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2011

**MINISTRY OF
FINANCE AND PLANNING
SRI LANKA**



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MINISTRY OF FINANCE AND PLANNING

(AS AT 31ST MARCH 2012)

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SRI LANKA AT A GLANCE - 2005 & 2011

	2005	2011		2005	2011
GDP			TOTAL GOVERNMENT DEBT (US\$ Mn)	22,115	46,426
GDP at Market Prices (Rs.Bn.)	2,453	6,543	Total Debt Service (GDP %)	14.3	13.7
GDP at Market Prices (US\$ Bn.)	24.4	59.2	Total Government Debt (GDP %)	90.6	78.5
Per Capita GDP at Market Prices (Rs.)	124,709	313,511	Domestic (GDP %)	51.6	42.9
Per Capita GDP at Market Prices (US\$)	1,241	2,836	Foreign (GDP %)	39.0	35.6
Inflation - GDP Implicit Price Deflator (%)	10.4	7.8			
Inflation - CCPI (%) (Annual Average)	10.2	6.7	PROVINCIAL BUDGET		
Unemployment (%)	7.2	4.2	Revenue (Rs.Bn)	16.1	42.0
Labour Force Participation Rate (%)	49.3	48.2	Tax Revenue (Rs.Bn)	13.8	36.0
			Expenditure (Rs.Bn)	73.0	154.8
STRUCTURE OF THE ECONOMY			Central Government Transfers (Rs.Bn)	59.7	115.9
GDP (Percentage change))	6.2	8.3			
GNP (Percentage change))	6.0	8.4	MONETARY SECTOR DEVELOPMENTS		
			Narrow Money (Rs.Bn.)	592.9	438.7
Share of GDP (%)			Broad Money (Rs.Bn)	822.9	2,192
Agriculture	12.5	11.2	Money Growth (M2b) (%)	19.6	20.9
Industry	28.1	29.3			
Services	59.4	59.5	ACCESS TO BANKING & FINANCE		
			Domestic Commercial Banks	11	12
Sectoral Growth (%)			Branches	1,090	1,533
Agriculture	1.8	1.5	Foreign Commercial Banks	11	12
Industry	8.0	10.3	Branches	35	49
Services	6.4	8.6	Specialized Banks (Excluding RDBs)	8	8
			Branches	170	278
EXTERANL TRADE			Regional Development Bank	6	1
Exports (US\$ Mn.)	6,347	10,559	Branches	199	233
Imports (US\$ Mn.)	8,863	20,269	ATMs	n.a.	2,240
Trade Balance (US\$ Mn.)	-2,516	-9,710	Domestic Commercial Banks	n.a.	2,035
Worker Remittances (US\$ Mn.)	1,918	5,145	Foreign Commercial Banks	n.a.	47
Current Account Balance (US\$ Mn)	-650	-4,615	Specialized Banks	n.a.	158
Overall Balance of Payment (US\$ Mn)	501	-1,061			
			Insurance Companies	14	22
GOVERNMENT FINANCE			Registered Finance Companies	28	39
Revenue (Rs.Bn)	380	935	Specialized Leasing Companies	18	16
Tax Revenue (Rs.Bn)	337	813	Student Savings Units	244	188
Non Tax Revenue (Rs.Bn)	43	122	Credit Cards Issued	181,857	148,481
Revenue (US\$ Mn.)	3,779	8,454	Credit Cards In Use	629,740	862,352
Tax Revenue (US\$ Mn)	3,352	7,349			
Non Tax Revenue (US\$ Mn)	427	1,105			
Total Expenditure and Lending (Rs.Bn)	592	1,414			
Current Expenditure (Rs.Bn.)	443	1,007	EXCHANGE RATE		
Public Investment (Rs.Bn.)	225	407	Annual Average		
Current Account Deficit / GDP %	-2.6	-1.1	Rs/US\$	100.50	110.57
Budget Deficit / GDP %	-7.0	-6.9	Rs/SDR	148.45	174.54
Total Expenditure (US\$.Mn)	5,819	12,789			
Current Expenditure (US\$ Mn.)	4,412	9,104	Year End		
Public Investment (US\$ Mn.)	1,479	3,680	Rs/US\$	102.12	113.90
Budget Deficit (US\$ Mn.)	-1,716	-4,071	Rs/SDR	145.95	174.87

SRI LANKA AT A GLANCE - 2005 & 2011

TARIFF REGIME AS AT 31 DECEMBER			
	2005		2011
Duty free items	778	Duty free items	3,024
Duty below 2.5%	2,169	Duty 5%	412
Duty below 6%	479	Duty 15%	1,508
Duty between 15%	1,646	Duty 30%	1,323
Duty between 28%	1,445	Duty 75%	04
Duty between 50%	1	Duty 100%	05
Duty between 75%	2	Specific	77
Duty between 100%	5	Specific & Advelorum	162
Total	6,525	Total	6,515

SRI LANKA AT A GLANCE - 2005 & 2011

	2005	2011		2005	2011
SOCIAL DEVELOPMENT			ACCESS TO BASIC INFRASTRUCTURE		
Growth of Population	1.1	1.0	Electricity to Households (%)	77	91
Life Expectancy at Birth	67.9	74.9	Pipe-borne Water (%)	30	42
Infant Mortality (Per 1,000 Live Births) - (2007)	11.2	8.5	Access to Safe Drinking Water (% of People)	75	84
Maternal Mortality Rate (Per 100,000 Live Births)	n.a.	41.6	Telecommunications		
Crude Birth Rate (Per 1,000) - (2010)	18.9	17.6	Fixed Access Services (No.'000)	1,244	3,608
Crude Death Rate (Per 1,000) - (2010)	6.7	6.2	Cellular Phones (No.of Subscribers '000)	3,362	18,319
Literacy Rate (%) (2006 and 2010)			Internet & E-mail Subscribers (No.'000)	115	322
Average	90.8	91.9	Postal		
Male	92.7	93.2	Public Post Offices	4,043	4,061
Female	89.1	90.8	Private Post Offices	654	614
Literacy Rate- Computer (% of Population) (2009)	n.a.	20.3	Roads		
Dependency Ratio (%)	48.3	48.4	Total Road Length (Km)	111,436	114,548
			Road Density (Km ²)	1.70	1.75
MOTOR VEHICLE IMPORTS			Ports		
Motor Bicycles	193,411	252,038	Vessels Arrived	4,139	4,358
Three-Wheelers	39,154	137,798	Total Container Handled (TEUs '000)	2,455	4,263
Tractors	26,106	26,870	Total Cargo Handled - ('000MT)	37,300	65,096
Motor Vehicles for Transport of Goods	18,423	55,381	Transshipment	1,716	3,216
Passenger Van and Buses	2,229	3,838	MEGA IRRIGATION SCHEMES		
Motor Cars	15,944	56,369	(Extent to be newly cultivated)-ha.		
Special Purpose Motor Vehicles	661	769	Deduru Oya Reservoir	-	11,000
			Heda Oya Reservoir	-	5,200
			Yan Oya Reservoir	-	4,925
			Rambukkan Oya Reservoir	-	1,400
			Urawa Diversion	-	n.a.
			Moragahakanda & Kalu Ganga	-	5,000
			Uma Oya	-	n.a.

SRI LANKA AT A GLANCE - 2005 & 2011

	2005	2011		2005	2011
PROFESSIONALS (PROVISIONAL)			PRINT MEDIA		
Doctors	12,692	17,199	Newspapers	90	167
Nurses	20,332	29,234	Sinhala Newspapers (No.)	63	108
Public Health Inspectors (PHI)	1,581	1,718	Tamil Newspapers (No.)	07	24
Attendants	6,705	8,403	English Newspapers (No.)	20	35
ACCESS TO BASIC NEEDS			ELECTRONIC MEDIA		
HEALTH			Television Services		
Public Hospitals	606	592	Government	13	21
Private Hospitals (under the Private Medical Institutions Registration Act No. 21 of 2006)	n.a.	3,183	Sinhala	4	6
Central Dispensaries	397	475	Tamil	2	2
Beds	61,937	69,731	English	1	2
			Private	9	15
			Sinhala	5	7
			Tamil	1	3
EDUCATION			English		
Government				3	5
Schools	9,723	9,714			
Students (000')	3,937	3,970	Radio Service	32	52
Teachers	189,234	217,112	Government	20	21
Private			Sinhala	13	14
Schools	85	97	Tamil	5	5
Students (000')	106	120	English	2	2
Teachers	5,000	5,788	Private	12	31
Pirivenas			Sinhala	6	18
Schools	653	716	Tamil	1	3
Students (000')	55	63	English	5	10
Teachers	5,481	6,487			
			CAPACITY OF ON- GOING HYDRO POWER/ THERMAL PLANTS (MW)		
WOMEN PARTICIPATION			Upper Kotmale Hydro Power (Phase 1) (MW)		
Women Population ('000) (2005 & 2010)	9,862	10,404	Norochcholai Coal Fired Plant (Phase 1) (MW)	-	150
Employed Women ('000) (2005 & 2010)	2,383	2,575	CEB	-	300
Women Participation in the Labour Force (%) (2005 & 2010)	30.9	31.2	Hydro Power	1,758	2,058
Women in the Public Service (2005 & 2010)	n.a.	444,816	Thermal Power	1,207	1,207
Unemployed Women (%) (2005 & 2010)	11.9	7.7	Other	548	848
			Private Sector	3	3
				653	1,083

SRI LANKA AT A GLANCE - 2005 & 2011

	2005	2011		2005	2011
POVERTY			Hydro Power	84	194
Poverty Gap Index-PGI or PI (2006/2007 and 2009/2010) (%)	3.1	1.7	Thermal Power	567	842
Poverty Head Count Index - HCI (%)	15.2	8.9	Other	2	47
Average Daily Calorie Intake (Both poor and Non - poor) (2006/07) and (2009/10)	2,118	2,094	STOCK MARKET		
Gini Coefficient of Per Capita Expenditure	0.40	0.36	Market Capitalization (Rs.Bn)	584	2,214
(Household income and expenditure survey 2002 and 2009/2010)			Average Daily Turnover (Rs.Mn)	482	2,286
			All Share Price Index (ASPI)	1,922	6,074
			Milanka Price Index (MPI)	2,451	5,229
			Market Price Earning Ratio- end of the Year (%)	12.4	15.8
			Turnover to Market Capitalization (%)	23.7	24.7

Personal Income Tax (%)					
	2005			2012	
First Rs.300,000		Free	First Rs. 500,000		Free
Next Rs. 300,000		5	Next Rs 500,000		4
Next Rs. 200,000		10	Next Rs.500,000		8
Next Rs. 200,000		15	Next Rs. 500,000		12
Next Rs. 200,000		20	Next Rs.500,000		16
Next Rs. 200,000		25	Next Rs.1,000,000		20
Balance		30	Balance		24

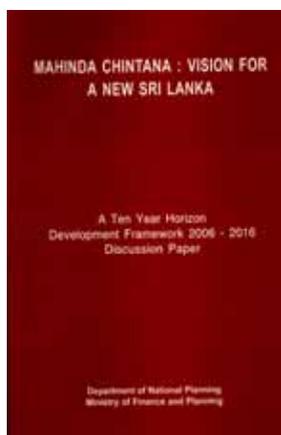
SRI LANKA AT A GLANCE - 2005 & 2011

	2005	2012		2005	2012
Corporate Tax (%)			Excise Duty		
Standard Rate	32.5	28	Cigarettes (Rs. Per 1,000)		
Taxable Income Less Than Rs.5.0 Mn.	20	12	Length below 60mm	1,640	4,037
Export Income	15	12	Length 60-67mm	3,137	8,112
			Length 67-72mm	5,088	10,953
Economic Service Charge (ESC) (%)			Length 72-84mm	5,904	13,815
ESC Rate	0.5-1%	0.25%	Length Exceeds 84mm	6,150	17,100
(Any ESC Paid is Deductible from any Income Tax / Corporate Tax Payable)			Motor Vehicles (%)		
			Passenger Transport	0	0
Value Added Tax (VAT) (%)			Three - Wheelers		
Standard Rate	15	12	Petrol	4	40
Exports	0	0	Diesel	14	40
Luxury Rate	18	-	Other Vehicles	15-115	14 -173
Nation Building Tax (NBT) (%)	-	2	Liquor Duty Structure		
Ports and Airports Development Levy (%)	1.5	5	(Rs. Per Proof Liter)		
Telecommunications Levy (%)	-	20	Coconut Processed/Molasses Arrack	336	983
Share Transaction Levy (%)	0.2	0.3	Country Made Foreign Liquor	490	1,123
CUSTOMS DUTY (%)			Malt Liquor (Beer) above 5% in Strength	43.50	106
Inputs / Raw Material	0 - 2.5	0 - 5	Malt Liquor Less than 5% in Strength	27.50	90
Intermediate Goods	6 or 15	5-15	Wine containing more than 4% in Strength	200	838
Finished and Luxury Goods	28	30	Aerated Water (Per liter)	6	8

01

ECONOMIC POLICY FRAMEWORK AND PERFORMANCE

1.1 Overview



The Government's economic policy framework has been developed based on the key principles set out in "Mahinda Chintana - Towards a New Sri Lanka, 2005" and "Mahinda Chintana - Vision for a New Sri Lanka - A Ten Year Horizon - Development Framework 2006 - 2016", and elaborated in the discussion paper which was tabled in Parliament along with the 2006 Budget. This alternative strategy became

relevant and was receptive since the economic development achieved during the decade up to 2005, had not filtered benefits to many segments of the population, was not capable of developing sufficient domestic entrepreneurship and further, since the economy was not able to generate an annual average growth rate over 5 percent. The country being in the midst of a prolonged conflict, lack of infrastructure and impact of external vulnerabilities attributed to this moderate economic performance, with a growth rate below the achievements of neighboring economies. There had been a perpetuation of income disparities both among income earners and geographic regions. What is apparent is that the economic growth during 1977 -2005 had largely by-passed rural areas and concentrated in the Western Province which contributed to over 51 percent of GDP, by 2004.

The new strategy recognized positive attributes of market economic policies while taking into cognizance domestic aspirations for the state to assume a strategic role in the development process. The role of domestic enterprises and foreign investments was recognized to promote required capital formation for development. The new development strategy was built on the positive aspect of past policies, while focusing to address limitations and weaknesses as well as some failures of such past policy strategies, with emphasis on equitable development of the country with special emphasis on the needs of lagging regions. The economic program aimed at achieving 8 percent annual growth and accelerating the growth thereafter. The ten year development program focuses sector specific issues aimed at raising the Per Capita income to US\$ 4,000 by 2016, and elevating the country to a middle income status¹.

1.2 The First Five Year Development Framework 2006-2010

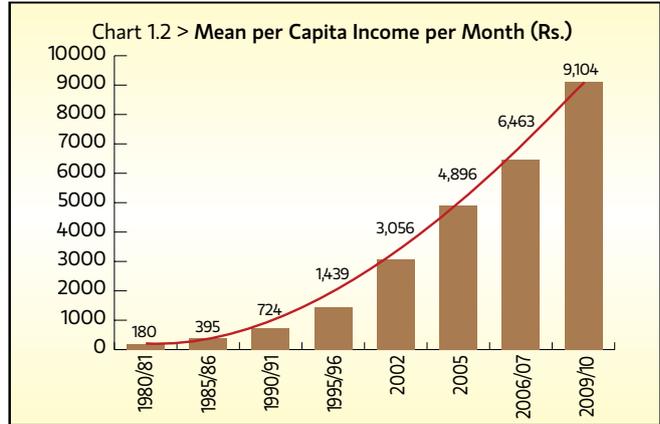
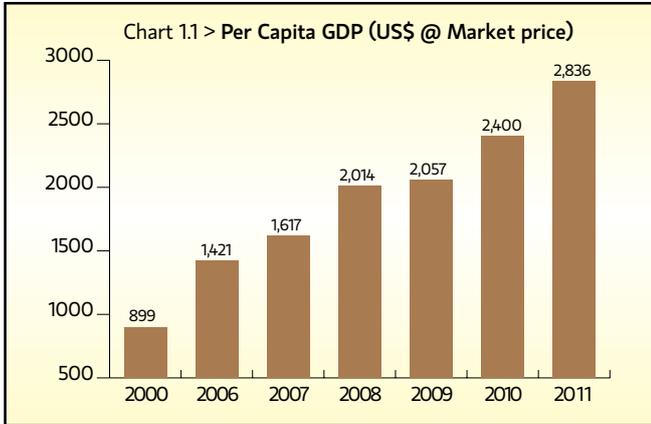
Within the broad development framework outlined above, the Government gave high priority to the following;

- a. Increasing public investment in power generation and distribution, irrigation and water supply, port and airport facilities and a national highway network, to create enabling infrastructure support to enterprise development and private investment.
- b. Implementing a new incentive structure including the restoration of remunerative producer prices for agricultural produce and provision of essential inputs such as fertilizer, seeds and credit at concessional prices to revive agriculture.
- c. Promoting private investment in industries and services through appropriate trade policies, tax incentives, financing support and skills development initiatives, to improve competitiveness in the economy.
- d. Expanding education and health sectors to build-up social capacity with particular emphasis on the realization of Millennium Development Goals, well in advance of United Nations time targets.
- e. Implementing an integrated rural development strategy to uplift living conditions by improving access to infrastructure consisting of electricity, irrigation and water, feeder roads, community facilities and livelihood activities.
- f. Improving the macroeconomic policy environment to strengthen financial stability through monetary policy initiatives and regular supervision of banking and financial institutions in order to contain demand pressures on prices and external balances.
- g. Managing the budgetary policy to contain the fiscal deficit within prudential levels, that would encourage generating a revenue surplus and maintaining public investment and social spending.

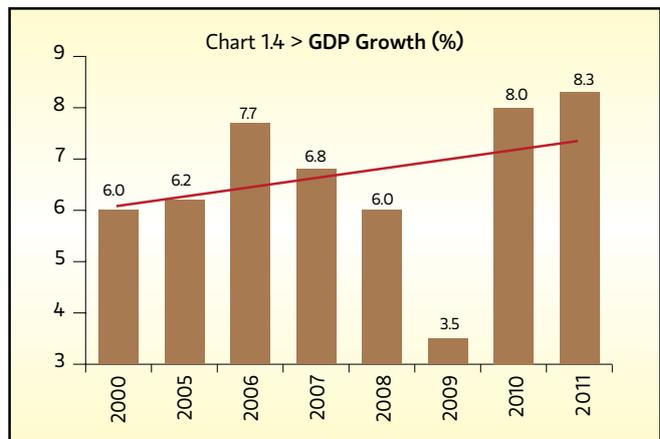
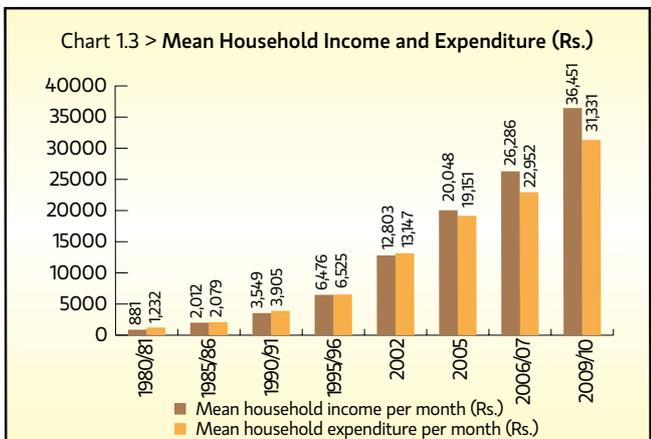
The 5 year period ending 2010 achieved many development outcomes in the midst of the conflict in the North that prevailed till mid 2009, the global food crisis, volatile oil prices and financial uncertainties in advanced countries. The salient development outcomes are summarized below;

¹ Mahinda Chintana : Vision for a New Sri Lanka - A Ten year Horizon, Development Framework 2006-2016, Discussion Paper - Department of National Planning, Ministry of Finance and Planning (2005).

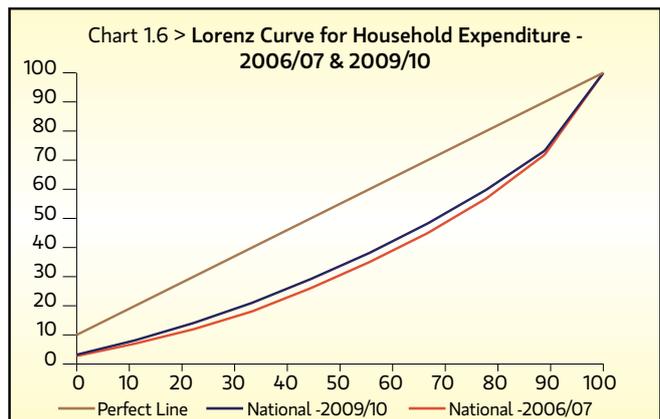
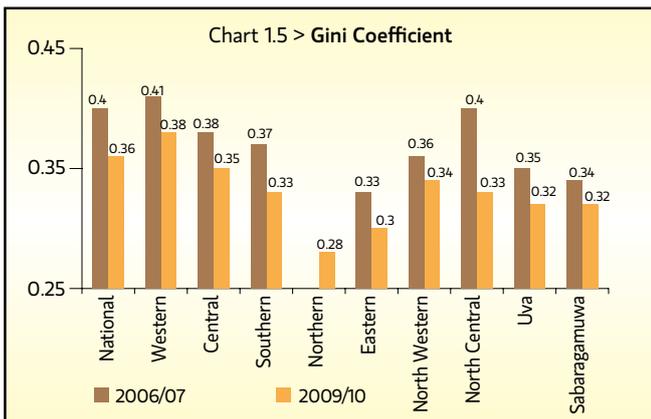
Income Growth and Distribution



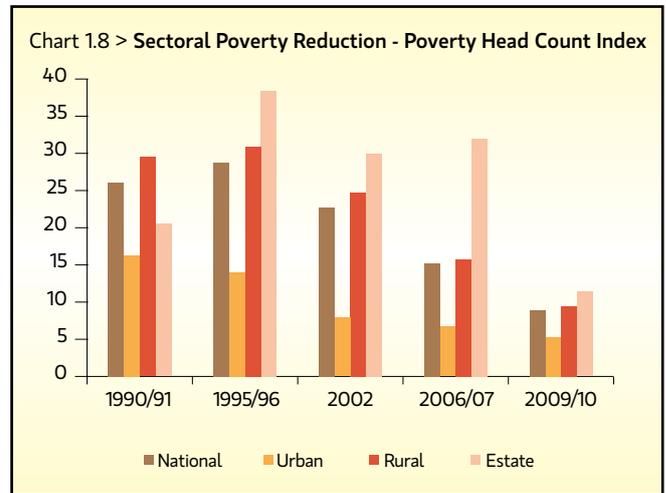
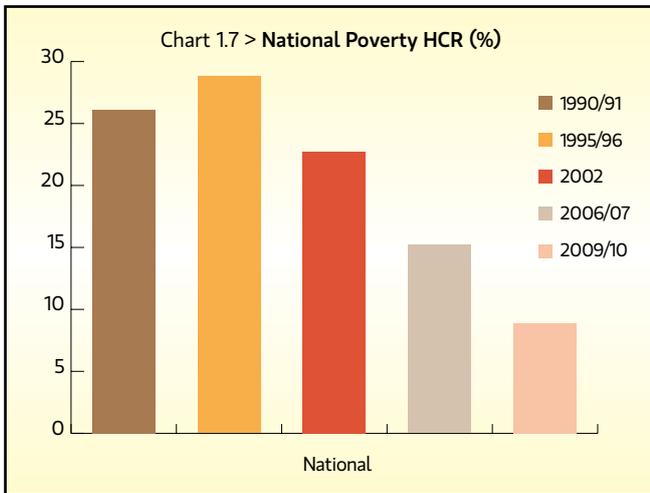
Per capita income measured in terms of national accounts as well as household income reflected in the periodic household surveys indicate a steady increase in income between 2005-2011. The per capita income suffered in 2008/09 due to the global economic downturn and from adjustments to oil and food prices which resulted in an inflation of around 28 percent in June 2008. Economy demonstrated a strong resilience and policy reforms helped to rebound thereafter. Prospects improved further with the completion of several public investment programs in power generation, expressways and the road network, ports and airports, water and irrigation as well as from the rapid progress in post conflict reconstruction supported by resettlement and rehabilitation of displaced persons.



Income inequality declined at national level as well as at provincial level in response to income growth, rural development initiatives and a decline in unemployment. Income distribution measured by household income reported a reduction in the gap between various income groups as shown in the Lorenz Curve movement.

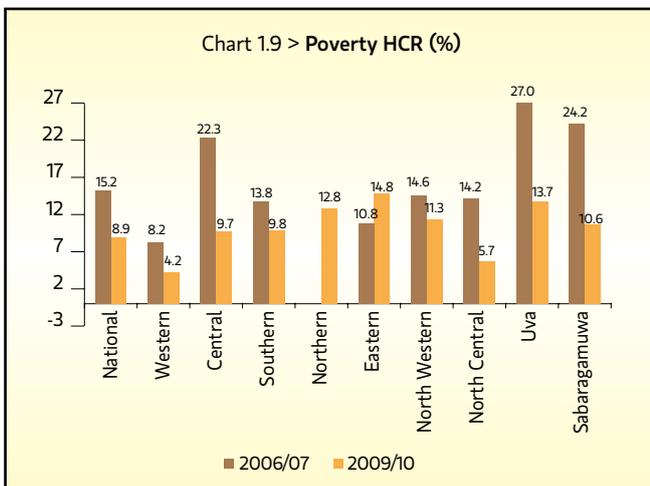


Poverty Reduction



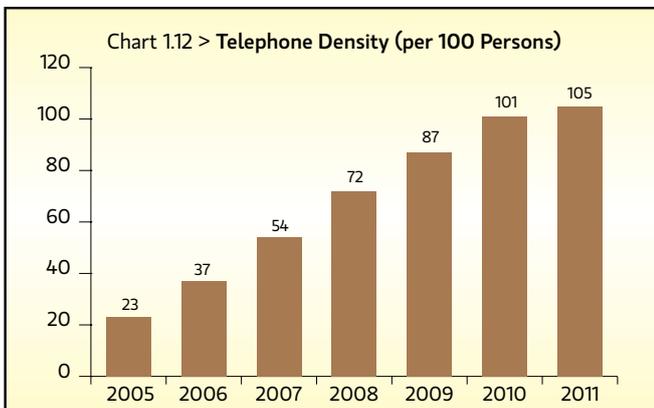
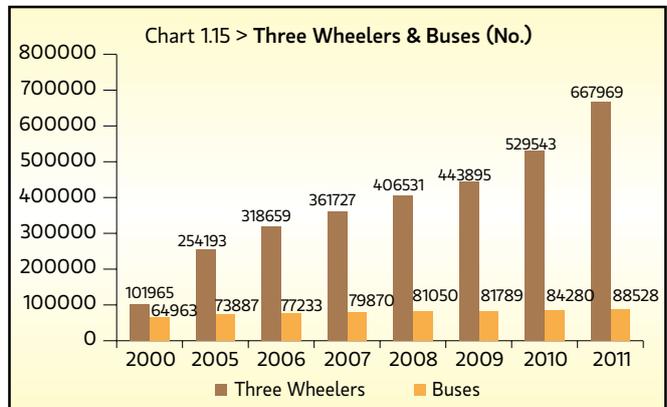
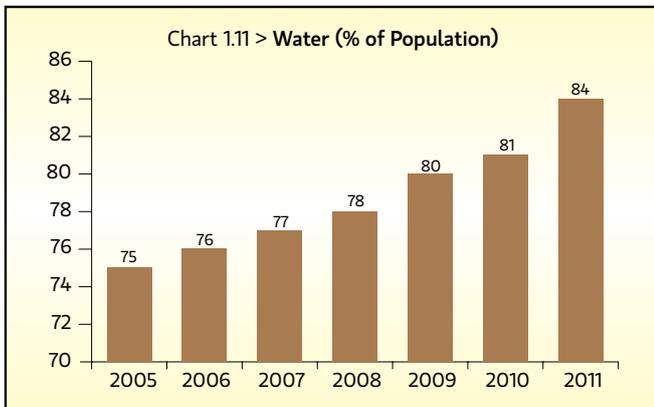
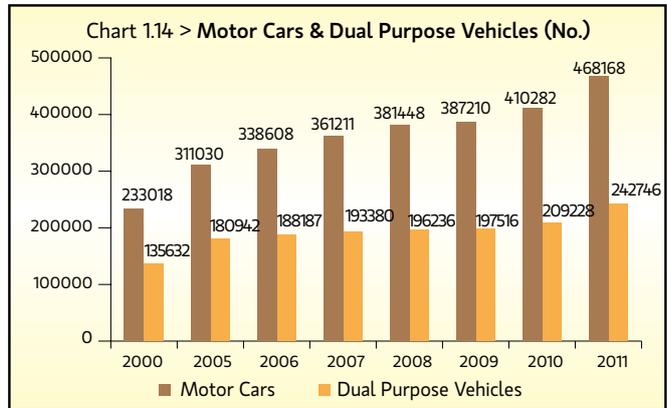
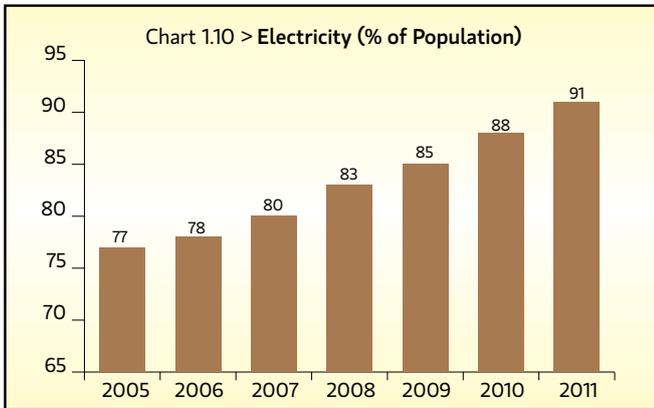
The trends in poverty indicators point to a marked improvement in poverty reduction in response to economic growth. The reduction in poverty from 15.2 percent in 2006 to 8.9 percent in 2010 has been viable with economic growth getting accelerated since early 2000. The salient feature in post 2005 poverty reduction indicators is that estate and rural poverty has declined rapidly together with urban poverty. The accelerated integrated rural development strategy under the Gama Neguma program provided access to electricity, roads, safe drinking water and livelihood opportunities, which was instrumental in achieving this trend.

Trends in Poverty Indicators

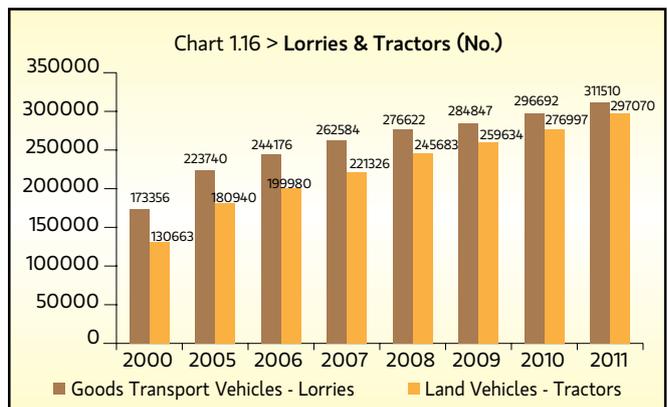
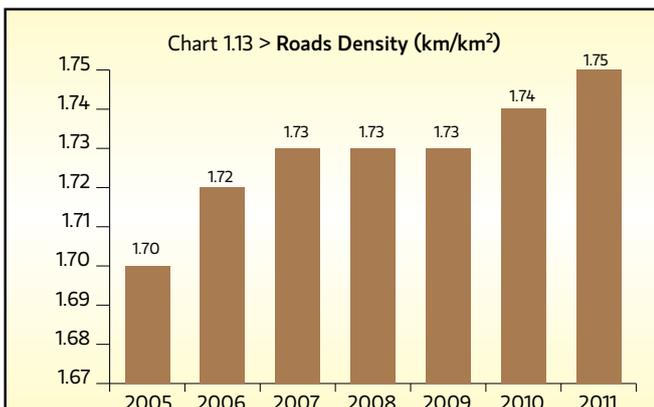


Province	Poverty HCR(%)		Gini Coefficient	
	2006/07	2009/10	2006/07	2009/10
National	15.2	8.9	0.40	0.36
Western	8.2	4.2	0.41	0.38
Central	22.3	9.7	0.38	0.35
Southern	13.8	9.8	0.37	0.33
Northern	NA	12.8	NA	0.28
Eastern	10.8	14.8	0.33	0.30
North Western	14.6	11.3	0.36	0.34
North Central	14.2	5.7	0.40	0.33
Uva	27.0	13.7	0.35	0.32
Sabaragamuwa	24.2	10.6	0.34	0.32

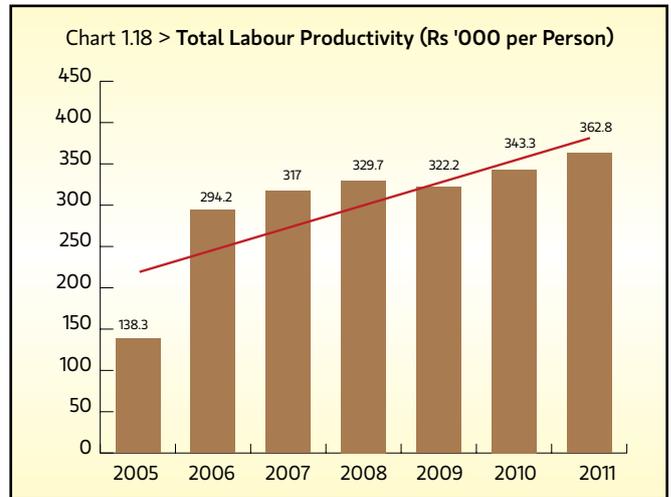
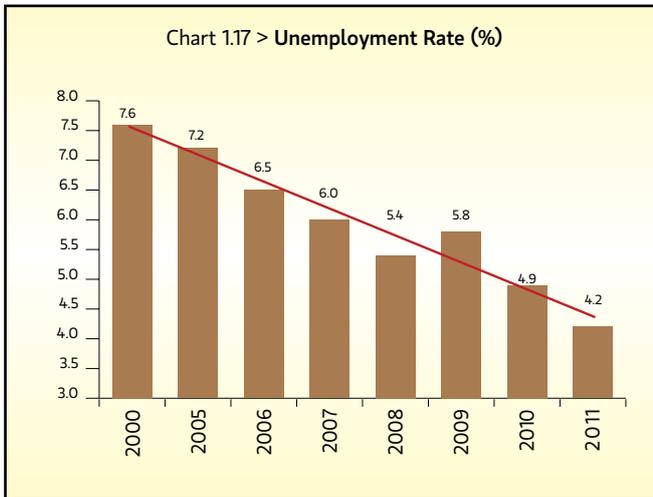
Access to Basic Facilities



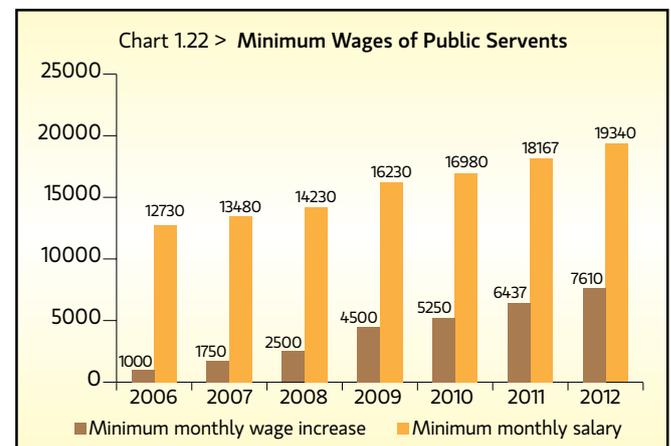
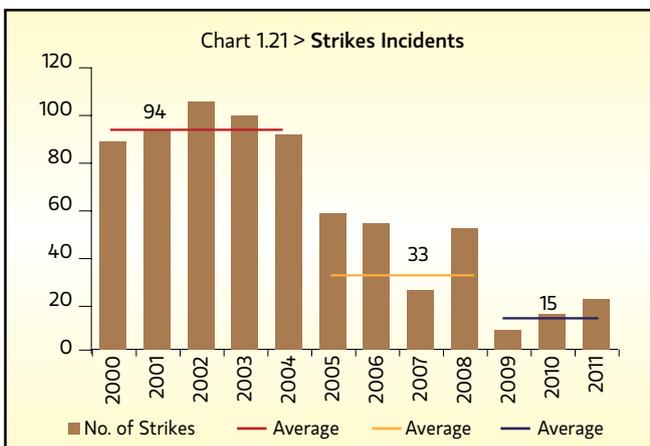
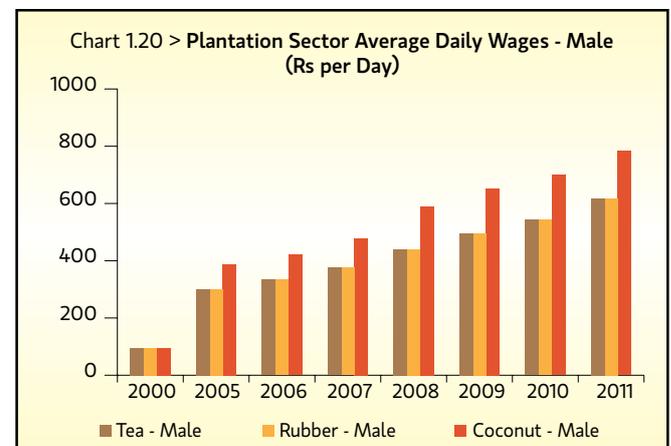
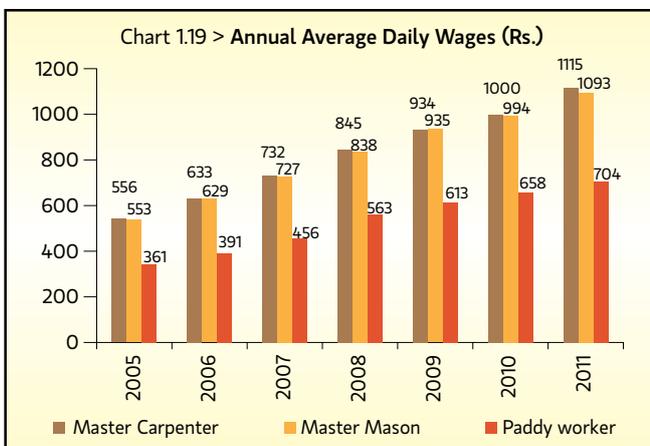
Post 2005 development marked a massive improvement in access of the population to basic infrastructure. Access to electricity (over 90 percent), water (over 80 percent), telephone density (over 100 percent), road density (over 1.75 km/km²) and transport facilities both passenger as well as goods having expanded rapidly while placing households on an equitable footing with opportunities to be engaged in a productive economic life.



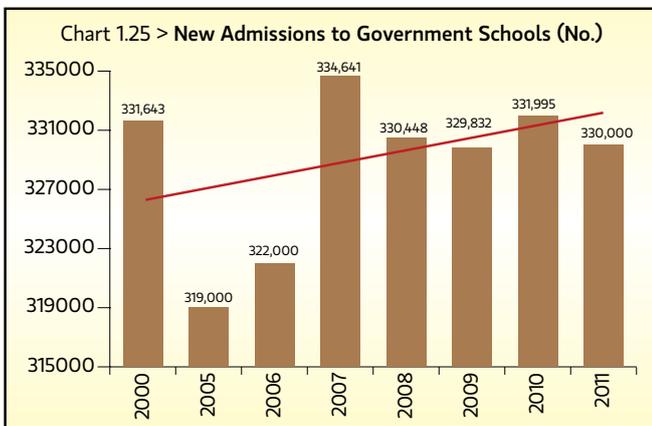
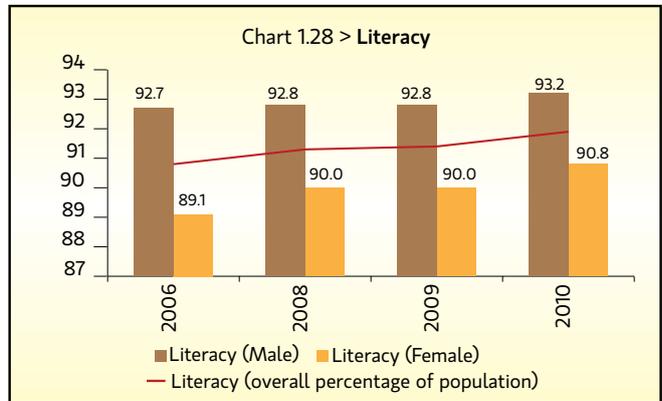
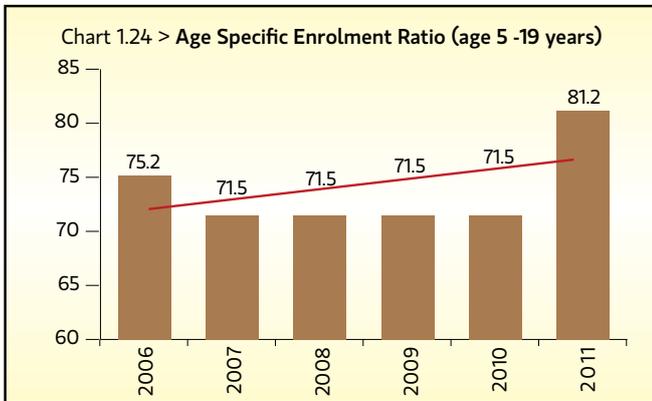
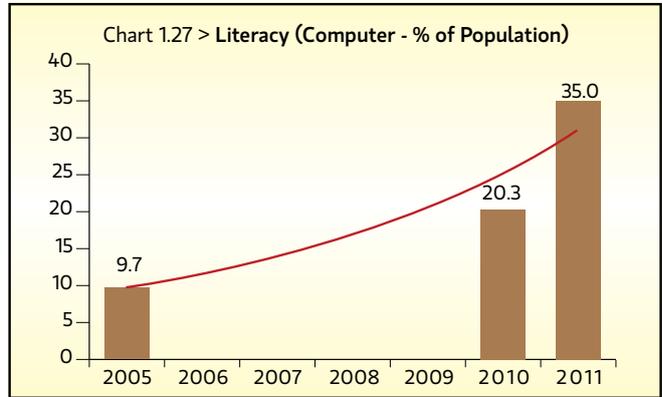
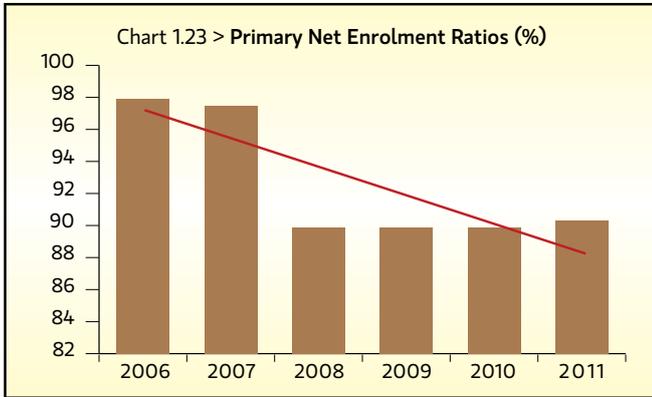
Employment and Labour Productivity



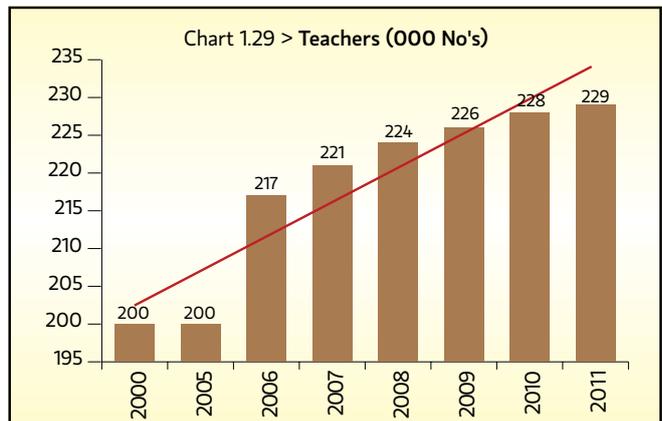
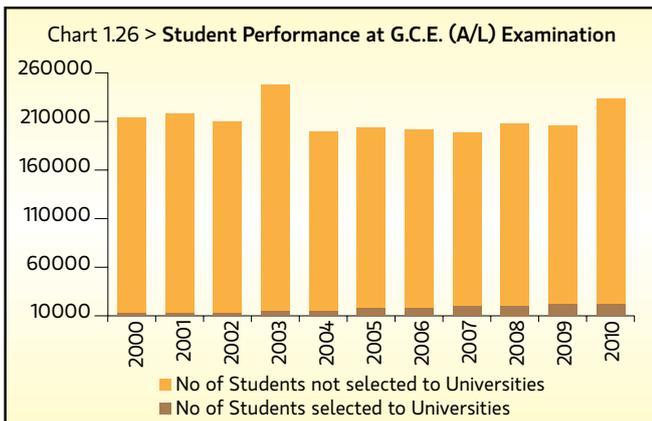
Economic growth has been associated with new employment opportunities, productivity growth and high wage income. Such a trend is also consistent with poverty reduction and improved income distribution. Daily wages in agriculture, construction and services improved considerably. Since 2005, public sector minimum emoluments also raised almost every year from Rs. 12,730 in 2006 to Rs. 18,167 in 2011. Industrial disputes and a number of strikes declined to a record low level from 2005. Consultative process among labour union employees and the Government, together with periodic interaction by the Government and by His Excellency the President himself, with representatives of all Trade Unions, promoted better industrial relations.



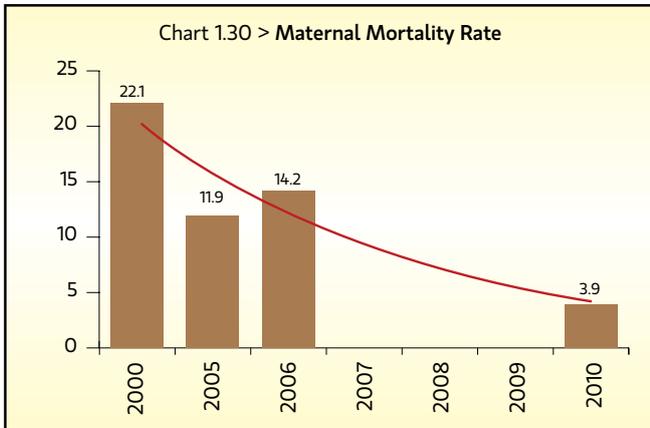
Education



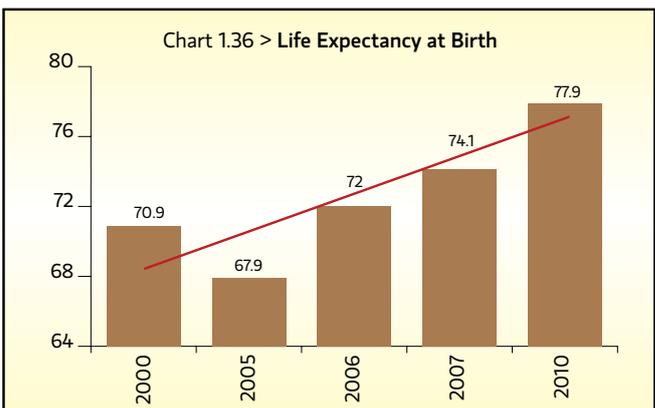
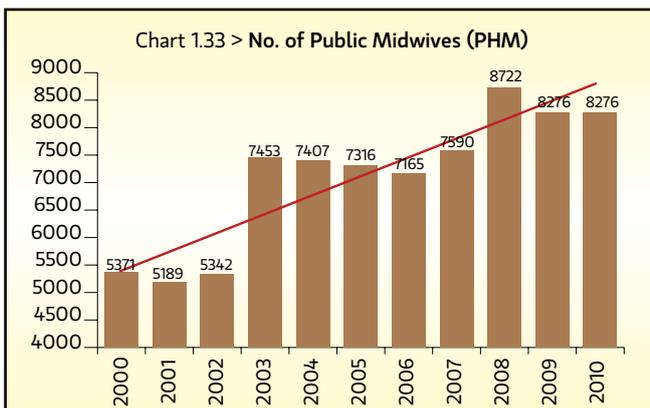
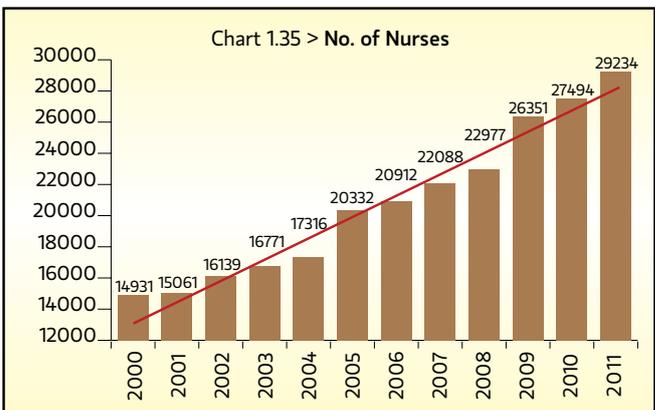
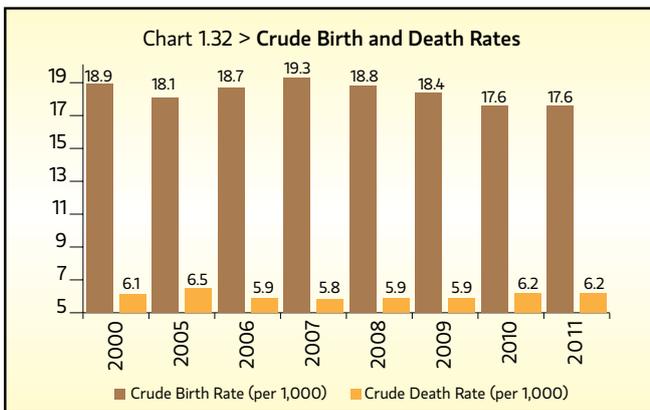
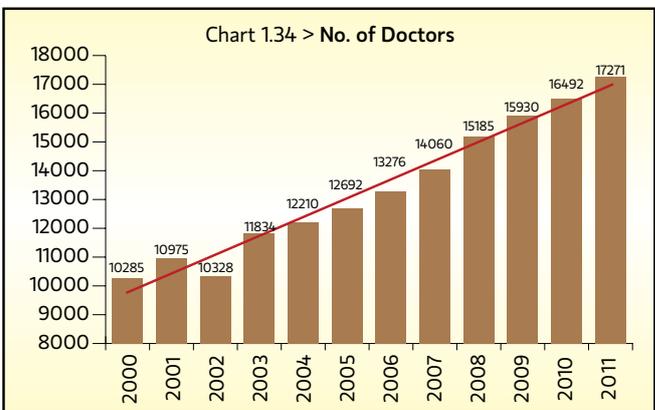
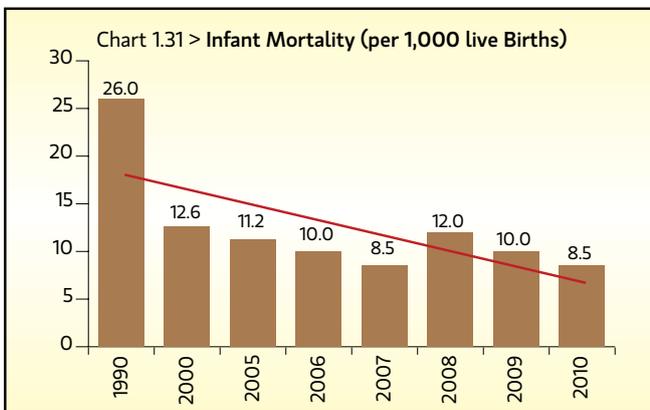
Expanded facilities in education across the country continued to sustain a higher general literacy as well as school enrolment. Encouragingly, computer literacy has increased to cover around 35 percent of the society and remains in an upward direction paving increased prospects for the use of Information Technology for development. Another important aspect is the sustained reduction in the number of students who failed all subjects at the GCE (O/L) examination dropping from 31,416 in 2000 to 12,795 in 2011. The number of students who failed English, Mathematics and Science has also declined, particularly since 2007, reflecting Government's emphasis on such subjects in school education.



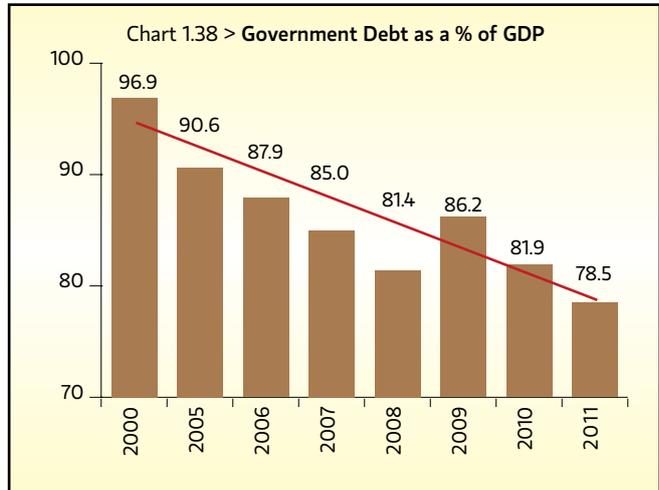
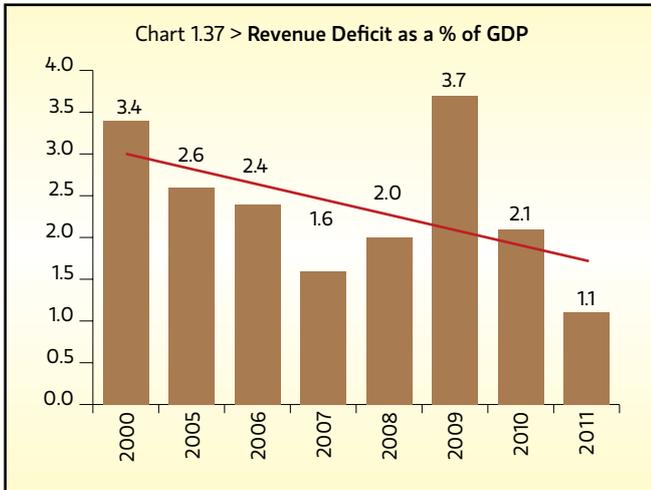
Health



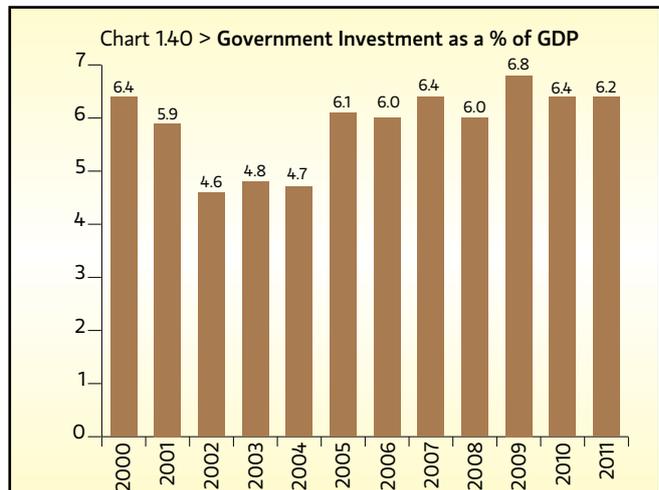
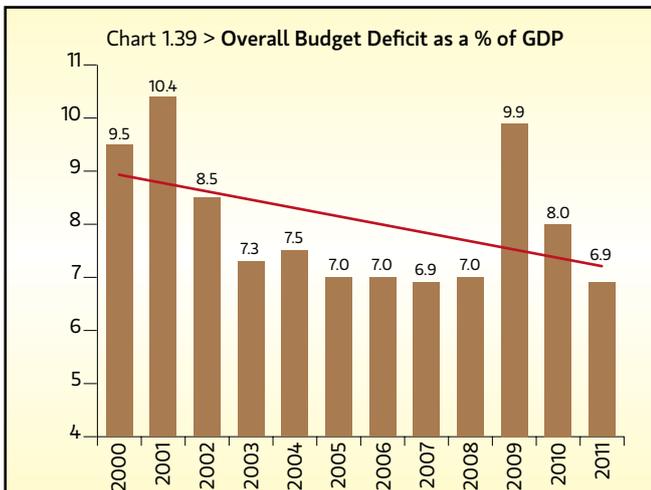
Public expenditure on health expanded from Rs. 45,929 million in 2005 to Rs. 88,243 million in 2011, due to increased deployment of Doctors, Nurses and other support staff to maintain island wide health services. Improvements were made to hospitals and the provision of equipment and other related facilities also widened. Preventive healthcare to address concerns relating to communicable diseases had been a priority. The progressive decline in maternal and infant mortality rates as well as the continued rise in life expectancy show that the country is on track in terms of Millennium Development Goals.



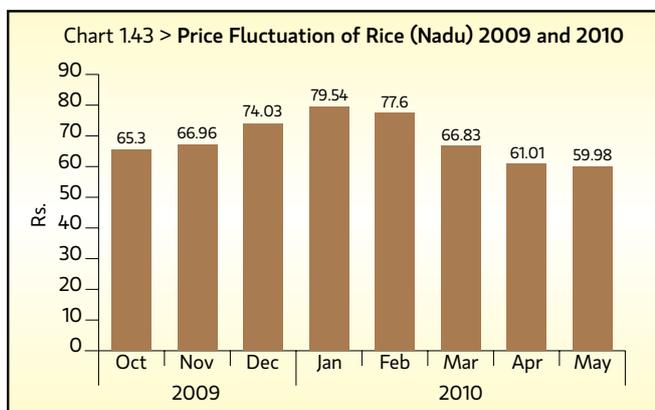
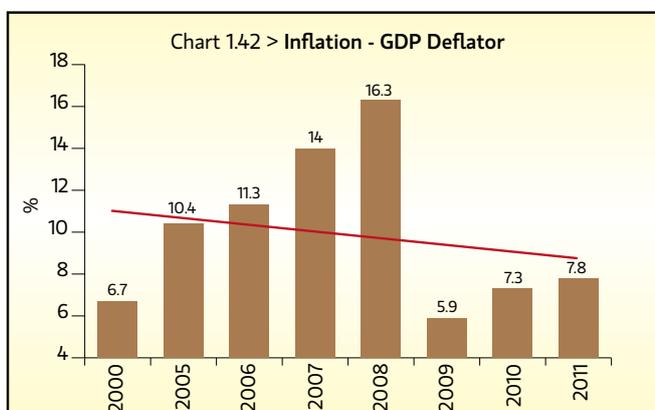
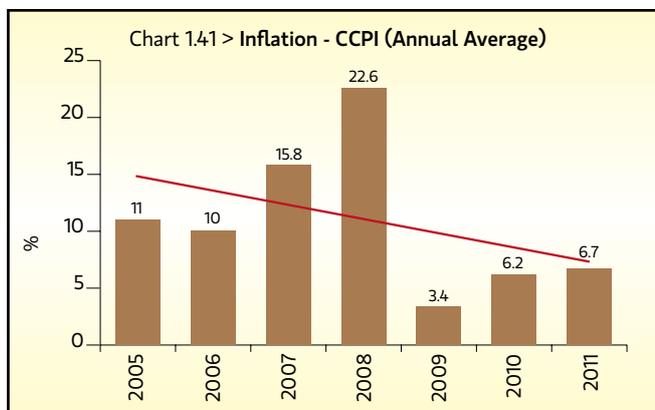
National Budget and Public Investment



Fiscal policy strategy of the Government is designed to generate a revenue surplus by adopting expenditure management measures to economize operational expenditure and to improve government revenue through broad - basing the revenue collection. The Government follows a rolling 3 year medium term plan to bring down the fiscal deficit to about 5 percent and the public debt level to below 70 percent in relation to GDP. The protection of public investment at 6 percent of GDP and sustaining social spending on education, health, rural development and welfare is the main thrust of this adjustment strategy as it supports growth and poverty reduction. Although the post 2005 adjustment path suffered in 2008/09 due to the global economic slowdown and rise in oil prices, Government arrested this and put back the budgetary policy on track during 2010-11 when the deficit was reduced to 6.9 percent of GDP and public debt to 78.5 percent, being the lowest in the decade.



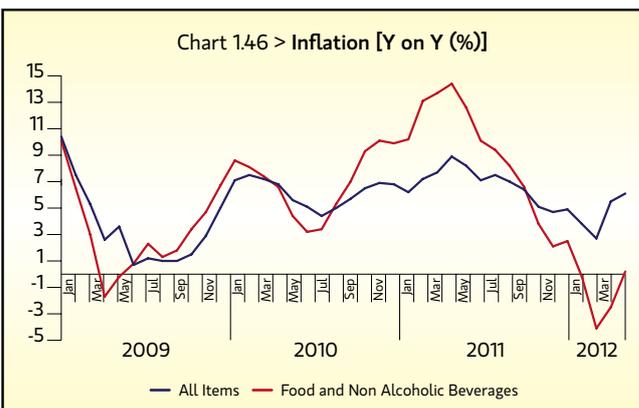
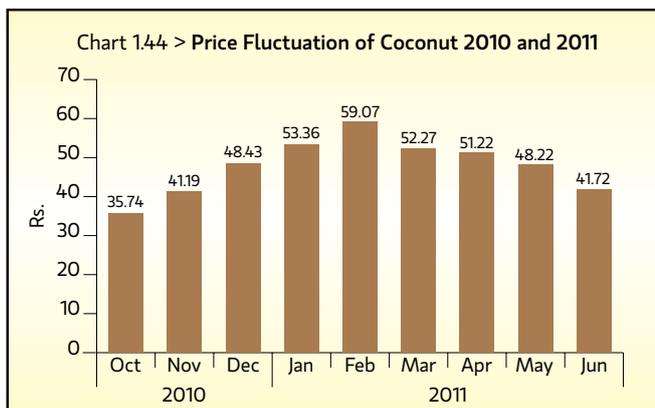
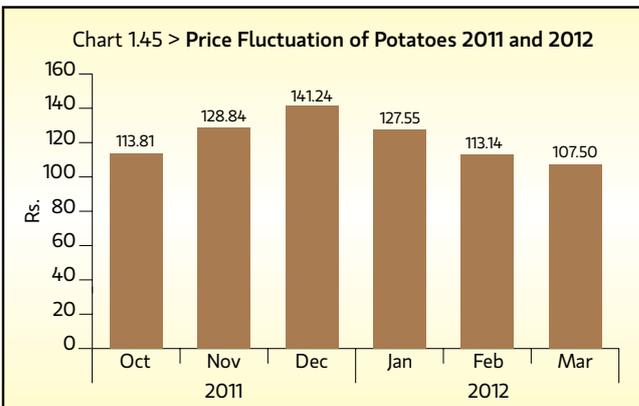
Price Stability



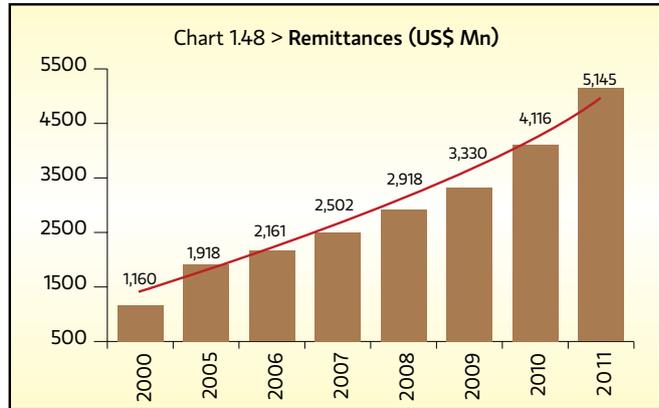
Price stability is fundamental for economic development, as inflation discourages savings and exports, and hurts the poor than the rich. As Sri Lanka relies on the importation of fuel, fertilizer, milk powder, sugar and several food items, domestic food prices are often influenced by external factors. Domestic food production particularly, staple food items such as rice, also remained low prior to 2005. On the demand side, high budget deficits and losses in state enterprises fueled money supply and prices.

The Government adopted measures to increase food production through its agriculture development initiatives and promoting household level activities in food production. Food inflation declined to a significantly low level in 2010/11.

Import replacement initiatives through domestic food production programs have continued and the budget deficit has been contained. Combined effects of these supply side and demand management measures have led to a decline in inflation to a single digit level during the last 3 years. Country attained self-sufficiency in rice production. The Government has placed the country on a major food production drive to improve availability of food, vegetables, coconut, milk, and poultry to achieve food security and price stability.



External Economy

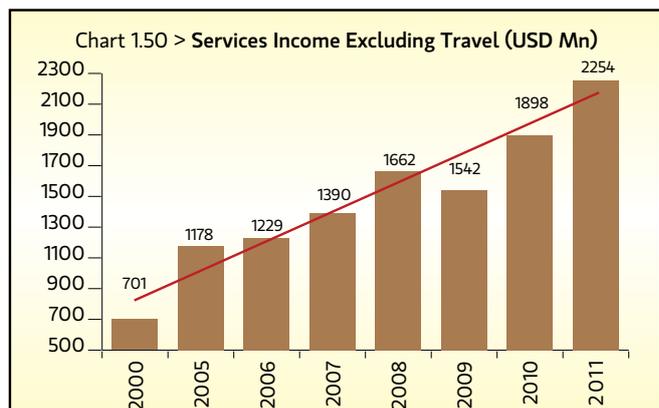


Country's foreign earnings are supported by exports, remittance income from overseas employment, tourism, port and aviation activities as well as professional services. The expansion in export earnings suffered a major setback in 2009 with a loss of US\$ 1 billion, but bounced back thereafter with an annual growth of 22 percent per year. Maintaining such a high growth is expected with investment in further value addition to export products as well by entering new markets.

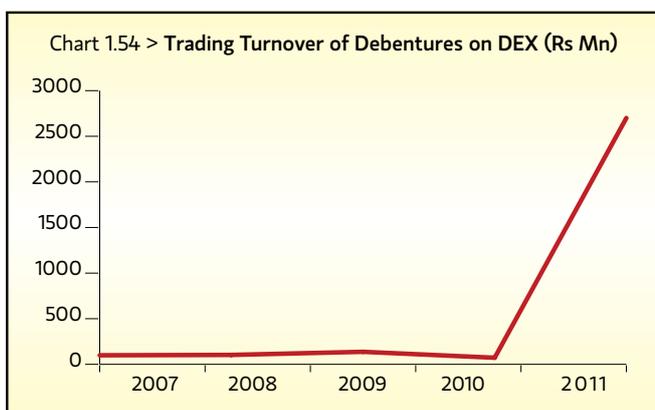
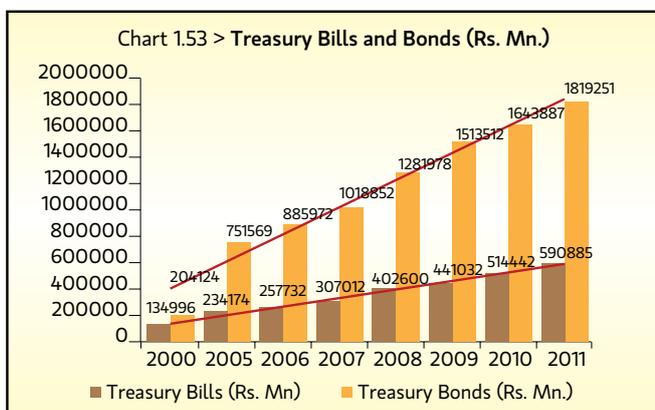
Remittance income which was only 20 percent of exports in 2000 increased to US\$ 5,145 million in 2011 which accounts for 50 percent of exports. The prospects of raising such income by at least a US\$ billion each year to make it a US\$ 10 billion activity, have improved with increased earning capacity of overseas employees, composition change of overseas employees in favour of male - skilled categories from female - unskilled categories, and the availability of new markets for skilled jobs.

The post conflict development phase commencing from 2009 has improved prospects of exploiting the full potentials of Sri Lanka's tourism resources. Foreign earnings from tourism rose to US\$ 830 million in 2011 from US\$ 362 million in 2005 and the capacity use increased up to 80 percent on average. Country is expected to earn over US\$ 1 billion in 2012 and double such earnings in five years. Tourism is expected to drive both foreign and domestic investments in the medium term.

The port, aviation and other professional services which have generated net earnings of around US\$ 700 million in 2011, is expected to be a major foreign earning source in the medium term with an expansion in port and aviation services on which the Government has promoted investment by both private and public sectors. The new port terminals in Colombo and Hambantota are expected to attract significant global trade - based activities to Sri Lanka.



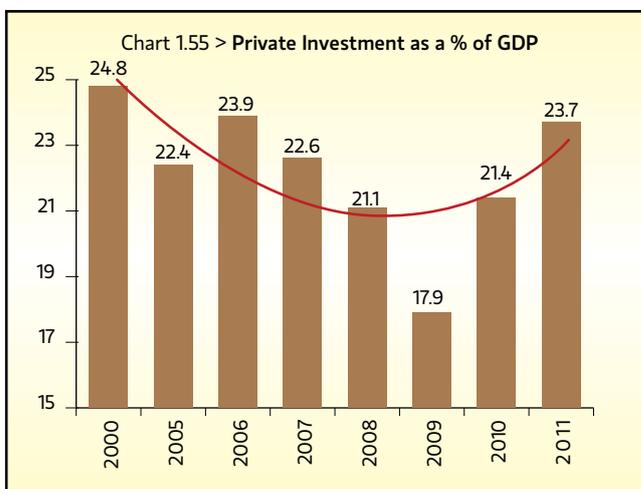
Debt and Equity Market



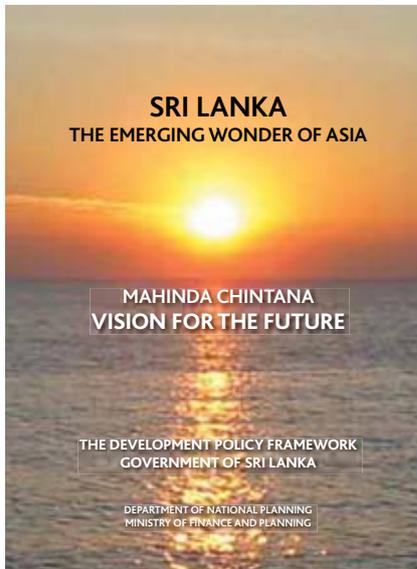
The debt market and equity market improved to new dimensions in 2010/11 following the previous low volume operations, with the equity market capitalization reaching 40 percent of GDP, a sizable volume reflecting the depth of the economy.

Government securities have promoted the domestic debt market, which provided significant investment opportunities to Provident Funds, savings institutions and the public. Treasury Bills / Bonds have also attracted foreign investments, with the Government permitting foreign investors to invest upto 12.5 percent of the Treasury Bills volume. Private debt market has also shown signs of using debentures for capital formation.

Private investments which declined in the midst of the global economic downturn in 2008/09 and in the backdrop of higher inflation and interest rate environments, improved to 23.7 percent of GDP in 2011, in terms of the total investment goal of the Government. This is expected to reach 29 percent over the medium term to bring the country's investment level to around 35 percent of GDP.



1.3 The Second 5 Year Development Framework 2011-2016



Having implemented post - conflict rehabilitation, reconstruction and reconciliation strategy since May 2009 together with the substantial progress achieved in infrastructure development initiatives implemented since 2005, laying a foundation to improve economic prospects with higher growth in a stable macroeconomic environment, the Government announced its second five year phase of development starting from 2011. Addressing strengths and weaknesses of the first five year strategy during 2006- 2010, the Development Policy Framework of the Government - “Sri Lanka The Emerging Wonder of Asia: Mahinda Chintana - Vision for the Future” outlined country’s economic policy strategies, actions and the roadmap for the five year period commencing 2011.

This socio economic development strategy envisages a Sri Lanka that;

- Has an economy with a green environment and rapid development.
- Aspires to have a stable society ensuring a high quality of life to its people, having access to decent living, electricity, water, schooling and health facilities.

- Values and maintains the true Sri Lankan culture, that respects traditions and will preserve its long standing global identity.
- Aims to consolidate as an emerging economy that is integrated into the global economy, while being competitive internationally.
- Is a middle income economy with a knowledge-based society.

The vision specifically targeted achieving the Millennium Development Goals (MDGs) ahead of targeted time. Among such MDGs to be achieved by 2016 are the following;

- Eradication of hunger and hard-core poverty.
- Universalization of secondary education for all.
- Reducing the malnutrition rate of children from a 33 percent to 12-15 percent.
- Increasing life expectancy from 76 to 80 years.
- Increasing access to clean water in urban areas from 65 to 90 percent.
- Raising the forest coverage from 28 to 43 percent.

These are to be attained through rapid economic growth and by transforming the structure of the economy to be a modern, environmentally friendly and well connected rural-urban economy that can create employment opportunities with better remuneration. This development strategy attempts to promote the benefits of growth across all segments of the population and also to prevent inequities, social exclusions and adverse environmental repercussions that have been witnessed in some of the rapidly growing economies.

The principle target of the strategy is to raise the per capita income from US\$ 2,400 in 2010 to US\$ 4,000 in 2016, in order to position Sri Lanka as a strong middle income country. The main socio economic targets are shown in Table 1.1 along with recent trends.

Table 1.1 > **Main Socio Economic Targets**

Target	Unit	2000	2005	2010	2011	2016 (Proj)
GDP	US\$ bn	16.5	24.4	49.6	59.2	98.0
Per Capita Income	US\$	899	1,241	2,400	2,836	4,470
Inflation GDP Deflator	%	6.7	10.4	7.3	7.8	4.0
Exports	US\$ bn	5.5	6.3	8.6	10.6	18.0
International Trade Turnover	US\$ bn	12.8	15.1	22.8	30.8	44.1
International Service Income	US\$ bn	0.04	0.34	0.7	1.1	2.6
Earnings from Tourism	US\$ bn	0.25	0.36	0.58	0.83	2.75
Remittances	US\$ bn	0.9	2.0	4.6	5.1	7.0
Access to Electricity	%	62.6	76	88	91	100
Access to Telecommunication	%	6.3	23.6	100.8	105.1	120.0
Women in Labour Force	%	33.9	32.6	32.1	31.2	40.0
Unemployment	%	7.6	7.2	4.9	4.2	3.2
Infant Mortality	Per 1,000	22.0	11.3	9.0	8.5	4.0
Maternal Mortality	Per 1,000	0.6	0.4	0.4	0.3	0.2
Poverty Headcount	%	24.7	15.2	8.9	-	4.2
Primary School Enrolment	%	92.0	89.0	92.0	93.0	100.0
Literacy Rate	%	95.6	95.8	98.0	98.0	99.0
Literacy Rate -Computer	%	N/A	9.7	20.3	35.0	75.0

Source: Ministry of Finance & Planning

The economic development philosophy of Mahinda Chintana is that economic growth alone would not bring prosperity to the society but developing social, cultural, religious and environmental aspects are equally important. It blends social justice and economic progress as opposed to policies followed prior to 2005 which were biased towards economic growth even at the cost of social justice. Policies pursued prior to 1977 favoured social progress at the cost of economic progress.

The development goals of the Government are expected to be achieved by transforming Sri Lanka as a country that has a modern, knowledge-based, environmentally friendly and well connected rural-urban network that will benefit all its citizens through equitable access to development. The strategy is promoted in a market economy framework with appropriate state intervention to minimize market failures and manipulations. Building a domestic economy and adding value to domestic resources are important aspects of this development strategy.

The main strategies of this policy framework are as follows;

Investment

Targeted annual investment level by 2016 is 33-35 percent of GDP. Of this, around 6-7 percent is expected to be Government investments while the private sector, both domestic and foreign, is expected to invest around 27-28 percent. Government has taken several initiatives such as lowering taxes, strengthening banking and non-banking financial institutions, improving infrastructure etc., to boost investment. Identifying and removing barriers to investment has also been given high priority. Benefiting from large-scale infrastructure investments, the private sector is expected to invest particularly in port related industries and services, tourism, IT/BPO, skills development, urban mixed development, agriculture and manufacturing sectors and particularly in value added industries using domestic raw material and resources.

Integrating to the Global Economy through Five Hubs being located in a strategically advantageous position, Sri Lanka has a vast potential to be a regional economic hub connecting emerging Asian economies, the oil rich Middle East, developing Africa and the advanced western economies. Mahinda Chintana economic policy is based on the development of five well connected economic hubs which will integrate the domestic economy with international markets, capitalizing on human as well as natural resources of the country. The five hubs - Naval, Aviation, Commercial, Energy and Knowledge, would bring new investment openings into the country while also generating productive employment opportunities. The development of port and airport infrastructure together with an express way network has opened new opportunities.

Empowering the Rural Economy

Villages have been identified as growth centers of the rural economy rather than places for agricultural production. Gama Neguma initiative along with programs such as Maga Neguma, rural electrification, community water supply, minor irrigation facilities and the Nenasala initiative which popularizes IT access to rural areas, are the key rural development programs that provide essential infrastructure, information technology etc. to the rural economy, thereby diversifying livelihood opportunities.

Effective integration of the rural economy with emerging economic sectors in urban centers and thereby increasing the productivity and competitiveness of the Small and Medium Enterprise (SME) sector is one of the strategies to achieve a regionally balanced development. The recent initiative of promoting backyard household economic activities through the Divi Neguma program targeting 2.5 million households, has given a new dimension to the rural economic base to evolve as an organized family economy.

Diversification and Growth of Regional Economies

The policy framework also envisages transforming the economic landscape of each region by benefiting from economic development initiatives of the Government. Based on the uniqueness, resources, location and economic potentials, specific regional development initiatives have been formulated for each province. Detailed economic planning under these initiatives is being undertaken in collaboration with the Local Authorities, District and Divisional Secretariats, Provincial Councils and other line agencies while clustering the national, provincial and local development activities under a regional framework.

Urban Rural Connectivity

Constructing infrastructure facilities has been identified as an important aspect to maximize benefits of mega development projects. Rural roads, rural electricity, small irrigation and usage of IT in the rural sector together with the development of emerging townships and urban centers are the main focus areas to improve urban-rural connectivity.

High priority has been given to improve the road network, port and aviation sectors and urban township facilities to promote economic growth with regionally balanced development.

Revitalizing Agriculture

The high potential of the agriculture sector covering livestock and fisheries as well, which had been neglected for many years, has been recognized. Local agriculture production including sugar, milk powder, meat products, and fish has been encouraged, to replace a wide range of imported food items. Climatic and environmental advantages and the global food crises have improved country prospects to address food security by adopting appropriate measures to develop the agriculture sector. Measures such as the imposition of a CESS on selected imports, improving access to finance, value chain development, strengthening extension services and agriculture research have been undertaken to protect and promote local producers. Remunerative prices to rice, maize, onion, potato and milk producers have been established. Fertilizer and seed subsidy schemes have been introduced. Expansion of private sector participation in a wide range of activities in agriculture, livestock, poultry and fisheries has been recognized.

Promoting an Inclusive Growth

The Government is committed to ensure the social protection of the vulnerable and the needy. In particular, there will be a more responsible approach towards addressing the needs of the elderly, the differently able and such other needy segments of the society. The existing income support programs will be continued through community empowerment initiatives as well as through infrastructure support. In this context, inclusive growth policies which allow people to contribute to and benefit from economic growth have been explicitly recognized. Accordingly, the country will move rapidly towards an inclusive growth based income raising approach, that will enable all members of the society to participate and contribute to the growth process on an equitable basis.

A Globally Competitive Industrial Sector

One of the strategic goals of the Government is achieving high production in milk, sugar, fisheries, spices and fruit based industries, while reaching self-sufficiency. This will enhance farmer income, generate new employment opportunities and cut down the cost of imports. The provision of high quality infrastructure and skilled human resources has been identified as one of the key strategies to develop the industrial sector in the country. As the country elevates to a strong middle income status, there would be a shift from labour intensive, low-paid industries to high value added technology and capital intensive industries. There will be particular emphasis on industries based on local raw material that would create large value additions. Value added branded tea grown in Sri Lanka, high value garments and rubber based industries would be priority exports. Textile, pharmaceuticals, steel, cement, machinery etc. have been identified as investment areas capable of building local production capacity to reach self-sufficiency goals.

Meeting Energy Needs of the Country

While ensuring 100 percent electricity coverage to all households, the demand of other sectors also should be met in a cost-effective manner. The proposed economic hubs will create an incremental demand for energy, and if such industries to be competitive in the global market, the energy cost has to be affordable. The appropriate energy mix which ensures the lowest possible cost is proposed in the policy framework. This includes renewable energy such as wind, solar, hydro, coal, LNG and other low-cost sources. Investment has been committed to oil exploration, as a long term solution to reduce country's overburdened import bill that cost about US\$ 5 billion in 2011.

Knowledge-based Economy

Government's vision is to drive the economy as a knowledge-based economy benefiting from the higher educational level prevalent in the country, to be able to harness global knowledge and apply same towards the development of all sectors. In this context, the country must develop science and technology and high quality human resources to be able to meet the requirements of a knowledge economy. Particular emphasis will be given to information technology & automation and innovation and research, in the area of biology. Establishment of world-class higher educational and research institutions focusing aviation, shipping, tourism, accounts and finance in the country will also be facilitated.

Strategic Reorientation of State Owned Business Enterprises (SOBES)

Improving performance of SOBES through management reforms is important for the sustainability of these institutions, to ensure social responsibility and their strategic role in the economy. The Government is committed to improve them through management reforms, corporatization initiatives, best corporate practices and higher investments.

Integrated Water Management

Currently, about 80 percent of surface irrigation water is used for irrigation purposes. The demand from other uses such as industries is expected to increase rapidly in the next six years. This will necessitate increasing water use efficiency in irrigation development in relation to new irrigation systems and tapping non-conventional modes of water supply effectively, including water recycling, large scale rain water harvesting, desalination etc. A consistent investment on drinking water that will improve access to safe drinking water is being pursued.

Environmentally Friendly Urban Development

Government aims to develop a network of cities and townships which are well connected with each other, as well as with the rest of the world. Colombo and other main cities are to be developed as 'Green Cities'. Solid waste management, drainage and sewerage facilities, implementation of zoning plans, developing systematic transport facilities and minimizing traffic congestions are the main thrusts identified in the urban sector.

A Sports Economy

Major sport events expected to be held in the country will boost the economy while also improving the global image of the country. Such activities will also allow the country to add value to its tourism, which in turn will help to accelerate economic development with wide opportunities towards youth development. Major sport events, will also boost tourism associated business activities, skills employment, organizational capacity, media coverage etc. In this backdrop, International level sports related professionals such as trainers, coaches, umpires, physiotherapists etc. will also be able to assert their value make an effective contribution. Towards realizing this goal, international

standard stadiums and other sport related infrastructure have been developed at provincial level and national level to promote a sport-based economy.

Backyard Economy – *Divi Neguma*

The 2.5 million home economy (backyard economies) program has been implemented to encourage a wide range of economic activities spanning from gardening, vegetable/fruit cultivation, livestock, poultry, fishing, environment friendly living arrangements and home based industries and services, in a bid to insulate households from various market vulnerabilities as well as to promote a healthy family lifestyle, particularly in rural Sri Lanka. This wide network of backyard economies are also expected to boost cultivation of long term crops such as coconut, fruit varieties, and timber varieties, in turn providing input supplies to SMEs, other industries and services at a low cost.

Strengthening the Plan 2011-2016

The second five year phase (2011-2016) is blessed with several favourable developments achieved during the first five year phase (2006-2010);

- The completion of phase 1 of the 300 MW Coal Power Plant at Puttlam and the 150 MW hydro power plant at Upper Kotmale, together with continued commitment to create further capacity in power generation and distribution with the second phase of the 600 MW coal power project and the proposed 500 MW coal power project, in Trincomalee.
- The completion of Colombo - Galle expressway together with the accelerated construction of the balance sections of the national highways from Bandaranaike International Airport to Colombo and Galle to Mattala International Airport, to complete the Southern expressway by 2013, thereby connecting all major townships in the Western and Southern Provinces.
- The completion of several irrigation schemes including Manik Ganga (Weheragala), Deduru Oya, Weli Oya, Vemadilla Oya and Rambukkan Oya, the commencement of Moragahakanda and Uma Oya multipurpose irrigation schemes with a 100 MW hydro- power capacity and the rehabilitation of major irrigation schemes ensuring dam safety and water resource planning.
- The completion of the break water project at the Colombo South Port and the conclusion of investment for the development of the first port terminal and port facility at Hambantota and embarking on phase II, to create an

Industrial port at Hambantota and transshipment port facilities at Colombo.

- The acceleration of the construction of the second international airport at Mattala and the second terminal and runway facility at the Bandaranaike International Airport to augment the aviation capacity to meet emerging market demands, particularly with the surge in tourism which reached a near US\$ billion industry in 2011.
- The implementation of several large scale drinking water projects covering major cities such as Galle, Kandy, Dambulla, Polonnaruwa, Kurunegala, Trincomalee, Jaffna together with the implementation of water supply schemes in emerging townships in Hambantota, Puttlam etc. to expand access to water facilities.
- Transformation of Colombo, Galle, Anuradhapura, Gampaha, Kandy, Kurunegala, Trincomalee and Jaffna cities, by altering their landscape as emerging urban cities, with opportunities for private sector led urban township development.
- The conclusion of large scale private investments in port terminal development, petro chemical industries, steel, dairy, sugar, hotels and mix development projects with the participation of foreign direct investments and expansion of domestic investments in tourism, manufacturing, agriculture, IT, that has created a private investment drive in line with the investment levels required for a high economic growth.
- The implementation of rural electrification programs, drinking water facilities and the road network has increased access to electricity to almost the entire household population and has also increased mobility through transportation facilities.
- The implementation of Divi Neguma in 2 phases in 2011 and 2012 to reach 2.5 million households for the promotion of backyard economies, has provided a broad based livelihood support and poverty reduction strategy.
- Successful implementation of the demining programs to re-establish a 'mine- free Sri Lanka', progressing with resettlement having provided core housing units including sanitary facilities and settlement kits for 98 percent of displaced people during 2006 -2009 through a humanitarian operation and the implementation of livelihood support measures including the provision of startup capital, seeds and agricultural implements, development of access roads, electricity, provision of drinking water, irrigation, schools and hospital facilities, administrative services, court houses, cooperatives

and market places, to the conflict affected districts. Further, the implementation of a long-term infrastructure development plan, consisting of the Northern highway, railway lines, airports and water supply schemes, is in progress.

Economic performance in 2011, being the first year of the second 5 year framework, produced encouraging results. The key outcomes are summarized below;

- Economic growth which reached 8 percent in 2010 continued to 2011 on a similar pace.
- Private investment which declined to 17.9 percent of GDP in 2009 increased to 21.4 percent in 2010 and 23.7 percent in 2011. With this together with public investment, the country has realized a total investment ratio of 30 percent, well in line with the medium term target of 35 percent to sustain high growth.
- Inflation which was double digit reaching 28.2 percent in June 2008 moderated in 2010 at 6.8 percent and continued to move on a similar trend in 2011.
- Unemployment declined to below 5 percent consistent with the sustained economic growth of around 6 percent during 2006 - 2009 and over 8 percent since then. The decline in unemployment is associated with improved productivity in the labour force.
- The economy of conflict affected areas was revived through agriculture, livestock, fisheries, tourism and other economic activities, reflecting a higher economic growth of 20.2 percent, exceeding the national average of 8 percent during 2010 -11.
- The Budget deficit declined to 6.9 percent in 2011 from 8 percent in 2010 together with a reduction in national debt to 78 percent of GDP.
- Exports reached US\$ 10 billion with a 22 percent growth, tourism generated a 3 fold increase - US\$ 800 million and remittances generated a near US\$ 5 billion income.

Divineguma - 2.5 million home economy (backyard economies) program has been implemented to encourage a wide range of economic activities spanning from gardening, vegetable/ fruit cultivation, livestock, poultry, fishing, environment friendly living arrangements and home based industries and services, in a bid to insulate households from various market vulnerabilities as well as to promote a healthy family lifestyle, particularly in rural Sri Lanka. This wide network of backyard economies are also expected to boost cultivation of long term crops such as coconut, fruit varieties, and timber varieties, in turn providing input supplies to SMEs, other industries and services at a low cost...

1.4 Prospects and Challenges

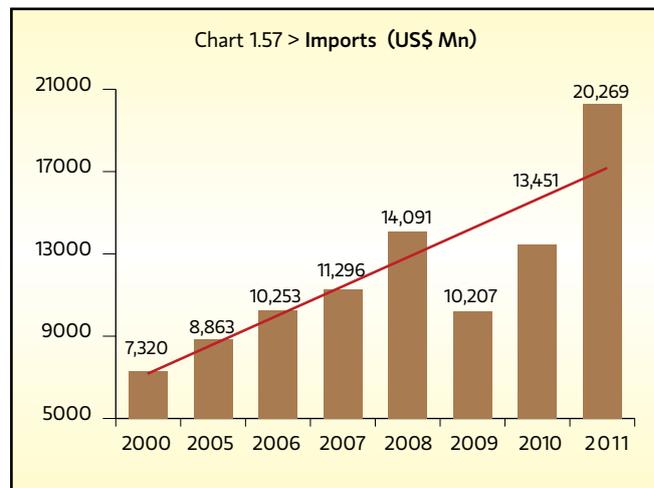
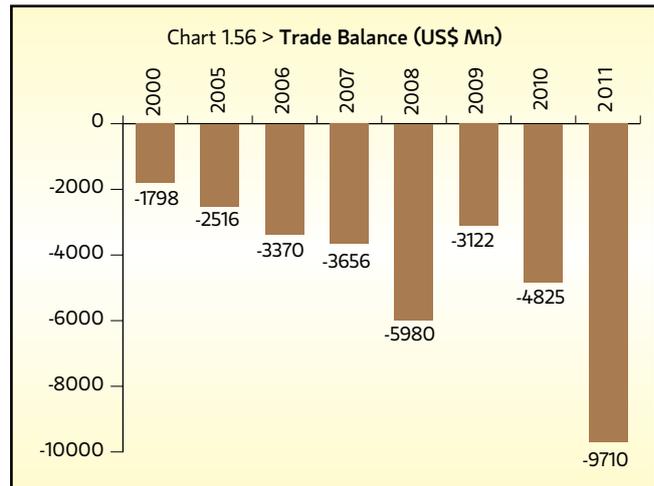
The Trade Deficit

The Sri Lankan economy is confronted with a continuing large trade deficit underscoring the prevailing structural weaknesses in the national economy. The country still relies heavily on the importation of petroleum products for its energy needs, which has costs nearly US\$ 5,000 million in 2011, almost 1/4 of total imports. The economic recovery in the background of post conflict economic revival, the stable exchange rate and interest rate environment and low import taxes that prevailed during 2010 and 2011, fueled the import demand for motor vehicles. The cost of imports increased to US\$ 1,700 million in 2011 with the importation of 500,000 vehicles in comparison to US\$ 1,000 million worth of vehicle imports in 2010. Import figures also indicate a continued reliance on the importation of food items and a significant increase in the importation of pharmaceuticals, dairy products, textile, sugar and a range of construction material such as cement, steel, furniture and machinery, which are activities of the private sector. Investments in such activities, while exploring the possibility of using renewable energy, by both domestic and foreign investors are necessary to augment such additional capacity in the economy.

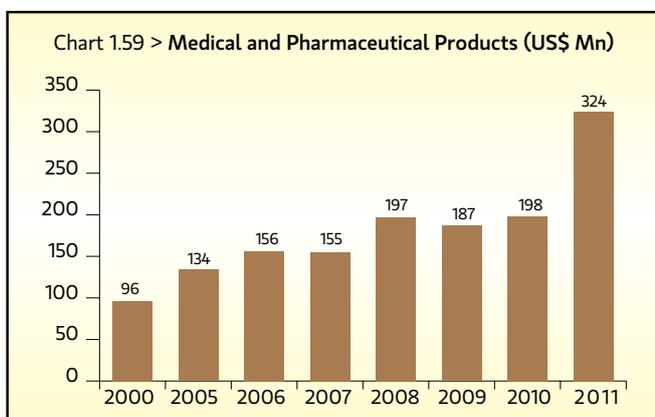
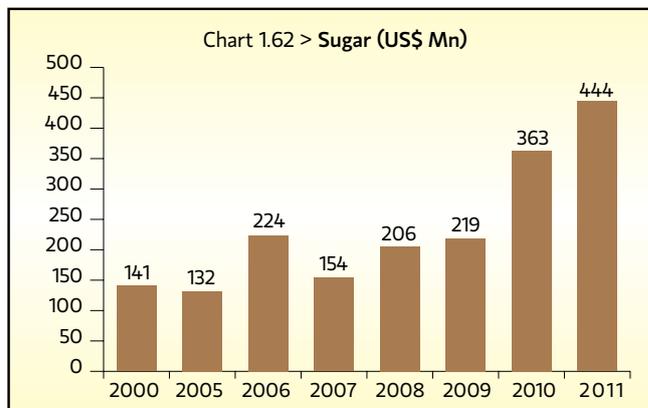
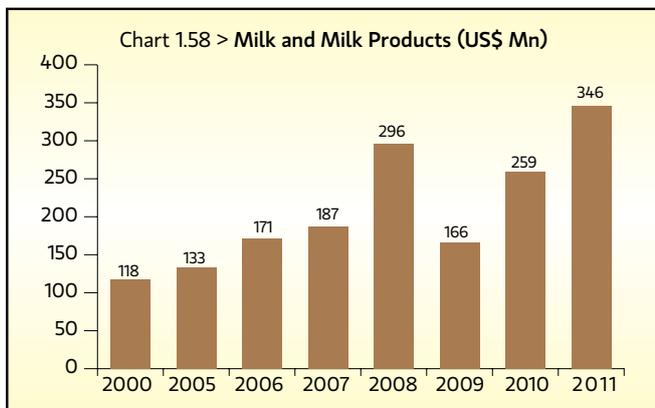
Although exports have recorded an impressive growth of 22 percent, the expansion in exports to emerging markets has remained sluggish due to the traditional bias towards established markets. Hence, targeting fast growing economies with specific export products, should receive the specific attention of exporters. Prospects for a higher export growth from high value added apparels, tea, rubber, coconut, spice products, IT and software, machinery and equipment, ceramics and gem and jewellery remained high. The surplus rice production has also shown new potentials by way of exports, where new varieties of rice could be exported to international markets and where Sri Lanka could work with the World Food Program (WFP), to assist poverty stricken countries.

In this background and in the context of the long term development program of the Government, many areas can be identified for rapid investment by the private sector as well as through joint investment by the private sector and government entities. Prospects of mobilizing a range of activities undertaken by SMEs along with established

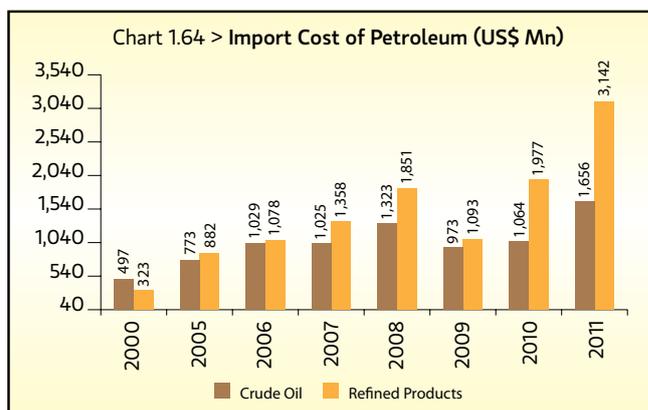
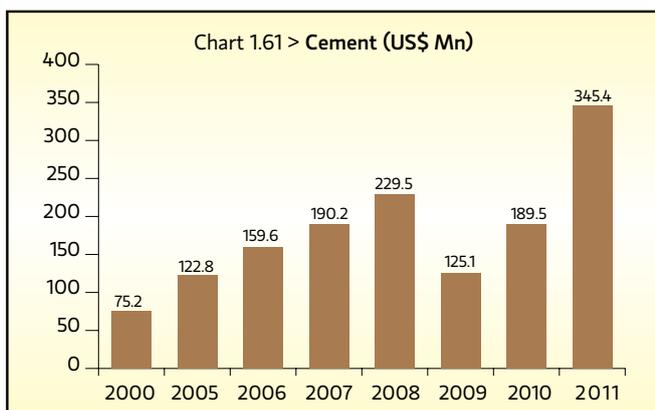
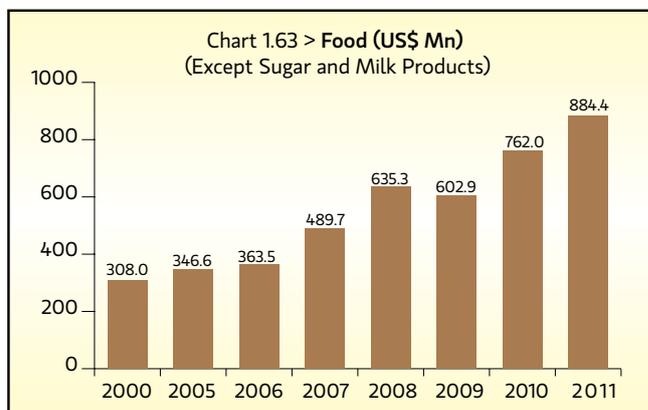
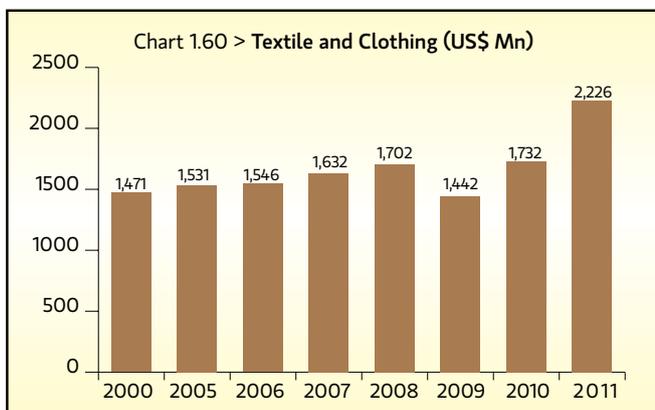
export companies have improved, due to cost advantages in such arrangements. The expansion of private investments in these areas is vital to achieve a faster export growth and maintain a moderate growth in imports and to reduce the trade deficit to a viable level. This requires investments in import replacement activities such as food crops, pharmaceuticals, dairy products, sugar, textile, plantation, apparels etc., to generate a strong economy.



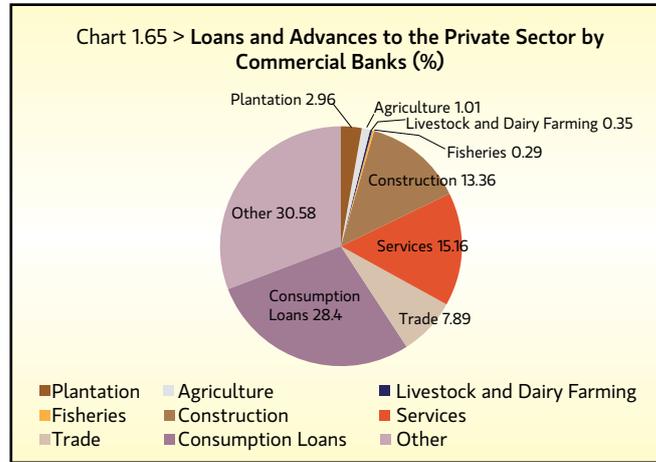
Investment Opportunities in Some Import Replacement Sectors



These key imports indicate a large market scope for investment in order to reduce foreign exchange outflows. The need for private investments in these areas has been recognized and a wide range of tax incentives have been incorporated into tax laws including the Strategic Development Project Act of 2008. The Board of Investment (BOI) in collaboration with relevant line ministries needs to focus on such investments for which specific project proposals and required domestic arrangements need to be firmed up to exploit potential areas of investment.



Inadequate Development Finance



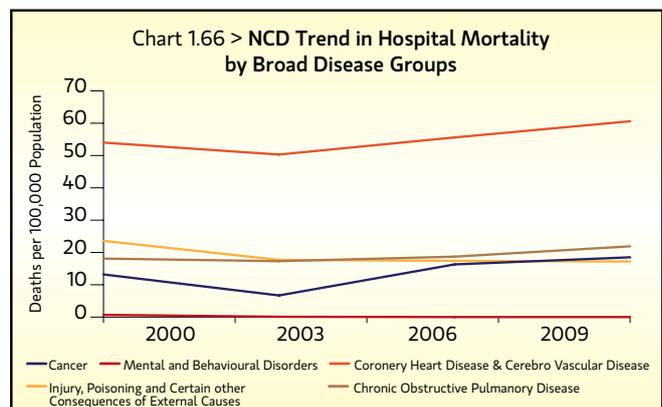
Despite country's banking and financial institutions having expanded rapidly with an extended branch network, the availability of credit to agriculture, plantation and a wide range of SMEs remain unsatisfactory. The allocation of resources by banking and financial institutions often seems to have favoured financing the importation of commodities and motor vehicles. Lending to value added real economic activities has been constrained by the conventional approach to banking and collateral based lending. The project financing approach has not received adequate attention by these agencies by way of promoting new financial instruments. The Government in the recently implemented tax reforms, required banking institutions to set up dedicated Investment Fund Accounts (IFAs) in support of long term lending to agriculture, construction and SMEs. The two state commercial banks are expected to set up dedicated SME bank branches in every district to promote project financing and development banking. Tax incentives have been offered to private banks, to prompt them to follow this direction. In the context of possibilities to replacing imports of a wide range of products in the interest of the national economy, country's banking and financial institutions have a special responsibility to divert enhanced resources, while professional development and investment bankers should promote investments in the real economy in place of imports.

Malnutrition and Non-Communicable Diseases

Sri Lanka has registered an improved performance in relation to basic health standards. However, the rate of children who are underweight remaining high is a matter for concern. Since malnutrition is interwoven with poverty, the recent progresses witnessed through improved equity, with greater access to safe drinking water, improved food security, increased deployment of family health workers

and such other workers through the Divi Neguma initiative to serve at grass route level, can be viewed as positive developments. Scaled-up nutritional programs such as provision of Thripasha to expectant and lactating mothers, popularizing breast feeding and consumption of liquid milk, are also expected to bring down the present level of malnutrition. Since malnutrition is the only lagging concern in achieving Millennium Development Goals, the Presidential Task Force on Malnutrition is required to play a bigger role to take control of this situation.

Public education on preventive care at family, school and community levels is necessary to manage such challenges in addition to developing new facilities and availing medicine at affordable prices. Reforms in the procurement of pharmaceutical drugs, a rational expansion of hospital facilities with improved basic facilities in hospital in the peripheries and deployment of medical personnel in a cost effective manner are vital steps to be taken in the health sector, to address these challenges. An equally worrying concern is the rise in non-communicable disease incidence among the population. The incidence of cancer, heart diseases, diabetes etc. has risen in alarming proportions in recent years, as shown below;



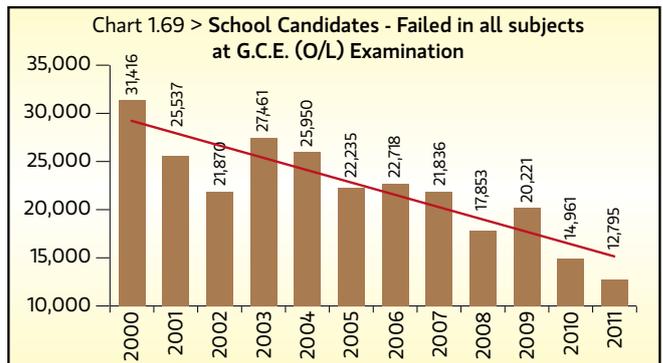
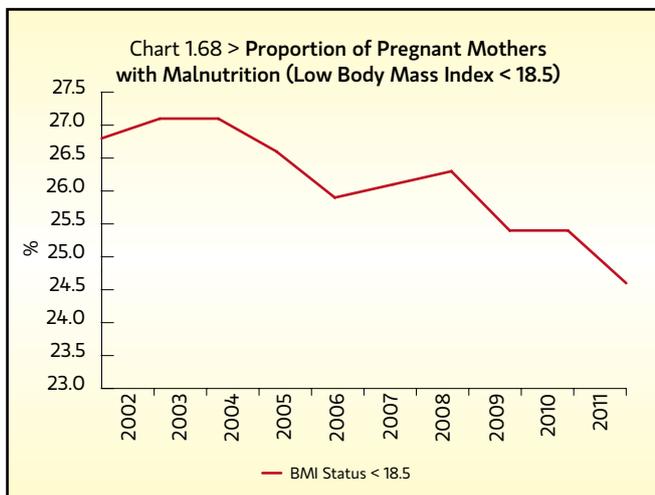
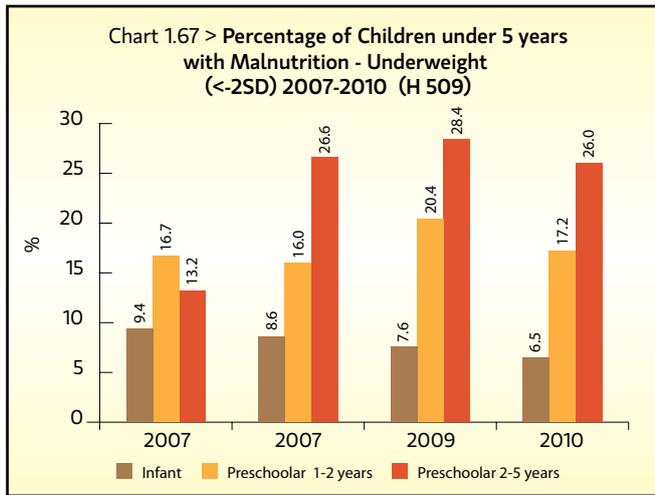


Walk ways have been laid and grounds and parks have been improved to promote people to be engaged in physical exercises, recreation and sports in an attempt to promote a healthy lifestyle.

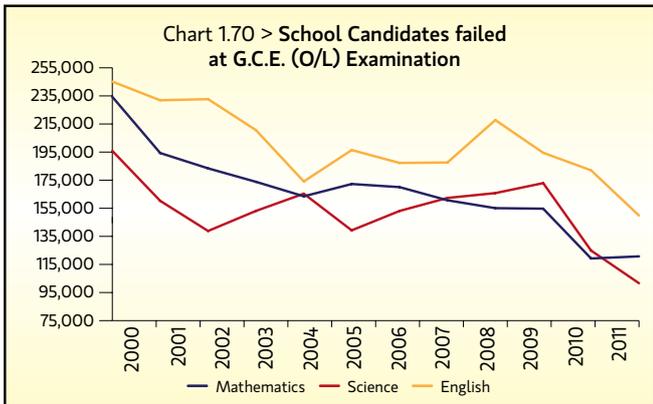
In the context of rising life expectancy, the socio economic problems associated with elderly care and rising health expenditure borne by the Government as well as citizens, urgent attention is required to manage such challenges.

Lagging Performance in General Education

The education sector is faced with two basic challenges. First is the continuing high failure rate at the GCE (O/L) examination, although it is reported that there is a declining trend. What is disheartening to note is that not only the total number of failures in all subjects remaining high, the failure rate in subjects such as Mathematics, Science and English also remaining high. Despite the number of teachers in the country's education system having increased since 2005 at a significant proportion and a wide range of incentives such as provision of free uniforms, school textbooks, school meals including milk is undertaken to improve school enrolments and to keep the student drop-out rate at the lowest possible level, the trends in the GCE (O/L) examination deserves serious attention, particularly considering the level of expenditure borne by the Government to provide such facilities. Further, urgent attention needs is required on the teacher deployment program, with special emphasis placed to address teacher shortages in districts such as Puttalam, Polonnaruwa, Ratnapura, Monaragala, Nuwara Eliya, Batticaloa, Mannar and Killinochchi that record fairly high shortages. It is also important to provide trained teachers in important subjects such as English, mathematics and science, to rural schools. Standards of facilities including specific sanitary facilities, computer labs and sport facilities in many schools also deserve special attention. The recent initiatives by the Ministry of Economic Development to develop toilets and sanitary facilities in schools, the new structure to develop 6,000 schools around the country by the Ministry of Education and the initiative by the Presidential Secretariat to promote IT labs in rural schools have made a promising start, to revitalize country's primary and secondary education.

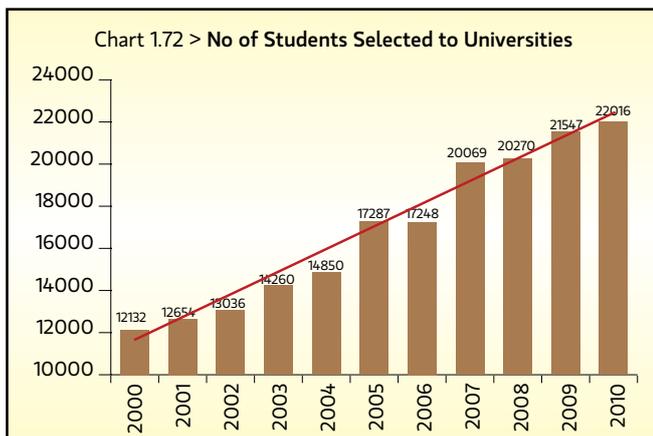
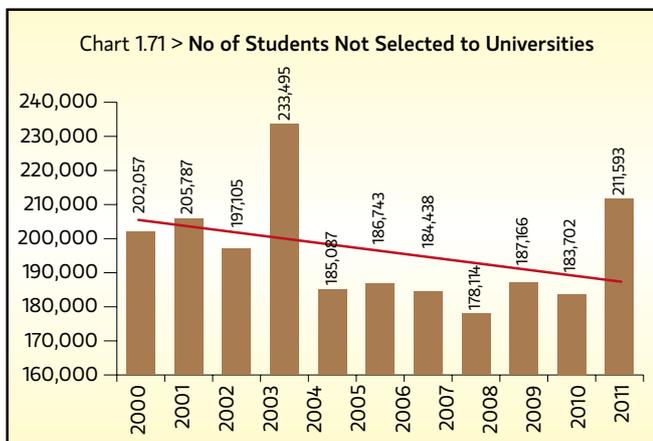


In addition to the 6,000 school development program which aims at addressing the unwarranted admission competition to popular national schools, it is equally necessary to pay urgent attention to about 2,000 primary schools in rural areas where the availability of teachers as well as basic facilities remain unsatisfactory to be able to provide quality primary education, attract enrolment and reduce the school drop-out level in such areas.



A concerted effort is required to be made to improve the quality of education, teaching material, teacher training programs, extracurricular activities, not only to ensure 100 percent school enrolment at both primary and secondary levels, but also to decrease failures at the GCE examinations. Government has sought development partners to share part of related expenditure on a structured program basis, to address prevailing shortcomings in education, to improve the education sector.

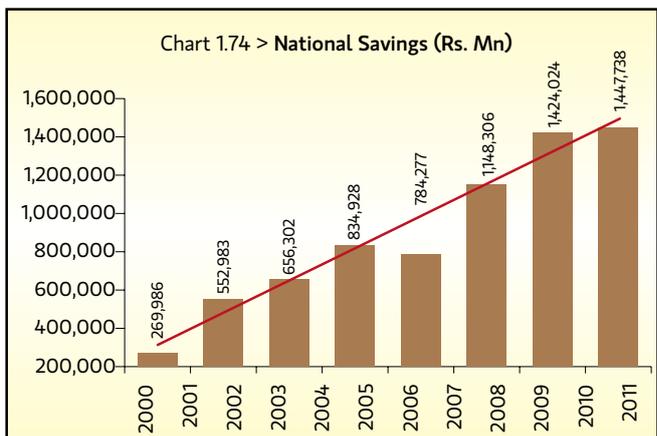
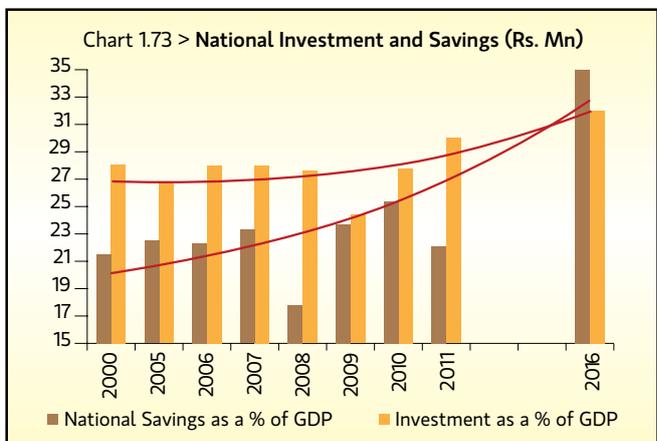
Capacity Constrains in University Education and Skills Education



The developments proposed to the existing universities to improve them as university townships over the next 3 years and the ongoing quality improvements and incentives offered at universities to engage in research with the private sector, are also expected to shift the standards of Sri Lankan universities. Reforming skills education to a level that will award courses in engineering, tourism, ports and logistic services, IT and software, food processing and construction related subjects is also vital, to be able to meet the demand of an emerging economy, and also for the benefit of those proposing to venture on overseas employment, that is a main sources of foreign exchange earnings.

Inadequate National Savings

National Savings in Sri Lanka at 22.1 percent of GDP in 2011 remains well below the level of investment of 29 percent of GDP recorded in 2011. Several reasons could be attributable to the low level of national savings. The National Budget which has run with a deficit in the revenue account for decades has been a primary reason for low domestic savings. Although, the revenue deficit has reduced to around 1.1 percent of GDP in 2011, it still preempts domestic private savings. The budgetary savings are further stressed owing to heavy losses incurred by state owned business enterprises.



Most of the state owned enterprises instead of contributing to government revenue by way of profits and dividend relies on the Budget to finance their losses. They also resort to borrowings. The bias towards importation of food and consumer products also strains the country's external economy. Although, the country has gained a comfortable margin due to rising remittance income from overseas employment, the prevailing pattern in the trade deficit requires a substantial shift from the foreign sourced consumption pattern towards increased domestic production and enhanced savings. This requires a shift from the traditional policy bias in favour of imports, to domestic production and savings. Recent corrections in various tax distortions on petroleum and energy products, increased administered prices on selected consumer food items promoting domestic production and interest rate and the exchange rate flexibility are welcome initiatives in this direction. A concerted effort should be made to generate a revenue surplus in the National Budget and uplift state business enterprises to generate corporate profits. Increased domestic savings which can be further augmented by overseas remittance income, improvements in tourism and income from export of services are essential in addressing the prevailing imbalance in the economy.

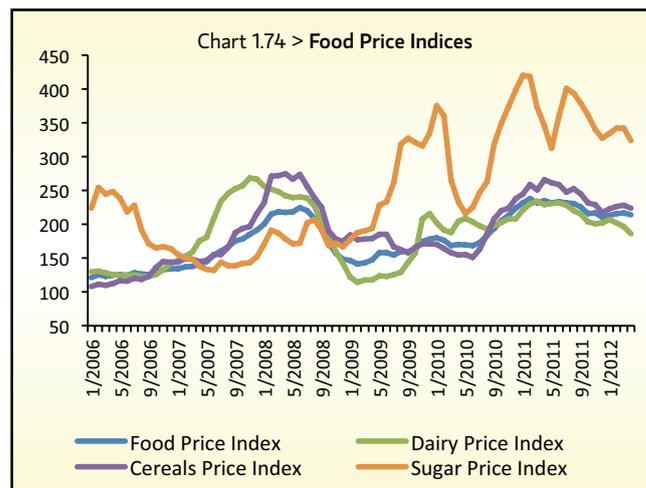
Food Security and Food Inflation

The global economy once again is threatened with possible food shortages and high food prices due to worsening climatic conditions and rising demand for food from rapidly emerging economies in Asia and Africa.



His Excellency the President gave National Leadership to a campaign organized by the Divi Neguma Programme when 25,000 drumstick plants were planted islandwide on 5th April 2012, by planting a tree in his home garden at the President's House.

In this context, the recent success of the Government towards higher food production not only at commercial level but also at the household level needs to be consolidated by expanding such drive towards reaching self-sufficiency in the production of cereal, milk, poultry and fish, in order to promote food security and avail food at affordable prices to the people. A strong effort needs to be made to increase the availability of food and stabilize food prices, to be able to address remaining challenges pertaining to malnutrition.



Source: Food and Agriculture Organization (www.fao.org)

It is encouraging to note the national leadership taking a personal interest in promoting food production and home gardening programs, to expand backyard economies targeting 2.5 million households, thereby creating a national awareness on how the household economy could contribute to the food and economic security of the country. Further, the incentives offered in the National Budget to farmers and the organized private sector, is another encouraging factor that supports to sustain the momentum in food production.

Protection of the Environment

Sri Lanka's vulnerability towards rising temperatures and declining rainfall has increased significantly over the past 60 years. Sri Lanka being a country heavily dependent on water resources to maintain its bio diversity, food security, livelihood of many small holder farmers and power generation, the changing pattern of temperature and rainfall are matters of serious concern. Productivity loss in agriculture due to such changes in the temperature is significant. The changing pattern of rainfall, recording heavy downpours within shorter time - spans has posed increased dangers to the irrigation systems. In this background, measures to promote climate resilient human settlements and to safeguard natural resources and bio diversity must be addressed through Government development strategies, national budget programs and private sector investment



The future lies with the environment

initiatives. The ongoing program towards increasing the forest cover up to 35 percent by 2020, conservation of water, rainforests, continued rehabilitation and maintenance of irrigation systems, conservation of river banks, countering soil erosion, and a movement toward the use of a proper balance in chemical / organic fertilizer usage, must be accelerated by the relevant line ministries, as an integral part of their development strategies.

1.5 The Sum-up

Achievements in Sri Lanka under the first 5 year plan (2006-2010) and the ongoing second 5 year strategy (2011-2016) under the 'Mahinda Chintana: Ten Year Development Program' and 'Sri Lanka, The Emerging Wonder of Asia - the Development Policy Framework of the Government', are encouraging. The planned strategies have accelerated economic growth in GDP towards 8 percent, with a reduction in poverty and income inequality. The social indicators have improved. The development strategies specifically targeted to integrate conflict affected areas with the rest of the economy towards achieving a rapid economic progress and national reconciliation, have made significant progress. The conflict affected areas have been made 'mine-free'. Displaced people have been fully resettled. The progress made island wide in infrastructure development has created a new investment climate favourable for rapid private investment. The Government has sustained an annual public investment of 6 percent of GDP. The financial sector stability and efforts to contain the fiscal deficit below 7 percent of GDP by 2011, are conducive to sustain a stable macroeconomic environment. The reduction in unemployment, rising wages and emerging new growth areas have shifted the economy toward skills focused employment.

Nevertheless, new challenges have emerged. The country's rising imports undermine the sustainability of the Balance of Payments. A well-focused development strategy to raise exports and reduce imports needs to be put in place. New

challenges in health and education areas include the rising trend of non-communicable diseases, issues that need to be addressed in the backdrop of longer life expectancy and capacity constraints in accommodating knowledge seekers within the state university system. Inadequate savings is also a concern in the context of required investments to sustain a growth rate in excess of 8 percent. Transforming the National Budget to be able to generate a revenue surplus, state owned business enterprises to transform as profit centers and opening more businesses and income earning opportunities to the private sector and households are essential, to be able to face new challenges effectively.

Food security and affordable food prices will be the source of stability in the economy. Fiscal and monetary policy actions alone are inadequate to deal with inflationary pressures, considering the structural rigidity of the economy. The success witnessed by implementing the integrated rural development strategy embracing a bulk of the households and thereby creating a strong social security network, must be consolidated to promote food and economic security. These initiatives could also be used as instruments to address the remaining facets concerning malnutrition. In carrying forward Sri Lanka's development process towards a higher middle income country status, compliance with environment regulations and standards must be adhered at all times, acknowledging the importance of sustainable development over time. Hence, managing the second 5 year development strategy while preparing the country to achieve greater success in the longer term will remain a challenge, providing new opportunities to be explored.

It is encouraging to note the national leadership taking a personal interest in promoting food production and home gardening programs, to expand backyard economies targeting 2.5 million households, thereby creating a national awareness on how the household economy could contribute to the food and economic security of the country.

02

PEACE AND DEVELOPMENT

2.1 Overview

Sri Lanka has passed three years since the 30 year long conflict ended in May 2009. As uncertainty, insecurity, fear and suffering due to the conflict have come to an end, the people not only feel that they are safe, but also have gained a new strength and expectation about their living standards.

New Freedom: The people are enjoying their daily life freely. The uncertainty about the returning of their loved ones from the work or the school due to a possible terrorist attack is no more there. This is the most important and invaluable benefit of the peace which people in Sri Lanka did not enjoy for 30 long years. In particular, the devastating terrorist attacks such as that on Katunayaka International Airport, oil refinery, tourist hotels, the Central Bank building, other important economic centers, as well as the unexpected explosions of car and bus bombs etc. have disappeared with the peaceful environment of the country. The prevention of the loss of lives, which had a heavy toll on the social and economic activities of the life alone is an invaluable benefit to the people.

Security: The checkpoints have been removed and many roads that were closed off for security reasons have been reopened. Security arrangements to face conflict related incidents in many public and private entities and areas have been removed. High security zones have been removed by harmonizing such areas with the rest of the locations. Consequently, the disruption to social life due to security reasons has been minimized. Removal of road barriers has enabled the people to travel freely and the reopening of roads has helped easing the traffic congestions, particularly in cities. The regular destruction to property has been prevented and both the public and private resources are increasingly being diverted to accelerate the much needed capital formation process.

Risks and Transaction Costs: The improved conditions have provided various benefits to businesses as well, including the lowering of various risks. Hence, the overheads related to risks and uncertainties in the business transactions such as additional insurance premiums etc. have been removed and the savings so generated can be utilized for other productive purposes. Also, the London based insurance underwriter Lloyds has removed Sri Lanka from its cargo war risk list, which consists of countries with risk of marine war, marine strikes and ground war and strike, in 2010. With this, the need for the payment of any war risk insurance premiums by shipping lines and airlines was removed thereby lowering the cost of international trade related transactions while enhancing the port related activities and helping to boost tourism industry.

Development Efforts: With peace, the resources are being used for much more productive purposes. The development assistance, which did not channel to conflict areas previously due to security reasons, has been increased dramatically. In particular, a number of development activities, including Uthuru Wasnathaya and Nagenahira Navodaya, are being implemented by the government in conflict affected areas to provide livelihoods for affected people. In line with this, the Government has mobilized over Rs.171 billion from foreign and domestic sources to develop the affected areas. The Government has spent about Rs. 32 billion in 2010 and a further Rs. 66 billion in 2011 for the development of Northern province. The development activities in rest of the country are also being continued at a renewed pace.

The people are enjoying their daily life freely. The uncertainty about the returning of their loved ones from the work or the school due to a possible terrorist attack is no more there. This is the most important and invaluable benefit of the peace which people in Sri Lanka did not enjoy for 30 long years...

Investor Confidence and Investment:

The peaceful situation complemented by political stability has created a totally new environment in the country boosting the investor confidence, which is evident in many areas. In particular, the gross foreign portfolio investment (mainly to stock market) in Sri Lanka was US\$ 819 million in 2010 and US\$ 452 million in 2011 compared to US\$ 375 million in 2009. The yield rate on Sri Lanka's international sovereign bonds has compressed from above 20 percent before May 2009 to around 5 percent after the end to the terrorist insurgency. The Government also raised funds from international capital market by floating US\$ 1,000 million in 2010 and a further US\$ 1,000 million in 2011 at competitive rates for 10 year bonds. Large investment projects, such as Shangri La, Sheraton, Hilton international, China Merchant Shipping as well as many other investment projects in tourism, urban property development, roads and

infrastructure are being implemented by the private sector. Foreign direct investment in 2011 increased to US\$ 1billion

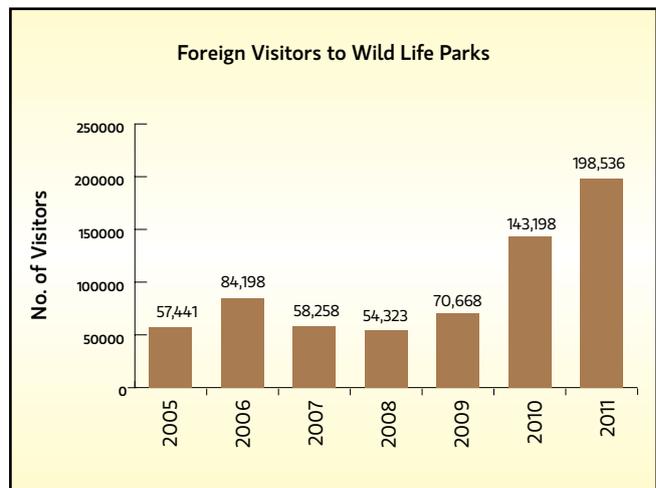
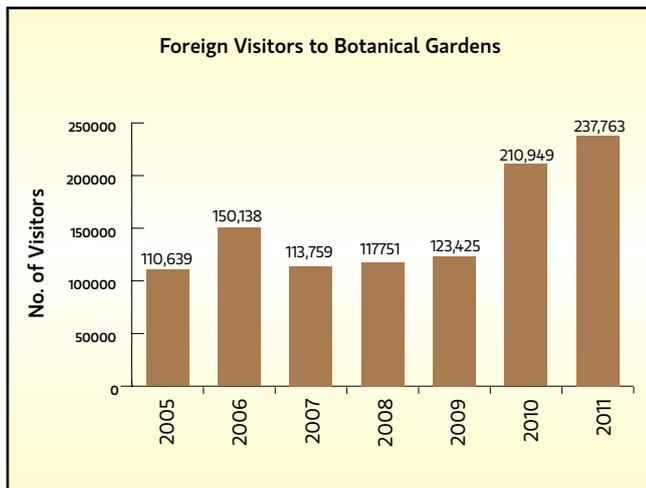
Travel Advisories and Tourism: With the peace, the tourism, which remained stagnant for almost three decades, has begun to take off. Many countries that had imposed adverse travel advisories on Sri Lanka have removed them. With the peaceful situation in the country, there is an unprecedented surge in tourist arrivals boosting the post conflict economic activities all over the country. Tourist arrivals, which increased by 46.1 percent to a record level of 654,476 tourists in 2010, increased further to 855,975 tourists in 2011, reflecting the positive impact of peace in the country.

Many of the tourist attractions which were not accessible due to the conflict are now open to both local and foreign tourists, which have experienced an overwhelming response. Many tourist attractions, including Zoological Gardens,

receive a record number of visitors, helping them to achieve new highs in their revenue.

Defence and Development Expenditure: One of the major beneficiary factors is the decline in defence expenditure as a result of the lower expenditure on military hardware due to the absence of military offensives. The defence expenditure as a percent of GDP in 2011 declined to 3.1 percent from 3.9 percent in 2009. Investment in security installations (defensive, avoidance, and preventive investment) are diverting to productivity-enhancing installations. Resources are increasingly being channeled for rehabilitation & reconstruction activities and security personnel are also engaged in the reconstruction and development work. The gradual decline in defence expenditure helps rising development expenditure to 6 percent of GDP providing improved infrastructure facilities for private investments.

Chart 2.1



Economic growth: Sri Lanka had the potential to keep growing with an annual average growth of around 4.5 percent even in the worst conditions and despite the protracted internal conflict. With the peace, the economy has generated 8 percent growth in both 2010 and 2011. Many positive factors such as peaceful environment, improved macroeconomic conditions, revitalized production activity, non-existence of security related delays, ability to use available land for cultivation, particularly help increase the production while creating new opportunities for the private sector. In particular, the improvement in agriculture was supported by the enhanced extent of cultivated land as the new and abandoned lands are being increasingly cultivated in the conflict affected districts alone 104717ha. of land have been brought under cultivation of paddy and other highlands crops.

