Ceylon Fishery Harbours Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Total Revenue (Rs. Mn)	521	627	858	896	969
Rent	21	30	30	33	33
Dredging	73	20	22	24	23
Harbour	213	414	455	500	550
Security	41	30	30	30	35
Other	65	25	8	9	8
Recurrent Grant	108	108	313	300	320
Expenditure (Rs. Mn)	780	797	828	873	940
Harbor Expense	125	110	126	145	180
Staff Cost	341	410	420	440	460
Administration	255	150	150	150	160
Finance Cost	59	2	2	3	-
Other	0	125	130	135	140
Profit /(Loss) before Tax (Rs. Mn)	(259)	(170)	30	23	29
Bank Overdraft (Rs. Mn)	26	27	-	-	-
Outstanding Debt to Bank (Rs. Mn)	54	44	9	-	-

Sources: Fishery Harbour Corporation and Department of Public Enterprises

(a) Provisional

Ceylon Fisheries Corporation

Ceylon Fisheries Corporation (CFC) engages in procurement of fish from fishermen and supplying to the market in order to maintain stable fish prices. However, it is unable to make a significant influence on fish prices as CFC represents less than 2 percent of the market share. The demand for fish and fishery products has increased during the last few years with the increased disposable income in the country. Therefore, CFC has opportunity to increase its market share in the medium term.

During the year, CFC increased its retail outlet network to 132, while improving canned fish sales as well. CFC also implemented special projects such as production of Maldivian fish and dried fish. However, in 2013 CFC's losses increased and outstanding debts to banks remain over Rs. 209 million and therefore strategies have to be adopted to improve sales revenues and also manage the cost efficiently. However, with financial assistance from the Government, outstanding debt to banks is expected to be settled during 2014.

Table 7.56 > **Financial Out-turn of Ceylon Fisheries Corporation**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	2,133	2,008	3,624	4,158	4,653
Fish Trading	1,901	1,733	3,403	3,918	4,394
Ice Trading	104	107	129	142	156
Cold Room	40	40	48	53	58
Canned Fish	-	90	-	-	-
Other	88	39	45	45	45
Expenditure (Rs. Mn)	2,175	2,088	3,551	3,991	4,484
Cost of Sales	1,378	1,296	2,836	3,143	3,517
Distribution Cost	168	136	165	202	222
Admin. Cost	206	199	172	240	283
Staff Cost	365	398	334	360	410
Other	29	23	40	45	50
Finance Cost	29	36	4	2	2
Operating profit/ (loss) (Rs. Mn)	(42)	(80)	73	167	169
Outstanding Debt to Banks (Rs. Mn)	145	209	-	-	-
Key Performance Indicators					
Own Outlets (Nos)	124	132	168	210	250
Other Sales Points	334	368	373	378	378
Market Share (percent)	0.9	2	3.6	4	5
Avg. Revenue per outlet/month	4.15	3.47	6.29	6.66	7

Sources: Ceylon Fisheries Corporation and Department of Public Enterprises

(a) Provisional

Hotel Developers (Lanka) PLC

Hotel Developers (Lanka) PLC (HDL) is engaged in the hospitality trade, owning Hilton Colombo Hotel. HDL was vested with the Government under the provisions of the Revival of Underperforming Enterprises or Underutilized Assets Act No. 43 of 2011 and operates as a fully owned Government company.

In 2013, HDL's share capital increased by Rs.17.7 billion as a result of the conversion of 80 percent of the GOSL's loan (Rs. 10.7 billion) and the value of the leasehold land (Rs. 7 billion) where the hotel is situated into equity. The balance land is

to be leased out for a period of 5 years on a rent free basis. Profit before tax of HDL declined significantly by 79 percent mainly due to the decrease in room occupancy rate from 66 percent to 46 percent although the average room rate increased marginally by 7 percent from US \$ 138 to US \$ 148. The revenue from rooms and F&B decreased by 22 percent and 13 percent, respectively, while the costs in relation to property, operations management and energy increased by 19 percent. HDL paid the 1st installment on the Government loan of Rs.1 billion in June 2013.

Table 7.57 > **Financial Out-turn of Hotel Developers (Lanka) PLC**

	2012/2013	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Revenue (Rs. Mn)	3,496	2,843	1,908	2,384	3,423
Room Revenue	1,579	1,228	829	1,075	1,558
Food & Beverage Revenue	1,394	1,207	965	1,162	1,684
Other Operating Departments	138	101	63	91	118
Other Income	385	307	50	56	63
Expenditure (Rs. Mn)	2,392	2,362	1,900	2,339	2,559
Cost of Sales	529	469	366	438	482
Administrative Expenses	1,263	1,247	996	1,110	1,220
Depreciation & Amortization	306	325	332	539	593
Other Expenses	294	321	207	252	264
Profit before interest & Tax	1,104	479	7	45	864
Interest on Long-term Loans	347	326	306	569	625
Profit/Loss Before Tax (Rs. Mn)	757	153	(298)	(524)	239
Outstanding Debt to Banks (Rs. Mn)	-	-	-	3,510	3,510
Overdraft facility (Rs. Mn)	-	598	-	-	-
Outstanding dues to Government (Rs. Mn)	3,099	2,426	2,741	3,097	3,407

Sources: Department of Public Enterprises and Hotel Developers (Lanka) PLC.

(a) Provisional

Even though the percentage of tourist arrivals to the country has increased by 27 percent, HDL has not been able to improve its occupancy rates. HDL undergoes a refurbishment program commenced in 2013 on a half closure basis, targeting improvements in the property, including rooms, F&B outlets and meeting spaces. The project is expected to be completed in December 2015 and the estimated cost of the project is US\$ 35 million out of which US\$ 27 Million is funded by a syndicated loan, while the balance amount is to be met by HDL's earnings. Hence the volume of business and profitability will be very low in 2014 and 2015. In order to improve profitability it is vital for HDL to come up with flexible pricing packages in order to attract both local and foreign tourists from each spending layer.

7.16 Non-Renewable Resources

The non-renewable resources sector constitutes three state owned companies, namely, Lanka Phosphate Ltd (LPL), Kahatagaha Graphite Lanka Ltd (KGLL) and Lanka Mineral Sands Ltd (LMSL). Since the nature of the business is mining, processing and marketing of natural

resources, it is capital intensive and requires a significant volume of funds to upkeep and acquire machinery and plants in order to achieve the production targets and future expansions. LPL engages in local sales while KGLL and LMSL earned US\$ 8.98 million from their export businesses in 2013.

Effective financial and stock management is important to minimize direct costs of production and wastage and to reduce piling up of stocks which create liquidity constraints. Proper marketing management is essential to improve stock turnover and reduce the stock residence period thus minimizing working capital deficiencies.

Lanka Phosphate Limited

Lanka Phosphate Limited (LPL) has over 324 hectares of land in Eppawala where a large phosphate deposit is located. The ore is considered to be one of the richest and unique deposits in the world. LPL excavates, processes and sells two types of rock phosphate fertilizer, namely, Eppawala Rock Phosphate (ERP) and High Grade Eppawala Rock Phosphate (HERP) used for perennial agricultural crops.

Since the nature of the business is mining, processing and marketing of natural resources, it is capital intensive and requires a significant volume of funds to upkeep and acquire machinery and plants in order to achieve the production targets and future expansions. LPL engages in local sales while KGLL and LMSL earned US\$ 8.98 million from their export businesses in 2013.

Table 7.58 > **Financial Out-turn of Lanka Phosphate Limited**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Total Revenue (Rs. Mn)	449	477	568	621	679
Eppawela Rock Phosphate (ERP)	328	339	406	447	492
High Grade Eppawala Rock Phosphate (HERP)	71	91	122	134	147
Other Income	50	47	40	40	40
Expenditure (Rs. Mn)	335	327	361	397	437
Cost of Sales	91	107	118	130	143
Staff Cost	157	135	154	169	186
Electricity	18	21	24	26	29
Other	69	64	65	72	79
Profit/ (Loss) (Rs. Mn)	114	150	207	224	242
Key Performance Indicators					
Production (MT)	44,522	45,293	64,400	70,840	77,924
Sales (MT)	45,760	47,179	62,580	68,838	75,722
Stock (MT)	2,306	420	2,020	2,222	2,444
Selling price per MT (ERP) Rs	8,500	8,500	9,350	9,400	9,500
Selling price per MT (HERP) Rs	10,900	10,900	12,000	13,000	13,500

Sources: Lanka Phosphate Limited and Department of Public Enterprises

(a) Provisional

During 2013/14, the growth in revenue was limited to 6 percent due to uneven weather patterns and unavailability of Urea for production of fertilizer. However, through cost reductions, LPL has earned a 32 percent increase in profits.

The Eppawala ore is of lower solubility because of high chloride, fluoride, iron and aluminum contents. Hence, more investment in research and development activities is necessary to make it more soluble to increase its absorption to the soil. Moreover, LPL requires advanced technologies to quantify its deposits identified for excavation. LPL is currently examining the possibility of manufacturing Triple Super

Phosphate (TSP) and Di Ammonium Phosphate (DAP) to produce fertilizer for paddy and vegetable cultivation.

Kahatagaha Graphite Lanka Limited

Kahatagaha Graphite Lanka Limited (KGLL) engages in excavating, processing and exporting of graphite which is used as an industrial raw material in the production of crucibles, bricks, grease, gaskets, lubricants and conductive brushes. Since KGLL mainly depends on a few regular foreign buyers for its exports, its ability to obtain high prices for its products is limited. Moreover, synthetic graphite remains a significant challenge to natural graphite processed by KGLL. Currently, China is the

major supplier of graphite which accounts for 73 percent of the world production, whereas Sri Lanka produces only 1 percent, limiting KGLL's ability to be competitive in the international market.

KGLL's revenue increased significantly by 121 percent during 2013/14, contributed by increased sale of graphite during the period. Moreover, the cost of production for KGLL's graphite is comparatively high since it has to

mine underground, i.e. below 2000 ft from ground level, whereas most other leading suppliers mine on surface. KGLL should be vigilant on low inventory turnover ratio and high stock residence period which are the indicators of poor stock management, weak sales and marketing programs, liquidity issues, weak utilization of resources and high opportunity cost of funds. Measures should be initiated to increase value added products to attract new buyers.

Table 7.59 > **Financial out-turn of Kahatagaha Graphite Lanka Limited**

	2012/13	2013/14(a)	Forecast		
			2014/15	2015/16	2016/17
Total Revenue (Rs. Mn)	94	208	240	297	324
Sale of Graphite	92	207	236	295	322
Other Income	2	1	4	2	2
Expenditure (Rs. Mn)	77	171	214	271	295
Cost of Sales	38	66	97	133	145
Operational Expenditure	15	23	19	21	23
Staff Cost - Admin	8	10	14	15	16
Electricity Cost	0.2	0.3	0.3	0.4	0.5
Other Expenditure	15.8	71.7	83.7	101.6	110.5
Net Profit before Tax (Rs. Mn)	17	37	26	26	29
Key Performance Indicators					
Production (MT)	1,018	1,000	1,200	1,260	1,373
Sales (MT)	538	1,000	1,200	1,280	1,395
Graphite Stock (MT)	1,844	1,844	1,844	1,823	1,987
Exports (US\$)'000	517	1,595	1,817	2,269	2,474

Sources: Kahatagaha Graphite Lanka Limited and Department of Public Enterprises

(a) Provisional

Lanka Mineral Sands Limited

Lanka Mineral Sands Ltd (LMSL) engages in mining, processing and marketing of heavy mineral sands such as Ilmenite, Rutile and Zircon which are exported as raw materials. In addition, by products such as wet table middlings, wet table tailings, spiral fine concentrate, non-magnetic tailings are also exported.

Revenue in 2013 declined by 54 percent due to the temporary closure of the plants during the revamping process of older machines which affected the production of Ilmenite, Rutile and Zircon. The decline in sales also affected revenue while resulting in a considerable stock pile of mineral sands. The Company is

confronted with various challenges such as predetermined lower prices offered for raw materials, narrowness of the product portfolio, low quality of mineral sands and frequent machine and plant breakdowns which disturb the smooth running of the production process.

LMSL should launch marketing campaigns and expedite sales in order to release stock piles efficiently. The proper management of costs and stocks is essential to relieve the burden on working capital and liquidity of the company. Moreover, investment in capital equipment such as dredges and production plants is also needed in order to improve the viability of LMSL.

Table 7.60 > **Financial out-turn of Lanka Mineral Sands Ltd**

	2012	2013(a)	Forecast		
			2014	2015	2016
Revenue (Rs. Mn)	2,159	992	1,213	1,334	1,453
Ilmenite	694	690	700	770	839
Rutile	420	256	257	283	308
Zircon	136	0	78	86	94
Hi Ti Ilmenite	231	-	133	146	159
Others	678	46	45	49	53
Expenditure (Rs. Mn)	857	771	937	1,031	1,122
Cost Of Sales	356	274	304	334	362
Distribution	6	4	6	7	8
Administrative	201	164	286	315	343
Other Operating	294	329	341	375	409
Profit before tax (Rs. Mn)	1,302	221	276	304	331
Key Performance Indicators					
Investments (Rs. Mn)	368	-	-		
Production (MT)	87,676	89,444	89,500	93,600	102,024
Sales (MT)	36,617	38,177	42,556	47,084	51,322
Stock (MT)	96,094	128,239	130,446	128,033	139,556
Exports (US\$) '000	15,578	7,389	8,420	9,326	10,165

Sources: Lanka Mineral Sands Limited and Department of Public Enterprises

(a) Provisional

Conclusion

In the context that the socio economic development strategy envisages rapid economic growth with emphasis on promoting a green environment, improving quality of life of the people with access to decent housing, electricity, water, education and health facilities, the SOBEs have a vital role to play in the ongoing transformation of the country. The significant infrastructure development undertaken by the enterprises in the ports and aviation sectors should focus on creating an enabling environment for rapid growth in exports, tourism and connected economic activities. Further, with the strengthening of petroleum, electricity, water and transportation sectors, the enterprises in these sectors should provide efficient services with stronger distribution infrastructure with high reliability at competitive prices for households, domestic businesses as well as those with foreign investment, while meeting the increased demand from rapidly growing economic activities. The state banks, with stronger balance sheets should focus their financial services towards the emerging sectors such as exports, SMEs, construction, tourism and leisure related services and information technology and enabling industries while further improving financial accessibility and inclusiveness.

While the Government has initiated several strategies to strengthen the financial position of the SOBEs, these enterprises should become dividend paying entities to increase the return

on public investment and complement the Government budget which is expected to maintain a deficit of around 4 percent of GDP in the medium term. Further, total commitment of SOBEs towards improving their efficiency and productivity is imperative to provide the underlying climate to support the expansion of the economy to US\$ 100 billion by 2016.

With the objective of ensuring that the SOBEs are focused towards achieving all their short and medium term performance targets, key recommended measures are summarized in Annex IV. SOBEs should formulate effective strategies in coordination with all relevant stakeholders to implement these recommended measures with focus on facilitating the achievement of the economic goals of the country. SOBEs are encouraged to make effective use of advanced technologies, international best practice and where relevant, ISO certifications, to improve efficiency and productivity. As the balance sheets are being strengthened, SOBEs are also encouraged to obtain credit ratings to assess their financial strength. SOBEs which are financially strong would be able to source funds for investment in expansion and development making use of new technologies and highly skilled human resources. Moreover, a robust SOBE sector will also support Sri Lanka to elevate to an investment grade economy facilitating easy access to foreign funds. Hence, improved and efficient performance of SOBEs is necessary and vital for Sri Lanka to consolidate as a middle income economy.

Annex 1 > **Enterprises under Restructuring**

Enterprise	Core Activity	Performance/Issues	Total Expenditure in 2013 Rs. Mn	Total Revenue in 2013 Rs. Mn
Lanka Salusala Ltd. (LSL)	Engaged in trading of handloom products and textiles	A VRS scheme has been proposed to all the existing employees and a restructuring plan is being formulated as directed by the Cabinet of Ministers by decision on 31st March 2013. The revenue of Rs.169 million in 2011/12 decreased to Rs.118 million in 2012/13. The net loss for the years 2011/12 and 2012/13 were Rs. 57 million and 56 million respectively.	179*	123*
Co-operative Wholesale Establishment (CWE)	Currently engaged in rice mill development, a farm shop project, logistic, transport and packaging services	CWE has progressed positively during 2013 by posting an increased net profit of Rs. 78 million in 2013 compared with Rs. 44 million in 2012, contributed mainly by increased income sources. CWE earned Rs. 170 million revenue in 2013 from the transport division with the addition of 24 new Lorries to the transport fleet during the year. CWE has to settle Rs. 4.4 billion of Corporate Bonds in 2016.	529	607
The State Trading (Co-operative Wholesale) Company Ltd. (STCWCL)	Currently not engaged in commercial operations	Liquidation has been initiated in terms of the decision of the Cabinet of Ministers and employees are being absorbed in to the subsidiaries of CWE according to their qualifications.	-	-
Janatha Fertilizer Enterprises Ltd. (JFEL)	Under liquidation	Cabinet approval has been granted to transfer all stores and the Head Office building of JFEL to UDA. Liquidation is in progress. VRS has been finalized.	-	-
Sri Lanka Rubber Manufacturing and Export Corporation (SLRMEC)	Currently not engaged in commercial activities	Leased out 03 factories out of 4 factories to a private investor for a 30 year period. The Line Ministry is in the process of finding a suitable investor to lease out the remaining factory.	0.6	0.7
Ceylon Ceramics Corporation (CCC)	Produces roofing tiles, floor tiles and wire - cut bricks.	A total of 340 employees obtained the VRS in terms of the Cabinet Decision while 43 workers remained in the company. Tile production is being carried out in an ad-hoc manner by hiring workers from outside. The loss of the company for the year 2013 was Rs. 4 million compared with Rs. 6 million profit in the year 2012. Lack of a business plan with clear objectives has led to deterioration of profitability of CCC. The Line Ministry is exploring possibilities of a Public Private Partnership (PPP) to revive this entity.	126	122

Annex I > **Enterprises under Restructuring Cont...**

Enterprise	Core Activity	Performance/Issues	Total Expenditure in 2013 Rs. Mn	Total Revenue in 2013 Rs. Mn
Hingurana Sugar Industries Ltd. (HSIL)	Currently not engaged in commercial activities	Ministry of Sugar Industries Development is in the process of revival of these companies through the Lanka Sugar Company Ltd. A Committee appointed by the Cabinet is in the process of preparing a report to transfer the assets and liabilities of KSIL and HSIL to Lanka Sugar Company Ltd.	-	-
Kanthale Sugar Industries Ltd (KSIL)				
Lanka Fabrics Ltd. (LFL)	Under liquidation	A liquidator has been appointed in terms of the Cabinet decision. The Line Ministry is in the process of liquidating this company, which currently exists only by name.	-	-
BCC Lanka Ltd. (BCC)6	Manufactures coconut oil and soap related products	A positive progress was achieved in production in 2013. BCC recorded net profits of Rs. 32 million in 2012 and Rs. 27 million in 2013. The profit of 2012 included the gains of Rs. 40 million from assets sales while 2013 profit was earned from its main business. A factory modernization program 2012-2015 is in progress. There is slow progress on identifying an investor through UDA to develop the 4 acre land.	105	132
Manthai Salt Ltd. (MSL)	Manufactures normal salt and iodized salt	MSL has initiated a process of value addition to its products by introducing table salt plant with financial assistance of the Treasury. MSL at present produces raw salt out of which 80 percent is sold as bulk at low profit margins. The net profit of Rs. 4 million for the financial year 2011/12 decreased to Rs. 0.5 million in the year 2012/13 due to the low demand for the crystal salt produced by the company.	40	40
North Sea Ltd. (NSL)	Manufactures and supplies fishing nets and provides support services to the fishermen.	NSL manufactures around 480 MT of fishing nets per annum or 10 percent of the market share. Although the company estimated a revenue of Rs. 575 million for the year 2013 it earned only Rs. 149 million while a loss of Rs. 49 million was recorded for the year. Low level of production, inadequate working capital and slow stock movements contributed to the deterioration of performance of the company.	198	149

Annex I > **Enterprises under Restructuring Cont...**

Enterprise	Core Activity	Performance/Issues	Total Expenditure in 2013 Rs. Mn	Total Revenue in 2013 Rs. Mn
Cey-nor Foundation Ltd. (CFL)	Manufactures and supplies of fiberglass fishing boats and allied products.	CFL invested Rs. 250 million in 2012/13 for upgrading of its workshop facility up to international standards in order to carry out repairs of vessels, making use of the Dikkowita Fishery Harbour. CFL reduced its losses from Rs. 16 million in 2011 to Rs. 7 million in 2012 to a profit of Rs. 1 million in 2013.	260	261
Lanka Leyland (Private) Ltd. (LLL)	Holds 42 percent of the shares in Lanka Ashok Leyland Limited	LLL does not conduct any operational activities. The company receives a dividend income of approximately Rs. 50 million annually for its shareholding from the joint venture. It is proposed that this company is liquidated or wound up by transferring its shares to the Treasury, whereby the dividend income will not be needed to maintain LLL. The total expenditure excludes Rs.532 million of fair value loss on investment in the Associate Company in year 2013.	1.7	89
Sri Lanka Cement Corporation (SLCC)/	Imports and sells cement in the local market.	A Cabinet decision was taken to amalgamate SLCC with LCP and to jointly resume bagging operations at the Kankesanthurai factory as both companies are engaged in the business of importing and selling cement.	335*	322*
Lanka Cement PLC (LCP)		The net loss for LCP for the year 2012 was Rs. 385 million due to the impairment loss in relation to assets of the Kankesanthurai factory amounting to Rs. 339 million based on the SLAS.	241*	240*
Paranthan Chemicals Company Ltd. (PCCL)	Engaged in the importing and refilling of imported chemicals	During 2013 PCCL sold 1,960.4 MT of chlorine, 6.2 MT of Caustic Soda and 30.62 MT of Hydraulic Acid. The company has initiated a project to manufacture bleaching powder intending to save foreign exchange. The net profit for the year 2013 was Rs. 30.9 million, a decline from Rs. 37.3 million in 2012.	190	227

Enterprise	Core Activity	Performance/Issues	Total Expenditure in 2013 Rs. Mn	Total Revenue in 2013 Rs. Mn
National Paper Company Ltd. (NPCL)	Manufactures and sells paper, paper boards and all types of products made from pulp and papers.	The Company has two factories at Embilipitiya and Valachchenai. The restructuring of Embilipitiya Paper Mill (EPM) of NPCL which was done in year 2011 was unsuccessful. The factory does not operate at present. Although the Valachchenai Paper Mill (VPM) is in operation it has incurred losses in 2013. The company was able to run the factory only for five months during year 2013. NPCL has severe shortage of liquidity working capital to run the factory.	158	94
Lakdiva Engineering Company (Pvt) Ltd. (LEPL)	Manufactures bus bodies and repairs buses	Revenue from repair of buses declined by 25 percent to Rs. 21.6 million in 2012/13 from Rs. 28 million 2011/12 due to the decrease in the number of buses repaired to 52 in 2012/13 in comparison to 71 in 2011/12 is mainly due to the non-availability of skilled technical staff and lack of modern machinery. In 2012/13 LECL incurred a loss of Rs. 28 million compared to 2011/12. Budgetary support of Rs. 21 million was provided in 2012/13. With the LECL not having the capacity to meet the demand of the Sri Lanka Transport Board (SLTB), repairing of buses are undertaken by the SLTB itself. COPE has observed that the only solution is to close down the LECL.	52	23
Building Materials Corporation (BMC)	Supplies quality building materials and equipment at competitive prices throughout the country.	Inadequate working capital resulted in non-achievement of the operational targets of the BMC. Due to nonpayment of long outstanding bank loans BMC has been registered in the CRIB. Therefore the company cannot go for new financial facilities to develop the institution. Total revenue in 2012 was Rs. 929 million and it reduced to Rs. 664 million in 2013 due to the low demand of the asbestos sheets. The profit reduced from Rs. 4 million in 2012 to Rs. 1 million in 2013.	663*	664*

*Provisional

Annex II > Profitability of State Owned Business Enterprises

Rs. Mn

Enterprise	Profit/(Loss)			Business Turnover	Budgetary Support-2013	
	2005	2012	2013(a)	2013(a)	Recurrent	Capital
1 Bank of Ceylon	3,120	19,794	15,709	126,717	-	-
2 People's Bank	4,035	15,249	10,100	120,384	-	-
3 National Savings Bank	3,457	6,169	3,764	66,422	-	-
4 State Mortgage & Investment Bank	415	522	447	3,742	-	-
5 Housing Development & Finance Corporation	162	176	392	3,858	-	-
6 Lankaputhra Development Bank Ltd.*	-	294	333	720	-	-
7 Pradeshiya Sanwardana Bank	658	1,492	687	10,995	-	-
8 Sri Lanka Savings Bank Ltd.*	-	645	702	1,006	-	-
9 Employee Trust Fund Board	-	14,130	15,875	16,477	-	-
10 Sri Lanka Insurance Corporation	1,215	4,236	3,401	27,625	-	-
11 National Insurance Trust Fund*	-	2,083	4,374	5,935	-	-
12 Ceylon Electricity Board	(6,852)	(61,572)	18,593	200,930	-	-
13 Ceylon Petroleum Corporation	9,839	(97,310)	(7,984)	494,010	-	-
14 Sri Lanka Ports Authority	13,239	5,211	2,481	36,384	-	-
15 National Water Supply & Drainage Board	(22)	408	595	18,433	-	25,884
16 Airport and Aviation Services (Sri Lanka) Ltd.	670	3,859	4,527	14,567	-	-
17 Sri Lankan Airlines Ltd.	834	(21,751)	(28,827)	116,321	-	12,600
18 Mihin Lanka Ltd.**	-	(2,866)	(1,956)	9,915	-	1,894
19 Sri Lanka Transport Board	(1,119)	(5,610)	(6,311)	26,511	6,565	906
20 State Engineering Corporation	(42)	226	128	8,112	-	-
21 Central Engineering Construction Bureau	45	384	545	14,634	-	-
22 State Development & Construction Corporation	21	48	111	3,313	-	-
23 Milco (Pvt) Ltd.	85	(267)	(87)	7,597	-	-
24 National Livestock Development Board	(12)	29	50	1,447	-	-
25 Ceylon Fisheries Corporation	(34)	(42)	(80)	2,008	-	-
26 Ceylon Fishery Harbour Corporation	(66)	(259)	(170)	519	108	76
27 State Pharmaceuticals Manufacturing Corporation	15	116	328	1,941	-	-
28 Sri Lanka Ayurvedic Drugs Corporation	6	54	56	434	-	-
29 State Pharmaceuticals Corporation	431	468	834	20,205	-	-
30 Sri Jayawardenapura General Hospital	(185)	(121)	(70)	2,025	518	25
31 Independent Television Network Ltd.	39	813	831	2,532	-	-
32 Sri Lanka Rupavahini Corporation	228	47	48	2,164	-	-
33 Sri Lanka Broadcasting Corporation	(98)	(68)	(130)	957	128	31
34 Ceylon Fertilizer Company Ltd.	48	200	108	2,713	-	-
35 Colombo Commercial Fertilizer Company Ltd.	10	14	137	1,056	-	-
36 State Timber Corporation	408	202	339	3,211	-	-
37 Sri Lanka State Trading (General) Corporation Ltd.	(112)	97	157	3,092	-	-
38 Hotel Developers Lanka PLC	-	757	153	2,843	-	-
39 Lanka Sugar (Pvt) Ltd.	-	(155)	1,337	5,747	-	-
40 Lanka Sathosa Ltd.	(4)	652	881	25,357	-	-
41 Development Lotteries Board	1,218	1,758	1,980	10,611	-	-
42 National Lotteries Board	269	590	413	15,009	-	-
43 Lanka Mineral Sands Ltd.	420	1,302	221	992	-	-
44 Lanka Phosphate Ltd.	39	114	150	477	-	-
45 State Printing Corporation	21	140	132	1,308	-	-
46 Sri Lanka Export Credit Insurance Corporation	86	163	193	178	-	-
47 Agriculture & Agrarian Insurance Board	(98)	(1,343)	(1,711)	102	139	-
48 Sri Lanka State Plantations Corporation	(84)	(117)	(201)	610	60	-
49 Kurunegala Plantations Ltd.	20	186	210	482	-	-
50 Chilaw Plantations Ltd.	55	86	98	440	100	-
51 Kalubovitiyana Tea Factory Ltd.	25	91	28	769	-	-
52 Janatha Estates Development Board	(135)	(235)	(85)	1,263	-	-
53 Sri Lanka Cashew Corporation	(1)	44	9	145	65	68
54 Sri Lanka Handicraft Board (Laksala)	1	73	25	701	-	-
55 Kahatagaha Graphite Lanka Ltd.	4	17	37	208	-	-
Total	32,274	(108,777)	43,907	1,446,154	7,683	41,484

Sources: State Owned Enterprises and Department of Public Enterprises

(a) Provisional

Annex III > **Submission of Annual Reports – State Owned Business Enterprises**

		2010	2011	2012	2013
1	Bank of Ceylon	✓	✓	✓	✓
2	People's Bank	✓	✓	✓	✓
3	National Savings Bank	✓	✓	✓	-
4	State Mortgage & Investment Bank	✓	✓	✓	-
5	Housing Development and Finance Corporation	✓	✓	✓	✓
6	Lankaputhra Development Bank Ltd.	✓	✓	X	-
7	Pradeshiya Sanwardhana Bank	✓	✓	✓	✓
8	Sri Lanka Savings Bank Ltd.	✓	✓	✓	-
9	Employee's Trust Fund Board	✓	✓	✓	-
10	Sri Lanka Insurance Corporation	✓	✓	✓	-
11	National Insurance Trust Fund	✓	X	X	-
12	Ceylon Electricity Board	✓	✓	X	-
13	Ceylon Petroleum Corporation	✓	✓	X	-
14	Sri Lanka Ports Authority	✓	✓	✓	-
15	National Water Supply and Drainage Board	✓	X	X	-
16	Airport and Aviation Services (Sri Lanka) Ltd.	✓	✓	✓	-
17	Sri Lankan Airlines Ltd.	✓	✓	✓	-
18	Mihin Lanka (Pvt) Ltd.	✓	X	X	-
19	Sri Lanka Transport Board	X	X	X	-
20	State Engineering Corporation	✓	X	X	-
21	Central Engineering Consultancy Bureau	✓	X	X	-
22	State Development and Construction Corporation	✓	X	X	-
23	Milco (Pvt) Ltd.	✓	✓	X	-
24	National Livestock Development Board	✓	✓	X	-
25	Ceylon Fisheries Corporation	✓	X	X	-
26	Ceylon Fishery Harbour Corporation	✓	✓	X	-
27	State Pharmaceuticals and Manufacturing Corporation	✓	✓	X	-
28	Sri Lanka Ayurvedic Drugs Corporation	✓	✓	X	-
29	State Pharmaceuticals Corporation	✓	✓	X	-
30	Sri Jayawardenapura General Hospital	✓	✓	✓	-
31	Independent Television Network Ltd.	✓	✓	✓	-
32	Sri Lanka Rupavahini Corporation	✓	✓	X	-
33	Sri Lanka Broadcasting Corporation	✓	✓	X	-
34	Ceylon Fertilizer Company Ltd.	✓	✓	✓	-
35	Colombo Commercial Fertilizer Company Ltd.	✓	X	X	-
36	State Timber Corporation	✓	✓	X	-
37	Sri Lanka State Trading (General) Corporation Ltd.	✓	✓	X	-
38	Hotel Developers Lanka PLC	✓	✓	✓	-
39	Lanka Sugar (Pvt) Ltd.	X	X	X	-
40	Lanka Sathosa Ltd.	X	X	X	-
41	Development Lottery Board	✓	✓	✓	-
42	National Lottery Board	✓	✓	✓	-
43	Lanka Mineral Sands Ltd.	✓	✓	✓	-
44	Lanka Phosphate Ltd.	✓	✓	X	-
45	State Printing Corporation	X	X	X	-
46	Sri Lanka Export Credit Insurance Corporation	✓	X	X	-
47	Agriculture & Agrarian Insurance Board	X	X	X	-
48	Sri Lanka State Plantations Corporation	X	X	X	-
49	Kurunegala Plantations Ltd.	✓	✓	✓	-
50	Janatha Estates Development Board	X	X	X	-
51	Chilaw Plantations Ltd.	✓	✓	✓	-
52	Kalubovitiyana Tea Factory Ltd.	✓	✓	✓	-
53	Sri Lanka Cashew Corporation	✓	✓	✓	-
54	Sri Lanka Handicraft Board (Laksala)	✓	✓	✓	-
55	Kahatagaha Graphite Lanka Ltd.	✓	✓	X	-

Sources: State Owned Enterprises and Department of Public Enterprises

Annex IV > **Recommendations for State Owned Business Enterprises (SOBEs)**

Sector/SOBE	Recommendations
State Banks	<p>Improve business planning to position the lead role in the industry in a competitive and low interest rate environment. Identify emerging growth sectors of the economy to direct credit towards such sectors.</p> <p>Develop technological capabilities to compete with the private sector banks as the usage of internet and mobile phones have significantly expanded into most remote areas of the country.</p> <p>The specialized banks should focus on segments of the economy that requires increased financial accessibility and prioritize on micro finance, SME sector, women entrepreneurs, agriculture, etc. and implement strategies to empower its customers in micro, small and medium scale enterprises and channel credit to predominantly lower end of the economic pyramid.</p> <p>Enhance skills and capacity of the staff to ensure that banks' strategies are implemented effectively and efficiently responding to clients' needs.</p> <p>Improve credit quality as well as efficiency in the recoveries mechanism.</p>
Insurance	<p>Enhance focus and capacity of SLIC to create an environment to penetrate into untapped areas of the economy.</p> <p>The life segment needs alternative distribution channels other than the traditional agency based distribution system.</p> <p>Better underwriting discipline through alternate forms of competition such as differentiated/flexible products.</p>
Electricity	<p>Ensure energy security by diversification of power generation to arrive at a least cost generation mix.</p> <p>Promote energy efficiency and conservation by reducing system losses.</p> <p>Modernize the distribute on network through use of technology and improved procedures.</p>
Petroleum	<p>Ensure energy security by modernizing and expanding refinery capacity.</p> <p>Expand petroleum product exports.</p> <p>Expand fuel storage capacities, improve and upgrade existing pipe lines.</p> <p>Import petroleum products under term contracts to reduce import costs.</p>
Ports	<p>SLPA should give medium term focus to its income generation activities to match the rising finance costs.</p> <p>Improve infrastructure facilities and enhancing capacity through introduction of modern technology.</p> <p>Ensure optimal utilization of existing facilities.</p>
Water	<p>Identify and implement an island wide non-revenue water reduction strategy.</p> <p>Encourage private sector investment in water supply.</p> <p>Ensure quality of water distributed by Community Based Organizations.</p> <p>Adopt suitable technologies to improve energy efficiency to reduce energy costs of NWSDB.</p> <p>Implement an efficient stock management system at NWSDB.</p> <p>Implement national level programs to address the issue of Chronic Kidney disease.</p> <p>Implement a program to facilitate consumers to obtain water and sewerage connections easily.</p> <p>Implement improved project implementation procedures to minimize delays and cost overruns.</p>

Annex IV > **Recommendations for State Owned Business Enterprises (SOBEs)Cont...**

Sector/SOBE	Recommendations
Aviation	<p>Significantly improve cost efficiencies in operations.</p> <p>Implement strategies to improve revenue.</p> <p>Both airlines should make use of the already provided budgetary support to reach break-even status and to be budget independent in the near future.</p> <p>Re-fleet to improve operational efficiency while enhancing passenger comfort.</p> <p>Expand the fleets of SLA and Mihini in the medium term to meet the increasing demand for passenger and cargo transport.</p> <p>Setup engineering maintenance, repair and overhaul facilities to service the region at MRA.</p> <p>Enhance cargo handling capacity at both airports.</p> <p>Modernize the BIA and expand its capacity to cater to handle passenger volumes over 12 million by 2016.</p> <p>Expand destination to destination network connectivity.</p>
Sri Lanka Transport Board	<p>Enhance operational efficiency by implementing proper management and HR systems.</p> <p>Dispose buses which are not in running condition.</p> <p>Take immediate action to settle statutory dues, especially EPF, ETF and gratuity while remitting monthly contributions on time.</p> <p>Minimize fuel inefficiencies and leakages.</p>
Construction	<p>Adopt modern technology to improve productivity and enhance capacity to undertake more private sector constructions.</p> <p>Contracts should be undertaken within the capacity limits of the institution.</p> <p>Adopt effective project implementation processes to avoid time and cost overruns.</p> <p>Budgetary allocations for the projects should be confirmed before undertaking each project.</p>
Livestock	<p>Promote liquid milk consumption by encouraging market agents to better exploit currently untapped demand for liquid milk.</p> <p>Identify informal and traditional milk and dairy markets and introduce effective and appropriate market mechanisms, technologies to formalize the markets.</p> <p>Improve quality control and take measures to identify and mitigate public health risks.</p>
Ceylon Fisheries Corporation	<p>Develop a new business plan giving special attention to diversify its products which enables the expansion of the customer base to reach at least 10 percent of market share.</p> <p>Introduce flexible pricing policies to maintain profitability as well as to improve customer satisfaction.</p> <p>Expand the distribution network by establishing new sales outlets after ensuring viability of places for the business with a view to increasing revenue.</p> <p>Carry out proper cash and debt management and expenditure controls in order to improve working capital and liquidity.</p>
Ceylon Fishery Harbour Corporation	<p>Expand weighbridge operations at all harbours.</p> <p>Implement proactive strategies to improve profitability in all harbours.</p>

Annex IV > **Recommendations for State Owned Business Enterprises (SOBEs)Cont...**

Sector/SOBE	Recommendations
Health	SPC - Procure medicines in accordance with the requirements of the Department of Health Services. Improve procurement management, distribution and storage system to minimize liquidity constraints. Increase market share to ensure commercial viability.
	SPMC - Use advanced technologies to strengthen its manufacturing procedures and production capacity to meet the drug requirements of all Government hospitals.
	SJGH - Implement promotional strategies to attract more customers for paying wards. Physical expansion and modernization of equipment in specialty units. Upgrade special wards to provide all medical support services and their pricing to incorporate higher profit margins.
	SLADC - Implement promotional campaigns on new herbal products and ayurvedic drugs to increase market demand including identified tourist focal points. Expand herbal cultivation.
Media	Implement strategies for infrastructure and human resource development to shift to advanced digital technology which enhances the quality of operations that enables competitive advantage. Expand to a diversified customer base with high quality programs to increase market share.
Fertilizer	Distribute the subsidized fertilizer to farmers avoiding shortages in the market and overstocks at warehouses. Proper procurement plans and stock control methods to be introduced.
State Timber Corporation	Build strategic partnerships for furniture manufacturing to address high quality niche market demand including exports to foreign markets. Focus on value added eco friendly products. Minimize logging waste to obtain the maximum volume of timber. Take necessary actions to obtain forest offence timber (confiscated) before they become unusable.
Sri Lanka State (General) Trading Corporation Ltd	Enhance the market share by targeting the private sector customers as well without limiting the customer base to the Government sector. Develop and introduce products to niche markets and implement strategies to promote brand name in these markets.
Hotel Developers Lanka PLC	Formulate flexible pricing packages in order to attract both local and foreign tourists of each spending layer. Implement measures to introduce authentic and cultural experiences to tourists, rather than the conventional tourism offerings.
Lanka Sugar Company Ltd	Make optimum utilisation of resources and develop the local sugar industry enabling the reduction of sugar imports.
Lanka Sathosa Ltd	Complete the implementation of the ERP system, integrating all operational activities including accounting functions. Adopt appropriate business strategies to increase market share.

Annex IV > **Recommendations for State Owned Business Enterprises (SOBEs)Cont...**

Sector/SOBE	Recommendations
Lotteries	Improve marketing strategies to generate more funds for development, health and education purposes.
Non - Renewable Resources	Introduce proper financial management measures to minimize cost of production and wastage. Proper marketing management to be employed to avoid stock piling. More attention should be paid to export of value added products.
State Printing Corporation	Implement strategies to enhance capacity utilization and cost efficiencies. Establish systems and procedures to reflect the transparency of transactions.
Plantations	Expedite the restructuring process with the view to increasing harvest and decreasing the production cost. Infusion of new technology and capital where necessary. Update technology to meet changing needs of the industry. Formulate strategies to improve performance and productivity. Shift from raw material production towards value added products. Introduce new innovative automated systems for processing green tea leaves to improve the operational efficiency and the quality of the tea products. Provision of proper knowledge and training on value addition processes, in order to remain competitive among local and international tea producers. Expedite replanting where necessary to increase productivity.
Sri Lanka Handicrafts Board	Implement strategies to set up outlets in areas popular with tourists to obtain maximum benefit from the expanding tourism industry.

Sources: State Owned Enterprises and Department of Public Enterprises

08

DEVELOPMENT FINANCE

8.1 Overview

In terms of the inclusive development thrust of the Mahinda Chintana Vision for the Future, the Government's Ten Year Development Framework, has placed significant emphasis on the development of backyard economies "Divi Neguma", community infrastructure "Gama Neguma", small township facilities "Pura Neguma" and Small and Medium Enterprises (SME), covering all segments of the economy to promote employment and provide livelihood opportunities. A greater impact is created on the economy by empowering households, providing diversified livelihood activities and encouraging enterprise development in the country. "Divi Neguma"/Samurdhi family livelihood development and "Gama Neguma" community empowerment initiatives cover 40 percent of the population at the lower income level. Similarly, 77.4 percent of the population who live in rural areas and are engaged primarily in paddy and other food crop cultivation, livestock and poultry, are assisted through fertilizer, seeds, planting materials, credit, remunerative producer prices, subsidy schemes, extension services, and irrigation facilities. Further, the Government has taken measures to strengthen the social security of farmers by introducing crop insurance and expanding the farmer pension scheme.

Microfinance provides easy access to finance in rural areas. Government institutions taking the lead assist microfinance programmes through Samurdhi Banking Societies, Agricultural Banks, Regional Development Bank (RDB) etc. Further, access to finance was strengthened by introducing new loan schemes particularly for women from 2014.

SME sector is recognized as an important strategic sector in the country for

New initiatives for inclusive development

The Government development strategies and initiatives are designed to ensure that the benefits of development are shared by a wider segment of the society. Hence, in addition to relying on market forces in areas where such activities work well, Government encourages, through various incentives and initiatives, the creation and promotion of market forces in areas where markets fail or show inefficiency. Many development initiatives are designed to address these concerns in order to make the development process involved in all aspects of the society.

- Guaranteed price for Potato, B-onion and Dried Chilies – *Towards beyond self-sufficiency*
- Guaranteed price for seed potato and B-onion seeds – *Self-sufficiency in local seed varieties*
- Crop insurance through fertilizer subsidy – *Protection for cultivation*
- Incentives for increasing land use productivity of small holder plantations – *Improvement of land productivity*
- Farmer's pension scheme – *Providing social security*
- Revolving Funds under five District Secretary/ Government Agent in grain producing districts – *For field level intervention to promote agricultural marketing*
- Enhancing storage capacities for paddy, B-onion, soya and other grains – *Strengthening food security*
- EIB loan scheme to SMEs – *To promote export growth and energy conservation*
- "Liya Isura" loan scheme for women entrepreneurs – *To provide easy access to credit*
- Commercial scale dairy development loan scheme – *Towards Self-sufficiency in milk*
- Rice donation to the World Food Programme – *To share excess production towards global humanitarian assistance*

generating high economic growth, reducing unemployment, inequity and poverty. It contributes 30 percent to the Gross Domestic Product, 35 percent of employment, and 30 percent of manufacturing activities and 20 percent of exports.

8.2 Developing Backyard Economies

The Government has launched several rural centric programmes to enhance the living standards of the community aiming to create a poverty-free middle income country by 2016. There are approximately 38,000 villages in the country and some of these are still lagging behind due to unavailability of additional avenues of income. The “Divi Neguma” National Programme was launched in year 2011 following a budget proposal with the objective of enhancing the additional income avenues through backyard economic activities at household level. This Programme is based on

the concept of “Initiative by the people - facilitation from the state” covering the main fields of agriculture, livestock, fisheries and home based small industry.

The agriculture sector is the most significant sector which envisages improving nutritional levels, ensuring food security and generating additional income avenues through home gardening and home-based economic activities. In year 2013 Rs. 667 million was spent to promote home garden programmes by supplying planting material and other agro based activities.



Anthurium and Vegetable Cultivation under Green House Garden

Table 8.1 > Planting and Other Agro based Items Distributed 2012 - 2013

Agro based items distributed	Quantity		Expenditure (Rs. Mn)	
	2012	2013	2012	2013
Seed packets	7,509,406	1,423,930	633.97	56.14
Coconut plants	2,728,176	2,071,714	111.96	133.56
Vegetable plants	4,297,853	741,446	51.88	20.43
Fruit plants	3,955,492	4,735,624	350.83	335.54
Minor export crops	2,449,501	1,490,161	64.28	35.01
Other plants	1,247,474	8,140	39.93	0.20
Commercial cultivation units	2,468	1,374	26.90	76.87
Ornamental plant projects	2,154	211	39.58	0.70
Mushroom projects	2,730	75	26.01	0.75
Protected Green Houses	2,297	421	175.26	7.41
Bee-keeping boxes	9,016	279	20.23	0.23

Source: Ministry of Economic Development



New Initiatives for Seasonal Exports

With a view to reducing malnutrition and protein deficiency among the younger generation of the country, increasing the availability and encouraging organized markets to use seasonal exports, Rs. 130 million was spent on livestock development initiatives at household level in 2013. Providing cows, chicks, goat and pigs for selected village units were major initiatives.

In order to introduce modern cattle management methods and strengthen the capacity of local milk production by supplying breeding animals to the farmers, 2,000 dairy cattle were imported

(1,500 in 2012 and 500 in 2013) from Australia. The conventional cattle sheds at the NLDB farm at Bopaththalawa were modernized into modern cow barns for more cow comfort and ease of handling animal waste. The imported cows have commenced calving and the average production per cow/day has reached 19 liters.

Further, the 2014 Budget also proposed to import 20,000 high quality cows to promote small and medium dairy farms and to increase the annual average yield in excess of 1,500 liters of milk per cow.



Environment Friendly Modern Poultry Farm

Table 8.2 > Livestock Development 2012 - 2013

Description	Quantity		Expenditure (Rs. Mn)	
	2012	2013	2012	2013
Chicks	488,780	350,629	163.04	100.61
Milk Cows	1,810	18	5.68	0.54
Goats	3,547	422	18.14	6.18
Pigs	-	88	-	0.84
Other	-	-	0.45	21.73

Source: Ministry of Economic Development

8.3 Connecting Villages to Mainstream Development Activities

Villages in distant geographical locations often lag behind in development as they have no access to infrastructure facilities and are unable to share the benefits of mainstream development activities. Recognizing this as major need in the development process, the “Gama Neguma” Development Programme (GNDP) was initiated in 2006. The GNDP is implemented under three components of social development, livelihood development and infrastructure development. These community centered facilities include access roads, community based water supply schemes, rural electrification, minor irrigation works, child and maternity clinics, sanitary facilities at schools, pre-school development, community centres and culverts and small bridges. In 2012, the programme was taken on a new path under the motto “One Village – One Project” with the purpose of providing each village to meet their most needy requirement.



Developed Rural Road



Enhanced Pre-School Facility

Table 8.3 > **Progress of “Gama Neguma” Development Programme 2006 - 2012**

Year	No of Completed Projects	Expenditure (Rs. Mn)	No of Beneficiaries
2006	632	1,184	245,130
2007	10,976	7,559	4,491,422
2008	61,028	19,787	8,094,482
2009	52,448	19,320	6,777,942
2010	59,946	24,032	10,742,338
2011	27,822	7,425	5,755,575
2012	11,792	9,719	6,508,646
Total	224,644	89,026	42,615,535

Source: Ministry of Economic Development

1,000 Rural Bridges Programme

Villages in difficult geographic locations are unable to enjoy the benefits of overall development since poor transportation and connectivity in such areas impedes access to those facilities. In order to provide those benefits to the villages in remote areas and thereby uplift the living standards of the rural community, the Government initiated and implemented a rural bridge construction programme in 2013 as part of “Gama Neguma” Development Programme. The 2014 Budget proposed construction of 1,000 bridges connecting rural areas taking rural connectivity initiatives further forward. The project will be implemented during three years commencing 2014, and will cover all districts.

It has been proposed to construct 1,000 bridges connecting rural areas taking rural connectivity initiatives further forward



Connecting Rural Areas

8.4 “Pura Neguma” Programme

In order to provide the services required for the increasing urban population, and the rural population who migrate to more urbanized areas seeking services unavailable in their villages, the “Pura Neguma” Programme (PNP) was launched in 2011 establishing regional service centres. The Programme consists of development of child and maternity clinics, establishment of weekly fairs, construction of jogging tracks, development of resting parks and bus terminals. A sum of Rs. 869 million was incurred in 2013 on this programme.

One of the main projects under the PNP was setting up of weekly fairs (Sathi Pola) with the aim of strengthening linkage between the home-based supplier and the consumer by developing infrastructure facilities required for trading. The project commenced in the Gampaha District as a pilot project and is being implemented in two stages.

Table 8.4 > **Progress of “Pura Neguma” Programme 2011 - 2013**

Activity/Project	No of Projects Completed			Expenditure (Rs. Mn)		
	2011	2012	2013	2011	2012	2013
Development of Child and Maternity Clinics	6	18	31	60.23	129.97	235.64
Establishment of Weekly Fairs	-	11	7	142.98	194.88	356.20
Development of Nugegoda Janatha Pola	1	-	-	81.00	-	-
Development of Nugegoda Trade Stalls	1	-	-	20.00	-	-
Construction of Jogging Tracks	-	-	5	-	-	217.44
Development of Bus Terminals	4	-	2	466.00	51.88	10.34
Construction of Diyatha Uyana	-	1	-	-	61.00	49.15
Total	12	30	45	770.21	437.73	868.77

Source: Ministry of Economic Development



Developed Weekly Fair (Sathi Pola)



Modern Maternity Home

8.5 Storage Capacity and Marketing Network

The expansion of storage capacity is necessary in order to manage a high level of production in food and grains. Accordingly, measures have been taken to rehabilitate existing storage facilities and to construct new stores under the

Paddy Marketing Board (PMB), Government Agent/ District Secretaries (GA/DSs) and co-operative societies. PMB spent Rs. 414 million during last three years on rehabilitation and construction of new stores. There is a storage capacity of 228,610 Mt for paddy. The storage facilities under the Department of Food Commissioner was modernized at a cost of Rs. 75 million.

Table 8.5 > **Storage Capacity of Paddy Marketing Board**

Year	No of Stores	Storage Capacity (Mt.)
2008	51	51,000
2009	141	156,545
2010	184	217,960
2011	194	212,441
2012	210	221,415
2013	219	228,610

Source: Paddy Marketing Board

The newly built warehouses in Oyamaduwa in the Anuradhapura District and Maradagahamula in the Gampaha District further expanded the storage capacity by 74,000 Mt. The warehouse at Maradagahamula functions as a trade centre integrating and linking farmers, millers, traders and other service providers while becoming a feeder market for rice supply to the metropolitan market.



Newly Constructed Warehouse Complex

Table 8.6 > **Paddy Storage Capacity**

Institution	Capacity (Mt.)
Department of Cooperative Development	13,820
Department of Food Commissioner	55,170
Paddy Marketing Board	228,610
Mahaweli Authority of Sri Lanka	12,500
District Secretary/Government Agent :	
Anuradhapura (Oyamaduwa)	16,000
Gampaha (Marandagahamula)	50,000
Ampara (Proposed)	10,000
Total	386,100

Source: Department of Development Finance

Priority has been given to expand the storage capacity for other field crops as well. During the harvesting period, the entire production comes to the market and the producer prices drop drastically. As a result the farmers receive lower prices and this affects the sustainability of such cultivation. In order to address this issue the Government has provided assistance to expand storage facilities at community level. The farmers have the opportunity of storing their production to level out market supply. Household level warehouses for big onion with 4,145 Mt capacity have been built in Matale, Anuradhapura, Polonnaruwa and Kurunegala Districts with the assistance of Warehouse Receipts Financing Project, while a warehouse for soya bean and maize with the capacity of 10,000 Mt is under construction in Huruluwewa, Anuradhapura District.

Table 8.7 > **Storage Capacity for Other Field Crops**

Crop	District	Capacity (Mt.)	Expenditure (Rs. Mn)
Big Onion (At household level)	Matale	1,905	25.15
	Anuradhapura	1,240	15.50
	Polonnaruwa	500	6.42
	Kurunegala	500	6.25
	Total	4,145	53.32
Maize	Oyamaduwa * (Anuradhapura)	8,000	231.00
Soya bean, Maize and other crops	Huruluwewa (Anuradha- pura)	10,000	138.00
Grand Total		22,145	422.32

Source: Department of Development Finance

* The expenditure is for the construction of entire storage capacity of 24,000 Mt

8.6 Microfinancing

Microfinance has made an enormous impact on rural development in the country. In this process Government plays a key role in building a favorable environment for all poor and underserved people. The Government has from time to time promoted microfinance through the state banks through an extensive programme to provide concessional funding to

counter market manipulation in rural finance. Reaching the poor households in efficient ways, through women empowerment has been the key theme during this decade where the budget proposals of 2013 and 2014 made commitments to develop women entrepreneurs island wide.

The various Government-led micro financing programmes targeting low income families have been implemented during 2013.



Encouraging Women in Self-employment

Table 8.8 > **Progress of Major Microfinance Institutions - 2013**

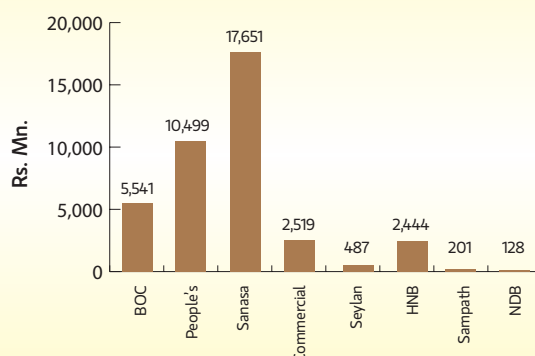
Microfinance Institute	No of Branches	No of Depositors	No of Loans	Total Deposits (Rs. Mn)	Total Investment (Rs. Mn)	Total Loan Portfolio (Rs. Mn)
Samurdhi Authority	1,073	8,528,862	5,362,009	45,848	50,840	98,066
Department of Co-operative Development	2,080	7,927,655	1,514,412	152,610	66,772	34,969
Department of Agrarian Development	532	226,521	366,947	268	2,213	4,030
Regional Development Bank	265	4,854,047	1,278,107	62,647	14,754	54,710
Lankaputhra Development Bank	8	33,764	4,439	228	5,412	743
Sri Lanka Savings Bank	4	175	5,535	130	1,743	1,320
Total	3,962	21,571,024	8,531,449	261,731	141,734	193,838

Source: Department of Development Finance

Overall these microfinance institutions provide financial services either through loans or deposit facilities. The outstanding loan portfolio of major microfinance institutions stands at Rs. 194 billion and Samurdhi Authority holds the highest outstanding loan portfolio of Rs. 98 billion followed by the RDB and Department of Co-operative Development with amount of Rs. 54 billion and Rs. 34 billion respectively. The Government's cash transfers to Samurdhi beneficiaries are being credited to Samurdhi Bank accounts to promote savings and increase micro credit facilities among recipients.

Table 8.8 indicates that the savings of the poor people have reached Rs. 262 billion by 2013. However, those major MFIs have spent Rs. 142 billion on long term and short term investment purposes.

In 2013 formal banks disbursed Rs. 39 billion of loans to the microfinance sector. Of that Rs. 17 billion was by Sanasa Development Bank. People's Bank and Bank of Ceylon also play a significant role in this process and

Chart 8.1 > **Loan Disbursement in the Microfinance Sector by Formal Banks - 2013**

have disbursed Rs. 10 billion and Rs. 5 billion respectively in 2013 providing small loans under New Comprehensive Rural Credit Scheme, Poverty Alleviation Microfinance Project, and "Saubagya" Loan scheme. Compared with state banks, Commercial Bank and Hatton National Bank are the private banks with significant microfinance portfolios and have offered loans to the rural areas providing access to finance through various microfinance programmes.

“Liya Isura” – A loan for women in small business



Empowerment of Rural Women

The contribution of women to the economic development of the country is significant. A substantial percentage of women are engaged in successful small enterprises producing a wide range of high quality products while generating a good source of family income and creating employment opportunities. However, some are unable to start their own businesses while those who have started on their own are unable to expand these activities due to limited access to finance. Unavailability of required collateral, absence of a proper mechanism for appraisal and follow-up of small loans, high transaction cost of small financing are key factors affecting small enterprises development finance. A substantial gap prevails in demand for and supply of financial facilities in the microfinance market particularly for rural women. Some of the financial institutions assume that they are not adequately competent to receive financial facilities.

Accordingly, as proposed in the 2014 Budget, “Liya Isura”, the collateral and interest free loan scheme for women entrepreneurs, was

launched in March 2014 through the RDB which is delegated by the Government as a shareholder for women entrepreneur development.

“Liya Isura” targets the woman entrepreneur who does not have collateral but has a profitable business or business proposal. Under this scheme, credit facilities are provided for women up to a maximum of Rs. 250,000 to expand their ongoing businesses or to start up new businesses through the RDB. Initially, 1,500 women entrepreneurs who are involved in their own businesses in various sectors were granted credit facilities. It is expected, during 2014, to provide Rs. 3,350 million to 13,400 women entrepreneurs island-wide in each village as women entrepreneurship development oriented loans, without interest and collateral, irrespective of their age.



Integrated Market Facilities

In addition to the economic benefits gained from this loan scheme, it is expected to discourage unskilled labour migration, which creates enormous social issues in the country. This is an opportunity for women to protect their family while carrying out their own businesses and adding additional income to their family budget. Other banks and financial institutions are being supported to give 500 working capital loans of Rs. 25,000 for “Divi Neguma” families without requiring any collateral.

New Comprehensive Rural Credit Scheme (NCRCS)

NCRCS is a scheme diversified to reach the poorest of poor island-wide and improve income generating avenues of small farmers. Under this loan scheme short term loans are provided by the Participatory Financial

Institution (PFIs) out of their own funds, for farmers to cultivate 32 crops including paddy, chilies, onion, pulses, oil seeds, root and tuber, ginger and vegetables. The PFIs grant loans at a concessionary rate of 9 percent per annum to farmers, and the Government provides the interest subsidy at 6 percent per annum to the PFIs.

Table 8.9 > **Loan Distribution under NCRCS - 2013**

Crop	Maximum Loan Limit per Acre (Rs.)	Maximum Land Units (Acres)	No of Loans Granted	Amount Released (Rs. Mn)	Extent of Land (Acres)
Paddy-Irrigated	25,000	10	60,706	4,393.91	217,927.23
Rain fed	15,000				
Maize	65,000	10	7,491	397.71	17,419.72
Potato	175,000	2	5,008	934.90	5,883.58
Onion	95,000	2	14,853	1,894.59	25,231.59
Chilies	65,000	2	3,137	167.70	4,627.26
Vegetables	20,000- 90,000	2	3,277	268.39	5,057.04
Other-Ginger	70,000	2	1,909	105.95	3,374.58
Total			96,381	8,163.15	279,522.00

Source: Central Bank of Sri Lanka



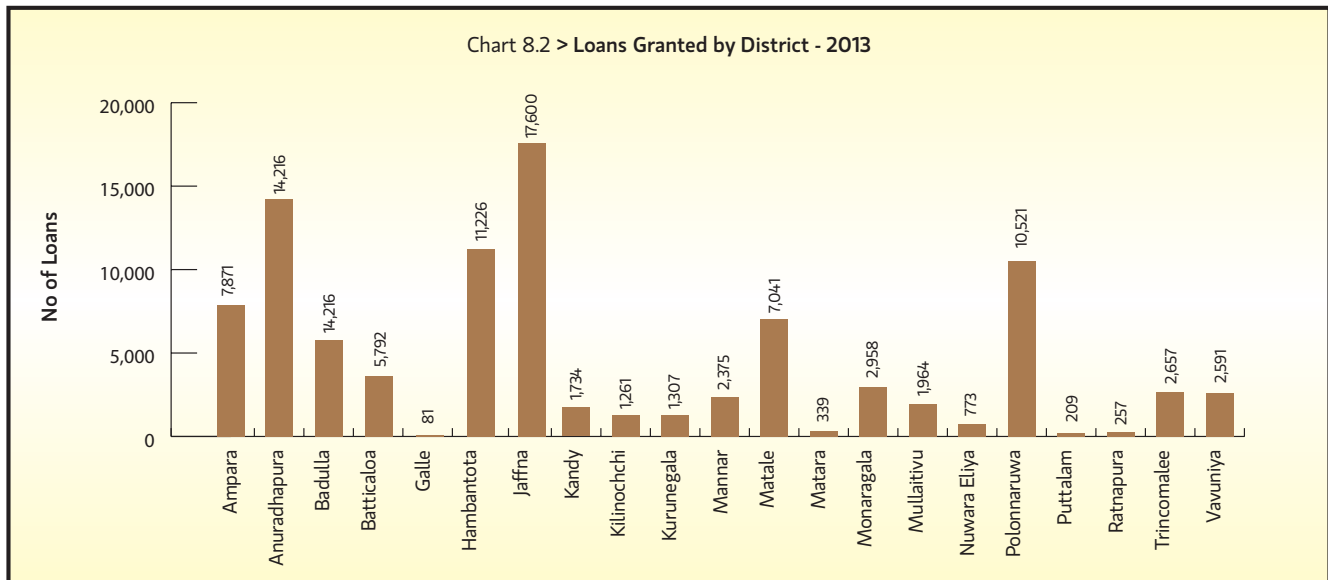
Maize and Chilies Farm Funded by NCRCS

In terms of loan distribution, the small loans below the maximum loan limit of Rs. 25,000 per acre have been provided mostly to the paddy sector, and this represents 53 percent of the total loan amount released in 2013. Onion and Potato cultivators have also benefitted under NCRCS and 23 percent and 11 percent of the total loan amount has been released for these sectors. In 2013 land to the extent of 280,000 acres has been utilized for crop cultivation of which 78 percent was for paddy which had more concessions by the Government to reach self-sufficiency level.

Table 8.10 > **Credit Facilities provided under NCRCS 2010 - 2013**

Cultivation Loans	2010	2011	2012	2013
No of loans granted	71,973	98,568	112,413	96,381
Amount released (Rs. Mn)	3,564.5	6,456.2	9,359.8	8,188.8
Extent of land (Acres)	202,754	309,561	355,993	279,21
Interest subsidy (Rs. Mn)	131.8	220.5	341.8	249.5

Source: Central Bank of Sri Lanka

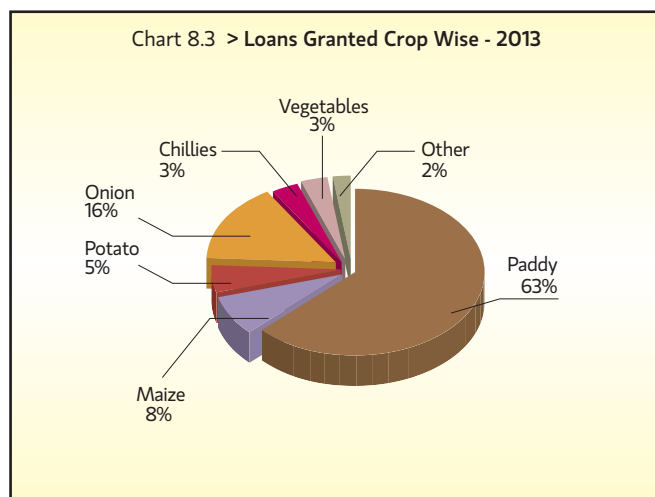


NCRCs has provided an average of Rs. 6,892 million worth cultivation loans per year to 94,834 beneficiaries. The Government continues with the provision of interest subsidy to PFIs and has provided an average of Rs. 235.9 million per annum for loans granted by PFIs.

In 2013 the highest loan disbursement of Rs. 2,607.68 million was recorded in Jaffna District and 17,600 farmers benefitted. Broader access to credit facilities and a peaceful environment encouraged more farming in these

areas. Provision of cultivation loans and the number of farmers who benefitted under this credit scheme are considerably high in Ampara, Anuradapura, Hambantota, Matale and Polonnaruwa Districts in comparison with other Districts. In terms of crop distribution, the paddy sector further dominates in the total number of loans granted accounting for 63 percent in 2013 followed by onion and maize which have been promoted as import substitution crops to promote food security and livelihood income opportunities.

Chart 8.3 > Loans Granted Crop Wise - 2013



8.7 Financing SME Sector

Local Bank Financing

The deepening of financing facilities to SME sector remains a priority in Government's development strategy. In 2013, approximately Rs. 546,383 million was provided by both state and private sector commercial and development banks to promote SMEs. It is important to note that the banks have taken steps to assist these SMEs not by merely fulfilling their borrowing needs but also by functioning as advisory centres in line with the guidance issued by the Government.

Table 8.11 > **Funds Disbursed by Commercial and Development Banks to SMEs - 2013**

Bank	Agricultural		Industries		Services		Other		Total	
	No of Loans	Total Loan Amount (Rs. Mn)	No of Loans	Total Loan Amount (Rs. Mn)	No of Loans	Total Loan Amount (Rs. Mn)	No of Loans	Total Loan Amount (Rs. Mn)	No of Loans	Total Loan Amount (Rs. Mn)
Bank of Ceylon	26	221.92	152	761.64	93	626.70	157	601.23	428	2,211.49
People's Bank	87,655	6066.00	2,242	4668.00	2,094	1224.00	544,183	141408.00	636,174	153,366.00
Regional Development Bank	21,313	3146.00	15,282	2642.00	22,643	4095.00	7,651	2283.00	66,889	12,166.00
Lankaputhra Development Bank Ltd.	16	30.53	48	185.78	14	83.26	12	23.32	90	322.89
Sanasa Development Bank	330	67.50	209	213.90	184	33.70	136	27.80	859	342.90
National Development Bank PLC	812	2196.00	3,808	9290.00	582	1000.00	2,182	3014.00	7,384	15,500.00
DFCC Bank	125	619.90	351	2275.30	995	3980.60	110	591.50	1,581	7,467.30
Commercial Bank of Ceylon PLC	2,847	10,208.00	20,791	124,265.00	5,985	20,238.00	8,640	26,812.00	38,263	181,523.00
Sampath Bank Ltd.	5,969	9,502.00	28,304	31,525.00	5,444	15,969.00	8,386	22,257.00	48,103	79,253.00
Seylan Bank PLC	472	1062.99	1,227	3009.99	1,259	2182.54	5,494	8568.38	8,452	14,823.90
Hatton National Bank PLC	3,769	4,207.54	2,332	8,138.23	6,672	21,802.70	1,298	2,247.63	14,071	36,396.10
Nations Trust Bank PLC	128	424.56	477	1,109.44	1,389	3,542.85	7,154	9,168.42	9,148	14,245.27
Union Bank of Colombo Ltd.	90	705.00	2,450	14996.00	481	10,678.00	332	2,387.00	3,353	28,766.00
Total	123,552	38,457.94	77,673	203,080.28	47,835	85,456.35	585,735	219,389.28	834,795	546,383.85

Source: Department of Development Finance

In terms of the sectoral distribution of loan disbursements by commercial and development banks in the SME sector during 2013, the agriculture sector accounts for 7 percent and industry sector 37 percent, while the service and other sector account for 16 percent and 40 percent respectively.

The state banks have taken a lead to setup dedicated SME bank centres which are committed to the fostering SME financial services. Small and medium entrepreneurs at regional level are mostly to be benefited from these dedicated centres since these centres assist them in building up their entrepreneurial skills beyond fulfilling their borrowing needs.

Table 8.12 > **Progress of SME Banking Centres 2012 - 2013**

Bank	No of SME Centers Established		Loan Disbursed			
			No of Loans		Amount (Rs. Mn)	
	2012	2013	2012	2013	2012	2013
Bank of Ceylon	10	4	197	233	1,048.63	873.30
People's Bank	6	11	1,524	2,431	2,616.54	4,582.51
Regional Development Bank	2	9	31	543	44.70	412.76
Total	18	24	1,752	3,207	3,709.87	5,868.57

Source: Department of Development Finance

Chart 8.4 > Progress by Sectors - 2012

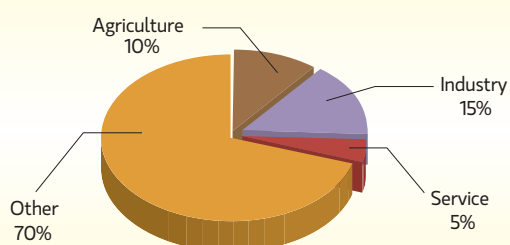
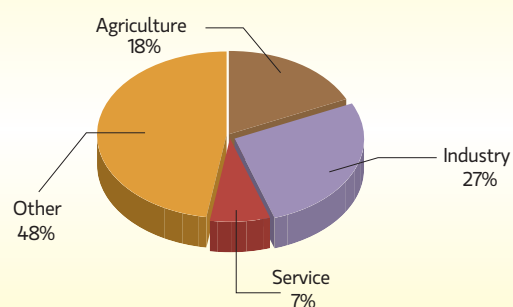


Chart 8.5 > Progress by Sectors - 2013



A New Facility to Promote Export and Green Energy

The Budget 2014 assigned high priority to developing local entrepreneurs to expand export sectors to large markets such as, India, Japan, China, Australia, United Arab Emirates, Saudi Arabia, Qatar, Russia, South Africa, Brazil, and American and European markets. In this regard, the Government signed the Financial Contract with the European Investment Bank (EIB) in

November 2013 to obtain a concessional loan of Euro 90 million (around Rs. 17 billion) to finance the SME sector and for investment in the Green Energy Sector such as renewable energy and energy efficient initiatives in the public and private sector enterprises in Sri Lanka. The Government on-lends proceeds of this loan to the selected PFIs namely DFCC Bank, Commercial Bank and RDB. Out of the total funds, 70 percent is allocated to extend the credit line to the SME

sector and the remaining 30 percent to the green energy sector in the country, to finance eligible projects. The beneficiaries of this credit line would have to undertake investment projects with a minimum cost of Euro 100,000 and a maximum cost of Euro 25 million. Further, 50 percent of the total eligible project cost will be financed, at an interest rate not exceeding 8 percent for Rupee loans and 5 percent for foreign currency loans. One-third of the proceeds of the loan is on-lent in foreign currency and the remainder is on-lent in Rupee terms to the PFIs to grant sub loans to intimate borrowers.

Dairy Development Finance – Towards Self Sufficiency in Milk

Supporting the efforts towards achieving the national goal of self-sufficiency in milk, the Central Bank of Sri Lanka (CBSL) introduced the Dairy Development Loan Scheme (DDLS) in 2013. The scheme is implemented with the support of 13 PFIs. The objectives of the DDLS are to increase the milk production by around 75 million liters per annum, establish at least 1,000 mega farms with minimum of 25 cows per farm encouraging medium scale entrepreneurs

to engage in commercial scale dairy farming activities covering farm to dairy processing, encourage Plantation Companies to engage in dairy development activities to improve underutilized land resources, and encourage commercialization of activities of the milk supply chain, particularly dairy farming, dairy cooperatives, processors and domestic dairy product marketers. The scheme facilitates medium to large scale dairy developers to obtain credit facilities for commercialized dairy activities at a concessionary rate.



Well Managed Dairy Farm

Table 8.13 > **Dairy Development Loan Scheme Progress - 2013**

Participatory Financial Institution (PFI)	No of beneficiaries	Loan Amount (Rs. Mn)
Bank of Ceylon	6	13.9
People's Bank	8	41.7
Regional Development Bank	11	15.2
Hatton National Bank	13	40.5
Commercial Bank	7	15.9
Sampath Bank	3	30.4
DFCC Bank	1	4.0
National Development Bank	1	8.8
Seylan Bank	11	31.8
Total	61	202.2

Source: Regional Development Department, Central Bank of Sri Lanka

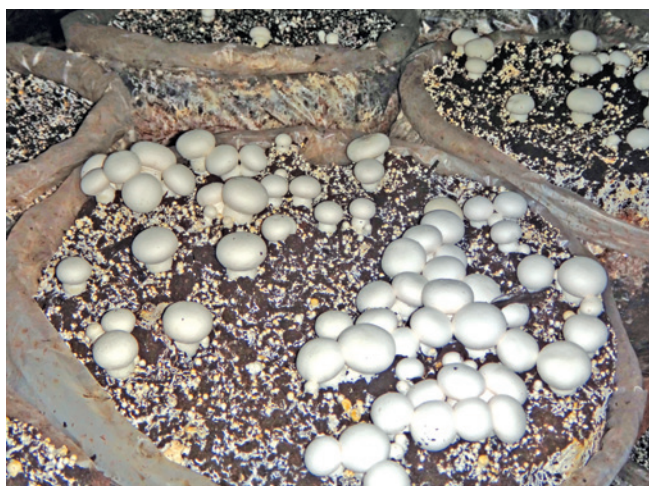
Small and Medium Enterprise Development Facility Project (SMEDeF)

The SMEDeF project consists of three components namely credit, risk sharing facility and capacity enhancement for SME banking. By end of 2013, the PFIs had utilized 97 percent of the total allocated amount of line of credit, Rs. 2,952 million, to provide loans to 387 SMEs.

During 2013 the project has disbursed Rs. 612 million among 80 entrepreneurs in 18 districts. 63 percent of the loans are less than Rs. 5 million. The remainder of the loans are in the Rs. 5 to 30 million category. The project objective was to provide loans to 23 sectors but in 2013 it had issued loans only to 13 sectors. More than 50 percent of the loans were granted to the agro processing, tourism, apparel and garment,

services and manufacturing sectors. Agro processing and manufacturing sectors received the highest number of loans. The project has provided loans to the entrepreneurs who are outside the main districts. Out of the total loans granted during 2013, 59 percent of loans have been provided to 13 districts other than Colombo, Gampaha, Kalutara, Galle and Kandy. However, the highest loan amount of Rs. 147 million was granted to the Colombo district during the same period.

USD 3.8 million has been allocated to train the officers of PFIs and the small and medium entrepreneurs. Accordingly 3,029 entrepreneurs were trained during 2013 increasing the total number of trained entrepreneurs to 7,536.



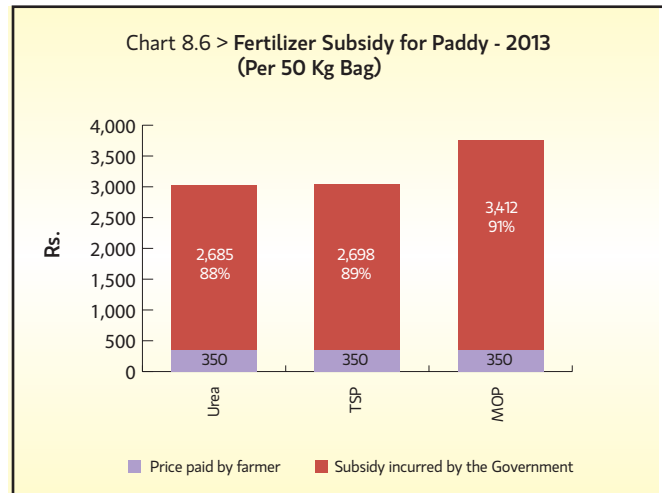
Mushroom Farm and Poly Sack Company Funded under SMEDeF

8.8 Fertilizer Subsidy for High Agricultural Production

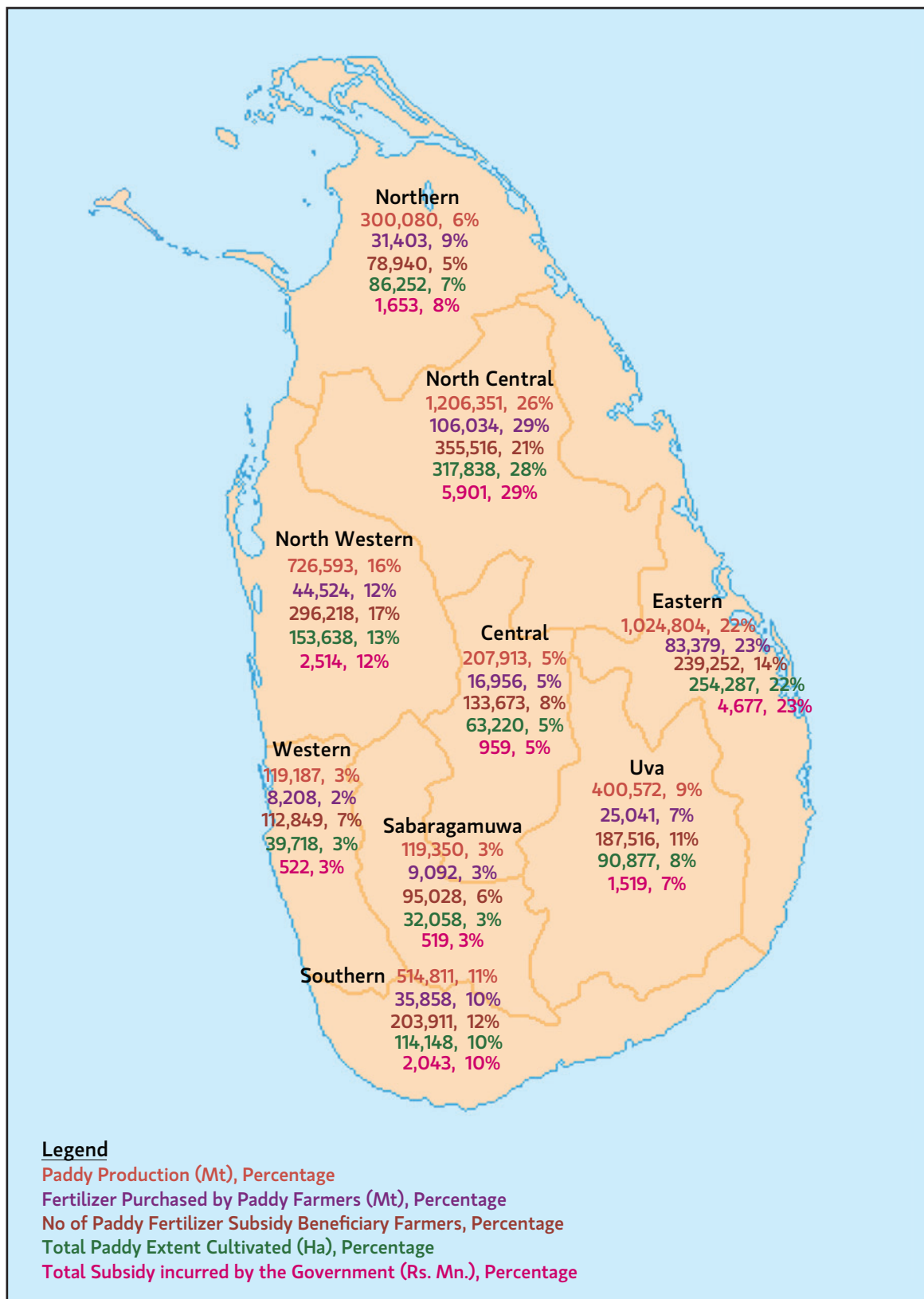
The fertilizer subsidy scheme was introduced in 2005 with a view to reducing the cost of production in agricultural products and providing improved access to agricultural inputs. It was implemented during the last 8 years assisting the farmers to use fertilizer at lower prices. At present, the fertilizer subsidy scheme is implemented for paddy as well as other crops through fulfilling the fertilizer requirement of the country. While maintaining an annual budget of Rs. 40 billion for fertilizer, the Government has emphasized proper fertilizer application to obtain the optimum level of yield with desired level of soil conservation.

Fertilizer Subsidy for Paddy

Through the distribution network of the two state fertilizer companies, (i.e. Ceylon Fertilizer Company Ltd. and the Colombo Commercial Fertilizer Company Ltd.) fertilizer is issued to farmers by the Agrarian Service Centres. Urea, TSP and MOP are the major types of fertilizer issued for paddy cultivation at a subsidized price of Rs. 350 per 50 kilogram bag.



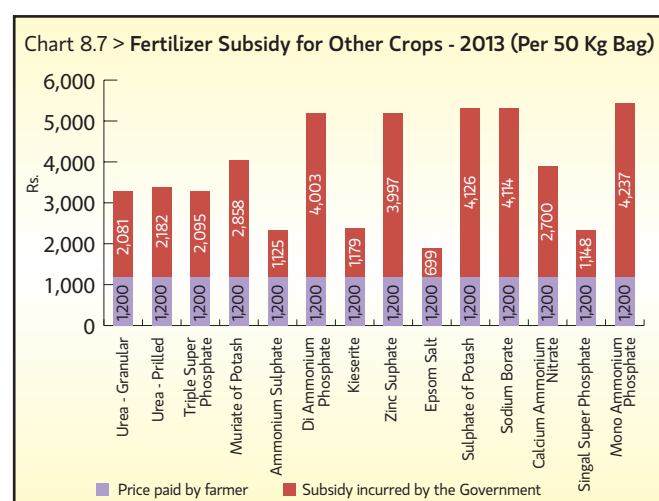
A total volume of 360,494 Mt of fertilizer has been distributed for paddy cultivation to a total number of 1,702,903 farmers covering a total area of 1,152,036 Ha in both 2012/13 Maha and 2013 Yala seasons. Accordingly, the total subsidy incurred by the Government for paddy fertilizer was Rs. 20,306 million in 2013. Due to improved access to agricultural inputs and favorable weather conditions, paddy cultivation recorded its highest ever production of 4,619,662 Mt in 2013.

Map 8.1 > **Province wise Paddy Production and Fertilizer Distribution for Paddy - 2013**

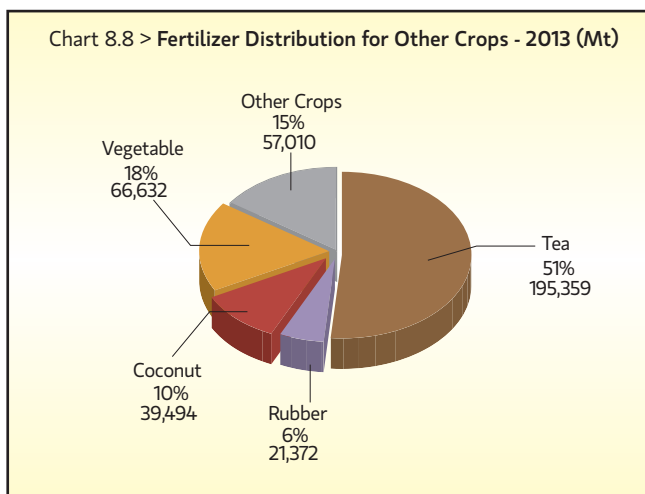
Fertilizer Subsidy for Other Crops

Considering the activities predominantly undertaken by small holder farmers, the Government has expanded the fertilizer subsidy to other crops from May 2011 at the following concessional prices.

- A 50 Kg bag of any type of straight fertilizer to be provided at Rs. 1,200.
- A 50 Kg bag of mixed fertilizer to be sold at Rs. 1,300.



In 2013, a total volume of 379,866 Mt of fertilizer was distributed island-wide for plantation crops, other field crops, vegetables, fruits etc.



Currently, the fertilizer subsidy scheme for other crops caters to around 395,000 tea smallholders who account for a total tea extent of 121,267 Ha. The contribution made by the smallholder sector to national tea production in 2013 is around 70 percent. Similarly, rubber and coconut plantation crops also benefitted from the common fertilizer subsidy scheme.

Table 8.14 > Fertilizer Usage and Production of Plantation Crops, 2008 - 2013

Year	Tea				Rubber				Coconut				Annual Average Rain fall (mm)
	Extent (Ha)	Fertilizer Usage (Mt.)	Production (Mt.)	Productivity (Mt/ Ha)	Extent (Ha)	Fertilizer Usage (Mt.)	Production (Mt.)	Productivity (Mt/ Ha)	Extent (Ha)	Fertilizer Usage (Mt.)	Production (000' Mt)	Productivity (Nuts/ Ha)	
2008	211,876	113,418	318,700	1.50	122,200	7,552	129,243	1.06	394,836	16,872	2,909,000	7,368	2,020
2009	208,633	171,659	291,100	1.40	124,300	7,150	136,880	1.10	394,836	17,625	2,762,000	6,995	1,711
2010	204,619	193,474	331,400	1.62	125,645	10,825	152,987	1.22	394,836	26,502	2,317,000	5,868	1,992
2011	206,104	169,534	327,500	1.59	128,120	14,291	158,198	1.23	394,836	54,194	2,808,000	7,112	2,027
2012	203,020	208,560	328,400	1.62	130,780	26,401	152,050	1.16	394,836	48,470	2,940,000	7,446	1,776
2013*	203,020	195,359	340,200	1.68	132,229	21,372	130,421	0.99	394,836	39,494	2,513,000	6,365	1,687

Source: Ministry of Plantation Industries, Ministry of Coconut Development and Janatha Estate Development, Department of Meteorology and Department of Development Finance

* Provisional

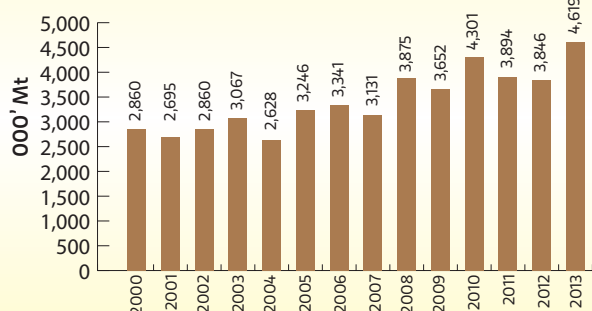
8.9 Food Security

The highest ever paddy production of 4.6 million Mt was recorded in 2013. Against this background maintaining stable prices for farmers was a challenge. The PMB purchased 233,026 Mt of paddy spending Rs. 7,588 million while GA/DSs purchased 25,216 Mt of paddy incurring Rs. 864 million through co-operative societies, to build a stock for lean periods and ensure reasonable prices at farm gate level.



Minimizing Post Harvest Losses

Chart 8.9 > Total Annual Paddy Production
2000 - 2013



The Government also increased the guaranteed price of paddy from the 2012/13 Maha season in line with the budget proposal of 2013 to encourage paddy production. Accordingly, the guaranteed price for 1 kilogram of nadu paddy is Rs. 32 and for samba paddy is Rs. 35. Further, the budget proposals of 2013 encouraged organic paddy farming by establishing a guaranteed price of Rs. 40 per kilogram of paddy produced using organic fertilizer to gradually provide a proper use of chemical fertilizer in production.

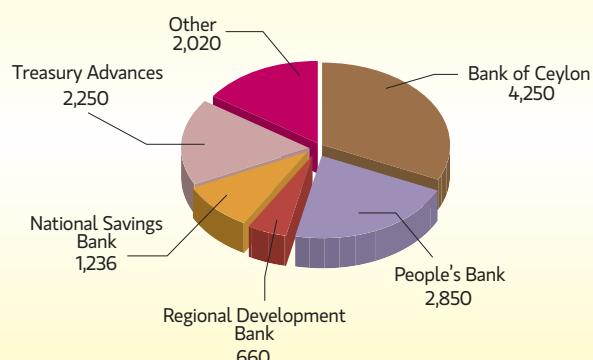
Table 8.15 > Quantity of Paddy Purchased by
Paddy Marketing Board

Season	Quantity of Paddy Purchased			Value (Rs. Mn)
	Nadu (Mt.)	Samba (Mt.)	Total (Mt.)	
2009/10 Maha	63,850	6,919	70,769	1,995
2010 Yala	83,819	27,910	111,729	3,184
Total	147,669	34,829	182,498	5,179
2010/11 Maha	2,913	556	3,469	98
2011 Yala	58,967	16,205	75,172	2,137
Total	61,880	16,761	78,641	2,235
2011/12 Maha	107,319	8,467	115,786	3,259
2012 Yala	9,936	540	10,476	294
Total	117,255	9,007	126,262	3,553
2012/13 Maha	107,445	31,205	138,650	4,530
2013 Yala	81,834	12,542	94,376	3,058
Total	189,279	43,747	233,026	7,588

Source: Paddy Marketing Board

Rs. 13,266 million had been provided to the PMB to purchase paddy through the paddy purchasing programme by end of December 2013. The Treasury issued guarantees to the value of Rs. 7,326 million till 30th June 2013 for the loans granted by state banks to PMB.

Chart 8.10 > Financing the Paddy Purchasing Programme of Paddy Marketing Board as at 31.12.2013 (Rs. Mn)



The private sector plays a vital role in paddy purchasing. About 65 percent of the total paddy production is purchased by the private sector utilizing their own funds and pledge loans from state and private banks. In 2013 both state banks and private banks granted Rs. 22,868 million for paddy purchasing, more than double the amount of Rs. 10,024 million granted in 2012. The state banks have provided the larger share, 77 percent, of the total pledge loans to 577 borrowers, the highest amount of the total loan, 68 percent, being granted by the Bank of Ceylon. The loans granted by the private banks provided by funding loans to medium and large scale millers.

Table 8.16 > Loans Granted to Private Sector for Paddy Purchasing - 2013

Bank	2012/13 Maha		2013 Yala		Total	
	No of Loans	Total Loan Amount (Rs. Mn)	No of Loans	Total Loan Amount (Rs. Mn)	No of Loans	Total Loan Amount (Rs. Mn)
People's Bank	106	814	120	1,068	226	1,882
Bank of Ceylon	206	9,171	93	6,360	299	15,531
Regional Development Bank	22	73	30	85	52	157
Total of State Banks	334	10,058	243	7,513	577	17,570
Commercial Bank	3	23	48	189	51	212
Hatton National Bank	190	975	173	1,231	363	2,206
Seylan Bank	93	279	63	250	156	529
Sampath Bank	109	1,310	127	882	236	2,192
DFCC Bank	14	43	13	88	27	131
National Development Bank	3	9	10	19	13	28
Total of Private Banks	412	2,638	434	2,659	846	5,298
Grand Total	746	12,697	677	10,172	1,423	22,868

Source: Department of Development Finance

The excess production of paddy opened the avenue to export rice. The 2014 Budget proposed to donate 50,000 Mt of rice to the United Nations World Food Programme (WFP) in appreciation of their assistance during the past, and to provide food for the needy countries, symbolizing that Sri Lanka has been transformed from a rice recipient country under the WFP to a donor country. Of the total, 10,000 Mt would be donated to the local programme to be distributed in the Northern Province and the remaining 40,000 Mt would be provided to member countries of WFP. The initial donation to WFP was made in March 2014. Further, the gazette notification which restricted the use of rice for animal feed was repealed in July 2013 allowing excess rice to be used in animal feed production.



Rice Donation for WFP

8.10 Towards a Net Food Exporting Economy

Sri Lanka has achieved self-sufficiency in rice, maize and black gram and 50 percent self-sufficiency in selected food crops strengthening food security. It is expected to reach self-sufficiency in other field crops such as red onion, green gram, cowpea, ginger, kurakkan, by 2015 replacing imports. It is further anticipated to reach 50 percent and 100 percent of self-sufficiency in big onion, potato, and dried chilies by 2016 and 2020 respectively.

At present, the local production of major field crops meets only 30 – 40 percent of the total requirement of the country while the shortfall is met by imports. In 2013, Rs. 29,219 million (USD 227 million) was spent in importing these crops. By increasing local production the country would be able to maintain food security, reduce foreign exchange outflow, increase farmer incomes and the value chain process in manufacturing in the food processing industry.

Table 8.17 > **Production and Imports of Selected Other Field Crops 2009 – 2020**

Crop	Description	2009	2010	2011	2012	2013	2016	2020
Red onion	Production (Mt.)	46,234	61,811	72,339	73,970	90,289	85,000	90,000
	Imports (Mt.)	16,207	11,908	6,807	7,017	15,386	-	-
	Value of Imports (Rs. Mn)	1,083	641	464	378	1,383	-	-
	Value of Imports (USD Mn.)	9	6	4	3	11	-	-
	Production as a percentage of Requirement (%)	74	84	91	91	85	100	100
Green gram	Production (Mt.)	9,258	11,703	16,975	18,945	19,771	46,000	66,900
	Imports (Mt.)	14,720	11,754	10,448	7,912	7,182	-	-
	Value of Imports (Rs. Mn)	1,276	1,794	1,523	929	991	-	-
	Value of Imports (USD Mn.)	11	16	14	7	8	-	-
	Production as a percentage of Requirement (%)	39	50	62	71	73	100	100

Crop	Description	2009	2010	2011	2012	2013	2016	2020
Soya bean	Production (Mt.)	3,788	7,521	3,847	2,169	13,445	80,000	215,000
	Imports (Mt.)	49,615	52,669	70,472	71,175	93,564	120,000	-
	Value of Imports (Rs. Mn)	2,635	2,667	3,653	4,573	6,933	-	-
	Value of Imports (USD Mn.)	23	24	33	36	54	-	-
	Production as a percentage of Requirement (%)	6	10	4	2	10	40	100
Black gram	Production (Mt.)	7,071	9,991	5,782	10,180	16,921	20,000	26,760
	Imports (Mt.)	3,433	1,594	7,083	3,232	4,158	-	-
	Value of Imports (Rs. Mn)	320	206	793	380	457	-	-
	Value of Imports (USD Mn.)	3	2	7	3	4	-	-
	Production as a percentage of Requirement (%)	67	86	45	76	80	100	100
Potato	Production (Mt.)	61,705	62,933	59,360	72,186	72,040	105,500	190,000
	Imports (Mt.)	104,060	133,821	131,626	111,217	123,898	75,000	-
	Value of Imports (Rs. Mn)	2,728	4,249	3,943	2,893	3,679	-	-
	Value of Imports (USD Mn.)	24	38	36	23	29	-	-
	Production as a percentage of Requirement (%)	37	32	31	39	37	58	100
Big onion	Production (Mt.)	81,707	58,930	45,682	83,561	64,701	140,000	220,000
	Imports (Mt.)	148,927	162,504	171,394	146,445	170,898	75,000	-
	Value of Imports (Rs. Mn)	4,838	6,812	6,556	3,762	9,267	-	-
	Value of Imports (USD Mn.)	42	60	59	29	72	-	-
	Production as a percentage of Requirement (%)	35	27	21	36	27	65	100
Dried chilies	Production (Mt.)	11,176	12,105	13,821	14,764	18,892	53,500	60,850
	Imports (Mt.)	36,848	38,626	42,614	40,475	44,269	20,000	-
	Value of Imports (Rs. Mn)	4,977	5,117	9,076	5,844	6,394	-	-
	Value of Imports (USD Mn.)	43	45	82	46	50	-	-
	Production as a percentage of Requirement (%)	23	24	24	27	30	48	100
Cowpea	Production (Mt.)	13,485	11,609	10,453	14,812	14,436	23,000	35,000
	Imports (Mt.)	429	45	905	497	1,109	-	-
	Value of Imports (Rs. Mn)	31	2	77	54	115	-	-
	Value of Imports (USD Mn.)	0.27	0.02	0.70	0.42	0.89	-	-
	Production as a percentage of Requirement (%)	97	100	92	97	93	100	100
Total Value of Imports	(Rs. Mn)	17,888	21,488	26,085	18,813	29,219	-	-
	(USD Mn.)	156	190	236	147	227	-	-

Source: Ministry of Agriculture, Department of Census and Statistics, Sri Lanka Customs, Department of National Planning

Locally produced soya bean is sufficient to meet the human consumption which mainly is the requirement of the Thripasha Programme designed to provide nutritional food for lactating mothers. The Thripasha Company purchased a kilogram of soya bean at Rs. 100 from suppliers allowing them to pay Rs. 80 per kilogram to soya bean farmers during 2013. This mechanism facilitates the farmers to engage in soya bean cultivation. The requirement of soya bean in animal feed production is annually imported in the form of soya bean meal. The total quantity of 93,564 Mt of soya bean meal has been imported spending Rs. 6,933 million (USD 54 million) of foreign exchange during 2013. Steps are being taken to promote soya bean locally targeting zero level imports by 2020.

The annual requirement of maize is 228,000 Mt of which 200,000 Mt is used for animal feed while the remaining 28,000 Mt is used for human consumption. The total maize production in 2013 recorded 269,250 Mt which exceeds the country's requirement.

During harvesting time farmers are unable to secure a break even point. In order to protect the farmer against falling prices the Special Commodity Levy was imposed at the point of importation to maintain farm gate prices.

The provision of agricultural infrastructure facilities such as free irrigated water, cultivation loans at concessionary interest rates, fertilizer at subsidized rate and imposition of taxes during the harvesting period have been helpful to increase production and farmer income.

Table 8.18 > **Farm Gate Prices for Selected Crops, 2000 - 2013**

(Rs.)

Crop	2000	2005	2007	2009	2010	2011	2012	2013
Red Onion	36.03	38.59	50.62	73.33	73.71	123.47	68.94	124.27
Green Gram	37.94	54.09	80.54	104.87	134.55	140.54	158.30	181.52
Black Gram	39.93	45.49	69.35	112.06	160.99	124.04	138.78	134.88
Kurakkan	25.45	30.75	38.62	56.87	61.47	61.77	78.46	116.04
Ground Nut	33.78	40.73	52.02	82.10	85.20	106.10	117.75	110.93
Cowpea (Red)	-	-	70.54	103.02	118.76	138.64	148.42	163.78
Potato	34.72	53.23	55.45	68.33	69.30	80.74	76.65	79.25
Big Onion	23.04	30.84	46.41	57.83	75.05	51.71	54.84	86.93
Dried Chillies	93.05	95.50	161.92	189.66	174.44	223.58	170.05	190.31
Soya bean	31.63	39.67	45.47	76.38	75.05	59.52	81.18	90.32
Maize	14.77	20.58	25.73	35.46	34.64	38.93	35.25	31.48

Source: Department of Census and Statistics

8.11 Strengthening Farmer Incomes

The farmer is the key player in achieving self-sufficiency in food crops.

The agricultural infrastructure facilities provided by the Government have created further incentives for cultivation and marketing. The Government also introduced the crop insurance, guaranteed prices for food crops and the farmer pension scheme.

2014 අගව්‍යය සෞඛ්‍ය දිනේ සිරිම

**ඔබේ අස්වැන්නට
කහතික මිලක්
කැමටි කරුණාර හෙටක්**

අර්නාපල් කිලෝග්‍රෑමට රු.80	ලොකු වාණි කිලෝග්‍රෑමට රු.60
මිස් අර්නාපල් කිලෝග්‍රෑමට රු.160	ලොකු වාණි මිස් කිලෝග්‍රෑමට රු.12,000
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**දෙවරක් නොසිතා වචනනට,
කෘෂිකර්මාන්තයෙන් දැයක් ස්වයංපෝෂිත කරන්නට
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The crop insurance cover for farmers was initiated by the Budget 2013 as a remedial measure to mitigate damage caused to cultivations due to drought, floods and wild animals. Accordingly, every farmer receiving the paddy fertilizer subsidy has been enrolled as a member of the insurance scheme which was implemented by the National Insurance Trust Fund (NITF). A compulsory insurance contribution of Rs. 150 is collected from paddy farmers at the time of purchase of a 50 kilogram bag of fertilizer by the Agrarian Development Centers which sell subsidized fertilizer, during each cultivation season starting from Yala 2013. The insurance benefits are paid subject to a maximum limit of Rs. 25,000 per hectare in the event of a total damage. In 2013, approximately 2,000 farmers were insured under this scheme and a total premium of Rs. 366 million collected. The total amount paid to farmers for crop damage during 2013 was around Rs. 22 million. Considering the regular flow of funds in support of payment of compensation for crop failures, Budget 2014 has proposed extending this insurance cover for all smallholder farmers engaged in all crops.

Table 8.19 > **Annual Total Farmer Income from Paddy and Selected Other Field Crops 2006 – 2013**

(Rs. Mn)							
Year	Paddy	Maize	Potato	Big Onion	Soya Bean	Black Gram	Dried Chilies
2006	55,127	958	3,073	1,622	227	455	1,835
2007	54,793	1,452	4,291	4,277	218	537	2,328
2008	85,250	3,978	4,292	3,274	165	709	2,418
2009	109,560	4,602	4,219	4,725	289	792	2,120
2010	121,320	5,601	4,361	4,423	564	1,608	2,115
2011	116,827	5,364	4,793	2,362	229	717	3,090
2012	115,378	6,268	4,691	4,636	419	737	2,402
2013	156,533	9,050	5,229	8,748	1,460	1,481	3,319

Source: Department of Development Finance

The major initiative taken in self-sufficiency in rice was the establishment of guaranteed price for paddy. The Cabinet of Ministers also approved in February 2014 to establish guaranteed prices for big onion, potato and dried chillies in line with the budget proposals of 2014. The key feature of guaranteed prices is that these prices allow farmers to secure reasonable market prices thus encouraging the farmers in their cultivation. Action has been taken to sign forward sales contracts between Lak Sathosa and farmers. Further, in order to encourage farmers in seed production, guaranteed producer prices were set up for seed potato and big onion.

8.12 Strengthening Farmers' Social Security

The 2014 Budget proposed to expand the existing farmers' pension scheme by providing higher benefits for securing the farmer's life in his old age. Accordingly, a minimum of Rs. 1,250 will be provided as a monthly pension to farmers over 63 years of age whereas Rs. 1,000 was provided per month under the previous scheme. Further, Rs. 5,000 per month will be provided as the maximum amount for a farmer who reaches 78 years of age under the new scheme. It is estimated that 128,659 beneficiaries are

Table 8.20 > **Payment Schedule of New Farmers' Pension Scheme**

Age group (Year)	Monthly pension per person (Rs.)
60 - 63	1,000
64 - 70	1,250
71 - 77	2,000
Above 78	5,000

Source: Agricultural and Agrarian Insurance Board

already qualified to enjoy the benefits from January 2014 and approximately 30,000 farmers will be qualified to enjoy the pension benefits annually. The monthly pension bill is around Rs. 180 million and the total estimated annual liability is around Rs. 2,200 million.

In this regard the Government provided treasury bonds to the value of Rs. 1,000 million as the seed capital and the Treasury provides the balance of the monthly bill until the funds reach sustainable level. At present, the entitled farmers receive their monthly pension within the first week of each month through the post offices which is the most convenient mode for the rural farmers in receiving their benefits.

8.13 Assistance to the Small Holder Plantation Sector

The plantation sector, consisting of tea, rubber and coconut, plays a vital role in the economy as a foreign exchange earner and a livelihood provider. It contributes 1.9 percent to the Gross Domestic Product and shares 17.5 percent of total exports. The policy thrust of the Government in the plantation sector is to increase production and export earnings by increasing productivity and profitability on a sustainable basis.

The plantation sector consists mainly of small holders with plots of land less than 10 acres in tea and rubber and less than 5 acres in coconut. The smallholder sector contributes 70 percent of tea, 80 percent of rubber and 82 percent of coconut production.

The Government provides a wide range of incentives to strengthen the small holder plantation sector including a subsidy of Rs. 350,000 and Rs. 250,000 per hectare respectively for re-planting and new planting of tea, and Rs. 175,000 and Rs. 150,000 per hectare respectively, for re-planting and new planting of rubber. The Government further provides assistance to promote the use of mechanical instruments for tea plucking and fixing of rain guards in rubber cultivation in order to improve the productivity of the plantation sector. In addition, financial assistance is granted to the Coconut Research Institute to conduct research for early diagnosis and prevention of the spread of Weligama Coconut Leaf Wilt Disease. Furthermore, a pilot project was conducted on mapping of tea and rubber land in the Galle district to

Table 8.21 > **Performance of Small Holder Plantation Sector, 2006 - 2013**

Year	Tea		Rubber		Coconut	
	Total Production (Kg Mn.)	Share of Small Holder Sector (Kg Mn.)	Total Production (Kg Mn.)	Share of Small Holder Sector (Kg Mn.)	Total Production (Mn Nuts.)	Share of Small Holder Sector* (Mn Nuts.)
2006	310.8	212.4	109.2	74.4	2,785	2,284
2007	304.6	205.7	117.6	79.5	2,869	2,353
2008	318.7	214.8	129.2	95.1	2,909	2,385
2009	291.1	201.9	136.9	104.1	2,762	2,265
2010	331.4	230.1	153.0	120.4	2,317	1,900
2011	327.5	229.0	158.2	126.6	2,808	2,303
2012	328.4	234.2	152.1	122.4	2,940	2,411
2013	340.0	244.2	130.4	102.0	2,513	2,061

Source: Ministry of Plantation Industries, Ministry of Coconut Development and Janatha Estate Development, Department of Development Finance

* Estimated

Table 8.22 > **Development Expenditure in the Plantation Sector 2005 - 2013**

Rs. Mn

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013
Research and Development	227	237	412	634	664	698	746	704	806
<i>Tea sector</i>	-	-	-	283	267	283	316	283	339
<i>Rubber sector</i>	125	125	202	170	202	209	215	232	249
<i>Coconut sector</i>	102	112	210	181	195	206	215	189	218
Crop Subsidy	424	638	843	1130	870	892	979	1,003	1,218
<i>Tea Sector</i>	184	188	199	232	211	191	171	182	272
<i>Rubber Sector</i>	116	180	465	677	422	411	484	435	543
<i>Coconut Sector</i>	124	270	179	221	237	290	324	386	403
Weligama Coconut Leaf Wilt & Rot Disease	-	-	-	-	-	25	167	134	117
Fertilizer Subsidy	-	3	831	2,067	3,817	2,000	5,096	2,807	11,750
Total	651	878	2,086	3,831	5,351	3,615	6,988	4,648	13,891

Source: Department of National Budget and National Fertilizer Secretariat

identify cultivable land for further expansion, demarcation and categorization in order to improve the productivity. The 2014 Budget proposed to grant Rs. 5,000 per acre as a once a year subsidy to all tea small holders to improve their lands through water and soil conservation, recognizing the significant role played by the small holder plantation sector in the economy.

The Government has taken steps for new planting of rubber in 10,000 hectares in Ampara District, of which 600 hectares have already been completed. It has achieved the target of cultivating rubber in 5,000 hectares in Moneragala district.

8.14 Summing-up

Rural development has evolved as the cornerstone of development strategy under the Mahinda Chinthana Vision for the Future. It ranges from household economies to SME development supported by infrastructure development for the rural community, microfinance, livelihood, basic education, health, nutrition, sanitation, social security and market access to empower the rural community. The strategy makes development inclusive.

09

TRENDS IN THE GLOBAL ECONOMY

9.1 Overview

The global economy is experiencing a synchronized growth in 2014 with the US, core economies in Euro area and the United Kingdom picking up modestly. The Euro area economies have come out from the recession, except few member countries, such as Cyprus, Greece and Portugal. Low inflation, high unemployment, large output gaps and high public debt in some of the European economies remain key challenges. With unemployment in a declining trend, the US is shifting towards a monetary normalization from credit easing that was adopted in the aftermath of the recession. However, Euro zone economies are still in monetary accommodation with unconventional measures. Japan emerged from a decade-long deflation with expansionary policies being implemented with structural reforms and fiscal consolidation aiming at sustained growth and stable inflation.

Emerging market and developing economies have shown moderate growth. One of the key challenges faced by them is the vulnerability of capital flows following the policy of Federal Reserve Bank of the US towards phasing out asset purchasing programme (Quantitative Easing) in May 2013 and the sharp increase of long term US treasuries. With the interest rates

increasing, the investor sentiments are mixed with a bias towards shifting their investment portfolios from emerging market and frontier economies to advanced economies. The other major challenges of emerging economies include adjustments of exchange rates, monetary policy stance within a changing external environment and inflation, induced by exchange rate depreciations in response to capital outflows, structural reforms boosting investments, and market integration.

Economies in the world are expected to record a modest growth in 2014-15 but remain vulnerable due to adjustment challenges from unlocking relaxed monetary policies of the US, sustaining fiscal adjustments in the Euro Zone economies and structural adjustments in emerging and developing economies.

Table 9.1 > **Key Indicators of the World Economy - 2013**

	2013				
	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	4.3	10.6	5.4	-3.5	44.9
Australia	2.4	2.4	5.7	-3.7	27.2
Brazil	2.3	6.2	5.4	-1.9	68.5
Canada	2.0	1.0	7.1	-3.0	85.6
Chile	4.2	1.8	5.9	-0.7	11.2
China	7.7	2.6	4.1	-1.9	22.8
France	0.3	1.0	10.8	-4.2	90.3
Germany	0.5	1.6	5.3	0.0	82.0
Greece	-3.9	-0.9	27.3	-2.6	158.5
India	4.4	9.5	....	-7.3	66.8
Indonesia	5.8	6.4	6.3	-2.1	24.0
Italy	-1.9	1.3	12.2	-3.0	127.0
Japan	1.5	0.4	4.0	-8.4	237.9
Korea	2.8	1.3	4.0	1.0	33.7
Malaysia	4.7	2.1	3.1	-4.6	55.5
Mexico	1.1	3.8	4.9	-3.8	43.5
Russia	1.3	6.8	5.5	-1.3	10.9
Singapore	4.1	2.4	1.9	6.9	111.0
South Africa	1.9	5.8	24.7	-4.3	42.3
Spain	-1.2	1.5	26.4	-7.2	84.1
Sri Lanka	7.3	6.9	4.4	-5.9	78.3
Thailand	2.9	2.2	0.7	-0.2	44.3
United Kingdom	1.8	2.6	7.6	-5.8	90.3
United States	1.9	1.5	7.4	-7.3	106.5
Vietnam	5.4	6.6	4.4	-7.1	52.1

Source: World Economic Outlook, IMF, October 2013 and April 2014

Fiscal Monitor, IMF, April 2014

Annual Report 2013, Central Bank of Sri Lanka

9.2 World Output

World economy reported a subdued growth of 3.0 percent in 2013 following the growth rates of 3.2 percent in 2012 and 3.9 percent in 2011. The IMF projects global economy to grow at 3.6 percent in 2014 and 3.9 percent in 2015. The average annual growth in advanced economies which reduced from 1.4 to 1.3 percent during 2012-13 is expected to grow at 2.2 and 2.3 percent in 2014 and 2015, respectively. The average annual growth of emerging market and

developing countries decelerated to 4.7 percent in 2013 from 5.0 percent and projected at 4.9 and 5.3 percent in 2014 and 2015, respectively.

The growth in the US was 1.9 percent in 2013 compared to 2.8 percent in the preceding year. The growth prospects are at 2.8 percent in 2014 influenced by continued increase in household spending and industrial production. The Euro area recorded growth at -0.5 percent in 2013 and a further expansion of 1.2 percent is projected for 2014 driven by exports growth

and public and private consumption. However, Cyprus, Greece and Portugal are expected to remain in recession in 2014 as well. Tight credit conditions, fiscal austerity measures, low extra-regional and intraregional demand, and high debt levels are likely to drag the momentum in growth. Japanese growth slightly increased to 1.5 percent from 1.4 percent in 2013 and is projected to moderate at 1.4 percent in 2014. The leading factors behind this growth are, fixed investments and exports in the backdrop of depreciation of the yen for about 12 months. The growth is likely be curbed by the fiscal tightening, including consumption tax hike in 2014 and 2015 and spending cuts in reconstruction activities.

The growth in emerging market and developing economies was led by increased export volumes supported by enhanced import demand from the advanced economies and currency depreciation in 2013. Economic growth in China stabilized at 7.7 percent in both 2012 and 2013 and is expected to decelerate to 7.5 percent in 2014. India grew by 4.4 percent in 2013 and expects to expand by 5.4 percent in 2014, largely supported by investment and export growth in consequence with depreciation of the Indian rupee.

The growth in Latin America and the Caribbean economies slowed down in 2013 to 2.7 percent from 3.1 percent in 2012. The region is projected to grow at a subdued pace of 2.5 percent in 2014 associated with market volatilities, weak external demand and tight financial and monetary conditions that have already been experienced by some regional players. However, Mexico is expected to expand at 3.0 percent in 2014 with the support of expansionary monetary policies, higher exports and stable domestic demand.

Table 9.2 > **World and Regional Output**

	<i>Annual percent change</i>			
	Actual		Forecast	
	2012	2013	2014	2015
World Output	3.2	3.0	3.6	3.9
Advanced Economies	1.4	1.3	2.2	2.3
United States	2.8	1.9	2.8	3.0
Euro Area*	-0.7	-0.5	1.2	1.5
Germany	0.9	0.5	1.7	1.6
France	0.0	0.3	1.0	1.5
Italy	-2.4	-1.9	0.6	1.1
Spain	-1.6	-1.2	0.9	1.0
Japan	1.4	1.5	1.4	1.0
United Kingdom	0.3	1.8	2.9	2.5
Canada	1.7	2.0	2.3	2.4
Emerging Market and Developing Economies	5.0	4.7	4.9	5.3
Emerging and Developing Asia	6.7	6.5	6.7	6.8
China	7.7	7.7	7.5	7.3
India	4.7	4.4	5.4	6.4
Indonesia	6.3	5.8	5.4	5.8
Malaysia	5.6	4.7	5.2	5.0
Vietnam	5.2	5.4	5.6	5.7
Thailand	6.5	2.9	2.5	3.8
Sri Lanka	6.3	7.3	7.8	8.2
Commonwealth of Independent States**	3.4	2.1	2.3	3.1
Russia	3.4	1.3	1.3	2.3
Latin America and the Caribbean	3.1	2.7	2.5	3.0
Brazil	1.0	2.3	1.8	2.7
Emerging & Developing Europe	1.4	2.8	2.4	2.9
Middle East, North Africa, Afghanistan & Pakistan	4.2	2.4	3.2	4.4
Pakistan	4.4	3.6	3.1	3.7
Sub-Saharan Africa	4.9	4.9	5.4	5.5
South Africa	2.5	1.9	2.3	2.7

Source: World Economic Outlook, IMF, April 2014

Annual Report 2013, Central Bank of Sri Lanka

*Excludes Latvia

**Includes Georgia

A relatively robust growth was recorded in Sub Saharan Africa in 2012 and 2013 at 4.9 percent and is expected to speed up at a rate of 5.4 percent in 2014, supported by increasing trade linkages with other emerging market economies, improved regional business environment and removal of investment bottlenecks. South Africa is projected with a modest growth of 2.3 percent propelled by an increase in exports.

The growth of Middle East and North Africa has been disturbed by geopolitical uncertainties. However, the recovery of the region is anticipated with the activity of oil exporting economies. The growth in Commonwealth of Independent States, including Russia, was declined in 2013 to 2.1 percent from 3.4 percent in the preceding year. The 2014 projection is slightly increased to 2.3 percent with the assumptions on weak exports, supply-side bottlenecks and low business and consumer confidence.

The global economy is facing multifaceted policy challenges diversified among each economy. Ensuring smooth processes for tapering of unconventional monetary policies that have been adopted by major advanced economies during the post-crisis period is a challenge for advanced countries. The emerging market and developing economies are faced with the challenges of minimizing the adverse spillovers over capital flows and exchange rate volatilities.

9.3 Inflation

Inflationary pressures in both advanced and emerging market and developing economies subdued in 2013 reflecting softened global commodity prices, large output gaps in advanced economies and low domestic demand in emerging market and developing economies. The advanced economy inflation remains tamed at 1.4 percent with a significant decline from 2.0 percent of 2012. The Euro area experienced a reduced inflation at 1.3 percent in 2013 and is further

Table 9.3 > **Inflation**

	<i>Annual percent change</i>			
	Actual		Forecast	
	2012	2013	2014	2015
Advanced Economies	2.0	1.4	1.5	1.6
United States	2.1	1.5	1.4	1.6
Euro Area*	2.5	1.3	0.9	1.2
Germany	2.1	1.6	1.4	1.4
France	2.2	1.0	1.0	1.2
Italy	3.3	1.3	0.7	1.0
Spain	2.4	1.5	0.3	0.8
Japan	0.0	0.4	2.8	1.7
United Kingdom	2.8	2.6	1.9	1.9
Canada	1.5	1.0	1.5	1.9
Emerging Market and Developing Economies	6.0	5.8	5.5	5.2
Emerging and Developing Asia	4.6	4.5	4.5	4.3
China	2.6	2.6	3.0	3.0
India	10.2	9.5	8.0	7.5
Indonesia	4.0	6.4	6.3	5.5
Malaysia	1.7	2.1	3.3	3.9
Vietnam	9.1	6.6	6.3	6.2
Thailand	3.0	2.2	2.3	2.1
Sri Lanka	7.5	6.9	4.7	6.4
Commonwealth of Independent States**	6.5	6.4	6.6	6.1
Russia	5.1	6.8	5.8	5.3
Latin America and the Caribbean	5.9	6.8	-	-
Brazil	5.4	6.2	5.9	5.5
Emerging & Developing Europe	5.8	4.1	4.0	4.1
Middle East, North Africa, Afghanistan & Pakistan	10.6	10.1	8.5	8.3
Pakistan	11.0	7.4	8.8	9.0
Sub-Saharan Africa	9.0	6.3	6.1	5.9
South Africa	5.7	5.8	6.0	5.6

Source: World Economic Outlook, IMF, April 2014

*Excludes Latvia

**Includes Georgia

moderated at 0.9 percent in 2014. In Japan, inflation increased slightly to 0.4 percent in 2013 and expects further increase to 2.8 percent in 2014 with the consumption tax hike.

Inflation was marginally decreased to 5.8 percent in 2013 from 6.0 percent in the

previous year in emerging market and developing economies. The inflationary pressures are expected to remain subdued with slow economic activities and low commodity prices. However, inflation in Argentina is accelerated due to the devaluation of peso. The inflation in the Middle East, North Africa, Afghanistan and Pakistan was high at 10.1 percent reflecting price pressures in Iran and Syria. Policy tightening in South Africa helped to reduce inflation below the regional average of around 6.3 percent in 2013. The emerging market economies in Asia, particularly India and Indonesia are faced with inflationary pressures in 2013.

9.4 Interest Rates

The policy rates of advanced economies remained near zero levels during the recent past mainly due to the unconventional monetary policies adopted by them injecting liquidity in to markets. The longer term interest rates in emerging market economies as well as advanced economies picked up in mid-2013 in response to the U.S. Federal Reserve's indication on tapering-off the quantitative easing programme. The U.S. longer term interest rates nearly doubled along with the changing financial market expectations. However, the market reaction was not so sharp in January 2014 when Fed started the winding down of bond purchases and long-term rates remained stable. The policy rates of Brazil, South Africa, India, Turkey and Indonesia were increased in mid-2013 in order to stabilize their currencies and further policy tightening is expected to curb inflation.

The average of London inter-bank offered rate (LIBOR) on six-month U.S. dollar deposits in 2013 was 0.4 percent and this was a significant drop from the 2012 average of 0.7 percent.

The drop has been continuing since January 2012, from a monthly average of 0.8 percent to monthly average of 0.3 percent in April 2014. IMF projections for LIBOR on six-month U.S. dollar deposits for 2014 and 2015 will be averaged at 0.4 and 0.8 percent, respectively. LIBOR on three-month Euro deposits averaged at 0.2 percent in 2013 and is expected to average at 0.3 and 0.4 percent in 2014 and 2015, respectively. LIBOR on six-month Japanese yen deposits averaged at 0.2 percent in 2013 and projected to remain at around the same level in 2014 and 2015 as well.

9.5 Unemployment

Both cyclical and structural unemployment in the Euro area remained a key challenge at stubbornly elevated level of 12.1 percent, a further increase from 11.4 percent in 2012. The overall unemployment rate in advanced economies declined slightly from 8.0 percent in 2012 to 7.9 percent in 2013. The unemployment in Spain and Greece were at historical high levels of 26.4 percent and 27.3 percent with much higher youth unemployment. The present economic growth in Euro area is not strong enough for a rapid deceleration in unemployment in most economies. The significant drop in unemployment in the United States from 8.1 percent in 2012 to 7.4 percent in 2013 was mainly due to the withdrawal of discouraged workers from labour force participation and demographic trends. The rate hit a 5 year low at 6.3 percent in April 2014. The relatively low unemployment of Japan at 4.0 percent is confronted with the problem of declining labour force participation due to the reduction in working-age population. At the same time, Japanese labour force is shifting from regular, full-time employments to irregular, part-time employments.

Table 9.4 > **Unemployment**

	Percent			
	Actual		Forecast	
	2012	2013	2014	2015
Advanced Economies	8.0	7.9	7.5	7.3
United States	8.1	7.4	6.4	6.2
Euro Area*	11.4	12.1	11.9	11.6
Germany	5.5	5.3	5.2	5.2
France	10.2	10.8	11.0	10.7
Italy	10.6	12.2	12.4	11.9
Spain	25.0	26.4	25.5	24.9
Greece	24.2	27.3	26.3	24.4
Portugal	15.7	16.3	15.7	15.0
Cyprus	12.1	16.0	19.2	18.4
Japan	4.4	4.0	3.9	3.9
United Kingdom	8.0	7.6	6.9	6.6
Canada	7.3	7.1	7.0	6.9
Korea	-	3.1	3.1	3.1 ^a
China	4.1	4.1	4.1	4.1
Russia	6.0	5.5	6.2	6.2
Brazil	5.5	5.4	5.6	5.8
South Africa	25.2	24.7	24.7	24.7
Sri Lanka	4.0	4.4	-	-

Source: World Economic Outlook, IMF, October 2013 and April 2014
Annual Report 2013, Central Bank of Sri Lanka

*Excludes Latvia

The unemployment among women is high in Bangladesh and Pakistan. Low unemployment at below 3 percent was recorded in Malaysia, Singapore, Thailand and Vietnam. The significantly high unemployment at 24.7 percent in South Africa is required to be cut down through structural reforms.

9.6 Fiscal Situation

9.6.1 Fiscal Deficits

The average fiscal balance of advanced economies showed a significant strengthening as it declined sharply to 4.9 percent from

6.2 percent in 2012. The decrease in advanced economies is a significant achievement over 9.5 percent of fiscal balance recorded in 2009 and is due to the on-going fiscal consolidation efforts in most of the economies, especially in the Euro zone. On the contrary, emerging market economies experienced a slight increase in the average fiscal balance from 2.1 percent in 2012 to 2.4 percent in 2013.

The reduction of the deficit in the United States from 9.7 percent to 7.3 percent and in the United Kingdom from 8.0 to 5.8 percent are mainly through revenue enhancing and spending reduction measures. France reduced its fiscal balance from 4.8 percent to 4.2 percent in 2013. In contrast, Germany has recorded a zero deficit in 2013 and expects to increase the expenditure by 1-1.5 percent of GDP during the period of 2014-17 in the areas of education, infrastructure and pensions.

Japan adopted revenue measures by increasing consumption tax rate from 5.0 percent to 8.0 percent in early 2014 and is expected to increase to 10.0 percent in 2015. A new package for fiscal stimulation was introduced in 2013 to reduce corporate tax rate and increase public investments and transfers to low-income households.

India and China adopted revenue generation policies together with spending cuts to reduce their fiscal deficits from 2.2 percent in 2012 to 1.9 percent and from 7.4 in 2012 to 7.3 percent, respectively. China expects to maintain a mildly expansionary fiscal policy by increasing public spending in education, health and other social expenditure with a slight increase in budget deficit to 2.0 percent in 2014.

Table 9.5 > **Overall Fiscal Balance**

Percent of GDP

	Actual		Forecast	
	2012	2013	2014	2015
World	-4.4	-3.8	-3.5	-3.0
Advanced Economies	-6.2	-4.9	-4.3	-3.6
United States	-9.7	-7.3	-6.4	-5.6
Euro Area	-3.7	-3.0	-2.6	-2.0
Germany	0.1	0.0	0.0	-0.1
France	-4.8	-4.2	-3.7	-3.0
Italy	-2.9	-3.0	-2.7	-1.8
Spain	-10.6	-7.2	-5.9	-4.9
Greece	-6.3	-2.6	-2.7	-1.9
Ireland	-8.2	-7.4	-5.1	-3.0
Portugal	-6.5	-4.9	-4.0	-2.5
Japan	-8.7	-8.4	-7.2	-6.4
United Kingdom	-8.0	-5.8	-5.3	-4.1
Emerging Market & Developing Economies	-2.1	-2.4	-2.5	-2.2
Asia	-3.0	-2.6	-2.8	-2.4
China	-2.2	-1.9	-2.0	-1.6
India	-7.4	-7.3	-7.2	-7.0
Indonesia	-1.7	-2.1	-2.5	-2.4
Malaysia	-3.6	-4.6	-3.5	-2.5
Vietnam	-4.8	-5.7	-6.7	-6.0
Thailand	-1.8	-0.2	-1.6	-1.5
Sri Lanka	-6.5	-5.9	-5.2	-4.4
Europe	-0.8	-1.6	-1.3	-1.3
Russia	0.4	-1.3	-0.7	-0.8
Latin America	-2.5	-2.9	-3.2	-2.6
Brazil	-2.8	-3.3	-3.3	-2.5
Middle East and North Africa and Pakistan	-9.1	-9.9	-7.6	-7.8
South Africa	-4.3	-4.3	-4.4	-4.5
Low-Income Countries	-2.8	-3.9	-3.9	-3.6
Oil Producers	2.7	0.8	0.5	0.0

Source: Fiscal Monitor, IMF, April 2014

Annual Report 2013, Central Bank of Sri Lanka

9.6.2 Government Debt

The gross debt of advanced economies in terms of GDP declined marginally from 108.3 percent to 107.1 percent while emerging market economies recorded it as 34.9 percent in 2013. The gross government debt in terms of GDP in emerging

market economies is relatively low. The public debt ratio in India is declining. The gross debt ratios in terms of GDP in Middle East and North Africa are significantly higher than other emerging market economies and likely to remain high.

