

# **MID – YEAR FISCAL POSITION REPORT 2024**

**Ministry of Finance, Economic Development,  
Policy Formulation, Planning and Tourism  
Sri Lanka**

**31<sup>st</sup> October, 2024**





# **MID – YEAR FISCAL POSITION REPORT – 2024**

Issued under Section 50 of the  
Public Financial Management Act, No. 44 of 2024

**Anura Kumara Dissanayake**  
**Hon. Minister of Finance, Economic Development,**  
**Policy Formulation, Planning and Tourism**

October 31, 2024



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

**Issued by the Hon. Minister of Finance, Economic Development, Policy Formulation, Planning and Tourism under sections 50 of the Public Financial Management Act, No. 44 of 2024**

In terms of Section 50 of the Public Financial Management Act, No. 44 of 2024, the Minister of Finance, Economic Development, Policy Formulation, Planning and Tourism is required to present the Mid-Year Fiscal Position Report to the public by the last day of the month of October of the relevant year or the lapse of ten months from the date of the passing of the Appropriation Act of the relevant year, whichever is later. and thereafter lay before Parliament.

The purpose of this report is to provide a basis for the public to evaluate the Government's mid-year fiscal performance as against its fiscal strategy as set out in its statement.

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



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## Key Economic Indicators

Indicator	Period	Unit	Value	
			2023	2024 (Provisional)
<b>REAL SECTOR</b>				
Economic Growth	First Half	%	-7.3	5.0
Agriculture	First Half	%	2.9	1.4
Industry	First Half	%	-18.9	11.4
Services	First Half	%	-2.8	2.6
Inflation (Year on Year)(CCPI, 2021=100)	End September	%	1.3	-0.5
Unemployment Rate	Annual	%	4.7	n.a.
Labour Force Participation Rate	Annual	%	48.6	n.a.
<b>FISCAL SECTOR</b>				
Budget Deficit	Jan-Jun	Rs. Mn.	-1,242,566	-598,698
Total Revenue	Jan-Jun	Rs. Mn.	1,314,886	1,860,632
Tax Revenue	Jan-Jun	Rs. Mn.	1,198,852	1,709,305
Non Tax Revenue	Jan-Jun	Rs. Mn.	116,034	151,327
Total Expenditure	Jan-Jun	Rs. Mn.	2,559,619	2,463,305
Recurrent Expenditure	Jan-Jun	Rs. Mn.	2,325,541	2,218,442
Public Investment	Jan-Jun	Rs. Mn.	258,812	258,306
Government Debt	End Jun	Rs. Bn.	26,916	28,563
<b>EXTERNAL SECTOR</b>				
Exports	Jan-Aug	USD Mn.	8,010	8,499
o/w Agriculture Exports	Jan-Aug	USD Mn	1,703	1,804
Industrial Exports	Jan-Aug	USD Mn	6,274	6,659
Textile and Garments	Jan-Aug	USD Mn	3,326	3,365
Other	Jan-Aug	USD Mn.	2,948	3,294
Imports	Jan-Aug	USD Mn.	10,974	12,073
Consumer Goods	Jan-Aug	USD Mn.	2,028	2,176
Intermediate Goods	Jan-Aug	USD Mn.	7,186	7,750
o/w Petroleum Products	Jan-Aug	USD Mn.	3,080	2,897
Investment Goods	Jan-Aug	USD Mn.	1,748	2,140
Trade Balance	Jan-Aug	USD Mn.	-2,964	-3,573
Tourist Arrivals	Jan-Aug	No.	904,318	1,362,668
Earnings From Tourism	Jan-Aug	USD Mn.	1,305	2,167
Workers' Remittances	Jan-Aug	USD Mn.	3,863	4,288
Overall Balance of Payments (BOP)	Jan-Aug	USD Mn.	2,034	2,184
Gross Official Reserves	End Aug	USD Mn.	3,600	5,959
Exchange Rate (End Month)	End Aug	Rs. Per USD	324.4	299.3
Exchange Rate (Monthly Average)	Jan- Sep	Rs. Per USD	322.8	301.1
<b>MONETARY SECTOR</b>				
Standing Deposit Facility Rate (SDFR)	End Aug	%	11.00	8.25
Standing Lending Facility Rate (SLFR)	End Aug	%	12.00	9.25
Statutory Reserve Requirement (SRR)	End Aug	%	2.00	2.00
Commercial Bank Average Weighted New Lending Rate (AWNLR)	End Jul	%	19.30	11.52
Commercial Bank Average Weighted Lending Rate (AWLR)	End Jul	%	16.90	12.25
W.A. Yield Rate of Treasury Bills (91 Days)	End Aug	%	18.48	9.49
W.A. Yield Rate of Treasury Bills (364 Days)	End Aug	%	13.58	10.01
Growth in Money Supply (M <sub>2</sub> b)	Aug 2024/ Aug 2023	%	5.9	9.3
Growth in Credit to the Private Sector	Aug 2024/ Aug 2023	%	-6.9	8.7

## Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
<b>Electricity</b>			
Electrification Level	2016	%	99.3
<b>Water</b>			
Access to Safe Drinking Water	2023	% of Population	97.3
Access to Pipe borne Water	2023	% of Population	61.6
<b>Roads</b>			
Road Density	2023	Km/Km <sup>2</sup>	0.19
Total Road Length	2023	Km	1 44,967
<b>Communication</b>			
Telephone Density including Cellular Phones	2023	Per 100 persons	137.0
Access to Internet	2023	Per 100 persons	103.8
<b>Education</b>			
<b>General Education</b>			
Primary Net Enrolment Ratio	2023	%	85.1
Student/Teacher Ratio (Government Schools)	2023	Number	16.8
Literacy Rate (Average)	2021	%	93.3
Computer Literacy Rate (First 06 months)	2023	%	39.5
<b>University Education</b>			
Student/Teacher Ratio	2023	Number	22.5
Age Specific Enrolment Ratio (Age 19–22 yrs) <sup>(a)</sup>	2023	%	9.9
<b>Health</b>			
Hospitals (Practicing Western Medicine)	2023	Number	619
Beds	2023	Number	89,786
Hospital Beds	2023	Per 1,000 persons	4.1
Persons per Doctor	2023	Number	985
<b>Population</b>			
Population Density	2023	Persons per sq. km	351
Population Growth	2023	%	-0.6
Life Expectancy at Birth	2017	Years	75.5
Infant Mortality Rate	2019	Per 1,000 live births	7.4
Maternal Mortality Rate	2022	Per 1,000 live births	22.6
Crude Birth Rate	2023	Per 1,000 persons	11.2
Crude Death Rate	2023	Per 1,000 persons	8.2
Dependency Ratio	2023	%	49.4
<b>Poverty</b>			
Poverty Head Count Index	2019	%	14.3
Gini Coefficient of Household Income	2019	Coefficient	0.46
Poverty Gap Index	2019	%	2.8
Average Daily Calorie Intake	2019	Kilocalories	2,120
<b>International Rankings</b>			
Human Development Index	2022	Rank out of 193 Countries	78
Doing Business Index	2020	Rank out of 190 Countries	99
Global Competitiveness Index	2019	Rank out of 141 Countries	84
Economic Freedom Index	2023	Rank out of 184 Countries	149
Global Peace Index	2024	Rank out of 163 Countries	100
e-Government Development Index	2022	Rank out of 193 Countries	95

<sup>(a)</sup> Only includes internal enrolment of students

# CHAPTER 1

## Economic Perspectives

### 1.1 Overview

Sri Lankan economy witnessed positive signs of recovery since the third quarter of 2023 with the rebounding of domestic economic activities emanating mainly from the enhanced supply conditions, improved external demand and the revival of the tourism sector. The economy expanded by 5.0 percent in the first half of 2024 compared to the contraction of 7.3 percent in the first half of 2023.

All the sectors of the economy including Agriculture, Industry and Services expanded in the first half of 2024. The Agriculture sector marginally grew by 1.4 percent in the first half of 2024 mainly due to the expansion in the growing of cereals, freshwater fishing and freshwater aquaculture and animal production. The Industry sector surged by 11.4 percent in the first half of 2024 due to the growth recorded in all subsectors including construction, mining and quarrying and manufacturing industry. The Services sector also grew by 2.6 percent in the first half of 2024 due to the expansion in accommodation, food and beverage service activities and insurance, reinsurance and pension funding activities.

Headline inflation entered into a negative territory in September, 2024 for the first time since September 2015 due to the record of deflation in both food and non-food categories. The recent downward revisions to the electricity tariffs, fuel and LP gas prices along with the drop in food prices emanating from improved supply side conditions were mainly attributable to this deflation. The headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2021=100) registered a deflation of 0.5 percent in September 2024. Meanwhile, headline inflation, as measured by the year-on-year change in the National

Consumer Price Index (NCPI, 2021=100) recorded a deflation of 0.2 percent in September 2024.

The Central Bank of Sri Lanka (CBSL) continued its accommodative monetary policy stance by maintaining the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at 8.25 percent and 9.25 percent, respectively while maintaining the Statutory Reserve Ratio at 2.00 percent by end September 2024.

The stock market exhibited improved performance with the increase of the All-Share Price Index (ASPI, 1985 = 100) by 4.6 percent to 11,855 points and the Standard and Poor's Sri Lanka 20 index (S&P SL20, 2004 = 1,000) by 8.0 percent to 3,453 points at the end of September 2024.

The external sector showed improved performance in the first eight months of 2024. Merchandise exports increased by 6.1 percent to USD 8,499.1 million in the first eight months of 2024 compared to USD 8,010.1 million in the same period of 2023. Merchandise imports increased by 10.0 percent to USD 12,072.5 million in the first eight months of 2024 compared to USD 10,974.1 million in the same period of 2023. As a result, the merchandise trade deficit widened to USD 3,573.4 million in the first eight months of 2024 compared to USD 2,964.0 million in the same period of 2023.

Workers' remittances increased by 11.0 percent to USD 4,288.2 million in the first eight months of 2024 compared to USD 3,862.7 million recorded in the same period of 2023. Earnings from tourism increased significantly by 66.1 percent to USD 2,167.0 million in the first eight months of 2024 compared to USD 1,304.5 million recorded in the same period of 2023. Services sector inflows also improved during the first eight months of 2024.

With the improved foreign currency inflows, gross official reserves increased to USD 6.0 billion as at end August, 2024 which includes the swap facility from the People's Bank of China. With the positive developments in the external sector, the Sri Lanka Rupee appreciated by 7.9 percent against the US Dollar during the year up to end August 2024.

## 1.2 Inflation

The headline inflation as measured by the year-on-year (YOY) change of the Colombo Consumer Price Index (CCPI, 2021=100) has decelerated rapidly in 2023 and 2024 since its peak of around 70 percent recorded in September 2022 to reach a negative territory for the first time since September 2015, recording a deflation of 0.5 percent in September 2024. However, inflation showed a slightly increasing trend from October 2023 to January 2024, mainly due to public sentiments surrounding the rate increase in Value Added Tax (VAT) which was scheduled for January 2024 and the unfavorable weather conditions that disrupted the food supply.

Nonetheless, headline inflation started to decline again in February 2024, recording a sharp decline in March 2024, mainly due to the 22 percent cut in electricity tariffs.

Headline inflation as measured by the Y-O-Y change of the CCPI (2021=100) dipped into a deflation of 0.5 percent in September 2024 from 6.4 percent inflation in January 2024. The food category recorded a deflation of 0.3 percent in September 2024 while the non-food category recorded a deflation of 0.5 in September 2024. In the same vein, the headline inflation as measured by the Y-O-Y change in the National Consumer Price Index (NCPI, 2021=100) declined to -0.2 percent in September 2024 from 6.5 percent recorded in January 2024. These decelerating movements of the inflation were mainly triggered by the downward revisions to the electricity tariff, and fuel and LP gas prices. Similarly, the moderation in food prices was due to the domestic supply side improvements and recovery in global supply chains followed by the subdued demand conditions.

**TABLE 1.1** Movements in Inflation (%)

Year	Month	CCPI				NCPI			
		Headline Inflation		Core * Inflation		Headline Inflation		Core* Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2023	January	54.2	n.a.	45.6	37.6	53.2	n.a.	52.0	n.a.
	February	50.6	n.a.	43.6	n.a.	53.6	n.a.	50.1	n.a.
	March	50.3	n.a.	39.1	n.a.	49.2	n.a.	44.2	n.a.
	April	35.3	n.a.	27.8	n.a.	33.6	n.a.	31.8	n.a.
	May	25.2	n.a.	20.3	n.a.	22.1	n.a.	21.6	n.a.
	June	12.0	n.a.	9.8	n.a.	10.8	n.a.	11.3	n.a.
	July	6.3	n.a.	5.9	n.a.	4.6	n.a.	6.3	n.a.
	August	4.0	n.a.	4.6	n.a.	2.1	n.a.	4.1	n.a.
	September	1.3	n.a.	1.9	n.a.	0.8	n.a.	1.7	n.a.
	October	1.5	n.a.	1.2	n.a.	1.0	n.a.	0.6	n.a.
	November	3.4	n.a.	0.8	n.a.	2.8	n.a.	0.8	n.a.
	December	4.0	17.4	0.6	14.5	4.2	16.5	0.9	15.8
2024	January	6.4	14.2	2.2	11.3	6.5	13.4	2.2	12.3
	February	5.9	11.3	2.8	8.5	5.1	10.2	2.7	9.2
	March	0.9	8.0	3.1	6.1	2.5	7.2	3.4	6.5
	April	1.5	5.7	3.4	4.4	2.7	5.2	3.0	4.6
	May	0.9	3.9	3.5	3.3	1.6	3.7	3.1	3.3
	June	1.7	3.1	4.4	2.8	2.4	3.0	3.9	2.7
	July	2.4	2.8	4.4	2.7	2.5	2.9	3.0	2.5
	August	0.5	2.5	3.6	2.7	1.1	2.8	2.3	2.3
	September	-0.5	2.4	3.3	2.8	-0.2	2.7	1.9	2.3

Source: Department of Census and Statistics

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

2023 January Base Year 2013=100

from 2023 February Base Year 2021=100

n.a.. - not available

The core inflation, which reflects the underlying inflation trends by excluding volatile items of food, energy, and transport sectors in the economy, as measured by the Y-O-Y change in the CCPI (2021=100) increased to 3.3 percent in September 2024 from 2.2 percent in January, 2024. Similarly, core inflation as measured by NCPI (2021=100) increased to 2.3 percent in August, 2024 from 2.2 percent in January, 2024. Despite the marginal increase, core inflation remained at subdued levels reflecting low demand pressures in the economy. Inflation is expected to stabilize around the targeted level of 5 percent in the upcoming months due to reduced food prices and the application of appropriate policy measures.

### 1.3 Money and Credit

The CBSL has continued the easing of monetary policy since June 2023. The SDFR and the SLFR, which remained at 9.00 percent and 10.00 percent, respectively, at the beginning of the year, were reduced by 75 basis points each, setting them at 8.25

percent and 9.25 percent, respectively as of September 2024. As a result, market interest rates have declined from the historically high levels recorded in April 2022. Yields on government securities also continued to decline, in line with the reduced policy interest rates. The SRR has remained unchanged at 2.00 percent throughout this year so far.

Despite significant monetary policy easing and improvements in overall liquidity conditions, credit flows to the private sector have seen only a slight increase from Rs. 7,314.2 billion in January 2024 to Rs. 7,707.7 billion in August 2024. Further lowering of the retail lending interest rates could help stimulate private-sector credit growth, thereby supporting the ongoing economic recovery.

