



Fiscal Management Report - 2010

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President and Minister of Finance and Planning

29th June 2010

Issued under section under the Fiscal Management (Responsibility) Act No. 3 of 2003, consisting of the *Fiscal Strategy Statement* (in compliance with Sections 4, 5 and 6), the *Budget Economic and Fiscal Position Report -2010* (in compliance with Sections 7, 8 and 9) and Mid Year Fiscal Position Report -2010 (in compliance with sections 10,11,12) by the Hon. Minister of Finance.

Fiscal Management Report - 2010

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Reporting Requirements under Fiscal Management (Responsibility) Act No. 3 of 2003

| Section | Requirement | Required Contents | Compliance |
|-------------------------|---|---|--|
| Section 4, 5 and 6 | Submission of the Fiscal Strategy Statement * | Fiscal Strategy Statement to increase public awareness of Government's fiscal policy and establish standards for evaluating the conduct of Government's fiscal strategy. | To be released to the public and laid before the Parliament on the day of the 2 nd reading of the Appropriation Bill. |
| Section 7 8 and 9 | Submission of The Budget, Economic and Fiscal Position Report * | The Budget, Economic and Fiscal Position Report to set out the basis to evaluate Government's fiscal performance as against its fiscal strategy. | To be released to the public and placed before the Parliament on the day of the 2 nd reading of the Appropriation Bill. |
| Sections 10, 11 and 12 | Submission of the Mid-year Fiscal Position Report * | Mid-year Fiscal Position Report to provide updated information of the Government's fiscal performance pertaining to the first four months of the relevant year, to enable an evaluation of the same against Government's fiscal strategy. | To be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed before Parliament within 2 weeks from the date of such release. |
| Section 13, 14 and 15 | Submission of the Final Budget Position Report (Annual Report)* | Final Budget Position Report (Annual Report) to provide updated information of the Government's fiscal performance pertaining to the relevant financial year, to enable an evaluation of the same against Government's fiscal strategy. | To be released to the public within five months from the end of the Financial Year and placed before the Parliament within 2 weeks from the date of such release. |
| Section 16,17,18 and 19 | Submission of Pre-Election Budgetary position report ** | Pre-Election budgetary Position Report to provide updated information of the fiscal position of the country | To be released to the public within three weeks of the publication of proclamation order requiring the holding of a general election for the election of members of parliament and placed before the parliament within two weeks of the first sitting of the new parliament. |

* by the Minister of Finance

** by the Secretary to Ministry of Finance

COMPLIANCE - 2010

- **Pre-Election Budgetary Position Report -2010** of Ministry of Finance and Planning stating the fiscal position of the country was released to the public by 1st March 2010 and was soon after placed before the parliament.
 - **Final Budget Position Report – The *Annual Report - 2009 of Ministry of Finance and Planning*** stating the fiscal and economic position of 2009 was released to the public by end May 2010 and was soon thereafter placed before the Parliament.
-

This Fiscal Management Report, 2010 contains;

- **Fiscal Strategy Statement** of the *Ministry of Finance and Planning*, setting out government fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures which the Government considers important for the overall fiscal policy, to be placed before the Parliament on the day of the 2nd reading of the Appropriation Bill.
 - **Budget, Economic and Fiscal Position Report - 2010** , of the *Ministry of Finance and Planning* setting out the basis to evaluate Governments fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc., to be placed before the Parliament on the day of the 2nd reading of the Appropriation Bill.
 - **Mid Year Fiscal Position Report 2010** of the *Ministry of Finance and Planning*, setting out the actual fiscal performance of the first four months of 2010 with an overview of the economy to be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed in Parliament within 2 weeks from the date of such release.
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FISCAL STRATEGY STATEMENT

Fiscal strategy statement 2010
Issued by the Hon. Minister of Finance

Under sections 4,5,6 of the Fiscal Management (Responsibility) Act No. 3 of 2003

This report is issued under the sections 4,5,6 of Fiscal Management (Responsibility) Act No. 3 of 2003 where the Finance Minister is requested to present the fiscal strategy statement of the Government to the public and also laid before parliament on the day of the second reading of the Appropriation Bill in Parliament.

This report explains the broad strategic priorities on which the budget is based and specifying key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

Medium Term Fiscal Strategy

The recent global economic and financial crisis had exerted severe strain on budget management in many countries as the governments were forced to intervene to stimulate economic activities leading to high fiscal deficits. In this global background, and given the ongoing commitments to accommodate public investments relating to continuation of the infrastructure development, maintaining government support to agriculture, small and medium enterprises, education, health and protection of the vulnerable segments of the society in addition to channeling resources urgently to provide relief to the conflict affected people and implementing the resettlement of internally displaced persons (IDPs) while maintaining all strategic public services, particularly the post conflict national security, law and order arrangements, necessitated additional resources.

This strategy enabled the country to ensure uninterrupted progress in ongoing infrastructure development programs covering power generation plants, port and airports, irrigations, expressways, roads and bridges, water supply, schools and hospitals. It also enable the government to progress in demining and resettlement of IDPs and bringing down the number of IDPs living in camps to below 30,000 from around 275,000 in May 2009. Fiscal stimulus provided by way of subsidize credit for agriculture and SMEs, tax moratorium, concessionary electricity and fuel prices for industry etc helped private sector to manage challenges in global economic situation. These developments together with high interest rates on public debt and falling government revenue due to depressed global trade, the government's fiscal deficit reached to 9.9 percent of GDP.

The excessively high interest rates prevailed in the past also had an adverse circular effect on the budget. Interest expenditure increased from 4.8 percent in 2008 to 6.4 percent in 2009. In the context of several major challenges faced, both externally and internally, the time needed to reach the deficit reduction target stipulated in Fiscal Management Responsibility Act has become longer.

Given the prevailing uncertainty in the speed of recovery of international trade and hence on government revenues, a modest improvement in revenue to GDP ratio of 14.8 percent is expected in 2010. While maintaining the public investment at 6.5 percent of GDP, total expenditure will be 23.2 percent of GDP, which is a reduction of around 2 percent of GDP compared to 2009. The budget deficit in 2010 is expected to be contained at 8 percent of GDP and further improvements are required to bring it below 7 percent in 2011 and around 5 percent in 2012.

This deficit reduction path is expected to be realized with the economy accelerating its growth rate from 6 percent to 8 percent in the medium term which requires sustained public investments at current level and facilitating to augment private investment well in excess of 28 percent of GDP through continuous improvements in infrastructure, tax system, regulatory arrangements and quality improvement in public services

Table 1
Medium Term Macro Fiscal Framework 2010-2013
(as a percentage of GDP)

| Indicator | 2009 | Projections | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| | | 2010 | 2011 | 2012 | 2013 |
| Revenue | 14.5 | 14.8 | 15.5 | 16.6 | 17.0 |
| Tax Revenue | 12.8 | 13.1 | 13.8 | 14.8 | 15.2 |
| Income Tax | 2.9 | 2.9 | 3.0 | 3.4 | 3.5 |
| VAT | 3.6 | 3.8 | 4.4 | 5.1 | 5.5 |
| Excise Tax | 2.0 | 2.1 | 2.0 | 2.0 | 2.0 |
| Tax on External Trade | 3.4 | 3.4 | 3.5 | 3.5 | 3.5 |
| Other | 0.9 | 1.0 | 0.9 | 0.8 | 0.7 |
| Non Tax Revenue | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 |
| Grants | 0.5 | 0.4 | 0.4 | 0.3 | 0.1 |
| Expenditure | 24.9 | 23.2 | 22.7 | 22.0 | 21.9 |
| Current Expenditure | 18.2 | 16.9 | 16.5 | 15.8 | 15.6 |
| Salaries and Wages | 5.6 | 5.4 | 5.3 | 5.1 | 5.1 |
| Interest payments | 6.4 | 6.1 | 6.0 | 5.8 | 5.7 |
| Subsidies and Transfers | 3.9 | 3.8 | 3.7 | 3.5 | 3.5 |
| Other goods and services | 2.2 | 1.6 | 1.5 | 1.4 | 1.3 |
| Public Investment | 6.8 | 6.5 | 6.5 | 6.5 | 6.3 |
| <i>O/W:</i> | | | | | |
| Highways | 1.7 | 1.5 | 1.7 | 1.4 | 1.3 |
| Ports and Aviation | 0.6 | 0.6 | 0.3 | 0.3 | 0.2 |
| Electricity | 0.6 | 0.3 | 0.3 | 0.3 | 0.2 |
| Water and Irrigation | 0.8 | 0.7 | 1.0 | 1.5 | 1.3 |
| Education and Health | 0.6 | 0.7 | 0.9 | 0.8 | 0.8 |
| Rural Sector | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| Revenue Deficit (-)/Surplus (+) | (3.7) | (2.1) | (1.0) | 0.8 | 1.4 |
| Budget Deficit (-)/Surplus (+) | (9.9) | (8.0) | (6.8) | (5.2) | (4.8) |
| Government Debt (% of GDP) | 86.2 | 83.1 | 78.0 | 72.0 | 70.0 |

Source : Department of Fiscal Policy

Major improvement in the overall fiscal position is expected to come in the form of a significant recovery in government revenues and a continued improvement of quality of government spending together contributing to generate a revenue surplus by 2012.

Revenue enhancement is planned through a simplification of the tax system and a reduction of tax concessions and broadening Income Tax and indirect tax bases as well as improvement in the overall tax administration. Towards this direction a four band tariff structure consisting of 0, 5, 15 and 30 percent together with exemptions limited to national security, health, environment considerations and international commitments have been implemented. Import surcharges have been eliminated and prohibitive excise taxes applied to a wide range of items including motor vehicles have been simplified. Various taxes that were applied on most essential commodities also have been unified under Special Commodity Levy which is also another major step taken towards making the tax administration more efficient and taxation simpler. Consumer durables such as cameras, watches, phones, computers etc which are not made in Sri Lanka but vulnerable to smuggling and tax evasions have been exempted from almost all indirect taxes / Levys except Port and Airport Development Levy and Nation Building Tax which make tax incidence of such items below 10 percent which is considered less rewarding for smuggling and tax evasions. These initiatives are expected to promote formal business activities and generate better revenue performance.

Further, the excessive tax concessions including ad hoc tax holidays and duty exemptions are being reduced and phased out. The Board of Investment (BoI) incentive regime is being revisited in the process of moving towards a broad base low tax regime and to provide an equitable incentive regime for private investment. The extension of existing tax holidays have been stopped and the granting of new tax concessions, unless a firm commitment has already been made, have been suspended until the announcement of a new incentive regime.

Priority has been given to simplify operational modalities of the VAT and Income Tax systems to eliminate weaknesses such as complexities, a wide range of exemptions, high and multiple tax rates, differential tax rates for different sectors and cumbersome refund / setting off mechanisms. Taking into consideration the Tax Commission's recommendations, specific proposals for broadening the tax bases and reducing tax rates together with required enabling legislations and institutional improvements are being studied as a part of the ongoing fiscal reforms.

A process for improving tax administration has already been launched with financial support from the Asian Development Bank under the Fiscal Management Efficiency Project. It is expected to help simplification of procedures and processes, improvement in management information system, human resource development, tax audit and effective use of information technology.

The above wide ranging initiatives together with the expected positive effects on private investment and economic growth is expected to improve the tax system and its administration thereby contributing to improve revenue-to-GDP ratio to around 15.5 percent in 2011 with further improvement thereafter.

On the expenditure front it is expected that continued improvement of quality of public spending could be made. The structure of reformulated duties of the functions of the ministries is expected to play a major role in this regard, particularly in focusing their core activities within the available financial resources. The public investment has been raised over the last few years and is expected to maintain in the range of 6.5-7.0 percent of GDP during the next few years.

The current fiscal strategy also places strong emphasize on improving the performance and efficiency of public enterprises to free resources to support infrastructure development and for private sector activities. It envisaged that management improvements including their pricing decisions will make them financially stronger. The two key enterprises in the energy sector, the Ceylon Petroleum Corporation and Ceylon Electricity Board are expected to come up with a medium term turnaround plan to address their financial imbalances.

The high interest rates have been a burden on the government budget as well as on the entire economy. The recent reduction in interest rates consequent to the success in bringing down inflation to around 5 percent from over 28 percent through the removal of structural impediments in real economy and tight monetary policy stance would also be conducive to consolidate fiscal deficit.

**BUDGET ECONOMIC & FISCAL POSITION REPORT
AND MID YEAR FISCAL POSITION REPORT
2010**

**Budget, Economic & Fiscal Position Report
and Mid Year Fiscal Position Report 2010
Issued by the Hon. Minister of Finance**

**Under sections 7,8,9 and 10,11,12 of the
Fiscal Management (Responsibility) Act No. 3 of 2003**

Budget, Economic and Fiscal Position report is issued in terms of sections 7, 8, 9 of the Fiscal Management (Responsibility) Act No. 3 of 2003, which requires to provide a basis for the evaluation of the Government's fiscal performance as against its fiscal strategy statement and to be placed before the parliament on the day of the second reading of the Appropriation Bill in parliament. It includes estimates relating to gross domestic product, consumer prices, balance of payments, assumptions based for estimating revenue and expenditure.

Mid Year Fiscal Position Report is issued under the section 10 of the above Act which required to present the to the public by the last day of June of the year or prior to the laps of 6 months from the date of passing of Appropriation Act whichever is later and thereafter lay before the parliament. The report contains the performance of Government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2010 and also provides updated information, depending on the availability of information, relating to macro economic performance, price developments, foreign aid, Government debt, balance of payments, money and credit developments, as stipulated in sections 11 and 12 of the above Act.

Fiscal Developments

An Overview

- With the revival of the economy in the post war environment coupled with the expansion in the international trade activities, the Government revenue grew by 21 percent in the first four months of 2010. Import duty concessions granted on wheat grain and petroleum products and downside revisions in Special Commodity Levy to maintain domestic price stability had a negative impact on the revenue performance in the reviewed period.
- The expenditure for the first four months of 2010 was governed by the vote of account approved by the parliament. The recurrent expenditure grew moderately with non interest recurrent expenditures recording significant decline while capital expenditure were maintained at 2009 levels.
- Reflecting the improved revenue performance and the slower growth in recurrent expenditure the deficit in the revenue account declined to Rs. 86 billion and was 1.5 percent of GDP compared to a deficit of 2.3 percent in the first four months of 2009. Consequently, the overall deficit reduced to Rs. 168 billion or 3.1 percent of GDP compared to 4.1 percent in the corresponding period of 2009.
- Even under a volatile external environment Government was able to mobilize US \$ 483 million by May 2010 as gross project related foreign funding compared to US \$ 403 million in the first five months of 2009.

Table 2
Summary of the Budget (Jan-April) - Economic Classification

Rs. Mn.

| | 2009 | 2010 |
|--|------------------|------------------|
| Revenue and Grants | 193,808 | 243,345 |
| Revenue | 190,138 | 240,654 |
| Tax | 175,308 | 204,035 |
| Non-Tax | 14,830 | 36,619 |
| Grants | 3,670 | 2,691 |
| Expenditure | 389,788 | 410,865 |
| Current | 308,416 | 327,041 |
| Public Investment | 85,973 | 89,114 |
| Other | (4,601) | (5,290) |
| Revenue Deficit (-) / Surplus (+) | (118,278) | (86,387) |
| Overall Deficit (-) / Surplus (+) | (195,981) | (167,520) |
| Financing | 195,981 | 167,520 |
| Foreign Loans* | (2,133) | 42,333 |
| Domestic Financing | 198,114 | 125,188 |
| Non Bank | 48,846 | 109,064 |
| Bank | 149,267 | 16,124 |
| Revenue/ GDP(%) | 3.9 | 4.4 |
| Current Expenditure/GDP (%) | 6.4 | 5.9 |
| Public Investment/GDP (%) | 1.8 | 1.8 |
| Revenue Deficit (-) / Surplus (+)/GDP (%) | (2.3) | (1.5) |
| Overall Budget Deficit (-) / Surplus (+)/GDP (%) | (4.1) | (3.1) |

Source: Department of Fiscal Policy

* Includes foreign investment in Treasury Bonds.

Government Revenue

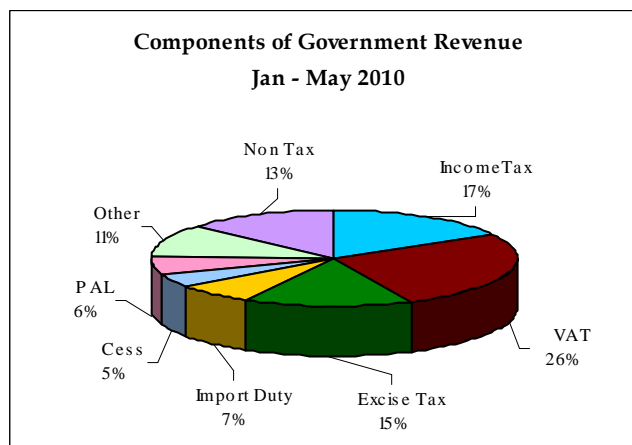
- Government Revenue generated Rs. 298,163 million during January-May 2010 recording a 25 percent increase over the corresponding period of 2009. The improved performance in the overall domestic economic activities coupled with the increase in imports contributed for these growth in revenue collection.
- Improved performance in the domestic manufacturing sector & the services sector resulted in an improvement in domestic VAT and Excise duty collections while a 40 percent increase in imports boosted the trade related tax revenues. However, the import revenue growth from import duties was stalled as the Government scaled down such duties when international oil and commodity prices moved up with a view to stabilize prices without permitting imports to hurt domestic economic activities.