Table 9.6 > **General Government Gross Debt**

Percent of GDP

	Actual		Forecast	
	2012	2013	2014	2015
World	80.6	78.6	78.2	77.5
Advanced Economies	108.3	107.1	107.1	106.9
United States	102.4	104.5	105.7	105.7
Euro Area	92.8	95.2	95.6	94.5
Germany	81.0	78.1	74.6	70.8
France	90.2	93.9	95.8	96.1
Italy	127.0	132.5	134.5	133.1
Spain	85.9	93.9	98.8	102.0
Belgium	99.8	99.7	99.8	99.6
Greece	157.2	173.8	174.7	171.3
Ireland	117.4	122.8	123.7	122.7
Portugal	124.1	128.8	126.7	124.8
Japan	237.3	243.2	243.5	245.1
United Kingdom	88.6	90.1	91.5	92.7
Canada	88.1	89.1	87.4	86.6
Emerging Market Economies	36.5	34.9	33.7	33.0
Asia	33.9	31.0	29.0	27.6
China	26.1	22.4	20.2	18.7
India	66.6	66.7	65.3	64.0
Indonesia	24.0	26.1	26.0	25.9
Malaysia	56.0	58.2	56.3	54.3
Vietnam	50.0	55.0	58.7	59.8
Thailand	45.4	45.3	46.6	46.7
Sri Lanka	79.2	78.3	74.3	70.6
Europe	27.0	27.7	26.1	26.5
Russia	12.7	13.4	13.0	12.8
Latin America	52.0	51.4	52.5	52.6
Brazil	68.2	66.3	66.7	66.4
Mexico	43.3	46.5	48.1	48.4
Middle East and North Africa and Pakistan	70.5	75.1	76.6	77.5
South Africa	42.1	45.2	47.3	49.6
Low-income economies	41.8	42.6	42.9	43.3

Source: Fiscal Monitor, IMF, April 2014

Annual Report 2013, Central Bank of Sri Lanka

Table 9.7 > **Private Financial Flows (Net)**

US\$ Billions

	Actual					Forecast				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Emerging Market and Developing Economies	321.3	714.5	182.6	263.8	557.8	479.6	228.7	419.9	362.1	385.2
Emerging and Developing Europe	110.6	177.0	153.7	37.2	84.6	96.5	63.9	69.3	52.9	60.3
Commonwealth of Independent States	51.2	129.3	-98.0	-62.7	-25.4	-63.3	-41.4	-43.7	-60.5	-29.1
Emerging and Developing Asia	90.1	204.4	35.7	208.2	389.4	370.8	116.3	314.8	289.4	220.6
Latin America and the Caribbean	46.9	116.5	72.5	34.3	117.7	176.3	123.4	137.9	128.6	147.0
Middle East, North Africa, Afghanistan & Pakistan	15.5	72.5	4.2	30.6	9.6	-101.3	-48.0	-72.9	-75.0	-57.5
Sub-Saharan Africa	7.0	14.7	14.5	16.1	-18.1	0.6	14.6	14.5	26.6	43.9

Source: World Economic Outlook, IMF, April 2014

9.7 Capital Flows

The net capital inflows to emerging markets during the period of 2009-2012 surged with the introduction of unconventional monetary policies such as quantitative easing by advanced economies in order to keep their long-term interest rates low while injecting huge liquidity to international financial markets. The signals of ending this massive monetary stimulus programme caused a reversal of capital flows to their equity markets as the advanced economy interest rates, including the US benchmark interest rate, increased by several basis points. This has increased the volatility of capital markets in emerging market and developing economies and the weakness in economic activities of them also contributed hugely for the increased outflows.

9.8 Currency Movements

Foreign exchange markets experienced sharp depreciations of both advanced economy and emerging market economies in 2013 as reflected in the depreciation of the Japanese yen during the first half of the year and devaluation of several emerging market

economies during the latter half after the announcements of the US Federal Reserve on a possible tapering of the QE programme. The significant devaluation of yen vis-à-vis the U.S. dollar started with the implementation of the aggressive, expansionary monetary policies by the new Japanese administration. Yen depreciated from about 80 yen per dollar at the end of 2012 to about 100 yen per dollar in March 2013 and then stabilized around 98 yen per dollar by the end of 2013. The depreciation of yen is about 19 percent in real effective exchange rate (REER) terms during this period. The euro strengthened along with the recovery in the Euro zone, but depreciated sharply in November as a result of the cut in policy rates by the European Central Bank (ECB). The US dollar picked up at the backdrop of the speculations over the Fed's tapering.

The currencies of emerging market and developing economies appreciated against the U.S. dollar during the first months of the year owing to financial stabilization and capital inflows from advanced economies triggered by the U.S. QE programme and upward pressure caused by the depreciation of the yen. This situation reversed as emerging economies experienced steep nominal and

real depreciations since May 2013 as a measure of preventing capital outflows following Fed's indications on winding up of its bond purchasing programme. The Central Banks were not able to protect their respective currencies during May-June as QE induced capital inflows slowed down and with this Turkish Lira, Brazilian Real, Indian Rupee, Indonesian Rupiah and South African Rand depreciated in great amounts against the U.S. Dollar. Argentinean Peso devalued by almost the highest in 12 years in January 2014 when the Central Bank stopped its intervention in the foreign exchange market. However, the Renminbi of China was appreciated against the U.S. dollar and other major currencies in REER terms during this period.

9.9 World Trade

The world trade in goods and services improved by 3.0 percent in 2013, compared to the growth of 2.8 percent in 2012 with

the increased demand driven by advanced economies. The growth in imports of advanced economies increased marginally to 1.4 percent from 1.1 percent in the previous year was mainly driven by the European demand. The emerging market and developing economies recorded a slightly lower imports trade growth of 5.6 percent in 2013 in comparison to 5.8 percent in the preceding year. In contrast exports in the latter region picked-up at a rate of 4.4 percent with the support of strengthening imports in advanced economies as well as in China and also backed by their depreciating currencies. The export growth in advanced economies was 2.3 percent in 2013.

The outlook for the growth in world trade volumes of goods and services is forecast at 4.3 percent in 2014 and 5.3 percent in 2015 assuming the improved demand in the Europe, continuation of growth in the United States and rebound in economic activities in emerging market and developing economies.

Table 9.8 > **World Trade Volumes**

	<i>Annual percent change</i>						
	Actual				Forecast		
	2009	2010	2011	2012	2013	2014	2015
World Trade Volume (Goods and Services)							
Volume	-10.6	12.8	6.2	2.8	3.0	4.3	5.3
Imports							
Advanced Economies	-12.2	11.7	4.8	1.1	1.4	3.5	4.5
Emerging Market and Developing Economies	-8.0	14.4	9.2	5.8	5.6	5.2	6.3
Exports							
Advanced Economies	-11.7	12.4	5.7	2.1	2.3	4.2	4.8
Emerging Market and Developing Economies	-7.9	13.9	7.0	4.2	4.4	5.0	6.2

Source: *World Economic Outlook*, IMF, April 2014

Table 9.9 > **World Trade Prices in U.S. Dollars**

	<i>Annual percent change</i>								
	Actual						Forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Manufacturers	1.3	3.0	-4.1	3.7	2.5	3.3	-0.3	-1.7	-1.4
Oil	6.4	32.1	-34.8	29.3	27.2	4.1	-0.1	-1.3	-6.9
Nonfuel Primary Commodities	9.5	4.5	-13.7	27.9	13.9	-7.3	-0.4	-4.9	-4.9
Food	10.3	20.5	-12.7	13.1	15.8	0.6	1.9	-6.6	-6.8
Beverages	9.4	19.4	4.1	15.4	12.7	-16.1	-11.2	13.5	-0.2
Agricultural Raw Materials	0.9	-3.8	-15.1	34.6	18.6	-10.0	2.3	-0.9	-1.3
Metal	12.8	-10.7	-17.2	49.8	9.7	-14.3	-3.5	-6.8	-4.8

Source: *World Economic Outlook*, IMF, April 2014

9.10 World Commodity Prices

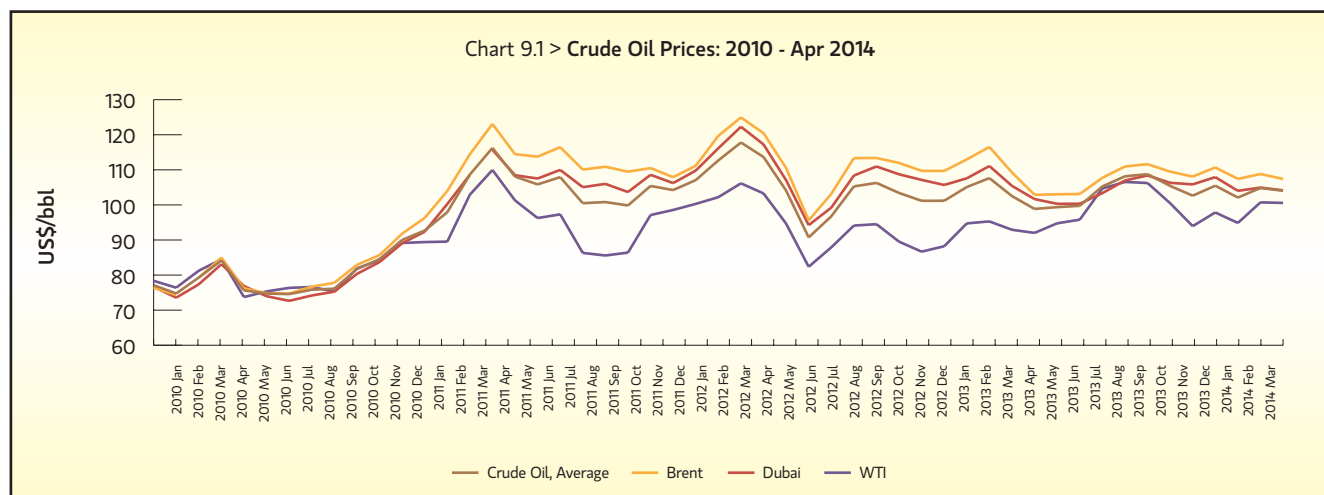
Key commodity prices followed a downward path during 2013 mainly due to slowdown in global economic activities and good crop harvests which resulted in replenished stocks. As given in *World Economic Outlook*, IMF, April 2014; the prices in U.S. dollar terms declined in most key commodities such as manufactured goods, oil, beverages and metals, except the prices of food and agricultural raw materials that increased marginally over 2012. However, energy prices were almost stable during the year and are expecting a further softening in 2014 based on the weaker economic outlook in emerging market and developing economies. The food and agricultural markets are projected with easing prices in response to increase in supplies.

9.10.1 Energy Prices

The average crude oil price was US\$ 104.08 per barrel in 2013 in comparison to an average

of US\$ 105.01 per barrel in 2012. The prices of a barrel of Brent, Dubai and West Texas Intermediate (WTI) were averaged at US\$ 108.86, US\$ 105.43 and US\$ 97.94, respectively in 2013. The recent capture of Crimea by Russia created a spike in Brent crude oil price to US\$ 108/bbl on March 3, 2014. Since Iran has reached an interim agreement with 6 Western economies and an “oil-for-goods” deal with Russia, the Iranian supply will increase in short-term.

The World Bank projects crude oil prices to be averaged at US\$ 103/bbl in 2014 and at US\$ 100/bbl in 2015, while natural gas prices and coal prices are expected to move upward as a result of high demand from energy intensive industries, especially in the United States and because of the increased use of coal in electricity generation, respectively. The longer term price of crude oil is expected to be further eased by the growth of unconventional oil supply, efficiency gains in vehicles and substitution away to natural gases



Source: World Bank, Development Prospects Group

9.10.2 Agricultural Prices

International rice market recorded historically low price at US\$ 506 per metric ton in 2013 with the ample supplies from Thailand as Thai government released its public stock. Maize price was also record low at US\$ 259 per metric ton in 2013 and decreased from US\$ 298 per metric ton in the preceding year due to improved global production, especially because of the United States recovery from drought reduced levels in 2012.

The global prices of beverages are sliding since 2012 mainly due to the decline in coffee prices because of the production surplus from Brazil, Colombia and Vietnam. The producers are expecting another surplus year in 2014. Cocoa prices were up in 2013 as the production was disrupted by the hot and dry weather in Côte d'Ivoire and Ghana while demand from European and North American chocolate manufacturers increased. The prices of edible oils decreased in 2013 as reflected by the price

drop of a metric ton of palm oil from US\$ 999 to US\$ 857, soybean oil from US\$ 1,226 to US\$ 1,057 and coconut oil from US\$ 1,111 to US\$ 941 between 2012 and 2013.

The prices of agricultural raw materials increased by 2.3 percent in U.S. dollar terms in 2013, as the prices of natural rubber, tropical logs and cotton were stable amidst an oversupplied market for natural rubber and cotton. The demand for natural rubber from China grew with the boost in automobile manufacturing sector and the production of natural rubber was strengthened by 5 percent with the major contribution from Indonesia and Thailand.

Commodity Markets Outlook, April 2014 of the World Bank expects a decline of 2.5 percent for agricultural prices assuming comfortable crop conditions, easing energy and fertilizer prices, trade policies and bio fuel production.

9.10.3 Sugar Prices

The international sugar price has entered in to a downward path since 2011 as a result of the expanded production from Brazil, India and EU in response to record low global stock levels prevailed during 2008 and 2010. The price of sugar fluctuates with the changes of stock levels and demand of the major consumers such as Indonesia, Russian Federation, Egypt and Japan. The production of sugar cane also depends on the ethanol/sugar price ratio or how much of the harvested sugarcane is used for the production of ethanol. Due to a possible supply shortfall in Brazil, the world's largest sugar producer and exporter and also due to the rising demand from China and Indonesia, sugar prices are likely to increase in 2014.

9.10.4 Whole Milk Powder Prices

The dairy products were priced at elevated levels internationally in 2013, owing to limited stocks of produce for exports. The New Zealand milk production plummeted sharply during the first half of 2013 due to drought conditions prevailed at the beginning of the year. This production decline continued until July and the largest decline of monthly production recorded in April at 35 percent over the corresponding month of the preceding year. The Australian production was also adversely affected by unfavourable weather conditions, high feed costs and limited fodder supplies.

The annual average price of whole milk powder increased substantially in 2013 by 38.3 percent to US\$ 4,470/mt from US\$ 3,232/mt in 2012. Most of the Asian importers such as Philippines, Sri Lanka, Indonesia, Thailand, Malaysia as well as the importers like Venezuela, Algeria and Nigeria reassessed their import requirements as the price escalated and the imports were reduced considerably. However, Chinese demand was robust during the year owing to urbanization, high income related nutritional concerns and spread of foot and mouth disease

among the domestic cattle. The high prices were supported by significant demand from China that is expected to continue in 2014 as well.

9.10.5 Wheat Prices

The global wheat prices declined as crop harvest was increased in 2013. The annual average price of US Hard Red Winter (US HRW) variety declined by 0.3 percent to US\$ 312 a metric ton from US\$ 313 a metric ton in the previous year. A metric ton of US Soft Red Winter (US SRW) variety averaged at US\$ 277, with a decline of 6.3 percent over 2012 price of US\$ 295. The prices reduced steeply in July and August and regained thereafter. The significant increase in the wheat production reflects the accelerated harvest comparative to the drought reduced levels in the previous year. The projected wheat utilization for 2014 is at 696 million metric tons and 482 million metric tons out of this amount is forecast for direct human consumption while 134 million tons for feed use. The amount for industrial use will be 19 million tons.

9.10.6 Fertilizer Prices

Fertilizer prices which increased in recent years, in response to strong demand and high energy prices, plummeted dramatically in 2013 due to the breakup of potash cartel between Russian and Belarusian companies in July 2013 and the breakup of North American Phosphate Chemicals Export Association which was established 40 years ago. With the decline in the price of US natural gas, energy intensive industries, such as petrochemicals, paper, aluminum and fertilizer, are shifting to the United States and hence fertilizer prices are expected to dip further.

The annual average price of a metric ton of di-ammonium phosphate (DAP) declined substantially by 17.6 percent in 2013 from US\$ 540 to US\$ 445, at the same time as tri-super

potash (TSP) significantly reduced by 17.3 percent from US\$ 462 to US\$ 382. The average price of a metric ton of urea was down by 16.2 percent from US\$ 405 to US\$ 340 and the fall in average price of potassium chloride was 17.4 percent to US\$ 379 from US\$ 459 a metric ton.

9.10.7 Metal Prices

Metal prices in 2013 were softened in consequence to the slowing Chinese demand as China being the world's largest metal consumer, uncertainties over European and the U.S. economy and significantly high metal stocks supported by ample supply. As per the World Bank data, aluminum, copper and nickel prices went down by 9, 8 and 14 percent, respectively while lead and tin prices were up by 4 and 5 percent, respectively. The increase in the price of tin attributed to new purity regulations and exchange related trade regulations introduced by Indonesia. The overall metal prices are expected to decline by 5 percent in 2014 while aluminum, copper and nickel prices are projected to be decelerated by 5.2, 7.4 and 3.1 percent, respectively.

The precious metal prices entered into a declining trend since 2012 and the prices of gold, silver and platinum decreased by 38, 27 and 14 percent respectively in 2013. This plunge was driven by the reduction of Exchange Traded Funds that was triggered by the market expectations over the changes in the US monetary policy and changes in consumer sentiments as safe-haven investments.

9.10.8 Gold Prices

The annual average price of gold in 2013 was US\$ 1,411.5 per ounce and this was a decline of 15.5 percent over the annual average of US\$ 1,669.5 per ounce in 2012. Holding of gold by Exchange Traded Funds reduced by 33 percent in 2013 as investors reassessed their portfolios in a background of low inflation, strengthening

economic situation, worthy performance by equity markets and expectations over scaling down the asset purchasing programme by the United States to normalize the economy. The monthly average price of an ounce declined without any interruption from October 2012 to December 2013. The drop of price between respective monthly averages is about 30 percent i.e. US\$ 1,746.6 per ounce in October 2012 and US\$ 1,221.5 per ounce in December 2013. However, during the first three months of 2014 the price of this precious yellow metal gained 1 percent.

According to World Gold Council Gold Demand Trends Report, the annual demand for gold in 2013 dropped by 15 percent over 2012 to 3,756 metric tons. China and India were the major gold purchasers in 2013 with consumer demand of 32 percent and 13 percent, respectively and the global demand shifted from West to East during that period.

9.11 Sum Up

Economies in the world are expected to record a modest growth in 2014-15 but remain vulnerable due to adjustment challenges from unlocking relaxed monetary policies of the US, sustaining fiscal adjustments in the Euro Zone economies and structural adjustments in emerging and developing economies. Commodity prices are on a downward trend affecting growth prospects of agricultural and developing economies. Capital flows may reflect mixed results and equity and bond investment may shift towards the US, and the FDI related capital movements to emerging economies may moderate. Sri Lanka needs to further consolidate its recent gains in economic fundamentals to sustain higher economic growth during the 2014-15 period.

10

BACKGROUND PAPERS

10.1 Sri Lanka's Inclusive Development Model

'Sri Lanka the Emerging Wonder of Asia - Mahinda Chintana Vision for the Future', the Development Policy Framework of the Government articulated the vision that is centered on the economic philosophy that the growth in Gross Domestic Product (GDP) alone would not bring economic prosperity to the society.

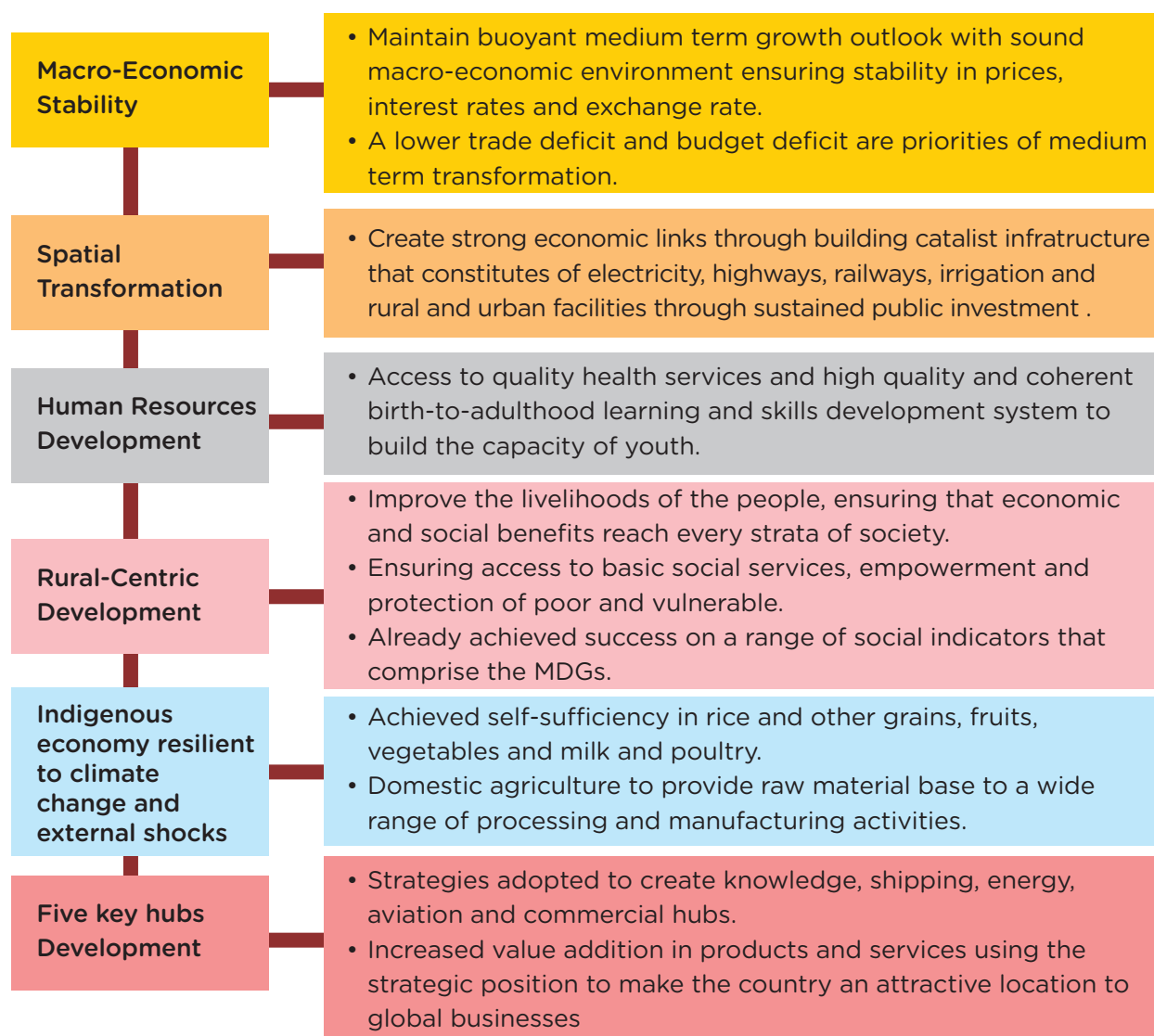
Accordingly, the development strategy has evolved on the basis that all stakeholders are involved in the process of development to create a sustainable economic growth that ensures benefits to the community through employment, livelihood opportunities and social security.

Three Fundamentals of Sri Lanka's Development model

Understand limits and potentials of what we have

Relate all development work to individual & family

Opening up boundaries



Salient Features of Inclusive Development Process

- **Building connectivity** - Rural hub road connectivity programme - connect 1,000 promising villages nationwide to the nearest major trunk road or expressway through provincial roads and national highways. Improved road conditions by this programme reduce the average distance by 7 km between selected villages and socioeconomic centres. Local level small business and around more than 300,000 households who live in distance villages will benefit.
- **Creating opportunities** - Around 274 km long expressway network including Southern Expressway (219km), Outer Circular Highway (29km), Colombo-Katunayake Expressway (26km) linking Katunayake International Airport to Mattala International Air Port covering major townships of Hambanthota, Matara, Galle, Kadawatha, Kaduwela, Kottawa and Colombo. These sections of expressway network will provide access to around 60 secondary cities through 22 interchanges. These secondary cities will be developed as emerging economic centers. 2 Export Processing Zones, 4 Industrial Estates and 7 SME Industrial Estates are located adjacent to this network. Transportation of agricultural production, connectivity build up among the tourist destinations and attraction of foreign direct investment due to 60 percent travel time saving make a significant positive impact on the income and employment.
- **Building climate resilience** - Sri Lanka being a country annually experience natural disasters affecting more than 200,000 families did not have comprehensive mechanism to face the adverse effects. A programme formulated to build infrastructure such as irrigation dams, roads, bridges and school/hospital buildings more climate resilient. More than 70 percent of country's population who is depending on the agriculture related activities, poor people who are mostly living in disaster prone areas, daily workers and wildlife sector will benefit.
- **Food security and diversified livelihoods** - A large number of reservoirs are being developed. Rambukkan Oya is one such reservoir built with 75 MCM capacity help to feed 22 minor tanks in the cascade benefiting 2,200 farm families. There is 1,400 ha potential cultivable extent (both Yala and Maha). This increases the income and agricultural productivity of poor small-scale farmers while it covers a broader scope of developing forward sales contracts with private sector entrepreneurs to ensure the marketability of the crops.
- **Explore next generation economic potentials** - The country's 2nd International Airport, Mattala Rajapaksa International Airport commenced operation in 2013 to perform as a regional logistic hub. This airport enables to land the world's largest aircraft - the A380 in Sri Lankan soil and currently the airport is able to accommodate 1 million passengers per annum. Government plans to expand it to handle five million passengers by 2015, and by 2020 to handle a passenger capacity of 21 million.
- **Respect human values** - Prudent government policies enable to provide access to safe water to over 90 percent of households in the country. Coverage of safe water sources up to 95 percent from the present level is targeted by the year 2016. Mega scale pipe borne water supply schemes implemented in major townships of Colombo, Hambanthota, Rathnapura, Kurunegala, Dambulla, Kalutara, Gampaha, Badulla, Jaffna, Killinochchi, Puttlam, Mannar, Ampara, Batticaloa benefit around 2 million people to uplift their living standards.

- **Women-children & the elderly in the focus-** Special welfare programmes implemented to provide income support to poor, 180,000 elderly, 60,500 disabled families. Nutritional support is given to 1,179,500 beneficiaries of Infants, pre-school children, pregnant and lactating mothers.
- **Green cities** - A new approach has been followed on township development. Dambulla, Hambantota, Kandy, Horana, Warakapola, Nittambuwa, Monaragala, Ampara, Paduwasnuwara, Anuradhapura, Colombo, Mihintale cities and towns developed. 65,000 slum dwellers are being relocated in permanent decent houses with in Colombo city without disturbing their livelihood.
- **Village-centered development** - Developed 1 million economically strong self-sufficient household units which include over 5 million individuals by Divi-neguma programme through undertaking home gardening, livestock, fisheries and cottage industries to strengthen value chains in agribusinesses. Introduction of Diriya Kantha self employment scheme which provide working capital loans up to Rs. 250,000 without requiring security for women to promote women entrepreneurship
- **Build knowledge-base** - Mahindodaya technical laboratories in 1000 secondary schools which aimed to provide equal educational opportunities for children in all areas by enhancing facilities in schools. As a result the number of 1 AB schools i.e. schools with A/L science stream increased up to 1,300 and approximately 200,000 students benefited. Technology stream introduced initially in 250 schools for the first time linking about 2,000 students by 2015 to university degrees and the rest out of 13,000 students connect to NVQ 5/6 diploma level vocational qualification. These children will enter to the labour market as qualified and skilled people who have the ability to make higher earnings.
- **Knowledge-workforce** - Skills development programme 2014-2020 envisaged to improve the quality and relevance of skills-training programs by building a high-quality workforce with the aim of 'no youth without skills'. Expects to produce 250,000 skilled youth per year by 2016.

The development strategy has evolved on the basis that all stakeholders are involved in the process of development to create a sustainable economic growth that ensures benefits to the community through employment, livelihood opportunities and social security.

10.2 Rural Centric Development and Poverty Reduction

Overview

The Government, since 2006 has given high priority in development strategy to raise income of low income people and people living below poverty line through direct assistance, livelihood support and empowering village and community centric economic activities. These programmes include several subsidy programmes generally directed towards low income people (Samurdhi monthly cash transfer scheme, subsidized fertilizer) together with subsidies such as nutritional food (Triposha, Poshana Malla) and general welfare public expenditure programmes such as free education and health. Livelihood development is facilitated through Divi Neguma, and Gama Neguma initiatives to provide access to better living and earning capacities of households.

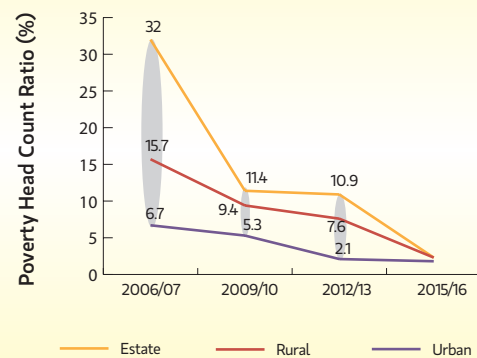
Public expenditure continuously made towards rural centric development had a significant impact on poverty reduction along with high economic growth. The number of poor living below, the National Poverty Line (NPL), has declined from 15.2 percent in 2006/07 to 6.7 percent in 2012/13 and around 1.8 million people have moved above the poverty line income. During the same period, poverty in rural sector has reduced from 15.7 percent in 2006/07 to 7.6 percent in 2012/13. The levels of poverty has been declined among all geographical areas and across all sectors.

The popularly used international poverty indications; US\$ 1.25 a day and US\$ 2.0 a day for country comparison have also declined significantly during the period of 2006 to 2013. Particularly, the extreme poverty indicator, US\$ 1.25 a day has declined to 3.3 percent in 2012/13 from 6.5 percent in 2006/07, while people below US\$ 2.0 a day has declined from 28.3 percent to 18.9 percent.

Sri Lanka has performed equally well even in Multidimensional Poverty Index (MPI) which determines poverty beyond the income base

and shows number of people who are poor in schooling, access to safe water, sanitation, cooking fuel, housing and assets etc., The percentage of multi dimensionally poor in Sri Lanka has reduced to 1.8 percent in 2012/13 from 3.6 percent in 2006/07. This indicates that there had been an improvement in the living conditions of those who were in acute poverty.

Chart 10.2.1 > Poverty Head Count Ratio (%)



Measuring Poverty

Poverty is measured by many countries and organizations using various definitions to channel public resources towards alleviating poverty and also to examine the extent to which various measures are effective in such effort. Poverty lines are accordingly adopted to reflect various cut off points separating the poor from non poor. Such cut off points are based on monetary value of income for certain level of consumption or non-monetary considerations such as basic level of education, health and sanitation, etc., for certain level of living.

International experience is that richer countries have higher poverty lines and that poverty is correlated to income. In developing countries, it relates to variety of considerations and vagaries of weather and their impact on rural livelihood and unavailability in employment affect poverty. The commonly used international indicator of poverty is US\$ 1.25 (PPP) a day earning for developing countries. Sri Lanka also adopted a National Poverty Line based on consumption expenditure of both food and non food items reflected in 2002 Household Survey. This is adjusted for Consumer Price Index to update regularly. Currently such inflation adjusted threshold income for poverty is Rs. 3,624 per person per month. On the basis of average family size of 4, monthly family expenditure is around Rs. 14,496.

Multifacted Programme for reducing poverty;

Encompasses with inclusive growth strategies, the government continued effort on improving basic infrastructure at rural level, rural provincial connectivity initiatives and accelerated development in the conflict affected areas, enhanced livelihood opportunities and priority given in public expenditure allocations towards multi dimensional aspects of poverty, have had a positive impact on low income household to move above the poverty line.

During the period, 2005–2013 not only GDP marked a high average growth but it also accompanied with relatively better distribution among all sectors. Benefitting from widespread growth in employment, the informal sector wages have moved in a constant upward direction indicating most people have been able to earn

daily living above the poverty line income as evident in table 10.2.2.

Most of the low income people also enjoy the benefits of a number of subsidiary programmes such as, Samurdhi Cash Grant, Fertilizer Subsidiary and Nutritional Subsidiary etc., as given in table 10.2.3.

The Gamaneguma programme supports to provide the community base infrastructure facilities such as access to basic needs water, electricity, and rural roads, minor irrigations, maternity centers, Child care, and Sathipola, etc., These communities are economically empowered through the livelihood support created through the Divineguma intervention which was initiated with the objective of strengthening the economic base of the family in support of creating a strong network of backyard economy.

Table 10.2.1 > **Sectoral GDP Growth Rate (%) & Poverty Index (HCR - %)**

	1991/1995	1996/2000	2001/2005	2006/2010	2013(a)
GDP Growth (%)	5.4	5	4	6.4	7.3
Agriculture	2.3	1.4	0.5	5.5	4.7
Industry	7.3	6.3	3.6	6.8	9.9
Services	5.6	5.8	5.5	6.3	6.4
Poverty Index (HCR)	1995/1996	2002	2006/2007	2009/2010	2012/13
Official Poverty Line Level (Rs)	833	1,423	2,233	3,028	3,624
National	28.8	22.7	15.2	8.9	6.7
Urban	14	7.9	6.7	5.3	2.1
Rural	30.9	24.7	15.7	9.4	7.6
Estate	38.4	30	32	11.4	10.9
Multi Dimensional Poverty Index			3.6	2.7	1.8
PPP exchange rate (Rs) @ 2005	18.31	31.28	47.08	66.57	81.7
USD 1.25 (PPP) a day Poverty line (Rs)	687	1,173	1,766	2,496	3,063
Poverty Index (USD 1.25)*	16.5	2.8	6.5	4	3.3
USD 2 (PPP) a day cut –off marks (Rs)	1,099	1,887	2,825	3,994	4,900
Poverty Index (USD 2)*	50.1	40.9	28.3	22.7	18.9

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

Note: *The poverty rate at \$ 1.25 and \$2 measured at 2005 international prices, adjusted for purchasing power parity (PPP)

(a) Provisional

Table 10.2.2 > **Average Daily Wages : Informal Sector (Rupees/day)**

Activity	2007	2010	2012	Activity	2007	2010	2012
Paddy Cultivation				Coconut Cultivation			
Ploughing with plough	509	702	844	Digging Pits	459	661	841
Ploughing with mammoties	428	632	795	Plucking	569	875	1,175
Transplanting	405	619	753	Carpentry			
Tea cultivation				Master Carpenter	709	1,003	1,248
Preparation of Land	369	532	683	Skilled Helper	508	732	906
Plucking	314	444	548	Unskilled Helper	408	581	740
Rubber Cultivation				Masonry			
Planting	378	566	732	Master Mason	704	987	1,216
Tapping	305	477	586	Skilled Helper	500	731	906
Average daily income of Three wheel/self employ	550	800	1050	Unskilled Helper	407	596	740

Sources: Department of Census and Statistics, Central Bank of Sri Lanka

Supporting rural agricultural farmers to overcome poverty is one of the main concerns of the government, as majority of population depend on agriculture for their livelihood. Based on this recognition, Investment made for creating production, productivity and competitiveness have enhanced livelihood opportunities of rural farmers.

Consequent to the main development programmes, Sri Lanka's social indicators such as, literacy rate, primary school enrollment, life expectancy and health indicators are well above here in and comparable to some developed countries.

The government has been actively involved to implement the targeted welfare schemes to lower the incidence of poverty. Sri Lanka is among few countries that increased income of the poor through food subsidies and other income transfer programmes. The welfare and social infrastructure expenditure has significantly increased in 2005 - 2013. Analysis on Social Protection Index of HIES 2012/13, if the social protection schemes have not implemented, the current percentage of poor 6.7 percent would have increased to 9.6 percent.

Public expenditure continuously made towards rural centric development had a significant impact on poverty reduction along with high economic growth.

Table 10.2.3 > **Public Expenditure Towards the Multidimension Poverty Reduction Effort in Sri Lanka (Rs million)**

Indicator	Infrastructure Facility & Service delivery	2002	2005	2010	2013(a)
Health	Infrastructure Facility & Service delivery	18,937	33,991	66,509	94,063
HH disable or chronically ill	Pharmaceuticals	4,721	7,100	13,544	27,269
	Thripasha	617	504	865	1,396
	PoshanaMalla			388	203
Nutrition	Nutrition Programme		166	2,475	3,077
beyond 1 hour reach health facility	Fresh Milk for pre school			178	230
	Poshanamanpetha		4	30	19
	Food programme		166	2,474	2,300
	Total	24,275	41,931	86,463	128,557
Education	Infrastructure Facility & Service delivery	15,373	57,757	108,071	118,364
Years of school	School Uniform	799	1060	950	2,300
	Season Ticket	225	250	1,369	1,430
Children enrolled	Text Books (School & Dharma School)	900	1,080	2,056	2,399
beyond 1 hour reach school	Allowance for Handicapped Students		40	71	123
	Scholarship (Grade v, Mahapola, Bursary)	100	421	645	801
	Total	17,397	60,608	113,162	125,417
Living standards	Low income housing/ Janasevana	2,860	3,657	5,489	10,042
Cooking fuel	Water Supply & Sanitation	10,139	12,588	26,442	37,190
Toilet	Major, medium & minor Irrigation	5,322	5,440	10,520	30,420
Water	Rural electrification programme	1,604	2,367	8,691	7,284
Electricity	Fertilizer Subsidy		6,846	23,028	19,706
Floor	Gama neguma		950	12,017	13,350
Assets	Divineguma assistance				2,525
	Samurdhi grant	9,920	9,105	9,241	15,256
	Public Assistance			650	1,200
	Allowance for Disabled People			75	513
	Elderly Allowance			650	2,045
	Total	29,845	40,953	96,803	139,531

Source: Department of National Budget

(a) Provisional

Empowering Village with Healthy and Economically Empowered Family;

Poverty is not the low income alone, but encompasses low level of health, education, water, sanitation, housing condition of the poor. The contribution (%) to the Multidimensional nature of poverty from different sectors are given in Table 10.2.5.

Analysis based on both surveys shows that inadequate energy consumption, ill being/ chronically ill of the head of the household, education standards, access to basic needs are main factors faced by many people in acute poverty

Chronic vulnerabilities

- 12 percent of the poor population are suffer with at least one chronic illness
- Around 86,000 patients take long term treatment for CKDu
- 20 percent of children under 5 years of age are underweight

Considering the multidimensionality nature of poverty, there are much need to be done in the areas of Health, Education and living standards. Though, the daily wages of Informal sector has significantly increased in between 2010 to 2012, about 72 percent of the employed poor head of household engage in elementary occupations agricultural workers and informal sector activities as recorded in recent HIES data. Therefore, these families need to be supported with supplementary regular income sources.

Table 10.2.4 > **Impacts of the Current Social Protection Programme on Poverty Reduction 2012/13**

Availability of the Social Protection Programme	Expected Headcount
	Ratio(%)
With all social protection schemes	6.7
Without all social protection schemes	9.6
Without all social insurance schemes	8.4
Pension	8.3
Compensation & insurance	6.9
Without all social assistance schemes	7.8
Samurdhi	7.3
Elderly payment	6.8
Scholarship	6.8
School food programme	6.8
Thripasha	6.8
Food & commendations	6.9
Disability & Relief	6.8
Medical aid	6.9
Disaster Relief	6.8
Fertilizer subsidy	6.7

Source: Department of Census and Statistics

Consequent to the main development programmes, Sri Lanka's social indicators such as, literacy rate, primary school enrollment, life expectancy and health indicators are well above here in and comparable to some developed countries.

Table 10.2.5 > **Contribution (%) Multidimensional Poverty
from the twelve Indicators - 2006 - 2012**

Contribution to MP (%) by dimension and indicator	2006/07***(%)	2009/10(%)**	2012/13* (%)
Living Standard	57.6	55.1	53.5
No electricity	10.3	9.4	8.9
No access to clean drinking water	6.8	5.1	5.8
No household exclusive water sealed toilet	9.9	10.1	8.6
No permanent house floor	8.1	7.9	7.6
No access to clean cooking fuel	12.6	12.8	12.8
No assets (car, van, jeep, Radio, TV, etc., at least one)	9.8	9.8	9.8
Education	14	11.9	16.5
No member in the family has achieved grade 5th standard education	9.5	8.5	10.9
At least one member child in the family refrains from schooling	3.6	2.4	2.4
Government school is beyond the distance within 1 hours reach	0.8	1	3.2
Health	28.4	33.1	30
Malnutrition (Receives 80% of the recommended nutrition level)	8.7	13.6	10.5
Head of the household is disable or suffering from chronicle illness	13.9	14.5	12.7
Government health facilities are beyond the distance within 1 hours reach	5.8	4.9	6.8

Source: Department of Census and Statistics *Covered all the 25 districts

** Excluding Mannar, Mullaitivu & Killinochchi districts, *** Excluding the entire North & Trincomalee district

Initiatives to address the Chronic Kidney Disease with Unknown Etiology (CKDu)

- Establishment of Reverse Osmosis (RO) Plants in schools to provide safe drinking water facilities for children.
- Distribution of drinking water through bowlers.
- Checking the water quality in all the wells in affected areas.
- Programme to protect tanks, which are not polluted by agro chemicals.
- Increasing the availability of facilities in hospitals for treatment of CKDu patients.

Recognizing this supplementary income aspects of poverty, the Government has focused on improving the income sources of low income families by strengthening the rural economy and the livelihood opportunities by improving the capital assets for expansion of the economy.

In this endeavor, creating self-reliant economy, Government has been implemented "Divineguma" programme. Improving institutional strengthening to implement the development activities, the Divineguma Development Department was established in early 2014 by consolidating the Samurdhi Development Authority, Udarata Development Authority and Southern Development Authority and created six regional divisions to address the socio-economic disparities in the regions.

Focus Areas: Divineguma Intervention

- Providing credit plus services - technical skills, marketing and technology assistance for establishing small/micro scale enterprises in household level
- Forming value chain clusters through Divineguma Community base village level committees to explore the domestic and export markets
- Setting up a Divineguma Community Based Bank to encourage savings habit and increase the investment potential

The multi-prolonged activities such as home gardening, animal husbandry, fisheries, cottage and industries etc., have been promoted depending on the needs of the low income families.

Divineguma is expected to mobilise people towards a national development process at the community level by creating community based organisations thus building regional, district and national level coordinating networks.

Implementation of Divineguma has also helped to increase the vegetable production. The total vegetable production of the country increased by 15 percent to 1,091,491 Mt in 2013 compared to 999,268 Mt in 2012. The per capita consumption of chicken increased significantly to 6.5 kilo grams from 5.7 kilo grams in the previous year and per capita egg consumption has increased to 56 from 54 in the previous year.

Production of liquid milk has given a high priority under this programme. In this endeavor, the two cow unit concept was introduced to the small farmers. 2,000 improved cattle breeds were imported to improve this sector in 2012 to 2013 period. It is expected to import another 20,000 stock of improved animal in 2014.

The small scale food processing centers, small rice mills, organic fertilizer centers and storage facilities have been provided at village level to enhance the enterprise village activities and marketing opportunities.

Agrarian economy; Ensuring food security and creating surplus, government has been implemented, a three year rehabilitation program to restore around 110,000 acres of abandoned paddy land and minor irrigation schemes.

Securing guaranteed producer prices for potato, onion, dried chilies and grain varieties, farmers

Table 10.2.6 > Progress of the Divineguma National Programme 2011 - 2013 (Rs Million)

	No of Families Benifited/ No of plants/ No of units	Expenditure 2011-2013
Seed Packages	6,423,930	1,079
Coconut sapling	6,542,858	382
Fruit & Vegetable Plants	11,729,313	1,010
Minor Export Crops	5,396,562	175
Other Plants (Herbs, Commerical Crops)	3,798,210	134
Green Houses , nurseries	3,200	349
Bee hives	5,300	32
No of Chicks	28,805,919	813
Cows and goats	4,322	
Cattle sheds/poultry cages animal feeds	13,327	
Fisheries Projects	11,216	266
Cottage Industries	17,688	818
Other line Ministries		1,754
Total		6,812

Source: Ministry of Economic Development

and the purchasing centers of Divineguma agrarian services are being linked to LakSathosa and other market centers. It is expected to modernizing all 300 Agrarian centers to meet the farmer need and providing necessary extension services.

Supporting infrastructure facilities through Rural centric programme;

“Gamaneguma”, the rural development strategy has been adopted to empower villages through wide range of activities. Investment in rural and farm land access roads, electrification at village level, irrigations and community water supply projects are strongly support to the development of rural sector activities and reducing poverty. Under the rural centric development programmes, government has invested around Rs. 465 Billion during 2006 to 2013, benefiting over 12 million communities in areas such as rural road development, community water supply, minor irrigation, rural electricity, livelihood initiatives and rural industries.

Having recognized a regionally focused development model, specific rural development programmes have been implemented to address the socio- economic disparities among regions. To this end, specific regional development programmes such as Uthuruwasanthaya, Rajaratanavodaya, Kaduratanavodaya, Pubudamuwellassa, Sabaragamuwaarunalokaya, Nenahiranavodaya, Wayabapubuduwa, Ruhunuudanaya, and Batahiranaruna contribute to achieve better performances in the poverty incidence of each region during the period of 2006 to 2013.

Support to create asset base – improving quality of rural housing

The families living in temporary houses frequently get affected by natural disasters. The government has taken steps to address the issues related to homeless and vulnerable people living in fully temporary houses, which are not having permanent structure, roof and floor.

Creating Intra - Inter Connectivity

The Gamaneguma; Rural Centric Development programme has been strongly supported to the development of rural sector activities both on and off farm through well connected market network, providing opportunities to villages to earn more.

Providing the supportive infrastructure facilities for creating connectivity, creating access and highly productive agriculture and addressing the chronic vulnerability will bring the people from grass-roots level through divisional, regional and national level to export market with efficient use of resources in all sectors.

Table 10.2.7 > **Poverty By Province**

	2002	2006/07	2009/10	2012/13	
Western	10.8	8.2	4.2	2	- Uva Province shows An increase in poverty incidence to become the poorest province
Central	25.1	22.3	9.7	6.6	
Southern	27.8	13.8	9.8	7.7	
Northern			12.8	10.9	- North Central Province, Northern and Eastern provinces also show relatively high incidence of poverty
Eastern		10.8	14.8	11	
North- Western	27.3	14.6	11.3	6	
North- Central	21.5	14.2	5.7	7.3	
Uva	37.2	27	13.7	15.4	
Sabaragamuwa	33.6	24.2	10.6	8.8	

Source: Department of Census and Statistics

Table 10.2.8 > **Improving quality of Rural Housing**

Housing	Existing Unit as at 2012	Need to be Improved as at 2012	Ongoing and Committed (2013 - 2016)
Structural	4,916,743	405,482	124,900
Urban Low Income	139,347	139,347	50,000
Plantation	175,885	175,885	5,350
Toilet Facilities (No.)	5,188,047	250,327	50,000

Sources: Ministry of Local Government and Provincial Councils, Ministry of Construction, Engineering Services, Housing and Common Amenities and Department of Census and Statistics

Removing gridlocks “I- Road” programme will connect 1,000 promising villages. This facilitates to connect these villages nationwide to the nearest major trunk road or expressway through provincial roads and national highways for speedy connectivity. Under this programme 120,000 families will be benefited and average distance travelled to obtain major services will be reduced by 7.3 km.

Urban service centres will be developed through “Puranaguma” intervention to develop the infrastructure facilities to connect the villages and emerging townships to enhance the accessibility to the markets and other basic needs and create income avenue for rural communities.

Considering the multidimensionality nature of poverty, there are much need to be done in the areas of Health, Education and living standards.

10.3 Deyata Kirula 2013/2014 - A New Approach to Accelerate Development in Targeted Districts

Many development projects which have been launched in Ampara, Batticaloa, Trincomalee and Polonnaruwa Districts under the Deyata Kirula 2013, were taking place according to the required standards. However, there is a significant difference among previous Deyata Kirula exhibitions and Deyata Kirula - 2013/2014. The main difference is that, there is a strong link between National Exhibition of Deyata Kirula - 2013/2014 with its Development Programme.

Deyata Kirula 2013/2014 was commenced in Kurunegala, Puttalam and Kegalle Districts in March 2013 with the involvement of the relevant government agencies, private institutions, people in the area and political leadership. It covers 2,431 Grama Niladari divisions coming under 57 D.S. divisions, aiming to complete considerable amount of development works before the end of February 2014 while giving equal economic benefits to the rural population living in 3 districts.

Development activities were conducted under following three strategies.

- Mobile Services
- People centric development programme
- Integrated rural development programme

The special feature of the Deyata Kirula 2013/2014 is the conducting of mobile services which helped to build a great rapport with the people. Those mobile services were commenced in July 2013, in above 3 Districts, to identify people's problems and find quick solutions.

Progress of Deyata Kirula Development Programme

A. Mobile Services

Mobile services were activated at 2,731 Grama Niladari Divisions and directed the problems that were not solved to the 28 Electorate levels. This programme was commenced in July 2013 and progress as at the end of 2013 was successful in solving 55% of the 1 million numbers of problems (including common problems) with the involvement of the Government and private sector officials through participatory development approach. Unsolved problems were directed to the next level to give solutions. The prominent issues highlighted at mobile services were in the areas of housing and land, certificates and permits, social protection, health, livelihood and common amenities. The progress of resolving issues at rural level mobile services is summarized in the table 10.3.1 and 10.3.2.

Table 10.3.1 > **Progress of Rural level Mobile Services**

	No. of problems raised	Problems solved (as at 31/12/2013) as a %
Kurunegala	416,284	68.15
Puttalam	138,862	35
Kegalle	316,384	60.8
Total	871,503	55

Source: Ministry of Economic Development

Table 10.3.2 > **Progress of Electorate level**

	No. of problems raised	Problems solved (as at 31/12/2013) as a %
Kurunegala	13,198	46.68
Puttalam	95,075	53
Kegalle	32,892	63.09
Total	141,165	55

Source: Ministry of Economic Development

Table 10.3.3 > **Problems raised at field level**

No	Type of problem	Raised	Solved	To be solved	Solving percentage
1	Houses and land	238,244	60,158	178,086	25
2	Health	180,752	177,812	2,940	98
3	Public facilities	119,031	53,712	65,319	45
4	Education	17,459	5,661	11,798	32
5	Social services	200,844	137,509	63,335	68
6	Certificate and permits	119,108	106,101	13,007	89
7	Youth and women affaires	5,918	3,861	2,057	65
8	Irrigation	8,444	3,722	5,115	42
9	Religious affaires	8,837	273	2,269	11
10	Divineguma	95,297	44,674	50,623	47
11	Others	24,263	8,480	15,783	35
Total		1,012,295	601,963	410,332	56

Source: Ministry of Economic Development

In addition to solving the problems, the mobile service units provided services such as issuing of birth, marriage and death certificates, National Identity Cards and provided crutches, wheel chairs and walking aids while organizing health clinics and giving training and assistance to agriculture, fisheries, livestock and cottage industries.

B. Development Programme

The people centric development programme was launched in these districts through various agencies to implement agricultural, irrigation, highways, educational, health, drinking water, and power supply projects in 57 Divisional Secretarial Divisions. Various activities such as Maternity clinics, weekly fairs, bus stands, crematoriums, rehabilitation of small irrigation schemes, rural roads, new constructions, renovations, repairs and extensions, drinking water and power supply have also been conducted under Deyata Kirula common amenities programme.

In parallel to the implementation of the annual development programmes of all the government agencies, integrated rural development programme was commenced with the involvement of those agencies and under the supervision of the District Secretaries coordinating with District Development committees.

C. Procurement Related to the Deyata Kirula Activities

A guide line was issued to ensure all procurement activities pertaining to the Deyata Kirula are performed in an efficient and transparent manner. Accordingly,

- All procurements related to the exhibition have to be carried out by a Procurement Committee which set up with the leadership of the District Secretaries in Kurunagala, Puttalam and Kegalle.
- All construction of permanent structures should be carried out through calling limited quotations from the government construction institutions or agencies registered under the relevant District Secretariat.
- The submitted quotations by these institutions and the quotations received for other goods and services related to Deyata Kirula have to be evaluated by a Technical Evaluation Committee.
- All tenders should be awarded meeting the technical specifications with the lowest price based on the recommendations of the Technical Evaluation Committee.
- The Procurement Committee has to make all decisions in order to ensure that the development benefits are extended for people living in these areas by giving priority to entrepreneurs in Kurunagala, Puttalam and Kegalle in awarding contracts.
- All development activities have to be identified and carried out with the fullest participation of all the People's Representatives of the area.

Table 10.3.4 > **Progress of Deyata Kirula People Centric Development Programme (as at 31/12/2013)**

Programme	Total		Kurunegala		Puttalam		Kegalle	
	Targeted Number	Amount (Rs. Mn)	projects identified	Work in progress	projects identified	Work in progress	projects identified	Work in progress
Isurumath Mavubimak Asirimath Nivahanak programme (completing roofing tile, roof, walls veranda and toilet facilities for houses	93,750	2,407	1,669	—	10,047	1,285	991	473
Rural Infrastructure Development Programme	48,829	6,839	1,212	268	540	101	340	21
Rural electrification schemes (No.)	108,886	762	Selection in progress		Selection in progress		—	—
Road Development (Km)	-	10,000	19	Selection in progress			2011	149

Source: District Secretaries of Kurunegala, Kegalle, Puttalam

D. Deyata Kirula Exhibition

Table 10.3.5 > **Progress of Deyata Kirula Exhibition Site**

Institution	Building/Activity	Estimated Cost (Rs. Mn)	Physical Progress (%)	
			As at 31.12.2013	As at 28.02.2014
Wayamba University	Auditorium	250	40	100
	Stadium	250	40	75
	Student Centre	70	40	100
	Nano-Technology Lab	30	10	100
Technical College	Administration Complex	60	40	85
Central College	Auditorium	120	50	90
	Two-storied Library	15	50	100

Source: District Secretaries of Kurunegala,

The 2013 Deyata Kirula exhibition centre was developed with buildings and facilities at Kuliyaipitiya Campus, Central College and Technical College.

E. Audit Findings

As per the Cabinet directives, all programmes, their effectiveness, community benefits, expenses and procurement activities as well as overall performance of the Dayata Kirula have to be subjected to the internal auditing of the relevant institutions with the coordination of Management Audit Department and the Project Management Department.

- In 2014, the receipts by way of sponsorships and selling exhibition stoles amounted to about Rs.162.8 million. It is observed that this would be increased in future by enhancing opportunities for the private sector engagement given the large crowd participation in the future.
- Distribution of roofing tile programme has implemented well, though few places had minor issues such as improperly constructed walls for roof tiling, land ownership issues etc.
- A large number of small scale projects (Weekly fairs, Mother and children care clinics) which had been planned to be implemented in three districts were not undertaken when the Deyata Kirula Programme was commenced due to various reasons. Therefore, it is appropriate to commence the projects after identifying the priority requirements in the relevant districts, based on the funding availability.
- The Cabinet Paper which gives the direction and authority to implement various projects which are related to Deyata Kirula Programme has to be issued in May providing sufficient time to complete the construction work and development activities. (This has been issued in August 2012 and July 2013.)

10.4 Millennium Development Goals

A Reality in Sri Lanka

The Millennium Development Goals (MDGs) are eight international development goals which seek to eradicate poverty and hunger, achieve universal primary education, promote gender equality, reduce child mortality, improve maternal health, combat common diseases, ensure environmental sustainability and develop a global partnership for development. The MDGs were officially established following the Millennium Summit of the United Nations in 2000 and following the adoption of the United Nations Millennium Declaration. All 193 member states of the United Nations and at least 23 international organizations have agreed to achieve these goals by the year 2015. The MDGs have been the most comprehensive global anti-poverty strategy and less than 2 years are remaining to achieve the targets set by the MDGs. Sri Lanka has made a significant and substantial progress in meeting many of the targets, including halving the number of people living in extreme poverty and the proportion of people without sustainable access to improved sources of drinking water and sanitation facilities well before the target year. According to the UNICEF, Sri Lanka's experience is among the most compelling in achieving the best indicators for child and maternal health and access to primary health care in South Asia. Sri Lanka's education attainment levels are also high with regard to basic indicators such as literacy, access to primary education and education completion rate and MDG targets for universal primary

education and gender equality in primary education have been almost achieved. Remarkable gains have been made in the fight against HIV, Malaria and other communicable diseases.

Goal 1 - Eradication of Extreme Poverty and Hunger: The proportion of people whose income is less than \$ 1 a day has been halved in 1990-2015

Sri Lanka has already achieved the MDG on poverty well before the 2015 deadline. Based on the national poverty lines, the incidence has declined from 26.1 percent in 1990-1991 to 6.7 percent in 2013. It is a significant achievement that the current national poverty level is 6.7 percent which is well below the 13.1 target which was intended to be reached by 2015. Around 1.7 million poor people have moved out of poverty from 2005 to 2013.

Urban and rural sectors have individually achieved the MDG on poverty before 2015 and estate sector also very close to achieve the target. The government has made every effort since 2006 to provide better living standards and increase family income. The government is implementing several programmes focusing on individuals, family, community/village and regional base. As a result, poverty has been continuously decreasing in all three urban, rural and estate sectors and country has moved on to middle income status.

Goal 1 - Eradication of Extreme Poverty

Table 10.4.1 > **Indicator 1a: Poverty Head Count Ratio**

Sector	1990/91	1995/96	2002	2006/07	2009/10	2012/13	Target in 2015	Status
Sri Lanka	26.1	28.8	22.7	15.2	8.9	6.7	13.1	Already achieved
Urban	16.1	14.0	7.9	6.7	5.3	2.1	8.1	Already achieved
Rural	29.4	30.9	24.7	15.7	9.4	7.6	14.7	Already achieved
Estate	20.5	38	30.0	32.0	11.4	10.9	10.2	On track

Source: Department of Census and Statistics, HIES 2012/13 Report

Although Sri Lanka has made a considerable overall progress at national level, regional disparities still remain with some of the regions which are still lagging behind. According to the Household Income and Expenditure Survey (HIES) 2012/2013, the highest incidence of poverty was recorded from Batticaloa, Mannar and Mullaitivu districts. If the present development activities taking place in Northern and Eastern Provinces continue without any interruption and the services to the people are further improved, poverty levels in these two provinces may also reach the goal.

Table 10.4.2 > **Poverty Head Count Ratio by Districts**

District	2009/2010	2012/13	District	2009/2010	2012/13
Colombo	3.6	1.4	Kilinochchi	-	12.7
Gampaha	3.9	2.1	Batticaloa	20.3	19.4
Kalutara	6.0	3.1	Ampara	11.8	5.4
Kandy	10.3	6.2	Trincomalee	11.7	9.0
Matale	11.5	7.8	Kurunagala	11.7	6.5
Nuwara-Eliya	7.6	6.6	Puttalam	10.5	5.1
Galle	10.3	9.9	Anuradapura	5.7	7.6
Matara	11.2	7.1	Polonnaruwa	5.8	6.7
Hambantota	6.9	4.9	Badulla	13.3	12.3
Jaffna	16.1	8.3	Monaragala	14.5	20.8
Mannar	-	20.1	Ratnapura	10.5	10.4
Vavuniya	2.3	3.4	Kegalle	10.8	6.7
Mullaitivu	-	28.8			

Source: Department of Census and Statistics, HIES 2012/13 Report

Despite major gains in health sector the maternal and child under nutrition continues to be a major challenge in Sri Lanka, affecting children's physical and cognitive development. The nutrition indicators have shown a slow improvement, in spite of the continued investment.

Table 10.4.3 > **Indicator 1b: Percentage of underweight children under 5 years of age**

Sector	1993	2000	2006/2007	Target in 2015	Status
Sri Lanka	38	29	21.6	19.0	On Track
Urban	31	20	16.6	15.5	On Track
Rural	38	31	21.7	19.0	On Track
Estate	52	44	29.7	26.0	Off track

Sources: Department of Census and Statistics, WHO

Although Sri Lanka seems to be “on track” in responding to the issue of underweight children under 5 years of age at national level and in urban and rural sectors by 2015, more than one fourth of the children under 5 years of age remains underweight and therefore more attention needs to be paid to children’s nutrition, especially in the estate sector.

Goal 2 - Achieve Universal Primary Education: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Sri Lanka’s education attainment levels are high according to the basic indicators such as literacy, access to primary education completion rates and Sri Lanka has almost achieved the MDG targets universal primary education.

Table 10.4.4 > **Goal 2 - Achieve Universal Primary Education**

Indicator	1990	2002	2006/2007	Target in 2015	Status
Net enrolment ratio in primary education (%)	88	96.3	97.5	100	On Track
Proportion of pupils starting grade 1 who reach grade 5 (%)	64.1	96.3	99.6	100	On Track
Literacy rate of 15-24 years old, women and men (%)	92.7	95.6	95.8	100	On Track

Source: Department of Census and Statistics/MDG Status in Sri Lanka 2005 and 2008

Government policies such as free education from primary education up to university level, compulsory education for all children in the age range of 5 to 14 years which ensures minimum of nine years of education, provision of free text books and clothes and nutrition programmes for school children have contributed in accelerating the progress towards achieving this MDG. While Sri Lanka has made a considerable progress in the field of education and has already achieved most of the MDG targets on education, challenges still remain particularly in improving the quality of education at all levels and providing access to all streams, especially for science languages and technology streams up to grade 13 to all children in all regions.

Goal 3 - Promote Gender Equality and Empower Women: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

The government has remained committed to ensure gender equality even many decades before it became a state party to the UN Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and MDG declarations. Women together with men received the universal franchise in 1931, along with the right to become a Member of Parliament. The present constitution of Sri Lanka guarantees equal right to all its citizens without discrimination on the grounds of sex. The Government of Sri Lanka in response to the CEDAW working committee's concluding

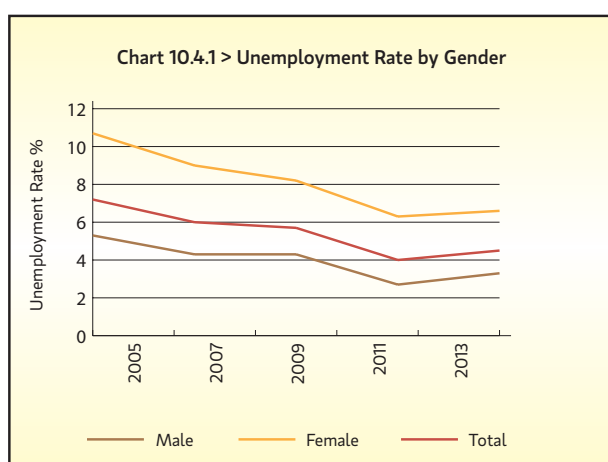
comments, amended the Citizenship Act of 1948 to eliminate the gender discriminatory provision contained in that law and further enacted the Prevention of Domestic Violence Act, No.34 of 2005. In addition the Government took initiatives to amend the Establishment Code, which regulates public sector employment, to extend maternity leave by the grant of an additional 84 days on half pay and a further 84 days on no pay.

Sri Lanka has almost achieved MDG targets on gender parity in primary education with the ratio of girls to boys in primary education reaching 100 percent in 2006/2007. In the case of secondary and tertiary education, the ratio has already gone beyond the target of 100 percent showing that girls are more likely to attend secondary and tertiary education than boys.

Table 10.4.5 > **Goal 3 - Promote Gender Equality and Empower Women**

Indicator	1996	2002	2006/07	Target in 2015	status
Ratios of girls to boys in primary secondary and tertiary education					
Primary	94.2	94.6	100	100	Already achieved
Lower secondary	91.2	94.8	105.7	100	Already achieved
Upper secondary	107.7	101.8		100	Already achieved
Tertiary	75.4	113.8	187	100	Already achieved

Source: Department of Census and Statistics/MDG Status in Sri Lanka 2005 and 2008



Source: Labour Market Information Bulletin 20013/ Ministry of Youth Affairs and Skills Development

Sri Lanka has led the region with regard to the women's MDG indicators on education and health. However, women labour force participation rate remains relatively low. The labour force survey shows that female rate of labour force participation which stands at 35.4 percent is about half that of male's at 64.6 percent. Overall unemployment rate has fallen to 4.5 percent by 2013, but the female rate remained at 6.6 percent.

Goal 4 - Reduce Child Mortality: Reduce by two thirds, between 1990 and 2015, the under five mortality rate

Sri Lanka has been able to achieve remarkable health indices, such as low infant mortality rate, under five mortality rate, maternal mortality rate and high level of life expectancy because of effective policies and programmes implemented by the Government. The foundation of these achievements are the policies of free health and free education covering the entire nation and committed by all levels of medical and other related professional personnel and the existence of a strong preventive and curative health infrastructure.

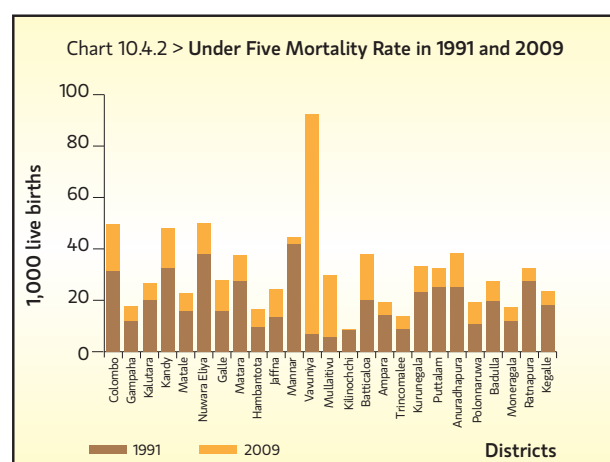
Sri Lanka has been successfully achieved MDG target on reducing infant and child mortality rates. The infant mortality rate declined from 19.8 per 1,000 live births in 1990 to 9.4 per 1,000 in 2009.

Table 10.4.6 > **Goal 4 - Reduce Child Mortality**

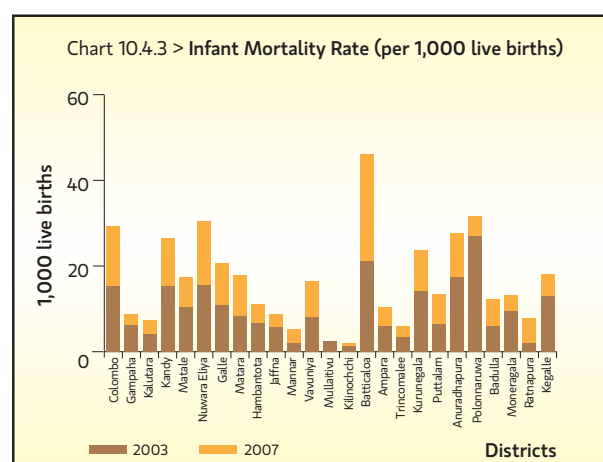
Indicator	1991	2000	2009	Target in 2015	Status
Under 5 mortality rate (per 1,000 live birth)	22.2*	16.3**	11.3***	8.0	On Track
Infant mortality rate (per 1,000 live birth)	17.7**	13.4**	9.4***	6.00	On Track
Proportion of 1 year children immunized against measles	95.5*(1993)		97.9****	100	On Track
		(2006/2007)			

Source: "Department of Census and Statistics **Registrar General's Department ***Registrar General Department (provisional) ****Demographic and Health survey 2006/2007

Even though Sri Lanka's infant and the under 5 mortality rates have dropped significantly during 1990 to 2009, there is considerable variation in infant mortality rates and under five mortality rate across the different provinces. The rates remain high in Colombo, Kandy, Nuwara Eliya, Batticaloa, Vavuniya and Anuradapura districts.



Source : Registrar General's Department



Source: Sri Lanka Human Development Report 2012

Goal 5 - Improve Maternal Health: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

Sri Lanka has achieved a considerable success in consistently reducing maternal mortality. Sri Lanka has a wide network of free maternal care services integrated with the child care services. A well - trained cadre of public health midwives provides care services at village level all over the country. In Sri Lanka, 98 percent of births take place in public institutions and more than 98 percent of births are attended by skilled health care personnel. These positive conditions in the health sector contribute to achieve MDGs on improving maternal health in Sri Lanka well before 2015.

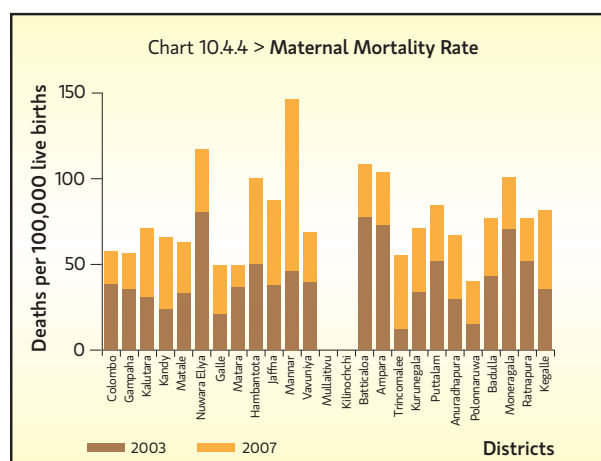
Table 10.4.7 > **Goal 5 - Improve Maternal Health**

Indicator	1991	2001	2010	Target in 2015	Status
Maternal mortality rate (deaths per 100,000 live births)	42.3	17.8	7.4 (2009)	10.6	Already achieved
Proportion of births attended by skilled birth attendants (%)	94.1		99.88	99	Already achieved

Source: Registrar General's Department, DHS 2006/2007

Although, Sri Lanka has lowest maternal mortality rate in the SAARC region, there are some regional disparities. Maternal mortality rates are highest in Killinochchi, Monaragala, Batticaloa, Ampara and Rathnapura Districts.

Sri Lanka national performance in health sector is in a better position according to most of the basic indicators, such as life expectancy at birth and maternity and infant mortality rates. However non communicable diseases, such as heart diseases, diabetes, cancers, and asthma, are increasing rapidly in the recent past. Household Income and Expenditure Survey 2012/13 (Preliminary Report) has found that among the total household heads in Sri Lanka, 24.8 percent are suffering from at least one chronic illness or a disability condition as listed in the flowing table.



Source: Family Health Bureau
(Mullaitivu, Kilinochchi Districts data - not available)

Table 10.4.8 > **Chronic Illness/Disability**

			Percentage (%)
Heart diseases	8.1	Arthritis	5.1
Blood pressure	23.2	Psychological/Mental	3.1
Diabetics	18.7	Haemorrhoid	0.9
Asthma	9.6	Catarrh	3.3
Epilepsy	1.5	Headache	1.4
Cancer	1.3	Naturally disabled	2.9
Stomach diseases/Gastritis	2.6	Accident	2.7
Diseases related to eyes	1.9	Other	11.5
Diseases related to ears	2.0	Total	100

Source: Department of Census and Statistics, HIES 2012/13(Preliminary Report)

Goal 6 - Combat HIV/AIDS, Malaria and Other Diseases

The broad aim of the health policy of Sri Lanka is to increase life expectancy and improve quality of life. This is to be achieved by controlling preventable diseases and by health promotion activities.

Sri Lanka is also on track to achieve 6th MDG of combating HIV/AIDS, malaria and other diseases. The estimated HIV prevalence rate for age group 15-49 is low, at less than 0.1, nevertheless, the changing behavioural patterns in the society has to be monitored and addressed to reduce higher prevalence of risk behaviours among especially the at-risk population groups.

Table 10.4.9 > **Goal 6 - Combat HIV/AIDS, Malaria and Other Diseases**

Indicator	1900	2000	2005	2013	Target in 2015	Status
HIV prevalence among population (%)				0.1	No target	
Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS (%)				35.3 (2006/07)	No target	
Death rate associated with malaria, per 100,000 population			0	0	0	Already achieved
Proportion of tuberculosis cases directly and cured under directly observed treatment short course (%)		78.6	86.3	84.9 (2008)	85	Already achieved

Source: Department of Census and Statistics, Demography and Health Survey 2006/2007, National Programme for TB Control, Ministry of Health website, UNICEF Country Programme (2013-17)

Incidence of Malaria in Sri Lanka has recorded a sharp decline since 1999, without any deaths being reported in Sri Lanka since 2008. Researchers have identified Sri Lanka as a 'low endemic country,' asserting that the initiatives taken over a period of two decades to eradicate malaria in the island, have proved successful. There has been a dramatic reduction of case load in the past decade from 210,039 cases in the year 2000 to 23 cases in 2012, and Sri Lanka has also achieved 99.9% reduction in infections, attributing to the success to measures such as indoor residual spraying and the government-supported distribution of insecticide-treated nets. Tuberculosis is still a major health problem in Sri Lanka, although treatment success has reached the global target of 85 percent.

Tuberculosis still continues to be a major public health problem in the country. About 9000 new cases of tuberculosis are recorded every year, of which around 60% are smear-positive pulmonary TB cases. The National Programme for Tuberculosis Control and Chest Diseases is a decentralized unit, which controls tuberculosis as well as other chest diseases in the country.

Goal 7 - Ensure Environmental Sustainability: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environment resources

The government of Sri Lanka has taken a number of positive steps to ensure environmental sustainability, Mahinda Chintana has outlined the government's resolve to ensure environmental sustainability by focusing on sustainable management of forest resources for protection of the environmental and biodiversity.

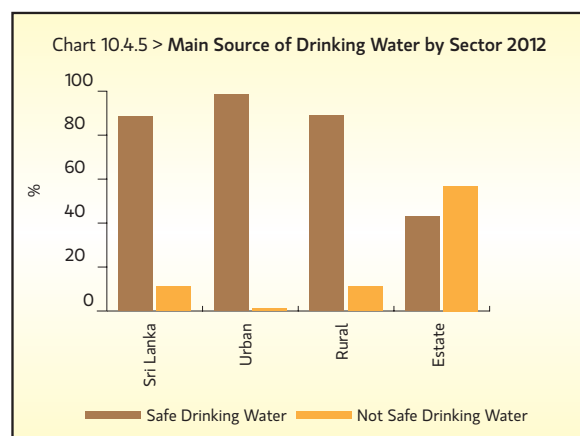
During the past decade, forest coverage has decreased from 32.2 percent in 2001 to 29 percent in 2012/ 2013. This has an adverse effect on loss of biodiversity, climate change and human elephant cohabitation. Therefore government has initiated several programmes such as tree planting programmes, effective waste management to mitigate the environment issues and increase forest coverage in Sri Lanka.

Table 10.4.10 > **Goal 7 - Ensure Environmental Sustainability**

Indicator	1991	2001	2010	2012/13	Target in 2015	Status
Proportion of land area covered by forest (%)	33.8	32.2	29.66	29	33	off track
Proportion of population using an improved drinking water sources (%)	68	-	87.3	88.7	84	Already achieved
Proportion of population using an improved sanitation facilities (%)	69	-	-	99.2	84.5	Already achieved

Sources: Annual Report, Ministry of Finance and Planning, Department of Census and Statistics, HIES 2012/13 Preliminary Report

Sri Lanka has already achieved the MDG target on safe drinking water. Out of the total number of households in the country, nearly 90 percent has access to safe drinking water in 2012/13. Compared to 68 percent in 1990, this is a significant achievement. However, when urban, rural and estate sectors are compared, around 98.7 of the households in urban sector receive safe drinking water whereas the facility is limited to 43.2 percent of the households in the estate sector.



Source: Department of Census and Statistics, HIES 2012/13 Preliminary Report

Huge improvements in sanitary conditions have been recorded in sectors and all the districts. In 1990, only 69 percent of the households had access to improved sanitation facilities. By 2012, approximately 99 percent household have access to improved sanitation which goes beyond the MDG target of 93 percent. Significant improvements were made both in the rural and the estate sector.

Table 10.4.11 > **Percentage distribution of households by availability of toilet facilities and by sector - 2012**

Sector	Total	Exclusive for the household	Sharing with another household	Public convenience	No toilet facilities
	%	%	%	%	%
Sri Lanka	100	89.8	8.5	0.9	0.8
Urban	100	88.6	8.5	2.8	0.1
Rural	100	90.8	7.7	0.5	1.0
Estate	100	75.9	21.7	1.9	0.5

Source: Department of Census and Statistics, HIES 2012/13 Preliminary Report

Goal 8 - Develop a Global Partnership for Development

Most of the objectives under Goal 8 of the MDGs particularly focus on government commitments and achievements, towards developing the global partnership for development.

A country's external debt burden affects its creditworthiness and vulnerability to economic shocks. Since 2010 debt service payment has been increased due to rise in debt service payments in nominal terms & decline in export earnings.

Information and communication technology (ICT) can play an important role in the fight against poverty and be an effective tool in helping countries to achieve the MDGs.

There has been a rapid increase in access to telecommunication services in Sri Lanka since 1990. A total of 13.2 per 100 persons have access to fixed telephone line and 112.4 per 100 persons have access to mobile phone in 2013. Meanwhile, internet users have been increased from 0.45 per 100 persons in 2003 to 9.8 per 100 persons in 2013.

Table 10.4.12 > **Goal 8 - Develop a Global Partnership for Development**

Indicator	1990	2003	2007	2010	2013	Target in 2015
Debt service as a percentage of exports of goods and services	17.9	7.3	8.2	10.7	16.0*	No target
Fixed telephone lines per 100 inhabitants	0.8	5.1	13.7	17.3	13.2	No target
Mobile cellular subscriptions per 100 inhabitants		16	53.6	100.8	112.4	No target
Internet users per 100 inhabitants		0.45	1.01	2.08	9.8	No target

Source: Central Bank Annual Report *Provisional

In the past two decades Sri Lanka has recorded substantial progress in Millennium Development Goals. Compared to the 1990, today people are healthier and more educated, and they live longer, have access to improved living conditions and have better access to goods and services. However, malnutrition, ageing, Non-Communicable Diseases (NCD) and disability are major issues for inclusive development of the country. Therefore, Sri Lanka needs to pay more attention to NCD, such as heart diseases, diabetes, cancers, and asthma, as well as their risk factors such as obesity, smoking, intake of high sugar and salt diets, and alcoholism are increasing and affecting both rich and poor. Ageing has become an important emerging issue, since it increases the old-age dependency ratio and has economic implications. Ageing population also creates higher demand for the prevention of NCD and related services that are more costly than other types of health care.

2014-16 medium term health strategy focuses on the reduction of Non-Communicable Diseases through following measures.

- Developing and maintaining centres of excellence to address the prevalence of NCD
- Conduct awareness/training programmes for public and private sector staff, community groups, NGO on NCD
- Empower the community & health staff for promotion of healthy lifestyle
- Facilitate provision of primary, secondary & tertiary NCD care
- Provision of safe water for drinking
- Conducting risk factor survey on NCD

10.5 Ensuring Energy Security

Petroleum (45.3 percent), Biomass (43.5 percent), Coal (4.0 percent), Major Hydro (5.7 percent) and New Renewable Energy¹ (1.6 percent) are the primary energy sources which contribute to most the demand of country's energy requirement. Ensuring energy security has become a critical issue due to increasing oil prices in the world, changing climate pattern, use of traditional technology and low awareness of public on efficient energy sources for consumption. A more diversified use of energy sources is vital for the energy security in the country.

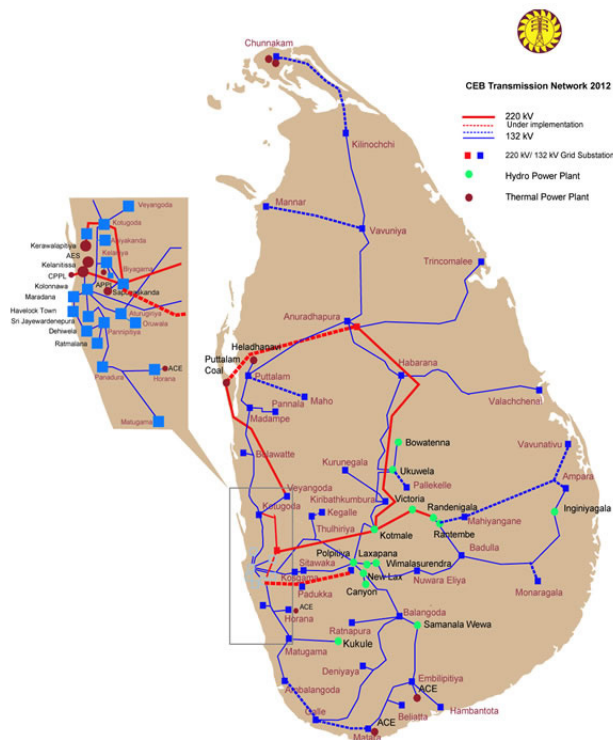
Guiding Policy Elements

1. Providing basic energy needs
2. Ensuring energy security
3. Promoting energy efficiency and conservation
4. Promoting indigenous resources
5. Adopting an appropriate pricing policy
6. Enhancing energy sector management capacity
7. Consumer protection and ensuring a legal playing field
8. Protection of adverse environmental impacts of energy facilities

Electricity

Ceylon Electricity Board and eight independent power producers, over fifty privately owned renewable energy producers, mostly the mini hydro power producers engage in power generation to the national grid. When the reservoirs are in their full capacity, electricity can be generated at the least cost. But during the drought period, generating of electricity requires the use of

CEB Transmission Network 2012



1: Wind, Solar and Small Hydro

Table 10.5.1 > **Total Electricity Requirement**

Total installed capacity at present (MW)	3312
Total requirement by 2020 (MW)	5266
Thermal power plant retirements (MW)	548
Gap needed to fill over medium term (MW)	2502

Sources: Department of National Planning, Ceylon Electricity Board

petroleum fuels, at the highest cost reducing benefits of hydropower. Further, establishment of mini hydro power plants in everywhere has considerable effects on natural environment and the biodiversity of the country. Even though the coal power plants have some effect on environment, with advance technology, it can help balancing the power generating mix at relatively low cost. However, considering the economic and environmental benefits, attention should be paid more on renewable energy sources such as wind, solar and modern biomass.

Table 10.5.2 > **Cost of Production**

Source of electricity generation	Unit Cost of Production Rs per 1 kWh
Hydro	2.50
Thermal-Fuel	25.00
Thermal- Coal	8.00-8.50
Biomass	23.44
Wind	23.55
Solar	23.10
Mini hydro	17.39

Source: Ministry of Power and Energy

Petroleum Resources

Ceylon Petroleum Corporation, Lanka Indian Oil Company and Ceylon Petroleum Terminals Ltd are the main suppliers of petroleum oil. Current domestic oil demand is 100 kilo barrels per day and this is in a growth at an annual rate of 5 percent. High cost due to uncertainties in the global market and environmental pollution are the main challenges in the use of petroleum resources. Therefore, attention should be paid to use of alternatives such as production of biofuels and explore Liquid Natural Gas (LNG).

Key issues in the Energy Sector

Need has arisen to prepare a comprehensive mechanism to reduce the prices on consumers, burden on government and address the future demand as challenges to have low cost, ecofriendly energy sources which give more socio economic benefits in the long run.

Table 10.5.3 > **Key Issues, Strategies and target in Energy Sector**

Issue	Strategy	Indicator	Present Status	Target for 2016	Target for 2020
Fuel diversity and energy security in bulk energy supply	Reduce the share of biomass for energy supply and diversification to coal, LNG and Non Conventional Renewable Energy (NCRE)	Resource diversity, number of households and industries using Renewable Energy and LNG	Petroleum: 45.3 % Biomass: 43.5% Coal: 4% Hydro:5.7% New Renewable energy: 1.6% LNG: 0 %	Petroleum: 37% Biomass: 40% Coal: 8% Hydro:3.5% New Renewable energy:6.5 % LNG:5%	Petroleum: 32% Biomass: 35% Coal: 12 % Hydro:2.0% New Renewable energy: 9% LNG:10%
Fuel diversity and energy security in electricity generation	Moratorium on oil/oil-related fuel burning power plants, diversification to coal, LNG and Non Conventional Renewable Energy (NCRE)	Resource diversity, average production cost of electricity, share of indigenous energy for electricity generation	Hydro: 41% Oil: 40 % Coal: 9 % NCRE: 10 % LNG: 0 %	Hydro: 33% Oil: 25 % Coal: 20% NCRE:15 % LNG: 7%	Hydro: 28% Oil: 5 % Coal: 30% NCRE: 22 % LNG: 15%

Issue	Strategy	Indicator	Present Status	Target for 2016	Target for 2020
Renewable energy for electricity generation	Relieve grid constraints, arrange finances to accelerate NCRE development	Share of NCRE on the grid, impact on average generation cost	NCRE share: 10%	NCRE share: 15%	NCRE share: 22%
Supply-side energy efficiency	Accelerate investment and management efforts to reduce technical and non-technical losses	Reduction of technical and non-technical losses in Transmission and Distribution (T&D)	Total T&D loss 10.67% of net generation	Total T&D loss 10% of net generation	Total T&D loss 8% of net generation
Demand-side Energy Efficiency (EE)	Mandatory labelling of appliances, consumer education, energy efficiency services, energy efficiency buildings, LED and CFL popularization, investment on energy efficiency	Energy efficiency codes and appliance labelling, efficiency appliance popularization, customer investment on energy efficiency	One EE project already in place	All codes and labels to be mandatory	
Energy sector knowledge management, planning, Research and Development	Development of integrated national energy management plan, enhanced energy sector database and analyses, increase investment on research and development	Publication and regular update of the integrated national energy management plan. Output of research activities	Strategic Plan for 2013-2017	Integrated national energy management plan 2018-2025 Completed research on production of biofuels	
Reforms and regulatory development in electricity generation	Increase the private sector participation in energy supply regulated by the government	No of private sector organizations in direct transmission and distribution of electricity	Ceylon Electricity Board is the sole supplier through the national grid and Lanka Electricity Company (Pvt) Ltd involves with the distribution in selected areas	Further diversification in generation and distribution	

10.6 Irrigation - A New Era of Development...

The country's irrigation infrastructure network is utilized for food security, provision of drinking water and hydropower generation. At present, such demands are on the increase with an emerging middle income economy transition. However, since the completion of Accelerated Mahaweli Development Programme in 1980s, there have been no major investments directed towards harnessing water through development of new infrastructure facilities and modernizing and maintenance of existing facilities. The year 2006 showed a turning point when the Government embarked on a massive infrastructure development programme with the commencement of a large number of new schemes under "Mahinda Chinthana - Vision for the Future" Policy Framework. A substantial volume of activities covering rehabilitation of irrigation systems, maintenance improvement in downstreams, Dam Safety improvements in 32 major irrigation systems and building up new facilities such as Weheragala (Southern), Rambukkan Oya (Eastern) & Deduru Oya (North Western) and commencement of new major schemes such as Moragahakanda and Kaluganga reservoirs (Central, North Central and Eastern), Uma Oya Diversion (Uva and Southern), Yan Oya (North Central and Eastern) and Gin-Nilwala Diversion (Southern) have been undertaken. Progress so far has been remarkable. These projects will help substantially to increase water storage, develop most water short areas and reduce potential vulnerabilities due to climate change.

Table 10.6.1 > **Achievements during 2006 - 2010**

Policy/ Investment priorities	Achievements
Construction of new Multipurpose Reservoirs and Trans - Basin Diversions: <ul style="list-style-type: none"> Menik ganga (Wheragala) reservoir, Moragahakanda & Kaluganga reservoir, Uma Oya Multipurpose irrigation scheme, Kekiri Obada(KiramaOya), Deduru Oya, Rambukkan Oya, Kumbukkan oya (Nakkala), Yan Oya, Heda Oya Reservoir project, North Central Province (NCP) Main Canal, Gin-Nilwala Trans Basin Diversion (Urawa Diversion) 	Reservoir construction and Rehabilitation : <ul style="list-style-type: none"> Completed Weheragala in Menik Ganga, Kekiri Obada and Weli Oya, Wemedilla multi - purpose irrigation schemes and rehabilitated 9 major and 18 medium reservoirs facilitating to cultivate irrigable extent of 24,674 ha during both Yala & Maha seasons with an increase of cropping intensity. Increased the capacity of reservoirs, by 2,125 MCM while augmenting most of the existing tanks with water shortage. Continued the construction of 19 ongoing projects such as Moragahakanda & Kaluganga, Uma Oya, Deduru Oya and Rambukkan Oya reservoirs and 25 feasibility studies. Commenced Dam Safety & Water Resources Planning (DSWRP) Project in 2008, targeting rehabilitation of 80 dams which include 32 major high risk dams. During this period rehabilitation of 06 dams were completed. Rehabilitated 3,526 minor irrigation schemes.
Rehabilitation: DSWRP Project, Minor tanks rehabilitation programme.	
Water Use efficiency/ Productivity Operation & Maintenance (O&M) Research & Feasibilities	

Table 10.6.1.1 > **Increased water use efficiency/productivity(2005-10)**

KPIs	2005	2010
Average cropping intensity	128	146
Cropping Intensity under major schemes	140	170
Paddy Production under Major Irrigation Schemes (MT/ha.)	4.6	5.15
Water usage for paddy cultivation (Ac.ft)	6-7	5-7

Source: Ministry of Irrigation and Water Resources Management

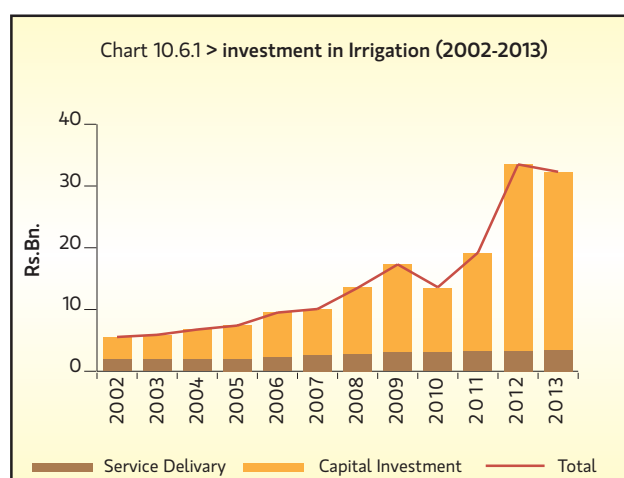
- Emphasis was given for increasing budgetary allocation for O & M.
- Increased budgetary allocations for research and feasibility studies.

Performance

The policy targets for the sector aims at the reduction of currently estimated water escape to sea on an all island basis from around 65% to 50% of surface runoff by year 2020 in a sustainable manner while incorporating additional irrigable extent of 78,536 ha. to the existing extent and 187 MW hydro power to the national grid.

However Sri Lanka's Dry Zone rivers are expected to reach the sustainable limits of development with the current projects under way and those in the pipeline. As such, the Irrigation & Water Resources Sector now has the challenge of harnessing the country's Wet Zone rivers and diversion into water-short Dry Zone areas. Feasibility studies are already underway for development of Gin-Nilwala rivers and studies in respect of other basins are planned to be commenced during the next three years.

The total capital investment in Irrigation Sector during 2006 - 2013 has been Rs.125 billion. Of



Source: Department of National Budget

which, first five year period (2006 - 2010) has shown Rs. 50 billion which is more than double the amount spent during the period 2002-2005. The capital investment during the last three years (2011 - 2013) has been Rs. 75 billion while the budget 2014 alone stands at about Rs. 52 billion totaling to a sum of Rs. 127 billion for the four year period from 2011-2014, reflecting the government's thrust on the sector.

Table 10.6.2 > **Performance - 2011 - 2013 Medium Term**

Policy/ Investment priorities	Performance
Multipurpose Reservoir Constructions with Down Stream Development & Trans-basin diversions	<ul style="list-style-type: none"> Completed construction of Rambukkan Oya multi-purpose reservoir in 2013 and rehabilitated 27 Major & Medium reservoirs augmenting existing water shortage of reservoirs.
Feasibility Studies	<ul style="list-style-type: none"> Continued Construction of 44 new schemes including feasibility studies to find out the ways and means of diverting water to water short dry zone areas.(eg. Moragahakanda & Kaluganga reservoir, Uma Oya, Deduru Oya, Gin-Nilwala diversion and NCP Canal)
Reservoir/Tank rehabilitation	<ul style="list-style-type: none"> Continued with Dams and public Safety measures. Implemented dam safety measures to protect existing dams and improve public safety as adaptation to climate change.
Accelerated Drought Mitigation Programme.	<ul style="list-style-type: none"> Enhanced capacity of selected reservoirs, conducting de-silting programme and raising the spills of few reservoirs. Introduced new structural technological measures to improve water retention capacity of reservoirs (Giritale - A new Piano-Key Weir Type Spill Way) while adapting to climate change.
Introduce Cascade Based irrigation development systems: Giving high priority to water shed/ catchments area management	

Policy/ Investment priorities	Performance
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Table 10.6.2.1 > Development Achievements		
KPIs	2010	2013
Increase of surface water storage capacity through newly constructed reservoirs (Million Cubic Meters)	8,490	8,952
Total Irrigable Extent (ha)	729,111	748,200
Length of canal network (km)	26,173	27,373
No. of major High Risk Dams upgraded and modernized	06	18
Rehabilitation of 10,000 minor tanks	3,526	4,500

Source: Ministry of Irrigation and Water Resources Management

Increase water use efficiency/ productivity	<ul style="list-style-type: none"> Steps are being taken to increase the production per unit of water in irrigated agriculture such as crop diversification, third season cultivation, zero tillage, improved irrigation techniques (drip, sprinkler, lift), rain water harvesting, rehabilitation and equipping canal network with gauging equipment etc. and improve water use efficiency of other sectors by providing partial treated or recycled water to industries, reduce non-revenue water replacing stand posts with individual households, introducing GIS mapping and rehabilitation of distributory systems.
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Table 10.6.2.2 > Increased water use efficiency/productivity(2011 - 13)		
KPIs	2011	2013
Average cropping intensity	147	158
Avg.cropping Intensity under major schemes	170	172
Paddy Production under Major Irrigation Schemes (MT/ha.)	5.5	5.8
Total diversified crop area (Cum. area-ha)	45,212	58,000
Increase water use efficiency reducing water usage for paddy cultivation (Ac.ft)	5-7	4-6
Non revenue water usage (%)	29	20

(in 2020)

Source: Ministry of Irrigation and Water Resources Management

Operation& Maintenance:	<ul style="list-style-type: none"> O & M Continued with significant increase of investment.
Research & Feasibility studies	<ul style="list-style-type: none"> Researches prioritized, with main emphasis on ground water availability and management, agric. productivity and enhancing water use efficiency.
Strengthening Institutional Set up for Integrated water Resources Management	<ul style="list-style-type: none"> Steps are being taken to transform the Central Coordinating Committee on Irrigation and Water Management into a mechanism for Integrated Water Resources Management with the involvement of all stakeholders including Provincial Councils.

Completing outstanding work of the Mahaweli Development Programme is one of the priorities of the Government. Moragahakanda Reservoir is already under construction and Phase I of the North Central Province Canal Programme (NCP) to be commenced in 2014, will take water to North-Central Dry Zone areas. North-Western Province Canal under the same programme will take water to dry areas of the North-Western Province making a reality of much promised **“Wayambata Jalaya”**. The Uma Oya Project already commenced will divert water to water short areas of Moneragala and Hmbantota Districts.

Water is our heritage and life

“We fully realize strategic importance of water as a natural resource”
Mainda Chintana - Vision for the Future - 2010 page 42

The Way Forward

Innovative Approaches for Water Saving

With the increased demands for water for multipurpose activities and increasing vulnerabilities due to climate change, there is an urgent need for the irrigation sector to be more efficient in water management and conservation.



Pilot work done at Wellangiriya Scheme in Bingiriya, Kurunegala District

Since paddy will remain the major crop and the biggest water user in agriculture, water savings must come from this sector. On-farm water management improvement with Shallow Water Depth (SWD) practices in paddy is one of the most effective methods that could increase water use efficiency and productivity in irrigated areas in Dry Zone. SWD practices are extensively adopted in countries such as China and are pilot tested in Sri Lanka under several projects, both at field level and at research level at RRDI, Bathalagoda.

Current water use in paddy in Dry Zone irrigated areas during Yala season is around 6 Acft per Ac and SWD methods has the potential for saving of about 20-30 percent water use while increasing the yield. Pilot studies done at Kadurugasdamana Scheme in Anuradhapura have shown that yields above 170 Bushels per Ac were possible with this method, compared to current levels of 80 – 120 Bushels per Ac. It also reduces washing off of fertilizer and soil due to reduced percolation of water.

Further, **a major part of water conveyance losses in an irrigation system, is in the field canals due to their higher proportion of length, wetted perimeter and the poor maintenance.** Lining of field canals with pre-cast half-round concrete pipes, offer a suitable practical solution to reduce conveyance losses in canal irrigation systems.

Use of such a system for field canals, will also help in assured water supply within a shorter period at farm level and create suitable conditions for adoption of SWD methods of on- farm water management mentioned above. Hence this type of field canal improvement appears to be the next step in modernization of country's irrigation infrastructure.

10.7 A Transformation of the Economic Landscape



“My determination is to transform Sri Lanka to be the Pearl of the Asian Silk Route once again, in modern terms using our strategic geographical location effectively. I will develop our Motherland as a Naval, Aviation, Commercial, Energy and Knowledge hub, serving as a key link between East and West.”
Mahinda Rajapaksa - His Excellency the President

The landscape of Sri Lanka is fast changing with the country emerging as a thriving, dynamic and attractive regional economic center as envisaged in the Mahinda Chintana – Vision for the Future; Development Policy Framework of the Government.

Infrastructure is vital to back up economic transformation in improving the living conditions of the society. Public investment both in terms of growth rate and underlining vision is the backbone of such a transformation.

Mahinda Chintana-Vision for the future; the government policy framework, places high importance in private and public investments in basic infrastructures such as roads, communication, education, ports, irrigation, water supply, townships, market places and electricity facilities as enumerated in this effort to connect rural urban linkages for a rural centric industrial development.

- Since the end of 26 year long armed conflict in 2009 economic growth has been averaged around 7 percent across all sectors driven by strong private sector demand, both in consumption and investment, and the public sector contributing through large and strategic infrastructure projects.
- The per capita income of the country has risen from USD 1,241 in 2005 to USD 3,282 by end 2013.
- The economic and social services earlier confined to the Western Province are now available in all regions of the country narrowing regional gap and income distribution

After following consistent development strategy for 9 consecutive years, today Sri Lanka has become a middle income economy.

- fairly good infrastructure network across the country
- the strategic cities and growth centers are linked to markets, airports and sea ports.
- cities in the country are being converted into clean, green, attractive and dynamic centers with diverse economic activities.
- The Colombo City, the main commercial and business centre of the country is changing rapidly with major sky scrapers shaping the skyline and hectic beautification taking place at a rapid pace.
- Contrary to the situation that prevailed 10 years ago, the blockades and security check points have been removed and the city has become more open and attractive than it has in years.
- The places that were restricted for decades due to security reasons have now become accessible to the people.
- With the revival of ancient Silk Route as an international trade path, Sri Lanka has become one of the favorite destinations for tourists

The new road map of Sri Lanka

As a result of the accelerated road and expressway development drive of the Government, the road map of Sri Lanka has changed substantially during last decade.

- All major trunk roads in the country have been widened and improved to road worthy standards.
- About 200 km of modern expressways and link roads have been added to the road map redefining the road network of the country.
- The main transport hub has been shifted from the Colombo city towards Colombo suburbs providing alternative means for the public to reach their destinations without having to travel to Colombo.
- The first ever expressway of the country, the Southern expressway has been built connecting Colombo and Galle in its first stage and have now extended to Matara with improved link roads.
- Construction works to further extend the Southern expressway to Hambantota and Mattala new International Airport is now in progress. Plans are being developed to continue the southern expressway to Baticaloa under the proposed South-East expressway.
- The much debated Airport Expressway to connect the Capital of the country and Katunayake International Airport has finally become a reality.
- a major part of the Colombo Outer Circular Highway is already opened for public use. Once the OCH is completed, it will link the two main Airports of the Country located in Colombo and Hambantota bypassing the capital city via Kadawatha, Kaduwela and Kottawa; the three emerging outer Colombo townships.
- Widening the Colombo- Kadawatha- Nittambuwa road section of the Colombo Kandy road to a four lane highway with a number of bypasses is now ongoing to avoid inter-cities to ensure that the traffic to the

A decade ago, Sri Lanka's road system was well below the international standards and characterized by narrow roads with poor quality and old supporting infrastructure such as bridges and culverts, many of which have been built during the colonial period. The road development activities were mainly limited to the rehabilitation of national roads and the maintenance of provincial and local roads was inadequate, without significant improvements and additions. The modern expressways with more than 2 lanes and supported infrastructure including flyovers, elevated intersections, specifically designed service corridors and toll systems are new concepts and were not in the country with only a few people who have travelled overseas have seen such facilities.

Northern and Up-country provinces from the capital city move smoothly.

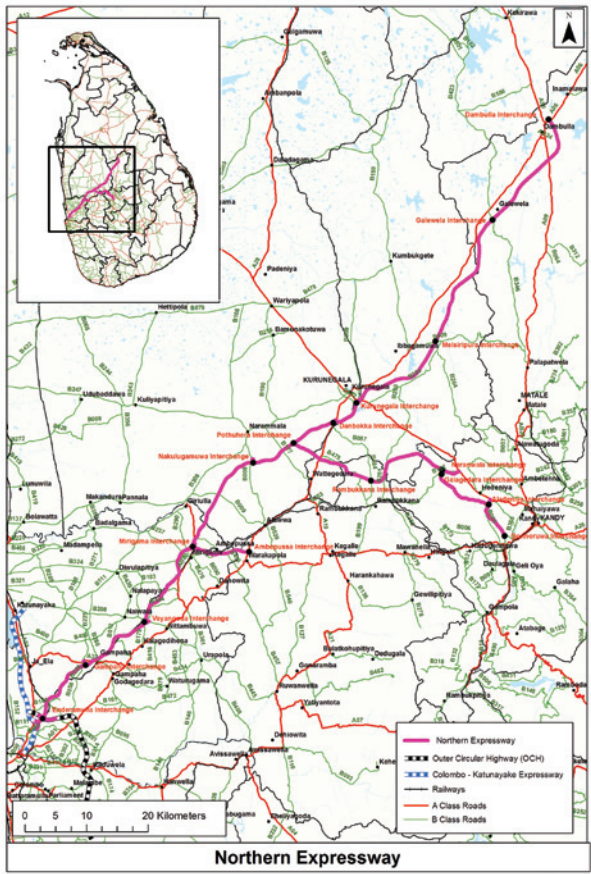
- All existing National Roads are now upgraded to a modern standard with the parallel development in provincial roads to establish the necessary connectivity to improve the traffic efficiency.
- Existing roads in major townships particularly in Colombo now have six lanes, four lanes, two lanes.
- A number of bypasses, flyovers, and underpasses are being developed to meet the growing traffic demand in urban areas.
- About 1,400 km of road sections are now in various stages of development with the financial assistance of local banks. The total cost of rehabilitation is Rs151 billion. These roads act as vital links connecting the main cities and growth centers and form a major channel for distribution of goods from Colombo and Hambantota airports and sea ports to the entire country. Further, land development, urbanization and promotion of tourism has taken place along these major road networks.



The Colombo- Katunayake expressway offers quick transit between the Bandaranaike International Airport and Colombo with enhanced safety will help boost the country's economy in addition to providing pleasant travel for road users.



A decade ago, no one would have thought, the four towns, Kottawa, Kaduwela, Kadawatha and Kerawalapitiya would become towns with such significance in the present day context. Today, as the country moves on a fast tracked development process, these towns which had no significance in the transportation network in the country, are being transformed into key junction cities linking the Southern, Central and Northern parts of the country, shifting the central transport hub from the Colombo city to suburbs.



Proposed Northern Expressway

Taking into considerations to the lessons learned through previous expressway projects, contracts are now being finalized to construct the proposed Northern Expressway. This expressway will facilitate opening new areas for economic, industrial, agriculture and plantation development with expansion of residential facilities between Colombo, Kandy, Kurunegala and Dambulla. It will also be an alternative route connecting North, East, North Central, North Western and Central Provinces.

Transformation of Strategic cities

- With the up-gradation of the road system in the country, the landscape of strategic cities of the country; Colombo, Galle, Kandy, Anuradhapura, Batticaloa, Trincomalee and Hambantota are rapidly changing as these cities are now being transformed into major regional economic centers.
- The Government facilitates a guided economic transformation of these cities into well planned, economically competitive, environmentally sustainable and well connected network of cities and towns focusing on growth and employment generation. Through these improvements, Colombo, Galle, Kandy, Anuradhapura, Trincomalee and Hambantota cities will emerge as clean, green, attractive cities that will support faster economic growth in Sri Lanka.

Colombo Port - the only port with the capacity to handle the Triple E class large container ships in the region

The new deep terminal constructed under the Colombo Port Expansion Project now receives large container ships that could not be accommodated before at the Port of Colombo. Expanding the Sri Lankan infrastructure map, a new international container terminal has been built in the Colombo South Harbor in 2013. The Colombo Port is the only port in the South Asian Region with a deep water terminal that can handle Triple E class large container ships.

Connecting Cities

Cities are the driving force of economic growth today. Plans are centered on creating further scope for investment, business activities, residential facilities and the provision of administrative and social services. Such infrastructures and facilities will all cater to present and future opportunities that these cities can exploit. These cities will not simply be the focal point for localized economic activity but also tap international opportunities. While enhancing their image as preferred destinations for international business and tourism, these cities will provide a very comfortable city for all its residents. Facilitating this transformation, more public outdoor recreation spaces with mini parks and community parks for residential areas and larger public parks are being created within the cities. There will also be more greenery on the side of the streets.



The expansion of the capacity of the Colombo port is aimed at facilitating exporters, importers and value added service providers to be significant contributors to the GDP. The expansion project of the south harbor has more than doubled the capacity of the Port in container handling services, leading to positive impact on the export/import and value adding service industry and also to the south Asian shippers at large with more efficient transshipment services and connectivity. This enhances Sri Lanka's competitiveness in international trade and will draw potential investment in the country for setting up new manufacturing and distribution centers.

Colombo Port City

- Under the proposed Colombo Port City project, a 233 hectares, are now being reclaimed beside the Colombo Port Expansion Project towards Galle Face Green to construct a modern planned city under foreign direct investment
- The new city will have high-rise housing complexes, multiplex office buildings, hotels, shopping malls, tourist sites, recreation facilities, banks and other service centres among many more recreational facilities such as golf courses and tracks for motor car racing.
- This modern City could be accessed via three roads with one access road connecting with the Marine Drive. A tunnel road would be constructed opposite the Presidential Secretariat, and the Light House entrance of the Colombo Port would be upgraded as the third access road. A rail track is also to be developed around the new city and expected to be the major mode of transportation in the city.

The new facilities will attract international professionals and experts, advanced technology, and strengthen the international competitiveness of the country. It is expected that the port city will increase the average stay of tourists in Colombo from 1.2 days to 2.7 days and 83,000 long term new jobs is expected to be generated during the period.



The island city - Colombo Port city to be among the most sought after locations

Sri Lanka being an island nation, maritime activities play a vital role in her socio economic status. Similar to many other maritime nations who develop their maritime activities to enhance their national economy, Sri Lanka has taken steps to harness the potential offered through its locational advantage to develop into a key maritime and logistics centre in the region. The Port City project will promote Sri Lanka as an International Business Centre of Asia while adding almost USD 4.4 billion to the GDP and USD 470 million to the Government revenue. The new facilities will attract international professionals and experts, advanced technology, and strengthen the international competitiveness of the country. It is expected that the port city will increase the average stay of tourists in Colombo from 1.2 days to 2.7 days and 83,000 long term new jobs is expected to be generated during the period.

Colombo-Metropolitan Development



Sri Lanka as a country requires to tap the competitive advantages of the Colombo Metropolitan Region to put its development process on a fast track. Having recognized this need, an urban regeneration programme is being implemented by the Government to reduce the physical and socioeconomic impacts of flooding in the Metro Colombo Region and to improve priority local infrastructure and services to enhance urban regeneration.

Colombo-Metropolitan Development at a glance

- Provision of alternate dwellings for aprox. 70,000 families living in city slums within city.
- Freeing land for development via clearance of unauthorized structures and shifting govt. offices out of Colombo.
- Restoration and redevelopment of historic buildings.
- Creation of pedestrian-friendly locales.
- Changing the character of city into a green urban environment.
- Reclaiming 400 acres of land from the sea and creating of a new city on the reclaimed land.
- Upgrading of the Galle Road, the Marine Drive and expansion of the one-way system.
- Introducing dedicated parking spaces, disabled crossings and strict enforcement of road rules
- Introduction of an alternative transport system via development of waterways and a ferry service

- The Beira Lake has been restored and improved enhancing its utility. Once developed, the Beira Lake Linear Park will play a vital role in the city's flood management system, whilst also being the site of many recreational and economic activities.
- Beddagana Park in the Kotte Municipal Council area is being developed aiming at enhancing the hydrology of the wetland area by cleaning existing canals, reforestation of areas to enhance bird habitats, provision of bird-watching hides, towers, board walks, nature trails, and orientation centre to create awareness about the sanctuary to visitors, provision of play areas at the boundary of the wetland sanctuary and a 2.2 km jogging track for recreational use, and to improve the existing bund road.
- Under this programme, a number of canals/ water ways are also being developed. These include main drain and Mutwal Tunnel, Dehiwela Canal, St. Sebastian South and Dematagoda Canals, Secondary Canals (Sethsiripaya road and Sarana Mawatha Canals), Madiwela East Diversion Scheme, Wellawatta and Poorwarama Canals, St. Sebastian North and Sri Wickrema Canals, North Lock Pumping Station and North Lock Gates, St. Sebastian South Diversion Canal, and the Construction of New Mutwal Tunnel, Galle Road Bridge Across Wellawatta Canal, Amaragoda Culvert at Madiwela East Diversion Scheme.
- Unauthorized structures which blocked the drainage systems are being removed to improve the efficiency of the drainage system.

A New Greater Colombo



“Havelock City” in Colombo is a multi storied luxury apartment. A multi-storied Clubhouse complex is under construction with an investment of USD 4 million for the exclusive use of its residents.



Lotus Tower
The construction of the multi-functional Telecommunication Tower and an Entertainment Centre will cost approximately 104 million US dollars.



Colombo Port



Colombo Race Course
refurbished to its original glory



Hyatt Regency – is under construction in Colombo 03, with an investment of USD 159 million. This will have 475 hotel rooms and 90 serviced apartments and expected to be opened in 2015



Nelum Pokuna-
New Theater
Complex



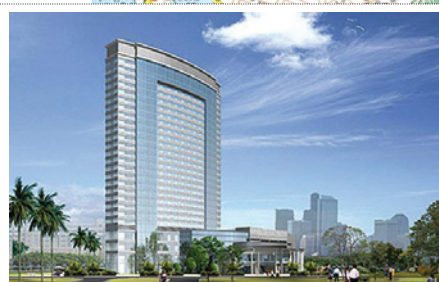
Floating Market in Colombo
This is the Pettah Floating Market is under construction.



The USD 80 million Sheraton Colombo project is expected to open in the near future and the hotel will have 306 rooms.



Colombo Port City will promote Sri Lanka as an International Business Centre of Asia



Shangri La Hotel in Colombo
-which is one of the symbols of investor confidence towards Sri Lanka. This luxury hotel and residential complex with an investment of USD 400 million is due to be opened in 2016 with 500 hotel rooms.



Refurbished Town hall



Urban Regeneration Project
The aim of the community housing project is the uplifting of the living standards of Colombo's low-income families.

Better living for slum dwellers

- About 70,000 families identified as shanty or slum dwellers in the city of Colombo would be settled within the next two years. These low income families will be relocated in high-rise community housing units with modern amenities which will uplift the quality of life of this section of the population, is a major priority of the Government.
- Relocation of government buildings to Sri Jayewardenepura is being implemented in parallel with the community-housing programme. Shifting these offices to the administrative capital was felt to be a necessary step in rationalising land use in Colombo. As a first step towards speeding up relocation, the offices of the Ministry of Defense, Chief of Defence Staff and the headquarters of the 3 armed services are being moved out of Colombo while the land released has been allocated for development activities. This will effectively fund the relocation process while also generating vital economic activities within the city.



Viharamahadevi Park

The new Viharamahadevi Park is now open for public after a complete face lifting. The fence around the space is no longer there and the grounds are now immaculate. The whole place is clean with added recreational infrastructure.



Pettah Floating Market (coming soon)

There's a new market coming up behind the Fort bus stand. In the future, it will be connected via boat service to a revitalized Beira Lake. Once developed, it will have space for 100 local traders and be connected to the greater Beira development by water bus.



Diyatha Uyana Aquarium

The park was created on a marshy land between the Parliament complex and the Diyawanna Oya at the Polduwa junction, to enhance the beauty of the city of Sri Jayewardenepura, Kotte, near Battaramulla. A new aquarium has also been built at Diyatha Uyana. While the Water's Edge building remains for private functions, the land and water around has been rededicated to nature and public recreation.



Independence Square

Independence Square is Colombo's newest public space. Independence Square has existed since Independence, but it used to be just the iconic building with traffic flowing around it. Now traffic has been limited to one side and the area behind has been developed into a manicured walking space.



Diyawanna Living Environment

The jogging track opposite the Parliament at Kotte (Japan Friendship Road) has been constructed as a public community linking facility. Covering a distance of 1,880m, it is probably the longest track in the vicinity of Colombo, one of the most picturesque, Solar-powered lights span the length of the course.



Lotus Tower-Colombo

Construction work on the Lotus Tower, a multi-purpose and telecommunication tower is now in progress. This tower expected to be the tallest in South Asia, will also be striking city symbol and an important landmark in the city of Colombo. The Tower will be utilized to facilitate the relaying of at least 50 separate broadcasting and telecasting services, provide facilities for about 20 service providers in telecommunication relay defence signals and indirectly contribute to the removal of high powered TV and FM antennas placed on top of various buildings in the Colombo city. In addition, the tower podium will also house a telecommunication museum, food courts, administrative offices, exhibition spaces and corresponding amenities, the tower shaft will be a hollow concrete cylinder accommodating high-speed lifts and stairs for vertical circulations and ducts for various types of building services. The tower head will comprise of eight floor levels accommodating an Observation Deck, Revolving Restaurant, and Banquet Hall for 1000 guests as well as two floors of super luxury hotel accommodation.

Colombo hotels to add more rooms

Sri Lanka's tourism sector requires an investment of over USD 3.5 billion to build the required 40,000 rooms to cater to the anticipated 2.5 million tourists by 2016. In this regard, the country has been successful in attracting recognized hotel chains such as Shangri-La, Hyatt Regency, Movenpick, Sheraton, Marino Sands Hotel, ITC Hotel and Sun city Business Hotel etc. who are expected to provide the required room facilities.

Currently, Colombo is only equipped with 2,000 five star rooms which can hardly meet the demand. With the completion of the Movenpick and Hyatt the country will see another 700 rooms being added during the next 3 to 4 years. It is estimated that with the growth in MICE tourism and business travelers, there will be an increase in the demand for five star class hotel rooms in the city of Colombo in the short term.



Shangri-La Colombo, a hotel complex with 500 hotel rooms is expected to open by 2016-17. Total Investment for the Shangri-La Colombo hotel project is USD 400 million. The USD 80 million Sheraton Colombo spreading among 100 perches on the Galle road Colombo 03 is expected to open in the near future with 306 rooms.

In line with the country's strategy of optimizing the utility of land, mixed development projects are being encouraged. In this regard the Havelock City has already completed two apartments' towers with 226 units and another two apartment towers with 218 units are under construction. Meanwhile Hyatt Regency project with an investment of USD 159 million is expected to have 475 hotel rooms and 90 serviced apartments and is tipped to open by 2014-15. The Australian based Crown group together with a Sri Lankan investor will invest USD 350 million on a mixed development project along with Government approval under the Strategic Development Act focusing purely for tourism.

The Development of Community Housing

Almost 70,000 families have been living in slums and shanty houses in the city of Colombo and is a key issue that needs to be addressed in implementing the development plans for Colombo. This community in underserved settlements are vulnerable to socio-economic issues that arises with the poor quality housing and lack of key amenities such as clean water, electricity and sanitary facilities etc.

In that they are the first victims of heavy rains and communicable diseases due to the unhygienic environment in which they live in etc.

However, since these people have been living in the city of Colombo for many years, often generations, and since they also constitute a key part of the service providers in the Colombo city, they cannot be relocated outside Colombo. Hence, relocation is being done within the Colombo city itself.

These new modern housing complexes are being designed and built to ensure an improved standard of living of this vulnerable community sector of Colombo.

Colombo Pettah Development Plan

In line with UDA's Colombo Pettah development plan another project in progress is the relocation of certain facilities to less obtrusive sites that will not impact the city's image. The St. John's fish market was relocated to Peliyagoda, where a modern facility has been erected. A Dubai-style Gold exchange will be built in its place in Pettah. The Manning market and the Wholesale market have also been earmarked for relocation. The central bus stand will be relocated within the vicinity and will be provided with better facilities. Through these measures, the use of land in the Fort area will be rationalised. More open spaces will be introduced, and historic buildings and other landmarks will gain greater emphasis.



Magam Ruhunupura International Conference Hall

This was constructed in the port city of Hambantota and was completed by 2013. The main hall has 1,500 seats with three additional halls with a seating capacity of 250 each. The conference hall is fully equipped with modern technical facilities and a vehicle park for 400 vehicles and also has a helipad.

New Airport- Opening new vista's in the country's aviation sector, Sri Lanka's second international gateway, Mattala Rajapaksha International Airport (MRIA) has now opened to the skies. In its first stage MRJA is expected to serve one million passengers per year while handling 45,000 MT of air cargo. It has the capability to serve the latest operational aircraft and has been constructed under a green concept.

Hambantota new sea port is able to handle 20 million containers in its 11km of berths a year. There is also a gas-fired power plant and a petroleum storage facility planned within the complex, and will be equipped with shipbuilding capacity and repair yards nearby as well. As Government plans to develop Hambantota industrial port as a free port, users are free to use the port for loading, value addition and distribution without any taxes





A new look for Sathi Pola - The people's fair (Sathi Pola) which was highly disorganized for the past two to three decades has now been developed into a customer-friendly environment and the new change will give people the opportunity for barter trading, marketing products from other areas and buying consumer and household items at reasonable prices. Developing weekly fairs throughout Sri Lanka under the Divi Naguma Sathipola concept will make Mahinda Chinthana vision a reality since sathi polas had served the island's economy as barter exchange centres in towns and villages through the centuries and thus became part of the nation's culture and lifestyle.

Expanded Capacity for Irrigation and Water Management



Ongoing work of Moragahakanda



Rambukkan Oya Reservoir



Cannels under Deduru Oya

Sri Lanka's last major hydro power generating venture, Moragahakanda Project would be completed in July 2016. The project is multi-purpose and would not only add 25MW to the national power grid, but most importantly, provide a domestic and industrial water supply to the Anuradhapura, Trincomalee, Polonnaruwa and Matale districts for the development of agriculture in the North, East and North Western Provinces. Irrigation water facilities will be provided to 81,442 hectares of land in the Dry Zone. Around 100,000 families, especially the agricultural and inland fishery communities, are expected to benefit from the project.

The multipurpose Rambukkan Oya Irrigation and Water Supply Project in Maha Oya Divisional Secretariat Division in the Eastern Province is one among the major agricultural and rural development projects under the Mahinda Chintana, is now in operation irrigating 1400 ha of new lands which include 400 ha of high lands.

The Deduru Oya Reservoir, the largest irrigation project in the Kurunegala district will hold 75 million cubic meters (MCM) of water after its completion and it will provide assured irrigation facilities for 11,000 ha (27,500 acres) of paddy lands in the Deduru Oya and the Mee Oya basins benefitting about 15,000 farmer families. The living standards of the poverty-stricken local families have already shown marked improvement.

Uninterrupted power - The Government initiatives to expand generation capacity of electricity of the country through construction of new power plants have enabled the country to maintain an uninterrupted power supply despite severe drought. The Norochcholai Coal Power Plant has a total generating capacity of 900 MW.



Norochcholai Coal Power Plant



Kotmale Hydro Power Plant

The 150MW Upper kotmale Hydro Power Plant, which is the country's last mass scale hydro generation project launched by the government as part of the programme to provide electricity to all households in the country has now been commissioned under the present Government. The Upper Kotmale hydro power plant which consists of two generators with 75 MW of capacity adds 150MW of power to the National Grid today to produce 409GWh energy per year. The government provided 495 new houses to families displaced due to this project. Special efforts were made to ensure the well-being of those displaced and they were provided all basic facilities. Other facilities such as schools, places of worship and administrative buildings were constructed as part of the project. The road network in the area was also upgraded.

Since 2005 the country's economic landscape has undergone a drastic change with the implementation of the multi pronged strategy that has encapsulated all sectors of the economy. This strategy has been able to connect the urban - rural areas, opened up new economic opportunities and as a whole improved the standard of living of the people. This change in the economic landscape is yet not complete, the assets created will be the platform for future development.

10.8 Towards Value Chain Plantation Industry

Sri Lanka's plantation crops, particularly tea, rubber, coconut and cinnamon play a vital role in the country's economic and social development. Even though the relative contribution of plantation sector to GDP has shown a declining trend over the past decades along with the expansion of the country's industrial and services sectors, it contributes around 22 percent to the total export earnings and increases linkages in value chain.

Table 10.8.1 > **GDP Contribution**

Sector	GDP Contribution (%)	
	2003	2013
Tea	1.5	0.9
Rubber	0.2	0.2
Coconut	1.6	0.8
Minor Export Crops	0.5	0.4
Total	3.8	2.3

Source: Central Bank of Sri Lanka

The plantation industry is smallholder dominated and contributing to relatively equitable income distribution. Smallholder contribution to the sector is around 70 percent of tea, 80 percent of rubber, 70 percent of coconut and over 90 percent of export agricultural crops.

Table 10.8.2 > **Plantation sector performance 2003 and 2013**

Sector	Extent (ha)			Production (Mn Kg)			Export Earnings (US\$ mn)		
	2003	2013	%	2003	2013	%	2003	2013	%
	Increase			Increase			Increase		
Tea	179,829	222,000	23	303.2	340.2	12	683.4	1,526.8	123
Rubber	114,796	132,000	15	92.01	130.4	42	38.8	71.6	84
Coconut	442,411	395,000	-11	2562**	2513**	-2	139	360.2	159
Cinnamon	26,110	30,090	15	13.02	15.9	22	45	132.4	194
Pepper	28,252	31,296	11	17.7	18.6	5	13.0	126.7	871

Source: Department of Census and Statistics, Sri Lanka Tea Board, Coconut Cultivation Board, Coconut Development Authority, Export Development Board

** mn nuts

The export earnings from the plantation crops have increased from 2003 to 2013. The tea industry recorded the highest value of tea exports in 2013 amounting to USD 1.55 Billion. The percentage growths of export value of all plantation crops from 2003 to 2013 are higher than the percentage increases of production during the same period. This clearly shows that exports have moved with domestic value chain that gives better prices than raw material exports. However, improving the growth of plantation maintaining its natural value with free of pesticides is suitable. Therefore, the main thrust of the plantation sector is to increase the productivity of both corporate and the smallholding sector through developing high yielding varieties, replanting, proper use of fertilizer, soil conservation aiming at long term sustainability and maximizing value addition.

Productivity of Plantation Crops

Productivity depends on a range of factors including weather conditions, labour productivity, the fertility and topography of the land, the quality of seedlings and technology.

Tea:

Tea is the most prominent crop of the plantation sector with the country being the fourth largest tea producer in the world. However, it is evident that the productivity of Sri Lankan tea has been considerably lower than those of competing countries such as Turkey, Kenya and Japan. The economic age of a tea bush is on average estimated at 100 years. In Sri Lanka, over 50 percent of the tea plantations are more than 100 years old resulting less productive. The use of low-yielding, poor quality planting materials, inappropriate fertilizer application and soil erosion can also be considered as some of the factors for low productivity. The productivity of smallholders is higher than that of corporate sector. However, the productivity level of smallholders has shown a decreasing trend from 2003 to 2013.

With the objective of enhancing the productivity, the government has taken initiatives to promote replanting as well as new planting of tea through providing subsidies including fertilizer subsidy. Moreover, government has taken initial steps to provide a subsidy for tea growers for soil conservation. On the other hand, concessionary loans are provided through various schemes by government banks including Regional Development Bank and Samurdhi Bank.

Table 10.8.3 > **World Tea Productivity (Kg/ha)**

Country	Productivity
Turkey	2,920
Argentina	2,611
Japan	2,057
Kenya	2,012
Sri Lanka	1,849
Vietnam	1,800
India	1,667
Indonesia	1,161
China	1,083

Source: Food and Agriculture Organization

Table 10.8.4 > **Productivity Changes in Tea (Kg/Ha)**

Year	Small Holding	Corporate Sector	National Average
2003	2,267	1,086	1,605
2004	2,448	1,198	1,630
2005	1,867	1,358	1,645
2006	1,927	933	1,400
2007	1,866	937	1,372
2008	1,948	985	1,436
2009	1,733	846	910
2010	1,976	960	1,493
2011	1,975	933	1,479
2012	1,936	1,147	1,688
2013	2,006	1,197	1,849

Sources: Tea Smallholder Development Authority, Ministry of Plantation Industries

Table 10.8.5 > **Existing Production Incentives – Tea Sector**

Type	Amount
Replanting	Rs. 350,000/ ha
New Planting	Rs. 250,000/ ha
Infilling/ Crop Rehabilitation	Rs.25/ plant
Fertilizer Subsidy	Rs. 1200/ 50 kg

Source: Tea Smallholder Development Authority

The main thrust of the plantation sector is to increase the productivity of both corporate and the smallholding sector through developing high yielding varieties, replanting, proper use of fertilizer, soil conservation aiming at long term sustainability and maximizing value addition.

Rubber

The second major commercial crop is rubber and the significant amount of rubber production has been used in domestic rubber manufacturing industry and remainder is exported. Dynamic changes in the world rubber prices cause unstable performance of the sector.

The productivity of rubber is at an acceptable level compared to the other leading rubber manufacturing countries. The country had higher productivity levels in 2012 amounting to 1,936 kg per hectare and showed a drop from in 2013. However, the country was able to expand the productivity level in to considerable extent due to the expansion of fertilizer subsidy for rubber. In 2013, the productivity level decreased to 1,219 kg/ha due to the heavy rainfall, which resulted the reduction of number of tapping days.

Steps are being taken to enhance the productivity of rubber through several measures such as providing subsidies for replanting, new planting, intercropping and using rain guards. Moreover, rubber cultivation has been expanded from traditional growing areas to non-traditional areas, particularly targeting the Eastern Province and areas in the dry zone such as Moneragala, Ampara, Vavuniya and Mullaitivu.

Table 10.8.6 > **World Rubber Productivity (Kg/Ha)**

Country	Productivity
India	1,819
Thailand	1,798
Vietnam	1,720
Malaysia	1,493
Philippine	1,284
Sri Lanka	1,219
China	1,174
Indonesia	1,085
Cambodia	1,135

Source: Ministry of Plantation Industries

Table 10.8.7 > **Productivity Changes in Rubber (Kg/Ha)**

Year	Productivity
2004	1,064
2005	1,171
2006	1,128
2007	1,246
2008	1,382
2009	1,437
2010	1,582
2011	1,555
2012	1,936
2013	1,219

Source: Ministry of Plantation Industries

Table 10.8.8 > **Existing Production Incentives – Rubber Sector**

Type	Amount
Replanting	Rs. 175,000/ ha
New Planting	Rs. 150,000/ha
Intercropping (Pineapple, Banana, Passion Fruit)	Rs.4,000/ acre
Rain Guard	Rs.30/ tree
Fertilizer Subsidy	Rs. 1200/ 50 kg

Source: Ministry of Plantation Industries

Coconut

Coconut is a major commodity in consumption basket and nearly 82 percent of the output is consumed locally. The remainder is exported in the form of kernel products, coconut cream, and coconut milk powder.

The productivity of coconut in Sri Lanka is also at an acceptable level and it is lower than only few countries such as India and Papua Newguinea. The higher productivity in coconut cultivation can be mainly attributed to various support schemes extended by the government to the growers. Priority is given to increase the productivity of coconut lands through soil fertility improvement, land rehabilitation, encouraging growers to apply fertilizer, pest and disease control and new/replanting with various subsidy schemes to meet the domestic demand of coconut. Kapruka Navodawa – the National Coconut Sector Development Plan clearly outlines the strategies to be adopted to fulfill the national coconut demand. As a result, a considerable increase in coconut production has been recorded recently.

Table 10.8.9 > **Coconut Productivity (Nut/Ha)**

Country	Productivity
India	8,323
Papua Newguinea	6,765
Sri Lanka	5,866
Vietnam	5,565
Philippines	4,562
Thailand	4,320
Indonesia	4,289
Malaysia	4,164
Samoa	2,020

Source: Food and Agriculture Organization

Table 10.8.10 > **Existing Production Incentives – Coconut Sector**

Type	Amount
Providing planting materials for replanting, new planting/ infilling	
Promote livestock under coconut cultivation	Rs. 25,000 per cattle shed
Establishment of demonstration field	Rs.25,000/acre
Irrigation	Rs. 6000 per acre
Fertilizer Subsidy	Rs. 1200/ 50 kg

Source: Ministry of Cocunut Development and Janatha Estate Development

10.9 Towards Strengthening Project Management

With the accelerated development efforts, a large number of projects and programmes that are being implemented in accordance with the Public Investment Programme of the country required greater focus to realize their intended benefits by timely delivery with given cost. Accordingly, the role of project management and monitoring has become important in public financial management to ensure resources earmarked for public investments are utilized in an efficient and effective manner.

In 2013, Government has invested Rs. 481 billion to implement 1,968 small, medium and large scale development projects and programmes under different line agencies.

Table 10.9.1 > **Number of Projects implemented in 2013**

Sector	Total	Source of Financing	
		Foreign	Local
Roads and Highways	972	27	945
Transport, Ports and Aviation	60	15	45
Water Supply	86	30	56
Power and Energy	46	30	16
Housing & Urban Development	49	08	41
Regional Development	41	16	25
Education and Skills Development	145	14	131
Health Care Promotion	168	25	143
Social Protection	59	06	53
Agriculture & Irrigation	94	09	85
Livestock and Fisheries	43	07	36
Environment and Disaster Management	96	21	75
Administration	51	-	51
Industry and Technology	58	07	51
Total	1,968	215	1753

Of them 215 projects are financed through foreign resources to the value of approximately Rs. 1,887 billion.

Out of this project portfolio 320 projects are large scale projects which the total cost estimate of each is over Rs. 500 million.

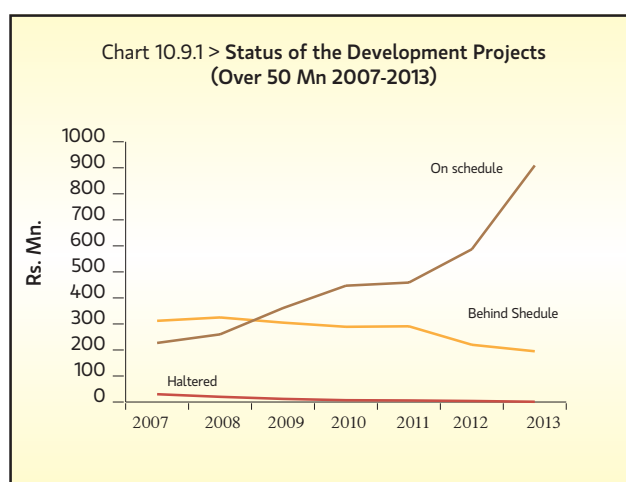
Table 10.9.2 > **Project Based on size of Investment (Rs. Mn)**

Method of Finance	<50	50-500	500<
Foreign	19	39	158
Local	864	725	162
Total	883	764	320

Source: Department of Project Management and Monitoring

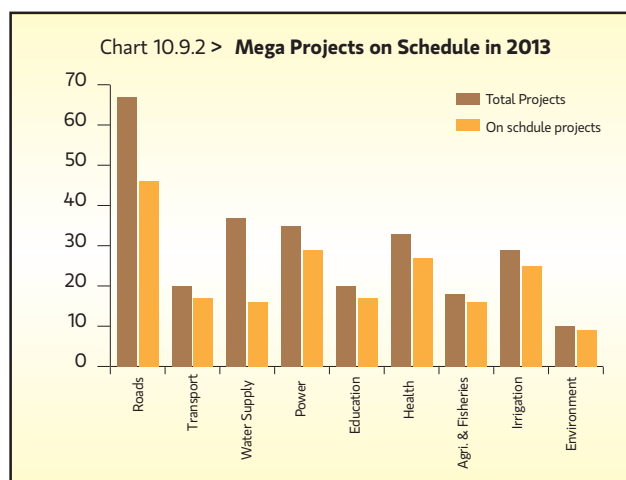
Highlighting the success of the government efforts in strengthening project management process, the projects which have been completed within the budgeted time is significantly increased. These projects were “on schedule” in different stages of project management cycle due to an improvement of project readiness, early preparation of procurement documentation process, minimizing the duplication of systems and procedures between lending and implementing agencies, and standardization of contract documents etc.

Further, the number of projects temporary suspended or behind schedule has also been continued it's down ward trend.



Source: Department of Project Management and Monitoring

In addition to the timely interventions to address bottlenecks during project implementation with the assistance of integrated web based monitoring system, improvement in disbursement of funds, frequent reviews with donor agencies and at site monitoring following policy decisions taken in 2013 were also instrumental to get project implementation on track.



Source: Department of Project Management and Monitoring

Imperative Decisions Taken in 2013 on Strengthening Project Management

- A National Steering Committee comprising Secretaries of key line Ministries has been established in 2013 as a new initiative in order to strengthen the inter-coordination of the implementing agencies avoiding bottlenecks.
- The current practice of project management at few line ministries have strengthened by establishing a Special Project Unit under the Additional Secretary for monitoring, coordination and supervision. Make use of the service of existing public officers in project management is also encouraged as it ensures the project ownership and sustainability.
- Non existence of utility corridor for different utilities which caused re-digging of completed roads has been an outstanding concern. A Cabinet directives were given to have provision for setting up of utility service corridor in future projects to be utilised by the utility service providers with a view to minimising the delays, cost of positioning of such utility service and less inconvenience to the public.
- In order to facilitate timely implementation of Health Sector Development Programme which consist of 168 small, medium and large scale projects and programmes a National Steering Committee has been established for quarterly monitoring of milestone.

The improved project management and monitoring functions has resulted in an accelerated physical and financial performance of development projects in 2013. Accordingly, 31 mega projects which the total cost was Rs. 500 million and above and had 1 to 5 year construction phases were completed adding benefits to the national development.

Table 10.9.3 > **Completed Projects - 2013 (Over Rs. 500 Mn)**

Sector	Name of the Project	Total Cost (Rs.mn)
Roads & Highways	National Highway Sector Project (GOSL/ADB)	27,000
	Northern Road Connectivity Project (GOSL/ADB)	12,246
	Colombo Katunayake Expressway Project (GOSL/China)	52,380
	Rehabilitation of Priority Road Project - I(GOSL/ China)	19,080
	Pro Poor Eastern Infrastructure Development Project(GOSL/Japan)	7,690
	Provincial Rural Road Development Project (GOSL/Japan)	6,846
	Reconstruction of 5 Bridges in the Eastern Province (GOSL/Japan)	1,930
	Veyangoda Flyover Construction Project (GOSL/Spain)	1,915
Transport, port & Aviation	Re- Construction of Madawachchiya- Madhu Railway Line (GOSL/India)	9,350
	Re- Construction of Omanthai -Pallai Railway Line (GOSL/India)	25,799
Water Supply	Kelani Right Bank Water Treatment Plant (GOSL/DANIDA)	10,150
	Augmentation of Negombo Water Supply Project (GOSL/Netherland)	7,288
	Rehabilitation of Western Central Water Supply Project (GOSL)	1,300
Power & Energy	Rehabilitation of Old Laxapana Power Plant (GOSL/Austria)	4,059
	Vavuniya Killinochchi Transmission Line Project (GOSL/Japan)	4,336
Housing & Urban Development	Transmission System Strengthening Transmission Lines (GOSL/ADB)	2,309
	Transmission System Strengthening in Eastern Province (GOSL/ADB)	3,223
	Rural Housing Loan Program for Low Income House Holders (GOSL)	600
	Angulana Re Location Housing Project (GOSL)	920
Regional Development	Protected Relive Recovery Project (GOSL/WFP)	1,650
	Emergency Northern Recovery Project (GOSL/WB)	8,683
Education & Skills Developments	Construction of Lecture Theatre Complex- University of Sabaragamuwa (GOSL)	672
Health Care Promotions	Improvement of Central Functions at Teaching Hospital at Jaffna (GOSL/Japan)	3,551
	Korea Sri Lanka Friendship Hospital Project (GOSL/Korea)	1,275
Agriculture & Fisheries	Dry Zone livelihood Support & Partnership (DLSP) Program (GOSL/ IFAD)	3,179
	Japanese Food Production Grant (GOSL/Japan)	924
	Development of Infrastructure to Improve Rice Research and Development Institutes (GOSL)	545
	Dikkotuwa Fishery Harbor Project (GOSL/Netherland)	8,500
	Establishment of Dairy Villages - Kirigammana Program (GOSL)	600
	Rambukkan Oya Reservoir Project (GOSL)	3,970
Irrigation & Water Management	Emergency North Recovery Project (GOSL/WB)	1,393

Sector	Performance of Projects in 2013
Power and Energy	Three power generation projects were completed in 2013 by adding 53 MW to the National Grid. In addition, 799 rural electrification projects, and 22 mini hydro power projects and one wind and one dendro power projects have also completed. Further, out of the eleven transmission projects, three were completed extending length of transmission by 251 km. Accordingly, 96 percent of the targeted electricity power generated and thereby 230,899 new electricity supply connections were given in 2013. The number of total household with electricity was increased to 4,589,929.
Water Supply	“Kelani Right Bank, Negambo, Towns North of Colombo and Secondary Towns and Rural Water Supply projects” were completed providing 120,084 water connections. Further, out of small scale 54 water supply infrastructure and service improvement projects implemented in 2013, 15 were completed. Accordingly, the total number of pipe borne water connections were increased up to 1,707,747.
Road and Highways	The construction 96 km of Southern express way was completed. In addition, widening and improvement of 12,169 km length of national highways and rehabilitation of 693 km of rural roads were added to the road development network through completing 07 national road projects. Further, rehabilitation of 896 km of rural roads under Gamanaguma in several districts were also completed in 2013 at a cost of 1,852 million. Veyangoda flyover, 30 rural bridges, 26 causeways and 178 culverts were also constructed in 2013.
Railways	Reconstruction work up to Pallali in the Northern Railway line and from Madawachchi to Madu in Thalaimannar line were completed by adding 103 km of railway lines. Further Double tracking from Jaala to Seeduwa and a third line from Colombo to Ragama also completed.
Port and Airport	Completion of Mattala Rajapaksha International Airport which has the annual capacity of one million passenger and 50,000 MT of cargo. Under the Colombo Port Expansion Project, South Container Terminal was completed. Improvement in Oluvil Port was also completed to serve as a fishery harbour.
Housing	Completed 4,029 housing units for low income families under Rural Housing Loan programme in 2013. Renovation of 7,149 housing units has been partially completed under Nagamu Purawara Programme. In addition, construction of 288 housing units completed under Angulana housing project. Approximately 45,864 dwellers were benefited under the above programmes during the year 2013. Accordingly, the number of total houses provided by the government since 2010 has increased to 66, 035.
Urban Development	In 2013 seven projects were completed which commenced to improve comfortable and diverse leisure activities for urban dwellers and commutes in Colombo and urban cities. This includes development and landscaping of canal sections, walkways and pavements. In addition several types construction projects such as shopping complexes, bus stands, children parks, vehicle parks, sports complexes and renovation of sacred areas and historical places in Colombo and metro areas in other districts were completed. Out of 11 projects to improve the Public Convenient places which have been in place since the colonial era.
Irrigation and Water Management	Construction of Rambukkan Oya reservoir was completed in 2013 in incorporating 1,423 ha. to the irrigable extent and benefitting 2,300 farmer families. In addition, 12 high risk dams, 109 irrigation schemes, 31 irrigation tanks were rehabilitated under three mega projects (Dam Safety, Re-awakening and Emergency Northern Recovery projects) In addition, about 500 minor tanks were rehabilitated in 2013 under the 10,000 Minor Tanks Rehabilitation programme, facilitating to cultivate 10,000 ha. of irrigable extent island wide.

Environment and Disaster Management	Formulated National Climate Change Policy in 2013 to mainstream climate change issues. Under the Waste Management System project, a safe and efficient house hold waste collection system was established with a sanitary landfill site in Dompe area. Out of already established 71 Compost plants, 9 were completed in 2013 under the Pilisaru project. With the completion of National Post Consumer Plastic Waste Management project, 5 plastic and polythene waste collecting centres and 4 storage centres were established in selected locations. Prepared Disaster Management Plan for 3 yrs (2013-2015) and drafted Comprehensive Disaster Management Programme (2014-2018) with the assistance of UNDP. Out of 353 km completed length of the electric fence in elephant holding parks at Horowpathana and Lunugamwehera , 341 km was constructed in 2013.
Agriculture & Fisheries	With the completion of Dry Zone Participatory Development project, 10,732 ha. were cultivated as new rain fed agricultural land and 123,438 families were benefited in Anuradhapura, Kurunegala, Badulla and Moneragala districts.
	Under, Japanese Food Production Grant and government seed farms programmes distributed 820 and 76 tractors at concessionary rate to the farmer organizations respectively. Reactivated government seed farms in Murunkan and Paranthan are producing 30,000 Bushels of seed paddy and 1,000 kg of vegetable seeds per year. Under the Kirigammana programme, 1,120 dairy villages were established aiming to increase the milk production per cow from 2-3 Litres to 10 Litres/day. In addition, 234 Bio gas units were also established under this programme. Dikkowita Fishery Harbour project completed in 2013, increasing the capacity and providing harbour facilities such as cold storage and anchorage, for 100 multiday fishing vessels and providing essential services for large fleets to operate efficiently.
Education	Out of 113 higher education infrastructure projects 30 were completed by enhancing university infrastructure including hostel, library, learning and laboratory facilities. As a special achievement in general education system, school learning environment of 4239 primary schools out of 4853 were upgraded under the 5000 feeder schools development programme, while, 605 Mahindodaya Technical Laboratories out of 1002 were completed under the 1000 secondary schools development programme and 88 laboratories were fully operated at the end of 2013. The total expenditure for these activities were Rs. 6,150 million.
Health	During 2013, 13 projects were completed by enhancing hospital infrastructure such as medical wards, theatre complexes, drug stores patient wards and Quarters for medical staff. In addition, 50 laboratories and 753 Mother and Childcare Clinics were improved with testing capacity. Out of 1084 hospitals 758 hospitals were reached to the standard of providing 24 hour maternity care serves.
Sports	In 2013, Dudley Senanayake College Playground, Digana public playground, Kundasale Provincial Sports Complex and administrative complex for the Ministry of Sports were completed. In addition, 134 projects started as an annual programmes to upgrade pavilions, swimming pools, volleyball and netball courts as well as 5 rural sports grounds were also completed.
Culture and Heritage	During 2013, restoration of Dutch Fort of Jaffna and Mihinthale and Mahamewnauyana sacred area development projects were completed. In addition, about 95 percent of the construction of Mirisawetiya buddhist monks training centre was completed while construction of Vidyalandara International Buddhist Centre, Kothmale Mahaweli Mahaseya, SAARC Cultural Centre and many conservation and preservation projects were in progress as planned. Further, four Dhamma Schools in Moneragala, Anuradhapura, Polonnaruwa and Ampara were developed.

Issues

Admit the efforts to implement these development activities within the agreed time and cost estimate, some projects and programmes are under-performing due to various reasons such as: insufficient medium term budget planning, weak contract management, poor cash-flow planning, lack of co-ordination among relevant stakeholders, lack of project management capacity in project management units and inadequate field level supervision. Accordingly, though progress has been achieved, still substantial risks and challenges encountered in different stage of the project cycle are reported as follows:

- A discrepancy between decisions of Appeal Board/ Courts and instruction of lending agencies guidelines.
- High level of repeated submission of documents for approval for one transaction.
- Inability of meeting the deadlines for submitting audited project accounts.
- Erratic rainfall
- Poor performance of the some of the contracts remained concerned.

Performance of Contractors

In 2013, approximately 2,350 local contractors were involved in construction activities under the public institutes across the various field of development such as roads, bridge, water supply, building construction, dredging and reclamation, irrigation and land drain etc. In addition, 27 foreign contractors were also engaged in mega development projects which are finance from foreign resources. Most of these contractors in foreign financing projects are selected on loan condition basis. As per the information of the Institute for Construction Training and Development (ICTAD) which is responsible for registering and grading contractors, 551 new registrations were issued, 337 contractors were upgraded and 651 of registrations were renewed during 2013. It has been observed that the foreign contractor's involvement in large sale projects is remarkably high and around 64 percent of contractors handle multiple contracts.

The contractors who handle more than 10 contract packages are listed below:

- | | |
|--|--|
| • CATIC – ENG | • KD Ebert & Sons Holding (Pvt) Ltd |
| • China Harbour Engineering Company | • V V Karunarathe & Company |
| • Xian Dagang Road Machinery Corporation | • Hovael Construction (Pvt) Ltd |
| • China National Machinery Import and Export Corporation | • Sunbeam Construction |
| • Taaisei Corporation | • State Development Construction Corporation |
| • IRCON International Ltd | • Nawaloka Construction Company (Pvt) Ltd |
| • China Geo Engineering Corporation | • Tudawe Brother (Pvt) Ltd |
| • JV of Hyundai Engineering | • Lanka Development Network (Pvt) Ltd |
| • MAGA Engineering (Pvt) Ltd | • Squire Mech Engineering (Pvt) Ltd |
| • Sierra Construction (Pvt) Ltd | • M/s Keangnam Enterprises Ltd |
| • Access Engineering (Pvt) Ltd | • M/s Mabey Bridge Ltd |

Table 10.9.4 > **Main Issues of the Projects in 2013**

Issues	No. Projects affected
Scope changes at implementation stages	16
Poor performance and inadequate capacities of contractors	24
Land acquisition and resettlement	9
Inadequate co-operation among the utility service providers	10
Delays in various clearances and approvals	18
Delays in procurement contract awarding	8
Time consuming concurrence process by lending agencies	8

Source: Department of Project Management and Monitoring

The poor performance of the contractors always hinders the progress of the projects. The poor cash flow management, inadequate human resources and machinery at sites as well as limited capacity due to a large number of contracts handle at once are the main issues of contractors which affect the completion of projects on time.

ICTAD has registered the contractors in different Grads from C1 to C10 by evaluating the contractor on his financial capability, the technical ability with human resources and plant & machinery, and the experience gained in relevant fields Contractors were categorised. C1 is ranked as the best category which the financial limit is more than Rs. 600 million and above where the Contract value for the C10 is below 2 million. Distribution of the Contractors by their grade and field of work is given below:

Table 10.9.5 > **Contractors in Different Grades**

Field	Grade										Total
	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	
Bridge Construction	7	5	16	15	14	33	1,685	1	0	0	1,776
Building Construction	24	28	54	92	165	264	1,302	306	84	19	2,338
Dredging and reclamation	3	1	4	4	4	5	1,725	260	68	13	2,807
Groynes & Revetments	1	3	1	1	0	1	33	1	0	0	41
Highway construction	24	14	30	65	108	164	1,481	291	73	18	2,268
Irrigation and Land Drain	3	5	11	24	43	81	1,640	274	67	15	2,163
Other Heavy Construction	0	0	0	0	0	0	1	0	0	0	1
Storm Water	1	2	3	5	10	6	133	5	3	0	168
Water Supply & Drainage	11	7	14	25	24	24	1,700	270	71	13	2,159

Source: ICTAD

ICTAD has published a list of eight contractors that have already been subjected to disciplinary actions due to their poor performances and cancellation of their registration period between 1-2 years.

10.10 Foreign Remittances

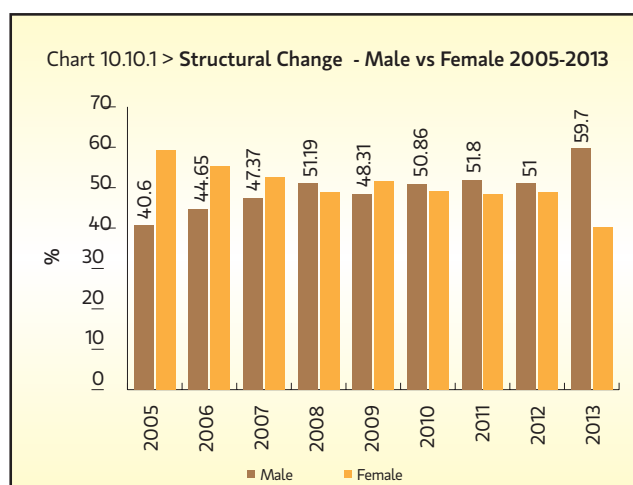
Sri Lankan overseas employment stands at around 1.8 million with an annual outflow of about nearly 300,000 workers including first time departure of 90,000 people. On average 803 people are leaving for overseas jobs per day. About 20 percent of households in the country are recipients of overseas remittances and the net average earning per year is Rs. 280,000. The foreign remittance which is the main foreign exchange earnings in the country increased from Rs. 198 bn (US\$ 1.9 bn) in 2005 to Rs. 827.6 bn (US\$ 6.4 bn) in 2013. In 2013, foreign employment accounted for 20 percent of the labour force.

Structural Shifts in Foreign Employment:

The gender in the foreign migrants has shifted from the female dominated structure to a male dominated after 2010, declining female migration from 59.4 percent in 2005 to 40.3 percent in 2013. This reflects the effectiveness of the regulations imposed by the government to prohibit the departures of mothers who have children younger than 5 years of age and

increase the minimum age of requirement in order to minimize the social cost of female departures.

Penetration into skilled categories can be seen with declining the percentage share of housemaid departures to one third of the total departures while a significant shift towards the skilled and professional categories with 26.7 percent in 2013.



Source: Sri Lanka Foreign Employment Bureau

Table 10.10.1 > Foreign Employment Departures 2005 - 2013

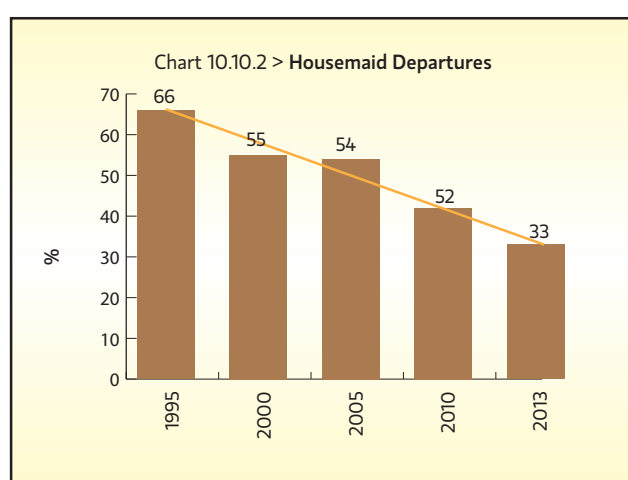
Persons Migrated					
Year	Male		Female		Total
	No.	percent	No.	Percent	
2005	93,896	40.6	137,394	59.4	231,290
2006	90,170	44.6	111,778	55.3	201,948
2007	103,476	47.3	114,983	52.6	218,459
2008	128,232	51.1	122,267	48.8	250,499
2009	119,381	48.3	127,745	51.6	247,126
2010	135,502	50.8	130,943	49.1	266,445
2011	136,307	51.8	126,654	48.3	262,961
2012	144,135	51.0	138,312	49.0	282,447
2013	175,047	59.7	118,058	40.3	293,105

Source: Sri Lanka Foreign Employment Bureau

Table 10.10.2 > **Structural Shifts of Foreign Employment**

Year	1995	2000	2005	2010	2013
Male to female Ratio	0.36	0.49	0.68	1.05	1.48
Percentage share from Total Annual Departures (%)					
Housemaid	66	55	54	42	33
Skilled	15	21	20	26	25
Unskilled	13	19	18	22	24
Professional	0.5	0.5	0.6	1.1	1.7

Source: Sri Lanka Foreign Employment Bureau



Source: Sri Lanka Foreign Employment Bureau

The government actively promotes migration of skilled workers for overseas employment, by promoting tertiary and vocational education with the objective of meeting global demands. However, there is still a large mismatch expects with regards to demand and supply. Over 60% percent of job orders have been

remained as unfilled in all man power levels. Despite the need to discourage the professional level and housemaid migrations owing to the high economic and social cost that can occur through the brain drain and social protection, still larger portion of the foreign employment demand has not been tapped. Therefore it is vital to further consolidate the policies to align the skill requirement enable to capture the potential.

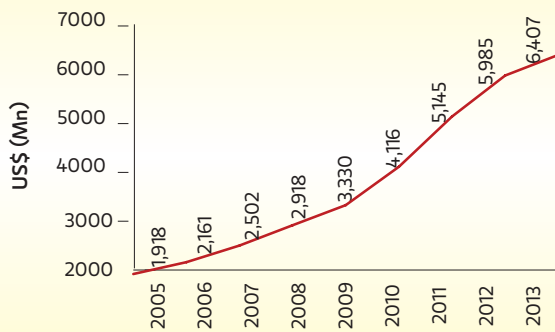
The remittance flows from migrant workers is the single most important source of foreign currency, exceeding, the exports of apparel which is the largest manufacturing export in the country with direct and indirect employment earned US\$ 4.3 bn. In 2013, remittances from overseas employment ahead to US\$ 6,407 million which is 7 percent increase over the previous year and almost doubled the earnings of 2009.

Table 10.10.3 > **Details of Job Orders and Departures**

Man power level	Job orders(Demand)	Departures(Supply)	Percentage of Unfilled job orders
Professional Level	5,970	705	88
Middle Level	16,126	6,073	62
Clerical and related	25,816	10,354	60
Skilled	211,155	33,063	84
Semi Skilled	5,680	871	85
Unskilled	136,949	29,496	78
Housemaid	256,851	94,704	63

Source: Sri Lanka Foreign Employment Bureau

Chart 10.10.3 > Worker's Remittances (US\$ Mn)



Source: Sri Lanka Foreign Employment Bureau

The doubling of remittances over the past five years has taken place as a result of a combination of factors including;

- The increase in the migration of skilled workers along with higher wage rates
- Improvement of the availability of formal channels for employment and remittance transfers
- Increased migration to high wage paying countries
- Collective agreements with labour receiving countries

Diversification of Country's Foreign Earning Sources:

Remittances from abroad have a positive impact on balance of payments. The significance of remittances is much larger than Official Development Assistance (ODA), Foreign Direct Investment (FDI) and earnings from tourism. The contribution of remittances not only supports to the finance of trade balance but also effect to reduce the poverty level of the country.

Social Benefits:

Families receiving remittances invest more in housing, education, healthcare and enterprises development. The remittances enhance incomes of the poor especially those in rural areas and the poor have improved their living conditions owing to remittances from migration. This is one of the ways by which poverty has been alleviated.

The country has achieved a low level of unemployment, due to higher level of economic activities, lower inflows to the labour force owing to the declining population growth rate and the migration for overseas employment.

Table 10.10.4 > Importance of Remittances (US\$ Mn)

	Remittances	Tourism earnings	ODA*
2005	1,918	362.3	616
2009	3,330	349.3	960
2010	4,116	575.9	864
2011	5,145	850.0	1,118
2012	5,985	1,039.0	1,213
2013	6,407	1,715.0	1,080

Source: Central Bank, Ministry of Finance and Planning

* Project loans only

Welfare of Foreign Employees:

Government has taken several initiatives to ensure the social welfare of foreign employees at destination country and at the returned.

“Videsha Rakiya” insurance scheme is a major welfare program conducted by the government to ensure wellbeing of the migrant workers. It covers the death of insured, funeral expenses, death of dependents, disability and medical expenses of the insured and dependents. Apart from the insurance scheme, government has initiated a retirement scheme called “Sesatha” to ensure the income source at the returned stage. The health impact of migrants has increasingly been an important concern.

Similarly several low interest rate loan schemes have been launched to fulfill housing, basic amenity and pre – departure expenses of the migrant workers under the “Ratawiruwo” program and “Ratawiru Rakawarana”. Under

that program, migrant workers can obtain housing loans through the Samurdhi Bank and Regional Development Banks at an annual interest rate not exceeding 10%. In addition to that scholarships are awarded to migrant worker’s children when they are qualified for the Grade 5 scholarships, GCE (A/L) examination and admitted to University or technical college.

Overseas Sri Lankans are one of the most worthy assets of Sri Lanka. However, still the country has not taken sufficient effort to harness the full potential of this valuable resource, which will be beneficial to both overseas Sri Lankans and to the country. Initially, it is planned to implement a program to get the details of all overseas Sri Lankans entered into a data base with the assistance of Sri Lankan organizations established in the destination countries of Europe and other parts of the world.

Table 10.10.5 > **Details of Welfare Activities**

Activity	2009	2010	2011	2012
Scholarship Awards				
No. of Scholarships	1,443	1,579	1,821	2,720
Value (Rs. Millions)	27.9	30.0	34.0	52.5
Payment of compensation under insurance cover				
Number of beneficiaries	5,310	3,329	4,473	2,362
Total Compensation paid (Rs. Millions)	254.9	145.2	190.7	108.8
Repatriation of Distressed workers				
Number of Repatriation	2,571	2,929	1,727	2,215

Source: Sri Lanka Foreign Employment Bureau

10.11 Progress of implementation of Budget Proposals from 2006 - 2013

Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
2006			
1 A free nutritional food package worth of Rs.500 to expectant mothers	Dept. of Commissioner General of Samurdhi	1,500	Continuing from 2006 to up to date, covering all districts and around 55,000 mothers are benefitted annually.
2 Medical advices and related services at rural hospitals for expectant mothers	Ministry of Healthcare & Nutrition		Continuing as a part of the above program.
3 Monthly allowance of Rs. 200 to purchase milk for children up to 5 years of age	Dept. of Commissioner General of Samurdhi		Fresh milk program was initiated as pilot program covering children in age group 2-5 years benefitting 40,000 children in 10 DS divisions initially. This is being implemented by the Ministry of Child Development & Women's Affairs from 2007. Annually 200,000 children are being benefitted covering all districts.
4 School Midday Meal Program for children in less advantaged schools	Ministry of Education	300	Continuing in large scale as an annual program after 2006, benefitting around 800,000 school children per annum. Ministry of Education Services is implementing this since mid of 2013.
5 Upgrading the condition of identified hospitals	Ministry of Healthcare & Nutrition		15 hospitals were rehabilitated and upgraded. The proposed project was completed in 2009.
6 Setup dedicated wards in Government hospitals for public servants	Ministry of Healthcare & Nutrition		Hospitals have been identified to implement this and in the process of upgrading
7 Improve the life standard of Samurdhi families	Samurdhi Authority	2,800	Rs. 10 Mn. per each Divisional Secretariat has been provided to improve the infrastructure facilities in the respective divisions in 2006 and it is incorporated into Gamaneguma Program.
8 Concessionary loans to Samurdhi Development Officers (SDO) to purchase motorcycles	Samurdhi Authority	200	An interest subsidy of 6% was provided under Rs. 85,000 price ceiling for a motor bike through Bank of Ceylon & Peoples' Bank. This program has been expanded to a motor bike costing to Rs. 150,000 in 2012 and 10% interest subsidy is granted from 2012.
9 Increase of Samurdhi monthly allowance by 50%	Dept. of Commissioner General of Samurdhi	3,000	113 poorest DS divisions benefitted covering 566,144 families in 2006. At present all the Samurdhi beneficiaries are being paid the increased Samurdhi allowance.
10 Financial aid to elderly homes, children's homes and homes for differently able persons to be refurbished	Ministry of Social Services and Social Welfare/ Ministry of Child Development and Women's Empowerment	25	7 elderly homes, 11 children homes and 15 homes for differently able persons were refurbished. This is being continued as an annual program for upgrading the standards of these homes.
11 Establishment of 'Rakawarana Niwasa' providing vocational skills	Ministry of Social Services and Social Welfare	50	3 homes for differently able people were constructed in Anuradhapura, Putlam and Jaffna Districts.
12 Increase the allowance granted to differently able persons	Ministry of Social Services and Social Welfare	60	2,125 low income families with a differently able persons (if the bread winner is disable) have been benefitted with a monthly sum of Rs. 3000/=. At present it has expanded upto 16,600 low income families

Note: All revenue proposals were made in respective years were implemented with approval of Parliament.

Implementing agencies may have been changed due to changes in functions assigned to implementing agencies

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
13	'Senehasa' Bank account	Ministry of Child Development and Women's Empowerment	25	Bank accounts at People's Bank opened for 689 children who lost their parents at the Tsunami divastation and any other conflict Rs. 1,500 is being received monthly until they reach 18 years. At present 190 accounts to be matured.
14	"Gama Neguma" Community Based Development projects	Ministry of Rural Livelihood Development	1,000	The program was initiated giving priority for 119 DS in 2006. It is being continued covering all the DS divisions in the country.
15	Creating certified skill providers in various technical fields	Ministry of Vocational & Technical Training	250	A scheme has been implemented to Accredit skills providers in technical fields. A directory that provides information of accredited skills providers was developed. Beliatta & Weerawila Technical Colleges were upgraded and Vocational Training Centers were established at Mirijjawila, Katuwana, Gannoruwa & Padukka.
16	Institute for International relations and strategic studies	Ministry of Foreign Affairs	75	Rs.50 Mn. has been granted as an initial fund to the institute of Lakshman Kadiragamer and further funds are provided through annual Budget on a continuing basis.
17	Disaster Risk Management Program	Dept. of Meteorology	200	Established Disaster Management Centre, Purchased equipment, School children & coordinators were trained on disaster management, Drought & Flood mitigation(adaptation) trainings for farmers were conducted, Bio fences were prepared in Monaragala & Puttalam to overcome the Elephant conflicts, Plantation of natural Tsunami barriers at Eastern costal belt
18	Meteorological Surveillance Radar System (Doppler Weather Radar System)	Dept. of Meteorology	400	The Radar System has been established.
19	Provide a Rs. 10,000 subsidy in respect of each new renewable energy connection provided to rural households	Ministry of Power and Energy		Project is being implemented with World Bank assistance to provide financing to support rural electrification through promotion of renewable energy.
20	Concessionary credit facilities for media personnel to purchase computers, media equipment and motor bicycles	Ministry of Mass Media & Information	75	207 Computers, 189 Motor bikes, 48 Cameras and 1 fax machine were distributed.
21	Financial assistance for young journalists to develop their professional skills	Ministry of Mass Media & Information		7 workshops were conducted with participation of 1,200 journalists. Eligible journalists have followed long term training programmes.
22	Promote community policing	Ministry of Defence, Public Security, Law & Order	100	Implemented
23	New Police stations near commercial centers with sophisticated communication equipment and mobile facilities	Ministry of Defence, Public Security, Law & Order	200	Implemented
24	Installing an Electronic surveillance system in Colombo	Ministry of Defence, Public Security, Law & Order	162	Implemented
25	Sea surveillance mechanism	Ministry of Defence, Public Security, Law & Order	150	Implemented
26	Fertilizer Subsidy: Provide fertilizer of all varieties at Rs. 350/- per 50 kg bag. Provide Urea at a subsidy rates for small holding plantation sector.	Ministry of Agricultural Development & Agrarian Services	2,300	Fertilizers for all varieties were provided at Rs.350/- per 50 kg bag for paddy cultivation from 2006 up to date. Fertilizers for all other crops were provided at Rs.1200/- since 2011. This subsidy is targeting around 800,000 paddy farmers & around 400,000 small holders in plantation sector annually.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
27	Establishment of seed farms	Department of Agriculture	300	Horana, SeethaEliya, Girandurukotte and Labuduwa seed farms and Mahalluppallama Field Crop Research Institute were developed with modern equipment.
28	Implementation of a special SME credit scheme dedicated to 500 SMEs in the Mahaweli area to create high-tech export oriented agro-processing industries including high quality rice milling	Ministry of Agricultural Development & Agrarian Services with Mahaweli Authority of Sri Lanka	1,000	Loans have been disbursed for selected entrepreneurs in Mahaweli Zones (H,B,C,D,L,G, etc).
29	Establishment of dedicated agricultural production zones for Mangustini, Orange, Durian, Papaya, Rambutan and Pineapple	Department of Agriculture	160	279 crop zones were established Island wide.
30	Promoting packaging and transportation methods	Institute of Post-Harvest Technology	80	115,851 plastic crates were distributed among farmers and traders during 2007-2011 period, at 50% concessionary price to minimize post-harvest losses. 131 awareness programmes were conducted and 6,560 trainees were benefitted.
31	Implementation of a National Organic Standards and Certification Program	Department of Agrarian Development & Export Development Board	85	National Organic Standards were developed by Sri Lanka Standards Institute and Export Development Board. Actions are being taken to establish a local certification body for this purpose.
32	Set up a Rs. 10 billion revolving fund for plantation agriculture	Ministry of Plantation	1,600	Rs. 1600 Mn. was distributed among Tea small holders as loans and now it is in recovering stage.
33	Development of Coconut Cultivation in Mahaweli areas, Galle,Matara,Hambantota, Gampaha,Kurunegala&Puttlam Districts	Coconut Development Board		Replanted at the extent of 2,436 Ha and newly planted at the extent of 8,016 Ha
34	Strengthen the legal framework to prevent coconut lands in excess of 5 acres from being blocked out and sold	Coconut Development Board		Implemented
35	Development of 20,000 hectares of rubber plantation in the Monaragala district	Rubber Development Department	700	Newly planted at the extent- 7200 Ha up to date. This will implemented upto 2015.
36	Commencement of works at Kantale and Hingurana Sugar Factories	Ministry of Plantation		Alternative options are being reviewed by the Ministry of State Resources and Enterprise Development.
37	Establishment of High Yield clones gardens in MahaOya, Anuradhapura, Monaragala and introduce new auctions in Puttlam and Vavuniya	Ministry of Plantation		Established high yield clone gardens in Mahaoya and Anuradhapura.
38	Shifting of St. Johns Fish Market Complex to Peliyagoda	Ministry of Fisheries & Aquatic Resources	500	Completed by 2010.
39	Establishment of Fishing Promotion Fund	Ministry of Fisheries & Aquatic Resources	700	Fund was not established but expected objective of this fund is being achieved through state bank financing with an interest subsidy.
40	Setup an Ornamental Fish Exchange	Ministry of Fisheries & Aquatic Resources	50	Ornamental Fish Exchange center was established at the Ministry premises.
41	Improvement of infrastructure in Puttlam district for shrimp farming and expand the industry in Batticaloa district	Ministry of Fisheries & Aquatic Resources	100	Implemented in Puttlam and Batticaloa districts.
42	Annual book allowance to every religious/dhamma school teacher	Ministry of Religious Affairs	200	Book allowance was granted for 75,000 teachers annually.
43	Conservation and rehabilitation of temples, kovils, mosques and churches of significance	Ministry of Religious Affairs	50	83 temples and 12 churches were rehabilitated.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
44	Setting up of a 'Kala Nikethanaya'	Ministry of Cultural Affairs & National Heritage	10	To be completed in 2014.
45	Establish the Modern Performing Arts Theatre (Nelum Pokuna) in Colombo with assistance from the Government of China	Ministry of Cultural Affairs & National Heritage	410	Completed in December, 2011.
46	'Kantha Diriya' - Giftware and handloom Industry	Ministry of Enterprise Development and Investment Promotion	75	A group of 30 SMEs were selected covering sectors handloom textiles, wood, clay rush & reed, recycled paper& coir based giftware. 25 SMEs successfully completed and a total of 120 new designs were developed with expert assistance 07 SMEs were given an opportunity to visit "FAME" International exhibition in Philippines. Some of the companies have exported their products to the Maldivian market. Under stage II of the project, 30 SMEs have been identified. A consultancy firm from the Philippines has been selected for technical assistance for design/skills development.
47	Establishment of a packaging development Centre	Ministry of Export Development and International Trade		Action was taken to strengthen the existing Packaging Development Centre.
48	Develop Horana as a dedicated textile processing zone	Ministry of Enterprise Development and Investment Promotion	350	Taking into consideration the objections of public on laying pipeline outfall to the river, the project was temporally suspended and alternatives for discharge of treated effluent are being studied at present.
49	College of Textile and Clothing	Ministry of Enterprise Development and Investment Promotion	250	The MAS Group has set up a Training Center called "MAS Institute of Management & Technical Ltd ". Hence implementation of proposed project was not promoted with.
50	Promotion of Up-market Tourism	Ministry of Tourism	100	This is being implemented by providing required allocation through the annual Budget.
51	'Gamata Karmanta' - 300 Factory Program	Ministry of Enterprise Dev.& Investment Promotion	200	56 factories were established.
52	Multi-Purpose Irradiator Plant	Ministry of Science & Technology	100	Completed
53	Implementation of a concessionary credit scheme for private bus operators	National Transport Commission	75	Credit facilities were provided for purchasing 250 buses to replace buses over 10 years of age.
2007				
1	Upgrade health centers in estate sector	Ministry of Health	150	25 Estate Hospitals were taken over to the Government and developed infrastructure facilities.
2	Establish drug stores in key hospitals Increase the capacity of SPMC to supply essential drugs to hospitals to reduce the associated imports	Ministry of Health	65	Construction of drug stores at Kurunegala, Ratnapura, Ampara , Drugs stores completed and drug stores at Badulla, Ragama and Gampola are continued.
3	Introduce regulations by the Food Advisory Committee relating to food items, chocolate based products, fish meat etc. and products nearing the expiry date, Expansion of imports certifying process	Ministry of Health and Sri Lanka Institute of Standards	194	20 New Regulations were introduced by the Food Control Administration Unit of the Ministry of Health during the period 2007-2009. 102 products were imposed with requirement of quality standards.
4	Develop E- Villages in rural locations	Presidential Secretariat and Ministry of Education	100	A project called 'e-societies' is being implemented through World bank assistance.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
5	Establishment of Provincial High Courts	Ministry of Justice	100	20 Provincial High Courts were established, the number of high court judges were increased by 30. Due to this increase, 14,000 back log clearance at Court of Appeal was achieved.
6	Presidential Task Force for Productivity Improvement	Presidential Secretariat and Ministry of Labour	50	National Productivity Council at the labour secretariat was strengthened.
7	Upgrade the Rice Research & Development Institutes (RRDI)	Ministry of Agriculture	100	Construction of Training centre at Batalagoda and buildings at Ambalanthota, Labuduwa and Samanthurai were completed.
8	Set up an International Institute for Buddhist Studies	Ministry of Religious Affairs	100	Constructions of 'Sadaham Sevana' at Rajagiriya were completed.
9	Promote religious education by enhancement of communication and teaching skills of religious teachers	Ministry of Religious Affairs		One day workshops for each Sasanarakshaka mandala is being carried out continuously. Syllabuses were revised.
10	Awareness programmes on drug addictions through temples	Ministry of Religious Affairs		1000 programmes were conducted.
11	Preserve Sri Lankan Heritage through Special Programmes	Ministry of Cultural Affairs & National Heritage	10	Public awareness programmes were conducted.
2008				
1	Complete housing construction activities ('Diyawara Gammana')	Ministry of Nation Building	100	Completed.
2	Housing facilities of shanty dwellers in ten selected Districts	National Housing Development Authority	100	683 shanty dwellers & 593 families were rehoused in Negambo, Matale, Nuwara-Eliya, Hambanthota, Tangalle, Rathnapura, Badulla, Anuradapura & Moratuwa.
3	Increase the number of year 5 scholarships from 10,000 to 15,000	Ministry of Education	375	Year Five Scholarships were increased up to 15,000 students.
4	Increase the intake of students to be trained as quantity surveyors from 50 to 150 and expand the required facilities at the University of Moratuwa	University Grants Commission		Implemented.
5	Expansion of housing projects for members of the armed forces and their family members and develop necessary infrastructure for these housing complexes	Ministry of Defence, Public Security, Law & Order		This is being continued by providing required provisions through the annual budget.
6	Setting up of 'Api Wenuven Api' Fund	Ministry of Defence, Public Security, Law & Order		The fund has been established and operated.
7	Establishment of Project Management Department	Ministry of Finance & Planning	50	Established
8	Strengthen "Api Wawamu - Rata Nagamu" Programme	Ministry of Agriculture Collaboration with the Department of Agriculture & Institutions under the Ministry	300	36 crop leaders have been appointed for selected crops. 41,846 Acres of abandoned paddy lands have been cultivated & 199,338 home gardens have been developed in 2008. This is being continued by providing sufficient provisions through the annual budget.
9	Encourage production and use of organic fertilizer	Ministry of Agriculture	500	Training & Awareness programmes have been conducted for 72,270 officers & farmers. 926 farmers were registered as commercial producers. 12 varieties of integrated plant nutrient packages have been formulated for Fruits & Vegetables. 50 Agrarian Service Centers have been identified for marketing of Organic fertilizer. This programme is being continued as an annual programme.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
10	Implement an incentive scheme for agricultural officers who work in the field	Ministry of Agriculture	100	Rs. 450/- per month is being granted to Agriculture Research & Production Assistants to encourage their field works.
11	Setup cold storage facilities and milk collection centers at provincial level	Ministry of Livestock Development	50	28 Chilling tanks with various capacities were distributed among farmer societies.
12	Rice subsidy for the plantation sector and Neighbouring Communities	Ministry of Plantation	200	155,000 people were benefitted. Maximum of 10 Kg of rice was given for a family per month at Rs. 10 less than the Market price. A coupon system has been introduced to implement this programme.
13	'Piyakaru Purawara' Programme	Ministry of Environment & Natural Resources	70	Dutugemunu Park at Embilipitiya was completed. Distribution of 3000 wastage Segregation Bins for public Institutions, Temples, Schools and awareness programme on solid waste management were completed. Coastal Zone Environment Improvement project was carried out in collaboration with Marine Pollution Prevention Authority The Development of Bellanwila Aththidiya Sanctuary "Soba ketha" premises as deer park was initiated. Air quality monitoring stations (Kandy, Nugegoda) were established. 11 "Pilisarupola" (waste exchange fair) were conducted under threatened species conservation program. Plantations (42.5 ha) were replanted/ restored with threatened & rare species of plants.
14	'Haritha Gammana'	Ministry Environment & Natural Resources	70	Four model eco villages established, 400 solar cells, 20 bio gas units, 42 rain water harvesting tanks were distributed among rural village communities. Quality of 132 sanctuaries were improved Five workshops were conducted, 1 laboratory was established under the conservation of traditional knowledge program.
15	Set up an Universal Art Village	Ministry of Culture & the Arts	60	This was not implemented.
16	Setup an intellectual Property Sales Development Center to enable local intellectuals, artists and inventors to introduce their creations engage in sales promotions and hold discussions and seminars	Ministry of Trade, Marketing Development, Co-operatives & Consumer Services, Intellectual Property Fund	50	Construction work has been completed.
17	Setting up of a "State Trading Wholesale Establishment"	Ministry of Trade, Marketing Development, Co-operatives & Consumer Services	2	Completed
18	Expand Lak Sathosa outlets up to 200 and link Co-operative Societies with Lak Sathosa outlet. Set up Budget Shops in more populated areas	Ministry of Co-operatives & Internal Trade	345	32 Lak Sathosa outlets have been opened.
19	Set up a Free Trade Zone for Building Materials in the Kelani Valley	Ministry of Co-operatives & Internal Trade	250	As an alternative a construction city has been established at Peliyagoda by State Engineering Corporation.
20	Allocate funds from the income of BOI to provide greater welfare facilities to employees in export processing zones	Board of Investments	Allocations from the revenue of BOI	Katunayake - 20 programmes were conducted on Counselling, Safety & Healthcare. Meditation centre was established and services are being provided. Biyagama - Services of health clinics for pregnant mothers were conducted. Joint patrolling programme is being implemented. BOI offered a land free of charge for the investors to construct hostels.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
21	Setup an Employment Placement Coordination Center in order to assist foreign employment of professionals	Ministry of Foreign Employment Promotion & Welfare		Implemented.
22	International level facilities to rural sportsmen	Ministry of Sports and Public Recreation	300	Priority are being provided for rural sportsmen and several sub projects are being implemented as follows. Development of rural grounds improvement of sports facilities in selected schools Sport development in Eastern Province Nuwara-EliyaThuraga Ground development project
2009				
1	Milk Subsidy for children of Low Income families	Ministry of Nation Building	900	This is being implemented by Ministry of Child development and Women's Affairs since 2007 as an annual program.
2	Health Sector Development in lagging Regions	Ministry of Healthcare & Nutrition	350	This is being implemented. (Construction of On-call room and ward complex at BH in Akkaraipattu and Oncology unit TH in Batticaloa)
3	Research on Indigenous Medicine	Ministry of Indegenous Mediecline	100	Research capacity has been enhanced at the Bandaranayake Memorial Ayurvedic Reserch Insitute.
4	'Gama Neguma/Jathika Saviya' Program	Ministry of Nation Building	8,000	The projects are being continued for provding number of facilities at threaten villages and remote areas.
5	'Uthuru Wasanthaya'-Expedite resettlement activities in North	Ministry of Nation Building	3,500	A number of projects have been implemented.
6	World Heritage 'Galu pura' Development	Ministry of Nation Building collaboration with Ministry of Urban Development	100	This was implemented.
7	Upgrading infrastructure facilities in Universities	Ministry of Higher Education	950	Infrastructure facilities of Universities at Rajarata, Sabaragamuwa, Wayamba and Trincomale Campus were developed.
8	50 year commemoration of Sri Jayawardenepura and Kelaniya Universities	Ministry of Higher Education	100	This was implemented.
9	E- Village Program	Presidential Secretariat and Ministry of Education	100	Project called 'e-societies' is being implemented with World Bank assistance.
10	'Api Wenuven Api' Ranaviru Gammana Program	Ministry of Defence	3,500	1,509 completed houses have been provided to war heroes.
11	"Janatha Sathkara Sevaya" - Simplifying the Administrative system	Ministry of Public Administration	150	7 Sewa Piyasa offices in Matara and Kandy Districts were constructed.
12	One Village - One Crop	Department of Agriculture & Ministry of Nation Building	300	Input assistance & technical support were provided to cultivate 40 crops in 756 hectares in the country.
13	Agriculture export promotion zone	Ministry of Agriculture in collaboration with Export Development Board	500	Cultivation & processing of foliage & cut flowers for exports (Bingiriya) and Turmeric cultivation projects (Eastern province) have been implemented. The existing Packaging Centre was strengthened.
14	"Mathata Thitha" and Protection of Milking Cows	Ministry of Religious Affairs	100	Implemented.
15	Preservation of Native Habitats of original inhabitance	Cultural Affairs & National Heritage	50	Project based on conservation of cultural social & economic aspects of Native Habitats is being implemented.
16	Community Tourism	Ministry of Tourism	100	Programs are being implemented in 10 villages. (Kalapura, Talagune, Puwakpitiya, IhalaKotte, Uthuwana, Magaltota Village, Thelijawila, Kapparatota, Kudawa, Kudahettiyawa)

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
17	'Haritha Kavaya'	Ministry of Environment & Natural Resources	150	Implemented
18	Conservation of Elephants	Ministry of Agrarian Services & Wildlife	300	Several programmes such as constructions of electric fences, awareness programmes and establishment of wild elephant orphanage centers etc. were implemented. This programs are being continued with annual provision.
19	Sports Upliftment	Ministry of Sports	300	This is being implemented as an annual program.
2010				
Due to Presidential and Parliamentary elections held in 2010, a Vote on Account was approved for the 1st four months and H. E. the President approved expenditure for further three months in terms of Section 150 (3) of the Constitution. Thereafter a Budget was presented on 29 th June 2010 for the balance period with limited scope and of transitional nature.				
1	Set up an employees pension fund for the benefit of all government and private sector employees' who are not presently covered by any form of pension	Ministry of Finance and Planning/ Ministry of Foreign Employment Promotion & Welfare/ Ministry of Labour and Labour Relation		Proposal initiated in 2011 and it was not implemented due to protests of employees.
2	Implementation of enterprise revival programme	Ministry of Finance and Planning/Department of Development Finance		This is being implemented by providing required allocation through the annual Budget.
3	Rehabilitating irrigation scheme as a major steps towards water resource management	Ministry of Irrigation and Water Resoruce Management	3,000	Project is being implmented. A separate project has created in budget estimate and sufficient provision is being provided annually.
4	Promoting higher educaion through building a partnership between public and private sector	Ministry of Higher Education		Under this programme MOU was signed in 2012 with CIMA & MOU has been prepared to sign with ICASL and IPM to facilitate the university undergraduates to follow the courses on discount rates.
5	Regional Development Initiatives	Ministry of Economic Development	7,500	Several infrastructure, livelihood, public utility projects are being implemented under the programme of "Uthuru Wasanthaya" "Negenahira Navodaya", "Sabaragamu Arunalokaya", "Wayaba Pubuduwa", "Pubudamu Wellassa", "Ruhunu Udanaya", "Kadurata Udanaya", "Batahira Ran Aruna", "Rajarata Navaodaya" through these initiatives.
6	Township Development and city expansion Program	Ministry of Defence and Urban Development		This is being implemented by providing required allocation through the annual Budget.
7	Heritage City Development Galle, Kandy, Anuradhapura preserve as cultural Heritage Cities	Ministry of National Heritage		Under this program Galle Port and Matara Star Port preservation program and Anuradhapura Mahamewna Uyana Development Program were completed
2011				
1	Prevention of non-communicable diseases	Ministry of Health	900	Medical equipment have been provided for hospitals, repairing "suwadiwisayana" at hospitals in Polonnaruwa District, providing medical equipment for OPDD, ETUU and "Suwa Sayana" in Hambantota District Hospital
2	Expand the "Thripasha" program	Ministry of Health	400	Expansion activities have been initiated.
3	Grant an allowance of Rs 100,000 per family for a live birth of a third child of families of Armed forces	Ministry of Defense	3,000	Allowances have been granted for 7,826 child births and it is being continued.
4	Expansion of "Mathata Thitha" program in every village	Ministry of Economic Development	200	Action has been initiated to establish rehabilitation centers.
5	Increase the monthly allowance granted to elderly, the handicapped and the victims of terrorism people	Social Service, Provincial Council, Dpt. of Sumardhi	1,000	Rs. 10,000 financial allowances to around 190,000 elderly and disabled persons is being provided as an annual program.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
6	Expansion of "Gama Neguma" program to cover all villages in the country	Ministry of Economic Development	11,000	Rural infrastructure development projects are being implemented throughout the island.
7	Complete Various incomplete development projects	Ministry of Economic Development	1,000	244 projects have been completed throughout the island.
8	Rehabilitate all minor irrigation schemes	Provincial Councils and Department of Agrarian Services	900	640 minor irrigation schemes have been rehabilitated in Kandy, Matara, Ratnapura and Kalutara districts.
9	Provincial Road Development	Ministry Economic Development and Provincial Councils	20,000	3740 km of provincial roads have been developed.
10	Expansion of "English as a Life Skill" program	Ministry of Education	750	23,000 teachers were trained and it is being continued.
11	Launching of "Trilingual Sri Lanka" initiative with a ten year plan	Ministry of National Languages, Ministry of Education, Ministry of Higher Education & Ministry of Public Administration	100	Language Laboratory was developed 8 computers were purchased for conducting examinations on National Languages 578 classes were conducted
12	Upgrading the facilities of state Universities which were established recently	Ministry of Higher Education	1,000	University of Jaffna, University of Wayamba, University of Sabaragamuwa, Gampaha Wickramarachchi Ayurvedha Institute and University of Visual & Performing Arts were benefitted.
13	Upgrading univercites of Peradeniya, Moratuwa, Colombo, Sri Jayawardanepura, Kelaniya and Ruhuna	Ministry of Higher Education	600	Basic infrastructure facilities are being developed.
14	'Ranminithenna' - National Tele-cinema Park - phase 2	Ministry of Mass Media	200	Phase 2 is being implemented with annual budgetary provision.
15	Rs. 50 Mn. to provide equipment to media personnel	Ministry of Mass Media	50	169 media personnel were benefited.
16	Accelerated project to facilitate the effective administration of justice	Ministry of justice	150	Improvements of facilities in court complexes were continued.
17	Setting up an Innovation & Technology Development Fund	Ministry of Science and Technology	1,000	Innovators fund was setup and is being continuing.
18	Accelerate seed farm development	Ministry of Agriculture	700	Water reservoirs were renovated in 6 farms (Ambalantota, Middeniya, Polonnaruwa, Aluthgama and Karadiyanaru) and two water reservoirs were constructed in Bata Atha and Kundasale. Drip irrigation systems, Agro wells and other common facilities were implemented in selected 16 farms. Infrastructure facilities of 19 government seed farms have been developed. Project is being continued through annual budget provision
19	Develop flowers and ornamental sector	Department of Botanical Garden	100	200 growers have developed foliage farms
20	Import high yielding dairy animals	Ministry of Livestock and Rural Community Development		2,000 high yielding dairy animals were imported during the period of 2011-2012.
21	Increase the farm gate price for liquid milk	Ministry of Livestock and Rural Community Development		Farm gate price of liquid milk has been increased up to Rs.50 per Ltr.
22	Concessionary credit facilities to promote small scale livestock activities	Ministry of Livestock and Rural Community Development	240	Existing concessionary loan scheme has been continued through state and regional banks for small scale farmers, entrepreneurs and processors of livestock sector. 13,280 loans were provided during 2008-2012.
23	Expand the veterinary research to provide quality services to farmers and extension services to promote livestock activities of small entrepreneurs	Ministry of Livestock and Rural Community Development	20.	User driven farm research activities were conducted. Local productions of vaccines were commenced. Infrastructure facilities of veterinary investigation centers were developed.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
24	Promote new Rubber plantation in Monaragala, Vavuniya and Mullative districts	Department of Rubber Development	250.	This is being implementing as an annual programme. New planting extent in 2011 was in 2165.86 Ha and Replanting extent was in 1122.62 Ha.
25	Remove all fees and charges for fishery boats	Ministry of Fisheries and Aquatic Resources Development	20	Implemented
26	Concessionary credit facilities to promote inland fishery and aquatic resources activities and deep sea fishing			This credit scheme "Diyawara Diriya" is being implemented through Bank of Ceylon. Interest subsidy is provided by the government.
27	Development of fishery industry based tourism	Tourism Development Authority	300	Kuchchevely and Kalpitiya are being developed as fishery based tourism industry areas.
28	Set up a Performing Arts Trust	Ministry of Culture and the Arts	100	This was not implemented.
29	SAARC Cultural Center	Ministry of Culture and the Arts	250	This is being implemented by providing required allocation through the annual Budget.
30	Conservation of archeological sites	Ministry of Economic Development	300	Preparation of master plan for the rehabilitation work of all archeological sites has been initiated and allocation has been released to commence the rehabilitation work in Polonnaruwa district.
2012				
1	OPD facilities for National Hospital	Ministry of Health	500	Estimates have been prepared to relocate the OPD building. Site clearing is in progress.
2	Thousand Hospital Development Project	Ministry of Health	1,000	This is being implemented. Physical progress of the provinces are as follows. North Western Province - 92.5% Western Province- 93.5% Sabaragamuwa Province-95%. Eastern Province- 90.0% Southern Province- 90.0% Uva Province- 100% Central Province- 90.0% North Central Province- 75.0% Northern Province- 95.0%
3	Increasing of Samurdhi Relief Allowance	Ministry of Economic Development/Dpt of Samurdhi Commissioner General	3,000	This is being implemented from 1st of April 2012. Required allocations are being provided through the annual Budget.
4	Living Allowance for Parents of the Employees of the Security Forces who facing economic difficulties	Ministry of Defence & Urban Development	1,300	Around 200,000 persons are being benefited from October 2012.
5	'Ranaviru Divi-Neguma' Special Loan Scheme	Ministry of Economic Development	400	Loan Scheme is being implemented through RDB.
6	Increasing Public Assistance for Elderly persons who are over 70 yrs from Rs.300 to Rs.1000 and support for low income differently able persons	Ministry of Social Services/ Ministry of Provincial Councils & Local Govt.	1,100	This is being continued as an annual program. 229,892 elderly persons and 16,474 differently able persons were benefited from 2012.
7	Strengthen of existing Programme for Child Protection	Ministry of Child Development & Women's Affairs	150	Project is being implemented by providing sufficient provisions through the annual budget.
8	Promotion of Daham Schools Programme	Ministry of Buddha Sasana & Religious Affairs	150	This is being implemented by providing required allocation through the annual Budget.
9	Housing facilities for Undeserved People	Ministry of Construction, Engineering Services & common amenities	500	Housing facilities were provided an island wide and this is being continued as an annual program.
10	Constructions of Government offices which will meet the requirements of public, specially differently abled persons	Ministry of Defense & Urban Development	3,000	This is being implemented by providing required allocation through the annual Budget.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
11	Develop 1000 secondary schools and 5000 feeder primary schools connected with them	Ministry of Education/ Ministry of Provincial Councils & Local Govt.	2,500	Development of more than 300 schools from selected 1000 secondary schools and refurbishment of 1680 primary schools were completed. Balance is being continued.
12	Vocational Training Programmes for Districts with High Unemployment	Ministry of Youth Affairs & Skill Development	500	Training courses were conducted in Hotel Management, Tourism and IT. Required equipment were provided. These courses are being continued at present with annual budgetary provisions.
13	Expansion of IT Literacy	Ministry of Telecommunication & Information Technology	500	This was completed with developing new computer laboratories in selected schools.
14	Insurance cover for victims of Wild Elephants	Dpt. of Wildlife Conservation	100	Actions are being taken to establish an insurance system collaborating with National Insurance Trust Fund.
15	Flood Protection in Urban and Sub-Urban Areas	Ministry of Defense & Urban Development	800	This is being implemented by providing sufficient provisions through the annual budget.
16	Creation of a Special Fund to Assist Artists/Journalists	Ministry of Culture & the Arts/ Ministry of Mass Media and Information	50	This is being implemented by providing required allocation through the annual Budget.
17	Interest subsidy for long term vehicle loan granted to Media Personnel and Artists	Ministry of Culture & the Arts/ Ministry of Mass Media and Information	200	560 media personnel and artists have obtained the loan
18	Legal Aid to Low Income Families	Ministry of Justice	100	260 legal programs have been conducted benefiting to 19,582 beneficiaries and the program is being continued.
19	Legal Reforms and International Arbitration Centre	Ministry of Justice	100	International Arbitration Centre was established in World Trade Center temporarily
20	Relocation of selected Prisons	Ministry of Rehabilitation & Prison Reforms	500	70% of works of Pallekele and 50% of Jaffna prisons are completed. Others are being implemented.
21	Special research projects for SME Development	National Research Council	500	This is being implemented by providing required allocation through the annual Budget.
22	Agricultural Research and Extension for Rice Export Zones	Ministry of Agriculture	200	Action has been taken to cultivate 21,000 ac in Mannar, Polonnaruwa, Ampara and Hambantota districts. Required certified seed paddy has been distributed among the selected farmers.
23	Development of Agricultural Seeds Production	Dpt. of Agriculture	100	This is being implemented by providing sufficient provisions through the annual budget.
24	Development of Ornamental Fish Centers for Exports & Self-employment generation	Ministry of Fisheries & Aquatic Resources	50	Breeding centers at Rambodagalla & Dambulla and Fish exchange centers are being developed.
25	Extension of Tea and Rubber Cultivation and Research and Development	Ministry of Plantations	200	This is being implemented as an annual program.
26	Intercropping Assistance for Export Agricultural Crops	Ministry of Minor Export Crop Promotion	150	This is being implemented as an annual program.
27	Development of most significant villages and historically significant Religious Places	Ministry of Buddha Sasana & Religious Affairs	300	Pilot project was initiated in Kebithigollawa DS division.
28	Asgiriya Restoration Programme – 700 years Anniversary	Ministry of Buddha Sasana & Religious Affairs	100	This has been completed.
29	Launching Mobile Language Labs	Ministry of National Languages & Social Integration/Presidential Secretariat	125	Actions are being taken to establish language centers at provincial level and expected to launch Mobile Language Labs at provincial level.
30	Preservation of Historical Places	Ministry of National Heritage	100	This is being implemented by providing required allocation through the annual Budget.
31	'Uruma Aruna Fund'	Ministry of National Heritage	100	Actions are being taken. Draft bill is being prepared.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
32	Setting up of Art Gallery in Colombo (Kala Pola)	Ministry of Culture and the Arts	100	This is being implemented by providing required allocation through the annual Budget.
33	Development of Traditional Craft Villages	Ministry of Traditional Industries and Small Enterprises	100	Incorporated to Divi Neguma Program. This is being implemented by providing required allocation through the annual Budget.
34	Development of Provincial Sports Infrastructure facilities	Ministry of Sports	500	This is being implemented by providing required allocation through the annual Budget.
35	Strengthening Rural Transport by providing buses	Sri Lanka Transport Board	500	281 buses were purchased.
36	Develop Domestic Airports facilities	Ministry of Civil Aviation	750	Development works of Batichalao & Ampara domestic airport are being implemented. Locations have been identified for Kandy & Nuwara Eliya airports.
37	Coast Conservation by filling sea sand	Ministry of Defense	500	This is being continued.
2013				
1	a. Develop an inherent indigenous medical system through gathering Ayurveda doctors via Medical insurance scheme b. Encouraging researches on communicable diseases & indigenous medicines with collaboration of western medical officers c. Executing quality control measures to prevent intrusion of low quality western & ayurvedic medicines in to the country	Dept.of Ayurvedha	300	Health research on diabetic, Chronic Kidney Diseases, Cancer, and Cardio Vascular Disease & Dengue are ongoing. Awareness programmes, organizational capacity strengthening workshops and training programmes have been conducted on conservation of traditional medicine & knowledge.
2	Poverty Reduction Initiatives for reducing regional poverty	Ministry of Economic Development	1,500	This is being implemented by providing required allocation through the annual Budget.
3	Contribution for Provincial Councils for Special Poverty Alleviation Programmes	Ministry of Local Governments and Provincial Councils	2,000	Rs. 250 mn. worth 63 projects in the areas of agriculture, fisheries, livestock, entrepreneurship development and tourism are being implemented
4	Marketing of programmes with parallel to proposed poverty alleviation programmes	Ministry of Telecommunication & Information Technology	750	This is being implemented by providing required allocation through the annual Budget.
5	Provide Rs.5000 allowance per month for July Strikers who are over 65 yrs and no permanent income mode	Ministry of Finance & Planning/ Dpt. Of National Budget	300	This is being implemented by providing required allocation through the annual Budget.
6	Support for low income differently abled persons	Ministry of Social Services	1,000	16,474 differently abled persons were benefited.
7	Rehabilitation of Water Supply Schemes	Ministry of Water Supply & Drainage	250	Actions were taken to reorganize and provide water pumps and chlorinators to community based organizations in 18 districts.
8	Development of inner access roads in urban areas under the Maga Neguma - connecting Villages program	Ministry of Ports & Highways	750	This is being implemented. Out of the 822 approved projects, 537 projects are completed.
9	Accelerating the creation of a better living standard through rehabilitation of Urban Housing Schemes	Ministry of Housing, Construction and Engineering Services	750	This is being implemented. (Moratuwa- Soysapura, Col-Armour St, Col- Samgipura, Col-Palliyawatta, Col- Gunasinghepura, Jaffna- Gurunagar, Col-Aramaya Place, Col- Abdul Jabar MW, Gampaha- Raddolugama, Col- Maligawatta, Col- Mihindu MW, Col- Mattegoda, Col- Jayawardenagama)
10	Refurbishment of Parliamentary Complex	Parliament	500	Actions were initiated This is being implemented by providing required allocation through the annual Budget.

	Budget Proposals	Implementing Agency	Proposed Allocation (Rs. Mn)	Progress/Results
11	Free mid-year uniform and a pair of shoes to students who are in Isolated Rural Schools	Ministry of Education Services	200	This is being implemented. 700,000 students in 4,024 schools will be benefited.
12	Sponsoring of Sports Events at National Level for School Children	Ministry of Education	250	This is being implemented by providing required allocation through the annual Budget.
13	Expenses for recruiting additional number of students to Universities in 2013	Ministry of Higher Education	4,000	This is being implemented. 30 new hostel complexes are being constructed.
14	University Township Programme	Ministry of Higher Education	1,500	This project is being continued at University of Sri Jayawardenapura. University of Moratuwa and University of Ruhuna and University of Jaffna.
15	Contribution to Youth Services Council	Ministry of Youth Affairs & Skills Development	300	2013 Commonwealth Youth Forum has facilitated and World Youth Forum is being prepared to be held in 2014.
16	Training of Provincial schools' Teachers	Ministry of Education/ Provincial Councils	900	This is being implemented. 495 primary teachers have been trained up to date.
17	Set up new Vocational Technical University Colleges	Ministry of Youth Affairs & Skills Development	1,600	8 Vocational Technical University Colleges are being constructed. 2 university colleges started courses.
18	Increase the number of students from 400 to 500 for two year Diploma courses in agriculture	Dpt. of Agriculture	350	Rehabilitations and new constructions of five Agriculture Training Schools were initiated.
19	Development of canals, lands and public facilities round Colombo	Ministry of Defense/ Land Reclamation and Land Development Cooperation	1,200	This is being implemented by providing sufficient provisions through the annual budget.
20	Providing provisions for Technology agents to keep high standard of businesses and Information technology	Presidential Secretariat	300	This is being implemented by providing required allocation through the annual Budget.
21	Improve Housing Conditions of Families in Security Forces	Ranaviru Seva Authority	1,000	This is being implemented by providing required allocation through the annual Budget.
22	Development of Police Academy and Rehabilitation and Construction of Police Stations	Police Dpt/Ministry of Defense	950	Identified buildings at Katana Police Academy and Kalutara Police Training Center are repaired. Contract has been awarded to construct new buildings for Katana Police Academy and Kalutara Police Training Center.
23	National Reconciliation Initiatives	Parliament	500	This is being implemented by providing required allocation through the annual Budget.
24	Solving legal issues in home economies through Legal Aid Commission and Bim Saviya Program	Ministry of Justice and Ministry of Land & Land Development	500	This is being implemented by providing required allocation through the annual Budget.
25	Development of National Naval Academy and increase the capacity of naval academy at Trincomalee	Ministry of Defense	500	This is being implemented. Required buildings are under construction.
26	Contribution to National Research Council	Ministry of Technology & Research	250	This is being implemented by providing required allocation through the annual Budget.
27	Initiatives for Raising labour Productivity and Employment Opportunities	Ministry of Labour and Labour Relations	250	This is being implemented by providing required allocation through the annual Budget.
28	Rehabilitation of Storage Facilities for Paddy	Ministry of Co-operatives & Internal Trade	500	Initial project preparatory work is being completed. Required provision has been allocated through the annual budget.
29	Interest write-off of the Farmers Affected by Draught	Ministry of Finance and Planning/Dpt. of Development Finance	1,000	Rescheduled the cultivation loan granted for farmers who were affected by drought and flood. Repayment period of the relevant loans was extended upto 36 months.

30	Mechanization of Tea Plucking of Smallholders	Ministry of Plantation Industries	100	This is being implemented by providing required allocation through the annual Budget.
31	Support to develop the lands and the plantations of low income planters	Ministry of Plantation Industries	100	Actions were taken to distribute lands.
32	Promote the use of organic fertilizer for Coconut Cultivations	Ministry of Plantation Industries	100	This is being implemented by providing required allocation through the annual Budget.
33	Construction and Rehabilitation of Fishery Harbours and Landing Centres	Ministry of Fisheries and Aquatic Resources Development	2,000	Construction of Kalamatiya Fishery Harbour, Kaikalwala and Maradana Anchorages and Poruthota, Palangathurai landing sites were started.
34	Establishment of Ocean Secretariat	Ministry of Finance & Planning	200	This was established under Presidential Secretariat and activities on-going
35	Implementation of Special Programmes by Religious institutions	Ministry of Buddha Sasana and Religious Affairs	200	Actions were taken to implement these programmes. 19,600 families were participated in Ampara, Batticaloa, Trincomalee and Polonnaruwa
36	Technical development of employees and modernization with high technological equipment at Kolonnawa Government Factory	Ministry of Construction, Engineering Services & common amenities	300	70% of procurements have been completed to refurbish the factory. Engineering training programs are being implemented.
37	Expansion of Lak Sathosa Marketing Network up to 1000 outlets within next three years	Ministry of Co-operatives & Internal Trade	500	This is being implemented by providing sufficient provisions through the annual budget.
38	Set up Attractive Marketing Centres for Crafts/Gifts Manufactures Connecting Laksala Centres	Laksala/Ministry of Traditional Industries and Small Enterprises	200	This is being implemented by providing required allocation through the annual Budget.
39	Environment Conservation Initiatives	Ministry of Environment and Renewable Energy	500.	This is being implemented. 25,000 Ha of existing forest cover has been identified and demarcated.

PART II

PUBLIC FINANCIAL MANAGEMENT

APPROPRIATION ACT AND THE GOVERNMENT BUDGET 2013

11.1 Overview

The Appropriation Act which provides the legislative framework for annual budget authorizes the government to incur expenditure out of the Consolidated Fund during a financial year. It appropriates funds from the Consolidated Fund to Government ministries, departments and institutions for specific activities. The annual budget presentation and ensuing debate generally take precedence over most legislations as Articles 148 – 154 of the Constitution empowers Parliament over the control of Public Finance. Similar to any other Bill presented in Parliament, the Appropriation Bill goes through the first reading (tabling of Appropriation Bill in Parliament), second reading (Budget Speech by the Hon. Minister of Finance) and the third reading (Committee Stage approval) and it only becomes law or an Act of Parliament when it is passed in all three readings and receives the certification of the Speaker. Thereafter, the Minister of Finance issues a warrant authorizing the expenditure out of the Consolidated Fund to finance voted provisions in the annual budget which covers the calendar year.

In the budget speech, Minister of Finance announces the government's economic and fiscal policies, its performance, specific fiscal measures and new policy directions particularly, within the expectations in the medium term. This process together with the statutory requirements to submit Fiscal Management Report as stipulated in Fiscal Management (Responsibility) Act No. 3 of 2003 provide information to the Parliament and also to the general public in respect of government finance and the status of the economy meeting the enhancing demand for greater disclosure and accountability.

11.2 Government Expenditure and Borrowing Limits

The Appropriation Act stipulates the expenditure for all entities of the Government, including those incurred under special laws, and the maximum borrowing limit for the financial year, taking all revenue receipts and payments into account. The total expenditure of the Government to be charged to the Consolidated Fund is shown in the Appropriation Act under three separate schedules as follows;

- i). Expenditure related to general services of the Government during the financial year.
- ii). Expenditure of the Government already authorized by Parliament under special laws.
- iii). Expenditure related to Advance Account Activities.

The maximum borrowing limit is the total amount of loan proceeds authorized to be raised during the financial year for financing the estimated expenditure of the Government. Loans may be raised either from domestic or from foreign sources.

11.3 Appropriation Bill for 2013

The Appropriation Bill for 2013 was presented to Parliament for the first reading on 9th October 2012. As per the estimates for the Appropriation Bill, the total estimated expenditure of the Government for 2013 was Rs. 2,519.5 billion and the maximum borrowing limit was set at Rs. 1,295 billion. The total estimated expenditure of the Government was as follows.

- Expenditure related to general services of the Government authorized under Appropriation Act Rs. 1,335 billion
- Expenditure of the Government already authorized by Parliament under special laws Rs. 1,180 billion
- Expenditure related to Advance Account Activities Rs. 4.5 billion

With the announcement of budget proposals by the Hon. Minister of Finance and Planning at the second reading of the Appropriation Bill, the estimated expenditure related to general services of the Government was increased from Rs. 1,335 billion to Rs. 1,387 billion. Accordingly, the total estimated expenditure of the Government was increased to Rs. 2,571.5 billion. Of this increase, Rs. 44 billion was to be financed from the revenue proposals introduced and the balance Rs. 8 billion was to be financed from additional borrowing. Accordingly, the revised borrowing limit of the Government for 2013 was Rs. 1,303 billion.

11.3.1 Challenges to the Appropriation Bill for 2013

The constitutionality of the Appropriation Bill was challenged in the Supreme Court several times since the independence. Even though the provisions were further improved based on the determinations of the Supreme Court, certain provisions had been repeatedly challenged. The following clauses of the Appropriation Bill for 2013 were challenged before the Supreme Court after its first reading.

Clause No.	Specific Authority provided from the Clause
Clause - 2 (1)(b)	-Maximum borrowing limit of the Government for 2013.
Clause - 5	-Power to transfer unexpended provisions within the same Head of expenditure.
Clause - 6	-Provisioning of supplementary allocations from Budgetary Support and Contingent Liabilities provision.
Clause - 7	-Power of the Minister to limit expenditure previously authorized, with the approval of the Government.

After the judicial review process, the Supreme Court determined that Clauses 5 and 6 of the Bill were not unconstitutional. The provisions in Clause 5 of the Appropriation Bill for 2013 were as follows.

5. (1) Any moneys which by virtue of the provisions of the First Schedule to this Act, have been allocated to Recurrent Expenditure under any Programme appearing under any Head specified in that Schedule, but have not been expended or are not likely to be expended, may be transferred to the allocation of Capital Expenditure within that Programme or to the allocation of Recurrent Expenditure or Capital Expenditure under any other Programme within that Head, by order of the Secretary to the Treasury or by Order either of a Deputy Secretary to the Treasury or the Director General of the National Budget Department, who may be authorized in that behalf by the Secretary to the Treasury.

(2) No moneys allocated to Capital Expenditure under any Programme appearing under any Head specified in the First Schedule to this Act, shall be transferred out of that Programme or to any allocation of Recurrent Expenditure of that Programme.

Power to transfer unexpended moneys allocated to Recurrent Expenditure, to another allocation within the same Programme or to another Programme under the same Head of expenditure.

It was noted that Clause 5 of the Appropriation Bill for 2013 was first introduced in the Appropriation Act No 64 of 1961 to provide leverage to the Government to implement its policies within the expenditure limits already authorized by Parliament. However, this clause provides authority only to transfer unspent monies within the same Expenditure Head under specific guidelines stipulated in the Financial Regulations and therefore did not exceed the total expenditure limits approved by the Parliament. The unspent funds were transferred only if there were justifiable grounds for such transfers as stipulated in the Financial Regulations.

The provisions under Clause 6 of the Bill were first introduced in the Appropriation Act No. 44 of 2003. This Clause was challenged at the Supreme Court in 2008 and as per the determination of the Supreme Court given at that time, details of supplementary allocations, stating reasons for such transfers are now being reported to Parliament within two months of such transfers. Transfers are made according to the specific guidelines stipulated in the Printed Budget Estimates which are submitted to Parliament along with the Budget Speech for determination and approval. The provisions in Clause 6 of the Appropriation Bill for 2013 were as follows.

6. (1) *Any money allocated to Recurrent Expenditure or Capital Expenditure under the "Development Activities" Programme appearing under the Head "Department of National Budget" specified in the First Schedule, may be transferred subject to guidelines stipulated in printed Budget Estimates approved by Parliament for the relevant year, to any other Programme under any other Head in that Schedule, by order of the Secretary to the Treasury or by Order either of a Deputy Secretary to the Treasury or the Director General of the National Budget Department, who may be authorized in that behalf by the Secretary to the Treasury. The money so transferred shall be deemed to be a supplementary allocation made to the particular Ministry, and a report containing the amount of money so transferred and the reasons for the transfer, shall be submitted to Parliament within two months of the date of the said transfer.*

(2) *Details of all transfers made under subsection (1), including the reasons for such transfers, shall be incorporated in the reports relating to the Government's fiscal performance, which are required to be tabled in Parliament under the Fiscal Management (Responsibility) Act, No.3 of 2003.*

Money allocated to the "Development Activities" Programme may be transferred to any other Programme under any other Head.

With regard to Clause 2 (1) (b) and Clause 7, the Supreme Court determined that the prior approval of Parliament must be obtained for the terms and conditions of loans and also for limiting the expenditure already approved by Parliament. However, the Government noted that the contents of clause 2 (1) (b) of the Bill were identical with the provisions embodied in legislation enacted from as far back as 1961 to date except for applicable figures. Clause 2 of the Appropriation Bill for 2013 was as follows.

2. (1) *Without prejudice to any other law authorizing any expenditure and subject to the provisions of subsection (4) of this section, the expenditure of the Government which is estimated will be rupees one thousand three hundred thirty five billion for the service of the period beginning on January 1, 2013 and ending on December 31, 2013 (in this Act referred to as the "financial year 2013"), shall be met -*

- (a) *from payments which are hereby authorized to be made out of the Consolidated Fund or any other fund or moneys of or at the disposal of the Government; and*
- (b) *from the proceeds of loans which are hereby authorized to be raised whether in or outside Sri Lanka, for and on behalf of the Government, so however that the aggregate of such proceeds does not exceed rupees one thousand two hundred ninety five billion.*

Maximum borrowing limit of the Government for 2013.

Loans are raised adhering to the provisions of various Acts and Regulations already laid down according to approval by Parliament.

Raising of loans and its management is a continuing process that involves complex operational aspects and warrants a fair degree of confidentiality, which cannot be maintained unless the operational freedom is fully secured. Therefore, obtaining prior approval from Parliament for each and every individual loan would make the process impracticable to meet urgent cash-flow requirements in a timely manner. This may likely to have an impact on the national interest and economic stability since it is likely to have implications on the continuous operations that are being carried out with checks and balances. The Government further noted the initiatives taken by the Ministry of Finance and Planning since 2005 to ensure greater transparency and accountability on the conduct of public finance. The Ministry of Finance and Planning has expanded its reporting coverage under the Fiscal Management (Responsibility) Act No. 3 of 2003, providing a comprehensive coverage on the conduct of the public finance and associated government accounts and financial statements duly certified by the Auditor General. Mid-Year Fiscal Position Report provides updated information on the performance of government during the first four months of the year including revenue, expenditure, cash flow operation and government borrowings and debt. However, considering the extensive coverage in the Annual Report of Ministry of Finance and Planning and periodic reports prepared by the Ministry of Finance and Planning, the Government agreed with Parliamentary approval to disclose greater details of transactions relating to Clause 2 (1) (b) in the Annual Report of the Ministry of Finance and Planning. Therefore, the relevant Clause was amended to read as the details of such loans shall be incorporated in the final Budget Position Report which is required to be tabled in Parliament under the section 13 of the Fiscal Management (Responsibility) Act No. 3 of 2003.

The contents of Clause 7 of the Bill were first introduced in 1975 and remained identical to date. The Government has not resorted to use

this provision despite fairly heavy expenditure outlays involved in national security under difficult conditions prevailed in the past. The only authorized method in incurring expenditure beyond the initial authorized ceiling is the submission of a supplementary estimate to the Parliament. However, the provision under Clause 7 are generally of a “Stand-by” nature and has been introduced with the purpose of using them only when grave circumstances so demand in an eventuality, to facilitate the management of public finance in the country. Clause 7 of the Bill was as follows.

7. Where the Minister is satisfied-

- (a) that receipts from taxes and other sources will be less than the amounts anticipated to finance authorized expenditure; or*
- (b) that amounts originally appropriated for a particular purpose or purposes are no longer required,*

he may with the approval of the Government, withdraw in whole or in part any amounts previously released for expenditure under the authority of a warrant issued by him, from the Consolidated Fund or from any other fund or moneys of or at the disposal of the Government, to meet any authorized expenditure

Power of Minister to limit expenditure previously authorized.

Similar to Clause 2 (1) (b), Clause 7 of the bill was also amended to reflect that the details of withdrawal of approved provisions under the same clause would be reported to Parliament through the final Budget Position Report.

The Appropriation Bill for 2013 was passed by Parliament incorporating the above amendments on 08th December 2012 and certified by the Speaker thereby making it an Act of Parliament (Appropriation Act No. 23 of 2012). The Minister of Finance issued warrants authorizing to incur expenditure as indicated in Printed Estimates on 11th December 2012.

Box 11.1: Inclusive Budget Preparation Process

The government budget preparation process witnessed a significant transformation in the recent past towards wider stakeholder participation at national as well as regional levels. It has gradually evolved from the previous practice of having a closed process with the involvement of a limited number of officials to a more open, broad based consultative process under the stewardship of His Excellency the President as the Minister of Finance and Planning. His Excellency the President along with the Cabinet Ministers engages in pre-budget consultative meetings as government believes in promoting development through collective efforts of all stakeholders. This has enabled the government to identify development challenges and issues, establish proper coordination among line ministries, provincial administration and implement consistent integrated strategy within the entire country while addressing concerns of diverse groups. The first phase of this new process commenced at provincial level which subsequently moved to cover districts, which has generated many positive results, including the identification of many localized issues over the years.

In the provincial level consultation process, His Excellency the President himself visited the provinces, chaired the meetings and listened to the issues and challenges related to the respective areas. The meetings were participated by Cabinet Ministers, Parliamentarians, Chief Ministers, Provincial Ministers, Governors, members of local government institutions, Secretaries of line ministries and other senior government officials at both the central and provincial levels, and representatives from various sectors including civil societies. This helped to obtain first hand information and understanding about many impediments that may hinder the development work of the government along with proposals for the forthcoming budgets. The proposals so developed were subsequently included in the national budget and specific instructions were given to resolve other identified issues, which need government intervention. This process was complemented by Ministry level meetings, again chaired by His Excellency the President and participated by respective officials and various sector specific representatives from the general public and the formal and informal private sector stakeholders.

This process has progressively entered into Districts, thereby effectively widening the scope and the intensity of the consultation process, which enabled acquiring a broader understanding about the people's issues and proposals at grassroots level. This was also followed up with several sectoral and industry level as well as interest group level discussions with the participation of the politicians, officials, other stakeholders and the representatives of the general public. Proposals are also invited through media to enable people to provide inputs to budget making process.

During past few years, pre budget consultation sessions were carried out with representatives from following sectors by His Excellency the President.

Sectors that Represented the Consultative Process

- Emerging Private Sector
- Lead Industrialists
- Trade Unions
- All Island Farmer Community
- Chambers and Trade Associations
- All Island Small and Medium Women Entrepreneurs
- Provincial Council Chief Ministers, Members, Chairmen and representatives of Local Government Authorities
- Deputy Ministers
- Members of the Parliament
- District Secretaries
- Small & medium entrepreneurs and service providers
- Professionals
- Traders

Source: National Council for Economic Development (NCED)

Secretary to the Treasury with the senior officials at the Treasury also carried out several follow up sessions and review meetings with the government institutions and private sector representatives from national and regional levels in the following sectors.

Follow up Meetings With Sector Representatives

- Agriculture
- Fisheries
- Plantation Sector
- Gem & Jewelry
- Hair & Beauty and Cosmetic Manufacturers
- Printing & Packaging
- Small and Medium Entrepreneurs
- Tourism
- IT-BPO
- Private Health Care
- Handicraft Manufacturers & Artisans
- Leather & Footwear
- Apparel and Textile
- Construction Industry
- Financial & Capital Market
- Handloom Sector
- Pharmaceutical
- Telecommunication
- Shipping and Logistics
- Automobile and Service Sector
- Professionals & Trade Associations

Source: National Council for Economic Development (NCED)



11.4 Performance in 2013

As per the budget estimates approved by Parliament for year 2013, the total estimated expenditure of the Government excluding Advance Account activities was Rs. 2,567 billion. The provisions were allocated among 202 expenditure heads which consisted of 22 Special Spending Units, 54 Ministries and 126 Departments. Head-wise expenditures which were disaggregated in terms of Programmes, Projects and by Object Codes with sources of financing were presented to Parliament in the Printed Estimates along with the Budget Speech.

During the year, additional financing requirements for expenditure related to General Services of the Government under Appropriation Act (Appropriation Act provision) were managed within the total approved expenditure limits for such activities by transferring provisions as per the Clause 5 of the Appropriation Act. However, supplementary budgetary provisions amounting Rs. 36 billion were provided for debt service payments which was in the category of expenditure already approved by special laws. As provision transfer procedure is not applicable to special law services provision, the additional requirements could not be managed by transferring savings of provisions.

Therefore, supplementary provisions were provided by issuing a Warrant by the Minister of Finance as provided in the applicable laws. Accordingly, the total budgetary provisions allocated for the year 2013 was Rs. 2,603 billion, excluding the provision for Advance Account Activities.

The total expenditure recorded for 2013 was Rs. 2,412 billion¹. Of which, Rs. 1,257 billion or 52 percent was for the expenditure authorized under Appropriation Act and the balance Rs. 1,155 billion or 48 percent was for the expenditure under special law services. The unutilized budgetary provision for 2013 was Rs. 191 billion or 7 percent of the total provision. Of this, Rs. 130 billion or 5 percent was for the expenditure authorized under Appropriation Act and the balance 61 billion or 2 percent was from Special Law Service provisions. Total expenditure of the Government in 2013 increased by Rs. 220 billion or 10 percent compared to 2012. Of this, Rs. 148 billion or 7 percent was for the expenditure related to special law services and the balance Rs. 72 billion or 3 percent was for the expenditure for general services of the Government authorized under the Appropriation Act.

A detailed account of the Government expenditure is given in Chapter 12.

Table 11.1 > **Utilization of Budgetary Provisions 2012 - 2013**

(Rs. Bn)

Expenditure Category	2012		2013	
	Revised Budget	Expenditure	Revised Budget	Expenditure
Appropriation Act	1,285	1,185	1,387	1,257
Programme - 1	619	600	749	712
Programme - 2	666	585	638	545
Special Law Services	1,009	1,007	1,216	1,155
Total	2,294	2,192	2,603	2,412

Source: Department of National Budget/Department of State Accounts

¹Review of expenditure in this chapter is done in terms of Accounting format of the government expenditure.

11.4.1 Expenditure Related to General Services of the Government

Clause 2 (1) in the Appropriation Act for 2013 referred to the expenditure related to general services of the Government. This included both capital and recurrent expenditures which had not been previously approved by Parliament under any other law. Salaries and wages, welfare expenses, operational expenditure such as electricity, water, stationary, fuel, diet, uniforms and the expenditure related to implementation of development projects were detailed in this category. The total provision approved by Parliament for 2013 for this category was Rs. 1,387 billion and the actual expenditure was Rs. 1,257 billion. The actual expenditure has increased by Rs. 72 billion or 6 percent in 2013 compared to 2012.

11.4.2 Expenditure of the Government authorized by Special Laws

Expenditure already approved by Parliament under various Acts and Statutes were given under this category. Clause 2 (4) of the Act referred to the expenditure already approved by such special laws. Debt service payments of the Government, pension payments for widows and orphans of public servants and salaries of the President, Supreme Court Judges, Members of Parliament and the Auditor General were some of such expenditure specified under this category. Rs. 1,180 billion has been estimated for 2013 for this category and a supplementary allocation of Rs. 36 billion was provided during the year by issuing a Warrant by the Minister of Finance and Planning to meet the additional requirement for interest payments of domestic loans. However, the actual expenditure under special law services was Rs. 1,155 billion. The actual expenditure has increased from Rs. 148 billion or 14.7 percent in 2013 compared to Rs. 1,007 billion in 2012, mainly due to increase of debt service payments.

Table 11.2 > **Actual Expenditure - Special Law Services 2012 - 2013**

			(Rs. Bn)
Expenditure Category	2012	2013	Change
Interest Payments	400.4	451.8	13%
Domestic	342.1	388.8	14%
Foreign	58.3	63.0	8%
Debt Repayments	584.7	683.3	17%
Domestic	431.8	588.4	36%
Foreign	152.9	94.9	-38%
Pension Payments (Widows and Orphans)	21.1	19.1	-9%
Other	0.6	0.6	0%
Total	1,006.8	1,154.8	14.7%

Source: Department of National Budget/Department of State Accounts

Foreign debt repayments in 2013 shows a decrease of Rs. 58 billion compared to 2012. Foreign debt repayments in 2012 increased due to retirement of USD 500 million international bonds issued in 2007 of which rupee value was Rs. 64.5 billion.

11.4.3 Expenditure related to Advance Account Activities

Clause 3 (1) of the Act referred to the Advance Account activities of the Government. Maximum limits of expenditure, minimum limits of receipts and maximum limit of liabilities applicable for each Head of expenditure were given in Schedule III to the Act. These activities included government's activities which were of commercial nature as well as loans and advances extended to public servants. Actual expenditure was Rs. 15.4 billion against the maximum expenditure limit of Rs. 18.3 billion and the total receipt was Rs. 17.8 billion against the minimum receipt of Rs. 13.8 billion. Accordingly, advance account activities were within the approved limits of Appropriation Act 2013.

11.4.4 Maximum Borrowing Limit of the Government

Clause 2 (1) (b) of the Act stipulated the maximum amount of the borrowings of Rs. 1,303 billion which could be raised by the Government as loans to finance the authorized expenditure of the fiscal year 2013. This figure was derived by deducting projected expenditure outlays from revenue and grants as explained in annex to the Budget Speech 2013. The total amount borrowed in 2013 was Rs. 1,273 billion. Borrowings were made from the following sources in terms of the provisions of various statutes subject to the ceilings specified in the respective laws and within the borrowing limit specified in the Appropriation Act for 2013.

11.4.4.1 Borrowings from Foreign Financing Sources

Foreign loans are raised under the Foreign Loans Act No. 29 of 1957 (as amended). In 2013,

Table 11.3 > **Government Borrowings in 2013**

(Rs. Bn)	
Source	Amount
Treasury Bonds	802
Sri Lanka Development Bonds	238
Project Related Foreign Borrowings	183
Treasury Bills (Net)	47
Offshore Banking Units	3
Total	1,273

Source; Department Treasury Operations and Central Bank of Sri Lanka

foreign loans amounting to Rs. 183 billion were raised from the following three sources.

1. Multilateral Agencies such as World Bank and Asian Development Bank – Rs.62.3 billion. The terms and conditions of loans which are common to all member countries were in accordance with the type of loans.
2. Bilateral Development Partners such as Japan International Cooperation Agency, (JICA) Economic Development Cooperation Fund (EDCF) of Korea, Saudi Fund for Development (SFD) and Kuwait Fund for Arab Economic Development (KFAED) etc. were the key agencies which provided Rs.68 billion to finance the Budget 2013. Terms and conditions of these loans which are common to all recipient countries eligible to borrow from such agencies, were determined by respective development agencies, leaving marginal flexibility for the borrower to negotiate further.
3. Government Agencies such as EXIM Banks of various governments like India, China, Korea, USA, Malaysia, Hungary and Japan were the major Exim Banks with which the government regularly engaged in mobilizing credit facilities for project financing. The total amount borrowed from these agencies was Rs. 53 billion. The terms and conditions of such loans varied from loan to loan depending on market conditions,

socio-economic benefits and gestation periods of related projects. Terms and conditions of such facilities were determined through bilateral negotiations conducted under the guidance and approval of the Cabinet of Ministers.

Process in Foreign Financing

1. Projects and programmes for foreign financing were identified through a consultative process among respective foreign financing agencies, line ministries and the Ministry of Finance and Planning under the guidance of the Cabinet of Ministers. Once a project is cleared by the Department of National Planning and the consequential procedures and steps are followed by respective line Ministries, the Department of External Resources negotiates with the respective lending agencies.
2. Department of Fiscal Policy reviewed the macro fiscal implications of the terms and conditions in the Term Sheet/Draft Agreement.
3. The Monetary Board of the Central Bank of Sri Lanka, as required by the Monetary Law Act, examined and approved each and every foreign loan on its monetary implications, with special reference to debt servicing capacity and balance of payment implications.
4. Legal process on the draft loan agreement between the lending agency and the government was facilitated by the Department of Legal Affairs in consultation with the Attorney General. Approvals for all such agreements were obtained from the Attorney General's Department prior to signing.
5. Approval of the Cabinet of Minister's was obtained for the terms and conditions of the loan. Special Authorization from the H.E. the President for the signing of the Loan

Agreement was obtained in terms of the Foreign Loans Act.

6. Copies of all signed loan agreements were sent to Auditor General.
7. Legal Opinions from the Attorney General confirming the compliance with the laws of Sri Lanka, which is a precondition to make the loan effective were obtained from the Attorney General, after signing the loan agreement, to make such agreement operational.
8. Financing arrangements of the projects and programmes were reflected in the Annual Budget Estimates submitted to Parliament.

Reporting to Parliament

1. Agreements signed and disbursements up to 30th April of each year were reported in the Mid-year Fiscal Position Report (under the Fiscal Management (Responsibility) Act).
2. Agreements signed and disbursements up to September were reported in the Fiscal Management Report (under the FMR Act) and submitted to the Parliament together with the Budget Speech for 2014.
3. The document tabled by the Department of External Resources along with the Budget, contained details on borrowing strategy, agreements signed, disbursements, projections and also loans being negotiated to be signed during the next 3 years.
4. The Annual Report of the Ministry of Finance and Planning prepared in terms of FMR Act and published before 31st May gives further details on public finance and the economy.
5. Project -wise financing details are included in the Printed Budget Estimates for each year.

11.4.4.2 Borrowing from Domestic Sources

Apart from foreign borrowings, Treasury Bills (net), Treasury Bonds and borrowings from Offshore Banking Units amounting to Rs. 1,090 billion were also issued to raise funds domestically within the overall ceiling specified in the Appropriation Act and also within sub borrowings limits specified in applicable laws. Domestic loans are mainly governed by following statutes.

1. Monetary Law Act No. 58 of 1949 (as amended)

As per the Monetary Law Act, the Central Bank Advances were limited to 10 percent of the estimated Government revenue for the year and were obtained for cash-flow management at the beginning of the financial year to bridge gap between the receipts of forecasted revenue and expenditure at the beginning of the year. Such advances are free of interest and are repayable within a period of six months.

2. Local Treasury Bills Ordinance No. 8 of 1923 (as amended)

As per the provisions of the Treasury Bills Ordinance, the authorized Treasury Bill limit is determined by Parliament at Rs. 850 billion. Therefore, the Government borrowed within the difference between the authorized maximum Treasury Bill limit and the amount of total Treasury Bills already issued and outstanding. The net amount borrowed in 2013 by way of Treasury Bills was Rs. 47 billion. Treasury Bills were issued by the Central Bank of Sri Lanka through registered primary dealers. The interest rates were market determined.

3. Registered Stocks and Securities Ordinance No. 7 of 1937 (as amended)

Treasury Bonds were floated by the Central Bank of Sri Lanka with a medium to long term maturity, at the request of the

Treasury, to meet the Government borrowing requirements specified in the Appropriation Act. The maturity and interest rates of these bonds depend on the medium to long term yield curve, assessment of the availability of liquidity at different maturities and government's cash flow requirements. The amount borrowed by way of Treasury Bonds in 2013 was Rs. 802 billion. The Treasury Bonds were also issued through the Primary Dealers.

11.4.5 Transfer/Reallocation of Budgetary Provisions

Clauses 5 and 6 of the Appropriation Act for 2013 authorized the Treasury to grant approval for reallocate or transfer of provisions already approved by Parliament under procedures specified in Financial Regulations and the Printed Estimates.

11.4.5.1 Transfers/Reallocations of Provisions as per Clause 5 of the Appropriation Act

Clause 5 of the Appropriation Act for 2013 referred to delegation of authority to the officials to transfers/reallocations of unutilized provisions within the total expenditure limit approved by Parliament for respective Head of Expenditure. This clause authorized the Treasury to grant the approval

- a) for reallocation of budgetary provisions allocated for recurrent expenditure, which has not been expended or not likely to be expended, to recurrent or capital expenditure within the same programme; or to recurrent or capital expenditure in any other programme within the same Head of Expenditure.
- b) reallocation of budgetary provisions allocated for capital expenditure, which has not been expended or not likely to be expended, to capital expenditure within the same programme.

Requests for transfer of provisions were made by the Chief Accounting Officers of the line ministries as per the procedures specified in the Financial Regulations. The Treasury having examined the requests for such transfers, granted approvals in line with the provisions of the Appropriation Act for 2013 and Financial Regulations. During the year, additional provision requirements of Rs. 14.9 billion for Capital Expenditure have been satisfied by transferring the savings of recurrent expenditure as per the Clause 5 of the Appropriation Act and the procedures laid down in the Financial Regulations.

The details of such transfers are given in Table 11.5

11.4.5.2 Transfer/Reallocation of Provisions as per Clause 6 of the Appropriation Act

Clause 6 of the Act referred to transfer of provisions allocated under “Development Activities” programme appearing under the Head “Department of National Budget” in the Appropriation Act. Every year a general provision is included as above to meet various unforeseen expenditures for which provisions have not been made under each spending agency and also for expenses of a special character which cannot appropriately be provided for, as direct expenses under a particular ministry or department. The total provision allocated for facilitating the above purposes in 2013 was Rs. 74.6 billion, including provision for budget proposals, and of which Rs. 73.6 billion has been reallocated to spending agencies as supplementary allocations on the basis of need assessments undertaken by the Department of National Budget. All supplementary allocations have been provided in line with specified guidelines spelt out in the Printed Estimates for 2013. A summary of the supplementary allocations granted under the specific purposes stated in the printed estimates are given at Table 11.4

Expenditure head-wise details of supplementary allocations provided in 2013 are given Table 11.6.

The process in providing additional allocation

1. A request from the Chief Accounting Officer of the relevant spending Head /Secretary to a ministry is submitted to the Department of National Budget.
2. Department of National Budget makes a detailed analysis and checks whether the request is within the guidelines in the Printed Estimates and also consults other relevant agencies (Department of National Planning, Department of External Resources etc.) with regard to development plans and financing.
3. If the request can proceed, it is submitted to a Committee within the Treasury comprising Deputy Secretaries and four Director Generals representing departments of National Budget, Treasury Operations, Fiscal Policy and State Accounts to review the requirement of additional allocations taking into account the relevant cash inflows and outflows.
4. Once the Committee approves, the Director General, National Budget issues supplementary provisions/allocations as per the approval of the Committee from the “Budgetary Services and Contingent Liabilities Project”.
5. Copies of the Supplementary Allocation are sent to the specified agencies including to the Auditor General

Reporting to Parliament on Additional Allocations

1. A Report is submitted to Parliament within two months (as per Clause 6 (1)) giving details of the amount so allocated and specific purpose etc.

Table 11.4 > **Summary of Provisions Allocated under Clause 6 of Appropriation Act**

	Purpose as per the Printed Estimates	Amount Rs. Mn
1	Provisions for payment of salary increases proposed in the budget speech, rectification of salary anomalies, new recruitments and other related payments.	22,917
2	Provisions for implementation of budget proposals.	5,549
3	Provision for purchase of vehicles to Ministries, Departments/ Special Spending Agencies as separate provisions are not included under those agencies to purchase passenger vehicles	1,701
4	Provisions for expenditure required for restructuring of public enterprises and to meet contingent liabilities of failed public enterprises	1,830
5	Provision to meet any short-fall in capital expenditure of development projects funded through external financing and related counterpart- funding requirements inclusive of payment of taxes and duties	10,896
6	Provision to meet any commitment arising from any agreement to which the Government is a party and to meet obligations under Government guarantees	597
7	Contingency provisions for security related and or natural disaster related risks	16,625
8	Provisions to meet additional expenditure and liabilities arising from changes in underlying assumptions based in the preparation of budget estimates	13,499
	Total	73,614

Source: Department of National Budget

2. In addition, details are reflected in the following reports
 - (i) Mid-year Fiscal Position Report under the Fiscal Management (Responsibility) Act No. 3 of 2003.
 - (ii) Report submitted along with the Budget under the Fiscal Management (Responsibility) Act No. 3 of 2003.
 - (iii) Annual Report of Ministry of Finance and Planning under the Fiscal Management (Responsibility) Act No. 3 of 2003.
3. Finally, actual utilization is reported under the relevant object code in Printed Estimates for the following year.

11.4.6 Authority to Withdraw Provisions

Clause 7 of the Bill authorized the Minister of Finance, with the approval of the Government, to withdraw monies already allocated for a particular purpose to meet any authorized expenditure if there is unexpected fall in Government Revenue. None of the budgetary provisions allocated by Parliament were withdrawn in 2013.

Table 11.5 > Progress of Utilization of Provisions - 2013

Progress of Utilization of Provisions - 2013													Rs. Mn
Name of the Ministry	Recurrent						Capital						
	Original Budget	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer to Capital	Total Provision (sum of (1)+(2)+(3))	Utilized Provision (4)-(5)	Unutilized Provisions (4)-(5)	Original Budget	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer from Recurrent	Total Provision (Revised) (sum of (1)+(2)+(3))	Utilized Provision	Unutilized Provisions (4)-(5)	
	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)	
Special Spending Units	9,252	1,061	(23)	10,291	9,947	344	4,320	982	23	5,325	4,337	988	
Buddha Sasana and Religious Affairs	950	29	(2)	977	931	46	878	56	2	936	843	93	
Finance and Planning	12,621	1,918	(239)	14,300	13,938	362	9,001	4,056	13	13,070	9,396	3,674	
Defence	248,103	3,235	(6,380)	244,958	241,034	3,924	41,400	5,018	6,380	52,798	33,070	19,728	
Economic Development	25,000	4,950	(1)	29,949	29,603	346	63,900	1,014	1	64,915	60,582	4,333	
Disaster Management	655	97	(20)	731	647	84	712	569	20	1,300	1,121	179	
Postal Services	8,500	359	(1)	8,858	8,850	8	315	79	1	395	352	43	
Justice	4,351	209	(15)	4,545	4,508	37	1,044	519	15	1,577	1,419	158	
Health	75,000	1,450	-	76,450	75,559	891	18,522	-	-	18,522	17,435	1,087	
External Affairs	7,200	579	(60)	7,719	7,702	17	855	1,507	60	2,422	2,303	119	
Transport	15,972	3,300	-	19,272	18,746	526	28,800	-	-	28,800	25,876	2,924	
Petroleum Industries	115	-	-	115	111	4	17	-	-	17	13	4	
Co-operatives and Internal Trade	1,300	8	(2)	1,306	1,228	77	720	19	2	741	506	235	
Ports & Highways	214	50	(0)	264	263	1	131,400	1,616	0	133,016	130,836	2,180	
Agriculture	2,694	135	-	2,829	2,824	5	2,700	101	-	2,801	1,908	893	
Power and Energy	1,100	-	(13)	1,087	710	377	27,450	-	13	27,463	20,671	6,792	
Child Development and Women's Affairs	795	159	(7)	947	943	4	252	40	7	298	281	17	
Public Administration and Home Affairs	155,000	5,299	(31)	160,268	154,728	5,540	2,385	2,732	31	5,148	4,762	386	
Mass Media and Information	2,200	6	(5)	2,201	1,920	281	518	890	5	1,413	1,098	315	
Construction, Engineering Services, Housing and Common Amenities	735	16	(0)	751	715	36	2,850	243	0	3,093	2,377	716	
Social Services	3,583	27	(108)	3,502	3,196	305	270	27	108	405	284	121	
Education	30,500	422	(6)	30,917	30,693	224	7,425	1,303	6	8,734	7,643	1,091	
Labour & Labour Relations	1,270	-	(3)	1,268	1,168	100	810	10	3	823	784	39	
Traditional Industries and Small Enterprises Development	540	35	-	575	570	5	383	137	-	520	378	142	
Local Government and Provincial Councils	103,000	6,052	-	109,052	109,031	21	29,790	9,734	-	39,524	29,742	9,782	
Technology and Research	1,293	-	-	1,293	1,112	181	2,140	334	-	2,474	1,836	638	
National Languages and Social Integration	319	12	(2)	329	257	72	212	10	2	225	160	65	
Plantation Industries	1,750	10	-	1,760	1,695	65	1,080	14	-	1,094	1,029	65	
Sports	843	-	(2)	841	575	266	1,800	201	2	2,003	1,609	394	
Indigenous Medicine	950	1	(2)	949	796	153	804	-	2	806	272	534	

Name of the Ministry	Recurrent						Capital					
	Original Budget	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer to Capital	Total Provision (sum of (1)+(2)+(3))	Utilized Provision (4)-(5)	Unutilized Provisions (4)-(5)	Original Budget	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer from Recurrent	Total Provision (Revised) (sum of (1)+(2)+(3))	Utilized Provision	Unutilized Provisions (4)-(5)
	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)
Fisheries and Aquatic Resources Development	877	80	(0)	956	953	3	1,811	7	0	1,818	1,315	503
Livestock and Rural Community Development	462	48	(1)	509	508	1	2,408	91	1	2,499	1,919	580
National Heritage	850	81	(11)	919	854	65	725	-	11	736	334	402
Parliamentary Affairs	373	-	-	373	373	0	44	8	-	52	50	2
Re-settlement	174	4	-	178	168	10	263	64	-	327	319	8
Industry and Commerce	950	96	(4)	1,042	990	52	1,710	10	4	1,724	812	912
Irrigation and Water Resources Management	3,600	1	(3)	3,598	3,478	120	36,900	835	3	37,738	27,420	10,318
Lands and Land Development	2,663	30	(1)	2,692	2,620	72	2,759	3	1	2,763	2,186	577
Youth Affairs & Skill Development	4,198	5	(10)	4,194	3,890	304	4,275	370	10	4,654	2,165	2,489
Environment	1,500	43	-	1,543	1,438	105	1,800	132	-	1,932	1,213	719
Water Supply and Drainage	180	8	-	188	187	1	34,771	-	-	34,771	25,889	8,882
Higher Education	18,000	1,206	(13)	19,194	17,771	1,423	9,900	2,512	13	12,425	8,606	3,819
Public Management Reforms	82	44	(5)	122	115	7	90	7	5	102	64	38
Rehabilitation and Prison Reforms	4,142	68	(33)	4,177	4,157	20	1,180	91	33	1,304	795	509
State Resources and Enterprise Development	115	-	(4)	111	84	27	315	555	4	874	695	179
Civil Aviation	110	34	(3)	141	133	8	15,000	176	3	15,179	14,755	424
Culture and the Arts	950	9	-	959	863	96	675	7	-	682	515	167
Coconut Development & Janatha Estate Development	600	68	(2)	666	664	2	1,036	35	2	1,073	695	378
Agrarian Services & Wildlife	41,943	-	(1)	41,942	24,085	17,857	1,316	1	1	1,318	1,168	150
Minor Export Crop Promotion	436	23	(2)	457	443	14	495	4	2	500	305	195
Productivity Promotion	350	138	-	488	436	52	113	51	-	164	131	33
Foreign Employment Promotion & Welfare	101	99	-	199	197	2	225	-	-	225	205	20
Public Relation and Public Affairs	60	5	(2)	63	62	1	153	12	2	166	164	2
Private Transport Services	560	2	-	562	432	130	207	-	-	207	73	134
Telecommunication & Information Technology	118	-	(4)	114	102	12	426	468	4	898	861	37
Treasury Miscellaneous vote	45,900	(36,972)	(8,095)	833	-	833	28,750	(36,643)	8,095	202	-	202
Total Without Debt Service Payment	845,100		(15,115)	824,525	789,006	35,519	530,100	-	14,889	544,989	455,578	89,411
Debt Service Payment	444,800	41,433	226	486,459	464,502	21,957	747,000			747,000	702,519	44,481
Grand Total	1,289,900	35,973	(14,889)	1,310,984	1,253,509	57,475	1,277,100	-	14,889	1,291,989	1,158,097	133,892

Source: Department of National Budget/ Department of State Accounts

Out of Rs. 41,433 million, Rs. 35,973 million was from a Supplementary Warrant

Table 11.6 > **Allocations Provided from the Budgetary Support Services and Contingent Liabilities Project in 2013**

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
1	His Excellency the President	Establish a special fund to assist artists, journalists and writers, Continuation of Programme of National Nutritional Secretariat and Child Friendly School Network Project as per the Budget Proposal 2013, Renovation of Nelum Pokuna Mahindra Rajapaksha Theatre and BMICH for Commonwealth Heads of Government Meeting (CHOGM), Purchase and maintenance of vehicles, Rehabilitation and improvement of capital assets, Supplies and maintenance, Services, Personal emoluments.	815,500,000	847,831,460
2	Office of the Prime Minister	Supplies and other services.	10,000,000	-
3	Secretariat for Special Functions (Senior Ministers)	Purchase and maintenance of vehicles, Rehabilitation and Improvement of official residences and buildings.		61,300,000
4	Judges of the Superior Courts	Rehabilitation of official residences, Vehicle maintenance, Setting up an information technology based secretariat for the Chief Justice, Personal emoluments, Services and Rehabilitation & improvement of assets.	22,000,000	17,900,000
6	Public Service Commission	Purchase of vehicles, Acquisition of furniture and office equipment, Transport, Fuel, Personal emoluments.	3,077,844	6,800,000
7	Judicial Service Commission	Acquisition of furniture, office equipment, plant and machinery.		700,000
8	National Police Commission	Purchase of vehicles, Personal Emoluments.	1,275,000	5,150,000
10	Commission to Investigate Allegations of Bribery or Corruption	Special allowances for legal officers, Services and Construction of new office building.	4,040,000	16,500,000
12	National Education Commission	Acquisition of furniture and equipment, Fuel, Supplies and Stationery, Rent for office building.	928,800	700,000
13	Human Rights Commission of Sri Lanka	Purchase of vehicles.		6,855,172
14	Department of Attorney General	Maintenance of vehicles, Personal emoluments, Services and supplies.	17,175,000	3,000,000
15	Department of Legal Draftsman	Rent and Local Taxes	9,000,000	
16	Parliament	Purchase of vehicles and travelling	3,000,000	4,000,000
18	Office of the Chief Government Whip of Parliament	Personal emoluments	1,375,000	

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
19	Office of the Leader of the Opposition of Parliament	Travelling, Transport, and Purchase of vehicles, Insurance premium for vehicles	1,780,406	10,650,000
20	Department of Elections	Expenditure of the Provincial Council Election in the provinces of Northern, North Western and Central, Expenditure of the Election Office in Hambantota, Foreign travelling, Electricity & water, Diets & uniforms.	115,600,000	
21	Auditor General	Other Allowances.	56,000,000	
22	Office of the Parliamentary Commissioner for Administration	Acquisition of furniture and office equipment, Travelling, Personal emoluments	703,116	543,000
101	Ministry of Buddha Sasana and Religious Affairs	Purchase of vehicles, Renovation of Dutugamunu Pilgrims Rest at Lumbini in Nepal, Implementation of a special programme for the promotion if religious activities and Construction of official residence of Asgiriya temple as per the Budget Proposal 2013, Diets and uniforms, Foreign travelling, Religious activities to promote cultural and religious values as per the budget proposal 2013	16,683,200	55,600,000
201	Department of Buddhist Affairs	Travelling for Buddhist Coordinating Officers	5,800,000	
204	Department of Hindu Religious and Cultural Affairs	Personal emoluments	4,500,000	
205	Department of Public Trustee	Personal emoluments	1,922,000	
102	Ministry of Finance and Planning	Recruitment of officers to Sri Lanka Planning Service and Accountancy Service. Accounting provision for the absorption of grants given for conducting a study on developing a comprehensive social protection scheme, Purchase of vehicles, Personal emoluments, Travelling, Supplies, Maintenance, Services, Expenditure of newly established Department (Information Technology and Management), Settlement of customs duty released on provincial entry basis in 2009. Personal emoluments for Social Security Board as per the Budget Proposal 2013 and Management Service circular No.30.	118,433,373	45,723,165
237	Department of National Planning	Accounting provision for the absorption of grants given for implementation of Policies and Advocacy for a Caring Society and Equitable Development Programme, Foreign travelling	1,500,000	39,650,000
239	Department of External Resources	Grant assistance from Sri Lanka to establish a Vocational and Technical Training Centre in Uganda and Construction of a road in Maldives, Purchase of Computers and Foreign travelling, Services, Personal emoluments, Supplies	13,145,000	477,470,000

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
240	Department of National Budget	Interest payment for leasing vehicles, Compensation for July Strikers of 1983 as per the Budget Proposal 2013, Insuring vehicles which is temporarily obtained for the use of Commonwealth Heads of Government Meeting, Leasing vehicles to facilitate all government institutions.	579,800,000	
241	Department of Public Enterprises	Arbitration fees and other expenses.	2,200,000	
243	Department of Development Finance	Establishment of a credit guarantee fund at Lankaputhra Development Bank as per the Budget Proposal 2013.		500,000,000
245	Department of Public Enterprises	Allowances for Standing Cabinet Appointed Review Committee (SCARC) members & officers.	1,150,000	
246	Department of Inland Revenue	Purchase of 225 computers for the use of tax administration, Rents and local taxes, Staff training, Personal emoluments, Services.	41,000,000	45,000,000
247	Sri Lanka Customs	"Purchase of a bus to facilitate the functions of the International Airport in Mattala, Accounting provision for the taxes on forfeited vehicles released to the government institutions in 2009, Personal emoluments.	6,000,000	13,926,000
248	Department of Excise	Personal emoluments, Rent for office building	23,410,000	
249	Department of Treasury Operations	Deferred Payments, Loan administrative expenses and Increase the limit of paddy purchasing revolving fund, Settlement of interest on public loans.	6,534,000,000	500,000,000
250	Department of State Accounts	Settlement of the outstanding bills related to building renovations.		8,000,000
251	Department of Valuation	Payment of compensation for the underperforming enterprises vested with the government under the Act No 43 2011 as per the Cabinet Decision on 19th December 2012, Services, Personal emoluments.	28,380,000	2,010,000,000
252	Department of Census and Statistics	Initiate the census on damaged property and human lives due to the conflict as per the recommendation of LLRC and the Economic Census as per the Gazette Notification on 28th February 2013, Foreign travelling, Accounting the grant given by Asian Development Bank for the Social Protection Index, Expenditure for census of Population and Housing - 2011, Personal emoluments, electricity and water, rents and local taxes, Account for the grant given by the Asian Development Bank for Improving Price Collection of non - Household Expenditure Component and Upgrading of Purchasing Power, Property loan interest to public servants.	25,000,000	408,545,129
280	Department of Project Management and Monitoring	Acquisition of plant, machinery and equipment, Accounting provision for the use of grants given for strengthening the capacity of the Department of Project Management and Monitoring.	700,000	3,230,000

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
296	Department of Import and Export Control	Improvement of computer facilities enabling the implementation of an e-Import & Export system.		4,000,000
323	Department of Legal Affairs	Maintenance of Plant and Machinery, Personal emoluments.	2,280,000	
103	Ministry of Defence and Urban Development	Implementation of Budget Proposal on Flood Mitigation Activities in Urban Areas, Research and development activities, Development of sathi pola at Paddukka, Delkanda and Embilipitiya, Purchase of vehicles, Settlement of outstanding bills of the Ranaviru Gammana Programme, Implementation of Solid Waste Management Project in Badulla, Integrated Development Project of Social Security, Electricity & water, Vehicle maintenance, Plant, Machinery and equipment, Expenditure related to CHOGM and Expenditure for newly established Ministry of Law & Order, Transport, Sri John Kotelawala Defence University	242,350,000	474,700,000
222	Sri Lanka Army	Fuel, Staff training, Purchase of vehicles, Acquisition of buildings, Expenditure related to CHOGM, Fuel	175,000,000	288,900,000
223	Sri Lanka Navy	Development of Naval Academy as per the Budget Proposal 2013, Purchase of vehicles, Maintenance of Ships, Acquisition of Plant, machinery and equipment		672,823,000
224	Sri Lanka Air Force	Payment of 15% advance of the total estimated cost for purchasing helicopters and the construction of air field at Iranamadu. Welfare programmes, Purchase of vehicles, Foreign travelling, Vehicles maintenance, Electricity & water, Staff training, Supplies, Purchase of equipment, Construction of a runway at the domestic airport in Kandy.	325,000,000	3,074,250,000
225	Department of Police	Purchase of vehicles, Purchase of Water supply equipment, Allowances for Level Crossing Operators, Purchase of uniforms and security equipment for the VIP security, Stationery and office requisites, Fuel, Supplies, Property loan interest to public servants, Personal emoluments.	1,856,000,000	193,000,000
226	Department of Immigration and Emigration	Setting up the facilities at International Airports and the airfare related to the repatriation of a Nigerian detainee, Developing a system for online visa processing, Purchase of 500,0000 travel documents, Services.	47,987,200	314,927,000
227	Department of Registration of Persons	Personal emoluments	50,846,000	
320	Department of Civil Security	Property loan interest for public servants, Fuel, Maintenance of buildings, Electricity and water, Personal emoluments.	538,080,000	

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
105	Ministry of Economic Development	Accounting provision for the use of grants given for conducting Mine Risk Education Programme and conducting National Mine Action Programme, Purchase of vehicles, Provision of free mid-year uniforms and free pair of shoes for the students in the most isolated schools as per the Budget Proposal-2013, Ranaviru Divineguma Special Loan Programme, Salary increment of staff of Samurdhi Authority, Allowances for graduate trainees, Rehabilitation of damaged houses in Puttalam District due to the flood in 2012, Accounting provision for the use of grants given to construct a school building, Expenditure for the newly established Ministry of Investment Promotion, Paddy storage at Maradagahamulla, Personal emoluments, Vehicles maintenance, Rents & Local Taxes ,Fuel, Deyata Kirula Exhibition - 2014, Cost of living allowances for the employees in Sri Lanka Samurdhi Authority as per the Management Service Circular No 48.	3,945,562,358	888,922,142
218	Department of the Commissioner General of Samurdhi	Samurdhi relief	750,000,000	
281	Department of Agrarian Development	Desalting of minor tanks and agro wells in the drought affected regions in Anuradhapura District. Establishment of Agrarian Tribunal and Boards of Review under the amended Act No. 46 of 2011 for networking districts offices, Personal emoluments, Property loan interest to public servants, Travelling expenses, Services	254,500,000	125,270,000
106	Ministry of Disaster Management	Accounting of grants given for the improvement of the system for Disaster Risk Management of Sri Lanka and for the development of the Early Disaster Warning System for selected communities of the country, Acquisition of vehicles, Expenditure on completion of the auditorium, Renovation of buildings, Property loan interest of public servants, Allowances for graduate trainees, Transport, Rehabilitation of houses damaged due to the flood in 2012, Personal emolument, Supplies, Vehicles maintenance, Electricity & water, Salaries, Other allowances and gratuity payments.	95,932,796	543,825,486
304	Department of Meteorology	Fuel, Local taxes, Purchase of furniture and office equipment, Maintenance of vehicles, Settlement of outstanding bills.	1,050,000	24,685,000
308	Department of Posts	Purchase of vehicles, Personal emoluments, Property loan interest to public servants	355,800,000	78,000,000
108	Ministry of Postal Services	Personal emoluments, Acquisition of furniture, office equipment, machinery and equipment.	3,250,000	700,000
110	Ministry of Justice	Procurement of vehicles for Superior Court Judges and for the Ministry, Expenditure of the Legal Aid Commission of Sri Lanka	1,500,000	200,000,000

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
228	Courts Administration	Small scale court building development programme, Rehabilitation and improvement of buildings, Furniture and office equipment, Personal emoluments, Electricity & water.	186,208,625	133,500,000
223	Department of Government Analyst	Construction of a new office building, Recruitment of Lab Assistants, Electricity & water, Vehicles maintenance, Personal emoluments.	21,156,426	176,000,000
234	Registrar of Supreme Court	Expansion of storage facilities at courts record rooms.		9,000,000
235	Department of Law Commission	Electricity and water	200,000	
111	Ministry of Health	Purchase of Vehicles, Settlement of outstanding bills for Thousand Hospital Programme, Purchase of expensive drugs for cancer treatment and other diseases, Overtime and holiday payments for the employees in Teaching hospitals, District General and Base hospitals, Personal emoluments, Medical supplies.	1,450,000,000	
112	Ministry of External Affairs	Acquisition of buildings for the Sri Lanka Embassy in Washington DC, Purchase of vehicles for Sri Lanka mission in Bahrain and Melbourne, Acquisition of Plant, Machinery and Equipment, Furniture & office equipment, Construction of official residence for Sri Lankan Embassy in New Delhi, Services, Transport, Fuel, Stationary and Office Requisites, Purchase a Radio Frequency Identification System for the use of Commonwealth Heads of Government Meeting, Personal emoluments.	578,700,000	1,506,637,250
114	Ministry of Transport	Personal Emoluments for the employees of Sri Lanka Transport Board as per the Cabinet decision on 17.01.2013.	2,800,000,000	
306	Department of Sri Lanka Railways	Settle outstanding bills of upgrading Colombo - Matara Railway Line, Fuel.	500,000,000	
116	Ministry of Co-operatives and Internal Trade	Subsidy for providing plastic crates, Settle the loss that was incurred in connection with the importation of rice, Purchase of vehicles.	5,000,000	18,500,000
298	Department of Measurement Units, Standards and Metrological Services	Personal emoluments	1,330,000	
301	Department of Co-operative Development	Personal emoluments.	1,824,000	
117	Ministry of Ports & Highways	Purchase of Vehicles, Northern Expressway, Kadawatha to Kerawalapitiya Outer Circular Highway, Colombo - Katunayake Expressway, Subscription and Contribution fees for International Maritime Organization (IMO) and establishment of a Secretariat on Indian Ocean MOU, Improvement of Thambuththegama, Rajanganaya, Kalaoya Road, Southern Highway Development, Maganeguma roads, Inner access Roads in Urban Areas, Personal emoluments.	50,039,000	1,615,617,262

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
118	Ministry of Agriculture	Livelihood support for the returning Internally Displaced Persons in Mannar District, Implementation of Dry Zone Livelihood Support and Partnership Programme, Purchase of vehicles, Personal emoluments.	83,800,000	100,700,000
285	Department of Agriculture	Seeds to distribute among the farmers in drought affected areas, Improvement of agricultural training schools as per the budget proposal 2013, Personal emoluments.	51,184,200	
120	Ministry of Child Development and Women's Affairs	Purchase of vehicles, Accounting provision for the use of grants given for the Kekulu Udana Child Protection Programme, Building rent, Aquisition of Furniture & office equipment, plant, machinery and equipment, Expenditure for providing facilities at Sethsiripaya office premises, Personal emoluments for the National Child Protection Authority.	150,351,116	39,750,000
217	Department of Probation and Child Care Services	Personal emoluments.	8,765,600	
121	Ministry of Public Administration and Home Affairs	Local Governance Project, Purchase of passenger coach, Examination for recruiting Grama Niladaries, Rents & local taxes, Maintenance of buildings, Efficiency Bar Examinations of the Sri Lanka Administrative Service, Sri Lanka Engineering Service and Sri Lanka Scientific Service, Recruitment of SLAS offices for Northern & Eastern provinces, Commencing the Governance of Local Economic Development	60,000,000	12,727,586
253	Department of Pensions	Pension gratuities and compensation of public officers	1,407,872,807	
254	Department of Registrar General	Building rent, Services, Personal emoluments.	97,249,466	
255	District Secretariat, Colombo	Allowances for graduate trainees.	154,791,306	
256	District Secretariat, Gampaha	Allowances for graduate trainees, Rents & local taxes, Property loan interest to public servants	185,726,707	
257	District Secretariat, Kalutara	Allowances for graduate trainees, Traveling, Property loan interest to public servants	121,623,341	
258	District Secretariat, Kandy	Allowances for graduate trainees, Property loan interest to public servants	233,994,400	
259	District Secretariat, Matale	Allowances for graduate trainees.	74,300,000	
260	District Secretariat, Nuwara-Eliya	Allowances for graduate trainees.	45,000,000	
261	District Secretariat, Galle	Allowances for graduate trainees, Office equipment for Divisional Secretariats at Yakkalamulla and Karandeniya, Rehabilitation and improvement of buildings, Personal emoluments.	386,055,000	1,985,000

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
262	District Secretariat, Matara	Allowances for graduate trainees, Property loan interest to public servants, Personal emoluments.	281,801,406	
263	District Secretariat , Hambantota	Allowances for graduate trainees, Services, Retirement Benefits, Construction of the Divisional Secretariat in Weeraketiya, Losses of the the Paddy Purchasing Programme, Personal emoluments.	173,140,452	5,000,000
264	District Secretariat - Jaffna	Allowances for graduate trainees, Diets & Uniforms, Property Loan Interest to public servants, Personal emoluments, Buildings & structures, Electricity & water.	161,333,833	
265	District Secretariat, Mannar	Allowances for graduate trainees.	17,803,792	
266	District Secretariat, Vavuniya	Allowances for graduate trainees.	36,840,000	
267	District Secretariat, Mullaitivu	Allowances for graduate trainees, Building and Structures, Losses of the the Paddy Purchasing Programme.	24,627,225	54,000,000
268	District Secretariat, Killinochchi	Allowances for graduate trainees.	45,462,867	
269	District Secretariat , Batticaloa	Regional development activities in line with the Deyata Kirula - 2013, Personal emoluments, Fuel, Vehicle maintenance, Electricity & water.	233,102,818	950,050,596
270	District Secretariat , Ampara	Regional Development activities, Preparation of exhibition site & mobile services of Deyata Kirula -2013, Allowances for graduate trainees.	160,677,000	650,000,000
271	District Secretariat/ Kachcheri - Trincomalee	Regional Development activities in line with the Deyata Kirula - 2013, Stationery and office requisites, Allowances for graduate trainees.	76,000,000	602,000,000
272	District Secretariat, Kurunegala	Allowances for graduate trainees, Property loan interest to public servants, Losses of the the Paddy Purchasing Programme, Personal emoluments.	446,606,025	
273	District Secretariat, Puttalam	Allowances for graduate trainees, Property loan interest to public servants	100,863,079	
274	District Secretariat, Anuradhapura	Allowances for graduate trainees, Personal Emoluments, Fuel, Vehicle maintenance, Services.	138,149,321	
275	District Secretariat - Polonnaruwa	Regional development activities in line with the Deyata Kirula - 2013, Allowances for graduate trainees, Construction of official residence for the District Secretary.	41,933,340	360,000,000
276	District Secretariat, Badulla	Other allowances, Maintenance of vehicles and machinery, Electricity and water, Property loan interest to public servants.	66,328,919	
277	District Secretariat, Monaragala	Cost of living and salary increments as per the budget proposal-2013, Acquisition of Plant, machinery and equipment, Personal emoluments, Construction of District Secretariat-Monaragala	42,550,000	95,799,980

Table 11.6 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
278	District Secretariat, Ratnapura	Allowances for graduate trainees, Personal emoluments.	202,000,000	
279	District Secretariat, Kegalle	Allowances for graduate trainees, Fuel, Property loan interest to public servants.	283,369,806	
122	Ministry of Mass Media and Information	Purchase of Vehicles, Public awareness campaign by media institutions regarding CHOGM.		890,000,000
210	Department of Information	Personal emoluments.	5,500,000	
123	Ministry of Construction, Engineering Services, Housing and Common Amenities	Renovation of sewerage system of multi storied housing project at Nupewela, Settlement of outstanding payments of the Condominium Management Authority and Institute for Construction Training and Development, Construction of a paddy store at Marandagahamulla in consultation with the Ministry of Economic Development, Settlement of commitments of housing development programme undertaken by Urban Settlement Development Authority, Vehicle maintenance, Electricity & Water, Traveling, Personal emoluments for the Condominium Management Authority, and Construction of Urban Housing Scheme at Angulana.	14,308,000	230,000,000
309	Department of Buildings	Diets and Uniforms, Land & Land Improvements.	124,000	2,000,000
310	Department of Government Factory	Personal emoluments.	1,112,830	
311	Department of National Physical Planning	Settlement of outstanding bills for the construction of pilgrims rest at Polonnaruwa as per a court order, Settle liabilities of National Physical Plan Symposium.		10,559,724
124	Ministry of Social Services	Accounting provision for the absorbtion of the grants given for Country Programme, Rehabilitation of buildings, Building rent for the National Institute of Social Development, Electricity & water, Building & Structures, Vehicle maintenance, Personal emoluments.	18,671,000	27,300,000
216	Department of Social Services	Personal emoluments.	8,500,000	
126	Ministry of Education	Transforming the School Education System as the Foundation of the Knowledge Hub Project, Mobilization advances for the construction of Mahindodaya Technological Labs under the Project of Development of Thousand Secondary Schools, Purchase of vehicles, Water and sanitation facilities for unnerved schools, Construction of Defence School Buildings, Implementation of UNESCO activities, Teacher Development Framework of National College of Education, Construction of an auditorium and library building for Kuliyaipitiya Central College, Personal emoluments, Provincial Teacher Training Programme as per Budget Proposal 2013, Shool Education System as the foundation of the Knowledge Hub Project, Supplies, Vehicle maintenance, Services	391,934,000	1,289,981,000

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
212	Department of examinations	Provisions for overtime, Travelling, Fuel, Transport and electricity for year 5 scholarships and advanced level exam 2013.	30,000,000	
213	Department of Educational Publications	Construction of stores at Pitipana and Homagama for storing school text books.		7,000,000
127	Ministry of Labour & Labour Relations	Purchase of vehicles.		10,000,000
128	Ministry of Traditional Industries and Small Enterprises Development	"Shilpa" National Exhibition, Rehabilitation of Lunuwila and Weerawila fishing net factories, Purchase of vehicles, Re-activation of the Atchchuveli Industrial Estate, Office equipment for recruited graduates, Rent & local taxes, Personal emolument.	34,579,000	137,000,000
130	Ministry of Local Government and Provincial Councils	Purchase of tractors for Local Authorities, Local Government Infrastructure Improvement Project, Purchase of vehicles, Expenses of National Delimitation Committee for Local Authorities, Central and Sabaragamuwa Provincial Road Project, Emergency Response Capacity Project, Special Poverty alleviation programme as per Budget Proposal 2013.	49,284,770	1,675,830,000
312	Western Provincial Council	Construction of crematorium, Personal emoluments.	1,189,000,000	167,000,000
313	Central Provincial Council	Emergency Natural Disaster Rehabilitation Project, Provincial Road Project, Personal emoluments, Provincial Teachers' Training Programme as per the Budget Proposal, 2013.	823,000,000	570,200,000
314	Southern Provincial Council	Accounting provision for the use of grants given for implementing the UNICEF programmes at provincial levels, Personal emoluments, Provincial Teachers' Training Programme as per the budget proposal, 2013.	678,000,000	49,808,125
315	Northern Provincial Council	Accounting provision for the use of grant given for implementing the UNICEF programmes at provincial levels, Northern Road Connectivity Project, Personal emoluments.	720,000,000	227,059,000
316	North Western Provincial Council	Rehabilitation of flood damaged provincial roads in North Western Province, Personal emoluments, Preventing Thalassemia Disease.	730,000,000	50,000,000
317	North Central Provincial Council	Rehabilitation of Oyamaduwala-Thanthrimale and Sinharagama Ranoraewa roads under the Deyata Kirula 2012, Emergency Natural Disaster Rehabilitation Project, Rehabilitation of flood damaged roads, North Central Provincial Road Project, Provincial Teachers Training programme as per Budget Proposal, 2013, Personal emoluments.	419,000,000	1,646,000,000
318	Uva Provincial Council	Eastern and Uva Provincial Road Development Project, Personal emoluments, Provincial Teachers' Training Programme as per the budget proposal, 2013.	495,000,000	1,717,000,000

Table 11.6 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
319	Sabaragamuwa Provincial Council	Central and Sabaragamuwa Provincial Road Development Project, Personal emoluments, Provincial Teachers' Training Programme as per the budget proposal, 2013.	518,000,000	567,000,000
321	Eastern Provincial Council	Eastern and Uva Provincial Road Development Project, Accounting provision for the absorption of grant given for implementing UNICEF programmes at provincial levels, Emergency Natural Disaster Rehabilitation Project, Eastern Province Rural Roads Development Project, Personal emoluments, Provincial Teachers' Training Programme as per the budget proposal, 2013.	431,000,000	3,063,748,000
133	Ministry of Technology and Research	Settlement of commitments of Agro Food Project, Nano Science Park and Multipurpose Gamma Irradiation Project, Implementation of Project for Conversion of Plastic to Fuel.		334,160,037
134	Ministry of National Languages and Social Integration	Purchase of vehicles, Building Rent for Official Languages Commission, Accounting provision for the absorption of grants given for Equal Access to Justice Programme, Examination for recruiting National Integration Co-ordination Officers.	12,113,360	9,907,892
135	Ministry of Plantation Industries	Improving the working and living conditions of the employees in Tea Research Institute, Purchase of vehicles, Implementation of Budget Proposal on Mechanization of Tea Harvesting in the Tea small holding sector.		14,098,050
293	Department of Rubber Development	Hosting the General Assembly and the Committee meeting of the Association of Natural Rubber Producing Countries in Sri Lanka.	10,000,000	
136	Ministry of Sports	Procurement of vehicles, Initial activities of the Asian Youth Games to be held in 2017, Renovation of office building.		52,000,000
219	Department of Sports Development	Exposure of internationally accepted sports facilities to rural sports.		149,000,000
220	Department of Ayurveda	Gratuity for retired Ayurvedic doctors.	500,000	
139	Ministry of Fisheries and Aquatic Resources Development	Settlement of outstanding bills and parity variation of Dickowita Fishery Harbour Development Programme, Purchase of vehicles, Post Tsunami Coastal Rehabilitation and Resources Management Programme, Post Tsunami Livelihood Support Partnership Programme, Foreign travelling, Personal emoluments, Retirement benefits.	14,342,239	6,500,000
290	Department of Fisheries and Aquatic Resources	Welfare for empowering the fishing community, Relief for fishermen who affected by the heavy windstorm on 08.06.2013, Services, 4 per cent Interest subsidy of Diyawara Diriya Loan Scheme, Personal emoluments	66,042,000	.

