

MID – YEAR FISCAL POSITION REPORT 2024

**Ministry of Finance, Economic Stabilization &
National Policies
Sri Lanka**



MID – YEAR FISCAL POSITION REPORT – 2024

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

Ranil Wickremesinghe
**Hon. Minister of Finance, Economic Stabilization &
National Policies**

MID-YEAR FISCAL POSITION REPORT

**Issued by the Hon. Minister of Finance, Economic Stabilization
and National Policies**

Under sections 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003

In terms of Section 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003, the Minister of Finance, Economic Stabilization and National Policies is required to present the Mid-Year Fiscal Position Report to the public by the last day of June of the year and thereafter lay before Parliament.

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

The report contains the performance of government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2024. The report also provides provisional budget outturn for the first four months of 2024, updated information, depending on the availability of information, relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of state owned business enterprises.

Table of Contents

	Page No.	
CHAPTER 1	Economic Perspectives	
1.1	Overview	1
1.2	Inflation	3
1.3	Money and Credit	3
1.4	Stock Market	4
1.5	External Sector Developments	4
1.6	Global Economic Perspectives	7
CHAPTER 2	Fiscal Developments	
2.1	Overview	11
2.2	Government Revenue	13
2.3	Government Expenditure	23
2.4	Performance of the cash flow of the General Treasury	29
2.5	Management of Government Debt	29
CHAPTER 3	Performance of State Owned Business Enterprises	
3.1	Overview	33
3.2	Review of the Ten Major State Owned Business Enterprises (SOBEs)	33
CHAPTER 4	Foreign Financing	
4.1	Overview	41
4.2	Foreign Financing Commitments	41
4.3	Foreign Financing Disbursements and Utilization	41
4.4	Committed Undisbursed Balance (CUB)	43
4.5	External Debt Stock and External Debt Service Payments	44

Key Economic Indicators

Indicator	Period	Unit	Value	
			2023	2024 (Provisional)
REAL SECTOR				
Economic Growth	First Quarter	%	-10.7	5.3
Agriculture	First Quarter	%	1.6	1.1
Industry	First Quarter	%	-24.3	11.8
Services	First Quarter	%	-4.6	2.6
Inflation (Year on Year) (CCPI, 2021=100)	End May	%	25.2	0.9
Unemployment Rate	Annual	%	4.7	n.a.
Labour Force Participation Rate	Annual	%	48.6	n.a.
FISCAL SECTOR				
Budget Deficit	Jan-April	Rs. Mn.	-824,256	-361,101
Total Revenue including Grants	Jan-April	Rs. Mn.	821,346	1,218,065
Tax Revenue	Jan-April	Rs. Mn.	742,578	1,117,762
Non Tax Revenue	Jan-April	Rs. Mn.	77,493	98,268
Total Expenditure	Jan-April	Rs. Mn.	1,645,602	1,579,166
Recurrent Expenditure	Jan-April	Rs. Mn.	1,484,984	1,419,264
Public Investment	Jan-April	Rs. Mn.	177,903	165,335
Government Debt	End Dec	Rs. Bn.	28,695.9	n.a.
EXTERNAL SECTOR				
Exports	Jan-April	USD Mn.	3,846	4,056
o/w Agriculture Exports	Jan-April	USD Mn.	792	828
Industrial Exports	Jan-April	USD Mn.	3,036	3,210
Textile and Garments	Jan-April	USD Mn.	1,617	1,570
Other	Jan-April	USD Mn.	1,419	1,640
Imports	Jan-April	USD Mn.	5,325	5,833
Consumer Goods	Jan-April	USD Mn.	949	1,059
Intermediate Goods	Jan-April	USD Mn.	3,601	3,779
o/w Petroleum Products	Jan-April	USD Mn.	1,635	1,530
Investment Goods	Jan-April	USD Mn.	770	991
Trade Balance	Jan-April	USD Mn.	-1,479	-1,777
Tourist Arrivals	Jan-May	No.	524,486	896,779
Earnings From Tourism	Jan-May	USD Mn.	752	1,406
Workers' Remittances	Jan-May	USD Mn.	2,347	2,624
Overall Balance of Payments (BoP)	Jan-April	USD Mn.	883	1,288
Gross Official Reserves	End May	USD Mn.	3,491	5,421
Exchange Rate (End Month)	End May	Rs. Per USD	295.5	301.8
Exchange Rate (Monthly Average)	Jan- May	Rs. Per USD	310.2	299.7
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End May	%	15.50	8.50
Standing Lending Facility Rate (SLFR)	End May	%	16.50	9.50
Statutory Reserve Requirement (SRR)	End May	%	4.00	2.00
Commercial Bank Average Weighted New Lending Rate (AWNLR)	End April	%	23.09	12.67
Commercial Bank Average Weighted Lending Rate (AWLR)	End April	%	17.87	13.14
W.A. Yield Rate of Treasury Bills (91 Days)	End April	%	25.74	9.61
W.A. Yield Rate of Treasury Bills (364 Days)	End April	%	23.00	9.99
Growth in Money Supply (M ₂ b)	April 2024/ April 2023	%	3.7	8.3
Growth in Credit to the Private Sector	April 2024/ April 2023	%	-8.6	4.1

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level	2016	%	99.3
Water			
Access to Safe Drinking Water	2023	% of Population	97.3
Access to Pipe borne Water	2023	% of Population	61.6
Roads			
National Road Density	2023	Km/Km ²	0.19
Total Road Length	2023	Km	1 44,967
Communication			
Telephone Density including Cellular Phones	2023	Per 100 persons	137.0
Access to Internet	2023	Per 100 persons	103.8
Education			
General Education			
Primary Net Enrolment Ratio	2023	%	85.1
Student/Teacher Ratio (Government Schools)	2023	Number	16.8
Literacy Rate (Average)	2021	%	93.3
Computer Literacy Rate	2023	%	39.5
University Education			
Student/Teacher Ratio	2023	Number	22.5
Age Specific Enrolment Ratio (Age 18–22 yrs) ^(a)	2023	%	9.9
Health			
Public Hospitals	2023	Number	619
Beds in Public Hospitals	2023	Number	89,786
Hospital Beds	2023	Per 1,000 persons	4.1
Persons per Doctor	2023	Number	985
Population			
Population Density	2023	Persons per sq. km	351
Population Growth	2023	%	-0.6
Life Expectancy at Birth	2017	Years	75.5
Infant Mortality Rate	2019	Per 1,000 live births	7.4
Maternal Mortality Rate	2022	Per 1,000 live births	22.6
Crude Birth Rate	2023	Per 1,000 persons	11.2
Crude Death Rate	2023	Per 1,000 persons	8.2
Dependency Ratio	2023	%	49.4
Poverty			
Poverty Head Count Index	2019	%	14.3
Gini Coefficient of Household Income	2019	Coefficient	0.46
Poverty Gap Index	2019	%	2.8
Average Daily Calorie Intake	2019	Kilocalories	2,120
International Rankings			
Human Development Index	2022	Rank out of 193 Countries	78
Ease of Doing Business Index	2020	Rank out of 190 Countries	99
Global Competitiveness Index	2019	Rank out of 141 Countries	84
Economic Freedom Index	2023	Rank out of 184 Countries	149
Global Peace Index	2024	Rank out of 163 Countries	100
e-Government Development Index	2022	Rank out of 193 Countries	95

(a) Only includes internal enrolment of students

CHAPTER 1

Economic Perspectives

1.1 Overview

Following the unprecedented and most severe economic crisis in Sri Lanka's post-independence history, the gradual economic revival witnessed in the second half of 2023 was further solidified in the first quarter of 2024 due to ambitious and continuous policy adjustments implemented by the Government. The economic growth recorded for three consecutive quarters since the third quarter of 2023, following contractions for six quarters in a row, has paved the way toward a sustainable recovery. Gradual recovery in the economy is also reflected in the maintenance of inflation at single-digit level in the first five months of 2023, maintaining an accommodative monetary policy stance, enhanced external sector performance with an increase in tourism earnings and workers' remittances, overall appreciation of the currency and the improvements in the gross official reserves.

Sri Lankan economy rebounded in the first quarter of 2024 recording a positive growth of 5.3 percent compared to the contraction of 10.7 percent in the same period of 2023. All the sectors of the economy namely Agriculture, Industry and Services expanded in the first quarter of 2024 exhibiting positive signs of recovery. The Agriculture sector growth of 1.1 percent in the first quarter of 2024 was mainly due to the expansion in the growing of cereals, freshwater fishing and freshwater aquaculture and animal production. The Industry sector grew by 11.8 percent in the first quarter of 2024 compared to the contraction of 24.3 percent recorded in the same period of 2023. This is mainly due to the expansion in the construction industry, mining and quarrying industry and manufacturing industry. The Services sector also grew by 2.6 percent in the first quarter of 2024 compared to the contraction of 4.6 percent in the same period of 2023 mainly

due to the expansion in accommodation, food and beverage service activities and insurance, reinsurance and pension funding activities.

Inflation remained at single-digit levels from July, 2023. Year-on-year headline inflation, measured by the Colombo Consumer Price Index (CCPI, 2021=100) which stood at 6.4 percent in January 2024 declined to 0.9 percent in May 2024. However, Year-on-year core inflation, measured by the CCPI (2021=100) which stood at 2.2 percent in January 2024 increased to 3.5 percent in May 2024. Central Bank of Sri Lanka further eased its monetary policy stance by reducing the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 50 basis points to 8.50 percent and 9.50 percent, respectively by end March, 2024.

The external sector showed improved performance in the early months of 2024. Merchandise exports increased by 5.5 percent to USD 4,056.1 million in the first four months of 2024, compared to USD 3,846.2 million in the same period of 2023. Merchandise imports increased by 9.5 percent to USD 5,833.2 million in the first four months of 2024 compared to USD 5,325.2 million in the same period of 2023. As a result, the merchandise trade deficit widened to USD 1,777.1 million in the first four months of 2024 compared to USD 1,479.0 million in the same period of 2023.

Workers' remittances increased by 11.4 percent to USD 2,079.9 million in the first four months of 2024, compared to USD 1,867.2 million recorded in the same period of 2023. Earnings from tourism increased significantly by 91.9 percent to USD 1,251.6 million in the first four months of 2024, compared to USD 652.2 million recorded in the same period of 2023. Inflows to the other services sector also improved in the first four months of 2024.

With the improved foreign currency inflows, gross official reserves increased to USD 5.5 billion as at end April, 2024 which includes the swap facility from the People's Bank of China. With the positive developments in the external sector, the Sri Lanka Rupee appreciated by 7.3 percent against the US Dollar during the year up to end May 2024.

Considering the strong performance under the 48-month IMF Extended Fund Facility (EFF) programme, the IMF Executive Board completed the 2024 Article IV Consultation and Second Review under the programme, providing the country with immediate access to the third tranche under the programme of SDR 254 million (around USD 336 million) on June 12, 2024, to support its economic policies and reforms. Accordingly, the IMF has disbursed over USD 1 billion since the commencement of the programme in March 2023.

Sri Lanka completed debt restructuring negotiations and entered into agreements with the Official Creditor Committee (OCC) chaired by India, Japan and France, and with the Exim Bank of China on June 26, 2024. This is a major milestone reached by the Government of Sri Lanka as agreements have

been reached to treat a total of USD 10 billion of major bilateral creditors including China and the members of the OCC: Japan, India, France, Australia, Austria, Belgium, Canada, Denmark, Germany, Hungary, South Korea, the Netherlands, Russia, Spain, Sweden, the United Kingdom and the United States.

The restructuring will be implemented through individual MoUs with each member of the OCC and concluding domestic regulatory formalities with the Exim Bank of China. With domestic debt restructuring also completed in 2023, only the external commercial debt restructuring is yet to be completed for the overall debt restructuring process to be finalized.

The reaching of external bilateral debt restructuring agreements will enable the resumption of bilateral lending to Sri Lanka by major international partners in the OCC and the Exim Bank of China. With the resumption of foreign-funded public investments, the construction sector as well as the economy will be positively impacted. Further, the finalization of official debt restructuring will provide significant fiscal relief allowing the cashflow savings to be directed toward priority expenditure requirements.

TABLE 1.1 Movements in Inflation (%)

Year	Month	CCPI (2021=100)				NCPI (2021=100)			
		Headline Inflation		Core * Inflation		Headline Inflation		Core* Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2023	February	50.6	n.a	43.6	n.a	53.6	n.a	50.1	n.a
	March	50.3	n.a	39.1	n.a	49.2	n.a	44.2	n.a
	April	35.3	n.a	27.8	n.a	33.6	n.a	31.8	n.a
	May	25.2	n.a	20.3	n.a	22.1	n.a	21.6	n.a
	June	12.0	n.a	9.8	n.a	10.8	n.a	11.3	n.a
	July	6.3	n.a	5.9	n.a	4.6	n.a	6.3	n.a
	August	4.0	n.a	4.6	n.a	2.1	n.a	4.1	n.a
	September	1.3	n.a	1.9	n.a	0.8	n.a	1.7	n.a
	October	1.5	n.a	1.2	n.a	1.0	n.a	0.6	n.a
	November	3.4	n.a	0.8	n.a	2.8	n.a	0.8	n.a
	December	4.0	17.4	0.6	14.5	4.2	16.5	0.9	15.8
	2024	January	6.4	14.2	2.2	11.3	6.5	13.4	2.2
February		5.9	11.3	2.8	8.5	5.1	10.2	2.7	9.2
March		0.9	8.0	3.1	6.1	2.5	7.2	3.4	6.5
April		1.5	5.7	3.4	4.4	2.7	5.2	3.0	4.6
May		0.9	3.9	3.5	3.3	1.6	3.7	3.1	3.3

Source: Department of Census and Statistics

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

n.a. - not available

In addition, it is expected that the conclusion of debt restructuring with the completion of commercial debt restructuring will allow the credit ratings to be revised positively which in turn would provide easier and lower-cost access to international financial markets.

1.2 Inflation

The headline inflation as measured by the year-on-year (YOY) change of the Colombo Consumer Price Index (CCPI, 2021=100) has decelerated rapidly in 2023 and 2024 since its peak of around 70 percent recorded in September 2022 to reach 0.9 percent in May 2024. However, inflation showed a slightly increasing trend from October 2023 to January 2024, mainly due to public sentiments surrounding the increase in Value Added Tax (VAT) which was scheduled for January 2024, the actual VAT increase in January 2024, and unfavourable weather conditions that disrupted the food supply. Nonetheless, headline inflation started to decline again in February 2024, recording a sharp decline in March 2024, mainly owing to the 22 percent cut in electricity tariffs.

Accordingly, inflation declined to 0.9 percent in May 2024 from 6.4 percent in January 2024. In the same vein, the headline inflation as measured by the Y-O-Y change in the National Consumer Price Index (NCPI, 2021=100) declined to 1.6 percent in May, 2024 from 6.5 percent recorded in January,

2024. These decelerating movements of the inflation were mainly triggered by the downward revisions to the electricity tariff, and fuel and LP gas prices. Apart from that, the moderation in food prices and the subdued demand conditions also contributed to the decrease in inflation.

The core inflation which reflects the underlying inflation trends by excluding volatile items of food, energy and transport groups in the economy, as measured by the Y-O-Y change in the CCPI (2021=100) increased to 3.5 percent in May, 2024 from 2.2 percent recorded in January, 2024. Similarly, core inflation as measured by NCPI (2021=100) increased to 3.1 percent in May, 2024 from 2.2 percent in January, 2024. Despite the marginal increase, core inflation remained at subdued levels reflecting low demand pressures in the economy. Inflation is expected to stabilize around the targeted level of 5 percent in the upcoming months due to reduced food prices and the application of appropriate policy measures.

1.3 Money and Credit

The Central Bank of Sri Lanka continued the easing of the monetary policy since June 2023. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), which remained at 9.00 percent and 10.00 percent, respectively at the beginning of the year, were reduced by 50 basis

TABLE 1.2 Money and Private Sector Credit

Rs. Billion

Item	2023				2024				2024 April/ 2023 April Growth (%)
	January	February	March	April	January	February	March	April	
Reserve Money	1,589.72	1,504.68	1,424.21	1,417.07	1,488.61	1,413.71	1,405.56	1,426.50	0.67
Broad Money (M2b)	12,322.46	12,345.80	12,293.35	12,386.65	13,114.94	13,201.13	13,324.62	13,420.00	8.34
Private Sector Credit	7,315.43	7,257.89	7,138.36	7,087.70	7,314.21	7,321.48	7,393.38	7,377.20	4.08

Source : Central Bank of Sri Lanka

points each, setting them at 8.50 percent and 9.50 percent, respectively in March 2024. As a result of the monetary policy easing measures, market interest rates have declined from the historically high levels recorded in April 2022. Yields on government securities also continued to decline, in line with the reduced policy interest rates. The Statutory Reserve Ratio (SRR) has remained unchanged at 2.00 percent throughout this year so far.