### 1.4 Stock Market

The stock market in Sri Lanka has exhibited mixed performance in 2024 so far. The All-Share Price Index (ASPI, 1985 = 100) increased by 4.6 percent to 11,855 points at the end of

**TABLE 1.2 Money and Private Sector Credit**

Rs. Billion

Item	2023								2024								2024 Aug/ 2023 Aug Growth (%)
	January	February	March	April	May	June	July	August	January	February	March	April	May	June	July	August	
Reserve Money	1,589.7	1,504.7	1,424.2	1,417.1	1,559.1	1,435.8	1,373.8	1,407.3	1,488.6	1,413.7	1,405.6	1,426.5	1,396.2	1,417.7	1,455.1	1,485.7	5.6
Broad Money (M <sub>2b</sub> )	12,322.5	12,345.8	12,293.4	12,386.7	12,306.5	12,516.6	12,726.3	12,697.9	13,114.9	13,201.1	13,324.6	13,420.0	13,616.4	13,747.9	13,824.6	13,876.8	9.3
Private Sector Credit	7,315.4	7,257.9	7,138.4	7,087.7	6,999.0	7,072.7	7,086.2	7,092.1	7,314.2	7,321.5	7,393.4	7,377.2	7,437.9	7,512.4	7,572.6	7,707.7	8.7

Source : Central Bank of Sri Lanka

**TABLE 1.3 Movements in the Capital Market**

Indicators	2020	2021	2022	2023	End September	
					2023	2024
All Share Price Index (1985=100)	6,774	12,226	8,490	10,594	11,336	11,855
S & P SL 20 Index	2,638	4,233	2,636	3,010	3,198	3,453
Market Capitalization (Rs. Bn.)	2,961	5,489	3,847	4,261	4,537	4,382
No. of Listed Companies in Trading	283	296	290	290	291	284
Daily Average Turnover (Rs.Mn.)	1,899	4,888	2,972	1,697	1,926	1,538
Foreign Sales (Rs. Mn.)	104,165	86,689	36,863	34,810	28,354	43,811
Foreign Purchases (Rs. Mn)	52,889	39,410	67,488	39,826	32,008	37,364
Net Purchases (Rs. Mn)	-51,276	-47,279	30,625	5,017	3,654	-6,448

Source: Colombo Stock Exchange

September 2024 compared to 11,336 points at the end of September 2023. The Standard and Poor's Sri Lanka 20 (S&P SL20, 2004 = 1,000) index, which represents the most liquid stocks, also increased by 8.0 percent to 3,453 points at the end of September 2024 from 3,198 points at the end of September 2023.

Market capitalization decreased by 3.4 percent to Rs. 4,382 billion at the end of September 2024 compared to Rs. 4,537 billion recorded at the end of September 2023. In September 2024, the Colombo Stock Exchange (CSE) recorded a significant increase in the average daily turnover by 111.3 percent to Rs. 2,946 million compared to Rs. 1,394 million recorded in the same period of 2023.

### 1.5 External Sector Developments

Sri Lanka's external sector demonstrated positive momentum in the first eight months of 2024 with increased inflows from workers' remittances and earnings from tourism despite a widened trade deficit. Inflows from workers' remittances increased significantly by 11.0 percent to USD 4,288.2 million while earnings from tourism grew significantly by 66.1 percent to USD 2,167.0 million. The total exports increased by 6.1 percent to USD 8,499.1 million and total imports increased by 10.0 percent to USD 12,072.5 million which in turn widened the trade deficit to USD 3,573.4 million. The gross official reserves increased to USD 6.0 billion at end August 2024.

The Colombo Stock Exchange (CSE) recorded an increase in net inflow of USD 44.4 million in the first eight months of 2024 compared to USD 15.4 million in the same period of 2023. Net inflow to the government securities market was recorded as the outflow of USD 251.4 million in the first eight months of 2024 compared to the inflow of USD 351.6 million in the same period of 2023. The overall Balance of Payments (BoP) recorded a surplus of USD 2,184.4 million in the first eight months of 2024 compared to a surplus of USD 2,034.1 million in the same period of 2023. The Sri Lankan rupee appreciated by 8.2 percent against the USD by the end of September 2024.

### Exports

Earnings from exports increased by 6.1 percent to USD 8,499.1 million in the first eight months of 2024 compared to USD 8,010.1 million in the same period of 2023 with the increase in earnings from industrial, agricultural and mineral exports due to the recovery of the domestic export industry with the economic revival and increased demand from the foreign markets. Industrial export earnings contributed 78.3 percent of the total export earnings, while agricultural and mineral export earnings accounted for 21.2 percent and 0.2 percent of total export earnings, respectively.

Earnings from industrial exports increased by 6.1 percent to USD 6,658.6 million in the first eight months of 2024 from USD 6,273.6 million in the same period of 2023 due to increased export earnings from textiles and garments, petroleum products, rubber products, and food, beverages and tobacco products. Earnings from agricultural exports increased by 5.9 percent to USD 1,804.0 million in the first eight months of 2024 from USD 1,702.9 million in the same period of 2023 with the increased earnings from tea, coconut, spices and vegetables. Meanwhile, mineral export earnings increased by 19.8 percent to USD 18.8 million in the first eight months of 2024 from USD 15.7 million in the same period of 2023.

### Imports

Expenditure on imports increased by 10.0 percent to USD 12,072.5 million in the first eight months of 2024 compared to USD 10,974.1 million in the same period of 2023 due to the increase in import expenditure on consumer, intermediate and investment goods with the revival of economic activities and removal of import restrictions, combined with the impact of high commodity prices of the global markets. Import expenditure on consumer, intermediate and investment goods of the total import expenditure accounted for 18.0 percent, 64.2 percent and 17.7 percent, respectively.

Import expenditure on consumer goods increased by 7.3 percent to USD 2,176.3 million in the first eight months of 2024

**TABLE 1.4 : External Trade January – August 2024**

USD Million

Category	2023	2024	% Change
<b>Exports</b>	<b>8,010.1</b>	<b>8,499.1</b>	<b>6.1</b>
Agricultural Exports	1,702.9	1,804.0	5.9
Tea	870.4	942.3	8.3
Rubber	21.2	16.4	-22.8
Coconut	224.0	272.2	21.5
Other Agricultural Products	587.3	573.1	-2.4
Industrial Exports	6,273.6	6,658.6	6.1
Food, Beverages & Tobacco	354.4	427.7	20.7
Textile and Garments	3,325.7	3,364.8	1.2
Petroleum Products	325.7	702.5	115.7
Rubber Products	588.1	663.1	12.8
Machinery & Mechanical Appliances	418.7	336.1	-19.7
Other Industrial Products	1,261.0	1,164.4	-7.7
Mineral	15.7	18.8	19.8
Other	17.9	17.7	-1.0
<b>Imports</b>	<b>10,974.1</b>	<b>12,072.5</b>	<b>10.0</b>
Consumer Goods	2,028.3	2,176.3	7.3
Food and Beverages	1,158.0	1,214.1	4.8
Other Consumer Goods	870.3	962.2	10.6
Intermediate Goods	7,185.5	7,750.0	7.9
Petroleum	3,079.5	2,896.5	-5.9
Fertilizer	139.8	102.9	-26.4
Textiles and Textiles Articles	1,584.0	1,839.3	16.1
Chemical Products	527.6	657.1	24.5
Plastic & Articles there of	296.4	385.8	30.2
Other Intermediate Goods	114.0	132.0	15.8
Investment Goods	1,747.9	2,140.3	22.5
Machinery and Equipment	1,219.0	1,438.6	18.0
Building Material	481.4	601.9	25.0
Transport Equipment	45.6	98.0	115.0
Other Investment Goods	1.9	1.8	-5.9
Unclassified Import	12.4	5.9	-52.5
<b>Trade Balance</b>	<b>-2,964.0</b>	<b>-3,573.4</b>	

Source: Central Bank of Sri Lanka

compared to USD 2,028.3 million in the same period of 2023 due to the increased import expenditure on food and beverages and non-food consumer goods. Import expenditure on intermediate goods increased by 7.9 percent to USD 7,750.0 million in the first eight months of 2024 from USD 7,185.5 million in the same period of 2023 due to the increase in expenditure mainly on textiles and textile articles, chemical products, plastic and articles thereof, base metals, and paper and paper boards and articles. Import expenditure on fuel declined by 5.9 percent to USD 2,896.5 million in the first eight months of 2024 with a significant decline in

coal import expenditure by 50.0 percent to USD 170.5 million and import expenditure on crude oil drop by 28.5 percent to USD 570.1 million despite the expenditure on refined petroleum increased by 11.1 percent to USD 2,156.0 million.

Import expenditure on investment goods increased by 22.5 percent to USD 2,140.3 million in the first eight months of 2024 from USD 1,747.9 million in the same period of 2023. This was mainly due to the increase in expenditure on machinery and equipment by 18.0 percent to USD 1,438.6 million, building materials by 25.0 percent to USD 601.9

million and transport equipment by 115.0 percent to USD 98.0 million due to the rise in prices in foreign markets and improvement in investment activities with the revival of the economy.

### **Workers' Remittances and Earnings from Tourism**

The workers' remittances grew by 11.0 percent to USD 4,288.2 million in the first eight months of 2024 compared to USD 3,862.7 million in the same period of 2023 with higher departures for foreign employment and receipt of remittances through formal channels with the government's policy measures to encourage remit through official channels. Departures for foreign employment were recorded as 205,929 persons in the first eight months of 2024 compared to the departures of 198,287 persons in the same period of 2023. Meanwhile, earnings from tourism increased notably by 66.1 percent to USD 2,167.0 million in the first eight months of 2024 compared to USD 1,304.5 million in the same period of 2023 with the increased tourist arrivals from India, the United Kingdom, Russia, Germany, China and France during the considered period due to revival of the tourism sector. Accordingly, tourist arrivals grew by 50.7 percent to 1,362,668 persons in the first eight months of 2024 compared to 904,318 persons in the same period of 2023.

### **1.6 Global Economic Perspectives<sup>1</sup>**

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

The global economy is set to grow by 3.2 percent in 2024 and 3.3 percent in 2025 which remains below historical standards, particularly the annual average of 3.8 percent recorded in 2000–2019 period as a result of lagged effects of the COVID-19 pandemic,

geo-political tensions, weak growth in productivity, and escalating geo-economic fragmentation. The comparative low growth outlook also reflects the restrictive monetary policies, withdrawal of fiscal support and low productivity growth.

Both Advanced Economies and Emerging Market and Developing Economies (EMDEs) are set to grow at a slower pace over 2024–26 than in the decade preceding the pandemic. Growth in advanced economies is projected at 1.7 percent in 2024 aided by projected growth of 2.6 percent in the United States (US), 0.9 percent in the Euro Area, 0.7 percent in Japan and 1.6 percent in other advanced economies. The moderate growth in the Advanced economies particularly reflects the recovery in the Euro Area from the low growth of 0.4 percent in 2023 owing to the high exposure to the Ukraine-Russia Conflict. Growth in Japan is expected to slow down due to temporary supply disruptions and weak private investment in the first quarter of 2024.

Growth in EMDEs is forecast to be over 4 percent a year over 2024–26. Growth in China is expected to decelerate this year and ease further in 2025 and 2026 in comparison to growth of 5.2 percent in 2023 due to easing off of positive effects from one-off measures including the boost of consumption and fiscal stimulus after the pandemic and continued weakening of property sector. Excluding China, EMDEs growth is projected to edge up to 3.5 percent this year and then enhance to an average of 3.9 percent in 2025–26. Growth in India is expected to be strong at 7.0 percent in 2024 and 6.5 percent in 2025 owing to the effects of strong domestic demand and rising working age population.

Growth in Low-Income Developing Countries is forecasted to improve to 4.4 percent in 2024 and further solidify at 5.3 percent in 2025 from a growth of 4.2 percent in 2023. India is expected to affirm its position as a major growth engine within Asia, driven by strong investment, recovering private consumption particularly in rural areas, and gains in electronics and services exports.

Global headline inflation is expected to decline to 5.9 percent in 2024, before easing

<sup>1</sup> Based on World Economic Outlook (April 2024, IMF) World Economic Outlook Update (July 2024, IMF), Fiscal Monitor (April 2024, IMF), Commodity Markets Outlook (April 2024, World Bank), Asian Development Outlook (April 2024, Asian Development Bank) and other data and information from IMF, World Bank and the internet.



**TABLE 1.5 : A Snapshot of the World – 2023**

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

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

*Fiscal Monitor, IMF, April 2024*

... Not available

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

However, the pace of disinflation in advanced economies is set to slow in 2024 and 2025 with persistent inflation in the prices of services and higher commodity prices. The reduction of the pace of inflation is slower in EMDEs with inflation remaining at the same level of 8.3 percent in 2024 as in 2023. EMDEs are expected to reach their pre-pandemic average of around 5.0 percent only in 2026.

Due to slow-downs in global industrial production, the volume of goods trade contracted by 1.9 percent in 2023.

However, supported by improvements in goods trade and an increase in household consumption, global trade is showing signs of improvement in 2024. Global trade is expected to recover to about 3.25 percent annually in 2024–25, strengthened by exports from Asia, particularly in the technology sector. Nevertheless, regional conflicts and geopolitical tensions can adversely affect this improvement.

To counter inflation, most central banks raised policy interest rates leading to increases in mortgage costs, difficulties in debt refinancing, corporate bankruptcies and subdued inflation. However, with the projected gradual decline in inflation, policy rates in advanced economies are expected to decline in the second half of 2024.

While most central banks' hiking cycles are complete and some have started to ease, policy rates remain high. Persistently elevated uncertainty around the inflation outlook has affected the pace of policy easing in major advanced economies. The lagged effects of tight monetary policy and higher agricultural production will also mitigate inflation dynamics in South Asia, Southeast Asia, and the Caucasus and Central Asia. Fiscal restraint will also be necessary to support the disinflation process.

Overall, global growth is expected to slow in 2025 as the labor market cools and consumption moderates, with fiscal policy starting to tighten gradually. The escalation of trade tensions could further raise near-term risks to inflation by increasing the cost of imported goods along the supply chain. Escalating geopolitical risks, such as conflicts in Europe and the Middle East, pose threats to financial stability and can lead to continued uncertainty around the global economic outlook.

**TABLE 1.6 : International Commodity Prices**

Item	Unit	Actual		Projection	
		2022	2023	2024	2025
<b>Energy</b>					
Coal, Australia	\$MT	344.9	172.8	125.0	110.0
Crude oil, Brent	\$/bbl	99.8	82.6	84.0	79.0
Natural gas, US	\$/MMBTU	6.4	2.5	2.4	3.5
<b>Non-energy</b>					
<b>Agriculture</b>					
<b>Beverages</b>					
Cocoa	\$/kg	2.39	3.28	5.00	4.00
Coffee, robusta	\$/kg	2.29	2.63	3.50	2.80
Tea	\$/kg	3.05	2.74	2.75	2.77
<b>Food</b>					
<b>Fats and Oils</b>					
Palm oil	\$MT	1,276	886	905	825
Soybean meal	\$MT	548	541	480	460
Soybeans	\$MT	675	598	500	475
<b>Grains</b>					
Maize	\$MT	319	253	200	195
Rice	\$MT	437	554	595	550
Wheat	\$MT	430	340	290	295
<b>Other food</b>					
Sugar	\$/kg	0.40	0.52	0.50	0.46
<b>Raw Materials</b>					
Cotton	\$/kg	2.86	2.09	2.15	2.20
Rubber	\$/kg	1.54	1.38	1.55	1.60
Sawn wood	\$/cum	675	678	680	690
<b>Metals and Minerals</b>					
Aluminium	\$MT	2,705	2,256	2,300	2,400
Copper	\$MT	8,822	8,490	8,900	8,800
Nickel	\$MT	25,834	21,521	1,700	18,000

Source: Commodity Markets Outlook, World Bank, April 2024

## CHAPTER 2

### Fiscal Developments

#### 2.1 Overview

The fiscal performance in the first half of 2024 has significantly improved with the notable increase in government revenue and the decline in government expenditure led by the decline in interest payments. Reflecting the positive impacts of revenue-based fiscal consolidation efforts, a primary surplus of Rs. 543.4 billion was recorded in the first half of 2024 compared to the primary surplus of Rs. 30.7 billion in the same period of 2023. This has surpassed the Quantitative Performance Criteria (QPC) of Rs. 140 billion set as the primary surplus target for the first half of 2024 under the International Monetary Fund-Extended Fund Facility (IMF-EFF) Programme. The budget deficit narrowed by Rs. 643.9 billion to Rs. 598.7 billion from Rs. 1,242.6 billion in the first half of 2024 compared to the same period of 2023.

The total government revenue including tax and non-tax revenue, and grants increased by 41.6 percent or Rs. 547.6 billion in the first half of 2024 to Rs. 1,864.6 billion in the first half of 2024 from Rs. 1,317.1 billion in the same period of 2023, realizing 45.2 percent of the annual estimate of Rs. 4,127.0 billion. Tax revenue substantially increased by 42.6 percent to Rs. 1,709.3 billion in the first half of 2024 compared to Rs. 1,198.9 billion in the same period of 2023, achieving 44.7 percent of the annual estimate of Rs. 3,820.0 billion. This surge was largely driven by the continued implementation of tax policy measures introduced in 2022 and 2023, improvements in domestic revenue mobilization measures, and the expansion of domestic economic activities.

