

Part I

ACCELERATING GROWTH WITH SOCIAL INCLUSION

PREAMBLE

1. Honorable Speaker, as the 20th Minister of Finance of Sri Lanka, it is my privilege to present the 71st Budget for 2017. The 2nd Budget of the national government of 'Yahapalanaya' (Good Governance), duly united to create a new economic and social order for the betterment of the country will not only provide relief for the people of Sri Lanka but also pave the way for sustainable growth. The national government under the outstandingly astute leadership of the President, His Excellency Maithripala Sirisena and the Prime Minister, Honorable Ranil Wickramasinghe will continue to serve the nation with unwavering commitment to create a better tomorrow for all Sri Lankans. What we witness is an extraordinarily unique political landscape which is ideally poised to serve the nation providing remarkable benefits to the people of Sri Lanka as we progress through an absolutely challenging journey to reach our goal of prosperity.
2. We will continue to progress in the noble endeavor to strengthen democracy, fundamental rights, reconciliation and development for lasting peace, freedom and national integration. Fundamentally, the country is guided by a new vision of lasting peace, built on mutual respect and dialogue. To cement this process, we have formulated an ambitious reforms agenda encompassing all major spheres including social, political, economic and international relations. This national government of Yahapalanaya will focus on reforms to the constitution, restoration and strengthening of the rule of law and independence of the judiciary.
3. The policy guidance of His Excellency the President and the Honorable Prime Minister enunciates our focused vision towards developing the country containing broad policies of national importance that will assist the achievement of the far reaching reforms to propel Sri Lanka to be a strong high income economy in the Asian region. The medium term strategy of the government is focused on generating one million employment opportunities, enhancing income

levels, development of rural economies, ensuring ownership of land to rural and estate sector working class, the middle class and the public sector employees, thus creating a strongly vibrant much wider middle class. Strong emphasis on all policies and programs will be placed on the alleviation of poverty in all manifestations beginning 2017.

4. The Honorable Prime Minister articulated eloquently in this House, that the government is prepared to set in motion the program to achieve an annual growth rate of over 7percent highlighting the strategic importance of Sri Lanka as a hub in the realm of global logistics and commercial operations pursuing, among others, economic integration agreements with regional governments - China, India, Singapore, etc. Development corridors will be set up for investment in public and private sectors with the role of the private sector being duly recognized to offer additional exposure and opportunities for entrepreneurs and professionals with the focus on digital economy, tourism, commercial agriculture, as well as accelerating the process of industrialization.
5. Such efforts will lay tremendous emphasis on social inclusion and sustainability in economic development, a commitment to achieve the United Nations proclaimed UN Sustainable Development Goals by 2030 ensuring shelter, safe drinking water and improved living standards for all.
6. A concerted effort will be adopted to nurture and foster the private sector - the “Engine of Growth”, ensuring and emphasizing a greater role in economic activities in all spheres. Removal of restrictive barriers, provision of necessary legal and institutional support including the creation of an enabling environment for doing business with ease will be further facilitated by the government proactively. Public Private Partnerships replacing government dominance in economic development programs will also be pursued positively.
7. The need of the hour is an economic, social and environmental transformation ensuring a better tomorrow for all Sri Lankans. A national development strategy to build a “Green” and an “Innovation Based Economy” through progressive reforms will ensure a better future for the children of the country and particularly, for the educated younger generation.

8. Honorable Speaker, we are in the centre of the “Asian Growth Story” with tremendous potential for integration with markets such as India, China, Japan and Korea consisting of more than one third of the world’s growth in the medium term. Such market access is being actively pursued while efforts are also being made to exploit further integration opportunities with the ASEAN Economic Community, and Trans Pacific Partnership (TPP) and China’s One Belt One Road Initiative.
9. We will formulate a cohesive policy to facilitate an equitable and inclusive level of social development in Sri Lanka. Social inclusion is a matter of prime concern and the participation of the entire population in the journey for development is a noble objective being 'a society for all'. Accordingly, “**Accelerating Growth with Social Inclusion**” forms the broader theme of the 2017 National Budget.
10. In “Accelerating Growth with Social Inclusion” we must address issues relating to the eradication of the remaining poverty clusters. To focus on this process, 2017 has already been declared as the year of “Poverty Alleviation” by His Excellency the President. In ensuring the success of such endeavors, we have to achieve an appreciable level of economic growth to facilitate pro-poor policies. As such, we endeavor to establish a strong economic foundation to achieve those goals and targets. It will be difficult to traverse the chosen path but we will lay the foundation for a better future which forms the basis for the 2017 National Budget.

THE BACKGROUND FOR BUDGET 2017

11. Honorable Speaker, I was privileged to present the maiden Budget of the government of consensus in 2015. To resurrect and invigorate the economy we proposed a set of proposals with an emphasis on improving the economy in general and the fiscal sector in particular. The government accorded priority in 2016 to increase the local and foreign investment paving the way for ensuring massive development projects in the country.
12. Relief measures introduced including reduced prices of essential food items and Petroleum and LP gas prices in line with declining global prices have no doubt been instrumental in generating a substantial amount as savings for people to meet their other needs.

13. We must progress based on our achievements strengthening the process in a sustainable manner. We will aspire to foster a knowledge based social market economy duly built on the principles of social justice. Sri Lanka is at present at crossroads, and the 2017 budget presented today will have a critical aspersion on the future of our country. The aspirations of the people for greater employment opportunities as well as entrepreneurial alternatives are expanding, meeting of which demands among others a lot of changes and reforms in all spheres of economic activity.
14. In order to relieve ourselves from the legacy created by the previous regime, we need to introduce reforms in many spheres of the economy. The resurrection of the mostly defunct State Owned Business Enterprises (SOBEs) and international trade related reforms are of prime importance as the mechanics of the previous regime had damaged the very existence of many institutions adversely affecting the business environment. Such endeavors along with the establishment of a strong policy framework to ably assist the improved economic management will be in complete contrast to the irregularities committed by the last government.
15. Honorable Speaker, I do not have to elaborate on the dire straits many SOBEs are in at present. The accumulated losses and sub optimal performance over several decades clearly depict the mismanagement which is literally draining the Treasury. As such comprehensive reform programs will be required to revamp such enterprises and to transform them into viable ventures.
16. Export development will be a top priority and a conducive environment will be created for investments catering to export development. A gradual erosion of exports relative to GDP from more than 30percent in the mid-1990s to around 15percent at present does not augur well for the economy. In this context trade and investment based reforms encompassing measures aimed at productivity improvement, trade facilitation, bilateral economic integration agreements, restructuring of the BOI, and creation of much needed institutions and elimination of exchange controls will certainly auger well for an improved international trade and investment regime. We will focus on fair trade and not necessarily free trade thus creating non debt creating foreign fund flows.
17. However, we need to improve our competitive edge of our economy through developments of the processes, skills and productivity. To accelerate and sustain

growth, boosting productivity is an imperative. We have identified productivity enhancement, investments in ICT and infrastructure development as being integral requirements for the economic growth envisaged. We must keep abreast with technological advancements globally such as automation, robotics and ICT. Increased investments in Education, Research and Development and Digital infrastructure will enable us to seize new opportunities.

18. Sri Lanka is an island nation, and as such the maximum utilization of a plethora of economic benefits based on resources emanating from the ocean will be fully exploited. Our focused attention will be drawn to ocean research, tourism, fisheries and marine resources creating a gamut of economic prospects.
19. The unemployment index is on the decline. On the other hand the needs for employees in many economic sub sectors are on the increase with fewer numbers seeking employment. We are an ageing population adding on to the complexities. Such trends obviously create intense challenges for our enterprises. Although new opportunities are prevalent, the acceptance is somewhat limited by the intricacies of the existing legal system necessitating labor reforms.
20. Macroeconomic stability is an essential ingredient for achieving higher economic growth. The macroeconomic imbalances faced by the country at present need to be addressed through carefully crafted policies. In this context, it is critical that the fiscal deficit is reduced to a reasonably sustainable level. All efforts should be made to reduce and contain pressures on escalating inflation and interest rates as well as exchange rate depreciation through macroeconomic stabilization. We have witnessed the hardships faced by the masses when inflation rises. We had managed to contain inflation, a proud element of our economic management and we will undertake the necessary measures to continue the process positively in the future without burdening the people.
21. Macroeconomic management had been difficult in the recent past due to significant capital outflows based mainly on global developments. To counter such challenges, we need to strengthen our external sector with appropriate policies to create sufficient buffers.
22. We are in a dire need to improve our savings and divert such resources to productive economic options to enhance our growth potential. Improving the

investment climate is of much importance and needs urgent attention to sustain our investment targets. An ambitious reform program to strengthen “Ease of Doing Business” and to create the positive environment for the upcoming entrepreneurs to invest and also making it conducive for enterprises to enter new markets, grow and create employment opportunities will be addressed.

23. Small and Medium Enterprises (SMEs) sector is a giant pillar in our economy with more emphasis on industry. We will concentrate on developing the sector with assistance including financial, marketing and other related facilities to nurture, foster and develop such enterprises. Improving infrastructure for domestic and international connectivity is relevant to SMEs thus facilitating their access to international markets. We envisage that the policies enhancing financial inclusion will address the issue of inaccessibility to adequate finances prevalent at present.
24. I strongly believe that Sri Lanka should maximize the benefits realizing out of the digital revolution which is the entry point to the information era. The amazing developments that had taken place with the advancement of technology from Analog electronic and mechanical devices to the digital technology realms are unimaginable. We have commenced the process to digitalize the country but have a long way to traverse until optimization is reached.
25. Honorable Speaker, we are much concerned about the nature and patterns of growth to ensure sustainability rather than focusing on the mere rate of economic growth. Such endeavors will ensure that the gains from development will cascade on an equitable basis to all strata of the society.
26. Our attention is also drawn to the fundamental requirements of basic needs extending to land, housing, education and health. Hence, continuous improvement will be made in this regard to sustain the process.
27. In our endeavor to upgrade the livelihood of the farming community, improved technology based measures will be introduced.
28. Public sector of Sri Lanka has to be accountable and responsive to the needs and requirements of the people whilst being people friendly. A more efficient and

effective process with a degree of de-bureaucratization will ensure an improved people friendly public service.

29. It is common knowledge that Key Performance Indicators or KPIs in management parlance had been utilized positively in some countries to assess and measure the performances of public sector institutions and also employees. We would explore the possibilities of introducing KPIs to at least a few of the important public sector institutions.
30. In any development process, the sustainability of the environment is essential and that is the reason for Sri Lanka to formalize a pledge to address climate change issues with the rest of the world by being a signatory to the Paris Agreement which is focused on reducing global warming.
31. Our government is fully convinced that the United Nations Sustainable Development Agenda 2030 is of significance in uplifting living standards of the people of Sri Lanka. A holistic policy framework drawn will ensure the implementation of the agenda identifying economic, social and environmental priorities of the country incorporating medium and long term development plans.
32. Honorable Speaker, we have continued to address issues pertaining to the Northern and Eastern Provinces on separate basis in the past. I wish to lay emphasis on the fact that the government is committed to eliminate existing socio-economic gap between North and East with the rest of the country by 2020.
33. Honorable Speaker, the burden of the public debt has been a matter of serious concern to this government. This government is committed to relieve the burden of the debt from our children. Carefully designed policies and programs are implemented in this regard while not compromising the demands of country's development. This will be complemented by the government's unwavering commitment to create a resourceful nation by way of 13 years of compulsory school education, and increasing opportunities for vocational and technical education as well as for university education.
34. I am strongly convinced that budget 2017 had been formulated within a consultative process particularly with inputs from the general public. The Ministry of Finance under my guidance initiated the "Citizens engagement in the budgetary process -2017" a novel approach a first in the history of budget

formulation. Academics of twelve Universities and a number of citizens and groups were engaged in this process and I am truly grateful for their contributions. The objective of incorporating the thinking of the public at grass roots level in the budget formulation process had been realized through this process. A considerable number of proposals so received have appropriately been integrated into this budget.

35. Sri Lankans are traditionally famous for caring of their loved ones over time immemorial. Our standing on the World Charity Index confirms this factor. We would like to strengthen this holistic outlook to further enhance the resilience of the society. Hence, we will ensure that new avenues are explored in improving social service delivery in meeting the relevant aspirations. We also accept that strong social welfare mechanisms are needed to address the grievances of vulnerable segments of the society.
36. We will have to confront a series of new challenges in our journey to create a better tomorrow for all Sri Lankans. A key factor of concern is the ageing population creating a ripple effect on the economy and the society.
37. The potential implications of our unfunded pension scheme also create intergenerational complexities. This scheme is a severe burden on the government budget which highlights the need for effective measures and alternative options to serve the pensioners in the future.
38. The opportunistic criticism and on many occasions mere rhetoric on the subject matter of reforms proposed by the government create limitations for early implementation. Uncertainty arises based on the people who try to create dissension purely due to political differences thus betraying the betterment of the nation. It is unfortunate that sections of the public also have been invited to attend protest programs by people with mere misguided political aspirations without a positive outlook in finding solutions. We are hopeful that all Sri Lankans will rally together to implement reforms needed to create a better tomorrow for all Sri Lankans.
39. We are presenting a well formulated policy plan with a vision to develop the country. It is time that we also move on to action the vision as Sri Lanka should be well posited to face existing and emerging challenges and manage those

effectively. The path that has to be traversed will not be easy and much dexterity and aplomb will be needed to do so. We are committed to face the challenges with a dedicated effort, complemented by innovative strategies in overcoming the issues of concern.

40. The unwaveringly focused attention and commitment of H.E. the President Maithripala Sirisena and the Honorable Prime Minister Ranil Wickramasinghe to deliver the envisaged tasks and realize the expectations of the people, by our government will continue unabated beyond 2020. Thus, the ultimate goal of prosperity for the nation, fulfilling the cherished goals set on the 8th of January, 2015 will be comprehensively justified.

Part II

Agriculture

41. Honorable Speaker, I wish to begin presenting the budget proposals with respect to the agriculture sector as a priority, given its importance to our economy, our society and our way of life. We spend around Rs. 200 billion to import food products and agriculture related goods annually. The fragmented nature of land, low infusion of technology and modern agriculture practices and the lack of consistent agriculture policies, has resulted in agriculture remaining at a very much a subsistence state.
42. The income of the majority of the 2.5 million engaged in Agriculture is around Rs. 25,000 per month, is less than the average income in the country of Rs. 41,000 per month.
43. Honorable Speaker, for a country that was once the granary of the East, this is not an acceptable state. Our government is determined to support agriculture to transform itself from the low yielding, low income, few crop dependent, subsistence agriculture to commercial agriculture, raising income levels of farmers and developing small scale producers into big exporters. Honorable Speaker, the fragmented nature of land, prevents our farmers from getting the economies of scale in production and receiving an optimum price for their produce, thus making them victims of middlemen. I encourage forming farmer cooperatives, which I believe could empower our farmers, in negotiating for credit facilities and better prices for produce and services.
44. I also encourage the adoption of the out-grower model of “small producer-large purchaser”, which will facilitate an improved and seamless integration of the value chains. Honorable Speaker, the government will extend its support further, by releasing idle land and uneconomically utilized land for agriculture, facilitating the infusion of new technology and new agriculture practices, including an optimum crop mix resulting in a better land use and high yields. This process will also facilitate better access to finance and markets. This will allow us to ensure food security and to meet the increase in demand for produce, mainly with the growth expected in the tourism sector and to be part of the

global food value chains, given the significant opportunities, available specially in the Middle Eastern market.

45. We have already launched the National Food Production Programme 2016-2018 to ensure that Sri Lanka is self-sufficient in 5 major food crops - Potatoes, Big Onions, Chilies, Maize and Soya.
46. In transforming to commercial agriculture, promotion of modern agriculture practices that enhance productivity especially through mechanization, use of hi tech irrigation methods such as drip and sprinkler irrigation, use of Precision agriculture which uses predictive analytics for smarter decisions is important. Therefore, I encourage farmers, and farmer organizations to adopt such productivity enhancing technologies and practices in the cultivation of Paddy, Fruits, Vegetables, Pulses, Floriculture, Horticulture, etc. I also encourage the entrepreneurs to move into the agro processing industry to add value to Fruits and Vegetables such as Avocado, Mango, Pineapple, Rambutan, Bell Peppers, Cherry Tomatoes, Velvet Tamarind, Mora, etc. As such, I propose to provide a 50 percent interest subsidy to farmers, farmer organizations and agro processing establishments for upgrading the sector through infusion of productivity enhancing technologies and practices.
47. I also wish to extend this scheme to the paddy sector as well, encompassing those who adopt productivity enhancing practices and technologies and also those medium scale rice millers who will invest in Silo Storages with a capacity of at least 5,000 MT and Mills with a capacity of at least 50 Metric Tonne per day, in districts with surplus paddy.
48. Honorable Speaker, I propose to allocate Rs. 400 million for the aforementioned interest subsidy schemes. Rs. 400 Mn
49. We encourage the farmers and farmer cooperatives to improve mechanization through the use of machines such as Transplanters, Hand Weeders etc. As such, I propose to remove the Customs Duty, VAT and PAL applicable on such imports. To also further support farmer cooperatives, I propose a loan scheme where 75 percent of the interest will be borne by the government, for which I propose to allocate Rs. 50 million. Rs. 50 Mn

50. Government land to the extent of 20,000 acres from the Maduruoya Right Bank and other areas will be released to cultivate the 5 major food crops, fruits and vegetables on a commercial scale, using hi tech modern agricultural practices, targeting the export market. I propose that commercial scale farmers to be provided with a minimum land plot of 1,000 acres on a long term lease basis.
51. We will also construct and operationalize the warehouses which have already been established in Buttala and Galenbindunuwewa. We will construct similar warehouses in Ampara, Kilinochchi, Mannar and Embilipitiya as well for which we have already allocated Rs. 600 million.
52. To support the industry further, I propose to establish a Food Technology Research Unit at the Wayamba University.

Plantation Economy

53. Honorable Speaker, when the plantation sector was liberalized, where the state plantations were converted to Regional Plantation Companies (RPCs) in 1992, the objective was to ensure that the plantations would become profitable entities. However, at the end of almost 25 years, we observe that the performance has been erratic, with investments in modern equipment and agricultural practices in RPCs being inadequate with, misuse of the assets and hence productivity remaining to be a worrisome issue. As such, for more effective management, the maximum acreage that can be held by any stand-alone company, without being allowed to consolidate will be restricted to 5,000 acres. However, we will ensure that there will be no loss of employment. RPCs will be granted the first right of refusal, when being allocated land.

Tea Industry

54. The prices garnered by Sri Lankan tea have been below par with bulk tea dominating our exports. However, government expects to increase the export earnings from Tea to USD 5 billion by 2020, which requires focus on exporting value added tea. As such, since the policy is to promote value added tea, I propose that the Sri Lanka Tea Board extends guarantees to local tea exporters to obtain USD loans for brand promotion.
55. There has been a significant debate on the issue of deregulation of the tea export sector, with the industry being sharply divided in its views. In this regard, the

Honorable Prime Minister has appointed a Committee to study this issue extensively. I assure this House, that we will not arrive at any haphazard decisions without adequate consultations with the relevant stakeholders.

56. Honorable Speaker, to support the tea industry further through a more simplified tax and tariff structure, I propose to abolish the Import and Export Control Fee of 1percent on CIF price of Tea, to remove the fee on the packing of tea, and to remove the fee on the Logo Registration. I also propose to simplify the annual renewal of licenses, with the Sri Lanka Tea Board which had six categories to two, where large companies will be subjected to a fee of Rs. 500,000 per annum and smaller companies a fee of for Rs. 50,000 per annum.
57. In order to promote CTC teas (Cut, Tear and Curl) which has a significantly large global market, I encourage the import of CTC teas for re-export with value addition. Further to support CTC tea imports which are faced with restrictions at the point of imports, we will take action to ease regulations on the import of CTC teas.
58. At present, I understand that “Refuse Tea” is being exported. This will have a huge negative impact on the brand “Ceylon Tea” and hence, I urge the relevant authorities to enforce strictly the ban on export of Refuse Tea. A fine of Rs. 300 per kilogramme will be imposed on those violating the regulations and all involved in such violations will be held responsible.

Rubber Industry

59. The Rubber Master Plan will be implemented immediately which includes replanting, introducing high yielding plants, rain guarding technology etc. I also propose to establish a state of the art Finite Element Analysis Stimulation Centre at the Plastic and Rubber Institute of Sri Lanka, for which I propose to allocate Rs. 50 million. We have continued our investments into the rubber sector with Rs. 900 million being allocated for replanting of rubber.

Rs. 50 Mn

Coconut Industry

60. I encourage the Coconut Research Institute (CRI) to produce genetically superior high yielding planting material to cater to the high demand from coconut growers. To modernize the Coconut Processing Research Division of the CRI and to engage in a detailed mapping of the areas of major pest attacks on coconuts, I

Rs. 75 Mn

propose to allocate Rs. 75 million to both the CRI and the Coconut Cultivation Board.

61. In spite of the domestic Coconut industry been given adequate protection by the government, the industry has not been able to harness its full potential. Honorable Speaker, there is huge potential for the country to tap into the Coconut processing industry through value addition. In this regard, I propose to allow importation of raw Coconut oil products, which should be exported after value addition. Such, businesses will be eligible at the point of exports the reimbursement of taxes imposed when importing the relevant raw materials.
62. The Janatha Estate Development Board (JEDB) and the Sri Lanka State Plantation Corporation (SLSPC), together possess almost 23,400 acres under their management has been under-utilized, with average yields being lower than the national average and given the magnitude of the ensuing losses, it has become a drain on the government coffers. As such, the government envisages optimizing the usage of the land and other assets for cultivation and other commercial purposes by farmer cooperatives and youth organizations. To facilitate this mechanism, we will restructure the JEDB and SLSPC in 2017. Let me again assure you that this decision will not lead to a loss of employment, we envisage savings of at least Rs. 29 billion from the tax payers money.
63. At present, the main commodities of Tea, Rubber and Coconut are sold through manual auctions which is time consuming and cumbersome. As such, I propose to allocate Rs. 75 million to develop an automated Commodity Exchange. In addition, the Sri Lanka Tea Board, the Coconut Development Board and the Export Development Board will also contribute to this venture through their Cess funds.

Rs. 75 Mn

Sugar Industry

64. Honorable Speaker, we spend around USD 250-400 million per annum on the importation of sugar. However, I note that there is potential for sugar production which will not only stop the drain of foreign exchange but also create employment in the country. As such, to encourage the local farmers to cultivate sugarcane, I propose to impose a minimum price of Rs. 5,000 per Metric Tonne, for sugarcane with effect from 1st January 2017, based on the ex-factory price formula. We will also invite, local and foreign investors to invest in Sugar Mills

in Monaragala, Batticaloa, Kilinochchi and Ampara districts with a minimum plant size of 2,000 Tonnes crushed per day (tcd), and we will provide government land to cultivate sugarcane under the out grower system with the respective factories. We will also provide a 100percent capital allowance on the investment. We also encourage Sugar Crystals to be imported for value addition.

65. I also propose to establish a Sugar Stabilization Fund by imposing a 2 percent Cess on imported sugar and 5 percent on ethanol imports, to protect the sugarcane farmers, from the adverse impact that may arise from the fluctuations in price and loss of crop due to attacks of pests, wild elephants, etc.

Dairy Industry

66. Honorable Speaker, the local milk production is still not able to meet the domestic demand in full, although milk production has increased to 375 million liters in 2015. We still import almost 81,000 Metric Tonnes of milk powder. As such, to increase the supply of liquid milk within the country, we have negotiated with foreign countries to import 15,000 high milk producing cattle breeds. A minimum of 10 such cows will be given to each self-employed farmer, who must then recruit at least 2 Samurdhi recipients to be employed in the dairy farm. Farmers will be assisted through a gap financing scheme, for which I propose to allocate Rs. 400 million. I also encourage the establishment of Dairy Development Zones which also support backward integration in selected districts through Public Private Partnerships (PPPs) especially on idle and underutilized land of National Livestock Development Board (NLDB).

Rs. 400 Mn

67. Last year, we initiated a mechanism to sell 400g of milk powder at Rs. 295. In spite of the increase in the international prices, I propose to continue this mechanism to help both the local milk producers and the consumers. I propose to allocate Rs. 200 million for this purpose.

Rs. 200 Mn

Fishery Industry

68. Honorable Speaker, our fish and fishery related exports were around USD 163 million in 2015. There is significant potential to increase the export proceeds at least by 5 fold in the next 3 - 5 years, through the export of not only raw Crabs, Lobsters, Prawns Oysters, etc. but also through value addition, including canning and processing. In this regard, to promote Aquaculture Industry Zones in Hambanthota, Mannar and Batticaloa, I propose to allocate Rs. 500 million. I

Rs. 500 Mn

also encourage the introduction of new technology to Multi Day Boats with the aim of improving operational efficiency and reducing post-harvest losses. To support the fishery industry further, I encourage the construction of a cold room with a capacity of 1,000 Metric Tonnes, on a PPP basis at the Dikowita Fishery Harbour. At the same time, to uplift the infrastructure of fishery harbours and anchorages, a sum of Rs. 1,350 million has already been allocated. Further, I propose to allocate Rs. 100 million for the Gandara Fishery Harbor development project.

Rs. 100 Mn

69. I propose to allocate Rs. 1,200 million to improve the fishery villages focusing on housing and livelihood development in 10 coastal districts, including Hambanthota, Batticaloa and Jaffna and also lagoon and coastal areas of the country.

Rs. 1,200 Mn

70. The development of the inland fishery industry will yield multiple benefits, including addressing the nutritional deficiencies, promotion of industries and creation of employment. As such, in order to establish 100 Integrated Inland Fishery Villages under “*Wewak Sahitha Gamak Programme*”, I propose to allocate Rs. 300 million.

Rs. 300 Mn

71. Honorable Speaker, I encourage the National Aquaculture Development Authority (NAQDA) to expand their operations to support the industry better through the supply of adequate fingerlings in a variety of breeds for which I propose to allocate Rs. 50 million. I also encourage National Aquatic Research Authority (NARA) to engage in research to support improved commercialization of the fishery industry.

Rs. 50 Mn

Poultry Industry

72. Honorable Speaker, Maize is a key ingredient in poultry feed. I understand that at present our total annual Maize production of 225,000 Metric Tonnes is inadequate to meet the local demand for Maize amounting to almost 400,000 Metric Tonnes. As such, whenever the Animal feed industry is faced with a shortage of domestically produced Maize, millers could import the deficit subject to payment of a Cess. This Cess will be reimbursed as an export rebate on the export of Chicken.

73. While imports may be used to meet the supply deficit in the short term, it is not a long term solution. As such, I encourage private sector investors to invest in the out grower system which includes at least 10,000 out grower farmers with a total land extent of at least 20,000 acres. The investors will be required to provide extension services to improve productivity and the government will bear 50percent of the interest cost. As such, I propose to allocate Rs. 350 million for this purpose. Rs. 350 Mn
74. To facilitate the consumer's access to good quality poultry products, I request the poultry producers to provide Refrigerators to 15,000 new self-employed traders, on a 48 month credit basis. The interest will be borne by the Government for which, I propose to allocate Rs.75 million in 2017. Rs. 75 Mn
75. During my consultations with the poultry industrialists, I was informed that a major impediment for further investments is the Maximum Retail Price (MRP). While relaxing such applicable MRP, I urge the producers to ensure that the whole chicken price be maintained at Rs. 420 per kilogramme, where 40 percent of the supply to the market should be whole chicken. However, if the prices are raised to unreasonable levels, Government will not hesitate to import chicken to stabilize the prices.
76. We also encourage the private sector to establish hatcheries, for which the government support will be through the New Comprehensive Rural Credit Scheme (NCRC) for which I propose to allocate Rs. 100 million. Rs. 100 Mn

Floriculture and Ornamental Fish Industry

77. Honorable Speaker, to encourage the budding floriculture industry, I encourage the establishment of 2,000 nurseries, where the government will support by providing a subsidy of 50 percent of the interest for which I propose to allocate Rs. 50 million. In addition, the NCRC scheme which provides 50 percent interest subsidies will offer support through a credit scheme with a maximum loan limit of Rs. 500,000. This scheme will also be extended to the ornamental fish industry, which has a significant potential for expansion where the utilization of the out grower system will bring in more synergies. I propose to allocate Rs. 25 million for this purpose Rs. 50 Mn
Rs. 25 Mn

Encouraging Inter-cropping

78. I also encourage the intercropping of specially rubber and coconut with other crops such as Cocoa, Coffee, Areca nut and Pepper, which can assist the smallholders to diversify their sources of income and make better use of the land.

Irrigation and Mahaweli Development

79. Honorable Speaker, our government will accelerate the completion of several large multipurpose irrigation projects, such as Moragahakanda, Uma Oya and Yan Oya, which will benefit mostly farmer families in the Northern, Eastern, North Western, Uva and Southern Provinces. These projects not only provide the much needed water to farmer families, but also generate electricity and provide drinking water for consumption. For the implementation of these projects, we have already allocated Rs. 60,045 million for 2017.

80. This includes an allocation of Rs.13,000 million for the Uma Oya project. Honorable Speaker, we have already allocated Rs. 2,900 million to the Uma Oya downstream development work, which includes the establishment of the Thalpitigala reservoir.

81. We have already allocated Rs. 2,400 million for the Yan Oya project. However, given the benefits generated from this project, I propose to allocate a further Rs.1,000 million for this purpose and I propose to allocate Rs. 300 million for the Lower Malwathu Oya Irrigation Project as well.

Rs. 1,000 Mn

Rs. 300 Mn

82. We have allocated Rs. 2,020 million for the Dam Safety and Water Resource Planning Project, which covers rehabilitation of 33 large Dams, provision of basic facilities to 80 large Dams and establishment and upgrading of 50 Hydro metric and Agro-meteorological stations.

83. Last year, the Irrigation Department had initiated a project on Productivity Enhancement and Irrigation System Efficiency Management on a pilot basis. Given the success of the project, for further expansion of this project, I propose to allocate Rs. 300 million in 2017.

Rs. 300 Mn

84. We will also support the rehabilitation of the Minipe Left Bank. The existing two tanks “Kithul” and “Rugam” will be merged to create a bigger reservoir for

irrigation and flood mitigation in Batticaloa. Kumbukan Oya reservoir project which is a multi-purpose project will also be implemented in the district of Monaragala. The Tharapuram Tank in the Mannar district will also be rehabilitated. I propose to allocate Rs. 600 million for the aforementioned projects.

Rs. 600 Mn

85. I also propose to implement the Heda Oya, irrigation reservoir and water supply project which will supply water to 1,675 acres of new arable land, and ensure continuous supply of water to 11,440 acres of existing land. This project will deliver pipe borne drinking water facilities to the public in Lahugala, Pottuvil, Panama and Siyambalaanduwa areas. The estimated cost for this project is Rs. 20 billion which will be financed through foreign sources.

86. Honorable Speaker, with the enhanced human activities, ground water has become vulnerable to contamination. As such, while commending the Irrigation Department for implementing a pilot project in monitoring ground water in selected districts, I propose to expand this project to cover 8 districts, including Polonnaruwa and Batticaloa for which Rs. 200 million is proposed to be allocated.

Rs. 200 Mn

Education Sector

87. Honorable Speaker, education is centric in our development model. Since we took office, we have kept our promise of ensuring adequate funding for education. In fact, amidst severe fiscal constraints we faced last year, due to the undisciplined fiscal management of the previous government, we allocated in 2016, almost 3 times that of the allocations made in 2014. However, the Ministry of Education has been able to utilize only around Rs. 38,850 million at the end of the 3rd quarter of 2016. We took careful stock of the situation and therefore allocated almost Rs. 90,000 million for 2017. While I admit that allocation for 2017 is less than that of 2016, it is nevertheless 70 percent more than that of 2014. I will also be proposing the provision of an additional allocation of Rs. 17,480 million to further strengthen the development in the education sector.

88. The proposed investments into education will address the issue of poor infrastructure, teacher training, curricula development and most importantly, reforms that are targeted at ensuring zero drop outs, mandatory education for 13 years and expanding the options for students to continue into higher education

with focus on science and technology based education. We have addressed all sectors, from early childhood education to primary and secondary school education and extending to tertiary education. In essence, we will be aligning our education system to create more multi-faceted and skilled individuals.

89. The demand for the so called popular schools has created issues for all stakeholders. We recognize and uphold the right of every child to a good quality education, which will provide all with equal opportunities. Our commitment in this regard is apparent from the unprecedented amount of funds of Rs. 21,000 million, allocated to provide basic facilities such as, classrooms, laboratories and libraries in primary and secondary schools.

90. To strengthen the implementation of the 13 years of mandatory schooling policy, I propose to allocate a further Rs. 5,000 million for infrastructure development, which includes the provision of laboratory equipment and furniture for schools.

Rs. 5,000 Mn

91. By the end of 2017, we will ensure that 1,000 schools in the country will be equipped with basic facilities such as Water, Electricity and Sanitation facilities, for which we have already allocated Rs. 3,000 million. We have already completed provision of such facilities to 450 schools in 2016. To accelerate this programme, I propose to allocate an additional sum of Rs. 2,000 million in 2017.

Rs. 2,000 Mn

92. Honorable Speaker, we must create the enabling environment for our students to be able to acquire knowledge easily. We must give them a “Smart Classroom” for which we have already allocated Rs. 6,500 million. To supplement this venture, we will also provide free Tabs for almost 175,000 students who enter the Advanced Level (AL) classes and around 28,000 A/L teachers from 2017. I propose to allocate Rs. 5,000 million for this project. I invite the telecom service providers to support this initiative by providing Wi-Fi connections.

Rs. 5,000 Mn

93. To further strengthen the IT facilities in 3,500 schools, I propose to allow schools to rent a maximum of 50 computers each, for which I propose to allocate Rs. 5,000 million.

Rs. 5,000 Mn

94. Honorable Speaker, we will introduce new subjects to the Ordinary and Advanced Level curricula such as, Hospitality Management, Fashion Design, Digital Technology, Logistics, and Financial Literacy amongst many others.

95. Honorable Speaker, last year we introduced the concept of continuous teacher training for teachers. I am happy to note that the National Institute of Education (NIE) is now developing a continuous teacher training program and we will also focus on augmenting the management capacities of principals and education administrators of both central government and provincial schools. We have already allocated Rs. 700 million for such programmes.