The output of fishing, livestock and other field crops areas also have improved significantly. In particular, the fish production in the conflict affected districts which increased by 40 percent to 125,840 metric tons in 2010 further increased to 155690 metric tons in 2011. In addition, many industries that were not operative for years are also being revamped. The new prosperity that has been extended to all over the country has boosted the wholesale and retail trade, particularly with the Northern and Eastern provinces, providing more opportunities for people in those areas.

The 9.3 percent expansion in the construction sector, supported by the 12 percent increase in domestic production of building materials and the 18.1 percent growth in cement availability, was also a reflection of the impact of peaceful situation on the construction activities throughout the country. The construction activities in the conflict affected areas adhering to restore railway system,

highways, water supply, irrigation, housing, hospitals and school facilities and administrative buildings have boosted construction activities in these areas.

In the services sector, tourism and other services, such as telecommunication and transportation, are being increased thereby supporting the achievement of a higher economic growth. In addition, business activities related to banking and finance as well as industries are also being expanded. Since the end of the terrorist insurgency, 267 branches have been opened by banking and financial institutions reflecting the business progress in the country.

2.2 Reconciliation and Development

The government has placed highest priority on accelerating the development of the conflict affected areas and improving living conditions of the people with a view to create a firm economic development for the national reconciliation process. In line with this policy, a broad set of policies and development initiatives have been implemented by the government, complemented by the support of the development partners, including Japan, China, India, Germany, Switzerland, Australia, World Bank, Asian Development Bank (ADB), United Nations Development Programme (UNDP), World Food Programme (WFP), United Nations Children's Fund (UNICEF), the European Union (EU) and International Fund for Agriculture Development (IFAD) as well as other stakeholders, to bring the affected areas back to rapid development and reconciliation. Resettlement of IDPs and fast track development of the Northern province while creating a safe environment for the people to return their places of origin was the approach taken by the government.

Two multi-pronged regional development strategies, i.e. "Uthuru Wasanthaya" and "Negenahira Navodaya", have been implemented as the major programmes in addressing immediate requirements as well as long standing development needs of the Northern and Eastern provinces. The identification of priorities and preparation of plans accordingly, accelerated implementation of "180-Day programme", effective implementation, continuous monitoring, setting up of necessary institutions and ensuring their capacity building were among the salient features of the initiatives of the government, particularly in the Northern province.

The programmes implemented in the Northern province, after the ending of the conflict in May 2009, aimed at ensuring the welfare of internally displaced persons (IDPs), demining activities, resettlement and rehabilitation, and reconstruction & development of the affected areas. Total cost of the development activities carried out by the

Chart 2.2: Government Investment and Defence Expenditure

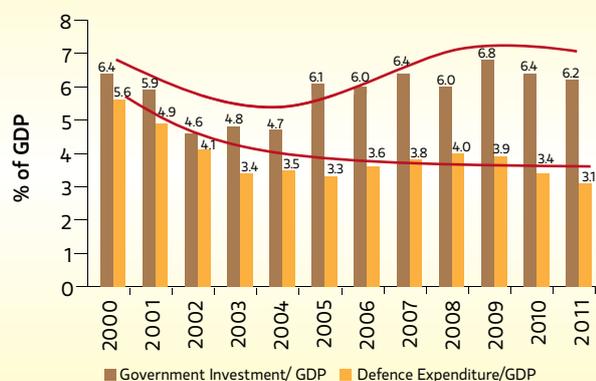


Table 2.1 > **Resources Mobilization to Northern Province Development (2009 -2011)**

Description	Rs. Mn
	Total Amount
Welfare of IDPs	17,680
Demining	8,883
Resettlement	5,511
Infrastructure Development	100,067
Other	13,469
Total	145,610

Source: Department of National Budget and Mine Action Centre- Ministry of Economic Development

government during 2009-2011 period amounts to Rs. 145.6 billion. Also, the total commitment made by development partners by end 2011 to implement various projects was about US\$ 3.02 billion.

2.2.1 Internally Displaced Persons and their Welfare

At the time of ending the internal conflict in May 2009, there were 295,136 Internally Displaced Persons (IDPs) who could not go back to their own places. The majority of them were from Mullaitivu and Killinochchi districts, which have been highly contaminated by land mines and other unexploded ordnances (UXOs). They were initially accommodated in welfare centers and subsequently brought in to welfare villages.

The highest priority was given to the welfare of these IDPs. The welfare villages were managed in keeping with international best practices in running such activities. Accordingly, the IDPs were provided with all basic facilities, including food, water, sanitation, and shelters. More importantly, the IDPs were given 1,900 Kilo Calorie daily, which is equivalent to standards of the World Food Programme (WFP). Facilities such as primary healthcare centers, mobile health clinics, night clinics, mobile labs, operation theaters, counseling services, were provided to welfare villages. Furthermore, other main facilities, such as schools, religious support, banks, shops, communication facilities etc. are also provided. The security for the IDPs was provided by the security forces and police while the day to day work was handled by civilian administration. Since 1 December 2009, the government has converted these welfare villages into “open camps” ensuring “freedom of movement” of IDPs. The government also welcomed the visits of Sri Lanka development partners to these cities and conflict affected areas.

The government incurred Rs. 7,532 million during 2009 - 2011 period for the welfare of IDPs. At the initial stage, the welfare activities were conducted by using domestic funds, which were subsequently complemented by assistance by development partners.

2.2.2 Demining Activities

The land mines and other UXOs became the main challenge in resettling the IDPs. Hence, demining became an immediate priority of the government. Accordingly, the demining process targeting public places, farm lands, schools, and hospitals etc. was accelerated with the help of development partners as well as domestic and international non-governmental organizations (NGOs). About 94 percent of the land had been cleared from land mines by end of 2011 due to these efforts. The government expenditure from the National Budget on demining alone till end 2011 was Rs. 8,884 million.

2.2.3 Resettlement and Rehabilitation

The resettlement was continued in parallel with the demining programme. From an original 295,136 IDPs at the time of ending the internal conflict in May 2009, only 6,022 persons (2 percent) remained in IDP villages by December 2011, reflecting the strong effort taken by the government to resettle them with the help of development partners and other stakeholders.

Table 2.2 > **Progress of Resettlement Programme: 2009-2011**

Item	Rs. Mn
	As at Dec 2011
IDPs in Welfare Centers - 2009 (No.)	295,136
Families to be Resettled by April 2012 (No.)	1,800
Resettlement Expenditure by the Government (Rs Mn)	5,511

Source: Department of National Budget & Ministry of Resettlement

The first phase of the resettlement and rehabilitation concentrated on the provision of humanitarian assistance required for the successful resettlement of IDPs. This was achieved through the provision of a package of humanitarian assistance consisting of cash disbursements, and various other support, such as food rations, non-food relief items, shelter material, agricultural assistance and a cash grant for land preparation. Provision of

livelihood assistance to create income generating activities while concentrating on shelter, food security, water and sanitation was also a part of the process. In the second phase, continuation of the above measures was stepped up and concentrated more on the livelihood development. Accordingly, enhanced attention was paid on other areas such as health, education, creation of a supportive environment for agriculture activities by providing required inputs and services as well as providing necessary equipment and support for sea, lagoon and inland fishing.

2.3 Reconstruction and Development

The resettlement and rehabilitation activities in the Northern province are complemented by the reconstruction of social and economic infrastructures that have been devastated due to the conflict. It includes short, medium and long term projects aiming at creating an environment

conducive for a decent, peaceful and active life for people in the area with intra and inter-province connectivity. These include the rehabilitation and rebuilding of housing facilities, water supply, sewerage, hospitals, school buildings, roads & rail network, highways, irrigation schemes, bridges and culverts, electricity facilities, administrative buildings, livelihood improvement support, vocational training, and industrial zones to redevelop the entire area.

Under the infrastructure development initiatives, the government has launched 21 large scale projects with a total investment of Rs. 95 billion of which the investment in 2011 alone was about Rs. 38 billion (from 2009-2011, the total investment in Northern province is Rs. 145 bn). Most of these projects will be completed by 2011-2013. The following are the major projects of which the total cost is above US\$ 50 million per project.

Major Infrastructure Projects in Northern Area

1. Railway Links	Total cost US\$ 735.0mn
<ul style="list-style-type: none"> • Vavunia- Kankasanthurai Line - 56 Km • Madawachchiyya- Madu Line - 43 km • Madu- Thalai Mannar - 63 Km • Omanthei Pallai Line - 90. 5Km 	
2. National Highways	Total cost US\$ 233.0mn
<ul style="list-style-type: none"> • A9 Vavunia - Jaffna - 135 Km • A32 Karathiu- Mannar- 67 Km • Mankulam- Mullathiu - 49 Km • Jaffna - Kankasanthurai - 18.5 Km 	
3. Bridges	Total cost US\$ 36.0mn
<ul style="list-style-type: none"> • Mannar, Navakkuli , Paranthan & Sangupity 	
4. Provincial Roads	Total cost US\$ 24.4 mn
<ul style="list-style-type: none"> • 141km of Provincial roads in Vavunia & Mannar 	
5. Electricity Projects	Total cost US\$ 88.0mn
<ul style="list-style-type: none"> • Vavunia-Killinochchi Transmission Line • Killinochchi -Chunnakam Transmission Line • Lighting Sri Lanka -Northern Province (14,512 connections) 	
6. Drinking Water Supply	Total cost US\$ 221.0mn
<ul style="list-style-type: none"> • Jaffna-Killinochchi Water Supply Project • Mannar-Vavunia Water Supply 	
7. Irrigation	Total cost US\$ 32.3mn
<ul style="list-style-type: none"> • Iranamadu Scheme • Giant Tank Reconstruction 	

Table 2.3 > **Major Projects in Northern Province above US\$ 50 mn**

Project	Source of Funding	TEC Expenditure in 2011	Total Expenditure Upto 2011 (Rs bn)	Expenditure in 2011 (Rs bn)
Development of Infrastructure - Conflict Affected Region Emergency Project	ADB/ GoSL	19.3	1.4	1.39
Pura Neguma-North East Local Services Improvement Project	World Bank/GoSL	9.8	2.3	2.2
North East Housing Reconstruction Project	World Bank/GoSL	16.3	8.1	2.6
Community Empowerment-Pro-poor Advancement Project	JICA/GoSL	2.3	2.1	0.42
Infrastructure and Livelihood Development-Re-awakening Project	World Bank/GoSL	7.3	7.2	2.4
Development of Infrastructure Emergency - Emergency Northern Recovery Project	World Bank/GoSL	7.5	4.4	2.8
Total		62.5	25.5	11.81

Source: Department of National Budget, Ministry of Economic Development

Activities Covered under the Projects in Table 2.3

1. Rehabilitation of school hospitals
2. Rehabilitation / reconstruction of coop societies
3. Rehabilitation of court houses
4. Rehabilitation of post offices
5. Rehabilitation of irrigation schemes
6. Rehabilitation of agriculture service centers
7. Rehabilitation of Administrative offices

The ongoing and proposed investment will contribute to the acceleration of the growth of the Northern province economy as was experienced in the Eastern province after its liberation in 2007. The total GDP in the Northern province is expected to grow at a rate of about 13 percent per annum during 2009- 2011. The dynamism in all the sectors in the province is expected to contribute effectively to this improvement. Accordingly, agriculture activities is expected to grow by 10 percent, manufacturing by 18 percent and the service sector by 12 percent during this period thereby helping the people in the area to have employment and various other income generating opportunities, which will ultimately improve their living standards.

Table 2.4 > **Performance of Development Programmes (Northern and Eastern Provinces)**

Province	North		East	
	2010	2016	2010	2016
Covering Districts	Jaffna, Mullativu, Killinochchi Mannar, Vavuniya		Ampara, Batticaloa, Trincomalee	
Provincial GDP (Rs Bn)	192	787	332	797
Poverty Head Count Index	12.8	6.9	14.8	2.0
Infant Mortality Per 1000 live Births (2009)	3.0	1.5	10.7	5.9
Maternal Mortality Ratio per 100,000 Live Births (2009)	0.56	0.31	0.53	0.38
Access to Electricity (%) (2011)	71	100	72	100

Source : Department of Census and Statistics and Department of National Planning

The government has placed highest priority on accelerating the development of the conflict affected areas and improving living conditions of the people with a view to create a firm economic development for the national reconciliation process...

2.4 Promoting National Reconciliation

The Government has implemented several initiatives to promote national reconciliation efforts as well. The Local Authority Elections were conducted in 2011 and civil administration setup was strengthened to improve the service delivery and country level. These include a formulation of a Special Integration Policy, National Languages Policy, and Awareness program to respect cultural diversity, religion and communal values. In order to implement these programs at grass route level, key level officials have been attached to District Secretariats and Divisional Secretariats. Mobile services are being carried out to attend needs of vulnerable groups. Language labs are being setup to promote the skills in both Sinhala & Tamil for public officials and 1,000 language clubs have been established to promote bilingual language skills among the ordinary people.

Table 2.5 > **No. of Ex-LTTE Combatants Rehabilitated**

Year	Male	Female	Total
2009	108	116	224
2010	3,589	1,977	5,566
2011	4,495	70	4,565
2012	427	92	519
Total	8,619	2,255	10,874

Source : Ministry of Rehabilitation and Prison Reforms

With regard to the ex-child combatants, the government has implemented rehabilitation programs to integrate them with the society. 364 male ex-child combatants and 230 female ex-child combatants have been rehabilitated. The progress in the re- integration of Ex-LTTE carders is given in Table 2.5.



2.5 Progress Towards a Mine Free Sri Lanka

The end to the 26 years long terrorist insurgency in the North in May 2009 provided a long awaited opportunity for Sri Lanka to enjoy peace. However, the immediate challenge at the end of the conflict was the creation of mines free environment in the former conflict affected areas which contaminated with land mines, both the anti-personal and anti vehicle, unexploded ordinances (UXOs) and improvised explosives devices (IEDs). It has initially been identified that over 640 villages are affected by these mines. It is estimated that there are over one million (estimated 1.3 million to be unearth) landmines in the conflict affected area of Sri Lanka¹.

Soon after the ending of the conflict, the existence of landmines became an impediment in resettlement of people in their communities of origin and implementation of development activities in the conflict affected areas. Hence, de-mining turned out to be a major priority of the government to overcome this obstacle. Consequently, a humanitarian de-mining programme was initiated by the government to clear the respective areas and create an environment free of mine and explosive remnants of war (ERW)².

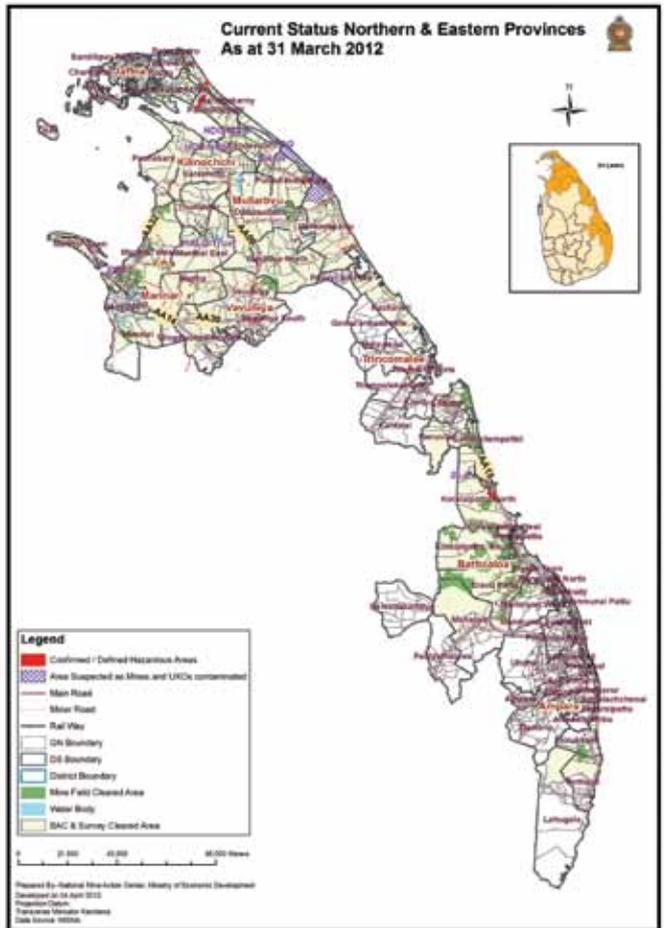
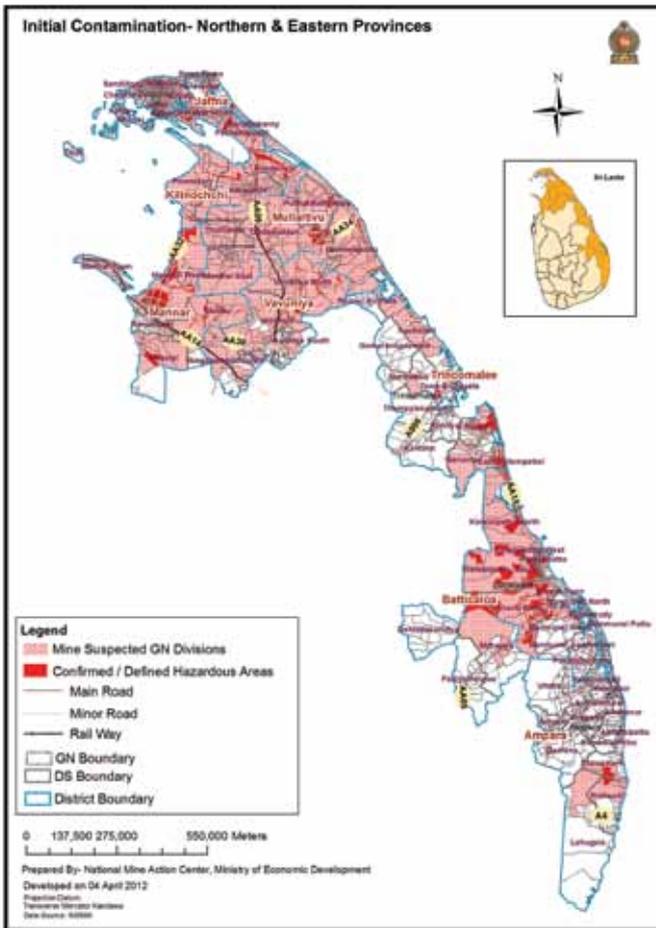
¹Strategy paper 'The National Strategy for Mine Action in Sri Lanka', Ministry of Economic Development.

²A large-scale mine action program has been undertaken by the government and the international community in the North and East since 2002. The survey and clearance work, mine risk education, victim assistance, stockpile destruction and advocacy are the five pillars of the mine action programme in Sri Lanka.

Sri Lanka has made a steady progress in de-mining activity and resettlement of internally displaced people (IDPs). During the 3 year period of 2009-2011, a total of 1577 km² has been cleared³. The areas so cleared have been released for livelihood development and infrastructure activities. With

livelihood areas which are in close proximity to settlements in the minefield clearance operations.

At present, the mine action activities are implemented by the government through the Sri Lanka National Mine Action



these initiatives, out of 295,136 IDPs in the North, almost the entirety has been resettled and only 6022 persons remained to be resettled by April 2012 thus indicating a remarkable progress in resettling IDPs compared to such programmes in other countries. As at 31 March 2012, about 124 km² remain to be cleared. In order to clear the entire land of the North and East and to achieve a mine free Sri Lanka by the end of 2020, there is a need for enhanced human, financial and physical resources.

Centre (SLNMAC) that has been setup at the Ministry of Economic Development (MED) to coordinate and fast tract the de-mining process. National Steering Committee for Mine Action (NSCMA) acts as the decision making body on mine action through SLNMAC in collaboration with respective institutions and agents.

In this process, the priority has been given to residential areas of villages that are identified for resettlement and

The de-mining operations, which is a high cost, high risk, time consuming as well as painstaking process, at the ground level are led by the Humanitarian De-mining Unit (HDU) of the Sri Lanka Army and participated by eight other local and foreign mine action operators.⁴

³The Information Management System for Mine Action (IMSMA)

⁴They are The HALO Trust, Danish Demining Group, Foundation Suisse de Déminage, MAG(Mines Advisory Group), Sarvatra, Horizon, Milinda Moragoda Institute for Peoples' Empowerment and Delvon Assistance for Social Harmony.

The government has spent approximately Rs. 3.4 billion during the period of 2009 and 2011 in de-mining activities after liberation of the entire country from terrorist activities, especially in the procurement of equipment for mine clearance activities as well as maintenance of demining cadre. Australia, United States, Japan, China, India and international institutions such as, United Nations High Commissioner for Refugees (UNHCR) and International Organization for Migration (IOM) are among the major partners helped in implementing government's demining programme. The United Nations Development Programme (UNDP), and United Nations Children's Fund (UNICEF) help the activities by coordination and quality management, and providing necessary expertise and technical assistance. In addition, both local and international agencies are engaged in mine surveys and mine risk education (MRE) in the identified areas.

The government is also engaged in providing various facilities, including medical treatments, to mine survivors while such assistance as counseling and mobility aids, are provided by domestic and international organizations. Livelihood development programmes are also being implemented for them. In addition, MRE campaigns are also being implemented in collaboration with NGOs, community based partners and volunteers.

De-mining organizations, excluding Humanitarian Demining Unit of the Sri Lanka Army, generate funding for de-mining operations through their own fund raising programmes. Various donors such as Japan, Australia, EU, Canada, Switzerland, the United Kingdom, and Norway etc. are funding for them to undertake de-mining operations in Sri Lanka.

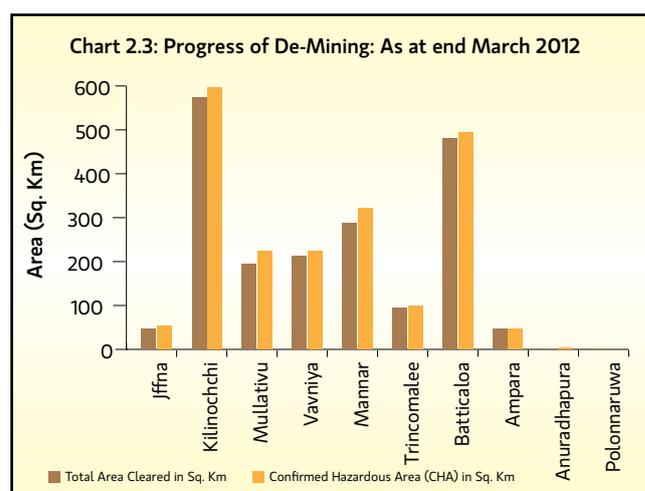


Table 2.6 > **Progress and Expenditure on De- Mining Programme (As at end March 2012)**

Description	Unit	Amount
Area cleared - Clearance Progress (BAC & MF)		
From 2002 to May 2009	Km ²	359
From June 2009 to March 2012	Km ²	1,577
Area to be cleared	Km ²	124
Expenditure by the Government 2009 - 2011	Rs. Mn	3,468
Expenditure by foreign development partners and other NGOs, INGOs	Rs. Mn	5,416

Source : Mine Action Centre – Ministry of Economic Development

The resettlement and rehabilitation activities in the Northern province are complemented by the reconstruction of social and economic infrastructures that have been devastated due to the conflict...

03

REFORM INITIATIVES

Having emphasized its commitment to reforms in the Budget Speech 2011 that was presented to Parliament in November 2010, a series of focused legislative, administrative, institutional, social development and capacity improvement measures have been implemented by the Government throughout 2011. These initiatives covered reforms in the areas of taxation, public enterprises, procurement, institutional and social capacity development and legal, regulatory and policy improvements.

3.1 Taxation

Taking forward the reform initiatives proposed in the 2011 Budget, as recommended by the Presidential Tax Commission, the Government introduced appropriate amendments to bring the country's taxation in line with other fast growing emerging economies. Amendments were made to the Nation Building Tax Act No. 9 of 2009, Inland Revenue Act No. 10 of 2006, Economic Service Charge Act No. 13 of 2006 and Value Added Tax Act No. 14 of 2002. Further, Finance Act No. 12 of 2012 was introduced and

Regulations were issued under other relevant statutes, to reduce tax rates and broaden the tax base. Emphasis was on Small and Medium Enterprise (SME) development by creating Investment Fund Accounts, using savings from VAT on Financial Services and corporate income collected from Banks. Tax rates on SMEs, exports and on the construction, tourism and agriculture sectors were reduced to concessionary rates of 10- 12 per cent, while applying low rates of duties and taxes on plant and machinery and essential raw material.

To promote predictability and improve level-play in relation to investment, concessions and tax holidays were rationalized under three categories - SMEs, large scale investments and strategic investments. VAT concessions were expanded to cover targeted sectors, specific activities and certain local manufacturing. Nation Building Tax and Provincial Turnover Tax were combined. Debit Tax, Social Responsibility Levy and Regional Infrastructure Levy, were removed, to simplify taxation. Corporate and personal tax rates were further rationalized and simplified.

Value Added Tax (Amendment) Act No. 7 of 2012

Exemptions;

- Importation of speakers & amplifiers, digital stereo processors & accessories, cinema media players and digital readers for the cinema industry, pharmaceutical machinery and spare parts, machinery for the manufacture of bio mass briquettes, green houses, poly tunnels and grower material, plant, machinery or equipment for certain enterprises enjoying tax holidays, subject to conditions specified in the related agreements.
- Local manufacture of hydropower machinery and equipment, value added local products to tourist hotels and airlines, canned fish, turbines, specified products to identified State Institutions, products replacing imports, pottery products by a manufacturer.
- Research and development services, services by the Department of Commerce, the BOI or the SLPA to exporters, and paintings by the creator of such paintings.
- Any value addition attributable to a Unit Trust or a Mutual Fund from interest, dividend or dealing in debt instruments - from VAT on financial services.
- Importation or supply of lorries and trucks, buses, sport equipment, machinery used for the production of rubber and plastic products, wood (sawn), sunglasses, perfumes, mammoities, artemia eggs, peat moss (used as fertilizer), moulding (steel, glass, rubber or plastic), items and spares needed in the poultry industry or for the manufacture of spectacles and frames.
- Input tax restrictions: The present restriction of 5% on the claimability of unabsorbed VAT was removed.
- VAT Suspension Scheme: Changes were made to the VAT suspension scheme, to ensure its smooth implementation.

Inland Revenue (Amendment) Act No. 8 of 2012

Changes in relation to Tax Holidays (in three levels)

SME Sector: The scope was expanded and the minimum investment limit was reduced to Rs. 25 mn. for services such as agriculture, agro processing, animal husbandry etc. The tax holiday period was extended from 3 years to 4 years and based on the level of investment, the tax holiday period was further extended to 6 years.

Large Scale Investments: Qualifying activities are expanded and included under respective sections of the Act; the period of tax holiday extends up to 12 years based on the level of investment.

Strategic Import Replacement Enterprises: An undertaking for the manufacture of cement, pharmaceutical, fabric or milk powder, replacing imports with a specified investment in capital assets is entitled for a tax holiday of 5 years followed by a concessionary period at the rate of 12%.

Expansion of Undertakings:

SMEs/Large Scale - qualifying payment relief in 4 equal payments of the total quantum of investment if the sum invested is not less than Rs 50 mn prior to 1/4/2015.

Strategic Import Replacement: Qualifying payment relief in 4 equal payments of the total quantum of investment if the sum specified for the exemption purposes invested by an existing company on or after 1/4/2012.

Tax Exemptions (in general without any investment criteria) :

Royalty received from outside Sri Lanka if remitted to Sri Lanka through a bank.

Redemption of a Unit of a Unit Trust or a Mutual Fund.

Interest accruing to any person or partnership outside Sri Lanka on a loan granted to any person or partnership in Sri Lanka.

The administration of any sport ground, stadium or sport complex.

Income of a non citizen trainer of any sport, brought to Sri Lanka for that purpose.

Concessionary Rates

Development activities carried out by specified bank branches - 24 %

Research and development - Company 20%, others max 16% (with triple deductions of the expenditure incurred, if services are obtained from a Government institution).

Value Added Tea exported through a joint venture of the grower and manufacturer, local manufacture of Handlooms, and Healthcare 12%

Deductions

Capital allowances: Increased to 50% on energy efficient high tech plant, machinery or equipment.

Travelling expenses: Companies exclusively providing the services of design development, product development or product innovation - permitted to deduct in full, any travel expenditure (whether local or foreign) incurred in relation to such services.

Maintenance and management expenses: Incurred by any person in respect of any Sports ground, Stadium or Sports Complex could be deductible without any restriction.

Pre - commencement expenses incurred by any SME with an expected turnover not exceeding Rs. 500 mn. in the year of assessment immediately preceding the year in which the SME commences commercial operations, is allowed for deduction from the total statutory income of the year of commercial operation.

Qualifying payments on expenditure of community development projects incurred in identified areas to be treated as a qualifying payment deductible subject to an upper limit of Rupees one million in the case of an individual and Rupees ten million in the case of a company.

Note:

Investments of a strategic nature will continue to be considered under the provisions of the Strategic Development Projects Act No. 14 of 2008, subject to approval and other requirements stipulated in such Act.

Nation Building Tax (Amendment) Act No. 9 of 2012

Exemptions;

- Importation of an air craft or a ship, artificial limbs, crutches, wheel chairs, hearing aids, accessories for such aids, white canes for the blind, Braille typewriters and parts, Braille writing papers and boards, timber logs, yarn except sewing thread and vegetable fiber based yarn, fabric - subject to a Cess of Rs 75/- per kilo.
- Wholesale or retail sale of printing of books, goods to exporters, collectors of fresh milk, green leaf, cinnamon, rubber(latex, crape or sheet rubber), petrol, diesel or kerosene in a filling station.
- Locally manufactured clay roof tiles and pottery products by a manufacturer.
- Sale of a painting by the creator of such painting.

Economic Service Charge (Amendment) Act No. 11 of 2012

- Threshold expanded from Rs. 25 mn. to Rs. 50 mn. per quarter.
- Chargeability simplified by removing the liability on the turnover of any business of which the profits are subject to Income Tax.
- Exemptions granted on any sale of locally manufactured clay roof tiles and pottery products by a manufacturer.

Finance Act No. 12 of 2012

- Removal of the levy on rooms of Five Star Hotels provided to Airline Crew to whom the concessionary rates specified by Price Regulations applies.
- Removal of withholding tax on Registration of Motor Vehicles.
- Rate changes on the annual luxury motor vehicle levy, annual semi- luxury motor vehicle levy and annual semi- luxury dual purpose vehicle levy.
- Exemption from the application of the provisions of the Customs Ordinance, Exchange.
- Control Act and Import and Export Control Act, to enterprises recognized by the BOI as companies engaged in specified export or international trade.

Other Special Treatment

- **Yarn:** All yarn except sewing thread and vegetable fiber based yarn were made free from all taxes to facilitate handloom manufacturing or fabric manufacturing with a value addition and import replacement.
- **Fabric: Imported fabric for domestic consumption-** An all-inclusive tax of Rs. 75/- per kg. including sale of any excess export oriented fabric, except cut pieces of fabric not more than two meters - Tax of Rs. 25/- per kg.

Sales by export oriented companies with approval
- all inclusive tax of Rs. 40 per kg

Domestic manufacturers of fabric who are not enjoying BOI concessions
- exempted from Value Added Tax
- **Airline services:** Any goods (other than motor vehicles and goods for personal use) required for the purpose of provision of services of international transportation which are consigned to Sri Lankan AirLines Ltd., Mihin Lanka (Pvt) Ltd. or Air Lanka Catering Services Ltd. - exempt from tax at the point of importation.
- **Apparel: All imports of branded apparel products including sportswear** - Subject to a maximum of 35% of all inclusive tax at the point of Customs.
- Sales by export oriented manufacturers who have approval to supply to the domestic market - an all inclusive tax of Rs. 25 per piece and Rs. 25 for a bundle of 6 pieces in relation to selected categories.

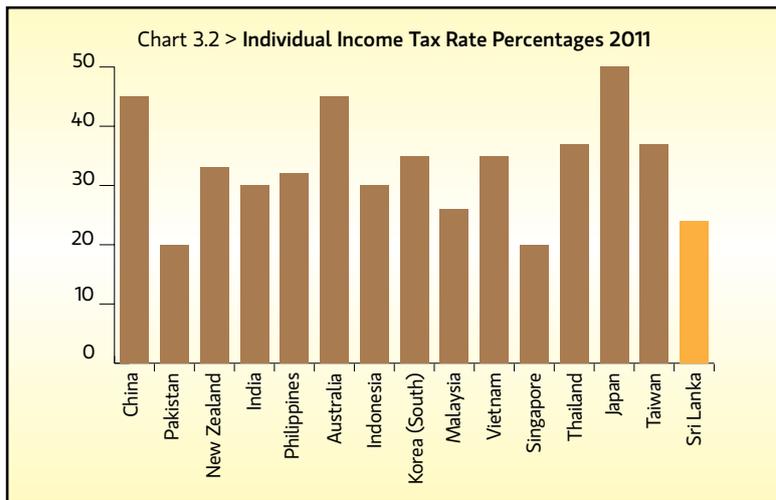
(Relevant amendments have been incorporated to the VAT Act, NBT Act, and Orders made under the PAL Act, Customs Ordinance and EDB Act (relating to chargeability to Cess) - Through Gazette Notifications.

To promote predictability and improve level-play in relation to investment, concessions and tax holidays were rationalized under three categories - SMEs, large scale investments and strategic investments. VAT concessions were expanded to cover targeted sectors, specific activities and certain local manufacturing. Nation Building Tax and Provincial Turnover Tax were combined. Debit Tax, Social Responsibility Levy and Regional Infrastructure Levy, were removed, to simplify taxation. Corporate and personal tax rates were further rationalized and simplified...

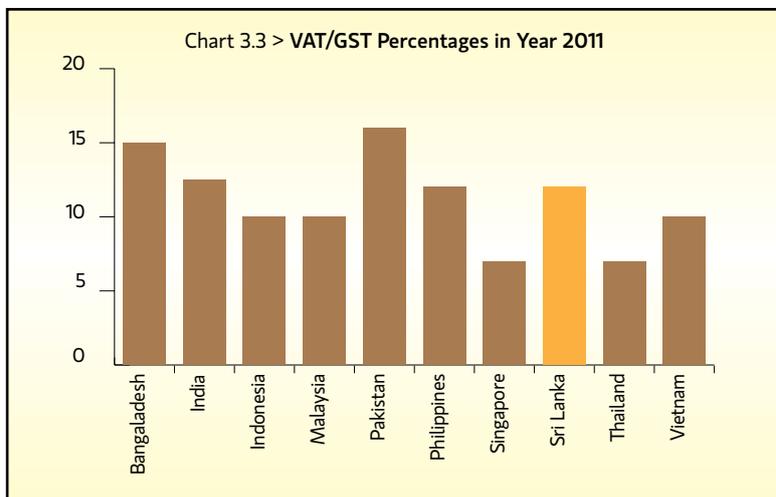
3.1.1 > Comparative analysis of the Tax rates prevailing in the Region



Source : KPMG International Corporate and Indirect Tax Survey 2011



Source : The 2011 worldwide Personal Income Tax guide issued by Ernst & Young



Source : KPMG International Corporate and Indirect Tax Survey 2011

3.2 Public Enterprises

Observations / shortcomings noted in The Report of the Committee on Public Enterprises presented to Parliament on 1.12.2011 drew attention to the need to improve the following areas in the management of public enterprises;

- (1) Corporate Plans and Action Plans
- (2) Procurement Plans
- (3) Audit and Management Committees
- (4) Tabling of Annual Reports
- (5) Recovery of debts and receivables
- (6) Legal issues
- (7) Financial stability
- (8) Vacancies
- (9) Replies to audit queries
- (10) Amendments to Standing Order 126
- (11) Mid Year Performance Reports
- (12) Revising outdated procedures
- (13) Duplications
- (14) Poor Supervision of the General Treasury
- (15) Accountability
- (16) Unqualified personnel
- (17) PAYE Tax payments
- (18) Private Auditors
- (19) Underutilization of funds
- (20) Project related aspects
- (21) Amendments to Acts
- (22) Granting Loans by profit making institutions

An initial assessment carried out to identify primary factors that have caused such drawbacks confirmed that such lapses have affected public entities over several decades in varying degrees, and that certain inherent characteristics associated with public entities such as the following, can be identified as the root causes;

- the size of commercial and financial operations of many of these public entities, have grown substantially over decades since their initial setting up/ incorporation - demanding that the administrative framework of such public entities be revisited and strengthened with competent staff to ensure effective governance and accountability.
- some of these public entities carry out de facto agency functions for and on behalf of the Government, often strategic in nature – hence they are in fact not operated as mere profit oriented commercial entities but as service delivery facilitators of the Government, in the public interest.
- Specially in relation to those public entities setup under separate statutes of incorporation, wide powers are vested with the respective governing boards/statutory

posts recognized in such statutes – compelling that such governing boards/ statutory heads and other key personnel be cast with greater direct responsibility and accountability, while also strengthening the overall supervision and guidance powers of the Treasury to ensure that checks and balances in relation to governance and accountability are maintained on a level footing among all public entities.

In this backdrop, it is pertinent to note that while the Constitution contains provisions relating to Public Finance, statutory provisions applicable to public entities are contained in the Finance Act No. 38 of 1971, Companies Act No.7 of 2007 and certain Acts of incorporation. While the Companies Act No. 7 of 2007 contains well laid provisions *inter alia* to ensure governance and accountability with regard to entities incorporated in terms of the Companies Act or re-registered under the same.

3.2.1 Finance Act No. 38 of 1971, had been introduced to give legal force to certain proposals that were contained in the Budget Speech 1970-71

Salient Features;

Financial Control of Public Corporations

The Act requires that notwithstanding anything to the contrary in the provisions of any other written law, its provisions will apply to a public corporation, unless the Minister of Finance by Order published in the gazette exempt any such public corporation, from the application.

Duties of the Governing Body

To conduct the business so as to ensure that the ultimate surpluses on revenue account shall at least be sufficient to cover the ultimate deficits on such account - over a period of five years or such other period as may be determined by the Minister of Finance. In determining such ultimate surplus or ultimate deficit, charges and appropriations specified in the Act are required to be charged against the revenue account. Further, in arriving at the surplus or deficit in any year, any subsidies received from the Government as provided in the Act, shall also be included as revenue.

Preparation of Budgets

The Budget shall be prepared in respect of every financial year, approved by the Governing Body, not later than three months prior to the commencement of the financial year. Commitments of capital expenditure provided in such budget in excess of the amount stipulated in the Act, shall be incurred, except with the Ministerial approval as stipulated in the Act. Copies of the same shall be submitted as required in the Act.

Revenue and determination of net surplus and net deficit

Annual revenue shall consist of moneys received, accrued in the exercise, performance or discharge of powers, duties or functions in respect of the sale of its products and services, any subsidies received from the Government and other sundry income including profit from the sale of capital assets. Charges to be set off annually against revenue, to determine annual net surplus/net deficit as stated in the Act.

Appropriation of net surplus revenue with approvals required

Any annual net surplus out of the revenue, after defraying the charges mentioned above may be appropriated for the writing off, a whole/ part of any accumulated losses brought forward or preliminary expenses incurred in the formation of the entity or any unproductive expenditure or loss not properly chargeable to the revenue account, as transfers to a loan redemption reserve which is authorized by the Act to establish/maintain or as transfers to other reserves. This should be with approvals as required in terms of the Act. All sums remaining out of the net surplus revenue in any year after the appropriations aforementioned shall be paid to the Consolidated Fund. Investment permitted as provided for in the Act.

Maintenance of proper accounts

Proper accounts must be kept of income and expenditure, assets and liabilities and all other transactions and the form and particulars as may be determined by the relevant Minister.

Auditor General is the Auditor

The Auditor-General (AG) shall be the auditor for every public corporation. AG may employ the services of any qualified auditor or auditors to act under his direction and control, to assist him. AG shall inspect the accounts, finances, management of finances and property of an entity as stipulated in the Act and he may at his discretion, determine the nature and extent of the audit that shall be carried out in any particular period, exercising rights stipulated in the Act. The AG may at his discretion dispense with the audit of any particular aspect or aspects relevant, in the period under review.

Submission of accounts to the AG to be within 4 months of the close of year

The accounts for each Financial Year shall be submitted to the AG, for audit within 4 months after the close of that year, with any report on the accounts required by AG. Any contravention or failure to comply in a timely manner is an offence, and any such offender on conviction after summary trial before a Magistrate, be liable to a fine as stipulated in the Act.

AG required to submit a Report to Chairman

The AG must submit a report to the Chairman, within eight months after the close of the Financial Year to which the report relates dealing with the results of the audit including a report on the accounts examined in the year, with copies as stipulated. The AG, if he thinks necessary, may also submit an interim Report to the Chairman. Such report/interim report shall be considered by the relevant Governing Body. The Governing Body shall inform the AG, the steps that they propose to take with regard to the matters pointed out in the audit reports within three months from its receipt.

AG to submit a Report to Parliament

The AG shall, within ten months after the close of the financial year, submit a report to the Parliament on the results of each such audit carried, drawing attention to matters which in his opinion would be of interest to the Parliament.

Consequences when the provisions relating to submission of accounts are contravened

In the event of any such contravention, every member of the relevant Governing Body shall be deemed to be guilty of an offence. Members of any such Governing Body deemed guilty of such offence shall on conviction after summary trial before a Magistrate, be liable to a fine as stipulated in the Act. Provided however, a member of such Governing Body shall not be guilty of an offence, if he can prove that it was done without his knowledge or all due diligence was exercised to prevent same.

Accounts and Annual Reports to be laid before the Parliament

Immediately after the end of each financial year, a draft Annual Report on the exercise, discharge and performance of its powers, functions and duties during that year and of its policy and program, must be prepared, including any directions given by the appropriate Minister during the year, with copies/documents as required.

Minister to lay copies before Parliament.

Appropriate Minister should lay copies of such documents before the Parliament before the end of ten months following the year to which such report and accounts relates and such copies should also be available to be purchased by the public. The appropriate Minister may direct the Governing Body to give effect to such recommendations made by the Public Accounts Committee in any of its reports to Parliament.

Public corporations may claim subsidies from the Government

A subsidy from the Government may be claimed for any year if as a result of a decision of the Government or by the appropriate Minister a Governing Body is prevented from determining a pricing policy to meet its financial obligations, subject to limits stipulated in the Act and also subject to the time limit for a claim for a subsidy and the quantum and the manner of payment of the subsidy as decided by the Minister of Finance.

Reduction of capital

Reduction of capital of a public corporation could be done only by Resolution of Parliament having introduced by the appropriate Minister and passed by Parliament.

Dissolution/ Surplus of funds to be vested with Secretary to the Treasury

The dissolution of a public corporation and the Liquidator's powers etc. are stipulated in the Act. Any surplus remaining after the application of funds at Liquidation, are to be vested in the Secretary to the Treasury.

Having recognized the importance of the public sector role and state entities - Mahinda Chintana Vision for the Future - has committed to strengthen public sector entities departing from the previous policy of privatization, in fact marginalizing state entities. Policies were directed towards this end since 2005. However, performance shortcomings and weaknesses associated with many public entities were highlighted by the COPE. The Budget Speech 2012 referred to future reforms in the area.

'39 more public enterprises have been transformed as profit earning entities in the year 2011 in comparison to the year 2005. Steps will also be taken to merge public enterprises that are carrying on similar tasks, having restructured them while taking into consideration the timely needs. I also propose to introduce the relevant amendments to the Finance Act No.38 of 1971 to improve the efficiency of state corporations and institutions. The assistance given by the Committee on Public Enterprises by highlighting the shortcomings of these enterprises is much appreciated'.

In this backdrop, Finance Act No. 38 of 1971 which contains statutory provisions relating to public entities needs to be updated to create a stronger legal framework that would ensure transparency and accountability, in the public interest, since such entities have been incorporated or are continued to be supported, with funds allocated from the Consolidated Fund.

Box 3.1**Proposed Key Amendments to Finance Act No. 38 of 1971****Financial Accountability and Governance**

The Minister of Finance may issue Regulations pertaining to financial accountability and governance of a public corporation, based on provisions contained in the Constitution and the Establishments Code relating to public finance.

Appointment of Directors / Directors' Responsibility

Guidelines on qualifications of those to be appointed as Directors be laid down through regulations to be issued by the Minister, to ensure governance and accountability. It shall be the duty of all members of a Governing Body; to act in good faith and in the interest of the corporation, institution or the enterprise to comply with applicable legal provisions and the Articles of Association as appropriate not to act in a manner that is reckless and grossly negligent and to exercise the degree of skill and care that may reasonably be expected of a person of his knowledge and experience, relying on reports, statements, financial data and other information of an official nature.

Related Party Transactions – Disclosure of Interest

If any member of a Governing Body of a public corporation becomes aware that he is interested in a transaction or a proposed transaction with the public corporation, public institution or public enterprise of which he is a member of the Governing Body, he shall declare the nature and the extent of such interest in writing to such Governing Body.

Confidentiality – Disclosure of Information

Any member of a Governing Body of a public corporation, a public institution or a public enterprise who has information in his capacity as a member of such Governing Body, which would not otherwise be available to him, shall not disclose / make use/act on such information.

- except for the purposes of the company,
- as required by law
- in any other circumstance under which the Governing Body has authorized him to do so.

In the event it appears reasonable to believe that a member of such Governing Body has contravened any provision dealt with in this sub section, the relevant Governing Body or the Secretary to the line Ministry under whose purview such public corporation is, shall take disciplinary action in relation to such member in terms of the procedure laid down in the Establishments Code, in consultation with -

- where the appropriate Minister is the Minister of Finance, with the Minister of Finance.
- where the appropriate Minister is not the Minister of Finance, with the appropriate Minister, and the Minister of Finance.

Consequences of Delay in the submission of the Annual Report etc. to Parliament

In the event of any delay in the submission of any documents required to be laid in terms of this Act before Parliament, the Governing Body shall be required to show cause for such delay through the appropriate Minister to the Public Accounts Committee of the Parliament within 2 months from the date permitted in the Act to place such documents before Parliament, and take such action, as directed by the PAC.

Responsibility of the Chief Accounting Officer/Chief Accountant

The Chief Accountant shall be responsible to ensure that payments/receipts have been made in compliance with relevant legal and regulatory provisions/Government Financial Regulations/Circular Guidelines.

Expansion of the coverage of the Act

The applicability of the Act will be suitably expanded to cover all institutions of Government, inter alia taking into consideration the classification done by the Public Enterprises Department. Notwithstanding any provision contained in any other Act, the provisions contained herein shall have overriding powers in order to facilitate ensuring public finance accountability, enumerated in the Constitution.

Box 3.2

Classification of Public Enterprises

The definition of a Public Corporation as per the Constitution is as follows;

Public Corporation means any corporation, Board or other body which was or is established by or under any written law other than the Companies Act, with funds or capital wholly or partly provided by the Government by way of grant, loan, or otherwise.

In the backdrop of Article 148 of Chapter XVII of the Constitution dealing with Finance, *inter alia* stipulates that Parliament shall have full control over public finance. All entities established with funds or capital wholly or partly provided by the Government or to which funds have been allocated from time to time from the Consolidated Fund and are carrying out agency functions on behalf of the Government, were classified in 2011, strengthening the overall supervision of the Treasury over such entities, in order to ensure greater transparency and accountability. In terms of Public Enterprises Circular No. 58(2) of 15.09.2011, such entities were classified under 5 categories, i.e. Regulatory Agencies, Promotional Agencies, Research and Development Agencies, Educational Agencies and State Owned Enterprises, on the basis activities/functions being carried out by them in order to improve the overall supervision and policy formulation/implimentation by the Treasury.

3.2.2 Public Enterprises Department circulars issued in 2011

Payment of Allowances

Public Enterprises Circular No. 58(2) dated 15th September 2011

In an attempt to further improve governance and accountability and to establish an effective supervisory and performance monitoring mechanism that could be facilitated by the Public Enterprises Department, and also to have in place a rational basis to determine the amount of allowances that could be paid to Chairmen, Board Members, Working Directors etc. of public entities, for the purpose of payment of salaries, the following categorization was made.

- **Regulatory Agencies** - Entities associated with regulatory function in terms of an Act of Parliament. These Regulatory Agencies are further divided into Sub-category A and Sub-category B, based on their strategic importance.
- **Promotional Agencies** - Entities associated with Promotional activities. These Promotional Agencies are divided into Sub-category A and Sub-category B, based on whether the entities are self financed or otherwise.
- **Research and Development Agencies** - Entities associated with research and development activities for the benefit of the public.

- **Educational Agencies** - Entities associated with tertiary and higher education, vocational and other training, as well as in the furtherance of knowledge of professionals. These are further divided into Sub - Category A and B, based on their task and responsibilities.
- **State Owned Enterprises** - Entities engaged in commercial activities, that are incorporated by an Act of Parliament or under the Companies Act No.7 of 2007, which the Government owns the total or the majority shares. These Agencies are further divided into Sub-Categories A,B,C,D,E and F according to their scale of operations, the share of Government investments in such entities, the asset base, the number of employees, associated business complexities and the contribution to the economy and the National Budget.

Payment of Allowances;

The Circular sets out the basis of the Monthly Allowance payable to Chairmen, Executive Directors and Working Directors and the Sitting Allowance payable to Board Members and Observers on a per - sitting basis for attending Board Meetings, Audit and Management Meetings, and other meetings as may be required in terms of a Statute or as may be required by a regulator.

Status	Sub Category	Monthly Allowance (Rs.)		Sitting Allowance (Rs.)
		Chairman	Executive Director/ Working Director	Non Executive Directors/ Observer
Regulatory	A	75,000	60,000	7,500
	B	50,000	40,000	4,000
Promotional	A	70,000	55,000	7,500
	B	50,000	40,000	4,000
Research	-	50,000	40,000	4,000
Educational	A	As approved by the appropriate Authority		4,000
	B	50,000	40,000	4,000
Other State Owned Enterprises	A	90,000	70,000	10,000
	B	70,000	55,000	7,500
	C	60,000	45,000	6,000
	D	50,000	40,000	5,000
Development Entities	E	50,000	40,000	4,000

The Circular also sets out that any person who holds the post of Chairman/Executive Director(ED) or Working Director(WD) in more than one entity, should avail allowances on the following basis, notwithstanding anything to the contrary contained in the Letter of Appointment or any previous decision given in that regard by the Management Services Department.

Full Allowance – From the first office
50% of the Allowance – From the second office
25% of the Allowance – From the third office

The Circular stipulates that no person can claim remuneration/ an allowance, for serving in more than three Offices and that any person who acts as a Chairman, ED or WD is entitled for an acting allowance of 50% of the respective allowance for the period of such service, only if such person has served in the post for a minimum of consecutive 28 days. It also stipulates that any Chairman, Board Member, Executive Director, Working Director or an Observer who covers up duties of a permanent position in the same entity, cannot be paid any additional payment.

The circular recognizes that a reasonable transport allowance could be paid to a Board Member or an Observer for attending a Board meeting, Audit and Management Meeting, or such other meeting, having taken into account

the associated distance, provided that such person has not already been given transport or a transport allowance by that institution.

This circular notes that it will not apply to State Owned Enterprises in Sub- Category F that are governed by a separate Act of Incorporation, the Companies Act, the respective Articles of Association and provisions of other applicable laws. The payment of an allowance to Chairmen, Board of Directors etc. as well as salaries and other allowances and the terms and conditions of key executive officers of State Owned Enterprises in this Sub-category will therefore be decided by the respective Board of Directors having regard to competitive market rates paid by similar institutions, the educational and competence level of the person concerned, with the concurrence of the Hon. Minister of Finance and Planning.

The Circular clarifies that the Monthly Allowances and Sitting Allowances to Chairmen, Board of Directors, Executive Directors, Working Directors or observers are liable to payment of tax, subject to applicable laws and that it is the duty of all entities to ensure the deduction of relevant withholding tax (10 per cent) and remitting the same to the Inland Revenue Department, where applicable and similarly that it is the duty of all receivers to ensure the payment of such tax from their payments.

The Classification of Public entities undertaken in 2011 have been further rationalized based on the nature of activities carried out by them or specific responsibilities cast upon them; in order to facilitate effective performance.

Regulatory

- | | |
|--|---|
| 1 Civil Aviation Authority | 16 Institute of Construction Training & Development |
| 2 Consumer Affairs Authority | 17 Medical Council of Sri Lanka |
| 3 Geological Survey & Mines Bureau | 18 National Dangerous Drug Control Board |
| 4 Insurance Board of Sri Lanka | 19 National Transport Commission |
| 5 National Gem & Jewellery Authority | 20 National Transport Medical Institute |
| 6 Public Utilities Commission of Sri Lanka | 21 Official Languages Commission |
| 7 Securities & Exchange Commission of Sri Lanka | 22 Public Performance Board |
| 8 Telecommunication Regulatory Commission of Sri Lanka | 23 Sri Lanka Accounting & Auditing Standards Monitoring Board |
| 9 University Grant Commission | 24 Sri Lanka Accreditation Board of Conformity Assessment |
| 10 Ayurvedic Medical Council | 25 Sri Lanka Inventors Commission |
| 11 Atomic Energy Authority | 26 Sri Lanka Standards Institution |
| 12 Central Environmental Authority | 27 Sri Lanka Vocational Training Authority |
| 13 Condominium Management Authority | 28 Tertiary & Vocational Education Commission |
| 14 Homeopathy Medical Council | 29 Water Resources Board |
| 15 Institute of Child Protection Authority | |

Promotional Category A

- | | |
|--|---|
| 1 Information & Communication Technology Agency of Sri Lanka Ltd | 4 Sri Lanka Tourism Development Authority |
| 2 Sri Lanka Tea Board | 5 Urban Development Authority |
| 3 Board of Investment | 6 Sri Lanka Tourism Promotion Bureau |
| | 7 Sri Lanka Bureau of Foreign Employment |

Category B

- | | |
|--|--|
| 1 Coconut Cultivation Board | 10 Sri Lanka Sustainable Energy Authority |
| 2 Coconut Development Authority | 11 Tea Small Holders Development Authority |
| 3 Export Development Board | 12 National Film Corporation |
| 4 Industrial Development Board | 13 Sri Lanka Convention bureau |
| 5 National Aquaculture Development Authority | 14 Sri Lanka Carbon Fund Ltd. |
| 6 National Crafts Council | 15 Sri Lanka Handicrafts Board |
| 7 National Design Centre | 16 Sri Lanka Institute of Tourism and Hotel Management |
| 8 National Enterprise Development Authority | |
| 9 National Housing Development Authority | |

Educational Category A

- | | | | |
|----|---|----|--|
| 1 | Buddhasrawake Bhikku University | 20 | Sir John Kotalawala Defence University |
| 2 | Buddhist & Pali University | 21 | South Eastern University of Sri Lanka |
| 3 | Eastern University of Sri Lanka | 22 | Sri Palee Campus |
| 4 | Gampaha Wickramarachchi Ayurveda University | 23 | Swami Vipulananda Institute of Aesthetic Studies |
| 5 | Institute of Human Resource Advancement | 24 | Trincomalee Campus |
| 6 | Institute of Bio Chemicals Molecular Biology and Biotechnology | 25 | University of Ruhuna |
| 7 | Institute of Indigenous Medicine | 26 | University of Visual & Performing Arts |
| 8 | Institute of Technology University of Moratuwa | 27 | University of Colombo |
| 9 | National Center for Advance Studies in Humanitarian and Social Sciences | 28 | University of Colombo institute for Agro Technology and Rural Sciences |
| 10 | National Institute of Library & Information Science | 29 | University of Colombo School of Computing |
| 11 | Open University of Sri Lanka | 30 | University of Jaffna |
| 12 | Post Graduate Institute of Pali & Buddhist Studies | 31 | University of Kelaniya |
| 13 | Post Graduate Institute of Agriculture | 32 | University of Moratuwa |
| 14 | Post Graduate Institute of Archeology | 33 | University of Peradeniya |
| 15 | Post Graduate Institute of English | 34 | University of Sri Jayewardenepura |
| 16 | Post Graduate Institute of Medicine | 35 | University of Vocational Technology |
| 17 | Post Graduate Institute of Science | 36 | Uva Wellassa University of Sri Lanka |
| 18 | Rajarata University of Sri Lanka | 37 | Vavuniya Campus |
| 19 | Sabaragamuwa University of Sri Lanka | 38 | Wayamba University of Sri Lanka |

Category B

- | | | | |
|---|---|----|--|
| 1 | Ceylon-German Technical Training Institute | 10 | National Institute of Plantation Management |
| 2 | Defense Services Command and Staff College | 11 | National Library & Documentation Service Board |
| 3 | Distance Learning Centre | 12 | Post Harvest Technology Institute |
| 4 | Gem & Jewellery Research & Training Institute | 13 | Sri Lanka Institute of Development Administration |
| 5 | National Apprenticeship & Industrial Training Authority | 14 | Sri Lanka Foundation Institute |
| 6 | National Institute of Co-operative Development | 15 | Sri Lanka Institute of Advanced Technological Education |
| 7 | National Institute of Education | 16 | Sri Lanka Institute of Information Technology (Guarantee) Ltd. |
| 8 | National Institute of Fisheries & Nautical Engineering | 17 | Sri Lanka Judges Institute |
| 9 | National Institute of Language Education & Training | 18 | Sri Lanka Institute of Textile & Apparel |

Research

- | | |
|---|---|
| 1 Arthur C Clarke Institute for Modern Technology | 8 National Building Research Organization |
| 2 Coconut Research Board | 9 National Engineering Research & Development Centre |
| 3 Rubber Research Board | 10 Sugarcane Research Institute |
| 4 Hector Kobbekaduwa Agrarian Research & Training Institute | 11 Sri Lanka Council for Agriculture Research Policy |
| 5 Industrial Technology Institute | 12 Tea Research Institute of Sri Lanka |
| 6 Institute of Fundamental Studies | 13 National Aquatic Resources & Research Development Agency |
| 7 Institute of Policy Studies | |

State Owned Business Enterprises (SOBEs)

Category A

- | | |
|---|--|
| 1 Airport and Aviations Services (Sri Lanka) Ltd. | 5 National Savings Bank |
| 2 Bank of Ceylon | 6 National Water Supply and Drainage Board |
| 3 Ceylon Electricity Board | 7 People's Bank |
| 4 Ceylon Petroleum Corporation | 8 Sri Lanka Ports Authority |

Category B

- | | |
|---|---|
| 1 Central Engineering Consultancy Bureau | 14 Post Graduate Institute of Management |
| 2 Ceylon Fertilizer Company Ltd. | 15 Pradeshiya Sanwardena Bank |
| 3 Chilaw Plantations Ltd. | 16 Sri Lanka Export Credit Insurance Corporation |
| 4 Development Lotteries Board | 17 Sri Lanka Land Reclamation & Development Corporation |
| 5 Housing Development Finance Corporation Bank of Sri Lanka | 18 Sri Lanka Transport Board |
| 6 Independent Television Network | 19 State Development and Construction Corporation |
| 7 Kurunegala Plantations Ltd. | 20 State Engineering Corporation |
| 8 Lanka Mineral Sands Ltd. | 21 State Mortgage & Investment Bank |
| 9 Lanka Sathosa Ltd. | 22 State Pharmaceuticals Corporation |
| 10 MILCO (Pvt) Ltd. | 23 State Pharmaceuticals Manufacturing Corporation |
| 11 National Insurance Trust Fund | 24 State Timber Corporation |
| 12 National Institute of Business Management | |
| 13 National Lotteries Board | |

Category C

- | | |
|---|--|
| 1 Agricultural and Agrarian Insurance Board | 12 National Livestock Development Board |
| 2 Ceylon Fisheries Corporation | 13 Paranthan Chemicals Co. Ltd. |
| 3 Ceylon Shipping Corporation | 14 Sri Jayewardenepura General Hospital |
| 4 Colombo Commercial Fertilizer Co. | 15 Sri Lanka Ayurvedic Drugs Corporation |
| 5 Elkaduwa Plantations Ltd. | 16 Sri Lanka Broadcasting Corporation |
| 6 Janatha Estates Development Board | 17 Sri Lanka Cashew Corporation |
| 7 Kahatagaha Graphite Lanka Ltd. | 18 Sri Lanka Rupavahini Corporation |
| 8 Kalubovitiyana Tea Factory Ltd. | 19 Sri Lanka Savings Bank Ltd. |
| 9 Lanka Phosphate Ltd. | 20 Sri Lanka State Plantations Corporation |
| 10 Lankaputhra Development Bank | 21 State Printing Corporation |
| 11 Mantai Salt Ltd. | 22 STC General Trading Company Ltd. |

Category D

- | | |
|---------------------------------------|-------------------------------------|
| 1 B.C.C. Lanka Ltd. | 9 Kanthale Sugar Industries Ltd. |
| 2 Building Materials Corporation | 10 Lakdiva Engineering Co Ltd. |
| 3 Ceylon Ceramics Corporation | 11 Lanka Fabrics Ltd. |
| 4 Ceylon Fishery Harbour Corporation | 12 Lanka Salusala Ltd. |
| 5 Cey-Nor Foundation Ltd. | 13 National Paper Corporation |
| 6 Corporative Wholesale Establishment | 14 North Sea Ltd. |
| 7 Hingurana Sugar Industries Ltd. | 15 Sri Lanka Cement Corporation |
| 8 Janatha Fertilizer Enterprises Ltd. | 16 Sri Lanka Thriposha Company Ltd. |
-

Category E

- | | |
|-------------------------------|-----------------------------------|
| 1 Hotel Developers Lanka Ltd. | 3 Sri Lanka Insurance Corporation |
| 2 Mihin Lanka (Pvt) Ltd. | 4 Sri Lankan Airlines Ltd. |

Development Agencies

- | | |
|---|---|
| 1 Disaster Management Centre | 21 Social Security Board |
| 2 Hadabima Authority of Sri Lanka | 22 Southern Development Authority of Sri Lanka |
| 3 Land Survey Council | 23 Sri Lanka Book Development Council |
| 4 Legal Aid Commission of Sri Lanka | 24 Sri Lanka Freedom from Hunger Campaign Board |
| 5 Mahaweli Authority of Sri Lanka | 25 Sri Lanka Press Council |
| 6 Marine Environment Protection Authority | 26 State Resources Management Corporation Ltd. |
| 7 Mediation Board Commission | 27 Sugathadasa National Sports Services Complex Authority |
| 8 National Human Resources Development Council | 28 Superior Courts Complex Board |
| 9 National Science & Technology Commission | 29 Thurusaviya Fund |
| 10 National Science Foundation | 30 Tower Hall Theatre Foundation |
| 11 National Secretariat for Disabilities | 31 Udarata Development Authority |
| 12 National Secretariat for Elders | 32 Urban Settlement Development Authority |
| 13 National Youth Services Council | 33 Wijaya Kumaratunga Memorial Hospital |
| 14 National Institute of Social Development | 34 Land Reform Commission |
| 15 Sri Lanka Institute of Local Governance | 35 Paddy Marketing Board |
| 16 Ranaviruseva Authority | 36 Palmyrah Development Board |
| 17 Rehabilitation of Persons, Properties & Industries Authority | 37 Selasene Rupavahini |
| 18 Resettlement Authority | 38 Skills Development Fund |
| 19 Road Development Authority | 39 Osu Govi Company Ltd. |
| 20 Samurdhi Authority of Sri Lanka | |
-

Revival of Underperforming Enterprises and Underutilised Assets

The 2011 Budget referred to the importance of taking appropriate measures to revive certain enterprises that have continuously failed in its operations or underperformed, warranting intervention at the highest level, in order to maximize growth and economic activity in the public

interest. Revival of Underperforming Enterprises or Underutilized Assets Act No. 43 of 2011 was introduced in November 2011, vesting with the State, 01 Underperforming Enterprise and 37 Underutilized Assets, listed in its Schedules.

Box 3.3

Revival of Underperforming Enterprises or Underutilized Assets Act No. 43 of 2011 (Effective date – 11.11.2011)

Salient Features

The Underperforming enterprises (listed in Schedule I of the Act) and Underutilized Assets (listed in Schedule II of the Act) were vested in the Secretary to the Treasury for and on behalf of the Government.

Cabinet of Ministers to appoint in respect of one or more of such enterprise or asset, a competent Authority either by name or by office.

The Competent Authority so appointed was required to control, administer and manage or ensure the revival of such Enterprise or Asset through alternate utilization.

In the exercise of its powers functions and duties, the Competent Authority is subject to general and special directions of the Government, having regard to the interest of any workers, to ensure an effective management and administration etc.

- Payment of prompt, adequate and effective compensation was ensured relating to the vested enterprises and assets.
- Compensation to be paid within six months from the receipt of the claim by the Compensation Tribunal.
- Any aggrieved party to appeal within 14 days from the date of such award, to the Court of Appeal.
- Compensation to be charged to a special account to be operated by the Government with a Licensed Commercial Bank.

A dedicated Compensation Tribunal was appointed, comprising the Chief Valuer and two other persons who have wide experience and who have shown capacity in commercial valuation, to ensure timely payments.

A person guilty of an offence be guilty on conviction after summary trial before a Magistrate be liable to imprisonment of either description for a period not exceeding ten years or to a fine not exceeding Rs. 10,000/- or to both.

Progress made towards revival of the entities vested with the Government in November 2011

Hotel Developers (Lanka) plc.

State Land leased to HDLL on a 99 year Lease – Hotel Block, 5 Years – Pool Block.

A new Management Contract being finalized with Hilton International Worldwide on terms more favorable to the Government, while compensation claims are being entertained from third party stakeholders.

Sevanagala and Pelwatte Sugar Industries Limited.

Merged and formed as a new company under the Companies Act No. 7 of 2007, to be fully owned/ administered by the Government, while ensuring employee continuity, and payment of compensation to third party stakeholders.

Ceylinco Leisure Properties Ltd. - Colombo 3

The partly constructed building being transformed into

a multifaceted hotel complex, through a consortium of Private/ public entities, while compensation being paid to 3rd party stakeholders.

Chalmers Granaries Ltd. - Colombo 1/ Lanka Tractors Ltd. - Colombo 11/ Suchir Neb Projects (Private) Ltd. - Battaramulla/ Former Cashew Corporation Land - Colombo 3.

Transferred to the Urban Development Authority, to be developed under the overall Urban Development Plan.

The following sites had been released to be used for public purposes;

Seethas Fashion (Pvt) Ltd., Needle Crafts (Pvt) Ltd., Collins Garment (Pvt) Ltd. and Macfa Apparel (Pvt) Ltd.

Sites released to new investors;

Name of the Asset	Investor (New)	Investment US\$ (Mn)			Product
		Fixed Capital	Working Capital	Total	
Health Food Products (Pvt) Ltd	Somlotus (Pvt) Ltd.	24.7	5.25	29.95	To assemble home appliances for export
Continental Vanaspathi (Pvt) Ltd.	BCC Lanka Ltd.	0.5	2.5	3	To manufacture edible oil, soaps, disinfectants and washing powder
Sri Chirag (Pvt) Ltd.	Chemsel Lanka (Pvt) Ltd.	8	1	9	To manufacture Carboxy Methyl Cellulose for export
Hy - Fashion Garments (Pvt) Ltd.	Concord Apparels (Pvt) Ltd.	0.96	0.3	1.2	To manufacture garments for export
Sinotex (Lanka) Ltd. - 1	JAT Holdings (Pvt) Ltd.	2.6	4.9	7.5	To manufacture paints to be sold in the domestic market
Sinotex (Lanka) Ltd. - 11	Expo Lanka Group	4	1	5	To establish a value addition center
Plymouth Industries (Pvt) Ltd.	NIVO International (Pvt) Ltd.	0.5	2.8	3.3	Processing of Cashew Kernals
Jaqalanka Ltd.	M/s. Bachhawat Enterprises Ltd.	1	0.2	1.2	To manufacture confectionary & snacks
Rican Lanka (Pvt) Ltd.	Attotech Ltd.	1.8	0.03	1.92	To set up an engineering services facility using state-of-the-art technology
Tendon Lanka (Pvt) Ltd.	MAS Intimates Ltd.	0.5	0.5	1	To set up an expansion for the manufacture of high value added garments for export
DC Apparel (Pvt) Ltd.	Sterling Jersey Co. (Pvt) Ltd.	0.04	0.01	0.05	To knit socks using advanced technology

3.3 Procurement

3.3.1 Establishment of Standing Cabinet Appointed (Special) Procurement Committees for thirteen Ministries

In a bid to make large procurements more methodical and expeditious, in keeping with paragraphs 2.7.1 and 2.7.2 of the Government Procurement Guidelines – 2006, the following Special Procurement Committees were appointed in 2011 by the Cabinet of Ministers to deal with high value procurements in specific categories;

- Cabinet Appointed Procurement Committees (CAPCs) for each procurement in relation to Works, Goods and Services have been appointed pertaining to procurements exceeding Rs. 150 Mn. in the case of Government Funds and exceeding Rs. 500 Mn. in the case of foreign funded projects.
- Cabinet Appointed Consultant Procurement Committees (CACPCs) appointed as per Government Procurement Guidelines, to obtain Consultancy Services.
- Standing Cabinet Appointed Procurement Committees (SCAPCs) appointed as per Procurement Guideline 2.7.2 for the procurement of Petroleum products, Pharmaceuticals and Fertilizer.
- Cabinet Appointed Negotiating Committees (CANCs) appointed under Procurement Guidelines Part II issued by the General Treasury.
- Standing Cabinet Appointed Review Committees (SCARC) appointed as per the Cabinet Decision dated 23-06-2010 to assess and submit recommendations on unsolicited proposals deserving further consideration.

Although the prevailing practice is to appoint Ministry Secretaries and Senior Officers to various procurement committees, it is evident that such officers are often unable to pay the desired attention to the evaluation of tenders, due to pressure of work by having to serve on several tender boards etc. during the same time. As such, it was deemed appropriate to appoint Standing Procurement (Special) Committees for each Ministry for the procurement of works, goods, services, and consultancy services, and Cabinet Appointed Negotiating Committees (CANCs), consisting of officers specifically selected giving attention to their relevant areas of expertise.

The following Procurement Committees, consisting of designated five members were approved;

- A Secretary to a Ministry, other than the Secretary to the relevant line ministry – to operate as the Chairman.
- Secretary to the relevant line ministry or an Additional Secretary in place of such Secretary (Ministry member)
- A Secretary to any other line Ministry and/or a senior officer from an all island service, or any university or a Statutory Body, who has expertise in the relevant subject.
- A Treasury Representative; In the event the Representative is not a member of the Sri Lanka Accountant's Service, any senior officer from the Sri Lanka Accountants' Service.

The following Standing Procurement (Special) Committees were also approved;

- Ministry of Health – for pharmaceuticals and non pharmaceutical procurements and a Procurement Planning Committee for pharmaceuticals
- Ministry of Water Supply & Drainage – for GOSL and multilateral and bilateral fund related procurements.
- Ministry of Economic Development
- Ministry of Power & Energy
- Ministry of Petroleum Industries – for procurement of Petroleum & Petroleum Related Products
- Ministry of Defence – including departments and statutory bodied coming under its purview
- Ministry of Finance & Planning
- Ministry of Ports & Highways - for Highways Projects involving domestic funds, funds from bilateral and multilateral sources and for Port development activities.
- Ministry of Agrarian Services & Wild Life – for the purchase of fertilizer and a Procurement Planning Committee for fertilizer
- Ministry of Transport
- Ministry of Construction, Engineering Services, Housing and Common Amenities
- Ministry of Civil Aviation
- Ministry of Higher Education

Standby Committee No. 01.

Standby Committee No. 02.

In view of practical difficulties encountered in obtaining prior approval from the Cabinet of Ministers, relating to procurement of petroleum and petroleum related procurements which are being carried out based on weekly price quotations, it was decided that it is sufficient to obtain the covering approval of the Cabinet of Ministers for such tenders, in keeping with the current practice.

However, it was decided that quotations for the procurement of Petroleum and Petroleum related products should be pursued, based on a systematic plan on a long term basis (Term Contracts) and that it is necessary to obtain the approval of the Cabinet of Ministers prior to the award of such tenders. Further, that other than such procurements made based on weekly price quotations, all other procurement recommendations of such committees should have the prior approval of the Cabinet of Ministers.

Procurement Planning Committees were also established for the procurement of pharmaceuticals and fertilizer.

3.3.2 Strengthening the Standing Cabinet Appointed Review Committee (SCARC)

In 2010, the Cabinet of Ministers appointed a Standing Cabinet Appointed Review Committee (SCARC) consisting of very senior public officials, to make assessments of unsolicited /stand alone development proposals and decide the manner in which such proposals could be processed or, and advise relevant line Ministries and Government Agencies, on matters related to such proposals.

The Cabinet of Ministers also authorized the SCARC to formulate a clear policy strategy in consultation with the Department of Public Finance of the Treasury and to prepare Guidelines to be issued relating to such proposals. Further, the Cabinet of Ministers thereafter gave approval to strengthen the mandate of the SCARC by approving to have in place, one or more supporting committees with relevant expertise to assist towards expeditious evaluations so that recommendations of SCARC can be made to the Cabinet of Ministers without delay.

In this backdrop, the following new guidelines were issued in 2011, further to the outline given in "Guidelines on Government Tender Procedure Part II" issued in 1998;

In order to expedite the evaluation of investment proposals and to be able to realize the expected economic benefits to the country and to facilitate a greater contribution by the SCARC towards finalization of project evaluation of strategic importance, the mandate of the SCARC was enhanced to be able to have in place one or more supporting committees (TECs/PCs) with relevant expertise to assist the SCARC, so that recommendations for the approval of the Cabinet of Ministers could be made without delay on the following key aspects;

- To make recommendations having studied unsolicited or stand-alone proposals relating to large scale private investments with the assistance of the Secretary to the relevant Line Ministry and make recommendations to the Cabinet of Ministers through the Secretary to the relevant line Ministry.
- To make recommendations having studied unsolicited or stand-alone proposals relating to large scale infrastructure such as roads, high risers, water supply and power projects with the assistance of a Project Committee and the Secretary to the relevant Line Ministry having *inter alia* considered the feasibility of such project, and make recommendations to the Cabinet of Ministers through the Secretary to the Cabinet.
- To carry out a brief oversight assessment of Tenders already evaluated by CANCs and CAPCs with the assistance of one or more supporting committees (PCs) with relevant expertise to assist the SCARC so as to ensure that the required processes have been duly followed, before their recommendations are submitted to the Cabinet of Ministers for approval.
- To clear the provisions contained in MOUs proposed to be signed by the Investors and the relevant state agency, with regard to unsolicited or stand-alone proposals evaluated and approved as set out above.
- To establish a secretariat having mobilized the required expertise as staff, to assist the functioning of the SCARC.

3.3.3 Amendments to Procurement Guidelines

Clarifications to Tender Guidelines were issued in 2011, drawing attention to the fact that;

- projects which are generally not of a strategic nature and can be managed through the normal procedure, and
- all procurements of a general nature

should not be processed in terms of the new Guidelines pertaining to evaluation by the Standing Cabinet Appointed Review Committee (SCARC).

Category I

Public Sector Development Project Proposals to be financed on credit terms pertaining to which the lender nominates the contractor.

Category II

Development Project Proposals to be undertaken by Private Investors in the form of Private Public Partnership (PPP), Build Own Operate (BOO), Build Own Transfer (BOT) and other partnership arrangements with a line ministry or other Government agencies.

Category III

Private investment initiatives which involve having to dispose either by sale, grant or otherwise – any state land or land owned by a state entity.

The Secretary to the relevant line ministry or the Head of the relevant Government Agency is required to be initially satisfied that a proposal to be submitted to the Standing Cabinet Appointed Review Committee (SCARC) appears to be exceptionally beneficial to the country in terms of funding or otherwise, and hence it is desirable to proceed with such proposal on an urgent basis, in the national interest, without having to go through the normal procurement procedure.

The clarifications also require attention to the following;

- it should be ensured that suitable financing terms are available,
- a valuation should be obtained from the Chief Valuer - in the event alienation of state land or land belonging to state institutions is associated,
- all funds realized should be credited to the account of the Deputy Secretary to the Treasury,

- approval of the Cabinet of Ministers should be obtained prior to executing the final contract/agreement and making a commitment on behalf of the Government or a Government agency,
- the broad parameters setout should be borne in mind if a Memorandum of Understanding is proposed to be entered into,
- after the initial approval - all projects should be processed in line with generally applicable procedure.

The Secretary to the relevant line ministry or the Head of the relevant Government Agency is required to be initially satisfied that a proposal to be submitted to the Standing Cabinet Appointed Review Committee (SCARC) appears to be exceptionally beneficial to the country in terms of funding or otherwise, and hence it is desirable to proceed with such proposal on an urgent basis, in the national interest, without having to go through the normal procurement procedure...

3.4 Institutional and Social Capacity Development

3.4.1 Fiscal Management Efficiency Project

The Government's fiscal and revenue management reform endeavours, facilitated by the Asian Development Bank, have been sustained since 2002. These endeavours were taken forward in 2011, by the Fiscal Management Efficiency Project, under the purview of the Ministry of Finance and Planning.

The project focus is on two distinct but interrelated components namely;

- the introduction of Information Technology Systems at the Inland Revenue Department (IRD) and the Ministry of Finance and Planning; and
- Social Capacity Development.

The project covers three main areas of reform and progress made in the year 2011 includes the following;

i. RAMIS - Revenue Administration and Management Information System

This component covers the automation of all the business processes of the Inland Revenue Department, endeavouring to address inefficiencies in revenue management and is expected to put in place a more accountable automated system that will facilitate and increase revenue collection and also provide access to timely and accurate information.

Scope

The core functions of the IRD will be IT - enabled after implementation of RAMIS - including registration, filing of returns, making tax payments, appeals, collections, cancellations, directions, clearances and other online taxpayer services. Once all the functions of RAMIS are developed, tested and made operational, RAMIS will be expended to provincial revenue offices.

Progress in 2011

Following an initial study of the IRD business processes and operations done in early 2011, Bids have been called

under the International Competitive Bidding Process, having published an invitation to bid, in February 2011 - closed on the 30th of June 2011. Evaluation of the bids is currently being done, after which the contract award will be made.

Meanwhile, the implementation of the **Local and Wide Area Network (LAN/WAN) Project of the Inland Revenue Department (IRD)** was successfully completed by December 2011, which provided necessary computer infrastructure for the IRD, including the following;

- **Construction of a State of the Art Data Center at Jawatte Road, Colombo 5** - the main infrastructure facility that houses all key servers, storage equipment & network equipment of the IRD LAN, which will house both the RAMIS and ITMIS systems and will be operational 24 hours.
- **Construction of a Disaster Recovery Facility in Kurunegala** - which is an identical facility to the primary Data Center in Colombo 5, which will function as the backup Data Centre in the event of a failure in the Colombo site.
- **Local Area Network (LAN) in IRD Head Office/ provision of computer equipment**
400 new computers and 50 new printers were installed at the IRD head-office and a comprehensive Local Area Network, was setup connecting all 15 floors of the Head Office Building of the IRD. Another 100 new computers have been distributed among IRD branch offices island-wide.
- **An Island- wide "Wide Area Network (WAN) - for the IRD** - All IRD branch offices island-wide have now been interconnected with the IRD head-office.
- **A Telephone System** - A new telephone system was installed in the IRD head-office building, interconnecting the entire branch network.
- **New E-Mail Facilities** - 368 new email accounts have been provided for the staff of the IRD.
- **Internet Facilities** - provided to all senior staff of the IRD.

ii. ITMIS - Integrated Treasury Management Information System

The introduction of an Integrated Treasury Management Information System which will automate key departments of the Treasury/Ministry of Finance and Planning is underway, which will facilitate the various functions of the General Treasury, ensuring proper and effective management in revenue administration and integrated treasury operations;

Scope

The functions of General Treasury proposed to be so automated include budget preparation, commitment control, cash flow management, debt management, fiscal planning and reporting. It will also facilitate the preparation of variable-based and query-based reports, etc.. ITMIS will be interfaced with RAMIS to ensure that there is fiscal / revenue consolidation, having accounted for, and reconciled all aspects on a more frequent basis.

Progress in 2011

- Following an initial study of the Treasury business processes and operations, Bids have been called under the International Competitive Bidding Process, having called for Bids in February 2011 and closed on the 30th of June 2011.
- Evaluation of the Bids is currently being done after which the contract award will be made.

iii. Social Capacity Development

Having recognized capacity constraints of staff of the MOFP and the Revenue Agencies, there are continuous efforts towards social capacity development through focused staff training. This component aims at improving subject specific knowledge, English Language skills and leadership skills of staff.

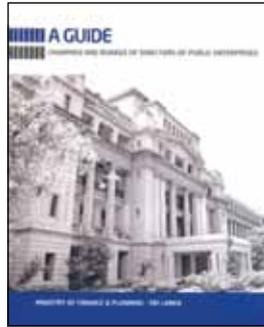
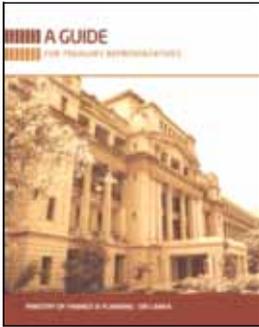
Progress in 2011

- The Academy of Financial Studies (AFS), A state of the art Academy of Financial Studies that will be managed under the purview of the Ministry of Finance and Planning is being setup primarily for the benefit of officers of the Ministry of Finance and Planning including officers of Accountancy and Planning Services, Officers of the Inland Revenue Department, the Customs Department and the Department of Excise. Work on the refurbishment and renovation of the old Customs Building (Times Building) to transform the same into a modern State - of - the - Art, Training Centre commenced in November 2011 and is due to be completed in May 2012.
- Social Capacity Development component, proceeded with further 'Business English Language Training' for staff of the Ministry of Finance and Planning. The 2011 phase of the training programme was successfully completed in December 2011 and all 320 selected members of staff from the Ministry of Finance and Planning have now completed their Business English Language Training.
- Two executive training programmes on Strategic Management and Public Finance were successfully completed at the Lee Kuan Yew School of Public Policy, National University of Singapore for 40 senior executive staff of the Ministry of Finance and Planning in 2011.
- IT training was provided for 1100 staff of IRD by the end of November 2011, covering staff in all categories on i.) general use of office applications, Internet and email facilities; ii.) networking, PABX and immediate computer troubleshooting activities.
- Overseas training for technical staff and system administrators were provided on data centre technologies and maintenance activities, in Seoul - Korea.

3.4.2 Publication of Guides

Guide 1 & 2

A Guide for Treasury Representatives A Guide for Chairman and Board of Directors of Public Enterprises



These first two publications of a series, were published in July and October 2010, respectively, to provide an overview of the unique catalytic role played by the Chairmen and Directors of Boards of Public Enterprises, including Treasury Representatives – who are the drivers of the Public Enterprises. These guides set out in brief, the legal and regulatory framework governing Public Enterprises and the legal provisions governing Public Finance. The key areas dealt with in these guides include;

Chapter 1 - Public Finance Framework

Chapter 2- Catalytic Role of Public Enterprises

Chapter 3 - Categories of Public Enterprises

Commercial Public Enterprises

Non Commercial Public Enterprises

Chapter 4 - Corporate Governance

Role of the Board of Directors

Role of the Chairman

Role of the Board Secretary

Role of the Chief Executive Officer/ Senior Management Staff

Responsibilities of an Audit Committee

Chapter 5 - Auditing and Oversight Functions

Auditor General

Committee on Public Enterprises (COPE)

Concerns Frequently Expressed by the Auditor General and COPE

Recommendations made by COPE on Public Enterprises in their recent report to Parliament

Chapter 6 - Duties and Responsibilities of Treasury

Representatives

Prior to attending Board Meetings

At Board Meetings

In General

Active Participation at Board Meetings

Norms on Remuneration as Board Members

Chapter 7 - Companies Act No.7 of 2007 - Key Provisions

Articles of Association

Rights of the Government

Major transactions

A Transaction which A Director is interested

Solvency Test

Serious Loss of Capital

Duties of Directors

Accounting Records

Group Financial Statements

Annual Report

Contents of an Annual Report

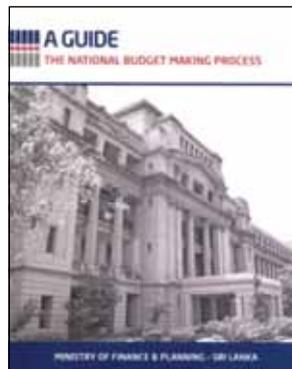
Subsidiary

Monitoring and Evaluation Performance of Subsidiaries and other Investments

Chapter 8 - Finance Act No.38 of 1971 - Key Provisions

Guide 3

The National Budget Making Process



The Guide being the third of a series of publications was published in August 2011 to enrich the working knowledge of public officials and relevant stakeholders, compiled in applying experience of the Treasury in the National Budget Making Process. It emphasizes in brief the provisions in relation to Governance Framework, Constitutional and Legal Framework, Processes such as Operational, Consultation, Political and Approval, Budget Execution, Audit and Accountability. The Guide intends to capture the gradual process involving the preparation of a National Budget that is productive, transparent and accountable, assisting public officers and other stakeholders to know the fundamentals of the overall national Budget making process so that they would better acquaint themselves with the process in order to be able to make more meaningful interactions in the National Interest.

The National Budget sets out the Government's expected income and expenditure for a particular year. While Government revenue derives primarily from taxes that are imposed through specific laws, a fair amount of revenue also derives from non-tax sources such as profits, dividend,

interest, levies and charges, collected in terms of specific laws and regulations. Government expenditure includes spending on the procurement of goods and services which are required for the delivery of public services. It also includes personal emoluments, establishment and human resources development costs. The Government also provides for subsidies, infrastructure development and assistance to households of the less privileged segments of the society and to loss making public enterprises - depending on government policy. The Government investment expenditure, includes expenditure on infrastructure investment, research and development and on human resource development. The Government also lends to state enterprises in support of public investments as well as to employees by way of housing loans, distress loans etc. The Government outlays, also include interest payments on public debt as well as debt repayments on debt raised in terms of related legislation. Certain payments such as debt services, pensions, are provided under special laws. Subject to Article 150(3) and 150(4) of the Constitution all other payments are provided through the Annual Appropriation Act. Both payments are incorporated in the Annual Budget Estimates to form the complete Budget. The estimates are compiled in terms of Standing Orders of the Parliament.

All Government receipts by way of revenue, grants and debt are recorded as receipts of the Consolidated Fund and all payments by way of services, delivery, costs, debt servicing, transfers, investments and loans are recorded as payments from the Consolidated Fund. Based on the economic impact of such inflows and outflows, revenue, expenditure and financing are reclassified in the economic format which is called the Budget Out-turn. All such figures are derived from the Consolidated Fund Account. Economic considerations influence the Budget in relation to the disposable income of the people, cost-of-living considerations, welfare objectives, private savings, investments, money supply and foreign exchange transactions. Hence, they reflect interdependency on savings and investments as well as on the money supply and Balance of Payments. These linkages are captured in the macro-fiscal framework. As a National Budget reflects the political vision of the incumbent government, priorities and emphasis are essentially based on such political vision. The technical element of a Budget involves forecast of revenue, expenditure, deficit financing and debt. It also involves the use of appropriate assumptions in respect of variables such as exchange rates, interest rates, prices, employment, consumption, savings, imports and exports, investments, tax base, service activities in the economy, GDP growth etc., as well as an assessment of risks and vulnerabilities. The National Budget making process involves discussions and deliberations towards finding out the needs and aspirations of all segments of the society, so that considered decisions can be taken in the best interest of the country having recognized priority sectors within the overall development

framework of the Government. It also involves compliance with the constitutional and legal framework.

Chapter 1 - Governance Framework

State Entities - as per articles of the Constitution
 Administrative Structure - Article 5
 Provincial Councils - PC Act No.42 of 1987, 9th Schedule in the 13th amendment to the Constitution
 Establishments Code - Volume issued in December 1971
 Financial Regulations - Gazette Extraordinary No. 1681/3 dated November 22, 2010

Chapter 2 - Constitutional and Legal Framework

The Consolidated Fund - Article 149
 Withdrawal of sums from the Consolidated Fund - Article 150 (1)&(2)
 Appropriation Act
 Consequences of the rejection of the Appropriation Bill - Article 49(2), 70(d)
 Authorization of Expenditure by the President when Parliament is dissolved before the Appropriation Bills- Article 150(3)
 Authorization of Expenditure by the President when Parliament is dissolved to enable incurring expenditure on election - Article 150(4)
 Vote on Account
 Contingencies Fund - Article 149, 151
 Special Requirements relating to Bills affecting public revenue - Article 152

Revenue related Statutes
 Monetary Law Act No. 58 of 1949
 Local Treasury Bills Ordinance No. 08 of 1923
 Registered Stock and Securities Ordinance No. 07 of 1937
 Foreign Loans Act No. 29 of 1957
 Loans (Special Provisions) Act No. 40 of 1982

Government Debt Ceilings
 - Monetary Law Act - Section 89
 - Fiscal Management (Responsibility) Act No.3 of 2003 - Section 20, 26 - Ceiling on Government Guarantees
 - Finance Act No. 38 of 1971
 - Fiscal Management (Responsibility) Act No. 03 of 2003

Chapter 3 - The Process

Operational Process
 Departments of the Treasury that facilitate the National Budget Making Process
 Key Revenue Departments
 Revenue Sharing Arrangements
 Consultation Process
 Political and Approval Process

Chapter 4 - Execution, Chapter 5 - Monitoring, Chapter 6 - Audit and Accountability

3.5 Legal, Regulatory and Policy Improvements

Acts passed in 2011;

- Recovery of Loans By Banks (Special Provision) (Amendment) Act No. 1 of 2011
- Offensive Weapons (Amendment) Act No. 2 of 2011
- Regulation of Insurance Industry (Amendment) Act No.3 of 2011
- Mediation Boards (Amendment) Act No. 4 of 2011
- Protection of the Rights of Elders (Amendment) Act No. 5 of 2011
- Rohitha Abeygunawardana Foundation (Incorporation) Act No. 6 of 2011
- Tharunyata Hetak Organization (Incorporation) Act No. 7 of 2011
- Red Lotus Organization for Humanitarian Services (Incorporation) Act No. 8 of 2011
- Value Added Tax (Amendment) Act No. 9 of 2011
- Nation Building Tax (Amendment) Act No. 10 of 2011
- Economic Service Charge(Amendment) Act No. 11 of 2011
- Strategic Development Projects (Amendment) Act No. 12 of 2011
- Provincial Councils (Transfer of Stamp Duty) Act No. 13 of 2011
- Debits Tax (Repeal) Act No. 14 of 2011
- Finance (Amendment) Act No. 15 of 2011
- Regional Infrastructure Development Levy (Repeal) Act No. 16 of 2011
- Excise (Special Provisions) (Amendment) Act No. 17 of 2011
- Ports and Airports Development Levy Act No. 18 of 2011
- Recovery of Loans by Banks (Special Provisions) (Amendment) Act No. 19 of 2011
- Excise (Amendment) Act No. 20 of 2011
- Telecommunication Levy Act No. 21 of 2011
- Inland Revenue (Amendment) Act No. 22 of 2011
- Tax Appeals Commission Act No. 23 of 2011
- Sri Lanka Semata Setha Foundation (Incorporation) Act No. 24 of 2011
- Pina Organization (Incorporation) Act No. 25 of 2011
- Census (Amendment) Act No. 26 of 2011
- Maheshwary Foundation (Incorporation) Act No. 27 of 2011
- Elections (Special Provisions) Act No. 28 of 2011
- Food (Amendment) Act No. 29 of 2011
- Pradeshiya Sanwardana Bank (Amendment) Act No. 30 of 2011
- Control of Pesticides (Amendment) Act No. 31 of 2011
- Navy (Amendment) Act No. 32 of 2011
- Sri Lanka Economic Association (Incorporation) Act No. 33 of 2011
- Anuradhapura Sri Pushpadana Development Foundation (Incorporation) Act No. 34 of 2011
- Pahalagama Sri Somarathana Nayaka Thero Foundation (Incorporation) Act No. 35 of 2011
- Lester James Peries and Sumitra Peries Foundation (Incorporation) Act No. 36 of 2011
- Olagangala Maha Sudarshana Paropakari Foundation (Incorporation) Act No. 37 of 2011
- Institute of Applied Statistics, Sri Lanka (Incorporation) Act No. 38 of 2011
- Industrial Disputes (Amendment) Act No. 39 of 2011
- Prevention of Money Laundering (Amendment) Act No. 40 of 2011
- Convention on the Suppression of Terrorist Financing (Amendment) Act No. 41 of 2011
- Finance Business Act No. 42 of 2011
- Revival of Underperforming Enterprises or Underutilized Assets Act No. 43 of 2011
- National Police Academy Act No. 44 of 2011
- Housing Development Finance Corporation Bank of Sri Lanka (Amendment) Act No.45 of 2011
- Agrarian Development (Amendment) Act No.46 of 2011
- Notaries (Amendment) Act No. 47 of 2011
- Registration of Documents (Amendment) Act No. 48 of 2011
- Coast Conservation (Amendment) Act No. 49 of 2011
- Buddhist Cultural Centre of Nedimala, Dehiwala (Incorporation) (Amendment) Act No. 50 of 2011
- Sri Dhammalankara Social Services Foundation (Incorporation) Act No. 51 of 2011
- Appropriation Act No. 52 of 2011

Source : Parliament of Sri Lanka

3.5.1 A Synopsis on Acts passed in 2011 under the purview of the Ministry of Finance and Planning;

Act	Objective
Recovery of Loans by Banks (Special Provisions) (Amendment) Act No. 1 of 2011	To ensure that "Parate Execution" will be applicable only if the sum borrowed in relation to a mortgage property is over Rs. 5 million, excluding any interest or penalties.
Regulation of Insurance Industry (Amendment) Act No.3 of 2011	To replace DG-SEC with the Registrar of Companies as an ex-officio member of the Insurance Board, to limit the registration of a company only pertaining to one class of insurance business that is long term or General and to require existing companies carrying on both classes of businesses to segregate its businesses within the time frame given and to empower the Insurance Board to consider the persons proposed to be appointed as Principal Officers.
Value Added Tax (Amendment) Act No. 9 of 2011	To introduce a new VAT suspension scheme for exporters and deemed exporters, to provide for reduction, removal, exemption and simplification of VAT, to provide concessions to identified segments of the society affected during the period of conflict.
Nation Building Tax (Amendment) Act No. 10 of 2011	To expand the Tax base, to introduce NBT to wholesale and retail trade, to revise applicable thresholds including a revision for the benefit of SMEs, to introduce new exemptions and concessions to identified segments of the society affected during the period of conflict.
Economic Service Charge (Amendment) Act No. 11 of 2011	To simplify the rates schedule and to introduce Annual Returns in place of Quarterly returns.
Strategic Development Projects(Amendment) Act No. 12 of 2011	Changes introduced to bring in greater clarity relating to its provisions and to add subsequent legislation to the Schedule, in order to enhance the scope of exemptions in relation to strategic investment.
Provincial Councils (Transfer of Stamp Duty) Act No. 13 of 2011	To enable the transfer of revenue collected by the Inland Revenue Department to the Provincial Councils.
Debits Tax (Repeal) Act No. 14 of 2011	To repeal the Act and remove the Debit Tax.
Finance (Amendment) Act No. 15 of 2011	To remove the Social Responsibility Levy, to exempt Special Projects from the Construction Industry Guarantee Fund Levy, to revise the rate of the Share Transactions Levy, to remove the Cellular Mobile Subscribers' Levy, to extend the period during which tax has to be paid to qualify to get a concessionary rate on the importation of vehicles in the case of good tax payers, to introduce a levy on 5 star hotels based on the room rate/to introduce new rates for luxury and semi-luxury motor vehicles.
Regional Infrastructure Development Levy (Repeal) Act No. 16 of 2011	To repeal the Act. With the removal of Regional Infrastructure Development Levy.
Excise (Special Provisions) (Amendment) Act No. 17 of 2011	To introduce an amendment to simplify the calculation of Excise Duty.
Ports and Airports Development Levy Act No. 18 of 2011	Removal of PAL on items imported for special projects.

Recovery of Loans by Banks (Special Provisions) (Amendment) Act No. 19 of 2011	Parate Execution rights introduced in terms of the Act not to be applicable in instances where the principal amount borrowed is less than Rs. 5 Mn. Excluding any interest and or penalties, mainly for the benefit of SMEs.
Excise (Amendment) Act No. 20 of 2011	To permit tapping of Palmyra/Kithul trees without a license to encourage related domestic industries.
Telecommunication Levy Act No. 21 of 2011	To introduce a composite levy relating to telecommunication service in lieu of VAT, NBT Cellular Mobile Subscribers and Environment Conservation Levies.
Inland Revenue (Amendment) Act No. 22 of 2011	To reduce the rates of individual taxes, to expand tax slabs, to revise corporate tax rates, to simplify the income tax system, to improve tax administration, to appoint an Interpretation Committee, to grant concessions to identified segments of the society affected during the conflict period.
Tax Appeals Commission Act No. 23 of 2011	To establish an autonomous Tax Appeals Commission, to hear all appeals relating to imposition of taxes and levies with regard to Statutes set out in the Schedule, and to make the appeal process independent and expeditious.
Prevention of Money Laundering (Amendment) Act No. 40 of 2011	To expand the applicability of the law, to further expand the coverage of unlawful activities relating to Money Laundering, to include Foreign predicate offences as unlawful activities, to recover corresponding value of the properties related to such in the absence of properties derived/realized through such laundering.
Convention on the Suppression of Terrorist Financing (Amendment) Act No. 41 of 2011	To widely define the applicability of Terrorist Financing Law, to widen the meaning of "Funds", to widen the meaning of Terrorist Financing Offences to provide authority for police to freeze/suspend terrorist funds and properties relating to the terrorist financing or activities before indictment.
Finance Business Act No. 42 of 2011	To provide for the regulation of Finance Business. Acceptance of a deposit by any person other than a person authorized to carry on finance business by this act is an offence 'deposit' - Monetary Board to determine whether a sum of money is a deposit or not.
Revival Underperforming Enterprises or Utilized Assets Act No. 43 of 2011	To provide for the effective management, administration and revival of identified Underperforming Enterprises and Underutilized Assets as defined - in the National Interest, and to vest such entities with the Government , for the appointment of a Competent Authority for any one or more of such entities to control , administer and manage or ensure the revival of such Enterprise or Asset through alternate utilization, in keeping with Government Policy. To provide that claims for compensation must be made within a period of 2 years from the date of vesting. To appoint a Compensation Tribunal - by the Cabinet of Ministers, to pay compensation within a period of 12 months from the date on which the claim was received by the Tribunal.
Housing Development Finance Corporation Bank of Sri Lanka (Amendment) Act No. 45 of 2011	To empower the Bank to borrow or raise money without referring to the Monetary Board, to permit the Bank to engage in the businesses that are permitted by the Banking Act as a Licensed Specialized Bank, to empower the Bank to split a share of Rupees Hundred (Rs. 100/-) into a share of Rupees Ten (Rs.10/-), so that the number of shares would increase by ten times.

3.5.2 A synopsis on Regulations published in 2011 under the purview of the Ministry of Finance and Planinig

Date	Description	Gazette	Objective
2011/12/29	International Telecommunication Operators Levy (Act No. 11 of 2004)	1738/15	To use revenue generated from this source to develop the telecommunication and information communication technology services in rural areas of Sri Lanka, as per 2012 Budget proposals.
2011/11/22	Ports and Airports Development Levy Act No. 18 of 2011	1733/17	To exempt the importation of selected articles used by disabled persons, timber logs, certain types of yarn and fabric from the payment of Ports and Airports Development Levy with effect from 22nd November 2011.
2011/11/21	Excise Ordinance - Excise Notification No. 944	1733/2	To amend the annual license fee for the manufacture of drugs, cosmetics, Ayurvedic products etc. using ethyl alcohol.
2011/11/21	Excise (Special Provisions) Act No. 13 of 1989, Order under Section 3	1733/1	To exempt electric motor bicycles and polymers of ethlene in primary form, from payment of Excise Duty, as per 2012 Budget proposals.
2011/11/21	Excise Ordinance - Excise Notification No. 946	1733/4	To reduce the rate levied on wine produced from local plant materials, plant products or potable local animal milk.
2011/11/21	Excise Ordinance - Excise Notification No. 945	1733/3	To amend the duty on spirit (Ethyl Alcohol) to be used in the manufacture of medicinal preparations and for approved industrial and other use.
2011/11/21	Sri Lanka Export Development Act No. 40 of 1979, Order under Section 14 (Import Cess)	1733/6	To exempt Cess on the importation of goods for specified projects of national interest to facilitate the implementation of development projects, to reduce the upfront cost of local manufacturers by way of reduction/removal of Cess on a variety of raw material, to reduce Cess on such imports to enhance the availability of branded products for personal use at affordable prices and to increase the Cess on the importation of certain items that could be locally manufactured.
2011/11/21	Sri Lanka Export Development Act No. 40 of 1979, Order under Section 14 (Export Cess)	1733/5	To exempt Cess on the export of scrap/waste generated by enterprises registered under the BOI or Customs Manufacture-in-Bond, or a scheme under Temporary Importation for Export Processing (TIEP), to increase/impose Cess on export of raw rubber and low value added mineral exports to encourage local value addition.
2011/11/21	Fiscal Management Report 2012	1733/7	To publish the Fiscal Management Report - 2012.
26/12/2011	Inland Revenue Act No. 10 of 2006	1735/26	To qualify "Samaposhha" manufactures using locally produced grains such as corn, rice, soya and green gram and sold on or after April 01st, 2006, for the purposes of section 16 (l) (c) of the Inland Revenue Act No. 10 of 2006.

2011/10/20	Increase of Excise Duty on Spirits (Ethyl Alcohol)	1728/23	To amend Excise Duty on spirit (Ethyl Alcohol) to be used in the manufacture of medicinal preparations and for approved industrial /other use.
2011/10/19	Inland Revenue Act No. 10 of 2006	1728/13	To expand the coverage of deposits in Regional Development Funds and Government Securities in the scope of investment of the Pension Funds, Gratuity Funds or Savings Funds which are approved by the CGIR.
2011/10/19	Increase of Excise Duty on liquor	1728/12	To amend Excise Duty on liquor.
2011/10/19	Increase of Excise duty on Cigarettes	1728/10	To increase Excise (Special Provisions) Duty on Cigarettes.
2011/08/04	The Finance Act No. 11 of 2004 - Order under section 26 (Claim two-thirds of the TDC funds)	1717/20	To amend the period within which a domestic PSTN operator will be eligible to claim two thirds of the Telecommunication Development Charge.
2011/06/30	Export Cess-Rubber	1712/23	Due to delay in submitting the Gazette No. 1695/31 to the Parliament, this Gazette was re-published.
2011/06/01	Exemption from the payment of excise duty on motor vehicles	1708/21	To exempt Excise (Special Provisions) Duty on selected excisable articles, including motor vehicles.
2011/05/31	Special approval for serving Wine,Beer and all liquids containing alcohol for the 05 Star Hotels and above star Classes	1708/16	To grant special approval for serving liquor which have been produced according to acceptable standards to hotels approved by the Sri Lanka Tourism Development Authority, to facilitate international standards/ compliance by such hotels.
2011/05/16	Excise Duty on Motor vehicles.	1706/3	To Introduce necessary amendments to increase the tax on limousine vehicles.
2011/04/25	Ports and Airports Development Levy Act No.18 of 2011-No.1703-1-dated-25.04.2011	1703/1	To exempt the importation of samples in relation to a business worth not more than Rs. 25,000/- from the payment of Ports and Airports Development Levy with effect from 26th April 2011.
2011/04/21	Excise Duty on Cigarettes, Tobacco,Petroleum oils, Vehicles etc.	1702/19	To amend tax rates on the importation of low cylinder capacity motor vehicles and high cylinder capacity hybrid-motor vehicles in order to streamline such imports and to improve Government revenue.

2011/03/04	Sri Lanka Export Development Act No. 40 of 1979-1695-31-dated-04.03.2011	1695/31	To adjust the prevailing Cess of Rs. 8/= per kg to Rs. 12/= or 2% of the F.O.B. whichever is higher, on export of natural rubber, to commensurate with rising international prices.
2011/02/25	Registered Stock and Securities Ordinance-1694-21-dated-25.02.2011	1694/21	To announce the revised date for redeeming a Registered Stock considering current market developments (Government loan amounting to Rs.5,680,000).
2011/02/25	Registered Stock and Securities Ordinance-1694-20-dated-25.02.2011	1694/20	To announce the revised date for redeeming a Registered Stock considering current market developments (Government loan amounting to Rs. 2,400,000).
2011/02/25	Registered Stock and Securities Ordinance-1694-19-dated-25.02.2011	1694/19	To announce the revised date for redeeming a Registered Stock considering current market developments (Government loan amounting to Rs. 18,823,586,000)
2011/01/17	Finance Act No. 11 of 2002- No. 1689-2-dated-17.01.2011	1689/2	To exempt the importation of dairy animals for breeding purposes and milking machines, machinery and parts under selected HS Codes from the payment of Ports and Airports Development Levy with effect from 18th January 2011.
2011/01/05	Excise-Ordinance-Notification-No-931-932-933-934-No-1687-18-dated-05.01.2011	1687/18	To amend Excise Duty on Liquor.
2011/01/21	Excise Ordinance - Excise Notification No. 935	1689/20	To grant special approval for serving liquor which has been produced according to acceptable standards to hotels approved by the SLTDA in order to facilitate the maintenance of international standards and compliance by such hotels.
2011/06/21	Excise Ordinance - Excise Notification No. 937	1711/8	To grant permission to export certain categories of liquor meant for sale on permits issued by the Commissioner General of Excise on payment of excise duty or on furnishing a Bond or Bank Guarantee for export of such article, duty free.
2011/06/21	Excise Ordinance - Excise Notification No. 938	1711/9	To amend the excise duty on spirit (Ethyl Alcohol) to be used in the manufacture of medicinal preparations/approved industrial and other use.

Source : Department of Fiscal Policy, Ministry of Finance and Planning

3.5.3 Policy on the Alienation of State Land

The Budget Speech 2012, stated the following in relation to State Land;

'Our country has only a very limited extent of land. We need to use such lands while preserving nature and ensuring bio diversity. As also agreed by the opposition, it has been decided not to transfer state land on outright basis to private investors but to give such lands only on long term leases, subject to a ceiling of 99 years. We have made it mandatory that related payments must be made on the basis of the value determined by the Government Chief Valuer. Provisions will be made in lease documentations to enable the Government to cancel such leases, if any such land is not put into productive use for the purpose for which it was given, within a period of 1 year.'

In my last Budget Speech I proposed that all land given to the private sector that are not utilized for the purpose for which lands were given, will be taken back by the Government. We have identified around 37,000 hectares of land that are being used, in the plantation sector. As these lands have not been put into productive use since the privatization of plantation land in the year 1992, I propose to take steps to enter into alternate 30 year lease

arrangements, having demarcated 2 acre blocks from such identified lands to be distributed among smallholders. Steps will also be taken to extend suitable financial assistance to such smallholder families to enable them to develop the lands. In addition, high quality seeds and planting material will also be provided to them.

The Parliament passed an Act recently, to vest back in the Government 37 enterprises and assets. It is not a statute that is opposed to private property rights. All such assets were owned by the state. They were given to the private sector with the intention of putting them into more productive use in the interest of the national economy. Virtually, all such entities have also got long term concessions granted by the Board of Investment. Intended benefits can accrue to the society only if such investors make use of the assets in a responsible manner. There is no way that any party can be permitted to disregard this social responsibility in the guise of private investment. It is the responsibility of the Government to ensure that these assets are put into productive use. Steps will be taken to develop such assets with the involvement of the private sector, while also rectifying the mistakes made in the past'.

The Cabinet of Ministers has decided on 27.04.2011, the following parameters relating to the alienation of state land;

Agricultural

Lease not exceeding 35 years.

Where the investment is over US\$ 20 Mn., suitable disposition with a long term tenure could be considered.

Industrial

Lease not exceeding 35 years.

Where the investment is over US\$ 30 Mn., a suitable disposition with a long term tenure could be considered.

Tourism

99 year Lease – 30 acres or less

Transfer – 10 acres or less provided;

- In the case of a person who is not a citizen of Sri Lanka, if the upfront value payable for the land is US\$ 50 Mn. or more and is paid by way of an inward remittance, resulting in a foreign exchange inflow.
- In the case of a person who is a citizen of Sri Lanka, if the upfront value payable for the land is US\$ 25 Mn. or more.

Development of Special Zones

Land grants for Special Zones for industries, tourism leisure etc. to Institutions such as the Board of Investment, Tourism Development Authority etc.

99 year Lease – 200 to 300 acres, to comprise such zones.

Further the Cabinet of Ministers by its decision dated 13.07.2011, has also decided that land belonging to/ in the custody of state institutions including state corporations, statutory boards and Government Owned Business Undertakings, can be disposed of, only with the prior approval of the Cabinet of Ministers. A Cabinet Sub Committee headed by the Secretary to the Prime Minister, is further studying this area with a view to propose possible improvements to facilitate Investment.

04

**MACROECONOMIC
REVIEW**

4.1 Overview

The economy of Sri Lanka registered a growth rate of 8.3 percent in 2011 compared to similar growth rate of 8 percent achieved in 2010 reflecting that country has attained a high growth momentum. The higher growth in 2011 was fuelled by the strong domestic demand and continued expansion in the domestic economy. This was also supported by improved infrastructure facilities, post conflict rehabilitation and reconstruction activities and relatively calm macroeconomic environment. With the higher economic growth, the per capita GDP increased to US\$ 2,836 in 2011 from 2,400 in 2010. The growth was mainly contributed by Industry and Services sectors. The primary Agriculture suffered a setback due to adverse weather. For the third consecutive year, inflation remained single digit level with the rate of inflation, measured in terms of GDP deflator, staying at 7.8 percent. Market interest rates remained relatively stable during the first three quarters of 2011 and reflected an upward movement in the final quarter of the year. Fiscal consolidation process produced desired results with the budget deficit containing at 6.9 percent of GDP without compromising public investment level at 6 percent of GDP. However, State Owned Business Enterprises (SOBEs) recourse to higher borrowings due to lagging behind in responding global prices. Further, an uncertain external environment where there are geo political tensions in the Middle-East and North Africa, spreading headwinds of the fiscal crisis in Europe, increase in global commodity prices, including oil, declining international capital flows and slowdown in the growth in many developed and emerging countries had an unfavorable impact on external trade. The combined effect of these internal and external development trends contributed to a large trade deficit at US\$ 9.7 billion with adverse consequences on external reserves which declined from US\$ 8.2 billion by mid-August 2011 to US\$ 5.9 billion by end 2011. Meanwhile, the policy of defending the exchange rate by using official reserves became a matter of concern with reserves depleting significantly during the final quarter of the year. This resulted in 3 percent devaluation in the exchange rate followed by market flexibility in November 2011, which subsequently required greater flexibility in exchange rate and interest rate movements to address the higher growth in imports and depletion of reserves.

Real Sector Growth Expanded

The Agriculture sector grew by 1.5 percent in 2011, compared to the higher growth of 7.0 percent recorded in 2010 mainly due to the setback in primary agriculture as a result of the devastating floods in a number of cultivation districts in early 2011. The Agriculture sector continued to provide employment opportunities, particularly for the people in the rural sector.

Reflecting the continued expansion of the domestic and external demand, the Industry sector recorded a 10.3 percent growth, the highest since 2002, supported by the healthy growth in all the sub sectors excluding agriculture processing. Total export at US\$ 10.6 billion registered a growth rate of 22.4 percent. This was achieved in the midst of recessionary developments in the global economy and the strict competition faced by domestic producers from imports.

The Services sector, which accounts for 60 percent of GDP, grew by 8.6 percent in 2011 compared to 8.0 percent recorded in 2010. This was the highest ever annual growth since 2002. The growth particularly reflected the gradual exploitation of the potential of this sector. In particular, the hotels and trade sectors continued to grow at higher rates with considerable growth in tourism and finance. Promising high growth rates were recorded in all the sub sectors such as, hotels and restaurants, transport and communication, banking, insurance, real estate as well as wholesale and retail trade. In addition, recovery of port related activities also continued.

Low Inflation Remained for the Third Consecutive Year

Inflation, as measured by the year on year change in the Colombo Consumers' Price Index (base=2002) (CCPI), dropped to 4.9 percent and for the third consecutive year, the inflation remained at single digit levels. The annual average inflation was 6.7 percent and GDP deflator produced 7.8 percent. The favourable supply side developments towards the end of the year, downward revision of import related taxes on selected items and less than required fuel and electricity price revisions helped containing cost push price pressures in the economy.

Low Interest Rates Continued but Turned Around in the Last Quarter

The market interest rates remained low during the first three quarters of 2011 with the lower inflation and the continuous easing of the monetary policy stance of the Central Bank by further reducing its policy interest rates i.e. Repurchase and Reverse Repurchase rate in January 2011, in the wake of lower inflation outlook to spur the credit growth to support economic activity.

However, the depletion of the external resources due to higher trade deficit and high credit demand from both private sector, and SOBEs and the government tightened

the liquidity resulting in an upward pressure on market interest rates, particularly during the final quarter of the year despite the lower inflation. Meanwhile, the yield margins for Sri Lanka Development Bonds (SLDBs) issued by the government were also increased marginally.

Sri Lanka successfully concluded its fourth international sovereign bond issue of US dollars 1,000 million in 2011 at an interest rate of 6.25 percent with a maturity period of 10 years. The improved domestic economic conditions coupled with the post conflict development prospects in the country, upgrading of the sovereign rating outlook of the country by international rating agencies and the continuation of the Stand-By Arrangement (SBA) facility with the International Monetary Fund (IMF) helped enhance investor confidence on this bond issue. Meanwhile, the non-resident investments in rupee denominated government securities increased in 2011 mainly reflecting the interest rate advantage for foreign investors coupled with the confidence of the Sri Lankan economy.

The deposit rates, which remained relatively stable during the first three quarters of 2011, increased in the final quarter of the year. Accordingly, the Average Weighted Deposit Rate (AWDR) of the commercial banks showed an overall increase of 101 basis points in 2011. However, the Average Weighted Lending Rate (AWLR) declined by 136 basis points to 13.44 percent from 14.8 percent by end 2010 due to the revision of the higher interest rate loans granted by commercial banks and the increased relative share of credit granted at lower interest rates in 2011.

Employment Opportunities Expanded

In 2011, the unemployment rate declined to 4.2 percent from 4.9 percent in 2010. The enhanced employment opportunities due to the growth in all sectors in the economy, growing employment opportunities in the economy and increase in overseas employment opportunities for Sri Lankans were the major contributory factors to this improvement.

External Sector Became Under Pressure

The external sector suffered from the third quarter of 2011 amidst the unstable external economic conditions and rising petroleum prices. Reflecting the strong domestic demand and higher oil prices, the expenditure on imports increased twice the rate than the encouraging growth of around 22 percent in exports. This resulted in a higher trade deficit of US\$ 9.7 billion in 2011. Although the private inflows increased at a healthy rate, it was not sufficient to offset the deficit in the current account. Hence, reflecting the stress of external trade and financing imbalances, the BOP recorded a deficit

of US\$ 1.1 billion in 2011. Consequently, the external reserves, which rose to US\$ 8.2 billion by mid-August 2011 moderated to US\$ 5.9 billion by end of 2011.

The overall confidence on the economy in the aftermath of the end of the conflict and promising economic outlook necessitated to enhance credit growth with concomitant growth in monetary aggregates. Although the performance during the first few months was broadly in line with this, the subsequent developments warranted some corrective policy measures. In particular, the policy of defending the exchange rate, by using official reserves of about US\$ 2.6 billion (on net basis) for the last 6 months of 2011, became a matter of concern with reserves depleting significantly during the final quarter of the year due to sharp increase in imports. Identifying the need for a correction in the currency, as was done by many peer countries, the government proposed 3 percent devaluation in the exchange rate followed by market flexibility in November 2011 when presenting 2012 national budget to the Parliament to correct this and to address widening trade deficit. This move in November 2011 also took place in the background of a substantial depreciation in exchange rates in India and other trading partners that encouraged their exports. Most of the imports of Sri Lanka originated from those countries. After this devaluation, the exchange rate remained stable again but higher growth in imports and sharp depletion of reserves continued requiring even greater flexibility in exchange rate and interest rate movements. Measures introduced since mid-February 2012 in this direction are expected to correct this situation.

Monetary Aggregates and Private Sector Credit Expanded Rapidly

Private sector credit and monetary aggregates grew at an astonishing rate than the expected growth due to the rapid recovery in the economy as well as the necessity to finance higher imports. Private sector credit grew by 34.5 percent due to relatively lower market interest rates, sustained expansion in the domestic economic activity, improved access to credit, and enhanced credit promotion activities by financial institutions. This is reflected in the increase in advances by commercial banks to all the categories namely; Agriculture and Fishing, Industry, Services and Personal Loans and Advances.

Financial System Stability Strengthened

The financial system of the country continued to improve in 2011. With this, the stability of the financial system was also strengthened thereby enhancing the public confidence. The enhanced credit growth as well as the improved performance of the bank and the non-bank financial institutions in terms of their assets, profits, capital and low

risk levels, were the major reasons for this improvement. The improved performance in the financial sector was also reflected through the improvement in leading indicators of financial institutions, markets, payment systems as well as safety nets.

Fiscal Sector Improvement Continued

Recent improvements in the government fiscal operations was further consolidated in 2011 by containing the overall budget deficit at 6.9 percent of GDP in comparison to 8.0 percent in 2010 and 9.9 percent in 2009. This improvement was achieved in the midst of the implementation of far reaching tax policy reforms to create a low tax and broad based tax regime that will be conducive to improve taxpayer compliance as well as to promote savings and investment by households and enterprises to strengthen the country's economy and thereby public finances further. The realization of a lower deficit was achieved without compromising social spending or public investment. The social expenditure on education, health, welfare and other areas continued at a renewed pace. However, fiscal situation remains vulnerable and operates under stress due to high oil prices that gave rise to subsidies in major sectors.

Revenue Targets

Total government revenue in 2011 grew by 14.4 percent to Rs. 935 billion. The revenue from import duty and excise duties increased to 1.2 percent and 2.8 percent of GDP, respectively reflecting the recovery of domestic economic activities and rate revisions. Despite the major tax reforms with lowering tax rates with a higher threshold during 2011, the revenue from income taxes remained at 2.4 percent of GDP. The revenue from Value Added Tax (VAT) declined to 3.3 percent of GDP showing the change in favour of excise taxes in 2011 with the revisions introduced to the VAT system. Meanwhile, non tax revenue increased to 1.9 percent of GDP reflecting the increase in the revenue from sales and charges and profits and dividends of government institutions. As a percentage of GDP, total revenue accounted to 14.3 percent in comparison to 14.6 percent in the previous year.

Managed Current Expenditure

The current expenditure increased by 7.4 percent to Rs. 1,007 billion in 2011, over that of 2010. As a percent of GDP, current expenditure declined to 15.4 percent from 16.7 percent in the previous year. Expenditure on salaries and wages increased by 6.3 percent due to the provision of special allowance and basic salary increase to all public servants. Interest payments declined to 5.5 percent of GDP, mainly due to the decline in domestic interest payments showing the favorable impact of relatively low interest rate

regime. Meanwhile, the non interest current expenditure declined to 9.9 percent of GDP in 2011 from 10.4 percent in 2010.

Committed Public Investments

The public investment programme was maintained at 6.2 percent of GDP in 2011 to improve infrastructure, reconstruct and rehabilitate the conflict affected areas and expand the rural centric development initiatives. This reflected the commitment of the government to maintain public investment at 6.0 percent or above, despite many challenges faced in fiscal management, in resolving infrastructure bottlenecks to stimulate private investment to achieve a sustainable high growth and reduce regional economic disparity.

Revenue Deficit, Budget Deficit and Deficit Financing

Reflecting the lower growth in current expenditure over the growth in revenue, the revenue deficit declined to 1.1 percent of GDP from 2.1 percent in 2010. The overall budget deficit declined to 6.9 percent of GDP consolidating the recent improvements in the fiscal sector. The budget deficit in 2011 was mainly financed through the borrowings from domestic sources (57 percent). The composition of domestic financing was biased towards bank financing due to liquidity conditions and less attraction in medium term interest rates to non-bank sources. The targeted deficit in 2012 is 6.2 percent of GDP with a view to make further progress in placing fiscal consolidation towards 5 percent of GDP by 2015. While non interest primary deficit reduction initiatives are consolidated, special attention is also being placed on the debt service impact on the budget, which has required adopting debt management aspects in fiscal reforms. Prevention of bunching of repayments through better planning of maturity structure, containing commercial borrowings, improvement in the balance sheet of SOBEs to generate their own funds and improvements in term structure in project financing with development partners are some key priorities. Meanwhile, the government debt to GDP ratio continued to decline to 78.5 percent in 2011 from 81.9 percent in 2010 and 90.6 percent in 2005.

Medium Term Fiscal Policy Strategy

The government is committed to strengthen the fiscal consolidation process further in the medium term. This is expected to achieve through a sustained increase in government revenue based on the new tax regime, which was introduced in 2011 and consolidated and streamlined in 2012, and medium term reforms in the

institutional capacity building in revenue administration. Such reforms have targeted the system improvements, human resource development and technology development in tax administration. Fiscal consolidation efforts are also supported by strong effort to keep the operational expenditure on check while prioritizing much needed public investment at around 6 percent of GDP to sustain the growth momentum.

Major Challenges

High Trade Deficit: The unprecedentedly high trade deficit has become one of the major challenges in the country's economic management. In order to address this, a policy package was introduced by the government and the Central Bank of Sri Lanka since mid-February 2012. This included the allowing of greater exchange rate flexibility and reduction of intervention in the foreign exchange market by the Central Bank, increase of policy interest rates in two occasions, initiatives to limit the private sector credit growth, upward revision of domestic petroleum, electricity and transport prices, the revision of tax structure related to the importation of motor vehicles and taxes on liquor, tobacco and other related commodities to moderate domestic demand. It is expected that these initiatives will help adjust the external sector viability to a sustainable level through a shift towards export based and import replacement production strategy as well as energy conservation programmes.

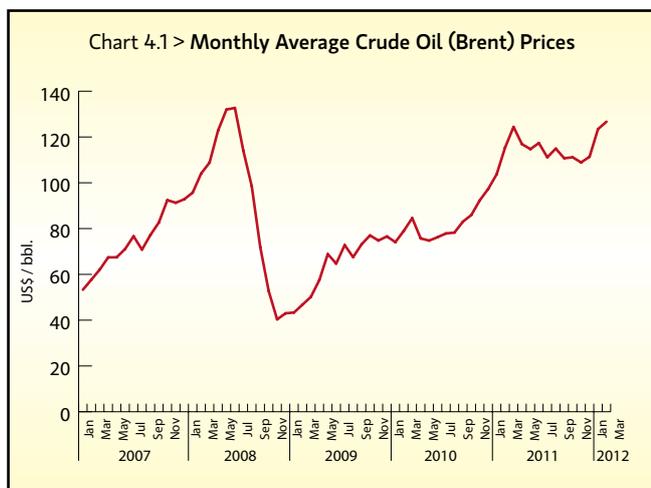
Intensifying Effort to Reduce High Trade Deficit: To complement the recent measures, there is a strong need to make a concerted effort in the medium to long run to reduce the trade deficit, which is a structural problem in the Sri Lankan economy, through the enhancement of the dynamism in the export sector and import replacement initiatives. In this context, the Budget 2011 and 2012 have already introduced a number of incentives and measures to enhance the value added products. The present exchange rate policy, tax system, pricing of fuel and electricity, and the incentives regime have been designed to enhance the exports and encourage domestic production. Seasonal adjustments in the taxes are being made to maintain a proper balance between the needs of the producers as well as the consumers. Accordingly, a conducive environment has already been created by the government to enable the domestic economy to grow. This process has to be strengthened further by active engagement of local industrialists as well as farmers by producing these goods in the country. Such a policy will help reduce the trade deficit in the future while enabling to shield the country from the adverse implications from any potential food crisis in the future. These policies will also secure energy security, food security, and environmental security in the country. Key areas that need urgent attention are as follows.

Diversification of Exports: Sri Lanka's export base has not been sufficiently diversified yet. Hence, it is necessary to expand the basket of goods available for export by expanding and diversifying the production base. The diversification has to be mainly in the manufacturing sector as the diversification of services sector has its own limitations. This has to be achieved through the enhancement of domestic value addition. The necessity to diversify the export markets to regional markets and the expanding of markets in the BRICS countries and other emerging countries has also been well recognized and enhanced efforts have to be put in place to achieve this objective.

Import Replacement: The increase of import replacement industries in the country and the enhancement of domestic agriculture production are necessary to reduce import expenditure over the years. The import of textiles and other accessories to produce garments for exports could be reduced by promoting those industries in the country. The country still imports a number of agricultural products, such as sugar, chillies, big onions, red onions, potatoes, peas, chick peas, green gram and kurakkan etc., at significant quantities which could be produced domestically at competitive prices. The production scope in terms of the value in these areas is estimated at around US\$ 1,000 million. In addition, milk and milk products, fish, dried fish, sardine and pharmaceutical products are also imported. Domestic private sector, with the participation of FDI, is given the role of manufacturing of cement, steel, machinery, textiles, furniture and a wide range of building materials the country still rely on imports due to inadequate increment in capacity expansion by the private sector. The domestic production scope in these areas also exceeds US\$ 3,000 million per annum.

Energy Conservation: Considering the cost of petroleum, energy resources and fertilizer of about US\$ 5,000 million at today's prices, the scope for energy conservation and new technologies to increase greater output from hydro and renewable energy sources as well as fertilizer also remains high.

International Petroleum Price Movements and Continuation of High Prices: The entire petroleum requirement of Sri Lanka is imported and at present, it costs about US\$ 5 billion on importation of oil, which is about 47 percent of its export earnings. This has already made the country vulnerable in terms of the performance of balance of payments and other macroeconomic variables. Therefore, the continued adjustments, in both supply and demand sides with appropriate measures including the followings to face this situation, has become a major challenge.



- Strengthening the effort towards alternative energy use to reduce reliance on fuel based power consumption supported by new technologies.
- Strengthening the energy conservation through proper demand management policies to eliminate hidden subsidies on private transport
- Encouraging industries, including those in the manufacturing sector, to use better equipment or controls
- Enhancing the measures to reduce system losses and theft
- Improving systematic traffic management to cut waste
- Creating an efficient urban public transport system

Increasing Subsidies: The government provides a wider range of subsidies covering key commodities such as petroleum, electricity, water, and transport facilities to reduce the cost of living and providing relief particularly to low income families. Despite continuously higher import prices, adjustment of domestic prices of petroleum products has been modest imposing considerable burden on Ceylon Petroleum Corporation (CPC) as well as on the financial system. The recent increase in the domestic petroleum prices was introduced in line with the global price developments, to offset increased costs and reduce the losses of the state energy corporations. However, measures to cushion the impact of the price increases on the most vulnerable, non-electricity household consumers, the fisheries sector and small service operators were taken to protect them from adverse implications of high petroleum prices. The electricity prices, though increased, still far below the average cost leading to considerable losses incurred by the Ceylon Electricity Board (CEB). Hence, the improvement of the financial situation of CPC and CEB remains as a challenge. Although the transport prices were increased in the past, the state run Sri Lanka Transport Board (SLTB) and Sri Lanka Railways (SLR)

continue to incur losses as the increases were not sufficient to recover the cost which has intensified owing to other issues such as the operational in efficiency. This has resulted in significant transfers to these institutions. However, these two departments, particularly the SLR, are run by the government to provide a service mainly to the low income categories in the society. Hence, the future pricing policy of these services has to be designed to maintain a proper balance between the needs of the needy segments in the society and the operational efficiency of these institutions, which also remains as a challenge.

National Savings: The contraction of the domestic savings in 2011 to 15.4 percent of GDP from 19.3 percent in 2010, which has reduced the national savings to 22.1 percent of GDP in 2011 in comparison to 25.4 percent in the previous year, is a matter of concern. This is mainly due to the significant increase in the private consumption, as opposed to the decline in government consumption during the year. The decline in national savings emphasizes the necessity of curtailing consumption expenditure of the country to generate more domestic savings and thereby increase economic growth. This process requires enhanced private savings, including the reduction of losses of state owned business enterprises by restructuring them to reduce their losses, complemented by the transformation of government budgetary operations to generate a revenue surplus in the medium term.

State Owned Business Enterprises (SOBEs): The performance of SOBEs requires considerable innovation to improve their finances. The performance of most of the SOBEs continue to reflect operational deficiencies such as the limited capacity to adjust output prices to reflect market conditions and profitability, inadequate competencies in corporate management, rigid outlook in addressing structural deficiencies in the organization to position them in the middle income country policy framework, inability to separate the business focus from the welfare objective and lack of proper business models with a long term vision. Meanwhile, the Committee on Public Enterprises (COPE) of the seventh Parliament after examining the performance of all 229 state entities, including SOBEs, has identified a number of issues that have undermined their performance. These include the non compliance of statutory obligations, lack of capacity of the Chairmen and Boards of Management, absence of corporate/ business plans, annual budgets, procurement plans, non-submission of annual reports, non responsiveness to audit queries and COPE recommendations, procurement violations, financial misappropriation, unsatisfactory recovery of debts and receivables and inadequate Treasury control and supervision. The COPE has also observed that the performance and the sustainability of the SOBEs have been jeopardized due to the non existence of commercially

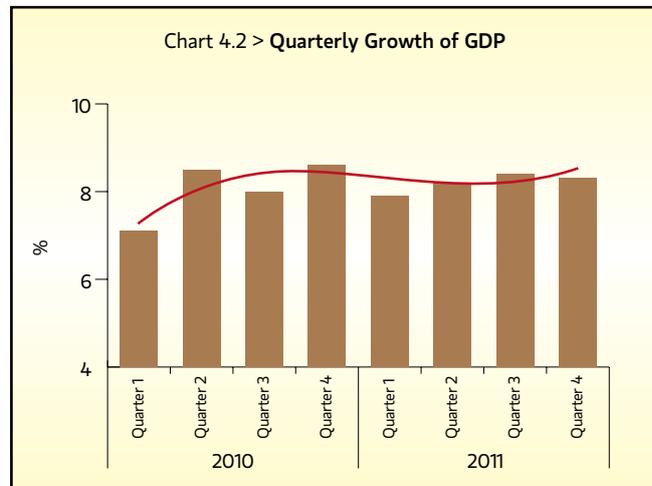
viable strategic plans and lack a human resource policy that addresses issues of recruitment of personnel, promotions, training, succession plans etc. Most SOBEs commonly rely on Treasury funding to meet their operational expenditure as well as for investments and their business operations have often failed to generate profits or adequate returns. This remains a major concern in public financial management and economic performance of the country. These SOBEs are required to phase-out their phenomenal losses in order to raise country's national savings in support of desired investment goals and economic growth in excess of 8 percent.

4.2 Real Economy

The Sri Lankan economy grew by 8.3 percent in 2011 following 8.0 per cent growth in 2010. The achievement of a high growth rate above of 8.0 percent for two consecutive years reflects the positive impact of the resilience of the Sri Lankan economy to both internal and external shocks. Particularly at a time when the Euro Zone is in crisis, the Middle-East is in a political instability and the global economy is recovering in a slow pace, the achievement of Sri Lanka by retaining a high growth needs to be consolidated. The contribution to total GDP by the three main sectors, agriculture, industry and services, were 11.2 per cent, 29.3 per cent and 59.5 per cent, respectively in 2011.

Agriculture

The growth in the agriculture sector in 2011 was marginal at 1.5 per cent compared to 7.0 per cent growth recorded in 2010. Owing to adverse weather conditions, particularly



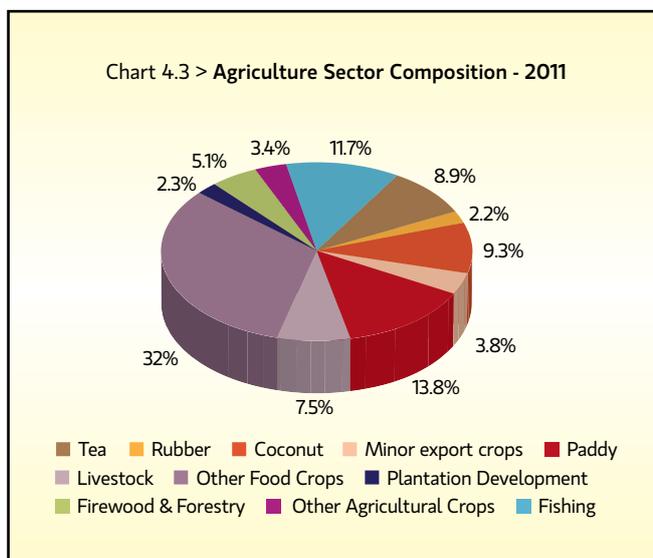
the devastating floods in Anuradhapura, Polonnaruwa, Trincomalee, Ampara and Batticaloa districts that affected the output at the beginning of the year, the agriculture sector contracted by 5.1 per cent in the first quarter of 2011. However, in the latter three quarters, this sector showed improvement over the corresponding quarters of 2010 but with volatility by recording growth of 1.9 per cent, 6.2 per cent and 2.4 per cent, respectively. In particular, the severe drought that prevailed in the latter part of the year dampened down the output in plantation crops causing a setback in the agriculture sector in the fourth quarter of 2011. As a result, the agriculture, livestock and forestry sector contracted marginally by 0.1 per cent in 2011 in comparison to 6.4 per cent growth in 2010.

Table 4.1 > GDP- Sectoral Growth Rates in 2011

Sector	Q1	Q2	Q3	Q4	Annual
GDP (Nominal)	18.5	16.6	17	15.6	16.7
Agriculture	12.6	15.5	9.9	6.8	10.2
Industry	19.6	17.4	19.2	18.4	18.6
Services	19.7	16.5	17.5	15.7	17.2
GDP (Real)	7.9	8.2	8.4	8.3	8.3
Agriculture	-5.1	1.9	6.2	2.4	1.5
Industry	11.1	9.4	10.8	10.0	10.3
Services	9.5	8.8	7.8	8.5	8.6

Source: Department of Census and Statistics

Chart 4.3 > Agriculture Sector Composition - 2011



Paddy

A major contributory factor for the decline in the agricultural output in 2011 was the relative drop in paddy production by 8.4 per cent compared to 2010 in which year a bumper harvest was recorded. The devastation caused by floods to 2010/11 Maha season was the major cause for the drop in paddy production despite a 14.3 percent increase in extent sown in 2011 in line with the government's continual efforts towards reviving the agriculture sector as seen from numerous measures taken to enhance paddy cultivation through increased irrigation facilities and provision of fertilizer at subsidized prices etc.

Tea

Meanwhile in the plantation sector, tea output dropped marginally by 0.9 per cent caused by heavy rain in the first quarter and drought experienced in the final quarter of 2011. The total tea production for 2011 was 328 mkg compared to 331 mkg produced in 2010. The decline in tea production was mainly attributable to medium grown tea whereas production in low grown and high grown teas showed marginal increases. Accordingly, significant drop in tea production was noted in Ratnapura and Badulla districts with Matara district recording a moderate drop followed by Galle and Matale districts with marginal drops for 2011. Meanwhile, the tea production witnessed a considerable increase in Kalutara, Nuwara Eliya and Kandy districts in 2011 with 20 percent, 7 percent and 5 percent growth, respectively. In the interim, the international demand for tea was decelerated in the last six months of 2011 following the global economic conditions, instability in the Middle Eastern areas and weakening of the currencies in consuming economies as reflected by the declining tea prices in the Colombo Tea Auction.

Rubber

Rubber production increased in 2011 by 3.2 percent over the previous year despite unfavorable weather conditions that prevailed in the first and fourth quarters of the year. Increased market prices for rubber was an encouraging factor for the growers for more production during 2011. The average price fetched by RSS1 category in the Colombo Auction increased to Rs. 509 per kg in 2011, an increase by 26 per cent compared to 2010 while the export price increased by 41 percent to Rs. 535 per kg during the year. Meanwhile, in continual response to the supply of fertilizer at subsidized prices, prevalence of favourable market conditions and young plantations reaching tapping stage, the total extent of rubber tapping increased to 101,720 hectares in 2011, an increase by 4 percent compared to the year before.

Coconut

In comparison to the production in 2010 with a record low decline by 9.4 percent, coconut production in 2011 increased by 8.7 percent to 2,808 million nuts. Counter measures taken to prevent the further decline in the coconut production, improved efficiency in the management of coconut cultivation due to attractive market prices as well as the prevalence of relatively favourable weather conditions in the major cultivation areas were contributory for the coconut production to increase in 2011. In the price front, pressure for higher prices prevailed in the first half of 2011 due to low supplies eased gradually in the second half of 2011 with more production released to the market. Meanwhile, imports of edible oils in 2011 increased by 65 percent by volume due to the continuation of a low import tax regime on such imports thus demand for coconut by domestic oil producers remaining at a lower level resulting domestic coconut prices to drop in the latter half of 2011.

Other Food Crops and Minor Export Crops

The production of other food crops, comprising highland crops, vegetables and fruits, recorded a marginal growth in 2011 following losses experienced in Maha 2010/11. However, losses in the Maha season were offset by better harvests received in Yala 2011, thereby reversing the effects of the crop devastation in the beginning of the year on the annual production. Meanwhile, due to the increase in the extent of cultivation of tomato, red onions and big onions in the Northern province, a considerable growth in production volumes of these varieties was achieved. Also, as supplies of many varieties of vegetables continued to arrive to the South from the Northern Province, prices of vegetables were maintained at relatively stable levels at the retail market despite adverse crop damages experienced during the year. Meanwhile, mixed performance was noticed with respect to minor export crops in 2011. Cinnamon production increased in 2011 in comparison to 2010 but production of pepper was affected by unfavourable weather conditions

prevailed in the major growing areas. Meanwhile, following an abundant harvest in 2010, clove production declined in 2011 confirming the historically observed incidence of biennial crop decline.

Livestock

Livestock production increased by 7.3 percent in 2011 with increases in related output viz. eggs, chicken and milk, despite major production areas being affected by severe floods in the first few months of 2011. During 2011, chicken production increased by 12 percent to 116,760 metric tons while egg production grew by 4 per cent to 1,185 million in number. Availability of poultry feed at lower prices and less volatility of their retail prices helped maintain the stability of the livestock industry and to build confidence among farmers to further investing leading to increased production in the recent past. Accordingly, a decline in chicken as well as egg prices in the retail market could be noticed in 2011 compared to the year ago. Meanwhile, along with the government owned Milco (Pvt) Ltd. increasing its purchase price of milk up to Rs. 50 per litre, other competitive buyers also followed the same thereby encouraging farmer communities to increase the production. Accordingly, total milk production despite being affected by floods in the early months of the year, increased by 2.3 percent to 253 million litres in 2011. In addition, effective measures taken by the government to attain self sufficiency in milk production and rural livelihood development as well as other initiatives taken by private players viz. increase in the number of high yielding milking cows and expansion of milk collection centres with state of the art technology could be attributed for increased growth in milk production in 2011.

Fishing

Fishing sector grew by 16 percent in 2011, in comparison to 13 percent growth in the previous year with inland and marine fishing recording growth at 14 percent and 16 percent, respectively. Of the total fish production in 2011, marine fishing shared 87 per cent in volume terms which in turn was contributed by coastal fishing and off shore/deep sea fishing by 58 percent and 42 percent, respectively. Continual expansion of inland as well as marine fishing activities in the Northern Province owing to relaxation of fishing related restrictions, restoration of inland fishing in the liberated areas along with resettlement of internally displaced persons with livelihood development initiatives were contributing for the fish production to increase significantly in 2011.

Overall, various government initiatives to promote agriculture, fishing as well as livestock farming in the recent past are found to be yielding outcome as evident from recent developments taking shape in production as well as productivity in these vital sectors of the economy that provide direct employment to over 32.9 percent of the national workforce. As a continuation of the government's

strong commitment for the revival of the agriculture sector in all spheres, Budget 2012 recognized the need to reach self-sufficiency not only in rice but also in other food crops too. Accordingly, measures have been proposed to introduce special loan schemes to encourage farming in other food crops while making available high quality seeds for better yields in related agriculture. Meanwhile, recognizing the challenge of becoming a rice exporting country, setting up of four exporting zones in the South, East, Rajarata and North have been proposed with particular emphasis on research, seed development and expansion services. In addition, investment in modern rice processing mills in these designated zones will be encouraged by way of offering tax concession to related activities.

Also as a prioritized economic development initiative, the Divi Neguma program was continued in 2011 in view of promoting domestic agriculture under the first phase followed by developing small scale industries and fisheries and livestock projects under the second and third phases. Under the first phase of this program, creating of 1 million home gardens was targeted reaching commendable success by the end of 2011.

Meanwhile in 2011, the fertilizer support programme was extended to cover all crops and accordingly unmixed fertilizer and mixed fertilizer were distributed at subsidized prices. Accordingly, the total cost of the fertilizer support programme in 2011 was Rs. 29.8 billion and amounted to 3.0 about percent of total current expenditure of the same year.

Industry

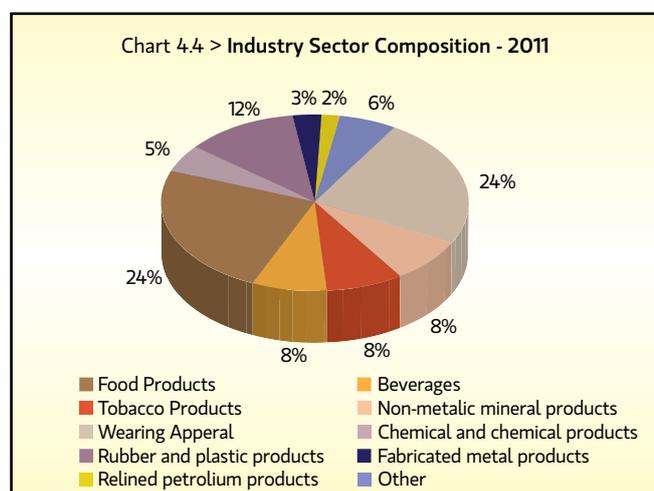
The industry sector grew by 10.3 percent in 2011 compared to 8.4 percent in 2010. The higher growth rate recorded by the industry sector above the national average of 8.3 percent in the midst of recessionary developments in the global economy and other unfavorable economic conditions prevailing in major exporting countries as well as strict competition faced by domestic producers from imports under a more relaxed international trade regime is commendable. All the four subsectors; mining and quarrying, manufacturing, electricity, gas and water, and construction grew during 2011 while the performance of mining and quarrying and construction subsectors were significant.

Manufacturing

Manufacturing, which shared 17.3 per cent of total GDP of 2011, grew by 7.9 percent in the reference year compared to 7.3 percent growth in the year ago. The major contributory factors for growth in the manufacturing sector could be attributed to increased domestic demand along with acceleration of economic activities and export oriented

production, basically of wearing apparels. The noteworthy performance of manufacturing sector was a direct outcome of the buoyant performance of factory industry that was progressing well in the recent past due to establishment of normalcy in the country leading to increased demand for goods coupled with pro- industrial policies adopted by the government at macro level towards economic development. Maintenance of a low interest rate regime, ensuring relatively stable price levels through prudent management of inflation, continued support given to industries with more relaxed taxation schemes, development of infrastructure etc. were contributing towards growth in manufacturing GDP as evident from remarkable performance in a continual phase for 2010 and 2011.

The factory industry grew by 8.3 percent in 2011 sharing over 90 percent of manufacturing GDP supported by contribution from all major sub-categories. Increased private sector consumption in 2011 was primarily responsible for growth in factory industry while demand created by domestic construction industry for capital formation caused related products to meet high demand leading to an output boost. Meanwhile in the export trade front, increased demand was seen for apparels and rubber based products which had a considerable impact on the growth of factory industry production.



The output of food, Beverages and Tobacco products grew by 7.1 percent in 2011 vis-a- vis 6.8 percent growth in 2010. Bakery products, dairy products and fish and meat based products were identified as major contributors for the growth in this category in 2011. Continued expansion of the domestic consumer-base through improved accessibility to remote destinations linked by ever expanding road network and other infrastructure development and increased variation in consumer choices alongside rising income

levels were providing opportunities for food, beverages and related production to increase considerably. Also contributory was the demand created by the expanding tourism industry for domestic food and beverages, boosting production of related businesses.

The performance of export oriented textile, wearing apparel and leather industry was recorded a 10.8 percent growth in 2011, compared to 5.2 percent growth in 2010. At a time when the EU being the major importing economy of Sri Lankan apparels, simmering with crisis, the achievement of a two-digit growth rate by this production sector is remarkable. Moving up the value chain and thereby being able to face with competition from low-cost neighboring locations was a major milestone reached by Sri Lankan apparel industry thereby being able to sustain amidst challenging conditions. Meanwhile, noticeable developments took place with respect to buyers of Sri Lankan apparel exports with more Asian destinations coming into prominence thereby diversifying the concentration of exports to the EU and the US. The export of textile and garments reached US\$ 4,191 million turnover in 2011, an increase by US\$ 835 million from the earnings in 2010.

Production of chemicals, petroleum, coal, rubber and plastic wares, that shared 14.8 percent of manufacturing GDP of 2011, grew by 9.3 percent in 2011 compared to an impressive 12.2 percent growth in 2010 triggered by a low base production in 2009. Increased production of rubber based products meeting the demand from both export and domestic markets was a key contributory factor for the performance of this category. During 2011, export of industrial tyres to the US market was in the rise along with its gradual progressing towards economic stability. Meanwhile, in responding to a booming construction industry in the domestic economy, production of the PVC and paints and allied products continued to expand. The non-metallic mineral products category that include manufacturing of cement and cement products, tile and roofing material etc, grew by 8.2 percent in 2011 mainly encouraged by the demand for raw material by the expanding construction industry. However, the performance of the ceramic products industry was bleak with exports declined but was offset by growth in demand for ceramic products associated with the construction industry.

The cottage industry contributed just over 1 per cent to total GDP of 2011 with 7.0 per cent growth vis-à-vis 5.5 percent growth posted in 2010. Government's efforts towards livelihood development of economically disadvantaged communities, demand created by the thriving construction industry and increased domestic consumption were contributory for the growth in this sector in 2011. Nevertheless, focus shall be made towards improved productivity leading to high profitability, greater

Table 4.2 > **Manufacturing Sector Statistics**

Category	Value Addition			Number of Projects		
	(Current prices) Rs. Bn.			Approved by BOI		
	2009	2010	2011	2009	2010	2011
Food beverages and Tobacco Products	399,244	458,151	537,691	35	28	7
Textiles, Wearing Apparel and Leather Products	155,409	172,726	207,578	30	30	21
Wood and Wood Products	1,585	1,786	2,580	4	1	2
Paper and Paper Products, Publishing and Printing	6,631	7,653	8,466	3	3	1
Chemical, Petroleum, Coal, Rubber and Plastic products	142,935	170,000	207,654	20	11	8
Non-Metallic Mineral products	24,653	27,865	32,167	15	8	1
Basic Metal Products	1,659	1,826	2,119	-	-	-
Fabricated Metal Products, Machinery and Transport Equipment	62,013	72,990	82,852	17	18	3
Manufactured Products (n.e.s.)	2,903	3,410	3,149	16	16	5

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

sensitivity to market needs, product innovation that mingle traditional skills with state of art technical know-how etc. for the cottage industry to play a bigger role in the economic growth thereby allowing the benefits of development to trickle down to grassroots.

Construction

The construction sub sector that had 9.3 percent growth in the year ago, grew by 14.2 percent in 2011. The outstanding performance of this sector was synonymous with countrywide progression of large scale developments projects viz. construction of highways and expressways alongside upgrading of existing road network, other mega-scale construction activities viz. construction of ports and airports, and rehabilitation and resettlement programmes taking place in the conflict affected provinces. Apart from the state sector involvement, a considerable escalation of private sector based construction activities triggered by low interest rate regime prevailed during most parts of 2011 was contributory towards the growth in construction activities.

General prevalence of a conducive environment to spur economic growth complemented by specific measures introduced by the government in Budget 2011 to improve the industry sector in the medium term had brought dividends as seen from the performance of diverse industries in 2011. Taxes on import of machinery, equipment and raw material were reduced to enable domestic enterprises to have affordable access to world class technology and improve productivity and profitability while for industries with domestic value addition in excess of 65 percent, with brand names and patent rights reserved in Sri Lanka, corporate tax rate was reduced from 15 percent to 10 percent. In addition, with a view to promoting domestic manufacturing enterprises, corporate tax on profits was reduced from 35 percent to 28 percent. Further, machinery and equipment to manufacture textile, leather, footwear and bags was exempted from import duties and VAT recognizing the immense potential of such industries possess to move up in the value added chain. Apart from such fiscal incentives, the 'Regional Industry Estate Development Program', aimed at promoting industrialization at provincial level under the auspices of the Ministry of Industry and Commerce

continued successfully during the year with expansion to Northern and Eastern provinces. By end 2011, 25 industrial estates were in operation under this program. Meanwhile, Budget 2012 introduced further measures to improve value addition and competitiveness of local manufacturing industries by reducing taxes on import of yarn, fabrics and related accessories, polymers of ethylene and many other items used as raw material for domestic industries.

Fiscal situation remains vulnerable and operates under stress due to high oil prices that gave rise to subsidies in major sectors...

Table 4.3 > **Private Sector Industrial Volume Index (2010=100)**

Description	2009	2010	2011
Food products	88.9	100.0	108.7
Beverages	83.5	100.0	110.2
Tobacco products	93.3	100.0	106.0
Textile	96.5	100.0	100.9
Wearing apparel	96.9	100.0	113.8
Leather and related products	95.0	100.0	94.0
Wood and products of wood	77.9	100.0	107.9
Paper and paper products	102.1	100.0	88.3
Printing and reproduction of media	101.7	100.0	100.5
Refined petroleum products	100.7	100.0	106.3
Chemical and chemical products	92.1	100.0	95.3
Pharmaceuticals	75.8	100.0	133.0
Rubber and plastic products	70.9	100.0	116.5
Non-metallic mineral products	84.9	100.0	116.7
Basic Metals	95.0	100.0	115.5
Fabricated metal products	59.5	100.0	89.6
Electrical equipment	39.9	100.0	98.7
Overall Industrial Production Index	86.9	100.0	109.2

Source: Central Bank of Sri Lanka

General prevalence of a conducive environment to spur economic growth complemented by specific measures introduced by the government in Budget 2011 to improve the industry sector in the medium term had brought dividends as seen from the performance of diverse industries in 2011...

Table 4.4 > **Gross Domestic Product - Sectoral Composition (2002) Constant Prices**

Rs.Mn.

Sector	2007	2008	2009	2010	2011*
Agriculture, Forestry and Fishing	265,870	285,897	295,097	315,610	320,346
1. Agriculture, Livestock and Forestry	241,285	258,881	266,208	283,203	282,916
1.1 Tea	26,494	27,601	25,272	28,770	28,504
1.2 Rubber	5,205	5,743	6,198	6,983	7,109
1.3 Coconut	30,403	31,975	33,685	28,855	29,720
1.4 Minor Export Crops	10,706	10,478	11,028	14,955	12,114
1.5 Paddy	35,261	43,406	41,179	48,377	44,325
1.6 Livestock	19,415	20,495	21,761	22,397	24,029
1.7 Other Food Crops	85,503	89,536	95,799	99,994	102,526
1.7.1 Highland Crops	28,428	29,439	31,368	33,117	33,655
1.7.2 Vegetables	55,249	58,197	62,436	64,821	66,832
1.7.3 Fruits	1,826	1,900	1,995	2,057	2,039
1.8 Plantation Development	6,006	6,216	6,540	6,895	7,287
1.9 Firewood & Forestry	13,544	14,499	15,357	15,832	16,481
1.10 Other Agricultural Crops	8,749	8,931	9,390	10,146	10,820
2. Fishing	24,585	27,016	28,888	32,407	37,431
2.1 Inland - Fishing	3,228	3,763	3,960	4,359	5,054
2.2 Marine - Fishing	21,357	23,253	24,928	28,048	32,377
Industry	635,199	672,791	701,128	760,334	838,932
3. Mining and Quarrying	42,631	48,090	52,030	60,079	71,191
3.1 Gem Mining	12,462	13,548	11,220	12,111	14,212
3.2 Other Mining	30,169	34,542	40,811	47,968	56,980
4. Manufacturing	394,233	413,681	427,334	458,660	494,990
4.1 Processing (Tea, Rubber and Coconut)	14,150	14,897	14,995	15,868	16,006
4.2 Factory Industry	355,611	373,215	385,927	414,925	449,177
4.2.1 Food Beverages	166,101	174,794	185,142	197,731	211,848
4.2.2 Textile, Wearing Appral & Leather	84,603	87,215	87,762	92,293	102,263
4.2.3 Chemicals, Petroleum, Coal, Rubber & Plastic	55,140	58,650	59,706	66,990	73,203
4.2.4 Non-Metalic Mineral Products Except products of Petroleum & Coal	14,547	15,306	14,794	16,328	17,670
4.2.5 Fabricated Metal Products, Machinery & Equipment	30,011	31,702	32,794	35,482	37,733
4.2.6 Other Industries	5,209	5,548	5,730	6,101	6,459
4.3 Cottage Industry	24,472	25,570	26,412	27,868	29,808
5. Electricity, Gas and Water	55,339	56,847	58,974	63,682	69,547
5.1 Electricity	48,303	50,184	52,017	56,291	61,722
5.2 Gas	4,525	4,062	4,280	4,593	4,855
5.3 Water	2,512	2,601	2,677	2,798	2,970
6. Construction	142,996	154,173	162,790	177,912	203,204
Services	1,331,587	1,406,813	1,452,988	1,569,598	1,704,576
7. Wholesale and Retail Trade	546,145	571,911	570,698	613,358	676,565
7.1 Import Trade	203,105	212,651	195,247	213,477	243,963
7.2 Export Trade	103,926	104,861	102,578	106,279	117,064
7.3 Domestic Trade	239,115	254,400	272,872	293,602	315,538
8. Hotels and Restaurants	9,199	8,741	9,901	13,845	17,501
9. Transport and Communication	286,764	310,029	329,578	368,643	410,402
9.1 Transport	241,648	256,954	272,086	302,983	337,088
9.1.1 Transport- Railway	2,522	2,640	2,754	2,899	2,980
9.1.2 Transport- Passenger and Goods	239,127	254,314	269,332	300,084	334,108
9.2 Cargo handling-Ports and Civil Aviation	14,773	15,951	16,017	18,706	20,060
9.3 Post and Telecommunication	30,343	37,124	41,475	46,953	53,254
10. Banking, Insurance and Real Estate etc.	193,375	206,048	217,819	234,255	252,677
11. Ownership of Dwellings	72,345	73,137	74,051	74,692	75,607
12. Government Services	171,259	181,051	191,778	202,187	204,704
13. Private Services	52,500	55,896	59,164	62,617	67,119
Gross Domestic Product	2,232,656	2,365,501	2,449,214	2,645,542	2,863,854

Source: Department of Census and Statistics

* Provisional

Services

The Services sector, the largest of the 3 sectors in terms of value of GDP, increased its share by further 0.2 percent to 59.5 percent in 2011 with a growth of 8.6 percent vis-à-

vis 8.0 percent growth in 2010. Expansion of services of all forms, particularly the trade, due to rising income levels and inland transport service in parallel with related expansion and upgrading of infrastructure contributed largely towards the growth of services sector in 2011.

Chart 4.5 >

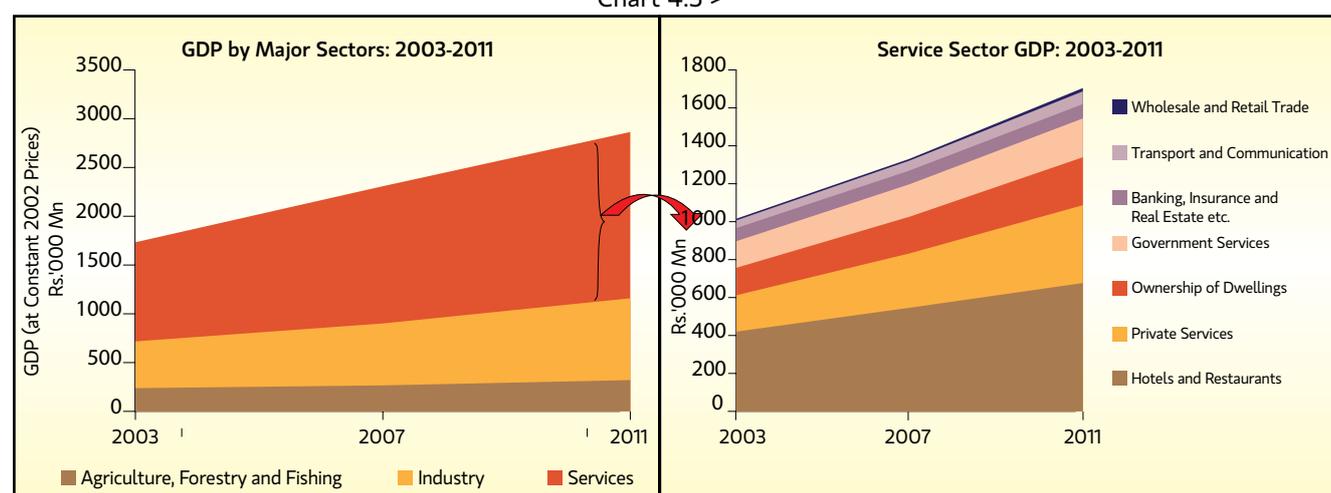


Table 4.5 > **Sectoral Distribution of GDP Growth (%) - Constant (2002) Prices**

Sector	2005	2006	2007	2008	2009	2010	2011
Agriculture	1.8	6.3	3.4	7.5	3.2	7.0	1.5
Tea	3.0	-2.0	-1.8	4.2	-8.4	13.8	-0.9
Paddy	23.6	2.9	-6.2	23.1	-5.1	17.5	-8.4
Minor Export Crops	16.3	2.2	5.1	-2.1	5.2	35.6	-19.0
Livestock	2.3	8.1	7.9	5.6	6.2	2.9	7.3
Othe Food Crops	5.4	3.0	4.4	4.7	7.0	4.4	2.5
Fisheries	-43.0	53.5	15.6	9.9	6.9	12.2	15.5
Industry	8.0	8.1	7.6	5.9	4.2	8.4	10.3
Agriculture Processing	1.4	0.8	2.4	5.3	0.7	5.8	0.9
Factory Industry	6.4	5.7	6.7	5.0	3.4	7.5	8.3
SMEs	6.3	5.7	5.6	4.5	3.3	5.5	7.0
Electricity	16.3	16.2	4.6	3.9	3.7	8.2	9.6
Construction	9.0	9.2	9.0	7.8	5.6	9.3	14.2
Services	6.4	7.7	7.1	5.6	3.3	8.0	8.6
Trade	6.4	7.1	6.1	4.7	-0.2	7.5	10.3
Hotels	-14.1	2.5	-2.3	-5.0	13.3	39.8	26.4
Cargo Handling	10.3	20.0	8.8	8.0	0.4	16.8	7.2
Post & Telecommunications	36.0	21.6	21.5	22.3	11.7	13.2	13.4
Financial Services	7.0	8.5	8.7	6.6	5.7	7.5	7.9
Government Services	5.4	5.0	6.0	5.7	5.9	5.4	1.2
Private Services	6.4	7.8	7.8	6.5	5.8	5.8	7.2
GDP	6.2	7.7	6.8	6.0	3.5	8.0	8.3

Source: Department of Census and Statistics

Wholesale and Retail Trade

Wholesale and retail trade that comprised of domestic as well as external trade recorded 10.3 per cent growth in 2011, compared to 7.5 percent growth in 2010. Trade related to imports, exports and domestic trading contributed 14.0 percent, 4.9 percent and 10.0 percent, respectively to the total GDP growth in 2011. Increased income levels alongside prevalence of a stable and relatively low interests rate and exchange rate regime during 2011 were encouraging for imports, as evident from the substantial growth of related trade by 50.7 percent in US\$ terms in 2011 over the previous year. In this context, imports on consumer goods was responsible for 17 percent of the growth of total imports in 2011 followed by 61 percent and 22 percent by intermediate and investment good imports, respectively. Similarly domestic trade too was flourishing in 2011 together with escalation of demand with rising income levels complemented by the low interest rate regime and rising economic activity.

Hotels and Restaurants

Hotels and restaurants sub sector grew by 26.4 percent in 2011, having already recorded 39.8 percent growth in 2010. Irrespective of marked growth for two consecutive years, the share to GDP by this sector remained low at 0.6 percent in 2011, a marginal increase by 0.1 percent compared to 2010. Given its low GDP base, more growth potential is amply available for hotels and restaurant sector in the foreseeable future. Recognizing such potential, as well as backward and forward linkage the tourism industry has with the rest of the economy, the government is determined to boost this promising sector in Sri Lanka at a rapid pace in collaboration with other private sector players and foreign investors. In this direction, tax on income earnings from tourism and related business was reduced from 15 percent to 12 percent in Budget 2011. Further, in the pursuit of promoting tourism in Sri Lanka, several direct and indirect measures viz. exemption of visa fee for tourists staying less than 48 hours, reduction of taxes with respect to imports of branded retail goods of tourist interest etc. have been introduced in budget 2012.

Transport and Communication

Transport and Communication sector grew by 11.3 percent in 2011 in comparison to 11.9 percent growth in 2010. Considerable growth was posted by all the 3 sub-sectors, transport, cargo handling and post and telecommunication with 11.3 percent, 7.2 percent and 13.4 percent, respectively. The growth of transport sub-sector could be directly attributable to the increase in new motor vehicle registration by 46.3 percent in 2011, and expansion of inland transportation with increased economic activities as confirmed by increased volumes of diesel and petrol retail sales for transportation in 2011. Meanwhile, the 7.2 percent growth reported by cargo handling- ports and

civil aviation sub-sector was below the growth rate of 16.8 per cent reported for 2010, partly reflecting global economic slowdown causing relatively less performance of transshipment activities at ports compared to the year ago. The impressive performance of post and telecommunications sub sector coincided with the initiative of establishing Sri Lanka as a regional hub for Asian Telecommunication networks and government's continuation of fiscal incentives such as removal of duties and VAT on import of high tech equipment and machinery required for provisioning of state of the art telecommunication services as introduced in budget 2011. Meanwhile, the telephone density for 100 persons as at the end of the year increased from 100.8 to 105.1 between 2010 and 2011 period while the number of mobile broadband subscribers increased by 143 percent during the same reference period, following the continuous efforts by the Telecommunications Regulatory Commission of Sri Lanka in implementing policies and strategies to encourage telecommunication companies to give priority for the development of broad-band network facilities.

Banking, Insurance and Real Estate

The banking, insurance and real estate sector grew by 7.9 per cent in 2011 vis-à-vis 7.5 per cent growth in 2010. Financial stability was further strengthened in 2011 under the close supervision of the Central Bank of Sri Lanka despite looming uncertainties in the global financial market. The low interest rate regime prevailed during the most part of 2011 was conducive for credit growth while the geographical expansion of banking, finance, leasing and insurance services, particularly in the Northern and Eastern Provinces resulted better accessibility to formal banking and financial institutions by the general public ensuing continual growth of value addition from this sector. Accordingly, compared to end 2010, loans and advances outstanding as at end 2011 grew by 31.9 percent in the banking sector while in relation to the non-bank financial institutions, the growth was 46.3 percent. Meanwhile, the enactment of Finance Business Act in 2011 aimed at strengthening the regulation of finance companies and enhancing powers to combat unauthorized deposit-taking and finance business activities could be regarded as a milestone in this sector in establishing financial stability.

The impressive performance of post and telecommunications sub sector coincided with the initiative of establishing Sri Lanka as a regional hub for Asian Telecommunication networks...

Table 4.6 > **Selected Indicators of Services Sector**

Indicator	2005	2006	2007	2008	2009	2010	2011
Port Services							
Vessels Arrived	4,139	4,469	4,710	4,814	4,592	4,075	4,358
Total Cargo Handled (MT '000)	37,300	42,661	46,344	50,582	48,778	61,240	65,096
Total Container Handled (TEU '000)	2,455	3,079	3,381	3,687	3,464	4,137	4,263
Transshipment (TEU '000)	1,716	2,330	2,578	2,784	2,712	3,205	3,216
Telecommunication Sector							
Fixed Telephone Lines (No. '000)	919	910	932	934	872	897	942
Cellular Phones (No. '000)	3,362	5,412	7,983	11,083	14,264	17,247	18,319
Wireless Phones (No. '000)	325	974	1,810	2,513	2,564	2,638	2,667
Internet and E-mail Subscribers ('000')	115	130	202	234	250	280	322
Health Sector							
Private Hospitals*	n.a	n.a	2,404	2,719	2,922	3,009	3,183
Public Hospitals	606	604	619	612	555**	568	592
No. of Beds (Government)	61,937	61,835	66,430	66,835	68,905	69,501	69,731
No. of Doctors (Government)	12,692	13,276	14,060	15,185	15,930	16,492	17,199
No. of Nurses (Government)	20,332	20,912	22,088	22,977	26,351	27,494	29,234
Financial Sector (No.)							
Bank Branches and Other Outlets	2,279	4,128	4,961	5,427	5,697	5,913	6,128
Credit Cards in Use	629,740	810,179	905,561	929,112	840,905	778,544	862,352
Registered Finance Companies	28	29	32	34	35	36	39
Registered Leasing Companies	18	18	20	22	21	21	16
Tourism Sector							
Tourist Arrivals	549,308	559,603	494,008	438,475	447,890	654,476	855,975
Tourist Earnings (US \$ Mn)	362	410	384	320	349	575	830
Annual Room Occupancy Rate	45.5	47.8	46.2	43.9	48.4	70.1	77.1
Transport Services (New Registrations)							
Buses	2,069	3,346	2,637	1,180	739	2,491	4,248
Cars	17,283	27,578	22,603	20,237	5,762	23,072	57,886
Dual Purpose Vehicles	6,851	7,245	5,193	2,856	1,280	11,712	33,518
Lorries	14,262	20,436	18,406	18,038	8,225	11,845	14,818
Motor Cycles	130,696	156,626	182,508	155,952	135,421	204,811	253,331
Three Wheelers	41,085	64,466	43,068	44,804	37,364	85,648	138,426
Tractors	15,597	19,040	21,346	24,357	13,951	17,363	20,073

Sources: Sri Lanka Ports Authority, Telecommunications Regulatory Commission of Sri Lanka, Ministry of Health, Department of Motor Traffic, Sri Lanka Tourism, Central Bank of Sri Lanka

* Since 2007, data represents Private Medical Institutions, which are registered under Private Medical Institutions (Registration) Act No. 21 of 2006

** Government hospitals were re-registered in 2009. Under this categorization, 64 hospitals were re-named as Primary Healthcare Units.

4.3 Domestic Demand and Supply of Goods & Services

The domestic demand (absorption) of the country consists of consumption and investment, which includes gross domestic fixed capital formation and changes in inventories. The domestic demand in Sri Lanka over the years has remained in excess of domestic production of goods and services, thereby creating a deficit.

In 2011, the domestic demand in both consumption and investment increased significantly. Private consumption in particular remained as the main driver of the economic activity largely due to the low interest rates prevailed in the market which fuelled rapid growth in private sector credit, improved financial market conditions and increase in remittances. Investment activity also strengthened due to the implementation of major infrastructure development initiatives and rising business investment, particularly in such areas as tourism, manufacturing, telecommunications, in the backdrop of improved investor confidence with the stable macroeconomic conditions.

As a percentage of GDP, the absorption increased to 114.6 percent in comparison to 108.3 percent in 2010. This was a combined outcome of the increase in private consumption

to 69.8 percent of GDP, decline in government consumption to 14.8 percent of GDP, and increase in both private and government investment to 23.7 percent and 6.3 percent, respectively. With the expansion of the domestic demand, the import demand also increased significantly to 37.6 percent of GDP in comparison to 30.7 percent in 2010 with exports also increasing to 23.1 percent of GDP from 22.4 percent in the previous year.

The increased domestic demand in both consumption and capital formation has enabled to sustain the high economic growth by achieving a 16.7 percent increase in nominal GDP in 2011 with an 8.3 percent real economic growth, compared to a similar growth rate of 8.0 percent recorded in 2010. The increase in investment, which includes gross domestic fixed capital formation and change in inventories, by both the private sector and the government, to 29.9 percent of GDP in 2011, from 27.6 percent in 2010, is a commendable development in sustaining this high economic growth. However, the substantial expansion of trade deficit by 104.5 percent in 2011 (14.6 percent of GDP) is a matter of concern, which underscores the urgent need of expanding the country's exports while strengthening the import replacement drive. The corrective measures that are being introduced since February 2012 are expected to bring the net external demand position to a sustainable level.

Table 4.7 > Domestic Demand, Supply and Trade Balance

	Current Market Prices (Rs. Bn.)		Change (%)		Ratio to GDP (%)	
	2010	2011	2010	2011	2010	2011
Domestic Demand	6,070	7,495	17.9	23.5	108.3	114.6
Consumption	4,524	5,536	14.0	22.4	80.7	84.6
Private	3,652	4,568	17.2	25.1	65.2	69.8
Government	873	968	2.5	10.9	15.6	14.8
Investment	1,545	1,959	30.8	26.7	27.6	29.9
Private	1,201	1,550	39.1	29.0	21.4	23.7
Government	345	410	8.4	18.7	6.2	6.3
Net External Demand (Trade Balance)	(466)	(952)	48.3	104.5	(8.3)	(14.6)
Export of Goods and Services	1,254	1,509	21.6	20.3	22.4	23.1
Import of Goods and Services	1,720	2,461	27.8	43.1	30.7	37.6
Domestic Supply = GDP	5,604	6,543	15.9	16.7	100.0	100.0

Sources: Department of Census and Statistics, Central Bank of Sri Lanka

The aggregate supply, which includes the gross domestic production and the use of imports for consumption, formation of fixed capital assets, inventories and as raw materials for export industries, increased by 22.9 percent in 2011 compared to the growth of 18.5 percent in 2010 indicating the substantial expansion of the economy. As a percentage of GDP also, the aggregate supply increased to 137.6 percent from 130.7 percent in 2010, mainly reflecting the higher imports of goods and services. The value of the total supply of goods and services increased by 16.7 percent and import of goods and services increasing by 43.1 percent. The share of imports in aggregate supply also rose to 27.3 percent from 23.5 percent in the previous year. This mainly reflected the increase in the demand over and above the domestic production reflecting the rising oil cost as well as the enhanced need for goods and services to cater to the expanding economic activity with the regain of the space of productive capacity in the country that has created more economic opportunities. This has also complemented by the investor confidence, availability of funds at relatively low interest rates and rising income levels of the population.

Meanwhile, the domestic output has contributed to cater to about 73 percent of the total domestic requirement of goods and services in 2011. This reflects the potential the country has to enhance its domestic production. In line with this, the drive towards enhancing import replacement in selected areas was continued to lower the import expenditure in the future as well as to sustain the economic growth. A conducive environment has already been created by the government to enable the domestic economy to grow. This process has to be strengthened further by active engagement of local industrialists as well as farmers by producing these goods in the country. In particular, Sri

Lanka spends considerable amount of foreign exchange for the importation of agricultural (US\$ 1,100 million) and pharmaceutical products (US\$ 325 million) which the country could produce domestically.

Meanwhile, in the aggregate demand, the export of goods and services has increased to 23.1 percent of GDP from 22.4 percent in 2010 despite many challenges faced by the export sector. However, relatively lower growth in exports than the growth in imports highlights the necessity of promoting exports to lower the trade deficit in the medium to long run. The challenges emanated from the removal of GSP+ facility and global economic recession have provoked the exporters to promote productivity improvements and seek alternative markets. Hence, the export sector will have to promote technology-driven, value added exports for emerging markets in the future rather than continuing traditional exports.

Private consumption in particular remained as the main driver of the economic activity largely due to the low interest rates prevailed in the market which fuelled rapid growth in private sector credit, improved financial market conditions and increase in remittances...

Table 4.8 > **Aggregate Supply and Use of Goods and Services**

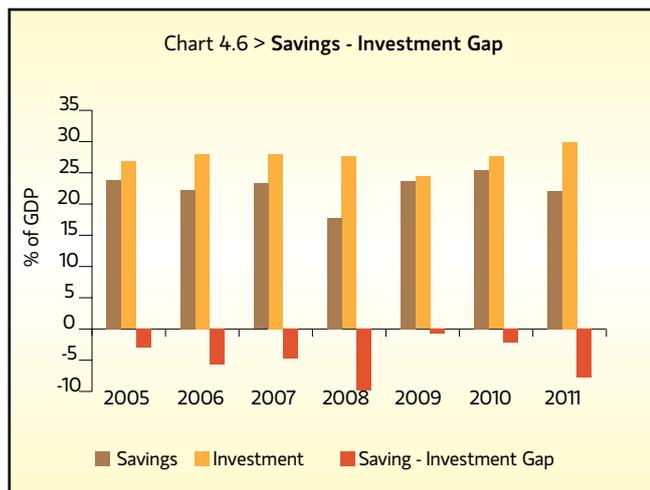
	(Rs. Bn.)		Growth (%)		(% of GDP)	
	2010	2011	2010	2011	2010	2011
Aggregate Demand	7,324	9,004	18.5	22.9	130.7	137.6
Domestic Demand	6,070	7,495	17.9	23.5	108.3	114.6
External Demand = Export of Goods and Services	1,254	1,509	21.6	20.3	22.4	23.1
Aggregate Supply	7,324	9,004	18.5	22.9	130.7	137.6
Gross Domestic Product	5,604	6,543	15.9	16.7	100.0	100.0
Import of Goods and Services	1,720	2,461	27.8	43.1	30.7	37.6
Trade Gap of Goods and Services	466	952	48.3	104.6	8.3	14.6
Share of Imports in Aggregate Supply (%)	23.5	27.3				

Sources: Department of Census and Statistics, Central Bank of Sri Lanka

4.4 Investment and Savings

Total gross investment of the country increased to 29.9 percent of GDP in 2011 from 27.6 percent in 2010. The private sector investment, which recovered strongly in 2010 from the weak performance experienced in 2009 amidst the recessionary conditions, continued to expand to 23.7 percent in 2011 from 21.4 percent in 2010. Public investment also increased to 6.3 percent of GDP from 6.2 percent recorded in the previous year.

The private investment was mainly encouraged by the low interest rates prevailed in the country in the backdrop of relaxed monetary policy stance as the cost of funds was relatively low for the investments in real assets. Hence, there was a shift of the available resources from low yielding savings to real investment. The improvement in the private sector investments was reflected in the significant growth



in the credit to the private sector and the expansion in the importation of investment goods in 2011. Hotels and tourism, manufacturing, trading, construction, and infrastructure, including telecommunication and petroleum, were among the key areas that attracted private sector investments during the year. Within the private investment, the Foreign Direct Investment (FDI) inflows increased by 107 percent to US\$ 1,066 million in 2011 from US\$ 516 million in 2010 due to the enhanced investments by the foreign investors to establish their presence in an economy with diverse opportunities.

The government expects the economy to move from a consumption-oriented one to a savings and investments-driven real economy. To achieve this, there is still ample space to investments in Sri Lanka's growing economy. Accordingly, the levels of inflows are expected to increase significantly in such areas as hotel and tourism, infrastructure development, IT/BPO services, renewable energy and pharmaceutical industry. Complementing to this, portfolio investments are also expected to increase in the future. Meanwhile, the government is also committed to continue the infrastructure development move by mobilizing a large amount of project related funds from development partners. The increased fixed capital formation will enable to maintain desired level of investments to sustain higher economic growth in the future.

In 2011, the domestic savings to GDP ratio contracted by 3.9 percentage points to 15.4 percent (Rs. 1,007 billion) from 19.3 percent (Rs. 1,080 billion) in 2010. The decline was entirely due to the drop in savings by the private sector to 16.5 percent of GDP from 21.4 percent in 2010 as the government was able to reduce its dis-savings to 1.1 percent of GDP from 2.1 percent in the previous year. This trend is

Table 4.9 > Investment and Savings

	Rs. Bn.		% of GDP	
	2010	2011	2010	2011
Domestic Investment	1,545	1,959	27.6	29.9
Private	1,201	1,550	21.4	23.7
Government	345	409	6.2	6.3
Domestic Savings	1,080	1,007	19.3	15.4
Private	1,200	1,078	21.4	16.5
Government	(120)	(72)	(2.1)	(1.1)
Investment - Domestic Savings Gap	466	952	8.3	14.6
Net Factor Income From Abroad	(70)	(72)	(1.2)	(1.1)
Net Foreign Private Transfers	414	513	7.4	7.8
National Savings	1,424	1,448	25.4	22.1

Source: Department of Census and Statistics

consistent with the significant increase in the private sector consumption as opposed to the decline in government consumption during the year. Reflecting this, the national savings, which is the sum of domestic savings, net foreign private transfers and net factor income from abroad, also declined to 22.1 percent of GDP in 2011 from 25.4 percent in 2010. The increase in net foreign private transfers to 7.8 percent of GDP from 7.4 percent in 2010 helped achieve this national savings ratio as the net factor income from abroad reflected a marginal decline. Foreign private transfers mainly included the private remittances which continuously showed an encouraging trend increased by 25 percent in 2011 as well. Benefiting from the new developments in this area, private remittances are expected to increase in the future. However, the decline in national savings in 2011 emphasizes the necessity of curtailing particularly the consumption expenditure of the country while creating an environment to make more savings.

With the drop in domestic savings to GDP ratio and the increase in investments to GDP ratio, the savings - investment gap also widened to 7.8 percent of GDP in 2011 from 2.2 percent in 2010, which was reflected in a higher deficit in the external current account. The transformation of budgetary operations to generate a revenue surplus and restructuring of state owned business enterprises to reduce their losses in the medium term is conducive to generate more domestic savings.

The private investment was mainly encouraged by the low interest rates prevailed in the country in the backdrop of relaxed monetary policy stance as the cost of funds was relatively low for the investments in real assets...

4.5 External Sector Developments

The overall performance of the external sector suffered from the third quarter of 2011 amidst the unstable external economic conditions emanated from the sluggish global economic recovery and the sovereign debt crisis in the Euro zone area coupled with the significant upsurge in international oil prices and pressures on financial flows in the backdrop of global uncertainties due to the geo political tensions in the Middle East and the North African countries. This was further aggravated with the sharp increase in the imports by 51 percent particularly due to the increased oil bill of the country and larger capital goods imports for ongoing infrastructure development projects, reflecting the strong domestic demand. Although exports grew by a healthy rate of 22.4 percent, significantly higher imports resulted in an unprecedented trade deficit of US\$ 9,710 million in 2011.

While the strong growth in inward workers' remittances and the surplus in the services account helped offset about two thirds of the deficit in the trade account, the current account recorded a significant deficit of US\$ 4,643 million (7.8 percent of GDP). As the inflows to the capital and financial account were not sufficient to offset the high current account deficit, the balance of payments recorded a deficit of US\$ 1,061 million in 2011. The gross official reserves, which increased to a high level of US\$ 8.2 billion by mid August 2011, declined thereafter to US\$ 5.9 billion by end 2011 as a part of the reserves were supplied to the market by the Central Bank to stabilize the exchange rate during the latter part of the year.

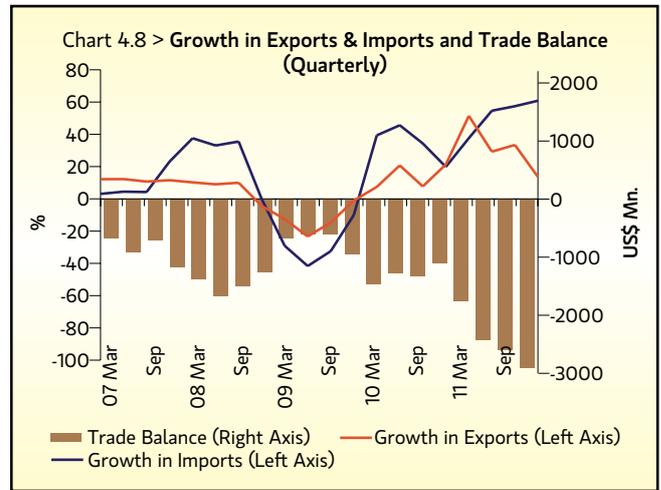
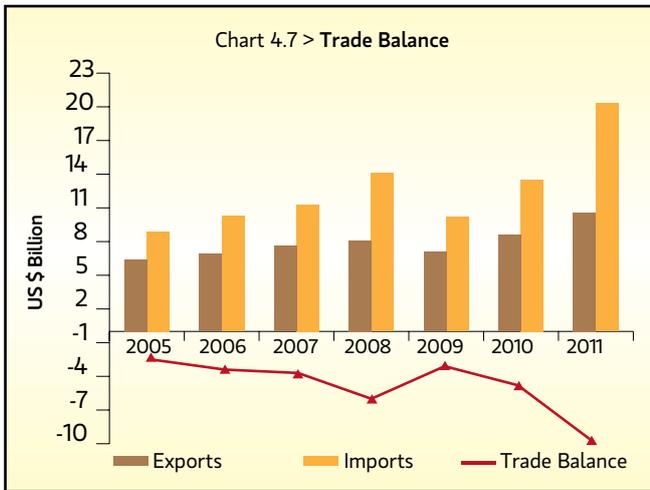
The policy initiatives introduced since February 2012, which included the discontinuation of the trading band on the exchange rate to allow greater exchange rate flexibility and reduce intervention in the foreign exchange market, increase of policy interest rates in two occasions, initiatives introduced to limit the private sector credit growth, upward revision of domestic petroleum, electricity and transport prices, the revision of tax structure related to importation of motor vehicles and taxes on liquor, tobacco and other related commodities will induce necessary adjustments in the trade and current account deficits to bring them back down to a sustainable level thereby strengthening the external position of the country.

Table 4.10 > External Trade

	US\$ Mn						
Indicator	2005	2006	2007	2008	2009	2010	2011
Exports	6,347	6,883	7,640	8,111	7,085	8,626	10,559
Agricultural Exports	1,154	1,294	1,646	1,976	1,836	2,305	2,528
Tea	811	882	1,027	1,270	1,185	1,440	1,491
Other Agricultural Products	343	412	620	706	651	865	1,037
Industrial Exports	4,825	5,315	5,832	6,036	5,159	6,027	7,897
Textile and Garments	2,890	3,084	3,337	3,478	3,261	3,356	4,191
Rubber Products	395	450	483	542	385	558	885
Machinery and Mechanical Appliances	330	396	371	322	187	259	312
Diamond and Jewellery	278	328	370	438	334	339	436
Food, Beverages and Tobacco	223	232	323	244	183	245	348
Petroleum Products	131	188	170	255	134	263	553
Other Industrial Products	578	637	779	757	676	1,007	1,171
Gem and Mineral Products	147	103	127	98	89	94	128
Unclassified*	221	172	38	-	-	199	7
Imports	8,864	10,253	11,296	14,091	10,207	13,451	20,269
Consumer Goods	1,289	1,551	1,665	2,006	1,565	2,476	3,654
Food and Beverages	573	711	803	1,089	933	1,322	1,567
Other	716	840	862	918	632	1,155	2,087
Intermediate Goods	5,607	6,257	6,983	9,019	6,158	8,054	12,275
Petroleum	1,657	2,070	2,516	3,392	2,184	3,041	4,795
Fertilizer	134	163	192	577	182	240	407
Textiles	1,659	1,656	1,724	1,788	1,529	1,812	2,321
Wheat and Maize	168	217	255	402	269	265	429
Other	1,989	2,151	2,296	2,860	1,995	2,696	4,322
Investment Goods	1,937	2,400	2,597	2,852	2,093	2,758	4,286
Machinery and Equipment	1,051	1,341	753	900	656	822	1,076
Transport Equipment	333	405	410	481	357	593	1,065
Building Material	548	651	1,428	1,467	1,077	1,339	2,141
Other	5	3	5	4	3	3	4
Unclassified	31	48	52	213	390	162	54
Trade Deficit	(2,517)	(3,373)	(3,657)	(5,981)	(3,122)	(4,825)	(9,710)

Source: Central Bank of Sri Lanka

*Includes re-exports



Trade Balance

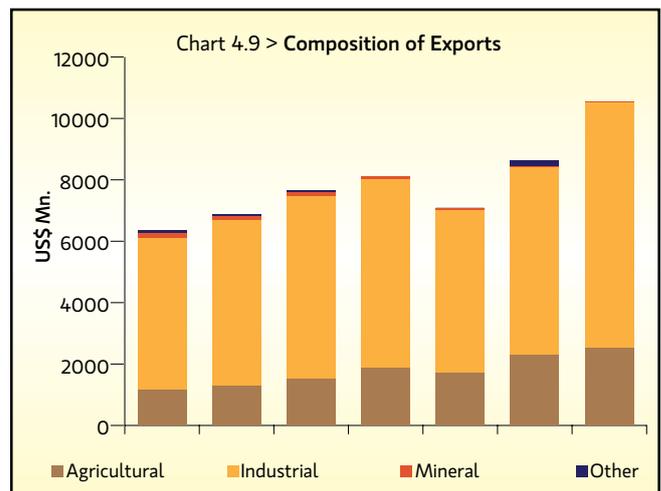
The trade deficit widened to US\$ 9,710 million in 2011 as a combined outcome of the significant 51 percent growth of imports over the much favorable 22.4 percent growth in exports. This reflected a 101 percent increase in comparison to the trade deficit of US\$ 4,825 million in 2010 spurred by higher commodity prices, particularly oil, and the increased volumes of imports. In particular, there was a significant increase in investment and intermediate imports reflecting the continued revival of domestic economic activity in the post conflict period. The expansion in the trade affected the tax base thereby impacting the revenue of the government.

Exports

Earnings from exports grew by 22.4 percent to US\$ 10,559 million in 2011 from US\$ 8,626 million in 2010 as a result of the higher earnings from both industrial and agricultural exports. This has achieved amidst the uncertain social and political environment in traditional export markets of Sri Lanka, which has reflected the enhanced resilience of the country's export sector to external shocks in this nature.

The major contribution for the growth in exports in 2011 came from the industrial exports, which accounted for nearly 75.7 percent of total exports, and grew by 31 percent in comparison to 2010. Main contributors to this high growth were the export of textile and garments, rubber products, petroleum products, and gems, diamonds and jewellery. In particular, the earnings from textile and garments increased by 24.9 percent to US\$ 4,191 million in 2011. Although the EU has withdrawn the GSP+ concession, which provided preferential tariff benefits for Sri Lankan exports, the apparel sector has been able to face that

challenge effectively by taking appropriate measures to improve quality and increase productivity while benefitting from the peaceful environment in the country and the improved macroeconomic conditions. The export of value added products of rubber, including tyres, gloves and floor coverings, increased in 2011 encouraged by the higher prices in the international market. Petroleum products exports generated US\$ 552.7 million in 2011 reflecting a 109.9 percent increase over the previous year with the increased prices and enhanced bunkering activities.

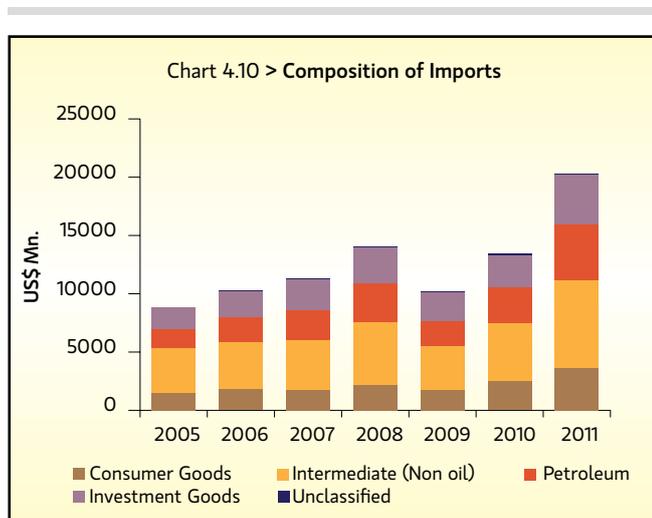


The agricultural exports, which accounted for 24 percent of total exports, recorded a 9.7 percent growth to US\$ 2,527.8 million in 2011 compared to US\$ 2,306.4 million in 2010 mainly due to the higher prices in the international market prevailed in the early part of the year as well as the continuation of agriculture support schemes. Earnings from tea exports, which accounted to 59 percent of the

total agricultural exports, grew by 3.5 percent to US\$ 1,491 million due to the higher prices despite the marginal decline in the volume owing to slowdown of exports to traditional markets, particularly in the Middle East. The export of value added tea increased to 63.9 percent of the total tea exports from 59.5 percent in 2010. Earnings from rubber and coconut exports increased mainly due to the higher international prices. In particular, the shortage of supply of natural rubber in the world market due to unfavourable weather conditions in the major rubber producing countries and the relatively high oil prices resulted in very attractive prices for rubber. However, export volume of natural rubber dropped since most of the raw rubber was absorbed by the local value added industry benefitting from the conducive environment that promotes domestic value addition. Meanwhile, the earnings from minor agricultural products like cinnamon, nutmeg & mace, vegetables, fruits and unmanufactured tobacco etc. increased due to higher international prices.

Imports

Total cost of imports in 2011 amounted to US\$ 20,269 million, reflecting an increase of US\$ 6,818 million in comparison to US\$ 13,451 million in 2010. All the major categories of imports recorded an expansion. The higher consumer imports with rising income of the population, higher intermediate goods imports due to significant increase in international petroleum prices as well as the increased petroleum product imports, private sector domestic investments fueled by post-conflict business optimism, imports for the ongoing infrastructure projects as well as for the reconstruction activities of the conflict affected provinces are the major sources of the higher growth in the import expenditure. The non oil imports recorded an increase of 48.6 percent in 2011.



The largest contribution for the growth in the expenditure on imports came from the intermediate goods which accounted for 60.6 percent of total imports, and grew by 52.4 percent to US\$ 12,275 million in 2011 in comparison to US\$ 8,054 million in 2010. The average import price of crude oil increased by 36.6 percent to US\$ 108.59 per barrel in 2011 from US\$ 79.52 in 2010 coupled with an increase in the volumes imported. Consequently, the expenditure on petroleum imports increased by 57.7 percent to US\$ 4,795 million in 2011 from US\$ 3,041 million in 2010 exerting a pressure on the balance of payments. The cost of non petroleum intermediate goods imports also increased to US\$ 7,480 million in 2011 from US\$ 5,014 million in 2010, an increase of US\$ 2,467 million over the previous year. This was mainly due to the increase in the import value of textiles by US\$ 509 million (28.1 percent) corresponding to the expansion in the apparel exports, and diamonds and precious metal by US\$ 698 million (185 percent) mainly reflecting the significant growth of the import of gold by US\$ 604 million. The expenditure on fertilizer imports also increased by US\$ 166.9 million (69.5 percent) in 2011.

The consumer goods import category, which provides a strong base for the fiscal operation of the government, expanded by 47.5 percent in 2011 to US\$ 3,654 million from US\$ 2,476 million in 2010. The import of food and beverages increased by US\$ 245 million (18.6 percent) to US\$ 1,567 million. Relatively higher prices in the international market and higher domestic demand for items like sugar and milk, expanded the import bill on food and beverages. More importantly, the non food consumer imports increased significantly by US\$ 932 million (80.7 percent) to US\$ 2,087 million with main contributors being the import of motor vehicles and home appliances benefiting from the significant reduction of the applicable taxes in the recent past. In particular, the imports of motor vehicles increased to US\$ 881 million in 2011 from US\$ 455 million in 2010. The import of home appliances also increased by 162 percent in 2011.

The import expenditure on investment goods, including building materials, machinery & equipment and transport equipment also increased by 55.4 percent to US\$ 4,286 million in 2011. This was mainly attributable to the expansion in construction activities throughout the country, including the ongoing large scale infrastructure development projects and the reduction of taxes on the transport equipment and machinery as well as other investment goods.

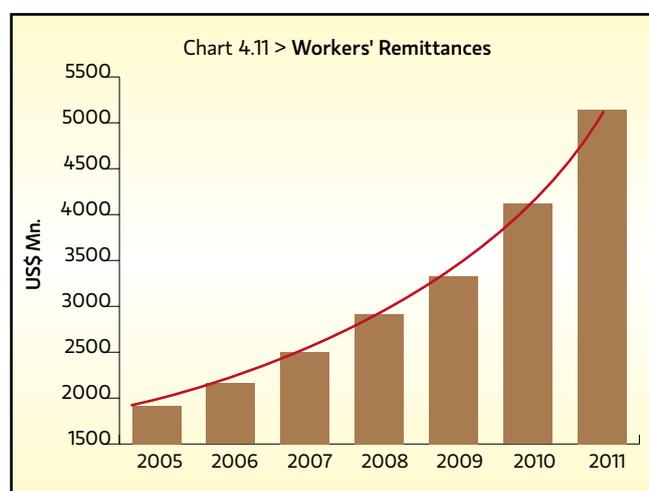
Current Account

The increase in the expenditure on all categories of imports than the growth in exports earnings, the trade deficit widened by 101 percent to US\$ 9,710 million in 2011 in

comparison to the deficit of US\$ 4,825 million in 2010. There was a significant surplus of US\$ 1,099 million in the services account in 2011 due to the higher earnings from the rapid expansion in the transportation (which includes passenger fares, freight and port & airport related earnings), export of software and information technology related services, and travel tourism related activities. Earnings from tourism in particular increased by 44.2 percent in 2011 to US\$ 830 million reflecting the impact of highest ever tourist arrivals of 855,975, which is an increase of 30.8 percent over the previous year. Meanwhile, the deficit in the income account increased marginally reflecting the outflows as a result of the increase in interest payments on foreign debt than the inflow of interest income from official international reserves, profits earned through the trading of foreign currency and securities and the valuation gains of the official reserves denominated in major foreign currencies. The inward workers' remittances, which increased by 25 percent to US\$ 5,145 million, helped offset 53 percent of the deficit in the trade account. These developments resulted in a wider deficit of US\$ 4,615 million in the current account in 2011 in comparison to US\$ 1,075 million in 2010. As a percentage of GDP, the current account deficit in 2011 accounted to 7.8 percent in comparison to 2.2 percent in 2010.

Workers' Remittances

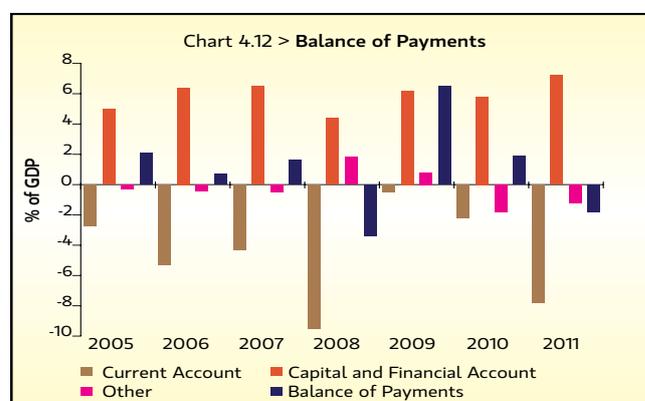
Workers' remittances, which continued to be the foremost and stable foreign exchange earner of Sri Lanka, grew by 25 percent to US\$ 5,145 million in 2011. The increase in the migration of skilled workers, enhancement of the availability of formal channels, including the increased number of bank branches and service offices in the conflict affected provinces, to remit funds to Sri Lanka, repatriation of savings by migrant workers due to uncertain conditions in the major destinations, increase in average wage rate, increased migration to high wage paying countries like



Korea and Singapore were among the major factors that helped this improved performance in workers' remittances.

Capital and Financial Flows and Balance of Payments.

Foreign Direct Investment (FDI) inflows, including loans, increased to US\$ 1,066 million in 2011 in comparison to US\$ 516 million in 2010 while exceeding the target of US\$ 1 billion. FDI were received mainly for hotels and tourism related activities, and information technology, telecommunication and petroleum etc., reflecting the positive investor sentiment complemented by the improvements in investor facilitation activities. Private long term capital, on a net basis, stood at US\$ 153 million. As the public investment programme progressed with least disturbances, long term official flows to the government infrastructure development initiatives increased to US\$ 2,029 million from US\$ 1,460 million in 2010. In addition, US\$ 1,000 million was received from the successful raising of the fourth sovereign bond of the country in the international capital market. The net short term borrowings of the government by way of non resident investment in Treasury bills and Treasury bonds amounted to US\$ 233 million in comparison to US\$ 531 million in 2010.



Despite the significant increase of inflows to the capital and financial account by US\$ 1,385 million, the higher deficit in the current account turned the BOP into a deficit of US\$ 1,061 million by end 2011 demonstrating a significant turnaround from a surplus of about US\$ 921 million recorded by end July 2011.

Total gross official reserves (excluding Asian Clearing Union (ACU) balances) by end 2011 stood at US\$ 5,958 million in comparison to US\$ 6,610 million by end 2010. This amount was equivalent to 3.5 months of imports. Meanwhile, total reserves which include the gross official reserves (excluding ACU balances) and the reserve balances in the banking system, stood at US\$ 7,199 million by end 2011.

Box 4.1 External Reserves

1. Introduction

Countries are engaged in international transactions in continuing their everyday life. These are related to the import and export of goods and services as well as other financial transactions, such as payment obligations and investments. These transactions are conducted using currencies that are accepted internationally as payment modes. It is customary that a sufficient amount of external reserves or assets are held by the countries to face any imbalance that would arise in this process. The International Monetary Fund (IMF), in its sixth edition of the IMF's Balance of Payments Manual, has defined the reserves as "external assets that are readily available to and controlled by monetary authorities (Central Banks) for meeting balance of payments financing needs, for interventions in exchange markets to affect the currency exchange rate, and for other related purposes".

Total and Official International Reserves: Total international reserves of a country consist of the market value of the reserves owned by the Central Bank, the government and the commercial banks. Official international reserves of a country generally consists of foreign exchange balances held outside the country, foreign securities, monetary gold, reserve position at the IMF, Special Drawing Rights (SDR) holdings and other reserve assets, including financial derivatives. The commercial bank reserves consist of the securities, deposits, loans, and financial derivatives etc. and are not included in official reserve assets.

Gross and Net Official International Reserves: The gross official reserves adjusted to outstanding short term liabilities of the Central Bank and government, and liabilities to the IMF etc. are called Net International Reserves (NIR).

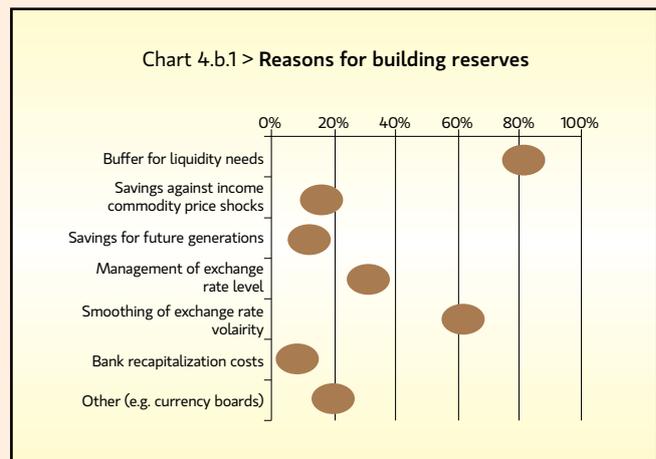
2. Objectives of Holding International Reserves

There is no single reason that predominate the need for having reserves. Also, there is no single reference that is used to determine the optimum size of reserves. According to the IMF (2001), the official foreign exchange reserves are held by countries in support of a range of objectives, including the followings;

- To support and maintain confidence in the policies for monetary and exchange rate management, including the capacity to intervene in support of the national or union currency.
- To limit external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed and in doing so.
- To provide a level of confidence to markets that a country can meet its external obligations.
- To demonstrate the backing of domestic currency by external assets.

- To assist the government in meeting its foreign exchange needs and external debt obligations.
- To maintain a reserve for national disasters or emergencies.

In particular, having adequate reserves is important as a self-insurance to safeguard a country against shocks, such as international commodity price increases, including crude oil, Asian financial crisis in 1997, as well as the global financial crisis experienced during the 2008-2009 period .



Reproduced from "Assessing Reserve Adequacy", IMF 14 February 2011

3. Traditional Measures of Reserve Adequacy

Official international reserves at any given time are often compared in relative terms than the absolute terms in which key traditional measures are as follows.

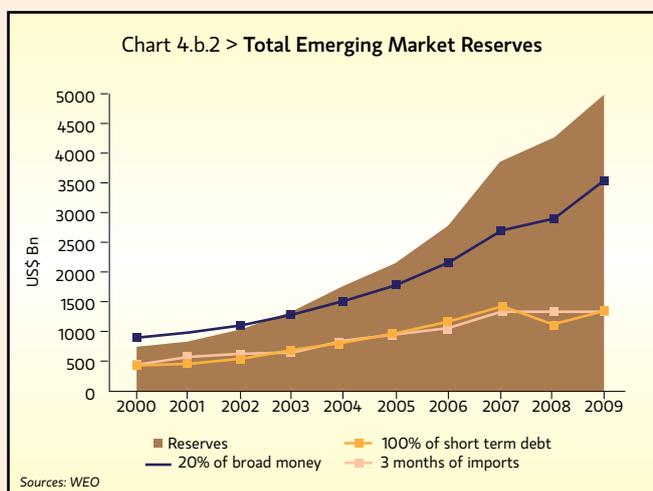
Import Coverage Ratio or Reserve Coverage Ratio: The Import Coverage Ratio is a trade based indicator which indicates the number of months a country can continue to support its current level of imports if all other inflows, including export earnings and financing, and outflows were stopped. It is calculated by dividing the total official international reserves by the estimated monthly expenditure for the current level of imports of goods and services. The reserve coverage ratio of three months of imports of goods and services is generally used as a benchmark.

Reserves Relative to Broad Money (or Reserve Money):

This is a money based indicator for reserve adequacy. It is used to measure the potential of resident based capital flight or banking crisis and indicates the risk of deposits being converted to foreign currency. The benchmark often used in relation to this indicator is 20 percent of the broad money.

Short term Debt-based Measures: This is mainly used as a measure for countries facing debt risks. If a country is having significant but uncertain access to international capital markets, this would be an important measure of reserve adequacy. In general, the 100 percent of the reserves is used as the norm in this context.

Reserves Relative to GDP: This is a rarely used indicator for assessing the reserve adequacy. It is sometimes used as a scaling factor in making comparisons between the countries.



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4. New Approach to Reserve Adequacy

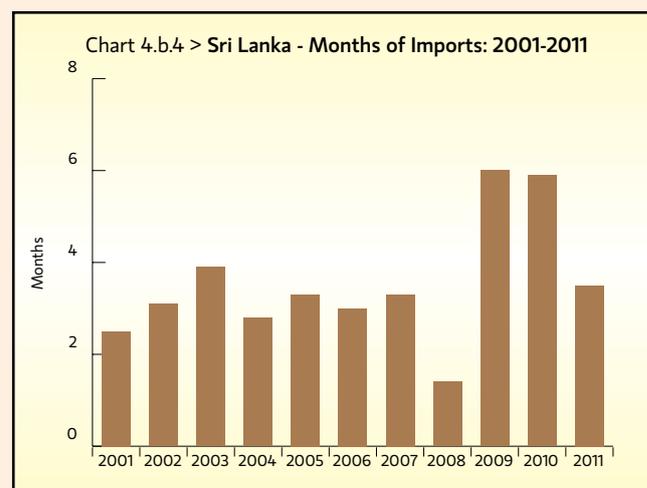
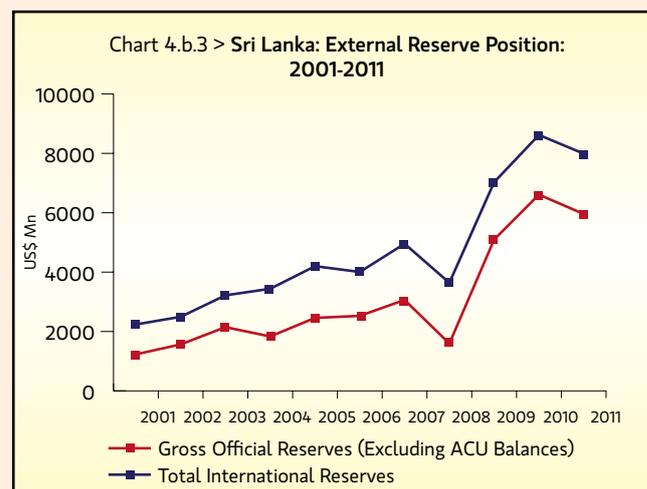
The continued globalization as well as the present complexities in the international financial flows etc. has necessitated the introduction of new measures for reserve adequacy. This is mainly because of the fact that, at present, some countries are having difficulties due to high amount of reserves than the generally required level, thereby causing complications in their macroeconomic management process. Hence, there is a need for ascertaining the "adequate level of reserves" that country will have to maintain in reducing such vulnerabilities and defending a country against external shocks.

In this context, the IMF has come up with a new approach to ascertain foreign exchange reserve adequacy of a country. This is based on the two-stage 'risk-weighted' approach for emerging markets and econometric estimation of optimal reserve levels for developing countries to complement the existing rules of thumb, such as the three months of import coverage. In determining the adequate level of reserves, risks arising from various sides, including the current account, capital flight, short term debt and other liabilities, such as debt and equity are taken into account.

The IMF has indicated that the existence of variety of analytical approaches will be informative in assessing reserve adequacy. Moreover, in determining adequacy of reserves for precautionary purposes, the new matrix would provide a useful starting point for analyzing some of the considerations and trade-offs. The IMF has also indicated that there should be no "one-approach-fits all" to such assessments. Hence, the new metrics will have to be supplemented with judgment as well as country-specific characteristics.

5. External Reserves in Sri Lanka

The trends in the gross official reserves and the total international reserves as well as the reserve adequacy, measured in terms of months of imports, in Sri Lanka are given in the following charts.



References:

1. Drummond, Paulo, Aristide Mrema, Stéphane Roudet, and Mika Saito (2009), "Foreign Exchange Reserve Adequacy in East African Community Countries", International Monetary Fund, Washington DC.
2. IMF, "Balance of Payments Manual", International Monetary Fund, Washington DC.
3. IMF (2001), "Guidelines for Foreign Exchange Reserve Management", International Monetary Fund, Washington DC.
4. IMF (February 2011), "Assessing Reserve Adequacy", International Monetary Fund, Washington DC.
5. IMF (April 2011), "IMF Executive Board Discusses Assessing Reserve Adequacy", Public Information Notice (PIN) No. 11/47, International Monetary Fund, Washington DC.

Table 4.11 > **Balance of Payments: 2006 - 2011**

	US\$ Mn.					
Item	2006	2007	2008	2009	2010	2011 (a)
Trade Balance	-3,370	-3,657	-5,981	-3,122	-4,825	-9,710
Exports	6,883	7,640	8,111	7,085	8,626	10,559
Imports	10,253	11,296	14,091	10,207	13,451	20,269
Service (net)	257	302	401	391	707	1,099
Receipts	1,625	1,775	2,004	1,892	2,474	3,084
Payments	1,368	1,472	1,603	1,501	1,768	1,985
Income (net)	-389	-358	-972	-488	-617	-647
Receipts	311	449	(32)	116	323	467
Payments	700	807	940	603	940	1,114
Goods, Services and Income (net)	-3,503	-3,712	-6,552	-3,219	-4,735	-9,258
Current Transfers (net)	2,004	2,311	2,666	3,005	3,660	4,643
Private Transfers (net)	1,904	2,214	2,565	2,927	3,608	4,583
Receipts (Workers' Remittances)	2,161	2,502	2,918	3,330	4,116	5,145
Payments	257	288	353	403	508	562
Official Transfers (net)	101	97	101	77	52	60
Current Account	-1,499	-1,402	-3,886	-214	-1,075	-4,615
Capital and Financial Account	1,808	2,097	1,773	2,594	2,877	4,262
Capital Account	291	269	291	233	164	164
Financial Account	1,517	1,828	1,483	2,361	2,713	4,097
Long Term	907	1,251	1,016	1,304	2,379	3,292
Direct Investment (net)	451	548	691	384	435	896
Private Long Term (net)	(35)	31	74	79	149	153
Govt. Long Term (net)	491	672	252	840	1,796	2,244
Short Term	610	577	466	1,058	334	805
Allocation of SDRs	-	-	-	508	-	-
Errors and Omissions	-105	-165	728	346	-881	-707
Overall Balance (Balance of Payments)	204	531	(1,385)	2,725	921	(1,061)
As a percentage of GDP						
Trade Deficit	-11.9	-11.3	-14.7	-7.4	-9.7	-16.4
Current Account Deficit	-5.3	-4.3	-9.5	-0.5	-2.2	-7.8

Source: Central Bank of Sri Lanka

(a) Provisional

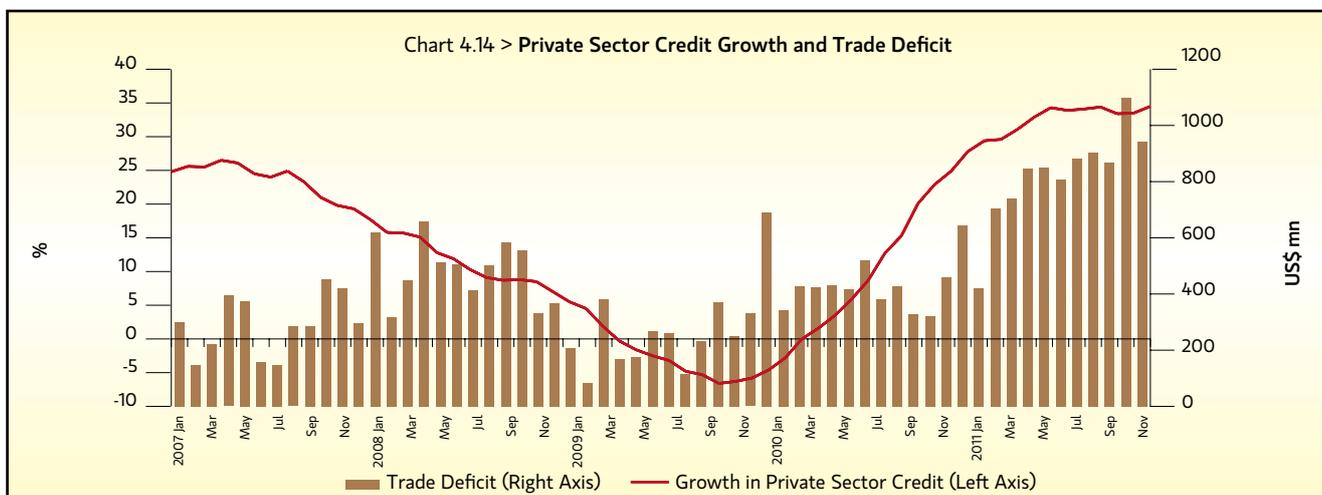
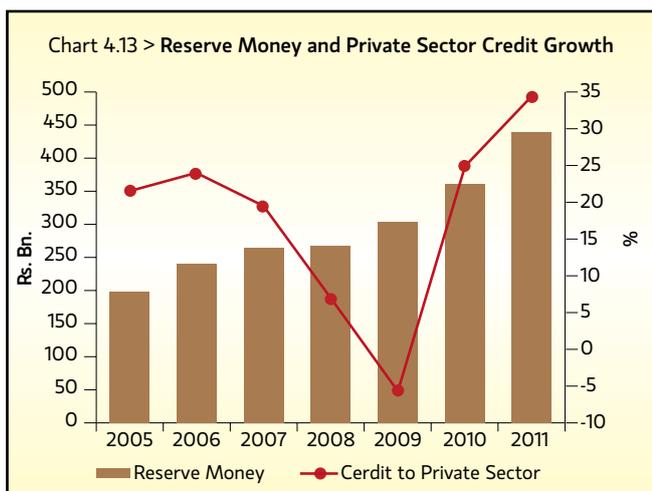
4.6 Monetary Sector Developments

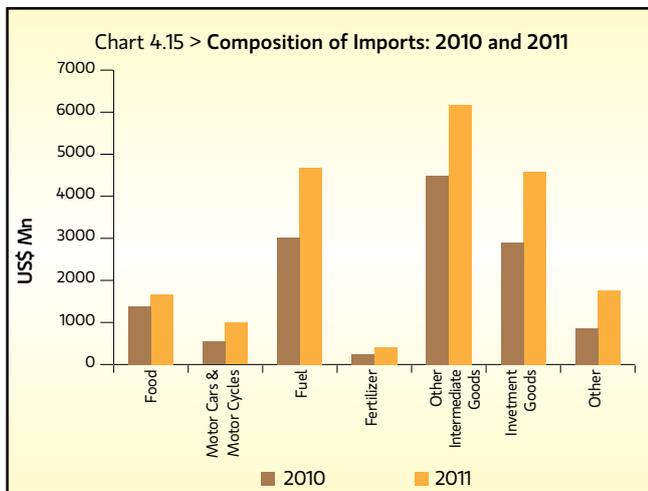
The monetary policy stance of the Central Bank of Sri Lanka was relaxed further in January 2011 with the rapid deceleration of inflation to spur the growth momentum of the economy by augmenting private sector investment. Accordingly, the Repurchase rate was reduced by 25 basis points and the Reverse Repurchase rate was reduced by 50 basis points to 7.00 percent and 8.50 percent, respectively, on 11 January 2011. However, the expansion of credit to the private sector, which accelerated rapidly since early 2010, fuelling the pace of economic activity, continued and monetary aggregates grew at a higher than expected rate thereafter. This led the Central Bank to be cautious in conducting monetary policy, which subsequently resulted in a signalling of the reversal of the policy towards monetary tightening. In line with this, the persistent excess liquidity condition in the domestic money market was monitored

closely and its' potential to fuel excessive credit growth and thereby inflation became a concern. In order to address this, the Statutory Reserve Requirement (SRR) on all Rupee deposit liabilities of commercial banks was increased by one percentage point to 8.0 percent with effect from 29 April 2011, to absorb a part of the excess liquidity permanently while using moral suasion with the banks to reduce the lending to a more desirable level.

With the above measure as well as the continued expansion of lending by banks to the private sector using ample liquidity and the supply of foreign exchange to the domestic money market by the Central Bank to meet import bills, particularly during the latter part of the year, the excess liquidity in the domestic market as well as external reserves declined sharply. This was occurred amidst the substantial injection of liquidity following the inflow of US\$ 1 billion from the sovereign bond issue of the government in July and the purchase of Treasury bills by Central Bank from the primary market, particularly in the last quarter of 2011. Towards the latter part of the year, there was an upward pressure on the exchange rate as well as the interest rate structure due to the tightening monetary conditions and worsening balance of payments which were reflected by declining excess rupee liquidity associated with large outflow of external reserves through a surge in imports.

Reserve money rose by 21.9 percent to Rs. 439.5 billion in 2011 fuelled by domestic assets. The increase in currency in circulation and the enhanced deposits of commercial banks with the Central Bank were mainly attributable to this increase. Meanwhile, reflecting the robust expansion of credit obtained by both the private and the public sectors, the broad money (M2b) recorded a high year-on-year growth of 19.1 percent to Rs. 2,491.7 billion in 2011. In 2011, the growth in credit granted to the private sector continued unabated and recorded an increase of 34.5





percent to Rs. 2,030.4 billion. The increase in private sector credit was mainly due to the relatively lower market interest rates, sustained expansion in the domestic economic activity, improved access to credit, enhanced credit promotion activities by financial institutions and favourable exchange rate for imports. The notable development in the sectoral distribution of advances by commercial banks is the significant growth in all major categories i.e. Agriculture and Fishing (21.9 percent), Industry (25.7 percent), Services (47.4 percent) and Personal Loans and Advances (42.5 percent). The high growth in private sector credit, particularly personal loans and advances, eventually resulted in a surge in domestic demand leading to a significant increase in imports such as motor vehicles, thereby creating a large trade deficit in 2011.

4.7 Capital Market Activities

There was a faster and more extensive improvement in the performance of the Colombo Stock Exchange (CSE), particularly during the first two years since the ending of the conflict in May 2009. Continuing this upsurge, the equity

The increase in private sector credit was mainly due to the relatively lower market interest rates, sustained expansion in the domestic economic activity, improved access to credit, enhanced credit promotion activities by financial institutions and favourable exchange rate for imports...

prices increased to all-time high by mid-February 2011, but moved downwards thereafter. This reflected a correction of the stocks prices, which recorded a phenomenal increase during the previous one and half years.

During the year, the All Share Price Index (ASPI) and Milanka Price Index (MPI) declined by 8.5 percent and 25.9 percent, respectively. A majority of sectors reflected declines in their price indices. The CSE's Market Price to Earnings Ratio (PER) declined to 15.8 percent at the end of 2011 from 25.2 percent at the end of 2010. Market capitalization, which was Rs. 2,210 billion in 2010, improved to Rs. 2,214 billion in 2011. Also, there was a considerable enhancement of Initial Public Offerings (IPOs) and the number of companies listed at CSE in 2011. Meanwhile, the net foreign flows recorded an outflow during the year.

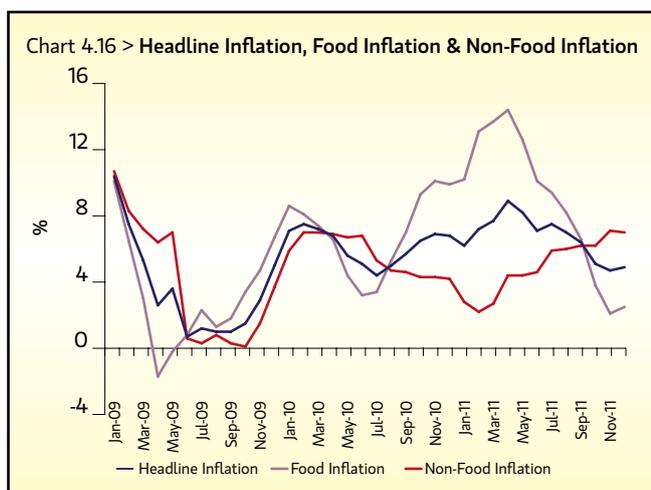
Table 4.12 > **Movements in the Capital Market**

Indicator	2005	2006	2007	2008	2009	2010	2011
All Share Price Index (1985=100)(ASPI)	1,922	2,722	2,541	1,503	3,386	6,636	6,074
Milanka Price Index (MPI)	2,451	3,712	3,292	1,631	3,849	7,061	5,229
Market Capitalization (Rs. Bn.)	584	835	821	489	1,092	2,210	2,214
No. of Listed Companies in Trading	242	232	231	235	232	242	272
Annual Average Turnover (Rs.Bn.)	115	105	105	110	142	570	546
No. of Initial Public Offers/Offer for Sale	3	2	0	2	3	8	13
Foreign Sales (Rs. Mn.)	21,568	31,790	35,543	52,682	43,899	118,761	68,816
Foreign Purchases (Rs. Mn)	27,712	37,167	46,797	66,632	43,253	92,426	49,777

Sources: Colombo Stock Exchange, Central Bank of Sri Lanka

4.8 Inflation

The year on year inflation was 4.9 percent in 2011 in comparison to 6.8 percent in December 2010. In April 2011, the year on year inflation peaked at 8.9 percent. This was due to increase in food inflation as a result of the supply disruption owing to severe flood associated with adverse weather conditions that prevailed in major cultivation areas causing crop failures. However, the recovery of domestic supply conditions, particularly since April-May period, resulted in a gradual deceleration of the food inflation during the remaining period of the year. Divi-Neguma, the government initiative to develop a backyard economy to promote economic security at household level, mobilized 1.4 million households to develop part of their food requirements outside the market thereby impacting food prices favourably. The non-food inflation moved upward owing to the increase in certain administered prices such as fuel, electricity, transport and gas which are now widely spread among all income segments of the population. Meanwhile, the annual average inflation also continued to remain at single digit levels and was 6.7 percent in 2011 in comparison to 6.2 percent in 2010.

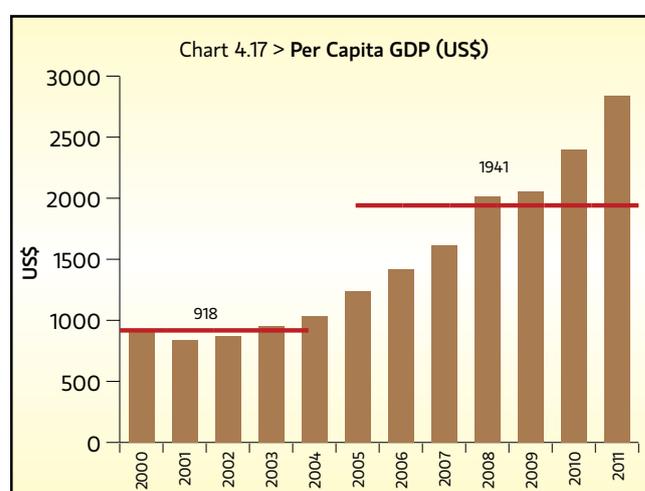


The relatively low and stable level of inflation in the recent past is comparable with the higher level of inflation of 28 percent by mid-2008, which declined rapidly thereafter and remained around mid-single digit levels for a period of nearly three years. This achievement was supported by the improvements in the domestic supply responding to the measures taken by the government to improve domestic agriculture countrywide, complemented by the enhanced food production in the conflict affected areas, granting of duty waivers to bring down the escalating prices of essential commodities and the cautious monetary and fiscal policy stances that the Central Bank and the government have

adopted to maintain a stable macroeconomic environment, a pre-requisite for sustained improvement in investment, income growth, better distribution and poverty reduction.

4.9 Growth in Per Capita Income

With the higher real growth in GDP, Sri Lanka was able to increase its per capita income to US\$ 2,836 in 2011 from US\$ 2,400 in 2010. Per capita income has more than doubled within a 7 year period reflecting that the country has reached a faster phase of growth in comparison to a 15 year period that took to reach the US\$ 1,000 mark in 2004.



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Box 4.2 Per Capita Income

The per capita income is an important economic indicator to measure how much income each individual of a country would receive on average if the country's total income (proxied by Gross Domestic Product or GDP) is divided by the number of people in the country. The GDP per capita is generally considered as an indicator of a nation's economic strength. The per capita income also helps in comparing one country to another in terms of economic status as it shows the relative performance of the countries. To maintain the compatibility, the per capita income expressed in US dollar terms, is globally accepted and used.

Before translating to US dollar terms, the nominal value of the GDP in domestic currency in a particular year is calculated first in terms of widely accepted National Accounts calculation methods. This is done by national statistical authority, which is the Department of Census and Statistics in case of Sri Lanka.

Once the domestic value of the nominal GDP is calculated, it has to be divided by the average annual exchange rate of the same year to get the total GDP value in US dollar terms. If the rupee value of the per capita income is divided by the end of the year exchange rate, statistically it distorts the outcome as the GDP is a flow variable, which reflects the aggregate value of the activities undertaken throughout the same year. To get the per capita GDP in US dollar terms, the total US dollar value of the GDP of a particular year has to be divided by the total (mid-year) population of the country of that year.

Accordingly, the per capita income measured in terms of international currency (US\$) in a particular year could be changed due to the real GDP growth rate of the economy, national inflation (GDP deflator), population growth and the movements in the exchange rate of the same year. The following Table illustrates how the per capita GDP has been calculated in the recent past and indicates that higher real growth of 8.3 percent in 2011 over and above equally higher growth rate in 2010 together with modest growth in population have contributed to a higher per capita income in 2011 than that in 2010.

Table 4.b > **Per Capita GDP: 2005-2011**

Item	Unit	2005	2006	2007	2008	2009	2010	2011
1. Real Economic Growth	%	6.2	7.7	6.8	6.0	3.5	8.0	8.3
2. GDP Deflator	%	10.4	11.3	14.0	16.3	5.9	7.3	7.8
3. Nominal Growth Rate (1*2)	%	17.2	19.9	21.8	23.3	9.6	15.9	16.7
4. Nominal GDP (In Rupees)*	Rs. Mn	2,452,782	2,938,680	3,578,688	4,410,682	4,835,293	5,604,104	6,542,663
5. Average Annual Exchange Rate	Rs./US\$	100.50	103.96	110.62	108.33	114.94	113.06	110.57
6. Nominal GDP in US\$	US\$	24,406	28,267	32,351	40,715	42,068	49,568	59,172
7. Mid-year Population	Mn	19.668	19.858	20.039	20.217	20.450	20.653	20.869
8. Per Capita GDP - Rs. (4/7)	Rs.	124,709	147,776	178,845	218,167	236,445	271,346	313,511
Per Capita GDP - US\$ (6/7)	US\$	1,241	1,421	1,617	2,014	2,057	2,400	2,836

Sources: Department of Census and Statistics, Central Bank of Sri Lanka

* This could also be obtained by multiplying the previous year nominal GDP by the current year real GDP growth rate and the GDP deflator. It could be obtained by multiplying the previous year nominal GDP by the present year nominal GDP growth rate as well. When these variables involve wide fluctuations, such fluctuations are corrected through weighted average methods and comparing with other available proxies generally accepted by statistical authorities.

05

FISCAL DEVELOPMENTS

5.1 Overview

The improvement in the government fiscal operations was further consolidated in 2011 as well by containing the overall budget deficit at 6.9 percent of GDP compared to the target of 6.8 percent announced in the Budget 2011. The budget deficit was reduced to 8.0 percent of GDP in 2010 from the high deficit of 9.9 percent in 2009. This improvement was supported by the continued expansion in the domestic economy. The consolidation in government fiscal operations has been achieved in the midst of comprehensive tax policy reforms proposed in the Budget 2011. During the year, the impact of increasing international commodity prices were mitigated through the provision of import duty concessions on petroleum products, selected food items and milk powder. However, this had a negative impact on the revenue performance in 2011. The revenue forgone, particularly due to the duty waivers granted on petroleum products and milk powder in 2011 has been estimated at Rs. 62.4 billion, which is about 1.0 percent of GDP. The fiscal improvement was helped with the sustained reduction in high expenditure on national security from 3.9 percent of GDP in 2009 to 3.1 percent in 2011. The consequent stable macroeconomic environment

and the resultant low interest rate regime had a favourable impact on the interest cost of the government, which declined from 6.3 percent of GDP in 2010 to 5.5 percent in 2011. Although there was a shortfall in revenue in 2011, the lower expenditure more than offset the revenue shortfall. The reduction in revenue deficit from 3.7 percent of GDP in 2009 to 1.1 percent in 2011 enabled the government to maintain public investment at 6.2 percent of GDP while containing fiscal deficit at 6.9 percent of GDP.

Tax reforms in 2011 were implemented with the view of simplifying the country's tax system, broadening the tax base and improving compliance. The new tax system has been designed to be development friendly and equitable with a positive impact on both taxpayers as well as the government revenue in the medium term on a sustainable basis. It has replaced the operation of multiple taxation. The creation of an enabling environment to support savings in the hands of taxpayers and investment by both domestic and foreign investors to sustain higher economic growth are also objectives of these reforms. Highlights of the tax reforms introduced in 2011 are given in Box 5.1.

Box 5.1 Tax Reforms in Budget 2011 - Highlights

- Personal income tax system was simplified to be comparable with the rates in the regional countries by reducing the applicable marginal tax rates while raising the tax free threshold to Rs. 500,000.
- Pay-as-you-earn (PAYE) tax was made a final tax for those with only employment income to reduce complexities and delays, while raising the threshold to Rs. 600,000 (by way of additional exemption of Rs. 100,000).
- The PAYE tax was extended to government sector employees as well to increase the equity in the tax system while broadening the base for income taxation. Tax on certain terminal benefits was removed, while chargeability of tax on certain other retirement benefits was also reduced.
- Corporate income tax rates were reduced, particularly by incentivizing the firms that are engaged in export related activities with higher local value addition. Accordingly, the corporate tax rate was reduced to 12 percent for normal export activities and if value addition is more than 65 percent, it is 10 percent. Liquor and tobacco products were subjected to a high income tax rate of 40 percent.
- Threshold for the chargeability of the Economic Service Charge (ESC) was increased to Rs. 25 million per quarter mainly for the benefit of the Small and Medium Enterprises (SMEs).

- Value Added Tax (VAT) rates were unified and the VAT system was modified to avoid complexities and cumbersome refund procedure and setting off mechanisms.
- NBT system was simplified with a rate reduction while extending it to the wholesale and retail level amalgamating the Provincial Turnover Tax (PTT) relating to those sectors. A revenue sharing mechanism between the central government and the Provincial Councils (PCs) was introduced to compensate the loss of revenue from the abolition of the PTT. In addition, the percentage of the revenue collected from the motor vehicle registration fees transferred to PCs was increased to 70 percent from 60 percent with effect from 01 January 2011. The transferring of entire revenue from stamp duty to PCs was also commenced from 2011.
- Telecommunications Levy was introduced as a composite tax to the telecommunications sector by removing VAT, Nation Building Tax (NBT), Regional Infrastructure Development Levy (RIDL), Environment Conservation Levy (ECL) and the Celluler Mobile Subscribers' Levy (MSL) on this sector.
- Certain taxes, such as the RIDL, Social Responsibility Levy (SRL) and debits tax, were removed altogether responding to public demands for a simpler tax system.
- The four band tariff structure, which consists of 0, 5, 15 and 30 percent tariff rates, was continued.
- Import tax burden was eased, particularly targeting a number of areas, including agriculture, domestic industries, SMEs, tourism, telecommunication, construction, information and communication technology (ICT) and business process outsourcing (BPO) etc. to support the rapid economic growth.
- Import duties and Cess on most of the raw materials were removed and intermediate goods which are necessary to local value added industries were placed at a low tax regime to support the domestic value addition.
- Taxes on importation of machinery and equipment were reduced further to encourage mechanization of economic activities. In addition, with the view of developing Sri Lanka as an international trading hub as well as reducing the smuggling and tax evasion, the importation of branded light weight electrical and electronic products, was brought into a low effective tax regime by reducing/removing their taxes.
- Prohibitive tax rates on many items, including motor vehicles, were simplified.
- Surcharges on imports were eliminated.
- Desired import duty rates and Cess were introduced to domestic value-added products that Sri Lanka has a comparative advantage to create a fair competition.
- Special commodity levy (SCL), which is a composite levy in lieu of all applicable indirect taxes, was continued with new items bringing in to the SCL system to maintain the simplicity of taxes on items which are involved small by traders.
- Excise duty was revised to discourage the consumption of liquor and cigarettes while taking stringent actions to prevent illicit liquor, drugs, narcotics and unauthorized cigarettes.
- Tax Interpretation Committee and a Tax Appeals Commission were appointed to further improve the tax administration and to enhance the confidence of taxpayers.

- Investment Fund Account was established to use tax savings by banks and financial institutions from the reduction of VAT rate on financial services to 12 percent and maximum corporate income tax rate to 28 percent, to use for long term lending.
- Board of Investment (BOI) incentive regime was revisited to move towards a broad based low tax regime and to provide an equitable incentive regime for private investment. Accordingly, the tax regime under the BOI Act was harmonized with the Inland Revenue Act (IRA) in relation to Section 17 of the both Acts and all the tax incentives were brought under the IRA.

As the year 2011 progressed, certain other revisions were also introduced to the tax system. Accordingly, a full waiver of the importation of milk powder and petrol was granted in January and April 2011, respectively. The excise duty on importation of hybrid vehicles, trishaws and petrol motor vehicles with the engine capacity below 1,600cc was increased. The maximum age limit of motor vehicles eligible for import was reduced from three and half years to two years in April 2011. In addition, excise duty on liquor and cigarettes was increased in January and October 2011. The rates applicable under the Special commodity levy (SCL) for certain commodities were revised based on the international commodity prices, domestic price concerns as well as to deal with enhanced domestic supply of certain items from time to time to support the domestic agriculture while bringing certain new items into the SCL.

Government Revenue

Total government revenue grew by 14.4 percent to Rs. 935 billion in 2011 in comparison to the budgetary target of Rs. 963 billion. As a percentage of GDP, total revenue accounted for 14.3 percent in 2011 compared to 14.6 percent in the previous year. This is largely because of the decline in petroleum based taxes from Rs. 39.4 billion in 2010 to Rs. 32.7 billion in 2011 due to the reduction of taxes on such products. Non petroleum based tax revenue increased from Rs. 685.3 billion to Rs.779.9 billion during this period. Significant increases were recorded in the revenue from income tax, import duties, VAT on imports, Ports and Airports Development Levy (PAL), SCL and excise duties. Total revenue from NBT also increased from Rs. 46 billion in 2010 to Rs. 53.5 billion in 2011. However, as one third of the total revenue was transferred to Provincial Councils

(PCs) under the new revenue sharing mechanism with PCs, the contribution of NBT to government revenue amounted to Rs. 35.7 billion in 2011 in comparison to Rs. 46 billion in 2010. Meanwhile, there was a decline in the revenue from domestic VAT in 2011 due to consolidation of the rate and the revisions introduced. Furthermore, the increase in non-tax revenue in 2011 was mainly driven by the increases in the revenue from sales and charges, profits and dividends, and the profit transfers from the Central Bank of Sri Lanka.

Tax reforms in 2011 were implemented with the view of simplifying the country's tax system, broadening the tax base and improving compliance...

The creation of an enabling environment to support savings in the hands of taxpayers and investment by both domestic and foreign investors to sustain higher economic growth are also objectives of these reforms...

Table 5.1 > **Government Revenue**

Amounts in Rs Mn

Item	2005	2006	2007	2008	2009	2010	2011	2011/2010 % Change	2011 % of Total Revenue
Tax Revenue	336,828	428,378	508,947	585,621	618,932	724,747	812,646	12.1	86.9
Income Tax	52,535	79,693	107,169	126,541	139,558	135,623	157,309	16.0	16.8
Value Added Tax	138,660	164,555	187,452	203,646	171,510	219,990	215,420	(2.0)	23.1
Excise Tax	76,978	93,529	96,675	100,971	97,604	129,864	186,010	43.2	19.9
Import Duties	45,391	52,657	56,017	63,842	79,560	64,165	76,010	18.4	8.1
Ports & Airports Development Levy	10,969	21,126	26,700	31,017	36,286	49,632	66,028	33.0	7.1
Special Commodity Levy	-	-	-	14,603	18,965	10,173	15,622	53.6	1.7
Nation Building Tax	-	-	-	-	27,205	46,022	35,667	(22.5)	3.8
Other	12,295	16,818	34,961	45,001	48,244	69,279	60,580	(12.8)	6.5
Non Tax Revenue	42,919	49,455	56,104	69,639	80,712	92,532	122,166	32.0	13.1
Total Revenue	379,747	477,833	565,051	655,260	699,644	817,279	934,812	14.4	100.0
As a % of GDP									
Tax Revenue	13.7	14.6	14.2	13.3	12.8	12.9	12.4		
Income Tax	2.1	2.7	3.0	2.9	2.9	2.4	2.4		
Value Added Tax	5.7	5.6	5.2	4.6	3.5	3.9	3.3		
Excise Tax	3.1	3.2	2.7	2.3	2.0	2.3	2.8		
Import Duties	1.9	1.8	1.6	1.4	1.6	1.1	1.2		
Ports & Airports Development Levy	0.4	0.7	0.7	0.7	0.8	0.9	1.0		
Special Commodity Levy	-	-	-	0.3	0.4	0.2	0.2		
Nation Building Tax	-	-	-	-	0.6	0.8	0.5		
Other	0.5	0.6	1.0	1.0	1.0	1.2	0.9		
Non Tax Revenue	1.7	1.7	1.6	1.6	1.7	1.7	1.9		
Total Revenue	15.5	16.3	15.8	14.9	14.5	14.6	14.3		

Source: Department of Fiscal Policy

Current Expenditure

Current expenditure in 2011 increased by 7.4 percent to Rs. 1,006.6 billion over 2010. As a percent of GDP, it accounted for 15.4 percent in comparison to 16.7 percent recorded in the previous year.

Expenditure on salaries and wages for public servants, including those in the Provincial Council system, and security services, increased by 8 percent to Rs. 319.6 billion in 2011 in comparison to an increase of 6.3 percent in 2010. This increase was due to the combined effect of the provision of all public servants with a special allowance equivalent to 5 percent of their basic salary and the increase of monthly cost of living allowance (COLA) by Rs. 600 for the non staff grade category of public sector employees from January 2011 and for the staff grade category from July 2011. The expenditure on salaries and wages accounted for 4.9 percent of GDP in 2011. Total pension payments increased by 9.9 percent to Rs. 99.9 billion in 2011 from Rs. 91 billion in 2010. The full year impact of around 17,850 retirees in 2010, the partial impact of the new retirees of about 22,773 in 2011, the increase of COLA to pensioners by Rs. 300 to Rs. 2,675 per month as well as the correction of anomalies of pensioners contributed to this increase.

Interest payments increased to Rs. 356.7 billion in 2011 from Rs. 352.6 billion in 2010 and accounted for 5.5 percent of GDP. Domestic interest payments at Rs. 288.1 billion accounted for 4.4 percent of GDP. The moderation in interest outlays was influenced by low rates of interest on Treasury bills and Treasury bonds as well as the government initiatives to restructure the debt stock by retiring some high cost domestic debt raised in the past. Interest payments on foreign debt increased by 23.6 percent to Rs. 68.6 billion in 2011 from Rs. 55.5 billion in 2010 mainly reflecting the decline in concessional foreign financing and the gradual transformation of the cost structure of the foreign debt towards market based financing. However, reflecting the fact that a bulk of high cost debt is in domestic form, the total interest on foreign debt accounted to 19 percent of the total interest payments.

Meanwhile, the expenditure on government social welfare schemes increased to Rs. 41.7 billion in comparison to Rs. 34.4 billion in 2010. Key items in this category included payments to disabled soldiers (Rs. 13.3 billion), Samurdhi cash grants (Rs. 9 billion) and relief assistance of Rs. 649 million for displaced persons due to the severe floods in early 2011. Meanwhile, the assistance to state owned enterprises and public corporations amounted to Rs. 45 billion in 2011. The continued decline in defence related procurement also helped reduce current expenditure. Accordingly, the non interest recurrent expenditure as a per cent of GDP declined to 9.9 percent in 2011 from 10.4 percent in 2010.

Public Investment

Keeping to the commitment of maintaining annual public investment at 6 percent of GDP, the government spent Rs. 407.6 billion as public investment in 2011. This accounted for 6.2 percent of GDP. Main focus in the public investment was on the development of roads and construction of highways with other strategic areas, including power & energy, ports, airports, bridges, irrigation, water supply and sanitation. Emphasis was also placed on the development of infrastructure in the emerging regions by implementing projects in a number of areas, including access roads, electricity distribution network, community water supply and minor irrigations to reduce economic disparity among the regions and to rebuild the infrastructure in the conflict affected provinces. The reconstruction of the irrigation facilities and roads, which were damaged due to the severe floods that occurred in the early part of 2011, was also undertaken on a priority basis. Important landmarks in the public investment programme in 2011 include the commissioning of the phase I of 300 MW Norochcholai Coal Power project as well as the phase I of Southern expressway connecting Colombo and Galle.

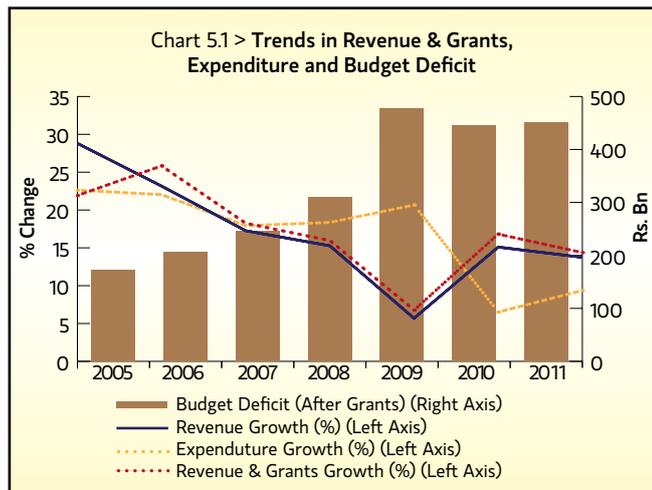
Revenue Deficit, Budget Deficit and Deficit Financing

The deficit in the revenue account, the gap between the total current expenditure and total revenue, declined to Rs. 71.8 billion in 2011 from Rs. 119.8 billion in the previous year as a result of the lower growth in the current expenditure than the growth in the revenue. As a percentage of GDP, the revenue deficit declined to 1.1 percent from 2.1 percent in 2010. The overall budget deficit in 2011 was Rs. 450.2 billion and accounted to 6.9 percent of GDP compared to 8.0 percent recorded in 2010.

In financing the budget deficit, Rs. 256.3 billion (57 percent) was obtained as net borrowings from domestic sources mainly reflecting the shortfall in the revenue. There was Rs. 193.9 billion (43 percent) of net financing from foreign sources.

Of the total domestic financing, the borrowings from the banking system amounted to Rs. 191.9 billion or about 74.7 percent of the total domestic financing in 2011. The higher bank financing in 2011 was due to the increased purchase of government securities by the Central Bank from the primary market amidst the tight rupee liquidity position in the market that created upward pressure on interest rates and the open market operations conducted by the Central Bank using government securities, particularly during the latter part of the year. Of the total bank financing, the net borrowing from the Central Bank amounted to Rs. 185.8 billion in 2011.

Consequently, non-bank financing including Treasury bills and Treasury Bonds was low at Rs. 65 billion or 25 percent of the total domestic financing in 2011. Main contributors to the non-bank financing in 2011 were Employees' Provident Fund (EPF), National Savings Bank (NSB) and Employees Trust Fund (ETF). This also included the net investments by non residents of Rs. 25 billion.



The funds from foreign sources to finance the budget deficit mainly received through foreign project financing. On a gross basis, project financing from bilateral and multilateral development partners in 2011 was Rs. 174.5 billion. As there were repayments amounting to Rs. 63.6 billion, net foreign financing from project loans amounted to Rs. 110.9 billion, which was 57 percent of the total net foreign financing. Japan, China, India, Asian Development Bank (ADB) and International Development Association (IDA) were the major development partners who provided project financing. Meanwhile, gross financing from other foreign sources in 2011, including the proceeds from the international sovereign bond issue of Rs. 109.5 billion (US\$ 1,000 million), amounted to Rs. 112.5 billion. Net financing from these sources was Rs. 82.5 billion.

Government Debt

The government debt totaled to Rs. 5,133.4 billion by end 2011 consisting of Rs. 2,804.1 billion of domestic debt and Rs. 2,329.3 billion of foreign debt. Total debt accounted for 78.5 percent of GDP in 2011 in comparison to 105.6 percent recorded in 2002. This was a result of the containment of the budget deficit at 6.9 percent of GDP in 2011 in comparison

to 8.0 percent in 2010 as well as the higher growth in GDP than the growth in debt in 2011.

Although the total domestic debt increased by Rs. 238.4 billion in 2011, as a percentage of GDP, it declined to 42.9 percent from 45.8 percent in 2010. Of the total domestic debt, Rs. 2,105.9 billion or about 75.1 percent was with the maturity periods from medium to long term. The balance Rs. 698.2 billion or 24.9 percent was with a short term maturity period.

Total foreign debt increased by Rs. 304.7 billion in 2011 reflecting the borrowings from foreign sources as well as the impact of the depreciation of the rupee viz. a viz. major foreign currencies during the latter part of 2011. However, as a percentage of GDP, it declined to 35.6 percent in 2011 from 36.1 percent in 2010. About 57 percent of the government foreign debt was on concessional terms and conditions. With the borrowings of Rs. 109.5 billion (US\$ 1,000 million) through international sovereign bond, the share of non-concessional loans in the total foreign debt amounted to 43 percent in 2011.

Medium Term Direction

As announced in the 2012 Budget speech and accompanied report under the Fiscal Management (Responsibility) Act (FMRA) No. 3 of 2003, the government is committed to reduce the budget deficit gradually to 5.2 percent of GDP by 2014. Major improvement in the overall fiscal position is expected to come in the form of a significant increase in government revenue, particularly responding to the new tax regime introduced in 2011. In line with this, the Budget 2012 has introduced policies and measures to consolidate and streamline the new tax regime¹, while enhancing consistency and clarity of the tax policy to maintain the credibility, which is expected to enhance the revenue growth. Complementing this, the strong effort to keep the operational expenditure on check while prioritizing much needed public investment to support the growth momentum of the economy by complementing private sector economic activities will be continued. The efforts to improve the quality of public spending and curtail unproductive expenditures have also been intensified. With this, the generation of a revenue surplus is a key objective of the fiscal strategy so that public investment target of 6-7 percent of GDP will be sustained. The expected improvement in the overall fiscal operations will help strengthen the macroeconomic stability of the country to facilitate the achievement of high and sustainable economic growth in the medium term.

¹ Please see Chapter 3 of this publication for a detailed discussion on the tax reforms introduced in Budget 2012.

Table 5.2 > **Summary of Government Fiscal Operations**

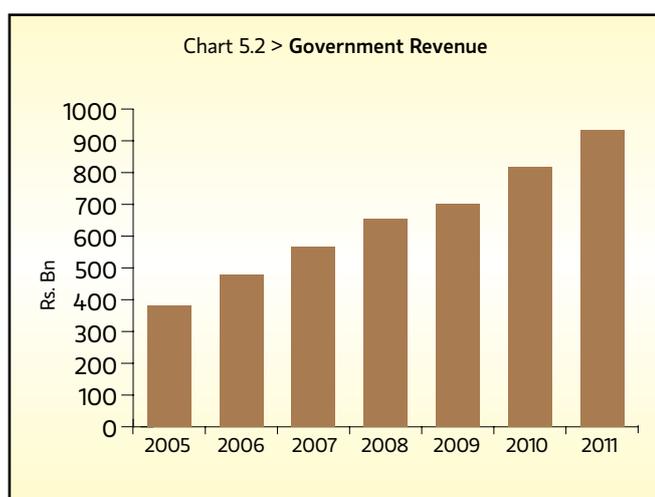
Amounts in Rs Mn

	2007	2008	2009	2010	2011
Total Revenue and Grants	595.6	686.4	725.6	834.1	949.9
Total Revenue	565.1	655.2	699.7	817.2	934.8
Tax Revenue	509.0	585.6	619.0	724.7	812.6
Income Tax	107.2	126.5	139.6	135.6	157.3
Taxes on Goods and Services	328.6	356.2	352.0	435.4	468.0
Taxes on External Trade	73.2	102.9	127.4	153.7	187.3
Non Tax Revenue	56.1	69.6	80.7	92.5	122.2
Grants	30.5	31.2	25.9	16.9	15.1
Total Expenditure & Net Lending	841.7	996.2	1,201.9	1,280.2	1,400.1
Recurrent	622.8	743.7	879.6	937.1	1,006.6
Personal Emoluments	214.2	239.1	271.2	300.6	319.6
Interest	182.7	212.5	309.7	352.6	356.7
Subsidies and Transfers	147.4	170.9	190.2	196.2	216.6
Other Goods and Services	78.5	121.2	108.5	87.7	113.7
Capital and Net Lending	218.9	252.5	322.3	343.1	393.5
Public Investment	229.3	263.9	330.4	356.5	407.5
Other	(10.4)	(11.4)	(8.1)	(13.4)	(14.0)
Revenue Surplus(+)/Deficit(-)	(57.7)	(88.5)	(179.9)	(119.9)	(71.8)
Budget Surplus(+)/Deficit(-)	(246.0)	(309.6)	(476.4)	(445.9)	(450.2)
Total Financing	246.0	309.6	476.4	445.9	450.2
Net Foreign Financing	63.8	12.9	83.9	194.9	193.9
Gross Foreign Borrowings	127.9	67.7	194.1	270.0	282.0
Repayments	64.1	54.8	110.3	75.1	88.4
Total Domestic Financing	182.3	296.7	392.5	251.1	256.3
Non Bank Financing (Net)	129.4	119.1	196.5	204.1	39.4
Non-Resident Investments in T-Bills and T-Bonds (Net)	37.1	(17.6)	146.9	48.8	25.1
Bank Borrowings (Net)	15.8	195.2	49.0	(1.9)	191.9
				As a % of GDP	
Revenue and Grants	16.6	15.6	15.0	14.9	14.5
Revenue	15.8	14.9	14.5	14.6	14.3
Tax Revenue	14.2	13.3	12.8	12.9	12.4
Non Tax Revenue	1.6	1.6	1.7	1.7	1.9
Grants	0.9	0.7	0.5	0.3	0.2
Expenditure	23.5	22.6	24.9	22.8	21.4
Recurrent Expenditure	17.4	16.9	18.2	16.7	15.4
Public Investment	6.4	6.0	6.8	6.4	6.2
Revenue Surplus(+)/Deficit(-)	-1.6	-2.0	-3.7	-2.1	-1.1
Budget Surplus(+)/Deficit(-)	-6.9	-7.0	-9.9	-8.0	-6.9
Total Foreign Financing	1.8	0.3	1.7	3.5	3.0
Total Domestic Financing	5.1	6.7	8.1	4.5	3.9

Source: Department of Fiscal Policy

5.2 Government Revenue

In 2011, total revenue of the government increased by Rs. 118 billion to Rs. 935 billion. This indicated a growth of 14.4 percent over the previous year supported by the increases in both tax and non-tax revenue. Total revenue as a percent of GDP was 14.3 percent in 2011 in comparison to 14.6 percent in 2010 in the midst of tax reforms and reduction in the revenue from petroleum based taxes.



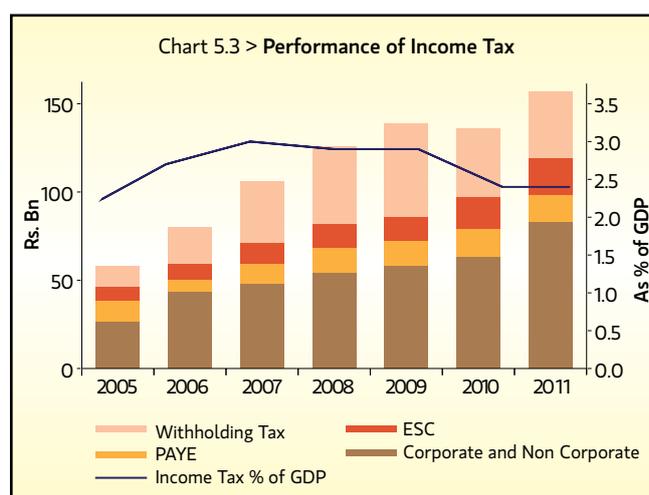
5.2.1 Tax Revenue

Total tax revenue in 2011 increased by Rs. 87.9 billion to Rs. 812.6 billion compared to Rs. 724.7 billion in 2010 and accounted to 86.9 percent of the total government revenue. Improved domestic economic activity and the enhanced imports helped increase the revenue although there was a negative impact on the revenue from imports due to the continuation of tax concessions granted on certain items, including petroleum products, in the midst of rising international prices. In particular, there was a decline in the revenue from petroleum based taxes to Rs. 32.7 billion in 2011 from Rs. 39.4 billion in 2010 due to the reduction of petroleum taxes. Among the major taxes, the revenue from income taxes grew by 16 percent in 2011 with the support of the growth in corporate and non corporate income taxes and ESC. The revenue from import related taxes recorded significant increases (except that from Cess) reflecting the positive impact of about 50.7 percent growth in imports (in US\$ terms), particularly the import of motor vehicles. The revenue from VAT, on a net basis, declined reflecting the combined impact of the decline in the revenue from domestic VAT as well as the increase in the revenue from VAT on imports. It also reflected the change in the

tax structure in favour of excise taxes in 2011 compared with 2010 and the transfer of part of the VAT revenue to Investment Fund Account (IFA). Meanwhile, the revenue from excise duty on cigarettes and liquor increased in 2011 mainly with the respective rate increases, the expansion of the market due to renewed economic activities in the conflict affected areas and strict enforcement of the law by the authorities to curtail illicit liquor and unauthorized cigarettes. Total tax revenue amounted to 12.4 percent of GDP in 2011 in comparison to 12.9 percent in 2010.

Income Tax

Total income tax revenue by way of corporate income tax, personal income tax, Economic Service Charge (ESC) and withholding tax on interest (WHT) recorded a 16 percent increase to Rs. 157.3 billion in 2011 compared to Rs. 135.6 billion in 2010. This was achieved despite the major tax reforms with lowering tax rates with a higher threshold, reduction of personal as well as corporate income tax rates other than on liquor and tobacco industries. The corporate and non-corporate income tax revenue rose to Rs. 83 billion in 2011 from Rs. 62.6 billion in 2010 benefitting from the improved performance in banking and finance, food and beverages, construction and telecommunication sectors. Further, revenue from ESC had a positive impact with an 18.2 percent increase to Rs. 21.3 billion compared to Rs. 18 billion in 2010, reflecting the improved turnover in business activities.



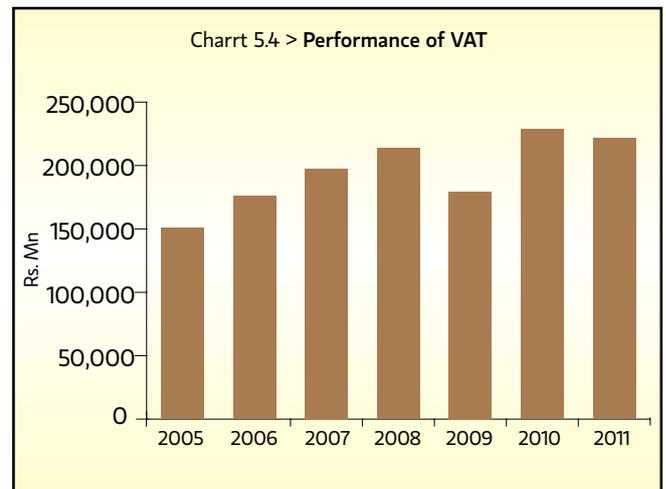
However, the total revenue from WHT declined by 1.3 percent to Rs. 38.2 billion compared to Rs. 38.7 billion in 2010. The WHT on interest income recorded an increase of 16.4 percent to Rs. 33.8 billion compared to Rs. 29.1 billion in 2010 with the better performance in interest income from

government securities as a result of the higher volumes of domestic debt instruments with longer maturities. However, the WHT on interest income from individuals declined from Rs. 6.7 billion in 2010 to Rs. 6.4 billion owing mainly to lower interest income, increase of threshold for taxation and reduction of rate from 10 to 8 percent. The removal of WHT on specified fees on such areas as construction work and any other services as well as rent, lease rent or other payments for the use or occupation of any land or building other than for residential purposes affected negatively on the revenue from WHT on specified fees and others and declined to Rs. 4.4 billion from Rs. 9.7 billion in 2010. The revenue from PAYE tax declined by 9 percent to Rs. 14.8 billion compared to Rs. 16.3 billion in 2010 reflecting the impact of additional exemption of Rs 100,000 granted on wage income, reduced tax rates and the expansion of income tax slabs despite the wage and employment increases during the year.

Value Added Tax

The revenue from VAT showed a change in favour of excise taxes in 2011 compared with 2010. This was due to the reduction of VAT from 20 percent to 12 percent on major revenue items such as liquor, cigarettes and motor vehicles and corresponding increase of the excise duty rates related to those items to maintain the revenue buoyancy. In addition, a part of the due revenue from VAT revenue shifted to an Investment Fund Account (IFA) as a result of the reduction in VAT on financial services from 20 percent to 12 percent. The revenue loss due to the first item in the above is estimated to be Rs. 10 billion while the amount transferred to IFA in 2011 was Rs. 10.1 billion totaling to Rs. 20.1 billion. The performance of VAT in 2011 has to be analyzed in this background.

Accordingly, the total revenue collected from VAT amounted to Rs. 215.6 billion in 2011 in comparison to Rs. 220 billion in 2010. The VAT revenue from domestic goods and services declined to Rs. 103.1 billion from Rs. 120.4 billion in the previous year mainly reflecting the impact of above mentioned two policy changes introduced to the VAT system in 2011. In addition, the unification of VAT rate at 12 percent, granting of new exemptions, including the VAT on education and goods and services supplied to foreign funded infrastructure projects, removal of VAT on telecommunications sector to introduce the single composite tax of Telecommunications Levy, introduction of Simplified VAT (SVAT) scheme, and revision of VAT refund system with the input credit extending up to 100 percent from 85 percent under the new set-off mechanism



to address unabsorbed input credit outstanding as at 31 December 2010 were also attributable to this decline.

In contrast, the revenue from VAT on imports increased by 12.8 percent due to the increased imports, including motor vehicles as well as other imports, reflecting renewed domestic economic activities. The granting of exemptions on selected items such as petrol and the introduction of SCL to a number of items which were subjected to VAT earlier had a negative impact on VAT on imports.

Meanwhile, VAT refunds have shown a decline mainly due to the introduction of SVAT scheme. This has eased the processing of VAT refunds for VAT registered persons who are engaged in exports as well as special projects in the country.

Excise Duty

Total earnings from excise duties increased by 43.2 percent to Rs. 186 billion in 2011 from Rs. 129.9 billion in 2010. Similar to the year 2010, liquor, cigarettes, motor vehicles and petroleum remained as the major sources of excise tax related revenue generation for the year 2011 as well. A part of the increase in the revenue from excise duties reflected the reduction of VAT rate from 20 percent to 12 percent applicable on such items and the corresponding increases introduced to the excise duty rates to recoup the resulting revenue loss.

Table 5.3 > Revenue from Value Added Tax

Item	Amount (Rs Mn.)							Growth (%)	
	2005	2006	2007	2008	2009	2010	2011	2010	2011
Domestic	67,756	82,620	95,738	112,616	105,486	129,046	109,159	22.3	-15.4
Imports	83,185	93,221	101,813	100,831	73,997	99,669	112,609	34.7	13.0
Gross Revenue	150,941	175,841	197,551	213,447	179,483	228,715	220,761	27.4	-3.5
Refunds	12,281	11,174	9,957	9,801	7,973	8,724	6,348	9.4	-27.2
Net Revenue	138,660	164,555	187,452	203,646	171,510	219,990	215,420	28.3	-2.5
Net Revenue as a % of GDP	5.7	5.6	5.2	4.6	3.5	3.9	3.3		

Source: Department of Fiscal Policy

Table 5.4 > Excise Tax Performance

Item	Amount (Rs Mn.)							Growth (%)	
	2005	2006	2007	2008	2009	2010	2011	2010	2011
Liquor	16,285	20,661	23,723	27,434	28,525	36,654	55,286	28.5	50.8
Cigarettes / Tobacco	26,992	30,067	31,437	37,288	37,601	40,675	49,623	8.2	22.0
Motor Vehicles	14,220	21,671	17,415	11,067	3,192	21,199	52,835	564.1	149.2
Petroleum & other	19,481	21,130	24,099	25,181	28,286	31,336	28,267	10.8	-9.8
Total	76,978	93,529	96,675	100,970	97,604	129,864	186,010	33.1	43.2

Source: Department of Fiscal Policy

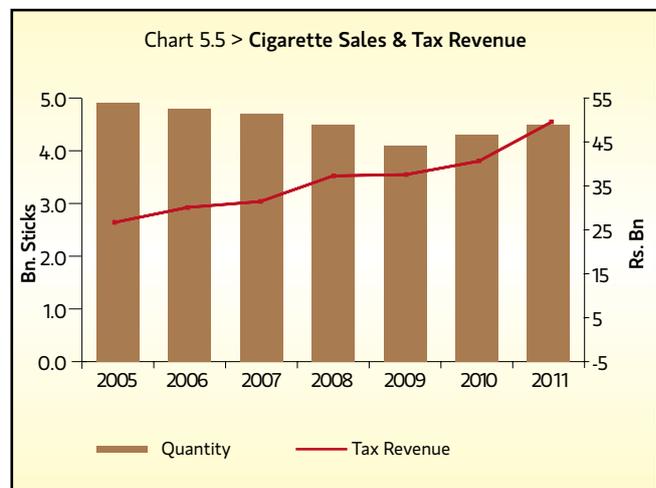
The revenue generated from the excise tax on cigarettes and tobacco increased by 22 per cent to Rs. 49.6 billion in 2011. The upward revision of excise tax rates in two occasions, i.e. January and October 2011, enhanced demand from the emerging new markets in the conflict affected areas and the consequent increase of the production of cigarettes by 4.3 percent in 2011 compared to 2010, and the enforcement of the law to counter unauthorized cigarettes were the main reasons behind this increase.

Revenue from excise tax on liquor increased by 50.8 per cent in 2011 compared to 2010. Excise tax on hard liquor generated Rs.47.1 billion while the revenue from malt liquor also increased to Rs. 8.2 billion in 2011 compared to Rs. 4.8 billion in the previous year. The increase of excise duty on liquor in January and October 2011 and the increase of hard and malt liquor production by 8.9 percent and 22.5 percent, respectively in 2011 were the main reasons for the increase of income from excise duty on liquor. Significant

Table 5.5 > Production and Excise Tax Collection from Cigarettes

Year	Quantity Produced		Excise Tax Revenue	
	Million Sticks	% Change	Amount (Rs. Mn.)	% Change
2005	4,945		26,658	
2006	4,791	-3.1	30,067	12.7
2007	4,670	2.5	31,447	4.5
2008	4,467	-4.4	37,288	18.6
2009	4,101	-8.2	37,581	0.8
2010	4,286	4.5	40,643	8.1
2011	4,469	4.3	49,589	22.0

Sources: Department of Excise, Department of Sri Lanka Customs



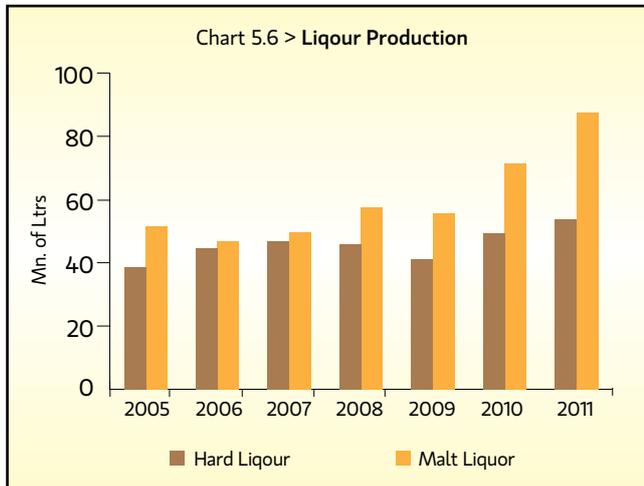


Table 5.6 > Motor Vehicle Imports

	2010	2011	% Change
Three-wheelers	92,207	137,798	49.44
Tractors	18,617	26,870	44.33
Transport Vehicles	20,655	55,381	168.12
Passenger Vans and Buses	2,766	3,838	38.76
Motor Cars	26,745	56,369	110.76
Other	222,109	252,807	13.82
Total	383,099	533,063	39.14

Source: Sri Lanka Customs

increase in tourist arrivals and domestic tourism and the enhancement of related activities as well as the decline in the consumption of illicit alcohol due to strict enforcement of the law have also contributed to the growth of the legal liquor industry.

Excise tax generated from importation of motor vehicles increased by 149.2 per cent to Rs. 52.8 billion in 2011 compared to Rs. 21.2 billion in 2010. Increase of import of motor vehicles during this period and increase in excise duty on motor vehicles with the engine capacities less than 1,600 cc and hybrid electric vehicles based on the engine capacity with effect from 24 April 2011 were the main reasons behind this. Further, the age limit of imported motor vehicles was reduced to two years from three and half years to minimize the potential harm from the relatively old vehicles to the environment. Apart from motor cars,

VAT refunds have shown a decline mainly due to the introduction of SVAT scheme. This has eased the processing of VAT refunds for VAT registered persons who are engaged in exports as well as special projects in the country...

Table 5.7 > **Coverage of Products and Value of Imports under Free Trade Agreements - 2011**

Free Trade Agreement	No. of Products Subject to Tariff Concessions	Import Value (CIF) (Rs.Mn)
India - Sri Lanka Free Trade Agreement (ISFTA)	4,554	61, 752
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	5,305	13, 693
South Asia Free Trade Agreement (SAFTA)	4,744	1,298
Asia - Pacific Trade Agreement (APTA)	561	1,329
Total	15,164	78, 072

Source: Department of Trade, Tariffs and Investment Policy

the import of tractors, three wheelers and vehicles for transportation of goods also increased reflecting the boost in the economic activity in the country. However, imported vehicles such as tractors, lorries, single cabs, buses (more than 20 persons), ambulances, cranes, and motor homes etc. were not subjected to excise duties.

Import Duty

The revenue from import duty increased by 18.4 percent to Rs.76 billion in 2011. However, the growth in the revenue from import duties was lower than the 50.7 percent increase of the total imports (in US\$ terms) as the dutiable imports were increased only by about 7.4 percent in 2011. Meanwhile, the imports under Free Trade Agreements (FTAs) in 2011 amounted to Rs. 78 billion (US\$ 706 million). The FTAs have resulted in removing trade barriers causing most tariff line items being placed at lower rates of customs tariff.

As far as the revenue from import duty is concerned, the granting of duty waivers on such items as petrol and milk powder in the backdrop of increasing commodity prices in the international market to stabilize domestic prices of such items, reduction of duty on motor vehicles in June 2010, electrical and electronic products etc., tax concessions on selected areas such as telecommunications sector and imports under FTAs were resulted in a lower revenue collection from this source that would otherwise have been collected in 2011. Meanwhile, the revenue from import duty on motor vehicle imports was higher at Rs 63.2 billion in 2011 due to the 28.8 percent increase in motor vehicle imports despite their relatively lower duty rates.

Nation Building Tax

The Nation Building Tax (NBT), which was introduced in 2009 as a mechanism to meet the post war rehabilitation expenditure, underwent a significant change with the tax reforms introduced in 2011. Accordingly, the scope of the NBT was extended to the wholesale and retail trade sectors to replace the Provincial turnover tax applicable to those sectors, which was abolished by the government as a step to reduce the complexity of the country's tax system. Further, the NBT rate was also reduced to 2 percent from 3 percent with certain exemptions and concessions for selected areas with effect from 01 January 2011. At the same time, a revenue sharing mechanism between the central government and the PCs was introduced to transfer one third of the revenue collected by the central government from the NBT to PCs to compensate the loss of revenue due to the abolition of the Provincial turnover tax. The revenue transferred to PCs from NBT was Rs. 17.8 billion (one third of the total NBT revenue) in 2011 in comparison to the revenue of Rs. 19.9 billion generated by them from turnover tax in 2010.

Total revenue generated from NBT in 2011 was Rs.53.5 billion, an increase of 16.2 percent over 2010. NBT on domestic activities increased by 48 percent while NBT on imports declined by 6.6 percent. Major contributory factor for the improved performance in the domestic component of NBT was the improvement in import related retail and wholesale trade activities, hotels and restaurants and commercial banking activities reflecting the enhanced domestic economic activity and the boost in tourism industry of the country under the peaceful post-conflict environment. The main reason for the decline in the revenue from import related NBT was the reduction of applicable rate from the beginning of the year.

Special Commodity Levy

Special Commodity Levy (SCL), a single composite tax, which replaces different taxes and duties applicable in respect of essential food commodities, was introduced under the Special Commodities Levy Act No. 48 of 2007. The main objective of this levy is to control price escalations of essential food commodities. Until November 2011, SCL was restricted to 15 essential food items. However, in the Budget 2012, a number of new commodities were subjected to SCL with a view to promote domestic agriculture and to ease the price pressures in the domestic market. In 2011,

SCL generated Rs. 15.6 billion compared to Rs. 10.2 billion in 2010, which was mainly supported by a higher SCL rate on potatoes and B onions. The increase of SCL on sugar, onion and dhal in the second half of 2010 also helped increase the revenue from this source in 2011. At the same time, the government had to forego nearly Rs. 25.4 billion as a result of the imposition of SCL, in lieu of regular taxes and duties that were applicable for certain food commodities concerned. The SCL was continuously used by the Government to provide necessary protection for domestic producers of specific commodities during the domestic harvesting seasons.

Table 5.8 > **Special Commodity Levy - Rates Applicable on Selected Commodities**

Item	Rate (Rs. Per kg.)	
	End 2010	End 2011
Sprats	30.00	30.00
Potatoes	10.00	20.00
Red Onions	25.00	25.00
B Onions	10.00	25.00
Garlic	10.00	25.00
Green Gram	15.00	50.00
Lentils- Whole	10.00	10.00
Split	15.00	15.00
Chilies- Not Crushed	20.00	20.00
Crushed	25.00	40.00
Canned fish	85.00	85.00
Sugar	5.00	5.00
Watana - Whole	10.00	10.00
Split	15.00	15.00
Chick Peas - Whole	10.00	10.00
Split	15.00	15.00
Black Gram	-	100.00
Cowpea	-	100.00
Millet	-	75.00
Maldiva Fish and Substitutes There for	-	250.00
Other-Dried Fish	-	100.00
Orange - Fresh	-	60.00
Mandarins-Fresh	-	35.00
Grapes-Fresh	-	120.00
Apples-Fresh	-	45.00
Seeds of Coriander-Neither crushed nor ground	-	45.00
Seeds of Coriander- Crushed or ground	-	90.00
Seeds of Cumin	-	150.00
Seeds of Fennel	-	50.00
Turmeric-Neither Crushed Nor Ground	-	200.00
Turmeric - Other	-	300.00
Mathe Seed	-	50.00
Kurakkan (Eleusine Coracana Spp.)	-	75.00
Other/Millet	-	75.00
Kurakkan (Eleusine Coracana Spp.) Flour	-	150.00
Black Gram Flour	-	200.00
Ground Nut-Shelled	-	100.00
Mustard Seeds	-	50.00

Source: Department of Trade, Tariffs and Investment Policy

Other Taxes

Total revenue collected from Cess on imports and exports amounted to Rs. 29.7 billion in 2011 and remained almost unchanged compared to the revenue collected in 2010. Of this total, Cess on imports amounted to Rs. 26.9 billion, a decline of 4 percent compared to 2010. Removal of Cess on import of motor vehicles since June 2010 and removal of Cess on most of the raw material and machinery used by domestic industries in November 2010 were the major factors for the decline in revenue from Cess on imports in 2011. Portland cement, palm oil, undenatured ethyl alcohol with high alcohol strength and woven fabrics of high cotton content were among the imports that had contributed significantly for import Cess revenue in 2011. Meanwhile, in November 2010, under Sri Lanka Export Development Act No. 40 of 1979, Cess on exports was introduced on a

number of primary or crude form exports with a view of discouraging low value added exports and moving into value added exports. Consequently, the revenue from Cess on exports increased by 61 percent to Rs. 2.8 billion in 2011.

The revenue generated from the Ports and Airports Development Levy (PAL) increased by 33 percent in 2011 to Rs. 66 billion on account of the increased value of imports, including petroleum products, wheat, urea etc. The continuation of the PAL system with fewer exemptions granted and relatively wider tax base also helped maintain the revenue from this source at a higher level.

Meanwhile, the Telecommunications Levy, which was introduced as a composite tax by removing a number of taxes on the telecommunications sector in 2011, generated Rs. 18.7 billion. All the other taxes generated Rs. 12.3 billion in 2011.

Table 5.9 > **Revenue from Cess on International Trade: 2010-2011**

	Rs. Mn	
	2010	2011
Exports (a)		
Tea- under Tea Board Law	1,194	690
Rubber - under Rubber Replanting Subsidy Act	215	58
Coconut- under Coconut Development Act	180	119
Cess on Exports - under Sri Lanka Export Development Act	141	1,918
Total	1,730	2,785
Imports		
Cess on Imports - under Sri Lanka Export Development Act	28,022	26,876
Total	29,752	29,662

Source: Sri Lanka Customs

(a) In November 2010, levying of Cess on certain primary form exports of tea, rubber and coconut was absorbed into the Sri Lanka Export Development Act (EDB), No. 40 of 1979 withdrawing Cess imposed on such items under the other Acts viz. Sri Lanka Tea Board Law No. 14 of 1975, Rubber Replanting Subsidy Act No. 36 of 1953 and Coconut Development Act No. 46 of 1971. Consequently, a significant decline in the revenue from cess on exports under these three acts could be seen in 2011.

5.2.2 Non Tax Revenue

Total non-tax revenue in 2011 was Rs.122.2 billion compared to Rs. 92.5 billion recorded in 2010. The revenue from this source accounted to 13.1 percent of the total government revenue. The main contributor to the non-tax revenue generated in 2011 was the sales and charges which indicated a 62.7 percent increase over the previous year and accounted for 30.6 percent of the total non-tax revenue in 2011. This was mainly attributed to the increase in the revenue from fines and forfeits, motor vehicle registration fees and other charges. Profits and dividends, which increased by 9.7 percent was the

second largest contributor accounting for 28.1 percent of the total non-tax revenue. Profit transfers from state banks, Telecommunications Regulatory Commission of Sri Lanka (TRC), Ceylon Electricity Board (CEB) and Airport and Aviation of Sri Lanka Ltd. (AASL) and other surplus funds of government establishments such as National Insurance Trust Fund (NITF), Sri Lanka Insurance Corporation (SLIC) and Geological Survey and Mines Bureau (GSMB) etc., were attributable for this increase. Meanwhile, profit transfers by the Central Bank increased by 46.7 percent to Rs. 22 billion and accounted for 18 percent of the total non-tax revenue in 2011.

Table 5.10 > **Non Tax Revenue**

Item	2005	2006	2007	2008	2009	2010	2011	2011/2010 (% Change)	2011 (% of Total Non Tax Revenue)
Interest / Rent	9,797	11,614	10,951	11,355	10,468	10,065	13,427	33.4	11.0
Profits and Dividends	5,929	7,451	7,682	7,365	11,982	31,301	34,351	9.7	28.1
Sales and Charges	16,196	22,249	18,437	32,260	25,387	22,925	37,293	62.7	30.6
Social Security Contributions	4,910	6,470	8,777	9,791	11,165	11,120	12,628	13.6	10.3
Central Bank Profit Transfers	5,000	0	4,000	8,000	20,000	15,000	22,000	46.7	18.0
Other	1,087	1,671	6,257	868	1,710	2,122	2,468	16.3	2.0
Total Non Tax Revenue	42,919	49,455	56,104	69,639	80,711	92,532	122,166	32.0	100.0

Source: Department of Treasury Operations, Department of State Accounts and Department of Fiscal Policy

A number of new commodities were subjected to SCL with a view to promote domestic agriculture and to ease the price pressures in the domestic market...

The SCL was continuously used by the Government to provide necessary protection for domestic producers of specific commodities during the domestic harvesting seasons....

Table 5.11 > **Variance Analysis of Government Revenue - 2011**

Item	2010	2011	Reason
Income Tax	135,623	157,310	Corporate and non corporate income tax revenue has increased with the enhanced economic activities due to the revival of the economy. The revenue from Economic Service Charge (ESC) increased due to higher turnover in business activities. Even though the total Withholding Tax (WHT) on interest has increased purely due to increased WHT revenue from interest on government securities, a decline could be witnessed in WHT on other areas owing to lower interest rates, reduction of WHT rate and granting of ESC payers with exemption for WHT on specified fees. The revenue from PAYE declined reflecting the impact of additional exemption of Rs 100,000 granted on wage income, reduced tax rates and the expansion of income tax slabs despite the wage and employment increases in 2011.
VAT	219,990	215,420	The revenue from VAT on imports increased reflecting increased imports to support domestic economic activity. Revenue from domestic VAT declined mainly due to reduction in VAT on financial services and new exemptions granted including that for education sector etc.
Excise Tax	129,864	186,010	The positive impact of the upward rate revisions in November 2010 as well as January and October 2011 contributed to increase the excise duty on cigarettes. The increase of excise duty on liquor, increased production and opening up of new markets in North and East areas resulted an increase in the revenue from excise duty on liquor.
Import Duty	64,164	76,016	Increase in imports, particularly the motor vehicle imports due to the lowering of the effective tax rates, as well as the improvement of domestic economic activities helped achieve this. However, the provision of import duty concessions for a number of items such as petroleum, reduced the revenue that would otherwise have been collected from this source.
Ports and Airports Development Levy (PAL)	49,632	66,028	PAL revenue increase was mainly due to the increased imports including Petroleum products, motor vehicles, mechanical appliances etc. and the fewer number of exemptions provided under this levy.
Nation Building Tax (NBT)	46,022	35,667	The 2011 number represents only 2/3 of the total revenue from NBT. The overall revenue including the transfers to PCs increased by 16 percent in 2011. The increase came from domestic NBT mainly contributed to this increase reflecting enhanced trade and tourism related activities. However, exemptions granted to the Telecommunications sector and sub contractors in construction industry etc. affected negatively on the revenue from this source. Meanwhile, the NBT on imports declined mainly due to the lowering of the NBT rate.
Other Taxes	79,452	76,202	Removal of Cess on certain imported items, removal of Regional Infrastructure Development Levy and Social Responsibility Levy were attributable to the decline in the revenue from these sources.
Non Tax Revenue	92,532	122,165	The increase in revenue from sales and charges including fines and fees as well as profit and dividends, interest income and profit transfers by the Central Bank were mainly contributed to this increase.
Total Revenue	817,279	934,812	

Compiled by the Department of Fiscal Policy

5.3 Government Expenditure

Total government expenditure of Rs.1,400.1 billion in 2011 recorded an increase of 9.4 percent over the previous year reflecting the continuous efforts of the government to contain recurrent expenditure while maintaining public investment at a desired level. It accounted to 21.4 percent of GDP, which was a 1.4 percentage point decline over that of 2010.

5.3.1 Current Expenditure

In 2011, total current expenditure increased by 7.4 percent to Rs. 1,006.6 billion and declined to 15.4 percent of GDP from 16.7 percent recorded in the previous year. Of the total current expenditure in 2011, interest expenditure contributed to 35 percent of the total. Meanwhile, non interest recurrent expenditure showed a significant decline to 9.9 per cent of GDP from 10.4 per cent recorded in 2010.

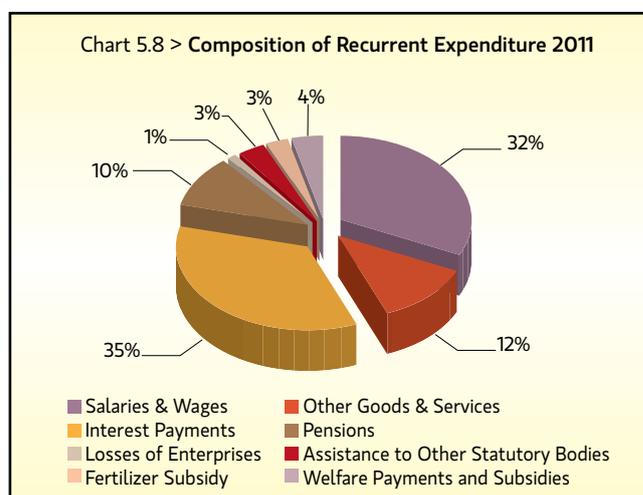


Table 5.12 > **Current Expenditure of the Government: 2006 - 2011**

Item	Rs. Mn					
	2006	2007	2008	2009	2010	2011
Total Current Expenditure	547,960	622,758	743,711	879,575	937,094	1,006,632
Salaries & Wages	175,031	214,160	239,078	271,229	300,558	319,601
Other Goods & Services	77,994	78,472	121,250	108,502	87,728	113,730
Interest Payments	150,778	182,681	212,474	309,676	352,592	356,699
Foreign	16,990	21,311	24,208	35,698	55,464	68,565
Domestic	133,787	161,370	188,266	273,978	297,128	288,134
Pensions	58,006	68,822	74,922	85,139	90,995	99,961
Losses of Enterprises	11,767	10,137	12,157	11,078	11,434	12,999
Assistance to Other Statutory Bodies	27,376	26,248	27,192	30,097	33,312	32,164
Fertilizer Subsidy	11,867	11,000	26,450	26,935	26,028	29,802
Welfare Payments and Subsidies	35,141	31,238	30,186	36,920	34,447	41,676
	As a % of GDP					
Total Current Expenditure	19.5	17.4	17.2	18.2	16.7	15.4
Salaries & Wages	6.2	6.0	5.5	5.6	5.4	4.9
Other Goods & Services	2.7	2.2	2.8	2.2	1.6	1.7
Interest Payments	5.1	5.1	4.9	6.4	6.3	5.5
Pensions	1.9	1.9	1.7	1.8	1.6	1.5
Losses of Enterprises	0.4	0.3	0.3	0.2	0.2	0.2
Assistance to Other Statutory Bodies	0.9	0.7	0.6	0.6	0.6	0.6

Sources: Department of National Budget, Department of Treasury Operations, Department of State Accounts, Central Bank of Sri Lanka

Interest Cost

The interest expenditure in 2011 amounted to Rs.356.7 billion, a 1.2 percent increase compared to the previous year. Interest cost as a percent of GDP declined to 5.5 percent in 2011 from 6.3 percent in 2010. Domestic interest payments decreased by 3 percent to Rs. 288.1 billion and to 4.4 percent of GDP from 5.3 percent in 2010. This improvement was mainly due to the low interest rate on Treasury bills and Treasury bonds and initiatives taken by the government to restructure the debt stock by retiring some high cost domestic debt raised in the past. The average interest rate

on domestic debt declined to 11.2 percent in 2011 from 12.4 percent in 2010. Meanwhile, due to the increase in the foreign debt as well as the increase in the average interest rate on foreign debt to 3.4 percent from 3.2 percent in 2010 with the higher share of foreign commercial debt, including foreign investments in Treasury bonds and Treasury bills in the total foreign debt, foreign interest payments increased by 24 percent in 2011 in comparison to the previous year. As a percent of GDP, interest payments on foreign debt increased to 1.1 percent from 1.0 percent in the previous year. This reflected the change in the borrowing pattern of the country with its advancement to a middle income country.

Table 5.13 > **Behaviour of Yield Rates**

Period	Treasury Bills (%)			Treasury Bonds (%)			
	91 days	182 days	364 days	2 year	3 year	4 year	5 year
2010 Sep	7.13	6.95	7.10	-	-	-	8.76
2010 Dec	7.24	7.35	7.55	-	8.15	8.60	-
2011 Mar	6.98	7.08	7.30	-	-	8.20	-
2011 Jun	7.12	7.23	7.35	-	-	8.30	8.60
2011 Sep	7.15	7.23	7.31	-	-	-	-
2011 Dec	8.68	8.71	9.31	-	-	-	-
Change (Basis Points) (2010 Dec-2011 Dec)	144	136	176	-	-	-	-
2012 Mar	11.00	11.06	11.32	10.61	-	10.83	-

Sources: Department of Treasury Operations and Central Bank of Sri Lanka

Salaries and Wages

The expenditure on salaries and wages to the public sector employees serving in the fields of education, health, national security, provincial public service and other public services was Rs. 319.6 billion in 2011. This indicated an 6.3 percent increase over the previous year and contributed to 32 percent of the total recurrent expenditure.

The increase was mainly due to the provision of all public servants with a special allowance equivalent to 5 per cent of their basic salary and the increase in monthly cost of living allowance (COLA) by Rs.600 for the non staff grade category of public sector employees from January 2011 and for the staff grade category from July 2011.

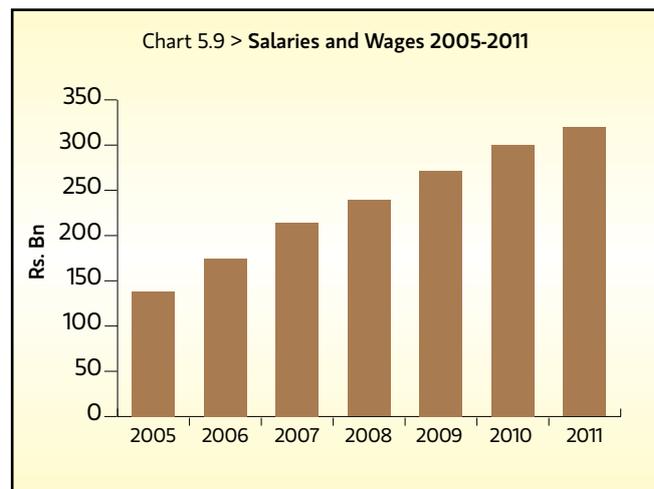


Table 5.14 > **Salaries and Wages of the Government**

Sector	2005	2006	2007	2008	2009	2010	2011
Central Government	44,950	54,544	61,799	65,315	71,859	75,817	83,072
Provincial Councils	44,620	61,453	69,366	73,791	74,634	81,887	90,818
National Security	38,040	44,960	60,185	73,509	94,189	110,335	112,703
Police and Public Security	10,993	14,074	22,810	26,463	30,547	32,519	33,008
Total	138,603	175,031	214,160	239,078	271,229	300,558	319,601

Source: Department of National Budget

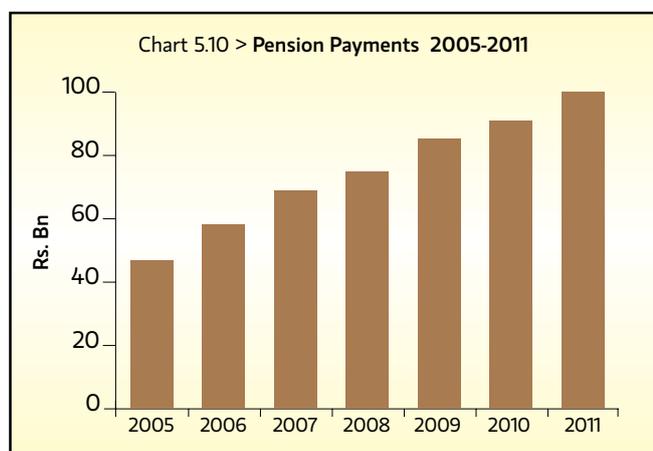
Table 5.15 > **Enhancement of Cost of Living Allowance (Received per month)**

Date	Public Officers		Pensioners
	Salary Over Rs. 22,935	Salary Below Rs. 22,935	
01.01.2006	1,000.00	1,000.00	500.00
01.07.2006	1,375.00	1,375.00	687.50
01.01.2007	1,750.00	1,750.00	875.00
01.07.2007	2,125.00	2,125.00	1,062.50
01.01.2008	2,500.00	2,500.00	1,250.00
01.07.2008	2,875.00	3,500.00	1,437.50
01.01.2009	4,500.00	4,500.00	2,000.00
01.07.2009	4,500.00	4,500.00	2,000.00
01.01.2010	5,250.00	5,250.00	2,375.00
01.07.2010	5,250.00	5,250.00	2,375.00
01.01.2011	5,250.00	5,850.00	2,675.00
01.07.2011	5,850.00	5,850.00	2,675.00

Source: Department of National Budget

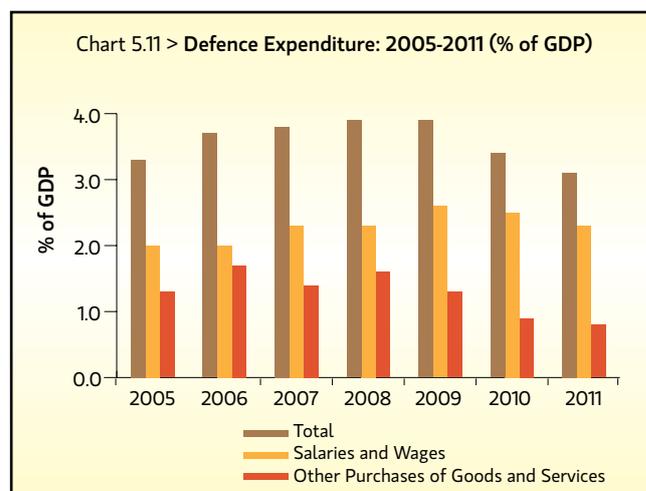
Pension Payments

Pension payments increased to Rs.99,961 million in 2011 from Rs.90,995 million in 2010 recording a 10 percent increase. This increase reflected the full year impact of around 17,850 new retirees in the year of 2010 and the partial impact of 22,773 new retirees in 2011 as well as the increase in COLA to pensioners by Rs.300 to Rs.2,675 per month.



National Security Expenditure

The government expenditure on national security in 2011 was Rs. 202,190 million. As a percentage of GDP, this reflected a decline to 3.2 percent in 2011 compared to 3.4 percent in 2010 and 3.9 percent in 2009. The completion of the humanitarian operation in May 2009 has enabled the government to reduce the purchase of military hardware at relatively higher quantities sharply due to the peaceful environment that prevails in the country and also to continue with normal recruitments to the security forces, which in turn has helped maintain defence expenditure at a desired level.



Welfare and Social Safety Nets

School Children

Government is committed on several subsidy programmes in education such as the provision of free school text books, free school uniforms, nutritional food for the students of underprivileged schools and scholarships and bursary programmes for the needy students.

Government spent Rs. 2,294 million on distribution of about 6.5 million free text books of 437 categories published in three languages to 4.3 million students from grade 1 to 13 in 9,714 government schools including 342 national schools

and 716 pirivenas in 2011. This reflected 18.2 percent increase over the cost born in 2010. The government expenditure on free school uniforms was Rs.1,364 million, benefitting 4.2 million school children in 2011 and it was an increase of 43.7 percent over the previous year. Bursaries and scholarships amounting to Rs. 363 million were granted to about 90,000 students reflecting 29.6 percent growth over 2010. The government welfare spending on school nutrition programme was Rs.2,631 million in 2011 to provide nutritional breakfast to about 1.4 million students.

Maternal and Child Nutrition

Ensuring the higher rates of life expectancy and lower rates of infant mortality ratios than other developing countries, government continued its welfare programmes, such as infant milk subsidy and fresh milk programme, Poshana Malla, Poshana Manpetha and Thriposha programme targeting expecting mothers and infants in 2011. The total expenditure on fresh milk programme for children between 2-5 years and Poshana Manpetha programme, which were under the purview of Ministry of Child Development and women's affairs, amounted to Rs.267 million in 2011. The Poshana Malla programme cost Rs.360 million to the government and about 59,512 newly identified expecting mothers together with lactating mothers who continue from the previous year around the island were given a monthly stamp for a nutritional food package worth of Rs.500. Thriposha programme incurred Rs.1,336 million in 2011 and continued addressing the nutritional deficiencies of the infants and children under 5 years old. Thriposha, the blended food supplement with energy, proteins and other micronutrients, was given to nutritionally vulnerable infants and both expecting and lactating mothers especially aiming the reduction of incidents of low birth weight and the improvement of micro nutrient status among the pre-school children under the age of 5 years. About 950,000 beneficiaries were given a 750g of Thriposha packet once in every two weeks. As a step to strengthen the distribution process, the government took over Thriposha manufacturing company and resumed work as Sri Lanka Thriposha Company Ltd. from the beginning of 2011.

Samurdhi

Samurdhi programme was continued in 2011 fulfilling the objective of reducing poverty by ensuring the participation of low income population in the development process effectively and efficiently since its inception in 1994 as the national strategy to alleviate poverty. Government spent Rs.9,043 million in 2011 providing Samurdhi cash grants to about 1.5 million families. The monthly allowance that had been increased by 50 per cent was given to beneficiaries in five tiers; Rs.210, Rs.375, Rs.525, Rs.900 and Rs.1500. The other category is the monthly allowance that has not

been increased by 50 percent and it has four tiers; Rs.250, Rs.350, Rs.415 and Rs.615. Both types are sub categorized based on the number of the members in a beneficiary family.

Free Medicine

Government spends on the provision of healthcare for vast majority of the Sri Lankan population for decades providing most of the essential drugs and services free of charge, which enabled the country to perform well above in health related indicators compared to other nations with similar levels of economic development. Government spending on provision of medical supplies to hospitals and institutions in the form of vaccine, gauze, expensive drugs for cancer and other diseases and drugs for National Family Planning Programme was Rs.16,617 million in 2011. This benefited to about 48.8 million outpatients and about 5.5 million inpatients, indicating 22.6 percent increase over the previous year.

Table 5.16 > **Expenditure on Free Medicine**

Year	2005	2006	2007	2008	2009	2010	2011
Amount (Rs. Mn.)	7,100	11,379	10,804	12,082	12,149	13,544	16,617

Source: Department of National Budget

Government spends on the provision of healthcare for vast majority of the Sri Lankan population for decades providing most of the essential drugs and services free of charge, which enabled the country to perform well above in health related indicators compared to other nations with similar levels of economic development...

Assistance to State Enterprises

The government assistance to cover the operational losses of Department of Sri Lanka Railways (SLR), Sri Lanka Transport Board (SLTB) and Department of Posts (DOP) was Rs. 11,335 million in 2011. The Treasury transfers of

SLTB declined to Rs. 3,939 million in 2011 compared to Rs. 4,657 million in 2010 while the operational losses of SLR also increased to Rs. 4,060 million from Rs. 3,173 million in 2010. The DOP also recorded an increase of its operational expenditure to Rs. 3,336 million compared to Rs. 2,783 million recorded in the previous year. The necessity of introducing appropriate measures to improve the financial position of continuously loss making nature of the state enterprises has become an urgent need to lower their burden on the government budget. The areas to be attended in achieving this objective include the rationalization of fares, diversification of services to suit the emerging needs and trends in the economy and improving operational efficiency.

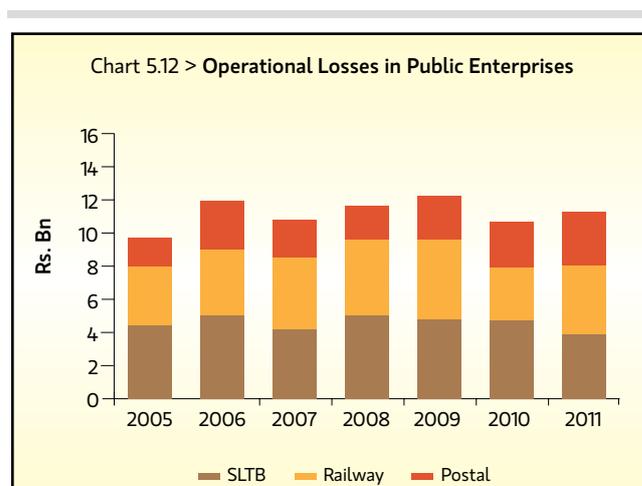


Table 5.17 > Key Statistics of Bus Transportation (SLTB)

Category	2005	2006	2007	2008	2009	2010	2011
Expenditure per day (Rs. mn)	31.6	37.4	43.3	53.0	57.0	61.3	63.1
Income per day (Rs.mn) (excluding subsidy)	19.4	23.8	31.9	39.3	45.1	46.5	48.2
Subsidy per day (Rs.mn.)	8.0	10.9	10.4	10.3	13.9	12.6	9.4
Average kilometers operated per day	679,092	713,753	835,313	857,033	915,476	935,940	933,810
Subsidy per kilometer (Rs.)	11.8	15.2	12.5	12.0	15.1	13.5	10.1

Source: Department of National Budget

Table 5.18 > Key Statistics of Railway Transportation (SLR)

Category	2005	2006	2007	2008	2009	2010	2011
Operational Expenditure (Rs. mn)	5,512	6,473	7,297	8,225	8,788	7,191	8,295
Total Income (Rs.mn)	1,958	2,491	2,999	3,671	4,020	4,018	4,235
Total Subsidy (Rs.mn.)	3,554	3,981	4,297	4,553	4,768	3,173	4,060
Passenger kilometers operated (mn)	4,358	4,316	4,767	4,681	4,568	4,353	3,478
Passenger Transport ('000)	114,425	100,602	110,464	104,597	101,807	101,454	96,110
Train kilometers operated (mn.)	8	8	9	7	9	9	10

Source: Department of National Budget

Fertilizer Subsidy

Government continued the provision of fertilizer subsidy without any interruption in 2011 in the midst of high fertilizer prices in the international market. The main goal in providing the fertilizer subsidy to small scale paddy farmers was to achieve the "Self Sufficiency in Rice" in the country. Earlier, it was given only to rice and some selected crops like rubber, coconut and tea. The government decision to extend the subsidy to any crop with effect from May 2011 enabled all farmers to purchase fertilizer at the subsidized price from any fertilizer vendor and reduced the burdens of filling forms and spending unnecessary time. The paddy farmers were able to purchase a 50kg bag for a subsidized price of Rs.350. Other farmers could purchase a 50kg bag of un-mixed fertilizer at a concessionary price of Rs. 1,200 and a 50kg bag of mixed fertilizer at concessionary

price of Rs. 1,300. About 850,000 farmers benefitted from this subsidy programme and the total expenditure on the fertilizer subsidy programme in 2011 was Rs.29,802 million.

Table 5.19 > Fertilizer Subsidy (Rs.) - Dec 2011

Fertilizer	Market Price for 50 kg Bag (Annual Average)	Subsidized Price per 50 kg Bag	Subsidy per 50 kg Bag	Government Subsidy as a percentage of the Market Price (%)
Paddy				
Urea	3,732	350	3,382	91
MOP	3,749	350	3,399	91
TSP	3,752	350	3,402	91
Other Crops				
Urea	4,038	1,200	2,838	70
MOP	4,056	1,200	2,856	70
TSP	4,059	1,200	2,859	70

Source: National Fertilizer Secretariat of Sri Lanka

5.3.2 Price Subsidies on Key Commodities

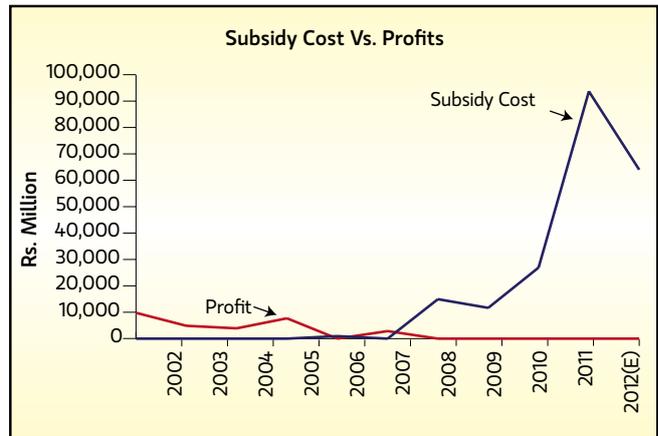
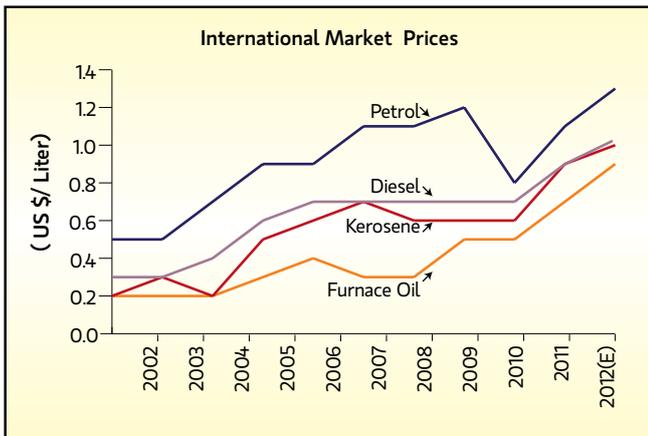
Government provides a wider range of subsidies covering key commodities such as petroleum, electricity, water, fertilizer and transport facilities, to reduce the cost of living and provide relief particularly to low income families.

Petroleum

Despite continued higher import prices, adjustment of

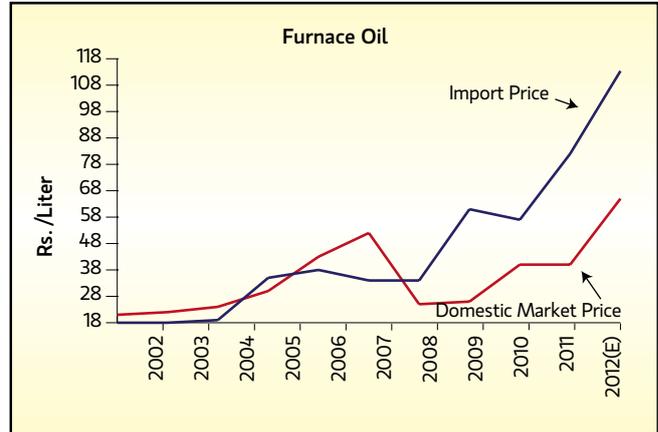
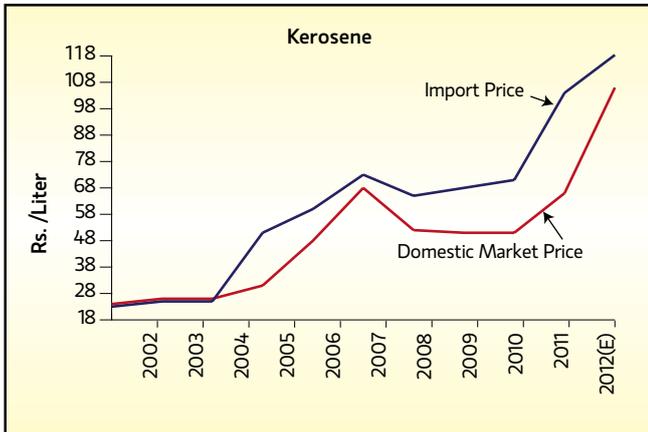
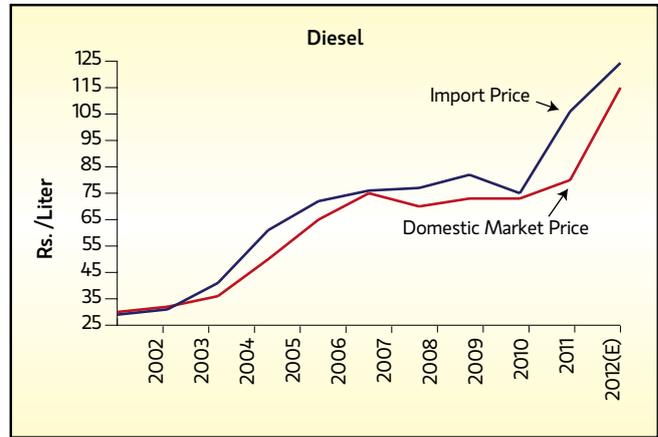
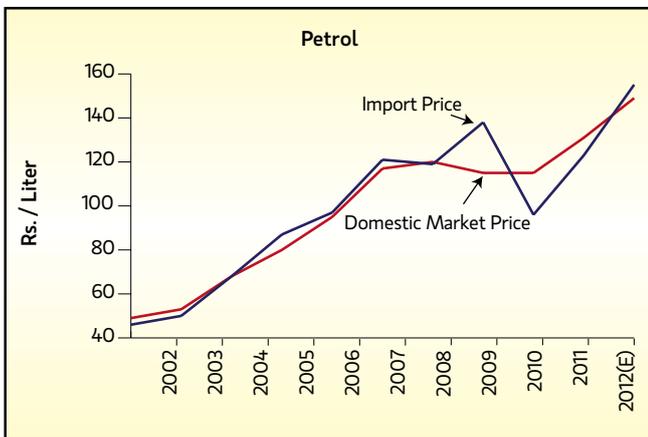
domestic prices of petroleum products have been modest imposing considerable burden on Ceylon Petroleum Corporation (CPC) as well as on the financial system. It also discourages the use of energy conservation consumer habits and production technologies in to the economy. Following charts show how domestic prices have behaved in the wake of rising international market petroleum prices, over last 10 years.

Chart 5.13 > International Market Prices and Government Subsidy



Sources: Department of Public Enterprises and Ceylon Petroleum Corporation

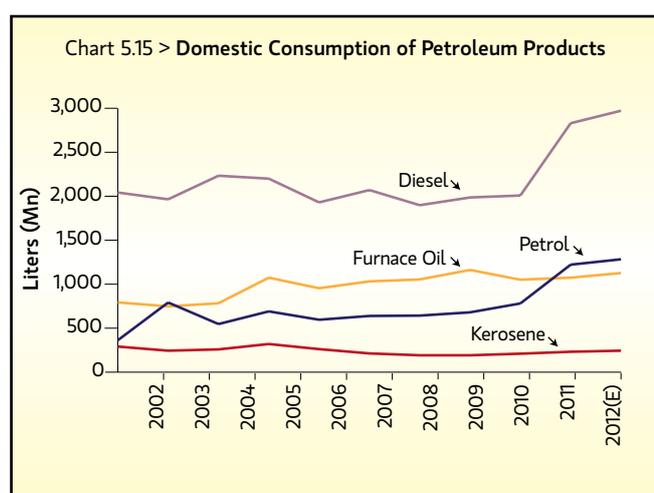
Chart 5.14 > Import Prices Vs. Domestic Market Prices



Sources: Department of Public Enterprises and Ceylon Petroleum Corporation

The pattern of petroleum product usage shows a surge in consumption of all petroleum products except kerosene since 2009. With the increased access to electricity from 65 percent in 2002 to almost 100 percent by 2012, usage of kerosene has declined from liters 291 million in 2002 to liters 244 million by 2012. However, higher subsidies on kerosene than other petroleum products have discouraged industrial and commercial users to curtail consumption.

Similarly, post conflict economic expansion at an annual growth of around 8 percent associated with higher imports and usage of motor vehicles, increased use of fishing boats and vessels, individual usage as well as increased reliance on furnace oil for power generation have contributed to boost domestic consumption. Number of new registration of motor vehicles has increased from 113,351 in 2002 to 525,421 by 2011 and electricity generation of thermal power has increased from 3,201 Gwh in 2002 to 6,785 Gwh by 2011, as given in Table 5.20.



Government provides a wider range of subsidies covering key commodities such as petroleum, electricity, water, fertilizer and transport facilities, to reduce the cost of living and provide relief particularly to low income families...

Table 5.20 > **New Registration of Motor Vehicles and Thermal Power Generation**

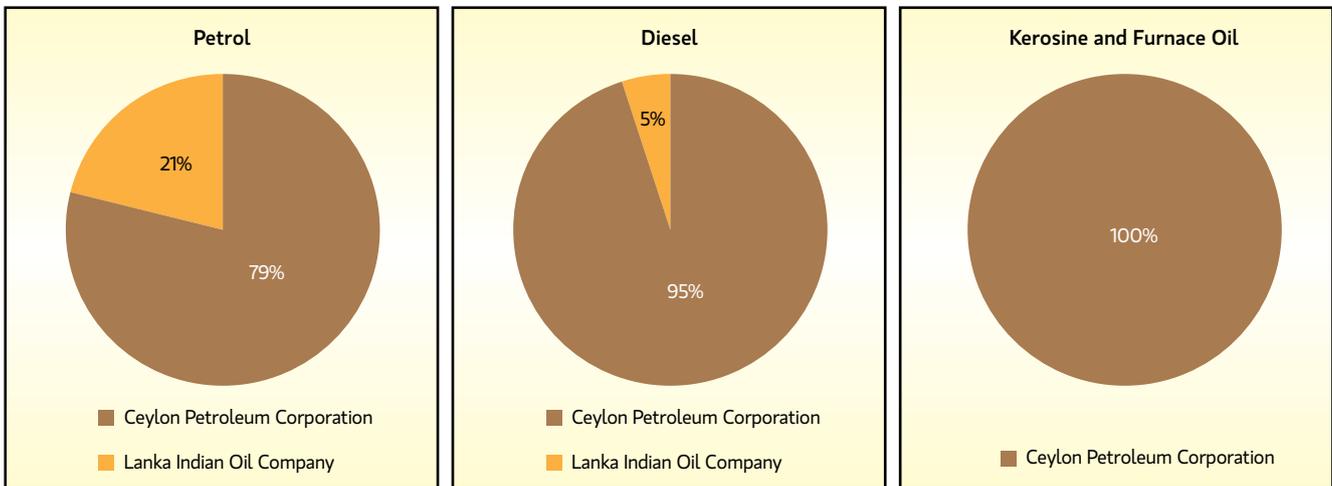
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
New Registration of Motor Vehicles	113,351	181,502	223,842	229,669	300,522	297,892	265,199	204,075	359,243	525,421
Buses	1,429	1,949	2,167	2,069	3,346	2,637	1,180	739	2,491	4,248
Private Cars	12,003	21,184	19,116	17,283	27,578	22,603	20,237	5,762	23,072	57,886
Three Wheelers	20,876	36,204	43,789	41,085	64,466	43,068	44,804	37,364	85,648	138,426
Dual Purpose vehicles	8,591	13,268	10,736	6,851	7,245	5,193	2,856	1,280	11,712	33,518
Motor Cycles	54,762	86,877	124,474	130,696	156,626	18,2508	155,952	135,421	204,811	253,331
Goods Transport Vehicles	8,166	11,014	10,703	14,262	20,436	18,408	140,388	8,225	11,845	14,818
Land Vehicles	7,524	11,006	12,857	17,423	20,825	23,475	26,132	15,284	19,664	23,194
Thermal Power Generation (GWh)	3,201	3,904	4,571	5,314	4,751	5,864	5,763	5,974	4,995	6,785
Ceylon Electricity Board	1,953	2,193	2,507	2,162	1,669	2,336	2,083	2,091	1,394	2,532
Private Companies	1,248	1,711	2,064	3,152	3,082	3,528	3,680	3,883	3,601	4,253

Sources: Department of Motor Traffic and Ceylon Electricity Board

Ceylon Petroleum Corporation provides the total domestic requirement of kerosene and furnace oil as well as around 95 percent of the domestic diesel requirement which have comparatively higher losses on sale than the petrol. Lanka Indian Oil Company provides only around 5 percent of diesel and 21 percent of petrol requirement. Accordingly, with the increased international market petroleum prices coupled with increased domestic consumption of petroleum products, the burden on the provision of petroleum products requirement has shifted largely on the state enterprises and the Government, as the prevailing

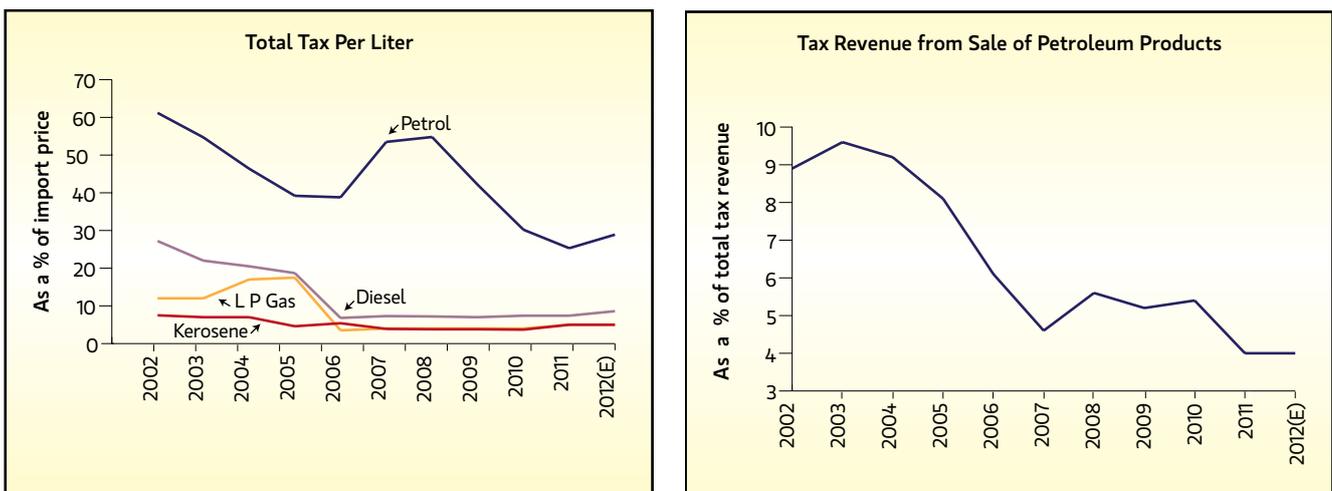
pricing policies discourage private sector role in this industry. Further, the taxation on petroleum products, including petrol, has also been gradually phased out through the removal of 20 percent Value Added Tax and Provincial Turnover Tax, and Excise Duty removal on kerosene and reduction on diesel. Thereby, tax revenue from petroleum products as a percentage of total tax revenue has been reduced to 4 percent by 2011 from 9.6 percent in 2003. This lowering of taxation has been done to mitigate the burden from higher international market prices.

Chart 5.16 > **The Government Provided Most of the Total Requirement of Petroleum Products in 2011**



Source: Department of Public Enterprises

Chart 5.17 > **Significant Reduction in Taxes Charged on Petroleum Products**



Sources: Department of Fiscal Policy, Department of Sri Lanka Customs and Department of Inland Revenue

Table 5.21: **Annual Expenditure on Petroleum Subsidy for Targeted Groups - 2012 (Rs. Million)**

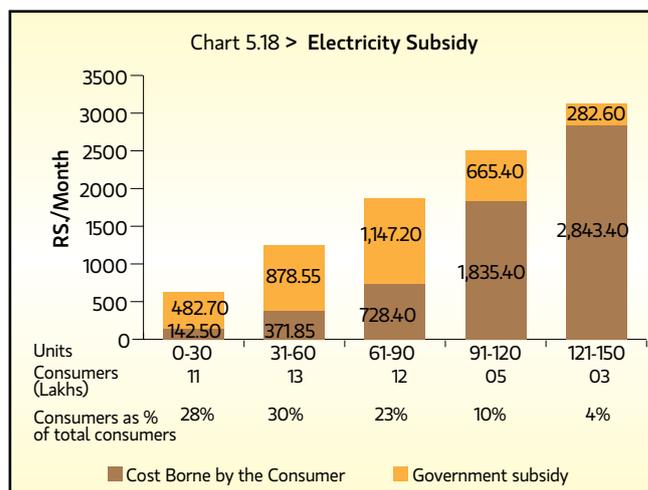
	Per month	2012 (Est.)
Fuel Subsidy	468	4,960
Kerosene Subsidy for 355,000 Families (Rs.200 each per month per family)	71	850
Subsidy for 4,578,873 Nos. of fishermen (Rs. 12 subsidy per diesel liter, for 2,600 liters per month per boat for 3,720 Nos. of multiday boats and for 1,600 liters per month per boat for 876 Nos. of one day boats, and Rs. 25 subsidy per kerosene liter for 375 liters per month per boat for 1,688 Nos. of mechanized traditional boats and 19,034 nos. of outboard motor boats)	327	3,270
Subsidy for railway transport fares	70	840

Source: Department of National Budget

In this background, in February 2012, the Government increased prices of all petroleum products keeping with international market oil price trends, while providing fuel subsidies targeting households who have still not access to electricity and for fishing boats while maintaining railway transport fares unchanged, with an estimated additional expenditure of Rs. 4,960 million for 2012, as given in Table 5.21. Although passenger transport buses, three-wheelers and school van operators were also targeted for such subsidy programs, fare revisions have taken place as no mechanisms to implement such subsidies have been agreed upon.

Electricity

In compliance with the Government policy on the provision of energy at reduced prices for lower segment of the society, electricity has been provided at subsidized prices in varying degrees for different consumption levels. As per the tariff revision in February 2012, electricity tariffs were increased consequent to the increase in prices of diesel and furnace oil. The Ceylon Electricity Board provides subsidized electricity to 95 percent of the households with access to electricity, as given in Chart 5.18. Further, price subsidies are provided for targeted groups as given in Table 5.23, such that they are not affected from this price revision. The estimated additional expenditure is Rs. 59,186 million for 2012.

Table 5.22: **Electricity Tariff Revision - February 2012**

No. of electricity units consumed per month	Increase in electricity bill per day	Government subsidy per one unit of electricity
If 30 units	75 cents	Rs. 16.09
If 60 units	Rs. 2.70	Rs. 14.64
If 90 units	Rs. 6.08	Rs. 12.75
If 120 units	Rs. 14.48	Rs. 5.55
If 150 units	Rs. 24.08	Rs. 1.18

Sources: Department of Public Enterprises and Ceylon Electricity Board

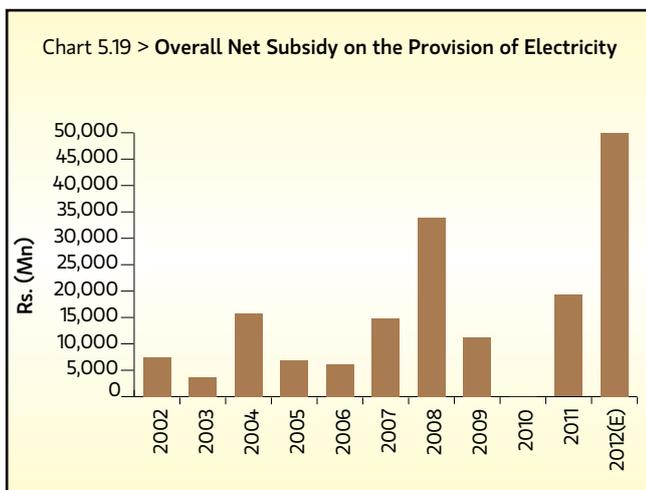
Table 5.23 > **Additional Expenditure on Electricity Subsidy- 2012 (Rs. million)**

	Per month	2012 (Est.)
Electricity Subsidy (Gross)	4,932	59,186
Household Consumption	2,487	29,844
Industries	2,057	24,684
Hotels	104	1,248
Street Lighting	94	1,126
Government Hospitals, Schools and Religious Places	190	2,284

Sources: Department of Public Enterprises and Ceylon Electricity Board

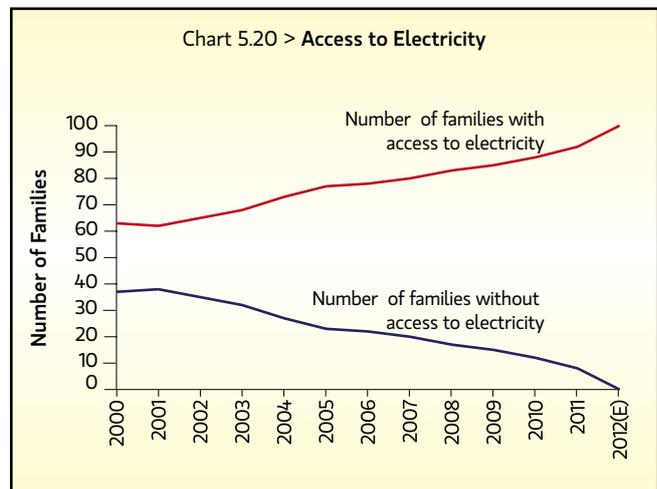
Note: Overall estimated net subsidy on provision of electricity in 2012 amounts to Rs. 49,946.

The overall net subsidy cost on the provision of electricity during the period from 2002 is as given in Chart 5.19.



Sources: Department of Public Enterprises and Ceylon Electricity Board

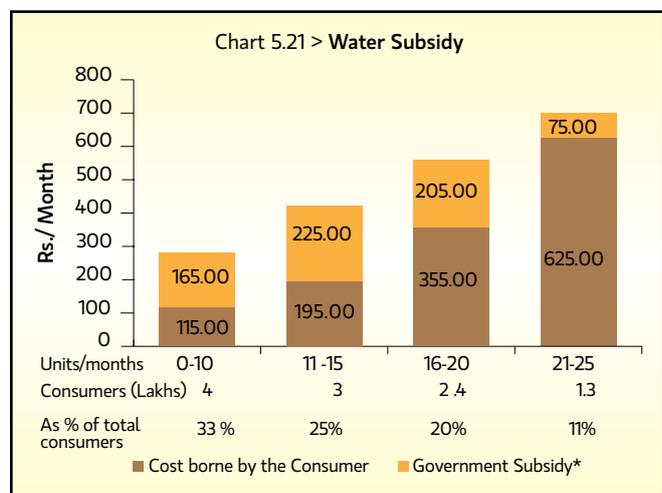
Further, with increased cost to the government, number of families with access to electricity has been increased from 65 percent in 2002 to 92 percent by 2011, and targeting and its targetted to be 100 percent in 2012. With the recent programs in providing access to electricity and economic opportunities through rural and provincial infrastructure, it is economically beneficial to consider alternative way of using these resources for the benefits of people and the economy. Such adjustments could also be desirable to promote medium to long term energy efficient consumption and production structure in the country.



Source: Department of Public Enterprises and Ceylon Electricity Board

Water

Safe drinking pipe - borne water has also been provided at subsidized prices in varying degrees for different consumption levels. As per the prevailing tariff structure, 89 percent of the households with access to pipe - borne water who consume up to 25 units per month are provided with water at a subsidized price, as given in Chart 5.20. Accordingly, more than 50 percent of the payment of monthly water bill of 58 percent of consumers who consume up to 15 units per month is borne by the Government. In 2011, domestic consumption is 64 percent of the total consumption and loss to the National Water Supply and Drainage Board (NWSDB) on the provision of the same was Rs. 325 million, as given in Table 5.24.



Source: National Water Supply and Drainage Board
*Excluding non revenue water

Table 5.24: **2011 Water Consumption**

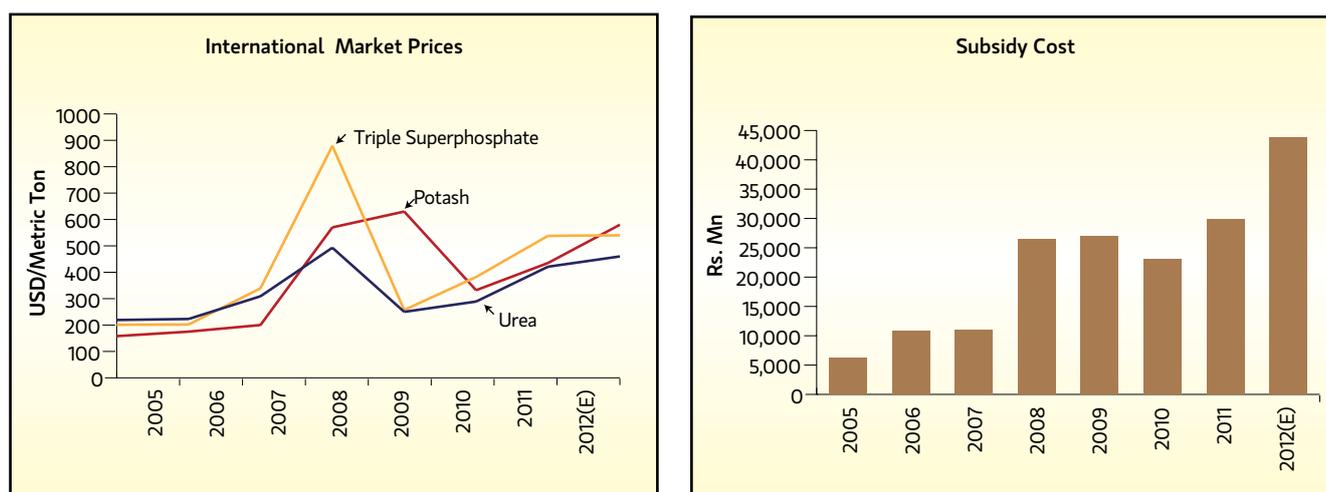
Category	Units (Mn.)	% of the Total Water Sales	Profit/Loss (Rs. Mn)
Domestic	220	64.0	(325.00)
Government	36.4	10.6	503.00
Commercial	31.7	9.2	1523.60
Local Authorities and Community Based Organizations	10	2.9	(120.00)
BOI Zones	7.4	2.7	190.60
Samurdhi Beneficiaries	5.8	1.7	(91.00)
Religious Places	5.5	1.6	(145.50)
Schools	4.4	1.3	(35.40)
Tourist Guests	2.3	0.7	98.00
Stand Posts	2.2	0.6	(37.10)

Source: National Water Supply and Drainage Board

Fertilizer

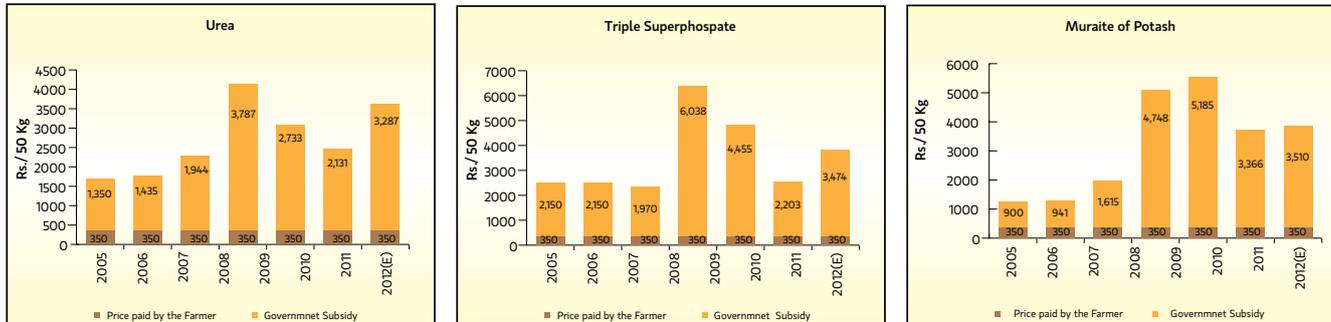
In compliance with the Government policy on ensuring the food security and agriculture sector development, fertilizer has been provided at subsidized prices targeting paddy cultivation and tea plantation since 2005. This scheme has been extended to all crops since May 2011. In 2011, fertilizer subsidy amounted to Rs. 29,802 million in comparison to

Rs. 6,285 million in 2005 due to increase in international market fertilizer prices in line with oil prices, as given in Chart 5.22. The subsidy cost born by the Government on the provision of Urea, Triple Super Phosphate (TSP) and Muriate of Potash (MOP) at a subsidized price of Rs. 350 per 50 Kg. for paddy cultivation, is as given in Chart 5.23. The estimated subsidy cost is Rs. 33,800 million for 2012.

Chart 5.22 > **International Market Prices and Government Subsidy**

Sources: Food and Agriculture Organization website National Fertilizer Secretariat of Sri Lanka

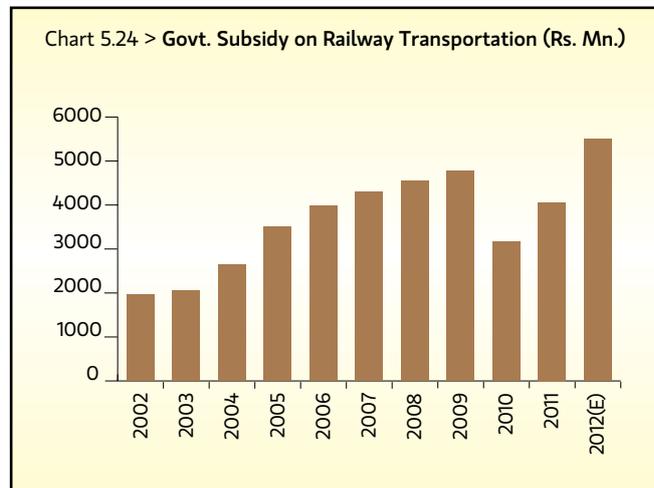
Sources: Department of National Budget

Chart 5.23 > **Government Subsidy Cost Vs. Price Paid by the Farmer (Paddy Cultivation)**


Sources : Department of National Budget and National Fertilizer Secretariat

Transport Facilities

Ensuring the availability of transport facilities to working population, Government provides railway transportation at reduced fares as given in Chart 5.24 and transport facilities for the school children by Sri Lanka Transport Board (SLTB) through season tickets at reduced fares and maintaining public bus transport facilities in uneconomical routes as given in Chart 5.25. For the provision of railway transport facilities at reduced fares, subsidy cost born by the Government amounted to Rs. 4,060 million in 2011 and compared to Rs.1, 966 million in 2002 it has been increased to an estimated sum of Rs. 5,503 million in 2012 largely due to rising fuel and wage cost in railways, non-adjustment in fare structure and non-curtailing of operational cost in the system.

 Chart 5.24 > **Govt. Subsidy on Railway Transportation (Rs. Mn.)**


Sources: Department of National Budget and Department of Railways

 Table 5.25 > **Department of Railways and Sri Lanka Transport Board**
Revenue Vs. Expenditure on Salaries and Fuel (Rs. Mn)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Department of Railways										
Revenue	1,362	1,321	1,678	1,958	2,491	2,999	3,671	4,020	4,018	4,235
Expenditure on salaries and fuel	2,906	2,952	3,880	4,976	5,903	6,662	7,347	7,991	6,404	7,433
Salaries	2,322	2,371	2,713	3,544	4,403	5,237	4,720	5,073	5,144	5,428
Fuel	584	581	1,167	1,432	1,500	1,425	2,627	2,917	1,260	2,005
Sri Lanka Transport Board										
Revenue*	6,082	6,402	6,739	7,094	8,697	11,636	14,331	15,971	17,731	17,078
Expenditure on Salaries and Fuel	8,032	7,557	8,315	9,504	11,799	13,444	16,626	17,214	15,611	16,538
Salaries	4,469	4,332	4,953	5,872	7,103	7,216	8,121	10,080	8,434	8,541
Fuel	3,563	3,225	3,362	3,632	4,696	6,228	8,505	7,134	7,177	7,997

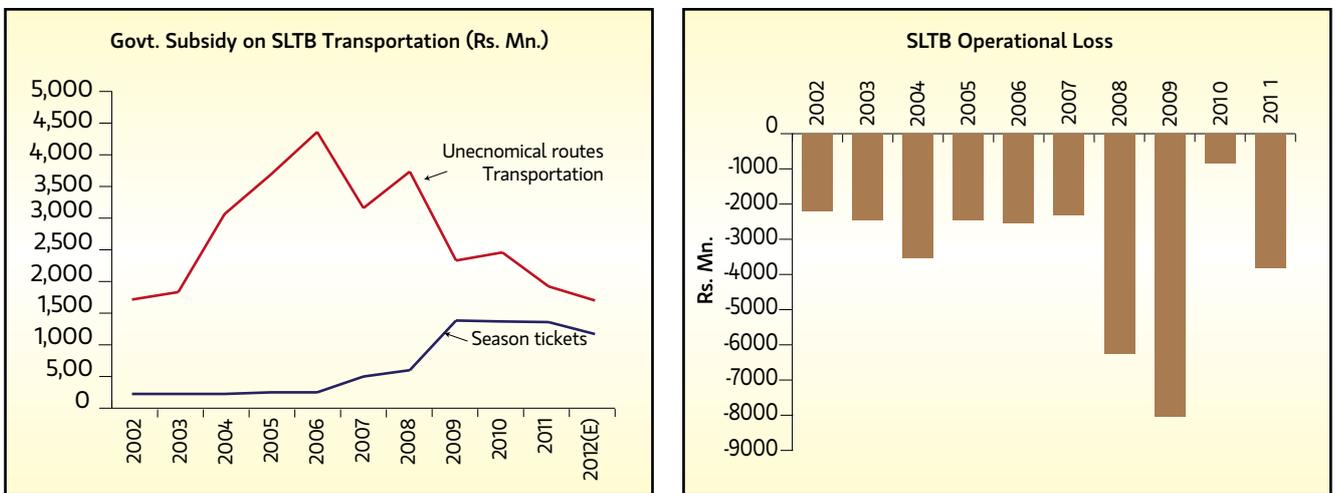
Sources: Department of National Budget, Department of Railways and Sri Lanka Transport Board.

* Excluding Treasury grants

For the provision of SLTB transport facilities for school children at reduced fares through season tickets, subsidy cost borne by the Government has increased to Rs. 1,359 million in 2011 compared to Rs. 225 million in 2002. With the development of road network in rural areas during the past 5 years, the subsidy cost borne by the Government for the provision of public bus transport facilities in

uneconomical routes has decreased to Rs.1, 922 million by 2011 compared to Rs. 4,360 million in 2006. Although the role of SLTB is justified on the grounds of breaking monopolistic market operation and rural, school services as well as off- peak hour operations, the operational loss as given in Chart 5.25 is also explained by high wage cost and inefficiencies.

Chart 5.25 > **Government Subsidy on SLTB Transportation and SLTB Operational Loss**



Sources: Department of National Budget and Sri Lanka Transport Board.

Public investment was directed to provide the long delayed improvements to the country's infrastructure facilities to spur economic growth, reduce inefficiencies, achieve a regionally balanced development and maintain social standards of the country in the medium to long run...

The priority was given to complete the mega projects, particularly in the areas of highways, power generation, ports and airports development projects...

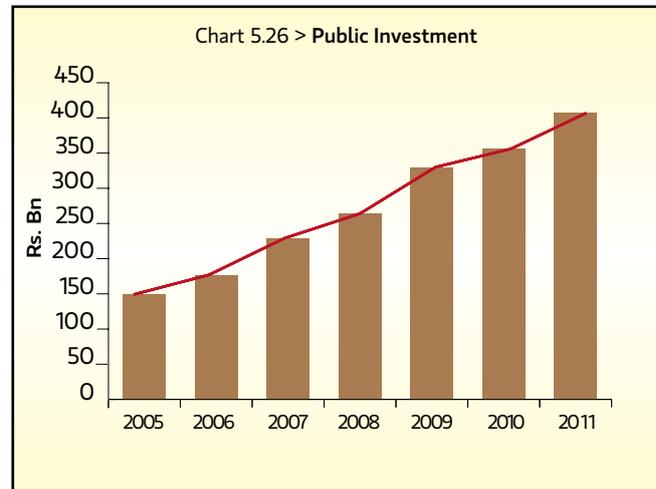
The enhancement of social infrastructure facilities such as education and health was also given the continuous attention...

5.3.3 Public Investment²

The expenditure incurred by the government on public investment in 2011 was Rs. 407,587 million in comparison to Rs. 356,519 million in 2010. It accounted to 6.2 percent of GDP, which is in line with the commitment of the government to maintain public investment at 6 percent of GDP. Public investment was directed to provide the long delayed improvements to the country's infrastructure facilities to spur economic growth, reduce inefficiencies, achieve a regionally balanced development and maintain social standards of the country in the medium to long run. When implementing the programme, the development challenges of the government were mainly threefold.

- >> Implementation of regional centric development activities, including the reconstruction and rehabilitation of areas affected by the terrorist insurgency, to provide them with basic human needs and to link them with the regional markets to improve economic activities
- >> Completion of the strategically identified mega infrastructure development projects
- >> Continuation of the improvement of other economic and social infrastructure facilities

The areas that had the main focus in the regional centric development activities of the government include the improvement of rural roads, rural electrification, minor irrigation projects, community water supply facilities and promoting the use of IT in rural sector to diversify the rural livelihood opportunities. Various rural development initiatives such as "Divi Neguma", "Gama Neguma", "Maga Neguma", "Uthuru Wasanthaya", "Neganahira Navodaya" and a number of other rural/regional development initiatives were being implemented to improve the rural/regional areas of the country. In particular, the government initiative of promoting household economic activities through the "Divi Neguma" programme particularly strengthens the backward integration with rural economic base while helping insulate households from various market vulnerabilities on their living, promoting healthy family lifestyles and organic agricultural



production. Reconstruction and rehabilitation of the basic economic and social infrastructure in the conflict affected areas also continued with emphasis on houses, administrative facilities, police posts, drinking water, irrigation and livelihood programmes. A significant progress was made in the de-mining programme and the government was able to complete the resettlement of almost all the internally displaced persons (IDPs) except a very small number of IDPs.

The priority was also given to complete the mega projects, particularly in the areas of highways, power generation, ports and airports development projects. The improvement of other economic infrastructure including road network, transportation, power generation, ports and airports, irrigation and water supply schemes were also continued simultaneously. The enhancement of social infrastructure facilities such as education and health was also given the continuous attention. In addition, the reconstruction of the irrigation facilities and roads, which were damaged due to the severe floods that occurred in the early part of the year was also undertaken by the government on priority basis. Meanwhile, the impediments and various delays in project implementation that lead to cost overruns are being addressed for cost saving purposes and to ensure the timely completion of planned projects.

² Public investment includes government direct capital expenditure through line ministries and agencies and on lending for public enterprises to undertake government approved capital expenditure projects. This figure does not include capital expenditure by enterprises' owned resources. For a detailed discussion on the public investment, please refer to the Chapter 8 of this publication.

5.3.4 Budgetary Support Services and Contingent Liabilities (Treasury Miscellaneous Vote)

The Appropriation Act for each financial year provides the estimated expenditure of the government under each spending heads. Apart from these identified expenditure, a general provision is set aside to meet various unforeseen expenditure for which specific provisions have not been made under each spending agency and also for expenses of a special character which cannot appropriately be provided for, as direct expenses under a particular Ministry or Department in the printed estimates. These provisions have been provided as Budgetary Support Services and Contingent Liabilities under the expenditure of the Department of National Budget. The purpose of this provision is to facilitate the smooth conduct of public finance management in a more efficient and effective manner.

As required in terms of Clause 6(1) of the Appropriation Act³, the supplementary provisions are provided strictly for the following purposes to relevant spending agencies having carried out a needs assessment, giving consideration to relevant financial regulations, and approved procedures.

- i. Provisions for payment of rectification of salary anomalies, essential new recruitments and other related payments.
- ii. Provisions for implementation of budget proposals
- iii. Provisions for purchase of vehicles to Ministries, Departments/special spending agencies as separate provisions are not included under those agencies to purchase passenger vehicles.
- iv. Provisions for expenditure required for restructuring of public enterprises and to meet contingent liabilities of failed public enterprises.
- v. Provisions to meet any short-fall in capital expenditure of development projects funded with donor assistance and related counterpart-funding requirements, inclusive of payments of taxes and duties.
- vi. Provisions to meet any commitment arising from any agreement to which the Government is a party and to meet obligations under Government guarantees.
- vii. Contingency Provisions for security related and natural disaster related risks.
- viii. Provisions to meet additional expenditure and liabilities arising from changes in underlying assumptions based in the preparation of budget estimates.

In terms of the Clause 6(1) of the Appropriation Act, a report containing the amount of money so transferred and the reasons for such transfer, are submitted to Parliament within two months of the date of the transfer. In addition, details of all transfers made out of this provision including the reasons for such transfers are incorporated in the Government fiscal performance reports which are to be tabled in Parliament under the Fiscal Management (Responsibility) Act, No 3 of 2003.

Status of the Budgetary Support Services and Contingent Liabilities (Treasury Miscellaneous Vote - TMV) - 2011

The total estimate of Budgetary Support Services and Contingent Liabilities for 2011 was Rs. 55.5 billion including the budget proposals, of which Rs 41.7 billion was for Recurrent Expenditure and Rs.13.8 billion was for Capital Expenditure.

As at the 30th December 2011, additional provisions given through the TMV were transferred to the spending heads amounting to Rs 127 billion of which Rs. 49 billion of recurrent expenditure and Rs 78 billion of capital expenditure. The original estimate of the TMV was accordingly increased by Rs. 72 billion of which Rs. 7.9 billion of recurrent expenditure and Rs.64.2 billion for capital expenditure by reallocating unutilized amount identified under various spending agencies.

The year 2011 was a special year which compelled the Treasury to manage the additional fund requirements of various spending agencies to continue the major development activities while accommodating funds for unforeseen incidents such as floods, without submitting a Supplementary estimate to Parliament and reallocating the funds within the approved budget. These re-allocations were made within the approved expenditure ceilings as explained in para 100 of the Budget Speech 2012.

Accordingly, the required additional provisions of Rs. 7.9 billion of recurrent expenditure and Rs.64 billion of capital expenditure were channeled through TMV using the unutilized funds of the approved estimates that have been identified under the selected spending agencies. By providing these additional funds by way of these reallocations, the actual expenditure of the total estimate as approved by Parliament have been maintained within the approved limits given in the total estimate and also the borrowing limits of the budget 2011.

³ As per the judgment dated 24 October 2008 on No. SC/SD 4/2008, the Treasury was required to amend Clause 6(1) of the Appropriation Bill of 2008 to include a specific provision indicating that the allocations given out of the TMV shall deemed to be supplementary allocations to the relevant ministry. It was further required that such provisions should be suitably reported to Parliament with reasons for such transfers within two months from the date of the transfer. This practice is reflected in all subsequent Appropriation Acts.

Table 5.26 > **Allocations Provided by Treasury under Budgetary Support Services and Contingent Liability Project from January to December, 2011 (Rs.)**

Head No.	Ministry/Department	Purpose	Recurrent	Capital
1	His Excellency the President	Foreign grants given by World Bank for improvement of Information and Technology Training Capacity, Purchase of Security Vehicles, Maintenance, and Services, Foreign Travelling, Settlement of Duties and Taxes for the vehicles released on Provisional Entry Basis.	808,660,000	386,454,345
2	Office of the Prime Minister	Purchase of Vehicles, Training and Capacity Building, Services, Programme to improve positive attitude of Sri Lankans, Maintenance, Supplies, Personal Emoluments, Domestic Travelling, and Electricity & Water.	36,550,000	42,425,000
3	Secretariat for Special Functions (Senior Ministers)	Purchase of Vehicles, Refurbishment of Office Building, Transport, Maintenance of Vehicles, Personal Emoluments, and Foreign Travelling.	94,965,000	119,740,490
4	Judges of the Superior Courts	Expenditure of South Asian Judges Regional Forum 2011, Foreign Travelling and Vehicle Maintenance.	6,700,000	-
5	Office of the Cabinet of Ministers	Extension and Renovation of the Office Premises and Purchase of Office Equipments, and Allowances for Senior Legal Consultant.	2,350,000	12,650,000
10	Commission to Investigate Allegations of Bribery or Corruption	Purchase of Vehicles	-	6,400,000
12	National Education Commission	Purchase of Vehicles	-	6,900,000
13	Human Rights Commission of Sri Lanka	Account grant given by UNFPA to conduct Training and Counselling Programmes, Rents & Local Taxes for Human Rights Commission.	16,300,000	544,100
15	Department of Legal Draftsman	Transport and Vehicle Maintenance.	2,340,000	375,000
16	Parliament	Purchase of Vehicles		35,446,635
17	Office of the Leader of the House of Parliament	Purchase of Vehicles	-	6,000,000
18	Office of the Chief Govt. Whip of Parliament	Purchase of Vehicles, and Personal Emoluments	1,250,000	5,340,546
19	Office of the Leader of the Opposition of Parliament	Foreign Travelling	1,000,000	-
20	Department of Elections	Purchase of Vehicles, and Expenditure for Local Authority Election held in 2011	300,000,000	10,100,000
21	Auditor General	Purchase of Vehicles, and Personal Emoluments.	10,000,000	5,356,789

Table 5.26 Contd....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
22	Office of the Parliamentary Commissioner for Administration	Transport and Taxes and Duty for Vehicles.	350,000	1,800,000
101	Minister of Buddha Sasana and Religious Affairs	Purchase of a Vehicle, Personal Emoluments, and Property Loan Interest to Public Servants.	3,150,000	6,259,050
201	Department of Buddhist Affairs	Transport, personal emoluments, Printing of Dhamma School Text Books, Publication of Thripitakaya and Vehicles Maintenance	20,250,000	450,000
203	Department of Christian Religious Affairs	Renovation of St. Fransis Church at Wattala.	-	2,400,000
204	Department of Hindu Religious and Cultural Affairs	Personal Emoluments	1,275,000	-
205	Department of Public Trustee	Personal Emoluments	1,280,000	-
102	Minister of Finance and Planning	Farmers' Pension, Purchase of Vehicles, Recurrent Expenditure of Tax Appeals Commission, and Personal Emoluments of Public Institution.	718,797,128	18,218,422
237	Department of National Planning	Foreign Travelling, Account the grants given by UNDP, UNFPA and UNICEF for Strengthening the National Capacities of MDGs, Planning, Monitoring & Evaluation of Projects, and Purchase of Furniture and Office Equipment.	2,500,000	30,500,000
239	Department of External Resources	Foreign Travelling, Personal emoluments, Property Loan Interest to Public Servants, Vehicle Maintenance, and Other Recurrent Expenditure.	35,400,000	-
240	Department of National Budget	Building Rent for the Public Service Commission office, Foreign Travelling, Lease Rental of Purchased Vehicles under Budget Department Circular 150, Personal Emoluments, Fuel, and Vehicle Maintenance.	26,200,000	282,720,000
241	Department of Public Enterprises	Annual charges of Pugoda Textiles Lanka Limited to be paid to Colombo Municipal Council, Personal Emoluments, Services, Foreign Travelling, and Vehicle Maintenance.	7,338,750	500,000
242	Department of Management Services	Personal Emoluments, Fuel, Stationery, Property Loan Interest to Public Servants and Purchase of Furniture & Office Equipment.	2,467,000	4,000,000
243	Department of Development Finance	Interest Subsidy for the Loans given to Paddy Marketing Board by State Banks	364,550,000	
244	Department of Trade, Tariff and Investment Policy	Fuel, Transport and Purchase of Office Equipment.	1,161,800	1,000,000

Table 5.26 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
246	Department of In-land Revenue	Foreign Travelling, Cost of International Conference of Commonwealth Association of Tax Administrators (CATA), Purchase of Furniture & Office Equipment, Personal Emoluments, and Electricity and Water.	87,170,000	114,000,000
247	Sri Lanka Customs	Construction of Office Building and Purchase of Furniture & Office Equipment.	-	1,001,500,000
248	Department of Excise	Building Rent and Office Equipment, Losses and Write Off, Personal Emoluments, Property Loan Interest to Public Servants.	30,783,956	3,000,000
249	Department of Treasury Operations	Foreign Loans to SME Sector Development Project, Deferred Payments, Personal Emoluments and, Loan Flotation Expenses , Interest Payments for Domestic Debt	2,825,880,110	7,858,449,272
250	Department of State Accounts	Rehabilitation and Improvement Building and Structures, Personal Emoluments, and Property Loan Interest to Public Servants.	2,410,000	5,685,000
251	Department of Valuation	Personal Emoluments and Enrolment Fee of MSc Programme to be held in UK, for selected Valuers under Capacity Development Programme.	17,662,500	2,000,000
252	Department of Census and Statistics	Personal Emoluments	35,000,000	-
280	Department of Foreign Aid and Budget Monitoring	Foreign Travelling, Personal Emoluments, Fuel and Transport.	6,173,000	-
296	Department of Import and Export Control	Personal Emoluments, Postal and Communication , Training and Capacity Building of Staff.	2,024,885	175,000
323	Department of Legal Affairs	Personal Emoluments, Stationary and Office Requisites.	472,000	-
324	Department of Management Audit	Foreign Travelling, Personal Emoluments, Vehicle Maintenance and Purchase of Furniture & Office Equipment.	5,404,000	682,000
103	Minister of Defence	Purchase of Vehicles under Indian Line of Credit Scheme, Foreign and Domestic Travelling, Settlement of Deferred Payments made on the construction of prefabricated buildings in the North for Army personnel, Project to Establish an Electronic Storage for National Persons' Registry of Citizens and Issuance of Electronic National Identity Cards, Flood Mitigation Work, and Settlement of Custom Duties and Levies for the released items on Provisional Entry Basis.	208,992,175	1,600,720,038
222	Sri Lanka Army	Purchase of Vehicles under Indian Line of Credit Scheme, Purchase of Furniture and Office Equipment, Settlement of Deferred Payments, Personal Emoluments, Diets and Uniforms, Vehicle Maintenance, Property Loan Interest to Public Servants, Purchase of Plant, Machinery & Equipment, and Settlement of Custom Duties and Levies for the released items on Provisional Entry Basis.	3,923,110,000	3,429,698,137

Table 5.26 Contd....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
223	Sri Lanka Navy	Maintenance expenses of “Sangawasa Building “ at Katharagma, Purchase of Vehicles under Indian Line of Credit Scheme, Settlement of Deferred Payments, Personal Emoluments, Maintenance and Services. Domestic Travelling, Property Loan Interest to Public Servants, and Settlement of Custom Duties and Levies for the released items on Provisional Entry Basis.	5,122,025,600	6,494,734,473
224	Sri Lanka Air Force	Purchase of Vehicles under Indian Line of Credit Scheme, Settlement of Deferred Payments, Personal Emoluments, Travelling, Maintenance and Services. Acquisition of Plant, Machinery and Equipment, Settlement of Custom Duties and Levies for the released items on Provisional Entry Basis.	3,074,871,915	7,932,080,428
225	Department of Police	Purchase of Vehicles under Indian Line of Credit Scheme, Expenditure of the 9th SAARC Conference on Police Activities, Diets & Uniforms, Personal Emoluments, Travelling, Maintenance and Services, and Settlement of Custom Duties and Levies for the released items on Provisional Entry Basis.	960,850,000	3,123,028,406
226	Department of Immigration and Emigration	Personal Emoluments	10,700,000	-
227	Department of Registration of Persons	Vehicle Maintenance and Personal Emoluments.	3,400,000	150,000
291	Department of Coast Conservation	Personal Emoluments, Electricity & Water and Property Loan Interest to Public Servants.	12,165,000	-
320	Department of Civil Security	Fuel, and Personal Emoluments.	207,260,000	-
325	Department of Coast Guard of Sri Lanka	Domestic Travelling, Maintenance of Vehicles and Purchase of Vehicles.	8,200,000	1,000,000
105	Minister of Economic Development	Purchase of Vehicles, Lease Rent, Rehabilitation of damaged infrastructure due to the recent flood / earth slips, North/East Improvement Project, Grant for Poverty Reduction and Livelihood Restoration of Resettled IDPs and Gratuity & Salary Arrears of employees of Samurdhi Authority.	490,000,000	4,078,480,000
218	Department of Commissioner General of Samurdhi	Personal Emoluments	6,500,000	-
294	Department of National Zoological Gardens	Personal Emoluments and Fuel.	9,900,000	-

Table 5.26 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
106	Minister of Disaster Management	Foreign & Domestic grants given for Flood & Drought Relief, Conducting detailed Investigation for Mitigation of Landslides, Purchase of Vehicles, Subscription & Contributions Fees, Personal Emoluments, Domestic Travelling, and Accounting the equipment grant given by Japan and World Meteorological Organization.	659,968,000	473,234,478
304	Department of Meteorology	Foreign Travelling and Maintenance of Plant, Machinery & Equipment.	3,000,000	8,100,000
108	Minister of Postal Services	Acquisition of Furniture and Office Equipment.	11,760,000	3,775,000
308	Department of Posts	Purchase of a bus & foot bicycles for postmen, Domestic Travelling, Personal Emoluments, Services, and Supplies	719,000,000	38,200,000
110	Minister of Justice	Account the grant given by UNICEF for the Child Protection Programme, Purchase of Vehicles, Foreign Travelling, Coronal Charges, Personal Emoluments, and Vehicle Maintenance.	45,700,000	30,692,904
228	Courts Administration	Purchase of Furniture - Office Equipment for the High Court Building at Kadawatha, Foreign Travelling, Transport Allowances for the Judicial Medical Officers, Purchase of Vehicles and Personal Emoluments, Property Loan Interest to Public Servants.	315,384,508	7,000,000
231	Department of Debt Conciliation Board	Personal Emoluments, Electricity & Water, and Retirement Benefits.	410,000	10,000
233	Department of Government Analyst	Personal Emoluments, Fuel, Maintenance of Vehicles , and Construction of Office Building.	4,463,000	114,000,000
234	Registrar of Supreme Court	Personal Emoluments, Rehabilitation and Improvement of Plant, Machinery and Equipment and Postal & Communication.	3,250,000	8,380,000
235	Department of Law Commission	Electricity & Water	320,000	-
111	Minister of Health	Purchase of Vehicles, Development of Korea-Sri Lanka Friendship Hospital in Mathara, Godagama and Dental Institute of Sri Lanka, Development of Polonnaruwa General Hospital, Postal & Communication, Fuel, Personal Emoluments, Medical Supplies, Electricity and Water, Diets & Uniforms, Foreign & Domestic Travelling, and Stationary & Office Requisites.	4,864,178,000	1,142,500,000
112	Minister of External Affairs	Purchase of Vehicles to the overseas Embassies of Israel, Russia, Pakistan, S/Korea, India, Qatar, Philippine, Japan, Malaysia, Maldives, South Africa, Nepal, China, Saudi Arabia, & Singapore, Tsunami Donations to Japan, Accounting Parity Variation Loses, Expenditure for reopening Sri Lanka Embassy in Iraq, Foreign Travelling, Personal Emoluments and Property Loan Interest to Public Servants.	519,421,480	145,674,750
114	Minister of Transport	Purchase of Vehicles, Foreign Travelling, and Purchase of Plant , Machinery and Equipment.	495,000,000	1,901,314,300

Table 5.26 Contd....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
306	Department of Sri Lanka Railways	Personal Emoluments, Transfers to Welfare Programme, Replacing of Omantha - Pallai Rail Line, Madawachchiya - Madu Rail Line, and Madu - Talaimannar Rail Line.	13,522,000	7,820,204,130
307	Department of Motor Traffic	Payments for Printing of Driving Licenses, and Number Plates of newly Registered Vehicles	1,100,000,000	250,000,000
115	Minister of Petroleum Industries	Purchase of Vehicles and Foreign Travelling.	1,500,000	8,000,000
116	Minister of Co-operatives and Internal Trade	Settlement of losses of Budget Pack Programme operated in festival season 2009. Purchase of Vehicles, and Subsidy for purchasing Plastic Crates to minimize the Post Harvest Losses of Vegetables and Fruits .	35,000,000	62,800,000
117	Minister of Ports & Highways	Priority Roads Rehabilitation and Improvement Project, Maga Naguma Rural Road Development Programme, Improvement of National Road Network In Northern Province - Renovation of Damaged Quay at Unity Container Terminal at New North Pier, Construction of Road under Dayata Kirula Programme, Maintenance of Roads & Bridges under RMTF, Personal Emoluments and Rents & Local Taxes.	19,072,770	18,674,000,000
118	Minister of Agriculture	Purchase of seeds to distribute free of charges among the farmers who affected by the recent flood, Expenses of fifth Conference on Biotechnology, held by the Council of Agriculture Research and Policy.	-	6,764,693
285	Department of Agriculture	Personal Emoluments	22,300,000	175,000,000
119	Minister of Power and Energy	Purchase of Vehicles, Lighting Sri Lanka North Central Province, Uva Udanaya Programme, and Account the grant given for Introduction of Clean Energy by Solar Electricity Generation System.	-	2,144,177,239
120	Minister of Child Development and Women's Affairs	Purchase of Vehicles, Transport, Personal Emoluments and Grant to Gender Based Violence Programme.	18,758,160	9,823,567
217	Department of Probation and Child Care Services	Travelling Expenses, Services, Property Loan Interest to Public Servants and Personal Emoluments.	7,902,440	-
121	Minister of Public Administration and Home Affairs	Purchase of Vehicles, Expenditure of EB Examination & Second Language Tests. Account the grant given for the Logocal Governments Project and Personal Emoluments.	23,880,000	133,759,597
253	Department of Pensions	Travelling Expenses, Pension Benefits & Gratuities, Property Loan Interest to Public Servants Personal Emoluments and Welfare Programme on Social Security for Disabled Soldiers.	1,829,707,360	-
254	Department of Registrar General	Personal Emoluments, Property Loan Interest to Public Servants, Electricity & Water and Rents & Local Taxes.	32,640,944	-
255	District Secretariat, Colombo	Personal Emoluments	4,200,000	-

Table 5.26 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
256	District Secretariat, Gampaha	Personal Emoluments, and Property Loan Interest to Public Servants.	16,248,600	-
257	District Secretariat, Kalutara	Personal Emoluments, and Property Loan Interest to Public Servants.	13,000,000	-
258	District Secretariat, Kandy	Personal Emoluments, and Property Loan Interest to Public Servants.	9,756,100	-
260	District Secretariat, Nuwara-Eliya	Personal Emoluments	4,500,000	-
261	District Secretariat, Galle	Personal Emoluments, and Property Loan Interest to Public Servants.	13,769,627	-
262	District Secretariat, Matara	Personal Emoluments, and Construction of two staff Quarters of Matara Divisional Secretariat.	6,300,000	11,961,137
263	District Secretariat, Hambantota	Personal Emoluments, Maintenance of Vehicles.	8,433,032	1,000,000
264	District Secretariat/ Kachcheri - Jaffna	Account the grant given for Construction of Pediatric Unit at Chawakachcheri Hospital, Personal Emoluments, Property Loan Interest to Public Servants, Vehicle Maintenance and Electricity and Water.	16,691,989	2,633,340
265	District Secretariat/ Kachcheri - Mannar	Personal Emoluments	6,384,961	-
267	District Secretariat/ Kachcheri - Mullaitivu	Personal Emoluments	3,500,000	-
268	District Secretariat/ Kachcheri - Killinochchi	Vehicle Maintenance and Personal Emoluments.	2,350,000	-
269	District Secretariat/ Kachcheri - Batticaloa.	Personal Emoluments, Vehicle Maintenance and Property Loan Interest to Public Servants.	12,750,782	-
270	District Secretariat, Ampara	Personal Emoluments	15,500,000	-
271	District Secretariat/ Kachcheri - Trincomalee	Personal Emoluments, and Vehicle Maintenance.	4,011,000	-
272	District Secretariat, Kurunegala	Personal Emoluments, and Property Loan Interest to Public Servants.	18,800,000	-
273	District Secretariat, Puttalam	Personal Emoluments	11,394,125	-
274	District Secretariat, Anuradhapura	Expenditure of Dayata Kirula Exhibition 2012, Personal Emoluments, and Property Loan Interest to Public Servants.	32,000,000	156,500,000

Table 5.26 Contd....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
275	District Secretariat - Polonnaruwa	Paddy Purchasing Programme 2005/2006, and Personal Emoluments.	3,569,964	-
276	District Secretariat - Badulla	Personal Emoluments	6,000,000	-
277	District Secretariat, Monaragala	Personal Emoluments	6,027,610	-
278	District Secretariat, Ratnapura	Personal Emoluments and Property Loan Interest to Public Servants.	23,372,994	-
279	District Secretariat, Kegalle	Vehicle Maintenance	2,035,000	-
122	Minister of Mass Media and Information	Ratawata Mila Darshaka Programme, Renovation of Building and Access Road, Electricity & Water, and Personal Emoluments.	43,392,000	15,000,000
210	Department of Information	Programme under Dayata Kirula Development Exhibition 2012, Property Loan Interest to Public Servants, Foreign Travelling, and Personal Emoluments.	10,787,000	100,000,000
211	Department of Government Printer	Increased price of printing papers and costs of imported printing papers.	105,000,000	-
123	Minister of Construction, Engineering Services, Housing and Common Amenities	Rehabilitation and Improvement of Building and Structures, Foreign Travelling, Vehicle Maintenance, Implementation of UN Habitat Programme, and Electricity & Water.	13,042,800	107,950,000
309	Department of Buildings	Property Loan Interest to Public Servants.	515,000	-
310	Government Factory	Personal Emoluments and Property Loan Interest to Public Servants.	830,000	-
311	Department of National Physical Planning	Retirements Gratuities, & Pensions, and Land Surveying & Planning for the Anuradhapura Sacred Area development Programme.	810,540	400,000
124	Minister of Social Services	Vehicles, Acquisition of Capital Assets, Purchase of Vehicles, Personal Emoluments.	6,090,906	21,178,000
216	Department of Social Services	Expenses of National Secretariat for Elders, Personal Emoluments, and Transfers.	11,722,000	-
126	Minister of Education	Reconstruction of Schools Damaged due to heavy rain in recent past, Grants given by UNICEF for Child Friendly School Project, Purchase of Vehicles, Personal Emoluments, Property Loan Interest to Public Servants, and Expenditure for Knowledge Society Project.	614,200,000	731,614,829
212	Department of Examinations	Expenditure for Evaluation of Answer Scripts	200,000,000	-
127	Minister of Labour & Labour Relations	Transfers to National Institute of Labour Studies, Foreign Travelling, and Purchase of Vehicles.	8,000,000	16,500,000

Table 5.26 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
221	Department of Labour	Construction of "Mehewara Piyasa" Labour Secretariat Building, Gratuities for the employees of Kabul Lanka (Pvt.) Ltd., Supplies, Maintenance, "World Day Against Child Labour Programme", Personal Emoluments, and Property Loan Interest to Public Servants.	185,400,000	194,206,197
128	Minister of Traditional Industries and Small Enterprises Development	Housing Rent, and Improvement of Handicraft Training Project.	10,515,000	15,500,000
130	Minister of Local Government and Provincial Councils	Correction of Salary Anomalies of Provincial Teachers, Rehabilitation of flood Damaged Provincial Roads due to Floods in Central and Sabaragamuwa Provinces and provisions for Conflict Affected Area rehabilitation Project, Provincial Road Improvement Project, Purchase of Vehicles & Furniture and Office Equipment, Personal Emoluments, Transport, Contributions to Provincial Councils and Criteria Based Grant, and Upgrading the Disaster Response Network Project.	3,500,000	2,024,863,456
312	Western Provincial Council	Construction of school buildings, Salary Arrears of Teachers and Principals, Cost of Living Allowance, and Contributions to Provincial Councils and Criteria Based Grant.	1,809,000,000	300,000,000
313	Central Provincial Council	Salary Arrears of Teachers and Principals, Public Assistance, and Health Sector Development Project,	427,000,000	6,700,000
315	Northern Provincial Council	Salary Arrears of Teachers and Principals, Account the grant given for the Local Level Nutrition Intervention Programme, and Public Assistance.	165,000,000	100,000,000
316	North Western Provincial Council	Salary Arrears of Teachers and Principals, and Public Assistance.	361,000,000	-
317	North Central Provincial Council	Salary arrears of Teachers and Principals, Public Assistance, Rehabilitate Flood Damaged Provincial Roads and Minor Irrigation Schemes, Criteria Based Grant and Contribution to Provincial councils.	210,000,000	1,325,000,000
318	Uva Provincial Council	Salary Arrears of Teachers and Principals	51,000,000	-
319	Sabaragamuwa Provincial Council	Salary arrears of Teachers and Principals and Public Assistance.	512,000,000	-
321	Eastern Provincial Council	Salary arrears of Teachers and Principals and Public Assistance.	479,000,000	-
133	Minister of Technology and Research	Purchase of Vehicles, and Regional Training Workshop on Development of e - repositories, using Dspace Open Source Software.	-	42,918,360
134	Minister of National Languages and Social Integration	Purchase of Vehicles	-	10,000,000

Table 5.26 Contd....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
135	Minister of Plantation Industries	Purchase of Vehicles and other Services.	2,856,400	25,277,978
136	Minister of Sports	Initial share capital to bid for hosting the Common Wealth Games in Sri Lanka in 2018, Purchase of Vehicles, and Personal Emoluments of officials of Sri Lanka Cricket Board.	117,000,000	330,464,602
138	Minister of Indigenous Medicine	Write-off the loan given for the Oslugovi Company Ltd., Settlement of arrears payable to the Ayurvedic Drugs Corporation purchased under the Community Health Facilities Project, Increased cost of Living Allowances for the employees of Homeopathy Hospital, Purchase of Vehicles and Personals Emoluments.	25,278,000	35,100,040
220	Department of Ayurveda	Medical Supplies, Electricity & Water, Personal Emoluments and Diets & Uniforms.	54,520,000	-
139	Minister of Fisheries and Aquatic Resources Development	Expenses of 15th International Conference on Indian Ocean Tuna Commission, held in Sri Lanka, Purchase of Vehicles, Electricity & Water, Personal Emoluments, Domestic Travelling, Stationery & Office Requisites and Fuel.	21,909,060	13,700,000
290	Department of Fisheries and Aquatic Resources	Fisheries Loan Scheme and Diyawara Diriya Loan Scheme implemented through Bank of Ceylon, Domestic Travelling, and Services	19,000,000	15,000,000
140	Minister of Livestock and Rural Community Development	Purchase of Vehicles, Foreign Travelling, and Fuel.	9,100,000	21,657,435
292	Department of Animal Production and Health	Personal Emoluments.	7,000,000	-
142	Minister of National Heritage	Expenses of "2600 Sri Sambuddhathwa Jayanthiya" Anniversary, Purchase of Vehicles, and Transport.	6,960,000	13,118,005
207	Department of Archaeology	Renovation works of Yudaganawa Dagaba at Badulla, Domestic Travelling, Personal Emoluments and Property Loan Interest to Public Servants.	18,000,000	10,000,000
208	Department of National Museums	Personal Emoluments and Property Loan Interest to Public Servants	2,900,000	-
145	Minister of Re-settlement	Account the Grant given by India for purchasing of Agricultural Equipment supporting the Resettlement activities, Purchase of Vehicles and Maintenance of Vehicles.	410,736	163,202,637
149	Minister of Industry and Commerce	Initial expenses of the Expansion of Mannar Slattern Project, and Purchase of Vehicles.	1,000,000	22,984,618
297	Department of the Registrar of Companies	Personal Emoluments	1,510,000	-
303	Department of Textile Industries	Building Rent and Rates	3,768,000	-

Table 5.26 Contd.....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
152	Minister of Irrigation and Water Resources Management	Purchase of Vehicles, Production improvement of Tri-posha Raw Materials and Personal Emoluments.	2,000,000	11,128,597
282	Department of Irrigation	Rehabilitation and Improvement of damaged Medium & Major Irrigation Schemes due to recent Flood.	-	500,000,000
153	Minister of Lands and Land Development	Purchase of Vehicles, Vehicle Maintenance, Personal Emoluments, Fuel and Other Services.	4,850,000	7,420,000
288	Department of Surveyor General	Personal Emoluments	13,000,000	-
327	Department of Land Use Policy Planning	Personal Emoluments	6,000,000	-
156	Minister of Youth Affairs & Skills Development	Northern Area Vocational Training Programme, Foreign Travelling, Repair of the Official Quarters of Hon Minister and Purchase of Vehicles.	850,000	32,505,000
160	Minister of Environment	Account the grant given for Formulation of National Climate Change Policy and Mainstreaming Biodiversity Conservation and Sustainable Use for Improved Human Nutrition and Wellbeing , grant given for Mainstreaming Agro biodiversity Conservation to use in Sri Lankan Agro-Ecosystems for Livelihoods, Adaptation to Climate Change, Training and Capacity Building, Purchase of Vehicles, Foreign Travelling. and UN - Habitat Project.	6,430,000	15,858,485
166	Minister of Water Supply and Drainage	Account grant given for Water Supply and Sanitation Facilities at IDPs' Welfare Centers, Purchase of Vehicles, and Dayata Kirula Programme.	-	818,543,800
171	Minister of Higher Education	Account the grant given to promote Researches of the University of Wayamba, Purchase of a Vehicle, Foreign Travelling, Transfers to Buddhist and Pali University, and Personal Emoluments.	75,060,000	26,676,631
214	University Grants Commission	Research & Academic Allowances and Special Salary Allowances of Academics.	561,000,000	-
173	Minister of Public Management Reforms	Purchase of Vehicles	-	25,000,000
174	Minister of Rehabilitation and Prison Reforms	Programme of Rehabilitation of Misguided Youths Surrendered and Personal Emoluments.	5,192,720	150,000,000
232	Department of Prisons	Establishment of a Mobile Phone Jammer System in the Prisons, Electricity & Water, and Personal Emoluments.	60,000,000	10,000,000
326	Department of Community Based Correction	Electricity & Water, and Property Loan Interest to Public Servants.	850,000	-

Table 5.26 Contd....

Head No.	Ministry/Department	Purpose	Recurrent	Capital
175	Minister of State Resources and Enterprise Development	Outstanding Liabilities of Hingurana Sugar Industries Ltd, Salary for the Employees of Kanthale Sugar Industries Ltd, Ceylon Ceramic Corporation and National Paper Company Ltd.	-	143,300,000
176	Minister of Civil Aviation	Purchase of Vehicles, Foreign Travelling, and Allocation for Re-structuring Mihin Lanka (Pvt.) Ltd.	3,167,594	265,241,692
177	Minister of Culture & the Arts	Settlement of expenses of Dayata Kirula Exhibition, held in Monaragala, 2011.	364,840,000	27,400,000
206	Department of Cultural Affairs	Personal Emoluments and other Recurrent Expenditure.	8,850,000	-
178	Minister of Coconut Development and Janatha Estate Development	Cost of repairing Office Building, Purchase of Machinery, Equipment, & Furniture, Transport, Personal Emoluments, Fuel, Purchase of Vehicles, Foreign Travelling and Maintenance of Vehicles.	13,070,010	31,738,900
179	Minister of Agrarian Services & Wildlife	Fertilizer Subsidy, Purchase of Vehicles, Maintenance of Vehicles and Personal Emoluments.	11,305,629,020	30,270,197
281	Department of Agrarian Development	Personal Emoluments and Property Loan Interest to Public Servants.	41,022,085	-
284	Department of Wildlife Conservation	Payment of the Commission charged by the Bank of Ceylon for using Credit Cards at National Parks and Personal Emoluments.	17,311,000	-
180	Minister of Minor Export Crop Promotion	Maintenance of Buildings, Purchase of Vehicles and Fuel.	13,471,500	43,818,000
289	Department of Export Agriculture	Personal Emoluments	1,800,000	-
181	Minister of Productivity Promotion	Purchase of Vehicles, and Personal Emoluments and Foreign Travelling.	9,450,000	45,750,000
328	Department of Man Power & Employment	Personal Emoluments, Property Loan Interest to Public Servants and Dayata Kirula Programme.	9,000,000	12,200,000
182	Minister of Foreign Employment Promotion & Welfare	Purchase of Vehicles, Building Rents, Fuel, Domestic Travelling, Vehicle Maintenance and Personal Emoluments.	19,770,000	47,000,000
183	Minister of Public Relations and Public Affairs	Building Rent, Fuel, Services, Purchase of a Vehicle, Personal Emoluments and Travelling.	18,442,000	5,480,228
184	Minister of Private Transport Services	Purchase of Vehicles, Vehicle Maintenance, and Personal Emoluments.	18,618,913	24,554,000
185	Minister of Telecommunication and Information Technology	Building Rent, Purchase of Vehicles, Vehicle Maintenance, Personal Emoluments, Construction of Buildings for the School Computer Labs in Anuradhapura District.	51,238,000	77,006,242
Total			49,245,254,549	77,974,206,420

5.4 Performance of Provincial Councils (PCs)

The revenue sources of the PCs underwent a significant change with the implementation of the proposals in Budget 2011. Accordingly, the Provincial Turnover Tax (PTT), which was imposed on wholesale and retail trade and collected by PCs was abolished and a revenue sharing mechanism between the central government and the PCs was introduced to compensate the loss incurred due to the abolition of TT. In addition, the total revenue collected by the stamp duty was transferred to the PCs commencing from January 2011. Further, the transfer of revenue collection from the motor vehicle registration fees to the PCs was increased to 70 percent from 60 percent since January 2011.

With these arrangements were in place, total revenue of PCs in 2011 increased by 14 percent to Rs. 42 billion.

Tax revenue, which mainly consists of NBT (one third of the NBT transferred by the central government), license fees, tax on property and other taxes amounted to Rs. 36 billion. It accounted for 86 percent of the total revenue of PCs and recorded a 16 percent increase over the previous year. However, the NBT revenue transferred to PCs in 2011 indicated an 11 percent decline compared to the revenue of Rs. 19,984 million generated from PTT under the previous arrangement. Nevertheless, this decline was offset by the transfer of 100 percent revenue from stamp duties (Rs. 6,859 million) to PCs by the central government and the increased percentage of revenue (of Rs. 1,193 million) transferred to PCs from the motor vehicles registration fee compared to the previous year. The non-tax revenue of PCs in 2011 was Rs. 6.1 billion recording a 4.7 percent increase, it mainly consisted of revenue from sales and charges, interest, profit and dividends and other sources. Total revenue of PCs accounted for 0.7 percent of GDP in 2011.

Table 5.27 > **Performance of NBT, TT, Stamp Duty and Motor Vehicles Registration Fee: 2010-2011**

Rs. Million

Item	2010			2011			% Change - 2011/2010		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT ¹	46,022	-	46,022	35,667	17,834	53,501	-22.5	-	16.2
Domestic	19,310	-	19,310	19,040	9,520	28,560	-1.4	-	47.9
Import	26,712	-	26,712	16,627	8,314	24,941	-37.8	-	-6.6
TT	-	19,983	19,983	-	-	-	-	-	-
Stamp Duty ²	-	-	4,439	-	6,859	6,859	-	-	-
Motor Vehicle Reg. Fee ³	-	356	356	-	1,193	1,193	-	-	-
Total	50,461	20,339	70,800	35,667	25,886	61,553	-29.3	27.3	-13.1

Sources: Finance Commission, Department of Fiscal Policy and Department of National Budget

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

² Since 2011, 100 percent of the revenue collected from the stamp duty by the central government is transferred to Provincial Councils.

³ Represents 70 percent of the revenue collected by the central government from Motor Vehicles Registration Fee.

Note: CG = Central Government, PCs = Provincial Councils

In 2011, recurrent expenditure of PCs increased by 6 percent to Rs. 126.8 billion, due to the increase in personal emoluments mainly on the salaries and wages of education and health sectors, which contributed to 79 percent of their total recurrent expenditure in 2011. Meanwhile, the total capital expenditure of PCs increased by 7 percent to Rs. 28.1 billion in 2011. Main areas of investments of PCs on economic infrastructure development included roads, transport, land development and rural electrification projects. Investments on improving education, health facilities, indigenous medicine and housing facilities were among the major areas of social infrastructure of PCs. The

investment programmes of PCs mainly financed by Province Specific Development Grants (PSDG) and Criteria Based Grants (CBGs). In 2011, Central Government transfers to PCs increased by 9 percent to Rs. 116 billion in 2011. These transfers were in the form of block grants to fund recurrent expenditure, CBGs to fund discretionary expenditure requirements, PSDGs to continue Province Specific Development Projects and grants for special projects. As in the previous years, a major portion of government transfers, amounting to 86 percent of total transfers or Rs. 95 billion was in the form of block grants.

Table 5.28 > **Consolidated Budget**

Category	Amount (Rs. Bn)				As a % of GDP			
	2008	2009	2010	2011	2008	2009	2010	2011
Total Revenue	686.6	729.0	854.0	976.9	15.6	15.1	15.3	14.9
Central Government	655.2	699.6	817.2	934.8	14.9	14.5	14.6	14.3
Tax	585.6	618.9	724.7	812.6	13.3	12.8	12.9	12.4
Non Tax	69.6	80.7	92.5	122.2	1.6	1.7	1.7	1.9
Provincial Councils	31.4	29.4	36.8	42.1	0.7	0.6	0.7	0.6
Tax	26.0	24.9	31.0	36.0	0.6	0.5	0.5	0.6
Non Tax	5.4	4.5	5.8	6.1	0.1	0.1	0.2	0.1
Total Expenditure	1,027.4	1,238.1	1,317.5	1,438.9	23.3	25.6	23.5	22.0
Central Government (a)	996.1	1,201.9	1,280.2	1,400.2	22.6	24.9	22.8	21.4
Current	743.7	879.6	937.1	1,006.6	16.9	18.2	16.7	15.4
Capital and Net Lending	252.4	322.3	343.1	393.6	5.7	6.7	6.1	6.0
Provincial Councils (b)	31.3	36.2	37.3	38.7	0.7	0.7	0.7	0.6
Current	26.4	33.9	33.8	32.2	0.6	0.6	0.6	0.5
Capital	4.9	2.3	3.5	6.5	0.1	0.1	0.1	0.1
Budget Deficit	(340.8)	(509.1)	(463.5)	(462.0)	(7.7)	(10.5)	(8.2)	(7.1)

Sources: Department of National Budget and Finance Commission

(a) Includes transfers to PCs

(b) Represents expenditure incurred by PCs using their own funds

5.5 Deficit Financing and Government Debt⁴

Deficit Financing

The budget deficit of Rs. 450 billion in 2011 accounted for 6.9 percent of GDP in comparison to the targeted deficit of 6.8 percent announced in Budget 2011, and the realized deficit of 8.0 percent of GDP in 2010 and 9.9 percent in 2009. In financing this deficit, net domestic borrowings amounted to Rs. 256.3 billion (57 percent) in 2011 while the balance Rs. 193.9 billion (43 percent) was raised as net foreign financing.

In the domestic front, the government borrowed from both non-bank (Rs. 64 billion) and bank sources (Rs. 192 billion). Major sources of non bank financing were Employees Provident Fund (EPF), National Savings Bank (NSB) and Employees' Trust Fund (ETF). It also included the net borrowings from the non-resident investments in Treasury bills and Treasury bonds of Rs. 25.1 billion. Of the total bank financing in 2011, the borrowing from the Central Bank amounted to Rs. 185.8 billion.

In 2011, the government was able to raise, on a gross basis, Rs. 287.1 billion from foreign sources. Of this, a major part (Rs. 174.5 billion) was received by way of project loans from bilateral and multilateral development partners. The balance consisted of the proceeds of Rs. 109.5 billion (US\$ 1 billion) from the fourth international sovereign bond, issued in October 2011. Major sources of project financing in 2011 were the Japan, China, ADB and IDA. The net foreign financing of Rs. 193 billion in 2011 remained almost unchanged in comparison to Rs. 194.9 billion obtained in 2010 to finance the budget deficit.

Government Debt

In 2011, total government debt increased by Rs. 544 billion to Rs. 5,133.4 billion from Rs. 4,590.2 billion in 2010. Of this, 54.6 percent or Rs. 2,804.1 billion was domestic debt while the balance 45.4 percent or Rs. 2,329.3 billion was foreign debt. Although the government debt increased in nominal terms, it continued to decline to 78.5 percent of GDP compared to 81.9 percent in 2010 and higher level of 105.6 percent recorded in 2002. The domestic debt to GDP ratio declined to 42.9 percent while foreign debt to GDP ratio also declined to 35.6 percent. The corresponding ratios for 2010 were 45.8 percent and 36.1 percent, respectively.

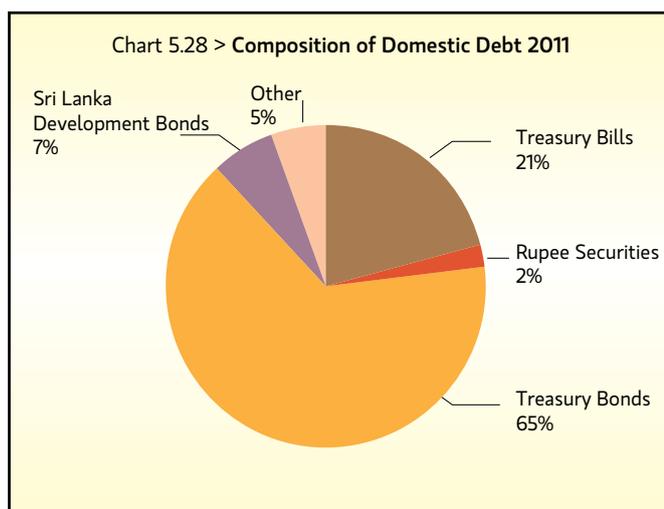
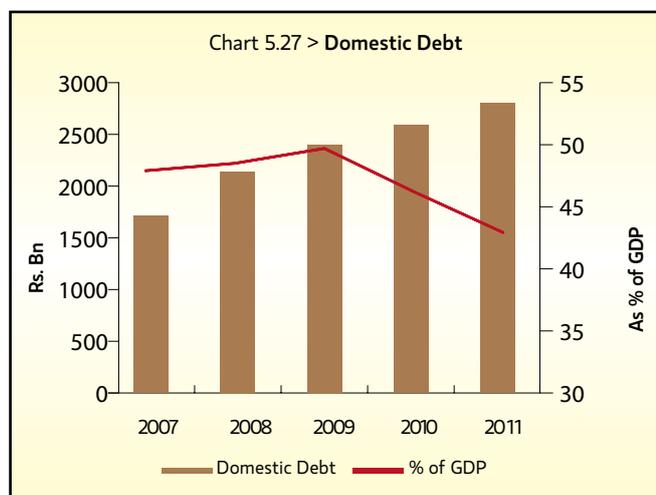
Table 5.29 > **Government Debt**

Item	Rs. Bn	
	End 2010	End 2011
Total Domestic Debt	2,565.7	2,804.1
Short Term	619.5	698.29
Treasury bills	514.4	590.9
Provisional advances from the Central Bank	77.9	94.7
Other	27.2	12.6
Medium & Long Term	1,946.1	2,105.9
Rupee Securities	87.7	62.0
Treasury Bonds	1,643.9	1,819.3
Sri Lanka Development Bonds	173.9	183.8
Other	40.6	40.8
Total Foreign Debt	2,024.6	2,329.3
Concessional Loans	1,266.9	1,328.8
Multilateral	601.7	624.6
Bilateral	665.2	657.9
Other	-	46.3
Non-concessional Loans	757.9	1,001.5
Multilateral	73.2	97.3
bilateral	74.0	138.6
Commercial loans	610.4	341.7
Other	-	422.9
Total Government Debt	4,590.2	5,133.4

Sources: Department of External Resources and Central Bank of Sri Lanka

Of the total domestic debt, 75.1 percent was medium to long term debt, dominated by Treasury bonds accounting for 64.9 percent of the total. As the Rupee loans are being phased out gradually, their share in the total domestic debt also continued to decline and reached 2.2 percent in 2011 from 3.4 percent in the previous year. Meanwhile, out of the short term domestic debt, which accounted for 24.9 percent of the total domestic debt, Treasury bills remained as the main instrument representing 84.6 percent of the total short term debt. The government debt to the banking system increased to Rs. 886.2 billion from Rs. 691.7 billion in 2010. This was due to the increase of Treasury bills held by the Central Bank. The share of debt to the banking system increased to 31.6 percent from 27 percent in the previous year.

⁴ For a detailed discussion on deficit financing and government debt, please refer to Chapter 6 of this publication.



- About 57 percent of the total foreign debt was on concessional terms and conditions. Of the bilateral loans, the outstanding debt to Japan and China amounted to Rs. 529 billion and Rs. 68 billion, respectively. Of the multilateral development partners, the outstanding debt to Asian Development Bank (ADB) was Rs. 383 billion, and the outstanding debt to International Development Association (IDA) was Rs. 302 billion. The increase in the non concessional loans in the recent past was mainly due to the accommodation of foreign investments in government securities and the issuance of international sovereign bonds by the government. This trend is consistent with the borrowing pattern of a middle income country where there is a gradual decline in the access to concessional foreign financing in the midst of rising per capita income.

Table 5.30 > Foreign Debt By Source - 2011

Donor Category	Number of Loans	Amount (Rs.mn)
Bilateral	288	796,508
Japan	102	529,013
China	11	68,357
Germany	15	47,547
USA	71	40,317
Other	89	111,274
Multilateral	268	721,916
ADB	123	383,460
IDA	111	302,244
Other	34	36,212
Export Credit	83	185,462
Commercial	35	625,394
International Sovereign Bonds	4	341,703
Non - resident Investments in Treasury Bills	-	70,123
Non - resident Investments in Treasury Bonds	-	199,531
Other	31	14,037
Total Loans	674	2,329,280

Sources: Department of External Resources and Central Bank of Sri Lanka

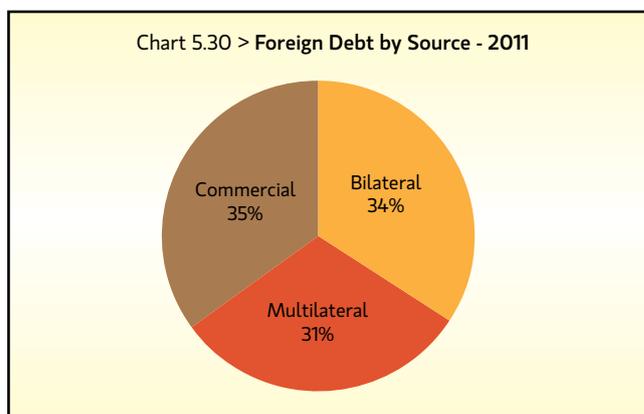
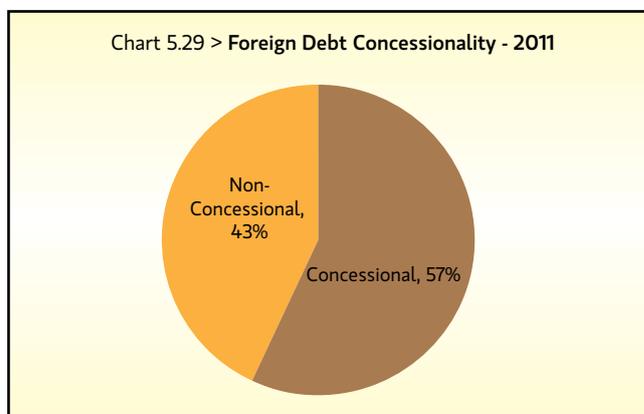


Table 5.31 > **Currency Composition of the Government Foreign Debt**

Currency	2007	2008	2009	2010	2011
SDR	38.3	36.7	44.6	28.3	28.6
US Dollars	20.1	19.4	26.0	23.5	35.0
Japanese Yen	25.5	30.8	35.6	25.1	25.8
Euro	9.2	9.1	11.3	7.0	7.0
Other	6.9	4.1	20.9	16.0	3.6
Total	100.0	100.0	138.5	100.0	100.0
Memo: Total Foreign Debt (Rs. Billion)	1,326.5	1,448.7	1,760.5	2,024.6	2,329.3

Sources: External Resources Department and Central Bank of Sri Lanka

Table 5.32 > **Government Debt Indicators (%)**

Indicator	2005	2006	2007	2008	2009	2010	2011
Government Total Debt/GDP	90.6	87.9	85.0	81.4	86.2	81.9	78.5
Domestic Debt/GDP	51.6	50.3	47.9	48.5	49.8	45.8	42.9
Foreign Debt/GDP	39.0	37.5	37.1	32.8	36.5	36.1	35.6
Debt Service/GDP	14.1	15.1	14.0	13.4	17.1	14.6	13.7
Total Debt Service/Revenue	90.8	93.0	88.6	90.5	117.5	100.4	95.8
Foreign Debt Service/Export Earnings and Foreign Remittances	2.9	6.7	7.6	12.7	12.6	9.6	9.7
Domestic Interest/ Current Expenditure	25.5	24.4	25.9	24.5	31.1	31.7	28.6
Total Interest/ Government Revenue	31.5	31.7	32.3	32.4	44.3	43.1	38.2

Sources: External Resources Department, Treasury Operations Department and Central Bank of Sri Lanka

5.6 Debt Service Payments

Total debt service payments in 2011 amounted to Rs. 895.4 billion. Out of the total, Rs. 538.7 billion or 60 percent was for repayments while the balance 40 percent was on interest payments. Higher growth in the revenue and the relatively lower growth in debt service payments resulted in a further decline in the debt service payments as a percentage of the government revenue. Accordingly, as a percentage of total revenue, total debt service payments reached 95.8 percent compared to 100.4 percent recorded in 2010 and 117.5 percent in 2009. The interest payments as a ratio of revenue also improved to 38 percent from 43 percent in 2010. With the expected improvements in the revenue, overall budget deficit, debt management and the Treasury cash flow operations, these ratios are expected to improve further in the medium term.

Table 5.33 > **Debt Service Payments**

Item	Rs. Bn				
	2007	2008	2009	2010	2011
Interest	182.7	212.5	309.7	352.6	356.7
Domestic	161.4	182.2	274.0	297.1	288.1
Foreign	21.3	30.3	35.7	55.5	68.6
Repayments	316.3	380.3	516.0	467.9	538.7
Domestic	252.2	258.7	401.3	389.7	439.9
Foreign	64.1	121.6	114.7	78.2	98.8
Total	499.0	592.8	825.7	820.4	895.4
Domestic	413.6	440.9	675.3	686.8	728.0
Foreign	85.4	151.9	150.4	133.6	167.5

Sources: Department of Treasury Operations, Central Bank of Sri Lanka

06

FINANCING OF THE BUDGET

6.1 Government Debt Management Strategy

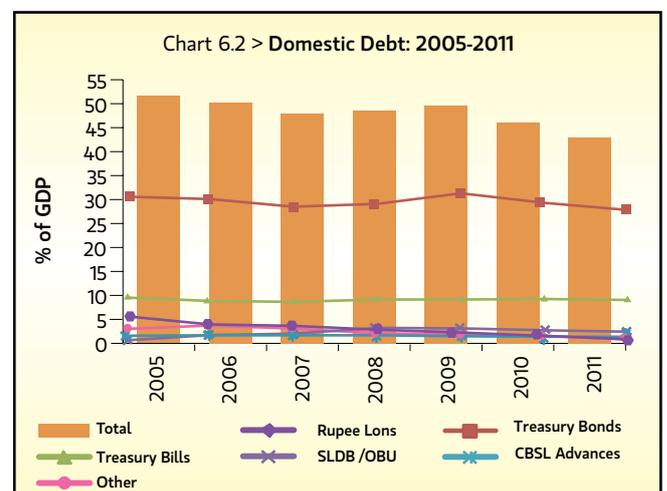
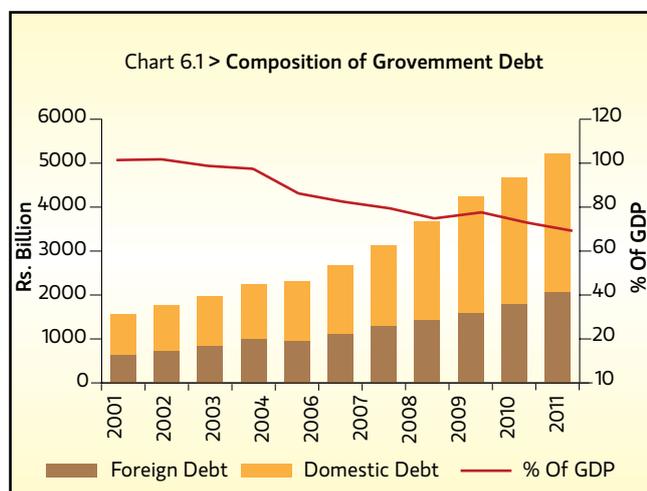
The medium-term debt management strategy of the government is designed to ensure that government debt remains on a sustainable path. The medium term direction is guided by the provisions in the Fiscal Management (Responsibility) Act No. 3 of 2003, which requires the government budget deficit to reduce to 5 percent of GDP and be maintained at a similar level thereafter, and the debt to GDP ratio to reduce to 65 percent in the medium term.

In this regard, the government's debt management strategy is primarily directed to meet the financing needs of the government effectively. Borrowing at the lowest possible cost and ensuring adequate availability of funding to service the existing debt, are the two basic principles that guide the borrowing strategy of the government. In this context, due consideration is given to government fiscal operations, prevailing and emerging macroeconomic developments, market conditions, financial sector performance and trends in the external environment. The process is complemented by periodical improvements in the necessary legal, institutional and regulatory framework, administrative processes and operational mechanisms to ensure efficient and effective management of government debt.

The reliance on both domestic and foreign financing has increased over the years with borrowings being required to finance the resource gap of the government budget. As such, the structure of the borrowings has also changed with domestic borrowings¹ moving towards more marketable debt instruments with non-residents being allowed to invest in rupee denominated Treasury bills and Treasury bonds with a cap.

With the country graduating into a middle income status, access to concessional financing² has declined significantly. Consequently, tapping the international market with the issuance of international sovereign bonds and the increase of export credit financing are among the key changes in the government's borrowing strategy that have occurred in the recent past. As a result, the interest cost on foreign debt as a percentage of the earnings from exports, services and remittances has increased to 3.3 percent in 2011 from 1.7 percent in 2005.

The government's debt management strategy is also focused on maintaining a balance between domestic and foreign borrowings. In ensuring an appropriate mix in foreign borrowings, due consideration is given to foreign exchange needs and other internal and external developments.



¹Key domestic borrowing instruments of the government are the Treasury bills and Treasury bonds. In addition, provisional advances from the Central Bank of Sri Lanka, overdraft of the government with two state banks and import bills held by commercial banks are also among the rupee denominated sources of domestic financing. In addition, US dollar denominated domestic debt is also issued through Sri Lanka Development Bonds (SLDBs) and borrowings from Offshore Banking Units (OBUs) of commercial banks. Investors in domestic borrowings of the government include Employees Provident Fund (EPF), National Savings Bank (NSB), Employees' Trust Fund (ETF), OBUs of commercial banks, insurance companies, various other funds, institutions, individuals, banks and other financial institutions, including the Central Bank.

²Major bilateral development partners who provide concessional financing to Sri Lanka include Japan, China, India, Kuwait, Saudi Arabia, France, Sweden and Germany while the Asian Development Bank (ADB) and the International Development Association (IDA) are the traditional multilateral development partners who provided concessional financing.

6.2 Government Borrowing Programme - 2011

The borrowings to finance the government resource gap are made in accordance with the provisions of the annual Appropriation Act. As per the accounting format of the government budget, in 2011, the gross borrowing limit to finance the resources gap approved by the Parliament for the Appropriation Act No. 20 of 2010 amounted to Rs. 997 billion.

Complying with the borrowing limits set by the Parliament in 2011 of Rs. 997 billion, gross borrowings from domestic sources amounted to Rs. 671.3 billion while gross borrowing from foreign sources amounted to Rs. 322.8 billion totalling at Rs 994.1 billion, which was within the limit approved by the Parliament.

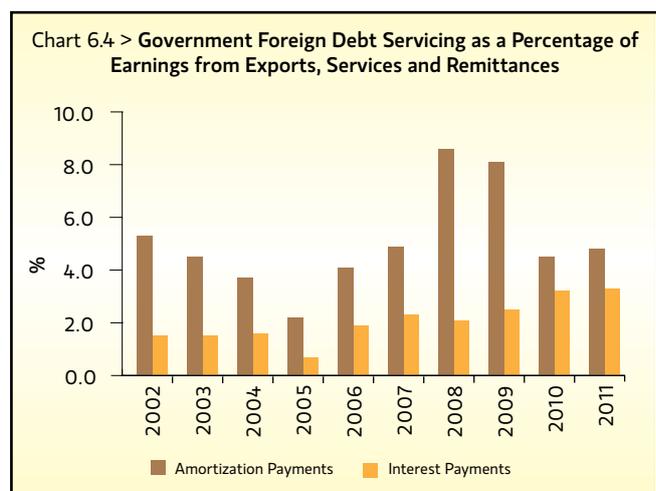
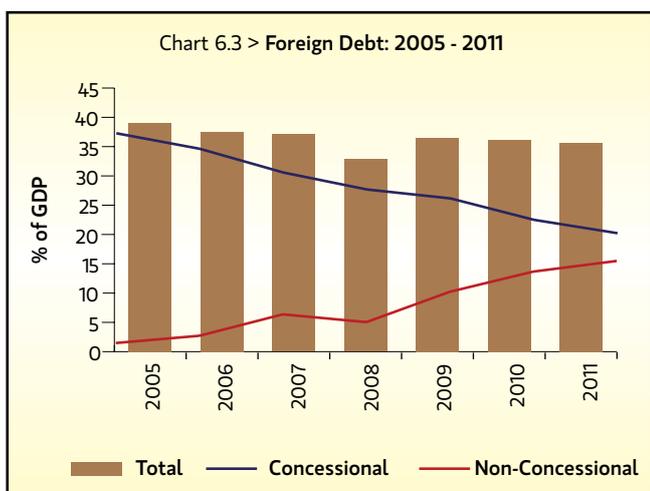
The actual total gross domestic borrowings of Rs.671.3 billion in 2011 is a 13 percent increase over that of Rs. 594.2 billion in 2010. During 2011, the issuance of Treasury bills declined by 3.8 percent to Rs. 79.6 billion and SLDBs by 52 percent to Rs. 5.3 billion. Treasury bonds and bills accounted for 76.7 percent and 11.8 percent of the gross domestic borrowings, respectively in 2011. With the demand for government securities by foreign investors being on the rise, the cap on non-resident investments in government securities was increased to 12.5 percent in 2011. The increase in demand by the foreign investors is mainly due to the enhanced investor confidence, relatively low international interest rates compared to the domestic rates and the relatively stable exchange rate that prevailed in the country.

Foreign financial inflows to the government increased in 2011 mainly due to the accelerated disbursement of foreign loans to finance ongoing major infrastructure development projects. The enhanced investor confidence, supported by the continuation of the Stand-by Arrangement (SBA) facility with the IMF and the revision of sovereign rating outlook by international rating agencies, and the favourable economic outlook of the country enabled the government to complete its fourth international sovereign bond issue of US\$ 1,000 million successfully in July 2011. The funds raised through this sovereign bond were utilized to retire a portion of high cost government debt. Of the total gross foreign borrowings, concessional loans accounted for 55 percent in 2011.

6.3 Domestic Debt Financing³

The National Budget uses domestic savings available in contractual savings institutions such as Provident Funds, Pension Funds, Insurance Agencies as well as banking and financial institutions to finance the fiscal deficit. Preference is often given to non bank sources. Main strategies adopted by the government in managing domestic borrowings include the following;

- Reliance on marketable debt instruments as opposed to non marketable instruments. This will facilitate a broader and a more active secondary market for government securities, which will enable the government to keep its funding cost, low and stable.
- Gradual phasing out of non marketable debt instruments such as Rupee loans.
- Issuance of debt instruments with medium to longer tenures. Treasury bond, an instrument with a medium to



³On behalf of the government, the Department of Public Debt of the Central Bank of Sri Lanka manages the government debt.

Table 6.1 > **Government Borrowing Limits and Usage (Rs. Million)**

	2010		2011	
	Approved Limit	Usage	Approved Limit	Usage
Gross Borrowing	980,000	922,110	997,000	994,090
Domestic	685,300	594,232	658,100	671,319
Foreign	294,700	327,878	338,900	322,771
Sources of Financing				
Domestic Financing	685,300	594,232	658,100	671,319
Treasury bonds	559,300	433,614	539,200	514,647
Treasury bills (net)	40,000	82,796	40,000	79,617
CBSL Advances	12,000	3,998	15,000	16,864
SLDBs	74,000	71,193	63,900	60,192
Other	-	2,631	-	-
Foreign Financing	294,700	327,878	338,900	322,771
Project/Programme Loans	172,500	163,860	179,200	177,809
Other	122,200	164,018	159,700	144,962
Total Financing	980,000	922,110	997,000	994,090

Sources: Department of Treasury Operations and Central Bank of Sri Lanka

long term maturity, dominates the domestic borrowings at present.

- Preventing the bunching of maturities.
- Retiring high cost debt to reduce interest cost.
- Prudent management of various underlying risks, including rollover risk, market risk and credit risk
- Broadening and diversifying the investor base to raise funds at competitive interest rates
- Continuing non-resident investments in rupee denominated Treasury bills and Treasury bonds at a prudent level.

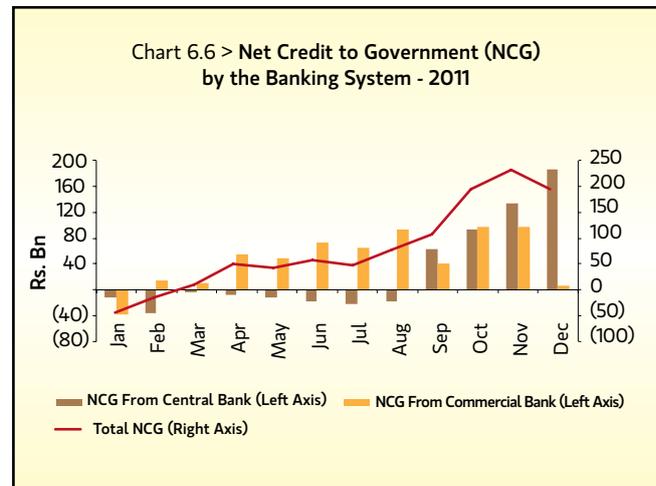
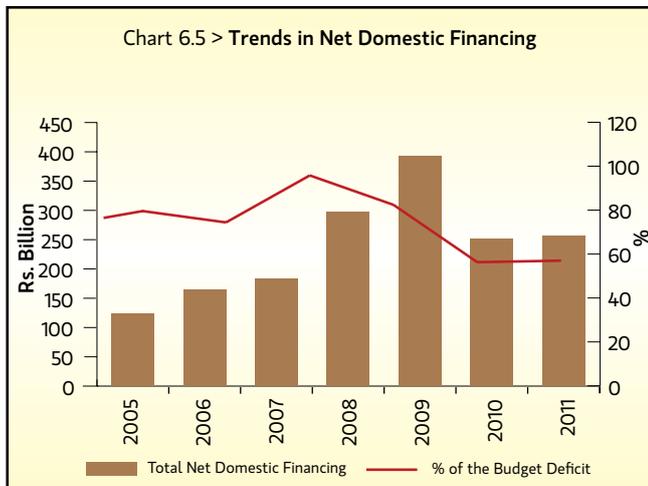
6.3.1 Net Domestic Financing (NDF)

- Total net borrowings from domestic sources to finance the budget deficit⁴ of Rs. 450 billion in 2011 amounted to Rs. 256.3 billion. This accounted for 57 percent of the total budget deficit.
- The total net borrowings to finance the deficit in 2011 through marketable debt instruments amounted to Rs. 278.4 billion in accordance with the government strategy of focusing on marketable instruments while there was a repayment of non-marketable debt of Rs. 22 billion. Of the total marketable borrowings, Rs. 181 billion or 65 percent were borrowed through Treasury bonds in 2011, including the net investments

by non-residents in Treasury bonds, which amounted to Rs. 13 billion in 2011. This accounted for 70.6 percent of the total NDF. Net borrowings from Treasury bills at Rs. 92.1 billion, including Rs. 12 billion of non-resident investments, accounted for 33 percent of the total marketable borrowings and accounted for 36 percent of the NDF in 2011. The net borrowings through SLDBs declined to Rs. 5.2 billion in 2011 from Rs. 11 billion in 2010, constituting 2.1 percent of the total NDF.

- The share of short term borrowings of the NDF increased in 2011 to 37.4 percent from 36.3 percent in 2010 at Rs. 95.8 billion, while the share of medium to long term borrowings of Rs.160.5 billion in the NDF reflected a decline to 62.6 percent in 2011 from 63.7 percent in 2010.
- The investments by banks in government securities increased to Rs. 191.9 billion (74.9 percent of the total NDF) in comparison to the repayment of Rs. 1.9 billion made to the banking system in 2010. Until July 2011, total net bank borrowings were almost on target compared to the planned amount of Rs. 42 billion in Budget 2011 with a repayment of Rs. 22.3 billion to the Central Bank. However, the subsequent developments; (a) the tight rupee liquidity position in the market as a result of the heavy intervention by the Central Bank in

⁴The budget deficit here refers to the deficit prepared in economic classification. See Chapter 5 for more details.



the foreign exchange market, (b) increased purchase of Treasury bills by the Central Bank from the primary market due to the pressure on interest rates owing to (a) above, and (c) the open market operations conducted by the Central Bank using government securities, particularly during the latter part of the year, resulted in an increase in the Central Bank holdings of Treasury bills leading to higher bank financing in 2011. A decline in the non banking sector investments in government securities was also observed in 2011 owing to the relatively low interest rates that prevailed in the government securities market, which motivated them to divert funds from this market.

- Total non-bank financing in 2011 amounted to Rs. 64 billion. This was mainly supported by the increase in net investments by key institutional investors i.e. Employees' Provident Fund (EPF), National Savings Bank (NSB) and Employees Trust Fund (ETF).

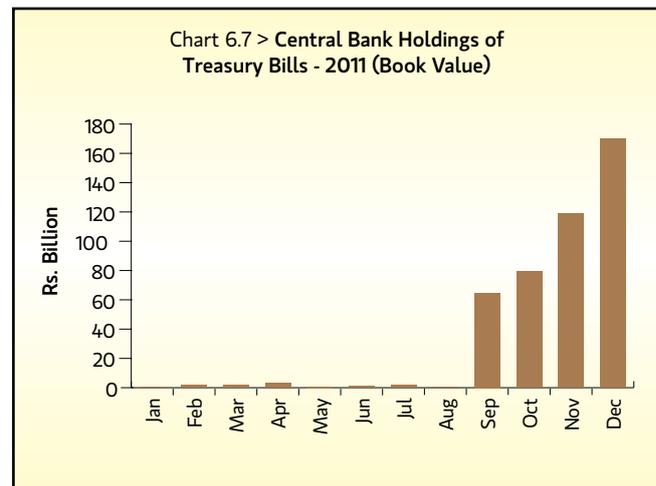


Table 6.2 > Investments* by Employees' Provident Fund and National Savings Bank in Government Securities: 2010 and 2011 (Rs. Billion)

	2010			2011		
	EPF	NSB	Total	EPF	NSB	Total
Maturities	126.0	110.9	238.9	212.0	103.9	315.9
Investments	220.0	159.0	379.0	278.0	157.8	435.8
Net Investment	94.0	49.1	143.1	67.0	53.9	120.9
Net Investment as % of Budget Deficit	21	10	32	14	11	26
Net Investment as % of Net Domestic Financing (%)	37	19	56	26	21	47

Sources: Employees' Provident Fund and National Savings Bank

*Book Value

Table 6.3 > **Net Domestic Financing of the Government Budget Deficit: 2010 and 2011**

	Amount (Rs. Billion)		As a % of Total	
	2010	2011	2010	2011
By Type	251,104	256,292	100.0	100.0
<i>Borrowings from Instruments</i>	258,601	252,605	103.0	98.6
Treasury bonds*	173,541	181,022	69.1	70.6
Treasury bills*	98,570	92,063	39.3	35.9
Rupee Loans	-24,583	-25,748	-9.8	-10.0
Sri Lanka Development Bonds	11,073	5,268	4.4	2.1
<i>Non Instrument Borrowings</i>	-7,497	3,687	-3.0	1.4
Provisional Advances from the Central Bank	3,998	16,864	1.6	6.6
Import bills held by Commercial Banks	-2,840	2,325	-1.1	0.9
Other Liabilities to the Banking Sector Net of Bank Deposits	-8,655	-15,502	-3.4	-6.0
By Maturity	251,104	256,292	100.0	100.0
<i>Medium to Long Term</i>	160,031	160,542	63.7	62.6
Treasury bonds*	173,541	181,022	69.1	70.6
Rupee Loans	-24,583	-25,748	-9.8	-10.0
Sri Lanka Development Bonds	11,073	5,268	4.4	2.1
<i>Short term</i>	91,073	95,750	36.3	37.4
Treasury bills*	98,570	92,063	39.3	35.9
Provisional Advances from the Central Bank	3,998	16,864	1.6	6.6
Import bills held by Commercial Banks	-2,840	2,325	-1.1	0.9
Other Liabilities to the Banking Sector (Net of Bank Deposits)	-8,655	-15,502	-3.4	-6.0
By Marketability	251,104	256,292	100.0	100.0
<i>Marketable</i>	283,184	278,353	112.8	108.6
Treasury bills*	98,570	92,063	39.3	35.9
Treasury bonds*	173,541	181,022	69.1	70.6
Sri Lanka Development Bonds	11,073	5,268	4.4	2.1
<i>Non-Marketable</i>	-32,080	-22,061	-12.8	-8.6
By Ownership	251,104	256,292	100.0	100.0
<i>Banks</i>	-1,892	191,850	-0.8	74.9
Central Bank	-32,112	185,848	-12.8	72.5
Commercial Banks	30,220	6,002	12.0	2.3
<i>Non Bank Sector</i>	252,996	64,441	100.8	25.1

Sources: Department of Treasury Operations and Central Bank of Sri Lanka

*Including investments by non residents

6.3.2 Interest Rates on Government Securities

- The interest rate structure in the primary market for government securities remained relatively stable during the first three quarters of 2011. This was due to the eased monetary policy stance of the Central Bank in the backdrop of low inflation and favourable inflation outlook, which resulted in the reduction of policy interest rates in January 2011. However, since the fourth quarter of the year, the yield rates moved up mainly owing to tight liquidity conditions in the market.

respectively in 2011. However, the yield rate for 3 year Treasury bonds at the end of 2010 was 8.15 percent. In line with the government strategy to extend the maturity structure and the yield curve of the government securities market, Treasury bonds with the maturity period of 15 years were also issued in 2011 at an annual yield rate of 9.30 percent.

- Meanwhile, the average interest rate on SLDBs was LIBOR plus a margin of 3.76 percent in 2011 in comparison to an average of LIBOR plus 3.86 percent in 2010. In line with the government strategy of concentrating more on tradable debt instruments, no Rupee loans were issued in 2011 as in the previous year.

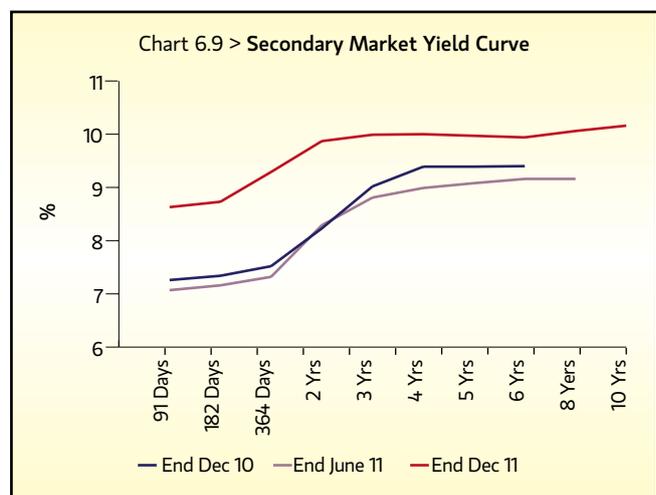
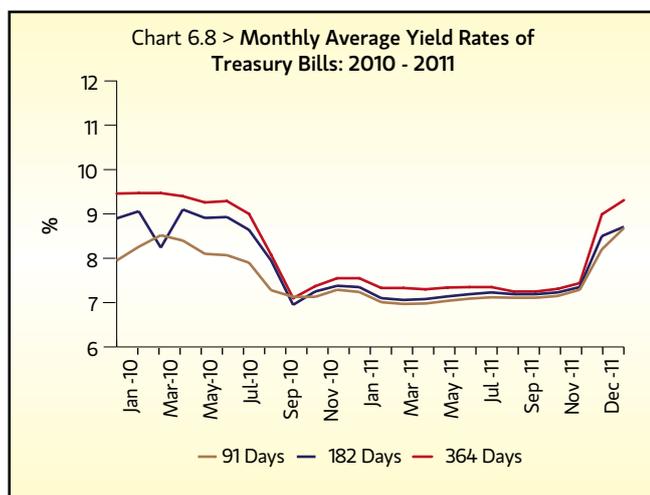


Table 6.4 > Annual Average Interest Rates of Domestic Debt Instruments: 2007-2011

	2007	2008	2009	2010	2011
Treasury bills (%)	16.57	18.59	12.25	8.32	7.31
Treasury bonds (%)	15.15	18.59	14.69	9.45	8.64
Rupee loans (%)	15.72		12.60		
SLDBs* (%)	LIBOR+1.55	LIBOR+2.94	LIBOR+4.91	LIBOR+3.86	LIBOR+3.76

Sources: Department of Treasury Operations and Central Bank of Sri Lanka

*Including investments by non residents

- Consequently, in 2011 the yield rates of Treasury bills in the primary market for maturity periods of 91 days, 182 days and 364 days closed at 8.68 percent, 8.71 percent and 9.30 percent, respectively. The corresponding yield rates by end 2010 were 7.24 percent, 7.35 percent and 7.55 percent, respectively.
- Yield rates for Treasury bonds with 3 year and 6 year maturities closed at 7.77 percent and 8.85 percent,

6.3.3 Domestic Debt

- Total domestic debt as at end 2011 stood at Rs. 2,804 billion, an increase of Rs. 238.4 billion or 9.3 percent in comparison to Rs. 2,566 billion at end 2010. The ratio of domestic debt to the total debt declined to 54.6 percent in 2011 from 55.9 percent in the previous year. As a percentage of GDP, total domestic debt declined to 42.9 percent in 2011 from 45.8 percent in 2010.

Table 6.5 > **Central Government Domestic Debt^(a)**

	Rs Million						
Item	2005	2006	2007	2008	2009	2010	2011
Total Domestic Debt	1,265,722	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085
By Type							
Rupee loans	140,563	116,713	131,509	130,009	112,292	87,709	61,961
Treasury bills	234,174	257,732	307,012	402,600	441,032	514,442	590,885
Treasury bonds	751,569	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251
Sri Lanka Development Bonds	25,519	62,469	86,459	158,805	168,079	173,877	183,845
Provisional Advances	39,746	49,015	60,679	76,308	73,881	77,879	94,743
Other	74,151	107,329	110,686	90,528	92,160	67,869	53,400
By Maturity							
Short-Term	262,154	313,218	363,199	516,364	560,646	619,549	698,190
Treasury bills	234,174	257,732	307,012	402,600	441,032	514,442	590,885
Provisional Advances	39,746	49,015	60,679	76,308	73,881	77,879	94,743
Other	-11,766	6,471	-4,492	37,456	45,733	27,228	12,562
Medium and Long-Term	1,003,568	1,166,012	1,351,999	1,623,863	1,840,309	1,946,113	2,105,895
Treasury bonds	751,569	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251
Rupee loans	140,563	116,713	131,509	130,009	112,292	87,709	61,961
Sri Lanka Development Bonds	25,519	62,469	86,459	158,805	168,079	173,877	183,845
Other	85,917	100,858	115,179	53,071	46,426	40,640	40,838
By Marketability							
Marketable	1,011,262	1,206,173	1,412,323	1,843,383	2,122,623	2,332,206	2,593,981
Treasury bills	234,174	257,732	307,012	402,600	441,032	514,442	590,885
Treasury bonds	751,569	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251
Sri Lanka Development Bonds	25,519	62,469	86,459	158,805	168,079	173,877	183,845
Non-Marketable	254,460	273,057	302,875	296,845	278,332	233,456	210,104
By Ownership							
Banks	298,411	395,470	415,318	657,424	705,766	691,716	886,221
Central Bank	78,364	117,624	104,817	239,248	109,593	78,376	263,330
Treasury Bills	38,951	69,370	44,964	163,584	37,451	2,993	169,797
Provisional Advances	39,746	49,015	60,679	76,308	73,881	77,879	94,743
Other	-333	-761	-826	-644	-1,739	-2,496	-1,210
Commercial Banks	220,048	277,846	310,501	418,175	596,173	613,341	622,893
Rupee Loans	41,481	22,088	15,870	15,870	17,251	17,615	16,234
Treasury Bills	39,151	52,805	68,818	87,869	160,081	220,358	185,756
Treasury Bonds	55,118	46,595	58,416	90,081	188,576	162,215	206,547
Sri Lanka Development Bonds	25,519	62,469	86,459	158,805	168,079	173,877	183,845
Other	58,778	93,889	80,938	65,550	62,186	39,276	30,511
By Ownership	220,047	277,846	310,502	418,177	596,172	613,340	622,892
State Banks	116,599	154,354	130,272	144,641	167,860	138,708	193,698
Other	103,448	123,492	180,230	273,536	428,313	474,632	429,194
Sinking Fund	100	100					
Rupee Loans	100	100					
Non Bank Sector	967,211	1,083,660	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864
By Type	967,211	1,083,660	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864
Rupee Securities	98,982	94,525	115,539	114,139	95,040	70,094	45,727
Treasury Bills	156,072	135,557	193,230	151,146	243,499	291,091	235,333
Treasury Bonds	696,451	839,377	960,436	1,191,897	1,324,936	1,481,672	1,612,704
Other	15,706	14,201	30,574	25,622	31,713	31,089	24,100
By Ownership	967,211	1,083,660	1,299,879	1,482,804	1,695,189	1,873,945	1,917,864
National Savings Bank	169,590	166,457	192,413	204,067	257,084	286,514	314,319
Savings Institutions & Individuals	277,122	305,132	366,161	431,562	410,540	482,305	436,221
Employees' Provident Fund	406,557	469,618	575,460	676,310	806,192	861,341	950,474
Insurance Institutions	20,704	13,234	21,012	25,976	34,490	31,089	34,356
Finance Companies	5,544	6,361	8,826	11,422	10,756	12,856	11,064
Other	87,694	122,859	136,007	133,467	176,127	198,090	171,431

Sources: Department of Treasury Operations, Department of State Accounts and Central Bank of Sri Lanka

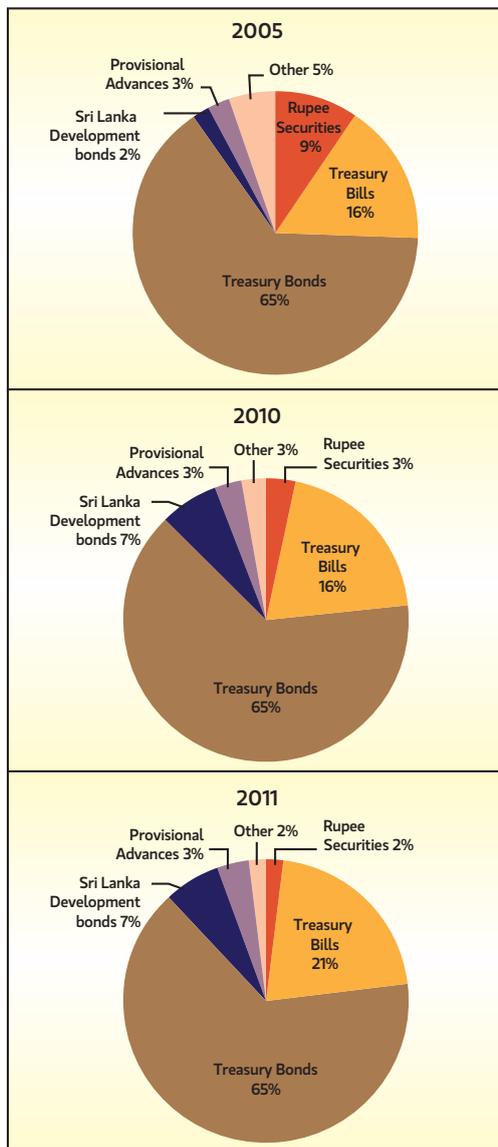
(a) Excludes non-residents' investments in Treasury bills and Treasury bonds.

Composition of Domestic Debt

Composition by Type

- Of the total domestic debt by end 2011, Treasury bonds and Treasury bills accounted for 64.9 percent and 21.1 percent of the total, respectively. The balance accounted for SLDBs (6.6 percent), provisional advances from the Central Bank (3.4 percent) and Rupee loans (2.2 percent) and other (1.9 percent).
- The stock of Treasury bonds increased by 10.7 percent to Rs. 1,819 billion in 2011 over 2010 while the stock of Treasury bills amounted to Rs. 590.9 billion, an increase of 14.9 percent over 2010. SLDBs increased by 5.7 percent to Rs. 183.8 billion in 2011.

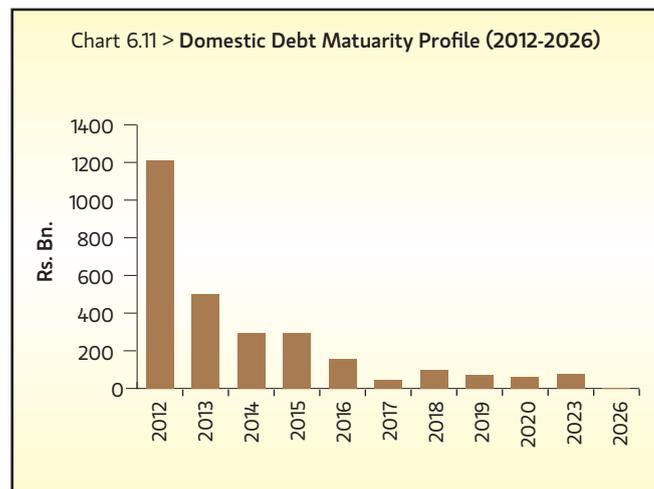
Chart 6.10 > Composition of Domestic Debt by Type



Composition by Maturity

- By end 2011, medium and long term debt accounted to 75 percent of the total domestic debt by 2011. It reflected a slight decrease compared to 75.8 percent in 2010 mainly due to the retirement of the high cost debt, such as Rupee loans. Treasury bonds of Rs. 1,819 billion accounted for 86.4 percent of the total medium to long term domestic debt. The balance consisted of SLDBs (6.5 percent) and the Rupee loans (2 percent). Of the total outstanding domestic debt by end 2011, Treasury bills accounted for 24.8 percent. The concentration on medium to longer term instruments facilitated the government to extend its yield curve.
- Of the total domestic debt, maturities within 1 year (2012) amounted to Rs.1,211 billion⁵ which is 43.2 percent of the total stock of domestic debt at the end of 2011. The average time to maturity (ATM) of domestic debt increased to 2.35 years from 2.10 years in the previous year. With the preference for Treasury bonds prevailing over short term instruments, the duration of domestic currency debt increased to 1.8 years at the end of 2011 from 1.74 years in end 2010.

Chart 6.11 > Domestic Debt Maturity Profile (2012-2026)



Composition by Marketability

- Reflecting the government strategy of focusing on marketable debt instruments to raise finances, the stock of marketable debt increased by 10 percent in 2011 over 2010 to Rs.2,594 billion. The retirement of Rupee loans of Rs. 25 billion during the year, resulted in the non-marketable instruments to decrease by 10 percent to Rs. 210 billion in 2011 in comparison to 2010. Treasury bills, Treasury bonds and SLDBs constitute the portfolio of marketable debt instruments with Rupee loans constituting the non marketable instruments.
- As such, at the end of 2011, of the total domestic debt, marketable instruments accounted for almost 92.5

⁵Including Treasury bills of Rs.590.8 billion to be matured in 2012.

Table 6.6 > **Maturity Structure of Domestic Debt - As at end 2011 (Rs. million)**

Maturity Year	Instrument						Total	Maturity as a % Total
	Treasury bills	Treasury bonds	Rupee loans	SLDBs	OBU	Other (Net of deposits)		
2012	590,885	432,718	3,575	36,107	17,085	131,058	1,211,428	43.2
2013		411,562	2,868	85,434			499,864	17.8
2014		255,827		36,562			292,389	10.4
2015		248,009	31,430	16,630			296,068	10.6
2016		148,729		9,112			157,841	5.6
2017		42,459					42,459	1.5
2018		96,669					96,669	3.4
2019		69,773					69,773	2.5
2020		58,745					58,745	2.1
2023		51,084	24,088				75,172	2.7
2026		3,676					3,676	0.1
Total	590,885	1,819,251	61,961	183,845	17,085	131,058	2,804,085	100.0

Source: Department of Treasury Operations, and Central Bank of Sri Lanka

percent while non marketable instruments amounted to 7.5 percent (Rs. 210 billion). This is a significant change over the total domestic debt composition in 2005 which constituted of 89 percent (Rs.1,125 billion) marketable debt and non marketable debt of 11 percent (Rs.140 billion).

Composition by Ownership

- Of the total domestic debt in 2011, the non banking sector's share decreased to 68 percent from 75 percent in 2010. It was observed that the non banking sector has diverted its investments from the government securities market due to relatively low interest rates offered, whereby its holding of domestic debt by this sector increased by 2.3 percent to Rs. 1,917.9 billion by end 2011 compared to Rs. 1,873.9 billion by end 2010. Although the holding of domestic debt by the non bank

sector increased by 2.3 percent to Rs. 1,917.9 billion in 2011 due to the increase in domestic debt owned by EPF, NSB and Insurance Companies, the other non-bank investors showed a marked preference for alternative investments over government securities in the background of relatively low interest rates.

- Consequently, the government debt to the banking sector increased by 28 percent to Rs. 886.2 billion in 2011 and its share of the total domestic debt increased to 31.6 percent in comparison to 27 percent in the previous year. The increase in the banking sector holding of government debt in 2011 was mainly due to the increase in the Central Bank holdings of Treasury bills by Rs. 166.8 billion compared to Rs. 3 billion as at the end of 2010. The government debt held by commercial banks increased by 1.6 percent (or Rs. 9.5 billion) to Rs. 622.9 billion in 2011.

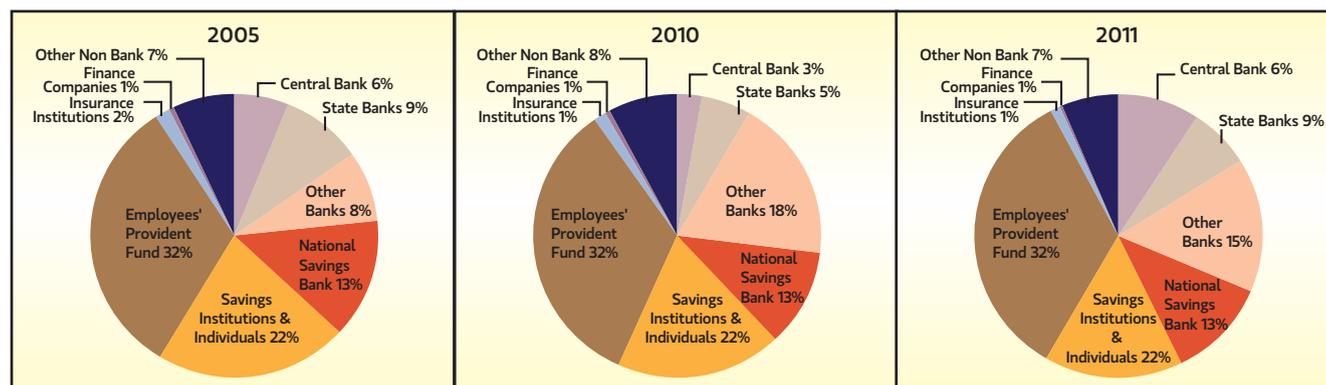
Chart 6.10 > **Composition of Domestic Debt by Ownership**

Table 6.7 > Trends in Government Securities

	2005	2006	2007	2008	2009	2010	2011
Maturity Structure (%)							
Short term	20	20	21	22	21	23	22
Medium and long term	80	80	79	78	79	77	78
Marketability (%)							
Marketable	91	91	91	93	95	96	93
Non-marketable	9	9	9	7	5	4	7
Investor Base (%)							
Institutional Investors	46	59	61	56	54	55	47
Central Bank	6	6	3	9	2	0	9
Commercial banks	17	10	10	11	18	18	22
Others	31	25	26	24	26	27	22
Maximum Maturity in the Yield Curve (yrs)							
Primary Market		6	10	10	10	10	10
Secondary Market		6	6	6	6	10	10

Sources: Department of Treasury Operations and Central Bank of Sri Lanka

Profiles of Key Institutional Investors

- While the Employees Provident Fund (EPF) is one of the most significant investors in the Treasury bonds and bills market, National Savings Bank (NSB) and the Employees Trust Fund (ETF) also play significant roles.

Employees Provident Fund

- The value of EPF⁶, the country's largest pension fund, has increased by 13.4 percent in 2011 to Rs. 1,020 billion from Rs. 899.7 billion in 2010. Of the total investment portfolio of Rs. 988 billion⁷ in 2011, investments in government securities constituted almost 90.8 percent, which is an increase of 10 percent over 2010.
- In line with its policy of ensuring a long term positive real rate of return of the total portfolio of investments, almost 60 percent or Rs. 571 billion of the total investments of the EPF constitute of investments in government securities with maturities over 2 years. At the same time, investments in government securities with maturities less than 2 years amounted to Rs.379 billion by end 2011.
- At the end of 2011, out of the total stock of Treasury bonds and bills of Rs.2,410 billion, Rs.874.6 billion (36.2 percent) were held by the EPF. As such, while the EPF is the single largest holder of government securities in the country, its share in Treasury bills and bonds has increased by 12.8 percent in 2011 over 2010.

National Savings Bank

- At the end of 2011, asset base of NSB, which recorded a year on year increase of 15.5 percent to Rs.466.6 billion, constituted of investments in government securities⁸ amounting to Rs.305 billion. While the total investment in government securities has increased by almost 11 percent over 2010, the government securities to the total asset ratio of the NSB has decreased to 65 percent in 2011 from 68 percent in 2010.
- Of the total portfolio of investments in government securities, 79 percent or Rs.239.8 billion was invested in Treasury bonds, recording an increase of 12 percent over 2010. NSB's stock of Treasury bills increased by 15.2 percent to Rs.56 billion at the end of 2011 accounting for almost 18 percent of the government investment portfolio.
- Of the total Treasury bills, Treasury bonds and Rupee loans stock of the government as at the end of 2011, the share of NSB remained almost unchanged around 12 percent in comparison to the previous year.

Employees Trust Fund Board

- The ETF recorded a slight growth to Rs.140.4 billion in 2011 from Rs.139.5 billion in 2010. Investments of ETF in government securities constituted almost 85.7 percent of the fund in 2011.
- During the year, the ETF invested Rs.52.1 billion in long

⁶EPF is managed by the Central Bank of Sri Lanka and has a membership of 13.6 million at the end of 2011.

⁷Book value

⁸Includes Rupee Loans, Treasury bills and Treasury bonds held both to maturity and for trading

Table 6.8 > **Investments in Government Securities held by Employees Provident Fund and National Savings Bank (End Year) (Rs. Billion)**

	2005	2006	2007	2008	2009	2010	2011*
Employees Provident Fund							
Treasury Bonds	335.5	396.4	448.8	539.6	658.5	768.4	874.4
Treasury Bills	4.4	4.7	5.0	0.0	.40	5.9	0
Rupee Loans	56.0	56.0	68.9	68.5	56.6	40.9	23.1
Total	396.0	457.2	522.6	608.2	715.5	815.2	897.5
National Savings Bank							
Treasury Bonds	105.1	108.6	125.2	153.2	185.2	214.0	239.8
Treasury Bills	32.9	30.6	28.1	18.1	39.0	48.6	56.0
Rupee Loans	25.4	20.9	19.9	18.8	18.8	12.2	9.2
Total	163.4	160.2	173.2	190.1	243.0	275.5	305.0

Sources: *Employees' Provident Fund and National Savings Bank*

*Draft Accounts

term Treasury bonds, thereby closing the year at Rs.104 billion. Of the total portfolio of investments by ETF, 87 percent had been invested in government securities, while another 6.6 percent was in Rupee loans.

6.3.4 Domestic Debt Service Payments

- Total domestic debt service payments in 2011 amounted to Rs. 728 billion. Out of the total, Rs. 439.9 billion or 60 percent was for domestic repayments while the balance Rs. 288 billion (40 percent) was on interest payments. The debt repayment increased by Rs. 50.2 billion or 12.9 percent in 2011 reflecting the repayment of some high cost domestic debt and the bunching of maturities. Interest payments reflected a decline by Rs. 8.9 billion or 3 percent during the year due to the favourable interest

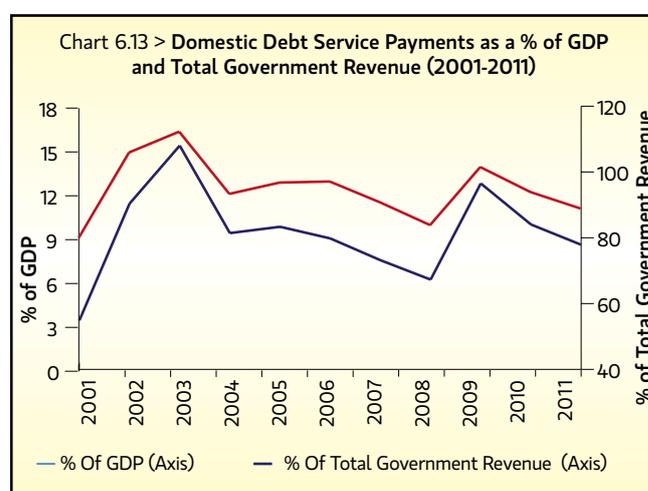
rate environment in the government debt securities market.

- Total domestic debt service payments to GDP ratio to declined to 11.1 percent in 2011 from 12.3 percent in 2010 reflecting the decline in both debt repayments as well as interest payments as a percentage of GDP. During the year, domestic debt repayments declined to 6.7 percent of GDP from 7.0 percent in the previous year while the interest payments also declined to 4.4 percent of GDP from 5.3 percent in the previous year. In 2011, total domestic debt service payments to the total government revenue declined to 77.9 percent from 84.0 percent in the previous year. The ratio of total domestic debt service payments to total expenditure of the government also improved to 52.0 percent in 2011 from 53.6 percent in 2010.

Table 6.9 > **Domestic Debt Service Payments (Rs. Million)**

Year	Principal Repayments	Interest Repayments	Total
2001	44,074	84,560	128,634
2002	130,786	105,897	236,683
2003	185,083	113,540	298,623
2004	147,740	105,878	253,618
2005	203,347	113,164	316,511
2006	247,536	133,787	381,323
2007	252,165	161,370	413,535
2008	258,720	182,198	440,918
2009	401,296	273,977	675,273
2010	389,672	297,127	686,799
2011	439,894	288,134	728,028

Sources: *Department of Treasury Operations, Department of State Accounts and Central Bank of Sri Lanka*



6.4 Foreign Financing

The Development Policy Framework of the Government envisages a well-developed economic infrastructure network connecting the entire country to achieve equitable growth. This involves large investments across all economic sub-sectors; transport, ports, energy, aviation, water, sanitation and irrigation, as well as on human resources and social capital.

Given the decreasing trend of concessional financing, the foreign financing options for public investments have been broadened by tapping new financing sources. However, in considering a diverse range of terms and conditions, government has been mindful to secure a proper blend of non concessional financing with available concessional funding in order to contain the cost of financing.

In the meantime, Government has streamlined the project approval process to select commercially viable development projects to be financed on foreign non concessional and commercial terms.

In line with the basic principles the following strategies are being adopted by the government to mobilize external financing for development programmes in the country.

- Explore the possibilities of obtaining concessionary funds at a minimum cost with a longer maturity.
- Pay more attention to the sectors which are directly related to improving economic infrastructure and the productive capacity in the economy.
- Obtain loans with a long repayment period (over 15 years in general with minimum of 3-5 year grace period) for commercially viable projects.
- Assist the State enterprises by encouraging them to obtain funds directly from external sources with the backing of a Government Guarantee.
- Use the Capital market through the issue of Sovereign Bonds with longer maturity.

Annual foreign borrowing ceilings are decided by the government, taking into account development priorities, comparative advantages of mobilizing foreign finance for selected sectors, overall availability of domestic resources, cost recovery prospects and the economic viability of the proposed projects.

The Government continuously reviews the foreign borrowing and debt services indicators to assess the impacts of global economic changes and local macro economic conditions to ensure debt sustainability. Debt portfolio analysis is used to determine the accepted borrowing thresholds and proactive measures being taken to minimize fiscal risks.

The Government also provided grant assistance to the Maldives. Initiatives have been taken to export surplus rice production to less developed countries that require assistance through the World Food Programme (WFP). The government is having preliminary discussions with the World Health Organization (WHO) to export a highly nutritious and hygienic products which is manufactured from coarn and soya bean in Sri Lanka. This will help sharing Sri Lankan experience in improving health standards of pregnant mothers and new born children who are vulnerable to malnutrition.

Foreign Financing Commitments

In line with large scale infrastructure development projects initiated by the government, the annual foreign financing commitments from development partners and lending agencies have gradually increased during the last few years. The total commitment in 2011 was USD 2,076 million in comparison to USD 3,261 million in 2010. This consists of project loans of USD 1,945 million and grants of USD 131 million.

Commitments from China, Japan, Asian Development Bank and World Bank through loans accounted for USD 1,757 million which is 84 percent of the total commitment in 2011. Sri Lanka was able to secure USD 131 million of grants in 2011 which is 6 percent higher than the grants received last year. About 69 percent of total grants committed were reported from UN Agencies.

Given the decreasing trend of concessional financing, the foreign financing options for public investments have been broadened by tapping new financing sources. However, government has been mindful to secure a proper blend of non concessional financing with available concessional funding in order to contain the cost of financing...

Table 6.10 > **Foreign Finance Commitments in 2011 (USD Million)**

Development Partner	Loan	Grant	Total
Bilateral	1,426	32	1,458
China	784.7	-	784.7
India	-	9.1	9.1*
Japan	500.0	23.0	523.0
Kuwait	10.9	-	10.9
France	45.3	-	45.3
Netherlands	12.9	-	12.9
Malaysia	4.0	-	4.0
Belgium	13.9	-	13.9
Pakistan	-	0.1	0.1
Sweden	54.2	-	54.2
Multilateral	473	189	662
Asian Development Bank	369.9	3.9	373.8
World Bank (IDA)	103.0	5.1	154.0
Other UN Agencies	-	89.9	89.9
FAO	-	14.6	14.6
UNDP	-	1.3	1.3
UNHCR	-	0.6	0.6
UNICEF	-	16.0	16.0
UNIDO	-	8.8	8.8
WFP	-	48.6	48.6
Total	1,945	131	2,076

*In December 2010 USD 484 Million was committed and arrangements were made to commit USD 382 Million in January 2012 by India.

Source: Department of External Resources

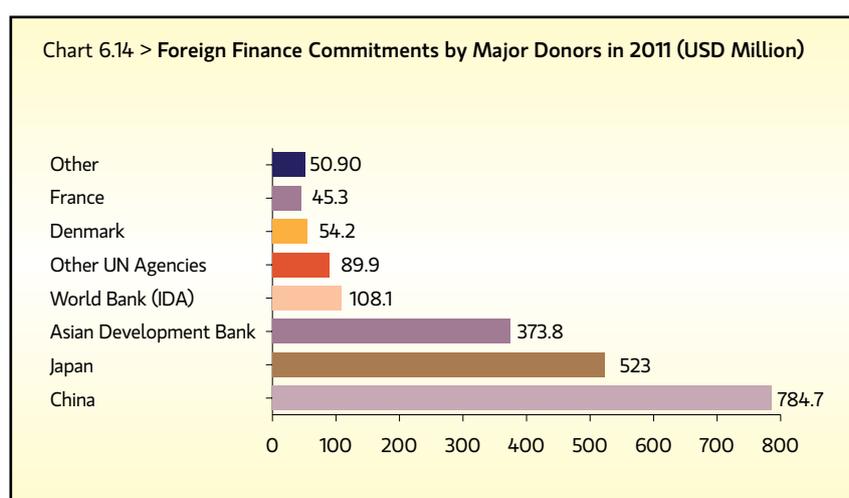


Table 6.11 > **Agreements Signed During the Period from 1st January to 31st December 2011 (USD Million)**

Development Partner	Project	Loan	Grant	Total
Japan	Greater Colombo Urban Transport Development Project Phase 2	391.0	-	391.0
	Vavuniya- Kilinochchi Transmission Line Project (II)	17.5	-	17.5
	Emergency Natural Disaster Rehabilitation Project	91.5	-	91.5
	Improvement of TV Production Equipment of the Sri Lanka Rupavahini Corporation	-	0.5	0.5
	The Food Security Project for Underprivileged Farmers	-	4.3	4.3
	Project for Construction of Manmunai Bridge Across the Batticaloa Lagoon	-	15.7	15.7
	Human Resource Development Scholarship	-	2.6	2.6
ADB	Jaffna & Kilinochchi Water Supply & Sanitation Project	89.2	-	89.2
	Sustainable Power Sector Support Project	120.3	-	120.3
	Secondary Towns & Rural Com-Based Water Supply -Additional Financing	17.7	-	17.7
	Local Government Enhancement Sector Project (Pura Neguma)	57.6	-	57.6
	National Highways Sector Project (Additional Finance)	85.0	-	85.0
	Conflict-Affected Regions Emergency Project	-	1.5	1.5
	Rural Water Supply and Sanitation in Jaffna & Kilinochchi	-	2.0	2.0
	Food Security for Returning IDPs in Mannar District.	-	0.4	0.4
World Bank (IDA)	Second Additional Financing for Road Sector Assistance Project	103.1	-	103.1
	2nd & 3rd Additional Financing for Community Livelihood in Conflict Affected Areas	45.8	-	45.8
	Local Level Nutrition Interventions for the Northern Province (JSDF) Project	-	2.7	2.7
	AusAid Grant for North East Pilot WASH Project for Post-conflict Resettlements (NEP WASH)	-	2.0	2.0
	Multi-Donor Grant for Second Health Sector Development Programme - HRITF	-	0.4	0.4
China	Improvement and Rehabilitation of Priority Roads	500.0	-	500.0
	Highway Section from Pinnaduwa to Kodagoda (30 km to 45 km)	75.1	-	75.1
	Highway Section from Kodagoda to Godagama (45 km to 61 km)	63.1	-	63.1
	Rehabilitation & Improvement of 67km Length of Navatkuli-Karaitivu-Mannar Road	48.4	-	48.4
	Rehabilitation & Improvement of 113km Length of Puttalam-Marichchikade-Mannar Road	73.2	-	73.2

Development Partner	Project	Loan	Grant	Total
	Procurement of Material for Lighting Sri Lanka - Uva Province	24.9	-	24.9
India	Vocational Training Centre Vantharamoolai, Onthachchimadam & Batticaloa	-	3.1	3.1
	Vocational Training Centre at Nuwara Eliya	-	2.0	2.0
	Women's Trade Facilitation & Community Learning Centre. Batticaloa.	-	1.9	1.9
	Rehabilitation of the Harbour at Kankasanthurai.	-	2.2	2.2
Kuwait	South Eastern University of Sri Lanka Development Project Phase 1 "B"	10.9	-	10.9
France	Implementation of Jaffna Kilinochchi Water Supply and Sanitation Project	45.3	1.6	1.6
Netherlands	Importation of Dairy Animals	2.4	-	2.4
	Importation of Dairy Animals (Netherland & Australia)	10.5	-	10.5
Malaysia	Purchase of 50 units of Terberg terminal tractors (Malaysia)	4.0	-	4.0
Belgium	Implementation of Kolonna and Balangoda Water Supply Projects	14.0	-	14.0
Pakistan	Pakistan Grant for Construction of Three Storied School Building	-	0.1	0.1
Sweden	Rural Electrification Project 4 Extension	54.2	-	54.2
FAO	Enhancing food security among Farm Families in Easten Sri Lanka	-	1.9	1.9
	Emergency Agriculture & Food Security Assistance for IDPs.	-	2.8	2.8
	Improvement of Food Security & Livelihoods in Northern Sri Lanka	-	0.3	0.3
	Urgent provision of essential agricultural inputs for IDPs in the North	-	5.0	5.0
	Sustainable Land Management & Climate Change adaptation in South Asia	-	0.5	0.5
	Emergency Agricultural Assistance to IDPs in the Nothern Province.	-	0.1	0.1
	Nothern Integrated Agricultural Recovery & Growth	-	4.0	4.0
UNDP	Local Governance Project	-	1.3	1.3
UNHCR	Assistance to return & reintegration of IDPs in Sri Lanka.	-	0.6	0.6
UNICEF	Country Programme 2008-2012 UNICEF	-	16.0	16.0
UNIDO	Country Programme of Technical Cooperation 2010 - 14	-	8.8	8.8
World Food Programme	Emergency Operation (EMOP)	-	8.9	8.9
	Protected Relief & Recovery Operation Sri Lanka	-	39.8	39.8
	Total	1,944.7	131.1	2,075.8

Source: Department of External Resources

Chart 6.15 > Total Commitments 2006 -2011 (USD Million)

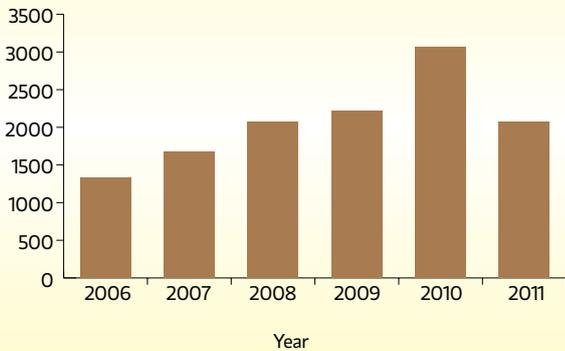
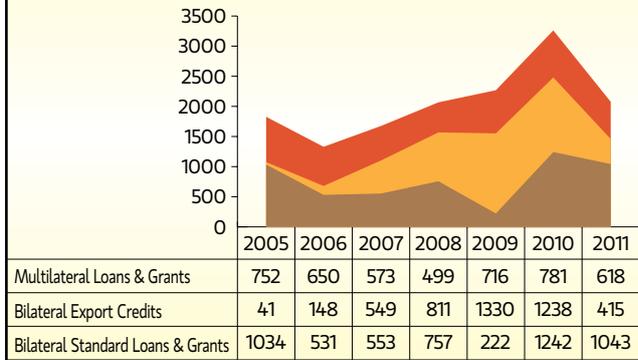


Chart 6.16 > Commitment 2006 - 2011 by Lender Category (USD Million)



Trends in Foreign Financing of Development Projects

During the previous five years, the annual total foreign financing commitments have gradually increased from USD 1,311 million in 2006 to USD 3,261 million in 2010, representing a 149 percent increase. The composition of foreign financing has changed significantly during the last few years due to the increase of export credit financings. The share of export credit facilities in the total foreign financing has increased from 2 percent in 2005 to 40 percent in 2010. A substantial amount of external assistance in 2010 was channelled to implement economic infrastructure projects. However, the total commitments have declined slightly in 2011 in all type of financing compared with 2010 as some key lead projects have been completed.

Foreign Financing Disbursements

The total amount of foreign financing disbursements in 2011 was USD 1,901 million. Of this amount, 91 percent amounting to USD 1,731 million was disbursed through project loans and the remaining 9 percent amounting to USD 170 million through grants.

About 58 percent of total disbursements in 2011, were reported through the projects funded by Japan, China and the Asian Development Bank. The total fund disbursement in relation to Japanese financing in 2011 was USD 380.4 million. Of this amount, USD 351 million was disbursed through loans and the balance USD 26 million through grants. The Upper Kothmale Hydro Power Project (USD 80 million), Greater Colombo Urban Transport Development Project Phase 2(I) (USD 66 million), Greater Colombo Transport Development Project (USD 44 million),

Chart 6.17 > Foreign Aid Commitment 2005 -2011 (USD Million)

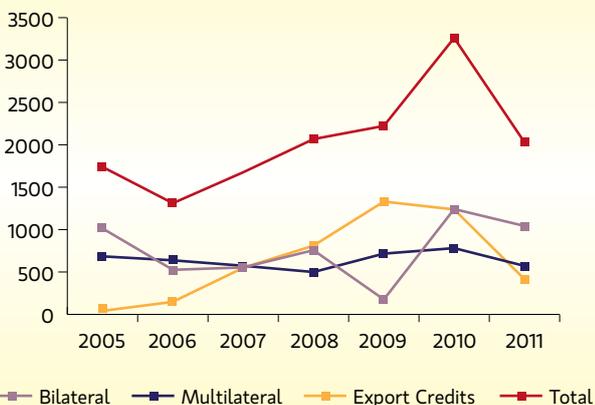
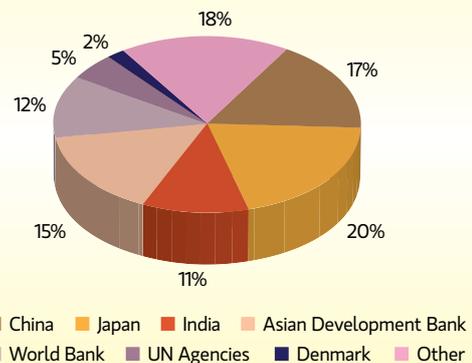
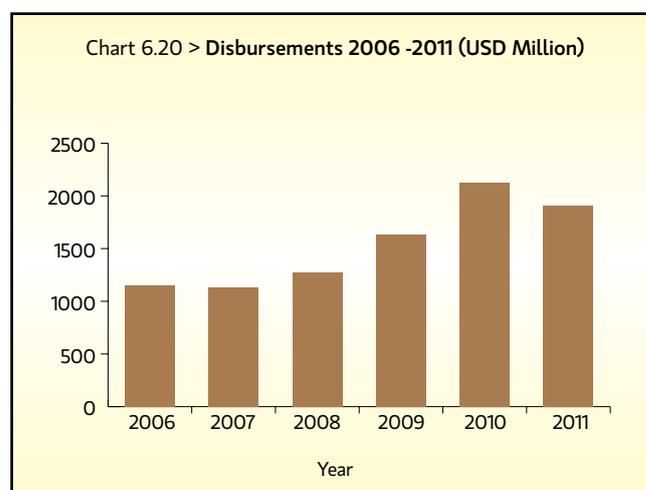
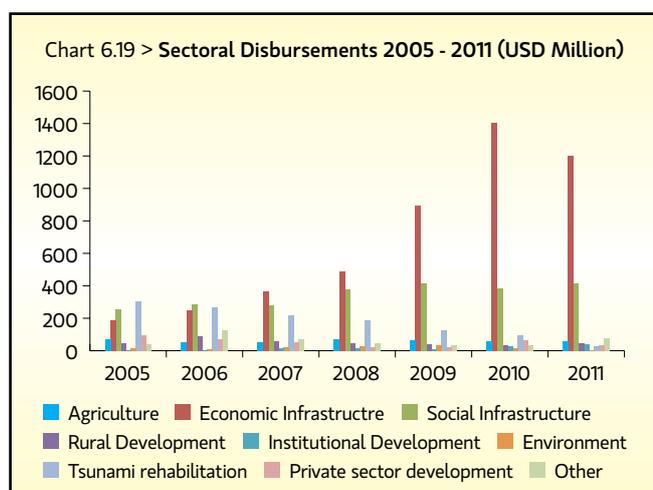


Chart 6.18 > Composition of Disbursements 2011 by Major Development Partner





Emergency Natural Disaster Rehabilitation Project (USD 42 million) were the main Japanese funded projects that reported higher disbursements in 2011. The main projects benefiting from the disbursements of Chinese assistance of USD 317.3 million include (a) Improvement & Rehabilitation of Priority Roads Projects (USD 60.5 million), (b) Colombo - Katunayake Expressway Project (USD 53 million), and (c) Northern Roads Rehabilitation Project (USD 91 million). In 2011, the Asian Development Bank (ADB) disbursed USD 289 million of which USD 269 million was disbursed through loans and remaining USD 20 million through grants. Fairly high disbursements were reported from the Colombo Port Expansion Project (USD 77 million), National Highway

Sector Project (USD 42 million), Eastern & North Central Provincial Road Project (USD 21 million) and Northern Road Connectivity Project (USD 25 million).

Committed Undisbursed Balance

The total committed undisbursed balance of foreign financing available for the development programmes as at December 2011 stood at USD 7,327 million of which the funds committed for the Roads, Transport, and Power & Energy sectors alone accounted for 45 percent.

Table 6.12 indicates the sector-wise details of the committed undisbursed balances.

Table 6.12 > **Committed Undisbursed Balance (CUB) as at 31st December 2011 (USD Million)**

Economic Sector	CUB	% of Total
Roads and Transport	3,227.0	44.0
Ports and Airport Development	298.8	4.1
Water Supply and Sanitation	843.3	11.5
Tsunami Rehabilitation	58.8	0.8
Conflict Affected Area Rehabilitation	229.8	3.1
Health, Education & Vocational Training	105.2	1.4
Power and Energy	1,078.0	14.7
Private Sector Development	32.3	0.4
Agriculture, Fisheries, Irrigation and Land	662.6	9.0
Rural Development	48.5	0.7
Environment and Natural Resources	97.4	1.3
IT, Science and Technology	15.2	0.2
Institutional Development	105.6	1.4
Other	524.7	7.2
Total	7,327.2	100.0

Utilization Rate of Foreign Finance

Foreign finance utilization rate or foreign finance disbursement ratio indicates the efficiency of utilization of foreign financing committed by development partners and lending agencies. The utilization ratio which represents total disbursement to total committed undisbursed balance depends on the average life of the project. The average period of the foreign financed projects is between 4-5 years

and hence the satisfactory level of the overall utilization ratio should be between 20 to 25 percent. The utilization of foreign financing has increased during the last five years. The utilization rate in relation to the infrastructure development projects has increased steadily since 2005 due to improved project management, better cash flow arrangements, and the use of foreign market borrowings to address funding gaps in infrastructure projects financing through development partners.

Table 6.13 > **Utilization Rate for each Development Partner**

Lender/ Donor	2009	2010	2011
Bilateral	22.4	27.4	20.39
Japan	19.2	19.9	19.57
China	38.3	46.7	18.59
Germany	15.4	18.2	14.6
France	18.4	42.1	42.63
India	20.6	10.4	82.21
Korea	6.7	23	15.97
Kuwait	13.7	10.6	12.43
Denmark	45.1	42.4	58.60
Saudi Arabia	31.2	5	1.12
USA	11.6	25.1	27.52
Other	29.5	0.2	11.15
Multilateral	30.4	21.8	25.66
ADB	21.2	23.8	20.07
WB	40.9	20.3	31.54
EU	29.4	15.5	30.87
UN Agencies	67.6	16.4	51.36
Other	13.3	21.3	4.91
Total	25.9	25.7	21.84

Source: Department of External Resources

During the previous five years, the annual total foreign financing commitments have gradually increased from USD 1,311 million in 2006 to USD 3,261 million in 2010, representing a 149 percent increase. The composition of foreign financing has changed significantly during the last few years due to the increase of export credit financings...

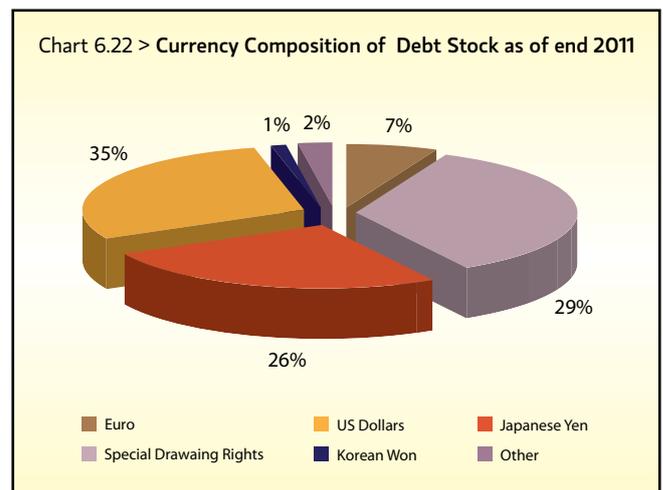
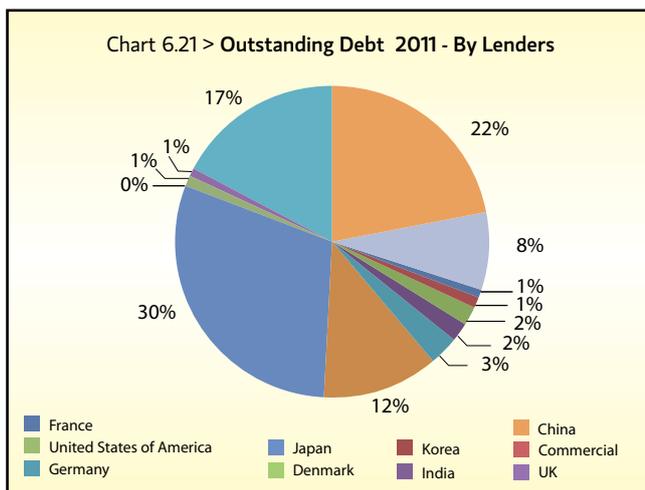
External Debt

The external debt of the Government accumulated to USD 18.6 billion by the end of 2011 which includes project loans and international Bond Issues. It increased by 13 percent (USD 2.2 billion) in 2011 compared with the debt stock as at 2010. Of the total debt stock, 37 percent was held by bilateral governments lenders while another 34 percent and 16 percent were held by multilateral lending agencies and commercial lending agencies respectively. The remaining 12 percent was held by the export credit agencies.

Out of the total debt stock, 52 percent will mature within the first 10 year period commencing 2012 and another 35 percent will mature within a 10 year period commencing 2022. The balance 13 percent will mature after 20 years.

Debt Sustainability

Debt to GDP Ratio assesses the country's overall economic capacity to service its debt. The statistics show that the foreign debt in terms of GDP has reduced during the last 5 years indicating that the country's GDP has grown much faster in relation to the accumulation of foreign debt during this period. Sri Lanka has maintained the External Debt to GDP below the medium category of Policy Based Indicative Debt Burden Threshold of 40 percent. Although government has invested a substantial amount of foreign financing for strategic development projects during last 5 years, the External Debt to GDP Ratio has shown a declining trend along with increased GDP; the External Debt to GDP Ratio has fallen from 36.8 percent in 2006 to 31.9 percent in 2011.



External Debt Service Payment

The total external debt service payment in 2011 amounted to USD 987.5 million based on the utilization of foreign financing for implementation of development projects and issuance of international bonds. This included the principal of USD 629.6 million and USD 357.9 million in interest payments.

The Debt Service ratio represents the debt service payments (principal + interest) in relation to the export earnings of the country. Sri Lanka has maintained this ratio below 20 percent. The low external debt service ratio is more acceptable for a country as it represents a favorable financial flow for debt servicing. The shift from higher concessional terms to a mixed credit financing arrangements reflects the interest payment to exports increasing from around 2.5 percent in 2006 to around 3.6 percent in 2011.

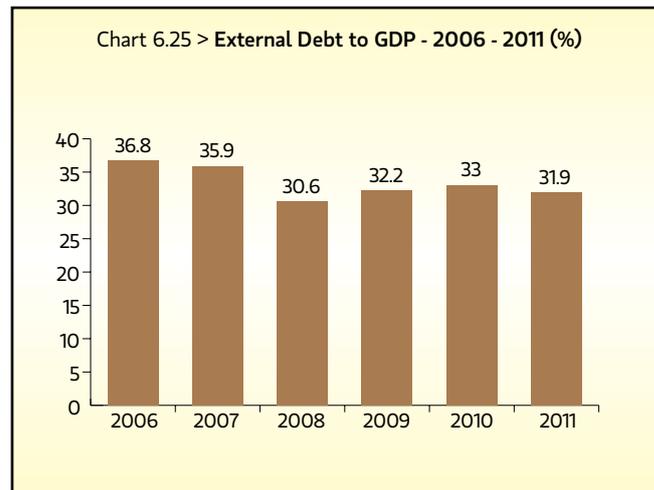
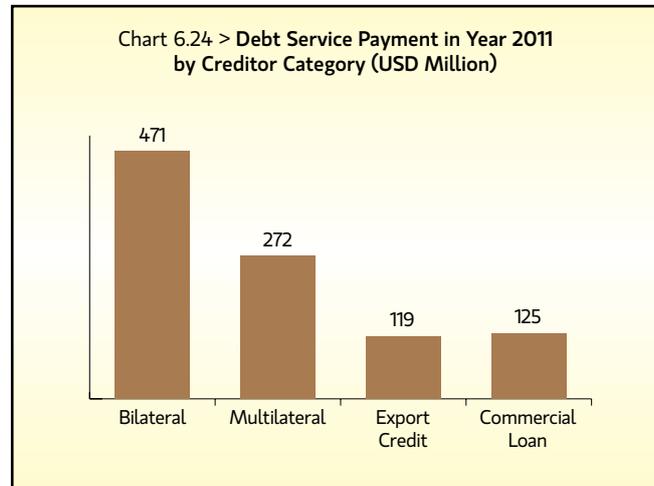
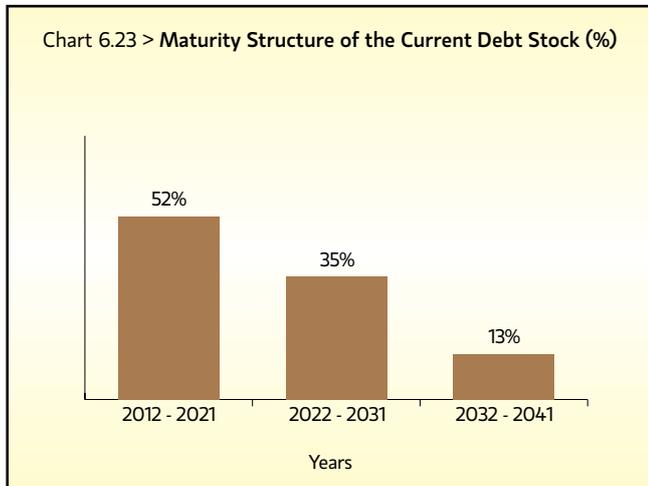
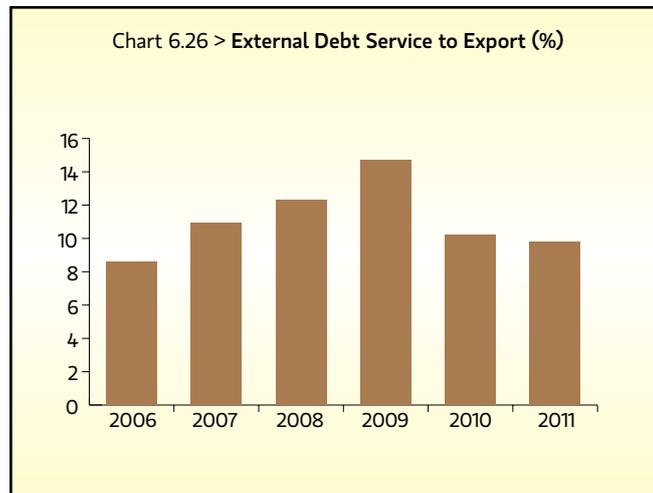


Table 6.14 > Key Debt Indicators 2005 – 2011

Year	2006	2007	2008	2009	2010	2011
External Debt to GDP (Percent)	36.8	35.9	30.6	32.2	33.0	31.9
External Debt to Exports of Goods, Services and Remittances (Percent)	97.6	97.6	95.8	109.9	107.5	99.2
External Debt Service to Exports of Goods, Services and Remittances (Percent)	5.6	7.0	7.6	8.5	5.5	5.3
Interest Payments to Exports of Goods, Services and Remittances (Percent)	1.6	1.7	1.8	1.9	1.7	1.9



Development Partnership with the Asian Development Bank

The Asian Development Bank (ADB) is one of the major multilateral development partners of Sri Lanka with over 45 years of productive partnership. Since its establishment in 1966, the bank has made available USD 5.3 billion to Sri Lanka through 157 loans with another USD 115 million through 245 technical assistance programmes. The annual borrowing from ADB currently stand around USD 300 million or 0.7 - 0.8 percent of the GDP. The current ADB portfolio contains 37 loans and 6 grants. The total disbursement in 2011 under these loans was USD 289.3 million.

The major portion of ADB financial resources has been mobilized for development of roads and transport, water supply, power and energy sectors where ADB is more capable and specialized in handling related infrastructure projects. The Ordinary Capital Resources (OCR) borrowed from ADB at near market rates are generally invested in projects that generate sufficient economic return to repay the loans in the medium to long term while the resources borrowed from the Asian Development Fund (ADF) at concessionary rates are channelled to the sectors that need somewhat longer periods to produce results- such as education and skills development.

In 2011, the government and ADB updated the medium-term strategy and operational programme for utilizing ADB financing; Country Partnership Strategy (CPS). The updated CPS mainly focuses on (a) inclusive and sustainable economic growth, (b) catalyzing private investment and (c) human resource and knowledge

development. A substantial investment is allocated for the transport, energy, water supply and sanitation and urban development sectors to promote inclusive and sustainable growth. Accordingly four major projects were included in the 2011 lending programme. Those are (a) Sustainable Power Sector Support Project, (b) National Highway Sector Project (Additional Financing), (c) Secondary Towns and Community based Water Supply and Sanitation Project (Addl Financing) and (d) Pura Neguma (Lagging Local Authorities Infrastructure Improvement Project). The total commitment made in respective of the above loans is USD 288 million. The total allocation under the 2012-2014 lending pipeline is USD 940 million.

In addition, Sri Lanka received a grant assistance of USD 3 million from the ADB's Asia Pacific Disaster Response Fund (APDRF) in 2011 as emergency assistance to improve the livelihood of people affected by the heavy flood that occurred in early 2011. The funds received under the above grant were fully utilized for the relief work and livelihood improvement carried out in Ampara, Anuradhapura, Polonnaruwa and Batticaloa districts that suffered heavily in this flood disaster.

Apart from this assistance, the non-lending programme consists of several technical provisions to support selected economic sectors such as roads and transport, energy, education, finance, water etc. These technical assistance programmes are either linked to future projects or stand alone to strengthen the institutions in the respective sectors. There are 19 non-lending products and services in the 2012-2014 pipeline. The total value of these programmes is estimated at USD 12.8 million and this will be provided on a grant basis.

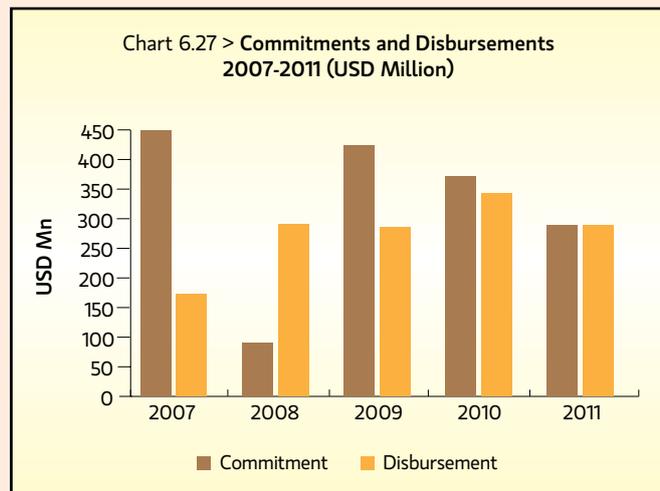
The Sustainable Power Sector Support Project will contribute to a reliable, adequate and affordable power supply for balanced and sustainable economic growth in Sri Lanka and increase electricity connections in rural areas, specifically in the Eastern, North Central, Southern and Uva Provinces. Construction of substations at Galle, Polonnaruwa, Vavunathivu and Monaragala and transmission lines from Ambalangoda to Galle, Mahiyangana to Vavunativu (via Ampara), Monaragala to Madagama will be carried out under this project, while improving the distribution system covering 486 rural electrification schemes to electrify about 12,190 households in 113 remote villages in Ampara district.

The proceeds of Additional Financing in the National Highway Sector Project will be used for rehabilitation of six main link roads to the Southern Expressway namely, Matara-Akuressa (3.40 km), Hikkaduwa-Baddegama (14.34 km), Horana-Anguluwathota-Aluthgama (23.48 km), Katukurunda to Neboda, (2.72 km), Kirulapona-Goadagama (5.33 km), and Colombo-Horana (12.70 km). Also, the Mutthur Water Supply scheme will be fully completed with the additional financing obtained under the Secondary Towns and Community based Water Supply and Sanitation Project

The Pura Neguma project focuses on institutionalization of new systems of simplified taxation, and licensing, and transparent approval systems, while updating the capacities of Local Governments to manage these systems. Capital grants will be provided to about 100 selected local authorities under this project to improve local infrastructure such as water supply and sanitation (including sewerage), drainage, solid waste management, roads and bridges (including suspension bridges), improvement of maternity and health centres and other local authority infrastructure facilities such as public markets.

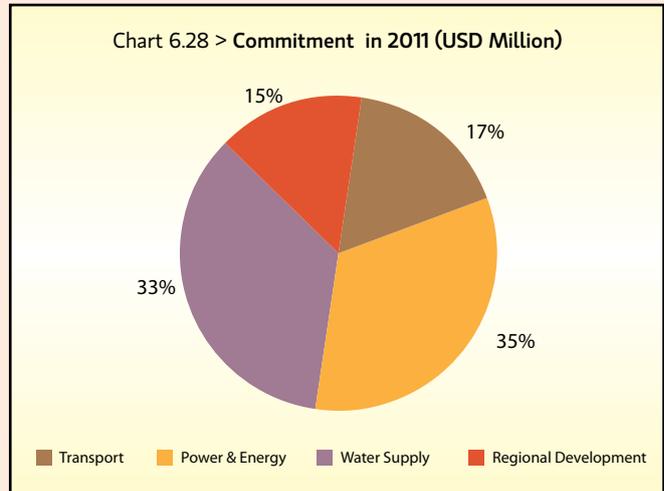
Commitments and Disbursements (2007-2011)

The annual commitments from ADB during the past five years have been varied with an average annual commitment of USD 324 million, depending on resource requirement from different economic sectors and government priorities. The world economic recession has been the main reason for low commitment in 2008. With the signing of new loan agreements for rehabilitation of national and provincial roads in the Northern, Eastern and North Central provinces, improving water supply and sanitation facilities in the dry zone areas and Jaffna, and Kilinochchi Districts, sustainable development of power and energy sector and improving financial management efficiency, the commitments have increased in 2009, 2010 and 2011. Over the period annual disbursement has now reached the level of USD 300 million.



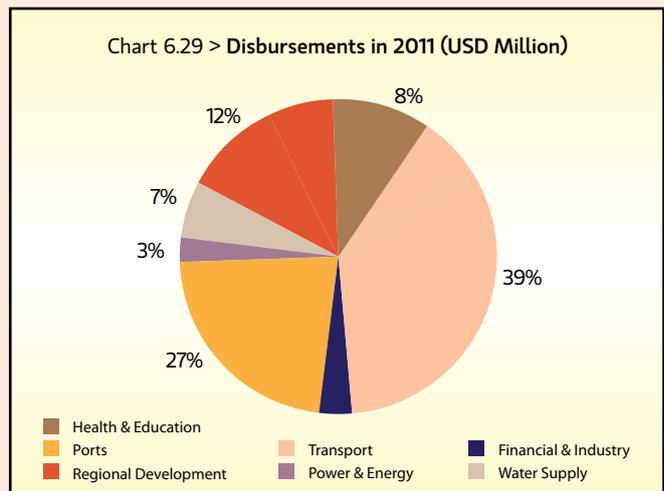
Commitments in 2011

The total commitment by the Asian Development Bank (ADB) in 2011 accounted for USD 338 million which has been in concessionary and non-concessionary loans. These commitments include USD 120 million for the Power & Energy Sector, USD 110 million for the Water Supply & Sanitation Sector, USD 85 million for the Transport Sector and USD 50 million for the Regional Development sector. Higher commitments have been recorded in the sectors of power and water supply due to the priority given by the government to provide urgent basic infrastructure needs to the people in the conflict affected areas.



Disbursements in 2011

The total disbursement made under the ADB funded projects in 2011 was USD 289 million which is an 80 percent achievement over the annual disbursement target. It includes USD 112 million for the Transport Sector, USD 77 million for the Port Sector, USD 35 million for Regional Development, USD 24 million for the Education Sector, USD 20 million for the Water Supply & Sanitation Sector, USD 9 million for the Power & Energy Sector and USD 12 million for the Financial and Industry sector.



Education for Knowledge Society Project

The Government aims at an educational system that will provide the competency and technological skill required for rapid economic and social development in line with its ambitious mission to transform the country into a Knowledge Hub in the Asian region. The school system now needs substantial modernization to create the human capital foundations of a knowledge hub.

In relation to this need, Government has decided to upgrade 1,000 secondary schools island wide and the Education for Knowledge Society Project (EKSP) supports this initiative. Government envisages upgrading 100 selected secondary schools through this project. The upgraded schools will provide positive benefits of high quality teaching in key subjects of Science, English, Information & Communication Technology (ICT) and selected technical subjects. Under this project, the Centre of Excellence in English Language Teaching in Peradeniya has already been upgraded as the headquarters for English language instruction to enhance English language teacher training.



Providing Facilities on Information & Communication Technology

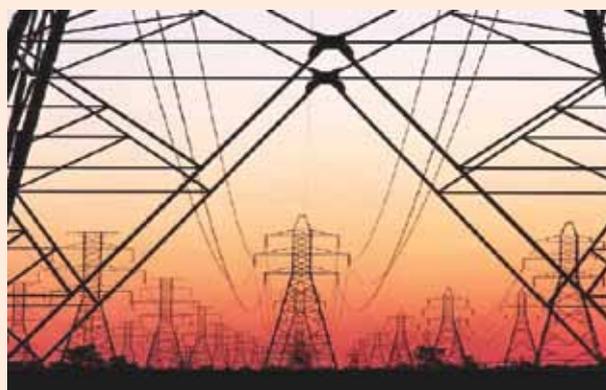
The pre-service and in-service teacher training in competency based teaching and assessment models and ICT applications are being developed by upgrading the capacity of 18 National Colleges of Education and 10 teacher Training Centres. Introduced innovative teacher training programmes will address the mismatch between what was covered under the education system and labor market requirements. The EKSP Scholarship Programme targets provision of 50,000 scholarships for students in grade 10-13 and those who have obtained scholarships from Phase I and Phase II of the Secondary Education Modernization Project, but have not qualify for higher education.

Further, the project has taken an initiative to strengthen the Sri Lanka Institute of Advanced Technology for Education (SLIATE) by upgrading facilities on ICT, revising SLIATE's academic programmes and implementing Professional Development Programmes for SLIATE's staff in line with government priorities. The project will help human capital formation and accumulation through general education to contribute to the knowledge economy and thereby to the local and global economy.

Government borrowed USD 80 million comprising a loan of USD 65 million and a grant of USD 15 million from the ADB to implement the EKSP project from 2008 to 2013. Considering the long gestation period necessary to deliver the full impact of the project, government decided to use ADF resources, which are provided at concessionary rates for this project. The repayment period is 32 years and this includes a grace period of 8 years. Only 1.0 percent interest is charged during the grace period and 1.5 percent for the remaining period. Government expects that the project deliverables will positively contribute to improve the economic performance of the country during the grace period so that government can repay the loan installments without any burden on the national budget

The Clean Energy and Access Improvement Project

The Clean Energy and Access Improvement Project commenced in 2010 with a view to support the government target of achieving 100 percent electrification households by 2012-13 and generating an additional capacity of 500 MW from non conventional renewable energy by 2016. The total investment cost of this project is USD 188 million. Taking into consideration the economic benefits and urgency of the project, government decided to allocate USD 24 million from domestic funds and obtain a loan of USD 160 million from ADB (USD 135 millions from Ordinary Capital Resources (OCR) and USD 25 million from Asian Development Fund (ADF)) to meet the investment cost. The ADB assistance includes a grant of USD 4.2 million from the Climate Change Fund. Detailed cost benefit calculations show that the project will deliver net economic benefits, with a 16 percent combined Economic Rate of Return (EIRR).



The project will enhance the overall reliability of the power system to benefit households, small and medium sized businesses, and public services. Total technical and commercial losses of the CEB network will be reduced from 15 percent of net generation in 2008 to 12 percent by 2016 with the improved coverage and efficiency in service delivery by CEB and LECO.

Household lighting brings about an overall improvement in living standards. Even though distribution feeders have already reached their neighborhood, many households remain unconnected because they cannot afford to pay the connection charges. However, some of these households may have the capacity to repay a loan or to pay the connection charges in monthly installments over 2-3 years. The Project aims to scale-up the Power Fund for the Poor through a loan-funded credit support programme and is expected to provide electricity connection to at least 60,000 poor households, including those living in areas affected by the conflict. This will provide significant support to the achievement of the Government's goal of increasing the household electrification ratio through grid connections to 100 percent by 2012-13.

The demand-side management component plans to save the energy equivalent to a thermal power plant of 3.5 MW. The renewable energy development component will help bringing 200 MW of clean hydropower energy into the grid, thereby reducing CO₂-equivalent emissions per year by about 0.5 million tons.

The project provides financing for the improvement and construction of six substations in order to remove the bottleneck of lack of substation capacity for proposed small hydropower stations.

The ADF loan has 24 year repayment period with an 8 year grace period. The OCR loan has been borrowed at LIBOR plus 0.3 percent interest rate. The loan terms are becoming more beneficial to Sri Lanka with the declining LIBOR rates. The project is expected to contribute significantly to the economic development of the country through improved coverage and efficiency in service delivery by CEB and LECO. As the project benefits are much higher than the loan cost, Government can repay the loan without any problem.

Colombo Port Expansion Project (Colombo South Harbor Development Project)

Government has commenced the Colombo Port Expansion Project (CPEP) following a very comprehensive study to develop the South Port area to cater to the increasing demands of services in the international shipping industry. The proposed Colombo South Harbor is located west of the present south west breakwater in an area of approximately 600 hectares sufficient to accommodate three terminals with length of 1,200 meters each.

Under phase one of the project, harbour Infrastructure work such as the construction of the 6.83km length Breakwater and dredging the new harbour basin and the re-routing of crude oil pipe line will be accomplished. The project also includes the establishment of a new marine operation centre, relocation of a submarine oil pipeline, provision of Navigational aids, and construction of shore utilities. The construction of terminals and other related services will be carried out under phase two.



The total estimated cost of the project is USD 480 million of which USD 300 million is financed through a loan from the Asian Development Bank (ADB) while the remaining USD 180 million is provided by the Government of Sri Lanka (GOSL). Subsequent to the completion of stage I of the project, development of the three terminals are planned to commence on a public-private partnership (PPP) basis. Already the construction of the first terminal has been started by a private company at a cost of USD 500 million.

Being an island nation, Sri Lanka is located in the centre of South Asia and on the busiest sea route in the world and therefore is well positioned to be developed as a Naval Hub in the region. With the above understanding, the government has given high priority to this project in the national development project portfolio. The CPEP would change the economic situation in Sri Lanka as a large number investment will be expected here while employment opportunities would also be generated.

The signing of the Build Operate Transfer (BOT) Agreement between the Sri Lanka Ports Authority and M/S. Colombo International Container Terminals Ltd (CICT) for construction of the first terminal (South Container Terminal) at the Colombo South Harbour took place in August 2011. The construction of this terminal is one of the largest Public-Private Partnership (PPP) projects to have taken off the ground recently in Sri Lanka. Under this project, annual container handling capacity will be increased by 7.2 million TEU from existing level of 4.2 million TEU and then to 11.4 TEU on completion of all the three terminals. Also the Colombo Port will be deepened to 18 meters from the current level of 15 meters. It is expected, with the completion of this project, to promote economic growth by improving Sri Lanka's competitiveness in the ports sector and facilitating economic growth by enhancing national competitiveness in international trade via lower transport costs and faster delivery times. Also country can provide transshipment and other port facilities for not only South Asia but also for the East Asia, Middle East & China as well as for the African countries. Further, this can be the link between the fast growing East Asia and the Western world.

Northern Road Connectivity Project

As a part of Government strategy to rebuild the physical and social infrastructure in the Northern region, the Northern Road Connectivity Project commenced in 2010. The project aims to rehabilitate about 140 km of provincial roads and 108 km of national roads in the Northern Province (NP) and selected bridge links and improve about 62 km of link national highways in the North Central Province (NCP).

Government has obtained a loan of USD 130 million from ADB to rehabilitate the identified roads. The total investment cost of the project is estimated at USD 173 million, including taxes and duties of about USD18.6 million which is to be financed by the Government.



Rehabilitation of A009 Road (Thonigala to Galkulama)

The Project is timely and targeted - to help restore accessibility to essential social services for the rural people in the Northern Province by establishing mobility between the north and the south. In addition, it will improve nationwide connectivity and will facilitate economic growth while contributing to the reduced disparities in Sri Lanka.

With improved roads, traffic generation is estimated in the range of 20 percent due to increases in speed and reduced Vehicle Operating Cost (VOC). Further, accelerated development in the Northern Province is expected to induce additional traffic, estimated at 10 percent. Thus, the total generated and induced traffic is estimated at 30 percent in the region. The economic evaluation undertaken for each of the road sections by comparing the with- and without-project scenarios indicate that the proposed improvements of the project roads are economically viable yielding an EIRR of above 12 percent in all cases and in most cases significantly higher, indicating the high economic rate of return.

Table 6.15 > **Economic Analysis – National Roads**

Road No	Road Name	EIRR (%)	NPV (SLRs Million)	NPV/Capital Cost Ratio
1	A009: Dambulla–Galkulama	21.8	4,336.7	0.98
2	A020: Anuradhapura–Rambewa	21.7	1,187.2	1.00
3	A032: Navathkuli–Kerativu jetty	20.4	1,541.2	0.84
4	A034: Mankulam–Mullaittivu	22.6	1,019.1	0.97
5	B437: Vallai–Araly	24.1	2,345.5	1.10
6	B268: Manipay–Kaithady	20.1	932.3	0.85

EIRR = economic internal rate of return, NPV = net present value.

It is expected that improving road access in the Northern Province & the North Central Province connectivity to other provinces in the country will develop and expand agriculture, fishing and commercial activities. This will directly benefit the farmers, fishermen, small traders, and other service providers. The project will have positive social and economic benefits for all ethnic groups in the project area.

Secondary Towns and Rural Community Based Water Supply and Sanitation Project

This project aims to provide safe drinking water and safe sanitation to people in Towns of Batticaloa, Hambantota, Muttur and Polonnaruwa and rural areas of Polonnaruwa, Anuradhapura and Batticaloa Districts. The Project will also augment existing water schemes and invest in new water schemes in rural and urban areas. At the completion of this project, it is expected to provide safe drinking water to almost a million people and sanitation facilities to around 171,500 people living in project areas.

Total investment Cost of the project is USD 263.26 million. The contribution of Asian Development Bank is USD 149.1 million and the Government contribution is USD 114.16 million.

At present about 94 percent of physical works of this project has been completed. The rehabilitated water supply schemes in Batticaloa, Polonnaruwa and Hambantota have already been commissioned while most of other project activities are scheduled to be completed by end of 2012. The Muttur water supply scheme is expected to be completed by mid 2014.



Batticaloa Water tower

Development Partnership with Japan

Japanese Official Development Assistance (ODA) to Sri Lanka is provided through the Japan International Corporation Agency (JICA) in the form of Yen Loans, Technical Cooperation, Grant Aid and Development Studies. About 80 percent of Japanese development finance is extended through Yen Loan Scheme, which is reviewed on an annual basis. The annual Yen Loan commitments for development projects in Sri Lanka are in the range of USD 350-400 million with the currently applicable interest rate of 1.5 percent per annum. The repayment period of 40 years includes a 10 year grace period.

During the last five years, the Government has obtained financial assistance from Japan to implement about 20 large scale infrastructure development projects including the Colombo Port Expansion Project, Kelanitissa Combined Cycle Power Plant, Colombo International Airport Project, Upper Kotmale Hydro Power Project and Southern Transport Development Project. The total disbursement in 2011 through Japanese loans was USD 354 million.

About 90 percent of the funding received from Japan during the last five years has been utilized for infrastructure

development such as rehabilitation of provincial roads and improvement of rural access roads, development of ground transport, improvement of ports & aviation infrastructure and provision of electricity and water supply facilities. In addition, a significant portion of the Japanese finance has been utilized for improving service delivery arrangements in Northern Province, livelihood development activities and regional development.

Given the fact that Japan is a high-tech advanced economy, the expertise received from Japan through ODA was helpful to acquire new technologies and knowledge which are very important to maintain a fast growing economy.

Taking into consideration the emerging development needs and priorities of Sri Lanka identified in the Economic Policy Framework of the Government, the Japanese government has recently updated the Partnership Strategy. The updated Partnership Strategy focuses on (a) development of infrastructure for rapid economic growth (b) reconstruction and development of the conflict affected areas to ensure achievement of the dividends of peace (c) reduction of regional disparities through comprehensive development

(d) strengthening disaster management and climate change mitigation measures (e) raising the capability of the services sector to increase foreign exchange earnings.

A substantial amount of assistance was obtained by the Government from Japan for small scale infrastructure projects in the fields of health, education, irrigation and also for various other development programmes including small and medium enterprise development, tourism, rural agriculture, fisheries and community development, social development and disaster management. Two major projects were included in the 2011 Yen Loan package. Those are (a) Greater Colombo Urban Transport Development Phase 2 (II), (b) Vavuniya Killinochchi Transmission Line Project (II). The total commitment made in respective of the above loans is USD 408 millions.

In addition, Sri Lanka received grants assistance for projects: (a) improvement of TV production equipment of the Sri Lanka Rupavahini Corporation, (b) implementation of a food security project for underprivileged farmers, (c) project for a human resource development scholarship and (d) construction of the Manmunai Bridge.

Apart from the Annual Yen Loan package, Sri Lanka has borrowed a concessionary loan of USD 91 million subsequent to the flood and landside caused by the heavy rains during the months of December 2010 - February 2011 to restore socio economic activities of affected people and protect from further damage the flood affected areas of North Central, Central and Eastern Provinces. The amount of grant assistance received from Japan in 2011 was USD 23 million. There are three major projects included in the 2012 Yen Loan package with the total value of USD 515 million.

Greater Colombo Urban Transport Project Phase 2 (II) which was signed in 2011 focuses on the construction of 8.9 km length of road section from Kaduwela to Kadawata on the Outer Circular Highway (OCH) to ease traffic congestion in the Colombo Metropolitan Region and improve the connectivity with the Southern Expressway, Colombo - Katunayake Expressway and other national roads connected to Colombo City. The length of the OCH will be 29 km and financial assistance for the construction of Southern Section of OCH between Kottawa to Kadawata (11 Km) has been provided by the Government of Japan in 2007 and 2008.

Vavuniya - Kilinochchi Transmission Line Project which was also finalized in 2011 will contribute to the reinforcement of the transmission network in the Northern area of the country, by reconstructing the 132 KV transmission line from Vavuniya to Kilinochchi and construction grid substation at Kilinochchi. It is also expected to provide reliable, adequate and efficient electricity supply to consumers in the Northern province (approximately 1.2 million) through this project. The construction of this project is expected to be commissioned by end of 2012.

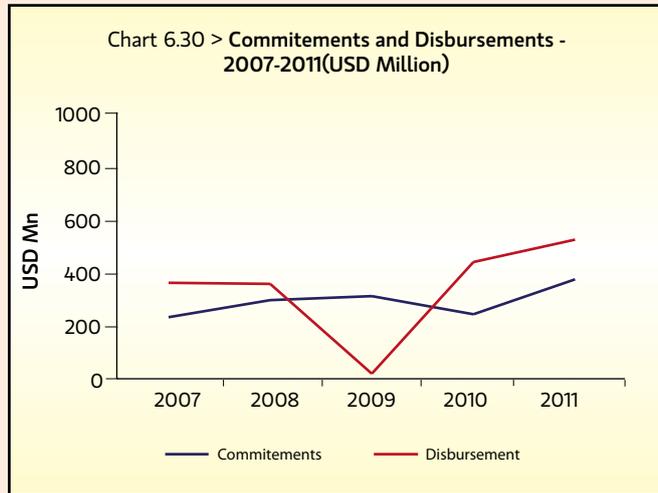
During last five years, the Government has obtained financial assistance from Japan to implement about 20 large scale infrastructure development projects including the Colombo Port Expansion Project, Kelanitissa Combined Cycle Power Plant, Colombo International Airport Project, Upper Kotmale Hydro Power Project and Southern Transport Development Project. The total disbursement in 2011 through Japanese loans was USD 354 million...

Commitment and Disbursement (2007 – 2011)

The total commitment from the Government of Japan for development projects during the period of 2007 - 2011 was USD 1,700 million. The highest commitment of USD 523 million was reported in 2011. The annual commitment from Japan during the last five years has increased significantly to around USD 340 million, except in 2009.

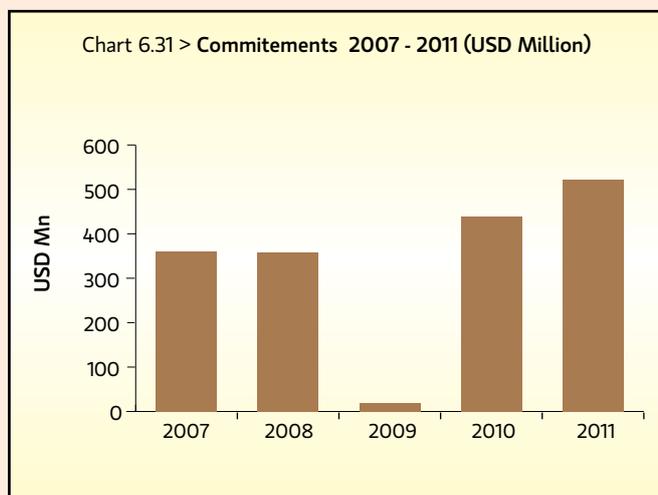
This increasing trend of commitments was continued in 2010 and 2011 also Government has entered into new loan and grant agreements; (a) Provincial Road Development Project for the Eastern, Central and Sabaragamuwa Provinces, (b) Improvement of Central function of Jaffna Teaching Hospital, (c) Reconstruction of five Bridges in Eastern Province, (d) Kandy City Waste Water Management Project, (e) Greater Colombo Urban Transport Development Project Phase (II), (f) Vauniya Kilinochchi Transmission Line Project and (g) Emergency Natural Disaster Rehabilitation Project.

Over the period of the last two years, annual disbursement has also increased progressively. It has reached a level of more than USD 370 million in 2011. This is an increase of 18 percent compared with the corresponding disbursement figure in 2007.



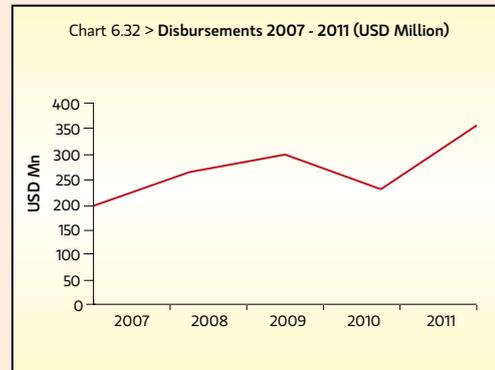
Commitments in 2011 (USD Million)

The total commitments from the Japanese government in 2011 was USD 523 million. This amount has been committed through concessionary loans and grants. The three main loan projects signed in 2011 are (a) Colombo Urban Transport Development Project - USD 390 million, (b) Kilinochchi Transmission Line Project - USD 17.5 million and (c) Emergency Natural Disaster Rehabilitation Project - USD 91.5 million. The total commitment under loans accounted for USD 500 million and the total grants accounted for USD 23 million. The grant projects included (a) Improvement of TV Production equipment in the Sri Lanka Rupavahini Corporation, (b) Food Security Project for Underprivileged Farmers, (c) Construction of the Manmunai Bridge Across the Batticaloa Lagoon and (d) Human Resources Development Scholarship Programme.



Disbursements in 2011 (USD Million)

Total disbursements achieved under the Japan funded projects in 2011 were USD 373 million which is the largest annual disbursement achievement during the last five years. High amounts of disbursement were recorded, as USD 141 million for Transport, USD 104 million for Power and Energy, USD 47 million for Water Supply, USD 12 million for Irrigation sector. The remaining USD 69 million covered six projects in Education, Finance & Insurance, Environment, Health, Media, Tourism and Hotel Industry.



Upper Kotmale Hydro Power Project

The demand for electricity in Sri Lanka has been growing at an annual rate of 7- 8 percent and this trend is expected to continue in the foreseeable future. To meet the annual growth demand about 150MW of new generating capacity needs to be added each year. Accordingly, Government has commenced building of a number of new power generation projects in an accelerated manner. The Upper Kotmale Hydro Power Project (UKHP) is one of the strategic projects identified under this initiative. This project has been designed to tap the remaining hydropower potential in the central highlands. It is a river hydropower project with an installed capacity of 150MW (consisting of two 75MW units) and will produce 409GWh per year. By 2012 the total electricity requirement of the country will be 12,800 million units and the UKHP will contribute 430 million units to the total figure. The Government has secured USD 299 million from the Government of Japan to implement this project and the Loan Agreement was signed in March, 2002. The total cost of the project is USD 400 million. The power plant is expected to be commissioned in the May, 2012. By the end of the December, 2011, 94 percent of the project work had been completed.



The project will contribute to a reliable and affordable power supply for sustainable economic growth in Sri Lanka. It will improve the social and economic environment of the local communities significantly. While social benefits will be largely confined to the area around Talawakele town, the wider benefits of watershed management will extend to the whole of the upper basin.

During the construction period, the project has stimulated the local business growth and increased local disposable incomes. Some of the construction camp facilities including clinics, restaurants, shops etc. will be transferred to communities for their use upon completion of the project activities. The project will also furnish telecommunications, water supply, clinics, and garbage disposal facilities which will improve the delivery of essential services to communities living in the area. In addition, the benefits generated by local tourism will stimulate regional growth. UKHP is also ensuring the least disturbance to the environment, affected persons and local community. It is also providing better housing facilities for the 495 displaced families in 2009.

During the implementation of this project, efforts are being taken to minimize its impacts on the environment, and the national government, local government, and NGOs will work together to forward the dual goals of continued economic growth and environment protection.

Southern Expressway

The construction of the Southern Expressway has opened a new chapter in Sri Lanka providing an opportunity for safe and speedier transport for users. This is the first expressway in Sri Lanka and it is the longest expressway out of the proposed expressway network. The 126 km long southern expressway runs from Kottawa to Matara interconnecting with 11 interchanges. The government borrowed USD 638 from JICA, ADB and China for the completion of this toll road in addition to around USD 63 million for construction and land acquisition. The first section of 96km from Kottawa to Pinnaduwa was opened to the public on November 2011 and the new Galle Port Access Road of length 5km, will connect this expressway to Galle city. Construction of the next stage of the expressway from Galle to Matara, a length of 35km, is underway and scheduled to be completed by 2013 with a realignment of local roads.



The new expressway reduces the time taken to travel from Colombo to Matara and Colombo to Galle, and it saves two hours of travel time from the previous time and provides improved transport facilities for future development in the southern region. It also acts as a catalyst in encouraging and attracting industries and services for the economic and social development of the region. Agriculture and incomes in the areas connected to the highway will improve due to faster transportation and better access to markets which will reduce the waste of crops. As vehicles shift to the expressway, the existing Galle Road will become less congested and accidents will be reduced. When the southern expressway becomes fully operational there could be more direct and indirect job opportunities within the province.

Even though there was environmental damage during construction, which needs to be addressed, air pollution during operation will be much less than on other roads due to the smooth flow of traffic. Usually at initial stages of the operation of the expressway, the rate of road accidents could be slightly higher than on a normal road but with time it will fall to a lower rate than on other roads.

The total commitment from the Government of Japan for development projects during the period of 2007 - 2011 was USD 1,700 million. The highest commitment of USD 523 million was reported in 2011. The annual commitment from Japan during the last five years has increased significantly to around USD 340 million, except in 2009...

Eastern Province Rural Road Development Project

To improve the livelihood of the people in Eastern province by improving access to economic activities, market facilities and productive centres as well as by improving access to social services through rehabilitation of rural roads and to contribute local economic development and mitigation of regional inequality, government has commenced activities of the Eastern Province Rural Road Development project in March 2010 and to expected to be complete the project by March 2013.

This project especially targets particularly the problem of poor road conditions in the rural areas of the Eastern Province. Those roads had been neglected due to the long conflict situation affecting the area. With the return of normalcy, this project is part of the government efforts to facilitate access to marketing and purchase of produces, and social benefits such as education, health, and culture to the people of these areas.

To achieve these objectives, government of Sri Lanka has obtained USD 43.9 million from Japan, in addition to the government component of Rs. 890 million to improve 651km of rural roads in all three districts (Trncomalee, Batticaloa, Ampara) in the Eastern Province including main activities such as; (a) rehabilitation and installation of roadside drainage systems (b) improvement and construction of culverts and other structures (c) strengthening and widening of the carriageway with concrete.

This will directly benefit the 483,350 people living in the provinces including farmers, fishermen, traders and other service providers.



Ampara District



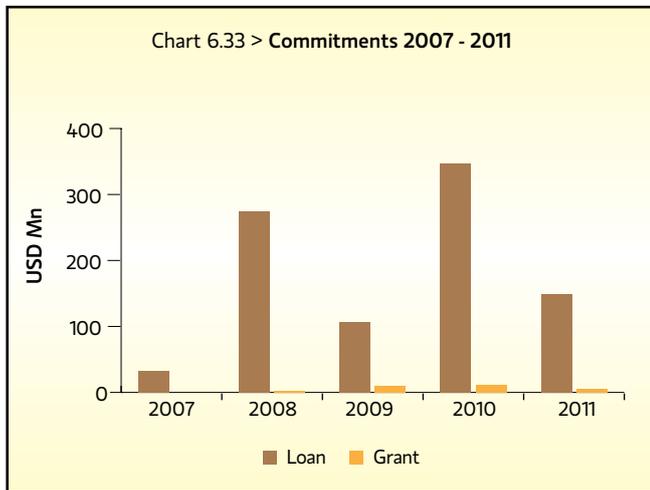
Batticaloa District



Trincomalee District

Development Partnership with World Bank

As per the Government development priorities, the Country Assistance Strategy (CAS) 2009 -2012 of the World Bank has earmarked USD 900 Million in concessional terms for infrastructure, human resources and regional development sectors. In addition, Sri Lanka’s transition to middle income country (MIC) status opens potential to obtain blend borrowing from International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) from December 2010.



Source: Department of External Resources

During the last five years, World Bank has provided USD 910.5 million loan and USD 27.4 million grants as an annual average of USD 187.6 million. Twenty nine agreements have been signed during 2007-2011 period out of which 19 were loan agreements and 10 were grant agreements. Of the total 29 agreements were related to regional development followed by five agreements each for infrastructure development and human resources development sectors. Agreements signed for the infrastructure development were in the area of renewable energy, rehabilitation of national and provincial roads and renovation of dams. Promoting equitable access to primary and secondary education, enhancing relevance & quality of higher education system, strengthening alternative higher education and improving efficient service delivery & equity access for public sector and health were focused in the projects under the human resources development. Five agreements have been signed in 2011 are given in table 6.16

Table 6.16 > **Agreements signed in 2011**

	Project Name	USD Million
1	Second additional financing for Road Sector Assistance Project	110
2	Second and Third Additional Financing for Livelihood Development in Conflict Affected Areas	48
3	Local level Nutrition interventions for the Northern Province	2.7
4	North East Pilot WASH Project for post conflict resettlement	2.0
5	Second Health Sector Development Program- HRITF	0.4

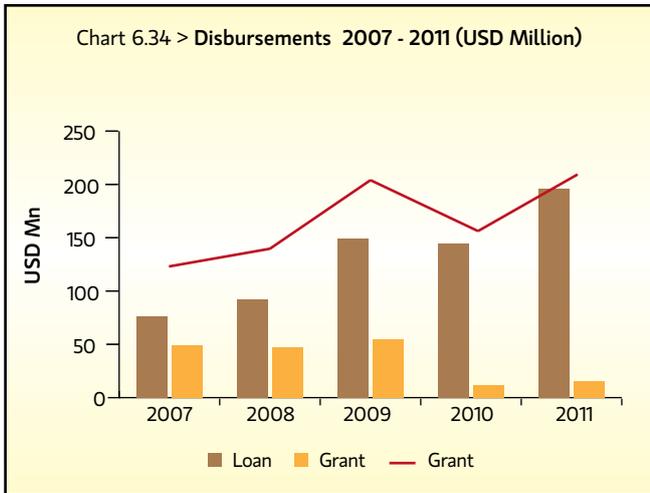
Source: Department of External Resources

Out of the total resource envelope of USD 900 million agreed in the present CAS 2009 - 2012 of the World Bank, USD 148 million was allocated for year 2011.

At the end of 2011, 24 development projects have been implemented with an investment of USD 1,097 Million. Using the above loans and grants around 134 km of road sections of the A6 road are being rehabilitated. In addition, arrangements have been made to improve 275 small scale irrigations schemes and 54 safe drinking water schemes and about 516 km of rural roads.

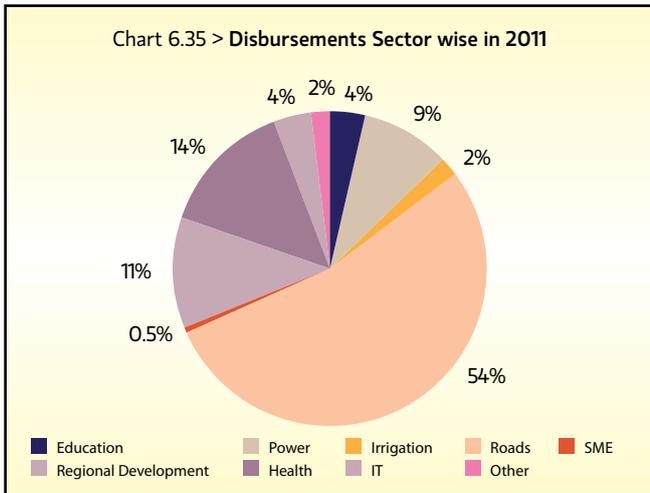
Furthermore, a considerable amount of borrowings has been utilized for the promotion of e-governance giving access to communities living in rural and remote areas with online public services through newly established tele-centers. Also, substantial amount of loan has been provided to improve access to finance for SMEs, risk sharing and strengthening the tourism related SMEs.

The grant assistance mainly focus on the improvement of nutrition level of 7,100 expectant women, 12,600 children under age of five in the Northern area and sanitation facilities in Mannar and Trincomalee Districts where about 3,000 families will be benefited. Also, it supports preparation of National Health Development Plan for provincial and national health agencies to overcome challenges of non-communicable diseases, malnutrition and strengthen the health system.



Source: Department of External Resources

In 2011, disbursement is exceeded the target by USD 40 million and achieved USD 211 million. The disbursement ratio has increased from 90% in 2010 to 119% in 2011. The projects are being implemented in 4 major sectors disburse around USD 185 million out of USD 211 million. The highest disbursement was for the Regional Development sector and the second highest was for the Infrastructure Development sector, USD 113 million and USD 29 million respectively. Also a considerable amount of USD 24 million was disbursed for the SME sector.



Source: Department of External Resources

Renewable Energy for Rural Economic Development Project:

In 2011, Renewable Energy for Rural Economic Development Project was completed at a cost of USD 115 million. Around 139,240 households in rural areas have access to electricity from renewable sources and approximately 174 MW has generated and supplied to national grid by small and medium generation plants. In addition, around 65 MW generation capacity has installed by mini hydro and wind power projects.



Mini hydro power plant

Infrastructure and Housing Development Project in Puttalam and North East Housing Reconstruction Project:

In addition, Infrastructure and Housing Development Project in Puttalam and North East Housing Reconstruction Projects (NEHRP) were completed in 2011. Around 52,000 houses have been completed with basic infrastructure improvement in around 2000 villages. Also 149 km of access roads 384 culverts and 85 km of earth drainage work have been completed in the project areas.



Newly constructed house in the conflict affected area

Public Sector Capacity Building Project:

To fulfill the objective of transforming the Auditor General's Department into a modern supreme audit institution, a five story head office building was completed and declaredly opened in March 2012 as the new Auditor General's Department under the Auditor General's component of the Public Sector Capacity Building Project at a cost of USD 4.9 million. Strengthening and modernizing public audit will improve public sector auditing practices and the outcome will improve cost effectiveness and timeliness of auditing services.



Newly Constructed Building for Auditor General's Department

Development Partnership with China

The Government of Sri Lanka receives financial assistance from China in the form of grants and loans. Grants and interest free loans are provided by the Government of China while loans are provided by the Export - Import (EXIM) Bank of China, China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC).

Table 6.17 > **Commitments from China 2007 - 2011 (USD Million)**

Year	Loan	Grant	Total
2007	373	14	387
2008	-	-	-
2009	313	2	315
2010	631	8	639
2011	785	-	785
Total	2,102	24	2,126

Source: Department of External Resources

The total commitment made from China for the last five year period from 2007 to 2011 was USD 2,126 million. Of this amount USD 2,102 million was loan funds and USD 24 million was grant funds. Out of the total commitment made during the last five year period, the highest amount of commitment was made in 2011. It was USD 785 million and it accounted for 37% of the total commitment made during this period. The next amounts of commitments of USD 639 million and USD 387 million were made in 2010 and 2007 respectively.

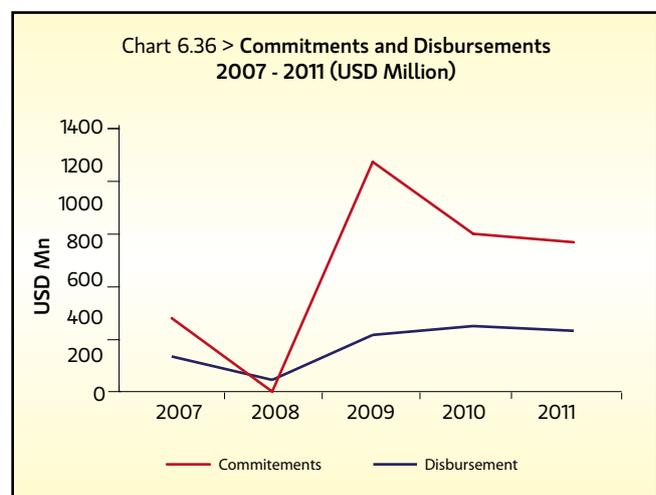
Table 6.18 > **Disbursement from China 2007 -2011 (USD Million)**

Year	Disbursement
2007	184.67
2008	61.42
2009	297.86
2010	344.37
2011	317.30
Total	1,205.62

Source: Department of External Resources

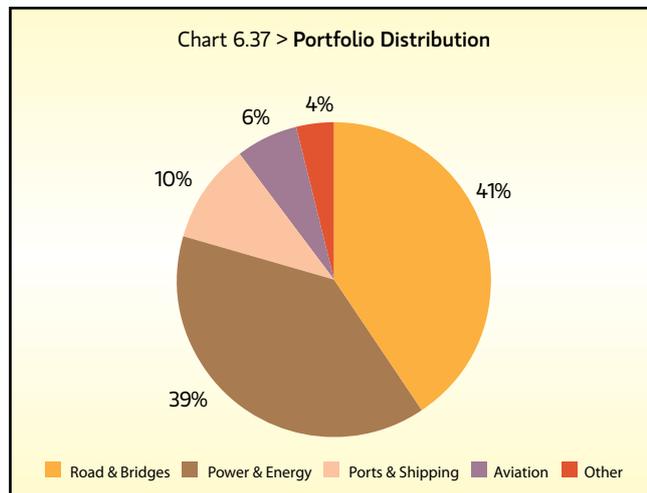
The total disbursement from China for the last five year period was USD 1,206 million. The highest disbursement of USD 344 million was recorded in 2010. The total disbursement in 2011 was USD 317 million. Out of the total disbursement in 2011, the highest volume of USD 91 million was disbursed for the Northern Road Rehabilitation Projects. Disbursements for Improvement of Priority Road Projects and Colombo Katunayake Expressway Project were USD 60.5 million and USD 53 million respectively.

Chart 6.36 > **Commitments and Disbursements 2007 - 2011 (USD Million)**



Sector Distribution

During last five year period Chinese assistance was obtained mainly for development of roads & bridges, power & energy, ports and aviation sectors. The total project portfolio funded by China in 2011 was USD 2,522 million. Of this amount the highest amount was used for development of roads & bridges sector. It was USD 1,463 million or 58 percent of the total portfolio of China in 2011. The second largest amount of the total portfolio of China in 2011 was used for development of power & energy sector. It was 20 percent of the total portfolio of China during this period. The ports and aviation sectors used around 17 percent.



The Government required to implement a large number of road projects, especially in the Northern region with the ending of terrorism in 2009. It was also required to implement mega projects, particularly development of ports, airports, power and railways to achieve the expected targets in 2016 based on the Mahinda Chintana Development Framework of the Government during this period. A large amount of funds was required to implement these projects, especially in 2009 and onwards. Due to availability of large amounts of Chinese funds under long term and low interest which are not available from market sources and limitations of available domestic funds the Government made

arrangements to finance most of the above projects with Chinese assistance. As a result, the loan assistance obtained from China has substantially increased since 2009. Of the total loan assistance obtained from China during the last five year period, around 82 percent was obtained in 2009, 2010 and 2011. It was USD 1,729 million out of USD 2,102 million.

Of the total assistance from China [including direct loans to Lanka Coal Company Ltd. and Airport & Aviation Services Sri Lanka (Ltd)] around USD 2,530 million was obtained from the Exim Bank of China and the remaining USD 653 million was obtained from CDB. The loan funds from the Exim Bank of China were obtained in the form of concessional loans, preferential buyer's credits and buyer's credits as indicated in the following Table.

Table 6.19 > **Loan Obtained from Exim Bank of China by Types of Loans from 2007 to 2011 (USD Million)**

Loans	USD million
Concessional Loan	400*
Preferential Buyer's Credit	891**
Buyer's Credit	1,239
Total	2,530

* Out of this amount USD190 million was obtained by Airport & Aviation Services (SL) Ltd with Government Guarantee.

**This amount was obtained by Lanka Coal Company Ltd. with Government Guarantee.

Source: Department of External Resources

The terms of the preferential buyer's credit and concessional loans are same, but the loan denominated currency of preferential buyer's credit is USD whereas that of concessional loan is Renminbi Yuan. During last five year period Government has obtained 51 percent of the loan funds as concessional loans and preferential buyer's credit. While 49 percent of the loan funds were obtained as buyer's credit.

Magampura Mahinda Rajapaksa Port

The Magampura project is a flagship project built inland in dry conditions. The project aims to expand the port related services using the advantages of the location of Hambantota for the economic development of the country. The project consists of two Phases.

Phase I of the project consists of the construction of the East breakwater (315m length) and West breakwater (950m length), two berths with total length of 600m, a marine structure to accommodate 100,000DWT container vessels and 1km length approach channel with 210m width and 16m depth. The total cost of Phase 1 is USD



Ship at Magampura Mahinda Rajapaksa Port

360.8 million of which USD 306.7 million was provided by the Export - Import (EXIM) Bank of China. The remaining USD 54.1 million was financed by the Sri Lanka Ports Authority. The project was completed in 2011.

Benefits:

- The Magampura port will help to save nearly three days sailing time for ships. Therefore, it is envisaged that many of the 4,500 oil tankers would anchor in Hambantota for bunkering, ship repairing, and to purchase food, water and medical supplies and logistics. It is expected that at least 20 percent of the shipping traffic mainly the oil tankers would call over at the Hambantota Port.
- Business opportunities - The project will provide local and international business opportunities by creating over 50,000 indirect employment opportunities. Warehousing and offshore services too would create wealth to the Hambantota area. The operation of an LP gas terminal for the first time in the country would create two tiers of pricing and it is expected to receive LP gas at reduced prices due to low taxes and overheads.

The total commitment made from China for the last five year period from 2007 to 2011 was USD 2,126 million. Out of the total commitment made during the last five year period, the highest amount of commitment was made in 2011. It was USD 785 million and it accounted for 37% of the total commitment made during this period...

Colombo – Katunayake Expressway Project

The Colombo –Katunayake Expressway (CKE) is one of the key road projects that the Government of Sri Lanka is implementing to strengthen and expand the country’s road network. Construction of 25.8 km long Colombo – Katunayake Expressway between Colombo city and the Bandaranaike International Airport at Katunayake commenced in 2009 with financial assistance from the Export – Import (EXIM) Bank of China. It links to the national roads at the following four interchanges.



Construction of Nedurupitiya Overpass

Interchange

1. New Kelani Bridge
2. Peliyagoda
3. Ja-ela
4. Katunayake

Connecting Roads

- Colombo – Kandy (A1) Road and Peliyagoda – Puttalam (A3) Road
- Colombo-Kandy (A1) Road and Peliyagoda-Puttalam (A3) Road
- Peliyagoda-Puttalam (A3) Road and Tudella-Pamunugama-Thalahena-Negombo (B425) Road
- Peliyagoda –Puttalam (A3) Road and Airport Access (AB009) Road (Canada Friendship Road)

The Expressway links with the Outer Circular Highway at the Kerawalapitiya Interchange. This Expressway is being constructed as a six lane dual carriageway from the Kelani Bridge to Peliyagoda and a four lane dual carriageway from Peliyagoda to Katunayake for a projected speed of 80 -100km per hour.

The Colombo – Katunayake Expressway will

- reduce the existing travelling time from Colombo to Katunayake from 90 minutes to 20 minutes
- function as an alternative road to the Peliyagoda –Negombo road and will reduce existing congestion on the Peliyagoda –Negombo road
- improve mobility needs of the industrial development areas located in the vicinity and the associated container traffic

Nelum Pokuna Mahinda Rajapaksa Theatre



Outside view of the Theatre



Inside of the Theatre

Nelum Pokuna Mahinda Rajapaksa Theatre is a landmark project in the development of performing arts in the country. It is a fully equipped state of the art performance centre with a seating capacity of 1,288 and other facilities such as foyer, dressing rooms, restaurant and a car park for 350 vehicles at the Nomads Ground. The theatre is built on a land area of 2.17 hectares with five storeys. It covers a space of 14,000 square meters. The theatre consists of two venues for performances which include a main auditorium and an open air theatre on the fifth floor with 350 seats. This international theatre has an electronically movable and changeable screen and advanced technical lighting capabilities and sound systems.

The total cost of the project was USD 18.1 million. The Government of China extended a grant of USD 7.3 million and an interest free loan of USD 10.8 million for the construction of the theatre. This culturally important landmark theatre further strengthens the longstanding friendly ties between the Government of Sri Lanka and the Government of China. The theatre was opened to the public in 2011.

Development Partnership with South Korea

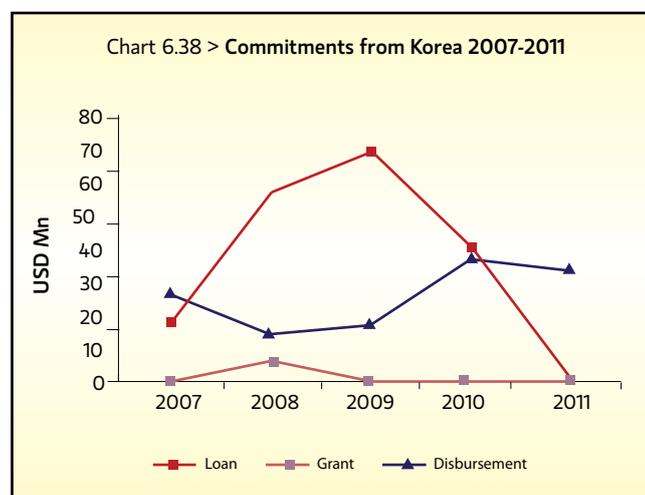
Korea provides development assistance to Sri Lanka by way of grants and loans. Grant assistance is provided through Korean International Cooperation Agency (KOICA) and loan assistance is provided through Economic Development Cooperation Fund (EDCF) of the Export - Import Bank ((EXIM Bank) of Korea.

The total commitment from Korea for the last five year period from 2007 to 2011 was USD 189.6 million of which USD 183.4 million was loan assistance and the balance USD 6.2 million grant assistance. Out of the total commitment made during the last five year period the highest commitment of USD 69 million was made in 2009 for Ruhunupura Water Supply project. The next highest commitment of USD 56.8 million was made in 2008. Out of this amount USD 51.2 million was committed for Improvement of Padeniya - Anuradhapura Road Project. The total disbursement from Korea for the last five year period from 2007 to 2011 was USD 127.3 million. The highest disbursements were recorded in 2010 and 2011. The portfolio of Korean assistance in 2011 was USD 174.3 million. The Korean financing in 2011 was mainly obtained from EDCF for improvement of roads, provision of water supply and upgrading of vocational training institutes. The special feature of the EDCF loans obtained during the last few years, especially in 2009, 2010 and 2011 was that they were obtained at more concessionary interest rates with a longer repayment period compared to the EDCF loans obtained in early 2000. The interest rate for EDCF loans during the last few years was 0.15 percent per annum and

the repayment period was 40 years including a 10 year grace period.

The Government of Korea originally proposed to sign a Framework Arrangement between the two countries in 2008 outlining the total loan funds that could be financed by EDCF within the agreed time period, the terms and procedures involved with the administration of EDCF loan programme to Sri Lanka. Accordingly, the first Framework Arrangement was signed in 2008 allowing the Government to obtain loans from EDCF upto USD 140 million to finance development projects in 2008 and the second Framework Arrangement was signed in 2010 allowing to obtain loans from EDCF upto USD 200 million for the years 2009 - 2012. Out of USD 200 available under the second Framework Arrangement USD 40 million was committed for Hatton-Nuwara Eliya Road Improvement project. In addition, necessary arrangements were made to commit USD 33.5 million for Construction of Solid Waste Disposal Facilities project and USD 26.0 million for Establishment of Colombo Vocational Training Centre and Gampaha College of Technology project in 2011. Accordingly, arrangements were made in 2011 to commit around USD 100 million out USD 200 million available under the Framework Arrangement for 2009 to 2012.

Ministry of Strategy and Finance of the Republic of Korea introduced in 2011 Knowledge Sharing Programme (KSP) in order to share Korea's development experience and thereby promoting socio-economic development of the country. Under this programme, 10 officials representing relevant Government Ministries and affiliated institutions were obtained opportunity to undergo a one week study tour on the areas of promoting export and foreign direct investment and enhancing the competitiveness of SME sector in 2011.



Improvement of Padeniya Anuradhapura Road Project



Road Marking and Sign Board - Start Point of Project



Deck Concreting at Bridge No.74/2 (Ch.10 + 523)

The Government has undertaken a major road improvement project to upgrade the existing roadway between Padeniya and Anuradhapura at cost of USD 70 million as a part of an on-going programme to upgrade the country's road network.

The project includes widening and improvement of 80.8km of the Padeniya-Anuradhapura road with 14.0m width to accommodate two lanes paved with asphalt concrete and with an addition of four lanes in town areas. The project is expected to be completed by March 2012.

Out of the estimated cost, the Korean Government through the Economic Development Cooperation Fund of the Export-Import Bank of Korea has provided USD 55 million on concessional terms.

The direct and indirect effects of the Project includes (a) reduced travel time and vehicle operating costs (b) decreased traffic accidents, (c) improved quality of public transportation services and (d) enhanced regional economic growth by facilitating the movement of passengers and freight between the regions. This road is one of the roads facilitating tourists who are visiting world heritage sites in Anuradhapura, Kandy and Polonnaruwa. It is expected that this project will directly benefit a large number of people living in this area including normal passengers, tourists, traders and other service providers etc.

Development Partnership with India

India provides development assistance to Sri Lanka by way of loans and grants. Loan assistance is provided through Export Import Bank (Exim Bank) of India under Credit Lines and grant assistance is provided directly by the Government of India.

Table 6.20 > **Commitments from India 2007 - 2011 (USD Million)**

	Loan	Grant	Total
2007	-	-	-
2008	200	9.0	209
2009	-	20.0	20
2010	484	-	484
2011	-	9.0	9.0
Total	684.0	38.0	722

Source: Department of External Resources

The total commitments from India for the last five year period between 2007 and 2011 was USD 722 million of which USD 684 million was loan assistance and the balance US\$ 38 million was grant assistance. Out of the total commitments made during the last five year period the highest amount of commitment was made in 2010. It was USD 484 million or 67% of the total commitment made during this period. The next amount of commitment was made in 2008. It was US\$ 209 million or 29% of the total commitment from 2007 to 2011.

Table 6.21 > **Disbursements from India 2007 - 2011 (USD Million)**

	Loan	Grant	Total
2007	14.6	-	14.6
2008	0.5	-	0.5
2009	30.1	17.1	47.2
2010	27.8	-	27.8
2011	208.0	-	208.0
Total	281.0	17.1	298.1

Source: Department of External Resources

The total disbursement from India for the last five year period from 2007 to 2011 was US\$ 298.1 million of which US\$ 281 million was loan funds and the balance US\$ 17.1 million was grant funds. Out of the total disbursement during the last five year period the highest amount of disbursement was recorded in 2011. It was USD 208 million or about 70% of the total disbursement made during the last five year period.

The portfolio of Indian assistance in 2011 was USD 708 million of which USD 680 million was loan assistance. Indian loan financing during these years was mainly obtained for development of railways, power generation, provision of water supply and importation of capital goods from India.

India has substantially increased their loan assistance to Sri Lanka after 2007. Since then it has become one of major development partners to Sri Lanka. The Government was able to obtain two Credit Lines amounting to USD 200 million in 2008 and two Credit Lines amounting to USD 484 million in 2010 from India. The increased Indian assistance has mainly been used to implement railway projects. Out of the total loan assistance of USD 684 million obtained during the last five years from India, USD 584 million or 85% has been used for financing of railway projects, especially for rehabilitation of rail tracks, importation of rolling stocks and modernization of railway signaling system.

The Southern railway track was heavily damaged by the Tsunami. Accordingly, the Government obtained USD 100 million in 2008 and USD 67.4 million in 2010 to upgrade the Southern railway track from Colombo to Matara. In 2010 based on the request made by the Government of Sri Lanka India agreed to provide a concessional credit facility amounting to USD 800 million for railway projects. Of this amount around USD 416 million was committed in 2010 for rehabilitation of railway lines from Madawachchiya to Thalai Mannar and Omanthai to Pallai. In addition, necessary arrangements were made to rehabilitate the railway lines from Pallai to Kankasanturai and modernize signaling and telecommunication system in Northern Railways with the balance funds of USD 382 million. Further, preliminary action was taken to obtain a credit line of USD 60.69 million from the Exim Bank to finance Dabulla Water Supply project Phase 1. In addition, negotiations were going on between the two Governments to obtain a credit line from Exim Bank to finance construction of double lines from Polgahawela to Maho.

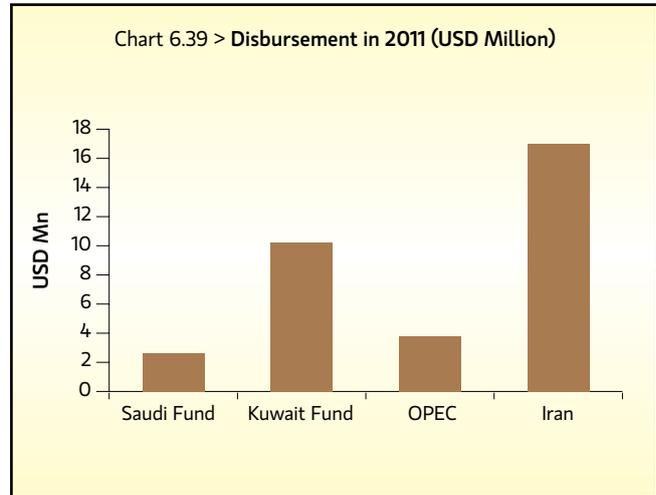
India has significantly increased grant financing as well during the last five years. Out of the total portfolio of Indian financing of USD 708 million in 2011 USD 38 million was grant financing. Grant funds are provided by the Government of India under Special Development Projects and Small Development Projects. Under Special Development Projects India provides grant assistance for large scale development projects. Accordingly, the Government obtained grant funds from India during the last five year period for financing of construction of 1000 pilot houses at a cost of Rs 1,200 million and Dickoya hospital at a cost of Rs.1,200, rehabilitation of KKS harbour at a cost of Rs.2,600 million and Vocational Training Centers at a cost of Rs. 2,669 million.

Under Small Development Projects the Government of India provides maximum Sri Lanka Rupees 300 million for a project. Supply of medical equipment, fishing equipment, roofing sheets, rehabilitation of Palmyra Development Institute, repairs of schools in the Northern Province and rehabilitation of Achuvely Industrial Zone etc. were some of the projects implemented during the last five year period with grant assistance provided by India under Small Development Projects.

Development Partnership with Middle East Region

The Development partners of the Middle East region consist of countries such as Iran, Kuwait, Saudi Arabia and agencies like OPEC Fund for Arab Economic Development. Development assistance from this region has been obtained in the form of concessionary loans and grants. As a result of regular consultation with the government, the development partners of the Middle East region have enhanced their financial assistance for implementation of development projects in the recent past while supporting the country by sharing valuable individual experience in economic, social and infrastructure development. A substantial amount of foreign assistance is obtained from these bilateral and multilateral development partners mainly for development of roads, irrigation, education and health sectors.

A total commitment of USD 10.88 million was made by the Kuwait Fund for Development in 2011 for the South Eastern University phase I-B project. The total commitment for development projects from this region in 2010 was USD 157 million including the Kalu Ganaga Development project. The total cost of the Kalu Ganga Development project is USD 102 million. Of that, USD 37 million has provided by the Kuwait Fund for Arab Economic Development. Of the remains USD 46 million and USD 19 million committed by the Saudi Fund for Development and the OPEC Fund for International Development respectively.

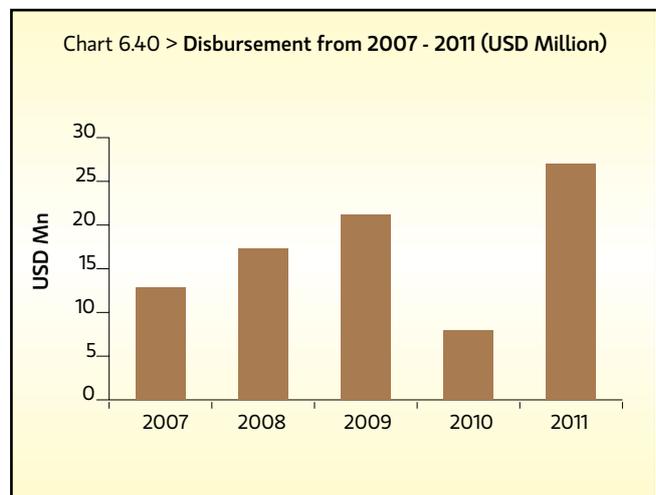


In 2011 USD 27 million was disbursed from the Middle East countries which is USD 20 million higher than the amount disbursed in 2010.

Table 6.22 > Commitments from Middle East Region from 2007 to 2011 (USD Million)

Year	Amount
2007	6.9
2008	4.9
2009	34.09
2010	153.46
2011	10.88
Total	210.23

Source: Department of External Resources



South Eastern University of Sri Lanka

The Kuwait Fund has provided USD7 million for the project and construction work has been completed on a hostel complex, Faculty of IT, Faculty of Islamic Studies, staff quarts, student centre, play ground and pavilion, and health centre.

Further as extension of phase I-A Kuwait Fund has provided USD 10.5 million for phase 1 –B in 2011. The phase 1-B of the project develops essential academic infrastructure and introduces new demand driven degree programmes at the South Eastern University of Sri Lanka in Ampara District to reflect regional and national needs

of the country and thereby support the social and economic development of Sri Lanka. The Loan Agreement was signed in 2011. The project is planned for completion by end of 2014.



Student hostel complex

Uma Oya Multipurpose Development Project

The Uma Oya Multipurpose Development Project is the largest ever project to be implemented in Sri Lanka after the Mahaweli Development Project. The total cost of the Uma Oya Multi Purpose Project is expected to be not exceeding USD 548.15 million and the Government of the Islamic Republic of Iran provides USD 450 million through the Export Development Bank of Iran (EDBI) for Project and the remainder is provided by the Government of Sri Lanka.



The Uma Oya Multipurpose Development Project includes construction of two dams across two main tributaries of the Uma Oya at Pohulpola and Dyraraba and a tunnel of 23 km long and 3.29 metres in diameter, with an underground power station. Water diverted to the Kirindi Oya basin will augment the 1500 ha of existing irrigable land and 4500 ha of new lands. This scheme will divert 145 MCM of water annually to the Kirindi Oya basin and generate 231 GWh of electrical energy through the power station having an installed capacity of 120 MW.

It is expected to irrigate 25,000 acres of paddy lands in Uva Wellassa and Ruhuna for both Yala and Maha seasons. It is planned to cultivate 12,000 acre new land with paddy. Further, this project will provide water to the Hambantota Port, Weerawila International Airport and Hambantota Industrial Zone. The entire project aims to solve the drinking water problems in Uva, Wellassa and Ruhuna and also to supply water for the Lunugamwehera Reservoir.

Through the expected outcomes of the project such as providing irrigated water for the 6000 ha, drinking water to the Uva and Wellassa, and electric power will generate employment and other economic activities from the project. Those economic inflows will generate cash flow which will be able to repay the loan.

Development Partnership with Australia

Sri Lanka obtains grant assistance from the Australian Government through AusAID and loan assistance from Commercial Banks in Australia and the Export Credit Insurance Corporation of Australia (EFIC) through the Australian Trade Commission.

Australia's grant aid programme increased significantly during the last five year period from 2007 to 2011 especially, after the defeating the terrorism in 2009. Since 1st July 2009 assistance of Australian Dollars 112 million has been obtained for mainly for humanitarian, Basic Education Support, Community Rehabilitation and Water Supply and Sanitation Programmes.

Apart from that, arrangements have been made to obtain USD 2.0 million for provision of water supply to approximately 3000 families in 12 villages in the Mannar and Trincomalee districts and USD 33 million for Education Sector Development during 2011. In considering the request made by the Government, the Government of Australia provided 18 scholarships in 2010 and 29 scholarships in 2011 to Government officials and young professionals to follow master degree programme in Australian universities to enhance the human resources capacity in key sectors.

In addition to the above, loan assistance was obtained during the last five year period from commercial banks through the Export Finance Insurance Corporation (EFIC) of Australia. Accordingly, loans of USD 16.1 million from HSBC Bank, UK and USD 105 million from Australia & New Zealand Investment Bank through EFIC, Australia were obtained in 2008 and 2010 for the Supply and Installation of 5,000 Solar Powered Drip Irrigation units Project and the Integrated Water Supply Scheme for the Unserved Areas of Ampara District Project Phase III respectively. In addition, arrangements were made to obtain a loan of USD 10.5 million from Co-op Centrale Raiffeisen-Boerenleenbank, Netherlands through EFIC Australia for importation of dairy animals from Australia in 2011.

Development Partnership with Pakistan

Sri Lanka obtains foreign financing from the Government of Pakistan by way of loans and grants. The Government of Pakistan provided a grant to improve infrastructure facilities at the Babusalam Maha Vidyalaya, Gampaha in 2011. In addition, the Government initiated discussions with the Pakistan Government to obtain an export facility of USD 200 million to import cattle, machinery and capital equipment from Pakistan.

Development Partnership with Malaysia

The Government of Malaysia commenced extending development assistance to Sri Lanka during the last five years. The Government obtained an interest free loan of USD 2 million from the Government of Malaysia in 2007 to introduce a Disaster Recovery Backup System for Passport Printing and Personalization System. It was the first loan from the Government of Malaysia. Then again USD 4.0 million loan was obtained from the Government of Malaysia in 2011 for supply of 50 units of Terminal Tractors to the Sri Lanka Port Authority.

Development Partnership with Western Countries

The composition and the form of foreign finance obtained from Western countries and lending agencies has been changed with the graduation of Sri Lanka to a middle income economy. With the reduction of concessional financing or soft loans with low interest rates, the development assistance obtained from these countries and agencies include a blend of nonconcessional and concessional funds and export credit facilities. The foreign financing borrowed under Export Credit facilities have generally been invested in commercially viable projects which can generate sufficient economic benefits or revenue flows to facilitate loan repayment. Accordingly, most of the commercial borrowings from western countries have been utilized to complete urgent and prioritized development projects such as increased access to safe drinking water, expanding rural electrification, construction of bridges, provision of waste water treatment plants etc.

Commercial Loans

Commercial loan facilities are obtained mainly from HSBC Bank, Nordea Bank, US EXIM Bank etc. taking into consideration the strategic importance of the proposed project in terms of the socio economic development and value of the expected technological transfer and other relevant factors.

Under the Regional Bridges Project Phase - I which was implemented with financial assistance of HSBC, five (5) flyovers have been constructed in selected locations including Nugegoda, Dehiwala, Kelaniya (2) and Sangupitiya in Jaffna to ease the traffic congestion on the National Road Network. Altogether, under this project 104 bridges were constructed by the Road Development Authority (RDA) under the supervision of the Ministry of Ports and Highways. In addition, 210 rural bridges are proposed to be

built with financial assistance from HSBC. This project will be implemented by the Ministry of Economic Development. These projects have been designed according to the Road Sector Master Plan and in line with the national infrastructure development programme as per the Mahinda Chinthana. Negotiations have been completed with HSBC to obtain another GBP 45 million for reconstruction of 104 bridges which are more than 75 years old and in structurally weak condition under the Regional Bridges Phase - II project. Most of the financial assistance obtained from Austria belongs

to the category of Zero Interest Export Credit. Raiffesen Bank and Unicredit Bank provide zero interest loans for small development projects in which the total estimated cost is less than Euro 10 million. These two banks charge a nominal amount of commitment fee and management fee which is less than one percent for the loan amounts extended. The Government of Austria facilitates these export credits by providing grant assistance to cover the 40 percent of guarantee charges of the loan.

Technology Transfer

Technology transfer could be another decisive factor in obtaining export credit facilities. German technological knowhow is famous for its green energy and energy saving capabilities. It is expected a high level of technology transfer through the proposed Rehabilitation of the Ambatale Water Treatment Plant for energy saving purposes. Implementation of this project by NWS&DB will commence in mid 2012 with Euro 26.3 million Export credit facilities to be obtained from the KFW Bank of Germany and Euro 4.4 million from the DFCC Bank.

Ambatale water pumping station is the main supplier of potable water to Colombo City. This is considered as a high priority project as equipment is obsolete, too expensive to repair and consumes twice the electrical energy due to age.

Savings of electrical energy expected from the new equipment to be installed by this project is in the range of 20 million USD. in 20 years of operation. Payback period of the investment in Ambatale pumping station is less than 4.5 years. Further, this project was accepted and fully approved by Ministry of Environment and Natural Resources as Clean Development Mechanism Project (CDM). Very conservatively calculated emission saving of Carbon Dioxide is about 22,000 (twenty two thousand) tons per year.

Virtues and advantages of this project will come not only in terms of improving the quality of water supply to City of Colombo but also in terms of international recognition of Sri Lanka for investing in Clean Development Mechanisms to reduce global warming.

A number of important projects belonging to health, water and railway transport sectors were implemented with Zero Interest Loans from Austria. These projects include (a) Rehabilitation of the Eastern Railway Line from Batticaloa to Valachchenai, (b) Kirindi Oya Water Supply Scheme and (c) Rehabilitation of Old Laxapana power plant.

Further, it is expected to obtain Euro 6.2 million for the Reconstruction of 10 Railway Bridges situated in Fort, Peradeniya, Getambe, Unawatuna, 3 bridges in Jaffna and 3 turning tables in Galle, Maho, and Dematagoda destination points. The Ministry of Finance & Planning has initiated negotiations to obtain loan assistance for the reconstruction of Kelaniya Railway Bridge which requires urgent reconstruction.

The Government of France also provides soft loans under RPE financing: the soft loan window. A financial protocol was signed in December 2011 with the Government of France to obtain Euro 22 million for widening and reconstruction of 46 bridges on the national road network.

Table 6.23 > **Total Commitments in 2011**

Development Partner	Name of the Project	Amount (USD Million)
Nordea Bank Sweden	Rural Electrification IV - extension	54
Fortis Bank Belgium	Kolonna - Balangoda Water Supply	13.5
People's Bank	Kolonna - Balangoda Water Supply	14
USAID	Promoting Private Sector Growth - Grant	7.5
	Social Integration - Grant	7.5
AFD France	Jaffna - Killinochchi Water Supply	4.5
Total		141.5

Source: Department of External Resources

Credit facilities obtained from Belgium financial institutions qualify for Belgium government sponsored subsidies. Kolonna - Balangoda Water Supply Project is being implemented by the NWS&DB with financial assistance received from Belgium export credits. The special feature of this project is that 51 percent of the total project cost, i.e. B Euro 10.8 million was obtained from the People's Bank which marked the initiation of financing from local banks for development activities of the country.

Further, it is expected to obtain financial assistance from Belgium for the reconstruction of 6 Railway bridges namely; Wellawatta, Dehiwala, Angulana, Nawathkuli, Polgahawela and Narahenpita.

Several development projects are currently being implemented with export credit facilities which are subsidized by the respective governments. These subsidies cover either interest or guarantee premiums.

Table 6.24 > **Expected Commitments –2012**

Development Partner	Project	Amount (USD Million)
France	Widening and Reconstruction Bridges on National Road Network	28
Netherlands	Development of District General Hospitals - Hambantota	61
Netherlands	Development of District General Hospital - Nuwara Eliya	52
German-KfW	Mahamodara Maternity Hospital	36
US Exim	Badulla Haliela Water Supply Project	64
German-KfW	Energy Conservation Project at Ambatale Water Treatment Project	39
Spain	Veyangoda Flyover	14.2
HSBC-UK	Rural Bridges (210)	55
HSBC-UK	Regional Bridges Phase -II	71
Germany	GIZ grants	14.2
Total		434.4

Source: Department of External Resources

Development Partnership with United Nations Agencies

Sri Lanka has built a productive relationship with the agencies coming under the umbrella of United Nations such as International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), United Nations Children's Fund (UNICEF), World Health Organization (WHO), World Food Programme (WFP), United Nations Population Fund (UNFPA), United Nations High Commissioner for Refugees (UNHCR), UN Habitat and International Labour Organization (ILO). UN assistance to Sri Lanka comes mainly in the form of grants. However, the foreign financing provided by the IFAD is extended through concessionary loans. The total financing obtained from IFAD and other UN agencies during the last five year period was USD 91.55 million and USD 655.14 million respectively.

In every five year period UN Agencies and the Government of Sri Lanka jointly conclude a pipeline and prepare the United Nations Development Assistance Framework (UNDAF) based on the priorities highlighted in the development policy framework of the government. Accordingly, the UNDAF 2008 - 2012 which was signed between GOSL and UN agencies in 2007 has allocated USD 434 million for development activities in Sri Lanka.

In 2011, almost 300,000 families were displaced due to the exceptionally heavy rains in the areas of North Western and Eastern Provinces. In this grave situation, the Sri Lankan Government sought assistance from UN agencies mainly from WFP, FAO, UNICEF, WHO, UNOPS and UNFPA to assist those families. For instance, WFP provided 1,267 metric tons of mixed food to 500,000 beneficiaries and 16,500 mothers and young children were assisted with fortified foods to help avoid the deterioration of their nutritional level. In addition, FAO played vital role in increasing the production of paddy, vegetables and other food crops by way of providing seed paddy and home garden packages for 40,000 families, and other food crops for 24,000 families and repair to minor irrigation tanks. This helped to reduce the market price of vegetables and other crops. The Government of Sri Lanka also obtained assistance from UNICEF for school equipment such as 19,000 learner kits, 414 blackboards, 257 recreation kits and USD 7,000 for school cleaning.

Commitments in 2011

Based on the UNDAF 2008 - 2012, priority projects and programmes were identified for implementation in the fields of agriculture, education, environment, disaster relief,

water, rural and livelihood development. Agreements for the following key projects were signed between the GOSL and UN agencies in 2011. The commitments made by WFP in 2011 was USD 48.9 million and it represents the largest share (71.77 percent) of total commitments from all UN agencies.

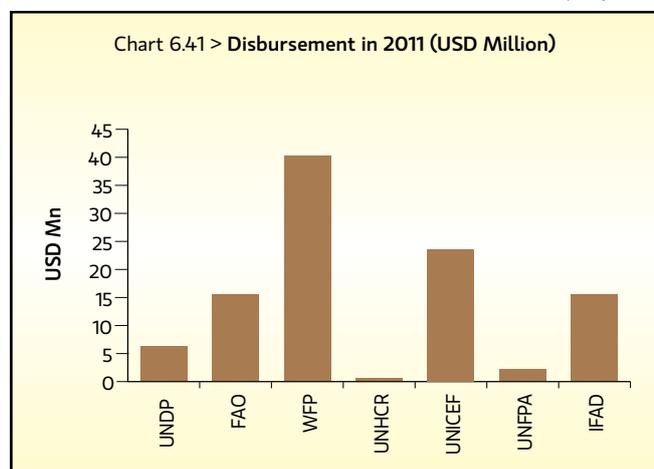
Table 6.25 > **Commitments in 2011**

Agency	Name of the Project	Amount (USD Million)
FAO	Urgent Provision of Essential Agricultural Inputs for IDPs in North	5.0
	Northern Integrated Agricultural Recovery and Growth	4.0
	Sustainable Land Management and Climate Change Adaptation in South Asia (Regional Project)	0.5
	Emergency agriculture assistance to IDPs in Northern Province	0.1
UNHCR	Assistance return and reintegration of IDP's in Sri Lanka	0.83
WFP	Protected Relief and Recovery Operation	40.0
	Emergency Operation	8.9
UNIDO	Country Programme of Technical Cooperation	8.8

Source: Department of External Resources

Disbursements in 2011

As shown in the following chart, the disbursements made by WFP and UNICEF in 2011 were USD 40.14 million and USD 23.5 million respectively. The highest disbursement (38.86 percent of total disbursement) was recorded from WFP assisted projects while the second highest (22.75 percent) disbursements was recorded from UNICEF assisted projects.



Completed Projects in 2011

The following projects in the fields of fisheries, livestock, environment, and livelihood development were completed in 2011.

Table 6.26 > **Completed Projects in 2011**

Agency	Name of the Project	Amount (USD Million)
FAO	Restoration and Improvement of Fish Landing Centers with Stakeholder Participation in Sri Lanka	4.7
	Dairy Cattle and Buffalo Improvement	0.3
	Aquaculture Development in the Southern province	0.4
UNDP	Preparation of HCFC Phase out Management Plan	0.1
	Second National Communication on Climate Change	0.4
WFP	Protected Relief and Recovery Operation	40.0

Source: Department of External Resources

Restoration and Improvement of Fish Landing Centers with Stakeholder Participation in Management

“Restoration and Improvement of Fish Landing Centers with Stakeholder Participation and Management” Project was one of the main projects funded by the FAO and the project focused on reconstruction and development of the marine fisheries sector.

The key achievements of this project include rehabilitation of 40 fish landing centres in 13 coastal districts covering those in the Northern and Eastern part of the country; building the new fisheries office in Mullaitivu and capacity building.

A total of USD 4.9 million grant was provided by the Canadian International Development Agency (CIDA) through FAO for this project and the project was completed at the end of September 2011 achieving desired objectives.

South- South Cooperation Programme

The Government has implemented the South South Cooperation programme in collaboration with UNDP to improve the capacity of Government officials. It assists public officials to participate in overseas training programmes

Volunteerism

Volunteerism is a beautiful thought and it is an expression of the individual's involvement in the community. To improve the thoughts, mind set and involvement of those volunteers, United Nations Volunteer (UNV) Programme in Sri Lanka has made a vital role in ascertaining the most valuable volunteers in all part of Sri Lanka through the participation of the community. Accordingly, 13 volunteers who were involving in volunteerism in various fields were selected by UNV and Dr. Sinniah Devananthan who has committed his valuable time and life for the improvement of children who have been affected by autism was selected as the best volunteer for year 2011 among them.

by way of providing airfare. In addition, the South South Cooperation programme helps Government agencies to acquire technical knowhow of international experts.

Accordingly, 11 Government officials were sent to South countries for short term training programmes in the areas of e-government, environment and clean technologies in 2011. In addition, the Ministry of Traditional Industries & Small Enterprises Development has been provided assistance under this programme to obtain the services of two Indian natural fibre technologists to improve the knowledge and skills of Sri Lankan farmers on Banana fibre processing and development of a value added product which can be help to develop the banana fibre industry in Sri Lanka.

United Nations Volunteers (UNV) Sri Lanka

The United Nations Volunteers (UNV) has been an active partner in the development of Sri Lanka for more than 35 years. In 2011, about 50 international and national UN volunteers served in many and diverse development areas such as disaster risk management, project management, knowledge management, community services, programme development, social mobilization, education and health. Additionally, the UNV has played a key role in creating opportunities for Sri Lankans to serve both locally and internationally as Un Volunteers. Over 40 Sri Lankans were engaged as Overseas UN Volunteers in 2011. Apart from providing employment opportunities, the programme helped to expose the volunteers to other cultures, while providing the opportunity to share knowledge and experience and the application of that knowledge back in the Sri Lankan context.

Projects / Programmes to be Implemented

Food Donation from the Government of Sri Lanka to the Famine Stricken People in Somalia and Eastern Africa

GOSL has obtained assistance from World Food Programme (WFP) to enhance the nutritional status of internally displaced people in war affected areas. Because

of the exclusive rehabilitation programmes launched by the government, the resettlement process had made a commendable progress. As a result, Sri Lanka does not have internally displaced people in war affected areas.

Currently Sri Lanka has surplus of local paddy harvest and it is expected to generate surpluses in future seasons too. Accordingly GOSL is in the process of providing assistance to people who are affected by famine and drought in Somalia and Eastern Africa through WFP's food aid efforts.

International Fund for Agricultural Development

The International Fund for Agricultural Development (IFAD) is one of the prominent development partners of Sri Lanka since 1978. IFAD has been a strong partner in Sri Lanka with a total financial assistance of about USD 400 million in poverty reduction projects in rural areas of the country benefiting some 550,000 rural households.

IFAD financed projects and programmes in Sri Lanka have focused on assisting the improvement of the productivity and livelihoods of poor rural people in three geographical zones namely the dry zone where the incidence of poverty tends to be the highest, plantations and surrounding villages and coastal areas.

The development partnership approaches of IFAD have evolved over time in line with the objectives of the government development programmes in rural development and poverty reduction. IFAD funded projects have been basically implemented with community participation and community-based development, bottom-up planning, microenterprise development, Non Governmental Organization (NGO) involvement, public private partnerships (PPPs) and decentralization.

When IFAD started its development assistance in the country in the late 1970's and early 1980's, the government supported the Integrated Rural Development Project (IRDP) approach. Nearly all rural areas, which then were around

80 percent of the total population, demanded integrated development ranging from road improvement, irrigation, drinking water supply and public utilities. The government development programmes at that time were mainly focusing on service delivery as people's participation could achieve physical and financial targets of projects. The Kirindi Oya Irrigation Settlement Project (1978-1985), Anuradhapura Dry Zone Agriculture Development Project (1981-1988), Badulla Rural Development Project (1983-1993) and Kegalle Rural Development Project (1986-1995) were examples of this approach. These projects helped substantially the efforts of the government in integrated rural development.

A collaborative approach with the poor was the focus to emphasize improved pro-poor targeting and monitor the participation of the poor people in the 1990's. The Second Badulla IRDP Project (1992-2002) used NGOs extensively in identifying poor households through pro-poor participatory planning and implementation. The North Western Province Dry Zone Participatory Development Project (1993-2000) took a step further through the participation of NGOs, community organizations and the private sector for planning and implementing project activities. The North Central Province Participatory Rural Development Project (1996-2003) took the same shape with another step forward through mobilizing microcredit. The project supported village community organizations and small groups with seed capital and training to use microcredit.

The positive experience of the previous projects helped a lot to design the Matale Regional Economic Advancement Project (1999-2007) for participation of the private and NGO sectors extensively to help poor people. The decentralization in project management was introduced in the Dry Zone Livelihood Support and Partnership Programme (2005-2012) and the Post-Tsunami Coastal Rehabilitation and Resource Management Programme (2006-2013). These programmes are meant to increase the income level and thereby improve the living conditions of poor households in some selected districts in the dry zone of the country and to assist tsunami affected communities to recover their physical and financial assets and re-establish their economic activities respectively.

Incorporating with the development priorities of the government, IFAD started supporting the estate sector which contains the highest number of poverty-stricken people, with the Smallholder Plantation Entrepreneurship Development Programme (2007-2014). This has supported the government development programme to improve livelihoods in the estate sector. The programme intends to improve the tea and rubber sectors so as to reduce poverty in these areas.

As the government encourages public private partnerships and private sector participation in development activities, the National Agribusiness Development Programme (2010-2015) adopts the value chain development approach getting the private sector fully integrated in project implementation. This approach is to engage private agribusiness companies and Community Based Organizations to work in partnership with small producers in the development of agribusiness value chains.

The agriculture sector contributes a major share to the economy of the Northern Province in Sri Lanka and therefore the irrigation sector plays a vital role in this Province. After the disturbing situation prevailing in the Northern Province ended, IFAD has come forward to provide financial assistance to implement the Iranamadu Irrigation Development Project in Kilinochchi in response to a request made by the Government in 2011. Since satisfactory maintenance in the Iranamadu irrigation scheme could not be carried out over the last two decades, it is now functioning well below its potential level and at a high risk of failure. Under this project, it is expected to rehabilitate irrigation infrastructure and to improve the agriculture production and marketing in Kilinochchi.

Human Resources Development in the Public Sector

Social Capacity

Continuous development of human resources in the public sector is vital for efficient delivery of public services. With increased per capita income and living standards, the people are now expecting higher standard in relation to services they are receiving through the public service. Also, capacity building of government officials is important for productive decision making and carrying out a wide range of development tasks.

Mobilization of foreign training opportunities from various Development Partners and distributing available opportunities among line ministries, departments, provincial councils and other government agencies is one of the main responsibilities of the Department of External Resources (ERD) of the Ministry of Finance and Planning. ERD currently distributes the foreign training slots among relevant government agencies as per their requirements and relevancy by circulating the schedule of available training opportunities. A regularly updated database is managed at the ERD to improve the efficiency, transparency and accountability of the foreign training management process.

From where have we obtained foreign training opportunities?

Development Partners such as Japan, Korea, China, Commonwealth Secretariat, Colombo Plan Secretariat, Australia, Thailand, Singapore, Asian Development Bank, India, Pakistan, and Malaysia and some other countries annually provide a large number of foreign training opportunities including short term programmes, long term programmes, workshops, seminars, conferences as well as providing services of volunteers and experts. In 2011, attempts made by Sri Lanka succeeded in attracting some new development partners such as Brazil to provide foreign training opportunities to Sri Lanka.

Sri Lanka annually receives around 600 foreign training opportunities from more than 15 development partners. The training opportunities secured in 2011 have been increased compared with the previous years. Accordingly, a total of 723 foreign training opportunities were received In 2011 and out of them 53 have been long term programmes and the remaining 670 were short term programmes. The majority of training opportunities (24%) have been provided by the Government of Japan, mainly through the Japan International Cooperation Agency (JICA). The Japanese courses included 156 short term programmes and 18 long term programmes. The Government of Korea, through the Korean International Cooperation Agency (KOICA) had provided 99 short term programmes and 8 long term programmes. This represents about 15 percent of total training opportunities available to Sri Lanka in 2011. The Peoples Republic of China has provided 87 short term programmes and 4 long term programmes (about 13

percent of the total training opportunities) while the Asian Development Bank and the Government of Singapore offered a significant number of training programmes in 2011 representing about 10 percent and 9 percent respectively of the total training received.

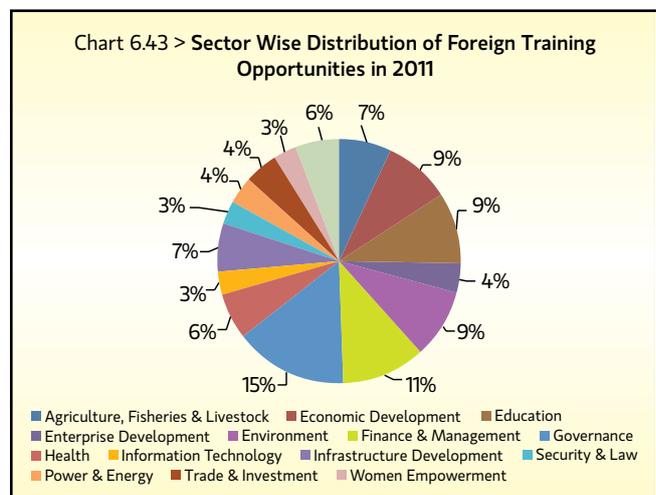
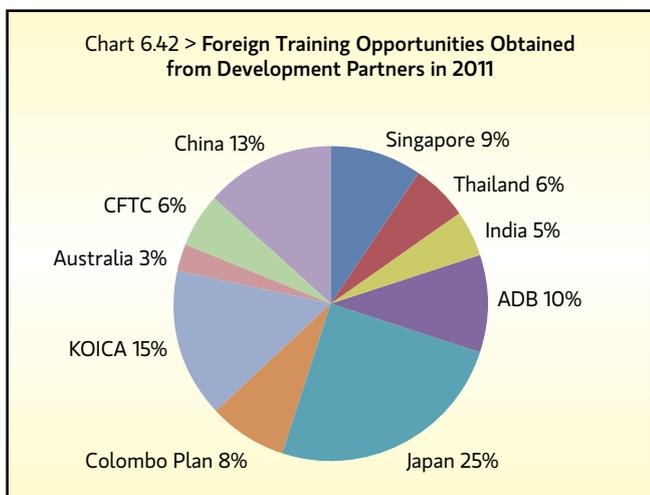
Which areas have been covered by the foreign training programmes?

The short term programmes provided by the Government of Japan were in the fields of agriculture, power and energy, environment, livestock, health, governance and transport while the long term programmes were in the fields of public policy, public administration, macroeconomics, and development economics. The ERD has successfully negotiated with the Government of Japan to design the training programmes in accordance with priority development areas of the government.

In terms of other Development Partners, the Government of Korea has provided country based group training programmes mainly in the fields of economic development strategies, Sri Lanka Port Management and Maritime Safety, Local Public Sector Development, and Capacity Building for educators and the Teachers in the Technical Colleges.

The Government of China which is the third provider of training opportunities to Sri Lanka has provided training mainly in the fields of agriculture, transportation, security and law and economic development.

In terms of the overall achievement in relation to the period from 2005 to 2010, a large number of foreign training opportunities have been provided for improvement of the



agriculture, fisheries, and livestock sectors. In contrast, the number of training in governance has surpassed the number of training in agriculture, fisheries and livestock in 2011. About 15%, 11%, 9%, 9% of the total foreign training opportunities in 2011 have been utilized to improve the skills of public officials in governance, finance and management, education and environment sectors respectively.

About 8 percent of the training opportunities in 2011 were received for economic development. The remainder of the foreign training opportunities were utilized for the development of the agriculture, fisheries, livestock, infrastructure, health, trade and investment etc.

What were the other services obtained from Development Partners?

Services of Volunteers and experts also play a vital role in improving the human resource and other development of the country. As usual, Sri Lanka receives services of volunteers and experts from Japan, Korea and United Nations agencies. Since 1990 until 2011, Sri Lanka has obtained around 750, and 800, from Korea and Japan respectively. Last year Sri Lanka has obtained 26, 24, 8 volunteers from Korea, Japan and UN agencies respectively.

Remodling of Bamabarakele National School

Bamabarakele National Primary Tamil School is situated in Nuwara Eliya District with 7 teachers and 83 students and poor facilities. In 2011, this school was remodeled by 40 Korean Volunteers within five days time as a children friendly modern school with modern equipment including computers, musical instruments such as Piano, furnitures and beautiful children park and other facilities.



What has to be done?

- To circulate updated information on the foreign training programmes among line Ministries towards end of each year enabling them to allocate each programme to the apposite officer, avoiding delays. Meetings are also being conducted with the line Ministries to create awareness about the future programmes and to prepare their officials for these programmes.
- To invite participants who have already participated in the foreign training programmes through ERD during last two years to make presentation on their trainings to make aware others in this fields and to improve the future programmes.
- Negotiate with the existing Development Partners to increase the number of training programmes and number of trainees.
- To attract more Development Partners from Europe, North America and Latin America to improve the quality and the quantity of the training program particularly Masters and P.hd Programmes and short term training programmes.
- To attract more volunteers from native English speaking countries to improve the knowledge of English of Sri Lankan government officials, students of schools, Technical Colleges and Universities. Negotiations are being undertaken to obtain the services of volunteers from Australia.
- To negotiate with the development partners particularly with the Commonwealth Secretariat, South South Cooperation and Asian Development Bank to utilize the knowledge and skills and knowledge of Sri Lankan experts in other countries.

07

STATE OWNED BUSINESS ENTERPRISES (SOBES)

7.1 Overview

The State Owned Business Enterprises play a dominant role in banking, insurance, power & energy, water, ports, aviation, commuter transport, media, lottery, pharmaceutical and fertilizer. Although the market share is small, a large number of SOBEs also operates in hotels,

hospitals, construction, trading and manufacturing sectors as well. Most of them, such as Sri Lanka Transport Board (commuter transport), Lak Sathosa (trading) play a strategic role in the respective services to provide fair competition to the private sector.

Table 7.1 > **A summary of SOBEs**

Sector	No	Status/ Scale	Focus
Commercial Banking	2	Large	Strategic/ Commercial
Housing Banking	2	Medium	Development/ Promotional
Development Banking	2	Medium	Rural Development
Savings Banking	1	Large	Strategic
	1	Small	Promotional
Insurance	1	Large	Commercial
	3	Medium	Commercial
Electricity	1	Large	Strategic/ Commercial/Development
Petroleum	1	Large	Strategic/ Commercial
Port	1	Large	Strategic/ Commercial
Water Supply	1	Large	Strategic/ Commercial/Development
Aviation	1	Large	Strategic/ Commercial
	2	Medium	Commercial
Transport	1	Large	Strategic
Health and Education	4	Small	Semi-Commercial
Pharmaceutical	1	Large	Strategic/ Commercial
	1	Medium	Strategic Involvement
Construction	3	Large	Strategic Involvement
Agriculture and Fisheries	11	Small	Commercial
Media	3	Medium	Strategic Commercial
Lottery	2	Medium	Commercial
Trading	3	Medium/Small	Strategic/Commercial
	9	Small	Commercial
Manufacturing	1	Large	Commercial
	2	Medium	Commercial
	9	Small	Commercial
Other	5	Small	Commercial
	74		

Source: Department of Public Enterprises

Most SOBEs compete with the private sector except those in petroleum (refinery), power, water, lotteries, aviation (Airport) and minerals. Out of the 74 SOBEs, 27 are enterprises engaged in residual businesses left with the state after privatization of major activities prior to 2005.

The SOBEs have been established under separate statutes or under the Companies Act. They all operate under government supervision, on finance and management, in terms of the Finance Act No 38 of 1971, and Constitutional provisions. These SOBEs are subject to National Audit and are fully accountable to the Parliament. However, performance of most of the SOBEs continues to reflect operational deficiencies such as:

- a) a limited capacity to adjust output prices to reflect market conditions and profitability
- b) inadequate competencies in corporate management
- c) rigid outlook in addressing structural deficiencies in the organization to position them in the middle income country policy framework
- d) inability to separate the business focus from welfare objectives and development
- e) lack of proper business models with a long term vision
- f) contradictions in socio political considerations versus commercial business objectives
- g) over reliance on the national budget and concessionary foreign funds to improve their balance sheets, without making an effort to raise capital on the strength of their own balance sheets through improvements in commercial viability

Governance Issues

The Committee on Public Enterprises (COPE) of the seventh Parliament having examined the performance of 229 state entities including all SOBEs identified the following issues to have undermined the desired performance of entities:

- a) Non compliance with statutory obligations
- b) Lack of capacity of the Chairmen and Boards of Management
- c) Absence of corporate/ business plans, annual budgets, and procurement plans
- d) Non submission of annual reports
- e) Not responding to audit queries and COPE recommendations
- f) Procurement violations
- g) Financial misappropriation

- h) Unsatisfactory recovery of debts and receivables
- i) Inadequate Treasury control and supervision

It has been observed that Chairmen and the Boards of Management of SOBEs and other entities, do not adequately contribute to the performance of the entity and remain ignorant of their responsibilities despite the Treasury taking steps to keep the boards aware of their responsibilities through either review meetings or the issuance of guidelines¹. Undermining good governance practices, some entities take important decisions specifically in the absence of the Treasury representative or not in proper consultation with the line Ministry and the Treasury. Despite circular instructions, in some instances Board sub committees, particularly the audit and management committees which are useful in ensuring best practices in corporate governance have not functioned properly or have not been appointed at all. This has marked a clear deterioration of the internal control systems of the SOBEs.

The COPE has observed that the performance and the sustainability of the SOBEs have been jeopardized due to the non existence of commercially viable strategic plans. It has also been found that many SOBEs have undertaken activities outside their mandate. At the same time, the processes and the systems existing in the SOBEs do not complement the commercial environment in which they operate nor the corporate plans that have been drawn up. Issues in governance practices and deficiencies in respect of procurement of goods and services by SOBEs have also been highlighted by the Auditor General.

Structural Weaknesses

It has also been observed that SOBEs lack human resource policies that addresses issues of recruitment of personnel, promotions, training, succession plans etc. Some SOBEs have resorted to recruiting and promoting personnel, revising salaries and introducing and implementing allowances without following the relevant circular instructions and guidelines. This not only creates anomalies in the wage structures of the SOBE but affects the entire country adversely. This also resulted in the existence of either excess employees or a lack of employees with core skills or even both. The lack of a formal human resource policy leads not only to staffs that are lacking the necessary skills and capacity but also results in de-motivating the staff, all of which has a detrimental effect on improving the productivity of the entity. Although Parliamentarians,

¹"Public Enterprises Guidelines on good governance" issued in 2003 and "A Guide –Chairmen and Board of Directors of Public Enterprises" issued in October 2010

Table 7.2 > **Priority Investments in selected SOBEs**

Power Generation	Renewable energy including accelerated implementation of mini hydro projects through investments, replacement of high cost thermal power projects, and establishment of more non fuel power generation plants to meet the power demand during 2015-2020.
Water Supply	Accelerated investments to reduce non revenue water to around 18 percent by 2015 and private investments in industrial and waste water supplies.
Ports	PPP in promoting industrial ports and providing associated private investments facilitating external trade and make profitable port operations.
Airlines	Rationalize route network to establish a strong market presence in Asia Pacific and the Middle East in addition to continuing in key European destinations.
Airport	Accelerated completion of second international airport at Mattala and the second terminal at BIA and the provision of associated airport based services attracting private sector investments.
CPC Refinery	Investments to upgrade and expand the capacity of the refinery to improve commercial prospects.
Pharmaceuticals	Accelerated investments to increase the production capacity of the SPMC while attracting private investments both manufacturing of pharmaceutical products and medical equipment to replace imports.
Ayurvedic Products	Investments in research and development and work closely with indigenous health care industry to promote investments.
Minerals	Investments to increase the production capacity of Lanka Mineral Sands Ltd, while attracting private investments for high end value added products using Ilmenite, Phosphate and Graphite.
Transport	Investments to upgrade the quality of commuter transport through effective cost management programs to consolidate lead role in the market.
Construction	Should exploit the opportunity to undertake construction and consultancies in international markets through strategic alliances with the private sector.
Lottery	Invest in exploiting new lottery products with better marketing strategies.
Livestock	Accelerated investments to enhance the capacity of the farms to produce adequate supply of milk and other associated products, facilitating the production of powdered milk, liquid milk, yoghurt etc, and complementing private sector development.
Trading	Invest in enhancing the capacity of Lak Sathosa linking with the farmers/ producers specially small and medium size farmers and become a catalyst in retail trade and become a benchmark in household grocery business.
State Commercial Banks	Perform banking business to regain its market share and participate strongly in international banking as well as in promoting SMEs for exports.
Rural Banks	Become catalyst in rural, micro and SME business through reorienting the business model with its rural network.
Savings Banks	Develop medium to long term savings instruments to promote savings.
Insurance	To introduce new products to cater to associated activities that will emerge with the improvement in ports, aviation, commerce, trade and services. Also introduce innovative instruments to facilitate the SME sector that lacks adequate collateral.

Compiled by Department of Public Enterprises and Department of National Planning

Ministers, Government employees and employees in many state entities have become liable to pay taxes, certain SOBEs including State Banks still bear the tax burden on behalf of their employees at a cost in excess over Rs.1 billion contrary to the instructions given by COPE.

Most SOBEs commonly rely on Treasury funding not only to meet their operational expenditure but also for investments, as their business operations have often failed to generate profits or adequate returns. This remains a major concern in public financial management and economic performance. While there is a considerable scope to raise capital for development work, some SOBEs still rely on funding from development partners through the national budget. The scope for raising capital for infrastructure through private sector participation is strong only in enterprises such as Sri Lanka Ports Authority, which has been successful in engaging the private sector.

Investment Priorities

Considering the strategic development role played by the SOBEs', this report has recognized some important areas for investments in SOBEs through Joint Ventures and Private Public Partnership (PPP) arrangements to meet the increasing demand for services provided by the SOBEs.

Return on Investment

In terms of the government policy, all SOBEs are required to contribute at least 30 percent of their profit or 15 percent of their equity to the Treasury annually. In terms of this requirement SOBEs should have at least contributed

Rs.100 billion to the government. However, the government received only Rs.34 billion in 2011 as dividends and levies, an increase of 10 percent over 2010 but underperforming in terms of their potential. The strong performance of State Banks, Airport and Aviation Services Ltd and Lanka Mineral Sands Ltd facilitated this increase. It is noted that only 36 SOEs contributed by way of Levies and Dividends to the Treasury in 2011.

However, majority of enterprises including those large strategic enterprises have not been able to generate surplus's to contribute to the national budget.

Returns from the SOEs are expected to form a significant portion of the non tax revenue structure of the national budget. However in 2011, levies and dividends accounted for only about 30 percent of the non tax revenue in comparison to 28 percent in 2010. With the issuance of the PED circular 56 on "Surplus Funds of Public Enterprises" the Treasury was able to collect Rs. 1,150 million as surplus funds.

It is also commonly observed that a number of SOBEs depend on Treasury for both capital and recurrent expenditure. The financial assistance extended by the Treasury to SOBEs remained around Rs. 102 billion in 2010 and 2011. Since most SOBEs have not developed bankable strategies to raise funds on the strength of their own balance sheet, the government continues to facilitate several SOBEs to undertake large scale infrastructure projects. In this background capital infusion through on lending facilities made available to SOBEs amounted to Rs. 79 billion in 2011. This was largely on account of public investments in power generation and distribution, water supply, ports etc.

Table 7.3 > **Total Levies / Dividends received from SOEs (Rs. Million)**

	2000-2005	2006-2011
Commercial Corporations	5,856	53,614
State Owned Banks	11,152	35,232
Companies 100% owned by the Government	234	1,119
Sub Total	17,242	89,965
Companies less than 100% but more than 50% owned by the Government	1,265	4,248
Companies less than 50% owned By the Government	2,990	5,276
Plantation Companies less than 50% owned by the Government	39	147
Sub Total	4,294	9,671
Total	30,296	83,308

Sources: Department of Public Enterprises and Department of Treasury Operations

Table 7.4 > Levy/ Dividend Income from SOEs (Rs. Million)

	2006	2007	2008	2009	2010	2011
Levy						
Bank of Ceylon	1,173	846	1,046	1,346	2,923	4,020
People's Bank	668	1,416	816	1,139	3,253	4,500
National Savings Bank	810	1,060	1,060	1,750	2,312	4,560
State Mortgage & Investments Bank	116	25	-	50	-	-
Other Regional Development Banks	46	50	40	144	55	-
Telecommunication Regulatory Commission	2,050	2,250	3,150	3,321	13,800	9,050
State Timber Corporation	75	150	75	50	10	75
State Pharmaceuticals and Manufacturing Corporation	25	30	40	30	85	59
Sri Lanka Ports Authority	115	65	-	-	-	-
National Insurance Trust Fund				2,250	2,000	3,495
SL Export Credit Insurance Board		16	25	30	-	-
State Institutions Temporary Surplus Fund*	-	-	-	-	6,110	-
Geological Survey and Mines Bureau	-	-	-	-	-	740
Ceylon Electricity Board	-	-	-	-	-	2,000
Other	129	22	14	137	62	190
Sub Total	5,207	5,930	6,266	10,247	30,610	28,689
Dividends						
Sri Lanka Telecom Plc	670	893	893	893	223	536
De La Rue Lanka (Pvt) Ltd	-	100	100	38	-	68
Lanka Mineral Sands Ltd	98	50	34	60	35	500
Lanka Phosphate Ltd	5	4	4	5	10	20
Lanka industrial Estates Ltd	20	62	31	31	31	31
Ceylon Petroleum Storage Terminal Ltd		438	-		-	-
Airport and Aviation Services Ltd		100		200		2,406
West Coast Power (Pvt) Ltd	-	-	-	392	-	-
Lanka Electricity Company Ltd	100	75	-		300	-
Lanka Leyland Ltd	-	11	18	10	-	76
Plantation Companies**	-	-	-	30		212
Sri Lanka Insurance Corporation Ltd	-	-	-	-	-	1,750
Sri Lankan Airlines Ltd	788	-	-	-	-	-
Other	63	19	24	75	92	64
Sub Total	1,744	1,752	1,104	1,734	691	4,413
Total	6,951	7,682	7,370	11,981	31,301	34,352

Sources: Department of Public Enterprises and Department of Treasury Operations

* National Lotteries Board, State Timber Corporation, SL Rupavahini Corporation, State Pharmaceuticals Corp, SL Land Reclamation and Development Corp, Export Credit Insurance Corp, Lanka Mineral Sands Ltd, SL Tea Board, National Gem and Jewelry Authority, National Lotteries Board (Sewana Fund), Telecommunications Regulatory Commissions of Sri Lanka, Securities and Exchange Commission of SL, National Housing Development Authority, SL Bureau of Foreign Employment, Urban Development Authority, Boards of Investments of SL, Geological Survey and Mines Bureau of SL, Coconut Development Authority

**Chilaw, Elkaduwa, Kurunegala, Namunukula, Kegalle, Agalawatte, Kotagala, Balangoda, Watawala, Horana, Elpitiya and Pussellawa Plantations

Employment

SOBEs continued to be one of the most significant employers in the country with total employees of 148,047 in 2011.

Table 7.5 > **Composition of the Workforce in SOBEs**

	Managerial/ Professional	Middle Level	Support Staff	Total
Commercial Banking	1,219	5,856	9,289	16,364
Housing Banking	111	351	283	745
Development Banking	71	858	1,269	2,198
Savings Banking	471	859	1,995	3,325
Insurance	109	728	2,024	2,861
Electricity	898	1,653	13,504	16,055
Petroleum	92	195	2,395	2,682
Port Services	674	6,046	4,360	11,080
Water	257	645	8,116	9,018
Aviation	1,075	781	5,612	7,468
Transport	1,307	6,977	25,975	34,259
Health and Education	297	973	1,747	3,017
Construction and Engineering	680	1,292	1,895	3,867
Agriculture, Fisheries, Livestock	416	1,607	18,631	20,654
Media	228	501	1,796	2,525
Lottery	28	205	284	517
Trading	232	466	6,666	7,364
Manufacturing	147	361	1,670	2,173
Others	152	394	1,527	1,875
Total	8,459	30,550	109,038	148,047

Source: Department of Public Enterprises

Public Investments through SOBEs

During the post 2005 period, the country pursued an aggressive public investment strategy in key sectors such as power generation and distribution, ports, airports, water, etc. In this background large infrastructure projects have been implemented by CEB, SLPA, NWS&DB etc.

Table 7.6 > **Total Government Investment* in key SOEs 2001-2011 (Rs. Million)**

	2001-2005	2006-2010	2011
Ceylon Electricity Board	39,470	155,307	39,419
National Water Supply & Drainage Board	47,581	90,422	28,853
Sri Lanka Ports Authority	17,450	61,426	13,224
Road Development Authority	60,608	296,501	101,069
Total	165,109	603,656	182,565

Source: Department of National Budget, Department of Public Enterprises and Department of External Resources

*Includes grants (capital and recurrent), Investments in equity, on lending, cost of debt moratoriums

Most of these funds provided by the government have been raised from foreign sources by way of long term loans. The government is expected to recover loan repayments from the enterprises to service the debt. These investments are expected to generate the significant economic benefits.

Table 7.7 > **Economic Benefits of Public Investments through SOBEs**

	2011	2012-13
Power Generation		
Coal	300MW	600MW
Hydro	-	150MW
Port		
Vessels Arrived (No.)	5,153	12,000
Capacity for TEUs (Mn)	2.3	6.2
Airport		
Capacity (passengers) (Mn)	6.1	14
Water		
Water Schemes (No)	7	16

Sources: Ceylon Petroleum Corporation, Ceylon Electricity Board, Sri Lanka Ports Authority, Sri Lankan Airlines and National Water Supply and Drainage Board

High international oil prices and more than expected depletion in hydro capacity due to poor rainfall imposed a substantial adjustment burden on Ceylon Petroleum Corporation, Ceylon Electricity Board and Sri Lankan Airlines.

Table 7.8 > **Magnitude of Cost Escalations due to External Factors**

	2009	2010	2011
Ceylon Petroleum Corporation*			
Crude (CIF) (US\$/bbl)	63.4	79.3	109.9
Refined(US\$/bbl)			
Petrol	74	92.6	127.5
Diesel	71.6	89.8	122.9
Kerosene	72	91.6	128.8
Ceylon Electricity Board*			
Diesel(US\$/bbl)	71.6	89.8	122.9
Heavy Fuel(US\$/bbl)	74.6	86.2	121.8
Sri Lankan Airlines Limited*			
Aviation fuel(US\$/bbl)	72	91.6	128.8

Sources: Ceylon Petroleum Corporation, Ceylon Electricity Board and Sri Lankan Airlines

* Average prices

The prices/ tariff were revised to moderate the impact of the cost escalations due to external factors.

Table 7.9 > **Price/Tariff Revisions of Fuel, Electricity and Water**

	2009	2010	2011	2012
Ceylon Petroleum Corporation				
Petrol (Rs/l)	115	115	137	149
Diesel (Rs/l)	73	73	84	115
Kerosene (Rs/l)	51	51	71	106
Ceylon Electricity Board				
Domestic (Rs/Unit)	10.42	10.42	10.49	13.97
Industrial (Rs/Unit)	13.02	13.02	13.05	12.87
National Water Supply and Drainage Board				
Domestic(for 20 units) (Rs/Unit)	30	30	30	30
Bulk (Rs/Unit)	65	65	65	65

Sources: Ceylon Petroleum Corporation, Ceylon Electricity Board, National Water Supply & Drainage Board and Public Utilities Commission of Sri Lanka

Consequent to the adjustment delays in the key enterprises, operational losses continued to expand resulting in borrowings from the banking system.

Table 7.10 > **Financing of the Losses of CPC and CEB (Rs. Million)**

	2009	2010	2011
Ceylon Petroleum Corporation			
Total Profit/(Losses)	(11,567)	(26,920)	(94,508)
Financed by			
Bank Loans	16,949	42,787	117,532
Debtors	(5,382)	(15,865)	(23,024)
Ceylon Electricity Board			
Total Profit/(Losses)	(11,210)	359	(19,265)
Financed by			
Bank Loans	(8,729)	(288)	10,823
Overdraft	(1,552)	(26)	1,992
CPC Credit	(4,690)	(5,086)	(8,815)
IPP Credit	1,980	2,346	(10,555)
Other*	24,201	2,695	25,820

Sources: Ceylon Petroleum Corporation and Ceylon Electricity Board

*Other includes related parties, Deposits, Sundry creditors, Accruals and Retentions

Table 7.11 > **Highlights of Performance of Key State Owned Business Enterprises (Rs. Million)**

	2006	2007	2008	2009	2010	2011
Ceylon Electricity Board						
Revenue	69,941	87,575	111,287	110,158	121,226	132,460
Growth %	30	25	27	-1	10	9
Operating Profit/ (Loss)	(14,176)	(22,314)	(33,870)	(7,440)	4,962	(19,266)
Ceylon Petroleum Corporation						
Revenue	208,583	253,345	358,002	257,508	276,551	382,276
Growth %	19	21	41	28	7	38
Operating Profit/ (Loss)	(466)	7,089	(11,085)	(7,717)	(20,295)	(85,165)
National Water Supply and Drainage Board						
Revenue	6,944	7,612	8,134	11,067	12,310	13,699
Growth %	27	10	7	36	11	11
Operating Profit/ (Loss)	(214)	(1,278)	(2,915)	(1,425)	(5,955)	425
Sri Lanka Ports Authority						
Revenue	23,004	25,913	25,142	23,331	28,279	31,250
Growth %	12	13	-3	-7	21	11
Operating Profit/ (Loss)	5,903	3,498	2,941	1,942	4,387	8,292
Bank of Ceylon						
Revenue	35,192	50,159	60,182	63,461	63,363	71,235
Growth %	29	43	20	5	0.15	12
Operating Profit/ (Loss)	4,137	4,518	5,231	4,208	10,053	15,286
People's Bank						
Revenue	35,131	47,984	58,948	69,050	62,532	68,826
Growth %	29	37	23	17	-9	10
Operating Profit/ (Loss)	4,079	5,002	5,664	6,076	8,771	15,311

Sources: Ceylon Electricity Board, Ceylon Petroleum Corporation, National Water Supply and Drainage Board, Sri Lanka Ports Authority, Bank of Ceylon and People's Bank

However, Sri Lanka Ports Authority and the State Banks continued to pursue their expansion momentum which was salutary in the backdrop of stiff competition although, State Banks lost its market share to Private Banks.

In pursuing the country's objectives of establishing energy, naval, aviation, knowledge and commercial hubs, SOBEs are core, as most of the basic infrastructure is either owned or exclusively managed by these SOBEs. Hence the SOBEs ability to improve productivity consolidating themselves against the backdrop of a volatile international market and support private investment and enterprise development will result in improving the country's global competitiveness and achieve high economic growth.

In pursuing the country's objectives of establishing energy, naval, aviation, knowledge and commercial hubs, SOBEs are core, as most of the basic infrastructure is either owned or exclusively managed by these SOBEs...

7.2 Energy

The public investment in the energy sector during 2006-2010, the first five year phase amounted to Rs.155,307 million compared to Rs.39,470 million during 2001-2005.

Although Sri Lanka's per capita income has increased from US\$ 1,000 in 2005 to US\$ 2,836 by 2011, the average per capita electricity consumption and energy consumption remained around at 449 kWh and 433 Kgoes respectively. Whereas, the average per capita energy consumption in a middle income country varies around 600-1000Kgoe while average electricity consumption per capita is around 1400kWh indicating that there is a significant demand for energy in Sri Lanka over the medium term. As such, while Sri Lanka has managed to improve access to electricity by almost 90 percent the challenge in the 2012-2016 period would be to ensure a relatively cost effective, uninterrupted, efficient and environmentally sustainable supply of energy to meet the rapidly increasing demand. Energy efficiency improvement and energy conservation are the other key challenges that the electricity sector encounters. In this regard, implementing energy management programmes such as regulatory intervention and establishments of energy conservation benchmarks are vital.

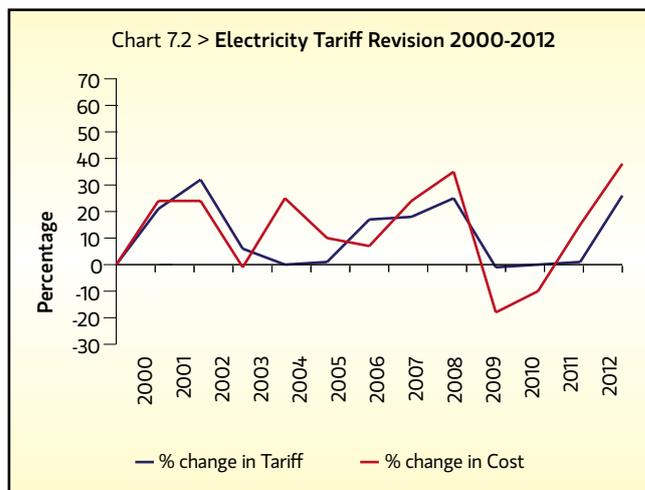
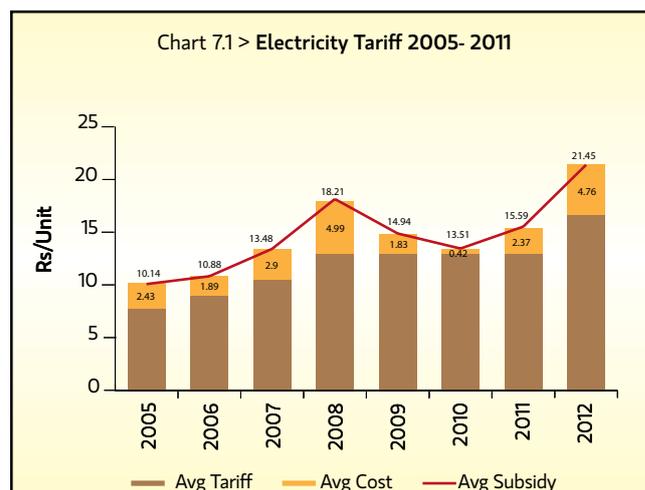
CPC has been importing crude and refined oil products amounting to almost US\$ 5,000million to meet the energy demands of the country which constitutes almost 20 percent of the total imports. The rising import cost was partly due to the oil price increase from US\$ 79.3 /bbl in 2010 to US\$. 109.99/bbl in 2011 and also due to quantity increases from 3,906 million MT in 2010 from 4,240 million MT in 2011. In becoming a viable energy hub, it is important that CPC pursues the dual strategies of modernizing its refinery with the infusion of new technology and expanding its installed refinery capacity to 100,000 barrels per day to meet the country's future demand. Further the storage capacity of the country needs to be expanded rapidly. This will enable CPC to mitigate losses that arise from the volatility in the international oil prices and thereby ensure energy security that is important in any growth strategy.

Ceylon Electricity Board

With the economy growing rapidly the demand for electricity grew by 8.5 percent in 2011 over 2010. CEB with a total generation² capacity of 3,141 MW was able to meet the demand for electricity, maintaining an uninterrupted and continuous supply of power, while increasing its coverage to almost 90 percent of the households in the country. With

a slight increase in tariffs³, CEB incurred a loss of Rs. 19,265 million in 2011 in comparison to a profit of Rs. 4,858 million generated in 2010.

These losses can be attributed mainly to the generation composition of CEB which had to depend on the high cost thermal power plants for almost 50 percent of its total generation (5,748 GWh) at an average cost of Rs. 22.86 per unit, in the absence of adequate rainfall which resulted in lower hydro power generation that accounted for only about 41 percent of the total generation at 4,739 GWh. Consequently the average cost of electricity increased to Rs. 15.59 per unit in 2011 from Rs. 13.51 per unit in 2010, an increase of 15 percent. However, the average tariff per unit increased only by 1 percent in 2011 from 2010.



² Including Independent Power Producers

³ The tariff revision was done by the Public Utilities Commission of Sri Lanka in accordance with the PUCSL Act no 35 of 2002 with effect from 01.01.2011

The tariff revision together with increased consumption in 2011, yielded an annual revenue of Rs. 132,460 million in comparison to Rs. 121,226 million in 2010. Although the average tariff was increased from Rs. 13.09 per unit in 2010 to Rs. 13.22 per unit in 2011, it was not a fully cost reflective tariff structure. Accordingly, consumers were privy to an average subsidy of Rs. 2.37 per unit. The domestic consumers in particular continued to enjoy on average a subsidy of Rs. 8.99 per unit in 2011 compared to a subsidy of Rs. 7.05 per unit in 2010.

The CEB implemented a Fuel Adjustment Charge (FAC) with effect from mid February 2012, which is expected to decrease CEB's losses to Rs. 49 billion as against the projected loss of Rs. 76 billion at the end of 2012. CEB still continues to subsidize electricity at Rs. 4.76 per unit.

The provision of heavy fuel by CPC at a subsidized price of Rs.40 per litre, though provided relief to the CEB, the loss incurred by CPC in lieu of the subsidized prices in

2011 was around Rs. 36,000 million. At the same time the commissioning of the Coal fired power plant at Norochcholoï with a capacity of 300MW enabled CEB to reduce its losses by about Rs. 11,791 million, as a unit of electricity generated using coal amounted to Rs. 11.50, compared to the average total cost per unit of Rs. 15.59.

The Government continued its proactive support to the energy sector with the channeling of Rs. 22,372 million through budgetary allocations. In addition, Treasury guarantees amounting to Rs. 21,460 million was also provided in order to facilitate adequate capital investments, ensuring a 100 percent coverage in rural electrification, development and diversification of electricity generation, accelerated distribution and reduction of system losses. The government also extended the debt moratorium incurring a cost of Rs. 17,047 million in 2011. The total cost of the debt moratorium extended to CEB since 2007 stands at Rs.70,424 million.

Table 7.12 > **Government Support to CEB 2007-2012 (Rs. Million)**

	2007	2008	2009	2010	2011	2012(Est.)
On lending	23,945	16,807	32,852	23,842	22,372	31,766
Cost of the debt moratorium (Total debt servicing= interest + capital repayment)	11,315	12,893	14,273	14,896	17,047	21,920
Cost of the Bond issued*						4,581
Total support	35,260	29,700	47,125	38,738	39,419	58,267

Sources: Department of Public Enterprises, Department of National Budget and Department of External Resources

* Treasury bond issued in 2012 in respect of the dues of CEB to CTC.

In a bid to restructure and strengthen CEB's balance sheet, a decision was taken in 2011 to take over the dues of CEB to CPC by the Treasury, amounting to Rs. 50.9 billion as at end 2010, through the issuance of a Treasury bond in 2012. The clearance of debt combined with the increase in the asset base in excess of Rs. 600 billion in 2011 has strengthened the CEB's balance sheet significantly.

At present CEB's generation composition is dominated by high cost thermal power plants which use either Heavy fuel or Diesel. While the commissioning of the 300 MW coal fired power plant in Norochcholoï has had a positive impact in reducing the average generation cost, CEB will

have to continue substituting its high cost generation plants with low cost plants. It is also necessary to add at least an additional 100 MW per annum to its generational capacity. In this regard the existing generation capacity of CEB which stands at 3,130 MW, an 11 percent increase over 2010 will have to increase to around 6,400 MW by 2020. The commissioning of the 2nd and 3rd phases of the Norochcholoï Coal Power Plant with 600 MW and the 150 MW Upper Kotmale hydro plant and the proposed 500 MW coal fired power plant in Trincomalee, will cater to the medium term demand. However, further increase in generation capacity would be required to meet the demand beyond 2016.

Table 7.13 > Performance of Ceylon Electricity Board

		Unit	2006	2007	2008	2009	2010	2011
Installed Capacity		MW	2,434	2,444	2,645	2,684	2,818	3,141
CEB	Hydro	MW	1,207	1,207	1,207	1,207	1,207	1,207
	Thermal	MW	548	548	548	548	548	548
	Wind	MW	3	3	3	3	3	3
	Coal		-	-	-	-	-	300
Private	Hydro	MW	107	117	138	172	176	194
	Thermal	MW	567	567	737	742	842	842
Renewable Energy		MW	2	2	12	12	42	47
Electricity Generation		GWh	9,389	9,814	9,901	9,882	10,714	11,528
CEB	Hydro	GWh	4,290	3,603	3,700	3,356	4,988	4,018
	Thermal	GWh	1,669	2,336	2,083	2,091	1,394	1,494
	Coal	GWh	-	-	-	-	-	1,038
	Wind	GWh	2	2	3	3	3	3
Private	Hydro	GWh	346	345	435	549	729	722
	Thermal	GWh	3,082	3,529	3,680	3,884	3,600	4,254
Total Sales by CEB		GWh	7,832	8,276	8,417	8,441	9,268	10,023
Domestic and Religious		GWh	2,621	2,771	2,799	2,927	3,185	3,430
Industrial		GWh	2,605	2,627	2,678	2,518	2,870	3,131
General Purposes		GWh	1,395	1,504	1,570	1,637	1,754	1,927
Local Authorities/ LECO		GWh	1,111	1,144	1,130	1,120	1,201	1,267
Street Lightning		GWh	98	108	108	108	108	109
Hotel*		GWh	-	122	133	131	149	159
Total Revenue		Rs. Mn	69,941	87,575	110,896	110,551	121,226	132,460
Consumers		No. Mn	3.63	3.86	4.09	4.28	4.48	4.71
Average Unit Cost		Rs./Unit	10.88	13.48	18.21	14.94	13.51	15.59
Average Unit Selling Price**		Rs./Unit	8.99	10.58	13.22	13.11	13.09	13.22
Operating Profit/(Losses)		Rs. Mn	(14,176)	(22,314)	(35,913)	(10,207)	4,858	(19,266)
Bank Borrowings		Rs Mn	7,669	7,075	3,778	12,507	12,795	11,972

Source: Ceylon Electricity Board

* Hotels were given a separate tariff band only since 2007.

**Includes revenue only from the sale of electricity and excludes other income.

The capital investment in the development of generation, transmission and distribution systems during 2012-2020 is estimated to cost in excess of Rs. 1,000 billion. Therefore it is necessary that CEB begins a phase of generating profits to meet its medium term needs. At the same time CEB is encouraged to explore other avenues including renewable energy as well as private investments which will have a positive impact on the overall energy strategy of the country.

The COPE report 2011 highlights the need for CEB to revamp its structure adopting best corporate practices, which will increase its accountability to all stakeholders while also improving its efficiency and effectiveness. In this regard CEB needs to place special emphasis on procurements, human resource management and a viable business strategy, if CEB is to become an organization that possesses the ability to respond to the changing needs of the economy and the society.

Ceylon Petroleum Corporation

CPC operations in 2011 resulted in a loss of Rs.93,860 million in comparison to the loss of Rs.26,922 million incurred in 2010. This is mainly due to CPC selling many of its major products at a price below cost, despite international crude oil prices increasing on average by 12 percent over 2010.

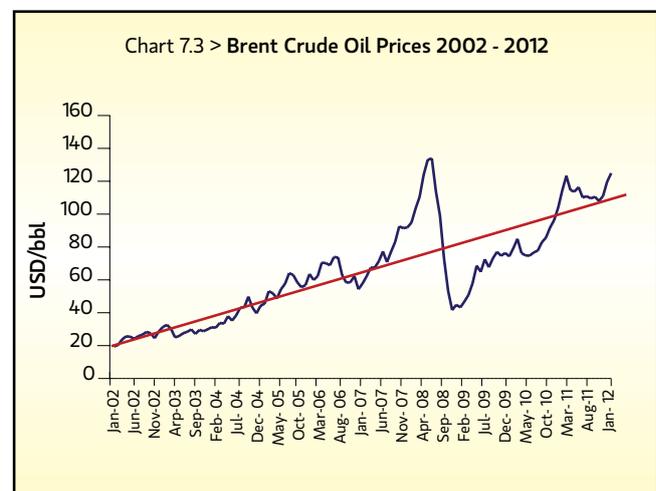
During 2011, CPC revised its prices of key products such as Octane 90, Diesel and Kerosene by 19, 15 and 29 percent respectively to mitigate its losses. However, inadequate revisions in the prices and non revision of the price of heavy fuel supplied for electricity generation resulted in CPC incurring substantial losses. As such, Diesel accounted for almost 46 percent of the losses and Heavy Fuel used predominantly for electricity generation, accounts for almost 45 percent of the losses. These losses not only weakened the balance sheet through the erosion of the working capital, but also deteriorated the liquidity position of the Corporation. Consequently, CPC financed its imports of crude and refined products which amounted to almost US\$ 3,700 million⁴, mainly through borrowings from Bank of Ceylon and Peoples Bank. Borrowings at the end of 2011 amounted to almost Rs. 328 billion.

With Brent crude oil prices increasing to more than US\$ 112/bbl in 2012, the CPC revised the prices of Octane 90/95, Diesel/Super Diesel, Kerosene, Heavy Fuel (including low Sulphur Heavy Fuel) and Napththa by almost 30 percent with effect from February 2012.

The CPC has been incurring significant losses by subsidizing Kerosene since 2005. However with the country already achieving electrification of almost 90 percent in the household sector in 2011 and 100 percent by the end of 2012, CPC revised Kerosene prices by almost 50 percent to recover its losses. The government has decided to subsidize the 355,000 families that have no access to electricity and fisherman who use Kerosene.

However, although price of Heavy Fuel increased by almost 50 percent, it is still subsidized by almost 40 percent, in order to make available electricity at affordable prices. The estimated loss from these subsidies to CPC is partly covered from higher prices of Petrol.

Government assistance to the CPC continued in 2011, by way of Treasury Guarantees amounting to Rs. 11,389 million which facilitates CPC's funding from external sources. With the aim of strengthening CPC's balance sheet, the Treasury issued a tradable bond in January 2012, to the value of Rs.60 billion in lieu of the outstanding dues as at the end of 2010 to the CPC from CEB amounting to Rs.50.5 billion and other government agencies.



If CPC is to turn its performance around, along with the infusion of new technology and processes, it is crucial to maintain and upgrade its existing assets such as the refinery, pipelines and other ancillary facilities. However one of the key challenges faced by CPC with its negative net worth is the lack of adequate resources and the ability to raise such finances.

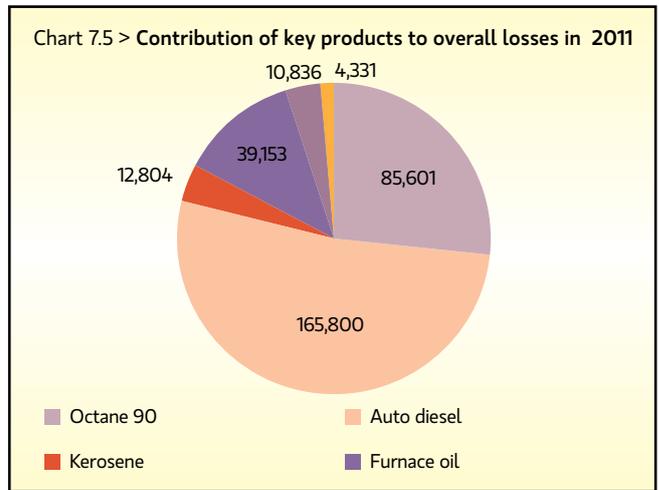
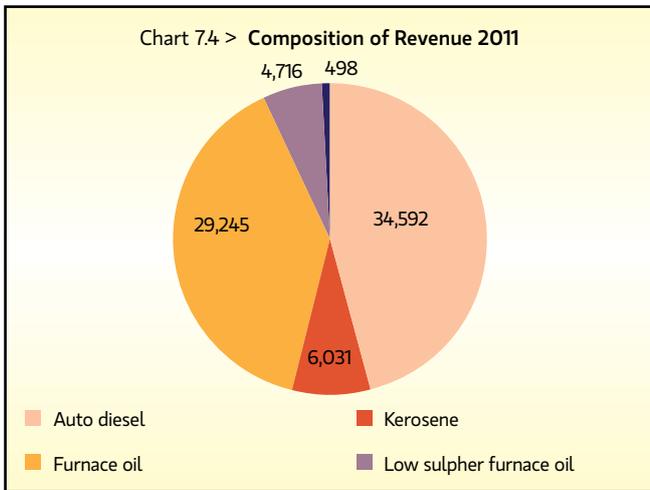
Table 7.14 > Retail Prices of Key Petroleum Products (Rs./l)

	2007	Prices end of 2008	2009	2010	Post revision price April 2011	Post revision price October 2011	Post revision price February 2012
Octane 90	117	120	115	115	125	137	149
Diesel	70	75	73	73	76	84	115
Kerosene	68	50	51	51	61	71	106
Heavy Fuel	52	33	40	40	50	50	90*/75**

Source: Ceylon Petroleum Corporation

*Industries **Energy Sector

⁴ Total imports of CPC in 2011 are almost 7 percent of the GDP and 20 percent of the total imports to the country.



While recognizing the challenges faced, CPC has failed to restructure its management and business model to perform its responsibilities. The lack of a clear strategy on procurements, pricing and, weak financial and operational systems has resulted in the sub optimal utilization of its resources and deterioration in its performance. The COPE too, highlighted lapses in the governance structure of CPC which will have to be addressed immediately.

It is also necessary to strengthen the Board of Management, audit committees, procurement systems, financial management as well as employing professionals into key positions to manage this single largest enterprise in the country, which is accountable to manage almost a US\$ 5 billion turnover of a global commodity.

7.3 Water

National Water Supply & Drainage Board (NWS & DB)

Provision of safe drinking water and sanitation is a key development objective of the government. In this regard, the NWS&DB has been successful in increasing its coverage to 43 percent in 2011 from 40 percent in 2010 through pipe borne water. NWS & DB produced 490 million cubic meters (cbm) of drinking water in 2011, a 4 percent increase over 2010, at a cost of Rs. 7,471 million utilizing 322 water supply schemes. Cost per cbm of water produced increased marginally by 2 percent to Rs. 14.86 in 2011 from Rs. 14.60 in

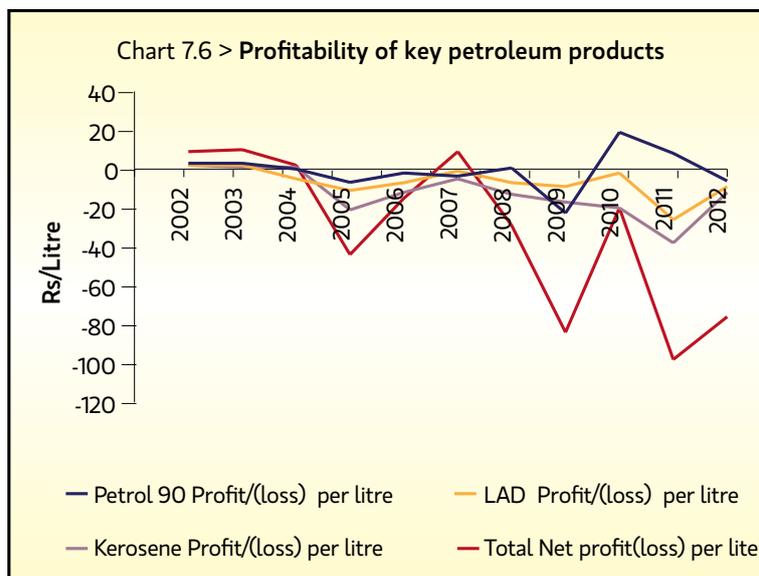


Table 7.15 > Performance of Ceylon Petroleum Corporation

	Unit	2007	2008	2009	2010	2011*
Quantity Imported						
Crude Oil	MT'000	1,931	1,846	1,929	2,015	2,070
Refined Products	MT'000	1,678	1,588	1,525	1,891	2,170
Value of Imports (C&F)						
Crude Oil	Rs. Mn	114,054	144,177	110,908	120,881	186,493
	US\$ Mn	1,023	1,331	965	1,062	1,674
Refined Products	Rs. Mn	111,044	157,013	89,071	145,951	222,857
	US\$ Mn	996	1,449	775	1,280	2,062
Average Price of Crude Oil (C&F)	Rs./Bbl.	8,024	10,578	7,296	9,037	12,253
	US\$/Bbl.	72	98	63	79	110
Quantity of Exports	MT'000	130	148	120	172	247
Value of Exports	US\$ Mn	75	105	55	109	194
Total Revenue						
Domestic Sales	Rs. Mn	245,080	345,096	251,095	264,196	360,858
Exports	Rs. Mn	8,265	12,906	6,413	12,355	21,418
Overheads	Rs. Mn	14,446	17,641	17,765	18,181	22,737
Operational Profit/(Loss)	Rs. Mn	7,089	(11,085)	(7,717)	(20,295)	(85,165)
Local Sales						
Petrol (90 Octane)	Mn L	475	478	524	615	705
Petrol (95 Octane)	Mn L	27	27	21	22	35
Auto Diesel	MnL	1,714	1,621	1,687	1,681	2,185
Super Diesel	Mn L	6	8	10	13	17
Kerosene	Mn L	214	193	192	210	187
Furnace Oil	Mn L	1,039	1,049	1,156	1,316	1,153
Aviation	Mn L	252	240	177	216	399
Naphtha	Mn L	148	206	161	78	67
Bitumen	Mn L	-	86	93	81	101
SBP	Mn L	-	4	1	4	5
L.P. Gas	Mn L	-	16	25	23	24
Others	Mn L	94	1	2	1	1
Local Price (End Period)						
Petrol (90 Octane)	Rs./L	117	120	115	115	137
Petrol (95 Octane)	Rs./L	120	133	133	133	155
Auto Diesel	Rs./L	75	70	73	73	84
Super Diesel	Rs./L	80	85	88	88	106
Kerosene	Rs./L	68	50	51	51	71
Furnace oil 1500 Sec	Rs./L	52	33	40	40	40
Refinery Capacity (Per day)	MT'000	6,800	6,800	6,800	6,800	6,800
Storage Capacity	MT'000	574,529	574,529	574,529	574,529	574,529
Refinery Output	MT'000	1,795,672	1,776,787	1,894,910	1,649,474	1,889,146
Value of Production	Rs. Mn	111,807	159,545	107,740	120,641	183,054

Source: Ceylon Petroleum Corporation

* Draft

2010. The increase of new water connections by 7 percent and the introduction of a sewerage tariff, resulted in an increase of turnover by 11 percent to Rs. 13,699 million in 2011 from Rs. 12,310 million in 2010. Total drinking water of 342 million cbm was sold in 2011. The average cost of 01 cbm of water in 2011 decreased by almost 31 percent to Rs. 38.72 from Rs. 56.49 recorded in 2010.

Reflecting the enhanced access to clean water, total water connections increased by 95,733 (7.7 percent) in 2011. The government investment during 2006-2010 amounted to Rs 90,422 million in comparison to Rs.47,581 million during 2001-2005.

As has been the case in the past, Non Revenue Water (NRW - water wasted continuously through leakages in the

distribution system) constituted almost 30 percent of the production at 490 million cbm. NRW in terms of volume has increased from 137 Mn cbm in 2005 to 148 Mn cbm in 2011. If the Board had been able to mitigate the NRW to at least 12 percent (international benchmark), the water board would have been able to reduce the unit cost to Rs. 31.71 from Rs. 38.72. This would have enabled the NWS&DB to increase new connections by 373,000. The estimated loss due to NRW remaining almost 18 percent in excess of the international benchmark amounts almost Rs. 3,550 million per annum.

Cost over runs of projects, sometimes exceeding even 100 percent of the original budget is a common feature of most of the projects of the board, which can be attributed to poor project management, lack of a proper costing systems

Table 7.16 > **Financial Highlights of National Water Supply & Drainage Board (Rs. Million)**

	2006	2007	2008	2009	2010	2011*	Growth %
Turnover	6,944	7,612	8,134	11,067	12,310	13,699	11
Cost of production	4,080	4,903	6,089	6,322	7,062	7,471	6
Gross Profit/ (Loss) -Water	2,939	2,784	2,126	4,826	5,346	6,261	17
-Sewerage	(75)	(75)	(81)	(81)	(98)	(33)	(55)
Total Gross Profit/ (Loss)	2,864	2,709	2,045	4,745	5,248	6,228	19
Non -Operating income	114	203	60	49	98	131	34
Administration & other overheads	2,608	3,284	3,760	4,561	6,092	4,464	(27)
Asset revaluation deficit	-	-	-	-	3,684	474	(87)
Finance cost	584	906	1,260	1,658	1,525	996	(35)
Net accounting profit/ (Loss) [with provisions]	(214)	(1,278)	(2,915)	(1,425)	(5,955)	425	101
Net cash profit/ (loss) [without provisions]	129	(491)	(509)	914	1,167	2,534	117

Source: National Water Supply & Drainage Board

* Draft

Table 7.17 > **Production Cost of a Unit (Rs.)**

	2007	2008	2009	2010	2011*	Variance
Personnel Cost	5.27	5.74	6.06	6.83	6.56	0.27
Pumping Cost	3.69	4.73	4.47	4.43	4.89	-0.45
Chemicals	0.82	0.98	0.93	0.86	0.86	0
Repairs & Maintenance	0.66	1.01	1.06	1.16	1.16	0
Establishment Expenses	0.34	0.46	0.49	0.51	0.55	-0.03
Other Expenses	0.42	0.52	0.69	0.8	0.84	-0.05
Production cost per cbm	11.2	13.4	13.7	14.6	14.9	-0.26

Source: National Water Supply & Drainage Board

* Draft

that facilitates better decision making especially in cost controlling and water pricing. These are major weaknesses in the organization. NWS & DB will also be required to pursue a strategy to increase its productivity by lowering its system losses, considering, the rising demand for safe drinking water as well as for industrial use and sewerage systems on one hand while maintaining the existing infrastructure, requires a massive investment in excess of Rs. 500 billion. Therefore, NWS & DB will be required to adopt a new business model and alternative strategies including private sector and Ministry participation in various facets of water wastage and investments in water resources. This will require capital infusions of at least Rs. 270 billion. within the next 3-5 years which should be financed through innovative funding mechanisms.

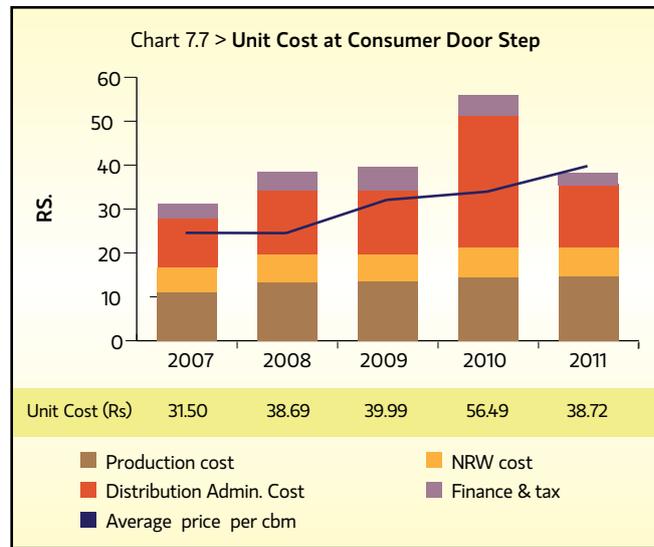


Table 7.18 > Performance of National Water Supply & Drainage Board

	Unit	2006	2007	2008	2009	2010	2011*
Performance Indicators							
Water connections	No.	989,395	1,078,892	1,186,931	1,266,328	1,353,573	1,449,306
Water production	Mn./cbm	398	424	440	449	470	490
Water Sales	Mn./cbm	264	284	299	309	322	342
NRW supply of water production	%	34.44	33	32.09	31.13	31.55	30.00
Water supply schemes (Revenue units)	Nos.	295	308	309	312	315	322
Revenue per employee/month	Rs.	59,251	61,606	62,396	88,914	99,283	105,229
Cost of employment/employee/month	Rs.	28,389	32,986	36,647	39,820	48,445	46,739
Cost of production/employee/month	Rs.	41,192	46,595	53,895	55,361	65,120	67,695
Production cost per unit	Rs./cbm	9.80	11.20	13.44	13.70	14.60	14.86
NRW cost per unit	Rs./cbm	5.13	5.54	6.36	6.17	6.73	6.48
Distribution and other cost per unit	Rs./cbm	10.00	11.56	14.67	14.75	30.41	14.46
Total Unit cost at consumer Door Step	Rs./cbm	27.14	31.50	38.69	39.99	56.49	38.72
Employees per 1000 connections	Nos.	9	8	8	7	7	6
Employees							
Water segment - Production	Nos.	3,870	3,943	3,952	3,938	4,034	4,120
- Distribution	Nos.	1,950	2,016	2,063	2,087	2,024	2,060
- Projects	Nos.	145	140	140	136	150	178
- Supportive staff	Nos.	1,550	1,553	1,577	1,640	1,560	1,572
Sewerage segment	Nos.	220	215	208	224	216	201
Head office staff segment	Nos.	600	981	1,066	1,038	1,034	1,068
Total Employees	Nos.	8,335	8,848	9,006	9,063	9,018	9,199

Source: National Water Supply & Drainage Board

* Draft

Table 7.19 > **Ranking of World Container Ports**

Rank	2005	2010
1	Singapore	Shanghai, China
2	Hong Kong	Singapore
3	Shanghai, China	Hong Kong
4	Shenzhen, China	Shenzhen, China
5	Busan, South Korea	Busan, South Korea
6	Kaohsiung, Taiwan	Ningbo, China
7	Rotterdam, Netherlands	Guangzhou, China
8	Hamburg, Germany	Qingdao, China
9	Dubai, United Arab Emirates	Dubai, United Arab Emirates
10	Los Angeles, USA	Rotterdam, Netherlands
11	Long Beach, USA	Tianjin, China
12	Antwerp, Netherlands	Kaohsiung, Taiwan
13	Qingdao, China	Port Klang, Malaysia
14	Port Klang, Malaysia	Antwerp, Belgium
15	Ningbo, China	Hamburg, Germany
16	Tianjin, China	Tanjung Pelepas, Malaysia
17	New York/New Jersey USA	Los Angeles, USA
18	Guangzhou, China	Long Beach, USA
19	Tanjung Pelepas, Malaysia	Xiamen, China
20	Laem Chabang, Thailand	New York/New Jersey, USA
21	Bremen/Bremerhaven, Germany	Dalian, China
22	Tokyo, Japan	Laem Chabang, Thailand
23	Xiamen, China	Bremen/Bremerhaven, Germany
24	Jakarta, Indonesia	Jakarta, Indonesia
25	Algeciras, Spain	Tokyo, Japan
26	Gioia Tauro, Italy	Jawaharlal Nehru (Mumbai), India
27	Yokohama, Japan	Valencia, Spain
28	Jeddah, Saudi Arabia	Ho Chi Minh City (Saigon), Vietnam
29	Felixstowe, UK	Colombo, Sri Lanka
30	Jawaharlal Nehru, India	Lianyungang, China
31	Manila, Philippines	Jeddah, Saudi Arabia
32	Dalian, China	Salalah, Oman
33	Salalah, Oman	Port Said, Egypt
34	Nagoya, Japan	Yingkou, China
35	Colombo, Sri Lanka	Felixstowe, UK
36	Valencia, Spain	Yokohama, Japan

Source: World Shipping Council⁵

⁵ <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>

7.4 Ports

An efficient port system is the key to improving the country's competitiveness, trade and investment flows and catering to the fast growing markets. In this regard, investments in the construction of the Hambanthota port and the development of the Colombo South Port have been given the highest priority. These investments by the government are complemented by the private sector which is expected to invest US \$ 440 million in 2011 - 2013 and a further US\$ 2.8 billion during the period of 2017 -2020. The port sector is expected to provide major investment opportunities to the private sector as the country has performed well in the PPP approach to capital formation in this sector.

SLPA operates 2 container handling facilities, Jaya Container Terminal (JCT) with a capacity of 2 million TEU's, Unity Container Terminal (UCT) with a capacity of 300,000 TEU while the South Asia Gateway Terminal Limited (SAGT) a private sector company has the capacity to handle 1 million TEU's. During the year 2011 the SLPA handled 54 percent of the country's total container volume at 2.3 million TEUs, while SAGT handled the balance 46 percent at 1.9 million TEUs. It is noted that during the year 2011 the container volume handled by the Jaya Container Terminal (JCT) and the Unity Container Terminal (UCT) increased by 6 percent while SAGT experienced a slight decline in its operations.

Positioning of Sri Lanka as a transshipment hub will require government to proactively engage the private sector in ensuring investments in port related ancillary activities such as provision of logistics, freight forwarding, insurance, banking etc, while SLPA invests in basic port infrastructure facilities. At the same time, if Sri Lankan ports are to be competitive regionally, productivity at the ports will have to improve significantly through the usage of modern technology and modern human resource management practices.

Sri Lanka Ports Authority (SLPA)

Towards accelerating port related infrastructure development, Sri Lanka Ports Authority (SLPA) embarked on the construction of a new port in Hambanthota⁶ at a cost of US\$ 437million⁷. The SLPA also undertook the expansion of the Colombo Port through the Colombo South Port Terminal⁸ with a private investment of US\$ 500 million which will have a container handling capacity of 2.4 million TEU. The Galle port has been targeted as a tourist port. Continuing its support, the government in 2011 on lent Rs. 13 billion to SLPA for the development of sea ports.

Boosted by the growth in both domestic and international trade, the SLPA enjoyed a significant growth in its operations with a 6.1 percent increase in container traffic volume and a 10.6 percent growth in vessel arrivals over 2010. Complementing these operational improvements, the

Table 7.20 > **Efficiency Indicators for SLPA (JCT)**

		2005	2006	2007	2008	2009	2010	2011*
Average turnaround time of Container Ship (hours)	Main Vessel	13.71	17.43	18.77	20.58	18.9	23.9	22.78
	Feeder Vessel	19.06	23.76	26.84	35.39	31.5	45.1	38.12
Average Service time of Container Ship (hours)	Main Vessel	11.65	14.14	14.55	14.18	13.3	16.6	17.78
	Feeder Vessel	16.85	20.37	21.11	24.82	22.4	32.1	32.1
Average waiting time of Container Ship (hours)	Main Vessel	0.75	1.87	2.52	4.6	3.87	6.7	3.51
	Feeder Vessel	0.79	1.84	2.8	8.35	6.53	11	4.16
Container productivity per crane (moves per hour)	Main Vessel	23.42	20.99	19.32	19.63	20.33	19.23	18.73
	Feeder Vessel	19.69	17.57	16.28	17.41	18.85	17.23	16.88
Container productivity per berth (moves per hour)	Main Vessel	49.25	43.28	42.51	45.27	47.45	47.54	48.66
	Feeder Vessel	33.85	30.13	28.95	31.95	35.33	33.14	33.43
Container productivity per ship (moves per hour)	Main Vessel	41.91	36.42	35.88	38.64	40.81	42.33	43.98
	Feeder Vessel	28.77	24.79	24.72	27.64	28.93	29.56	30.37

Source: Sri Lanka Ports Authority

* Draft

⁶ Commissioned in January 2008

⁷ Of the total cost of US\$ 437 million, 85 percent was through loan granted by Chinese Government/EX-IM Bank of China while the balance 15 percent is borne by the SLPA.

⁸ The first 600 meters of the terminal will be commissioned by May 2014 and the entire terminal by November 2016.

Table 7.21 > Performance of Sri Lanka Ports Authority

	Units	2005	2006	2007	2008	2009	2010	2011*
Vessels Arrived	Nos	5,092	5,117	5,366	5,430	5,162	4,657	5,153
Colombo	Nos	4,425	4,583	4,760	4,771	4,560	4,343	4,772
Galle	Nos	258	267	304	333	222	169	220
Trincomalee	Nos	409	267	302	326	380	145	161
Total TEU's Handled (SLPA)	MTMn	1.5	1.7	1.8	1.9	1.7	2.1	2.3
Revenue	Rs. Mn	20,550	23,004	25,913	25,142	23,331	28,279	31,250
Colombo	Rs. Mn	19,789	22,318	25,296	24,561	23,257	27,724	30,525
Galle	Rs. Mn	449	465	361	268	169	279	285
Trincomalee	Rs. Mn	312	221	256	314	361	277	441
Total Expenditure	Rs. Mn	14,370	18,217	23,562	23,322	21,774	25,118	24,330
Colombo	Rs. Mn	13,589	17,196	22,565	22,159	20,533	23,834	23,140
Galle	Rs. Mn	370	515	636	613	544	662	603
Trincomalee	Rs. Mn	411	506	661	550	597	622	588
Operating Profit	Rs. Mn	7,367	5,903	3,498	2,941	1,942	4,387	8,292
Foreign Loan	Rs. Mn	40,248	38,523	39,334	51,202	53,842	42,143	122,763
Interest of Foreign Loan	Rs. Mn	1,186	1,115	1,147	1,211	1,159	1,225	1,372
Foreign Exchange gain/(loss)	Rs. Mn	7,058	-1,168	-3,944	-11,790	591	-4,409	-3,543
Key Performance Indicators								
TEU's per Employee	Nos	113	128	113	144	128	169	209
Revenue per Employee	Rs. Mn	1.5	1.7	1.9	1.8	1.7	2.2	2.8
Cost per Employee	Rs. Mn	1.1	1.3	1.7	1.7	1.6	1.9	2.2
Total Cost of Employment	Rs. Mn	6,503	8,936	14,013	13,388	12,592	14,088	12,906

Source: Sri Lanka Ports Authority

* Draft

revenue increased by 10.5 percent to Rs. 31,250 million in 2011 from Rs. 28,279 million in 2010. As has been in the past, in 2011 Colombo port accounted for 97.6 percent of the total revenue, while both the Galle and Trincomalee ports accounted for the balance 2.4 percent.

SLPA remained profitable in 2011 recording an operating profit of Rs. 8,292 million, an increase of 89 percent over Rs. 4,387 million in 2010. Although SLPA continued to incur exchange losses amounting to Rs. 3,543 million in 2011, a decline in the overall expenditure by 3 percent along with an increase in the total revenue by 10 percent, enabled SLPA to earn a net profit of Rs. 583 million. A significant turnaround in its performance against the net loss of Rs. 1,065 million in 2010.

In a bid to restructure its operations the SLPA implemented a Voluntary Retirement Scheme at a cost of Rs. 2,595 million, for 1,842 employees. This enabled SLPA to reduce its total employees to 10,982 in 2011 from 12,824 in 2010. Further, the cost per tonnage has

declined to Rs.714 in 2011 from Rs. 815 in 2010. However, since the TEU's increased only by 6.1 percent in 2011, the improvement in the TEU's per employee increased to 209 in 2011 from 169 in 2010. This was mainly due to the reduction of excess employees rather than to any significant improvements in productivity. At the same time the improvement in the average turnaround time of container ship to 22.78 hours/ship in 2011 from 23.90 hours/ship in 2010 is encouraging. However, these developments indicate a need for a considerable productivity drive as well as a business model to facilitate an increase in container traffic volume.

The COPE report on SLPA highlighted inefficient use of Training Institutes and underutilization of assets and resources such as idling equipments. In this background SLPA will have to adopt stringent procedures to ensure optimal utilization of assets and proper governance. Such measures will facilitate the improvement in its productivity which in turn will allow it to successfully compete with the other upcoming ports in the region.

7.5 Commuter Transportation

Road transport in the country accounts for about 93 percent of the land transport. The commuter buses are the principal mode of public transport. Sri Lanka Transport Board (SLTB) a SOBE, with a fleet of 7,921 buses, catered to almost 25-30 percent of the market while the balance is catered by the private sector. SLTB provides its services to the rural areas and in non profitable routes which are not attractive to the private sector.

SLTB earns on average Rs. 45 per operated kilometer, while the private sector earns almost Rs. 69.70 per operated kilometer. SLTB's ability to perform as a commercially viable entity is hindered by systemic issues such as inefficient management practices, procurement inefficiencies, and human resource issues.

The lack of coordination between the SLTB and the private buses regarding the timetables has given rise to not only

the passengers being inconvenienced unduly, but also to the sub optimal performance of both sectors. Coordination between the SLTB and the Sri Lanka Railways would have mutual benefited both as SLTB could operate buses on the feeder roads to the railway stations in the country. Considering limitations of SLTB to generate large surplus's, it is necessary to facilitate private sector initiatives in transport within a sound regulatory framework.

Sri Lanka Transport Board (SLTB)

Despite an increase in the government budgetary support to Rs. 5,182 million in 2011 from Rs. 4,469 million in 2010, the SLTB's total revenue declined to Rs. 21,017 million from Rs. 21,560 million in 2010.

Driven by increases in 2011 in the fuel bill of 6 percent, salaries and wages of 15 percent, SLTB's total expenditure increased by 3 percent to Rs. 23,042 million from Rs. 22,390 million in 2010. Hence the operational losses of

Table 7.22 > Performance of Sri Lanka Transport Board

	Unit	2006	2007	2008	2009	2010	2011*
Operated Passenger	Km/Day	713,753	835,313	857,033	920,168	935,940	933,810
Buses in Operation (avg per annum)	Nos	3,557	4,219	4,246	4,478	4,451	4,365
Total Revenue	Rs. Mn	12,668	15,441	18,083	21,527	21,560	21,017
Waybill	Rs. Mn	7,917	10,695	12,973	13,442	14,658	15,176
Season Tickets	Rs. Mn	199	359	528	536	542	553
Special Hires	Rs. Mn	150	233	326	559	403	143
Other Income	Rs. Mn	422	345	503	904	2,120	1,324
Total Government Contribution	Rs. Mn	8,960	6,157	6,726	4,188	4,469	5,182
Recurrent	Rs. Mn	4,976	3,545	4,842	3,527	3,620	3,939
Capital	Rs. Mn	3,984	2,612	1,884	661	849	1,243
Total Expenditure	Rs. Mn	13,653	16,287	20,132	20,906	22,390	23,042
Fuel Cost	Rs. Mn	4,696	6,228	8,505	7,134	7,177	7,628
Cost of Tyres & Tubes	Rs. Mn	1,576	1,886	1,126	1,333	1,336	1,516
Salaries & Wages	Rs. Mn	4,745	5,954	6,803	8,807	8,434	9,664
Batteries, Spare Parts	Rs. Mn	608	587	683	870	1,058	1,010
Net Loss before Interest and Tax	Rs. Mn	6,824	6,051	7,998	4,645	830	2,025
Financial Charges	Rs. Mn	50	58	54	49	64	81
Investments	Rs. Mn	149	253	311	375	406	445
Total Employees	Nos	38,952	37,149	36,773	35,365	34,772	34,263
Average Employment cost per Employee per annum	Rs.	121,820	160,273	185,000	249,031	242,552	282,053
Average Revenue per Employee	Rs.	325,221	415,650	491,747	414,478	620,039	613,402

Source: Sri Lanka Transport Board

*Draft

SLTB increased by almost 144 percent to Rs. 2,025 million in 2011 from Rs. 830 million. However during 2011, SLTB added 157 new buses and 869 fully repaired busses into its running bus fleet which stands at 5,111 at the end of 2011. The Board ventured into new inter provincial routes and also planned to commence a new bus service on the Southern Highway from January 2012.

The COPE identified issues such as delay in submission of Annual Reports to Parliament, lapses in administration, inefficient management practices as major shortcomings of SLTB.

7.6 Aviation

Complementing the government policy of positioning Sri Lanka as an Aviation hub with better facilities in air transport, the government has invested Rs. 23,978 million in the aviation industry during 2006-2011, an increase of almost 43 percent over the period 2000-2005.

Sri Lankan Airlines Ltd (SLA)

SLA, the country's national carrier although faced many challenges due to high fuel cost and stiff competition from other international airlines, expanded its global route network to 51 destinations in 32 countries with new services to Shanghai, Guangzhou, Kochi and Russia. SLA also commenced code-sharing services with Mihin Lanka (Pvt) Limited to Dhaka and enhanced its fleet by the acquisition of 6 aircrafts. SLA accounts for around 60 percent of the passengers at Bandaranayake International Airport (BIA). The expansion of routes with special emphasis on Asia, Pacific and the Far East, Russia and the Middle East has been given high priority in its business model.

With the acquisition of 6 new aircrafts (4 - A320 narrow body, 1 - A330 wide body and 1 - A340 wide body) on lease terms, total fleet of SLA increased to 19 at the end of 2011. Further 2 aircrafts (1 - A330 wide body and 1 - A320 narrow body) is to be added to the fleet in March and April

Table 7.23 > Performance of Sri Lankan Airlines Ltd

	2006/07	2007/08	2008/09	2009/10	2010/11	April-Dec. 2011*
Operational Performance						
Passengers carried (Nos) (000')	3,176	3,196	2,735	2,558	2,867	2,496
Passenger Load Factor (%)	77.1	77.7	72.8	77.9	76.8	78.3
Cargo carried (Tonnes)	88,833	93,161	73,106	72,058	86,053	65,679
Overall Load Factor (%)	67.9	70.8	65.1	66.7	67.5	67.2
Routes operated (Nos)	29	30	30	33	28	33
Financial Performance						
	Rs. Million					
Total Revenue	68,904	80,031	74,265	62,363	77,125	58,115
Net Profit before Interest and Tax	1,149	5,145	(9,738)	(5,409)	655	(15,567)
Financial Charges	(219)	(206)	(219)	(546)	(832)	(741)
Investments	26	26	24	66	65	107
Non Current Assets	19,149	17,998	21,292	28,532	19,862	18,800
Current Assets	22,419	33,260	15,895	15,755	18,276	21,835
Non Current Liabilities	4,137	5,049	4,470	12,441	6,905	11,232
Current Liabilities	19,558	23,437	19,940	28,245	28,018	41,755
Equity	11,111	15,536	6,230	3,598	3,216	(12,351)
Key Performance Indicators						
ROE** %	8	32	-160	-165	-5	-
Breakeven load factor - %	72.3	76.2	78.2	78.9	76.1	85.1
Overall Cargo Yield- Rs. per Tonnes/ Km	55.7	61	64.8	54.9	60.3	30.3
Unit Cost - Rs. per Tonnes/Km	40.3	46.5	50.7	43.4	45.9	47.4

Source: Sri Lankan Airlines Ltd

*Draft

** Return on Equity

2012. The 2nd air taxi was inducted to the fleet in year 2011 to expand the domestic operations, though this experiment has not produced the desired results.

During the year, revenue increased by 24 percent to Rs. 77,125 million over Rs. 62,363 million in 2009/2010. However, despite the sale of preference shares at a value of Rs.1,000 million, the airline continued to incur losses of Rs. 378 million in 2010/11, against the loss of Rs. 2,674 million incurred in 2009/2010. With the twin impact of accumulated losses along with the increase in operating costs due to fuel price fluctuations, the airline is faced with a considerable liquidity crunch. Hence in a bid to ease SLA's liquidity constraints while facilitating the expansion/modernization programme, the government decided to infuse capital of US\$ 500 million over the period of 5 years from 2012.

In terms of the business model, SLA plans to expand the business class facilities and the fleet to 25 by 2016 in order to compete with the other airlines. SLA constructed a full flight simulator centre at BIA in 2011 and is expected to become a regional aviation hub for pilot training.

Mihin Lanka (Pvt) Ltd (MLL)

MLL the low cost budget airline, in the country has been able to improve its performance 2010/11 with a fleet of 2 aircrafts to 7 destinations in the Asian region, largely to Middle East and South Asia. MLL has planned to acquire its 3rd aircrafts in the first quarter of 2012. In 2011, MLL reduced its losses to Rs. 940 million from the Rs. 1,221 million in 2009/10. This could be attributed mainly to the reduction of its costs through conversion of wet lease operations to dry lease operation which resulted in considerable reduction of cost per block hour of operation.

With the opening of the 24 hour customer support service via Mihin Lanka call center, MLL expects to improve efficiency targeting low cost travellers and pilgrims. Further, MLL initiated to pay productivity based pay for pilots i.e for the number of hours pilots operate the aircraft with a view of reducing costs.

Table 7.24 > Performance of Mihin Lanka (Pvt) Limited

	2006/07	2007/08	2008/09	2009/10	2010/11	April-Dec. 2011*
Operational Performance						
Passengers Carried (Nos)	-	202,499	28,938	130,505	224,395	266,292
Cargo Carried (Tonnes)	-	954	226	695	959	1,290
Load Factor (%)	-	62	42	71	76	76
Financial Performance						Rs. Million
Total Revenue	-	2,570	373	1,700	3,142	4,576
Net Profit before Interest and Tax	(195)	(3,160)	(1,300)	(1,221)	(940)	2,055
Finance Charges	-	210	397	138	77	51
Non-Current Assets	23	39	55	38	72	61
Current Assets	381	264	386	506	1,146	1,494
Non -Current Liabilities	550	304	2,759	3,541	2,802	414
Current Liabilities	49	2,805	2,089	2,630	2,230	4,390
Equity	(195)	(2,806)	(4,407)	(5,628)	(3,814)	(3,249)

Source: Mihin Lanka (Pvt) Ltd

*Draft

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

During 2011, AASL has continued the modernization and expansion work of BIA and the construction of 2nd international airport at Mattala which is scheduled to be completed by the end of 2012.

With the expansion of the tourism sector passenger traffic at BIA has shown rapid growth. In 2011, BIA had more than 6 million passengers, an increase of 14 percent over 2010. A new passenger terminal at a cost of US\$ 350 million, is expected to be constructed to meet the country's air traffic demand.

With enhanced international flights, passengers and cargo movements, AASL was able to increase its revenue to Rs. 7,635 million in 2011 from Rs. 6,060 million in 2010.

At the same time, the increase in revenue by 21 percent and the increase in costs only by 6 percent resulted in a 69 percent growth in the profit before tax in 2011 over 2010. During the year 2011, AASL paid dividends amounting to Rs.2,000 million to the government.

The key factor in creating an aviation hub would be to increase the non aeronautical revenue through the availability of facilities such as shopping and entertainment at the airport, and other ancillary services that the modern day traveler is accustomed to. The non aeronautical revenue constituted almost 70 percent in 2011 with a growth of 24 percent over 2010.

During the year 2011, in a bid to improve the efficiency and effectiveness of the company AASL initiated the implementation of an Electronic Resource Planning System (ERP) at a cost of Rs. 248 million.

Table 7.25 > **Performance of Airport and Aviation Services (Sri Lanka) Limited**

	2006	2007	2008	2009	2010	2011*
Operational Performance						
International flights movements (Nos)	33,189	33,395	31,764	28,624	34,092	43,454
Passenger Movements (Nos)	4,798,274	4,898,891	4,642,831	4,242,356	5,259,648	6,145,532
Cargo Movements (MT)	170,907	163,570	151,952	138,067	167,130	168,577
Financial Performance						
	Rs. Million					
Revenue	4,454	5,340	5,832	5,491	6,060	7,635
Expenditure	2,334	2,871	4,090	4,050	4,195	4,476
Staff Cost	1,576	1,985	2,935	2,663	2,808	3,030
Other Cost	758	886	1,155	1,387	1,387	1,446
Net Profit Before Tax	2,120	2,469	1,742	1,441	1,864	3,159
Total Non Current Assets	477	576	1,054	1,639	2,070	4,398
Total Current Assets	4,282	5,838	6,934	7,139	7,585	7,070
Short Term Investments	2,764	4,069	4,583	4,564	5,543	3,909
Non Current Liabilities	933	1,184	1,883	1,976	2,044	2,119
Current Liabilities	1,053	1,048	939	949	1,148	2,748
Share Holders Equity	2,772	4,190	5,167	5,901	6,463	6,601
Retained Earnings	2,660	4,079	5,055	5,790	6,352	6,489
Dividends	0	100	200	200	600	2,406
Key Performance Indicators						
EPS** (Rs.)	6,865	7,542	5,843	4,672	6,547	5,110
Return on Net Assets (%)	50	36	23	16	18	27
Net Profit Ratio (%)	31	28	20	17	21	41
No of Passengers per Aircraft	145	147	146	148	154	140
Total cost per flight handled (Rs.' 000)	70	86	133	142	123	103

Source: Airport and Aviation Services (Sri Lanka) Ltd

*Draft

** Earnings per Share

7.7 Construction

The construction industry constituted almost 7 percent of the GDP in the years 2009 and 2010. It is estimated that the construction industry with public investment projects such as construction of highways, airports, ports, irrigation, urban development etc, implemented by the government will grow at an annual growth rate in excess of 10 percent in the period 2012-2015. Of the total construction projects almost 85 percent is state funded infrastructure projects while the balance 15 percent is privately funded.

The Central Engineering Consultancy Bureau (CECB), State Engineering Corporation (SEC) and State Development and Construction Corporation (SD&CC) are the main SOBEs engaged in the field of construction. Total turnover of all SOBEs in construction has recorded almost a 8 percent increase in revenue over 2010.

SEC,CECB and SD&CC have undertaken almost 90 percent of the government construction work, but has shown capacity limits, in completing the majority of the projects undertaken on time, thereby resulting in cost overruns.

The challenge for both SEC and CECB is to compete in the market in a cost effective manner. In this regard SEC, CECB and SD&CC should adopt new construction practices and processes, while being competitive with the private sector.

CECB has already completed few foreign consultancies in Tanzania, Rwanda, Malawi and Uganda and some construction work in India and Maldives and thereby displaying its ability to work in the international market successfully. Hence, both CECB and SEC should exploit the opportunity to operate in the international market with strategic alliances with Sri Lankan private sector construction companies who have already entered these markets.

State Engineering Corporation of Sri Lanka (SEC)

SEC was the first government institution in the construction sector to have obtained ISO 9001-2008 certification in 2009. SEC has experienced a constant growth in its revenue, recording Rs.5,395 million in 2011. Despite a 8 percent decrease in revenue in 2011, net profit has increased by 17 percent due to the introduction of special operation division to undertake the assignment given by the Ministry of Economic Development under district provincial road project to carpet 725Km of provincial roads in Galle, Matale and Rathnapura districts. SEC is presently facing a considerable liquidity crunch since its average debt recovery period which stood at 129 days in 2011 has increased to 217 days in 2011.

The SEC has been lagging behind its private sector counterparts in terms of its efficiency and optimal

Table 7.26 > Performance of State Engineering Corporation of Sri Lanka

	2006	2007	2008	2009	2010	2011*
Financial Performance						Rs. Million
Total Revenue	1,843	2,219	2,652	3,794	5,921	5,395
Net Profit Before Interest and Tax	25	128	55	279	133	156
Financial Charges	5	4	0.7	0	0	4
Investment	1	1	1	1	1	1
Non-Current Assets	97	133	127	120	161	197
Current Assets	1,607	2,272	2,690	3,808	5,447	5,645
Non-Current Liabilities	342	414	247	275	278	279
Current Liabilities	1,394	1,895	2,424	3,231	4,844	4,959
Equity	(33)	96	147	421	487	605
Key Performance Indicators						
ROA (%)	1	5	2	7	2.4	2.7
ROCE** (%)	-	133	37	66	27	25

Source: State Engineering Corporation

*Draft

** Return on Capital Employed

utilization of resources. The COPE has also noted that SEC has been incurring losses on many of the activities undertaken. The Annual reports for the years 2007,2008 and 2009 has not been submitted to the Parliament. The COPE notes that the Corporate Plan 2011-2015 has many short comings.

In the year 2011, National Equipment and Machinery Organization which was attached to National Housing Development Authority were absorbed to SEC by improving the fleet of construction machineries of the institution.

Central Engineering Consultancy Bureau (CECB)

CECB was founded in 1973 to provide multi-disciplinary consultancy services for water resource development projects especially such as the Mahaweli development project. CECB holds the ISO 9001-2008 quality assurance accreditation for Engineering Consultancy and construction service since 2011. CECB was successful in commissioning construction projects in foreign countries during the last five year period.

While the revenue in 2011 has increased by 13 percent to Rs. 6,577 million, net profit has decreased by 41 percent to Rs.332 million. This is mainly due to the increase in the cost of construction especially raw materials. Although

CECB should concentrate more on consultancies they have increasingly being undertaking more construction work as opposed to consultancies. Lack of a realistic assessment on the capacity of the organization has often resulted in the CECB not being able to meet the contractual deadlines leading to cost escalations. This has also resulted in CECB not being able to recover their fees on time while affecting their credibility.

COPE has noted that the financial statements for the year 2010 have not been prepared in line with the Sri Lanka Accounting Standards and hence the accounts were withdrawn.

State Development & Construction Corporation (SD & CC)

SD &CC has diversified its business activities by undertaking projects such as construction of tunnels , bridges, Irrigation structures, water projects, installation, maintenance and operation of traffic light signal systems etc. SD & CC is the leader in bridge construction in the country, completing more than 300 bridges. In addition to the construction of bridges in the Eastern province under the “Eastern Reawakening”, it was assigned to carpet 139 kilometers of Roads in Polonnaruwa under the ‘District Provincial Road Project for the total cost of Rs. 1,257 million. However during the year 2011, only Rs. 375 million worth of works has been completed.

Table 7.27 > **Performance of Central Engineering Consultancy Bureau**

	2006	2007	2008	2009	2010	2011*
Financial Performance						Rs. Million
Total Revenue	3,161	3,318	4,104	8,722	5,819	6,577
Net Profit /(Loss) before Interest and Tax	52	44	238	271	669	332
Financial Charges	28	398	39	20	20	8
Investment	31	55	55	57	70	1,219
Non-Current Assets	275	323	330	405	387	397
Current Assets	3,481	4,210	5,869	2,586	4,621	3,616
Non-Current Liabilities	112	175	173	176	176	168
Current Liabilities	3,296	4,032	5,592	2,262	3,971	3,801
Equity	348	326	433	553	931	1,263
Key Performances Indicators						
ROCE (%)	15	13	54	49	73	26

Source: Central Engineering Consultancy Bureau

*Draft

Table 7.28 > **Performance of State Development & Construction Corporation**

	2006	2007	2008	2009	2010	2011*
Financial Performance						Rs. Million
Total Revenue	867	801	1,661	1,466	1,672	2,486
Net Profit before Interest and Tax	32	55	121	210	102	110
Financial Charges	15	18	78	119	81	67
Investment	101	65	53	50	50	51
Non-Current Assets	938	907	896	873	803	832
Current Assets	881	1,207	1,553	1,753	1,590	2,778
Non-Current Liabilities	151	165	235	345	367	348
Current Liabilities	734	989	1,212	1,190	1,222	2,440
Equity	934	960	1,002	1,091	854	873
Key Performance Indicators						
ROCE (%)	3	6	12	19	12	13
ROA (%)	2	3	5	8	4	3

Source: State Development & Construction Corporation

*Draft

During the year 2011, SD & CC recorded a 49 percent increase in its revenue to Rs. 2,486 million from Rs.1,672 million in 2010. However due to almost a 56 percent increase in direct operating cost, gross operating profit decreased slightly in 2011 against 2010. The increase in revenue and a considerable decrease in administration and financial expenses resulted in SD & CC increasing their net profit before interest and tax by 7 percent to Rs.110 million in 2011 from Rs. 102 million in 2010.

SD & CC needs to improve its processes utilizing modern technology, adopting new construction practices resulting in the reduction in the total costs as well as enabling the completion of works on time.

COPE notes that the Annual Reports have not been tabled in parliament since 2007.

CECB and SEC should exploit the opportunity to operate in the international market with strategic alliances with Sri Lankan private sector construction companies who have already entered these markets...

7.8 State Banks

With a network of 1,795 branches and service delivery points, the 8 state owned banks were able to record a growth of 9 percent in their revenues, exceeding the industry average of 7 percent. During 2011, state owned banks also expanded their operations with the opening of 106 banking outlets throughout the country out of which, 41 outlets were opened in the conflict affected districts.

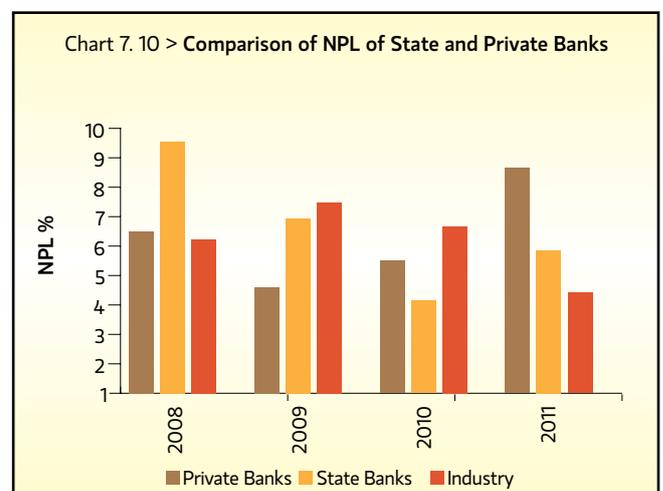
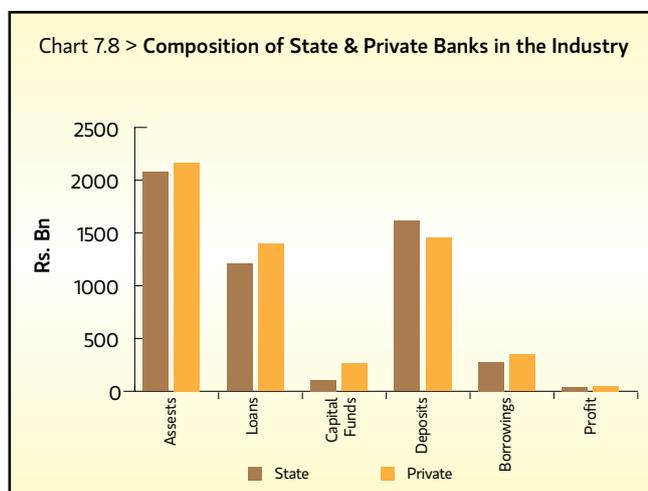
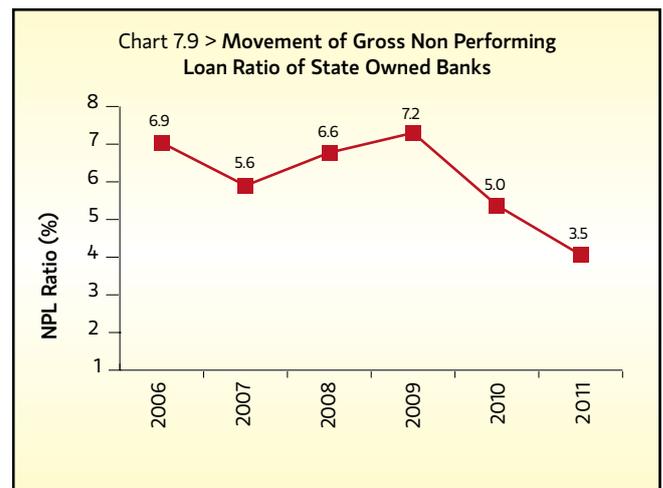
Bank of Ceylon and Peoples Bank, the 2 state owned commercial banks, accounted for almost 37 percent of the total savings and 40 percent of the total credit in the banking sector. The number of account holders increased from 33 million in 2005 to 45 million in 2011 indicating better accessibility into banking by the general public.

The total asset base of state owned banks at the end of 2011, amounted to Rs. 2,077 billion accounting for 49 percent of the total assets of the banks. Nearly 57 percent of the total asset base of the state owned banks constitutes of loans and 35 percent of investments. The state banks experienced a 9 percent growth of the assets base while the asset base of the private banks grew at 11 percent over 2010. This disparity was also evident in the credit growth where the state owned banks and the private sector banks recorded 15 percent and 17 percent respectively.

The asset quality of state banks which has been improving during the last few years, continued in 2011 too. Total non performing loans of state banks amounted to Rs. 42 billion by the end of 2011 registering a significant decline of 8 percent over the previous year.

The non-performing loan ratio declined to 3.5 percent in 2011 from 5.0 percent in 2010, and was below the 3.8 percent of the industry average of nonperforming loans in 2011. However it is noted that the non performing loan portfolio of Rs. 42 billion in 2011 indicates that the banks have to embark on a concerted effort to recover these loans which could help to support Banks' liquidity positions.

Deposit base of the state banks continued to increase with the total deposit base at Rs.1,613 billion by the end 2011, registering a year on year growth of 15 percent. However the growth in deposits of state banks were below the industry average of 18.6 percent in 2011 indicating that the private banks were more successful in attracting deposits than the state owned banks. This warrants the state banks to embark on an aggressive deposit mobilization drive.



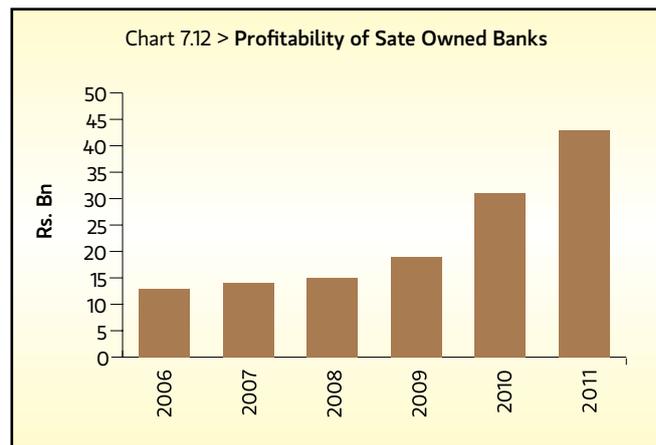
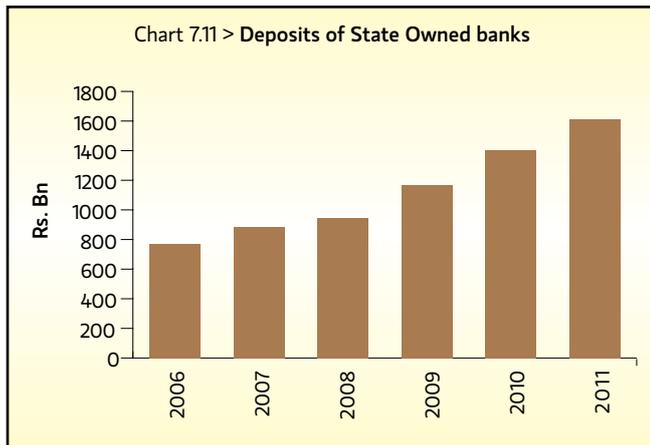
The total lending's of state banks recorded a growth of 34 percent, an increase of Rs. 302 billion in 2011. A major portion was directed towards financing the surge of economic activities in transport, tourism, and construction sectors. Total capital funds employed by state owned banks amounted to Rs. 106.4 billion in 2011, a significant growth of a 35 percent over the year 2010. This was mainly due to increased profitability which resulted in an accumulation of retained profits of the state banks in 2011. By the end of 2011, all state banks excluding HDFC Bank and Sri Lanka Savings Bank were within the enhanced capital adequacy required by the Central Bank of Sri Lanka. Nevertheless, Return on Assets of State Banks remained well below private Banks, reflecting the development activities performed by the State Banks in rural agriculture and low income housing.

Table 7.29 > **Non Performing Loans of State Banks**

	2010 Rs.Mn	2011* Rs.Mn	As a % of total NPL of State Banks
Bank of Ceylon	12,638	10,921	26
People's Bank	18,738	16,062	38
National Savings Bank	2,119	2,684	6
State Mortgage & Investment Bank	5,162	5,271	13
HDFC Bank	2,840	3,281	8
Lankaputhra Development Bank	1,328	1,242	3
Pradeshia Sanwardhana Bank	1,152	1,074	3
Sri Lanka Savings Bank Ltd	1,538	1,408	3
Total	45,518	41,943	100

Source: Department of Public Enterprises

*Unaudited

Table 7.30 > **Key Performance Indicators of State Banks (Rs. Billion)**

	2006	2007	2008	2009	2010	2011*
Total Revenue	867	801	1,661	1,466	1,672	2,486
Assets	1,001.6	1,149.7	1,247.2	1,447.4	1,757.9	2,077
Loans & Advances	503.8	624.0	630.0	673.4	878.8	1,181
Non Performing Advances	36.3	36.2	43.1	50.7	45.5	42.0
Deposits	772.0	883.8	942.9	1,168.0	1,400.1	1,613
Capital Funds	49.4	53.4	63.2	70.2	84.4	106.4
Total Borrowing	136.5	151.0	176.0	132.7	204.2	275.3
Interest Income	88.2	124.0	155.0	177.3	167.7	182.1
Interest Expenses	50.6	82.6	108.0	119.8	98.8	103.2
Net Interest Income	37.9	41.3	47.0	57.5	68.9	78.9
Profit before Tax	13.0	13.9	15.2	18.9	31.3	43.0
Profit after Tax	8.4	7.4	7.9	10.9	18.6	29.3
ROA (%)	0.9	0.7	0.7	0.8	1.2	1.5
ROE (%)	19.0	14.4	13.5	16.3	24.0	30.7

Source: Department of Public Enterprises

*Unaudited

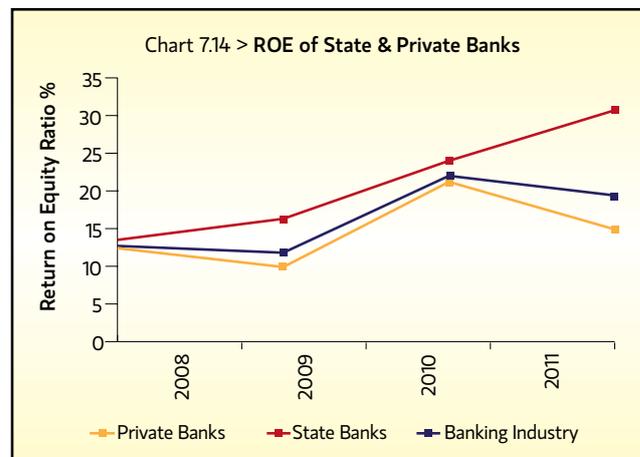
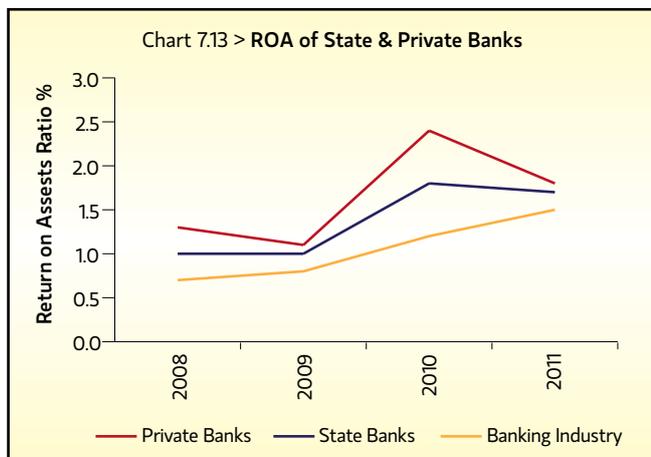


Table 7.31 > **Sector Wise Credit Concentration of State Banks**

	2011	
	Rs.Bn	Percentage
Agriculture & Fishing	79.6	6.5
Manufacturing	55.5	4.5
Tourism	12.4	1.0
Transport	23.3	1.9
Housing	226.8	18.5
Trading	145.8	11.9
Financial & Business Services	34.3	2.8
Infrastructure	6.0	0.5
Consumption	162.6	13.3
Credit card	2.9	0.2
Pawning	344.4	28.2
Others	129.6	10.6
Total	1,223.4	100.0

Source: Department of Public Enterprises

Bank of Ceylon (BoC)

The BoC has firmly entrenched itself as Sri Lanka's premier financial services organization offering a broad range of services consisting of commercial banking, trade finance, development financing, mortgage financing, lease financing, investment banking, corporate financing, dealing in Government securities, pawn broking, credit card facilities, off-shore banking, foreign currency operations and other financial services.

BoC continued its dominance in the Sri Lankan banking industry with the largest asset base of Rs. 836 billion, deposits of Rs. 588.7 billion, and foreign currency

Deposit base of the state banks continued to increase with the total deposit base at Rs.1,613 billion by the end 2011, registering a year on year growth of 15 percent...

remittances at Rs. 586.9 billion. The lending portfolio which grew by 56 percent to Rs. 543.6 billion continued to be the country's largest, accounting for 49.6 percent of the total lending portfolio of the banking industry. In 2011, bank's profit (before tax) increased by 53 percent to Rs. 15.5 billion from Rs. 10 billion in 2010. Net interest income increased to Rs. 24.5 billion from Rs. 19.6 billion in 2010.

Reflecting the increase in profits in 2011, the dividends paid to the government being the return on its investment, amounted to Rs. 3.8 billion an increase of 24 percent from 2010 while the VAT and other taxes paid amounted to Rs. 11,255 million. Basic earnings per share of the bank at the end of 2011 stood at Rs. 2,304 compared to the Rs. 1,273 in the previous year, reflecting a growth of 73 percent. BOC reached out to all citizens of the country through its largest network of 318 branches and 248 extension offices connected online. During the year 2011, BOC opened 9 new branches and 30 new extension offices in the Northern and Eastern provinces. BOC's 404 ATM network serve the

Table 7.32 > Performance of Bank of Ceylon

	2006	2007	2008	2009	2010	2011
Branches (Nos)	305	307	309	310	309	318
Employees (Nos)	8,363	8,253	7,912	7,533	8,204	8,115
Assets (Rs. Bn)	378.3	437.9	484.9	538.2	714.9	835.5
Deposits (Rs. Bn)	262.6	308.6	316.1	408.6	524.2	588.7
Number of Deposit Accounts (Nos in Mn)	6.2	7.0	7.4	7.5	9.3	10.2
Foreign currency Deposits (Rs. Bn)	90.3	106.3	96.6	126.8	523.2	586.9
Corporate & Retail Lending (Rs. Bn)	223.2	282.4	271.1	265.0	244.5	358.1
Profit before Tax (Rs. Mn)	4,137	4,518	5,231	4,208	10,052	15,546
Profit after tax (Rs. Mn)	2,627	2,843	3,561	3,084	6,365	11,521
Capital Adequacy Ratio - I (%)	11.9	12.1	11.3	11.2	10.3	6.8
Capital Adequacy Ratio - II (%)	12.3	13.2	15.7	14.2	13.7	10.1
Non Performing Loans (Rs. Mn)	13,602	11,334	13,816	15,542	12,439	10,921
Non Performing Loan Ratio (%)	5.8	3.9	4.9	5.7	3.3	1.9
Rating (Fitch Ika)	AA	AA	AA	AA	AA	AA+

Source: Bank of Ceylon

people 365 days 24 hours in all 24 districts of the country, of which 52 ATM machines were installed in 2011.

BOC operates in 2 overseas locations, namely, Maldives and Chennai. To serve the migrant communities of the country, BOC has expanded services through their representatives at the exchange houses in Qatar, the United Arab Emirates, Kuwait, Bahrain, Oman, the Kingdom of Saudi Arabia, Israel, Jordan, Italy, South Korea, France and Japan. The Bank has 12 subsidiaries and 6 associate companies in its group structure.

Fitch Ratings Lanka upgraded BOC's national long-term rating to 'AA+(lka)' from 'AA(lka)' with a stable outlook. The outstanding subordinated debentures were upgraded to 'AA(lka)' from 'AA-(lka)' and the proposed subordinated debentures of Rs. 5 billion has also been assigned 'AA(lka)'.

People's Bank (PB)

The second largest commercial bank in the country celebrated its 50th anniversary and continued its robust growth momentum in 2011, while being proactive in the country's development effort. In 2011, the bank's profit before tax grew at 75 percent to Rs. 15.3 billion. During 2011, PB's asset base which accounted for 15.6 percent of total asset base of entire banking industry stood at Rs. 663 billion, an increase of 21 percent over Rs. 548 billion in 2010.

The growth in the assets base of 21 percent in 2011 is higher than the 15 percent growth recorded in 2010. The Bank operates with an extensive branch network comprising of 341 branches and 373 outlets catering to a broad clientele base in the country.

PB's loan book grew by 30 percent in 2011, to Rs. 464.8 billion. This included the bank's exposure to pawning which is 39 percent of total loans of the bank, corporate credit at 55 percent (which also includes lending to the government sector i.e Exposure to government and state-owned enterprises was about 20 percent of total lending at the end of 2011) and while loans to the SME sector constituting only 2.3 percent.

Asset quality of the bank improved as witnessed by the reduction of NPL ratio up to 3.4 percent in 2011 from 5 percent in 2010. Supported by the extensive branch network, bank's deposits recorded a growth of 16.8 percent during the year 2011. PB maintained a Capital Adequacy Ratio (CAR) of 14.8 percent by the end of 2011, which is well above the minimum CAR of 10 percent.

The bank was able to connect all the branches and service centers into one core banking system which comprise over 700 outlets and internet banking facility was offered to corporate and retail banking customers. The Banks ratings improved significantly from "AA-" to "AA".

Table 7.33 > Performance of People's Bank

	2006	2007	2008	2009	2010	2011
Branches (Nos)	630	639	642	645	679	714
Employees (Nos)	9,516	8,416	8,587	8,863	8,399	8,249
Assets (Rs. Bn)	338.5	380.6	397.5	476.2	547.7	663.1
Deposits (Rs. Bn)	269.9	300.9	324.5	396.0	462.1	539.9
Number of Deposits Accounts (Nos in Mn)	10.5	11.0	11.6	12.3	12.9	13.2
Corporate & Retail Lending (Rs. Bn)	207.1	238.3	248.6	283.7	357.3	464.8
Profit before Tax (Rs. Mn)	4,079	5,002	5,664	6,076	8,771	15,311
Profit after Tax (Rs.Mn)	3157	2,374	2,705	3,320	5,206	10,157
Capital Adequacy Ratio (I) (%)	3.7	5.3	6.5	7.7	7.9	9.6
Capital Adequacy Ratio (II) (%)	5.6	6.9	10.5	13.4	12.8	14.8
Non Performing Loans (Rs.Mn)	15,951	14,865	17,857	20,040	18,738	16,062
Non Performing Loan Ratio (%)	7.2	5.9	6.8	6.7	5.0	3.4
Rating (fitch Ika)	BBB+	BBB+	A-	A	AA-	AA

Source: People's Bank

National Savings Bank (NSB)

Being the largest specialized bank in the country, the bank played a vital role in granting housing loans to 7,755 amounting to Rs. 8.2 billion. NSB operates largely as a "narrow bank," providing savings accounts through its 210 branches, and investing about 70 percent of total assets in government debt instruments (bonds, T-bills and loans) where as at the end of 2011 while only 20 percent of total assets were held in the form of advances. However NSB is required to invest not less than 60 percent of its deposits

in government securities in terms of the National Savings Bank Act. This "narrow bank" function helps to keep operating costs and credit risk at a minimum, compared to other banks which have to support the costs of developing investment opportunities and much more robust systems for credit risk management and credit administration. The banks non performing ratio increased from 2.6 percent in 2010 to 2.9 percent by the end of 2011.

At the end of 2011, NSB had 11 percent of market share on asset base of the entire banking industry and also

Table 7.34 > Performance of National Savings Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	114	117	123	123	186	210
Employees (Nos)	2,900	2,867	2,883	2,915	3,050	3,275
Assets (Rs. Bn)	235.5	270.2	294.3	354.4	403.2	466.6
Deposits (Rs. Bn)	212.2	235.3	259.6	313.0	355.3	411.0
Number of Deposits Accounts (Mn)	15.1	15.4	15.6	16.3	16.7	17.0
Foreign Currency Deposits (Rs. Mn)	460.7	1,342.8	2,140	3,580	4,305	4,906
Corporate & Retail Lending (Rs. Bn)	33.8	54.0	56.3	68.3	81.7	93.1
Profit before Tax (Rs. Mn)	3,501	3,301	3,100	6,944	9,776	8,952
Profit after Tax (Rs.Mn)	1,885	1,573	1,059	3,736	5,391	5,759
Capital Adequacy Ratio -I (%)	40.7	33.3	34.8	25.56	22.2	20.2
Capital Adequacy Ratio-II (%)	11.7	12.2	19.4	22.00	19.2	17.6
Non Performing Loans (Rs.Mn)	521	740	1,080	2,381	2,119	2,684
Non Performing Loan Ratio (%)	1.5	1.4	1.9	3.5	2.6	2.9
Rating (Fitch Ika)	AAA	AAA	AAA	AAA	AAA	AAA

Source: National Savings Bank

*Unaudited

held 13.4 percent of total deposit base of entire banking industry. The bank's profit before tax has decreased to Rs. 9 billion in 2011 from Rs. 9.8 billion in 2010 mainly due to a provision of Rs. 1.2 billion made against the falling value of dealing securities, lower capital gain on dealing securities and expenses on expansion on branch net work. Performance of NSB in 2011 was not upto the forecasted level with profit before tax, other income and gross interest income decreasing to 9 percent, 60 percent and 4 percent respectively compared to 2010. The bank also ventured into mobilizing overseas remittances as a part of its promotion of savings. The foreign currency deposits of the bank amounted to Rs. 4.9 billion by the end of 2011 which is a considerable increase of 14 percent over the previous year. The Bank sustained its "AAA (lka)" rating by Fitch Rating (Lanka) Ltd for the 9th consecutive year.

State Mortgage & Investment Bank (SMIB)

The SMIB predominantly concentrates on housing finance (97 percent). Even though the SMIB Act has provisions to provide financial assistance for agriculture and other development activities, the bank has not been taking any proactive interest lending to these sectors.

Profit after tax has significantly increased up to Rs. 548 million in 2011 from Rs. 450 million in 2010 mainly due to an increase in interest income on loan and advances and significant decline in interest expenses on long term borrowings.

HDFC Bank (HDFC)

HDFC which is primarily engaged in granting loans or credit facility to any individual, company or partnership for housing purposes, is the only state bank listed in the Colombo Stock Exchange.

The bank's assets base recorded an increase of 29 percent in 2011 to Rs. 19.7 billion from Rs. 15.3 billion in 2010. Of the bank's total loan portfolio, 90 percent has been granted to construct small and medium housing units. The deposit base of the bank has significantly increased by 60 percent to Rs. 12.3 billion in 2011 from Rs. 7.7 billion in 2010. Before tax profit of Rs. 414 million in 2011 reflected a significant increase of 119 percent over the previous year. The bank's non-performing loans ratio recorded a slight increase in 2011 to 22.3 percent which is above the industry average.

Table 7.35 > Performance of State Mortgage & Investment Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	7	12	12	12	15	15
Employees (Nos)	349	339	328	320	308	302
Assets (Rs. Bn)	10.2	12.1	14.5	16.8	17.2	19.8
Deposits (Rs. Bn)	5.7	7.5	10.1	12.3	12.5	14.4
Corporate & Retail Lending (Rs. Bn)	9.5	11.0	13.3	13.4	13.7	15.5
Profit before Tax (Rs. Mn)	318	124	41	119	638	731
Profit after Tax (Rs.,Mn)	213	83	32	73	450	548
Capital Adequacy Ratio - 1 (%)	81.2	56.9	29.1	25.3	26.0	27.8
Capital Adequacy Ratio- 11 (%)	82.5	57.9	29.6	26.0	26.8	27.1
Non Performing Loans (Rs.Mn)	3,431	4,203	4,706	5,642	5,070	5,249
Non Performing Loan Ratio (%)	35.8	37.7	35.2	41.8	37.6	33.8
Rating	A (fitch)	A (fitch)	A- (fitch)	A(RAM)	A(RAM)	A(RAM)

Source: State Mortgage and Investment Bank

*Unaudited

The bank witnessed an increase in its advances and deposits by 13 percent in 2011 to Rs. 15.5 billion. Total advances recorded a significant growth of 13 percent in 2011 while the bank's deposit grew by 15 percent. The performing mortgaged loan ratio stood at 7.9 percent in 2011 which is an improvement over 17 percent in 2010. It is acknowledged that while the bank was successful in trimming down the NPL ratio, it still is above the market average.

Lankaputhra Development Bank (LDB)

LDB was incorporated in February 2006, to implement the Government's policy of facilitating small and medium enterprises. While focusing on development oriented lending, the bank has adopted a selective approach in expanding its loan portfolio. Being a newly established bank, its presence is still limited to only a few districts.

Table 7.36 > **Performance of HDFC Bank**

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	20	21	21	26	28	31
Employees (Nos)	205	286	289	355	425	491
Assets (Rs.Bn)	10.7	13.4	14.1	14.3	15.3	19.7
Deposits (Rs.Bn)	2.5	4.9	4.9	6.1	7.7	12.3
Deposit Accounts (Nos.)	71,538	74,637	142,407	177,354	212,914	272,016
Corporate & Retail Lending (Rs.Bn)	10.1	11.9	11.9	11.9	12.8	14.7
Profit before Tax (Rs.Mn)	239	47	(94)	92	189	414
Profit after tax (Rs.Mn)	172	21	(92)	57	135	310
Capital Adequacy Ratio - I (%)	37.6	31.0	25.4	17.6	21.1	22.3
Capital Adequacy Ratio - II (%)	37.8	31.8	26.5	18.7	21.2	22.0
Non Performing Loans (Rs. Mn)	1,892	2,099	2,500	2,743	2,840	3,281
Non Performing Loan Ratio (%)	18.6	17.6	20.7	22.6	21.6	22.3
Rating (Fitch Ika)	A	A	BBB+	BBB+	BBB+	BBB+

Source: HDFC Bank

*Unaudited

LDB's profitability that has been on the decline since 2008 continued into 2011 with the Profit before tax of Rs. 122 million in 2011, a decrease of 25 percent from Rs. 163 million recorded in 2010. Total deposit mobilized by LDB amounted to Rs. 206 million in 2011, a year on year decrease of 30 percent. Total asset base of the bank stagnated in 2011 also mainly due to the decrease in its profit before tax by 25 percent, in comparison with the previous year. Bank's high non performing ratio is matter of serious concern that

requires urgent action concentrating on debt recovery programmes.

The COPE examines LDB in 2011 and expressed concerns on high non performing ratio, non submission of Annual report to the Parliament, Non recovery of loans granted for restructuring of the closed factories under the scheme proposed by the 2007 Budget and poor performances of the management.

Table 7.37 > **Performance of Lankaputhra Development Bank**

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	3	5	4	4	7	7
Employees (Nos)	62	114	166	165	162	171
Assets (Rs. Mn)	2,132	4,175	6,568	6,855	6,618	6,631
Deposits (Rs. Mn)	259	1,994	133	281	295	206
Corporate & Retail Lending (Rs. Mn)	427	1,656	2,430	2,302	1,911	2,006
Profit before Tax (Rs. Mn)	52	58	227	221	163	122
Profit after Tax (Rs.Mn)	23	23	76	63	21	55
Capital Adequacy Ratio-I (%)	229	62.8	91	71.9	70.1	69.1
Capital Adequacy Ratio-II (%)	229	63.1	91.5	72.2	70.3	69.3
Non Performing Loans (Rs.Mn)	-	85	618	1,579	1,328	1,243
Non Performing Loan Ratio (%)	-	5	19.2	55.7	55.5	49.3
Rating	-	-	-	A	A	A

Source: Lankaputhra Development Bank

*Unaudited

Table 7.38 > **Performance of Pradheshiya Sanwardana Bank**

	2006	2007	2008	2009	2010	2011*
Branches (Nos)					239	243
Employees (Nos)					1,840	1,825
Assets (Rs.Bn)					46.6	58.7
Deposits (Rs.Bn)					37.9	46.1
Deposit Accounts (Nos. Mn)					3.6	3.9
Corporate & Retail Lending (Rs.Bn)					38.1	47.1
Profit before Tax (Rs.Mn)					1,569.5	1,921.7
Profit after tax (Rs.Mn)					336.7	960.7
Capital Adequacy Ratio - I (%)					11.1	11.9
Capital Adequacy Ratio - II (%)					11.7	12.3
Non Performing Loans (Rs. Mn)					1,151.7	1,074.5
Non Performing Loan Ratio (%)					3.1	2.3
Rating (Fitch Ika)					BBB+	BBB+

Source: Pradheshiya Sanwardana Bank

*Unaudited

Pradheshiya Sanwardana Bank (PSB)

In May 2010, 6 Regional Development Banks were merged into one national level bank and was designated as the Pradheshiya Sanwardana Bank. The Bank was established as a statutory body under the Pradheshiya Sanwardana Bank Act No. 41 of 2008. As a 100 percent Government owned bank, this was set up with the objective of implementing rural livelihood financing programs by providing improved and affordable credit facilities that in turn would contribute to strengthening of the rural economy. Originally based on the "barefoot banking concept," the bank strives to provide innovative yet simple financial services to those at the middle and bottom of the income pyramid.

In 2011 the PSB's customer base increased to 3.5 million. The PSB operates with 243 branches and 08 extension offices of which 04 branches were opened in the Northern and the Eastern Provinces.

Bank's deposit base has increased by 21 percent to Rs. 46 billion from Rs. 38 billion in 2010. In 2011, bank's profit (before tax) had considerably increased from 1.6 billion to 1.9 billion an increase of 19 percent. Net interest income of the Bank was reported at Rs. 4 billion, an increase of 54 percent over 2010.

Fitch Ratings Lanka has given rating to BBB+.

Table 7.39 > **Performance of Sri Lanka Savings Bank**

	2006	2007	2008	2009	2010	2011*
Branches (Nos)			1	1	1	1
Employees (Nos)			41	45	56	54
Assets (Rs. Mn)			1,293	1,468	6,155	6,612
Deposits (Rs. Mn)			1,605	599	572	549
Corporate & Retail Lending (Rs. Mn)			1,828	2,110	2,669	2,736
Profit before Tax (Rs. Mn)			150	239	295	458
Profit after Tax (Rs.Mn)		Not in operation.	131	187	278	446
Capital Adequacy Ratio - I (%)			(6,410)	(4,684)	41.9	70.4
Capital Adequacy Ratio- II (%)			(5,559)	(3,374)	76.1	70.8
Non Performing Loans (Rs.Mn)			1,828	1,669	1,426	1,408
Non Performing Loan Ratio (%)			100	79.1	53	51
Rating			N/A	N/A	N/A	N/A.

Source: Sri Lanka Savings Bank

*Unaudited

Sri Lanka Savings Bank Ltd (SLSB)

Sri Lanka Savings Bank Ltd was established as a public limited liability company under the provisions of the Companies Act No. 7 of 2007 as a licensed specialized bank while providing relief to the depositors of failed Pramuka Savings and Development Bank (PSDB). Accordingly assets and liabilities of PSDB were vested with SLSB. Further, action was taken to amalgamate National Development Trust Fund with the SLSB in September 2010. Asset base of SLSB stood at Rs. 6.6 billion by the end of 2011 with 69 percent of assets of the bank held in the form of liquid assets.

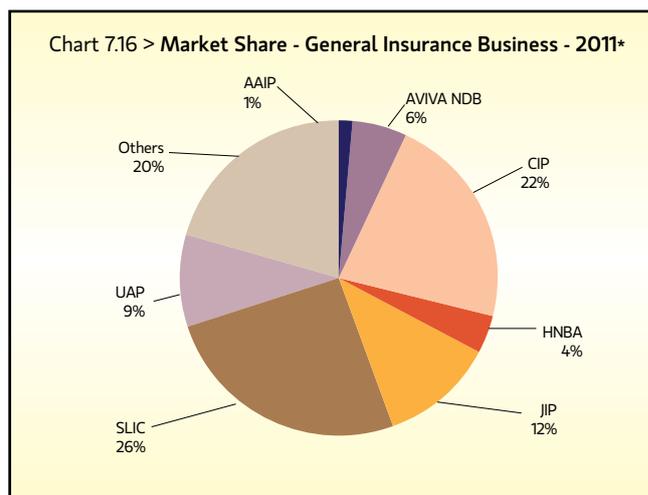
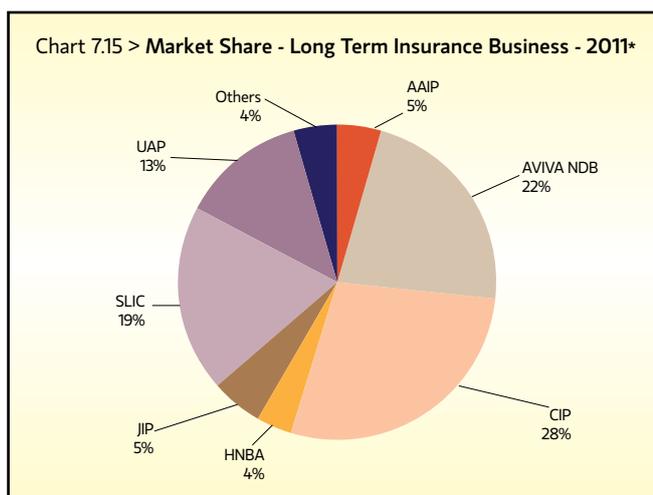
Total gross loan portfolio of the bank was Rs. 2,736 million in 2011 of which Rs. 1,245 million had been granted to micro enterprises through community based organizations. The deposit base indicated a decline due to settlement of deposit liabilities to PSDB account holders. In terms of the settlement scheme for PSDB customers published by the Central Bank of Sri Lanka, loans granted by PSDB amounting to Rs. 238 million were recovered during the year 2011. Further, in 2011 SLSB has settled Rs. 105 million to PSDB depositors. SLSB made a profit after tax amounting to Rs. 446 million in 2011 which is a 60 percent increase over 2010. This increase was mainly due to an increase in interest income from the micro finance sector.

7.9 Insurance

In the country's growth strategy the increase in personal incomes, urbanization, financial sector development, innovations in both services and products, the expansion of modern information technology etc combined with the country's strategy to establish naval, aviation, commercial, trade and knowledge service has enhanced the demand for insurance and social security schemes. At the same time the increase of the focus of the government on the small and medium entrepreneurs creates a demand for special insurance schemes.

The government's investments in SOBEs such as Sri Lanka Insurance Corporation PLC (SLIC), National Insurance Trust Fund (NITF), Agricultural and Agrarian Insurance Board (AAIB), Sri Lanka Export Credit Insurance Corporation (SLECIC) and Social Security Board (SSB) are formal structures which facilitate the implementation of Insurance and pension schemes in a more sustainable manner.

Sri Lanka's insurance industry is largely dominated by one large state insurance company, Sri Lanka Insurance Corporation and one large private insurance company. The industry consists of 21 players and operates under a regulator, Insurance Board of Sri Lanka. The insurance sector grew in 2011 by Rs.7.8 billion. Sri Lanka Insurance Company Limited which was vested back with the government in 2008 accounts for 26 percent of the market share with an annual turnover of Rs 27.3 billion.



⁹ SLIC - Sri Lanka Insurance Corporation, CIPLC - Ceylinco Insurance Limited, ANDBI - Aviva NDB Insurance, UA - Union Assurance Ltd, JIP - Janashakthi Insurance Ltd, AAIP - Asian Alliance Insurance PLC, HNBA - HNB Assurance
 * Provisional

Chart 7.17 > GWP of General Insurance - 2007 - 2011

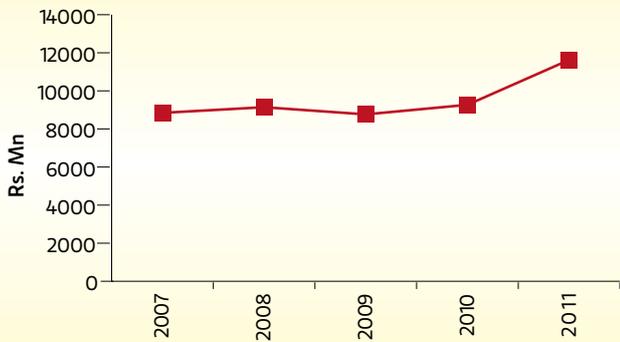


Chart 7.18 > Profitability of General Insurance - 2007 - 2011

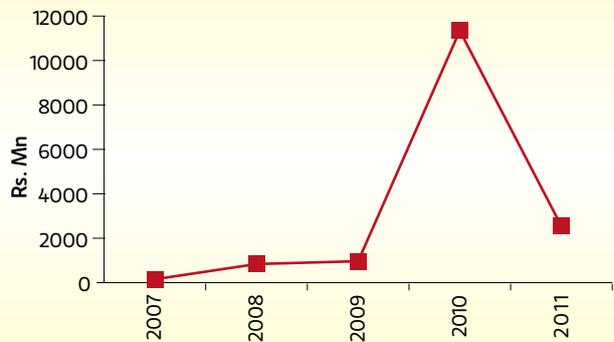


Chart 7.19 > GWP - Long Term Insurance - 2007 - 2011

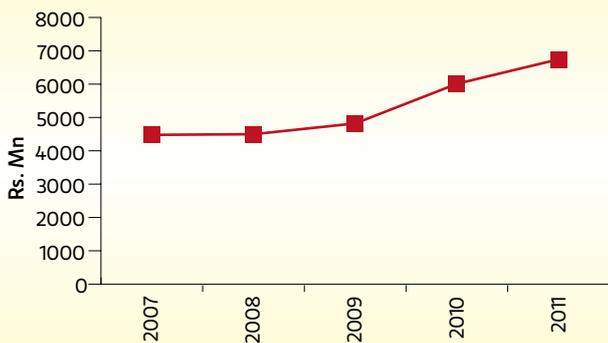
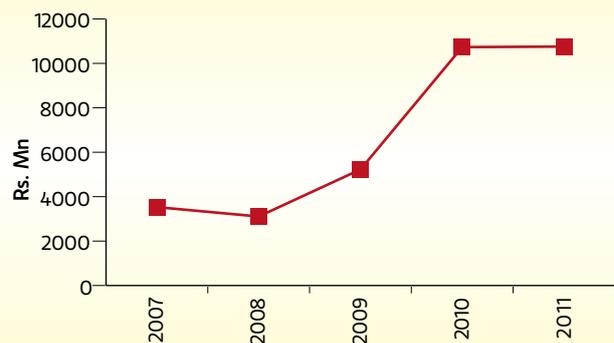


Chart 7.20 > Profitability in Long Term Insurance (2007 - 2011)



Sri Lanka Insurance Corporation (SLIC)

Sri Lanka Insurance Corporation has the largest life fund, and an asset base amounting to Rs.102 billion. Most players lost their market share in 2011 compared to 2010 as a result of stiff competition. However, SLIC increased its market share from 25 percent in 2010 to 26 percent in 2011.

SLIC achieved a Gross Written Premium (GWP) of Rs.6.7 billion in the Life Category and Rs. 11.6 billion in the Non-Life Category and a combined net profit before tax of Rs. 12 billion in 2011. The GWP in Life insurance grew by 12.2 percent during the year under review, increasing from Rs. 6,009 million in 2010 to Rs. 6,743 million in 2011.

The General insurance business recorded a 25.4 percent growth, from Rs. 9,266 million in 2010 to Rs. 11,622 million in 2011. General insurance contributed 63.3 per cent towards total GWP while Life insurance accounted for the balance 36.7 percent. In an environment of intense competition, the company's combined GWP recorded an increase of 20.2 percent against 12.5 percent achieved in 2010.

Due to less capital gains and dip in proceeds of sale of shares the company's profit before tax decreased to Rs. 12,020 million in comparison to Rs. 15,130 million recorded in 2010. Basic earnings per share, has declined by 27 percent from Rs. 22.03 in 2010 to Rs. 16.17 in 2011.

Table 7.40 > **Performance of Sri Lanka Insurance Corporation**

	2007	2008	2009	2010	2011*
Operational Performance					
Branches (Nos.)	101	108	117	122	125
Policies – Life (Nos.)	483,961	587,318	637,124	539,121	532,372
Policies – General (Nos.)	1,081,242	1,075,440	1,074,891	1,141,913	1,240,925
Financial Performance					Rs. Billion
Revenue	15.1	17.5	20.5	35.0	27.7
Gross written premium	13.3	13.6	13.6	15.2	18.3
Net earned premium	9.6	10.8	11.4	11.9	14.6
Insurance claims and benefits	(12.5)	(13.4)	(15.7)	(18.2)	(17.9)
Investment income	5.4	6.6	10.9	22.5	12.1
Administrative expenses	1.7	2.2	2.0	1.8	1.9
Profit from operations	0.8	1.6	2.8	15.0	7.8
Profit for the year	0.2	0.5	1.5	13.0	6.6
Dividends	-	-	-	6.7	-
Key Performance Indicators					
Claims ratio - Life (%)	57	75	80	83	54.5
Claims ratio - General (%)	73	74	82	48	59
Solvency ratio- Life (%)	5	5	7	6	10
Solvency ratio - General (%)	4	5	4	2	2
Market share - general (%)	28.4	26.4	26.2	24.8	25.7
Market share - life (%)	21.6	19.1	20.3	19.3	19.2

Source: Sri Lanka Insurance Corporation, Insurance Board of Sri Lanka

* Draft

7.10 Livestock Sector

The growth strategy for livestock sector is driven by a policy on self-sufficiency in milk supply. While 33 percent of the national milk requirement is met through local production, the contribution Milco Private (Pvt) Ltd and National Livestock Development Board (NLDB) the two SOBEs in the sector amounted to more than 50 percent. The private sector is dominated by few large entities and small dairy farmers.

However there is no clear demarcation between Milco and NLDB as both these entities are engaged in the production of dairy products such as liquid milk, yoghurt, etc. thereby competing with each other. NLDB has a tendency to engage in a variety of activities including its own farm management and existing farm development programme without optimally utilizing its resources. Therefore it would appear that NLDB should concentrate more on a developmental role, by assisting the SME sector, while MILCO develops as a manufacturing and distribution arm on a commercial basis.

MILCO (Pvt) Ltd. (MILCO)

MILCO, the government milk distribution arm has been operating in the Sri Lankan dairy industry for over 55 years. Currently, MILCO is engaged in milk collection, processing distributing and marketing.

MILCO produces a wide range of dairy products including; Pasteurized Milk, Sterilized Milk, Yoghurt, Curd, Butter, Ice Cream, Ghee, Processed Cheese and Milk Powder. MILCO was able to collect 56 million liters of milk in the year 2011 which was 55 percent of the total milk collection of the country. The milk collection network of MILCO consists of 2,992 milk collection points (Farmer manage societies) and 78 milk chilling centers. The average farm gate price of milk had been around Rs. 50.00 per liter which is around a 50 percent increase compared to 2010.

MILCO is presently operating with 4 milk processing plants, 13 regional distribution centers, 9 dairy development regional

Table 7.41 > **Performance of MILCO (Pvt) Ltd.**

	2006/07	2007/08	2008/09	2009/10	2010/11
Operational Performance					
Total Milk Collection (Mn L)	48	53	54	52	56
Investment in Dairy Development Activities (Rs. Mn)	51	63	89	107	137
Financial Performance					
	Rs. Million				
Revenue	2,720	3,238	4,242	4,093	4,549
Gross Profit	257	452	731	697	541
Selling & Distribution Cost	52	60	82	100	129
Profit/ (Loss) before Taxation	21	109	352	339	103
Investments/ Short term deposits	382	527	1,024	1,032	1,284
Non-Current Assets	312	346	608	573	556
Current Assets	1,409	1,484	2,032	2,393	2,553
Non-Current Liabilities	229	261	216	234	308
Current Liabilities	846	806	917	954	945
Total Equity	646	763	1,507	1,778	1,854
Dividends	10	-	25	29	-
Key Performance Indicators					
ROE %	2.9	13.6	22.0	17.5	5.0

Source: MILCO (Pvt) Ltd.

offices, 1 cattle feed plant and 1 model farm. During the year, MILCO was able to commence operations at two chilling centers at Murunkan and at Katuwanwila.

During the year 2011, turnover increased by 11 percent to Rs. 4,549 million. However, gross profit decreased by 23 percent to Rs. 541 million as the final market price of a finished product was not adjusted with the increase of the cost of liquid milk purchased from the farmers. With the decline in the number of employees from 1,523 in 2010 to 1,460 in 2011, the cost of employment has decreased by about 4 percent in 2011.

However, MILCO operates below capacity due to inadequate supply of milk. MILCO is also urgently in need of an upgrading in its machinery and production capacity if they are to meet the demand from the market, while maintaining a high quality. In this regard, MILCO should venture into raising the necessary financing from the external markets on the strength of their balance sheet and their potential to grow in the future.

National Livestock Development Board (NLDB)

NLDB is engaged in breeding and multiplication of livestock, issuing of quality breeding materials to farmers at a reasonable price, establishment and maintenance of marketing outlets to supply quality farm products at reasonable prices, sale of fresh cow milk to the public to popularize consumption of fresh milk etc.

The board presently manages 22 dairy farms, 05 goat farms, 10 poultry farms, 02 swine farms and 09 buffalo farms totaling to 48 livestock and crop integrated farms and a training centre. In 2011, with a view to promote liquid milk consumption, the Board opened 79 milk stalls in various parts of the country. Currently, NLDB is in the process of implementing a fresh milk promotion project, embryo project, pasture development project, maize cultivation, and compost fertilizer project.

During the year 2011, NLDB managed to produce 3.5 million liters of milk, 0.5 million layer chicks and 1.8 million broiler chicks. Revenue increased by 12 percent from Rs. 1,100 million in 2010 to Rs. 1,232 million in 2011. The Board continued to be profitable in 2011 with a net profit of Rs. 250 million, an increase of 34 percent over 2010.

Table 7.42 > **Performance of National Livestock Development Board**

	2006	2007	2008	2009	2010	2011*
Operational Performance						
Neat Cattle Milk L ('000)	3,100	2,900	3,200	4,100	3,200	2,868
Buffaloes Milk L ('000)	580	650	680	630	680	635
Goat Milk L ('000)	25	23	23	28	13	11
Curd Production L ('000)	290	286	313	339	428	407
Yoghurt (80ml Cups) Nos. ('000)	355	408	422	511	516	469
Financial Performance						Rs. Million
Total Revenue	647	870	957	890	1,100	1,232
Gross Profit /(Loss)	122	154	138	171	302	360
Profit/(Loss) Before Tax	(23)	43	20	24	187	250
Noncurrent Assets	802	856	884	911	981	1,218
Current Assets	296	298	359	321	364	422
Noncurrent liabilities	327	353	365	339	334	344
Current Liabilities	286	290	340	341	300	323
Equity	486	511	538	552	730	744
Key Performance Indicators						
Gross Profit margin (%)	18.9	17.7	14.4	19	27.5	29.2
Net Profit (before Tax) margin (%)	-3.6	4.9	2.09	2.0	17	20.3

Source: National Livestock Development Board

* Draft

7.11 Plantation Sector

The government ownership of tea and rubber plantations is limited, while having a substantial ownership in coconut plantations. The Sri Lanka State Plantation Corporation (SLSPC) is responsible to manage 9,695 ha while the Janatha Estate Development Board (JEDB) is responsible to manage 11,757 ha.

Of the total extent of rubber grown in 2011 of 45,875 ha which is 36 percent of the total extent of rubber grown of 126,600 ha was managed by the state sector. However, bearing land of state owned plantations is around 74 percent at 33,945 ha. Total production of Rubber was

158 million Kg in the country of which 0.2 million Kg was produced by JEDB.

In 2011, Chilaw Plantations Ltd (CPL), Kurunegala Plantations Ltd (KPL), Coconut Cultivation Board and Coconut Research Institute which manages 40 estates altogether, accounts for only 28,797 ha which is 7 percent of the total coconut grown of 394,836 ha. During the year 2011, total coconut sales of KPL and CPL, amounted to 31 million nuts attributing to only about 0.01 percent of the total coconut production in the country at 2,808 million nuts.

Table 7.43 > **Performance of Chilaw, Kurunegala and Elkaduwa Plantation Companies and Kalubowitiyana Tea Factory Ltd.**

	2006	2007	2008	2009	2010	2011*	
Kurunegala Plantations Ltd	Operational Performance						
	Rubber Sales Quantity (Kg '000)	180	203	208	203	201	228
	Coconut Sales Quantity Nuts (Mn.)	16	15	15	17	15	16
	Financial Performance						
	Total Revenue(Rs Mn)	197	294	360	337	431	510
	Rubber Sales (Rs Mn)	33	43	46	37	70	104
	Coconut Sales (Rs Mn)	162	248	306	292	354	399
	Net Profit/ (Loss) before Interest and Tax (Rs Mn)	39	100	120	126	181	254
Dividends (Rs Mn)	-	10	20	30	40	-	
Chilaw Plantations Ltd	Operational Performance						
	Yield of coconut Nuts (Mn)	17	18	16	19	18	15
	Bearing extent (Ha)	4,167	4,161	4,195	4,161	4,048	3,965
	Financial Performance						
	Total Revenue (Rs Mn)	171	291	311	313	423	368
	Coconut Sales (Rs Mn)	161	214	266	306	413	344
	Copra (Rs Mn)	10	77	45	7	10	24
	Net Profit/ (Loss) before Interest and Tax (Rs Mn)	60	122	53	141	137	121
Dividends (Rs Mn)	-	-	-	30	75	75	
Elkaduwa Plantations Ltd	Operational Performance						
	Tea Sales Quantity (MT)	3,321	3,685	3,484	3,178	3,375	3,203
	Rubber Sales Quantity (MT)	124.6	158.2	139.8	94.7	118.0	122
	Coconut Sales Quantity Nuts ('000)	1,085	1,056	1,159	1,119	1,040	1,405
	Cocoa Sales Quantity (MT)	25.3	32.2	34.2	17.2	16.9	4.8
	Financial Performance						
	Total Revenue (Rs Mn)	155	206	295	241	252	264
	Tea Sales (Rs Mn)	94	131	164	150	169	155
	Rubber Sales (Rs Mn)	24	29	33	23	47	64
	Coconut Sales (Rs Mn)	10	22	27	24	20	36
	Cocoa Sales (Rs Mn)	4	6	7	5	6	3
Net Profit/ (Loss) before Interest and Tax (Rs Mn)	11	(33)	37	(55)	(4)	(30.6)	
Kalubovitiyana Tea Factory Ltd	Operational Performance						
	Made Tea Production (MT)	1,552	1,418	1,195	1,173	1,264	1,334
	Sales Quantity (MT)	1,581	1,429	1,245	1,172	1,221	1,301
	Financial Performance						
	Total Revenue(Rs Mn)	414	506	482	522	547	637
Tea Sales Value (Rs Mn)	409	491	458	499	548	629	
Net Profit/ (Loss) before Interest and Tax(Rs Mn)	37	49	42	72	23	82	

Sources: Chilaw, Kurunegala and Elkaduwa Plantation Companies and Kalubowitiyana Tea Factory Ltd.

*Draft

Table 7.44 > Performance Highlights of the Plantation Sector

	JEDB			SLSPC			RPC			Small Holding Sector		
	2005	2010	2011*	2005	2010	2011*	2005	2010	2011*	2005	2010	2011*
No of Estate/Small Holders	16	17	17	11	12	11	401	400	400	362	456,442	518,061
Extent Managed (ha)	10,029	11,757	11,757	9,698	9,846	9,695	230,593	230,704	211,061	N/A	N/A	N/A
Extent Cultivated (ha)	5,159	6,087	6,177	6,629	6,600	6,538	163,231	164,659	137,156	184,606	199,719	200,264
Extent in Bearing (ha)	4,698	4,311	4,161	4,011	3,045	2,575	124,581	121,001	110,800	164,500	179,159	180,172
Labour Force (No)	6,917	5,810	5,807	6,112	5,043	4,812	233,046	202,204	189,590	N/A	N/A	N/A
Tea												
Total Extent (ha)	4,300	4,001	3,947	4,108	4,048	4,043	86,880	76,534	76,837	116,492	120,324	120,664
Extent in Bearing (ha)	4,240	3,949	3,798	4,011	2,980	2,510	78,027	72,741	69,027	110,000	116,492	116,492
Total Production (Mn Kg)	2.7	2.3	2.1	2.9	2.2	2.2	144	127	111.2	206	230	230
Share of National Production (%)	1	1	1	1	1	1	35	30	28	65	69	70
Average Yield (Kg/ha)	647	587	562	707	669	674	1,392	1,284	1,206	1,850	1,975	1,975
Cost of Production (Rs/Kg)	177	311	375	184	291	331	191	339	378	149	313	350
Average Net Sale (Rs/kg)	132.12	261.26	246.29	141.92	247.80	243.78	190.27	344.00	326.41	186	370	360
Margin (Rs/Kg)	(44.91)	(49.72)	(128.71)	(42.39)	(43.31)	(86.72)	(0.28)	5.00	(51.77)	37.07	57.41	9.89
Rubber												
Extent (ha)	623	555	597	-	67	65	47,318	45,213	46,897	68,109	79,395	79,600
Extent in Bearing (ha)	458	362	363	-	65	65	36,780	33,561	32,752	54,500	62,667	63,680
Total Production (Mn Kg)	0.32	0.28	0.24	-	0.05	0.05	35	32	30.05	69	120	125
Share of National Rubber Production (%)	-	-	-	-	-	0	34	20	21	66	79	79
Average Yield (Kg/ha)	695	777	661	-	772	759	892	731	888	1,271	1,921	1,958
Cost of Production (Rs/Kg)	100.48	224.23	301.23	-	206	241	100	221	275.24	77	120	129
Average Net Sale (Rs/Kg)	132.12	364.83	445.24	-	364	470	135	393	480.95	141	402	513
Margin (Rs/Kg)	31.64	140.60	144.01	-	158.90	229	35.00	172.60	205.70	63.8	282.9	384.3

Sources: Ministry of Plantation Industries, Janatha Estate Development Board and Sri Lanka State Plantation Corporation

N/A - Not Available

Bearing Land - Land with mature Tea Bushes or Rubber Trees

*For most of the institutions 2011 figures have not been finalized yet as their financial year ends on 31st March 2012.

It is noted that the yields in the state managed estates, JEDB and SLSPC are lower than that of the RPCs and the small holdings. In this regard, both JEDB and SLSPC need to be restructure immediately focusing on reducing the cost of production and increasing their yield. The infusion of capital, along with the introduction of technology and new processes will play a pivotal role in turning around the performance of JEDB and SLSPC.

The plantation sector faces a number of issues including low level of productivity, high cost of production, low level of investment in plantation crops, declining trends of adaptation of good agricultural practices and stakeholder's high expectation of government subsidy schemes for the improvement of production. Also it is evident that the scientific knowledge available in research institutions is not linked to extension services. Another major issue encountered is a vast amount of agricultural land is sparsely used, but which otherwise has a large potential.

The COPE having examined the performance of these SOEs in the plantation sector has found lapses in the governance structure where the decisions taken have resulted in the sub optimal utilization of resources which in turn has negatively affected productivity and there by profitability. COPE highlights many instances of lapses such as eg: JEDB has not submitted Annual Reports since 2006, which has jeopardized transparency and the accountability of the SOEs.

7.12 Health Sector

The provision of good quality drugs into public hospitals has been entrusted to, State Pharmaceutical Corporation (SPC) and State Pharmaceutical Manufacturing Corporation (SPMC). The Sri Lanka Ayurvedic Manufacturing Corporation (SLAMC) is engaged in research and manufacturing of ayurvedic products and services. Sri Jayawardanapura Hospital (SJH) is a fee levying government owned hospital in the country. SJH also plays a vital role as a teaching hospital, in training medical students of Sri Jayawardanapura University and nurses.

State Pharmaceuticals Corporation (SPC)

SPC is the sole supplier of drugs into the Department of Health Services (DHS). It handles all procurement of drugs. The retail customer is also served by the SPC through its "Osusala" network.

SPC has been a profitable venture since 1994 with a sales growth that has ranged between 33.6 percent in 2007 to 10.5 percent in 2011. Of the total osusala outlets of 24, almost 15 have been able to earn profits while 9 have been incurring losses.

During 2011 SPC purchased drugs to the value of Rs 28,968 million, an increase of 7.9 percent over 2010. Despite the continuous increase in budgetary support the lack of coordination between the SPC, DHS and the hospital network in the country coupled with an inefficient and ineffective procurement system has resulted in a shortage of drugs in hospitals and a high cost to the national budget.

Table 7.45 > Performance of State Pharmaceuticals Corporation

	2006	2007	2008	2009	2010	2011*
Financial Performance						Rs. Million
Total Revenue	8,563	11,437	12,241	13,322	14,476	16,065
Net Profit before Interest and Tax	386	437	456	401	484	518
Non-Current Assets	555	594	595	639	675	864
Current Assets	3,626	3,939	5,084	4,298	7,244	1,031
Current Liabilities	2,356	2,486	3,369	2,398	5,205	6,292
Non-Current Liabilities	79	87	89	120	117	86
Equity	1,745	2,032	2,276	2,418	2,598	2,922
Levy	20	20	25	25	60	39
Investment in Surplus Fund	-	-	-	-	117	101
Key Performance Indicators						
Gross Profit Ratio of retail sales (%)	27.0	25.9	27.4	26.6	28.2	25.6
Gross Profit Ratio of sales to DHS (%)	6.4	6.6	6.2	6.2	6.3	6.4
Gross Surplus to Sales (%)	12.7	11.3	11.6	11.5	11.6	11.8
Annual Sales Growth (%)	12.1	33.6	7.0	8.8	8.2	10.5
Stock Turnover Ratio (times)	3.8	3.5	3.2	3.5	3.8	3.7

Source: State Pharmaceuticals Corporation

* Draft

State Pharmaceuticals Manufacturing Corporation (SPMC)

SPMC has been able to meet almost 15 – 20 percent of the total drug requirement amounting to over Rs.1,700 million of the country. SPMC has manufactured 1,431 million tablets and capsules during 2011.

SPMC has been experiencing on average a year on year growth in demand for its products of almost 3.8 percent. However, one of the major constraints on the SPMC's performance is the lack of adequate investments in plant and machinery to augment its capacity to meet the demand for its drugs both locally and internationally.

SPMC continues to be a profitable entity with a profit of Rs. 242 million in 2011 in comparison to Rs.292 million in 2010. The decrease in profits by 17 percent over 2010 is mainly

Sri Lanka Ayurvedic Drugs Manufacturing Corporation (SLAMC)

With the increase in the demand for traditional medicines the role of SLAMC is becoming increasingly important. SLAMC's portfolio of products amounted to 130 at the end of 2011, with 20 branded products. The demand for SLAMC Products has been on the increase with an increase in revenue of 13.2 percent in 2011 over 2010. One of the issues faced by the corporation is the scarcity of herbs and other raw materials that's used for ayurvedic products.

The SLAMC needs to position itself to meet the growing demand of the domestic and international market for natural personal care products. Internationally, this is a market that has been growing at a compound rate of around 10 percent since 2005 and the Asian market alone is expected to grow at around 15 percent through 2015.

Table 7.46 > **Performance of State Pharmaceuticals Manufacturing Corporation**

	2006	2007	2008	2009	2010	2011*
Financial Performance						Rs Million
Total Revenue	411	599	890	1,153	1,380	1,432
Cost of Sales	371	500	765	932	1,031	1,127
Gross Profit	40	99	125	220	349	304
Net Profit before Tax	9	77	121	152	292	242
Non-Current Assets	726	702	674	1,063	1,192	903
Current Assets	350	415	577	656	694	1,031
Current Liabilities	29	18	67	67	155	70
Non-Current Liabilities	12	42	45	107	240	248
Equity	1,034	1,057	1,139	1,545	1,493	1,637
Levy	5	10	10	10	60	45
Key Performance Indicators						
ROE (%)	0.001	0.073	0.106	0.098	0.196	0.109

Source: State Pharmaceuticals Manufacturing Corporation

* Draft

due to the drop in sales margins in 2011 over 2010. Of the SPMC's total cost of production in 2011, almost 83 percent was in lieu of imports of raw materials.

In this regard the government has mobilized foreign financing for expansion of SPMC's production capacity. However it is recognized that an ability to compete and to survive in the pharmaceutical industry depends heavily on the research and development capacities which the SPMC will have to expand simultaneously along with its production capacities.

However Sri Lanka's share in this market so far has been minimal with foreign products taking the centre stage in the domestic market. As such SLAMC could pioneer the research into the creation of natural personal care products that meets international standards in coordination with the private sector.

Table 7.47 > Performance of Sri Lanka Ayurvedic Drugs Manufacturing Corporation

	2006	2007	2008	2009	2010	2011*
Financial Performance						
	Rs Million					
Total Revenue	169	184	259	295	316	358
Cost of sales	113	168	150	211	228	201
Gross Profit	56	15	109	83	87	67
Net Profit/(Loss) after Tax	1	(40)	40	9	5	24
Non-Current Assets	41	62	69	60	55	68
Current Assets	158	151	184	252	230	281
Current Liabilities	36	82	63	57	65	46
Non-Current Liabilities	27	34	36	38	38	44
Equity	135	96	155	159	180	256
Key Performance Indicators						
Gross Profit Ratio (to sales) (%)	33	8	42	28	27	44

Source: Sri Lanka Ayurvedic Drugs Manufacturing Corporation

* Draft

Sri Jayawardanapura Hospital (SJH)

Despite, SJH being a fee levying hospital it continues to rely on government assistance for its operations when private sector has come up with successful a enterprising commercial model. In 2011, SJH treated 52,554 patients, an increase of 2.6 percent over 2010. The hospital's bed occupancy rate has been fluctuating between 63.8 percent in 2011 and 66 percent in 2010. The hospital has improved its facilities during the last 5 years with a new on line information system and clinical improvements. The fee structure has not changed in 2011.

SJH could be in the forefront of engaging in research ranging from clinical research to hospital administration. At the same time SJH should in conjunction with the Sri Lanka Foreign Employment Bureau also engage more proactively in training skilled nurses and other health sector professionals to meet the demand from the international market, which would

positively affect the country's inflow of worker remittances. The growing market for "e-health" is another aspect of the modern health industry that is both efficient and cost effective, with the potential to be successful in Sri Lanka, especially with IT literacy around 30 percent, and with more than 280,000 accessing internet and broadband by the end of 2011. In this regard it is vital that the SJH engages the ICTA and other such entities in developing the necessary infrastructure for providing "e health" services in the country. Meeting the needs of a middle income country, SJH will have to invest more to enhance the quality of the services while adopting best practices in hospital administration. As such it is expected that SJH will be able to operate as a self funded profitable entity providing a quality service at reasonable prices.

The COPE notes that the Audit and Management Committee of the Hospital is not constituted properly and that there are lapses in the internal control systems.

Table 7.48 > Performance of Sri Jayawardanapura Hospital

	2006	2007	2008	2009	2010	2011*
Financial Performance						
	Rs. Million					
Total Revenue	1,083	1,089	1,213	1,523	1,620	1,698
Treasury Grant-Recurrent	588	672	736	775	775	840
Treasury Grant-Capital	105	131	106	103	115	231
Net Profit/(Loss) after Tax	(79)	(78)	(91)	(26)	52	(23)
Investment	21	18	10	10	10	10
Non-Current Assets	786	803	807	837	804	804
Current Assets	254	250	256	273	326	423
Current Liabilities	566	638	730	806	772	755
Equity	474	416	333	304	358	472
Key Performance Indicators						
Net Profit Ratio (%)	(7.29)	(7.16)	(7.50)	(1.71)	3.21	(1.35)
Bed Occupancy (%)	72.2	69.6	73.1	74.7	66.1	63.8

Source: Sri Jayawardanapura Hospital

* Draft

7.13 Media

Sri Lanka Rupavahini Corporation (Rupavahini), Independent Television Network (ITN) and Sri Lanka Broadcasting Corporation (SLBC) are the key state entities in the media industry.

Apart from the state owned media enterprises, there were 15 television and 31 radio stations in Sri Lanka in 2011, compared to 9 television and 12 radio stations in 2005. The increase in private stations in the media industry to 46 in 2011 against 21 in 2005 indicates that the growth in media industry in Sri Lanka is dominated by the private sector.

Table 7.49 > **Radio and TV Stations 2005 and 2011**

	Radio Stations		TV Stations	
	2005	2011	2005	2011
State Owned				
Sinhala	13	14	2	2
Tamil	5	5	1	2
English	2	2	1	2
Total State Owned	20	21	4	6
Private				
Sinhala	6	18	5	7
Tamil	1	3	1	3
English	5	10	3	5
Total Privately Owned	12	31	9	15
Total	32	52	13	21

Source: Ministry of Mass Media and Information

It is commendable that ITN, a state entity has been able to be the market leader in the television industry in the country since 2006 as per the ratings published by the Lanka Market Research Bureau (LMRB), a premier ratings agency in the country.

Although, the private sector media entities are major players in the market, their broadcasting is quite often confined to one language only. This does not address the requirements of different sections of the country. However in line with the government’s policy of serving all communities in the country in an equitable manner, SLBC, Rupavahini and ITN all have commenced channels in Sinhala, Tamil and English, to cater to their needs. This is vital as it facilitates the establishment of stable political and social environment that is crucial for sustainable development in the country.

The media sector in Sri Lanka, despite its long history, lacks the independent research and audience measurement mechanism which is crucial for enhancing the professionalism in the sector. Also, the technological advancements have become the key in ensuring the competitiveness of the media industry. Having identified, government has taken the lead in implementing transmission from analog to digital which will create a spectrum for many wireless activities enabling the media industry to better compete in new markets.

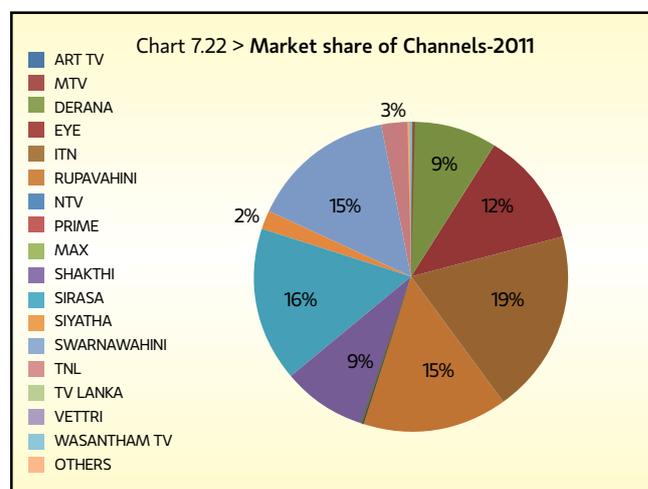
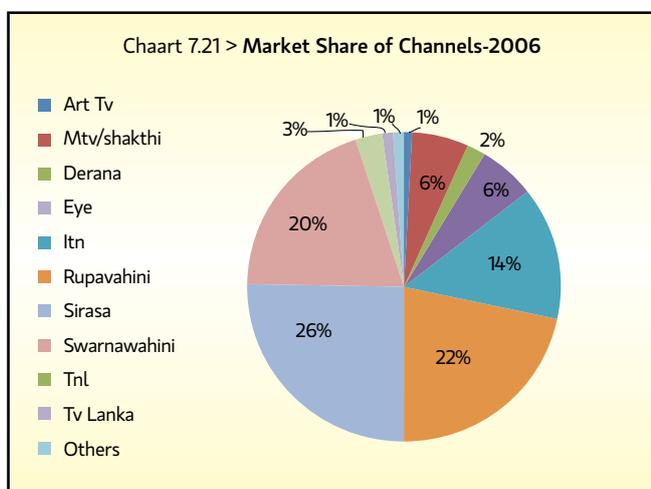


Table 7.50 > **Performance of Independent Television Network, Sri Lanka Broadcasting Corporation and Sri Lanka Rupavahini Corporation**

		Rs. Million					
		2006	2007	2008	2009	2010	2011**
ITN	Revenue	600	685	1,185	1,532	1,777	2,094
	Expenditure	450	562	728	931	922	1,064
	Net Profit Before Tax	89	10	317	296	495	683
	Total Assets	673	741	1,021	1,338	1,750	2,190
	Total Liabilities*	370	421	527	700	813	748
	Investments	140	75	36	154	220	460
	No. of Employees		512	509	582	739	628
SLBC	Revenue	613	672	712	783	828	855
	Expenditure	687	694	722	736	776	807
	Net Profit/(Loss) Before Tax	(87)	(38)	(18)	38	43	49
	Total Assets	1,000	979	1,033	1,121	1,197	1,195
	Total Liabilities*	654	605	608	568	576	813
	Recurrent Grant	45	90	199	247	150	103
	No. of Employees	1,099	1,031	995	911	875	871
SLRC	Revenue	1,708	1,761	1,639	1,866	1,931	2,420
	Expenditure	1,501	1,730	1,608	1,854	1,888	2,248
	Net Profit Before Tax	207	30	31	12	42	172
	Total Assets	2,296	2,210	2,161	2,151	2,146	2,299
	Total Liabilities*	503	498	505	565	567	620
	Investments	527	436	568	585	577	544
	No. of Employees	902	978	970	923	932	1,013

Sources: Independent Television Network, Sri Lanka Broadcasting Corporation and Sri Lanka Rupavahini Corporation

* Excluding equity

** Draft

7.14 Trading

In implementing government policy of achieving food security while ensuring higher reasonable producer prices for farmers, SOBEs such as Paddy Marketing Board (PMB), State Trading (Co-operative Wholesale) Co. Ltd., STC General Trading Company Limited and Lanka Sathosa Ltd (LSL) play a vital role.

LSL is continuously engaged in provision of essential items especially food at a reasonable price to consumer, while ensuring the price stability of these items.

PMB was re-established in 2007 for protecting Paddy farmers from receiving low prices for their harvest and while ensuring the availability of rice to the consumer at an affordable price. The PMB normally purchases almost 7-10 percent of the annual paddy production and maintains a safety stock.

Lanka Sathosa Limited (LSL)

Lanka Sathosa Limited, a government owned supermarket network is engaged in provisioning of essential food items to the customers at an affordable price thus creating price stability of most of the essential commodities.

LSL has expanded its operations by establishing 210 sales outlets island wide by the year 2010 and further 50 outlets were added to the outlet network in 2011 increasing the total outlets up to 260, covering the some parts of the Northern and the Eastern provinces as well.

The turnover has increased by 27 percent from Rs. 13,028 million in 2010 to Rs. 16,551 million in 2011 as a result of the expansion of outlets. During 2011, Operating Profit has increased significantly to Rs. 92 million in 2011 from Rs. 58 million in 2010. LSL has been able to maintain gross profit margin around 10 percent. Further the cash

conversion ratio which reflects the time taken for converting purchases in to cash through sales has favorably declined to 15 days in 2011 from 17 days in 2010. LSL has invested Rs. 125 million in fixed deposits and savings accounts.

However, the non-existence of computerized accounting system, stock control system hinders a more effective Management Information System and hence the efficient performance of the company.

Table 7.51 > **Performance of Lanka Sathosa Limited**

	Units	2007	2008	2009	2010	2011*
Operating Performance						
Sales Outlets	Nos.	68	100	150	210	260
Financial Performance						
Turnover	Rs. Mn	2,213	3,649	5,808	13,028	16,551
Cost of Sales	Rs. Mn	1,949	3,251	5,276	11,848	14,957
Gross Profit	Rs. Mn	264	398	531	1,180	1,594
Other Income	Rs. Mn	6	16	82	51	82
Administration Expenses	Rs. Mn	85	140	71	119	174
Distribution Cost	Rs. Mn	174	249	510	1,051	1,409
Finance Cost	Rs. Mn	4	7	11	24	14
Operating Profit	Rs. Mn	7	22	29	58	92
Non-Current Assets	Rs. Mn	32	67	135	259	371
Current Assets	Rs. Mn	397	621	1,251	2035	2,236
Capital and Reserves	Rs. Mn	189	326	492	739	889
Non-Current Liabilities	Rs. Mn	30	32	32	23	23
Current Liabilities	Rs. Mn	209	330	863	1,531	1,695
Key Performance Indicators						
Operating Cash Cycle	Days	23	32	23	17	15
Average Turnover per Outlet	Rs. Mn	32.5	36.5	38.7	62.0	63.6
Average Profit per Outlet	Rs. Mn	0.09	0.18	0.14	0.18	0.30
Employees	Nos.	816	1,200	1,240	2,370	2,771
Average Turnover per Employee	Rs. Mn	2.7	3.0	4.7	5.5	5.9
Average Employee per Outlet	Nos.	12	12	8	11	11

Source: Lanka Sathosa Limited

*Draft

Table 7.52 > **Performance of Other State Owned Business Entities**

Core Activities	Performance	Total Expenditure Rs. Million	
Insurance			
National Insurance Trust Fund	<ul style="list-style-type: none"> Implements Government employees Agrahara Insurance scheme Reinsurer service 	<ul style="list-style-type: none"> Over 650,000 Agrahara policy holders contributed Rs. 623.5million and claims amounted to Rs. 1,188 million in 2011. Amalgamation with SLIC is in progress. 	108.9
Sri Lanka Export Credit Insurance Corporation	<ul style="list-style-type: none"> Provides export guarantee to exporters. 	<ul style="list-style-type: none"> Total value of the businesses insured amounts to around Rs. 13 – 14 billion. The Insured business accounts for less than 2 percent of the total value of exports in the country. 	116
Agriculture & Agrarian Insurance Board	<ul style="list-style-type: none"> Implements Farmer and Fishermen pension schemes and Agriculture insurance scheme. 	<ul style="list-style-type: none"> The mismatch between the premium/contribution collected and the pension paid has demanded the consolidation of institutions 	1,377
Agriculture and Fisheries			
Ceylon Fisheries Corporation	<ul style="list-style-type: none"> Purchase and sell fish, ice and fishery by products Provides cold storage facilities 	<ul style="list-style-type: none"> Except for fish sales and importing all the other activities incurred losses. 7 percent of the total income is from non core activities such as water and fuel sales. 	694
Ceylon Fishery Harbour Corporation	<ul style="list-style-type: none"> Manage and operate 18 harbours and anchorages. 	<ul style="list-style-type: none"> Treasury has continuously supported the operations providing capital and recurrent grants. Recurrent grant covers almost 50 percent of recurrent expenditure. 	449
Sri Lanka Cashew Corporation	<ul style="list-style-type: none"> Cultivates, processes and sells cashew and its value added products Provides professional guidance to farmers in terms of cashew cultivation, production, processing technology, value addition, research and market promotion Coordinate the government subsidy scheme 	<ul style="list-style-type: none"> Total cashew production of about 55MT (Raw cashew) accounts for less than 2 percent of the total cashew production in the country. Total production of finished cashew decreased by 13 percent to 27MT in 2011 over 2010 Earned net profit of Rs.20 million in 2011. 	121

	Core Activities	Performance	Total Expenditure Rs. Million
Trading			
State Printing Corporation	<ul style="list-style-type: none"> • Printing of School text books, security prints such as lottery tickets and etc • Manufacturing of stationery products 	<ul style="list-style-type: none"> • Revenue increased by 21 percent to Rs.1,188 million in 2011. • Profit before tax increased by 45 percent to Rs.133 million in 2011 from Rs.92 million in 2010. 	273
Ceylon Fertilizer Company Ltd	<ul style="list-style-type: none"> • Implements the fertilizer distribution scheme for Paddy. • Imports, and distributes fertilizer for plantation crops. 	<ul style="list-style-type: none"> • Implemented almost 2/3rds of the fertilizer subsidy amounting to Rs 21 billion in 2010/11. • Amalgamation process with the Janatha Fertilizer Enterprises Ltd is in progress. 	2,329.5
Colombo Commercial Fertilizer Company	<ul style="list-style-type: none"> • Implements the fertilizer distribution scheme for Paddy. 	<ul style="list-style-type: none"> • Implemented almost 1/3rd of the total fertilizer subsidy which amounted to Rs. 8 billion in 2011/12. 	908.1
Paranthan Chemicals Co.Ltd	<ul style="list-style-type: none"> • Imports and sells liquid chlorine, caustic soda, solid and flakes and Hydrochloric acid 	<ul style="list-style-type: none"> • Net profit from operations increased by 55 percent from Rs. 22 million in 2010 to Rs. 34 million in 2011. 	157.5
STC General Trading Co. Ltd	<ul style="list-style-type: none"> • Trade in consumer goods 	<ul style="list-style-type: none"> • Earned a profit of Rs. 53 million in 2011. 	3,032
Manufacturing			
Lanka Mineral Sands Ltd	<ul style="list-style-type: none"> • Mine, process and market heavy mineral sands. • Manufacture and sell any by product which may be produced as a result of refining and processing mineral sands. 	<ul style="list-style-type: none"> • Total revenue in 2011 of Rs1,567 million is an increase of 30 percent compared to 2010. • Gross profit increased by 84 percent in 2011. • The extended mining area reduced repeated mining resulting in better quality output. 	653
Lanka Phosphate Limited	<ul style="list-style-type: none"> • Excavate process and sell rock phosphate which is used as a fertilizer for perennial agricultural crops such as Tea, Rubber and Coconut. 	<ul style="list-style-type: none"> • Total Revenue in 2011 of Rs 393 million is an increase of 12 percent over 2010. 	300
Kahatagaha Graphite Lanka Ltd	<ul style="list-style-type: none"> • Excavate, process and sell Graphite as industrial raw material 	<ul style="list-style-type: none"> • Total revenue has increased by 4 fold to Rs.105 million in 2011 over 2010. • Gross profit ratio has decreased by 9 percent in 2011. 	79
North Sea Ltd	<ul style="list-style-type: none"> • Manufacture and supply fishnets and mend twine fisherman nets 	<ul style="list-style-type: none"> • Despite a slight increase in turnover, net profit has reduced by 9 percent compared to 2010. 	7.3

	Core Activities	Performance	Total Expenditure Rs. Million
Cey-Nor Foundation Ltd	<ul style="list-style-type: none"> Manufacture fishing craft and supply of fishnets / fishing gear 	<ul style="list-style-type: none"> Net loss decreased by 31 percent in 2011 compared to 2010 	75
Mantai Salt Ltd	<ul style="list-style-type: none"> Produce normal salt, crushed salt and iodized salt 	<ul style="list-style-type: none"> Market share is about 5 percent. Total sales have decreased by 43 percent in 2011 to Rs.31 million from Rs. 55 million in 2010. 	30.2
Building Materials Corporation	<ul style="list-style-type: none"> Supply building materials and equipments 	<ul style="list-style-type: none"> Profit of Rs. 48 million in 2011. 	968
Education			
National Institute of Business Management	<ul style="list-style-type: none"> Awards degrees, Diploma, Higher Diplomas in the field of Information technology and Management 	<ul style="list-style-type: none"> With an increase in the number of programmes operating income increased by 47 percent in 2011 over 2010. Net profits increased by 170 percent in 2011. 	466
Post Graduate Institute of Management	<ul style="list-style-type: none"> Awards Phd's, MBA, MPA, Master in Business Management, Customs Administration, MBA in International Trade and Logistic and Postgraduate Diploma in Public Administration 	<ul style="list-style-type: none"> Total revenue has decreased by 5 percent in 2011 over 2010. 	90.7
Lotteries			
National Lotteries Board	<ul style="list-style-type: none"> Lottery business 	<ul style="list-style-type: none"> Out of the 11 lotteries Mahajana Sampatha contributes 40 percent of the total revenue of NLB Revenue increased by 14 percent to Rs 10,092million in 2011 Contribution to the consolidated fund amounted to Rs.1,345 million in 2011. 	1,290
Development Lotteries Board	<ul style="list-style-type: none"> Lottery business Sales proceeds are used to finance the Mahapola Higher Education Trust fund through the Presidents Fund. 	<ul style="list-style-type: none"> Total revenue increased by 21 percent in 2011 over 2010. Contribution to the President's Fund has increased by 69 percent to Rs.1,354 million in 2011. 	611

Compiled by Department of Public Enterprises

08

PUBLIC EXPENDITURE AND POLICY REVIEW

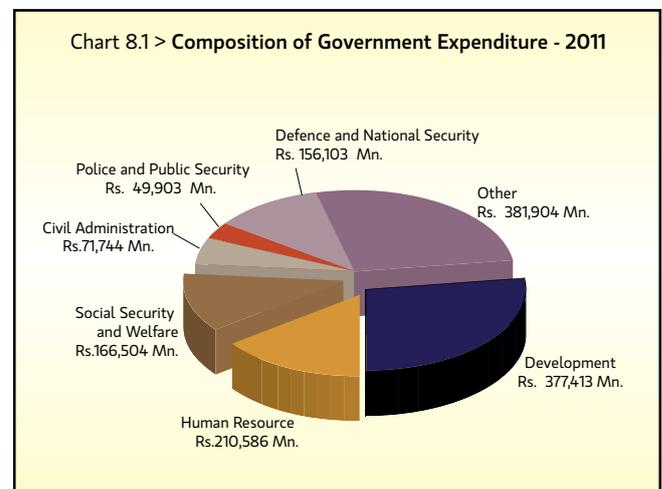
8.1 Public Expenditure

Public expenditure programs occupy a strategic role in Mahinda Chintana economic policy framework which recognizes the public sector as important as the private sector, in facilitating to realize the overall development goals in the country. In 2011, non interest public expenditure amounted to Rs. 1,057.4 billion accounting for 75 percent of total Government expenditure. In relation to GDP it was around 16.2 percent of GDP. Such expenditure was directed towards providing the following services;

- Free education at all levels up to university education through a well-established island wide school network, and provincially spread university and tertiary education system.
- Free health services including preventive and curative services through an island wide hospital network consisting of teaching hospitals, national hospitals, base hospitals and rural dispensaries.
- A range of welfare and social security programs to retirees and their surviving spouses, the elderly, children, differently abled people and low income households.
- Administrative and associated services forming the public service delivery system, through District and Divisional Secretariats, and through Provincial Councils and decentralized government services.
- Police and public security related expenditure to maintain law and order.
- Extension, research and off-field level operations relating to agriculture and irrigation.
- Physical infrastructure development under the public investment program.
- National security and defence establishments related expenditure to protect territorial integrity and national security of the country.

Out of the non interest expenditure total non-defence expenditure in 2011, amounted to Rs. 901.4 billion accounting for 85.2 percent of total non-interest public expenditure. The majority of such expenditure was on account of human resource development in the education and health sectors, at a total cost of Rs. 210.6 billion in 2011. This was 3.2 percent of GDP in 2011. The cost on education was Rs. 121.3 billion that accounted for 1.9 percent of GDP. Out of the total of recurrent expenditure of around Rs. 99 billion, Rs. 63.8 billion or nearly 64.4 percent was on the payment of salaries to teachers and other personnel employed in that sector. In 2011, a total of 217,112 teachers were there at provincial level and at national level schools. The recurrent expenditure in education also includes a total sum of Rs. 8,450 million for the provision of free text books and school uniforms to all school going children,

the provision of season tickets for children and on account of the mid-day meal and other nutrition food programs in selected schools. The second highest level of expenditure is on account of provision of health services at a total cost of Rs. 89.2 billion which is around 1.4 percent of GDP. The health sector employees 121,313 persons, consisting of 17,271 doctors, 29,234 nurses and 74,808 support staff, including 10,485 family health workers who are engaged at field level. In 2011, the total wage cost on account of providing health services was Rs. 45.8 billion, accounting to 61.5 percent of recurrent expenditure. This included a sum of Rs. 16,617 million spent for the supply of pharmaceutical drugs for indoor and outdoor patients who sought treatment at Government hospitals.



Public expenditure programs occupy a strategic role in Mahinda Chintana economic policy framework which recognizes the public sector as important as the private sector, in facilitating to realize the overall development goals in the country...

The annual capital expenditure in support of maintaining the required infrastructure facilities and expanding such facilities to facilitate the provision of these two important services, free of charge to the entire population on an island

wide basis, has risen from Rs. 12,860 million for education and Rs. 10,738 million for health in 2005, to Rs.22, 326 million for education and Rs. 14,774 million for health in 2011. Thus, the total education and health expenditure has risen to Rs. 210,586 million in 2011, from Rs. 108,408 million in 2005.

Table 8.1.1 > **Functional Classification of Government Expenditure**

Item	Rs.Million						
	2005	2006	2007	2008	2009	2010	2011 (Prov.)
1. Human Resource	108,408	136,382	161,242	174,631	171,956	182,833	210,586
1.1. Education	63,557	78,344	92,540	100,083	100,506	104,248	121,369
Recurrent	50,697	61,144	72,592	77,141	82,414	85,195	99,043
Capital	12,860	17,200	19,948	22,942	18,092	19,053	22,326
1.2. Health	44,851	58,038	68,702	74,548	71,453	78,585	89,217
Recurrent	34,113	44,069	51,741	55,874	58,789	65,256	74,443
Capital	10,738	13,969	16,961	18,674	12,664	13,329	14,774
2. Social Security and Welfare	116,236	116,640	120,015	126,372	142,051	145,758	166,504
2.1. Welfare Payments	93,189	86,753	91,747	94,789	105,017	107,690	123,122
2.2. Community Services	19,390	25,866	23,787	26,757	31,743	32,579	36,670
Recurrent	10,933	12,669	10,191	12,963	13,852	14,245	17,529
Capital	8,457	13,197	13,596	13,794	17,891	18,334	19,141
2.3 Housing	3,657	4,021	4,481	4,826	5,291	5,489	6,712
3. Civil Administration	33,564	48,021	59,919	65,825	55,809	58,107	71,744
Recurrent	25,027	29,912	31,481	36,150	37,123	37,895	43,076
Capital	8,537	18,109	28,438	29,675	18,686	20,212	28,668
4. Police and Public Security	21,831	28,444	36,175	41,215	43,683	46,344	49,903
Recurrent	20,467	25,197	32,470	36,487	42,274	45,046	46,087
Capital	1,364	3,247	3,705	4,728	1,409	1,298	3,816
5. Defence and National Security	61,498	81,243	101,856	134,710	144,884	143,806	156,103
6. Agriculture and Irrigation	23,541	34,788	37,585	59,260	66,072	68,946	74,858
Recurrent	13,500	22,173	22,849	41,579	43,967	44,081	46,290
Capital	10,041	12,615	14,736	17,681	22,105	24,865	28,568
7. Energy and Water Supply	20,242	29,142	51,497	52,106	63,412	70,061	84,390
Recurrent	1,008	2,766	3,647	3,323	3,429	3,492	3,533
Capital	19,234	26,376	47,850	48,783	59,983	66,569	80,857
8. Transport and Communication	43,068	57,026	69,978	112,503	170,172	196,751	218,165
Recurrent	11,303	19,038	18,983	29,587	31,068	31,246	31,823
Capital	31,765	37,988	50,995	82,916	139,104	165,505	186,342
9. Other	163,544	193,717	213,764	240,947	351,981	381,007	381,904
Of which Interest Payments	120,159	150,777	182,681	212,475	309,675	352,592	356,699
10. Total Expenditure	591,932	725,403	852,031	1,007,569	1,210,023	1,293,613	1,414,157

Sources: Department of Fiscal Policy, Department of National Budget and Department of State Accounts

N.B.: Corresponding figures in Table 8.1 and Table 8.3 differ, as classification of expenditure in Table 8.1 clusters all expenditure directly provided by the relevant agencies as well as expenditure provided for some functions by other government agencies on a functional basis.

The welfare expenditure consisting of pension and social security for retired public servants and their surviving spouses, disabled security personnel, the elderly and children in orphanages, cash support programs for low income people and a range of community services targeting welfare of families who got displaced consequent to the conflict, amounted to Rs 159,792 million in 2011 accounting to 2.4 per cent of GDP, in comparison to Rs. 112,579 million in 2005. A total number of 3.6 million people benefited from a variety of such support programs. Social welfare expenditure in the National Budget also include Rs. 6,712 million earmarked for low income housing facilities, that was

Table 8.2 > Beneficiaries of Social welfare and Social Security Expenditure 2011

1	Retired Public Servants	503,423
2	Disabled Security Personnel	26,730
3	Elderly (over 70 years)	179,764
4	Orphanage Children	13,122
5	Children and Expectant Mothers	965,928
6	Samurdhi Programme	1,541,621
7	Displaced Persons	7,348
8	Other	411,893
Total Beneficiaries		3,649,829

Source :National Budget Department

provided directly by the National Budget .

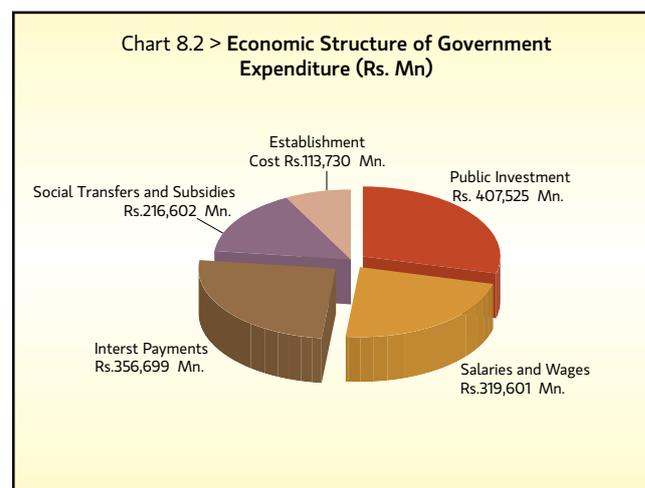
The cost of reliance of the civil administration on the National Budget, which covers all ministries, provincial councils, judiciary, parliament and other administrative and regulatory institutions, was Rs.71,744 million in 2011 accounting for 6.7 percent of non-interest public expenditure, in comparison to Rs. 33,564 million in 2005. A bulk of such expenditure is spent on salaries of public servants. It should be noted that the capital expenditure growth in this category has increased significantly from Rs. 8,537 million in 2005, to Rs. 28,668 million in 2011 due to the development of modern facilities at several Divisional and District Secretariats, the Auditor General's Department and several other line ministries and institutions.

Police and public security related expenditure to maintain law and order amounted to Rs. 49,903 million in 2011 in comparison to Rs. 21,831 million in 2005. The expenditure on salaries associated for the provision of such services stood at Rs. 33,008 million in 2011 accounting for 66.1 percent of total expenditure on these services. The setting up of new police stations and the recruitment of police officers from

the conflict affected areas to serve in such areas, where security related services are being transferred to the police, together with salary increases granted from time to time along the rest of the public service are factors attributable to the rise in expenses on the police and public security related expenditure.

Agriculture and irrigation expenditure increased from Rs. 23,541 million in 2005 to Rs.74,858 million in 2011. The bulk of the expenditure in this sector has also increased on account of salaries and operational expenditure since these services involve the provision of extension, research and field level operations. Reflecting public expenditure priorities in the development of an agrarian economy and irrigation facilities in the country, the annual capital expenditure has also increased from Rs. 10,041 million in 2005 to Rs.28,568 million in 2011, as a number of irrigation development projects have been implemented.

Since public investment has been heavily targeted towards the development of electricity, water supply, ports and airports and highways, the expenditure in these areas has risen to Rs. 302,555 million in 2011 from Rs. 63,310 million in 2005. Such physical infrastructure development in public investment alone accounted for 74.2 percent of total public investment in 2011. Rest of public investments have taken place in the fields of irrigation, civil administration, health,



education and social welfare.

The increased number of defence personnel recruited in the backdrop of having to undertake humanitarian operations to liberate conflict affected areas from terrorists, measures taken to remove country risks due to terrorism and the provision of residential facilities at security establishments, have caused increased defence expenditure of Rs. 156,103

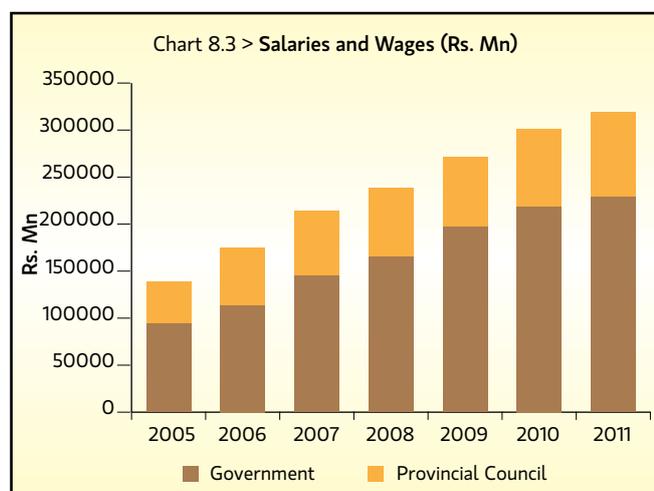
Table 8.3 > **Government Expenditure**

	Rs. Million						
	2005	2006	2007	2008	2009	2010	2011 (Prov.)
1. Current Expenditure	443,350	547,960	622,758	743,710	879,575	937,103	1,006,632
Salaries and Wages	138,603	175,031	214,160	239,078	271,229	300,558	319,601
Government	44,950	54,544	61,799	65,315	71,859	75,817	83,072
Education	7,504	8,974	11,213	11,179	12,602	13,429	14,422
Health	11,835	14,625	18,440	19,952	22,531	24,323	27,766
Other	25,611	30,945	32,146	34,184	36,726	38,065	40,884
Provincial Councils*	44,620	61,453	69,366	73,791	74,634	81,887	90,818
Education	23,292	32,079	36,209	38,519	38,959	44,526	49,384
Health	8,516	11,729	13,239	14,084	14,244	17,684	18,056
Other	12,812	17,645	19,918	21,188	21,431	19,677	23,378
Defence and National Security	38,040	44,960	60,185	73,509	94,189	110,335	112,703
Police and Public Security	10,993	14,074	22,810	26,463	30,547	32,519	33,008
Establishment Cost	56,257	77,994	78,472	121,250	108,502	87,728	113,730
Government	21,466	29,012	25,725	46,950	42,970	38,618	53,467
Education	3,238	2,871	4,471	4,603	4,652	4,834	4,220
Health	10,254	15,320	15,950	17,521	18,268	19,920	23,893
Other	7,974	10,821	5,304	24,826	20,050	13,864	25,354
Defence and National Security	23,458	36,283	41,671	61,201	50,695	33,471	43,400
Police and Public Security	9,474	11,123	9,660	10,024	11,727	12,527	13,079
Provincial Councils*	1,859	1,576	1,416	3,075	3,110	3,112	3,784
Social Transfers							
Pensions	46,782	58,006	68,822	74,922	85,139	90,995	99,961
Samurdhi	9,161	10,789	9,200	9,995	9,267	9,241	9,043
Payments to Disabled Soldiers	4,749	6,563	7,428	8,694	9,796	8,498	13,316
Assistance to IDP	1,591	2,586	1,666	1,457	7,783	7,654	5,895
Subsidies and Contributions to Institutions	55,636	47,878	49,690	62,897	64,057	63,908	75,388
Transfers to Institutions	16,084	20,807	25,746	26,407	27,049	28,817	32,163
Fertilizer Subsidy	6,846	11,867	11,000	26,450	26,935	26,028	29,802
School Text Books	1,080	1,150	2,250	3,387	2,196	1,941	2,294
School Uniforms	1,060	1,260	1,308	582	1,260	949	1,364
School Nutrition Program	556	1,100	1,067	1,649	2,251	2,275	2,631
Thripasha Program	504	537	488	649	1,155	865	1,336
Street Lighting	800	900	1,000	1,300	204	360	123
Fuel Subsidy for CPC	26,400	9,419	632	-	900	-	-
Other	2,306	838	6,199	2,473	2,107	2,673	5,675
Transfers to SOEs	10,412	18,336	10,639	12,942	14,126	15,929	12,999
Department of Railways	3,505	3,981	4,298	4,553	4,768	3,173	4,060
Department of Postal	1,652	2,893	2,294	1,966	2,562	2,783	3,336
Sri Lanka Transport Board	3,891	4,976	3,654	5,638	4,203	3,828	3,939
Other	1,364	6,486	393	785	2,593	6,145	1,664
Interest Payments	120,159	150,777	182,681	212,475	309,676	352,592	356,699
2. Public Investment	148,582	177,443	229,273	263,844	330,448	356,519	407,525
Education	12,860	17,200	19,948	22,942	18,092	19,053	22,326
Health	10,738	13,969	16,961	18,674	12,664	13,329	14,774
Police and Public Security	1,364	3,247	3,705	4,728	1,409	1,298	3,816
Civil Administration	8,537	18,109	28,438	29,675	18,686	20,212	28,668
Housing	3,657	4,021	4,481	4,826	5,291	5,489	6,712
Community Services	8,457	13,197	13,596	13,794	17,891	18,334	19,141
Agriculture and Irrigation	10,041	12,615	14,736	17,681	22,105	24,865	28,568
Energy and Water Supply	19,234	26,376	47,850	48,783	59,983	66,569	74,028
Transport and Communication	31,765	37,988	50,995	82,916	139,104	165,505	186,342
Other	41,929	30,722	28,563	19,825	35,223	21,865	23,150
Of which							
Capital Transfers	52,013	74,005	94,652	104,002	133,826	143,599	160,374
Roads Development Authority	14,135	24,099	39,236	47,344	77,077	84,830	90,736
National Water Supply and Drainage Board	9,774	14,614	16,121	20,140	20,188	19,036	28,853
Sri Lanka Transport Board	1,786	3,985	2,612	1,884	1,059	849	1,243
Provincial Councils	11,141	19,699	20,346	21,237	23,780	24,101	27,619
Other	15,177	11,608	16,337	13,397	11,722	14,782	5,094
Lending to Public Enterprises	8,428	15,230	23,112	31,253	53,032	54,432	44,488
Ceylon Electricity Board	5,401	4,541	19,552	16,808	14,180	22,397	22,372
Sri Lanka Ports Authority	623	114	591	7,856	25,373	27,128	13,144
Other	2,404	10,575	2,969	6,589	13,479	4,907	8,972
3. Loan Repayments by Public Enterprises	(10,364)	(13,881)	(11,677)	(13,526)	(11,978)	(15,535)	(14,878)
4. Restructuring Expenditure+ Net Lending through Advance Account	3,215	2,125	1,249	2,114	3,882	2,128	854
5. Total Expenditure	584,783	713,647	841,603	996,142	1,201,927	1,280,215	1,400,133

Sources: Department of Fiscal Policy, Department of National Budget and Department of State Accounts.

* Provincial Councils are provided with a block grant to cover their recurrent expenditures.

Out of that, over 80 percent is utilized for health and education expenditures of the Provincial Councils.



million in 2011.

However, salary expenditure at Rs. 112,703 million accounted for 72.2 percent of such expenditure. Outlays on fuel, food, uniforms etc. have absorbed a bulk of other operational expenditure. Since the end of the conflict in 2009, security forces have successfully carried out demining and resettlement activities in conflict affected areas. Within a short period of 2 years, almost the entire area has been declared 'mine - free' in terms of international standards, while contributing to resettle 98 percent of displaced persons and facilitating reconstruction work. Security personnel have also been actively engaged in reconstruction and rehabilitation of many run down infrastructure facilities.

A summary of the rolling 5 Year Public Investment Plan that is being incorporated into a 3 Year Medium Term Expenditure Program, is given in Table 8.4.

Table 8.4 > **Five Year Public Investment Plan (Summary)**

Major Thrust		Investment (Rs. Mn)					Total
		2012	2013	2014	2015	2016	
Agrarian Economy							
Agriculture	Increase production of paddy, other field crops (OFCs), vegetables and fruits by 63%, 80%, 35% and 75% respectively and importation of OFCs such as Green gram, Ground nut, Gingerly, Black gram and Maize.	2,050	2,185	2,220	2,500	2,800	11,755
	Provision of 25% of certified seed paddy requirement (Present status 15-17 percent)	895	910	920	935	940	4,600
	Provision of fertilizer, promotion and production of organic fertilizer to substitute 25% inorganic fertilizer from organic fertilizer.	34,050	40,350	46,400	46,400	46,400	213,600
	Extension, Training, Research and Development.	2,113	2,225	2,386	2,500	2,675	11,899
		39,108	45,670	51,926	52,335	52,815	241,854
Fisheries	Construction of 4 new fishery harbours and upgrading existing fishery harbours.	1,130	3,975	5,250	5,900	5,000	21,255
	Increase inland fish production including aquaculture and provide support for institutional and livelihood development.	1,168	1,490	1,620	1,275	1,350	6,903
		2,298	5,465	6,870	7,175	6,350	28,158
Livestock	Increase the cattle population and promote 2,000 dairy villages to increase the production and consumption of liquid milk.	1,115	1,700	2,275	2,450	2,625	10,165
	Animal health improvement and research programmes.	250	350	500	600	600	2,300
		1,365	2,050	2,775	3,050	3,225	12,465

Environment	Increase the forest cover up to 35 percent of the total land area with the conservation of biodiversity by 2020.	1,017	1,108	433	582	620	3,760
	Increase solid waste management by 45 percent through strengthening facilities of Local Authorities, encourage private entrepreneurs and other institutes for collecting, recycling, composting and sanitary land filling.	1,000	1,304	1,430	1,500	1,600	6,834
	Improve human elephant cohabitation by increasing the protected areas from 14 percent to 25percent of total land area.	712	741	775	800	825	3,853
		2,729	3,153	2,638	2,882	3,045	14,447
	Total	44,135	54,288	61,434	62,392	62,410	284,669
Infrastructure							
Road	Construction of 600 km of expressways	40,767	23,375	30,400	35,850	38,600	172,571
	Improvement and rehabilitation of 5,000 km of national roads, 4,000 km of provincial roads and reconstruction of 250 major bridges.	84,603	102,716	101,745	106,700	111,600	503,785
	Increase road durability by routine and periodic maintenance.	5,500	6,050	6,500	7,150	7,865	33,065
	Upgrading of 12,000 km of rural roads.	11,862	12,760	13,195	15,200	18,000	71,017
	Institutional strengthening, research and development	4,315	4185	4467	4600	4900	22,467
		147,047	149,086	156,307	169,500	180,965	802,905
Power	Achieve 100 percent electrification level island wide.	23,075	57,512	35,561	17,610	13,030	146,788
	Increase installed capacity to 4,000 MW by 2016.	8,792	12,369	9,862	8,943	6,220	46,186
		31,867	69,881	45,423	26,553	19,250	192,974
Irrigation	Completion of the construction of 34 major and medium irrigation schemes.	22,000	52,000	64,200	55,000	59,800	253,000
	Rehabilitation of irrigation schemes including minor irrigation system.	13,500	7,600	7,800	8,000	8,200	45,100
	Operations and maintenance, water management, research and feasibility studies.	4,750	5,200	5,500	5,500	6,000	26,950
		40,250	64,800	77,500	68,500	74,000	325,050
Water	Increase the pipe borne water coverage from 43 percent to 52 percent.	28,991	30,900	33,500	36,500	40,500	170,391
	Reduction of Non-Revenue Water below 20% of total water production of NWSDB.	200	1,000	2,500	3,000	3,000	9,700
	Increase the access of piped wastewater discharging facilities from 2.3 percent to 3 percent.	5,880	6,500	8,500	10,000	12,500	43,380
		35,071	38,400	44,500	49,500	56,000	223,471
Seaports and Airports	Enhance the passenger and cargo handling capacity by improving and expanding infrastructure facilities in ports and air ports.	28,627	39,562	26,750	20,275	18,500	133,714
		28,627	39,562	26,750	20,275	18,500	133,714

Transport	Enhance the efficiency of the public transport by reconstruction of 350km of rail lines, adding 30 power sets and maintain the bus fleet to provide 40% of bus transportation by CTB.	37,786	64,692	46,150	29,650	22,100	200,378
	Increase safety and reliability.	2,443	3,822	3,740	4,050	4,060	18,115
		40,229	68,514	49,890	33,700	26,160	218,493
Urban and Township Development	Promote green and clean urban environment to the people by developing network of cities and urban townships.	4,135	10,802	13,458	14,131	14,837	57,363
		4,135	10,802	13,458	14,131	14,837	57,363
Regional Development	Empowering Householdsto engage in gainful economic activities.	6,515	7,000	8,700	8,500	8,000	38,715
	Empowering Villages to promote living environment in their cultural and community settings.	27,738	29,567	25,644	25,750	25,800	134,499
	Emerging Regions Development to attract investment towards the development of economic and social activities.	29,615	32,607	26,300	26,000	25,000	139,522
	Provincial Specific Development to address provincial's disparities.	27,739	35,228	41,148	42,200	42,500	188,815
		91,607	104,402	101,792	102,450	101,300	501,551
	Total	418,833	545,447	515,620	484,609	491,012	2,455,521
Human Capital							
Education	Development of 1,000 secondary and 5,000 feeder primary schools network and rehabilitation, reconstruction of schools, teacher training and deployment and quality improvements in education.	10,262	15,050	16,707	16,500	16,200	74,719
	Development of universities with necessary facilities and establishment of university townships.	8,754	9,500	9,750	10,300	11,500	49,804
		19,016	24,550	26,457	26,800	27,700	124,523
Skill Development	Providing of soft skills and entrepreneurial skillstraining for youths.	1,456	1,873	1,933	2,500	3,000	10,762
	Improve institutional capacity to provide vocational skills training to youth who require employable skills by 2016.	3,244	5,205	5,064	5,550	5,600	24,663
		4,700	7,078	6,997	8,050	8,600	35,425
Science and Technology	Increase high tech productivity practices to improve exports and import substitution.	2,027	2,150	2,282	2,500	2,750	11,709
	Transfer of technology and knowledge to the public and private sector entrepreneurs.	1,149	1,210	1,267	1,500	1,750	6,876
		3,176	3,360	3,549	4,000	4,500	18,585
Health	Development of healthcare institutions by improving infrastructure and equipment in order to provide quality curative healthcare services.	14,605	18,700	19,800	21,000	22,400	96,505

	Improvement of preventive healthcare services.	3,320	4,500	5,100	6,500	7,000	26,420
	Nutrition intervention programmes.	1,575	1,700	1,800	1,940	2,000	9,015
		19,500	24,900	26,700	29,440	31,400	131,940
Sports	Construction of fully fledged sports complexes at national and district level to develop sports facilities Island wide.	1,542	1,963	2,252	2,800	3,200	11,757
		1,542	1,963	2,252	2,800	3,200	11,757
Social Protection	Reduce malnutrition level among pregnant and lactating mothers and children (2 - 3 years old).	840	1,050	1,200	1,310	1,450	5,850
	Improve livelihood standard among poor, elderly and disable persons	10,604	11,504	11,504	11,350	11,500	56,462
		11,444	12,554	12,704	12,660	12,950	62,312
Housing	Upgrade the housing facilities for Vulnerable groups.	6,000	5,000	5,000	4,800	4,800	25,600
	Strengthen the construction regulatory institutions to improve quality standards.	170	274	313	331	360	1,448
		6,170	5,274	5,313	5,131	5,160	27,048
	Total	65,548	79,679	83,972	88,881	93,510	411,590
Private Sector Development							
Plantation	Promotion of replanting, new planting and inter-cropping by maintaining annual replanting rate of tea by 3%, rubber by 5%, and coconut by 3%.	1,178	1,330	1,306	1,310	1,312	6,436
	Research and development, marketing promotion, capacity building and pest and disease control.	1,497	2,100	1,852	1,750	1,715	8,914
		2,675	3,430	3,158	3,060	3,027	15,350
Industry and Trade	Promote plantation as a value added industry. Food and beverage, Boat, Footwear, Pharmaceutical, Apparel and Handloom, Electronic, Fisheries and basic industries such as cement and steel.	493	370	314	350	400	1,927
	Development of Industrial Estates and Promotion of Industrial Production Village.	303	479	480	440	450	2,152
	Export promotion in emerging markets and in new products	515	550	550	600	650	2,865
	Development of Traditional Industries	118	115	120	110	110	573
		1,429	1,514	1,464	1,500	1,610	7,517
Tourism	Increase the arrivals of foreign investors by promoting Sri Lanka as a tourist destination. as FDIs for the industry and create 500,000 tourism related employment opportunities.	3,000	3,000	4,000	5,000	6,000	21,000
		3,000	3,000	4,000	5,000	6,000	21,000
	Total	7,104	7,944	8,622	9,560	10,637	43,867
	Grand Total	535,620	687,358	669,648	645,442	657,569	3,195,637

8.2 Policy Development

The overall Development Policy based on Mahinda Chintana Vision for a new Sri Lanka (2005) and Mahinda Chintana – vision for the Future (2010), the Ministry of Finance and Planning has formulated a 10 year Development Framework to translate it into reality through a 5 year plan framework, and a 3 year medium term Budgetary Framework. The implementation plans have been worked out in consultation with line ministries, agencies, trade chambers, civil society organizations, trade unions and other stake holders. The Ministry of Finance and Planning has also strengthened the Project Management and Monitoring Department to improve effective public expenditure management and monitoring while National Council for Economic Development (NCED) of the National Planning Department has engaged with industry clusters to promote a dialogue and resolve operational problems.

In terms of Fiscal Management (Responsibility) Act No 3 of 2003, the Ministry of Finance and Planning is also required to report to Parliament updating Mid-Year Fiscal Position before 30th June each year, Annual Fiscal Management Report with the presentation of the Annual Budget Speech and Annual Report of the Ministry for each year before end of May. These documents provide updates on overall Government financial and economic performance.

Together with the overall policy framework, the line ministries have developed sectorial policy strategies, action plans for sector specific development activities. The Government also closely works with development partners particularly with the Asian Development Bank (ADB), The United Nations Development Program (UNDP), The World Bank (WB) and the International Monetary Fund (IMF) on various policy issues and for international financing. A brief synopsis of these policies is given below.

Policy Development

National Policies

1. Mahinda Chintana- Vision for a New Sri Lanka: The Ten Year Horizon Development Framework 2006-2016, Discussion Paper, Department of National Planning, Ministry of Finance and Planning, (2005)
2. Sri Lanka: The Emerging Wonder of Asia- Mahinda Chintana Vision for the Future, The Development Policy Framework of the Government, Department of National Planning, Ministry of Finance and Planning, (2010)
3. National Physical Planning Policy and Plan, National Physical Planning Department, (2007)

Sectoral Policies

1. Sri Lanka National Agricultural Policy, Ministry of Agriculture and Agrarian Services, (2007)

The National Agricultural Policy covers Food, Floriculture and Export Agriculture Crop Sectors and aims to achieve food and nutrition security of the nation and increase employment opportunities and income and living standards of farming community through adoption of technically feasible, socially acceptable, economically viable and environmentally sustainable agricultural production technologies and marketing.



2. National Plantation Industry Policy Framework, Ministry of Plantation Industries, (2009)

The National Plantation Industry Policy Framework endeavors to increase the productivity, profitability and sustainability of corporate and small holdings sector of the plantation industry through establishment of Private-Private Partnerships, encouraging the production of “Green Products” and improvement of profitability, while promoting the well-being of the Plantation Communities.



3. Tourism Development Strategy 2011-2016, Ministry of Economic Development, (2011)

This strategy is to promote Sri Lanka as a model tourist destination and improve the global image of Sri Lanka

by creating a conducive environment for tourism and improving domestic tourism benefitting from country's natural, cultural and historical diversity and ensure to cater 2.5 million tourist arrivals by 2016.



4. Education Sector Development Framework and Programme, Ministry of Education, (2007)

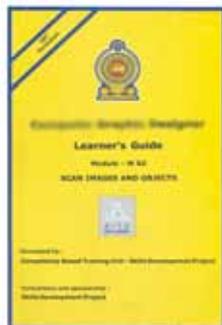
This is aimed at improvement of quality of education in the country, enhancement of economic efficiency and equity of resource allocation, strengthen education governance and service delivery through implementation of variety of and multi-faceted strategies at central, provincial and school level



5. National Policy Framework on Higher Education and Technical and Vocational Education,

National Education Commission, (2009)

This policy will ensure higher education, technical and vocational education institutions to develop and offer internationally recognized and market oriented skills required by emerging market conditions.



6. National Science and Technology Policy, National Science and Technology Commission, (2008)
Science, Technology and Innovation Strategy for Sri Lanka 2011-2015, Ministry of Technology and Research, (2010).

The National Science and Technology Policy aims at developing Science and Technology in Sri Lanka towards national development. To achieve that policy objective strategies including technology transfer, sustainable use of natural resources and identifying technology behind indigenous knowledge would be practiced. Science, Technology and Innovation Strategy intends to make Sri Lanka a leader in knowledge creation and innovation by establishing a world class national research and innovation environment which will generate necessary strategic and sustainable innovations and technologies.



7. Policy and Procedures for ICT Usage in Government (e-government Policy),

Information Communication Technology Agency of Sri Lanka, (2009)

Information and Communication Technology Plan for Sri Lanka 2011-2016, Ministry of Telecommunication and Information Technology, (2011)

This policy ensures improved access to government services and to develop more citizen-focused government through reengineering government and enhancement of the ICT usage in the government.



8. National Nutrition Policy of Sri Lanka, Ministry of Health, (2010)

National Nutrition Policy provides a platform for inter-sectoral coordination in order to accelerate efforts to achieve optimum nutrition for every Sri Lankan. The policy also provides for overall guidance for the development of national strategic plans of action for nutrition activities.



9. National Policy and Strategic Framework for Prevention and Control of Non-Communicable Diseases (NCD), Ministry of Health, (2010)



Medium Term Strategic Plan for Prevention and Control of Non-Communicable Diseases 2010-2016, Ministry of Health, (2010)



The policy aims at prevention of chronic NCDs and promoting healthy lifestyles among Sri Lankans through implementation of a cost-effective NCD screening program at community level, strengthening the health system to provide integrated and appropriate curative, preventive, rehabilitative and palliative services at each service level and empower the community for promotion of healthy lifestyles for NCD prevention and control and strengthening the national health information system including disease and risk factor surveillance.

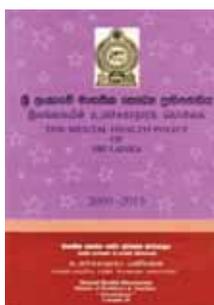
10. National Maternal and Child Health Policy, Ministry of Health, (2010)

The policy will provide directions to address the challenges arising from the rapid demographic transition that resulted in new demands for services, rising peoples' expectations and reported trends in unhealthy lifestyles and behavioral changes of young adults by effective planning, implementation, monitoring and evaluation of Maternal and Child Health programmes.



11. Mental Health Policy, Ministry of Health, (2005)

This policy aims at optimization of mental health and psychological well-being of Sri Lankans and to secure the dignity and rights of vulnerable groups by provision of mental health services at primary, secondary and tertiary levels and ensuring that mental health services will be culturally appropriate and evidence based.



12. National Energy Policy and Strategies of Sri Lanka, Ministry of Power and Energy, (2008)

This policy ensures achieving millennium development goals in relation to energy supply through specific strategies and plan of actions and institutional responsibilities.



13. National Transport Policy, Ministry of Transport, (2009)
National Road Master Plan 2008-2017, Ministry of Highways and Road Development Authority, (2007)

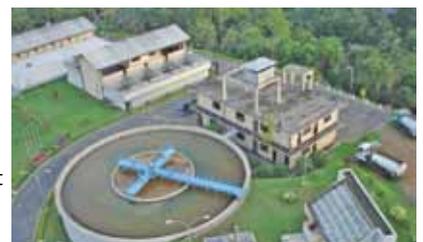
The policy ensures that the existing and potential mobility needs within the country for passenger and goods transport must satisfy safe, cost-effective and least impact on the environment and provide resources through a truly private vehicle-competitive public transport system.

The master plan unites road network with economic development and provides for approaches to long-term maintenance of the road network in the country and to safeguard adverse social and environmental impacts of transport.



14. National Policy on Drinking Water, Ministry of Water Supply and Drainage, (2010)

This policy aims at developing broad sets of strategies to promote the growth of drinking water sector in terms of coverage, quality and service delivery.



15. National Climate Change Policy of Sri Lanka, Ministry of Environment, (2012)

National Climate Change Adaptation Strategy for Sri Lanka (2011-2016), Ministry of Environment , 2010

National Action Plan for Haritha Lanka Programme, National Council for Sustainable Development, (2009)

This policy provides guidance and directions for all stakeholders to address the impacts of climate change issues locally and highlights the strategies for climate change mitigation, technology transfer, financing and investment mechanism, education, training and awareness, monitoring, assessment and management of impact risks due to climate change.

The National Action Plan aims at addressing the environmental issues in Sri Lanka including meeting the challenges in climate change, saving fauna, flora and ecosystems, sustainable use of coastal belt, land resources and waste management and environmental friendly choices for industries



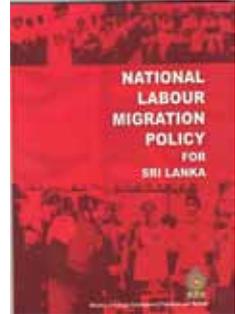
16. National Policy Framework for Decent Work in Sri Lanka, Ministry of Labour Relations and Foreign Employment, (2006)

This policy framework will give full effect, in law and practice, to the ILO declaration on fundamental principles and rights at work, by which Sri Lanka is bound in international law, and to promote an excellent compliance record work, by which Sri Lanka is bound in international law, and to promote an excellent compliance record as a means of improving both economic and social development including Sri Lanka's competitiveness.



17. National Labour Migration Policy for Sri Lanka, Ministry of Foreign Employment Promotion and Welfare, (2006)

To develop a long term vision for the role of labour migration in the economy, enhancing the benefits of labour migration on the economy, society, the migrant workers and their families, minimizing its negative impacts and working towards the protection of all labour rights of migrant workers



18. National Charter for Senior Citizens and National Policy for Senior Citizens, Ministry of Social Services and Social Welfare, (2006)

This aims at preparing the population for a productive and fulfilling life at old age socially, economically and spiritually.

19. National Policy on Wild Elephant Conservation and Management in Sri Lanka, Department of Wildlife, Ministry of Environment and Natural Resources, (2006)

The policy ensures the sustainability of elephant population within their habitats, minimize and control of human-elephant conflicts, obtain socio-economic benefits to the rural population, enact necessary mechanism to control the number of elephants in the forests and provide the livelihood support to the affected people of the human-elephant conflict.



Livestock Master Plan: A Strategy for Livestock Development for Self-sufficiency, Ministry of Livestock and Rural Community Development,(2011)

The master plan aims to achieve self sufficiency in milk, 40% self sufficiency in swine products and meeting demand and required



quality in chicken, mutton and egg production locally through enhanced productivity, value addition, breeding programmes and animal health management.

Health Master Plan 2007-2016, Ministry of Health, (2007)

Annual action plans of Teaching Hospitals, Provincial General, District General and Base Hospitals, special hospitals and treatment units of Sri Lanka are presented in the document.



National Nutrition Strategic Plan 2009-2013, Ministry of Health, (2010)

This strategic plan aims at providing a platform for inter-sectoral coordination to accelerate efforts to achieve optimum nutrition for every Sri Lankan. The strategy introduces coordination and partnership of all relevant stakeholders for effective implementation of the strategic plan.



Kapruka Navodawa: National Coconut Sector Development Plan (2011-2016) Ministry of Coconut Development and Janatha Estate Development (2011)

This plan aims to increase coconut production up to 3,650 million nuts per annum by 2016 to meet domestic demand while improving productivity of coconut lands, expanding new cultivation,



promoting coconut based industries and disseminating modern technology.

Five Year Plan (2001-2015), Ministry of Industry and Commerce, (2010)

The plan identifies constraints, challenges and future growth opportunities of the industrial sector and proposes policies which are consistent with the Ten year Development Plan of the government.



Strategic Plan (2011-2015), Sri Lanka Export Development Board

The scope of Export Development Board (EDB) in developing and promoting exports towards economic development of the country is presented in the document.



Ten year Development Policy Framework of the Fisheries and Aquatic Resources Sector (2007-2016), Ministry of Fisheries and Aquatic Resources Development

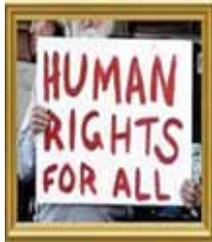
The policy framework envisages policy measures, strategies and activities to accelerate the growth of fisheries sector with the



target of increasing fish production to achieve per capita availability of 22kg of fish and fish products, Rs 41,000 million of export earnings and creation of additional 110,000 employments during 2007-2016. Inland and aquaculture production will be increased to 50 percent by commercializing the sector, with diversified products, adoption of new technologies, value addition and selective breeding.

National Action Plan for Protection and Promotion of Human Rights,

Government of Sri Lanka, (2011)
This aims at achieving improvements in the protection and promotion of human rights, promotion of greater awareness of human rights among the general public and in specific sectors and the promotion of coordination of human rights activity among diverse stakeholders.



The National Strategy for Mine Action in Sri Lanka, Ministry of Economic Development, (2010)

The strategy provides guidelines for the preparation of annual work plans to address national mine action needs while using existing resources in the most efficient manner through survey and clearance work, mine risk education, victim assistance, stockpile destruction and advocacy.



Action Plans of the National Framework Proposal for Reintegration of Ex-combatants into Civilian Life in Sri Lanka, Ministry of Disaster Management and Human Rights, (2009)

This plan of action ensures safeguarding human



rights of ex-combatants and assist them in accordance with the constitution of Sri Lanka and to contribute towards sustainable peace, reconciliation and social cohesion.

2012-2021 Ten Year Plan for a Trilingual Sri Lanka, Presidential Secretariat, (2012)

This plan sets the foundation for a national initiative to encourage the acquisition of trilingual skills and competencies by all citizens of the country.



The strategy further focuses to enhance national harmony, integration and development by liberating Knowledge, Opportunity and Communication from the clutches of Language. Sinhala and Tamil will be aggressively developed as the languages of discourse, debate, discussion and assimilation on all aspects of modern knowledge, science and technology together with English as a Life Skill and an instrument of communication both within and outside the country.

Policy Dialog with Development Partners

Country Partnership Strategy with ADB

The medium-term Country Partnership Strategy (CPS) developed jointly by the Government of Sri Lanka and ADB for 2012-2016 focuses on three main objectives, (i) inclusive and sustainable economic growth, (ii) catalyzing private investment and enhancing the effectiveness of public investment, (iii) human resource and knowledge development. Accordingly, Sri Lanka will receive around US\$ 300 mn per year under concessional and non-concessional rates and out of the total US\$ 900 mn earmarked for the period 2012-2014, a substantial portion will be utilized for the transport and energy sectors. The Asian Development Fund (ADF) resources available at concessional rates are mainly provided to the education, skill development and rural development sectors for social development while Ordinary Capital resources (OCR) are being utilized to finance the economic and social infrastructure development projects with high economic returns to support the economic growth in the medium term. The national priorities in terms of the targets specified in the “Mahinda Chintana- Vision for the Future” as well as the investment needed to achieve them have been taken into consideration during the preparation of CPS.



Development Partnership with Nations

Bilateral development partnership has been enhanced with mobilizing mix of



concessional and non concessional resources with varying of financing options. Accordingly, the government of Sri Lanka has secured project financing for its economic infrastructure development programmes from countries including Australia, Austria, Belgium, Brazil, Canada, China, Denmark, European Union, France, Germany, India, Iran, Japan, Hungary, Kuwait, Korea, Malaysia, The Netherlands, Norway, Pakistan, Saudi Arabia, Spain, Singapore, Sweden, Thailand, Russia, United States of America and United Kingdom. A substantial amount of this financing has been invested in sectors; Power & Energy, Roads & Highways, Ports & Aviation, Irrigation, Water Supply & Sanitation through implementation of projects which can generate sufficient economic benefits and revenue flows to facilitate loan repayment. In addition, financing has been secured for some important health sector development projects also. Investment in these sectors will ensure a balanced regional development, increase the foreign exchange earnings, and enhance the capacity of the service sector while maintaining a rapid economic growth.

The United Nations

The development partnership with UN agencies is mainly guided by the United Nations Development Assistance Framework (UNDAF), which is a five year strategic framework jointly prepared by the Ministry of Finance and Planning and UN agencies in consultation with the relevant line ministries and development partners with the objectives of skill development for knowledge economy, promote value addition in the agriculture sector, improve equitable and quality social services and improve environmental sustainability. The existing UNDAF for the period of 2008 – 2012 has allocated approximately US\$ 434 million to Sri Lanka in the form of grant. These grants are being utilized for the socio-economic development projects in the areas of livelihood, health, education, agriculture, rural development, and disaster relief. The next UNDAF for the period of 2013 – 2017 is now being prepared in consultation with the major stakeholders.



The International Monetary Fund (IMF)

The government continues its relationship with the IMF by engaging the Fund on regular Article four consultations by sharing financial and economic information and using its resources in support of macro-economic management. By strengthening this relationship further, Sri Lanka negotiated a Stand by Arrangement (SBA) of SDR 1.6 billion (approximately US\$ 2.6 billion) with the IMF on 24 July 2009 as a Balance of Payments (BOP) support to strengthen the country's reserves and investor confidence in the midst of the global financial crisis and the subsequent economic recession during the 2008-2009 period. The policy measures followed under the SBA programme are the ones enunciated in the "Sri Lanka



- Emerging Wonder of Asia: Mahinda Chintana – Vision for the Future: The Development Policy Framework of the Government of Sri Lanka", which have been incorporated in the programme's Memorandum of Economic and Financial Policies (MEFP) and subsequent Letters of Intent (LOIs).

Country Partnership Strategy with World Bank

Country Partnership Strategy (CPS) with the World Bank is designed to support the implementation of Mahinda Chintana-Vision for the Future; the Development Policy Framework of the government and special emphasis has been given to education and health sector development. The Bank also shares its knowledge and international experience in addressing the demographic transition, enhancing private sector productivity by expanding economic opportunities in remote areas and strengthening the quality, efficiency and effectiveness of service delivery. Sri Lanka has secured financial assistance from International Development Association (IDA), International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) and accordingly, an indicative total envelop of about US\$ 900 mn is proposed for implementation of priority projects during period 2012-2015. IDA resources of World Bank will be channeled to provide budgetary support to the national health sector programme and education development while IBRD resources will be allocated for economically viable projects.



Policies Being Prepared

1. Social Protection Policy and Strategy, Ministry of Social Services
2. National Food Security Policy Strategy, Department of National Planning
3. National Drug Policy, Ministry of Health
4. National Maternal and Child Health Action Plan, Ministry of Health
5. National Action Plan for Women Empowerment, Ministry of Child Development and Women Affairs
6. National Policy on Early Childhood Development, Ministry of Child Development and women Affairs
7. National Policy on Welfare and Protection of Institutionalized Children, Ministry of Child Development and Women Affairs
8. National Human Resources and Employment Policy, Secretariat for Senior Ministers
9. Civil Aviation Policy, Ministry of Civil Aviation
10. SME Sector Development Policy, Ministry of Traditional Industries and Small enterprises Development
11. Social Integration policy Framework, Ministry of Languages and Social Integration

8.3 Agrarian Economy

8.3.1. Productivity Driven Agriculture

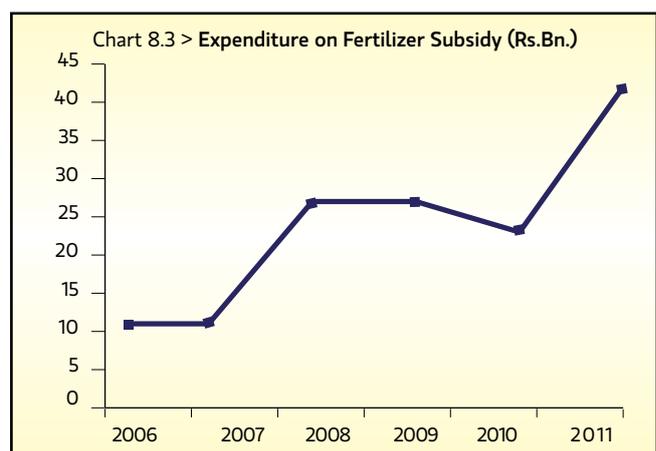
Agriculture Sector in Sri Lanka is the main source of livelihood of the rural population, which accounts for 70 percent of the total population. It is the cornerstone of economic and social development, since ensuring food security and livelihood are vital for the wellbeing of the population. Although the relative importance in primary agriculture has declined to about 11.2 percent of GDP in 2011 in comparison to 17.2 percent of GDP in 2005, it continues to support economic development in terms of food security, livelihood, environment and proper balance between urban and rural development. Agriculture includes the contribution from paddy and other field crops, plantations, livestock, fisheries and aquatic resources, irrigation, land and forestry. This sector provides diversity of environment, balance of payment support and income equality in addition to employment for about 33 percent of the workforce of the country.

Agriculture sector faces many challenges and issues. They include in weakening competitiveness and productivity, over employment, inadequate economic and social infrastructure, poor marketing strategy for both local and external markets, ineffective agricultural extension and technology transfer, poor linkage between agriculture research and product development, low level of technological innovation, inadequate use of quality seed and planting materials, inappropriate use of land, water, fertilizer, chemicals and harvesting practices and rigid adjustments to emerging needs in the market.

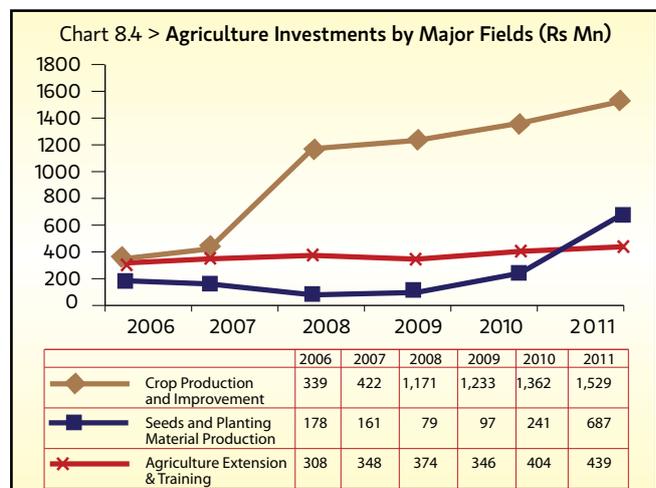
Under the ten year policy framework of the government (2006 - 2016), priority has been given to increase the domestic food production to achieve food security. Introduction of a series of measures such as guaranteed price for key agricultural products such as paddy, maize, onion, potato including vegetables, dissemination of the required quality seed and planting materials, maintaining buffer stocks of paddy as well as seed paddy, providing fertilizer subsidy to all crops including incentives to use of organic fertilizer and creating storage facilities to address the above challenges. Income taxation on agriculture income is maintained at concessionary rate of 12 percent together with machineries and equipment are exempted from duty, Value Added Tax and other Taxes. Major commodities are protected from imports. Tax incentives including research focused arrangements and critical public investment facilitate to bring both private and public sector participation together to generate production surplus and establish food security.

Public Expenditure in Agriculture Sector in 2011

In 2011, the total public expenditure in agriculture sector amounting to Rs.50,184 Mn, is an increase of 64 percent compared to such expenditure in 2010. This was mainly due to the increased expenditure on fertilizer subsidy which totally Rs 42,036 Mn in 2011. The fertilizer subsidy, which was available for paddy since 2005 was extended to other crops in 2011. By providing fertilizer subsidy to farmers, government absorbed about 90 percent of the total fertilizer cost and paddy farmers paid only 10 percent in terms of 2011 fertilizer prices. For other crops, government absorbed 65 percent while allowing farmers of such crops to absorb only 35 percent.



Source: Department of National Budget, Department of Treasury Operations



Source: Department of National Budget, Department of National Planning

In 2011, Rs. 1,529 Mn has been invested on crop production and improvement programmes. A sum of Rs. 687 Mn has spent on seeds and planting material production programmes to improve the productivity and quality to meet both domestic and export market standards. Together Rs. 1,093 Mn has been invested on Research and Development, which plays an important role in developing appropriate technology throughout the entire supply chain. Further, Rs. 439 Mn has been invested on agriculture extension

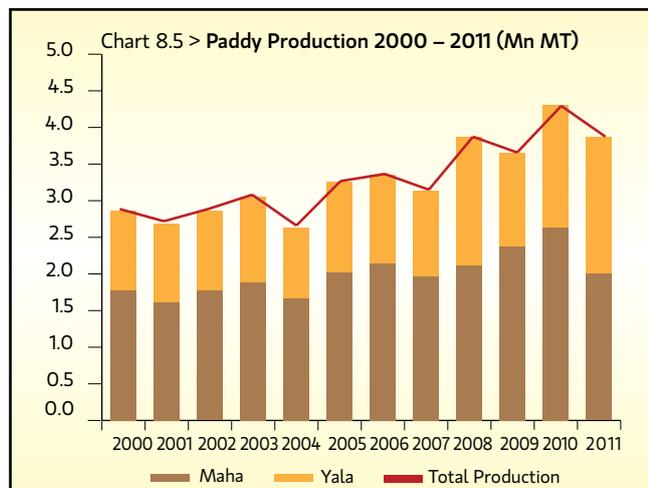
and training in order to improve cultivation practices and pre/ post harvesting methods. In order to strengthen land ownership arrangements, 291,803 land parcels have been registered in 23 Divisional Secretariats in 11 Districts spending Rs. 2,210 Mn under the “Bim Saviya Programme” in 2011. The Bim Saviya Programme was launched to ensure the ownership of 12.9 Mn total land parcels in all Divisional Secretariat Divisions in the country during the period of 2007-2021 at a cost of Rs. 32 Bn.

Promoting a Rice Export Economy...



	2000	2005	2008	2010	2012
Total Paddy Production (Mn MT)	2.86	3.25	3.87	4.30	4.50
Total Domestic Rice availability (Mn MT)	1.75	2.06	2.45	2.78	3.0
Total Rice Requirement (Mn MT)	1.86	2.05	2.10	2.35	2.40
Two months food security stocks (Buffer stock) (Mn MT)	-	-	0.33	0.33	0.33
Total Rice Surplus (Mn MT)	-	-	-	0.10	0.27

Source: Department of Census and Statistics



Source: Department of Census and Statistics

The average paddy production of 2.86 Mn MT was harvested from the total cultivated extent of 878,000 Ha in 2000. However, in order to meet the local demand, around 110,000 MT of rice had to be imported. The paddy production varies in the range of 3.13 – 3.25 Mn MT range during 2005 to 2009 just satisfying the near self sufficiency level and requiring occasional imports to meet domestic demand.

The annual paddy production has exceeded 4.0 Mn MT since 2010 allowing to maintain a two months rice requirement in terms of buffer stocks and generated surplus rice availability of about 100,000 MT. This has achieved with considerable government intervention in promoting paddy production through fertilizer subsidy, guarantee producer prices at Rs.28-30 per kg in every production season since 2007, guarantee purchases through Paddy Marketing Board and district co-operative societies and improving paddy milling and storage capacity in the country. The government expenditure for these initiatives is given below:

Table 8.4 > **Government Financial Support for Paddy Production (Rs Million)**

	2006	2007	2008	2009	2010	2011
Treasury Funding						
- Fertilizer Subsidy	10,696	10,167	24,383	23,118	22,344	36,960
- Use of Organic Fertilizer	-	-	29	112	82	146
- Interest Subsidy	158	100	155	346	631	345
- Paddy Purchasing *	755	990	680	1,060	1,805	1,629
State Banks Loan**	1,248	2,584	5,281	6,006	11,621	11,829

Source: Department of National Budget, Department of Development Finance, Department of Treasury Operations, National Fertilizer Secretariat, State Banks

* Paddy Purchasing through Paddy Marketing Board and District Secretaries

** State Banks - Bank of Ceylon, People's Bank, National Savings Bank, Regional Development Bank

To promote rice as an export commodity, new varieties are being promoted in addition to donating rice to the World Food Programme as humanitarian assistance to countries, affected by natural disasters and conflicts.

The government efforts to promote rice production has helped in promoting food security, price stability of the staple food and reduction in import of both rice and flour as well as the reduction in flour consumption.

Table 8.5 > **Rice Production, Imports and Details of Rice Substitutes**

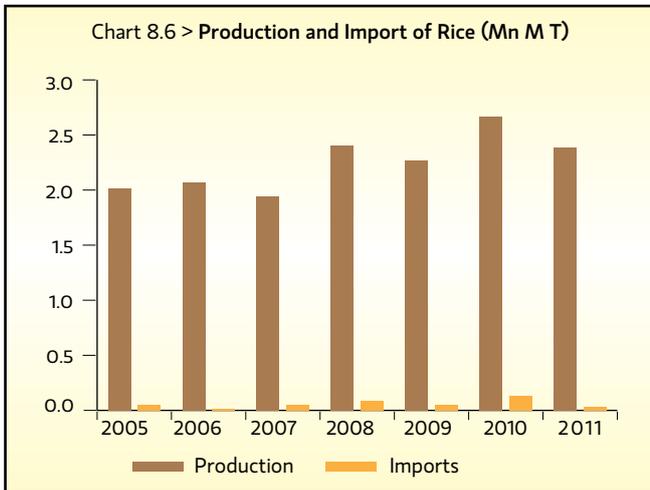
	2000	2005	2007	2009	2010	2011
Rice Production (Mn MT)	1.75	2.01	1.94	2.27	2.67	2.39
Producer Price of Paddy						
- Samba (Rs/kg)	-	15.50	18.50	30.00	29.50	30.00
- Nadu (Rs/kg)	11.00	14.00	18.00	28.00	27.00	28.00
Rice Imports (MT)	14,850	51,729	88,003	51,696	125,776	27,844
Wheat Grain Imports (MT)	197	934,624	854,836	1,056,916	943,953	1,364,500
Wheat Flour Imports (MT)	34,706	150,435	5,797	2,996	1,415	29,103

Source: Department of Census and Statistics, Department of Customs

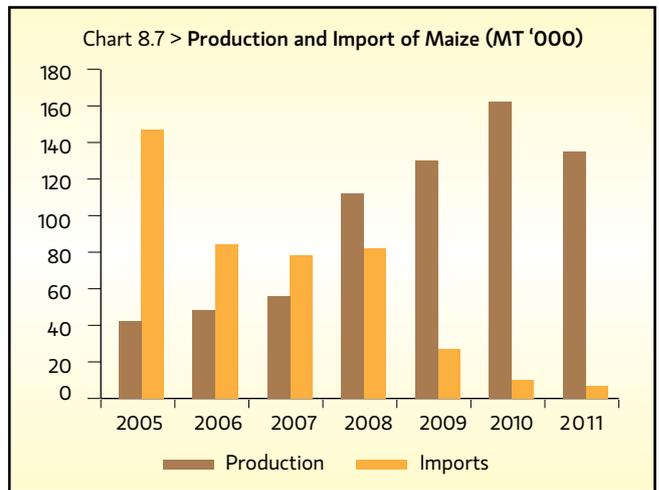
In keeping with this progressive trend, the government decided to increase the export of rice from 10,000 MT per annum at present to 200,000 MT per annum by 2015. Accordingly, high potential rice growing areas such as Pollonnaruwa, Hambantota, Amapara and Mannar districts have been targeted to develop as rice export zones with required infrastructure such as highway connectivity, high voltage electricity for the operation of large rice processing mills, storages as well as modern extension services to the farmers, improve provision of quality seeds, water and fertilizer management methods.

Domestic Food Production Trends and Market Potential

Policy goals towards realizing rapid expansion in food production to achieve food security, stable food price inflation, nutrition, import replacement, export growth, improve livelihood of rural population and equitable rural urban development have produced mixed outcomes. Production outcomes in paddy, maize, green gram, red onion and big onion have been encouraging. Rapid increase in the production has reduced imports. Rice production has generated an export surplus of about 100,000 MT in 2011, while curtailing imports to 27,000 MT.



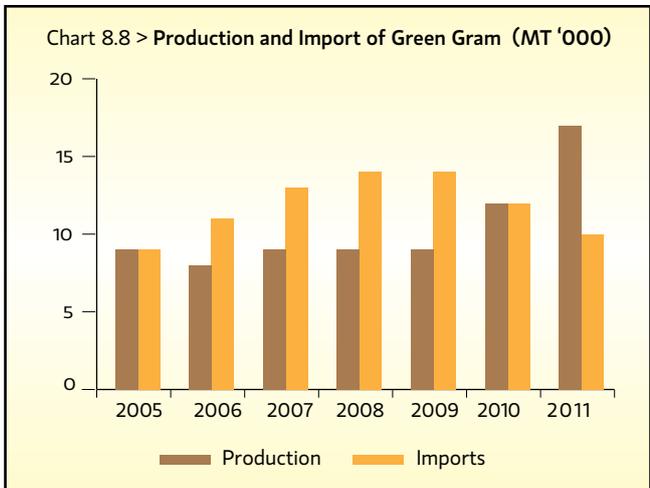
Source: Department of Census and Statistics, Department of Customs



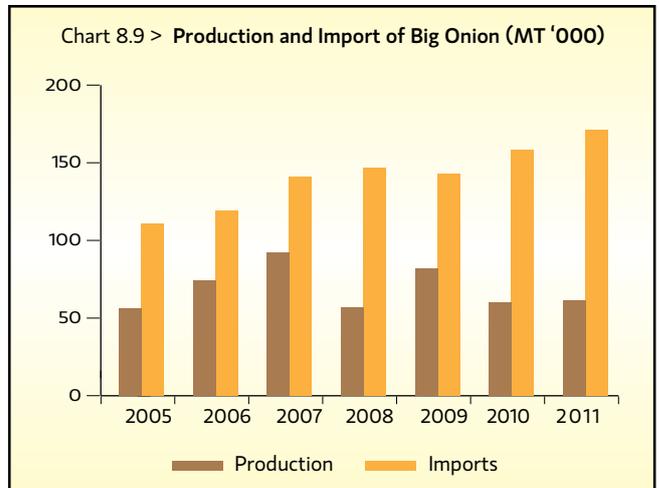
Source: Department of Census and Statistics, Department of Customs

The domestic maize production at around 135,000 MT has contributed to wipeout imports with the import volume coming down closer to around 7,000 MT in 2011. Red onion

production has increased from 53,729 MT in 2005 to 72,134 MT steadily and the imports have declined from 10,233 MT to 6,807 MT.



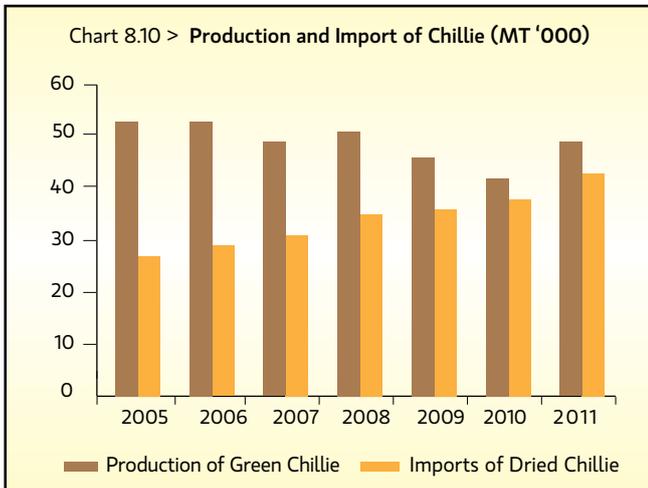
Source: Department of Census and Statistics, Department of Customs, Ministry of Agriculture



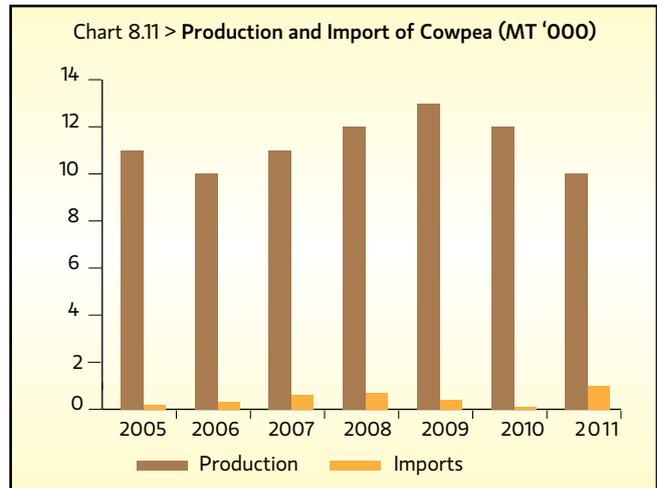
Source: Department of Census and Statistics, Department of Customs

Although green gram production has doubled, imports still remain at around 10,000 MT as production growth has not kept pace with rising demand. However, production growth of many crops such as onions, Chillie, cowpea and potato remains inadequate. This is quite evident from the imports of these products which have grown significantly. For instance, big onion production has increased from 55,552 MT in 2005 to 61,037 MT in 2011. Their corresponding imports

have increased from 110,713 MT to 170,731 MT indicating that level of production growth has not kept pace with consumer demand. Green Chillie production has declined from 52,780 MT in 2005 to 49,003 MT in 2011 while dried Chillie imports have increased 27,260 MT to 42,535 MT indicating a gross import dependency in this vital commodity. Annually, Sri Lanka spends US\$ 82 Mn on the import of dried chillie.



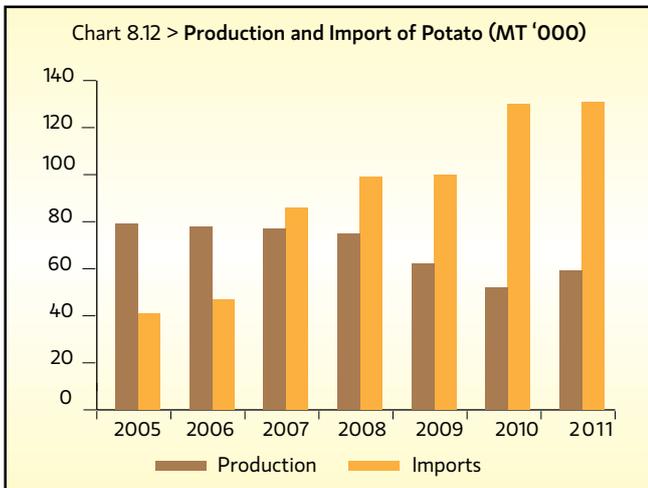
Source: Department of Census and Statistics, Department of Customs



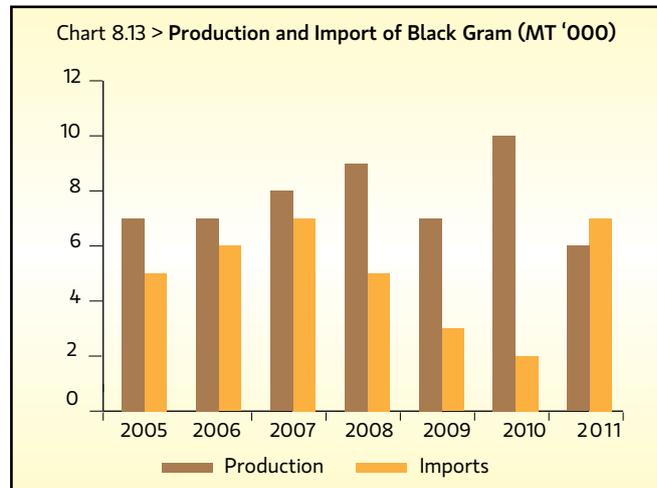
Source: Department of Census and Statistics, Department of Customs

The production of black gram as well as potato has declined between 2005 and 2011 while their imports have increased from 4,641 MT and 40,750 MT to 7,084 MT and 130,511 MT

respectively. Foreign exchange cost of importing these two commodities in 2011 is around US\$ 43 Mn.



Source: Department of Census and Statistics, Department of Customs



Source: Department of Census and Statistics, Department of Customs

Table 8.6 > **Productions of Other Field Crops (MT)**

Crops	2005	2006	2007	2008	2009	2010	2011
Big Onion	55,552	73,616	92,166	57,371	81,707	58,900	61,037
Red Onion	53,729	60,754	57,041	49,290	46,234	61,800	72,134
Green Chillies	52,870	52,897	48,701	51,003	46,414	41,646	49,003
Maize	41,804	47,521	56,438	112,287	129,769	161,700	135,156
Kurakkan	6,447	6,296	5,457	6,511	6,433	7,300	5,421
Green Gram	8,997	7,975	8,513	8,878	9,258	11,700	17,035
Black Gram	6,923	7,470	7,747	9,477	7,071	10,000	5,783
Cowpea	11,176	10,114	10,855	11,952	13,485	11,600	10,472
Soya Bean	4,990	5,177	4,799	3,032	3,788	7,500	3,890
Potatoes	79,445	78,484	77,386	74,814	61,705	51,900	59,365

Source: Department of Census and Statistics, Ministry of Agriculture

Table 8.7 > **Imports of Other Field Crops (MT)**

Crops	2005	2006	2007	2008	2009	2010	2011
Big Onion	110,713	119,478	140,728	146,602	143,237	158,058	170,731
Red Onion	10,233	10,859	23,754	26,854	16,207	11,908	6,807
Dried chillie	27,260	29,410	31,242	34,718	36,015	37,683	42,535
Maize	146,849	83,695	78,366	82,488	27,201	9,571	7,012
Kurakkan	1,380	1,933	2,602	2,864	3,272	2,052	3,622
Green Gram	9,320	11,495	12,764	13,728	14,183	11,562	10,447
Black Gram	4,641	6,227	7,109	4,984	3,349	1,500	7,084
Cowpea	195	349	575	745	429	45	905
Soya Bean	1,310	211	1	2,444	1,790	1,611	0.03
Potatoes	40,750	46,554	85,929	99,353	99,622	129,878	130,511

Source: Department of Customs

Fruit Production and Imports

The production of papaw and banana has increased from 30 Mn nuts and 34 Mn bunches in 2005 to 52 Mn nuts and 37 Mn bunches in 2011 respectively. This is mainly due to the increased extent of cultivation. However, the production of

mango and pineapple has shown a decreasing trend from 2005 to 2011 even though the extent of cultivation increased. The import volume of fruits such as apple, orange, mandarin and grapes has increased significantly in 2011 compared to 2005.

Table 8.8 > **Productions of Selected Fruits**

Crops	Unit	2005	2006	2007	2008	2009	2010	2011
Banana	'000 Bchs	34,083	31,528	32,419	33,121	31,982	35,776	37,661
Pineapple	'000 Nuts	48,721	47,640	44,421	43,480	41,289	44,188	44,429
Papaw	'000 Nuts	30,390	32,520	33,555	38,361	37,320	49,600	52,343
Mango	'000 Nuts	464,125	426,777	424,701	394,598	411,763	432,903	419,503
Passion Fruit	'000 Nuts	4,470	6,641	5,703	4,807	4,812	4,395	5,012
Orange	'000 Nuts	29,534	30,178	31,910	28,847	33,163	35,771	36,677
Strawberry	Kilogram	1,193	12,758	26,812	13,637	1,250	7,672	47,822

Source: Department of Census and Statistics, Department of Agriculture

Table 8.9 > **Imports of Selected Fruits (MT)**

Crops	2005	2006	2007	2008	2009	2010	2011
Apples	17,462	16,573	18,026	17,222	20,138	22,386	21,249
Orange	3,844	4,952	3,347	3,579	4,305	4,500	6,996
Mandarin	4,044	6,084	3,674	5,326	7,409	10,874	10,486
Grapes	3,037	3,493	3,430	3,704	3,419	4,258	5,221

Source: Department of Customs

The domestic production pattern and rising imports volume as well as their cost in the backdrop of government's investments in irrigation, fertilizer and favorable policies indicate need for a big push in country's agricultural drive. This requires the following;

1. Maintaining a favorable, flexible, undervalued exchange rate to improve competitiveness of import replacement and generating agriculture surplus to meet domestic demand and for export.
2. Higher taxes at the point of imports for all agricultural products that have considerable local production base and competitive advantage.
3. Political consensus to maintain higher import prices for locally produced agricultural commodities to derive economic development.

4. Remove price controls and adopt annual price revisions to maintain realistic prices that balance the consumer/producer interests with a long term vision to reach strong agriculture base.
5. Divert agricultural research towards higher productivity, attractive yields and cost effective production methods.
6. Require banking and financial institutions to provide long term finance for agriculture development.

The rapid growth in agriculture production has potential to replace country's food imports costing over US\$ 1,000 Mn and generate a strong export surplus to meet growing consumer demand in the emerging/advanced economies in the region.

8.3.2. Towards a Modern Fisheries Industry

The fisheries sector on average accounted for 1.1 percent of GDP during 2006 -2010 with annual fish production varying in a range of 251,270 MT to 384,670 MT. This increased to 1.3 percent in 2011 with a total fish production reaching 444,830 MT. The sector provides direct and indirect employment to around 650,000 people and has direct link with approximately 50 percent of people who resides in the coastal belt. The total earnings of the country from

export of fish and fish products in 2011 were Rs. 23,500 Mn. or about US\$ 215 Mn. The country also imports fish and fish products to the value of Rs16,472 Mn (US\$ 150 Mn). Per capita fish consumption increased from 11.7 kg per year in 2010 to 13 kg per year in 2011. The recommended daily dietary fish consumption stipulated by the Medical Research Institute is 60 g per person per day (22kg per year per person). This goal is expected to achieve by 2018 when country's fish production reaches 750,000 MT.

Table 8.10 > **Fish Production, Imports and Exports**

	2000	2005	2011
Total Fish Production (MT)	300,380	162,680	444,830
Marine	263,680	130,400	385,270
Inland	36,700	32,280	59,560
Total Imports (Rs.Mn)	4,922	6,106	13,521
Dried Fish	1,536	1,515	2,717
Sprat	1,267	1,455	4,328
Maldives fish	655	832	1,358
Canned Fish	1,464	2,304	5,118
Total Exports (Rs.Mn)	356	272	511
Dried Fish	324	224	375
Sprat	08	12	34
Maldives fish	19	29	85
Canned Fish	05	07	17

Source: Department of Customs, Department of Fisheries and Aquatic Resources

The Fishery Development Policy of the government aims at exploiting the country's fisheries and aquatic resources while conserving the coastal environment. In this context the government has set targets for self sufficiency in national fish production and exports. The strategies adopted by the government include the improvement of fishing techni-

ques, development of modern infrastructure, promotion of inland fisheries and aquaculture, promotion of deep sea and offshore fishing, enhancement of processing and value addition in fish industry, and expansion of foreign and local markets with diversified production.

¹ Value of exports in respect of main import categories excluding other categories of exports such as live fish, fresh, chilled and frozen fish, salted or in brine fish and smoked fish etc.

Table 8.11 > **Infrastructure Facilities and Fleet Capacity**

Infrastructure facilities	2005	2011
Harbours in operation	12	18
Harbours under construction	08	02
Anchorage	33	40
Fish Landing Centres	860	860
Active Ice Plants	47	85
Ice Production Capacity (MT/Day)	1,066	2,371
Cool Rooms	11	36
CFC Cool Room Capacity (MT)	2,872	3,550
Boat Manufacturing Yards	32	54
Fishing Gear Factories	03	06
Fresh water Development Centres	03	04
Ornamental Fish Breeding Centres	01	02
National Aquatic Training Centre	-	01
Brackish Water Fish Health Environmental Monitoring Laboratory	-	01
Fresh Water Prawn Hatcheries	-	02
Brackish Water Shrimps Hatcheries	-	01
Community Based Mini Nurseries	03	25
Aquaculture Extension Offices	01	10
Fleet Capacity		
High Seas Boats	10	29
Multi Day Boats	1,328	3,875
One Day Boats	1,164	1,120
Out Board 6-8 meters FRP	11,010	19,890
Motorized Traditional Boats	1,660	20,430
Non Motorized Traditional Boats	14,739	48,272
Beach Scenic Boats	593	991
Total Fleet Capacity	30,504	94,607

Source: Statistics Unit, Ministry of Fisheries and Aquatic Resources Development

Table 8.12 > **List of Development Projects**

Projects	Duration	Total Cost (Rs. Mn.)
Completed		
1. Construction of Central Fish Market Complex at Peliyagoda	2007-2011	1094
2. Restoration and Improvement of Fish Landing Sites with Stakeholders Participation in management	2009-2011	517
3. Extension of Southern Breakwater at Panadura Fishery Harbour	2008-2011	200
4. Enhancing the knowledge of officials of the National Aquatic Resources Research and Development Agency (NARA) for research and Technology management of Lobsters, Sea cucumber, Chunks, Shrimps and Ornamental fish	2008-2010	176
5. Coastal Resources Management - Construction of 3 fishery harbours at Hambantota, Ambalagoda and Chilaw and providing relief to coastal dwellers in the erosion prone areas from Mahaoya, Colombo North, Wadduwa and Kalutara to Payagala	2000-2008	76
6. Build technical and financial capacity of National Aquatic Resources Development Authority(NAQDA)to support small -scale, low cost infrastructure and entrepreneurship development.	2003-2010	2186
7. Protection of damaged coastal line to minimize impact of erosion and rehabilitation of damaged fisheries infrastructure in Tsunami affected areas	2005-2010	1412
8. Post-tsunami Livelihood Support & Partnership Programmes in Tsunami affected areas.	2007-2009	633
9.Establishment of minimum Standards for Fish Handling and Reduction of Post-harvest Losses	2009-2010	57
10. Preparation of a master plan to develop aquaculture and enhancement of Fresh water shrimp farming in southern area.	2009-2010	37
Ongoing		
11.Construction of Dikkowita Fishery Harbour	2009-2012	8,500
12.Post Tsunami Coastal Rehabilitation & Resource Management Programme	2006-2012	3845
13. Improvement of livelihoods of Small Scale Fishermen in Negombo,Chilaw and puttalam fisheries districts	2009-2013	264
14.Procument of two mother vessels to enhance exploitation of high sea resources.	2007-2012	326
15.Preparation of Trans boundary Diagnostic Analysis (TDA) and a Strategic Action Programme (SAP) for Sustainable Management of the Bay of Bengal Large Marine Ecosystem (Bangladesh, India, Indonesia, Malaysia, Maldives, Myanmar, Sri Lanka, Thailand)	2009-2014	450

Source: Statistics Unit, Ministry of Fisheries and Aquatic Resources Development

A) Coastal Fishing

The coastal fishing industry remains the prominent sub sector in terms of contribution to national fish production and employment. Offshore and deep sea fishing sector extend up to the Exclusive Economic Zone (EEZ) and beyond the international waters with the use of multi day boats and modern high sea boats. Coastal and offshore / deep sea sectors contributed 226,709 MT and 158,561 MT in 2011 respectively to the total fish production.

B) Inland Fishing

Inland fishing activities are carried out in inland reservoirs and water tanks in the extent of 300,000 Ha consisting of large irrigation tanks, medium reservoirs, lakes, river basins as well as brackish water reservoirs of 160,000 Ha.

Table 8.13 > **Inland Fisheries & Aquaculture Production in 2011**

Categories	No. of Tanks	Total Production (MT)
Capture Fisheries		
Major Perennial Reservoirs	39	17,210
Medium Perennial Reservoirs	81	11,276
Minor Perennial Reservoirs	720	14,665
Seasonal Tanks (Stocked)	909	5,786
Seasonal Tanks (Non stocked)	525	1,700
Aquaculture	638	8,922
Total	2,912	59,560

Source: National Aquatic Resources Development Authority

Table 8.14 > **Annual Fish Production by Fishing Sub-sectors (MT)**

Year	Marine Fish Catch		Total Marine	Inland and Aquaculture	Total Fish Production	Fish for Dry or Smoking
	Coastal	Off shore & Deep Sea				
2000	175,280	88,400	263,680	36,700	300,380	60,900
2001	167,530	87,360	254,890	29,870	284,760	43,650
2002	176,250	98,510	274,760	28,130	302,890	61,720
2003	163,850	90,830	254,680	30,280	284,960	54,340
2004	154,470	98,720	253,190	33,180	286,370	63,470
2005	63,690	66,710	130,400	32,280	163,230	18,900
2006	121,360	94,620	215,980	35,290	251,270	71,740
2007	150,110	102,560	252,670	38,380	291,050	77,830
2008	165,320	109,310	274,630	44,490	319,120	93,240
2009	180,410	112,760	293,170	46,560	339,730	97,690
2010	202,420	129,840	332,260	52,410	384,670	100,120
2011	226,709	158,561	385,270	59,560	444,830	102,000

Source: Statistics Unit, Ministry of Fisheries and Aquatic Resources Development

Fish production during last 5 years (2007- 2011) increased at an annual average growth rate of 12.16 percent. This was mainly due to major policy initiatives towards construction of new harbours, anchorages and development of landing sites and other infrastructure, introducing subsidy schemes for construction of multi-day boats and introduction of modern fishing techniques. During this period, several research and development works have been undertaken in relation to live rock and oyster culture, seabass genetical improvement, tilapia selective breeding and culture based fisheries. Further, introducing fish fingerlings into inland water bodies were increased with the expansion of foreign and local

markets. In 2011, marine fish production has increased by 16 percent while inland fish production increased by 13 percent compared to 2010. Inland fisheries and aquaculture has shown a sluggish growth over the last ten years. However, the contribution of the inland fisheries sub sector has remained around 14 percent since 2005.

Prior to 1983, fish production of conflict affected areas was 40 percent of the total production. It was decreased to 3 percent by 2000 consequent to the conflict. With the restoration of peace, the share of the total fish production from these areas has also increased to 35 percent in 2011.

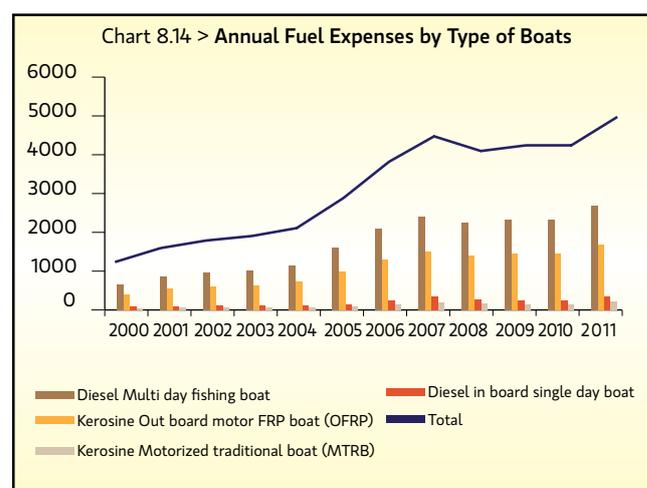
Table 8.15 > **Unit Consumption of Fuel by Type of Boats**

Fuel Type	Boats	No of operational months per year	Liters/ boat/ month	Liters/ boat/year	Cost of fuel consumption/ boat/year (Rs.Mn) ⁽²⁾
Diesel	Multi day fishing boat	8	4,000	32,000	2.69
	In board single day boat	10	2,000	20,000	1.68
Kerosene	Out board motor FRP boat (OFRP)	10	500	5,000	0.36
	Motorized traditional boat (MTRB)	6	500	3,000	0.21

Source: Department of National Planning

Impact of Fuel Expenses

The fuel expenses of multi-day fishing boats and single-day boats have increased by 15 percent in 2011 compared to 2010. Out board motor Fiber Reinforced Plastic (FRP) boat (OFRP) and motorized traditional boat (MTRB) kerosene expenses have increased by 39 percent in 2011 compared to 2010 consequent fuel price adjustment due to rising global oil prices.



Source: Department of National Planning

⁽²⁾ Based on average retail fuel prices in 2011

Major initiatives 2011

- Opening of Central Fish Market at Peliyagoda to improve the wholesale and retail fish marketing facilities.
- A fully fledged fishery harbor with modern facilities is being constructed at Dikkowita.
- Introduction of vessel monitoring system to regularize fishing activities
- 42 million fish fingerlings were stocked in selected tanks.
- A subsidy has been provided for the construction of multi-day boats in order to promote the deep sea fishing and offshore fishing. In 2011, a concessionary loan scheme has been commenced for purchasing of multi-day boats.

Private sector involvement

- Forming joint ventures between Ceylon Fisheries Corporation (CFC) and private sector to fish in the international sea
- Increased fish fingerlings production through participation of community/ small scale private sector
- Promotion of export markets and value added products by introducing new harvesting methods and new value added items of exports such as jelly fish, sea weed, sea bass and sea cucumber.
- Reduction of post harvest losses through introducing modern techniques for better fish handling, storage facilities and transport facilities
- Development of culture based fisheries in minor perennial tanks and medium and large reservoirs
- Encouragement of one day boats' owners for deep sea fishing
- Introduction and expansion of shrimp, crabs and lobster farming in the North and the East
- Promotion of offshore and deep sea Fishing through expansion of the multi-day fleet and developing boat manufacturing capacity at coastal provinces.
- Improvement of the quality of products by strengthening Hazard Analysis Critical Control Points (HACCP), obtaining certificates of International Standard Organization (ISO) and Good Manufacturing Practices (GMP)
- Improvements of fish marketing and distribution system
- Development of inland fisheries and Aquaculture at strategic places and improving ornamental fish production with the support of new entrepreneurs

8.3.3 Self Sufficiency in Livestock Production

Overview

The recent production performance in the three key activities of livestock industry consisting of dairy, poultry and swine and goat have shown the need for a concerted drive to exploit its full potential. The contribution to GDP from the livestock sector which is about 1 percent at present could be raised to 3 percent, considering the minimum consumption requirements with nutritional status and consumption pattern of middle income countries as well as increasing trend and imports which currently estimated around US\$ 350 Mn. The estimated value of additional domestic production to satisfy daily liquid milk requirement as well as associated industry needs is around US\$ 750 Mn. Similarly local poultry and egg production is required to be developed to meet recommended per capita consumption level and to generate exportable surplus which is projected around US\$ 400 Mn. Based on the value of imported swine and goat produce together with the shifting of consumption pattern shows prospects for future investments in these activities. Hence, livestock industry potential in terms of its annual turnover could be estimated at around US\$ 1,200 Mn.

Since conflict affected areas provide considerable room for the livestock investments, the ending of the conflict has given a new space for a rapid development. The promotion of back yard economy through Divi Neguma initiative encourages small scale livelihood activities. The government has also offered favorable tax concessions, regulatory and quarantine supports, research and development programmes, animal breeding promotions, cattle importation initiatives and improvements in domestic supply of animal feed giving new importance to the industry.

Dairy

The country depends heavily on the import of milk powder and dairy related products. The value of imports increased constantly to US\$ 343 Mn in 2011 from US\$ 102 Mn in 2001, reflecting enormous import replacement potentials in this industry. During the past ten years period, milk and milk products imports have increased by 78 percent to 87,382 MT in 2011 from 49,069 MT in 2001 mainly in the form of milk powder. This is about 70 percent of total milk requirement of the country. The lower milk powder import duties to provide consumer relief and recent administrative price system are curbing the investment and production drive in this sector.

Table 8.16 > **Demand for Milk towards the Self Sufficiency**

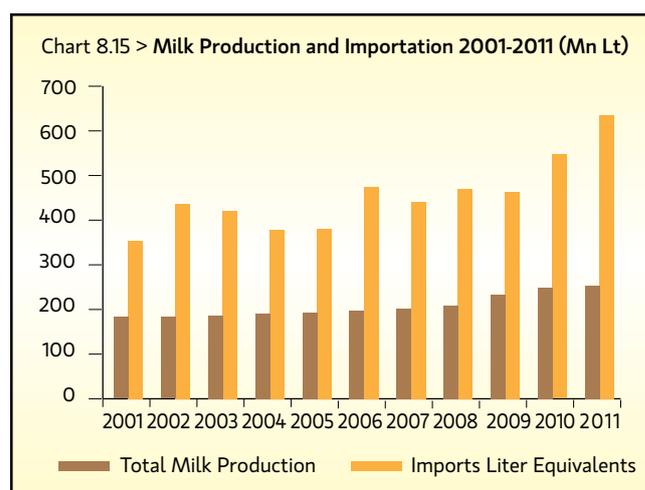
Measures	2005	2006	2007	2008	2009	2010	2011
Total population (Mn)	19.7	19.9	20.1	20.4	20.5	20.7	20.9
MRI recommendation for milk	100 ml/person/day						
Milk requirement (Mn Lt.)	718	726	730	738	746	754	762
Domestic production (Mn Lt.)	193	197	202	208	233	248	253
Domestic production as a percentage of the total requirement (%)	27	27	28	28	31	33	33
Production gap (Mn Lt.)	525	529	528	530	513	506	509
Imports (MT)	52,788	65,840	61,242	65,376	63,874	75,483	87,382
Cost of imports (US\$ Mn)	125	156	175	285	162	257	343
Domestic producer price (Rs/Lt.)	20	21	21	30	30	32	50

Source: Department of National Planning
Department of Census & Statistics
Department of Customs

During the past decade from 2000, the total milk production has increased by 36 percent to 247.5 Mn Lt. in 2010 from 181.5 Mn Lt. in 2000. The national herd of cattle increased to 1.59 Mn in 2010 from 1.45 Mn in 2000. The per capita availability of milk and milk products in the country has increased only marginally from 8.88 kg in 2000 to 9.98 kg in 2010. This indicates that the country's milk consumption remain very low, though MRI (Medical Research Institute) recommends consumption of 37 kg per person per year.

In 2011, total milk production in the country increased to 253.3 Mn Lt. from 247.5 Mn Lt. in 2010. This includes 198.4 Mn Lt. of cow milk and 54.8 Mn Lt. of buffalo milk. The domestic milk production accounts for 33 percent of total national requirements of milk in 2011. Average farm gate price of milk was increased to Rs.50 per liter in 2011 from Rs. 33 per liter in 2010 due to the development taken place in this sector.

Various dairy development projects and programmes including dairy village programme and livestock breeding project have helped to the sector growth. Milk collection and processing centres in the country has increased in 2011 to 2,992 and to 2,708 respectively. With the increase of infrastructure facilities, several medium scale and small-scale private sector organizations and cooperatives have entered in to marketing and milk collection channels.



Source: Department of Census and Statistics, Department of Customs

Poultry

The production of eggs increased by 33.7 percent during 2000-2008 period and it decreased by 40 percent from 2008 to 2010. Total consumption of eggs increased by 21 percent during 2000 to 2010 period to 63,611 MT. The production of chicken increased by 56.6 percent to 104,160 MT during the 2000- 2010 period. Per capita consumption of chicken meat increased only to 4.99 kg in 2010 from 4.17 kg in 2000. Asian average per capita consumption of chicken meat is 8 kg per year.

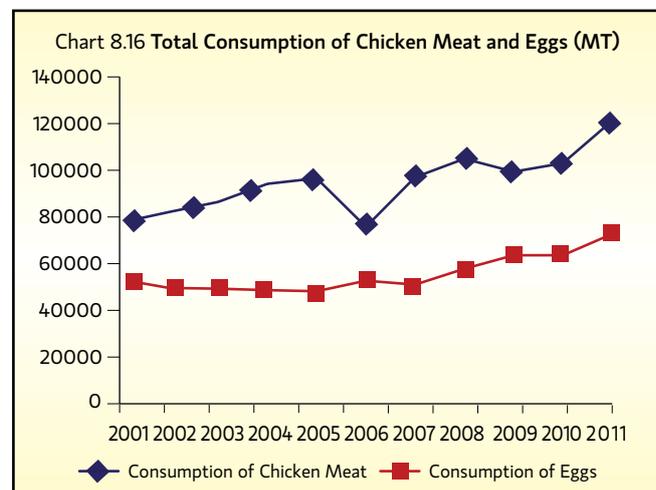
Table 8.17 > **Demand for Meat and Eggs towards the Self Sufficiency**

Products	Measures	2005	2006	2007	2008	2009	2010	2011
Total population (Mn)		19.7	19.9	20.1	20.4	20.5	20.7	20.9
MRI recommendation for chicken		35g/person/day						
Chicken	Meat requirement (MT'000/year)	251	254	257	261	261	264	267
	Local production (MT'000)	86	85	100	103	99	104	117
	Production gap to meet the demand (MT'000)	165	169	156	159	162	160	150
	MRI recommendation for eggs	0.5 eggs/person/day						
Eggs	Egg requirement (Mn)	3,588	3,626	3,665	3,730	3,732	3,769	3,814
	Local Production (Mn)	1,449	1,243	1,252	1,380	1,099	941	1,185
	Production gap to meet the demand (Mn)	2,139	2,383	2,413	2,350	2,633	2,827	2,629

Source: Department of National Planning
Department of Census & Statistics

The country's potential in the poultry sector is enormous. The per capita consumption assessment indicates that the country's production level is far below its daily consumption requirement. Therefore, increase in the production and reduction of cost of production are critical to increase the availability of poultry products at affordable prices to consumers which in turn will be significant for the development of the poultry sector.

Chicken meat production increased by 12 percent to 116,760 MT in 2011 from 104,160 MT in 2010. This was mainly due to the importation of broiler parent stock and prevailing good health conditions in poultry farms. Total consumption of chicken increased by 17.6 percent to 121,220 MT in 2011. The egg production increased slightly to 1,185.3 Mn in 2011 from the level of 1,140 Mn in 2010. The cost of production of eggs increased by 8 percent to Rs. 8.88 per egg in 2011 from Rs. 8.20 per egg in 2010 due to the high feed prices. As prices of eggs and chicken meat increased substantially, 8 Mn eggs and 1,840 MT chicken has imported in the first quarter of the year in order to stabilize the prices and to meet the demand.

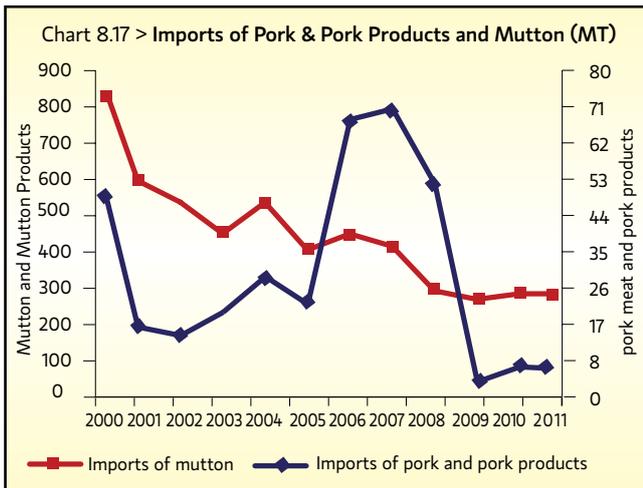


Source: Department of Census and Statistics

Swine and Goat

Total pork production increased by 90 percent to 10,435 MT in 2010 from 5,500 MT in 2000, during the ten year time period. In, 2011 total pork production is 9,800 MT. Importation of pork varied from 70.56 MT in 2007 to 3.68 MT in 2009 during 2000-2010. In 2000, importation of mutton was 38

percent due to the scarcity of domestic production and this value has decreased to 16.8 percent in 2010. Total mutton production in 2011 is 1,790 MT and the import quantity is 363.8 MT.



Source: Department of Census and Statistics

Public Expenditure on Livestock Sector (2006-2011)

The government’s total expenditure on the livestock sector was Rs. 1,782 Mn in 2011. Of this a total amount Rs. 1,362 Mn has been spent as capital expenditure. A greater emphasis has been placed on upgrading the herd, since improved breeding materials is a prerequisite to enhance the productivity of animals. A considerable expenditure of around Rs. 400 Mn was spent for extension services and disease control arrangements. The recent investment initiatives are summarized as follow.

1. Upgrading the Native Herd

The major focus was to increase in productivity per animal and per unit of land. The critical areas that direct towards the higher productivity are, enhancing artificial insemination and adopting good management practices. A total of 181,725 Artificial Inseminations (AI) were carried out in cattle and buffaloes in 2011.



Herd Development Programmes -
(Total cost- Rs. 7,000 Mn)
Rs. 570 Mn in 2011

2. Empowering Small Scale Farmers

The traditional subsistence farmers account for the bulk of milk production providing 60 percent of the total milk collection. These farmers have been strengthened by giving subsidies for upgrading their farms receiving a farm gate price of Rs. 50/ Lt. from 2011 and providing extension services to enhance proper management practices and AI facilities. A total number of 101 dairy villages have been established during 2011.



Dairy village Programme-(Total cost- Rs. 500 Mn)
Rs. 82 Mn in 2011

3. Strengthening Prevention of Diseases

Targeting animal health programmes, to reduce the impact of diseases on animals, production of vaccine doses, and improvement of infrastructure facilities of field veterinary offices, establishment of 05 new veterinary offices were completed successfully in 2011.



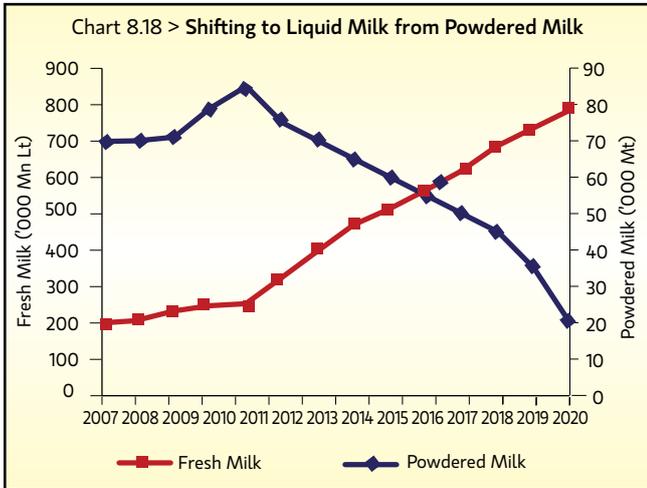
Health Improvement Programmes and Research - (Total cost- Rs. 1,000 Mn)
Rs. 250 Mn in 2011

4. Promoting Liquid Milk Consumption

In order to encourage consumption of liquid milk to an expected level, infrastructure facilities for milk collection, chilling, processing and distribution have been developed while establishing 138 milk sales outlets in 2011.



Promotion of liquid milk consumption - (Total cost- Rs. 250 Mn)
Rs. 41 Mn in 2011



Source: Department of Census and Statistics

Table 8.18 > **Prospects for Further Investment in Domestic Production**

Product	Imports	
	Quantity (MT)	Value (US\$'000)
Milk and milk products	87,380	343,000
Poultry and poultry products	1,952	2,714
Egg and egg products	652	970
Mutton and mutton products	364	1,468
Beef and beef products	61	473
Pork and pork products	0.84	5.25

Source: Department of Customs

Medium Term Strategy

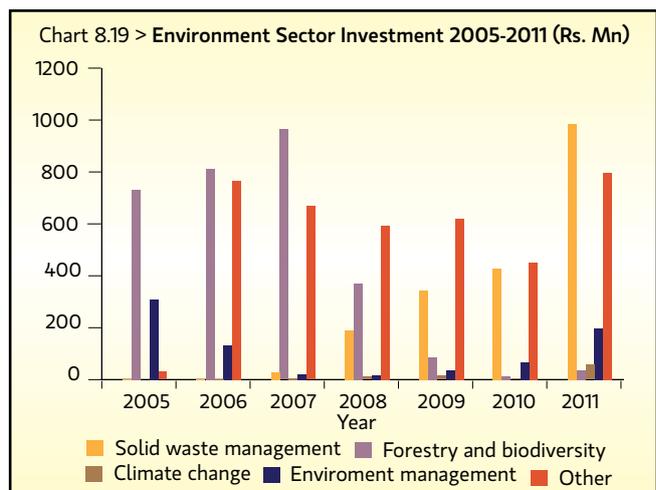
1. Importation of 10,000 of cattle to upgrade the breeding stock.
2. Maintenance of higher CESS on the importation of milk powder.
3. Provision of higher producer price for the local milk production.
4. Strengthening of National Livestock Development Board to promote research and producing improved breeding materials.
5. Restructuring of MILCO to relocate milk processing centres and upgrade production capacity.
6. Provision of favorable tax concessions for the importation of machineries and equipment to develop modern

farms and processing centres for the dairy and poultry sector.

7. Provision of incentives to promote animal feed industry and associated services.
8. Promotion of back yard economies, SME scale livestock farms (cattle, goat, swine, and sheep) and organize enterprises to generate higher national production through Divi Neguma National Integrated Rural Development Programme.
9. Strengthening of veterinary services in rural areas while conducting health programmes and Artificial Insemination services.
10. Promotion of liquid milk consumption by establishing developed collecting, processing, and marketing operations.

8.3.4 Investing in Natural Capital

Investing in environmental conservation and building natural capital is a high priority of the government development strategy to sustain biodiversity in Sri Lanka. The total capital investment in the environment sector increased from Rs. 1070 Mn in 2005 to Rs. 1896 Mn in 2011. During 2005 - 2008, the forestry sector attracted around 50 percent of the total investment in the environment sector. However, since 2008, it shifted the emphasis to the solid waste management sector which attracted 52 percent of total investment. The investment in solid waste management increased from Rs 1 Mn in 2005 to Rs 985 Mn in 2011. The public expenditure programmes in environment sector are being supported by several regulatory arrangements with the capacity building initiatives by the environmental authorities and provincial environmental agencies.

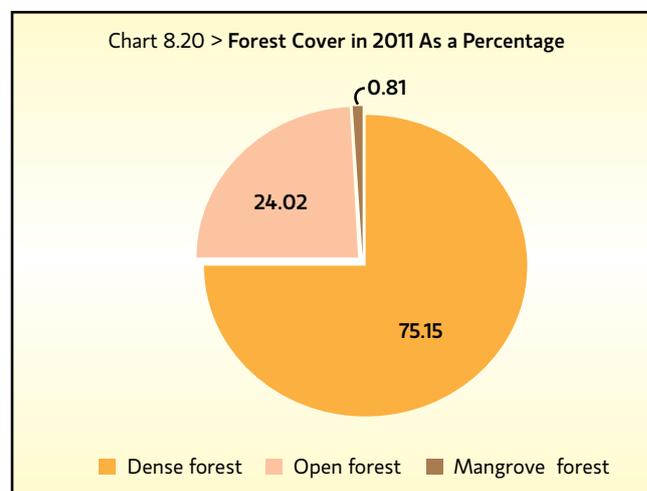


Source: Department of National Budget

“Pilisaru Solid Waste Management” project is one of the major ongoing projects implemented by the government to address the issues of solid waste management. Under the Pilisaru programme, construction of large and medium scale composting plants at Pohorawatta, Hikkaduwa, Medirigiriya, Kolonnawa and Anuradhapura have been completed in 2011.

In promoting carbon trading in Sri Lanka, government spent Rs 51 Mn in 2011 for the establishment of Sri Lanka Carbon Fund and Clean Development Mechanism (CDM) Secretariat. Under the Clean Development Mechanism 7 projects have been received CDM credits and 15 projects are in the validation process. While 20 projects have received host country approval and 124 projects have received approval in principle. The UN CDM Executive Board has issued 210,168 Tons (210168 Tons of Carbon Dioxide) of Certified Emission Reduction (CER) certificates for the 7 Sri Lankan Carbon projects registered. Revenue generated through settling of 210,168 tons of carbon credits is around US\$ 3 Mn in 2011.

With the implementation of tree planting programmes and emission reduction programmes, government is planning for Sri Lanka to achieve the status of “Carbon Neutral”. The average per capita carbon emission is 0.6 tons CO₂ per person per year during the period of 2005-2011, which could be reduced substantially with forestry and renewable energy programmes.



Source: Department of Forest Conservation

Table 8.19. > **Economics values of forests as at end of 2011**

Forest Type	Non timber value Rs. Mn.	Carbon storage value Rs. Mn.	Soil protection benefit Value Rs.Mn
Dense forest	901	1,159,366	23,222,587
Open forest	193	285,669	49,832
Mangrove forest	8.8	7,700	1,138

Source: Department of forest conservation

Conservation of Forest Cover

Gradual depletion of Green Cover is a major problem which affects the climate change in the long run. Deforestation caused by shifting cultivation, fuel wood collection, timber extraction, encroachment of agriculture on forests and other development programmes are being arrested with several public investment initiatives.

Forest cover which is around 28 percent of total land area is targeted to amplify up to 43 percent by 2020. A concentrated effort has been made on reforestation by the government through "Deyata Sevana" "National Tree Planting Programme". Around 2.9 Mn plants were planted in 2011 with the survival rate of 70 percent. Further protecting forests with cultural values expanded with the active participation of school children, public and private sector through "Wana Thuru Sevana" programme. Conservation of water resources through reforestation of catchment areas under the "Haritha Lanka" programme was successfully continued in 2011. The total investment in this sector during the period of 2005-2011 was Rs. 3,075 Mn. During this period, reforestation was done in 6,141.4 ha of land, new planting in 3,354 ha. Silvicultural treatments and maintenance were practiced in 31,030.57ha.

Wildlife Conservation

The conservation of wildlife resources and protection of indigenous flora and fauna of the country with their natural habitats is equally important. The total investment initiatives such as "Gaja Mithuro" programme, establishment of elephant holding grounds and development of national parks in this area during 2006-2011 was Rs. 3,856 Mn. Consequent to these expenditures, extent of wildlife protected area which provides catchment to the large scale reservoirs of the country has increased by 9 percent from 862,759 ha. in

2005 to 943,448 ha. in 2011. As a result, number of national reserves and sanctuaries has increased from 78 in 2005 to 92 in 2011. Equal consideration is given to wildlife to manage human elephant cohabitation.

The government investment on wildlife conservation has directed through 'Gajamithuro' programme under which Rs. 625 Mn has been invested during the 2009-2011, on various activities such as construction of 521 km of electric fences, establishment of 15 elephant control units, procurement of thunder and serpent flares, payment of Rs. 79 Mn. as compensation for 4500 incidence of property damages, human deaths, injuries due to human - elephant conflict. Habitat enrichment, establishment of habitat connectivity and development of elephant holding grounds are the other activities undertaken in the areas where necessary.

Coast Conservation

The length of the coastline is about 1,585 km including sandy beaches, estuaries, lagoons, sea grass beds, coral reefs, mudflats, mangroves and sand dunes. Depletion of coastal resources is a major threat for coastal conservation. Industries and residencies located in the buffer zones of coastal areas affected by the shore line and Coastal and marine environment degradation are also important issues in this area.

An effective integrated coastal zone management framework has been introduced in order to prevent the depletion of coastal resources and ensure effective coastal zone management. Coastal protection programme and Green Belt programme have been implemented in 2011 to control the depletion of coastal resources. The investment in coastal conservation has been increased significantly from Rs. 10 Mn. in 2009 to Rs.291 Mn. in 2011. In addition, 184 km of beach access roads have also been constructed during the year 2011.

Table 8.20 > **Progress of Projects and Programmes in 2011**

Policy	Projects/Programme (Rs Mn)	Expenditure	Physical Progress
Effective solid waste management	Pilisaruru Solid waste management programme	465.2	110 compost plants (6 major compost plants) have been operating. 140 local authorities were strengthened for waste collection.
	Establishment of land fill at Dompe	21	90 percent of earth work has been completed. By April, 2012 construction will be commenced with the assistance of Korean Experts.
	Plastic waste management project	44.7	Two plastic recycling model centers were built in Kurunegala and Balangoda. 152 local collectors and recyclers have been developed.
Reforestation	Deyata Sevana Tree Planting programme	5	2.9 Mn. Plants were planted.
	Haritha Gammana	24.2	17 eco-villages were established in Kebithigollawa, Rajanganaya, Baddulla, Elpitiya, Ambalangoda, Nallur, Karrachchi, Punakkarai, Nikaweratiya, Ganewatta, Mulatiyana, Hakmana, Maritimepattu, Walapane, Nivithigala, Dimbulagala and Bulathsihala. 55000 number of plants and 350 no of seed packets were distributed in Western Province.
	Forest New Planting	12.9	Development of 400 ha of forests
	Haritha Kavaya	26.4	Road beautification of Denzil Kobbekaduwa Mawatha
	Piyakuru Purawara	11.8	Pannala-Model city, Makandura- green stadium , Maharagama, Kuliypitiya - urban parks were established.
	School pioneer brigade programme	5	3000 School Children were trained.
	Clean Air	Vehicle Emission Testing	8.9	40 site inspection stations were set up. 15 road site testing programmes were conducted. VET Mobile testing programme also conducted in Dematagoda, Pittugala, Kelaniya, Nugugoda and Ethulkotte.
Improving human elephant cohabitation	Gaja Mithuro	228	245 km of electric fences were established.
	Development of National parks in North and East	89	7 - Internal tanks, 4 range offices, 10 buildings including visitors accommodation and staff quarters and 50 km. of internal roads were built.
Total		942.1	

Source: Department of National Planning

Box 8.1 Global Warming and its Impact on Sri Lanka

Over the past 100 years, the average temperature on the Earth has increased. The average global temperature is expected to rise by 1.4 to 5.8 Celsius over the next century¹. This is due to the emission of green house gases² (GHGs) which are often considered as the gases that trap heat in the atmosphere. Industrialized countries that have unsustainable ways of production and transportation as well as affluent lifestyles are responsible for more than 80 percent of the GHG emissions of the world.

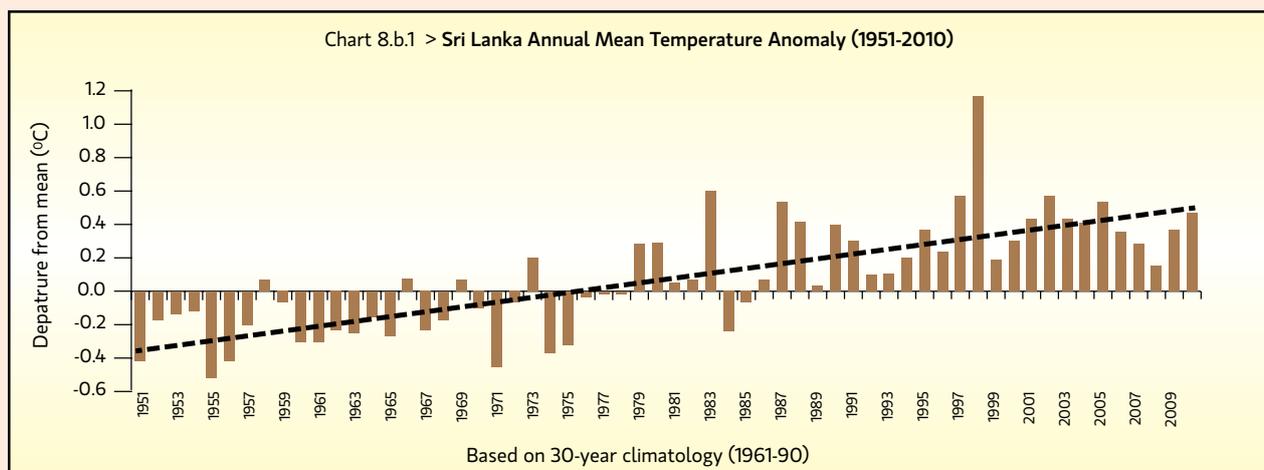
Table 8.b.1 > Major Contributors to Global Green House Gas Emissions

Item	Percent
Electricity	25
Industry	21
Forestry and Land Use Change	18
Agriculture	15
Transport	13
Buildings	5
Waste and Waste Water	4

Source: "Climate Change and Lifestyles Guidebook". United Nations Educational, Scientific and Cultural Organization (UNESCO) and United Nations Environment Programme (UNEP), 2011.

Sri Lanka is vulnerable to the impact of climate change largely due to its critical dependence on water resources for biodiversity, food security, livelihood and power generation. The most serious vulnerabilities are the increases in the frequency, severity and intensity of disasters such as droughts, floods, and landslides, variability and unpredictability of rainfall patterns, increase in rainfall and rise in sea level.

Followings are the major changes that have been observed in Sri Lanka, which are believed to be due to the impact of climate change.

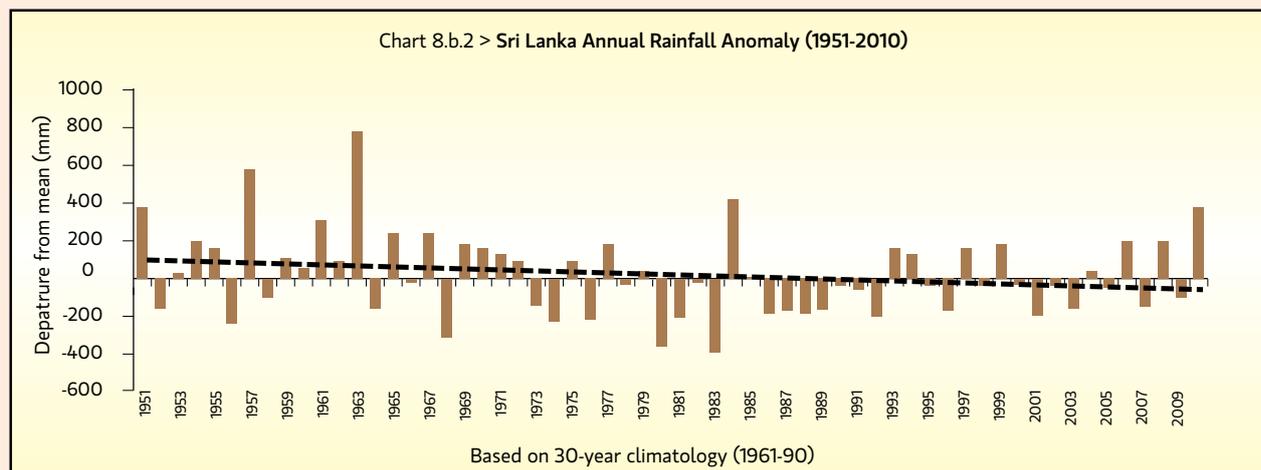


Source: Department of Meteorology

¹ Batagoda B.M.S, (1992), Introduction to Carbon Trading and Clean Development Mechanism under the Kyoto Protocol; Ministry of Environment and Natural Resources.

² Water Vapor (H₂O), Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Ozone (O₃).

Increased Air Temperature: The assessment of more recent time band of 22 years has shown that air temperature has increased by 0.45 °C, assuming a rate of 0.2 °C per decade in Sri Lanka. As a result consecutive dry days in the Dry and Intermediate Zones have risen similarly the number of warm days and warm nights too have increased, while the number of cold days and cold nights have declined.



Source: Department of Meteorology

Changed Rainfall Pattern: The trend of rainfall indicates that, it has declined over the past 30-40 years. However, there is a trend towards one day heavy rainfall events. Therefore, the precipitation patterns have changed.

Increased Vulnerability to Droughts: Rice, vegetable and food production is the livelihood of over 1.8 million people in Sri Lanka. Recent studies have shown that increase in air temperature by 0.5 °C can reduce rice yield by approximately 5.9 percent³. Sri Lanka also faces drought conditions in every 3-4 years. 16 paddy cultivating Divisional Secretariat (DSDs)⁴ areas have emerged as highly vulnerable to drought while Anamaduwa, Amblanatotota and Polpithigama DSDs emerged as most vulnerable. Vulnerability of human settlements to drought is widespread in the North-Central and Southern regions of the country.

Increased Intensity and Frequency of Water Related Disasters: This includes the incidences such as floods and landslides which adversely affect on livestock production in areas that are naturally prone to these disasters. Vulnerability to flood exposure in the livestock sector is clustered primarily in the North, North Central and Eastern provinces.

Impact on Tea Plantations: Tea Research Institute has shown that tea plantation at low and mid elevations is vulnerable to impact of climate change while tea plantations at high elevations are found to be benefitted from climate change (the warmer weather could be a significant factor for the increase in tea production from these elevations)⁵. This remains a concern as 60 percent of the tea production is from the low country where a majority of tea small holdings support about 1.5 million people.

Increased Vector Borne Diseases: Climate change also contributes immensely to the global burden of disease, deaths and disability. Climate change impacts are significant in vector borne diseases specially mosquito borne diseases, rodent borne diseases, food and water borne diseases, nutritional status and other environmental related disorders.

³Chandrapala L, (2008), "Climate Change, Food Security, Sea Level Rise and Environment in Sri Lanka", Department of Meteorology.

⁴Anamaduwa, Amblanatotota, Polpithigama, Embilipitiya, Medirigiriya, Kuliyaipitiya West, Thalawa, Eravur Pattu, Suriyawewa, Panduwasnuwara, Nochchiyagama, Horowpothana, Tissamaharama, Medawachchiya, Galgamuwa, Rambewa (Source: Climate Change Vulnerability Data Book).

⁵Abstracts of the 1st National Conference, 10-11 Sept. 2009, Kandy Sri Lanka, "Effects of Climate Change on Tea Production in Sri Lanka and Adaptation Measures".

Government Intervention

The government has already identified the emerging threats due to the global warming and climate change, which has resulted in the following measures.

- The government in collaboration with the Asian Development Bank has prepared the "National Climate Change Adaptation Strategy" for Sri Lanka (2011-2016). This strategy focuses on mainstreaming climate change adaptation to National Planning and Development, enabling climate resilient and healthy human settlements, minimizing climate change impacts on food security, improving climate resilient of key drivers and safeguarding natural resources and biodiversity from climate change impacts.
- The government has prepared the "National Climate Change Policy"⁶ to provide guidance and directions for all the stakeholders to address the adverse impacts of climate change efficiently and effectively. "Technology Needs Assessment Project" funded by the Global Environment Facility is in progress to identify the suitable technologies for climate change adaptation and mitigation.
- The government also implements several forestry programmes such as "*Deyata Sevana*", "*Haritha Gammama*", "*Beauty City*" and "*Piyakaru Purawara*" with the objective of increasing the forest cover up to 35 percent in 2020.

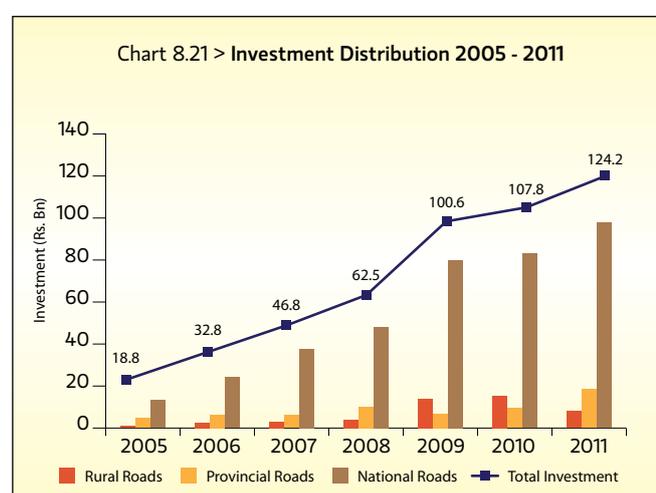
However, further steps should be taken to improve the environmental sustainability and ecological balance through appropriate measures, including the reduction of fuel consumption by enhancing the use of renewable energy sources and improving technology on purification of gases emitted, with the participation of main stakeholders.

⁶"National Climate Change Policy" has been prepared by the Ministry of Environment with all the stakeholders and was approved by the Cabinet of Ministers in January 2012.

8.4 Infrastructure

8.4.1 Roads – Improving Connectivity

The Government development policy framework explains an integrated development of the total road network as the key to promote regionally balanced development and reduce poverty. The share of investment in road sector increased from 12 percent of the total capital investment in 2005 to 30 percent in 2011. Around Rs. 124 Bn has been invested for the road network development at national, provincial and local levels in 2011. Public investment in road sector in relation to GDP more than doubled from 0.8 percent in 2005 to 1.8 percent in 2011.



Source: Department of National Budget,

The increased investment was distributed among construction of expressways, improvement and maintenance of the existing road network and land acquisition for road development to improve accessibility, connectivity and sustainability.

High Speed Connectivity

The first expressway project in Sri Lanka was realized with the opening of four-lane Southern Expressway - Phase I on 27th November 2011. The 96 km long Southern Expressway which includes the longest bridge (695 m) across Gin Ganga and 8 interchanges were constructed with an investment from Rs. 68 Bn during last 8 years. The expressway provides facilities for vehicles to run at a speed of 80 km/h to 100 km/h and reduce travel time from 3-4 hours to one hour between Kottawa and Galle.

At present, average daily traffic of the Southern Expressway is 8,000 vehicles per day and average daily revenue is Rs. 2.5 mn. The revenue collection from user fees at the end of 2011 amounts to Rs 80.6 mn and road maintenance expenditure is expected to meet from such income. The new expressway has given prospects to promote Private Public Investment in such roads in future.

Outer Circular Highway (29 km), Colombo-Katunayaka Expressway (26 km) and Pinnaduwa-Godagama section (31 km) of Southern Expressway are being constructed to reduce travel time by 3-4 hours from Mattala Airport to Katunayaka Airport by 2013. Public investment in these major expressways during 2005 - 2011 was around Rs. 105 Bn which includes Rs. 78 Bn of long term foreign borrowings. Based on the success in Southern Expressway project, the government has commenced preliminary works for construction of the proposed Northern Expressway including a link to Colombo-Kandy Expressway. A township development programme along the expressway network has been gathered momentum with the development of Kottawa, Kaduwela, Kadawatha townships along Outer Circular Highway as satellite cities to the Colombo City.

Table 8.21 > Investment by Major Categories 2005 - 2011

Category	2005	2006	2007	2008	2009	2010	2011
Expressways	2.4	6.8	7.7	14.9	24.7	24.7	25.6
Maintenance	1.8	2.9	3.4	3.1	3.1	6.4	7.8
Rehabilitation	8.6	16.9	23.7	35.4	48.2	46.3	60.4
Improvement	2.5	3.0	4.6	6.0	5.5	8.9	14.8
Upgrading	0.4	1.8	2.4	13	15.3	16.0	8.0
Land Acquisition	2.3	2.3	3.0	2.7	3.0	3.6	3.8
Other	0.8	1.2	2.1	7.5	3.6	4.1	3.7
Total	18.8	35.0	46.9	82.7	100.6	107.8	124.2

Source: Department of National Budget

National Road Network

National roads constitute about 11 percent of the total road network in the country carrying more than 75 percent of the road traffic. During 2005 – 2011, around 2,784 km of

roads have been rehabilitated at a cost of Rs. 179 Bn. In 2011, around Rs. 40 Bn has been spent on the ongoing rehabilitation of 2,288 km of roads.

Table 8.22 > **National Roads being Rehabilitated During 2011.**

	Name of the Road Section	Districts Covered	Length (km)	Traffic Volume (vpd)
A004	Nugegoda to Godagama section of Colombo-Ratnapura-Wellawaya-Batticaloa road	Colombo	15	39,961
B084	Vilasith niwasa to 13th km section of Colombo-Horana	Colombo	13	35,109
B247	Kurunegala-Narammala-Madampe	Kurunegala, Puttalam	23	15,762
B297	Mullaitivu-Kokilai-Pulmudai	Mullaitivu, Trincomalee	42	10,958
B157	Horana-Anguruwathota-Aluthgama	Kalutara	15	10,546
AB016	Jaffna-Kankesanthurai	Jaffna	18	9,841
A028	Padeniya-Anuradhapura	Kurunegala, Anuradhapura	80	7,811
A020	Anuradhapura-Rambewa	Anuradhapura	14	7,408
A006	Kantale - Trincomalee section of Ambepussa-Trincomalee	Polonnaruwa, Trincomalee	44	6,248
AB018	Jaffna-Palali	Jaffna	17	5,732
B421	Thiruwanaletiya-Agalawathtaa	Hambantota	34	5,304
A005	Nuwaraeliya to Badulla section of Peradeniya-Badulla-Chenkaladi	Nuwaraeliya, Badulla	55	5,214
A009	Galkulama to Jaffna section of Kandy-Jaffna Road	Anuradhapura, Vavuniya, Kilinochchi, Jaffna	200	4,872
AB020	Jaffna-Point Pedro	Jaffna	35	4,647
B349	Palavi-Kalpitiya	Puttalam	26	4,602
A012	Puttalam to Anuradhapura section of Puttalam-Trincomalee	Puttalam, Anuradhapura	50	4,428
B154	Hikkaduwa – Baddegama	Galle	14	4,311
A015	Batticaloa-Thitikkondiyamadu-Trincomalee	Batticaloa, Trincomalee	99	4,172
A026	Udathenna – Mahiyanganaya section of Kandy-Mahiyangana-Padiyathalawa	Badulla	61	3,983
A007	Hatton-Nuwaraeliya	Nuwaraeliya	45	3,687
B379	Puttalam-Marichchikade-Mannar	Puttalam, Mannar	113	3,443
B363	Pelawaththa-Kankotiyawaththa-Thiniyawala-Morawaka	Matara	47	1,421
A032	Navatkuli-Karativu-Mannar	Jaffna, Kilinochchi, Mannar	67	1,393
A034	Mankulam-Mullaitivu	Mullaitivu	49	913
A035	Paranthan-Mullaitivu	Kilinochchi, Mullaitivu	52	891
B357	Paranthan-Poonerin	Kilinochchi, Mullaitivu	26	834
B269	Mankulam-Wellankulam	Mullaitivu, Trincomalee	38	725

Source: Road Development Authority

In addition, another 3,100 km of national roads have been identified for rehabilitation based on the traffic volume and connectivity improvement.

Table 8.23 > **Traffic Levels of Some Selected National Roads**

Route No	Name of the Road	Districts Covered	Length (km)	Traffic Volume (vpd)
B307	Narahenpita-Nawala-Nugegoda road	Colombo	2.66	37,000
A001	Peliyagoda - Kiribathgoda section of Colombo-Kandy road	Gampaha	6	30,000
B120	Etulkotte-Mirihana-Kohuwala road	Colombo	3	27,800
B345	Orugodawaththa-Ambatale road	Colombo	8	20,200
A009	Katugastota-Dambulla section of Kandy - Jaffna road	Kandy, Matale	68.4	15,400
A005	Peradeniya - Gampola section of Peradeniya-Badulla-Chenkaladi road	Kandy	14	14,800
B308	Narammala-Giriulla section of Narammala-Dankotuwa road	Kurunegala	16	11,600
A010	Kurunegala-Padeniya section of Katugastota-Kurunegala-Puttalam road	Kurunegala	23	11,300
B423	Thonigala-Kalawewa-Galewela road	Anuradhapura	46	7,300
B014	Elpitiya-Pitigala section of Ambalangoda-Elpitiya-Pitigala road	Galle	13	6,200
B149	Hatton-Maskeliya-Delhouse	Nuwaraeliya	33	5,000
A024	Godagama-Akuressas section of Matara-Akuressa road	Matara	16	4,200
B466	Weligama-Telijjawila road	Matara	16	4,200
A019	Polgahawela-Kegalla road	Kurunegala, Kegalle	12	4,054
B129	Galle-Udugama road	Galle	37	3,900
A017	Deniyaya-Madampe section of Galle-Deniyaya-Madampe road	Matara	66	2,961
B093	Dehiowita-Deraniyagala-Noori	Kegalle	14	2,960
B048	Batukotuwa-Medirigiriya road	Polonnaruwa	8	2,900
B445	Urapola-Ruwanwella section of Veyangoda-Ruwanwella road	Gampaha, Kegalle	20	2,700
B248	Labuduwa-Wanduramba-Sandarawala road	Galle	22	2,200
B457	Warakapola-Anuguruwella section of Warakapola-Ruwanwella road	Kegalle	22	2,200
B015	Ambatenna-Bokkawala-Arambekade road	Kandy	20	2,020
B279	Mawanella-Hemmathagama-Sinharapitiya road	Kegalle	26	1,900
A004	Beragala-Wellawaya section of Colombo - Wellawaya-Batticaloa road	Badulla, Monaragala	36	1,850
B415	Thihagoda-Kamburupitiya-Kotapola road	Matara	66	1,700
B339	Olugantota-Pinnawala-Bogawantalawa Road	Nuwaraeliya, Rathnapura	35	1,588
B492	Kandehandiya-31st km section of Kandehandiya-Loggaloya road	Nuwaraeliya	31	1,500
B005	Aladeniya-Iriyagama road	Kandy	10	1,300
B110	Eheliyagoda-Dehiowita road	Ratnapura	17	1,200

Route No	Name of the Road	Districts Covered	Length (km)	Traffic Volume (vpd)
B484	Handungamuwa-Hettipola-Hasalaka road	Matale, Kandy	45	1,200
A022	Passara to 27th km post section of Passara-Monaragala road	Badulla, Monaragala	27	1,105
B541	Thampalakamam-Kinniya road	Trincomalee	8	1,050
B471	Welimada-Kirklees road	Nuwaraeliya	16	490
B364	Peradeniya-Deltota-Rikillagaskada road	Kanday, Nuwaraeliya	52	420

Source: Road Development Authority

While rehabilitating the national roads, widening and improvement programme has been carried out island wide to enhance the mobility on national roads

with active involvement of domestic contractors. In 2011, Rs.14.8 Bn has been utilized for widening and improvement of roads.

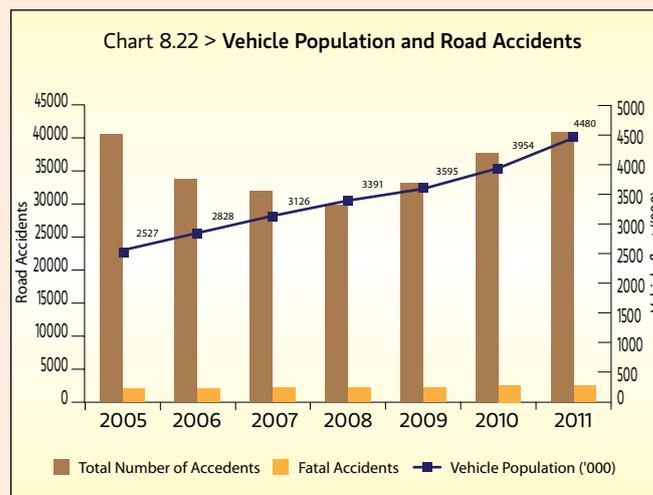
Decade of Action for Road Safety

By the end of year 2005, vehicle fleet of the country was 2,527,380. It increased upto 4,479,732 vehicles by 2011 demanding increased investments in road rehabilitation and improvement.

A study carried out by the University of Moratuwa revealed that the annual cost of road accidents exceeds Rs 36 billion with about 2,600 road traffic fatalities on average 7 persons a day in 300,000 accidents, while most such accidents are not being reported to Police. In order to improve the safety standards of roads, priority has given to

realignment of accident proven locations, improvement of junctions, installment of traffic lights, road signs and road markings and construction of underpasses and overpasses. In addition, CCTV cameras have been installed in major junctions in the Colombo city to detect traffic offences.

Each year around Rs. 300 mn is allocated for the traffic management and road safety. In addition, nearly 2 percent of the project cost of major road rehabilitation projects is allocated for the road safety and traffic management.



Source: Department of Motor Traffic, Sri Lanka Police

Bridges and Flyovers

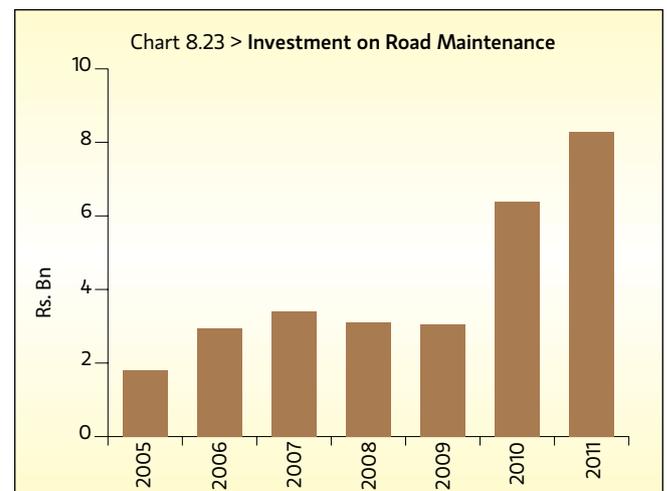
Most of the bridges on the national road network are more than 100 years old. In addition, some of bridges have damaged by floods and soil erosion. Therefore, reconstruction work of weak and narrow bridges on national road network is carried out as a key strategy of the road development under public investments. Roads and structures which were severely damaged by the tsunami in the southern and eastern coastal line have been completely rehabilitated. Especially many ferries were replaced by bridges along the eastern coastal line which brings the journey from south to east without any disruption. In 2011, completion of construction work of Upparu, Gangei, Verugal, Ralkuli and Kayankerni bridges ensure the continuity of road network from south to east. In addition, reconstruction of another five bridges at Maha Oya Athu Ganga, Mundeni, Pulavady, Chenkaladi and Panichchankerni in the Eastern Province commenced in 2011 at a cost of Rs. 1,930 mn. Construction of a bridge across Batticaloa lagoon at a cost of Rs. 2,250 mn also started in 2011. To strengthen weak bridges, 77 bridges have been identified and construction of 46 bridges has been commenced in 2011. Out of those bridges, 33 bridges were reconstructed in 2011.

To meet the demand of quick construction of bridges, steel bridges are constructed island wide. By the end of 2011, eleven steel bridges have been constructed at Paranthan, Methgama, Deraniyagala, Veyangoda, Awittawa, Kaligoda, Batuwangala and Madampe. Another eighteen bridges are under construction.

Around Rs. 5,168 mn has been invested for the construction of flyovers to ease the traffic flow at busy interchanges during 2005 - 2011 at Kelaniya, Dehiwala, Nugegoda, Sangupiddy, Pannipitiya, Gampaha and Orugodawaththa.

Maintenance of National Roads

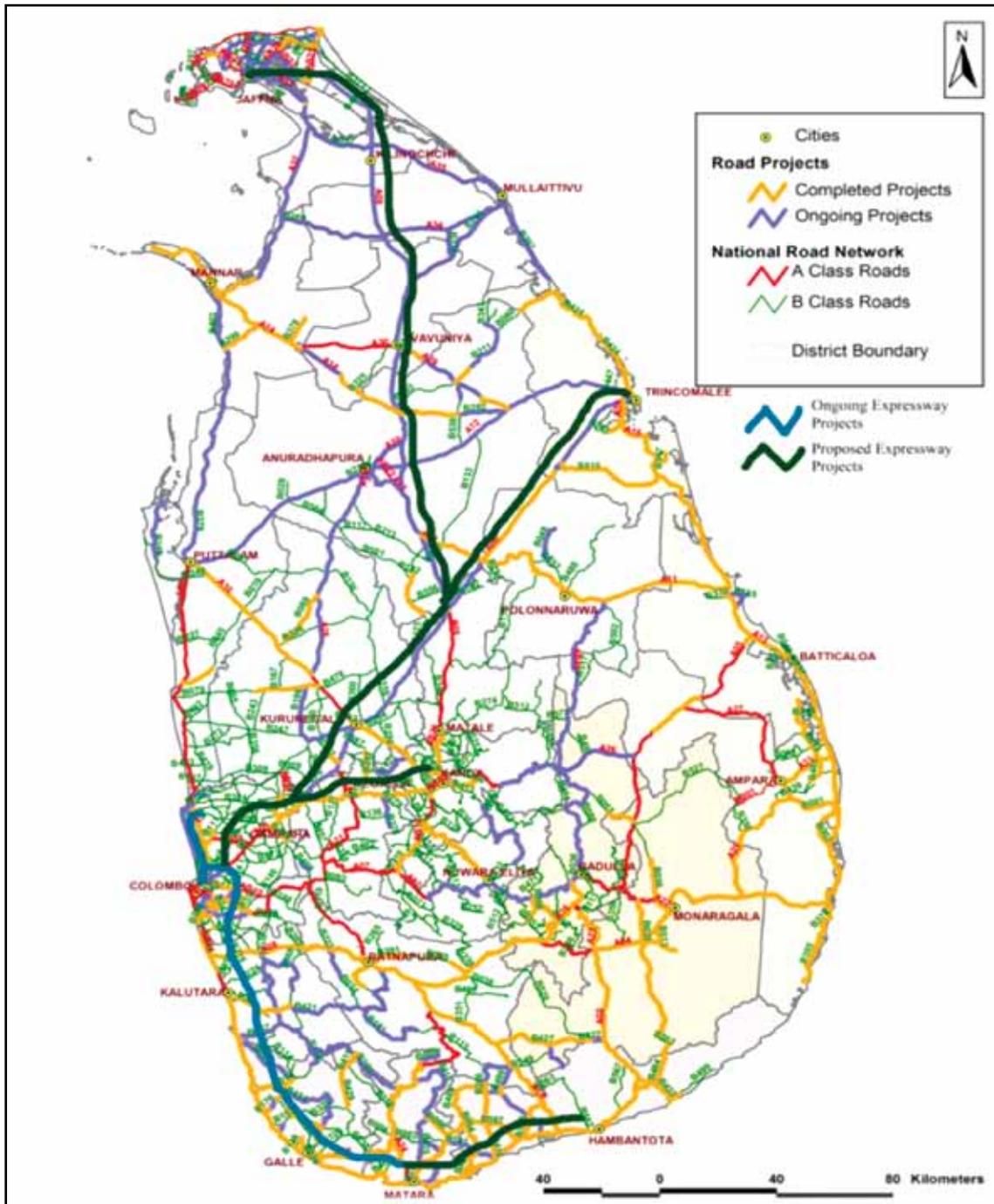
Investment on road maintenance has increased from Rs. 1,800 mn in 2005 to Rs. 7,800 mn in 2011. The increased investment has occurred on routine maintenance of 12,000 km of national roads and 4000 bridges and periodic maintenance of 3,000 km of national roads annually.



Source: Department of National Budget

Road Maintenance Trust Fund (RMTF) has been established in 2006 to ensure the funds allocation for the road maintenance. Secretariat of RMTF is functioning under the Ministry of Ports and Highways with secretary of the ministry works as the Chairman of the Board of Trustee which receives technical support from professionals and officials from relevant ministries.

Map 8.1 > **Road Construction and Rehabilitation – Completed and Ongoing 2005 - 2011**



Source: Road Development Authority

Land Acquisition

Special emphasis has been given to accelerate the settlement of overdue compensation payments for land acquisition. A sum of Rs. 3,800 mn paid in 2011 for compensation of land acquisition.

Table 8.24 > **Land Acquisition Expenditure for Road Development**

Year	Land Acquisition (Rs. Mn)
2005	2,288
2006	2,320
2007	3,021
2008	2,718
2009	2,999
2010	2,890
2011	3,800
Total	20,356

Source: Department of National Budget

Table 8.25 > **Rehabilitated Length of Provincial Roads**

Province	Length (km)		
	Total	Rehabilitated	Ongoing
Western	1,983	596.00	317.33
Central	2,244	220.70	605.37
Southern	1,841	700.40	608.54
Northern	1,959		214.24
Eastern	1,097		218.50
North Western	2,246	412.10	440.83
North Central	1,947	347.10	509.23
Uva	1,737	324.32	434.13
Sabaragamuwa	2,375	225.77	724.68
Total	17,429	2,826.39	4,072.85

Source: Ministry of Local Government & Provincial Councils, Ministry of Economic Development

During 2005 to 2011, about Rs. 10.7 Bn has been provided for the compensation payments of the expressways development. In 2011, 61 percentage of the total compensation paid to land acquisition was for the road rehabilitation.

Provincial Road Development

Development of provincial road network parallel to the national road development programme has been carried out since 2005. The government allocated Rs. 12,878 mn during the year 2011 to rehabilitate provincial roads in nine provinces. The Ministry of Local Government and Provincial Councils executes the rehabilitation of 1,100 km of provin-

cial roads in Northern, Eastern, Uva, North Central, Sabaragamuwa and Central Provinces using long term borrowings from the World Bank, Asian Development Bank and Japan International Cooperation Agency. A Provincial road rehabilitation programme is also being carried out by the Ministry of Economic Development. Under the project, 1,000 km of provincial roads have been resurfaced by asphalt overlaying at a cost of over Rs.12,000 mn in 2011.

Construction cost of one kilometer of road varies from region to region in the country due to geographical variation, difficulty to supply materials, number of structures such as bridges and retaining walls, soil treatment etc.

Table 8.26 > **Unit Cost of Construction of Roads by Different Levels of Road Administration**

Name of the Road	Source of Funds	District(s)	TEC (Rs. mn)	Length (km)	Unit Cost (Rs. mn/km)
Construction of Expressways					
Southern Expressway (4 lanes)	ADB, JICA	Colombo, Kalutara, Galle	80,000	128.0	625
Colombo - Katunayaka Expressway (4 Lanes)	China	Gampaha	38,700	25.8	1,500
Outer Circular Highway (4 lanes)	JICA	Colombo, Gampaha	104,000	29.0	3,574
Rehabilitation of National Roads					
Kandy-Mahiyangana (2 lanes)	ADB	Kandy, Badulla	4,839	40.8	119
Nuwaraeliya-Badulla (2 lanes)	ADB	Nuwara Eliya, Badulla	4,496	54.9	82
Dambulla-Galkulama section of A-9 road (2 lanes)	ADB	Anuradhapura	2,900	47.5	61
Navatkuli-Kerativu (2 lanes)	ADB	Jaffna	1,540	17.4	89
Namipay-Kaithadi (2 lanes)	ADB	Jaffna	600	14.02	43
Mankulam-Mullaitivu (2 lanes)	ADB	Vavuniya, Mullaitivu	3,800	49.1	77
Padeniya-Anuradhapura (2 lanes)	Korea	Kurunegala, Anuradhapura	5,722	80.8	71
Hatton-Nuwaraeliya (2 lanes)	Korea	Nuwara Eliya	5,720	45.0	127
Kantale-Trincomalee (2 lanes)	World Bank	Trincomalee	3,530	44.0	80
Galkulama-230 mile post section of A-9 road (2 lanes)	China	Anuradhapura, Vavuniya	9,592	63.0	152
230 mile post-Jaffna section of A-9 road (2 lanes)	China	Vavuniya, Kilinochchi, Jaffba	9,532	90.0	105
Puttalam-Marichchakadde-Mannar (2 lanes)	China	Puttalam, Mannar	9,887	113.0	88
Paranthan-Mullaitivu (2 lanes)	China	Kilinochchi, Mullaitivu	5,700	52.0	110
Mullaitivu-Kokilai-Pulmodai (2 lanes)	China	Mullaitivu, Trincomalee	5,777	42.4	136
Pelawatta-Kankotiyawatta-Thiniyawala- Morawaka (2 lanes)	China	Galle, Matara	3,900	47.0	83
Rehabilitation of Provincial Roads					
Panawala-Maniyangama	JICA	Kegalle	255	10.2	25
Karaliyadda - Putuhapuwa	JICA	Kandy	260	10.4	25
Thalkudah-Manmunai- Mavadimunmari	ADB	Batticaloa	250.61	13.4	19
Pankulam-Kivulekada-Thiriyai	ADB	Trincomalee	358.85	25.0	14
Parasangawewa-Katukeliyawa	ADB	Anuradhapura	367.1	32.5	11
Awariwaththa-Yagodamulla	Local funds	Gampaha	120	6.6	18
Ambalantota-Yudaganawa	Local funds	Monaragala	164	16.4	10
Lenama-Dediyagala	Local funds	Matara	69	6.9	10

Source: RDA, Provincial Councils

Rural Road Development

"Maga Neguma" Rural Road Development Programme was initiated in 2004 under the Ministry of Highways to uplift the living standards of rural community. Under this program, large amount of rural roads are being improved to motorable level through direct labour of RDA or with the participation of Community Based Organizations (CBOs).

In addition, under Gama Neguma programme, Rs. 2,606 mn has been spent on rural road development in the year 2011. Further Rs. 1,345 mn has been spent for rural road improvement under the pro-poor rural development initiative during the same period.

Table 8.27 > 'Maga Neguma' Rural Road Development Programme

Year	Completed Road Length (km)						Total
	Metalling and Tarring	Gravelling	Motor Grading	Earth Works	Concreting	Con. Block Paving	
2004		304.50	295.5	-	-	-	600.00
2005	381.29	329.04	-	-	21.05	-	731.38
2006	909.84	1,012.93	83.96	-	277.25	-	2,283.98
2007	240.53	134.37		-	776.93	-	1,201.83
2008	99.55	478.04	181.59	-	881.30	-	1,640.48
2009	223.06	559.74	638.81	54.72	619.88	0.62	1,996.83
2010	108.72	265.95	55.71	42.05	211.35	170.76	854.54
2011	7.83	2.16	-	0.60	2.44	540.27	553.30
Total	1,970.82	3,136.73	1,255.57	97.37	2,690.20	711.65	9,862.34

Source: Ministry of Ports and Highways

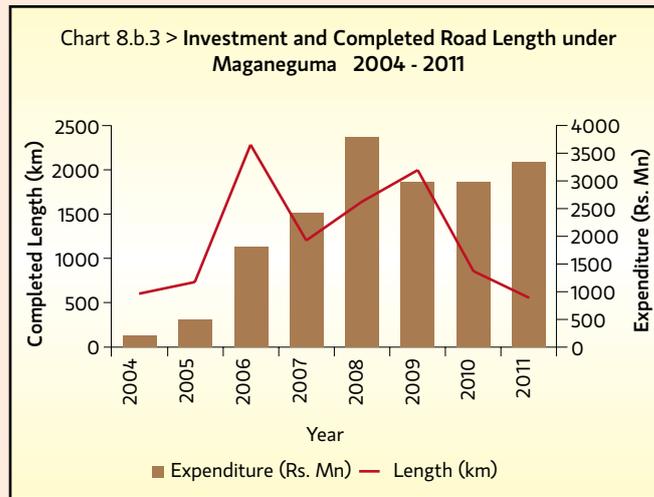
Important Decisions Taken in 2011

One of the major policy decisions taken by the government in 2011 is to give the opportunity for local contractors for road rehabilitation work under the local funding. A Cabinet decision has been taken to use domestic funds through local banks to rehabilitate 692 km of national roads at a cost of Rs. 56,497 mn.

Box 8.2 > Maga Neguma

Sri Lanka has a rural road network of 84,000 km which represents 74 percent of the total road network in the country. Most of these roads are earth roads or foot-paths. Therefore “Maga Neguma” Programme was initiated in 2004 to upgrade the rural roads to motorable level with all-weather paved roads. In the first year of implementation of the programme, 600 km of rural roads have been improved including 305 km of graveled roads and 296 km of motor graded roads at a cost of Rs. 213 mn with the participation of Community Based Organizations. As the demand of the people and the rural economy has increased, in terms of quality, the method of construction of rural roads under Maga Neguma was changed to metalling, tarring and concreting with the

improvement of culverts, bridges, causeways, retaining walls and side drains. The Maga Neguma Programme is implemented in all 35,660 villages in the country. During the period from 2004 to 2010, 9,309 km of rural roads have been completed with the construction of 197 rural bridges, 2,544 culverts, 522 causeways 742 km of side drains and 9,590 square meters of retaining walls at a cost of Rs. 14,702 mn under Maga Neguma. Pre-cast concrete block paving method was introduced for rural road development in 2010 to maintain quality and for easy maintenance. To develop a road with a 2-3 meter width using concrete blocks, it costs around Rs. 0.8 mn per kilometer. 171 km of roads were completed using concrete blocks in 2010.



Source: Ministry of Ports and Highways

In 2011, 553 km of roads were completed with the construction of 58 rural bridges, 1,843 culverts and 31 causeways, 15 km of side drains, and 12,998 square meters of retaining walls, at a cost of Rs. 3,345 mn. Out of this, 540 km were developed using concrete blocks.

Under the Maga Neguma programme, a “Connecting Village Project” was initiated in 2011 aiming at the construction of rural roads which at least connect two Grama Niladhari Divisions. Around 84 km of rural roads have been selected in Kegalle, Rathnapura, Ampara, Kandy, Kurunegala, Monaragala, Matara, Badulla, Hambantota, Anuradhapura,

and Puttalam districts. This project has been designed to connect 68 villages by developing 4 meter width rural roads with an average length of 5 km. In 2011, around 25 km of rural roads were completed at a cost of Rs. 209 mn. The completed roads connect 24 villages where 5,890 rural families were benefited. Another 59 km of rural roads are under construction and that will benefit 13,936 families.

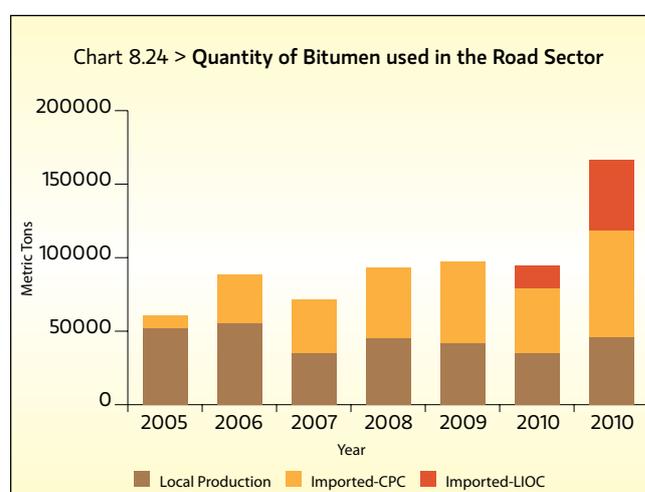
So far 12 percent (total of 9,862 km) of total rural roads have been developed under Maga Neguma programme in 25 districts benefiting 510,993 families during 2004 to 2011.

Table 8.28 > **Identified roads to rehabilitate with the involvement of local contractors**

Route No	Road	Districts Covered	Length (km)
A012	Puttalam-Trincomalee	Anuradhapura, Trincomalee	110
A027	Ampara-Uhana-Mahaoya	Ampara	30
B019	Anamaduwa-Uswewa-Galgamuwa	Puttalam, Kurunegala	39
B045	Bangadeniya-Andigama-Anamaduwa	Puttalam	38
B127	Galigomuwa-Ruwanwella	Kegalle	23
B159	Ibbagamuwa-Kumbukgete-Madagalla	Kurunegala	34
B079	Chilaw-Wariyapola	Puttalam	29
B123	Galagedara-Horana	Kalutara	19
B216	Kesbewa-Kindelpitiya-Bandaragama	Kalutara	12
B243	Kuliyapitiya-Hettipola	Kurunegala	16
B275	Matara-Hakmana	Matara	24
B312	Naula-Elahera-Laggala-Pallegama	Matale	64
B356	Pannala-Kuliyapitiya	Kurunegala	16
B413	Tennakumbura-Rikillagaskada-Ragala	Kandy	19
B413	Tennakumbura-Rikillagaskada-Ragala	Nuwaraeliya	53
B458	Waskaduwa-Bandaragama	Kalutara	12
B488	Polonnaruwa-Sungawila-Somawathiya	Polonnaruwa	33
B527	Bibila-Pitakumbura-Inginiyagala	Ampara	40
B528	Bodagama-Hambegamuwa-Kaltota	Ratnapura	48
Non RDA	Katuwana-Urubokka	Hambantota	15
Non RDA	Katuwana-Alupothdeniya-Panamura	Hambantota	23

Source: Ministry of Ports and Highways

Until April 2010, bitumen required for road development was provided only by the Ceylon Petroleum Corporation (CPC) and then Lanka Indian Oil Company (LIOC) also started importing bitumen due to the increase in demand. In 2011, the CPC produced 46,000 MT of bitumen at their refinery. CPC and LIOC together imported 120,290 MT of bitumen in the last year. Bitumen is used for road development at national, provincial and rural levels. However, RDA itself needed around 151,000 MT of bitumen for their use annually and faces bitumen shortage for the rehabilitation of roads. In this background Road Development Authority has been permitted to import bitumen directly on a permit issued by the Ceylon Petroleum Corporation.



Source: Ministry of Petroleum Industries, Lanka IOC (LIOC started bitumen import in 2010)

8.4.2 Improving Access to Electricity

Development strategy of the government is to position the country as a regional energy hub that fulfills all types of energy needs of the region taking advantage of its geological position. An oil exploration program and the development of alternative energy sources such as solar and wind have already been initiated with private investments. In the short-term, the immediate goal of the power sector is to provide electricity supply to all households, by 2012 with a mix of grid extensions and off-grid solutions. The continuous increase in demand will be met by constructing cost effective power plants using various energy sources including low

cost energy options with a considerable share of Non-Conventional Renewable Energy (NCRE) options. The sustainability and reliability will be improved having multi-source energy. Emphasis will equally be given for energy conservation and management to save energy and for reducing energy losses of the system to a minimum possible level. The achievements during year 2011 are significant in terms of this vision. It was a landmark year for the energy sector in Sri Lanka with the discovery of Natural Gas reserves in Mannar basin and the commissioning of the first ever coal fired power plant in Puttalam. Well-timed decision making and systematic implementation have contributed to avoiding power cuts.

Table 8.29 > **Performance of the Power and Energy Sector**

Performance Indicator	2000	2005	2006	2007	2008	2009	2010	2011
Number of Power Stations	42	81	93	97	112	121	128	141
Installed Capacity (MW)	1,740	2,411	2,443	2,450	2,641	2,683	2,818	3,141
Maximum Demand (MW)	1,405	1,748	1,893	1,842	1,922	1,868	1,955	2,163
Electricity Units Sold (GWh)	6,686	7,295	7,872	8,316	8,417	8,441	9,268	10,023
Consumer Accounts (mn)	2.490	3.396	3.636	3.867	4.088	4.280	4.480	4.724
Electrification Level (%)	63	77	78	80	83	85	88	91
System Losses (%)	21.3	18.6	17.8	17.0	16.4	16.0	14.8	13.5
NCRE Share (%)	1.0	3.7	4.6	4.8	5.6	6.9	7.8	7.8
Average Sale Price (Rs.) with FAC	4.53	8.04	9.32	10.68	13.23	13.10	13.03	13.22
Per Capita Electricity Consumption (kWh/person)	294	369	394	414	416	413	449	480

Source: Ceylon Electricity Board and Sustainable Energy Authority

In keeping with the goal of providing electricity for all by 2012, the Government accelerated the development work in the power sector while initiating several new development projects in 2011. Total capital expenditure for power sector development in 2011 was Rs.26,194 mn.

Distribution

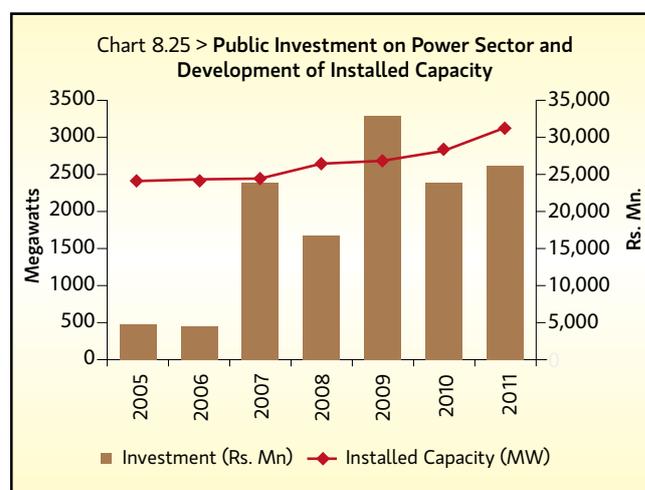
The electrification level of the country had increased to 91 percent in 2011. There were 4.724 mn consumers served

by the national grid at the end of year 2011. A total of 243,577 new connections were given during the year. Colombo, Gampaha and Hambantota Districts had achieved 100 percent electrification level. The electrification level of the Northern Province had increased to 71 percent in 2011 from 42 percent in 2010. The Government spent Rs. 916.4 mn for electricity supply in Northern Province last year under "Uthuru Wasanthaya" Programme.

Table 8.30 > **District Electrification Levels (%)**

Province	District	2005	2010	2011
Western	Colombo	96	100	100
	Gampaha	96	100	100
	Kalutara	78	90	99
Southern	Galle	91	98	97
	Matara	86	96	96
	Hambantota	68	100	100
Sabaragamuwa	Ratnapura	61	88	85
	Kegalle	70	79	91
Central	Kandy	74	91	91
	Matale	74	84	94
	Nuwara Eliya	77	86	94
North Western	Kurunegala	66	86	89
	Puttalam	73	90	87
North Central	Anuradhapura	62	73	89
	Polonnaruwa	61	84	75
Uva	Badulla	63	82	89
	Monaragala	47	50	76
Eastern	Trincomalee	50	57	71
	Batticaloa	47	55	59
	Ampara	60	68	85
Northern	Jaffna	49	72	79
	Killinochchi	30	10	16
	Mullaitivu	30	16	16
	Mannar	30	44	48
	Vavuniya	66	68	74
Overall		77	88	91

Source: Ceylon Electricity Board

Source: Department of National Budget
Ceylon Electricity Board

Out of 429 rural electrification schemes eighty seven are being implemented in seven provinces under the on-going rural electrification project (RE-8). The “Lighting Sri Lanka” programme, spent Rs. 13,602 mn so far for rural electrification projects throughout the country. Upgrading, expansion and rehabilitation works were completed in Colombo city distribution network at a cost of Rs. 9,539 mn to improve the stability and the reliability of power supply in Greater Colombo Area. The Sustainable Energy Authority has launched a programme named “Grama Shakthi” with the aim of setting up of off-grid renewable energy based systems to provide electricity to rural areas where the extension of the national grid would not be feasible. Solar photovoltaic (PV) systems are being used in Sri Lanka for small scale applications in remote regions including supply of basic electricity needs in rural households.

Table 8.31 > **Lighting Sri Lanka Programme (2006-2011 Progress as at end 2011)**

Province	No. of RE Schemes and Extension Projects		No. of Households Benefited	Estimated Cost (Rs.mn)	Financial Progress (Rs. mn)	Progress (%)
	Planned	Completed				
Southern	1,243	1,208	26,506	5,000	4,641	98
Central	601	523	17,123	354	288	81
North Central	4,072	510	11,300	8,000	816	10
Western	895	853	7,404	446	451	96
Northern	519	339	10,170	3,500	2,158	62
Uva	1,200	1,064	23,046	2,720	2,618	75
North Western	4,124	520	68,000	6,515	821	13
Eastern	508	466	15,257	516	366	71
Sabaragamuwa	1,174	1,117	25,291	1,790	1,443	94
Total	14,336	6,600	204,097	28,841	13,602	47

Source: Department of National Planning

Transmission Projects

Several major transmission development projects were undertaken during 2011 including grid substation construction and augmentation projects. At present, there are 55 grid substations, 484 km of 220 kV transmission lines and 1760.5 km of 132 kV transmission lines. Preliminary work of few other transmission projects was undertaken to develop the transmission network of the country. North East Transmission Development Project, New Galle Power Transmission Development Project and Habarana-Veyangoda Transmission Line Project are ready to be commenced in near future.

Table 8.32 > **Progress of Major Transmission Development Projects**

Name of Project	Estimated Cost (Rs.mn)	Expected Year of Completion	Overall Progress (%)
Kilinochchi - Chunnakam Transmission Line	2,400	2013	10
Vavuniya - Killinochchi Transmission Line	3,747	2012	70
Transmission System Strengthening			
Part 7: Eastern Province Project	2,968	2013	44
Part 2: Transmission Lines Project	2,184	2013	65
Part 2: Grid Substation Project	3,000	2013	10

Source: Ceylon Electricity Board

Increasing Installed Capacity

The installed capacity increased to 3,141 MW in 2011. The major achievement in the power sector is the commissioning of the first stage of Norochcholai Coal Power plant in April 2011 adding 300 MW to the national grid. The plant was constructed with an investment of Rs. 55,300 mn with a loan obtained from the Government of China. The second and third phases of this power plant (600 MW) are also under construction and it is expected to be in operation by 2014. A joint venture agreement for the construction of the country's second coal power plant at Sampoor, Trincomalee was signed in 2011 between National Thermal Power

Corporation in India and the Ceylon Electricity Board. The feasibility study was carried out and the 500 MW power plant is planned to be commissioned in 2016.

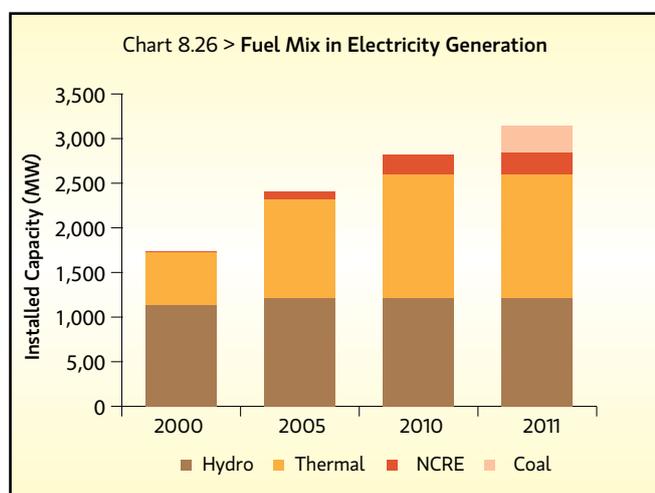
The government promotes low cost electricity generation in order to provide electricity at a competitive price. The construction work of Upper Kothmale hydro power plant was carried out successfully in 2011 and the plant was commissioned in May 2012. The rehabilitation of Ukuwela power plant is almost at completion stage. Old Laxapana, New Laxapana and Wimalasurendra power plants are also under rehabilitation. In addition, the rehabilitation of Samanala Power Station and expansion of Victoria Power Station have also been initiated. Relevant actions had been taken to award the tender for the construction of Broadlands Hydro Power Project in 2011. The following three hydro power generation projects are in the pipeline. They are Uma Oya (120 MW), Moragolla (27 MW) and Gin Ganga (49 MW).

In order to diversify the fuel used for energy generation, a desk review on the feasibility of LNG introduction was carried out by the Ministry of Finance and Planning. Second phase of the Liquid Natural Gas (LNG) technical feasibility study of JICA is also ready to be commenced in 2012.

Table 8.33 > **Composition of Installed Capacity**

INSTALLED CAPACITY (MW)	2000	2005	2010	2011
Major-Hydro (CEB)	1,137	1,207	1,207	1,207
Mini-Hydro (Private)	12	84	175	194
Thermal (CEB)	453	548	548	548
Thermal (Private)	135	567	842	842
Coal (CEB)	-	-	-	300
Wind (CEB)	3	3	3	3
Wind (Private)	-	-	31	33.2
Solar (Private)	-	0.02	0.02	1.38
Biomass (Private)	-	2	12	12.5
TOTAL	1,740	2,411	2,818	3,141

Source : Ministry of Power & Energy



Source : Department of National Planning

By the end of year 2011, 106 private Non-Conventional Renewable Energy (NCRE) power projects with a total installed capacity of 241 MW have been connected to the national grid. In addition, there are 132 projects under construction. First phase of the grid connected Solar Energy Park at Buruthakanda in Hambantota with a capacity of 737 kW was completed. The plant cost was Rs. 412 mn and was funded by a grant obtained from Korean Government.

Table 8.34 > Status of NCRE Development

Status	Bio Mass		Mini - Hydro		Wind		Other		Total	
	No	MW	No	MW	No	MW	No	MW	No	MW
Commissioned	4	12.5	92	194	5	33.2	5	1.382	106	241.1
Under Construction	16	80.0	107	198.31	9	89.10	-	-	132	367.1

Source: Sustainable Energy Authority

The most suitable solution for the energy crisis is energy conservation and exploration of renewable energy sources such as hydro, solar and wind. Energy conservation involves both minimization of wastage and the reduction of consumption. The system loss of electricity has decreased to 13.5 percent in 2011 from 14.8 percent in 2010. When compared with the world average of 15 percent, this can be considered as a major improvement. However, elimination of preventable losses has to be recognized which is also the saving of energy in a different manner.

Investments in areas of energy efficient lighting system production and new research and development are being encouraged. Product standards for efficient lighting systems are being established. In addition, Smart Metering

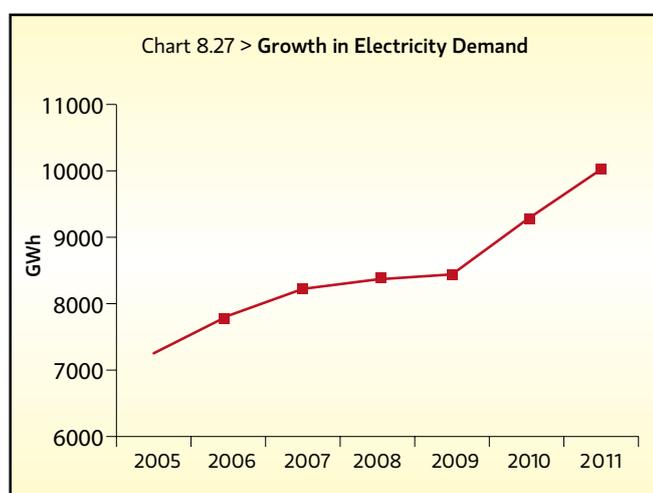
and Net Metering facilities were introduced in 2011. Net metering is a low-cost, easily administered method of encouraging customer investment in renewable energy technologies whereas smart metering helps electricity consumers to save energy by being aware of their level of electricity usage. Clean and Green Energy Concept is being encouraged with the aim of minimizing environmental pollution, global warming and depletion of non-renewable resources.

The General Purpose consumer category had the highest revenue contribution. When compare the electricity sales by consumer category, the domestic category was above the other categories. The government offers subsidies for following consumer categories.

Table 8.35 > **Subsidy on Electricity Bill - 2011**

Customer Category	Subsidy (Rs.mn)
Domestic	17,568
Hotel	90
Industrial	5,913
Street Lighting	2,205
Religious	161

Source: Public Utilities Commission



Source: Ceylon Electricity Board

Due to dry weather conditions prevailed in 2011, the CEB had to utilize more thermal power plants for power generation. Hence, the average cost per unit has increased from Rs. 13.50 in 2010 to Rs. 15.59 in 2011. Average selling price per unit (tariff) of electricity has been increased from Rs. 13.03 in 2010 to Rs. 13.22 in 2011. The tariff structure was revised once in 2011.

Table 8.36 > **Tariff Rates for Domestic Category (effective from 1st of January 2011)**

Unit consumption per month	Unit charge (Rs/kWh)	Fuel Adjustment Charge (%)	Fixed charge (Rs/month)
up to 30	3.00	25	30.00
30 - 60	4.70	35	60.00
60 - 90	7.50	40	90.00
90 - 120	21.00	40	315.00
120 - 180	24.00	40	315.00
above 180	36.00	40	315.00

Source: Ceylon Electricity Board

Following the end of the conflict in 2009, economy has rebounded significantly. Correspondingly, the demand for electricity had increased at a rate of 8.2 percent. The continuous development activities and the business friendly condition prevailing in the country will further accelerate the demand increase in the future.

Renewable Energy as an Import Replacement Industry
Sri Lanka has to invest more on renewable energy development to provide electricity to areas located far from the national grid. Many mini-hydro projects have been established but most of the water resources are almost fully utilized. Therefore, the country has to direct its focus more on to biomass, solar and wind energies to achieve the NCRE target. Private investors have to be facilitated throughout the process from project inception to completion. The future energy policy should aim at serving the needs of service and economy related activities of the country while developing right approaches to confront the above challenges.

Petroleum Industry

Petroleum sector activities involve facilitation of infrastructure development related to downstream petroleum industry and providing institutional support to develop upstream petroleum industry. Sri Lanka imports 100 percent of its oil requirement at present. The demand for petroleum products has risen at an annual rate of 5 percent over the last 15 years.

The country's petroleum sector has the following targets.

- Improve the contribution of petroleum sector to the national economy
- Introduction of alternative fuel options
- Fulfill the interest of consumers and improve the quality of service
- Successful completion of oil exploration in the country
- Refine total requirement of petroleum products within the country

Table 8.37 > **Import Quantity and Cost of Crude Oil and Refined Products**

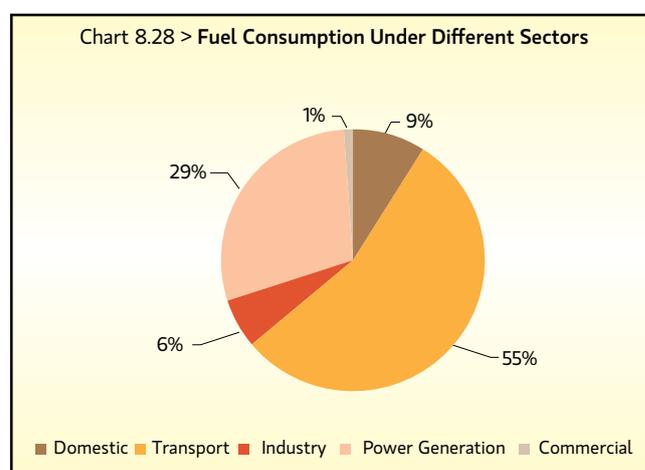
Description		2005	2006	2007	2008	2009	2010	2011
Crude oil	Volume (MT '000)	2,040	2,062	1,931	1,846	1,929	2,015	2,070
	Cost (Rs. Mn)	78,716	107,160	114,054	144,177	110,908	120,881	186,493
Refined Products	Volume (MT '000)	1,363	1,313	1,678	1,588	1,525	1,891	2,170
	Cost (Rs. Mn)	66,209	79,636	111,044	157,013	89,071	145,951	222,857
Total Cost	(Rs.mn)	144,925	186,796	225,098	301,190	199,979	266,832	409,350
	(US \$ mn)	1,705	2,106	2,018	2,775	1,731	2,036	3,736
Total Volume	(MT'000)	3,403	3,375	3,609	3,434	3,454	3,906	4,240
	(Barrels mn)	25.11	24.91	26.63	25.34	25.49	28.83	31.29

Source: Ceylon Petroleum Corporation

Downstream Petroleum - Modernization of Petroleum Infrastructure

Since the country import 50 percent of its petroleum product requirement as refined products, the government has decided to construct a new refinery at Sapugaskanda in order to increase its capacity from 50,000 to 100,000 barrels per day. Project planning has been finalized and it is estimated to spend US\$ 2,000mn. The project is expected to provide considerable benefits as follows.

1. Ensure energy security by the increased refinery capacity
2. Reduction of petroleum product import costs by US\$ 400 mn per annum
3. Expansion of petroleum product exports
4. Expansion of tax revenues from refined product related petro-chemical industries
5. Development of new skills in petroleum refinery process.
6. By-products from the refinery process have potential to be used as industrial inputs
7. Fulfill 75 percent of country's LP gas requirement In addition, measures had been taken to construct offshore pipeline and cross country pipeline from Colombo port to Kolonnawa terminal.



Source: Sustainable Energy Authority

Oil Exploration

The government commenced petroleum exploration activities in 2008 by awarding an exploration block in the Mannar basin. The collection of seismic data in the Mannar basin had been completed for oil exploration. Drilling of oil exploration wells already been started and at the very first well, high quality Natural Gas had been found. However, the commercial viability of exploiting these gas resources needs to be ensured through further analysis.

Development of Airport Facilities

At present, the total Jet - A-1 sales at Bandaranayaka International Airport (BIA) is around 345 mn litres per annum. This amount will be increased with the expansion of activities at BIA. Therefore, a project planning is in progress for construction of fuel hydrant system for the proposed Apron E under BIA Phase II - Stage II development programme. In addition, the construction of inner hydrant system of the Mattala airport is nearing completion and the construction of outer fuel hydrant system has been initiated.

BOX 8.3 > Project Management

Project Management (PM) is an organized effort to accomplish successful outcomes from a project by managing and utilizing the available resources efficiently and effectively. Thus, PM includes developing a project plan, defining the project goals and objectives, identifying tasks and how goals will be achieved, quantifying the resources needed, and determining budgets and timelines for completion. Modern PM emphasizes the need to set clear and well defined targets and identify criteria for measuring progress. Hence, skills, capabilities and competency of the project management team and application of effective project management strategies are vital to enhance the quality and sustainability of project outcomes.

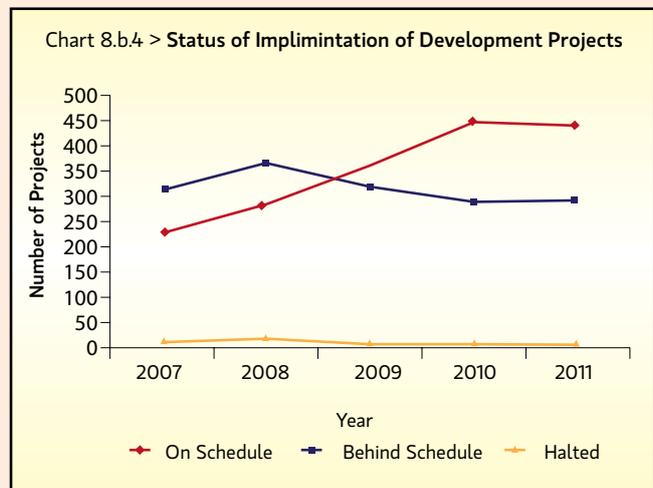
Effective Project Management – Why for Sri Lanka?

The policy framework of the government acknowledges the necessity of substantial investment on infrastructure i.e. roads and transport, energy, water supply and sanitation and rural development to promote inclusive economic growth. Having recognized the government’s development strategy, development partners have supported to nationally important strategic projects to promote sustainable growth in order to reduce regional disparities and expand economic activities. Accordingly, the government mobilizes between US\$ 1- 2 Bn from development partners and lending agencies for development initiatives in each year. During the last five years, US\$ 11 Bn of foreign financing has been invested in development projects and programmes. In this background, PM is recognized as the key to effective implementation of projects, which paves way to bring effective resource utilization and minimizing financial losses and wastage to achieve maximum economic benefits. One of the root causes of failure in some projects in the past was the project preparation process driven by lending institutions. In view of that, the government has initiated the home-grown development concepts and strategies including the simplification of procurement process to prevent duplication by funding agencies. It is expected that outcomes of projects can be achieved through rigorous project formulation and better project cycle management.

How the Project Management process is being implemented?

The government has streamlined the project preparatory process in line with the government policy framework.

Initially, respective line ministries develop project proposals and the Department of National Planning appraises them undertaking comprehensive analysis. Potential projects will be submitted to the Department of External Resources for foreign funding if considered favourable over domestic funding. The Department of National Budget (DNB) makes arrangements to allocate funds for the approved projects in three year budgetary framework. The approval of the Standing Cabinet Appointed Review Committee (SCARC) should be obtained for the unsolicited development project proposals. The Department of Project Management and Monitoring (DPMM) is expected to undertake a comprehensive monitoring mechanism for monitoring and evaluating every step in project cycle to ensure that the projects are implemented as scheduled to generate expected outcomes. Currently, 197 projects selected for financing from foreign sources with the committed volume of US \$ 11 Bn are at various stages of implementation with an un-disbursed amount of US\$ 8.6 Bn. Apart from that, 541 projects financed through domestic resources are in the active project portfolio which are scheduled to be spent Rs. 210 Bn during the next 3 years.



Source: Department of Project Management & Monitoring

A significant acceleration in project implementation took place after the post –conflict recovery period. Increased awareness on best practices in PM and dedication for timely implementation of development initiatives during this rapid phase of development has resulted reduction of incidents of start-up delays in road, water supply and sanitation sectors especially in the North and East provinces. Consequently, **a significant increase in the number of on-schedule projects has been reported in 2010 and 2011.**

Contd...

Issues, Risks and Challenges:

Experience in PM reveals that risks and challenges are still remaining in each phase of PM. At the end of 2011, the total foreign funded project portfolio revealed that 20 percent of projects were extended their original project implementation period and 19 percent of projects were with a significant cost overrun mainly due to issues and challenges emerged at the implementation stage. Some of the key issues are:

- Start up problems and delays in project activities due to lack of project readiness
- Poor and outdated designing and inadequate feasibility studies
- Lack of identification of Priority areas of sectors and consultation with beneficiary/stakeholder;
- frequent changes of project Scope, variations and significant cost overrun;

- Lack of project management skills of the staff deployed.
- Implementation of some construction work got delayed due to lack of coordination;
- Poor quality of completion work of civil construction and underperforming contractors;
- Poor cash flow management.

Challenges:

- Project Readiness for timely execution of projects
- Proper project planning and design
- Selection of skilled project management team to manage time, scope, cost and quality of projects
- Strengthen relationship among the utility agencies
- Minimize the cost overrun and price escalation
- Timely implementation of procurement plan
- Selection of capable and quality contractors.

8.4.3 Irrigation for Water Management

At present 29,886 irrigation schemes both large and small in the country provide over 80 percent of inland water requirement. The total irrigated land area is about 744,983 ha.(1,840,108 Acres.) Out of the total irrigated land area,

311,195 ha. (768,652 Acres.) is fed by the minor irrigation schemes while the balance land area is fed by major and medium scale reservoirs. The irrigation system has enabled the country to collect 43,000 Million Cubic Meters (MCM) out of the total rainfall of 118,000 MCM received at present. Of which around 28,000 MCM is not used and released to the sea. Around 75,000 MCM is unavailable to use.

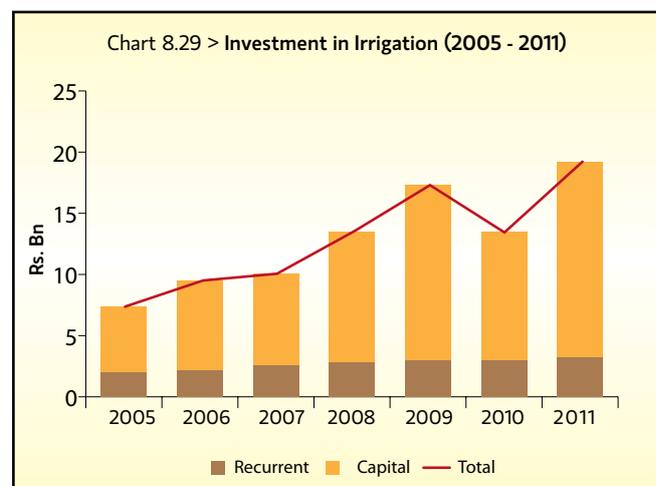
Table 8.38 > Irrigation Schemes in Sri Lanka

Scheme	No. of schemes	Irrigable Extent (ha.)	Capacity (MCM)
Department of Irrigation			
Inter provincial irrigation	336	264,538	3,624
Lift irrigation	7	2,040	
Flood protection and drainage	62	29,841	
Mahaweli system			
Multipurpose irrigation	7	99,300	742
Irrigation and Hydro power	7	-	2,101
Provincial irrigation schemes			
Major and Medium schemes	98	38,069	820
Minor irrigation(Tanks and Anicuts)	29,369	311,195	1400
Total	29,886	744,983	8,687

Source : Department of Irrigation, S.L Mahaweli Authority and Department of Agrarian Development

Therefore the vision of the government is to develop irrigation schemes to reduce the volume of runoff to the sea without use, from 28,000 MCM to 21,500 MCM in 2020.

Towards this end, the public investments on irrigation has directed on the construction of multipurpose reservoirs such as Moragahakanda and Kaluganga reservoir, Menik ganga, Deduru Oya, