

**MID-YEAR  
FISCAL POSITION REPORT  
2018**



**Ministry of Finance and Mass Media, Sri Lanka**



# **MID - YEAR FISCAL POSITION REPORT - 2018**

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

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

30<sup>th</sup> June 2018



**Mid-Year Fiscal Position Report**  
**Issued by the Hon. Minister of Finance and Mass Media**  
**Under Section 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003**

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

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

The report contains the performance of government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2018. The report also provides provisional budget outturn for the first four months of 2018, updated information, depending on the availability of information, relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of state owned business enterprises.



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## Key Economic Indicators

Indicator	Period	Unit	Value	
			2017	2018 (Provisional)
<b>REAL SECTOR</b>				
Economic Growth	First Quarter	%	3.8	3.2
Agriculture	First Quarter	%	(3.2)	4.8
Industry	First Quarter	%	6.3	1.0
Services	First Quarter	%	3.5	4.4
Inflation (Point to Point)	End May	%	7.1 <sup>(b)</sup>	2.1
Inflation (Average)	End May	%	6.1 <sup>(b)</sup>	5.7
Unemployment Rate (percent of labour force)	Annual	%	4.2	n.a.
Labour Force Participation Rate	Annual	%	54.1	n.a.
<b>FISCAL SECTOR</b>				
Budget Deficit	Jan-April	Rs. Mn.	-233,171	-250,638
Total Revenue	Jan-April	Rs. Mn.	589,439	622,378
Tax Revenue	Jan-April	Rs. Mn.	554,715	570,471
Non Tax Revenue	Jan-April	Rs. Mn.	34,725	51,908
Recurrent Expenditure	Jan-April	Rs. Mn.	626,469	685,966
Public Investment	Jan-April	Rs. Mn.	201,012	181,998
Government Debt	As at	Rs. Mn.	10,313,045 (End Dec)	10,654,098 (End March)
<b>EXTERNAL SECTOR</b>				
Exports	Jan-April	US\$ Mn.	3,569	3,784
o/w Agriculture Exports	Jan-April	US\$ Mn.	852	843
Industrial Exports	Jan-April	US\$ Mn.	2,701	2,923
Textile and Garments	Jan-April	US\$ Mn.	1,626	1,667
Other	Jan-April	US\$ Mn.	1,075	1,256
Imports	Jan-April	US\$ Mn.	6,883	7,765
Consumer Goods	Jan-April	US\$ Mn.	1,516	1,780
Intermediate Goods	Jan-April	US\$ Mn.	3,692	4,330
o/w Fuel	Jan-April	US\$ Mn.	1,208	1,402
Investment Goods	Jan-April	US\$ Mn.	1,615	1,591
Trade Balance	Jan-April	US\$ Mn.	-3,314	-3,981
Tourist Arrivals	Jan-May	No.	887,093	1,017,819
Earnings From Tourism	Jan-May	US\$ Mn.	1,645.1 <sup>(a)</sup>	1,887.6
Workers' Remittances	Jan-May	US\$ Mn.	3,000.1 <sup>(b)</sup>	3,100.1
Portfolio Investments – Equity (Net)	Jan-April	US\$ Mn.	154.5	154.5
Overall Balance of Payments (BOP)	Jan-April	US\$ Mn.	(344)	2,036
Gross Official Reserves	End May	US\$ Bn.	6,759.7	8,769.0
Exchange Rate (End Month)	End May	Rs. Per US\$	152.71	158.09
Exchange Rate (Monthly Average)	Jan-May	Rs. Per US\$	152.33	157.90
<b>MONETARY SECTOR</b>				
Standing Deposit Facility Rate (SDFR)	End June	%	7.25	7.25
Standing Lending Facility Rate (SLFR)	End June	%	8.75	8.50
Statutory Reserve Requirement (SRR)	End June	%	7.50	7.50
Commercial Bank Average Weighted Prime Lending Rate (AWPLR)	End June	%	11.88	10.92
Commercial Bank Average Weighted Lending Rate (AWLR)	End April	%	13.52	14.13
Sri Lanka Inter Bank Offer Rate (SLIBOR ) (1 Month)	End June	%	10.52	9.01
W.A. Yield Rate of Treasury Bills (91 Days)	End June	%	9.60	8.32
W.A. Yield Rate of Treasury Bills (364 Days)	End June	%	10.47	9.37
Growth in Money Supply (M2b)	Mar 2018/ Apr 2017	%	20.09	16.77
Growth in Credit to the Private Sector	Mar 2018/ Apr 2017	%	19.99	15.30

Note: Data for 2018 are provisional.

- (a) Revised based on Sri Lanka Tourism Development Authority survey results on average stay period and average spending per day estimates for 2017.
- (b) Revised.

## Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
<b>Electricity</b>			
Electrification Level	2017	%	99.0
<b>Water</b>			
Access to Safe Drinking Water	2017	% of Population	89.3 <sup>(c)</sup>
Access to Pipe Borne Water	2017	% of Population	49.2
<b>Roads</b>			
Road Density	2017	Km <sup>2</sup>	1.82
Total Road Length	2017	Km	119,480
<b>Communication</b>			
Telephone Density including Cellular Phones	2017	Per 100 persons	143.6
Access to Internet	2017	Per 100 persons	27.5
<b>Education</b>			
<b>General Education</b>			
Primary Net Enrolment Ratio	2017	%	93.9
Student/Teacher Ratio (Government Schools Only)	2017	Number	17.3
Literacy Rate (Average)	2016	%	93.1 <sup>(d)</sup>
Computer Literacy Rate (First 06 months)	2017	%	28.3
<b>University Education</b>			
Student/Teacher Ratio	2017	Number	17.4
Age Specific Enrolment Ratio (Age 19-23 yrs) (a)	2017	%	6.8
<b>Health</b>			
Hospitals (Practicing Western Medicine) (b)	2017	Number	612
Beds (b)	2017	Number	76,829
Hospital Beds	2017	Per 1000 persons	3.6
Persons per Doctor	2017	Number	1,054
<b>Population</b>			
Population Density	2017	Persons per sq. km	342
Population Growth	2017	%	1.1
Life Expectancy at Birth	2015	Years	75.0
Infant Mortality Rate	2017	Per 1000 live births	8.5
Maternal Mortality Rate	2013	Per 1000 live births	26.8
Crude Birth Rate	2017	Per 1000 persons	15.2
Crude Death Rate	2017	Per 1000 persons	6.5
Dependency Ratio	2017	%	49.4
<b>Poverty</b>			
Poverty Head Count Index	2016	%	4.1
Gini Coefficient of Household Income	2016	Coefficient	0.45
Poverty Gap Index	2016	%	0.6
Average Daily Calorie Intake	2016	Kilocalories	2,095
<b>International Rankings</b>			<b>Rank</b>
Human Development Index	2015	Rank out of 188 Countries	73
Doing Business Index	2018	Rank out of 190 Countries	111
Global Competitiveness Index	2017/18	Rank out of 137 Countries	85
Economic Freedom Index	2018	Rank out of 180 Countries	111
Global Peace Index	2018	Rank out of 163 Countries	67
e-Government Development Index	2016	Rank out of 193 Countries	79

(a) Only includes internal enrolment of students

(b) Government

(c) Based on Household Income and Expenditure Survey (2016), Department of Census and Statistics (DCS)

(d) In July 2016, DCS published a re-weighted and revised labour force data series for 2011 onwards. This is based on Quarterly Labour Force Survey conducted covering the entire island.

# CHAPTER 1

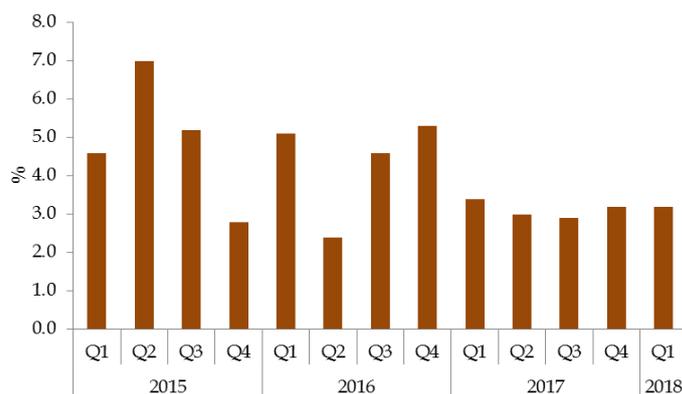
## Economic Perspectives

### 1.1 Economic Growth

Sri Lankan economy expanded by 3.2 percent, in real terms, in the first quarter of 2018 compared to 3.8 percent in the same period of 2017. Agriculture sector showed improvements particularly in areas such as growing of cereals, rice, and fresh water fishing and fresh water aquaculture. Agriculture sector grew by 4.8 percent in the

first quarter of 2018 from 3.2 percent negative growth recorded in the same quarter of 2017. Industry and Services sectors expanded by 1.0 percent and 4.4 percent, respectively in the first quarter of 2018. Prolonged droughts condition in certain areas and the floods and landslides occurred in several districts in the country adversely affected to the economic activity.

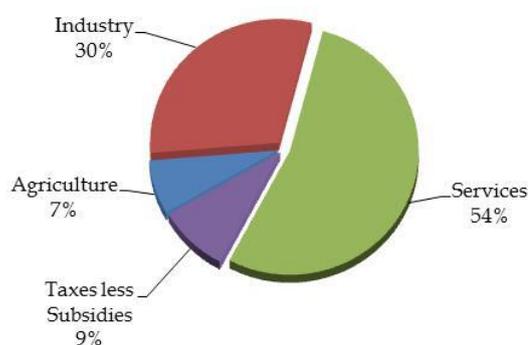
Chart 1.1 | Quarterly GDP Growth



Agriculture, Industry, Services and 'Taxes less Subsidies on products' contributed to GDP by 7 percent, 30 percent, 54 percent and 9 percent, respectively in the first quarter of 2018. Agriculture sector expanded by the increase in value-added production of cereals, rice, vegetables and fresh water fishing. Paddy production during 2017/18 Maha season significantly increased by 60 percent to 2.4 million metric tons compared to 1.5 million metric tons recorded in 2016/17 Maha season mainly

due to the favourable weather condition. However, coconut and rubber production contracted significantly recording a negative growth of 14.9 percent and 13.8 percent, respectively. Inland fishery sub-sector benefitted from the increase in releasing fingerlings to the tanks. Meanwhile, the marine fish sub-sector expanded due to the increase in demand for Sri Lankan sea foods exports after lifting the ban on the fish exports by the European Union (EU).

**Chart 1.2 | Sectoral Composition of GDP at current prices - First Quarter 2018**



The value-added Industry sector expanded by 1.0 percent in the first quarter of 2018 compared to 6.3 percent in the same quarter of 2017. Industry activities including food and beverages, wood, chemical products, rubber and plastic products, basic metals, electricity, gas, steam and air conditioning

supply, sewerage and waste activities positively contributed to the growth in Industry sector. The wood and wood products expanded by 11.9 percent in the review period from the contraction of 2.1 percent recorded in the same period of 2017.

**Table 1.1 | Gross Domestic Product (GDP) at constant (2010) prices First Quarter 2017-2018**

Economic Activity	Rs. Million		
	2017	2018 (Prov.)	Rate of Change (%)
<b>Agriculture, Forestry and Fishing</b>	<b>147,783</b>	<b>154,907</b>	<b>4.8</b>
1 Growing of Cereals (except rice)	3,253	4,561	40.2
2 Growing of Rice	5,372	8,415	56.6
3 Growing of Vegetables	8,323	10,179	22.3
4 Growing of Sugar Cane, Tobacco and other non-perennial Crops	436	396	-9.2
5 Growing of Fruits	12,867	13,638	6.0
6 Growing of Oleaginous Fruits (Coconut, King Coconut, Oil palm)	15,043	13,012	-13.5
7 Growing of Tea (Green Leaves)	14,588	16,139	10.6
8 Growing of other Beverage Crops (Coffee, Cocoa, etc)	317	333	5.0
9 Growing of Spices, Aromatic, Drug and Pharmaceutical crops	15,663	15,982	2.0
10 Growing of Rubber	6,799	5,853	-13.9
11 Growing of other perennial crops	4,289	4,165	-2.9
12 Animal Production	13,277	13,994	5.4

13	Plant propagation and agricultural supporting activities	2,595	2,484	-4.3
14	Forestry & Logging	14,576	15,044	3.2
15	Marine Fishing and Marine Aquaculture	27,993	27,428	-2.0
16	Fresh water fishing Fresh water Aquaculture	2,390	3,284	37.4
<b>Industries</b>		<b>690,910</b>	<b>697,620</b>	<b>1.0</b>
17	Mining and quarrying	58,806	59,172	0.6
18	Manufacture of food, beverages and Tobacco products	158,328	166,586	5.2
19	Manufacture of textiles, wearing apparel and leather related products	105,245	110,176	4.7
20	Manufacture of wood and of products of wood and cork, except furniture	9,773	10,940	11.9
21	Manufacture of paper products, printing and reproduction of media products	12,023	11,844	-1.5
22	Manufacture of coke and refined petroleum products	11,739	7,188	-38.8
23	Manufacture of chemical products and basic pharmaceutical products	20,458	21,713	6.1
24	Manufacture of rubber and plastic products	11,924	12,870	7.9
25	Manufacture of other non - metallic mineral products	19,152	19,465	1.6
26	Manufacture of basic metals and fabricated metal products	12,031	13,123	9.1
27	Manufacture of machinery and equipment's i.e	14,430	13,632	-5.5
28	Manufacture of furniture	30,240	29,626	-2.0
29	Other manufacturing and repair and installation of machinery and equipment	21,434	21,368	-0.3
30	Electricity, gas, steam and air conditioning supply	22,653	24,972	10.2
31	Water collection, treatment and supply	3,375	3,423	1.4
32	Sewerage, Waste, treatment, and disposal activities	6,692	7,348	9.8
33	Construction	172,608	164,173	-4.9
<b>Services</b>		<b>1,215,384</b>	<b>1,269,228</b>	<b>4.4</b>
34	Wholesale and retail trade	244,700	258,018	5.4
35	Transportation of goods and passengers including warehousing	220,064	222,731	1.2
36	Postal and courier activities	1,084	1,155	6.5
37	Accommodation, Food and beverage service activities	36,004	38,739	7.6
38	Programming and broadcasting activities and audio video productions	771	630	-18.3
39	Telecommunication	9,421	10,465	11.1
40	IT programming consultancy and related activities	3,236	3,374	4.3
41	Financial Service Activities Auxiliary financial service	118,082	132,524	12.2
42	Insurance, reinsurance and pension funding	16,616	18,155	9.3
43	Real estate activities, including ownership of dwelling	134,141	140,693	4.9
44	Professional services	37,879	39,341	3.9
45	Public Administration and defense, compulsory social security	96,330	95,951	-0.4
46	Education	42,618	41,909	-1.7
47	Human Health Activities, Residential care and social work activities	32,464	32,519	0.2
48	Other personal service activities	221,972	233,023	5.0
<b>Gross Value Added (GVA), at basic prices</b>		<b>2,054,078</b>	<b>2,121,756</b>	<b>3.3</b>
<b>(+) Taxes less Subsidies on Products</b>		<b>100,893</b>	<b>102,101</b>	<b>1.2</b>
<b>Gross Domestic Products (GDP), at Constant Market Price</b>		<b>2,154,971</b>	<b>2,223,856</b>	<b>3.2</b>

Similarly, electricity, gas, steam and air conditioning supply sub-sector significantly increased by 10.2 percent in the first quarter of 2018 compared to 0.3 percent negative growth witnessed in the same period of 2017. The value-added production of petroleum sector contracted by 38.8 percent in the review period. However, export earnings from petroleum increased by 49.6 percent to US\$ 135.5 million in the first quarter of 2018 from US\$ 90.6 million in the same quarter of 2017. Electricity power generation increased by 9.6 percent to 3,838 GWh during January-March 2018 from 3,500 GWh in the same period of 2017. The hydropower generation increased by 87.6 percent to 650 GWh in the review period due to the heavy rain in the country.

Services sector grew by 4.4 percent in value added terms during the first quarter of 2018 compared to 3.5 percent in the respective quarter of 2017 supported by the expansion of financial service, telecommunication, accommodation, insurance, wholesale and retail trade, real estate, professional services and postal and courier activities. Financial service activities in value-added terms increased by 12.2 percent in the first quarter of 2018 compared to 14.9 percent recorded in the same period of 2017. Meanwhile, insurance activities expanded by 9.3 percent in the review period.

Telecommunication activities increased by 11.1 percent in value added terms in the first

quarter of 2018 due to the increased usage during review period. Wholesale and retail trade sub-sector expanded by 5.4 percent in value-added terms in the first quarter of 2018 compared to 4.5 percent recorded in the same quarter of 2017 with the increased domestic external trade activities. Meanwhile, sub-sectors such as postal and courier services, accommodation, food and beverages, and real estate expanded by 6.5 percent, 7.6 percent and 4.9 percent, respectively in value added terms during the review period.

## **1.2 Inflation**

Inflation, as measured by the change in the National Consumer Price Index (NCPI) (2013=100), decreased to 5.4 per cent in January 2018 from 7.3 per cent in December 2017, on year-on-year basis. This decline is due to the high base prevailed in January 2017 as well as the monthly decline in food prices in January 2018. The change in the NCPI measured on an annual average basis decreased from 7.7 per cent in December 2017 to 7.6 per cent in January 2018.

The inflation further decelerated to 1.6 per cent in April 2018 from 2.8 per cent in March 2018, on year-on-year basis driven by the higher base affect resulting from the increase in food prices during April 2017. The change in the NCPI measured on an annual average basis decreased from 7.6 per cent in January 2018 to 6.1 percent in April 2018.

The year-on-year inflation as measured by Colombo Consumer Price Index (CCPI) was 4.0 percent in May 2018 compared to 6.0 percent in May 2017. Year-on year inflation of food items declined from 9.3 percent in May 2017 to 3.3 percent in May 2018 while that of non-food items increased from 3.8

percent in May 2017 to 4.2 percent in May 2018. Inflation is expected to remain at mid-single digit level during 2018 with the gradual management of demand pressure and the inflation is projected to stabilize within the range of 4-6 percent over the medium term.

**Table 1.2 | Movements of Inflation (%)**

Year	Month	CCPI (2013=100)				NCPI (2013=100)			
		Headline Inflation		Core * Inflation		Headline Inflation		Core * Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2017	January	5.5	4.3	7.0	4.7	6.5	4.6	7.1	6.2
	February	6.8	4.6	7.1	5.0	8.2	5.1	7.1	6.4
	March	7.3	5.0	7.3	5.3	8.6	5.6	7.0	6.6
	April	6.9	5.3	6.8	5.5	8.4	6.0	5.9	6.6
	May	6.0	5.4	5.2	5.5	7.1	6.1	4.7	6.4
	June	6.1	5.5	5.1	5.5	6.3	6.1	4.1	6.1
	July	4.8	5.4	4.9	5.4	6.3	6.2	4.2	5.9
	August	6.0	5.5	6.0	5.6	7.9	6.5	4.8	5.8
	September	7.1	5.8	6.0	5.8	8.6	6.8	4.6	5.7
	October	7.8	6.1	5.8	6.0	8.8	7.1	4.1	5.6
	November	7.6	6.4	5.2	6.0	8.4	7.5	2.8	5.2
	December	7.1	6.6	4.3	5.9	7.3	7.7	2.7	4.9
2018	January	5.8	6.6	3.5	5.6	5.4	7.6	2.1	4.5
	February	4.5	6.4	3.5	5.3	3.2	7.2	2.0	4.1
	March	4.2	6.1	3.4	5.0	2.8	6.7	1.9	3.6
	April	3.8	5.9	3.5	4.7	1.6	6.1	1.9	3.3
	May	4.0	5.7	3.2	4.5	2.1	5.7	1.7	3.1

Source: Department of Census and Statistics

\*CCPI Core Inflation - Excluding Volatile Food, Energy and Transport

### 1.3 Money and Credit

Growth in reserve money, broad money (M2b) and the private sector credit increased during the first four months of 2018. In line with stabilized inflation in mid-single digit level over the medium term, the Central Bank of Sri Lanka (CBSL) lowered the Standing Lending Facility Rate (SLFR) by 25 basis points to 8.50 percent in April 2018

while maintaining the Standing Deposit Facility Rate (SDFR) unchanged at 7.25 percent. Accordingly, money market interest rates particularly interest rates on lending are expected to adjust downwards in the period ahead as a result of policy rate adjustment in April 2018.

**Table 1.3 | Money and Private Sector Credit**

Item	2017				2018				2018 April/2017 April Growth (%)
	January	February	March	April	January	February	March	April	
Reserve Money	828.5	847.6	892.2	885.6	930.0	938.1	997.2	1,000.1	12.9
Broad Money (M2b)	5,460.4	5,552.0	5,677.4	5,730.8	6,378.4	6,450.5	6,606.6	6,691.7	16.8
Private Sector Credit	4,222.3	4,293.2	4,375.2	4,394.1	4,863.4	4,921.6	5,043.9	5,066.5	15.3

Source : Central Bank of Sri Lanka

Reserve money grew by 11.8 percent in March 2018 on year-on-year basis, while the year on-year growth of broad money was 16.4 percent in March 2018 compared to 20.0 percent in March 2017. Moreover, private sector credit increased by 15.3 percent in March 2018 on year-on-year basis due to high seasonal credit demand. Private sector credit appears to have been fairly distributed across all major sectors of the economy.

## 1.4 Stock Market

The stock market showed modest performance during the first five months of 2018 reflecting the impact of economic slowdown, depreciation of rupee, withdrawal of foreign investments from the Colombo Stock Exchange (CSE), among others.

**Table 1.4 | Movements in the Capital Market**

Indicators	2013	2014	2015	2016	2017	End May	
						2017	2018
All Share Price Index (1985=100)	5,913	7,299	6,895	6,228	6,369	6,674	6,398
Milanka Price Index/S & P SL 20 Index*	3,264	4,089	3,626	3,496	3,672	3,819	3,567
Market Capitalization (Rs. Bn.)	2,460	3,105	2,938	2,745	2,899	2,953	2,989
No. of Listed Companies in Trading*	289	294	294	295	296	296	299
Daily Average Turnover (Rs.Mn.)	828	1,415	1,060	737	915	901	998
Foreign Sales (Rs. Mn.)	60,873	83,554	89,790	74,200	94,627	31,612	44,681
Foreign Purchases (Rs. Mn)	83,657	104,771	84,418	74,583	112,285	50,411	43,093
Net Purchases (Rs. Mn)	22,784	21,217	-5,372	384	17,658	18,798	-1,588

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

All Share Price Index (ASPI) reached 6398 points by end of May 2018, which is a drop of 4.1 percent in comparison to the end of May 2017. Meanwhile, the S&P SL 20 Index decreased by 6.6 percent to 3567 points by end May 2018. However, the daily average turnover increased by 10.8 percent to Rs.998 mn during the first five months of 2018 in comparison to the corresponding period of the previous year. Further, market capitalization increased by 1.2 percent to Rs. 2,989 bn from Rs. 2,953 bn during the corresponding period of 2017.