Despite significant monetary policy easing and improvements in overall liquidity conditions, credit flows to the private sector have seen only a slight increase so far this year. Further lowering of the retail lending interest rates could help stimulate private-sector credit growth, thereby supporting the ongoing economic recovery.

1.4 Stock Market

The stock market in Sri Lanka gained momentum in the first five months of 2024. The All-Share Price Index (ASPI, 1985 = 100) increased by 41.5 percent to 12,106 points at the end of May 2024 compared to 8,555 points at the end of May 2023. The Standard and Poor's Sri Lanka 20 (S&P SL20, 2004 = 1,000) index, which represents the most liquid stocks, also increased by 47.4 percent to 3,569 points at the end of May 2024 from 2,421 points at the end of May 2023.

Market capitalization increased by 32.8 percent to Rs. 4,781 billion at the end of May 2024 compared to Rs. 3,598 billion recorded at the end of May 2023. During the first five months of 2024, the Colombo Stock

Exchange (CSE) recorded an increase in the average daily turnover by 19.3 percent to Rs. 1,767 million compared to Rs. 1,481 million recorded in the same period of 2023.

1.5 External Sector Developments

Sri Lanka's external sector demonstrated improved performance in the first four months of 2024 with the increase in inflows from workers' remittances and earnings from tourism. Accordingly, workers' remittances increased by 11.4 percent to USD 2,079.9 million while earnings from tourism grew significantly by 91.9 percent to USD 1,251.6 million in the first four months of 2024.

Earnings from exports increased by 5.5 percent to USD 4,056.1 million in the first four months of 2024 with the increase in earnings from industrial and agricultural exports due to the improvement of export production sectors with the economic recovery and increased demand from the foreign markets. Expenditure on imports grew by 9.5 percent to USD 5,833.2 million in the first four months of 2024 due to the increase in import expenditure on consumer goods, intermediate goods and investment goods with the increased demand due to the revival of economic activities and removal of import restrictions, combined with the impact of high commodity prices of the global markets. Accordingly, the trade deficit widened to USD 1,777.1 million in the first four months of 2024 compared to USD 1,479.0 million in the same period of 2023 since the increase in import expenditure surpassed the export earnings.

TABLE 1.3 : Movements in the Capital Market

Indicators	2019	2020	2021	2022	2023	End May	
						2023	2024
All Share Price Index (1985=100)	6,129	6,774	12,226	8,490	10,594	8,555	12,106
S & P SL 20 Index	2,937	2,638	4,233	2,636	3,010	2,421	3,569
Market Capitalization (Rs. Bn.)	2,851	2,961	5,489	3,847	4,261	3,598	4,781
No. of Listed Companies in Trading	289	283	296	290	290	289	284
Daily Average Turnover (Rs.Mn.)	711	1,899	4,888	2,972	1,697	1,481	1,767
Foreign Sales (Rs. Mn.)	68,272	104,165	86,689	36,863	34,810	13,809	32,540
Foreign Purchases (Rs. Mn)	56,537	52,889	39,410	67,488	39,826	15,168	24,423
Net Purchases (Rs. Mn)	-11,735	-51,276	-47,279	30,625	5,017	1,359	-8,117

Source: Colombo Stock Exchange and Central Bank of Sri Lanka

TABLE 1.4 : External Trade: January – April 2024

USD Million			
Category	2023	2024	% Change
Exports	3,846.2	4,056.1	5.5
Agricultural Products	792.3	828.4	4.6
Tea	407.7	450.2	10.4
Primary Products (Rubber and Coconut Products)	114.1	133.7	17.2
Other Agricultural Products	270.5	244.5	-9.6
Industrial Exports	3,035.6	3,210.1	5.7
Textile and Garments	1,616.7	1,570.0	-2.9
Petroleum Products	168.7	369.8	119.2
Other Industrial Products	1,250.2	1,270.3	1.6
Mineral	9.1	8.4	-7.9
Other	9.3	9.2	-0.9
Imports	5,325.2	5,833.2	9.5
Consumer Goods	948.8	1,058.5	11.6
Food and Beverages	500.0	577.2	15.4
Other Consumer Goods	448.8	481.3	7.2
Intermediate Goods	3,600.6	3,778.5	4.9
Petroleum	1,635.1	1,529.7	-6.4
Fertilizer	50.1	23.9	-52.4
Textiles and Textiles Articles	787.2	866.9	10.1
Other Intermediate Goods	1,128.2	1,358.0	20.4
Investment Goods	769.9	991.4	28.8
Machinery and Equipment	526.8	666.3	26.5
Transport Equipment	26.8	40.5	51.4
Building Material	215.3	283.8	31.8
Other Investment Goods	1.0	0.8	-23.9
Other	5.8	4.7	-18.9
Trade Balance	-1,479.0	-1,777.1	-20.2

Source: Central Bank of Sri Lanka

The workers' remittances increased to USD 2,079.9 million in the first four months of 2024 compared to USD 1,867.2 million in the same period of 2023 with higher departures for foreign employment during the recent years and receipt of remittances through formal channels with the government's policy measures to encourage remitting through official channels. However, departures for foreign employment have slightly declined to 95,795 persons in the first four months of 2024 compared to 96,038 persons in the same period of 2023. Meanwhile, earnings from tourism increased notably to USD 1,251.6 million in the first four months of 2024 compared to USD 652.2 million in the same period of 2023 with the increased tourist arrivals from India, Russia, the United Kingdom, Germany, China and France in this period. Tourist arrivals grew by 77.9 percent to 784,651 persons in the first four months of 2024 compared to 441,177 persons in the same period of 2023.

The Colombo Stock Exchange (CSE) recorded an increase in net inflow to USD 23.4 million in the first four months of 2024 compared to USD 3.9 million in the same period of 2023. A net outflow of USD 113.0 million was recorded in the government securities market in the first four months of 2024 compared to the inflow of USD 252.2 million in the same period of 2023. Meanwhile, the gross official reserves stood at USD 5.5 billion as at end April 2024 including the swap facility of USD 1.5 billion from the People's Bank of China.

The overall Balance of Payments (BoP) improved with a surplus of USD 1,288.2 million in the first four months of 2024 compared to a surplus of USD 883.3 million in the same period of 2023. The Sri Lankan rupee appreciated by 7.3 percent against the USD by the end of May 31, 2024.

Exports

Earnings from exports increased by 5.5 percent to USD 4,056.1 million in the first four months of 2024 compared to USD 3,846.2 million in the same period of 2023 mainly due to the increase in earnings from industrial exports despite the decline in textiles and garments export earnings. Industrial export earnings contributed 79.1 percent to the total export earnings, while agricultural and mineral exports accounted for 20.4 percent and 0.2 percent of total export earnings, respectively.

Earnings from industrial exports increased by 5.7 percent to USD 3,210.1 million in the first four months of 2024 from USD 3,035.6 million in the same period of 2023 mainly due to increased export earnings from petroleum products, rubber products, and food, beverages and tobacco products. Earnings from petroleum products increased significantly by 119.2 percent to USD 369.8 million with the increase in volumes of bunkering and aviation fuel exports. Earnings from rubber products increased by 14.3 percent to USD 326.9 million and earnings from food, beverages and tobacco increased by 28.3 percent to USD 206.3 million. However, earnings from textiles and garments declined by 2.9 percent to USD 1,570.0 million compared to USD 1,616.7 million in the same period of 2023. Further, export earnings from machinery and mechanical appliances, gems, diamonds and jewellery, animal fodder and transport equipment declined, while increased export earnings were recorded from chemical products, base metal and articles and wood and paper products.

Earnings from agricultural exports increased by 4.6 percent to USD 828.4 million in the first four months of 2024 from USD 792.3 million in the same period of 2023 with the increased earnings from tea, coconut, minor agricultural products and vegetables. Earnings from tea exports increased by 10.4 percent to USD 450.2 million in the first four months of 2024 with the higher tea export volumes. Further, increases in export earnings were recorded from coconut by 24.1 percent to USD 125.6 million, minor agricultural products by 33.5 percent to USD 52.9 million and vegetables

by 0.6 percent to USD 9.2 million. However, export earnings from spices, seafood, rubber and unmanufactured tobacco declined by 30.2 percent to USD 84.7 million, by 0.9 percent to USD 90.7 million, by 37.2 percent to USD 8.1 million and by 21.7 percent to USD 7.0 million, respectively in the first four months of 2024. Meanwhile, mineral export earnings declined by 7.9 percent to USD 8.4 million in the first four months of 2024 from USD 9.1 million in the same period of 2023.

Imports

Expenditure on imports increased by 9.5 percent to USD 5,833.2 million in the first four months of 2024 compared to USD 5,325.2 million in the same period of 2023 due to the increase in import expenditure on consumer, intermediate and investment goods with the increased demand due to revival of economic activities and removal of restrictions on the importation of non-essential import items. Import expenditure on consumer goods grew by 11.6 percent to USD 1,058.5 million accounting to 18.1 percent of total import expenditure. Further, import expenditure on intermediate goods increased by 4.9 percent to USD 3,778.5 million contributing to 64.8 percent of the total import expenditure and import expenditure on investment goods increased by 28.8 percent to USD 991.4 million reflecting 7.0 percent of the total export expenditure.

Import expenditure on consumer goods increased significantly by 11.6 percent to USD 1,058.5 million in the first four months of 2024 compared to USD 948.8 million in the same period of 2023 mainly due to the increased import expenditure on both food and beverages and nonfood consumer goods. Import expenditure on food and beverages increased by 15.4 percent to USD 577.2 million in the first four months of 2024 compared to USD 500.0 million in the same period of 2023 with the increase in expenditure of all sub categories despite the decline in expenditure on sugar and confectionery and spices. Accordingly, import expenditure on vegetables, dairy products, cereal and milling industry products and seafood categories increased. Expenditure on non-food consumer goods grew by 7.2 percent to USD 481.2 million

in the first four months of 2024 from USD 448.8 million mainly due to the increased expenditure on clothing and accessories, home appliances and telecommunication devices despite the decline in expenditure on medical and pharmaceuticals.

Import expenditure on intermediate goods increased by 4.9 percent to USD 3,778.5 million in the first four months of 2024 from USD 3,600.6 million in the same period of 2023 due to the increase in expenditure on textiles and textile articles, chemical products, base metals, plastic and articles thereof and paper and paper boards and articles. Import expenditure on fuel declined by 6.4 percent to USD 1,529.7 million in the first four months of 2024 with a significant decline in import expenditure on coal by 55.1 percent to USD 140.7 million despite the increase in expenditure on refined petroleum by 0.7 percent to 1,015.9 million and crude oil by 19.4 percent to USD 373.1 million. Further, import expenditure on diamonds, precious stones and metals, wheat and maize, agricultural inputs and fertilizer declined in the first four months of 2024.

Import expenditure on investment goods increased by 28.8 percent to USD 991.4 million in the first four months of 2024 from USD 769.9 million in the same period of 2023. This was mainly due to the increase in expenditure on machinery and equipment by 26.5 percent to USD 666.3 million, building material by 31.8 percent to USD 283.8 million and transport equipment by 51.4 percent USD 40.5 million due to the rise in prices in foreign markets and enhancement in investment activities with the revival of the economy.

1.6 Global Economic Perspectives¹

The global economy withstood the consistent economic challenges that arose in 2022–2023. Amidst global disinflation from the historically high inflation recorded in mid-2022 and despite the high interest rates, the global economy grew by 3.5 percent and 3.2 in 2022 and 2023, respectively.

Although risks pertaining to geopolitical tensions, high core inflation and tight labour markets, public sentiments on high interest rate expectations and reduced asset prices prevail, the risks appear to be broadly balanced. However, the growth outlook is expected to be affected by the tightening of fiscal policies amidst the inflation being maintained at target levels and continued policy easing by Central Banks.

The global economy is set to grow by 3.2 percent each in 2024 and 2025 which remains below historical standards, particularly the annual average of 3.8 percent recorded in 2000–2019 period as a result of lagged effects of the COVID-19 pandemic, geo-political tensions, weak growth in productivity, and escalating geo-economic fragmentation. The comparative low growth outlook also reflects the restrictive monetary policies, withdrawal of fiscal support and low productivity growth.

Global Growth

Both Advanced Economies and Emerging Market and Developing Economies (EMDEs) are set to grow at a slower pace over 2024–26 than in the decade preceding the pandemic. Growth in advanced economies is projected at 1.7 percent in 2024 aided by projected growth of 2.7 percent in the United States (US), 0.8 percent in the Euro Area, 0.9 percent in Japan and 1.6 percent in other advanced economies. The moderate growth in the Advanced economies particularly reflects the recovery in the Euro Area from the low growth of 0.4 percent in 2023 owing to the high exposure to the Ukraine-Russia Conflict. Growth in Japan is expected to slow down to 0.9 percent in 2024 from 1.9 percent in 2023 due to fading off of effects of one-off factors that supported growth in 2023.

Growth in EMDEs is forecast to be over 4 percent a year over 2024–26. Growth in China is expected to decelerate this year and ease further in 2025 and 2026 in comparison to growth of 5.2 percent in 2023 due to easing off of positive effects from one-off measures including the boost of consumption and fiscal stimulus after the pandemic and continued weakening of property sector. Excluding China, EMDEs growth is projected to edge

¹ Based on World Economic Outlook (April 2024, IMF), Fiscal Monitor (April 2024, IMF), Global Financial Stability Report (April 2024, IMF), Commodity Markets Outlook (April 2024, World Bank), Global Economic Prospects (June 2024, World Bank), Asian Development Outlook (April 2024, Asian Development Bank) and other data and information from IMF, World Bank and the internet.

TABLE 1.5 : A Snapshot of the World – 2023

Country	2023				
	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Balance (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-1.6	133.5	6.6	-4.2	154.5
Australia	2.1	5.6	3.7	-0.9	49.4
Brazil	2.9	4.6	8.0	-7.9	84.7
Canada	1.1	3.9	5.4	-0.6	107.1
Chile	0.2	7.6	8.8	-2.2	39.4
China	5.2	0.2	5.2	-7.1	83.6
France	0.9	5.7	7.4	-5.5	110.6
Germany	-0.3	6.0	3.0	-2.1	64.3
Greece	2.0	4.2	10.9	-1.6	168.8
India	7.8	5.4	...	-8.6	82.7
Indonesia	5.0	3.7	5.3	-1.6	39.9
Italy	0.9	5.9	7.7	-7.2	137.3
Japan	1.9	3.3	2.6	-5.8	252.4
Korea	1.4	3.6	2.7	-1.0	55.2
Malaysia	3.7	2.5	3.6	-4.4	67.3
Mexico	3.2	5.5	2.8	-4.3	53.1
Russia	3.6	5.9	3.2	-2.3	19.7
Singapore	1.1	4.8	1.9	3.6	162.1
South Africa	0.6	5.9	32.8	-6.0	73.9
Spain	2.5	3.4	12.1	-3.6	107.5
Sri Lanka	-2.3	17.4	4.7	-8.3	103.9
Thailand	1.9	1.2	1.2	-3.2	62.4
United Kingdom	0.1	7.3	4.0	-6.0	101.1
United States	2.5	4.1	3.6	-8.8	122.1
Vietnam	5.0	3.3	2.0	-1.6	34.0
Venezuela	4.0	337.5	...	-3.4	148.2

Source: *World Economic Outlook, IMF, April 2024*

Fiscal Monitor, IMF, April 2024, Department of Fiscal Policy

Central Bank of Sri Lanka

Department of Census and Statistics

... Not available

up to 3.5 percent this year and then enhance to an average of 3.9 percent in 2025–26 . Growth in India is expected to be strong at 6.8 percent in 2024 and 6.5 percent in 2025 owing to the effects of strong domestic demand and rising working age population.

Growth in Low-Income Developing Countries is forecasted to improve to 4.7 percent in 2024 and further solidify at 5.2 percent in 2025 from a growth of 4.0 percent in 2023. India is expected to affirm its position as a major growth engine within Asia, driven by strong investment, recovering consumption, and gains in electronics and services exports. Macroeconomic stabilization in Pakistan and Sri Lanka will bring positive growth in 2024, with further accelerated growth in 2025.

Inflation

With the gradual decrease in headline inflation since 2022 aided by easing policy rates, global headline and core inflation is expected to further abate in 2024 and 2025.

Global headline inflation is expected to decline to 5.9 percent in 2024, before easing further to 4.5 percent in 2025 from 6.8 percent in 2023. The slowdown is expected to be driven by the softening of core inflation, as services demand moderates and wage growth slows, in addition to a modest decline in commodity prices.

In advanced economies, inflation is expected to fall by 2.0 percentage points to reach

2.6 percent in 2024 from 4.6 percent in 2023. Advanced economies are set to reach pre-pandemic inflation levels in 2025. The reduction of the pace of inflation is slower in EMDEs with inflation remaining at the same level of 8.3 percent in 2024 as in 2023. EMDEs are expected to reach their pre-pandemic average of around 5.0 percent around 2026.