Table 3
Revenue Performance (Jan-May)

| | | | Rs.Mn |
|------------------------|----------------|----------------|---------------|
| | 2009 | 2010 | Growth |
| | | | % |
| Tax Revenue | 220,973 | 258,396 | 16.9 |
| Income Tax | 56,305 | 49,402 | (12.3) |
| VAT | 65,787 | 79,185 | 20.4 |
| Excise Tax | 32,452 | 44,214 | 36.2 |
| Stamp Duty | 1,195 | 1,417 | 18.6 |
| PAL | 11,676 | 17,553 | 50.3 |
| Import Duty | 24,537 | 21,052 | (14.2) |
| Other | 29,021 | 45,573 | 57.0 |
| Non Tax Revenue | 18,331 | 39,767 | 116.9 |
| Total Revenue | 239,304 | 298,163 | 24.6 |

Source: Department of Fiscal Policy

Chart 1



Income Tax

Total revenue from corporate profit tax, personal income tax, tax on interest income and Economic Service charge at Rs. 49,402 million registered a 12 percent decrease during the first five months of 2010 over the corresponding period of 2009. Despite the increases in revenue collected from Economic Service Charge (ESC) due to the removal of concessions granted on certain sectors in the back drop of the world economic crisis, a sharp drop in tax on interest income arising from the declining yield rates on Government securities caused the contraction in income tax revenue in the period under review compared to same period in 2009. Also broadening of the PAYE Tax slabs had an impact on the tax collection from the source.

**Table 4
Performance in Income tax Revenue Jan-May**

| Tax Base | 2009 | 2010 | Rs.Mn |
|-----------------------------|---------------|---------------|-------------|
| | | | Growth % |
| Corporate and Non Corporate | 19,463 | 20,921 | 8 |
| PAYE | 7,331 | 7,280 | (1) |
| Economic Services Charge | 6,359 | 8,130 | 28 |
| Tax on Interest | 23,152 | 13,070 | (44) |
| Total | 56,305 | 49,402 | (12) |

Source: Department of Fiscal Policy

Value Added Tax (VAT)

VAT revenue upto May 2010 amounted to Rs. 79,185 million, compared to Rs. 65,787 million in the corresponding period of 2009. Reflecting the growth in the manufacturing and services sectors, the domestic VAT collection on net basis expanded by 12 percent in Jan-May 2010. With the increase in imports in value terms coupled with high petroleum prices compared to the first few months of 2009 helped to increase the VAT on imports on net basis to Rs. 30 billion from Rs. 22 billion in the corresponding period of 2009. Improving in domestic sales in the post war environment and revitalizing of the tourist sector has added a positive impact on VAT revenue collection.

Table 5
Performance of VAT (Jan-May)

| Tax Base | 2009 | 2010 | Rs.Mn |
|---------------------------------|---------------|---------------|-----------|
| | | | Growth % |
| Domestic | 44,427 | 49,529 | 12 |
| Import | 24,111 | 32,362 | 34 |
| Gross Revenue | 68,538 | 81,891 | 20 |
| Refunds | 2,751 | 2,706 | (2) |
| Net Revenue | 65,787 | 79,185 | 20 |
| Refunds As a % of Gross Revenue | 4.0 | 3.3 | |

Source: Department of Fiscal Policy

Excise Taxes

Revenue for excise taxes on liquor, cigarettes, petroleum products, motor vehicle and selected consumer durables generated Rs. 44,214 million in the first five months of 2010 compared to Rs. 32,452 million in the period Jan - May 2009.

With the increase in hard and malt liquor production by 14 percent and 32 percent respectively coupled with certain measures adopted on issuing of alcohol for domestic industries to curtail malpractices, the excise duty revenue on liquor expanded by 19 percent to Rs. 14,257 million in Jan-May 2010 over the same period in 2009.

Table 6
Performance of Excise Duty - (January - May)

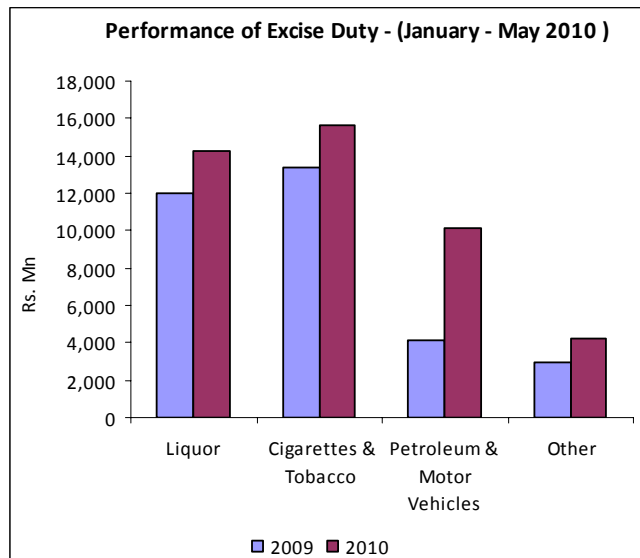
| Tax Base | 2009 | 2010 | Growth |
|----------------------------|---------------|---------------|-----------|
| | | | % |
| Liquor | 12,006 | 14,257 | 19 |
| Cigarettes & Tobacco | 13,360 | 15,663 | 17 |
| Petroleum & Motor Vehicles | 4,172 | 10,082 | 142 |
| Other | 2,914 | 4,213 | 45 |
| Total | 32,452 | 44,214 | 36 |

Rs.Mn

Source: Department of Fiscal Policy

Revenue from excise duty on cigarettes generated Rs. 15,663 million in Jan - May 2010 compared to Rs. 13,360 million in the same period of 2009. The cigarette sales have risen by 5 percent in 2010 mainly due to opening up of new markets in North and East. Excise duty on motor vehicles also recorded an improvement during the period generating Rs. 2,202 million compared to Rs. 1,266 million in 2009 with the expansion in motor vehicle imports. Considering the positive outlook in the economy and further to boost the expected revival in the tourist sector, Government further slashed the high excise duties applicable on motor vehicle imports with effect from 1st June 2010.

Chart 2



Import Duty

Import duty revenue collected during first five months of 2010 amounted to Rs. 21,066 million. Even though total imports have increased by nearly 40 percent during the period, duty waivers granted on petroleum products and wheat grain had a negative impact on the revenue performance of this source. Further, with the coverage of free trade agreements entered by Sri Lanka expanding over a period of time and bulk of imports have also enjoyed duty free or nominal duty status exerting a negative impact on revenue from import duty. The estimated revenue loss due to concessions granted under these agreements was around Rs 2 billion in Jan-May 2010.

As a major step towards simplifying and broad basing the tax structure the Government took several measures with effect from 1st June 2010. The multiplicity of custom duty structure was simplified with a four band duty structure of 0,5,15 and 30 percent while the 15 percent surcharge was totally removed. In order to further support local value added activities the 2.5 percent import duty applicable on machinery and raw materials was removed. Also with a view to promote Sri Lanka as an attractive shopping centre for internationally branded products the import duty, VAT, excise duty and cesses imposed on most of the electronics items were removed and brought them to an effective tax rate of below 10 percent.

The revenue generated from Special Commodity Levy which is a single tax on selective commodities amounted to Rs. 4,191 million during Jan-May 2010 compared to Rs. 9,000 million in the corresponding period of 2009. The significant decline in revenue collection was due to the reduction in rates in the first five months of 2010 on sugar, onion, potatoes dhal etc considering the cost of living and the availability of domestic supply especially in the latter part of the 2009. The change in duty structure during the period under review is shown in the following table.

Table 7

Special Commodity Levy - Rates Applicable on Selected Commodities - Jan-May

| Tax Base | Tax Rate | 2009 | 2010 |
|-----------------|-----------------|-------------|-------------|
| Dhal | | | |
| - Whole | Rs. per Kg | 15 | 1 |
| - splits | Rs. per Kg | 20 | 2 |
| Potatoes | Rs. per Kg | 25 | 10 |
| B' onions | Rs. per Kg | 25 | 10 |
| Sugar | Rs. per Kg | 16 | 1 |
| Chillies | | | |
| -crushed | Rs. per Kg | 50 | 25 |
| -not crushed | Rs. per Kg | 40 | 20 |
| Canned fish | Rs. per Kg | 85 | 85 |
| Sprats | Rs. per Kg | 30 | 30 |
| Green gram | Rs. per Kg | 15 | 15 |
| Chick peace | Rs. per Kg | 25 | 15 |

Source: Department of Trade Tariff and Investment Policy

Other Taxes

Reflecting the growth in value of imports the Port Airport Development Levy increased by 50 percent to Rs. 17,553 million in the first five months of 2010 compared to same period of 2009. Cess revenue at Rs. 13,560 million grew by 31 percent over 2009 corresponding period mainly benefiting from import growth, scaling up of existing cess rates and the expansion of the coverage in certain items to give price incentives for local value addition. These revisions were carried out with a view to safeguard local industries from comparatively low prices and substandard imports.

The Nation Building tax generated Rs. 16,947 million as the full impact of the rate revision which was introduced to meet the post war rehabilitation and reconstruction expenditure was applicable during the review period of 2010.

Non tax Revenue

Non tax revenue in Jan-May 2010 amounted to Rs. 39,577 million compared to Rs. 18,331 million in the same period of 2009. This increase was mainly due to Central Bank profit transfer of Rs. 10 billion compared to no profit transfer in the same period of 2009. Increased profit transfers from state banks and a levy of Rs. 10 billion from Telecommunication Regulatory Commission also boosted the non tax revenue in 2010.

Government Expenditure

The overall government expenditure for the first four months of 2010 stood at Rs. 410,865 million which constituted of Rs. 327,041 million of recurrent expenditure and Rs. 89,114 of public investment. The expenditure for the first four months of 2010 was governed by the vote on account approved by the parliament. The recurrent expenditure grew moderately in 2010 despite the increased disbursements in account of interest cost reflecting the high interest rates that prevailed in the latter part of 2008 and beginning of 2009. A significant development is the decline in the non interest recurrent expenditure complementing the governments effort in rationalizing the recurrent expenditure.

The public investment stood at Rs. 89 billion during the first four months of 2010. Major development projects in the areas such as power generation, ports, roads and irrigation continued, while rural development initiatives were also carried out with enhanced resources.

Table 8
Performance of Government Expenditure (Jan-April)

Rs. Mn.

| | 2009 | 2010(Pro) |
|----------------------------|-------------|------------------|
| Current Expenditure | 308,416 | 327,041 |
| Salaries and wages | 86,681 | 99,026 |
| Interest | 108,341 | 138,205 |
| Samurdhi | 3,719 | 3,448 |
| Fertilize Subsidy | 17,428 | 2,596 |
| Pension | 27,233 | 28,640 |
| Other expenditure | 65,014 | 55,126 |
| Public Investment | 85,993 | 89,114 |

Source: Department of National Budget.

Salaries & Pension Cost

Expenditure on salaries for public servants stood at Rs. 99,026 million an increase of 13 percent over the corresponding period of the previous year. Increased cost of living allowance of Rs. 5,250 per month, the full impact of the special payment of Rs. 1,000 per month for the security personal introduced in November 2009 and the extension of the operational area risk allowance to all security personal contributed for the increase in the salary bill.

Total pension payments increased to Rs. 28,640 million recording a 4 percent increase. The full impact of around 21,000 retirees in 2009 and further around 6,000 in the first four months of 2010 contributed to these increase. The enhancement of COLA per pensioner from Rs. 2,000 per month to Rs. 2,375 per month also influenced the increase in pension payments.

Interest Cost

Interest payments on foreign and domestic debt amounted to Rs. 138,205 million registering a 30 percent increase over the corresponding period of last year. Although the interest rates have reduced sharply starting from September 2009, the spill over effects of the high interest rates that prevailed in the late 2008 and early 2009 enhanced the interest cost. Also in a high interest rate regime the investor performance on Government Securities moving to shorter maturities contributed for the high interest costs.

Table 9

Behavior of Yield Rates (%) - 2009-2010

| Period | Treasury Bills | | | Treasury Bonds | | | |
|--|----------------|----------|----------|----------------|--------|--------|--------|
| | 91 days | 182 days | 364 days | 2 year | 3 year | 4 year | 5 year |
| 2009 Apr | 12.65 | 13.95 | 14.05 | 13.32 | 13.73 | 13.63 | - |
| 2009 Jul | 10.64 | 11.46 | 11.97 | - | 12.83 | 12.88 | 12.94 |
| 2009 Oct | 8.50 | 9.35 | 9.88 | 9.55 | - | 9.78 | - |
| 2009 Dec | 7.73 | 8.73 | 9.33 | 9.55 | - | 9.78 | - |
| 2010 Jan | 7.95 | 8.90 | 9.46 | 9.55 | - | 9.78 | - |
| 2010 Feb | 8.26 | 9.06 | 9.47 | - | - | - | - |
| 2010 Mar | 8.52 | 9.24 | 9.47 | - | - | - | - |
| 2010 Apr | 8.40 | 9.10 | 9.40 | - | 9.60 | 9.65 | - |
| Percentage Change (2009 Apr-2010 APR) | (4.25) | (4.85) | (4.65) | - | (4.13) | (3.98) | - |

Source: Department of Treasury Operations

Welfare payments and social safety net on vulnerable groups

The total expenditure on welfare payment and subsidies amounted to Rs. 17,205 million up to May 2010. The welfare assistance provided in support of poorer segments of the society, displaced persons, differently abled soldiers and vulnerable groups was Rs 10,795 million.

Nutritional Intervention Programms conducted with the intention of improving maternal and child health care continued in 2010. "Poshana Malla" a programme to provide nutritional food to expectant mothers and school children was continued at a cost of Rs. 85 million in the first five months of 2010 while school nutritional food programme continued at a cost of Rs. 433 million in period under reviews. Other nutritional programs such as the infant milk food subsidy and Thripasha Programme were continued at a cost of Rs. 200 million. Other food assistance programmes such as World Food Programme were carried out at a cost of Rs. 1,677 million.

The cost of welfare programms implemented for the benefit of school children by providing free school text books, uniforms, season tickets and free dharma school books , bursaries etc stood at Rs. 1,959 million.

The assistance to disabled soldiers continued with an enhanced cost of Rs. 3,967 million. Rs. 709 million was spent to provide cooked meals and other welfare assistance to 15,117 resettled internally displaced families and 16,838 IDP families in 7 welfare centres in the North.

The fertilizer subsidy programme continued at a cost of Rs 4,317 million, providing all varieties of fertilizer for paddy farmers at Rs. 350 per 50 Kg bag while small holder tea producers received urea at a subsidized price of Rs. 1,000 per 50 Kg bag. Amount spent on the corresponding period of 2009 was 17.6 billions which contained arrears payments of past years.

Table 10
Welfare payment and subsidies- (Jan.-May)

| Item | Rs. Mn. | |
|---|---------|-------|
| | 2008 | 2009 |
| Mothers and Children | | |
| Infant Milk Food Subsidy | 19 | 32 |
| Poshana Malla | 183 | 85 |
| Thriposha Programme | 412 | 170 |
| Free Text Books & Uniforms | 894 | 964 |
| School Season Tickets | 355 | 192 |
| Dharma School Text Books & Uniforms | 31 | 52 |
| School Nutritional Foods | 586 | 433 |
| Agriculture | | |
| Interest Subsidy for Agricultural Loans etc | 127 | 165 |
| Fertilizer Subsidy | 17,362 | 4,317 |
| Welfare Payments | | |
| Samurdhi Relief | 3,143 | 4,350 |
| Assistance to differently abled Soldiers | 3,773 | 3,967 |
| WFP food Assistance | 3,269 | 1,677 |
| Welfare Assistance to IDP | - | 709 |
| Flood and Drought Relief | 91 | 92 |

Source: Department of National Budget

Public Investment Expenditure

The Government continued in channeling enhanced resources with a commitment to accelerate development programmes, targeting the rural sector especially through the rural development initiatives such as "Gama Neguma" and "Maga Neguma", "Uthuru Wasanthaya" and other pro poor growth development initiatives. The momentum gained with respect to key national infrastructure development projects consisting of roads, bridges, ports, power generation, irrigation etc was maintained in 2010. The total public investment amounted to Rs. 89 billion during Jan-April 2010 .

Rural Development Initiatives

The expenditure on "Maga neguma" the island wide rural infrastructure development program amounted to Rs. 1,214 million during Jan-May 2010. During this period around 534 Km of rural roads have been rehabilitated using modern techniques benefiting 38,617 families. So far over 7,900 Km of rural roads have been rehabilitated under "Maga Neguma" programme at a cost of Rs. 13,000 million .