### **1.5 External Sector Developments**

Sri Lanka's external sector recorded improved performance during the first four months of 2018 with higher inflows to the financial account and increased workers' remittances and tourist earnings. Gross official reserves marked the highest-ever level of USD 9.9 billion as at end April 2018 with the proceeds of International Sovereign Bond (ISB) issuance and increased foreign inflows to the Colombo Stock Exchange (CSE) and government securities market. However, trade deficit expanded to USD 3,981 million during the first four months of 2018 due to the increase in import expenditure (12.8 percent) against the moderate performance of export earnings (6.0 percent). Despite the expansion of the trade deficit, Balance of Payment (BOP) recorded a surplus of USD 2,036 million as

at end April 2018 compared to a deficit of USD 344 million in the same period of 2017.

#### **Exports**

Earnings from exports increased by 6.0 percent to USD 3,784 million in the first four months of 2018 mainly driven by earnings from industrial exports. Earnings from garment exports increased by 2.1 percent to USD 1,564 million in the first four months of 2018 due to increased exports to USA and the European Union. Tea and rubber exports increased by 4.3 percent and 12.9 percent, respectively in the first four months of 2018. However, export earnings from coconut and spices declined by 12.8 percent and 12.1 percent, respectively in the review period due to the decline their domestic production. The USA, the UK, India, Germany and Italy were the leading export destinations for Sri Lankan products in the review period.

#### **Imports**

Expenditure on imports increased by 12.8 percent to USD 7,765 million in the first four months of 2018 where intermediate and consumer goods categories were the major contributors. Import expenditure on fuel became the largest contributor to the overall import expenditure of which import bill of refined petroleum increased by 27 percent to USD 1,054 million while import expenditure on crude oil and coal declined during the first four months of 2018. Expenditure on motor vehicles increased significantly by

108.2 percent to USD 516.6 million in the first four months of 2018 mainly due to the higher imports of less than 1000cc motor cars. However, import expenditure on rice declined by 10.7 percent to USD 98.8 million during the review period. Meanwhile, expenditure on gold imports increased significantly by 126.5 percent to USD 437.3 million during the period. The government

imposed Customs duty of 15 percent on gold imports effective from 18 April 2018. Meanwhile, the increase in import expenditure on fertilizer by 291.0 percent also contributed to scale up the import bill of the country. India, China, UAE, Japan and Singapore were the main import origins for Sri Lanka.

**Table 1.5 | External Trade (January - April)**

Category	US\$ Million		
	2017	2018 Prov.	% Change
<b>Exports</b>	<b>3,569.0</b>	<b>3,783.7</b>	<b>6.0</b>
Agricultural Products	851.7	843.4	-1.0
Tea	458.2	478.1	4.3
Primary Products (Rubber and Coconut products)	134.7	115.1	-14.6
Other Agricultural Products	258.8	250.2	-3.3
Industrial Products	2,701.5	2,923.3	8.2
Textile and Garments	1,626.3	1,667.2	2.5
Petroleum Products	120.1	173.2	44.2
Other Industrial Products	955.0	1,082.8	13.4
Mineral	9.9	10.3	4.0
Other	5.9	6.7	14.3
<b>Imports</b>	<b>6,883.3</b>	<b>7,764.6</b>	<b>12.8</b>
Consumer Goods	1,515.6	1,780.0	17.4
Food and Drinks	629.2	652.7	3.7
Other Consumer Goods	886.5	1,127.4	27.2
Intermediate Goods	3,692.2	4,329.8	17.3
Fuel	1,208.3	1,402.0	16.0
Fertilizer	22.6	88.5	291.0
Textiles and Textile Articles	860.6	882.7	2.6
Other Intermediate Goods	1,600.7	1,956.6	22.2
Investment Goods	1,614.6	1,590.7	-1.5
Machinery and Equipment	871.9	866.9	-0.6
Transport Equipment	215.1	221.4	2.9
Building Material	524.1	499.7	-4.7
Other Investment Goods	3.4	2.7	-20.8
Other	60.9	64.1	5.3
<b>Trade Balance</b>	<b>-3,314.3</b>	<b>-3,980.9</b>	<b>20.1</b>

Sources: Sri Lanka Customs and Central Bank of Sri Lanka

## **Current Account**

Tourist arrivals increased during the first four months of 2018 driven by a higher number of tourists arriving from the UK, India and Australia. Total tourist arrivals during the first four months of 2018 was 888,253, an increase by 16.1 percent compared to the same period of 2017. Earnings from tourism amounted to USD 1,647 million in the review period. Workers' remittances increased by 5.0 percent to USD 2,520 million in the reviewed period.

## **Financial Flows**

Foreign investments in the CSE amounted to

USD 47.2 million in the first four months of 2018. Meanwhile, substantial foreign financial inflows to government securities market were USD 13.6 million as at end April 2018 while long term loan to the government was USD 30.1 million in the review period.

## **International Reserves**

The gross official reserves were amounted to USD 9.9 billion which is equivalent to 5.5 months of imports at end April 2018. Total foreign assets were estimated at US dollars 12.3 billion as at end April 2018.



## CHAPTER 2

### Global Economic Trends

#### 2.1 Global Economic Developments

The Global growth has strengthened over the course of the year. The global economic growth is expected to increase from 3.8 percent in 2017 to 3.9 percent in 2018 supported by strong growth momentum in China and Japan and other East Asian economies. The drivers of growth have been broad-based with strong business sentiment, tightened labour market conditions coupled with increased investment and industrial production. The United States (US) economy is expected to grow at above potential rate. However, on-going tax reforms in the US will adversely affect to the potential growth. The Euro Area is expected to grow at 2.4 percent in 2018 compared to 2.3 percent in 2017 reflecting stronger than expected domestic demand across the Euro area, supportive monetary policy and improved external demand prospects.

In emerging market and developing economies (EMDEs), growth is expected to increase from 4.8 percent in 2017 to 4.9 percent in 2018 mainly due to the ongoing cyclical recovery in commodity exporters and robust activity in commodity importers. The recovery in commodity exporters has broadened reflecting the strengthening investment, rising corporate earnings, and

supportive monetary policies. Similarly, in commodity importers, growth remains strong, supported by robust domestic demand and solid exports. However, China's growth is projected to moderate at 6.6 percent in 2018 and 6.4 percent in 2019 reflecting an improved external demand outlook. Meanwhile, India's economy is projected to grow at 7.4 percent in 2018 and 7.8 percent in 2019 mainly due to the transitory effects of the currency exchange initiative and the implementation of the goods and services tax.

However, geopolitical uncertainty remains a concern. High levels of debt and overcapacity of some sectors are expected to increase vulnerabilities to China's economy. In addition, demographic change and slower productivity growth in many countries will slow the global economic growth over the medium to long term.

Growth in low-income countries is expected to rise from 5.5 percent in 2017 to 5.7 percent in 2018 and 6.1 percent in 2019-20. This was mainly driven by higher mineral production, rising oil and metals prices, improving agricultural output, and continued infrastructure investment.

**Table 2.1 | Summary of Major Economic Indicators of Selected Countries in 2017**

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Balance (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	2.9	25.7	8.4	-6.5	52.6
Australia	2.3	2	5.6	-2.2	41.6
Brazil	1	3.4	12.8	-7.8	84
Canada	3	1.6	6.3	-1	89.7
Chile	1.5	2.2	6.7	-2.7	23.6
China	6.9	1.6	3.9	-4	47.8
France	1.8	1.2	9.4	-2.6	97
Germany	2.5	1.7	3.8	1.1	64.1
Greece	1.4	1.1	21.5	0	181.9
India	6.7	3.6	....	-6.9	70.2
Indonesia	5.1	3.8	5.4	-2.5	28.9
Italy	1.5	1.3	11.3	-1.9	131.5
Japan	1.7	0.5	2.9	-4.2	236.4
Korea	3.1	1.9	3.7	1.9	39.8
Malaysia	5.9	3.8	3.4	-2.9	54.2
Mexico	2	6	3.4	-1.1	54.2
Russia	1.5	3.7	5.2	-1.5	17.4
Singapore	3.6	0.6	2.2	5.9	110.9
South Africa	1.3	5.3	27.5	-4.5	52.7
Spain	3.1	2	17.2	-3.1	98.4
Sri Lanka	3.1	7.1	4.2	-5.5	77.6
Thailand	3.9	0.7	0.7	-0.6	41.6
United Kingdom	1.8	2.7	4.4	-2.3	87
United States	2.3	2.1	4.4	-4.6	107.8
Vietnam	6.8	3.5	2.2	-4.7	58.2
Venezuela	-14	1087.5	27.1	-31.8	34.9

Source: "World Economic Outlook", IMF, April 2018

Fiscal Monitor, IMF, April 2018

Annual Report 2017, Central Bank of Sri Lanka

## 2.2 Global Inflation and Interest Rates

The global inflation is projected to increase in 2018 due to the increase in commodity prices in both advanced and emerging

market and developing economies. Inflation rates in advanced economies are projected to pick up to 2.0 percent in 2018. The annual inflation in the US is estimated to increase to 2.5 percent in 2018 with the recovery in energy prices. Inflation in the Euro economies is projected at 1.5 percent in 2018.

The inflation in the United Kingdom is expected to remain unchanged at 2.7 in 2018 due to pass-through effects of depreciation of the sterling pound and slow growth in the economic activity. Higher energy and food prices and strong domestic demand experienced in Japan are expected to push inflation up to 1.1 percent in 2018-2019. Meanwhile, Inflation in emerging market and developing economies (excluding Venezuela) is projected to rise to 4.6 percent in 2018. Inflation in China will increase to 2.5 percent in 2018 India's inflation is expected to be at around 5.0 percent in 2018 and 2019.

With regard to interest rates, the "World Economic Outlook" (WEO) 2018 report hypothesizes that the London interbank offered rate (LIBOR) on six-month U.S. dollar deposits, on average, will be 2.4 percent in 2018 and 3.4 percent in 2019. Meanwhile, the rate on three-month Euro deposits is expected to average -0.3 percent and 0.0 percent in 2018 and 2019, respectively. The interest rate on six-month Japanese Yen deposits will turn out to be 0.0 percent in 2018 and 0.1 percent in 2019.

### **2.3 Exchange Rates**

Exchange rates in both advanced economies and emerging market and developing economies strengthened during 2018 reflecting the uptick of commodity prices. According to the "WEO 2018 report" of the

IMF, the U.S. dollar and the euro remain close to their August 2017 level in real effective terms. The Japanese yen has depreciated by 5 percent owing to widening interest differentials and sterling pound has appreciated by close to 4 percent due to raising interest rates by the Bank of England in November, 2017. Across emerging market currencies, the Renminbi has appreciated by around 2 percent and the Malaysian Ringgit has strengthen by about 7 percent on an improved growth outlook and stronger commodity prices. In contrast, the Mexican Peso has depreciated due to the renewed uncertainty associated with the ongoing NAFTA negotiations and the Turkish Lira by 4.5 percent on higher inflation expectations.

### **2.4 Fiscal Deficits**

The average fiscal balance of the world contracted by 0.1 percentage points to 3.2 percent of GDP in 2018 from 3.3 percent of GDP in 2017 reflecting the gradual recovery in energy and commodity prices and strengthening global trade. The fiscal deficit to GDP ratio of advanced economies, on average, marginally increased to 2.7 percent in 2018 and expected to be remained at 2.8 percent in 2019. In a few countries, the fiscal stance was mildly expansionary reflecting higher current spending in the US and higher capital spending in Canada and Japan. However, fiscal deficit to GDP ratio of the emerging market and middle-income

economies slightly contracted to 4.2 percent in 2018 from 4.4 percent in 2017 with diverging fiscal developments across countries. Furthermore, the average fiscal deficit in low-income developing economies remained at around 4.2 percent of GDP in 2018. Deficits continued to deteriorate among commodity exporters, although the improvement in commodity prices during the second half of the year that raised revenue slightly.

## **2.5 Government Debt**

The government debt as a percentage of GDP in the globe contracted to 82.1 percent in 2018 from 82.4 percent in 2017. The gross government debt as a percentage of GDP in advanced economies decreased marginally to 103.9 percent in 2018 from 105.4 percent in 2017. In contrast, government debt to GDP ratio in emerging market and developing economies is estimated to be about 51.2 percent in 2018. It is expected to increase the ratio to 52.9 percent in 2019. Meanwhile, the government debt to GDP ratio in low-income developing countries is projected to rise to 45.5 percent in 2018 from 44.3 percent last year.

## **2.6 International Trade and Commodity Prices**

World merchandise trade growth is expected to remain strong in 2018 and 2019 supported by robust global economic

growth, investment growth in advanced economies particularly in the US and rising consumption in Japan. The world trade volume is expected to grow by 4.4 percent in 2018 from 4.7 percent in last year. Exports of developed and developing and emerging economies are expected to be at 3.8 percent and 5.4 percent, respectively in 2018. Meanwhile, imports of developed and developing and emerging countries are expected to grow at 4.1 percent and 4.8 percent, respectively in 2018.

Commodity prices strengthened in the first quarter of 2018. Crude oil prices are projected to average \$65/bbl in 2018 and 2019 due to the robust demand, continued production restraint by OPEC and non-OPEC producers and rising U.S. oil production. Coal prices are expected to average \$85/mt in 2018 due to the replenishment of inventories and curtailment of consumption. Further, world oil consumption is projected to increase by 1.5 percent (y/y) in 2018.

The Agricultural prices are expected to rise 2.2 percent in 2018 and 1.3 percent in 2019 due to the reduction of production. Grain prices are expected to increase 7.5 percent in 2018 and rise an additional 1.8 percent in 2019. Oils and meals are projected to rise 4 percent in 2018 reflecting the tight soybean supplies. Beverage prices are expected to remain unchanged in 2018. Raw material prices are projected to jump 2.5 percent in

2018 and tick up further in 2019. Fertilizer prices are forecast to rise by 2 percent in 2018 on relatively firm demand, but markets

are anticipated to remain well supplied. Metals prices are projected to increase 9 percent in 2018.

**Table 2.2 | International Commodity Prices**

Item	Unit	Actual		Projection			
		2016	2017	2018 Q1	2018 Q2	2018 Q3	2018 Q4
<b>Energy</b>							
Coal, Australia	\$MT	70.1	86.7	82.3	79.1	77.7	76.0
Crude oil, average*	\$/bbl	42.8	49.0	47.8	48.4	48.9	49.3
Natural gas, US	\$/MMBTU	2.5	3.0	3.3	2.8	2.9	2.9
<b>Non-energy</b>							
<b>Agriculture</b>							
<b>Beverages</b>							
Cocoa Beans	\$MT	2,892.0	1,957.7	1,910.6	1,930.1	1,954.0	1,983.2
Coffee, robusta	cts/lb	94.3	106.6	104.0	103.7	104.7	105.3
Tea	cts/kg	287.4	375.8	381.2	381.2	381.2	381.2
<b>Food</b>							
<b>Fats and Oils</b>							
Palm oil	\$MT	639.8	635.8	608.1	612.3	600.9	596.7
Soybean meal	\$MT	350.2	362.0	380.5	380.3	381.1	377.1
Soybeans	\$MT	362.7	368.8	383.1	384.3	384.1	377.4
<b>Grains</b>							
Maize	\$MT	159.2	161.9	173.3	175.4	176.0	177.3
Rice	\$MT	388.3	425.2	480.4	483.9	484.1	484.1
Wheat	\$MT	143.2	169.1	204.5	207.7	209.7	213.7
<b>Other food</b>							
Sugar, free market	cts/lb	18.5	15.5	14.3	14.3	14.4	14.6
<b>Raw Materials</b>							
Cotton	cts/lb	74.2	83.4	77.6	78.1	78.7	77.5
Rubber	cts/lb	74.5	91.0	79.0	80.7	81.9	81.9
Sawn wood, Hardwood	\$/M3	738.9	2,766.6	697.4	697.4	697.4	697.4
<b>Metals and Minerals</b>							
Aluminium	\$MT	1,604.2	1,883.5	1,902.6	1,911.2	1,917.3	1,922.3
Copper	\$MT	4,867.9	5,827.0	5,935.4	5,952.2	5,966.0	5,975.0
Nickel	\$MT	9,595.2	9,474.6	9,281.8	9,335.0	9,387.0	9,438.0

Source: Adapted from the Price Forecast (13.07.2017) IMF, available at [www.imf.org/external/np/res/commod/index.aspx](http://www.imf.org/external/np/res/commod/index.aspx)

\* Petroleum price is average of spot prices for UK< Brent, Dubai and West Texas Intermediate



## CHAPTER 3

### Fiscal Developments

#### 3.1 Overview

The government further strengthened the revenue-based fiscal consolidation process in the first four months of 2018 with increased tax revenue and improved management of public expenditure. Government revenue increased by 5.6 percent to Rs. 622,379 million in the first four months of 2018 compared to Rs. 589,439 million in the same period of 2017, realizing 28.1 percent of the annual estimate. Tax revenue marginally increased by 2.8 percent to Rs. 570,471 million while non-tax revenue significantly increased by 49.5 percent to Rs. 51,907 million in the review period compared to the same period in 2017. Such increase of non-tax revenue can mainly be attributed to the transfer of Central Bank profits to the Consolidated Fund. Meanwhile, government expenditure increased by 6.1 percent to Rs. 873,350 million in the first four months of 2018 compared to Rs. 823,260 million in the same period of 2017.

Several tax reforms were implemented by broadening the tax base, simplifying the tax system, rationalizing the tax exemptions and strengthening the tax administration process. New Inland Revenue Act was introduced effective from April 01, 2018 to

increase direct tax collection. Accordingly, three-tier income tax rate structure was introduced: (i) standard rate of 28 percent; (ii) concessionary rate of 14 percent; and (iii) higher rate of 40 percent. Employment income is taxed under progressive rates up to 24 percent and slabs applicable for taxable income of an individual were broadened. Also, income tax on capital gains was introduced with a rate of 10 percent applicable on the land and buildings and other investments excluding quoted shares. Meanwhile, Economic Service Charge (ESC) was imposed at the point of importation for vehicles. ESC threshold was reduced to Rs. 12.5 million per quarter from Rs. 50 million per quarter with effect from April 01, 2017. Benefiting from the above tax reforms together with improved tax administration at the Inland Revenue Department (IRD), Sri Lanka Customs (SLC) and the General Treasury, the revenue generated from income tax increased by 12.3 percent to Rs. 95,128 million in the first four months of 2018 compared to Rs. 84,721 million recorded in the same period of 2017.

**Table 3.1 | Government Fiscal Operations: January - April**

Item	Rs. Million	
	2017	2018 (Provisional)
<b>Revenue and Grants</b>	<b>590,089</b>	<b>622,712</b>
Revenue	589,439	622,379
Tax Revenue	554,715	570,471
Non Tax Revenue	34,724	51,908
Grants	650	333
<b>Expenditure</b>	<b>823,260</b>	<b>873,350</b>
Recurrent	626,469	685,966
Interest Payments	243,499	271,545
Other	382,970	414,421
Public Investment	201,012	181,998
Other	-4,221	5,386
<b>Revenue Surplus(+)/Deficit(-)</b>	<b>-37,030</b>	<b>-63,587</b>
<b>Overall Budget Surplus(+)/Deficit(-)</b>	<b>-233,171</b>	<b>-250,638</b>
<b>Financing</b>	<b>233,171</b>	<b>250,638</b>
Foreign Financing	14,342	7,235
Borrowing	75,000	78,992
Repayments	-60,658	-71,757
Domestic Financing	218,829	243,403
Borrowing	613,456	686,882
Repayments	-394,627	-443,479.0

Source: Department of Fiscal Policy

Several policy measures were taken by the government to augment the revenue from indirect taxes during the first four months of 2018. The unit rate was introduced as the basis of calculation of excise duty on motor vehicles to avoid possible revenue losses arisen from under valuation. Special Commodity Levy (SCL) rates were revised to protect the domestic industries. Certain exemptions granted on Nation Building Tax (NBT) were removed.

As assisted by such revenue measures together with enhanced domestic activities, the revenue generated from domestic

activity-based taxes increased by 9.1 percent to Rs. 193,394 million. However, revenue from imports-based taxes declined by 3.6 percent to Rs. 268,007 million in the first four months of 2018 compared to the same period in 2017. Revenue generated from Value Added Tax (VAT) on domestic activities increased by 5.6 percent to Rs. 102,220 million and VAT on imports increased by 2.5 percent to Rs. 57,029 million during January to April, 2018. Such increase of VAT revenue can be mainly attributed to the policy measures taken to broaden the tax base and the increase in VAT rate to 15

percent at end 2016. Revenue generated from NBT on domestic activities increased by 8.7 percent to Rs. 18,289 million while revenue from NBT on imports increased by 3.1 percent to Rs. 6,424 million during

January to April, 2018. This was mainly due to the broadening the tax base with the reduction of NBT liable threshold at end 2016 and the removal of certain exemptions on Services sector.

**Table 3.2 | Estimated and Actual Revenue & Expenditure : January - April 2018**

	Rs. Million		
Item	Estimated	Actual	Deviation
<b>Total Revenue</b>	<b>690,200</b>	<b>622,379</b>	<b>(67,821)</b>
Tax Revenue	636,700	570,471	(66,229)
Non - Tax Revenue	53,500	51,908	(1,592)
<b>Total Expenditure</b>	<b>900,000</b>	<b>873,350</b>	<b>(26,650)</b>
Recurrent Expenditure	670,000	685,966	15,966
Capital Expenditure and Net Lending	230,000	187,384	(42,616)

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

Revenue generated from Excise duty increased by 9.7 percent to Rs. 170,839 million during the first four months in 2018 achieving 31.9 percent of the annual estimate in 2018. This was mainly supported by the increase in revenue from motor vehicles by 15.3 percent to Rs. 73,774 million due to the increased in the motor vehicle imports. The revenue collected from production of liquor increased by 8.0 percent to Rs. 41,322 million during the review period reflecting the upward revision of duty rates on liquor and related license fees. Meanwhile, the revenue collected from cigarette and tobacco significantly increased by 25.2 percent to Rs. 29,843 million supported by the enhanced cigarette stick production by 9.7 percent to 1,101 million sticks for the first four months in 2018. However, revenue from petroleum

products contracted by 13.6 percent in the reference period. This was due to the decline in imports of diesel/gas oil by 13.1 percent despite the increase of import of petrol by 8.0 percent during the first four months of 2018. Meanwhile, imposition of Excise duty on plastic resin and sugar based carbonate beverages contributed to increase the revenue from Excise duty.

Budget 2018 proposed to remove approximately 1,200 para-tariff lines in order to facilitate Free Trade Agreements (FTAs). In line with this proposal, 900 items were removed from Ports and Airports Development Levy (PAL) and Commodity Export Subsidy Scheme (CESS) levy. Revenue collected from PAL increased by 11.5 percent to Rs. 36,080 million in the first four months of 2018. However, revenue

from CESS declined by 14.8 percent to Rs. 17,220 million in the first four months of 2018 due to the removal of tariff lines and tax reliefs granted on products such as wheat flour and unbranded new tyre casing.

Revenue from SCL marginally declined by 0.5 percent to Rs. 23,961 million in the review period due to the rate revisions made in selected commodities to support domestic production. Similarly, revenue collected from import duty significantly dropped by 38.1 percent to Rs. 29,340 million during the first four months of 2018 compared to the same period in 2017. This was mainly due to the duty waivers granted on certain items and the revision of Import Control License requirements.