Commodity Markets

Primary commodity prices have recorded a slight decline between August 2023 and February 2024 driven by the decline in oil prices. Prices of fuel commodities are expected to decline in 2024 by 9.7 percent

with an anticipated decline in oil prices by about 2.5 percent. Declines are also anticipated for coal and natural gas as well as food commodities.

The commodity price index is projected to decline by 3 percent and 4 percent on a year-on-year basis in 2024 and 2025, respectively. Driven by sharp increases in cocoa and coffee prices, the agriculture price index increased in early April of 2024. However, as supplies increase and El Niño conditions abate, the agriculture price index is expected to decline by 1 percent and 4 percent, respectively, in 2024 and 2025.

TABLE 1.6 : International Commodity Prices

Item	Unit	Actual		Projection	
		2022	2023	2024	2025
Energy					
Coal, Australia	\$MT	344.9	172.8	125.0	110.0
Crude oil, Brent	\$/bbl	99.8	82.6	84.0	79.0
Natural gas, US	\$/MMBTU	6.4	2.5	2.4	3.5
Non-energy					
Agriculture					
Beverages					
Cocoa	\$/kg	2.39	3.28	5.00	4.00
Coffee, robusta	\$/kg	2.29	2.63	3.50	2.80
Tea	\$/kg	3.05	2.74	2.75	2.77
Food					
Fats and Oils					
Palm oil	\$MT	1,276	886	905	825
Soybean meal	\$MT	548	541	480	460
Soybeans	\$MT	675	598	500	475
Grains					
Maize	\$MT	319	253	200	195
Rice	\$MT	437	554	595	550
Wheat	\$MT	430	340	290	295
Other food					
Sugar	\$/kg	0.40	0.52	0.50	0.46
Raw Materials					
Cotton	\$/kg	2.86	2.09	2.15	2.20
Rubber	\$/kg	1.54	1.38	1.55	1.60
Sawn wood	\$/cum	675	678	680	690
Metals and Minerals					
Aluminium	\$MT	2,705	2,256	2,300	2,400
Copper	\$MT	8,822	8,490	8,900	8,800
Nickel	\$MT	25,834	21,521	17,000	18,000

Source: Commodity Markets Outlook, World Bank, April 2024

The energy price index is expected to edge down 3 percent in 2024 and ease a further 4 percent in 2025. The metals price index is expected to remain unchanged in 2024-25. Gold prices are forecasted to rise by 8 percent in 2024, before slightly decreasing in 2025.

Global Trade

Due to slow-downs in global industrial production, the volume of goods trade contracted by 1.9 percent in 2023. However, supported by improvements in goods trade and an increase in household consumption, global trade is showing signs of improvement in 2024. Global trade is projected to grow by 3.0 percent in 2024 and 3.3 percent in 2025. Nevertheless, regional conflicts and geopolitical tensions can adversely affect this improvement. Further, trade growth is expected to remain below its historical 2000–2019 average of 4.9 percent.

Monetary and Financial Sector

To counter inflation, most central banks raised policy interest rates leading to

increases in mortgage costs, difficulties in debt refinancing, corporate bankruptcies and subdued inflation. However, with the projected gradual decline in inflation, policy rates in advanced economies are expected to decline in the second half of 2024.

While most central banks' hiking cycles are complete and some have started to ease, policy rates remain high. As a result, real interest rates have increased due to the drop in forecast inflation. The lagged effects of tight monetary policy and higher agricultural production will also mitigate inflation dynamics in South Asia, Southeast Asia and Central Asia. Fiscal restraint will also be necessary to support the disinflation process.

It is anticipated that many countries will need large fiscal adjustments to safeguard fiscal sustainability and rebuild buffers while protecting their most vulnerable populations. Advanced economies are expected to further tighten their fiscal policies in 2024, while EMDEs are expected to follow a neutral fiscal stance in 2024.

CHAPTER 2

Fiscal Developments

2.1 Overview

The fiscal sector demonstrated a robust performance in the first four months of 2024 driven by the increased revenue mobilization together with the decline in expenditure with the Government's efforts to strengthen the fiscal consolidation. Accordingly, a primary surplus of Rs. 365.0 billion was recorded in the first four months of 2024 compared to the primary deficit of Rs. 5.3 billion recorded in the same period of 2023. The budget deficit has also narrowed by Rs. 463.2 billion to Rs. 361.1 billion in the first four months of 2024 compared to the same period of 2023.

Total government revenue increased by 48.3 percent or Rs. 396.7 billion to Rs. 1,218.1 billion in the first four months of 2024 from Rs. 821.3 billion in the same period of 2023, realizing 29.5 percent of the annual estimate. This was a result of several factors including the aggressive tax policy measures introduced since June 2022, gradual improvements in the revenue administration, positive economic growth recorded since the third quarter of 2023 and gradual lifting of import restrictions. Tax revenue significantly increased by 50.5 percent to Rs. 1,117.8 billion in the first four months of 2024 achieving 29.3 percent of the annual estimate for 2024.

The revenue collected from income taxes increased by 27.3 percent to Rs. 244.0 billion in the first four months of 2024 from Rs. 191.8 billion in the same period of 2023 mainly due to the realization of the full impact of tax policy measures introduced on January 1, 2023, increase in salaries both in the public and informal private sectors with the revival of economic activities.

Taxes on goods and services increased by 63.8 percent to Rs. 724.5 billion in the first four months of 2024 compared to the same period of 2023. This is led by the increase

in Value Added Tax (VAT) revenue by 89.5 percent to Rs. 422.9 billion due to the scale up in the VAT rate, the reduction in the VAT registration threshold, and the removal of a vast majority of VAT exemptions effective from January 1, 2024 along with the impact of the removal of import restrictions. Revenue from Excise Duty also increased by 45.2 percent to Rs. 198.3 billion driven by the increases in Excise Duty on petroleum. Other taxes on goods and services also increased by 25.1 percent to Rs. 103.3 billion owing to increased yield from the Social Security Contribution Levy (SSCL).

Revenue from taxes on external trade increased by 37.6 percent in the first four months of 2024 mainly due to the increase in revenue collected from Customs Import Duty (CID) by 68.5 percent in the first four months of 2024 with the relaxation of import restrictions since the third quarter of 2023. A notable revenue increase has been recorded from Import Duties owing to the upward revision of rates and from the Special Commodity Levy (SCL) owing to the increase in SCL rates on sugar and potatoes. The revenue generated from CESS Levy and Ports and Airports Development Levy (PAL) increased by 64.3 percent and 0.4 percent, respectively, due to the gradual lifting of import restrictions, despite the phasing out of CESS and PAL on considerable items.

Non-tax revenue increased by 26.8 percent to Rs. 98.3 billion in the first four months of 2024 compared to the same period of 2023 mainly due to the increase in revenue from fines, fees, and charges.

Government expenditure declined by 4.0 percent to Rs. 1,579.2 billion in the first four months of 2024, compared to Rs. 1,645.6 billion in the same period of 2023. It mainly reflects the continuous expenditure control measures implemented by the Government

to exercise greater fiscal discipline to address budget deficits and unsustainable debt levels.

Recurrent expenditure, which accounted for around 90 percent of total expenditure in the first four months of 2024, declined by 4.4 percent to Rs. 1,419.3 billion from Rs. 1,485.0 billion recorded in the same period of 2023. This was primarily led by the decline of 11.3 percent in interest expenditure to Rs. 726.1 billion from Rs. 819.0 billion in the same period of 2023. This is attributable to the decline in domestic interest payments by 12.3 percent to Rs. 692.1 billion due to the decline in domestic interest rates and the effects of the completion of Domestic Debt Optimization (DDO). However, foreign interest payments, which represent 4.7 percent of total interest payments, have increased by 13.9 percent to Rs. 34.0 billion.

However, non-interest recurrent expenditure increased by 4.1 percent in the first four months of 2024 compared to the same period of 2023 with the increase of expenditure on goods and services by 12.5 percent to Rs. 99.8 billion from Rs. 88.7 billion and the increase of expenditure on subsidies and transfers by 6.4 percent to Rs. 291.5 billion from Rs. 274.0 billion. Expenditure on salaries and wages declined by 0.5 percent to Rs. 301.8 billion in the first four months of 2024 from Rs. 303.3 billion in the same period of 2023 owing to the effects of limiting new recruitments to essential positions and effective management of cadre.

Capital and Net Lending declined by 0.4 percent to Rs. 159.9 billion in the first four months of 2024 from Rs. 160.6 billion in the same period of 2023. This was marked by a decline in transfers to public institutions, provincial councils, and net lending, despite the increase in expenditure for the acquisition of fixed assets by 20.8 percent.

TABLE 2.1 : Summary of the Budget from January to April 2024

Item	Rs. Million	
	2023	2024 (Provisional)
Revenue and Grants	821,346	1,218,065
Revenue	820,070	1,216,030
Tax Revenue	742,578	1,117,762
Non Tax Revenue	77,493	98,268
Grants	1,276	2,035
Expenditure	1,645,602	1,579,166
Recurrent	1,484,984	1,419,264
Interest Payments	818,969	726,122
Other	666,015	693,142
Public Investment	177,903	165,335
Other	(17,285)	(5,433)
Current Account Balance	(664,913)	(203,234)
Primary Balance	(5,287)	365,021
Budget Deficit	(824,256)	(361,101)
Financing	824,256	361,101
Foreign Financing	(77,498)	(7,449)
Borrowing	49,970	35,536
Repayments	(127,468)	(42,986)
Domestic Financing	901,753	368,551
Borrowing	6,045,994	3,098,450
Repayments	(5,144,241)	(2,729,899)

Source: Department of Fiscal Policy

TABLE 2.2 : Estimated and Actual Revenue and Expenditure from January to April 2024

Item	Rs. Billion		
	Estimated (Annual)	Actual (Provisional)	Achievement (%)
Total Revenue	4,107	1,216	29.6
Tax Revenue	3,820	1,118	29.3
Non – Tax Revenue	287	98	34.2
Total Expenditure	6,978	1,579	22.6
Recurrent Expenditure	5,277	1,419	26.9
Capital Expenditure and Net Lending	1,701	160	9.4

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

2.2 Government Revenue

Total Government revenue excluding grants increased by 48.3 percent to Rs. 1,216.0 billion in the first four months of 2024 compared to

Rs. 820.1 billion in the same period of 2023 mainly due to the increase in tax revenue by 50.5 percent to Rs. 1,117.8 billion from Rs. 742.6 billion.

TABLE 2.3 : Annual Estimate and Actual Tax Revenue from January to April 2024

Item	Rs. Billion	
	Annual Estimate	Actual (Jan – Apr) (Provisional)
Department of Inland Revenue		
Tax on Income and Profit	1,080	244
VAT – Domestic	740	242
SSCL -Domestic	195	63
Sub Total	2,015	549
Department of Customs		
Import Duty	175	34
VAT – Imports	660	181
SSCL -Import	55	20
Ports and Airports Development Levy	175	57
Import/Export Cess	60	27
Special Commodity Levy	95	31
Excise Special Provisions	313	128
Cigarettes	143	35
Petroleum	135	74
Motor Vehicles & Other	35	19
Sub Total	1,533	478
Department of Excise		
Liquor/Tobacco	232	71
Sub Total	232	71
Other		
Telecommunication Levy	19	6
License Tax & Other	22	13
Sub Total	40	20
Total Tax Revenue	3,820	1,118

Source : Department of Fiscal Policy

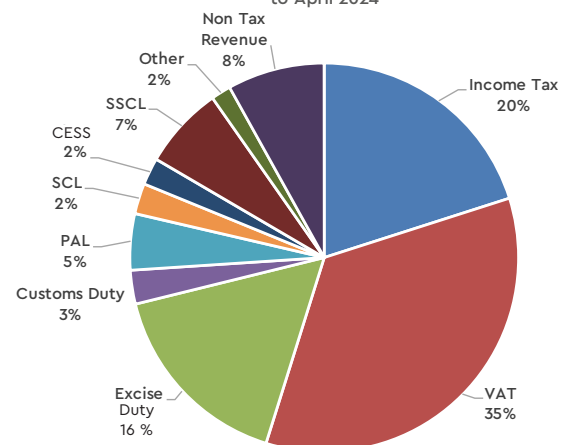
The increase in tax revenue was led by the increase in revenue from:

- 1) VAT by 89.5 percent or 199.7 billion driven by the increase of the VAT rate to 18 percent from 15 percent with effect from January 1, 2024, reduction in the VAT registration threshold from Rs. 80 million per annum to Rs. 60 million per annum with effect from January 1, 2024, removal of the vast majority of VAT exemptions with effect from January 1, 2024 and the increase in imports by 9.5 percent in the first four months of 2024 compared to the same period in 2023;
- 2) Income taxes by 27.3 percent or Rs. 52.3 billion due to the realization of the full impact of the tax policy changes that were made effective on January 1, 2023, but were reflected in increases of revenue from February 2023 onwards, impacts of increased wages both in the public sector and informal private sector (Year-on-year increase of the public sector and informal private sector nominal wages rate indices were 10.6 percent and 7.1 percent, respectively in February 2024), positive impact of the increased economic activity and return to economic growth on the corporate and personal income taxes;
- 3) Excise Duty on Petroleum by 165.7 percent or Rs. 46.0 billion driven by the increase in petroleum imports by 14.4 percent in the first four months of 2024 compared to the same period in 2023 and the net increase in Excise Duty rates with the increase of rates for petrol and diesel by Rs. 25 per litre on June 1, 2023 and the decrease of rates for Diesel by Rs. 6 per litre and for Petrol by Rs. 5 per litre on January 1, 2024;
- 4) SCL by 107.4 percent or Rs. 16.0 billion driven by the rate increases for sugar and potato to Rs. 50 per kg and the increase in the volume of imports in major commodity items;

- 5) CID by 68.5 percent or Rs. 13.9 billion due to the increase in CID rates from 0:10:15 percent to 0:15:20 percent effective from March 28, 2023, and the increase in imports;
- 6) SSCL by 19.3 percent or Rs. 13.5 billion due to the increase in the number of taxpayers with the lowering of the registration threshold from Rs. 120 million per annum to Rs. 60 million per annum with effect from January 1, 2024 and the impact of the increase in imports;
- 7) Excise Duty on liquor by 20.6 percent or Rs. 12.0 billion due to the realization of the full impact of excise duty rate revisions on liquor implemented with effect from July 1, 2023, the indexation of Excise Duty to inflation and increase of excise duty rates by 14 percent on January 1, 2024, and the revision of annual excise license fees with effect from January 12, 2024; and
- 8) CESS by 64.3 percent or Rs. 10.7 billion due to the increase in imports.

The increase of non-tax revenue by 26.8 percent or Rs. 20.8 billion in the first four months of 2024 also contributed to the increase in revenue. This was led by the increase in revenue from interest by Rs. 11.5 billion, fines, fees, and charges by 8.6 billion and profits and dividends by 3.7 billion

FIGURE 2.1 : Composition of Government Revenue from January to April 2024



Source: Department of Fiscal Policy

TABLE 2.4 : Summary of Performance of Government Revenue from January to April 2024

Rs. Million			
Item	2023	2024 (Provisional)	Growth %
Tax Revenue	742,578	1,117,762	50.5
Income Tax	191,768	244,048	27.3
Domestic Consumption Based Tax	314,848	412,799	31.1
VAT	158,181	242,116	53.1
SSCL	54,396	63,244	16.3
Excise Duty	102,246	107,350	5.0
Nation Building Tax	24	89	267.4
Import Based Tax	223,414	441,019	97.4
Customs Duty	20,264	34,137	68.5
VAT	65,007	180,768	178.1
Nation Building Tax	148	2	-98.4
PAL	56,685	56,892	0.4
SCL	14,872	30,846	107.4
SSCL	15,456	20,075	29.9
Excise Duty	34,319	90,922	164.9
Cess	16,663	27,376	64.3
License Taxes and Others	12,548	19,896	58.6
Non Tax Revenue	77,493	98,268	26.8
Total Revenue	820,070	1,216,030	48.3

Source : Department of Fiscal Policy

Tax Revenue

Tax revenue of Rs. 1,117.8 billion accounted for 91.9 percent of the government revenue excluding grants. With the growth in revenue from VAT and taxes on external trade, direct taxes as a share of tax revenue has reduced to 21.8 percent in the first four months of 2024 compared to 25.8 percent recorded in the first four months of 2023. In the first four months of 2024, the realization of tax revenue collection was 29.3 percent of the estimate of Rs. 3,820.0 billion for 2024.

Income Tax

Revenue collection from income taxes increased notably by 27.3 percent to Rs. 244.0 billion in the first four months of 2024 compared to Rs. 191.8 billion in the same period of 2023 mainly due to the full impact of the policy changes implemented with regard to Personal Income Tax and Corporate Income Tax (CIT), Advanced Personal Income

Tax (APIT) and Withholding Tax (WHT) since January 1, 2023. Further, the increase in wages and other positive developments in the real sector as well as the effects of the tax administration measures contributed to the increase in revenue.

Revenue from APIT increased significantly by 62.1 percent to Rs. 65.0 billion in the first four months of 2024 from Rs. 40.1 billion in the same period of 2023. Revenue from WHT on Interest also recorded an increase of 40.6 percent to Rs. 55.2 billion from Rs. 39.3 billion. CIT also yielded an increase in revenue by 7.1 percent to Rs. 112.4 billion from 105.0 billion, whereas revenue from PIT increased by 51.6 percent to Rs. 11.2 billion from Rs. 7.4 billion.

Measures to strengthen tax administration taken by the Government contributed to the significant increase in revenue collection of income taxes. These measures include streamlining the refund process and expediting the refund of amounts paid in

excess, making electronic tax filing mandatory for personal income taxpayers, obligating financial institutions to submit taxpayer transaction information at the individual level to the Inland Revenue Department (IRD), discouraging cash transactions by not allowing such transactions in the aggregate to Rs. 500,000 or more in a day or in a single transaction or in a single event to be deducted as expenses for tax purposes, and issuing a regulation to prescribe the sharing of information regularly to the Commissioner General of Inland Revenue by persons, including Government Institutions, among others.

TABLE 2.5 : Performance of Income Tax Revenue from January to April 2024

Rs. Million			
Tax Base	2023	2024 (Provisional)	Change %
Corporate and Non Corporate	111,843	123,591	10.5
PAYE	40,082	64,989	62.1
Tax on Interest Income	39,301	55,250	40.6
Other	543	218	(59.9)
Total	191,769	244,048	27.3

Source : Department of Fiscal Policy

Value Added Tax (VAT)

In nominal terms, the revenue from VAT increased significantly by 89.5 percent to Rs. 422.9 billion in the first four months of 2024 compared to Rs. 223.2 billion in the same period of 2023, realizing 30.2 percent of the annual estimate for 2024. VAT revenue from domestic activities increased by 53.1 percent to Rs. 242.1 billion while VAT revenue from imports increased significantly by 178.1 percent to Rs. 180.8 billion in the first four months of 2024. This was mainly due to the increase of the standard VAT rate from 15 percent to 18 percent, the reduction in the VAT registration threshold and the removal of a vast majority of VAT exemptions with effect from January 01, 2024, and the impact of the removal of import restrictions and subsequent increase in imports

TABLE 2.6 : Performance of Revenue of VAT from January to April 2024

Rs. Million			
Tax Base	2023	2024 (Provisional)	Growth %
Domestic	158,181	242,116	53.1
Imports	65,007	180,768	178.1
Total Revenue	223,189	422,884	89.5

Source : Department of Fiscal Policy

Excise Duty

Revenue generated from Excise Duty increased by 45.2 percent to Rs. 198.3 billion in the first four months of 2024 compared to Rs. 136.6 billion in the same period of 2023 mainly due to the increase of revenue from petroleum, liquor, motor vehicles, and other excisable articles despite the decline in revenue from cigarettes. Excise Duty revenue accounted for 17.7 percent of the tax revenue and 16.3 percent of the total revenue collected during the first four months of 2024, while achieving 36.4 percent of the annual estimate.

TABLE 2.7 : Performance of Excise Duty from January to April 2024

Rs. Million			
Tax Base	2023	2024 (Provisional)	Growth %
Liquor	58,158	70,163	20.6
Cigarettes	42,706	34,961	-18.1
Motor Vehicles	6,559	17,163	161.7
Petroleum	27,759	73,759	165.7
Other	1,382	2,227	61.1
Total	136,564	198,272	45.2

Source : Department of Fiscal Policy

Revenue from petroleum products increased significantly by 165.7 percent to Rs. 73.8 billion during the first four months of 2024, compared to Rs. 27.8 billion in the same period of 2023 mainly due to the net increase of Excise Duty on fuel with the increase by Rs. 25 per litre effective from June 01, 2023 and decrease of rates for Diesel by Rs. 6 per litre and for Petrol by Rs. 5 per litre on

January 1, 2024 and increase in fuel imports with the removal of quota system and the surge in demand with the economic growth recorded in the first quarter of 2024.

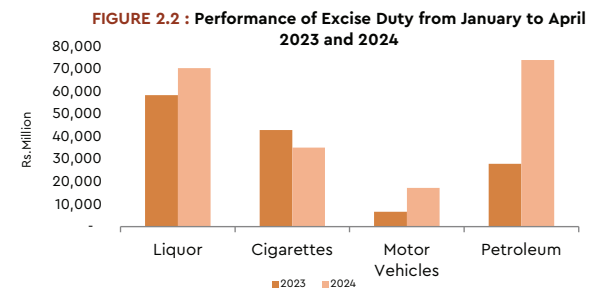
Revenue from liquor increased by 20.6 percent to Rs. 70.2 billion in the first four months of 2024 from Rs. 58.2 billion in the same period of 2023 mainly due to the increase of the excise duty rates by 14 percent effective from January 01, 2024. However, the total liquor production declined by 11.1 percent to 10.7 million absolute litres in the first four months of 2024 compared to 12.1 million absolute litres in the same period of 2023. Revenue from hard liquor increased by 9.8 percent to Rs. 43.5 billion in the first four months of 2024, compared to Rs. 39.7 billion in the same period of 2023. Similarly, revenue collection from malt liquor increased significantly by 43.9 percent to Rs. 25.2 billion in the first four months of 2024, compared to Rs. 17.5 billion in the same period of 2023. The realization of the excise duty collection on liquor in the first four months of 2024 was 30.5 percent of the total estimated revenue in 2024.

Excise Duty from motor vehicles surged by 161.7 percent to Rs. 17.2 billion during the first four months of 2024, compared to Rs. 6.6 billion in the same period of 2023 due to the partial relaxation of temporary restrictions on imports of motor vehicles in semi-knock-down form to incentivize the local vehicle assembling industry.

Further, the Excise Duty revenue generated from other excisable items such as sweetened beverages, refrigerators, palm oil and fatty acid increased by 61.2 percent to Rs. 2.2 billion in the first four months of 2024, compared to Rs. 1.4 billion in the same period of 2023, reflecting the effect of partial relaxation of import restrictions.

However, revenue from cigarettes declined by 18.1 percent to Rs. 35.0 billion during the first four months of 2024, compared to Rs. 42.7 billion in the same period of 2023 despite the increase of excise duty rate of all kinds of cigarettes by 14 percent effective from January 1, 2024 to adjust the duty annually to the average inflation. The upward price adjustments with the increase

of duty resulted in lower sales of cigarettes (except the category of 60 mm to 67 mm length) which in turn reduced the excise duty revenue from cigarettes in the first four months of the year.



Source: Department of Fiscal Policy

Other taxes

Revenue generated from other taxes, such as CID, PAL, SCL, SSCL, Telecommunication Levy, and CESS, increased by 32.2 percent to Rs. 252.6 billion in the first four months of 2024 compared to Rs. 191.0 billion recorded in the same period of 2023.

Revenue from CID increased notably by 68.5 percent to Rs. 34.1 billion in the first four months of 2024, compared to Rs. 20.3 billion in the same period of 2023, mainly due to the relaxation of import restrictions by the third quarter of 2023 and the upward revision of CID rates from 0 percent, 10 percent, and 15 percent to 0 percent, 15 percent, and 20 percent in March 2023. Despite phasing out 1,631 items in April 2023 and 26 items in January 2024 revenue collected from PAL increased marginally by 0.4 percent to Rs. 56.9 billion in the first four months of 2024 from Rs. 56.7 billion in the same period of 2023, due to the relaxation of import restrictions by the third quarter of 2023. The PAL revenue collected in the first four months of 2024 represents 32.5 percent of the annual estimate of Rs. 175 billion for 2024. Revenue collected from SCL increased significantly by 107.4 percent to Rs. 30.8 billion due to the relaxation of import restrictions by the third quarter of 2023 and the upward revision of rates on sugar. Revenue from SSCL increased considerably by 19.3 percent to Rs. 83.3 billion in the first four months of 2024 compared to the same period of 2023. Similarly, the revenue from the Telecommunication Levy increased considerably by 20.7 percent to

Rs. 6.4 billion in the first four months of 2024 compared to the same period of 2023.

Revenue from the CESS levy increased by 64.3 percent to Rs. 27.4 billion in the first four months of 2024, compared to Rs. 16.7 billion in the same period of 2023 due to the relaxation of import restrictions by the third quarter of 2023. Accordingly, revenue from the CESS levy on imports increased significantly by 66.9 percent to Rs. 26.7 billion in the first four months of 2024 from Rs. 16 billion in the same period of 2023. Meanwhile, revenue from the CESS levy on exports declined slightly by 1.6 percent to Rs. 0.69 billion in the first four months of 2024 from Rs. 0.70 billion in the same period of 2023 due to the impact of exchange rate appreciation. The CESS revenue collected in the first four months of 2024 was a realization of 45.6 percent of the annual estimate of Rs. 60.0 billion for 2024.

Non-tax revenue

Non-tax revenue increased significantly by 26.8 percent to Rs. 98.3 billion in the first four months of 2024 compared to Rs. 77.5 billion in the same period of 2023 mainly due to the increase in revenue from interest income and

finances, fees and charges. Accordingly, interest income increased notably by 372.9 percent to Rs. 14.5 billion in the first four months of 2024 compared to Rs. 3.1 billion in the same period of 2023 due to the increase in lending interest rates. Further, revenue from fines, fees and charges increased significantly by 21.8 percent to Rs. 48.3 billion in the first four months of 2024 from Rs. 39.6 billion in the same period of 2023 due to increasing fees and charges administered by the Department of Motor Traffic, the Department of Immigration and Emigration and the Department of Registration of Persons. Profit and dividend receipts from State Owned Enterprises (SOEs) also increased by 38.4 percent to Rs. 13.2 billion in the first four months of 2024 compared to Rs. 9.6 billion in the same period of 2023, while revenue from social security contributions grew by 10.9 percent to Rs. 12.5 billion in the first four months of 2023 from Rs. 11.3 billion in the same period of 2023. Meanwhile, revenue from rent income increased by 78.2 percent to Rs. 2.4 billion in the first four months of 2024 from Rs. 1.3 billion in the same period of 2023. The non-tax revenue collected in the first four months of 2024 was a realization of 34.2 percent of the annual estimate of Rs. 287.0 billion for 2024.

TABLE 2.8 : Variance Analysis of Government Revenue

<i>Rs. Billion</i>				
Item	2023 Jan – April	2024 (Annual Estimate)	2024 ^(a) Jan-April	Major Reasons for Variance
Income Taxes	191.8	1,080.0	244.0	Revenue collection from income tax increased by 27.3 percent in the first four months of 2024, realizing 22.6 percent of the annual estimate. This was mainly due to; <ul style="list-style-type: none"> - realization of the full impact of policy changes implemented in 2023 for the entire four months in 2024 - Increased wages of the public and private sector; and - Gradual normalization of economic activities.
Value Added Tax (VAT)	223.2	1,400.0	422.9	VAT revenue increased significantly by 89.5 percent in the first four months of 2024 and the realized VAT revenue stood at 30.2 percent of the annual estimate. This was achieved due mainly to the following reasons; <ul style="list-style-type: none"> - increased VAT rate to 18 percent from 15 percent effective from January 01, 2024; - the reduction of VAT registration threshold to Rs. 60 million per annum from Rs.80 million with effect from January 1, 2024; - removal of vast majority of VAT exemptions applicable on major items with effect from January 1, 2024; and - increase in total imports by 9.5 percent.

Rs. Billion

Item	2023 Jan – April	2024 (Annual Estimate)	2024 ^(a) Jan-April	Major Reasons for Variance
Excise Duty	136.6	545.0	198.3	<p>Revenue collection from excise duty increased by 45.2 percent to Rs. 198.3 billion in the first four months of 2024 and the realization of excise duty revenue was 36.4 percent as against the annual estimate. This was mainly due to;</p> <ul style="list-style-type: none"> - increase in revenue from excise duty on petroleum owing to the net increase of Excise Duty on the importation of all types of Petrol and Diesel with the increase of duty rate by Rs. 25 per litre for petrol and diesel with effect from June 01, 2023 and decrease of rates for Diesel by Rs. 6 per litre and for Petrol by Rs. 5 per litre on January 1, 2024 and the increase of petroleum imports by 14.4 percent; - increase in revenue from excise duty on motor vehicles with the the increase in motor vehicle imports owing to the allowing the importation of electric vehicles for migrant workers and relaxation of temporary imposed import restrictions on certain vehicle categories; and - increase in revenue from excise duty on liquor with the realization of the full impact of excise duty rate revisions on liquor implemented in July 2023, the indexation of excise duty to inflation and increase of the rates by 14 percent in January 2024, and the revision of Annual Exercise License fees with effect from January 12, 2024.
Import Duties	20.3	175.0	34.1	<p>Revenue from Import Duty showed a notable increase of 68.5 percent in the first four months of 2024 compared to the same period of previous year. The realization of Import Duty was 19.5 percent as against the estimate. This was achieved mainly due to;</p> <ul style="list-style-type: none"> - realization of the full impact of upward revision of CID rates from 0 percent, 10 percent, and 15 percent to 0 percent, 15 percent, and 20 percent with effect from March 29, 2023; and - the increase in imports by 9.5 percent in the first four months of 2024.
Ports and Airports Development Levy (PAL)	56.7	175.0	56.9	<p>Revenue collection from PAL increased marginally by 0.4 percent mainly despite the effects of</p> <ul style="list-style-type: none"> - exemption of 20 percent on total PAL liable items effective from April 4, 2023 as a part of the phasing out of para-tariff; and - application of concessionary rates to 3,117 items and exemption of 595 items at the time of importation of such goods from Singapore as per the provisions of Sri Lanka - Singapore Free Trade Agreement (SLSFTA) with effect from March 29, 2024. <p>32.5 percent of the annual budget estimate was realized due to the impact of the increased value of imports during the first four months of 2024.</p>

Rs. Billion

Item	2023 Jan – April	2024 (Annual Estimate)	2024 ^(a) Jan-April	Major Reasons for Variance
Special Commodity Levy (SCL)	14.9	95.0	30.8	The revenue from the Special Commodity Levy increased by 107.4 percent due to the upward revision of duty rates on sugar and potato and the increase of importation of major commodity items. 32.5 percent of the budget estimate was realized.
Social Security Contribution Levy (SSCL)	69.9	250.0	83.3	The Revenue from the Social Security Contribution Levy (SSCL) increased by 19.3 percent in the first four months of 2024 due to the increase in taxpayers due to the lowering of the registration threshold applicable for SSCL to Rs. 60 million per annum from Rs. 120 million per annum with effect from January 1, 2024 and the impact of increased imports in first four months of 2024. Revenue collection from SSCL achieved 33.3 percent of the annual estimate.
Other Taxes	29.4	100.0	47.4	The revenue collection from other taxes increased by 61.2 percent in the first four months of 2024 compared to the same period of last year, realizing 47.4 of the annual estimate of 2024. This was mainly due to increase in revenue from <ul style="list-style-type: none"> - CESS Levy by 64.3 percent owing to increase in imports; - the Telecommunication Levy by 20.7 percent; and - other taxes by 86.5 percent.
Non Tax Revenue	77.5	287.0	98.3	The revenue collection from non-taxes increased significantly by 26.8 percent mainly due to the increased revenue performance of interest income, rent, fines, fees, and charges, and profits and dividends from State Owned Enterprises. The realization of Non-tax revenue in the first four months of 2024 was 34.2 percent as against the 2024 annual estimate.
Total	820.1	4,107.0	1,216.0	

Compiled by the Department of Fiscal Policy

(a) Provisional

Box 2.1 | Major Fiscal Measures: January – June 2024

Effective Date	Measures
Income Tax- Amendments to the Inland Revenue Act, No. 24 of 2017	
01.04.2024	Gazette Notification No. 2376/25 of 21.03.2024 <ul style="list-style-type: none"> - To prescribe the information to be shared on a regular basis to the Commissioner General of Inland Revenue (CGIR) by the persons including Government Institutions.
06.06.2024	Gazette Notification No. 2387/40 of 06.06.2024 <ul style="list-style-type: none"> - To declare the "Sri Sathya Sai Karuna Nilayam foundation" as an approved charity
Casino Business (Regulation) Act, No.17 of 2010	
12.01.2024	Gazette Notification No. 2366/33 of 12.01.2024 <ul style="list-style-type: none"> - To substitute section 05 of the Casino Business Licensing Regulation No. 01 of 2022 and to incorporate a schedule II amending the license fee and license renewal fee structures given therein.

Box 2.1 | Major Fiscal Measures: January – June 2024 Contd...

Effective Date	Measures
02.02.2024	Gazette Notification No. 2369/42 of 02.02.2024 <ul style="list-style-type: none"> - To amend the investment criteria associated with the License fees and license renewal fees given in Schedule II of the regulation.
22.04.2024	Gazette Notification No. 2381/16 of 22.04.2024 <ul style="list-style-type: none"> - To amend Sinhala translation errors in Extraordinary Gazette Notification No. 2366/33 dated January 12, 2024 and the Extraordinary Gazette Notification No. 2369/42 dated February 02, 2024.
29.05.2024	Gazette Notification No. 2386/09 of 29.05.2024 <ul style="list-style-type: none"> - To amend the investment criteria associated with the License fees and license renewal fees given in Schedule II of the regulation
Social Security Contribution Levy (SSCL)- Social Security Contribution Levy) Act, No.25 of 2022	
01.01.2024	Social Security Contribution Levy (Amendment) Act, No.15 of 2024 <ul style="list-style-type: none"> - To reduce the registration threshold applicable for Social Security Contribution Levy (SSCL) to Rs. 60 million per annum from Rs. 120 million per annum.
Value Added Tax (VAT)- Value Added Tax Act, No. 14 of 2002	
01.01.2024	Gazette Notification No. 2363/22 of 19.12.2023 <ul style="list-style-type: none"> - To increase the VAT rate from 15 percent to 18 percent.
01.01.2024	Value Added Tax (Amendment) Act, No. 32 of 2023 <ul style="list-style-type: none"> - To remove vast majority of VAT exemptions applicable on major items.
01.01.2024	Value Added Tax (Amendment) Act, No. 16 of 2024 <ul style="list-style-type: none"> - To reduce VAT registration threshold to Rs. 60 million per annum from Rs. 80 million per annum.
Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989	
01.01.2024	Gazette Notification No. 2364/36 of 31.12.2023 <ul style="list-style-type: none"> - To revise all excisable articles with unit rates excise duty by 14 percent based on an indexation and to reduce the excise duty on Petrol per litre by Rs 5, and on Diesel per litre by Rs 6.
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
01.01.2024	Excise Notification No.04/2023 (Gazette Notification No. 2364/35 of 31.12.2023) <ul style="list-style-type: none"> - To increase Excise Duties on all varieties of liquor by 14 percent with the purpose of introducing an annual inflation adjustment for Excise Duty.
12.01.2024	Excise Notification No.01/2024 (Gazette Notification No. 2366/38 of 12.01.2024) <ul style="list-style-type: none"> - To revise Annual Excise License Fees.
12.01.2024	Excise Notification No.02/2024 (Gazette Notification No. 2366/39 of 12.01.2024) <ul style="list-style-type: none"> - To amend the provisions in Excise Notification No. 902.
01.02.2024	Excise Notification No.03/2024 (Gazette Notification No. 2369/32 of 01.02.2024) <ul style="list-style-type: none"> - To revise Annual Excise License Fees and introduce one time fee to the industry entry.
Ports and Airports Development Levy – Ports and Airports Development Levy Act, No. 18 of 2011	
01.01.2024	Gazette Notification No. 2364/37 of 31.12.2023 <ul style="list-style-type: none"> - To exempt PAL on 26 essential items including Petrol, Diesel, and Fertilizers as PAL has to be phased out completely within five (05) years in accordance with the 2023 budget proposal No. 34.6 (Phasing-out of Para Tariffs).

Box 2.1 | Major Fiscal Measures: January – June 2024 Contd...

Effective Date	Measures
29.03.2024	Gazette Notification No. 2377/39 of 28.03.2024 <ul style="list-style-type: none"> - To apply concessionary rates to 3,117 items and to exempt 595 items at the time of importation of such goods from Singapore, as per the provisions of Sri Lanka – Singapore Free Trade Agreement (SLSFTA).
CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979	
06.01.2024	Gazette Notification No. 2365/50 of 04.01.2024 <ul style="list-style-type: none"> - To publish Tariff Liberalization Program (TLP) related to the CESS Levy under the Sri Lanka – Singapore Free Trade Agreement (SLSFTA).
Non Tax (Fees and Charges) – Securities & Exchange Commission of Sri Lanka Act, No.19 of 2021	
01.02.2024	Gazette Notification No. 2366/34 of 12.01.2024 <ul style="list-style-type: none"> - To revise the fees and charges charged by the Securities and Exchange Commission for Market Intermediaries and Market Institutions.
Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962	
06.01.2024	Revenue Protection Order No. 06/2023 (Gazette Notification No. 2365/51 of 04.01.2024) <ul style="list-style-type: none"> - To remove second installment out of the six annual installments under the category "6" of the Tariff Liberalization Program (TLP) of the Customs Import Duty on 1,222 Tariff Lines under Sri Lanka Singapore Free Trade Agreement (SLSFTA).
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
02.01.2024	Gazette Notification No. 2365/04 of 02.01.2024 <ul style="list-style-type: none"> - To grant duty waiver of Rs. 64/- per Kg on importation of rice with effect from 02.01.2024 to 21.01.2024.
08.01.2024	Gazette Notification No. 2365/84 of 07.01.2024 <ul style="list-style-type: none"> - To continue a SCL duty on importation of Potatoes until December 31, 2024.
20.02.2024	Gazette Notification No. 2372/06 of 19.02.2024 <ul style="list-style-type: none"> - To extend the validity period of prevailing SCL duty on importation of Maize, Black Gram and Green Gram whereas to increase the SCL rate on Cowpea and Kurakkan from Rs.70/- per kg to Rs. 300/- per kg.
02.03.2024	Gazette Notification No. 2373/42 of 01.03.2024 <ul style="list-style-type: none"> - To grant duty waiver of Rs.199/- per kg for the importation of dates considering the Ramadan Festive season till April 11, 2024.
27.03.2024	Gazette Notification No. 2377/17 of 26.03.2024 <ul style="list-style-type: none"> - To apply concessionary SCL duty rate of Rs.10/kg for the importation of Rose Onion considering the Festive season till April 30, 2024 and to extend the duty waiver of Rs. 64/- per Kg for the importation of Rice for the period of 02.01.2024 to 21.01.2024.
Imports & Exports (Control) Regulations- Imports and Exports (Control) Act, No. 01 of 1969	
11.01.2024	Imports & Exports (Control) Regulations No.01 of 2024 (Gazette Notification No. 2366/19 of 11.01.2024) <ul style="list-style-type: none"> - To allow importation of selected motor vehicles, which were temporarily suspended, to fulfill specific requirements of several Government Institutions
07.02.2024	Imports & Exports (Control) Regulations No.02 of 2024 (Gazette Notification No. 2370/15 of 07.02.2024) <ul style="list-style-type: none"> - To extend the period allowed importing fully electric vehicles for Sri Lankans working abroad by amending regulation No. 12(a) issued by Imports & Exports (Control) Regulations No.02 of 2023 (published in the Gazette Extraordinary No. 2312/78).

Box 2.1 | Major Fiscal Measures: January – June 2024 Contd...

Effective Date	Measures
19.02.2024	Imports & Exports (Control) Regulations No.03 of 2024 (Gazette Notification No. 2372/04 of 19.02.2024) <ul style="list-style-type: none"> - To allow importation of selected spices (e.g., pepper, nutmeg, and mace, etc.) for processing and re-exporting purposes by an approved enterprise.
29.02.2024	Imports & Exports (Control) Regulations No.04 of 2024 (Gazette Notification No. 2373/28 of 28.02.2024) <ul style="list-style-type: none"> - To remove regulation No. 6 of Import & Export Control Regulation pertains to the prior endorsement requirement of the DP and DA payment terms.
19.03.2024	Imports & Exports (Control) Regulations No.05 of 2024 (Gazette Notification No. 2376/14 of 19.03.2024) <ul style="list-style-type: none"> - To allow importation of selected motor vehicles, which were temporarily suspended, to fulfill specific requirements of several Government Institutions.
08.04.2024	Imports & Exports (Control) Regulations No.06 of 2024 (Gazette Notification No. 2379/03 of 08.04.2024) <ul style="list-style-type: none"> - To issue Import Control Regulation (ICL) relate to import of total quantity of 2,000 metric tons of Black gram classified and listed out in the Schedule V of the Regulations.
Embarkation Levy – Finance Act, No. 25 of 2003	
01.02.2024	Gazette Notification No. 2369/27 of 01.02.2024 <ul style="list-style-type: none"> - To grant a extension of one year, a concessionary rate of USD 30 on Embarkation Levy from the applicable levy of USD 60 for person leaving Sri Lanka by Aircraft for the flights commencing operations from CIAR and JIA.
07.03.2024	Gazette Notification No. 2374/19 of 06.03.2024 <ul style="list-style-type: none"> - To grant a concessionary rate of USD 05 on the Embarkation Levy for person leaving Sri Lanka by Ferry and USD 20 for the person leaving Sri Lanka by cruise from the applicable levy of USD 60 for period of around three years with effect from March 07, 2024 to December 31, 2026.
Luxury Tax on Motor Vehicle –Finance Act, No.35 of 2018	
24.01.2024	Gazette Notification No. 2368/24 of 24.01.2024 <ul style="list-style-type: none"> - To further extend the period of consideration for remittance, opening of Letters of Credits (LCs), and registration of vehicles published in the Extraordinary Gazette No. 2318/53 of 10.02.2023 (increase of tax-free threshold of fully electric motor vehicles from Rs. 6 million to Rs.12 million for migrant workers).

2.3 Government expenditure

Government Expenditure declined by 4.0 percent to Rs. 1,579.2 billion in the first four months of 2024, compared to Rs. 1,645.6 billion in the same period of 2023. Recurrent Expenditure declined by 4.4 percent to Rs. 1,419.3 billion in the first four months of 2024, compared to Rs. 1,485.0 billion in the same period of 2023 due mainly to the decline in expenditure on interest payments. Capital expenditure and net lending declined by 0.4 percent to Rs. 159.9 billion in the first four months of 2024 from Rs. 160.6 billion in the same period of 2023.

TABLE 2.9 : Performance of Government Expenditure from January to April 2024

Item	Rs. Million	
	2023	2024 (Provisional)
Recurrent Expenditure	1,484,984	1,419,264
Salary	303,310	301,811
Pension	105,924	123,643
Interest payment	818,969	726,122
Other	256,781	267,688
Capital Expenditure and Net Lending	160,618	159,902
Total	1,645,602	1,579,166

Source : Department of Fiscal Policy

Interest Payments

The total expenditure on interest payments including both domestic and foreign debt declined by 11.3 percent to Rs. 726.1 billion in the first four months of 2024, compared to Rs. 819.0 billion in the same period of 2023. This is due to the decline in interest payments for domestic debt by 12.3 percent to Rs. 692.1 billion in the first four months of 2024 from Rs. 789.1 billion in the same period of 2023. However, interest payments on foreign debt increased by 13.9 percent to Rs. 34.0 billion in the first four months of 2024 compared to Rs. 29.8 billion in the same period of 2023.

Salaries and Pensions

The expenditure on salaries and wages of public servants including Provincial Councils decreased by 0.5 percent to Rs. 301.8 billion in the first four months of 2024, compared to Rs. 303.3 billion in the same period of 2023. This decrease was

mainly due to the limitation of recruitment of personnel to the public service only to essential recruitments and the effective management of the public sector cadre.

However, the expenditure on pensions increased by 16.7 percent to Rs. 123.6 billion in the first four months of 2024, compared to Rs. 105.9 billion in the same period of 2023 due to the timely Payment of Gratuity eliminating any arrears.

Welfare expenditure

In the first four months of 2024, the Government incurred Rs. 152.8 billion on Social welfare and social security including household subsidies of Aswesuma, allowance for the over 70 years elderly persons, financial support for Kidney patients, allowance for the disabled, assistance to differently-abled soldiers, food packages for expectant mothers, fertilizer subsidy and school uniforms and text books.

Table 2.10 : Major Welfare Expenditure from January to April 2024

	Rs. Million
Programme	2024 (Provisional)
Social Welfare	
Cash Grant for Low Income Families	41,289.30
Support for low-income differently abled persons	1,260
Financial support for elderly	2,820
Financial support for Kidney Patients	591
Ranaviru Mapiya Rakawarana allowance	715.9
Flood & drought relief	32.9
Allowance for pre-school teachers	23
Service Compensation for Death & Injured Soldiers	3,941
Health & Nutrition	
Thriposha Programme	490
Nutritional Food Package for Expectant Mothers	1,564
School Nutritional Foods program	3,182
Morning Meal for Pre-School Children	135
Medical Supplies for Government Hospitals (with Ayurvedha)	13,476.80
Education	
School textbooks	2,579
School Uniforms	997
Shoes for Students in Difficult and Very Difficult Area Schools	200
Scholarships – Grade 5 students	1,000
Mahapola and Bursaries	1,000
Interest Subsidy for laptops and Wifi facilities of university students	0.057
Loan scheme for the students who are unable to get into the stste univercities	685
Dhamma School Text Book	14.75
Uniforms for Dhamma School teachers	8.68
Subsidy	
Fertilizer and Crop subsidy	12,816
Other Subsidies	
Sri lanka Transport Board, subsidy for unremunerated routes, school season tickets and armed forces bus passes	4,026
Total	91,995.30

Source: Department of National Budget

Social security expenditure on Aswesuma and cash grants provided to low-income families in the first four months of 2024 amounted to Rs. 46 billion. An allocation of Rs. 205 billion is made for the expenditure for the Aswesuma and other categorical household cash grants for 2024.

The government expenditure on health and nutrition programmes including medical supplies to the government hospitals amounted to Rs. 14.4 billion in the first four months of 2024. Further, during the first four months of 2024 a cost of Rs. 3.8 billion was incurred on welfare programmes on education such as free textbooks, uniforms and shoes for students in difficult schools. The expenditure on the government subsidy on chemical fertilizer was Rs. 12.5 billion in the first four months of the year.

Sectoral Expenditure

School Education

In the first four months of 2024, Rs. 99,373 million was spent on school education, of which recurrent and capital expenditure amounted to Rs. 97,214 million and Rs. 2,159 million, respectively. The recurrent expenditure declined by 4 percent in the first four months compared to the same period in 2023.

The Government continued welfare programs such as the School Nutritional Food Programme, the Printing of School Text Books, School Uniforms and Shoes for Students in Difficult Schools in 2024. In order to improve the nutritional status of the school children, the Government increased the daily allowance of nutritious meals from Rs. 85 per student to Rs. 110 per student and spent Rs. 3,419 million in 2024 for the purpose. During the first four months, the total expenditure incurred for the School Nutritional Food Programme, Printing of Text Books and School Uniforms etc. was Rs. 6,994 million. However, the expenditure incurred on these welfare programs declined by 30 percent compared to the same period of 2023. Capital expenditure was mainly spent on rehabilitation/ infrastructure development in schools and qualitative development reforms including the provincial education sector.

TABLE 2.11: Expenditure on Major Activities of School Education from January to April 2024

Rs. Million		
Description	2023 Jan-April	2024 Jan-April (Provisional)
Recurrent Expenditure		
Personnel emoluments for school – teachers and other staff	83,909	87,529
<i>National</i>	17,669	19,379
<i>Provincial</i>	66,240	68,150
Welfare Programs	9,969	7,350
Evaluation of examination	649	1,292
Capital Expenditure		
Rehabilitation/ Infrastructure Developments in School	377	121
Teacher development	12	-
Qualitative Development Reforms in Education	2	-
Provincial education	981	654

Source: Department of National Budget

Higher Education

The total expenditure on university education increased by 10.4 percent to Rs. 26,845 million in the first four months of 2024, compared to the same period of 2023. The recurrent expenditure increased by 13.7 percent to Rs. 21,847 million in the first four months of 2024, compared to the same period in 2023. The capital expenditure declined by 2.2 percent to Rs. 4,998 million in the first four months of 2024, compared to the same period in 2023.

TABLE 2.12 : Expenditure on Major Activities of Higher Education from January to April 2024

Rs. Million		
Description	2023 Jan-April	2024 Jan-April (Provisional)
Recurrent Expenditure		
Personnel emoluments of universities & other higher educational institutions	16,796	17,769
Mahapola and bursary payment	716	1,000
Capital Expenditure		
Accelerating Higher Education Expansion & Development project (World Bank)	967	597
Science & Technology Human Resource Development project (GOSL – ADB)	1,286	824
Wayamba University Township Development Project (GOSL-Saudi)	342	61

Source: Department of National Budget

Skills Development and Vocational Education

In the first four months of 2024, the total expenditure spent on skills development and vocational education was Rs. 2,790 million of which Rs. 2,623 million and Rs. 167 million was spent on capital and recurrent expenditure, respectively.

TABLE 2.13 : Expenditure on Major Activities of Skill Development from January to April 2024

Description	Rs. Million	
	2023 Jan - April	2024 Jan - April
Nipunatha Sisu Diriya	194	45
Skills Sector Development Programme (ADB/WB)	152	-
Modernization of 7 Colleges of Technology & Technical Colleges	-	78
Capacity Building Project For Construction Courses In Technical Colleges And Colleges Of Technology In Sri Lanka (GOSL/KOICA)	48	2
You Lead (GOSL-USAID)	-	3
Vocational Training in Sri Lanka (GOSL-GIZ)	-	3

Source: Department of National Budget

Science & Innovation

In the first four months of 2024, total expenditure spent on science and innovation amounted to Rs. 335.5 million of which Rs. 335.0 million and Rs. 0.5 million was incurred on recurrent expenditure and capital expenditure, respectively.

Table 2.14: Expenditure on Major Activities of Science & Innovation from January to April 2024

Description	Rs. Million	
	2023 Jan - April	2024 Jan - April
Improving degraded soil	-	2
Scientific Development Programme	2	-
Science & Technology Collaboration under Bilateral and Multilateral Cooperation	-	2
Implementation of R & D Investment Framework	-	1

Source: Department of National Budget

Health

The total government expenditure on health for both Provincial and Central Government health expenditure including of western and indigenous medicine sectors declined by 20 percent to Rs. 98,881 million during the first four months of 2024 compared to the same period of 2023. Out of the total health expenditure, the recurrent expenditure was Rs. 92,526 million and the capital investment was Rs. 6,355 million. With regard to medical supplies, one of the major categories in the recurrent expenditure, Rs. 13,476 million was spent on pharmaceuticals, surgical items and laboratory items.

TABLE 2.15 : Expenditure on Major Activities of Health Sector from January to April 2024

Description	Rs. Million	
	2023 Jan-April	2024 (Provisional)
Total Recurrent Expenditure	117,215	92,526
service delivery expenditure	47,483	55,714
of which Salaries of medical personnel and support staff	38,620	44,032
Provision of Medicine	41,146	13,476
Provincial Health	28,586	23,336
Public Investment Expenditure	6,446	6,355
Medical Equipment	560	214
Health System Enhancement Project - ADB Sri Lanka COVID 19 Emergency Response and Health Systems Preparedness Project (WB)	174	842
Improvement of ETU-Facilities under Line Ministry Hospitals	137	-
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	53	-
Construction of Nursing Faculty/ Hostel	23	83
Other capital investments	3,244	2,991
Provincial Health Investment	2,100	1,296

Source: Department of National Budget

Agriculture

The total expenditure on the agriculture sector including plantation, livestock, fisheries and land development increased by 33 percent to Rs. 33,245 million in the first four months of 2024 compared to Rs. 25,071 million in the same period in 2023. Out of

this amount, Rs. 12,452 million was spent on Fertilizer Subsidy Programme, Rs. 183 million was spent on crop agriculture, Rs. 791 million on plantation sector development, Rs. 831 million on fisheries development, Rs. 338 million on land development and the balance was spent on livestock development and improvement of infrastructure to provide required facilities for the sector.

Water Supply and Sanitation

In the first four months of 2024, the Government continued investments on water supply and sanitation to ensure access to safe drinking water and quality sanitation services. The expenditure included the servicing of loans obtained

from domestic and foreign banks with a cost of Rs. 6,267. Rs. 411 million and Rs. 5,856 million have been spent on recurrent and capital expenditure, respectively. The Capacity Enhancement and Distribution Expansion Project is being implemented in 2024 with the objectives of enhancing production capacity, establishing new water supply schemes, and expediting ongoing projects to ensure access to safe drinking water by the entire population.

Roads and Bridges

During the first four months of 2024, the expenditure on roads and bridges amounted to Rs. 78,910 million which is slightly lesser compared to the same period of 2023. During the first quarter of this year, the Government

TABLE 2.16 Expenditure on Roads and Bridges from January to April 2024

		Rs. Million	
Project/Programme		2023 Jan -April	2024 Jan -April (Provisional)
1	Expressways Development	17,766	15,874
	Central Expressway Project	13,933	12,015
	Colombo – Rathnapura – Pelmadulla Expressway	10	1,722
	Elevated Highway from New Kelani Bridge to Athurugiriya	13	-
	Port Access Elevated Highway Project	1,965	1,637
	Extension of Southern Expressway Project	1,745	500
2	Roads Development	17,845	17,147
	Maintenance of Roads	1,434	4,689
	Colombo District Road Development Project	276	639
	Southern Road Connectivity Project	316	-
	Integrated Road Investment Programme (iRoad)	4,034	1,772
	Widening and Improvement of roads and bridges in Central and Uva provinces	15	-
	Inclusive Connectivity and Development Project	1,740	1,469
	Development of an alternative Road Network to Access Main Roads and Expressways and to ease the Traffic Congestion	8,269	6,419
	Others	1,733	2,031
3	Widening and Improvement of Roads	511	283
4	Construction of Bridges and Flyovers	941	716
	Reconstruction of Damaged/ Weak Bridges on National Highways	130	81
	Construction of Rural Bridges using old bridge components	125	74
	Second New Kelani Bridge Construction Project	2	-
	Design and Construction of Flyovers in Kohuwala and Gatambe	115	43
	Construction of Flyovers over the Railway Line at Uttharananda Mawatha and near the Slave Island Railway Station	559	418
	Reconstruction of 25 Bridges on National Highways	10	100
5	Maganeguma Rural Road Development Programme	1,080	648
6	Transfers to RDA	3,000	-
7	Lands & Land Improvements(Other projects excluding priority projects)	623	2,620
8	Gap Financing of the Road Development Authority's Commitments	39,960	41,622
9	Others	-	-
	Total	81,626	78,910

Source: Department of National Budget

has given a high priority to the maintenance of the existing road network, and completion critical activities of the projects which have already been commenced, and development roads covered by such projects to motorable level. Out of total amount, Rs. 17,147 million has been spent on national and rural road development. Under this, Rs. 1,772 million has been spent on completion of the balance work of the Integrated Road Investment Programme (i-Road), while Rs. 6,419 million was spent for the development of 100,000 km of alternative roads to access main roads. Rs. 4,689 million has been spent on road maintenance activities.

Expenditure on expressways development was Rs. 15,874 million and of which a significant amount has been spent on the Central Expressway Development Project. Expenditure on widening and improvement of roads stood at Rs. 283 million while expenditure related to the construction of bridges and fly overs was Rs. 716 million.

Further, the highest proportion of total expenditure of around Rs. 41,622 million has been paid as the interest and capital repayment for the loan obtained by the Road Development Authority from local banks to implement road rehabilitation and improvement projects.

Transport

The total government expenditure on the transport sector declined by 8.1 percent to Rs. 17,721 million during the first four months of 2024 compared to the same period of 2023. Rs. 13,254 million and Rs. 4,467 million have been spent on recurrent and capital expenditure, respectively. For Colombo Suburban Railway Project, rehabilitation of Railway Line from Mahawa to Omanthai, maintenance of existing railway lines and Minor and large-scale repairs to the railroad Rs. 2,145 million was incurred by the Railway Department.

During the first four months of 2024, the total expenditure on bus transportation was Rs. 4,046 million which has been spent on welfare services such as operating Sri Lanka Transport Board (SLTB) buses on economically unprofitable routes, issuing

school and higher education season tickets and bus passes to the Armed Forces. The Department of Motor Traffic has spent Rs. 866 million during this period.

Housing development

During the first four months of 2024, Rs. 36 million has been spent on the construction of housing and related infrastructure including resettlement/ permanent houses for the conflict affected families and construction of 2,000 housing units under the Chinese Aid Programme for the Low income people.

Urban development

The total expenditure on Urban Development was Rs. 1,166 million in the first four months of 2024. Out of which Rs. 97 million and Rs. 1,069 million was spent on recurrent expenditure and capital expenditure, respectively. Out of the total expenditure on the urban development sector, Rs. 345 million has been spent on the Colombo Urban Development Project, Urban Regeneration Project, the Strategic Urban Development Project (Jaffna), and "Siyak Nagara" Program. Rs. 596 million was spent on Weras Ganga Storm Water Drainage & Environment Improvement Project and Metro Colombo Solid Waste Management Project.

Waste Management

During the first four months of 2024, Rs. 684 million was spent on the Waste Management and Land Improvements. Of which Rs. 596 million was spent on Weras Ganga Storm Water Drainage & Environment Improvement Project and Metro Colombo Solid Waste Management Project.

Environment

During the first four months of 2024, the total government expenditure on the environment sector was Rs. 2,519 million, out of which Rs. 2,374 million and 145 million was incurred on recurrent expenditure and capital expenditure, respectively. Rs. 30 million was spent on environmental protection, Rs. 75 million on expansion of forest coverage and forest protection, Rs. 95 million on mitigation of human elephant

conflict including establishment of electric fences and Rs. 11 million on the development of zoological gardens. The remaining amount was allocated to the relevant institutions for implementing other related programs and policies concerning the environment protection, wildlife and forest conservation.

Irrigation and Water Management

During the first four months of 2024, the total investment for irrigation and water management was Rs. 7,212 million. A sum of Rs. 2,853 million has been spent for Mahaweli Water Security Investment Programme. The balance of Rs. 4,359 million was allocated to the Ministry of Irrigation and the Department of Irrigation for the development and improvement activities of irrigation systems.

2.4 Performance of the cash flow of the General Treasury

During the first four months of year 2024, cash inflows to the General Treasury by way of revenue and other receipts were amounted to Rs. 1,205.1 billion, as against the estimate of Rs. 1,116.1 billion, achieving the 107.9 percent from the estimate. Meanwhile, in the first four months of 2024, cash outflow for both recurrent and public investment amounted to Rs. 1,608.5 billion as against the estimate of Rs. 1,719.8 billion, achieving 93.5 percent from the estimate. Accordingly, total cash outflow for both recurrent and public investments reflects a decline of 0.7 percent compared to Rs. 1,619.7 billion over the same period of 2023.

Total cash deficit as at April 30, 2024 was Rs. 403.4 billion reflecting a decline of 51.8 percent compared to a deficit of Rs. 837.7 billion as at end April 2023 mainly due to increase in revenue and other receipts by 54.1 percent. Although, the total cash outflow for both recurrent and public investment does not reflect a significant variance over the similar period of the previous year, total borrowing has declined by 42.5 percent while debt repayment reflects a marginal decline of 6.4 percent over the previous year due to financing a part of debt service payments through the excess revenue and brought forward net cash surplus from the previous year. Accordingly, a negative cash

balance as at end April 2023 converted to a cash surplus of Rs. 542.3 billion as at end April, 2024.

TABLE 2.17: Government Treasury Cash Flow Operations (January – April 2024)

Item	Rs. Billion		
	January – April		
	2023	2024	
	Actual	Estimate	Actual
Opening Cash balance	-84.2	599.5	599.5
Total cash inflow from revenue and other receipts	782.0	1,116.1	1,205.1
Total cash outflow for recurrent payments	-1,392.9	-1,539.9	-1,420.5
Total cash outflow for capital payments*	-226.8	-179.9	-188.0
Net cash surplus / (deficit)	-837.7	-603.7	-403.4
Gross borrowing *	1,384.6	959.9	796.5
Debt repayment	-474.8	-269.9	-444.4
Net borrowing	909.8	690.0	352.1
Balance proceeds of Commercial Borrowing previous year	-	-	-
Adjustment account balance (TEB, net deposits, Other Transfer etc.)	7.2	-	-5.9
Closing Cash balance	-4.9	685.7	542.3

Source : Department of Treasury Operations

*Includes project/programme loans accounted by Department of Treasury Operations as at 30th April 2024.

2.5 Management of Government debt

The total gross borrowing limit approved by Parliament for the year 2024 amounted to Rs. 7,350 billion, including provisions made for the execution of external debt restructuring and financing of bank recapitalization during the year.

The utilization of Government borrowings for the period from January 01 to April 30, 2024 was recorded as Rs. 796.5 billion. Total borrowing utilization comprised of domestic and foreign project/programme borrowings amounting to Rs. 734.2 billion and Rs 62.3 billion, respectively to finance debt service payments and development projects during the period.

From the total borrowings, approximately 92.2 percent consisted of domestic borrowings in the first four months of 2024. Treasury Bills and Treasury Bonds were the main sources of domestic borrowings of the Government.

Accordingly, around 98.5 percent of the total domestic borrowings were raised by way of Treasury Bonds, which were recorded at the value of borrowing made during the year while 1.5 percent represent the Treasury Bills in the first four months of 2024 since the borrowing through Treasury Bills were recorded at net value after setting off the cash outflow on maturing Treasury bills.

TABLE 2.18 : Gross Domestic Borrowings (January to April 2024)

Instruments	Rs.Billion
Treasury Bonds	723.4
Treasury Bills	10.9
Total	734.2

Source : Department of Treasury Operations

Disclosure of contingent liabilities on Treasury Guarantees

Treasury Guarantees are issued in terms of the Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016 and the value of Treasury Guarantees issued and remained valid as at 30th April 2024 was Rs. 2,228.2 billion. The list of Treasury Guarantees issued by the General Treasury as at 30th April 2024, is detailed in Table 2.19.

TABLE 2.19: The Outstanding List of Treasury Guarantees Issued by the General Treasury up to 30.04.2024

Rs. Mn.				
S. No	Name of the Bank or Institution	Name of Institution	Outstanding Amount	Total
1	Asian Development Bank	Ceylon Electricity Board	121,104.00	136,242.00
		Regional Development Bank	15,138.00	
2	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	54,496.80	54,496.80
3	Bank of Ceylon	Building Materials Corporation Ltd	500.00	382,769.92
		Ceylon Electricity Board	4,540.00	
		Ceylon Fisheries Corporation	250.00	
		Ceylon Petroleum Corporation	100,000.00	
		General Sir John Kotelawala Defense University	835.00	
		Janatha Estates Development Board	200.00	
		Lanka Coal Company (Pvt) Ltd	49,500.00	
		National School of Business Management Limited	8,600.00	
		National Water Supply & Drainage Board	65,695.85	
		North Sea Limited	38.63	
		Paddy Marketing Board	374.50	
		Road Development Authority	147,102.33	
		Sri Lanka Rupavahini Corporation	93.00	
		Sri Lankan Airlines Limited	1,513.80	
State Development and Construction Corporation	1,126.81			
State Engineering Corporation	2,400.00			
4	China Development Bank	National Water Supply & Drainage Board	49,958.61	49,958.61
5	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	13,253.32	13,253.32
6	Commercial Bank	National Water Supply & Drainage Board	968.36	5,724.29
		Road Development Authority	4,755.93	
7	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	52,983.00	52,983.00
8	DFCC Bank	National Water Supply & Drainage Board	6,026.24	11,922.75
		Road Development Authority	5,896.51	
9	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	26,841.19	26,841.19
10	Exim Bank of India	National Water Supply & Drainage Board	77,718.49	77,718.49

11	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	
		Ceylon Electricity Board	3,725.21	
		National Water Supply & Drainage Board	15,146.76	
		Road Development Authority	20,133.15	43,005.13
12	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	13,363.21	13,363.21
13	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	12,707.56	12,707.56
14	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	27,025.72	27,025.72
15	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	144,412.02	144,412.02
16	National Development Bank PLC	National Water Supply & Drainage Board	21,380.43	
		Road Development Authority	6,299.21	27,679.63
17	National Savings Bank	Ceylon Electricity Board	5,000.00	
		General Sir John Kotelawala Defence University	40,229.29	
		National Water Supply & Drainage Board	32,710.61	
		Road Development Authority	114,415.66	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00	
		Techno Park Development Company Private Limited	750.00	
		Urban Development Authority	2,770.00	199,375.56
18	People's Bank	Ceylon Electricity Board	15,333.33	
		Ceylon Petroleum Corporation	2,338.82	
		Ceylon Shipping Corporation Ltd	21,771.61	
		Lanka Sathosa Limited	2,241.00	
		National Paper Corporation	140.00	
		National Water Supply & Drainage Board	7,048.13	
		Paddy Marketing Board	760.75	
		Road Development Authority	56,916.46	
		Sri Lanka State Plantation Corporation	100.00	
		Sri Lankan Airlines Limited	14,335.02	
		State Printing Corporation	1,165.00	
Techno Park Development Company Private Limited	750.00	122,900.12		
19	Sampath Bank	Road Development Authority	14,500.00	14,500.00
20	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	3,633.12	3,633.12
21	Sri Lanka Savings Bank	North Sea Limited	60.00	60.00
22	Uni Credit Bank Austria AG	National Water Supply & Drainage Board	16,485.47	16,485.47
23	International Air Transport Association(IATA)	Sri Lankan Airlines Limited	3,512.02	3,512.02
24	Reserve Bank of India	Central Bank of Sri Lanka	787,608.95	787,608.95
Grand Total			2,228,178.88	2,228,178.88

Source : Department of Treasury Operations

CHAPTER 3

Performance of State Owned Enterprises

3.1 Overview

The State Owned Enterprises (SOEs) sector continued to report robust performance in the first four months of 2024, due to the rupee appreciation coupled with SOE reforms implemented by the Government including the introduction of cost-reflective electricity tariff adjustment in 2022, implementation of the fuel price formula, restructuring of the balance sheets of selected key SOEs, among others. Accordingly, the key 52 SOEs recorded a total profit of Rs. 185.9 billion in the first four months of 2024, compared to the total profit of Rs. 144 billion recorded in the same period of 2023.

In order to address the broader requirements of the electricity sector including the improvement of the overall governance structure, enhance price discovery, competitiveness, and reduce fiscal risks over the medium to long term, the Sri Lanka Electricity Bill was passed by Parliament on June 06, 2024. In the meantime, M/s RM Parks commenced its operations on May 08, 2024 in the downstream petroleum market. This will increase the competition in the petroleum retail market in Sri Lanka and improve the service standards for the benefit of consumers.

The Cabinet of Ministers approved vital reforms in April, 2024 for State Owned Banks (SOBs) with respect to governance, risk management and oversight. It includes the increase of the number of directors not less than 9 and not more than 13 by end November, 2024 of which the majority would be independent directors, a new transparent procedure for the selection of independent directors, payment of market-competitive level compensation for independent directors, the establishment of a specialized unit under the Department of Public Enterprises of the General Treasury for

oversight the SOBs, strengthening the risk management architecture of SOBs, among others. In order to further strengthen the balance sheet of SriLankan Airlines (SLA) and thereby secure an investor, in March, 2024 the Cabinet of Ministers approved to transfer Treasury guaranteed debt of SLA amounting to USD 210 million and Rs. 31.4 billion (equivalent to approximately USD 100 million) to the Government's balance sheet, which in turn is expected to facilitate the divestment process of the SLA.

The collection of levies and dividends from the SOEs increased to Rs. 13.2 billion in the first four months of 2024, compared to Rs. 9.6 billion in the same period of 2023.

3.2 Review of the ten Major State Owned Business Enterprises (SOBEs)

Bank of Ceylon

The asset base of the Bank of Ceylon (BoC) decreased by 3.0 percent to Rs. 4,281 billion as at end April 2024 from Rs. 4,412 billion as at end 2023. During the first four months of 2024, the deposit base of the bank decreased by 3.6 percent to Rs. 3,744 billion, compared to Rs. 3,882 billion as at end 2023. Stage III loan ratio of the bank has slightly deteriorated to 5.89 percent as at end April 2024, compared to 5.07 percent as at end 2023. The BoC recorded a Profit before Tax (PBT) of Rs. 10.5 billion in the first four months of 2024, a significant increase compared to Rs. 3.4 billion PBT reported in the same period of 2023.

People's Bank

People's Bank (PB) asset base increased by 3.0 percent to Rs. 3,129 billion as at end April 2024 from Rs. 3,038 billion as at end 2023. The deposit base of the bank increased marginally to Rs. 2,740 billion as at end April 2024, compared to Rs. 2,653 billion as at end

2023. Loans and advances increased by 2.0 percent to Rs. 1,744 billion as at end April 2024 from Rs. 1,709 billion as at end 2023. Stage III loan ratio of the bank has improved marginally to 4.6 percent as at end April 2024, compared to 4.7 percent as at end 2023. PB recorded a profit before tax of Rs. 9.3 billion in the first four months of 2024, an increase of 47.6 percent compared to Rs. 6.3 billion in the same period of 2023.

National Savings Bank

National Savings Bank's (NSB) asset base recorded a marginal decrease to Rs. 1,681 billion as at end April 2024 from Rs. 1,687 billion as at end 2023. The deposit base of the bank increased by 0.6 percent to Rs. 1,493 billion as at end April 2024 from Rs. 1,483 billion as at end 2023. Loans and advances balance decreased by 2.1 percent to Rs. 516 billion as at end April 2024, compared to Rs. 527 billion as at end 2023. NSB recorded a profit before tax of Rs. 8,851 million in the first four months of 2024, compared to the loss of Rs. 332 million recorded in the same period of 2023.

Sri Lanka Insurance Corporation Limited

In adherence to the regulations outlined in the Insurance Industry (Amendment) Act, No. 03 of 2011, the segregation of Sri Lanka Insurance Corporation Limited's (SLIC) life and general insurance operations into its wholly owned subsidiaries namely, Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited was completed by the end of 2023.

During the first four months of 2024, Sri Lanka Insurance Corporation Life Limited recorded a profit before tax of Rs. 8,697 million, while Sri Lanka Insurance Corporation General Limited recorded a profit before tax of Rs. 1,116 million. In line with the Government's SOE restructuring policy, as approved by the Cabinet of Ministers, the divestiture process of SLIC was commenced with the issuance of Request for Qualifications and the shortlisting of bidders are to be completed.

Ceylon Electricity Board

The revenue from the sale of electricity increased by 20 percent to Rs. 216.9 billion in the first four months of 2024, compared to Rs. 180.1 billion in the same period of 2023 mainly due to the implementation of cost reflective tariff together with an increase in demand for electricity by 9 percent to 4,937 GWh in the first four months of 2024 against 4,516 GWh in the same period of 2023. The direct generation cost of Ceylon Electricity Board (CEB) decreased significantly by 29 percent to Rs. 113.4 billion in the first four months of 2024, compared to Rs. 160.2 billion in the same period of 2023 due to the favorable weather conditions together with the decrease in coal prices resulted from the currency appreciation in 2023. As a result, CEB recorded a gross profit of Rs. 68.9 billion in the first four months of 2024, compared to the gross loss of Rs. 8.6 billion in the same period of 2023. Benefitting from the gain of Rs. 26 billion on the disposal of shares of its subsidiary, Lanka Transformers Limited, CEB recorded a net profit before tax of Rs. 90.7 billion in the first four months of 2024, compared to the net loss of Rs. 29.8 billion in the same period of 2023.

During the first four months of 2024, the generation mix changed favorably as thermal (Coal): Hydro: NCRE, Wind & Rooftop: and thermal (Fuel) 36:30:15:18 in comparison to 40:24:15:21 in the same period of 2023. Accordingly, the cost per unit at the selling point has also considerably decreased to Rs. 32.37 per KWh in the first four months of 2024, compared to Rs. 47.44 per KWh in the same period of 2023.

The total outstanding obligations of CEB to Ceylon Petroleum Corporation (CPC) and Independent Power Purchasers (IPP) have significantly decreased by 67 percent to Rs. 26.8 billion as at end April 2024, compared to Rs. 79.2 billion as at end 2023. Furthermore, the outstanding debt obligations also have decreased by 1.2 percent to Rs. 260.4 billion as at end April 2024, compared to Rs. 263.6 billion as at end 2023.

Ceylon Petroleum Corporation

The average import price of crude oil in the global market increased from USD 77 per barrel in December 2023 to USD 89 per barrel by the end April 2024. The imports of petroleum and petroleum products by the CPC in the first four months of 2024 amounted to USD 648.71 million, compared to USD 828.4 million in the same period of 2023.

A decrease in import costs, in line with the decline in oil quantities due to the entrance of new players to the market, has resulted to reduce in the cost of sales for CPC by 13.5 percent to Rs. 337.4 billion in the first four months of 2024, compared to Rs. 390.1 billion in the same period of 2023. Consequently, CPC's turnover experienced a notable decrease of 16.6 percent in the first four months of 2024 to Rs. 389.1 billion, compared to Rs. 466.8 billion in the same period of 2023. Therefore, the profit of the CPC decreased sharply by 68.7 percent to Rs. 13.6 billion in the first four months of 2024, compared to Rs. 43.4 billion in the same period of 2023.

Due to the policy reforms implemented in the energy sector including the reintroduction of the pricing formula, CPC was able to continue its profit momentum since 2023 and as a result, the Corporation's trade and other payables decreased by 15.6 percent to Rs. 153 billion as at end April 2024, compared to Rs. 181.2 billion as at end 2023. Further, CPC no longer owes any liabilities to BoC and the payable amount to the National Iranian Oil Company was reduced to USD 201 million as at end April 2024.

SriLankan Airlines Limited

The impact of the financial constraints of SriLankan Airlines Limited (SLA) has clearly manifested in the disruptions to operations evident over the recent past. The Government's fiscal constraints make it unfeasible to continue to inject equity capital into the airline to ensure its continuity. In this particular situation, the Government decided to divest SLA in order to facilitate a new funding infusion from investors and help the airline's finances become sustainable

again. The responsibility for providing transaction advisory on the SLA divestiture has been given to the International Finance Corporation (IFC). The call for bids, or requests for qualifications, was released in October 2023 but had to be extended several times and ended on April 22, 2024. Considering the difficulty of attracting investors with the debt burden of SLA, the Government decided to transfer USD 310 million worth of local loans guaranteed by the General Treasury to the Government. With this, six Request for Qualifications (RFQs) that were submitted by bidders are now being reviewed.

In order to safeguard the national carrier, the Government offered assistance by issuing a Rs. 5 billion equity contribution to the SLA to support its ongoing cash flow problems in the first four months of 2024.

Despite the challenging external and internal funding constraints, SLA has earned a total revenue of Rs. 333.6 billion in the fiscal year 2023/24, a decrease of 8.6 percent compared to Rs. 365.2 billion in 2022/23. However, SLA recorded a profit before tax of Rs. 7.3 billion in 2023/24, compared to Rs. 73.3 billion loss recorded in 2022/23 mainly due to converting the exchange loss of Rs. 25.6 billion in 2022/23 to an exchange gain of Rs. 0.5 billion in 2023/24.

National Water Supply and Drainage Board

The National Water Supply and Drainage Board (NWS&DB) increased the piped borne water and safe drinking water supply coverage in the country to 62.0 percent and 97.7 percent, respectively as at end April 2024, compared to 60.7 percent and 96.4 percent, respectively as at end 2023.

During the first four months of 2024, the NWS&DB added 60,000 new connections to the system, which increased the total connections to 3.06 million as at end April 2024. With the implementation of a new tariff for water, the NWS&DB recorded a revenue of Rs. 28.5 billion in the first four months of 2024, an increase of 71.7 percent compared to Rs. 16.6 billion in the same period of 2023. Meantime, with the increase in the electricity tariff and other material costs, the cost of sales

increased by 9.8 percent to Rs. 10.1 billion in the first four months of 2024, compared to Rs. 9.2 billion in the same period of 2023. However, the Board recorded a gross profit of Rs. 18.3 billion in the first four months of 2024, compared to a gross profit of Rs. 7.4 billion recorded in the same period of 2023. As a result, the Board recorded a net profit of Rs. 10.1 billion in the first four months of 2024 against a profit of Rs. 2.8 billion during the same period of 2023.

The NWS&DB produced 276 million cubic meters (m³) of water during the first four months of 2024 against 263 million m³ in the same period of 2023 and water sales for the period under review recorded as 208 million m³ against 196 million m³ in the same period of 2023. Further, Non-Revenue Water (NRW) showed a decreasing trend over the previous year, whereas NRW for the period under review recorded as 24.4 percent against 25.4 percent of the previous year.

Sri Lanka Ports Authority

In the realm of international and marine trade, the Port of Colombo (POC), the busiest port operated by the Sri Lanka Ports Authority (SLPA) is a notable player. It is anticipated that the large-scale current development projects, such as the operations of the Colombo West International Terminal (CWIT) and the East Container Terminal (ECT), will raise the bar for operations using cutting-edge technology and improve the index's ratings in the medium term.

SLPA achieved a 35 percent increase in container volumes in the first four months of 2024, compared to the same period of 2023. The numbers increased to 837,052 TEUs in the first four months of 2024, compared to 619,934 TEUs in the same period of 2023 due to various factors, including the Red Sea crisis and its ramifications. SLPA's transshipment volume for the first four months of 2024 reached 748,813 TEUs, reflecting a growth of 36 percent compared to the same period of 2023. This increase contributed to the overall rise in POC's total transshipment volume, which reached 2,275,207 TEUs in the first four months of 2024, an increase of 20 percent compared to the same period of 2023.

The total operational revenue of SLPA in the first four months of 2024 increased to Rs. 25.4 billion, of which 45 percent revenue of Rs. 11.6 billion was generated through stevedoring, 27 percent of Rs. 6.8 billion from navigation, 12 percent of Rs. 3.0 billion from the Wharf handling.

The SLPA recorded a gross profit of Rs. 13.7 billion for the first four months of 2024, compared to Rs. 12.1 billion in the same period of 2023. Administration expenditure increased by 34.5 percent to Rs. 4.0 billion in the first four months of 2024, compared to the same period of 2023 mainly due to the increase in salary cost emanating from the revision of the collective agreement from January 2024. SLPA recorded a profit before tax of Rs. 13.6 billion in the first four months of 2024, a significant increase by 18.1 percent compared to Rs. 11.5 billion in the same period of 2023 due to the increase in operational income.

Airport and Aviation Services (Sri Lanka) (Private) Ltd

Following the termination of the Terminal 2 Bandaranayke International Airport (BIA) expansion project in 2022 with the Government's debt standstill decision, Airport and Aviation Services (Sri Lanka) (Private) Limited's (AASL) management devised a plan to finalize the substructure works left partially completed by the Japanese contractor. This plan encompasses the completion of remaining works through a local construction contractor by utilizing the AASL funds under the direct supervision of the Consultant for the initial project. Completion of this project is of utmost importance as AASL has already exceeded the existing capacity of the main airport of Sri Lanka.

AASL reached a total revenue of Rs. 14,543 million in the first four months of 2024 through aeronautical revenue of Rs. 2,697 million, non-aeronautical revenue of Rs. 11,794 million and other income of Rs. 51 million. Total expenditure in the first four months of 2024 was reported as Rs. 8,405 million of which 55 percent represents personnel expenses of Rs. 4,642 million and 25 percent represents

depreciation expenses. AASL recorded a profit before tax of Rs. 12,049 million in the first four months of 2024, an increase of 3.6 percent compared to Rs. 11,624 million in the same period of 2023.

Followed by the salary increase for Air Traffic Controllers implemented in December 2023, a salary increase was approved by the General Treasury for other staff of the AASL in 2024.

TABLE 3.1 : Reform/Key Initiatives for Major SOEs

Institution	Reform/Key Initiatives
State Owned Banks	<ul style="list-style-type: none"> Enhance credit quality and improve monitoring and collections. Update with the evolving regulatory landscape, implement necessary changes, and maintain transparent reporting practices. Adopt digital technologies to enhance operational efficiency, and improve customer experience, and expand the reach. Develop new products to assist existing customers and attract new customers. Expand financial services to underserved populations and promoting financial inclusion. Strengthen the governance and risk management practices as approved by the Cabinet of Ministers in order to make the State-Owned Banks more competitive in the market.
SriLankan Airlines Limited	<ul style="list-style-type: none"> Request Proposal for Qualifications to divest SriLankan Airlines Limited. Cabinet of Ministers approved to transfer USD 310 worth of loans guaranteed by the Government to the Government's balance sheet. Rs. 5 billion worth of equity has been infused into SLA to relieve working capital issues.
Ceylon Electricity Board	<ul style="list-style-type: none"> The Sri Lanka Electricity bill was passed by Parliament on June 06, 2024, which intends to unbundle the CEB, ensuring greater autonomy and transparency between the generation, transmission, and distribution segments of the entity.
Sri Lanka Ports Authority	<ul style="list-style-type: none"> Collective Bargaining Agreement with employees for the next 3 years was approved and signed with conditions to achieve KPIs.
Airport and Aviation Services (Sri Lanka) (Private) Ltd	<ul style="list-style-type: none"> In order to address the salary anomalies of the AASL, a separate salary structure was approved for other staff excluding Air Traffic Controllers in 2024. Essential Carder has been approved to improve the efficiency of the airport to cater the expanding demand on tourism.

Sources : SOEs and Department of Public Enterprises

TABLE 3.2 : Profitability of 52 State Owned Enterprises

Rs. Million

Enterprise	2022	2023 ^(b)	30.04.2024 ^(b)
1 Bank of Ceylon	30,977	40,342	10,504
2 People's Bank	21,338	15,345	9,268
3 National Savings Bank	4,510	6,117	8,851
4 State Mortgage & Investment Bank	-89	-1,043	41
5 HDFC Bank	303	2,465	94*
6 Pradeshiya Sanwardena Bank	359	1,388	-412
7 Employees' Trust Fund Board	43,428	64,959	5,433
8 Sri Lanka Insurance Corporation Ltd	23,494	29,272	1,659***
9 National Insurance Trust Fund	8,530	12,547	6,214
10 Sri Lanka Export Credit Insurance Corporation	711	1,056	320
11 Agriculture and Agrarian Insurance Board	2,651	1,043	282
12 Ceylon Electricity Board	-298,189	61,236	90,724
13 Ceylon Petroleum Corporation	-617,588	120,346	13,639
14 Sri Lanka Ports Authority	57,027	40,359	13,565
15 National Water Supply and Drainage Board	-2,701	5,286	10,162
16 Airport and Aviation Services (SL) (Pvt) Ltd	6,434	33,640	12,049
17 Sri Lankan Airlines Ltd ^(a)	-73,264	1,124	795**
18 Sri Lanka Transport Board	1,421	2,189	-996
19 State Engineering Corporation	-1,269	-2,458	-235*
20 Central Engineering Consultancy Bureau	69	748	60
21 State Development and Construction Corp.	27	-579	3
22 Milco (Pvt) Ltd	-392	-216	-250
23 National Livestock Development Board	133	-122	-147
24 Sri Lanka State Plantations Corporation	19	-92	6
25 Janatha Estates Development Board	20	-156	14
26 Kurunegala Plantations Ltd	511	534	89
27 Chilaw Plantations Ltd	514	303	91
28 Kalubovitiyana Tea Factory Ltd	346	94	46
29 Sri Lanka Cashew Corporation	17	-5	3
30 Lanka Mineral Sands Ltd	6,160	4,050	-232
31 Lanka Phosphate Ltd ^(a)	61	347	167
32 Kahatagaha Graphite Lanka Ltd	57	38	13
33 Development Lotteries Board	3,267	3,516	1,421
34 National Lotteries Board	1,390	844	502
35 State Pharmaceuticals and Manufacturing Corp.	1,586	2,522	718
36 Sri Lanka Ayurvedic Drugs Corporation	-26	218	193
37 State Pharmaceuticals Corporation	-2,285	1,272	659
38 Sri Jayawardenepura General Hospital	247	304	386
39 Independent Television Network Ltd	-370	-205	-4
40 Sri Lanka Rupavahini Corporation	-541	-342	-29
41 Sri Lanka Broadcasting Corporation	-235	-532	7
42 Sri Lanka Handicraft Board	-99	65	58
43 State Timber Corporation	1,016	1,274	135
44 STC General Trading Company ^(a)	735	901	527
45 Lanka Sathosa Ltd	-687	115	202
46 State Printing Corporation	-380	2,794	-210
47 Ceylon Fisheries Corporation	-193	4	0.1
48 Ceylon Fishery Harbour Corporation	364	637	43
49 Ceylon Fertilizer Company Ltd ^(a)	113	61	37
50 Colombo Commercial Fertilizer Company Ltd ^(a)	501	162	42
51 Hotel Developers Lanka Ltd	-633	-784	-71
52 Lanka Sugar Company Ltd	6,045	2,828	-576
Total	-774,560	455,811	185,861

Source: State Owned Enterprises

^(a) Financial Year end 31 March – (i.e. 2023; For 2023/2024)^(b) Provisional

*Jan-Mar 2024

**April 2024

***Only the profit of Holding Company

TABLE 3.3 : Levy/ Dividend Income from SOEs

Rs. Million

	2022	2023	As at 30.04.2024
Levy	22,004	60,497	11,379
People's Bank	441	-	-
Ceylon Petroleum Corporation	-	5,000	5,000
Telecommunication Regulatory Commission of Sri Lanka	13,200	23,000	2,000
State Timber Corporation	320	641	-
State Pharmaceuticals Manufacturing Corporation	100	300	-
National Insurance Trust Fund	1,608	2,000	730
Geological Survey and Mines Bureau	1,000	2,000	768
National Gem and Jewellery Authority	35	390	-
Board of Investment of Sri Lanka	416	533	-
National Lotteries Board	361	1,000	200
Sri Lanka Standards Institution	10	40	13
Sri Lanka Export Credit Insurance Corporation	50	620	35
Sri Lanka Tourism Promotion Bureau	-	500	500
Civil Aviation Authority	1,000	4,000	-
State Pharmaceutical Corporation	350	-	100
National Transport Medical Institute	290	150	700
Sri Lanka Bureau of Foreign Employment	1,200	7,000	-
National Transport Commission	10	300	200
Sri Lanka Tourism Development Authority	-	75	-
Sri Lanka Land Reclamation and Development Authority	-	500	-
Sri Lanka Ports Authority	1,015	8,066	-
National Medicine Regulatory Authority	400	646	687
Road Development Authority	-	75	-
Land Reforms Commission	-	350	-
Condominium Management Authority	50	200	-
National Institute of Business Management	33	115	85
Post Graduate Institute of Management	90	25	4
Other SOEs	25	2,971	357
Dividends	6,087	15,204	1,856
National Savings Bank	60	30	-
Bank of Ceylon	346	173	-
People's Bank	316	158	-
National Development Bank	1	-	2
Sri Lanka Insurance Corporation Ltd	1,511	2,272	-
Airport and Aviation Services (Sri Lanka)(Pvt) Ltd	500	5,500	-
Lanka Mineral Sands Ltd	759	2,500	-
Lanka Phosphate Ltd	20	220	-
Lanka Leyland Ltd	13	6	-
Rakna Arakshaka Lanka Ltd	-	125	75
Manthai Salt Ltd. (National Salt Ltd)	-	120	-
Ceylon Fertilizer Ltd	15	22	-
Colombo Commercial Fertilizer Ltd	10	60	-
Paranthan Chemicals Company Ltd	50	305	49
STC General Trading Company	11	150	-
Sri Lanka Telecom PLC	1,805	223	-
De La Rue Lanka (Pvt) Ltd	313	-	1,324
Lanka Electricity Company Ltd	218	697	-
Lanka Industrial Estates Ltd	-	174	-
Ceylon Agro Industries	24	167	119
Plantation Companies	95	554	287
Lanka Sugar Company Limited	-	1,597	-
Lanka Thriposha Ltd	10	75	-
Other SOEs	10	75	-
Total	28,091	75,701	13,236

Sources: SOEs and Department of Public Enterprises

CHAPTER 4

Foreign Financing

4.1 Overview

Providing significant ease to government's cash flow operations, Sri Lanka reached final debt treatment agreements with its bilateral external creditors on June 26, 2024. Agreements were concluded with the members of Official Creditor Committee and with the Exim Bank of China. With the completion of Domestic Debt Optimization in 2023, the government expects to reach an agreement with commercial creditors including International Sovereign Bond holders in the near future and the discussions in this regard are currently ongoing.

The second review of the IMF Extended Fund Facility (IMF-EFF) programme was completed on June 12, 2024 and Sri Lanka received the third tranche of about USD 336 million, bringing the total financial support disbursed since March 2023 to over USD 1 billion. Further, Sri Lanka has been receiving steady policy support from other multilateral agencies including World Bank, Asian Development Bank (ADB) and Official Development Assistance (ODA) from countries including Japan and Australia.

4.2 Foreign Financing Commitments

The Government committed foreign financing of USD 296.8 million by entering into 8 agreements with foreign development partners and lending agencies in the first four months of 2024, of which, USD 250.0 million obtained in the form of loans. This consists of USD 100.0 million for the Enhancing Small and Medium Sized Enterprises Finance project extended by the Asian Development Bank (ADB) and USD 150.0 million for the Financial Sector Safety Net Strengthening project funded by the International Development Association (IDA).

Apart from loan agreements, the total of USD 46.8 million was committed by way of ODA through six grant agreements with the Government of Japan, and Government of Australia during the period under review.

The highest amount of commitment was made for the Humanitarian Assistance sector which amounted to USD 150.0 million or 51 percent of the total commitments in the four months of 2024.

4.3 Foreign Financing Disbursements and Utilization

Total foreign financing disbursements during the period from 1st January to 30th April 2024 amounted to USD 160.4 million. Of which, USD 152.7 million was disbursed as loans, and USD 7.7 million was disbursed through grants.

The majority of the disbursements recorded were from the loan agreements signed with the World Bank (WB), which amounted to almost 41 percent of the total disbursements, followed by ADB (40 percent) and Asian Infrastructure Investment Bank (10 percent).

The majority of the disbursements was utilized in the Roads and Bridges sector accounting for almost 18 percent of the total disbursements, followed by the Water Supply and Sanitation sector at 17 percent, the Irrigation sector at 12 percent, and the Ground Transport Sector at 12 percent.

TABLE 4.1 : Disbursements of Foreign Loans and Grants from 1st January to 30th April 2024

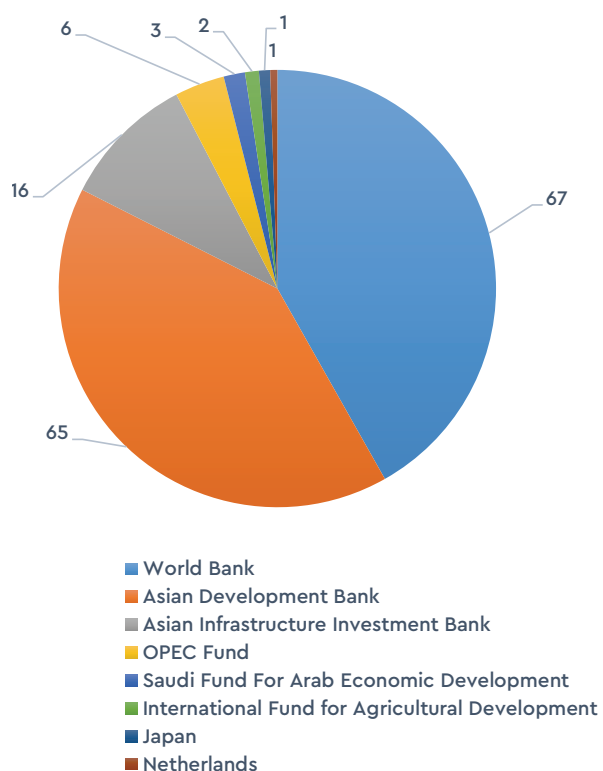
Development Partner/ Lending Agency	Disbursements* (USD million)		
	Loan	Grant	Total
Bilateral	3.4	1.3	4.7
Saudi Fund	2.5	-	2.5
Netherlands	0.8	-	0.8
Japan	-	1.3	1.3
Multilateral	149.3	6.4	155.7
World Bank	61.1	6.0	67.1
Asian Development Bank	64.8	0.4	65.2
Asian Infrastructure Investment Bank	15.9	-	15.9
OPEC Fund	5.9	-	5.9
International Fund for Agricultural Development	1.6	-	1.6
Total	152.7	7.7	160.4

Source: Department of External Resources

For conversion of disbursements made in different currencies into USD, the exchange rates prevailed on each disbursement date have been used

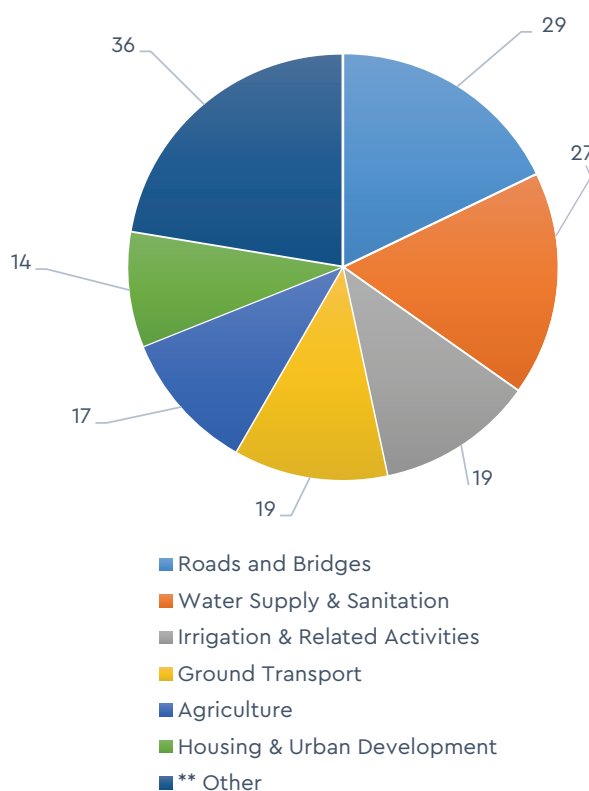
* Provisional

FIGURE 4.1 : Disbursements from 1st January to 30th April 2024, as per the Development Partner/ Lending Agency (USD Million)



Source: Department of External Resources

FIGURE 4.2 : Disbursements from 1st January to 30th April 2024, as per the Major Economic Sector (USD Million)



Source: Department of External Resources

** Other = Education & Training, Fisheries, Health & Social Welfare, Humanitarian Assistance, Land Development, Plantation, Power & Energy, Rural Development, Science & Technology

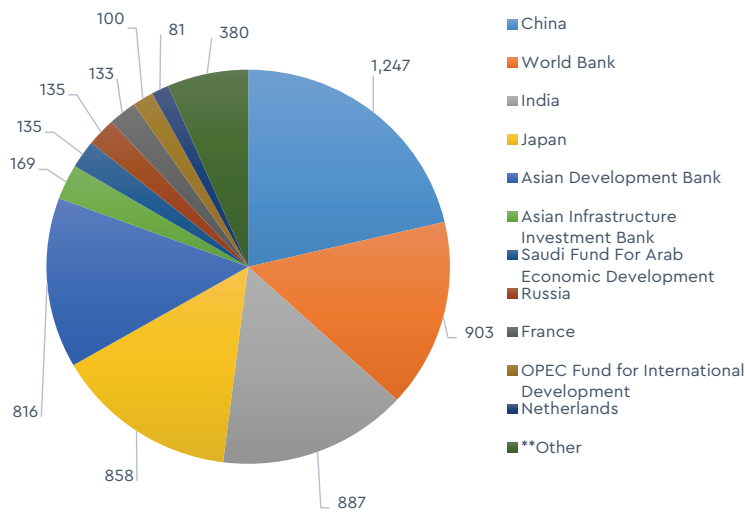
4.4 Committed Undisbursed Balance (CUB)¹

As of 30th April 2024, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in the next 3 – 5 years was USD 5.8 billion. The major portion of the balance is to be disbursed from the projects committed

with China, and others are from Japan, the Asian Development Bank, India, and the World Bank, respectively.

Almost 21 percent of the CUB is to be utilized in the Roads and Bridges sector, whereas 15 percent is for the Water Supply and Sanitation sector and 11 percent in the Ground Transport sector.

FIGURE 4.3: CUB* for Development Projects and Programs, by Major Development Partners as of 30th April 2024 (USD Million)

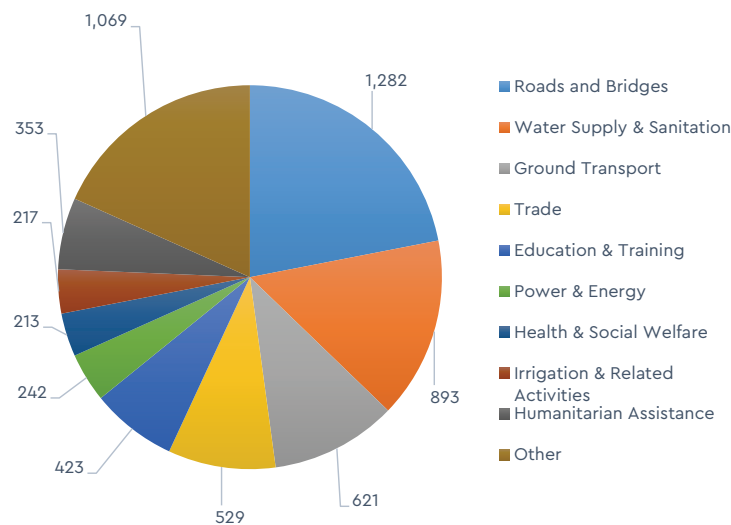


Source: Department of External Resources

* Provisional

**Other = Australia, United Kingdom, Hungary, Kuwait, Pakistan, Korea, Germany, Denmark, Spain, European Investment Bank, IFAD

FIGURE 4.4: Sector-wise CUB* of Development Projects and Programs, as of 30th April 2024 (USD Million)



Source: Department of External Resources

* Provisional

¹ Affected by Interim policy of debt standstill

4.5 External Debt Stock and External Debt Service Payments

Total Central Government external debt as of the end of April 2024 amounted to USD 36.9 billion².

Total debt service payments³ from 1st January to 30th April 2024 amounted to USD 248.7 million of which, USD 137.6 million was in lieu of principal repayments and the balance of USD 111.1 million for the payment of interest.

In line with the interim policy adopted by the Government, the servicing of the external debt of affected loans obtained from bilateral and commercial creditors has been temporarily suspended for an interim period commencing from 12th April 2022. Accordingly, the principal amount of USD 6,020 million and interest of USD 2,586 million⁴ have been accumulated as unpaid debt service by the end of April 2024.

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- 2 *Provisional, Only the Central Government's outstanding Foreign Debt is depicted.
Included unpaid Principal accumulated from the date of debt standstill policy was adopted.
Non-resident holdings of T-bill /T-bonds are not included.
Outstanding amount of ISBs has not been classified on the resident/ non-resident basis of its holdings.*
- 3 *Debt Service = Principal Payments + Interest Payments*
- 4 *To be reconciled with creditors during restructuring discussions.*