Table 11
Maga Neguma Rural Development Programme (Jan-May 2010)

| District | No. of Projects | Total Road length completed (Km) | Expenditure (Rs.Mn) | Beneficiary Families |
|--------------|-----------------|----------------------------------|---------------------|----------------------|
| Colombo | 39 | 13.18 | 23 | 1,803 |
| Gampaha | 112 | 14.3 | 63 | 2,528 |
| Kalutara | 149 | 17.51 | 56 | 1,923 |
| Kandy | 95 | 22.11 | 54 | 1,515 |
| Matale | 30 | 9.16 | 26 | 609 |
| Nuwara Eliya | 28 | 17.96 | 35 | 801 |
| Galle | 19 | 9.8 | 20 | 806 |
| Matara | 237 | 55.88 | 128 | 3,765 |
| Hambantota | 608 | 93.14 | 408 | 9,054 |
| Jaffna | 7 | 2.96 | 7 | 184 |
| Mannar | 1 | 0.28 | 1 | 60 |
| Vavunia | 4 | 3.9 | 3 | 162 |
| Mullaitive | - | - | - | - |
| Kilinochchi | - | - | - | - |
| Batticaloa | - | - | - | - |
| Ampara | 83 | 21.08 | 51 | 1,130 |
| Trincomalee | 2 | 0.18 | 1 | 20 |
| Kurunegala | 150 | 188.89 | 157 | 9,442 |
| Puttalam | 49 | 16.37 | 35 | 1,434 |
| Anuradhapura | 99 | 18.54 | 64 | 1,527 |
| Polonnaruwa | 25 | 17.57 | 18 | 844 |
| Badulla | 8 | 1 | 5 | 169 |
| Moneragala | 16 | 3.36 | 15 | 257 |
| Ratnapura | 33 | 4.78 | 20 | 393 |
| Kegalle | 16 | 1.78 | 14 | 191 |
| Total | 1,810 | 533.73 | 1,214 | 38,617 |

Source: Department of National Budget.

"Gama Neguma" the major initiative to empower the rural economy through creation of an economically prosperous village was further extended at a cost of Rs. 3,068 million in the first five months of 2010.

Spending on Development Programs

Infrastructure Development

Roads

The investment on road sector was around Rs. 13,000 million during the period of January- April 2010. This included Rs. 2,485 million on expressway development, Rs. 3,512 million on development of highways island wide. Also Rs. 1,941 million on rehabilitation of Tsunami affected roads while Rs. 360 million was spent on construction of bridges and flyovers. Further Rs. 6,344 million has been utilized for road widening and improving of roads in all provinces.

Ports

The port development work continued with an accelerated pace during the period under review and Rs. 1,870 million was utilized within this period for construction and development of different ports and out of this Rs. 1,461 million was utilized for the Hambantota Port Development Project. Oluwil Port Development and Colombo South Brake Water Project continued satisfactory during the period.

Power and Energy

The funds channeled during the first four months of 2010 for major power sector projects amounted to Rs. 6,668 million. Electricity generation projects utilized Rs. 5,231 million out of which Norochcholai Coal Power Project expenditure during Jan-April amounted to Rs. 4,684 million. Further Rs. 769 million was incurred for electricity transmission covering major projects such as Colombo City Electricity Development Program, Kerawalapitiya-Kotugoda Transmission Line Project, Lightening Sri Lanka - Hambantota. Electricity distribution projects were carried out at a cost of Rs. 667 million with projects covering provinces such as Southern, Central, North Central, Northern and Sabaragamuwa.

Irrigation and Water Management

Construction work on Moragahakanda dam and social and irrigation infrastructure development activities in resettlement areas progressed in 2010 using local funds. This included construction of

road network, other infrastructure development and land acquisition for resettlements. Construction on Administrative office buildings, bridges under Kaluganga and Moragahakanda project has been completed. Design work of the reservoir tunnel and head work under Kaluganga project has been started using Kuwait funds while downstream development of Moragahakanda project work commenced in January 2010 with JICA assistance. During January-April Rs. 965 million was allocated bringing the cumulative expenditure of this project up to April 2010 to Rs. 2,296 million.

Uma Oya diversion project which commenced in 2009 under the Iranian assistance at a cost of US \$ 529 million is expected to cultivate 15,000 acres in Badulla, Monaragala & Hambantota districts benefiting 12,000 farmer families while generating 120 MW of hydro power. Funds amounting to Rs. 2,133 million was allocated during January-April 2010 for the completion of geological surveys along the tunnel connecting two reservoirs at Puhulpola and Dyraaba and road deviations. The cumulative expenditure up to end April 2010 stood at Rs. 8,708 million.

Construction of Deduru Oya reservoir Project which is design to irrigate 1500 Ha new land and 8500 Ha of excising land in Kurunegala and Puttlam districts and generate hydro electricity continued with construction work of the main dam, left and right bank sluices main canal, spillway and trans basin. Cumulative expenditure up to April 2010 was Rs 1,372 million.

Dam Safety and Water Resource Planning Project with World Bank assistance aiming to ensure safety an operational efficiency of 32 large dams, to establish a modern hydro meteorological information system and to improve water resource planning of the country continued in 2010. Under this project rehabilitation works of Parakrama Samudraya (Rs. 207 million) Kantale Dam (Rs. 175 million) and Dambulu Oya and Kandalama reservoir was carried out in 2010. The cumulative expenditure of the project upto end April was Rs. 686 million.

Water Supply and Sanitation

Total investment made for the 1st quarter of 2010 for water supply and sanitation is Rs 11,189 million. The actual expenditure was Rs. 7,188 million. The expenditure is mainly in the following areas;

Table 12
Water Supply and Sanitation

Rs. Mn.

| | Foreign Funds | Domestic Funds | Total |
|--|---------------|----------------|-------|
| Large scale water supply schemes; Ampara, Kandy, Colombo, Polonnaruwa, Batticaloa, Muttur, Hambantota, Galle, Nuwara Eliya, Kadugannawa, Geliya, Udunuwara, Yatinuwara, Gampola, Peradeniya, Ulapane, Ginigathhena, Hatton, Maskeliya, Ragala, Rikillagaskada, Negambo & Lunugamvehera | 4,163 | 1,525 | 5,688 |
| Small scale water supply schemes; Thalawakele-Lindula, Medirigiriya, Ippalogama, Pelmadulla, Kantale, Mahawa, Udawalawa, Galigamuwa, Akuressa, Monaragala, Ohiya, Thihagoda etc. | | 285 | 285 |
| Rural water supply schemes; Anuradhapura, Colombo, Matara, Ratnapura, Gampaha, Kandy, Matale, Nuwara Eliya, Ampara, Kurunegala Districts & in Estates | 68.1 | 114.9 | 183 |
| Sewerage schemes; Moratuwa, Ratmalana, Jaela, Ekala, Kandy and Colombo | 831 | 201 | 1,032 |
| Total | 5,062.1 | 2,125.9 | 7,188 |

Source: National Water Supply & Drainage Board.

Several water supply schemes were commissioned in the first quarter 2010. The water supply project implemented in Ampara Urban Council area was fully commissioned and now Ampara town has a 95% coverage. By the first quarter 2010, 6200 new connections have been given in Ampara and the system is ready to provide another 100 new connections immediately. Ragala and Walapane two schemes were also commissioned under the Nuwara Eliya Group Towns Water Supply Scheme. Service levels of about 27,000 existing consumers were improved in the southern towns of Kandy District through commissioning of Towns South of Kandy Water Supply Project. 2,700 new connections have been provided immediately after the commissioning and thereafter every month about 50 new connections have been given. The 600 meter long pipe laying of the sea outfall at Angulana was completed under Moratuwa/Ratmalana & Jaela/Ekala Wastewater Disposal Project.

Also, on completion of the concrete works of Jaela sewer treatment plant, plant installation which is due to be completed by September 2010 was commenced.

The following major construction work have been carried out in the first quarter of 2010;

- Supply & laying of transmission line of Kaluganga scheme
- Laying of distribution lines in Kutikawatta-Mulleriyawa
- Jaela, Kandana, Ekala, Mahara & Biyagama Water Supply Scheme
- Laying of 18km raw water transmission main, 31km treated water transmission main & 168km of distribution system in Batticaloa
- 154 km distribution pipe laying in Muttur
- 120,000 m³/day intake, 15,000 m³/day treatment plant, 5 water towers & 147.5 km distribution pipe net work in Hambantota
- New water treatment plant & intake with 40 million gallons per day capacity at Kelani Right Bank

Human Resource Development

Education

A total expenditure of Rs. 11,672 million has been incurred on education during the first four months of 2010.

Financial assistance amounting to Rs. 604 million has been provided for infrastructure development of universities in 2010. Further, Rs. 707 million has been utilized on higher education development projects assisted by Work Bank, ADB, Kuwait funds etc.

In order to improve the educational facilities provided for school children, capital investment amounting to Rs. 333 million has been spent to build school buildings, computer labs, furniture and equipment.

Health

The government expenditure on health during first four months of 2010 amounted to Rs. 14,828 million covering both health and indigenous sectors. In order to maintain a safe and effective medical supply to government institutes around Rs. 2,000 million has been utilized on medical supplies during January-April 2010.

Several hospital development projects such as Matara-Godagama hospital, Hambantota hospital ward complex, Neuro Trauma Centre at Karapitiya hospital continued in 2010. In addition Rs. 195 million have been spent to supply bio medical equipment and lab apparatus for the hospitals.

Allocations made under Vote on Account

Table 13
Allocations made under Vote on Account approved by the Parliament on 05th
November 2009 during the period 1st January 2010 to 30th April 2010.

| Head No. | Ministry /Department | Purpose | Expenditure (Rs.) | |
|----------|---|---|-------------------|-------------|
| | | | Recurrent | Capital |
| 1 | His Excellency the President | Programme for rehabilitation of misguided youth surrendered (Commissioner General of Rehabilitation), Sri Lanka Foundation, establishment of a new Government owned Company to provide technical and economic support for the local artists, Information and Communication Technology Regulator Capacity Building Project | 250,000,000 | 31,941,634 |
| 3 | Judges of the Superior Courts | Foreign traveling, maintenance of vehicles | 3,500,000 | |
| 4 | Office of the Cabinet of Ministers | Cost of Living Allowance, rehabilitation of plant ,machinery and equipment | 362,273 | 107,000 |
| 16 | Commission to Investigate Allegations of Bribery and Corruption | Tamil Language Training Programme (UNDP), Personal Emoluments | 2,200,000 | 97,200 |
| 17 | Department of Elections | Presidential Election 2010, General Election 2010 | 1,550,000,000 | |
| 103 | Ministry of Defense, Public Security, Law and Order | Domestic traveling, diets and uniforms, stationary and office requisites, welfare programmes, services | 140,500,000 | |
| 110 | Ministry of Justice and Law Reforms | Accounting of the financial grant given by the Norwegians Refugee Council to launch of magazine "Justice" | | 735,000 |
| 112 | Ministry of Foreign Affairs | Legal fees | 2,817,000 | |
| 114 | Ministry of Transport | Cost of Living Allowance(Sri Lanka Transport Board) | 100,000,000 | |
| 121 | Ministry of Public Administration and Home Affairs | To conduct efficiency bar examinations and second language tests by Sri Lanka Institute of Development Administration | 2,873,675 | |
| 130 | Ministry of Local Government and Provincial Council | Provincial Road Improvement Project (PRIP) | | 162,000,000 |
| 134 | Ministry of Constitutional Affairs and National Integration | Official language Commission, National language Education and Training Institute | 5,800,000 | |
| 135 | Ministry of Plantation Industries | Plantation Reform Project | | 375,000,000 |
| 136 | Ministry of Sports and Public Recreation | Initial expenses for the Common Wealth Games to be held in Sri Lanka in 2018 | 11,400,000 | |

Table 13 continued . .

| | | | | |
|-----|--|---|---------------|-------------|
| 142 | Ministry of Cultural Affairs and National Heritage | Central Cultural Fund | 50,000,000 | |
| 143 | Ministry of Parliamentary Affairs | Retirement benefits for staff of the MP's | 10,000,000 | |
| 145 | Ministry of Re-settlement and Disaster Relief Services | Accounting of the financial grant given by the Government of India for purchasing the agriculture equipment to expedite the resettlement programme. | | 22,730,000 |
| 149 | Ministry of Industrial Development | Salaries for the employees of Ceylon Ceramic Corporation(Cabinet decision) | | 27,000,000 |
| 153 | Ministry of Land and Land Development | Cost of Living Allowance | 4,100,000 | |
| 160 | Ministry of Environment and Natural Resources | Personal Emoluments, domestic traveling, supplies, rehabilitation of vehicles | 3,450,000 | 500,000 |
| 161 | Ministry of Internal Administration | Cost of Living Allowance | 300,000 | |
| 207 | Department of Archaeology | Domestic traveling, maintenance of vehicles, | 8,440,000 | |
| 210 | Department of Government Information | Accounting of the grant given by the American Ambassador for conservation of films produced on national heritage | | 450,968 |
| 212 | Department of Examination | Payment of evaluation fees for answer scripts and other examination related activities in GCE(O/L) 2009 | 200,000,000 | |
| 215 | Department of Technical Education and Training | Personal Emoluments , retirements benefits | 24,500,000 | |
| 222 | Sri Lanka Army | To settle outstanding payments on rehabilitation of buildings and acquisition of fixed assets | | 750,000,000 |
| 223 | Sri Lanka Navy | Deferred payment, Cost of Living Allowance | 200,000,000 | 407,000,000 |
| 225 | Department of Police | Personal emoluments, domestic traveling, | 1,027,000,000 | |
| 227 | Department of Registration of Persons | Cost of Living Allowance | 4,000,000 | |
| 228 | Courts Administration | Vehicle rent | 5,317,700 | |
| 229 | Attorney General's Department | Purchase of a vehicle, foreign traveling, legal fees | 3,950,000 | 7,500,000 |
| 232 | Department of Prisons | Diets and Uniforms | 100,000,000 | |
| 234 | Registrar of Supreme Court | Cost of Living Allowance | 881,250 | |
| 239 | Department of External Resources | Payment of taxes and duties for obtaining a vehicle forfeited by the Department of Customs | | 1,512,000 |
| 242 | Department of Management Services | Cost of Living Allowance | 250,000 | |
| 245 | Department of Public Finance | Rehabilitation and improvement of capital assets | | 9,000,000 |
| 251 | Department of Valuation | Salaries and wages | 5,650,000 | |

Table 13 continued . .

| | | | | |
|-----|--|---|----------------------|----------------------|
| 253 | Department of Pensions | Payment of pension for disabled soldiers, retirement benefits, social security for disabled soldiers | 2,903,630,000 | |
| 254 | Department of Registrar General | Security services of Divisional Land Registrar Office, personal emoluments | 11,500,000 | |
| 256 | District Secretariat - Gampaha | Personal emoluments , fuel, domestic travelling, services | 10,539,000 | |
| 261 | District Secretariat - Galle | Personal emoluments | 17,500,000 | |
| 263 | District Secretariat - Hambantota | Cost of Living Allowance | 2,016,000 | |
| 279 | District Secretariat - Kegalle | Cost of Living Allowance | 7,425,000 | |
| 281 | Department of Agrarian Services | Cost of Living Allowance | 60,000,000 | |
| 285 | Department of Agriculture | Cost of Living Allowance, salaries and wages | 27,019,560 | |
| 286 | Department of Land Commissioner | Cost Living Allowance | 3,200,000 | |
| 288 | Department of Surveyor General | Cost of Living Allowance | 40,000,000 | |
| 301 | Department of Co-operative Development | Working capital for Co-operative Societies | | 450,000,000 |
| 308 | Department of Posts | Cost of Living Allowance | 120,000,000 | |
| 314 | Southern Provincial Council | Accounting of the grant given by Wilson Transformer Co. Pvt. LTD in Australia for the construction of two storied building at All Saints Madya Maha Vidyalaya Galle | | 2,000,000 |
| 317 | North Central Provincial Council | Salaries, Cost of Living Allowance, Provincial Roads Project | 110,000,000 | 242,200,000 |
| 322 | Department of National Botanic Gardens | Cost of Living Allowance, services | 3,900,000 | |
| 323 | Department of Legal Affairs | Personal Emoluments, rehabilitation and improvement of capital assets | 1,100,000 | 100,000 |
| | Total | | 7,035,121,458 | 2,489,873,802 |

Source: Department of National Budget

TREASURY OPERATIONS

Performance of the Government Cash Flow

There was a marginal increase in revenue as against the revenue forecast of Rs.290.6 billion for the period from January to May in 2010. This increase has resulted in lower net cash deficit when compared to same at the end of corresponding time period. Cash deficit after outflow for operating activities and investment activities amounted to Rs. 183.8 billion which is less than the comparative figure for the year 2009 by Rs.32.2 billion. The reduction in cash deficit was mainly due to increase in revenue collection during the period of 5 months over the same period in last year. The overall closing cash balance (deficit) was Rs.83.9 billion which is higher than the cash balance prevailed at end of corresponding time period in 2009 by Rs. 7.4 billion.