On the expenditure front, the government continued several measures to rationalize expenditure and strengthen the expenditure monitoring process during the first four months of 2018. The total government expenditure increased by 6.1 percent to Rs. 873,350 million in the first four months of 2018 compared to Rs. 823,260 million recorded in the same period of 2017. The recurrent expenditure increased by 9.5 percent to Rs. 685,966 million whereas capital expenditure declined by 4.8 percent to Rs.187,384 million during the review period. Government budget deficit stood at Rs. 250,638 million during the first four months of 2018 compared to Rs. 233,171 million in the same period of 2017.

### **3.2 Government Revenue**

Total government revenue increased by 5.6 percent to Rs. 622,379 million in the first four months of 2018 in comparison to Rs. 589,440 million in the same period of 2017. The tax revenue increased by 2.8 percent to Rs. 570,472 million in the first four months in 2018 from Rs. 554,716 million in the same period of 2017 reflecting the increase in revenue generated from income tax and domestic consumption and import-based taxes.

The increase of total revenue was mainly due to the higher revenue collection from income tax (12.3 percent) and excise tax (9.7 percent). Tax revenue from PAYE increased by 20.3 percent to Rs. 14,711 million in the first four months period of 2018. Also, Economic Service Charge (ESC) increased significantly by 25.0 percent to Rs. 24,320 million in the review period. Revenue from excise tax on cigarette including tobacco increased by 25.2 percent to Rs. 29,843 million and excise tax on motor vehicle increased by 15.3 percent to Rs. 73,774 million in the review period.

**Table 3.3 | Estimated and Actual Tax Revenue : January - April 2018**

Item	Estimated	Rs. Billion
		Actual
<b>Department of Inland Revenue</b>		
Tax on Income and Profit	93.7	95.1
VAT - Domestic	107.2	102.2
NBT -Domestic	19.4	18.3
<b>Sub Total</b>	<b>220.3</b>	<b>215.6</b>
<b>Department of Customs</b>		
Import Duty	60.8	29.3
VAT - Imports	64.5	57.0
NBT -Imports	7.6	6.4
Ports and Airports Development Levy	37.5	36.1
Import/Export Cess	15.9	17.2
Special Commodity Levy & Other	26.6	24.0
Excise Special Provisions	134.9	129.6
Cigarettes*	30.0	29.8
Petroleum	30.1	24.2
Motor Vehicles & other	74.8	75.6
<b>Sub Total</b>	<b>347.8</b>	<b>299.6</b>
<b>Department of Excise</b>		
Liquor/Tobacco	41.7	41.3
<b>Sub Total</b>	<b>41.7</b>	<b>41.3</b>
<b>Other</b>		
Telecommunication Levy	13.4	9.7
License Tax & Other	13.5	4.2
<b>Sub Total</b>	<b>26.9</b>	<b>13.9</b>
<b>Total Tax Revenue</b>	<b>636.7</b>	<b>570.4</b>

Source : Department of Fiscal Policy

\* Including Tobacco

The non-tax revenue increased by 49.5 percent to Rs. 51,907 million in first four months of 2018 in comparison to Rs. 34,724 million in the same period of 2017 benefiting from profit transfers from Central Bank,

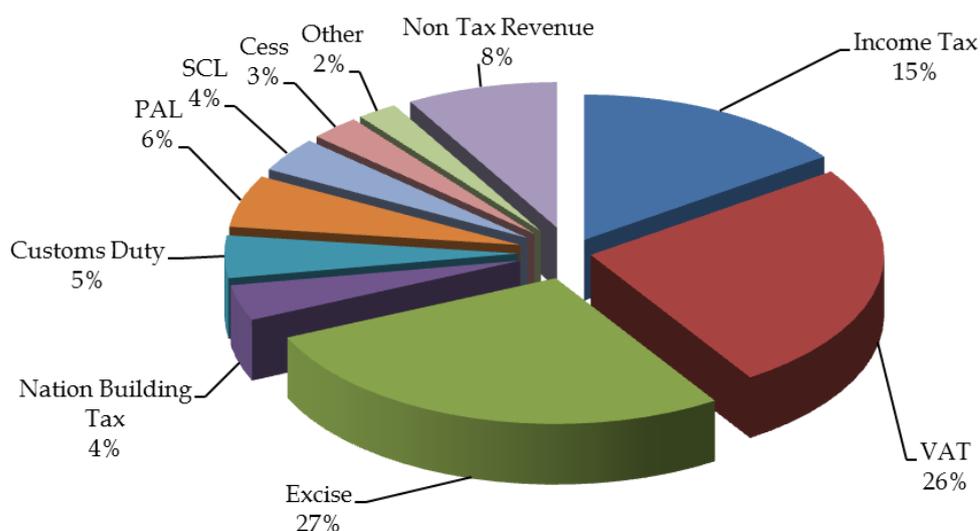
increased income and social security contributions. However, revenue generated from rent, profits and dividends contracted in the first four months of 2018.

**Table 3.4 | Summary of Performance of Government Revenue ( January - April 2018)**

	Rs. Million		
Item	2017	2018 Provisional	Growth %
<b>Tax Revenue</b>	<b>554,716</b>	<b>570,472</b>	<b>2.8</b>
Income Tax	84,721	95,128	12.3
Domestic Consumption Based Tax	177,330	193,394	9.1
VAT	96,806	102,220	5.6
Excise Duty	63,698	72,885	14.4
Nation Building Tax	16,826	18,289	8.7
Import Based Tax	277,925	268,007	-3.6
Customs Duty	47,392	29,340	-38.1
VAT	55,646	57,029	2.5
Nation Building Tax	6,230	6,424	3.1
PAL	32,353	36,080	11.5
SCL	24,091	23,961	-0.5
Excise Duty	91,999	97,953	6.5
Cess	20,214	17,220	-14.8
License Taxes and Others	14,740	13,943	-5.4
<b>Non Tax Revenue</b>	<b>34,724</b>	<b>51,907</b>	<b>49.5</b>
<b>Total Revenue</b>	<b>589,440</b>	<b>622,379</b>	<b>5.6</b>

Source : Department of Fiscal Policy

**Chart 3.1 | Composition of Government Revenue (January-April, 2018)**



### 3.2.1 Tax Revenue Income Tax

The revenue generated from corporate and non-corporate income tax increased by 11.4 percent to Rs. 38,620 million in first four months of 2018 compared to Rs. 34,681 million in the respective period of 2017. The revenue from PAYE tax increased by 20.3 percent to Rs. 14,711 million during the first four months of 2018 from Rs. 12,230 million in the review period of 2017.

The tax on ESC increased significantly by 25.0 percent to Rs.24,320 million in the first four months of 2018 compared to the same period of 2017 due to the introduction of ESC at the point of importation of vehicles. However, the revenue from tax on interest declined by 4.8 percent to Rs.17,477 million mainly due to the relatively lower issuance of government securities.

**Table 3.5 | Performance of Income Tax Revenue (January - April 2018)**

Tax Base	Rs. Million		
	2017	2018 Provisional	Change %
Corporate and Non Corporate	34,681	38,620	11.4
PAYE	12,230	14,711	20.3
Tax on Interest Income	18,359	17,477	-4.8
Economic Service Charge	19,451	24,320	25.0
<b>Total</b>	<b>84,721</b>	<b>95,128</b>	<b>12.3</b>

Source : Department of Fiscal Policy

### Value Added Tax (VAT)

The total VAT revenue increased by 4.5 percent to Rs. 159,249 million during the first four months of 2018 in comparison to Rs. 152,451 million in the same period of 2017 driven by the increased domestic economic activities. The revenue from VAT on domestic activities increased by 5.6 percent to Rs. 102,220 million in the review

period compared to Rs. 96,806 million in the same period of 2017. Meanwhile, the revenue from VAT on imports increased marginally by 2.5 percent to Rs. 57,029 million during the first four months of 2018 compared to the same period of 2017 due to the increased VAT revenue from the items such as Coal, milk powder, Cement and Lubricants.

**Table 3.6 | Performance of Revenue of VAT (January - April 2018)**

Tax Base	Rs. Million		
	2017	2018 Provisional	Growth %
Domestic	96,845	102,249	5.6
Imports	55,805	57,143	2.4
<b>Gross Revenue</b>	<b>152,650</b>	<b>159,392</b>	<b>4.4</b>
Refunds	199	143	-28.0
<b>Net Revenue</b>	<b>152,451</b>	<b>159,249</b>	<b>4.5</b>
Refunds as % of Gross Revenue	<b>0.1</b>	<b>0.1</b>	

Source : Department of Fiscal Policy

## Excise Duty

The revenue collected from excise duty increased by 9.7 percent to Rs. 170,839 million in the first four months of 2018 compared to Rs. 155,696 million in the same period of 2017 due to the rise in revenue collection from major items such as liquor,

cigarettes and tobacco and motor vehicles except petroleum products. This was a 31.9 percent achievement against the annual estimates. Revenue from excise duty remained as the largest single contributor accounting for 29.9 percent to the total tax revenue for the review period.

**Table 3.7 | Performance of Excise Duty ( January - April 2018)**

Tax Base	Rs. Million		
	2017	2018 Provisional	Growth %
Liquor	38,262	41,322	8.0
Cigarettes and Tobacco	23,840	29,843	25.2
Motor Vehicles	64,004	73,774	15.3
Petroleum	27,995	24,179	-13.6
Other	1,596	1,720	7.8
<b>Total</b>	<b>155,696</b>	<b>170,839</b>	<b>9.7</b>

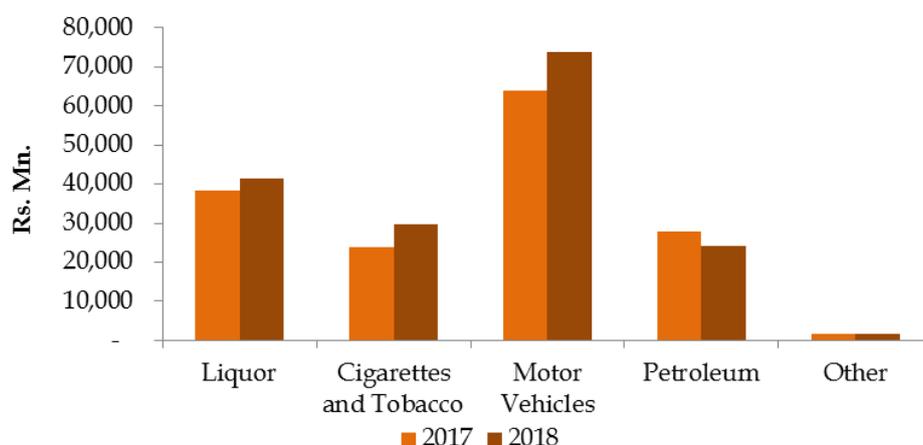
*Source : Department of Fiscal Policy*

Revenue collected from liquor increased by 8.0 percent to Rs. 41,322 million in January-April 2018 compared to Rs. 38,262 million in the same period of 2017. This surge was mainly due to the increase in excise duty rates on hard liquor in line with the Budget 2018 coupled with Government policy towards discouraging liquor consumption in Sri Lanka. As a result, hard liquor production declined by 47.4 percent to 8.9 million liters during the reference period.

The revenue from Excise duty on motor vehicles increased by 15.3 percent to Rs. 73,774 million in January to April, 2018 compared to Rs. 64,004 million in the same

period of 2017. This was mainly attributed to the increase in import of motor cars by 127.1 percent to 30,236 in the review period compared to 13,313 recorded in the same period of 2017 stemming from the Excise duty reduction on motor vehicles less than 1000 CC category and the introduction of unit rate basis for tax collection. Also, the upward revision of duty rates for motor vehicles and three wheelers helped increase Excise duty revenue. However, motor cycle imports declined by 8.6 percent for the first four months in 2018 compared to the same period in 2017 due to the upward revision of duty structure.

**Chart 3.2 | Performance of Excise Duty (Jan-Apr 2017 and 2018)**



**Table 3.8 | Motor Vehicles Imports and New Registration of Vehicles (January - April 2018)**

Unit : Number

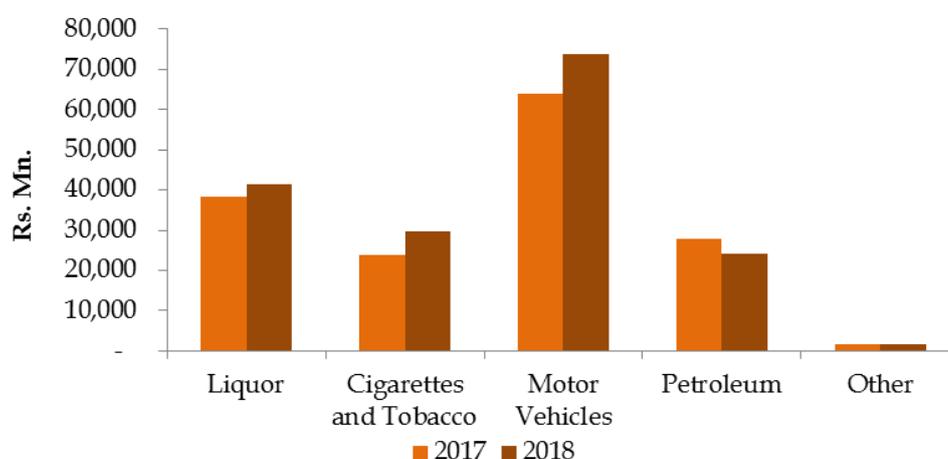
Item	Imports				New Registrations			
	2017	2018	Change	% Change	2017	2018	Change	% Change
Motor Cars	13,313	30,236	16,923	127.1	12,760	25,363	12,603	98.8
Three Wheelers	4,112	5,144	1,032	25.1	7,546	6,424	-1,122	-14.9
Motor Cycles	123,999	113,346	-10,653	-8.6	113,225	119,612	6,387	5.6
Passenger Vehicles	955	1,077	122	12.8	999	1,171	172	17.2
Good Transport Vehicles (a)	9,605	9,056	-549	-5.7	9,507	9,541	34	0.4
Land Vehicles (b)	3,958	3,427	-531	-13.4	4,398	3,440	-958	-21.8
<b>Total</b>	<b>155,942</b>	<b>162,286</b>	<b>6,344</b>	<b>4.1</b>	<b>148,435</b>	<b>165,551</b>	<b>17,116</b>	<b>11.5</b>

Source : Department of Customs and Department of motor Traffic

(a) Including single cabs, Dual Purpose vehicles, Motor lorries, Prime movers and Lorry trailers, Motor tricycle van

(b) Including hand Tractors, Land Vehicle tractors and land vehicle other (trailers)

**Chart 3.2 | Performance of Excise Duty (Jan-Apr 2017 and 2018)**



The revenue generated from cigarettes and tobacco increased by 25.2 percent to Rs. 29,843 million in the period of January to April of 2018 compared to Rs. 23,840 million in the same period of 2017. It was a 33.1 percent achievement from the annual estimate of 2018. This revenue increase was mainly due to the increase in production of cigarettes by 9.7 percent to 1,101 million sticks in the review period.

However, the revenue generated from petroleum products declined by 13.6 percent to Rs. 24,179 million in first four months of 2018 compared to Rs. 27,995 million in the respective period of 2017 reflecting the decrease in import of diesel/ gas oil by 13.1 percent for the review period.

### **Import Duty**

The revenue generated from import duty declined by 38.1 percent to Rs. 29,340 million in the first four months of 2018 compared to Rs. 47,392 million in the same period of 2017. It was a 5.1 percent of total tax revenue. The decline was mainly attributable to the revisions of Import Control License requirements, exemptions granted with the general duty waiver on importation of Petrol, Diesel, wheat grain and milk powder and the newly prescribed method for determination of Customs value for the disposal of motor vehicles imported under an approved scheme of exemption of duty on a conditional basis. Moreover, the import of duty exempted items such as

fertilizer, pharmaceutical manufacturing items and machinery and equipment used for specified projects affected to the performance of the revenue generated from import duty. Furthermore, the importation of many products which were granted duty free or normal duty status under the Free Trade Agreements to strengthen bilateral and regional trade continued during the period.

### **Special Commodity Levy**

The total revenue from SCL declined by 0.5 percent to Rs. 23,961 million during the first four months of 2018 compared to Rs. 24,091 million recorded in the review period of 2017. This marginal performance was mainly due to the downward revisions of SCL rate on rice varieties, maize, sprats, dried fish, potato, B'onions, black-gram, grated or powdered cheese and duty extension granted on lentils, mackerel fish, dried fish, Maldiva fish, peas, chickpeas, *Kurakkan* etc.

### **Nation Building Tax (NBT)**

The revenue generated from the NBT increased by 7.2 percent to Rs. 24, 713 million in the first four months of 2018 compared to Rs. 23,056 million in the same period of 2017. The revenue collected from NBT on domestic activities increased by 8.7 percent to Rs. 18,289 million while revenue from NBT on imports increased by 3.1

percent to Rs. 6,424 million in first four months of 2018. The policy measures taken to remove the exemptions on construction contractors and sale of residence apartments

contributed to the increase in revenue from NBT. In the first four months of 2018, Rs. 12,357 million was transferred to Provincial Councils (PCs) under the revenue sharing mechanism.

**Table 3.9 | Revenue Transferred to Provincial Councils ( January - April 2018)**

Rs. Million

Month	NBT		Motor Vehicle Registration Fees	Stamp Duty	Total
	Inland Revenue Department	Customs			
January	2,626	843	184	1,596	5,249
February	1,845	825	200	176	3,046
March	2,009	798	206	207	3,220
April	2,665	746	192	1,756	5,359
<b>Total</b>	<b>9,145</b>	<b>3,212</b>	<b>782</b>	<b>3,735</b>	<b>16,874</b>

Source : Department of Fiscal policy

### Other Taxes

Revenue collected from PAL increased by 11.5 percent to Rs. 36,080 million in the first four months of 2018 compared to Rs. 32,353 million in the same period of 2017. It was about 5.8 percent of the total tax revenue in the first four months of 2018. The total revenue collected from Cess on imports and exports amounted to Rs. 17,220 million, a 14.8 percent decline compared to the same period of 2017. This was mainly due to the removal of applicable Cess rates on identified 253 items such as meat, dairy products, dates, grapes, pears, beer and wine, etc.

Meanwhile, the revenue collected from Telecommunications Levy declined by 16.5 percent to Rs. 9,705 million during the first four months of 2018 compared to Rs. 11,616 million recorded in the same period of 2017.

This was mainly due to the removal of taxes for internet services followed by the deferment of the implementation of Sim Card Activation levy.

### 3.2.2 Non-tax Revenue

Total non-tax revenue, which accounted for 8.3 percent of the total revenue during the first four months of 2018, increased by 49.5 percent to Rs. 51,907 million compared to Rs. 34,724 million recorded in the same period of 2017. This increase was mainly due to the Central Bank's profit transfers of Rs. 14,227 million during the review period. Moreover, the increase of non-tax revenue from sales and charges by 20.7 percent to Rs. 23,268 million, interest income by 5.9 percent to Rs.1,813 million, social security contributions by 2.4 percent to Rs. 7,679 million and other income by 80.9 percent to

Rs.1,054 million also positively contributed to this revenue performance. However, the non-tax revenue from profit and dividends declined significantly by 35.6 percent to Rs. 2,814 million during the first four months of

2018 compared to the same period of 2017. This deviation of revenue was due to the weak financial performances of SOEs.

**Table 3.10 | Variance Analysis of Government Revenue ( January- April)**

Rs. Million

Item	2017	2018 Est.	2018	Reasons
Income Tax	84,721	93,700	95,128	The implementation of new Inland Revenue Act effective from April 1, 2018 and strengthening the tax administrative process through the RAMIS at IRD helped to augment the revenue collected from Income tax. Specially, ESC revenue increased significantly with the reduction of ESC threshold and the imposition of ESC on importation of motor vehicles. Broadening the slabs applicable to the calculation of personal taxable income and widening progressive tax rate up to 24 percent for employment income helped increase the PAYE tax revenue. However, the removal of tax exemption granted on the interest on government securities negatively affected to withholding tax revenue.
VAT	152,452	171,700	159,249	The expansion of domestic activities and the rise in imports bill were attributed to the increase in VAT revenue. The rise in imports such as Coal, Milk Powder, Cement and Lubricants supported to increase import VAT revenue. Further, monitoring of payments and receipts with the implementation of RAMIS, increased tax audits and strengthening the tax administrative process at IRD positively contributed to this increase.
Excise Tax	155,696	176,600	170,839	The increase in revenue collected from excise duty was mainly driven by the improved performance in tax collection from cigarette and tobacco, motor vehicles and liquor. Excise duty revenue from motor vehicles increased due to the increased motor cars imports by 127.1 percent particularly, less than 1000cc cars. Excise duty revenue from cigarettes increased with the increased production of cigarettes by 9.7 percent to 1,101 Mn sticks in the period under review. However, revenue from the petroleum declined due to the reduction in diesel imports during the review period.

Import Duty	47,392	60,800	29,340	The adverse impact of granting general tax waivers on major import items such as petrol, diesel, wheat grain and milk powder and the importation of products granted under the Free Trade Agreements (FTA) contributed to this decline.
Ports and Airports Development Levy (PAL)	32,353	37,500	36,080	PAL revenue increased due to the rise in imports of intermediate goods such as petroleum, fertilizer and gold etc. However, granting the concessionary rate of 2.5 percent for high tech machinery and equipment which was applied the standard rate of 7.5 percent has led to this deviation.
Nation Building Tax (NBT)	23,056	27,000	24,712	The revenue from NBT increased due to the policy measures taken to remove exemption on construction services by a contractor, sales of residential apartments, services of inbound travel agents received in foreign currency etc.
Other Taxes	59,045	69,400	55,124	The revenue from Cess on imports declined by 15.6 percent due to the removal of applicable Cess rates on identified 253 items and reduction of Cess on wheat flour. However, the Cess revenue from exports increased by 1.7 percent due to the increase in world demand for tea, rubber and mineral sectors. The revenue from Telecommunications Levy declined by 16.5 percent due to the removal of the taxes for internet services. The drop in call duration both international and local was also contributed to decline the Telecommunication levy.
Non-tax Revenue	34,724	53,500	51,907	Profit transfers from the Central Bank were mainly attributed to increase in non-tax revenue. Increased collection of Social Security Contribution from public sector employees due to the basic salary hike, the rise in sales and charges and the inclusion of revenue from the United Nations Peace Keeping Operations into the Consolidated Fund were positively attributed to increase non-tax revenue. However, the drop in profits and dividends by State Owned Business Enterprises and rental income negatively affected to the revenue.
<b>Total</b>	<b>589,438</b>	<b>690,200</b>	<b>622,378</b>	

**Box 3.1 | Major Fiscal Measures: January 2018 - June 2018**

Effective Date	Measures
<b>Excise (Special Provisions) Duty</b>	
16.02.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2058/33 of 15 02.2018) - To Increase the maximum limit of exemption of Excise duty for beneficiaries of categories of I, II and III as specified in Public Administration Circular No.22/99 to Rs. 22.0 Mn, Rs. 16.00 Mn and Rs.12.00 Mn, respectively.
16.02.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2058/34 of 15 02.2018) - To increase the maximum limit of exemption of Excise duty to Rs. 5.0 Mn for beneficiaries of vehicle imported under Trade and Investment Policy Circular No.1/2018.
12.04.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2066/40 of 12.04.2018) - To grant tax concession to vehicles for which LCs opened on or before November 09, 2017 for beneficiaries of vehicle imported under Local Government and Provincial Council Circular No. 01/2017 dated April 21, 2017.
24.04.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2068/9 of 24. 04.2018) - To grant a vehicle permit to General (Rtd) Hamilton Wanasinghe.
15.05.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2071/16 of 15. 05.2018) - To introduce an annually reducing rate of Excise duty to sell/dispose motor vehicles imported and registered by diplomats/ diplomatic organization on 100% duty free basis.
01.06.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2073/41 of 31.05.2018) - To imposition of Excise duty of Rs. 7/- per liter on Kerosene.
31.05.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2074/39 of 08 06.2018) - To reduce the maximum limit of exemption of Excise duty to Rs. 3.6 Mn from Rs. 5.0 Mn for beneficiaries of vehicle imported under Trade and Investment Policy Circular No.1/2018 as amended.
09.06.2018	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2075/51 of 14 06.2018) - To remove the applicable Excise duty on Kerosene.
<b>Excise (Ordinance) Duty</b>	
11.01.2018	Excise Notification No. 01/2018 (Extraordinary Gazette No. 2053/21 of 10.01.2018) - To revise business hours of the liquor licensed establishments.
10.01.2018	Excise Notification No. 02/2018 (Extraordinary Gazette No. 2053/26 of 10.01.2018) - To revise the conditions set out in the Excise Notification No.666.
18.01.2018	Excise Notification No. 03/2018 (Extraordinary Gazette No. 2054/41 of 18.01.2018) - To rescind the Excise Notification No. 01/2018 on “Business Hours for Liquor License Establishments “based on Cabinet decision dated 16/01/2018.
18.01.2018	Excise Notification No. 04/2018 (Extraordinary Gazette No. 2054/42 of 18.01.2018) - To rescind the Excise Notification No. 02/2018 on “Revision of the conditions set out in the Excise Notification No. 666 “based on cabinet decision dated 16.01.2018.
22.01.2018	Excise Notification No.05/2018 and 06/2018 (Extraordinary Gazette No. 2055/09 of 23.01.2018) - To repeal the word “pulp” in the schedule of Excise Notification No. 1001 and 1002.