Revenue collected from income taxes increased by 16.3 percent to Rs. 447.3 billion in the first half of 2024, achieving 41.4 percent of the annual estimate of Rs. 1,080.0

billion. This surge was mainly due to the increase in revenue collection from Advance Personal Income Tax (APIT) and Withholding Tax (WHT) in the first six months of 2024 compared to the same period of 2023.

Taxes on goods and services surged by 60.2 percent, reaching Rs. 1,043.9 billion in the first half of 2024. This was mainly driven by the rise in revenue collected from Value Added Tax (VAT) emanating from the increase in VAT rates, reduction in the registration threshold, and removal of the vast majority of exemptions. This surge was also attributed to the increased revenue gains from the Excise Duty on petroleum products, Excise Duty on liquor and Social Security Contribution Levy (SSCL).

Revenue from taxes on external trade increased by 34.2 percent to Rs. 218.2 billion in the first half of 2024 compared to the same period in 2023, reflecting the increase of imports emanating from the gradual relaxation of import restrictions. The revenue collection from Special Commodity Levies (SCL) increased by 77 percent to Rs. 45.5 billion with the increase in SCL rates on essential commodities such as sugar and potatoes. The revenue receipts from Customs Import Duty (CID) and CESS increased by 54.1 percent to Rs. 48.8 billion, and 53.7 percent to Rs. 37.9 billion respectively. Revenue collection from the Ports and Airports Development Levy (PAL) slightly increased by 6.7 percent due to the phasing out of PAL on selected items.

The non-tax revenue increased by 30.4 percent to Rs. 151.3 billion in the first half of 2024 compared to Rs. 116.0 billion in the same period of 2023. This was due to the rise in revenue from fines, fees and charges, and interest income.

The government expenditure declined by 3.8 percent to Rs. 2,463.3 billion in the first half of 2024. Recurrent expenditure, which accounted for around 90 percent of total expenditure in the first half of 2024, declined by 4.6 percent to Rs. 2,218.4 billion from Rs. 2,325.5 billion in the same period of 2023. This was primarily driven by the decline of 10.3 percent in interest expenditure to Rs. 1,142.1 billion in the first half of 2024 from Rs. 1,273.3 billion in the same period of 2023. This is owing to the decline in domestic interest payments by 11.9 percent to Rs. 1,073.7 billion due to the decline in domestic interest rates and the effects of the completion of Domestic Debt Optimization (DDO).

However, non-interest recurrent expenditure increased by 2.3 percent in the first half of 2024 compared to the same period of 2023, with the increase of expenditure on goods

and services by 7.5 percent to Rs. 146.7 billion and the increase of expenditure on salaries and wages by 4.4 percent to Rs. 480.3 billion due to the upscale of the cost of living allowance effective from January 2024.

Expenditure on subsidies and transfers declined slightly by 1.4 percent to Rs. 449.3 billion in the first half of 2024 from Rs. 455.8 billion in the same period of 2023.

Capital and net lending increased by 4.6 percent to Rs. 244.9 billion in the first half of 2024 from Rs. 234.1 billion in the same period of 2023. This was marked by an increase in the capital expenditure for the acquisition of fixed assets by 12.5 percent. However, transfers to public institutions, provincial councils, and public corporations have declined.

**TABLE 2.1 : Summary of the Budget from January to June 2024**

Item	Rs. Million	
	2023	2024 (Provisional)
<b>Revenue and Grants</b>	<b>1,317,053</b>	<b>1,864,607</b>
<b>Revenue</b>	<b>1,314,886</b>	<b>1,860,632</b>
Tax Revenue	1,198,852	1,709,305
Non Tax Revenue	116,034	151,327
Grants	2,167	3,975
<b>Expenditure</b>	<b>2,559,619</b>	<b>2,463,305</b>
<b>Recurrent</b>	<b>2,325,541</b>	<b>2,218,442</b>
Interest Payments	1,273,291	1,142,105
Other	1,052,250	1,076,337
Public Investment	258,812	258,306
Other	-24,734	-13,443
<b>Revenue Surplus(+)/Deficit(-)</b>	<b>-1,010,655</b>	<b>-357,810</b>
<b>Overall Budget Surplus(+)/Deficit(-)</b>	<b>-1,242,566</b>	<b>-598,698</b>
<b>Financing</b>	<b>1,242,566</b>	<b>598,698</b>
Foreign Financing	<b>23,950</b>	<b>82,885</b>
Borrowing	192,500	167,131
Repayments	-168,550	-84,246
Domestic Financing	1,218,616	515,814
Borrowing	9,763,117	5,202,159
Repayments	-8,544,501	-4,686,346

Source: Department of Fiscal Policy

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

Item	Rs. Billion		
	Estimated (Annual)	Actual (Provisional)	Achievement (%)
<b>Total Revenue</b>	<b>4,107</b>	<b>1,861</b>	<b>45.3</b>
Tax Revenue	3,820	1,709	44.7
Non – Tax Revenue	287	151	52.7
<b>Total Expenditure</b>	<b>6,978</b>	<b>2,463</b>	<b>35.3</b>
Recurrent Expenditure	5,277	2,218	42.0
Capital Expenditure and Net Lending	1,701	245	14.4

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

## 2.2 Government Revenue

Total government revenue excluding grants increased by 41.5 percent to Rs. 1,860.6 billion in the first half of 2024 compared to Rs. 1,314.9 billion in the same period of 2023 mainly due to the increase in tax revenue by 42.6 percent to Rs. 1,709.3 billion in the first half of 2024 from Rs. 1,198.9 billion recorded in the same period of 2023.

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

1. VAT by 85.4 percent or 284.3 billion driven by the increase of the VAT rate to 18 percent from 15 percent with effect from January 1, 2024, reduction in the VAT registration threshold from Rs. 80 million per annum to Rs. 60 million per annum with effect from January 1, 2024, removal of the vast majority of VAT exemptions with effect from January 1, 2024 and the increase in imports by 6.4 percent in the first half of 2024 compared to the same period in 2023;
2. Excise Duty on Petroleum by 200.8 percent or Rs. 64.7 billion driven by the increase in petroleum imports by 115.7 percent in the first half of 2024 compared to the same period of 2023 and the combined effect of the increase in Excise Duty rates on petrol and diesel by Rs. 25 per litre on June 1, 2023 and the decrease of rates for Diesel by Rs. 6 per litre and for Petrol by Rs. 5 per litre on January 1, 2024;
3. Income taxes by 16.3 percent or Rs. 62.8 billion due to the realization of the full impact of the tax policy changes that were made effective on January 1, 2023, but were reflected in increases of revenue from February 2023 onwards, impacts of increased wages both in the public and informal private sector (Year-on-year nominal increase of the public sector and informal private sector nominal wages rate indices were 21.2 percent and 5.9 percent, respectively in June 2024), positive effect of the increased economic activity and return to economic growth on the corporate and personal income taxes;
4. SCL by 77.0 percent or Rs. 19.8 billion driven by the rate increases for sugar and potato to Rs. 50 per kg and the increase in the volume of imports in major commodity items;
5. Excise Duty on liquor by 22.3 percent or Rs. 18.1 billion due to the realization of the full impact of Excise Duty rate revisions on liquor implemented with effect from July 1, 2023, the indexation of Excise Duty to inflation and increase of Excise Duty rates by 14 percent in January 1, 2024
6. CID by 54.1 percent or Rs. 17.1 billion due to the revision of CID rates from 0:10:15 percent to 0:15:20 percent effective from March 28, 2023, and the increase in imports;

7. SSCL by 15.3 percent or Rs. 15.9 billion due to the increase in the number of taxpayers with the lowering of the registration threshold from Rs. 120 million per annum to Rs. 60 million per annum with effect from January 1, 2024 and the impact of the increase in imports;
8. CESS by 53.7 percent or Rs. 13.2 billion due to the increase in imports.

The increase of non-tax revenue by 30.4 percent or Rs. 35.3 billion in the first half of 2024 also contributed to the rise in revenue. This was led by the surge in revenue from

finances, fees and charges by Rs. 20.0 billion and interest income by Rs. 17.2 billion.

### Tax Revenue

Tax revenue of Rs. 1,709.3 billion accounted for 91.9 of the government revenue excluding grants of Rs. 1,860.6 billion recorded in the first half of 2024. With the growth in revenue from VAT and from taxes on external trade, the share of revenue from direct taxes out of the total tax revenue has reduced to 26.1 percent in the first half of 2024 compared to 32.1 percent recorded in the same period of 2023. In the first half of 2024, the realization of tax revenue collection was 44.7 percent of the estimate of Rs. 3,820.0 billion for 2024.

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

Item	Annual Estimate	Rs. Billion
		Actual (Jan-Jun) (Provisional)
<b>Department of Inland Revenue</b>		
Tax on Income and Profit	1,080	447
VAT – Domestic	740	353
NBT -Domestic	–	0.1
SSCL -Domestic	195	91
<b>Sub Total</b>	<b>2,015</b>	<b>892</b>
<b>Department of Customs</b>		
Import Duty	175	49
VAT – Imports	660	264
SSCL -Import	55	28
NBT -Imports	–	0.0
Ports and Airports Development Levy	175	86
Import/Export Cess	60	38
Special Commodity Levy	95	46
Excise Special Provisions	313	183
Cigarettes	143	53
Petroleum	135	97
Motor Vehicles & Other	35	33
<b>Sub Total</b>	<b>1,533</b>	<b>693</b>
<b>Department of Excise</b>		
Liquor/Tobacco	232	100
<b>Sub Total</b>	<b>232</b>	<b>100</b>
<b>Other</b>		
Telecommunication Levy	19	9
License Tax & Other	22	16
<b>Sub Total</b>	<b>40</b>	<b>25</b>
<b>Total Tax Revenue</b>	<b>3,820</b>	<b>1,709</b>

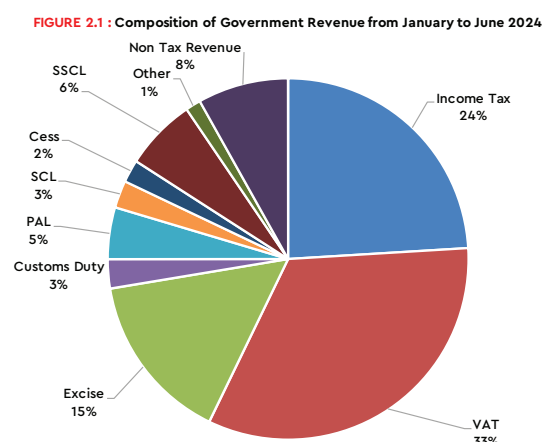
Source : Department of Fiscal Policy

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

Rs. Million

Item	2023	2024	Growth %
<b>Tax Revenue</b>	<b>1,198,852</b>	<b>1,709,305</b>	<b>42.6</b>
Income Tax	384,463	447,252	16.3
Domestic Consumption Based Tax	461,570	600,369	30.1
VAT	235,887	353,392	49.8
SSCL	79,980	91,187	14.0
Excise Duty	145,674	155,696	6.9
Nation Building Tax	30	95	216.7
Import Based Tax	335,370	636,470	89.8
Customs Duty	31,631	48,758	54.1
VAT	96,806	263,552	172.2
Nation Building Tax	155	3	-98.1
PAL	80,612	85,992	6.7
SCL	25,709	45,500	77.0
SSCL	23,449	28,115	19.9
Excise Duty	52,338	126,636	142.0
Cess	24,670	37,914	53.7
License Taxes and Others	17,449	25,214	44.5
<b>Non Tax Revenue</b>	<b>116,034</b>	<b>151,327</b>	<b>30.4</b>
<b>Total Revenue</b>	<b>1,314,886</b>	<b>1,860,632</b>	<b>41.5</b>

Source : Department of Fiscal Policy



Source: Department of Fiscal Policy

### Income taxes

The Revenue collected from Income Taxes increased significantly by 16.3 percent to Rs. 447.3 billion in the first half of 2024, compared to Rs. 384.5 billion in the same period of 2023. This was mainly due to the full

impact of the policy changes implemented since January 01, 2023 of last year, with regard to Personal Income Tax (PIT) and Corporate Income Tax (CIT), Advance Personal Income Tax (APIT) and Withholding Tax (WHT), and the strengthening of tax administration measures.

Revenue from PIT increased remarkably by 43.2 percent from Rs. 15.6 billion in the first half of 2023 to Rs. 22.4 billion in the same period of 2024, while revenue from CIT also increased marginally by 2.8 percent from Rs. 230.9 billion to Rs. 237.4 billion. Revenue from APIT also increased significantly by 43.7 percent to Rs. 100.2 billion in the first half of 2024 from Rs. 69.7 billion in the same period of 2023. Revenue from WHT on interest also demonstrated a growth of 27.8 percent to Rs. 87.1 billion in the first half of 2024 from Rs. 68.1 billion in the same period of 2023.

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

Tax Base	Rs. Million		
	2023	2024 (Provisional)	Growth %
Corporate and Non Corporate	246,520	259,742	5.4
PAYE/APIIT	69,735	100,177	43.7
Economic Service Charge	75	237	214.3
Withholdings Tax	68,132	87,096	27.8
<b>Total</b>	<b>384,463</b>	<b>447,252</b>	<b>16.3</b>

Source : Department of Fiscal Policy

Measures taken to strengthen the tax administration have also contributed to the increase in tax revenue. These measures include mandating financial institutions to submit details of individual taxpayers' transactions to the Department of Inland Revenue, making electronic tax filing mandatory for individual income taxpayers, streamlining the refund process, expediting refunds of amounts paid in excess and, discouraging cash transactions by not allowing such transactions in one day or in a single transaction or in a single event in aggregate to Rs. 500,000 or more to be deducted as expenses for tax purposes. Further, several policy decisions were made to strengthen tax administration such as the issuance of a regulation for the regular exchange of information by individuals including government agencies with the Commissioner General of Inland Revenue.

### Value Added Tax (VAT)

In nominal terms, the revenue collection from VAT increased significantly by 85.4 percent to Rs. 616.9 billion in the first half of 2024 compared to Rs. 332.7 billion in the same period of 2023, realizing 44.1 percent of the annual estimate for 2024. Revenue from VAT on domestic activities increased by 49.8 percent to Rs. 353.4 billion while revenue from VAT on imports increased significantly by 172.2 percent to Rs. 263.6 billion in the first half of 2024.

**TABLE 2.6 : Performance of Revenue of VAT from January to June 2024**

Tax Base	Rs. Million		
	2023	2024 (Provisional)	Growth %
Domestic	235,887	353,392	49.8
Imports	96,806	263,552	172.2
<b>Net Revenue</b>	<b>332,692</b>	<b>616,944</b>	<b>85.4</b>

Source : Department of Fiscal Policy

### Excise Duty

Revenue generated from Excise Duty increased by 42.6 percent to Rs. 282.3 billion in the first half of 2024 compared to Rs. 198.0 billion in the same period of 2023 mainly due to the increase of revenue from petroleum, liquor, motor vehicles, and other excisable articles despite the decline in revenue from cigarettes. Revenue from Excise Duty accounted for 16.5 percent of the tax revenue and 15.2 percent of the total revenue collected during the first half of 2024, while achieving 51.8 percent of the annual estimate.

Revenue from petroleum products increased significantly by 200.8 percent to Rs. 97.0 billion during the first half of 2024, compared to Rs. 32.2 billion in the same period of 2023. The increase in duty rate and the removal of the fuel quota system and an increase in fuel imports, driven by increased demand and economic growth in the first half of 2024, also contributed to the revenue growth.

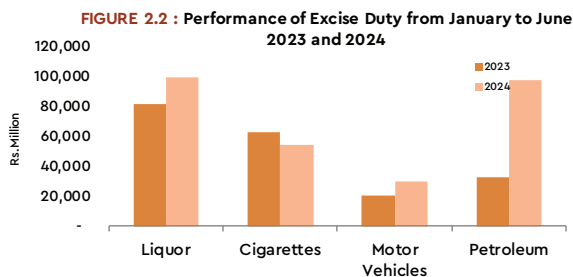
**TABLE 2.7 : Performance of Excise Duty from January to June 2024**

Tax Base	Rs. Million		
	2023	2024 (Provisional)	Growth %
Liquor	81,020	99,116	22.3
Cigarettes	62,778	53,624	-14.6
Motor Vehicles	20,098	29,649	47.5
Petroleum	32,240	96,987	200.8
Other	1,876	2,956	57.6
<b>Total</b>	<b>198,012</b>	<b>282,331</b>	<b>42.6</b>

Source : Department of Fiscal Policy



Revenue from liquor increased by 22.3 percent to Rs. 99.1 billion during the first half of 2024 compared to Rs. 81.0 billion during the same period of 2023 owing to the increase of the Excise Duty on liquor by 14 percent with effect from January 01, 2024. However, the total production of liquor declined by 9 percent to 15.9 million absolute liters during the first half of 2024 compared to 17.5 million absolute liters during the same period of 2023. Revenue from locally produced hard liquor increased by 13 percent to Rs. 61.9 billion during the first half of 2024 compared to Rs. 54.6 billion collected during the same period of 2023. However, revenue from Sake and Malt liquor increased substantially by 84 percent and 40 percent, respectively. The realization of revenue from Excise Duty on liquor against the annual estimate was 43.1 percent during the first half of 2024.