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
140	Ministry of Livestock and Rural Community Development	Purchase of vehicles, Importation of 30,000 doses of sexed semen, Rehabilitation of building and structures, Personal emoluments.	39,610,000	91,065,679
292	Department of Animal Production and Health	Property loan interest to public servants, Personal Emoluments	8,300,000	
207	Department of Archaeology	Personal emoluments.	65,774,595	
208	Department of National Museums	Personal emoluments.	3,500,000	
209	Department of National Archives	Electricity & water.	11,500,000	
143	Ministry of Parliamentary Affairs	Purchase of vehicles.		8,000,000
145	Ministry of Re-settlement	Resettlement assistance for 1,500 families in Kelabogawewa, Purchase of vehicles, Construction of 500 houses under the Welioya Resettlement Programme, Accounting provision for the absorption of the grants given for resettling 650 families in Padaviya, Anuradhapura District, Dry ration to 323 families of Divisional Secretariat of Muthur, United Nations High Commissioner for Refugees (UNHCR) for resettled families in Mulativu, Jaffna, Vavuniya.	3,800,000	63,889,500
149	Ministry of Industry and Commerce	Purchase of vehicles, Personal emoluments.	32,000,000	10,000,000
303	Department of Textile Industries	Compensation for affected workers of Power Loom Industry due to privatization during 1980 - 1982.	63,819,300	
152	Ministry of Irrigation and Water Resources Management	Protection of river bank of Mahaweli at Gatambe, Rehabilitation of flood damaged irrigation systems and tanks, Personal emoluments.	1,420,741	85,000,000
282	Department of Irrigation	Complete the construction of Rambukkan Oya Project.		750,000,000
153	Ministry of Land and Land Development	Rehabilitation and improvement of buildings and procurement of media equipment, Personal emoluments.	12,200,000	2,853,540
286	Department of Land Commissioner	Electricity & water.	6,330,000	
287	Department of Land Title Settlement	Personal emoluments.	8,344,100	
327	Department of Land Use Policy Planning	Personal emoluments.	2,800,000	

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
156	Ministry of Youth Affairs & Skills Development	Rehabilitation of buildings in 25 training institutes, Acquisition of machinery and equipment, Construction of Vocational Training Center in Mirijawila, Construction of a training center and hotel school in Nilaweli, Knowledge enhancement of academic staff under the Technical Education and Vocational Training Sector Development Project, Hosting a conference on Sri Lankan youth for the World Youth -2014 as per the budget proposal 2013, Purchase of vehicles, Self Employment Promotion Initiatives and Purchase of Equipment, rehabilitation of buildings, Salary arrears of employees of the University of Vocational Technology, Recurrent expenditure for newly recruited staff of the National Youth Service Council.	5,377,000	259,685,000
215	Department of Technical Education and Training	Construction of Building for Matale Technical College and rehabilitation of Ampara Hardy College.		110,000,000
160	Ministry of Environment	Accounting provision for the absorption of grants given for the Technical Needs Assessment Project on Climate Change in Sri Lanka, Accounting provision for absorption of the grants given for 3 projects i.e. hosting the 25th Steering Committee Meeting and 5th South Asia sub-Regional Cooperation meeting in Sri Lanka, Project on United National Convention to Combat Desertification & Implementation of National Policy on Traditional Knowledge for Sustainable Livelihood, Rents & local taxes, Foreign travelling, Pilisaru Programme, International conventions, Conferences and official visits, Purchase of vehicles, Vehicles maintenance, Fuel, Electrify & water and other services, Implementation of the Montreal Protocol, Australian Government Overseas Aid Program (AUSAID) for the Community Forestry Programme, Personal emoluments of the employees of the Central Environment Authority.	39,050,000	131,636,458
283	Department of Forests	Property loan interest to public servants.	3,500,000	
166	Ministry of Water Supply and Drainage	Vehicles maintenance, Personal emoluments.	7,700,000	
171	Ministry of Higher Education	Accounting provision for absorption of the grant given to promote researches of the University of Peradeniya, Purchase of vehicles, Payment of mobilization advance for constructing 60 University Hostels, Research allowance, Academic allowance, Cost of living allowance and special salary allowance as per the budget proposal, 2013	15,500,000	1,352,956,503

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
214	University Grants Commission	Purchase of vehicles, Examination cost of Postgraduate Institute of Medicine for the intake in year 2011/2012, Building at Wayamba University inline with the Dayata Kirula Exhibition-2014.	1,190,700,000	1,159,150,000
173	Ministry of Public Management Reforms	Rehabilitation and Improvement of Buildings, Acquisition of Furniture and Office Equipments, Building rent, Fuel, Personal emoluments.	44,330,000	7,300,000
174	Ministry of Rehabilitation and Prison Reforms	Purchase of vehicles, Rehabilitation of buildings, Maintenance of Vehicles, Personal emoluments.	1,600,000	38,600,000
232	Department of Prisons	Purchase of buses for providing transport facilities to prisoners, Acquisition of Plant and Machinery, Fuel, Maintenance of vehicles, Electricity & water.	50,000,000	47,224,000
326	Department of Community Based Corrections	Acquisition of furniture and office equipments, Personal emoluments.	16,700,000	4,700,000
175	Ministry of State Resources and Enterprise Development	Personal Emoluments of the employees of Kanthale Sugar Industries, Settlement of Court Charges of the case filed by the employees of Walachchena Paper Company Ltd, Purchase of vehicles, Settlement of outstanding bills of the Hingurana Sugar Industries Ltd. Development of small scale enterprises connecting with Laksala Network as per the Budget Proposal 2013. Janatha Estates Development Board , Services, and Gratuity dues for 57 factory employees of Lanka Cement PLC, Renovating the administrative building at Janakala Kendraya,		554,585,812
176	Ministry of Civil Aviation	Improvement of office premises, Purchase of vehicles, Capitalization of the Sri Lankan Airlines, Personal emoluments, Traveling expenses, Supplies, Maintenance expenditure, Services.	34,371,235	175,654,261
177	Ministry of Culture & the Arts	Purchase of vehicles.		6,700,000
206	Department of Culture and the Arts	National Art Festival - 2013, Personal emoluments.	8,926,987	
178	Ministry of Coconut Development and Janatha Estate Development	Purchase of vehicles, Rehabilitation and improvement of assists, Building rent, local taxes, Popularization of organic fertilizer in coconut cultivation, Maintenance of Vehicles, Settlement of outstanding cess to Mahaweli Coconut Plantation, Transport, Personal emoluments.	68,400,000	34,719,000
179	Ministry of Wildlife Resources Conservation	Rehabilitation and improvement of buildings, Purchase of vehicles.		1,430,000

Table 11.6 Contd....

Head No.	Ministry/Department	Purpose	Recurrent Rs.	Capital Rs.
180	Ministry of Minor Export Crops Promotion	Purchase of vehicles.		4,170,000
289	Department of Export Agriculture	Personal emoluments.	23,375,000	
181	Ministry of Productivity Promotion	Purchase of vehicles, Building rent, Personal emoluments, Maintenance, Services	138,300,000	51,000,000
182	Ministry of Foreign Employment Promotion and welfare	Personal emoluments.	98,510,000	
183	Ministry of Public Relations and Public Affairs	Purchase of vehicle, Personal emoluments.	5,005,850	11,500,000
184	Ministry of Private Transport Services	Allowances for graduate trainees.	2,000,000	
185	Ministry of Telecommunication and Information Technology	Construction of buildings in Hardy Technical College in Ampara, Acquisition of building and other investments under the Deyata Kirula 2013, Purchase of vehicles, Setup and expand Nenasala Centers at Grama Niladari Division level as per the Budget Proposal 2013.		467,691,053
Total			36,970,734,977	36,643,006,862

Source: Department of National Budget

Table 11.7 > Domestic Borrowings - Treasury Bills

Issue Date	Amount Accepted (Rs. Mn.)			Weighted Average Yield Rates		
	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days
1/11/13	2,097	8,296	20,935	10.98	12.01	12.61
1/18/13	1,056	3,721	29,841	10.83	11.76	12.51
1/25/13	1,000	3,149	14,206	10.70	11.57	12.50
2/1/13	2,000	3,000	30,823	10.52	11.42	12.35
2/8/13	1,390	2,000	17,000	10.28	11.29	12.34
2/15/13	4,255	4,945	15,231	10.12	11.21	12.34
2/22/13	926	1,135	12,919	10.11	11.20	12.34

Table 11.7 Contd....

Issue Date	Amount Accepted (Rs. Mn.)			Weighted Average Yield Rates		
	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days
3/1/13	3,027	4,172	11,573	10.11	11.20	12.34
3/8/13	2,425	1,270	24,288	10.12	11.22	12.38
3/15/13	2,920	1,076	8,451	10.18	11.28	12.44
3/22/13	1,137	1,352	3,971	10.24	11.38	12.51
3/29/13	825	0	8,007	10.29	-	12.62
4/5/13	775	0	8,062	10.29	-	12.61
4/12/13	1,000	1,000	6,000	10.28	11.39	12.62
4/19/13	1,000	340	12,683	10.27	11.38	12.60
4/26/13	1,000	1,000	8,990	10.26	11.36	12.60
5/3/13	1,000	3,000	18,530	10.22	11.35	12.58
5/10/13	1,000	3,000	12,082	10.20	11.33	12.54
5/17/13	1,000	2,923	15,191	9.72	11.01	12.05
5/24/13	2,258	3,000	11,000	9.72	11.00	12.07
5/31/13	1,430	4,918	17,304	9.70	11.00	12.07
6/7/13	1,314	3,000	20,359	9.67	10.90	12.06
6/14/13	943	2,767	11,236	9.63	10.89	12.06
6/21/13	1,590	2,016	7,145	9.62	10.89	12.06
6/28/13	627	7,712	34,100	9.63	10.78	11.84
7/5/13	579	500	9,539	9.62	10.78	11.85
7/12/13	1,000	1,000	11,742	9.59	10.75	11.82
7/19/13	935	1,022	15,470	9.59	10.73	11.77
7/26/13	0	0	9,275	-	-	11.73
8/2/13	0	0	24,809	-	-	11.68
8/9/13	0	0	17,615	-	-	11.75
8/16/13	1,095	821	6,340	9.57	10.73	11.74
8/23/13	0	750	8,185	-	10.72	11.72
9/6/13	593	1,278	849	9.56	10.71	11.74
9/13/13	1,084	256	2,709	9.57	10.71	11.74
9/20/13	770	472	1,250	9.56	10.71	11.75
9/27/13	500	325	13,897	9.56	10.70	11.75
10/4/13	0	0	4,760	9.56	10.70	11.69
10/11/13	800	500	20,008	9.54	10.68	11.67
10/18/13	530	700	9,782	9.51	10.67	11.65
10/25/13	0	907	6,966	-	10.12	11.14
11/1/13	0	1,625	18,588	-	10.00	10.92
11/8/13	0	726	14,645	-	9.94	10.91
11/15/13	0	415	11,250	-	9.88	10.88
11/22/13	650	4,444	11,260	9.00	9.83	10.83
11/29/13	500	4,387	14,784	8.96	9.78	10.77
12/6/13	500	1,000	9,500	8.85	9.61	10.55
12/13/13	500	1,000	11,800	8.72	9.42	10.17
12/20/13	1,000	2,000	13,325	8.59	9.10	9.48
12/27/13	2,075	1,000	19,024	8.38	8.72	9.21

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

Table 11.8 > **Domestic Borrowings - Treasury Bonds**

Series	Settlement Date	Maturity Date	Amount Accepted (Rs. Mn.)	Weighted Average Yield
08.50%2018C	15/01/13	01/04/18	16,392	12.11
09.00%2021A	15/01/13	01/05/21	10,000	12.94
09.00%2028A	15/01/13	01/07/28	16,800	13.61
08.00%2016B	24/01/13	01/06/16	4,000	12.21
09.00%2021A	24/01/13	01/05/21	1,107	12.93
09.00%2028A	24/01/13	01/07/28	4,500	13.61
08.50%2018D	01/02/13	01/06/18	10,300	11.93
09.00%2021A	01/02/13	01/05/21	25,000	12.71
09.00%2028A	01/02/13	01/07/28	10,150	13.57
08.50%2018B	15/02/13	15/07/18	4,300	11.92
08.00%2018A	01/03/13	15/11/18	2,000	12.19
07.00%2023A	01/03/13	01/10/23	2,000	13.07
08.50%2018B	01/04/13	15/07/18	3,000	12.72
09.00%2023A	01/04/13	01/09/23	6,000	13.11
09.00%2026A	01/04/13	01/02/26	6,000	13.50
08.00%2022A	02/05/13	01/01/22	1,000	13.08
09.00%2025A	02/05/13	01/05/25	2,000	13.44
09.00%2043A	03/06/13	01/06/43	3,000	13.89
09.00%2033A	17/06/13	01/06/33	8,050	13.50
09.00%2043A	17/06/13	01/06/43	5,050	13.89
08.00%2018A	15/07/13	15/11/18	7,400	12.42
08.00%2022A	15/07/13	01/01/22	3,000	12.83
09.00%2033A	15/07/13	01/06/33	5,000	13.67
08.00%2018A	01/08/13	15/11/18	5,000	12.41
09.00%2028B	01/08/13	01/05/28	20,000	13.44
09.00%2043A	01/08/13	01/06/43	10,000	13.89
05.80%2017A	12/08/13	15/01/17	1,600	12.08
05.65%2019A	11/01/13	15/01/19	1,000	11.82
09.00%2028B	11/01/13	01/05/28	2,450	13.22
09.00%2033B	11/01/13	01/11/33	5,100	13.48

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

Table 11.9 > **Domestic Borrowings - Sri Lanka Development Bonds**

Issue Date	Maturity Years	Amount US\$ Mn	Rate
2/22/13	3/26/16	2016E	152,120,000.00
3/27/13	3/26/16	2016E	129,000,000.00
7/1/13	6/30/16	2016B	90,000,000.00
7/1/13	7/1/18	2018A	164,000,000.00
Total			535,120,000.00

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

Table 11.10 > List of Loan Agreements Signed in 2013 and their Financial Terms

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed		Interest Rate per Annum			Other Payments		Grace Period (Years)	Maturity (Including Grace Period) (Years)		
			Currency	Original Amount	Rs. million	US\$ million	Interest Type	Rate	Margin (100 basis points)			Commitment Fee (from the undisbursed balance)	
Bilateral – ODA													
Japan	2013/03/14	Greater Colombo Transmission and Distribution Loss Reduction Project	JPY	15,941.0	21,019.8	166.4	Fixed	Tranche 1 - 0.3% Tranche 2- 0.01%		N/A	0.1%		
	2013/03/14	Major Bridge Construction Project of the National Road Network	JPY	12,381.0	16,325.6	129.2	Fixed	Tranche 1 - 0.2% Tranche 2- 0.01%		N/A	0.1%		
Korea	2013/03/14	Landslide Disaster Protection Project of the National Road Network	JPY	7,619.0	10,046.4	79.5	Fixed	Tranche 1 - 1.4% Tranche 2- 0.01%		N/A	0.1%		
	2013/03/14	Anuradhapura North Water Supply Project (Phase i)	JPY	5,166.0	6,811.9	53.9	Fixed	Tranche 1 - 1.4% Tranche 2- 0.01%		N/A	0.1%		
Korea	2013/07/23	Construction of Solid Waste Disposal Facilities Project	USD	33.5	4,407.1	33.5	Fixed	0.15		N/A	-	10	40
	2013/07/23	Establishment of Colombo Central Vocational Training Center and Gampaha College of Technology Project in Sri Lanka	USD	26.0	3,422.8	26.0	Fixed	0.15		N/A	-	10	40
India	2013/11/11	Procurement of Two Advanced Off-shore Patrol Vessels	USD	124.0	16,260.3	124.0	Variable	LIBOR – 6 Month for USD		3.5	0.5%	3	10
Management Fee (0.5% of loan amount, payable one time) Insurance Premium Fee (5% of principal portion & 1% for Interest portion) Guarantee Fee (0.5% calculated on accrued interest)													

Table 11.10 Contd.....

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed		Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)		
			Currency	Original Amount	Rs. million	US\$ million	Interest Type					Rate	Margin (100 basis points)
Bilateral - Export Credit													
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	2013/01/15	Implementation of the Greater Rathnapura Water Supply Scheme	EUR	21.9	3,702.7	29.4	Variable	EURIBOR - 6 Month for EUR	2.1	0.35%	Management Fee (0.5% of loan amount, payable one time)	2	12
	2013/02/19	Upgrading of the National Blood Transfusion Services of SL	USD	27.7	3,519.6	27.7	Fixed	4.94%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	3	13
Co-op Centrale Raiffeisen-Boerenleenbank (Netherlands)	2013/02/19	Upgrading of the National Blood Transfusion Services	USD	4.9	621.1	4.9	Fixed	5%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	2.5	3.5
	2013/06/14	Upgrading of the National Blood Transfusion Services	EUR	18.5	3,152.9	24.7	Fixed	4.65%	N/A	-	-	3	13
Export Import Bank of Hungary	2013/02/14	Rehabilitation Of Kalatuwawa Water Treatment Plant	EUR	17.4	2,954.0	23.5	Fixed	1.03%	N/A	-	-	3	15
	2013/02/14	Rehabilitation of Labugama Water Treatment Plant project	EUR	16.7	2,840.2	22.5	Fixed	1.03%	N/A	-	-	3	15
HSBC Bank PLC (UK)	2013/03/15	Modernization of Processing Factories of MILCO (Pvt) Ltd	EUR	33.7	5,505.9	43.6	Variable	Tranche 2- LI-BOR- 6 Month for USD	2	1%	Structuring fee (0.5% of loan amount, payable one time) EKF Premium EUR 2,274,016.4	2.25	9.25
	Tranche 1 - LI-BOR- 6 Month for USD						6	1%	Structuring fee (1% of loan amount, payable one time)	1	9		
	2013/06/21	Regional Bridges Project - Phase II	USD	60.0	7,715.9	60.0	Variable	LIBOR- 6 Month for USD	2	0.25%	0.25%	4	14
			10.6	1,361.6	10.6	Variable	LIBOR- 6 Month for USD	4	0.25%	0.25%	1	6	

Table 1110 Contd.....

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US\$ million	Interest Type	Rate	Margin (100 basis points)			
The Export-Import Bank of China	2013/02/19	Matara Beliatta Section of Matara Kataragama Railway Extension	USD	200.0	25,375.8	200.0	Fixed	2%	N/A	Management Fee (0.5% of loan amount, payable one time)	7	20
	2013/05/28	Project	CNY	508.0	10,481.3	82.9	Fixed	2%	N/A	0.25%	7	20
The Export-Import Bank of China	2013/03/24	Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment Project	CNY	960.0	19,616.1	154.5	Fixed	2%	N/A	Management Fee (0.25% of loan amount, payable one time)	5	20
	2013/09/18	Greater Kurunegala Water Supply and Sewerage Project	CNY	487.0	10,521.1	79.6	Fixed	2%	N/A	Management Fee (CNY 1,217,542.0 payable one time)	5	19
UniCredit Bank Austria AG (Austria)										Management Fee (0.45% of loan amount, payable one time)		
	2013/03/14	Augmentation of Mahiyangana Water Supply Project	EUR	10.4	1,704.1	13.5	Interest - Free		N/A	Guarantee Charge (i) Upfront EUR 74,568.83 (ii) (1.093% this behaves as an interest since the charge is calculated on outstanding amount)	6.5	16
	2013/02/27	Supply of 2 Nos Cardiac Catheterization System to Cardiology Dep. of the NHSL	EUR	2.4	396.3	3.1	Fixed	0.40%	N/A	Management Fee (0.45% of loan amount, payable one time) Handling Fee (EUR 1,440) Guarantee Charge (EUR 4,400)	7	19.5

Table 11:10 Contd.....

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum		Margin (100 basis points)	Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US\$ million	Interest Type					
		Upgrading of Sewerage Infrastructure at Kataragama Sacred City Area	EUR	10.5	1,889.1	14.4	(Interest Free)		0.40%	Service fee 1% of loan amount Management Fee (0.45% of loan amount, payable one time)	8	18
	2013/12/14									Guarantee Charge (i) Upfront EUR 59,062.5		
										(ii) margin part 1% Handling fee EUR 1,440		
Export Import Bank of United States	2013/07/01	Badulla, Haliaela, Ella Intergrated Water Supply Project	USD	64.9	8,455.8	64.9	Variable	1.26%	0.5%	Exposure Fee (4.6% of loan amount, payable one time)	3	14.5
BNP Paribas of Belgium	2013/08/14	Reconstruction of 7 Railway Steel Bridges Project	EUR	4.4	774.8	5.9	Fixed	1%	N/A	Upfront 0.5% of loan amount	3	16.5
European Investment Bank	2013/11/13	SME and Green Energy Global Loan	EUR	90.0	15,862.9	121.0	Applicable interest rate will be notified by the disbursement notices of EIB, yet to receive			0.15%	4	20

Table 11.10 Contd.....

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed		Interest Rate per Annum			Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)		
			Currency	Original Amount	Rs. million	US\$ million	Interest Type				Rate	Margin (100 basis points)	Commitment Fee (from the undisbursed balance)
Multilateral												
Asian Development Bank	2013/02/13	Dry Zone Urban Water & Sanitation Project - Additio-nal Financing	XDR	25.9	5,061.7	40.1	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	8	24
	2013/05/08	Clean Energy and Network Efficiency Improvement Project	USD	100.0	12,636.7	100.0	Variable	LIBOR- 6 Month for USD	0.6%	0.15%	5	20
	2013/08/19	Education Sector Development Program	USD	100.0	13,160.0	100.0	Variable	LIBOR- 6 Month for USD	0.6%	0.15%	5	20
	2013/06/28	Greater Colombo Water & Wastewater Management Improvement Project	XDR	66.6	13,260.7	100.7	Fixed	2%	N/A	-	5	25
International Development Association of the World Bank	2013/08/19	Second Helath Sector Develop-ment Project	XDR	129.8	25,849.0	196.4	Fixed	2%	N/A	0.5% -	5	25
OPEC Fund for International Development	2013/06/10	Colombo National Highways Project	USD	50.0	6,319.4	50.0	Fixed	4.6%	N/A	-	5	20

Source: Department of External Resources

Note : 1 The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the Agreement was signed.

2 N/A = Not Applicable = nil

12

PUBLIC EXPENDITURE REVIEW

12.1 Overview

The budgetary operations 2013 were managed within the expenditure ceilings approved by Parliament while ensuring achieving the targets of the Medium Term Expenditure Framework 2013-2015. Accordingly, the total government expenditure in 2013 was Rs. 1,686.4 billion of which, recurrent expenditure accounted for 71.5 percent or Rs. 1,205.2 billion while public investment accounted for 28.5 percent or Rs. 481.2 billion. The total investment has increased by 7 percent or Rs. 111.4 billion in 2013 from Rs. 1,575 billion in 2012. However, the total expenditure in 2013 was lower than the original budget estimate of Rs. 1,820 billion for the year.

Recurrent expenditure increased by Rs. 74.2 billion or 6.6 percent over the previous year. The upward revision of salary allowances of public servants and pensioners, rectification of pension anomalies, recruitment of 51,000 graduates to the Development Officers Service, increased interest payments, and higher spending on Samurdhi and other social transfers mainly contributed to the increase in recurrent expenditure in 2013. However, the Government contained actual expenditure at Rs. 1,205.2 billion slightly lower than the original budget estimate of Rs. 1,290 billion for 2013 due to measures taken for limiting the expenditure on operational and establishment costs such as fuel, electricity, travelling etc.

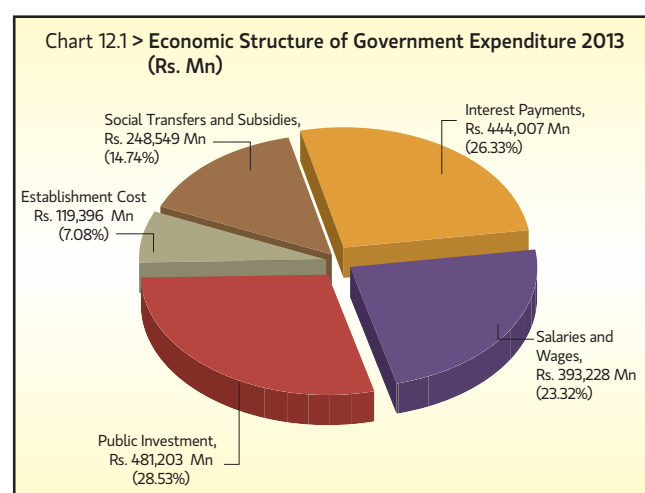
During the year, public investments increased by 8.4 percent to Rs. 481.2 billion in 2013, from Rs. 444 billion in 2012. Accordingly, public investments in 2013 were maintained at 5.5 percent of GDP as compared to 5.9 percent in 2012. Public investments in 2013 continued to direct towards the completion of ongoing development projects initiated under the government's development programme as

well as for the initiation of new projects to be implemented under the Medium Term Expenditure Framework. Accordingly, priority was given for development of expressways, railways, highways, water supply, irrigation, urban and rural infrastructure and also in development of education and health sector while continuing the initiatives in community development and infrastructure developments in conflict affected areas. However, the actual expenditure in public investment is lower than the budgetary provisions of Rs. 1,820 billion allocated for 2013 as the deficit target could not provide space for higher expenditure as revenue effort was still lagging behind. The review is done in terms of classifications of government expenditure which are adjusted to derive economic classification as per GFS 1986.

Table 12.1 > **Public Expenditure as a Percentage of GDP 2005 - 2007**

Item	2005-2007	2008-2010	2011-2013	2014-2016
Total Expenditure	24.2	23.7	20.8	20.5
Recurrent	18.0	17.3	14.8	14.0
Capital	6.2	6.4	6.0	6.5

Source: Department of National Budget



Source: Department of National Budget

Table 12.2 > **Salary Expenditure of the Government**

Sector	2005			2012			2013			Rs. Mn
	National	Provincial	Total	National	Provincial	Total	National	Provincial	Total	
Education	7,504	23,292	30,796	15,812	52,489	68,301	24,203	57,079	81,282	
Health	11,835	8,516	20,351	32,104	20,952	53,056	38,391	23,612	62,003	
Other Public Service	25,611	12,812	38,423	48,049	14,776	62,825	50,629	24,342	74,971	
National Security	49,033	-	49,033	163,565	-	163,565	174,972	-	174,972	
Total	93,983	44,620	138,603	259,530	88,217	347,747	288,195	105,033	393,228	

Source: Department of National Budget

Salaries and Wages - The expenditure on salaries and wages for public servants, including those in the provincial councils and security services was Rs. 393.2 billion in 2013. This is an increase of 13.1 percent over 2012 and accounted for 32.6 percent of the total recurrent expenditure. The increase of special allowance from 15 percent to 20 percent of monthly basic salary with a maximum increase of Rs. 2,500 per month paid to public servants, the annual increase in Cost of Living Allowance by Rs. 750 per month with effect from January 2013 and the recruitment of graduate trainees to the public service through development officers service minute, revision of subsistence and transport allowance given to field officers and to members of Sri Lanka Police Service have been the main contributory factors for this growth. Public sector total salary bill has expanded as above.

Rationalization of Public Sector Salaries

Due to various adhoc revisions introduced from time to time, anomalies had been created within the public sector salary structures. Therefore, recognizing the need for correction, after a comprehensive stakeholder consultation it was rationalized in 2006 on the basis of 1 to 4 ratio in the lowest and highest grades of the salary scales, based on the recommendations of National Salaries and Cadre Commission. Accordingly, the number of salary structuring categories reduced from 127 to a manageable level of about 36.

A number of measures were also taken to further re-structure the salary scales and reduce the salary anomalies within the public sector. A Cost of Living-Allowance and other allowances were granted to all public servants annually thereafter, to increase their emoluments while reducing the disparity in the structure. Accordingly, anomalies of several service categories were corrected and arrears were settled in stages such as university non-academic staff, management assistants and teachers at national and provincial levels, and also of pensioners. During this period, specific allowances were also introduced targeting the professionals and skilled categories such as university academic staff, doctors, engineers, surveyors, architects, judicial officers, nurses, etc. for promoting and recognizing their specialized contributions to the public service. In addition to these specific allowances, travelling & subsistence allowance of all field level officers, and special allowances of police services were also reviewed and increased. The collective agreements that Salaries of certain Government agencies as well as private enterprises governed by way of collective agreements are also been encouraged to rationalize the salary structures of the particular entities.

Subsequently, as per the Budget proposal 2013, a Pay Commission has been set up to

Table 12.3 > **Increase of Salaries and Pensions for Public Sector Employees**

Implementation Timeline	Circular Number	Increase in Personal Emoluments	Pensions Increase
January 2006	06/2006	Minimum monthly salary of Karyala Karya Sahayaka (KKS) was increased from Rs. 7,900/- to Rs.11,730/- Salary ratio between KKS to Secretary to the Ministry was 1:4.05	Pensions brought to the 1997 salary scale of those retired prior to 1997
July 2006	01/2006(I)	Introducing Cost of Living Allowance (COLA) of Rs. 1,000/- per month	COLA of Rs. 500/- was introduced
January 2007	Dec-06	COLA increased to Rs. 1,375/- Minimum Emoluments- Rs. 13,105/-	COLA increased to Rs. 687/50
January 2007	Feb-07	COLA increased to Rs. 1,750/- Minimum Emoluments-Rs. 13,480/-	COLA increased to Rs. 875/-
July 2007	17/2007	COLA increased to Rs. 2,125/- Minimum Emoluments- Rs. 13,855/-	COLA increased to Rs. 1,062/50
January 2008	Feb-08	COLA increased to Rs. 2,500/- Minimum Emoluments- Rs. 14,230/-	COLA increased to Rs. 1,437/50
July 2008	15/2008	COLA increased to Rs. 3,500/- Minimum Emoluments- Rs. 15,230/-	
January 2009	15/2008	COLA increased to Rs. 4,500/- Minimum Emoluments- Rs. 16,230/-	COLA increased to Rs. 2,000/-
November 2009	21/2009	COLA increased to Rs. 5,250/-Minimum Emoluments-Rs. 16,980/-	COLA increased to Rs. 2,375/-
January 2011	28/2010	The Special allowance of 5% was introduced and COLA was increased to Rs. 5,850/-	Pensioners who retired prior to 2006 were paid Rs. 750/- per month
January 2012	31/2011	Minimum Emoluments - Rs. 18,167/-	COLA increased to Rs. 2,675/-
		The Special allowance increased to 15%	The payment to pensioners who retired prior to 2006 was increased to Rs. 1,750/-
January 2013	18/2012	Minimum Emoluments- Rs. 19,340/-	
		The Special allowance increased up to 20 percent (by 5%).subject to minimum of Rs. 1,500 and maximum Rs. 2,500.	The monthly allowance paid to pensioners who retired prior to 2006 was increased from Rs. 1,750/- to Rs. 2,500.
		COLA increased to Rs. 6,600/-	COLA increased to Rs. 3,175/-
		Minimum Emoluments- Rs. 20,840/-	

Source: Department of National Budget

re-examine the overall salary structure of the public sector and also of private sector and formulate a National Wage Policy to address concerns of both the public sector as well as the private sector. The Commission is mandated to examine the differences between the private sector and the public sector salary structures, as well as of the state enterprises.

Details of salary increases introduced for public sector employees and the increases since 2006 along with the allowances paid to them are shown in the Table 12.3.

Establishment Cost - The establishment cost of the government which comprises of all costs associated with utilities and services

such as fuel, electricity, transport, travelling, maintenance of vehicles and machinery, building rent and other contractual services recorded at Rs. 119.3 billion accounting for 10 percent of the total recurrent expenditure. However, further improvement in expenditure management through government controls as envisaged by National Budget Circular 157 to adhere to the annual provision limits allocated for such outlays enabled the reduction of the total establishment cost by 14.8 percent in 2013 from Rs. 140.1 billion in 2012.

Sri Lanka hosted the 23rd Commonwealth Heads of Government Meeting (CHOGM) in November 2013 for the first time in Asia after 24 years. In an attempt to minimizing associated costs of the meeting, the ministries were advised to prioritize their activities related to CHOGM within approved budgets as far as possible by phasing out some of the alternative activities during the medium term 2014 - 2016.

Transfers and Subsidies - The government spent Rs. 249 billion for welfare and subsidy programmes in 2013 which shows a marginal increase of 5.9 percent over the related expenditure of the previous year at Rs. 235 billion. It was 20.6 percent of the total recurrent expenditure. They cover subsidies provided by the government for education, health, agriculture, transport and social protection schemes and reflected an increase of 18 percent in 2013 in comparison to the average spending of Rs. 210 billion per year during 2009 - 2012.

The basic requirements for education, health, agriculture and transport of most vulnerable segments of the society are facilitated through these transfers while providing social protection schemes for selected categories such as infants, lactating mothers, elders, disabled people, farmers, and low income households enabling to address the needs of these vulnerable groups. Samurdhi cash grants were provided at a cost of Rs. 15,256 million in 2013 and this shows a

growth of 44.6 percent over 2012. The nutritional food packages given to infants and expectant mothers including Thripasha programme incurred a cost of Rs. 4,924 million compared to Rs. 4,471 million in 2012. The cost of free medical supplies for government hospitals was around Rs. 27,269 million in 2013 which is an increase of 62 percent as against the Rs. 16,796 million spent in 2012.

Social Security - The expenditure on pensions increased by 10.4 percent in 2013 to Rs.123 billion. The partial impact of 17,809 retirees in 2013 and the full impact of 17,375 retirees in 2012 along with the increase in Cost of Living Allowance for all government pensioners by Rs.500 per month from January 2013 and the partial rectification of pension anomalies for retirees prior to 2006 contributed to the rise in pension payments. The total number of pensioners increased from 510,343 in 2012 to 521,623 in 2013. The cost of provisions for social security assistance for injured and deceased security personnel numbering at 40,249 was Rs. 16,152 million in 2013 compared to Rs. 14,779 million in the previous year. The expenditure on “Ranaviru Mapiya Rekawarana Allowance”, the social security scheme introduced in 2013 to provide welfare support for parents of the employees of security forces, amounted to Rs. 1,350 million. The Government also initiated a payment of a monthly allowance of Rs. 5,000 with effect from January 2013 for those who lost their jobs due to the participation of an island wide protest strike in July 1980. The farmer pension scheme was restructured to provide crop insurance benefits in addition to farmers’ pension.

Social Welfare - The welfare programmes in the education sector including School Nutritional Food Programme, free school text books, free school uniforms and school & higher education season tickets and scholarships amounted to a total spending of Rs. 9,418 million in 2013. A new programme for providing an additional uniform and a pair of shoes for the students in very remote areas was also introduced in 2013, as a measure to reduce inequalities among school children.

Development Subsidies - The subsidies provided for development in the areas such as paddy purchasing, seed production, fisheries, plantation, and other areas amounted to Rs. 59 billion of which Rs. 51 billion was for fertilizer subsidy. The agriculture sector subsidy witnessed an increase of 9 percent compared to such expenditure in 2012.

Subsidized Services - A significant amount of government assistance was extended to cover operational losses of transport sector i.e. for the Department of Railways and Sri Lanka Transport Board, subsidized postal services, under-performing institutes such as Janatha Estate Development Board, Sri Lanka State Plantation Corporation, The total cost of these initiatives accounted to Rs. 15 billion.

Table 12.4 > **Expenditure on Social Welfare 2013**

Rs. Mn

Area	2005	2008	2009	2010	2011	2012	2013	No of Beneficiaries in 2013
1. Welfare Payments	75,051	121,699	139,666	144,531	158,008	170,593	201,493	
(a) Health & Nutrition	7,747	13,153	13,978	14,980	18,568	18,439	29,098	
Fresh Milk for Pre-school Children	143	33	168	178	249	205	230	228,720
Medical Supplies for Govt. Hospitals	7,100	12,082	12,149	13,544	16,623	16,796	27,269	
Thripasha Programme	504	652	1,156	870	1,336	1,189	1,396	944,047
Poshana Malla	-	386	505	388	360	249	203	55,299
(b) Education	2,866	6,549	7,394	7,097	8,317	8,891	9,418	
Free Text Books	1,080	3,387	2,196	1,941	2,294	2,055	2,395	3,973,909
School Uniforms	1,060	582	1,260	949	1,364	2,218	1,739	3,973,909
School Season Tickets	261	600	1,366	1,370	1,400	1,233	1,430	317,000
Handicapped Students	40	24	19	20	18	17	123	
Scholarships	157	193	183	225	283	230	268	
School Nutrition Programme and Food Programme	166	1,649	2,251	2,474	2,631	2,790	3,077	890,404
A Pair of shoes for students in remote areas	-	-	-	-	-	-	0.05	700,000
Uniforms and Text Books for Daham education	80	99	108	106	133	122	155	1,968,093
Library Allowance for Dhamma School Teachers	-	-	-	-	156	182	188	122,084
Vocational/Technical Training -Stipend, Bursaries & Season Tickets	22	15	11	12	38	44	43	
(c) Social Welfare	63,550	100,964	117,652	119,802	128,834	141,030	160,595	
Pension	46,547	75,910	86,107	91,995	99,961	111,682	123,294	523,019
Samurdhi Relief & Kerosene Stamp	9,103	9,995	9,274	9,241	9,043	10,553	15,280	1,476,607
Assistance to Disabled Soldiers	4,747	8,694	9,796	10,498	13,316	14,779	16,152	40,249
Financial support for elders	-	-	-	-	-	554	2,045	189,320
National Programmes for Elders	17	49	48	53	62	56	71	
Assistance to Internally Displaced Persons	1,592	1,457	2,860	1,016	199	54	32	
WFP Food Assistance	1,258	4,437	8,736	6,638	5,048	2,447	1,189	386,285
Flood & Drought Relief	276	323	738	265	649	153	148	

Area	2005	2008	2009	2010	2011	2012	2013	Cont.... Rs. Mn
								No of Beneficiaries in 2013
Assistance for Disable Persons	10	75	74	76	394	403	513	16,600
Poshana Manpetha	-	24	19	20	18	17	19	13,508
Allowance for July Strikers	-	-	-	-	-	-	44	853
Third Child Allowance for Defense Personnel	-	-	-	-	144	313	458	2,943
Ranawiru Mapiya Rakawarane	-	-	-	-	-	19	1,350	200,814
(d) Other Welfare	888	1,033	642	2,652	2,289	2,233	2,382	
Water	45	46	144	42	46	49	47	
Street Lighting	743	874	204	360	123	-	-	
Transport Subsidy to SLTB for uneconomical routes (Sisusariya, Gamisariya and Nisisariya)	100	113	294	2,250	2,120	2,184	2,335	
2. Development Subsidies	13,918	40,319	42,319	36,320	44,723	52,088	38,540	
(a) Subsidies for Agriculture	6,892	27,284	28,343	25,516	32,181	38,288	21,777	
Fertilizer Subsidy*	6,846	26,449	26,935	23,028	29,802	36,456	19,706	555,556
Interest Subsidy for Agricultural Loans	46	155	348	683	750	172	282	
Paddy Purchasing		680	1,060	1,805	1,629	1,440	1,789	
Fuel Subsidy for Fisheries Sector**	-	-	-	-	-	220	-	
(b) Subsidy for Commercial Crops Development	485	879	854	1,033	1,196	1,181	1,518	
Tea	183	231	210	190	171	182	272	15134
Rubber	115	275	199	370	484	435	587	27,670
Coconut	124	221	236	269	293	353	403.3	1,803,037
Cashew	18	35	34	24	28	27	48.6	3,516
Minor Crops -(Cinnamon, Cocoa, Coffee, pepper etc.)	45	117	175	180	220	184	206.6	37,549
3. Operational Losses	6,541	12,156	13,122	9,771	11,346	12,619	15,245	
Sri Lanka Railways	3,554	4,553	4,988	3,173	4,060	3,797	5,163	
Sri Lanka Postal	1,653	1,965	2,565	2,761	3,341	3,306	2,858	
Sri Lanka Transport Board	1,334	5,638	5,557	3,828	3,939	5,516	6,734	
JEDB, Sri Lanka State Plantation Corporation and Elkaduwa Plantation	-	-	-	-	-	-	312	
National Paper Company	-	-	-	-	-	-	9	
Lanka Salusala Ltd	-	-	-	-	-	-	38	
Kanthale Sugar Industries	-	-	12	9	6	-	25	
Other							106	

Source: Department of National Budget

* Outstanding payments due to Banks have been accounted under Department of Treasury Operations (Rs. 12 Bn in 2012 and Rs. 32.6 Bn in 2013)

** Fuel Subsidy of Rs. 4.2 Bn for Fishing sector has been accounted under Department of Treasury Operations

Devolved Administration - Government transfers to Provincial Councils from the national budget has been extended annually on the basis of Block Grants for recurrent expenditure and the Criteria Based Grants and Provincial Specific Development Grants for capital expenditure. The transfers of funds for recurrent to the provincial councils was increased by 18.4 percent compared to 2012,

mainly due to new recruitments of staff in order to further strengthening of public service delivery to regional and rural levels and increase of allowances in terms of budget proposal 2012. Capital expenditure transfers to PCs have also maintained a 16.5 percent growth in 2013 driven by increasing investments in roads, education, health and minor irrigation sectors.

Table 12.5 > **Funds transferred from Central Government to Provincial Councils**

Rs. Mn

Year	Recurrent (BG)	Capital		Revenue Sharing Arrangement	Total Transfers to PCs	Total Expenditure by PCs
		Domestic Funds	Foreign Loans			
2002	31,022	5,308	450	-	36,780	43,034
2007	70,908	13,968	7,727	-	92,603	102,000
2008	76,891	12,419	8,466	-	97,776	117,406
2009	77,875	15,280	9,042	-	102,197	128,605
2010	85,443	16,979	11,621	-	114,043	133,761
2011	94,764	16,273	11,344	25,884	148,265	157,921
2012	91,892	10,109	10,107	27,624	139,732	156,209
2013	108,801	10,396	16,396	27,677	163,270	173,648

Source: Department of National Budget, Department of Treasury Operations, Department of Fiscal Policy

Interest Payment - The expenditure on interest payments on domestic and foreign debt increased by 8.7 percent in nominal terms to Rs. 444 billion in 2013. However, interest cost as a percentage of GDP declined to 5.1 percent in 2013 from 5.4 percent in 2012. This moderate growth in interest cost compared to the growth in the previous year is due to relatively lower domestic market interest rates and stable exchange rate prevailed during the year. Interest payments on domestic debt recorded Rs. 343.0 billion with an increase of 8.0 percent. The increase in domestic interest payments was due to the increase in domestic debt stock by 18.6 percent in 2013. It is noteworthy that despite the increase in foreign debt stock by 7 percent, the reduction of concessional loans and increase in market borrowings through Sovereign Bond issues and foreign investments in Treasury Bonds and Treasury Bills, interest payments in foreign debt decreased by 11.2 percent to Rs. 100.9 billion in 2013.

Public Investment - The public investment thrust of the government in 2013 continued in accelerating the implementation of economic and social infrastructure development projects and programmes. Enhanced investments in roads, bridges, ports, energy, water, irrigation development play a key role in improving connectivity and access to basic facilities. Education, health, sports, urban development & housing, social welfare programmes occupied large amount of resources while agriculture, industry services and rural development focuses on improvement of livelihood development and poverty reduction and incurred Rs. 481.2 billion capital expenditure on these areas accounting for 28.8 percent of the total expenditure.

The Public Investment accounted for 5.5 percent of GDP and it was a marginal decline compared to the investment of 5.9 percent of GDP in 2012 due to certain delays in implementation of development projects. However, the government has been able to maintain public investment of over 5 percent of GDP since 2006.

The major investments on economic development projects during the past 3 years were focused on roads, ports, energy, water supply and irrigation. The table 12.6 shows the major development projects continued in 2013. The Colombo - Katunayake expressway was opened in 2013 fulfilling a long felt need to improve access to the International Airport from the city of Colombo. The extension of Southern expressway to Matara and the first phase of the Outer Circular Highway Project were also expedited to enable opening in March 2014. A significant investment was made on the extension and rehabilitation of railway lines and also on ports, energy and water and irrigation projects. The government expects to increase foreign and local private sector investments through this integrated network of expressways and railways and finally uplift the living standards of the public.

Social development projects in the sectors of education, health and social security were also prioritized while channeling funds to other rural development initiatives such as “Divi Neguma”, “Gama Neguma” “Maga Neguma” and “Pura Neguma” the city development programme. These projects have helped in filling of identified gaps in livelihood and infrastructure development at the grass root levels.

Table 12.6 > **List of Major Public Investments during 2010 - 2013**

Investment Project	Total Estimated Cost (Rs. Mn)	Duration
Highways		
Southern Expressway	113,594	2005-2014
Outer Circular Highway		
Phase - I	27,483	2009-2014
Phase - II	50,550	2012-2015
Phase - III	81,890	2009-2017
Colombo - Katunayaka Expressway	52,380	2009-2013
Rehabilitation of Hatton Nuwara Eliya Road	5,685	2011-2014
Padeniya - Anuradhapura Road	9,670	2009-2012
Veyangoda Flyover Project	2,465	2012-2013
Power and Energy		
Sampoor Coal Power Plant	62,000	2013-2016
Norochcholai coal Power Plant- phase II	55,000	2013-2016
Upper Kotmale Power Plant	37,000	2003-2014
Grater Colombo Transmission & Distribution Loss Reduction Project	22,717	2013-2016
Clean Energy and Network Efficiency Improvement Project	16,250	2013-2016
Rural Electrification RE-08 Project	12,160	2010-2014
Veyangoda - Habarana 220KV Transmission Project	11,581	2012-2016
Rajaraga Navodaya Project	10,580	2008-2014
Rehabilitation of New Laxapana and Wimala Surendra power plant	6,600	2009-2014
Negenahina Navodaya Project	6,530	2011-2014
North East Power Transmission Development Project	6,348	2011-2015
Uva Udanaya Project	5,281	2010-2014
Uthuru Wasanthaya Project	4,271	2010-2014
New Galle Power Transmission Development Project	2,657	2011-2014
Irrigation		
Uma Oya Multipurpose Development Project	76,310	2008-2016
Moragahakanda-Kaluganga Development Project	64,358	2007-2016
Yan Oya Reservoir Project	27,200	2011-2016
Diversion of Mahaweli Water to Wayamba	12,000	2013-2016
Thaipitigala Reservoir Project	8,200	2012-2014
Dam Safety and Water Resource Planning Project	8,187	2008-2015
Lower Malwatu Oya Multisector Development Project	7,200	2012-2017
Deduru Oya Reservoir Project	6,200	2005-2014
Kiul Oya Development Project	6,000	2012-2016
Kumbukkan Oya Reservoir Project	6,000	2012-2018
Water Supply and Drainage		
Greater Colombo Water & Waste Water Rehabilitation Project	14,000	2012-2018
Greater Kurunegala Water Supply & Sanitation Project	13,248	2014-2016
Ruhunupura Water Supply Project	13,131	2010-2014
Badulla Haliela & Ella Integrated Water Supply Project	10,396	2013-2017

Cont...

Investment Project	Total Estimated Cost (Rs. Mn)	Duration
Greater Rathnapura Water Supply Project	9,928	2012-2016
Greater Dambulla Water Supply Project	9,593	2012-2014
Rehabilitation & Augmentation of Labugama, Kalatuwawa Water Treatment Plant	7,302	2010-2016
Eastern Province Water Supply Development Project	6,526	2010-2016
Kolonna, Balangoda Integrated Water Supply Project	4,658	2011-2015
Regional Development		
Gama Neguma Programme	41,717	2005-Onwards
Divi Neguma Programme	6,370	2011- Onwards
Pura Neguma	746	2012- Onwards
Development of Emerging Regions	96,167	2010- Onwards
Intra-Regional Development	28,120	2011- Onwards
Construction of Rural & Regional Bridges	1,441	2013- Onwards
Education		
Development of 1000 Secondary Schools Programme for 5000 Feeder Primary School Network	60,000	2012-2016
Education for Knowledge Society Project	11,267	2008-2014
Transforming the School Education System as the foundation of a knowledge Hub Project	13,000	2012-2016
Construction of Student Hostels in Universities	7,000	2013-2015
Health		
Development of District General Hospitals at Hambantota and Nuwara- Eliya	14,239	2011-2013
Epilepsy unit at National Hospital Colombo	2,918	2011-2013
Development of DGH Polonnaruwa	650	2011-2013
Upgrading of National Blood Transfusion Service (NBTS) of Sri Lanka with State of Art Technology giving Special Emphasis on North & East hospitals	3,257	2011-2013

Source: Department of National Budget

Table 12.7 > **Government Expenditure**

Rs. Mn

	2003	2008	2009	2010	2011	2012	2013 (Prov.)
1. Current Expenditure	334,695	743,710	879,575	937,103	1,024,906	1,131,023	1,205,180
Salaries and wages	91,784	239,078	271,229	300,558	319,601	347,747	393,228
Central Government	26,286	65,315	71,859	75,817	83,072	95,965	113,223
Education	4,860	11,179	12,602	13,429	14,614	15,812	24,203
Health	6,982	19,952	22,531	24,323	27,766	32,104	38,391
Other	14,444	34,184	36,726	38,065	40,692	48,049	50,629
Provincial Councils*	29,237	73,791	74,634	81,887	90,818	88,217	105,033
Education	16,665	38,519	38,959	44,526	51,948	51,982	57,079
Health	6,725	14,084	14,244	17,684	20,071	20,113	23,612
Other	5,847	21,188	21,431	19,677	18,799	16,122	24,342
Defense	26,604	73,509	94,189	110,335	112,703	126,950	134,295
Police and Public Security	9,657	26,463	30,547	32,519	33,008	36,615	40,667
Establishment cost	46,878	121,250	108,502	87,728	132,004	140,087	119,396
Central Government	19,994	46,950	42,970	38,618	71,741	92,740	74,307
Education	3,425	4,603	4,652	4,834	5,794	6,102	8,151
Health	9,375	17,521	18,268	19,920	24,192	24,565	37,976
Other	7,194	24,826	20,050	13,864	41,755	62,073	28,180
Defense	20,401	61,201	50,695	33,471	43,400	32,631	31,855
Police and Public Security	4,944	10,024	11,727	12,527	13,079	11,040	9,424
Provincial Councils*	1,539	3,075	3,110	3,112	3,784	3,676	3,810
Social Transfers	40,931	95,068	111,985	116,388	128,215	139,668	154,701
Pensions	31,150	74,922	85,139	90,995	99,961	111,682	123,293
Samurdhi	8,756	9,995	9,267	9,241	9,043	10,553	15,256
Payments to Disabled Soldiers	-	8,694	9,796	8,498	13,316	14,779	16,152
Refugee Assistance	1,025	1,457	7,783	7,654	5,895	2,654	-
Subsidies and contributions to institutions	24,271	62,897	64,057	63,908	75,387	83,206	79,994
Transfers to Institutions	11,945	26,407	27,049	28,817	32,164	34,979	39,407
Fertilizer Subsidy	2,190	26,450	26,935	26,028	29,802	36,456	19,706
School Text Books	970	3,387	2,196	1,941	2,294	2,055	2,330
School Uniforms	801	582	1,260	949	1,364	2,218	2,300
School Nutrition Programme	43	1,649	2,251	2,275	2,631	2,790	3,077
Thripasha programme	512	649	1,155	865	1,336	1,189	1,396
Street Lighting	294	1,300	204	360	123	-	-
Fuel Subsidy for Ceylon Petroleum Corporation	-	-	900	-	-	-	-
Other	7,516	2,473	2,107	2,673	5,673	3,519	11,778
Transfers to SOEs	5,705	12,942	14,126	15,929	12,999	11,817	13,854
Department of Railways	2,063	4,553	4,768	3,173	4,060	3,795	5,161
Department of Post	701	1,966	2,562	2,783	3,336	3,305	2,859
Sri Lanka Transport Board	670	5,638	4,203	3,828	3,939	3,983	5,099
Other	2,271	785	2,593	6,145	1,664	734	735
Interest Payments **	125,126	212,475	309,676	352,592	356,699	408,498	444,007

	Rs. Mn						
	2003	2008	2009	2010	2011	2012	2013 (Prov.)
2. Public Investment	87,409	263,844	330,448	356,519	422,300	443,973	481,203
Education	7,443	22,942	18,092	19,053	22,326	28,930	31,982
Health	5,403	18,674	12,664	13,329	14,794	17,155	19,920
Police and Public Security	377	4,728	1,409	1,298	3,816	945	1,173
Civil Administration	4,826	29,675	18,686	20,212	28,668	26,565	31,631
Housing and Common Amenities	4,090	4,826	5,291	5,489	7,105	7,823	8,014
Community Services	2,254	13,794	17,891	18,334	19,141	17,267	17,727
Agriculture and Irrigation	8,420	17,681	22,105	24,865	28,617	30,351	36,721
Energy and Water Supply	23,801	48,783	59,983	66,569	83,186	85,598	87,517
Transport and Communication	20,238	82,916	139,104	165,505	190,026	204,539	210,398
Other	10,557	19,825	35,223	21,865	24,621	24,800	36,120
Capital Transfers	38,509	104,002	133,826	143,599	160,374	202,732	201,768
Road Development Authority	13,163	47,344	77,077	84,830	92,245	138,984	130,835
National Water Supply and Drainage Board	7,805	20,140	20,188	19,036	29,179	31,448	25,889
Sri Lanka Transport Board	104	1,884	1,059	849	1,243	579	1,238
Sub National Governments	4,186	21,237	23,780	24,101	27,619	25,266	29,692
Other	13,251	13,397	11,722	14,782	10,087	6,455	14,114
Lending to Public Enterprises	12,320	31,253	53,032	54,432	44,488	43,891	26,902
Ceylon Electricity Board	6,506	16,808	14,180	22,397	22,372	32,003	20,108
Sri Lanka Ports Authority	1,262	7,856	25,373	27,128	13,144	11,502	953
Other	4,552	6,589	13,479	4,907	8,972	386	5,841
3. Loan Repayments by Public Enterprises	(10,741)	(13,526)	(11,978)	(15,535)	(14,878)	(16,409)	(15,969)
4. Restructuring Expenditure + Net Lending through Advanced Accounts	6,311	2,114	3,882	2,128	854	(2,088)	(1,019)
5. Total Expenditure	417,674	996,142	1,201,927	1,280,215	1,433,182	1,556,499	1,669,395

Sources: Department of National Budget and Department of State Accounts

* Provincial Councils are provided with a block grant to cover their current expenditures.

Out of that, over 80% is used for health and education expenditures of the Provincial Councils

** Interest paid in respect of the ongoing public investment projects amounting to Rs.18.9 Bn has been capitalized in 2013 as per the State Account Circular No. 230/2013 of 29/11/2013

12.2 Public Expenditure Management

12.2.1 Budget Support Services

The Budgetary Support Services and Contingent Liabilities (Treasury Miscellaneous Vote- TMV) continued to be implemented by the Treasury as a tool for the prudent management of public expenditure in 2013 in order to provide funds for unforeseen urgent requirements while preventing adhoc supplementary budget estimates. The Treasury recognized an aggregate sum for this instrument during the budget formulation process considering the historical trends in public expenditure and budget deficits and other fiscal targets such as advance provisions to enable to improve favorable fiscal environment in the country. The provisions for budget support were utilized as follows;

Table 12.8 > **Supplement Provisions for Capital Expenditure**

Major Area	Rs. Mn
Road and Highways	7,462
Irrigation	835
Education	2,148
Dayata Kirula Regional development Programme	4,429
Urban Development	462
Defence	2,600
Agriculture and Livestock Development	809
Welfare	306
Local Government & Provincial Council	2,634
Construction of Office Building & Other	4,087
Rehabilitation and Acquisition	2,180
Research and Development	38
Procurement of Vehicles	1,701
Other	6,951
Total	36,642

Source: Department of National Budget

12.2.2 Commitment Control

The Treasury issued guidelines to manage commitments which are being entered into by various spending agencies without having adequate provisions and thereby creating liabilities on the government and to ensure such commitments are included well within the budgetary provisions. As far as possible they were encouraged to operate within the medium term budgetary framework that had already been approved by the Parliament. The recurrent expenditure management was further strengthened by issuing the National Budget circular No. 157 dated 28.12.2012 requesting all spending agencies to adhere to the annual provision limits allocated for fuel, electricity, water and transportation. They were advised to make overtime payments only when it is essential and under specific circumstances while strictly following already published Treasury circulars and guidelines.

With regard to capital expenditure, a tendency of utilizing budgetary provisions allocated for development activities for procurement of vehicles, furniture and for upgrading office facilities were brought under close monitoring and also through imprest control system. Chief Accounting Officers/ Accounting Officers were regularly reminded to utilize regular provisions only for each object code and sub projects for which provisions have been made and to ensure minimizing of transferring provisions during the year as per the Financial Regulations in 2013.

The medium term budget formulation process was further strengthened to prioritize both capital and recurrent expenditure with greater coordination and participation among spending agencies and the Treasury to ensure that the expenditure plans are carried out within budgetary ceilings. Accordingly, commitment controls based on the provisions in the budget, procurement cycle, contract

management, financial disbursements etc. are being adopted to ensure improved public financial management.

12.2.3 Procurement of Vehicles to the Public Sector

Continuing the purchasing of vehicles for the use of government agencies on financial leasing method with approval of the Cabinet of Ministers on 30/08/2010, the government has made an attempt to manage the public expenditure efficiently. This method was applied as a part of cash flow management as the cost of vehicles could be distributed over 05 years and at the end the vehicle becomes an asset of the concerned agency.

Further, National Budget circular No. 159 dated 14.06.2013 was issued ensuring a better coordination in the purchase of vehicles by government agencies both in 2013 and 2014 in view of cost neutral financing arrangement for providing official vehicles for Commonwealth Heads of Government

Meeting (CHOGM) held in Sri Lanka. Purchase of vehicles by government agencies and development projects under foreign assistance was temporarily suspended until November 2013 and the vehicles used in CHOGM were distributed among the agencies according to their requirement after the conference.

Accordingly, the Department of National Budget has continued purchasing vehicles for government agencies by calling competitive bidding from the state leasing companies of Banks. Upto now 2,516 vehicles have been purchased, including the vehicles used for CHOGM, on leasing installments to be paid over a 05 year period in equal monthly installments. Out of the total leasing cost, Rs. 2,894 million has been paid during the period of 2010- 2013.

The purchased vehicles have been distributed among government agencies on the basis of a need assessment conducted by the Department of National Budget in consultation with relevant agencies.

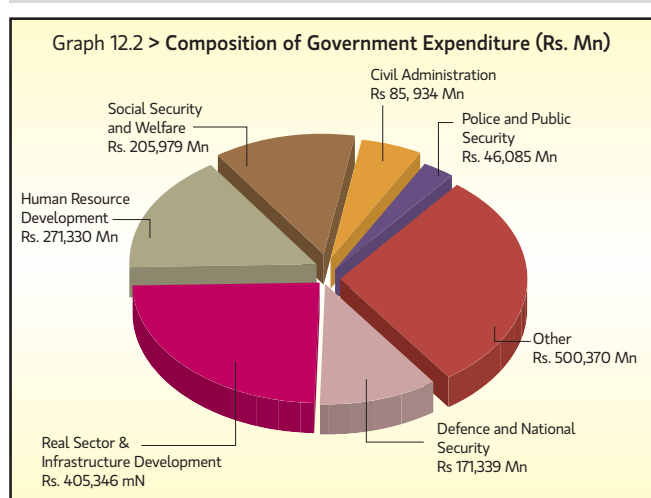
Table 12.9 > **Vehicles Purchased under Leasing Arrangement from 2011 - 2013**

Category of Vehicle	2011	2012	2013	Total
Vans	149	101	19	269
Motor Cars	487	138	148	773
Double Cabs	562	586	46	1,194
Utility Vehicles (SUV)	-	27	223	250
30 seater Buses	-	-	30	30
42 seater Luxury Buses	-	-	100	100
Total	1198	852	566	2,616

Source: Department of National Budget

12.3 Distribution of Public Expenditure – 2013

Non interest public expenditure of the government in 2013 was Rs. 1,242.3 billion and this shared 73.6 percent of the total expenditure. It was 14.1 percent of GDP and the corresponding amount in 2012 stood at 15.1 percent of the GDP.



Source: Department of National Budget and Department of Fiscal Policy

The government invested Rs. 271 billion on Human Resource Development (HRD) in 2013 and this was an increase of 15.2 percent over Rs.235 billion spent in 2012 and shared 2.7 percent of GDP in 2013. The outlay on social security spending was Rs. 206 billion and recorded as 2.3 percent of GDP. The spending of this sector increased by 20.4 percent over the corresponding expenditure of Rs. 171 billion in 2012 and 60 percent of 2013 spending was for the pension payments of the retired public sector employees. The investment on Real Sector and Infrastructure Development stood at Rs 405 billion same as in 2012.

The agriculture sector share moderated to 10.8 percent of the GDP in 2013 from 11.1 percent in 2012 due to further expansion of the services and the industry sectors, even though the absolute productions in the agriculture sector improved in 2013. The total public investments in the agriculture and irrigation were Rs.36 billion in 2013, an increase of 21 percent over the expenditure of Rs. 30 billion in 2012.

Accordingly, priority was given for development of expressways, railways, highways, water supply, irrigation, urban and rural infrastructure and also in development of education and health sector while continuing the initiatives in community development and infrastructure developments in conflict affected areas.

Table 12.10 > **Functional Classification of Government Expenditure**

	Rs. Mn						
Item	2003	2008	2009	2010	2011	2012	2013 Prov.
1. Human Resources	66,592	1,74,631	1,71,959	1,82,833	2,10,606	2,35,302	2,71,330
1.1. Education	39,116	1,00,083	1,00,506	1,04,248	1,21,369	1,36,201	1,51,801
Current	31,673	77,141	82,414	85,195	99,043	1,07,271	1,19,819
Capital	7,443	22,942	18,092	19,053	22,326	28,930	31,982
1.2. Health	27,476	74,548	71,453	78,585	89,237	99,101	1,19,529
Current	22,073	55,874	58,789	65,256	74,443	81,946	99,609
Capital	5,403	18,674	12,664	13,329	14,794	17,155	19,920
2. Social Security Welfare	57,410	1,26,372	1,42,051	1,45,758	1,66,897	1,71,864	2,05,979
2.1 Welfare	45,849	94,789	1,05,017	1,07,690	1,23,122	1,28,451	1,59,787
2.2. Community Services	7,471	26,757	31,743	32,579	36,670	35,590	38,178
Current	5,217	12,963	13,852	14,245	17,529	18,323	20,451
Capital	2,254	13,794	17,891	18,334	19,141	17,267	17,727
2.3. Housing and Common Ammenities	4,090	4,826	5,291	5,489	7,105	7,823	8,014
3. Civil Administration	29,581	65,825	55,809	58,107	71,744	73,700	85,934
Current	24,755	36,150	37,123	37,895	43,076	47,135	54,303
Capital	4,826	29,675	18,686	20,212	28,668	26,565	31,631
4. Police and Public Security	14,978	41,215	43,683	46,344	49,903	48,600	47,274
Current	14,601	36,487	42,274	45,046	46,087	47,655	46,101
Capital	377	4,728	1,409	1,298	3,816	945	1,173
5. Defense	47,005	1,34,710	1,44,884	1,43,806	1,56,103	1,59,581	1,71,339
6. Agriculture and Irrigation	15,422	59,260	66,072	68,946	74,907	76,780	66,620
Current	7,002	41,579	43,967	44,081	46,290	46,429	29,899
Capital	8,420	17,681	22,105	24,865	28,617	30,351	36,721
7. Energy and Water Supply	23,810	52,106	63,412	70,061	86,719	89,201	91,518
Current	9	3,323	3,429	3,492	3,533	3,612	4,001
Capital	23,801	48,783	59,983	66,569	83,186	85,589	87,517
8. Transport and Communication	24,852	1,12,503	1,70,172	1,96,751	2,21,849	2,39,534	2,47,208
Current	4,614	29,587	31,068	31,246	31,823	34,995	36,810
Capital	20,238	82,916	1,39,104	1,65,505	1,90,026	2,04,539	2,10,398
9. Other	1,42,452	2,40,932	3,51,981	3,81,007	4,08,478	4,80,434	500,370
Of which Interest payments	1,25,126	2,12,475	3,09,675	3,52,592	3,56,699	4,08,498	4,44,007
10. Total Expenditure	4,22,102	10,07,554	12,10,023	12,93,613	14,47,206	15,74,996	1,686,383

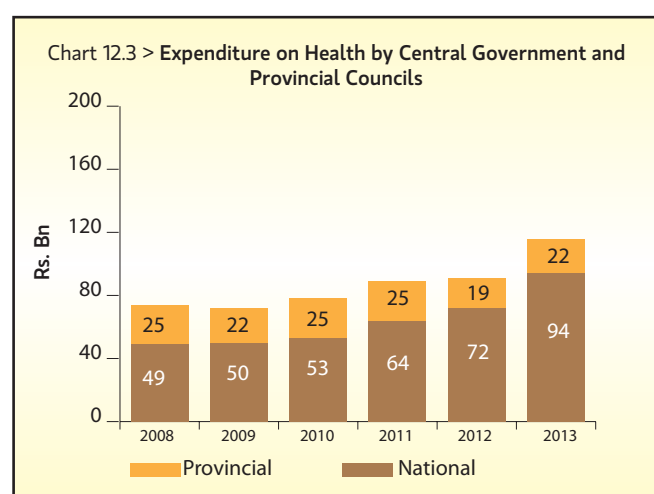
Sources: Department of Fiscal Policy, Department of National Budget and Department of State Accounts

N. B. Corresponding figures in Table 12.7 and Table 12.10 differ, as classification of expenditure in Table 12.10 clustres all expenditure directly provided by the relevant agencies as well as expenditure provided for some functions by other government agencies on a functional basis.

12.3.1 Human Resource Development

12.3.1.1 Investments in Health

Displaying government's strong commitment to build a healthier nation, it continued investing heavily in the health sector with Rs. 116 billion in 2013. This was a significant increase of 76 percent over 2008. Higher public investment in health sector, covering Health and Indigenous Medicine both at National and Provincial level, enabled transforming health care infrastructure to facilitate free health care services to the needy people minimizing the regional disparities.



Source: Department of National Budget

Recurrent expenditure in the health sector reported as Rs. 96.3 billion covering 83 percent of the total expenditure and 40 percent of

recurrent expenditure contributing for personal emoluments such as salaries & wages, overtime and allowances of the health care staff. Health expenditure per capita has also increased substantially to Rs. 5,642 in 2013 from Rs. 3,277 in 2008 signifying the heavy public investments made during the period.

Main health indicators such as high life expectancy at birth, low infant/ child / maternal mortality rates and achievement of many of the Millennium Development Goals long before the targeted dates are considered as favorable outcomes generated by consistent heavy public investments in health sector throughout the past decade. National Health Development Plan 2013-2017 executed in 2013 aiming to streamline all health related development activities in a more rational manner by providing policy and strategic framework for the development of an innovative health care system.

Curative Health Care

While the success of the health sector in Sri Lanka is recognized globally, it is facing challenges with the dramatic increase in the prevalence of Non-Communicable Diseases and increased life expectancy of the population as it demands more resources as never before to maintain the standards already achieved and this impelled the urgent need for more innovative reforms of health care delivery and health financing.

Table 12.11 > **Major Capital Investment in Curative Healthcare Services - 2008 - 2013**

Investment Area	2003	2008	2009	2010	2011	2012	Rs. Mn 2013
Hospital Development Projects	440	4,269	1,757	3,920	3,194	7,775	8,117
Hospital Rehabilitation & Construction	1,077	1,831	1,627	1,633	2,051	1,828	2,754
Medical Equipment & Machinery	1,136	902	1,683	1,338	2,306	1,969	3,880
Beds & Furniture	52	65	80	88	119	114	127
Ambulances & Utility Vehicles for Hospitals	-	168	195	2	20	69	250
Total	2,705	7,235	5,342	6,981	7,690	11,755	15,128

Source: Department of National Budget and Department of State Accounts

Note: Includes only Central Government Expenditure

In 2013, Rs. 19.4 billion was invested on improvement and development of all levels of hospitals and fulfillment of medical equipment needs. This is expected to ease the congestion at National Hospital and Teaching Hospitals with the provision of facilities at rural and base hospitals at the periphery. In view of that priority has been given to the provision of bio medical equipment and continuation of hospital infrastructure development projects at the regional level. A satisfactory progress witnessed in the implementation of many of the hospital development projects which utilised domestic funds. In addition to that 336

ambulances distributed in two phases during the period covering all districts improving the access to emergency services of general public.

Overheads on essential requirements such as diets, laundry, electricity and water considerably increased under recurrent expenditure while the expenditure on medical supplies was increased from Rs. 12.1 billion in 2008 to Rs. 27.2 billion in 2013 maintaining an uninterrupted supply of drugs and consumable surgical items to all the hospitals all over the country.

Higher public investment in health sector, covering Health and Indigenous Medicine both at National and Provincial level, enabled transforming health care infrastructure to facilitate free health care services to the needy people minimizing the regional disparities.

Table 12.12 > **Key Development Projects in the Health Sector****(a) Completed during 2009 - 2012**

Project	Output	Total Cost (Rs. Mn)
Improvement of Central Functions at Teaching Hospital Jaffna	Operation Theatre Complex, Central Supply and Sterilizing Department, ICUs, Central Laboratory Complex	3,551
Improvement of Anuradhapura Teaching Hospital	OPD Clinics, Obstetrics & Gynecology Operation Department, Pediatric Division, ICU, Surgical Dept., Neonatal/Pediatric ICU	2,326
Improving Efficiency of Operation Theatres & Provision of Oxygen Concentrators to Tsunami Affected and Remote Area	Provision of four Oxygen Concentrators Jaffna, Point Pedro, Mannar and Vavuniya Hospitals and generator sets to hospitals in Jaffna and two Cardiac Catheterization Angiography Systems and one multisite CT Scanner for Jaffna Teaching Hospital	2,053
Supply of Medical Equipment for the TH Kurunegala & Other Essential Hospitals in Sri Lanka	Supply of Essential Medical Equipment	1,203
Construction of Sirimavo Bandaranayake Children's Hospital - Stage 1 & II	09 storied building with all modern facilities to treat children. Capacity increased (OPD patient- 450, Clinical patients- 500)	629
Development of Health Facilities in Colombo National Hospital- Establishment of Neuro Trauma Unit Project	09 storied building with all modern equipment for neuro trauma	468
Korea - Sri Lanka Friendship Hospital at Godagama construction of a Pediatric Ward	Pediatric ward, Drug Store, water Supply tank, Sewerage treatment plant, Maternity treatment complex with 04 wards	345
Theater Complex at Kandy Teaching Hospital	08 Theaters, Endoscopy examination unit, etc.	255

Source: Ministry of Health , Department of National Budget

(b) Ongoing Projects (2011 - 2013)**(Rs. Mn)**

Project	Output	Duration	Total Estimated Cost	Expenditure 2013
Development of District General Hospitals at Hambantota and Nuwara-Eliya	9 storied building for Hambanthota GH & 4 Storied building for Nuwara Eliya GH with Medical Equipment and furniture	2011-2013	14,239	3,440
Helmut Kohl Maternity Hospital, Karapitiya	850-Beded Maternity hospital with Modern facilities	2011-2015	4,053	26
Epilepsy unit at National Hospital Colombo	06 storied ward complex for epilepsy treatment	2008-2013	2,918	542
Upgrading of National Blood Transfusion Service (NBTS) of Sri Lanka with State of Art Technology giving Special Emphasis on North & East hospitals	Improved in fracture facilities and equipment for 14 hospitals.	2013-2015	3,257	649
Development of DGH Polonnaruwa	03wards, Theater and ICU, 03 quarters, New Blood banks and lab facilities	2011-2013	650	161
Construction of State of the Art Cancer ward complex at National Institute of Cancer, Maharagama	07 Storied wards complex for Cancer treatment	2011-2015	1,250	563
Development of Thousand Hospitals	Improved facilities in 1,000 Provincial hospitals	2012-2014	1,000	624
Establishment of 150Beded DGH at Dikoya	150-beded District General hospital	2011-2014	1,402	440
Construction & Upgrading of peripheral blood banks coming under the National Blood Transfusion Service (NBTS) of Ministry of Health	19 Level III Blood Bank and provision of equipment for 85 blood banks, improved infrastructure facilities of cluster.	2013-2015	3,750	266
Development of Dental Institute Colombo	10 storied building complex	2009-2014	733	150
Supply of two Cardiac Catheterization Systems & Two Echo Cardiography Machines for Cardiology Unit of NHSL	Supply of two Cardiac Catheterization labs & 2 Echo Machines	2013-2014	428	373.3

Source: Ministry of Health , Department of National Budget

(c) Initiated for 2013 - 2015 Medium Term**(Rs. Mn)**

Project/Programme	Expected Output	Total Estimated Cost
Health Sector Development Programme	Healthy Life Style Centers, MCH, Emergency Treatment Centers, Health Information Systems	25,000
Development of DH Beliatta as the Specialized Maternal and Children Hospital	Fully - fledged maternal and child care hospital.	4,922
Establish a Cardiology and Cardiothoracic Unit at the Teaching Hospital Jaffna	05 storied building with cardiology and cardiothoracic units	725
Expansion of Production Capacity at State Pharmaceuticals Manufacturing Corporation (SPMC)	Increase the capacity of SPMC up to 4,000 mn units	3,390
Supply and Install of High Quality Radiotherapy Machines with High Energy Radiation for Cancer Treatment	14Nos. of Linear Accelerators, Dosimetry System and accessories, 08 Brachytherapy units and accessories including bunkers at selected 10 hospitals (including National cancer hospital).	7,014
Construction of Emergency and Accident Centre at TH Batticaloa	04 storied emergency and accident Trauma Complex with 100 beds and 04 Operation Theatres.	760
Establishment a Kidney Unit at DGH, Polonnaruwa	A fully- Fledged Nephrology unit with 32 Nos. of Haemodialysis Machines and Dialysis beds, peritoneal dialysis unit with 06 beds and Renal ICU with 04 beds.	825
New Medical Ward Complex at District General Hospital, Chilaw	Medical Wards	311
Construction of Accident Ward, OT and ICU at BH Gampola	Three storied building to accommodate Accidents Ward, Operating Theater and Intensive Care Unit	308
Construction of Cardiology, Catheter Lab and Laboratory complex, Batticaloa	Five storied building with 02 wards with 40 beds each, CCU - with 10 beds, Imaging room for 2D ECHO Cardiograph, 03 Clinic , BCG and Exercise ECG	627
Development of Estate Hospitals	02 new hospitals in Ragama and Froster state, renovate 37 hospitals, 12 quarts to Mos and 09 quarters to other staff.	323
Provision of ICU and Operation Theater equipment	ICU and OT equipment	2,574
Provision of X-ray machines and Bio Medical Equipments equipment	X- ray and X- ray related equipment such as MRI, CT,UT scanners, CR systems	5,000
Provision of Maternal and Child Care equipment	Maternal and Child Care equipment	300
Construction of National Stroke Centre at BH Mulleriyawa	04 Storied building with 02 wards (44 beds each.) , Stroke ICU, CT room and ETU	543
Construction and Upgrading of Peripheral Blood Banks	Infrastructure facilities of cluster centres, 20 Level III Blood banks. Supply equipment and mobile vehicles and freezer trucks for 80 blood banks.	560
Establishment of Cardiology and Cardiothoracic Unit at National Hospital Sri Lanka	Fully equipped and dedicated heart centre and thirteen storied building complex with paying ward facilities	17,160
Enhance Maternal and Child care facilities at TH Ragama	Maternity ward complex	4,000
Development of Kalubowila, Ragama and Colombo National Hospitals	OPD building at NHSL and building complexes in other two hospitals	12,100
Modernization of Children's' Hospitals as centers of excellence	Fully equipped building complexes	2,000
Establishment of Clinical Waste Management System in the needy hospitals	32 Clinical waste management systems	2,350
Set up an Intravenous Solution (IV) Manufacturing Plant in Sri Lanka	Fully equipped Intravenous Solution (IV) Manufacturing Plant	3,000

Source: Ministry of Health , Department of National Budget

Preventive Health Care

Preventive Health Care programmes were intensified targeting minimization of specialized and costly health care resource utilization necessitated by curative health programmes. Investment targeting demographic and epidemiological transition challenges increased from Rs.1,168 million in 2008 to Rs. 1,820 million in 2013, focusing on emerging communicable diseases such as Dengue, Rabies, Tuberculosis etc and Non Communicable Diseases. Preventive programmes including screening and awareness activities related to lifestyle diseases such as diabetes, Liver disease, Hypertension and Cardiovascular ailments continued satisfactorily during the period. National nutrition programme addressing mother and child nutritional conditions continued at a cost of Rs. 1.46 Billion in 2013 with 944,047 registered beneficiaries throughout the country.

Promotion of Indigenous Medicine

The support given for the Indigenous Medicine also continued further by investing Rs. 2.9 billion in 2013, indicating a satisfactory increase by two folds over 2008. In addition to funds channelled for curative health services, a greater emphasis has also been given to improve the preventive health services through popularising and promoting Ayurvedic system of medicine during 2008-2013. Efforts were taken to promote research initiatives and medicinal plants conservation programmes with the intention of developing the indigenous medicine system to a globally recognized level.

Table 12.13 > **Key on-going Projects in the Indigenous Medicine Sector**

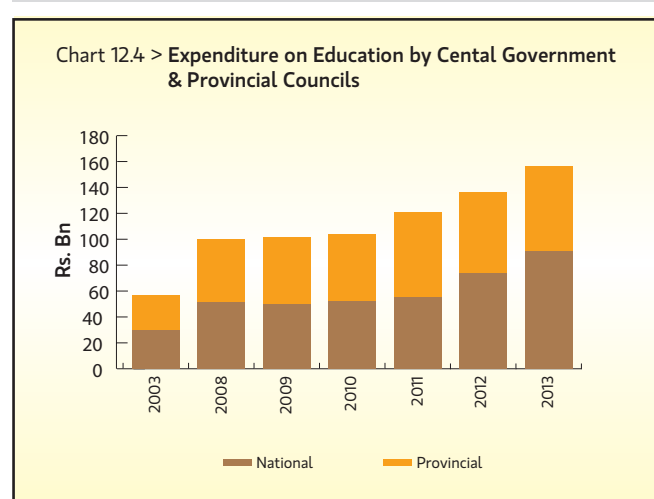
		(Rs. Mn)
Project Name	Output	Total Estimated Cost
Construction of a ward Complex at Borella Ayurveda Teaching Hospital	Eight storied building complex	905
Research Hospital Nawinna, Maharagama	Five storied building complex	401
Traditional Research Hospital, Mihintale	New traditional research hospital including an OPD, ward complex, herbal garden etc.	586
Enhancing the Research Capacity of Bandaranayaka Memorial Ayurvedic Research Institute (BMARI)	Upgraded BMARI with modern research equipment and Instruments for Major-Non communicable and communicable Diseases	957
Construction of Two storied Building for Ayurvedic Hospital Kaithady	Two storied building with modern pharmacy and Laboratory	86

Source: Ministry of Health, Department of National Budget

Preventive programmes including screening and awareness activities related to lifestyle diseases such as diabetes, Liver disease, Hypertension and Cardiovascular ailments continued satisfactorily during the period.

12.3.1.2 Education

The public expenditure on education sector covers General Education, Higher Education and Vocational Education under both the Central and Provincial Governments. The total expenditure on education sector has increased by Rs. 65 billion, from Rs. 92 billion in 2008 to Rs. 157 billion by the government in 2013, which is an increase of 70 percent during the said period.



Source: Department of National Budget

General Education

Educational Sector Development Framework and Programme is mainly focusing on the transformation of school system as the foundation of developing the human capital for knowledge centered economy and in the

context of a middle income country and it continued in 2013 aiming at improving the quality of the education system. Accordingly, the expenditure on General Education grew from Rs. 75 billion in 2008 to Rs. 108 billion in 2013, an increase of 44 percent compared to 2008.

The total recurrent expenditure for general education was Rs. 93 billion in 2013. Approximately 90 percent of it has been incurred for salaries of teachers and other staff, student welfare programmes such as school uniforms, text books, nutrition programme to ensure the free education. Even though customarily such expenditure is recorded under recurrent expenditure; they constitute the investments made for the Human Resource Development.

Provision of Equitable access for quality education is a fundamental focus in minimizing regional disparities. Developing 1000 secondary schools and 5000 feeder primary schools is the centre for this transformation to create a child friendly school equipped with Advanced Level Technology stream, languages, IT and Science studies. Rs. 3,472 million has been invested in 2013 as a part of Rs. 9,745 million earmarked for 2012-2014 Medium term budget frame to construct 1001 Mahindodaya Technical Laboratories in secondary schools.

Although Sri Lanka scores highest literacy rate compared to other middle income counties considerable efforts are necessary to transform the human resources into a dynamic skilled workforce.

Table 12.14 > **Progress of Constructing Mahindodaya Technical Laboratories as at 31.12.2013**

Province	No of Laboratories			Progress			Expenditure (Rs. Mn)
	Domestic Fund		Foreign Borrowings (World Bank Financing)	50% of Construction	75% of Construction	Completed and Handed Over	
	Stage II	Stage I					
Western	41	69	24	42	29	63	336
Central	25	108	20	62	25	66	251
Southern	46	39	25	3	22	85	428
Northern	28	45	17	37	29	24	220
North Central	26	41	16	11	26	46	230
North Western	68	41	18	6	21	100	634
Sabaragamuwa	61	32	20	13	21	79	421
Eastern	72	14	17	7	7	89	612
Uva	41	29	18	9	21	58	340
Total	408	418	175	190	201	610	3,472
	1,001				1,001		3,472

Source: Ministry of Education

In addition, Rs. 1,583 million has been invested in 2013 in order to refurbish 3,022 identified primary schools into child friendly schools, throughout the country. Improving toilets and Sanitation facilities, providing electricity and water and repairing the existing buildings were the major development activities carried out under this programme.

Accordingly, a total of Rs. 13,309 million has been invested to develop infrastructure facilities in national and provincial schools, pirivenas, assisted schools, schools for handicapped, teachers training colleges and national colleges of education.

Table 12.15 > **Expenditure on Personal Emoluments and Welfare Programmes**

							Rs. Mn
Investment	2003	2008	2009	2010	2011	2012	2013
Personal Emoluments	600	58,164	63,221	62,902	70,098	73,528	79,500
School Nutrition programme	43	1,649	2,251	2,474	2,631	2,850	3,076
Text Books	969	3,387	2,196	1,941	2,294	2,400	2,329
Uniforms	601	582	1,260	949	1,364	1,600	1,739
Bursaries & Scholarships	100	193	184	225	283	240	268
Season Tickets (a)	250	600	1,384	1,369	1,359	1,233	1,430

(a) Provided to the Ministry of Transport

Source: Ministry of Education, Ministry of Education Services and Ministry of Transport

Table 12.16 > **Students benefited by Welfare Programmes**

No. of Beneficiaries	2003	2008	2009	2010	2011	2012	2013
School Nutrition programme	23,153	575,896	654,206	778,435	834,306	839,643	1,048,892
Text Books	N/A	3,688,056	3,695,432	3,724,303	3,750,000	3,762,000	4,194,363
Uniforms	3,941,685	3,942,327	4,038,000	4,119,000	4,153,000	4,186,808	3,998,890
Bursaries & Scholarships-Year5	N/A	82,971	85,000	85,000	85,000	85,000	N/A
Season Tickets	N/A	362,519	300,000	300,000	300,000	300,000	310,000

Source: Ministry of Education, Ministry of Education Services and Ministry of Transport

Higher Education

The investments by the government in higher education sectors has increased significantly from Rs. 20.5 billion in 2008 to Rs. 32.2 billion in 2013. 28,908 eligible students were offered admission for 2012/2013 academic year under normal and special provisions as per Supreme Court order. It was a 94 percent increase from admissions in 2005.

Academic Allowance of the University Academic Staff has been increased by about 60 percent - 85 percent with effect from 01.01.2013 in order to incentivize academic staff. Rs. 204 Mn. was invested in 2013, to facilitate the leadership programme, pre-orientation as pre-entry activities & the Kavitha Programme to enhance the talents of University undergraduates in literature, theatre, cinema, music, dancing, electronic media, art and photography in addition to the academic involvement.

Rs. 500 Mn. was paid as the Treasury contribution for Mahapola & Bursary to the University undergraduates, in 2013 as in 2012.

At present, approximately 92,000 students are studying at 17 universities. A shortfall of hostel facilities in each university has been recognized with the intake of additional number of students to the universities. Therefore, an expeditious plan has been prepared to construct 60 buildings with modern facilities in order to provide hostel facilities for 24,000 additional number of students. Stage I was commenced in August, 2013 and Rs. 1,320 Million has been implemented in 2013 to pay the mobilization advance. Stage I has been scheduled to be completed within a year.

Around 40 percent of the capital allocation of 2013, for the Higher education sector was for the constructions projects in universities in order to enhance facilities for the students.

Table 12.17 > **Major Construction Projects of Universities in 2013**

Name of the Project	Original/ Amended TEC	Cumulative expenditure as at 31.12.2013 (Rs. Mn.)	Physical Progress as at 31.12.2013 (%)
University of Peradeniya			
New Geology Building - Stage I	120	60.5	100%
Building for the Dept. of Management Studies - P I ,S I	78.5	32.7	100%
Proposed Extension to New Arts Building	69.19	62.9	100%
University of Colombo			
Clinical Medicine & Auditorium Building	133.8	120.2	100%
Computer Lab for Depts. of Statistics & Mathematics	48.5	48	100%
University of Kelaniya			
Building for the Faculty of Commerce and Management Studies	225	4.6	100%
Hostel Complex at Hettiyawatta	160	150	100%
Modern Cafeteria	25	25	100%
University of Moratuwa			
Civil Engineering Research Centre	132	118.4	100%
North East Extension to the Dept. of Textile Clothing Technology	83	62.6	100%
University of Ruhuna			
Boys Hostel for 234 students	116	1.4	100%
Girls Hostel for 310 students	109	106.3	100%
Rajarata University of Sri Lanka			
Clinical Building Complex of FMAS, Anuradhapura (Rs. 1,033 Mn)			
Stage I	691	691	100%
Stage II	342	345.8	100%
Para clinical building complex - Faculty of Medical & Allied Sciences, Saliyapura	279	243.7	100%
Hostels for 800 Students	360	389.3	100%
Construction & Completion of proposed building students/ Staff Canteen & Student Centre	67	49.1	100%
Building for faculty of Applied Sciences, Mihintale - S II	102	105.3	100%
Sabaragamuwa University of Sri Lanka			
Lecture Theatre Complex	672.6	560.4	100%
Applied Science Building	296	215.3	100%
Eastern University of Sri Lanka			
Construction of Building Complex for Library Stage I Phase I, II	171	109.12	80%
Construction of Building Complex for Faculty of Arts & Culture Stage I Phase I	121	80.73	70%
Construction of Building Complex for Faculty of Arts & Culture Stage I Phase II	230	118.11	55%
Construction of Zoology Block Phase III, IV	199	137.19	70%
Eastern University of Sri Lanka - Trincomalee Campus			

Cont...

Name of the Project	Original/ Amended TEC	Cumulative expenditure as at 31.12.2013 (Rs. Mn.)	Physical Progress as at 31.12.2013 (%)
Relocation Project	128	128	100%
Construction of Hostels for students - Ladies	100	27.6	40%
Construction of Hostels for students - Gents	100	26.2	30%
Construction of Laboratory for Faculty of Applied Science	14	5.95	40%
Recreation Centre	45.5	12.41	30%
South Eastern University of Sri Lanka			
Building Complex for Faculty Management & Commerce	160	129.86	90%
Building Complex for Main Library	200	145.61	80%
Building Complex for Faculty of Applied Sciences	170	93.93	60%
Building Complex for Students Hostel & Staff Quarters at the Faculty of Applied Sciences	149	55.65	40%
University of Jaffna			
Medical Faculty Buildings	75	75	99%
Arts Building (Block)	120	107.96	95%
Ramanathan Academy of Fine Arts	128	128	99%
Natural Science Block Stage II	89	87	100%
Faculty of Agriculture-Kilinochchi	393.8	153.66	50%
Medical Faculty Staff Quarters	14.5	0.09	0.50%
Building Complex for the Faculty of Management Studies and Commerce (400 Mn)	241.37	59.89	25%
Building for the Faculty of Graduate Studies	42.5	31.4	75%
Five Storied Building for the Unit of Siddha Medicine	109.5	19.75	20%
Supply, Installation and Commissioning of two passenger lifts (02 Nos) and related civil and electrical works	15.7	6.13	45%
University of Jaffna - Vavuniya Campus			
Faculty of Business Studies	92	63.85	75%
Faculty of Applied Sciences	330	79.13	75%

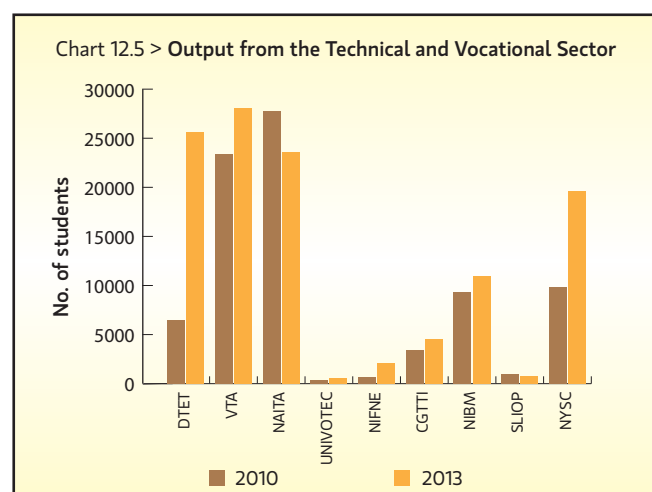
Source: University Grants Commission

In an attempt to develop the infrastructure in an around universities while developing links with the area, the government introduced a special proposal in 2013 Budget to develop university townships. Accordingly, Universities of Sri Jayawardenepura, Moratuwa and Ruhuna have initiated University Township projects and are expected to be completed in 2015.

Skills Development & Vocational Education

Although Sri Lanka scores highest literacy rate compared to other middle income counties considerable efforts are necessary to transform the human resources into a dynamic skilled workforce. In 2013, the government paid special attention on skills development sector in order to expand the technical education opportunities

and to upgrade the quality of training programmes. Asian Development Bank Loan funded Result- Based- Lending Technical and Vocational Education (TVET) sector development programme (2014-2020) which incorporates all the development activities come under this sector was designed in 2013. Under these programmes, several initiatives were taken to upgrade the 9 colleges of Technology in each province into affiliated university colleges under the UNIVOTEC. In this trend, the total admission of students increased from 82,181 in 2010 to 115,895. Accordingly, investment on this sector has also been increased from Rs. 4,831 Mn in 2010 to Rs. 9,701 Mn in 2013.



Source: Ministry of Youth Affairs and Skills Development

DTET	– Department of Technical Education & Training
VTA	– Vocational Training Authority
NAITA	– National Apprenticeship & Industrial Training Authority
UNIVOTEC	– University of Vocational Technology
NIFNE	– National Institute of Fisheries & Nautical Engineering
CGTTI	– Ceylon German Technical Training Institute
NIBM	– National Institute of Business Management
SLIOP	– Sri Lanka Institute of Printing
NYSC	– National Youth Service Council

12.3.2 Real Economy

The investment on real economy which comprises food crop and plantation agriculture, livestock, fisheries and aquatic resources, irrigation and water management and land development sectors, focuses improving production with increased efficiency through research and development, providing subsidies to smallholding sector, adopting concrete measures to increase domestic production of certain products such as dairy and food crops while maintaining regulatory framework favorably. Dynamics of these identified sectors have direct impact on food security, income levels particularly of small and medium scale producers and therefore the investment in these areas have been consistently increased during the last few years. Since the growth of food crops harvest substitutes the food imports, it was able to have a substantial saving in the foreign exchange reserve of the country.

12.3.2.1 Agriculture

Agriculture is the backbone of country's economy providing livelihood to more than 70 percent of the population. The government's target is to achieve above 5 percent agriculture sector growth by 2016 and to achieve this target it is important to increase the domestic grain production, field crops, fruits and vegetables production and value addition.

Strategies undertaken for the improvement of Agriculture

- Promoting self -sufficiency through growing all the possible cultivations in terms of grains, food crops, vegetables and fruits within the island.
- Improvement of productivity including usage of quality seeds and planting materials, technological innovations, good harvesting practices etc.
- Upgrading agriculture extension and education.

- Providing awareness for production and use of organic fertilizer.
- Improvement of storage facilities according to the proper standards.

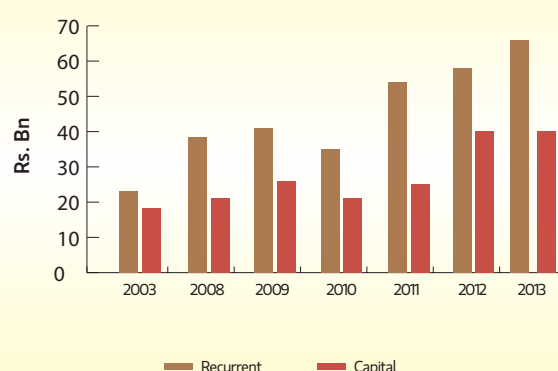
Share of the agriculture in GDP in 2013 has 10.8 percent which reflects a marginal decrease in share due to faster growth in manufacturing and service sectors. Average growth rate of the agriculture sector for past 6 years is 4.8 percent. In 2013 sector recorded 4.2 percent growth compared to 2012. Except rubber and coconut, all other sub-sectors positively contributed to this growth. Particularly, the paddy sub-sector which accounts for 7.4 percent total agricultural GDP recorded significantly higher growth

Public Expenditure on Agriculture

Total public investment in the real economy sector in 2013 was Rs 116 billion reflecting 11.6 percent increase compared to the previous year. Expenditure on the fertilizer subsidy

provided to all agricultural crops amounted to Rs. 51 billion¹ in 2013. Expenditure on plantation development was Rs 4,831 million including Rs. 1,518 million spent on cultivation subsidies to tea, rubber, coconut cashew and minor export crops. Investment in the irrigation sector development was Rs. 37.5 billion in 2013 and it is a 20 percent increase compared to 2012.

Chart 12.6 > Public Expenditure on Agriculture Sector 2003 - 2013



Source: Department of National Budget

Table 12.18 > Expenditure on Agriculture by Sub-sectors

Sub Sector	2008	2009	2010	2011	2012	Rs. Mn. 2013
Paddy and other Food Crops	37,852	38,545	33,345	55,317	60,747	66,097
Plantation and Minor Export Crops	4,428	4,315	4,441	4,382	4,009	4,831
Livestock Development	1,528	1,375	1,467	1,841	2,544	2,428
Fisheries and Aquatic Resources	4,314	7,426	5,868	2,653	2,986	2,443
Land and Land Development	1,755	1,266	1,495	2,258	2,235	2,186
Total	49,877	52,927	46,616	66,451	72,521	77,985

Source: Department of National Budget

¹Including differed payments and bank loan obtained

Food Crops Sector

Table 12.19 > **Expenditure in the Paddy, Other Food Crops**

	Rs. Mn.					
Major Interventions	2008	2009	2010	2011	2012	2013
Agriculture Service Delivery	6,409	7,495	6,950	7,452	8,186	7,732
Fertilizer Subsidy	26,500	26,985	22,328	42,056	48,237	52,296
Crop Production and Improvement	1,815	1,518	1,891	2,426	2,701	741
Land Development	1,755	1,266	1,495	2,258	2,235	2,186
Seeds and Planting material Production	93	97	227	640	727	582
Research and Development	342	367	138	211	321	364
Extension and Training	76	63	87	112	115	225
Total	36,990	37,791	33,116	55,155	65,522	64,126

Source: Department of National Budget

The highest share in agriculture spending was on food crops sector which is the largest sub-sector in terms of GDP contribution. In addition to the fertilizer subsidy provided to all agricultural crops, research and development, production and distribution of quality seeds and planting materials, extension and training and the land sector were the main areas of investment.

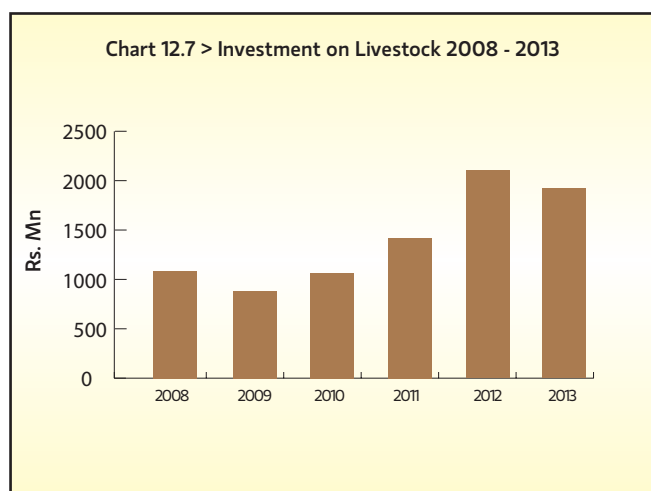
Livestock

The investment in the livestock sector is mainly aimed at improving breeding stock, expanding extension services, milk collection and processing facilities targeting self-sufficiency in livestock production while enhancing the income and living standards of the rural community. The investment in year 2013 is Rs.2,428 Mn. With the investment in the livestock sector, the government expects to ensure that the development initiatives are sustainable and have equitable economic and social benefits, to increase the supplies of domestic livestock produce at competitive prices to the consumers, to achieve increased self-reliance, of at least 50 percent, in domestic

milk production by 2015, to double the current domestic production of poultry products by 2015 and to strengthen the domestic livestock products to be competitive with the imported livestock products.

Strategies for the development of Livestock Sector

- Improving number and efficiency in Artificial Insemination (AI)
- Importation of improved breeds and making available to farmers at concessionary rates.
- Improving animal health programmes through vaccination, extension and training
- Increasing quality of milk production and promotion of liquid milk use
- Improvement of marketing and distributional channels in the dairy sector.
- Promoting medium scale poultry farming under Divineguma.
- Establishing self-fixing feed mills for poultry.
- Research and Development in the area of High Yield Breeds, fodder, grass and necessary value addition.



Source: Department of National Budget

The investment in livestock sector during 2008-2013 has led to a significant growth particularly in milk production and poultry sector.

Table 12.20 > **Milk Production and Collection during 2008 - 2013**

Year	Milk Production (Million Liters)	Milk Collection (Million Liters)
2008	208	117
2009	233.3	125.1
2010	247.5	137.6
2011	258.3	143.7
2012	299.2	183.6
2013	319.8	200.3

Source: Ministry of Livestock and Community Development

Table 12.21 > **Livestock Production 2008 - 2013**

Livestock Production	Unit	2011	2012
Eggs	Millions	1,711	2,278
Pork	MT x 000	6,700	7,003
Mutton	MT x 000	1,690	1,500

Source: Ministry of Livestock and Community Development

Table 12.22 > **Main Projects Implemented in 2013 in the Livestock Sector**

Name of the Project	Expenditure in 2013 (Rs. Mn)
Importation of Diary Animals	713
Livelihood and Basic Facility Improvement in rural areas	177
Lagging Area Socio- Economic Development	235
Modernization of Processing Factories of Milco (Pvt) Ltd	90

Source: Department of National Budget

Fisheries Sector

The investment in fisheries sector mainly focuses on upgrading and improving fishery harbours and anchorage facilities, facilitating to modernize fishing fleet and technology, improving infrastructure, extension & support services for inland fisheries and providing assistance to fishery folk. The total investment in this sector during 2008-2013 was Rs. 20 billion. It is expected to improve

the nutritional status and food security of the people by increasing the national fish production while trying to increase foreign exchange earnings from fish product exports.

Strategies for the development in the Fisheries Sector

- Upgrading fishery harbours to cater to larger vessels for deep sea fishing.
- Constructing new fishery harbours in selected locations.
- Improving fish marketing and distribution system.
- Promoting inland fisheries, developing fish breeding centres.
- Research and development in the sector including aquaculture, ornamental fish growing, new traditional export products etc.
- Community development for fishery industry.

A significant improvement was observed in the fisheries industry which benefited from programmes and projects implemented.

Major Projects implemented in 2013

- Construction of Dickowita Fishery Harbour (Rs. 207 Mn spent).
- Post Tsunami Coastal Rehabilitation & Resources Management Programme and Post Tsunami Livelihood Support and Partnership Programme (Rs. 414 Mn spent).

During year 2013, several welfare oriented programmes such as “Assistance for the fishers affected due to fuel hike- Introduction of Modern Technology” programme has been implemented. The total expenditure was Rs. 220 Mn.

Proposed Projects in the Fisheries Sector

- Establishment of Vessel Monitoring System.
- Development of 4 fishery harbours at Silawathura, Dandara, Gurunagar and Kalamatiya.
- Rehabilitation of Mirissa, Hikkaduwa, Beruwala, Galle and Hambantota fishery harbours and all anchor lodges and fish landing centers.

12.3.2.2 Irrigation and Water Resource Management

The availability of water is becoming scarce for the purposes of drinking and other household activities as well as for the purposes of irrigation. Thus the proper management mechanism for using the available water resources is critical and extremely important. With the attainment of a middle income country status, Sri Lanka has identified the strategic importance of water as a natural resource and therefore maintenance and development of irrigation schemes and proper management of water resources are given high priority in the national development framework keeping the motto “Water for all in 2025” in order to meet the demand of water for rapid economic growth by means of improved productivity in agriculture, industry and service sector and also to attain national food security and to develop livelihood assistance for rural people.

Investments in Irrigation Sector

In view of the aforesaid significance of irrigation and water resource management, since 2003, the government has continually allocated enhanced amount of funds for the development and rehabilitation of the sector.

Table 12.23 > **Investment in Irrigation and Water Resource Management**

(Rs. Bn)

Particulars	2003	2008	2009	2010	2011	2012	2013
Service Provision (Operational Expenditure)	1.35	2.84	2.94	3.04	3.2	3.3	3.48
Major and Medium Scale Construction including Inter-Provincial Irrigation Schemes	0.53	4.41	8.46	3.59	7.11	20.66	17.42
Irrigation Infrastructure Rehabilitation	3	3.79	3.71	4.7	5.74	6.54	7.02
Maintenance/Management of Water Resources	-	1.6	1.45	1.59	2.3	2.35	1.32
Minor Irrigation Constructions and Rehabilitations	0.32	0.2	0.54	0.63	0.61	2.1	2.29
Research and Development/Feasibility Studies	0.44	0.94	0.72	0.64	0.87	0.29	1.2

Source: Department of National Budget

When taking the base year as 2003, six fold increase of investment in the sector recorded in 2013. Within a financial year, a major portion of funds are being diverted to large scale (inter-provincial, major and medium) irrigation projects constructions which have been commenced during the last 10 years. Irrigation schemes under the Mahaweli development program and other previously completed schemes still meet a substantial portion of water demand and therefore rehabilitation of those projects given significant amount of funds in every year and in 2012 and 2013, the expenditure for this purpose was stood at over Rs. 14 Bn. Minor irrigation construction and rehabilitation activities come under Provincial Administration and additionally some works related to minor irrigations carried out by the Ministry of Economic Development and the Department of Agrarian Development. In each year, Central Government grants funds to provincial councils 3.20 percent of the total expenditure on average for the sectoral development. When considering the crucial need of irrigation facilities, in order to conserve and better management of water resources, research and development is an area which still requires greater focus in irrigation development.

The expenditure in 2013, Rs. 33,162 Mn was spent by the Government for the continuous development of irrigation and water resources. Out of the total, Rs. 30,897 Mn (93 percent)

contributed by the Ministry of Irrigation and Water Resources whereas Provincial Administration, Ministry of Economic Development and Department of Agrarian Development provided Rs. 2,265 Mn (7 percent). Rs. 3,478 Mn has incurred for the operational activities in line with the sector development. Investment in capital works amounted Rs. 27,420 Mn in 2013, which is six times increase compared to the expenses made in 2003. When considering the financing source, Rs. 22,573 Mn provided by way of domestic funds while foreign financing was Rs. 8,324 Mn out of the total expenditure in 2013.

Rambukkan Oya project has been completed in 2013 except for a few minor works to be completed. Deduru Oya and Weheragala projects are expected to be completed in 2014. In addition, there are 17 projects being implemented having TEC of less than Rs. 1,000 Mn. Collectively all projects which are on-going will cater to the irrigation requirement in Southern, Uva, Eastern, North Central and North Western provinces.

Cultivable land mass in Sri Lanka is about 744,983 hec, distributed island wide. By the time of completing the above projects as planned, there is a greater possibility to meet the demands for water resources for irrigating these lands by the farming societies, ensuring food security in the country and upgraded livelihood of rural areas.

On-going Irrigation Schemes

Table 12.24 > **Special Irrigation Projects and Programmes in the Implementation Stage (TEC more than 1,000 Mn.)**

Name	Total Estimated Cost (Rs. Mn)	Duration	Cumulative Expenditure by the end of 2013 (Rs. Mn)	Remarks (Physical Progress/ Outcomes/Beneficiaries)
Uma Oya Multipurpose Development Project (GOSL-IRAN)	76,316	2008-2016	19,282	30%/120 MW/6,000 hec. /5,000 families.
Moragahakanda-Kaluganga Development Project (GOSL-CHINA-KUWAIT-SAUDI-OPEC)	64,358	2007-2016	22,415	34%/ 20 MW. 81,422 hec.
Yan Oya Reservoir Project	27,200	2011-2016	532	Feasibility studies completed/ 5,600 hec/ 6,000 families.
Diversion of Mahaweli Water to Wayamba	12,000	2013-2016	-	12,000 hec./18,000 families
Thalpitigala Reservoir Project (lower Uma Oya)	8,200	2012-2014	1	Preliminary works on-going/12 MW/ 605 hec./ 16.630 families
Dam Safety and Water Resource Planning Project(GOSL-IDA-WB))	8,187	2008-2015	5,862	67%.
Lower Malwatu Oya Multi-sector Development Project	7,200	2012-2017	-	13,215 hec./10,000 families
Deduru Oya Reservoir Project	6,200	2005-2014	7,300	92%/1.5 MW/11,000 hec. /11,000 families.
Kivul Oya Development Project	6,000	2012-2016	93	2%/ 2,400 hec/2,400 families
Kumbukkan Oya Reservoir Project (Nakkala)	6,000	2012-2018	-	Project is in design stage/5,200 hec./500 families
Rambukkan Oya Reservoir Project	3,970	2006-2014	3,366	96%/1,423 hec/ 2,300 families
Weli Oya Integrated Development Project (System L)	3,957	2013-2016	147	8.50%
Weheragala (Menik Ganga) Reservoir Project	2,900	2005-2015	2,282	99%/5,000 hec. /5,000 families.
Mahaweli Consolidation Project (System B Rehabilitation)	2,800	2007-2016	2,224	76%
Morana Reservoir Project	1,700	2012-2015	140	20%/ 2,722 hec/2,800 families
Kalugal Oya Project	1,481	2012-2014	39	1.5%/ 1,500 hec/1,400 families
Digili Oya Reservoir Project	1,460	2012-2014	-	2,000 hec./ 0.1 MW
Gal Oya Navodaya Project	1,260	2008-2014	589	80%/ 42,000 hec
Emergency Natural Disaster Rehabilitation Project	1,250	2012-2016	1,290	Cover all irrigation schemes
Redeemaliadda Integrated Development Project	1,100	2012-2016	132	4%/3,000 hec/ 15,000 families
Rabakan Oya Integrated Development Project	1,086	2012-2016	106	5.50%
Essential Rehabilitation in Selected Major Irrigation Schemes	1,000	2009-2016	2,161	75%/ 11,500 hec./ 17,800 families

Sources: Ministry of Irrigation & Water Resources, Department of National Budget

12.3.3 Infrastructure

12.3.3.1 Power and Energy

Development of Power & Energy sources and its distribution is another priority in the infrastructure development. At present, 96 percent of total households of the country have access to electricity. The national grid provides electricity to more than 95 percent of the total households and the remainder of the households is served by off-grid connection. The power sector development activities and programmes in the country aim at providing the entire nation with a higher quality and uninterrupted supply of electricity. Further, the strategy underscores the generation and distribution of power in the country in an environmental friendly manner with lease cost thresholds. The energy production in the country is being diversified to areas of low cost power generation utilizing coal, wind and hydro resources. Indigenous energy resources are developed to the optimum levels to minimize dependence on non-renewable resources.

During the period from 2008 to 2013 the Government investment on power and energy sector increased significantly. The fund channeled for the energy sector in 2013 was Rs. 20.1 billion indicating an increase of 20 percent over 2008. These funds have been invested in three main areas namely Power Generation, Transmission and Distribution. The average electricity coverage which was 67 percent in 2003 it was increased to 96 percent in 2013. Out of the total investment made by the Government in 2013, Rs. 3.6 billion was invested to enhance the power generation capacity. In addition to that Rs. 5.7 billion and Rs. 10.6 billion have been invested in transmission and distribution system development respectively. The country has a total installed capacity of 3,363 MW in 2013 compared to 2,483 MW in 2003 and increased gross electricity generation from 7612 GWh in 2003 to 11,954 GWh in 2013. The annual increased demand for electricity was around 7-8 percent during 2003 to 2013.

Table 12.25 > **Current Status; Expenditure on Power & Energy Sector**

(Rs. Mn)

Category	2003	2008	2009	2010	2011	2012	2013
Generation	3,926	10,575	23,786	11,284	11,752	12,482	3,639
Transmission	1,380	2,212	3,635	4,281	2,447	8,114	5,782
Distribution	1,255	4,020	5,430	8,277	8,174	11,408	10,684
Total	6,561	16,807	32,851	23,842	22,373	32,004	20,105

Source: Department of National Budget

Following new Power Plants are being constructed in order to enhance the electricity generation.

Table 12.26 > **New Investments on Power Plants**

Name of the Power plant	Capacity (MW)	(Rs. Mn)
		Total Estimated Cost (Rs. Bn.)
Kukule Ganga Hydro Power Plant	80	16.5
Rehabilitation of Old Laxapana Power Plant	50	4.0
Rehabilitation of New Laxapana and Wimala Surendre Power Plant	100	6.6
Norocholai Coal Power Plant phase-1	300	58.0
Moragolla Hydro Power Plant	26.5	0.8
Broadlands Hydro Power Plant	35	10
Rehabilitation of Ukuwela Power Plant	36	1.8
Jaffna Power Plant - Uthuru Janani	24	3.5
Uma Oya Hydro Power Plant	120	68.0
Sampoor Coal Power Plant	500	62
Norocholai Coal Power Plant- phase 11	600	55
Kerawalapitiya Power Plant	300	37
Upper Kotmale Power Plant	150	37
Total	2,321.5	360.2

Source: Ministry of Power and Energy

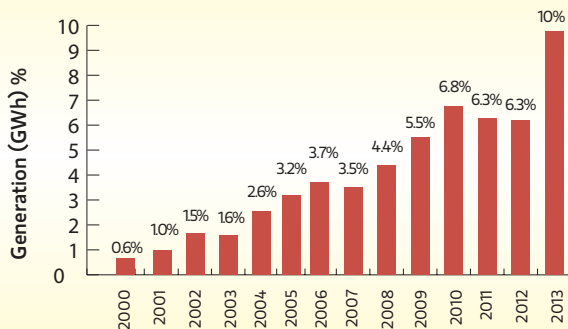
Non-Conventional Renewable Energy (NCRE)

The government has shifted its focus toward non-conventional renewable energy sources such as wind, dendro and solar power. That has contributed around 10 percent of the national energy requirement in 2013.

Table 12.27 > **Non-Conventional Power Source**

Non-Conventional	Grid Connected 2013	
Primary Source	No. of Installations	Average Peak capacity (MW)
Small Hydro	128	271
Wind	10	78
Solar PV	4	1.38
Biomass	4	16.5
Total	146	367

Source: Ministry of Power and Energy

Chart 12.8 > **Annual Energy Generation from NCRE Project**

Source: Ministry of Power and Energy

Table 12.28 > Investments on Rural Electrification Projects

(Rs. Mn)

Name of the Project	2003	2008	2009	2010	2011	2012	2013
Rural Electrification in all the districts except the districts in Northern & Eastern Provinces	458	4	175	2,303	361	-	-
Colombo City Electricity Distribution Project	-	-	-	782	436	185	-
Ruhunu Udanaya	-	590	978	1,448	1,042	-	100
Sabaragamu Arunalokaya	-	450	550	550	210	160	135
Kandurata Udanaya	-	16	40	47	50	-	100
Wayamba Pubuduwa	-	-		95	142	03	200
Batahira Ran Aruna	-	-	150	368	150	-	21
Negenahira Navodaya	-	30		149	103	40	1,685
Rajarata Navodaya	-	200	200	170	2,295	1,029	2,456
Uva Udanaya	-	30	100	300	487	3,603	2,255
Rural Electrification In Sabaragamuwa Province, Central Province, Wayamba Province, Ampara And Kalutara Districts	-	1,934	715	1,979	2,697	909	727
Uthura Wasanthaya	-	-	940	79	76	3,174	1,426
Accelerated Electrification	-	-		1,200	1,729	1,789	294
Other – Power Sector Reform, Medium Voltage Distribution Network,	-	1,201	1,682	-	285	15	1,529
Total	1,255	4,455	5,530	9,470	10,063	11,424	10,928
Electricity Coverage	67%	83%	85%	88%	91%	93%	96%

Source: Department of National Budget

The rapid development taken place in the regions has been facilitated by the rural electrification programme implemented island-wide, with an estimated cost of Rs. 40 billion in 2013. Through the implementation of these programmes, more than, 5000 schemes and extensions were completed and around 258,510 new electricity connections have been provided during 2013 while around 213,838 families have been benefitted.

Transmission Network Development

Total system loss of the national grid has reduced 11.2 percent compared to 18.7 percent in 2003, a fairly praiseworthy achievement in comparison to international average of 14 percent.

A comprehensive programme has been implemented to enhance the Transmission and Distribution network of the country.

Table 12.29 > **New Transmission and Distribution Projects**

Name of the Project	Total Estimated Cost (Rs. Mn)	Project Duration	
		Start	End
Kilinochchi - Chunnakam Transmission Line	1,599	2009	2013
North East Power Transmission Development Project	6,348	2011	2014
New Galle Power Transmission Development Project	2,657	2011	2014
Modernization of the System Control Center Part-1	2,934	2010	2014
Transmission System Strengthening- Transmission Line Part -2	1,996.6	2011	2014
Transmission System Strengthening - Grid Substations Project Part -2	4,001.5	2011	2015
Augmentation of Grid Substations for Absorptions of Renewable Energy Project - Part - 6	2,935	2011	2013
Transmission System Strengthening Eastern Province Project Part -7	2,111	2011	2014
Veyangoda - Habarana 220KV Transmission Project	11,581	2012	2016
Transmission Line from Habarana- Sampoor	31,821	2015	2016
220 KV Protection Development Project	1,199	2009	2014
Greater Colombo Transmission & Distribution Loss Reduction Project	22,717	2013	2016
Clean Energy and Network Efficiency Improvement Project	16,250	2013	2016
Negenahira Navodaya Project	6,530	2011	2014
Rajarata Navodaya	10,580	2008	2014
Uva Udanaya Project	5,281	2010	2014
Rural Electrification in North Western Central and Sabaragamuwa Provinces, Kalutara and Ampara Districts	12,160	2010	2014
Uthuru Wasanthaya Project	4,271	2010	2014
Eastern Distribution Development Project	2,950	2012	2014
Improving Gender - Inclusive Access to Clean and Renewable Energy Project	112	2013	2016

Source: Ministry of Power and Energy

12.3.3.2 Public Passenger Transport

The government has invested Rs. 241 billion during the period of 2007-2013, for the improvement and expansion of transportations both public bus and railway. In addition, maintenance and rehabilitation cost of assets also provided annually to improve the quality of public transport system according to the government objective is to make Sri Lanka a country with the most comfortable and efficient bus and railway services in the region. In 2013, Rs. 45.1 billion has been invested in this sector and it was more than two times increase compared to Rs.20.8 billion invested in 2007.

In order to improve the quality and fleet expansion of rural public bus transportation, 289 new buses were purchased for SLTB in 2013 and distributed among rural areas. In addition, new luxury buses were also purchased to provide quality bus service for passengers particularly in the highway road network. Several steps have also been taken for further expansion of the quality private bus service by improving the GPS system to monitor the bus services, introducing pre-paid cards for fare collection and common time table for both private and public bus operators. In order to provide better transport facilities for school children,

Table 12.30 > **Investment in Transport**

	Rs. Mn						
Major Thrust Areas	2007	2008	2009	2010	2011	2012	2013
Service Delivery	11,902	14,826	15,060	12,222	14,498	16,079	19,177
Bus Fleet Augmentation	2,612	1,884	1,059	849	1,900	579	898
Reconstruction of Rail Tracks	1,201	2,093	6,180	3,606	3,528	2,662	3,042
Construction of Rail Lines	83	543	391	2,599	18,381	15,045	14,586
Rail Fleet improvement	4,408	7,255	3,565	5,828	4,016	8,758	3,944
Installation of Signalling & Telecommunication systems	1	51	108	115	206	3,588	1,767
Improvement of Workshops	245	838	307	207	342	263	193
Improvement of bus services	90	159	285	79	175	227	412
Other capital expenditure	217	321	401	1,203	1,838	954	1,107
Total	20,759	27,970	27,356	26,708	44,884	48,155	45,126

Source : Department of National Budget

Table 12.31 > **Railway Development - 2007 – 2013**

Project Name	Length (km)	TEC Rs. Mn	Expenditure Rs. Mn	Period
Reconstruction of Northern Rail Line	253	80,851	36,850	2011-2014
Upgrading Colombo - Matara Rail Line	72	23,938	7,177	2012-2013
Construction of Rail Line from Matara to Beliatta	27.5	39,783	3,612	2014-2016
Restoration of Signalling and Telecommunication system from Anuradhapura to Kankasanthurai and Medawachchiya to Talaimanar	313	12,367	5,093	2011-2014
Procurement of 13 DMUs		11,110	9,681	2012-2013

Source : Department of National Budget

Sisu sariya programme was expanded by 20 percent in 2013 and expenditure on season tickets for students also increased by 16 percent to Rs.1,430 million compared to Rs. 1,200 million in 2012.

During the year 2013, the government invested mainly on reconstruction of Northern Rail Line. Reconstruction of Medawachchiya - Madu Line and Omanthai - Pallai Line were completed in 2013 and they were opened to general public in order to provide safe transport facilities connecting Northern and Southern areas. In addition, Signaling and Telecommunication project also completed for these areas and commenced during the year 2013. Regular allocations for rehabilitation and maintenance of DMUs, Rolling Stock and railway lines were being provided in order to enhance the safety and speed railway system of the country.

12.3.3.3 Water Supply and Sanitation

The main objective of the water supply sector is to provide to access safe drinking water and quality sanitation services while ensuring the fulfillment of demand for water in other sectors of the economy. The government has increased the annual investment on the water supply sector over the years and provided Rs. 238 billion during 2003-2013 in order to attain the set targets for the sector in the government's Development Policy Framework.

The annual investment for the year 2013 amounted to Rs.25.8 billion. The main areas of investments are Large Scale Water Supply Schemes, Emerging Small Townships Water Supply schemes, Water sector community Facilitation and Sewerage Schemes.

Table 12.32 > **Investment on the Water Supply and Sanitation Sector**

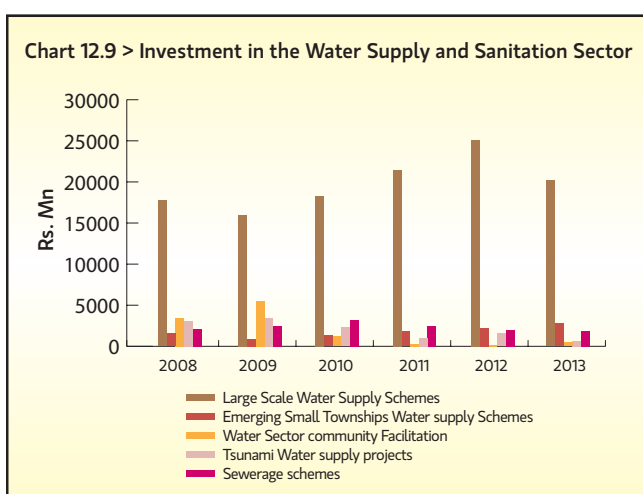
Category of Investment	(Rs. Mn)					
	2008	2009	2010	2011	2012	2013
Large Scale Water Supply Schemes	17,727	15,981	18,310	21,484	25,105	20,172
Emerging Small Townships Water supply Schemes	1,541	900	1,300	1,804	2,256	2,756
Water Sector community Facilitation	3,459	5,531	1,187	273	199	448
Tsunami Water supply projects	3,162	3,466	2,290	1,038	1,561	633
Sewerage schemes	2,081	2,439	3,191	2,457	1,977	1,875

Source: National Water Supply and Drainage Board

Table 12.33 > **Water Supply Connections 2003 - 2013**

Category	2003	2012	2013
Households	704,430	1,466,616	1,577,840
Others	72,873	116,650	127,076
Public stand Posts	5,397	4,397	2,881
Total Water supply Connections	782,700	1,567,663	1,707,747

Source: Department of National Budget



Source: Department of National Budget

The coverage of pipe-borne water has risen to 43.70 percent of the total housing units all over the island in 2013 reflecting the fact that 140,084 new piped water connections were provided by the National Water Supply and Drainage Board (NWSDB) in 2013 and it is 8.2 percent of the total piped water connections.

During the period from 2008-2013, it is recorded that 14 large scale water supply projects have been constructed and commissioned island wide.

Apart from above projects, a number of medium scale Water Supply Schemes have been constructed in emerging small townships aiming at meeting increasing demand for safe drinking water in these towns. As major proportion of the population without access to safe drinking water live in rural areas, several projects were initiated in those areas in order to secure the access to safe drinking water.

Table 12.34 > **Major Water Supply Projects Completed during 2008 - 2013**

Name of the Project	Total Estimated Cost Rs. Mn	No. of Connections as at 31/12/2013
Greater Kandy Water Supply Project Phase I Stage I	4,820	20,000
Nuwara Eliya District Group Town WS	4,259	15,000
Towns South of Kandy Water Supply Project	9,626	22,000
Eastern Costal Towns of Ampara District WS Phase I	11,078	
Kalu Ganga Water Supply Project Phase I Stage I	12,000	100,000
Towns North of Colombo WS Stage I	6,754	12,000
Towns North of Colombo WS Stage II	6,490	35,000
Kelani Right Bank Project	10,150	
Negombo Water Supply Improvements	7,288	23,000
Greater Galle Augmentation WS Stage II	4,250	40,000
Rehabilitation of Baddegama, Ambalangoda WS	4,200	48,500
Kirindi Oya Water Supply Project	2,104	8,750
Augmentation of Nawalapitiya, Ampara and Koggala	2,700	17,500
Koggala		3,416
Hambantota/ Ambalantota/ Weligama/ Kataragama Implementation Project and Badulla, Bandarawela Integrated Feasibility Studies	7,288	

Source: Department of National Budget

Table 12.35 > **Major On-going Water Supply Projects**

Name of the Project	Area covered	No of Families Benefited	Total Cost (Rs. Mn)
Rehabilitation & Augmentation of Labugama, Kalatuwawa Water Treatment Plant	Colombo District	125,000	7,300
Greater Colombo Water Rehabilitation Project	Colombo Municipal Council, Kotikawatta, Mulleriyawa	25,000	4,785
Greater Colombo Water & Waste Water Rehabilitation Project	Colombo Municipal Council	125,000	26,500
Greater Kandy Water Supply Project	Katugastota, Kandy	40,000	4,164
Greater Dambulla Water Supply Project	Dambulla Town and nearby areas		
Ruhunupura Water Supply Project	Hambantota, Ambalantota, Sooriyawewa, Lunugamwehera	30,000	13,131
Eastern Province Water Supply Development Project	Mahaoya, Dehiattakandiya, Uhana, Damana, Higurana, Samanthurai, Irakkaman, Deegawapi	40,000	6,526
Integrated Water Scheme for the Unserved areas of Ampara District	Gonagala, Bakkiella, Kondawatuwana, Peargahakele, Deegawapi, Dadayanthalawa	40,000	18,000
North & East Pilot WASH (Water, Sanitation and Hygiene) Project	Selected urban areas of Trincomalee District	1,500	130
Kolonna, Balangoda Integrated Water Supply Project	Kolonna, Balangoda and other nearby areas	10,000	4,858
Greater Kurunegala Water Supply & Sanitation Project	Kurunegala city and other nearby areas	20,000	11,500
Greater Rathnapura Water Supply Project	Rathnapura, Kuruwita areas	29,000	9,928
Badulla Haliela & Ella Integrated Water Supply Project	Badulla Haliela & Ella areas	20,000	10,369
Jaffna Kilinochchi Water Supply and Sanitation Project	Jaffna, Kilinochchi, Karaweddi, Nawakkulam, Chavakachcheri, Kopai, Palali, Wadukkoddai, Sandilippai.	60,000	18,328
Mahiyanganaya Water Supply Improvement Project	Mahiyanganaya and nearby areas	8,500	2,200

Source: Department of National Budget

Table 12.36 > **Water Sector Community Facilitation**

Name of the Project	Total Cost (Rs. Mn)
Improving Community Based Rural WS & S in Jaffna & Killinochi District	200
Improvement of Rural Water Supply & Sanitation in Badulla & Monaragala	930
South Asia Conference on Sanitation (SACOSAN IV) Follow up action - All island sanitation programme	200
North & East Pilot WASH (Water, Sanitation & Hygiene)	270
Community Infrastructure Development in Batticaloa, Mannar & Vavunia	348
Water Supply for Drinking & Cooking Purposes in CKD affected areas	280
Lunawa Environment & Community Development Project	825

Source : Department of National Budget

Piped Sewerage

With the rapid urban development during the present decade, the coverage of piped sewerage system in highly populated municipal areas and industrial zones has been recognized especially in areas such as Colombo, Kandy, Kurunegala, Katunayake. In 2013, 300 new piped sewerage connections have been added and therefore total number of sewerage connections by the end of 2013 stood at 14,577. The investment for sewerage systems in 2013 amounted to Rs.1.9 billion and the total investment for the five year period from 2008-2013 is progressively increased and amounted to be about Rs.14 billion.

Table 12.37 > **Ongoing Piped Sewerage Projects**

Name of the Project	Area covered	Total Cost (Rs. Mn)
Wastewater Disposal facility for Greater Kandy	Kandy town and surrounding areas	22,588
Rathmalana/ Moratuwa, Ekala/ Ja- Ela Wastewater system	Rathmalana, Moratuwa, Ekala, Ja -Ela	16,155
Greater Colombo Wastewater Management Project	Colombo Municipality, Kolonnawa, Dehiwala, Wellampitiya	15,000
Augmentation of Kataragama Sacred City Water Disposal system	Kataragama town and surrounding areas	2,040
Greater Colombo Waste Water Rehabilitation	Kolonnawa,, Kuriniyawatta, Wellampitiya, Meethotamulla, Part of Dharmapura, Part of Sinhapura, Part of Wijayapura, Part of Gajabapura and Salamula	1,012
GPOBA funded project for increasing Household Access to Sewerage Services	Dehiwala, Mount Lavinia, Soysapura, Moratuwa and Panadura	1,095

Source: Department of National Budget

12.3.3.4 Road Network

The development of national roads and provincial roads to ensure the connectivity among all regions is a priority in Government's infrastructure development strategy. Ministry of Highways Ports and Shipping is involved in national roads. In addition to that Ministry of Highways, Ports & Shipping Ministry of Economic Development and Ministry of Local Government & Provincial Councils are working together with Provincial Councils and Pradeshya Sabas on Rural and Provincial road development.

The total investment on road sector at both national and provincial levels stood at Rs 159

billion in 2013 forming 13.73 percent of the total capital expenditure. It was around 1.83 percent of the GDP. The expenditure on National Roads, Provincial Roads and Rural Road were Rs 125 billion, Rs. 29 billion and Rs 5 billion respectively, in 2013.

During 2013, 1,016.1 km of roads were completed while the construction of more than 2,567.9 km of roads were in progress. Under "Maganeguma Road Development Project" more than 639 km of rural roads were developed/rehabilitated.

The major share of foreign financing has been spent on the development of highways (51 percent) and on the construction of expressways (40 percent) in 2013. Rural and Provincial road development was carried out mostly through the utilization of domestic funds.

The opening of the Colombo Katunayake Expressway in 2013 was an important milestone of the road sector development in Sri Lanka. It enabled the capital city of the country to be connected with Bandaranaike International Airport with easier access which could be reached within 20 minutes.

Table 12.38 > **National Road Development**

Road Class	Completed Road Length (km)	Work in Progress Length (km)
A	540	433.8
B	365.4	2,073.4
AB	110.7	60.7
Total	1,016.1	2,567.9

Source: Road Development Authority

Table 12.39 > **Major Investment Programmes Undertaken in 2013**

No	Project/Programme	Expenditure in 2013 (Rs. Mn)	
		Domestic Funds	Foreign Funds
1	Expressways Development	5,038	30,800
i	Southern Transport Development Project	484	8,745
ii	Outer Circular Highway - Phase 1	77	2,123
iii	Outer Circular Highway - Phase 11	422	10,256
iv	Outer Circular Highway - Phase 111	2,126	-
v	Colombo Katunayake Expressway	814	9,676
vi	Others	1,115	-
2	Highways Development	11,118	39,492
i	Maintenance of the Roads & Bridges	5,150	-
ii	Road Network Improvement Project	8	-
iii	National Highway Sector Project	2,218	3,134
iv	Road Sector Assistance Project	260	3,324
v	Nothern Road Connectivity Project	7	4,826
vi	Priority Road Project - 1	569	3,194
vii	Priority Road Project - II	1,849	10,830
viii	Road Network Development Project	65	736
ix	Padeniya -Anuradhapura Road	654	1,517
x	Rehabilitation of Hatton NuwaraEliya Road	76	1,005
xi	Improvement of National Road Network in Northern Province	262	10,926
3	Widening & Improvements of Roads	22,109	-
4	Construction of Bridges & Flyovers	670	4,580
i	Regional Bridge Project (Uk Steel Bridge Project)	265	1,500
ii	Veyangoda Flyover Project	60	1,366
iii	Construction of Manmunai Bridge across Batticaloa Lagoon	-	851
iv	Reconstruction of 46 Bridges	187	514
v	Reconstruction of 5 Bridges in Eastern Province	158	349
5	National Disaster Affected Road Rehabilitation Project	309	1,200
i	Natural Disaster Rehabilitation Project	131	1,200
ii	Landside Disaster Protection Project	11	-
iii	Others	167	-
6	MagaNeguma	4,548	-

Source: Department of National Budget

Table 12.40 > **National Roads Being Rehabilitated - 2013**

	Name of the Road/Bridge/Project Activity	District Covered	Length (km)	Date of Commencement	Date of Completion
E01	Southern Expressway	Colombo, Kaluthara, Galle, Matara	126	19/09/2005	27/11/2011 (to Galle) 15/3/2014
E02	Outer Circular Highway	Colombo, Gampaha	29.2	3 packages	
	Phase I (Kottawa to Kaduwela)	Colombo	11	1/12/2009	8/3/2014
	Phase II (Kaduwela to Kadawatha)	Colombo, Gampaha	8.9	9/1/2012	8/1/2015
	Phase III (Kadawatha to Kelawarapitiya)	Gampaha	9.3	Apr-2014	Sep-2017
E03	Colombo- Katunayake Expressway	Colombo, Gampaha	25.8	18/08/2009	Sep-2013
A01	Peliyagoda - Kiribathgoda Road	Gampaha	7.3	13/12/2013	12/12/2014
A04	Rehabilitation - Improvement of Nugegoda - Homagama Road	Colombo	14.36	1/11/2013	11/6/2015
A007	Rehabilitation of Hatton Nuwara Eliya Road	Nuwara Eliya	46.75	12/1/2011	31/5/2014
A09	Katugastota- Naula section of Kandy- Jaffna Road (53.9)	Kandy	53.9	3/6/2013	2/6/2014
A14	Medawachchya- Mannar Road	Anuradhapura, Mannar	15.1	12/12/2013	9/8/2015
A14	Medawachchya- Mannar Road	Anuradhapura, Mannar	14.4	12/12/2013	9/8/2015
A017	Rakwana- Madampe Road	Rathnapura	13.9	18/6/2013	17/12/2014
A024	Rehabilitation - Improvement of Matara-Godagama Road	Matara	3.4	13/5/2013	13/5/2014
A28	Padeniya -Anuradhapura Road	Anuradhapura	80.8	1/7/2009	1/1/2012
A209	Vavuniya - Horawpathana	Vavuniya	10.95	24/8/2013	20/2/2015
AB019	Jaffna-Kaits Road	Jaffna	10	12/12/2013	9/8/2015
AB019	Jaffna-Kaits Road	Jaffna	10.28	12/12/2013	10/6/2015
B001	Ehaliyagoda- Dehiowita Road	Rathnapura	16.7	12/10/2013	6/9/2015
B084	Rehabilitation - Improvement of Pamankada- Kesbewa Road	Colombo	12.76	28/3/2013	28/3/2015
B93	Dehiowita - Deraniyagala Road (14km)	Kegalle	14	6/5/2013	12/4/2014
B120	Athulkotte-Mirihana-Kohuwela Road	Colombo	5.9	12/10/2013	9/9/2014
B157	Rehabilitation - Improvement of Aluthgama- Southern Highway Road	Kaluthara	10.84	15/5/2013	5/1/2015
B207	Rehabilitation - Improvement of Katukurunda- Nagoda Road	Kaluthara	2.72	25/5/2012	17/8/2013
B211	Kebithogollawa- Padaviya Road	Anuradhapura	15.5	28/8/2013	25/4/2015
B211	Kebithogollawa- Padaviya Road	Anuradhapura	15.8	28/8/2013	25/4/2015
B283	Medawachchiya- Kebithigollawa Road	Anuradhapura	12.6	28/8/2013	25/4/2015
B283	Medawachchiya- Kebithigollawa Road	Anuradhapura	12.8	28/8/2013	25/4/2015
B541	Thabalagamuwa - Kinniya Road	Trincomalee	8.5	6/7/2013	12/6/2014
	Landside Disaster Protection Project	Island-wide		May-2013	Mar-2019
	Construction of Manmunai Bridge across Batticaloa Lagoon	Batticaloa	210	29/6/2012	19/4/2014
	Veyangoda Flyover Project	Gampaha		23/10/2012	23/12/2013
	Maganeguma Rural Roads	Island-wide	638.99	From 2004	

Source: Ministry of Highways, Ports and Shipping

Challenges in Managing the Public Expenditure

- Commencement of construction of new buildings before completing buildings which are presently being constructed utilizing the provisions already allocated for ongoing constructions. This has become an obstacle for the completion of activities as planned from the provisions allocated.
- Underutilization of foreign loans due to commencement of new projects utilizing the provisions already allocated for ongoing projects without following proper approval procedure.
- Delay in generating expected benefits owing to increase of cost and inability of completion of projects during the planned period due to frequent change of scope and activities covered by the projects.
- Planning for budgetary provisions for large scale capital projects for one year without time slicing them during the medium term expenditure framework and not paying due attention to the procurement process and the government fiscal limits.
- Continuation of unsettled liabilities due to implementation of capital projects without considering the medium-term expenditure framework.
- Continuously increase in overtime payments despite a large number of new recruitments to the public service.
- Significant increase in recurrent expenditure of the government due to designing of buildings without paying proper attention on their high maintenance costs and such buildings and equipment become idle when maintenance of them are not done properly.
- Noncompliance with the guidelines issued on fuel, electricity, water, telephone and procurement of computers.
- Lack of due attention on the implementation of various projects and programmes identified in the government's development framework and also the budget proposals 2013 and 2014. Several programmes implemented by ministries and departments have been duplicated due to lack of proper coordination among agencies.

13

PUBLIC PROCUREMENT REVIEW-2013

13.1 Overview

The Government Procurement Guidelines 2006 as amended provides the mechanism through which the government organizations secure goods, works, services and consultancies required for the delivery of public services or planned outcomes. Budgetary provision approved by the Parliament for 2013 within 2013-15 Medium Term Expenditure Framework amounted to Rs. 2,603 billion comprising Rs. 1,311 billion of current provision and Rs. 1,292 billion of capital provision including debt repayment of Rs. 747 billion. Out of current provision a sum of Rs. 1,125 billion was incurred on account of the disbursement of obligations such as salaries, pensions, interest payment and welfare payments which are done through set procedures, regulation and laws. Hence, the recurrent payments that required to be gone through procurement procedure in respect of goods and services were limited to Rs.129 billion. These payments involved purchase of consumables, maintenance related goods and services and new commitments in connection with contractual commitments of recurrent nature. The major procurement involved fertilizer, pharmaceuticals, school uniforms and text books.

Out of Rs. 1,292 billion of capital provision, a sum of Rs. 703 billion was incurred on

account of debt repayments which are made in terms of repayment schedules of relevant agreements entered in to in terms of applicable laws. Therefore, capital expenditure amounting to Rs. 455 billion involved acquisition of fixed assets and financial assets, rehabilitation and improvements of fixed assets and implementation of infrastructure development projects. As Rs. 43 billion was accounted for ongoing contractual arrangements carried forward from 2012, only Rs. 412 billion worth of contracts and commitment related payments were made in 2013. These commitments and associated payments were made under various procurement arrangements depending on the nature of financing either domestic or foreign.

Public expenditure on procurements is financed by resources received through revenue, domestic borrowings and foreign loans and grants. Government Procurement Guidelines 2006 has been prepared recognizing procurement systems of development partners such as World Bank, Asian Development Bank, Japan Bank for International Corporation to ensure that more competitive practices are followed in securing goods and services for the government. However, procurements made under foreign financing arrangement required to comply with their own procurement systems while Government Procurements Guidelines apply to all procurement financed by domestic resources.

Table 13.1 > Value of Procurement Transactions in 2013

Category of expenditure	Budgetary Provision	Rs. (bn)
		Actual
Consumables	128	105
Maintenance	5	5
Services & Contractual arrangements	22	19
Rehabilitation & Improvement of Fixed Assets	34	27
Acquisition of Fixed Assets and Financial Assets	321	275
Investments in Infrastructure Development	190	153
Total	700	584

Source: Department of State Accounts

Table 13.2 > **Comparison of Procurement Transaction : 2012 - 2013**

Category of expenditure	2012		2013	
	Value (Rs. Bn)	Share (%)	Value (Rs. Bn)	Share (%)
Consumables	50	12	105	18
Maintenance	3	1	5	1
Services & Contractual arrangements	9	2	19	3
Rehabilitation & Improvement of Fixed Assets	26	6	27	5
Acquisition of Fixed Assets and Financial Assets	174	40	275	47
Investments in Infrastructure Development	170	39	153	26
Total	432	100	584	100

Source: Department of State Accounts

13.2 Sectoral Distribution of Public Procurement

The sectoral distribution of public procurement indicates that in respect of capital expenditure the largest number of procurement activities were connected with infrastructure development programs while a large number of procurement activities in respect of current expenditure have taken place in regard to procurement of fertilizer and pharmaceutical products. A broader classification as per the sector activities are given in Table 9.3.

The total value of expenditure disbursed for infrastructure such as Roads, Water, electricity, Transport and Construction is about Rs. 222 billion which is 39 percent of total procurement value represents the largest procurement value in 2013. Real Economy sector represents the second largest procurement value. The total procurement value involving procurement of fertilizer, seeds, plants, agricultural equipment as well as construction of irrigation systems, rural roads, 'Sathi Pola' and other community based facilities is Rs.122 billion which is about 21 percent of total procurement value in 2013. Human Resource sector which includes health and education is the third largest area of procurement transactions considering the

high involvement of government in providing free education and health. This includes expenditure on school infrastructure, furniture and equipment, text books, School uniforms, medical and pharmaceutical products, hospital buildings or equipment, outpatient and public health services, research and experimental development related to health. The total procurement value of this sector is Rs. 85 billion which is about 15 percent of total procurement value in 2013. Procurement transaction value in relation to the construction on Defence Head Quarters, Rehabilitation of Colombo Municipal roads and procurement of services related to e-NIC project and logistics for three forces amounted to Rs. 79 billion. This was the fourth largest procurement value.

Ministry of Ports, Highways & Shipping has disbursed Rs.131 billion which accounted for 22 percent of procurement transactions. Ministry of Defence & Urban Development, Ministry of Economic Development and Ministry of Health have disbursed Rs. 75 billion, Rs. 61 billion and Rs. 49 billion which is about 13 percent, 10 percent and 8 percent out of total procurement related expenditure respectively. These ministries have large number of Procurement Committees, Technical Evaluation Committees and Procurement Planning Committees.

Table 13.3 > **Public Procurement Transactions by Sectors in 2013**

Sector	Current	Capital
Public Services	7	43
National Security	44	35
Social Security	-	1
Human Resources	43	42
Infrastructure	7	222
Agriculture and Irrigation (Real Economy)	22	100
Environment	1	3
Finance	5	9
Total	129	455

Source: State Accounts Department

13.3 Procurement Arrangement

Public expenditure is financed by domestic resources (GOSL) as well as foreign finance received from multilateral/bilateral development partners (procurement by source of finance is shown in chart 13.1). A greater portion of public procurement has been disbursed from domestic resources through open competitive bidding procedure as per Government Procurement Guidelines. Such procurements for efficient administration is carried out through delegated responsibilities. In the case of projects supported by external

sources, procurements are carried out as per the financing agreements with the concurrence of respective development partners.

Funding arrangement from Export credit often required Exim Bank procedures to follow in selecting contracts generally. Lending governments either designate suppliers or required procurements of related items and contractual services from their own country or lender country companies elsewhere.

The community based organizations are selected in respect with PF Circular 1/2012 which spells out the procedures and conditions with regard to the disbursement of small scale of contract values. The contractual arrangements with community based organizations are done largely on field level small scale projects.

In view of giving more flexibility for Community Based Organizations' (CBO's) and other contractors involved in field level small scale development works in district/ divisional secretariat level/areas, special procurement arrangements have been made to ensure sustainable regional development. These arrangements are explained in Table 13.4 below.

Chart 13.1 > Procurement by Source of Finance

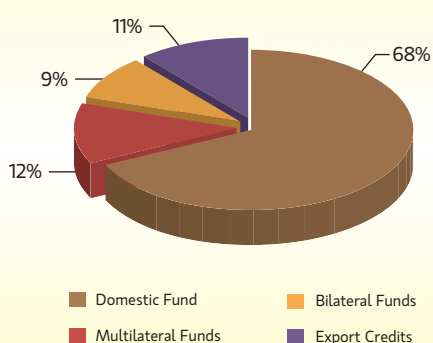


Table 13.4 > **District/ Divisional Level Procurement Arrangements**

Type	Selection Method	Policy	Circular/Guidelines
Community based commitments	Direct contracting, (contracts not exceeding Rs. 2 Mn.)	capacity of the society for execution of work is assessed by a Committee comprising 3 members	Government Procurement Guidelines -Ref: 3.9.1 2006 PF Circular 01/2012
District/ Divisional Level Development Activities	Inviting bids from registered contractors by District Secretary (DS) including approved societies	Contractors within the DS Division are registered by calling Application for Registration at least once in two years When approved societies are competing with other contractors, 5% of preference may be given for societies	Government Procurement Guidelines -Ref: 3.9.4
Deyata Kirula Special Projects	Limited Competitive Bidding from State owned construction organizations or registered contractors by District Secretary (DS) including approved societies	Contractors are selected by Procurement Committee appointed for this project assisted by a Technical Evaluation Committee established under District Secretariat	Approval of the Cabinet of Ministers
Minor works/ goods using Petty Cash	Shopping/ Direct Contracting upto Rs.100,000	Introduction of Bank Pre-paid Card Method, within the maximum limit of Rs.100,000	PFD Circular 02/2013

13.4 Administration of Public Procurement

Public Procurement is an integral part of Public Financial Management System. Government Procurement Guidelines 2006 as amended and best practices introduced from time to time provide a framework ensuring transparency, fair competition and accountability in public procurement.

Public procurements are administered by a large number of Procurement Committees with the assistance of Technical Evaluation Committees and Procurement Planning Committees. In 2013, a large number of procurement committees were established under 203 government institutions including Ministries, State owned Enterprises, Departments, Special Spending Units, District Secretariats and Provincial Councils involved in procurements. These committees comprised with representatives from government institutions, private sector and academia who have expertise in a wide range of disciplines (The number of these committees under CAPC value threshold in procurement

process in 2013 under respective line ministries is shown in the Annex 01).

Efforts are being made to strengthen the procurement capacity of public sector officials in these organizations who are assigned procurement functions. As a further step to streamline and improve efficiency in procurement system as well as to improve public expenditure management, procurement planning committees have also been set up in respect of pharmaceutical, fertilizer etc.

Department's level procurements with domestic funds are allowed for transactions value less than Rs. 50 million through open or limited competitive bidding while smaller value procurements are permitted to perform calling three quotations from registered suppliers. Ministry level procurements with domestic funds are allowed for value below Rs. 150 million. Procurement expenditure with domestic funds in excess of Rs.150 million is permitted only under Cabinet Appointed Procurement Committees.

Policy Framework Governing Public Procurement

A well developed policy on Public Procurement will help meet the aspirations of many stakeholders. A stable framework consisting of regulations, guidelines, rules and manuals is essential for promoting public trust through transparent, fair, and competitive procurement to avoid improper, wasteful or fraudulent practices in procurement while ensuring quality procurements at lowest cost take place.

Public procurement is an integral part of the Public Financial Management. The basic framework of the financial management elaborated through legislations, rules and regulations in realizing efficient utilization of public resources. Financial Regulations (FR) being the most significant regulation provide fundamental legislative framework in managing public resources.

Government Procurement Guidelines and related amendments govern procurement of Goods, Services and Works. These guidelines provide guiding principles, scope & coverage of procurement and standards governing the procurement process enhancing economy, efficiency, transparency and fairness of public procurement. Public procurement system permits the delegation of authority to administer procurement activities within

the value thresholds set up for various levels of Procurement Committees which comprises experts in a wide range of discipline, assuring time efficient procurement. Awarding of high value procurements are approved by the Cabinet of Ministers based on the recommendations of the CAPC/SCAPC along with the observation of the Minister of Finance.

These guidelines also provide room for unsuccessful suppliers who is not satisfied with recommendation of the procurement committees to make representations to the Procurement Appeal Board at Presidential Secretariat. Having investigated such representations, the PAB make recommendation to the Cabinet of Ministers either endorsing CAPC decision or their independent recommendation against the CAPC decision giving more transparency and accountability.

In case of projects/programmes financed by borrowing arrangements with development partners, provisions of the lending agencies procurement guidelines and provisions of the loan agreement apply as appropriate. Contract awards in these procurements shall require concurrence of the development partners in addition to PAB investigation giving more transparency and accountability.

13.4.1 Functioning of Standing Cabinet Appointed Procurement Committees (Special) in 2013

Assuring timely and efficient procurement, Standing Procurement (Special) Committees have been appointed for major ministries to deal with high value procurements. These committees are also permitted to function as Cabinet Appointed Negotiating Committees

(CANCs) when procurements are involved negotiations. Members of those SCAPCs and CANCs are nominated considering their relevant areas of expertise. Accordingly 26 Standing(Special) Cabinet Appointed Procurement Committees (SCAPCs) have been formed with five members per committee depending on their areas of expertise with the approval of the Cabinet of Ministers (No. of

SCAPC special committees and their operation during the year 2013 is in Annex-2).

13.4.2 Standing Cabinet Appointed Review Committee (SCARC) to review unsolicited/standalone Proposals

Recognizing the increasing number of unsolicited development project proposals submitted to line Ministries by prospective investors and financiers extending diverse financial terms for project financing, Government has streamlined the process to be followed in relation to unsolicited development proposals which are recognized in "Guidelines on Government Tender Procedure Part II"-1998. Accordingly, Line Ministries are required to obtain approvals from the Standing Cabinet Appointed Review Committee (SCARC) as well as recommendations and directives from the Department of National Planning, Department of External Resources and the Central Bank of Sri Lanka prior to making any commitments to such proposals. Contracting companies nominated by funding agencies/governments are also evaluated in terms of their suitability, experiences and work records in other countries as well as ownership or company status in home country.

The SCARC is expected to advice on the manner in which such proposals should be proceeded with. Only the projects which are of significant importance in the public investment plan from economic and social development viewpoint and expected to generate substantial amount of value addition are considered by the SCARC for further proceedings. All these proposals are subsequently evaluated by Cabinet Appointed Procurement Committees, or Negotiation Committees assisted by Technical Evaluation Committees and Project Committees as appropriate. Ultimate

recommendations are approved by the Cabinet of Ministers before contracts are awarded (Proposals approved under this system by the Cabinet of Ministers during year 2013 is shown in Annex-3).

13.4.3 Administering the Cost overrun

With the purpose of managing unexpected increases of project costs that would result undue burden to the national budget, a Cost Estimate Examination Committee (CEEC) has been appointed. Having examined and considered the current status of the project, the suitability and the fairness of the proposed cost variations as well as the possibility of allocation of additional financial provisions, the CEEC makes its recommendations on the proposed cost variations (No. of contract cost variations screened by CEEC during 2013 is shown in Annex-4).

13.4.4 Forming a pool of expertise for Technical Evaluation Committees

Procurement Committees are assisted by Technical Evaluation Committees (TECs) which include experts of relevant fields. Efforts are being made to implement an accreditation scheme to create a pool of experts in wide range disciplines for consideration of TECs in order to form TECs with diverse experiences and skills. Further, appointments per member at a given time have been limited for three committees to ensure desired attention to every aspects of the relevant procurement.

13.4.5 Grievance redress framework in Selection of Contractors/Suppliers

The Procurement Appeal Board (PAB) functioning under Precedential Secretariat is an additional mechanism to ensure transparency and consistency of selection process and to avoid anti-competitive practices by investigating representations received from the unsuccessful bidders. Thirty one (31) appeals have been considered in 2013.

13.4.6 Procurement Planning Committees

Recognizing the market volatilities and importance of timely availability of pharmaceutical products, petroleum & petroleum related products and fertilizer where a large number of bid packages spread over a long time span, following procurement planning committees have taken place to assist the SCAPCs to ensure timely and cost effective procurement based on proper need assessment.

- Procurement Planning Committee for pharmaceuticals under the Ministry of Health
- Procurement Planning Committee for fertilizer under the Ministry of Agriculture

13.5 Procurement methods used in selecting of contractors/suppliers

Procurement methods used are varied depending on the source of finance and relevant guidelines as appropriate. Irrespective of source of financing most contracts/procurements are completed through competitive bidding using relevant Procurement Guidelines ensuring transparency and accountability. In the context that sufficient linkage of public expenditure could help expanding domestic production capacities, Government has recognized providing preference to domestically manufactured goods by local bidders who participate in goods, works and supply contracts using local raw materials, labour and other factors. For projects with foreign financing too domestic preference was offered in evaluating bids received under international bidding. Procurement methods used in selecting contractors under different source of financing are shown in Table 13.5.

Table 13.5 > **Procurement methods used in selecting contractors under various sources of finance**

Source of Finance		Selection Method		Relevant Guidelines/Policy
GOSL	GOSL Financing	NCB		Government Procurement
		> 5 Mn for works		Guidelines 2006 as amended/
		> 2 Mn for goods and Services		Public Financial Management
		ICB (Special circumstances such as inadequate local capacity to handle the contracts/consultancy services)		Regulations
Multilateral Funds	World Bank (WB)	Works	National Shopping	In addition, 20% of domestic preference for supply contracts and 15% of domestic preference for work contracts is given.
			< 5 Mn for works	
			< 2 Mn for goods and Services	
		Goods and Non Consulting Services	ICB - ≥ USD 10 Mn	World Bank Procurement Guidelines
			NCB - < USD 10 Mn	
			Shopping - ≤ USD 50,000	
		Consultancy Service	ICB - ≥ USD 1 Mn	15% of domestic preference for supply contracts and 7.5% of domestic preference for work contracts with the agreement of WB at the time of loan formulation.
			NCB - < USD 1 Mn	
			Shopping - ≤ USD 50,000	
			Competitive methods	
			Internationally - > USD 300,000	
			- locally ≤ USD 300,000	
			- Selection based on the Consultants' qualifications < USD 200,000	

	Source of Finance	Selection Method	Relevant Guidelines/Policy
	Asian Development Bank (ADB)	ICB > USD 5 Mn NCB < USD 5 Mn	ADB Procurement Guidelines Contract awards are required concurrence of the ADB. Contracts are awarded with the approval of Cabinet of Ministers. 15% of domestic preference for supply contracts and 7.5% of domestic preference for work contracts with the agreement of ADB at the time of loan formulation.
	IFAD(UN)	ICB/NCB	IFAD Procurement Guidelines
	OFID	ICB	OFID Procurement Guidelines
Bilateral Funds	Japan International Corporation Agency (JICA) / Japan Bank for International Corporation (JBIC)	mutually agreed at the time of loan formulation	JICA Procurement Guidelines Contract awards are required concurrence of the JICA.
	KOICA - Korea (EDCF)	Designated contractors from Korea	Guidelines for procurement under EDCF loan. Contracts are awarded on the recommendation of CAPC.
	Saudi Fund	ICB	SFD Procurement Guidelines
	Kuwait	ICB	KFAED Procurement Guidelines
	France (AFD)	ICB	AFD Procurement Guidelines
	Others	ICB	Relevant Procurement Guidelines shall prevail
	Other Developed Countries (USA/ UK/ Australia etc...)	Designated contractor by the lending government	Designated contractors' capability and project viability is screened by the Cabinet Appointed Negotiating Committee assisted by Project Committee.
Export & Import (EXIM) Bank	India	Designated contractors from India	
	China	Designated Chinese contractor (single source)	Funding terms are negotiated by the Department of External resources
Unsolicited Proposals	As applicable	Designated contractor with funding arrangement	Screened by the Standing Cabinet Appointed Review Committee (SCARC) supported by CANC and PC. Approval of the Cabinet of Minister's is required.

National Open Competitive Bids are invited from local suppliers/contractors for the projects implemented with local funds while International Bids are invited when there is a limitation in the capacity of local suppliers/contractors. In such cases slicing and packaging of contracts is considered giving maximum opportunity to local contractors to support the growth of local construction industry. National Competitive Open Bids or International Competitive Bids are invited in terms of agreements entered with development partners for projects financed by foreign funds.

Action is being taken to give maximum publicity to Invitation for Bids/ Request for Proposals

through various media in calling National and International Competitive Bids. Price quotations are called from registered suppliers or suppliers in Rainbow pages in Telephone Directory for procurement of works worth up to Rs.5 million and goods and services with the value upto 2 million.

Different level of procurement committees with varying financial thresholds appointed to administer public procurement through various procurement methods and specific other methods to address of different situations are given in Table 13.6 and 13.7 respectively.

Table 13.6 > **Value Thresholds for Different Procurement Committees under various Procurement Methods as per Government Procurement Guidelines 2006, as amended**

Authority	Procurement Method	Threshold/Rs.	
		GOSL Funded	Foreign Funded
Cabinet Appointed Procurement Committee/ Standing Cabinet Appointed (Special) Procurement Committee	National/ International Competitive Bidding (NCB/ICB)	above 150 Mn.	above 500 Mn.
	A deviation is possible in very urgent/ exceptional circumstances	above 10 Mn.	-
Cabinet Appointed Consultancy Procurement Committee	Quality, Cost Based Selection (QCBS)/ Quality Based Selection (QBS)/ Fixed Budget Selection (FBS)/ Least Cost Selection (LCS)	above 100 Mn.	above 200 Mn.
Ministry Procurement Committee	National/ International Competitive Bidding (NCB/ICB/QCBS etc)	up to 150 Mn.	up to 500 Mn.
	National Shopping (Works) Minimum five quotations	up to 5 Mn.	up to 5 Mn.
	National Shopping (Goods & Services) Minimum five quotations	up to 2 Mn.	up to 3 Mn.
	Minimum three quotations	up to 1 Mn.	up to 1 Mn.
	A deviation is possible in very urgent/ exceptional circumstances	up to 10 Mn.	
Chief Accounting Officer	National Shopping(Works) Minimum three quotations	up to 500,000	
	National Shopping (Goods & Services) Minimum three quotations	up to 250,000	
	Direct Contracting Smaller repair Works Goods and Services	up to 250,000 up to 100,000	As agreed in the Loan/ Credit Agreement
	Direct Purchasing Works Goods and Services	up to 100,000 up to 50,000	
Department Procurement Committee/ Project Procurement Committee	National/ International Competitive Bidding (NCB/ICB/QCBS etc)	up to 50 Mn.	up to 150 Mn.
	National Shopping(Works) Minimum five quotations	up to 2 Mn.	up to 5 Mn.

Authority	Procurement Method	Threshold/Rs.	
		GOSL Funded	Foreign Funded
Head of Department/ Project Director	National Shopping (Goods & Services)	up to 2 Mn.	up to 3 Mn.
	Minimum five quotations	up to 1Mn.	up to 1 Mn.
	Minimum three quotations		
	A deviation is possible in very urgent/ exceptional circumstances	up to 5 Mn.	
	National Shopping (Works)	up to 500,000	
	Minimum three quotations		
	National Shopping (Goods & Services)	up to 250,000	
	Minimum three quotations		
	Direct Contracting	up to 250,000	As agreed in the Loan/ Credit Agreement
	Smaller repair Works	up to 100,000	
Regional Procurement Committee	Goods and Services		
	Direct Purchasing	up to 100,000	
	Works	up to 50,000	
	Goods and Services	up to 100,000	
	Repair motor vehicle/ equipment		
	National/ International Competitive Bidding (NCB/ICB/QCBS etc)	up to 5 Mn.	up to 5 Mn.
	Shopping (Works)		
	Minimum five quotations	up to 1 Mn.	up to 1 Mn.
	Shopping (Goods & Services)	up to 500,000	up to 500,000
	Minimum five quotations		

Table 13.7 > **Other Specific Methods of Procurement to Address Different Situations as per Procurement Guidelines 2006 as amended**

Guidelines Reference	Description
3.3 - Limited / Restricted International Bidding (LIB) and Limited National Competitive Bidding (LNB)	Possible where only few sources of supplying are available. In this process the invitation for bid is directly addressed to a pre-selected list of International/National suppliers and contractors.
3.6 - Repeat Order	Limited to a 50 per cent of the original contract value prior to the expiry of 6 months from the date of award of a contract.
3.7 - Force Account	A Force Account which means the execution of work by using an entity's own equipment and personal (e.g. Water Board, RDA etc.) in instances where quantities are difficult to define, contractors are unlikely to bid, execution has to be carried out without interrupting ongoing work or in an emergency situation needing urgent attention.
3.8 - Emergency Procurement	Possible in an exceptional situations such as in the case of a manmade or natural disasters or to meet an unforeseen social obligations or a similar situations which shall be determined and declared by the Government. If any procurement is above the threshold stipulated in Guidelines, a formal approval shall be obtained from the relevant authority at the first available opportunity.
3.9 - Community Participation	In view of project sustainability, to achieve social objectives such as creating employment in a geographical area, participation of local Community Based Organizations (CBOs) is possible.

13.6 Procurement Challenges

Varying degree of deficiencies and shortcomings are reported with regard to the procurement operations. With regard to the recurrent expenditure, the common shortcomings such as lack of advance preparedness and regular need assessments, breaking of large volumes into smaller transactions, poor stock management and distribution systems and lack of clarity in product specifications are regular occurrences especially in procurement of pharmaceutical, medical equipment and fertilizer. Cartelization by bidders, representations by agents and registration shortcomings have also come to the surface. Frequent mis-procurements occur due to these reasons requiring emergency procurement or deviation from the accepted procedures or announced procurement

decision. The active involvement of procurement planning committees and orderly procurement arrangements, short listing of reputed suppliers and expanding domestic manufactures base for essential drugs and similar products, and store management to ensure regular supply at lowest cost must receive attention.

With regard to capital expenditure the common weaknesses include lack of early projects preparation, poor implementation, time delay in consultancy arrangement, inadequate coordination among utility agencies and poor coordination in planning at conceptual stage in which environment and community involvement could make project implementation less costly. Most agencies are also seen to overlook supervisory capacity and need to have dedicated project management and monitoring teams.

Annex-1

Procurement Committees and Technical Evaluation Committees in 2013 (CAPC value threshold)

Ministry	No of Committees					Total
	SCAPCs	CAPCs	CACPCs	CANCs	TECs/PCs	
Defence & Urban Development	1	-	-	-	23	24
Finance & Planning	1	-	-	1	8	10
Highways, Ports & Shipping	4	1	3	-	88	96
Irrigation and Water Resources Management	1	-	-	-	3	4
Health	2	-	-	-	12	14
Petroleum Industries	1	-	-	1	2	4
Livestock and Rural Community Development	-	-	-	1	1	2
Water Supply & Drainage	2	-	-	-	42	44
Local Government and Provincial Councils	1	-	-	-	1	2
Power & Energy	1	-	1	-	22	24
Justice	-	2	-	-	2	4
Economic Development	1	-	-	-	1	2
Higher Education	1	-	-	-	21	22
External Affairs	-	1	-	-	1	2
Public Administration & Home Affairs	1	-	-	-	1	2
Environment & Renewable Energy	-	-	1	-	-	1
Education	1	-	-	-	1	2

contd...

Ministry	No of Committees					Total
	SCAPCs	CAPCs	CACPCs	CANCs	TECs/PCs	
Law & Order	1	-	-	-	2	3
Sports	-	1	-	1	3	5
Agriculture	1	1	-	-	6	8
Mass Media and Information	-	1	-	-	1	2
Transport	1	-	-	-	8	9
Rehabilitation & Prison Reforms	-	3	-	-	3	6
Construction, Engineering Services, Housing & common Amenities	1	-	-	-	-	1
Disaster Management	1	-	-	-	-	1
Civil Aviation	1	-	1	2	6	10
Plantation Industries	1	-	-	-	-	1
Culture and the Arts	-	1	-	-	1	2
State Resources and Enterprise Development	-	2	-	-	2	4
Investment Promotion	-	1	-	-	1	2
Educational Services	-	2	-	1	3	6
Secretariat to the President	-	2	-	2	2	6
Sri Lanka Parliament	-	2	-	-	2	4
Total	25	20	6	9	269	329

Annex-2

Functioning of the Standing Cabinet Appointed Procurement Committees (Special) in 2013

Name of the Ministry	Purpose	No. of procurements handled	Value of procurements (Rs. Mn)
Health	Procurement of pharmaceuticals	10	2,344
Health	Procurement of non-pharmaceuticals	4	2,325
Water Supply & Drainage	Domestic and multilateral fund related procurements	9	56,864
Water Supply & Drainage	Bilateral fund related procurements.		
Economic Development	All procurements at CAPC threshold	1	301
Power & Energy	All procurements at CAPC threshold	24	40,799
Petroleum Industries	Procurement of Petroleum & Petroleum Related Products	83	342,500
Defence & Urban Development	All procurements at CAPC threshold including departments and statutory bodies coming under its purview	21	37,548
Finance & Planning	All procurements at CAPC threshold	1	1,317
Highways, Ports & Shipping	Highway project involving of domestic funds	35	72,355

Annex-2

contd...

Functioning of the Standing Cabinet Appointed Procurement Committees (Special) in 2013

Name of the Ministry	Purpose	No. of procurements handled	Value of procurements (Rs. Mn)
Highways, Ports & Shipping	Highway projects involving d funds from bilateral sources	15	19,453
Highways, Ports & Shipping	Highways projects involving funds from multilateral sources	9	10,592
Highways, Ports & Shipping	Ports development activities	2	56,616
Agriculture	Purchase of fertilizer	6	21,700
Transport	All procurements at CAPC threshold	4	1,480
Construction, Engineering Services, Housing and Common Amenities	All procurements at CAPC threshold	-	-
Civil Aviation	All procurements at CAPC threshold	2	16,055
Higher Education	All procurements at CAPC threshold	13	3,984
Public Administration and Home Affairs	All procurements at CAPC threshold	1	109
Education	All procurements at CAPC threshold	2	2,122
Irrigation and Water Resources Management	All procurements at CAPC threshold	-	-
Local Government and Provincial Councils	All procurements at CAPC threshold	3	3,065
Disaster Management	All procurements at CAPC threshold	-	-
Plantation Industries	All procurements at CAPC threshold	-	-
Law & Order	All procurements at CAPC threshold	1	124

Annex-3

Unsolicited/EXIM Bank Financed Proposals Approved by the Cabinet of Ministers during year 2013

No	Name of the project	Project cost	Project proponent	Source of financing
Ports, Highways & Shipping				
1	Outer Circular Highway(OCH) Project Construction of 9.32 Km long section from Kadawatha to Kerawalapitiya (Northern Section II)	US\$ 520 Mn.	Metallurgical Corporation of China Ltd.	China EXIM Bank
2	Reconstruction of bridge No.38/3 Paliyagada- Puttlam Road(Kochchikade Bridge	Euro 8.7 Mn.	BILFINGER	Raiffeisen Bank International AG
3	Construction of Out Circular Road in Trincomalee	US\$ 272 Mn.	Hunan Road Bridge Group Corporation	Industrial and Commercial Bank of China Ltd
4	Construction of Expressway from Hambantota Seaport to Mattala Airport	US\$ 412 Mn.	China Harbour Engineering Company Limited	Export-Import Bank of China
5	Extension of the Southern Expressway from Matara to Beliatta	US\$ 804 Mn.	China Aero Technology Engineering Corporation	Export-Import Bank of China
6	Extension of Southern Expressway from Beliatta to Wetiya	US\$ 430 Mn.	China Hunan Expressway Project Construction	Export-Import Bank of China
7	Construction of selected roads in Hambantota International Hub Development	US\$ 252 Mn.	China State Construction Engineering Co Ltd	Export Import Bank of China
Water Supply & Drainage				
1	Monaragala & Buttala Integrated Water Supply Project	Euro 23.98 Mn	M/s Besix, SA, Belgium	KBC Bank, Belgium (85%), HNB Bank (15%)
2	Gampaha, Attanagalla, Minuwangoda Integrated Water Supply scheme	US\$ 229.5 Mn.	China Machinery Corporation, China	EXIM Bank of China
3	Greater Matale Water Supply Project	Euro 156 Mn.	M/s OTV - SADE consortium, France	Credit Agricole of France & HNB
4	Waste Water Infrastructure for Greater Hambantota	US\$ 75 mn	JV of M/S China Textile Industrial Corporation for foreign Economic and Technical corporation(lead partner), China Machinery TDI International Co.Ltd& China Mechanical Engineering and Construction corporation	China Development Bank
5	Sewerage Infrastructure for Katharagama Sacred City	Euro 10.5 Mn.	STRABAG, Austria	UniCredit Bank Austria
6	Kirama & Katuwana Integrated Water Supply scheme	Euro 10.5 Mn.	UNIHA, Austria	UniCredit Bank Austria

Annex-4

Cost Variations screened by the Cost Estimates Examination Committee (CEEC) in 2013

Line Ministry	Received in		Recommended
	2012	2013	
Ministry of Buddhasasana & Religious Affairs	-	1	-
Ministry of Civil Aviation	-	1	1
Ministry of Culture & the Arts	-	1	-
Ministry of Defence & Urban Development	5	-	1
Ministry of Education	-	1	-
Ministry of Finance & Planning	-	1	-
Ministry of Health	-	2	-
Ministry of Higher Education	4	1	-
Ministry of Indigenous Medicine	-	2	-
Ministry of Irrigation & Water Resources Management	1	1	1
Ministry of Petroleum Industries	-	1	-
Ministry of Highways, Ports & Shipping	1	11	10
Ministry of Power & Energy	1	-	1
Ministry of Rehabilitation & Prison Reforms	-	1	-
Ministry of Sports	-	2	1
Ministry of Technology, Research & Atomic Energy	-	1	-
Ministry of Water Supply & Drainage	1	4	2
Office of the leader of the Opposition	-	1	-
Total	13	32	17

CADRE MANAGEMENT IN THE PUBLIC SECTOR

14.1 Overview

An appropriate cadre of the public service is an essential component in maintaining a satisfactory performance of the role assigned to the public sector. In the post 2005 period, steps have been taken to address cadre needs of the public sector, following the erosion in public service delivery system due to recruitment embargo that was in force during the previous two decades to trim public services. In the context of rural centric development emphasis in Mahinda Chintana Vision for the Future, the expansion of education, health, agriculture and relevant extension services was a priority to facilitate the development objectives. The expansion of

- Total public sector employment is 1,298,529 which is 91 percent of approved cadre in 2013. It is increased by 60 percent since 2003.
- Male and female participation in the ministries and departments of national level is 54 percent and 46 percent respectively. However, female representation in provincial councils and local authorities is 55 percent.
- 66 percent of the public sector cadre is over 35 years of age.

cadre composition and its utilization is given in Table 14.1.

Table 14.1 > **Public Sector Cadre Composition 2003 - 2013**

Administrative Level		Year										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
National	App	524,696	530,846	559,914	563,620	579,615	635,711	680,442	698,335	705,331	710,909	796,266
	Act	381,186	389,400	437,248	469,065	505,900	557,590	607,717	643,748	643,399	661,837	683,719
Provincial Councils and Local Authorities	App	321,675	323,560	336,714	348,870	358,604	362,755	364,396	367,207	367,730	385,562	391,647
	Act	252,543	256,724	267,955	281,219	283,885	290,162	296,714	332,107	363,248	378,933	375,752
Total Public Service	App	846,371	854,406	896,628	912,490	938,219	998,466	1,044,838	1,065,542	1,073,061	1,096,471	1,187,913
	Act	633,729	646,124	705,203	750,284	789,785	847,752	904,431	975,855	1,006,647	1,040,770	1,059,471
	Cad. Uti.	75	76	79	82	84	85	87	92	94	95	89
SOEs and State Banks	App	208,563	208,689	215,611	218,957	222,377	226,197	227,224	227,792	228,326	245,100	245,687
	Act	175,432	180,234	195,439	205,441	224,443	229,445	234,547	236,121	236,543	239,079	239,058
Total Public Sector	App	1,054,934	1,063,095	1,112,239	1,131,447	1,160,596	1,224,663	1,272,062	1,293,334	1,301,387	1,341,571	1,433,600
	Act	809,161	826,358	900,642	955,725	1,014,228	1,077,197	1,138,978	1,211,976	1,243,190	1,279,849	1,298,529
	Cad. Uti.	77	78	81	84	87	88	90	94	96	95	91
No. of Pensioners		400,583	411,427	418,923	430,153	438,190	445,120	456,113	473,762	493,549	510,343	521,623

App — Approved cadre

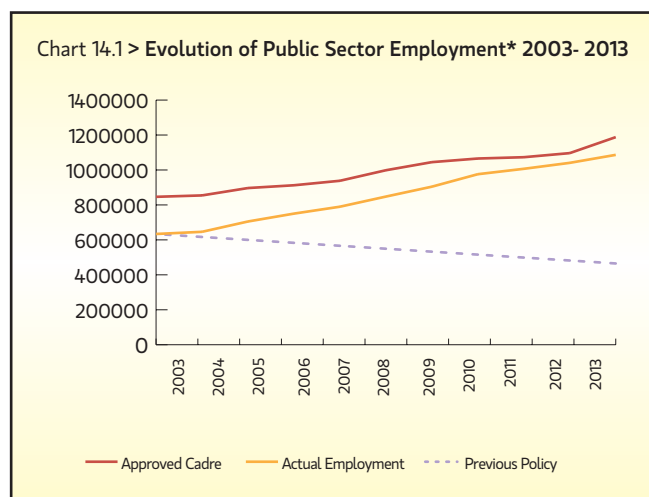
Act — Actual number of employees

SOE — State Owned Enterprises

Cad. Uti.-Cadre Utilization (%)

Source: Department of Management Services, Department of Pensions

The total public sector employment is increased by 60 percent in year 2013 compared to 2003 while cadre utilization increased from around 77 percent to 91 percent. This increase was mainly due to the removal of restrictions on public service recruitments and filling vacancies as well as creation of new cadre positions to accommodate emerging needs. The actual number of posts utilized is 91 percent out of the total approved cadre of the public sector which is 1,433,600 in 2013, due to shortage of qualified applicants for some posts and administrative and procedural delays in the recruitment process, etc.



Source: Department of Management Services,
*Excluding the employees of State Owned Enterprises and State Banks

Evolution of the cadre has been diversified due to the policy decisions taken in time to time related to the public sector employment. Structural Policy Adjustment system has been introduced to the cadre of the public sector during the period of 2001-2002 by focusing the market driven economic policy. Accordingly the anticipated public sector employment is

450,000 by 2013. By 2003, there were only 633,729 employees in the public service. i.e. public sector employees except the State Owned Enterprises and State Banks. However, under the government policy framework, the development process has been accelerated and public sector employment also expanded simultaneously since 2004.

Table 14.2 > Recruitment of employees to the public service during 2005 - 2013

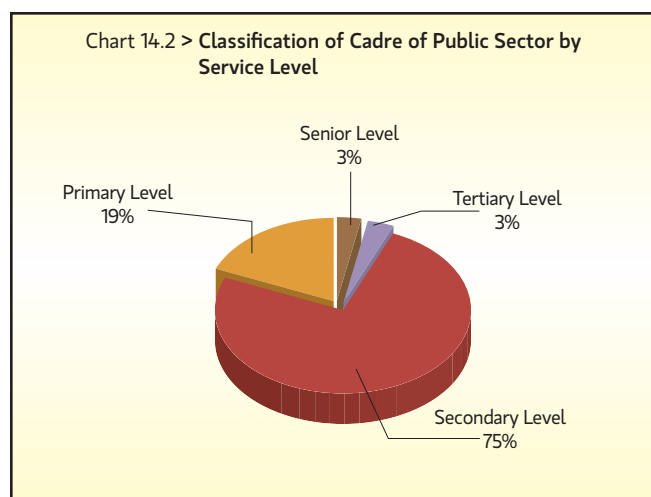
Profession	Total
Planner	846
Administrator	1,133
Education Administrator	1,825
Engineer	986
Accountant	495
Doctor	8,736
Nurse	28,365
Public Health Midwife	3,090
Public Health Inspector	392
Teacher	112,662
Development Officer	88,069
Police Officer	35,269
Security Personnel	151,564
Management Assistant	20,759
Other	70,000
Total	524,191

Source: Ministry of Finance and Planning, Ministry of Health, Ministry of Public Administration and Home Affairs, Ministry of Education, Chief Secretary's Office - all the Provincial Councils

Being a conflict affected country, it is occurred an intensive recruitment of security personnel during the period of 2005-2013. Moreover, 21 percent of the total recruitments is teachers while 17 percent is Development Officers. This policy immensely contributed to minimize the unemployment rate and youth unrest of the country.

14.2 Service Level Distribution

Public sector comprises four categories of staff namely senior, tertiary, secondary and primary levels.



Source: Department of Management Services

Engineers, Judicial, Legal and Medical Officers, Executives who hold the managerial responsibilities engage three percent (3%) of the total cadre representing the senior level. Tertiary level, captures officers such as Administrative Officers, planning, accounting, regulatory, taxation staff, Enforcement Officers, Translators, etc entrusted with

supervisory activities assisting the senior level that contributes three percent (3%) of the entire public sector. Development Officers, Management Assistants, Nurses, Teachers, Soldiers of Tri forces and Police Constables and others serve at the secondary level which represents seventy five percent (75%) of the total public sector employment. This shows the nature of public service in Sri Lanka that engage a large number of teachers, nurses, extension officers and field level human resource and rural development to provide island wide education, health and rural centric services in the country. Service categories such as Drivers, Office Aides, etc. who represent nineteen percent (19%) of the total cadre of the public sector, provide primary supportive services.

Primary level category of the local authority level are engaged in providing essential and community based services such as street cleaning, street lighting, waste management and provision of other common amenities to ensure a safe, clean, healthy and productive environment for the public, accounts for sixty five percent (65) of the total employment.

Primary level is divided into three groups as skilled, semi-skilled and unskilled considering the technical/technological competencies of the employees with the intention to enhance

Table 14.3 > **Classification of Cadre of Public Sector by Service Level – 2013**

Administrative Level	Service Level				Total
	Senior	Tertiary	Secondary	Primary	
National	27,743	27,090	721,640	146,304	922,777
Provincial	13,681	15,313	236,589	60,873	326,456
Local Authorities	999	739	15,598	31,960	49,296
Total	42,423	43,142	973,827	239,137	1,298,529
Percentage	3%	3%	75%	19%	100%

Source: Department of Management Services

motivation. Employees who have vocational qualifications are categorized under the skilled category and it represents ten percent (10%) of the total cadre of primary level. Employees who have technical/technological competencies and work under supervision are considered as the semi skilled category which is twenty five percent (25%) of the total.

Focusing on demand for personnel with technological know-how in domestic and international labor markets, the government has highly concentrated on vocational and technical education. Accordingly, a National Vocational Qualification (NVQ) system has been introduced to skills improvement in this category.

National Vocational Qualification (NVQ) System

National Vocational Qualifications are designed to measure the competency of different vocational skills. The intention of having NVQ is to produce Sri Lankan workforce globally competitive, in order to suit industry specific, through a standardized Technical and Vocational Education system. This system is introduced for the Technical and Vocational Education and Training (TVET) sector by the Tertiary and Vocational Education Commission (TVEC), in association with the Skills Development Project.

Key objectives of introducing this system are

- To recognize vocational skills globally and match with market demand
- To recognize the certificates those possessed through the NVQ system
- To create an Internationally competitive workforce

NVQ Framework

- NVQ Level 1: Work under direct supervision, with pre-requisite skills
- NVQ Level 2: Work under continuous guidance
- NVQ Level 3: Work independently with occasional guidance and monitoring
- NVQ Level 4: Work independently and perform without any supervision
- NVQ Level 5: Self working and provide guidance
- NVQ Level 6: Managerial/Leadership
- NVQ Level 7: Planning, Implementation and Decision Making

Advantages of this system

- It is a Nationally recognized certificate.
- NVQ System has a high tendency for a foreign employment.
- The Skill Standards are prepared with the contribution of professionally competent personnel in the industry.
- The system encourages upgrading their career improvement through skills enhancement.

14.3 Sectoral Distribution

Table 14.4 > **Classification of Employees by Sectors - 2013**

Sector	National Level ¹			Provincial Councils	Local Authorities	Total	Percentage
	Public Service	Non-Commercial Entities	Commercial Entities				
Human Resource Development	82,809	33,974	2,683	283,792	18,251	421,509	32
Infrastructure	47,346	46,062	88,339	3,068	14,763	199,578	15
Economy	67,655	17,784	16,432	11,362	44	113,277	9
Banking and Finance	0	1,437	21,961	0	0	23,398	2
Civil Administration	59,181	2,369	6,244	28,234	16,238	112,266	9
Law and Order	126,582	0	0	0	0	126,582	10
Security	300,146	401	1,372	0	0	301,919	23
Total	683,719	102,027	137,031	326,456	49,296	1,298,529	100

Source: Department of Management Services

The highest number of cadre (32%) has been approved for the Human Resource Development sector which includes education and health services conforming to a public policy towards the provision of island wide access to healthcare and education services. Similarly, services have been devolved at provincial level in order to enhance accessibility to education and healthcare facilities to entire population. With the transformation of Sri Lanka to a middle income country, there is a strong need for the security services of the country in order to ensure law and order to complement its efforts to accelerate development in a secure

environment. Accordingly one third of the public sector employment is represented by the Tri forces, police and public security so as to fulfill this task. Presently, 15 percent of the total cadre is engaged in the infrastructure sector employment facilitating public investments, particularly in electricity, roads, irrigation, water supply and urban development. With the rapid economic growth in recent years with accelerated infrastructure development and climate of peace in the post conflict environment, Sri Lanka has gained momentum in creating employment opportunities and better incomes to the people engaged public and private sector.

¹ National level consists of Pensionable Public Service, Semi Government i.e. Universities, Budgetary Funded Corporations and Statutory Boards and Government Owned Business Enterprises including State Banks.

14.4 Cadre Distribution by Professions

At present, Sri Lanka has achieved 92nd place in Human Development Index through development of human resources in line with increase of physical and manpower resources. The student- teacher ratio at 18:1 places Sri Lanka in a superior place in the region. The persons to doctor ratio has declined from 2,104 in 2003 to 1,175 in 2013 while population served by a nurse declined to 662 from 813 showing the increase in such employees in the public service during the last few years. Actions have been taken to strengthen preventive healthcare while ensuring healthcare facilities in order to

create a healthy nation. Accordingly, number of Public Health Inspectors, Public Health Midwives, other officers engaged in the community health activities and curative services are maintained at a high level. Emphasis has been placed to attract the professional and technical staff required for the development in line with the government development policy framework.

Deployment of cadre required for providing a quality and efficient public service at periphery level is a major task of public sector human resource management. New posts are created on a need basis on each service category and in the context of changing demand.

Table 14.5 > **Classification of Employees of Public Sector by Professions - 2013**

Profession	National	Provincial	Total
Engineer	2,956	459	3,415
Doctor	10,196	4,919	15,115
Ayurvedic Medical Officer	533	1,551	2,084
Administrator/Manager	8,934	2,299	11,233
Education Administrator	210	2,142	2,352
Accountant	989	435	1,424
Planner	869	120	989
Lecturer	6,454	0	6,454
Veterinary Surgeon	61	508	569
Nurse	20,045	10,291	30,336
Public Health Inspector	134	2,098	2,232
Public Health Midwife	1,155	7,827	8,982
Teacher	34,772	191,381	226,153
Development Officer	23,078	10,862	33,940
Security Personnel	285,807	0	285,807
Police Officer	87,377	0	87,377
Technical Officer	1,626	1,633	3,259
Management Assistant	37,204	15,881	53,085
Grama Niladari	10,011	0	10,011
Postal Services Officer	4,241	0	4,241
Driver/Skilled Laborer	28,007	38,108	66,115
Semi-skilled Laborer	14,129	10,587	24,716
Office Aide/Unskilled Laborer	115,520	54,107	169,627
Other	228,469	20,544	249,013
Total	922,777	375,752	1,298,529

Source: Department of Management Services

14.5 Distribution of Professional Categories by District

The number of officers who deliver services to the public has been increased to enhance the

service delivery at each district. This facilitates to minimize the disparities in service delivery at district level while ensuring employee satisfaction through residential and living facilities.

Table 14.6 > **District wise deployment of Human Resources sector employees - 2013**

District	Population*	Children (0-17 yrs)	Teachers	Doctors	Nurses	Public Health Midwives
Colombo	2,326,147	601,268	16,455	5,528	7,360	578
Gampaha	2,312,879	620,359	15,735	1,215	2,646	707
Kalutara	1,227,504	351,810	10,736	587	1,388	580
Kandy	1,383,865	419,005	16,359	1,238	3,026	651
Matale	488,697	150,168	5,986	151	551	247
Nuwara Eliya	718,756	240,650	9,079	166	439	309
Galle	1,068,076	310,350	11,002	666	1,999	503
Matara	818,803	244,881	10,163	438	1,148	434
Hambantota	606,670	183,826	8,425	249	942	350
Jaffna	588,695	180,034	7,812	305	550	230
Killinochchi	115,696	43,385	2,125	24	54	65
Mannar	100,926	37,633	2,097	83	104	95
Vauniya	173,872	57,011	2,629	76	175	90
Mullaitivu	92,643	32,422	1,925	55	30	59
Batticaloa	529,011	194,181	8,621	532	616	269
Ampara	657,685	229,011	6,977	318	1,027	419
Trincomalee	384,103	140,644	5,310	230	292	187
Kurunegala	1,624,400	466,702	19,962	810	1,962	680
Puttalam	769,336	247,081	7,473	388	689	357
Anuradhapura	868,411	278,068	8,318	362	1,212	409
Polonnaruwa	407,743	126,147	7,312	184	550	190
Badulla	822,113	257,123	12,438	469	1,155	445
Monaragala	455,951	141,898	6,392	280	417	271
Ratnapura	1,096,789	314,674	11,990	412	1,279	462
Kegalle	844,366	237,804	10,832	349	725	395
Total	20,483,137	6,106,135	226,153	15,115	30,336	8,982

Source: Department of Census and Statistics, Ministry of Health, Ministry of Education

* Provisional

Table 14.7 > **District wise deployment of service employees in the Regional Development - 2013**

District	Population*	Administrators	Planners	Accountants	Grama Niladaries	Agricultural Officers**	Samurdhi Development Officers
Colombo	2,326,147	954	232	709	423	380	926
Gampaha	2,312,879	49	42	28	933	871	1697
Kalutara	1,227,504	48	38	25	608	656	1125
Kandy	1,383,865	75	37	67	880	1176	1832
Matale	488,697	45	23	15	347	508	855
Nuwara Eliya	718,756	31	20	9	346	408	790
Galle	1,068,076	60	38	56	656	795	1389
Matara	818,803	52	29	26	471	552	1130
Hambantota	606,670	43	27	18	405	600	896
Jaffna	588,695	37	23	52	279	30	702
Killinochchi	115,696	14	08	4	55	38	180
Mannar	100,926	15	10	11	113	34	229
Vauniya	173,872	17	12	11	66	35	207
Mullaitivu	92,643	21	10	4	92	23	183
Batticaloa	529,011	47	26	20	223	73	583
Ampara	657,685	59	39	21	287	280	892
Trincomalee	384,103	44	20	39	139	84	342
Kurunegala	1,624,400	96	43	76	1155	1545	2384
Puttalam	769,336	56	28	12	381	412	813
Anuradhapura	868,411	63	30	38	528	754	1087
Polonnaruwa	407,743	32	15	12	199	279	421
Badulla	822,113	44	26	29	392	580	995
Monaragala	455,951	34	22	14	208	388	562
Ratnapura	1,096,789	50	36	41	401	549	1064
Kegalle	844,366	39	35	21	424	485	924
Total	20,483,137	2025	869	1,358	10,011	11,535	22,208

Source: Department of Census and Statistics, Ministry of Finance and Planning, Ministry of Public Administration and Home Affairs, Ministry of Economic Development, Department of Agriculture, Chief Secretary's Office - all the Provincial Councils

* Provisional

**Agricultural officer includes Agriculture Inspectors, Agriculture Research and Production Assistants and Agrarian Development Officers.

14.6 Cadre Distribution by Gender and Age

14.6.1 Gender Distribution of Public Sector Employees

Table 14.8 > **Gender Distribution of Public Sector Employees - 2013**

Institutions	Male	Female	Total
Ministries/ Departments	54%	46%	100%
Provincial Councils & Local Authorities	45%	55%	100%
State Corporations and Statutory Institutions	68%	32%	100%

Source : Department of Management Services

According to the above table, contribution by women in the state corporations and statutory institutions seems comparatively lower than in Ministries, Provincial Councils and Local Authorities reflecting specific service nature. Female representation is high in Provincial Councils and Local Authorities. Women in the health and education sector accounts for 82 percent of the total Provincial Councils and Local Authority cadre. Women representation of Provincial Councils appears to be high, since a large number of posts such as Teachers, Nurses, Public Health Midwives etc. are vastly popular among female.

14.6.2 Age Distribution of Public Sector Employees

Population growth remains continuously at a low rate in Sri Lanka for years at one percent (1%). The country has confronted with several

challenges as a consequence of high population growth rate since 1960s to 1970s followed by lower growth in 1990, to date resulting in the trend towards aging of population and higher dependency ratio. As a result aged population has increased in the current labour force.

The table 14.9 shown below reveals that this situation is also apparent within the cadre of public sector as well.

Table 14.9 > **Age Analysis of Public Sector Employees - 2013**

Age (Years)	Percentage
<25	4%
25-35	30%
36-45	29%
46-55	26%
>56	11%

Source: Department of Management Services

Sixty six percent (66%) of public sector cadre is over 35 years. There is a possibility of continuation of this situation in the future, showing the aging population in the public service too. Therefore, attention should be drawn towards strategic planning in order to overcome this challenge from now onwards.

Aging labor force structure in public service shows the problems such as a delay in completion of studies owing to the practical issues faced by the youth entered into higher education and suspension of recruitments till 2005 for three decades. As a result, the desired composition of human resource deployment in the public sector is challenged.

Box 14.1

Challenges of Rising Life Expectancy

Sri Lanka is projected to have 20 percent of its population over 60 years of age in next 20 years . Further, Sri Lanka is experiencing replacement rate in population growth. As a result, the population below 60 years is diminishing and hence the number of dependents would be increased.

In Sri Lanka, age 60 and 55 years are considered as the compulsory and optional retirement age respectively in the public and corporate sectors. Public sector and formal private sector employees mostly stop working when they reach 60 years as they are forced to do so due to compulsory retirement regulations. It would have implications on the viability of pension schemes and rising pension bill. Furthermore, the pension schemes cover only about one fourth of the working population while the rest is covered by Provident Funds. A vast majority of Sri Lankan elders are involved in the informal sector, work long hours, and are paid less than younger workers.

Having realized the need for providing social security system to vulnerable groups, the government has expanded large allocation of pension system to a wider groups.

Average Life Expectancy and Annual Pension Cost of Sri Lanka

Year	Average Life Expectancy	Government Pension Cost (Rs. Million)
1951	58.1	21
1961	61.5	83
1971	65.7	212
1981	69.9	930
1991	71.9	5,353
2001	73.1	26,493
2011	75.1	99,961
2021(a)	79.8	225,000

Source: Department of National Budget, Department of Census and Statistics
(a) Provisional

Owing to improved living conditions, social welfare schemes and widespread medical services; Sri Lanka has been able to maintain a considerably good level of health indicators and life expectancy which increased over 75 years at present is expected to further improve to 80 years of age by 2021.

At present, Sri Lankans have one of the lengthiest post retirement period in the world. Therefore, it is time to focus attention to revisit on the compulsory retirement age for advanced professional and technical categories such as medicine, engineering and management.

14.7 Creation of New Posts in 2013

Seventy Seven Percent (77%) of new posts created during the year 2013 were for Ministries and Departments. Although an adequate number of posts were approved based on Provincial Council cadre review carried out in 2012, covering all fields, an additional number of posts have been approved in 2013 due to establishment of new institutions and service expansion. Sixteen percent of the total posts created in 2013 were for the Provincial Councils. Required cadre in the newly established Northern Provincial Council is being assessed. Required new posts for the council secretariat have been approved.

Cadre approved for hospitals and other institutes under the purview of Ministry of Health amounting to 69,441 of posts was increased up to 76,520 in the year 2013 owing to the establishment of new hospitals and development of existing hospitals to improve healthcare facilities. There are 914 new posts of Doctors and 2,451 new posts of Nurses among those positions. Further, 1,000 posts of teachers for technical subject stream have been approved with the establishment of 1,000 “Mahindodaya” Technical Laboratories in order to improve technical studies in schools. Similarly, approval has been granted to create 3,036 posts of Development Officer in order to accelerate the development programs implemented by the Ministries.

Regional Animal Production and Health Units are presently being strengthened to impose the

service delivery system of livestock sector to revitalize this fast growing sector. As an initial step, 114 Veterinary Surgeon posts have been created in five districts, namely Nuwara-Eliya, Trincomalee, Polonnaruwa, Jaffna and Badulla in 2013. Actions have been taken for further expansion of service activities of livestock units in other districts by providing required cadre.

The authority to grant approval for filling the vacancies of certain service categories in the approved cadre has already been delegated to the Secretaries to Ministries/Provincial Chief Secretaries for continuous and uninterrupted discharge of the public services. This provides an opportunity for the relevant institutions to fill the vacancies without delay. Measures are being taken for further delegation of authority and simplify procedures for filling of vacancies by Secretaries to Ministries/Provincial Chief Secretaries.

14.8 Government Involvement

Government participation in economic activities takes different forms such as promotion, regulation and direct involvement in the provision of goods and services. Accordingly, the government has employed its workforce largely in areas that government considering that public service involvement is vital and in areas where market often fails or does not exist with satisfactory conditions. A scale of public workforce deployment accordingly is shown in table 14.10.

Table 14.10 > **Government Involvement**

Level of Government Involvement		Field	No. of Employees	Type of Involvement
Private sector is active	<div>Low</div> <div>↓</div> <div>High</div>	Tourism and Leisure	3,824	Regulatory functions and promotional
		Information and Communication Technology	6,177	Regulatory functions and providing ICT facilities
		Media	6,871	Regulatory functions and government media services
		Construction	7,163	Consultancy and housing development
		Banking	23,398	Regulatory and financial market development
		Industry	43,119	Regulatory functions and promotion
		Trade	30,029	Supplying essential food and competition
		Agriculture	35,472	Research and technological innovations
		Infrastructure	170,867	Utility services and public investments
		Civil Administration	112,266	General Administration on service delivery
		Social Security	28,374	Social welfare and security
		Health	133,908	Free health Services
		Education	259,227	Free education
		Environment	9,333	Regulatory functions, surveys and awareness
		Law and Order	126,582	Ensure law and order
		National Security	301,919	Ensure the National Security
Public sector is active	<div>Low</div> <div>↓</div> <div>High</div>	Total	1,298,529	

Source: Department of Management Services

The government generally focuses on service oriented functions so as to ensure that the quality of life of the citizens is maintained at the highest possible level by ensuring the provision of relevant utility services. The government also

has to intervene wherever there is a market failure. Thus the government role is to assure that the relevant policy guidance, regulations and institutions are in place for the healthier functioning of the economy and society.

14.9 Towards a risk free public service

In comparison with the private sector, government service provides a secured work environment for its workforce. It is evident that both short term and long term benefits provide a wide range of coverage for public servants and the family members as well. Even though the remunerations of a government servants are not comparable with that of the private sector employees, they enjoy a number of non-financial benefits. Some of the in-kind benefits are as follows.

- Non contributory pension scheme
- Contributory Widows' and Orphans' Pension Scheme.
- Compensations for accidents happened on duty.
- No pay/ with pay leave for higher studies abroad.
- Three sets of free railway warrants for each public servant and his family to travel to any place (up & down) within the country.
- Railway/bus season tickets for public servants under concessionary rate of 40 percent to travel from home to the working place.
- Agrahara medical insurance scheme at a monthly instalment of Rs.125/= which provide benefits upto Rs. 150,000/-.
- Housing schemes for public servants under concessionary rates (eg. Homagama , Jalthara)
- Vehicle permits on concessionary basis for the executive level officers.
- Property loan scheme for public servants with low interest rate of 4 to 11 percent.
- Distress loan system with low interest rate upto Rs.250,000.
- Island wide Holiday and Circuit bungalows on concessionary rates.
- Festival advances for the festive seasons.
- Uniforms and other safety attire

- Official vehicles and accommodation facilities (quarters) for senior officials.
- Loans to the minor staff for purchase of bicycles

14.10 Challenges

By the end of 2013, the employment rate of the country has raised to a significant level of 95 percent. To maintain such a favorable level, public sector contributed by employing 15 percent of the total in both public and private sector employment. A dearth of skilled labour with due technical competencies for the vacancies in some fields is a major concern. The attention should be paid to the development of human resources for the development needs through educational system aimed at employability and labor market changes. Higher educational and technical educational institutes should analyze the local and foreign labor market by predicting the future job opportunities. As an initial step, the Ministry of Youth Affairs and Skills Development has implemented a technical skills development program supported by the World Bank and Asian Development Bank.

Recognizing the need to review the existing salary and allowances of the public sector to accelerate the development of the country and uplift the living standard of the people in the journey towards upper middle income country, National Pay Commission has been established on 31.10.2013 with a view of formulating a national salaries policy structure. Determination of comprehensive salary and incentive structure reflecting the nature of each key occupational category and economic sector will pave the way to bring about a more satisfactory public service in a competitive market environment. It is also necessary to ensure adequate number of public servants are deployed to rural areas and

retained them with a maximum service period. Skills of public employees need to be enhanced so as to develop capabilities of employees in the public sector through upgrading training courses in all training institutes, utilization of modern techniques/ methodologies and preparation of integrated training programs. Steering and proper coordination as well as sharing of knowledge among training institutions are very appropriate in this scenario. Hence, the maximum benefit has to be obtained from the provisions granted annually to each public institution for training purposes. Training and guidance could be provided to the new entrance to the public sector and service standards could be improved through standardization of service delivery. It is a timely requirement to introduce an appraisal system so as to motivate the employees in public sector for their career development.

It is appropriate to focus on new methodology for appointments, promotions and payment of incentives whereby employees who duly fulfill their responsibilities with efficient performance are only rewarded and motivated.

Duplication of functions within the institutions from time to time is a great challenge that should be overcome. Complicated situations in accomplishment of duties assigned to the institutions can be avoided and such clarity will result in successful cost management. This emphasizes the necessity of combined approach towards subject reviews in each field. It is also important to recognize the need to retain subject specialists/ experts with a profound knowledge of each field and the expertise gained by working longer period in the respective fields.

FINANCIAL STATEMENTS

Financial Statements 2013

Financial Performance Statement of the Democratic Socialist Republic of Sri Lanka for the year 2013, Cash Flow Statement, Financial Position as at 31st December 2013, Change in Net Assets, Financial Statement consisting of accounting policy and the report consisting of Auditor General's opinion are forwarded herewith.

By these financial statements, financial resources allocated by the Appropriation Act No. 23 of 08th December 2012 for the year 2013 have been described as utilization process recurrent expenditure and capital expenditure of twenty two (22) Special Spending Units, fifty four (54) Government Ministries, ninety two (92) Government Departments and twenty five (25) District Secretariats / kachcheries. In addition, the actual position regarding the process of collection of revenue approved by the said Act has also been explained. Further, the Financial Statements reveal the information relating to capital contribution or shareholdings in the, thirty four (34) Commercial public Corporations, hundred and six (106) Government Owned Companies / Plantation Companies/ US Dollar Denomination Companies and Development Banks and also information relating to allocation of financial resources to nine (09) Provincial Councils by the Central Government.

These financial statements are prepared under historic cost convention in conformity with General Accepted Accounting Principles. Historical cost is applied as the measurement base. The modified cash based accounting is adopted. In addition, information regarding movable assets required for accounting process on accrual basis has been included as a Note from the year 2004. The Department of Valuation has commenced the assessing of government owned lands and buildings in the year 2012 and the 80% of the process has been completed in 2013 and as such, action had been taken to implement the preparation of accounting on accrual basis as a pilot programme for the year 2013.

The Computerized Integrated Government Accounting System used to report public accounts has been modernized. So that it could be implemented with new technological accessories and the new programme will be implemented w.e.f.2014.

Similarly, according to the instruction given in the Handbook on Government Finance Statistics (GFS) in the year 2001, preparation of public accounts figures has been commenced and which will enable Republic Account information to be rated with other countries.

Statement of Financial Performance

for the Period ended 31st December - 2013

Budget Estimates (Revised) 2013 Rs		Note	2013 Rs.	Actual 2012 Rs.
	REVENUE			
1,052,200,150,000	Tax Revenue		923,643,230,841	845,296,533,956
239,518,000,000	Income Tax	1	205,665,631,566	172,593,144,170
577,959,150,000	Taxes on Domestic Goods & Services	2	498,526,294,340	462,164,109,919
234,723,000,000	Taxes on International Trade	3	219,451,304,935	210,539,279,866
140,026,000,000	Non Tax Revenue & Others	4	142,604,166,679	151,520,394,790
1,192,226,150,000	TOTAL REVENUE (a)		1,066,247,397,521	996,816,928,746
	Less : EXPENDITURE			
308,290,074,480	Wages, Salaries and Other Employment Benefits	5	306,889,250,840	272,620,034,131
135,586,759,714	Other Goods & Services	6	130,477,016,546	110,014,410,382
379,556,921,671	Subsidies, Grants and Transfers	7	351,387,708,901	326,576,268,727
486,485,923,234	Interest Payments	8	464,529,359,896	408,986,710,093
1,064,682,931	Other Recurrent Expenditure	9	225,621,581	133,266,321
1,310,984,362,030	Total Recurrent Expenditure (b)		1,253,508,957,764	1,118,330,689,656
118,758,212,030	REVENUE DEFICIT (a) - (b)		187,261,560,243	121,513,760,909
544,988,759,988	Public Investments	10	455,578,156,584	471,088,878,311
663,746,972,018	BUDGET DEFICIT		642,839,716,827	592,602,639,220
	FINANCING THE BUDGET DEFICIT			
213,193,725,000	Foreign Borrowings	11	183,317,158,351	365,698,416,536
(113,000,000,000)	Foreign Debt Repayments		(94,895,887,005)	(152,898,693,427)
100,193,725,000	NET FOREIGN BORROWINGS		88,421,271,345	212,799,723,109
20,000,000,000	Foreign Grants	12	15,858,996,167	16,070,771,882
120,193,725,000	TOTAL FOREIGN FINANCE		104,280,267,512	228,870,494,992
1,111,196,210,000	Domestic Non-Bank Borrowings	13	1,089,696,244,193	725,869,311,452
(634,000,000,000)	Domestic Debt Repayments	14	(607,623,016,759)	(449,915,078,355)
477,196,210,000	NET DOMESTIC BORROWINGS		482,073,227,434	275,954,233,097
16,825,000,000	Recoveries from On-lending	15	15,968,526,609	16,409,105,273
800,000,000	Sale of Capital assets		280,283,429	831,151,867
-	Net Change in Deposit Accounts and Liabilities		7,639,592,944	22,160,865,071
-	(Increase)/ Decrease in Cash & Cash Equivalents		32,597,818,899	48,376,788,920
615,014,935,000	TOTAL FINANCING		642,839,716,827	592,602,639,220

Statement of Cash Flows

for the Period ended 31st December - 2013

	2013 Rs.	Actual 2012 Rs.
Cash Flows from Operating Activities		
Total Tax Receipts	923,643,230,841	845,296,533,956
Fees, Fines, Penalties and Licenses	18,128,228,673	19,530,529,686
Profit	56,750,250,000	85,214,108,456
Other Receipts	53,293,424,814	32,740,572,417
Total Cash provided from Operations (a)	1,051,815,134,329	982,781,744,515
Less - Cash was disbursed to:		
Personal Emoluments & Operating Payments	437,366,267,386	382,634,444,514
Subsidies & Transfer Payments	351,387,708,901	326,576,268,727
Finance Costs	464,754,981,476	409,119,976,415
Total Cash disbursed to Operations (b)	1,253,508,957,764	1,118,330,689,656
NET CASH FLOWS FROM OPERATING ACTIVITIES (c)=(a)-(b)	(201,693,823,435)	(135,548,945,141)
Cash Flows from Investing Activities		
Interest	9,663,976,962	9,488,226,529
Dividends	4,768,286,230	4,546,957,702
Divestiture Proceeds & Sale of Physical Assets	280,283,429	831,151,867
Recoveries from On Lending	15,968,526,609	16,409,105,273
Total Cash provided from Investing Activities (d)	30,681,073,230	31,275,441,372
Less - Cash was disbursed to:		
Purchase or Construction of Physical Assets & Acquisition of		
Other Investment	455,578,156,584	471,088,878,311
Total Cash disbursed to Investing Activities (e)	455,578,156,584	471,088,878,311
NET CASH FLOWS FROM INVESTING ACTIVITIES (f)=(d)-(e)	(424,897,083,354)	(439,813,436,939)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (g)=(c)+(f)	(626,590,906,789)	(575,362,382,079)
Cash Flows from Financing Activities		
Local Borrowings	1,089,696,244,193	725,869,311,452
Foreign Borrowings	183,317,158,351	365,698,416,536
Grants Received	15,858,996,167	16,070,771,882
Total Cash provided from Financing Activities (h)	1,288,872,398,710	1,107,638,499,870
Less - Cash was disbursed to:		
Repayment of Local Borrowings	607,623,016,759	449,915,078,355
Repayment of Foreign Borrowings	94,895,886,005	152,898,693,427
Change in Deposit Accounts and Other Liabilities	(7,639,592,944)	(22,160,865,071)
Total Cash disbursed to Financing Activities (i)	694,879,310,821	580,652,906,711
NET CASH FLOWS FROM FINANCING ACTIVITIES (j)=(h)-(i)	593,993,087,890	526,985,593,160
Net Movement in Cash (k)=(g)-(j)	(32,597,818,899)	(48,376,788,920)
Opening Cash Balance as at 01st January 2013	(104,479,012,230)	(56,102,223,310)
Closing Cash Balance as at 31st December 2013	(137,076,831,129)	(104,479,012,230)

Statement of Financial Position

As at 31st December- 2013

	Notes	2013 Rs.	Actual 2012 Rs.
Financial Assets			
Loans to Public Officers	16	23,012,165,862	24,034,416,486
Advances to Government Departments	17	9,229,954,562	9,052,234,339
Membership Fees Paid	18	3,517,179,875	3,517,179,875
On Lending	19	370,618,101,507	323,121,622,747
Capital Contribution in State Owned Enterprises	20	212,976,260,878	176,600,792,938
Stamp Stock Account		971,050,410	1,010,292,555
Total Financial Assets		620,324,713,095	537,336,538,940
Liabilities			
Bank Overdrafts	21	137,076,831,129	104,479,012,230
Advance from the Central Bank	22	109,271,851,123	111,291,842,800
Foreign Loan Revolving Funds	23	22,586,734,379	22,183,403,507
Miscellaneous Funds	24	1,386,490,241	1,456,659,602
Government Borrowings	25	5,996,496,345,026	5,408,759,844,784
Deposits and Other Liabilities	26	83,410,410,768	75,755,984,478
Operating Accounts with Government Departments	27	(4,905,317,622)	(3,963,124,577)
Sundry Accounts	28	(380,462,622)	(2,107,679,936)
Total Liabilities		6,344,942,882,421	5,717,855,942,888
Contingency Fund		140,000,000	140,000,000
Total Liabilities & Contingency Fund Balance		6,345,082,882,421	5,717,995,942,888
Total Liabilities and Contingency Fund Balance over Financial Assets		5,724,758,169,326	5,180,659,403,948
Consolidated Fund- Accumulated Deficit	29	312,477,109,653	272,239,697,811
Total Investments in Physical Assets and Accumulated Net Revenue Deficit	30	5,412,281,059,673	4,908,419,706,136
		5,724,758,169,326	5,180,659,403,948
Contingencies & Commitments	31	362,923,450,000	401,411,000,000

The accompanying "Statement of Accounting Policies" and "Notes" to Financial Statements form an integral part of these Financial Statements. The Department of State Accounts is responsible for the preparation and presentation of these Financial Statements.



N.G. DAYARATNE,
Director General,
Department of State Accounts.

General Treasury
Colombo-01.
19th March, 2014



P.B. JAYASUNDERA,
Secretary, Ministry of Finance & Planning,
and Secretary to the Treasury.

Statement of Changes in Net Assets / Equity

Year ended 31st December 2013

Description	Atributable to Government Entity				Rs.
	Consolidated Fund	Contingency Fund	Foreign Loan Revolving Funds	Miscellaneous Funds	Total Net Assets / Equity
Balance as at December 2011	(201,702,043,821)	140,000,000	19,846,433,388	1,610,755,327	(180,104,855,106)
	(201,702,043,821)	140,000,000	19,846,433,388	1,610,755,327	(180,104,855,106)
Changes in Net Assets/Equity for 2012					
Net changes in Consolidated Fund	(70,537,653,991)	-	-	-	(70,537,653,991)
Net changes in Contingency Fund	-	-	-	-	-
Net Changes in Foreign Loan Revolving Funds	-	-	2,336,970,119	-	2,336,970,119
Net Changes in Miscellaneous Funds	-	-	-	(154,095,725)	(154,095,725)
Balance at December 31st 2012	(272,239,697,812)	140,000,000	22,183,403,507	1,456,659,602	(248,459,634,703)
Changes in Net Assets/Equity for 2013					
Net changes in Consolidated Fund	40,237,411,842	-	-	-	(40,237,411,842)
Net changes in Contingency Fund	-	-	-	-	-
Net Changes in Foreign Loan Revolving Funds	-	-	403,330,872	-	403,330,872
Net Changes in Miscellaneous Funds	-	-	-	(70,169,361)	(70,169,361)
Balance at December 31st 2013	(312,477,109,653)	140,000,000	22,586,734,379	1,386,490,241	(288,363,885,034)

Analysis of Total Expenses of the Statement of Financial Performance

for the year ended 31st December 2013

By Functional Classification	Actual (Rs.Mn.)												
	2013						2012						
	Recurrent	%	Capital	%	Total	%	By Functional Classification	Recurrent	%	Capital	%	Total	%
Law Enforcement and Security	249,699	19.92	35,285	3.05	284,984	11.82	Law Enforcement and Security	228,206	20.41	19,171	1.79	247,377	11.28
Public Services	284,135	22.67	42,680	3.69	326,815	13.55	Public Services	251,306	22.47	32,017	2.98	283,323	12.92
Finance	478,440	38.17	711,914	61.47	1,190,354	49.36	Finance	420,065	37.56	616,083	57.37	1,036,148	47.26
Social Security	4,307	0.34	884	0.08	5,190	0.22	Social Security	2,389	0.21	649	0.06	3,038	0.14
Real Economy	69,858	5.57	100,931	8.72	170,789	7.08	Real Economy	75,875	6.78	113,692	10.59	189,567	8.65
Environment	2,086	0.17	2,335	0.20	4,420	0.18	Environment	1,884	0.17	1,513	0.14	3,397	0.15
Human Resources	134,846	10.76	42,378	3.66	177,224	7.35	Human Resources	112,518	10.06	31,477	2.93	143,995	6.57
Infrastructure	30,139	2.40	221,690	19.14	251,829	10.44	Infrastructure	26,088	2.33	259,301	24.15	285,389	13.02
Total	1,253,509	100	1,158,097	100	2,411,606	100	Total	1,118,331	100	1,073,903	100	2,192,234	100

Note :

These figures presented in the expenditure estimate for line ministries are based on resources ceiling available for each sector under which Ministry votes are presented.

Statement of Accounting Policies

Reporting Entity

These Financial Statements are of the Government of the Democratic Socialist Republic of Sri Lanka and encompass the Reporting Entity of the Central Government comprised of Government Ministries, Departments, Special Spending Units and District Secretariats/ Kachcheris. Public Enterprises which comprised of Commercial Public Corporations, State Owned Enterprises and Government owned companies or other companies and Statutory Boards, and Provincial Councils are not covered in these statements. However, cash outflows to those entities taken place during the reporting year and the Government's total interest in the Commercial Public Corporations and State Owned Enterprises and Government owned companies or other companies held in the form of capital contribution and loans granted are accounted in these Financial Statements.

Basis of Preparation

These Financial Statements are prepared under historic cost convention in conformity with Generally Accepted Accounting Principles. Historical cost is applied as the measurement base. The modified cash based accounting is adopted.

Reporting Period

The reporting period of these Financial Statements is from 1st of January to 31st December 2013.

Basis of Consolidation

Expenditure incurred and revenue collected by respective Ministries & Departments in the form of financial assets, liabilities, revenues and expenses are consolidated using the same classification codes used for accounting those revenues and expenditures.

Revenue

The Central Government provides many goods, services and benefits that do not generate revenue, to the general public. The revenue is raised by way of taxes, levies, fees and charges imposed under various statutes approved by the Parliament to finance the expenditure incurred in provision of such goods, services and benefits. All such revenue collected through the relevant Ministries & Departments are identified and accounted at the time of collection. Investment Income is accounted for the period during which such income is actually collected.

Premiums and Discounts

Premiums and discounts on the issue of a debt instrument are treated as an adjustment against the cost of borrowings.

Gains

Gains arising from the sale of assets are accounted during the period in which the transactions occurs. Foreign exchange gains realized on monetary assets and liabilities are duly accounted in the Statements of Financial Position as at the end of the Reporting Period.

Expenses

All expenses are accounted in the period in which it is paid.

Foreign Currency Transactions

Transactions in Foreign currencies are converted into Sri Lankan Rupee using the exchange rate prevailed on the date of transactions. Exchange differences arising at the point of settlement of these transactions are duly accounted and presented in the Statement of Financial Performance.

Investment

Value of the Government's equity investments in State Owned Enterprises is recorded at cost and shown separately in the financial statements. However, investments in Statutory Boards are not uniquely identified and disclosed since such entities operate like other Government Departments relying on the Central Government for their recurrent and capital expenditure requirements.

Borrowings

In the Statement of Financial Position, all local borrowings are recorded at cost. Since foreign borrowings are subject to variations in exchange rates such foreign monetary liabilities are converted in to Sri Lankan Rupees on the exchange rate prevailed at the end of the Reporting Period.

Employee Entitlements

Employee entitlements to salaries and wages, annual leave, pre-retirement leave and other similar benefits are recorded when they actually accrued to or utilized by the employees. Retired Government employee entitlements for their pension payments are also recorded on the same basis.

Statement of Accounting Policies

Contingent Liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at which point the contingency is evident.

Comparatives

To ensure consistency with the current period and classification method adopted in making a fair presentation of financial information, comparative figures have been restated where appropriate.

Bank Overdraft

The Bank Overdraft is comprised of all favorable and unfavorable cash book balances in the name of the

Deputy Secretary to the Treasury, sum of unsettled imprest balances of Ministries and Departments which is treated as cash in transit and converted Rupee value of all foreign currency bank accounts as at the balance sheet date.

Compilation of Government Finance Statistics

The Budget Outturn presented in Economic Classification under Government Finance Statistics (GFS) varies from the information presented in these Financial Statements due to the different classification methods adopted for economic analysis.

Notes to Financial Statements

Budget Estimates 2013 Rs.	Revenue Code	Revenue Title	2013 Rs.	Actual 2012 Rs.
NOTE 1 - INCOME TAX				
86,312,400,000	1004.01.01	Income Tax	84,090,576,856	68,285,005,102
9,450,000,000	1004.01.02	Dividend Tax	9,767,479,326	8,712,982,193
233,600,000	1004.01.03	Remittance Tax	195,441,368	56,028,959
95,996,000,000	1004.01.00	Total Corporate Tax (a)	94,053,497,550	77,054,016,253
22,818,000,000	1004.02.01	PAYE	18,558,406,098	14,763,457,967
8,990,000,000	1004.02.99	Other	8,524,096,082	6,305,109,016
98,951,000,000	1004.03.00	Withholding Tax	77,934,030,973	59,606,319,667
98,519,000,000	1004.03.01	On Interest	77,679,122,230	59,262,107,756
432,000,000	1004.03.99	On Fees & Other	254,908,743	344,211,910
12,763,000,000	1004.04.00	Economic Service Charge	6,595,600,863	14,864,241,267
143,522,000,000	1004.02.00	Total Non -Corporate Tax (b)	111,612,134,016	95,539,127,917
239,518,000,000		Total Income Tax (a+b)	205,665,631,566	172,593,144,170
NOTE 2 - TAXES ON DOMESTIC GOODS & SERVICES				
255,353,000,000	1002.01.00	Value Added Tax	217,686,923,042	204,656,032,805
24,962,000,000	1002.01.01	Financial Services	21,203,506,388	21,090,795,631
63,504,000,000	1002.01.02	Other Services	56,174,589,835	45,609,087,661
42,999,000,000	1002.01.03	Manufacturing	43,718,740,385	38,487,278,292
123,888,000,000	1002.01.04	Imports	96,590,086,435	99,468,871,221
15,200,000	1002.02.00	Goods and Services Tax	15,976,746	11,994,674
12,700,000	1002.02.01	Services	10,654,808	8,012,275
2,500,000	1002.02.02	Manufacturing	5,321,938	3,982,398
2,435,000	1002.03.00	National Security Levy	2,149,612	3,930,354
2,435,000	1002.03.01	Services	2,149,612	2,008,516
-	1002.03.02	Manufacturing	-	1,921,838
68,103,000,000	1002.04.00	Excise (Ordinance) Duty	66,008,326,747	60,046,840,535
68,103,000,000	1002.04.01	Liquor	66,008,326,747	60,046,840,535
171,324,000,000	1002.05.00	Excise (Special Provisions) Duty	143,698,426,404	131,865,714,879
58,222,000,000	1002.05.01	Cigarettes	58,534,245,572	53,528,703,599
-	1002.05.02	Liquor	76,847	39,070,605
35,849,000,000	1002.05.03	Petroleum Products	27,130,554,960	28,466,074,809
71,906,000,000	1002.05.04	Motor Vehicles	55,517,438,890	46,495,735,189
5,347,000,000	1002.05.99	Other	2,516,110,135	3,336,130,676
35,000,000	1002.06.00	Tobacco Tax	33,042,507	34,344,008
-	1002.08.00	Debits Tax	(83,401)	(481,999)
11,776,000	1002.09.00	Turnover Tax	218,080,060	138,260,169
14,000,000	1002.10.00	Social Responsibility Levy	32,398,568	128,505,342
26,795,000,000	1002.11.00	Telecommunication Levy	24,445,219,973	22,289,140,870
48,782,000,000	1002.12.00	Nation Building Tax	40,936,670,691	38,736,152,364
18,242,750,000	1002.12.01	Services	13,698,077,514	13,534,045,176
10,818,250,000	1002.12.02	Manufacturing	11,544,642,412	9,542,448,857
19,721,000,000	1002.12.03	Imports	15,693,950,765	15,659,658,331
5,743,600,000	1003	Licence Taxes and other	3,764,496,032	3,630,095,855
1,642,000,000	1003.01.00	Luxary Motor Vehicle Tax	1,145,754,012	1,253,220,848
1,600,000	1003.02.00	Transfer Tax	78,555,000	92,306,547
850,000,000	1003.03.00	Betting & Gaming Levy	591,870,451	289,175,098
2,000,000,000	1003.04.00	Share Transaction Levy	1,197,409,071	1,285,744,429
1,250,000,000	1003.05.00	Construction Industry Guarantee Fund Levy	750,907,497	709,648,933

Notes to Financial Statements *contd...*

Budget Estimates 2013	Revenue Code	Revenue Title	2013 Rs.	Actual 2012 Rs.
1,695,639,000	1003.07.00	Other Licences	1,583,875,040	623,580,064
182,000,000	1003.07.01	Fees for registration of nursing homes	171,812,780	167,740,221
1,225,000,000	1003.07.02	Registration fees relevant to the Department of Registrar- General's	1,135,204,321	217,795,350
65,000,000	1003.07.03	Private Timber Transport	56,743,836	59,386,598
62,000,000	1003.07.04	Tax on sale of Motor Vehicles	55,614,559	39,382,100
12,250,000	1003.07.05	Licence Taxes relevant to the Ministry of Defence & Urban Development	11,871,917	11,611,124
10,000,000	1003.07.06	Licence fees relevant to the Dept. of Fishries & Aquatic Resouces	10,838,496	4,504,500
139,389,000	1003.07.99	Other	141,789,131	123,160,170
2,500,000	1003.08.00	Fees under the Certificate to be granted yearly to Notary Registrar of the High Court	4,051,090	-
82,000,000	1003.09.00	Transfer Tax on Land	96,741,230	-
577,959,150,000		Total Taxes on Domestic Goods & Services	498,526,294,340	462,164,109,919

NOTE 3 - TAXES ON INTERNATIONAL TRADE

82,591,000,000	1001.01.00	Import Duties	74,668,082,758	73,488,797,447
20,000,000	1001.02.00	Export Duties	21,663,617	20,869,945
520,000,000	1001.03.00	Import & Export Licences Fees	458,372,096	512,671,434
61,004,000,000	1001.04.00	Ports & Airports Development Levy	61,505,872,213	70,110,728,468
40,482,000,000	1001.05.00	Cess Levy	36,091,202,081	32,740,389,467
37,362,000,000	1001.05.01	Import Cess Levy	33,004,053,398	29,603,817,902
3,120,000,000	1001.05.02	Export Cess Levy	3,087,148,683	3,136,571,565
-	1001.07.00	Regional Infrastructure Development Levy	1,346,970	-
50,106,000,000	1001.08.00	Special Commodity Levy	46,704,765,201	33,665,823,105
234,723,000,000		Total Revenue from Taxes on International Trade	219,451,304,935	210,539,279,866

NOTE 4 - NON-TAX REVENUE AND OTHERS

4,760,000,000	2001.01.00	Railways	5,424,898,677	4,852,421,717
5,100,000,000	2001.02.00	Postal	5,907,433,288	4,952,411,855
253,000,000	2001.03.00	Advance Accounts (Trading)	290,436,475	289,427,871
10,113,000,000		Revenue From Other Sources (a)	11,622,768,440	10,094,261,442
2,829,000,000	2002.01.00	Rent	2,331,019,631	2,196,826,327
612,000,000	2002.01.01	Rent on Government building & housing	620,889,832	582,263,523
1,145,000,000	2002.01.02	Rent on Crown forests	903,956,846	758,415,568
42,000,000	2002.01.03	Rent from land and other	49,503,519	34,690,642
950,000,000	2002.01.04	Lease rental from regional Plantation Companies	694,530,337	771,317,447
80,000,000	2002.01.99	Other Rental	62,139,098	50,139,146
9,777,000,000	2002.02.00	Interest	9,663,976,962	9,488,226,529
8,167,000,000	2002.02.01	On-lending	8,178,888,527	8,100,515,778
1,610,000,000	2002.02.99	Other	1,485,088,434	1,387,710,751
40,797,000,000	2002.03.00	Profits	30,400,250,000	42,214,108,456
4,708,000,000	2002.04.00	Dividends	4,768,286,230	4,546,957,702
125,000,000	2003.01.00	Departmental Sales	108,144,039	143,436,379
25,622,000,000	2003.02.00	Administrative Fees & Charges	26,337,635,310	17,499,785,908
90,000,000	2003.02.01	Audit Fees	97,981,657	60,202,899
82,500,000	2003.02.03	Fees under registration of persons	90,430,443	83,760,894
122,000,000	2003.02.04	Fees of Department of Survey	132,827,068	131,620,213
400,000,000	2003.02.05	Service Charges of Government press	469,540,080	308,218,041

Notes to Financial Statements *contd...*

Budget Estimates 2013	Revenue Code	Revenue Title	2013 Rs.	Actual 2012 Rs.
17,000,000	2003.02.06	Fees under the Fauna & Flora Protection Ordinance	17,250,282	17,268,785
7,296,000,000	2003.02.07	Fees of Passports, Visas & Dual Citizenship	7,529,358,276	6,197,728,729
2,860,000,000	2003.02.08	Embarkation Levy	2,783,782,986	-
60,000,000	2003.02.09	Fees of Department of Valuation	59,347,451	32,585,761
80,000,000	2003.02.10	Fees of Registrar of Companies	68,506,419	64,652,655
34,000,000	2003.02.11	Legal fees from Corporations & Statutory Bodies	33,166,448	34,359,965
5,500,000	2003.02.12	Fees recovered under the Public Contract Act	6,966,000	2,997,500
165,000,000	2003.02.13	Examinations & Other Fees	156,306,619	263,015,516
6,575,000,000	2003.02.14	Fees under the Motor Traffic Act & Other receipts	6,525,205,404	6,577,719,673
180,000,000	2003.02.16	Air Craft Rentals	202,791,651	164,876,444
95,000,000	2003.02.17	Fee on local sale of Garments	91,519,377	104,693,242
160,000,000	2003.02.18	Fees relevant to the Department of Agriculture	167,655,907	140,235,667
400,000,000	2003.02.19	Fees relevant to Botanical Gardens	407,705,842	374,352,735
7,000,000,000	2003.02.99	Sundries	7,497,293,400	2,941,497,189
6,000,000,000	2003.03.00	Fines and Forfeits	2,274,461,399	5,137,117,410
4,000,000,000	2003.99.00	Other Receipts	11,430,262,069	3,238,910,549
16,505,000,000	2004.01.00	Social Security Contribution	15,144,741,947	11,738,026,931
10,965,000,000	2004.01.00	Central Government	8,866,646,032	8,333,779,290
5,540,000,000	2004.02.00	Provincial Councils	6,278,095,915	3,404,247,641
19,550,000,000	2005	Current Transfers	28,522,620,652	45,222,737,157

Notes to Financial Statements *contd...*

Budget Estimates 2013	Object Code	Object Title	2013 Rs.	Actual 2012 Rs.
17,350,000,000	2005.01.00	Central Bank Profits	26,350,000,000	43,000,000,000
2,200,000,000	2005.99.00	National Lotteries Board and Other transfers	2,172,620,652	2,222,737,157
129,913,000,000		Revenue From Other Sources (b)	130,981,398,239	141,426,133,348
140,026,000,000		Total Non - Tax Revenue & Others (a) + (b)	142,604,166,679	151,520,394,790
1,192,226,150,000		Grand Total (Note 1 - 4) Total Revenue	1,066,247,397,521	996,816,928,746

NOTE 5 - OBJECT CODE WISE CLASSIFICATION OF WAGES, SALARIES & OTHER EMPLOYMENT BENEFITS

Personal Emoluments			
144,116,353,984	1001	Salaries and Wages	143,150,160,535
12,652,759,725	1002	Overtime and Holiday Payments	12,583,746,213
151,520,960,771	1003	Other Allowances	151,155,344,092
308,290,074,480		Total	306,889,250,840

NOTE 6 - OBJECT CODE WISE CLASSIFICATION OF OTHER GOODS AND SERVICES

Travelling Expenditure			
11,277,487,344	1101	Domestic	11,177,405,161
2,302,306,284	1102	Foreign	2,205,535,296
13,579,793,628		Total (a)	13,382,940,457
Supplies			
2,214,957,384	1201	Stationery and Office Requisites	2,106,980,820
17,194,536,794	1202	Fuel	17,055,913,913
27,660,341,256	1203	Diets and Uniforms	25,974,097,094
28,447,427,126	1204	Medical Supplies	28,354,698,199
4,095,143,744	1205	Other	3,615,330,795
79,612,406,305		Total (b)	77,107,020,820
Maintenance Expenditure			
2,669,678,077	1301	Vehicles	2,523,672,990
1,385,475,349	1302	Plant and Machinery	1,270,576,653
750,685,299	1303	Buildings and Structures	650,787,124
4,805,838,725		Total (c)	4,445,036,767
Services			
3,167,641,971	1401	Transport	3,037,540,298
2,535,098,695	1402	Postal and Communication	2,328,622,376
9,886,836,145	1403	Electricity and Water	9,505,753,154
3,962,083,193	1404	Rents and Local Taxes	3,659,243,138
17,365,842,051	1405	Other	16,340,212,207
671,219,000	1406	Interest Payment for Leasing Vehicles	670,647,329
37,588,721,056		Total (d)	35,542,018,501
135,586,759,714		TOTAL EXPENDITURE ON OTHER GOODS AND SERVICES (a+b+c+d)	130,477,016,546

NOTE 7 - OBJECT CODE WISE CLASSIFICATION OF TRANSFERS, GRANTS & SUBSIDIES

Transfers			
47,036,522,316	1501	Welfare Programmes	45,374,359,426
129,077,112,113	1502	Retirement Benefits	123,704,721,949
49,922,756,216	1503	Public Institutions	47,533,582,676
38,989,537,300	1504	Development Subsidies	20,786,945,107
1,781,055,445	1505	Subscriptions and Contributions Fees	1,617,100,335
2,197,957,320	1506	Property Loan Interest to Public Servants	2,132,076,262
108,868,000,000	1507	Contribution to Provincial Councils	108,843,623,138
1,683,980,961	1508	Other	1,395,300,007
-	1509	Losses and write off	-
379,556,921,671		Total	351,387,708,901

Notes to Financial Statements *contd...*

Budget Estimates 2012	Object Code	Object Title	2012 Rs.	Actual 2011 Rs.
NOTE 8 - INTERSET PAYMENTS				
401,485,923,234	1601	Domestic Debt	401,485,902,521	350,651,642,737
85,000,000,000	1602	Foreign Debt	63,043,457,374	58,335,067,357
486,485,923,234		Total	464,529,359,896	408,986,710,093
NOTE 9 - OTHER RECURRENT EXPENDITURE				
230,417,907	1701	Losses and Write off	225,621,581	133,266,321
834,265,024	1702	Contingency Services	-	-
1,064,682,931		Total	225,621,581	133,266,321
1,310,984,362,030		Grand Total (Notes 5 to 9) Total Recurrent Expenditure	1,253,508,957,764	1,118,330,689,656
NOTE 10 - OBJECT CODE WISE CLASSIFICATION OF PUBLIC INVESTMENT				
		Rehabilitation & Improvements of Capital Assets		
22,520,865,762	2001	Buildings and Structures	19,239,923,235	27,591,465,204
7,632,856,068	2002	Plant, Machinery and Equipment	4,822,819,714	4,229,745,941
3,601,472,036	2003	Vehicles	3,274,023,208	3,100,940,476
33,755,193,866		Total (a)	27,336,766,157	34,922,151,621
		Acquisition of Capital Assets		
5,984,716,303	2101	Vehicles	5,043,019,984	9,631,992,696
3,144,482,151	2102	Furniture and Office Equipment	2,524,260,075	2,271,813,978
14,694,571,798	2103	Plant, Machinery and Equipment	12,632,081,079	12,541,573,316
133,268,735,214	2104	Buildings and Structures	127,385,713,626	125,227,455,729
52,172,082,752	2105	Lands and Land Improvements	44,362,007,030	51,819,516,111
209,264,588,219		Total (b)	191,947,081,794	201,492,351,831
		Capital Transfers		
60,521,285,860	2201	Public Institutions	45,307,906,292	44,327,333,676
2,415,403,583	2202	Development Assistance	1,910,339,899	1,101,164,208
13,713,200,000	2203	Contribution to Provincial Councils	8,692,600,000	8,762,840,000
1,393,470,000	2204	Transfers Abroad	1,378,920,048	1,459,113,440
78,043,359,443		Total (c)	57,289,766,239	55,650,451,323
		Acquisition of Financial Assets		
33,797,840,000	2302	On-lending	25,922,985,798	51,591,429,758
33,797,840,000		Total (d)	25,922,985,798	51,591,429,758
		Human Resource Development		
5,470,016,963	2401	Staff Training	4,357,708,912	3,229,346,926
5,470,016,963		Total (e)	4,357,708,912	3,229,346,926
		Other Capital Expenditure		
2,509,546,865	2501	Restructuring	2,504,796,581	1,835,063
157,664,006,372	2502	Investments	126,306,255,185	111,363,491,367
201,993,136	2503	Contingency Services	-	-
24,282,215,125	2504	Investments in Provincial Councils	19,912,795,918	12,837,820,421
184,657,761,498		Total (f)	148,723,847,684	124,203,146,851
544,988,759,988		TOTAL EXPENDITURE ON PUBLIC INVESTMENTS	455,578,156,584	471,088,878,311
		(a+b+c+d+e+f)		
1,855,973,122,018		Grand Total (Notes 5 to 10) - Total Expenditure	1,709,087,114,348	1,589,419,567,966

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project			Actual	
				2013 Rs	2012 Rs
Note 11 - FOREIGN BORROWINGS - 2013					
	AB SVENSK EXPORT CREDIT		1,137,471,578	1,600,519,010	
1	Fourth Rural Electrification Project	2004076	-	463,547,532	
2	Ratmalana & Ja-Ela Waste Water Treatment Facilities Project	2007029	1,137,471,578	1,136,971,478	
	AGENCY FRANCAISE DE DEVELOPMENT		88,789,938		
3	Implementation of Jaffna & Kilinochchi Water Supply & Sanitation Project	2011036	88,789,938	-	
	ASIAN DEVELOPMENT BANK (ADB)		34,953,814,324	37,898,049,201	
4	Secondary Towns and Rural Community Water/Sanitation	1993	6,177,197	-	
5	TA Loan - Road Project Preparatory Facility	2080	38,716,679	210,214,653	
6	Secondary Education Modernization (ii)	2096	-	143,123,264	
7	Modernization of Revenue Administration	2132	-	949,573,664	
8	North East Community Restoration and Development	2168	(89,650,124)	23,492,550	
9	Local Government Infrastructure Improvement Project	2201	-	1,032,352,604	
10	National Highways Sector Project	2217	609,456,340	3,400,348,048	
11	Secondary Towns & Rural Community Water Sanitation (OCR)	2275	123,819,247	169,357,034	
12	Secondary Towns & Rural Community Water Sanitation Supply I	2276	2,145,022	332,643,724	
13	Colombo Port Expansion Project	2319	833,065,628	6,831,316,076	
14	Education for Knowledge Society Project	2371	1,832,447,736	1,369,396,938	
15	SME Regional Development Project	2381	-	208,262,399	
16	Southern Transport Development Project - Supplementary	2413	2,619,264,907	1,126,773,147	
17	Dry Zone Urban Water and Sanitation Project	2477	1,130,954,715	278,177,441	
18	Clean Energy and Access Improvement project	2518	3,188,120,426	4,362,846,765	
19	Clean Energy and Access Improvement project	2519	416,341,164	1,195,014,171	
20	Eastern & North Central Provincial Road Project	2546	861,106,981	1,630,332,830	
21	Greater Colombo Waste water Management Project (OCR)	2557	495,890,281	199,021,848	
22	Greater Colombo Waste water Management Project (ADF)	2558	248,309,786	153,101,820	
23	N-E Community Restoration & Development Project II Supplementary	2618	14,659,966	981,559,476	
24	ADB Funded Fiscal Management Efficiency Project	2624	434,131,520	14,611,371	
25	Conflict Affected Region Emergency Project	2626	5,179,909,591	4,705,942,470	
26	Northern Road Connectivity Project (OCR)	2639	4,509,339,885	4,960,174,477	
27	Northern Road Connectivity Project (ADF)	2640	433,291,621	618,534,518	
28	Jaffna & Kilinochchi Water Supply & Sanitation Project OCR	2710	54,560,392	80,569,891	
29	Jaffna & Kilinochchi Water Supply & Sanitation Project ADF	2711	178,468,447	144,151,498	
30	Sustainable Power Sector Support Project	2733	2,571,736,773	1,226,266,601	
31	Sustainable Power Sector Support Project	2734	151,286,074	129,462,503	
32	Secondary Towns & Rural Community Based Water Supply	2757	125,578,375	270,163,208	
33	Secondary Towns & Rural Community Based Water Supply (XDR)	2758	340,640,191	467,890,240	
34	Local Government Enhancement Project	2790	468,644,711	67,050,587	
35	National Highways Sector Project (AF)	2767	2,351,402,067	616,323,385	
36	Northern Road Connectivity Project (ADF)	2890	472,460,152	-	
37	Northern Road Connectivity Project (ADF)	2891	3,918,078	-	
38	Dry zone Urban Water and Sanitation Project (ADF)	2977	39,411,307	-	
39	Education Sector Development Programme (OCR)/(ADF)	3008/3009	5,308,209,189		

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project		Actual	
			2013 Rs	2012 Rs
	BANK AUSTRIA CREDITANSTALT AG		-	61,315,543
40	Rehabilitation & Augmentation of Kirindi Oya Water Supply Project	2008021	-	61,315,543
	BOERENLEEN BANK		5,022,934,384	3,456,532,249
41	Extension of a Disaster Management & Emergency Response System	2009031	-	661,367,682
42	Impotation Dairy Animals (Netherlands & Australia)	2011026/2011025	696,053,795	822,450,117
43	Deveolpment of Hambantota Hospital	2012010	2,055,462,175	1,072,415,204
44	Deveolpment of Nuwaraeliya Hospital	2012009	1,356,861,760	900,299,246
45	Upgrading of the National Blood Transfusion Services Sri Lanka	2013001	28,845,435	-
46	Upgrading of the National Blood Transfusion Services Sri Lanka	2013002	620,168,065	-
47	Upgrading of Peripheral Blood Bank Coming Under the National Blood Transfusion Services	2013024	265,543,154	-
	DANSKE BANK A/S		-	3,994,667,063
48	DFCC Global Loan ii	2006093	-	3,994,667,063
	FORTIS EXPORT NV/FORTIS BANQUE SA		396,393,651	711,723,117
49	Kolonna Balangoda Water Supply Project	2011029	396,393,651	711,723,117
	HSBC BANK PLC (UK)		189,661,516	61,987,295
50	Regional Bridge Project HSBC Bank Plc UK	2007027	-	61,523,250
51	The Development of the Dikkowita Fisheries Harbour (Netherlands)	2008037	-	464,045
52	Modernization of Processing of MILCO (Pvt) Ltd	2013012	90,000,000	-
53	Regional Bridge Project - Phase ii	2013027	99,661,516	-
	HSBC LIMITED (HONKONG)		1,400,338,484	-
54	Regional Bridge Project - Phase ii	2013026	1,400,338,484	-
	INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)		21,766,171,101	21,285,547,674
55	Renewable Energy for Rural Economic Development Project	3673	-	74,944,066
56	Second North East Irrigated Agriculture Project	3935	489,706,624	697,766,076
57	E - Sri Lanka Development Project	3986	-	518,627,258
58	Road Sector Assistance Project	4138	157,066,760	131,719,557
59	Puttalam Housing Project	4261	-	153,075,201
60	Dam Safety & Water Resources Planning	4406	1,859,735,557	1,706,491,149
61	Public Sector Capacity Building Project	4412	59,412,355	513,798,685
62	Additional Financing for Road Sector Assistance Project	4429	-	2,998,286,055
63	Second Community Development Livelihood Improvement Project	4613	1,942,311,788	1,114,535,361
64	Provincial Roads Project	4630	3,455,185,412	2,051,554,421
65	Emergency Additional Financing for Community Livelihood in conflict affected Areas	4671	29,018,072	157,736,050
66	Emergency Northern Recovery Project	4676	545,082,181	2,570,263,721
67	Higher Education for the Twenty First Century	4686	1,142,051,625	766,723,719
68	Sustainable Tourism Development Project	4702	(6,029,346)	-
69	North East Local Services Improvement Project	4728	536,867,330	2,373,419,050
70	Small & Medium Enterprise Development Facility Project	4804	713,731,621	-
71	2nd & 3rd Additional Financing for Community Livelihood in Conflict Affected Areas	4956	1,479,011,177	3,358,366,844
72	Second Additional Financing for Road Sector Assistance Project	4906	4,440,155,671	482,618,888
73	Additional Financing for E-Sri Lanka Development Project	5051	1,146,015,763	307,992,096
74	Transforming the School Education System as the Foundation of a Knowledge Hub Project	5037	2,306,465,636	1,307,629,477
75	Second Health Sector Development Project	5228	1,470,382,875	-

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project		Actual	
			2013 Rs	2012 Rs
	INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT		4,058,593,663	334,928,588
76	Metro Colombo Urban Development Project	8145	4,058,593,663	334,928,588
	ING BANK N.V.		-	259,814,130
77	Negombo Water Supply Project	2008032	-	259,814,130
	INTERNATIONAL FUND FOR AGRICULTURE DEVELOPMENT		1,152,840,749	1,784,546,339
78	Dry Zone livelihood support & partnership programme	636	66,845,501	672,445,921
79	Post Tsunami Coastal Rehabilitation & Resource Management Programme	664	45,277,517	-
80	Smallholder Plantations Entrepreneurship Development Programme	712	312,923,845	324,567,201
81	Post Tsunami Coastal Rehabilitation & Resource Management Programme II	693	507,880,243	787,533,217
82	Iranamadu Irrigation Development Project	1-857	219,913,643	-
	NORDEA BANK DENMARK A/S		2,749,783,414	4,901,412,586
83	Kelani Right Bank Water Treatment Plant	2008028	448,970,163	1,159,249,418
84	Oluvil Port Development Project	2008029	-	707,838,094
85	Rural Electrification Project 4 Extension	2011011	2,300,813,251	3,034,325,074
	ORGANISATION OF PETROLEUM EXPORTING COUNTRIES (OPEC)		362,873,041	596,747,080
86	National Highway Sector Project	1355 P	13,220,201	596,747,080
87	Road Network Development Project	1452 P	349,652,840	-
	RAIFFEISEN ZENTRAL BANK		-	23,007,412
88	Up-Grading of Technical Education (SLIATE)	2008038	-	23,007,412
	AUSTRALIAN & NEW ZEALAND INVESTMENT BANK		1,654,218,020	2,878,438,207
89	Integrated Water Supply Scheme for the Unserved Areas of Ampara District - Phase III	2010023	1,654,218,020	2,878,438,207
	UNICREDIT BANK AUSTRIA AG		879,959,674	2,802,985,971
90	Rehabilitation Old Laxapana Hydroelectric Power Plant	2010004	506,601,349	2,802,985,971
91	Supply of 2 Nos Cardiac Catheterization System to Cardiology Department Of the National Hospital Sri Lanka	2013006	373,358,324	-
	CALYON CREDIT AGRICOLE CIB		267,749,374	1,685,097,097
92	Rehabilitation of Wimalasurendra and New Laxapana Power Stations	2008042	267,749,374	1,685,097,097
	CHINA DEVELOPMENT BANK CORPORATION		17,058,378,835	31,366,234,777
93	Rehabilitation and Improvement of Priority Road Project	2010051	3,178,513,142	6,899,988,050
94	Improvement and Rehabilitation of Priority Roads	2011007	10,830,496,029	15,954,761,666
95	Moragahakanda Development Project	2012017	3,049,369,664	8,511,485,062
	GOVERNMENT OF FRANCE		896,113,958	2,696,199,238
96	Trincomalee Integrated Infrastructure Project	2005049	218,914,262	747,609,355
97	Greater Trincomalee Water Supply Project	2005052	163,199,696	735,997,738
98	Trincomalee Integrated Infrastructure Project	2008030	-	1,000,327,717
99	Provision of Oxygen Concentrators, Operating Theaters & Medical Equipment to Tsunami Affected & Remote Hospitals Project	2010008	-	212,264,427
100	Widening and Reconstruction of 46 Bridges on National Road Network	2012028	514,000,000	-
	GOVERNMENT OF GERMANY		690,969,736	327,088,068
101	DFCC V Credit Line for SME in the North and East	2006040	171,410,099	-
102	Colombo Grid Substation Project	2001042	-	48,434,827
103	Rehabilitation Electricity Supply Jaffna Region (Transmission Line)	2005051	493,889,957	278,653,241
104	Construction of the Mahamodara Maternity Hospital Galle	2012022	25,669,680	-