Effective Date	Measures														
21.02.2018	Excise Notification No. 07/2018 (Extraordinary Gazette No. 2059/32 of 21.02.2018) - To reduce excise duty on non-potable spirits imported into Sri Lanka by Rs. 9.00 per bulk kilogram.														
16.04.2018	Excise Notification No. 08/2018 (Extraordinary Gazette No. 2066/2 of 09.04.2018 ) - To introduce License fee for toddy tapping and drawing as per the Excise Ordinance Act Amendment.														
01.04.2018	Excise Notification No. 09/2018 (Extraordinary Gazette No. 2065/57 of 06.04.2018 ) - To reduce the license fee for bottling toddy by Rs. 500, 000.														
13.06.2018	Excise Notification No.10/2018 (Extraordinary Gazette No. 2075/23 of 13.06.2018 ) - To amend the Excise Notification No. 07/2018.														
13.06.2018	Excise Notification No. 11/2018 (Extraordinary Gazette No. 2075/24 of 13.06.2018 ) - To revise the opening and closing hours of toddy taverns.														
<b>Ports and Airports Development Levy (PAL)</b>															
05.04.2018	Ports and Airports Development Levy (PAL) Act, No.18 of 2011 (Gazette Notification No.2065/42 of 06.04.2018) - To grant concessionary PAL rate of 2.5% for the importation of identified High Tech machinery and equipment.														
<b>Income Tax</b>															
<b>Corporate Income Tax</b>															
01.04.2018	Three Tire Income tax Rate Structure was introduced: - <b>Standard Rate 28%</b> - Financial services, insurance, trade, manufacturing, any other not falling under concessionary /higher tax category. - <b>Concessionary Rate 14%</b> - SME, exporters, agriculture ,educational services, promotion of tourism, IT services, charitable institution ,EPF,ETF and pension funds. - <b>Higher Rate 40%</b> - Betting and gaming, tobacco and liquor.														
<b>Individual Income Tax</b>															
01.04.2018	<table border="1"> <thead> <tr> <th>Taxable Income (Rs.)</th> <th>Tax Rate</th> </tr> </thead> <tbody> <tr> <td>First 600,000</td> <td>4%</td> </tr> <tr> <td>600,000-1,200,000</td> <td>8%</td> </tr> <tr> <td>1,200,000-1,800,000</td> <td>12%</td> </tr> <tr> <td>1,800,000-2,400,000</td> <td>16%</td> </tr> <tr> <td>2,400,000-3,000,000</td> <td>20%</td> </tr> <tr> <td>Exceeding 3,000,000</td> <td>24%</td> </tr> </tbody> </table>	Taxable Income (Rs.)	Tax Rate	First 600,000	4%	600,000-1,200,000	8%	1,200,000-1,800,000	12%	1,800,000-2,400,000	16%	2,400,000-3,000,000	20%	Exceeding 3,000,000	24%
Taxable Income (Rs.)	Tax Rate														
First 600,000	4%														
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1,800,000-2,400,000	16%														
2,400,000-3,000,000	20%														
Exceeding 3,000,000	24%														
<b>Employment Income</b>															
01.04.2018	Employment income is taxed under progressive rates up to 24% and slabs applicable for taxable income of an individual was broadened. Qualifying payment relief increased from Rs. 250,000/- to Rs. 700,000/-. Tax treatment on retirement benefits remains unchanged. Secondary employment First Rs. 50, 000/- per month : 10% Balance : 20%														
<b>Withholding Tax</b>															
01.04.2018	<table border="1"> <thead> <tr> <th>Category</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Interest Income from bank deposit -Senior Citizen (annum)</td> <td>5% (on excess of Rs.1.5 Mn/per annum)</td> </tr> </tbody> </table>	Category	Rate	Interest Income from bank deposit -Senior Citizen (annum)	5% (on excess of Rs.1.5 Mn/per annum)										
Category	Rate														
Interest Income from bank deposit -Senior Citizen (annum)	5% (on excess of Rs.1.5 Mn/per annum)														

Effective Date	Measures												
	<ul style="list-style-type: none"> <li style="text-align: right;">-Others</li> <li>Interest on corporate debt securities</li> <li>Interest on government securities</li> <li>Rent</li> <li>Specified fee – in excess of Rs.50,000/-</li> <li>Partnership - on each Partner’s share</li> <li>Sale of gems at auction by National Gem and Jewelry Authority</li> <li>All other cases (Dividends, Royalty, etc.)</li> </ul>												
	<ul style="list-style-type: none"> <li>5%</li> <li>5%</li> <li>Nil</li> <li>10%</li> <li>5%</li> <li>8%</li> <li>2.5%</li> <li>14%</li> </ul>												
	<b>Capital Allowance Structure</b>												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Description</th> <th style="width: 30%;">New Rate</th> </tr> </thead> <tbody> <tr> <td>Computers and data handling equipment</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Plants and machinery</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Buildings</td> <td style="text-align: center;">05%</td> </tr> <tr> <td>Intangible assets, excluding goodwill</td> <td style="text-align: center;">Actual useful life or 05%</td> </tr> </tbody> </table>	Description	New Rate	Computers and data handling equipment	20%	Vehicles	20%	Plants and machinery	20%	Buildings	05%	Intangible assets, excluding goodwill	Actual useful life or 05%
Description	New Rate												
Computers and data handling equipment	20%												
Vehicles	20%												
Plants and machinery	20%												
Buildings	05%												
Intangible assets, excluding goodwill	Actual useful life or 05%												
	<b>Tax on Capital Gain Tax</b>												
01.04.2018	10% Applicable on the gains from realization of land and buildings and other investment assets excluding quoted shares.												
	<b>Investment Incentives Scheme</b>												
01.04.2018	New investment incentives scheme based on the enhanced depreciation allowance is provided for a person who spend on depreciable assets other than intangible assets during a year of assessment.												
	<b>Revenue Protection Act</b>												
17.03.2018	Revenue Protection Act, No.19 of 1962 (Gazette Notification No.2062/45 of 16.03.2018) <ul style="list-style-type: none"> <li>- To revise import duty of selected goods (for 154 number of HS Codes).</li> <li>- To create new HS Codes for Acrylic, Small fish used as fishing baits, hair nets and bio- degradable and compostable plastic material.</li> <li>- To remove of 15% duty on Alfalfa used as forage for milking cows.</li> <li>- To revise the duty rate imposed on imported lottery tickets and telephone cards as 30% or Rs. 350/ per Kg instead of 30% duty rate.</li> </ul>												
18.04.2018	Revenue Protection Act, No.19 of 1962 (Gazette Notification No.2067/2 of 17.04.2018) <ul style="list-style-type: none"> <li>- To increase the duty on importation of gold from zero to 15%.</li> </ul>												
01.05.2018	Revenue Protection Act, No.19 of 1962 (Gazette Notification No.2069/2 of 01.05.2018) <ul style="list-style-type: none"> <li>- To remove of import duty of number of 3,539 HS Codes under the Singapore-Sri Lanka Free Trade Agreement.</li> </ul>												
03.05.2018	Revenue Protection Act, No.19 of 1962 (Gazette Notification No.2069/19 of 02.05.2018) <ul style="list-style-type: none"> <li>- To impose Customs Import Duty on Beedi Leaves and Beedi Tobacco with effect from May 03, 2018 on weight.</li> </ul>												
16.05.2018	Revenue Protection Act, No.19 of 1962 (Gazette Notification No.2071/15 of 15.05.2018) <ul style="list-style-type: none"> <li>- To introduce of Fuel Price formula for the local market.</li> </ul>												
	<b>Special Commodity Levy (SCL)</b>												
19.01.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2054/40 of 18.01.2018) <ul style="list-style-type: none"> <li>- To introduce a concessionary rate on grated or powdered cheese.</li> </ul>												

Effective Date	Measures
	<ul style="list-style-type: none"> <li>- To extend the validity period of the existing SCL duty on 7 items including Grated or Powdered Cheese, Maldive Fish and Black gram for a another 6 months.</li> </ul>
01.02.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2056/33 of 31.01.2018) <ul style="list-style-type: none"> <li>- To introduce SCL Duty of Rs. 10/ per kg on the importation of Maize for the period of 6 months.</li> </ul>
16.02.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2058/30 of 15.02.2018) <ul style="list-style-type: none"> <li>- To extend the validity period for sugar for the period of 6 months.</li> </ul>
24.02.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2059/52 of 23.02.2018) <ul style="list-style-type: none"> <li>- To increase SCL duty on importation of Potatoes to Rs.30 per kg.</li> </ul>
08.03.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2061/22 of 07.03.2018) <ul style="list-style-type: none"> <li>- To extend the validity period for Mackerel Fish, Peas, Chickpeas, Cowpea, Kurakkan for the period of 06 months.</li> </ul>
20.03.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2063/13 of 19.03.2018) <ul style="list-style-type: none"> <li>- To remove SCL on importation of Black gram to Rs.100 per kg.</li> </ul>
01.04.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2064/49 of 01.04.2018) <ul style="list-style-type: none"> <li>- To extend the validity period for Potatoes, Rice, Yogurt, Butter, Garlic, Oranges, Grapes, Apples, Mathe seed, Kurakkan, Ground nut, Mustard seed, Salt with the prevailing duty rates.</li> </ul>
02.05.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2069/18 of 01.05.2018) <ul style="list-style-type: none"> <li>- To increase the duty on importation of potato Rs. 30 per Kg to Rs. 40 per Kg and Rs.1 per Kg to Rs. 40 per Kg on importation of B onions.</li> </ul>
08.05.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2070/2 of 08.05.2018) <ul style="list-style-type: none"> <li>- To extend the validity period of the existing SCL duty on 11 items for another period of 6 months.</li> </ul>
09.05.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2070/6 of 09.05.2018) <ul style="list-style-type: none"> <li>- To increase the duty on importation of whole lentils Rs.1 per Kg to Rs.7 per Kg to Rs.12 per Kg on importation of split Lentils.</li> </ul>
21.05.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2071/85 of 20.05.2018) <ul style="list-style-type: none"> <li>- To extend the validity period of the existing SCL duty on 6 items for another period of 6 months.</li> </ul>
01.06.2018	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2073/37 of 31.05.2018) <ul style="list-style-type: none"> <li>- To increase the duty on coconut and related products by Rs.20 per Kg compare with the end of last year considering the stabilization of prevailing market prices.</li> </ul>
<b>Administrative Changes</b>	
28.04.2018	The domestic gas price was increased by Rs. 245 for a 12.5 Kg cylinder.

### 3.3 Government Expenditure

The total government expenditure was Rs. 873,350 million during the first four months of 2018, an increase of 6.1 percent compared to the same period of 2017, of which recurrent expenditure was Rs. 685,966

million and the capital expenditure was Rs. 187,384 million. Recurrent expenditure increased by 9.5 percent, reflecting the increase in salaries and wages of the government employees and pensioners and interest payments while public investment declined by 9.5 percent in the review period.

**Table 3.11 | Performance of Government Expenditure: January - April 2018**

Item	Rs. Million	
	2017	2018 Provisional
<b>Recurrent Expenditure</b>	<b>626,469</b>	<b>685,966</b>
Salaries	197,518	210,234
Pension	59,186	62,829
Interest Payments	243,499	271,545
Other	126,266	141,358
<b>Capital Expenditure</b>	<b>196,791</b>	<b>187,384</b>
<b>Total</b>	<b>823,260</b>	<b>873,350</b>

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

#### Salaries and Pension

Expenditure on salaries and wages of public servants including Provincial Councils increased moderately by 3 percent to Rs. 204,334 million in the first four months of 2018, compared to the same period of 2017. The pension payment was Rs. 62,729 million for the first four months of 2018, an increase of 6 percent over the same period of 2017.

#### Interest Payments

The expenditure on interest payments increased by 8.1 percent to Rs. 271,545 million during the first four months of 2018 compared to Rs. 243,499 million in the same period of 2017. Out of the total interest payments, Rs. 217,661 million was for interest payments for the domestic debt and the rest, Rs. 53,884 million for interest payments for foreign debts.

**Table 3.11 | Behaviour of Yield Rates (%) on Government Securities and Exchange Rate : (2017-2018 May)**

Period	Treasury Bills (%)			Treasury Bonds (%)				Monthly Average Exchange Rate (Rs/US\$)	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year		
2017	Jan	9.03	10.07	10.37	11.41	-	-	12.19	150.09
	Feb	9.32	10.19	10.58	12.10	-	-	12.89	150.82
	Mar	9.63	10.62	10.98	12.30	-	-	-	151.43
	Apr	9.73	10.70	11.02	11.21	-	-	11.55	151.76
	May	9.61	10.35	10.71	11.07	-	-	11.42	152.33
	June	9.60	10.29	10.47	-	-	11.37	-	152.83
	Jul	9.44	9.71	9.99	-	-	11.14	10.43	153.67
	Aug	8.87	9.30	9.67	9.83	-	-	-	153.19
	Sep	8.71	9.01	9.10	-	-	-	10.09	152.90
	Oct	8.75	9.10	9.48	-	9.92	-	-	153.53
	Nov	8.20	8.88	9.44	-	-	-	10.20	153.66
	Dec	7.69	8.30	8.90	-	9.55	-	-	153.15
2018	Jan	7.69	7.95	8.90	-	-	-	-	153.80
	Feb	8.24	8.52	9.59	-	9.85	-	-	154.86
	Mar	8.17	8.52	9.69	-	-	-	10.68	155.73
	Apr	8.10	8.52	9.59	-	9.79	-	-	156.14
	May	8.34	8.93	9.62	12.30	-	-	10.51	157.90

Sources: Department of Treasury Operations and Department of Public Debt

## Welfare Expenditure

Total expenditure on welfare payments and subsidies during the first four month of 2018 increased by 20 percent amounting to Rs. 468,548 million. The payments includes:

- Samurdhi relief;
- Elders allowance;
- Monthly allowances for July Stickers;
- Fertilize subsidies;
- Food nutritional programe for pregnant Mothers (poshanamalla) ; and

- Special grant for Kidney patients.

The welfare assistance provided to support for the needy people of the society including Samurdhi cash grant, payments to elderly and parents of security personnel and flood and drought relief to affected families amounted to Rs 27,727 million, of which the service compensation for dead and differently-abled soldiers amounted to Rs.9,461 million during the first four months of 2017 compared to Rs. 9,032 million in the same period of 2017.

The government continued national programmes such as Phoshanamalla, Thripasha programme, fresh milk and school nutritional programmes spending Rs. 3,281 million in the first four months with the intention of improving maternal and child healthcare. This amount included Rs. 509 million for Thripasha programme and Rs.1, 316 million for Phoshanamalla programme.

The welfare programmes implemented for the benefit of school children by providing free text books, uniforms, season tickets, health insurance for school children, free

Dhamma school text books and bursaries continued at a cost of Rs. 3,375 million during the period. The priority has been given by the government to provide free medicine for all with no disruption spending Rs.14,174 million during the first four months of the year. Under the fertilizer subsidy programme, the government incurred Rs. 8,009 million during this period to provide all varieties of fertilizer for paddy farmers and other small crop holders.

**Table 3.13 | Welfare Expenditure January-April 2018**

Item	Rs. Million	
	2017	2018
<b>Mothers and Children</b>		
Thripasha Programme and Infant Milk Food Subsidy/poshanamalla	1,913	1,944
Free text books & uniforms	2,041	1,966
School season tickets	245	1,234
School Nutritional foods	1,143	1,377
<b>Agriculture</b>		
Fertilizer subsidy	7,762	8,009
<b>Welfare payments</b>		
Samurdhi Relief	13,311	13,142
Assistance to differently able soldiers	9,032	9,461
Elder Allowance	3,010	3,050
Assistance for differently abled	356	371
Food assistance, flood and drought Relief	163	1,328

Source: Department of National Budget

## **Public Investment Expenditure**

### **1. School Education**

During the first four months of 2018, the total expenditure for school education was Rs. 67,725 million of which Rs. 57,164 million for recurrent expenditure and Rs. 10,561 million for capital expenditure. The expenditure on welfare programs were Rs. 3,644 million, an increase of 9 percent compared to same period of 2017. This was due to the increase of cost of nutritional food per student per day to Rs. 30 from Rs. 25. Also, the packet of milk has been increased by Rs.1 to Rs.21.

Having considered the importance of adequate Infrastructure for quality education, investment for general education development projects have been increased significantly by providing Rs. 8,677 million during the first four months of 2018, which is an increase of 50 percent over the same period of 2017.

The “Nearest School is the Best School” (NSBS) program which was started in 2017 continued in 2018. The total investment for NSBS program was Rs. 7,627 million as at end of April 2018.

### **2. Higher Education**

The Government has spent Rs. 14,609 million during the first four months of 2018 for the development of higher education, of which recurrent and capital expenditure were Rs. 9,800 million and Rs. 4,809 million, respectively.

Rs. 1,253 million was incurred for the construction of new building complexes for establishment of technological faculties in ten (10) universities at end April 2018. During the first four months of 2018, 238 university students have obtained loans to purchase laptops and also Rs. 71 million was paid to the People’s Bank and Bank of Ceylon to bear the interest cost of the loans provided since 2016.

The total expenditure for the Skills Development and Vocational Training was Rs 2,481.5 million of which Rs. 1,978 million for recurrent expenditure and Rs. 503.5 million for capital projects for the first four months of 2018.

The total expenditure on capital projects under the Ministry of Science, Technology and Research was Rs. 820.5 million at the end of April 2018.

**Table 3.14: Expenditure on Major Activities of Education Sector**

Description	Rs. Million	
	Jan - April 2017	Jan - April 2018
<b>Higher Education - Recurrent Expenditure</b>		
Personnel Emoluments of Universities & other Higher Educational Institutions	8,004	8,400
Mahapola and Bursary Payment	199	402
<b>Higher Education - Capital Expenditure</b>		
Development of Universities & Other Higher Educational Institutions	1,180	2,387
Construction of 84 Hostel Complexes	1,272	1,350
Establishment of the state Medical Faculties at Wayamba University	-	297
Establishment of Technology Faculty of the Universities	255	1,253
Loan Interest for Laptops (University Students)	40	71
Faculty of Fisheries & Marine Science, University of Ruhuna	56	20
Development Plan for South Eastern University Phase 1 "B"	45	31
<b>Skills Development</b>		
Skills Sector Development Programme	205	325.79
Establishment of Colombo Vocational Training Center and Gampaha Technical College	41	15.14
Construction of Building for Anamaduwa Technical College	2	19.53
<b>Science and Technology</b>		
Nano Technology Programme	32	515.5
Scientific Development Programme	5	24.66
Vidatha Programme	3	4.15
Establishment of Biotechnology Innovation Park on PPP Basis	-	14.42

Source: Department of National Budget

### 3. Health

The total government expenditure on health including of Western and indigenous medicine sectors increased by 11.6 percent to Rs. 68,806 million during the first four months of 2018 compared to the same

period of 2017 covering both Provincial and Central Government health expenditure. Out of the total health expenditure, the recurrent expenditure was Rs. 59,634 million and the capital investment was Rs. 9,172 million.

#### 4. Irrigation and Water Resources Management

The Government has invested Rs. 12,581 million for the development activities related to irrigation and water resources management during the first four months of 2018, of which, Rs 9,896 million was spent on development of Mahaweli irrigation schemes through rehabilitation and construction of new reservoirs under the Ministry of Mahaweli Development. The balance, Rs. 2,865 million has been invested by the Ministry of Irrigation and Water

Resources and Disaster Management for the development of irrigation schemes and construction of reservoirs. The expenditure on major irrigation schemes such as Moragahakanda, Kaluganga and Uma Oya projects amounted to Rs. 2,906 million during the review period. Yan Oya project, which secured the largest portion of the total allocation for development activities under the Ministry of Irrigation and Water Resources and Disaster Management exhibited nearly 100 percent financial progress as at end of the first four months of 2018.

**Table 3.15 | Expenditure on Major Activities of Health Sector**

Description	Rs. Million	
	2017 Jan-April	2018 Jan-April
<b>Total Recurrent Expenditure</b>	<b>52,993</b>	<b>59,634</b>
service delivery expenditure	25,773	29,480
of which Salaries of medical personnel and support staff	21,209	23,948
Provision of Medicine	11,325	14,174
Provincial Health	15,895	15,980
<b>Public Investment Expenditure</b>	<b>8,663</b>	<b>9,172</b>
Development of District Hospital - Polonnaruwa	53	98
Epilepsy unit at National Hospital, Colombo	129	5
Development of DGH Hambantota and DGH Nuwaraeliya	3	-
Construction of the State of the Art Cancer Ward Complex at National Institute of Cancer, Maharagama (Razavi Project )	-	-
Maternity Ward Complex at TH Kurunegala	95	-
Development of Estate Sector Hospitals	23	29
Accident Service and Ward Complex at TH Ragama	87	-
Helmut Khol Maternity Hospital Karapitiya, Galle (GOSL-Germany-kfw)	64	35
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	-	55
Other capital investments	6,452	7,727
Provincial Health Investment	1,757	1,445

Source: Department of National Budget

## 5. Agriculture

A total allocation of Rs. 11,936 million for the Ministry of Agriculture has been devoted for development activities in 2018 including special programmes to ensure food security. The expenditure incurred

during the first four months of 2018 for these activities was Rs. 1,619 million. A number of activities including the rehabilitation of small tanks and canals and the establishment of 100 fruit villages have shown steady financial progresses during the period under consideration.