Table 14
Statement on Government Cash Flow Operations -January to May 2009 and 2010

| Item | Actual 2009 Jan - May | Jan - May 2010 | |
|--|--------------------------|----------------------|---------------------|
| | | Original Estimate | Actual Cash Flow |
| Total Cash inflow from revenue | 232,421 | 290,679 | 295,687 |
| Total Cash outflow for operating activities | (343,645) | (390,298) | (373,825) |
| Net Cash flow for Operating Activities | (111,224) | (99,619) | (78,138) |
| Cash Flow for investing Activities | (104,845) | (108,137) | (105,709) |
| Net Cash Surplus (Deficit) | (216,069) | (207,756) | (183,847) |
| Opening Cash Balance | (69,195) | (75,969) | (75,969) |
| Gross Borrowing | 436,380 | 342,512 | 308,370 |
| Debt Repayment | (240,305) | (134,620) | (134,536) |
| Net Borrowing | 196,075 | 207,892 | 173,834 |
| Adjustment Account Balance (TEB, RFA, Deposits, etc) | 12,676 | (49) | 1,999 |
| Closing cash balance | (76,513) | (75,882) | (83,983) |

Source: Department of Treasury Operations

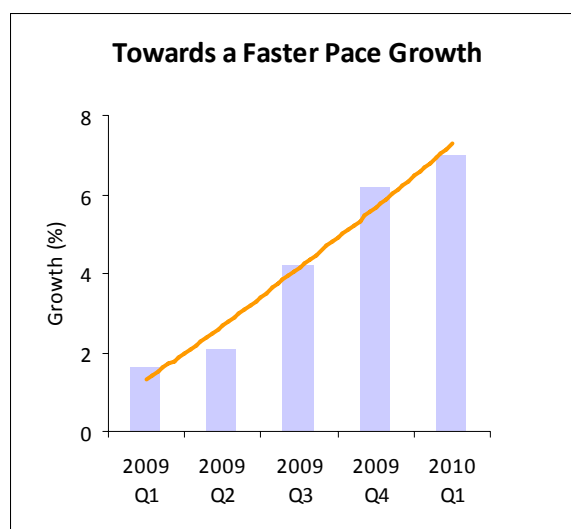
Government Debt Managed within Approved limits

The Government debt operations indicated a total gross borrowing of Rs. 308.3 billion for the period from January to May in 2010. The repayments of public debt, which included domestic and foreign loans, amounting to Rs. 134.5 billion thus limiting net borrowing to Rs.173.8 billion. The total gross borrowings were within the approved limit of Rs. 437.5 billion for the period from January to May in 2010. The value of Bank Guarantees issued and remaining valid as at 31.05.2010 amounting to Rs. 173.2 billion which does not exceed 4.5% of GDP as prescribed in section 3(e) of Fiscal Management (Responsibility) Act No.3 of 2003. Summary of the Bank Guarantee issued by the Treasury up to 31.05.2010 is given in annex III

The Economy

The economy posted a significant growth of 7 percent in the first quarter of 2010 supported by resilient domestic demand and the gradual recovery in the global economic conditions. The robust growth was exhibited in all the sub sectors with agriculture, industry and services sector recording growth rates of 9 percent, 6.9 percent and 6.7 percent, respectively. The economy grew by 6.2 percent in last quarter of 2009 and is expected that the economy will grow at a faster pace of about 7-8 percent in 2010 with much favourable macroeconomic environment and political stability entailed with the cessation of internal conflict.

Chart 3



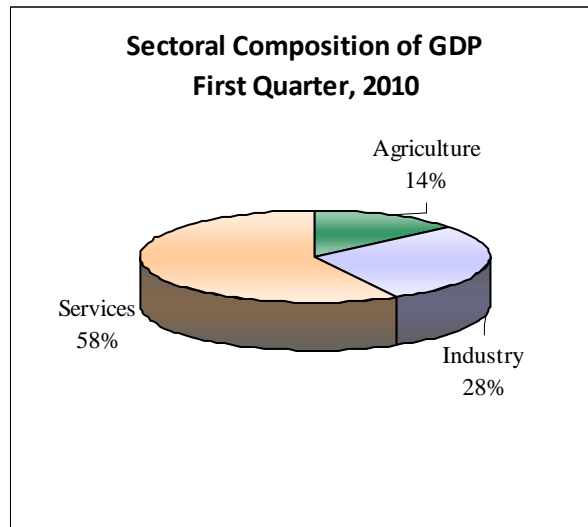
Agriculture, forestry and fishing sector expanded at an accelerated pace of 9 percent during the first quarter of 2010 from 3.6 percent in the same quarter of 2009. This sector, contributed 14 percent of GDP in first quarter of 2010. This upturn largely came from relatively significant performance of the tea, rubber and minor export crops sectors.

The tea sector registered a 47.2 percent growth for the first quarter of 2010 compared to a 39.7 percent in the review period of 2009, reflecting the expansion of export demand coupled with favourable weather condition prevailed during the first quarter of 2010. The tea production during the January-April period was 102.3 million kg, an increase of 27 percent over the corresponding

period of 2009. The absence of labour unrest, continued good agricultural practices such as timely pruning, and recovered external demand led this surge. The average all tea prices at Colombo Tea Auction reached the highest ever price recorded and registered Rs.379.20 per kg in March 2010 as compared to Rs. 325.34 per kg in March 2009.

The rubber sector also benefited from the attractive prices with increasing demand for natural rubber due to a gradual increase in oil prices and an adoption of new technologies. The contracted rubber production in the first quarter of 2009, picked up in the first four months of 2010 and recorded a growth of 10 percent. The production increased to 54.3 million kg in the first four months of 2010 from Rs. 49.3 mn kg in the same period of 2009. The unfavourable conditions prevailed in other rubber producing countries such as Thailand, Indonesia helped to increase the prices of natural rubber in international markets. The value added rubber production grew by 11.7 percent in the first quarter of 2010 as compared to 2.6 percent recorded in the review period of 2009. The average prices of rubber at Colombo Auction rose to Rs. 321.24 per kg in the first quarter of 2010 from Rs. 132.17 per kg in the corresponding period of 2009, indicating a 143 percent growth in prices in the first quarter of 2010.

Chart 4



However, the coconut production dipped in the first four months of 2010 by 8 percent due to reduction in extent harvested during the period. The total production in January-April period of 2010 was 899 million nuts compared to 975 million nuts in the reference period of 2009. However,

the coconut oil production rose by 31 percent in the first quarter of 2010 to 21,667 mt, benefiting from the increased tax rates on imported coconut oil substitutes.

The paddy production in 2009/2010 Maha season increased by 9 percent to around 2.6 million mt compared to the 2008/2009 Maha season, a highest ever paddy production since 1952, benefiting from increased extent in cultivation, increased average yield by 4 percent supported by favourable weather condition during the period and continuation of fertilizer subsidy. The total extent harvested also increased by almost 5 percent over 2009/2010 Maha season. It is also noteworthy that the paddy production in the Eastern Province, Mannar and Jaffna Districts recorded significant growths of 10.6 percent, 65.1 percent and 13.8 percent respectively.

Table 15
Key Statistics in the Paddy Sector

| Category | Unit | 2007 | | | 2008 | | | 2009 | | | 2010* |
|----------------|------------------|--------------------------|-------------|--------------|------------------------------|-------------|--------------|--------------------------|-------------|--------------|--------------------------|
| | | 2006/2007 Maha Season | Yala Season | Total | 2007/ 2008 Maha Season | Yala Season | Total | 2008/2009 Maha Season | Yala Season | Total | 2009/2010 Maha Season |
| Production | '000 mt | 1,973 | 1,158 | 3,131 | 2,125 | 1,750 | 3,875 | 2,384 | 1,268 | 3,652 | 2,597 |
| Area Sown | '000 hectares | 525 | 291 | 816 | 582 | 471 | 1,053 | 632 | 345 | 977 | 642 |
| Area Harvested | '000 hectares | 512 | 284 | 796 | 568 | 465 | 1,033 | 605 | 338 | 943 | 633 |
| Yield | Kg/ hectare | 4,299 | 4,543 | 4,421 | 4,181 | 4,195 | 4,188 | 4,421 | 4,186 | 4,304 | 4,599 |

Source: Department of Census and Statistics

* Provisional

Minor export agricultural crops comprising of cinnamon, cardamom, cloves and peppers etc. recorded the highest ever growth of 118 percent during the review quarter from contracted 5.3 percent growth of the first quarter of 2009. The increased export prices stemming from the improved external demand from the major buyers coupled with favourable weather condition could be cited as the main factors that contributed to this surge. The most of subsidiary food crops such as highland crops, fruits and vegetables sub sector recoded a favourable growth of 5.5 percent during

this period. The production of maize, big onion, red onion and potatoes recorded an encouraging growth of 9 percent, 23 percent, 59 percent and 8 percent respectively. The livestock production

increased by 5 percent particularly with increased in dairy production responding to the higher prices. During the first quarter of 2010, local milk production reached 48.9 million litres a 15 percent growth over the corresponding period of 2009 benefiting from favourable producer prices and other incentives given to the sector by the Government to boost the local milk production.

Fisheries sub sector recorded a 4 percent growth in the first quarter of 2010 with the increased marine and inland fish production by 4 percent and 1 percent respectively. The marine fishing sub sector was benefited from lifting the imposed restrictions for fishing activities in the North and East amidst the vagaries of the climatic changes in contrast, the inland fishing sector was affected due to drought conditions which resulted a contraction of the storage of water in reservoirs and tanks.

The industry sector value addition expanded by 6.9 percent in the first quarter of 2010 compared to a mere 1.9 percent growth recorded in the same period of 2009. This growth was achieved with favourable contributions from all sectors namely, manufacturing, mining and quarrying, construction, electricity, gas and water. The industry sector accounted for 28.4 percent of GDP.

Despite the declining external demand and high cost of production, the textile wearing apparel and leather products sector grew by 1 percent in the first quarter of 2010. However, continuous efforts were made to improve the qualitative standards while introducing a range of styles and designs to mitigate the negative impacts faced by the industry.

The factory industry grew by 5.4 percent in the first quarter of 2010 compared to 3.3 percent registered in the same period of 2009. The factory industry recovered gradually since the latter part of 2009 with revival of external demand and increase in domestic demand due to access of the new markets in the Northern and Eastern regions.

The output of food, beverages and tobacco products registered an a higher growth of 6.8 percent with enhance production of biscuits, canned fruits and vegetables, ice cream, milk and coconut based products benefiting from the improved connectivity of the whole country coupled with the expansion of tourists activities. The sector will be revived during the rest of period of 2010 with further expansion of domestic markets, improved value added products, modernization of dairy factories and establishment of milk collection and sales centres.

The chemical, rubber and plastics products category grew by 7.1 percent in the first quarter of 2010 compared to 0.2 percent recorded in the review period of 2009. The gradual recovery of the economic downturn and related recovery in the automobile industry emerged an increase demand

for natural rubber products and increase in PVC, plastics and paints production due to improved domestic construction industry help this growth. Signifying the recovery of the gem and jewellery sub –sector, the exports of precious stones increased by almost 28 percent in the review period. The manufacturing sector which accounts for 62.2 percent of the industry sector, expanded by 5.8 percent in the first quarter of 2010 reflecting the gradual recovery of the economies, provided tax and other concessions to the sector, accelerated development activities particularly in the North and East coupled with the expansion of the construction industry. Meanwhile electricity, gas and water sub sector grew by 6.4 percent in real terms in the review period. This has witnessed a 10.1 percent growth in overall electricity generation. During the first quarter of 2010 benefiting from the conducive weather conditions, hydro power electricity generation grew by 58.5 percent reducing thermal power generation contracted by 7.8 percent.

The construction industry sustained its growth momentum at 8.5 percent in first quarter of 2010 in comparison to an equally high growth rates witnessed in 2006 and 2007. The growth rate registered for the first quarter of 2009 was at 3 percent. This is attributable to Government initiatives taken to improve infrastructure mainly in roads, irrigation, ports, power, water, resumption of private sector initiatives on urban property development projects coupled with low interest rate regime that prevailed during this period.

The services sector expanded by 6.7 percent during the first quarter of 2010 compared to 1 percent in the same period of 2009. This sector, which accounted for 57.7 percent of GDP mainly driven by recovered wholesale and retail trade, hotels and restaurants, tourism sector services and transport services.

Reflecting the expansion activities in external sector, the export earning registered a 7.1 percent growth in the first quarter of 2010. The export earning for the review period was US \$ 1,764 mn against the US \$ 1,647 mn in the same period of 2009. Agricultural and mineral exports grew at a pace of 29 percent and 33 percent respectively. The import sector also performed well in the first quarter of 2010 making 39.5 percent growth in imports compared to sluggish growth of 1.7 percent witnessed in the same quarter of 2009 . The import bill for the first quarter of 2010 stood at Rs. US \$

3,225 million over the US \$ 2,313 million in the first quarter of 2009. The domestic trade sector also expanded at a pace of 8.3 percent in the first quarter of 2010 from 3.8 percent recorded in the review period of 2009.

Transport and communication sector accelerated by 10.4 percent in the reference period of 2010 compared to 3.9 percent achieved in the same period of 2009. Post and telecommunication sector recorded a buoyant growth of 16.4 percent in the quarter particularly with the continuation of services expanded by the telecom service providers in terms of value added products, competitive rates and the expansion of coverage.

Table 16
Selected Indicators of Service Sector Expansion

| Indicator | 2006 | 2007 | 2008 | 2009 | End March | |
|--|---------|---------|---------|---------|-----------|---------|
| | | | | | 2009 | 2010 |
| Port Services | | | | | | |
| Vessels arrived | 4,469 | 4,710 | 4,814 | 4,456 | 1,097 | 1,004 |
| Total Cargo Handled (MT '000) | 42,661 | 46,344 | 50,582 | 48,777 | 10,427 | 14,650 |
| Total Container Handled (TEU '000) | 3,079 | 3,381 | 3,687 | 3,464 | 780 | 993 |
| Transshipment (TEU '000) | 2,330 | 2,578 | 2,785 | 2,785 | 585 | 738 |
| Telecommunication Sector | | | | | | |
| Fixed Telephone lines (No. '000) | 910 | 932 | 934 | 871 | 876 | 875 |
| Cellular Phones (No. '000) | 5,412 | 7,983 | 11,083 | 13,950 | 11,492 | 15,107 |
| Wireless Phones (No. '000) | 974 | 1,810 | 2,513 | 2,560 | 2,474 | 2,585 |
| Internet and E-mail Subscribers (No. '000) | 130 | 202 | 234 | 240 | 240 | 250 |
| Health Sector | | | | | | |
| Private Hospitals | 208 | 212 | 220 | 220 | 220 | 220 |
| Public Hospitals | 604 | 619 | 609 | 555 | 555 | 555 |
| Financial Sector | | | | | | |
| Bank Branches & Other Outlets | 4,128 | 4,951 | 5,427 | 5,703 | 5,450 | 5,722 |
| Credit Cards Issued | 811,289 | 889,338 | 917,418 | 840,509 | 896,176 | 827,983 |
| Automated Teller Machines | 1,155 | 1,422 | 1,654 | 1,876 | 1,699 | 1,895 |

Sources: Central Bank of Sri Lanka

Ministry of Finance & Planning

Telecommunication Regulatory Commission Sri Lanka

Sri Lanka Ports Authority

The port services expanded in the review period of 2010 with cargo and container handling increased by 40 percent and 27 percent respectively, benefiting the strong performance in the trade sector aligned with a gradual recovery of the global economy. The total number of new registrations of vehicles also increased by 56.5 percent in the first quarter of 2010 compared to the negative growth of 30.5 percent recorded in the reference period of 2009.

The hotels and restaurant sector responded quickly to the cessation of terrorist activities coupled with gradual recovery of the global economic conditions and recorded a buoyant growth of 61 percent in the first quarter of 2010 compared to - 16.7 percent growth in the first quarter of 2009. Tourist arrivals increased to 160,409 in the first quarter of 2010 from 106,702 in the same period of 2009, reflecting a 50 percent growth while, the earnings from tourism related activities and room occupancy rate climbed by 70 percent and 89 percent respectively. The earning from the tourism sector in the period of January-April, 2010 was US \$ 175 million.

The performance of the banking, insurance and real estate sector picked up in the first quarter of 2010 registering a growth of 5.6 percent with improved economic conditions. The commercial banks and Licensed Specialized Banks showed a high profit due to increased non-interest income and introduced cost-management policies amidst declining interest income.