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project		Actual	
			2013 Rs	2012 Rs
	GOVERNMENT OF INDIA		13,680,915,789	26,062,953,437
105	Upgrading of Railway Line Colombo Matara	2008011	581,437,082	1,879,907,509
106	Upgrading of Railway Line Colombo Matara phase II	2010010	2,131,710,360	2,379,125,578
107	Railway Line Omanthai -Pallai,Madhu- Tallaimannar & Medawachchiya	2010052	7,218,720,544	6,577,319,129
108	India Dollar Credit Line Agreement	2008006	-	2,315,561,749
109	Greater Dabulla Water Supply Project i	2012002	674,635,241	4,295,748,830
110	Restoration of Northern Railway Services	2012003	3,074,412,562	8,615,290,641
	GOVERNMENT OF KUWAIT		96,841,260	338,844,721
111	Bridges Reconstruction & Rehabilitation Project	466/627	29,220,199	57,895,838
112	Strengthening of Tertiary Education & Administrative Infrastructure in Tsunami Affected Areas	711	-	70,293,556
113	South Eastern University of Sri lanka Development project phase I "A"	747	-	186,677,339
114	Kalu Ganga Development Project	781	52,932,498	23,977,987
115	South Eastern University of Sri lanka Development project phase I "B"	836	14,688,563	-
	GOVERNMENT OF SAUDI ARABIA		973,873,501	34,880,931
116	Epilepsy Hospital & Health Centers Project	7/477	587,200,476	34,880,931
117	Road Network Development Project	9/574	386,673,024	-
	JAPAN / SRI LANKA		29,951,679,336	46,633,016,713
118	Colombo City Electricity Distribution Development Project	72	-	561,381,550
119	Upper Kotmale Hydro Power Project	74	-	8,588,493,929
120	Pro-poor Economic Advancement & Community Enhancement	77	143,296,575	951,759,164
121	Vavuniya Kilinochchi Transmission Line Project	83	216,393,154	343,777,773
122	The Galle Port Development Project	85	66,490,783	-
123	Tourism Resources Improvement Project	86	750,025,771	241,972,058
124	Pro - poor Eastern Infrastructure Development Project	87	-	1,415,048,375
125	Greater Colombo Transport Development Project.	89	2,155,626,126	5,565,654,804
126	Water Sector Development Project	90	1,719,255,625	3,052,449,957
127	Greater Colombo Urban Transport Development Project.	91	-	8,647,582,136
128	Southern Highway Construction Project (II)	92	1,675,737,787	6,232,799,005
129	Water Sector Development Project (II)	93	1,835,226,118	1,754,348,440
130	Poverty Alleviation Micro Finance Project -II	94	144,795,305	526,854,829
131	Energy Diversification Enhancement Project	95	287,596,709	1,232,356
132	Provincial Rural Road Development Project	96	2,823,713,872	2,195,495,955
133	Provincial Rural Road Development Project	97	1,859,540,490	1,928,611,981
134	Eastern Province Water Supply Development Project	98	1,117,977,448	1,172,226,410
135	Kandy City Waste Water Management Project	99	339,407,176	99,379,484
136	Upper Kotmale Hydro Power Project II	100	1,799,313,259	29,978,847
137	Greater Colombo Urban Transport Development Project - Phase II	101	10,255,480,083	1,066,721,021
138	Vavuniya Kilinochchi Transmission Line Project - Phase II	102	132,102,155	610,695,849
139	Emergency Natural Disaster Rehabilitation Project	103	2,180,221,620	1,643,201,945
140	Habarana Veyangoda Transmission Line	106	123,480,925	2,374,818
141	Improvement of Basic Social Services Targeting Emerging Regions	105	321,960,980	976,030
142	Greater Colombo Transmission and Distribution Loss Reduction Project	107	4,037,378	

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project		Actual	
			2013 Rs	2012 Rs
GOVERNMENT OF SPAIN			1,589,846,676	517,565,545
143	Veyangoda Railway Crossing Flyover Project	2012015	1,365,936,603	68,737,342
144	Veyangoda Railway Crossing Flyover Project	2012016	-	448,828,203
145	Implementation of the Greater Rathnapura Water Supply Project	2013003	223,910,073	-
SRI LANKA - KOREA			4,699,637,830	6,471,008,667
146	Lanka Government Network Stage II Project	17	-	134,693,646
147	Improvement of Padeniya- Anuradhapura Road Project	18	-	2,897,507,322
148	Ruhunupura Water Supply Development Project	19	2,177,550,283	2,249,859,031
149	Hatton - Nuwara Eliya Road Improvement Project	20	1,004,617,323	1,188,948,667
150	Improvement of Padeniya- Anuradhapura Road Project	23	1,517,470,224	-
THE EXPORT - IMPORT BANK OF CHINA			32,976,889,936	30,794,508,396
151	Colombo - Katunayake Expressway (CKE) Section A1	2009011	2,751,304,899	1,845,832,747
152	Colombo - Katunayake Expressway (CKE) Section A2	2009010	2,451,157,596	1,697,029,746
153	Colombo - Katunayake Expressway (CKE) Section A3	2009012	1,824,276,894	1,289,917,688
154	Colombo - Katunayake Expressway (CKE) Section A4	2009013	2,648,924,750	1,691,387,589
155	Supply of 13 Nos. Diesel Multiple Units to Sri Lanka Railway Project	2010007	-	3,678,278,808
156	Bunkering Facility & Tank Farm Project at Hambantota	2009009	-	409,142,518
157	Northern Province Power Sector Development Project	2010030	1,120,441,066	1,663,182,352
158	Nothern Road Rehabilitation Project	2010031	2,400,746,872	2,017,304,156
159	Nothern Road Rehabilitation Project	2010032	959,373,679	2,194,053,261
160	Nothern Road Rehabilitation Project	2010033	1,613,928,729	919,215,013
161	Nothern Road Rehabilitation Project	2010034	1,747,361,055	2,811,056,059
162	Nothern Road Rehabilitation Project	2010035	1,646,458,683	4,167,036,848
163	Highway Section Pinnaduwa to Kodagoda	2011005	2,380,927,573	1,179,284,434
164	Highway Section Kodagoda to Godagama	2011006	2,059,036,867	2,094,262,261
165	Restoration & Improvement of 67 km Length of Navatkuli,Karaitivu,Mannar Road	2011008	837,236,673	1,656,311,424
166	Restoration & Improvement of 113 km Length of Puttalam Marichchikade,Mannar Road	2011009	1,721,385,782	427,642,100
167	Lighting Eastern Province Project	2012001	1,552,393,719	249,838,049
168	Matara Beliatta Section of Matara Kataragama Railway Line Extention	2013005	3,200,000,000	-
169	Lighting Uva Province Project	2011014	2,061,935,097	803,733,341
EXPORT IMPORT BANK OF HUNGARY			1,198,169,264	-
170	Rehabilitation of Kalatuwawa Water Treatment Plant Project	2013008	610,853,768	-
171	Rehabilitation of Labugama Water Treatment Plant Project	2013009	587,315,496	-
EXPORT IMPORT BANK OF MALAYSIA			-	455,598,400
172	Purchase of 50 Units of Terberg Terminal Tractors	2011018	-	455,598,400
EXPORT DEVELOPMENT BANK OF IRAN			3,422,249,319	6,219,268,503
173	Uma Oya Hydro Electric & Irrigation Project	2008027	3,002,018,586	3,520,831,209
174	Implementation of Rural Electrification Project 8	2010005	420,230,733	2,698,437,295
OTHERS			-	129,443,930,580
175	International Sovereign Bond Issue 2012	2012018	-	129,443,930,580
TOTAL			183,317,158,351	365,698,416,536

Notes to Financial Statements *contd...*

	2013 Rs	Actual 2012 Rs
Note 12 - FOREIGN GRANTS		
<u>Grants Received in the Form of Cash for Projects</u>		
Asian Development Bank (ADB)	4,638,340	1,125,744
Government of Japan	206,846,345	260,724,143
International Labour Organization (ILO)	2,147,200	2,443,200
Government of Netherlands	14,820,090	9,000,000
United Nations High Commission for Refugees (UNHCR)	2,600,000	42,170,000
United Kingdom (UK)	22,845,431	36,521,806
United Nations Development Programme (UNDP)	220,421,490	180,556,379
United Nations Educational, Scientific and Cultural Organization (UNESCO)	8,981,420	6,732,484
United Nations Fund for Population (UNFPA)	64,903,919	54,272,126
United Nations Children's Education Fund (UNICEF)	452,350,318	1,002,202,546
United State of America (USA)	106,506,435	18,726,237
World Health Organization (WHO)	73,798,041	55,225,896
World Bank (WB)	484,330,230	426,416,661
United Nations Environment Programme (UNEP)	6,544,692	20,566,300
Global Alliance Vaccination Immunization (GAVI)	108,794,143	-
South Asian Association for Regional Cooperation (SAARC)	36,331,812	27,140,823
Government of Sri Lanka	-	575,493
Government of Australia	7,249,777	-
Government of Korea	5,374,865	-
Government of Italy	1,665,535	-
Government of Norway	2,700,000	-
Others	14,939,475	14,518,252
Others (Pakistan & World Meteorology Organization)	10,800,000	21,743,739
Sub Total (a)	1,859,589,558	2,180,661,830
<u>Grants Received through Special Foreign Currency Accounts</u>		
International Development Association (IDA)	1,678,500,474	247,392,652
Asian Development Bank (ADB)	986,266,329	938,764,761
United Nations Development Programme (UNDP)	826,507	19,995,069
International Fund for Agricultural Development (IFAD)	90,958,035	45,181,413
Sub Total (b)	2,756,551,345	1,251,333,894

Notes to Financial Statements *contd...*

	2013 Rs	Actual 2012 Rs
Grants Received and Reported in the Form of Materials & Equipments		
World Food Programme	805,280,496	1,525,924,781
Korea International Cooperation Agency (KOICA)	-	116,168,627
The Government of India	71,961,587	603,856,876
The Government of China	-	1,392,011
The Government of Norway	5,350,000	1,505,529
Japan International Cooperation Agency (JICA)	1,199,999,109	750,000,000
United Nations Development Programme (UNDP)	-	34,601,747
Food and Agriculture Organization (FAO)	-	4,550,000
The Government of Spain	10,200,000	20,994,217
Sub Total (c)	2,092,791,192	3,058,993,787
Direct Payment		
United Nations Development Programme (UNDP)	-	1,164,311,334
The Government of Japan	8,860,670	2,232,988,886
European Commission	-	19,209,397
The Government of India	7,805,382,983	4,618,746,248
International Fund for Agricultural Development (IFAD)	-	14,391,547
International Federation of Red Cross (IFRC)	-	136,181,168
United State of America (USA)	-	826,623,790
Java Agent Development Framework (JADF)	-	21,820,000
Gesellschaft for International Zusammenarbeit (GIZ)	-	545,510,000
Government of Germany	617,512,607	-
United States Agency for International Development (USAID)	257,254,169	-
Asian Development Bank (ADB)	35,204,736	-
United Nations Fund for Population (UNFPA)	2,234,622	-
United Kingdom (UK)	423,614,285	-
Sub Total (d)	9,150,064,072	9,579,782,371
Grand Total = (a)+(b)+(c)+(d)	15,858,996,167	16,070,771,882

Notes to Financial Statements *contd...*

	2013 Rs.	Actual 2012 Rs.
Note 13 - DOMESTIC NON-BANK BORROWINGS		
Net Borrowings through Treasury Bills - 8085	46,782,614,568	22,808,073,041
Treasury Bonds - 9093	802,402,739,644	639,713,357,433
Foreign Currency Banking Unit - 9107	2,552,075,500	2,910,492,274
Sri Lanka Development Bonds like as - 9105	237,958,814,481	60,437,388,704
	1,089,696,244,193	725,869,311,452
Net Borrowings through Treasury Bills		
Borrowings through Treasury Bills - 8085	1,134,911,840,726	1,552,719,528,082
<u>Less: Total Repayments</u>	1,088,129,226,158	1,529,911,455,041
Net Amount of Repayment/ Borrowings	46,782,614,568	22,808,073,041
Note 14 - DOMESTIC DEBT REPAYMENTS		
Treasury Bonds 9093	487,741,907,290	386,154,787,750
Rupee Loans 8249	2,868,000,000	3,575,006,483
Sri Lanka Development Bonds 9105	97,810,317,001	42,078,511,440
Local Loans in Foreign Currency 9107	-	-
Deferred Loan Re-Payment	19,202,792,468	18,106,772,682
	607,623,016,759	449,915,078,355
Note : - Net amount payment of Treasury Bills reflects the difference between borrowings through Treasury Bills and their settlements on maturity, taken place during the year.		
Note 15 - RECOVERIES FROM ON-LENDING		
<u>Foreign Funded Lending</u>		
National Development Bank	768,935,483	977,347,272
Sri Lanka Ports Authority	6,298,446,917	6,135,091,714
Development Finance Corporation of Ceylon	1,981,470,740	2,227,077,542
Hatton National Bank	518,297,056	489,777,817
Lanka Electricity Company Ltd.	76,565,863	77,422,406
National Water Supply & Drainage Board	200,000,000	100,000,000
Sampath Bank	217,631,200	364,259,693
Commercial Bank	238,070,488	405,140,181
Seylan Bank	44,428,298	48,479,704
Ceylon Petroleum Corporation	647,368,644	647,368,644
Lanka Orix Leasing Company	162,344,771	162,344,771
Local Loan Development Fund	91,828,713	92,068,955
Revolving Funds of Central Bank with Regional Development Banks	1,263,510,005	1,708,995,473
Lankaputhra Development Bank	8,878,643	8,878,643
Other Institutions	1,914,535,328	2,493,533,785
Sub Total (a)	14,432,312,147	15,937,786,600
<u>Treasury Funded Lending</u>		
AHF Loan Scheme	300,819,193	298,929,369
Other Loans	1,235,395,269	172,389,305
Sub Total (b)	1,536,214,462	471,318,674
Grand Total (a+b)	15,968,526,609	16,409,105,273

Notes to Financial Statements *contd...*

	2013 Rs.	Actual 2012 Rs.
Note 16 - LOANS TO PUBLIC OFFICERS		
Advances to Public Officers Transferred to Provincial Councils (7004)	189,314,511	193,040,033
Advances to Public Officers of the Central Government (8493)	22,822,851,351	23,841,376,453
	23,012,165,862	24,034,416,486
Note 17 - ADVANCES TO GOVERNMENT DEPARTMENTS		
Treasury Authorised Advance Accounts (7000)	9,229,954,562	9,052,234,339
	9,229,954,562	9,052,234,339
Note 18 - MEMBERSHIP FEES PAID		
International Monetary Institutions Membership Fees Paid (8234) and (8339)	1,885,484,942	1,885,484,942
Foreign Aids Counterpart Fund - Grants (8317)	1,631,694,933	1,631,694,933
	3,517,179,875	3,517,179,875

Notes to Financial Statements *contd...*

Note 19 - ON LENDING

S.No	Name of the Institution	Balance as at 01.01.2013 Rs.	New Loan During 2013 Rs.	Amount Settled During 2013 Rs.	Balance as at 31.12.2013 Rs.
1	Sri Lanka Port Authority	77,738,055,754	1,355,154,811	6,298,446,917	77,336,372,632
	Add : Parity Variance	4,541,608,985			(5,087,464,268)
	Balance	82,279,664,739	1,355,154,811	6,298,446,917	72,248,908,365
2	Ceylon Electricity Board	102,095,939,335	59,611,013,448	-	161,706,952,783
	Balance	102,095,939,335	59,611,013,448	-	161,706,952,783
3	Development Finance Corporation of Ceylon	21,882,516,802	10,500,000	1,981,470,740	19,791,054,366
	Less: Parity Variance/ Adjustment	(120,491,697)			(303,013,726)
	Balance	21,762,025,105	10,500,000	1,981,470,740	19,488,040,639
4	Lankaputhra Development Bank	2,120,771,267	-	8,878,643	2,397,328,333
	Add : Parity Variance	285,435,708			59,805,577
	Balance	2,406,206,976	-	8,878,643	2,457,133,910
	Indian Line of Credits				
5	People's Bank	96,519	(5)	96,514	-
	Sub Total	96,519	(5)	96,514	-
6	People's Bank	227,877,089	75,867,774	41,756,549	261,988,314
7	National Development Bank	7,417,471,190	115,242,157	768,935,483	5,904,146,432
	Less: Parity Variance/ Adjustment	(859,631,433)			(859,631,433)
	Balance	6,557,839,757	115,242,157	768,935,483	5,044,514,999
8	Lanka Electricity Company	132,591,465	(0)	76,565,863	56,025,602
9	Sampath Bank Ltd.	3,908,674,142	39,700,080	217,631,200	3,493,311,688
	Less: Parity Variance/ Adjustment	(237,431,333)	-	-	(243,337,581)
	Balance	3,671,242,809	39,700,080	217,631,200	3,249,974,108
10	Hatton National Bank Ceylon Ltd.	4,706,850,022	9,999,998	518,297,056	4,132,946,844
	Less: Parity Variance/ Adjustment	(65,606,120)			(65,606,120)
	Balance	4,641,243,902	9,999,998	518,297,056	4,067,340,724
11	Commercial Bank	6,119,153,851	181,629,985	238,070,488	5,355,160,162
	Less: Parity Variance/ Adjustment	(707,553,186)	-	-	(707,553,186)
	Balance	5,411,600,665	181,629,985	238,070,488	4,647,606,976
12	Seylan Bank	287,892,323	0	44,428,298	243,464,025
13	Ceylon Petroleum Corporation	2,645,587,203	-	647,368,644	1,998,218,559
14	Sri Lanka Savings Bank	1,407,051,273	-	16,032,023	1,391,019,249
15	Sarvodaya Economic & Enterprise Development Service	774,150,373	-	140,754,613	633,395,759
16	Local Loan Development Fund	5,449,989,233	169,692,143	91,828,713	5,527,852,664
17	Lanka Orix Leasing Co. Ltd.	1,291,430,129	0	162,344,771	1,093,741,241
	Less: Parity Variance/ Adjustment	(35,344,116)	-	-	(35,873,765)
	Balance	1,256,086,012	0	162,344,771	1,057,867,476
18	National Water Supply & Drainage Board	28,524,654,319	8,154,269,063	200,000,000	36,478,923,382
19	Bank of Ceylon	2,342,348,323	102,369,894	178,825,779	1,989,467,134
	Less: Parity Variance/ Adjustment	(276,425,304)	-	-	(385,511,089)
	Balance	2,065,923,019	102,369,894	178,825,779	1,603,956,045
20	Colombo Dockyard	31,871,520		27,469,500	13,094,040
	Add: Parity Variance	8,692,020			1,418,640
	Balance	40,563,540	-	27,469,500	14,512,680

Notes to Financial Statements *contd...*

S.No	Name of the Institution	Balance as at 01.01.2013 Rs.	New Loan During 2013 Rs.	Amount Settled During 2013 Rs.	Balance as at 31.12.2013 Rs.
21	Urban Development Authority	276,749,960	-	-	276,749,960
22	Ceylinco Leasing Company Ltd.	87,898,063	-	14,649,677	73,248,386
23	People's Leasing Company Ltd	205,498,038	-	-	177,276,074
	Less: Parity Variance/ Adjustment	(28,221,964)	-	-	(14,110,982)
	Balance	177,276,074	-	-	163,165,092
24	Regional Development Bank (Kandurata)	60,800,092	-	-	51,869,694
	Less: Parity Variance/ Adjustment	(8,930,398)	-	-	(8,930,398)
	Balance	51,869,694	-	-	42,939,296
25	Distance Learning Centre Ltd	22,443,121	-	3,206,160	19,236,961
26	Central Bank of Sri Lanka	1,075,755,354	0	311,299,380	764,455,974
27	Prajashakthi District Organization-Badulla	5,820,000	-	-	5,820,000
28	Sanasa Development Bank	12,056,479	-	-	12,056,479
29	Sanasa Development Bank	26,981,444	(4)	3,854,492	23,126,948
30	Regional Development Bank	158,922,352	76,760,369	30,127,335	205,555,386
31	Ministry of Agricultural Development and Agrarian Services	1,500,599,352	-	2,484,539	1,498,114,813
32	Alliance Finance Company Ltd.	155,099,086	(1)	3,954,954	151,144,131
33	Revolving Funds with Central Bank of Sri Lanka	19,265,343,616	511,542,334	1,263,510,005	21,154,826,642
	Add: Parity Variance/ Adjustment	2,641,450,697	-	-	2,742,323,496
	Balance	21,906,794,313	511,542,334	1,263,510,005	23,897,150,139
34	Regional Development Bank (Wayamba)	46,002,695	-	-	34,502,022
	Less: Parity Variance/ Adjustment	(11,500,674)	-	-	(11,500,674)
	Balance	34,502,022	-	-	23,001,348
35	HDFC / NHDA	325,542,535	-	27,891,787	297,650,748
36	Airport & Aviation Services (Sri Lanka) Ltd	15,463,062,062	-	1,112,132,026	14,673,030,869
	Add: Parity Variance/ Adjustment	322,100,833	-	-	(2,404,470,288)
	Balance	15,785,162,896	-	1,112,132,026	12,268,560,581
	On Lending Based on Foreign Aids	313,241,698,399	70,413,742,045	14,432,312,147	361,899,672,501
37	Local Loan & Development Fund	282,769,745	-	22,800,790	259,968,955
38	Sri Lanka Rubber Manufacturing & Development Corporation	773,340,000	-	-	773,340,000
39	Sri Lanka Handicraft Development Board	8,853,000	-	1,475,500	7,377,500
40	Lankaputhra Development Bank -Small/Medium Gar.Pr.	16,364,000	-	5,454,400	10,909,600
41	Hotel Developers Lanka Ltd.	13,676,446,341	337,749,120	1,000,000,000	2,350,299,678
	Less: Parity Variance/ Adjustment	(10,663,895,784)	-	-	-
	Balance	3,012,550,558	337,749,120	1,000,000,000	2,350,299,678
42	Other Local Loan (NLDB & LADT Lahore)	53,750,000	-	750,000	53,000,000
43	AHF Loan Scheme 2004/2005	1,773,257,904	-	300,819,193	1,472,438,711
44	Real Estate Exchange Pvt Ltd	250,000,000	-	-	250,000,000
45	Ministry of Petroleum & Petroleum Resources Development	462,131,250	-	147,148,841	314,982,409
46	Department of Treasury Operations - (RFPDFP)	1,999,025,150	-	-	1,999,025,150
47	Department of Treasury Operations - (PLGF)	916,231,000	-	-	916,231,000
48	Ceylon Hotel Corporations	19,000,000	-	-	19,000,000
49	Ceylon Ceramic Corporations	8,676,923	-	-	8,676,923

Notes to Financial Statements *contd...*

S.No	Name of the Institution	Balance as at 01.01.2013 Rs.	New Loan During 2013 Rs.	Amount Settled During 2013 Rs.	Balance as at 31.12.2013 Rs.
50	Ceylon Fisheries Corporations	50,000,000	-	-	50,000,000
51	Ceylon Fisheries Corporations	11,600,000	-	-	11,600,000
52	Ceylon Fisheries Corporations	50,000,000	-	-	50,000,000
53	National Paper Company Ltd	50,000,000	-	-	50,000,000
54	Central Bank - (SPIRDP)	39,128,631	-	22,793,105	16,335,526
55	Selacine Rupavahini	9,300,000	-	1,860,000	7,440,000
56	Central Bank - SEPI Loan Scheme	93,946,186	36,970,000	33,112,632	97,803,554
	On Lending Based on Domestic Funds	9,879,924,347	374,719,120	1,536,214,462	8,718,429,006
	Total (Before Parity Variance/Adjustment)	328,337,366,511	70,788,461,166	15,968,526,609	377,941,557,303
	Total Parity Variance	(5,215,743,765)	-	-	(7,323,455,796)
	Total (After Parity Variance/Adjustment)	323,121,622,746	70,788,461,166	15,968,526,609	370,618,101,507

Notes to Financial Statements *contd...*

NOTE - 20 : CAPITAL CONTRIBUTION OR SHAREHOLDINGS IN THE COMMERCIAL PUBLIC CORPORATIONS / STATE OWNED COMPANIES / OTHER COMPANIES / PLANTATION COMPANIES / DEVELOPMENT BANKS (8468 / 8548)

	Balance as at 01.01.2013	Additions in 2013	Ajustments */ Reductions in 2013	Balance as at 31.12.2013
	Rs.	Rs.	Rs.	Rs.
Note - 20.1 (a) Capital Contribution in Commercial Public Corporations	130,061,000,789	-	-	130,061,000,789
Note - 20.1 (b) Central Bank of Sri Lanka	15,000,000	-	-	15,000,000
Note - 20.2 Shareholdings in Government Owned or Other Companies	40,040,096,037	38,040,785,380	1,668,900,046	76,411,981,371
Note - 20.3 Shareholdings in Plantation Companies	1,677,234,650	10	10	1,677,234,650
Note - 20.4 Shareholdings in Companies in US Dollar denomination	258,043,140	3,763,980	-	261,807,120
Note - 20.5 Shareholdings in Development Banks	4,549,418,322	-	181,374	4,549,236,948
Total	176,600,792,938	38,044,549,370	1,669,081,430	212,976,260,878

NOTE - 20.1 (A) CAPITAL CONTRIBUTION IN COMMERCIAL PUBLIC CORPORATIONS

S. No.	Name	Balance as at 01.01.2013	Additions in 2013	Reduction in 2013	Balance as at 31.12.2013
		Rs.	Rs.	Rs.	Rs.
1	Bank of Ceylon	5,000,000,000	-	-	5,000,000,000
2	Central Engineering Consultancy Bureau	500,000	-	-	500,000
3	Ceylon Ceramics Corpoartion	2,640,000	-	-	2,640,000
4	Ceylon Electricity Board	96,090,404,058	-	-	96,090,404,058
5	Ceylon Fisheries Corporation	326,609,805	-	-	326,609,805
6	Ceylon Fishery Harbours Corporation	50,100,195	-	-	50,100,195
7	Ceylon Petroleum Corporation	117,820,000	-	-	117,820,000
8	Development Lotteries Board	2,200,000	-	-	2,200,000
9	Housing Development Finance Corporation Bank	346,490,000	-	-	346,490,000
10	National Films Corporation of Sri Lanka	10,000,000	-	-	10,000,000
11	National Institute of Business Management	57,175,766	-	-	57,175,766
12	National Livestock Development Board	576,587,649	-	-	576,587,649
13	National Lotteries Board	21,263,100	-	-	21,263,100
14	National Savings Bank	3,200,000,000	-	-	3,200,000,000
15	National Water Supply & Drainage Board	185,480,000	-	-	185,480,000
16	People's Bank	7,198,133,000	-	-	7,198,133,000
17	Sri Lanka Ayurvedic Drugs Corporation	5,000,000	-	-	5,000,000
18	Sri Lanka Broadcasting Corporation	307,386,085	-	-	307,386,085
19	Sri Lanka Cashew Corporation	427,287,074	-	-	427,287,074
20	Sri Lanka Cement Corporation	966,971,844	-	-	966,971,844
21	Sri Lanka Transport Board	3,944,890,550	-	-	3,944,890,550
22	Sri Lanka Export Credit Insurance Corporation	40,000,000	-	-	40,000,000
23	Sri Lanka Handicraft Board	69,629,000	-	-	69,629,000
24	Sri Lanka Land Reclamation & Development Corporation	1,000,000	-	-	1,000,000
25	Sri Lanka Port Authority	7,535,916,027	-	-	7,535,916,027
26	Sri Lanka Rupavahini Corporation	537,743,000	-	-	537,743,000
27	State Development & Construction Corporation	16,671,650	-	-	16,671,650
28	State Engineering Corporation of Sri Lanka	70,000,000	-	-	70,000,000
29	State Mortgage & Investment Bank	889,813,000	-	-	889,813,000
30	State Pharmaceuticals Corporation of Sri Lanka	59,055,258	-	-	59,055,258

Notes to Financial Statements *contd...*

S. No.	Name	Balance as at 01.01.2013 Rs.	Additions in 2013 Rs.	Reduction in 2013 Rs.	Balance as at 31.12.2013 Rs.
31	State Pharmaceuticals Manufacturing Corporation	690,079,000	-	-	690,079,000
32	State Printing Corporation	15,000,000	-	-	15,000,000
33	State Timber Corporation	41,503,668	-	-	41,503,668
34	Urban Development Authority	1,257,651,060	-	-	1,257,651,060
	Total (20.1)	130,061,000,789	-	-	130,061,000,789

Note 20.1 (b) - CENTRAL BANK OF SRI LANKA

S. No.	Name	Balance as at 01.01.2013 Rs.	Additions in 2013 Rs.	Reduction in 2013 Rs.	Balance as at 31.12.2013 Rs.
1	Centrtal Bank of Sri Lanka	15,000,000	-	-	15,000,000

Notes to Financial Statements *contd...*

Note 20.2 - SHAREHOLDINGS IN GOVERNMENT OWNED OR OTHER COMPANIES

Se. No.	Name of Company	Number of Shares			Nominal Value per Share	Value of the Investment as at 01-01-2013	Value of the Investment as at 31.12.2013	Percentage of Share holdings by the Treasury
		As at 01.01.2013 Nos.	Additions Nos.	Deductions Nos.				
				As at 31.12.2013 Nos.	(Rs.)	(Rs.)	(Rs.)	
1	Airport & Aviation Services (Sri Lanka) Limited	200,000		200,000	100.00	20,000,000	20,000,000	98.00%
2	BCC Lanka Limited	10,000,000		10,000,000	10.00	100,000,000	100,000,000	100.00%
3	Bogala Graphite Lanka Ltd	254,500		254,500	10.00	2,545,000	2,545,000	0.91%
4	Borwood Limited	200,000		200,000	10.00	2,000,000	2,000,000	-
5	Building Materials Coporation	1,000,000		1,000,000	10.00	10,000,000	10,000,000	100.00%
6	Ceylon Agro Industrial Ltd	5,951,701		5,951,701	10.00	59,517,010	59,517,010	8.50%
7	Ceylon Fertilizer Co. Ltd	50,245,608	-	50,245,608	10.00	502,456,080	502,456,080	100.00%
8	Ceylon Hotel Corporation PLC	1,200,000		960,000	10.00	12,000,000	2,400,000	100.00%
9	Ceylon Oxygen Ltd	8,453		8,453	10.00	84,530	-	-
10	Ceylon Shipping Corporation Ltd	5,000,000		5,000,000	10.00	50,000,000	50,000,000	100.00%
11	Ceylon Shipping Lines Ltd	156,493		156,493	10.00	1,564,930	1,564,930	39.00%
12	Ceylon Petroleum Storage Terminals Ltd	250,000,000		250,000,000	10.00	2,500,000,000	2,500,000,000	33.00%
13	Ceynor Foundation Ltd	4,000,000		4,000,000	10.00	40,000,000	40,000,000	100.00%
14	Colombo Commercial Company (Engineers) Ltd	2,960,000		2,960,000	-	29,600,000	-	-
15	Colombo Commercial Fertilizer Ltd	1,000,000	9,000,000	10,000,000	10.00	10,000,000	100,000,000	100.00%
16	Colombo Sack Makers Ltd	2,499,996		2,499,996	10.00	24,999,960	24,999,960	-
17	Commercial Bank of Ceylon Limited	29,535	494	30,029	5.00	147,675	150,145	0.00418%
18	Comsec Management Services	2,499,996		2,499,996	10.00	24,999,960	24,999,960	-
19	Cultural Publication Company Ltd	600		600	100.00	60,000	60,000	-
20	Distance Learning Center Ltd	14,206,509		14,206,509	10.00	142,065,090	142,065,090	99.99%
21	Laxapana Batteries Ltd -(Elephant Lite Corporation Ltd) (Peference) -	1,000		1,000	10.00	10,000	10,000	5.00%
22	Galadari Hotels Lanka Ltd	292,200		292,200	10.00	2,922,000	2,922,000	-
23	Glaxo Welcome Ceylon Ltd	450		450	-	4,500	-	-
24	Hotel Developers (Lanka) Ltd	29,388,463	1,082,227,255	1,111,615,718	10.00	293,884,630	11,116,157,180	100.00%
25	Hotel Services Ltd	2,263		2,263	10.00	22,630	22,630	0.0128%
26	Hunas Falls Limited	1		1	10.00	10	10	-
27	Independent Television Network Ltd	9,500,000		9,500,000	10.00	95,000,000	95,000,000	100.00%
28	Kahatagaha Graphite Lanka Limited	1,300,000		1,300,000	10.00	13,000,000	13,000,000	100.00%
29	Kalubowitiyana Tea Factory Ltd	4,637,500		4,637,500	10.00	46,375,000	46,375,000	99.90%
30	Kantale Sugar Industries Ltd	268,993	2,421,000	2,689,993	100.00	26,899,300	268,999,300	100.00%
31	Lafarge Mahaweli Cement (Pvt) Ltd	480,000		480,000	10.00	4,800,000	4,800,000	10.00%
32	Lanka Canneries Limited	40,002		40,002	100.00	4,000,200	4,000,200	9.09%
33	Lanka Cement Limited	22,246,000		22,246,000	10.00	222,460,000	222,460,000	13.00%
34	Lanka Coal Company(Pvt) Ltd	400,000		400,000	10.00	4,000,000	4,000,000	-
35	Lanka Electricity Company (Pvt) Ltd	49,880,000		49,880,000	10.00	498,800,000	498,800,000	43.56%
36	Lanka Fabrics Limited	210,000		210,000	10.00	2,100,000	2,100,000	93.30%
37	Lanka Hydraulic Institute Ltd	50,000		50,000	10.00	500,000	500,000	4.54%
38	Lanka Industrial Estates Ltd	7,800,000		7,800,000	10.00	78,000,000	78,000,000	48.84%
39	Lanka Layland Ltd	1,289,900		1,289,900	6.94	8,951,906	8,951,906	100.00%
40	Lanka Layland Ltd	430,000	430,000	860,000	0.01	4,300	8,600	

Notes to Financial Statements *contd...*

Se. No.	Name of Company	Number of Shares				Nominal Value per Share	Value of the Investment as at 01-01-2013	Value of the Investment as at 31.12.2013	Percentage of Share holdings by the Treasury
		As at 01.01.2013	Additions	Deductions	As at 31.12.2013				
		Nos.	Nos.	Nos.	Nos.				
					(Rs.)	(Rs.)	(Rs.)		
41	Lanka Machine Leasers (Pvt) Ltd	588,884			588,884	100.00	58,888,400	58,888,400	100.00%
42	Lanka Mineral Sands Ltd	80,000,000			80,000,000	10.00	800,000,000	800,000,000	100.00%
43	Lanka Phosphate Limited	7,251,000			7,251,000	10.00	72,510,000	72,510,000	100.00%
44	Lanka STC General Trading Co. Ltd	10,000,000			10,000,000	10.00	100,000,000	100,000,000	100.00%
45	Lanka Synthetic Fiber Company	956,256		956,256	-	10.00	9,562,560	-	-
46	Lanka Textile Mills Emporium Ltd	700,000			700,000	10.00	7,000,000	7,000,000	-
47	Lanka Tractors Limited	5,250,000		5,250,000	-	10.00	52,500,000	-	-
48	Mantai Salt Ltd	300,000			300,000	100.00	30,000,000	30,000,000	100.00%
49	Mihin Lanka (Private) Ltd	51,406,108			51,406,108	100.00	5,140,610,800	5,140,610,800	100%
50	MILCO (Pvt) Ltd - Kiriya Milk Industries	31,945,403			31,945,403	10.00	319,454,030	319,454,030	99.99%
51	National Development Bank	265,950		265,950	-	10.00	2,659,500	-	-
52	National Paper Company Ltd	32,300,000			32,300,000	10.00	323,000,000	323,000,000	100.00%
53	National Insurance Corporation Ltd	6,848		6,848	-	10.00	68,480	-	-
54	Autogrill Lanka Ltd. (Orient Lanka Ltd)	1,048			1,048	10.00	10,480	10,480	0.035%
55	Paranthan Chemicals Company Ltd	4,000,000			4,000,000	10.00	40,000,000	40,000,000	100.00%
56	Rajarata Food Grain Ltd	386,249			386,249	10.00	3,862,490	3,862,490	
57	Puttalam Cement Company Ltd	97,071		97,071	-	10.00	970,710	-	-
58	Ruhunu Cement Co. Ltd	10,175,000		10,175,000	-	10.00	101,750,000	-	-
59	Shell Gas Lanka Limited	17,616,853		17,616,853	-	10.00	176,168,530	-	
60	Skills Development Fund Ltd	10,200,152			10,200,152	10.00	102,001,520	102,001,520	98.00%
61	Sri Lanka Insurance Corporation Ltd	600,000,000		431,856	599,568,144	10.00	6,715,864,246	5,995,681,440	99.93%
62	Sri Lanka Rubber Manufacturing & Export Corporation Ltd	7,798,000			7,798,000	10.00	77,980,000	77,980,000	100.00%
63	Sri Lanka Savings Bank Ltd	4,584,460			4,584,460	100.00	458,446,000	458,446,000	100.00%
64	Sri Lanka Telecom Limited	893,405,709			893,405,709	10.00	8,934,057,090	8,934,057,090	49.50%
65	Sri Lankan Airlines Ltd	48,726,952	268,864,040		317,590,992	100.00	4,872,695,200	31,759,099,200	94.68%
66	Statcon Rubber Company Ltd	74,830		74,830	-	10.00	748,300	-	-
67	Tea Smallholder Factories Ltd	49,000,000		49,000,000	-	10.00	490,000,000	-	
68	The Selinsing Company Limited	615			615	10.00	6,150	6,150	1.00%
69	Thomas De La Rue Lanka Currency & Security Print (Pvt) Ltd	2,800,000			2,800,000	10.00	28,000,000	28,000,000	40.00%
70	United Motors Lanka Limited	13		13	-	10.00	130	-	-
71	Veyangoda Textile Ltd	7,500,000		7,500,000	-	10.00	75,000,000	-	-
72	Wakers & Greig Limited	2,850			2,850	2.00	5,700	5,700	-
73	Wakers & Greig Limited	100			100	10.00	1,000	1,000	-
74	West Coast Power (Pvt) Ltd (Ordinary)	55,000,000			55,000,000	112.95	6,212,500,000	6,212,500,000	50.00%
75	Lanka Logistics and Technologies Ltd	-	205		205	10.00	-	2,050	100.00%
76	Lakdiwa Engineering Company (Pvt) Ltd	1	1		2	10.00	10	20	100.00%
	Total	2,411,970,515	1,362,942,995	95,303,580	3,679,609,930		40,040,096,037	76,411,981,371	

Notes to Financial Statements *contd...*

Note 20.3 - SHAREHOLDING IN PLANTATION COMPANIES

Se. No.	Name of Company	Number of Shares				Nominal Value per Share (Rs.)	Value of the Investment at Cost as at 01.01.2013	Value of the Investment at Cost as at 31.12.2013	Percentage of Share Holdings by the Treasury
		As at 01.01.2013	Additions	Deductions	As at 31.12.2013				
		Nos.	Nos.	Nos.	Nos.	Rs.	Rs.	Rs.	
1	Agaraptana Plantation Ltd	23,284,644			23,284,644	10.00	232,846,440	232,846,440	30.39%
2	Agalawatta Plantation Ltd	741			741	10.00	7,410	7,410	0.0030%
3	Bagawantalawa Plantation Ltd	21,664			21,664	6.67	144,430	144,430	0.03%
4	Balangoda Plantation Ltd	4,761			4,761	10.00	47,610	47,610	0.02%
5	Chilaw Plantation Ltd	20,000,001			20,000,001	10.00	200,000,010	200,000,010	100.00%
6	Elkaduwa Plantation Ltd	18,000,001			18,000,001	10.00	180,000,010	180,000,010	100.00%
7	Elpitiya Plantation Ltd	7,806,546	7,806,546		15,613,092	5.00	78,065,460	78,065,460	21.43%
8	Gal oya Plantation Ltd	51,600,000			51,600,000	10.00	516,000,000	516,000,000	51.00%
9	Hapugastenne Plantation Ltd	1			1	10.00	10	10	-
10	Horana Plantation Ltd	5,889			5,889	10.00	58,890	58,890	0.023%
11	Kahawatte Plantation Limited	1			1	10.00	10	10	-
12	Kegalle Plantation Ltd	4,387			4,387	10.00	43,870	43,870	0.02%
13	Kelani Valley Plantation Ltd	1			1	10.00	10	10	-
14	Kotagala Plantation Ltd	3,800,557			3,800,557	10.00	38,005,570	38,005,570	11.88%
15	Kurunegala Plantation Ltd	20,000,001			20,000,001	10.00	200,000,010	200,000,010	100.00%
16	Madulsima Plantation Ltd	3,805,653			3,805,653	10.00	38,056,530	38,056,530	13.12%
17	Malwatta Valley Plantation Ltd.	1			1	10.00	10	10	-
18	Maskeliya Plantation Ltd.	9,007	1		9,008	10.00	90,070	90,080	0.30%
19	Maturata Plantation Ltd.	7,806,021		1	7,806,020	10.00	78,060,210	78,060,200	22.30%
20	Namunukula Plantation Ltd.	3,763,301			3,763,301	10.00	37,633,010	37,633,010	15.85%
21	Pussellawa Plantation Ltd.	7,817,123		333	7,816,790	10.00	78,171,230	78,171,230	32.70%
22	Talawakelle Plantations Limited	368			368	10.00	3,680	3,680	0.0015%
23	Udapussellawa Plantation Ltd	1			1	10.00	10	10	-
24	Watawala Plantation Ltd.	16	135		151	10.00	160	160	-
	Total	167,730,686	7,806,682	334	175,537,034		1,677,234,650	1,677,234,650	

Notes to Financial Statements *contd...*

Note 20.4 - SHAREHOLDINGS IN COMPANIES DENOMINATED IN US DOLLARS

Se. No.	Name of Company	Number of Shares				Nominal Value per Share (Rs.)	Value of the Investment at Cost as at 01.01.2013	Value of the Investment at Cost as at 31.12.2013	Percent-age of Share Holdings by the Treasury
		As at 01.01.2013	Additions	Deductions	As at 31.12.2013				
		Nos.	Nos.	Nos.	Nos.	Rs.	Rs.	Rs.	
1	Asian Reinsurance Corporation	980			980	US\$1000	126,243,600	128,135,000	
2	Ceylon Shipping Agency	24,500			24,500	1(Singapore)	2,593,080	2,529,870	99.00%
3	International Finance Corporation	1,003			1,003	US\$1000	129,206,460	131,142,250	
	Total	26,483			26,483		258,043,140	261,807,120	

Exchange Rate as at 01.01.2013 and 31.12.2013

Currency	01.01.2013	31.12.2013
	Rate (Rs.)	Rate (Rs.)
US Dollar	128.82	130.75
Singapore Dollar	105.84	103.26

Note 20.5 - SHAREHOLDINGS IN DEVELOPMENT BANKS

Se. No.	Name of Company	Number of Shares				Nominal Value per Share (Rs.)	Value of the Investment at Cost as at 01.01.2013	Value of the Investment at Cost as at 31.12.2013	Percent-age of Share Holdings by the Treasury
		As at 01.01.2013	Additions	Deductions	As at 31.12.2013				
		Nos.	Nos.	Nos.	Nos.	Rs.	Rs.	Rs.	
1	Pradeshia Sanvardhana Bank	87,744,671			87,744,671	10.00	877,446,710	877,446,710	79.81%
2	Lankaputhra Development Bank	15,000,000			15,000,000	100.00	1,500,000,000	1,500,000,000	
3	Lankaputhra Development Bank	21,071,022			21,071,022	103.07	2,171,971,612	2,171,790,238	99.99%
	Total	123,815,693		-	123,815,693		4,549,418,322	4,549,236,948	

Summary

31.12.2013

Se. No.	Company Name	Numbers of Shares	Nominal Value of Shares (Rs.)
1	General	3,679,609,930	76,411,981,371
2	Plantation	175,537,034	1,677,234,650
3	Shares in Dollar Value	26,483	261,807,120
4	Development Banks	123,815,693	4,549,236,948
	Number of Shares	3,978,989,140	82,900,260,089

Notes to Financial Statements *contd...*

	2013	Actual
	Rs.	Rs.
Note 21 - BANK OVERDRAFTS		
Treasury Authorised Imprest Account (7002)	27,115,572,415	35,781,103,281
Treasury Authorised Imprest Account- (RFA) (7003)	70,086,042	72,535,695
DST Cash Account (8020) Note 21(1)	(157,429,854,012)	(137,294,414,307)
Crown Agent Current Account (8030)	11,174,015	12,454,607
Temporaray Employed Balances of CBSL (8192)	(26,261,088,190)	(24,335,883,590)
Central Bank of Sri Lanka - IDA Special Dollar Accounts (8813)	12,713,658,662	10,943,583,099
ADB Loan SLCB Special Dollar Account (8918)	4,031,010,607	4,713,016,729
International Fund for Agri Deve Special Dollar Account (8973)	482,987,724	548,034,234
CB Special Yen Account (9094)	2,084,002,534	20,802,320,484
CBSL Special Deutsche Mark Account (9101)	5,761,231	5,367,687
Central Bank Nordic Special Account (9110)	2,555,727	2,485,513
Special Rupee Account (9114)	-	(15,735,820,464)
Special Foreign Currency French Development Agency Account (9125)	97,302,116	6,204,802
	(137,076,831,129)	(104,479,012,230)
Note 21(1) - DEPUTY SECRETARY TO THE TREASURY ACCOUNT (8020) IS COMPRISED FOLLOWING ACCOUNTS		
Bank of Ceylon (BOC)	(93,231,575,948)	(97,539,972,370)
Bank of Ceylon (BOC) - 7040003	20,156,958	20,156,958
Bank of Ceylon (BOC) - 7041557	(20,000,000,000)	(37,736,060,259)
Peoples Bank (PB)	(52,465,843,177)	(14,910,363,309)
Central Bank of Sri Lanka (CBSL) - 4201	14,130,975	163,632,474
Central Bank of Sri Lanka (CBSL) - 4237	-	116,779,395
Bank of Ceylon (BOC) - 0007041634	140,235,940	606,235,940
Bank of Ceylon (BOC) - 0071213619	154,638,880	154,638,880
Bank of Ceylon (BOC) - 7040004	2,791,679,150	4,151,679,150
Bank of Ceylon (BOC) - 73206830	2,923,375	2,435,059,000
Bank of Ceylon (BOC) - 7040501	5,143,799,835	5,143,799,835
Bank of Ceylon (BOC) - 7040035	-	100,000,000
	(157,429,854,012)	(137,294,414,307)
Note 22 - ADVANCE FROM CENTRAL BANK OF SRI LANKA		
Advance From CBSL - Monetary Law Act (8176)	109,271,851,123	111,291,842,800
	109,271,851,123	111,291,842,800
Note 23 - FOREIGN LOAN REVOLVING FUNDS		
Reimbursable Foreign Aid Revolving Fund (8760)	2,395,174,538	2,403,784,783
IDA Revolving Fund (8814)	11,175,938,294	10,579,868,116
ADB Special Dollor Revolving Fund Account (8919)	2,320,220,924	2,020,775,375
CBSL Special Dollar Account (International Fund for Agr. Dev.Revolving Fund) (8974)	1,263,064,690	1,056,662,568
IBRD Revolving Fund Account (8982)	1,570,884,206	1,570,884,206
CBSL Revolving Fund Account (Yen) - (9095)	941,775,104	1,518,770,900
CBSL Special Deutsche Mark Revolving Fund Account (9102)	133,668,837	304,685,393
Central Bank Special Nordic Revolving Fund (9111)	101,582,760	101,512,546
Special Foreign Currency Account Italy (9119)	(36,264,500)	(35,268,199)
Special Rupee Revolving Fund Account (9120)	(476,985)	(476,985)
Special Foreign Currency Revolving Fund Account (Euro Italy) (9121)	2,020,807,400	2,019,811,099
Special Rupee Revolving Fund Account (9122)	498,950,000	498,950,000
Special Foreign Currency Revolving Fund Account (9126)	201,409,111	144,443,705
Netherland & Sri Lanka Culture Asst. Prog. Rev. Fund (9131)	-	(1,000,000)
	22,586,734,379	22,183,403,507
Note 24 - MISCELLANEOUS FUNDS		
Public Service Provident Fund Account (8098)	864,351,283	1,019,142,163
Teachers' Widows & Orphans Pension Fund (8186)	522,138,958	437,517,439
	1,386,490,241	1,456,659,602

Notes to Financial Statements *contd...*

		Actual
		2013 Rs.
		2012 Rs.
Note 25 - GOVERNMENT BORROWINGS		
Treasury Bills (8085)	695,115,051,814	648,332,437,246
Treasury Bonds (9093)	2,313,915,168,130	1,999,254,335,775
Sub Total	3,009,030,219,944	2,647,586,773,021
Rupee Loans (8249)	55,517,766,290	58,385,766,290
Sri Lanka Development Bonds (9105)	358,587,927,686	200,362,003,954
Local Loans in Foreign Currency (9107)	22,292,995,274	19,740,919,774
Ceylon Petroleum Corporation Treasury Bond (9137)	59,999,999,509	59,999,999,509
Sub Total	496,398,688,759	338,488,689,527
Total Borrowings - Domestic	3,505,428,908,704	2,986,075,462,548
Foreign Loans (8343) - (Adverse Parity Variance recognised in 2013)	2,491,067,436,322	2,422,684,382,236
	5,996,496,345,026	5,408,759,844,784
Note 26 - DEPOSITS & OTHER LIABILITIES		
Treasury General Deposit Account (6000)	77,109,954,279	70,610,616,072
Treasury Deposit Account for District Secretaries (6003)	5,982,816,762	4,827,833,351
Public Service Mutual Guarantee Association (8013)	17,639,727	17,535,055
Director General Of Customs - Cess Recovery Account (8105)	300,000,000	300,000,000
	83,410,410,768	75,755,984,478
Note 27 - OPERATING ACCOUNTS WITH GOVERNMENT DEPARTMENTS [DR./ (CR.)]		
General Manager - Railway Department (8003)	1,316,847,587	739,654,041
Director General - Dept. of Customs (8005)	30,418,932	30,122,547
Post Master General - Department of Posts (8037)	(6,602,795)	(6,602,795)
Treasury Operations Department (8233) and (8583)	3,591,012,106	3,227,674,919
Treasury Operations Department (9092)	(89,267,307)	(89,366,497)
Provincial Councils (8657)	4,183,073	2,916,336
Collection of GST (9098)	37,953,565	38,940,420
GST Refund Account (9099)	-	(986,855)
Non Operating Accounts (9100)	20,772,460	20,772,460
	4,905,317,622	3,963,124,577
Note 28 - SUNDRY ACCOUNTS [DR./(CR).]		
Cheque Returned Account (8315)	6,000	-
Sinking Fund Investment Account (8574)	46,492,720	46,492,720
Sinking Fund Account (8575)	(46,492,720)	(46,492,720)
Parity Variance Account on Crown Agent Account (8029)	(53,564,269)	(48,578,945)
Foreign Aid Expenditure Account (8301)	432,736,691	2,154,974,682
Investment Account for National Housing Bonds (8859)	1,284,200	1,284,200
	380,462,622	2,107,679,936
Note 29 - STATEMENT OF CHANGE IN EQUITY		
Opening Balance of the Consolidated Fund as at 1st January	(272,239,697,812)	(201,700,214,610)
Add-Prior Year Adjustments		(1,829,211)
Add Receipts to the Consolidated Fund		
Total Cash Provided from Operations	1,051,815,134,329	982,781,744,515
Total Cash Provided from Investing Activities	30,681,073,230	31,275,441,372
Total Cash Provided from Financing Activities	1,288,872,398,710	1,107,638,499,870
Total Cash Receipts (a)	2,371,368,606,269	2,121,695,685,757
Less Total Payments of the Consolidated Fund		
Total Cash Disbursement to Operations	1,253,508,957,764	1,118,330,689,656
Total Cash Disbursement to Investing Activities	455,578,156,584	471,088,878,311
Total Cash Disbursement to Repayment of Debt	702,518,903,764	602,813,771,782
Total Cash Payments (b)	2,411,606,018,112	2,192,233,339,748
Net Cash Receipts (a) - (b)	(40,237,411,842)	(70,537,653,991)
Closing Balance of the Consolidated Fund as at 31st December (Dr.)	(312,477,109,654)	(272,239,697,812)
Note 30 - TOTAL INVESTMENT IN PHYSICAL ASSETS AND ACCUMULATED NET REVENUE DEFICIT		
Accumulated Revenue Deficit (2005-2013)	962,476,746,451	775,215,186,208
Total Accumulated Value of Physical Assets at cost, with Accumulated Net Revenue Deficit Prior to 2004	4,449,804,313,222	4,133,204,519,928
	5,412,281,059,673	4,908,419,706,136

Notes to Financial Statements *contd...*

Note 30.1 - MOVABLE ASSETS ACQUIRED SINCE 01.01.2004

2101-Vehicles

Name of Institution	2004 Balance	2005 Balance	2006 Balance	2007 Balance	2008 Balance	2009 Balance	2010 Balance	2011 Balance	2012			2013	
									Additions	Disposal	Balance	Additions	Balance
His Excellency the President	-	30,910	1,321,809	1,332,904	2,236,847	2,410,346	2,612,435	3,085,334	-	-	3,085,334	315,354	3,400,688
Office of the Prime Minister	335	17,172	56,615	56,615	60,615	62,918	89,102	121,393	9,537	-	130,920	-	130,920
Secretariat for Special Functions (Senior Ministers)	-	-	-	-	-	-	-	77,609	88,741	-	166,350	32,577	198,927
Judges of Supreme Court	-	-	18,475	219,907	219,907	219,907	224,821	230,721	-	-	230,721	-	230,721
Office of the Cabinet of Ministers	-	4,764	8,254	8,254	14,513	14,513	18,653	18,653	767	259	19,161	-	19,161
Public Service Commission	-	-	8,990	8,990	16,160	18,932	18,932	18,932	11,112	-	30,044	-	30,044
Judicial Service Commission	-	100	100	1,088	8,879	8,879	8,879	8,879	-	-	8,879	-	8,879
National Police Commission	-	-	249	5,560	6,117	6,117	6,117	6,117	17	-	6,134	5,078	11,212
Commission to Investigate Allegations of Bribery or Corruption	-	-	-	-	-	-	3,319	9,795	9,030	-	18,825	-	18,825
Office of the Finance Commission	-	4,850	4,850	7,700	7,700	7,795	12,835	12,835	-	-	12,835	-	12,835
National Education Commission	-	-	-	-	-	-	-	6,125	-	-	6,125	152	6,277
Human Rights Commission of Sri Lanka	-	-	-	-	-	-	8,071	8,071	-	-	8,071	355	8,426
Department of Attorney General	-	-	-	90,400	215,126	219,221	225,340	225,340	-	-	225,340	-	225,340
Department of Legal Draftsman	-	13,770	13,770	27,620	27,620	27,620	27,620	27,980	-	-	27,980	-	27,980
Parliament	6,800	27,735	27,735	27,735	61,770	68,870	76,370	111,813	48,040	-	159,853	3,883	163,736
Office of the Leader of the House of Parliament	78	78	7,536	13,036	13,036	15,304	11,566	16,616	-	-	16,616	-	16,616
Office of the Chief Government whip of Parliament	-	7,150	7,413	12,913	12,913	12,913	15,835	14,824	6,209	-	21,033	-	21,033
Office of the Leader of the Opposition of Parliament	80	7,512	7,512	8,012	8,012	8,267	16,209	16,209	-	-	16,209	10,650	26,859
Department of Elections	-	-	-	15,715	25,626	25,626	30,467	41,320	600	-	41,920	-	41,920
Auditor General	-	2,151	2,151	2,543	2,543	6,498	6,498	16,234	1,397	-	17,631	-	17,631
Office of the Parliamentary Commissioner for Administration	-	-	-	-	-	-	4,000	5,798	-	225	5,573	-	5,573
Ministry of Buddhasana and Religious Affairs	-	-	5,500	24,545	24,545	24,545	32,717	38,976	6,383	-	45,359	11,600	56,959
Ministry of Finance & Planning	4,100	42,251	54,217	113,815	128,922	129,769	136,406	115,005	-	24,004	91,001	23,379	114,380
Ministry of Defence	495	10,152	57,907	459,119	2,545,912	2,563,739	2,563,780	2,617,984	30,651	-	2,648,635	10,212	2,658,847
Ministry of Economic Development	-	-	-	47,035	47,035	51,353	157,676	340,555	174,113	16,229	498,439	265,614	764,053
Ministry of Disaster Management	-	-	18,595	20,172	20,172	20,172	26,172	40,699	29,089	-	69,788	24,765	94,553
Ministry of Post & Telecommunications	-	5,800	19,825	52,725	52,725	52,725	72,728	77,085	-	-	77,085	-	77,085
Ministry of Justice	16,717	16,717	33,465	34,663	58,314	59,481	58,181	77,337	7,889	-	85,226	226,702	311,928
Ministry of Health	-	-	-	18,296	18,296	51,713	75,510	129,855	70,866	6,533	194,188	219,766	413,954
Ministry of External Affairs	-	25,986	151,191	273,957	345,547	386,696	405,674	509,828	120,372	15,579	614,621	37,873	652,494
Ministry of Ports & Aviation	-	-	9,446	9,446	22,259	26,109	38,809	38,809	-	-	38,809	-	38,809
Ministry of Transport	-	-	4,500	20,213	37,213	37,213	42,253	70,860	-	-	70,860	-	70,860

Notes to Financial Statements contd...

2101-Vehicles													Rs '000
Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012		2013		
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance
Ministry of Petroleum Industries	-	-	10,553	23,303	34,180	34,180	43,469	52,212	-	-	52,212	3,188	55,400
Ministry of Co-operative and Internal Trade	-	8,450	17,411	30,351	30,351	30,351	40,095	83,395	3,996	-	87,391	10,057	97,448
Ministry of Ports & Highways	-	-	5,432	67,087	83,787	83,787	125,414	125,414	473,417	1,279	597,552	6,738	604,291
Ministry of Agriculture	15,047	18,274	37,096	123,672	125,089	192,710	228,062	228,062	-	-	228,062	13,393	241,455
Ministry of Power & Energy	1,682	16,727	16,727	16,727	16,727	16,727	21,324	30,075	181	-	30,256	-	30,256
Ministry of Child Development & Women's Affairs	-	3,475	16,325	26,175	26,175	26,175	44,628	51,511	22,732	-	74,243	10,751	84,994
Ministry of Public Administration & Home Affairs	7,923	569,755	1,031,387	1,031,387	1,035,497	1,047,422	1,066,404	1,111,457	9,426	5,564	1,115,319	5,500	1,120,819
Ministry of Mass Media & information	-	3,428	13,707	52,662	57,218	61,928	35,929	35,929	6,500	-	42,429	25,103	67,531
Ministry of Construction,Engineering Services,Housing and Common Amenities	-	-	-	24,333	24,333	24,333	24,333	48,072	8,231	23,729	32,574	32,574	32,574
Ministry of Social Service	-	-	28,149	33,040	33,040	33,040	45,240	66,319	1,066	-	67,385	67,385	67,385
Ministry of Education	4,386	94,114	110,654	177,597	177,597	180,729	186,755	212,207	2,157	214,364	27,556	241,919	241,919
Ministry of Labour Relations & Productivity Improvement	-	19,050	30,410	47,090	47,090	47,776	47,724	64,224	1,401	4,052	61,573	9,154	70,727
Ministry of Traditional Industries & Small Enterprises Development	-	-	-	26,036	36,785	39,049	39,049	39,049	12,505	-	51,554	25,275	76,829
Ministry of Local Government & Provincial Councils	-	-	8,131	8,131	81,036	(109,079)	(65,054)	(16,177)	1,127	16,775	(31,825)	248,526	216,701
Ministry of Technology and Research	-	-	5,500	34,706	31,832	31,832	41,755	75,031	7,698	7,298	75,431	-	75,431
Ministry of National Languages & Social Integration	-	9,000	9,000	42,434	42,434	42,434	46,622	57,324	8	-	57,332	3,302	60,634
Ministry of Plantation Industries	-	-	35,579	115,151	115,151	134,674	146,950	187,187	9,555	-	196,742	6,405	203,147
Ministry of Sports	-	-	-	-	4,350	18,828	22,678	28,452	-	-	28,452	17,224	45,676
Ministry of Indigenous Medicine	-	9,242	20,217	35,217	35,217	35,217	35,217	56,091	13,934	-	70,025	14,258	84,283
Ministry of Fisheries & Aquatic Resources Development	2,625	2,625	10,776	21,864	48,225	138,562	164,564	181,525	-	-	181,525	6,396	187,921
Ministry of Livestock and Rural Community Development	-	-	3,390	46,160	58,221	68,044	76,655	90,601	1,229	16,650	75,179	24,835	100,015
Ministry of National Heritage & Cultural Affairs	-	20,795	33,619	59,035	68,035	83,035	83,035	96,153	3,091	-	99,244	-	99,244
Ministry of Parliamentary Affairs	13,425	13,425	13,425	30,927	30,927	30,927	35,831	46,508	-	-	46,508	7,784	54,292
Ministry of Re-Settlement	-	-	16,638	39,363	48,863	56,068	56,068	82,945	9,433	3,284	89,094	15,442	104,536
Ministry of Industry and Commerce	2,667	2,667	15,538	37,338	50,928	65,327	71,627	73,261	15,537	-	88,798	9,216	98,014
Ministry of Irrigation & Water Resources Management	4,758	4,758	4,758	12,293	12,293	17,793	25,095	33,724	-	-	33,724	-	33,724
Ministry of Lands and Land Development	-	-	-	-	72,094	72,094	87,594	94,031	8,034	102,065	102,065	102,065	102,065
Ministry of Youth Affairs & Skills Development	-	1,912	14,902	22,402	20,861	20,861	71,342	95,842	2,951	-	98,793	6,185	104,978
Ministry of Environment	6,550	24,226	31,726	51,685	51,680	53,143	66,393	73,141	10,774	5	83,910	16,600	100,510
Ministry of Water Supply & Drainage	-	-	-	25,986	25,986	34,216	50,216	60,277	6,735	-	67,012	67,012	67,012
Ministry of Higher Education	-	-	-	14,795	14,795	14,795	31,855	45,289	21,044	-	66,333	18,447	84,780
Ministry of Public Management Reforms	-	-	-	-	-	-	-	20,753	-	-	20,753	-	20,753

Notes to Financial Statements *contd...*

Rs '000'

2101-Vehicles

Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012		2013	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions
Ministry of Rehabilitation and Prison Reforms	-	-	-	-	-	-	34,623	34,623	12,877	-	47,500	6,328
Ministry of State Resources and Enterprise Development	-	-	-	-	-	-	-	20,692	3,604	-	24,296	17,814
Ministry of Civil Aviation	-	-	-	-	-	-	-	24,335	3,830	3,800	24,365	19,676
Ministry of Culture and the Arts	-	-	-	-	-	-	-	-	12,083	-	12,083	6,700
Ministry of Coconut Development & Janatha Estate Development	-	-	-	-	-	-	-	17,197	5,078	-	22,275	15,091
Ministry of Agrarian Services and Wild Life	-	-	-	-	-	-	-	28,554	-	-	28,554	10,390
Ministry of Minor Export Crop Promotion	-	-	-	-	-	-	-	42,303	-	-	42,303	42,303
Ministry of Productivity Promotion	-	-	-	-	-	-	-	39,292	7,229	6,446	40,075	34,949
Ministry of Foreign Employment Promotion & welfare	-	-	14,515	14,515	19,890	19,890	19,890	56,740	-	-	56,740	56,740
Ministry of Public Relation and Public Affairs	-	-	-	-	-	-	-	6,159	180	-	6,339	9,906
Ministry of Private Transport Services	-	-	-	-	-	-	-	19,162	16,638	-	35,800	35,800
Ministry of Telecommunication and Information Technology	-	-	-	-	-	-	-	16,000	-	-	16,000	7,879
Department of Buddhist Affairs	-	-	-	-	-	-	1,176	1,607	-	-	1,607	1,607
Department of Muslim Religious & Cultural Affairs	2,101	4,876	4,965	4,965	4,965	4,965	4,965	4,965	-	-	4,965	4,965
Department of Christian Religious Affairs	-	-	-	-	595	595	595	595	-	-	-	595
Department of Public Trustee	-	-	-	-	-	2,016	7,056	7,056	-	-	7,056	7,056
Department of Archaeology	5,573	5,573	9,773	10,538	10,538	14,802	14,802	14,802	-	-	14,802	14,802
Department of National Museums	-	3,475	3,475	3,475	3,475	3,475	3,475	3,475	-	-	3,475	3,475
Department of National Archives	2,275	2,275	2,275	2,275	2,275	2,275	2,612	2,612	-	-	2,612	2,612
Department of Information	-	-	79	9,379	9,379	9,379	9,379	9,126	-	-	9,126	9,126
Department of Government Printer	-	-	-	20,518	20,518	20,518	20,518	20,518	-	-	20,518	20,518
Department of Examinations	-	2,875	2,875	8,797	8,797	8,797	7,402	7,402	-	2,785	4,617	4,617
Department of Educational Publications	-	-	-	-	-	-	-	-	-	-	-	-
Department of Technical Education & Training	-	-	75,205	78,705	78,705	78,705	78,705	78,705	-	-	78,705	78,705
Department of Social Services	-	-	-	-	-	345	345	345	-	-	345	345
Department of Probation & Child Care Services	-	-	-	3,877	3,877	3,877	3,877	3,877	-	-	3,877	3,877
Department of Sports Development	-	-	-	-	3,098	3,098	3,098	3,098	-	-	3,098	3,098
Department of Ayurveda	-	-	789	6,584	6,584	6,584	6,584	6,584	-	-	6,584	6,584
Department of Labour	-	48	48	20,788	20,788	20,788	20,788	20,788	-	-	20,788	20,788
Sri Lanka Army	-	409,651	973,124	1,468,196	2,453,745	3,752,398	3,964,911	5,703,611	74,859	61,253	5,717,217	16,054
Sri Lanka Navy	38,152	38,152	251,852	761,052	1,266,602	1,466,230	1,623,572	2,360,662	31,430	9,889	2,382,203	5,485
Sri Lanka Air Force	-	201,940	401,595	523,506	686,680	780,672	787,112	1,204,615	25,954	-	1,230,569	113,165

Notes to Financial Statements *contd...*

2101- Vehicles														Rs '000'	
Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013			
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance		
Department of Police	-	-	479,644	680,084	2,192,626	2,365,837	2,522,492	5,178,483	29,484	-	5,207,967		5,207,967		
Department of Immigration & Emigration	-	-	10,410	10,410	10,410	10,410	10,410	10,410	520	-	10,930		10,930		
Department of Registration of Persons	3,665	3,665	15,765	17,700	27,700	27,700	27,700	27,808	-	-	27,808		27,808		
Courts Administration	-	-	1,321	17,176	186,796	202,237	217,678	231,832	-	-	231,832		231,832		
Department of Prisons	17,813	19,905	45,497	58,804	79,926	84,901	107,970	107,970	-	-	107,970	51,401	159,371		
Department of Government Analyst	-	-	3,441	13,137	13,137	18,177	18,177	18,177	-	3,846	14,331		14,331		
Department of Law Commission	-	-	1,575	2,699	8,747	10,027	10,416	10,416	-	-	10,416		10,416		
Department of National Planning	-	2,506	2,506	7,856	7,856	10,081	10,081	10,081	-	-	10,081		10,081		
Department of Fiscal Policy	-	-	-	11,400	11,400	13,668	13,668	13,668	-	-	13,668		13,668		
Department of External Resources	-	-	7,973	7,973	7,973	10,241	15,155	15,155	-	246	14,909		14,909		
Department of National Budget	-	-	3,475	7,100	7,100	7,100	7,100	282,966	1,403,221	1,000	1,685,187	1,214,620	2,899,808		
Department of Public Enterprise	-	-	-	12,200	12,200	12,200	12,200	12,200	-	-	12,200		12,200		
Department of Management Services	-	-	-	2,600	2,600	2,600	2,600	2,600	-	-	2,600		2,600		
Department of Development Finance	-	-	-	2,800	2,800	2,800	2,800	2,800	-	-	2,800		2,800		
Department of Trade Tariff & Investment Policy	-	-	-	8,400	8,400	8,400	8,400	8,400	-	0	8,400		8,400		
Department of Public Finance	-	-	3,500	3,500	9,365	9,365	9,365	9,365	-	-	9,365		9,365		
Department of Inland Revenue	4,999	50,608	60,508	90,675	90,675	90,675	90,675	90,675	-	-	90,675		90,675		
Department of Customs	-	18,562	18,562	3,923,342	3,923,342	3,929,768	3,944,699	3,946,629	-	-	3,946,629	13,826	3,960,455		
Department of Excise	-	-	14,407	31,744	31,744	34,298	34,298	34,298	-	-	34,298		34,298		
Department of Treasury Operations	-	-	-	12,818	12,818	12,818	12,818	5,636	-	-	5,636		5,636		
Department of State Accounts	-	-	-	6,500	6,500	6,500	6,500	6,500	-	3,700	2,800		2,800		
Department of Valuation	-	-	-	7,955	7,955	7,605	7,605	7,605	-	-	7,605		7,605		
Department of Census & Statistics	3,446	6,874	29,132	48,643	48,643	48,643	77,501	79,955	-	-	79,955		79,955		
Department of Pensions	-	-	3,360	14,205	14,205	14,205	14,205	14,205	-	-	14,205		14,205		
Department of Registrar General	-	-	-	-	-	-	-	105	-	-	105		105		
District Secretariat - Colombo	6	6	6	6	6	81	81	81	-	-	81		81		
District Secretariat - Gampaha	-	-	-	-	(1,932)	(1,932)	(1,932)	(1,932)	-	-	(1,932)		(1,932)		
District Secretariat - Matara	-	17,070	17,070	17,070	17,070	17,070	17,070	17,070	-	-	17,070		17,070		
District Secretariat - Jaffna	-	5,390	5,390	5,390	5,390	5,390	5,390	5,390	-	-	5,390		5,390		
District Secretariat - Trincomalee	-	-	-	-	-	-	-	-	-	-	-		-		
Department of Agrarian Development	-	6,500	6,500	6,500	7,033	7,033	7,033	7,033	-	-	7,033		7,033		
Department of Irrigation	494	494	181,243	249,450	372,179	482,062	509,670	509,670	-	-	509,670		509,670		
Department of Forests	3,350	3,350	3,350	3,350	3,350	14,620	14,620	14,620	-	-	14,620		14,620		

Notes to Financial Statements *contd...*

Rs '000'

2101- Vehicles

Name of Institution	2004 Balance	2005 Balance	2006 Balance	2007 Balance	2008 Balance	2009 Balance	2010 Balance	2011 Balance	2012			2013	
									Additions	Disposal	Balance	Additions	Balance
Department of Wildlife Conservation	-	-	-	2,643	23,508	23,508	23,508	23,508	-	-	23,508	-	23,508
Department of Agriculture	-	-	-	18,850	18,850	18,850	18,850	19,519	-	-	19,519	-	19,519
Department of Land Commissioner	-	7,150	7,150	7,150	7,150	7,150	7,150	7,150	-	-	7,150	-	7,150
Department of Land Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Survey General	-	-	-	11,400	11,400	11,400	11,400	11,400	-	-	11,400	-	11,400
Department of Fisheries and Aquatic Resources	-	-	-	1,521	11,617	11,617	11,899	11,899	98	-	11,997	-	11,997
Department of Coast Conservation	181	181	12,054	12,054	12,054	12,054	23,954	38,524	-	-	38,524	-	38,524
Department of Animal Production & Health	-	-	7,500	7,500	7,500	10,520	10,520	10,520	-	2	10,518	-	10,518
Department of Rubber Development	-	-	-	1,266	1,266	5,341	20,155	33,114	-	-	33,114	-	33,114
Department of National Zoological Garden	-	359	359	6,654	14,879	25,575	25,575	25,575	-	-	25,575	-	25,575
Department of Commerce	-	-	-	3,410	3,410	3,410	3,410	3,410	-	79	3,331	150	3,481
Department of Import and Export Control	-	-	89	4,689	8,584	8,584	8,584	8,584	-	-	8,584	-	8,584
Department of Measurement Units, Standards & Services	-	2,256	2,256	2,256	2,256	2,256	2,256	2,256	-	-	2,256	-	2,256
Department of Food Commissioner	-	-	-	-	2,760	2,760	2,760	2,760	-	-	2,760	-	2,760
Co-operative Employees Commission	-	7	2,502	2,502	2,502	2,502	2,502	2,501	-	6	2,495	-	2,495
Department of Meteorology	-	3,970	3,970	3,970	3,970	3,970	3,970	3,970	-	-	3,970	14	3,984
Department of Sri Lanka Railways	-	5,285	5,285	3,624,645	8,573,784	10,526,170	14,412,658	17,682,917	6,737,332	-	24,420,249	1,697,548	26,117,797
Department of Motor Traffic	-	3,227	5,227	5,529	5,529	5,529	4,976	4,976	-	-	4,976	-	4,976
Department of Posts	2,095	33,225	123,212	123,274	151,812	178,418	202,415	219,507	-	-	219,507	78,290	297,797
Department of Buildings	-	4,950	5,300	5,300	5,300	9,008	7,885	5,206	-	4,433	773	-	773
Government Factory	-	-	4,000	4,000	4,000	4,000	4,000	4,000	-	-	4,000	-	4,000
Department of National Physical Planning	-	-	3,630	3,630	8,630	8,630	8,630	8,630	-	-	8,630	-	8,630
Central Provincial Council	-	-	-	-	-	-	-	-	-	-	-	-	-
Southern Provincial Council	-	-	-	-	-	-	-	-	-	-	-	-	-
Sabaramuwa Provincial Council	-	-	-	7,500	7,500	7,500	7,500	7,500	-	-	7,500	-	7,500
Department of Civil Security	-	-	-	34,065	81,960	87,086	87,086	87,086	-	-	87,086	-	87,086
Department of National Botanical Gardens	-	-	-	-	3,700	3,700	3,700	14,446	-	-	14,446	4,441	18,887
Department of Legle Affairs	-	-	-	-	-	2,520	2,520	2,520	-	-	2,520	-	2,520
Department of Coast Guard of Sri Lanka	-	-	-	-	-	8,872	8,872	9,684	-	-	9,684	-	9,684
Department of Community Based Correction	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Man Power & Employment	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	171,817	1,903,425	6,218,893	17,302,389	29,481,566	33,819,137	39,302,508	50,357,997	9,631,993	238,950	59,751,040	5,043,020	64,794,060

Notes to Financial Statements *contd...*

2102-Furniture & Office Equipment														Rs '000
Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013		
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance	
Ministry of Ports & Aviation	1,627	3,767	5,300	5,739	7,158	8,062	8,865	11,306	-	-	11,306	-	11,306	
Ministry of Transport	23,001	23,001	24,498	25,375	26,711	27,299	28,116	28,726	993	-	29,719	448	30,167	
Ministry of Petroleum Industries	-	-	3,012	6,597	8,641	9,554	10,668	11,624	2,869	1,381	13,113	6,908	20,021	
Ministry of Co-operative and Internal Trade	161	432	2,281	2,725	3,502	4,753	6,849	7,665	119	41	7,743	2,345	10,088	
Ministry of Ports & Highways	690	1,840	4,264	4,983	7,044	8,456	16,995	16,995	24,222	10	41,207	12,564	53,771	
Ministry Agriculture	2,466	8,616	15,544	20,563	23,184	24,662	28,664	28,163	1,784	14,175	15,772	4,666	20,438	
Ministry of Power & Energy	227	355	2,291	4,494	4,494	6,348	7,899	16,029	1,662	-	17,691	7,181	24,872	
Ministry of Child Development & Women's Affairs	62	5,318	9,474	15,468	15,518	16,753	19,595	19,677	5,545	-	25,222	1,648	26,869	
Ministry of Public Administration & Home Affairs	3,659	16,823	24,142	36,401	41,783	45,339	61,533	83,584	41,238	994	123,828	31,445	155,273	
Ministry of Mass Media & Information	-	1,783	4,783	6,765	7,308	9,497	10,517	11,129	1,908	-	13,037	1,691	14,728	
Ministry of Construction,Engineering Services,Housing and Common Amenities	279	1,050	2,585	3,442	4,224	4,791	6,084	8,610	582	118	9,074	736	9,810	
Ministry of Social Service	-	-	3,414	5,141	5,812	6,662	8,309	9,926	1,092	-	11,018	1,912	12,930	
Ministry of Education	20,709	1,505,227	2,307,513	4,342,564	4,366,124	4,413,179	5,604,857	6,734,515	645,029	-	7,379,544	637,474	8,017,018	
Ministry of Labour Relations & Productivity Improvement	-	3,069	7,035	9,618	11,373	13,419	14,645	15,188	278	-	15,466	860	16,327	
Ministry of Traditional Industries & Small Enterprises Development	-	-	-	765	1,595	2,161	3,194	4,656	250	-	4,906	1,655	6,562	
Ministry of Local Government & Provincial Councils	357	357	2,134	4,219	6,248	7,774	10,362	16,152	4,644	-	20,796	5,443	26,239	
Ministry of Technology and Research	3,265	7,530	13,746	25,372	36,497	50,468	70,627	81,143	10,373	-	91,516	17,370	108,887	
Ministry of National Languages & Social Integration	724	1,478	1,542	8,188	9,376	16,551	12,715	24,488	1,044	10,846	14,687	6,903	21,590	
Ministry of Plantation Industries	2,455	4,126	5,621	7,576	14,379	17,669	20,849	28,661	6,220	181	34,700	5,709	40,409	
Ministry of Sports	-	-	-	-	2,375	3,566	7,008	12,180	1,238	702	12,716	19,196	31,912	
Ministry of Indigenous Medicine	-	719	1,290	2,876	3,834	5,040	11,298	15,981	2,883	-	18,864	736	19,600	
Ministry of Fisheries & Aquatic Resources Development	1,523	7,206	12,773	58,003	85,145	89,968	95,460	100,272	2,812	-	103,084	2,251	105,335	
Ministry of Livestock and Rural Community Development	-	-	1,016	3,198	4,070	4,231	5,340	7,608	1,864	-	9,472	2,054	11,526	
Ministry of National Heritage & Cultural Affairs	-	19,745	40,466	45,405	45,405	67,297	88,032	92,233	1,294	1	93,526	4,290	97,817	
Ministry of Parliamentary Affairs	532	532	707	1,834	2,228	2,991	3,729	4,725	912	11	5,626	1,429	7,055	
Ministry of Re-Settlement	-	-	2,217	5,767	7,211	9,061	10,651	12,020	882	33	12,870	545	13,415	
Ministry of Industry and Commerce	446	446	2,051	4,000	6,302	7,311	8,913	13,213	3,620	-	16,833	11,339	28,172	
Ministry of Irrigation & Water Resources Management	-	-	3,652	5,212	6,653	7,196	10,604	13,204	3,276	-	16,480	16,606	33,086	
Ministry of Lands and Land Development	1,943	1,943	1,943	1,943	5,482	8,630	11,942	14,122	2,687	2,820	13,989	4,470	18,459	
Ministry of Youth Affairs & Skills Development	1,228	3,753	5,148	9,948	10,825	10,888	15,744	26,691	8,511	-	35,202	8,565	43,767	
Ministry of Environment	146	11,320	12,267	16,580	18,257	19,169	20,222	20,531	782	16	21,297	835	22,132	

Notes to Financial Statements *contd...*

2102-Furniture & Office Equipment														Rs '000'	
Name of Institution	2004 Balance	2005 Balance	2006 Balance	2007 Balance	2008 Balance	2009 Balance	2010 Balance	2011 Balance	2012			2013			
									Additions	Disposal	Balance	Additions	Balance		
Ministry of Water Supply & Drainage	-	-	-	3,277	4,814	6,312	7,014	7,438	103	-	7,541	651	8,192		
Ministry of Higher Education	-	-	-	1,252	3,187	3,445	157,334	180,832	70,047	-	250,879	101,092	351,971		
Ministry of Public Management Reforms	-	-	-	-	-	-	5,148	7,593	632	4,190	4,035	5,426	9,460		
Ministry of Rehabilitation and Prison Reforms	-	-	-	-	-	-	2,610	3,588	358	11	3,935	2,337	6,272		
Ministry of State Resources & Enterprise Development	-	-	-	8,654	9,900	10,947	11,596	11,960	1,402	-	13,362	2,409	15,771		
Ministry of Civil Aviation	-	-	-	-	-	-	-	3,294	337	-	3,631	2,678	6,309		
Ministry of Culture and the Arts	-	-	-	-	-	-	-	29,924	24,753	-	54,677	31,128	85,805		
Ministry of Coconut Development and Janatha Estate Development	-	-	-	-	-	-	-	5,041	539	-	5,580	4,258	9,838		
Ministry of Agrarian Services and Wild Life	-	-	-	-	-	-	-	3,388	4,386	-	7,774	5,507	13,281		
Ministry of Minor Export Crop Promotion	-	-	-	-	-	-	-	3,041	4,978	-	8,019	4,560	12,579		
Ministry of Productivity Promotion	-	-	-	-	-	-	-	2,195	2,645	9	4,831	3,645	8,476		
Ministry of Foreign Employment Promotion & Welfare	-	-	2,076	2,628	4,518	4,960	4,960	12,022	1,791	-	13,813	1,568	15,381		
Ministry of Public Relations and Public Affairs	-	-	-	-	-	-	-	1,202	1,476	-	2,678	674	3,352		
Ministry of Private Transport Services	-	-	-	-	-	-	-	2,560	2,460	-	5,020	3,361	8,381		
Ministry of Telecommunication and Information Technology	-	-	-	-	-	-	-	1,984	375	-	2,359	100	2,460		
Department of Buddhist Affairs	3,795	7,344	8,308	9,288	9,992	10,228	10,685	12,128	995	53	13,070	1,744	14,814		
Department of Muslim Religious & Cultural Affairs	616	635	883	1,411	1,505	1,546	1,696	1,786	30	-	1,816	221	2,036		
Department of Christian Religious Affairs	-	-	-	173	427	1,246	1,532	1,800	21	0	1,821	449	2,270		
Department of Hindu Religious & Cultural Affairs	739	781	1,534	2,705	3,733	4,026	4,516	5,945	517	-	6,462	2,980	9,442		
Department of Public Trustee	136	651	729	1,391	1,639	1,850	2,176	2,322	194	6	2,511	392	2,903		
Department of Cultural Affairs	-	3,059	4,665	5,983	7,896	8,655	9,561	11,715	1,966	-	13,681	1,686	15,367		
Department of Archaeology	1,279	3,196	4,600	10,262	15,362	18,179	21,124	24,323	3,200	-	27,523	3,446	30,969		
Department of National Museums	500	5,217	9,678	11,226	15,586	17,296	19,725	21,707	1,589	-	23,296	1,283	24,578		
Department of National Archives	3,281	6,445	9,999	17,512	19,417	20,483	22,353	24,777	2,214	-	26,991	2,248	29,239		
Department of Information	-	785	3,177	3,822	9,221	11,823	13,128	38,920	3,562	-	42,482	2,246	44,728		
Department of Government Printer	-	1,684	5,464	8,272	9,855	11,407	13,071	14,999	2,236	-	17,235	3,065	20,300		
Department of Examinations	-	499	1,992	3,020	3,800	4,714	98,987	99,984	1,075	10	101,049	19,799	120,847		
Department of Educational Publications	815	1,159	1,159	1,801	2,269	2,863	3,789	4,326	596	-	4,922	861	5,783		
Department of Technical Education & Training	7,444	14,940	24,940	36,987	39,843	42,954	49,942	62,316	23,671	-	85,987	11,701	97,688		
Department of Social Services	1,257	5,650	9,204	16,950	17,942	18,494	21,367	22,222	393	-	22,615	484	23,100		
Department of Probation & Child Care Services	300	1,154	2,309	3,148	3,372	3,682	4,006	4,417	445	-	4,862	1,077	5,939		
Department of Commissioner General of Samurdhi	-	703	2,485	3,532	3,712	3,997	6,399	6,898	596	631	6,863	3,420	10,283		

Notes to Financial Statements *contd...*

Rs '000'													
Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Sports Development	2,185,223	2,187,994	2,189,215	2,190,155	2,190,954	2,191,174	2,191,652	2,191,918	300	-	2,192,218	410	2,192,628
Department of Ayurveda	3,316	5,879	9,811	14,027	19,304	22,474	29,243	38,033	15,325	-	53,358	8,990	62,349
Department of Labour	10,682	63,348	76,166	79,077	80,205	81,035	81,742	84,054	9,426	-	93,480	14,479	107,958
Sri Lanka Army	-	32,916	104,997	172,004	301,299	389,296	499,073	571,299	212,392	-	783,691	123,868	907,559
Sri Lanka Navy	34,298	34,298	34,298	69,570	69,570	69,570	99,130	153,697	130,913	15,008	269,602	46,684	316,285
Sri Lanka Air Force	2,810	32,689	50,689	69,091	77,542	171,488	202,572	268,671	67,282	8,107	327,846	85,030	412,876
Department of Police	-	-	-	146,389	146,389	146,389	266,702	366,702	120,045	433	486,314	186,569	672,884
Department of Immigration & Emigration	573	28,520	36,813	39,383	41,307	41,727	43,281	51,569	2,075	-	53,644	6,099	59,743
Department of Registration of Persons	1,312	2,034	3,040	3,884	4,543	6,154	7,018	7,654	533	25	8,162	1,222	9,384
Courts Administration	17,204	33,866	59,486	94,758	134,790	186,194	216,167	269,452	30,795	-	300,247	58,631	358,879
Department of Debt Conciliation Board	-	-	-	231	318	416	515	619	333	-	952	551	1,503
Department of Prisons	1,463	3,721	6,545	19,546	29,080	44,613	56,427	66,418	13,766	-	80,184	58,804	138,988
Department of Government Analyst	995	2,456	3,452	21,449	39,021	59,840	109,821	139,371	11,575	9	150,938	4,592	155,530
Registrar of Supreme Court	-	-	-	-	-	-	-	-	-	-	-	-	9,940
Department of Law Commission	352	352	952	2,182	3,112	4,082	4,301	4,701	150	-	4,851	964	5,815
Department of Official Languages	15	115	392	648	648	826	887	1,038	493	-	1,531	577	2,108
Department of National Planning	1,151	6,196	6,428	10,038	13,258	14,785	14,876	14,749	1,110	178	15,681	634	16,315
Department of Fiscal Policy	-	4,163	4,497	4,497	4,562	4,641	5,459	5,985	571	-	6,556	1,360	7,916
Department of External Resources	1,192	10,433	16,409	27,297	27,297	27,875	29,793	29,903	3,785	-	33,688	5,446	39,133
Department of National Budget	138	646	729	957	1,207	5,883	5,908	6,288	5,585	321	11,552	3,227	14,778
Department of Public Enterprise	782	1,305	1,480	2,609	4,286	5,821	6,324	6,370	1,942	-	8,312	3,507	11,819
Department of Management Services	1,945	3,161	4,482	5,894	5,910	6,362	6,684	9,962	97	-	10,059	2,728	12,787
Department of Development Finance	-	187	359	502	502	548	620	672	255	-	927	86	1,013
Department of Trade Tariff & Investment Policy	-	-	-	736	1,446	1,444	1,464	2,057	12	-	2,069	8	2,077
Department of Public Finance	1,518	1,772	2,329	5,361	5,361	5,389	5,678	6,032	532	-	6,564	726	7,290
Department of Inland Revenue	986	8,245	40,917	49,083	54,406	64,155	73,383	88,336	7,915	-	96,251	5,661	101,912
Department of Customs	-	722	722	18,478	18,478	44,397	144,397	145,333	873	-	146,206	1,292	147,498
Department of Excise	697	1,744	8,646	13,992	17,606	21,668	25,798	28,951	4,979	-	33,930	4,998	38,928
Department of Treasury Operations	-	-	277	417	531	2,112	2,988	3,058	571	4	3,625	271	3,896
Department of State Accounts	846	1,703	2,077	3,172	3,172	3,857	4,789	4,726	3,078	916	6,888	1,125	8,013
Department of Valuation	396	984	1,778	3,611	8,386	10,085	20,085	20,821	472	-	21,293	5,972	27,266
Department of Census & Statistics	1,016	3,010	4,639	6,128	7,559	12,239	38,468	136,916	3,471	-	140,387	8,897	149,285
Department of Pensions	767	4,542	8,201	11,429	14,312	16,815	21,556	25,052	3,058	-	28,110	5,949	34,059

Notes to Financial Statements *contd...*

Rs '000'

2102-Furniture & Office Equipment

Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Registrar General	-	2,812	6,052	18,226	27,657	29,489	37,522	45,866	7,909	-	53,775	9,169	62,944
District Secretariat - Colombo	3,131	14,978	17,425	51,313	55,005	67,579	82,799	105,225	11,056	50	116,231	34,938	151,169
District Secretariat - Gampaha	1,499	2,178	4,126	20,102	22,867	24,762	26,709	29,634	2,472	-	32,106	3,992	36,098
District Secretariat - Kalutara	920	2,418	5,379	27,961	33,908	34,996	36,578	40,703	3,637	35	44,305	4,549	48,854
District Secretariat- Kandy	746	2,242	4,793	44,617	51,427	55,653	63,036	68,001	3,450	202	71,249	3,448	74,697
District Secretariat - Matale	1,691	3,688	5,538	25,040	28,403	32,476	35,779	40,191	3,637	39	43,789	4,896	48,685
District Secretariat- Nuwara Eliya	475	2,468	3,926	19,193	26,077	31,171	36,632	42,143	4,974	7	47,110	3,984	51,094
District Secretariat - Galle	3,918	7,177	9,161	39,153	46,565	52,432	59,249	64,101	3,987	409	67,679	6,074	73,754
District Secretariat -Matara	1,375	10,146	12,695	33,522	38,153	44,524	56,508	63,502	5,585	-	69,087	6,990	76,078
District Secretariat -Hambantota	2,135	4,403	7,403	22,384	26,102	31,048	37,497	50,252	35,137	4,600	80,790	12,141	92,930
District Secretariat -Jaffna	-	3,797	7,493	27,487	31,206	39,406	45,155	52,413	5,737	4	58,145	4,000	62,145
District Seretariat-Mannar	54	553	3,301	8,715	13,281	18,260	24,209	30,772	4,989	-	35,761	4,999	40,760
District Seretariat-Vavuniya	-	899	2,139	8,013	11,268	12,265	16,221	20,220	4,993	-	25,213	4,530	29,743
District Seretariat-Mulativu	500	894	3,373	7,792	7,792	9,905	12,874	18,369	5,366	-	23,735	9,699	33,435
District Seretariat-Kilinochchi	365	1,365	2,864	11,849	13,999	21,998	30,493	38,078	4,997	-	43,075	2,997	46,071
District Seretariat-Batticaloa	998	6,194	7,892	19,476	23,806	28,783	33,236	31,369	3,638	671	34,336	3,999	38,336
District Seretariat-Ampara	850	2,321	3,779	20,970	23,331	29,510	49,583	57,583	5,000	-	62,583	7,000	69,583
District Seretariat-Trincomalee	2,993	3,992	6,930	14,731	15,829	18,512	22,354	26,353	3,043	-	29,396	3,984	33,380
District Seretariat-Kurunegala	4,583	7,730	10,533	61,954	66,799	66,799	71,629	75,582	4,329	-	79,911	5,000	84,911
District Seretariat-Puttalam	999	2,729	5,228	20,227	24,621	28,471	31,265	33,274	1,667	-	34,941	3,992	38,933
District Seretariat-Anuradhapura	1,186	2,983	5,735	25,295	29,006	33,409	38,200	43,156	4,464	-	47,620	5,472	53,092
District Seretariat-Polonnaruwa	-	2,000	3,991	10,963	16,387	21,452	28,605	34,567	4,627	-	39,194	4,345	43,540
District Seretariat-Badulla	988	3,584	6,571	28,777	34,940	36,904	39,368	43,233	2,277	-	45,510	2,792	48,303
District Seretariat-Monaragala	989	2,994	5,111	12,981	15,304	18,801	24,793	30,623	1,000	287	31,336	7,500	38,836
District Seretariat-Ratnapura	1,009	2,928	5,154	7,918	10,789	19,183	26,817	35,552	4,896	66	40,381	5,450	45,831
District Seretariat-Kegalle	782	3,274	5,751	25,762	29,750	32,486	36,458	41,415	3,909	18	45,306	7,488	52,794
Department of Project Management and Monitoring	-	-	-	-	-	-	-	-	45	-	45	29	74
Department of Agrarian Development	-	3,470	8,148	17,400	22,096	31,136	52,955	67,031	39,867	121	106,777	67,841	174,618
Department of Irrigation	15,177	29,400	51,505	70,491	85,553	109,254	115,730	135,263	4,794	533	139,523	24,045	163,568
Department of Forests	490	988	1,530	6,488	11,720	15,577	19,575	24,068	4,535	-	28,603	4,844	33,447
Department of Wildlife Conservation	63	2,030	3,019	4,141	40,553	43,316	62,155	65,103	3,975	-	69,078	5,645	74,722
Department of Agriculture	10,921	15,778	19,734	31,255	44,228	56,324	69,534	93,696	23,415	93	117,018	32,749	149,767
Department of Land Commissioner	1,798	3,796	6,784	9,278	11,116	12,516	14,516	19,509	4,550	-	24,059	4,978	29,037

Notes to Financial Statements *contd...*

Rs '000'

2102-Furniture & Office Equipment

Name of Institution	2004 Balance	2005 Balance	2006 Balance	2007 Balance	2008 Balance	2009 Balance	2010 Balance	2011 Balance	2012			2013	
									Additions	Disposal	Balance	Additions	Balance
Department of Land Settlement	198	1,571	2,848	3,351	4,151	5,580	6,854	7,853	746	-	8,599	1,000	9,599
Department of Survey General	3,886	125,364	127,493	132,310	133,456	133,322	134,889	137,176	1,893	222	138,847	2,427	141,274
Department of Export Agriculture	2,929	2,929	2,929	2,961	5,257	7,648	10,538	13,744	3,169	-	16,913	3,632	20,545
Department of Fisheries and Aquatic Resources	298	2,093	3,406	4,936	7,809	8,942	10,434	13,913	2,138	-	16,051	8,258	24,309
Department of Coast Conservation	692	2,566	3,282	4,018	4,316	4,384	4,577	5,056	1,185	-	6,241	1,269	7,510
Department of Animal Production and Health	2,296	2,296	7,441	12,226	19,318	21,792	26,790	36,222	5,662	24	41,860	1,877	43,737
Department of Rubber Development	-	759	946	4,008	5,112	7,576	8,558	10,043	709	-	10,752	1,303	12,055
Department of National Zoological Garden	211	511	895	1,537	2,036	2,737	3,089	3,840	798	-	4,638	893	5,531
Department of Commerce	-	1,681	2,317	3,106	3,175	3,674	4,110	4,483	780	-	5,263	3,665	8,929
Department of Import and Export Control	5,933	6,112	6,439	7,704	7,432	8,419	8,513	8,608	10,097	1	18,704	4,399	23,103
Department of the Registrar of Companies	2	215	215	215	215	215	215	215	-	-	215	-	215
Department of Measurement Units, Standards & Services	301	630	1,005	1,907	2,370	2,370	2,859	3,356	487	-	3,843	403	4,246
National Intellectual Property Office of Sri Lanka	44	44	44	44	44	44	44	44	-	-	44	-	44
Department of Food Commissioner	44	89	650	1,500	1,915	2,128	3,496	4,810	794	-	5,604	653	6,258
Department of Co-operative Development	167	796	1,976	2,469	2,558	2,634	2,734	2,832	74	-	2,906	308	3,214
Co-operative Employees Commission	-	295	1,369	1,540	1,535	1,596	1,660	1,674	323	15	1,982	211	2,193
Department of Textile Industries	494	919	1,117	1,708	1,769	1,913	2,403	3,303	446	-	3,749	499	4,248
Department of Meteorology	2,218	7,019	7,679	9,621	10,726	11,919	13,009	14,358	2,750	-	17,108	1,295	18,404
Department of Upcountry Peasantry Rehabilitation	49	298	741	741	1,089	1,344	1,544	1,788	228	-	2,016	8	2,024
Department of Sri Lanka Railways	-	5,339	9,751	10,185	22,307	26,950	31,824	42,577	18,245	20	60,802	17,236	78,039
Department of Motor Traffic	-	1,998	7,658	12,317	18,886	22,139	22,713	23,818	9,233	-	33,051	5,262	38,313
Department of Posts	26,557	45,544	52,744	55,100	89,712	98,470	108,286	120,230	10,292	-	130,522	11,695	142,217
Department of Buildings	-	1,244	4,035	13,216	22,450	28,072	30,979	32,432	2,020	2	34,450	2,342	36,793
Government Factory	240	1,010	1,872	2,843	3,305	3,942	4,439	4,928	998	-	5,926	941	6,867
Department of National Physical Planning	1,524	2,398	3,615	5,088	5,988	6,093	6,194	6,492	49	-	6,541	59	6,600
Department of Civil Security	-	-	-	26,075	44,651	63,110	70,594	78,093	6,999	-	85,092	7,496	92,588
Department of National Botanical Garden	-	-	-	-	462	462	759	1,201	436	-	1,637	509	2,146
Department of Legal Affairs	-	-	-	-	-	225	685	867	58	-	925	358	1,283
Department of Management Audit	-	-	-	-	-	179	310	657	5	-	662	158	820
Department of Coast Guard of Sri Lanka	-	-	-	-	-	875	6,085	11,049	3,231	-	14,280	1,689	15,969
Department of Community Base Corection	-	-	-	-	-	-	3,433	3,569	2,065	8	5,626	4,466	10,093
Department of Land Use Policy Planning	-	-	-	-	-	-	-	1,512	1,648	-	3,160	1,977	5,137
Department of Man Power and Employment	-	-	-	-	-	-	-	18,718	1,686	5,166	15,238	597	15,835
Grand Total	2,501,603	4,751,376	7,070,310	11,149,424	12,108,851	13,163,434	15,960,294	18,556,448	2,271,814	88,420	20,739,841	2,524,260	23,264,101

Notes to Financial Statements contd...

Note 30.1 - MOVABLE ASSETS ACQUIRED SINCE 01.01.2004
2103-Plant, Machinery & Equipment

Rs '000'

Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance
His Excellency the President	3,000	9,582	420,875	452,978	516,455	667,404	867,280	949,593	93,115	-	1,042,708	187,569	1,230,277
Office of the Prime Minister	2,880	59,564	63,902	68,949	77,634	80,633	81,876	86,834	238		87,072	1,020	88,092
Secretariat for Special Functions (Senior Ministers)	-	-	-	-	-	-	-	2,163	1,822	-	3,985	3,092	7,077
Office of the Cabinet of Ministers	2,084	2,517	3,638	4,347	4,347	4,347	5,294	5,914	-	-	5,914	797	6,711
Public Service Commission	400	981	1,618	2,069	2,208	2,930	3,293	9,543	3,147	-	12,690	-	12,690
Judicial Service Commission	-	-	98	134	177	609	792	1,766	184		1,950	112	2,062
National Police Commission	152	1,006	1,534	1,534	1,557	1,596	1,621	1,621	88	-	1,709	688	2,397
Administration Appeals Tribunal	165	165	165	165	165	165	165	165	-	-	165	23	188
Commission to Investigate Allegations of Bribery or Corruption	1,656	2,521	4,001	4,545	4,693	4,693	4,693	4,693	-	-	4,693	-	4,693
Office of the Finance Commission	69	177	397	477	506	506	1,202	1,660	450	-	2,110	67	2,176
National Education Commission	-	-	25	29	38	533	533	481	24	-	505	291	797
Human Rights Commission of Sri Lanka	-	-	-	-	-	421	439	582	50		632	74	706
Department of Attorney General	-	-	-	5,799	5,799	5,799	5,799	15,299	2,374		17,673	2,500	20,173
Department of Legal Draftsman	562	562	562	562	562	562	562	562	-	-	562	-	562
Parliament	6,900	7,425	9,492	10,992	21,399	28,672	79,909	105,963	24,119	-	130,082	14,889	144,971
Office of the Leader of the Opposition of Parliament	-	-	-	-	461	1,131	1,131	1,131	-	-	1,131	-	1,131
Department of Elections	-	-	5,006	51,198	58,055	63,339	67,404	75,084	3,997	968	78,113	5,423	83,536
Ministry of Buddhasasana and Religious Affairs	3,673	4,970	5,432	7,630	8,204	8,673	9,292	9,901	1,257		11,158	1,113	12,271
Ministry of Finance & Planning	14	312	562	4,618	5,075	5,124	9,356	9,208	303		9,511	3,250	12,761
Ministry of Defence	5,311	14,579	19,476	119,084	664,468	674,558	689,933	727,193	64,609	-	791,802	103,648	895,450
Ministry of Economic Development	-	-	-	1,216	2,318	3,486	5,281	7,086	2,578,116	8,412	2,576,790	4,062,274	6,639,064
Ministry of Disaster Management	-	-	2,431	19,108	20,402	20,934	22,104	22,650	992	-	23,642	2,394	26,035
Ministry of Post & Telecommunication (Min:of Postal Services)	-	1,234	5,168	5,333	5,333	5,333	6,440	8,214	1,973	-	10,187	2,934	13,121
Ministry of Justice	-	75	311	791	1,012	1,012	1,012	1,012	-	-	1,012	87	1,099
Ministry of Health	-	-	-	311,773	311,773	965,166	2,555,472	4,968,230	2,060,822	3,639	7,025,413	3,945,364	10,970,777
Ministry of External Affairs	-	5,242	13,743	17,307	28,261	40,019	60,690	72,445	13,596	170	85,871	17,271	103,142
Ministry of Transport	78,900	78,900	80,878	82,936	84,845	86,175	87,364	91,821	2,668	-	94,489	1,455	95,945
Ministry of Petroleum Industries	-	-	1,606	3,558	4,669	4,876	4,937	4,937	-	-	4,937	-	4,937
Ministry of Co-operative and Internal Trade	-	1,160	3,379	4,209	6,337	7,771	12,874	14,486	371	290	14,567	2,413	16,980
Ministry of Highways	543	1,597	3,680	45,280	46,353	48,112	83,402	83,402	-	4	83,398	3,318	86,717
Ministry of Agriculture	38	1,217	2,289	76,072	1,021,632	1,663,408	1,970,654	2,181,066	497,514	-	2,678,580	20,930	2,699,510
Ministry of Power & Energy	-	-	-	-	-	135	1,825	3,426	574	-	4,000	3,589	7,589
Ministry of Child Development & Women's Affairs	57	2,429	2,499	3,402	3,787	4,033	4,837	5,036	298	-	5,334	1,433	6,767
Ministry of Public Administration & Home Affairs	270	1,685	4,353	11,206	18,089	19,078	23,835	25,846	79,891	96	105,641	36,515	142,156
Ministry of Mass Media & Information	-	3,186	5,386	11,000	13,302	15,241	17,127	18,760	4,786	-	23,546	1,882	25,429

Notes to Financial Statements *contd...*

Rs '000'

2103-Plant, Machinery & Equipment

Name of Institution	2004 Balance	2005 Balance	2006 Balance	2007 Balance	2008 Balance	2009 Balance	2010 Balance	2011 Balance	2012			2013	
									Additions	Disposal	Balance	Additions	Balance
Ministry of Construction, Engineering Services, Housing and Common Amenities	214	654	1,653	2,756	4,120	5,190	6,338	6,753	3,059	8	9,804	3,112	12,916
Ministry of Social Service	-	-	5,517	9,904	10,183	10,432	12,365	13,538	777	-	14,315	1,482	15,797
Ministry of Education	9,837	45,340	90,051	146,540	155,213	161,110	174,649	190,290	7,006	-	197,296	18,101	215,397
Ministry of Labour Relations & Productivity Improvement	-	5,707	14,407	30,388	32,706	36,649	40,145	42,276	995	-	43,271	3,860	47,131
Ministry of Traditional Industries & Small Enterprises Development	-	-	-	-	-	3,010	3,993	6,103	1,131	-	7,234	977	8,211
Ministry of Local Government & Provincial Councils	495	495	2,337	3,474	5,281	6,726	10,279	14,232	518	-	14,750	232	14,982
Ministry of Technology and Research	-	-	-	4,583	10,479	15,783	21,667	27,789	4,300	-	32,089	4,275	36,364
Ministry of National Languages & Social Integration	-	203	1,090	1,436	1,705	2,035	5,483	6,086	6,743	9	12,821	1,377	14,198
Ministry of Plantation Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Sports	-	-	-	-	331	1,022	4,759	9,205	1,878	-	11,083	11,484	22,567
Ministry of Indigenous Medicine	-	221	368	563	1,798	2,452	9,488	12,024	1,695	-	13,719	3,106	16,825
Ministry of Fisheries & Aquatic Resources Development	3,454	4,042	4,976	10,156	34,873	68,560	129,589	134,259	399	-	134,658	511	135,169
Ministry of Livestock and Rural Community Development	-	-	1,914	3,117	4,078	6,328	8,540	9,979	2,557	-	12,536	2,088	14,624
Ministry of National Heritage & Cultural Affairs(National Heritage)	-	1,291	2,875	5,264	6,384	10,198	11,980	15,190	2,725	2	17,913	3,480	21,393
Ministry of Parliamentary Affairs	150	150	186	322	399	453	1,312	1,359	195	294	1,260	936	2,197
Ministry of Re-Settlement	-	-	529	17,210	19,506	25,642	27,040	28,698	1,397	28	30,067	1,396	31,463
Ministry of Industry and Commerce	434	434	2,334	4,689	7,313	10,047	12,907	15,276	41	-	15,317	141	15,458
Ministry of Irrigation & Water Resources Management	-	-	-	591	812	935	1,024	1,142	170	-	1,312	299	1,611
Ministry of Lands and Land Development	-	-	-	-	12,922	15,907	15,907	15,907	-	-	15,907	-	15,907
Ministry of Youth Affairs & Skills Development	2,282	9,085	13,211	17,027	17,910	18,148	18,417	19,441	200	-	19,641	5,670	25,311
Ministry of Environment	438	7,715	9,311	10,881	12,844	14,782	17,481	33,301	6,659	-	39,960	6,688	46,648
Ministry of Water Supply & Drainage	-	-	-	3,256	4,244	5,251	7,264	7,837	586	-	8,423	781	9,204
Ministry of Higher Education	-	-	-	3,667	5,212	5,338	5,893	6,559	523	-	7,082	4,602	11,683
Ministry of Public Management Reforms	-	-	-	-	-	-	3,135	6,061	2,468	1,303	7,226	2,346	9,572
Ministry of Rehabilitation and Prison Reforms	-	-	-	-	-	-	4,173	5,515	646	-	6,161	4,464	10,626
Ministry of State Resources & Enterprise Development	-	-	-	3,349	3,618	3,962	4,040	4,815	905	-	5,720	2,475	8,194
Ministry of Civil Aviation	-	-	-	-	-	-	-	3,074	840	-	3,914	1,824	5,738
Ministry of Culture and Arts	-	-	-	-	-	-	-	6,174	4,849	-	11,023	7,382	18,405
Ministry of Coconut Development and Jananatha Estate Development	-	-	-	-	-	-	-	5,653	398	-	6,051	-	6,051
Ministry of Agrarian Services and Wild Life	-	-	-	-	-	-	-	11,921	5,108	-	17,029	3,074	20,103
Ministry of Minor Export Crop Promotion	-	-	-	-	-	-	-	2,412	3	-	2,415	2	2,417
Ministry of Productivity Promotion	-	-	-	-	-	-	-	2,099	4,688	195	6,592	1,173	7,766
Ministry of Foreign Employment Promotion & Welfare	-	-	3,027	4,372	6,070	6,205	6,205	7,344	9	-	7,353	90	7,443
Ministry of Public Relations and Public Affairs	-	-	-	-	-	-	-	1,366	2,229	-	3,595	2,556	6,152
Ministry of Private Transport Services	-	-	-	-	-	-	-	404	1,216	-	1,620	-	1,620
Ministry of Telecommunication and Information Technology	-	-	-	-	-	-	-	5,983	3,226	-	9,209	1,889	11,098

Notes to Financial Statements *contd...*

2103-Plant, Machinery & Equipment

Rs '000'

Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Buddhist Affairs	-	-	-	-	-	-	-	-	1,418	-	1,418	10	1,427
Department of Muslim Religious & Cultural Affairs	867	1,648	1,648	1,901	1,908	1,993	2,121	2,246	51	-	2,297	395	2,692
Department of Christian Religious & Cultural Affairs	-	-	-	-	180	395	397	397	-	-	397	-	397
Department of Hindu Religious & Cultural Affairs	-	-	-	-	103	175	460	2,508	99	-	2,607	17	2,624
Department of Public Trustee	319	319	319	1,116	1,667	1,734	1,766	2,083	170	201	2,052	967	3,019
Department of Cultural Affairs	-	504	1,435	3,349	6,820	7,625	15,983	18,782	2,718	-	21,500	355	21,855
Department of Archaeology	2,976	4,195	4,534	5,290	5,672	5,817	8,148	11,004	3,120	-	14,124	11,079	25,203
Department of National Museums	5,982	7,038	7,437	7,998	8,351	8,555	8,814	9,170	313	-	9,483	-	9,483
Department of National Archives	4,846	6,705	6,958	13,414	17,639	19,810	29,258	34,563	1,876	-	36,439	4,952	41,391
Department of Information	-	10,860	20,057	38,115	45,933	50,058	53,567	58,233	3,626	-	61,859	1,478	63,337
Department of Government Printer	-	17,016	60,077	156,533	263,018	288,300	377,749	451,279	29,638	-	480,917	86,262	567,179
Department of Examinations	-	5,096	10,097	11,860	14,001	16,462	17,871	19,438	1,595	18	21,015	14,511	35,526
Department of Educational Publications	8	8	8	8	391	803	889	1,853	780	-	2,633	699	3,332
Department of Technical Education & Training	41,559	64,575	95,602	103,292	123,825	124,666	126,626	139,599	48,616	-	188,215	6,853	195,068
Department of Social Services	-	-	44	823	1,737	2,072	2,387	2,736	376	-	3,112	1,285	4,397
Department of Probation & Child Care	600	886	890	1,117	1,246	1,489	1,926	2,006	-	-	2,006	-	2,006
Department of the Commissioner General of Samurdhi	-	-	-	-	-	-	-	-	17	-	17	-	17
Department of Sports Development	2,188	2,835	21,873	39,890	39,890	45,413	70,323	82,860	16,974	-	99,834	1,916	101,750
Department of Ayurveda	413	3,054	7,862	11,475	15,246	15,623	24,894	34,631	4,978	-	39,609	2,857	42,467
Department of Labour	15,663	29,885	43,561	185,489	205,913	230,310	290,114	345,021	101,994	-	447,015	90,681	537,696
Sri Lanka Army	-	28,065	74,013	386,758	870,410	1,550,750	2,517,378	3,085,240	917,070	13,011	3,989,299	347,936	4,337,236
Sri Lanka Navy	323,588	323,588	666,588	894,077	928,750	982,547	1,484,745	2,254,210	532,569	2,776	2,784,003	483,923	3,267,926
Sri Lanka Air Force	36,796	62,945	73,963	2,579,612	7,219,045	8,506,253	8,685,561	14,770,740	1,043,742	6,667	15,807,816	326,535	16,134,350
Department of Police	-	-	-	442,799	442,799	442,799	743,900	874,057	126,508	18	1,000,547	309,231	1,309,778
Department of Immigration & Emigration	23,720	24,915	112,550	158,583	197,979	217,589	226,947	233,112	18,129	-	251,241	4,763	256,004
Department of Registration of Persons	667	3,237	4,995	12,451	13,136	14,570	16,070	17,528	3,018	2	20,544	3,966	24,509
Department of Prisons	5,666	10,092	16,537	22,808	27,781	39,448	48,265	52,929	6,715	-	59,644	50,847	110,491
Department of Government Analyst	-	-	-	-	-	-	-	-	-	-	-	9,584	9,584
Registrar of Supreme Court	-	-	-	-	-	-	-	-	-	-	-	600	600
Department of Official Languages	676	1,876	2,475	2,475	2,509	2,678	2,678	2,872	177	-	3,049	1,593	4,643
Department of National Planning	-	-	3,334	3,334	3,334	3,334	3,334	3,334	-	-	3,334	-	3,334
Department of Fiscal Policy	-	-	1,555	2,351	2,464	3,815	3,815	3,815	146	-	3,961	-	3,961
Department of National Budget	3,293	6,339	11,764	13,934	14,389	14,389	14,389	14,373	-	-	14,373	-	14,373
Department of Public Enterprises	-	-	-	-	922	916	916	916	-	-	916	-	916
Department of Management Service	-	-	-	-	-	110	110	110	-	-	110	-	110
Department of Development Finance	-	-	-	33	33	33	33	33	-	-	33	-	33

Notes to Financial Statements *contd...*

Name of Institution		2004	2005	2006	2007	2008	2009	2010	2011	2012		2013	
		Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions
Department of Trade Tariff & Investment Policy		-	-	-	1,964	2,958	2,967	2,967	2,993	441	-	3,434	1,644
Department of Public Finance		-	178	178	178	178	178	178	178	-	-	178	-
Department of Inland Revenue		3,381	7,913	31,922	64,312	77,899	93,098	101,998	101,998	5,960	-	107,958	34,581
Sri Lanka of Customs		-	14,983	14,983	2,046,228	2,046,228	2,046,228	2,131,293	2,140,598	1,781	-	2,142,379	2,459
Department of Excise		293	680	2,615	6,485	10,447	12,353	12,743	12,748	494	-	13,242	440
Department of Treasury Operations		-	-	-	1,318	2,457	2,457	2,457	2,435	-	582	1,854	-
Department of State Accounts		500	1,501	1,648	1,648	1,648	1,648	1,648	1,648	-	-	1,648	-
Department of Valuation		653	1,390	2,182	4,670	16,711	50,711	51,207	51,259	763	-	52,022	475
Department of Census & Statistics		1,002	4,415	6,212	16,230	22,958	33,569	33,569	33,569	-	-	33,569	4,984
Department of Pensions		237	299	299	1,978	4,363	6,883	12,580	15,748	705	-	16,453	14,763
Department of Registrar General		-	-	357	1,091	3,488	5,390	9,023	12,229	1,773	-	14,002	10,318
District Secretariat - Colombo		-	-	172	30,169	32,622	36,695	41,092	44,087	18,461	-	62,548	16,845
District Secretariat - Gampaha		-	1,298	4,841	7,278	9,127	10,984	14,681	20,013	1,858	-	21,871	3,105
District Secretariat - Kalutara		-	-	2,354	13,293	14,951	15,911	18,400	20,370	873	650	20,593	1,932
District Secretariat- Kandy		47	47	1,472	2,345	4,181	5,006	7,000	8,453	980	-	9,433	1,109
District Secretariat - Matale		380	380	1,879	2,756	3,496	4,512	5,902	7,883	887	2	8,768	2,974
District Secretariat- Nuwara Eliya		1,526	2,510	4,106	4,106	5,077	7,235	9,424	11,707	853	-	12,560	2,000
District Secretariat - Galle		274	1,088	3,939	8,785	10,610	11,759	17,186	18,185	545	101	18,629	1,470
District Secretariat -Matara		14	372	1,846	2,644	4,479	6,121	8,533	10,506	1,569	-	12,075	1,742
District Secretariat -Hambantota		400	400	2,434	2,879	3,530	5,029	5,254	5,696	966	15	6,647	1,200
District Secretariat -Jaffna		-	96	2,091	3,862	5,205	5,803	6,671	8,048	187	-	8,235	448
District Seretariat-Mannar		-	-	-	1,678	2,051	4,000	5,698	6,194	359	-	6,553	1,239
District Seretariat-Vavuniya		-	172	1,087	2,085	3,009	4,561	5,559	6,757	997	-	7,754	1,248
District Seretariat-Mulativu		-	-	1,258	3,369	3,369	4,142	6,980	10,464	1,422	-	11,886	10,550
District Seretariat-Kilinochchi		-	-	825	2,823	4,322	6,929	8,414	11,814	1,498	-	13,312	1,500
District Seretariat-Batticaloa		-	-	1,277	1,277	2,167	3,133	4,123	5,076	910	-	5,986	898
District Seretariat-Ampara		499	2,384	4,263	9,236	10,415	15,200	24,624	29,424	2,000	-	31,424	2,700
District Seretariat-Trincomalee		-	-	604	604	604	604	2,604	4,604	87	-	4,691	1,417
District Seretariat-Kurunegala		48	97	6,152	6,552	6,568	6,568	9,548	11,539	1,962	-	13,501	2,000
District Seretariat-Puttalam		-	-	-	798	1,720	3,715	4,449	7,449	287	-	7,736	1,499
District Seretariat-Anuradhapura		184	314	3,082	4,830	6,478	8,098	10,474	11,246	883	-	12,129	500
District Seretariat-Polonnaruwa		-	101	1,637	2,133	2,133	3,828	5,521	7,575	1,843	-	9,418	2,504
District Seretariat-Badulla		-	-	1,934	3,841	6,592	7,589	14,077	18,731	1,486	-	20,217	5,596
District Seretariat-Monragala		-	400	1,664	2,164	4,161	6,161	8,661	9,654	500	49	10,105	2,000
District Seretariat-Rathnapura		101	176	1,444	1,559	1,879	1,879	1,879	2,408	998	-	3,406	-
District Seretariat-Kegalle		-	-	1,315	1,315	2,321	3,143	3,143	3,143	159	-	3,302	2,000

Notes to Financial Statements contd...

Rs '000'

2103-Plant, Machinery & Equipment

Name of Institution	2004	2005	2006	2007	2008	2009	2010	2011	2012			2013	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Project Management and Monitoring	-	-	-	-	-	-	-	-	-	-	-	625	625
Department of Agrarian Development	-	-	-	14,705	17,804	31,899	39,145	53,513	12,202	176	65,540	6,596	72,135
Department of Irrigation	14,833	38,625	45,692	56,341	178,121	353,191	550,685	747,675	181,341	-	929,016	236,424	1,165,441
Department of Forests	500	998	998	1,647	2,636	3,594	4,579	5,786	2,468	-	8,254	2,480	10,734
Department of Wildlife Conservation	860	1,847	2,330	3,452	131,457	132,120	132,404	133,122	808	-	133,930	1,100	135,030
Department of Agriculture	4,536	5,504	17,034	52,774	58,918	65,519	87,419	110,796	24,762	15	135,544	21,610	157,153
Department of Land Settlement	327	327	327	707	707	707	2,675	5,115	1,498	19	6,594	911	7,505
Department of Survey General	22,333	22,333	61,516	75,507	87,314	89,226	109,781	156,022	14,706	544	170,184	20,521	190,706
Department of Export Agriculture	1,130	1,130	1,130	1,130	4,011	10,633	16,098	24,720	5,982	-	30,702	5,516	36,218
Department of Fisheries and Aquatic Resources	603	8,540	16,799	20,179	25,891	29,603	33,530	36,308	3,540	-	39,848	1,804	41,652
Department of Coast Conservation	-	1,055	2,502	11,427	11,720	12,133	12,633	13,131	489	-	13,620	479	14,099
Department of Animal Production and Health	2,254	2,254	41,823	82,701	94,440	103,089	109,405	111,012	7,212	40	118,184	3,470	121,654
Department of Rubber Development	-	-	-	-	1,822	3,808	4,211	5,422	-	-	5,422	-	5,422
Department of National Zoological Garden	5,262	9,345	14,269	19,867	24,419	28,595	32,998	35,258	4,458	-	39,716	4,403	44,120
Department of Commerce	-	1,330	2,122	2,921	3,392	3,883	4,343	4,580	48	-	4,628	235	4,863
Department of Measurement Units, Standards & Services	10,496	41,874	78,899	119,061	140,299	142,027	176,454	205,052	3,091	-	208,143	1,955	210,098
Department of Food Commissioner	-	-	45	916	916	1,151	5,664	5,664	541	-	6,205	235	6,440
Department of Co-operative Development	-	-	-	-	-	-	193	193	66	-	259	437	696
Co-operative Employees Commission	-	258	298	298	298	365	447	447	410	-	857	-	857
Department of Textile Industries	-	-	165	165	165	165	165	165	-	-	165	-	165
Department of Meteorology	4,492	6,048	9,841	186,547	349,911	357,872	400,320	438,070	144,073	-	582,143	41,104	623,248
Department of Sri Lanka Railways	-	-	-	923	55,409	166,749	283,056	431,310	3,591,497	-	4,022,807	1,769,678	5,792,485
Department of Motor Traffic	-	4,799	26,928	55,100	78,634	90,748	148,593	128,343	14,854	-	143,197	16,784	159,981
Department of Posts	48	416	70,630	76,413	93,357	97,509	104,908	111,845	11,449	-	123,294	13,634	136,928
Department of Buildings	-	-	2,650	2,650	2,650	2,650	3,164	3,613	315	1	3,927	8,439	12,366
Government Factory	600	2,816	14,249	18,090	27,152	29,914	32,354	36,393	3,362	-	39,755	4,607	44,362
Department of National Physical Planning	225	1,710	3,631	5,576	5,637	5,736	5,814	5,863	-	-	5,863	-	5,863
Department of Civil Security	-	-	-	42,887	165,112	337,354	427,334	467,316	19,624	-	486,940	24,999	511,939
Department of National Botanical Gardens	-	-	-	-	270	270	561	873	276	-	1,149	390	1,539
Department of Management Audit	-	-	-	-	-	233	233	422	191	-	613	576	1,189
Department of Coast Guard of Sri Lanka	-	-	-	-	-	-	23,075	49,157	11,240	-	60,397	10,284	70,681
Department of Community Based Corection	-	-	-	-	-	-	-	-	494	-	494	486	979
Department of Land use policy planning	-	-	-	-	-	-	-	1,598	1,737	-	3,335	1,583	4,918
Department of Man Power and Employment	-	-	-	-	-	-	-	420	1,352	-	1,772	992	2,764
Grand Total	671,843	1,084,507	2,592,418	9,833,198	17,677,872	22,018,000	27,395,746	38,735,149	12,492,528	40,304	51,187,373	12,632,081	63,819,454

Notes to Financial Statements *contd...*

Note - 31 STATEMENT OF CONTINGENT LIABILITIES

No	File No.	Name of Institution	Name of The Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount (Rs. Mn.)	Date of Issue	Date of Expiry	Capital Outstanding (Rs. Mn.) as at 2013
					US\$ Mn.	Euro Mn.				
1	TO/CM7/298	Co-operative Whole Sale Establishment	People's Bank	Credit facility			157.10	2-Feb-05	30-Nov-14	157.00
2	TO/CM7/302	Sri Lanka Consumer Co-operative Societies Federation Ltd.	People's Bank	Credit facility			50.00	31-Jul-06	1-Jun-14	45.00
3	TO/CM7/303	Lakdanavi Ltd.	National Savings Bank	Secure the Bonds			2,992.00	22-Feb-07	31-Mar-22	2,992.00
4	TO/CM7/303	Lakdanavi Ltd.	Employee's Trust Fund Board	Secure the Bonds			2,992.00	1-Mar-07	31-Mar-22	2,992.00
5	TO/CM7/311	Ceylon Electricity Board 300MW Kerawalapitiya Combine Cycle Power Plant Project	People's Bank	Credit facility			4,116.00	7-May-08	3-Mar-23	0.00
6	TO/CM7/303	West Coast Power(Pvt)Ltd.	Hongkong & Shanghai Banking Co.Ltd.	Secure the loan facility		134.84	24,728.31	28-Jun-07	28-Jun-22	18,295.69
7	TO/CM7/314	Ceylon Electricity Board	People's Bank	Credit facility	Rs.1.2Bn + US\$ 4.2Mn		1,755.83	11-Jun-08	9-Oct-23	1,395.15
8	TO/CM7/315	Ceylon Petroleum Corporation	Bank of Ceylon	Secure the loan facility	700		92,638.00	9-Sep-08	31-Dec-13	91,633.50
9	TO/CM/316	Ceylon Electricity Board	People's Bank	Credit facility		1.18	216.40	29-Sep-08	31-Dec-13	199.77
10	TO/CM/317	People's Bank Pension Trust Fund	People's Bank	Secure the Debentures			2,500.00	17-Dec-08	16-Dec-16	2,500.00
11	TO/CM7/312	State Trading (Co-operative Wholesale) Company Ltd.	People's Bank	Credit facility			32.00	13-Mar-09	30-Jun-14	31.48
12	TO/CM7/325	Ceylon Electricity Board	People's Bank	Secure Short Term Credit facility			7,000.00	7-Sep-09	12-Mar-14	7,000.00
13	TO/CM7/321(ii)	Ceylon Petroleum Storage Terminals Ltd.	People's Bank	Credit facility	40.3		4,634.50	9-Oct-09	6-Oct-19	2,862.25
14	TO/CM7/317	People's Bank Pension Trust Fund	People's Bank	Secure the Debentures			2,500.00	23-Oct-09	22-Oct-17	2,500.00
15	TO/CM7/322	Urban Development Authority	National Savings Bank	Secure the loan facility			2,770.00	6-Nov-09	18-Nov-24	2,680.00
16	TO/CM7/322	Urban Development Authority	Bank of Ceylon	Secure the loan facility	64.5		8,535.93	30-May-11	30-Jun-14	8,443.37
17	TO/CM7/330	STC General Trading Company Ltd.	Bank of Ceylon	Secure the loan facility			460.00	22-Dec-09	31-Dec-13	459.83
18	TO/CM7/333	Ceylon Electricity Board	People's Bank	Term Loan Facility			5,000.00	17-Aug-10	31-Jul-16	2,081.00
19	TO/REV/TG/334	Urban Development Authority	Bank of Ceylon	Issue of Debentures			10,000.00	8-Jul-10	08-Jul-15	10,000.00
20	TO/REV/TG/340	Road Development Authority	Commercial Bank	Secure the loan facility			1,534.00	1-Sep-11	28-Feb-26	1,481.83
21	TO/REV/TG/346	General Sir John Kotelawala Defence University	Bank of Ceylon	Secure the loan facility			85.00	29-Aug-11	31-Dec-26	74.13
22	TO/REV/TG/353	Road Development Authority	Bank of Ceylon	Secure the loan facility			2328.36	14-Mar-12	31-Dec-26	983.34
23	TO/REV/TG/354	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,472.36	12-Mar-12	31-Dec-26	887.91
24	TO/REV/TG/355	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,750.00	12-Mar-12	31-Dec-26	2,197.44
25	TO/REV/TG/350	Road Development Authority	People's Bank	Secure the loan facility			1,400.00	21-Mar-12	31-Dec-26	1,077.40
26	TO/REV/TG/351	Road Development Authority	People's Bank	Secure the loan facility			7,995.68	21-Mar-12	31-Dec-26	4,716.51
27	TO/REV/TG/352	Road Development Authority	People's Bank	Secure the loan facility			2,861.81	21-Mar-12	31-Dec-26	1,823.62
28	TO/REV/TG/349	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	200		26,468.00	10-Apr-12	01-May-14	26,162.00
29	TO/REV/TG/344	Ministry of Defence and Urban Development	Hatton National Bank	Secure the loan facility			3,550.00	24-Apr-12	31-Dec-30	1,935.70

Notes to Financial Statements *contd...*

No	File No.	Name of Institution	Name of The Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount (Rs. Mn.)	Date of Issue	Date of Expiry	Capital Outstanding (Rs. Mn.) as at 2013
					US\$ Mn.	Euro Mn.				
30	TO/REV/TG/344	Ministry of Defence and Urban Development	Commercial bank	Secure the loan facility			2,000.00	24-Apr-12	31-Dec-30	1,091.26
31	TO/REV/TG/344	Ministry of Defence and Urban Development	People's Bank	Secure the loan facility			1,000.00	24-Apr-12	31-Dec-30	549.36
32	TO/REV/TG/344	Ministry of Defence and Urban Development	DFCC Bank	Secure the loan facility			1,000.00	24-Apr-12	31-Dec-30	548.42
33	TO/REV/TG/356	Sri Lankan Air Line	Mashreqbank Psc - Dubai	Secure the loan facility	175		23,159.50	1-Jun-12	01-Jun-16	15,998.10
34	TO/REV/TG/357	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,647.63	6-Jun-12	31-Dec-26	1,764.65
35	TO/REV/TG/361	Ceylon Petroleum Corporation	Bank of Ceylon	Secure the loan facility	200		26,468.00	27-Jun-12	31-Dec-13	26,181.00
36	TO/REV/TG/363	Road Development Authority	Bank of Ceylon	Secure the loan facility			315.58	15-Oct-12	30-Apr-27	315.58
37	TO/REV/TG/364	Road Development Authority	Bank of Ceylon	Secure the loan facility			354.58	15-Oct-12	30-Apr-27	354.58
38	TO/REV/TG/365	Road Development Authority	National Savings Bank	Secure the loan facility			384.25	25-Oct-12	30-Apr-27	384.25
39	TO/REV/TG/335/1	Lanka Coal Company (PVT) Ltd	People's Bank	Secure Short Term Loan facility			1,000.00	7-Nov-12	07-Nov-15	1,000.00
40	TO/REV/TG/359	Road Development Authority	Commercial Bank	Secure the loan facility			209.04	15-Nov-12	31-May-27	209.04
41	TO/REV/TG/366	Road Development Authority	Bank of Ceylon	Secure the loan facility			670.75	15-Nov-12	31-May-27	670.75
42	TO/REV/TG/367	Road Development Authority	Bank of Ceylon	Secure the loan facility			385.64	15-Nov-12	31-May-27	385.64
43	TO/REV/TG/369	Road Development Authority	Commercial Bank	Secure the loan facility			209.06	26-Dec-12	30-Jun-27	209.06
44	TO/REV/TG/370	Road Development Authority	Bank of Ceylon	Secure the loan facility			299.25	26-Dec-12	30-Jun-27	299.25
45	TO/REV/TG/371	Road Development Authority	Hatton National Bank	Secure the loan facility			309.12	28-Dec-12	30-Jun-27	309.12
46	TO/REV/TG/372	Road Development Authority	National Savings Bank	Secure the loan facility			225.54	31-Dec-12	30-Jun-27	225.54
47	TO/REV/TG/373	Road Development Authority	DFCC Bank	Secure the loan facility			89.60	31-Dec-12	30-Jun-27	89.60
48	TO/REV/TG/359/1	Road Development Authority	Commercial Bank	Secure the loan facility			1,184.57	31-Jan-13	31-May-27	418.92
49	TO/REV/TG/363/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			1,788.16	31-Jan-13	30-Apr-27	803.06
50	TO/REV/TG/364/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,009.31	31-Jan-13	30-Apr-27	1609.65
51	TO/REV/TG/365/1	Road Development Authority	National Savings Bank	Secure the loan facility			2,177.39	31-Jan-13	30-Apr-27	665.71
52	TO/REV/TG/366/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			3,934.25	31-Jan-13	31-May-27	596.93
53	TO/REV/TG/367/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,185.31	31-Jan-13	31-May-27	263.91
54	TO/REV/TG/369/1	Road Development Authority	Commercial Bank	Secure the loan facility			1,190.94	31-Jan-13	30-Jun-27	449.09
55	TO/REV/TG/370/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			1,695.75	31-Jan-13	30-Jun-27	568.83
56	TO/REV/TG/372/1	Road Development Authority	National Savings Bank	Secure the loan facility			1,278.08	31-Jan-13	30-Jun-27	803.73
57	TO/REV/TG/373/1	Road Development Authority	DFCC Bank	Secure the loan facility			487.78	31-Jan-13	30-Jun-27	185.22
58	TO/REV/TG/371/1	Road Development Authority	Hatton National Bank	Secure the loan facility			1,751.73	11-Feb-13	30-Jun-27	343.45
59	TO/REV/TG/368/2	Mihin Lanka (Pvt)Ltd	Bank of Ceylon	Secure the loan facility	2.78		367.91	20-Feb-13	31-Dec-16	278.83
60	TO/REV/TG/377	Road Development Authority	Hatton National Bank	Secure the loan facility			3,223.31	14-May-13	30-Nov-27	470.04
61	TO/REV/TG/360	General Sir John Kotelawala Defence University	Bank of Ceylon	Secure the loan facility			750.00	7-Jun-13	30-Jun-28	0.00
62	TO/REV/TG/376	General Sir John Kotelawala Defence University	National Savings Bank	Secure the loan facility	201.63		26,683.71	24-Jun-13	31-Jan-32	3,165.82
63	TO/REV/TG/349/1	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	250		33,405.00	25-Jun-13	30-Jun-14	32,702.50
64	TO/REV/TG/382	Road Development Authority	Hatton National Bank	Secure the loan facility			1,802.74	11-Jul-13	31-Jan-28	400.05

Notes to Financial Statements *contd...*

No	File No.	Name of Institution	Name of The Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount (Rs. Mn.)	Date of Issue	Date of Expiry	Capital Outstanding (Rs. Mn.) as at 2013
					US\$ Mn.	Euro Mn.				
65	TO/REV/TG/383	Road Development Authority	Hatton National Bank	Secure the loan facility			2,053.52	11-Jul-13	31-Jan-28	416.67
66	TO/REV/TG/385	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	100		13,362.00	19-Jul-13	30-Jul-14	13,362.00
67	TO/REV/TG/378	Road Development Authority	Bank of Ceylon	Secure the loan facility			3,915.95	25-Jul-13	31-Jan-28	733.08
68	TO/REV/TG/380	Road Development Authority	Hatton National Bank	Secure the loan facility			1,020.00	5-Aug-13	31-Jan-28	191.97
69	TO/REV/TG/379	Road Development Authority	Hatton National Bank	Secure the loan facility			2,445.00	5-Aug-13	31-Jan-28	523.40
70	TO/REV/TG/385/1	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	100		13,362.00	8-Aug-13	31-Aug-14	3,172.38
71	TO/REV/TG/381	Road Development Authority	National Savings Bank	Secure the loan facility			2,179.48	12-Aug-13	29-Feb-28	410.19
72	TO/REV/TG/387/1	Paddy Marketing Board	Bank of Ceylon Bank	Secure the loan facility			3,500.00	12-Aug-13	31-Dec-13	3,500.00
73	TO/REV/TG/387/2	Paddy Marketing Board	People's Bank	Secure the loan facility			2,350.00	12-Aug-13	31-Dec-13	2,258.84
74	TO/REV/TG/387/3	Paddy Marketing Board	Pradesiya Sanwardhana Bank	Secure the loan facility			440.00	12-Aug-13	31-Dec-13	246.13
75	TO/REV/TG/387/4	Paddy Marketing Board	National Savings Bank	Secure the loan facility			1,036.00	12-Aug-13	31-Dec-13	1,000.00
76	TO/REV/TG/388	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,614.92	28-Aug-13	29-Feb-28	504.03
77	TO/REV/TG/389	Road Development Authority	Hatton National Bank	Secure the loan facility			1,596.53	30-Aug-13	29-Feb-28	311.13
78	TO/REV/TG/335	Lanka Coal Company (Pvt) Ltd	People's Bank	Secure Short Term Loan facility			2,000.00	27-Sep-13	27-Sep-14	2,000.00
79	TO/REV/TG/390	Road Development Authority	National Savings Bank	Secure the loan facility			477.70	24-Oct-13	31-Oct-27	21.53
80	TO/REV/TG/391	Road Development Authority	National Savings Bank	Secure the loan facility			1,664.08	24-Oct-13	30-Apr-28	198.99
81	TO/REV/TG/392	Road Development Authority	National Savings Bank	Secure the loan facility			2,132.63	24-Oct-13	30-Apr-28	397.24
82	TO/REV/TG/393	Road Development Authority	National Savings Bank	Secure the loan facility			3,584.98	24-Oct-13	30-Apr-28	775.08
83	TO/REV/TG/394	Road Development Authority	National Savings Bank	Secure the loan facility			1,716.08	24-Oct-13	30-Apr-28	514.25
84	TO/REV/TG/395	Road Development Authority	National Savings Bank	Secure the loan facility			1,528.50	24-Oct-13	31-Oct-27	192.11
85	TO/REV/TG/396	Road Development Authority	National Savings Bank	Secure the loan facility			1,689.49	24-Oct-13	30-Apr-28	1,129.98
86	TO/REV/TG/398	Road Development Authority	National Savings Bank	Secure the loan facility			2,975.00	28-Nov-13	31-May-28	728.60
87	TO/REV/TG/399	Road Development Authority	Hatton National Bank	Secure the loan facility			1,212.15	28-Nov-13	31-May-28	42.39
88	TO/REV/TG/400	Road Development Authority	Hatton National Bank	Secure the loan facility			1,383.49	28-Nov-13	31-May-28	56.02
89	TO/REV/TG/401	Road Development Authority	Hatton National Bank	Secure the loan facility			530.99	28-Nov-13	31-May-28	51.24
90	TO/REV/TG/402	Road Development Authority	Hatton National Bank	Secure the loan facility			6,500.00	28-Nov-13	31-May-28	263.96
91	TO/REV/TG/403	Road Development Authority	Hatton National Bank	Secure the loan facility			1,800.00	28-Nov-13	31-May-28	302.42
92	TO/REV/TG/406	State Development and Construction Corporation	Bank of Ceylon	Secure the loan facility			400.00	6-Dec-13	06-Dec-16	185.80
93	TO/REV/TG/404	National School of Business Management Limited	Bank of Ceylon	Secure the loan facility			8,600.00	18-Dec-13	31-Dec-28	1,417.52
94	TO/REV/TG/407	Road Development Authority	DFCC Bank	Secure the loan facility			751.48	27-Dec-13	30-Jun-28	0.00
95	TO/REV/TG/408	Road Development Authority	Hatton National Bank	Secure the loan facility			2,100.00	27-Dec-13	30-Jun-28	0.00
Total Amount							462,088.73			326,825.81

Notes to Financial Statements

NOTE 31(B) - STATEMENT OF LETTERS OF COMFORT ISSUED TO LOCAL BANKS AND THE LIABILITIES AS AT 31.12.2013

SNo	Name of Institution	Bank	Libabilities as at 31.12.2013 (Rs. in Million)
1	Sri Lanka Air Force	People's Bank	235.56
2	Sri Lanka Air Force	People's Bank	1.36
3	Chairman- Provincial Council RDA (W.P)	} Bank of Ceylon	13.03
4	Command Officer-Police STF		64.10
5	Commander of Army		13,418.92
6	Commander of Navy		4,249.46
7	Controller General of Immigration		400.78
8	Director General-National Botanical Gardens		4.38
9	Director- Project Management Unit		80.31
10	Disaster Management Center		0.39
11	Inspector General of Police		395.00
12	Metro Colombo Urban Development Project		60.83
13	Ministry of Ports & Highways		6.78
14	Ministry of Investment Promotion		16.74
15	National Research Council		3.70
16	Provincial Director of Agriculture (EP)		3.19
17	Secretary Ministry of Fisheries & Harbor		289.45
18	Secretary - Petro Industry		7.58
19	Secretary - Ministry of Education		1,114.54
20	Secretary - Ministry of Ports & Highways		87.71
21	The Government Printers		87.65
22	Secretary to the President		7,458.50
23	Secretary -Ministry of Economic Development		7,505.69
24	Director Coast Conservation		541.69
25	Secretary - Ministry of Education		39.59
26	Vice Chancellor- D S J K Defence University		10.72
Total			36,097.64

Explanatory Notes

Note 09 - Lease of Vehicles

According to the budget circular No 150 Department of National Budget has been procured 252 numbers of vehicles on Leased basis in 2013 and paid Rs 1,885,267,693 as a lease installment during the year. This amount included in the Object code No 2101-Acquisition of Vehicles.

Note 26 - Deposits and other Liabilities

Cash received from Sangri- La Hotels Lanka (Pvt) Ltd and Avic International Hotels Lanka Limited for the land allocated to hotel development has been deposited in Treasury General Deposit Account (6000).

Note 30 - Accumulated Total Investment and Accumulated Revenue Deficit

The presentation of composition of the accumulated revenue deficit, which has been derived in the newly introduced reporting formats, has not been possible for periods prior to 2004 as the information required for ascertaining the same has not been compiled during pre-2004 periods. Total investments in physical assets are comprised of accumulated value of property, plant and equipment held by Ministries, Departments and Statutory Boards, at cost.

Among other physical assets held in the form of property, plant and equipment, major items included are the accumulated value of physical assets of the infrastructure facilities provided by the State over the years in Ports and Highways, Transport, Irrigation, Health, Education etc., at cost.

Therefore, there are difficulties associated with presenting the detailed itemized composition of such assets held by or prevailed under the supervision of the relevant Ministries, Departments and other Institutions as a detailed system of documentation and information had not been maintained to itemize the total value of such assets in the Cash Based Accounting System adopted. Similarly, total accumulated depreciation on those assets is also not calculated in the Cash Based Accounting System.

However, for the fulfillment of requirements on the accountability on those physical assets in property, plant and

equipment held by Ministries and Departments, especially in respect of movable physical assets, Annual Verification Procedure is followed for reporting the position to the Auditor General in terms of provisions in Section 3 of Chapter XIII of Government Financial Regulations, for securitization.

Note 30.1 - Disposal of Movable Assets

Disposal of the Movable Assets in the reporting period will be disclosed by the following year accounts.

Note 33 - Excluded Revenue

The VAT on specified projects under the sections c(xxiii) and f(ii) of the exemption schedule of the Value Added Tax Act No. 14 of 2002 and respective amendments thereto and the relevant taxes on vehicles procured by public servants under the Trade and Investment Policy Circular No. 01/2010 dated 10.12.2010 are not included. However, these have been captured under the economic classification of revenue and expenditure.

Note 34 - Expenditure Committed in 2012 and Paid in 2013

The total recurrent and capital expenditure incurred during the year 2013 includes recurrent expenditure of Rs. 47,976 million and capital expenditure of Rs. 43,178 million incurred for the year 2012. Accordingly, total recurrent and capital expenditure for the year 2013 activities was Rs.1,205,533 million and Rs.1,114,919 million respectively. The relevant details are included in Schedule 1.

Note 35 - Capitalization of Borrowing Cost

Interest value of domestic and foreign loans which are required to be capitalized on qualifying assets were included in the statement of the financial performance for the year 2013, as per the Capitalization of Borrowing Cost Circular No. 230/2013 is Rs. 11,683 million and Rs.7,175 million respectively.

Explanatory Notes *contd...*

Note 36 - Accounting for Foreign loan disbursements and utilization

Foreign loans disbursement in a particular year may not be accounted for in that same year mainly due to the following :

- Part of the loan disbursements are sometimes made directly to the suppliers/contractors by way of goods. This is charged to the votes when such goods are being utilized.
- When loans are disbursed by the lenders to the Government of Sri Lanka they are accounted for based on the exchange rate prevailing on that date. However, when such loans are utilized, they will be accounted for based on the exchange rate prevailing on that date. Any difference in the exchange rate between the two days will give rise to a difference between the value of loans disbursed and utilized.

Statement of Capital Investments on Development Projects-2013

Note 32

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
1	His Excellency the President	E-Sri Lanka Development Project	1,095,000,000	1,081,393,072	99
		Lanka Government Net Work	165,000,000	145,700,000	88
		Special Development Initiatives	800,000,000	255,813,630	32
2	Office of the Prime Minister	Improving positive attitudes of Sri Lankans in order to establish a Noble Society with the Economic Development (2011-2013)	30,000,000	21,030,370	70
3	Secretariat for Special Functions	Co-ordination and Monitoring Framework for scientific affairs	38,100,000	38,050,806	100
10	Commission to Investigate Allegations of Bribery or Corruption	Awareness Programme against Bribery and Corruption	400,000	375,506	94
12	National Education Commission	Education Sector Development Project	2,000,000	904,370	45
13	Human Rights Commission of Sri Lanka	Human Rights Awareness Programme	3,000,000	2,989,923	100
15	Department of Legal Draftsman	Revision of Legislative Enactments	3,000,000	2,310,810	77
101	Ministry of Buddha Sasana and Religious Affairs	Re Development of 2600 under-developed Dhamma Schools	9,000,000	7,174,170	80
		Rehabilitation of under-developed Buddhist Temples, Churches, Mosques & Tamil Temples in Anuradhapura	72,000,000	70,052,552	97
		Capital Grants for Buddhist Temples in remote areas	60,000,000	52,193,860	87
		Mathata Thitha Programme & Protection of Milking Cows	12,000,000	11,925,890	99
		Dutugemunu Pilgrims Rest in Lumbini, Nepal	10,000,000	9,586,677	96
		Other Capital Expenditure	59,000,000	58,999,999	100
		Sacred Area Development	151,261,201	151,261,201	100
		Vidyalankara International Buddhist Centre-Kelaniya	90,000,000	50,653,132	56
		Mirisawetiya Buddhist Monk Training Center	8,738,799	3,663,738	42
		Mahaweli Maha Seya- Kotmale	15,000,000	15,000,000	100
102	Ministry of Finance and Planning	Deyata Kirula Development Programme	20,000,000	6,596,250	33
		Fiscal management Reforms Project	30,700,000	23,928,463	78
		Fiscal Management Efficiency Project	1,079,300,000	488,802,153	45
		Conducting a study on developing a Comprehensive Social Protection Scheme through IPS	25,073,165	11,777,128	47
103	Ministry of Defence and Urban Development	Other Capital Expenditure	5,187,247,000	4,879,632,794	94
		National Secretariat for NGOs	1,000,000	100,000	10
		International Conventional Center-Hambantota (GOSL-Korea)	2,000,000,000	1,600,000,000	80
		Metro Colombo Urban Development Project	4,900,000,000	2,527,791,271	52
		e-NIC Project	470,000,000	88,352,673	19
		Greater Colombo Urban Transport Development Project	497,800,000	86,902,631	17
		Hataraliyadda Town Development Project	90,000,000	65,000,000	72
		Deyata Kirula Development programme	250,000,000	193,123,811	77
		Weras Ganga Basin Storm Water Drainage & Environment Improvement Project	400,000,000	400,000,000	100
		Development of Strategic Cities	2,200,000	2,138,192	97
105	Ministry of Economic Development	Decentralized Budget Project	1,125,000,000	1,076,493,456	96
		Community Development & Livelihood Improvement Project	2,634,000,000	2,538,140,572	96
		Food Relief Programme	1,225,000,000	1,188,755,337	97
		Construction of Houses(Indian Grant)	7,309,000,000	7,309,000,000	100
		Rural Bridges	1,438,928,000	1,438,814,197	100
		Pura Neguma	750,000,000	744,540,166	99
		North East Local Services Improvement Project	2,450,000,000	2,438,569,573	100
		Programme of upgrading 5000 Primary and 1000 Secondary schools	1,625,000,000	1,583,298,478	97
		GIZ-DETA Project	382,200,000	150,109,915	39
		GIZ Performance Improvement Project	501,500,000	250,289,410	50

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Diriya Piyasa Programme	400,000,000	355,588,550	89
		Hanging Bridges	240,000,000	2,386,956	1
		Rural Community Health Centers	10,000,000	1,185,236	12
		Uplift the living standards of hand woven textiles weavers- Gampaha District	9,360,000	1,116,575	12
		Uthuru Wasanthaya	650,000,000	274,063,391	42
		Development of Infrastructure (Conflict affected region emergency project)	6,609,000,000	6,417,383,581	97
		Development of Infrastructure Emergency (Emergency northern recovery project)	1,722,392,000	1,437,462,392	83
		Livelihood restoration of resettled IDP in the North	145,000,000	140,832,452	97
		National Mine Action Programme	2,000,000	1,286,904	64
		Negenahira Navodaya	212,000,000	211,311,275	100
		North East Community Restoration & Development Project	94,678,000	94,674,865	100
		Monitoring & Evaluation of samurdhi safety Net Programme	1,815,000	1,814,176	100
		Sabaragamuwa Arunalokaya	1,700,000,000	1,684,196,203	99
		Rajarata Nawodaya	1,735,000,000	1,645,827,964	95
		Kandurata Udanaya	1,739,239,000	1,660,939,333	95
		Wayamba Pubuduwa	1,910,000,000	1,866,719,458	98
		Pubudamu Wellassa	1,640,000,000	1,637,067,153	100
		Batahira Ran Aruna	3,050,000,000	2,714,930,108	89
		Ruhunu Udanaya	2,285,000,000	2,046,978,790	90
		Saemual Undong Project	6,600,000	5,374,865	81
		Regional Interfacing Initiatives	2,780,000,000	2,758,821,635	99
		Intra Regional Common Facilities	250,000,000	249,656,918	100
		Economic Development for Tourism Promotion	100,000,000	66,269,461	66
		Sustainable Tourism Development Project	11,000,000	10,500,668	95
		Tourism Resources Improvement Project	965,425,000	959,731,126	99
106	Ministry of Disaster Management	Deyata Kirula	10,000,000	9,999,912	100
		Strengthening Disaster Risk Management Capacities of Sri Lanka	26,000,000	18,708,860	72
		Other Capital Expenditure	2,000,000	2,000,000	100
		Food & Drought Relief	22,476,322	20,433,031	91
108	Ministry of Postal Services	Enhancing Postal Services & Stamps	1,000,000	1,000,000	100
		Other Capital Expenditure	165,000,000	123,829,978	75
110	Ministry of Justice	Other Capital Expenditure	13,000,000	11,796,674	91
111	Ministry of Health	Other Capital Expenditure	191,519,135	27,524,627	14
		Health Sector Training	5,000,000	4,266,670	85
		Thousand Hospital Development Programme	624,352,530	624,352,529	100
		Infrastructure and Human Resource Development of National Drug Quality Assurance Laboratory	90,251,510	90,251,510	100
		Establishment of Elderly Wards in Identified Hospitals	50,000,000	21,011,911	42
		Development of Health Facilities in Identified Districts	50,000,000	34,761,973	70
		Special Emergency Provision for Crisis Management	35,541,554	35,541,553	100
		Epilepsy Unit at National Hospital	23,800,000	23,727,639	100
		Improving efficiency of operation theaters and provision of oxygen concentrators	15,000,000	11,139,859	74
		Strengthening National Capacities for Sound Management Priority Industrial Carcinogens with Special Emphasis on Asbestos and Updating National Chemical Profile in Sri Lanka (GOSL/UNEP)	3,160,000	3,154,482	100
		Improvement of Basic Social Services Targeting the Emerging Regions	5,000,000	3,799,181	76

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/a Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Implementatation of Electronic IMMR System	5,000,000	4,604,247	92
		Establishment of quality Management Units in Base Hospitals	1,403,926	1,346,611	96
		Epidemiology Unit	41,000,000	39,562,344	96
		Family Health Bureau-Investment	97,735,000	76,310,391	78
		Other community health services	5,500,000	5,149,020	94
		National Dengue control Programme	400,000,000	325,343,550	81
		Rabies Control Programme	159,864,079	159,864,078	100
		Kidney Disease Programme	5,000,000	4,959,824	99
		Anti-Leprosy and Filariasis campaign	11,907,634	11,907,634	100
		GAVI-HSS	112,487,470	112,328,691	100
		Health Education Bereau	5,830,000	5,829,916	100
		Strengthening and Rehabilitation of Provincial Mental Health	1,525,349	1,524,367	100
		Leptospirosis Controlling	5,000,000	4,011,235	80
		Children's Action Plan	22,100,000	18,306,096	83
		Disaster Preparedness & Response Programme	19,029,651	19,029,650	100
		National cancer control center	10,001,035	10,001,034	100
		GAVI-NVS Co Financing	86,945,235	86,935,960	100
		Oral Health Promotion & Flurosis Prevention	20,000,000	18,280,940	91
		Programme for strengthening primary level healthcare	300,000,000	210,584,217	70
		Global Fund to fight against aids, tuberculosis and malaria	593,390,081	588,702,168	99
		Health sector Development Project	40,974,651	40,974,650	100
		Improvement of Preventive health services in the estate sector	10,000,000	8,469,720	85
		Control of Non communicable Diseases	29,960,000	29,908,930	100
		National STD/AIDS Control	5,000,000	4,924,218	98
		Mother and Child Nutrition Programme (GOSL/WFP)	15,000,000	9,013,358	60
		National Programme for Improvement of the Nutritio-nal Status of Vulnerable Population	31,600,000	31,536,811	100
		Health and Nutrition Programme (UNICEF)	620,000	596,348	96
		Other Capital Expenditure	14,850,840	14,532,660	98
112	Ministry of External Affairs	Commonwealth Heads of Government Meeting	1,083,839,200	1,083,839,156	100
114	Ministry of Transport	Implementation of Strategic Plan for Traffic Manage-ment (TEC is Rs.10bn)	10,000,000	832,608	8
115	Ministry of Petroleum Industries	Deyata Kirula National Development Programme	1,000,000	994,909	99
116	Ministry of Co-operatives and Internal Trade	Establishment of Economic centers	100,000,000	59,949,733	60
		Strengthening Co-operative Societies	19,000,000	11,765,230	62
		Co-operative Supermarkets	10,000,000	7,500,000	75
		Computerising of lanka Sathosa Retail outlet network with Head Office	38,250,000	20,000,000	52
117	Ministry of Ports and Highways	Northern Expressway	980,000,000	734,800,000	75
		Expressway Management Unit	278,000,000	278,000,000	100
		Extension of Southern Expressway	102,135,000	102,134,554	100
		Road Sector assistance Project	75,000,000	37,244,993	50
		Southern Highway	10,000,000	3,400,000	34
		Tax Component	1,656,940,370	1,656,845,368	100
		Deyata Kirula	5,097,863,410	5,097,863,406	100
		Road Project Preparatory facility (Including provincial roads)	68,716,700	61,719,604	90
		Surveys, Investigations and Feasibility Studies	80,000,000	67,398,427	84
		Government guaranteed Local Bank funded road rehabilitation Project	1,000,000,000	917,061,299	92

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
118	Ministry of Agriculture	Deyata kirula- connecting Villages	1,061,164,000	1,061,163,594	100
		Crop Forecasting Programme	3,250,000	2,367,833	73
		Implementation of Dry Zone Livelihood Support and Partnership Programme	160,000,000	155,612,563	97
		Special Programme under Api Wawamu- Rata Neguma	453,000,000	304,828,782	67
		Production & Use of Organic Fertilizer	230,000,000	82,202,358	36
		Reactivation of Government seeds farm at Murukan & Paranthan	14,750,000	12,640,624	86
		Implementation of National Agricultural Research Plan (NARP) with Universities	15,000,000	7,181,003	48
		Big Onion Seed Production Programme	20,000,000	13,477,664	67
		Deyata Kirula Development Programme	60,000,000	39,385,569	66
		Providing Livelihood Support for Food Security for returning IDPs in Mannar District	10,200,000	10,180,210	100
119	Ministry of Power & Energy	Promotion of rice exports by establishing Four Rice Export Zone (B.P.2012)	75,000,000	2,790,441	4
		Accelerated Rural Electrification Project	319,120,000	293,885,920	92
120	Ministry of Child Development and Women's Affairs	Diriya Kantha Programme	75,900,000	75,338,051	99
		Lama Saviya Programme	11,800,000	11,498,309	97
		Kekulu Udana (GOSL/UNICEF)	43,340,000	40,636,714	94
		Kantha Saviya	30,000,000	29,319,910	98
		Women Development Programme	6,650,000	6,645,403	100
		Implementation of Budget Proposals -2012 (Early Childhood Care and Development)	30,000,000	28,844,894	96
		Supervision of Children's homes	10,000,000	7,922,836	79
		Improvement of Vocational Skills of Children's Homes	2,350,000	1,145,378	49
121	Ministry of Public Administration and Home Affairs	Local Governance Project	693,840	693,838	100
		Governance of Local Economic Development Project	1,965,026	1,965,026	100
		Deyata Kirula -National Development Exhibition	1,000,000	990,259	99
122	Ministry of Mass Media and Information	Media Publicity for commonwealth Heads of Government Meeting	867,000,000	865,196,340	100
123	Ministry of Construction, Engineering Services, Housing and Common Amenities	Capacity Building in Construction Industry RPL	2,000,000	1,733,620	87
		Converting ICTAD in to Construction Development Authority	17,050,000	17,000,000	100
		Establishment of Construction Technology Theme Park	11,550,000	11,550,000	100
		Acquisition of new equipment to update construction equipment operator training at ICTAD	4,150,000	4,150,000	100
		Upgrading of Technical Training Infrastructure at CERAC	26,100,000	26,100,000	100
		Implementation of UN Habitat Programme	6,500,000	6,427,516	99
		Janasevana Participatory Environment and sanitation Improvement Project	40,000,000	29,830,000	75
		Completion of already initiated urban housing schemes-Angulana Stage II	250,000,000	234,747,724	94
		Janapura Housing Development Loan Programme	26,000,000	23,922,288	92
		Moratuwa Lunawa Urban Housing scheme	280,000,000	274,426,742	98
		Other Capital Expenditure	12,000,000	12,000,000	100
		Chilaw Urban Housing ReDevelopment Project -45 Units (USDA)	25,635,000	22,200,000	87
		Lidula Housing Programme	50,000,000	30,000,000	60
		Other Capital Expenditure	50,000,000	50,000,000	100
124	Ministry of Social Services	Support for Low Income Disable Persons	55,000,000	55,000,000	100
		Community Based Rehabilitation Programme	9,000,000	8,584,122	95

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Social Development Management Information System	500,000	500,000	100
		Social Development Programme	2,575,000	2,513,461	98
		Self Employment Opportunities for single parent families	7,000,000	6,936,181	99
		National Counselling Programme	12,000,000	11,327,913	94
		Social care Centers	5,000,000	4,820,786	96
		UNICEF GOSL country Programme	12,900,000	9,571,343	74
		Improvement of Vocational Training Centers for Disabled (GOSL/WB)	118,000,000	77,999,995	66
		Deyata Kirula	14,000,000	10,178,599	73
126	Ministry of Education	Mitigation of Disparities in the provision of water and sanitary facilities to unserved schools	108,095,845	108,095,844	100
		Transforming the school education system as the foundation of a Knowledge hub Project	10,000,000	5,848,749	58
		UNESCO Activities	14,353,000	8,981,420	63
		Transforming the school education system as the foundation of a Knowledge hub Project	109,100,000	109,097,600	100
		Water, Sanitation & Hygienic Programme	50,581,151	50,581,151	100
		Education for Social Cohesion	12,300,000	2,555,862	21
127	Ministry of Labour and Labour Relations	Administration and Establishment Service	3,000,000	2,995,697	100
		Implementation of the Policy for Decent Work	27,000,000	19,223,702	71
128	Ministry of Traditional Industries and Small Enterprises Development	Exhibition and Award Ceremony	43,000,000	32,746,843	76
		Kithul Development Project	19,000,000	13,649,457	72
		Atchchuvely Industrial Estate Rehabilitation Project	106,000,000	85,812,936	81
		Re-establishment of the Research Institute of Palmyrah Development Board	20,000,000	16,057,230	80
		North Sea Ltd- Development & Expansion of fishing net factory	85,000,000	62,282,808	73
		Industrial Production Village Promotion	5,000,000	4,592,108	92
		Improvement of Elephant Pass Salt Pan	9,000,000	1,177,549	13
		Development of Traditional Handicraft villages	38,850,000	20,264,665	52
		Upgrading & Modernization of Main and Mini Industrial Estate	40,000,000	13,612,299	34
		Development of Traditional Handicraft villages of Center of Jana Kaala corresponding to CHOGM	13,150,000	6,894,247	52
130	Ministry of Local Government and Provincial Councils	Greater Colombo Waste water Management Project -GOSL/ADB	920,000,000	784,903,213	85
		Other Capital Expenditure	25,000,000	15,929,322	64
133	Ministry of Technology and Research	Deyata kirula	5,000,000	4,998,548	100
		Knowledge transfer Programme and Other Development activities	23,000,000	22,915,398	100
		Scientific Development Programme	26,000,000	17,934,155	69
		Multipurpose Gamma Irradiator Project	380,364,572	379,394,794	100
		Nanotechnology Initiative	521,000,000	521,000,000	100
		Negenahira Navodaya	6,000,000	5,986,408	100
		Implementation of Science , Technology Innovations Strategy	5,000,000	4,986,616	100
		Develop a regulatory framework for Nanotechnology related activities in Sri Lanka (NSF)	4,000,000	2,916,174	73
		Installation of a 4D Digital Projectors	8,775,428	414,359	5
134	Ministry of National Languages and Social Integration	Other Capital Expenditure	63,327,892	54,452,454	86
		National Languages Development Programme	8,000,000	2,703,169	34
		Social Integration Development Programme	12,000,000	10,176,037	85
		Trilingual Programme	55,000,000	26,955,303	49
		Deyata Kirula Development programme	3,000,000	1,955,126	65

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
135	Ministry of Plantation Industries	Research Activities	1,000,000	375,000	38
		Small Holders Outgrowers Estate Development Programme	4,000,000	2,003,276	50
		Tea and Rubber Land (Fragmentation) Board	46,250,000	46,168,336	100
		Deyata Kirula Development programme	250,000	108,026	43
		Cadastral surveys in the plantation sector	2,500,000	1,729,908	69
136	Ministry of Sports	Asian Youth Games-2017	10,000,000	10,000,000	100
138	Ministry of Indigenous Medicine	Other Capital Expenditure	144,000,000	111,283,983	77
139	Ministry of Fisheries and Aquatic Resources Development	Fisheries Community Strengthening	29,116,678	29,116,678	100
		Dickowita fishery Harbour	206,819,631	206,819,631	100
		Post Tsunami Coastal Rehabilitation & Resources Management Programme and post Tsunami livelihood support & partnership programme	413,939,328	413,939,328	100
		Stocking of fish fingerlings in fresh water bodies to develop inland fisheries.	6,018,038	6,018,038	100
		Sustainable management of the bay of bengal large marine ecosystem	5,350,000	5,350,000	100
		Regional Fisheries Livelihood Programme	104,150,000	10,200,000	10
		Deyata Kirula Development Programme	100,000,000	94,457,624	94
		Development of Ornamental Fish Industry	21,047,375	17,000,272	81
		Establishment of Inland Fresh Water Breeding Center at Iranamadu in Kilinochchi	20,000,000	20,000,000	100
		Development & Rehabilitation of Fishery Harbours , Anchorages Lodges and Landing Sites	500,000	500,000	100
140	Ministry of Livestock and Rural Community Development	Facilitation and Promotion of Liquid Milk Consumption	40,000,000	9,639,089	24
		Establishment of animal Breeder farms	30,000,000	18,442,558	61
		Krigamma Programme	50,000,000	41,377,328	83
		Medium Term Livestock Development Programme	60,000,000	36,685,892	61
		Importation of Dairy animals	793,000,000	713,065,980	90
		Estate Housing Programme	150,000,000	123,863,279	83
		Development of small and medium scale poultry farming system	20,000,000	9,137,495	46
		Deyata Kirula Development programme	5,000,000	4,992,944	100
		Importation of 30000 doses of sexed semen	65,978,637	62,386,986	95
		Fodder Development for Increase the Milk Production	40,500,000	32,923,687	81
		Livelihood and basic facility improvement in rural areas	200,000,000	177,035,580	89
		Lagging area Socio Economic Development Project	360,000,000	234,509,501	65
142	Ministry of National Heritage	Mahamevna Uyana Development Project	4,000,000	2,228,465	56
		Preservation native habits	5,000,000	930,154	19
		Deye Urumaya Daruwantai awareness Programme	2,500,000	595,149	24
		Sri Lanka, Netherland Cooperation Programme-Jaffna Fort	35,000,000	21,023,213	60
		Folk Art Center	10,000,000	6,699,720	67
		Establishment of Heritage information & Activity center	50,000,000	28,228,572	56
		Improving Existing Web Site	200,000	86,296	43
		Negenahira Navodaya	5,000,000	725,358	15
		Deyata Kirula National Development Exhibition (Pre-serving National Heritage in Mihinthala)	10,000,000	7,284,787	73
		Establishment of Navel Museum-Trincomalee	30,000,000	8,757,351	29
145	Ministry of Resettlement	Deyata Kirula	1,000,000	976,387	98
		Support for Re-settlement Activities-UNCHR	2,602,500	2,590,000	100
		Welioya Resettlement Programme	117,000,000	113,606,530	97
		Provision of Water and Sanitation Facilities for resettled families in Northern Province	116,000,000	115,755,249	100

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Resettlement in Keppapilavu	32,000,000	31,969,574	100
		Resettlement in Kelebogawewa	28,800,000	28,783,320	100
		Resettlement in Padeniya	5,000,000	4,999,456	100
149	Ministry of Industry and Commerce	Industrial estates	300,000,000	162,223,982	54
		Thrust Area Development	225,000,000	58,745,195	26
		Handloom and Textile Industries	90,000,000	73,954,245	82
152	Ministry of Irrigation and Water Resources Management	PEACE Project	156,000,000	145,366,085	93
		Rehabilitation of major and medium irrigation schmes including emergency infrastructure rehabilitations work	218,055,010	218,055,007	100
		Feasibility studies	667,084,577	454,566,012	68
		Dam safety and water resources planning Project	2,246,000,000	1,782,901,794	79
		Moragahakanda & Kaluganga Reservoir Project	7,233,512,806	5,213,891,322	72
		Emergency Natural Disaster Rehabilitation Project	690,000,000	637,263,422	92
		Lower Malwathuoya Multisector Development Project	150,000,000	500,000	0
		Prefabricated buildings for Government Agencies from Peoples Republic of China	4,005,000,000	3,740,839,639	93
153	Ministry of Land & Land Development	Implementation of Recommendation of LLRC	400,000,000	39,715,186	10
156	Ministry of Youth Affairs and Skills Development	Other Capital Expenditure	775,890	646,866	83
		Other Capital Expenditure	52,250,000	52,249,952	100
		Improvement of Vocational Training Activities (Yovun Diriya Programme)	52,078,890	17,744,492	34
		Child Protection Programme	26,371,000	21,014,515	80
		Young People's Reproductive Health (UNICEF)	2,732,000	2,030,503	74
		Other Capital Expenditure	25,000,000	23,129,167	93
160	Ministry of Environment	Implementation of Montreal Alliance	616,000	614,661	100
		Pilisaru Programme	265,000,000	265,000,000	100
		Plastic waste Management Programme	80,000,000	68,924,500	86
		Establishment of Waste Management System in High Level Road Region in Colombo District	52,500,000	46,025,506	88
		School Environmental Pioneer Programme(Haritha Niyamu)	7,800,000	7,800,000	100
		Establishment of Clean Development Mechanism Secretariat	500,000	81,835	16
		World Environment Day Programme	5,000,000	4,907,162	98
		Establishment of Climate change Secretariat & Research Studies under climate change	1,000,000	465,409	47
		Updating of National Environmental Policy	3,000,000	1,481,724	49
		Paleo bio diversity Conservation and Sustainable Tourism Programme	2,500,000	1,448,611	58
		Technical Needs Assessment Project on Climate Change in Sri Lanka	7,700,000	2,557,267	33
		Strengthening of the laboratory of the CEA and improvement of environment quality	25,000,000	16,856,075	67
		Conservation & Sustainable use of Microbial Diversity	4,900,000	1,355,891	28
		Pricing Biodiversity of the Island	8,000,000	2,108,609	26
		Implementation of Provincial Biodiversity Profile	10,000,000	4,561,796	46
		Implementation of National Policy on Traditional Knowledge for Sustainable Livelihood	3,000,000	559,559	19
		Strengthening of National Environment Information Center	3,000,000	2,531,312	84
		Construction of Solid Waste Disposal	65,000,000	14,089,194	22
		Community Forestry Programme	121,000,000	109,329,709	90
		Community Forestry Programme	15,000,000	745,061	5
		Development of Battaramulla Green Park	37,500,000	2,491,900	7

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Implementation of National Tree Planting Programme (Deyata Sevana)	8,000,000	1,904,878	24
		Preparation and Implementation of Green Procurement Guidelines in Sri Lanka	1,500,000	165,232	11
		Developing competencies on craftsmen skills, manufacturing, technologies and product marketing in Gem and Jewellery industry	4,000,000	468,346	12
		Conservation and Sustainable use of mangrove ecosystem and its diversity in Sri Lanka	4,000,000	1,786,895	45
		Environment Protection Area Management and Conservation Programme	10,000,000	3,540,670	35
		Species Conservation and Bio Diversity Hot Spot survey programme for sustainable Development	5,000,000	1,405,822	28
		Implementation of National Green reporting system of Sri Lanka	2,500,000	486,785	19
		Reviewing the existing gaps of the Environmental Legislation related to the Ministry of Environment in order to make Appropriate steps	5,000,000	439,288	9
		Management of Introduction of Invasive Alien Species into Sri Lankan Waters Through Ship's Ballast Water	10,000,000	5,578,345	56
166	Ministry of Water Supply and Drainage	Lunawa Environment and Community Development Project	30,000,000	27,412,169	91
		South Asia Conference on Sanitation, Follow up Action -All Island Sanitation Programme	10,000,000	9,644,020	96
		North & East Pilot WASH	200,000,000	162,021,195	81
		Improving community based rural water supply and Sanitation in Jaffna & Kilinochchi Districts	100,000,000	29,245,698	29
		Community Infrastructure Development in Batticaloa, Mannar and Vavuniya	125,000,000	48,500,000	39
		Improvement of Rural water supply and sanitation in badulla & Monaragala	200,000,000	30,510,000	15
		Water Supply Drinking & Cooking Purpose	130,000,000	78,000,000	60
		Rehabilitation of Community Water Supply Schemes	250,000,000	52,964,603	21
171	Ministry of Higher Education	The Development Plan for South Eastern University Phase1"B"	100,000,000	20,174,124	20
		Education for Knowledge Society Project	50,000,000	10,281,323	21
		SATREPS Project for Development of Pollution Control & Environment Restoration Technologies of Waste Landfill Sites	15,000,000	5,000,000	33
		Building research excellence in Wildlife and Human Health in Sri Lanka	10,906,726	10,906,726	100
		Household Survey to measure Access and use of Medicines in Kandy District	1,621,037	1,621,037	100
		Household Survey to measure Access and use of Medicines in four Districts	5,628,740	5,628,740	100
175	Ministry of State Resources and Enterprise Development	Deyata Kirula	7,415,000	6,813,648	92
		State Resource Management Corporation Ltd.	5,000,000	5,000,000	100
		Sri Lanka Handicrafts Board	150,000,000	138,458,004	92
		Capitalisation of Sri Lankan Airlines & Mihin Lanka	12,600,082,116	12,600,082,116	100
176	Ministry of Civil Aviation	Capitalisation of Mihin Lanka (Pvt) Ltd	1,894,000,000	1,894,000,000	100
177	Ministry of Culture & Art	Public Performance Board	2,000,000	2,000,000	100
		Towerhall Theatre Foundation	20,000,000	6,825,000	34
		Improving Existing Web Site	500,000	498,275	100
		Revealing & Preserving of Indigenous Knowledge & Cultural Values	2,000,000	1,884,106	94
		Improving Facilities of Cultural centers under Deyata Kirula Programme	30,000,000	29,998,506	100
		Renovation Project of Elphinstone Art Center	50,000,000	17,504,572	35

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Inservice Training Centers	2,000,000	1,373,041	69
		Preservation native habits	10,000,000	6,000,455	60
		Construction of Cultural center & the Tsunami Research Center at Peraliya, Telwatta	16,000,000	15,903,897	99
		Construction of SAARC Cultural Center	224,000,000	224,000,000	100
		Shilpa Gammana Programme	1,400,000	1,344,556	96
178	Ministry of Coconut Development and Janatha Estate Development	Weligama Coconut leaf Wilt & Rot Disease	200,000,000	117,107,732	59
179	Ministry of Agrarian Services and Wildlife	Deyata Kirula Development programme	3,000,000	690,105	23
		Production & Distribution of Organic Fertilizer	125,000,000	73,423,900	59
180	Ministry of Minor Export Crop Promotion	Deyata Kirula Development programme	2,000,000	1,899,101	95
		Exhibition held in corresponding to CHOGM	2,200,000	1,251,735	57
181	Ministry of Productivity Promotion	Implementation of Service/ Excellent Framework for Government and Semi Government Organizations	300,000	2,253	1
		Other Capital Expenditure	2,500,000	2,168,639	87
182	Ministry of Foreign Employment Promotion and Welfare	Strengthening Islandwide administrative network for the Development of Foreign Employment Industry	6,000,000	4,982,228	83
		Employment Promotional Road Shows	7,000,000	4,158,346	59
183	Ministry of Public Relations and Public Affairs	Community Development Projects in most Difficult Villages	14,612,000	14,611,494	100
		Facilitating hundred less known traditional villages	3,638,000	3,637,924	100
		Empowering the Community through sramadhana based Projects	29,837,497	29,837,496	100
		Facilitating the public to overcome bottle necks in obtaining services from government agencies	13,290,849	13,290,849	100
		Improving Common Amenities in Religious Places	19,801,048	19,801,047	100
		Establishing a Righteous Society by enhancing Social and Cultural Values	8,817,395	8,817,395	100
		Construction of Pilgrims Rests	57,233,124	57,233,123	100
185	Ministry of Telecommunication and Information Technology	Deyata Kirula	114,000,000	106,467,061	93
		Construction of Computer Labs in Schools	395,000,000	386,663,758	98
		IT Park-Jaffna	1,200,000	1,187,977	99
		IT Park- Mannar	1,250,000	1,246,954	100
		Deyata Kirula Secretariat	1,400,000	1,319,680	94
		Set Up Nenasala Centers in Gramaniladhari division	50,000,000	50,000,000	100
201	Department of Buddhist Affairs	Improvement of Dhamma School Facilities in Anuradhapura	15,000,000	14,747,357	98
202	Department of Muslim Religious and Cultural Affairs	National Meelad Development Project	13,000,000	12,570,234	97
		Construction of Islamic Cultural Centers	7,500,000	6,480,000	86
203	Department of Christian Religious and Cultural Affairs	Development of Accomadation for pilgrims who come to St.Annes's Church of Thalawila	14,300,000	13,355,136	93
		Development of Accomadation for pilgrims who come to St.Anthony's Shrine of Wahakotte	5,000,000	5,000,000	100
		Development of Infrastructure Facilities of Historical Madu Shrine	1,300,000	1,300,000	100
		Other Capital Expenditure	2,500,000	2,498,908	100
206	Department of Cultural Affairs	Construction Project of Kundasale Kala nikethanaya	50,000,000	19,517,567	39
		Deyata Kirula National Development Exhibition (Preserving National Heritage in Mihinthale)	13,000,000	6,360,492	49
		Renovation Project of Jone De Silva National Art Gallery	52,000,000	2,872,370	6
		Project of accomplishment of Chapter VI of Mahawansa 1978-2010	21,000,000	4,450,312	21

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
207	Department of Archaeology	Yudaganawa Conservation & Reservation Project	11,585,358	11,192,958	97
		Thivankapilimageya conservation & Reservation Project	10,000,000	2,784,188	28
		Maduwanwala Walawwa Reservation Project	20,000,000	19,104,000	96
		Rajagalathanna Archaeological sites conservation & Reservation Project	10,000,000	4,279,346	43
		New Rest House in Anuradhapura	14,522,889	14,522,889	100
		Deyata Kirula- Preservation & Conservation of Archeological Sites in Anuradhapura	15,000,000	78,960	1
		Other Capital Expenditure	8,414,642	5,819,541	69
208	Department of National Museums	Construction of Hambantota Heritage Museum	1,500,000	1,031,228	69
		Ostrology Gallery of Natural Science Museum	30,000,000	8,834,099	29
		Paleo Bio Diversity Park at Rathnapura National Museum	20,000,000	7,982,403	40
		Other Capital Expenditure	7,000,000	4,292,830	61
209	Department of Archives	Extension of Archives Building Complex	1,500,000	799,241	53
		Archival Management Project-Investments	212,000,000	40,215,574	19
		Tanap- Nap Project	14,000,000	6,449,716	46
		Other Capital Expenditure	6,000,000	4,200,000	70
		Other Capital Expenditure	4,000,000	2,489,055	62
212	Department of Examinations	Transforming the School Education system as the Foundation of a Knowledge Hub Project	10,000,000	2,904,272	29
213	Department of Educational Publications	Transforming the School Education system as the Foundation of a Knowledge Hub Project (Improving quality of text books and multiple book options)	6,000,000	2,313,362	39
217	Department of Probation and child Care Services	Refurbishment of Children's Homes	10,000,000	8,919,337	89
219	Department of Sports Development	Sports Development	338,068,938	338,068,938	100
		Deyata kirula	10,000,000	7,974,767	80
220	Department of Ayurveda	Other Capital Expenditure	18,767,000	11,635,253	62
		Other Capital Expenditure	300,000,000	32,604,856	11
221	Department of Labour	Other Capital Expenditure	3,500,000	2,787,990	80
222	Sri Lanka Army	Other Capital Expenditure	4,568,874,500	4,564,676,501	100
223	Sri Lanka Navy	Prefabricated Building Project	495,680,000	240,295,664	48
		Development of Naval Academy	212,275,000	212,274,774	100
224	Sri Lanka Airforce	Prefabricated Building Project	196,075,000	45,177,253	23
		Russian Line of Credit	11,800,000,000	3,750,794,136	32
225	Department of Police	Prefabricated Building Project	325,108,000	274,204,471	84
		Additional allocation for the procurement of Water cannon equipment under the Indian Credit Line.	392,600,000	391,124,838	100
226	Department of Immigration & Emigration	1.Passport Printing Processing 2. System Upgrading 11G	732,000,000	604,302,639	83
227	Department of Registration of Persons	Other Capital Expenditure	50,000,000	24,247,200	48
232	Department of Prisons	Construction of Prisoner's Wards	8,250,000	6,605,350	80
236	Department of Official Languages	Other Capital Expenditure	30,815,000	19,546,712	63
237	Department of National Planning	Other Capital Expenditure	5,306,000	5,302,806	100
		National Council for Economic Development	215,000	211,950	99
		Project Management of Eastern Province water supply Project	43,200,000	41,911,951	97
		Project Management of Eastern Province-Rural Roads	32,890,000	32,874,202	100
		Emergency Natural Disaster Rehabilitation Project	5,100,000	5,098,281	100
		Implementation of Policies and advocacy for a caring society and equitable Development programme	6,650,000	6,500,000	98
		Enhanced capacity of evidence based policy Development programme	3,000,000	2,234,622	74

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
239	Department of External Resources	Other Capital Expenditure	5,000,000	1,590,214	32
243	Department of Development Finance	National Agri Business Development Programme	400,000,000	127,542,357	32
		Global Food Crisis Response Programme	475,000,000	4,208,615	1
		Contribution to Lankaputhra Development Bank for Credit Guarantee Scheme	500,000,000	200,000,000	40
251	Department of Valuation	Assessment of Government Properties	10,000,000	9,980,324	100
252	Department of Census and Statistics	Child Activity Programme	2,200,000	2,147,200	98
		Child Activity Programme	1,033,000	1,032,160	100
		Census of Population and Housing-2011	420,000,000	418,473,199	100
		Agriculture Census	195,000,000	194,287,867	100
		Social Protection Index	3,638,129	3,611,070	99
		Census on Damaged Property and Human	50,000,000	46,953,515	94
269	District Secretariat- Batticaloa	Other Capital Expenditure	950,500,596	950,500,595	100
270	District Secretariat- Ampara	Deyata kirula	650,000,000	649,999,645	100
271	District Secretariat- Trincomalee	Deyata Kirula	602,000,000	601,996,385	100
275	District Secretariat- Polonnaruwa	Deyata Kirula	350,000,000	349,925,770	100
280	Department of Project Management and Monitoring	Project Evaluation & Web Based Monitoring System	4,000,000	2,999,731	75
281	Department of Agrarian Development	Desilting of minor tanks and agro wells in the drought affected districts of Anuradhapura	125,270,000	125,222,060	100
		Recultivation of abandoned paddy lands	200,000,000	189,817,877	95
		Deyata Kirula Development programme	25,000,000	23,815,078	95
282	Department of Irrigation	Other Capital Expenditure	155,200,000	98,368,820	63
283	Department of Forests	Eco Tourism	15,000,000	14,990,306	100
		Jeewa Jawaya Establishment of Bio Fuel Plantations in Sri Lanka	400,000	399,701	100
		Conservation of Hill Tops in the Central Highlands in Sri Lanka	35,000,000	34,997,955	100
284	Department of Wild Life Conservation	Deyata Kirula Development programme	100,000,000	98,317,593	98
285	Department of Agriculture	Implementation of National Agricultural Research Plan (NARP) with Universities	72,938,368	54,281,552	74
		Infrastructure Development to improve rice research & Development institutes (RRDI)	22,845,435	22,845,431	100
		Small Scale Agricultural Research Project	54,450,000	49,449,444	91
		Production of quality planting materials and crops with higher economic value through application of tissue culture technology	30,000,000	29,170,167	97
		Implementation of Soil Conservation Act	14,000,000	6,989,514	50
		Development of New Hybrids & Open Pollinated Chilli, Maize & Onion Varieties & Production of Seeds	85,804,565	44,243,293	52
		Establishment of 100 Fruit Villages	30,000,000	29,758,202	99
		Media Programme	20,000,000	19,083,183	95
		Baata and Gannoruwa Agro Technology Park	4,500,000	4,166,645	93
		Improvement of School Agriculture	2,061,632	2,061,631	100
		National seed production and purchasing programme	297,990,853	297,990,852	100
		Quality assurance of seeds and planting materials through the implementation of seed Act.	20,000,000	16,802,065	84
		Accelerated seed farms Development programme (B.S.P.-2011)	157,009,147	96,570,880	62
		Minimize Potential adverse Effects of Agro-chemicals on Human Health and Environment	40,000,000	820,864	2
286	Department of Land Commissioner	High Land Development Project	5,000,000	4,732,067	95
288	Department of Survey General	Utilization of field data gathering and updating	10,000,000	6,441,884	64
289	Department of Export Agriculture	Implementation of National Agricultural Research Plan (NARP) with Universities	4,500,000	4,490,481	100

Statement of Capital Investments on Development Projects-2013 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
290	Department of Fisheries and Aquatic Resources	Fisheries Society activities	7,500,000	7,498,287	100
		Establishment of Quality Control Unit	2,000,000	803,584	40
291	Department of Coast Conservation	Partipatory Costal Zone Restoration & Sustainable Management Project	21,000,000	18,954,809	90
		Other Capital Expenditure	155,000,000	95,353,686	62
292	Department of Animal Production and Health	Other Capital Expenditure	6,350,000	6,252,230	98
		Control of Contagious Diseases	23,500,000	23,342,409	99
		Livestock Health Improvement Programme	4,000,000	3,999,277	100
		Implementation of Livestock Research	12,000,000	11,745,865	98
		Production of Vaccine against Foot and Mouth Disease locally	25,000,000	25,000,000	100
		Establishment of Laboratory for VRI	20,000,000	13,343,759	67
		Expansion of Animal Health Surveillance	25,000,000	6,956,069	28
		Increase the high quality heifer calves	66,150,000	9,007,686	14
		Improvement of services delivery system of field veterinary office	45,000,000	33,280,913	74
		Animal Identification and Traceability systems	23,000,000	21,804,386	95
		Expansion and Modernization of animal quarantine units	17,000,000	12,851,823	76
		Livestock breeding Project	100,000,000	74,905,060	75
		Establishment of livestock technology park	6,000,000	3,985,202	66
		Stengthening of field level goat breeders	5,000,000	3,895,873	78
		Goat Development Project	16,850,000	6,892,204	41
		Entrepreneurship Development	7,100,000	3,924,575	55
		Export Facilitation of Chicken Meat and Eggs Through Poultry Health Management	16,000,000	15,907,623	99
		Exploring Commercial Fodder Production for Dairy Development in Sri Lanka	10,900,000	2,635,035	24
293	Department of Rubber Development	Other Capital Expenditure	73,300,000	43,659,466	60
295	Department of Commerce	Trade Promotional Activities	6,000,000	4,595,339	77
301	Department of Co-operative Development	Co-operative Development Administration	14,000,000	13,571,044	97
304	Department of Meteorology	Awareness Building	1,986,000	1,849,633	93
		40th Annual Sesion on WMO on Tropical Cyclone Pannel	902,000	901,288	100
307	Department of Motor Traffic	Other Capital Expenditure	900,000,000	852,061,223	95
308	Department of Posts	Enhancing Postal Services & Stamps	5,800,000	5,800,000	100
310	Government Factory	Kolonnawa Government Factory Modernization	300,000,000	111,858,957	37
311	Department of National Physical Planning	Local Level Development Plans	2,100,000	2,100,000	100
326	Department of Community Based Correction	Other Capital Expenditure	600,000	514,377	86
328	Department of Man Power & Employment	Administration and Establishment Service	6,742,330	5,565,255	83
		Jobs net Programme	5,000,000	3,730,136	75
		Upgrading online Employment system, web based IT system and server infrastructure	3,000,000	11,200	-
		Producing Human Resources with Employment skills targeting the Demand of Labour Market	2,000,000	1,724,775	86
		Jobs Fair Programme	5,700,000	4,691,791	82
		Total	152,862,919,875	126,306,255,185	

Head - wise Summary of Expenditure Account with Budgetary Provision - 2013

Note 33

Head No.	Ministry / Department	Total			Recurrent			Capital		
		Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Savings (Rs.)
1	HIS EXCELLENCY THE PRESIDENT	8,224,977	9,069,271	844,294	91	4,490,565	4,659,020	168,455	96	3,734,412
2	OFFICE OF THE PRIME MINISTER	303,371	332,725	29,354	91	230,443	236,325	5,882	98	72,928
3	SECRETARIAT FOR SPECIAL FUNCTIONS	411,216	456,725	45,509	90	305,781	328,675	22,894	93	105,435
4	JUDGES OF THE SUPREME COURTS	130,494	173,700	43,206	75	89,469	121,500	32,031	74	41,025
5	OFFICE OF THE CABINET MINISTERS	54,020	77,175	23,155	70	51,896	65,075	13,179	80	2,124
6	PUBLIC SERVICE COMMISSION	122,808	123,688	880	99	114,574	114,609	36	100	8,234
7	JUDICIAL SERVICE COMMISSION	33,821	37,947	4,126	89	32,857	36,672	3,815	90	963
8	NATIONAL POLICE COMMISSION	44,893	45,383	490	99	39,674	40,023	349	99	5,219
9	ADMINISTRATIVE APPEALS TRIBUNAL	14,445	17,990	3,545	80	13,571	17,075	3,504	79	874
10	COMMISSION TO INVESTIGATE ALLEGATIONS OF BRIBERY OR CORRUPTION	180,669	191,590	10,921	94	161,709	163,570	1,861	99	18,959
11	OFFICE OF THE FINANCE COMMISSION	32,812	46,140	13,328	71	32,043	41,340	9,297	78	769
12	NATIONAL EDUCATION COMMISSION	27,863	31,054	3,191	90	25,244	27,004	1,759	93	2,619
13	HUMAN RIGHTS COMMISSION OF SRI LANKA	150,431	162,705	12,274	92	144,844	149,950	5,106	97	5,588
14	DEPARTMENT OF ATTORNEY GENERAL	482,637	483,105	468	100	450,678	450,805	127	100	31,959
15	DEPARTMENT OF LEGAL DRAFTSMAN	65,003	118,605	53,602	55	58,917	68,055	9,138	87	6,085
16	PARLIAMENT	1,597,042	1,684,477	87,435	95	1,535,659	1,569,827	34,168	98	61,383
17	OFFICE OF THE LEADER OF THE HOUSE OF PARLIAMENT	25,390	26,025	635	98	24,132	24,725	593	98	1,258
18	OFFICE OF THE CHIEF GOVT.WHIP OF PARLIAMENT	34,485	34,700	215	99	33,626	33,750	124	100	858
19	OFFICE OF THE LEADER OF THE OPPOSITION OF PARLIAMENT	97,078	99,045	1,968	98	60,803	62,620	1,818	97	36,275
20	DEPARTMENT OF ELECTIONS	1,354,276	1,369,898	15,622	99	1,313,666	1,328,898	15,232	99	40,610
21	AUDITOR GENERAL	887,590	1,024,380	136,790	87	728,603	742,780	14,177	98	158,987
22	OFFICE OF THE PARLIAMENTARY COMMISSIONER FOR ADMINISTRATION	9,411	9,456	45	100	8,611	8,656	45	99	800
101	MINISTRY OF BUDDHA SASANA AND RELIGIOUS AFFAIRS	603,201	673,293	70,092	90	118,246	121,743	3,498	97	484,955
102	MINISTRY OF FINANCE AND PLANNING	1,381,261	2,620,457	1,239,196	53	763,422	766,283	2,861	100	617,838
103	MINISTRY OF DEFENCE	21,677,488	29,592,257	7,914,769	73	9,170,192	10,866,765	1,696,573	84	12,507,296
105	MINISTRY OF ECONOMIC DEVELOPMENT	73,375,069	77,307,464	3,932,394	95	13,574,278	13,622,450	48,172	100	59,800,791
106	MINISTRY OF DISASTER MANAGEMENT	1,521,490	1,781,683	260,193	85	467,191	550,801	83,611	85	1,054,299
108	MINISTRY OF POSTAL SERVICES	217,945	263,980	46,035	83	84,344	88,925	4,581	95	133,601
110	MINISTRY OF JUSTICE	790,873	809,300	18,427	98	497,823	508,105	10,282	98	293,051
111	MINISTRY OF HEALTH	92,994,584	94,972,264	1,977,680	98	75,559,318	76,450,000	890,682	99	17,435,266
										1,086,998

Head - wise Summary of Expenditure Account with Budgetary Provision - 2013 *contd...*

Head No.	Ministry / Department	Expenditure (Rs.)	Total Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%
Rs. 000'													
152	MINISTRY OF IRRIGATION AND WATER RESOURCES MANAGEMENT	23,392,665	33,184,516	9,791,851	70	2,061,686	2,165,171	103,485	95	21,330,979	31,019,345	9,688,366	69
153	MINISTRY OF LANDS AND LAND DEVELOPMENT	2,126,491	2,670,182	543,691	80	151,785	152,432	647	100	1,974,706	2,517,750	543,044	78
156	MINISTRY OF YOUTH AFFAIRS AND SKILLS DEVELOPMENT	4,779,017	7,222,532	2,443,515	66	2,719,569	2,878,827	159,258	94	2,059,448	4,343,705	2,284,257	47
160	MINISTRY OF ENVIRONMENT	1,359,500	2,110,716	751,217	64	598,561	632,980	34,419	95	760,939	1,477,736	716,798	51
166	MINISTRY OF WATER SUPPLY AND DRAINAGE	26,075,754	34,958,700	8,882,946	75	187,140	187,700	560	100	25,888,614	34,771,000	8,882,386	74
171	MINISTRY OF HIGHER EDUCATION	3,625,035	4,778,492	1,153,456	76	838,659	877,223	38,564	96	2,786,376	3,901,269	1,114,892	71
173	MINISTRY OF PUBLIC MANAGEMENT REFORMS	178,288	223,680	45,392	80	114,656	121,880	7,224	94	63,632	101,800	38,168	63
174	MINISTRY OF REHABILITATION AND PRISON	509,799	539,880	30,081	94	322,650	338,663	16,013	95	187,149	201,217	14,068	93
175	MINISTRY OF STATE RESOURCES AND ENTERPRISE DEVELOPMENT	778,995	834,547	55,552	93	84,190	110,769	26,579	76	694,805	723,777	28,973	96
176	MINISTRY OF CIVIL AVIATION	14,888,444	15,320,225	431,781	97	133,075	141,201	8,126	94	14,755,369	15,179,024	423,655	97
177	MINISTRY OF CULTURE AND THE ARTS	1,036,221	1,163,880	127,659	89	562,537	634,480	71,943	89	473,684	529,400	55,716	89
178	MINISTRY OF COCONUT DEVELOPMENT AND JANATHA ESTATE DEVELOPMENT	1,358,579	1,738,444	379,865	78	663,638	665,525	1,887	100	694,942	1,072,919	377,977	65
179	MINISTRY OF AGRARIAN SERVICES AND WILDLIFE	19,937,164	38,097,535	18,160,371	52	19,838,950	37,942,522	18,103,572	52	98,213	155,013	56,799	63
180	MINISTRY OF MINOR EXPORT CROP PROMOTION	176,748	212,890	36,142	83	116,777	128,139	11,362	91	59,971	84,751	24,780	71
181	MINISTRY OF PRODUCTIVITY PROMOTION	337,551	365,100	27,549	92	240,006	244,300	4,294	98	97,545	120,800	23,255	81
182	MINISTRY OF FOREIGN EMPLOYMENT PROMOTION AND WELFARE	402,290	424,235	21,945	95	197,345	199,235	1,890	99	204,946	225,000	20,054	91
183	MINISTRY OF PUBLIC RELATIONS AND PUBLIC AFFAIRS	226,297	229,506	3,209	99	62,407	63,265	858	99	163,890	166,241	2,351	99
184	MINISTRY OF PRIVATE TRANSPORT SERVICES	504,926	769,275	264,349	66	431,563	562,475	130,912	77	73,363	206,800	133,437	35
185	MINISTRY OF TELECOMMUNICATION AND INFORMATION TECHNOLOGY	963,253	1,000,780	37,527	96	102,161	113,800	11,639	90	861,092	886,980	25,888	97
201	DEPARTMENT OF BUDDHIST AFFAIRS	681,938	715,370	33,432	95	578,050	598,770	20,720	97	103,888	116,600	12,712	89
202	DEPARTMENT OF MUSLIM RELIGIOUS AND CULTURAL AFFAIRS	178,534	180,920	2,386	99	58,198	58,620	422	99	120,335	122,300	1,965	98
203	DEPARTMENT OF CHRISTIAN RELIGIOUS AND CULTURAL AFFAIRS	88,163	111,400	23,237	79	61,227	81,400	20,173	75	26,936	30,000	3,064	90
204	DEPARTMENT OF HINDU RELIGIOUS AND CULTURAL AFFAIRS	186,232	193,050	6,818	96	81,374	82,150	776	99	104,857	110,900	6,043	95
205	DEPARTMENT OF PUBLIC TRUSTEE	36,016	38,472	2,456	94	34,269	34,831	562	98	1,747	3,641	1,894	48
206	DEPARTMENT OF CULTURAL AFFAIRS	341,308	476,747	135,439	72	300,109	324,447	24,338	92	41,199	152,300	111,101	27
207	DEPARTMENT OF ARCHEOLOGY	695,646	745,205	49,559	93	571,881	572,750	1,069	100	123,965	172,455	48,489	72

Head - wise Summary of Expenditure Account with Budgetary Provision - 2013 *contd...*

Head No.	Ministry / Department	Total			Recurrent			Capital			Rs. 000		
		Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)		Provision (Rs.)	Savings (Rs.)
208	DEPARTMENT OF NATIONAL MUSEUMS	151,218	205,170	53,952	74	105,923	112,770	6,847	94	45,296	92,400	47,104	49
209	DEPARTMENT OF NATIONAL ARCHIVES	144,952	376,140	231,188	39	77,421	81,940	4,519	94	67,531	294,200	226,669	23
210	DEPARTMENT OF INFORMATION	189,097	191,050	1,953	99	179,408	181,200	1,792	99	9,689	9,850	161	98
211	DEPARTMENT OF THE GOVERNMENT PRINTER	1,501,676	1,785,975	284,299	84	1,372,462	1,619,375	246,913	85	129,215	166,600	37,385	78
212	DEPARTMENT OF EXAMINATION	2,062,923	2,206,750	143,827	93	2,014,027	2,018,550	4,523	100	48,896	188,200	139,304	26
213	DEPARTMENT OF EDUCATIONAL PUBLICATIONS	72,975	78,325	5,350	93	23,241	23,425	184	99	49,734	54,900	5,166	91
214	UNIVERSITY GRANTS COMMISSION	22,752,555	26,840,650	4,088,095	85	16,932,456	18,316,500	1,384,044	92	5,820,099	8,524,150	2,704,051	68
215	DEPARTMENT OF TECHNICAL EDUCATION AND TRAINING	1,275,559	1,626,000	350,441	78	1,170,394	1,315,400	145,006	89	105,165	310,600	205,435	34
216	DEPARTMENT OF SOCIAL SERVICES	352,399	372,345	19,946	95	331,671	338,200	6,529	98	20,728	34,145	13,417	61
217	DEPARTMENT OF PROBATION AND CHILD CARE SERVICES	199,053	200,976	1,923	99	185,821	186,019	197	100	13,232	14,957	1,725	88
218	DEPARTMENT OF THE COMMISSIONER GENERAL OF SAMURDHI	15,638,425	15,662,906	24,481	100	15,633,798	15,651,406	17,608	100	4,627	11,500	6,873	40
219	DEPARTMENT OF SPORTS DEVELOPMENT	1,564,268	1,955,227	390,959	80	303,697	498,157	194,460	61	1,260,571	1,457,070	196,499	87
220	DEPARTMENT OF AYURVEDA	761,322	1,296,970	535,648	59	636,569	721,250	84,681	88	124,753	575,720	450,967	22
221	DEPARTMENT OF LABOUR	1,749,067	1,860,905	111,838	94	1,016,130	1,100,630	84,500	92	732,937	760,275	27,338	96
222	SRI LANKA ARMY	122,529,908	122,630,339	100,431	100	115,164,754	115,202,965	38,211	100	7,365,154	7,427,375	62,221	99
223	SRI LANKA NAVY	39,941,655	43,334,528	3,392,873	92	36,692,879	38,556,025	1,863,146	95	3,248,776	4,778,503	1,529,727	68
224	SRI LANKA AIR FORCE	34,218,756	44,897,590	10,678,834	76	27,641,065	27,864,665	223,600	99	6,577,691	17,032,925	10,455,234	39
225	DEPARTMENT OF POLICE	42,580,150	42,799,193	219,043	99	40,548,987	40,560,635	11,648	100	2,031,163	2,238,558	207,395	91
226	DEPARTMENT OF IMMIGRATION AND EMIGRATION	1,351,635	1,618,384	266,749	84	700,914	780,307	79,394	90	650,722	838,077	187,355	78
227	DEPARTMENT OF REGISTRATION OF PERSONS	298,088	330,066	31,978	90	266,163	266,496	333	100	31,925	63,570	31,645	50
228	COURTS ADMINISTRATION	4,671,898	4,795,909	124,011	97	3,761,324	3,775,169	13,844	100	910,573	1,020,740	110,167	89
231	DEPARTMENT OF DEBT CONCILIATION BOARD	8,177	10,400	2,223	79	7,459	9,635	2,176	77	718	765	47	94
232	DEPARTMENT OF PRISONS	4,347,606	4,842,724	495,118	90	3,747,039	3,750,500	3,461	100	600,566	1,092,224	491,658	55
233	DEPARTMENT OF GOVERNMENT ANALYST	335,576	372,556	36,980	90	134,032	135,363	1,331	99	201,544	237,193	35,649	85
234	REGISTRAR OF SUPREME COURT	107,169	118,100	10,931	91	96,260	103,200	6,940	93	10,909	14,900	3,991	73
235	LAW COMMISSION OF SRI LANKA	13,712	16,300	2,588	84	11,535	13,800	2,265	84	2,177	2,500	323	87
236	DEPARTMENT OF OFFICIAL LANGUAGES	85,744	119,230	33,486	72	62,719	83,715	20,996	75	23,025	35,515	12,490	65
237	DEPARTMENT OF NATIONAL PLANNING	157,358	162,737	5,379	97	61,672	63,662	1,990	97	95,686	99,075	3,389	97
238	DEPARTMENT OF FISCAL POLICY	70,212	99,525	29,313	71	68,356	97,425	29,069	70	1,855	2,100	245	88
239	DEPARTMENT OF EXTERNAL RESOURCES	1,571,249	1,736,424	165,175	90	182,995	316,154	133,159	58	1,388,255	1,420,270	32,015	98
240	DEPARTMENT OF NATIONAL BUDGET	2,023,730	3,595,213	1,571,483	56	801,050	1,637,054	836,004	49	1,222,680	1,958,159	735,479	62
241	DEPARTMENT OF PUBLIC ENTERPRISES	47,452	54,985	7,533	86	41,035	48,135	7,100	85	6,417	6,850	433	94
242	DEPARTMENT OF MANAGEMENT SERVICES	36,268	50,400	14,132	72	32,777	35,200	2,423	93	3,491	15,200	11,709	23

Head - wise Summary of Expenditure Account with Budgetary Provision - 2013 *contd...*

Head No.	Ministry / Department	Total			Recurrent			Capital			Rs. 000		
		Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)		Provision (Rs.)	Savings (Rs.)
243	DEPARTMENT OF DEVELOPMENT FINANCE	1,547,979	2,974,225	1,426,246	52	337,407	408,025	70,618	83	1,210,572	2,566,200	1,355,628	47
244	DEPARTMENT OF TRADE,TARIFF AND INVESTMENT POLICY	751,905	834,450	82,545	90	750,201	831,300	81,099	90	1,704	3,150	1,446	54
245	DEPARTMENT OF PUBLIC FINANCE	139,777	140,750	973	99	137,777	138,229	452	100	2,000	2,521	521	79
246	DEPARTMENT OF INLAND REVENUE	1,875,889	1,931,180	55,291	97	1,683,269	1,687,180	3,911	100	192,620	244,000	51,380	79
247	SRI LANKA CUSTOMS	2,271,470	2,273,401	1,931	100	1,495,583	1,496,605	1,022	100	775,887	776,796	909	100
248	DEPARTMENT OF EXCISE	664,758	668,460	3,702	99	492,530	493,960	1,430	100	172,228	174,500	2,272	99
249	DEPARTMENT OF TREASURY OPERATIONS	1,173,700,219	1,240,555,572	66,855,353	95	470,532,187	492,488,772	21,956,585	96	703,168,032	748,066,800	44,898,768	94
250	DEPARTMENT OF STATE ACCOUNTS	43,581	47,785	4,204	91	31,313	35,220	3,907	89	12,268	12,565	296	98
251	DEPARTMENT OF VALUATION	2,294,908	2,298,940	4,032	100	259,349	260,940	1,591	99	2,035,559	2,038,000	2,441	100
252	DEPARTMENT OF CENSUS & STATISTICS	1,628,508	1,650,471	21,963	99	632,400	637,500	5,100	99	996,108	1,012,971	16,863	98
253	DEPARTMENT OF PENSIONS	139,809,061	145,185,873	5,376,812	96	139,768,305	145,136,595	5,368,290	96	40,756	49,278	8,522	83
254	DEPARTMENT OF REGISTRAR GENERAL	835,134	853,499	18,366	98	785,470	788,649	3,180	100	49,664	64,850	15,186	77
255	DISTRICT SECRETARIAT, COLOMBO	843,797	846,591	2,795	100	615,360	616,341	982	100	228,437	230,250	1,813	99
256	DISTRICT SECRETARIAT, GAMPAHA	803,779	861,052	57,272	93	768,018	799,752	31,733	96	35,761	61,300	25,539	58
257	DISTRICT SECRETARIAT, KALUTARA	699,159	706,973	7,815	99	639,107	646,373	7,266	99	60,051	60,600	549	99
258	DISTRICT SECRETARIAT, KANDY	1,021,638	1,044,044	22,406	98	922,393	922,394	2	100	99,246	121,650	22,404	82
259	DISTRICT SECRETARIAT, MATALE	482,823	487,075	4,252	99	435,058	436,825	1,767	100	47,765	50,250	2,485	95
260	DISTRICT SECRETARIAT, NUWARA-ELIYA	382,792	399,225	16,433	96	328,859	340,875	12,016	96	53,934	58,350	4,416	92
261	DISTRICT SECRETARIAT, GALLE	1,067,664	1,075,740	8,076	99	1,007,602	1,014,980	7,378	99	60,062	60,760	698	99
262	DISTRICT SECRETARIAT, MATARA	909,732	910,726	995	100	812,176	813,041	864	100	97,555	97,686	130	100
263	DISTRICT SECRETARIAT, HAMBANTOTA	776,123	778,985	2,862	100	650,559	650,872	313	100	125,564	128,113	2,549	98
264	DISTRICT SECRETARIAT/ KACHCHERI - JAFFNA	608,134	608,794	659	00	563,517	563,944	427	100	44,617	44,850	233	99
265	DISTRICT SECRETARIAT/ KACHCHERI - MANNAR	167,284	167,954	670	100	144,979	145,254	275	100	22,305	22,700	395	98
266	DISTRICT SECRETARIAT/ KACHCHERI - VAVUNIYA	177,794	197,640	19,846	90	145,246	165,080	19,834	88	32,548	32,560	12	100
267	DISTRICT SECRETARIAT/ KACHCHERI - MULLAITIVU	243,356	255,802	12,446	95	125,939	137,007	11,068	92	117,418	118,795	1,377	99
268	DISTRICT SECRETARIAT/ KACHCHERI - KILLINOCHCHI	197,456	201,588	4,132	98	148,203	151,388	3,185	98	49,253	50,200	947	98
269	DISTRICT SECRETARIAT/ KACHCHERI - BATTICALOA	1,502,076	1,516,728	14,652	99	527,927	542,528	14,601	97	974,149	974,201	51	100
270	DISTRICT SECRETARIAT, AMPARA	1,382,059	1,383,687	1,628	100	672,589	673,687	1,098	100	709,471	710,000	529	100
271	DISTRICT SECRETARIAT/ KACHCHERI - TRINCOMALEE	924,558	971,000	46,442	95	281,432	295,700	14,268	95	643,126	675,300	32,174	95
272	DISTRICT SECRETARIAT, KURUNEGALA	1,398,236	1,398,406	170	100	1,361,899	1,361,906	7	100	36,337	36,500	163	100
273	DISTRICT SECRETARIAT, PUTTALAM	563,385	566,163	2,778	100	501,956	502,963	1,007	100	61,429	63,200	1,771	97

Head - wise Summary of Expenditure Account with Budgetary Provision - 2013 *contd...*

Head No.	Ministry / Department	Total			Recurrent			Capital		
		Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)
274	DISTRICT SECRETARIAT, ANURADHAPURA	664,068	665,649	1,582	100	625,418	626,224	806	100	38,649
275	DISTRICT SECRETARIAT, POLONNARUWA	664,012	680,358	16,347	98	260,462	273,608	13,146	95	403,550
276	DISTRICT SECRETARIAT, BADULLA	517,274	532,814	15,540	97	461,172	482,964	1,792	100	56,102
277	DISTRICT SECRETARIAT, MONARAGALA	515,128	515,850	722	100	324,578	325,300	722	100	190,550
278	DISTRICT SECRETARIAT, RATNAPURA	718,273	726,425	8,152	99	631,384	635,275	3,891	99	86,889
279	DISTRICT SECRETARIAT, KEGALLE	738,218	745,945	7,727	99	644,977	645,045	68	100	93,242
280	DEPARTMENT OF PROJECT MANAGEMENT AND MONITORING	68,163	81,245	13,082	84	63,247	70,775	7,528	89	4,916
281	DEPARTMENT OF AGRARIAN DEVELOPMENT	4,319,377	4,378,055	58,678	99	3,719,205	3,722,785	3,580	100	600,172
282	DEPARTMENT OF IRRIGATION	7,505,914	8,151,905	645,991	92	1,416,705	1,435,550	18,845	99	6,089,208
283	DEPARTMENT OF FORESTS	1,292,038	1,363,470	71,432	95	839,864	909,570	69,706	92	452,174
284	DEPARTMENT OF WILD LIFE CONSERVATION	996,864	1,174,510	177,646	85	527,118	531,610	4,492	99	469,746
285	DEPARTMENT OF AGRICULTURE	3,409,656	3,800,264	390,608	90	2,266,180	2,267,704	1,524	100	1,143,476
286	DEPARTMENT OF LAND COMMISSIONER	253,053	257,730	4,677	98	203,038	206,130	3,092	99	50,014
287	DEPARTMENT OF LAND SETTLEMENT	204,500	206,294	1,794	99	200,261	200,594	333	100	4,239
288	DEPARTMENT OF SURVEYOR GENERAL	1,991,473	2,083,110	91,637	96	1,877,702	1,945,810	68,108	96	113,772
289	DEPARTMENT OF EXPORT AGRICULTURE	571,053	744,985	173,932	77	326,129	329,185	3,056	99	244,923
290	DEPARTMENT OF FISHERIES AND AQUATIC RESOURCES	371,660	670,530	298,870	55	309,690	312,730	3,040	99	61,969
291	DEPARTMENT OF COAST CONSERVATION	687,366	1,678,810	991,444	41	140,709	142,810	2,101	99	546,658
292	DEPARTMENT OF ANIMAL PRODUCTION AND HEALTH	639,573	852,756	213,183	75	319,446	319,856	410	100	320,126
293	DEPARTMENT OF RUBBER DEVELOPMENT	801,107	849,850	48,743	94	741,054	753,850	12,796	98	60,052
294	DEPARTMENT OF NATIONAL ZOOLOGICAL GARDENS	523,499	819,225	295,726	64	172,076	172,200	124	100	351,424
295	DEPARTMENT OF COMMERCE	101,608	107,401	5,793	95	92,640	95,976	3,336	97	8,968
296	DEPARTMENT OF IMPORT & EXPORT CONTROL	42,873	46,120	3,247	93	38,271	41,120	2,849	93	4,602
297	DEPARTMENT OF THE REGISTRAR OF COMPANIES	26,352	28,550	2,198	92	26,352	28,550	2,198	92	0
298	DEPARTMENT OF MEASUREMENT UNITS, STANDARDS AND SERVICES	275,399	288,850	13,451	95	63,042	63,350	308	100	212,358
299	NATIONAL INTELLECTUAL PROPERTY OFFICE	12,902	20,925	8,023	62	12,902	20,925	8,023	62	0
300	DEPARTMENT OF FOOD COMMISSIONER	206,931	253,279	46,348	82	188,069	225,463	37,394	83	18,861
301	DEPARTMENT OF CO-OPERATIVE DEVELOPMENT	64,023	64,704	681	99	48,885	48,954	69	100	15,138
302	CO-OPERATIVE EMPLOYEES COMMISSION	11,020	12,840	1,820	86	10,367	11,870	1,503	87	653
303	DEPARTMENT OF TEXTILE INDUSTRIES	313,622	325,648	12,026	96	291,977	299,548	7,571	97	21,645
304	DEPARTMENT OF METEOROLOGY	247,143	249,935	2,792	99	180,004	180,650	646	100	67,139

Rs. 000'

Head - wise Summary of Expenditure Account with Budgetary Provision - 2013 *contd...*

Head No.	Ministry / Department	Total			Recurrent			Capital		
		Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)	Provision (Rs.)	Savings (Rs.)	%	Expenditure (Rs.)
305	DEPARTMENT OF UP-COUNTRY PEASANTRY REHABILITATION	15,627	19,790	4,163	79	14,546	18,440	3,894	79	1,081
306	DEPARTMENT OF SRI LANKA RAILWAYS	30,979,349	32,541,960	1,562,611	95	10,586,471	10,791,460	204,989	98	20,392,878
307	DEPARTMENT OF MOTOR TRAFFIC	2,194,446	2,499,100	304,654	88	1,266,377	1,448,300	181,923	87	928,070
308	DEPARTMENT OF POSTS	8,984,835	8,988,500	3,665	100	8,766,001	8,768,700	2,699	100	218,834
309	DEPARTMENT OF BUILDING	255,017	282,309	27,292	90	229,657	239,319	9,662	96	25,360
310	GOVERNMENT FACTORY	182,957	374,108	191,151	49	54,536	55,248	712	99	128,421
311	DEPARTMENT OF NATIONAL PHYSICAL PLANNING	152,245	156,965	4,720	97	140,510	145,135	4,625	97	11,735
312	WESTERN PROVINCIAL COUNCIL	11,367,755	11,928,755	561,000	95	9,690,755	9,690,755	0	100	1,677,000
313	CENTRAL PROVINCIAL COUNCIL	19,065,686	19,832,032	766,346	96	15,686,832	15,686,832	0	100	3,378,854
314	SOUTHERN PROVINCIAL COUNCIL	14,793,423	15,565,273	771,850	95	13,586,465	13,586,465	0	100	1,206,958
315	NORTHERN PROVINCIAL COUNCIL	13,625,617	14,910,054	1,284,437	91	10,795,295	10,795,295	0	100	2,830,322
316	NORTH WESTERN PROVINCIAL COUNCIL	16,135,704	17,035,105	899,401	95	14,846,105	14,848,105	2,000	100	1,289,599
317	NORTH CENTRAL PROVINCIAL COUNCIL	10,874,093	11,780,121	906,028	92	7,764,621	7,764,621	0	100	3,109,472
318	UVA PROVINCIAL COUNCIL	14,518,294	15,311,208	792,914	95	10,758,208	10,758,208	0	100	3,760,086
319	SABARAGAMUWA PROVINCIAL COUNCIL	16,326,803	17,190,463	863,660	95	13,606,463	13,606,463	0	100	2,720,340
320	DEPARTMENT OF CIVIL SECURITY	10,751,061	10,753,030	1,969	100	10,683,911	10,685,380	1,469	100	67,150
321	EASTERN PROVINCIAL COUNCIL	18,885,728	20,262,004	1,376,276	93	12,066,256	12,066,256	0	100	6,819,472
322	DEPARTMENT OF NATIONAL BOTANICAL GARDENS	632,727	825,100	192,373	77	208,292	226,950	18,658	92	424,435
323	DEPARTMENT OF LEGAL AFFAIRS	13,205	14,365	1,160	92	12,847	13,485	618	95	358
324	DEPARTMENT OF MANAGEMENT AUDIT	23,402	27,310	3,908	86	22,076	25,710	3,634	86	1,326
325	DEPARTMENT OF COAST GUARD OF SRI LANKA	68,159	93,800	25,641	73	24,340	31,410	7,070	77	43,819
326	DEPARTMENT OF COMMUNITY BASED CORRECTION	94,835	98,050	3,215	97	87,127	87,630	503	99	7,709
327	DEPARTMENT OF LAND USE POLICY PLANNING	230,051	237,970	7,919	97	187,094	187,670	576	100	42,957
328	DEPARTMENT OF MAN POWER AND EMPLOYMENT	229,842	287,200	57,358	80	196,389	244,000	47,611	80	33,453
Total		2,411,606,018	2,602,973,122	191,367,104		1,253,508,958	1,310,984,362	57,475,404		1,158,097,060
										1,291,988,760
										133,891,700

Summarize of Expenditure for 2013 in comparison with Expenditure brought forwarded from 2012 Activities

Schedule I

Rs.Mn

Total Provision 2013 (1)		Total Expenditure 2013 (2)		Expenditure 2012 (3) *		Expenditure for 2013 Activities (4)=(2)-(3)	
Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
1,310,984	1,291,989	1,253,509	1,158,097	47,976	43,178	1,205,533	1,114,919

* Details as follows.

Rs.Mn

Head No	Provision 2013 (1)		Expenditure 2013 (2)		Expenditure 2012 (3)		Expenditure for 2013 Activities (4)=(2)-(3)	
	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
1	4,659	4,410	4,491	3,734	427	76	4,064	3,658
2	236	96	230	73	12	5	219	68
4	122	52	89	41	1	-	89	41
6	115	9	115	8	1	-	114	8
7	37	1	33	1	1	-	32	1
11	41	5	32	1	0	0	32	1
12	27	4	25	3	0	-	25	3
14	451	32	451	32	1	1	450	31
20	1,329	41	1,314	41	97	1	1,217	40
21	743	282	729	159	4	-	725	159
101	122	552	118	485	3	29	115	456
102	766	1,854	763	618	117	-	647	618
103	10,867	18,725	9,170	12,507	111	3	9,060	12,504
105	13,622	63,685	13,574	59,801	145	9,465	13,429	50,336
106	551	1,231	467	1,054	4	-	464	1,054
108	89	175	84	134	2	0	83	133
111	76,450	18,522	75,559	17,435	8,300	1,964	67,259	15,471
114	7,032	5,998	6,893	4,555	7	45	6,887	4,509
115	115	17	111	13	3	-	108	13
116	956	471	918	259	279	-	639	259
117	264	133,016	263	130,836	-	12,211	263	118,625
119	1,087	27,463	710	20,671	40	590	670	20,081
123	311	2,731	290	2,212	-	311	290	1,901
126	28,875	8,484	28,656	7,544	1,579	500	27,077	7,044
127	167	63	152	51	2	1	150	50
128	575	520	570	378	6	12	564	366
133	1,293	2,474	1,112	1,836	44	208	1,067	1,628
136	343	553	271	348	8	60	263	289
138	228	246	160	148	7	1	153	146
139	644	1,460	644	1,253	6	126	637	1,127
140	189	1,967	189	1,599	4	163	185	1,436
142	152	177	99	97	2	17	97	81
145	178	327	168	319	2	-	166	319
149	597	1,687	566	781	6	173	560	608
152	2,165	31,019	2,062	21,331	-	2,897	2,062	18,434
156	2,879	4,344	2,720	2,059	5	1	2,715	2,059
160	633	1,478	599	761	7	8	592	753
166	188	34,771	187	25,889	-	390	187	25,499
171	877	3,901	839	2,786	9	3	830	2,783
174	339	201	323	187	7	9	316	178
175	111	724	84	695	-	70	84	625
176	141	15,179	133	14,755	3	0	130	14,755
177	634	529	563	474	28	61	535	413
178	666	1,073	664	695	2	2	662	693
179	37,943	155	19,839	98	7,964	30	11,875	68
180	128	85	117	60	12	22	104	38
181	244	121	240	98	9	6	231	91
182	199	225	197	205	0	-	197	205
184	562	207	432	73	2	2	430	72
201	599	117	578	104	1	0.14	577	104
202	59	122	58	120	1	17	57	103
204	82	111	81	105	0	-	81	105
205	35	4	34	2	0	-	34	2
206	324	152	300	41	13	7	288	34
207	573	172	572	124	13	17	559	107
208	113	92	106	45	1	8	105	37
209	82	294	77	68	3	24	74	44

Summarize of Expenditure for 2013 in comparison with Expenditure brought forwarded from 2012 Activities *contd...*

Head No	Provision 2013 (1)		Expenditure 2013 (2)		Expenditure 2012 (3)		Expenditure for 2013 Activities (4)=(2)-(3)	
	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
210	181	10	179	10	8	0	171	10
212	2,019	188	2,014	49	42	12	1,972	37
213	23	55	23	50	-	34	23	16
214	18,317	8,524	16,932	5,820	-	840	16,932	4,980
215	1,315	311	1,170	105	34	10	1,137	95
216	338	34	332	21	10	-	321	21
217	186	15	186	13	0	-	185	13
218	15,651	12	15,634	5	2,461	-	13,173	5
219	498	1,457	304	1,261	12	329	292	932
220	721	576	637	125	58	32	579	93
221	1,101	760	1,016	733	17	1	999	732
222	115,203	7,427	115,165	7,365	16,270	1,484	98,895	5,882
223	38,556	4,779	36,693	3,249	3,423	120	33,270	3,129
224	27,865	17,033	27,641	6,578	2,889	1,857	24,752	4,721
225	40,561	2,239	40,549	2,031	1,133	954	39,416	1,077
228	3,775	1,021	3,761	911	105	1	3,656	909
232	3,751	1,092	3,747	601	547	73	3,201	528
234	103	15	96	11	1	-	95	11
237	64	99	62	96	0	-	61	96
238	97	2	68	2	1	-	67	2
239	316	1,420	183	1,388	1	-	182	1,388
240	1,637	1,958	801	1,223	1	86	800	1,136
241	48	7	41	6	1	-	40	6
242	35	15	33	3	0	-	33	3
243	408	2,566	337	1,211	145	1	193	1,209
244	831	3	750	2	0	0	750	2
245	138	3	138	2	1	-	137	2
246	1,687	244	1,683	193	80	2	1,603	191
247	1,497	777	1,496	776	73	4	1,422	772
249	492,489	748,067	470,532	703,168	0	-	470,532	703,168
250	35	13	31	12	0	-	31	12
251	261	2,038	259	2,036	11	-	248	2,036
252	638	1,013	632	996	8	36	625	960
253	145,137	49	139,768	41	1,000	-	138,768	41
280	71	10	63	5	2	0	61	5
281	3,723	655	3,719	600	38	108	3,681	492
282	1,436	6,716	1,417	6,089	-	1,211	1,417	4,878
284	532	643	527	470	-	73	527	397
285	2,268	1,533	2,266	1,143	5	137	2,261	1,007
286	206	52	203	50	4	42	199	8
287	201	6	200	4	1	-	199	4
288	1,946	137	1,878	114	5	70	1,873	44
289	329	416	326	245	8	138	318	107
291	143	1,536	141	547	3	27	137	519
292	320	533	319	320	15	8	304	312
294	172	647	172	351	4	37	169	314
296	41	5	38	5	0	-	38	5
302	12	1	10	1	0	-	10	1
303	300	26	292	22	150	-	142	22
304	181	69	180	67	3	9	177	58
306	10,791	21,751	10,586	20,393	-	261	10,586	20,132
309	239	43	230	25	3	0	227	25
311	145	12	141	12	4	0	136	12
320	10,685	68	10,684	67	99	15	10,585	53
322	227	598	208	424	2	3	207	422
324	26	2	22	1	0	-	22	1
325	31	62	24	44	1	1	24	43
326	88	10	87	8	1	4	87	4
PC	108,803	35,012	108,801	26,792	-	5,624	108,801	21,168
Total	1,261,203	1,266,770	1,205,251	1,137,691	47,976	43,178	1,157,275	1,094,512

PC: Total of 9 Provincial Councils



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்

AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

FB/B/IA/2013/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

23 May 2014

The Secretary,
Ministry of Finance and Planning

Report of the Auditor General on the Financial Statements of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2013.

The audit of Financial Statements of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2013 comprising the Statement of Financial Position as at 31 December 2013 and the Statement of Financial Performance and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Republic's, preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

My opinion is qualified based on the matters described below.

1. Sums of Rs.6,000 million and Rs.2,000 million totalling Rs.8,000 million received as advances from a State Bank in the years 2012 and 2013 respectively had been brought to account as revenue in the Financial Statements of the Republic for the years 2012 and 2013.





- 2 Foreign Loans amounting to Rs.75,045 million had been obtained through two agreements for two specific projects of two Public Enterprises. Even though the Cabinet of Ministers had decided the transfer of the said loans and the servicing of those loans to the respective Public Enterprises, those loan balances still continue to be shown as foreign loans in the Financial Statements of the Republic.
3. A sum of Rs.19,817 million received in connection with a land given for the development of the Hotel Industry shown in the Explanatory Note No.26 of the Financial Statements of the Republic for the year 2011 and the income of the 3,329 million earned from that by 01 January 2013 totalling Rs.23,146 million had been retained in the Deposit Account without being credited to the State Revenue. A sum of Rs.5,560 million had been spent out of that in the year under review and a balance of Rs.17,586 million remained as at 31 December 2013.
4. Even though the difference between the balance of the Foreign Borrowings, the Settlement of Development Bonds under the Domestic Borrowings and the loan balances not brought to account shown in the Financial Statements of the Republic as at 31 December 2013 and the ledgers and loan records maintained amounting to Rs.39,054 million had been shown as the difference in exchange, the Management had failed to establish that specifically.
5. The revenue earned by the Provincial Councils and the expenditure incurred therefore had not been included in the Financial Statements of the Republic.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Democratic Socialist Republic of Sri Lanka as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H.A.S.Samaraweera
Auditor General

STATISTICAL APPENDIX

Sri Lanka: Demographic and Related Trends

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Mid Year Population	'000	16,993	18,136	18,467	18,797	18,921	19,173	19,435	19,644	19,858	20,039	20,217	20,450	20,653	20,869	20,328	20,483
Mid- Year Population by Age Group	'000																
0 -14 Years		5,982	6,384	-	4,942	5,041	5,108	5,107	5,163	5,220	5,266	5,315	5,378	5,431	5,488	5,132	5,171
15- 64 Years		10,277	10,969	-	12,671	12,668	12,838	13,103	13,243	13,386	13,509	13,625	13,784	13,921	14,065	13,604	13,707
65 Years and Over		734	783	-	1,184	1,212	1,227	1,225	1,238	1,252	1,264	1,277	1,288	1,301	1,316	1,592	1,605
Growth of Population	%	1.0	1.5	1.4	1.2	1.3	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0	0.9	0.8
Density of Population	Persons per sq. km	271	289	305	300	303	307	310	314	317	319	332	326	329	333	324	327
Life Expectancy at Birth	Years																
Male		67.7	69.5	-	-	-	-	-	-	69.9	-	-	-	-	70.5	n.a.	n.a.
Female		72.1	74.2	-	-	-	-	-	-	78.7	-	-	-	-	79.8	n.a.	n.a.
Crude Birth Rate	Per '000	20.8	19.9	18.2	19.1	19.4	19.3	18.8	18.9	18.8	19.3	18.8	18.4	17.6	17.4	17.5	n.a.
Crude Death Rate	Per '000	6.0	6.0	6.1	6.0	5.9	6.0	5.9	6.7	5.9	5.9	5.9	5.9	6.2	5.9	6.0	n.a.
Infant Mortality Rate (IMR)	Per '000 Live Births	19.3	16.5	13.4	12.6	11.4	11.3	9.8	11.2	10.0	8.5	8.5	9.7	-	-	n.a.	n.a.
Maternal Mortality Rate (MMR)	Per 100,000 Live Births	n.a	23.6	22.1	17.8	16.3	19.7	12.1	11.9	14.2	-	-	7.2	-	-	n.a.	n.a.
Net Migration Rate	Per '000	1.2	-2.9	1.5	-0.9	-0.6	-1.3	-1.2	-1.5	-1.5	-1.8	-2.2	-1.4	-1.1	-2.2	-2.6	-2.3
Dependency Ratio	%	65.35	65.34	-	48.35	49.36	49.35	48.32	48.33	48.35	48.34	48.38	48.36	48.36	48.38	49.40	49.4
Dependency Ratio - 65 years and Over	%	7.14	7.14	-	9.34	9.57	9.56	9.35	9.35	9.35	9.36	9.37	9.34	9.35	9.36	11.70	11.71
Literacy Rate (b)	Overall % of Population	-	-	-	-	-	-	-	-	91.5	91.1	91.3	91.4	91.9	92.2	95.6(e)	n.a.
Computer Literacy Rate (c)	% of Population	-	-	-	-	-	-	-	-	-	16.1 (c)	-	-	20.3 (c)	35.0(f)	37.0 (f)	40.0 (f)
Average Daily Calorie Intake (d)	Kilocalories	-	-	-	-	-	-	-	-	-	2,118	-	-	-	2,094	2,145	n.a.

Source: Department of Census and Statistics and Ministry of Education

(a) Provisional

(b) Population 10 years & over

(c) Computer Literacy Survey 2006/07, Computer Literacy Survey 2009)

(d) Household Income and Expenditure Survey in 2006/07 and 2009/10

(e) Based on Census of Population and Housing 2012, Department of Census and Statistics

(f) Projection

Table 2

Climate

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Annual Rainfall (Average) Total	mm	1,738	1,626	1,296	1,430	1,471	1,419	1,945	1,607	1,921	1,640	2,020	1,711	1,992	2,027	1,776	1,687
Highest Rainfall																	
Cities with Highest Rainfall																	
Anuradhapura	mm	113.3	82.5	164.7	110.8	67.9	98.4	66.0	81.0	90.3	109.2	127.1	89.3	98.6	114.4	130.8	145.4
Badulla		230.6	52.8	90.9	73.1	71.9	73.5	127.4	60.6	108.4	65.7	69.8	72.6	90.9	131.6	102.9	108.6
Batticaloa		131.6	83.8	97.0	110.8	134.7	102.9	236.7	75.5	90.2	95.9	114.1	241.7	145.5	312.2	127.5	229.2
Colombo		110.3	126.3	141.7	94.1	132.4	110.5	96.5	270.1	163.9	131.6	111.0	207.0	440.2	81.9	114.6	134.3
Hambantota		78.6	92.4	81.7	151.1	94.4	96.0	70.5	67.6	91.8	139.9	56.0	62.6	82.9	100.6	176.5	104.8
Kandy		161.7	90.8	104.3	116.7	87.3	61.1	74.8	90.8	91.0	87.0	79.4	93.0	115.6	137.3	181.2	94.8
Kurunegala		119.3	140.1	116.4	136.0	111.6	62.1	200.0	97.1	162.0	97.0	186.3	123.2	135.4	144.4	315.5	139.6
Nuwara Eliya		172.4	76.2	77.0	85.3	64.2	61.1	81.1	73.2	76.8	77.6	48.7	62.8	68.2	94.1	109.5	73.2
Ratnapura		99.8	124.5	103.8	131.0	99.2	345.2	104.8	113.3	115.4	146.6	186.1	126.2	139.9	166.9	99.1	114.9
Vavuniya		118.4	64.5	276.9	94.9	58.9	133.4	115.5	77.3	81.3	156.5	104.7	104.7	163.9	123.2	225.7	81.8
Annual Average Minimum Temperature	°C																
Low Country		24.4	24.4	24.6	24.7	24.7	24.8	24.7	24.8	24.7	24.4	24.3	24.7	24.9	24.7	24.2	24.3
Hill Country		17.2	17.3	17.2	17.2	17.3	17.4	17.3	17.4	17.2	17.2	17.0	16.9	17.5	17.1	16.8	17.1
Annual Average Maximum Temperature	°C																
Low Country		31.3	31.5	31.1	31.3	31.5	31.4	31.4	31.5	31.2	31.2	31.1	31.4	31.4	31.1	32.1	31.7
Hill Country		26.4	26.2	26.1	26.5	26.5	26.6	26.4	26.6	26.2	26.0	25.8	26.1	25.9	26.0	26.1	25.3

Source: Department of Meteorology

Note: Badulla, Bandarawela, Nuwaraeliya and Katugastota stations have been considered for the calculation of hill country temperature.

Table 3

Gross Domestic Product (GDP), Inflation and Exchange Rate

Year	GDP					Inflation			Exchange Rate				
	GDP at Current Market Prices (Rs. Mn.)	GDP at Current Market Prices (US\$ Mn.)	Per Capita GDP at Current Market Price	Real GDP Growth (%)	Share of GDP (at Current Factor Cost Prices) (%)			GDP Deflator (%)	Annual Average Price Change of CCPI (%)	End Year			
					Agriculture	Industry	Services			US\$	Euro	Indian Rs	Annual Average
			Rs.	US\$							Yen		US\$ Yen Euro
1990	321,784	8,033	18,708	473	6.2	26.3	26.0	47.7	20.0	21.5(b)	40.24	2.23	40.06 0.30 - 2.29
1991	372,345	9,000	21,444	522	4.6	26.8	25.6	47.7	11.0	12.2(b)	42.58	1.63	41.37 0.30 - 1.85
1992	425,283	9,703	24,233	557	4.3	25.9	25.6	48.5	10.0	11.4(b)	46.00	1.75	43.83 0.30 - 1.69
1993	499,565	10,354	28,362	588	6.9	24.6	25.6	49.8	9.5	11.7(b)	49.56	1.58	48.25 0.40 - 1.59
1994	579,084	11,718	32,419	656	5.6	23.8	26.2	50.1	9.3	8.4(b)	49.98	1.59	49.42 0.50 - 1.57
1995	667,772	13,030	36,571	719	5.5	23.0	26.5	50.5	8.4	7.7(b)	54.04	1.54	51.25 0.50 - 1.58
1996	768,128	13,898	42,119	759	3.8	22.4	26.4	51.1	12.1	15.9(b)	56.70	1.58	55.27 0.50 - 1.56
1997	890,272	15,092	48,031	853	6.3	21.9	26.9	51.2	8.6	9.6(b)	61.28	1.56	58.99 0.48 - 1.63
1998	1,017,986	15,761	55,697	879	4.7	21.1	27.5	51.4	8.4	9.4(b)	67.78	1.60	64.59 0.49 - 1.57
1999	1,105,963	15,712	60,899	863	4.3	20.7	27.3	52.0	4.4	4.7(b)	72.11	1.66	70.39 0.62 75.07 1.63
2000	1,257,636	16,596	64,750	899	6.0	19.9	27.3	52.8	6.7	6.2(b)	80.06	1.71	75.78 0.70 69.93 1.68
2001	1,407,398	15,750	74,541	837	-1.5	20.1	26.8	53.1	12.4	14.2(b)	93.16	1.93	89.36 0.74 79.99 1.89
2002	1,581,885	16,537	86,076	900	4.0	20.5	26.3	53.2	8.4	9.6(b)	96.72	2.01	95.66 0.76 90.43 1.97
2003	1,822,468	18,882	94,664	981	5.9	13.2	28.4	58.3	5.1	6.3(b)	96.74	2.12	96.52 0.83 109.16 2.07
2004	2,090,841	20,663	107,432	1,062	5.4	12.5	28.6	58.8	8.8	9.0(c)	104.60	2.39	101.19 0.93 125.79 2.23
2005	2,452,782	24,406	124,709	1,241	6.2	11.8	30.2	58.0	10.4	11.0(c)	102.12	2.27	100.50 0.91 125.09 2.28
2006	2,938,680	28,267	147,775	1,421	7.7	11.3	30.6	58.0	11.3	10.0(c)	107.70	2.44	103.96 0.89 130.63 2.30
2007	3,578,688	32,351	178,845	1,634	6.8	11.7	29.9	58.4	14.0	15.8(c)	108.72	2.77	110.62 0.94 151.63 2.69
2008	4,410,682	40,715	218,167	2,014	6.0	13.4	29.4	57.2	16.3	22.6(c)	113.14	2.36	108.33 1.05 159.31 2.52
2009	4,835,293	42,068	236,445	2,057	3.5	12.7	29.7	57.6	5.9	3.5(d)	114.38	2.46	114.94 1.23 160.21 2.40
2010	5,604,104	49,568	271,346	2,400	8.0	12.8	29.4	57.8	7.3	6.2(d)	110.95	2.48	113.06 1.30 150.10 2.49
2011	6,544,009	59,184	313,576	2,836	8.2	12.1	29.9	58.0	7.9	6.7(d)	113.90	2.15	110.57 1.39 153.86 2.38
2012	7,578,554	59,393	372,814	2,922	6.3	11.0	31.5	57.5	8.9	7.6(d)	127.16	2.33	127.60 1.60 164.00 2.39
2013(a)	8,673,870	67,182	423,467	3,280	7.3	10.8	32.5	56.8	6.7	6.9(d)	130.75	2.11	129.11 1.32 171.51 2.21

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

(a) Provisional

(b) 1952=100

(c) 2002=100

(d) 2006/07=100

Table 4

Gross Domestic Product -Sectoral Composition (2002) Constant Prices

Sector	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rs. million												
Agriculture, Forestry and Fishing	233,615	237,531	237,536	241,851	257,147	265,870	285,897	295,097	315,610	320,178	336,819	352,643
1. Agriculture, Livestock and Forestry	207,923	213,359	213,246	228,006	235,887	241,285	258,881	266,208	283,203	282,748	295,924	309,194
1.1 Paddy	32,173	34,566	29,567	36,541	37,608	35,261	43,406	41,179	48,377	44,325	43,596	52,084
1.2 Livestock	15,981	16,189	16,270	16,644	17,992	19,415	20,495	21,761	22,397	24,029	25,556	27,175
1.3 Other Food Crops	72,532	73,007	75,524	79,587	81,937	85,503	89,536	95,799	99,994	102,378	111,722	116,547
1.3.1 Highland Crops	25,340	24,481	23,939	25,745	27,054	28,428	29,439	31,368	33,117	33,507	36,297	36,463
1.3.2 Vegetables	45,635	46,910	49,824	52,012	53,138	55,249	58,197	62,436	64,821	66,832	73,376	77,906
1.3.3 Fruits	1,557	1,616	1,761	1,830	1,745	1,826	1,900	1,995	2,057	2,039	2,049	2,178
1.4 Other Agricultural Crops	7,861	8,244	8,228	8,253	8,689	8,749	8,931	9,390	10,146	10,853	11,535	12,407
1.5 Tea	26,918	26,330	26,753	27,544	26,988	26,494	27,601	25,272	28,770	28,432	28,507	29,534
1.6 Rubber	4,140	4,208	4,332	4,773	4,993	5,205	5,743	6,198	6,983	7,128	6,693	6,083
1.7 Coconut	25,888	27,003	28,012	27,204	28,933	30,403	31,975	33,685	28,855	29,720	31,504	26,440
1.8 Minor Export Crops	8,229	8,780	8,569	9,966	10,187	10,706	10,478	11,028	14,955	12,114	11,507	12,480
1.9 Plantation Development	4,044	4,282	4,669	5,413	5,679	6,006	6,216	6,540	6,895	7,287	7,926	8,191
1.10 Firewood and Forestry	10,157	10,751	11,322	12,081	12,882	13,544	14,499	15,357	15,832	16,481	17,377	18,252
2. Fishing	25,692	24,171	24,290	13,846	21,260	24,585	27,016	28,888	32,407	37,431	40,894	43,448
2.1 Inland - Fishing	1,206	1,708	2,824	2,787	2,993	3,228	3,763	3,960	4,359	5,054	5,775	5,660
2.2 Marine - Fishing	24,486	22,464	21,466	11,059	18,267	21,357	23,253	24,928	28,048	32,377	35,120	37,789
Industry	458,264	479,647	505,602	545,981	590,298	635,199	672,791	701,129	760,334	838,932	925,153	1,016,889
3. Mining and Quarrying	19,888	23,156	24,439	28,791	35,769	42,631	48,090	52,031	60,079	71,191	84,672	94,388
3.1 Gem Mining	8,367	7,363	7,768	9,842	11,028	12,462	13,548	11,220	12,111	14,211	15,660	17,340
3.1 Other Mining	11,521	15,793	16,671	18,949	24,741	30,169	34,542	40,811	47,968	56,980	69,012	77,048
4. Manufacturing	302,365	314,204	330,459	350,886	370,355	394,233	413,681	427,334	458,661	494,990	520,938	559,844
4.1 Processing (Tea, Rubber and Coconut)	13,560	12,927	13,509	13,703	13,818	14,150	14,897	14,995	15,868	16,006	17,043	17,147
4.2 Factory Industry	270,266	281,787	296,349	315,276	333,372	355,611	373,215	385,927	414,925	449,177	472,721	509,933
4.2.1 Food Beverages	122,615	130,674	138,148	147,353	155,842	166,101	174,794	185,142	197,731	211,848	222,722	239,519
4.2.2 Textile, Wearing Apparel & Leather	72,114	70,447	71,529	75,843	78,870	84,603	87,215	87,762	92,293	102,263	107,242	116,828
4.2.3 Chemicals, Petroleum, Coal, Rubber & Plastic	38,914	40,869	44,462	47,899	51,714	55,140	58,650	59,706	66,990	73,203	77,455	83,306
4.2.4 Non-Metallic Mineral Products except Products of Petroleum & Coal	9,221	11,050	11,855	12,341	13,687	14,547	15,306	14,794	16,328	17,670	18,826	19,873
4.2.5 Fabricated Metal Products, Machinery & Equipments	23,697	24,645	26,089	27,214	28,378	30,011	31,702	32,794	35,482	37,733	39,663	43,135
4.2.6 Other Industries	3,705	4,102	4,266	4,626	4,881	5,209	5,548	5,730	6,101	6,459	6,813	7,272
4.3 Cottage Industry	18,539	19,490	20,601	21,907	23,166	24,472	25,570	26,412	27,868	29,808	31,174	32,764

Gross Domestic Product -Sectoral Composition (2002) Constant Prices *contd...*

Sector	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
5. Electricity, Gas and Water	35,608	38,151	40,445	46,108	52,926	55,339	56,847	58,974	63,682	69,547	72,452	79,915
5.1 Electricity	29,775	32,142	34,189	39,757	46,183	48,303	50,184	52,017	56,291	61,722	64,352	71,620
5.2 Gas	3,765	3,904	4,092	4,087	4,399	4,525	4,062	4,280	4,593	4,855	5,100	5,181
5.3 Water	2,068	2,105	2,164	2,264	2,344	2,512	2,601	2,677	2,798	2,970	2,999	3,113
6. Construction	100,404	104,136	110,259	120,196	131,248	142,996	154,173	162,790	177,912	203,204	247,091	282,742
Services	944,158	1,016,045	1,084,459	1,153,839	1,243,119	1,331,587	1,406,813	1,452,988	1,569,598	1,704,605	1,783,318	1,896,573
7. Wholesale and Retail Trade	389,331	420,476	451,632	480,402	514,511	546,146	571,911	570,697	613,358	676,565	701,408	739,826
7.1 Import Trade	149,845	163,083	178,024	184,086	196,647	203,105	212,651	195,247	213,477	243,963	246,446	253,617
7.2 Export Trade	77,334	80,874	86,736	92,175	95,535	103,926	104,861	102,578	106,279	117,064	117,960	125,839
7.3 Domestic Trade	162,153	176,520	186,873	204,142	222,328	239,115	254,400	272,872	293,602	315,538	337,002	360,370
8. Hotels and Restaurants	3,460	8,802	10,691	9,186	9,411	9,199	8,741	9,901	13,845	17,501	21,029	25,715
9. Transport and Communication	173,745	191,872	210,495	230,596	259,546	286,764	310,029	329,578	368,643	410,402	435,872	476,721
9.1 Transport	153,441	170,285	185,130	198,733	220,990	241,648	256,954	272,086	302,983	337,088	357,221	390,847
9.1.1 Transport - Railway	2,323	2,394	2,361	2,298	2,384	2,522	2,640	2,754	2,899	2,980	3,126	3,194
9.1.2 Transport- Passenger and Goods	151,118	167,891	182,769	196,436	218,606	239,127	254,314	269,332	300,084	334,108	354,095	387,653
9.2 Cargo Handling-Ports and Civil Aviation	10,293	9,497	10,262	11,320	13,583	14,773	15,951	16,017	18,706	20,060	21,194	21,842
9.3 Post and Telecommunication	10,011	12,090	15,103	20,543	24,973	30,343	37,124	41,475	46,953	53,254	57,457	64,032
10. Banking, Insurance and Real Estate and etc.	130,465	144,816	153,143	163,863	177,817	193,375	206,048	217,819	234,255	252,706	269,744	285,750
11. Ownership of Dwellings	68,371	69,252	70,008	70,749	71,535	72,345	73,137	74,051	74,692	75,607	76,926	79,175
12. Government Services	139,094	140,234	146,030	153,866	161,611	171,259	181,051	191,778	202,187	204,704	207,559	213,439
13. Private Services	39,691	40,592	42,460	45,177	48,689	52,500	55,896	59,164	62,617	67,119	70,779	75,946
Gross Domestic Product	1,636,037	1,733,222	1,827,597	1,941,671	2,090,564	2,232,656	2,365,501	2,449,214	2,645,542	2,863,715	3,045,289	3,266,104

Source: Department of Census and Statistics

(a) Provisional

Table 5

Savings, Investments and Selected External Sector Indicators

Item	Unit	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Investment	Rs. Mn	352,632	309,684	334,804	388,757	528,016	658,019	822,240	1,000,320	1,215,248	1,181,449	1,545,500	1,959,483	2,318,253	2,565,498
Savings	Rs. Mn	269,986	285,988	309,007	374,601	459,520	583,473	656,301	834,928	784,278	1,148,305	1,418,106	1,448,393	1,816,348	2,232,823
Savings - Investment Gap	Rs. Mn	(82,646)	(23,696)	(25,797)	(14,156)	(68,496)	(74,546)	(165,939)	(165,392)	(430,970)	(33,144)	(127,394)	(511,090)	(501,905)	(332,675)
Investment	% of GDP	28.0	22.0	21.2	21.3	25.3	26.8	28.0	28.0	27.6	24.4	27.6	29.9	30.6	29.6
Savings	% of GDP	21.5	20.3	19.5	20.6	22.0	23.8	22.3	23.3	17.8	23.7	25.3	22.1	24.0	25.7
Savings - Investment Gap	% of GDP	(6.6)	(1.7)	(1.6)	(0.8)	(3.3)	(3.0)	(5.6)	(4.6)	(9.8)	(0.7)	(2.3)	(7.8)	(6.6)	(3.8)
Exports of Goods	US\$ Mn.	5,522	4,817	4,699	5,133	5,759	6,347	6,883	7,640	8,111	7,085	8,626	10,559	9,774	10,394
Imports of Goods	US\$ Mn.	7,320	5,974	6,106	6,672	8,000	8,863	10,253	11,297	14,091	10,207	13,451	20,269	19,190	18,003
Trade Balance	US\$ Mn.	(1,798)	(1,158)	(1,407)	(1,539)	(2,241)	(2,518)	(3,368)	(3,657)	(5,981)	(3,122)	(4,825)	(9,710)	(9,417)	(7,609)
	% of GDP	(10.7)	(7.3)	(8.5)	(8.1)	(10.9)	(10.3)	(11.9)	(11.3)	(14.7)	(7.4)	(9.7)	(16.4)	(15.9)	(11.3)
Exports of Goods & Services	US\$ Mn.	6,475	5,880	5,967	6,557	7,300	7,892	8,517	9,419	10,114	8,972	11,092	13,644	13,562	15,098
Imports of Goods & Services	US\$ Mn.	8,235	6,862	7,079	6,648	9,123	10,072	11,627	12,776	15,687	11,704	15,210	22,256	21,678	21,499
Exports and Imports of Goods & Services	US\$ Mn.	14,710	12,741	13,046	13,205	16,423	17,964	20,144	22,195	25,801	20,676	26,301	35,899	35,239	36,597
Foreign Remittances	US\$ Mn.	1,160	1,155	1,287	1,414	1,564	1,918	2,161	2,502	2,918	3,330	4,116	5,145	5,985	6,407
Earnings from Tourism	US\$ Mn.	252	213	363	454	408	429	410	385	342	350	576	830	1,039	1,715
Earnings from Computer and Information Services	US\$ Mn.	n.a	66	50	65	72	82	98	110	230	245	265	355	564	604
Current Account Balance	US\$ Mn.	(1,066)	(215)	(237)	(71)	(648)	(650)	(1,499)	(1,402)	(3,886)	(214)	(1,075)	(4,615)	(3,982)	(2,607)
	% of GDP	(6.4)	(1.4)	(1.4)	(0.4)	(3.1)	(2.7)	(5.3)	(4.3)	(9.5)	(0.5)	(2.2)	(7.8)	(6.7)	(3.9)
Foreign Direct Investments including loans	US\$ Mn.	175	82	197	229	223	272	604	734	889	601	516	1,066	1,382	1,421
Inflows	US\$ Mn.	175	82	192	199	193	272	480	603	752	404	478	956	941	916
Outflows	US\$ Mn.	2	-	11	27	42	38	29	55	62	20	43	60	64	65
Loans & Other	US\$ Mn.	2	0	16	58	72	38	153	186	198	217	81	170	505	571
Portfolio Investments	US\$ Mn.	(45)	(11)	25	2	7	60	51	101	60	(6)	(230)	(171)	272	263
Inflows	US\$ Mn.	19	24	78	145	95	276	355	423	548	375	819	452	541	737
Outflows	US\$ Mn.	64	35	53	143	89	215	304	322	488	381	1,049	623	268	474
Total Reserves	US\$ Mn.	2,131	2,238	2,495	3,218	3,439	4,201	4,005	4,956	3,640	7,030	8,621	7,991	8,586	8,574
Gross Official Reserves	US\$ Mn.	1,049	1,338	1,700	2,329	2,196	2,735	2,837	3,508	2,402	5,357	7,197	6,749	7,106	7,495
Total External Debt	US\$ Mn.	9,031	8,372	9,333	10,735	11,346	11,354	11,981	13,990	15,107	18,662	21,438	32,748	37,098	39,741

Source: Sri Lanka Customs, Central Bank of Sri Lanka

(a) Provisional

Note: Since 2012, refers, to data on "Computer Services" as per BMP6 Presentation Format.

Economic Classification of Government Fiscal Operations

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Rs. million																
1. Revenue and Grants	74,661	145,286	216,427	239,796	268,967	284,421	320,154	412,387	507,901	595,559	686,483	725,566	834,188	983,003	1,067,532	1,153,306
1.1 Total Revenue	67,964	136,258	211,282	234,296	261,888	276,465	311,473	379,747	477,833	565,051	655,260	699,644	817,279	967,862	1,051,461	1,137,447
Tax	61,206	118,543	182,392	205,840	221,838	231,597	281,552	336,828	428,378	508,947	585,621	618,933	724,747	845,697	908,914	1,005,895
Non-Tax	6,758	17,715	28,890	28,456	40,050	44,868	29,921	42,919	49,455	56,104	69,639	80,711	92,532	122,165	142,547	131,552
1.2 Grants	6,697	9,028	5,145	5,500	7,079	7,956	8,681	32,640	30,068	30,508	31,222	25,922	16,909	15,141	16,071	15,859
2. Expenditure and Lending minus Repayments	99,814	203,484	335,822	386,517	402,989	417,673	476,906	584,783	713,647	841,604	996,126	1,201,928	1,280,206	1,433,182	1,556,499	1,669,396
2.1 Recurrent	71,771	154,159	254,279	303,361	330,847	334,694	389,679	443,350	547,960	622,758	743,710	879,575	937,094	1,024,906	1,131,023	1,205,180
2.2 Capital and Lending minus Repayment	28,043	49,325	81,543	83,156	72,142	82,979	87,227	141,433	165,687	218,846	252,416	322,352	343,112	408,276	425,476	464,216
o/w Public Investment	27,605	52,810	80,955	82,491	72,177	87,409	97,631	148,582	177,443	229,273	263,859	330,448	356,519	422,300	443,973	481,203
3. Current Account Surplus(+) / Deficit (-)	-3,807	-17,901	-42,997	-69,065	-68,960	-58,229	-78,206	-63,603	-70,127	-57,707	-88,450	-179,931	-119,815	-57,043	-79,563	-67,734
4. Budget Deficit	-25,153	-58,198	-119,396	-146,722	-134,022	-133,251	-156,752	-172,396	-205,745	-246,045	-309,644	-476,361	-446,017	-450,180	-488,967	-516,091
5. Financing of Budget Deficit	25,153	58,198	119,396	146,722	134,022	133,251	156,752	172,396	205,745	246,045	309,644	476,361	446,017	450,180	488,967	516,091
5.1. Total Foreign Financing (Net)	11,644	21,224	495	14,538	1,979	43,117	37,071	47,773	41,941	63,748	12,933	83,885	194,912	193,888	180,760	67,905
Gross Borrowings	16,550	29,701	23,777	42,459	39,036	77,542	70,112	69,133	87,930	127,863	67,730	194,171	270,004	287,060	364,593	179,287
Repayments	-4,906	-8,477	-23,282	-27,921	-37,057	-34,425	-33,041	-21,360	-45,989	-64,115	-54,797	-110,286	-75,092	-93,172	-183,833	-111,383
5.2. Total Domestic Financing (Net)	13,508	33,972	118,501	123,595	126,351	79,910	117,243	123,604	163,805	182,297	296,711	392,476	251,104	256,291	308,207	448,186
Non- Bank Financing (Net)	12,946	26,359	58,797	74,294	132,003	100,735	69,274	93,109	83,797	111,308	114,437	185,247	193,891	44,171	70,984	82,414
Gross Borrowings		140,041	118,368	118,368	262,789	285,818	217,014	296,456	331,333	363,473	373,157	586,543	583,563	484,065	486,425	671,066
Repayments		-81,244	-44,074	-44,074	-130,786	-185,083	-147,740	-203,347	-247,536	-252,165	-258,720	-401,296	-389,672	-439,894	-415,441	-588,652
Foreign Owned Treasury Bills and Bonds (Net)	-	-	-	-	-	-	-	-	-	37,160	-17,578	146,922	48,875	25,068	105,696	55,795
Bank Financing (Net)	257	7,065	56,528	48,554	-4,836	-20,905	43,289	26,195	80,008	15,769	195,233	49,027	-1,892	191,850	131,527	296,977
Other Borrowings (Net)	305	548	3,175	747	-816	80	4,680	4,300	-	18,060	4,619	11,280	10,230	-4,798	-	13,000
5.3 Privatization Proceeds	-	3,001	401	8,589	5,693	10,223	2,437	1,020	-	-	-	-	-	-	-	-

Sources: Department of Inland Revenue, Sri Lanka Customs, Department of Excise, Telecommunications Regulatory Commission of Sri Lanka, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy and Central Bank of Sri Lanka

(a) Provisional

Table 7

Economic Classification of Government Fiscal Operations

As a percentage of GDP

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
1. Revenue and Grants	23.2	21.8	17.2	17.0	17.0	15.6	15.3	16.8	17.3	16.6	15.6	15.0	14.9	15.0	14.1	13.3
1.1 Total Revenue	21.1	20.4	16.8	16.6	16.6	15.2	14.9	15.5	16.3	15.8	14.9	14.5	14.6	14.8	13.9	13.1
Tax	19.0	17.8	14.5	14.6	14.0	12.7	13.5	13.7	14.6	14.2	13.3	12.8	12.9	12.9	12.0	11.6
Non-Tax	2.1	2.7	2.3	2.0	2.5	2.5	1.4	1.7	1.7	1.6	1.6	1.7	1.7	1.9	1.9	1.5
1.2 Grants	2.1	1.4	0.4	0.4	0.4	0.4	0.4	1.3	1.0	0.9	0.7	0.5	0.3	0.2	0.2	0.2
2. Expenditure and Lending minus Repayments	31.0	30.5	26.7	27.5	25.4	22.9	22.8	23.8	24.3	23.5	22.6	24.9	22.8	21.9	20.5	19.2
2.1 Recurrent	22.3	23.1	20.2	21.6	20.9	18.4	18.6	18.1	18.6	17.4	16.9	18.2	16.7	15.7	14.9	13.9
2.2 Capital and Lending minus Repayment	8.7	7.4	6.5	5.9	4.6	4.6	4.2	5.8	5.6	6.1	5.7	6.7	6.1	6.2	5.6	5.4
o/w Public Investment	8.6	7.9	6.4	5.9	4.6	4.8	4.7	6.1	6.0	6.4	6.0	6.8	6.4	6.5	5.9	5.5
3. Current Account Surplus(+)/deficit (-)	-1.2	-2.7	-3.4	-4.9	-4.3	-3.2	-3.7	-2.6	-2.4	-1.6	-2.0	-3.7	-2.1	-0.9	-1.0	-0.8
4. Budget Deficit	-7.8	-8.7	-9.5	-10.4	-8.5	-7.3	-7.5	-7.0	-7.0	-6.9	-7.0	-9.9	-8.0	-6.9	-6.5	-5.9
5. Financing of Budget Deficit	7.8	8.7	9.5	10.4	8.5	7.3	7.5	7.0	7.0	6.9	7.0	9.9	8.0	6.9	6.5	5.9
5.1. Total Foreign Financing (Net)	3.6	3.2	0.0	1.0	0.1	2.4	1.8	1.9	1.4	1.8	0.3	1.7	3.5	3.0	2.4	0.8
Gross Borrowings	5.1	4.4	1.9	3.0	2.5	4.3	3.4	2.8	3.0	3.6	1.5	4.0	4.8	4.4	4.8	2.1
Repayments	-1.5	-1.3	-1.9	-2.0	-2.3	-1.9	-1.6	-0.9	-1.6	-1.8	-1.2	-2.3	-1.3	-1.4	-2.4	-1.3
5.2. Total Domestic Financing (Net)	4.2	5.1	9.4	8.8	8.0	4.4	5.6	5.0	5.6	5.1	6.7	8.1	4.5	3.9	4.1	5.2
Non- Bank Financing (Net)	4.0	3.9	4.7	5.3	8.3	5.5	3.3	3.8	2.9	3.1	2.6	3.8	3.5	0.7	0.9	1.0
Foreign Owned Treasury Bills and Bonds (Net)	-	-	-	-	-	-	-	-	-	1.0	-0.4	3.0	0.9	0.4	1.4	0.6
Bank Financing (Net)	0.1	1.1	4.5	3.4	-0.3	-1.1	2.1	1.1	2.7	0.4	4.4	1.0	-0.03	2.9	1.7	3.4
Other Borrowings (Net)	0.1	0.1	0.3	0.1	-0.1	...	0.2	0.2	-	0.5	0.1	0.2	0.2	-0.1	-	0.1
5.3 Privatization Proceeds	-	0.4	0.03	0.6	0.4	0.6	0.1	0.04	-	-	-	-	-	-	-	-

Sources: Department of Inland Revenue, Sri Lanka Customs, Department of Excise, Telecommunications Regulatory Commission of Sri Lanka, Department of Census and Statistics, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy and Central Bank of Sri Lanka

(a) Provisional

Economic Classification of Government Revenue

Item	Economic Classification of Government Revenue															Rs. million		
	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)		
1. Tax Revenue	61,206	118,543	182,392	205,840	221,839	231,597	281,552	336,828	428,378	508,947	585,621	618,933	724,748	845,697	908,913	1,005,895		
Income Tax	7,337	17,161	27,457	34,636	37,437	39,398	41,372	52,535	79,693	107,169	126,541	139,558	135,624	157,310	172,593	205,666		
Personal and Corporate Income Tax	7,337	17,161	27,457	31,903	26,338	25,118	26,046	32,139	50,175	59,659	68,235	72,162	78,914	97,814	98,124	121,136		
Corporate & Non Corporate	6,251	15,004	22,935	21,969	21,190	20,266	19,791	26,478	42,710	48,409	53,901	57,716	62,646	83,016	83,360	102,578		
Pay-As-You-Earn (PAYE)	1,086	2,157	4,522	9,934	5,148	4,852	6,255	5,661	7,465	11,250	14,334	14,446	16,268	14,798	14,764	18,558		
Economic Service Charge (ESC)	-	-	-	-	-	-	4,052	8,067	8,853	12,203	14,476	14,207	18,048	21,335	14,864	6,596		
Tax on Interest Income	-	-	-	2,733	11,099	14,280	11,274	12,329	20,665	35,307	43,830	53,188	38,662	38,160	59,606	77,934		
Value Added Tax (VAT) (b)	20,291	36,429	43,893	45,901	66,692	97,230	120,382	138,660	164,555	187,452	203,646	171,510	219,990	225,858	229,604	250,523		
Domestic (Net)	10,524	16,980	25,021	26,940	34,320	50,949	55,523	65,300	71,877	85,490	102,815	103,891	120,412	104,897	109,370	124,206		
Services	3,726	7,074	14,413	15,157	18,644	41,326	42,688	45,951	49,613	62,920	79,116	75,652	88,694	71,447	69,680	80,389		
Manufacturing	6,798	9,906	10,608	11,782	15,677	9,624	12,835	19,349	22,265	22,570	23,699	28,239	31,718	33,450	39,691	43,817		
Import (net)	9,767	19,449	18,872	18,961	32,372	46,281	64,859	73,360	92,678	101,962	100,831	67,619	99,578	120,961	120,234	126,317		
National Security Levy (NSL) (c)	-	14,408	33,539	43,065	28,859	79	240	35	-	-	-	-	-	-	-	-		
Excise Tax	8,170	19,436	42,655	44,978	52,114	50,972	65,790	76,978	93,529	96,675	100,971	97,604	129,864	204,822	223,960	250,700		
Liquor	2,657	6,298	9,532	9,795	10,235	10,735	13,512	16,285	20,661	23,723	27,434	28,525	36,654	55,286	60,086	66,008		
Cigarettes/Tobacco	5,461	8,788	19,269	19,475	20,579	20,055	23,457	26,992	30,067	31,437	37,288	37,602	40,675	49,623	53,563	58,567		
Petroleum	-	-	10,700	12,948	16,708	13,251	14,817	17,041	18,234	19,124	18,977	23,018	28,038	22,470	28,466	27,131		
Motor Vehicles	-	-	2,599	2,202	4,261	6,405	12,674	14,220	21,671	17,415	11,067	3,192	21,199	71,646	78,509	96,478		
Other	52	4,350	555	558	332	526	1,330	2,440	2,896	4,976	6,205	5,268	3,298	5,798	3,336	2,516		
Stamp Duties (d)	-	-	8,564	8,415	2,331	69	51	9	1,516	4,026	3,751	3,328	4,439	-	-	-		
Ports & Airports Development Levy (PAL)	-	-	-	-	3,497	5,483	7,340	10,969	21,126	26,700	31,017	36,286	49,632	66,028	70,111	61,987		
Debits Tax (e)	-	-	-	1,119	1,315	3,611	4,489	5,700	6,255	7,187	8,410	8,036	10,843	4,232	-	-		
Import Duties	16,792	24,365	23,970	26,356	28,345	34,184	41,096	45,391	52,657	56,017	63,842	79,560	64,165	79,811	80,155	83,123		
Cess Levy	-	-	-	-	-	-	-	4,444	5,872	17,157	24,472	28,520	29,752	29,662	32,741	36,091		
Special Commodity Levy (SCL)	-	-	-	-	-	-	-	-	-	-	14,603	18,965	10,173	15,622	33,666	46,705		
Nation Building Tax (NBT) (f)	-	-	-	-	-	-	-	-	-	-	-	27,205	46,022	35,667	38,736	40,937		
Domestic	-	-	-	-	-	-	-	-	-	-	-	11,594	19,310	19,040	23,077	25,243		
Imports	-	-	-	-	-	-	-	-	-	-	-	15,611	26,712	16,627	15,660	15,694		
Telecommunications Levy (g)	-	-	-	-	-	-	-	-	-	-	-	-	8,869	18,651	22,289	24,445		
License Taxes & Other	8,616	6,744	606	1,371	1,249	572	792	2,108	3,175	6,563	8,367	8,361	15,376	8,035	5,058	5,718		

Economic Classification of Government Revenue *contd...*

Economic Classification of Government Revenue																	Rs. million		
Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)			
2. Non Tax Revenue	6,758	17,715	28,890	28,456	40,050	44,868	29,921	42,919	49,455	56,104	69,639	80,712	92,532	122,165	142,547	131,552			
Rent	238	217	1,325	630	620	607	1,163	1,155	1,294	1,709	2,050	1,425	2,048	3,580	2,197	2,331			
Interest	1,143	6,946	7,304	7,626	13,232	7,963	8,673	8,642	10,320	9,242	9,305	9,043	8,017	9,847	9,489	9,664			
Profit and Dividends	76	4,368	6,305	3,507	3,055	5,380	4,357	5,929	7,451	7,682	7,365	11,982	31,301	34,351	46,761	35,169			
Sales and Charges	1,016	2,336	6,177	8,189	4,477	11,806	9,207	16,196	22,249	18,437	32,260	25,387	22,925	37,292	26,019	40,720			
Social Security Contributions	381	825	3,620	2,667	2,930	3,037	3,444	4,910	6,470	8,777	9,791	11,165	11,120	12,628	11,738	15,145			
Central Bank Profit Transfers	500	1,200	3,200	5,000	10,000	10,000	1,000	5,000	-	4,000	8,000	20,000	15,000	22,000	43,000	26,350			
Other	3,404	1,822	959	838	5,736	6,075	2,077	1,087	1,671	6,257	868	1,710	2,122	2,468	3,343	2,173			
3. Total Revenue	67,964	136,258	211,282	234,296	261,888	276,465	311,473	379,747	477,833	565,051	655,259	699,644	817,279	967,862	1,051,460	1,137,447			

Sources: Department of Inland Revenue, Sri Lanka Customs, Department of Excise, Telecommunications Regulatory Commission of Sri Lanka, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy and Central Bank of Sri Lanka

(a) Provisional

(b) VAT was introduced with effect from 01 August 2002 and is in operation since then. It replaced the Goods and Services Tax (GST), an almost similar tax on the consumption of goods and services, which was in effect since April 1998. Prior to that, the data represents the revenue from central government Business Turnover Tax (BTT).

(c) NSL was abolished since April 2002 with the introduction of VAT.

(d) Under the revenue sharing mechanism introduced in 2011 with the Provincial Councils (PCs), 100 percent of the revenue from stamp duties is transferred to PCs. The BTT collected by Provincial Councils was abolished in 2011 and NBT was extended to buying and selling activities.

(e) Debits tax was abolished with effect from April 2011.

(f) Data from 2011 represents only two thirds of the total revenue from NBT as the balance one third is transferred to PCs under the revenue sharing mechanism with them.

(g) Data from 2011 represents the revenue from Telecommunications Levy, which was introduced as a composite tax to the telecommunications sector by removing VAT, NBT, Regional Infrastructure Development Levy, Environment Conservation Levy and the Mobile Subscribers' Levy on this sector in 2011.

Table 9

Economic Classification of Government Expenditure and Lending Minus Repayments

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
1 Recurrent Expenditure	254,279	303,361	330,849	334,692	389,679	443,351	547,959	622,758	743,711	879,575	937,094	1,024,906	1,131,023	1,205,180
1.1 Expenditure on Goods & Services	130,765	143,747	139,894	138,659	164,530	194,861	253,025	292,632	360,328	379,731	388,286	451,605	487,833	512,624
Salaries and Wages	68,544	78,056	88,806	91,783	106,187	138,604	175,031	214,160	239,078	271,229	300,558	319,601	347,747	393,228
Central Government	18,506	22,618	24,383	26,285	30,246	44,950	54,544	61,799	65,315	71,859	75,817	83,072	95,965	113,223
Provincial Councils	21,401	25,125	29,213	29,237	34,455	44,620	61,453	69,366	73,791	74,634	81,887	90,818	88,217	105,034
Defence	28,636	30,313	25,748	26,604	30,850	38,040	44,960	60,185	73,509	94,189	110,335	112,703	126,950	134,295
Police and Public Security			9,462	9,657	10,636	10,993	14,074	22,810	26,463	30,547	32,519	33,008	36,615	40,677
Other Purchases of Goods and Services	62,221	65,691	51,088	46,877	58,343	56,257	77,994	78,472	121,250	108,502	87,728	132,004	140,086	119,396
Central Government	18,265	26,434	20,784	19,993	24,941	21,466	29,012	25,725	46,950	42,970	38,618	71,741	92,738	74,307
Provincial Councils	1,819	1,280	1,377	1,539	1,436	1,859	1,576	1,416	3,075	3,110	3,112	3,784	3,676	3,810
Defence	34,825	31,767	23,417	20,401	25,491	23,458	36,283	41,671	61,201	50,695	33,471	43,400	32,631	31,855
Police and Public Security	7,312	6,210	5,510	4,944	6,475	9,474	11,123	9,660	10,024	11,727	12,527	13,079	11,040	9,424
1.2 Interest Payments	71,200	94,307	116,515	125,126	119,782	120,159	150,777	182,681	212,475	309,676	352,592	356,699	408,498	444,007
Foreign	9,015	9,747	10,617	11,586	13,904	6,995	16,990	21,311	30,277	35,698	55,464	68,565	90,839	100,985
Domestic	62,185	84,560	105,897	113,540	105,878	113,164	133,787	161,370	182,198	273,978	297,127	288,134	317,659	343,022
1.3 Subsidies and Transfers	52,314	65,307	74,441	70,907	105,367	128,331	144,157	147,445	170,908	190,168	196,216	216,601	234,692	248,549
Households	41,815	53,319	53,958	52,649	83,585	101,602	104,842	110,910	131,342	148,993	156,194	171,438	187,895	195,288
o/w Pensions	21,602	26,493	31,123	31,150	36,444	46,782	58,006	68,822	74,922	85,139	90,995	99,961	111,682	123,293
Samurdhi (b)	9,661	12,574	9,910	8,715	8,498	9,161	10,789	9,200	9,995	9,267	9,241	9,043	10,553	15,256
Fertilizer Subsidy	1,733	3,650	2,448	2,190	3,572	6,846	11,867	11,000	26,450	26,935	26,028	29,802	36,456	19,706
Sub National Governments	1,424	694	392	608	358	233	172	150	217	-	-	-	-	-
Non Financial Public Enterprises	3,370	4,376	7,998	5,705	8,405	10,412	18,336	10,639	12,942	14,126	12,361	12,999	11,817	13,854
Institutions and other	5,705	6,919	12,093	11,945	13,019	16,084	20,807	25,746	26,407	27,049	27,661	32,164	34,979	39,407

Economic Classification of Government Expenditure and Lending Minus Repayments <i>contd...</i>														Rs. million
Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
2 Capital Expenditure	67,769	67,902	58,595	75,089	83,807	140,154	162,214	206,162	232,607	277,416	302,087	377,812	400,082	454,302
2.1 Acquisition of Fixed Capital Assets	32,934	36,115	26,501	36,580	40,449	88,141	88,209	111,510	128,605	143,590	158,488	208,963	197,350	252,535
2.2 Capital Transfers	34,835	31,787	32,094	38,509	43,359	52,013	74,005	94,652	104,002	133,826	143,599	168,849	202,732	201,768
Institutions	14,522	18,351	15,118	19,894	19,306	20,700	32,371	50,408	59,991	90,291	99,151	105,603	145,935	143,504
Non Financial Public Enterprises	12,048	6,973	11,459	14,339	19,068	19,969	21,526	23,737	22,432	19,750	20,345	35,168	30,072	27,193
Sub National Governments	8,218	6,251	5,421	4,186	4,812	11,141	19,699	20,346	21,237	23,780	24,101	27,619	25,266	29,692
Abroad	47	212	96	90	173	203	409	160	341	5	1	459	1,459	1,379
3 Lending Minus Repayments	13,775	15,254	13,547	7,890	3,420	1,279	3,473	12,684	19,809	44,936	41,025	30,464	25,394	9,914
3.1 Net Lending through Advance Accounts	2,638	2,044	1,336	1,710	1,950	1,850	83	700	1,457	1,932	2,126	854	(2,088)	(1,019)
3.2 Lending to Public Enterprises	13,187	14,590	13,582	12,320	13,823	8,428	15,230	23,112	31,253	53,032	54,433	44,488	43,891	26,901
3.3 Loan Repayments by Public Enterprises	(6,209)	(6,699)	(6,060)	(10,741)	(15,920)	(10,364)	(13,881)	(11,677)	(13,526)	(11,978)	(15,535)	(14,878)	(16,409)	(15,969)
3.4 Restructuring Expenditure	4,159	5,320	4,689	4,601	3,567	1,365	2,041	549	625	1,950	-	-	-	-
Total	335,823	386,518	402,992	417,671	476,907	584,784	713,646	841,604	996,126	1,201,927	1,280,205	1,433,182	1,556,499	1,669,396

Sources: Department of National Budget, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy and Central Bank of Sri Lanka

(a) Provisional

Table 10

Functional Classification of Government Expenditure

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
1. Current Expenditure	71,770	154,159	254,279	303,362	330,847	334,693	389,678	443,350	547,960	622,758	743,710	879,575	937,094	1,008,244	1,131,023	1,205,180
General Public Services	17,943	47,888	82,643	82,149	80,970	86,361	95,443	106,992	136,352	165,807	207,348	224,281	228,184	245,266	254,371	270,554
Civil Administration	6,622	6,562	13,416	14,944	17,473	24,755	23,196	25,027	29,912	31,481	36,150	37,123	37,895	43,076	47,135	54,303
Defence	6,736	35,186	56,915	54,242	49,163	47,005	56,341	61,498	81,243	101,856	134,710	144,884	145,243	156,103	163,219	170,150
Police and Public Security	4,585	6,140	12,312	12,963	14,334	14,601	15,906	20,467	25,197	32,470	36,487	42,274	45,046	46,087	44,017	46,101
Social Services	24,449	57,647	77,160	87,968	106,096	104,812	138,820	188,652	204,635	226,271	240,768	260,072	267,636	315,749	335,427	399,666
Education	8,529	15,784	23,794	23,448	31,162	31,673	33,792	50,697	61,144	72,592	77,141	82,414	85,195	99,043	107,271	119,819
Health	3,685	8,818	15,394	14,785	20,234	22,073	25,919	34,113	44,069	51,741	55,874	58,789	60,506	74,443	81,946	99,609
Welfare	11,973	32,106	35,686	44,635	47,503	45,849	73,571	92,909	86,753	91,747	94,789	105,017	107,690	123,122	128,451	159,787
Community Services	262	941	2,286	5,100	7,198	5,217	5,538	10,933	12,669	10,191	12,963	13,852	14,245	19,141	17,758	20,451
Economic Services	3,927	6,830	9,738	13,882	14,769	11,625	17,548	25,811	43,977	45,479	74,489	78,464	78,819	81,646	92,034	82,146
Agriculture and Irrigation	982	3,826	5,706	7,967	7,635	7,002	8,876	13,500	22,173	22,849	41,579	43,967	44,081	46,290	46,429	29,899
Energy and Water Supply	345	990	474	565	385	9	112	1,008	2,766	3,647	3,323	3,429	3,492	3,533	3,612	4,001
Transport and Communication	2,600	2,014	3,558	5,350	6,749	4,614	8,560	11,303	19,038	18,983	29,587	31,068	31,246	31,823	34,995	36,810
Other															6,998	11,435
Other	25,451	41,794	84,738	119,363	129,014	131,894	137,867	121,896	162,996	185,201	221,105	316,759	362,455	365,583	449,191	452,814
o/w Interest Payments	20,668	38,687	71,200	94,307	116,515	125,126	119,782	120,159	150,777	182,681	212,475	309,675	352,592	356,699	408,498	444,007
2. Capital Expenditure and Lending	27,605	52,810	80,955	82,491	72,177	87,409	97,631	148,582	177,443	229,273	263,859	330,448	356,519	438,962	443,972	481,203
General Public Services	3,617	5,776	7,157	6,563	4,713	5,203	7,191	9,901	21,356	32,143	34,403	20,095	21,510	32,484	27,510	32,804
Civil Administration	1,599	3,962	5,610	5,478	4,075	4,826	5,986	8,537	18,109	28,438	29,675	18,686	20,212	28,668	26,565	31,631
Police and Public Security	2,018	1,814	1,547	1,085	638	377	1,205	1,364	3,247	3,705	4,728	1,409	1,298	3,816	945	1,173
Social Services	3,019	9,855	16,471	14,559	15,690	19,190	28,996	35,992	48,387	54,986	60,236	53,938	56,205	63,366	71,176	77,643
Education	1,042	3,124	7,135	4,838	6,048	7,443	8,548	12,860	17,200	19,948	22,942	18,092	19,053	22,326	28,930	31,982
Health	1,279	2,134	5,302	3,987	4,713	5,403	8,500	10,738	13,969	16,961	18,674	12,664	13,329	14,794	17,155	19,920
Housing	538	3,300	2,476	3,722	3,717	4,090	7,250	3,937	4,021	4,481	4,826	5,291	5,489	7,105	7,823	8,014
Community Services	160	1,297	1,558	2,012	1,212	2,254	4,698	8,457	13,197	13,596	13,794	17,891	18,334	19,141	17,267	17,727
Economic Services	18,295	36,105	54,647	54,906	51,678	58,740	61,271	77,537	106,788	141,244	168,879	256,410	278,803	342,653	343,828	369,377
Agriculture and Irrigation	5,215	6,060	6,908	6,034	6,936	8,420	8,207	10,041	12,615	14,736	17,681	22,105	24,865	28,617	30,351	36,721
Energy and Water Supply	6,500	5,003	13,282	14,758	17,732	23,801	22,283	19,234	26,376	47,850	48,783	59,983	66,569	85,186	85,589	87,517
Transport and Communication	4,312	18,888	24,911	21,464	18,916	20,238	22,198	31,765	37,988	50,995	82,916	139,104	165,505	190,026	204,539	210,398
Other	2,268	6,155	9,549	12,650	8,094	6,283	8,583	16,500	29,810	27,663	19,499	35,219	21,804	38,825	23,350	34,741
Other	2,674	1,074	2,680	6,463	96	4,276	173	704	912	900	341	5	1	459	1,459	1,379
Other	952							24,448								
3. Total Expenditure and Lending	99,375	206,969	335,234	385,853	403,024	422,102	487,309	591,932	725,403	852,031	1,007,569	1,210,023	1,293,613	1,447,206	1,574,995	1,686,383

Sources: Department of National Budget, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy and Central Bank of Sri Lanka

(a) Provisional

Table 11

Composition of Government Debt

Comparison of Government Debt																
Source	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
1. Foreign Debt	176,883	346,286	542,040	636,741	721,957	843,882	996,138	956,620	1,103,418	1,326,487	1,448,734	1,760,467	2,024,583	2,329,280	2,767,299	2,960,424
1.1 Project Loans	132,338	286,848	477,845	542,942	640,354	769,559	914,232	865,494	978,356	1,087,359	1,261,304	1,362,806	1,461,729	1,640,117	1,846,772	1,938,909
1.2 Non-project Loans	44,545	59,438	64,195	93,799	81,603	74,323	81,906	91,126	125,062	239,128	187,430	397,661	562,854	689,163	920,527	1,021,515
Commodity	43,393	57,730	63,009	67,000	68,050	68,892	73,835	69,116	69,021	68,665	66,499	62,304	54,653	53,460	56,599	61,597
Other	1,152	1,708	1,186	26,799	13,553	5,431	8,071	22,010	56,041	170,463	120,931	335,357	508,201	635,703	863,928	959,918
2. Domestic Debt	133,896	289,410	676,660	815,965	948,386	1,019,969	1,143,389	1,265,722	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085	3,232,813	3,832,825
2.1 Rupee Loans	54,676	157,928	263,888	292,813	287,701	248,414	164,758	140,563	116,713	131,509	130,009	112,292	87,709	61,961	58,386	55,518
2.2 Treasury Bills	67,968	113,771	134,996	170,995	210,995	219,295	243,886	234,174	257,732	307,012	402,600	441,032	514,442	590,885	629,070	700,137
2.3 Treasury Bonds	-	-	204,124	229,174	347,128	483,107	643,349	751,569	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251	2,095,054	2,452,360
2.4 Sri Lanka Development Bonds	-	-	-	14,749	24,177	8,816	26,083	25,519	62,469	86,459	158,805	168,079	173,877	183,845	222,994	369,215
2.5 Central Bank Provisional Advances	6,408	13,700	27,169	30,127	31,033	31,204	34,791	39,746	49,015	60,679	76,308	73,881	77,879	94,743	111,292	109,167
2.6 Other	4,844	4,011	46,483	78,107	47,352	29,133	30,522	74,151	107,329	110,687	90,528	92,160	67,869	53,400	116,017	146,429
3. Total	310,779	635,696	1,218,700	1,452,706	1,670,343	1,863,851	2,139,526	2,222,342	2,582,648	3,041,685	3,588,962	4,161,422	4,590,245	5,133,365	6,000,112	6,793,249
Government Debt to GDP Ratio																
Foreign Debt	55.0	51.9	43.1	45.2	45.6	46.3	47.6	39.0	37.5	37.1	32.8	36.5	36.1	35.6	36.5	34.1
Domestic Debt	41.6	43.3	53.8	58.0	60.0	56.0	54.7	51.6	50.3	47.9	48.5	49.7	45.8	42.9	42.7	44.2
Total Debt	96.6	95.2	96.9	103.2	105.6	102.3	102.3	90.6	87.9	85.0	81.4	86.1	81.9	78.5	79.2	78.3

Sources: Department of Public Debt of the Central Bank of Sri Lanka, Department of External Resources, Department of Treasury Operations, Department of State Accounts and Department of Fiscal Policy
(a) Provisional

Table 12

Domestic Production of Selected Items

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Plantation Crops																	
Tea	(Kg Mn)	233.2	245.9	305.8	295.1	310.0	303.2	308.1	317.2	310.8	305.2	318.7	291.0	331.0	327.5	330.0	340.2
Rubber	(Kg Mn)	113.1	105.7	87.6	86.0	90.5	92.0	94.7	104.4	109.2	117.6	129.2	136.9	153.0	158.2	150.6	130.4
Coconut	(Nuts Mn)	2,532.0	2,755.0	3,096.0	2,769.0	2,392.0	2,562.0	2,591.0	2,515.0	2,785.0	2,869.0	2,909.0	2,853.0	2,584.0	2,808.0	2,940.0	2,513.0
Seasonal Crops																	
Paddy	(Mt'000)	2,538.0	2,809.9	2,859.9	2,695.8	2,859.5	3,071.2	2,628.0	3,246.2	3,342.0	3,131.1	3,875.0	3,652.0	4,300.6	3,894.2	3,846.0	4,620.7
Potatoes	(Mt'000)	87.2	81.7	48.4	57.7	88.7	71.7	81.3	79.4	78.5	77.4	74.8	61.7	51.9	59.4	72.2	78.8
Sweet Potatoes	(Mt'000)	76.9	61.8	51.8	48.5	47.5	44.1	39.7	41.2	41.6	49.2	52.5	47.3	46.5	47.3	43.6	51.3
Chilies -Green	(Mt'000)	106.6	85.4	55.9	49.0	46.3	46.2	40.5	52.9	52.9	48.7	51.0	46.4	49.0	44.4	61.5	72.0
Chilies -Dried	(Mt'000)	39.1	21.3	14.0	12.3	11.7	11.7	10.1	13.2	12.7	12.2	12.8	11.6	12.3	10.9	15.4	18.0
Big Onions	(Mt'000)	15.3	29.7	36.6	32.0	31.6	32.3	37.5	55.5	73.6	92.2	57.4	81.7	58.9	45.7	83.6	74.0
Red Onions	(Mt'000)	57.7	48.4	42.5	36.9	35.3	35.5	39.5	53.7	60.7	57.0	49.3	46.2	61.8	72.3	74.0	57.2
Maize	(Mt'000)	33.2	34.8	31.0	28.8	26.4	29.6	35.2	41.8	47.5	56.4	112.3	129.8	161.7	137.8	202.3	204.0
Green Gram	(Mt'000)	26.9	16.0	11.7	9.7	10.3	10.6	7.8	9.0	7.9	8.5	8.9	9.3	11.7	17.0	12.0	14.1
Black Gram	(Mt'000)	4.9	7.9	5.4	5.1	5.1	5.9	5.0	6.9	7.5	7.7	9.5	7.1	10.0	5.8	10.2	9.4
Kurakkan	(Mt'000)	7.2	4.9	4.8	4.2	4.1	5.3	4.7	6.4	6.3	5.4	6.5	6.4	7.3	5.4	6.0	6.9
Cowpea	(Mt'000)	22.8	16.1	12.1	9.8	10.4	12.9	9.2	11.2	10.1	10.8	11.9	13.5	11.6	10.4	14.8	15.4
Soya Beans	(Mt'000)	3.1	2.4	0.6	0.6	1.2	3.0	1.9	5.0	5.2	4.8	3.0	3.8	7.5	3.8	1.7	5.6
Gingerly	(Mt'000)	4.8	4.5	4.6	4.2	4.1	5.5	4.3	6.2	6.0	6.3	6.3	8.5	16.9	11.3	12.4	14.2
Ground Nuts	(Mt'000)	6.1	5.9	7.0	6.8	5.8	6.6	7.9	9.0	9.6	9.8	10.3	13.1	14.4	16.9	22.0	28.3
Other Agricultural Crops																	
Sugar	(Mt'000)	57.2	51.7	64.0	48.0	38.0	57.0	58.0	54.0	56.0	29.0	39.0	32.0	31.0	35.0	36.7	53.0
Coffee	(Mt'000)	7.6	11.5	2.5	2.3	2.4	3.1	3.5	3.5	3.5	3.0	3.1	3.1	3.2	5.3	5.3	5.9
Cinnamon	(Mt'000)	10.4	11.8	13.5	13.6	13.0	14.0	14.9	14.5	15.9	16.5	14.9	15.8	16.4	18.2	16.1	16.0
Pepper	(Mt'000)	8.7	16.1	10.6	7.7	12.6	12.6	12.0	14.3	14.4	16.6	12.9	15.8	17.3	10.8	25.6	24.9
Cloves	(Mt'000)	1.3	3.7	1.7	2.7	4.1	2.4	3.6	6.1	3.6	3.0	8.2	3.0	9.6	5.5	4.0	6.4
Livestock and Fish																	
Milk	(Ltr Mn)	291.7	333.3	181.5	183.0	183.2	186.8	190.3	193.0	196.6	202.0	208.1	233.4	247.6	258.3	299.2	319.8
Fish	(Mt'000)	184.0	235.8	300.3	284.7	302.9	285.0	286.4	163.2	251.3	291.0	319.1	339.7	384.7	444.8	486.2	512.8

Sources: Department of Census and Statistics, Ministry of Agriculture, Department of Export Agriculture and Central Bank of Sri Lanka

(a) Provisional

Table 13

Value of Exports

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)
Agricultural Exports	1,134	1,025	1,016	1,057	1,151	1,249	1,424	1,647	1,976	1,836	2,306	2,528	2,332	2,581
Tea	700	689	660	683	739	811	882	1,027	1,272	1,185	1,441	1,491	1,412	1,542
Black Tea	637	613	593	601	646	718	769	890	1,111	1,072	1,383	1,430	1,354	1,471
Bulk	393	350	360	338	393	407	463	535	643	616	567	534	512	561
Packets	180	194	160	183	162	213	203	235	321	301	607	667	640	693
Bags	64	69	73	81	91	98	103	121	147	156	209	229	203	217
Instant	8	9	9	11	8	7	7	9	11	10	13	15	11	15
Green Tea	3	5	5	8	11	14	19	22	29	29	44	46	47	56
Other	52	63	53	63	73	72	86	106	118	74	-	-	-	-
Rubber	29	24	26	39	51	47	93	109	125	99	173	206	125	71
Sole Crepe	-	-	-	-	-	-	-	-	-	6	10	16	7	9
Latex and Other Crepe	-	-	-	-	-	-	-	-	-	25	63	102	58	38
Sheet Natural	13	11	15	22	28	25	54	59	69	46	67	63	38	14
Latex Natural	0.2	0.3	1	0.5	2	1	3	10	17	11	15	8	8	2
Block Rubber	14	11	10	14	15	16	24	25	23	2	1	2	1	1
Other	1	1	1	2	6	5	12	15	16	10	18	15	14	9
Coconut	121	82	84	93	113	113	124	141	171	166	166	266	209	205
Kernal Product	77	41	41	48	59	49	53	60	82	58	56	136	80	86
Other	44	41	42	45	54	64	71	81	89	108	110	130	129	119
Other Agricultural Exports	155	136	168	150	162	183	195	208	243	215	335	379	388	529
Vegetables	8.6	6.7	7.2	7.4	9.9	11.8	10.0	11.5	13.0	11.7	23.4	16.9	13.3	24.9
Fruits (Fresh or Dry)	4.5	4.5	4.0	6.3	6.6	6.3	9.6	11.2	13.9	12.1	14.5	17.1	18.1	29.1
Arecanut	0.6	0.1	0.3	0.2	0.4	0.7	2.0	0.9	3.4	1.4	2.2	2.5	3.7	15.9
Coffee	0.1	...	0.1	0.5	0.2	0.2	0.2	0.1	0.2	0.1	0.3	0.1	0.1	0.1
Pepper	20.9	6.0	15.5	12.8	9.2	12.2	17.1	31.7	26.2	20.6	42.7	32.1	70.2	128.3
Cinnamon	45.4	42.3	45.0	44.9	46.7	58.3	66.2	75.8	82.6	74.1	82.9	128.9	135.5	138.6
Cloves	4.0	13.0	28.3	6.0	14.0	17.5	12.6	9.2	33.0	12.0	37.4	35.4	18.5	49.7
Nutmeg and Maize	5.5	3.9	5.7	6.4	4.8	7.4	6.3	7.6	9.0	8.1	16.0	28.2	23.0	31.2
Cardamoms	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.3	0.2	0.3	0.6	0.2	0.2
Other Oil Seeds	...	...	...	...	...	...	...	0.2	...	0.1	...	0.1	5.2	...
Betel Leaves	1.7	1.3	2.0	2.9	3.0	2.6	2.6	4.1	6.7	6.0	5.1	6.9	5.0	10.6
Cocoa	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.2	4.1	21.3	13.1	0.3
Unmanufactured Tobacco	37.6	35.2	37.5	37.2	39.7	35.1	35.3	40.2	39.5	33.5	32.6	38.4	42.2	47.6

Value of Exports *contd...*

Category	Value of Exports											US\$ million		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)
Cashew Nuts	0.6	1.0	0.5	0.4	0.8	1.6	1.1	1.0	1.4	1.1	2.2	2.6	1.3	0.6
Essential Oils	0.9	0.9	0.9	1.0	1.3	1.4	1.7	3.5	3.8	2.4	5.0	1.1	0.9	1.3
Cinnamon Bark Oil	2.8	2.7	2.7	2.3	2.4	2.6	3.6	5.2	3.9	2.4	4.4	7.7	5.8	5.4
Clove Oil	0.1	...	0.2	...	0.1	...	0.2	0.3	0.3	0.1	0.4	0.4	0.3	0.3
Other Minor Agricultural Crops	21.7	18.3	18.6	21.2	21.7	24.2	24.7	4.2	5.8	27.6	52.4	38.4	28.7	34.7
Seafood	128.5	94.2	77.9	92.7	86.2	96.0	129.9	162.5	164.6	170.6	192.3	185.3	198.0	233.7
Industrial Exports	4,315	3,713	3,628	3,975	4,508	4,949	5,402	5,937	6,112	5,228	6,097	7,992	7,371	7,749
Food, Beverages and Tobacco	25	27	32	78	75	223	232	323	244	183	245	348	284	235
Milling Industry Products	8	7	9	9	13	30	52	48	62	40	71	142	90	37
Vegetable, Fruit and Nut Preparations	6	8	9	10	11	10	15	29	49	55	51	61	59	63
Cereal Preparations	1	2	2	2	4	4	5	7	11	9	11	19	20	25
Fish Preparations	...	...	...	...	1	3	1	1	1	1	1	...	...	...
Manufactured Tobacco	2	2	2	8	16	20	16	23	28	24	26	41	47	49
Other	9	8	10	48	30	156	142	215	93	54	85	85	67	61
Textile and Garments	2,982	2,544	2,425	2,575	2,808	2,890	3,084	3,337	3,478	3,261	3,356	4,191	3,991	4,508
Garments	2,712	2,335	2,246	2,400	2,654	2,748	2,917	3,144	3,284	3,120	3,178	3,986	3,784	4,265
Woven Fabrics	65	46	49	47	43	34	46	61	66	55	70	85	92	124
Yarn	32	27	25	23	22	24	24	45	44	42	50	57	58	58
Other Made Up Textile Articles	173	137	105	105	89	84	96	86	84	44	57	64	56	61
Petroleum Products	97	68	73	65	100	131	188	170	255	134	263	553	463	428
Bunkers and Aviation Fuel	75	53	60	65	100	131	181	168	253	133	259	524	457	423
Other Petroleum Products	22	14	13	...	-	-	7	2	2	2	4	28	6	5
Ceramic Products	47	42	42	40	47	47	47	47	49	36	40	38	36	40
Tiles	9	7	8	9	10	9	11	11	12	8	8	6	7	8
Tableware, Household Items and Sanitaryware	27	25	26	24	29	31	32	30	30	24	27	28	25	29
Other	10	11	9	8	8	7	5	5	7	4	5	5	4	3

Value of Exports *contd...*

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)	US\$ million
Rubber Products	196	173	182	231	284	395	450	483	542	385	558	885	860	888	
Rubber Tyres	101	84	84	121	160	259	295	309	337	213	336	569	540	551	
Surgical Gloves and Other Gloves	62	56	61	73	77	86	105	111	117	114	137	181	177	195	
Other Rubber Products	33	32	37	37	47	50	50	64	88	58	85	135	143	141	
Leather, Travel Goods and Footwear	176	150	84	58	121	133	127	60	56	47	60	65	55	77	
Footwear	56	32	19	21	13	13	19	24	22	17	20	17	12	29	
Travel Goods	109	108	55	27	21	19	13	26	23	20	27	31	27	28	
Other	12	10	9	10	87	101	94	10	12	10	13	17	16	19	
Machinery and Mechanical Appliances	244	245	266	290	386	330	396	371	322	187	259	312	297	312	
Gems, Diamonds and Jewellery	334	276	251	346	373	402	414	474	514	402	409	532	559	446	
Gems	143	91	45	113	108	124	86	105	76	69	70	95	118	130	
Diamonds	178	166	192	216	247	265	312	348	418	317	322	414	417	295	
Jewellery	13	19	14	17	19	13	16	22	20	17	17	22	24	21	
Transport Equipment	15	81	100	164	145	105	138	151	108	127	144	225	165	146	
Road Vehicles	5	4	3	5	8	13	20	23	39	50	58	49	86	32	
Ships, Boats and Floating Structures	2	1	1	2	2	9	8	37	22	58	59	149	57	82	
Other	8	76	96	157	135	83	111	91	48	20	28	27	22	33	
Printing Industry Products	2	2	2	2	3	9	15	34	47	48	246	235	42	36	
Other Industrial Exports	197	105	170	126	166	285	311	487	497	418	517	608	619	633	
Chemical Products	31	28	31	35	53	73	65	78	71	74	93	118	117	120	
Mineral Exports	3	4	5	5	11	23	17	22	22	20	24	33	61	52	
Unclassified Exports	69	75	50	94	89	125	42	38	-	-	199	7	10	12	
Total Exports	5,522	4,818	4,699	5,133	5,759	6,347	6,883	7,640	8,111	7,085	8,626	10,559	9,774	10,394	

Sources: Sri Lanka Customs, Department of Trade and Investment Policy, Central Bank of Sri Lanka

(a) Provisional

Value of Imports

US\$ million

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Consumer Goods	844	815	1,050	1,219	1,282	1,289	1,551	1,664	2,007	1,565	2,476	3,654	2,995	3,183
Food and Beverages	383	402	513	547	558	573	711	802	1,089	933	1,322	1,567	1,304	1,368
Sugar	141	115	132	116	111	132	224	151	203	218	363	426	345	289
Milk and Milk Products	118	115	110	120	122	133	171	186	288	165	259	345	307	291
Rice	4	11	18	9	59	16	6	39	44	23	59	18	24	18
Flour	8	1	2	2	1	32	3	2	1	1	1	14	5	2
Fish	68	69	65	63	56	68	92	108	115	119	128	147	134	162
Other Food and Beverages	213	140	186	237	208	192	216	317	437	407	512	617	489	607
Potatoes	5.5	9.8	6.3	5.6	4.1	7.6	10.4	20.0	23.6	23.0	36.9	35.7	22.7	28.5
Chilies	22.2	17.0	17.5	22.5	16.6	16.2	26.3	36.9	41.3	42.5	44.2	82.4	46.4	49.3
Onions	26.0	26.0	27.0	26.0	27.0	26.0	28.0	57.0	53.0	60.0	96.0	86.0	51.9	100.1
Lentils	39.5	36.7	35.0	29.9	29.6	31.6	37.6	59.6	108.0	113.0	129.0	116.8	68.9	104.1
Green Gram	5.3	3.0	2.3	2.5	4.0	3.0	3.8	7.4	11.0	10.7	15.6	13.8	7.3	11.2
Peas	71	5.4	5.1	5.1	5.3	5.0	6.3	10.0	18.8	12.9	14.9	18.5	19.0	19.9
Chick Peas	9.8	5.9	6.5	6.5	7.3	4.4	6.3	9.8	17.3	17.7	17.8	26.9	25.6	20.5
Kurakkan	0.3	0.1	0.2	0.1	0.3	0.2	0.2	0.3	0.6	0.6	0.6	0.6	0.4	...
Oil and Fat	11.0	9.0	35.0	56.0	18.0	15.0	14.0	21.0	31.0	14.0	19.0	25.9	20.0	59.2
Spices	28.0	27.0	28.0	32.0	26.0	24.0	35.0	50.0	64.0	65.0	72.0	111.0	68.0	79.9
Other	58.0	72.0	23.2	50.8	69.8	59.0	47.7	44.7	68.8	47.4	66.5	99.3	158.7	134.1
Non-food Consumables	461	413	537	672	724	716	840	862	918	632	1,154	2,087	1,691	1,814
Vehicles	40	37	138	249	249	235	308	244	239	93	455	881	495	582
Home appliances-Radio and Television Sets	56	40	40	49	63	52	65	59	64	24	45	118	118	103
Rubber Products	34	26	29	32	37	38	42	44	51	46	72	83	80	88
Medical and Pharmaceutical Products	96	92	105	105	117	135	162	179	212	202	217	348	372	378
Household and Furniture Items	55	48	48	50	59	63	69	70	75	61	88	127	117	125
Other	180	170	177	187	199	193	194	266	277	206	277	530	509	538
Garments	131.9	100.0	88.1	89.1	98.7	91.5	81.5	85.9	89.1	98.9	94.4	112.0	131.9	157.6
Other Articles of Plastics	34.1	30.0	21.6	23.1	25.5	28.9	36.3	32.9	29.8	18.3	20.7	33.0	35.4	515.2
Printed Books	4.2	3.7	10.8	2.9	3.2	4.5	4.8	5.0	4.4	21.5	19.8	15.0	14.1	11.9
Fans	7.7	5.0	4.1	5.3	5.7	5.9	6.1	7.5	7.1	7.0	12.3	23.1	23.4	27.4
Washing Preparations	6.6	3.9	3.8	5.6	4.9	5.1	7.4	7.5	9.7	11.0	10.6	6.0	6.0	5.6
Powders, Makeup	4.9	2.3	2.7	3.0	3.6	2.8	4.3	4.2	6.2	4.8	5.6	10.7	6.8	8.1
Gas Cookers	4.5	2.2	3.6	3.1	3.4	3.7	3.6	3.5	3.8	3.7	5.0	9.4	6.4	6.8

Value of Imports contd...

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Intermediate Goods	3,376	3,406	3,667	4,023	4,953	5,607	6,257	6,983	9,019	6,159	8,054	12,274	11,578	10,554
Fertilizer	79	68	75	87	107	134	163	192	577	182	240	407	311	239
Petroleum	902	729	791	837	1,213	1,657	2,070	2,516	3,392	2,184	3,041	4,795	5,045	4,308
Chemical Products	202	195	218	238	265	312	357	405	508	432	520	702	670	734
Paper and Paper Boards	116	108	156	186	210	222	254	290	328	264	350	427	363	380
Wheat and Maize	143	131	144	158	209	168	217	255	402	269	265	429	364	323
Textile	1,139	1,459	1,414	1,476	1,634	1,659	1,656	1,724	1,788	1,529	1,812	2,321	2,266	2,046
Diamond and Precious Metals	161	147	179	217	218	244	257	284	545	277	378	1,076	588	483
Base Metal	64	55	124	175	253	298	298	252	275	167	239	354	440	406
Vehicle and Machinery Parts	79	65	70	82	94	105	121	127	159	127	176	223	211	210
Other Intermediate Goods	491	449	496	567	750	808	864	938	1,045	728	1,033	1,540	1,320	1,425
Semi Finished Products of Iron	80	24	36	45	60	71	78	105	137	72	91	157	256	238
Polymer of Ethylene	89	39	37	44	67	77	82	106	103	76	103	109	99	106
Unmanufactured Tobacco	49	1	30	41	36	46	32	40	42	39	31	52	71	62
Palm Oil (Refined')	71	18	34	24	53	131	131	145	127	35	68	161	67	81
Investment Goods	1,387	1,065	1,180	1,360	1,714	1,937	2,400	2,597	2,852	2,093	2,758	4,286	4,590	4,253
Machinery and Equipment	844	683	730	788	998	1,051	1,341	1,428	1,467	1,077	1,339	2,141	2,356	2,222
Recorders and Primary Batteries	38	13	15	18	29	50	49	119	124	107	87	124	138	152
Medical Instrument and Appliance - Used	63	34	48	31	47	56	56	60	73	54	63	81	87	92
Wire Cables (Electrical)	26	16	14	11	20	18	19	5	13	11	38	33	32	34
Gas Cylinders (For Industries)	6	4	4	3	4	3	4	7	6	3	6	12	n.a	n.a.
Transport Equipment	245	127	156	228	269	333	405	410	481	357	593	1,065	992	668
Building Material	296	254	292	342	443	548	651	753	900	656	822	1,076	1,237	1,357
Iron Pipe & Tube	84	34	38	45	63	79	85	93	126	88	108	85	84	70
Other Investment Goods	2	1	2	2	4	5	3	6	4	3	4	4	5	6
Unclassified Imports	1,715	687	207	73	50	31	48	52	213	390	162	54	28	14
Total Imports	7,320	5,974	6,106	6,672	8,000	8,863	10,253	11,296	14,091	10,207	13,451	20,269	19,190	18,003

Sources: Sri Lanka Customs, Department of Trade and Investment Policy and Central Bank of Sri Lanka

(a) Provisional

Table 15

Import Quantities of Selected Items

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)	MT '000
Sugar	311.9	424.0	570.4	457.4	567.7	526.0	496.5	444.2	520.6	470.7	563.1	460.7	539.2	596.6	559.0	539.0	539.0
Milk Powder	66.5	50.1	56.9	52.2	61.9	63.8	54.2	52.8	68.1	62.1	62.5	62.4	72.4	84.1	79.5	64.8	64.8
Potatoes	...	11.9	116.5	62.6	38.0	40.5	28.0	40.8	46.6	85.9	99.4	99.6	129.9	130.5	112.8	124.7	124.7
Chilies - Red	1.3	10.8	23.4	25.8	25.3	27.7	24.3	27.3	29.4	31.2	34.7	36.0	37.7	42.2	40.7	44.0	44.0
Big Onions	0.3	1.0	117.5	110.1	130.1	130.5	115.1	110.7	119.5	140.7	146.6	143.2	158.1	170.7	145.9	168.9	168.9
Red Onions	27.1	77.5	5.9	2.7	1.8	0.2	2.7	10.2	10.9	23.8	26.9	16.2	11.9	6.8	7.0	15.4	15.4
Dhal	36.0	76.0	80.4	90.7	106.5	90.9	89.6	86.4	107.7	103.2	104.9	108.0	134.3	151.3	114.0	150.9	150.9
Rice	116.8	9.4	14.9	52.0	95.1	34.5	221.7	51.7	11.5	88.0	84.7	51.7	125.8	27.8	36.2	23.0	23.0
Maize	1.9	76.6	115.2	157.3	94.6	128.5	148.8	146.8	83.7	78.4	82.5	27.2	9.6	7.0	1.0	0.5	0.5
Green Gram	-	1.8	6.8	8.7	7.1	8.2	12.7	9.3	11.5	12.8	13.7	14.2	11.5	10.5	7.9	7.1	7.1
Black Gram	-	4.0	7.3	7.9	6.9	7.6	5.4	4.6	6.2	7.1	5.0	3.3	1.5	7.1	3.2	4.2	4.2
Peas	1.1	13.9	21.9	21.9	18.1	17.9	20.3	21.3	25.2	26.9	27.2	26.7	33.0	36.1	31.9	30.8	30.8
Chick Peas	6.6	4.8	14.3	13.4	17.4	19.6	22.6	13.9	18.5	14.7	17.2	20.0	19.1	19.9	18.7	25.3	25.3
Kurakkan	-	-	0.5	0.8	1.1	0.6	1.8	1.4	1.9	2.6	2.9	3.3	2.1	2.2	3.6	12.0	12.0
Cowpea	-	-	0.2	0.1	0.1	0.2	0.1	0.2	0.3	0.6	0.7	0.4	0.6	0.9	0.7	1.1	1.1
Soya Bean	0.3	2.7	2.9	3.2	3.5	1.5	1.6	1.3	0.2	...	2.4	1.8	1.6	...	0.1	...	...
Coriander	8.5	10.7	12.8	10.1	11.7	13.1	13.1	9.9	11.0	14.8	9.7	10.9	12.1	13.3	10.1	15.3	15.3
Turmeric	0.9	2.1	3.6	2.9	3.7	3.8	3.5	3.4	3.4	3.3	4.4	3.9	3.9	4.1	3.8	4.1	4.1
Turmeric (Powder)	-	-	0.2	0.1	0.1	...	0.3	0.5	0.4	0.3	0.3	0.3	0.3	0.2	...	...	...
Tamarind	-	-	0.8	...	0.4	0.7	0.1	1.0	0.1	0.1	0.1	0.1	0.9	0.7	...	...	...
Garlic	20.3	8.0	13.7	15.7	19.0	19.5	17.5	18.4	18.4	20.9	25.0	21.2	20.4	23.8	23.1	24.4	24.4
Apples	0.7	3.9	13.5	14.2	18.5	22.5	17.1	17.5	16.6	18.0	17.2	20.1	22.4	21.2	21.1	20.1	20.1
Grapes	...	0.8	2.5	2.7	3.4	3.9	3.5	3.0	3.5	3.4	3.7	3.4	4.3	6.9	6.6	6.2	6.2
Orange	0.3	1.6	10.8	9.4	10.8	11.1	7.6	3.8	5.0	3.3	3.6	4.3	4.5	7.0	6.0	7.6	7.6
Mandarin	...	...	...	...	...	...	2.7	4.0	6.1	3.7	5.3	7.4	10.9	10.5	10.6	9.5	9.5
Melon	...	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.1	...	...	...	...	...
Canned Fish	6.8	20.1	21.8	20.3	20.1	18.1	18.1	20.2	19.7	23.1	18.2	13.6	16.7	20.7	19.6	22.2	22.2
Maldiva Fish	2.2	3.4	4.3	5.6	6.2	5.9	5.2	5.5	5.6	3.6	3.1	3.2	2.9	2.8	1.4	1.4	1.4
Sprats	12.9	14.7	19.1	19.2	17.6	20.9	17.6	21.5	23.2	25.4	22.8	25.4	27.3	27.6	25.2	23.5	23.5
Other Dry Fish	22.8	30.1	31.4	28.9	27.0	24.8	20.3	23.4	21.6	22.7	22.1	20.1	18.5	19.6	14.2	14.0	14.0
Palm Oil	31.2	54.3	77.7	60.9	88.0	53.9	118.8	326.2	297.1	205.6	126.8	49.7	74.3	135.5	51.1	45.3	45.3
Coconut Oil	-	-	4.2	2.8	62.2	108.4	19.2	5.5	4.9	5.5	15.6	2.4	3.5	3.6	5.2	2.2	2.2

Sources: Sri Lanka Customs, Department of Census and Statistics, Central Bank of Sri Lanka

(a) Provisional

Table 16

Value of Food Imports

Item	Value of Food Imports													US\$ million		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)		
Sugar	141.0	115.0	132.0	116.0	111.4	132.3	223.7	151.0	203.0	218.0	363.0	426.0	345.0	288.9		
Milk Powder and Milk Products	118.0	115.0	110.0	120.0	122.0	133.0	171.0	186.0	288.0	165.0	259.0	345.0	307.0	291.0		
Flour	8.0	1.0	2.0	2.4	1.0	31.9	3.0	2.0	1.0	1.0	1.0	14.0	4.9	1.84		
Potatoes	5.5	9.8	6.3	5.6	4.1	7.6	10.4	20.0	23.6	23.0	36.9	35.7	22.7	28.5		
Chillies - Red	22.2	17.0	17.5	22.5	16.6	16.2	26.3	36.9	41.3	42.5	44.2	82.4	46.4	49.3		
Big Onions	19.8	19.6	19.9	21.3	21.4	18.2	18.7	39.7	32.1	40.8	58.8	59.3	29.5	71.1		
Red Onions	1.4	0.7	0.6	0.1	0.7	3.0	3.6	8.6	14.6	9.4	5.7	4.2	3.0	10.7		
Dhal	39.5	36.7	35.0	29.9	29.6	31.6	37.6	59.6	108.0	113.0	129.0	116.8	68.9	104.1		
Rice	4.0	11.0	18.0	9.0	59.4	15.6	5.5	38.7	44.3	22.9	59.0	18.4	24.2	17.9		
Maize	14.4	20.1	12.6	18.6	24.8	25.0	15.7	18.7	22.8	0.6	2.5	2.3	0.4	0.3		
Green Gram	5.3	3.0	2.3	2.5	4.0	3.0	3.8	7.4	11.0	10.7	15.6	13.8	7.3	11.2		
Black Gram	2.2	2.5	2.3	2.3	1.5	1.2	1.6	2.2	2.5	2.7	1.7	7.2	3.0	3.5		
Peas	5.7	5.4	5.1	5.1	5.3	5.0	6.3	10.0	18.8	12.9	14.9	18.5	19.0	19.9		
Chick Peas	6.3	5.9	6.5	6.5	7.3	4.4	6.3	9.8	17.3	17.7	17.8	26.9	25.6	20.5		
Kurakkan	0.3	0.1	0.2	0.1	0.3	0.2	0.2	0.3	0.6	0.6	0.6	0.6	0.4	...		
Cowpea	n.a	n.a	n.a	n.a	...	0.1	0.1	0.1	0.4	0.3	...	0.7	0.6	0.9		
Soya Bean	0.8	0.9	1.0	0.4	0.5	0.4	0.6	...	0.9	0.7	0.8	...	0.1	...		
Coriander	4.0	3.7	4.0	3.9	3.9	2.8	3.2	6.6	10.9	9.5	9.5	9.9	6.5	14.8		
Turmeric	1.9	1.0	1.6	1.6	1.3	1.1	1.1	1.1	2.7	4.2	8.2	7.0	3.7	4.6		
Turmeric (Powder)	0.1	...	0.1	...	0.2	0.2	0.1	0.1	0.2	0.5	0.6	0.2	...	...
Tamarind	0.2	...	0.1	0.1	...	0.2	...	...	...	...	0.2	0.2	...	...
Garlic	4.2	5.2	5.9	4.0	4.3	4.5	6.0	8.2	6.4	9.9	31.2	22.0	19.1	18		
Apples	6.1	5.9	7.9	9.0	6.1	5.4	5.2	5.7	5.4	7.7	9.6	9.7	14.4	19.8		
Grapes	4.0	4.0	4.4	4.3	3.9	3.1	3.7	3.7	4.0	4.4	5.6	6.8	10.5	11.2		
Orange	2.6	2.2	2.8	3.0	2.1	1.5	1.8	1.4	1.6	2.0	2.3	3.7	4.0	5.2		
Mandarin	...	...	...	0.1	0.6	0.8	1.2	0.8	1.2	2.1	3.2	3.3	3.8	2.8
Melon	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	...	-	...	...
Canned Fish	19.5	16.6	19.5	17.9	17.6	23.3	27.0	34.8	39.4	32.1	38.6	50.7	43.6	47.5		
Maldive Fish	8.7	11.2	10.4	9.1	7.8	8.3	8.5	5.9	8.1	14.1	11.5	12.3	7.5	6.6		
Sprats	16.7	16.5	12.7	14.5	11.7	14.5	25.2	29.1	26.5	31.4	35.1	39.1	40.0	55.2		
Other Dry Fish	28.7	33.0	28.4	24.4	20.5	23.2	27.8	27.4	31.2	37.0	32.0	36.8	30.0	25.1		
Palm Oil	28.4	17.7	33.6	24.1	53.5	130.9	131.0	145.3	127.4	35.3	68.1	160.6	67.2	81.4		
Coconut Oil	2.2	0.9	25.4	46.7	8.0	2.7	3.0	4.9	13.4	1.8	3.6	6.6	4.8	2.2		

Sources: Sri Lanka Customs, Department of Census and Statistics, Central Bank of Sri Lanka

(a) Provisional

Motor Vehicles

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Motor Vehicle Imports																
Total	127,295	99,918	93,417	74,612	130,713	208,930	236,868	295,928	337,693	296,290	258,244	169,493	383,099	533,056	374,175	309,310
Motor Bicycles	101,964	29,741	37,717	37,546	70,749	117,301	142,445	193,411	209,635	177,193	153,191	117,913	221,832	252,036	186,372	159,769
Three-Wheelers	4,494	18,030	11,302	9,224	17,377	35,773	41,445	39,154	50,310	34,485	44,046	30,356	92,207	137,389	93,284	80,585
Tractors	3,433	8,893	14,307	8,592	12,591	16,379	15,288	26,106	23,120	23,629	28,181	12,874	18,617	26,870	18,967	14,178
Transport Vehicles (goods)	10,010	27,803	14,378	10,608	12,680	19,770	18,291	18,423	22,987	36,084	13,742	5,639	20,655	55,786	45,560	25,654
Passenger Vans and Buses	1,330	744	1,775	936	1,201	1,358	2,241	2,229	3,025	2,094	1,117	649	2,766	3,836	3,245	1,627
Motor Cars	6,007	14,621	13,723	7,614	15,989	17,871	16,876	15,944	28,464	22,315	17,273	1,852	26,745	56,370	26,312	27,088
Other	57	86	215	92	126	478	282	661	152	490	694	210	277	769	435	409
New Registration of Motor Vehicles																
Total	106,224	82,401	92,237	72,634	113,351	181,502	223,842	229,669	300,522	297,892	265,199	204,075	359,243	525,421	397,295	326,651
Motor Cars	5,938	6,206	13,893	8,426	12,003	21,184	19,116	17,283	27,578	22,603	20,237	5,762	23,072	57,886	31,546	28,380
Three Wheelers	3,893	12,661	11,593	10,274	20,876	36,204	43,789	41,085	64,466	43,068	44,804	37,364	85,648	138,426	98,815	83,673
Motor Cycles	84,424	34,207	40,080	34,119	54,762	86,877	124,474	130,696	156,626	182,508	155,952	135,421	204,811	253,331	192,284	169,280
Buses	1,237	1,701	2,291	1,310	1,429	1,949	2,167	2,069	3,346	2,637	1,180	739	2,491	4,248	3,095	1,805
Dual Purpose Vehicles	5,225	11,179	7,952	5,864	8,591	13,268	10,736	6,851	7,245	5,193	2,856	1,280	11,712	33,518	37,397	24,603
Goods Transport Vehicles - Lorries	2,835	7,323	8,750	6,095	8,166	11,158	10,703	14,262	20,436	18,408	14,038	8,225	11,845	14,818	12,266	5,872
Land Vehicles - Tractors	2,430	7,417	7,285	6,063	7,078	10,004	11,535	15,597	19,040	21,346	24,357	13,951	17,363	20,073	18,450	10,772
Land Vehicles - Trailers	242	1,707	393	483	446	858	1,322	1,826	1,785	2,129	1,775	1,333	2,301	3,121	3,442	2,266
Total Vehicle Fleet *																
Total	819,943	1,246,750	1,706,382	1,779,016	1,892,367	2,073,869	2,297,711	2,527,380	2,827,902	3,125,794	3,390,993	3,595,068	3,954,311	4,479,732	4,877,027	5,203,678
Motor Cars	163,039	195,204	233,018	241,444	253,447	274,631	293,747	311,030	338,608	361,211	381,448	387,210	410,282	468,168	499,714	528,094
Three Wheelers	10,480	35,665	101,965	112,239	133,115	169,319	213,108	254,193	318,659	361,727	406,531	443,895	529,543	667,969	766,784	850,457
Motor Cycles	391,732	641,221	834,586	868,705	923,467	1,010,344	1,134,818	1,265,514	1,422,140	1,604,648	1,760,600	1,896,021	2,100,832	2,354,163	2,546,447	2,715,727
Buses	39,812	53,181	64,963	66,273	67,702	69,651	71,818	73,887	77,233	79,870	81,050	81,789	84,280	88,528	91,623	93,428
Dual Purpose Vehicles	19,622	68,857	135,632	141,496	150,087	163,355	174,091	180,942	188,187	193,380	196,236	197,516	209,228	242,746	280,143	304,746
Goods Transport Vehicles - Lorries	106,192	131,136	173,356	179,451	187,617	198,775	209,478	223,740	244,176	262,584	276,622	284,847	296,692	311,510	323,776	329,648
Land Vehicles - Tractors	66,407	94,122	130,663	136,726	143,804	153,808	165,343	180,940	199,980	221,326	245,683	259,634	276,997	297,070	315,520	326,292
Land Vehicles - Trailers	22,659	27,364	32,199	32,682	33,128	33,986	35,308	37,134	38,919	41,048	42,823	44,156	46,457	49,578	53,020	55,286

Sources: Sri Lanka Customs and Department of Motor Traffic

* Cumulative number of all vehicles registered in Sri Lanka

(a) Provisional

Power Sector

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Installed Capacity	MW	1,289	1,409	1,838	1,999	2,231	2,483	2,499	2,411	2,434	2,444	2,645	2,684	2,818	3,146	3,312	3,357
Hydro Power		1,017	1,137	1,150	1,161	1,172	1,247	1,281	1,291	1,314	1,324	1,345	1,379	1,383	1,401	1,584	1,623
Thermal		272	272	685	835	1,056	1,233	1,215	1,115	1,115	1,115	1,285	1,290	1,390	1,396	1,338	1,335
Coal		-	-	-	-	-	-	-	-	-	-	-	-	-	300	300	300
Wind*		-	-	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Other		-	-	-	-	-	-	-	2	2	2	12	12	42	46	87	96
Maximum Demand	MW	640	980	1,405	1,445	1,422	1,516	1,563	1,748	1,893	1,842	1,922	1,868	1,955	2,163	2,146	2,164
Total sales by CEB	GWh	2,608	3,915	5,258	5,236	5,502	6,209	6,667	7,255	7,832	8,276	8,417	8,441	9,268	10,023	10,474	10,624
Generation	GWh	3,150	4,783	6,686	6,520	6,810	7,612	8,043	8,769	9,389	9,814	9,901	9,882	10,714	11,528	11,800	11,954
Average Electricity Price	Rs	2.18	3.70	4.53	5.48	7.25	7.68	7.66	7.71	9.01	10.56	13.17	13.10	13.03	13.21	15.56	17.93
Average Cost of Electricity	Rs	1.70	2.64	6.28	7.58	9.42	9.17	10.33	10.91	10.93	13.48	17.67	14.93	13.03	15.59	23.66	17.70
Access to Electricity	000'	n.a.	n.a.	2,752	2,850	2,928	3,131	3,401	3,592	3,698	3,811	3,995	4,158	4,327	4,611	4,979	5,211
Access to Electricity	%	29.0	45.0	62.6	63.9	64.7	67.9	73.4	76.7	78.1	80.0	83.0	85.4	88.0	91.0	94.0	96.0

Source: Ceylon Electricity Board

(a) Provisional

Note: Installed capacity of Thermal includes hired plants from 2000-2004

*Wind capacity installed under CEB only

Table 19

Roads

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Total Road Length	km	108,931	109,626	109,982	110,046	110,392	110,792	111,001	111,436	112,964	113,506	113,573	113,674	114,272	114,768	115,272	115,425
National Roads		10,431	11,126	11,482	11,546	11,649	11,649	11,658	11,693	11,773	11,874	11,891	11,922	12,019	12,019	12,258	12,331
Class A		4,106	4,216	4,216	4,216	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219
Class B		6,325	6,910	7,266	7,330	7,430	7,430	7,439	7,474	7,554	7,655	7,672	7,703	7,800	7,800	7,944	7,951
Expressways		-	-	-	-	-	-	-	-	-	-	-	-	-	95	95	161
Provincial Roads		15,500	15,500	15,500	15,500	15,743	15,743	15,743	15,743	16,532	16,532	16,532	16,532	16,973	17,429	17,614	17,614
Rural Roads		83,000	83,000	83,000	83,000	83,000	83,400	83,600	84,000	84,659	85,100	85,150	85,220	85,280	85,320	85,400	85,480
Total Roads Density	km/km²	1.66	1.67	1.68	1.68	1.68	1.69	1.69	1.70	1.72	1.73	1.73	1.73	1.74	1.75	1.76	1.76
National Roads Density		0.16	0.17	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.19	0.19
Provincial Roads Density		0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.25	0.25	0.25	0.25	0.26	0.27	0.27	0.27
Rural Roads Density		1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.28	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Road Condition of National Roads as per IRI*																	
Excellent	%	-	-	-	-	-	-	-	-	-	7	7	11	16	23	24	27
Good	%	-	-	-	-	-	-	-	-	-	28	23	24	27	23	29	30
Fair	%	-	-	-	-	-	-	-	-	-	19	18	17	13	10	10	9
Poor	%	-	-	-	-	-	-	-	-	-	36	41	37	33	26	17	17
Bad	%	-	-	-	-	-	-	-	-	-	10	11	11	11	18	20	27

Source: Road Development Authority

*IRI = International Roughness Index

(a) Provisional

Table 20

Port Services

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Vessels Arrived *	No.	3,089	3,612	4,232	4,014	4,062	4,032	3,883	4,139	4,469	4,710	4,814	4,592	4,075	4,358	4,178	4,024
Colombo		2,847	3,277	3,832	3,570	3,787	3,838	3,688	3,929	4,228	4,326	4,424	4,114	3,910	4,124	3,870	3,667
Sri Lanka Ports Authority		2,847	3,277	3,026	2,765	2,886	2,899	2,691	2,972	3,160	3,114	3,151	2,939	2,928	3,040	2,750	2,600
South Asia Gateway Terminal		-	-	806	805	901	939	997	957	1,068	1,212	1,273	1,175	982	1,084	1,120	1,011
Colombo International Container Terminal																-	56
Galle		59	69	97	117	76	73	88	114	100	87	68	32	48	73	69	36
Trincomalee		183	266	303	327	199	121	107	96	141	297	322	310	109	126	161	134
Magam Ruhunupura Mahinda Rajapaksa Port		-	-	-	-	-	-	-	-	-	-	-	-	-	9	34	139
KKS, Myliddy, Point Pedro & Karainagar		-	-	-	-	-	-	-	-	-	-	-	136	8	26	44	48
Total Cargo Handled	MT'000	13,052	19,517	27,535	27,062	28,363	30,500	33,959	37,300	42,661	46,344	50,582	48,778	61,240	65,097	65,030	66,292
Colombo		11,718	17,414	25,222	24,741	26,273	28,198	31,299	34,523	39,428	43,502	47,960	46,373	58,768	62,016	61,669	63,482
Sri Lanka Ports Authority		11,718	17,414	21,986	21,207	20,298	21,502	21,918	24,885	27,585	28,985	30,924	27,281	33,775	36,019	36,867	39,186
South Asia Gateway Terminal		-	-	3,236	3,534	5,975	6,696	9,381	9,638	11,843	14,517	17,036	19,092	24,993	25,997	24,802	23,551
Colombo International Container Terminal																-	745
Galle		190	237	597	662	526	482	578	655	735	627	459	167	318	464	422	207
Trincomalee		1,144	1,866	1,716	1,659	1,564	1,820	2,082	2,123	2,498	2,215	2,163	2,238	2,154	2,574	2,859	2,435
Magam Ruhunupura Mahinda Rajapaksa Port		-	-	-	-	-	-	-	-	-	-	-	-	-	15	20	119
KKS, Myliddy, Point Pedro & Karainagar		-	-	-	-	-	-	-	-	-	-	-	-	-	11	28	49
Total Container Traffic	TEUs'000	595	1,049	1,733	1,727	1,765	1,959	2,221	2,455	3,079	3,381	3,687	3,464	4,137	4,263	4,187	4,306
Sri Lanka Ports Authority		595	1,049	1,432	1,397	1,207	1,335	1,321	1,524	1,744	1,835	1,961	1,714	2,167	2,299	2,317	2,502
South Asia Gateway Terminal		-	-	301	330	558	624	900	931	1,335	1,546	1,726	1,750	1,970	1,963	1,870	1,747
Colombo International Container Terminal																-	57
Transshipment Container **	TEUs'000	422	721	1,181	1,195	1,218	1,370	1,531	1,716	2,330	2,578	2,874	2,712	3,205	3,216	3,167	3,274
Sri Lanka Ports Authority		422	721	959	959	848	964	949	1,106	1,297	1,412	1,517	1,301	1,604	1,652	1,652	1,825
South Asia Gateway Terminal		-	-	222	236	370	406	582	610	1,033	1,166	1,357	1,411	1,601	1,564	1,515	1,405
Colombo International Container Terminal																-	44
Employment (Sri Lanka Ports Authority)	No.	18,840	16,492	19,344	18,561	17,910	13,936	13,233	13,527	13,660	13,667	13,715	13,367	12,828	11,008	10,200	9,886
Colombo		16,892	14,851	17,411	16,744	16,157	12,522	11,888	12,217	12,382	12,470	12,548	12,263	11,747	10,109	9,373	9,081
Galle		758	779	758	737	752	638	634	622	615	577	553	513	480	433	391	379
Trincomalee		1,190	862	1,175	1,080	1,001	776	711	688	663	620	614	591	601	466	436	426
Revenue (Sri Lanka Ports Authority)	Rs Mn	3,382	6,820	14,717	16,387	15,667	16,356	17,861	20,552	23,004	25,913	25,142	23,331	28,279	31,086	38,098	37,232

Source: Sri Lanka Ports Authority

* Excluding of Sailing craft, Naval Vessels, Fishing trawlers, Yatch & Dredgers

**Including Re-Stowing

The South Asia Gateway Terminal commenced its operations in 1999.

(a) Provisional

Water Supply and Sewerage

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Access to Pipe Borne Water	% population	7	13	n.a	n.a	n.a	28	n.a	30.0	31.0	32.0	34.0	37.0	40.0	42.4	43.5	44.6
Access to Safe Drinking Water	% population	n.a	n.a	n.a	n.a	n.a	71	n.a	75.0	76.0	77.0	78.0	80.0	81.0	82.9	84.1	88.7
Access to Piped Sewerage	% population	n.a	n.a	n.a	n.a	n.a	n.a	n.a	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.4	2.4
Average Cost (per month)**	Rs.000'	n.a	n.a	n.a	n.a	n.a	406,069	441,030	513,698	587,222	741,554	880,770	946,918	1,066,353	1,160,719	1,331,254***	1,442,217***
Average Household Bill (per month)	Rs	n.a	n.a	155.0	180.5	194.8	206.3	197.4	285.4	300.9	305.7	290.9	412.7	438.2	437.7	473.9	557.0
Water Supply Connections	No.	184,019	323,259	581,165	665,166	732,935	782,724	841,505	907,622	989,395	1,078,892	1,186,931	1,266,328	1,353,573	1,449,301	1,587,663	1,707,742
Water Production	Mn cum	219	275	332	343	349	357	368	383	398	425	440	449	470	490	525	547
Water Consumption	Mn cum	n.a	150*	213	220	230	233	244	253	261	284	299	309	322	342	368	381
Water Sales (Bill Revenue)	Rs Mn	555	1,542	3,006	3,498	3,966	4,366	4,460	5,839	6,947	7,422	7,875	11,119	12,409	13,343	13,209	18,167
Non- Revenue Water																	
Colombo City	%	n.a	n.a	53.7	54.5	52.0	52.3	53.0	51.3	51.8	53.2	54.0	53.1	52.0	50.0	49.2	47.7
Island wide	%	n.a	n.a	35.7	35.8	34.2	34.9	33.7	33.8	34.4	33.1	32.1	31.1	31.6	30.4	29.9	30.2
Employees	No.	7,355	7,555	7,809	8,334	8,103	8,187	7,806	7,981	8,335	8,848	9,006	9,063	9,018	9,199	9,670	9,953
Employees	Per 1000 connections	39.9	23.4	13.4	12.5	11.1	10.5	9.3	8.8	8.4	8.2	7.6	7.2	6.7	6.4	6.1	5.8
Collection Efficiency (Collection/Billing)		n.a.	0.89	0.99	0.96	0.97	1.09	1.10	1.02	0.98	1.00	0.99	0.94	1.00	0.99	0.98	1.01

Source: National Water Supply and Drainage Board

(a) Provisional

*Increase of Piped Sewerage connections is not significant enough to show an increase in Piped sewer coverage, with the increase in population.

**This cost includes total operating expenditure, depreciation and interest of commissioned projects.

*** Estimated figures.

Table 22

Communications

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Telecommunication																	
Fixed Access Services	No.	121,388	204,350	767,411	829,282	883,108	933,771	991,239	1,243,993	1,884,078	2,742,059	3,446,411	3,435,958	3,534,575	3,608,392	3,449,391	2,706,787
Wireline in Service		121,388	204,350	653,144	708,200	768,620	817,750	860,468	919,040	909,894	931,737	933,536	872,120	896,710	941,780	999,354	1,062,065
Wireless Access		n.a.	n.a.	114,267	121,082	114,488	116,021	130,771	324,953	974,184	1,810,322	2,512,875	2,563,838	2,637,865	2,666,612	2,450,037	1,644,722(b)
Cellular Phones	No.	500	51,316	430,202	667,662	931,580	1,393,403	2,211,158	3,361,775	5,412,496	7,983,489	11,082,508	14,264,442	17,246,567	18,319,447	20,324,070	20,315,150(b)
Telephone Density (Including Cellular Phones)	per 100 persons	0.7	1.4	6.3	8.0	9.6	121	16.5	23.4	36.7	53.6	71.9	86.6	100.8	105.1	116.9	112.4
Public Pay Phones	No. of Booths	363*	850	8,222	7,281	6,681	6,440	6,095	6,285	7,561	8,526	7,417	7,378	7,054	6,458	6,983	6,788
Internet and Email Subscribers	No.	n.a.	n.a.	40,497	61,532	70,082	85,500	93,300	115,000	130,000	202,348	234,000	249,756	280,000	359,216	423,194	507,845
Mobile Broadband Subscribers	No.	-	-	-	-	-	-	-	-	-	-	-	91,356	200,000	485,533	942,461	1,503,755
Internet Service Providers	No.	-	-	-	-	-	-	-	1	3	4	5	8	9	20	19	18
Postal																	
Public Post Offices	No.	3,864	3,966	4,043	4,043	4,038	4,041	4,040	4,043	4,046	4,051	4,053	4,057	4,059	4,058	4,062	4,026
Main Post Offices		516	563	597	602	614	625	629	633	637	641	645	647	649	648	651	651
Sub Post Offices		3,349	3,376	3,446	3,441	3,424	3,416	3,411	3,410	3,409	3,410	3,408	3,410	3,410	3,410	3,411	3,375
Private Post Offices	No.	80	179	309	339	421	621	650	654	679	646	654	657	606	675	676	602
Private Agency Post Offices		80	179	309	339	376	420	436	439	463	480	488	494	491	512	516	497
Rural Agency Post Offices		-	-	-	-	-	156	156	157	158	159	159	159	111	156	156	101
Estate Agency Post Offices**		-	-	-	-	45	45	58	58	58	7	7	4	4	7	4	4

Sources: Department of Posts, Sri Lanka Telecom and Telecommunications Regulatory Commission of Sri Lanka

(a) Provisional

(b) The decline in the Wireless Local Loop telephones and cellular phones in 2013 is due to revision in the classification of active subscribers.

*year 1991

** In 2002, a three year project was started to establish Estate Agency Post Offices on recommendation made by the Presidential Committee to address the "Social Cultural Problems in the Estate Sector".

These offices were ceased to function since 2006, due to the incapability of the Agents to expand the overall business capacity(potential)to earn sufficient income and lack of continued financial remuneration from the Ministry of Estate Infrastructure and Livestock Development to the Agents of the Estate Agency Post Offices"

Table 23

Crude Oil and Petroleum Products

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
International Prices (End Year)																	
Crude Oil																	
Brent	US\$(bbl)	28.32	17.96	25.28	18.60	28.52	29.88	39.65	56.75	62.31	91.45	41.58	74.67	91.80	107.97	109.64	110.63
WTI	US\$(bbl)	27.33	19.03	28.40	19.31	29.44	32.12	43.23	59.41	62.00	91.36	41.44	74.49	89.22	98.61	88.19	97.90
Dubai	US\$(bbl)	24.18	16.81	22.16	17.64	25.71	27.86	34.26	53.13	58.67	85.75	41.00	75.49	89.18	106.20	105.67	107.94
Oman*	US\$(bbl)	n.a.	n.a.	27.42	23.67	24.41	26.93	34.13	50.42	62.13	68.50	94.51	62.02	78.22	106.64	109.55	105.58
Refined Products (Singapore Plattes) (Annual Avg)																	
Petrol	US\$(bbl)	32.58	20.89	31.26	25.64	27.92	33.64	46.34	62.14	72.54	81.73	101.95	68.18	86.23	117.33	120.29	116.30
Diesel	US\$(bbl)	29.32	21.54	32.72	27.63	30.09	32.71	46.60	65.86	78.06	86.10	122.01	69.77	89.97	125.34	127.37	121.50
Kerosene	US\$(bbl)	32.62	22.84	34.48	28.33	29.77	32.90	47.61	67.93	80.66	86.77	122.08	70.14	90.18	125.29	126.84	122.98
Domestic Prices (End Year)																	
Petrol (90 Octane)	Rs/ltr	Super Petrol 30.00	Super Petrol 40.00	50.00	50.00	49.00	53.00	70.00	80.00	92.00	117.00	120.00	115.00	115.00	137.00	159.00	162.00
Petrol (95 Octane)	Rs/ltr	-	-	53.00	53.00	52.00	56.00	73.00	83.00	95.00	120.00	133.00	133.00	133.00	155.00	167.00	170.00
Auto Diesel	Rs/ltr	11.00	12.40	24.50	26.50	30.00	32.00	44.00	50.00	60.00	75.00	70.00	73.00	73.00	84.00	115.00	121.00
Super Diesel	Rs/ltr	13.00	15.20	29.80	31.80	35.30	37.30	49.30	55.30	65.30	80.30	85.30	88.30	88.30	106.30	142.00	145.00
Kerosene	Rs/ltr	8.80	9.50	18.40	17.40	24.00	25.50	25.50	30.50	48.00	68.00	50.00	51.00	51.00	71.00	06.00	106.00
Furnace Oil - 800 Sec	Rs/ltr	6.30	6.80	15.10	17.00	21.90	23.70	25.20	32.80	45.80	53.90	33.90	32.90	42.20	52.20	92.20	92.20
Furnace Oil - 1000 Sec	Rs/ltr	6.00	6.50	14.60	16.50	21.20	23.20	24.70	31.40	44.40	44.40	52.70	52.70	48.70	48.70	-	-
Furnace Oil - 1500 Sec	Rs/ltr	n.a.	n.a.	14.00	15.80	20.70	22.30	24.30	30.30	43.30	51.70	25.00	32.70	40.00	50.00	90.00	90.00
Furnace Oil - 3500 Sec	Rs/ltr	n.a.	n.a.	12.40	14.10	18.90	20.70	22.00	28.00	41.00	41.00	45.00	26.00	40.00	50.00	90.00	90.00

Crude Oil and Petroleum Products *contd...*

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Quantity Imported																	
Crude Oil	Mt 000'	1,779	1,872	2,330	1,955	2,300	1,995	2,200	2,008	2,151	1,968	1,853	2,066	1,819	2,070	1,486	1,743
Refined Products (b)	Mt 000'	126	563	1,266	1,419	1,344	1,168	1,644	1,823	1,926	2,411	2,476	2,264	2,991	4,283	4,891	4,670
L.P. Gas	Mt 000'	17	66	134	126	137	141	148	149	158	156	144	146	163	180	199	197
Domestic Production																	
L.P. Gas	Mt 000'	19	14	12	15	20	20	15	13	15	16	16	24	23	24	17	22
Local Sales																	
Petrol (90 Octane)	Mt 000'	181	190	220	244	277	375	417	526	454	487	490	518	573	676	726	733
Petrol (95 Octane)	Mt 000'	n.a.	n.a.	4	5	9	16	20	23	24	31	29	22	22	35	40	55
Auto Diesel	Mt 000'	511	789	1,715	1,675	1,728	1,663	1,890	1,862	1,633	1,752	1,606	1,681	1,663	1,985	2,054	1,705
Super Diesel	Mt 000'	37	107	47	49	47	42	36	17	9	14	9	9	12	15	42	50
Kerosene	Mt 000'	167	222	229	228	229	207	204	252	206	168	151	151	165	169	143	126
Furnace Oil	Mt 000'	158	241	785	811	758	715	748	1,026	912	986	999	1,110	1,117	1,222	1,322	826
L.P. Gas	Mt 000'	34	77	146	141	157	161	166	165	170	197	174	194	210	228	228	239
Petroleum Tax Revenue	Rs Mn.	n.a.	n.a.	n.a.	n.a.	19,702	22,291	25,876	27,413	26,004	23,270	33,072	32,287	39,434	33,063	61,556	53,333
o/w Excise Duty	Rs Mn.	n.a.	n.a.	0,700	12,948	16,708	13,251	14,817	17,041	18,234	19,124	18,977	23,018	28,038	22,470	28,466	27,131

Sources: Ceylon Petroleum Corporation and Energy Statistics on Index Mundi (www.indexmundi.com/commodities)

(a) Provisional

(b) Including Coal Imports

*Annual Average

Table 24

Petroleum Products Tax Structure

Item	Unit	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Petrol													
Value Added Tax (VAT)	%	10	10	15	15	15	15	15	5	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	20	20	16	Rs 35 Duty waived	Rs 35 Duty waived	Rs.35 (Rs. 23 duty waived)	Rs.35 (Rs. 23 duty waived)
Excise Duty	Rs. per ltr	21	21	20	20	20	20	20	25	25	25	25	27
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5	5	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-	-	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-	-	-
Provincial Turnover Tax (TT)	%	1	1	1	1	1	1	1	1	1	-	-	-
Diesel													
Value Added Tax (VAT)	%	10	10	15	15	Ex	Ex	Free	Ex	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	Free	Free	Free	Rs 15 Duty waived	Rs 15 Duty waived	Rs.15(Rs.13 duty waived)	Rs.15(Rs.13 duty waived)
Excise Duty	Rs. per ltr	3	3	2.25	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5	5	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-	-	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-	-	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-	-	-
Kerosene													
Value Added Tax (VAT)	%	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Excise Duty	Rs. per ltr	1.25	1.25	1.25	1.25	1.25	Ex	Ex	Ex	Ex	Ex	Ex	Ex
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5	5	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-	-	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-	-	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-	-	-
L.P.Gas													
Value Added Tax (VAT)	%	10	10	15	15	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Excise Duty	Rs. per ltr	Ex	Ex	Ex	Ex	Ex	5% or Rs. 8 ltr	5% or Rs. 24 ltr	5% or Rs. 14 ltr	Ex	Ex	Ex	Ex
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	5	5	5	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-	-	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-	-	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-	-	-

Source: Ministry of Finance and Planning and Department of Fiscal Policy

Note: EX - Exempted

Table 25

Health Services

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Hospitals	No.	502	535	581	594	605	605	605	606	604	734	747	716	740	778	790	813
Public		502	535	581	594	605	605	605	606	604	619	612	555	568	592	593	607
Private		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	115	135	161	172	186	197	206
Central Dispensaries	No	278	386	389	389	385	398	397	397	397	387	417	461	476	475	480	484
Beds	No	42,079 (b)	47,665 (b)	58,423	58,833	59,781	61,522	61,868	61,937	61,835	66,430	66,835	68,905	69,501	69,731	73,437	79,820
Doctors	No.	2,440	3,986	10,285	10,975	10,328	11,834	12,210	12,692	13,276	14,060	15,185	15,930	16,492	18,299	18,252	19,847
Administrative MOO		n.a.	n.a.	101	97	102	101	106	124	124	128	131	136	138	240	211	143**
Specialist MOO		n.a.	n.a.	697	683	669*	719	791	848	905	959	1,006	1,135	1,216	1,264	1,458	1,566
Medical Officers		n.a.	n.a.	6,873	7,235	7,459	8,342	8,749	9,070	9,297	9,662	10,932	11,684	11,782	12,630	13,329	14,584
Intern MOO		n.a.	n.a.	693	676	746	624	514	585	857	1,218	993	765	989	1,835	1,062	1,465
Dental Surgeons		n.a.	n.a.	589	954	726	763	774	805	848	849	879	1,022	1,209	1,230	1,110	1,167
RMO/AMO		n.a.	n.a.	1,332	1,330	1,295	1,285	1,276	1,260	1,245	1,244	1,244	1,188	1,158	1,100	1,082	1,065
Nurses	No.	8,957	13,310	14,931	15,061	16,139	16,771	17,316	20,332	20,912	22,088	22,977	26,351	27,494	29,234	30,217	30,892
Pupil Nurses	No.	n.a.	n.a.	3,668	5,277	5,830	5,095	5,704	6,494	7,149	8,288	9,922	7,705	7,264	5,934	5,809	6,638
Public Health Nursing Sisters (PHNS)	No.	140	174	292	308	303	298	311	308	312	297	210	328	365	326	364	331
Public Health Midwives (PHM)	No.	3,321	4,383	5,371	5,189	5,342	7,453	7,407	7,316	7,165	7,590	8,722	8,276	8,276	8,385	8,703	9,119
Public Health Inspectors (PHI)	No.	886	932	1,448	1,450	1,482	1,517	1,564	1,581	1,574	1,662	1,695	1,691	1,689	1,718	1,644	1,693
Health Education Officers (HEOO)	No.	n.a.	n.a.	50	54	52	51	51	49	50	43	43	51	50	56	47	48
Professions Supplementary to Medicine (PSM)	No.			2,153	2,313	2,357	2,471	2,456	2,557	2,485	2,488	2,756	3,251	3,509	3,553	3,694	4,614
Medical Lab Technicians (MLTT)		n.a.	n.a.	733	860	873	910	899	984	913	910	1,020	1,332	1,422	1,415	1,399	1,421
Physiotherapists		n.a.	n.a.	208	199	203	211	209	220	217	215	241	268	322	328	339	346
Radiographers		n.a.	n.a.	288	320	338	346	341	345	340	336	385	464	477	485	534	536
Occupational Therapists		n.a.	n.a.	45	49	47	49	49	47	46	47	56	75	92	100	105	940
Pharmacists		n.a.	n.a.	879	885	896	955	958	961	969	980	1,054	1,112	1,196	1,225	1,317	1,371
Attendants	No.	5,707	5,579	7,309	7,163	6,955	6,880	6,696	6,705	7,091	7,129	7,184	8,358	8,189	8,403	8,375	8,087

Source: Ministry of Health

(a) Provisional

(b) Excluding Northern province

*Excluding Specialist MOO attached to Anti Filaria Campaign, Blood Bank Colombo, Faculty Staff Colombo, Fever HS Colombo, Mental HS Angoda, Rehabilitation HS Ragama, NHS, STD Clinic Katugastota, BH Kalmunai South, BH Dehiattakandiya, DH Madirigiriya & BH Nikaweratiya

** Permanently employed

Education

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
General Education																	
Schools	No.	10,382	10,832	10,615	10,552	10,508	10,473	10,501	10,461	10,459	10,430	10,445	10,205	10,502	10,549	10,737	10,850
Government		9,864	10,239	9,976	9,891	9,829	9,790	9,765	9,723	9,714	9,678	9,662	9,410	9,685	9,731	9,905	10,010
o/w National		28	198	317	320	323	323	324	324	327	328	330	334	340	342	342	350
Private		61	79	78	78	80	85	85	85	91	94	92	98	98	98	98	104
Private		457	514	561	583	599	598	651	653	654	658	691	697	719	720	734	736
Students	000'	4,232	4,351	4,340	4,337	4,179	4,099	4,029	4,098	3,999	4,111	4,101	4,038	4,119	4,159	4,195	4,231
Government		4,111	4,216	4,194	4,187	4,027	3,942	3,871	3,937	3,838	3,942	3,930	3,865	3,940	3,974	4,004	4,036
National		n.a.	391	717	746	706	644	684	723	682	730	749	759	785	800	793	796
Provincial		n.a.	3,825	3,477	3,441	3,322	3,298	3,186	3,214	3,156	3,212	3,181	3,106	3,155	3,174	3,211	3,240
Private		83	88	95	97	97	101	101	106	106	114	115	115	117	122	126	128
Private		38	47	51	53	55	56	57	55	55	55	56	58	62	63	65	66
Teachers	No.	184,822	195,388	194,718	198,410	196,407	196,897	197,697	199,715	215,439	220,204	223,314	224,672	226,646	231,819	235,533	236,027
Government		178,333	187,571	186,097	189,485	186,999	186,695	187,337	189,234	204,645	209,197	212,116	213,126	214,562	219,886	223,333	223,730
Private		3,069	3,677	4,332	4,343	4,569	4,913	4,846	5,000	5,266	5,414	5,454	5,701	5,994	5,804	6,114	6,200
Private		3,420	4,140	4,289	4,582	4,839	5,289	5,514	5,481	5,528	5,593	5,744	5,845	6,090	6,129	6,086	6,097
University Education																	
Universities	No.	9	9	15	15	15	15	15	17	17	17	17	17	17	17	17	17
UGC (a)		9	9	13	13	13	13	13	15	15	15	15	15	15	15	15	15
MoHE		-	-	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Students	No.	35,919	36,669	56,071	57,414	58,382	70,995	73,083	74,458	78,600	80,836	80,057	82,822	86,592	92,963	86,197	95,808
UGC (b)		31,447	32,004	50,636	51,017	52,253	64,337	64,952	66,386	68,588	71,257	69,491	71,471	73,398	77,657	70,222	78,442
OUSL		4,472	4,665	5,349	6,260	5,952	6,454	7,908	7,774	9,700	9,222	10,153	10,904	12,818	14,915	15,418	16,739
MoHE		-	-	86	137	177	204	223	298	312	357	413	447	376	391	557	627
New Admissions		6,043	8,015	11,805	11,962	12,144	25,471*	13,396	14,520	16,598	17,196	20,069	20,846	21,547	22,267	29,009	24,545
Employees	No.	7,687	8,541	11,486	12,112	12,634	12,390	12,417	13,269	13,859	14,119	14,549	15,412	15,670	15,905	16,301	16,869
Academic																	
Lecturers		2,040	2,808	3,255	3,282	3,425	3,531	3,567	3,814	4,066	4,363	4,504	4,790	5,032	5,117	5,242	5,527
UGC (a)		2,040	2,808	3,241	3,268	3,390	3,487	3,525	3,770	4,016	4,313	4,452	4,735	4,984	5,064	5,176	5,457
MoHE		-	-	14	14	35	44	42	44	50	50	52	55	48	53	66	70
Non Academic		5,647	5,733	8,231	8,830	9,209	8,859	8,850	9,455	9,793	9,756	10,045	10,622	10,638	10,788	11,059	11,342
Graduate Output**	No.																
First Degree		4,476	4,206	9,374	8,224	9,027	12,436	15,828	12,545	16,812	16,837	19,755	20,931	20,357	23,167	11,788***	n.a.
Postgraduate		307	1,048	2,169	1,643	1,996	3,796	5,158	4,589	3,071	3,852	4,665	6,518	6,330	5,614	8,054	n.a.

Source: Ministry of Education, Ministry of Higher Education

(a) Provisional

OUSL-Open University of Sri Lanka

UGC (a) - Universities under the University Grants Commission, including OUSL

UGC (b) - Universities under the University Grants Commission, excluding OUSL

MoHE - Buddhist and Pali University and Buddhasravaka Bhiksu University under Ministry of Higher Education

* In year 2003, two batches of undergraduates were admitted

** From 2003, Graduate output includes graduates who followed internal and external degree programmes of universities, Open universities and higher educational institutes

*** Number graduated has decreased in 2012 as final exams have not been held in several faculties due to academic & Non academic Strikes in 2012.

Access to Banking and Finance

Category	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Domestic Commercial Banks	No.	6	8	10	11	11	11	11	11	11	11	11	11	11	11	12	12
State		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Private		4	6	8	9	9	9	9	9	9	9	9	9	9	10	10	10
Branches	640	800	931	952	987	987	1,013	1,056	1,090	1,179	1,263	1,289	1,333	1,417	1,567	1,627	2,576**
State	n.a.	n.a.	603	604	608	610	610	620	624	630	633	637	640	640	654	675	1,356
Private	n.a.	n.a.	328	348	379	403	403	436	466	549	630	652	693	777	913	952	1,220
Other offices	84	93	480	523	633	633	679	700	742	2,296	2,894	3,256	3,452	3,523	3,610	3,727	2,864***
State	n.a.	n.a.	275	275	325	325	340	348	368	1,955	2,566	2,910	3,077	3,101	3,160	3,265	2,610
Private	n.a.	n.a.	205	248	308	308	339	352	374	341	328	346	375	422	450	462	254
Automated Teller Machines (ATMs)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,256	1,510	1,710	1,815	2,035	2,187	2,310
State	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	392	490	625	664	740	787	867
Private	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	864	1,020	1,085	1,151	1,295	1,400	1,443
Foreign Commercial Banks	No.	18	18	16	14	12	11	11	11	12	12	11	11	11	12	12	12
Branches	23	37	38	37	31	31	32	33	35	39	43	44	44	46	49	49	221
Other Offices	n.a.	n.a.	7	9	4	6	6	6	7	23	133	170	170	170	171	171	-
Automated Teller Machines (ATMs)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46	47	47	47	44	48	48
Specialized Banks	No.	16	21	12	14	13	14	14	14	14	15	14	14	9	9	9	9
National Level Banks	4	4	6	8	7	7	8	8	8	8	8	8	8	8	8	8	8
Regional Development Banks *	12	17	6	6	6	6	6	6	6	6	6	6	6	1	1	1	1
Branches	183	274	315	328	332	332	346	375	369	379	409	448	465	500	515	527	645**
National Level Banks	82	103	134	140	142	142	156	178	170	175	191	229	239	270	280	287	390
Regional Development Banks *	101	171	181	188	190	190	190	197	199	204	218	219	226	230	235	240	255
Other Offices	n.a.	n.a.	18	20	32	32	33	33	36	212	219	220	233	257	272	273	175***
National Level Banks	n.a.	n.a.	11	13	20	20	21	21	23	194	202	203	215	236	251	251	167
Regional Development Banks *	n.a.	n.a.	7	7	12	12	12	12	13	18	17	17	18	21	21	22	8
Automated Teller Machines (ATMs)	No.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	68	97	119	158	158	180	180
Insurance Companies	3	5	8	9	11	11	12	13	14	15	15	16	18	19	22	22	22
Registered Finance Companies	20	24	25	25	26	26	26	26	28	29	32	34	35	36	39	47	48
Specialized Leasing Companies	No.	n.a.	n.a.	n.a.	13	13	15	17	18	18	20	22	21	21	16	13	10
Credit Cards Issued	No.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	153,186	181,857	234,720	200,679	122,033	68,430	90,489	148,481	167,424	166,181
Credit Cards In Use	No.	n.a.	n.a.	205,324	255,584	321,145	393,854	491,196	629,740	810,179	905,561	929,112	840,905	778,544	862,352	891,170	951,320

Sources: Central Bank of Sri Lanka and Insurance Board of Sri Lanka

(a) Provisional

* During 2010, business of 6 Regional Development Banks was vested with a new level bank, i.e. Pradeshiya Sanwardhana Bank

**All outlets excluding Student Savings Units

*** This includes Student Savings Units only.

Note: with effect from 01.01.2013, Banking Outlets were reclassified into two categories namely branches and student savings units

Table 28

Labour Force and Unemployment

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006(d)	2007	2008	2009	2010	2011 (c)	2012 (c)	2013(e)
Labour Force																	
Total Labour Force	000'	6,001	6,106	6,827	6,772	7,146	7,653	8,061	8,141	7,598	7,489	8,082	8,073	8,108	8,554	8,464	8,802
Labour Force Participation Rate	%	51.9	47.9	50.3	48.8	50.3	48.9	48.6	48.3	51.2	49.8	49.5	48.7	48.1	53.0	52.6	53.8
Employed Population by Industry																	
Agriculture	000'	2,362	1,967	2,274	2,033	2,248	2,384	2,475	2,306	2,287	2,202	2,490	2,476	2,520	2,699	2,513	2,504
Public	000'	n.a.	36	32	33	24	23	33	27	89	98	157	145	107	116	127	128
Private	000'	n.a.	1,931	2,242	2,000	2,223	2,361	2,442	2,279	2,198	2,104	2,332	2,331	2,412	2,583	2,386	2,376
Industry	000'	979	1,188	1,491	1,491	1,459	1,611	1,781	1,928	1,890	1,874	2,005	1,910	1,867	1,977	2,118	2,203
Public	000'	n.a.	49	67	59	38	38	40	59	45	51	51	50	47	43	59	58
Private	000'	n.a.	1,139	1,424	1,433	1,421	1,573	1,742	1,869	1,845	1,823	1,954	1,860	1,820	1,934	2,059	2,145
Services	000'	1,706	2,202	2,545	2,711	2,813	3,017	3,138	3,284	2,928	2,966	3,154	3,216	3,320	3,511	3,487	3,711
Public	000'	n.a.	755	749	777	821	900	900	924	821	820	956	981	945	1,021	1,044	1,084
Private	000'	n.a.	1,447	1,796	1,934	1,992	2,117	2,238	2,360	2,107	2,146	2,198	2,235	2,375	2,490	2,443	2,627
Unemployment																	
Unemployment No.	000'	954	749	517	537	626	641	667	623	493	447	433	471	401	357	336	384
By Gender																	
Male	000'	n.a.	368	260	280	310	311	323	302	227	210	194	223	186	153	160	179
Female	000'	n.a.	381	257	257	316	330	344	322	268	237	239	248	216	205	176	205
By Age Group																	
15-19 years	000'	54	157	101	114	125	127	121	122	86	70	68	68	59	46	48	53
20-29 years	000'	244	436	325	340	398	404	422	381	300	272	260	277	240	225	200	227
30-39 years	000'	258	113	62	56	69	74	78	76	59	59	58	71	59	56	53	58
Over 40 years	000'	387	41	30	27	34	36	45	44	48	46	46	55	43	30	n.a.	47
By Level of Education																	
Grade 5 & Below	000'	304	41	16	19	29	31	36	28	23	20	20	20	11	10	9	15
Grade 6 - 10	000'	430	352	236	219	255	258	245	232	207	183	17	188	140	136	126	140
GCE O/L	000'	153	218	134	147	158	167	175	178	131	98	101	109	91	71	92	85
GCE A/L & Above	000'	67	138	131	153	184	185	212	185	133	146	142	154	159	141	110	144
Unemployment Rate	%	15.9	12.0	7.6	7.9	8.8	8.4	8.3	7.7	6.5	6.0	5.4	5.8	4.9	4.2	4.0	4.4

Source: Department of Census and Statistics

(a) Data including Eastern provinces but excluding Northern province

(b) Excluding Mullativu and Killinochchi districts

(c) All the districts are included

(d) Excluding Northern and Eastern provinces

(e) Provisional

Note: From year 2013 lower bound of working age has changed and therefore age 15 and above population is considered as working age population. Hence, this table provides 2011, 2012 and 2013 statistics considering the new lower bound (for the purpose of comparison)

Table 29

Average Daily Wages and Strikes

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Paddy Cultivation																	
Male	Rs.per day	n.a.	n.a.	n.a.	n.a.	279.00	304.00	341.00	361.00	391.00	456.00	562.00	615.00	658.00	704.00	787.00	882.00
Female		n.a.	n.a.	n.a.	n.a.	217.00	230.00	258.00	261.00	293.00	336.00	395.00	423.00	454.00	530.00	599.00	667.00
Tea Cultivation																	
Male	Rs.per day	41.08	66.50	95.00	101.00	258.00	276.00	304.00	300.00	333.00	375.00	440.00	496.00	543.00	617.00	691.00	764.00
Female				95.00	101.00	188.00	201.00	218.00	217.00	234.00	263.00	305.00	356.00	391.00	438.00	512.00	565.00
Rubber Cultivation																	
Male	Rs.per day	38.86	64.01	95.00	95.00	277.00	280.00	304.00	305.00	335.00	389.00	500.00	532.00	588.00	658.00	741.00	853.00
Female				95.00	95.00	195.00	217.00	229.00	230.00	249.00	277.00	377.00	416.00	463.00	490.00	585.00	652.00
Coconut Cultivation																	
Male	Rs.per day	38.86	64.01	95.00	110.00	330.00	338.00	366.00	387.00	421.00	479.00	590.00	652.00	699.00	783.00	887.00	997.00
Carpentry																	
Master Carpenter		50.00	90.33	105.00	165.00	439.00	470.00	516.00	556.00	633.00	732.00	844.00	932.00	1,002.00	1,115.00	1,248.00	1,334.00
Skilled and Unskilled		45.00	n.a.	92.00	145.00	269.00	289.00	356.00	368.00	416.00	479.00	558.00	617.00	657.00	729.00	824.00	903.00
Masonry																	
Master Mason	Rs.per day	47.50	76.98	105.00	165.00	433.00	466.00	510.00	553.00	629.00	727.00	837.00	935.00	995.00	1,093.00	1,216.00	1,304.00
Skilled and Unskilled		44.51	74.00	92.00	145.00	273.00	504.00	354.00	369.00	413.00	474.00	561.00	627.00	669.00	729.00	823.00	900.00
Strikes																	
No. of Strikes		116	183	87	92	104	98	90	57	53	25	51	8	15	27	34	40

Sources: Department of Labour and Central Bank of Sri Lanka

(a) Provisional

Table 30

Poverty and Inequality							
Index	Unit	Survey Period					
		1990/91	1995/96	2002	2006/07	2009/10	2012/13
Poverty Head Count Index							
Sri Lanka	%	26.1	28.8	22.7	15.2	8.9	6.7
Sector							
Urban	%	16.3	14.0	7.9	6.7	5.3	2.1
Rural	%	29.5	30.9	24.7	15.7	9.4	7.6
Estate	%	20.5	38.4	30.0	32.0	11.4	10.9
District							
Colombo	%	16.2	12.0	6.4	5.4	3.6	1.4
Gampaha	%	14.7	14.1	10.7	8.7	3.9	2.1
Kalutara	%	32.3	29.5	20.0	13.0	6.0	3.1
Kandy	%	35.9	36.7	24.9	17.0	10.3	6.2
Matale	%	28.7	41.9	29.6	18.9	11.5	7.8
Nuwara Eliya	%	20.1	32.1	22.6	33.8	7.6	6.6
Galle	%	29.7	31.6	25.8	13.7	10.3	9.9
Matara	%	29.2	35.0	27.5	14.7	11.2	7.1
Hambantota	%	32.4	31.0	32.2	12.7	6.9	4.9
Jaffna	%	-	-	-	-	16.1	8.3
Mannar		-	-	-	-	-	20.1
Vavunia	%	-	-	-	-	2.3	3.4
Mullaitivu		-	-	-	-	-	28.8
Killinochchi		-	-	-	-	-	12.7
Batticaloa	%	-	-	-	10.7	20.3	19.4
Ampara	%	-	-	-	10.9	11.8	5.4
Trincomalee	%	-	-	-	-	11.7	9.0
Kurunegala	%	27.2	26.2	25.4	15.4	11.7	6.5
Puttlum	%	22.3	31.1	31.3	13.1	10.5	5.1
Anuradapura	%	24.4	27.0	20.4	14.9	5.7	7.6
Polonnaruwa	%	24.9	20.1	23.7	12.7	5.8	6.7
Badulla	%	31.0	41.0	37.3	23.7	13.3	12.3
Monaragala	%	33.7	56.2	37.2	33.2	14.5	20.8
Rathnapura	%	30.8	46.4	34.4	26.6	10.5	10.4
Kegalle	%	31.2	36.3	32.5	21.1	10.8	6.7
Poverty Gap	%	5.6	6.6	5.1	3.1	1.7	1.10
Squard Poverty Gap	%	1.8	2.2	1.6	0.9	0.5	0.30
Poverty Shortfall							
	Rs./Month	101	191	317	448	587	607
Gini Coefficient of Per Capita Expenditure		0.32	0.35	0.40	0.40	0.36	0.39
Gini Coefficient of Household Expenditure		-	0.36	0.41	0.41	0.37	0.40
Gini Coefficient of Household Income		0.43	0.46	0.47	0.49	0.49	0.48
Quintile Ratio	%	4.7	5.3	6.9	6.7	5.7	12.0

Source: Department of Census and Statistics

Household Income and Expenditure Survey 1990/91 (excluding Northern and Eastern provinces)

Household Income and Expenditure Survey 1995/96 (excluding Northern and Eastern provinces)

Household Income and Expenditure Survey 2002 (excluding Northern and Eastern provinces)

Household Income and Expenditure Survey 2006/07 (excluding Northern province and Trincomalee district)

Household Income and Expenditure Survey 2009/10 (excluding Mannar, Mullaitivu and Killinochchi districts)

Household Income and Expenditure Survey 2012/13 (covered all districts)

Table 31

Remittances and Departures for Foreign Employment

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Total Remittances	US\$ mn	401	727	1,160	1,155	1,287	1,414	1,564	1,918	2,161	2,502	2,918	3,330	4,116	5,145	5,985	6,407
By Country																	
Middle East		217	423	730	703	770	804	868	1,089	1,234	1,451	1,745	1,995	2,474	3,030	3,358	3,562
European Union		46	108	156	190	220	253	286	355	411	500	525	603	724	885	1,071	1,160
Europe, Other		10	41	63	64	71	113	129	135	143	135	128	148	177	232	275	308
East Asia		20	55	68	61	63	69	76	86	110	135	175	203	247	401	509	557
North America		79	58	78	81	87	90	105	125	119	105	114	127	140	154	174	186
South and Central America		...	7	11	12	13	14	15	19	22	20	23	28	35	41	48	58
South East Asia		23	15	22	22	24	27	32	38	52	75	90	100	144	206	263	288
South Asia		3	5	8	7	11	12	13	19	22	25	32	40	58	51	90	83
Australia and New Zealand		2	7	12	14	14	16	23	29	28	33	55	57	82	103	132	147
Other		1	8	12	11	14	16	18	24	22	23	29	30	35	41	66	58
Total Departures	No.	42,625	172,471	182,188	184,007	203,773	209,846	214,709	231,290	201,948	218,459	250,499	247,126	267,507	262,961	282,447	293,105
Professional		116	878	935	1,218	1,481	1,541	1,827	1,421	1,713	1,653	2,835	2,832	3,057	3,844	4,448	5,140
Middle Level		381	2,495	3,781	3,776	4,555	7,507	6,561	8,042	6,638	3,962	8,667	6,388	6,884	6,134	9,280	16,508
Clerical and Related		843	4,594	5,825	6,015	7,239	6,779	6,679	7,742	7,911	4,551	6,791	6,719	7,923	9,906	16,184	26,550
Skilled		11,171	27,165	36,475	36,763	45,478	47,744	45,926	46,688	45,063	50,263	59,718	61,321	71,537	67,726	67,150	73,600
Semi Skilled		144	-	-	-	-	-	-	-	-	3,499	5,326	6,015	4,932	4,180	3,467	3,412
Unskilled		9,069	23,479	35,759	33,385	36,485	44,264	43,204	41,904	40,912	52,176	59,239	50,173	60,422	63,680	62,907	70,961
Housemaids		20,901	113,860	99,413	102,850	108,535	102,011	110,512	125,493	99,711	102,355	107,923	113,678	112,752	107,491	119,011	96,934

Sources: Foreign Employment Bureau and Central Bank of Sri Lanka

(a) Provisional

Welfare Payments and Development Subsidies

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)	Rs. million
Healthcare															27,269
Pharmaceuticals (free medicine)	4,600	4,482	4,721	4,068	6,796	7,100	11,379	10,804	12,082	12,149	13,544	16,617	16,740		
Empowering the Vulnerable and Needy															15,256
Samurdhi	9,638	12,057	9,920	8,756	8,497	9,103	10,789	9,200	9,995	9,267	9,241	9,044	10,553		
No. of Beneficiaries (Families Mn)	2.0	2.0	1.9	1.9	1.9	2.0	1.9	1.8	1.6	1.6	1.6	1.5	1.5		1.4
Assistance to Elderly	-	-	-	-	-	-	648	326	922	960	650	950	554		2,045
Allowance for Handicapped Students	-	-	-	-	-	40	50	71	70	74	71	80	80		123
Allowance for Disable People	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	43	75	74	75	394	403		513
Empowering Government Security Forces															458
Allowance for the Third Child of Soldiers	-	-	-	-	-	-	-	-	-	-	-	297	313		
Death and Disabled Soldiers Compensation	-	-	-	-	-	4,749	5,921	7,426	8,694	9,796	10,500	13,316	14,779		16,152
Agriculture Development															19,706
Fertilizer	1,765	3,649	2,446	2,487	3,571	6,846	10,700	11,000	26,450	26,935	23,028	29,802	36,456		
Paddy Purchasing (To Stabilise the Paddy Prices)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	755	990	680	1,060	1,805	1,629	1,440		1,764
Commercial Crop Development															207
Crop Subsidy															
Tea	81	96	141	160	206	183	188	199	232	211	191	171	182		272
Rubber	90	69	54	61	50	115	176	193	275	200	371	485	435		587
Coconut	68	69	126	218	56	124	270	179	222	237	269	293	353		403
Cashew	11	12	25	13	15	18	22	23	35	34	25	29	27		49
Minor Crops - (Cineman, Cocoa, Coffee, Pepper)	104	99	40	32	40	45	79	134	117	175	180	220	185		207
School Children and University Students															2,300
School Uniforms	n.a.	n.a.	799	601	1,099	1,060	963	1,067	582	1,260	950	1,364	2,218		
Season Tickets	225	225	225	225	225	250	250	500	600	1,384	1,369	1,359	1,233		1,430
School and Dharma School Text books	n.a.	n.a.	n.a.	970	1,099	1,080	1,123	2,250	3,387	2,196	2,056	2,337	2,127		2,399
Grade v Scholarships, Mahapola and Bursary	222	255	n.a.	441	362	421	235	201	565	578	645	777	790		801
Nutrition Program	-	-	5	43	61	166	722	1,308	1,649	2,251	2,475	2,631	2,790		3,077
Thripasa for Children and Expectant Mothers	246	487	617	512	304	504	537	488	649	1,155	865	1,336	1,189		1,396
Poshana Malla for Expectant Mothers	-	-	-	-	-	-	82	418	386	505	388	360	249		203

Welfare Payments and Development Subsidies *contd...*

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Fresh milk for Pre-school Children	-	-	-	-	-	-	-	13	35	167	178	249	205	230
Poshana Manpetha and Lama Saviya	-	-	-	-	13	4	25	22	24	30	30	18	17	19
Disaster Assistance														
Flood and Drought Relief	-	-	-	-	310	348	171	345	323	738	264	649	153	148
Cooked Meals and Dry Rations	-	-	-	-	1,800	1,482	2,586	1,670	1,457	2,859	1,000	199	54	38
Assistance to Religious Places														
Water for Religious Places	-	-	-	-	-	45	45	30	46	144	42	46	49	40
Losses of Public Enterprises														
Petroleum (Ceylon Petroleum Corporation)	16,062	-	-	-	-	-	946	-	11,085	7,717	20,295	85,165	89,656	7,969
Kerosene	-	12	-	-	-	-	-	259	357	-	-	-	-	-
Electricity (Ceylon Electricity Board)	4,147	6,195	3,023	-	10,124	6,852	14,176	22,314	33,870	7,440	-	19,266	61,164	-
Water	-	-	139	134	837	92	214	1,278	2,915	1,417	5,955	-	578	42
Railway	1,671	1,820	1,966	2,062	2,650	3,505	3,981	4,298	4,553	4,768	3,173	4,060	3,796	5,161
Sri Lanka Transport Board	984	2,403	2,197	2,464	3,515	2,778	2,542	2,312	6,261	8,026	827	3,307	4,287	4,333
Transport Facilities														
SLTB Transport Facilities - Uneconomical Routes	350	1,263	1,715	1,834	3,065	3,689	4,360	3,159	3,736	2,332	2,460	1,922	2,184	2,335
Transportation Facilities for Armed Forces	-	-	-	-	-	-	-	-	200	598	208	257	182	169
Common Facilities														
Street Lighting	-	-	300	294	-	800	900	1,000	1,300	204	360	123	-	-
Total	40,263.7	33,191.8	28,459.3	25,375.5	44,694.6	51,401.1	74,834.7	83,520.5	133,828.7	106,940.8	103,489.0	198,751.1	255,420.9	116,851.0

Sources: Department of National Budget, Department of Treasury Operations and Department of Public Enterprises

(a) Provisional

Table 33

Tourism

Item	Unit	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Tourist Arrivals by Country of Nationality		No.	403,095	400,414	336,794	393,171	500,638	566,202	549,308	494,008	438,475	447,890	654,476	855,975	1,005,605	1,274,593
North America		14,580	17,352	16,304	20,004	25,095	30,654	46,727	35,688	28,338	23,203	25,044	40,552	53,658	59,236	65,616
Latin America & the Caribbean		594	342	400	549	636	715	732	805	4,104	3,721	666	594	1,167	1,626	3,166
Western Europe		251,061	261,011	204,510	200,676	255,179	285,366	227,558	228,666	195,813	165,822	170,186	255,172	320,431	373,063	421,037
Eastern Europe		4,551	6,840	7,045	8,046	10,600	14,259	9,305	14,236	25,485	29,352	26,177	35,630	51,922	72,401	125,695
Middle East		3,816	4,347	5,364	6,462	6,759	9,486	10,230	10,191	13,587	16,701	23,821	37,501	36,376	56,169	80,509
Africa		732	891	902	1,545	1,925	1,759	2,337	3,163	2,991	2,354	1,591	2,249	6,736	5,045	8,081
Asia		117,513	91,409	89,343	142,578	177,377	196,023	222,844	241,954	200,697	175,944	174,382	245,753	334,274	380,289	509,653
Australia		10,248	18,222	12,926	13,311	23,067	27,940	29,575	24,900	22,993	21,378	26,023	37,025	51,411	57,776	60,836
Tourist Arrivals by Purpose of Visit		No.														
Leisure		383,570	360,887	300,545	335,898	404,327	442,534	382,321	377,093	331,238	321,079	358,188	516,538	687,830	748,436	915,158
Private & Official Business		10,772	19,346	22,677	36,793	45,762	59,961	92,789	99,404	52,116	37,261	38,473	83,270	68,436	90,040	67,553
Convention & Meetings		3,895	-	-	5,319	10,048	14,037	12,543	17,009	7,620	5,867	6,262	6,350	14,681	22,220	26,766
Visiting Friends & Relations		3,258	8,480	6,205	7,823	31,188	36,105	43,943	42,617	40,968	36,304	23,122	35,386	70,531	117,520	164,422
Religious & Cultural		1,119	6,891	3,974	3,771	5,765	8,289	5,400	9,561	13,902	11,523	9,127	5,150	2,321	22,371	65,004
Other		487	4,810	3,393	3,567	3,552	5,279	12,312	13,919	48,164	26,441	12,718	7,782	12,178	5,018	35,689
Official Tourist Receipts	US\$ Mn	225	253	211	253	340	417	362	410	384	342	349	575	830	1,038	1,715
Receipt Per Tourist Per Day	US\$	56	62	63	63	67	72	75	83	79	77	82	88	98	103	157
Average Duration (Nights)	No.	10	10	10	10	10	10	9	10	10	10	9	10	10	10	9
Accommodation Capacity (Graded)		No.														
Rooms		11,255	13,311	13,626	13,818	14,137	14,322	13,162	14,218	14,604	14,793	14,461	14,714	14,653	15,510	16,223
Beds		21,680	24,953	25,595	25,956	26,511	26,854	24,740	27,117	27,500	28,698	28,344	28,978	28,844	30,880	32,284
Foreign Travel by Sri Lankans (Departures)																
		504,420	524,212	505,341	532,737	591,126	680,248	727,301	756,735	862,011	966,337	962,786	1,122,212	1,239,290	1,268,792	1,261,711
Revenue from Tourism																
Tourism Development Levy		-	-	-	-	0.1	300.6	172.5	177.5	214.3	344.5	405.2	516.9	653.5	809.4	1,044.0
Embarkation Tax on Foreign Tourists	Rs. Mn	201.6	200.2	269.3	393.2	500.6	566.2	823.9	839.4	741.0	738.8	766.3	1,000.1	1,041.7	1,161.60	1,604.9
Museums																
Number of Foreign Visitors		24,997	10,122	11,157	13,577	19,213	23,883	15,281	13,771	9,040	7,353	10,244	22,061	31,096	37,305	44,751
Revenue from Sale of Tickets	Rs. '000	1,171.0	506.2	620.4	769.0	1,181.1	1,463.2	3,937.6	6,522.5	4,190.9	3,340.6	4,636.4	9,868.6	14,200.0	16,842.5	14,981.0

Tourism contd...

Item	Unit	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Cultural Triangle																
Number of Foreign Visitors		166,661	155,167	129,201	131,804	212,521	246,380	110,443	138,232	104,583	112,190	109,404	197,947	239,920	370,924	504,699
Revenue from Sale of Tickets	Rs. Mn	168.7	276.0	222.0	242.8	403.3	543.1	284.7	400.9	279.8	307.5	402.8	743.5	998.2	1,330.7	1,727.0
Zoological Gardens																
Number of Foreign Visitors		189,043	204,681	150,353	147,329	217,930	252,445	135,006	178,902	155,310	153,934	149,833	249,556	284,898	287,485	305,860
Revenue from Sale of Tickets	Rs. Mn	11,448	29,215	22,249	30,204	42,297	119,547	61,419	82,655	133,118	134,286	201,659	410,097	470,239	480,663	550,923
Botanical Gardens																
Number of Foreign Visitors		n.a.	n.a.	n.a.	n.a.	n.a.	238,689	110,639	150,138	113,759	117,751	123,425	210,949	237,763	259,572	293,454
Revenue from Sale of Tickets	Rs. '000	25,199	29,461	21,226	26,346	57,919	70,704	32,605	44,210	66,560	69,119	72,267	123,162	253,896	279,045	314,871
Wild Life Parks																
Number of Foreign Visitors		n.a.	n.a.	n.a.	n.a.	n.a.	88,033	57,441	84,198	58,258	54,323	70,688	143,198	198,536	254,052	325,153
Revenue from Sale of Tickets	Rs. '000	38,539	60,153	54,390	58,537	102,234	113,802	62,692	99,551	85,733	84,420	103,993	227,249	301,009	459,017	578,459

Sources: Sri Lanka Tourism Development Authority, Central Cultural Fund and Ministry of Economic Development

(a) Provisional

Table 34

Livestock Sector

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Total Livestock Population		11,024	12,738	12,652	12,671	13,402	11,683	13,001	13,619	15,133	15,820	16,444	15,591	16,076	16,262	16,191	20,016
Cattle	No. '000	1,433	1,704	1,148	1,153	1,113	1,139	1,161	1,185	1,215	1,223	1,196	1,137	1,170	1,192	1,254	1,258
Buffalo	No. '000	823	764	305	290	282	280	302	308	314	319	440	372	423	405	415	472
Goat/Sheep	No. '000	437	610	506	504	360	424	417	405	395	405	387	385	381	384	394	409
Swine	No. '000	81	87	71	68	82	68	79	85	92	94	89	81	84	82	89	89
Chicken	No. '000	8,250	9,573	10,622	10,655	11,564	9,772	11,042	11,636	13,117	13,779	14,331	13,615	14,018	14,199	14,039	17,788
Total Production																	
Milk	Mn Lt.	292	333	181	183	183	187	190	193	197	202	208	233	248	258	299	320
Chicken meat	Mt '000	31	39	67	71	75	80	78	86	85	100	103	99	104	117	137	143
Eggs	Mn	817	862	1,032	1,172	1,290	1,357	1,595	1,449	1,243	1,252	1,380	1,099	941	1,185	2,279	2,075
Mutton	Mt	3,100	2,213	2,100	1,900	2,000	1,700	1,800	1,800	1,700	1,600	1,400	1,500	1,700	1,790	1,600	1,800
Pork	Mt	2,570	2,339	5,500	5,500	9,500	9,500	10,000	11,000	11,500	11,700	11,100	10,120	10,435	9,800	7,030	7,040
Domestic Demand																	
Domestic Demand - Milk																	
Milk Requirement	Mn. Ltrs per Year	631.5	664.3	674.2	683.6	693.5	702.6	710.3	717.6	725.6	730.4	738.0	746.4	753.7	767.0	742.0	740.0
Domestic Production	Mn Ltrs.	291.8	333.3	181.5	183.0	183.2	186.8	190.3	192.7	196.6	202.0	208.0	233.3	247.5	258.3	299.3	319.8
Domestic Production / Total Req. Ratio	%	46.2	50.2	26.9	26.8	26.4	26.6	26.8	26.9	27.1	27.7	28.2	31.3	32.8	33.7	40.0	51.5
Production Gap	Mn Ltrs.	339.7	331.0	492.7	500.6	510.3	515.8	520.0	524.9	529.0	528.4	530.0	513.1	506.2	508.7	442.7	358.6
Domestic Demand - Chicken																	
Chicken Requirement	Mt'000 per year	221.0	232.5	236.0	239.3	242.7	245.9	248.6	251.2	253.8	256.5	261.1	261.2	263.8	266.6	259.7	261.7
Domestic Production	Mt'000	31.4	38.9	66.5	71.3	74.7	80.3	77.8	86.3	85.3	100.1	102.5	99.3	104.2	116.8	137.4	144.5
Production Gap	Mt'000	189.6	193.6	169.5	168.0	168.0	165.6	170.8	164.9	168.6	156.5	158.6	162.0	159.6	149.8	122.3	117.2
Domestic Demand - Egg																	
Egg Requirement	Mn. per Year	3,157	3,321.5	3,370.8	3,418.2	3,467.5	3,513.1	3,551.5	3,588.0	3,626.3	3,664.6	3,730.3	3,732.1	3,768.6	3,809.0	3,710.0	3,738.0
Domestic Production	Mn.	817	861.7	1,032.1	1,172.4	1,289.5	1,356.6	1,594.8	1,449.0	1,243.0	1,252.0	1,380.0	1,099.0	941.0	1,185.3	2,278.7	2,075.0
Production Gap	Mn.	2,340	2,459.8	2,338.7	2,245.9	2,178.0	2,156.5	1,956.7	2,139.0	2,383.3	2,412.6	2,350.3	2,633.1	2,827.6	2,623.7	1,431.3	1,663.0

Livestock Sector contd...

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Per Capita Availability																	
Milk	kg per Year	16.9	18.3	9.8	9.8	9.6	9.7	9.8	9.8	9.9	10.1	10.2	11.4	12.0	12.1	12.0	12.1
Chicken Meat	kg per Year	1.8	2.2	3.6	3.8	3.9	4.2	4.0	4.4	4.3	5.0	5.0	4.9	4.9	5.7	6.8	7.1
Eggs	No. per Year	29.6	46.9	55.9	62.6	67.8	70.3	82.0	73.7	62.6	62.4	67.5	53.7	45.6	82.0	112.7	101.2
Mutton	kg per Year	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	...	0.8
Pork	kg per Year	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.3
Beef	kg per Year	2.0	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.4	1.3	1.1	1.1	1.1	1.7	1.7	1.8
Imports																	
Milk and Milk Products	Mt	66,507	50,185	52,526	49,069	60,769	58,461	52,702	52,788	65,840	61,242	65,376	63,874	75,483	88,129	83,818	69,452
	Rs. Mn	2,322	5,532	7,780	9,080	9,587	10,106	11,289	12,591	16,254	19,306	30,849	18,609	29,029	38,192	39,023	37,572
Poultry and Poultry Products	Mt	161.3	635.6	1,488.7	1,522.7	1,491.0	2,427.7	2,042.1	2,098.5	479.3	1,199.9	2,617.1	989.9	1,235.7	1,952.1	845.0	352.5
	Rs. Mn	11.8	40.8	90.6	98.8	97.3	149.6	131.2	151.6	32.7	88.7	228.9	85.2	149.7	300.1	148.0	112.0
Mutton and Mutton Products	Mt	148.3	699.5	805.9	596.3	537.5	450.8	536.7	405.7	450.0	415.9	293.1	269.7	284.9	169.2	338.0	385.5
	Rs. Mn	12.6	60.1	87.7	88.7	106.1	100.6	120.1	109.0	116.6	116.4	93.0	58.3	82.2	72.9	200.3	172.8
Pork and Pork Products	Mt	26.9	3.7	19.8	8.9	6.7	8.9	12.8	4.2	48.8	60.3	37.7	0.5	0.2	0.3	0.9	0.1
	Rs. Mn	2.3	0.9	8.4	4.3	3.4	5.8	4.3	4.6	6.2	27.6	21.1	0.4	0.5	0.4	0.8	0.1
Beef and Beef Products	Mt	63.8	64.3	68.7	53.8	65.9	50.2	53.4	33.6	67.5	23.7	30.1	22.0	28.9	61.1	27.5	36.0
	Rs. Mn	15.2	20.9	26.5	14.6	19.8	21.4	32.2	24.1	29.0	23.1	25.6	16.9	12.7	52.3	24.2	28.5

Sources: Department of Census and Statistics and Department of Animal Production and Health

(a) Provisional

Table 35

Fisheries Sector

Item	Unit	1900	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(a)
Fishing Fleet Capacity (Total Boats)	No.	27,675	27,269	28,148	27,717	28,703	30,295	31,164	30,504	38,819	38,383	39,049	40,245	48,134	53,476	54,310	52,301
High Seas Boats		n.a.	n.a.	6	6	8	10	9	10	11	10	13	19	26	29	130	-
Multi Day Boats		2,364	1,639	1,430	1,572	1,614	1,530	1,581	1,328	2,394	2,454	2,529	2,604	2,679	3,843	3,950	4,111*
One Day Boats		**	1,357	1,170	993	1,112	1,486	1,493	1,164	907	1,085	1,110	1,135	1,160	1,120	890	802
Out Board 6-8 m FRP		9,758	8,564	8,690	8,744	9,033	11,020	11,559	11,010	16,685	15,016	15,016	15,016	15,016	22,890	23,160	23,134
Motorized Traditional Boats		973	1,060	1,205	640	776	618	674	1,660	1,842	2,188	2,213	2,238	2,263	2,960	2,340	2,514
Non-Motorized Traditional Boats		14,580	14,649	15,100	15,200	15,600	15,040	15,260	14,739	16,347	16,640	17,178	18,243	26,000	21,650	22,800	20,566
Beach Scene Boats		***	***	547	562	560	591	588	593	633	990	990	990	990	984	1,040	1,174
Annual Fish Production	MT	183,980	235,750	300,380	284,760	302,890	284,960	286,370	162,680	251,270	291,050	319,120	339,730	384,670	444,830	484,810	512,840
Marine Fish Catch		145,790	217,500	263,680	254,890	274,760	254,680	253,190	130,400	215,980	252,670	274,630	293,170	332,260	385,270	417,220	445,930
Coastal		134,120	157,500	175,280	167,530	176,250	163,850	154,470	63,690	121,360	150,110	165,320	180,410	202,420	222,350	257,540	267,980
Offshore and Deep Sea		11,670	60,000	88,400	87,360	98,510	90,830	98,720	66,710	94,620	102,560	109,310	112,760	129,840	162,920	159,680	177,950
Inland and Aquaculture		38,190	18,250	36,700	29,870	28,130	30,280	33,180	32,280	35,290	38,380	44,490	46,560	52,410	59,560	67,590	66,910
Fish for Dry or Smoking	MT	22,000	36,000	60,900	43,650	61,720	54,340	63,470	18,900	71,740	77,830	93,240	97,690	100,120	112,295	61,320	68,200

Source: Ministry of Fisheries and Aquatic Resources Development

(a) Provisional

* Including High Sea Boats

** Included in Multi Day Boats

*** Beach Scene Boats are included in Non- Motorized Traditional Boats