**Table 3.16 | Expenditure on Major Projects**

Project	Expenditure as at 30.04.2018 (Rs. Mn)		
	Foreign	Local	Total
Jaffna Killinochchi Water Supply & Sanitation Project	263	432	695
Anuradhapura North Water Supply Project Phase1	418	20	438
Greater Matale Water Supply Project	1,058	792	1,850
Kelani Right Bank Water Supply Project – Stage II	1,382	1,024	2,406
Deduru Oya Water Supply Project	646	616	1,262
Matugama, Agalawatta Integrated Water Supply Project	686	591	1,277
Alawwuwa, Polgahawela Integrated Water Supply Project	697	188	885
Thabuththegama Water Supply Project	3,430	526	3,956
Kandy City Wastewater Management Project	1,167	27	1,194
Greater Kurunegala Water Supply & Sewerage Project	871	186	1,057
Water Supply & Sanitation Improvement Project	568	82	650
Greater Colombo Wastewater Management Project	56	75	131
Sewerage System – Colombo Municipal Council Project	-	342	342

*Source: Ministry of City Planning and Water Supply, National Water Supply & Drainage Board  
Department of National Budget*

## 6. Water Supply and Sanitation

With a view to provide access to safe drinking water and quality sanitation services, the government has invested Rs.18,495 Mn on water supply and sanitation during the first four months of 2018, including providing support to the

National Water Supply and Drainage Board (NWS&DB) to meet the cost financing of such loans from both domestic and foreign banks. Budgetary provisions of Rs.10,009 Mn was provided through the Annual Budget and Rs.6,385 Mn of loans was directly borrowed by NWS&DB. Further, it includes the People's Bank loan proceeds of

Rs. 2,101 million which has been utilized as domestic counterpart funds of foreign funded water supply and sewerage projects.

In addition, Rs. 473 million has been invested by the Ministry of Provincial Councils and Local Government during the first four months in 2018 to improve the sanitation services in the city of Colombo and Greater Colombo area.

### 7. Highways and Bridges

The government has spent Rs. 33,468 million within the first four months of 2018 as capital expenditure for national roads, expressway development and construction of bridges and flyovers. Expressway development accounted for Rs. 4,861 million and highways Rs. 2,730 million. Rs.5,686 million was spent on widening and improvement of roads while Rs. 598 million

was invested on the construction of bridges and flyovers. Rs. 1,704 million was spent on the projects implemented under Maganeguma Rural Road Development Programme.

Several road construction, rehabilitation and maintenance project were continued with the financial support of foreign and local sources. Among them, the Central Expressway, Extension of Southern Expressway, Priority roads projects, i-road project, New Kelani Bridge project. Three flyovers at Rajagiriya, Polgahawela and Ganemulla were opened for public by January 2018. The Government has paid considerable amount for interest and capital repayment of local bank funded road projects and Rs. 15,319 million was paid for the first four months period.

**Table 3.17 | Expenditure on Roads and Bridges**

				Rs. Million
+	Project/Programme	Expenditure as at 30th April 2017	Expenditure as at 30th April 2018	Variance %
1	Expressways Development	9,458	4,861	51
	Outer Circular Highways Project - Phase III	1,161	25	2
	Central Expressway Project	742	2,944	396
	Extension of Southern Expressway	7,489	1,846	25
	Others	66	46	70
2	Highways Development	5,532	2,730	49
	Maintenance of Roads	2,195	0	0
	Priority Road Projects- III	1,214	1,093	90
	Colombo District Road Development Project	243	531	218
	Southern Road Connectivity Project	799	492	62

	Integrated Road Investment Programme (iRoad)			807	280	35
	Others			274	334	121
3	Widening and Improvement of Roads			4,939	5,686	115
4	Construction of Bridges and Flyovers			1,096	598	55
	UK Steel Bridge Project			233	124	53
	Reconstruction of Damaged/ Weak Bridges on National Highways			110	106	96
	Reconstruction of 46 Bridges			109	16	15
	Major Bridge Construction project			62	106	170
	Construction of Rural Bridges using old bridge components			129	133	103
	Second New Kelani Bridge Construction Project			302	39	13
	Others ( Including 3 Flyovers)			151	74	49
5	Natural Disaster Affected Road Rehabilitation			13	131	1007
6	Maganeguma Rural Road Development Programme			238	1,704	715
7	Transfers to RDA			2,038	2,037	99
8	Lands & Land Improvements(Other projects excluding priority projects)			912	402	44
9	Gap Financing of the Road Development Authority's Commitments			12,000	15,319	127
10	Others			-	-	-
	Total			36,226	33,468	92

Source: Department of National Budget

## 8. Transport

The investment in the transport sector during the period under review was Rs. 3,760 million and it was mainly incurred for infrastructure development and fleet expansion of public transport in order to make efficient and modern public transport system available in the country. Out of the total expenditure, Rs. 751 million was incurred by the Sri Lanka Central Transport Board (SLCTB) for the payment of leasing installment of the purchase of new buses and spare parts. The balance, Rs. 3,009

million was spent for the continuation of construction projects including Matara-Beliatta-Kataragama new rail line, Madu-Thalaimannar railway line, Pallai-Kankasanthurai railway line and Installation of New Railway Signaling and Telecommunication System from Anuradhapura/Thalaimannar/Kankasanthurai.

**Table 3.18 | Railway Sector Expenditure : January - April 2018**

Name of the Project	Rs. Million		
	Domestic Financing	Foreign Financing	Total Expenditure
Matara - Beliatta - Kataragama New Rail Line	35	-	35
Madu - Thalaimannar Line	6	-	6
Installation of New Railway Signaling & Telecommunication System from ANP/TLM/KKS	3	-	3
Rehabilitation of Permanent way with New rails and Sleepers	973	-	973
Concrete Sleepers production Plant Unit	69	-	69
Rehabilitation of Vehicles	974	-	974
<b>Total Investment</b>	<b>2,060</b>	<b>-</b>	<b>2,060</b>

Source : Department of National Budget

### 9. Power and Energy

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

During the first four months of 2018, the Government invested Rs. 256.6 million in power and energy sector projects. This includes the expenditure incurred for Clean Energy and Network Efficiency Improvement Project and Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies Project amounting to 1.75 million and Rs.1.70 million, respectively. Meanwhile, Polipto Lanka (Pvt) Ltd, a project to convert plastic

into fuel, has spent Rs. 3 million during the above period.

### 10. Urban Development

Integrated Government expenditure in the first four months of 2018 for the development of urban facilities was Rs. 7,900 million of which Rs. 6,743 million was under the Ministry of Megapolis and Western Development and Rs. 1,157 million was under the Ministry of City Planning and Water Supply.

Expenditure under the Ministry of Megapolis and Western Development mainly focused on transforming the entire Western Province into a Megapolis area to be part of comprehensive development programme. In addition to Western Region Megapolis, developing strategic cities such as Galle, Kandy, Jaffna, Anuradhapura and

Trincomalee has also been given priority ensuring the benefits of urbanization will be evenly distributed across the country. Ministry of City Planning and Water Supply

focus on upgrading towns and cities especially in the lagging regions of the country.

**Table 3.19 | Large Scale Urban Development Project Expenditure: January- April 2018**

Rs. Million			
Project	Local	Foreign	Total
Metro Colombo Urban Development Project (GOSL-WB)	195	294	489
Metro Colombo Solid Waste Management Project	1,939	-	1,939
Greater Colombo Urban Transport Development Project - Phase I	146	-	146
Development Strategic Cities - Kandy & Galle (GOSL-WB)	138	334	472
Relocation of Manning Market to Peliyagoda Project	501	-	501
Port City Development Project	1,209	-	1,209
Town Development Projects in Nine Provinces	397	-	397
Weras Ganga Storm Water Drainage & Environment Improvement Project	296	-	296
Improving Bus Service to Promote Public Transport	129	-	129
Projects implemented by the Urban Development Authority	100	-	100
Projects implemented by the Sri Lanka Land Reclamation & Development Corporation	625	-	625
Development of Comprehensive Plan to Upgrade Cities	1,028	-	1,028

Source : Department of National Budget

## 11. Housing Development

Housing development under the theme “Shelter for All” is undertaken by several ministries. These housing development programmes supplemented further through

the subsidized loans and grants. The total allocation for the Housing Development in 2018 is around Rs. 29,000 million.

**Table 3.20 | Allocation Provided for Housing Development in 2018 by the Different Ministries**

Ministry	Allocation (Rs. Mn.)
Ministry of Housing and Construction	7,322
Ministry of Prison Reform, Rehabilitation, Resettlement and Hindu Religious Affairs	3,000
Ministry of Hill Country New Villages, Infrastructure and Community Development	2,667
Ministry of Megapolis and Western Development	13,300
Ministry of Disaster Management	2,800
Total	29,089

**Table 3.21 | Ministry wise Summary of Additional Allocations as of 30.04.2018**

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
<b>1 - 22</b>	<b>Special Spending Units</b>			
1	His Excellency the President	Introduce Development Programmes in the Rural Sector, Establish a Buddhist Library & the National Economic Council as per the Budget proposals and procure vehicles for the use of Sri Lanka	70,000,000	611,390,000
2	Office of the Prime Minister	Implement the Secretariat to Coordinate the Reconciliation Mechanism as per a Budget Proposal and procure a vehicle	177,000,000	13,000,000
6	Public Service Commission	Settle the outstanding bills of constructing a new building in 2017	-	84,000,000
8	National Police Commission	Accounting financial grant given by UNDP for the project of Catalytic Support Peace Building in Sri Lanka and personal emoluments	10,000,000	5,100,000
9	Administrative Appeals Tribunal	Personal emoluments	1,760,000	-
10	Commission to Investigate Allegations of Bribery or Corruption	Acquisition of Capital Assets and rents & local taxes	11,000,000	13,032,000
12	National Education Commission	Property loan interest to public servants	28,000	-
13	Human Rights Commission of Sri Lanka	Accounting financial grant given by UNDP for the project of Catalytic Support Peace Building in Sri Lanka and utilize funds transferred by UNHCR for the project of Enabling Returnees in Kilinochchi, Puttalam and Mannar Districts to Access their Rights	-	5,940,000
18	Office of the Chief Govt. Whip of Parliament	Foreign travelling	600,000	-
22	Office of the Parliamentary Commissioner for Administration	Maintenance of building and structures	157,000	-
23	Audit Service	Travelling expenses		-

	Commission		1,000,000	
24	National Procurement Commission	Property loan interest to public servants	100,000	-
25	Delimitation Commission	Personal emoluments	2,650,000	-
<b>101</b>	<b>Ministry of Buddha Sasana</b>	Restoration and renovation of Purana Rajamahaviharas of archaeological value as per a Budget proposal and settle the outstanding Liabilities	-	<b>272,309,000</b>
201	Department of Buddhist Affairs	Implement the programmes of Dehami Diriya & Allowances for Dhamma School Teachers, Uniforms to Dhamma School Teachers and Printing of Dhamma School Text Books	834,220,000	-
<b>102</b>	<b>Ministry of Finance &amp; Mass Media</b>	Provide budgetary allocations to improve the services of Vasantham TV Channel, Activities of the PPPs Units, Rolling out of ITMIS Programme to expenditure unit as per the Budget proposals and expenditure of the Sri Lanka Rupavahini Corporation	<b>480,000,000</b>	<b>580,000,000</b>
240	Department of National Budget	Implement the Lump Sum Payment Programme of July Strikers	60,000,000	-
241	Department of Public Enterprises	Capital infusion for BOC as per a Budget Proposal	-	5,000,000,000
243	Department of Development Finance	Subsidy for women entrepreneurs, Introduce a loan scheme for differently abled persons, Interest subsidy for the homestay programme, Low interest credit scheme by the National Savings Bank for middle income home buyers, Build new 3 warehouses and uplifting the existing warehouses, Establish a SME guarantee fund & "Enterprise Sri Lanka" initiatives as per Budget Proposals and implement the programmes of Interest subsidy for the loan scheme of media personnel & artists, Granting Interest subsidy for fixed deposits of senior citizens through Licensed Finance Companies, Price subsidy to domestic milk powder manufactures	20,575,000,000	1,050,000,000

245	Department of Public Finance	Provision for rehabilitation / improvement & acquisition of Capital Assets and accounting foreign aid and settle the VAT & NBT of the USAID STAIR project	-	118,718,800
246	Department of Inland Revenue	Implement the RAMIS as per Budget Proposal	-	500,000,000
248	Department of Excise	Implement the Excise Revenue Management System (EDSL) as per Budget Proposal	-	50,000,000
<b>103</b>	<b>Ministry of Defence</b>	Training and Development for Sri Lankan soldiers at UN peace keeping missions as per Budget Proposal and implement the Maritime Safety Capability Improvement project	-	<b>3,415,226,000</b>
222	Sri Lanka Army	Provision for UN Peace Keeping Operation	-	1,510,000,000
224	Sri Lanka Air Force	Provision for the project of UN Peace Keeping Missions and purchase two Ambulances	-	127,400,000
<b>104</b>	<b>Ministry of National Policies and Economic Affairs</b>	Agrahara Insurance Scheme for Pensioners, Establish an "Employment Preparation Fund" at MNPEA ,Support for skill development programmes conducted by the Youth Corp, Establishment of five Technical Colleges in collaboration with the German Technical School as per Budget proposals. Payment of outstanding bills, Establish the Centre of Excellence for Higher Education	<b>50,000,000</b>	<b>4,363,788,000</b>
237	Department of National Planning	Establish the project of Programmatic Project Preparation Facility (PPPF)	-	102,000,000
252	Department of Census and Statistics	Implement the information and communication technology tools of national surveys project	-	4,291,000
<b>106</b>	<b>Ministry of Disaster Management</b>	Rehabilitation of roads, affected by floods and landslides as per Budget proposal, Allocate Rs.1 Million for each District Secretaries, Settle outstanding bills, relief to the drought affected people and Compensation to the victims of Meethotamulla incident	<b>3,688,190,000</b>	<b>1,020,000,000</b>
304	Department of Meteorology	Upgrade the Department of Meteorology as per the Budget Proposal	-	200,000,000

108	<b>Ministry of Posts, Postal Service and Muslim Religious Affairs</b>	Restoration and renovation of Purana Rajamahaviharas of archaeological value and other such places of worship as per the Budget proposal and rehabilitation and improvement of Capital Assets	-	24,970,000
202	Department of Muslim Religious and Cultural Affairs	Implement the Dehami Diriya programme and Allowances for Dhamma School Teachers, Uniforms to Dhamma School Teachers, Printing of Dhamma School Text Books and payment on electricity & water services	35,200,000	-
110	<b>Ministry of Justice</b>	Utilize the funds transferred from UNDP for the project of Strengthening Access to Justice and Victim and Witness Protection in Sri Lanka	-	21,660,500
205	Department of Public Trustee	Provision for rehabilitation and improvement of Capital Asset	-	2,000,000
228	Courts Administration	Establish a special high court with audio and visual recording system, Introduce an automated case management mechanism and to explore the possibility of electronic filing of initial complaint in the relevant court, Relocating courts in Ratnapura and Welimada as they are prone to landslides and Expansion of courts in Kilinochchi, Theldeniya, Pugoda and Kantale as per the Budget Proposals	-	975,000,000
229	Department of Attorney General	Provision for personal emoluments	400,000,000	-
233	Department of Government Analyst	Provision for other Supplies	20,000,000	-
234	Registrar of Supreme Court	Expenses of copying fee and translation unit in Court of Appeal	6,026,000	-
111	<b>Ministry of Health, Nutrition and Indigenous Medicine</b>	Improve the infrastructure facilities at the Nurses Training schools, Strengthen the Suwa Seriya Initiatives, Establish 3 highly specialized Obstetrics Centers in Colombo, Kandy & Anuradhapura, Establish Oncology units at Batticaloa and Ratnapura Hospitals, Establish a Reproductive Treatment Centre at the Castle Street Hospital for women, Maternity and Neo natal complex at the Polonnaruwa hospital, Expand the Divisional	-	2,267,000,000

	Hospital Moratuwa , Divisional Hospital Deniyaya and Beruwala Base Hospital, Revamp the new district general Hospital at Matara by moving the maternity, paediatric, medical and the administrative units to Kamburugamuwa, Strengthen the Dental Health Institute at Maharagama, Strengthen the Health Education Bureau's activities in tackling the threat of Non Communicable Diseases (NCDs), Improve the primary health care activities through the Strengthening of the government dispensary network, Developing a comprehensive food hygiene and food safety system, Strengthen the Mental and Neurological health aspects, Strengthen National Health and Allied Research, dedicated unit for Sexually transmitted diseases and HIV AIDS, Provide ESWL machines for general hospitals at Anuradhapura, Polonnaruwa and Jaffna as per the Budget Proposals and acquisition of Capital Assets of Epilepsy Unit at National Hospital - Colombo		
<b>112</b>	<b>Ministry of Foreign Affairs</b> Establish a Secretariat for the continental shelf negotiations, Supporting foreign embassies to celebrate 70th independence anniversary as per the Budget Proposals, account the transfer of ownership of the buildings to the Ministry of Foreign Affairs in New York and Brasilia and Purchase Vehicles for the use of Sri Lanka missions abroad	<b>75,000,000</b>	<b>819,449,000</b>
<b>114</b>	<b>Ministry of Transport &amp; Civil Aviation</b> Establish a Three Wheeler Regulatory Authority and meters to be made mandatory, Introducing electric buses into the SLTB bus fleet as per the Budget Proposals, implement the programme of School & Higher Education Season Tickets, Grants to SLTB for operating on unremunerated routes and armed forces bus passes, foreign travelling and settle the unpaid EPF Contribution of SLCTB	<b>6,274,500,000</b>	<b>500,000,000</b>

306	Department of Sri Lanka Railways	Settle the payment of installation of railway signalling & telecommunication system for Northern Railway Line, replacing of Medawachchiya - Madu Line & Pallai - KKS Line, Railway Development Project & Purchase of 09 Diesel Multiple Units and repairing 200 passenger coaches	-	1,775,000,000
307	Department of Motor Traffic	Provision for the Buildings and Structures	-	32,000,000
117	<b>Ministry of Higher Education and Highways</b>	Implementation of Central Expressway Project, Rural Road Reawakening Programme, Insurance scheme for all university students, Establish a Postgraduate Institute of Indigenous Medicine, Establishment of state medical faculties at Wayamba, Sabaragamuwa and Moratuwa Universities, Establish a Professorial unit at Karapitiya Hospital, Establish Center for Naval Studies and Shipping at the University of Ruhuna, Establish an Independent quality assurance and accreditation mechanism for higher education, Support Institute of Agro Technology and Rural Sciences of the University of Colombo, Support Wayamba University in establishing a center for food, technology, research and training, Increase the eligibility household income threshold from Rs. 300,000 to Rs.500,000 p.a. for Mahapola Scholarship scheme, Expand Technology stream degree programmes in 7 new Technology Faculties, Establishment of state medical faculties at Wayamba, Sabaragamuwa and Moratuwa Universities, Support the new streams such as Data Science and Big Data analytics, Actuarial studies and Business analytics etc. introduced by the University of Colombo, Strengthen to include state of the art library facility and an IT Center at the Vavunia Campus, Support Management Faculty of the University of Sri Jayewardenepura to seek the accreditation of the Association to Advance Collegiate	175,000,000	35,860,000,000

		Schools of Business as per the Budget Proposals and settle the outstanding liabilities of the projects relating to year 2017, Construction of 84 hostels complexes, interest subsidy for laptops and Wifi facilities of University student, 10 storied building for the Medical Faculty of university of Ruhuna, Encourage university students engagement in extracurricular activities		
214	University Grants Commission	Implement the Mahapola & Bursary Programme for University Students and settle the outstanding bills related to year 2017	1,750,000,000	3,254,000,000
<b>118</b>	<b>Ministry of Agriculture</b>	Implementation of introduce an eco-certification programme, Restoration, Rehabilitation and desilting of 1,500 small tanks, Introduce a contributory Insurance scheme for farmers, Promotion of research on developing high yielding Banana and Pineapple plants at Horana and Makandura Research Centers, Upgrade the testing facilities at the National Quarantine Center as per the Budget Proposals, Fertilizer Subsidy Programme, Development Subsidies, Settle the outstanding liabilities of the projects relating to year 2017, account the grant given by AARDO & counterpart funds given by JICA	<b>11,829,000,000</b>	<b>5,638,871,640</b>
281	Department of Agrarian Development	Settle the outstanding liabilities relating to year 2017	-	612,793,701
285	Department of Agriculture	Settle the outstanding liabilities of the projects relating to year 2017 and expenses of the post-harvest management and value-addition of fruits in Sri Lanka	-	193,086,837
<b>119</b>	<b>Ministry of Power and Renewable Energy</b>	Utilizing the grant from Global Threat Reduction Initiative programme, settle outstanding bills of 2017 and expenses of Clean Energy & Network Efficiency Improvement Project	-	<b>231,100,000</b>
			-	

	<b>Ministry of Women and Child Affairs</b>	Procurement of Vehicles to transport juvenile offenders & victims, Establish child care centers in Government offices as per the Budget Proposals, Nutritional Food Package for Expectant Mothers, Morning Meal for Pre-School Children, Lama Diriya- Allowances for Pre-School Teachers as per the Welfare programmes, Accounting financial grant given by UNDP and UNICEF and settle the outstanding bills for emergency relief package	5,816,080,000	103,763,453
120				
	Department of Probation and Child Care Services	Foreign travelling	750,000	-
217				
	<b>Ministry of Home Affairs</b>	Expenses of flood and landslide disaster response project, complete the outstanding works of the development projects, settle the outstanding bills of constructing 1000 Sewa Piyasa Buildings and settle the bills in hand related to development projects	-	1,131,473,000
121				
	Department of Registrar General	Settle the outstanding bills of rehabilitation and improvement of Capital Assets related to year 2017	-	21,270,000
254				
	District Secretariat, Kalutara	Settle the bills in hand related to rehabilitation works due to disasters on May 2017	-	390,127,000
257				
	District Secretariat, Galle	Settle the bills in hand related to rehabilitation works due to disasters on May 2017	-	201,860,000
261				
	District Secretariat ,Matara	Settle the outstanding bills of Nilwala Urban Development project and bills in hand related to rehabilitation works due to disasters on May 2017	-	364,388,000
262				
	District Secretariat , Hambantota	Settle the bills in hand related to rehabilitation works due to disasters in May 2017	-	109,810,000
263				
	District Secretariat, Kurunegala	Provision for cleaning and security services	26,800,000	-
272				
	District Secretariat, Ratnapura	Settle the bills in hand related to the rehabilitation works due to disasters in May 2017	-	278,920,000
278				
	District Secretariat, Kegalle	Settle the bills in hand related to rehabilitation works due to disasters on May 2017	-	1,460,000
279				

122	<b>Ministry of Lands and Parliamentary Reforms</b>	Utilize the grant received for UN Habitat project	-	11,700,000
327	Department of Land Use Policy Planning	Expenditure of the Building and Structures	-	1,500,000
123	<b>Ministry of Housing and Construction</b>	Owner driven housing scheme and support for improvements to the existing houses in rural sector as per the Budget Proposal and Compensation for the land acquisition	-	822,000,000
124	<b>Ministry of Social Empowerment ,Welfare &amp; Kandyan Heritage</b>	Implement the programmes to Support Low Income Disable Persons, Financial Support for Elderly over 70 years, Financial Support for Kidney Patients and expenses of the Committees on Establishing Statutory Board/ Authority for Kandyan Heritage	12,449,980,000	20,000,000
331	Department of Divineguma Development	Expenditure of Samurdhi relief assistance programme	19,800,000,000	-
126	<b>Ministry of Education</b>	Introducing the PISA programme, Provide monthly allowance of Rs. 5,000 per student for the students at the National College of Education, Education Reforms, Strengthen the "Smart Classroom" concept, digitalization and development of e-text books, Establish a dedicated center for training teachers in the English Language at the College of Education Maharagama, grade the special needs training facilities at Hapitigama and Adalachchenai Colleges of Education, Accident and Medical Insurance scheme for artist as per the Budget Proposals and implement the Scholarships (Year 5) &"Subhaga" Scholarship Scheme	479,900,000	2,582,000,000
207	Department of Archaeology	Conservation and preservation of Ritigala and Rajagalathenna archaeological sites as per the Budget Proposal	-	25,000,000
212	Department of Examinations	Purchasing printing machines	-	500,000,000

130	<b>Ministry of Public Administration and Management</b>	Increase the pension allowance granted by the National Film Corporation Trust and settle the outstanding bills of year 2017	10,000,000	10,000,000
135	<b>Ministry of Plantation Industries</b>	Strengthening the assistance to tea small holders to improve productivity, Coconut Research Institute (CRI) to provide hybrid coconut seedlings, Rubber Master Plan as per the Budget Proposals and fertilizer subsidy programme for smallholders of Tea, Rubber and Coconut sector	1,500,000,000	325,000,000
136	<b>Ministry of Sports</b>	Implement the Equip Human Performance Laboratory, Modernize the Sugathadasa Indoor Stadium and manage as a Public Private Partnership, Upliftment of Sugathadasa outdoor stadium, National awareness programme on anti-doping and establishment of a drug testing and research laboratory, Introduce and facilitate the concept of Community Sports by developing 100 rural playgrounds throughout the country, Establish a Sports School and Academy at Diyagama and preparation of the sport complex for South Asian Games in 2020 and Development of Sports Infrastructure Facilities	-	2,383,000,000
219	Department of Sports Development	Facilitating the participation of veterans and differently abled athletes, Uplift District and Provincial level stadiums and Rehabilitation of Matale Hockey Ground as per the Budget Proposals	50,000,000	400,000,000
145	<b>Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs</b>	Improvement of skills and provide salary subsidy for Ex-Combatants and War widows, Restoration and renovation of Purana Rajamahaviharas of archaeological value, Special Programme to address the needs of the differently abled women, supporting indebted people, support selected small industries as per the Budget Proposal and Lease rental for vehicles, settle the bills in hand	255,865,000	3,076,600,000

		related to the project of Acceleration of Re-Settlement Activities & establishment of rehabilitation centers for drug addicted persons		
<b>148</b>	Ministry of Regional Development			
280	Department of Project Management and Monitoring	Provision for foreign travelling	1,000,000	
				-
<b>149</b>	<b>Ministry of Industry and Commerce</b>	Revamping Intellectual Property Office, Strengthen the Centre for Robotics and support the public innovation spaces, Provide 50% of the investment cost incurred on equipment and machinery by existing SME sector polythene producers, Upgrade the facilities at the Achchuvveli Industrial Zone, Resettlement of Sinhala and Muslim IDPS, Expediting the rehabilitation work of Mannar town area and Silavathurai township development, as per the Budget Proposals and Implement the project of Mechanism for Promoting Local Canned Fish Production, Personal emoluments, Project of Strengthening of Co-operatives, Expansion of Lanka Sathosa Retail Network, Provide necessary infrastructure and entrepreneur training, Upliftment of industrial estates, Establish a Mega Showroom & Center of Excellence in Robotics Application & Trade Promotional Activities and Resettlement of Sinhala and Muslim IDPS, Provision for the projects of economic empowerment of women through apparel based mini factories, Improvement of elephant pass saltern, Provide Necessary infrastructure and entrepreneur training in handloom industry, expand Lak Sathosa and Osu Sala franchise shops	212,067,360	3,233,010,000
300	Department of Food Commissioner	Expenditure of renovation of existing Rice Stores	-	25,000,000

151	<b>Ministry of Fisheries and Aquatic Resources Development</b>	Developing and upgrading the Fishery Harbours anchorages landing sites, Establish an Aquaculture Industrial Park in Batticaloa District, Cleaning 10 lagoons, Develop the Gandara Fishery Harbour and developing a new fishery harbour in Wellamankara, Establish a Milk Fish Hatchery and a Marine Ornamental Fish Hatchery, Upgrade the testing facilities at the National Agency for Aquatic Research (NARA), Develop Mylitty harbour into a fishery harbour and establish cool rooms and storage facilities as per the Budget Proposals, formulation of new fisheries and aquaculture policy, upgrading the testing facilities at the National Agency for Aquatic Research and Development Agency and price subsidy on giving fish at subsidiary price	100,000,000	1,800,100,000
290	Department of Fisheries and Aquatic Resources	Purchase multi day boats of more than 55 feet long and 50% of the cost of improving the operational efficiency in multi day boats as per the Budget Proposals	-	418,000,000
154	<b>Ministry of Rural Economic Affairs</b>	Expenses of rehabilitation and improvement of Capital Assets, Paddy Purchasing and settle the outstanding liabilities of the projects relating to year 2017	500,000,000	45,000,000
155	<b>Ministry of Provincial Councils and Local Government</b>	Supporting the local government agencies in solid waste issues, Improve the Rural Road Network, Introduce an E- local government application system, Establish pilgrim rests, Strengthening the local government institutions and Implement the "Ammachchi" concept as per the Budget Proposals, settle the outstanding contractual payments to CMC, settle the outstanding bills of implementation of Front Office System in 100 Local Authorities, contribution to Provincial Councils, renovation of the "Sethsevana" Government Elders Home at Meerigama and improvement of the drainage system in Eastern Province, refund the closing balance	40,842,000	1,352,353,000

		of the project of the North East Local Services Improvement, expenditure of newly appointed State Ministry		
312	Western Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	21,000,000
313	Central Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	23,000,000
314	Southern Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	23,000,000
315	Northern Provincial Council	Provision for the project of Northern Road Connectivity, utilize the funding available due to extension of the loan period of Jaffna - Kilinochchi water supply and sanitation project and transformation of school education as the foundation of a Knowledge Hub	-	449,250,000
316	North Western Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	22,000,000
317	North Central Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	25,000,000
318	Uva Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub and rehabilitate the agricultural roads and minor irrigation in Uva Province	-	124,000,000
319	Sabaragamuva Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	22,000,000
321	Eastern Provincial Council	Provision for transformation of school education as the foundation of a Knowledge Hub	-	22,000,000
157	<b>Ministry of National Dialogue</b>	Implement the official language policy and national co-existence, improving language proficiency, translations etc.as per Budget Proposal and lease rental for vehicle procured under operational leasing method	1,800,000	200,000,000
158	<b>Ministry of Public Enterprise Development</b>	Payment of salaries and wages of Janatha Estate Development Board, SLSPC and Elkaduwa Plantations Ltd	-	240,000,000
			-	

159	<b>Ministry of Tourism Development and Christian Religious Affairs</b>	Development of 6 forts, Upgrading the Railway Stations & declared as archaeological sites and Tourist Friendly Tuk Tuk Programme as per the Budget Proposals	-	375,000,000
203	Department of Christian Religious Affairs	Implementation of Uniforms and Library Allowances to Dhamma School Teachers, Dehami Diriya programme and Restoration and renovation of the places of warship with archaeological value	103,500,000	19,250,000
160	<b>Ministry of Mahaweli Development and Environment</b>	Improving industrial waste and water management, Rehabilitation of degraded agricultural lands, Mechanism for Reducing Emissions from Deforestation and Degradation and Mainstreaming Bio-diversity and agrobiodiversity conservation System	-	7,891,000
283	Department of Forests	Expenditure of land and land improvement, Establishment and Management of Industrial Plantation	-	75,000,000
291	Department of Coast Conservation	Develop Integrated Coastal Zone Management Mechanism and Project on Beach Replenishment as per the Budget Proposal	-	425,000,000
161	<b>Ministry of Sustainable Development and Wild Life</b>		-	
284	Department of Wildlife Conservation	Conservation of endemic species and Develop Maduru oya and Gal oya National Parks to support Tented Safari's etc. as per the Budget Proposals	-	95,000,000
294	Department of National Zoological Gardens	Implement "Open Cage" Concept at the Dehiwela Zoo and "Born Free Chain Free" concept at the Pinnawela Elephant orphanage as per the Budget Proposals	-	150,000,000
322	Department of National Botanical Gardens	Infrastructure support for Floriculture Industry as per Budget Proposal	-	10,000,000
			-	

162	<b>Ministry of Megapolis and Western Development</b>	Develop Aruwakkalu waste disposal and management site, Establish Haritha Uyana in every Pradeshiya Saba division as a Public Private Partnership, Nilwala Eliya Model Park, Provide 20,000 housing units, Urban Regeneration Project, Township and strategic cities development programme as per the Budget Proposals and settle the outstanding liabilities of the projects relating to year 2017	-	16,270,000,000
163	<b>Ministry of Internal Affairs, Wayamba Development and Cultural Affairs</b>	Implement the State of the art cultural center for Moratuwa and restore the Cultural hall in Thaalvupadu, Mannar as per the Budget Proposals.	-	625,000,000
165	<b>Ministry of National Integration and Reconciliation</b>	Construct 50,000 brick and mortar type houses in the North and East, Support programs and activities in rural irrigation development, rain water harvesting, and integrated village development, Strengthening Reconciliation focused on economic empowerment and social infrastructure development, Establish 2 food processing centers in Kilinochchi and Delft island, Establish a modern dedicated economic center in Jaffna and Support the establishment of the Office for the Missing Persons as per the Budget Proposals and acquisition of vehicle for Hon. State Minister, Project of Reconciliation Focused Economic Empowerment	650,000,000	4,232,826,000
166	<b>Ministry of City Planning and Water Supply</b>	Implement the master plan for Kalmunai and Samanthurai and to develop townships in lagging regions as per the Budget Proposal and settle the outstanding bills of year 2017	-	2,500,000,000
167	<b>Ministry of Special Assignment</b>	Lease rental for the vehicle procured under operational leasing method	4,100,000	-

176	<b>Ministry of Ports and Shipping</b>	Settle the outstanding payment of compensation for land acquisition for the second stage of the Hambantota port project	-	219,470,000
192	<b>Ministry of Law and Order and Southern Development</b>	Provision for personal emoluments, travelling expenses, supplies, vehicle maintenance and other services	11,004,000	-
225	Department of Police	Sri Lanka Police to establish 20 Tourist Police Stations, Police Reforms and introduction of the Community Police Concept, Establish a Police and Criminal Justice University, Strengthening the Cyber Crime Investigation Unit and Upgrading the Police Information and Communication System as per the Budget Proposals	-	745,000,000
193	<b>Ministry of Labour, Trade Union Relations &amp; Sabaragamuwa Development</b>	Pay the contribution fee for International Labour Organization and settle the outstanding bills of 2017	776,400	12,657,000
328	Department of Man Power & Employment	Establishment of Public Employment Service	-	900,000
194	<b>Ministry of Telecommunication and Digital Infrastructure</b>	Implement the ICTA to improve service deliver through the infusion of the technology and digitalization as per the Budget Proposal, settle the outstanding liabilities of year 2017 and transport services	402,560,000	3,119,000,000
195	<b>Ministry of Development Strategies and International Trade</b>	Implement the "Arambama" Credit Scheme, Multi National Corporation Outreach programme, Establishment of the "IT Initiative", Export market access support programme, Establish a unified trade portal, Create dedicated industry zones for boat building, Integrated Land Registry, National Single Window connecting 31 agencies, Provide infrastructure facilities for Rojana industrial park in Milleniya and Establishing industrial zones in Bingiriya and Weligama	50,000,000	4,200,000,000

196	<b>Ministry of Science, Technology &amp; Research</b>	Establish a virtual institute for the blue green economy, Improving degraded soil, Convert COSTI into NASTICA, Support for Product Design Engineering (PDE) under the Mechatronic Enabled Economic Development Initiative (MEDI), Establish a Design Center for Timber and Timber based products, Establish Hi Tech Innovation Park in Mahahenawatte, Pitipana, Upgrading the testing facilities at Industrial Technology Institute and Sri Lanka Standards Institute as per the Budget Proposals, account the grant received from a Korean Company, establish the sound system at ministry auditorium and renovation of the State Minister's quarters and settle the outstanding bills of Nanotechnology programme related to year 2017	25,000,000	1,028,928,060
197	<b>Ministry of Skills Development and Vocational Training</b>	Establish an University College in Kinniya, Providing NVQ accreditation to ex -combatants as per the Busget Proposals and pay the E.P.F and E.T.F( from 2006 to 2017) of Vocational Training Authority	33,873,000	75,000,000
198	<b>Ministry of Irrigation and Water Resources Management</b>	Rehabilitation of flood protection dams along Kelani river basin, Support the ground water monitoring mechanism as per the Budget Proposals, infrastructure development of the Thalpitigala Reservoir and rehabilitation of major and medium irrigation schemes	-	3,503,856,000
199	<b>Ministry of Primary Industries</b>	Implement the Quality improvements in Cinnamon and Pepper planting materials in 1,000 nurseries and strengthen the Cinnamon Training College as per the Budget Proposals	-	100,000,000
	<b>Total</b>		<b>89,052,328,760</b>	<b>129,847,488,991</b>

Source: Department of National Budget

### 3.4 Treasury Operations

#### Performance of the Cash Flow of the General Treasury

Cash inflows from revenue and other receipts to the General Treasury augmented by 5.0 percent to Rs. 607.5 billion during the first four months of 2018 compared to the same period of previous year. Meanwhile, total cash outflows for both recurrent and capital expenditure increased by 6.7 percent

to Rs. 854.3 billion during the first four months of 2018. Hence, the net cash deficit increased by 11.1 percent to Rs. 246.8 billion in the first four months of 2018 compared to Rs. 222.1 billion in the same period of 2017. Increased operational and investment expenditure has led to increasing the overall closing cash balance to Rs. 125.3 billion as at 30<sup>th</sup> April 2018.

**Table 3.22 | Statement on Government Treasury Cash Flow Operations January to April 2018**

Item	Rs. Billion		
	2017	2018	
	January-April. Actual	January-April. Estimate	Actual
Opening Cash balance as at 1 <sup>st</sup> January	(160.3)	(186.2)	(186.2)
Total cash inflow from revenue and other receipts	578.5	663.9	607.5
Total cash outflow for recurrent payments	(607.9)	(713.4)	(655.1)
Total cash outflow for capital payments*	(192.7)	(258.8)	(199.2)
Net cash surplus / (deficit)	(222.1)	(308.3)	(246.8)
Gross borrowing *	618.3	673.6	670.9
Debt repayment	(380.9)	(388.4)	(364.6)
Net borrowing	237.4	285.2	306.3
(Temporary Employed Balances (TEB), net deposits, etc.)	(0.9)		1.4
Closing Cash balance as at 30 <sup>th</sup> April	(145.9)	(209.3)	(125.3)

Source: Department of Treasury Operations

\*Includes project/programme loans received by the Government and recorded in the CS-DRMS as at April 30, 2018

#### Management of Government Debt

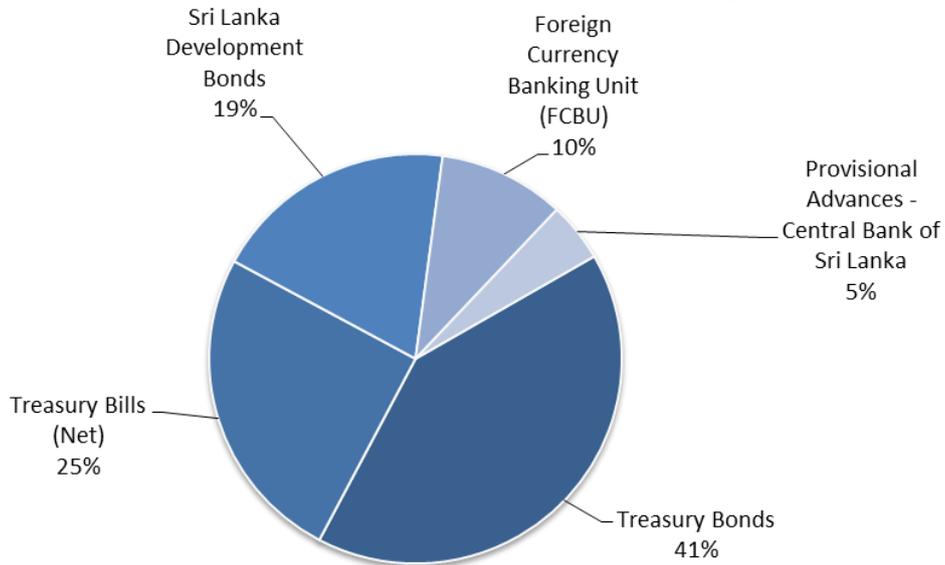
The total gross borrowing of the Government was Rs. 670.9 billion during the first four months of 2018, of which domestic borrowing was Rs. 534.9 billion and foreign borrowing amounted to Rs. 136.0 billion. In addition to the financing of

domestic debt service payments, domestic borrowing also utilized to finance a part of foreign currency debt service payments during the period. The net borrowing as at end of the period was Rs. 306.3 billion. Table 3.23 summarizes the Government gross domestic borrowing during January - April 2018.

**Table 3.23 | Gross Domestic Borrowings (January to April 2018)**

	Rs. Billion
<b>Borrowing Instrument</b>	
Treasury Bonds	219.6
Treasury Bills (Net)	134.7
Sri Lanka Development Bonds	102.7
Foreign Currency Banking Unit (FCBU)	53.0
Provisional Advances - Central Bank of Sri Lanka	24.9
<b>Total</b>	<b>534.9</b>

**Chart 3.3 | Gross Domestic Borrowings (January to April 2018)**



### **Disclosure of Contingent Liabilities on Treasury Guarantees**

The value of Treasury Guarantees issued and remained valid as at April 30, 2018, was Rs. 927.4 billion which was within the limit applicable as specified in Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016. The list of

Treasury Guarantees issued by the General Treasury as at April 30, 2018, is given in Table 3.24.

Table 3.24 | **The List of Treasury Guarantees Issued by the General Treasury up to 30.04.2018**

			Rs. Million
S. No	Name of the Bank or Institution	Name of Institution	Amount
1	People's Bank	Ceylon Electricity Board	9,833.94
		Ceylon Petroleum Corporation	143,112.51
		Ceylon Shipping Corporation Ltd	12,721.11
		Co-operative Whole Sale Establishment	157.10
		Lanka Coal Company (Pvt) Ltd	6,000.00
		Ministry of Defence and Urban Development	1,000.00
		National Water Supply & Drainage Board	2,435.97
		Paddy Marketing Board	2,864.13
		Urban Development Authority	4,000.00
		Road Development Authority	16,290.00
2	Bank of Ceylon	Ceylon Petroleum Corporation	143,112.51
		General Sir John Kotelawala Defence University	835.00
		National School of Business Management Limited	8,600.00
		National Water Supply & Drainage Board	44,426.54
		Northsea Limited	50.00
		Paddy Marketing Board	8,970.88
		Road Development Authority	35,480.30
3	National Savings Bank	Ceylon Electricity Board	6,250.00
		General Sir John Kotelawala Defence University	32,061.97
		Lakdhanavi Ltd.	2,992.00
		National Water Supply & Drainage Board	1,239.48
		Road Development Authority	78,621.43
		Sri Lanka Land Reclamation & Development Corporation	3,500.00
		Urban Development Authority	2,770.00
4	Commercial bank	Ministry of Defence and Urban Development	2,000.00
		National Water Supply & Drainage Board	1,929.61
		Road Development Authority	5,948.81
5	DFCC Bank	Ministry of Defence and Urban Development	1,000.00
		National Water Supply & Drainage Board	5,196.85
6	Employees' Trust Fund Board	Road Development Authority	1,105.85
		Lakdhanavi Ltd.	2,992.00

7	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	14,097.38
8	Hatton National Bank	Ministry of Defence and Urban Development	3,550.00
		National Water Supply & Drainage Board	10,391.89
9	Hongkong & Shanghai Banking Co.Ltd.	Road Development Authority	23,943.54
		Airport & Aviation Services (Sri Lanka) Limited	7,018.55
10	Industrial And Commercial Bank of China Limited	West Coast Power(Pvt)Ltd.	26,137.52
		Ceylon Electricity Board	11,087.02
11	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	109,192.48
12	National Development Bank	National Water Supply & Drainage Board	8,374.13
		Road Development Authority	7,745.36
13	Exim Bank of India	National Water Supply & Drainage Board	40,818.87
14	China Development Bank	National Water Supply & Drainage Board	9,933.07
15	Asian Development Bank	Ceylon Electricity Board	42,138.68
16	Sampath Bank PLC	Road Development Authority	14,500.00
17	UniCredit Bank Austria AG	National Water Supply & Drainage Board	9,808.35
<b>Total</b>			<b>927,384.84</b>



## CHAPTER 4

### Performance of State Owned Business Enterprises

#### 4.1 Overview

Given the importance of the State Owned Enterprises (SOE's) specially the State Owned Businesses Enterprises (SOBEs) to the economy, the government has taken several measures to encourage and facilitate the SOBEs to be self-sufficient through improved corporate practices, management reforms, innovative financing, strong and prudent financial management, exposure to competitiveness and international best-practices and effective human resource management while enhancing public accountability.

During 2017, 55 SOBEs alone have recorded a total turnover of Rs. 1,755.5 billion which is almost 13.2 percent of the Gross Domestic Product (GDP). Out of the 55 SOBEs, 39 recorded a net profit amounting to Rs. 136 billion while 16 SOBEs made net losses amounting to Rs. 87 billion during 2017. The total asset base of SOBEs grew by 13.6 percent in 2017 over 2016 and it accounted for almost 56.8 percent of GDP.

The Department of Public Enterprise (PED) Statement of Corporate Intent (SCI) was introduced by the Department of Public Enterprises (PED) during 2017 with a view to improve the performance of those SOEs. The SCI contains key performance indicators targeting the key activities of the entity which will be reflected in improved financial and non-financial performance of the entity.

The SCI would enable to contribute positively to the strategically important SOBEs towards achieving Sri Lanka's economic goals by enhancing the contribution to the GDP of the country. In achieving the set objectives of these SOBEs,

the key expectations of the government are to making these SOBEs to commercial viable entities, while improving accountability and better governance.

During 2017, five key SOBEs, namely Ceylon Petroleum Corporation (CPC), Ceylon Electricity Board (CEB), Sri Lanka Ports Authority (SLPA), Airport and Aviation Services Ltd (AASL) and National Water Supply and Drainage Board (NWS &DB) were party to the SCI having signed a tripartite agreement with the management of the respective SOBEs, Ministry of Finance and relevant line ministries. Currently, the PED is in the process of monitoring the progress of meeting objectives of SCIs.