96. Given the inclusive development strategy of our government, I propose to allocate Rs. 250 million to upgrade a further 25 plantation schools, in addition to the 25 plantation schools mainly in the districts of Kegalle and Badulla that have already been upgraded.

Rs. 250 Mn

97. Honorable Speaker, there are many students in the country who are gifted with extraordinary skills, ranging from excelling in sports, arts, inventions, etc. They must be recognized and supported. The Ministry of Education will launch the “*Subhaga*” scholarship scheme which will support 1,000 such gifted children. These scholarships will be awarded to students from Year 6 onwards, where each child will be paid Rs. 2,500 per month, for which I propose to allocate Rs. 30 million.

Rs. 30 Mn

98. There are over 100 private schools including international schools and their branches in the country providing primary and secondary education to almost 150,000 students. These schools are not liable for tax, and as such the impact on the government is over Rs. 10 billion. The quality of the teachers, the physical infrastructure and the curricula varies across the board. While the government has no desire to stymie the operations of private educational institutions, we have a responsibility to ensure that all students have access to a quality education. As such, I propose to introduce necessary legislation that will enable the establishment of an independent Accreditation, Regulation, Monitoring and Quality Assurance Authority under the Ministry of National Policies and Economic Affairs, which will oversee the quality of such private educational institutions providing primary and secondary education.

99. I propose to extend the Agrahara Insurance Benefit scheme, and the Property Loan and the Distress loan facility to semi government schools where the salaries of the Teachers are borne by the government. I propose to allocate Rs. 25 million for this purpose.

Rs. 25 Mn

100. Honorable Speaker, some of the most vulnerable group of students are the children with special learning needs such as Dyslexia, Autism and children who are differently abled. There has been a progress in provision of learning materials for students with special education needs. However, it is important to improve special education and non-formal education programs by using ICT based materials, such as audio and visual aids which help children with visual and hearing difficulties. I also propose to increase the daily allowance paid to differently abled children from Rs. 50 per day to Rs. 150 per day. Therefore, to support the improvement of special education facilities and the increase in the daily allowance to differently abled children, I propose to allocate Rs. 175 million.

Rs. 175 Mn

101. Encouraging the savings practice amongst children, I request the Commercial and Savings Banks to open savings accounts for all school children on the 8th of January 2017 as a Corporate Social Responsibility (CSR) project.

102. Honorable Speaker, we are a government that is committed to ensuring a better quality of life for our children. To this end we have invested heavily in free health care. However, to further supplement public health care, we will introduce an insurance scheme for all school going children from the age of 5-19, covering 4.5 million students, which is a revolutionary move. Each child will be given a policy of Rs. 200,000. This scheme will cover both in and outpatient services, subject to a maximum of Rs. 100,000 for hospitalization and Rs. 10,000 for outpatient services. The government will bear the premium for which I propose to allocate Rs. 2,700 million.

Rs. 2,700 Mn

103. Honorable Speaker, I am aware that there is significant discussion and even criticism with respect to the decrease in the funds allocated to the education sector in 2017 in comparison to 2016. I wish to recommend to this House that should the education sector require any further investment such consideration be accommodated within the year.

Higher Education

104. Honorable Speaker, since 1995 although the number of entrants to universities has increased to almost 26,000 in 2015, from 9,245 in 1995, Sri Lanka's gross enrolment to state universities at around 17 percent is lower than the peer countries. Honorable Speaker, as stated by the Honorable Prime Minister, in his recent address in this House on the economy, our aim is to expand the

opportunities for education and skills development. As such by 2020, we will double the number of students admitted to higher educational institutions including universities to 50,000 from around 26,000 in 2015.

105. Honorable Speaker, the feedback we have got from the market during our consultations is that there is disorientation between our education system and the job market. The market requires various skilled professionals specially in fields such as Finance, IT, Banking and Hospitality Management, etc.
106. Our reforms are focused primarily on equipping our future generation of young men and women with the necessary skills to access the job market and to reorient and upgrade the skills of those already in the job market. In this regard, we will diversify the curricula to award degrees in subjects such as Banking, Risk Management, Applied Statistics, Allied Health Sciences, Robotics and Cybernetic and Hospitality Management. We will introduce Mathematics, Statistics, IT and Accountancy to existing Arts degree programmes. For this purpose, already we have allocated Rs. 13,318 million for infrastructure development, including lecture halls, laboratories, hostels and other ancillary facilities.
107. Honorable Speaker, a 10 storied building will be constructed at the Ruhuna University Medical Faculty at Karapitiya enabling the intake to the Ruhuna Medical faculty to increase from 160 to 300 students. I propose to allocate Rs. 500 million in 2017 for this purpose.
108. We will introduce the Bachelor of Education courses at the Universities of Jayawardenapura, Kelaniya, Ruhuna, Jaffna and Peradeniya as well.
109. Honorable Speaker, our undergraduates have the capacity to compete with the best in the world. In this regard, I wish to commend the Team SHARK Racing of the Moratuwa University who was able to receive three awards at the Formula Student UK 2016, including the "Best Newcomer in Class 1" , "Dedication to Formula Student Award" and award for the "Top Individual Driver". We have, invited the members of the team "Shark" to this House today. I am aware that our universities do participate at various such international events, and do perform well. I also commend the private sector for partnering such ventures as well, to promote more opportunities for our students to excel.

Rs. 500 Mn

110. As such, in line with our policy of capacity building specially amongst our best and the brightest, Honorable Speaker, I propose to initiate a scholarship scheme to enable the undergraduate students of the 17 state universities who are the top 3 in the faculties of Engineering, Medicine, Bio and Physical Science, Accountancy, Finance and Law to be given scholarships at top universities around the world such as Harvard, MIT, Oxford, Cambridge, NUS etc, to follow post graduate studies up to PhD level. If the student requests, the scholarship scheme could be extended to pursue post graduate studies at local universities as well. For this purpose, I propose to allocate Rs. 500 million.

Rs. 500 Mn

111. Honorable Speaker, I also propose the establishment of a Development Studies Unit at the University of Kelaniya to facilitate research and studies by the Public Sector.

112. We will allocate Rs.100 million to support the engagement of university students in extracurricular activities such as sports, arts, etc.

Rs. 100 Mn

113. During my discussions with the “Jathika Wruthiya Samithi Peramuna”, it was proposed to extend the lecture hours at Universities up to 8 p.m. Which I believe, will facilitate the utilization of the idle assets and enable to increase the intake to universities.

114. I also propose to introduce a university staff development programme for Pedagogical training for academic and administrative staff and also encourage the universities to have collaborative partnerships with foreign universities.

115. Honorable Speaker, as I stated before, we will double the student intake to universities and higher educational institutions by 100percent by 2020 compared to 2015. However, this endeavor will increase the intake to only 50,000 students. Statistics indicate that only around 35,000 students out of the balance 150,000-200,000 students will pursue higher education at the Open University, in foreign universities, or at private non state higher education institutes. This would mean that almost another 150,000 students annually will not be able to pursue higher education. However, given that we are aggressive in implementing a strategy of becoming a knowledge hub, we must expand the opportunities for more of our young men and women to pursue higher education. This calls for urgent action. Since coming into office, we have increased the funds allocated for education

significantly, but one must be pragmatic if we are to expand the opportunities for University education. The Government alone cannot meet this challenge but it must be complemented by the private sector. Hence, we must facilitate more non state degree awarding institutions in the country.

116. As a responsible government, we cannot allow the country's development be held at ransom by a few placard carrying politically motivated groups. At the same time, it is important that quality of education be maintained at the highest levels. To that end, I propose to introduce necessary laws to establish an independent Quality Assurance and Accreditation Council for education at national level.

117. Honorable Speaker, you will also agree that there are students who miss out University entrance by an insignificant margin. We cannot leave them unaddressed. Therefore, we will initiate a loan scheme up to a maximum of Rs. 800,000 per student for the entire course of studies, which will be provided as an interest free loan to 15,000 students based on their Z score to follow courses in selected subjects to cater to the market demand in UGC approved non state degree awarding entities. To support this venture, I propose to allocate Rs. 300 million in 2017.

Rs. 300 Mn

118. Honorable Speaker, to address the shortage of good quality teachers mostly in Science, Mathematics and English in the country, specially in the rural schools, I propose to introduce a 100percent interest subsidized loan scheme of Rs. 500,000 per student for students who wish to follow the Bachelor of Education (BEd) in Mathematics, Science, Technology and English at non state UGC approved institutions. These students will be required to work in rural schools for at least 3 years. However, should they leave such rural schools before the end of the 3 years; they will be required to pay the loan with interest. Our initial aim will be to extend this loan scheme to 5,000 students and as such, I propose to allocate Rs. 100 million for this purpose.

Rs. 100 Mn

119. We must explore the possibility of allowing non state higher education institutions to offer courses accredited by state universities, which will thereby ensure good quality degrees being awarded by such non-state higher education institutions.

120. I also propose to introduce a cost reflective course fee structure at the Kotalawala Defence University with effect from 2017.
121. I also invite the education, higher education and vocational training authorities to look into the possibility of establishing Community Colleges in Sri Lanka within the education sphere.
122. Honorable Speaker, given that the country is keen to position itself as an Educational Hub, I propose to issue 5 year multiple entry visas from 2017, to international students who wish to study in Sri Lanka. Such endeavors will also promote educational tourism.
123. You will no doubt agree Honorable Speaker that our state university education has been marred with issues of ragging and student violence. I therefore propose to establish a Center for Gender Equity and Equality and Preventing Sexual and Gender Based Violence and Ragging, for which I propose to allocate Rs. 10 million. Rs. 10 Mn
124. Honorable Speaker, you would have noticed, as has the House, that we have spent an inordinate amount of funds on our university education. I suggest that each student be given a cost sheet at the point of entrance so that they are conscious of the funds allocated for their education from the taxes collected from the common man in the country.

Skills Development

125. Honorable Speaker, during my consultations with various industrialists, I was informed that the tourism industry requires almost 100,000 trained workers, textile industry around 60,000 and the construction industry approximately 400,000. Similar indications have been made by the Cinnamon industry, so much so that a separate training institute was proposed in the last budget. With the proposed free trade zones, the demand for skilled labour will be on the rise. Clearly the skills gap is a serious issue and must be addressed immediately. Rs. 300 Mn
- Therefore Honorable Speaker, I propose to introduce a significant shift in the policy framework in vocational training, by providing scholarships to anyone who wishes to follow a vocational training programme at a state operated vocational training institution. This will enable vocational training in Sri Lanka for all at

no cost. I propose to allocate Rs. 300 million to meet cost of the scholarships to be provided under this programme.

126. I encourage the vocational and technical training institutions to expand their curricula to include courses at NVQ level on Gemology, Lapidary, Jewelry Design, Cutting and Polishing of Precious Stones, Batik, Bamboo Crafts etc., to meet the needs of the market and industry.

127. At the same time, given the urgent requirement for skilled labour in the Apparel, Health Care, Hospitality and the Construction industries, I invite the private sector to provide training for 10,000 youth who, at the end of the training period, will be recruited to the relevant industry. To assist the private sector, the government will provide a stipend for each trainee amounting to Rs. 10,000 per month for 3 months for which I propose to allocate Rs. 300 million.

Rs. 300 Mn

128. I also propose to allocate Rs. 200 million for the upliftment of the Matara German Training Technical School and the Hotel Training School.

Rs. 200 Mn

129. Honorable Speaker, given that 1 in 4 households in the country own a computer, I believe that information technology could be utilized to take training courses to the doorstep. As such, I propose to establish an e-Learning Resource Centre at the University of Kelaniya for which I wish to allocate Rs. 250 million over a period of 2 years, where I propose to allocate Rs.125 million in 2017. This Centre will formulate e-learning modules in collaboration with the private sector. These training programmes will carry an acceptable accreditation. Once completed, a certificate will be issued which will be acceptable as any certificate received from a similar training institute.

Rs. 125 Mn

Health

130. Honorable Speaker, at the outset itself, let me commend the health service personnel for their service to the country admittedly under resource constraints, which has resulted in the country being able to perform well, sometimes even on par with higher income countries, in achieving key health indicators. The fact that we have been able to obtain the WHO certification for the elimination of Filaria and Malaria, a testament to the professionalism and the dedication that the health service personnel in particular has displayed over the last so many years.

131. Let me also note that, the National Medicines Regulatory Authority Act was introduced by our Government last year as promised at the elections, to ensure that availability of medical drugs and devices at affordable prices. This has now enabled us to decrease the cost of 48 drugs by around 40percent. At the same time, I must note that by limiting VAT to only a limited number of services in the health sector, realized a loss of revenue of almost Rs. 17,000 million. This, Honorable Speaker, showcases the fact that we are a responsible government at work. We are not a government that will unduly burden our people. This certainly is proof that we are a government that walks the walk and talks the talk!

132. Honorable Speaker, we have been presented with a new set of challenges due to the demographic and epidemiological transitions, with Non Communicable Diseases (NCD) accounting for a large number of the deaths in the country. Clearly we must strengthen and reorient our health delivery systems to fit in with the new challenges. As such, I propose to appoint a high level committee to advise the government on health care reforms. I also propose to introduce a health sector human resource quality development programme immediately.

133. As I speak, many in our country continue to suffer from CKDu. This has developed not only as a health issue but also to be an unfortunate social issue as well. Honorable Speaker, we have already allocated Rs. 2,225 million to the Ministry of Health, to address the issues of CKDu and I propose to allocate a further Rs. 750 million in 2017.

Rs. 750 Mn

134. Honorable Speaker, we provided allocations of around Rs. 23,147 million in 2016 for the improvement of the physical infrastructure facilities in hospitals such as Out Patient Wards, Accident Wards, Operating Theaters, Laboratory Complexes and Equipment. We will continue to invest in our health sector infrastructure in 2017 too, for which we have already allocated almost Rs. 25,200 million. We have already provided Rs. 1,000 million for the strengthening of patient care services by establishing Clinical Waste Management Systems in selected provincial hospitals.

135. I also propose to allocate Rs. 200 million for upgrading of the Nurses Training Schools.

Rs. 200 Mn

136. Honorable Speaker, we must have a healthy and a robust young generation. I understand that NCDs are on the rise not only amongst adults, but also amongst children as well, with Diabetes, Cancer, Asthma being the main NCDs. Most NCDs can be prevented, cured or controlled if diagnosed at the right time. As such, I request the health authorities to formulate a mechanism to ensure that every primary school in the country will have a visit from the health authorities every school term. I propose to allocate Rs. 50 million for this purpose. Rs. 50 Mn
137. I propose to allocate Rs. 100 million to the National Science Foundation (NSF) to facilitate research mainly in CKDu and other key NCDs in the country. Rs. 100 Mn
138. Sri Lanka has only 2 specialized children hospitals in the country, the Lady Ridgeway Hospital in Colombo and the Sirimavo Bandaranayake Childrens Hospital in Kandy. I note that 9.9 per 1,000 children die each year before celebrating their 5th birthday. The under 5 Child Mortality rate as per the Millennium Development Goal (MDG) was 4 per 1,000, the Sustainable Development Goal (SDG) is to bring the under 5 Child Mortality rate to zero. Honorable Speaker, given our commitment to achieve SDGs, I propose to allocate Rs. 1,000 million to establish Specialized Pediatric Care Complexes in Karapitiya, Ampara and Jaffna hospitals. I also propose to establish a Base Hospital at Nintavur for which I propose to allocate Rs. 200 million and an Oral Health Complex at the Teaching Hospital in Karapitiya, for which I propose to allocate Rs. 50 million. Rs. 1,000 Mn
Rs. 200 Mn
Rs. 50 Mn
139. We will upgrade the Castle Street Maternity Hospital with state of the art facilities in 2017, on a PPP model at a cost of Rs. 3,000 million. This will further strengthen free health facilities in the country.
140. Honorable Speaker, I propose to allocate Rs. 500 million to establish a Bone Marrow Transplant Unit attached to the Kandy hospital to address Thalassemia, Lymphoma, Leukemia, and other such diseases. Rs. 500 Mn
141. Use of information technology in health care must be supported. Therefore, I encourage at least 5 selected base hospitals to collaborate with the IT industry to develop a tele-medicine programme.

142. We will also redeploy the Public Health Nurses, who will strengthen the rural sector health care system.
143. During my consultations in preparing the Budget, I was made to understand that we do not have an adequate number of Health and Nutritional Workers at present in the country. Honorable Speaker, I propose to increase the number of Health and Nutritional workers to 300 in the next 3 years, for which I propose to allocate Rs. 50 million in 2017. Rs. 50 Mn
144. I propose to establish paying wards together with the private sector in the state operated hospitals and also invite the private sector to establish Medical Testing Laboratories in the state run hospitals.
145. There are a large number of unregistered pharmacies in the country and a significant number of unqualified pharmacists as well. This is a trend that must be arrested immediately. As such, I propose that all pharmacies be registered with the National Medicines Regulatory Authority immediately and all those who fail to adhere will be imposed a penalty of Rs. 100,000.
146. Honorable Speaker, I propose to allocate Rs. 250 million to strengthen the Post Graduate Institute of Ayurvedic Medicine focusing specially on the Research and Development aspect in Ayurveda Medicine. Rs. 250 Mn
147. Honorable Speaker, we are committed to ensuring a good quality free health care delivery system in the country. Although we have poured in funds on a continuous basis into this sector, I doubt if the general public is aware of the cost incurred. I therefore suggest that all state operated hospitals issue a cost sheet to each patient on their discharge, indicating the amount incurred on their behalf by the state for his or her healthcare.

Ease of Doing Business in Sri Lanka

148. Honorable Speaker, our government is committed to creating an enabling environment for businesses to operate and to do business with the minimum of red tape. Let me put this in context, we were ranked 110th in the Doing Business Index 2015. There are at least 8 processes that a business must follow before registering in this country. This is above the average among peer countries. Our aim is to shorten this to 5 processes by 2020. This together with several other

measures will enable us to improve our ranking to be within the top 70 nations by 2018.

149. As such, I propose to have the Registrar of Companies open for operations in all 7 days of the week barring public holidays and strengthen the Inland Revenue Department and the Labour Department related activities, so that the time taken to start a business could be reduced to 4 days from 10 days.
150. I propose to introduce necessary laws to establish the Office of the National Business Registry, where all businesses will be required to register. We will also take action to appoint a National Trade Prosecutor, who will be entrusted with the task of ensuring that the trade and the commercial agreements that the country enter into are enacted properly. I propose to allocate Rs. 50 million for the establishment of the National Business Registry and the Office of the Trade Prosecutor.
151. We will also be introducing amendments to the Secured Transactions Act which will enhance the SME's access to credit.
152. Honorable Speaker, a clear land policy is important in attracting investments. As such, I propose to introduce laws which give Public Limited Companies freehold right of land. I also propose that, private companies with majority foreign holdings, be allowed to lease land on long term basis. However, such companies should have invested at least Rs. 250 million excluding the value of land providing employment to at least 150 people, and have maintained this status quo for at least 3 years. If the conditions are not fulfilled after 3 years, 100percent of the lease will have to be paid up front. Such lease payment will be based on the market value of the land as determined by the government valuer.
153. Presently as per the Companies Act No. 7 of 2007, the Chairmen and members of the Board of Companies on reaching 70 years cannot serve on such Boards. However, I propose to remove this restriction enabling Chairmen and Members of the Board of Directors who are also shareholding directors to continue to serve on the Board beyond the age of 70 years.
154. Honorable Speaker, although we are for a strong regulatory mechanism in the financial sector, we also believe that it must not unfairly inhibit the capacity to engage in economic activities. As such, I recommend to the Credit Information

Rs. 50 Mn

Bureau (CRIB) to not provide the credit history of those creditors with a cumulative original loan size up to Rs. 500,000.

155. The laws relating to insolvency and bankruptcy in the country needs amendments to be in line with the modern day practices and hence we will take action to bring suitable and effective laws.
156. During my consultations, many traders expressed the desire to have the shops opened at least till 11 p.m., which I also encourage given that the Private Bus Owners Association has also agreed to support this by operating buses beyond 11 p.m.
157. Exchange Control Act will be repealed and a Foreign Exchange Act will be introduced to protect foreign reserves from irregular transactions.

Empowered and Well-paid Labour Force

158. Honorable Speaker, one third of the workforce is engaged in the formal sector and the balance two thirds are engaged in the informal sector. The formal sector is highly protected, with labour laws that do not provide for flexible working hours, part time work or any variation from the 45 hour, 5 and half day week. Conversely, the majority in the labour force is engaged in the informal sector with no protection from the labour laws. In essence, majority of our labour force do not benefit from the stringent and archaic labour laws in the country.
159. I also note that the existing labour laws present us with the challenge of meeting the demands of the service sector, which accounts for almost 60percent of the GDP and is estimated to record the fastest growth in the next few years with the Tourism and the IT industry being the key growth drivers. In the modern service industry, given our competitive advantage, we are best placed to attract the Knowledge Process Outsourcing (KPO), Legal Process Outsourcing (LPO) and Business Process Outsourcing (BPO) industry into the country. However, the KPO, LPO and BPO industry requires flexible labour hours, including work at night, part time work and work from home. Already the wages of the IT and the Tourism sectors are quite high, and given the potential growth prospects, the wages will only see an upward trajectory. We must acknowledge that with the development of technology, the employment opportunities too have changed drastically. However, to unleash the significant potential that technology affords

us especially in the service industry, revisions to the labour laws are necessary. Such revisions, let me assure you, will not compromise the security of jobs but will instead ensure the creation of well-paid jobs, which we must make available especially to our young men and women. I am encouraged by the response of the Jathika Wruthiya Samithi Peramuna (JWSP), in recommending changes for the rapid development of the labour laws, given both the employer and the employee agree to;

- a. Flexible hours with a 45 hour and 5 day week for the private sector and 40 hour work week for government sector,
- b. Contract employment to be extended to 1 year from 6 months and
- c. Wages based on performance

160. I also propose to restrict the Manpower Services to engage only in Security Janitorial, Canteens and Transport activities.

161. Honorable Speaker, given that there are discrepancies between the various databases maintained by the Employees Provident Fund (EPF), Employers Trust Fund (ETF) and the Labour Department, we will initiate a process to streamline all these databases together, with the proposed Central Pension Fund.

Small and Medium Scale Entrepreneurs

162. The SME's account for almost 50percent of the economy, hence a key contributor for the growth. SME expansion and growth is severely hampered due to the limited access to finance, given that banks are still very much wedded to the traditional concept of collateral based financing as opposed to business plan based financing. As such, to address the lack of collateral, and support the SMEs better access to finance, we have already initiated the SME credit guarantee scheme for which I propose to allocate Rs. 500 million as seed capital. Based on the success of this scheme, the Asian Development Bank (ADB) will supplement the government's commitment up to USD 100 million. Furthermore, we will also direct the banks to allocate at least 10percent of their loan portfolio to the SME sector.

Rs. 500 Mn

163. We will also support the small and medium entrepreneurs, engaged in specially Agriculture, Fisheries, Livestock, Floriculture, Horticulture, Light Engineering, Printing, Tourism, Handicrafts and Apparel sectors, by providing concessionary loan schemes depending on the turnover and the employment generation

capacity of the venture. A 50percent interest subsidy will be given for those SMEs with a turnover from Rs. 25 million to Rs. 250 million and with an employment cadre of 10-50 while those with a turnover between Rs. 250 million and Rs.750 million providing employment to at least 50-300 will be given an interest subsidy of 25percent. To support this scheme, I propose to allocate Rs. 750 million.

Rs. 750 Mn

164. We are keen to revitalize the once thriving Textile and Handloom industry, which has a significant domestic market and will generate employment for many. As such, it is recommended to provide the necessary infrastructure and the training through the Industrial Development Board (IDB). IDB is also requested to increase their engagement with the industrialists who require knowledge transfer and upgrade the industrial estates to support the SME sector. For these purposes, I propose to allocate Rs. 500 million.

Rs. 500 Mn

165. More than 300,000 are employed in the Copper, Brass and Steel Scrap Industry. Most of them are small scale entrepreneurs and with the international price fluctuations they face serious issues in selling the Scrap collected. I encourage, especially the local steel producers, to offer a fair price to match international prices to the scrap collectors. I encourage value addition and discourage exports in its raw form.

166. I encourage Laksala to play a more dynamic role in showcasing the work of the local Artisans. Presently these local Artisans face severe cash flow issues, and as such, I urge Laksala to ensure settlement of their dues within a period of 1 month, given that this industry has a significant number of people employed.

167. I also propose to establish a “Unique Craft Marketing Center” in Colombo on PPP basis, which will provide space for small and medium scale entrepreneurs to engage in wholesale trade, especially those in the handicraft, clothing and footwear industries. I propose the allocation of Rs. 100 million in 2017.

Rs. 100 Mn

168. The roof tile and the floor tile industry which provide around 375,000 direct and indirect employment, has a serious limitation in sourcing Clay, its main input from the country, mainly due to several overlapping regulations. As initiated by His Excellency the President, a high powered committee with all stakeholder representation will be appointed, to address this issue. I also encourage seeking

possibilities of having Joint Ventures that will add value to unpolished tiles ensuring value addition and employment generation.

169. It is ironical for a country that is an island, that we should import salt as well. In that background I propose to open the salt industry enabling more investments on PPP basis.
170. All concessionary loan and guarantee schemes such as “Saubagya” and “Smiles” operated by the Central Bank of Sri Lanka will be transferred to the General Treasury before the 31st of March 2017 for the purpose of consolidating these schemes with other loan schemes. We intend pursuing a more target oriented SME lending schemes.

Investments

171. Honorable Speaker, investments are key in sustaining and maintaining growth. In the last decade, investments were maintained at 30.1 percent of GDP, but the bulk of it came from the Public Sector. This resulted in the country carrying a debt burden of almost 76 percent of the GDP, which is higher than that of our peers. At the same time, private sector investments have been stagnant. However, given the fiscal constraints that the large debt burden has imposed on us, I do not think that it is prudent to continue in the same vain and pile up more debt. The alternative is to facilitate more private sector investments and partnerships between the private and the public sector. We must promote investments in areas where the impact to the economy is high, due to value addition and employment creation. We will support domestic entrepreneurs especially in sectors such as Agriculture, Manufacturing, Fisheries, Ornamental Fisheries, Solar Panel Manufacturing, Rolling Stocks, Livestock, Poultry and Tourism.
172. To this end, we will be establishing the Agency for Development which will enable an enhanced facilitation of investments to Sri Lanka. However, should any decision on any potential investment take beyond 50 days, such potential investments and projects could be routed to the Ministry of National Policies and Economic Affairs taking over the process.

173. At the same time, the Ministry of Development Strategies and International Trade, will recommend to the General Treasury for approval any incentives that will be provided to landmark investments to the country.
174. Our government is committed in pursuing an economic policy that will ensure creation of wealth and equal distribution of incomes. Given the GDP per capita is the lowest in the Northern, Eastern and Uva Provinces, it is incumbent upon us to make a concerted effort to correct this situation. As such, I propose to grant a 200 percent capital allowance for businesses which make investments in the Northern province and 100percent capital allowance for businesses which make investments in the Uva and Eastern provinces of over USD 3 million (excluding land) and generate new employment opportunities for 250 or a 3 or 5 year 50 percent tax holiday will be granted for such businesses which will create 500 or 800 new employment opportunities respectively.
175. Honorable Speaker, in pursuing high impact investments, we are a government that will not hesitate to partner progressive thinking and calculated risk taking. As such, any company, both domestic and foreign, with an investment between USD 5 million and USD 100 million (excluding the value of land) that engage in a venture with more than 40 percent value addition and could generate employment for 500 employees, will be provided with a grant of 5 percent of the investment at the end of the 2nd year of operation. If this is maintained for 5 years, government will top up the investment by a further 5 percent on the original investment. We will also grant a 100 percent capital allowance on such businesses as well.
176. For Landmark Investments of over USD 100 million and up to USD 500 million, and investments over USD 500 million and above, that will change our landscape; we will design a special incentive package with specific tax concessions.
177. In order to facilitate the smooth operation of their businesses and investments, I propose to issue a 5 year multi entry visa to such investors and their skilled expatriate labour.

178. To give an impetus to the construction industry which has shown significant growth potential, I propose to remove the Cess of 25 percent which is applicable on pre-fabricated structures.
179. Honorable Speaker, capital infusion by way of productivity enhancing machinery and equipment, has been quite erratic in our businesses, resulting in productivity remaining stagnant or deteriorating. As such, to improve the capacities of our businesses, I propose to grant a 75 percent waiver on the PAL when importing High Tec, automated machinery and equipment, with the approval of the Ministry of Industry and Commerce.
180. To improve the management and the quality of the services we will invite the private sector to manage and add value to the existing BOI free trade zones improving its competitiveness.
181. Having studied the experience of India and Indonesia I propose to introduce an Investment Inflow Management Act, in due course to facilitate the inward remittance of foreign exchange with minimal restrictions. We also invite foreign companies to take advantage of the interest differential that prevails between Sri Lanka and other countries. We will ensure that the enabling framework to create an international trading platform for such trading will be facilitated.
182. Honorable Speaker, we must make better use of our strategic location in the Indian Ocean. Given political stability and the upholding of law and order, there is significant potential to attract the relocating of headquarters of international organizations and businesses. I am proud to say that the Asian Cricket Council has already established their Headquarters in Colombo. To encourage international organizations and Businesses to locate to Sri Lanka, I propose to exempt them from corporate taxes.
183. We will also allow apparel companies based in Sri Lanka to invest in overseas entities involved in apparel design and manufacture up to 5 percent of their average export turnover of the preceding three years in any given year. Profits and income of such enterprises established overseas should be received by the investing company in Sri Lanka.

184. A person resident in Sri Lanka, who has made investments outside Sri Lanka through the Outward Investment Account (OIA) and has received capital gains on such investments, will be permitted to reinvest through the same OIA up to 50percent of the value of such capital gains received, without being subjected to limitations on the maximum value of investments that can be made by such person outside Sri Lanka. Presently any foreigner coming into Sri Lanka is required to declare foreign currency of more than USD 15,000. I propose to increase this limit to USD 40,000. Any Company is permitted to borrow internationally on the strength of their Balance Sheet, provided they hedge the exchange risk. Any violation of these directions is subject to a fine of Rs. 50 million. I also propose to remove the restrictions imposed on such borrowings by the Non-Bank Financial Institutions (NBFI) to increase their foreign liabilities beyond 35percent of the total assets in the Balance sheet.
185. The Sri Lanka Telecom (SLT), Inland Revenue Department (IRD), Urban Development Authority (UDA) and Sri Lanka Ports Authority (SLPA) will invest around Rs. 10 billion in iconic buildings which will change Colombo's urban sky line. It is also expected that these buildings will be a hub for investments and economic activities. I propose to allocate Rs. 500 million to the IRD and the UDA in 2017.

Rs. 500 Mn

Exports

186. Honorable Speaker, our export earnings have contracted, mainly due to the challenging global markets. Clearly, our exports, the products and services need to diversify if it is to retain a competitive edge. We must tap into the Global Value Chain. Value addition, enhancing market access and innovation is the way forward. Our government has been proactive in facilitating trade by pursuing trade agreements with key markets including, Singapore, China, Japan, Korea, Bangladesh and the growing markets in Africa. Similar to the success we achieved in revoking the ban on fishing exports to the EU, I am confident that our discussions with the EU will ensure restoring of the GSP+ concessions, further boosting our exports to Europe. The establishment of the Agency for International Trade will facilitate the free trade agreements to be fast tracked, creating the platform for international trade.
187. Improving the macroeconomic fundamentals specially maintaining a stable exchange rate and a healthy reserve position pivots mainly on a strong export

performance. However, with the global outlook for trade remaining fairly sluggish, exporters are faced with a challenging environment. It is in this background that the government has decided to support the exporters. As such if there is an increase of 15 percent or more foreign currency earnings for the year of assessment 2016/17 compared to 2015/16, the exporters will be granted a rebate of an amount equal to the 75 percent of tax attributable to the excess earnings.

188. The need for an EXIM Bank is felt more than ever today. As such, we will commence operations of an EXIM Bank during 2017. The EXIM Bank, will have an initial capital of Rs. 25,000 million, and will be a collaboration between the government and the industry. I propose to allocate Rs. 10,000 million as the government's initial contribution for this. Rs. 10,000 Mn
189. To boost the exports, tourism, Foreign Direct Investment (FDI) and brand "Sri Lanka", it is important that we undertake a strong, structured and focused global marketing campaign. I propose to allocate to the Ministry of National Policies and Economic Affairs, Rs. 1,000 million to undertake this campaign. Rs. 1,000 Mn
190. At the same time, we will also ensure our participation at key trade fairs on an annual basis such as the Canton Fair, Indian and German Fairs which will facilitate the process to develop business relationships and market access.
191. I also recommend to the Export Development Board, Sri Lanka Tourism Promotion Bureau, and Sri Lanka Tea Board, in collaboration with the other promotional agencies and the private sector, to organize annually an exhibition in Sri Lanka called "Colombo Fair" that will showcase all Sri Lankan products and services and the first of which will be held in October 2017. As such, I propose to allocate Rs. 50 million for this purpose. Rs. 50 Mn
192. Honorable Speaker, I do not think that we have fully realized the benefit of the Expressways in the country. We must capitalize on the benefits that Expressways bring by encouraging economic activities. As such, I propose to encourage the private sector to partner with the government in creating private free trade zones along the expressway corridors. The Government will provide land for this purpose and will also provide electricity and water up to such zone for which I propose to allocate Rs. 1,000 million. Rs. 1,000 Mn

193. At the same time, we also encourage establishing 4 Free Trade Zones targeting industries such as Rubber Based Products, Pharmaceuticals, Fabric Manufacturing, Mineral, Chemical and Automotive Industry, etc. in Kalutara (Bandaragama), Rathnapura (Embilipitiya), Puttlam and Vavuniya districts.
194. To harness the benefits of specialization, we will establish 15 export villages, on a PPP basis. We will focus mainly on the thrust industries such as IT, Robotics, Fashion, High End Apparel and Boat Manufacturing.
195. Although we produce the best Cinnamon in the world, almost 85percent of the Cinnamon is exported in its raw form and value addition is almost non-existent in the mineral industry as well. Therefore, I encourage local producers and entrepreneurs to enhance the value addition of export.
196. Although the apparel and textile industry is a major foreign exchange earner at almost USD 4,800 million in 2015, we imported fabrics to the tune of almost USD 2,296 million in 2015. Clearly, backward integration is vital. As such, in this context a textile cluster could be formed which includes sizing, dyeing and finishing units by the private sector. The Government will support this venture by providing investment relief to businesses that will invest in this venture and will also provide adequate space. This venture is estimated to save at least USD 2,000 million per annum.
197. For the purpose of creating additional avenues for garment exports, permission will be granted to import branded products by enterprises for reworking, operating under the commercial hub regulation. Such garments will be exported to countries where there is no preferential treatment.
198. I also recommend allocating Rs. 50 million to the Department of Commerce for trade promotional activities, especially SME products at international trading and promotional events. Rs.50 Mn

State Owned Enterprises (SOEs)

199. Honorable Speaker, since taking office, our government has been proactive in improving the performance of these SOEs and in fact instead of becoming a drain

on the government coffers, they have contributed Rs. 65 billion as levies and dividends so far in 2016, which is an increase of almost 50 percent over 2014.

