



FISCAL MANAGEMENT REPORT 2017

**Ravi Karunanayake, M. P.
Minister of Finance**

10th NOVEMBER 2016

Issued under the Fiscal Management (Responsibility) Act, No. 3 of 2003, consisting of the Fiscal Strategy Statement - 2017 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report - 2017 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2015	2016
REAL SECTOR				
Economic Growth	First Half	%	5.7	3.9
Agriculture	First Half	%	8.1	-2.5
Industry	First Half	%	2.5	5.2
Services	First Half	%	6.2	4.9
Inflation (Point to Point)	End Oct	%	1.7	4.2
Inflation (Average)	End Oct	%	0.7	3.6
Unemployment Rate	First Half	%	4.6	4.4
Labour Force Participation Rate	First Half	%	53.9	53.7
FISCAL SECTOR				
Budget Deficit	Jan-Sep	Rs. Bn.	-573	-506
Total Revenue	Jan-Sep	Rs. Bn.	959	1,179
Tax Revenue	Jan-Sep	Rs. Bn.	888	1,067
Non Tax Revenue	Jan-Sep	Rs. Bn.	71	112
Total Expenditure	Jan-Sep	Rs. Bn.	1,533	1,686
Recurrent Expenditure	Jan-Sep	Rs. Bn.	1,213	1,308
Public Investment	Jan-Sep	Rs. Bn.	311	391
Government Debt	End June	Rs. Bn.	7,938	9,062
EXTERNAL SECTOR				
Exports	Jan-Jul	US\$ Mn.	6,357	5,999
Agriculture Exports	Jan- Jul	US\$ Mn.	1,490	1,313
Industrial Exports	Jan- Jul	US\$ Mn.	4,837	4,660
o/w Textile and Garments	Jan- Jul	US\$ Mn.	2,819	2,940
Other	Jan- Jul	US\$ Mn.	2,018	1,720
Imports	Jan- Jul	US\$ Mn.	11,081	10,754
Consumer Goods	Jan- Jul	US\$ Mn.	2,722	2,431
Intermediate Goods	Jan- Jul	US\$ Mn.	5,704	5,485
o/w Petroleum Products	Jan- Jul	US\$ Mn.	1,648	1,320
Investment Goods	Jan- Jul	US\$ Mn.	2,644	2,830
Trade Balance	Jan- Jul	US\$ Mn.	4,724	4,755
Tourist Arrivals	Jan-Sep	No.	1,315,839	1,508,405
Earnings From Tourism	Jan- Sep	US\$ Mn.	2,181	2,500
Workers' Remittances	Jan-Aug	US\$ Mn.	4,598	4,804
Portfolio Investments (Net)	Jan-Jun	US\$ Mn.	-130	622
Overall Balance of Payments (BOP)	Jan- Jul	US\$ Mn.	-1,230	356
Gross Official Reserves	End Jul	US\$ Mn.	6,809	6,489
Exchange Rate (End Month)	End Oct	Rs.per US\$	140.85	147.11
Exchange Rate (Monthly Average)	Jan- Oct	Rs.per US\$	140.89	146.87
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Sep	%	6.00	7.00
Standing Lending Facility Rate (SLFR)	End Sep	%	7.50	8.50
Statutory Reserve Requirement (SRR)	End Sep	%	6.00	7.50
Commercial Bank Weekly Average Weighted Prime Lending Rate (AWPR)	End Sep	%	7.08	12.29
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End Sep	%	6.85	10.61
W.A. Yield Rate of Treasury Bills (91 Days)	End Sep	%	6.78	8.55
W.A. Yield Rate of Treasury Bills (364 Days)	End Sep	%	7.18	10.11
Growth in Money Supply (M _{2b})	Aug 2016/ Aug 2015	%	16.8	17.3
Growth in Credit to the Private Sector	Aug 2016/ Aug 2015	%	21.3	27.3

Reporting Requirements Under the Fiscal Management (Responsibility) Act, No. 3 of 2003

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

* By the Minister of Finance

** By the Secretary to Ministry of Finance

Compliance - 2016

- **Final Budget Position Report - The Annual Report - 2015 of the Ministry of Finance**

Stating the fiscal and economic position of 2015 was released to the public by end May 2016 and was soon thereafter placed before Parliament.

- **Mid-Year Fiscal Position Report- 2016** was released to the public by end June 2016 and was soon thereafter placed before Parliament.

This Fiscal Management Report-2017 contains:

Fiscal Strategy Statement-2017, setting out the Government's fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures, which the Government considers important for the overall fiscal policy, to be placed before Parliament on the day of the second reading of the Appropriation Bill.

- **Budget, Economic and Fiscal Position Report - 2017** setting out the basis to evaluate the Government's fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc. to be placed before Parliament on the day of the second reading of the Appropriation Bill.

PART I

Fiscal Strategy Statement - 2017

Issued by the Hon. Minister of Finance

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

This report is issued under Sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act, No. 3 of 2003 where the Minister of Finance is required to present the Fiscal Strategy Statement of the Government to the public and also lay before Parliament on the day of the second reading of the Appropriation Bill in Parliament.

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

Medium Term Fiscal Strategy

1. MEDIUM TERM FISCAL STRATEGY

1.1 Overview

Government has designed a medium term economic strategy aiming at improving and enhancing living standards of the people while achieving sustainable socio-economic development. The strategy has been formulated to create a vibrant, export-oriented and competitive economy that can cope with challenges arisen in both domestic and external environments. Government's policy statement has emphasized on generating one million employment opportunities, enhancing income levels, developing rural economies, ensuring land ownership to rural and estate sectors, the middle class and government employees and also creating a wide and a strong middle class in the country. Several steps have been taken towards de-risking the economy, removing structural constraints and promoting export-led foreign direct investments. Also, a series of measures has been implemented to improve the ease of doing business, the management and delivery of social welfare expenditure and stimulating both domestic and foreign direct investment inflows.

The outlook for Sri Lankan economy is positive. The economy will expand by about 5 percent in 2016, a slightly below the potential, due to increasingly difficult domestic and external environments. Broader macroeconomic conditions have been improved with the strengthening of fiscal consolidation process, lower inflation and improving external reserves. Meanwhile, the unemployment rate is expected to reduce to about 4 percent while inflation is forecast to reach around 4 percent

over the medium term. A new phase of development has been formed to re-align macroeconomic policies and take structural reforms to achieve high and sustain economic growth.

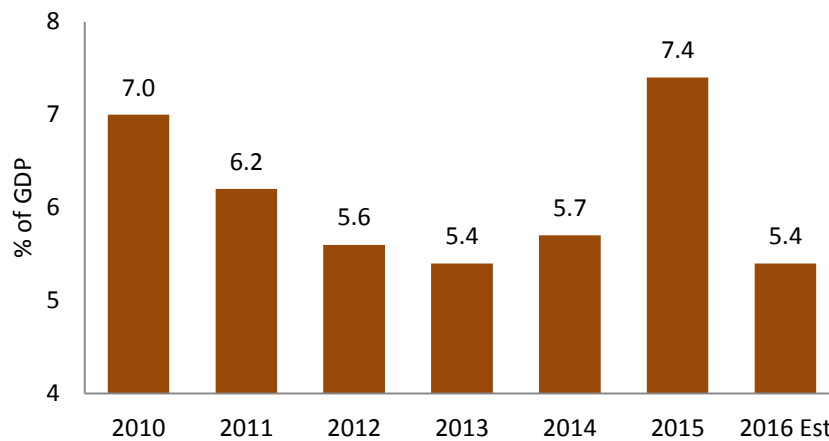
In June 2016, Sri Lanka entered into a three-year arrangement under the Extended Fund Facility (EEF) of US\$ 1.5 billion with the International Monetary Fund (IMF) to support the country's economic reform agenda designed to strengthen the fiscal consolidation, revenue mobilization, public financial management and reforms in the State Owned Business Enterprises (SOBEs). Within this arrangement, it is expected to improve macroeconomic conditions of the country while enhancing investment in the medium term.

The fiscal strategy of government was designed in a challenging environment. Government endeavors to support macroeconomic objectives of achieving high growth within the limited fiscal space. The fiscal consolidation is to be achieved with the expected increases of government revenue while also maintaining adequate level of public investments within available resource envelope and curtailment of unproductive expenditure. In this regard, measures have already been taken to augment tax and non-tax revenue of government. Meanwhile, rationalization of expenditure continued particularly targeting subsidies such as fertilizer and school uniforms with cash transfers. The fiscal strategy has been designed to contain the budget deficit and public debt on a sustained path of fiscal consolidation to achieve macroeconomic stability in the country.

The overall fiscal policy is framed by fiscal consolidation targets as stipulated in the Fiscal Management (Responsibility) Act, No. 3 of 2003. The fiscal deficit in 2016 is estimated at 5.4 percent of GDP and would be contained below 5 percent of GDP in the medium

term. By 2020, the fiscal deficit will be further reduced to 3.5 percent which will help reduce the debt to GDP ratio to more prudent levels. The envisaged fiscal consolidation would help enhance economic growth and level of public investment over the medium term.

Chart 1.1 | Budget Deficit as a % of GDP



1.2 Fiscal Strategy in the Medium Term

Government's major medium term fiscal objectives, among others, are to contain fiscal deficit to 3.5 percent of GDP and debt to GDP ratio to around 70 percent by 2020. The fiscal operations of government are guided by the Fiscal Management (Responsibility) Act, No. 3 of 2003, which provides a legal framework to phase out fiscal deficits and associated debt to support the broad-based development objectives in the Medium Term Macro Fiscal Framework (MTMFF). The fiscal consolidation will be cushioned by the expected tax and administrative reforms coupled with efficiency gains in public expenditure management in the medium term. Delivering these medium term objectives will move the country into a new phase that can cope with economic shocks, natural disasters such

as recent floods and drought and reduce the burden of debt for future generations.

In line with the above medium term objectives, the government's priorities are:

- reducing the government debt to around 70 percent of GDP in 2020;
- containing the budget deficit to 3.5 percent of GDP in 2020;
- maintaining primary surplus in 2018 and beyond;
- increasing tax revenue to GDP ratio to around 15-16 percent in the medium term; and
- rationalizing government expenditure to allow the Budget on a sustainable foundation.

Table 1.1 | Medium Term Macro Fiscal Framework : 2016-2020 (As a % of GDP)

Indicator	2015	2016	2017	Projections		
		Revised	Estimated	2018	2019	2020
Total Revenue and Grants	13.8	13.5	14.5	15.0	15.6	16.5
Total Revenue	13.7	13.5	14.4	14.9	15.5	16.4
Tax Revenue	12.1	11.8	12.7	13.1	13.8	14.4
Income Tax	2.3	2.0	2.2	2.3	2.5	2.7
VAT	2.0	2.6	2.8	2.9	3.1	3.3
Excise Tax	4.4	3.7	3.9	4.0	4.1	4.1
Tax on External Trade	2.6	2.7	2.9	3.0	3.0	3.1
Other	0.8	0.8	0.9	0.9	1.1	1.2
Non Tax Revenue	0.9	1.1	1.1	1.1	1.2	1.3
PC Tax Sharing & Devolved Revenue	0.6	0.6	0.6	0.6	0.6	0.6
Grants	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	21.3	18.9	19.1	19.1	19.5	20.1
Recurrent Expenditure	15.9	15.0	14.7	14.8	14.5	14.4
Salaries and Wages	5.0	4.8	4.6	4.6	4.4	4.4
Interest Payments	4.7	4.9	5.0	5.1	5.0	4.8
Subsidies and Transfers	3.8	3.4	3.3	3.2	3.2	3.2
Other Goods and Services	1.6	1.2	1.2	1.3	1.3	1.3
Expenses from PC Revenue	0.6	0.6	0.6	0.6	0.6	0.6
Public Investment	5.4	4.1	4.5	4.5	5.1	5.7
o/w Roads	1.6	1.2	1.2	1.3	1.4	1.5
Education	0.5	0.5	0.5	0.6	0.6	0.6
Health	0.3	0.3	0.3	0.4	0.4	0.4
Irrigation	0.4	0.4	0.4	0.4	0.4	0.4
Transport	0.4	0.4	0.4	0.4	0.4	0.4
Revenue Deficit(-)/Surplus(+)(% of GDP)	-2.2	-1.5	-0.3	0.1	1.1	2.0
Budget Deficit(-)/Surplus(+)(% of GDP)	-7.4	-5.4	-4.7	-4.2	-3.8	-3.5
Government Debt (% of GDP)	76.0	75.8	75.0	73.9	71.8	69.9

Sources: Department of Fiscal Policy and Department of National Budget

Enhancement of revenue has been identified as a priority in the fiscal consolidation process in government. There was a declining trend in tax revenue to GDP ratio observed since 2011 and the ratio remained at about 11 percent of GDP over the last 5 years. However, this has reversed in 2015 benefiting from imposition of several tax measures and upward revisions of excise duty rates on motor vehicle imports. Government has recognized the importance of increasing tax revenue to support economic growth and fiscal

consolidation and it expects an improvement in 2016 and beyond. Prudent fiscal consolidation and financial management will lead to mitigate risks associated with macroeconomic vulnerabilities in the country.

Several measures have been taken to address the shortcomings in revenue collection. Emphasis has also been given to rationalize tax exemptions and concessions provided to various sectors of the economy and simplify the tax

laws. Meanwhile, strengthening capacity of the staff will help achieve efficient and effective tax administration which will further be supported by IT solutions such as Revenue Administration Management Information System (RAMIS) at the Inland Revenue Department (IRD) and “Single Window System” at the Sri Lanka Customs (SLC) and Integrated Treasury Management Information System (ITMIS) at the Treasury. The buoyancy of the tax system is expected

to be improved in the medium term. However, the forecast for the global economy remains fragile and uncertain posing risks to the expectation and targets of the MTMFF and the Sri Lankan economy. However, Sri Lanka has a potential to grow faster in 2017 and beyond since the South Asia remains as the fastest growing region in the world driven by solid economic growth in India. The projection on the global economy for the medium term are provided in Table 1.2.

Table 1.2 | Summary of Key Indicators of World Economy

Indicator	Unit	2015	Projections		
			2016	2017	2021
GDP Growth	%				
Advanced Economies		2.1	1.6	1.8	1.7
Emerging and Developing Economies		4.0	4.2	4.6	5.1
Inflation	%				
Advanced Economies		0.3	0.8	1.7	2.0
Emerging and Developing Economies		4.7	4.5	4.4	4.0
Fiscal Deficit	% of GDP				
Advanced Economies		-2.8	-3.0	-2.8	-2.0
Emerging Market and Middle Income Economies		-4.5	-4.7	-4.4	-3.1

Sources: World Economic Outlook, IMF, October 2016, Fiscal Monitor, IMF, October 2016

1.3 Reform Initiatives

Government is in the process of implementing a series of focused legislative, administrative, institutional and capacity improvement measures. These initiatives mainly cover reforms in the areas of taxation, expenditure management, public enterprises, procurement and policy improvements.

Tax Reforms

Several tax measures have been taken in 2016 by addressing issues in the tax system to enable government to sustainably cover its commitments. VAT and NBT registration thresholds were revised and some of the exemptions have been removed. The tax base of

excise duty on motor vehicles was changed to unit rate on the basis of cubic centimeters in lieu of ad-valorem rate. Excise duty rates applicable on used motor vehicles were revised to transaction value from depreciation value as a tax base to avoid revenue leakages from under valuation of motor vehicle for tax purposes. Also, Excise (Ordinance) duty on imported foreign liquor was imposed. PAL rate was increased to 7.5 percent from 5 percent. Meanwhile, tax administration is being strengthened through the establishment of RAMIS, effective tax audit, tax consultation and taxpayer services. Furthermore, government is in the process of redrafting tax laws and establishing a Tax Appeals Commission as a part of tax reforms.

Reforms have been implemented in international trade-related taxes as well. The four band tariff system (0, 7.5, 15 and 25) was replaced by a three band tariff structure (0, 15 and 30). Rate revisions of Cess and Special Commodity Levy (SCL) continued as

protective instruments to encourage local production and protect consumers from escalating prices. Meanwhile, measures such as taxation, pictorial warning and banning of smoking in public places continued to restrict consumption of liquor and cigarettes.

Box 1 | Income Tax Regime (as at end of September 2016)

Description	Tax Rate (%)
Individuals	
Tax free allowance for residents/non- resident citizens of Sri Lanka	Rs. 500,000
Tax on Taxable Income	
First Rs. 500,000	4.0
Next Rs. 500,000	8.0
Next Rs. 500,000	12.0
Next Rs. 500,000	16.0
Next Rs. 1,000,000	20.0
Balance	24.0
Pay-As-You-Earn (PAYE) tax is not applicable on employment income upto Rs.750,000	
Tax on Taxable Income	
First Rs. 500,000	4.0
Next Rs. 500,000	8.0
Next Rs. 500,000	12.0
Balance	16.0
Tax rates for professionals (providing professional services)	
Taxable income does not exceed Rs. 25 Mn.	12.0
Exceeds Rs. 25 Mn. but not exceed Rs. 35 Mn.	14.0
Exceeds Rs. 35 Mn.	16.0
For Employees who work under more than one employer	
If payment does not exceed Rs. 25,000 per month	10.0
If payment exceeds Rs. 25,000 per month	16.0
Employees of public sector who work under more than one employer	
If payment does not exceed Rs. 50,000 per month	10.0
If payment exceeds Rs. 50,000 per month	16.0
Terminal benefits from employment (Retiring gratuity etc.)	
Period of service or contribution is less than 20 years - first Rs. 2 Mn.	Exempted
Period of service or contribution is not less than 20 years - first Rs. 5 Mn.	Exempted
On the next Rs. 1,000,000	5.0
On the balance	10.0

Box 1 | Income Tax Regime (as at end of September 2016)

Description	Tax Rate (%)
Compensation under Voluntaries Retirement Scheme (VRS) uniformly applicable- up to Rs. 2 Mn.	Exempted
Compensation under Labour Commissioner approved scheme- up to Rs. 2 Mn.	Exempted
Non-uniform compensation for loss of employment-normal rates	Maximum 16
Corporate Income Tax	
Standard Rate	
All companies (other than companies taxed at special rates)	
Not dealing in Liquor and Tobacco	28.0
Dealing in Liquor and Tobacco	40.0
Dividend Tax	10.0
Remittance Tax on Non-Resident Companies	10.0
Other	
Partnerships tax on divisible profits	8.0
Co-operative societies	Exempted
Non-Governmental Organizations (3% of the fund received is deemed to be profit)	28.0

Compiled by the Department of Fiscal Policy

Reforms in Tax Administration

Government has initiated several reforms geared to improve tax administration with minimal enforcement cost. These reforms include the introduction of Taxpayer Identification Number (TIN) and RAMIS, an automated tax system that facilitates a number of web based services such as registrations, returns, tax payments, collection and appeals etc. Introducing application of information technology solutions deemed to be required for improving tax administration. As such, emphasis has been put in place to automate the tax systems at revenue collection agencies such as IRD, SLC and Excise Department of Sri Lanka (EDSL). The IRD has nearly operationalized the RAMIS while the SLC is in the process of operating "Single Window" (SW)

system. Meanwhile, the General Treasury has initiated operational system of ITMIS.

Public Expenditure Management

Government continued to manage public expenditure prudently and to warrant government expenditure is as efficient, effective and well-targeted. Government is committed to assure that the social welfare expenditure such as fertilizer subsidy and Samurdhi is devoted only for the most vulnerable group of the society. Meanwhile, resources will be allocated for investing in infrastructure such as roads, transport and electricity generation and funding for health and education will be assured. Increased recurrent expenditure including interest payments, salaries and wages and subsidies and transfers to households exerts pressure on the government finance leaving a limited

space for development activities. In this context, Public Private Partnerships (PPPs) will be encouraged to attract foreign investors in the economic infrastructure development activities to easing the budgetary constraints of the government. In addition, the estimation and budget making process has been strengthened with citizen engagement where all segments of the society participated in this process.

Public Financial Management

Government has taken several steps to reform public financial management in order to assure transparency and accountability particularly in procurement, public assets management and other public resources. This was further strengthened with the establishment of the National Procurement Commission (NPC) under the 19th amendment to the constitution. The NPC is expected to engage in the revision of the existing Procurement Guidelines and Procurement Manuals and standard bidding documents and also the introduction of electronic government procurement aiming at encouraging competition and enabling transparency. Meanwhile, government is in the process of preparing a “National Asset Register” which highlights the government’s commitment to transparency, accountability and proper asset management. In addition, Public Finance Act is being drafted to introduce certain enabling provisions and principles to current practices in the areas of budget formulation, public debt management, financial management and financial reporting.

State Owned Business Enterprises

Reforming State Owned Business Enterprises (SOBEs) has been identified as an important step in the structural

transformation of Sri Lankan economy. Hence, government established the “Ministry of Public Enterprise Development” to oversee the restructuring of SOBEs while developing a strategy to address the issues pertaining to SOBEs. Emphasis has also been given to the requirements of market-based structural reforms while improving the performance and efficiency of SOBEs to adopt innovative management reforms to become SOBEs commercially viable entities. Furthermore, government is in the process of restructuring loss making SOBEs such as Sri Lankan Airlines to lessen the impact on public finance. In addition, reforms in the areas such as financial and business management, systems and procedures, internal controls and productive use of employees and capital assets etc. have been given priority.

Public Investment

Public investment programme on infrastructure development is expected to continue through Public Private Partnerships (PPPs) which will yield a greater efficiency and sustainability in providing public services. In addition, the PPPs will help attract foreign investments in infrastructure development. Government is committed to create a conducive environment to provide impetus for PPPs given the limited resource envelope in public investment stemming from increased recurrent expenditure and the shortfall of government revenue. The public investment is expected to maintain to around 5-6 percent of GDP in the medium term. Meanwhile, resources are also devoted to support rural economy, agriculture, Micro, Small and Medium Enterprises (MSMEs), education, healthcare and the vulnerable segments of the society.

Debt Management

Government has committed to reduce its debt to a risk-free and manageable level through growth-friendly revenue generation efforts. The debt to GDP ratio expanded to 76.0 percent in 2015 from 70.7 percent in 2014 reflecting the debt financing of budget deficit and the significant rupee depreciation on the stock of foreign currency denominated debt. However, the debt to GDP ratio is projected to reduce below 70 percent by 2020 with the expected lower fiscal deficit supported by a higher economic growth.

Financial sector

The financial sector stability and soundness is expected to stimulate the economic growth. The performance of the banking sector improved with increased levels of profits, maintaining Capital Adequacy Ratios (CAR) above minimum level and the decline of non-performing loans (NPL) ratio. The financial sector will be further strengthened with the establishment of “Colombo International Financial Centre (CIFC)”, among others, to attract both domestic and international banks to operate in Sri Lanka benefiting private equity and venture capital industry. Meanwhile, a resolution framework for weak finance companies through a Special Purpose Vehicle is being formulated.

External Sector

The performance of the external sector in Sri Lanka was moderated particularly in 2015 and the first eight months of 2016 due to the impact of lower demand for exports and the plunge in international commodity prices such as tea and rubber related products. These

developments augur well for Sri Lanka to reach alternative markets and products especially in the Asian region where a potential access to lucrative and potential markets exists. For instance, India being a “growth hotspot” in 2016 and beyond will provide a platform to access their market through a facilitation of trade agreements. Sri Lanka needs far-reaching reforms to boost export sector through diversification of products, increase value addition, promotion of export-oriented foreign direct investments, entering into bilateral and regional trade agreements and creation of competitive infrastructure. Meanwhile, the government is in the process of regaining Generalized System of Preferences Plus (GSP+) facility which will further improve the exports sector.

1.4 The Global Economic Conditions and its Impact on Sri Lanka

The global economic recovery remains subdued and growth prospects continue to be fragile and weaken with the uncertainties arising from the Britain exit from the European Union (Brexit), the plunge in commodity prices, a “wait and see” attitude towards investment, economic slowdown in China and the US monetary policy tightening. Despite the slowdown, South Asia is emerging as the world’s “growth hotspot” driven by the fastest economic growth in India. This provides positive stimulus for accelerating economic growth in Sri Lanka following broad-based macroeconomic and financial reforms. Required reforms are taking place to improve PPPs while improving financial discipline of SOBEs through implementation of structural reforms.

1.5 Medium Term Strategic Priorities of the Fiscal Policy

- Increasing tax revenue to GDP ratio to around 16-17 percent of GDP on the expansion of tax base, simplification of tax system and rationalizing various tax exemptions and concessions while creating a simple, efficient and equitable tax system.
- Enhancing revenue mobilization through building capacity in tax administration through automation, risk-based audit, efficiency enhancing measures and simplification of tax legislation.
- Reducing fiscal deficit to 3.5 percent in 2020 through increasing tax revenue, expenditure rationalization and reducing the fiscal risks from SOBEs.
- Rationalizing ineffective public expenditure and improving public expenditure management with the implementation of ITMIS and zero-based budgeting.
- Restructuring the SOBEs to operate them on a commercial-footing and become viable commercial entities.
- Implementing revenue-based fiscal consolidation and improving fiscal transparency and accountability in public financial management.
- Strengthening the poverty alleviation programmes and push low-income families out of poverty.
- Maintaining public debt at prudent levels with strengthened fiscal consolidation and improved management of public debt.

1.6 Key Fiscal Measures for the Improvement of Overall Fiscal Policy Implementation

- Implementing tax-base broadening policy measures, reforming towards risk-based tax administration and simplifying the tax system to augment the revenue.
- Integrating RAMIS, ASYCUDA and ITMIS for an effective management of revenue.
- Improving public financial management through controlling expenditure within the resource envelope and enhancing fiscal transparency and strengthening fiscal reporting system.
- Making SOBEs financially viable entities through improving their financial discipline, resolution strategy (e.g. Sri Lankan Airlines) and realizing the current price structure to a cost-reflective price method.
- Attracting higher level of foreign direct investment and stimulating private sector investment while entering into preferential trade agreements.
- Safeguarding the most vulnerable segments of the society and strengthening poverty alleviation programmes.
- Inclusion of poor and the most vulnerable segments of the society in the development process through provision of micro financing facilities.
- Removing barriers to foster private sector economic activities and improve the investment climate in the country.

PART II

Budget, Economic and Fiscal Position Report - 2017

Issued by the Hon. Minister of Finance

Under Sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act, No. 3 of 2003

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

Accordingly, this Report contains provisional figures of government revenue, expenditure and borrowing in the first 9 months of 2016. This Report also provides key macroeconomic developments during this period to facilitate the understanding of the overall economic situation within which fiscal operations have been conducted. This Report also refers to the basis of information on economic and other assumptions used in preparation of estimates for 2017 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of government.

Fiscal Developments | 01

1.1 Overview

Government's fiscal operations improved in the first nine months of 2016 benefiting from the increased government revenue and rationalization of public expenditure. This helped the containment of budget deficit during the period under review benefiting from the expansion of tax base and improvement in tax administration together with the management of government expenditure. Total government revenue increased by 23.0 percent to Rs. 1,179 billion in the reference period, compared to Rs. 959 billion recorded in the same period of 2015. The tax revenue increased by 20.2 percent to Rs. 1,067 billion and non-tax revenue increased by 58.6 percent to Rs. 112 billion during the same period.

The revenue generated from domestic consumption based taxes increased by 21.4 percent to Rs. 303 billion in the first nine months of 2016, compared to Rs. 250 billion recorded in the same period of 2015. This was mainly due to increased Value Added Tax (VAT) and Nation Building Tax (NBT) revenue on domestic activities by 23.7 percent to Rs. 157 billion and by 37.7 percent to Rs. 27 billion, respectively in the first nine months of 2016. Meanwhile, revenue from tax on liquor increased by 20.6 percent to Rs. 89 billion in the reference period of 2016. Despite the drop of production of malt liquor by 58.4 percent, the increased production of hard liquor by 9.8 percent coupled with increased excise duty rates on liquor contributed to this increase. Meanwhile, the revenue generated from cigarettes and tobacco increased by 13.2 percent to Rs. 67.5 billion during the reference period due to the upward revision of excise duty on cigarettes together with increased production of cigarettes.

Import-based taxes enhanced by 17.5 percent to Rs. 533 billion mainly due to upward rate revision of certain taxes such as

Ports and Airports Development Levy (PAL) and import duty. The revenue from VAT and NBT on imports increased by 14.7 percent to Rs. 75 billion and 14.1 percent to Rs. 12.9 billion, respectively. Meanwhile, revenue from import duty also increased significantly by 56.0 percent to Rs. 114.7 billion mainly benefiting from the upward duty rate revisions. Also, import and export cess levy increased by 39.3 percent to Rs. 44 billion due to the increase of cess rates applicable on certain items. The revenue generated from PAL significantly increased by 63.3 percent to Rs. 63.6 billion in the first nine months of 2016. This was mainly attributable to the policy measures taken to increase the PAL rate from 5 percent to 7.5 percent with effect from 01.01.2016. The revenue from Special Commodity Levy (SCL) amounted to Rs. 43 billion during the first nine months of 2016 with a 15.2 percent increase over the same period resulting from the increase in number of items coming under the SCL and revision of the SCL rates periodically to support the domestic production.

However, revenue from excise tax on motor vehicles declined by 20.0 percent to Rs. 136.5 billion in the review period, compared to the same period in the previous year. This was due to the reduction of motor vehicle imports by 31 percent to 335,980 stemming partly from increased duty rates of motor vehicles. Meanwhile, the reintroduction of concessionary duty scheme on import of motor vehicles will negatively impact on the revenue generated from excise tax.

The revenue from direct taxes increased by 27 percent to Rs. 196 billion in the first nine months of 2016, compared to Rs. 154 billion in the same period of 2015. The corporate and non-corporate income tax increased by 39.9 percent to Rs. 114.8 billion due to improved tax administration and enhanced

tax compliance coupled with simplification of the tax structure. The revenue from Pay-As-You-Earn (PAYE) increased by 8.0 percent to Rs. 20.9 billion due to enhanced employment together with higher wage income in high earning categories such as professional services and banks activities etc. The revenue from Economic Service Charge (ESC) significantly increased by 151.0 percent to Rs. 11.2 billion reflecting the increased tax rate to 0.5 percent from 0.25 percent, broadening the ESC liability for profit making businesses and retail trade on

petrol, diesel and kerosene, and expanding the ESC liability for SCL applicable commodities. Despite the lower issuance of Treasury Bills and Treasury Bonds, the revenue generated from tax on interest increased by 1.4 percent to Rs. 49 billion during the review period mainly due to the increase of interest rates. Moreover, revenue collected from the Telecommunication Levy (TL) increased by 12.5 percent to Rs. 27.0 billion in the first nine months of 2016 in comparison to Rs. 24.0 billion recorded in the same period of 2015.

Table 1.1 | Summary of the Budget

Item	Rs. Mn.	
	Jan. - Sep.	
	2015	2016 (a)
Revenue and Grants	959,553	1,180,031
Revenue	958,892	1,179,338
Tax	888,241	1,067,317
Non Tax	70,651	112,021
Grants	661	693
Expenditure	1,532,544	1,686,002
Current	1,213,087	1,308,347
Salaries	414,764	426,573
Interest Payments	426,550	471,038
Other	371,773	410,736
Public Investments	311,442	390,769
Other	8,015	-13,114
Revenue Deficit (-)/Surplus (+)	-254,195	-129,009
Overall Budget Deficit (-)/Surplus (+)	-572,991	-505,971
Financing	572,991	505,971
Foreign Financing (Net)	21,144	220,178
Domestic Financing (Net)	551,847	285,793

Source: Department of Fiscal Policy

(a) Provisional

Meanwhile, the non-tax revenue increased by 58.6 percent to Rs. 112.0 billion in the review period, compared to Rs. 70.7 billion recorded in the corresponding period of 2015. The rent income, profits and dividends, sales and charges and social security contribution recorded a higher growth while interest income recorded a moderate growth in the review period. The continuation of the moderate growth of profits recorded from the State Owned

Business Enterprises (SOBEs) coupled with enhanced domestic economic activities positively contributed to this growth.

The government expenditure moderately increased by 10 percent to Rs. 1,686 billion in the first nine months of 2016, compared to Rs. 1,532.5 billion in the same period of 2015. The recurrent expenditure increased by 7.9 percent to Rs. 1,308 billion reflecting from the increased salaries by 2.8 percent to

Rs. 426.0 billion and pension payment by 11.3 percent to Rs. 112 billion stemming from increment of basic salaries of both public servants and pensioners with effect from 01.01.2016. The increased interest payments by 10.4 percent to Rs. 471 billion and welfare expenditure by 50.4 percent to Rs. 116 billion were attributable to the increase. In contrast, capital expenditure decreased by 7.3 percent to Rs. 777 billion in the reference period. However, public investment increased by 25.5 percent to Rs. 390.8 billion particularly with the

implementation of new infrastructure development programmes.

The revenue deficit during the first nine months of 2016 was Rs. 129 billion, compared to Rs. 254 billion in the reference period of 2015. The overall budget deficit was Rs. 506 billion during the first nine months of 2016 compared to Rs. 573 billion in the corresponding period of 2016. The budget deficit is estimated to maintain at 5.4 percent of GDP in 2016, compared to the deficit of 7.4 percent of GDP recorded in 2015.

Box 2 | Major Fiscal Measures: January - September 2016¹

Effective Date	Measures
Excise (Special Provisions) Duty	
12.01.2016	The concession on duty rates specified in the Extraordinary Gazette No. 1903/39 dated 26.02.2015 was granted for the vehicles imported for personal use and Letter of Credit (LC) opened on or before 20.11.2015.
29.04.2016	Excise duty concessions with certain conditions were granted for the vehicles imported on a concessionary permit by a member of Parliament, a Sri Lanka diplomatic officer who serves in missions abroad and a member of Provincial Council.
02.05.2016	Tax exemptions were granted for importing vehicles for the Members of 8 th Parliament.
16.05.2016	Tax exemptions were granted for the articles/vehicles imported for the official use of the President or the Prime Minister of Sri Lanka.
19.05.2016	Excise duty concessions with some conditions were granted for the vehicles imported on a concessionary permit for those who rendered distinguished service to the country or awarded to such persons.
27.05.2016	Excise duty on motor vehicles was revised based on unit rates of the motor vehicles and excise duty on electric vehicles was introduced based on kilowatt of the motor power of the engine.
19.08.2016	Excise duty concessions were granted to purchase a locally manufactured or imported motor vehicle on a concessionary permit issued for the public officers.
20.08.2016	Excise duty rate on gas oil/diesel was increased.
Excise (Ordinance) Duty	
01.01.2016	Restrictions on retail sale and transportation of foreign liquor were imposed.
01.01.2016	Excise duty rate on bottled toddy was increased.

¹This is comprised of major fiscal policy measures implemented during the period of January - September 2016

01.04.2016	Excise duty on ethyl alcohol was revised.
01.09.2016	Excise duty on imported foreign liquor was imposed as follows: - Malt liquor Rs. 50.00 per bulk liter - Foreign wine Rs. 100.00 per bulk liter - Other foreign liquor Rs. 200.00 per bulk liter
Stamp Duty	
01.01.2016	Stamp duty on foreign purchases using credit cards was increased to 2.5 percent.
01.01.2016	- Stamp duty on local purchasing using credit cards was removed. - Stamp duty on issuing share certificates was removed.
Ports and Airports Development Levy (PAL)	
01.01.2016	- The rate of PAL was increased to 7.5 percent from 5 percent. - Concessionary rate of 2.5 percent was extended to electronic and electrical items. - Machinery and equipment use for agriculture, dairy and construction industry were exempted from PAL.
Cess Levy	
15.06.2016	Cess rate on export of raw rubber was revised from Rs. 15 per Kg to Rs. 4 per Kg.
15.06.2016	Cess rates on import of beef, turkey and sheep were revised from 30 percent or Rs. 225 per Kg to 15 percent or Rs. 100 per Kg.
29.06.2016	Cess rates on import of aerated beverages were revised.
13.07.2016	Cess rate on import of beedi leaves was revised.
24.08.2016	Cess rates on import of aerated beverages were revised.
Betting and Gaming Levy	
01.01.2016	- The casino entry fee was removed. - Annual levy imposed on the business of gaming other than rudjino was increased to Rs. 400 Mn. form Rs. 200 Mn. - The present annual levy of Rs. 200 Mn. for carrying on the business of playing rudjino was reduced to Rs. 5 Mn. per year.
Economic Service Charge (ESC)	
01.04.2016	- The ESC rate was increased to 0.5 percent from 0.25 percent. - The existing maximum liability of Rs. 120 Mn. per year was removed. - The existing exclusion of profit making business was removed.
Value Added Tax (VAT)	
01.11.2016	- The VAT rate was increased to 15 percent from 11 percent. - The VAT registration threshold was reduced to Rs. 12 Mn. per annum from Rs. 15 Mn. per Annum. - The threshold for VAT liability for wholesale and retail trade was reduced to Rs. 12.5 Mn. per quarter. - The certain exempted supplies such as supply of telecommunication services, import or supply of telecom equipment or machinery, high tech equipment

	including copper cables for telecom industry, issue of licenses to local telecom operators by TRC, supply of health care services and supply of goods or services to any specified project other than housing project were made liable for VAT.
Nation Building Tax (NBT)	
01.11.2016	- NBT registration threshold was reduced to Rs. 3 Mn. per quarter from Rs. 3.75 Mn. per quarter commencing on or after April 1, 2016. - The existing NBT exemptions on articles or services (telecommunication services, supply of electricity, lubricants, supply of goods or services to a specified project other than any housing project) were removed.
Customs Import Duty	
01.02.2016	Import duty on rice was increased to Rs. 50 per Kg from Rs. 35 per Kg.
17.06.2016	A new H.S code was created for palm olein.
13.08.2016	Import duty on PP bags was revised from zero (free) to Rs. 15 per Kg.
25.08.2016	Import duty on ethyl alcohol was increased to Rs. 500 per liter from Rs. 400 per liter.
15.09.2016	Import duty on wheat grain was increased to Rs. 12 per Kg from Rs. 10 per Kg.
Special Commodity Levy (SCL)	
21.01.2016	The validity period of SCL on 8 items including Maldives fish, sprats, green gram, black gram, chillies, turmeric etc. was extended for a period of six months.
29.01.2016	The validity periods of SCL on maize and vegetable fats were extended for a one month and three months, respectively.
01.03.2016	SCL on following items was revised: - Potatoes from Rs. 15 per Kg to Rs. 35 per Kg - B' Onions from Rs. 5 per Kg to Rs. 25 per Kg
08.03.2016	The validity period of SCL on 8 items including mackerel fish, peas, chickpeas, cowpeas, kurakkan, margarine, sugar etc. was extended for a period of six months.
02.04.2016	The validity period of SCL on 15 items including dried fish, yogurt, butter, red onions, oranges, grapes, apple etc. was extended for a period of six months.
13.05.2016	SCL on vegetable oil and margarine was increased: - Crude Oil from Rs. 110 per Kg to Rs. 130 per Kg - Refine Oil from Rs. 130 per Kg to Rs. 150 per Kg - Margarine from Rs. 175 per Kg to Rs. 195 per Kg - Margarine (other) from Rs. 275 per Kg to 295 per Kg
21.05.2016	- SCL on red onion was increased to Rs. 25 per Kg from Rs. 5 per Kg and SCL on fennel was increased to Rs. 162 per Kg from Rs. 52 per Kg. - The validity period of SCL on fish, lentils, dates and cumin was extended for a period of six months.
17.06.2016	SCL on vegetable oil and margarine was increased: - Crude Oil from Rs. 130 per Kg to Rs. 150 per Kg - Refine Oil from Rs. 150 per Kg to Rs. 170 per Kg - Margarine from Rs. 195 per Kg to Rs. 215 per Kg - Margarine (other) from Rs. 295 per Kg to Rs. 315 per Kg

01.07.2016	<ul style="list-style-type: none"> - SCL on maize was imposed at the rate of 10 percent. - The validity period of SCL on potatoes and B'Onions was extended for a period of three months.
18.07.2016	<ul style="list-style-type: none"> - SCL on sugar was reduced to Rs. 0.25 per Kg from Rs. 30 per Kg for a period of six months. - The validity period of SCL on 8 items including Maldive fish, sprats, green gram, black gram, chillies, coriander, turmeric etc. was extended for a period of six months.
20.08.2016	SCL on B'Onions was increased to Rs. 40 per Kg from Rs. 25 per Kg. for a period of six months.
25.08.2016	SCL on potatoes was increased to Rs. 40 per Kg from Rs. 35 per Kg for a period of six months.
08.09.2016	The validity period of SCL on mackerel fish, peas, chickpeas, cowpeas and Kurakkan was extended for a period of six months.
16.09.2016	SCL on Sugar was revised for a period of six months: <ul style="list-style-type: none"> - Raw/ Brown sugar from Rs. 0.25 per Kg to Rs. 15 per Kg - White sugar from Rs. 0. 25 Kg to Rs. 2 Kg
Taxes introduced under the Finance Act	
01.01.2016	The rate on International Telecommunication Operator's Levy (ITOL) was increased from USD 09 Cents to USD 12 Cents.
01.01.2016	Embarkation Levy rate was increased to USD 30 for both ship and air passengers.
01.01.2016	Construction Industry Guarantee Fund Levy was removed.
01.01.2016	Vehicle Entitlement Levy was introduced in lieu of Motor Vehicle Importers License Fee.
01.01.2016	Share Transaction Levy was removed.
01.04.2016	Share Transaction Levy was re-imposed at the rate of 0.3 percent.
Other	
01.01.2016	Tax imposed on the leasing of land to foreigners was removed.
01.03.2016	
26.05.2016	Method of customs valuation of motor vehicles was revised.
14.06.2016	
19.05.2016	The value of motor vehicle imported and registered on 100 percent duty free basis was depreciated for disposal purpose.
20.07.2016	
23.08.2016	A method for determination of customs value on disposal of machinery and equipment imported on re-export basis was introduced.

Several measures were taken to simplify tax administration along with other tax policy reforms. Consequently, the first phase of Revenue Management Information System (RAMIS) at Inland Revenue Department (IRD), "Single Window" system at Sri Lanka Customs (SLC) and Integrated Treasury Management Information System (ITMIS) at the General Treasury are expected to ensure efficient management of government resources.

The fiscal strategy on improving the financial discipline is expected to reduce pressure on the public finance. Twenty SOBEs contributed to non-tax revenue by paying dividends and levies of Rs. 29.7 billion while major 55 SOBEs recorded a profit of Rs. 124 billion in the first eight months of 2016. However, Sri Lankan Air Lines, Mihin Lanka Ltd. and Sri Lanka Transport Board accumulated losses during the relevant period.

Meanwhile, Sri Lankan economy has recorded a moderate growth of 3.9 percent during the first half of 2016 compared to 5.3 percent recorded in the same period of 2015 supported by improved manufacturing and services sectors. This relatively slow growth so far this year was mainly due to the both floods and drought prevailed in the period under review. Floods also affected the decline in agriculture and industrial production. However, the economy is expected to grow by 5.5 percent in 2016 with the recovery of economic activities in the latter part of 2016.

The headline inflation decreased to 3.9 percent, on year-on-year basis, measured by Colombo Consumer Price Index (CCPI) (2006/07=100) in September 2016, compared to 4.0 percent in August 2016, reflecting domestic supply shortages due to adverse weather conditions and the impact of some tax changes introduced by the government. The National Consumer Price Index (NCPI) (2012/13=100) based year-on-year inflation increased to 4.7 percent in September 2016, compared to 4.5 percent in August 2016 due to increase the price of food and non-food items. However, single digit inflation has

been maintained during the first nine months of 2016. Meanwhile, year-on-year core inflation which is underlying inflation in the economy, increased to 4.2 percent in September 2016 compared to 4.1 percent in August 2016.

External sector showed a moderate performance during the first half of 2016. This was mainly due to the drop in international commodity prices and lower demand for exports. The trade deficit expanded by 1.2 percent to US \$ 6,701 million reflecting a considerable decline in exports relative to a marginal decline in imports.

However, tourist earnings and workers' remittances increased by 16.2 percent and by 5.3 percent, respectively contributing to maintain the gross official reserves at US\$ 6.6 billion, by August 2016. In addition, the financial account improved with the receipts of the first tranche of the IMF Extended Fund Facility (IMF-EFF) of US\$ 168 million and a syndicated loan facility of US\$ 300 million which helped improve foreign investor sentiment in the security market.

Table 1.2 | Estimated and Actual Revenue and Expenditure : 2016

Rs. Bn.

Item	Jan. -Sep.		Deviation
	Estimated	Actual (a)	
Total Revenue	1,272	1,179	-92.9
Tax Revenue	1,156	1,067	-88.7
Inland Revenue Department			
Tax on Income and Profit	220	196	-24.0
VAT - Domestic (Net)	142	120	-22.2
Nation Building Tax (Domestic)	32	27	-5.0
Other	4	3	-0.6
Sub Total	397	346	-51.9
Customs Department			
Import Duty	121	115	-6.3
VAT - Imports (Net)	79	75	-4.1
Nation Building Tax (Import)	14	13	-0.7
Ports & Airports Development Levy (PAL)	67	64	-3.5
Cess Levy	47	44	-2.4
Special Commodity Levy & Other	46	43	-2.4
Excise Special Provisions	257	247	-9.6
Cigarettes	70	68	-2.5
Petroleum	43	40	-2.2
Motor Vehicles & Other	144	139	-4.9
Sub Total	630	601	-29.2
Excise Department			
Liquor/Tobacco	96	89	-6.5
Sub Total	96	89	-6.5
Other			
Telecommunication Levy	28	27	-1.0
License Tax & Other	5	4	-0.2
Sub Total	33	31	-1.1
Non Tax Revenue	116	112	-4.2
Total Expenditure	1,701	1,686	-15.0
Current Expenditure	1,291	1,308	17.3
Salaries and Wages	425	427	1.6
Interest Payments	460	471	11.0
Pension Payments	127	128	1.5
Transfers to Public Corporations & Institutions	64	70	5.7
Other	215	213	-2.4
Capital Expenditure and Net Lending	410	378	-32.3

Sources: Department of Treasury Operations and Department of Fiscal Policy

(a) Provisional

1.2 Government Revenue

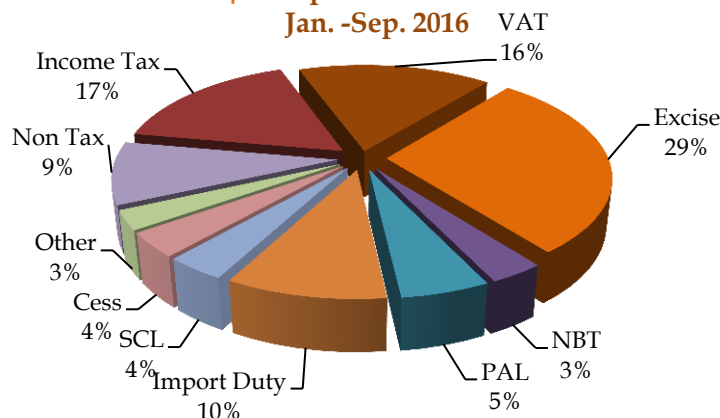
Reflecting an improvement in revenue collection, the government revenue has increased by 23 percent to Rs. 1,179 billion during the first nine months of 2016, compared to the same period of 2015. Tax revenue increased by 20.2 percent to Rs. 1,067 billion while non-tax revenue increased by 58.6 percent to Rs.112 billion.

Revenue from corporate and non-corporate income tax and Pay-As-You-Earn (PAYE) tax increased by 39.9 percent and 8.0 percent, respectively during the first nine months of 2016 while the tax revenue from Withholding Tax (WHT) on interest income and Economic Service Charge (ESC) increased by 1.4 percent and 151 percent, respectively. The revenue from VAT and NBT increased by 20.1 percent and 29.0 percent, respectively during the first nine

months of 2016. VAT revenue on domestic economic activities increased by 23.7 percent to Rs. 119.8 billion while the revenue from import VAT increased by 14.7 percent to Rs. 75 billion. Excise tax revenue increased

marginally by 2.2 percent to Rs. 336 billion in the reference period reflecting the reduction of the revenue from import of motor vehicles by 20.0 percent to Rs. 136.5 billion.

Chart 1.1 | Composition of Total Revenue - Jan. -Sep. 2016



Despite the decrease in the import of consumer goods and intermediate goods by 10.7 percent and 2.0 percent, respectively, import-based taxes such as import duties, PAL, Special Commodity Levy (SCL) and Cess reported a considerable growth due to revisions of respective tax rates. The

revenue from import duties, Cess and SCL increased by 56.0 percent, 39.3 percent and 15.2 percent, respectively. Revenue from PAL increased by 63.3 percent to Rs. 63.6 billion in the first nine months of 2016 reflecting the increase of PAL rate to 7.5 percent from 5 percent.

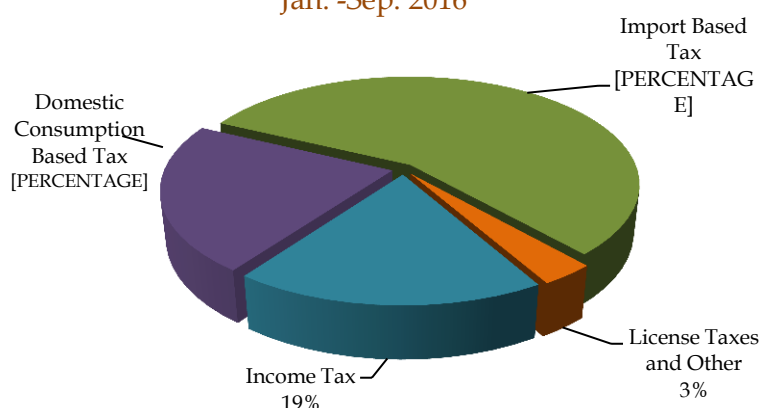
Table 1.3 | Summary of Performance of Government Revenue

Item	Jan. -Sep.		Change (%)
	2015	2016 (a)	
Tax Revenue	888,242	1,067,317	20.2
Income Tax	154,315	196,034	27.0
Domestic Consumption Based Tax	249,835	303,240	21.4
VAT	96,792	119,773	23.7
Excise Tax	133,793	156,951	17.3
Nation Building Tax (NBT)	19,250	26,516	37.7
Import Based Tax	453,948	533,278	17.5
Custom Duty	73,501	114,668	56.0
VAT	65,382	75,004	14.7
Nation Building Tax (NBT)	11,329	12,929	14.1
Ports & Airports Development Levy (PAL)	38,959	63,622	63.3
Special Commodity Levy (SCL)	37,661	43,390	15.2
Excise Tax	195,407	179,482	-8.1
Cess	31,709	44,183	39.3
License Taxes and Other	30,144	34,765	15.3
Non Tax Revenue	70,651	112,021	58.6
Total Revenue	958,893	1,179,338	23.0

Sources: Department of Treasury Operations and Department of Fiscal Policy

(a) Provisional

**Chart 1.2 | Total Revenue by Source
Jan. -Sep. 2016**



Income Tax

The revenue generated from income tax has increased by 27.0 percent to Rs. 196 billion in the first nine months of 2016, compared to Rs. 154 billion in the corresponding period of 2015. The corporate and non-corporate income tax significantly increased by

39.9 percent to Rs. 114.8 billion in the reference period of 2016, compared to Rs. 82 billion in the previous year. This was mainly due to the improvement in revenue administration and enhanced compliance with the initiation of the RAMIS at the Inland Revenue Department (IRD).

Table 1.4 | Performance of Income Tax

Tax Base	Jan. - Sep.		Rs. Mn.
	2015	2016 (a)	Growth (%)
Corporate and Non Corporate	82,073	114,834	39.9
PAYE	19,439	20,992	8.0
Tax on Interest Income	48,337	49,002	1.4
Economic Service Charge	4,465	11,206	151.0
Total	154,314	196,034	27.0

Source: Department of Fiscal Policy

(a) Provisional

The revenue from tax on PAYE increased by 8.0 percent to Rs. 21 billion in January - September in 2016, compared to Rs. 19 billion in the same period of 2015. This was resultant with enhanced salaries and wages in high earning categories such as professional services, banking sector etc. coupled with improved tax compliance. Meanwhile, revenue generated from ESC

recorded a significant growth of 151 percent to Rs. 11 billion in the review period of 2016, compared to the same period in previous year. This was attributable to increased ESC tax rate to 0.5 percent from 0.25 percent combined with broadening the ESC liability for profit making businesses and retail trade of petrol, diesel and kerosene. In addition, the revenue from tax on interest income increased by 1.4 percent to Rs. 49 billion during the period concerned.

Value Added Tax (VAT)

The revenue collected from VAT, on gross basis, increased by 19.9 percent to Rs. 195.1 billion during the first nine months of 2016,

compared to the same period in 2015. Revenue from VAT on domestic activities as well as imports reported a significant growth.

Table 1.5 | Performance of VAT

Tax Base	Jan. - Sep.		Growth (%)
	2015	2016 (a)	
Domestic	96,916	120,101	23.9
Imports	65,875	75,086	14.0
Gross Revenue	162,791	195,187	19.9
Refunds	617	410	-33.5
Net Revenue	162,175	194,777	20.1
Refunds as % of Gross Revenue	0.38	0.21	

Rs. Mn.

Source : Department of Fiscal Policy (a) Provisional

VAT revenue on domestic activities, increased by 23.9 percent to Rs. 120.1 billion during the first nine months in 2016, while the VAT revenue on imports also enhanced by 14.0 percent to the tune of Rs. 75.1 billion in the review period. This significant growth was in part attributable to the RAMIS system implemented by IRD, the upward revision of VAT rate to 15 percent during May-July 2016 and the policy decision taken to charge VAT on specific services such as certain segments of health care and telecommunication during May-July in 2016.

Excise Taxes

Total excise tax revenue collected mainly from liquor, cigarettes, petroleum and motor vehicles increased by 2.2 percent to Rs. 336 billion during the first nine months of 2016, compared to Rs. 329 billion recorded in the same period of 2015. This moderate growth was a combined effect of the increased excise tax revenue from liquor, cigarette and petroleum products by 40.2 percent and reduction of revenue from motor vehicles by 20 percent during the review period.

Table 1.6 | Performance of Excise Duty

Tax Base	Jan. - Sep.		Growth (%)
	2015	2016 (a)	
Liquor	74,130	89,436	20.6
Cigarettes and Tobacco	59,663	67,515	13.2
Motor Vehicles	170,630	136,534	-20.0
Petroleum	22,049	40,382	83.1
Other	2,728	2,566	-5.9
Total	329,199	336,433	2.2

Rs. Mn

Source : Department of Fiscal Policy
(a) Provisional

The revenue collected from excise duty on liquor increased by 20.6 percent to Rs. 89.4 billion during January to September, 2016, compared to Rs. 74.1 billion recorded in the same period of 2015. Despite the drop in malt liquor production in by 58.4 percent, the increased production of hard liquor coupled with the scale up of excise duty rates on liquor helped achieve this growth. Moreover, the revenue generated from

cigarettes and tobacco increased by 13.2 percent to Rs. 67.5 billion during the reference period, compared to the same period of 2015 due to an upward excise duty revision on cigarettes together with increased production of cigarettes. Meanwhile, excise duties on cigarettes increased with effect from 04.10.2016 in order to discourage the consumption on such products.

Chart 1.3 | Performance of Excise Duty (January - September)

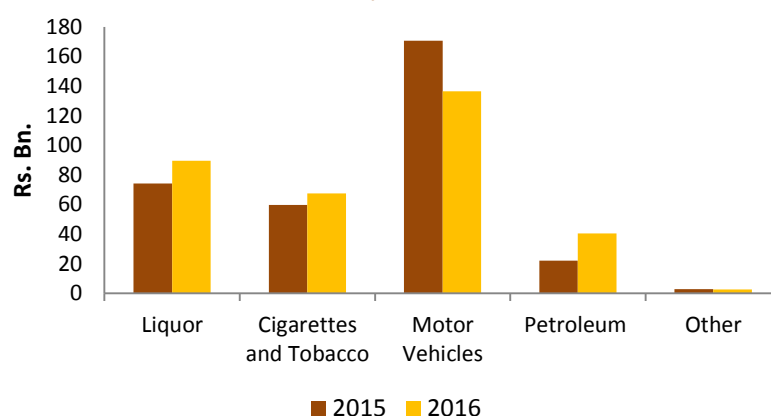


Table 1.7 | Excise Duty Rate Revisions on Cigarettes Rs./1,000 Sticks

Category	2011 Jan	2011 Oct	2012 Mar	2012 Oct	2013 July	2014 Oct	2015 Oct	2016 Oct
Cigarettes each not exceeding 60 mm in length (eg. CAPSTAN, THREE ROSES)	3,465	3,465	4,037	4,612	5,722	6,975	6,975	11,675
Cigarettes each exceeding 60 mm but not exceeding 67 mm in length (eg. FOUR ACES)	6,973	7,540	8,112	9,258	10,355	12,675	12,675	17,375
Cigarettes each exceeding 67 mm but not exceeding 72 mm in length (eg. PALL MALL)	9,811	10,381	10,953	12,100	12,100	14,660	14,660	20,500
Cigarettes each exceeding 72 mm but not exceeding 84 mm in length (eg. GOLD LEAF)	12,108	13,243	13,815	14,963	16,610	21,610	23,750	30,500
Cigarettes each exceeding 84 mm in length	15,000	16,400	17,100	18,500	20,000	25,100	27,240	34,250

Source : Department of Fiscal Policy

The revenue from petroleum products significantly increased by 83.1 percent to Rs. 40.4 billion in the first nine months of 2016, compared to Rs. 22.0 billion in the same period of 2015. This was mainly due to the increased imports of petrol in volume by 147.8 percent and diesel by 55.7 percent in the review period benefiting from the drop in international oil prices. Also, excise duty rate on diesel increased by Rs. 10 per litre to Rs.13 per litre with effect from 20.08.2016 which will have a positive impact on the revenue.

However, the revenue generated from excise duty on motor vehicles declined by 20.0 percent to Rs. 136.5 billion in the first nine months of 2016, compared to Rs. 170.6

billion in the same period of 2015. This decline was mainly due to the reduction of motor vehicle imports by 31 percent to 335,980 vehicles in the reference period, compared to 487,442 vehicles in the same period of 2015 stemming from upward revision of excise duty rates coupled with policy measures taken to introduction of new motor vehicle valuation system and unit rate of excise duty on the basis of engine capacity of vehicles. Consequently, new registrations of motor vehicles decreased by 28 percent to 355,155 vehicles in the first nine months of 2016, compared to 491,632 vehicles registered in the same period of 2015.

Table 1.8 | Motor Vehicle Imports and New Registration

Unit: Number

Item	Imports				New Registrations			
	Jan. - Sep.				Jan. - Sep.			
	2015	2016	Change	%	2015	2016	Change	%
Buses	3,741	2,115	-1,626	-43	3,264	2,011	-1,253	-38
Motor Cars	77,916	32,889	-45,027	-58	74,966	33,198	-41,768	-56
Three Wheelers	100,605	37,293	-63,312	-63	96,987	40,314	-56,673	-58
Motor Cycles	260,868	230,769	-30,099	-12	273,691	245,350	-28,341	-10
Goods Transport Vehicles ^(a)	34,794	23,272	-11,522	-33	33,938	22,928	-11,010	-32
Land Vehicles ^(b)	9,130	9,411	281	3	7,823	9,620	1,797	23
Other	388	231	-157	-40	963	1,734	771	80
Total	487,442	335,980	-151,462	-31	491,632	355,155	-136,477	-28

Sources: Department of Customs and Department of Motor Traffic

^(a) Lorries and other goods transport vehicles including dual purpose vehicles

^(b) Tractors, hand tractors and other land vehicles

In addition, importation of motor vehicles for public servants under the concessionary duty scheme was reintroduced in 2016 in order to encourage effective public sector service delivery. The revenue forgone from excise duty under the all permit schemes including retirement permits etc., was Rs. 9.4 billion in the review period.

Import Duty

The revenue collected from import duty increased by 56.0 percent to Rs. 114.7 billion during the first nine months of 2016, compared to Rs. 73.5 billion recorded in the same period of 2015. It was a 10.8 percent of total tax revenue.

This growth was mainly supported by the upward revision of import duty and simplification of tariff band structure in the review period of 2016. However, the removal of duty waiver for diesel and wheat grain, the import duty exempted items such as fertilizer, pharmaceutical manufacturing items and machinery and equipment used for supply and distribution of electricity and

also exempted items under the investment agreements adversely affected to the performance of the revenue generated from import duty. Furthermore, the importation of various products, which were granted duty free of normal duty status under the free trade agreements to strengthen bilateral and regional trade continued during the period.

Table 1.9 | Coverage of Product and Value of Imports Under Free Trade Agreements

Free Trade Agreement	Jan. - Aug. 2016	
	No. of Products Subject to Tariff Concessions	Imports (Rs. Mn)
India - Sri Lanka Free Trade Agreement (ISFTA)	4,673	17,175
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	5,509	1,863
South Asia Free Trade Agreement (SAFTA)	5,039	654
Asia - Pacific Trade Agreement (APTA)	498	1,515
Total	15,719	21,207

Sources: Department of Customs and Department of Trade and Investment Policy

Special Commodity Levy (SCL)

The revenue generated from Special Commodity Levy (SCL) increased by 15.2 percent to Rs. 43.4 billion during the first nine months of 2016 over the same period of 2015. This was mainly due to the increase in number of items coming under the SCL and revision of the SCL rates periodically to support the domestic products by

maintaining higher domestic producer margins for agriculture commodities. Sugar, big onions, palm oil (crude) and potatoes were among the major imports that contributed significantly to generate revenue from SCL during this period. The SCL, a single tax on selected commodities, were adjusted appropriately to stabilize domestic consumer prices.

Table 1.10 | Special Commodity Levy Rates

		<i>Rs. Per Kg.</i>	
Item	End September 2015	End September 2016	
1	Sprats	11	11
2	Potatoes	40	40
3	Red Onions	5	25
4	B' Onions	10	40
5	Garlic	40	40
6	Green Gram	10	10
7	Lentils - Whole	2	5
	Lentils - Split	0.25	10
8	Chilies - Neither Crushed nor ground	25	25
	Chilies - Crushed or ground	125	125
9	Canned fish	50	50
10	white Sugar	30	2
	Raw/Brown Sugar	-	15
11	Watana - Whole	15	15
	Watana - Split	18	18
12	Chick Peas - Whole	7	7
	Chick Peas - Split	10	10
13	Black Gram	60	60
14	Cowpea	70	70
15	Millet	70	70
16	Maldive Fish	102	102
17	Dried Fish	102	102
18	Orange-Fresh	65	65
19	Grapes - Fresh	130	130
20	Apples - Fresh	45	45
21	Seeds of Coriander - Neither Crushed nor Ground	26	26
	Seeds of Coriander - Crushed or Ground	52	52
22	Seeds of Cumin	162	162
23	Seeds of Fennel	52	162
24	Turmeric - Neither crush Nor Ground	102	102
	Turmeric - Other	360	360
25	Mathe - Seed	50	50
26	Kurakkan	70	70
	Kurakkan Flour	150	150
27	Black Gram Flour	200	200
28	Ground Nut - Shelled	112	112
29	Mustard Seeds	62	62
30	Palm oil/Veg. Oil - Crude	110	150
	Palm oil/Veg. Oil - Refine	130	170
	Plam Kernal - Crude	130	170
	Plam Kernal - Refine	145	185
31	Fish	10% or Rs.10 per Kg, the amount of levy whichever is higher	10% or Rs.50 per Kg, the amount of levy whichever is higher
32	Mackerel	6	6
33	Yoghurt	625	625
34	Butter	880	880
35	Margarine(Fat 80% or more)	175	215
	Margarine - Other	275	315
36	Salt	40	40
37	Dates	-	60

Compiled by the Department of Trade and Investment Policy

Nation Building Tax (NBT)

The revenue generated from Nation Building Tax (NBT) significantly increased by 29 percent to Rs. 39.4 billion in the first nine months of 2016, compared to Rs. 30.5 billion in the same period of 2015. The revenue collected from NBT on domestic activities increased by 37.7 percent to Rs. 26.5 billion during January–September 2016.

Improvements in sectors such as retail trade and distribution, construction, manufacturing products, hotels and restaurants and catering services were contributed positively to the growth. Meanwhile, the revenue collected from NBT on imports increased by 14.1 percent to Rs. 12.9 billion in the reference period, compared to the same period of 2015.

Table 1.11 | Performance of NBT, Stamp Duty and Motor Vehicle Registration Fees

Rs. Mn.

Item	2015			2016			% Change 2016/2015		
	Jan. - Sep.			Jan. - Sep.			Jan. - Sep.		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT*	30,579	15,290	45,869	38,042	19,750	57,792	24.4	29.2	26.0
Domestic	19,250	9,625	28,875	26,321	13,161	39,482	36.7	36.7	36.7
Import	11,329	5,665	16,994	11,720	6,589	18,310	3.5	16.3	7.7
Stamp Duty**	-	8,410	8,410	-	6,630	6,630	-	-21.2	-21.2
Motor Vehicle Registration Fees***	930	2,170	3,100	646	1,508	2,154	-30.5	-30.5	-30.5
Total	31,509	25,870	57,379	38,688	27,887	66,575	22.8	7.8	16.0

Source : Department of Fiscal Policy

(a) Provisional

* Since 2011, 33 1/3 percent of the revenue collected from the NBT by the central government is transferred to Provincial Councils.

** Since 2011, 100 percent of the revenue collected from the stamp duty by the central government is transferred to Provincial Councils.

*** Data represent 70 percent of the revenue collected by the central government from motor vehicles registration fee and transferred to PCs.

Note: CG= Central Government, PCs= Provincial Councils

Under the revenue sharing mechanism introduced in 2011 as a part of the simplification of the tax system, Rs. 19,750 million of the NBT revenue was transferred to Provincial Councils (PCs) during the first nine months of 2016, compared to Rs. 15,290 million in the same period of 2015. This increase was mainly a reflection of higher collection of NBT on domestic activities. In addition, 70 percent of revenue amounting to Rs. 1,508 million collected from motor vehicle registration fees and entire revenue of Rs. 6,630 million collected from stamp duty were also transferred to PCs during the first nine months of 2016.

Telecommunications Levy (TL)

Revenue collected from the Telecommunication Levy (TL) increased by 12.5 percent to Rs. 27.0 billion in the first nine months of 2016, in comparison to Rs. 24.0 billion recorded in the same period of 2015 due to increased penetration of telephones and extended consumer support. TL was introduced in 2011 under the Telecommunication Levy Act, No. 11 of 2011 with the intention of simplifying the tax structure. However, Budget 2016 reintroduced VAT and NBT to the telecommunication sector in line with the policy decision taken to expand the tax base of VAT.

Cess Levy

The total cess revenue on imports and exports increased by 39.3 percent to Rs. 44.2 billion during January to September 2016, compared to Rs. 31.7 billion in the corresponding period of 2015. The cess levy was introduced as a protective tool for encouraging local value addition in export

industry while discouraging importation of non-essential commodities into the country. The revenue generated from import cess increased by 42.2 percent to Rs. 42.3 billion in the first nine months of 2016, compared to Rs. 29.7 billion recorded in the same period of 2015 benefiting from upward revision of cess rates of selected items such as garments and footwear.

Table 1.12 | Cess Revenue from International Trade

Item	Rs. Mn.	
	Jan. - Sep.	
	2015	2016
Cess on Exports	1,997	1,920
Tea-under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	465	440
Rubber-under Rubber Replanting Subsidy Act	10	7
Coconut-under Coconut Development Act	100	104
EDB Cess- under Sri Lanka Export Development Act	1,422	1,370
Cess on Imports- under Sri Lanka Export Development Act	29,713	42,263
Total	31,709	44,183

Source: Department of Fiscal Policy
(a) Provisional

The revenue from export cess for selected goods in primary form declined moderately by 3.8 percent to Rs. 1.9 billion, compared to Rs. 2.0 billion in the same period of 2015. Meanwhile, export cess on cardamom, nutmeg, vanilla etc., were removed in line with Budget 2016. In addition, the export cess rate on rubber reduced from Rs. 15.0 per kg to Rs. 4.0 per kg in order to encourage rubber exporters with the sharp reduction of international rubber prices.

Ports and Airports Development Levy

The revenue collected from Ports and Airports Development Levy (PAL) significantly increased by 63.3 percent to Rs. 63.6 billion in the first nine months of 2016

in comparison to Rs. 38.9 billion in the same period of 2015. This increase was mainly attributable to policy measures taken to be increase the standard PAL rate from 5 percent to 7.5 percent with effect from 01.01.2016.

Non-Tax Revenue

During the first nine months of 2016, total non-tax revenue increased by 58.6 percent to Rs. 112.0 billion, compared to Rs. 70.6 billion recorded in the same period of 2015. The profits and dividends from SOBEs increased by 158.0 percent while sales and charges and rent increased by 20.2 percent and 49.4 percent, respectively in the review period. Social Security Contributions increased by 17.1 percent to Rs. 12.9 billion reflecting the increase in the public sector salaries.

Table 1.13 | Variance Analysis of Government Revenue (January – September)

				<i>Rs. Bn.</i>
Item	2015	2016 Est.	2016 Prov.	Reason
Income Tax	154.3	220.0	196.0	Revenue from corporate and non-corporate tax increased due to the expansion of domestic activities such as financial and insurance, construction and textile, manufacturing products. This was further supported by the implementation of RAMIS to access timely and accurate information, monitor collections, and reach taxpayers in a more efficient and effective manner. Revenue from Pay-As-You-Earn (PAYE) tax increased by 8.0 percent mainly due to increased employments and better wages in high earning categories such as air transportation, commercial banks, construction, professional services, communication services. Meanwhile, revenue from interest income increased by around 1.4 percent mainly due to increased interest rate amidst the decline in issuance of Treasury Bills.
VAT	162.2	221.1	194.7	The increase of VAT revenue was mainly due to the government tax policy changes made in May 2016 to increase VAT rate to 15 percent from 11 percent, the reduction of VAT liability threshold to Rs. 12 million per annum and the removal of certain exemptions. However, this policy has been continued until July 2016. In addition, the expansion of manufacturing and construction activities helped increase VAT revenue.
Excise Tax	329.2	352.6	336.4	Revenue from excise duty moderately increased by 2.2 percent due to a combined effect of increased excise duty tax revenue from liquor (20.6%), cigarettes (13.2%) and petroleum products (83.1%) and the decline of excise tax revenue from motor vehicles (20.0%). The increase of excise duty rates on cigarettes, tobacco, diesel and the significant increase of petroleum imports contributed to this increase.
Import Duty	73.5	120.9	114.7	Increased import duty rates for certain articles with the introduction of three band tariff structure in 2016 from four band tariff structure.
PAL	38.9	67.1	63.6	Policy measures taken to increase the standard rate of PAL from 5% to 7.5% and limitation of concessionary rate to 2.5% with effect from 01.01.2016 contributed for this surge.
NBT	30.6	45.2	39.4	Broadening NBT base and improvement in service sectors such as driving schools, banks (non-commercial), tailoring and allied services, hire purchasing, leasing, financing and several manufacturing sectors contributed to this performance.
Other Taxes	99.5	128.9	122.2	Increased in the number of items coming under the Special Commodity Levy (SCL) and revision of the SCL rates coupled with the increase of Cess rate on textiles and footwear helped increased revenue. In addition, Telecommunication Levy increased with the increase of its rate to USD 12 cents from USD 9 cents. Increased revenue from luxury motor vehicle tax also contributed to this increase.

Non Tax Revenue	70.7	116.2	112	The increase in profits and dividends from State Owned Business Enterprises, sales and charges, rent income, Social Security Contribution were positively contributed for this increase. Policy measures taken by the government to increase embarkation levy to USD 30 per ship and air passengers coupled with increased passport and visa fees helped increase revenue from sales and charges.
Total	958.9	1,272.1	1,179.0	

Compiled by the Department of Fiscal Policy

1.3 Government Expenditure

In the first nine months of 2016, the government expenditure accounted to Rs. 1,686 billion consisting Rs. 1,308 billion of recurrent expenditure and Rs. 378 billion of capital expenditure. The recurrent expenditure increased by 7.8 percent while capital expenditure increased by 18.2 percent in the review period, compared to the same period of 2015.

Personal Emoluments and Pensions

Total expenditure on personal emoluments for public servants including the employees attached to the PCs amounted to Rs. 434,580 million during the first nine months of 2016,

with an increase 6.6 percent. This slower growth in recurrent expenditure was mainly due to the rationalization of the recurrent expenditure coupled with cadre management.

The pension payments increased to Rs. 128,487 million in the first nine months of 2016 compared to Rs. 114,709 million in the same period of 2015. This was mainly due to the increment of basic salaries of public servants with effect from 1st January 2016 and pensioners who retired after 1st January 2016. Accordingly, the increase of basic salaries of public servants was also affected to increase in pension bill by 12 percent in the first nine months of 2016 compared to the same period of 2015.

Table 1.14 | Performance of Government Expenditure

Item	Rs. Mn.	
	Jan.- 2015	Sep. 2016
Recurrent Expenditure	1,213,087	1,308,347
Salaries	447,320	426,573
Pension	114,709	128,487
Interest	426,550	471,038
Other	224,508	282,249
Capital Expenditure	319,457	377,655
Total	1,532,544	1,686,002

Sources: Department of National Budget and Department of Fiscal Policy

(a) Provisional

Interest Payment

Interest Payments on domestic and foreign debt amounted to Rs. 471 billion in the first

nine months of 2016, a 10.4 percent increase over the corresponding period of 2015.

Table 1.15 | Behavior of Yield Rates on Government Securities and Exchange Rate: 2015-2016

Period	Treasury Bills (%)			Treasury Bonds (%)				Average Exchange Rate Rs/US\$	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year		
2015	Jan	5.80	5.90	6.05	-	-	-	-	131.55
	Feb	5.98	6.09	6.13	-	-	-	-	132.73
	Mar	6.60	6.70	6.80	-	8.70	-	9.13	132.90
	Apr	6.19	6.35	6.50	8.14	-	8.92	9.07	132.90
	May	6.07	6.18	6.29	-	7.96	8.15	8.46	133.50
	Jun	6.08	6.18	6.28	6.17	7.18	-	8.11	133.90
	Jul	6.28	6.43	6.48	-	8.18	-	8.39	133.69
	Aug	6.53	6.87	6.97	-	-	-	8.38	133.88
	Sep	6.78	7.07	7.18	-	-	-	9.58	138.88
	Oct	6.61	6.99	7.06	-	-	9.50	-	140.89
	Nov	6.44	6.40	6.92	-	-	-	-	142.02
	Dec	6.28	6.54	7.01	-	-	8.91	9.56	143.45
2016	Jan	6.78	7.19	7.80	-	-	-	-	143.94
	Feb	7.14	8.07	8.50	-	-	-	-	143.93
	Mar	8.30	9.29	9.90	10.00	-	11.87	11.42	143.96
	Apr	8.45	9.53	10.17	11.75	11.75	12.78	13.00	143.90
	May	8.91	9.67	10.48	11.83	11.51	12.11	12.48	145.65
	Jun	8.86	9.83	10.55	11.42	-	-	11.97	145.28
	Jul	8.8	9.69	10.48	11.04	11.62	11.93	11.67	145.41
	Aug	9.04	9.94	10.75	-	-	-	12.07	145.60
	Sep	8.55	9.39	10.11	-	-	10.61	-	145.78
	Oct	-	9.48	10.24	-	-	-	-	146.87

Sources: Department of Treasury Operations, Department of Public Debt and Central Bank of Sri Lanka

Welfare Expenditure

The expenditure on welfare programmes continued, targeting the vulnerable groups and the needy segment of the society, and increased to Rs. 128,004 million during the first nine months of 2016, compared to Rs. 92,477 million for the same period of 2015. A significant amount of welfare expenditure was devoted to “Samurdhi” relief, elders’ allowance and Poshana Malla.

Government incurred a sum of Rs. 60,296 million for “Samurdhi” cash supplements, payments for the elderly and disable soldiers, parents of security personnel,

differently-abled persons, Kidney patients, and flood and drought affected families, compared to Rs. 42,470 million in the same period of 2015.

With the objective of improving nutritional status of mothers and children, national nutritional programmes, i.e Poshana Malla, Triposha programme, fresh milk and school nutritional programmes continued with a cost of Rs. 6,700 million in the review period. The priority has also been given to continue free health care facilities with a cost of Rs. 27,487 million during the first nine months of 2016.

Table 1.16 | Welfare Expenditure

Item	Rs. Mn.	
	Jan.- 2015	Sep. 2016(a)
Healthcare & Nutrition	23,996	31,747
Free Medicine for All	21,377	27,487
Thripasha Programme	1220	960
Fresh Milk for Free School Children	101	39
Poshana Malla	1,298	3,261
Education	5,753	9,352
Free Text Books	2,239	3,099
Free School Uniforms	80	485
School Season Tickets	1,800	1,986
School Nutritional Foods	890	2,440
Mahapola Scholarships	241	574
Bursaries	253	548
Dhamma School Text Books	49	111
Dhamma School Uniforms for Teachers	58	17
Library Allowances for Dhamma School Teachers	143	92
Livelihood Support	32,127	52,326
Fertilizer Subsidy	6,766	20,711
Samurdhi Relief	16,844	30,695
Credit Subsidies for Replanting (Tea /rubber)	860	761
Credit Subsidies -Export Crops	200	156
Increase of Price & Paddy Purchasing	7,457	3
Social Welfare & Safety Net	30,601	34,579
Assistance for Differently Abled Persons & Kidney Patients	806	1,147
Assistance to Elderly Persons	5,810	6,777
Assistance to Differently Able Soldiers	17,238	19,796
Social Care of Ranaviru Parents	1,729	1,831
Food Assistance as Flood and Drought Relief	43	50
Bus Services in Uneconomical Routes	4,975	4,978
Total	92,477	128,004

Source: Department of National Budget (a) Provisional

In addition, free text books, school uniforms, season tickets, Mahapola scholarships, bursaries, free Dhamma school text books and uniforms for teachers and library books allowance were provided with a cost of Rs. 6,912 million during the reference period. The fertilizer subsidy programme continued incurring Rs. 20,711 million to provide all varieties of fertilizer for paddy farmers and other small crops holders. In addition, Rs. 761 million was spent for credit subsidy scheme for replanting tea and rubber. Further, Rs. 156 million was spent on

providing credit facilities for other export crops.

Public Investment

The expenditure on public investment continued during the first nine months of 2016 covering infrastructure developments in highways, power generation, water supply, irrigation, transport, agriculture, health and education sectors. Total public investment was Rs. 390.8 billion during the first nine months of 2016, an increase of 25.5 percent compared to Rs. 311.4 billion in the same period of 2015.

Treasury Operations | 02

2.1 Performance of Cash Flow of the General Treasury

Cash inflows to the Treasury during the first nine months of 2016 were Rs. 1,157.1 billion. Cash deficit after outflows for recurrent and capital payments amounted to Rs. 428.0 billion which is Rs 169.6 billion lower than the corresponding figure for the same

period in 2015. This was mainly due to the increase in cash inflows to the Treasury by 25 percent compared to the corresponding period of the previous year. The overall closing cash balance (deficit) as at end September, 2016 was Rs. 105.3 billion which is Rs 70.7 billion lower than the cash deficit prevailed at end September 2015.

Table 2.1 | Statement on Treasury Cash Flow Operations

Item	Rs. Bn.		
	2015	2016	
	Jan-Sep Actual	Jan-Sep Estimate	Actual
Opening Cash Balance as at 1 st January	-180.7	-196.8	-196.8
Total Cash Inflow from Revenue and Other Receipts	922.5	1232.5	1157.1
Total Cash Outflow for Recurrent Payments	-1206.3	-1266.2	-1274.3
Total Cash Outflow for Capital Payments*	-313.8	-561.7	-310.8
Net Cash Surplus / (Deficit)	-597.6	-595.4	-428.0
Gross Borrowing *	1302.6	1148.1	1134.5
Debt Repayment	-712.2	-578.2	-626.9
Net Borrowing	590.4	569.9	507.6
Adjustment Account Balance (TEB, Net Deposits, etc.)	11.9		11.9
Closing Cash Balance as at 31 st August	-176.0	-222.3	-105.3

Source: Department of Treasury Operations

*Includes project/programme loans received by the government and recorded in the CS-DRMS as at July 31, 2016

2.2 Management of Public Debt

The public debt operations indicated total gross borrowing of Rs. 1,134.5 billion during the first nine months of 2016. It includes Rs. 811.3 billion domestic borrowings and Rs.323.2 billion foreign borrowings. Out of

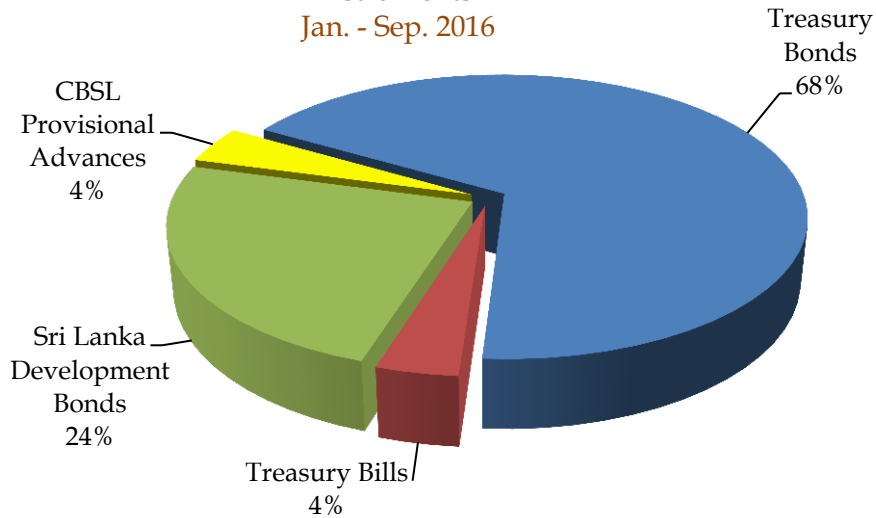
the domestic borrowings, Rs. 626.9 billion was utilized for debt repayment and balance for the interest payments. The net borrowing was Rs. 507.6 billion during this period. The table below summarizes the gross domestic borrowings during the period from January to September, 2016.

Table 2.2 | Gross Domestic Borrowings by Instruments

Instruments	Rs. Bn.
	Jan-Sep. 2016
Treasury Bonds	550.0
Treasury Bills	30.5
Sri Lanka Development Bonds	197.1
CBSL Provisional Advances	33.7
Total	811.3

Source: Department of Treasury Operations

**Chart 2.1 | Gross Domestic Borrowings by Instruments
Jan. - Sep. 2016**



2.3 Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remain valid as at September 30th, 2016 was Rs. 738.7 billion which remained within

the limit of 10 percent of GDP as per the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016. The list of Treasury Guarantees issued by the General Treasury as at September 30th, 2016 is given in Annex II. Contingent liabilities of SOBEs may be appraising in accordance with respective agreements.

Foreign Financing | 03

3.1 Foreign Financing Commitments from January to September 2016

The total commitments made by the development partners and lending agencies to Sri Lanka to support the public investment program during January to September 2016 was US\$ 1,478.3 million of which project loans amounted to US\$ 1,293.2 million and grants amounted to US\$ 185.1 million. International Sovereign Bonds (ISBs) worth of US\$ 1,500 million were issued on 18th of July 2016 and also a Foreign Currency Term Financing Facility loan of US\$ 300 million was signed on 27th of

June, 2016 and it enhanced further from another US\$ 400 million on 15th of August 2016 aggregating the total amount to US\$ 700 million.

Furthermore, the External Resources Department (ERD) facilitated State Owned Business Enterprises (SOBEs) to obtain foreign financing facilities under the Treasury Guarantees and US\$ 1,000.7 million was obtained by SOBEs during the above period to implement five infrastructure development projects.

Details of grant and loan agreements signed during the first nine months of 2016 are depicted in Table 3.1 and Table 3.2.

Table 3.1 | Foreign Financing Grants Agreements Signed (January – September 2016)

Development Partner/ Lending Agency	Agreement Date	Project	Grant Amount			
			In Signed Currency	Amount Million	SL Rs. Mn.	US\$ Mn.
Canada	2016.03.03	Uniterra 2015-2020 Volunteer Cooperation programme	CAD	2.77	298.48	2.07
China	2016.04.07	Provide Eight Kidney Disease Mobile Screening Vehicles	CNY	15	333.34	2.32
	2016.04.07	Economic and Technical Cooperation	CNY	500	11,111.45	77.22
India	2016.02.05	Constructions of a Surgical Unit and Supply Medical Equipment to Batticaloa	LKR	275	275.00	1.91
	2016.02.05	Renovation of 27 Schools in Northern Province	LKR	250	250	1.74
European Community	2016.02.16	Integrated Rural Development in the most Vulnerable Districts of Central and Uva Province in Sri Lanka	Euro	30	4,823.21	33.51
	2016.03.16	Trade Related Assistance in Sri Lanka	Euro	8	1,278.04	8.88
Food and Agriculture Organization	2016.03.02	E-agriculture Environment and Developing ICT - Mediated Agricultural solutions for countries	USD	0.045	6.48	0.05

		in Asia Pacific				
World Food Programme	2016.03.18	Rehabilitation of degraded agricultural land in Kandy, Badulla and NuwaraEliya districts of the Central Highland	USD	1.34	193.49	1.34
	2016.07.05	Emergency Operation (EMOP)	USD	1.8	261.44	1.8
AFD, France	2016.01.01	Country Programme Action Plan 2016-2017	USD	19.71	2,838.95	19.71
	2016.03.16	Implementation of Sanitation Hygiene Initiative for Towns Project Phase 1	EUR	5.7	910.61	6.33
Germany	2016.07.25	Technical Cooperation	Euro	13	2,077.69	14.25
Japan	2016.07.04	Project for Human Resource Development Scholarship	JPY	231	326.84	2.25
IDA/ IBRD	2016.03.24	Trust Fund for Statistical Capacity Building Improving Poverty Estimation Project	USD	0.16	23.02	0.16
IDA/ IBRD	2016.08.18	AusAIDFAT + IDA Grant Transforming the School Education System as the Foundation of Knowledge Hub	USD	11.57	1,682.90	11.57
Total					26,690.94	185.09

Source: Department of External Resources

Table 3.2 | Foreign Financing Loan Agreements Signed during January - September 2016

Development Partner/ Lending Agency	Agreement Date	Project	Loan Amount (Millions)				Annual Interest Rate			Commitment fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (years)
			Currency	Original Amount	Rs.	US\$	Interest Type	Rate	Margin (100 basis points)				
Raiffeisen Zentral Bank Austria	2016.01.13	Implementation of Kochchikade Bridge	Euro	8.7	1,353.00	9.41	Interest free	0	0		n/a	9	18
Co-op Centrale Raiffeisen Boerenieen Bank Netherlands	2016.02.19	Dev. of General Hospital Kaluthara	Euro	24.47	3,197.64	27.22	Variable	3 month or 6 month EURIBOR	1.5	0.00%	0	3	10
The Exim Bank of China	2016.04.07	Extension of Southern Expressway section II	USD	360.29	51,846.30	360.29	Fixed	2.00%	0	0.25%	0.5% Mgmt. fee	5	20
Spain	2016.02.16	Implementation of Anamaduwa Integrated Water Supply project	EUR	29.5	4,743.13	32.96	Fixed	0.15%	-	0.10%	Mgmt. Fee EUR 14,750.94	5	40
Kuwait	2016.03.24	Building Complex for the Faculty of Healthcare science Eastern University	KWD	10	4,801.00	33.36	Fixed	1.00%	-	-	0.5 Admin Charges	5	25
ADB	2016.02.23	Small and Medium-sized Enterprises Line of Credit	USD	100	14,391.00	100	Variable	6 months LIBOR	0.50%	0.15%	-	10	14
	2016.08.11	Greater Colombo Water and Wastewater Mgmt. Project - Tranche 3	SDR	3.58	728.5	5	Fixed	2.00%				5	25
	2016.08.11	Greater Colombo Water and Wastewater Mgmt. Project - Tranche 3	USD	123	17,921.10	123	Variable	LIBOR 6 Months	0.50%	0.15%	Maturity Premium 0.1%	5	26
International Fund For Agricultural Development	2016.04.26	Sri Lanka Smallholder Tea and Rubber Revitalization	SDR	18.45	3,740.35	25.99	Fixed	1.75%	-	-	0.75% Service Charge	5	25

Credit Agricole, France	2016.05.17	Kelani Right Bank Water Supply Project Phase II	Euro	95.8	15,519.60	108.45	Variable	EURIBOR 6 Months	1.33%	0.50%	Arrang. Fee 0.5%	3	15
	2016.04.25	Greater Matale Water Supply Project	Euro	123	19,877.00	139.12	Variable	EURIBOR 6 Months	1.70%	0.75%	Arrang. Fee 0.5%	3	15
AFD, France	2016.06.01	Sanitation and Health Initiative for Towns (SHIFT) Phase I	Euro	76	12,312.00	84.5		EURIBOR 6 Months	1.31%	0.50%	Appraisal Fee 0.5%	7	25
IDA/ IBRD	2016.09.05	Additional Financing for Climate Resilience Improvement	XDR	30.5	6,332.9	42.6	Fixed	1.25%		0.50%	0.75% Service Charge	5	25
	2016.09.06	Ecosystems Conservation & Management Project	XDR	32.6	6,768.9	45.5	Fixed	1.25%		0.50%	0.75% Service Charge	5	25
	2016.07.20	Additional Financing for Strategic Cities Development Project	XDR	18.45	3,740.35	55.81	Fixed	1.25%	-	-	0.75 % Service Fee	5	25
	2016.09.05	Competitiveness Transparency and Fiscal Sustainability Development Policy Financing	USD	100	14,733.50	100	Fixed	3.67%			Front-end fee 0.75%	8	27
Total					182,006.25	1,293.18							

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offered Rate

2. EURIBOR = Euro Interbank Offered Rate

3. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the loans agreements were signed

4. N/A = Not Available

3.2 Foreign Financing Disbursements from January to September 2016

The total disbursements from commitments already made by various bilateral and multilateral development partners during January to September of 2016 were US\$ 979.1 million (SLRS. 141,982.1 million), of

which project loans accounted for US\$ 965.4 million (98.6 percent of total disbursement) and grant amounted to US\$ 13.7 million.

Chart 3.1 | Foreign Finance Disbursements by Development Partners

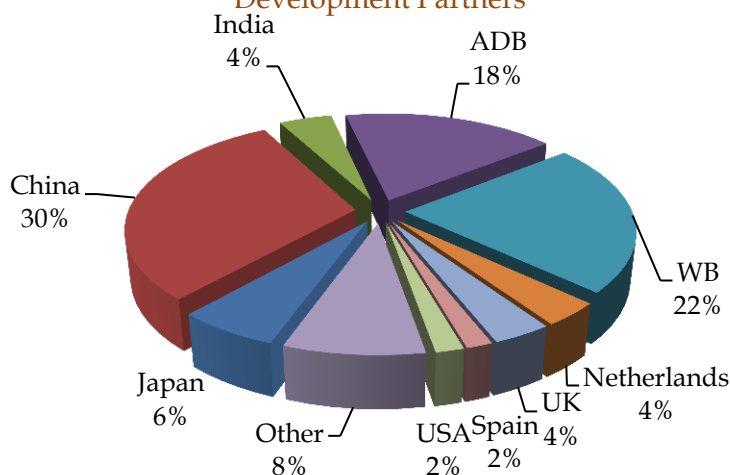


Table 3.3 shows disbursements made during the period by each development partners. Out of total disbursements recorded during the first 9 months of 2016, 57.5 percent or US\$ 562.5 million was financed by the bilateral development partners and 42.5 percent or US\$ 416.6 million was made by

multilateral development partners. The highest amount of disbursements (US\$ 298.4 million) was made for the projects funded by China followed by World Bank, ADB and Japan by disbursing US\$ 220.5 million, US\$ 174.9 million and US\$ 59.2 million, respectively.

Table 3.3 | Foreign Finance Disbursements by Development Partner (January - September 2016)

Development Partner/ Lending Agency	2016 Jan-Sep					
	Loan		Grant		Total Amount	
	Rs.	US\$	Rs.	US\$	Rs.	US\$
Bilateral	80,500.0	555.2	1,058.7	7.3	81,558.7	562.5
China	43,318.3	298.4			43,318.3	298.4
Japan	7,865.9	54.4	689.8	4.8	8,555.7	59.2
India	6,299.4	43.4			6,299.4	43.4
United Kingdom	4,994.7	34.5			4,994.8	34.5
Netherlands	5,006.8	34.6			5,006.8	34.6
South Korea	396.0	2.7			396.0	2.7
Hungary	1,307.8	9.1			1,307.8	9.1
Sweden	306.8	2.1			306.8	2.1
Spain	2,225.5	15.4			2,225.5	15.4
Austria	530.3	3.7			530.3	3.7
Belgium	272.6	1.9			272.6	1.9
Germany	636.0	4.4	368.92	2.55	1,004.9	7.0
Kuwait	767.9	5.3			767.9	5.3
France	339.1	2.3			339.1	2.3
Saudi Fund	2,050.5	14.1			2,050.5	14.1
Australia	313.3	2.2			313.3	2.2
Denmark	1,468.6	10.2			1,468.6	10.2
USA	2,400.5	16.6			2,400.5	16.6
Multilateral	59,503.3	410.2	920.12	6.38	60,423.4	416.6
Asian Development Bank	25,368.0	174.9			25,368.0	174.9
World Bank - International Development Association	14,668.5	101.4	835.8	5.8	15,504.3	107.2
World Bank-International Bank for Reconstruction and Development	16,472.4	113.3	11.6	0.1	16,484.0	113.3
International Fund for Agricultural Development	1,803.4	12.4	72.77	0.50	1,876.2	12.9
OPEC Fund for International Development (OFID)	1,190.9	8.2			1,190.9	8.2
Total	140,003.3	965.4	1,978.8	13.7	141,982.1	979.1

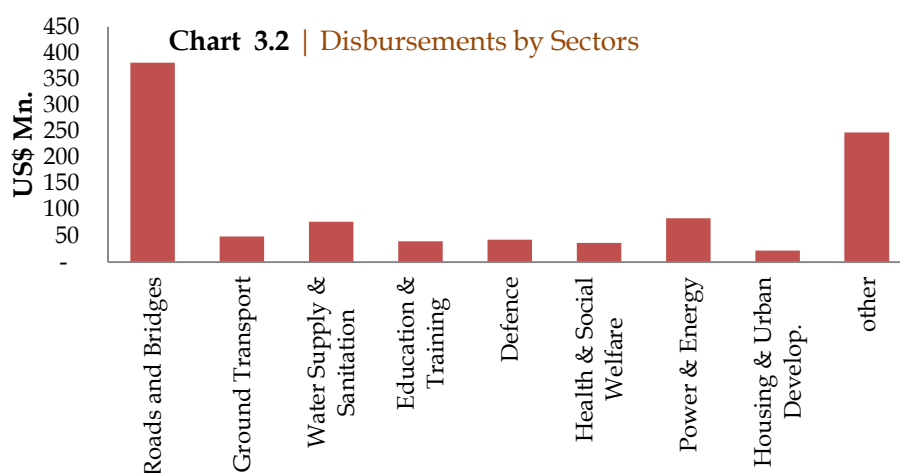
Source : Department of External Resources

Note : 1. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made.

2. Disbursements of loans obtained by State Owned Enterprises (SOEs) are not included.

Around 39 percent of the total disbursements during January to September 2016 was mobilized for the road and bridges and ground transport sector.

Disbursements for the projects under water supply and sanitation, health and social welfare and power and energy amounted to around 8 percent, 4 percent and 9 percent, respectively.



3.3 Committed Undisbursed Balance (CUB) and Utilization

The total undisbursed balance for foreign financing available for development projects as at 30.09.2016 was US\$ 8,182.3 million, of which US\$ 5,647.6 million or 69 percent of total undisbursed balance was available for

economic infrastructure sector, which includes balance available for roads and bridges, power and energy and water supply and sewerage sectors amounting to US\$ 3,211.3 million, US\$ 897.90 million and US\$ 1,065.30 million, respectively. The sector-wise classification of the committed undisbursed balance is demonstrated in Table 3.4.

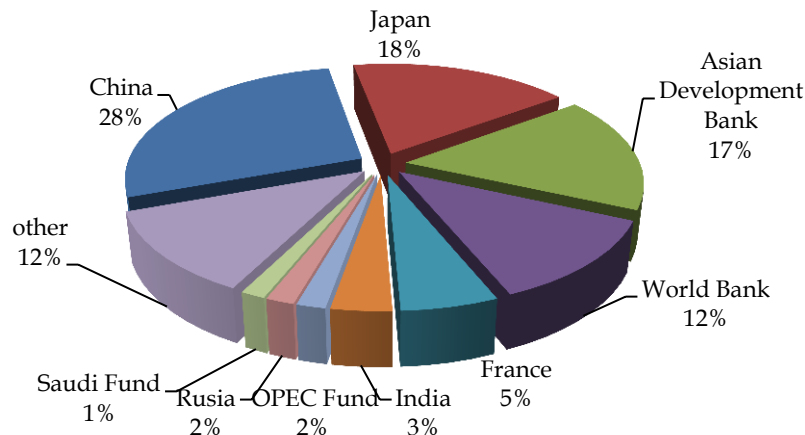
Table 3.4 | Sector-wise Commitment Undisbursed Balance as at end September 2016

Economic Sector	Rs.	Mn. US\$
Agriculture	108,689.4	740.8
Agriculture	2,296.6	15.7
Livestock Development	6,645.4	45.3
Land & Irrigation	99,747.4	679.8
Economic Infrastructure	828,619.8	5,647.6
Transport	49,007.5	334.0
Ports & Shipping	20,402.9	139.1
Power & Energy	131,743.1	897.9
Water Supply and Sewerage	156,298.8	1,065.3
Road and Bridges	471,167.5	3,211.3
Social Infrastructure	113,619.2	773.1
Education & Vocational Training	42,503.4	288.5
Health & Social Welfare	25,783.3	175.7
Housing & Urban Development	43,597.1	297.1
Rehabilitation	1,735.4	11.8
Finance & Banking	14,540.0	99.1
Institutional & Industrial Development	4,015.6	27.4
Environment	14,718.4	100.3
Other	116,327.5	794.0
Total	1,200,529.9	8,182.3

Source : Department of External Resources

Note: Foreign loans commitments received by SOEs are not included

Chart 3.3 | Committed Undisbursed Balance by Development Partners as at the end September 2016



3.4 Outstanding External Debt and Debt Service Payments

By the end of September 2016, the total outstanding external debt of the government was US\$ 25.6 billion². The total debt service payments³ from January to September 2016 amounted to US\$ 1,280.8 million, of which US\$ 746.4 million was for

principal repayment and the balance of US\$ 534.4 million was for interest payment. Total estimated debt service payments for 2016 are US\$ 1,605.1 million⁴, of which 80 percent has already been made by 30th September 2016.

²This includes outstanding external debt for loans obtained to finance development projects, programmes and International Bond Issuances as well as foreign currency term loan facility. Loans obtained by State Owned Enterprises (SOEs) and foreign investment on Treasury bond and Treasury Bills are not included.

³Debt service = Principal Payments + Interest Payments.

⁴Including the Debt Service Payments of International Bond Issuances. US\$ estimations are based on the exchange rates as at 30th September 2016.

Performance of State Owned Business Enterprises

04

4.1 Overview

State Owned Business Enterprises (SOBEs) in Sri Lanka contribute to a substantial portion of GDP, capital investments, employment and play a dominant role in key sectors of the economy whose performance is of great importance to broader segments of the population and smooth functioning of the business sector.

During first eight months of 2016, twenty SOBEs contributed towards government's non-tax revenue by way of paying dividends and levies to the Consolidated Fund totaling to Rs. 29.7 billion. Profitability of these SOBEs recorded Rs. 123 billion for the first eight months of 2016.

4.2 A Brief Review of the Ten Major SOBEs

Bank of Ceylon (BOC)

Bank of Ceylon (BOC) has initiated several steps to enhance the delivery channels to customers and to enhance infrastructure facilities towards a better service to customers under the corporate slogan of "BEST beyond 75". The branch network of the bank has expanded to 580 during the eight months of the 2016 with the opening of two new branches.

BOC won the merit award for Annual Report 2015 under the category of state owned enterprises from Institute of Certified Management Accountants of Sri Lanka. In addition, "The Banker" U.K Magazine revealed The BOC as the No. 1 Bank in Sri Lanka among the World's Top 1000 Banks in its July 2016 issue.

BOC has the largest total asset base in the banking industry and has managed to maintain assets base above Rs. 01 trillion over last three years. The asset base of the

bank recorded an increase of 2 percent to Rs.1.6 trillion by the end of August 2016 compared to the assets base as at end 2015. The deposit base of the bank has increased by 4.3 percent during the first eight months of 2016 up to August compared to the deposit base of Rs. 1,082 billion as at end 2015. Non-performing loan ratio of the bank has recorded an improvement during the period to 3.5 percent from 4.3 percent prevailed as at end 2015. BOC has recorded a profit before tax of Rs. 18.8 billion for the first eight months of 2016.

People's Bank (PB)

People's Bank (PB) is the country's second largest bank in terms of the asset base and operates with the largest branch network covering almost all parts of the island. The PB provides internet, mobile and SMS banking facilities to the customers with an aim of being a more digitally capable bank moving along with the modern technology.

Bank's asset base recorded an increase of 9 percent to Rs. 1.2 trillion as at end August 2016, from Rs. 1.1 trillion as at end 2015. Deposit base of the bank increased by 6 percent to Rs. 954 billion by end August 2016, from Rs. 899 billion as at end 2015. Net loans and advances has recorded an increment of 3.5 percent during the period from January to August 2016. The PB recorded a profit before tax of Rs. 9 billion for the first eight months of 2016.

National Savings Bank (NSB)

National Savings Bank (NSB) is the premier Licensed Specialized Bank in Sri Lanka owned by the government of Sri Lanka and the only bank whose deposits are fully guaranteed by the government and retained the AAA (Ika) national long term rating by Fitch Ratings Lanka for the thirteenth consecutive year in 2015.

Bank's asset base recorded an increase of 5 percent to Rs. 890 billion as at end August 2016, from Rs. 848 billion as at end 2015. Deposit base of the bank increased by 6.5 percent to Rs. 635 billion by end August 2016, from Rs. 596 billion as at end of the previous year. Loans and advances have recorded an increment of 9.7 percent during the period from January to August 2016 to Rs. 272 billion. NSB recorded a profit before tax of Rs. 8.8 billion for the period from January to August of 2016.

Sri Lanka Insurance Corporation (SLIC)

The Sri Lanka Insurance Corporation recorded a profit before tax of Rs. 3.5 billion for the (with the life insurance profit of Rs. 3.4 billion which has to be declared by actuarial) during the first seven months of 2016 and recorded a total revenue of 14.9 billion, which was a 13.7 percent increase compared to Rs. 13.1 billion during the corresponding period in the last year. The Corporation recorded 98.5 percent budgetary achievement during first seven months 2016. Although, initiatives have been taken to split life and general insurance businesses into two separate companies as required under the regulation of insurance industry (Amendment) Act, No. 03 of 2011, it was suspended due to the protest of trade

unions. Sri Lanka Insurance held its Life Congress to facilitate its top performing Life Insurance sales personnel at the Cinnamon Lakeside, Colombo.

Ceylon Electricity Board (CEB)

The CEB has been able to expand the domestic electrification level of the country to about 98 percent by 2015. The CEB has recorded an operating profit of Rs. 1,507 million for the period ending August 2016 compared to the profit of Rs. 14,600 million recorded during the first eight months of 2015. Cost per unit without tax has been increased to Rs. 16.43 in the reporting period in 2016 from Rs. 13.82 recorded in the first eight months in 2015. Due to the dry weather condition prevailed in the country and failure of Norochcholai Coal Power plant for 4 - 5 days in the first quarter of this year, the CEB failed to meet uninterrupted supply of power to customers during the period.

Generation mix comprised of 3,083 GWh Hydro, 2,267 GWh Thermal (Fuel) and 2,821 GWh Thermal (Coal) during the reporting period, changed from 49:18:34 in 2015 to 38:28:35 during the first eight months of 2016 with the reduction of the hydro power generation due to the dry weather condition prevailed.

Table 4.1 | Composition of Electricity Generation Capacity

	Installed Capacity MW	Composition (%)
Major Hydro	2,424	30
CEB-Coal	2820	34
CEB - Oil	1217	15
IPP - Oil	1050	13
NCRE	659	8
Total	8,171	100

Source: Ceylon Electricity Board

A borrowing limit of Rs. 85,800 million has been approved for 2016 by the Ministry of Finance. Further, the CEB was able to

reduce its outstanding dues to banks by Rs. 8,948 million in the first eight months of 2016 resulting in total obligations to the

banks to reach to Rs. 32,799 million during the period.

Government has given its highest priority for the promotion of renewable energy, particularly solar energy by introducing the concept of “*Battle for Solar Energy*” which is a national program to develop one million rooftop solar power plants in households. As such, the CEB’s involvements are needed more, so given that the demand for electricity and use of electricity have expanded with the advent of electric cars, the increase in per capita income which gives rise to use more electric appliances.

Ceylon Petroleum Corporation (CPC)

The imports of the CPC during the first eight months of 2016 is estimated to be US\$ 1,150 representing nearly 9 to 10 percent of the total imports of the country which is estimated at US\$ 12,200 million.

The oil import bill up to 31st August of 2016 has reduced by about 25 percent compared with the same period of 2015 with the further reduction in international market oil prices.

International market average import price of crude oil remained on average around US\$ 40 per barrel during the first eight months of 2016, compared to US\$ 42 per barrel recorded in December 2015. This favorable price trend has led the CPC recording an overall profit of Rs. 53.4 billion for the period ending 31.08.2016. The revised estimated profit for 2016 is in the region of Rs. 60 billion.

The reduction in the import cost in line with the decrease in global oil prices has resulted in improvements in the CPC’s cash flow during the period started from January 2015, with the outstanding liabilities of CPC to two state commercial banks which was stood at Rs. 373 billion at end 2015,

declining to Rs. 282 billion as at end August 2016. Accordingly, the government is in the process of exploring the benefits of changing the payment mechanism to oil suppliers from the existing “supplier credit basis” to “at sight payment method” with improved cash flow position of the CPC.

However, the CPC’s previous losses which occurred due to non-passing the high cost of fuel to consumers, exchange rate variances, huge finance cost and hedging transactions loss have had a substantial negative impact on its Balance Sheet. The lack of a fully cost reflective pricing structures from 2005 to 2013 resulted in CPC accumulating a loss of Rs. 258 billion as at end of year 2015. However, the accumulated loss position has come down to Rs. 205 billion with the recorded profit of Rs. 53.4 billion as at end August, 2016. The loans and bills payables to two state commercial banks represent the bridging of the finance gap occurred due to the above losses.

Sri Lanka Ports Authority

Several development projects have been undertaken by the Sri Lanka Ports Authority (SLPA) in the recent past in the port sector including Hambantota Ports Development Project, Bunkering Facilities and Tank Farm Project at Hambantota and Eastern Container Terminal. The Ports of Colombo and Hambantota have the ability to handle larger, more economical ships. The existing capacity of the Port of Colombo is 7.5 million TEUs and it will increase the capacity up to 12.3 million TEUs under the Colombo Port Expansion Project. The Port of Colombo ranked at 33rd place out of top 50 container port in the world in 2015 handling 5.2 million TEUs. During the first seven months of 2016, Port of Colombo has operated 3.27 million TEUs while the SLPA handled 1.24 million TEUs.

The total revenue of SLPA for the first seven months of 2016, was Rs. 24.2 billion and has recorded a profit before tax of Rs. 7.1 billion as at 31st July 2016.

The total outstanding borrowings of the SLPA by July 2016 were Rs. 232.3 billion of which Rs. 218.8 billion represented foreign borrowings. Performance of the SLPA is expected to improve with the latest improvements and developments in ports under the SLPA. However, the SLPA should take prompt actions for implementation of a prudent debt management system to ensure debt sustainability since it reflects a huge amount of loan outstanding balance at present.

The SLPA has identified the port of Galle as a priority project for the development of tourism activities in the southern coastal belt and it is expected by the SLPA to invest on this area and initial actions are now being taken to start the project. The SLPA is also in the process of introducing a system of issuing Certificates of Competencies (COC) and Seafarer Continuous Discharge Certificate (CDC) with bio-matric to comply with seafarer identity.

National Water Supply and Drainage Board (NWS&DB)

Continuous supply of safe drinking water all over the country is one of the main targets of the government which will contribute to uplift the health condition of the people. As the first phase, the strategy has been set to enhance pipe borne water coverage to 60 percent from existing level of 44 percent by 2020. As such, the NWS&DB has a significant role to play in order to realize the envisaged target in timely manner.

As per the draft financial statements of the NWS&DB, an operational loss of Rs. 100 million was recorded in 2015. However, due

to the net finance income of Rs. 1,186 million, profit before tax of the NWS&DB recorded as Rs. 1,083 million in 2015. During the first eight months of 2016, the total revenue of NWS&DB was estimated as Rs. 14,625 million while the entity has recorded an operational loss of Rs. 71 million for the same period.

Having considered the national interest, a decision has been made by the Cabinet of Ministers in favour of 50 percent of the debt servicing of urban water supply projects and 75 percent of the debt servicing of rural water supply projects to be borne by the Treasury. In addition to that, in order to mitigate Chronic Kidney Disease (CKD), which is prevalent in the country, 100 percent of the debt servicing (capital and interest) of water projects aiming at reducing levels of CKD will also be borne by the Treasury during next five years.

Although the non-revenue water wastage has been reduced over the years in the greater Colombo area, it remains at a significant high level of 46 percent which is also a considerable burden on the operational performance of the NWS&DB. This is a major vulnerable area which should be addressed immediately by the NWS&DB.

As per the government directions, on-lent loans to the NWS&DB by the Treasury as at 31.12.2014 was converted to government equity during the first quarter of 2016, with an aim to strengthen the balance sheet of NWS&DB.

Having considered the national importance of the water supply projects, borrowing power of the NWS&DB was enhanced by the Ministry of Finance by enabling the entity to start following large scale water supply projects in 2016;

- Local Funded Projects Rs. 67.8 billion

- Foreign Funded Project US\$ 678.5 million
- Foreign Funded Projects Euro 36.5 million

Airport and Aviation Services (Sri Lanka) Limited (AASL)

Airport and Aviation Services (Sri Lanka) Ltd (AASL) handled over 5.4 million

passenger movements including 753,689 transit passengers during the first seven months of 2016 which is a 57 percent achievement over the target. The Company's profit after tax for the first eight months of 2016 reached to Rs 2,027 million against the targeted Rs. 3,676 million for 2016. AASL is engaged with major projects in order to enhance the service quality and capacity.

Table 4.2 | Current status of major projects

Project Name	Estimated Cost (Rs. Mn)	Current Status
BIA Phase II	107,295	CAPC approved the bidding document on 26.07.2016. Approved bidding document submitted to JICA on 27.07.2016 for review and concurrence.
Overlay to Runway and Associated Works	7,075	The contract has been already been awarded

Sources: Department of Public Enterprises

Due to the recent depreciation of Rupee against the foreign currencies, the AASL incurred an additional financial cost of Rs. 3.5 billion for 2015 as a result of foreign loan conversion into domestic currency. The

foreign loan as at 31.08.2016 amounted to Rs. 38.3 billion. As such, the AASL needs to concentrate on taking relevant measures to mitigate foreign exchange risk in future.

Table 4.3 | Identifiable liabilities of SLA

	USD Mn.
Current overall liabilities as at 31.08.2016	Amount
Total Interest Bearing Liabilities	67,599
Value of underutilized tickets	17,553
Other short term and long term liabilities	52,537
Total future minimum lease commitment under non-cancellable operating leases as at 31.08.2016	297,277
Total commitment include future minimum lease commitment under non - cancellable operating leases	434,966

Sources: Department of Public Enterprises

Note: Capital expenditure commitment is not included.

Sri Lankan Airlines

Sri Lankan Airlines (SLA) has been running under operational loss after re-acquiring the management from the Emirates due to many factors including management deficiencies. According to the financial statement of 2015/16, the SLA has ended up

with an operational loss of Rs. 7,591 million compared to the operational loss of Rs. 14,061 million recorded in the financial year 2014/15. As a result, a negative net worth of the company amounted to Rs. 87.5 billion was recorded. Further, the operational loss for the first quarter of financial year 2016/17 was Rs. 5,355 million. The SLA currently

operates fleets of 14 wide bodied aircrafts and 8 narrow bodied aircrafts. The company is not in a position to run its business independently since it does not satisfy going concern assumption due to inability to meet its debt obligation by normal course of

business. As such, SLA is in the process of entering into a Public Private Partnership (PPP) business model with a capable business partner in order to run as a profitable entity in future.

Table 4.4 | Reform Initiatives of Major SOBEs

Institution	Reform Initiatives
BOC,PB and NSB	<ul style="list-style-type: none"> Identify emerging growth sectors of the economy to direct credit towards such sectors. Develop technological capabilities to compete with the private sector banks as the usage of internet and mobile phones have significantly expanded into most remote areas of the country. Enhance skills and capacity of the staff to ensure that banks strategies are implemented effectively and efficiently responding to client's needs. Improve credit quality as well as efficiency in the recoveries mechanism. Diversify the product portfolio to attract more private sector customers and reduce the high dependency on exposure to government
SLIC	<ul style="list-style-type: none"> Introduce pension products to the nation considering the increasing population of senior citizens. Implement measures to increase the rate of insurance penetration in the country.
CEB	<ul style="list-style-type: none"> Implement measures to minimize system losses in the distribution system. Ensure energy security and affordability, formulate a low cost generation mix incorporating coal and none renewable energy sources. Convert Treasury loans to equity to strengthen CEB's financial position, facilitating CEB to raise future funds independently. Move towards cost reflective pricing policies while prioritized emerging industries are subsidized.
CPC	<ul style="list-style-type: none"> Expand and modernize the refinery by increasing its capacity to 100kbpd from 50kbpd to maximize diesel production and other petroleum products to meet the future demand at affordable prices. Install pipeline connections between the main storage facilities of Kolonnawa and Muthurajawela and Colombo harbor to cater to the present and future demand of the country and minimize leakages and losses. Establish new bulk depots at Northern and Eastern provinces to facilitate the development activities and emerging industries. Explore economically viable alternative suppliers of crude oil rather than depending on a few countries for oil supply.
SLPA	<ul style="list-style-type: none"> Improve infrastructure facilities and enhance capacity through introduction of modern technology. Introduce sector specific marketing and business development programmes with medium term focus on income generation activities to match the rising finance costs. Facilitate private sector investments by attracting Foreign Direct Investments to develop port related activities and new ventures, such as ship building and catering, marine resource management and emerge opportunities in maritime tourism.
NWS&DB	<ul style="list-style-type: none"> Introduce a close project monitoring mechanism in order to implement the

	<p>proposed project in timely manner.</p> <ul style="list-style-type: none"> • Speed-up the project aiming at reducing Non-Revenue Water (NRW) to enhance revenue collection. • Adopt a proper cost reflective tariff methodology • Conduct a cost benefit analysis before selecting a project • Formulate a long term strategy to ensure 100 percent safe drinking water coverage.
AASL	<ul style="list-style-type: none"> • Operate Mattala Airport as a cargo center, air freight training center and maintenance, repair center with adopting suitable business model in order to run the airport as an economically viable unit. • Strengthen financial management in order to mitigate possible foreign currency losses in future. • Ensure delivering a better quality service in tandem with demand arisen for aviation services in line with the stimulation of tourism industry in future. • Concentrate on enhancing airport and related infrastructure facilities to cater increasing demand for medium term. • Ensure efficient and effective service delivery which is directly affected to brand image of the country.
SLA	<ul style="list-style-type: none"> • Speed up the process of selecting a suitable business partner in order to mitigate the financial burden faced due to the inefficient operations. • Reach the airline to a brake-even point in 2.5 years if route rationalization, fleet re-negotiation and other cost control measures were put in place quickly as per the key assumptions.

Sources: Department of Public Enterprises

Table 4.5 | Profitability of 55 State Owned Business Enterprises (SOBEs) as at 31.08.2016

Enterprises	Profit Before Tax			
	2014	2015	01/01/2016 to 31/08/2016 (a)	2016 Estimate
Bank of Ceylon	20,777	25,109	19,479	26,475
People's Bank	17,200	19,497	12,687	22,723
National Savings Bank	10,472	13,034	8,489	12,355
State Mortgage & Investment Bank	411	731	386	718
Housing Development Finance Corporation	818	972	334	1,544
Lankaputhra Development Bank	193	204	146	252
Regional Development Bank	1,268	2,112	569	2,625
Sri Lanka Savings Bank	236	331	289	332
Employment Trust Fund Board	17,274	18,095	14,361	18,329
Sri Lanka Insurance Corporation	4,511	3,017	4,083	3,089
National Insurance Trust Fund	4,674	4,449	840	6,000
Sri Lanka Export Credit Insurance Corporation	190	224	128	254
Agriculture & Agrarian Insurance Board	(1,941)	(256)	449	(1,082)
Ceylon Electricity Board	(13,303)	20,720	1,507	(9,630)
Ceylon Petroleum Corporation	1,633	(18,384)	53,380	50,000
Sri Lanka Ports Authority	7,950	(9,575)	7,125	(3,473)
National Water Supply & Drainage Board	1,425	1,084	578	(4,643)

Airport & Aviation Services Ltd	5496	2,378	2,815	5,105
Sri Lankan Airlines Ltd	(32,358)	(16,433)	(3,751)	(12,103)
Mihin Lanka Ltd	(2,550)	(1,215)	(447)	173
Sri Lanka Transport Board	(9,407)	(4,038)	(1,450)	1,074
State Engineering Corporation of Sri Lanka	81	(586)	(316)	244
Central Engineering Consultancy Bureau	426	520	340	581
State Development and Construction Corporation	90	80	(420)	140
Milco (Pvt) Ltd	185	(250)	29	114
National Livestock Development Board	87	39	3	66
Sri Lanka State Plantation Corporation	(69)	(168)	(55)	(61)
Janatha Estate Development Board	(237)	(401)	(268)	(405)
Kurunegala Plantations Ltd	227	147	56	186
Chilaw Plantations Ltd	85	86	59	133
Kalubovitiyana Tea Factory Ltd	24	17	2	85
Sri Lanka Cashew Corporation	2	17	3	10
Lanka Mineral Sands Ltd	61	509	70	473
Lanka Phosphate Ltd *	179	59	(30)	99
Kahatagaha Graphite Lanka Ltd *	17	12	9	58
Development Lotteries Board	2,345	2,390	1,400	2,503
National Lotteries Board	109	871	496	222
State Pharmaceuticals Manufacturing Corporation	270	414	310	211
Sri Lanka Ayurvedic Drugs Corporation	47	49	56	18
State Pharmaceuticals Corporation	654	1,230	643	1,254
Sri Jayewardenepura General hospital	549	(250)	(58)	357
Independence Television Network Ltd	566	477	65	538
Sri Lanka Rupavahini Corporation	(182)	375	(50)	31
Sri Lanka Broadcasting Corporation	(51)	62	36	12
Sri Lanka Handicraft Board	21	9	28	55
State Timber Corporation	425	795	198	436
STC General Trading Company	46	19	13	30
Lanka Sathosa Ltd	364	(3,647)	(298)	436
State Printing Corporation	71	3	(156)	17
Ceylon Fisheries Corporation	(56)	(187)	(157)	15
Ceylon Fishery Harbour Corporation	20	(60)	(81)	(200)
Ceylon Fertilizer Company Ltd	288	411	73	568
Colombo Commercial Fertilizer Company Ltd	366	436	34	282
Hotel Developers Lanka Ltd.	316	433	112	605
Lanka Sugar Company (Pvt) Ltd	(31)	(981)	(540)	259
Total	42,264	64,986	123,602	129,488

Sources: SOBEs, Department of Public Enterprises
(a) Provisional

Table 4.6 | Levy/Dividend of State Owned Enterprises

	Rs. Mn.				
Item	2012	2013	2014	2015	As at 31.08.2016
Levy	42,214	30,400	42,137	26,118	26,274
Bank of Ceylon	5,000	5,000	6,500	5,000	5,000
People's Bank	4,500	4,500	6,000	3,000	4,000
National Savings Bank	8,200	5,000	4,000	2,800	4,026
Telecommunication Regulatory Commission	7,200	10,100	10,000	10,000	10,000
Ceylon Petroleum Corporation	-	-	10,000	-	-
State Mortgage & Investments Bank	25	40	10	10	10
Regional Development Bank	500	500	-	87	
State Timber Corporation	50	50	25	50	50
State Pharmaceuticals Manufacturing Corporation	20	20	25	30	40
National Insurance Trust Fund	4,200	3,200	4,000	3,000	1,200
Geological Survey and Mines Bureau	750	700	650	850	400
National Gem and Jewelry Authority	-	100	-	75	50
Ceylon Electricity Board	-	-	-	-	-
Board of Investment	200	-	100	141	-
National Lotteries Board	502	500	-	50	-
Sri Lanka Tourism Promotion Bureau	-	-	500	500	750
Securities and Exchange Commission	-	94	-	-	-
Insurance Board of Sri Lanka	-	300	-	-	-
State Institutions Temporary Surplus Trust Fund	10,700	-	-	-	-
Civil Aviation Authority	350	200	250	400	668
State Pharmaceutical Corporation	-	50	75	100	30
Other*	17	46	2	25	50
Dividends	4,548	4,767	4,676	3,679	3,475
Bank of Ceylon	346	346	346	346	346
People's Bank	158	316	316	316	316
National Development Bank	60	60	60	60	60
Sri Lanka Telecom PLC	759	760	759	795	795
De La Rue Lanka (Pvt) Ltd	42	44	49	61	-
Lanka Mineral Sands Ltd	1700	-	43	14	-
Lanka Industrial Estates Ltd	47	55	55	55	-
Airport and Aviation Services Ltd	-	500	500	497	350
Lanka Electricity Company Ltd	75	75	25	87	152
Plantation Companies*	179	139	93	62	-
Sri Lanka Insurance Corporation Ltd	1,001	2,199	2,001	1,003	1,003
Lankaputhra Development Bank	18	36	36	36	-
Lanka Phosphate Ltd	40	25	35	30	-
Independence Television Network Ltd	88	50	125	84	-
Rakna Arakshaka Lanka Ltd	10	17	68	93	-
Ceylon Fertilizer Ltd	4	9	38	54	-
Lanka Leyland Ltd	5	97	11	54	-
Other**	16	38	117	31	453
Total	46,762	35,167	46,813	29,797	29,749

Sources: Department of Treasury Operations and Department of Public Enterprises

* includes Skills Development Fund, Ceylon Agro Industries, Asian Reinsurance Corporation, Hunnas falls Ltd, Carsons Management Ltd, Lanka Canneries Ltd, United Motors Lanka Ltd, Bogala Graphite Lanka Ltd, Autogrill Lanka Ltd, Sri Lanka Export Credit Insurance Board, National Livestock and Development Board, Sri Lanka Rupavahini Corporation, Sri Lanka Convention Bureau, National Development Bank, Colombo Commercial Fertilizer Ltd, Paranthan Chemicals Company Ltd, Ceylon Shipping Corporation Ltd, Kahatagaha Graphite Lanka Ltd, Sri Lanka Standards Institution, Central Engineering Consultancy Bureau, Lanka Sugar Company Ltd, Mihin Lanka, Mantai Salt Ltd.

** includes Chilaw, Kalubowitiyana, Elkaduwa, Kurunegala, Namunuluka, Kegalle, Agalawatte, Kotagala, Balangoda, Watawala, Horana, Elpitiya and Pussellawa Plantations

Economy | 05

5.1 Economic Growth

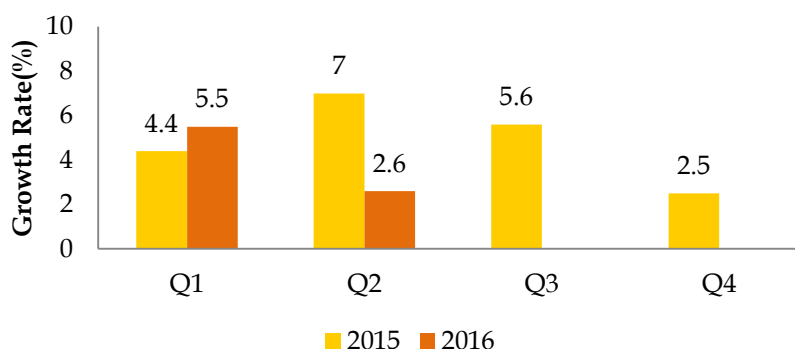
The economy of Sri Lanka registered a growth of 3.9 percent during the first 2016, compared to 5.7 percent ; recorded during the corresponding period of 2015 reflecting the improved performance in Industry and Services sectors. The economic growth was hampered by an unfavorable weather conditions prevailed during the year. The Agriculture, Industry, Services and Taxes less subsidies contributed to GDP by 7.7 percent, 27.7 percent, 58.7 percent, and 5.9 percent, respectively in the first half of 2016.

The Agriculture sector has contracted by 2.5 percent in value added terms during the first half of 2016 in comparison to a positive growth of 8.1 percent recorded in the same period of 2015. The negative growth in Agriculture sector was largely attributable to the contraction of sub-sectors such as paddy, tea, rubber, spices, other beverage crops (coffee, cocoa etc.) and fishing activities. However, favorable expansions in sub-sectors of cereals, fruits, vegetables, oleaginous fruits (coconut, king coconut, oil palm), sugar cane, tobacco and other non-

perennial crops and animal production contributed positively to the overall growth in Agriculture sector.

The industrial sector recorded an increase of 5.2 percent during the first half of 2016 in comparison to 2.5 percent during the corresponding period of the previous year. This expansion was supported by the positive contribution from all major sub sectors thereby increasing the Industry sector share to 27.7 per cent of GDP from 26.5 per cent of GDP in the previous year. Notably, construction sub-sector showed a strong performance recording a 8.5 percent growth in the review period, compared to a 2.8 percent contraction registered in the same period of 2015. The performance of the Industry sector was also driven by significant growth of value-added industrial production of several sectors: food, beverages and tobacco products; textile, wearing apparel and leather related products; coke and refined petroleum products; paper products, printing and reproduction of media products; wood and products of wood and cork. The mining and quarrying sub-sector was supported by the expansion in industrial activities.

Chart 5.1 | GDP Growth



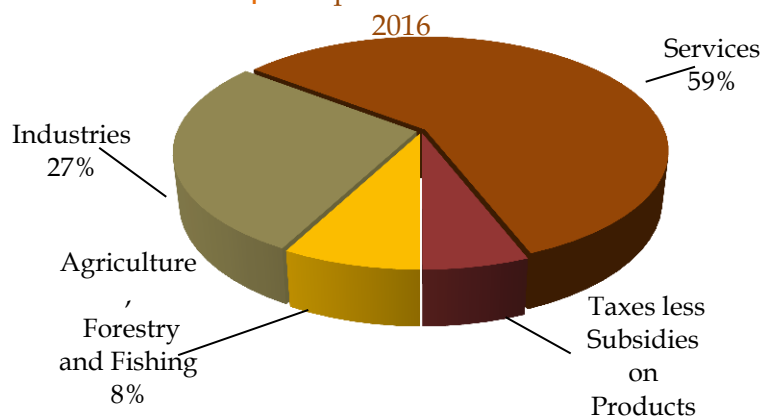
Meanwhile, electricity related activities, sewerage, waste treatment and disposal, water collection, treatment and supply activities positively contributed to the growth in the Industry sector. In addition,

contractions in sub- sectors of chemical products and basic pharmaceutical products, rubber and plastic products and non- metallic mineral products led to slow down the growth in the Industry sector.

The Services sector, the major contributor to the economy, grew by 4.9 per cent in value added terms in the reference period, compared to 6.2 percent growth recorded in the same period of 2015. This significant growth was mainly driven by the favorable expansion of wholesale and retail trade, communication, financial and insurance sub-sectors. Further, the expansion in accommodation, food and beverage, public administration, other personal service activities such as personal grooming, funeral activities and health activities positively

contributed to this growth. Meanwhile, education sub-sector demonstrated a robust growth of 8.1 percent, compared to the contraction of 9.7 percent recorded in the first half of 2015. However, professional services and programming and broadcasting activities contracted in the first half of 2016, compared to the same period of 2015 decelerating the overall growth in the Services sector. Further, the transport and real estate sub-sectors showed a slower pace of growth.

Chart 5.2 | Composition of GDP - First Half

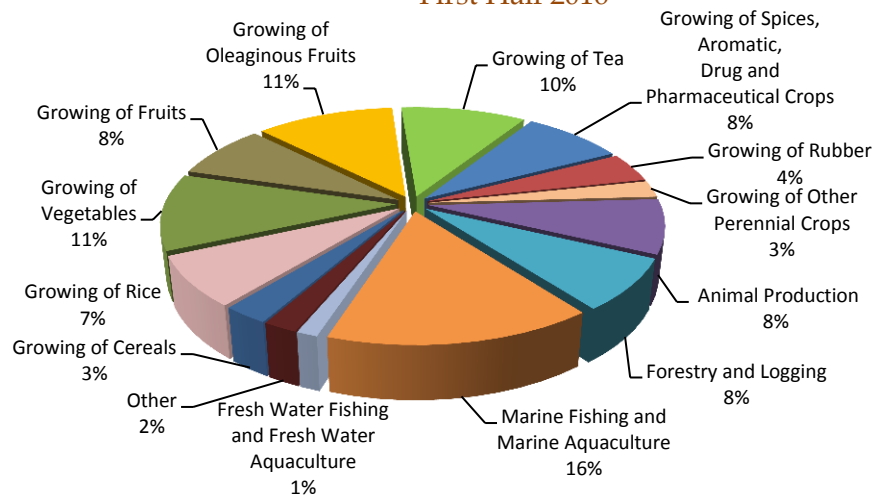


5.2 Agriculture

The Agriculture, forestry and fishing sector has contracted by 2.5 percent in value added terms during the first half of 2016, in comparison to a positive growth of 8.1 percent recorded in the same period of 2015. The share of the Agriculture sector to GDP decreased to 7.7 percent in the first half of 2016 from 8.2 percent of GDP in the same period of 2015. Paddy, tea and rubber sub-sectors contracted by 10.5 percent, 11.9 percent and 5.0 percent, respectively in the first half of 2016, compared to the corresponding period of the previous year. The decline in paddy sub-sector was the combined outcome of the decline in production in both Yala and Maha seasons. Tea sub-sector was also contracted due to unfavorable weather conditions in the

country since last months of 2015 and the decline in demand from some of the major export destinations such as Russia and the Middle East. Further, forestry and logging, growing of spices, aromatic, drug and pharmaceutical crops, other beverage crops and plant propagation were negatively affected the growth in the Agriculture sector. Meanwhile, the fisheries sector experienced a setback in the first half of 2016. The value-added fresh water fish production and marine fish production dropped by 21.4 percent and 5.1 percent, respectively in the review period. However, favourable expansions in sub-sectors of cereals, fruits, vegetables, oleaginous fruits (coconut, king coconut, oil palm), sugar cane, tobacco and other non-perennial crops contributed positively to the overall growth in Agriculture sector.

Chart 5.3 | Composition of Agriculture Sector - First Half 2016



Paddy

The value addition of paddy production, which accounted for 7.3 percent of Agriculture sector, contracted by 10.5 percent during the first half of 2016, compared to positive growth of 51 percent recorded in the first half of 2015. Paddy production in 2016 was lower due to a significant decline in the extent cultivated and low yields arisen from adverse weather conditions that prevailed particularly in Yala season. Paddy production of 2015/16 Maha season increased marginally to 2.9 million MT, whereas paddy output in 2016 Yala season declined by 15.8 percent to 1.6 million MT, totaling the paddy production of 4.5 million MT in 2016.

Tea

The tea sub-sector, which accounted for 10.3 percent of Agriculture sector, contracted by 11.9 percent during the first half of 2016. The tea production declined by 12.4 percent to 173.8 million kg in the first half of 2016, compared to 198.4 million kg in the same period of 2015 mainly due to the dry weather conditions prevailed in the country since last months of 2015. The earnings from tea exports also decreased by 10.3 percent to US\$ 726 million in the first six months of 2016, compared to US\$ 809 million in the

review period of 2015. Lower demand from the Middle Eastern economies and the sharp depreciation of currencies of Russia and Ukraine had an adverse impact on tea prices. However, the average Colombo auction tea prices increased by 6.7 percent to Rs. 427.3 per kg in the first half of 2016, compared to Rs. 400.3 per kg in the same period of 2015 owing to a sharp decline in production due to the dry weather conditions. Meanwhile, several policy measures are being taken by government to address the issues in the tea sub-sector.

Rubber

The rubber sub-sector, which accounted for 4.3 percent of Agriculture sector, registered a negative growth of 5.0 percent in the reference period, compared to a contraction of 17.4 percent recorded in the same period of 2015. The total rubber production decreased by 6.9 percent to 53.1 million kg in the first half of 2016, compared to 57 million kg in the same period of 2015. In particular, tapping operations were disturbed in response to lower rubber prices. Furthermore, the unfavorable weather conditions that prevailed since the second quarter of 2016 along with the high cost of production also contributed to the decline in production. In response to weaker

prices in the global market, the average Colombo auction rubber prices of Ribbed Smoked Sheet (RSS) 1 and RSS 2 declined by 11.4 percent to Rs. 226.88 per kg and 34.2 percent to Rs. 198.03 per kg, respectively during the first half of 2016. Rubber exports increased by 15.5 percent to US\$ 18.6 million during the first six months of 2016. However, decline in natural rubber prices caused small holders shifting to other crops or other agricultural activities which led to reduction in rubber production.

Coconut and related products

The value-added production of coconut and related products which accounted for 11.3 percent of Agriculture sector, grew by 5.3 percent during the first half of 2016, compared to a higher growth of 4.6 percent recorded in 2015. The total coconut production increased by 3.9 percent to 1,833 million nuts in the first half of 2016, compared to 1,765 million nuts in 2015. Hence, the Colombo auction coconut prices declined by 21 percent to Rs. 25.90 per nut from Rs. 32.80 per nut. In addition, total coconut exports remained unchanged and stood at US\$ 174.2 million during the review period. Meanwhile, exports of coconut kernel products decreased by 9.5 percent to US\$ 97.7 million whereas export of other coconut products increased by 15.4 percent to US\$ 76.4 million during the first half of 2016 in comparison to the same period of 2015.

Beverage crops and spices

The value addition of beverage crops such as coffee and cocoa recorded a negative growth of 4.1 percent in the first half of 2016, compared to 18.2 percent growth registered in the same period of 2015. Meanwhile, spices, aromatic, drugs and pharmaceutical crops sub-sector contracted by 4.3 percent in the first half of 2016 as against a negative growth of 1.8 percent recorded in the first half of 2015 due to the unfavorable weather condition prevailed.

However, the export earnings from spices decreased by 26.6 percent to US\$ 125.3 million during the review period.

Cereals fruits and vegetables

The cereals, fruits and vegetables sub-sector accounted for 12.6 percent of Agriculture sector, recorded a growth of 7.8 percent in the first half of 2016, compared to 2.1 percent growth registered in the same period of 2015 benefitting from the expansion of cereals by 18.1 percent and vegetables by 5.0 percent. However, export earnings from vegetables declined by 18.0 percent to US\$ 13.2 million during the first six months of 2016.

Marine and fresh water fishing

The fisheries sub-sector experienced a setback in 2016. The sub-sector consisting of marine fishing and fresh water fishing accounted for 16 percent of Agriculture sector and 1.3 percent of GDP. This sub-sector contracted by 6.5 percent during the first half of 2016, compared to a growth of 0.7 percent recorded during the same period in 2015. This was mainly due to a significant decline in inland and marine fish production by 21.4 percent and 5.1 percent, respectively, in the first half of 2016. The lower growth in marine fish production was largely attributable to weather conditions.

Animal Production

The animal production sub-sector consisting of milk, egg and value of slaughtered animals, accounted for 7.9 percent of Agriculture sector. The sub-sector grew by 3.4 percent during the first half of 2016, compared to a positive growth of 5.2 percent recorded during the same period of 2015. Government implemented several assistance programmes, including better farm gate prices of milk and granting tax concessions towards lowering the cost of production. Government has taken bold policy decisions to encourage milk

Table 5.1 | Sectoral Composition of GDP at Constant (2010) Prices

		<i>Rs. Mn.</i>					
Sector	2013	2014 (R)	2015(a)	First Half		Growth (%)	
				2015	2016 (a)	2015	2016 (a)
Agriculture, Forestry and Fishing	611,676	641,493	676,899	333,829	325,408	8.1	-2.5
1 Growing of Cereals (except rice)	14,307	14,927	15,077	7,371	8,704	8.9	18.1
2 Growing of Rice	65,607	61,022	75,219	26,750	23,934	51.0	-10.5
3 Growing of Vegetables	54,153	55,307	69,060	34,631	36,369	31.1	5.0
4 Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	2,441	2,286	1,954	984	1,076	-17.1	9.3
5 Growing of Fruits	37,385	40,889	47,629	25,874	25,768	28.1	-0.4
6 Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	53,424	64,159	67,439	35,052	36,915	4.6	5.3
7 Growing of Tea (Green Leaves)	74,734	73,946	72,027	37,988	33,457	0.0	-11.9
8 Growing of Other Beverage Crops (Coffee, Cocoa etc.)	1,321	1,538	1,259	629	603	-18.1	-4.2
9 Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	50,833	57,509	58,278	28,164	26,954	-1.8	-4.3
10 Growing of Rubber	37,987	28,689	25,777	14,672	13,939	-17.4	-5.0
11 Growing of Other Perennial Crops	14,344	15,392	15,829	7,875	7,935	2.6	0.8
12 Animal Production	36,599	47,954	51,782	24,877	25,711	5.2	3.4
13 Plant Propagation and Support Activities to Agriculture	9,183	9,767	9,781	4,916	4,844	-0.1	-1.5
14 Forestry and Logging	43,044	47,451	48,333	25,571	24,552	11.1	-4.0
15 Marine Fishing and Marine Aquaculture	103,879	106,585	104,952	53,333	50,607	3.4	-5.1
16 Fresh Water Fishing and Fresh Water Aquaculture	12,435	14,072	12,501	5,141	4,039	-25.2	-21.4
Industries	2,119,080	2,194,167	2,259,223	1,107,825	1,165,358	2.5	5.2
17 Mining and Quarrying	198,447	202,905	201,036	97,545	99,002	-3.9	1.5
18 Manufacture of Food, Beverages and Tobacco Products	507,127	513,895	542,573	270,697	272,948	9.3	0.8
19 Manufacture of Textile, Wearing Apparel and Leather Related products	264,527	276,653	276,710	149,098	151,419	1.5	1.6
20 Manufacture of Wood and Products of Wood and Cork, except Furniture	25,258	23,141	24,780	9,201	11,190	-23.6	21.6
21 Manufacture of Paper Products, Printing and Reproduction of Media Products	24,925	24,970	27,326	13,229	17,168	7.0	29.8
22 Manufacture of Coke and Refined Petroleum Products	27,514	28,723	29,075	14,790	20,264	5.3	37.0
23 Manufacture of Chemical Products and Basic Pharmaceutical Products	81,982	82,244	85,101	43,815	42,330	4.0	-3.4
24 Manufacture of Rubber and Plastic Products	82,187	71,914	75,296	33,136	32,603	-0.6	-1.6

production while addressing the remaining

bottlenecks in this sub-sector.

25	Manufacture of Other Non-metallic Mineral Products	81,037	78,678	76,503	39,515	37,919	-2.2	-4.0
26	Manufacture of Basic Metals and Fabricated Metal Products	26,589	24,883	29,112	12,255	15,761	15.8	28.6
27	Manufacture of Machinery and Equipment	30,845	32,064	37,574	14,745	17,251	19.6	17.0
28	Manufacture of Furniture	67,488	82,752	88,269	43,421	50,833	5.8	17.1
29	Other Manufacturing and Repair and Installation of Machinery and Equipment	44,443	53,077	61,763	29,948	30,774	13.0	2.8
30	Electricity, Gas, Steam and Air Conditioning Supply	76,789	79,296	85,446	41,645	45,191	6.8	8.5
31	Water Collection, Treatment and Supply	10,975	11,505	12,000	5,904	5,966	3.2	1.1
32	Sewerage, Waste, Treatment and Disposal Activities	15,511	17,355	21,659	10,345	12,520	22.4	21.0
33	Construction	553,438	590,111	584,999	278,534	302,218	-2.8	8.5
	Services	4,405,644	4,634,805	4,881,273	2,355,478	2,471,301	6.2	4.9
34	Wholesale and Retail Trade	859,977	898,864	940,814	491,946	514,008	1.7	4.5
35	Transport of Goods and Passenger including Warehousing	849,539	879,833	928,279	415,834	424,367	11.4	2.1
36	Postal Courier Activities	4,364	4,056	3,830	1,866	1,882	-6.6	0.9
37	Accommodation, Food and Beverage Service Activities	126,392	131,484	129,732	65,376	67,792	1.9	3.7
38	Programming and Broadcasting Activities and Audio Video Productions	2,422	2,513	2,651	1,317	1,285	6.0	-2.4
39	Telecommunication	27,395	30,989	34,128	16,628	20,126	10.9	21.0
40	IT Programming Consultancy and Related Activities	9,693	10,599	12,834	6,372	6,607	29.3	3.7
41	Financial Service Activities and Auxiliary Financial Services	386,009	425,965	493,124	239,733	275,866	15.6	15.1
42	Insurance, Reinsurance and Pension Funding	70,854	74,983	81,948	29,588	33,559	4.5	13.4
43	Real Estate Activities, Including Ownership of Dwelling	417,024	444,142	486,686	241,848	246,104	13.3	1.8
44	Professional Services	161,963	166,489	154,698	78,192	74,004	-5.2	-5.4
45	Public Administration and Defence; Compulsory Social Security	382,470	402,206	430,098	198,052	208,370	7.5	5.2
46	Education	157,477	173,762	160,702	77,743	84,055	-9.7	8.1
47	Human Health Actives, Residential Care and Social Work Actives	146,551	147,975	156,052	74,971	78,866	9.3	5.2
48	Other Personal Service Actives	803,514	840,946	865,698	416,012	434,407	3.0	4.4
	Gross Value Added (GVA), at basic prices	7,136,399	7,470,465	7,817,394	3,797,132	3,962,067	5.3	4.3
	(+) Taxes less Subsidies on Products	709,802	758,522	805,432	257,282	249,334	13.0	-3.1
	Gross Domestic Product(GDP), at market prices	7,846,202	8,228,986	8,622,825	4,054,414	4,211,402	5.7	3.9

Source: Department of Census and Statistics

(a) Provisional (R) Revised

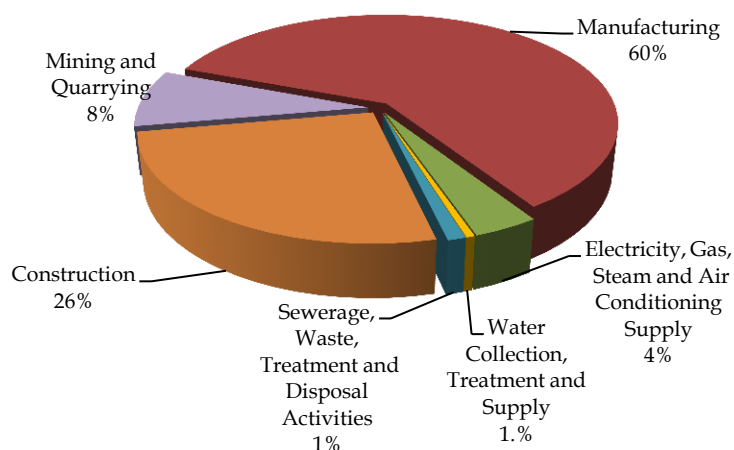
5.3 Industry

The Industry sector, which accounted for 27.7 percent to GDP regained its momentum in the first half of 2016. The sector grew by 5.2 percent during the first half of 2016, compared to a moderate growth of 2.5 percent growth in the same period of 2015 reflecting the expansion of construction activities and manufacturing of food and beverages, textiles and apparel and mining and quarrying sectors. However, sub-sectors

such as manufacturing of chemical products and basic pharmaceutical products, rubber and plastic products and non-metallic mineral products contracted.

During the first half of 2016, construction and mining and quarrying sub-sectors grew by 8.5 percent and 1.5 percent respectively. Meanwhile, manufacturing of furniture, coke and petroleum products and manufacturing of paper and paper products sub-sectors showed a considerable growth.

Chart 5.4 | Composition of Industry Sector- First Half 2016



Manufacturing

The manufacturing sub-sector, which accounted for 59.9 percent of the Industry sector and 16.6 percent of GDP, grew by 3.9 percent in the reference period compared to a 4.5 percent growth recorded in the first half of 2015 driven by higher performance of food, beverages and tobacco, textile, wearing apparel and manufacturing of furniture sub-sectors.

The main contributor to the manufacturing sector i.e. food, beverages and tobacco sub-sector, which accounted for 6.5 percent of GDP, recorded a slower pace of growth of 0.8 percent in the first half of 2016, compared to 9.3 percent growth recorded in

the same period of 2015 mainly due to the decline in domestic production.

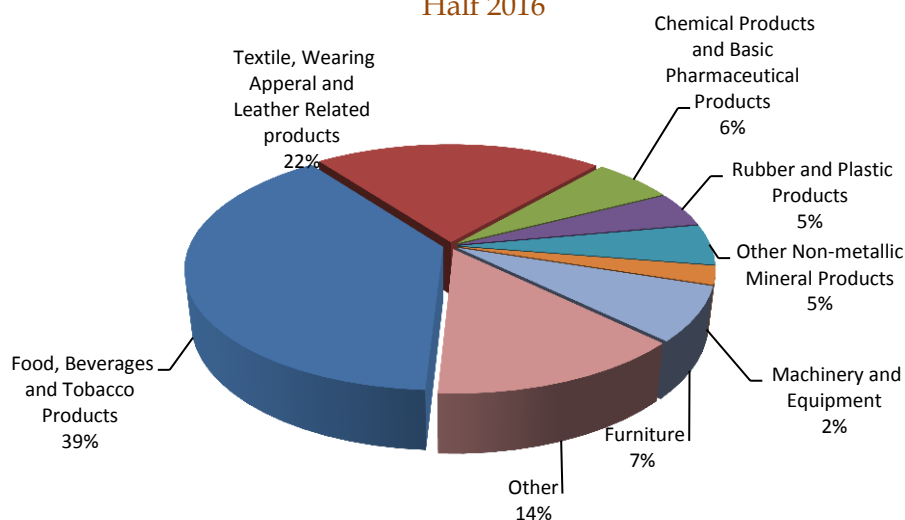
The textile, wearing apparel and leather related products sub-sector, which accounted for 3.6 percent to the GDP, recorded a 1.6 percent growth during the first half of 2016, compared to growth of 1.5 percent during the corresponding period of 2015. During the review period, the export earnings from textile and garments increased by 4.5 percent to US \$ 2,514.7 million as a result of higher garment exports to the US and non-traditional markets such as Canada, China and the UAE. Meanwhile, machinery and equipment sub-sector, which accounted for 0.4 percent of GDP, recorded a growth of 17.0 percent in the first half of 2016, compared to a growth of 19.6 percent

during the corresponding period of 2015. The output values of manufacturing of computers, electronic and optical product, motor vehicles and semi-trailers and other transport equipment increased by 21.0 percent, 14.0 percent and 16.9 percent, respectively during second quarter of the 2016.

The basic metals and fabricated metal products sub-sector, which accounted for 0.4 percent of the GDP during the first half of 2016, recorded a higher growth of 28.6

percent, compared to 15.8 percent growth recorded in the first half of 2015. Meanwhile, paper products, printing and reproduction of media products sub-sector grew by 29.8 percent in the first half of 2016, compared to a 7.0 percent growth recorded during the same period of 2015. In contrast, the chemical products and basic pharmaceutical products rubber and plastic products sub-sectors contracted by 3.4 percent and 1.6 percent, respectively during the first half of 2016.

Chart 5.5 | Composition of Manufacturing Sector-First Half 2016



Electricity, Gas, Water and Sewerage

The electricity, gas and steam and air-conditioning supply sub-sector expanded by 8.5 percent in the first half of 2016, compared to the growth of 6.8 percent in the same period of 2015. The total electricity power generation increased by 8.6 percent to 6,923 Gwh from 6,376 Gwh during the first half of 2016. The hydro-power to thermal power generation ratio of 47:53 changed to 41:59 during the review period due to the drought prevailed in the second quarter of 2016. Meanwhile, the water collection, treatment and supply sub-sector showed a slower pace of growth of 1.1

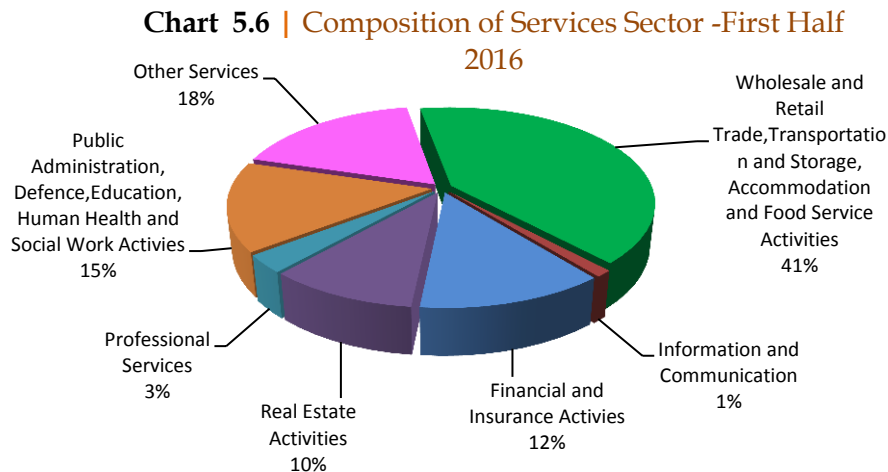
percent in the review period, compared to 3.2 percent growth recorded in the second half of 2015. Also, sewerage, waste treatment and disposal activities sub-sector grew by 21.0 percent in the review period.

5.4 Services

The Services sector grew by 4.9 percent in first half of 2016, compared to 6.2 percent growth during the corresponding period of 2015 contributing the highest share of 58.7 percent to GDP. Wholesale and retail trade sub- sector, being the largest contributor to the Services sector, expanded by 4.5 percent and accounted for 20.8 percent to the

Services sector. In addition, the performance of Services sector was underpinned by the sectors such as transport, financial services, real estate, public administration and accommodation food and beverages. Meanwhile, telecommunication, insurance

and educational activities significantly expanded during the first half of 2016. However, professional services and program broadcasting sub-sectors contracted by 5.4 percent and 2.4 percent, respectively during this period.



Wholesale and Retail Trade

The wholesale and retail trade sub-sector, which accounted for 20.8 percent of Services sector and 12.2 percent to GDP, expanded by 4.5 percent in the first half of 2016, compared to 1.7 percent growth in the same

period of 2015. This growth was supported by the increased domestic demand stemming particularly from relative low interest rate environment. Further, this sub-sector was affected by the performance of the imports and domestic agricultural and industrial production.

Transportation of Goods and Passengers including Warehousing

The transportation sub-sector including warehouse activities, which accounted for 17.2 percent of Services sector and 10.1 percent to GDP, grew moderately by 2.1 percent in first half of 2016, compared to 11.4 percent growth recorded in the same period of 2015 reflecting the decline of vehicle imports by 31 percent. Importation of buses, cars, three wheelers and motor cycles declined by 42.6 percent, 58.3 percent,

60.8 percent and 12.2 percent, respectively mainly due to the upward revision of taxes on motor vehicles.

Reflecting the expansion of capacity in ports services, the total number of vessels arrived increased by 7.3 percent to 2,918 vessels during the first half of 2016, compared to the same period of 2015. Total cargo handled grew by 11.9 percent to 49.5 Mn MT while total number of containers handled increased by 10.1 percent to 3.2 million Twenty-Foot Equivalent Units (TEUs) during the first half of 2016.

Table 5.2 | Selected Indicators of the Services Sector

Indicator	2012	2013	2014	2015	2015	2016
					Jan-Jul	Jan-Jul (a)
Port Services						
Vessels Arrived (No)	4,178	4,024	4,298	4,728	2,718	2,918
Total Cargo Handled (MT '000)	65,030	66,292	74,431	77,579	44,207	49,467
Total Container Handled (TEU '000)	4,187	4,306	4,908	5,185	2,968	3,268
Transshipment (TEU '000)	3,167	3,274	3,781	3,888	2,235	2,489
Telecommunication Sector					Jan-Jun	Jan-Jun (a)
Fixed Telephone Lines (No.'000) (b)	3,449	2,707	2,679	2,601	2,677	2,597
Cellular Phones (No.'000)	20,324	20,315	22,123	24,385	23,381	24,696
Wireless Phones (No.'000)	2,450	1,645	1,556	1,473	1,551	1,445
Internet and E-mail Subscribers (No. '000)	1366	2,010	3,383	4,091	3,799	4,232
Health Sector					Jan-Jun	Jan-Jun (a)
Private Hospitals	197	206	210	217	221	176
Public Hospitals	593	603	601	610	610	610
No. of Beds (Government)	73,437	74,636	76,918	76,781	76,781	76,949
No. of Doctors (Government) (c)	18,252	19,672	21,331	19,429	19,429	19,441
No. of Nurses (Government)	30,217	30,928	31,964	32,272	32,272	32,362
Financial Sector					Jan-Jun	Jan-Jun (a)
Bank Branches and Other Outlets (d)	6,374	6,487	6,554	6,583	6,598	6,632
Credit Cards in Use (e)	891,170	951,625	1,032,833	1,142,231	1,084,019	1,206,677 (f)
Licensed Finance Companies (d)	47	48	48	47	47	46
Specialised Leasing Companies (d)	13	10	8	7	7	7
Tourism Sector					Jan-Sep	Jan-Sep (a)
Tourist Arrivals	1,005,605	1,274,593	1,527,153	1,798,380	1,315,839	1,508,405
Tourist Earnings (US \$ mn)	1,039	1,715	2,431	2,981	2,181	2,500
Room Occupancy Rate (g)	71.2	71.7	74.3	74.5	73.5	74.1
Transport Services (New Registration)					Jan-Aug	Jan-Aug (a)
Buses	3,095	1,805	3,851	4,140	2,927	1,765
Cars	31,546	28,380	38,780	105,628	59,949	29,686
Lorries (h)	12,266	5,872	5,121	7,142	4,822	4,567
Motor Cycles	192,284	169,280	272,885	370,889	243,164	216,297
Three Wheelers	98,815	83,673	79,038	129,547	84,591	35,773
Tractors and Trailers	21,892	13,038	9,082	12,105	6,926	8,470

Source: Central Bank of Sri Lanka

(a) Provisional

(b) This includes the number of wireless phones

(c) This includes post intern medical officers

(d) As at end August

(e) As at end June

(f) Estimated

(g) Jan-Jun

(h) This includes the number of special purpose vehicles

Accommodation Food and Beverages

The accommodation, food and beverages sub-sector grew by 3.7 percent in the first half of 2016, compared to 1.9 percent growth recorded in the same period of 2015 benefiting from increased tourist arrivals and the expansion of capacity of hotels and

restaurants. The tourist arrivals increased by 15.9 percent to 1,359,906 tourists with the earnings of US\$ 2,254 million. Increased private sector investment in hotels and restaurants accelerated the growth of this sub-sector.

Table 5.3 | Performance of the Tourism Sector

Month	Tourist Arrivals				Tourist Earnings US \$ Mn.			
	2013	2014	2015 (a)	2016 (b)	2013	2014	2015 (a)	2016 (b)
January	110,543	146,575	156,246	194,280	148.8	233.3	259.0	322.0
February	113,968	141,878	165,541	197,697	153.4	225.9	274.4	327.7
March	113,208	133,048	157,051	192,841	152.4	211.8	260.3	319.6
April	80,737	112,631	122,217	136,367	108.7	179.3	202.6	226.0
May	74,838	90,046	113,529	125,044	100.7	143.3	188.2	207.2
June	90,279	103,175	115,467	118,038	121.5	164.2	191.4	195.6
July	107,016	133,971	175,804	209,351	144.0	213.3	291.4	347.0
August	123,269	140,319	166,610	186,288	165.9	223.4	276.1	308.8
September	90,339	105,535	143,374	148,499	121.6	168.0	237.6	246.1
October	107,058	121,576	132,280	n.a	144.1	193.5	219.2	n.a
November	109,420	119,727	144,147	n.a	147.3	190.6	238.9	n.a
December	153,918	178,672	206,114	n.a	207.2	284.4	341.6	n.a
Total	1,274,593	1,527,153	1,798,380	1,508,405	1,715.6	2,431.1	2,980.7	2,500.0

Source: Sri Lanka Tourism Development Authority

(a) Revised

(b) Provisional

Telecommunication, Postal and Courier Activities

The telecommunication sub-sector, which accounted for 0.8 percent to the Services sector and 0.5 percent to GDP, recorded a significant growth of 21 percent in the first half of 2016, compared to 10.9 percent growth in the same period of 2015 reflecting the expansion of cellular phones.

Cellular phone connections increased by 5.6 percent to 24.6 million whereas fixed telephone line connections and wireless phones connection contracted by 2.6 percent to 2.9 million and by 6.8 percent to 1.4 million, respectively during the first half of the 2016, compared to the same period of 2015. Meanwhile, the internet and e-mail subscribers also increased by 11.4 percent to

4.2 million during this period benefiting from the government policy to enhance computer literacy coupled with initiatives of e-governance. In addition, the postal and courier activities, recovered with a growth of 0.9 percent in the first six months of 2016, compared to a contraction of 6.6 percent in the same period of 2015.

Financial and Auxiliary Financial Services

Financial services and auxiliary financial services sub-sector, which contributed to 11.2 percent of the Services sector and 6.6 percent to GDP, grew by 15.1 percent during the first half of 2016, compared to 15.6 percent growth recorded in the corresponding period in 2015. The number of bank branches and other outlets increased

to 6,632 by end June 2016 while the number of credit cards in us also increased by 11.3 percent to 1.2 million by end June 2016.

Real Estate, Professional Services and Public Administration

The real estate sub-sector, which accounted for 9.9 percent to the Services sector and 5.8 percent to GDP, expanded moderately by 1.8 percent in the first half of 2016, compared to 13.3 percent higher growth

recorded in the same period of 2015. Meanwhile, professional services sub-sector such as legal and accounting further contracted by 5.4 percent in first half of 2016, in comparison to 5.2 percent negative growth in same period of 2015. Meanwhile, the public administration and defence sub-sector, which accounted for 8.4 percent of the Services sector and 4.9 percent to GDP grew by 5.2 percent in the first half of 2016, compared to 7.5 percent growth in the same period of 2015.

Table 5.4 | Sectoral Distribution of GDP Growth (%)

Sector	2012	2013	2014	2015	First Half	
					2015	2016 (a)
Agriculture	3.9	3.2	-2.2	5.5	8.1	-2.5
Growing of Tea	0.5	3.7	-1.3	-2.6	0.0	-11.9
Growing of Rice	-11.3	5.3	-18.6	23.3	51.0	-10.5
Growing of Rubber	-3.7	-14.2	-24.5	-10.1	-17.4	-5.0
Growing of Cereal	18.2	14.3	-1.9	1.0	8.9	18.1
Growing of Vegetables	-2.1	5.7	1.4	24.9	31.1	5.0
Animal Production	12.0	24.0	-25.4	8.0	5.2	3.4
Forestry and Logging	-10.2	12.7	8.3	1.9	11.1	-4.0
Fishing	8.9	6.1	2.1	-2.7	0.0	-6.5
Industry	9.0	4.1	1.2	3.0	2.5	5.2
Mining and Quarrying	24.6	7.6	2.2	-0.9	-3.9	1.5
Manufacturing Activities	3.2	2.3	2.9	4.7	5.4	3.9
Other Industries	4.7	2.9	4.1	10.1	8.9	10.0
Construction	21.2	7.5	-3.4	-0.9	-2.8	8.5
Services	11.2	3.8	6.5	5.3	6.2	4.9
Wholesale and Retail Trade	7.7	1.3	3.8	4.7	1.7	4.5
Transportation and Storage	8.0	5.4	4.5	5.5	11.4	2.1
Accommodation and Food Service Activities	27.3	-5.8	4.0	-1.3	1.9	3.7
Information and Communication	8.5	7.7	11.4	12.5	13.1	14.2
Financial and Insurance Activities	13.5	5.3	14.6	14.8	14.3	14.9
Real Estate Activities	12.7	12.8	6.4	9.6	13.3	1.8
Professional Services	22.3	4.0	2.8	-7.1	-5.2	-5.4
Education, Human Health and Social Work Activities	16.7	-10.8	5.7	-1.6	-1.3	6.7
Public Administration and Defence	5.0	-0.8	5.2	6.9	7.5	5.2
Other Services (Excluding Own-services)	13.6	10.0	8.6	2.9	3.0	4.4
GDP	9.1	3.4	4.5	4.8	5.7	3.9

Source: Department of Census and Statistics

(a) Provisional

Education, Health and Other Personal Services

The education sub-sector, which accounted for 3.4 percent of the Services sector and 2.0 percent to GDP, expanded by 8.1 percent in the first half of 2016, compared to 9.7 percent contraction recorded in same period of 2015. Meanwhile, healthcare and social work activities sub-sector grew by 5.2 percent in the reference period. Furthermore, the personal services activities such as photography, creative art and entertainment, which accounted for 17.6 percent of the Services sector and 10.3 percent to GDP, expanded by 4.4 percent in the first half of 2016 in comparison to 3.0 percent growth recorded in the same period of 2015.

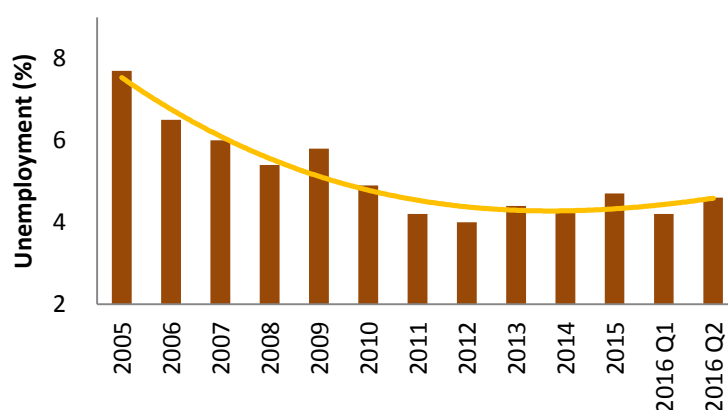
5.5 Unemployment

The employment in Sri Lanka increased to about 95.6 percent in the first half of 2016, compared to about 95.4 percent in the same period of 2015. Accordingly, the

unemployment rate declined to about 4.4 percent in the first half 2016, compared to around 4.6 percent recorded in the same period of 2015 benefiting from government policy decision towards the reduction of unemployment in the country and regaining employment opportunities in construction and hotel industry.

There are some salient features in the unemployment in Sri Lanka. Firstly, youth unemployment rate among the age group of 15-24 years recorded a high of 22.2 percent in the second quarter of 2016. Secondly, the unemployment rate among the female (7.3 percent) was higher than that of males (3.1 percent). Thirdly, the highest unemployment rate was recorded from the G.C.E. (A/L) and above group which is about 8.6 percent in the second quarter of 2016. Fourthly, unemployment is severe among educated females than educated males. To address these key issues in unemployment, government has recognized the importance of accelerating economic growth while minimizing regional imbalances.

Chart 5.7 | Unemployment



5.6 Monetary Sector Developments

The Central Bank of Sri Lanka (CBSL) adopted preemptive monetary policy measures due to the relatively higher

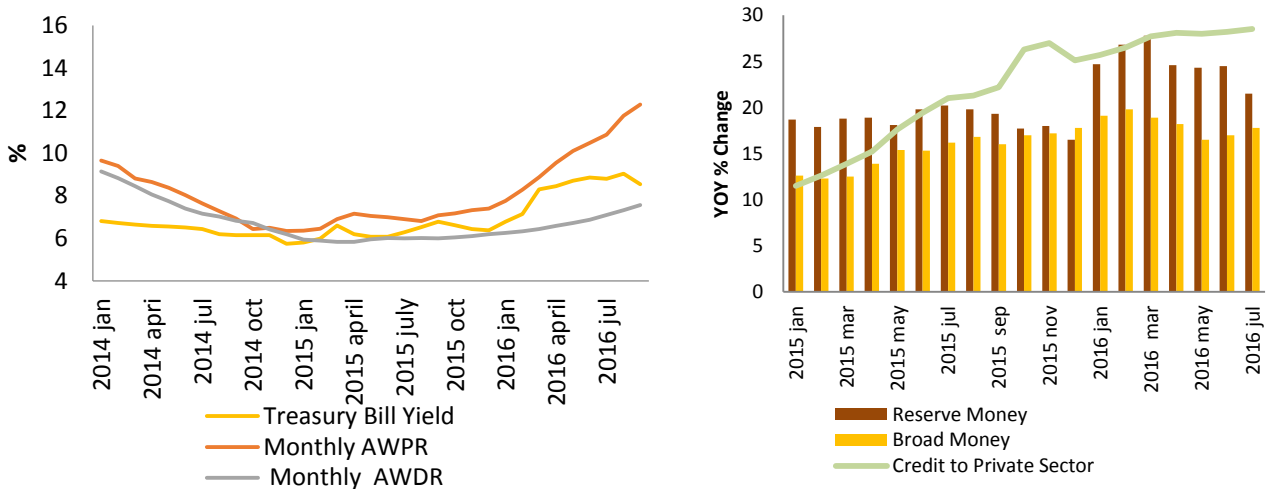
inflation coupled with high monetary and credit expansion with the objective of support economic activity. Accordingly, the CBSL tightened monetary policy by increasing the Statutory Reserve Return (SRR) by 1.50 percentage points to 7.50

percent in January 2016 and enhance policy interest rates twice by 50 basis points each from January to September 2016. Policy interest rates, that is, Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) increased to 7.00 percent and 8.50 percent, respectively in July 2016. Furthermore, SDFR and SLFR remained unchanged at 7.00 percent and 8.50 percent, respectively in September 2016. The broad money (M_{2b}) expanded to 17.8 percent in July 2016 and remains unchanged in September 2016. As such, credit granted to the private sector by commercial banks increased by 28.5 percent in July 2016, on a year-on-year basis, in comparison to 28.2 percent recorded in the previous month.

Meanwhile, short-term money market interest rates and other market interest rates showed an upward trend during the first nine months of 2016 reflecting the impact of the policy measures adopted during the first seven months of the year through increasing policy interest rates. The Average Weighted Call Money Rate (AWCMR) increased by

207 basis points to 8.42 percent and Average Weighted Prime Lending Rate (AWPR) increased by 489 basis points from end December 2015 to end September 2016. The Average Weighted Yield Rates pertaining to Treasury Bills of 91 days, 182 days and 364 days increased by 210, 256 and 281 basis points, respectively during the first ten months of 2016. The Average Weighted Deposit Rate (AWDR) increased by 136 basis points and the Average Weighted Fixed Deposit Rate (AWFDR) increased by 210 basis points by end September 2016 from end December 2015. In addition, Average Weighted Lending Rate (AWLR) increased by 146 basis points to 12.54 percent by end August 2016, on a year on year basis, from 11.08 percent in August 2015. The CBSL is moving towards the frameworks of Monetary Targeting (MT) and Flexible Inflation Targeting (FIT) with the aim of stabilizing inflation in mid-single digits level while supporting economic growth and the management of exchange rate at flexible level over the medium term.

Chart 5.8 | Yield Rates, Monetary Aggregates and Private Sector Credit Growth



5.7 Inflation

Inflation remained at single digit level due to an improved supply side developments coupled with the drop in international commodity prices. The headline inflation measured by Colombo Consumers Price Index (CCPI) (2006/07=100) declined to 3.9 percent in September 2016 on year-on-year basis from 6.0 percent recorded in June 2016 due to the suspension of certain changes to government tax policy. However, inflation showed an upward movement during the May to July in 2016 due to the supply shortages stemming from the adverse

weather conditions and impact of certain tax adjustments. Similarly, National Consumer Price Index (NCPI) (2012/13=100) based year-on-year headline inflation increased to 4.7 percent in September 2016 from 4.5percent in August 2016 due to increased price of food and non-food items. Meanwhile, underlying core inflation, which measures the inflation in the country, increased to 4.2 percent in September 2016, compared to 4.1 percent in August 2016. Inflation is expected to remain in mid-single digit level in 2016 with the measures adopted in demand management.

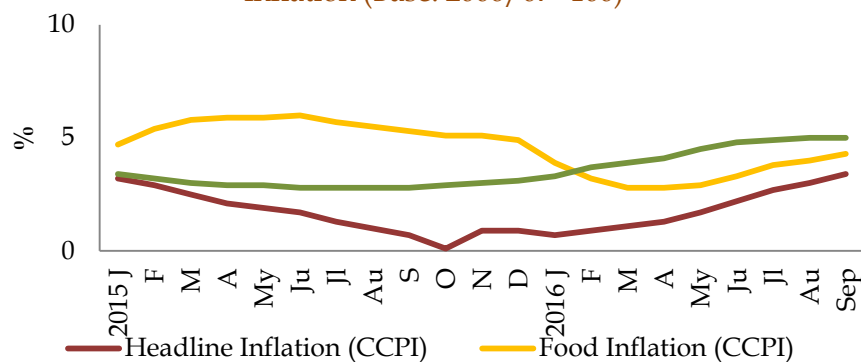
Table 5.5 | Headline Inflation, Core Inflation and Food Inflation (Base: 2006/07=100)

Month	HEADLINE INFLATION (%)				CORE INFLATION* (%)				FOOD INFLATION (%)			
	YoY		Annual Average		YoY		Annual Average		YoY		Annual Average	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
January	3.2	0.9	3.2	0.7	2.1	4.6	3.4	3.3	12.0	-0.2	4.7	3.9
February	0.6	2.7	2.9	0.9	0.8	5.7	3.2	3.7	9.5	0.8	5.4	3.2
March	0.1	2.0	2.5	1.1	1.4	4.5	3.0	3.9	6.3	1.4	5.8	2.8
April	0.1	3.1	2.1	1.3	2.4	4.5	2.9	4.1	4.3	4.9	5.9	2.8
May	0.2	4.8	1.9	1.7	2.6	6.6	2.9	4.5	4.6	5.6	5.9	2.9
June	0.1	6.0	1.7	2.2	2.8	6.4	2.8	4.8	4.0	8.2	6.0	3.3
July	-0.2	5.5	1.3	2.7	3.5	5.8	2.8	4.9	2.5	8.1	5.7	3.8
August	-0.2	4.0	1.0	3.0	3.9	4.1	2.8	5.0	2.2	5.6	5.5	4.0
September	-0.3	3.9	0.7	3.4	4.2	4.2	2.8	5.0	2.0	5.5	5.3	4.3
October	1.7		0.7		4.5		2.9		2.7		5.1	
November	3.1		0.9		4.3		3.0		5.2		5.1	
December	2.8		0.9		4.5		3.1		4.2		4.9	

Source: Department of Census and Statistics

*CCPI Core Inflation - Excluding Fresh Food, Energy, Transport, Rice and Coconut

Chart 5.9 | Movements in Headline, Core and Food Inflation (Base: 2006/07=100)



5.8 Stock Market

The 3-year arrangement under the Extended Fund Facility (EFF) provided by the IMF helped improve investor sentiments which benefited from the improvement in foreign investment in the capital market. However, stock market activities showed a slower performance in the first nine months of 2016 due to volatility of price movements in indices. The All Share Price Index (ASPI) declined by 7.3 percent to 6,535 points and S&P SL 20 Index also declined by 5.4 percent to 3,617 points by end September 2016, compared to the same period of 2015. Further, market capitalization declined to

Rs. 2,786 billion, a 6.8 percent drop, compared to the same period of 2015. The performance of stock market was adversely affected by global financial turmoil shifting investors to high yielding markets and a risk-averse investment behavior. The turnover, on average, declined by 32.2 percent to Rs. 135 billion during the first nine months of 2016 from Rs. 199 billion in the same period of 2015. Cumulative value of foreign purchases amounted to Rs. 49,694 million while cumulative foreign sales was Rs. 52,893 million, resulting in a net outflow of Rs. 3,199 million during first nine months of 2016.

Table 5.6 | Movements in the Capital Market

Indicators	2011	2012	2013	2014	2015	End September	
						2015	2016
All Share Price Index (1985=100)	6,074	5,643	5,913	7,299	6,895	7,051	6,535
Milanka Price Index/ S&P SL 20 Index*	5,229	5,119	3,264	4,089	3,626	3,826	3,617
Market Capitalization (Rs. Bn.)	2,214	2,168	2,460	3,105	2,938	2,991	2,786
No. of Listed Companies in Trading	272	287	289	294	294	296	295
Annual Turnover (Rs.Bn.)	546	214	200	341	253	199	135
Foreign Sales (Rs. Mn.)	68,854	33,972	60,873	83,554	89,790	61,750	52,893
Foreign Purchases (Rs. Mn)	49,875	72,653	83,657	104,771	84,418	57,834	49,694
Net Purchases (Rs. Mn)	-18,979	38,681	22,784	21,217	-5,372	-3,915	-3,199

Sources: Colombo Stock Exchange and Central Bank of Sri Lanka

* with effect from June 2012 Milanka Price Index has been replaced by S&P SL 20 Index

5.9 External Sector Developments

Sri Lanka's external sector showed subdued performance during the first seven months of 2016. The trade deficit widened as a result of the significant decline in exports compared to a marginal decline in imports. However, earnings from tourism increased while enhancing workers' remittances which help improved the current account during the review period. Meanwhile, the financial account continued to improve with the proceeds of US\$ 1.5 billion from the issuance of the 10th international sovereign bonds, receipts from currency swap

agreements and long term foreign loans including loans from the International Monetary Fund (IMF). Sri Lanka has agreed with the IMF on EFF of Rs. 1.5 billion for 3 years. Consequently, the cumulative net outflow of foreign investments in government securities amounted to US\$ 133.3 million during the first seven months of 2016, compared to US\$ 424.7 million registered during the respective period of 2015. Meanwhile, foreign investments at the Colombo Stock Exchange (CSE) recorded a net outflow of US\$ 30.8 million during the first seven months of 2016, compared to net inflow of US\$ 40.0 million recorded in the

corresponding period of 2015. This has resulted in recording a surplus of US\$ 356.0 million in the Balance of Payment (BOP) during the first seven months of 2016, compared to a deficit of US\$ 1,229.6 million

recorded during the corresponding period of 2015. Meanwhile, gross official reserves improved to US\$ 6.6 billion, as at end August 2016.

Table 5.7 | External Trade

Category	2013	2014	2015	US\$ Mn.	
				Jan-July	
				2015	2016 (a)
Exports	10,394	11,130	10,505	6,244	5,903
Agricultural Exports	2,581	2,794	2,481	1,490	1,313
Tea	1,542	1,628	1,341	809	726
Other Agricultural Products	1,039	1,166	1,141	681	587
Industrial Exports	7,749	8,262	7,976	4,728	4,557
Textile and Garments	4,508	4,930	4,820	2,819	2,940
Food, Beverages and Tobacco	235	289	265	156	174
Rubber Products	888	890	761	470	440
Machinery and Mechanical Appliances	312	343	294	178	172
Petroleum Products	428	338	374	264	162
Other Industrial Exports	1,378	1,472	1,461	842	669
Mineral Exports	52	59	28	17	26
Unclassified	12	15	20	8	8
Imports	18,002	19,417	18,934	12,865	12,604
Consumer Goods	3,182	3,854	4,714	2,722	2,431
Food and Beverages	1,368	1,634	1,628	1,003	897
Other Consumer Goods	1,814	2,220	3,086	1,719	1,535
Intermediate Goods	10,554	11,398	9,638	7,489	7,336
Petroleum	4,308	4,597	2,700	1,648	1,320
Textiles and Garments	2,046	2,328	2,296	2,819	2,940
Wheat and Maize	323	405	357	200	141
Other	3,877	4,068	4,285	2,822	2,934
Investment Goods	4,253	4,152	4,567	2,644	2,830
Machinery and Equipment	2,222	2,131	2,278	1,322	1,597
Building Materials	1,357	1,309	1,352	723	882
Transport Equipment	668	707	931	596	348
Other	6	5	6	3	4
Unclassified	14	14	16	11	8
Trade Deficit	-7,608	-8,287	-8,429	-6,622	-6,701

Source: Central Bank of Sri Lanka

(a) Provisional

Earnings from exports declined sharply by 5.6 percent to US\$ 5,999 million and also expenditure in imports declined moderately by 2.9 percent to US\$ 10,754 million in the review period reflecting the expansion of

trade deficit by 0.7 percent to US\$ 4,755 million during the period. Earnings from exports dropped mainly due to a lower export performance in tea, rubber products, coconut, spices, petroleum products and gems and jewellery stemming from the drop

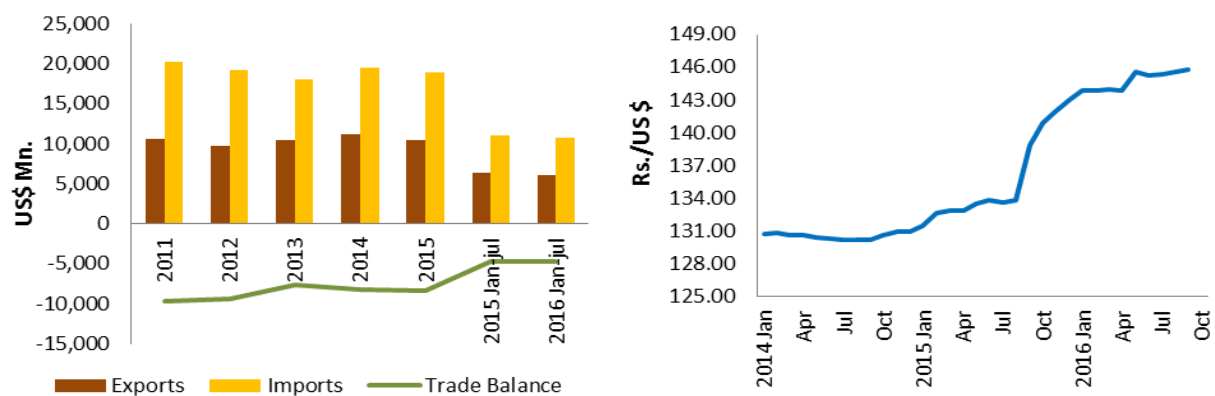
in international market commodity prices. However, export earnings from textile and garments, and leather and footwear increased during the first seven months of 2016. A sharp decline in imports of fuel, food and beverages, base metal, wheat and maize, vehicles and transport equipment was attributable to decrease the total import expenditure in the reference period.

The earnings from tourism enhanced to US\$ 1,945.2 million in the review period, compared to US\$ 1,667.1 million recorded in the first seven months of 2015. Also, workers' remittances increased by 3.8 percent to US\$ 4,185.9 million during the first seven months of 2016, compared to same period in 2015. As at end August 2016, the gross official reserves of Sri Lanka stood at US\$ 6.6 billion, compared to US\$ 6.5 billion as at end August 2015. Total foreign assets amounted to US\$ 8.9 billion, which is equivalent to 5.7 months of imports. Meanwhile, the rupee depreciated against US\$ by 1.9 percent during the period from December 2015 to 14th October 2016.

The financial account showed a moderate performance with the receipts from

currency swap agreements with SAARCFINANCE of US\$ 400 million and with the Reserve Bank of India (RBI) of US\$ 700 million and long term foreign loans including loans from the IMF while settlement of US\$ 1,100 million swap arrangement with the RBI. Meanwhile, Sri Lankan government entered into a 3-year arrangement under the Extended Fund Facility (EFF) of US\$ 1.5 billion with the IMF to support economic reform programme in Sri Lanka. The financial account further improved with the receipts of the first tranche of EFF of US\$ 168 million and a syndicated loan facility of US\$ 300 million provided by the IMF. However, long term loans to the recorded a net outflow of US\$ 22.0 million during the first seven months of 2016, compared to a net inflow of US\$ 169.9 million in the same period of 2015. Meanwhile, Sri Lankan government issued international sovereign bond of US\$ 1.5 billion. It is expected to improve Sri Lanka's BOP position and reserve levels in the short to medium term with the increased investments and investor confidence with the anticipated structural adjustments in the external sector.

Chart 5.10 | Trade Balance and Exchange Rate Movements



Exports

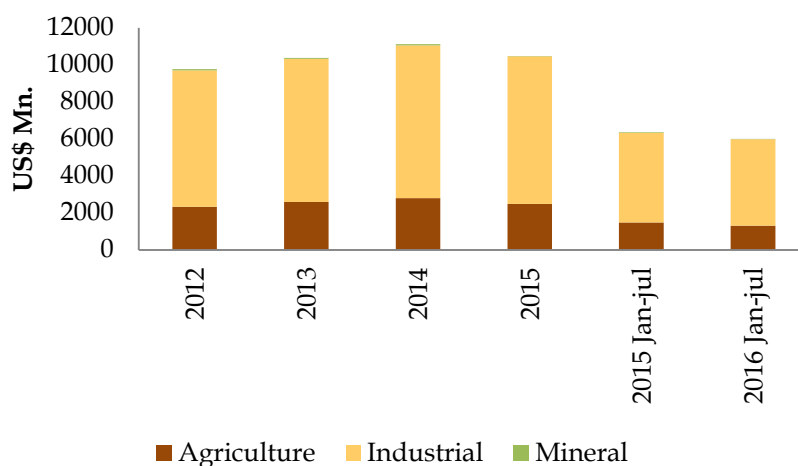
Earnings from exports declined by 5.6 percent to US\$ 5,998.9 million during the first seven months of 2016, compared to US\$ 6,356.5 million recorded in the same period

of 2015 mainly due to the plunge in commodity prices in international market. The drop in earnings from all export items except textiles and garments, leather and footwear led to decline in export earnings.

Moreover, this was largely attributable to the decline in earnings from tea by 10.3 percent, rubber by 6.3 percent, coconut by

1.2 percent, petroleum products by 38.5 percent and spices by 27.8 percent.

Chart 5.11 | Composition of Exports



Meanwhile, earnings from petroleum products contracted by 38.5 percent to US\$ 162.4 million due to a drop in bunkering volume and average bunkering prices. Further, export earnings from transport equipment dropped significantly due to the base effect of exporting two cruise ships in 2015. Meanwhile, earnings from tea exports declined to US\$ 726.1 million from US\$ 809.4 million in the reference period due to the reduction in tea prices in international market and lower demand emanating from heightened geo-political uncertainty prevailed in major tea buyers such as Russia and the Middle East. Moreover, export earnings from spices contracted due to weaker exports in pepper and cloves despite the higher exports of other spices, specially cinnamon, nutmeg and mace. In addition, export earnings from industrial products declined by 3.6 percent to US\$ 4,660.4 million in the reference period in 2016 from US\$ 4,836.7 million recorded in the same period of 2015. However, earnings from textile and garments indicated a moderate growth of 4.3 percent during the reference period owing to a higher demand arisen

from the USA, Canada, China and the UAE. Furthermore, earnings from leather, travel goods and footwear exports grew significantly by 20.0 percent during the review period.

Imports

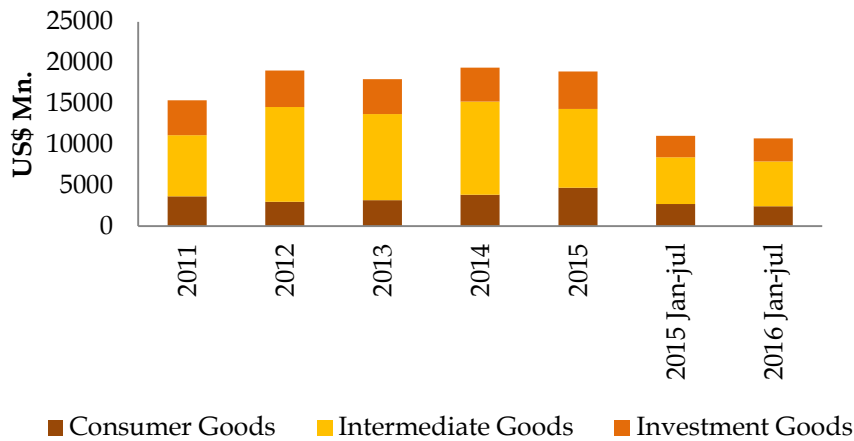
The total expenditure on imports declined by 2.9 percent to US\$ 10,753.8 million during the first seven months of 2016, compared to US\$ 11,080.6 million recorded in the same period of 2015 with the significant decline in the import expenditure on fuel, motor vehicles and transport equipment, vegetables and base metals. The top import origins during the reference period were China, India, Singapore, Japan and the UAE, which accounted for about 57 percent of total imports.

Expenditure on fuel dropped by 19.9 percent to US\$ 1,320.2 million in first seven months of 2016, compared to US\$ 1,648.2 million in the same period of 2015 owing to the decline in international oil prices despite the increase in import volumes. The import

expenditure on motor vehicles and transport equipment declined by 36.5 percent to US\$ 472.9 million and 41.6 percent to US\$ 347.9 million, respectively during the review period reflecting the policy measures taken by the government to

discourage vehicle imports. However, import expenditure on machinery and equipment and building materials increased significantly by 20.8 percent to US\$ 1,596.5 million and 21.9 percent to US\$ 881.6

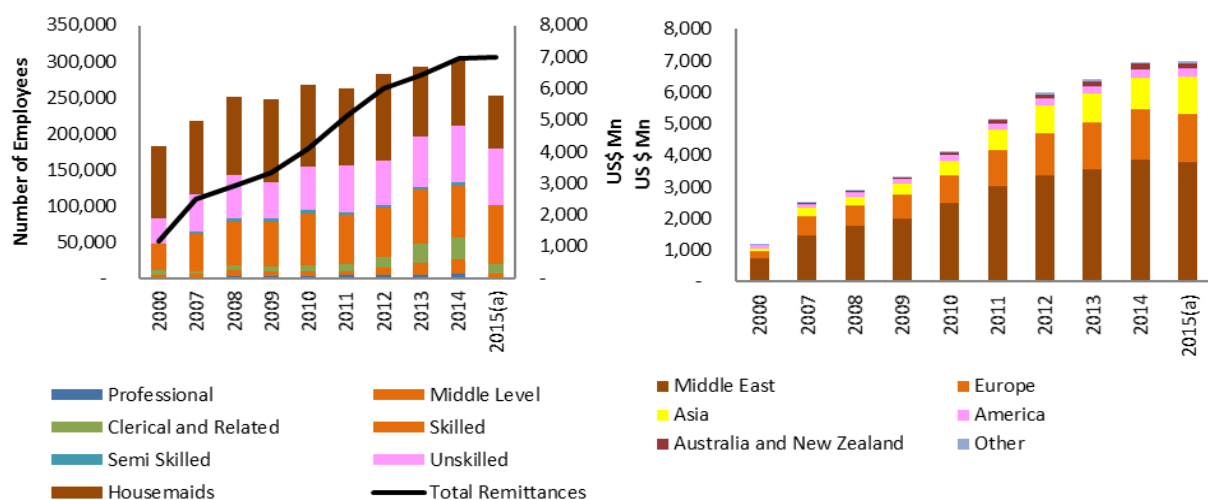
Chart 5.12 | Composition of Imports



million, respectively. Meanwhile, expenditure on medical and pharmaceutical imports increased by 15.6 percent to US\$ 309.7 million during the review period. Import expenditure on diamonds, precious stones and metal category grew substantially by 92.7 percent to US\$ 245.5

million due to higher gold imports during the review period. Meanwhile, the import expenditure on dairy products, oils and fats, wheat and mace declined whereas mineral products increased during the first seven months of 2016.

Chart 5.13 | Workers' Remittances by Amount, Type of Employment and Originating Country



Earnings from Tourism and Receipts from Workers' Remittances

With the increased tourist arrivals by 16.7 percent to 1,173,618 tourists, the earnings from tourism increased to US\$ 1,945.2 million during the first seven months of 2016 compared to US\$ 1,667.1 million recorded during the same period in 2015. India, China, UK, Germany and France were the top five sources of tourist arrivals. Meanwhile, there was a notable decline in tourist arrivals from Russia and moderate growth in tourist arrivals from the Middle East.

Workers' remittances recorded a moderate growth of 3.8 percent to US\$ 4,185.9 million during the first seven months of 2016, compared to US\$ 4,032.0 million recorded in the same period of 2015. However, the continued slow-down of economic activities in the Middle Eastern countries and the declining demand for migration opportunities for unskilled categories in those countries were adversely affected to the potential revenue from the workers' remittances.

Global Economic Trends



06

6.1 World Economic Growth

Global economic growth is expected to decline to 3.1 percent in 2016 according to the World Economic Outlook (WEO), October 2016 report of the IMF. Forecast for 2016 was a 0.1 percentage point reduction from their April forecast. This slowdown was mainly due to the moderate recovery in advanced economies particularly in the US, the plunge in commodity prices, the weaker global trade and diminishing capital flows. In addition, slow performance in major emerging markets, the exit of Britain (Brexit) from the European Union (EU), financial market volatility and geo-political uncertainty in the Middle East and Russia and the accumulated private debt in several emerging and developing economies have prompted to weigh down the growth prospects in the world. However, the economic recovery of the global economy remains fragile due to the slowdown of Chinese economy, monetary policy tightening of US, the plunge in commodity and energy prices coupled with Brexit.

The global growth for 2017 is expected to be at 3.4 percent, 0.1 percentage point reduction from previous forecast of 3.5 percent. Advanced economies are expected to grow at 1.6 percent in 2016, while emerging market and developing economies growth rate remains at 4.2 percent. The respective growth rates for these economies in 2017 are 1.8 percent and 4.6 percent. However, economy in the UK experienced the largest downward revision in forecasted growth. The projections for 2016 and 2017 are slightly weak to 1.8 percent mainly due to the increase in uncertainty on investor confidence following the U.K. referendum over Brexit. However, growth in the US economy is expected to reach 1.6 percent, reflecting continued weakness in business investment together with a sizable drawdown of inventories.

However, the Euro area is expected to grow at a slower pace mainly due to the substantial increase in economic, political and institutional uncertainty following the U.K. referendum. Growth in the Euro area is projected to decline marginally to 1.7 percent in 2016 and 1.5 percent in 2017. Meanwhile, Japanese economy is predicted to remain weak to 0.5 percent, largely due to the appreciation of the yen in recent months and weak global growth. The outlook for China is favorable due to recent policy support including expansionary fiscal policy in the second half of the year, stronger infrastructure investment, modest recovery in oil prices and acceleration of credit growth. IMF forecast for China is 6.6 percent for 2016 and 6.2 percent for 2017.

Growth in South Asia is projected to remain strong. India's growth is projected to expand by 7.6 percent in 2016 and 2017, benefiting from the large improvement in trade, structural reforms including tax reforms and formalization of the inflation-targeting and improved investor confidence. However, among the ASEAN-5 economies, the growth in Malaysia and Vietnam are expected to remain weak in 2016, while growth in Indonesia, Philippines and Thailand is forecast to pick up 2016. Meanwhile, growth rates in the Brazil and Russia are expected to contract in 2016. The growth outlook of Russian economy is subdued mainly due to the long-lasting structural barriers and the impact of sanctions on productivity and investment.

Commodity exporting Sub-Saharan economies are expected to remain weak with the slow recovery of the global economy. In the Middle East, the recent modest recovery in oil prices is projected to have little impact on growth in oil-exporting countries. However, geopolitical conflicts, political tensions, terrorism, refugee flows and global epidemics such as zika over

some countries and regions will slow down the global economic activities.

6.2 Inflation

Inflation rates in advanced economies are projected to reach 0.8 percent in 2016 from 0.3 percent in 2015. Inflation is expected to rise over the next few years due to the

modest increase in fuel prices. The annual inflation in the US is estimated to increase to 1.2 percent in 2016 from 0.1 percent in 2015 mainly due to the dollar appreciation in 2015 and the drop in fuel prices. Inflation in the Euro economies is expected to reach 0.3 percent in 2016. Meanwhile, Japan's inflation is projected to be negative and is expected to remain at -0.2 percent in 2016 reflecting the decline in commodity prices.

Table 6.1 | Key Indicators of World Economy – 2016

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-1.8	n.a	9.2	-7.1	51.8
Australia	2.9	1.3	5.7	-2.9	40.9
Brazil	-3.3	9.0	11.2	-10.4	78.3
Canada	1.2	1.6	7.0	-2.6	92.1
Chile	1.7	4.0	7.0	-3.2	20.4
China	6.6	2.1	4.1	-3.0	46.3
France	1.3	0.3	9.8	-3.3	97.1
Germany	1.7	0.4	4.3	0.1	68.2
Greece	0.1	-0.1	23.3	-3.3	183.4
India	7.6	5.5	n.a	-6.7	68.5
Indonesia	4.9	3.7	5.6	-2.5	27.5
Italy	0.8	-0.1	11.5	-2.5	133.2
Japan	0.5	-0.2	3.2	-5.2	250.4
Korea	2.7	1.0	3.6	0.9	38.9
Malaysia	4.3	2.1	3.2	-3.4	56.6
Mexico	2.1	2.8	4.1	-3.0	56.0
Russia	-0.8	7.2	5.8	-4.0	17.1
Singapore	1.7	-0.3	2.0	2.4	106.4
South Africa	0.1	6.4	26.3	-3.8	51.7
Spain	3.1	-0.3	19.4	-4.5	100.1
Sri Lanka	5.0	4.1	n.a	-5.4	77.2
Thailand	3.2	0.3	0.8	-0.4	43.6
United Kingdom	1.8	0.7	5.0	-3.3	89.0
United States	1.6	1.2	4.9	-4.1	108.2
Vietnam	6.1	2.0	2.4	-6.6	62.0

Sources: World Economic Outlook, IMF, October 2016, Fiscal Monitor, IMF, October 2016, Ministry of Finance, Central Bank of Sri Lanka

n.a - not available

Inflation in emerging market and developing economies excluding Argentina and Venezuela is projected to decline to 4.5 percent in 2016 from 4.7 percent in 2015 owing to the effects of earlier currency depreciations. In addition, inflation in China is expected to pick up to 2.1 percent in 2016. Inflation rates in economies such as Brazil, Russia and Turkey are expected to decline gradually as the effects of past exchange rate depreciations dissipate. India's inflation is expected to be at around 5.5 percent and 5.2 percent in 2016 and 2017, respectively.

6.3 Fiscal Deficits

The fiscal deficit to GDP ratio in advanced economies, on average, is estimated to be at around 3.0 percent in 2016 and further narrow down to 2.8 percent in 2017. However, fiscal deficit to GDP ratio of the emerging market and middle-income economies will slightly expand to 4.7 percent in 2016 from 4.4 percent in 2015 mainly due to the revenue losses of oil-exporting economies coupled with higher capital outflows and exchange rate depreciation in some of the countries. Furthermore, the average fiscal deficit in low-income developing economies is expected to increase to 4.6 percent of GDP in 2016 from 4.0 percent of GDP in 2015 reflecting the slower growth, depreciation of domestic currency and increased capital outflows.

6.4 Government Debt

In 2016, the gross government debt as a percentage of GDP in advanced economies will increase marginally to 108.6 from 105.4 percent in 2015 due to the slow growth and substantial output gaps. In contrast, government debt to GDP ratio in emerging market and middle income economies is estimated to be about 44.8 percent in 2016 and 47.3 percent in 2017. There is a declining

trend in India's debt to GDP ratio and it will reach 68.5 percent and 67.2 percent in 2016 and 2017, respectively. Meanwhile, China's debt to GDP ratio is expected to continue rising to 46.3 percent in 2016 from 42.9 percent in 2015.

6.5 Unemployment

The world unemployment remains high due to slowdown in emerging economies coupled with a sharp decline in commodity prices. In 2015, total world unemployment reached 197.1 million and it is expected to rise by about 2.3 million to reach 199.4 million. Further, the global youth unemployment rate is expected to grow 13.1 per cent in 2016 from 12.9 in 2015. The unemployment rate in the US is expected to be at around 5.5 percent and 5.2 percent in 2016 and 2017. In July 2016, the unemployment rate in the US was 4.9 percent, which is down from 5.3 percent in July 2015. The unemployment rate in the Euro area was 8.6 percent in July 2016 compared to 9.4 percent in July 2015. The unemployment rates in China and India are expected to be at around 4.9 percent and 3.7 percent, respectively in 2016. Moreover, the employment outlook has weakened in emerging and developing economies, particularly in Brazil, China and oil-producing countries. According to the ILO, the numbers of unemployed people are forecasted to reach more than 212 million by 2019.

6.6 Interest Rates

The London interbank offered rate (LIBOR) on six-month U.S. dollar deposits, on average, will be 1.0 percent in 2016 and 1.3 percent in 2017, according to the WEO 2016 report. Meanwhile, the rate on three-month Euro deposits is expected to average -0.3 percent and -0.4 percent in 2016 and 2017, respectively. The interest rate on six-month

Japanese Yen deposits will turn out to be 0.0 percent and -0.1 percent in 2016 and 2017, respectively.

6.7 International Trade

The world trade volume expected to grow by 2.3 percent in 2016 and to increase further to 3.8 percent in 2017. The downward trends in commodity prices and sharp decline in oil prices since mid-2014 have deteriorated the terms of trade of many commodity-exporting countries. The import contraction was severe in most of commodity exporters, particularly in Brazil and Russian Federation. World intermediate and industrial goods trade remain subdued in 2016. In addition, global commercial trade services remain stable in 2016 with the strengthening consumer spending and income growth in major oil importing countries.

6.8 Commodity Prices

All main commodity prices except food and precious metals are projected to decline in 2016 due to ample supplies and further weakening of growth in emerging market and developing economies (EMDEs) growth. Grain prices are projected to decline by 4 percent in 2016. For example, wheat prices declined by 7 percent. However, prices of rice and maize increased by 12 percent and 7 percent, respectively during the second quarter of 2016. The prices of beverages and raw materials are expected to drop by 4 percent and 2 percent in 2016 respectively. Fertilizer prices are projected to decline 18 percent in 2016 due to surplus capacity, weak demand, and low natural gas prices. Metals prices are projected to decline 11 percent in 2016, due to the expansion of new production capacity. The largest price declines are expected in nickel by 22

percent, copper by 15 percent and iron by 10 percent, mainly due to the surplus supply in 2016. Meanwhile, the precious metals prices are projected to rise 8 percent in 2016 mainly due to stronger investment demand.

6.9 Energy Prices

The Energy prices increased by 29 percent in the second quarter of 2016 from the first quarter, according to the World Bank Energy Price Index. Crude oil prices rose by 37 percent and averaged at US\$ 44.8/bbl in the second quarter of 2016 compared to US\$ 32.7/bbl in the first quarter of 2016 owing to supply outages stemming from the decline in US shale production, wildfires in Alberta's oil sands region in Canada and militant attacks on oil infrastructure in Nigeria and supply disruptions in Kuwait, Iraq and Libya. However, continued decline in non-OPEC supply was partly offset by higher OPEC production. Meanwhile, global demand for oil remained fairly robust particularly in India, but there was a slow growth in the US and China. Further, crude oil prices are projected to average at US\$ 43/bbl in 2016, a decline of 16 percent from 2015. Coal prices are expected to decline by 11 percent in 2016, averaging US\$ 51/ton, mainly due to continued oversupply.

6.10 Capital Flows

Capital flows to developing countries such as Brazil, India, Philippines and Taiwan Province of China are expected to revive with moderate recovery of financial and commodity markets. However, this slight increase of capital inflows will be difficult to sustain in long term, mainly due to the weak growth outlook in emerging economies coupled with limited scope for policy support in many countries and the subdued commodity prices.

BASIS USED FOR THE PREPARATION OF 2017 BUDGET ESTIMATES

Gross Domestic Product

Despite global economic headwinds, the Sri Lankan economy is expected to expand its real GDP by 6-7 percent in 2017. Improvement in domestic demand, household consumption and investment are anticipated to realize the envisaged economic growth. It is also expected to create more employment opportunities in Services sector. A broad-based growth of economy continues with the expansion of Services sector and Industry sector followed by the increase of agricultural output. The Services sector continued be the largest contributor to GDP and is expected to expand on a higher growth of sub-sectors such as wholesale and retail trade, transport, accommodation, food and beverages, financial services and real estate. The Industry sector is also expected to regain its momentum with the expansion of construction activities stemming from the encouragement of Public Private Partnerships (PPPs) in infrastructure development. In addition, the manufacturing sub-sectors such as foods and beverages, textiles and garments, furniture, metal based products, machinery and equipment, paper products and wood products are anticipated to grow with the increase in demand from both domestic and international markets. The Agriculture sector continues to grow benefitting from the increase in agricultural production support and favorable weather condition. Increased investor sentiment will also provide impetus for broad-based growth. However, uncertain global economic environment poses risks to the economy.

Consumer Prices

Inflation is expected to remain in mid-single digit level in 2017. The supply side

improvements in domestic agricultural production through government initiatives are expected to impact favorably on price developments. Continuation of declining trend in oil price in international market and moderate increased world economic growth are tend to be cushioned the price pressure on the domestic economy.

Employment and Unemployment

The government's policy thrust is to build a stronger economy to create employments. More employment opportunities are expected to generate in the Services sector in addition to jobs created in Industry and Agriculture sectors. Increased public and private investment help create employments. It is also expected to address skills shortage and skills mismatch on the economy while improving employability. Government is expected to achieve a sustain reduction of youth unemployment and the increase of female employments. The unemployment rate is expected to remain around 4.0 percent of the total labor force in 2017.

Balance of Payment (BOP)

The global economic recovery remains fragile in 2016 and the global economy is expected to grow by 3.5 percent in 2017. The outlook for the growth in Sri Lanka's major trading partners such as the US and India is expected to be stronger in 2017. In addition, Sri Lanka entered into 3-year arrangement with the IMF under the Extended Fund Facility (EFF) of US\$ 1.5 billion to support economic reforms 2016-2019 which help strengthen the external balance in Sri Lanka. This shows that Sri Lanka's external sector is expected to strengthen in 2017, with an overall BoP surplus and resultant increased Sri Lanka's external reserves. Meanwhile,

the positive impact of the existing and new Free Trade Agreements (FTAs), deep regional economic integration and FTAs with India, China and Singapore are expected to affect favorably Sri Lanka's exports. In addition, trade and investment relationships with many other countries are anticipated to continue with the expected regaining of GSP+ facility. Also, the performance of imports is expected to revive in 2017 with the higher demand for intermediate and investment goods. The trade deficit is forecast to be expanded. However, services account is expected to be strong with the enhanced earnings from tourism and workers' remittances. Further, improved foreign investor confidence in debt and equity markets would help strengthen the financial account in 2017.

Exchange Rate

Stabilization of exchange rate continues in 2017 while taking necessary steps for allowing a flexible exchange rate regime.

Monetary Aggregates

It has been identified that there is a lack of a close relationship between monetary aggregates and inflation and hence, moving towards flexible inflation targeting is being studied. Money supply would be maintained at a level compatible with the expected growth in the nominal GDP in 2017. The envisaged fiscal consolidation in the government's fiscal operations would help to allow sufficient resources to be channeled to the private sector to achieve the expected economic growth.

Revenue

Assumptions used for the revenue estimates are given in Annex IV.

Expenditure

The basis for the preparation of expenditure estimates are as follows;

- Expenditure on salaries and wages are based on the assumption that there will be about 1.3 million employees in the public sector while allowing a normal annual increase in the salaries due to annual increments entitled by employees.
- The number of pensioners is assumed to be 580,000 in estimating the expenditure on pension payments with the partial impact of about 25,000 retirees who would retire in 2017.
- There will be a lower increase in interest payments given the expected lower domestic interest rates consequent to the anticipated decline in inflation as well as government borrowing requirement with the reduction of the budget deficit to 4.7 percent of GDP.
- Expenditure on utility services and supplies etc. are expected to be strictly managed to meet medium term fiscal targets.
- Transfers and subsidies to households will be continued by implementing support programmes for school children and disabled soldiers. Social security and welfare schemes for needy people such as free medicine, poverty alleviation programme will be continued together with agriculture support programmes, such as fertilizer subsidy.
- Transfers to public institutions and corporations will be maintained at a desired level while expecting a strong improvement in their performance.
- Public investment in national, regional and rural level development programmes to develop both economic and social infrastructure such as education, health and vocational

training, will be continued at around 5-6 percent of GDP to support the growth momentum of the economy by stimulating private sector economic activities to reduce poverty and regional economic disparities.

- Efforts to improve the quality of public spending and curtailment of unproductive expenditures will be strengthened.
- To avoid duplication and smooth functioning of utilization of budgetary provisions, close cooperation and monitoring mechanisms with devolved agencies and line ministries are applied when implementing development activities.
- Commitment Control mechanisms will be implemented for fiscal and cash flow management

Borrowings

A proper combination of domestic and foreign borrowings will be adopted to ensure that the debt to GDP ratio would continue to decline. The debt management will be continued to focus on ensuring that financing needs of the Government are met at least cost.

Sensitivities to the Estimates

Economic Projections could be sensitive to the following challenges:

- A faster recovery of the global economy than envisaged leading to an increase in international energy and other commodities, which could adversely affect the import cost, domestic consumer prices, production costs as well as budget costs though it will also

generate positive implications, such as enhanced exports

- Adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth
- Risks associated with natural disasters
- Unfavorable weather conditions which could have an adverse impact on agriculture, hydro power generation and government budget
- Administrative and procurement related impediments
- Capacity constraints to the medium term transformation may affect the use of funds in relation to foreign funded large projects and thereby investment level and economic growth.
- Unexpected and sudden adverse developments in global geo-political conditions affecting world economic growth
- Risks likely to have a material effect on the fiscal position
- Deterioration of global imbalances resulting in a lower than expected global economic growth which could adversely affect external demand for Sri Lankan goods and services which will result in a slowing down of the Sri Lankan economy
- Higher than expected petroleum and commodity prices in international markets could threaten the macroeconomic stability and growth targets while affecting government expenditure and revenue
- Increasing trend in public sector employees' salaries and pensions related recurrent expenditure
- Underperforming State Owned Business Enterprises (SOBES)

Annex I

Allocations Provided from the Budgetary Support Services and Contingent Liability Project (01st January to 30th September 2016)

					Rs.
Head No.	Ministry / Department	Purpose	Recurrent	Capital	
1 - 22	Special Spending Units				
1	His Excellency the President	Implement the "Pubudamu Polonnaruwa" programme, National Environmental Conservation, Child Protection, Drug Prevention programme and Local Food programme as per the Budget Proposal 2016, Expenditure of National Procurement Commission and Delimitation Commission , Motor car for Most Venerable Asgiri Mahanayaka Thero, Increased pension for Widow of former President- Mrs. Hema Premadasa, Construction of building for former President Hon. Chandrika Bandaranayake Kumaratunga, Grant given by the UNICEF for National Nutritional Secretariat, Construction of building in official residence of Former President Hon. Mahinda Rajapaksa, Construction of Northern Province International Relation Center Building Complex , Implement the Kidney Disease Prevention programme as per the Budget Proposal 2016, Personal Emoluments, outstanding bills relevant the year 2014 as per decision of the Cabinet.	333,780,000	1,959,561,750	
2	Office of the Prime Minister	Travelling, 02 vehicle carriers and VIP security vehicles, Leasing installments of 4 vehicles, Foreign travelling, Rehabilitation and improvement of capital assets, Electricity and water, Maintenance Expenses, Services, Acquisition of capital assets, Continuation of the Secretariat for Coordinating Reconciliation Mechanisms, Foreign Travelling, Vehicles, Plant and Machinery maintenance, Postal and	437,200,000	684,219,787	

		Communication, Building and Structures, Plant, Machinery & Equipment, Furniture and Office Equipment, Operation of Anti-Corruption Committee Secretariat, Personal Emoluments, Stationery and Office Requisites, Fuel, establishment and continuation of the Secretariat for Coordinating Reconciliation Mechanisms and National Media Centre.		
6	Public Service Commission	Transport Expenditure.	1,130,000	
8	National Police Commission	Personal Emoluments, Services, Supplies, Furniture and Office Equipment, Plant, Machinery and Equipment, Stationery and office requisites, Vehicles Maintenances Expenditure, Other Services.	28,850,000	2,200,000
10	Commission to Investigate Allegations of Bribery or Corruption	Utilize UNDP funds for Staff Training, Strengthen the Commission to investigate Allegation of Bribery or Corruption as per 2016 Budget Proposal, Personal Emoluments, Electricity and Water.	36,500,000	127,500,000
11	Finance Commission	Personnel Emoluments.	3,000,000	
16	Parliament	Plant, Machinery and Equipment, Sri Lanka Broadcasting Corporation and Sri Lanka Rupavahini Corporation for the live telecast of Parliament meetings, Acquisition of Vehicle, Personal Emoluments, Travelling, Stationery & Office Requisites, Services furniture and Office Equipment.	190,900,000	82,000,000
17	Office of the Leader of the House of Parliament	Purchase a new Three-Wheeler, Vehicles Maintenances Expenditure, Personnel Emoluments, Foreign Travelling Expenses.	3,700,000	650,000
19	Office of the Leader of the Opposition of Parliament	Acquisition of Capital Assets, Acquisition of Vehicle.	-	44,269,082
20	Department of Elections	Personal Emoluments, Quarters at Gampaha election office, Renovation of Parliament branch and Director General's Office, Equipment for the Centralized Data Management System and Establishment of	12,000,000	40,615,073

		Management Center, Fuel.		
21	Auditor General	Newly established Audit Service Commission, Grant from USAID for STAIR Project, Personal Emoluments, Transport, Foreign Travelling Expenses, Fuel	187,550,000	130,680,000
22	Office of the Parliamentary Commissioner for Administration	Travelling Expenses, Property Loan Interest to Public Servants, Vehicles Maintenance.	1,184,320	-
101	Ministry of Buddha Sasana	Rehabilitation of Under Developed Buddhist Temples, Upliftment of Religious Activities, Renovation of Kothmale Mahaweli Maha Seya.	20,000,000	35,000,000
201	Department of Buddhist Affairs	Dehami Diriya Programme, Providing uniforms for Dhamma school Teachers, Printing Dhamma School Text Books, Paying Library Book Allowance for Dhamma School Teachers, Travelling Expenses, Services, Dhamma School Teacher Trainings & Dham Sarasaviya Programme.	760,501,200	2,572,300
102	Ministry of Finance	Fiscal Management Efficiency Project, Premium of Natural Disaster Insurance Scheme to National Insurance Trust Fund as per the Budget proposal 2016, Plant, Machinery and Equipment, Acquisition of Vehicle, Personal Emoluments, Travelling Expenses, Maintenance Expenditure, Services, Supplies, Advertisement / media Expenses, Newly established Welfare Benefits Board, Stationary & Office Requisites, Fuel, vehicles maintenance expenditure,	256,934,955	1,119,570,000
240	Department of National Budget	Lump sum payment of Rs. 250,000 for July strikers as per the Budget Proposal of 2016, Personal Emoluments, Fuel, Vehicles Maintenance, Payment for Leased Vehicles.	946,650,000	110,000,000
241	Department of Public Enterprises	Strengthen Sri Lanka Accounting Standard and Monitoring Board as per the Budget Proposal 2016, Transport Expenses, Personal Emoluments and Fuel	2,700,000	18,460,000

242	Department of Management Services	Personnel Emoluments.	6,200,000	
243	Department of Development Finance	Construction of Three Warehouses, Implement the Line of Credit for Small and Medium Enterprises, Fixed deposits of senior citizens through Licensed Finance Companies, Price Subsidy to Domestic Milk Powder Manufactures as per the Budget Proposal 2016, Travelling Expenses.	2,262,266,110	1,972,312,504
245	Department of Public Finance	Staff Training, Personal Emoluments, Furniture and Office Equipment, Buildings and Structures, Foreign Travelling, Allowance for official member of the committees appointed to review Non. Statutory Funds.	16,200,000	8,143,000
246	Department of Inland Revenue	Personal Emoluments, Foreign Travelling , Services, Staff Training, Revenue Administration Management Information System, Postal & Communication.	390,500,000	575,000,000
247	Sri Lanka Customs	Purchasing full body scanner.	-	20,500,000
248	Department of Excise	Establishing a Production Monitoring and Tax Automation System, Completion of District Office of the Department of Excise Matara, Personnel Emoluments and Staff Training.	50,000,000	42,600,000
249	Department of Treasury Operations	Furniture and Office Equipment	-	2,940,000
250	Department of State Accounts	Personnel Emoluments and Fuel.	3,400,000	
251	Department of Valuation	Compensation under the Revival of Underperforming Enterprises or Underutilized Assets Act, No. 43 of 2011, Account the value of land acquired from Unban Development Authority for Sabaragamuwa Provincial office.	-	48,901,518
324	Department of Management Audit	Personal Emoluments, Travelling Expenses, Supplies, Property loan Interest to Public Servants , Acquisition of capital assets, Transport Expenses , Staff Training, Foreign Travelling Expenditure.	6,940,000	470,000

329	Department of Information Technology Management	Establish an E-mail Backup Server System for General Treasury, Install a software for the firewall of the Computer Network of the General Treasury, Postal and Communication, Furniture and Office Equipment.	430,000	894,000
103	Ministry of Defence	Procure vehicles, Building for Defence Service Command and Staff College, Establishing a National Security Think Tank under the Institute of National Security Studies, Personal Emoluments, Supplies, Services, Foreign Travelling, Plant Machinery and Equipment, Acquisition of vehicle	60,000,000	346,990,000
222	Sri Lanka Army	Emergency Relief Activities in Nepal, Expenditure for UN Peace Keeping Operations, Repair two railway stores buildings at Tripoly Maradana for the accommodation of Sri Lanka Army, Losses and Wiite off, Relocating the Army Camps in North and East Provinces, Rents and Local Taxes.	73,616,557	2,171,137,000
223	Sri Lanka Navy	Relocation of Vidura -Navy Recruits Training Center, Renovation of Circuit Bungalow in Benthota, 2nd & 3rd installments for purchasing of 10 motor cars for Sri Lanka Navy, Medical Supplies and Completion of building constructions-2016.	15,000,000	566,291,261
224	Sri Lanka Air Force	Maintenance Expenditure of Plant and Machinery, Expenditure for UN Peace Keeping Operations,	200,000,000	158,500,000
320	Department of Civil Security	Fuel, Maintenance Expenditure of Vehicles.	25,000,000	
325	Department of Sri Lanka Coast Guard	Electricity & Water, Stationery and Office Requisites, Postal and Communication, Rehabilitation and Improvement of Capital Assets, Plant, Machinery and Equipment.	3,500,000	5,267,000
104	Ministry of National Policies and Economic Affairs	Implement the Youth Parliament and Yowun Pura Programmes, Food Relief Programme, Rural Infrastructure Development Programme, Rural Reawakening Program to develop 2,500 cluster villages, Development of Selected Religious Centers, Youth trainings	41,685,918	22,762,451,861

		through National Youth Corp, Conflict Affected Region Emergency Project, Advertisement Expenses, Services, custom duties for 3 vehicles donated by WEP, Implement the Human Resource Services Agency, Granting Loans for Small & Medium Enterprise Sector Development & Employee Generation, City Project, VEGA/BIZ Project.		
237	Department of National Planning	Transport Expenses, Buildings and Structures.	1,853,000	1,773,458
239	Department of External Resources	Asian Infrastructure Investment Bank Expenditure and Services.	1,900,000	79,000,000
252	Department of Census and Statistics	Expenses for World Statistics day 2015, Child Activity Programme, Poverty Estimation Project, Services, Building and Structures, Furniture and Office Equipment, Price Collection of non Household Expenditure Component & Upgrading of Purchasing Power.	13,030,000	230,760,040
280	Department of Project Management and Monitoring	Transport and Other services expenses, Personal Emoluments, Stationery & Office Requisites, Fuel, Postal & Communication, Services and Staff Training.	6,270,600	308,000
106	Ministry of Disaster Management	Flood & Drought Relief for Kandy, Anuradhapura, Rathnapura, Kegalle, Matale and Mulativu Districts, Acquisition of vehicles, Construction, rehabilitation and improvement of damaged houses due to the Salawa incident at Kosgama, Completion of the Construction of houses in Meeriyabedda, Accounting the financial grant given by the ADB for the Programme of Sri Lanka Flood and landslide Disaster Response, Personal Emoluments, Vehicles Maintenance Expenditure, Services, Pay the 10,000 financial allowance to the Self Employees and Jobless employees that were affected in the SALAWA explosion,	158,389,105	1,809,783,125

304	Department of Meteorology	Expenditure of Meteorological Observation, Weather forecasting and Dissemination Project (GOSL/Japan)	-	7,000,000
108	Ministry of Posts, Postal Service and Muslim Religious Affairs	Construction of Muslim Cultural Complex, Rehabilitation of the Minister's residence, Acquisition of Vehicle, Diets and Uniforms, Transport Expenses, Vehicles Maintenance Expenditure.	10,432,603	167,850,000
202	Department of Muslim Religious and Cultural Affairs	Uniforms for Dhamma School Teachers , Library Allowance for Dhamma School Teachers, Dhamma School Text Books for student, Custom duty of importation of dates.	35,737,121	-
110	Ministry of Justice	Establish Authority for Protection of Victims of Crimes and Witnesses, Project Management Unit for Strengthening the process of Administration of Justice, Conduct Legal reform programme, Strengthen the capacity of Judicial Training Institute, capacity building of staff of the Department of Attorney General, Legal Draftsman and Government Analyst as per the Budget Proposal of 2016, Acquisition of Vehicle, Authority for Protection of Victims of Crimes and Witnesses, Foreign Travelling, Transport, Postal and Communication.	8,414,000	338,100,000
228	Courts Administration	EPF of Superior Courts Complex Board of Management, Court administration and automated court administration system as per the Budget Proposal of 2016 and Transport Expenses.	54,480,000	230,200,000
229	Department of Attorney General	Personal Emoluments.	11,540,000	
111	Ministry of Health, Nutrition and Indigenous Medicine	Upgrading the Anuradhapura, Kurunagala and Jaffna hospitals, Development of mobile hospitals and facilities, improvement to reduce non-communicable diseases, Construction of Cancer Hospitals at Matara, Kandy and Tellippallai, Establish 1,000 Kidney Dialysis Centers in Chronic Kidney Disease prevalent areas as per the Budget Proposal of 2016,	212,000,000	3,597,301,506

		Emergency Pre Hospital Care Ambulance Service in Sri Lanka, Personal Emoluments, Acquisition of Vehicle, Work plan activities of UNICEF, Pay outstanding dues for drugs and dressings of Wijaya Kumarathunge Memorial Hospital, settle the tax payment.		
220	Department of Ayurveda	Postal and Communication, Personal Emoluments.	50,728,160	
112	Ministry of Foreign Affairs	Purchase a flag car for the use of Sri Lanka Mission in Nigeria and Karachi, Saudi Arabiya and south Africa, Tehran, Paris, Foreign Travelling Expenses, Legal fee on countervailing duty petition on certain new pneumatic off-the-road tires exported to USA, Acquisition of Vehicles, Establishment of the Centre of Excellence on Ocean Science and Environment, Renovation of the building, Medical treatment for Ven. Girambe Ananda Thero.	184,396,487	95,868,000
114	Ministry of Transport & Civil Aviation	School and Higher Education Season Tickets, Armed Forces -bus passes and SLTB unremunerated routs Subsidy, Expenditure of Sri Lanka Central Transport Board, Leasing installment of 68nos. of CHOGM buses, Payment of local taxes of Airport and services to urban Council of Seeduwa and Katunayake, Foreign Travelling Expenses, Pay the compensation of SLTB employees who retire under the VRS scheme, Purchase of 500nos. Of new Engine kits to SLTB.	12,410,868,000	3,046,731,452
306	Department of Sri Lanka Railways	Modernize the Kelani Valley Railway Line as per the Budget Proposal of 2016, Expenditure of Other Services, Personnel Emoluments.	428,765,000	85,150,000
307	Department of Motor Traffic	Install stationery Racks and computer programme at stationery Record Room, Stationery and Office Requisites, Maintenance Expenditure and Transport, Number Plates of Newly Registered Vehicles.	504,500,000	50,000,000

117	Ministry of Higher Education and Highways	<p>Rectification work of Kokmaduwa Earth Slip at Southern Expressways and settle the outstanding bills of Southern Transport Development Project, compensation of the Land Acquisitions of Colombo District Road Development Project, installation cost of the lighting system of the airport, Acquisition of vehicles, Compensation for the acquisitions of lands, settle the taxes and other charges of imported ambulances donated to University of Sri Jayawardenapura, Carrying out preliminary works on Ruwanpura Expressway Project as per the Budget Proposal 2016, construction of Pinnaduwa to Kodagoda section under the Southern Transport Development Project, Personal Emoluments of Bikku University and Buddhist and Pail University, Personal Emoluments and Operational Cost of Higher Education for the 21st Century Project , Acquisition of the Elevated Highway from New Kelani Bridge to Athurugiriya, Port Access Elevated Highway Project, Marine Drive Extension up to Panadura, Tribhuwan university in Nepal for Capacity Building & Research Development, Conflict Affected Region Emergency Project, National Savings Funded Project and Government Guaranteed Local Bank Funded Rehabilitation Projects, Interest & Loan Repayment, Kandy City Development Project, Construction of road and flyover in Hambantota Hub Development Project, Land Acquisitions of Colombo District Road Development Project, National Savings Bank Funded Road Projects, Loan interest payment for Laptops.</p>	24,000,000	30,492,699,309
214	University Grants Commission	<p>Developing the Technology faculty with necessary infrastructure and Establish the faculty of engineering in University of Jaffna ,</p>	-	3,550,000,000

		Accommodation facilities to Faculty staff of the Universities as per the Budget Proposal of 2016.		
118	Ministry of Agriculture	Special Programmes for Ensuring Food Security and Rehabilitation of Small Tank and Canals programmes as per the Budget Proposal of 2016, services, Post Harvest Losses in Horticultural Changes in SAARC Countries Project, Asian food and Agriculture Cooperation Initiative, Sri Lanka Council for Agricultural Research Policy, research allowances of the Institute of Post Harvest Technology, Pay Compensation, Production of high quality seeds through PPP modes, Foreign Travelling Expenses and Vehicles Maintenance Expenditure.	786,200,171	3,812,043,567
119	Ministry of Power and Renewable Energy	Acquisition of vehicle, Transport, Abarana-Veyangoda 220kv Transmission Line, Vauniya-Kilinochchi Transmission Line, Clean Energy and Access Improvement Project, Rural Household Connection Project, Sri Lanka Atomic Energy Regulatory Council, Vehicle Maintenances, Foreign Travelling of Sri Lanka Atomic Board, Expenditure for Sri Lanka Atomic Board.	26,200,000	228,784,750
120	Ministry of Women and Child Affairs	Preschool teacher's instruction manual regarding Early Childhood development Standards, Account financial grant given by save the Children to the of Social Protection for Children Programme, Fresh Milk for Pre-School Children, Renovate the official bungalow, Foreign/ Domestic Travelling expenditure, Acquisition of vehicles, Accounting financial grant give by UNDP for the Programme of Ensuring and Strengthening Protection of Women Development.	135,400,000	202,162,627

121	Ministry of Home Affairs	District and Divisional Coordinating Committees, "Pubudamu Polonnaruwa" program, Cremation Ceremony of the most Ven. Galagama Sri Dhammasiddhi Sri Dhammananda Aththadashyabidhana Mahanayaka, Gorakaela kandalanda , Demuwawatha bridge and Niwitigala Township Development, Acquisition of vehicles, District and Divisional coordinating committees - 2011 to 2014, Niwithigala Township Development Project	4,910,000	11,845,950,000
262	District Secretariat , Matara	Personal Emoluments, District coordinating committee meeting.	61,380,000	
264	District Secretariat/ Kachcheri - Killinnochi	Property Loan Interest to Public Servants.	600,000	
265	District Secretariat/ Kachcheri - Mannar	Construction of District Secretariat Building		85,000,000
266	District Secretariat/ Kachcheri - Vavuniya	Security Service and Cleaning Service.	1,900,000	
272	District Secretariat, Kurunegala	Purchase CCTV Cameras.		650,000
273	District Secretariat, Puttalam	Losses and write off.	2,624,000	
274	District Secretariat, Anuradhapura	Services	5,424,000	
275	District Secretariat - Polonnaruwa	"Pubudamu Polonnaruwa" program	-	5,065,840,000
122	Ministry of Parliamentary Reforms and Mass Media	Establishment of the Parliamentary Reforms Division, Personal emoluments, travelling, supplies and Maintenance Expenditure, Transport, Acquisition of vehicles, Welfare Programmes and Vehicles Maintenance Expenditure.	62,706,000	66,500,000
123	Ministry of Housing and Construction	Payroll costs of State Engineering Corporation of Sri Lanka, Allowances of trainees in the field of building and construction as per the Budget Proposal of 2016, Acquisition of vehicle, Rural Housing Loan Programme as per the Budget Proposal of 2016, Rents and Local Taxes, Write off the outstanding amount of long term loan of real	503,702,100	3,035,000,000

		Estate Exchange Company Private Limited, Transport , Fuel.		
309	Department of Buildings	Fuel, Travelling Expenses.	5,500,000	
124	Ministry of Social Empowerment and Welfare	Completion of Amunukumbura, Thelabuyaya Vocational Training Centers and Self Employment Opportunities for Single Parent families Programme, Rehabilitation and improvement expenditure of Hon. Minister's Official Bungalow. Personal Emoluments, Traveling , Vehicles Maintenance, Services, Rehabilitation and Improvement of Capital Assets , Furniture and Office Equipment, Transport, Plant, Machinery & Equipment, Formulating a National Policy for elders through National Council for Elders as per the Budget Proposal of 2016.	11,650,000	150,820,000
216	Department of Social Services	Furniture & Office Equipment, Personal Emoluments, Services, Building and Structures	1,500,000	3,300,000
331	Department of Divineguma Development	Divineguma Livelihood Development Programme, Compensation and gratuity of Department of Divineguma Development, Travelling Expenses.	1,020,000,000	1,200,000,000
126	Ministry of Education	Shoes for Students in difficult and very difficult School and scholarship - Grade 5, Sanitary, Water, Electricity Facilities in Schools, Upgrading 25 schools to secondary level in plantation sector, Improving science education and Providing dental health facilities for schools and Upgrade the facilities of 3577 primary schools and Facilitate teacher training programmes as per the Budget Proposal of 2016, Procure vehicles, Foreign Travelling, Personal Emoluments, Renovation of Elphinston Theatre, 2017 school Text Book Printing, Upgrading facilities of 1000 secondary level schools as per the Budget Proposal of 2016.	2,365,528,456	9,443,645,000
207	Department of Archaeology	Maintenance of Kanniya water wells, Foreign travelling, Rents and Local	4,100,000	3,000,000

		Taxes.		
213	Department of Educational Publications	purchase 02 new lorries.		9,800,000
130	Ministry of Public Administration and Management	Acquisition of vehicles, Rehabilitation and Improvement of Capital Assets, Staff Training		57,615,040
135	Ministry of Plantation Industries	purchase of tea from the Colombo Tea Auction, Improved Management Strategies Project for rubber sector development, Strengthen the Sugarcane, Palmyra, Tea, Rubber and Coconut Research Institutions as per the Budget Proposal of 2016 , Coconut Cultivation and Rehabilitation Programme, fertilizer cash subsidy for smallholders of Tea, Rubber and Coconut Sub Sectors, Strengthen the Sugarcane and Palmyra Research Institutes as per the Budget Proposal of 2016, Rubber Research Institute, foreign travelling, Personal Emoluments for Thurusaviya Fund, Restructuring of Tea Shakthi Fund.	122,706,000	2,766,870,000
293	Department of Rubber Development	Personal Emoluments, Diets and Uniforms, Services, Vehicles, Furniture and Office Equipment for newly appointed Rubber Development officers.	34,498,000	5,000,000
136	Ministry of Sports	Sports Laboratory, Research and Development Unit for Sports Excellence Development as per the Budget Proposal of 2016. re-laying 400m running track ,laying 200m running track, renovate soccer & rugby playground, Personal Emoluments, Foreign Travelling Expenses , Vehicle Maintenance, Rehabilitation and Improvement of Capital Assets, Transport, Development of Sports Infrastructure facilities as per the Budget Proposal of 2016, Pay Artificial Grass Turfing Project National Football Training Baddegana, Kotte.	24,300,000	358,500,000
219	Department of Sports Development	Development of Torrington Sports Complex, 12th South Asian Games 2016, Sports Talent Identification	51,710,601	250,500,000

		,Development of Sports Infrastructure facilities as per the Budget Proposal 2016, Personal Emoluments, Transport, others Expenditure, Staff Training, Expenditure of Sports Associations.		
140	Ministry of Hill Country New Villages, Infrastructure and Community Development	Implement the of housing program and amenities for plantation communities as per the Budget Proposal 2016, Acquisition of vehicle, Expenditure of Saumyamoorthi Thondaman Foundation.	-	710,200,000
145	Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs	Accelerating the resettlement activities of Northern & Eastern Provinces, Strengthen Palmyrah Development Board, Acquisition of vehicle, Maintenance of welfare centers, Strengthening the Palmyra Research Institute as per the Budget Proposal 2016, Personal Emoluments, Stationary & Office Requisites, Electricity & Water, Rent & Local Taxes, Building and Structures, Construction works of Housing Development Project, expenditure Task Force on Resettlement of Protracted IDPs in the Northern.	90,770,000	9,812,472,119
204	Department of Hindu Religious and Cultural Affairs	Uniforms for Dhamma school Teachers, Library Book Allowances, Dahami Driya Monthly Allowances of Dhamma school Teachers.	30,000,000	
149	Ministry of Industry and Commerce	Personal Emoluments of National Paper Company Ltd and Valachchenai Paper Mill, Lanka Cement Ltd, Lanka Salusala Ltd, Sri Lanka Cement Corporation, Lanka Cement Ltd Enhancing the field of professional management accountancy in Sri Lanka, Acquisition of vehicle, Project of Economic Empowerment of Women through Apparel Based Factories, Project of Small and Micro Industries Leader and Entrepreneur Promotion 111, Implement the Mechanism for Promoting Locale canned fish Production as per the Budget Proposal 2016, Voluntary Retirement Scheme (VRS) for the employees of	276,373,440	2,190,004,640

		Lanka Cement Ltd, Sri Lanka Cement Corporation, Head Office and Valachanai Paper Mills of the National Paper Company Ltd, Lanka Salusala Ltd, Personnel Emoluments of Consumer Affairs Authority, International Registration of Trade Marks (Madrid System), distribution network and debt restructuring of the "Lak Sathosa Ltd." as per the Budget Proposal of 2016.		
295	Department of Commerce	Foreign Travelling Expenses.	8,280,000	-
300	Department of Food Commissioner	Storage capacity by adapting Mechanical Ventilation Method.	-	51,500,000
150	Ministry of Petroleum Resources Development	Acquisition of vehicles, Foreign Travelling Expenses, Buildings and Structures.	2,000,000	84,200,000
151	Ministry of Fisheries and Aquatic Resources Development	Salaries of the staff of Ceylon Fisheries Corporation, Foreign travelling Expenses, Enhancing fish breeding capacity through National Aquaculture Development as per the Budget Proposal 2016, Supplies, Research allowance of National Aquatic Resources Research and Development Agency, Vehicles Maintenance Expenditure, Acquisition of vehicle, Implement the National Food Production Programme, Development and upgrading of fishery harbours in Chilaw, Mirissa, Kalmune, Valvettithurai, Karai Nagar and Puranawella as per the Budget Proposal 2016, Staff Training, Buildings and Structures, expenditure of Ceylon Fisheries Harbors Corporation.	201,894,855	790,000,000
153	Ministry of Lands	Personal Emoluments of Kanthale Sugar Company Ltd, Acquisition of vehicle, Establishment of a Land Bank as per the Budget Proposal of 2016, Rehabilitation and improvement of quarters.	-	135,466,000
286	Department of Land Commissioner General	Postal and Communication, Buildings and Structures.	600,000	10,000,000

287	Department of Land Title Settlement	Building and Structures, Foreign Travelling Expenses.	345,000	10,000,000
288	Department of Surveyor General	Personal Emoluments, Travelling Expenditure, Fuel, Transport.	72,890,895	
154	Ministry of Rural Economic Affairs	Implement the National Food Production Programme as per the Budget Proposal 2016, Acquisition of a vehicle, Paddy Purchasing, Write off the Losses, Development Rural Implementations facilities and livelihood Development.	197,971,000	253,000,000
292	Department of Animal Production and Health	Services.	925,862	
155	Ministry of Provincial Councils and Local Government	Committee appointed under section 3 (d) of Local Authorities Elections Ordinance, Colombo Municipal Council for relocating 180 families around the Meethotamamulla Solid waste dumping site, Strengthen the Local Government Authorities as per the Budget Proposal of 2016, Account the grant given by UNICEF to implement the project activities in North Central Province, Account the increased Rupee value against Japanese Yen of financial loan given by JICA to construct Kalawanchikudi Base Hospital, Canals in Kolonnawa area and removing heaped garbage, Acquisition of a vehicle, Settle the custom duties for the Fire Engine Vehicle donated to Colombo Municipal Council, Rehabilitate the damaged provincial roads, Irrigation tanks and canals in Central North province due to floods in may 2016, Personal emoluments, Stationery and Office Requisites, services, Settle the 25% of outstanding contract commitment for the development of rural access road, Rehabilitation and construction of Rural Bridges, Project Strategy for Improvement of the Bus Transport Service in the Central Province, Personnel Emoluments of North Center Province.	150,683,000	1,994,613,902

157	Ministry of National Dialogue	Furniture and Office Equipment, Plant Machinery and Equipment, accounting the financial grant given by GIZ for the project of Facilitating Local Initiative for Conflict Transformation (FLICT), Allowances for staff of the Phase III of Equal Access Justice programme funded by SELAJSI-UNDP, Asia Pacific Group on Money Laundering 19th Annual Meeting & Forum on Technical Assistance Training September 05-08 Santiago, USA.	996,800	12,798,200
236	Department of Official Languages	Transport, Postal and Communication.	800,000	
158	Ministry of Public Enterprise Development	Relief flight operated on 08th December 2015 to Delhi, Salaries of employees of Elkaduwa Plantations Ltd ,State Plantation Corporation, Janatha Estate Development Board, Interior arrangement of the Ministry, Consultation fee of the restructure plan of Sri Lankan Airlines Ltd, Acquisition of vehicles, Travelling Expenses, Vehicle Maintenance, Services ,Furniture and Office Equipment, Plant, Machinery and Equipment, payment for cases in Magistrate Court at Monaragala in respect of Janatha Estate Development.	3,134,000	612,894,965
159	Ministry of Tourism Development and Christian Religious Affairs	Acquisition of vehicles, Improve the tourist attraction places as per the Budget Proposal of 2016, Foreign Travelling, Staff Training, three months training program in the tourism hospitality industry as per the Budget Proposal of 2016, Partition the Office Premises, Personnel Emoluments.	12,900,000	360,275,000
203	Department of Christian Religious Affairs	Dhamma School Text Books and Library Book Allowance for Dhamma School Teachers, Uniforms Allowance for Dhamma School Teachers, Promoting Christian Religious Literature, Federation of Asian Bishops Conference -Plenary Meeting	96,500,000	

160	Ministry of Mahaweli Development and Environment	Waste Management System Project at Dompe, Project of Enhancing Biodiversity and Sustenance of Ecosystem Services in Environmentally Sensitive Areas, Implement of the Project YEOSU Project Building Capacity to Manage Marine Debris in Sri Lanka, Personal Emoluments, Stationary & Office Requisites, Fuel, Vehicles and Plant machinery maintenance expenditure, Vehicles, Project of Environmentally Sound Management and disposal of Polychlorinated biphenyls wastes and PCB Contaminated Equipment in Sri Lanka.	68,250,000	24,588,308
283	Department of Forests	Industrial Plantations Project, Transport Expenses, Personal Emoluments.	67,267,667	40,000,000
291	Department of Coast Conservation	Losses and Write off.	28,140	
161	Ministry of Sustainable Development and Wild Life	Acquisition of vehicles, Rents and Local Taxes, Expenditure of Sustainable Development Secretariat, Personnel Emoluments.	48,409,000	75,000,000
284	Department of Wildlife Conservation	Mitigate Human-Elephant Conflict in Sri Lanka as per the Budget Proposal of 2016, Personal Emoluments.	11,140,000	109,775,000
294	Department of National Zoological Gardens	Personal Emoluments.	41,013,000	
162	Ministry of Megapolis and Western Development	Completion of Western Region Magapolis Master Plan, Relocation of Manning Market to Peliyagoda, Public Awareness Campaigns of the Megapolis Development Initiative-2016, Townships Development & Urban Solid Waste Management as per the Budget Proposal 2016, Acquisition of vehicles, Cleaning and Dredging of Kiththampahuwa Canal at Kolonnawa, Land development works of relocation of Manning Market at Peliyagoda, Operational Expenditure of the Establishment of six project offices under Budget Proposal 2016, Drainage & Reclamation Projects and Wetland Management Projects, Electricity & Water, Small Town Development	315,550,000	3,935,887,250

		Projects in Colombo, Gampaha and Kaluthara as per the Budget Proposal 2016, Urban Regeneration Programme, Port City Project, Personal Emoluments, Foreign Travelling.		
311	Department of National Physical Planning	Acquisition of Capital Assets, Foreign Travelling Expenses.	1,300,000	500,000
163	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Implement the Wayamba Development Programme, Acquisition of vehicle.	-	434,060,000
226	Department of Immigration and Emigration	Relocation of the Department of Immigration and Emigration in the Registration of Persons Secretariat building, Blank Travel Documents & related Deliverables, Other Services, Building and Structures, Furniture and Office Equipment, Plant, Machinery and Equipment.	6,654,800	347,962,000
227	Department of Registration of Persons	Transport cost shifting to Suhurupaya Building and improvement of stores and record room.	4,000,000	2,000,000
165	Ministry of National Integration and Reconciliation	Account the grant given by UNDP for the Office for National Unity and Reconciliation, Development Programme, Expenditure of the Office for National Unity and Reconciliation Development Programme in North and East Provinces as per the Budget Proposal of 2016.	-	288,781,325
166	Ministry of City Planning and Water Supply	Acquisition of vehicle, Pipe Laying Project from Adaragasyaya Underground Tank to Gannoruwa in Hambantota District, Kalmunai Development Programme as per the Budget Proposal of 2016, Community Based Rural Water Supply & Sanitation in Jaffa and Killinochchi Districts, development activities in Sainthamarthu area ,Development Activities in Batticaloa & Trincomalee Districts, Development Activities in Kobeigane & Kuliypitiya Pradeshiya Sabha, Implementation and Improvement of Water Supply Schemes as per the Budget Proposal	-	1,972,982,483

		of 2016, Echchalampattu Water Supply Scheme,		
332	Department of National Community Water Supply	Personal Emoluments, Fuel ,Rants and Local Taxes & Other	45,800,000	-
167	Ministry of Special Assignment	Acquisition of vehicle.		43,000,000
176	Ministry of Ports and Shipping	Training of Sri Lanka youth as trainee seafarers, Compensation for the lands acquired to the second stage of the Hambantota Port Project, Acquisition of vehicles, Developing Jetty Facilities in the Jaffna Peninsula and Suburban Islands to Transport Passengers & Cargo Safely.	25,000,000	836,000,000
182	Ministry of Foreign Employment	Foreign travelling, Acquisition of vehicle, Other Allowances, Foreign Travelling Expenses, Fuel , Rents & Local Taxes, Vehicle Maintenance Expenditure.	18,263,235	78,000,000
192	Ministry of Law and Order and Southern Development	Rents and local taxes, Recurrent and Capital Expenditure of Southern Development Board, Adjustment of salaries of the Sri Lanka Police Service as per the Budget Proposal of 2016.	297,800,000	2,500,000
225	Department of Police	Increasing the No. of police stations to 600 and Strengthening the National Police Training Academy to conduct continuous training in core policing sectors including the traffic management, Development of network communication system, Adjustment of salaries of the Sri Lanka Police Service as per the Budget Proposal of 2016, purchase 5 ambulances.	2,732,000,000	888,295,000
193	Ministry of Labour and Trade Union Relations	Rehabilitation of Hon. State Minister's Official Bungalow, Personal Emoluments of National Institute of Occupational Health and Safety, Other Services, Subscriptions and Contributions Fees, Vehicles Maintenance, Foreign Traveling Expenses.	20,954,790	7,114,391
221	Department of Labour	Rent and Local Taxes.	4,900,000	-

194	Ministry of Telecommunication and Digital Infrastructure	Digitalization of Economy programme as per the Budget Proposal 2016, services, Renovation of the official residence of Hon. Minister, repair the official residence of Hon. Deputy Minister, Acquisition of vehicle, "Nanasala Centers" and Digitalization of Economy as per the Budget Proposal 2016, Personal Emoluments, Transport.	14,753,476	1,085,131,500
195	Ministry of Development Strategies and International Trade	Acquisition of vehicle, Establishment of an Agency for Development, Foreign Travelling Expenditure, Supplies and Services, IT benchmarking promotional activities as per the Budget Proposal 2016, Agreement assistance for the Sri Lanka to enhance market access in the United State, Travelling, Fuel, Services, Property Loan Interest to Public Servants, Retirement Benefits, Building and Structures, Furniture and Office Equipment.	84,880,000	202,706,000
196	Ministry of Science, Technology & Research	Expenses of the Coordinating Secretariat for Science, Technology and Innovation(COSTI), Personal Emoluments, Travelling expenses and Supplies, Building and Structures, Furniture and Office Equipments, Plant Machinery & Equipment, Assist Research in Dengue, CKDU, Diabetes and Cancer as per the Budget Proposal 2016, Laboratory facilities of Sri Lanka Standard Institute and Industrial Technological Institute as per the Budget Proposal 2016, Cientific Development Programmes, tax payment and Foreign Travelling.	42,049,446	183,800,000
197	Ministry of Skills Development and Vocational Training	Introduce new degree courses of the Ocean University, Increasing the intake of CGTTI, Training of Mater Trainers on Soft Skills including English as per the Budget Proposal of 2016, Acquisition of vehicles, Establishment an Automobile Repair & Maintenance Training Centre at Boss in Galle under PPP mode as per the Budget Proposal 2016, Foreign	78,775,165	980,000,000

		Travelling Expenses, Expenditure of Tertiary and Vocational Education Commission, Personnel Emoluments of National Apprentice & Industrial Training Authority, University of Vocational Technology.		
215	Department of Technical Education and Training	Government contribution for EPF of casual employees, Expenditure of stipend & season tickets of students of Vocational Education, Building and Structures, Welfare Programmes, Establish the Faculty of Engineering in University of Jaffna as per the Budget Proposal 2016, Construction of Building for Anamaduwa Technical College, Transport.	62,870,000	135,305,000
198	Ministry of Irrigation and Water Resources Management	Pay of third installment of Prefabricated buildings for Government Agencies from peoples' Republic of China, Acquisition of vehicle, Statutory payment to Water Resources Board, Personnel Emoluments, Pay of third installment of Prefabricated buildings for Government Agencies from peoples' Republic of China.	25,590,000	1,183,075,000
199	Ministry of Primary Industries	Establish Agriculture Fisheries Development Mega Zones and Promotes Export Agricultural Products as per the Budget Proposal 2016.	-	200,000,000
Total			30,891,476,035	145,497,090,093

Annex II

The List of Treasury Guarantees Issued by the General Treasury up to 30.09.2016

S. No	Name of the Bank or Institution	Name of Institution	Rs. Mn.
1	Bank of Ceylon	Ceylon Petroleum Corporation	133,614
		General Sir John Kotelawala Defence University	835
		Mihin Lanka (Pvt) Ltd	367
		National School of Business Management Limited	8,600
		National Water Supply & Drainage Board	34,059
		Northsea Limited	50
		Paddy Marketing Board	3,130
		Road Development Authority	40,803
		State Development and Construction Corporation	400
		State Engineering Corporation	150
		STC General Trading Company Ltd	460
		Urban Development Authority	20,000
		2	Commercial bank
National Water Supply & Drainage Board	1,930		
Road Development Authority	7,210		
3	DFCC Bank	Ministry of Defence and Urban Development	1,000
		National Water Supply & Drainage Board	3,838
		Road Development Authority	1,329
4	Employees' Trust Fund Board	Lakdhanavi Ltd	2,992
5	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	13,162
6	Hatton National Bank	Ministry of Defence and Urban Development	3,550
		National Water Supply & Drainage Board	6,506
		Road Development Authority	28,263
7	Hongkong & Shanghai Banking Co.Ltd.	West Coast Power(Pvt) Ltd	22,586
8	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	10,351
9	Japan International Corporation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	110,160
10	National Development Bank	National Water Supply & Drainage Board	3,874
		Road Development Authority	8,353
11	National Savings Bank	Ceylon Electricity Board	8,750
		General Sir John Kotelawala Defence University	29,934
		Lakdhanavi Ltd	2,992
		National Water Supply & Drainage Board	1,239
		Road Development Authority	55,371
		Sri Lanka Land Reclamation & Development Corporation	3,500
		Urban Development Authority	2,770
12	People's Bank	Ceylon Electricity Board	16,790
		Ceylon Petroleum Corporation	96,189
		Ceylon Petroleum Storage Terminals Ltd	5,983
		Ceylon Shipping Corporation Ltd	11,877
		Co-operative Whole Sale Establishment	157
		Lanka Coal Company (Pvt) Ltd	6,000
		Ministry of Defence and Urban Development	1,000
		National Water Supply & Drainage Board	397
		Paddy Marketing Board	2,247
		People's Bank Pension Trust Fund	5,000
		Road Development Authority	18,895
Total			738,662

Source : Department of Treasury Operations

Annex III

Macroeconomic Indicators

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

Sector	2015					2016(a)	
	Q ₁	Q ₂	Q ₃	Q ₄	Annual	Q ₁	Q ₂
Tea (Mn kg)	79.3	94.0	79.9	75.7	338.1	70.3	82.5
Growth %	7.6	-5.7	-2.4	-8.2	-0.6	-11.6	-12.2
Rubber (Mn kg)	28.9	21.5	19.4	18.7	98.5	28.2	19.7
Growth %	-11.7	-24	-1	4.5	-24.5	-2.6	-8.2
Coconuts (Mn nuts)	702.0	780.2	808.8	764.9	2,815.0	778.8	774.2
Growth %	-0.9	10.1	9.2	2.4	10.6	10.0	1.0
Paddy Growth %	28.7	70.1	58.6	-2.1	-16.1	0.9	-17.9
Fish (MT)	131,500	124,500	128,610	135,580	535,050	125,600	113,640
Growth %	-3.8	2.0	-6.9	-1.8	4.3	-4.5	-8.7

Source: Department of Census and Statistics
(a) Provisional

Table 2 | Performance in Industrial Sector: 2014-2016

Description	2014	2015	2016 (a)	
			Q ₁	Q ₂
Food, Beverages and Tobacco products	1.6	5.6	0.4	1.2
Textile, Wearing Apparel and Leather Related Products	1.9	0.0	0.9	1.9
Chemical Products and Basic Pharmaceutical Products	1.8	3.5	-9.2	5.0
Rubber and Plastic Products	-3	4.7	-5.2	7.0
Non-metallic Mineral Products	-4.9	-2.8	-5.7	-2.4
Furniture	20	6.7	9.7	27.5
Overall Industrial Growth	1.2	3.0	2.2	7.7

Source: Department of Census and Statistics
(a) Provisional

Table 3 | Performance in Electricity Generation and Services Sector: 2015-2016

Category	2015					2016			
	Q1	Q2	Jun	Jan -Jun	proj	Q1	Q2	Jun	Jan -Jun
Electricity Generation									
Total Generation (GWh) (Excluding Self Generation)	3,114	3,262	1,103	6,376	14,072	3,438	3,485	1,174	6,923
<i>Growth Rate</i>	4.7	5.6	6.0	5.1	7.5	10.4	6.8	6.5	8.6
Hydro(excluding mini hydro)	1,167	1,184	324	2,352	4,292	1,047	1,033	454	2,080
<i>Growth Rate</i>	82.1	145.9	49.1	109.5	(12.5)	(10.3)	(12.8)	40.2	(11.5)
Thermal (includes Independent Power Plants and coal)	1,710	1,703	635	3,413	8,584	2,209	2,067	550	4,276
<i>Growth Rate</i>	(22)	(27)	4	(34)	25	29	21	(13)	25
Hydro: Thermal Ratio	41:59	41:59	34:66	41:59	33:67	32:68	33:67	45:55	33:67
Reservoir Water Level % (End Period Average)	81.3	61.4	53.0	70.9	-	64.1	54.9	76.7	59.4
Port Services									
			Jul- Aug	Jan-Aug				Jul- Aug	Jan-Aug
Total Cargo Handled ('000 MT)	18,478	18,837	6,892	44,207	88,053	21,030	21,135	7,301	49,467
<i>Growth Rate</i>	4.8	4.1	1.1	3.9	13.5	13.8	12.2	5.9	11.9
Total Container Handled ('000 TEUs)	1,255	1,249	463	2,968	5,730	1,400	1,386	482	3,268
<i>Growth Rate</i>	9.1	3.7	4.3	6.0	10.5	11.5	10.9	4.2	10.1
Telecommunications Services (No. of Subscribers)									
				Jan-Jun					Jan-Jun
Fixed Lines ('000)	2,710	2,677	-	2,677	2,592	2,604	2,597	-	2,597
<i>Growth Rate</i>	0.5	(0.7)	-	(0.7)	(0.4)	(3.9)	(3.0)	-	(3.0)
Cellular ('000)	22,720	23,381	-	23,381	25,189	24,569	24,696	-	24,696
<i>Growth Rate</i>	6.2	11.3	-	11.3	3.3	8.1	5.6	-	5.6
Total Fixed Lines and Cellular ('000)	25,430	26,057	-	26,057	27,781	27,173	27,293	-	27,293
<i>Growth Rate</i>	5.6	9.9	-	9.9	2.9	6.9	4.7	-	4.7
Internet and email ('000)	3,586	3,799	-	3,799	4,296	4,202	4,232	-	4,232

Source: Central Bank of Sri Lanka

Table 4 | Export Performance in 2015-2016

US\$ Mn.

Item	2015			2016		
	Jan-Jul	Aug-Dec	Total	Jan-Jul(a)	Aug-Dec (b)	Total (b)
Agricultural Products	1,490	991	2,482	1,313	972	2,284
Tea	809	531	1,341	726	532	1,258
Rubber	16	10	26	19	11	30
Coconut Products	209	143	352	206	152	358
Other Agricultural Products	456	307	763	362	277	639
Industrial Products	4,837	3,139	7,976	4,660	3,275	7,935
Textile and Garments	2,819	2,002	4,820	2,940	2,119	5,059
Petroleum Products	264	110	374	162	95	258
Other Industrial Products	1,754	1,027	2,781	1,558	1,061	2,618
Mineral Export	21	8	28	17	9	26
Other Exports	9	10	20	9	9	18
Total Exports	6,357	4,148	10,505	5,999	4,264	10,263

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Table 5 | Import Performance in 2015-2016

US\$ Mn.

Item	2015			2016		
	Jan-Jul	Aug-Dec	Total	Jan-Jul (a)	Aug-Dec (b)	Total (b)
Consumer Goods	2,722	1,991	4,714	2,431	1,744	4,175
Rice	127	8	135	6	4	10
Sugar	164	89	253	155	116	271
Other Food Products	712	528	1,240	735	566	1,301
Other Consumer Goods	1,719	1,367	3,086	1,535	1,059	2,593
Intermediate Goods	5,704	3,934	9,638	5,485	4,613	10,098
Fuel	1,648	1,052	2,700	1,320	1,397	2,717
Wheat and Maize	200	157	357	141	146	287
Fertilizer	146	143	290	79	105	184
Textile & Clothing	1,393	903	2,296	1,545	1,095	2,640
Other Intermediate Goods	2,316	1,679	3,996	2,400	1,871	4,271
Investment Goods	2,644	1,923	4,567	2,830	1,979	4,809
Other Imports	11	5	16	8	0	8
Total	11,081	7,854	18,935	10,754	8,336	19,090

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Table 6 | Balance of Payments - 2016

US\$ Mn.

Item	2016		Annual Projection
	Q1 (a)	Q2 (a)	
Current Account Balance	-81	-713	-2154
Trade Balance	-1867	-2,347	-8827
Exports	2728	2380	10263
Imports	4594	4727	19090
Services (net)	765	463	2590
Receipts	1877	1540	6795
Payments	1112	1077	4205
Primary Income (net)	-537	-420	-2205
Receipts	30	31	223
Payments	567	451	2428
Secondary Income (net)	1556	1590	6288
Secondary income: credit	1795	1822	7348
Secondary income: debit	239	232	1060
Capital Account (net)	1	-2	65
Capital account: credit	9	10	83
Capital account: debit	8	12	18
Current and Capital Account (net)	-81	-716	-2089
Financial Account (net)	-267	-700	3860
Direct Investment: Assets	15	15	n.a.
Direct Investment: Liabilities	104	112	n.a.
Portfolio Investment: Assets	-	-	n.a.
Debt securities	-	-	n.a.
Portfolio Investment: Liabilities	-567	-56	n.a.
Equity and investment fund shares	-3	-42	n.a.
Debt securities	-564	-14	n.a.
Financial Derivatives	-	-	n.a.
Other Investment: Assets	-11	100	n.a.
Currency and deposits	-104	-29	n.a.
Trade credits and advances	33	62	n.a.
Other accounts receivable	61	68	n.a.
Other Investment: Liabilities	-401	-108	n.a.
Currency and deposits	-354	-627	n.a.
Loans	350	201	n.a.
Trade credits and advances	-168	124	n.a.
Other accounts payable	-228	194	n.a.
Special Drawing Rights (SDRs)	-	-	n.a.
Reserve Assets	-1134	-867	n.a.
Net Errors and Omissions	-186	15	n.a.
Overall Balance	-720	-466	671

Source: Central Bank of Sri Lanka (a) Provisional

Table 7 | International Reserves

Item	US\$ Mn.			
	End 2014	End 2015	Jul-2016	Aug-2016
Total External Reserves	9,884.00	9,337.00	n.a.	n.a.
Months of Imports	6.10	5.90	n.a.	n.a.
Gross Official Reserves	8,208.00	8,208.00	6,489.00	6,614.00
Months of Imports	5.10	4.60	4.20	4.30

Source: Central Bank of Sri Lanka

Table 8 | Government Foreign Currency Debt Outstanding

Items	US\$ Mn. (a)	
	End Aug 2016	
Total Outstanding	29,303.16	
Government Foreign Debt	24,943.91	
Dollar dominated Domestic Debt	4,359.25	
Sri Lanka Development Bonds (SLDBs)	4,259.25	
Foreign Currency Banking Units (FCBUs)	100.00	

Source: Central Bank of Sri Lanka

(a) 1 USD = 145.62 LKR

Table 9 | Outstanding Domestic Foreign Currency Debt of the Government

	US\$ Mn.	
	End 2015	End Aug 2016
Outstanding	4,790.06	4,359.25
FCBUs	150.00	100.00
SLDBs	4,640.06	4,259.25
Receipts	2,491.37	1,365.88
FCBUs	-	-
SLDBs	2,491.37	1,365.88
Payments	835.57	1,796.69
FCBUs	-	50.00
SLDBs	835.57	1,746.69

Source: Central Bank of Sri Lanka

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

Currency	Appreciation (+) / Depreciation (-)	
	End 2014 - End 2015	End 2015 - Aug 2016
Sri Lanka Rupee	-9.00	-1.00
Indian Rupee	-4.60	-1.00
Bangladesh Taka	-0.40	-0.20
Pakistan Rupee	-3.70	0.10
Singapore Dollar	-6.70	3.80
Thailand Bhat	-8.90	4.20
Taiwan Dollar	-3.70	3.60
Indonesian Rupiah	-9.80	3.80
Philippine Peso	-4.60	0.90
Korean Won	-7.20	5.30
Japanese Yen	-0.90	17.00

Source: Central Bank of Sri Lanka

Table 11 | Central Bank Holdings of Treasury Bills

End Period	Gross (Book value)	Rs. Mn.
		Net of Repos (Book value)
2008	n.a	143.2
2009	n.a	36.0
2010	n.a	2.3
2011	n.a	167.3
2012	n.a	163.3
2013	n.a	13.3
2014	n.a	3.1
2015	n.a	79.1
End Aug. 2016	n.a	212.4

Source: Central Bank of Sri Lanka

Table 12 | Commercial Banks' Loans and Advances to the Private Sector -June 2016 (a)(b)

	Amount (Rs. Mn)(c)	as a % of Total
1. Agriculture & Fishing	316,993	8.2
<i>of which:</i>		
Tea	78,051	2.0
Rubber	20,411	0.5
Coconut	12,541	0.3
Paddy	23,456	0.6
Vegetable, Fruit Cultivation and Minor Food Crops	22,000	0.6
Livestock and Dairy Farming	13,061	0.3
Fisheries	12,254	0.3
2. Industry	1,539,581	39.9
<i>of which:</i>		
Construction	740,963	19.2
<i>of which:</i>		
--- Personal Housing including Purchasing/Construction/Repairs	354,225	9.2
--- Staff Housing	66,261	1.7
Food and Beverages	86,472	2.2
Textiles and Apparel	144,718	3.7
Wood and Wood Products including Furniture	14,692	0.4
Paper and Paper Products	11,758	0.3
Chemical, Petroleum, Pharmaceutical, Healthcare and Rubber and Plastic Products	77,939	2.0
Non-metallic Mineral Products	14,961	0.4
Basic Metal Products	20,702	0.5
Fabricated Metal Products, Machinery and Transport Equipment	126,529	3.3
Other Manufactured Products	16,179	0.4
3. Services	1,149,743	29.8
<i>of which:</i>		
Wholesale and Retail Trade	353,623	9.2
Tourism	118,778	3.1
Financial and Business Services	282,150	7.3
Transport	56,731	1.5
Communication and Information Technology	56,808	1.5
Printing and Publishing	16,841	0.4
Education	8,881	0.2
Health	29,034	0.8
Shipping, Aviation, Supply and Freight Forwarding	26,065	0.7
4. Personal Loans and Advances(d)	855,707	22.2
<i>of which:</i>		
Consumer Durables	171,955	4.5
Pawning	122,309	3.2
Credit Card	66,912	1.7
Personal Education	2,078	0.1
Personal Healthcare	2,728	0.1
5. Safety Net Scheme Related (e.g Samurdhi)	447,999	11.6
6. Total	3,862,025	100.0

Source: Central Bank of Sri Lanka

(a) Based on the Quarterly Survey of Commercial Banks' Loans and Advances to the Private Sector, which includes loans and advances of both DBUs and OBUs of commercial banks.

(b) Includes loans, overdrafts, bills discounted and purchased and excludes cash items in the process of collection

(c) Provisional

(d) Excludes personal housing loans, which have been included under 'Construction' classified under 'Industry'

Table 13 | Interest Rate Movements in 2015-2016

Interest Rate	End Dec 2015	End Mar 2016	End June 2016	End Sep 2016
Policy Rates of the Central Bank				
Standing Deposit Facility Rate(SDFR)(a)	6	6.5	6.50	7.00
Standing Lending Facility Rate(SLFR)(a)	7.5	8	8.00	8.50
Weighted Average Call Money Rate (AWCMR)	6.40	8.09	8.20	8.42
Weighted Average OMO Auction Rate (Repo)	6.14	0	-	-
Weighted Average OMO Auction Rate (Reverse Repo)	-	7.90	7.97	8.79
Treasury Bill Rates				
91-days	6.45	8.90	8.88	8.55
182-days	6.83	9.76	9.86	9.39
364 -days	7.30	10.64	10.55	10.11
Lending Rates				
Average Weighted Prime Lending Rate(AWPR) (weekly)	7.53	9.19	10.70	12.12
Average Weighted Prime Lending Rate (AWPR) (monthly)	7.40	8.87	10.48	12.29
Average Weighted Lending Rate(AWLR)	11.00	11.45	12.09	12.88
Deposit Rates				
Average Weighted Deposit Rate (AWDR)	6.20	6.44	6.87	7.56
Average Weighted Fixed Deposit Rate (AWFDR)	7.57	7.92	8.64	9.67

Source: Central Bank of Sri Lanka

a) Repurchase Rate and Reverse Repurchase rate renamed as Standing Deposit Facility Rate (SDFR) with effect from 02 January 2014

Table 14 | CCPI - Changes in Expenditure Values

	Weight	Rupees		Rupees	Change	
		Aug - 2015	Aug - 2016		%	Contri. to Change %
Food and Non Alcoholic Beverages	41.03	24,177.84	25,545.42	1,367.58	5.66	2.69
Food	34.32	20,127.74	21,399.82	1,272.08	6.32	2.50
Bread and Cereals	7.87	4,772.00	4,968.48	196.48	4.12	0.39
Meat and Meat Products	2.29	1,179.79	1,322.93	143.14	12.13	0.28
Fish and Sea Food	5.95	3,515.45	3,693.39	177.94	5.06	0.35
Milk, Cheese and Eggs	6.11	3,637.03	3,618.24	-18.79	-0.52	-0.04
Oils and Fats	1.15	710.21	750.83	40.62	5.72	0.08
Fruit	1.43	836.66	889.54	52.88	6.32	0.10
Vegetables	5.65	3,129.62	3,490.65	361.03	11.54	0.71
Sugar, Jam, Honey, Chocolate and Confectionary	1.54	689.45	773.26	83.81	12.16	0.16
Food Products n.e.c.	2.34	1,657.52	1,892.48	234.96	14.18	0.46
Non - Alcoholic Beverages	0.87	678.60	697.05	18.45	2.72	0.04
Coffee, Tea and Cocoa	0.73	596.52	611.81	15.29	2.56	0.03
Mineral Waters, Soft Drinks, Fruit and Vegetable juices	0.14	82.08	85.24	3.16	3.85	0.01
Meals Bought from out side	5.84	3,371.50	3,448.55	77.05	2.29	0.15
Clothing and Footwear	3.14	1,805.25	1,837.53	32.28	1.79	0.06
Housing, Water, Electricity, Gas and other Fuels	23.72	9,190.30	9,161.74	-28.56	-0.31	-0.06
Furnishing, Household Equipment and Routine Household Maintenance	3.60	1,691.30	1,727.05	35.75	2.11	0.07
Health	3.16	2,820.25	3,136.95	316.70	11.23	0.62
Transport	12.26	6,284.76	6,484.94	200.18	3.19	0.39
Communication	4.75	1,249.11	1,279.18	30.07	2.41	0.06
Recreation and Culture	1.50	698.24	704.56	6.32	0.91	0.01
Education	3.94	1,699.40	1,702.90	3.50	0.21	0.01
Miscellaneous Goods and Services	2.89	1,259.06	1,306.11	47.05	3.74	0.09
All Items	100.00	50,875.51	52,886.38	2,010.87	3.95	3.95

Source: Department of Census and Statistics

Annex IV

Assumptions for Revenue Estimates - 2017

The revenue estimates for 2017 are based on the expected macroeconomic development and the status of the country's tax system in which broad assumptions are as follows.

The economy is expected to grow by about 6-7 percent in 2017 and the growth is expected to be broad based.

- The inflation is expected to remain mid-single digit level in 2017.
- The recovery of the global economy is expected to be strengthened.
- The external sector is expected to improve further in 2017 by maintaining a surplus in the Balance of Payments (BOP) benefiting from the 3-year Extended Fund Facility (2016-2019) provided by the IMF.
- Growth in exports is expected to continue with the enhanced external demand particularly from major trading partners such as the US and India while helping a commensurate improvement in domestic economic activities.
- Imports are projected to record a relatively high growth with increased demand for investment and intermediate goods by both private and public sector to support higher export growth and economic growth.
- A stable exchange rate is expected to be continued, supported by the enhanced external reserves of the country.
- Domestic demand is expected to improve consequent to a strong improvement in domestic economic activities complemented by the low interest rate regime.
- The growth in the money supply in 2017 is expected to maintain at a level compatible with the expected nominal growth of around 14 percent of GDP.
- Tax system is expected to continue without significant changes to existing tax rates. The gradual establishment of the tax system in the country will help to generate expected revenue.
- Automation of the Customs clearing process (Single Window) for both import and export will help to enhance the customer satisfaction and enhance the revenue.
- Automation of the Inland Revenue Department (IRD) by the implementation of Revenue Administration and Management Information System (RAMIS) and ASYCUDA at Sri Lanka Customs will help to provide better service to tax payer and enhance the revenue.
- Integrated Treasury Management Information System (ITMIS) will ensure efficient management of government resources

Table 1 | Key Sectoral Growth Rate (%)

	2014	2015	2016 up to 2ndquarter (a)
GDP	4.5	4.8	3.9
Agriculture	-2.2	5.5	-2.5
Industry	1.2	3.0	5.2
Services	6.4	5.3	4.9
Inflation - GDP Deflator (%)	2.7	2.1	5.0
Unemployment Rate (%)	4.3	4.6	4.4

Source: Department of Census and Statistics

(a) Provisional

(b)

Table 2 | Value Added Tax (VAT) with effect from 01.11.2016

Rate	Item
Zero Rate	Export Goods
Standard Rate (15%)	General Items
Exemptions	Goods and Services which are listed in the VAT exemption list of the VAT Act.

Table 3 | Value of Imports

	US \$ Mn.	
	2015(a)	2016(b)
Rice	135	10
Sugar	253	271
Other Food	1,240	1,301
Other Consumable Goods	3,086	2,593
O/W Motor Vehicles	1,360	740
Fuel	2,700	2,717
Fertilizer	290	184
Wheat and Maize	357	287
Chemicals	870	905
Textiles & Textile Articles	2,296	2,640
Other Intermediate Goods	3,125	3,365
Machinery and Equipment	2,278	2,677
Transport Equipment	931	598
Building Materials	1,352	1,526
Other	22	15
Total	18,935	19,090

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Table 4 | Composition of Imports

Category	% of Total Imports	
	2015(a)	2016(b)
Consumer Goods	24.9	21.9
Intermediate Goods	50.9	52.9
Investment Goods	24.1	25.2

(a) Provisional (b) Projections

Table 5 | Custom Duty Structure (As at 31.10.2016)

	Rate
Basic raw materials and Machinery	Zero
Semi processed items and Intermediate products	15%
Finished products and Luxury goods	30%

Table 6 | Value of Imports and Growth

	2015	2016(a)	2017(a)
Value of Imports (US\$ Mn.)	18,935	19,090	20,450
Growth	-2.5	0.8	7.1

Source: Central Bank of Sri Lanka

(a) Projection

Table 7 | Cigarettes Excise Duty Structure (Per 1,000 cigarettes as at 31.10.2016)

	Rs. per 1,000
Cigarettes each not exceeding 60mm. in length	11,675
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	17,375
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	20,500
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	30,500
Cigarettes each exceeding 84mm. in length	34,250

Table 8 | Liquor Excise Duty Structure (As at 31.10.2016)

	Rs. per Proof Liter
Coconut Processed/ Molasses Arrack	1,850
Country Made Foreign Liquor	2,030
Malt Liquor (Beer) above 5% in strength (per bulk liter)	315
Malt liquor (Beer) less 5% in strength (per bulk liter)	190
Wine containing more than 4% in strength	1,120

Table 9 | Petroleum Excise Duty Structure (As at 31.10.2016)

Item	Rs. Per litre
Petrol	27.00
Diesel	13.00

Table 10 | Excise (Special Provisions) Duty: Motor Vehicles Duty Structure (As at 31.10.2016)

Item/ Engine Capacity	Rate
(i) Cars - Petrol	
Less than 1000 cc	150% or Rs. 1,500 per cc
1000 cc - 1500 cc	160% or Rs. 2,750 per cc
1500 cc - 1600 cc	160% or Rs. 4,000 per cc
1600 cc - 2000 cc	160% or Rs. 4,500 per cc
2000 cc - 3000cc	220% or Rs. 6,000 per cc
Exceeding 3000 cc	250% or Rs. 7,500 per cc
(ii) Cars - Diesel	
Less than 1500 cc	200% or Rs. 3,500 per cc
1500 cc - 1600 cc	200% or Rs. 4,500 per cc
1600 cc - 2000 cc	225% or Rs. 5,000 per cc
2000 cc - 2500 cc	250% or Rs. 6,000 per cc
Exceeding 2500 cc	290% or Rs. 7,500 per cc
(iii) Cars - Hybrid/ Petrol	
Less than 1000 cc	70% or Rs. 1,250 per cc
1000 cc - 1500 cc	90% or Rs. 2,000 per cc
1500 cc - 1600 cc	90% or Rs. 3,500 per cc
1600 cc - 2000 cc	90% or Rs. 4,000 per cc
2000 cc 3000cc	150% or Rs. 5,000 per cc
Exceeding 3000 cc	200% or Rs. 7,000 per cc
(iv) Cars - Hybrid/ Diesel	
Less than 1500 cc	90% or Rs. 3,000 per cc
1500 cc - 1600 cc	90% or Rs. 4,000 per cc
1600 cc - 2000 cc	90% or Rs. 4,500 per cc
2000 cc - 2500 cc	150% or Rs. 5,000 per cc
Exceeding 2500 cc	200% or Rs. 7,000 per cc
(v) Electric Cars	
Car - Electric - By External Source or Generator	50%
Car - Electric - By Solar Panels	2.5%
(vi) Vans	
13 - 25 Persons/ Diesel	85%
13 - 25 Persons/ Petrol	85%
Less than 13 Persons/ Diesel	200%
Less than 13 Persons/ Petrol	150%

Table 11 | Ports and Airports Development Levy As at 31.10.2016)

Category	Rate
General Rate	7.5%
Concessionary rate	2.5%
Imports for Re-export	Exempt

Table 12 | Receipt of Profits/ Profit Transfers and Dividends: 2015 – 2016

Rs. Mn

Institution	2015	2016 Budget	2017 Estimated
National Savings Bank	2,860	5,360	5,560
Bank of Ceylon	5,346	8,346	8,346
People's Bank	3,316	7,158	7,158
Pradeshia Sanwardhana Bank	87	100	100
State Mortgage and Investment Bank	10	10	25
Lankaputhra Development Bank	36	18	50
National Development Bank	5	2	3
Telecommunication Regulatory Commission	10,000	12,000	15,500
State Timber Corporation	50	75	80
National Insurance Trust Fund	3,000	4,000	4,000
Geological Survey & Mines Bureau	850	850	850
National Gem and Jewelry Authority	75	100	100
Sri Lanka Convention Bureau	-	20	-
SL Rupavahini Corporation	-	-	-
Board of Investment	141	150	200
Civil Aviation Authority	400	400	450
State Pharmaceuticals Manufacturing Corporation	30	40	50
State Pharmaceuticals Corporation	100	100	185
National Lotteries Board	50	50	55
SL Export Credit Insurance Corporation	-	-	55
Sri Lanka Ayurvedic Drugs Corporation	-	-	10
State Printing Corporation	-	-	-
Sri Lanka Tourism Development Authority	-	-	-
Sri Lanka Tourism Promotion Bureau	500	750	800
Ceylon Petroleum Corporation	-	-	-
National Transport Medical Institute	-	-	100
Central Engineering Consultancy Bureau	25	-	75
Sri Lanka Bureau of Foreign Employment	-	-	50
SL Insurance Corporation Limited	1,003	1,003	2,000
Airport and Aviation Services (SL)Ltd	497	350	300
Lanka Mineral Sands Ltd.	14	100	150
Lanka Phosphate Ltd.	30	50	10
Independent Television Network	84	80	60
Lanka Leyland Ltd	54	50	50
Rakna Arakshaka Lanka Limited	93	30	40
Manthai Salt	-	0.2	0.3
Ceylon Fertilizer Ltd	54	60	100
Colombo Commercial Fertilizer Ltd.	10	18	20
Paranthan Chemicals Co. Ltd.	5	4	10
Kahatagaha Graphite Lanka Ltd	0.11	1	3
Namunukula Plantation	0.07	1.8	2
Elpitiya Plantation	12	10	11
Kurunegala Plantation	50	50	40
Chilaw Plantation	-	30	30
Pussellawa Plantation	-	10	-
Kotagala Plantation	-	-	-
Sri Lanka Telecom	795	795	800
De La Rue Lanka Pvt. Ltd	61	50	55
Lanka Electricity Company Ltd	87	152	100
Lanka Industrial Estates Ltd	55	75	50
Lanka Sugar Co. Ltd	-	-	-
Lanka Logistics Ltd	2	1	1
Skills Development Fund Ltd	2	1	1
Ceylon Agro Industries	6	5	2
Others	1	439	406
Total Levy & Dividends	29,796	42,895	48,048

Source: Department of Public Enterprises and Department of Fiscal Policy

Table 13 | Rent Income

Item	Rs. Mn.		
	2015	2016 Revised Budget	2017 Estimate
Rent on Government Buildings & Housing	727	750	800
Rent on Crown Forests	1319	1,500	1,800
Rent from Land & Other	37	60	70
Lease Rental from Regional Plantation Companies	645	900	1,100
Others	95	250	400
Total Rent Income	2,823	3,460	4,170

Table 14 | Fees and Charges

	Rs. Mn.		
	2015	2016 Revised Budget	2017 Estimate
Service Charges by Government Press	690	500	550
Fees of Passport, Visas and Dual Citizenship	10,108	15,000	17,000
Examination & other Fees	241	280	300
Fees under the Motor Traffic Act & other Receipts	9,346	8,500	9,000
From others Various Sources	11,899	16,100	16,755
Total	32,283	40,380	43,605