Subsequently, followed by the approval of the Cabinet of Ministers, it is planned to sign SCIs with another 10 selected SOBEs, Sri Lanka State Plantation Corporation, Urban Development Authority, Lanka Sathosa (Pvt) Ltd, Central Engineering Consultancy Bureau, State Timber Corporation, Sri Lanka Transport Board, State Pharmaceuticals Corporation, Milco (Pvt) Ltd, National Livestock Development Board and Geological Survey and Mines Bureau by end July 2018.

#### 4.2 Review of the ten major SOEs

##### Bank of Ceylon (BOC)

The asset base of the BOC surpassed Rs. 2 trillion by the end of April 2018 from Rs. 1.9 trillion as at end 2017. The deposit base of the bank increased by 3.8 percent to Rs. 1,606 billion during the first four months of 2018 compared to the deposit base of Rs. 1,547 billion as at end 2017. Non-performing

loan ratio of the bank increased in the first four months of 2018 to 4.3 percent from 2.8 percent recorded as at end 2017. The bank's profit before tax decreased by 15.7 percent to Rs. 8.6 billion for the first four months of 2018 compared to Rs. 10.2 billion in the corresponding period of the previous year.

### **People's Bank (PB)**

People's Bank asset base increased by 5.7 percent to Rs. 1,551 billion by end April 2018 from Rs. 1,467 billion as at end 2017. Deposit base of the bank increased by 5.0 percent to Rs. 1,306 billion by end April 2018 from Rs. 1,244 billion as at end 2017. Loans and advances increased by 7.8 percent in the review period to Rs. 1,158 billion. PB recorded a profit before tax of Rs. 7.8 billion for the first four months of 2018 in comparison to Rs. 4.6 billion witnessed in the corresponding period of 2017.

### **National Savings Bank (NSB)**

National Savings Bank's asset base recorded an increase of 3.7 percent to Rs. 1,050 billion as at the end April, 2018 from Rs. 1,012 billion as at end of 2017. Deposit base of the bank increased by 4.7 percent to Rs. 772 billion by end April 2018 from Rs. 737 million as at end 2017. Loans and advances increased by 3.1 percent to Rs. 402 billion during the first four months of 2018. NSB recorded a profit before tax of Rs. 3.9 billion for the first four months of 2018 in comparison to Rs. 3.5 billion for the corresponding period of 2017.

### **Sri Lanka Insurance Corporation (SLIC)**

During the first four months of 2018, Sri Lanka Insurance Corporation (SLIC) has recorded a profit before tax of Rs. 2,258 million and total revenue of Rs.14.8 billion, an increase of 10.4 percent compared to the total revenue of Rs.13.4 billion during the corresponding period in 2017. Strengthening the effective management of the corporation

vacancies of the key management positions were filled during this period.

The corporation declared the biggest bonus in the industry for its life insurance policy holders valuing Rs. 6.8 billion. SLIC has planned to re-commence the 'Suba Pathum Scholarship' scheme for underprivileged children and the Call-to-Donate project to raise funds for the pediatric ward of the cancer hospital in 2018.

### **Ceylon Electricity Board (CEB)**

CEB had recorded revenue of Rs. 54,489 million during the first quarter of 2018 compared to the Rs. 50,476 million in the same period of 2017. However, an operating loss of Rs. 14,702 million has been recorded in the first quarter of 2018 compared to the operating loss of Rs. 12,443 million in the same period of 2017. Cost per unit without tax increased to Rs. 20.75 per kWh in the first quarter of 2018 over Rs. 20.19 per kWh recorded in 2017. The depreciation of rupee against the US dollar impacted adversely on the CEB's performance to some extent. Generation mix comprised with 901 GWh Hydro, NCRE & Wind 1,430 GWh Thermal (Fuel) and 1,557 GWh Thermal (Coal) during the reporting quarter, which has changed from 15:39:46 in first three months of 2017 to 23:37:40 for same period in 2018.

The total outstanding obligations to the banks from CEB in the first quarter amounted to Rs. 44,340 million compared to Rs. 31,744 million in the same period of 2017. In the absence of implementing a cost-reflective pricing mechanism, CEB had to manage its liquidity requirements through borrowing from the state banks which has led to increase CEB's borrowings. In addition, the total outstanding to CPC and IPP increased to Rs. 86,995 million in the first quarter 2018 compared to the Rs. 53,033

million reported during the same period of 2017.

In the context of developing wind energy as a source of renewable energy, in April 2018 'Sulang Bala Meheyuma' project was launched at National Renewable Energy Park, Hambanthota and initiatives were taken to implement 100MW wind power project in Mannar.

### **Ceylon Petroleum Corporation (CPC)**

The CPC recorded an operating loss of Rs. 11,143 million in the first four months of 2018 against the operating profit of Rs. 3,553 million recorded in the same period of 2017. The average price of a barrel of Brent crude oil was around USD 66.95 per barrel during the first four months of 2018 while it was recorded around USD 53.96 per barrel in first four months in 2017.

The total cost of the sales of the CPC during first 4 months of 2018 increased by 17 percent to Rs. 164,821 million compared to Rs. 139,845 million recorded in the same period of 2017. The depreciation of Sri Lankan Rupee against the USD also adversely affected to the bottom line of the performance of the CPC. The exchange rate impact during the first four months of 2018 was Rs. 9,146 million compared to Rs. 5,652 million recorded in the same period of 2017.

The operational and financial shocks of the CPC is temporary absorbed by the government owned two commercial banks i.e. Bank of Ceylon and Peoples Bank. The total amounts payable to these two banks as at 30.04.2018 has reached to Rs. 375,496 million.

Having considered overall impact to the economy, the government has already established a pricing formula for the transport related petroleum products and

the kerosene with effect from May 2018. As such, the financial burden related to administrative pricing mechanism will be ease-off with this new initiative. However, the CPC accumulated losses and negative net worth amounted to Rs. 218,609 million and Rs. 174,940 million, respectively as at 30.04.2018.

### **Sri Lanka Ports Authority (SLPA)**

Sri Lanka Ports Authority (SLPA) recorded Rs. 13.3 billion, the highest ever net profit for 2017. The main contributor to the profit has been the exchange gain from the removal of loans obtained by SLPA for the Hambantota Port Development Project. Two tranches of the sales proceeds amounting to USD 973,658,000 and USD 146,000,000 received in first quarter of the year 2018. Third tranche is due in the month of June 2018 after fulfilling the condition precedent to the concession agreement. This includes the execution of lease agreements with the Sri Lanka Navy and Ceylon Electricity Board pertaining to the land occupied by them within the leased area and handing over oil tanks free of oil being stored and for use in accordance with industry best practices. Government has undertaken to service the loans obtained for the Hambantota Development Project for China Exim Bank and Bank of Ceylon to pay the installments in the first quarter of 2018.

Based on the thumping profit made by SLPA, unions have demanded a salary hike. Accordingly, collective agreement for the year 2018-2020 has been signed with the employees having a Rs. 2 billion incremental cost of salary to SLPA. A salary revision of 5 percent has been considered in the assumption of the tripartite agreement; Statement of Corporate Intent (SCI) signed in 2017, with the Treasury, Ministry of Ports and Shipping, and SLPA. The quantum of salary hike may definitely hit the bottom

line profit of SLPA during the agreed 3 year period of SCI. Further selling of Hambantota port may also have impact on the SCI targets in the future.

SLPA has recorded revenue of Rs. 14,381 million during the first four months of 2018. The main contributor to this income had been the navigation operations and stevedoring which is 62 percent of the total revenue of SLPA. SLPA handled 1,696 ships during the first four months of 2018, of which 1,474 ships handled by Colombo Harbor. Kankasanthurei Port (KKS) handled 29 ships in the first four months of 2018. The Cabinet has approved to develop KKS with the support of Indian Credit Line in the expectation of upgrading KKS harbor for commercial purposes as a self-sustainable commercial port. SLPA handled 2.25 million TEU's during the first four months of 2018.

SLPA is in the process of revising their tariff structure after 1998 to suit the competitive market conditions with the private port operators competing domestically with SLPA. This includes simplifying the documentation process to suit the automation and to eliminate definitions that lead to delays and malpractices. More than Rs. 500 million revenue is expected from this revision.

### **National Water Supply and Drainage Board (NWS&DB)**

National Water Supply and Drainage Board (NWS&DB) has striving targets of achieving the total pipe borne water coverage to 60 percent, safe water supply coverage to 91.7 percent and piped sewerage coverage to 3.3 percent by 2020 from the existing level of 44.2 percent, 89.3 percent and 2 percent, respectively.

337 water supply schemes have been already launched and 62 projects are in the

pipeline for the NWS&DB. The General Treasury has provided Rs. 174 million during the first four months in 2018 in order to service the loans as approved by the Cabinet of Ministers to cover 50 percent of urban projects, 75 percent on rural projects and 100 percent on CKD reduction projects. With the view of meeting the obligations and to carry out the objectives as anticipated, the Ministry of Finance has approved borrowing limits amounting to Rs. 75,630 million for local funded Projects, USD 1,155.38 million and Euro 170.03 million for Foreign Funded Projects of NWS&DB as at 30.04.2018.

The NWS&DB recorded revenue of Rs. 7,892 million during the first four months of 2018 from Rs. 7,600 million during the same period of 2017. This was a 24 percent of the targeted revenue as per the Statement of Corporate Intent signed between tri-parties. Profitability of NWS&DB increased by 158 percent to Rs. 362 million over 2017 which is 6 percent of the anticipated profit.

The NWS&DB has an unacceptable amount of Non-Revenue Water (NRW), which is created due to leakages, metering problem and unauthorized consumption. Despite the decrease in NRW level to 25.9 percent at the end of first four months of 2018 from 27.8 percent for the same period in last year, it has a significant disturbance to the operational efficiency and financial position of the entity.

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

Airport and Aviation Services Ltd. (AASL) increased its operating profit by 53 percent to Rs. 3,410 million in the first quarter of 2018 compared to Rs. 2,230 million in the same period of 2017. The government has signed the Statement of Corporate Intent

(SCI), a tri-party agreement, in 2017 with the AASL for the next 3 years.

Government has signed a Bilateral Air Service Agreement between the government of Thailand and the government of Sri Lanka (GOSL) which may have positive impact on the AASL's revenue. Charter domestic air operations to promote tourism will be one of the main targets of the GOSL which may also have positive effects on the performance of the AASL.

### **Sri Lankan Airlines Ltd. (SLA)**

According to the draft Financial Statements, Sri Lankan Airlines Ltd. (SLA) reported a revenue of Rs. 160,850 million during the Financial Year 2017/18, a 16 percent increase compared to the previous Financial Year 2016/17. This was mainly due to the combined effect of increase in passenger service and cargo service income by 25 percent and 23 percent, respectively. Operating profit, which was Rs. 7,489 million during the Financial Year 2016/17, has reduced to Rs. 3,721 million during 2017/18.

H.E. the President appointed a Presidential Commission by the extraordinary gazette issued on 02.02.2018, comprising 5 members in order to investigate into the alleged irregularities in connection with the SLA, Mihin Lanka (MLL) and the SLA subsidiary, Sri Lankan Airlines Catering Ltd., including members from the Supreme Court, Court of Appeal, High Court, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Auditor General. The investigations are currently carried out with the assistance of the Attorney General's Department.

SLA obtained the approval of Cabinet of Ministers to re-issue the Letters of Comfort issued to the Bank of Ceylon and the People's Bank on behalf of the SLA, for the loans obtained for the loss incurred during the Bandaranaike International Airport closure in 2017.

### 4.3 Reform Initiatives for Major SOBEs

Institution	Reform Initiatives
State Banks (BOC, PB & NSB)	<ul style="list-style-type: none"> <li>▪ Promote digital banking among customers.</li> <li>▪ Loan portfolios of BOC, PB and NSB highly depend upon the exposure to the Government including SOEs, which hinder the ability to extend loan facilities to new developing sectors of the economy and diversification of the product portfolio.</li> <li>▪ Improve credit quality and enhance recovery mechanisms.</li> <li>▪ Implement a Business Restructuring Process in the HDFC Bank to improve the performance in the medium term.</li> </ul>
SLIC	<ul style="list-style-type: none"> <li>▪ Initiative steps have taken to implement the life and general core system.</li> </ul>
CEB	<ul style="list-style-type: none"> <li>▪ In the context of developing wind energy as a source of renewable energy, in April, 'Sulanga Bala Meheyuma' project was launched at National Renewable Energy Park, Hambanthota</li> <li>▪ Initiatives has been taken place to implement 100MW wind power project in Manner.</li> <li>▪ Reforms to ensure that adequate investment are made for transmission and distribution, and to encourage the private sector to participate in providing transmission facilities within each Province.</li> <li>▪ Action is being taken by CEB to implement the Bulk Supply Transaction account as per the requirement which specified by PUCSL.</li> <li>▪ Automatic pricing formula for electricity would also be implement with developing the available "Tariff methodology".</li> </ul>
CPC	<ul style="list-style-type: none"> <li>▪ Statement of Corporate Intent (SCI) was signed by three parities namely the Chairman of CPC, Secretary of the Line Ministry and the Secretary to the Treasury.</li> <li>▪ Government has taken steps to investigate the possibility of using the Trincomalee upper tanks farm back to oil storage.</li> <li>▪ The government has started initial work of setting up a new cross country pipeline with latest technologies with an objective to reduce the average time taken to discharge cargo to standard level which in turn helps to reduce the huge demurrages currently being paid by CPC.</li> <li>▪ The Pricing formula which was designed to operate CPC at viable position is to be implemented. It is envisaged that the proposed pricing formula will facilitate CPC to be profitable and as a result it will also be positively impact on the domestic financial sector as CPC will reduce the dependency for majority of their funding needs on the domestic financial markets.</li> </ul>
NWS&DB	<ul style="list-style-type: none"> <li>▪ In order to achieve the target of providing safe drinking water to entire population, it is important to seek different approaches to mitigate vulnerability of weather patterns to guarantee uninterrupted water supply.</li> <li>▪ Utilizing innovative financial mechanisms have become of a great importance to reach these targets within a stipulated time frame.</li> </ul>

AASL	<ul style="list-style-type: none"> <li>▪ The AASL is one of the 5 SOBEs that has entered into a Statement of Corporate Intent (SCI) with KPIs to be met in the medium term. As such, in terms of the SCI, the AASL during 2017, has been able to</li> <li>▪ Having completed the project undertaken by AASL to upgrade aerodrome system along with the runway surfacing during 2017, the BIA currently can accommodate aircrafts as large as A380's. However, oversaturation of BIA capacity has hindered the efficiency of service delivery by the entity.</li> <li>▪ AASL needs to make requested investments for related infrastructure development in advance to meet the forecasted demand at 2025.</li> <li>▪ Since the runway at BIA has not been renovated in standard period, AASL made a required investment to complete the project in early 2017.</li> </ul>
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Sources: SOBEs and Department of public Enterprises

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

Enterprise	Debt to Banks		Rs. Million
	2016	2017	As at 30.04.2018
		(Provisional)	(Provisional)
1 Ceylon Electricity Board	38,968	27,995	44,340
2 Ceylon Petroleum Corporation	333,793	339,481	359,036
3 Sri Lanka Ports Authority (a)	10,593	7,409	-
4 National Water Supply and Drainage Board	35,102	67,162	73,583
5 Airport and Aviation Services (SL) Ltd	37,679	42,780	0
6 Sri Lankan Airlines Ltd (a)	67,598	90,337	-
7 Mihin Lanka (Pvt) Ltd (b)	3,372	-	-
8 Sri Lanka Transport Board (b)	-	-	-
9 State Engineering Corporation (a)	1,261	2,050	900
10 Central Engineering Consultancy Bureau	0	0	0
11 State Development and Construction Corp. (a)	752	907	1,450
12 Milco (Pvt) Ltd (a)	13,677	15,017	-
13 National Livestock Development Board (a)	209	249	-
14 Sri Lanka State Plantations Corporation	12	2	13.4
15 Janatha Estates Development Board	101	56	68.12
16 Kurunegala Plantations Ltd	77	0	0
17 Chilaw Plantations Ltd	0	0	0
18 Kalubovitiyana Tea Factory Ltd (a)	35	124	-
19 Sri Lanka Cashew Corporation (a)	0	8	-
20 Lanka Mineral Sands Ltd	100	536	0
21 Lanka Phosphate Ltd	15	4	15
22 Kahatagaha Graphite Lanka Ltd	0	0	0
23 Development Lotteries Board	0	0	0

24	National Lotteries Board	0	0	0
25	State Pharmaceuticals and Manufacturing Corp.	0	0	0
26	SL Ayurvedic Drugs Corporation	53	46	44
27	State Pharmaceuticals Corporation (a)	39	1,361	-
28	Sri Jayawardenapura General hospital	0	0	0
29	Independent Television Network Ltd	0	0	0
30	SL Rupavahini Corporation (a)	311	341	-
31	Sri Lanka Broadcasting Corporation	0	0	0
32	Sri Lanka Handicraft Board	554	520	453
33	State Timber Corporation	0	0	0
34	STC General Trading Company	1,180	1,338	1,128
35	Lanka Sathosa Ltd (b)	-	-	-
36	State Printing Corporation (a)	0	733	-
37	Ceylon Fisheries Corporation (a)	38	87	-
38	Ceylon Fishery Harbour Corporation	0	0	0
39	Ceylon Fertilizer Company Ltd (a)	27,482	28,296	-
40	Colombo Commercial Fertilizer Company Ltd	12,675	13,897	9,969
41	Hotel Developers Lanka PLC	340	272	69
42	Lanka Sugar Company Ltd	0	0	0
	<b>Total</b>	<b>431,462</b>	<b>440,844</b>	<b>491,069</b>

Sources: SOBEs and Department of public Enterprises

(a) Data is not available as at 2018.04.30

(b) Financial Statements has not been prepared

**Table 4.2 | Profitability of State Owned Enterprises**

Rs. Million

	Enterprise	Profit/(Loss)		As at
		2016	2017(Draft)	30.04.2018 (Provisional)
1	Bank of Ceylon	31,189	30,363	8,659
2	People's Bank	20,814	23,564	7,777
3	National Savings Bank	13,303	14,029	3,895
4	State Mortgage & Investment Bank	706	446	343.9
5	HDFC Bank	848	502	161
6	Lankaputhra Development Bank Ltd	259	285	26.5
7	Regional Development Bank (RDB)	2,131	3,289	617.6
8	Sri Lanka Savings Bank Ltd	600	605	189.4
9	Employee's Trust Fund Board (a)	16,043	19,534	-
10	Sri Lanka Insurance Corporation	12,741	4,569	2,258
11	National Insurance Trust Fund (a)	2,840	758	-
12	Sri Lanka Export Credit Insurance Corporation	156	(200)	89
13	Agriculture and Agrarian Insurance Board	(3,261)	(3,895)	(1,590)
14	Ceylon Electricity Board	(14,499)	(49,231)	(14,702)
15	Ceylon Petroleum Corporation	69,620	3,504	(21,178)
16	Sri Lanka Ports Authority (a)	1,036	13,222	-
17	National Water Supply and Drainage	2,385	1,737	362

Board				
18	Airport and Aviation Services (SL) Ltd	6,909	10,762	3,410
19	Sri Lankan Airlines Ltd (a)	(12,622)	(28,930)	-
20	Mihin Lanka (Pvt) Ltd	(1,579)	-	-
21	Sri Lanka Transport Board	(3,617)	2,598	589
22	State Engineering Corporation (a)	(958)	(940)	305
23	Central Engineering Consultancy Bureau	816	633	143
24	State Development and Construction Corp. (a)	23	(491)	15
25	Milco (Pvt) Ltd (a)	340	114	-
26	National Livestock Development Board (a)	9.49	(840)	-
27	Sri Lanka State Plantations Corporation	(134)	(79)	8.09
28	Janatha Estates Development Board	(443)	(295)	(88.44)
29	Kurunegala Plantations Ltd (a)	156	240	-
30	Chilaw Plantations Ltd (a)	78	126	-
31	Kalubovitiyana Tea Factory Ltd (a)	43	31	-
32	Sri Lanka Cashew Corporation(a)	32	16	-
33	Lanka Mineral Sands Ltd (a)	170	100	-
34	Lanka Phosphate Ltd (a)	(32)	15	-
35	Kahatagaha Graphite Lanka Ltd	(2.52)	17.8	4.9
36	Development Lotteries Board (a)	2,700	2,320	-
37	National Lotteries Board (a)	897	602	-
38	State Pharmaceuticals and Manufacturing Corp.	441	322	54
39	SL Ayurvedic Drugs Corporation	48	56	12.5
40	State Pharmaceuticals Corporation (a)	1,868	1,560	-
41	Sri Jayawardenapura General Hospital	(171)	(143)	(435)
42	Independent Television Network Ltd (a)	(70)	(287)	-
43	SL Rupavahini Corporation (a)	(231)	(196)	-
44	Sri Lanka Broadcasting Corporation (a)	49	75	-
45	Sri Lanka Handicraft Board	7	33	2.5
46	State Timber Corporation	86	565	53.1
47	STC General Trading Company	61	71	2
48	Lanka Sathosa Ltd(a)	(4,474)	(1,980)	-
49	State Printing Corporation(a)	(75)	(229)	-
50	Ceylon Fisheries Corporation (a)	(161)	37	-
51	Ceylon Fishery Harbour Corporation(a)	(31)	(64)	-
52	Ceylon Fertilizer Company Ltd(a)	937	128	-
53	Colombo Commercial Fertilizer Company Ltd	253	70	16.5
54	Hotel Developers Lanka PLC	172	219	243
55	Lanka Sugar Company Ltd(a)	1,006	677	-
	<b>Total</b>	<b>76,952</b>	<b>48,204</b>	<b>(9,366)</b>

Sources: SOBEs and Department of Public Enterprises  
(a) Financial Statements has not been prepared

**Table 4.3 | Levy/Dividend Income from SOEs**

Rs. Million

Item	2012	2013	2014	2015	2016	2017	As at 30.04.2018
<b>Levy</b>	<b>31,514</b>	<b>30,400</b>	<b>42,137</b>	<b>26,118</b>	<b>92,338</b>	<b>50,489</b>	<b>2,361</b>
National Savings Bank	8,200	5,000	4,000	2,800	12,026	3,865	-
Bank of Ceylon	5,000	5,000	6,500	5,000	18,000	12,000	-
Peoples Bank	4,500	4,500	6,000	3,000	8,000	5,000	200
Telecommunication Regulatory	7,200	10,100	10,000	10,000	28,000	22,800	2,000