Table 17

Gross Domestic Product – Sectoral Composition at (2002) Constant Prices

Rs. Mn.

| | First Quarter | |
|---|----------------|----------------|
| | 2009 | 2010 |
| Agriculture, Forestry and Fishing | 81,774 | 89,072 |
| Agriculture, Livestock and Forestry | 74,954 | 81,999 |
| Tea | 4,321 | 6,361 |
| Rubber | 966 | 1,079 |
| Coconut | 7,979 | 6,830 |
| Minor export crops | 1,720 | 3,754 |
| Paddy | 20,942 | 22,806 |
| Highland crops | 11,152 | 11,743 |
| Fruits and Vegetables | 15,776 | 16,649 |
| Livestock | 4,412 | 4,619 |
| Other Agriculture | 4,158 | 4,432 |
| Firewood & Forestry | 3,527 | 3,745 |
| Fishing | 6,820 | 7,073 |
| Industry | 171,058 | 182,779 |
| Mining and Quarrying | 11,745 | 13,084 |
| Manufacturing | 107,544 | 113,781 |
| Processing Industries | 3,304 | 3,958 |
| Factory industry | 97,212 | 102,462 |
| Small industries | 7,028 | 7,302 |
| Electricity, gas and water | 12,200 | 12,981 |
| Electricity | 10,555 | 11,251 |
| Gas | 1,028 | 1,105 |
| Water | 617 | 630 |
| Construction | 39,570 | 42,933 |
| Services | 348,252 | 371,470 |
| Wholesale and retail trade | 136,460 | 143,692 |
| Import trade | 43,089 | 45,588 |
| Export trade | 23,903 | 22,947 |
| Domestic trade | 69,468 | 75,234 |
| Hotels and restaurants | 1,537 | 2,475 |
| Transport and communication | 80,958 | 89,378 |
| Transport | 68,996 | 75,344 |
| Cargo handling-Ports and Civil aviation | 3,154 | 3,785 |
| Post and telecommunication | 8,808 | 10,253 |
| Banking , insurance and real estate etc. | 52,953 | 55,918 |
| Ownership of dwellings | 18,463 | 18,684 |
| Government services | 43,179 | 45,856 |
| Private Services | 14,702 | 15,467 |
| Gross Domestic Product | 601,084 | 643,321 |

Source : Department of Census and Statistics

Inflation

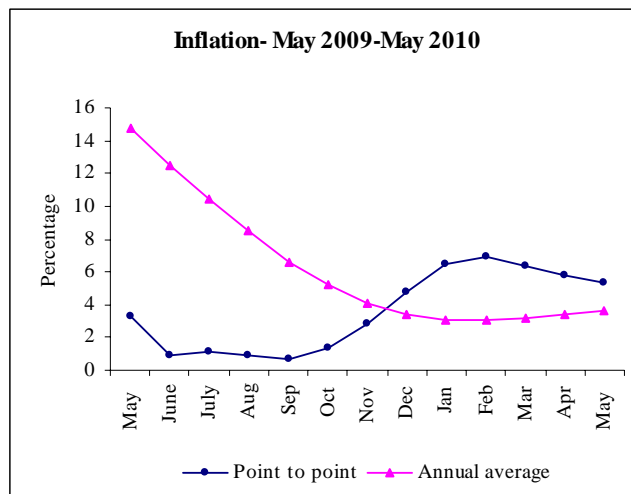
The annual average inflation declined to a record seven-year low of 3.1 percent in the months of January and February 2010 from a peak of 28.2 percent in June 2008. Point to point Inflation declined to 5.3 percent in May 2010, reflecting the supply side improvements particularly the significant growth in paddy production in the 2009/2010 Maha season coupled with slowing down of price pressure in international market in key commodities. Core inflation that measures the price movements of non-food and non-energy items in the Colombo Consumer Price Index (CCPI) basket stood at 6.4 percent on a point-to-point basis in May 2010.

Table 18
Headline Inflation and Core Inflation in Sri Lanka

| Month | Headline Inflation CCPI (N) | Core Inflation |
|-------------|--------------------------------|----------------|
| 2009 | | |
| January | 10.7 | 14.3 |
| February | 7.6 | 14.1 |
| March | 5.3 | 15.2 |
| April | 2.9 | 15.5 |
| May | 3.3 | 15.8 |
| June | 0.9 | 15.2 |
| July | 1.1 | 14.2 |
| August | 0.9 | 13.2 |
| September | 0.7 | 12.1 |
| October | 1.4 | 11.0 |
| November | 2.8 | 9.9 |
| December | 4.8 | 9.2 |
| 2010 | | |
| January | 6.5 | 8.6 |
| February | 6.9 | 8.1 |
| March | 6.3 | 7.5 |
| April | 5.8 | 7.0 |
| May | 5.3 | 6.4 |

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

Chart 5



Stock market on a positive note

The stock market continued to grow with the positive outlook in the macro economic environment and decline in interest rates, higher business confidence and brightened growth prospects following the end of the conflict. The Colombo Stock Exchange (CSE) was among the best performing stock market in the world, during this peiord.

The All Share Price Index (ASPI) averaged at 4,232.9 at the end of May 2010, a 100 percent increase over the end May 2009 while Milanka Price Index (MPI) also increased by 95 percent to close at 4,765.1. The average turnover was Rs. 1,814 million, an increase of 32 percent as against end May 2009. Market capitalization at the end of May 2010 was Rs. 1,378 billion, a 100 percent increase over the same period of 2009.

Table 19
Movements in the Capital Market

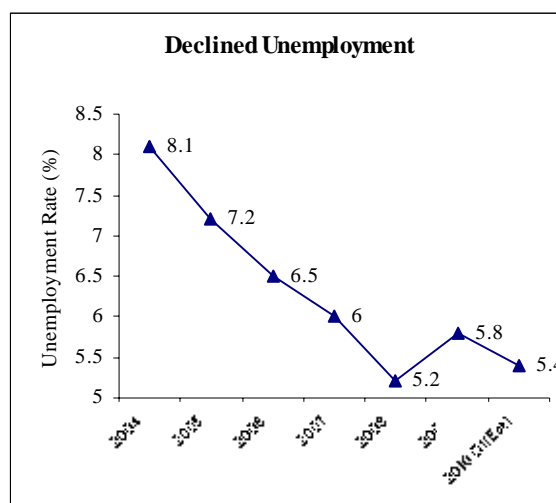
| Indicator | 2005 | 2006 | 2007 | 2008 | 2009 | End April | |
|------------------------------------|--------|--------|--------|--------|--------|-----------|-------|
| | | | | | | 2009 | 2010 |
| All Share Price Index (1985=100) | 1,922 | 2,722 | 2,541 | 1,503 | 3,386 | 1,839 | 4,189 |
| Milanka Price Index | 2,451 | 3,712 | 3,292 | 1,631 | 3,849 | 1,963 | 4,712 |
| Market Capitalization (Rs. Bn) | 584 | 835 | 821 | 489 | 1,092 | 599 | 1363 |
| No. of Listed Companies in Trading | 242 | 232 | 231 | 232 | 231 | 231 | 231 |
| Annual Average Turn Over (Rs.Bn) | 115 | 105 | 105 | 110 | 142 | 261 | 1,540 |
| Foreign Sales (Rs.Mn) | 21,568 | 31,790 | 35,543 | 52,682 | 43,846 | 877 | 7,120 |
| Foreign Purchases (Rs.Mn) | 27,712 | 37,167 | 46,797 | 66,632 | 43,057 | 393 | 3,751 |

Source: Colombo Stock Exchange

Unemployment

The unemployment continued to decline from 8.8 percent in 2002 to its lowest level of 5.2 percent in 2008. A gradual decline in unemployment is observed during the 2002- 2009 period although it turned out to 5.7 percent in 2009 due to the pressure on the domestic establishments from shrinking external demand. The unemployment rate for the first quarter of 2010 reduced to 5.4 percent and it is estimated that the unemployment will be further decline in 2010 with the improved economic activities in the whole country in the post-conflict situation, especially the increased demand from tourist sector coupled with the continuation of large scale infrastructure projects .

Chart 6



External Sector Developments

The recovery that was witnessed in the external sector from the 2nd half of 2009 continued in 2010, with increased investor confidence and positive sentiments brought in line with the end of terrorism coupled with the improvements in the external demand. Exports grew by 7.1 percent in the first quarter of 2010 compared to first quarter of 2009, while the imports grew by 40 percent responding to increased domestic activities. Although the trade balance widened it was mitigated from enhanced worker remittances, improved performance in service account with increased earnings especially from tourism and port related activities. During this period Balance of Payment (BoP) generated a surplus of US\$ 135 million compared to the deficit of US\$ 52.7 million in the first quarter of 2009. The gross official reserves at end May stood at US \$ 5,440 million while total reserves at end May reached US\$ 6,803 million sufficient to cover 5.6 months of imports.

Exports

The export earnings in the first quarter of 2010 expanded by 7.1 percent to US\$ 1,764 million compared to US\$ 1,647 million in 2009. The agricultural export earnings grew by 29 percent during this period and reached to US\$ 469 million compared to US\$ 363 million in first quarter of 2009. The tea and rubber exports benefiting from favourable international prices grew by 26 percent and by two folds respectively during the period while minor agricultural crops sector with increased exports of products such as cashew, cloves, vegetables and fruits recorded a growth of 47 percent during the reviewed period. Textile and garments exports declined during the period by 15 percent and generated US\$ 703 million compared to US\$ 826 million in 2009 mainly to the decline in exports to the lower end of the market stemming from high competition.

Imports

The total import bill for the first three months of 2010 amounted to US \$ 3,225 mn, an increase of 40 percent over the same period of 2009. Consumer goods imports increased by 40 percent to reach US \$ 740 million while the intermediate goods imports increase by 54 percent as stood at US \$ 1,686 million. The increase in intermediate goods imports reflects the high crude oil prices during this period compared to same period of 2009. Petroleum products imports cost at US\$ 752 million recorded 100 percent increase during the first quarter of 2010. While the non oil intermediate imports increase by 27 percent reflecting the revival of the domestic manufacturing sector. Investment goods imports cost US\$ 692 million by end March 2010 compared to US\$ 674 million in the same period of 2009.

Table 20
External Trade (January-March)

US\$ Mn.

| Category | 2009 | 2010 |
|-----------------------------|--------------|----------------|
| Exports | 1,647 | 1,764 |
| Agriculture | 363 | 469 |
| Tea | 242 | 306 |
| Rubber | 26 | 57 |
| Coconut products | 44 | 32 |
| Other agricultural products | 51 | 75 |
| Industrial | 1,265 | 1,269 |
| Textiles and Garments | 826 | 703 |
| Petroleum products | 27 | 43 |
| Other Industrial | 412 | 523 |
| Gems | 17 | 21 |
| other | 3 | 5 |
| Imports | 2,313 | 3,225 |
| Consumer goods | 509 | 740 |
| Food & Drink | 338 | 522 |
| Other Consumer Goods | 211 | 271 |
| Non consumable goods | 172 | 219 |
| Intermediate goods | 1,098 | 1,686 |
| Petroleum | 363 | 752 |
| Fertilizer | 30 | 34 |
| Textiles & Clothing | 331 | 367 |
| Other Intermediate Goods | 373 | 524 |
| Investment goods | 674 | 692 |
| Machinery & Equipment | 279 | 285 |
| Transport Equipment | 116 | 136 |
| Building Materials | 213 | 196 |
| Other Investment Goods | 66 | 75 |
| Trade Balance | (665) | (1,461) |

Source: Department of Sri Lanka Customs

Worker Remittances

Worker remittance flows posted a 14 percent increase compared to the review period of 2009 to US \$ 891 million complemented by expanding of banking facilities particularly in opening of bank branches in the North and East.

Foreign Assistance

The total commitment made by lenders and donor agencies to Sri Lanka during the period of January to end April 2010 was US\$ 1,487.7 million, of which project loans accounted for US\$ 1,458 million and grants accounted for US\$ 29.7 million.

Table 21
Foreign Financing Commitments (Jan-April, 2010)

| Donor | US\$ mn |
|------------------------|----------------|
| Bilateral | 1,280.0 |
| Austria | 34.78 |
| China | 293.52 |
| France | 16.3 |
| India | 67.4 |
| Iran | 111.2 |
| Japan | 421.8 |
| Russia | 300.0 |
| United Kingdom | 35.0 |
| Multilateral | 207.7 |
| Asian Development Bank | 3.0 |
| World Bank | 179.0 |
| UN Agencies | 25.73 |
| Total | 1,487.7 |

Source: Department of External Resources

Chart 7
Aid Commitments (by percentage)

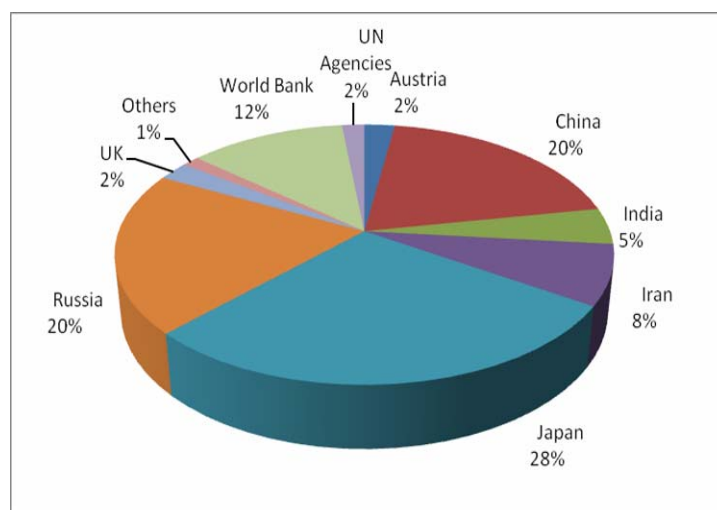


Table 22

Foreign Financing Commitments -From January to April 2010

| Donor | Project Name | In Loan/Grant Currency | Grant | Loan | Total |
|--|---|---------------------------|-----------|-------------|-------------|
| | | | In US\$ | In US\$ | In US\$ |
| ADB | Improving Connectivity to Support Livelihoods & Gender Equality | USD 3,000,000 | 3,000,000 | | 3,000,000 |
| Austria | Rehabilitation of Old Laxapana Hydroelectric Power Plant | EUR 24,141,348 | | 34,776,820 | 34,776,820 |
| China | Mattala Hambantota International Airport Project | CNY 1,300,000,000 | | 190,785,771 | 190,785,771 |
| | Supply of 13 Nos. Diesel Multiple Units to Sri Lanka Railway | CNY 700,000,000 | | 102,730,800 | 102,730,800 |
| Food and Agriculture Organization | Surveillance for Accreditation of freedom from Rinderpest | USD 184,000 | 184,000 | | 184,000 |
| | Dairy Cattle and Buffalo Improvement Project | USD 335,000 | 335,000 | | 335,000 |
| | Provision of Seed & Other Essential Agricultural Inputs in North | USD 876,000 | 876,000 | | 876,000 |
| | Improving Post-harvest & Sustainable Market Development for Fisheries | USD 85,800 | 85,800 | | 85,800 |
| France | Grater Trincomalee Water Supply Project | EUR 2,500,000 | | 3,385,375 | 3,385,375 |
| | Provision of Oxygen Concentrators, Operating Theaters & Medical Equipment to Tsunami Affected & Remote Hospital Project | EUR 9,529,000 | | 12,901,316 | 12,901,316 |
| India | Upgrading of Railway Line Colombo Matara Phase II | USD 67,400,000 | | 67,400,000 | 67,400,000 |
| International Fund for Agriculture Development | National Agribusiness Development Programme | SDR 15,550,000 | | 24,245,264 | 24,245,264 |
| Iran | Implementation of Rural Electrification Project 8 | EUR 77,140,574 | | 111,217,410 | 111,217,410 |

| | | | | | |
|--------------------|--|-----------------|-------------------|----------------------|----------------------|
| Japan | Provincial/Rural Road Development Project (Central Province and Sabaragamuwa Province) | JPK 9,156,000 | | 99,047,097 | 99,047,097 |
| | Provincial/Rural Road Development Project (Eastern Province) | JPK 3,965,000 | | 42,892,283 | 42,892,283 |
| | Eastern Province Water Supply Development Project | JPK 4,904,000 | | 53,050,127 | 53,050,127 |
| | Kandy City Wastewater Management Project | JPK 14,087,000 | | 152,389,303 | 152,389,303 |
| | Upper Kotmale Hydro Power Project (II) | JPK 4,552,000 | | 49,242,288 | 49,242,288 |
| | Reconstruction of 5 Bridges in Eastern Province (Detailed Design) | JPK 29,000 | 319,980 | | 319,980 |
| | The Project for the Improvement of Central Functions of Jaffna Teaching Hospital | JPK 2,298,000 | 24,859,134 | | 24,859,134 |
| Russian Federation | Line of Credit | USD 300,000,000 | | 300,000,000 | 300,000,000 |
| HSBC plc, | Emergency Purchase of Container Handling Equipments- Jaya Terminal | USD 35,000,000 | | 35,000,000 | 35,000,000 |
| World Bank | Provincial Roads Project | SDR 66,100,000 | | 103,238,346 | 103,238,346 |
| | Additional Financing for Community Livelihoods in Conflict Affected Areas | SDR 7,600,000 | | 11,870,067 | 11,870,067 |
| | Emergency Northern Recovery Project | SDR 40,900,000 | | 63,877,358 | 63,877,358 |
| | Total | | 29,659,914 | 1,458,049,625 | 1,487,709,539 |

Source: Department of External Resources

Committed Undisbursed Balance

The total Committed Un-disbursed Balance of foreign financing available for government's development program as at end of April 2010 was US\$ 7.2 billion. The project implementation duration for these commitments will be in the range of 2 -5 years and hence the utilization will be on that basis. Table 23 indicates the sector-wise classification of the committed un-disbursed balance.

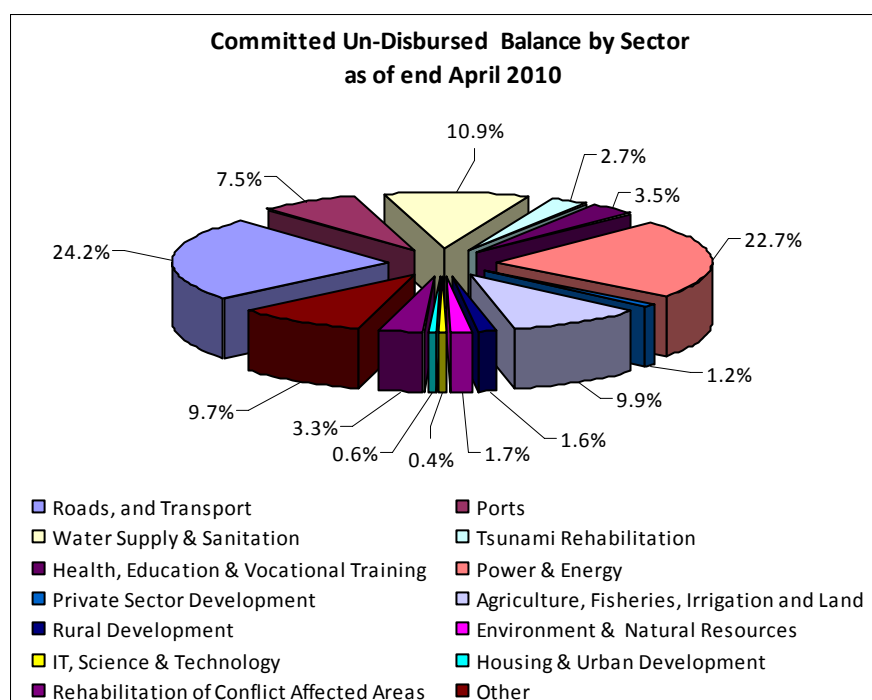
Table 23

Committed Un-disbursed Balance – (by sector) as of end April 2010

| Sector | US\$ Mn | % of Total |
|---|----------------|------------|
| Roads, and Transport | 1748.9 | 24.2 |
| Ports | 543.2 | 7.5 |
| Water Supply & Sanitation | 784.9 | 10.9 |
| Tsunami Rehabilitation | 197.2 | 2.7 |
| Health, Education & Vocational Training | 250.1 | 3.5 |
| Power & Energy | 1641.1 | 22.7 |
| Private Sector Development | 85.9 | 1.2 |
| Agriculture, Fisheries, Irrigation and Land | 715.4 | 9.9 |
| Rural Development | 115.0 | 1.6 |
| Environment & Natural Resources | 122.5 | 1.7 |
| IT, Science & Technology | 30.3 | 0.4 |
| Housing & Urban Development | 45.7 | 0.6 |
| Rehabilitation of Conflict Affected Areas | 236.2 | 3.3 |
| Other | 703.3 | 9.7 |
| Total | 7,219.7 | |

Source: Department of External Resources

Chart 8



Foreign Fund Disbursements

The total foreign fund disbursement up to end of April 2010 was US\$ 442.7 million. Of the total disbursement, project loans accounted for US\$ 416.8 million and grants US\$ 25.9 million.

Table 24

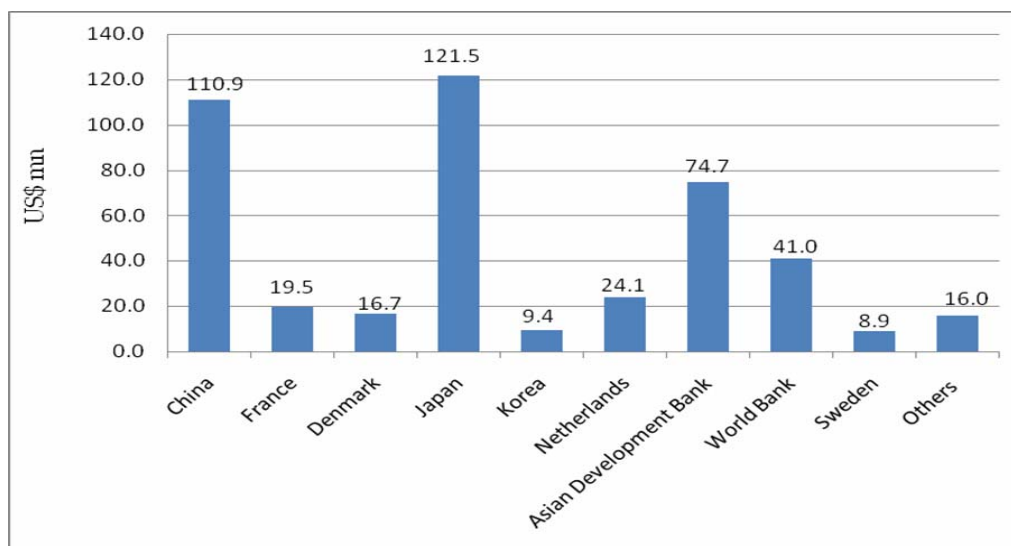
Foreign Aid Disbursement –in US\$ million

| Donor | Loan | Grant | Total |
|------------------------|--------------|-------------|--------------|
| Bilateral | 314.7 | 6.6 | 321.3 |
| Austria | 2.2 | | 2.2 |
| China | 110.9 | | 110.9 |
| Denmark | 16.7 | | 16.7 |
| France | 19.5 | | 19.5 |
| India | 4.5 | | 4.5 |
| Japan | 115 | 6.5 | 121.5 |
| Korea | 9.4 | | 9.4 |
| Kuwait | 1.2 | | 1.2 |
| Netherlands | 24.1 | | 24.1 |
| Spain | 0.3 | | 0.3 |
| Saudi Fund | 0.3 | | 0.3 |
| Sweden | 8.9 | | 8.9 |
| United Kingdom | 0.9 | | 0.9 |
| Other Bilateral | 0.8 | 0.1 | 0.9 |
| Multilateral | 102.1 | 19.3 | 121.4 |
| Asian Development Bank | 65.3 | 9.4 | 74.7 |
| World Bank | 36.3 | 4.7 | 41.0 |
| European Commission | | 3.7 | 3.7 |
| UN Agencies | | 1.5 | 1.5 |
| Other Multilateral | 0.5 | | 0.5 |
| Total | 416.8 | 25.9 | 442.7 |

Source: Department of External Resources

Chart 9

Foreign Aid Disbursements by Donors



External Debt

- The total external debt of the government as at end of April 2010 stood at US\$ 13.7 billion. This was a decrease of US\$ 93 million compared to the debt stock stood at end 2009.
- The total debt service payment up to 30th April 2010 amounted to US\$ 263.2 million. Of this US\$ 168 million was for principal payments and the balance US\$ 95.2 for the interest payments. The total estimated debt service payment for 2009 is US\$ 877.6 million, of which 30 percent has already been paid by 30th April 2010.

Basis used for the preparation of 2010 Budget Estimates.

Gross Domestic Product. (GDP)

The economy is expected to register a growth around 7 percent in 2010 and the growth is projected to be broad based, with the expected recovering in all key sectors. The agriculture sector is expected to perform well with additional impetus generated from the revival in the North and Eastern Provinces . The implementation of several planned mega projects such as expressways, highways, ports and acceleration of development projects in the country is likely to boost aggregate demand and output. The higher growth projected for 2010 would be supported by the expected increase in investment expenditure by both private and public sector.

Consumer Prices.

Inflation as per the GDP deflator is expected to moderate in 2010 to around 6 percent. The easing of commodity prices in international markets would lessen the external pressures on domestic prices coupled with production improvements in the domestic agriculture which would have favorable impact on the supply side. Tight monetary policy with the fiscal consolidation is expected to contain demand driven inflationary pressures. However, the prices would be vulnerable to the global price movements of oil.

Employment and Unemployment.

Greater employment opportunities are expected to be created through Government's strategies towards improved production and commitment to speed up the infrastructure development. Emphasis placed on human resource and skills development are also expected to create a better skilled and productive labour force capable of being gainfully employed in new opening. These measures coupled with the expansion in the private sector, investment and production are expected to reduce unemployment around 5 percent of the labour force.

Balance of Payment (BoP)

The external sector is expected to improve further in 2010 recording an overall BoP surplus and thereby increasing country's external reserves. Export growth is expected to continue in 2010 at around 10 percent (in dollar terms). Positive impact of Free Trade agreements and revival of the world economy will favourably influence the exports. Imports are projected to grow around 12-14

percent. Even though the trade deficit is expected to widen, renewed foreign investor confidence in debt and equity investment and continuous improvement in inflows of foreign worker remittances is expected to ease the deficit of the external current account and maintaining a healthy capital account which will result in a Bop surplus. Worker remittances are expected to generate around US \$ 4,000 million in 2010.

Exchange Rate

The stabilization of the exchange rate which was witnessed in 2009 would be continued in the backdrop of the strengthening of the external resources.

Monetary Aggregates

The road map already implemented by the Central Bank of Sri Lanka to conduct the monetary policy and reserve money targets for a monetary growth of 13 percent is consistent with the growth and inflationary expectations.

Revenue

Assumptions used for revenue estimate are given in Annex II.

Expenditure

The preparation of 2010 Budget in line with the fiscal strategy and the vote on account estimates approved by the Parliament places emphasis on infrastructure development in areas including roads, ports electricity etc at national level and supporting infrastructure at provincial and local levels, to ensure that the high economic growth will spread across regions, benefiting lower income groups as well. With emphasis on a sectoral prospective in priority areas, it is expected to minimize duplication of activities among spending agencies, thus ensuring efficient use of public funds. It is expected that public investment would be, maintained around 6.5 percent of GDP to complement a 7 - 8 percent economic growth in the medium- term. Recurrent expenditure estimates have taken into consideration the need to allocate adequate provisions for payments pertaining to wages, pensions, utility services and supplies. Emphasis is also given to strengthen public expenditure management and accountability through further tightening the treasury supervision and internal audit functions.

Borrowings

It is proposed to adopt a proper combination of domestic and foreign borrowings to ensure that the existing declining trend of debt/GDP ratio would continue while minimizing the cost of borrowing.

Sensitivities to the Estimates

Economic projections could be sensitive to following challenges;

- Price trends in international oil price and other commodities. These would affect imports as well as the domestic supply and budget costs.
- Capacity constraints to the medium term transformation may affect the use of funds in relation to foreign funded large projects and thereby investment level and growth.
- Weather conditions would have an impact on agriculture and hydro-power generation.
- Natural Disasters
- Adjustment costs to external shocks.
- Administrative and procurement impediments.

Risks likely have a Material Effect on the Fiscal Position.

- Higher than expected oil and commodity prices in international markets could threaten the macroeconomic stability and growth targets while affecting Government expenditure and revenue.
- Global imbalances resulting lower than expected global economic growth could adversely affect external demand for Sri Lankan goods and services which will result in slowing down of the Sri Lankan economy.
- New recruitments to the public service in excess of the targeted retirements.
- Poor / under performance of state and public enterprises.

Annex 1

Macro Economic Indicators

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

| Sector | 2009 | | | | | 2010 |
|--------------------|---------|-------|---------|-------|--------|---------|
| | Q1 | Q2 | Q3 | Q4 | Annual | Q1 |
| Tea (Mn kg) | 49.8 | 78.3 | 74.5 | 79.4 | 289.8 | 73.3 |
| Growth % | -42.1 | -11.8 | -4.9 | 17.1 | -9.1 | 47.2 |
| Rubber (Mn kg) | 37.9 | 31.6 | 32.1 | 35.3 | 136.9 | 42.3 |
| Growth % | 2.6 | 4.5 | -3.5 | 22.4 | 5.9 | 11.7 |
| Coconuts (Mn nuts) | 729.2 | 696.7 | 733.1 | 731.4 | 2,762 | 624.1 |
| Growth % | 30.3 | 8.0 | -6.6 | -3.7 | -5.1 | -14.4 |
| Paddy ('000 mt) | 2,384.0 | | 1,267.7 | | 2,362 | 2,597.4 |
| Growth % | 12.2 | | -27.6 | | -5.8 | 9.0 |
| Fish (Mn kg) | 85.3 | 74.9 | 85.2 | 94.3 | 339.7 | 88.5 |
| Growth % | 6.0 | 7.7 | 12.6 | 1.0 | 6.5 | 3.7 |

Source: Central Bank of Sri Lanka

Table 2
Performance in Industrial Sector: 2008-2010

| Description | 2008 | 2009 | 2010 Est | 2009 | | | |
|--|------------|------------|----------|------------|------------|------------|------------|
| | | | | Q1 | Q2 | Q3 | Q4 |
| Food, Beverages and Tobacco products | 5.2 | 5.9 | 6.3 | 4.7 | 5.6 | 6.4 | 6.9 |
| Textile, apparel and leather Products | 3.1 | 0.6 | 2.3 | 5.4 | -8.9 | 1.1 | 3.8 |
| Chemical, petroleum, rubber and plastic products | 6.4 | 1.8 | 6.9 | 0.2 | -0.9 | 1.0 | 6.5 |
| Non-metallic mineral products | 5.2 | -3.3 | 6.6 | -8.7 | -1.9 | -5.4 | 3.2 |
| Fabricated metal products | 5.6 | 3.4 | 6.0 | 2.6 | 3.4 | 3.0 | 4.8 |
| Overall Industrial Growth | 5.0 | 3.4 | 5.5 | 3.3 | 0.8 | 3.5 | 5.7 |

Source: Department of Census and Statistics

Table 3
Performance in Electricity Generation and Services Sector: 2008- 2010

| Category | 2008 | 2009 | 2009 | | | 2010 proj | 2010 |
|---|--------|--------|--------|--------|-------------|--------------|--------|
| | | | Q1 | Q2 | 1st Half | | Q1 |
| Electricity Generation | | | | | | | |
| Total Generation (GWh) (Excluding Self Generation) | 9,901 | 9,882 | 2,363 | 2,426 | 4,790 | 10,430 | 2,581 |
| <i>Growth Rate</i> | 0.9 | -0.2 | -5.1 | -1.9 | -3.5 | 5.5 | 9.2 |
| Hydro | 4,128 | 3,884 | 632 | 823 | 1,456 | 4,172 | 1,001 |
| <i>Growth Rate</i> | 4.6 | -5.9 | -26.7 | -41.3 | -35.7 | 7.4 | 58.1 |
| Thermal (includes Independent Power Plants) | 5,763 | 5,974 | 1,731 | 1,602 | 3,333 | 6,258 | 1,578 |
| <i>Growth Rate</i> | -1.7 | 3.7 | 6.5 | 49.5 | 23.6 | 4.8 | -8.8 |
| Hydro:Thermal Ratio | 42:58 | 39:61 | 27:73 | 34:66 | 31:69 | 40:60 | 39:61 |
| Reservoir Water Level % (End Period) | 52.26 | 43.16 | 34.30 | 30.46 | 32.38 | | 66.89 |
| Port Services | | | | | | | |
| Total Cargo Handled ('000 MT) | 50,582 | 48,777 | 10,427 | 12,029 | 22,456 | 59,500 | 14,650 |
| <i>Growth Rate</i> | 9.1 | -3.4 | -13.5 | -6.1 | -9.6 | 21.9 | 40.5 |
| Total Container Handled ('000 TEUs) | 3,687 | 3,464 | 777 | 844 | 1,621 | 4,130 | 933 |
| <i>Growth Rate</i> | 9.1 | -6.1 | -12.1 | -7.3 | -9.7 | 20.4 | 27.4 |
| Telecommunications Services (No. of subscribers) | | | | | | | |
| Fixed Lines ('000) | 3,446 | 3,431 | 3,350 | 3,391 | 3,391 | 3,395 | 3,460 |
| <i>Growth Rate</i> | 25.7 | -0.5 | 12.8 | 7.8 | 7.8 | -1.1 | 3.3 |
| Cellular ('000) | 11,083 | 13,950 | 11,495 | 11,675 | 11,675 | 17,000 | 15,107 |
| <i>Growth Rate</i> | 38.8 | 25.9 | 30.1 | 23.2 | 23.2 | 21.9 | 31.4 |
| Total Fixed Lines & Cellulers ('000) | 14,529 | 17,381 | 14,843 | 15,067 | 15,067 | 20,395 | 18,567 |
| <i>Growth Rate</i> | 35.5 | 19.6 | 25.7 | 19.4 | 19.4 | 17.3 | 25.1 |
| Internet and email ('000) | 234 | 240 | 240 | n.a. | n.a. | 270 | 250 |

Sources: Ceylon Electricity Board, Sri Lanka Ports Authority
Telecommunication Regulatory Authority

Table 4
Export Performance in 2009-2010

US \$ Mn

| Item | 2009 | | | 2010 | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | Jan-March | April-Dec | Total | Jan-March | April-Dec (a) | Total (a) |
| Agricultural Products | 363.30 | 1,327.03 | 1,690.33 | 468.97 | 1,446.63 | 1,915.6 |
| Tea | 242.25 | 942.85 | 1,185.10 | 305.64 | 996.36 | 1,302.0 |
| Rubber | 26.20 | 72.42 | 98.62 | 56.60 | 86.00 | 142.6 |
| Coconut Products | 43.52 | 122.69 | 166.21 | 31.45 | 164.55 | 196.0 |
| Other Agricultural products | 51.33 | 189.07 | 240.40 | 75.27 | 199.73 | 275.0 |
| Industrial Products | 1,264.63 | 4,040.81 | 5,305.44 | 1,268.69 | 4,619.11 | 5,887.8 |
| Textile and Garments | 826.18 | 2,448.03 | 3,274.21 | 703.20 | 2,796.80 | 3,500.0 |
| Petroleum | 26.91 | 107.82 | 134.73 | 42.74 | 141.56 | 184.3 |
| Other Industrial Products | 411.54 | 1,484.96 | 1,896.50 | 522.75 | 1,680.75 | 2,203.5 |
| Gems | 16.59 | 52.32 | 68.91 | 20.84 | 68.16 | 89.0 |
| Other Exports | 2.85 | 16.98 | 19.83 | 5.09 | 14.91 | 20.0 |
| Total Exports | 1,647.37 | 5,437.15 | 7,084.52 | 1,763.59 | 6,148.81 | 7,912.4 |

Sources: Sri Lanka Custom, Department of Fiscal Policy
(a) Projections

Table 5
Import Performance in 2009-2010

US \$ Mn

| Item | 2009 | | | 2010 | | |
|---------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| | Jan-March | April-Dec | Total | Jan-March | April-Dec (a) | Total (a) |
| Consumer Goods | 509.35 | 1,462.46 | 1971.81 | 740.20 | 2070.8 | 2,811.0 |
| Rice | 2.06 | 20.79 | 22.85 | 55.39 | 25.61 | 81.0 |
| Sugar | 50.31 | 168.39 | 218.70 | 105.22 | 224.78 | 330.0 |
| Wheat | 74.38 | 184.89 | 259.27 | 90.13 | 194.87 | 285.0 |
| Other Food Products | 211.04 | 534.33 | 745.37 | 270.80 | 829.20 | 1,100.0 |
| Non Consumable Goods | 171.56 | 554.06 | 725.62 | 218.66 | 796.34 | 1,015.0 |
| Intermediate Goods | 1,097.51 | 4571.70 | 5,669.21 | 1,685.64 | 5191.26 | 6876.9 |
| Petroleum Products | 363.34 | 1,803.27 | 2,166.61 | 751.98 | 2,127.92 | 2,879.9 |
| Fertilizer | 29.63 | 163.80 | 193.43 | 33.76 | 246.24 | 280.0 |
| Textile & Clothing | 331.41 | 1,110.60 | 1,442.01 | 367.15 | 1,282.85 | 1,650.0 |
| Other Intermediate Goods | 373.13 | 1,494.03 | 1,867.16 | 532.75 | 1,534.25 | 2,067.0 |
| Investment Goods | 673.97 | 1,776.86 | 2,450.83 | 691.54 | 2,508.46 | 3,200.0 |
| Other Imports | 31.66 | 83.12 | 114.78 | 107.48 | 12.52 | 120.0 |
| Total | 2,312.48 | 7,894.15 | 10,206.63 | 3,224.85 | 9,783.05 | 13,007.9 |

Sources: Sri Lanka Custom, Department of Fiscal Policy

Table 6
Balance of Payments – 2009-2010

US \$ Mn

| Item | 2009 Q1 | 2010 Projection |
|------------------------------------|---------|-----------------|
| A. Trade Balance | -665.1 | -5,108.0 |
| Exports | 1,647.4 | 8,093.0 |
| Imports | 2,312.5 | 13,200.0 |
| B. Services | 79.6 | 547.0 |
| Receipts | 484.2 | 2,205.0 |
| Payments | 404.5 | 1,658.0 |
| C. Income, Net | -126.3 | -768.0 |
| Receipts | 19.4 | 188.0 |
| Payments | 145.7 | 956.0 |
| D. Goods, Services and Income, Net | -711.8 | -5,328.0 |
| E. Current Transfers, Net | 698.7 | 3,507.0 |
| Private Transfers, Net | 688.1 | 3,437.0 |
| Official Transfers, Net | 10.6 | 70.0 |
| F. Current Account | -13.1 | -1,821.0 |
| G. Capital Account | 35.6 | 218.0 |
| Private Capital Transfers, Net | 16.0 | 88.0 |
| Official Capital Transfers, Net | 19.7 | 130.0 |
| H. Financial Account | -184.1 | 2,123.0 |
| Long-Term, Net | 91.4 | 1,826.0 |
| Direct Investment | 85.0 | 698.0 |
| Foreign Direct Investment, Net | 85.0 | 698.0 |
| Privatization Proceeds | 0.0 | 0.0 |
| Private long-term, Net | 6.3 | 23.0 |
| Inflows | 28.0 | 306.0 |
| Outflows | 21.7 | 283.0 |
| Government long-term, Net | 143.3 | 1,105.0 |
| Inflows | 250.1 | 1,800.0 |
| Outflows | 106.8 | 695.0 |
| Short-Term, Net | -262.0 | 297.0 |
| Portfolio Investment, Net | 17.7 | 37.0 |
| Private Short-term, Net | 54.9 | 60.0 |
| Commercial Banks, Net | -334.6 | 0.0 |
| Government short-term, Net | -156.7 | 200.0 |
| I. Errors and Omissions | -526.5 | 0.0 |
| J. Overall Balance | -688.1 | 520.0 |
| K. Monetary Movements | 688.1 | -520.0 |

Source: Central Bank of Sri Lanka

Table 7
International Reserves

| Item | US \$ Mn | | | |
|-------------------------|----------|----------|----------|----------|
| | End 2008 | End 2009 | May-09 | May-10 |
| Total External Reserves | 3,798.93 | 7,030.40 | 2,884.82 | 6,802.70 |
| Months of Imports | 3.25 | 8.27 | 2.81 | 7.04 |
| Gross Official Reserves | 2,560.86 | 5,357.40 | 1,470.95 | 5,439.60 |
| Months of Reserves | 2.19 | 6.30 | 1.43 | 5.63 |

Source: Central Bank of Sri Lanka

*Including ACU receipts

Table 8
Government Foreign Currency Debt Outstanding

| Items | US \$ Mn |
|----------------------------------|--------------------|
| | End April 2010 (a) |
| Total Outstanding | 15,501.5 |
| Government Foreign Debt | 13,717.6 |
| Dollar denominated Domestic Debt | 1,783.9 |
| SLDBs | 1,569.4 |
| FCBUs | 214.5 |

Source: Central Bank of Sri Lanka

(a) Outstanding foreign debt details are available only up to end April 2010

Table 9
Outstanding Domestic Foreign Currency Debt of the Government

| | US \$ Mn | |
|--------------------|----------------|-----------------------|
| | End 2009 | End May 2010 |
| Outstanding | 1,683.9 | 1,783.9 |
| FCBUs | 214.5 | 214.5 |
| SLDBs | 1,469.4 | 1,569.4 |
| | 2009 | Up to May 2010 |
| Receipts | 641 | 100 |
| FCBUs | 100 | - |
| SLDBs | 541 | 100 |
| Payments | 643 | - |
| FCBUs | 168 | - |
| SLDBs | 475 | - |

Source: Central Bank of Sri Lanka

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

| Currency | Appriciation(+)/ Depreciation (-) | | Current Account Deficit(-)/ Surplus(+) (as a percentage of GDP) | Inflation (Annual Average)* |
|-------------------|-----------------------------------|---------------------|---|-----------------------------|
| | End 2008 - End 2009 | End 2009 - May 2010 | 2009 | 2009 |
| Sri Lanka Rupee | -1.09 | 0.47 | -9.5 | 3.4 |
| Indian Rupee | 3.17 | 0.78 | -2.1 | 10.9 |
| Bangladesh Taka | -0.14 | 0.07 | 2.9 | 6.1 |
| Pakistan Rupee | -6.56 | -1.12 | -5.6 | 20.8 |
| Singapore Dollar | 2.33 | 0.29 | 19.1 | 0.2 |
| Thailand Bhatt | 4.11 | 2.25 | 7.7 | -0.8 |
| Taiwan Dollar | 1.43 | 0.92 | 11.2 | -0.9 |
| Indonesian Rupiah | 16.09 | 2.69 | 2.0 | 4.8 |
| Philippine Peso | 2.20 | 0.39 | 5.3 | 3.2 |
| Korean Won | 7.64 | -2.54 | 5.1 | 2.8 |
| Japanese Yen | -1.97 | 0.78 | 2.8 | -1.4 |

Sources: Department of Census and Statistics, Central Bank of Sri Lanka, Reuters, International Financial Statistics - IMF

Table 11
Central Bank Holdings of Treasury Bills

| End Period | Rs. Bn | |
|-------------|--------------------|---------------------------|
| | Gross (Book value) | Net of Repos (Book value) |
| 2007 | 41.81 | 41.79 |
| 2008* | 143.70 | 143.17 |
| 2009 | 36.00 | 36.00 |
| End May. 10 | 44.20 | 20.23 |

Source: Central Bank of Sri Lanka

**Including TBills and TBonds received for Reverse Repo of Rs.13.2 bn and excluding TBills allocate for Term Repo's of Rs.6.0 bn*

Table 12
Composition and Growth of Private Sector Credit
(based on quarterly survey of advances)

| Purpose/ Sector | Composition | | | Growth % | | |
|------------------------------|---------------|------------|------------|------------|-------------|-------------|
| | Dec-08 (*) | Dec-09 | Mar-10 | Dec-08 (*) | Dec-09 | Mar-10 (**) |
| Commercial | 28.1 | 25.7 | 25.0 | -0.9 | -22.3 | 1.5 |
| Exports | 5.8 | 9.5 | 7.7 | -12.6 | -11.4 | -15.5 |
| Imports | 9.6 | 6.6 | 6.4 | 12.0 | -35.0 | 1.0 |
| Wholesale, Retail/ Other | 12.6 | 5.3 | 4.9 | -3.5 | -20.6 | -2.7 |
| | | | | | | |
| Consumption | 24.4 | 19.5 | 19.2 | 27.5 | 15.5 | 2.4 |
| Consumer Durables | 2.1 | 2.3 | 1.9 | 42.4 | -17.4 | -13.3 |
| Other Personal Needs | 19.1 | 7.8 | 5.0 | 27.5 | 54.6 | -33.3 |
| Credit Card Loans | 3.2 | 2.8 | 2.4 | 19.1 | -3.3 | -10.3 |
| | | | | | | |
| Housing | 15.2 | 14.0 | 13.8 | -1.4 | -1.5 | 2.9 |
| Personal Housing | 12.6 | 9.3 | 9.2 | 8.7 | -7.8 | 2.7 |
| | | | | | | |
| Construction/ Busi. premises | 0.9 | 0.7 | 0.6 | -9.7 | -8.9 | -3.6 |
| Property Development | 1.7 | 1.5 | 1.4 | -40.3 | 67.6 | -0.9 |
| | | | | | | |
| Industrial | 8.4 | 10.1 | 10.8 | 9.7 | -1.7 | 12.3 |
| Financial | 5.8 | 4.0 | 4.4 | -4.2 | -29.3 | 14.0 |
| Agricultural | 4.2 | 10.8 | 11.3 | 11.1 | 11.5 | 9.2 |
| Tourism | 1.2 | 3.4 | 3.3 | 9.5 | 19.3 | 2.3 |
| Services | 5.9 | 6.2 | 6.2 | 21.4 | 1.4 | 3.4 |
| Other | 7.1 | 6.3 | 6.0 | 6.8 | -13.2 | -1.2 |
| Total | 100 | 100 | 100 | 7.8 | -5.7 | 4.3 |

Source: Central Bank of Sri Lanka

*Data for Dec 2008 includes credit extended by Domestic Banking Units (DBUs) only.
 Since March 2009, data includes credit extended by Offshore Banking Units (OBUs) also.

** Growth from Dec 2009 to March 2010.

Table 13**Interest Rate Movements in 2008 - 2010**

| Interest Rate | End Dec 2008 | End Dec 2009 | End Mar 2010 | End May 2010 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Policy Rates of the Central Bank | | | | |
| Repurchase Rate | 10.50 | 7.50 | 7.50 | 7.50 |
| Reverse Repurchase Rate | 12.00 | 9.75 | 9.75 | 9.75 |
| Weighted Average Call Money Rate (with tax) | | | | |
| | 14.66 | 9.07 | 9.05 | 9.07 |
| Weighted Average Auction Rate | | | | |
| | 10.96 | 8.24 | 8.13 | 8.17 |
| Treasury Bill Rates | | | | |
| 91 days | 17.33 | 7.73 | 8.52 | 8.10 |
| 180 days | 18.57 | 8.73 | 9.24 | 8.91 |
| 364 days | 19.12 | 9.33 | 9.47 | 9.26 |
| Lending Rates | | | | |
| Average Weighted Prime Lending Rate (weekly) | 18.50 | 10.91 | 10.62 | 10.65 |
| Average Weighted Prime Lending Rate (monthly) | 19.17 | 11.12 | 10.54 | 10.57 |
| Average Weighted Lending Rate (Quarterly) | 20.13 | 17.41 | 16.89 | - |
| Deposit Rates | | | | |
| Average Weighted Deposit Rate (AWDR) | 11.63 | 8.01 | 7.22 | 7.05 |
| Average Weighted Deposit Rate (AWFDR) | 16.89 | 10.91 | 9.71 | 9.50 |

Source: Central Bank of Sri Lanka

Table 14
CCPI changes in Expenditure Values

| | Rupees | | | Change | | |
|---|------------------|------------------|------------------|-----------------|-------------|-------------------|
| | Weight | May -09 | May-10 | Rupees | % | Contri. to change |
| Food and Non Alcoholic Beverages | 8,405.65 | 18,297.33 | 19,154.14 | 856.81 | 4.68 | 44.13 |
| Food | 8,188.70 | 17,843.65 | 1,8636.61 | 792.96 | 4.44 | 40.84 |
| Bread and Cereals | 3,086.56 | 7,317.59 | 7,312.70 | -4.89 | -0.07 | -0.25 |
| Meat and Meat Products | 534.75 | 1,249.62 | 1,457.26 | 207.64 | 16.62 | 10.69 |
| Fish and Sea Food | 1,011.07 | 2,437.13 | 2,599.78 | 162.65 | 6.67 | 8.38 |
| Milk, Cheese and Eggs | 1,359.96 | 2,668.70 | 2,699.15 | 30.45 | 1.14 | 1.57 |
| Oils and Fats | 273.28 | 626.56 | 649.59 | 23.03 | 3.68 | 1.19 |
| Fruit | 392.98 | 578.69 | 700.34 | 121.65 | 21.02 | 6.27 |
| Vegetables | 579.35 | 1,060.06 | 1,199.57 | 139.51 | 13.16 | 7.19 |
| Sugar, Jam, Honey, Chocolate and Confectionary | 302.57 | 682.23 | 717.59 | 35.36 | 5.18 | 1.82 |
| Food Products n.e.c. | 648.17 | 1,223.08 | 1,300.63 | 77.55 | 6.34 | 3.99 |
| Non -Alcoholic Beverages | 216.95 | 453.68 | 517.54 | 63.86 | 14.08 | 3.29 |
| Coffee, Tea and Cocoa | 135.80 | 299.97 | 355.42 | 55.45 | 18.49 | 2.86 |
| Mineral Waters, Soft drinks, Fruit and Vegetable juices | 81.15 | 153.71 | 162.12 | 8.41 | 5.47 | 0.43 |
| Clothing and Footwear | 554.86 | 907.95 | 963.27 | 55.32 | 6.09 | 2.85 |
| Housing, Water, Electricity, Gas and other Fuels | 3291.30 | 7,460.66 | 7,730.21 | 269.55 | 3.61 | 13.88 |
| Furnishing, household equipment and routine household maintenance | 580.16 | 960.29 | 1,020.34 | 60.05 | 6.25 | 3.09 |
| Health | 752.01 | 1,396.94 | 1,711.94 | 315.00 | 22.55 | 16.22 |
| Transport | 1,703.83 | 4,015.98 | 4,097.83 | 81.85 | 2.04 | 4.22 |
| Communication | 796.06 | 873.14 | 870.58 | -2.56 | -0.29 | -0.13 |
| Recreation and culture | 393.21 | 637.93 | 659.63 | 21.70 | 3.40 | 1.12 |
| Education | 1,041.67 | 1,558.34 | 1,784.27 | 225.93 | 14.50 | 11.64 |
| Miscellaneous goods and services | 477.64 | 795.62 | 853.49 | 57.87 | 7.27 | 2.98 |
| All Items | 17,996.38 | 36,904.19 | 38,845.70 | 1,941.51 | 5.26 | 100.00 |

Source: Department of Census and Statistics

Annex II

ASSUMPTIONS FOR REVENUE ESTIMATES - 2010

Table 1
Key Sectoral Growth Rates %

| | 2009 | 2010 |
|---------------------------------|-------------|-------------|
| Agriculture | 2.8 | 8.0 |
| Industry | 4.2 | 6.4 |
| Services | 3.3 | 7.1 |
| ▪ Inflation - GDP deflator (%) | 5.7 | 7.5 |
| ▪ Unemployment Rate (%) | 5.8 | 5.0 |
| ▪ Private Investment (% of GDP) | 17.9 | 21.0 |

Source : Central Bank of Sri Lanka

Table 2
Value Added Tax (VAT)

| | |
|---------------------|---|
| Zero Rate | Export Goods |
| Standard Rate (12%) | General Items |
| Luxury Rate (20%) | Luxury consumer goods (motor vehicles, Liquor, air conditioners, refrigerators, washing machines)- Refunds are limited to 12% |
| Exemptions | Goods and Services which are listed in the VAT exemption list of the VAT Act. |

Source: Department of Fiscal Policy

Table 3
Value of Imports

| | US \$ Mn. | |
|--------------------------|-----------------|-----------------|
| | 2009 | 2010 |
| Rice | 22.9 | 81.0 |
| Sugar | 218.7 | 330.0 |
| Wheat Grain | 259.3 | 285.0 |
| Other Food | 745.4 | 1,100.0 |
| Non Consumable Goods | 725.6 | 1,015.0 |
| O / W Motor Vehicles | 157.0 | 350.0 |
| Petroleum | 2,166.6 | 2,879.9 |
| Fertilizer | 193.4 | 280.0 |
| Chemicals | 312.5 | 350.0 |
| Textiles | 1,442.0 | 1,650 |
| Other Intermediate Goods | 1,554.6 | 1,717 |
| Machinery | 1,012.8 | 1,385 |
| Transport | 436.3 | 495.0 |
| Building Materials | 714.5 | 995.0 |
| Other | 402.1 | 325.0 |
| Total | 10,206.6 | 13,007.9 |

Source : Central Bank of Sri Lanka

Table 4
Composition of Imports

| Category | % of Total Imports | |
|--------------------|--------------------|------|
| | 2009 | 2010 |
| Consumer Goods | 19.3 | 21.6 |
| Intermediate Goods | 55.5 | 52.9 |
| Investment Goods | 25.1 | 25.5 |

Source : Central Bank of Sri Lanka

Table 5
Duty Structure

| | |
|-------|---|
| Zero | Essential Commodities, Basic raw materials, and Machinery |
| 5.0% | Semi Processed items |
| 15.0% | Intermediate products, spare parts etc. |
| 30.0% | Motor Vehicles and other finished products |

Source : Department of Trade Tariff and Investment Policy

Table 6
Custom Duty

| | US \$ Mn. | |
|------------------|-----------|----------|
| | 2009 | 2010 |
| Value of Imports | 10,206.6 | 13,007.9 |
| Growth | -27.6 | 27.4 |

Source : Central Bank of Sri Lanka

Table 7
Excise

| | 2009 | 2010 |
|--|-------|-------|
| Volume of Hard Liquor (Million Lt.) | 41 | 45 |
| Volume of Malt Liquor (Million Lt.) | 56 | 72 |
| Volume of Cigarettes (Million Sticks.) | 145 | 150 |
| Volume of Aerated Water (Million Lt.) | 4,100 | 4,511 |
| Volume of Petrol (Million Lt.) | 646 | 700 |
| Volume of Diesel (Million Lt.) | 2,200 | 2,200 |
| Volume of Kerosene (Million Lt.) | 310 | 325 |

Source : Department of Fiscal Policy

Table 8
Cigarettes Duty Structure (per 1,000 Cigarettes) as at 31.12.2009

| | Rs. per 1,000 |
|--|----------------------|
| Cigarettes each not exceeding 60mm. in length | 2,289 |
| Cigarettes each exceeding 60mm. but not exceeding 67mm in length | 5,706 |
| Cigarettes each exceeding 67mm. but not exceeding 72mm in length | 8,485 |
| Cigarettes each exceeding 72mm. but not exceeding 84mm in length | 10,715 |
| Cigarettes each exceeding 84mm. in length | 12,170 |

Source : Department of Fiscal Policy

Table 9
Liquor Duty Structure

| | Rs. Per Proof Liter |
|---|----------------------------|
| Coconut Processed / Molasses Arrack | 610 |
| Country made Foreign Liquor | 740 |
| Molt Liquor (Beer) above 5% in strength (per lit) | 64 |
| Molt Liquor less 5% in strength (per lit) | 48 |
| Wine containing more than 4% in strength | 465 |
| Aerated water | 6 |

Source : Department of Fiscal Policy

Table 10
Petroleum Rate Structure

| | |
|--------|---------------------|
| Petrol | Rs. 25.00 per liter |
| Diesel | Rs. 2.50 per liter |

Source : Department of Fiscal Policy

Table 11
Excise (Special Provision) Duty

| Motor Vehicle Duty Structure: | |
|--|-----|
| (i) Petrol | |
| Cars | |
| Not exceeding 1000 cc | 7% |
| 1000 cc - 1600 cc | 17% |
| Exceeding 1600 cc | 27% |
| Luxury type - Ten seated | 40% |
| Small Vans - Transport of goods | 20% |
| Auto trishaws | 0% |
| (ii) Diesel | |
| Cars | |
| Not Exceeding 1600 cc | 40% |
| Exceeding 1600 cc | 63% |
| Vans | |
| Not Exceeding 1500 cc | 40% |
| Exceeding 1500 cc | 63% |
| Luxury type - Ten seated | 74% |
| Passenger Van - (not more than 17 persons) | 30% |
| Auto trishaws | 0% |

Source : Department of Fiscal Policy

Table 12
Port and Airport Development Levy

| | |
|-----------------------|--------|
| General Rate | 5% |
| Imports for re-export | Exempt |

Source : Department of Fiscal Policy

Table 13
Receipt of Profits/ Profit Transfers and Dividends: 2009 – 2010

Rs.Mn

| | 2009 | 2010 Estimated |
|---|---------------|-------------------|
| 1. Bank of Ceylon | 1,346 | 2,346 |
| 2. National Savings Bank | 1,810 | 1,060 |
| 3. People's Bank | 1,116 | 1,816 |
| 4. State Mortgage and Investment Bank | 50 | 40 |
| 5. Telecommunications Regulatory Comm. | 3,321 | 8,000 |
| 6. Sri Lanka Export Credit Ins Corp | 30 | 50 |
| 7. State Pharmaceuticals Corp. | 35 | 25 |
| 8. Local Loan & Development Fund | 5 | 5 |
| 9. State Pharmaceutical Manufacturing Corp. | - | 25 |
| 10. State Timber Corp. | 50 | 250 |
| 11. De La Rue Lanka Currency & Security Print | 38 | 100 |
| 12. Lanka Electricity Company | - | 50 |
| 13. Airport Aviation Sri Lanka Ltd. | 200 | 100 |
| 14. Sri Lanka Telecom | 893 | 240 |
| 15. Lanka Industrial Estates | 31 | 65 |
| 16. Lanka Mineral Sands Ltd. | 60 | 81 |
| 17. Lanka Phosphate Ltd. | 5 | 6 |
| 18. Pussellawa Plantation Ltd. | 0 | 6 |
| 19. Kotagala Plantation Ltd. | 3 | - |
| 20. Chilaw Plantation Ltd | 30 | 30 |
| 21. National Development Bank | 2 | - |
| 22. Paranthan Chemicals Co Ltd. | 3 | - |
| 23. Rajarata Development Bank | 21 | 25 |
| 24. Ruhunu Development Bank | 35 | 17 |
| 25. Sabaragamuwa Development Bank | 13 | 17 |
| 26. Kandurata Development Bank | 6 | 8 |
| 27. Asian Reinsurance Corp | 0.6 | - |
| 28. Uva Development Bank | 10 | 14 |
| 29. Wayamba Development Bank | 56 | 25 |
| 30. Independence Television Network | 3 | 50 |
| 31. Kurunagela plantation | 30 | 20 |
| 32. National Insurance Trust Fund | 2,250 | 4,600 |
| 33. Geological Survey & mine Bureau | 481 | 384 |
| 34. Others | 48 | 545 |
| Total Levy & Dividends | 11,982 | 20,000 |

Source: Department of Public Enterprises

Table 14
Rent Income

| | Rs. Mn. | |
|---|----------------|--------------|
| | 2009 | 2010 |
| Rent on Government Buildings & Housing | 664 | 855 |
| Rent on Crown Forests | 251 | 650 |
| Rent from Land & Other | 23 | 50 |
| Lease Rental from Regional Plantation Companies | 443 | 600 |
| Others | 44 | 125 |
| Total Rent Income | 1,425 | 2,280 |

Source : Department of Fiscal Policy

Table 15
Fees and Charges

| | Rs. Mn. | |
|---|----------------|---------------|
| | 2009 | 2010 |
| Service Charges by Government Press | 202 | 220 |
| Fees of Passport, Visas and Dual Citizenship | 3,765 | 4,850 |
| Examination & other Fees | 142 | 135 |
| Fees under the Motor Traffic Act & other Receipts | 2,083 | 3,000 |
| From others Various Sources | 19,195 | 19,737 |
| Total | 25,387 | 27,942 |

Source : Department of Fiscal Policy

Annex III

SUMMARY OF BANK GUARANTEES ISSUED BY THE TREASURY UP TO 31.05.2010

| NO: | NAME OF INSTITUTE | NAME OF THE BANK | PURPOSE | GURANTEE AMOUNT IN FOREIGN CURRENCIES | GURANTEE AMOUNT (Rs. Million) | DATE OF ISSUE |
|-----|---|---------------------------------|------------------------------|---------------------------------------|-------------------------------|---------------|
| 1 | Grayline International Pvt. Ltd. | People's Bank | Credit facilities | | 400.00 | 11-Aug-1994 |
| 2 | Urban Development Authority | National Savings Bank | Secure loan facility | | 500.00 | 17-Aug-1999 |
| 3 | Overseas Reality Ceylon Pvt.Ltd. | SR & CC & Terrorism Fund | Secure loan facility | | 500.00 | 14-Feb-2000 |
| 4 | Galadari Hotel Lanka Ltd | SR & CC & Terrorism Fund | Secure loan facility | | 350.00 | 14-Feb-2000 |
| 5 | Hospitality International Pvt. Ltd. | SR & CC & Terrorism Fund | Secure loan facility | | 7.03 | 14-Feb-2000 |
| 6 | Galadari Hotel Lanka Ltd | SR & CC & Terrorism Fund | Secure loan facility | | 45.83 | 14-Feb-2000 |
| 7 | Hotel Developer's Lanka Ltd | SR & CC & Terrorism Fund | Secure loan facility | | 236.25 | 14-Feb-2000 |
| 8 | Co-operative Whole Sale Establishment | People's Bank | for import of flour | | 207.10 | 2-Feb-2005 |
| 9 | Sri Lanka Consumer Co-operative Societies Federation Ltd. | People's Bank | Credit facilities | | 50.00 | 31-Jul-2006 |
| 10 | Lakdanavi Ltd., West Coast Power(Pvt.)Ltd. | National Savings Bank | Secure Domestic Financing | | 2,992.00 | 22-Feb-2007 |
| 11 | Lakdanavi Ltd., West Coast Power(Pvt.)Ltd. | Employee's Trust Fund Board | Secure Domestic Financing | | 2,992.00 | 1-Mar-2007 |
| 12 | West Coast Power(Pvt)Ltd. | Hongkong & Shanghai Banking Co. | Kerawalapitiya Power Project | Euro 134,836,834 | 19,142.78 | 28-Jun-2007 |
| 13 | Merchant Bank of Sri Lanka | Employee's Trust Fund Board | Secure the debentures | | 430.00 | 10-Jan-2008 |
| 14 | Ceylon Electricity Board 300MW Kerawalapitiya Combine Cycle Power Plant Project | People's Bank | Secure a Loan | | 4,116.00 | 7-May-2008 |
| 15 | Ceylon Electricity Board | People's Bank | Secure Letter of Credit | US \$ 4.2 M + Rs.1.2 Billion | 1,681.70 | 11-Jun-2008 |

Annex III continued

| | | | | | | |
|----|--|---------------------------|---|--|-----------|-------------|
| 16 | Ceylon Petroleum Corporation | Bank of Ceylon | Secure overdraft facilities | US \$ 700M (US \$ 1= Rs.114.69) | 80,283.00 | 9-Sep-2008 |
| 17 | Ceylon Electricity Board | People's Bank | Electricity Distribution Development Project Credit | Euro 16,133,193 (Euro 1= Rs.141.97) | 2,290.43 | 29-Sep-2008 |
| 18 | People's Bank Pension Trust Fund | People's Bank | Debentures | | 2,500.00 | 17-Dec-2008 |
| 19 | Relief Package For Tea Sector | DFCC | Loan scheme on a short-term basis for registered tea factory owners | | 483.19 | 12-Jan-2009 |
| 20 | Relief Package For Tea Sector | DFCC Vardhana Bank | do | | 11.00 | 12-Jan-2009 |
| 21 | Relief Package For Tea Sector | Bank of Ceylon | do | | 376.30 | 12-Jan-2009 |
| 22 | Relief Package For Tea Sector | People's Bank | do | | 111.21 | 12-Jan-2009 |
| 23 | Relief Package For Tea Sector | National Development Bank | do | | 512.35 | 12-Jan-2009 |
| 24 | Relief Package For Tea Sector | Commercial Bank | do | | 287.60 | 12-Jan-2009 |
| 25 | Relief Package For Tea Sector | Hatton National Bank | do | | 362.98 | 12-Jan-2009 |
| 26 | Relief Package For Tea Sector | Seylan Bank | do | | 76.00 | 12-Jan-2009 |
| 27 | Relief Package For Tea Sector | Sampath Bank | do | | 74.30 | 12-Jan-2009 |
| 28 | Ipologama Housing Project "Api Wenuwen Api" Fund | Bank of Ceylon | Secure Loan facility | | 2,112.60 | 19-Jan-2009 |
| 29 | Ceylon Petroleum Corporation (Ceylon Petroleum Storage Terminals Ltd.) | People's Bank | Muthurajawela SPBM Off Shore Fuel Oil Pipe Line Project | US \$ 3.8 M | 435.82 | 3-Sep-2009 |
| 30 | Ceylon Electricity Board | People's Bank | Short Term Loan Facility | | 8,000.00 | 7-Sep-2009 |
| 31 | Ceylon Petroleum Corporation | Bank of Ceylon | Securing the Loan | | 25,000.00 | 29-Sep-2009 |
| 32 | Ceylon Petroleum Corporation (Ceylon Petroleum Storage Terminals Ltd.) | People's Bank | Muthurajawela SPBM Off Shore Fuel Oil Pipe Line Project | US \$ 40.3 M | 4,622.00 | 9-Oct-2009 |

Annex III continued

| | | | | | | |
|----|---|-----------------------|---|--------------|-------------------|-------------|
| 33 | People's Bank Pension Trust Fund | People's Bank | Debentures | | 2,500.00 | 23-Oct-2009 |
| 34 | Construction of 'Sethsiripaya" Administrative Complex, Stage ii | National Savings Bank | Construction of 'Sethsiripaya" Administrative Complex, Stage ii | | 2,770.00 | 6-Nov-2009 |
| 35 | Mihin Lanka (Pvt)Ltd | Bank of Ceylon | Mihin Lanka | US \$ 13.5 M | 1,548.32 | 25-Nov-2009 |
| 36 | STC General Trading Company Ltd. | People's Bank | Introducing a Consumer Goods Budget Pack | | 440.00 | 30-Nov-2009 |
| 37 | State Trading (Co-operative Wholesale) Company Ltd. | People's Bank | Import Cement and other essential commodities | US \$ 10 M | 1,146.90 | 17-Dec-2009 |
| 38 | STC General Trading Company Ltd. | Bank of Ceylon | Import of 50,000M/T of White Rice | | 2,500.00 | 22-Dec-2009 |
| 39 | Sri Lankan Air Lines Limited | Bank of Ceylon | Letter of Comfort | US \$ 10M | 1,146.90 | 30-Dec-2009 |
| | GRAND TOTAL | | | | 173,241.59 | |