200. As stated by the Honorable Prime Minister, we will facilitate SOEs to become viable business entities. To that end, we will ensure that SOEs will be able to have cost reflective pricing structures and operational autonomy. In this background government will also enter into performance contracts with selected SOEs with regard to key performance indicators.
201. I wish to report to the House, that Sri Lankan Airlines and Mihin Air, which has been generating colossal losses, are now being commercialized with international collaborations. In fact, we have now merged Mihin Air with the Sri Lankan Airlines.
202. As part of the restructuring of SOEs and in line with the growing market trends, Sri Lanka State Trading Corporation will establish a mega showroom, which will carry all household items and appliances for which I propose to allocate Rs. 100 million. Rs. 100 Mn
203. We will also list non-strategic enterprises such as Hyatt, Grand Oriental Hotel, Waters Edge, West Coast, Manthai Salt, Hambanthota Salt and Hilton during 2017. Broad basing the ownership, it is expected that such listing will allow the government to raise at least USD 1,000 million, to settle our existing uneconomical, questionable and high cost debt that we inherited from the previous regime. We will also inform the Parliament of any other planned listing that may be undertaken during 2017.

Maritime Economy

204. Honorable Speaker, the contribution of the maritime sector to the GDP at around 2.5 percent is a clear indication that we have not adequately harnessed the country's strategic location in the center of the silk route. Our aim is to position Sri Lanka as a leading Maritime hub in Asia. It is in this background that the government has decided to create the enabling environment for the maritime economy to be a significant contributor to the country's economic growth. This requires significant reforms.

205. I encourage the establishment of a Maritime Authority with the participation of both the private and public sector that would be instrumental in creating a level playing field and a credible regulatory mechanism.
206. We must also promote Sri Lanka flag and ship registry, ship management and ancillary services such as maritime insurance, arbitration, admiralty and maritime law.
207. I strongly recommend that steps be taken to move all break bulk cargo out of the Colombo Port which will help to ease congestion in and around Colombo. This will help to create employment in areas outside Colombo. I also propose to grant permission to move Less than Container Load (LCL) imports to identified freight stations inside and outside the Port of Colombo including SLPA, South Asia Gate Terminal, Colombo International Container Terminal (CICT) under properly authorized and established operators with full Customs monitoring. This would reduce congestion in the city, simplify the process and enable competitive operations.
208. At the same time, to encourage more vessels to obtain ancillary services such as ship supplies, bunkers, crew changes, I propose to free the off port anchorage fee for 12 hours.
209. I also propose the bulk chartered cargo charges to be at 15 percent of Freight on Board (FOB) or applied freight charge whichever is lower, with immediate effect.
210. With the country becoming a tourist destination, Cruise Vessel arrivals has increased. As such, steps should be taken to allocate and develop a dedicated berth at Bandaranaike Quay for Cruise vessel handling.

Logistics Hub

211. Honorable Speaker, despite many deliberations on Sri Lanka being a Commercial Hub, the performance in that sector is not visible, where not many foreign or local investments have been able to attract to create hyper activities. We have had a number of consultations with the stakeholders such as hub operators, and it has been now brought to our notice that if the present issues are pragmatically handled, the potential for improving export performance by that sector in an exponential manner is extremely high. The main issues highlighted were, lack of

space for establishing new enterprises or expanding existing enterprises within the areas identified for this purpose, restrictive investment regime and lack of proper operational guidelines.

212. In order to address these issues, I propose to amend the relevant regulations published in this regard as necessary. These amendments will entail identification of areas within a 5 km radius of any international sea or airport within which authorised operators will be permitted to undertake hub operations. The investment requirement stipulated in the regulation will be relaxed to the extent that the investment would cover both working and fixed capital to be invested within a period of one year. Based on the experience obtained, the activities to be undertaken could be widened and specific operational guidelines in this regard will be issued covering all aspects immediately.
213. Multi Country Consolidated (MCC) containers with zero domestic cargo will be considered a transshipment container and the relevant Terminal Handling Charges (THC) will not be liable on such containers. Also I propose to liberalize the de-stuffing of the MCC cargo. In this regard, I propose to facilitate the de-stuffing in all terminals as well as any operator who falls within the logistics hub regulations.

Entrepot Trading

214. At the same time, exports and imports related to Entrepot Trade will be allowed on No Foreign Exchange (NFP) terms, on establishment that logistic handling charges have been paid.

Science, Technology and Innovations for Development

215. Honorable Speaker, I believe that it is important that we adequately finance and support the Science, Technology and Innovation (STI) space, if we are to realize our own development and policy goals including being self-sufficient in food crops/ food security, ensuring a healthy population, tapping into the global value chain, attaining the sustainable development goals, and creating a better public delivery system. Last year we allocated Rs. 826 million and this year we have already allocated Rs. 1,306 million to improve the STI spectrum. This I am sure eliminates the fear of unpredictability in funding that is normally associated with government financing of STI ventures. Let me assure you that our

government is willing to partner the risks associated with Research and Development. We are committed to creating an enabling environment for STIs to thrive in the country.

216. Last year we introduced the Innovation Accelerator Fund, aimed at supporting commercialization and particularly last stage financing that is necessary. We understand that this particular area of support has been deficient thus preventing actual gain to the economy of an invention which is promoted to be commercialized. To put it simply converting “Research into Rupees”. As such, I propose to allocate Rs. 100 million in 2017 to continue its work.

Rs. 100 Mn

217. We will establish a Biotechnology Innovation Park which will provide facilities mainly for companies engaged in the Pharmaceutical Industry, Genomics etc. I encourage the Coordinating Secretariat for Science, Technology and Innovation (COSTI) to spearhead the establishment of the Biotechnology Innovation Park on a PPP basis. The government will allocate land and utilities such as electricity and water. I propose to allocate Rs.100 million for this purpose.

Rs. 100 Mn

218. I propose to allocate Rs.100 million to the Center for Advanced Electronic Design at the University of Moratuwa which supports startup companies in niche areas in electronics. I propose to allocate Rs.250 million to the Sri Lanka Institute of Nanotechnology (SLINTEC) as well.

Rs. 100 Mn

Rs. 250 Mn

219. We have already initiated the establishment of the Centre of Excellence in Robotics Applications (CERA) and I propose to allocate Rs. 50million to further strengthen this Centre. We will also allocate Rs. 50 million for the Centre for Excellence in Genomics Sciences.

Rs. 50 Mn

Rs. 50 Mn

220. I also propose to allocate Rs. 150 million to expand the Pharmaceutical Labs at the Industrial Technology Institute (ITI).

Rs. 150 Mn

221. I understand that import and export of biological consumables, samples and equipment is faced with many issues at the Customs. The Ministry of Finance, Department of Customs and Telecommunications Regulatory Commission (TRC) in collaboration with the relevant stakeholders will implement a new scheme addressing these issues. We will also remove Customs duties applicable on materials to create prototypes.

222. To support upcoming industries in Robotics, cybernetics, electronics etc. I propose to provide them with tax incentives.
223. To encourage more research and development, we invite the UGC to introduce a transparent tier based research performance scheme tagged to the Hirsch Index (H Index), to motivate academic staff members of the universities towards impactful research performance and to improve their retention within the university system. This scheme is complementary to the existing research allowance that is being paid now.
224. Honorable Speaker, Product Design Engineering (PDE) is a design product by integrating existing technologies, components and modules using existing fabricating methods. This is not research and development. PDE allows manufacturing on demand and I believe we can manufacture using established technology, mechatronic products such as Drones etc. As such, to facilitate this industry, I propose to establish a fund with an initial capital of Rs. 5 billion which will provide loans together with guarantees, to support entrepreneurs that will engage in PDE. For this purpose, I propose to allocate Rs. 500 million in 2017. Rs. 500 Mn
225. There is a vibrant start up culture in the country. To further support startups, I propose to establish incubators in 5 districts in collaboration with the *Nenasala's* which will then be expanded to all 25 districts by 2020 on PPP basis. I propose to allocate Rs. 100 million for this purpose. Rs. 100 Mn

Tourism

226. Honorable Speaker, tourist arrivals into the country has increased by almost 15percent in the first three quarters of 2016 in comparison to 2015. The challenge is therefore to ensure that the net earnings from tourism increase. It is in this context that the Government has identified the key tourism corridors, from Trincomalee to Pasikuda to Batticaloa to Arugam Bay, the Monaragala Ella corridor, the Chilaw – Kalpitiya zone and the corridor from the Dedduwa Lake to the Akurala area. Further, Ella, Bandarawela and Haputale have been identified as an eco-tourism triangle. We will create the enabling environment by providing the necessary infrastructure and the regulatory framework. In fact to support the eco-tourism triangle we have already initiated feasibility study on a domestic

airport in the Badulla district or simultaneously we are also exploring the process of linking Badulla district to the southern expressway.

227. Honorable Speaker, the tourism industry has been a growth sector with earnings exceeding USD 2,900 Million in 2015. We believe that this will be a key growth sector in the medium term, with potential to be major source of income to the country and an employment creator. Our strategy is focused on supporting the private sector by providing a sound regulatory framework and the necessary infrastructure.

228. Hotels which have been in operation for more than 10 years will be assisted to refurbish and upgrade their facilities to be in line with the modern requirements at a cost of almost Rs.25 billion. The government will assist by providing an interest subsidy on such expenditure for which I propose to allocate Rs. 500 million.

Rs. 500 Mn

229. As many are aware anyone can reserve hotel rooms, transport services and etc. online through agoda, airbnb, bookings.com, etc. Travel businesses such as Online Travel Agents (OTA) have expanded their operations in the country, without paying any of the applicable taxes or Cesses. As a result of my discussions with the Hotel trade, the government will provide a common technology platform for the country's lodging businesses, through which the country can be assured of a uniform application of lodging related policies, including the hospitality tax policy. With the introduction of the common technology platform, I propose to impose such taxes as applicable to the formal sector. We envisage revenue collection of about Rs. 25 billion.

230. To further strengthen the regulatory framework and uplift the tourism industry, I propose to impose a 0.5 percent Tourism Development Levy on such businesses which has a revenue of less than Rs. 12 million per annum.

231. Honorable Speaker, to promote tourism, I request the Tourist Promotional Bureau to organize a cultural show to be held every day except on religious holidays in the main tourist cities utilizing the Tourism Development Fund.

232. While e-visas have been introduced to make travel to Sri Lanka easier, I also propose to issue visas on arrival, valid for a period of 1 month. A Penalty of at least Rs. 500,000 will be imposed on those who overstay.
233. I note that the expectation from the growth in tourism is to also create ancillary industries. To that end, I encourage the use of local products in the tourist industry creating value chains in the domestic economy. This will also help to promote the Sri Lankan identity.
234. One common complaint we get is that in tourist attractions such as Pinnawela, Peradeniya Botanical Garden, the Colombo Museum; the guides, brochures, both print and electronic, are in either English only or outdated. Therefore, I urge the relevant agencies to take corrective action immediately. I propose to allocate Rs. 10 million for this purpose. Rs. 10 Mn
235. Honorable Speaker, the MICE industry has also shown good potential in the last few years. I encourage the construction of a MICE Convention Centre in Colombo with a seating capacity of 5,000 for which I propose to allocate Rs. 1,000 million which will be completed by 2019, to meet the growing demand for such facilities in Sri Lanka. In fact I understand that the CITES CoP 18 i.e the Conference of the Convention on International Trade in Endangered Species of Wild Fauna and Flora will be held in Colombo 2019, with a participation of a large crowd. At the same time, I encourage the private sector to establish MICE exhibition centers in the districts of Kandy, Anuradhapura, Galle, Batticaloa and Badulla on PPP basis. Rs. 1,000 Mn
236. I propose to allocate Rs. 100 million to establish a training center and an integrated information center including sales outlets to showcase local handicrafts in the Eastern coastal area which has a huge potential for tourism. Rs. 100 Mn
237. Given the immense potential in the country for water sports, I propose to grant Custom duty waivers on Surf Boards, Quad Bikes, Leisure Boats, and Jet Skis.
238. Director, Merchant Shipping will issue regulations and guidelines, to facilitate the Luxury Yacht operations in Sri Lanka without any impediment.

239. There is immense potential for medical tourism in the country. However, this sector needs to be managed carefully, ensuring a strong regulatory and monitoring mechanism with respect to maintaining quality. One issue is that our insurance sector does not cover Ayurvedic medicine, which prevents foreign insurance companies from obtaining a guideline on the Ayurvedic treatments that can be covered. We urge the local insurance industry to address this issue.
240. The government is closely monitoring the impact of minimum room rate which is applicable within the city hotels and by 2018 the minimum room rate regime will be terminated. However, if the pursuance of the minimum rate has brought in the desired results, then such policy will be revisited to develop a long term competitive pricing policy.
241. As directed by His Excellency the President and the Honorable Prime Minister, Acland House and Mumtaz Mahal will be converted into boutique hotels which will accommodate guests of the State.
242. We have several circuit bungalows spread in almost all the districts in the country. The quality of these bungalows varies considerably with some being utterly neglected to others being well maintained. I therefore propose to vest all the circuit bungalows under one authority, so that the quality of establishments could be maintained at a uniform level.
243. Security is a key factor in ensuring tourism. Therefore, in the main tourist hot spots, we will strengthen the activities of the Tourist Police. As such, to facilitate their expanded operations and to strengthen the Tourist Police, I propose to allocate Rs. 50 million, specially in such Tourist hot spots so as to ensure that the tourists will enjoy a secure and a memorable stay in the country.

Rs. 50 Mn

Better Connectivity and Improving Mobility with an advanced Transport System

244. Honorable Speaker, a sustainable integrated transport strategy is long overdue. Transport infrastructure is an indicator of development and a conduit for investments. We have a multi-pronged approach to transport, with the Megapolis plan addressing to a large extent the transport issues in the Western Province.

At the same time, our strategy includes, expressways connecting the country, a modernized railway system and a well regulated transport system.

245. Let me also note that since taking office we have been battling to reduce the costs of the expressways. I am now proud to announce that our tenacity has been rewarded. We have been able to reduce the costs by almost 22 percent, saving monies that would have otherwise been wasted. This Honorable Speaker is good governance at work. I urge that the same mechanism be adopted by the relevant line ministries and the General Treasury in reducing the cost of water projects, electricity and housing projects as well.
246. The Central Expressway and the Ruwanpura Expressway with an investment of around USD 6 billion will be completed by 2019 and will be landscape changing investments with significant social and economic impact. We will also extend the Katunayake Expressway up to Puttalam. In addition, we have embarked on extending the Southern Expressway from Godagama to Hambanthota which will be completed by July 2019 and the Outer Circular Road from Kadawatha to Kerewelapitiya will be completed by June 2019.
247. We will commence work on the elevated highways connecting the new Kelani Bridge to Athurugiriya and the Kelani Bridge to the Port Area in 2017. To ease the traffic congestion in the Colombo Metropolitan area, we will also introduce a Light Rail Transit (LRT) system on identified 7 corridors in the Western Region, including,
- d. Borella- Battaramulla- Malambe
 - e. Kottawa – Malambe
 - f. Malambe – Kaduwela
 - g. Peliyagoda – Kadawatha
 - h. Fort- Maradana- Mattakuliya- Peliyagoda
 - i. Dematagoda- Kirulapone – Bambalapitiya
 - j. Fort- Bambalapitiya- Borella – Maradana
248. Honorable Speaker, Sri Lanka Railways and the Sri Lanka Transport Board have been financed by the government for decades now at a cost of almost Rs. 25 billion per annum. Yet the performance of the public transport system in the country is below par and as such the economic cost to the country due to the inefficiencies in our public transport system is enormous. As such, both the Sri

Lanka Railways and the Sri Lanka Transport Board will have to adopt commercially viable business plans making maximum use of the idle assets that will enable these entities to become self-financed from 2018 onwards.

249. We also encourage both Sri Lanka Railways and Sri Lanka Transport Board to seek avenues to improve their revenue such as advertising on busses and trains, track sharing, etc.

250. The Colombo Municipal Council and the Road Development Authority have introduced under the Public Transport Modernization Programme allocating separate lanes or bus priority lanes in the Colombo City and the adjacent areas.

251. At the same time, a feasibility study is already in progress to electrify the Colombo suburban railway from Veyangoda to Panadura section.

252. Double tracking of the Polgahawela – Kurunegala section and the Aluthgama – Galle section will also commence in 2017 for which I propose to allocate Rs.1,000 million. I also propose to extend the railway line from Kankesanthurai to ponnalai junction which will help people of Delft, Kytes, Velanai, Karainagar and Chankanai for which I propose to allocate Rs. 50 million.

Rs. 1,000 Mn

Rs. 50 Mn

253. The extension of the Kelani Valley railway line which will cost almost Rs. 3,000 million up to Ratnapura will be undertaken on PPP basis.

254. I also encourage transportation on waterways from Puttlam to Colombo and Colombo to Galle, for which the government will invest in the Jetties. I propose to allocate Rs. 100 million for this purpose. The private sector is encouraged to invest in Hovercrafts and Hydrofoils for rapid sea based transportation, for which we will provide tax incentives.

Rs. 100 Mn

255. We have nearly 1.3 million three wheelers operating on our roads today and they are the most vulnerable to accidents. As such, to improve safety of the drivers as well as passengers, I encourage the replacement of three wheelers with electric cars. As an initial step, the government will within the Colombo district, extend its support by introducing a loan scheme to purchase 1,000 such electric cars, through the Banks, where the government will bear 50 percent of the interest cost for which I propose to allocate Rs. 200 million.

Rs. 200 Mn

256. I also encourage the school vans to upgrade to 32 seater buses and to support this scheme, we will provide an interest subsidy of 75 percent. For which I propose to allocate Rs. 150 million. Rs. 150 Mn

257. Honorable Speaker, while three wheelers are an important mode of transportation in both the rural and urban areas, the vacuum in the regulatory mechanism has resulted in the industry growing haphazardly. This is also true for the School Van sector as well. Clearly the three wheeler operators and School Van operators would agree that a regulatory mechanism will benefit all parties, helping the industry to develop and improve credibility. As such, I propose to introduce the necessary framework to regulate the Three Wheeler and the School Van industry. Under this proposed regulatory mechanism, all Three Wheelers and School Vans will be required to register to provide their services. At the same time, the regulatory authority will also conduct periodical training and competency tests for those in the industry.

258. To provide a better service to the commuters, I propose that the Sri Lanka Transport Board and the Private Bus Association formulate a joint timetable, and incorporate the “Metro Transport Corporation” as a PPP to ensure a better utilization of assets.

259. For an improved service, I propose to introduce pre-paid and cashless cards for road and rail transportation. With the improvement of the revenue collection, owners will be requested to formulate a pension scheme for bus drivers, conductors and cleaners.

Aviation Industry

260. At the same time, a new domestic airline will be introduced before 31st March 2017. This airline will be on a PPP, which will include the Sri Lanka Air Force, the hotel industry, travel agents and other private sector stakeholders. I propose to allocate Rs. 50 million as the initial government contribution for this purpose. Rs. 50 Mn

261. Honorable Speaker, there is potential for the country to position itself as an aviation hub. In this regard the flying training industry has shown signs of being a growing industry. As such, to support this industry, we invite Ceylon Petroleum Corporation to provide Jet Fuel at competitive prices. We will also

exempt the spare parts from all taxes with the recommendation of the Civil Aviation Authority.

Better Management of Utilities

Water

262. Honorable Speaker, at present, 46percent or 9.6 million people have access to pipe borne water and the coverage will be increased to 60percent of the population or 12.6 million by 2020. This will require an additional water supply of around 600,000 cubic meters per day. This is quite challenging given the environmental issues, including, erratic rain patterns, lack of ground water, ground water contamination and the investment required of at least Rs. 300 billion in the next 3 years. However, the government is committed to ensuring that all citizens have access to clean water, given not only our commitment to the attainment of Sustainable Development Goals (SDG) but our commitment to upholding the human rights of all people. As such, we have already initiated almost 35 projects which require a total investment of almost Rs. 428 billion. These projects include the Anamaduwa Water Supply project, Kelani Right Bank Project, Kundasala –Haragama Water Supply project, Anuradhapura North, and the Jaffna- Kilinochchi water supply project.

263. In addition, to further support and expedite access to safe drinking water in the country, the private sector will also be facilitated to undertake water projects on Design, Build, Own and Operate (DBOO) basis. We expect investments for this mechanism amounting to at least Rs. 150 billion to be raised during 2017.

264. Given the significant potential for industrial development in the Trincomalee district, the government is keen on expeditiously developing the required utilities such as water and electricity. As such, I propose to allocate Rs.600 million to augment the Trincomalee water supply scheme.

Rs. 600 Mn

265. I also encourage the National Water Supply and Drainage Board and the private sector to explore the possibility of establishing desalination plants in Jaffna and Puttlam on PPP basis and for which I propose to allocate Rs. 250 million.

Rs. 250 Mn

Energy

266. Honourable Speaker, the government policy is to ensure energy security, within the framework of sustainable development. However, the challenges that arise

with the increase in domestic demand against the backdrop of rising oil prices and environmental concerns clearly create a need for pursuing alternative strategies. Such strategies may include the use of new technologies, use of alternative energy sources, and new financing models.

267. The country's electricity generation capacity at present is around 4,000 MW and with the expected growth in demand for electricity from the increase in Tourism, Manufacturing and Commercial Agriculture, the generation capacity of the country will have to increase to at least 5,300 MW by around 2020 and to 7,500 MW by 2025. We are committed to ensuring an uninterrupted supply of electricity at the least cost, within the framework of a sustainable environment.
268. It is in this background that the government is looking to diversify its energy sources to include LNG, and Green energy sources as well. Over the years, investments in the electricity sector have been quite generation centric. It is therefore important to ensure that adequate investments are made for transmission and distribution as well. Thus, we encourage the private sector to participate in providing transmission facilities within each province.
269. Simultaneously, we will also augment the infrastructure such as the proposed cross country pipeline and improving storage facilities at the Ceylon Petroleum Corporation (CPC) as well. CPC with Ceylon Petroleum Storage Terminals Limited, will acquire and develop the regional bulk depot at Kankasanthurai ensuring fuel security of the Northern Province. Similarly CPC together with the Lanka Indian Oil Company (LIOC) will rehabilitate and develop the Upper Oil Tank farm at Trincomalee.
270. Honorable Speaker, there are almost 5,200 Telecommunication Towers in the Country. Each telecommunication service provider has to incur a cost to install such Telecommunication Towers. As such, we propose to form a Company on PPP which will own the Telecommunication Towers. This will enable the Telecom Industry to reduce its cost of operations through the synergies that will arise from the sharing of assets, and the expertise that will be developed.

Financial Sector

271. Honorable Speaker, given the potential for the country to become a financial hub, the government has already initiated the necessary ground work to

establish the Colombo International Financial Center (CIFC) and this House will be presented with the legislation necessary to establish the CIFC very soon. In addition, we are focused on strengthening the regulatory mechanism to ensure growth and stability of the sector. It is in this background I propose the following:

272. At present, the country does not have a dedicated authority to protect the interest of the financial customers, promote fairness and transparency for consumer financial products and services. As such, it is proposed to establish a Consumer Financial Protection Authority (CFPA). The CFPA will have the capacity to protect the consumers, by improving the financial consumer rights, promote financial literacy, ensure competitiveness in the financial markets and firms thereby enhance integrity of the financial system of the country as a whole.
273. The existing legal provisions on prohibited schemes fall under the Banking Act No. 30 of 1988. This act does not adequately empower the Central Bank of Sri Lanka (CBSL), in taking action against prohibitive schemes such as the pyramid schemes. As such, given the negative impact that prohibitive schemes have on the stability of the financial sector, I propose to introduce a new statute to cover pyramid schemes with strong enforcement provisions which will enable CBSL to be a better financial sector regulator.
274. Honorable Speaker, the Debt Recovery (Special) Provisions Act No. 2 of 1990 at present is applicable only to Licensed Commercial Banks (LCB) and a few Licensed Specialized Banks (LSB). As such, to improve the debt recovery processes at banks and financial institutions, I propose to introduce amendments, expanding the applicability of the Debt Recovery (Special) Provisions Act No. 2 of 1990 to all LSBs and Licensed Finance Companies.
275. Honorable Speaker, when we took office, the plight of the Golden Key depositors was such that some had been driven to committing suicide and many faced untold misery. We as a responsible government, have already settled the claims of small depositors and the balance payments will also be made in due course for which I propose to allocate Rs. 3,000 million. The assets of Golden Key Company will be vested with the government.
276. Honorable Speaker, last year I proposed the setting up of an agency, the Financial Asset Management Agency (FAMA), to assist failing finance

Rs. 3,000 Mn

companies, having identified the vulnerabilities that the finance companies could create in the overall financial sector, as many of the finance companies have high non-performing loan ratios. In order to establish the FAMA to restructure the distressed finance companies, I propose to allocate the initial capital of Rs. 10 million as equity and also to issue a Treasury bond to the value of Rs. 10 billion with a tenor of 7 years.

Rs. 10 Mn
as equity
and
Treasury
bond to the
value of
Rs.10 Bn

277. I propose to issue 200 licenses to money changers, in a bid to expand the sector, owing to rapid tourist growth

Banking

278. Honorable Speaker, the banking sector is quite polarized with 6 banks out of the total 34 Banks in the country accounting for almost 65 percent of the assets at around Rs. 5,600 billion, while the balance 28 banks accounts for only 35percent of the asset base. Given that, the banks must start meeting the requirements of Basel III by 2019, the government is of the view that consolidation of financial institutions will be beneficial in the long term and as such, encourages voluntary consolidation especially for the private banks. Such consolidation of banks will enhance the size of the banks, facilitate the fund raising from diversified sources, enhance risk taking capacities and enable banks to participate in large state and private sector projects to a greater degree than at present and derive scale benefits with regard to operational costs. In this regard, we must ensure that our banks are well capitalized. Hence, I propose to increase the minimum capital of Licensed Commercial Banks to Rs. 20,000 million, Licensed Specialized Banks to Rs. 7,500 million and Primary Dealers to Rs. 1, 500 million.

279. We will initiate action to amalgamate the HDFC Bank and State Mortgage and Investment Bank (SMIB) to create Housing Bank and I propose to allocate Rs. 7,500 million for capital infusion.

Rs. 7,500 Mn

280. Further, the Cooperative Rural Banks and Divineguma Bank will also be amalgamated to create a stronger rural sector micro lending focused bank.

281. Honorable Speaker, at present the single shareholder limit for banks is restricted at 10 percent while the tenure for members of the Boards of Directors is restricted to 9 years. We will revisit these policies in view of the proposed consolidation of Banks.

282. I also direct banks to ensure that at least 10 percent of their lending portfolio is for Agriculture, 10 percent for SME, 10 percent for Exports, 10 percent for Tourism, 5 percent for Youth and 5percent for Women. I further direct the banks to lend at least 15 percent of the deposits within the same area for business development.
283. At the same time, one common complaint with respect to the banking industry is that it takes more than a month even for a loan of less than Rs. 5 million to be processed. I am confident that this House will join me in requesting the banks to streamline the loan process, so that a loan less than Rs. 5 million will be processed in less than 1 month and the state banks to implement this process from 1st January 2017.
284. We will also introduce necessary amendments to the Banking Act to be in line with the modern day requirements.
285. To discourage cash transactions, I propose to impose a fee of 2 percent on cash transactions above Rs. 5 million. Let me also emphasis very clearly that the proposed 2 percent fee is not applicable on any transaction carried out through the banking channels including through cheques, telegraphic transfers, Bank drafts, etc.
286. I propose the Loan to Value ratio (LTV) to be limited for vehicle categories as follows: Three Wheelers 25 percent, Motor Cars and Vans 50percent, Commercial Vehicles (Lorries and Heavy Vehicles) 90 percent.

Insurance

287. Honorable Speaker, at present, the crop insurance of the Agriculture and Agrarian Insurance Board, covers only paddy. However, to further support the National Food Production Programme, I propose to expand the crop insurance scheme to cover the major food crops of Potatoes, Big Onions, Chilies, Maize and Soya as well. This is envisaged to cover a maximum of 1 hectare each per farmer who is a recipient of the fertilizer cash grant.

288. I also propose to merge the Samurdhi Insurance and Cooperative Insurance Company by 30th June 2017. Further, I encourage the merged company to collaborate with the existing insurance companies.

Pawning Industry

289. Our rural community in particular, depends on pawning to tide over financial difficulties. However, the pawn brokers who remain mostly unregulated tend to exploit these people at their will. I propose to increase the registration fee to Rs. 100,000 per unit per annum. We estimate the ensuing revenue to be around Rs. 1,000 million.

Capital Market

290. Honorable Speaker, this year we have taken action to improve the regulatory framework and the operational efficiency of the capital markets, thus restoring the loss of credibility which has been a persistent issue that stymied a consistent growth in the capital markets in the last decade. We have designed a Capital Market Strategy, which includes an advisory board consisting of key stakeholders, who will guide the implementation of the strategy and enhance the development of the Capital Market activities.
291. As part of our strategy, we will be introducing a new Securities and Exchange Act during the 1st quarter of 2017, which will provide the Securities and Exchange Commission (SEC) with enhanced enforcement capacity, and greater flexibility in operations.
292. We will also introduce the Demutualization Bill which has been a long felt need during the 1st quarter of 2017. This will be a significant change where the Colombo Stock Exchange will then be converted to a company with shares being held by shareholders.
293. We will also implement the Securitizations Act during 2017 which will facilitate the diversified investment opportunities.
294. To improve the outreach of the Treasury bond market to foreign investors specially to attract more stable and foreign investments to Bonds and streamlining its settlement mechanism, I propose to utilize the Euroclear facility by 30th June 2017. This will enhance transparency in the market.

295. In order to increase the liquidity of the government bond market issuances, we will have benchmark securities for Treasury bonds at 2 years, 5 years, and 10 years.
296. I also recommend that specialized Fund Manager Companies and Actuaries to professionally guide state institutions to maximize returns.
297. Given the significant potential for Real Estate Investment Trusts (REIT), we will facilitate the SEC in introducing amendments to the unit trust code.
298. We will introduce a separate board for the listing of SME's with less stringent rules, which will enable them to have access to low cost capital.
299. I urge the Colombo Stock Exchange (CSC) to list at least 25 Companies in the CSC. I also invite foreign companies to be listed in the Colombo Stock Exchange.

Creating a House Owning Society

300. Honorable Speaker, Our government is committed to making everyone a home owner and it is in this background that we will launch the 500,000 home ownership programme for the low and middle income families.
301. Under this scheme, the private sector will be invited to put up 100,000 housing units at Rs. 5 million per unit for the middle income category and a further 250,000 housing units at Rs.1 million per unit for the low income category in the next 3 years, 2017-2019.
302. The housing needs in the plantation sector are also acute, with some still languishing in line houses, without even the basic amenities. As such, 25,000 house will be constructed for the plantation sector.
303. The land and the amenities will be provided free of cost by the government for these projects.
304. The National Savings Bank (NSB) together with the new Housing Bank will provide a loan facility for potential home owners at an all-inclusive rate of 7

percent with a tenure of 25 years. NSB will raise around Rs. 370 billion to provide such loans.

305. There is a serious shortage of proper housing in the North and the East, demanding urgent attention. We will expedite the construction of 50,000 houses for which I propose to allocate Rs. 5,000 million.

Rs. 5,000 Mn

306. We must also address those who wish to extend their houses but are unable to do so due to financial constraints. As such, to facilitate such extensions or support completion of houses with an existing floor area of less than 750 square feet, commercial banks will provide a loan up to Rs. 200,000, for 100,000 such houses, where the government will provide a 50 percent interest subsidy. I propose to allocate Rs. 1,000 million for this purpose.

Rs. 1,000 Mn

307. To further improve the home ownership, we will take necessary action to transfer ownership of public housing to dwellers who have lived in such houses for more than 15 years. This will start from 1st January 2017.

308. Plantation working community has been playing a very important role to strengthen the economy. To alleviate their living conditions from the line rooms, it is proposed to offer, 7 perches land with clear title deed to each family who are living in the Line rooms.

309. Honorable Speaker, many of the public housing is on Crown land. This results in the dwellers not being able to get title of ownership of the house they occupy. As such, given that the government policy is to transfer ownership of public housing to dwellers, it is necessary to formalize the transfer of government land. In this background, it is proposed to establish a Land Bank at the General Treasury in collaboration with Urban Development Authority and Ministry of National Policies and Economic Affairs, which will have full ownership of all such government land.

310. Sri Lanka Ports Authority (SLPA) has extensive property in prime locations which will be utilized for commercial purposes.

311. The House Renting Industry has not developed, due to the draconian Rent Act. As such we will take necessary action to repeal this Act while, ensuring that the

rights of the existing tenants are upheld. I am confident that the repeal of this Act, will be an impetus for the growth in the housing industry.

312. Honorable Speaker, the Condominium industry, is a growing sector in the country, with significant potential for foreign investment. To further incentivize such investment, we will remove freehold right restrictions from the ground floor. We will also allow foreigners who will be purchasing condominiums, to raise 40 percent of the cost from a domestic bank. However, such debt servicing should be in foreign currency.
313. Honorable Speaker, the potential for the construction industry is immense with an estimated value of Rs. 6,500 billion in the next 5 years. This would require a minimum of 10 million cubic meters of sand. However, the capacity for river sand mining is limited given its adverse impact to the environment. In this context, to meet the shortage of sand, I encourage the private sector companies to engage in mechanical sea sand washing in designated areas.
314. At the same time, given the demand from the construction industry for sand, soil and metal, I request the Geological Survey and Mines Bureau (GSMB) to expedite the approvals and the licenses required for sand mining, excavation of soil, and quarry mining, within the framework of environment regulations.
315. Last year, I encouraged the construction industry to look for new alternative construction material. To this end, I am encouraged to note that fiberglass reinforcement, which is a high quality building material, will commence production in Sri Lanka which will help to reduce the cost of construction in the country.
316. In order to ensure that payments to contractors are made on time, I propose to formulate an adjudication mechanism, which could be used as a formal dispute resolution method.
317. Honorable Speaker, the construction industry faces severe issues in recovering their dues on time. This has had a debilitating impact on their very existence. As such I propose to introduce a Payment Guarantee Security Act which will provide adequate cover in recovering their payments.

War against Poverty and a Strong Social Welfare Network

318. Honorable Speaker, successive governments since independence have initiated several schemes with the aim of eradicating poverty in the country. I admit that today only almost 7 percent of the population earns less than USD 1.25 per day. However, almost 20percent of the population earn less than USD 2 per day. To supplement such low incomes, the state implements several household transfer schemes, amounting to around Rs. 221 billion per annum with Samurdhi being the largest of such schemes supporting almost 1.5 million families. However, studies show that the administration of these schemes is weak, riddled with loopholes resulting in duplication, and leakages. This has resulted in the poor remaining in poverty and many being stranded in the fringes of poverty.
319. Our aim is to graduate at least 50percent or around 2.1 million of the population earning less than USD 2 per day to a higher income bracket by 2020. In essence, we will ensure that the income of the Samurdhi beneficiaries will be augmented with more opportunities being created in the job market. As such, to ensure that we reach our targets and have enabling strategies, we will appoint a Task Force to look into these issues. In fact I would like to propose to rename Samurdhi as “Janaisura”.
320. At the same time, to ensure a more effective, targeted and expanded social welfare scheme, we have already activated the Welfare Benefits Board which will rationalize the various schemes through the introduction of technology. Any savings that will be generated due to improved administration of the social safety net schemes will be utilized for poverty alleviation, ensuring that no vulnerable sector is left without support.
321. Honorable Speaker, we remain committed to ensuring that our war heroes are taken care of. As directed by His Excellency the President and the Honorable Prime Minister, we have taken steps to ensure that the anomalies that were in existence to be removed. The extra payment that will be granted will be called the “Ranaviru Surakum Dimanawa” . I therefore propose to allocate Rs. 3,500 million for this purpose.
322. Agrahara Insurance Scheme has been extended up to 70 years to those who are retiring from pensionable posts in the state sector with effect from January 2016. I propose to extend the insurance cover for the full lifetime of the retiring

Rs. 3,500 Mn

member. The pensioner will pay a premium of Rs. 600 per month after reaching 70 years of age. To support our senior citizens further, we will also continue the senior citizens deposit scheme which guarantees an interest of 15 percent for deposits up to Rs.1.5 million, during 2017 as well.

323. With the changes in the demographics, we must seriously look into the pension schemes in the country. Honorable Speaker, as I have said before, the government's unfunded pension scheme is a time bomb waiting to explode. As spelt out in the 2016 budget we took clear steps to initiate a contributory pension scheme which is now in effect for which I propose to allocate Rs. 1,000 million. Contrary to popular belief, this is not the government trying to abscond its responsibilities; instead this is the work of a responsible government.

Rs. 1,000 Mn

324. There are many Pension funds that are being operated by the non-state sector. I propose to introduce legislation for a Central Pensions Fund, to regulate such private pension funds, including the Employers' Trust Fund (ETF) and Employees' Provident Fund (EPF).

325. Presently, the EPF allows its members to obtain housing loans against their contribution. However, this is contrary to the spirit of the establishment of the EPF. As a result the retirement life of the members is negatively affected given the depleted retirement benefits of the members. As such, I propose to discontinue the provision of loans to members by the EPF with immediate effect. However, members may obtain loans through the many housing loan schemes designed by our government.

Empowerment of Youth and Women

326. Honorable Speaker, in pursuing inclusive growth, the role played by youth and women is critical. Women account for 52 percent of the population and those between the ages of 19 to 34 is almost 25 percent of the population. Statistics suggest that by 2041, almost 25 percent of our population will be over the age of 60. As such, this is the critical time where we must ensure that our policies are directed towards reaping the benefits of the demographic dividend.

327. It is in this context Honorable Speaker, as articulated by both His Excellency the President and Honorable Prime Minister, we have laid out a very comprehensive and a pragmatic plan for education, higher education and skills development

sector, together with the investment sector. Our aim is to ensure that we provide our young men and women with the necessary skills and knowledge to exploit opportunities and harness their latent potential to be integrated into our growth story. It is in this context that we have introduced the policy of allowing free technical education in the country.

328. At the same time, we will continue with the programme we initiated last year to provide a loan of Rs. 1.5 million per viable idea per person, to university graduates who wish to venture into a startup company. The facility will be made available to at least 1,000 graduates of state universities. The loan will have to be repaid over 10 years. The government will provide a 100percent interest subsidy and I propose to allocate Rs. 150 million for this purpose in 2017.

Rs. 150 Mn

329. All youth training programmes should be channeled through the National Youth Services Council (NYSC) and the Youth Corp. Honorable Speaker, I propose that the NYSC and the Youth Corp, be allocated Rs. 4,000 million to provide preliminary training to those who wish to proceed to any vocational training programme.

Rs. 4,000 Mn

330. Honorable Speaker, the House will agree that we must take quick and aggressive action to protect our youth from the drug menace. Inaction will be extremely harmful for the generations to come. As such, I propose to allocate Rs.150 million to Sri Lanka Police and Rs. 50 million to National Youth Council to engage in drug prevention and eradication as well as rehabilitation of those addicted to drugs. Sri Lanka has complied with the WHO policies designed to reduce tobacco use in pursuit of our campaign to discourage smoking.

Rs. 200 Mn

331. As such, I request the Ceylon Tobacco Company to donate Rs. 500 million to the Presidential Fund to be utilized by the Presidential Task Force for the anti-smoking campaign.

332. I also propose to allocate Rs. 1 million per one Grama Niladhari division through the District Development Committee (DDC) to commence an interest free loan scheme to finance the small business ventures initiated by a group of at least 50 self-employed youth. Such groups must be registered with the DDC. Such business ventures could include Agriculture, Handicrafts, Mushroom Farming, Trading, Ornamental Fish Industry, Horticulture and Floriculture, etc. I propose

Rs. 7,000 Mn

to allocate Rs 7,000 million for the first phase of this venture. It is envisaged this will create a minimum of 350,000 self-employment opportunities especially for youth. This will complement the 1 million employment generation programme of the government.

333. Female participation in the labour force is only 36percent at present. This is in spite of the fact that more than 50percent of the university graduates are female. Government policy is to increase the female labour participation at least to 40percent by 2020. Studies suggest that one key reason for such low female participation in the labour force is the lack of good quality child care and geriatric care facilities in the country. As such, I propose to make it mandatory for all companies with more than 500 employees to establish Child Care Centers with the required facilities. Companies could also provide such facilities in collaboration with each other as well. To support this venture, I encourage the Ministry of Women and Child Affairs together with the technical colleges and other vocational training institutions to initiate training programmes on geriatric and child care, targeting especially unskilled women who would otherwise seek employment mostly in the Middle East, which has created significant social issues.

Religion, Culture and Arts

334. Honorable Speaker, Sri Lanka will host the official Vesak festival of the United Nations in May 2017. His Excellency the President is leading from the front in organizing the festival which is tipped to attract a large number of foreign delegates especially from the South Asian and South East Asian region. To support this venture, I propose to allocate Rs. 250 million.

Rs. 250 Mn

335. I also propose to allocate Rs. 50 million to facilitate activities aimed at religious development undertaken by the Presidential Secretariat.

Rs. 50 Mn

336. In addition, I propose to allocate Rs. 25 million to facilitate rehabilitation of religious places.

Rs. 25 Mn

337. Further, to the discussions I had with the Venerable Mahanayake Theros of the Malwatte and Asgiriya Chapters, I propose to allocate Rs. 50 million to augment the infrastructure of Pirivenas and the capacity development of the Piriven Teachers in the country. At the same time, I propose to make available a bursary

Rs. 50 Mn

Rs. 150 Mn

of Rs. 2,500 per month for all Bhikkus studying at Privenas for which I propose to allocate Rs. 150 million.

338. Honorable Speaker, I am sure that you are aware that the original copies of iconic and significant films such as Rekava and Nidhanaya, directed by Sri Lanka's renowned filmmaker, Lester James Pieris, have deteriorated to the extent that they are not visible any more. As such, to facilitate the establishment of a Film Archives and Restoration Unit (FARU) at the National Film Corporation immediately, I propose to allocate Rs. 50 million.

Rs. 50 Mn

339. Honorable Speaker, almost a week ago Pandit W.D. Amaradeva bid farewell to our nation. We lost an icon and a legend. As instructed by His Excellency the President, as a tribute to this great legend, I propose to allocate Rs. 25 million to establish the "*Pandit Amaradeva Sangeetha Ashramaya*" which will benefit many of the promising musicians of this nation.

Rs. 25 Mn

340. I also propose to allocate Rs. 50 million for the establishment of a National Film Academy which I believe is a long felt need in the industry, to train artists, and technicians to expand their capacities.

Rs. 50 Mn

341. To facilitate the activities of the Censor Board of Sri Lanka, I propose to allocate Rs. 50 million to construct a new building with the state of the art technology.

Rs. 50 Mn

342. Local industrialists have made submissions with respect to the free telecast of advertisements of foreign products on cable and satellite television. As such, to create a level playing field, I propose to impose a tax of Rs. 50,000 for a 30 second advertisement of foreign products that are telecast through satellite and cable television.

343. Film producers and local artists also made representations regarding the telecast of foreign films and teledramas dubbed into Sinhala and Tamil. As such, the present levy of Rs. 90,000 per 30 minute part will be increased to Rs. 300,000 per 30 minute part. Any such monies collected will be used to develop the local film industry.

344. I propose to allocate Rs. 50 million to expand and strengthen the existing insurance scheme for artists inclusive of actors, singers, composers, etc.

Rs. 50 Mn

345. We will also introduce a loan scheme facility at no interest to purchase the required equipment that will enable regional correspondents who are registered with the Ministry of Mass Media who work under difficult circumstances to disseminate news, to obtain bank loans up to a maximum of Rs. 300,000 with a 100 percent interest subsidy by the government. Other Media personnel who are registered with the Ministry of Media will also be supported by granting 50 percent interest subsidy to obtain bank loans up to a maximum of Rs.150,000 to upgrade the equipment for media related activities. As such, I propose to allocate Rs. 25 million for this purpose.

Rs. 25 Mn

346. I propose to allocate Rs. 180 million to facilitate the undertaking of programmes aimed at improving cooperation, peace and harmony amongst the different ethnicities in the country, especially in the North and East.

Rs. 180 Mn

Sports

347. Honorable Speaker, it has been a year of mixed success for Sri Lankan sports. We beat the Australians 3 - nil in the test matches, which is a historical milestone. We saw new blood rising to the challenge of filling the gap created by the retirement of seniors. Our athletes performed well at the SAF Games. At the Paralympics held in Rio, we won one bronze medal in the men's javelin throw. We however failed to win a single medal at the Olympics this year as well. Clearly, we must take a different approach in the arena of sports. Surely, there are many in our villages that can certainly compete with the best, we must find them.

348. Honorable Speaker, it is in this context that we have initiated a talent identification programme amongst children and youth. On identification, we will direct them to sports schools for further development. We are confident that this will yield results not today or tomorrow, but in the next 5-10 years. To support this venture, I propose to allocate Rs. 50 million in 2017.

Rs. 50 Mn

349. Honorable Speaker, to further support this long term plan of the government, I propose to establish a National Sports Academy affiliated to the Diyagama Stadium for which I propose to allocate Rs.100 million. This will have state of the art equipment and we will also ensure that top of the range coaches to support our sports men and women. We will also support our national athletes to

Rs. 100 Mn

- represent Sri Lanka in overseas competitions, for which I propose to allocate a sum of Rs. 100 million. Rs. 100 Mn
350. Sugathadasa Indoor and outdoor stadium was in a depleted state and we allocated Rs. 175 million in 2016 and to complete this project, I propose to allocate a further Rs. 250 million. Rs. 250 Mn
351. We have 24 sports schools in the country. They will be further developed and strengthened and these schools will also focus on sports such as Chess, Squash, Shooting, Archery etc. I wish to allocate Rs. 100 million for these activities. At the same time, we will also allocate Rs. 250 million, so that the 3 provincial sports complexes will have a synthetic track each. I also wish to allocate Rs. 50 million for capacity development of sports trainers and coaches. Rs. 100 Mn
Rs. 250 Mn
Rs. 50 Mn
352. Honorable Speaker, I also wish to allocate Rs. 100 million for a Human Performance Laboratory, a first of its kind at the Institute of Sports Medicine. Rs. 100 Mn
353. Altitude training is undertaken by international athletes to improve their performance. However, we lack a well-equipped altitude training center in the country. As such, I propose to allocate Rs. 500 million to establish a well-equipped Altitude Training Center in Nuwara Eliya. Rs. 500 Mn
354. Honorable Speaker, majority of the star performers of our National Cricket Team are products of outstation schools. As such, to promote the entry of such talented youngsters to the national team, I propose to allocate Rs. 250 million to develop cricket in 1,000 outstation schools, to be implemented in collaboration with the Ministry of Education. Rs. 250 Mn
355. Honorable Speaker, I propose to allocate Rs. 25 million for the construction of Kumar Anandan Swimming pool in Velvittiturai. Rs. 25 Mn

Foreign Employment

356. Honorable Speaker, the remittances from foreign employees amount to around USD 7 billion in spite of the volatilities in the Middle East.
357. To ensure that these employees also get a fair deal, the minimum salary of an unskilled worker should be at USD 350 per month and skilled worker at USD

450 per month. The Foreign Employment Bureau should ensure that no Sri Lankan leaves the country without an assurance of the minimum wage being paid.

358. Honorable Speaker, I also propose to introduce a Contributory Pension Scheme for overseas employees. As such, government, through the Kuwait Fund, will match the contribution made by the employee. Pension would be drawn at the age of 60 years by the beneficiary.

Better Public Sector Service Delivery

359. Honorable Speaker, the public sector delivery is a cause for concern. I admit that they discharge their duties under difficult circumstances, with increased expectations from the public, and constraints in the resource availability. I am sure that the members of the public sector will be the first to agree with me that there is an urgent requirement for reforms in the public sector, with focus on improving productivity, performance based reward scheme, harnessing the skills of technocrats and most importantly being able to attract and retain the best of the best from our universities.
360. **Speeding up government services** - It is in this context that I propose to appoint a high level committee to make recommendations with respect to the comprehensive reform package that also looks into de-bureaucratization of the public sector, which is a crying need of the hour.
361. Improving the effectiveness in public sector is everyone's desire. In order to motivate good public servants to become better public servants I propose, any request including for a license, permit or permission from any government agency including provincial councils and local governments, is deemed to have been granted, if no reply is received by any such party without any valid reason within 10 working days of the request. I believe that this will reduce cost, and increase efficiency, enabling doing business with ease.
362. To fast track development projects, the government requires capable experienced professionals. There is a paucity of such talent at the highest levels. As such, I propose to implement a mechanism that will enable the re-employment of such key officials including those in the Judicial service, Academia, etc. after the prescribed retirement age. Their retirement will be frozen. Their salaries will

continue to be received during their term of employment. The necessary legislative amendments will be presented to the House very soon.

363. The present term of the National Pay Commission is restricted to three years. Given the many cadre and pay issues in the public sector, and the requirement to have continuity, His Excellency the President has recommended that the Commission be appointed as a permanent and standing Commission, with effect from 1st January 2017.
364. Our debt stock is little over Rs. 9 trillion and the foreign exposure being almost 43percent of the total debt stock which warrants urgent action. Given our commitment to a prudent debt management regime, we are actively looking into liability management mechanisms with a host of options, including buy backs and reissuance of existing debt. I also wish to inform this House that the Cabinet of Ministers has already approved the establishment of an Independent Debt Office at the General Treasury, which will then be directly responsible for all domestic and foreign debt issuances and the management of the debt stock. Necessary legislation will be introduced to facilitate this process.
365. Honourable Speaker, our government led by His Excellency the President and the Honorable Prime Minister, is committed to uplift the standard of living of all our citizens. However, our fiscal operations are severely constrained by the high debt stock that we inherited. Debt servicing inclusive of capital repayment is estimated to be around Rs. 1,480 billion in 2017. Our aim is to reduce the interest cost by at least Rs. 90 billion. This will require domestic interest rates to decrease by at least 1.5 percent. We will pursue innovative mechanisms to reduce the cost of the debt burden and the savings of which we will certainly pass on to our people.
366. At present, there are several funds operating under various departments, and statutory bodies. For better cash management, I propose all funds, excluding the retirement and pension funds, to be transferred to the Consolidated Fund with immediate effect. The General Treasury will release such money as and when required on request.
367. Honorable Speaker, one of the key reasons for the delay in government development programmes has been the non-availability of an adequate number

of Government Valuers for the initial assessment of land and properties. This has also resulted in the Local Government Authorities not being able to get proper assessments resulting in a loss of revenue. As such, I propose to strengthen the Valuation Department by adopting a new promotion scheme and also by recruiting 400 new valuers during 2017.

368. It is proposed to establish the Office of the Comptroller General, at the General Treasury, which will be entrusted with amongst others, overseeing the asset, material and cost management of government. Accordingly, an Asset Register that includes all assets of the government will also be created.
369. The need to build the capacities of the public service through training, and research in public finance needs close attention given that the challenges facing public financial management is becoming more complex. As such, in this regard, I propose a close collaboration between the General Treasury and Miloda Academy of Financial Studies.
370. Honorable Speaker, there are almost 1.4 million in the public sector. That is almost 1 public official per every 15 citizens. In spite of the large number of people being in government service, we are still faced with shortages of staff at schools, hospitals, and various government departments especially those in the peripheries. As such, I propose that the General Treasury undertakes a cadre review to optimize the service delivery.
371. Non executives comprise almost 94 percent in the public sector. Due to the absence of a formal capacity building mechanism, non-executive staff does not get trained. As such, I request the Ministry of Public Administration to introduce a training programme for non-executive staff, where it will be mandatory for them to follow training at least once in every 3 years.
372. I note that the government sector assets such as land, buildings, auditoriums, and canteens are not being utilized fully. As such, I propose to rent out such assets to the general public and private companies for better utilization. Action should be taken to dispose of unused and unutilized vehicles immediately.
373. I propose to use the fingerprint machines to mark staff attendance at all government institutions.

374. Honorable Speaker, the three armed forces are engaged in commercial activities which include, operating hotels, engaging in construction etc. I propose to incorporate a company consolidating all the commercial activities undertaken by the Army, Navy and Air Force and expand such activity to include boat building and aircraft maintenance as well.
375. Honorable Speaker, at present there is a discontent about the public service delivery at the grassroots levels with our citizens being sent from pillar to post. As such, I propose to establish 1,000 “*Sewa Piyasa*” units which will house the office of the Grama Niladhari, Samurdhi Officer, Mid Wife and the Agriculture Research & Development Officer. I propose to allocate Rs. 1,500 million for this purpose. Rs. 1,500 Mn
376. During my consultations with various stakeholders, one issue that was highlighted is the lack of awareness about the procedures on how to get a motor vehicle license, passport, etc. As such, to make life easier to all citizens, I urge all government institutions to display very clearly in all three languages the procedures to be followed in such instances on the web.
377. I note that the existing procurement procedures need to upgrade reflecting modern procurement methods, such as Swiss Challenge of Bidding, e-Procurement and Green Procurement. I request the Independent Procurement Commission to introduce a modern procurement procedure in the first quarter of 2017.
378. With these developments, it is envisaged that the average time for procurement will decrease to 17 weeks from the existing 54 weeks. This will expedite project implementation and will boost development activities in the country.
379. We have noted that there are significant cost overruns in projects in many Ministries. As such, I propose to appoint a standing committee chaired by a senior official of the General Treasury, to look into cost overruns exceeding 10percent of the estimate.
380. We will also establish a Central Procurement Agency, which will procure stationery, office equipment, etc. centrally. It is estimated initially with this

mechanism, the government will be able to save at least Rs. 4,000 million per annum.

381. We will give domestic companies with more than 35 percent value addition, a 5 percent advantage in government procurements.
382. All the capital projects undertaken by Ministries and the details of the contracts entered into will be displayed on the web sites of the relevant Ministry from 01st of January 2017.
383. Honorable Speaker, we must make life easier for our citizens. To that end, I propose to extend the Out Patients Division (OPD) care till 10 p.m. in all state hospitals. At the same time, I also propose to have the Motor Traffic Department, the Office of the Registration of Persons and the Immigration and Emigration Department be opened all 7 days of the week, except on religious holidays. I also encourage the banks to ensure that at least one branch per district is opened all 7 days of the week, excluding the religious holidays.
384. I propose to establish an Immigration Police to enforce immigration laws, for which I propose to allocate Rs. 25 million. Rs. 25 Mn
385. I also recommend the issuance of a 5 year visa to foreign spouses of Sri Lankans.

Digitalizing the Economy

386. Honorable Speaker, last year, we embarked on a journey towards a Digital Economy. Digitalization could provide the platform for middle income countries, such as Sri Lanka, to improve governance, transparency and the public sector service delivery system by arresting the rent seeking behavior, human inefficiencies, and facilitating faster access to markets and technologies. The speed with which new ideas could proliferate with digitalization will facilitate innovations and productivity improvement thereby creating a competitive environment. It is in this context that we have mapped out our activities in creating the necessary infrastructure for 2017 and beyond.
387. I am happy to report that this budget 2017 will be implemented through the Integrated Treasury Management Information System (ITMIS) and already the Revenue Administration Management Information System (RAMIS) has gone

live connecting the Inland Revenue Department (IRD), with another 23 government agencies. This will equip IRD with the necessary information to be more effective in tax administration and expand the tax base which will thereby eliminate the distortions in the market and create a level playing field for all businesses. At the same time, this facilitates the taxpayer, e- filing and e- payment of taxes creating a virtual office.

388. Honorable Speaker, the National Digital Identity (NDI) that is being implemented by Information and Communication Technology Agency (ICTA) will facilitate all persons, businesses and government to transact securely in the digital world. The NDI will be used by all government institutions as a key Unique Identifier (UI) for individuals and businesses. This will also be utilized to provide a more effective and efficient social safety net mechanism for the vulnerable groups of the society.
389. Digital signatures will also be made available for every citizen to digitally sign documents, which will also improve the country's trade dynamics.
390. ICTA will also implement the National Payment Platform (NPP) which will facilitate persons, businesses and government to make peer-to-peer payments, including fund transfers and online payments for goods and services, using computing devices, including mobile devices. We will also commence the National Data Center in 2017.
391. Furthermore, ICTA will implement an internationally implemented Toll charging system to control traffic by the third quarter of 2017.
392. Honorable Speaker, while moving fast on facilitating a digital economy, cyber security should be strengthened. As such, ICTA will implement the cryptography key for ensuring data integrity nationally by using Blockchain technology which would bring about greater security and convenience for persons to carry out transactions. We also will collaborate with our international partners to ensure prevention of cybercrimes and security of data and information.
393. All Government Ministries, Departments and Agencies will be connected with Video conferencing to increase the efficiency and convenience for better interactions between organizations within government. Cross Government

Digital documentations will also be implemented to bring about greater transparency and efficiency in delivering public service and improving the environment.

394. To ensure the smooth implementation of the aforementioned proposals, I propose to allocate Rs. 15,000 million for this purpose. Rs. 15,000 Mn

Creating a Secure Environment

395. Honorable Speaker, we took over a country where the rule of law was nonexistent, with the white van culture being the order of the day. However, today we see a paradigm shift with law and order being restored resulting in the average citizen now being able to live without fear.
396. I wish to note that we have rectified the salary anomalies of the Tri forces and the Police Department which have been a long outstanding issue.
397. During 2016, we have initiated programmes to strengthen the capacity of the Police Department and other relevant key agencies, to operate beyond the traditional realm of fighting crime on the streets to fighting cyber and financial crimes.
398. At the same time, Honorable Speaker, I am sure that everyone in the House will agree that the discipline on our roads has deteriorated significantly. In 2015, alone almost 40,000 accidents had occurred of which 2,800 deaths being recorded. At the same time, the scant respect for road rules also results in congestion which gives rise to significant economic loss to the country. As such, I propose to increase the minimum penalty on traffic offences to Rs. 2,500 and to revise the penalties accordingly.
399. The cost to the state as a result of traffic related issues is quite high. In this background, I propose to recoup through a minimum insurable claim of Rs. 25,000 through the insurance policy of the vehicle that is responsible for the accident, to meet the health expenditure if there are casualties who are admitted to state hospitals. The monies collected will be utilized to upgrade the facilities at state hospitals. Please note that this is not a charge on the General Public.

400. We will equip and improve the capacity of the Police Department with a modern communication center to enable better enforcement, for which I propose to allocate Rs. 5,000 million in 2017. Rs. 5,000 Mn

Improving the Legal Framework

401. Honorable Speaker, I am proud to note that we have honored the trust placed on us by the people, in ensuring an independent Judiciary with no political interference. In this respect, we will take all necessary action to strengthen the Judiciary and the other relevant institutions. We invite the Judiciary led by His Lordship the Chief Justice to make recommendations on possible judicial and legal reforms, that will facilitate the process of creating a country to be a destination for better quality living and investment.

402. We have also rectified the salary anomalies which were long outstanding, of the members of the Judiciary including that of the Chief Justice, the Supreme Court, Appeal and High Courts in 2016.

403. Responding to a request by the Judicial Service Commission, the government has now approved the appointment of two Research Officers per Supreme Court Judge and one Research Officer per an Appeal Court Judge. I propose to allocate Rs. 10 million for this purpose. Rs. 10 Mn

404. I propose to extend the professional allowances applicable to the legal officers employed in the state sector to those legal officers at the Tri Forces as well for which I propose Rs. 20 million to be allocated. Rs. 20 Mn

405. Having recognized the need to improve the infrastructure of courts and the facilities accorded to Judges, we have already allocated almost Rs. 1,757 million to complete the construction of Court complexes in Galle, Homagama, Wattala, Galagedara, Matara, Ruwanwella, Gampola, Passara, Mulaitivu and Mankulam, the construction of residential facilities for Judges and new head office building for Attorney General's Department.

406. I propose to allocate Rs. 600 million for the construction of court complexes in Anuradhapura, Matale, Jaffna and Polonnaruwa, the construction of residential facilities for judges and court automation. Further, we will also allocate Rs. 100 Rs. 600 Mn
Rs. 100 Mn

million to establish 4 commercial courts, so as to fast track the resolution of commercial disputes.

Environment

407. Honorable Speaker, with the leadership given by His Excellency the President, Sri Lanka ratified the Paris Agreement on Climate Change this year. Let me assure this House, that our government will not compromise environment and sustainable development in pursuing growth. To that end, we will be introducing a Sustainable Development Council Bill to Parliament shortly, where the national policy and strategy on sustainable development will ensure an integrated approach to environmental, economic and social factors in governmental decision making.

408. I doubt if I must speak extensively on the problems that we are faced with, due to the solid waste issue. I do agree that a long term solution must be pursued. As such, to encourage the private sector also to participate in solid waste management, I propose to charge only 50 percent of the applicable corporate tax rate on those businesses engaged in such ventures. I also propose to extend this benefit to, those producing organic fertilizer given the government's commitment to creating a "*Wasa Wisa Nethi Ratak*", through organic agricultural practices and further government will also extend its support by providing a 75% interest subsidy on a loan facility up to Rs.15 million. For this purpose I propose to allocate of Rs. 100 million. This benefit will also be extended to those engaged in the production of Bio Degradable Polythene given specially its impact on creating a cleaner environment.

Rs. 100 Mn

409. Honorable Speaker, our government policy on green energy is clear. The vibrant carbon trading market in the world has not been tapped by Sri Lanka adequately. Therefore, I encourage local businesses to tap into this market through the use of green energy sources in their operations

410. Similarly, I propose that all public sector buildings be converted to green energy sources such as solar etc. within a period of 2 years. I therefore, propose to make an initial commitment of Rs. 350 million for the successful implementation of this project.

Rs. 350 Mn

411. To further encourage the transfer to solar energy for households with a monthly electricity bill of over Rs. 2,000, I encourage the Banks to introduce a credit scheme to such consumers. Government will bear 50 percent interest cost on a credit limit of Rs. 150,000. For this purpose, I propose to allocate Rs. 1,500 million.

Rs. 1,500 Mn

Disaster Management and Natural Calamities

412. Honorable Speaker, we saw our country being battered by severe rains which resulted in floods and landslides in the first half of 2016. I wish to extend my deepest condolences to the loved ones of those who lost their lives and others who lost their homes and their livelihoods due to landslides and floods. We must take preventive care, so that such tragedies may not occur again.

413. In this background, Honorable Speaker, we have already allocated Rs. 31 billion, to the Metro Colombo Urban Development Project which will address flood mitigation in a large part of the Colombo district that is vulnerable to floods. We have also allocated Rs. 22 billion to the Climate Resilience Improvement Project which has been successful in implementing mechanisms to mitigate landslides in the districts of Kandy and Matale.

414. We will facilitate the purchase of 25 Flatbed Boats for the Disaster Management Centre and Fire Brigade Units for the local authorities for which I propose to allocate Rs. 250 million.

Rs. 250 Mn

415. We will also establish a Disaster Management Training Centre at Pelmadulla to enable stakeholders, including government agencies, the Armed forces, school and university community to be trained on prevention and mitigation of disasters and the action to be taken in such instances. I propose to allocate Rs. 50 million to facilitate the establishment of the training center.

Rs. 50 Mn

416. Honorable Speaker, last year we launched an innovative scheme, Natural Disaster and Emergency Relief Scheme for Rs. 10 billion, with the National Insurance Trust Fund (NITF). As a result, during the recent floods and landslides, NITF paid almost Rs. 3,000 million to the government to cover the costs of providing emergency relief to around 400,000 people who were affected. In addition, funds were also released to facilitate rehabilitation and reconstruction of damaged houses under this insurance scheme. This enabled the

government to meet the cost of emergency relief during the recent floods and landslides without creating an unnecessary impact on the government fiscal operations. Given the success of this innovative venture, I propose to increase the coverage to Rs. 15 billion and as such, I propose to allocate an additional sum of Rs. 200 million to meet the cost of the premium. I understand that this scheme is now being looked at by the World Bank as an innovative mechanism.

Rs. 200 Mn

Decentralized Development – “*Gamen Rata Hadamu*”

417. Honorable Speaker, the fruits of development must be enjoyed by not just those in the cities, or the Western province. It must be a shared partnership with every citizen having access to the opportunities that arises from development. The existence of such opportunities, have been quite polarized in the western province. However, our strategy is to augment the western region through mega polis development, while augmenting the facilities of Hambanthota and Trincomalee districts simultaneously. In short we will transform from a uni-polar Colombo centric development to a multi polar development. We will also channel resources for the development of the districts of Kandy and Jaffna as well.

418. I wish to note that the performance of many of the local government authorities leaves much to be desired, with these institutions failing in providing the basic services such as garbage collection and disposal and maintenance of public places, including sports grounds, *Sathi Pola*, libraries and public toilets. Funding remains a key constraint for many of the LG’s to expand their scope of work with significant dependence on the Central Government for funds.

419. In this context, I encourage the Local Government Authorities to revise their rates every 3 years, tagged to inflation. I note that this will be made easier, given that we will take steps to augment the capacity of the Valuation Department as well.

420. Garbage collection and disposal has become a health issue as well as a social issue warranting swift action. In this context, I request the local government authorities to implement a commercially viable garbage collection and disposal mechanism together with other local government authorities or on a stand-alone basis. This could be implemented on PPP basis too. Government will support such commercially viable ventures by investing up to a limit of Rs. 20 million per project. I allocate Rs. 500 million for this purpose.

Rs. 500 Mn

421. There are infrastructure gaps at the village level that need to be addressed to improve their social well-being and fuel rural sector economic activity. In this regard, I propose to allocate Rs. 4,500 million to develop 1,000 km of road length in rural areas. I encourage the community to partner this effort and claim ownership. **Rs. 4,500 Mn**
422. I also propose to allocate Rs. 3,000 million, for restoration, rehabilitation and desilting of 1,500 small tanks. **Rs. 3,000 Mn**
423. I note that it is important to upgrade those towns and cities specially in the lagging regions of the country. I urge the Ministry of City Planning and Water Supply to develop a comprehensive implementation plan to upgrade each city with modern facilities. I propose to allocate Rs. 3,000 million for this purpose. As an initiative of His Excellency the President, it is planned construct a new building for the National Library in Colombo. I propose to allocate Rs.500 million for this purpose. **Rs. 3,000 Mn**
Rs. 500 Mn
424. For the improvement of national coexistence and dialogue through language promotion I propose to allocate Rs. 300 million. **Rs. 300 Mn**
425. I propose to allocate Rs. 1,000 million to improve rural sanitation facilities, agro based industries, agriculture support services, etc. in the Southern province. **Rs. 1,000 Mn**
426. Honorable Speaker, to facilitate private businesses to expand their operations to the Northern Province we will construct a Vertical Building for mixed development which will include office space, recreational facilities, and entertainment facilities. I propose to allocate Rs. 1,000 million for this purpose. **Rs. 1,000 Mn**
427. I propose to allocate Rs. 200 million to complete the master plan, including the integrated township development in Samanthurai and Kalmunai of the Eastern province. At the same time, due to lack of drainage facilities, many cities and villages in the Eastern province suffer during the rainy season. As such, I propose to allocate Rs. 100 million to develop a proper drainage system in the Eastern province. **Rs. 200 Mn**
Rs. 100 Mn

428. A dedicated Economic Center in the Eastern province enabling the farmers and the SMEs to showcase their products will create opportunities for trade and employment generation for at least 1,000 people. As such, I propose to allocate Rs. 300 million for the establishment of an economic center. Rs. 300 Mn
429. Honorable Speaker, to support the marketing of the produce of micro and small scale agro and fish products, 250 *Sathi Pola* and fish markets will be developed island wide.
430. Matara Riverside Development will be initiated, for which I propose to allocate Rs. 200 million. Rs. 200 Mn
431. The Trincomalee district development programme “*Siri Sara Pivisuma*” initiated by His Excellency the President, envisages upgrading of infrastructure facilities together with the Tri Forces, Civil Defence Force and other stakeholders. I propose to allocate Rs. 1,000 million for this purpose. Rs. 1,000 Mn
432. To improve the postal network in the Jaffna district. I propose to allocate Rs.10 million. Rs. 10 Mn
433. To empower the local leaders, a special fund of Rs. 300 million will be established under the Ministry of National Policies and Economic Affairs. This fund will facilitate a loan scheme up to a maximum of Rs. 500,000 to be used for development activities. Rs. 300 Mn
434. Similarly, I wish to allocate Rs. 100 million each to the President’s Office and the Prime Minister’s office to address the various issues brought to their attention by the general public. Rs. 200 Mn

Cost of Living Support

435. Honorable Speaker, from the time we assumed office, we have always ensured that cost of living burden faced by the people is eased. We have deviated from the traditional policy of simply reducing prices to targeting structural improvements in the economy, where the benefits will not accrue not only in the short run, but also in the long run. It is in this background I propose the following.

436. Lak Sathosa plays a pivotal role in ensuring price stability for essential commodities. As such, I propose to expand the retail outlet network by establishing 100 new outlets island wide for which I propose to infuse Rs. 5 million per outlet and allocate Rs. 500 million. To further expand the Lak Sathosa activities and facilitate their reach towards the most vulnerable in society, I propose to have 8,000 Lak Sathosa franchise shops, to sell 25 essential commodities supplied by Lak Sathosa, to be sold at prescribed prices. To support this venture, government will pay Rs. 10,000 per month per outlet. Similarly, Osu Sala franchise will also be given Rs. 2,500 per month per outlet to 1,000 outlets. As such, I propose to allocate Rs. 1,000 million for this purpose.
437. Tolls on the expressways will be reduced by Rs. 50, between 9 pm to 5 am every day.
438. Owing to surplus of rice, 5 kilogrammes of rice per month will be distributed to each Samurdhi recipient. The cost of which will be deducted from the Samurdhi Stipend.
439. I propose to reduce the maximum retail price of
- a. Green gram by Rs. 15 per Kg
 - b. Dhal by Rs. 10 per Kg
 - c. Potatoes by Rs. 5 per Kg
 - d. Sprats by Rs. 5 per Kg
 - e. White Sugar by Rs. 2 per Kg
 - f. Kerosene by Rs. 5 per litre
 - g. LP Gas by Rs. 25 per 12.5 Kg domestic cylinder. I also note that VAT will not be applicable on LP Gas.
440. I also propose to maintain the price of a
- a. 400 g locally produced milk powder at Rs. 295
 - b. 425 g locally produced Canned fish at Rs. 125
441. The following table shows the price comparison between January 8th 2015 and November 10th 2016.

Rs. 500 Mn

Rs. 1,000 Mn

#	Consumer Good Item	Price by 08 th January 2015 (Rs.)	Current Market price as at 10.11.2016 (Rs.)	Price Difference (Reduction/ Increase) (Rs.)	Percentage Change (%)
Essential Food Commodities					
1	Potatoes – Imported, 1 Kg	116.80	115.00	(1.80)	(1.5)
2	Big onions – Imported, 1 Kg	122.40	78.00	(44.40)	(36.3)
3	White Sugar, 1 Kg	102.50	93.00	(9.50)	(9.3)
4	Rice - Samba 1 Kg	92.77	90.00	(2.77)	(3.0)
	Rice - Raw red 1Kg	91.90	75.00	(16.90)	(18.4)
5	Dried chillies – Neither crushed nor ground, 1 Kg	271.50	385.00	113.50	41.8
6	Mysore Dhal, 1 Kg	171.20	159.00	(12.20)	(7.1)
7	Dried Sprats (imported), 1 Kg	698.50	480.00	(218.50)	(31.3)
8	Dried Fish – Katta, 1 Kg	997.50	1,000.00	2.50	0.2
9	Dried Fish – Salaya, 1 Kg	503.80	425.00	(78.80)	(15.6)
10	Wheat flour, 1 Kg	97.50	87.00	(10.50)	(10.8)
11	Full Cream Milk Powder, 400 g – Imported	386.00	325.00	(61.00)	(15.8)
	Full Cream Milk Powder, 1 Kg – Imported	962.00	810.00	(152.00)	(15.8)
	Full Cream Milk Powder, 400 g – Local	325.00	295.00	(30.00)	(9.2)
	Full Cream Milk Powder, 1 Kg – Local	775.00	735.00	(40.00)	(5.2)
12	Canned fish (Imported) , 425g	230.00	140.00	(90.00)	(39.1)
	Canned fish (Local) , 425g	230.00	125.00	(105.00)	(45.6)
13	Frozen or chilled Broiler Chicken Meat (Whole Chicken)–with skin, 1Kg	457.00	410.00	(47.00)	(10.3)
14	Egg	12.78	11.00	(1.78)	(13.9)
15	Coriander, 1 kg	423.61	363.42	(60.19)	(14.2)
16	Green gram (Moong), 1 Kg	292.75	205.00	(87.75)	(29.9)
17	Coconut oil, 750 ml	210.75	199.14	(11.61)	(5.5)
18	Maldives Fish, 1 Kg	1,812.90	1,500.00	(312.90)	(17.2)
Other Essential Goods					
19	Gas, 12.5 kg Cylinder	1,896.00	1,320.00	(576.00)	(30.3)
20	Cement, 50 kg pack	940.00	930.00	(10.00)	(1.0)
21	Petrol – 92 Octane (Rs. per liter)	150.00	117.00	(33.00)	(22.0)
22	Petrol – 95 Octane (Rs. per liter)	158.00	128.00	(30.00)	(18.9)
23	Lanka Auto Diesel (Rs. per liter)	111.00	95.00	(16.00)	(14.4)
24	Lanka Super Diesel (Rs. per liter)	133.00	110.00	(23.00)	(17.3)
25	Lanka kerosene (Rs. per liter)	81.00	44.00	(37.00)	(45.6)

Source: Consumer Affairs Authority, Department of Census and Statistics, Hector Kobbekaduwa Agrarian Research and Training Institute, Ceylon Petroleum Corporation.

Revenue

442. Honorable Speaker, over the years, tax revenue as a share of GDP has declined. Tax efficiency in the country is low relative to its peer countries. Tax administration is negatively impacted by the complex tax structure and the large number of exemptions and tax holidays, leading to a narrow tax base.

443. Our government's direction, as enunciated by the Honorable Prime Minister, is to increase the direct tax component to 40% from around 20% at present and gradually reduce the indirect taxes to 60% from around 80% in the medium term.
444. The government will also phase out gradually the para-tariffs that are applicable in the tax system with the view making Sri Lanka a haven for investments going forward. Government has also taken steps to introduce anti-dumping and countervailing measures, which will facilitate a level playing field for domestic companies.
445. It is in this background, I propose the following measures to improve the government revenue.

Income Tax

446. The income tax system of the Country is revisited with emphasis being made on the creation of a much simpler income tax regime with minimum tax exemptions and a broadened tax base. Job creation, investment in fixed assets in designated zones, clean energy and the innovation will be the sole grounds for incentives.

Corporate Income Tax

447. The corporate income tax rate is proposed to be revised to create a three tier structure of 14 percent, 28 percent and 40 percent. Income tax rate applicable on liquor, tobacco, betting and gaming, etc. will be continued at the rate of 40 percent. SMEs, Exporters of goods and services, Agricultural sector and Education sector will be subjected to the lower rate of 14 percent. All others including banking, finance, manufacturing and trading will be subjected to income tax at 28 percent. Income tax rate of 10 percent currently applicable on funds, dividends, treasury bills and bonds will be increased to 14 percent. The SME category will be redefined in a rationalized manner.
448. Due to the exemptions on investment income, the increased share of economic activity in the country is not under the corporate income tax leading to the erosion of the corporate tax base. Therefore, I propose to remove the exemptions applicable on the income from the investment on listed securities, Dividends, Unit Trusts and other instruments. Notional Tax Credit applicable on the secondary market transaction of securities also will be removed.

449. The period of depreciation of capital assets will be revised for Plant, and Machinery and buildings.
450. Exporters will be granted a rebate of an amount equal to the 75 percent of the tax attributable to the excess earnings that arises as a result of an increase of 15 percent or more foreign currency earnings for the year of assessment 2016/17 compared to 2015/16.
451. Honorable Speaker, we encourage listing of companies on the stock exchange. Tax incentives which are already given to encourage listings will be continued. The new firms that will list on the stock exchange in the year 2017/18 will be entitled to a grant of an amount equal to 25 percent of the total income tax paid by that firm for the last year prior to listing.

Personal Income Tax

452. Income tax rate structure of individuals, including PAYE is proposed to be revised and the maximum rate will be 24 percent. Earnings in excess of tax free threshold will be taxed at the progressive rate structure which will be 4 percent to 24 percent having equal slabs of Rs. 600,000 per annum at each level.
453. With Holding Tax (WHT) on interest income will be increased to 5 percent from the present level and the exemption applicable on savings account with less than Rs. 60,000 per annum will be removed. WHT will be re-introduced on specified fees where the payment exceeds Rs. 50,000 per month. Interest income of senior citizens up to Rs. 1.5 million per annum, which is Rs. 125,000 per month will be exempted from income tax.

PAYE

454. PAYE rate schedule will be revised in line with the personal income tax rates and all the exemptions applicable on various categories will be removed. Instead, the tax free threshold of Rs. 100,000 per month will be available for every employee on their employment income. The income from the secondary employment up to Rs. 50,000 per month will be liable for PAYE at 10 percent and if it is more than Rs. 50,000, the tax will be at the rate of 20 percent.

455. The PAYE of the employees of state owned enterprises and other government institutions should be deducted from the employees' emoluments and should not be paid by the institution.

Economic Service Charge (ESC)

456. The ESC threshold will be reduced to Rs.12.5 million per quarter and the ESC will be charged at the point of customs on the importation of motor vehicles.

Value Added Tax (VAT)

457. In the backdrop of the government policy for promoting clean energy, plant, machineries and accessories for renewable energy will be exempted from VAT. Plant and Machineries imported by CEB for generation, transmission and distribution will be exempted from VAT.

458. I also propose to exempt the provision of geriatric care and child care services, certain electrical and electronic goods, locally manufactured dairy products other than milk powder from VAT.

459. Import of precious metal including gold and jewelry will be made liable for VAT.

460. I propose to remove the SVAT scheme as it could hardly be called simple. It has become redundant with an efficient and smoothly operational technology driven VAT administration process brought about by the IRD automation system.

461. A refund mechanism at ports and airports will be introduced for foreigners who stay not more than 30 days in Sri Lanka on the VAT paid by them in purchasing goods in Sri Lanka.

Nation Building Tax (NBT)

462. Honorable Speaker, we are heading towards a broadened tax base. As such, I propose to rationalize the NBT exemptions applicable on certain articles and services.

Financial Transactions Levy (FTL)

463. Honorable Speaker, I propose to introduce a new levy called FTL as a contribution for social development at the rate of Rs. 5 per Rs.10,000 on the total

cash transactions including easy cash by banks and other financial institutions. FTL will be treated as expenditure for income tax purpose.

Telecommunication Levy

464. Telecommunication Levy on internet services will be increased to 25 percent par with the other Telecommunication services.
465. In support of the country's digitalization process, all mobile telephone operators will be given a 6 months period to convert their infrastructure to provide at least 3G coverage. Any operator who failed to implement within this period will be liable for a surcharge of Rs.100 million per District. All metro areas are required to be converted to 4G by 30th June 2018.
466. It has been observed that more than 150,000 SIM cards are sold monthly. I propose to charge a SIM Card Activation Levy (SCAL) of Rs. 200 per SIM to discourage the use of mobile connections temporary for fraudulent and criminal activities.
467. Annual Spectrum License Fee (ASLF) has not been revised for a considerable period of time. Hence, I propose to increase the Annual Spectrum Licensee Fee by 25 percent, with effect from January 1, 2017.
468. The services provided by the external gateway operators to local operators will be exempted from VAT and NBT.

Taxes on Liquor

469. Honorable Speaker, this government has taken several measures to curtail illicit and illegal liquor circulation in the country. The fool proof sticker system announced in the last Budget will be introduced soon with the view of controlling the illicit liquor circulation in the country and to control the leakages. The bidding process is completed and sticker system will be implemented in 2017.
470. I propose to reduce the evaporation allowance of ethanol for the production of liquor from 1.5 percent to 0.15 percent. The evaporation in storage and transport is reduced due to technological enhancement and this percentage has not been revised for nearly ten years.

471. I propose to introduce Excise Duty on the quantum of raw materials used for producing ethanol. This would help reconciling the actual amount of production of ethanol.
472. To provide a better price for locally manufactured spirits, Duty on imported ethanol will be upwardly revised. I also propose introducing Excise Duty of Rs. 25 per liter for imported non-potable liquor for giving further assistance to local manufacturers.
473. Excise (Special Provisions) Duty will be introduced on the importation of beer can at the rate of Rs.10 per can of not more than 325 millilitre and Rs. 15 per can of more than 325 millilitre.

Carbon tax

474. Honorable speaker, I propose to introduce a Carbon Tax for all carbon fuel run motor vehicles. The emission test fee also will be included in the Carbon Tax. The Department of Motor Traffic will be the collecting authority of the Carbon Tax. The cost of emission test of a vehicle will be reimbursed to service provider by the Department. The vehicle owners need not to pay an additional fee for the emission test.

Motor Vehicles

475. Honorable Speaker, in the last budget we introduced the engine capacity based unit rate method for Excise Duty calculation for motor cars. Therefore, I propose to extend the engine capacity based Excise Duty to Motor Cycles as well. Honorable Speaker, government is committed to encourage green energy consumption; I propose to reduce Excise Duty on electric cars with motor power less than 100 KW.
476. To support local industries, I propose to extend the age limit for importing lorries and refrigerated trucks of capacity over 5 Metric Tonne to be extended to 10 years. Further, several duty revisions to correct anomalies in the duty structure will also be made. These changes will be implemented with effect from midnight today.
477. Honorable Speaker, with regard to motor vehicles, passenger safety is of paramount importance. As an initial step to encourage safety, I propose to set

motor vehicle standards of SRS, air bags, ABS and three point seat belts will be made compulsory for motor cars to ensure the road safety.

478. Presently Vehicle Entitlement Fee (VEF) is paid at the time of opening of LCs, to the banks. I propose to change this procedure. This Fee will be paid at the Sri Lanka Customs at the time of clearance of the vehicle. Upon payment a certificate with details of the imported vehicle will be issued.
479. There are over 6 million vehicles, in the country of which a considerable number are very old causing many environmental problems. Therefore I propose tax incentive on exporting vehicles which are more than 5 years old. Honorable Speaker, any export of not less than USD 200,000 that constitute minimum of 20 vehicles will be granted an Excise Duty waiver of 50 percent from the payable duty for importing a motor car with CIF value not exceeding USD 50,000.

Embarkation Levy

480. I propose to increase the Embarkation Levy (EL) to USD 50 per passenger from which USD 35 will be remitted to the Consolidated Fund.

Capital Gain Tax

481. Capital Gain Tax (CGT) will be introduced with effect from 1st April 2017 at a rate of 10 percent. We consider this tax to be equitable as it bridges the income gap and assists the government initiatives in poverty alleviation.

Customs Duty

482. Custom Duty (CD) on the importation of powdered milk will be reduced to Rs.100 per kilogram and will be increased from Rs.500/- to Rs.800/- per liter on the importation of potable alcohol.

Cess

483. Honorable Speaker our tax structure for external trade constitutes of multiple types of border taxes of PAL, CESS, and Custom Duty. This multiple border tax system is contrary to the principles of international trade taxes. In view such trade taxes must be simplified to meet the competitiveness in international markets. As such I propose to gradually moving out of the import Cess Levy. As a first step I suggest to remove Cess on 100 items.

484. Encouraging the export of locally value added product the Cess on export of rubber will be increased to Rs. 15 per kilogramme.

Others Fees and Levies

485. **Charge for Court Cases/ Case Filing Fee** - High volume of cases pending before the Courts is an overriding problem in the entire court system. Excessive caseloads cause delays in processing cases and deny the justice. And it causes a heavy burden to the government. I propose to charge a filling fee when filling a Court case by any person in any Court.

486. **Increasing fines charged on traffic offences** - Road accidents claim more and more lives daily. Most of the accidents are due to the traffic violations. I propose to increase fines charged on traffic offences and to increase the minimum fine to Rs. 2,500.

487. To address the overload of cases in the Magistrate Courts, I propose to amend the Motor Traffic Law to impose spot fine on offences which are currently be fined only by Courts. A system will be introduced for the errant motorists to pay their traffic fines through mobile phones.

488. Visa fees will also be revised.

489. **Teledrama Levy (TL)** - Considering the impact on the local industry created by the dubbed tele drama flowing into the country, the Teledrama Levy applicable on the foreign tele drama dubbed in Sinhala, Tamil or any other language will be increased.

490. **Beedi Leaves Import license** – I propose to issue licenses to import beedi leaves by charging an annual license fee of Rs. 5 million.

491. **Import License Fees** – Import licenses will be issued at a fee to import lubricant, bitumen and gold

492. **Annual License Fees on Firearms** – Annual License Fee of Rs. 20,000 will be imposed on firearms. Firearms which are used for agricultural purposes are excluded from this fee. Any person who uses firearms without obtaining or renewing such license paying the fee will be liable for Rs. 5 million penalty.

493. **Tax on Import of Books** – Books, magazines and journals other than exercise books will be exempted on PAL, NBT and VAT.
494. Bi-annual registration fee payable on lubricant agreements by the lubricant businesses will be revised to Rs. 2.5 million or 0.75 percent of total invoiced sales whichever is higher with effect from 1st January 2017. Honorable Speaker, I propose to remove the presently applicable upper ceiling.

Reforms in Tax Administration

Inland Revenue Department

495. Redrafting of Inland Revenue Act will be completed and policies for higher compliance and broadening the base will be incorporated. Anyone who will avoid or violate will be dealt stringently. Tax Manual also will be published.
496. E-commerce presents a major challenge for tax administration, given the multi-jurisdictional nature of transactions. A mechanism will be developed to tax these transactions.
497. IRD Administration will be decentralized to allow the tax authorities to be closer to the tax payer. Collection of taxes, fees and levies will be ensured by the deployment of IRD officers on electoral basis. A revenue monitoring unit will be established in the General Treasury.
498. Honorable Speaker, there are a lot of charges and levies which remains not properly collected at local level. Therefore I propose these revenue are collected through the officers already deployed at Divisional Secretariats.
499. RAMIS will be fully implemented and a virtual office setup which allows no physical interface between IRD officials will be formed.
500. The time frame for assessments, appeals and Court proceedings will be reduced and the Tax Appeals Commission will be strengthened by increasing the membership and filling vacancies.
501. VAT Law enacted in 2002 has not been consolidated thereafter leaving the provisions difficult to be understood by users. Therefore steps will be taken to consolidate the VAT Act incorporating amendments up to date.

502. Post refund audits upon obtaining bank guarantee, will be implemented in order to minimize delays in the VAT refund process
503. Smart e-invoice devices will be introduced to be used at the point of sale by the VAT registered persons. This will make the VAT collection process more simple and efficient. This system will be extended to the Excise Department as well.
504. National Tax Council will be established and the Office of Tax Ombudsman will be created by an Act of Parliament to resolve grievances of tax payers with the view to increasing tax payer confidence in the tax system and to avoid litigations.
505. Steps will be taken to ensure the benefits and recognition proposed in the previous Budget are given to the privileged tax payers and three types of privilege cards, Platinum, Gold and Silver will be issued for them.

Sri Lanka Customs (SLC)

506. Honorable Speaker, we have ratified the World Trade Organization's (WTO) Trade Facilitation Agreement. This will provide, significant opportunity to improve the speed and efficiency of border procedures, thereby reducing trade costs and enhancing participation in the global value chains that characterize international trade today. We have also appointed the National Trade Facilitation Committee. Apart from the following measures we will also introduce the required legislative amendments to streamline the Customs procedures.
507. **Registration of all importers** with the Customs Department, so as to grant them with appropriate levels of facilitation in the clearance process. This will be effective from 1st January 2017.
508. Will create **risk profiles of importers** which will help the low risk importers expeditious clearance.
509. **Pre arrival processing** – submission of import documentation and information, including Manifest for processing before the arrival of the goods will ensure faster clearance and release once the goods reach the port. This will ensure just in time delivery of goods for compliant importers.

510. **Average time of clearance and release** – in order to ensure predictability Customs Department will endeavor to publish average processing time of imports and export documentation and average release time of goods. The Customs Department will ensure that export documents and containers will be processed by the Department of Customs for shipment within 2 hours from the time of submissions at the exports facilitations Centre. We will also ensure that the documentation pertaining to imports will be processed in 3 hours and the containers released within 24 hours.
511. **Dry-port clearance** - We will also explore the possibility of establishing dry ports on PPP basis.
512. **Valuation database** - Customs value of imported goods for duty purposes are based on the transaction value as per the WTO Valuation Agreement. Thus in order to ensure uniform application ascertaining the actual transaction value of imported goods, Customs Department will establish a valuation data base with effect from 1st January 2017, for about 700 commonly imported goods with corresponding minimum values, which can be used as reference values to process clearance of imported goods.
513. **Advance Rulings** - **In** order to ensure predictability of taxes payable on importation, Customs issues advance rulings, which will now cover origin of goods as well.
514. **Compliant Traders to be rewarded**- Customs will accord the green channel facilities for documentary checks and documentary and goods examination to compliant traders.
515. **Publication and availability of information** – in order to ensure transparency in Customs practices and procedures, the Customs Department will establish and implement a National Trade Information Portal in Sri Lanka.
516. **Single Window** - Customs has already taken the initial step of enabling traders to submit documentation or data requirements for importation, exportation or transit of goods electronically through a single entry point to the participating authorities or agencies.

517. We will be installing a **Container Scanning system** at the Ports and the airport to ensure, effectiveness and efficiency of the container and baggage clearing process, which will minimize delays and enhance government revenue collection.
518. To curb smuggling activities through sea, the Customs Department will reactivate the Marine division. As such to strengthen this department I propose to allocate Rs.250 million to procure 6 new Sea Patrol crafts.

Online Transactions

519. With the development in technology, online transactions have now become very popular. This has become a method to bypass the formal taxes and charges that is otherwise applicable in trade and financial transactions. This results in significant revenue leakages to the government given that taxes are not properly charged at the points of port, airport and the post office and courier services when such goods enter the country. As such, ICTA will create a common platform to facilitate online firms such as amazon, ebay, etc to be able to collect taxes on behalf of the government for transactions carried out within Sri Lanka. This common platform will be monitored by the General Treasury.

Open Government Partnership

520. The Right to Information Bill which this House passed in 2016 will come into force from February 2017. As such, to support the successful enforcement of this Act, I propose to allocate Rs. 25 million for this purpose. Rs. 25 Mn
521. Honorable Speaker, reiterating government's commitment to good governance and sustainable development, Sri Lanka committed to the Open Government Partnership Initiative this year. As such, Honorable Speaker, let me assure this House that this budget was prepared within the framework of our commitments in the areas of health, education, information and communication technology, local government, women, women in political governance, corruption and right to information. We will continue to strengthen the governance framework and ensure that a truly open government will be achieved.
522. Honorable Speaker, I table all details of revenue and expenditure proposals in terms of the Fiscal Management (Responsibility) Act.

Budget Implementation

523. Honorable Speaker, we have been very conservative in our projections of both revenue and expenditures. We are also mindful that the external sector holds many uncertainties that could have a negative impact on the revenue estimates. In fact we will be presenting, the quarterly expenditure and income outcomes to Parliament within one month at the end of any quarter because we will uphold the Parliamentary control of Public Finance. However, our government is committed to a fiscal consolidation path and as such, any possible revenue shortfalls will warrant us to realign the expenditure with the approval of this House.
524. Honorable Speaker, effective budget implementation will be the key, in ensuring that we meet the key economic growth targets we have set for ourselves. In this context, I propose to appoint a committee constituting of members from both the private and public sector to oversee budget implementation and execution.
525. Honorable Speaker, this journey we have embarked on, cannot be trekked in isolation. The private sector must partner with us in this endeavor. As such, I request the 100 largest companies in the country to partner the government in implementing certain specified projects. The interest cost of these projects will be borne by the government.
526. This budget is a departure from the traditional budgets that focuses only on welfare. This budget aims to create sustainable environment that upholds the rights of our people, provides them with better infrastructure facilities, creates more opportunities for employment with better wages and above all enables all Sri Lankans to be empowered.
527. No Finance Minister wants to impose taxes and burden the people. Every Finance Minister wants to give concessions to the people improving their lives. However, our government inherited the worst economic legacy that anyone could inherit. We are forced to fight a constant battle to relive ourselves from this debt trap we are embroiled in. The guidance I receive from His Excellency the President and the Honorable Prime Minister in this regard is immeasurable. I am reminded of a quote from Field Marshall Sarath Fonseka who said, “I will not leave this War to the next Army Commander” we also wish to assure this

House and our fellow citizens, that our government will not leave this economic war to the future generations.

528. We have come a long way from the time our government was mandated on the 8th of January last year, to usher in an era of good governance, and prosperity for all. Let me say this. All of us have differing opinions. We are entitled to them. That is the beauty of a democracy. But our ultimate responsibility is to our people, who voted for us. We have a choice of looking into the future or living in the past. But the danger of the latter is as Winston Churchill said “If we open a quarrel between past and present, we shall find that we have lost the future”. I am sure that none of us here are willing to lose the future. Let’s work to ensure that we create a secure future for all our people and the generations to come.

529. I wish to extend my gratitude to His Excellency the President, Honorable Prime Minister, my Cabinet colleagues, Members of the Parliament who are present here today and to the Secretary to the Treasury and all the officials of the General Treasury who contributed to the compilation of this budget. I wish to extend a special word of appreciation to all those who forwarded many of these proposals in response to a request made by us.

May the blessings of the Triple Gem be with our Motherland.

May god bless our motherland with the choicest of blessings.

Annexure I**Revenue Proposals -2017**

Proposals	Rs. Mn.
1 Corporate Tax revisions	32,000
2 Revisions of Withholding Tax	26,000
3 PAYE Tax revisions	2,500
4 Telecommunication Levy revisions	5,000
5 SIM Activation Levy	200
6 Excise Duty revisions on motor vehicles	14,000
7 ESC on imported motor vehicles	500
8 Revision of Embarkation Levy	4,500
9 Financial Transaction Levy on transactions of banks and financial institutions	8,000
10 Revision of allowable evaporation for spirits	600
11 Excise duty revisions on Ethanol	5,000
12 Carbon Tax on motor vehicles	4,000
13 Court Fee for filing a case	7,500
14 NBT revisions	1,700
15 Excise duty on Non-potable alcohol	3,500
16 Capital Gain Tax	5,000
16 Transferring public institutions' unutilized accumulated funds	20,000
Total	140,000

Compiled by Department of Fiscal Policy

Annexure II

Expenditure Proposals - 2017

	Budget Proposal	Responsible Government Institution	Relevant Treasury Department	Allocation (Rs. Mn)
Agriculture				
	Provide 50% interest subsidy loan to farmers, farmer organizations and agro processing establishments	Ministry of Agriculture/ Ministry of Finance	Department of Development Finance	400
	Interest subsidy loan scheme for improving mechanization of agriculture	Ministry of Agriculture/ Ministry of Finance	Department of Development Finance	50
Plantation				
	Establish a National Finite Element Simulation Center at Plastic and Rubber Institute of Sri Lanka	Ministry of Plantation Industries	Department National Budget	50
	Produce genetically superior high yielding coconut planting materials	Ministry of Plantation Industries/ Coconut Research Institute and Coconut Cultivation Board	Department of Development Finance	75
	Develop an Automated Commodity Exchange	Sri Lanka Tea Board, Coconut Development Authority, Export Development Board	Department of Development Finance	75
Dairy Industry				
	Provide high milk producing cows to farmers	Ministry of Agriculture	Department of Development Finance	400
	Sell locally produced milk powder at a lower rate	Ministry of Rural Economic Affairs	Department of Development Finance	200
Fishery Industry				
	Establish Aquaculture Industry Zones in Hambantota, Mannar and Batticaloa	Ministry of Fisheries and Aquatic Resources	Department of National Budget	500
	Gandara Fishery Harbour Development Project	Ministry of Fisheries and Aquatic Resources	Department of National Budget	100
	Improve fishery villages in 10 coastal districts including Hambantota, Jaffna and Batticaloa	Ministry of Fisheries and Aquatic Resources	Department of National Budget	1,200
	Establish integrated inland	Ministry of Fisheries and	Department of	300

	fishery villages - “ <i>Wewak Sahitha Gamak Programme</i> ”	Aquatic Resources	National Budget	
	Expand operations of National Aquaculture Development Authority	Ministry of Fisheries and Aquatic Resources	Department of National Budget	50
Poultry				
	Provide 50% interest subsidy encouraging private sector investors to invest in the out grower system	Ministry of Rural Economic Affairs	Department of Development Finance	350
	Provide refrigerators to small scale poultry traders	Ministry of Rural Economic Affairs	Department of Development Finance	75
	New Comprehensive Rural Credit Scheme (NCRC) to establish hatcheries	Ministry of Rural Economic Affairs	Department of Development Finance	100
Floriculture and Ornamental Fish Industry				
	Provide 50% interest subsidy loan scheme to establish 2,000 floriculture nurseries	Ministry of Agriculture/ Ministry of Finance	Department of Development Finance	50
	Provide 50% interest subsidy loan scheme to ornamental fish industry	Ministry of Agriculture/ Ministry of Finance	Department of Development Finance	25
Irrigation and Mahaweli Development				
	Yan Oya Project	Ministry of Irrigation and Water Resources Management	Department of National Budget	1,000
	Lower Malwathu Oya Irrigation Project	Ministry of Irrigation and Water Resources Management	Department of National Budget	300
	Productivity Enhancement and Irrigation System Efficiency Management Project	Ministry of Irrigation and Water Resources Management	Department of National Budget	300
	Support rehabilitation of Minipe Left Bank and Kithul and Rugam, Mundeni Aru and Tharapuram tank	Ministry of Irrigation and Water Resources Management	Department of National Budget	600
	Implement pilot projects to monitor ground water in Polonnaruwa, Mannar, Vavuniya, Monaragala, Ampara, Hambantota, Anuradhapura and Batticaloa	Ministry of Irrigation and Water Resources Management	Department of National Budget	200
Education Sector				
	Infrastructure development including provision of laboratory equipment and furniture	Ministry of Education	Department of National Budget	5,000
	Basic facilities such as electricity, water and sanitation facilities to all schools	Ministry of Education	Department of National Budget	2,000
	Free tabs to AL teachers and students	Ministry of Education	Department of National Budget	5,000

	Provision to rent a maximum of 50 computers per school	Ministry of Education	Department of National Budget	5,000
	Upgrading 25 Plantation Schools	Ministry of Education	Department of National Budget	250
	“Subhaga” scholarship scheme to support 1,000 gifted children	Ministry of Education	Department of National Budget	30
	Extend Agrahara Insurance Benefit Scheme, Property Loan and Distress Loan facility to semi government schools	Ministry of Education	Department of National Budget	25
	Improvement of special education and increasing the daily allowance to differently abled children	Ministry of Education	Department of National Budget	175
	Rs.200,000 health insurance for students	Ministry of Education	Department of National Budget	2,700
Higher Education				
	Construct 10 storey building at Ruhuna University Medical Faculty	Ministry of Higher Education and Highways	Department of National Budget	500
	Scholarship scheme to best performing undergraduates of the state universities to enter in to top universities around the world	Ministry of Higher Education and Highways	Department of National Budget	500
	Encourage university students’ engagement in extracurricular activities	Ministry of Higher Education and Highways	Department of National Budget	100
	Loan scheme for the students who are unable to get into the state universities	Ministry of Higher Education and Highways	Department of National Budget	300
	Loan scheme to 5,000 students to follow Bachelor of Education courses at non state UGC approved institutes	Ministry of Higher Education and Highways	Department of National Budget	100
	Establish a Center for Gender Equity and Equality and Prevention of Sexual and Gender Based Violence and Ragging	Ministry of Higher Education and Highways	Department of National Budget	10
Skills Development				
	Scholarships for students to follow training programmes at government vocational training institutions	Ministry of Skills Development and Vocational Training	Department of National Budget	300
	Stipend for 10,000 youth who will be trained by the private sector in areas such as apparel, healthcare, hospitality and construction	Ministry of Skills Development and Vocational Training	Department of National Planning	300
	Upliftment of Matara German Training Technical School and Hotel Training School	Ministry of Skills Development and Vocational Training	Department of National Planning	200
	Establish an e-Learning Resource Center at the University of	Ministry of Skills Development and	Department of National Budget	125

	Kelaniya	Vocational Training		
Health				
	Prevention of CKDu	Ministry of Health and Indigenous Medicine	Department of National Budget	750
	Upliftment of Nurses Training School	Ministry of Health and Indigenous Medicine	Department of National Budget	200
	Health authorities visiting every primary school in the country	Ministry of Health and Indigenous Medicine	Department of National Budget	50
	Research on CKDu and other key NCDs	National Science Foundation	Department of National Budget	100
	Establish Specialized Pediatric Care Complexes in Karapitiya, Ampara and Jaffna Hospitals	Ministry of Health and Indigenous Medicine	Department of National Budget	1,000
	Establish Base Hospital in Nintavur	Ministry of Health and Indigenous Medicine	Department of National Budget	200
	Establish Oral Health Center in Karapitiya Teaching Hospital	Ministry of Health and Indigenous Medicine	Department of National Budget	50
	Establish Bone Marrow Transplant Unit at Kandy General Hospital	Ministry of Health and Indigenous Medicine	Department of National Budget	500
	Increasing the number of Nutritionists to 300 within 3 years	Ministry of Health and Indigenous Medicine	Department of National Budget	50
	Strengthen Post Graduate Institute of Ayurvedic Medicine	Ministry of Health and Indigenous Medicine	Department of National Budget	250
Ease of Doing Business in Sri Lanka				
	Establishment of the National Business Registry and the Office of the Trade Prosecutor	Ministry of Industry and Commerce	Department of Trade and Investment	50
Small and Medium Scale Entrepreneurs				
	Implement SME Credit Guarantee Scheme	Ministry of Finance	Department of Development Finance	500
	Concessionary loan scheme to SMEs	Ministry of Finance	Department of Development Finance	750
	Provide necessary infrastructure and entrepreneur training in handloom industry through Industrial Development Board and upliftment of industrial estates	Ministry of Industry and Commerce/ Industrial Development Board	Department of Public Enterprises	500
	Establish a "Unique Craft Marketing Center" in Colombo on PPP basis	Ministry of Industry and Commerce/ Industrial Development Board	Department of Development Finance	100
Investments				
	Build iconic buildings by Urban Development Authority and Inland Revenue Department	Ministry of Megapolis and Western Development/ Ministry of Finance	Department of National Budget	500
Exports				
	Establish EXIM Bank of Sri	Ministry of National	PEMS Unit -	10,000

	Lanka	Policies and Economic Affairs	Ministry of Finance	
	Global Marketing Campaign to boost the exports and Foreign Direct Investment (FDI)	Ministry of National Policies and Economic Affairs	Department of Trade and Investment Policy	1,000
	Colombo Fair Exhibition	Export Development Board/ Sri Lanka Tourism Promotion Bureau/ Sri Lanka Tea Board	Department of Trade and Investment Policy	50
	Provide land, electricity and water facilities to private free trade zones along the expressway corridors	Ministry of Development Strategies and International Trade	Department of Trade and Investment Policy	1,000
	Trade promotional activities	Ministry of Industry and Commerce	Department of Trade and Investment Policy	50
State Owned Enterprises (SOEs)				
	Establish a Mega Showroom by Sri Lanka State Trading Corporation	Ministry of Industry and Commerce	Department of Public Enterprises	100
Science, Technology and Innovations for Development				
	Establish Innovation Accelerator Fund	Ministry of Science, Technology and Research	Department of National Planning	100
	Establish a Bio Technology Innovation Park on PPP basis	Coordinating Secretariat for Science, Technology and Innovation (COSTI)	Department of National Planning	100
	Establish Center for Advanced Electronic Design at University of Moratuwa	Ministry of Highways and Higher Education	Department of National Planning	100
	Sri Lanka Institute of Nano Technology (SLINTEC)	Ministry of Science and Technology	Department of National Planning	250
	Establishment of the Centre of Excellence in Robotics Applications (CERA)	Ministry of Science and Technology	Department of National Planning	50
	Center for Excellence in Genomic Science	Ministry of Science and Technology	Department of National Planning	50
	Product Design Engineering Services Fund	Ministry of Science and Technology / Coordinating Secretariat for Science, Technology and Innovation (COSTI)	Department of National Planning	500
	Establish incubators in 5 districts to support startups in collaboration with <i>Nenasala</i>	Ministry of Science, Technology and Research	Department of National Planning	100
	Expand Pharmaceutical Lab at Industrial Technology Institute (ITI) Sri Lanka	Ministry of Science, Technology and Research	Department of National Planning	150
Tourism				
	Interest subsidy loan scheme to tourist hotels	Ministry of Tourism Development and Christian Affairs	Department of National Budget	500

	Update print and electronic brochures and guides distributed in high tourist attractions	Ministry of Tourism Development and Christian Affairs	Department of National Budget	10
	Construct a MICE convention Centre in Colombo with a seating capacity of 5,000	Ministry of Tourism Development and Christian Affairs	Department of National Budget	1,000
	Establish a Training Center and an Integrated Information Center in Eastern province	Ministry of City Planning and Water Supply	Department of National Budget	100
	Expand Tourist Police Units in tourist hot spots	Ministry of Tourism Development and Christian Affairs	Department of National Budget	50
Better Connectivity and Improving Mobility				
	Double tracking of the railway line in Polgahawela - Kurunegala section and the Aluthgama - Galle section	Ministry of Transport and Civil Aviation	Department of National Budget	1,000
	Extension of railway line from Kankesanthurai to Ponnalai Junction	Ministry of Transport and Civil Aviation	Department of National Budget	50
	Investment in jetties for transportation on waterways	Ministry of Tourism Development and Christian Affairs	Department of Public Enterprises	100
	Provide 50% interest subsidy on loan scheme for promoting electric cars as taxis	Ministry of Transport and Civil Aviation	Department of Public Enterprises	200
	Provide 75% interest subsidy on loan scheme to upgrade school vans	Ministry of Transport and Civil Aviation	Department of Public Enterprises	150
Aviation Industry				
	Introduce new domestic airline on PPP basis	Ministry of Transport and Civil Aviation	Department of Public Enterprises	50
Water				
	Augmentation of Trincomalee Water Supply Scheme	Ministry of City Planning and Water Supply	Department of National Budget	600
	Establish desalination plants in Jaffna and Puttlam on PPP basis	Ministry of City Planning and Water Supply	Department of National Budget	250
Financial Sector				
	Payments to Golden Key depositors	Ministry of National Policies and Economic Affairs/ Central Bank of Sri Lanka	Department of Treasury Operations	3,000
	Establish Financial Asset Management Agency (FAMA) to revitalize the failed non-bank finance companies	FAMA – Ministry of Finance	FAMA – Ministry of Finance	10,010
Banking				
	Infusion of capital for the Housing Bank	Ministry of Public Enterprise Development	Department of Public Enterprises	7,500
Everyone's a Home Owner				
	Expedite the construction of 50,000 houses in Northern and	Ministry of Housing and Construction	Department of National Budget	5,000

	Eastern provinces			
	Provide 50% interest subsidy loan scheme up to Rs.200,000 for 100,000 houses	Ministry of Finance	Department of National Budget	1,000
War Against Poverty and a Strong Social Welfare Network				
	Grant pensions to differently abled soldiers	Ministry of Defence	Department of National Budget	3,500
	Contributory Pension Fund	Ministry of Public Administration	Department of National Budget	1,000
Empowerment of Youth and Women				
	Provide full interest subsidy for loans of Rs.1.5 million to at least 1,000 graduates of state universities to encourage their engagement in business startups	Ministry of Highways and Higher Education	Department of National Budget	150
	Vocational training programme under National Youth Services Council and Youth Corp	Ministry of National Policies and Economic Affairs	Department of National Budget	4,000
	Drug prevention and rehabilitation of drug addicts	Sri Lanka Police/ National Youth Services Council	Department of National Budget	200
	Each MP to be provided Rs.1 million per one Grama Niladari division (GN) to be given to selected youth interest free loans	Ministry National Policies and Economic Affairs	Department of National Budget	7,000
Religion, Culture and Arts				
	Celebrate International Vesak Day	Ministry of Buddhasasana	Department of National Budget	250
	Development of Religious places by the Presidential Secretariat	Presidential Secretariat	Department of National Budget	50
	Facilitate rehabilitation of religious places	Ministry of Tourism and Christian Affairs	Department of National Budget	25
	Augment the infrastructure of Pirivena and the capacity development of the Privena teachers	Ministry of Buddhasasana	Department of National Budget	50
	Introduce a bursary of Rs. 2,500 per month for all Bhikkus studying at Privenas	Ministry of Buddhasasana	Department of National Budget	150
	Establish Film Archives and Restoration Unit (FARU) at National Film Corporation	Ministry of Parliamentary Reforms and Mass Media	Department of Public Enterprises	50
	Establish the “ <i>Pandit Amaradeva Sangeetha Ashramaya</i> ”	Ministry of Parliamentary Reforms and Mass Media	Department of National Budget	25
	Establish National Film Academy	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Department of Public Enterprises	50
	Facilitate the activities of Censor Board	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Department of Public Enterprises	50
	Expand and strengthen the existing Insurance scheme for	Ministry of Internal Affairs, Wayamba Development and	Department of Public Enterprises	50

	Artists	Cultural Affairs		
	Interest subsidy to obtain credit facilities by media personnel to upgrade their equipment	Ministry of Parliamentary Reforms and Mass Media	Department of National Budget	25
	Facilitate the undertaking of programmes aimed at improving peace and harmony amongst the different ethnicities in the country	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Department of National Budget	180
Sports				
	Talent Identification Programme among children and youth	Ministry of Sports	Department of National Budget	50
	Establish a National Sports Academy affiliated to Diyagama Stadium	Ministry of Sports	Department of National Budget	100
	Support national level athletes to represent Sri Lanka in major international competitions	Ministry of Sports	Department of National Budget	100
	Upgrade Sugathadasa Indoor and Outdoor Stadium	Ministry of Sports	Department of National Budget	250
	Improve facilities in sports schools	Ministry of Sports	Department of National Budget	100
	Establish provincial sports complexes with a synthetic track	Ministry of Sports	Department of National Budget	250
	Capacity development of sports trainers and coaches	Ministry of Sports	Department of National Budget	50
	Establish Human Performance Laboratory	Ministry of Sports	Department of National Budget	100
	Establish a well-equipped Altitude Training Center in Nuwara Eliya	Ministry of Sports	Department of National Budget	500
	School Cricket promotion in 1,000 outstation schools	Ministry of Sports	Department of National Budget	250
	Construction of Kumar Anandan Swimming pool in Velvittiturai	Ministry of Sports	Department of National Budget	25
Better Public Sector Service Delivery				
	Establish 1,000 “Sewa Piyasa” units	Ministry of Public Administration and Management	Department of National Budget	1,500
	Establish Immigration Police	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Department of National Budget	25
Digitalizing the Economy				
	National Digital Identity	Ministry of Telecommunication and Digital Infrastructure/ Information Communication Technology Agency	Department of National Budget	15,000
	National Payment Platform			
	Establish National Data Center			
	Toll charging system to control traffic			
	Introduce Cryptography using Blockchain Technology			

	Provide Video conferencing facilities in government ministries			
Creating a Secure Environment				
	Providing Police Department with modern equipment for better enforcement	Ministry of Law and Order	Department of National Budget	5,000
Improving the Legal Framework				
	Recruit research officers for Supreme Court and Appeal Court	Ministry of Justice	Department of National Budget	10
	Professional allowance for legal officers in the tri-forces.	Ministry of Justice	Department of National Budget	20
	Construct Court complexes in Anuradhapura, Matale, Jaffna and Polonnaruwa and residential facilities for judges and Court automation.	Ministry of Justice	Department of National Budget	600
	Establish 4 commercial courts	Ministry of Justice	Department of National Budget	100
Environment				
	<i>Wasa Wisa Nethi Ratak</i>	Ministry of Mahaweli Development and Environment	Department of National Budget	100
	Convert public sector buildings to green energy	Ministry of Power and Renewable Energy	Department of National Budget	350
	Interest subsidy to households with monthly electricity bill over Rs.2,000 to convert in to solar energy	Ministry of Power and Renewable Energy	Department of Public Enterprises	1,500
Disaster Management and Natural Calamities				
	Purchase 25 flatbed boats for the Disaster Management Center and Fire Brigade Units of the Local Authorities	Ministry of Disaster Management	Department of National Budget	250
	Establish Disaster Management Training Center at Pelmadulla	Ministry of Disaster Management	Department of National Budget	50
	Increase the coverage of Natural Disaster and Emergency Relief Scheme to Rs.15 billion	Ministry of National Policies and Economic Affairs/ NITF	Department of National Budget	200
Decentralizing Development				
	Waste management of local government authorities	Ministry of Local Government and Provincial Councils	Department of National Budget	500
	Development of 1,000 Km of road length in rural areas	Ministry of Local Government and Provincial Councils	Department of National Budget	4,500
	Restoration, rehabilitation and de-silting of 1,500 small tanks	Ministry of Agriculture	Department of National Budget	3,000
	Development of comprehensive plan to upgrade cities	Ministry of City Planning and Water Supply	Department of National Budget	3,000
	Vertical Building for mixed development including office space, recreational facilities, and	Ministry of Local Government and Provincial Councils	Department of National Budget	1,000

	entertainment facilities to facilitate private businesses to expand their operations to the Northern Province			
	Integrated Townships in Smanthurai and Kalmunai	Ministry of City Planning and Water Supply	Department of National Budget	200
	Improve drainage system in Eastern province	Ministry of Local Government and Provincial Councils	Department of National Budget	100
	Establish Economic Center – Eastern province	Ministry of Local Government and Provincial Councils	Department of National Budget	300
	Matara Riverside Development	Ministry of Megapolis and Western Development	Department of National Budget	200
	Jaffna District Postal Network	Ministry of postal Services	Department of National Budget	10
	Establish a Special Fund to empower the local leaders	Ministry of National Policies and Economic Affairs	Department of National Budget	300
	Southern Development	Ministry of Law & Order and Southern Development	Department of National Budget	1,000
	Address regional level issues	The Presidential Secretariat/ Prime Minister's Office	Department of National Budget	200
	“Siri Sara Pivisuma” Programme in Trincomalee district	Presidential Secretariat	Department of National Budget	1,000
	Upgrading the Public Library Colombo	Presidential Secretariat	Department of National Budget	500
	Promotion of National Co-existence, Dialogues and Official Languages	Ministry of National Co-existence, Dialogues and Official Languages	Department of National Budget	300
Cost of Living Support				
	Expand Lak Sathosa Retail Network	Ministry of Industry and Commerce	Department of Public Enterprises	500
	Expand Lak Sathosa and Osu Sala franchise shops	Ministry of Industry and Commerce	Department of Public Enterprises	1,000
Open Government Partnership				
	Support the Right to Information Bill	Ministry of Parliamentary Reforms and Mass Media	Department of National Budget	25
Custom Administration				
	Purchase of boats for sea patrolling	Ministry of Finance	Department of Sri Lanka Customs	250
Total				139,905

Gross Borrowings Requirement -2017
(Provisioning for Accounting Transactions)

Item	Rs. Bn.
Total Revenue Receipts and Grants	2,049
Total Payments, including Repayments	3,469
Provision for Advance Account Operations	5
Risk Provision on Account of Variation in Receipts and Payments	50
Contingent Liability	34
Adjustments for book/Cash Value of Government Securities	70
Total Gross Borrowings Requirement to be Recorded in Government Accounts	1,579
of which, Total Debt Repayments	800

Compiled by the Department of National Budget and Department of Treasury Operations

Annexure IV

Summary of the Budget (2013-2017)¹

Rs. Bn.

Item	2013	2014	2015	2016	2017 Budget
Total Revenue and Grants	1,204	1,264	1,515	1,658	2,098
Total Revenue	1,188	1,254	1,509	1,648	2,088
Tax Revenue	1,006	1,050	1,356	1,432	1,821
Income Tax	206	198	263	236	335
Taxes on Goods and Services	572	616	804	854	1086
Taxes on External Trade	228	236	289	342	400
Non Tax Revenue	132	145	99	144	189
Provincial Councils Tax Sharing and Devolved Revenue	51	59	54	72	78
Grants	16	9	6	10	10
Total Expenditure	1,720	1,855	2,345	2,328	2,723
Recurrent	1,256	1,382	1,756	1,842	2,024
Salaries and Wages including Provincial Councils	432	486	604	645	675
Other Goods and Services including Provincial Councils	104	141	197	170	202
Interest	444	436	527	603	680
Subsidies and Transfers	276	318	428	424	467
Public Investment	481	487	603	500	708
Education and Health	56	78	90	115	141
Infrastructure	425	408	513	385	567
Other	-17	-14	-14	-14	-9
Revenue Surplus (+)/Deficit(-)	-68	-128	-247	-194	64
Primary Surplus (+)/Deficit (-)	-72	-155	-302	-67	55
Budget Surplus (+)/Deficit(-)	-516	-591	-830	-670	-625
Total Financing	516	591	830	670	625
Total Foreign Financing	88	316	369	395	272
Foreign Borrowings-Gross	183	423	556	540	450
Project and Programme Loans	187	245	263	220	230
Foreign Commercial	-4	198	293	320	220
Debt Repayment	-95	-107	-187	-145	-178
Total Domestic Financing	428	276	460	275	353
Non-Bank Borrowings	257	193	197	341	261
Foreign Investments in T-Bills and T-Bonds	140	21	223	-100	60
Bank Borrowings	31	62	41	34	32
Revenue and Grants/GDP (%)	12.6	12.1	13.5	13.5	15.5
Total Revenue/GDP (%)	12.4	12.0	13.5	13.4	15.5
Tax Revenue/GDP (%)	10.5	10.1	12.1	11.6	13.5
Non Tax Revenue/GDP (%)	1.4	1.4	0.9	1.2	1.4
PC Tax Sharing and Devolved Revenue/GDP (%)	0.5	0.6	0.5	0.6	0.6
Grants/GDP (%)	0.2	0.1	0.1	0.1	0.1
Total Expenditure/GDP (%)	17.9	17.8	21.0	18.9	20.2
Recurrent Expenditure/GDP (%)	13.1	13.2	15.7	15.0	15.0
Non Interest/ GDP (%)	8.5	9.1	11.0	10.1	10.0
Interest/ GDP (%)	4.6	4.2	4.7	4.9	5.0
Public Investment/GDP (%)	5.0	4.7	5.4	4.1	5.2
Revenue Surplus (+)/Deficit (-)/GDP (%)	-0.7	-1.2	-2.2	-1.6	0.5
Primary Surplus (+)/Deficit (-)/GDP (%)	-0.8	-1.5	-2.7	-0.5	0.4
Budget Surplus (+)/Deficit (-)/GDP (%)	-5.4	-5.7	-7.4	-5.4	-4.6

Compiled by Department of Fiscal Policy

¹ Including revenue and expenditure transfers to Provincial Councils

Tax Expenditure Statement

Tax expenditure can broadly be defined as exclusions, exemptions or deductions from the tax base to provide a special credit, a preferential rate of tax, or a deferral of tax liability. This statement provides an abstract view of such granted exemptions and exceptions. Keeping in line with Good Governance, Accountability and Transparency principles this statement is submitted for the first time at the presentation of Sri Lankan budget. Such a statement becoming an integral part of the budget documents ensures that international best practices are followed and provides assurance for international funding agencies.

Assumptions

This tax expenditure statement is prepared based on following assumptions

- a) Calculations are based on the 100% tax return compliance
- b) Revenue base erosion due to valuation issues, procedural errors, transfer pricing and non-compliance is not considered.
- c) Tax rate changes, removal of tax exemptions and other discretionary proposed in the budget 2017 is taken into consideration.
- d) Below the tax exemption thresholds (for example PAYE tax threshold of Rs.100,000/- per monthly emolument, wholesale and retail threshold of Rs.12.50 Mn per quarter, etc) are not considered as tax expenditure.
- e) External trade related taxes of Port and Airport Development Levy (PAL), CESS and Customs duty have not been taken into calculation of tax expenditure due to external trade tax expenditure being bound by various trade related agreements.
- f) Nations Building Tax (NBT) is not considered for the calculation since this tax was imposed for the purpose of tax sharing with provincial councils instead of Turnover tax.
- g) Economic Service Charge (ESC) is not considered since payment of this tax can be set off against payment of profit based corporate tax.
- h) Tax expenditure on free services provided by government is not taken into consideration
- i) Calculation is based on 2015 actual data and economic projection for 2017.
- j) Following taxes are considered for calculating Tax expenditure
 - i. Corporate Tax
 - ii. Personal Income Tax
 - iii. Value Added Tax (VAT)

Corporate Tax

There are mainly three Corporate tax rates viz. 14%, 28% and 40%. The standard rate is 28%. The tax is imposed under the Inland Revenue Act No 10 of 2006. The rate lowering from standard rate is considered as tax expenditure. However, higher rate over the standard rate is not taken for the calculation since this rate is applied only to few items such as tobacco, liquor and gambling.

Rate Band	% of Tax expenditure
40%	No tax gain/expenditure
28%	Standard rate and no tax deviation
14%	14% is the Tax expenditure (28% -14%)
Exempted	28% is the tax expenditure

The details of tax expenditure on corporate tax are given table I.

Personal Income Tax

Tax expenditure on personal tax is calculated similar to corporate tax.

This tax is imposed under the Inland Revenue Act No 10 of 2006. Any deviations from the progressive tax rates will be considered as tax expenditure. For example, Personal Income Tax liable income of Agriculture sector is Rs.5.0 Mn per annum. Agriculture sector tax rate is 14% so difference of 10% i.e. (24%-14%) is considered as tax expenditure as follows:

Progressive Tax Rate	Income Band	% of Tax Expenditure
14%	Between Rs 5,000,000 to Rs 2,300,000 per annum	10% is the tax expenditure (24% - 14%)
12%	Between Rs 1,700,000 to Rs 2,300,000 per month	No tax expenditure since the rate below the rate of 14%
08%	Between Rs 1,100,000 to Rs 1,700,000 per annum	No tax expenditure since the rate below the rate of 14%
04%	Between Rs 500,000 to Rs 1,100,000 per annum	No tax expenditure since the rate below the rate of 14%
Exempted	Rs.500,000 per annum (Tax free threshold)	Not considered as tax expenditure as explained in the assumptions.

The details of tax expenditure on personal income tax are given table II.

VAT

VAT is imposed under VAT Act No.14 of 2002. Single rate of 15% is applied. From the VAT exempted items, items liable for of Special Commodity Levy and Excise (Special Provisions) duty are not taken for the tax expenditure calculation since these levies are imposed in lieu of VAT. Banks and financial sector are also not considered due to their liability for VAT on Financial Services (FS).

The details of tax expenditure on VAT are given in table III.

Tax Expenditure

Table I

Corporate Tax Expenditure

Rs.Mn

Sectors	Agriculture	Industry	Services	Total
Corporate Tax	550	26,150	50,350	77,050
Exempted Income	20	13,700	32,000	45,720
On qualifying payment	110	1,800	4,200	6,110
Concessionary rate	420	10,650	14,150	25,220
As a % of GDP	0.4%	0.2%	0.4%	0.6%

Table II

Personal Income Expenditure

Rs.Mn

Sectors	Agriculture	Industry	Services	Total
Personal Income Tax	-	3	7	10
Exempted Income	-	2.5	3.5	6.0
On qualifying payment	-	-	-	-
Concessionary rate	-	0.5	3.5	4.0
As a % of GDP	0.0%	0%	0%	0%

Table III

Value Added Tax Expenditure

Sector	Rs. Mn	As a % GDP
Domestic	92,700	0.7%
Agriculture	2,900	
Electricity	4,700	
Transport	1,800	
Education	1,260	
Food & Other	14,400	
Insurance	3,750	
Construction	9,460	
Hotel, Restaurants	950	
Domestic Gas	5,050	
Other Manufacturing	16,300	
Other Services	32,130	
Imports	42,600	0.3%
Total	135,300	1.0%

Sum total of above expenditure is Rs. 212,360 Mn (i.e. 1.6% of GDP)

**List of food commodities proposed to be sold at concessionary prices through
Lanka Sathosa outlets**

1. Sugar
2. Mysoor Dhal (Red Lentils)
3. Wheat flour
4. Sprats
5. Canned fish
6. Maldive fish
7. Potatoes
8. Big Onion
9. Dry Chilies
10. Green gram
11. Rice
12. Dry fish
13. Garlic
14. Chick pea
15. Vattana Dhal
16. Milk powder
17. Infant milk powder
18. Cowpea – White
19. Cowpea – Red
20. Chicken
21. Eggs
22. Coconut oil
23. Salt
24. Coriander
25. Rice flour

Annexure VII

Fiscal Sector Performance and the Outlook

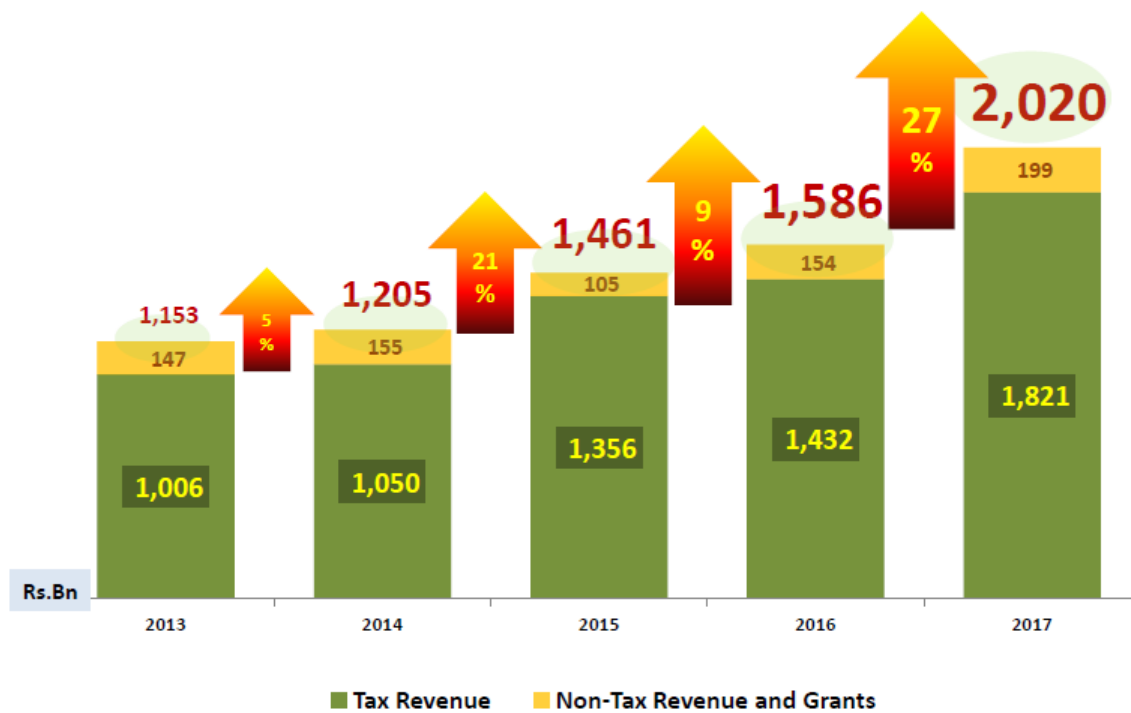
1. Government Revenue

Projections on all fiscal statistics for 2017-2020 period have incorporated the impact of potential policy measures (Policy Based Scenario).

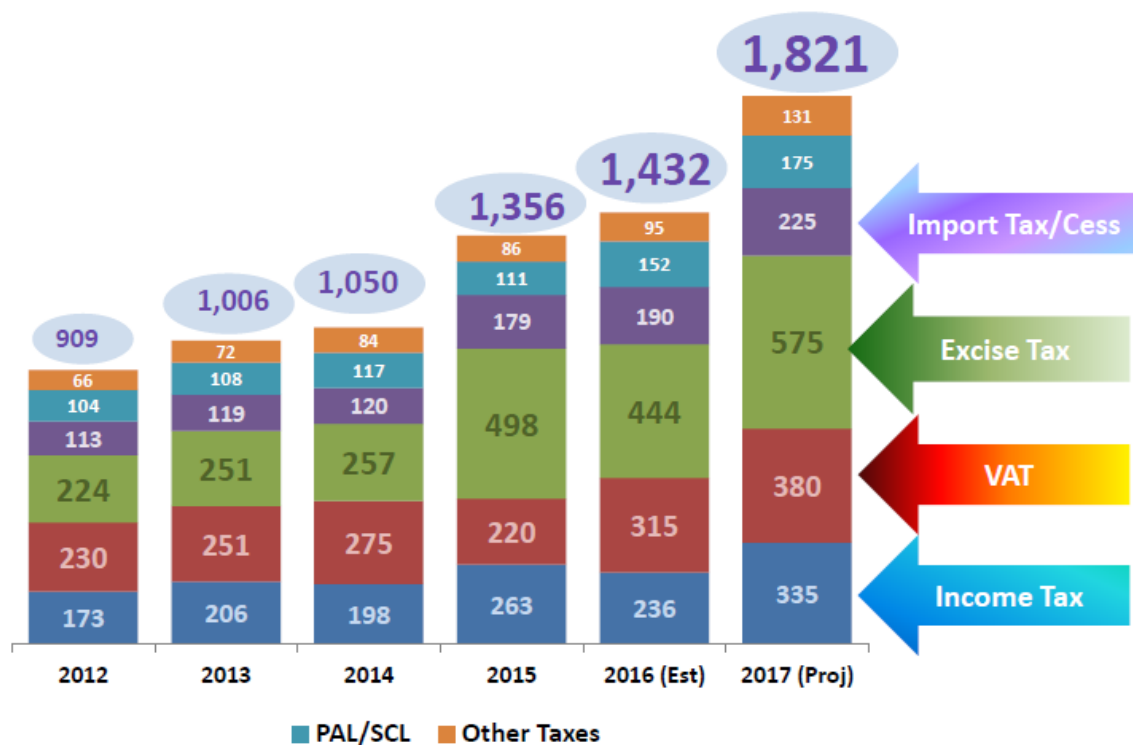
Estimates for 2016 are provisional.

Data source is Ministry of Finance unless otherwise stated.

Renewed Revenue Optimism in 2015 carried through to 2016 and is projected to sustain in 2017 and beyond...



The increase in Tax Revenue is reflected in all major tax components...

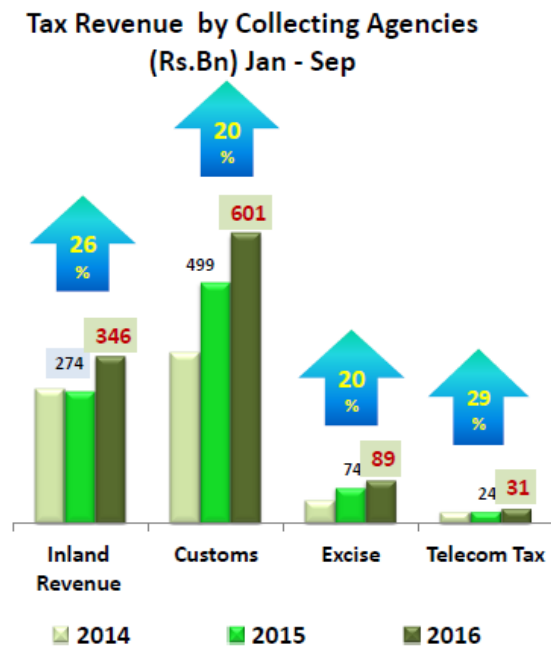
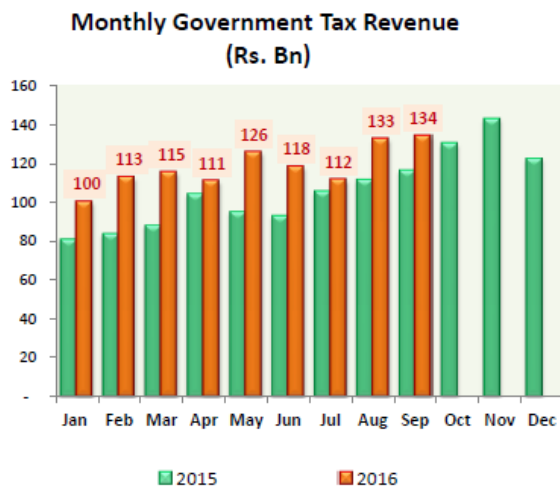


Tax Administration Reforms Helped Increase Performance of Major Revenue Collecting Agencies...

Tax Revenue (Rs.Bn)			
	2013	2014	2015
Dept of Inland Revenue	355	370	424
Dept of Sri Lanka Customs	555	577	790
Dept of Excise	66	69	105
Other	30	34	37
Total Tax Revenue	1,036	1,050	1,356

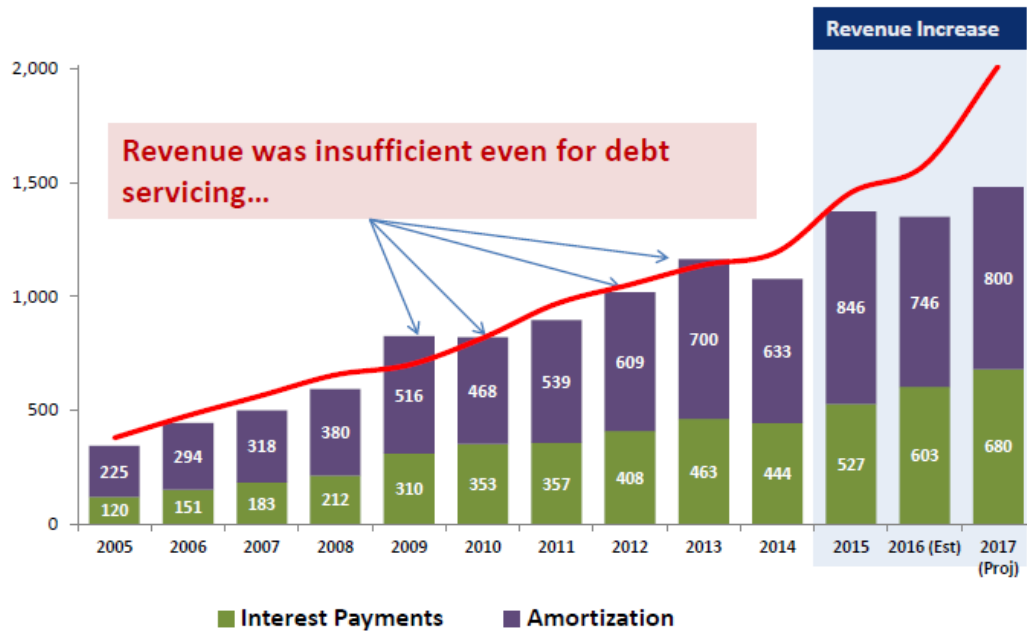
Tax Revenue Growth (%)			
	2013	2014	2015
Dept of Inland Revenue	16.4	4.2	14.6
Dept of Sri Lanka Customs	7.5	4.0	36.9
Dept of Excise	9.9	4.5	52.6
Other	10.3	12.7	8.8
Total Tax Revenue	17.2	1.4	29.1

Performance in Major Revenue Collecting Agencies significantly improved in 2016...

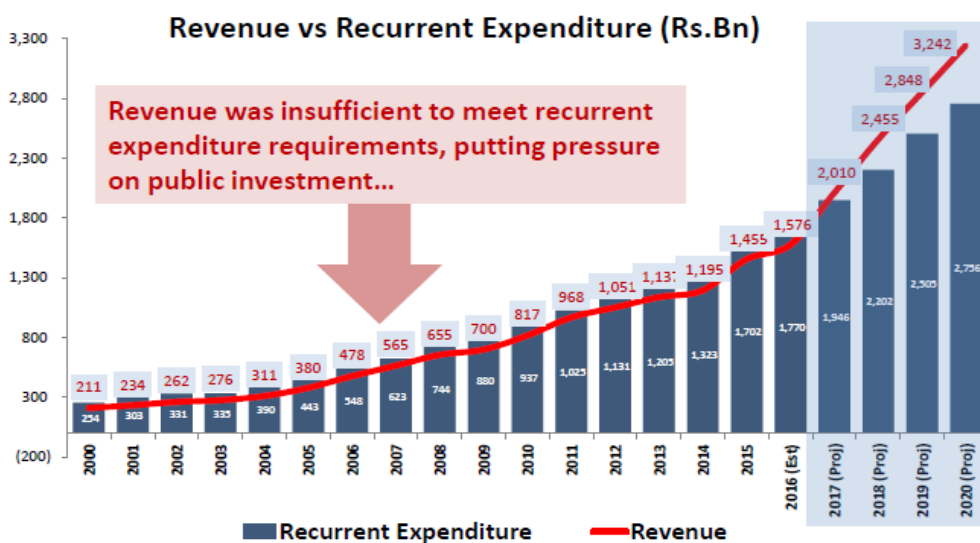


Government Tax Revenue during Jan-Sep 2016 increased over 20% compared to Jan-Sep 2015...

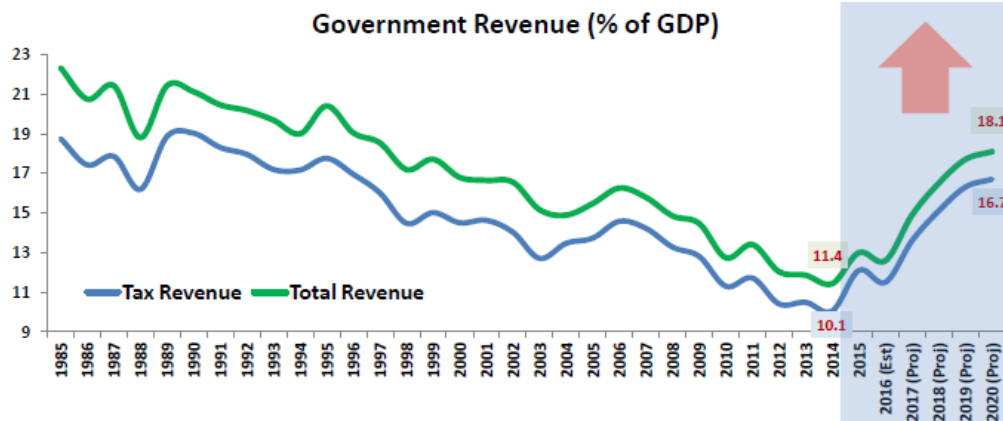
The inherited 'Revenue vs Debt Servicing Deadlock' broke as revenue at present comfortably exceeds debt servicing requirements...



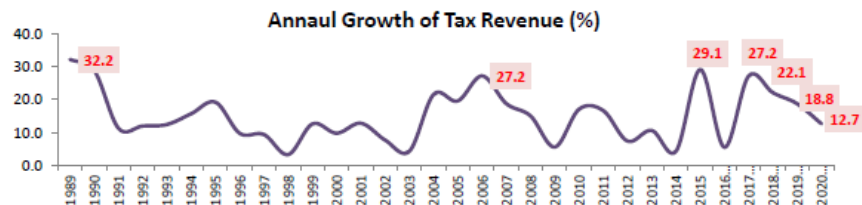
Government revenue will surpass recurrent expenditure on 2017 onwards, a notable shift from the past...



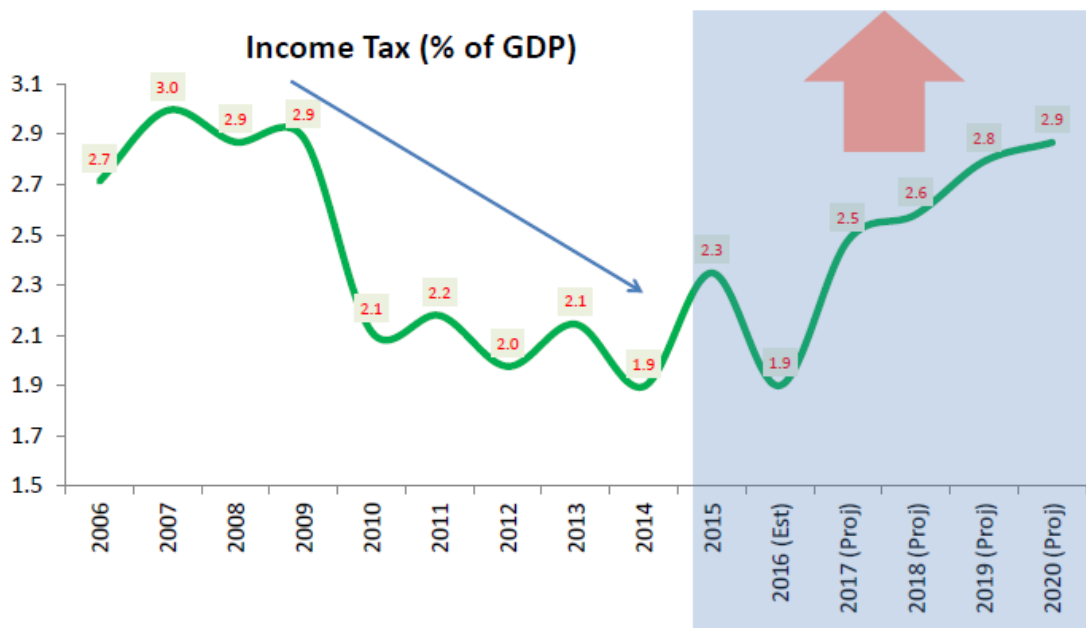
Revival of government revenue performance would bring the Revenue/GDP ratio back in the upward trajectory...



Tax revenue in absolute terms grew by 29% in 2015, the highest annual increase since 1978...

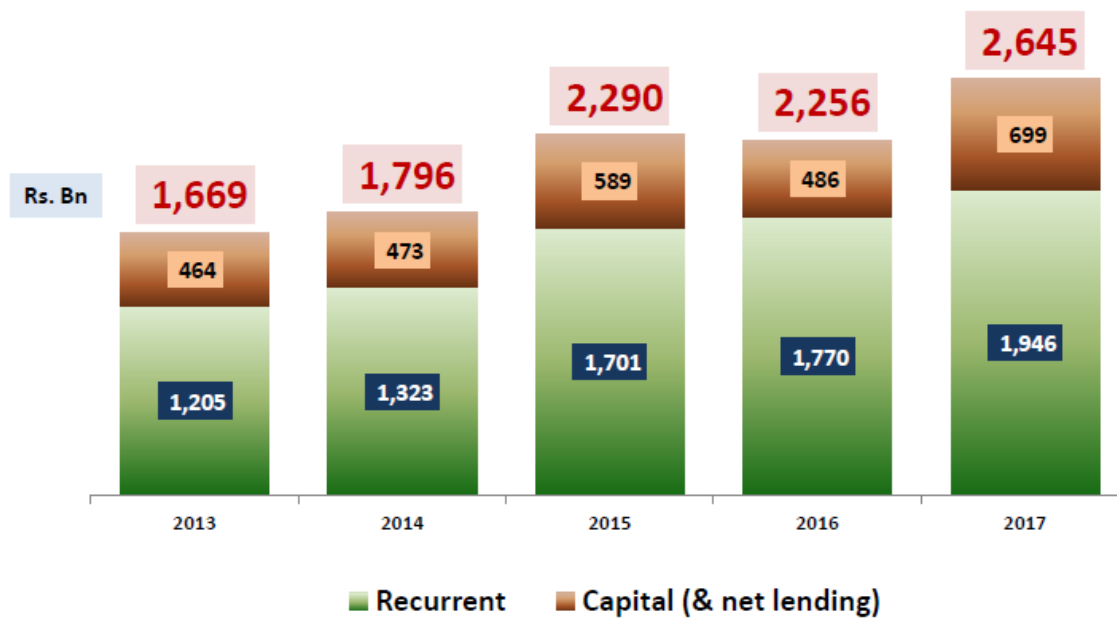


The falling share of direct tax (income tax) is set to increase, thereby shifting to a more progressive and fairer tax system...

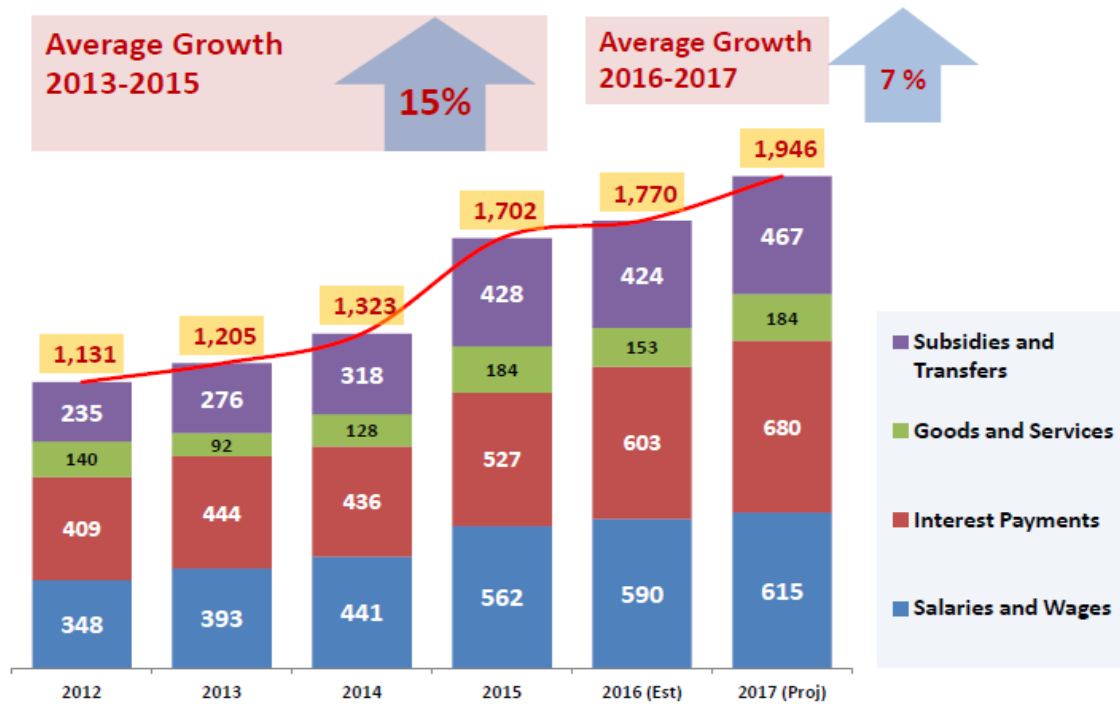


2. Government Expenditure

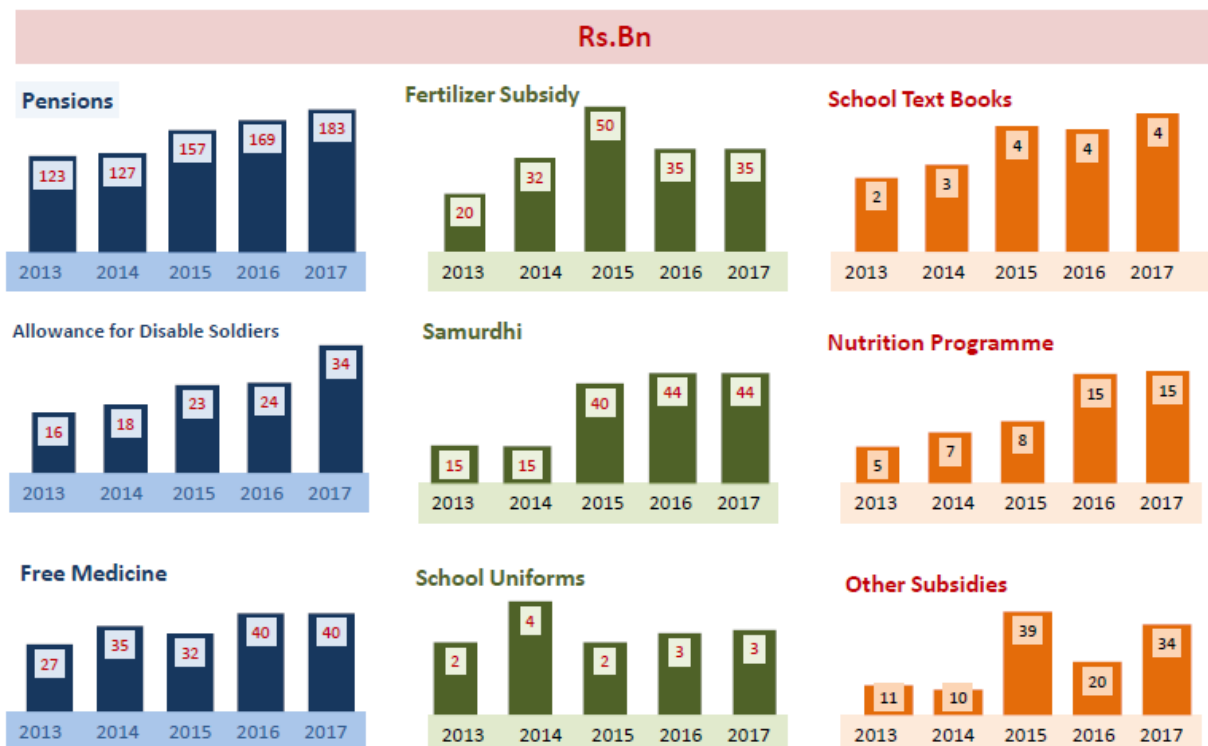
Growth of Recurrent Expenditure is expected to slow while Capital Expenditure is expected to rise...



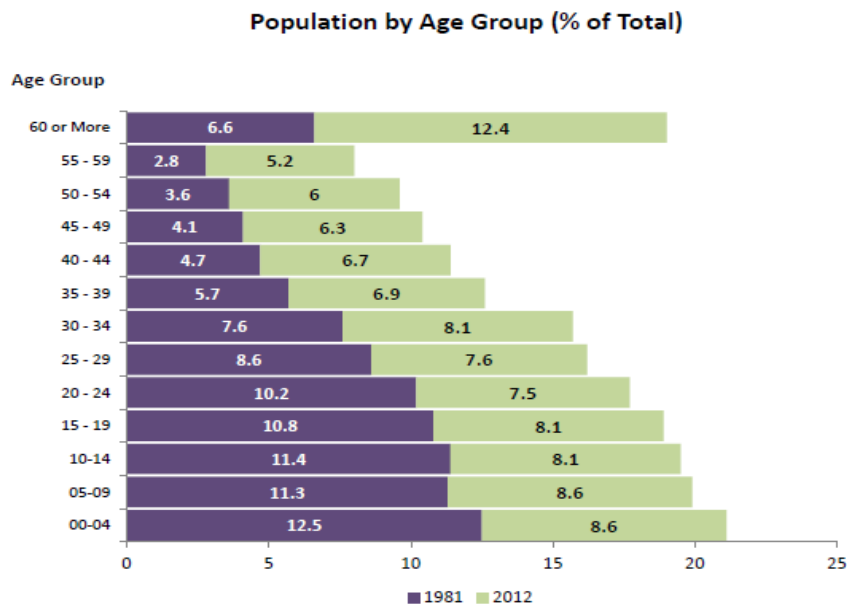
Major Categories of Recurrent Expenditure...



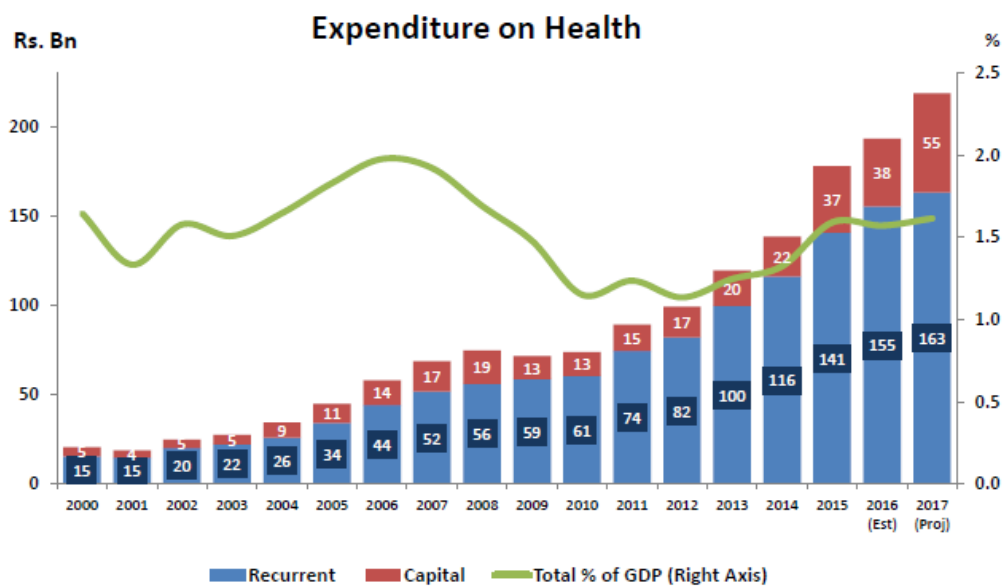
Expenditure on Social Welfare would be maintained at adequate levels with proper targeting mechanisms...



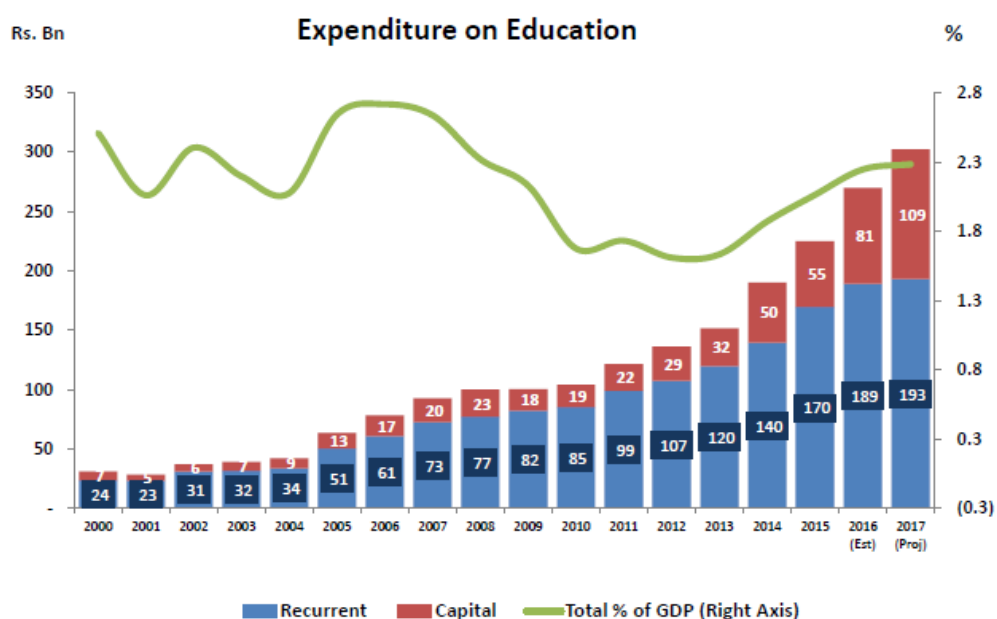
Expenditure on Pension and other costs on social security is expected to rise with the changing demographics...



Expenditure on Health will rise steadily...



Expenditure on Education is set to increase significantly...



Efficiency of several capital projects needs to enhance...

	Expenditure by the Government *	Operational Loss (per annum)	Cumulative Loss
Hambantota Port	175.0	18.8	37.2
Sri Lankan Airline	51.6	17.7	141.0
Maththala Airport	27.5	5.9	13.6
Akuregoda Defence Complex	19.0	1.9	4.8
Mihin Lanka	14.5	2.7	17.5
Lotus Tower	9.7	1.0	2.5
Hambantota Convention Centre	3.4	0.3	0.9
Sooriyawewa IT Park	0.5	0.1	0.1
Total	301.2	48.4	217.5

* as at end June 2016

Inefficiency in certain capital projects raises the opportunity cost of public funds significantly...

3. Medium Term Fiscal Framework

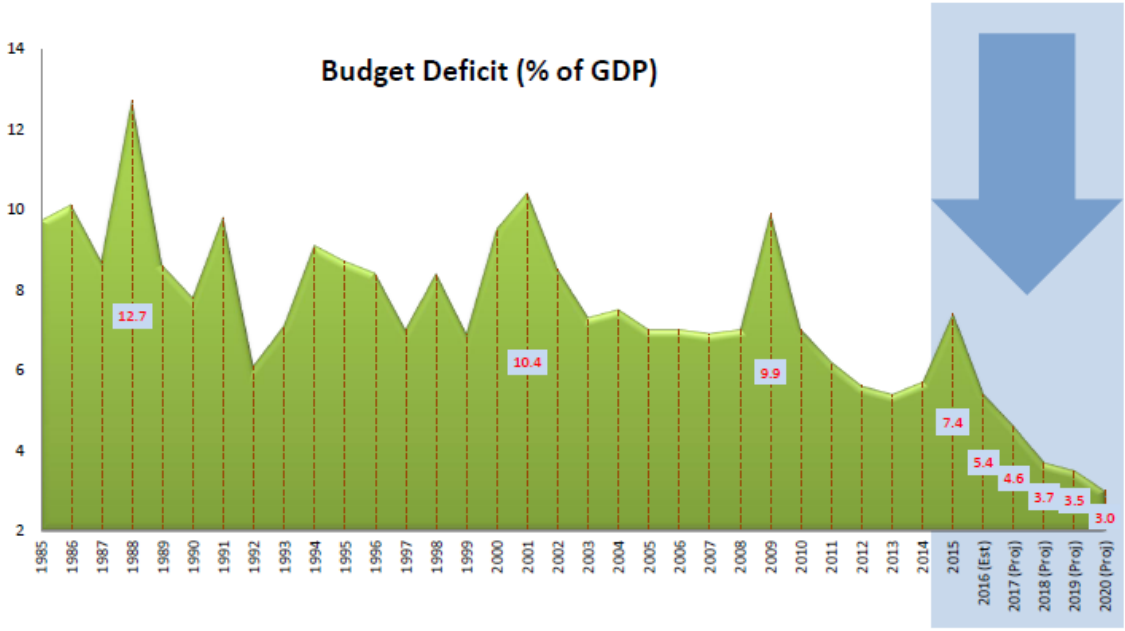
Given the improved revenue performance and well-managed expenditure, the outlook for the Medium-Term Fiscal Framework (2016-2020) looks promising...

- Increasing tax revenue to GDP ratio to over 15 % by 2017 and 18% by 2020
- Containing the budget deficit to 3.0 percent of GDP by 2020
- Reducing the outstanding government debt below 65 percent of GDP by 2020
- Maintaining a primary surplus in 2017 and beyond
- Rationalizing Recurrent expenditure and enhancing public expenditure

	2015	2016	2017	2018	2019	2020
	% of GDP					
Total Revenue and Grants	13.1	12.9	15.0	16.6	17.5	18.1
Total Revenue	13.0	12.8	14.9	16.5	17.4	18.0
Grants	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure and net lending	20.5	18.3	19.6	20.3	21.0	21.1
Recurrent Expenditure*	15.2	14.3	14.4	14.8	15.3	15.3
Capital Expenditure and Net Lending	5.3	4.0	5.2	5.5	5.7	5.8
Budget Deficit	7.4	5.4	4.6	3.7	3.5	3.0
Central Govt Debt	76.0	75.8	75.0	71.9	69.8	65.1

* After adjusting for an increase in interest payments estimates for 2016.

Revenue-Based Fiscal consolidation strategy will reduce budget deficit to 3% of GDP by 2020...

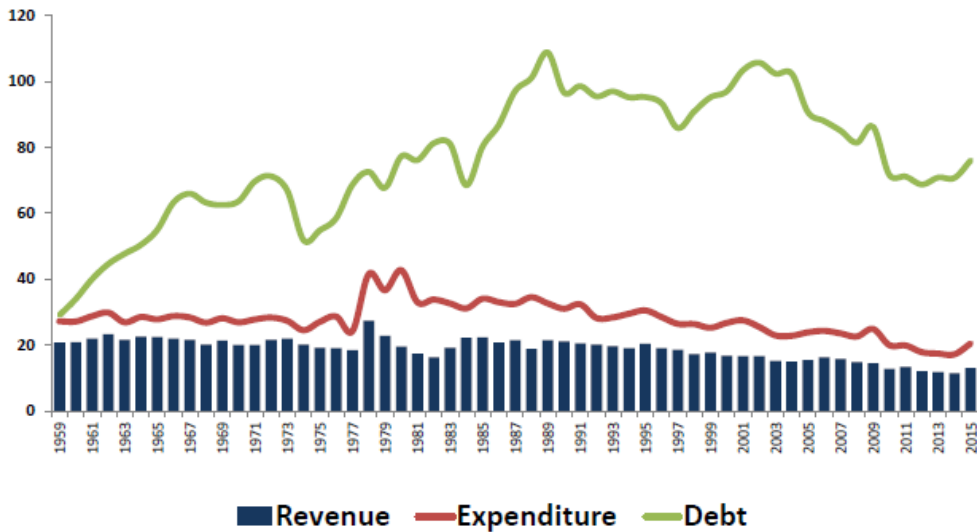


- Revenue-based fiscal consolidation would be underpinned by well-crafted tax policy package...

4. Deficit Financing and Accumulation of Debt

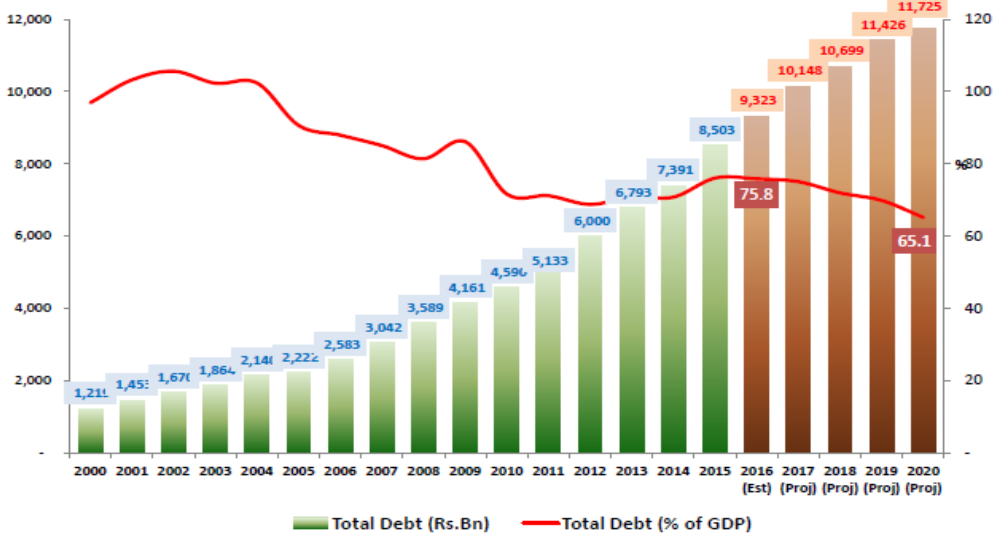
As revenue continued to fall and expenditure remained rigid (with some moderation), government debt increased...

Revenue, Expenditure and Debt (% of GDP)

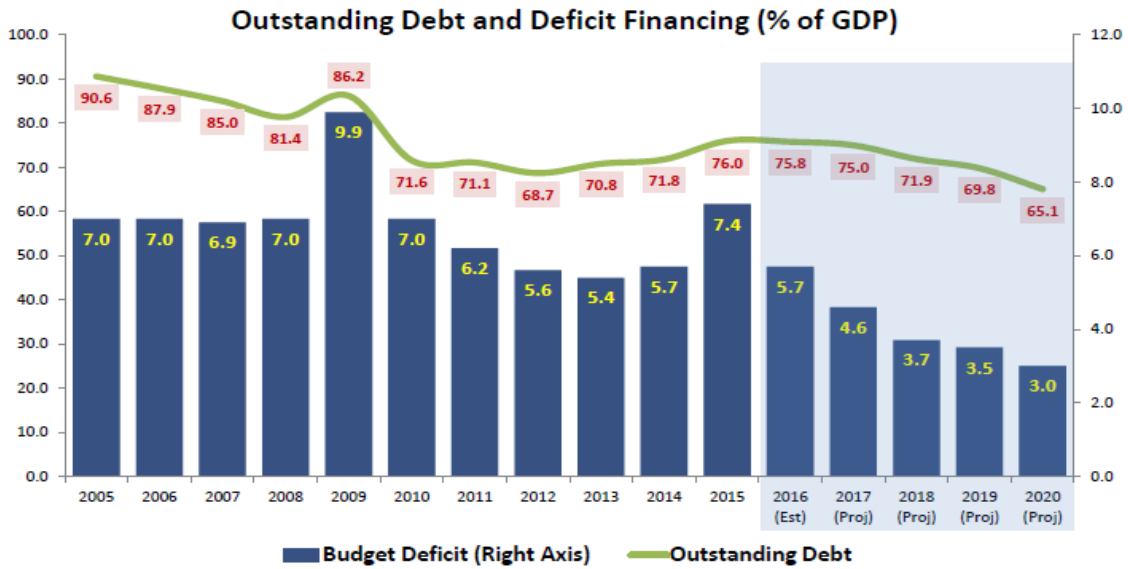


Essential element of the fiscal consolidation strategy is to put Government Debt on a sustainable footing...

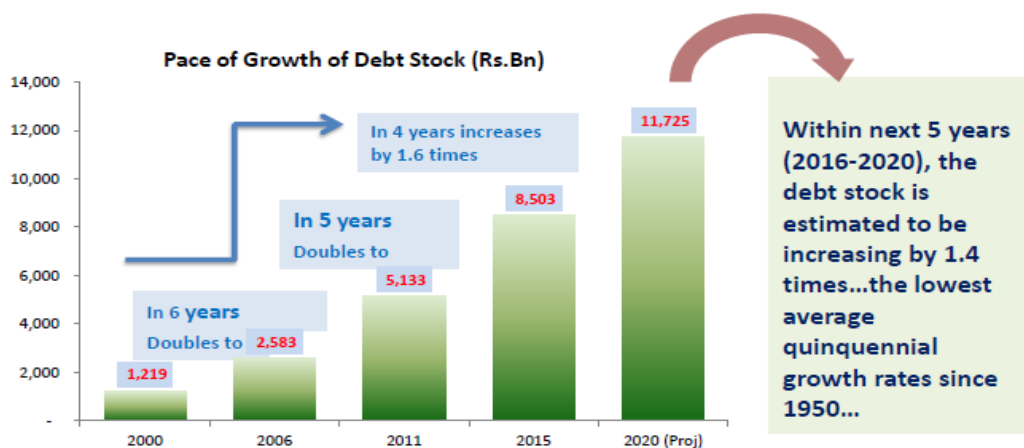
Outstanding Govt Debt



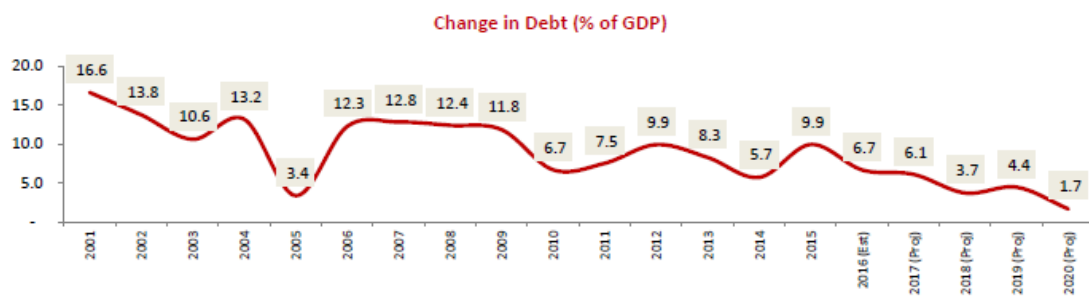
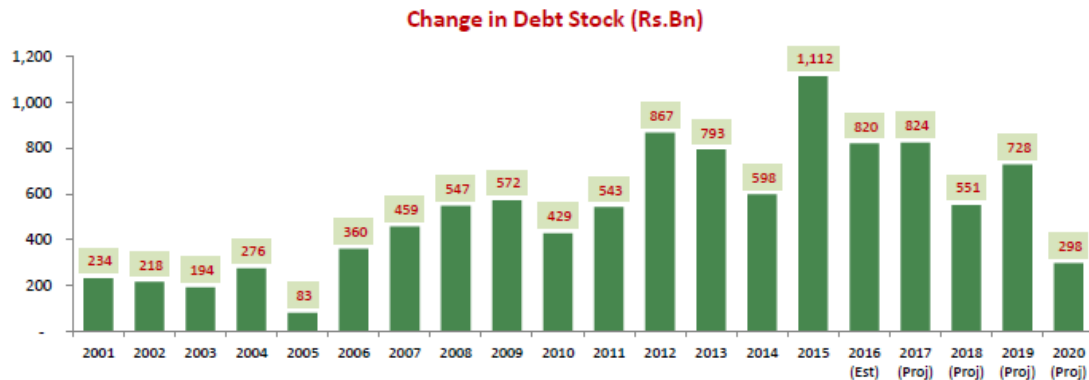
As deficit financing requirements are curtailed from 2016 onwards, debt accumulation is expected to decelerate...



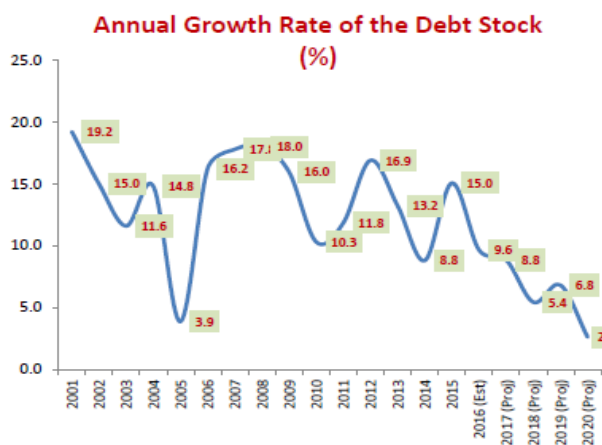
Pace of Accumulation of Government Debt is projected to slow beyond 2016...



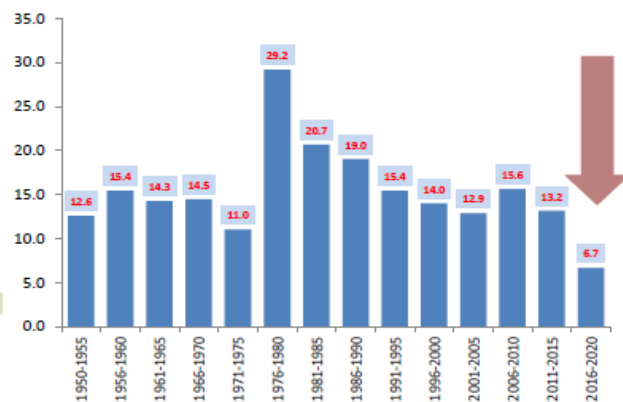
Despite large in absolute terms, the change in debt stock is expected to moderate as a share of GDP...



Average Growth of outstanding debt is expected to be the lowest during 2017-2020...



Debt Growth (5-year averages) 1950-2020

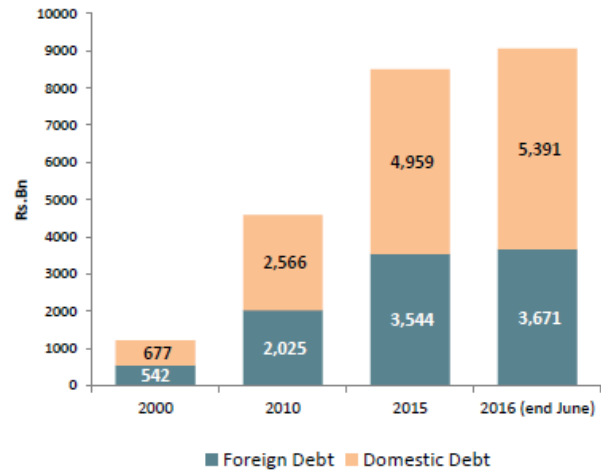


Most of outstanding debt is domestically owned...

Outstanding Debt Stock (end June 2016)



Share of Domestic Debt Increased...



- Increasing domestic interest rates makes a significant impact on debt servicing costs...

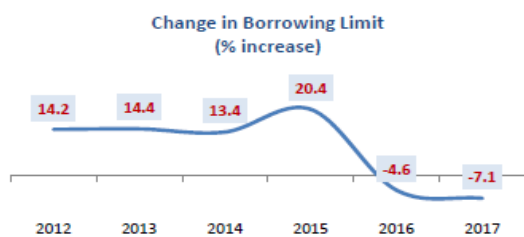
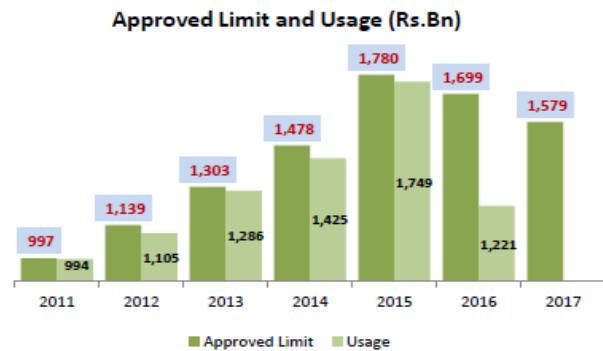
Growth of domestic debt was high during 2013-2015 recording an average growth of 15%.

5. Borrowing and Debt Servicing

Gross Borrowing Limit (2011-2017)

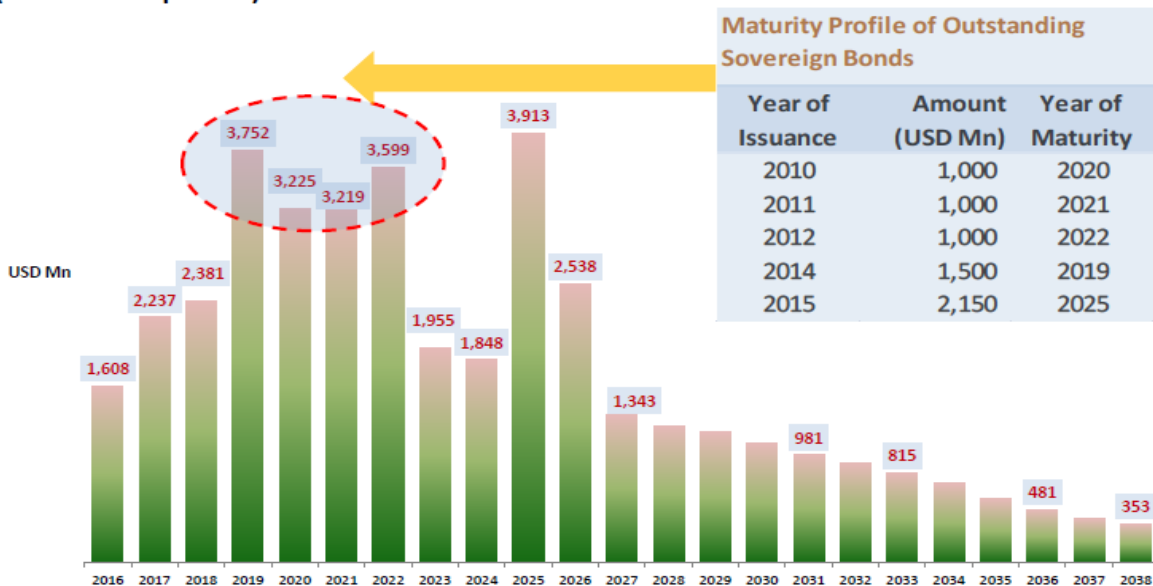
	Approved Limit (Rs.Bn)		Total
	Domestic	Foreign	
2011	658	339	997
2012	832	307	1,139
2013	1,069	234	1,303
2014	1,147	332	1,478
2015	1,222	558	1,780
2016	1,180	519	1,699
2017	1,129	450	1,579

* as at end October 2016



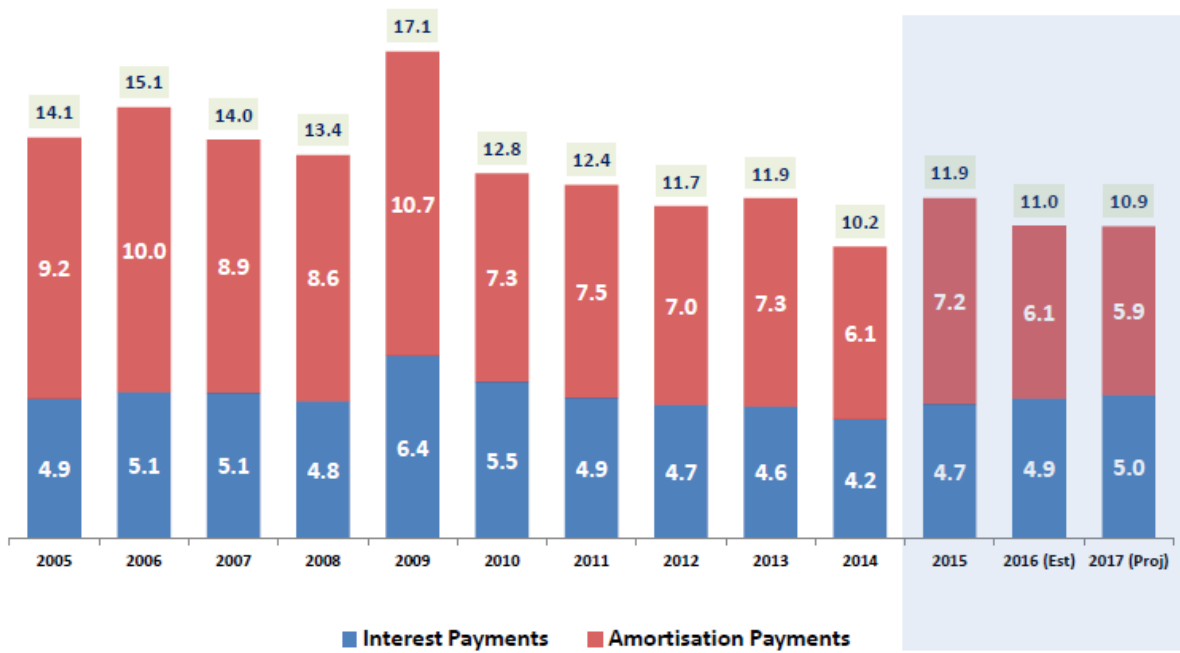
Gross Borrowing Limit in 2016 was reduced by 4.6% compared to 2015...and is expected to reduce further in 2017...

Foreign Debt Servicing Schedule shows some clustering during 2019-2022 mainly due to maturing sovereign bonds... (as at end Sep 2016)



Source: External Resources Department

Total Debt Servicing (Interest and Capital Payments) (% of GDP)



6. Medium-Term Macroeconomic Framework

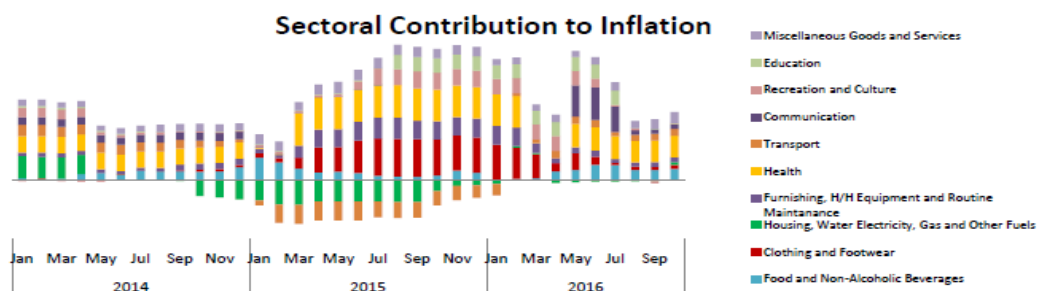
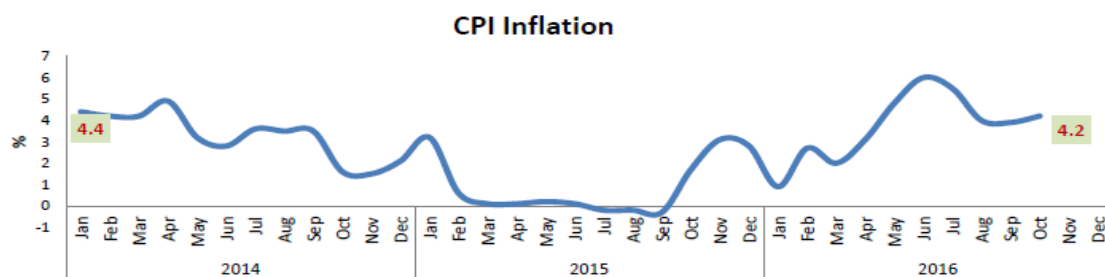
Medium-Term Macroeconomic Framework

	2015	2016	2017	2018	2019	2020
	% of GDP					
Real GDP Growth	4.8	5.0	6.0	7.0	7.0	7.0
Inflation (average)	0.9	4.0	4.0	4.0	4.0	4.0
National Savings	27.8	27.7	28.9	29.8	30.9	31.8
National Investment	30.1	30.3	30.9	31.0	31.5	32.0
Balance of Payments (USD mn)						
Exports	10,506	10,263	11,253	12,418	13,851	15,571
Imports	(18,935)	(19,090)	(20,450)	(21,805)	(23,355)	(25,154)
Current Account Balance (% GDP)	(2.4)	(2.5)	(2.0)	(1.2)	(0.6)	(0.1)
Official Reserve Assets (Months of Imports)	4.6	4.2	4.5	5.1	5.6	5.9

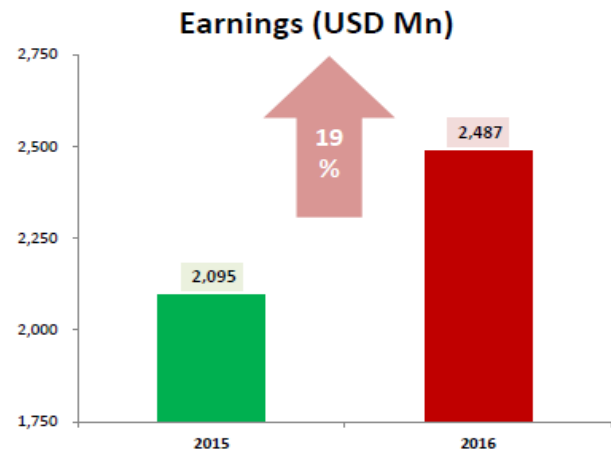
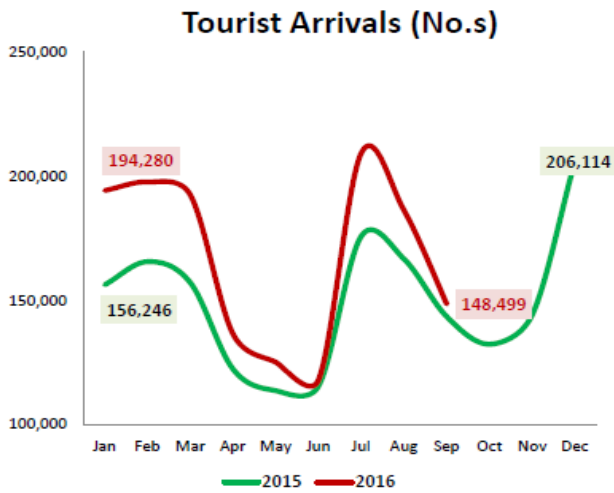
Source: Ministry of Finance, Central Bank of Sri Lanka, and Department of Census and Statistics

- The outlook for Sri Lankan economy is positive, and its sustainability will depend on the successful implementation of envisaged macroeconomic policies and reform measures amidst challenging domestic and external environment.

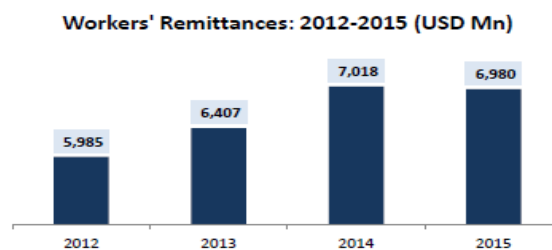
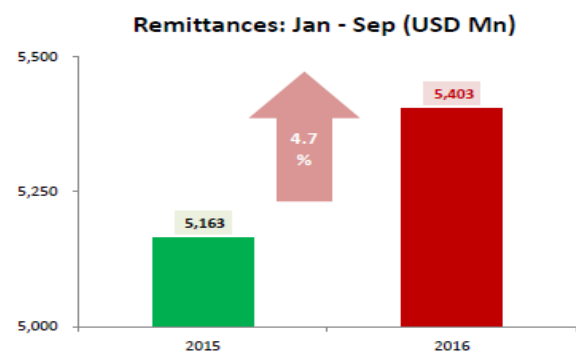
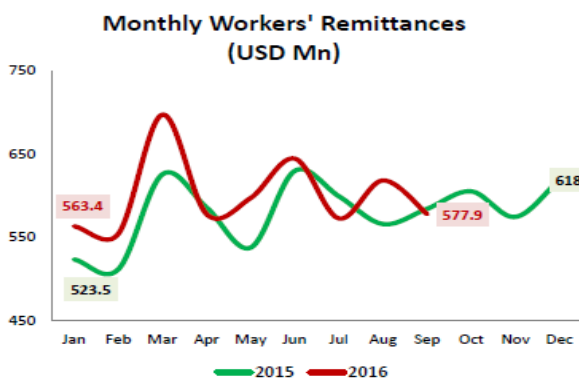
Inflation acceleration was curtailed through proactive demand management policies...



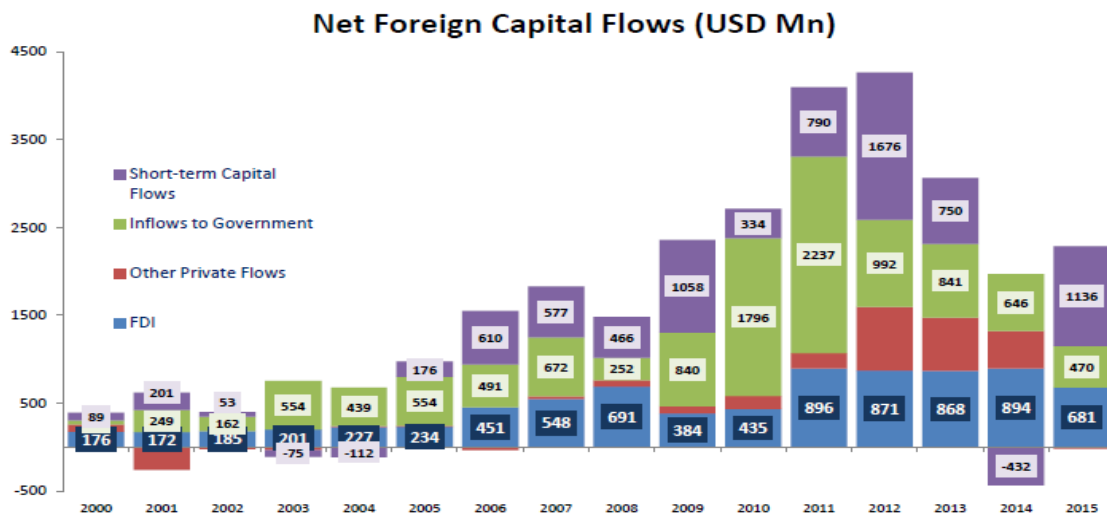
Tourist Arrivals and Earnings from Tourism



Workers' Remittances

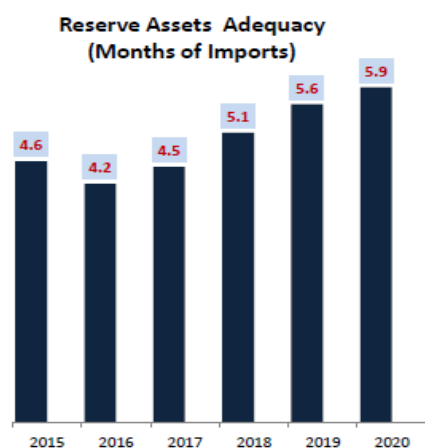
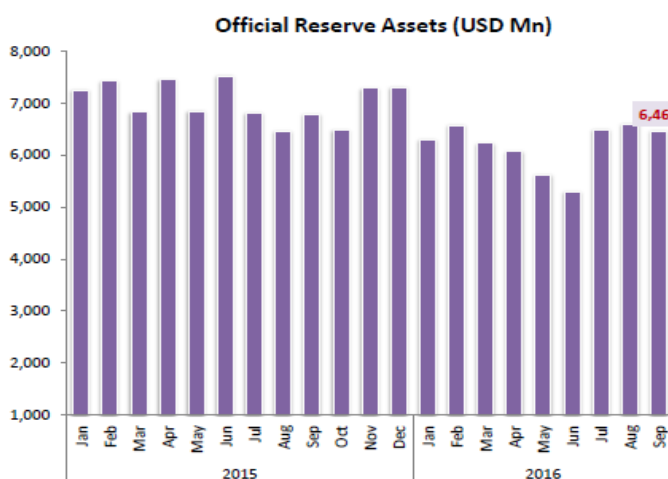


Net Foreign Capital Flows have been drying up since 2011, which changed course in 2015...



Source: Central Bank of Sri Lanka

International Reserves strengthened in recent months...



Source: Central Bank of Sri Lanka

Budget Proposals 2017 – Taxation

1 Income Tax (Amendments to the Inland Revenue Act No.10 of 2006)

1.1 Investment Incentives

1.1.1 100% capital allowances will be granted on investment in fixed assets not less than USD 03 mn with not less than 250 employment.

1.1.2 200% capital allowances will be granted if the investment with the same conditions referred to above is made in Northern Province.

1.1.3 100% capital allowances and for the second year of commercial operation 5% of the investment as a tax credit up to a maximum of tax payable, if such investment is not less than USD 05 mn with minimum 300 employment.

in any trade or business.

1.1.4 Specific concessions

Specific concessions will be announced for:

- any investment not less than USD 100 mn with minimum employment of 500; or
- any investment not less than USD 500mn.

in any trade or business.

1.1.5 Concessions to exporters

A rebate will be given equal to 75% of the income tax attributable to excess profit of 2016/17, where profits from exports in foreign currency increased over 15% or more in 2016/17 compared to 2015/16.

1.2 Revision of capital allowances

The rate of capital allowances will be revised as follows:

- Plant, machinery or equipment – the present rates of 33 1/3 %, 50% and 100% will be revised as 20% (5 equal installments).
- Buildings – the present rate of 10% will be reduced to 5% (20 equal installments).

1.3 Revision of time bar provisions

1.3.1 Assessments

The present period to issue assessments of 18 months will be reduced to 09 months.

1.3.2 Appeals

- The present period of 24 months to hear an appeal by the Commissioner General will be reduced to 06 months.
- The present period of 24 months to hear an appeal at the Tax Appeal Commission will be reduced to 06 months.

1.4 Simplification of Income Taxation

The following measures will be taken to simplify the Income Tax regime with minimum number of tax exemptions and by broadening the tax base.

(i) The corporate income tax rates will be revised to 3 tiers structure of lower rate of 14%, standard rate of 28% and the higher rate of 40% as follows:

(a) The lower rate of 14% will be applicable for the profits and income of :

- SMEs
- Export of goods or services
- Agriculture
- Education

For this purpose 'SME' will be defined with specific criteria of having a maximum turnover limit of Rs 500mn per annum.

(b) The higher rate of 40% will be applicable for the profits and income of :

- Betting & Gaming
- Liquor
- Tobacco

(c) The standard rate of 28% will be applicable on the profits and income of all the other sectors including Banking and Finance, insurance, leasing and related activities etc.

(ii) The present tax rate of 10% applicable for Funds (EPF, ETF, etc.), Charitable institutions, Dividends, Treasury Bonds and Treasury Bills and any other sector will be increased to 14%.

(iii) Individual income tax rate structure will be revised as follows:

(a) Profits and income from employment :

- Tax free threshold on employment will be increased from Rs. 750,000 to Rs. 1.2 mn per annum. The deduction for qualifying payments will be adjusted accordingly.
- Rates applicable on the second employment will be revised as follows:
 - If the payment does not exceed Rs 50,000/- per month at 10%;
 - If the payment exceeds Rs. 50,000/- per month at 20%.

(b) The progressive rate structure will be from 4% to 24% having the equal tax slabs of Rs 600,000/- each.

(iv) **Removal of exemptions on profits and income from employment**

The following exemptions on profits and income from employment will be removed:

- The present exemption on providing transport.
- Certain special allowances provided for special categories of public services.

1.5 Removal of other exemptions

(i) The present exemption on certain dividends and interest or profits from investment on listed securities (corporate debt securities etc.) and other instruments will be removed.

(ii) The present exemption on dividends received by Unit Holders of Unit Trusts and Mutual Funds will be removed for Corporate sector.

(iii) The present exemption on interest on savings accounts up to Rs.5000/-per month will be removed.

- (iv) The present exemption on interest on deposits applicable to senior citizens will be restricted to Rs. 1.5 mn per annum.

1.6 Withholding Tax (WHT)

- (i) WHT on interest income will be increased to 5%.
- (ii) WHT of 5% will be introduced for specified fees exceeding Rs. 50,000/- per month.

1.7 Notional tax credit

The Notional tax credit will be removed and the income on instruments subject to upfront tax such as Treasury Bills, Bonds or Corporate Debt Securities will be taxable on the net interest.

- 1.8 The proposed changes in Budget 2016 (subject to subsequent modifications with relevant dates) will be implemented together with the proposals listed above (other than the rate revisions referred to above).

2 Value Added Tax (VAT) [Amendments to VAT Act No 14 of 2002]

- 2.1 The SVAT system will be terminated.
- 2.2 VAT refund mechanism will be introduced at the point of departure of foreigners who stay not more than 30 days in Sri Lanka on goods purchased by such foreigners.

- 2.3 The following supplies will be exempted from VAT :

- Plants, machinery and accessories for renewable energy generation identified under the following H.S Code Nos.

8454.10, 8501.31.10, 8503.00.10, 8503.00.20, 8503.00.90, 8504.10.10, 8504.10.90, 8504.21.10, 8504.21.90, 8504.22.10, 8504.22.20, 8504.22.30, 8504.22.90, 8504.23.90, 8504.31.10, 8504.31.90, 8504.32.10, 8504.32.90, 8504.33.10, 8504.33.90, 8504.34.90, 8504.40.10, 8504.40.20, 8504.40.30, 8504.40.90, 8504.50.10, 8504.50.90, 8504.90.10, 8504.90.90, 8513.10.10, 8539.31.20, 8541.40, 9032.89.10, 9405.10.10, 9405.10.20, 9405.20.10, 9405.20.20, 9405.40.30, 9405.40.40

- International telecommunication services provided to local operators by External Gateway Operators.
- Supply of geriatric care services and child care services.
- Certain electrical goods identified under HS Code Nos

8516.40	8516.72	8527.21	8527.29	8527.91	8527.92
8528.72.41	8528.72.9	9101.11	9101.19	9101.19.10	9101.19.90
	1				
9101.21	9101.29	9101.91	9101.99	9102.11	9102.12
9102.19	9102.21	9102.29	9102.91	9102.99	9105.11
9105.19	9105.21	9105.29	9105.91	9105.99	

- Magazines, journals or periodicals other than newspapers, identified under HS Code Nos 4901.10, 4901.91, 4901.99, 4901.99.10, 4902.10.10, 4902.90.10.
- Medical Machinery and medical equipment identified under the HS Code No. 8421.29.10

2.4 The following exemptions will be removed :

- Gold coins, precious metals and precious stones identified under following HS Codes Nos.
7101, 7102, 7103, 7104, 7105, 7106, 7107, 7108, 7109, 7110,
7111, 7113, 7114, 7116, 7118.90.10 .
- Import or supply of jewellery.
- Locally manufactured milk powder.

3 Nation Building Tax (NBT) [Amendments to NBT Act No.9 of 2009]

3.1 The following exemptions will be removed:

- any goods required for the purpose of providing of services of international transportation, being goods consigned to Sri Lankan Air Lines Ltd, Mihin Lanka (Pvt) Ltd or Air Lanka Catering Services Ltd.
- any article imported or sold by any society registered under Co- operative Societies Act, No. 5 of 1972 or under the respective statutes enacted by the Provincial Councils providing for such registration or Lak Sathosa Limited registered under the Companies Act, No. 7 of 2007.
- the services of a travel agent in respect of inbound tours, if such person is registered with the Ceylon Tourist Board.
- services being construction services including the services of sub-contractors.
- sale of residential apartments.
- services provided by any society registered under the Co-operative Societies Law No. 5 of 1972 or under any Statute enacted by a Provincial Council, or Lak Sathosa Limited, registered under the Companies Act, No. 7 of 2007.

3.2 The following will be exempted:

- International telecommunication services provided to local operators by External Gateway Operators.
- printed books, magazines, journals or periodicals other than newspapers, identified under HS Code Nos 4901.10, 4901.91, 4901.99, 4901.99.10, 4902.10.10, 4902.90.10.
- Solar panel modules and accessories under the following HS Code Nos. 8454.10, 8501.31.10, 8513.10.10, 8539.31.20, 8541.40, 9032.89.10, 9405.10.10, 9405.10.20, 9405.20.10, 9405.20.20, 9405.40.30, 9405.40.40.

4 Betting and Gaming Levy (Amendments to Betting and Gaming Levy Act No.40 of 1988)

4.1 The present annual levy on the business of Gaming will be increased to Rs. 250 million per year.

4.2 The proposed changes in Budget 2016 will be implemented with the revision of the annual levy referred to above.

5 Economic Service Charge (ESC) [Amendments to ESC Act No 13 of 2006]

- 5.1 The present threshold will be reduced from Rs 50mn per quarter to Rs 12.5 mn per quarter.
- 5.2 Advance WHT of ESC will be introduced on import of vehicles.
- 5.3 The proposed changes in Budget 2016 (subject to subsequent modifications) will be implemented together with the proposals listed above.

6 Customs Duty

- (i) Duty will be reduced by Rs.35 per kg on milk powder.
- (ii) Duty will be increased to Rs. 800 per liter on potable ethanol.
- (iii) With a view to facilitate the industries and trading, the duty of industrial raw materials has been reduced.
- (iv) Duty rates of 96 tariff lines have been adjusted according to the Sri Lanka's bound rate commitments to the World Trade Organization.
- (v) H.S Code National Sub Divisions have been created considering the requests made by business community and the directive given by the World Customs Organization (WCO).
- (vi) On the above, the Gazette Notification is to be issued.

7 Special Commodity Levy

The tax rate applicable for White Sugar will be revised to Rs.7/Kg. from the existing tax of Rs. 2/Kg. The Gazette Notification is to be issued.

8 Ports and Airports Development Levy (PAL)[Amendments to PAL Act No 18 of 2011]

- 8.1 PAL on printed books, magazines, journals and periodicals will be removed.
- 8.2 PAL on Pharmaceutical products under HS Code Nos 3926.90.80, 9602.00.10 will be reduced to 2.5%.

9 Excise Duty under Excise Ordinance

- 9.1 The present Wastage and Evaporation allowances on liquor production will be revised as follows:
 - Wastage 0.10%.
 - Evaporation 0.05%.
- 9.2 An annual License Fee will be imposed on importers of Beedi leaves at Rs. 05mn.
- 9.3 Excise Duty will be introduced on imported non- potable alcohol at Rs 25/- per litre

- 9.4 Excise Duty will be imposed on raw materials used for manufacturing of ethanol as follows :

Type of raw material	Proposed Duty Rs.
Molasses	20/- per Lt
Coconut toddy	10/- per Lt
Maize	20/- per Kg
Rice	20/- per Kg
Any other	20/- per Kg

- 9.5 Changes to Excise Duty will be Gazetted.

10 Excise (Special Provisions) Duty

- 10.1 Excise (Special Provisions) Duty will be imposed:
on beer cans :
- not more than 350ml at the rate of Rs 10/- per can ; and
 - more than 350 ml at Rs 15/- per can:
- on any lottery ticket at Rs 5/- per ticket.
- 10.2 (i) 50% Excise Duty waiver from the payable duty for importing a motor car with CIF value not exceeding USD 50,000 will be granted to a person who exports minimum of 20 vehicles with a total value not less than USD 200,000.
- (ii) Excise Duty on motor vehicles will be revised.
- 10.3 Excise (Special Provisions) Duty changes will be Gazetted.

11 Cess

- (i) will be increased on:
- rubber to Rs.15 per kg.
 - Printing ink identified under H.S. Code Nos 3215 .11 and 3215.19 to Rs. 30 per kg.
- (ii) Cess on 100 items will be removed.

12 Changes to Finance Acts

- 12.1 Finance Act, No. 10 of 2015 will be amended to streamline the one-off taxes introduced.
- 12.2 Luxury & Semi- Luxury Motor Vehicle Tax [Amendment to PART II of the Finance Act, No. 16 of 1995] will be revised.
- 12.3 A Financial Transaction Levy will be introduced at 0.05% on the basis of the total transaction value by banks or financial institutions.
- 12.4 An Annual License fee and a fee on voluntary liquidation will be imposed on companies.

- 12.5 Vehicle Entitlement Levy is applicable from 01.01.2016 and such levy collected by the CGIR will be collected by the Director General of Customs at the point of Customs with effect from 01.01.2017.
- 12.6 Tele Drama Levy applicable on the foreign tele dramas flowing in to the country and dubbed in Sinhala, Tamil or any other language will be increased.
- 12.7 Embarkation Levy will be increased to USD 50.
- 12.8 **Charges for Court Cases/ Case Filing fee:** A filing fee will be imposed when filing a Court case by any person in any Court.
- 12.09 **Annual License fees on Firearms:** Annual License Fee of Rs 20,000 will be imposed on firearms other than firearms used for agricultural purposes. A penalty of Rs. 5mn will be charged for using firearms without paying the License fee.
- 12.10 **Import License Fees:** A fee will be charged for license to import lubricants, bitumen or gold.

13 Telecommunication Levies

- 13.1 Telecommunication Levy on Internet services will be increased to 25%.
- 13.2 SIM Activation Levy of Rs 200 will be imposed for a SIM.
- 13.3 **Digitalization of the country –**
- All mobile operators will be given a 6 months period to convert their infrastructure enabling to provide 3G facility and a surcharge at Rs. 100 mn per district will be imposed for failing to provide such facility,
 - All metro areas have to be converted to 4G by 30th June 2018.
- 13.4 The present Annual Spectrum Charge will be increased by 25%.

14 Capital Gain Tax

A capital gain tax will be imposed at the rate of 10% on the gain realized from disposal of immovable properties.

15 Other fees and Levies

15.1 Revision of fines charged on traffic offences

Traffic offences will be re-classified in order to be subject to spot fines and the minimum fine will be increased to Rs. 2,500.

- 15.2 A Carbon Tax will be imposed on vehicles other than electric cars and tractors. This fee will include existing emission test fee as well.

16 Other Amendments

The Gazette Notification is to be issued to determine the cost of freight as 15% of the Free On Board (FOB) value of imported goods, when an importer imports his own goods by his own vessel or an importer imports single goods by using a chartered vessel as a bulk cargo.

17 Technical Rectifications and Administrative provisions

Necessary amendments will be made to the respective provisions of the Inland Revenue Act No 10 of 2006, Value Added Tax Act No.14 of 2002, Nation Building Tax Act No 9 of 2009, Economic Service Charge Act No 13 of 2006, Finance Acts and Finance (Amendment) Acts, Betting and Gaming Levy Act No.40 of 1988, Default Tax (Special Provisions) Act No 16 of 2010, Telecommunication Levy Act No 21 of 2011, Ports and Airports Development Levy Act No 18 of 2011, Tax Appeals Commission Act No 23 of 2011, Imports and Exports (Control) Act No. 1 of 1969, Stamp Duty (Special Provisions) Act No 12 of 2006 and Land (Restriction on Alienation) Act No 38 of 2014 in order to streamline the revenue administration and to rectify certain ambiguities and unintended effects (including differences in translations).

18 Effective Dates of Proposals

Unless stated otherwise, the proposals in relation to:-

- (i) Income Tax and ESC will take effect commencing from April 1, 2017,
- (ii) Value Added Tax, Nation Building Tax, Betting and Gaming Levy (except certain amendments which are effective from 1.1.2016) will be implemented with effect from January 1, 2017,
- (iii) Cess, Ports and Airport Development Levy, Custom Duty, Excise (Special Provisions) Duty, Excise Duty and VAT and NBT on importation of certain items will take effect immediately.