Source: Department of Fiscal Policy

Revenue from Excise Duty on motor vehicles increased by 47.5 percent to Rs. 29.6 billion during the first half of 2024, compared to Rs. 20.1 billion in the same period of 2023 due to the gradual easing of temporary restrictions on imports of motor vehicles especially through the scheme for granting permits to import fully electric vehicle for Sri Lankan employed abroad with certain conditions.

Further, the revenue from Excise Duty generated from other excisable items such as fat-containing products, lime and cement, sugar and sugar confectionery, and mechanical appliances increased by 57.6 percent to Rs. 3.0 billion in the first half of 2024, compared to Rs. 1.9 billion in the same period of 2023, reflecting the effect of the gradual easing of import restrictions.

However, revenue from cigarettes declined by 14.6 percent to Rs. 53.6 billion during the first half of 2024, compared to Rs 62.8

billion in the same period of 2023 despite the increase of Excise Duty rate of all types of cigarettes by 14 percent effective from January 1, 2024 due to the annual indexation of the Excise Duty to the average inflation. The upward price adjustments led to lower sales of cigarettes (except for the 60 mm to 67 mm length category), which in turn reduced revenue from Excise Duty on cigarettes in the first half of 2024.

### Other taxes

Revenue generated from other taxes increased by 27.9 percent to Rs. 362.8 billion in the first half of 2024 compared to Rs. 283.7 billion recorded in the same period of 2023.

Revenue from CID increased notably by 54.1 percent to Rs. 48.8 billion in the first half of 2024, compared to Rs. 31.6 billion in the same period of 2023, mainly due to the relaxation of import restrictions by the third quarter of 2023 and the upward revision of CID rates.

Revenue from the CESS levy increased by 53.7 percent to Rs. 37.9 billion in the first half of 2024, compared to Rs. 24.7 billion in the same period of 2023 due to the relaxation of import restrictions in the third quarter of 2023. Accordingly, revenue from the CESS levy on imports increased significantly by 56.2 percent to Rs. 36.9 billion in the first half of 2024 from Rs. 23.6 billion in the same period of 2023. Meanwhile, revenue from the CESS levy on exports declined slightly by 2.0 percent to Rs. 1.0 billion in the first half of 2024 from Rs. 1.1 billion in the same period of 2023 due to the impact of exchange rate appreciation. The revenue from the CESS Levy collected in the first half of 2024 was a realization of 63.2 percent of the annual estimate of Rs. 60.0 billion for 2024.

Despite phasing out 1,631 items in April 2023 and 26 items in January 2024 revenue collected from PAL increased by 6.7 percent to Rs. 86.0 billion in the first half of 2024 from Rs. 80.6 billion in the same period of 2023, due to the relaxation of import restrictions in the third quarter of 2023. The revenue collected from PAL in the first half of 2024 represents 49.1 percent of the annual estimate of Rs. 175 billion for 2024.

Revenue collected from SCL increased significantly by 77.0 percent to Rs. 45.5 billion due to the relaxation of import restrictions by the third quarter of 2023 and the upward revision of rates on sugar and Potato.

Revenue from SSCL increased by 15.3 percent to Rs. 119.3 billion in the first half of 2024 compared to Rs. 103.4 billion in the same period of 2023 due to the increase in revenue from both imports and domestic activities. Revenue from the Telecommunication Levy increased by 7.3 percent to Rs. 8.8 billion in the first half of 2024 compared to Rs. 8.2 billion in the same period of 2023.

### Non-tax revenue

Non-tax revenue increased significantly by 30.4 percent to Rs. 151.3 billion in the first half of 2024 compared to Rs. 116.0 billion in the same period of 2023 mainly due to the increase in revenue from fines, fees and charges and interest income. Revenue from fines, fees and charges increased significantly by 33.6 percent to Rs. 79.3 billion in the first half of 2024 from Rs. 59.3 billion in the same period of 2023. Accordingly, the revenue

collected from fines, fees and charges was the primary source of non-tax revenue, contributing 52.4 percent to the total non-tax revenue. This was attributable to the upward revision of fees and charges administered by the Department of Motor Traffic, the Department of Immigration and Emigration and the Department of Registration of Persons. Similarly, interest income increased notably by 276.8 percent to Rs. 23.4 billion in the first half of 2024 compared to Rs. 6.2 billion in the same period of 2023. Profit and dividend receipts from State Owned Enterprises (SOEs) increased by 8.6 percent to Rs. 14.9 billion in the first half of 2024 compared to Rs. 13.7 billion in the same period of 2023, while revenue from social security contributions grew by 13.9 percent to Rs. 19.8 billion in the first half of 2024 from Rs. 17.4 billion in the same period of 2023. Revenue from rent income increased by 13.0 percent to Rs. 3.2 billion in the first half of 2024 from Rs. 2.8 billion in the same period of 2023. The Non-tax revenue collected in the first half of 2024 was a realization of 52.7 percent of the annual estimate of Rs. 287.0 billion for 2024.

**TABLE 2.8 : Variance Analysis of Government Revenue**

Rs. Bn				
Item	2023 Jan – June	2024 (Annual Estimate)	2024 Jan- June <sup>(a)</sup>	Major Reasons for Variance
Income Taxes	384.5	1,080.0	447.3	<p>The realization of income tax revenue was 41.4 percent as against the annual estimate. This was mainly due to the following reasons:</p> <ul style="list-style-type: none"> <li>- Realization of the full impact of policy changes implemented in 2023 in the first six months of 2024;</li> <li>- Increased wages of the public and private sector; and</li> <li>- Gradual normalization of economic activities.</li> </ul>
Value Added Tax (VAT)	332.7	1,400.0	616.9	<p>The realized revenue from VAT stood at 44.1 percent of the annual estimate.</p> <p>This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> <li>- increased VAT rate;</li> <li>- the reduction of VAT registration threshold;</li> <li>- the removal of the vast majority of VAT exemptions; and</li> <li>- the increase in total imports by 6.4 percent.</li> </ul>

Rs. Bn

Item	2023 Jan – June	2024 (Annual Estimate)	2024 Jan- June <sup>(a)</sup>	Major Reasons for Variance
Excise Duty	198.0	545.0	282.3	The realization of revenue from Excise Duty was 51.8 percent as against the annual estimate. This was mainly due to: <ul style="list-style-type: none"> <li>– increase in revenue from Excise Duty on petroleum owing to the net increase in Excise Duty applicable on the importation of all types of Petrol and Diesel and the increase of refined petroleum imports by 5.3 percent;</li> <li>– increase in revenue from Excise Duty on motor vehicles with the increase in motor vehicle imports under certain schemes; and increase in revenue from Excise Duty on liquor with the realization of the full impact of Excise Duty rate revisions implemented in July 2023 and the indexation of Excise Duty to inflation.</li> </ul>
Import Duties	31.6	175.0	48.8	The realization of CID was 27.9 percent as against the budget estimate due to: <ul style="list-style-type: none"> <li>– the realization of the full impact of the upward revision of Customs Import Duty (CID).; and</li> <li>– the increase in imports by 6.4 percent in the first six months of 2024.</li> </ul>
Port and Airport Development Levy (PAL)	80.6	175.0	86.0	The realization of 49.1 percent of the annual budget estimate was achieved due to; <ul style="list-style-type: none"> <li>– the exemption of 20 percent on total PAL liable items effective from April 4, 2023 as a part of the phasing out of para-tariff; and</li> <li>– the application of concessionary rates to 3,117 items and the exemption of 595 items at the time of importation of such goods from Singapore as per the provisions of Sri Lanka – Singapore Free Trade Agreement (SLSFTA) with effect from March 29, 2024.</li> </ul>
Special Commodity Levy (SCL)	25.7	95.0	45.5	The realization of 47.9 percent of the budget estimate was due to; <ul style="list-style-type: none"> <li>– the upward revision of duty rates on sugar and potatoes; and</li> <li>– the increase in importation of major commodity items.</li> </ul>
Social Security Contribution Levy (SSCL)	103.4	250.0	119.3	Revenue collection from SSCL achieved 47.7 percent of the annual estimate. This was due to: <ul style="list-style-type: none"> <li>– the increase in tax payers due to the lowering of the registration threshold applicable for SSCL to Rs. 60 million per annum from Rs. 120 million per annum with effect from January 1, 2024 and,</li> <li>– the impact of increased imports in the first six months of 2024.</li> </ul>
Other Taxes	42.3	100.0	63.2	The realization of 63.2 of the annual estimate for 2024 was achieved due to: <ul style="list-style-type: none"> <li>– CESS Levy by 63.2 percent owing to the increase in imports;</li> <li>– the Telecommunication Levy by 47.6 percent; and other taxes by 76.3 percent.</li> </ul>

Rs. Bn

Item	2023 Jan – June	2024 (Annual Estimate)	2024 Jan- June <sup>(a)</sup>	Major Reasons for Variance
Non Tax Revenue	116.0	287.0	151.3	The realization of non-tax revenue in the first six months of 2024 was 52.7 percent as against the 2024 annual estimate. This was mainly due to the increased revenue performance of interest income, rent, fines, fees, and charges, and profits and dividends from State Owned Enterprises.
<b>Total</b>	<b>1,314.9</b>	<b>4,107.0</b>	<b>1,860.6</b>	

Compiled by the Department of Fiscal Policy

(a) Provisional

**Box 2.1 : Major Fiscal Measures: January – September 2024**

Effective Date	Measures
<b>Income Tax- Amendments to the Inland Revenue Act, No. 24 of 2017</b>	
01.04.2024	Gazette Notification No. 2376/25 of 21.03.2024 - To prescribe the information to be shared on a regular basis to the Commissioner General of Inland Revenue (CGIR) by the persons including Government Institutions.
<b>Casino Business (Regulation) Act, No.17 of 2010</b>	
12.01.2024	Gazette Notification No. 2366/33 of 12.01.2024 - To substitute section 05 of the Casino Business Licensing Regulation No.01 of 2022 and to incorporate a schedule II amending the license fee and license renewal fee structures given therein.
02.02.2024	Gazette Notification No. 2369/42 of 02.02.2024 - To amend the investment criteria associated with the License fees and license renewal fees given in Schedule II of the regulation.
22.04.2024	Gazette Notification No. 2381/16 of 22.04.2024 - To amend Sinhala translation errors in Extraordinary Gazette Notification No. 2366/33 dated January 12 <sup>th</sup> , 2024, and the Extraordinary Gazette Notification No. 2369/42 dated February 02, 2024.
29.05.2024	Gazette Notification No. 2386/09 of 29.05.2024 - To amend the investment criteria associated with the License fees and license renewal fees given in Schedule II of the regulation
<b>Social Security Contribution Levy(SSCL)- Social Security Contribution Levy) Act, No.25 of 2022</b>	
01.01.2024	<b>Social Security Contribution Levy(Amendment) Act, No.15 of 2024</b> - To reduce the registration threshold applicable for Social Security Contribution Levy (SSCL) to Rs. 60 million per annum from Rs. 120 million per annum.
<b>Value Added Tax (VAT)- Value Added Tax Act, No. 14 of 2002</b>	
01.01.2024	Gazette Notification No. 2363/22 of 19.12.2023 - To increase the VAT rate from 15 percent to 18 percent.
01.01.2024	Value Added Tax (Amendment) Act, No. 32 of 2023 - To remove vast majority of VAT exemptions applicable on major items.
01.01.2024	Value Added Tax (Amendment) Act, No. 16 of 2024 - To reduce VAT registration threshold to Rs. 60 million per annum from Rs. 80 million per annum.
<b>Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989</b>	
01.01.2024	Gazette Notification No. 2364/36 of 31.12.2023 - To revise all excisable articles with unit rates excise duty by 14% based on an indexation and to reduce the excise duty on Petrol per litre by Rs 5, and on Diesel per litre by Rs 6.
<b>Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)</b>	
01.01.2024	Excise Notification No.04/2023 (Gazette Notification No. 2364/35 of 31.12.2023) - To increase Excise Duties on all varieties of liquor by 14 percent with the purpose of introducing an annual inflation adjustment for Excise Duty.
12.01.2024	Excise Notification No.01/2024 (Gazette Notification No. 2366/38 of 12.01.2024) - To revise Annual Excise License Fees.
12.01.2024	Excise Notification No.02/2024 (Gazette Notification No. 2366/39 of 12.01.2024) - To amend the provisions in Excise Notification No. 902.
01.02.2024	Excise Notification No.03/2024 (Gazette Notification No. 2369/32 of 01.02.2024) - To revise Annual Excise License Fees and introduce one time fee to the industry entry.

## Box 2.1 I Major Fiscal Measures: January – September 2024 Contd...

Effective Date	Measures
13.08.2024	Excise Notification No.05/2024 (Gazette Notification No. 2397/22 of 13.08.2024) <ul style="list-style-type: none"> <li>- To amend the provisions in Excise Notification No. 666.</li> </ul>
<b>Ports and Airports Development Levy – Ports and Airports Development Levy Act, No. 18 of 2011</b>	
01.01.2024	Gazette Notification No. 2364/37 of 31.12.2023 <ul style="list-style-type: none"> <li>- To exempt PAL on 26 essential items including Petrol, Diesel, and Fertilizers as PAL has to be phased out completely within five (05) years in accordance with the 2023 budget proposal No. 34.6 (Phasing-out of Para Tariffs).</li> </ul>
29.03.2024	Gazette Notification No. 2377/39 of 28.03.2024 <ul style="list-style-type: none"> <li>- To apply concessionary rates to 3,117 items and to exempt 595 items at the time of importation of such goods from Singapore, as per the provisions of Sri Lanka – Singapore Free Trade Agreement (SLSFTA).</li> </ul>
<b>CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979</b>	
06.01.2024	Gazette Notification No. 2365/50 of 04.01.2024 <ul style="list-style-type: none"> <li>- To publish Tariff Liberalization Program (TLP) related to the CESS Levy under the Sri Lanka – Singapore Free Trade Agreement (SLSFTA).</li> </ul>
06.09.2024	Gazette Notification No. 2400/25 of 05.09.2024 <ul style="list-style-type: none"> <li>- To issue Gazette Notification on revising Cess Levy according to the Cabinet Decisions No. 24/1709/631/026-I dated 26.08.2024 and the No. 24/1541/622/002-II dated 12.08.2024.</li> </ul>
<b>Non Tax (Fees and Charges) – Securities &amp; Exchange Commission of Sri Lanka Act, No.19 of 2021</b>	
01.02.2024	Gazette Notification No. 2366/34 of 12.01.2024 <ul style="list-style-type: none"> <li>- To revise the fees and charges charged by the Securities and Exchange Commission for Market Intermediaries and Market Institutions.</li> </ul>
<b>Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962</b>	
06.01.2024	Revenue Protection Order No. 06/2023 (Gazette Notification No. 2365/51 of 04.01.2024) <ul style="list-style-type: none"> <li>- To remove second installment out of the six annual installments under the category "6" of the Tariff Liberalization Programme (TLP) of the Customs Import Duty on 1,222 Tariff Lines under Sri Lanka Singapore Free Trade Agreement (SLSFTA).</li> </ul>
<b>Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007</b>	
02.01.2024	Gazette Notification No. 2365/04 of 02.01.2024 <ul style="list-style-type: none"> <li>- To grant duty waiver of Rs. 64/- per Kg on importation of rice with effect from 02.01.2024 to 21.01.2024.</li> </ul>
08.01.2024	Gazette Notification No. 2365/84 of 07.01.2024 <ul style="list-style-type: none"> <li>- To continue a SCL duty on importation of Potatoes until December 31, 2024.</li> </ul>
20.02.2024	Gazette Notification No. 2372/06 of 19.02.2024 <ul style="list-style-type: none"> <li>- To extend the validity period of prevailing SCL duty on importation of Maize, Black Gram and Green Gram whereas to increase the SCL rate on Cowpea and Kurakkan from Rs.70/- per kg to Rs. 300/- per kg.</li> </ul>
02.03.2024	Gazette Notification No. 2373/42 of 01.03.2024 <ul style="list-style-type: none"> <li>- To grant duty waiver of Rs.199/- per kg for the importation of dates considering the Ramadan Festive season till April 11, 2024.</li> </ul>
27.03.2024	Gazette Notification No. 2377/17 of 26.03.2024 <ul style="list-style-type: none"> <li>- To apply concessionary SCL duty rate of Rs.10/kg for the importation of Rose Onion considering the Festive season till April 30, 2024 and to extend the duty waiver of Rs. 64/- per Kg for the importation of Rice for the period of 02.01.2024 to 21.01.2024.</li> </ul>
18.05.2024	Gazette Notification No. 2384/31 of 17.05.2024 <ul style="list-style-type: none"> <li>- To extend the validity period of SCL imposed on 34 Items for another one-year period till December 31, 2024.</li> </ul>
31.07.2024	Gazette Notification No. 2395/32 of 31.07.2024 <ul style="list-style-type: none"> <li>- To extend the validity period of 6 items and continue duty waiver on importation of salt for the use of Pharmaceuticals Industry till December 31, 2024.</li> </ul>
03.10.2024	Gazette Notification No. 2404/19 of 02.10.2024 <ul style="list-style-type: none"> <li>- To increase SCL to Rs.60/- on importation of Potatoes and Rs. 30/- on importation of B' Onions considering the local harvesting period.</li> </ul>
<b>Imports &amp; Exports (Control) Regulations- Imports and Exports (Control) Act, No. 01 of 1969</b>	
11.01.2024	Imports and Exports (Control) Regulations No. 01 of 2024 (Gazette Extraordinary No. 2366/19 of 11.01.2024) <ul style="list-style-type: none"> <li>- To allow importation of selected motor vehicles, which were temporarily suspended, to fulfil specific requirements of several Government Institutions</li> </ul>

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

Effective Date	Measures
07.02.2024	Imports and Exports (Control) Regulations No. 02 of 2024 (Gazette Extraordinary No. 2370/15 of 07.02.2024) <ul style="list-style-type: none"> <li>- To extend the period allowed importing fully electric vehicles for Sri Lankans working abroad until 31.08.2024 by amending regulation No. 12(a) of the Imports &amp; Exports (Control) Regulations No. 02 of 2023 (published in the Gazette Extraordinary No. 2312/78 of 01.01.2023).*</li> </ul>
19.02.2024	Imports and Exports (Control) Regulations No. 03 of 2024 (Gazette Extraordinary No. 2372/04 of 19.02.2024) <ul style="list-style-type: none"> <li>- To allow importation of selected spices (e.g., pepper, nutmeg, and mace, etc.) classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023), for processing and re-exporting purposes, by an "Approved Enterprise" as approved by the Cabinet of Ministers. **</li> </ul>
29.02.2024	Imports and Exports (Control) Regulations No. 04 of 2024 (Gazette Extraordinary No. 2373/28 of 28.02.2024) <ul style="list-style-type: none"> <li>- To remove regulation No. 6 of Import Control Regulation No. 07 of 2022 (published in the Gazette Extraordinary No. 2278/21 of 06.05.2024) pertains to the prior endorsement requirement of the DP and DA payment terms.</li> </ul>
19.03.2024	Imports and Exports (Control) Regulations No. 05 of 2024 (Gazette Extraordinary No. 2376/14 of 19.03.2024) <ul style="list-style-type: none"> <li>- To allow importation of selected motor vehicles, which were temporarily suspended, to fulfill specific requirements of several Government Institutions.</li> </ul>
08.04.2024	Imports and Exports (Control) Regulations No. 06 of 2024 (Gazette Extraordinary No. 2379/03 of 08.04.2024) <ul style="list-style-type: none"> <li>- To allow Sri Lanka State Trading Corporation (STC), National Food Promotion Board and Sri Lanka Hadabima Authority to import of total quantity of 2,000 metric tons of Black gram classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023).</li> </ul>
17.05.2024	Imports and Exports (Control) Regulations No. 07 of 2024 (Gazette Extraordinary No. 2384/34 of 17.05.2024) <ul style="list-style-type: none"> <li>- To allow Tourism Sector to import selected motor vehicles which were Temporarily Suspended</li> </ul>
17.05.2024	Standardization and Quality Control Regulations under the Imports and Exports (Control) Act, No.1 of 1969 (Gazette Extraordinary No. 2384/35 of 17.05.2024) <ul style="list-style-type: none"> <li>- To prescribe Sri Lanka Standards for selected importation of goods</li> </ul>
06.06.2024	Imports and Exports (Control) Regulations No. 08 of 2024 (Gazette Extraordinary No. 2387/35 of 06.06.2024) <ul style="list-style-type: none"> <li>- To allow importation of Areca Nuts classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023), for processing and re-exporting purposes, by an "Approved Enterprise" as approved by the Cabinet of Ministers. **</li> </ul>
28.06.2024	Imports and Exports (Control) Regulations No. 09 of 2024 (Gazette Extraordinary No. 2390/19 of 28.06.2024) <ul style="list-style-type: none"> <li>- To remove Import Control License (ICL) requirement for selected Edible Grains and to impose Import Control License (ICL) requirement for Unmanned Aircrafts</li> </ul>
18.07.2024	Imports and Exports (Control) Regulations No. 10 of 2024 (Gazette Extraordinary No. 2393/36 of 18.07.2024) <ul style="list-style-type: none"> <li>- To allow importation of selected spices (e.g., pepper, nutmeg, and mace, etc.) classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023), for processing and re-exporting purposes, by an "Approved Enterprise" as approved by the Cabinet of Ministers.</li> </ul>
21.08.2024	Imports Control Regulations on Payment Terms No. 11 of 2024 (Gazette Extraordinary No. 2398/18 of 21.08.2024) <ul style="list-style-type: none"> <li>- To allow authorized Persons within the meaning of the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021, to import goods under Open Account Payment term</li> </ul>
11.09.2024	Imports and Exports (Control) Regulations No. 12 of 2024 (Gazette Extraordinary No. 2401/21 of 11.09.2024) <ul style="list-style-type: none"> <li>- To allow importation of importation of brand-new Semi Knocked Down (SKD) kits for motor vehicle assembling projects operating under the Board of Investment of Sri Lanka, with agreements duly approved by the Cabinet of Ministers</li> </ul>

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

Effective Date	Measures
<b>Embarkation Levy – Finance Act, No. 25 of 2003</b>	
01.02.2024	Gazette Notification No. 2369/27 of 01.02.2024 <ul style="list-style-type: none"> <li>To grant a extension of one year, a concessionary rate of USD 30 on Embarkation Levy from the applicable levy of USD 60 for person leaving Sri Lanka by Aircraft for the flights commencing operations from Colombo International Airport Ratmalana (CIAR) and Jaffna International Airport (JIA).</li> </ul>
07.03.2024	Gazette Notification No. 2374/19 of 06.03.2024 <ul style="list-style-type: none"> <li>To grant a concessionary rate of USD 05 on the Embarkation Levy for person leaving Sri Lanka by Ferry and USD 20 for the person leaving Sri Lanka by cruise from the applicable levy of USD 60 for period of around three years with effect from March 07, 2024 to December 31, 2026.</li> </ul>
<b>Luxury Tax on Motor Vehicle – Finance Act, No.35 of 2018</b>	
24.01.2024	Gazette Notification No. 2368/24 of 24.01.2024 <ul style="list-style-type: none"> <li>To further extend the period of consideration for remittance, opening of Letters of Credits (LCs), and registration of vehicles published in the Extraordinary Gazette No. 2318/53 of 10.02.2023 ( increase of tax free threshold of fully electric motor vehicles from Rs. 6 million to Rs.12 million for migrant workers).</li> </ul>

\* Currently not effective

\*\* Currently not valid

### 2.3 Government Expenditure

Total government expenditure declined by 3.8 percent to Rs. 2,463.3 billion in the first six months of 2024, compared to Rs. 2,559.6 billion in the same period of 2023. Recurrent expenditure declined by 4.6 percent to Rs. 2,218.4 billion in the first six months of 2024, compared to Rs. 2,325.5 billion in the same period of 2023 mainly due to the decline in expenditure on interest payments. Capital expenditure and net lending increased by 4.6 percent to Rs. 244.9 billion in the first six months of 2024 from Rs. 234.1 billion in the same period of 2023.

**TABLE 2.9: Performance of Government Expenditure: January – June 2024**

Item	Rs. Million	
	2023	2024
<b>Recurrent Expenditure</b>	<b>2,325,541</b>	<b>2,218,442</b>
Salaries	459,991	480,326
Pension	169,822	188,086
Interest Payments	1,273,291	1,142,105
Other	422,437	407,925
<b>Capital Expenditure &amp; Net Lending</b>	<b>234,078</b>	<b>244,863</b>
<b>Total</b>	<b>2,559,619</b>	<b>2,463,305</b>

Source: Department of Fiscal Policy

#### Interest Payments

The total expenditure on interest payments including both domestic and foreign debt declined by 10.3 percent to Rs. 1,142.1 billion in the first six months of 2024, compared

to Rs. 1,273.3 billion in the same period of 2023. This is due to the decline in interest payments for domestic debt by 11.9 percent to Rs. 1,073.7 billion in the first six months of 2024 from Rs. 1,219.2 billion in the same period of 2023. However, interest payments on foreign debt increased by 26.4 percent to Rs. 68.4 billion in the first six months of 2024 compared to Rs. 54.0 billion in the same period of 2023.

#### Salaries and Pensions

The expenditure on salaries and wages of public servants including Provincial Councils increased by 4.4 percent to Rs. 480.3 Billion in the first six months of 2024, compared to Rs. 460.0 billion in the same period of 2023. This increase was mainly due to the increased cost of living allowance effective from January 2024.

The expenditure on pensions increased by 10.8 percent to Rs. 188.1 billion in the first six months of 2024, compared to Rs.169.8 billion in the same period of 2023 due to the timely payment of gratuity, eliminating any arrears.

#### Welfare expenditure

During the first six months of 2024, the Government incurred Rs. 401.4 billion as expenditure including *Aswesuma* household cash grant, allowance for the elderly, financial support for kidney patients, allowance for

the differently-abled low-income earning persons, assistance to the differently-abled soldiers, food packages for expectant mothers (*Poshana Malla*), school textbooks, school uniforms, and development assistance including fertilizer subsidy.

Social security expenditure on Aswesuma cash grant provided to families with low income during the first six months of 2024 amounted to Rs. 73.3 billion. Rs. 205 billion of budgetary provision has been allocated for the *Aswesuma* and other categorical household cash grants for 2024.

The government expenditure on health and nutrition programmes including medical supplies to the government hospitals in the first six months of 2024 amounted to Rs. 29.0 billion. The cost of welfare programmes on education such as free textbooks, school uniforms and shoes for students in difficult schools for the first six months was Rs. 4.6 billion. It is also important to note that Rs. 20.4 billion was incurred to provide the government subsidy on chemical fertilizer in the first six months of the year.

**TABLE 2.10 : Major Welfare Expenditure from January to June 2024**

	Rs.Million	
Programme	2023 Provisional	2024 (Provisional)
<b>Social Welfare</b>		
Cash grant for low income families	69,383	64,079
Support for low-income differently abled persons	2,293	2,514
Financial support for elderly people	9,929	5,527
Financial support for kidney patients	1,239	1,183
"Ranaviru Mapiya Rakawarana" allowance	1,131	1,084
Allowance for pre-school teachers	129	111
Property loan interest to public servants	997	855
"Suwasariya" – 1990 free ambulance service	1,167	591
Other	1,874	1,002
<b>Social Security</b>		
Pension	169,822	188,085
Service compensation for death & injured soldiers	20,804	23,338
Agrahara insurance scheme for pensioners	450	460
Health insurance for school children (Suraksha)	697	–
Pension for Farmers	2,173	2,434
Other	117	107
<b>Health and Nutrition</b>		
Medical supplies for Government Hospitals (including Ayurvedha)	58,731	28,961
Thripasha programme	252	978
Nutritional food package for expectant mothers	931	2,790
School nutritional foods programme	2,547	6,349
Morning meal for pre-school children	17	344
Other	–	–
<b>Education</b>		
School textbooks	11,757	3,364
School uniforms	1,612	1,034
Shoes for students in difficult schools	–	200
Scholarships – grade 5 students	328	418
Mahapola and bursaries	888	1,250
Loan scheme for the students who are unable to get into the state universities	383	812
Others	279	134
<b>Development Assistance</b>		
Fertilizer and crop subsidy	32,208	21,061
Interest difference on senior citizens' accounts	–	20,000
Small and Medium size Enterprises line of credit	4,973	12,653
Urban regeneration programme housing subsidy	8,852	3,551
Other	156	337
<b>Other Subsidies</b>		
Sri Lanka Transport Board, subsidy for economically unprofitable routes, school season tickets and armed forces bus passes	12,156	5,829
<b>Total</b>	<b>418,275</b>	<b>401,435</b>

Source: Department of National Budget



## Sectoral Expenditure

### School Education

During the first six months of 2024, Rs. 160.5 billion was spent on school education. Rs. 157.5 billion was spent as recurrent expenditure, whereas 3.0 billion was spent as capital expenditure.

The Government has continued investments in welfare programmes such as the school nutritional food programme, provision of school text books and school uniforms, and provision of shoes for students in difficult schools with incurring Rs. 11.4 billion for the programmes. However, the expenditure incurred on these programmes declined by 30 percent compared to the same period in 2023.

In order to improve the nutritional status of the school children, the Government increased the allowance for the provision of nutritious meals per student per day, from Rs. 85 to Rs. 110. Meantime, Rs. 6.3 billion was spent on the programme in the first six months of 2024.

Capital expenditure of Rs. 3 billion was mainly spent on rehabilitation/infrastructure development in Schools including in the provincial education sector.

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

Description	Rs. Million	
	2023 Jan-June	2024 (Provisional) Jan-June
<b>Recurrent Expenditure</b>		
Personnel emoluments for school – teachers and other staff	132,348	135,839
<i>National</i>	26,377	29,372
<i>Provincial</i>	105,971	106,467
Welfare Programs	16,244	11,414
Evaluation of examination	1,466	2,361
<b>Capital Expenditure</b>		
Rehabilitation/ Infrastructure Developments in School	42	319
Teacher development	19	29
Qualitative Development Reforms in Education	2,394	-
Provincial education	1,402	820

Source: Department of National Budget

## Higher Education

Expenditure on university education increased by 0.4 percent to Rs. 37.9 billion in the first six months of 2024, compared to the same period of 2023. The recurrent expenditure increased by 0.6 percent to Rs. 29.3 billion in the first six months of 2024, compared to the same period of 2023. The capital expenditure declined by 0.4 percent to Rs. 8.6 billion in the first six months of 2024, compared to the same period in 2023.

The growth in the recurrent expenditure in the first six months of 2024 was lesser than the growth recorded in the same period of 2023 due to a prolonged non-academic strike lasting over two months as salaries were disbursed in July after the end of the strike.

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

Description	Rs. Million	
	2023 Jan-June	2024 Jan-June
<b>Recurrent Expenditure</b>		
Personnel emoluments of universities & other higher educational institutions	25,117	24,050
Mahapola and Bursary payment	888	1,250
<b>Capital Expenditure</b>		
Accelerating Higher Education Expansion & Development Project (World Bank)	1,822	758
Science & Technology Human Resource Development Project (GOSL – ADB)	2,282	3,158
Wayamba University Township Development Project (GOSL – Saudi)	355	163

Source: Department of National Budget

## Skills Development and Vocational Education

In the first six months of 2024, expenditure on skills development and vocational education was Rs. 4.2 billion of which Rs. 3.9 billion and Rs. 293 million were incurred on recurrent and capital expenditure, respectively.

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

Rs. Million		
Description	2023 Jan-June	2024 Jan-June
Nipunatha Sisu Diriya	232	45
Skills Sector Development Programme (ADB/WB)	235	-
Modernization of 7 Colleges of Technology & Technical Colleges	21	83
Capacity Building Project for Construction Courses in Technical Colleges and Colleges of Technology in Sri Lanka (GOSL/KOICA)	81	4
You Lead (GOSL/USAID)	-	3
Vocational Training in Sri Lanka (GOSL/GIZ)	-	7

Source: Department of National Budget

## Science and Innovation

In the first six months of 2024, expenditure on Science and Innovation amounted to Rs. 654 million of which Rs. 529 million and Rs. 125 million were incurred as recurrent and capital expenditure, respectively.

**TABLE 2.14: Expenditure on Major Activities of Science & Innovation from January to June 2024**

Rs. Million		
Description	2023 Jan-June	2024 Jan-June
Improving degraded soil	-	2
Scientific Development Programme	3	-
Science & Technology Collaboration under Bilateral and Multilateral Cooperation	-	2
Implementation of R & D Investment Framework	-	1

Source: Department of National Budget

## Health

Government expenditure on health including both Western and indigenous medicine sectors and covering both Provincial and Central Government health expenditure declined by 9 percent to Rs. 168.7 billion during the first six months of 2024 compared to the same period of 2023. Out of the total health expenditure, recurrent expenditure was Rs. 158.1 billion and capital expenditure amounted to Rs. 10.6 billion. Out of recurrent expenditure, Rs. 29.0 billion was spent on medical supplies including supply

of pharmaceuticals, surgical items and laboratorial items.

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

Rs. Million		
Description	2023 Jan-June	2024 (Provisional)
<b>Total Recurrent Expenditure</b>	<b>173,681</b>	<b>158,091</b>
Service delivery expenditure	71,867	85,705
of which Salaries of medical personnel and support staff	57,911	67,711
Provision of Medicine	58,730	28,961
Provincial Health	43,084	43,425
<b>Public Investment Expenditure</b>	<b>10,967</b>	<b>10,569</b>
Medical Equipment	763	577
Health System Enhancement Project – ADB Sri Lanka COVID 19 Emergency Response and Health Systems Preparedness Project (WB)	214	844
Improvement of ETU-Facilities under Line Ministry Hospitals	137	-
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	53	-
Construction of Nursing Faculty/Hostel	93	83
Other Capital Investments	5,345	2,591
Provincial Health Investment	3,235	2,795

Source: Department of National Budget

## Agriculture

Expenditure on the agriculture sector including plantation, livestock, fisheries and land development declined by 11 percent to Rs. 53.3 billion in the first six months of 2024 compared to Rs. 60.3 billion in the same period in 2023. This is mainly due to the reduction of fertilizer subsidy from Rs. 20,000 to Rs. 15,000 per hectare in 2024 and the accounting of expenditure on taxes and related costs of fertilizers pertain to fertilizer received through grants and credit lines in the first six months of 2023. Out of the total expenditure in the first six months of 2024, Rs.20.4 billion was spent on the fertilizer subsidy programme and Rs. 1.9 billion, Rs. 1.0 billion, Rs. 760 million and Rs. 355 million was incurred on fisheries development, plantation sector development, land development and crop agriculture, respectively. The remainder

was spent on livestock development and the improvement of infrastructure to provide the required facilities for the sector.

### Water Supply and Sanitation

In the first six months of 2024, the Government continued spending on ensuring access to safe drinking water and quality sanitization services including the servicing of loans obtained from domestic and foreign banks at a cost of Rs. 9.8 billion. Accordingly, Rs. 652 million and Rs. 9.1 billion have been spent on recurrent and capital expenditure, respectively. The national programme of capacity enhancement and distribution expansion project is currently being implemented with the aims of enhancing production capacity, establishing new water supply schemes, and expediting ongoing projects to ensure access to safe drinking water for the entire population.

### Roads and Bridges

During the first six months of 2024, the expenditure on roads and bridges amounted to Rs. 95.1 billion which marks the decline of around 5 percent compared to the same period of 2023. During the first six months of 2024, the Government put its highest priority on maintaining the existing road network, completing critical activities on projects that had already begun and developing them to motorable level, and completing the Central Expressway. Out of the total expenditure, Rs. 25.7 billion was spent on national and rural road development. Of which, Rs. 3.2 billion was spent on the completion of the balance work of the Integrated Road Investment Programme (i- Road), while Rs. 9.1 billion was spent for the development of 100,000 km of alternative roads to access main roads. Rs. 7.2 billion was spent on road maintenance activities.

**TABLE 2.16 : Expenditure on Roads and Bridges from January to June 2024**

Project/Programme	Rs. Million	
	2023 Jan -June	2024 Jan -June (Provisional)
<b>1 Expressways Development</b>	<b>20,293</b>	<b>20,608</b>
Central Expressway Project	14,582	14,427
Colombo - Rathnapura - Pelmadulla Expressway	16	1,787
Elevated Highway from New Kelani Bridge to Athurugiriya	13	-
Port Access Elevated Highway Project	3,785	3,894
Extension of Southern Expressway Project	1,897	500
<b>2 Roads Development</b>	<b>26,410</b>	<b>25,727</b>
Road Maintenance and Improvement	2,280	7,192
Colombo District Road Development Project	592	792
Southern Road Connectivity Project	316	-
Integrated Road Investment Programme (i - Road)	4,760	3,220
Widening and Improvement of roads and bridges in Central and Uva Provinces	21	-
Inclusive Connectivity and Development Project	3,043	2,652
Kandy Multimodal Transport Terminal Development Project	43	176
Development of an alternative Road Network to Access Main Roads and Expressways and to ease the Traffic Congestion	12,644	9,095
Other Roads Development	2,711	2,600
<b>3 Widening and Improvement of Roads</b>	<b>765</b>	<b>344</b>
<b>4 Construction of Bridges and Flyovers</b>	<b>1,182</b>	<b>1,257</b>
Reconstruction of Damaged and Weak Bridges on National Highways	157	106
Construction of Rural Bridges using old bridge components	151	125
Second New Kelani Bridge Construction Project	6	-
Design and Construction of Flyovers in Kohuwala and Gatambe	124	97
Construction of Flyovers over the Railway Line at Uttharananda Mawatha and near the Slave Island Railway Station	733	829
Reconstruction of 25 Bridges on National Highways	11	100
<b>5 "Maganeguma" Rural Road Development Programme</b>	<b>2,358</b>	<b>915</b>
<b>6 Transfers to Road Development Authority</b>	<b>4,500</b>	<b>-</b>
<b>7 Lands &amp; Land Improvements (Other projects excluding priority projects)</b>	<b>1,999</b>	<b>3,128</b>
<b>8 Gap Financing of the Road Development Authority's Commitments</b>	<b>42,429</b>	<b>43,145</b>
<b>9 Others</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>99,936</b>	<b>95,124</b>

Source: Department of National Budget

Further, Rs. 20.6 billion was spent on expressway development, with the Central Expressway Development Project from Pothuhera to Rambukkana receiving the majority of the funds. The expenditure on road widening and improvement was Rs. 344 million, while the expenditure on bridge and flyover construction was Rs. 1.3 billion.

Furthermore, approximately Rs. 43.1 billion, representing the largest proportion of the total expenditure, has been paid as interest and capital repayment for the loans obtained by the Road Development Authority from local banks to implement road rehabilitation and improvement projects.

### **Transport**

Government expenditure on the transport sector declined by 2.9 percent to Rs. 27.5 billion during the first six months of 2024 compared to the same period of 2023. Rs. 20.5 billion and Rs. 7.0 billion have been spent on recurrent and capital expenditure, respectively. Rs. 3.8 billion was spent on the Colombo suburban railway project, rehabilitation of the railway line from Maho to Omanthai, maintenance of existing railway lines and conducting minor and large-scale repairs to the railroad by the Railway Department.

During the first six months of 2024, expenditure on bus transportation was Rs. 5.8 billion which has been spent on welfare services such as operating SLTB buses on economically unprofitable routes, issuing school and higher education season tickets and bus passes to the Armed Forces. The Department of Motor Traffic has spent Rs. 1.5 billion during this period on implementation of the Motor Traffic Act.

### **Housing development**

During the first six months of 2024, Rs. 959 million was spent on the construction of housing and related infrastructure development including resettlement/ construction of permanent houses for the conflict affected families and construction of 2,000 housing units under the development assistance from China.

### **Urban development**

Expenditure on Urban Development amounted to Rs. 6.2 billion in the first six months of 2024. Out of which Rs. 900 million was spent on recurrent expenditure and Rs. 5.3 billion was spent on capital expenditure. Out of the total expenditure of the urban development sector, Rs. 3.9 billion was spent on the Colombo Urban Development project, the Urban Regeneration Project, the Strategic Urban Development project (Jaffna), and "*Siyak Nagara*" Program. Rs. 631 million was spent on the *Weras Ganga* Stormwater Drainage and Environment Improvement Project and the Metro Colombo Solid Waste management Project.

### **Environment**

During the first six months of 2024, government expenditure on the environment sector was Rs. 4.0 billion, out of which Rs. 3.7 billion and Rs. 296 million was incurred on recurrent expenditure and capital expenditure, respectively. Rs. 52 million was spent on environmental protection, Rs. 156 million on the expansion of forest coverage and forest protection, Rs. 183 million on mitigation of human-elephant conflict including the establishment of electric fences, Rs. 5 million on Improvement of road network in national parks and Rs. 18 million on the development of zoological gardens. The remaining amount was allocated to the relevant institutions for implementing other related programs and policies concerning the environment protection, wildlife and forest conservation.

### **Irrigation and Water Management**

During the first six months of 2024, the expenditure for irrigation and water management was Rs. 12.6 billion. Rs. 3.9 billion was spent on Mahaweli Water Security Investment Program. The balance of Rs. 8.7 billion was spent on the development and improvement of irrigation systems by the Ministry of Irrigation and the Department of Irrigation.

**TABLE 2.17: Statement of Government Treasury Cash Flow Operations: January to June 2024**

Item	Rs. Billion		
	January – June 2023		2024
	Actual	Estimate	Actual
Opening Cash balance	-84.2	599.5	599.5
Total cash inflow from revenue and other receipts	1,250.1	1,802.0	1,812.3
Total cash outflow for recurrent payments	-2,166.9	-2,501.9	-2,265.5
Total cash outflow for capital payments*	-265.1	-446.1	-379.3
Net cash surplus / (deficit)	-1,181.9	-1,146.0	-832.5
Gross borrowing *	1,922.1	1,712.6	1,665.3
Debt repayment	-617.8	-591.2	-749.0
Net borrowing	1,304.3	1,121.4	916.4
Balance proceeds of Commercial Borrowing previous year	0.0	-	-
Adjustment account balance (TEB, net deposits, Other Transfer etc.)	5.9	-	-36.6
<b>Closing Cash balance</b>	<b>44.1</b>	<b>574.9</b>	<b>646.7</b>

Source: Department of Treasury Operations

\*Includes project/programme loans accounted by Department of Treasury Operations as at 30<sup>th</sup> June 2024.

## 2.4 Performance of the cash flow of the General Treasury

Benefiting from the revenue based fiscal consolidation measures implemented by the Government, the first six months of 2024 witnessed an increase in cash inflows, easing Treasury operations. The improved revenue has reasonably facilitated the Treasury cash flow to finance debt service payments instead of raising the entire requirement from the market. Further, liquidity surplus in the money and capital markets with the improved liquidity status of the banking sector has supported to maintain of the market interest rates. While complying with the IMF-EFF indicative targets for not to maintain outstanding payments of more than three months at any given time, prompt settlement of bills due to the suppliers of goods and services of the government has eased the industrial performance.

Accordingly, during the first six months of 2024, cash inflows to the General Treasury by way of revenue and other receipts amounted

to Rs. 1,812.3 billion, as against the estimate of Rs. 1802.0 billion, achieving 100.6 percent of the estimate. Meanwhile, cash outflows for both recurrent expenditure and public investment in the first six months of 2024 amounted to Rs. 2,644.8 billion as against the estimate of Rs. 2,948.0 billion, achieving 89.7 percent of the estimate. Accordingly, total cash outflows for both recurrent expenditure and public investments reflect an increase of 8.8 percent compared to Rs. 2,432.0 billion over the same period of 2023.

The total cash deficit as at June 30, 2024 was Rs. 832.5 billion, reflecting a decline of 30.0 percent compared to Rs. 1181.9 billion deficit recorded as at end June 2023, mainly due to the increase in revenue and other receipts by 44.9 percent during the first half of 2024. Although, the total cash outflows for both recurrent expenditure and public investment do not reflect a significant variance over the same period of the previous year, total borrowing has declined by 13.3 percent while debt repayments reflect an increase of 21.2 percent over the previous year. This has occurred mainly due to the use of a part of the increased revenue for debt service payments, which were earmarked to be financed through market borrowings. Accordingly, positive cash balance has remained at Rs. 646.7 billion as at end of the first six months of 2024.

## 2.5 Management of Government Debt

The total gross borrowing limit approved by the Parliament for the year 2024 amounted to Rs. 7,350 billion, including provisions made for the execution of external debt restructuring and financing of bank recapitalization. The utilization of Government borrowings for the period from January 01 to June 30 2024 was recorded as Rs. 1,513.4 billion. Total borrowing during the period comprised of domestic and foreign project/programme borrowings amounted to Rs. 1,344.2 billion and Rs. 169.2 billion, respectively, to finance debt service payments and development projects during the period.

Out of the total borrowings obtained in the first six months of 2024, approximately 89.0 percent consisted of domestic borrowing.

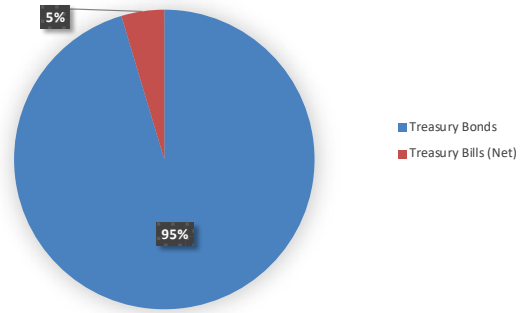
Treasury Bills and Treasury Bonds were the main sources of domestic borrowings of the Government. Accordingly, around 91.0 percent of the total domestic borrowings were raised by way of Treasury Bonds, which were recorded at the value of borrowing made during the year, while 9.0 percent of domestic borrowings represent the Treasury Bills in the first six months of 2024 since the borrowing through Treasury Bills were recorded at net value after setting off the cash outflows on maturing Treasury Bills.

**TABLE 2.18 : Gross Domestic Borrowings – January to June 2024**

Instruments	Rs.Billion
Treasury Bonds	1,198.5
Treasury Bills (Net)	58.2
<b>Total</b>	<b>1,256.7</b>

Source: Department of Treasury Operations

**FIGURE 2.3: Gross Domestic Borrowings (January – June 2024)**



Source: Department of Treasury Operations

### Disclosure of contingent liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remained valid as at June 30, 2024 was Rs. 2,364.4 billion, whereas the outstanding liability upon such guarantees to Rs. 1,743.7 billion. The list of Treasury Guarantees issued by the General Treasury as at June 30, 2024 is given in Table 2.19.

**TABLE 2.19: The Outstanding List of Treasury Guarantees & Letters of comfort Issued by the General Treasury up to 30.06.2024**

S. No	Name of the Bank or Institution	Name of Institution	Issued Value Rs.Mn as at 30.06.2024	Rs. Mn.		
				Outstanding Value Rs.Mn as at 30.06.2024		
1	Asian Development Bank	Ceylon Electricity Board	124,141.32	139,658.99	96,069.86	111,587.53
		Reginoal Development Bank	15,517.67		15,517.67	
2	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	55,863.59	55,863.59	43,449.46	43,449.46
3	Bank of Ceylon	Building Materials Corporation Ltd	500.00	430,761.19	500.00	282,258.22
		Ceylon Electricity Board	4,540.00		4,415.00	
		Ceylon Fisheries Corporation	250.00		158.62	
		Ceylon Petroleum Corporation	100,000.00		56,356.74	
		General Sir John Kotelawala Defence University	835.00		103.90	
		Janatha Estates Development Board	200.00		125.06	
		Lanka Coal Company (Pvt) Ltd	49,500.00		2,764.00	
		National School of Business Management Limited	8,600.00		6,155.00	
		National Water Supply & Drainage Board	66,512.05		40,284.30	
		Northsea Limited	38.63		37.41	
		Paddy Marketing Board	374.50		363.23	
		Road Development Authority	147,102.33		118,836.92	
		Sri Lanka Rupavahini Corporation	93.00		78.66	
		Sri Lankan Airlines Limited	45,487.10		45,487.10	
		State Development and Construction Corporation	1,126.81		990.52	
State Engineering Corporation	2,400.00		2,399.99			
Mihin Lanka Limited	3,201.77		3,201.77			

S. No	Name of the Bank or Institution	Name of Institution	Rs. Mn.		Rs. Mn.	
			Issued Value Rs.Mn as at 30.06.2024		Outstanding Value Rs.Mn as at 30.06.2024	
4	China Development Bank	National Water Supply & Drainage Board	51,211.58	51,211.58	70,180.19	70,180.19
5	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	13,585.72	13,585.72	7,969.87	7,969.87
6	Commercial Bank	National Water Supply & Drainage Board	968.36	5,724.29	621.33	5,377.26
		Road Development Authority	4,755.93		4,755.93	
7	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	54,311.83	54,311.83	54,311.83	54,311.83
8	DFCC Bank	National Water Supply & Drainage Board	6,026.24	11,922.75	3,978.18	9,222.52
		Road Development Authority	5,896.51		5,244.34	
9	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	27,514.37	27,514.37	4,366.67	4,366.67
10	Exim Bank of India	National Water Supply & Drainage Board	79,667.69	79,667.69	47,291.64	47,291.64
11	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	43,279.73	4,000.00	33,278.08
		Ceylon Electricity Board	3,818.64		450.01	
		National Water Supply & Drainage Board	15,327.94		8,694.92	
		Road Development Authority	20,133.15		20,133.15	
12	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	13,698.36	13,698.36	9,155.42	9,155.42
13	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	13,026.27	13,026.27	8,233.67	8,233.67
14	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	27,667.49	27,667.49	23,787.83	23,787.83
15	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	144,203.71	144,203.71	31,053.31	31,053.31
16	National Development Bank PLC	National Water Supply & Drainage Board	21,380.43	27,679.63	16,109.02	22,408.86
		Road Development Authority	6,299.21		6,299.84	
17	National Savings Bank	Ceylon Electricity Board	5,000.00	199,709.66	5,000.00	183,796.15
		General Sir John Kotelawala Defence University	40,563.39		33,377.22	
		National Water Supply & Drainage Board	32,710.61		29,813.74	
		Road Development Authority	114,415.66		113,582.32	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00		1,200.87	
		Techno Park Development Company Private Limited	750.00		750.00	
		Urban Development Authority	2,770.00		72.00	
18	People's Bank	Ceylon Electricity Board	15,333.33	177,816.02	14,195.65	141,799.47
		Ceylon Petroleum Corporation	2,397.48		1,800.05	
		Ceylon Shipping Corporation Ltd	22,317.65		15,384.21	
		Lanka Sathosa Limited	8,241.00		4,226.53	
		National Paper Corporation	140.00		62.77	
		National Water Supply & Drainage Board	7,107.12		3,468.83	
		Paddy Marketing Board	760.75		759.08	
		Road Development Authority	57,255.95		46,074.29	
		Sri Lanka State Plantation Corporation	100.00		96.30	
		Sri Lankan Airlines Limited	59,045.97		51,354.55	

S. No	Name of the Bank or Institution	Name of Institution	Rs. Mn.		Rs. Mn.	
			Issued Value Rs.Mn as at 30.06.2024		Outstanding Value Rs.Mn as at 30.06.2024	
		State Printing Corporation	1,165.00		524.52	
		Techno Park Development Company Private Limited	750.00		750.00	
		Mihin Lanka Limited	3,201.77		3,102.69	
19	Sampath Bank	Road Development Authority	14,500.00	14,500.00	11,204.55	11,204.55
20	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	3,724.24	3,724.24	3,724.24	3,724.24
21	Sri Lanka Savings Bank	Northsea Limited	60.00	60.00	58.51	58.51
22	UniCredit Bank Austria AG	National Water Supply & Drainage Board	16,876.95	16,876.95	13,608.29	13,608.29
23	International Air Transport Association(IATA)	Sri Lankan Airlines Limited	3,600.10	3,600.10	3,600.10	3,600.10
24	Reserve Bank of India	Central Bank of Sri Lanka	807,362.39	807,362.39	621,150.07	621,150.07
25	Paddy Marketing Board	Co-operative Wholesale Establishment	880.00	880.00	729.60	729.60
26	Export Development Board	Bank of Ceylon and Peoples Bank	60.00	60.00	60.00	60.00
<b>Grand Total</b>			<b>2,364,366.55</b>	<b>2,364,366.55</b>	<b>1,743,663.34</b>	<b>1,743,663.34</b>

Source: Department of Treasury Operations



## CHAPTER 3

### Performance of State Owned Enterprises

#### 3.1 Overview

The State Owned Enterprises (SOEs) embarked on key reforms including the introduction of cost-reflective pricing for electricity and fuel, restructuring of the balance sheets of selected key SOEs and allowing additional private sector firms to enter into the petroleum sector, among others. The reforms have benefitted the key 52 SOEs registering a total profit of Rs. 280.7 billion in the first six months of 2024, compared to the total profit of Rs. 193.5 billion recorded in the same period of 2023.

With the objectives of creating greater operational and financial autonomy for the generation, transmission and distribution stages of the Ceylon Electricity Board (CEB), the Electricity Act, No. 36 of 2024 was enacted in June, 2024. Also, the Act envisages improving efficiency, transparency and accountability in the power sector while allowing the private sector participation in the above 3 stages. Meanwhile, M/s RM Parks commenced its operations on May 08, 2024 in the downstream petroleum market. This will increase the competition in the petroleum retail market in Sri Lanka and improve the service standards for the benefit of consumers.

As approved by the Cabinet of Ministers in April, 2024 to reform the State Owned Banks (SOBs) in order to improve governance, risk management and oversight, a Committee with professionals was appointed to select independent directors for the SOBs under a transparent procedure. Further, a specialized unit is being established under the Department of Public Enterprises of the General Treasury for oversight of the SOBs. In March, 2024, the Cabinet of Ministers approved the transfer of Treasury guaranteed debt of SriLankan Airlines Limited (SLA)

amounting to USD 210 million and Rs. 31.4 billion (equivalent to approximately USD 100 million) to the Government's balance sheet.

The collection of levies and dividends from the SOEs increased to Rs. 14.9 billion in the first six months of 2024, compared to Rs.13.7 billion in the same period of 2023.

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

##### Bank of Ceylon

The asset base of the Bank of Ceylon (BoC) increased marginally to Rs. 4,423 billion as at end June 2024 from Rs. 4,412 billion as at end 2023. During the first six months of 2024, the deposit base of the bank decreased by 1.3 percent to Rs. 3,832 billion, compared to Rs. 3,882 billion as at end 2023. Stage III loan ratio of the bank has slightly deteriorated to 5.68 percent as at end June 2024, compared to 5.07 percent as at end 2023. The BoC recorded a Profit before Tax (PBT) of Rs. 22.4 billion in the first six months of 2024, a significant increase, compared to Rs. 10.5 billion PBT reported in the same period of 2023.

##### People's Bank

People's Bank (PB) asset base increased by 5.2 percent to Rs. 3,195 billion as at end June 2024 from Rs. 3,038 billion as at end 2023. The deposit base of the bank increased by 5.3 percent to Rs. 2,794 billion as at end June 2024, compared to Rs. 2,653 billion as at end 2023. Loans and advances increased by 2.2 percent to Rs. 1,747 billion as at end June 2024 from Rs. 1,709 billion as at end 2023. Stage III loan ratio of the bank has improved marginally to 8.51 percent as at end June 2024, compared to 8.83 percent as at end

2023. PB recorded a profit before tax of Rs. 2.6 billion in the first six months of 2024, a decrease of 60.4 percent, compared to Rs. 6.6 billion in the same period of 2023.

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

National Savings Bank's (NSB) asset base recorded a marginal increase to Rs. 1,692 billion as at end June 2024 from Rs. 1,687 billion as at end 2023. The deposit base of the bank increased by 0.8 percent to Rs. 1,495 billion as at end June 2024 from Rs. 1,483 billion as at end 2023. Loans and advances balance decreased by 2.2 percent to Rs. 515 billion as at end June 2024, compared to Rs. 527 billion as at end 2023. NSB recorded a profit before tax of Rs. 14,996 million in the first six months of 2024, compared to Rs. 582 million in the same period of 2023.

### **Sri Lanka Insurance Corporation Limited**

Sri Lanka Insurance Corporation Limited (SLIC) reported a profit before tax of Rs. 1.8 billion in the first six months of 2024. SLIC's fully owned subsidiaries namely, Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited recorded a profit before tax of Rs. 15.3 billion and Rs. 1.3 billion, respectively in the first six months of 2024. As approved by the Cabinet of Ministers, the divestiture process of Sri Lanka Insurance Corporation Ltd commenced with the issuance of Request for Qualifications and the shortlisting of bidders have been completed.

By the approval granted by the Cabinet of Ministers, the transfer of shares held by Sri Lanka Insurance Corporation Ltd in Lanka Hospitals PLC, Litro Gas Lanka Ltd, Litro Gas Terminal Lanka Ltd, and Canwill Holdings (Pvt) Ltd to the General Treasury is currently underway.

### **Ceylon Electricity Board**

The revenue from the sale of electricity slightly increased by 5.9 percent to Rs. 314.4 billion in the first six months of 2024, compared to Rs. 296.8 billion in the same period of 2023 mainly due to the increase in demand for electricity by 7.3 percent to 7,487

GWh in the first six months of 2024 against 6,975 GWh in the same period of 2023. The direct generation cost of the Ceylon Electricity Board (CEB) declined significantly by 32 percent to Rs. 158.1 billion in the first six months of 2024, compared to Rs. 233.6 billion in the same period of 2023 due to the favorable weather conditions together with the decrease in coal prices resulting from the currency appreciation. As such, CEB recorded a gross profit of Rs. 99.7 billion in the first six months of 2024, compared to the gross profit of Rs. 17.8 billion in the same period of 2023. Benefitting from the gain of Rs. 26 billion on the disposal of shares of its subsidiary, Lanka Transformers Limited, CEB recorded a net profit before tax of Rs. 119.2 billion in the first six months of 2024, compared to the net loss of Rs. 13.7 billion in the same period of 2023.

During the first six months of 2024, the generation mix changed favorably as thermal (Coal): Hydro: NCRE, Wind & Rooftop: and thermal (Fuel) 36: 30: 18: 16 in comparison to 38: 22: 17: 23 in the same period of 2023. Accordingly, the cost per unit at the selling point has also considerably decreased to Rs. 31.12 per KWh in the first six months of 2024, compared to Rs. 45.48 per KWh in the same period of 2023.

The total outstanding obligations of CEB to Ceylon Petroleum Corporation (CPC) and independent power producers (IPP) have significantly decreased by 78 percent to Rs. 17.4 billion as at end of June 2024, compared to Rs. 79.2 billion as at end 2023. However, the outstanding debt obligations have increased by 9.8 percent to Rs. 289.4 billion as at end June 2024, compared to Rs. 263.6 billion as at end 2023 due to the increase of project loans.

Two tariff revisions made in 2024 have resulted in the end user average tariff reduction of 21.9 percent in March, 2024, subsequently further reduction of 22.5 percent in July, 2024.

New appointments to the National Electricity Advisory Council (NEAC) and the National System Operator (NSO), and others set up as per the provisions in the Electricity Act were approved by the Cabinet of Ministers.

## **Ceylon Petroleum Corporation**

The cost of import of petroleum and petroleum products by the CPC in the first six months of 2024 declined to USD 1,235 million compared to USD 1,380 million in the same period of 2023 mainly due to the decline in imported quantity emanating from the entrance of new players to the market amidst the increase in average import price of crude oil in the international market.

The decline in import costs has led to reducing in the cost of sales for CPC by 17.2 percent to Rs. 467.7 billion in the first six months of 2024, compared to Rs. 564.6 billion in the same period of 2023. Consequently, CPC's turnover experienced a notable decrease of 20.1 percent in the first six months of 2024 to Rs. 544.3 billion, compared to Rs. 681.5 billion in the same period of 2023. Therefore, the profit of the CPC decreased sharply by 70.2 percent to Rs. 20.7 billion in the first six months of 2024, compared to Rs. 69.5 billion in the same period of 2023.

Further, CPC no longer owes any liabilities to the Bank of Ceylon or People's Bank and the payable amount to the National Iranian Oil Company of USD 230.9 million as at end December 2023 was reduced to USD 191 million as at end June 2024.

## **SriLankan Airlines Limited**

SriLankan Airlines Ltd (SLA) has faced persistent cash flow challenges significantly influenced by legacy operational issues and financial costs from past debt. The General Treasury has regularly provided equity injections and other measures such as loan guarantees to support the operations of the SLA.

In order to safeguard the national carrier, the Government offered assistance by providing a Rs. 5 billion equity contribution to the SLA to support its ongoing cash flow problems in the first six months of 2024. Despite the challenging external and internal funding constraints, SLA has earned a total revenue of Rs. 63.8 billion for the first three months of the financial year 2024/25, which is 12.7 percent less compared to Rs. 73.1 billion earned in the same period of financial year 2023/24.

SLA has recorded a profit before tax of merely Rs. 0.6 billion in the first three months of the financial year 2024/25, compared to Rs. 8.0 billion in the same period of 2023/24 (excluding finance chargers and exchange differences). After adjusting finance chargers and exchange differences, SLA Group reported a net loss of Rs. 12.9 billion in the first three months of 2024/25, compared to Rs. 25.8 billion net profit recorded in the same period of 2023/24.

## **National Water Supply and Drainage Board**

The National Water Supply and Drainage Board (NWS&DB) increased the piped borne water and safe drinking water supply coverage in the country to 62.4 percent and 98.1, respectively as at end June 2024, compared to 61.0 percent and 96.7 percent, respectively as at end June 2023.

During the first six months of 2024, the NWS&DB added nearly 81,000 new connections to the system, which increased the total connections to 3.08 million as at end June 2024. With the implementation of a new tariff for water, the NWS&DB recorded a revenue of Rs. 42.8 billion during this period, an increase of 69.8 percent compared to Rs. 25.2 billion in the same period of 2023. Meantime, with the overall increase in the electricity tariff and the other material costs, the cost of sales increased by 26.3 percent to Rs. 18.7 billion in the first six months of 2024, compared to Rs. 14.8 billion in the same period of 2023. However, the Board recorded a gross profit of Rs. 24.1 billion during this period under review. As a result, the NWS&DB recorded a net profit of Rs. 13.8 billion during the first six months of 2024, compared to a net profit of Rs. 2.5 billion in the same period of 2023.

The NWS&DB produced 414 million cubic meters (m<sup>3</sup>) of water during the first six months, against 399 million m<sup>3</sup> in the same period of 2023 and recorded a water sale of 313 million m<sup>3</sup> against 298 million m<sup>3</sup> in the same period of 2023. Further, Non-Revenue Water (NRW) showed a declining trend over the period and recorded as 24.39 percent against 25.41 percent during the first six months of 2023. Further, the General Treasury has contributed Rs. 13.1 billion as equity for

the repayment of loans of the local banks and to support the settlement of liabilities of the ongoing projects.

In addition, the NWS&DB signed the Statement of Corporate Intent, a tripartite agreement between the General Treasury, Ministry of Water Supply & Estate Infrastructure Development and the NWS&DB on July 25, 2024 as one of the policy actions under the Policy Based Loan of the Asian Development Bank for Water Sector Reforms. Moreover, having considered the reduction in electricity tariff, with the approval of the Cabinet of Ministers, the NWS&DB reduced the water tariff by an overall average rate of 5.94 percent for domestic, hospitals, schools and other charitable institutions with effect from August 21, 2024.

### **Sri Lanka Ports Authority**

During the first six months of 2024, containerized cargo has recorded 1,207,675 TEUs and conventional cargo has recorded 4,747,911 M/T, an increase of 18 percent and 22 percent, respectively compared to the same period of 2023 due to various factors, including the Red Sea crisis and its ramifications. The total net operational revenue of Sri Lanka Ports Authority (SLPA) in the first six months of 2024 was recorded as Rs. 36.9 billion, of which 46 percent revenue of Rs. 17.1 billion was generated through stevedoring, 27 percent of Rs. 9.9 billion from navigation, 12 percent of Rs. 4.3 billion from the Wharf handling.

The SLPA recorded an operational profit of Rs. 18.4 billion in the first six months of 2024, compared to Rs. 19.8 billion in the same period of 2023. Personnel emoluments and overtime cost recorded as Rs. 10.1 billion and Rs. 4 billion, respectively which account for 58.4 percent of the total expenditure of SLPA mainly with the increase in salary cost emanating from the revision of the collective agreement with effect from January 01, 2024. SLPA recorded a profit before tax of Rs. 19.8 billion in the first six months of 2024, a decrease of 9.2 percent compared to the profit before tax of Rs. 21.8 billion in the same period of 2023.

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

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

AASL reached a total revenue of Rs. 20,823 million in the first six months of 2024 through aeronautical revenue of Rs. 3,924 million, non-aeronautical revenue of Rs. 16,824 million and other income of Rs. 74 million. Total expenditure in the first six months of 2024 was reported as Rs. 12,400 million of which 55 percent represents personnel expenses of Rs. 6,809 million due to the salary increase for Air Traffic Controllers implemented in December 2023 and the salary increase approved by the General Treasury for other staff of the AASL in 2024. Finance income and exchange gain in the first six months of 2024 was Rs. 4,315 million and Rs. 4,587 million, respectively. AASL recorded a profit before tax of Rs. 17,324 million in the first six months of 2024, a decrease of 13 percent compared to Rs. 19,885 million in the same period of 2023.

**TABLE 3.1: Reform/Key Initiatives for Major SOEs**

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

Sources: SOEs and Department of Public Enterprises

**TABLE 3.2: Profitability of 52 State Owned Enterprises**

		Rs.Million		
	Enterprise	2022	2023 <sup>(a)</sup>	As at 30.06.2024 <sup>(a)</sup>
1	Bank of Ceylon	30,977	40,342	22,373
2	People's Bank	21,338	15,345	17,432
3	National Savings Bank	4,510	6,117	14,996
4	State Mortgage & Investment Bank	(89)	(1,043)	70
5	HDFC Bank	303	2,465	322
6	Pradeshya Sanwardena Bank	359	1,388	492
7	Employees' Trust Fund Board	43,428	64,959	30,182
8	Sri Lanka Insurance Corporation Limited	23,494	29,272	1,753
9	National Insurance Trust Fund	8,530	12,547	8,056
10	Sri Lanka Export Credit Insurance Corporation	711	1,056	483
11	Agriculture and Agrarian Insurance Board	2,651	1,043	1,284
12	Ceylon Electricity Board	(298,189)	61,236	119,209
13	Ceylon Petroleum Corporation	(617,588)	120,346	20,706
14	Sri Lanka Ports Authority	57,027	40,359	19,823
15	National Water Supply and Drainage Board	(2,701)	5,286	13,767
16	Airport and Aviation Services (SL) (Pvt) Ltd	6,434	33,640	17,324
17	Sri Lankan Airlines Ltd	(73,264)	1,124	(13,707)*
18	Sri Lanka Transport Board	1,421	2,189	(1,373)
19	State Engineering Corporation	(1,269)	(2,458)	(420)
20	Central Engineering Consultancy Bureau	69	748	106
21	State Development and Construction Corp.	27	(579)	(64)
22	Milco (Pvt) Ltd	(392)	(216)	89
23	National Livestock Development Board	133	(122)	667
24	Sri Lanka State Plantations Corporation	19	(92)	0.07
25	Janatha Estates Development Board	20	(156)	50
26	Kurunegala Plantations Ltd	511	534	162
27	Chilaw Plantations Ltd	514	303	129
28	Kalubovitiyana Tea Factory Ltd	346	94	1
29	Sri Lanka Cashew Corporation	17	(5)	3
30	Lanka Mineral Sands Ltd	6,160	4,050	423
31	Lanka Phosphate Ltd	61	347	190
32	Kahatagaha Graphite Lanka Ltd	57	38	13
33	Development Lotteries Board	3,267	3,516	2,031
34	National Lotteries Board	1,390	844	649
35	State Pharmaceuticals and Manufacturing Corp.	1,586	2,522	1,685
36	Sri Lanka Ayurvedic Drugs Corporation	(26)	218	219
37	State Pharmaceuticals Corporation	(2,285)	1,272	1,500
38	Sri Jayawardanepura General Hospital	247	304	567
39	Independent Television Network Ltd	(370)	(205)	(26)
40	Sri Lanka Rupavahini Corporation	(541)	(342)	(58)
41	Sri Lanka Broadcasting Corporation	(235)	(532)	(38)
42	Sri Lanka Handicraft Board	(99)	65	72
43	State Timber Corporation	1,016	1,274	6
44	STC General Trading Company	735	901	89
45	Lanka Sathosa Ltd	(687)	115	93
46	State Printing Corporation	(380)	2,794	(206)
47	Ceylon Fisheries Corporation	(193)	4	(14)
48	Ceylon Fishery Harbour Corporation	364	637	(26)
49	Ceylon Fertilizer Company Ltd	113	61	205
50	Colombo Commercial Fertilizer Company Ltd	501	162	259
51	Hotel Developers Lanka Ltd	(633)	(784)	(202)
52	Lanka Sugar Company Ltd	6,045	2,828	(672)
	<b>Total</b>	<b>(774,560)</b>	<b>455,811</b>	<b>280,674</b>

Sources: SOEs and Department of Public Enterprises

<sup>(a)</sup> Provisional

\*2024 April- June

**TABLE 3.3: Levy/Dividend income from SOEs**

	Rs.Million		
Enterprise	2022	2023	As at 30.06.2024
<b>Levy</b>	<b>22,004</b>	<b>60,497</b>	<b>12,937</b>
People's Bank	441	-	-
Ceylon Petroleum Corporation	-	5,000	5,000
Telecommunication Regulatory Commission of Sri Lanka	13,200	23,000	2,000
State Timber Corporation	320	641	-
State Pharmaceuticals Manufacturing Corporation	100	300	-
National Insurance Trust Fund	1,608	2,000	1,460
Geological Survey and Mines Bureau	1,000	2,000	768
National Gem and Jewellery Authority	35	390	-
Board of Investment of Sri Lanka	416	533	467
National Lotteries Board	361	1,000	200
Sri Lanka Standards Institution	10	40	13
Sri Lanka Export Credit Insurance Corporation	50	620	35
Sri Lanka Tourism Promotion Bureau	-	500	500
Civil Aviation Authority	1,000	4,000	-
State Pharmaceutical Corporation	350	-	100
National Transport Medical Institute	290	150	700
Sri Lanka Bureau of Foreign Employment	1,200	7,000	-
National Transport Commission	10	300	200
Sri Lanka Tourism Development Authority	-	75	-
Sri Lanka Land Reclamation and Development Authority	-	500	-
Sri Lanka Ports Authority	1,015	8,066	-
National Medicine Regulatory Authority	400	646	687
Road Development Authority	-	75	-
Land Reforms Commission	-	350	15
Condominium Management Authority	50	200	-
National Institute of Business Management	33	115	85
Post Graduate Institute of Management	90	25	4
Urban Development Authority	-	-	345
Other SOEs	25	2,971	358
<b>Dividends</b>	<b>6,087</b>	<b>15,204</b>	<b>1,971</b>
National Savings Bank	60	30	-
Bank of Ceylon	346	173	-
People's Bank	316	158	-
National Development Bank	1	-	-
Sri Lanka Insurance Corporation Ltd	1,511	2,272	-
Airport and Aviation Services (Sri Lanka)(Pvt) Ltd	500	5,500	-
Lanka Mineral Sands Ltd	759	2,500	-
Lanka Phosphate Ltd	20	220	75
Lanka Leyland Ltd	13	6	-
Rakna Arakshaka Lanka Ltd	-	125	75
Manthai Salt Ltd. (National Salt Ltd)	-	120	-
Ceylon Fertilizer Ltd	15	22	-
Colombo Commercial Fertilizer Ltd	10	60	-
Paranthan Chemicals Company Ltd	50	305	49
STC General Trading Company	11	150	40
Sri Lanka Telecom PLC	1,805	223	-
De La Rue Lanka (Pvt) Ltd	313	-	1,324
Lanka Electricity Company Ltd	218	697	-
Lanka Industrial Estates Ltd	-	174	-
Ceylon Agro Industries	24	167	119
Plantation Companies	95	554	287
Lanka Sugar Company Limited	-	1,597	-
Lanka Thripasha Ltd	10	75	-
Other SOEs	10	75	2
<b>Total</b>	<b>28,091</b>	<b>75,701</b>	<b>14,908</b>

Sources: SOEs and Department of Public Enterprises

## CHAPTER 4

### Foreign Financing

#### 4.1 Overview

The second review of the Extended Fund Facility programme of the International Monetary Fund (IMF-EFF) was completed on June 12, 2024, receiving the third tranche of approximately USD 334 million to support economic policy reforms in Sri Lanka. Since March 2023, the IMF has disbursed USD 1.0 billion under its financial support. The approval and successful implementation of the IMF-EFF programme has further helped Sri Lanka secure the receipt of foreign financing from International Financial Institutions (IFIs).

Marking a significant milestone for the official debt treatment process, Sri Lanka has successfully finalized its debt restructuring agreements with the members of the Official Creditor Committee (OCC) of Sri Lanka's major bilateral lenders and Exim Bank of China on June 26, 2024. Each creditor, including the OCC and China EXIM Bank, agreed to an extension of the payment period (maturity extension) and a reduction of interest rates. In light of this restructuring agreement, Sri Lanka is currently working towards securing agreements with private creditors, including international sovereign bondholders.

#### 4.2 Foreign Financing Commitments

At the end of the second quarter of 2024, the foreign development partners and lending agencies had entered into 8 agreements of foreign financing of USD 296.8 million with the government of Sri Lanka. Of this USD 250.0 million was obtained in the form of loans, which consists of USD 100.0 million for the enhancing Small and Medium sized Enterprises Finance project extended by the Asian Development Bank (ADB) and USD 150.0 million for the Financial Sector Safety Net Strengthening project funded by the World Bank (WB).

Apart from loan agreements, USD 46.8 million was committed through six grant agreements with Japan and Australia under Official Development Assistance (ODA) during the first half of the year.

The highest amount of commitment USD 150.0 million at the end of the second quarter, which accounted for 51 percent of the total commitments was made for the Financial sector.

#### 4.3 Foreign Financing Disbursements and Utilization

Total foreign financing disbursements during the period from January 1 to June 30, 2024, amounted to USD 786.7 million. Of which, USD 776.9 million was disbursed as loans and USD 9.8 million was disbursed by way of grants.

The highest amount of the disbursements was from the extended fund facilities of IMF which recorded 43 percent of the total disbursements, followed by the loan agreements signed with WB (27 percent) and ADB (26 percent).

The major portion of the disbursements were utilized in the Budget Support sector accounted for 43 percent of the total disbursements, followed by the SME development sector at 13 percent, and Finance sector at 9 percent.



**Table 4.1: Actual Disbursements of Foreign Loans and Grants from January 1, 2024 to June 30, 2024**

Development Partner/ Lending Agency	Actual Disbursements* (USD million)		
	Loan	Grant	Total
<b>Bilateral</b>	<b>6.6</b>	<b>1.6</b>	<b>8.2</b>
Saudi Fund	5.2	-	5.2
Netherlands	1.4	-	1.4
Japan	-	1.3	1.3
Germany	-	0.3	0.3
<b>Multilateral</b>	<b>770.3</b>	<b>8.2</b>	<b>778.5</b>
IMF **	334.0	-	334.0
Asian Development Bank	208.6	2.2	210.8
World Bank	196.6	6.0	202.6
Asian Infrastructure Investment Bank	18.2	-	18.2
OPEC Fund	8.9	-	8.9
International Fund for Agricultural Development	4.0	-	4.0
<b>Total</b>	<b>776.9</b>	<b>9.8</b>	<b>786.7</b>

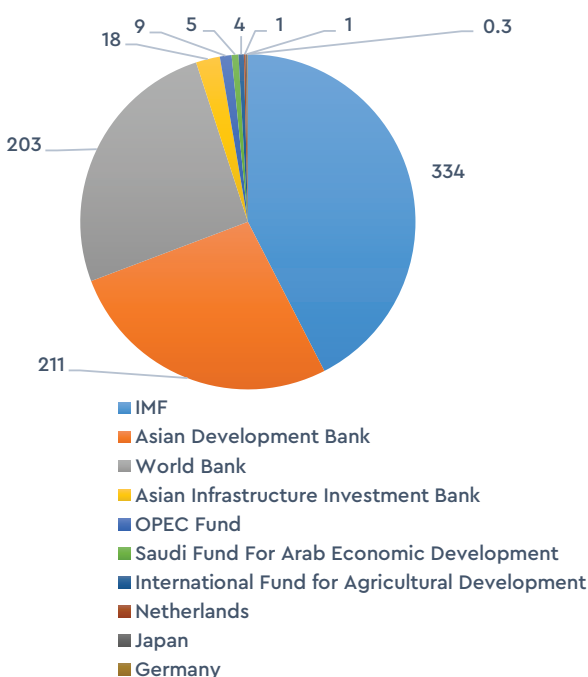
Source: Department of External Resources

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

\* Provisional, not included USD 200.9 million of capitalized amount of unpaid interest and default interest of restructured loans.

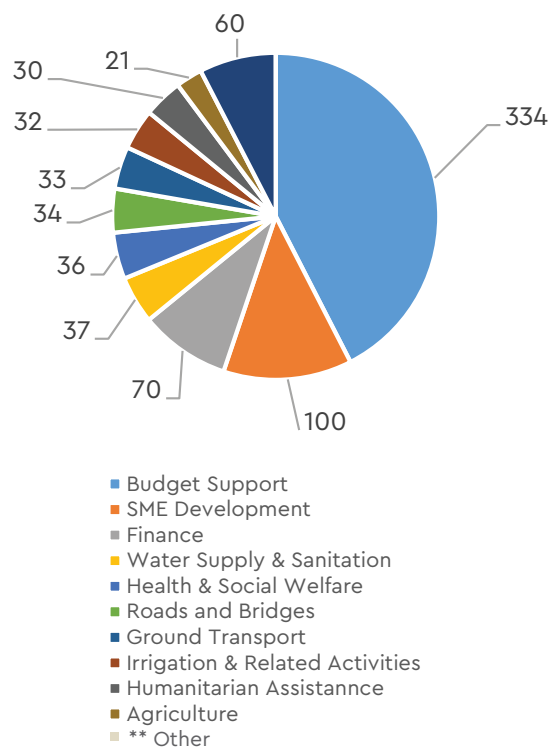
\*\* For conversion of SDR into USD, monthend exchange rate of SDR applied to the end of previous month published by CBSL have been used

**FIGURE 4.1 : Actual Disbursements from 1<sup>st</sup> January to 30<sup>th</sup> June 2024, as per the Development Partners/ Lending Agency (USD million)**



Source: Department of External Resources

**FIGURE 4.2 : Utilization of Disbursements from 1<sup>st</sup> January to 30<sup>th</sup> June 2024, by Major Economic Sector (USD million)**



Source: Department of External Resources

\*\* Other = Education & Training, Fisheries, Housing & Urban Development, Land Development, Plantation, Power & Energy, Rural Development, Science & Technology

#### 4.4 External Debt Stock and External Debt Service Payments

The external debt of the government as of end of June 2024 amounted to USD 37.5 billion<sup>1</sup>.

Total debt service payments<sup>2</sup> from 1<sup>st</sup> January to 30<sup>th</sup> June in 2024 was amounted to USD 503.0 million, of which USD 275.1 million was in lieu of principal repayments and the balance USD 227.9 million for the interest payments.

In line with the interim policy of the debt standstill adopted by the Government, the servicing of the external debt of affected loans obtained from bilateral and commercial creditors have been temporarily suspended for an interim period commencing from 12<sup>th</sup> April, 2022. Accordingly, the principal amount of USD 5,670 million and interest<sup>3</sup> of USD 2,527 million have been accumulated as unpaid debt service by the end of June 2024.

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- 1 - *Provisional, Only the Central Government outstanding Foreign Debt are depicted.*
- *Included unpaid Principal accumulated from the date of debt standstill policy was adopted.*
  - *Non-resident holdings of T-bill / T-bonds are not included.*
  - *Included ISBs, however the Outstanding amounts of ISBs have not been classified on the current resident/ non-resident basis of their holdings.*
  - *Included USD 200.9 million accumulated due to the capitalization of interest and default interest of 39 restructured loans extend by China EXIM Bank*
- 2 *Debt Service = Principal Payments + Interest Payments*
- 3 *To be reconciled with creditors during restructuring discussions.*