Commission							
Ceylon Petroleum Corporation			10,000		10,000	-	-
State Mortgage & Investments Bank	25	40	10	10	10	-	-
Regional Development Bank	500	500	-	87	88	-	-
State Timber Corporation	50	50	25	50	175	100	-
State Pharmaceuticals Manufacturing Corporation	20	20	25	30	65	222	-
National Insurance Trust Fund	4,200	3,200	4,000	3,000	2,500	2,100	121
Geological Survey and Mines Bureau	750	700	650	850	900	1,500	-
National Gem and Jewellery Authority	-	100	-	75	175	100	-
Sri Lanka Convention Bureau	12	-	-	-	-	-	-
Sri Lanka Rupavahini Corporation	5	-	2	-	-	-	-
Ceylon Electricity Board	-	-	-	-	8,000	-	-
Board of Investment	200	-	100	141	115	220	-
National Lotteries Board	502	500	-	50	550	-	-
Securities and Exchange Commission	-	94	-	-	-	-	-
Insurance Board of Sri Lanka	-	300	-	-	-	-	-
Sri Lanka Standard Institution	-	20	-	-	-	-	-
Sri Lanka Export Credit Insurance Corporation	-	25	-	-	25	-	-
National Livestock and Development Board,	-	1	-	-	-	-	-
Central Engineering Consultancy Bureau	-	-	-	25	25	25	-
Sri Lank Tourism promotion Bureau	-	-	500	500	1,500	1,000	-
Civil Aviation Authority	350	200	250	400	768	800	-
State Pharmaceutical Corporation	-	50	75	100	216	222	-
National Transport Medical Institute	-	-	-	-	200	160	40
Sri Lanka Bureau of Foreign Employment	-	-	-	-	1,000	75	-
National Transport Commission						300	-
<b>Dividends</b>	<b>4,548</b>	<b>-</b>	<b>4,664</b>	<b>3,678</b>	<b>15,821</b>	<b>3,550</b>	<b>453</b>
National Savings Bank	60	-	60	60	60	60	30
Bank of Ceylon	346	-	346	346	346	346	173
People's Bank	158	-	316	316	316	316	158
Lankaputhra Development Bank	18	-	36	36	36	41	-
National Development Bank	4	-	6	5	2	2	1
Sri Lanka Insurance Corporation Ltd	1,001	-	2,001	1,003	11,857	503	3.6
Airport and Aviation Services Ltd	-	-	500	497	1,500	850	-
Lanka Mineral Sands Ltd	1,700	-	43	14	-	-	-
Lanka Phosphate Ltd	40	-	35	30	-	8	-
Independence Television Network Ltd	88	-	125	84	-	10	-
Lanka Leyland Ltd	5	-	11	54	34	35	-
Rakna Arakshaka Lanka Ltd	10	-	68	93	-	-	-
Manthai Salt Ltd	-	-	1	-	-	-	-
Ceylon Fertilizer Ltd	4	-	38	54	116	90	21
Colombo Commercial Fertilizer Ltd	8	-	12	10	25	12	-
Paranthan Chemicals Company Ltd	3	-	10	5	-	8	-
Kahatagaha Graphite Lanka Ltd	-	-	1	-	-	-	-
STC General Trading Company	-	-	-	-	5	-	-
Sri Lanka Telecom PLC	759	-	759	795	795	795	-
De La Rue Lanka Ltd	42	-	49	61	62	79	-
Lanka Electricity Company Ltd	75	-	25	87	152	218	-
Lanka Industrial Estates Ltd	47	-	55	55	47	55	-
Skills Development Fund	-	-	-	2	-	-	-
Ceylon Agro Industries	-	-	7	6	12	12	-
Lanka Sugar Company Ltd	-	-	80	-	-	-	-
Asian Reinsurance Corporation	-	-	-	-	-	-	-
Lanka Logistics Limited	-	-	2	2	5	-	1
Ceylon Petroleum Storage Terminals Ltd	-	-	-	-	438	-	-
Plantation Companies*	179	-	80	62	10	103	64.98
Others**	1	-	-	1	3	7	-
<b>Total</b>	<b>36,062</b>	<b>30,400</b>	<b>46,801</b>	<b>29,796</b>	<b>108,159</b>	<b>54,039</b>	<b>2,814</b>

Sources: SOBEs and Department of Public Enterprises

## Chapter 5

### Foreign Financing

#### 5.1 Foreign Financing Commitments

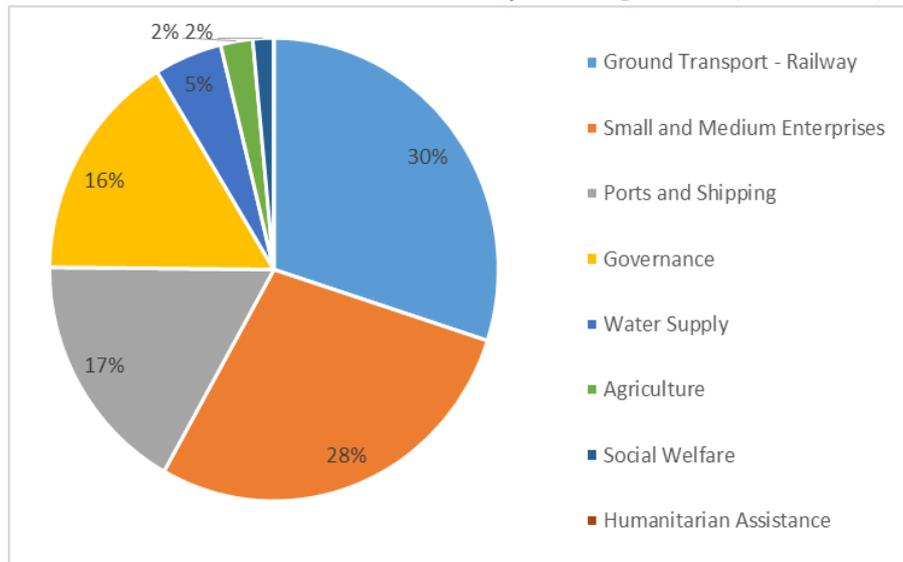
The Government has made arrangements to mobilize foreign financing of US\$ 266.2 million by entering into 10 agreements with foreign development partners and lending agencies from 1<sup>st</sup> January to 30<sup>th</sup> April 2018, to support the public investment program. This consists of US\$ 219.2 million in the form of loans (Official Development Assistance - ODA) and US\$ 46.9 million by way of ODA grants and technical assistance. In addition, US\$ 2,500 million was raised through International Sovereign Bonds (ISB) during the period under review.

China leads the ODA commitments during this period of 2018 amounting to US\$ 79.8 million, followed by the Asian Development Bank (US\$ 75.0 million), India (US\$ 45.3 million), Australia (US\$ 25.0 million), USA (US\$ 17.9 million), Austria (US\$ 13.0

million), International Fund for Agricultural Development (IFAD) (US\$ 6.2 million), United Nations Population Fund (UNFPA) (US\$ 4.0 million) and United Nations High Commissioner for Refugees (UNHCR) (US\$ 0.01 million) respectively. During the period, US\$ 1,250 million was raised through the issuance of ISB's at a fixed interest rate of 5.75 percent with a 5-year tenure while the balance US\$ 1,250 million was raised at a fixed interest rate of 6.75 percent with 10-year tenure during the first four months of 2018.

Of the commitments made in the form of ODA during the first four months of 2018, the highest amount was committed for the railway sector (US\$ 79.8 million) while the small and medium enterprises sector received commitments of US\$ 75.0 million.

Chart 5.1 | Sector-wise ODA Commitments - 1<sup>st</sup> January - 30<sup>th</sup> April 2018 (US\$ million)



**Table 5.1 | Foreign Financing Commitments with Terms - from 1<sup>st</sup> January to 30<sup>th</sup> April 2018**

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project/Program/ Instrument Name	Amount Committed (million)				Financial Terms				Other Terms		
				Currency	In Instrument Currency	Rupees	US\$	Interest			Other Charges	Grace Period (Years)	Maturity /Availability Period from the Date of Signing (Years)	
								Type	Annual Rate (%)	Margin (100 basis points)				
<b>Bilateral ODA</b>														
Australia	Grant	2018/01/30	Subsidiary Agreement (Governance for / Growth Programe)	AUD	31.0	3,850.9	25.0					Not Applicable		2.4
USA	Grant	2018/01/30	Strengthened Partnership for Democratic Governance & Social Cohesion (Enhancement)	USD	9.7	1,487.1	9.7					Not Applicable		8.7
	Grant	2018/01/30	Sustained and Inclusive Economic Growth (Enhancement)	USD	8.2	1,263.0	8.2					Not Applicable		7.7
Export Import Bank of India	Loan	2018/01/10	Dollar Credit Line on KKS Harbor	USD	45.3	6,963.4	45.3	Variable	LIBOR 6 months for USD	0	-		5	20
HSBC (China-Hong Kong)	Loan	2018/04/27	Procurement of 09 Nos Diesel Multiple Units for Upcountry Line Operation of Sri Lanka Railways	USD	79.8	12,578.2	79.8	Variable	LIBOR 6 months for USD	2.0	Credit Insurance Premium USD 2.2 mn, Arrangement Fee USD 877,665.87, Commitment Fee 0.5%		1	13.5
UniCedit Bank Austria AG (Austria)	Loan	2018/03/08	Implementation of Kirama-Katuwana Integrated Water Supply Scheme	EUR	10.5	2,019.4	13.0		Interest Free		Commitment Fee 0.4%, Management Fee EUR 47,185.25,		6.5	15

												Handling Fee EUR 1,440, Upfront Fee USD 58,981.6		
<b>Multilateral ODA</b>														
Asian Development Bank	Loan	2018/02/16	Small and Medium Enterprises Line of Credit - Additional Financing	USD	75.0	11,649.3	75.0	Variable	LIBOR 6 months for USD	0.6	Commitment Fee 0.15%	11	11	
International Fund for Agriculture Development	Loan	2018/01/26	Implementation of Smallholder Agribusiness Partnership (SAP) [Enhancement]	USD	6.2	950.1	6.2	Fixed	2	Not Applicable	-	5	25	
UNHCR	Grant	2018/01/01	Enabling Returnees in Kilinochchi, Puttalam and Mannar Districts to Access Their Rights	LKR	1.9	1.9	0.01				Not Applicable		1	
UNFPA	Grant	2018/01/26	Country Program Action Plan 2018-2022	USD	4.0	612.6	4.0				Not Applicable		5	
<b>Market Borrowings</b>														
International Bond Issuances	Loan	2018/04/18	International Bond 2018	USD	1,250.0	195,413.4	1,250.0	Fixed	5.75	Not Applicable	-	5	5	
International Bond Issuances	Loan	2018/04/18	International Bond 2018	USD	1,250.0	195,413.4	1,250.0	Fixed	6.75	Not Applicable	-	10	10	
					<b>Total</b>	<b>432,201.6</b>	<b>2,766.2</b>							

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offer Rate

2. Financial values committed in difference currencies have been converted into USD and LKR as per the prevailing exchange rates of each agreement date

## 5.2 Foreign Financing Disbursements and Utilization

Total foreign financing disbursements made for development projects and programmes during the period from 1<sup>st</sup> January to 30<sup>th</sup> April, 2018 amounted to US\$ 512.1 million, of which US\$ 508.2 million was disbursed as

loans while US\$ 3.9 million was disbursed by way of grants.

The majority of the disbursements were from the loan agreements signed with the Asian Development Bank, which is almost 45 percent, followed by China (18 percent) and Japan (11 percent).

**Table 5.2 | Disbursements of Foreign Loans and Grants from 1<sup>st</sup> January to 30<sup>th</sup> April 2018**

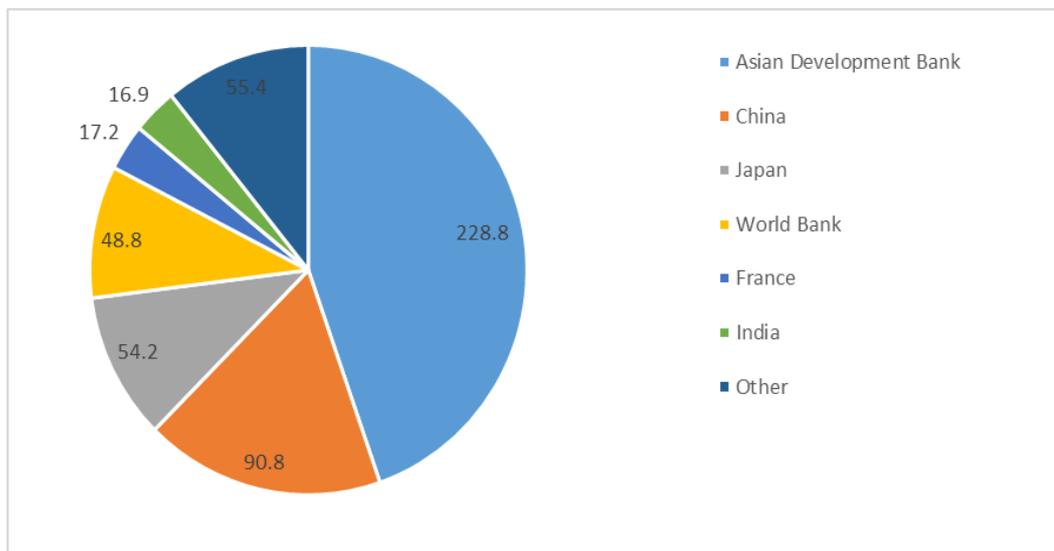
Development Partner	Disbursements (USD million)*		
	Loan	Grant	Total
<b>Bilateral</b>	<b>221.95</b>	<b>3.16</b>	<b>225.10</b>
China	90.83	-	90.83
Japan	54.19	-	54.19
France	16.91	0.25	17.17
India	16.90	-	16.90
Netherlands	8.65	-	8.65
Austria	8.38	-	8.38
Saudi Arabia	6.39	-	6.39
Korea	4.58	-	4.58
Spain	4.32	-	4.32
United Kingdom	3.55	-	3.55
United States of America	-	2.90	2.90
Denmark (HSBC With Guarantee with Denmark)	2.80	-	2.80
Kuwait	2.69	-	2.69
Germany	1.08	-	1.08
Australia	0.68	-	0.68
<b>Multilateral</b>	<b>286.28</b>	<b>0.74</b>	<b>287.02</b>
Asian Development Bank	228.85	-	228.85
World Bank	48.83	-	48.83
OPEC Fund	7.17	-	7.17
International Fund for Agriculture Development	1.43	-	1.43
United Nations Agencies (UNHCR), (UNICEF) & (UNFPA)	-	0.54	0.32
Asian Infrastructure Investment Bank	-	0.20	0.20
<b>Total</b>	<b>508.23</b>	<b>3.89</b>	<b>512.12</b>

*Source: Department of External Resources*

*Note: For conversion of disbursements made in different currencies into US\$ and Rupees, the exchange rates as at 30<sup>th</sup> April 2018 have been used*

*\* Provisional*

Chart 5.2 | Highlighting Disbursements Made by Development Partners from 1<sup>st</sup> January to 30<sup>th</sup> April 2018 (USD million)

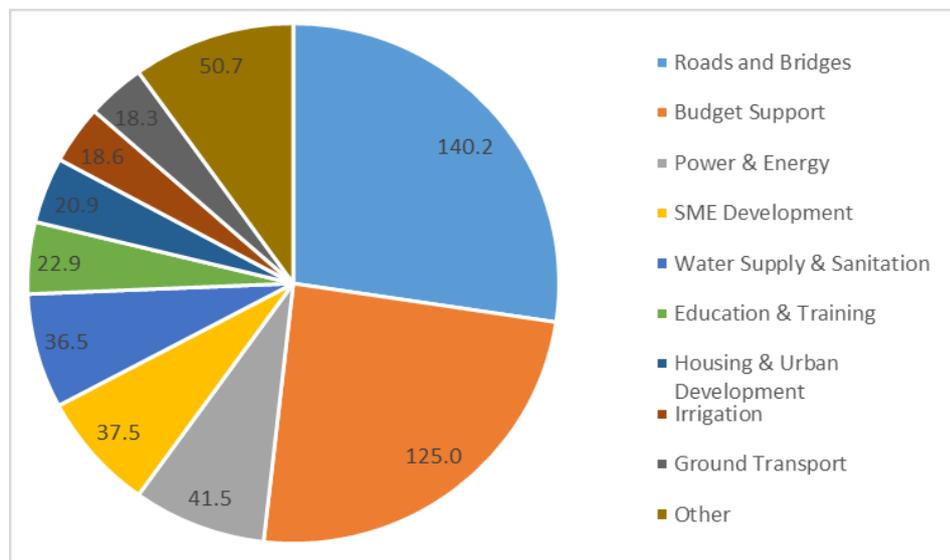


Source: Department of External Resources

The majority of the disbursements was in lieu of the projects implemented under the Roads & Bridges sector accounting for almost 27 percent, followed by the Finance

& Governance sector at 24 percent, Power and Energy sector at 8 percent and SME Development sector at 7 percent.

Chart 5.3 | Disbursements Made for each Sector from 1<sup>st</sup> January to 30<sup>th</sup> April 2018 (US\$ million)



<sup>1</sup> CUB is affected by international sanctions imposed on Iran, CUB of SOEs are not included.

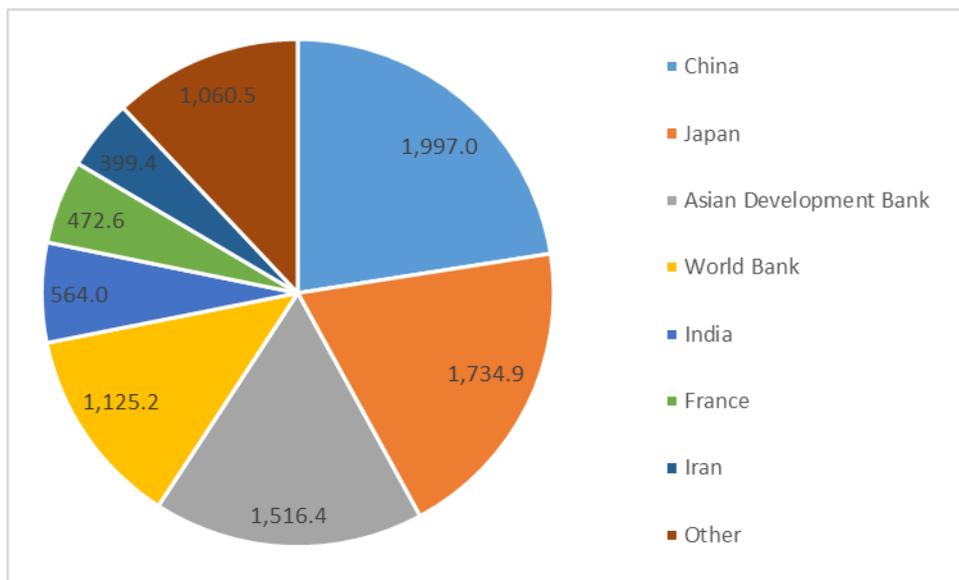
### 5.3 Committed Undisbursed Balance

#### (CUB)

As at 30<sup>th</sup> April 2018, the total undisbursed balance of foreign financing available from the already committed loans that are to be utilized in next 3-5 years, was US\$ 8,870.4

million. Almost 28 percent or US\$ 2,513.0 million has been committed for Roads and Bridges sector while US\$ 2,070.5 million is committed to Water supply and sanitation sector.

#### 5.4 | CUB of Development Projects and Programs as of 30<sup>th</sup> April 2018 (US\$ million)

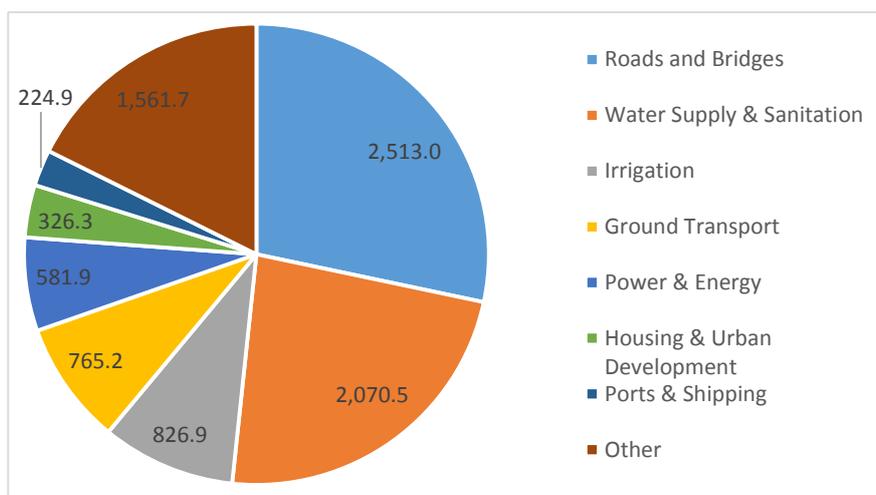


<sup>1</sup> Non-residential holdings of Treasury Bills/Bonds and outstanding debt of State Owned Enterprises (SOEs) are not included.

<sup>1</sup> Debt Service = Principal Payments + Interest Payments, Debt Service Payment of SOEs are not included

<sup>1</sup> US\$ estimations are based on the exchange rates as at 30<sup>th</sup> April 2018, Forecast was made based on existing portfolio only, i.e. debt stock to be accumulated due to new commitments were not included

Chart 5.5 | Sector-wise CUB of Development Projects and Programs as of 30<sup>th</sup> April 2018 (US\$ million)

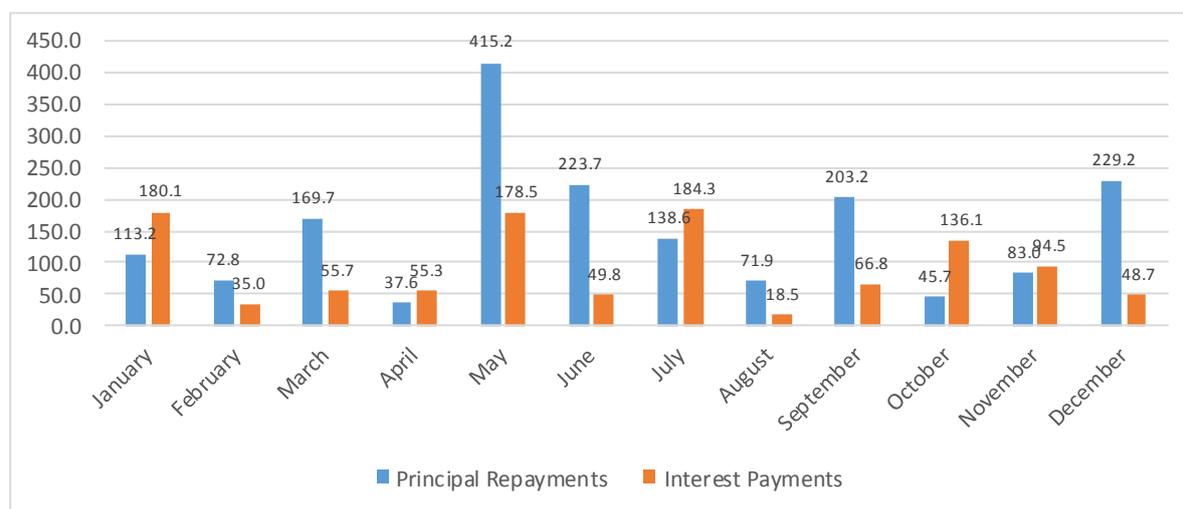


#### 5.4 External Debt Stock and External Debt Service Payments

By the end of April 2018, total outstanding external debt of the Government was US\$ 31.6 billion. Total debt service payments

from 1<sup>st</sup> January to 30<sup>th</sup> April 2018 amounted to US\$ 715.6 million. Of which, US\$ 390.2 million was in lieu of principal repayments and the balance US\$ 325.4 million for the payment of interest.

Chart 5.6 | Debt Service Payments during January – April 2018 and Forecast<sup>1</sup> for the Remaining Period of 2018 (US\$ million)



Total estimated debt service for 2018 is US\$ 2,900.9 million, of which, 25 percent has already been made by 30<sup>th</sup> April 2018.

<sup>1</sup> US\$ estimations are based on the exchange rates as at 30<sup>th</sup> April 2018, Forecast was made based on existing portfolio only, i.e. debt stock to be accumulated due to new commitments were not included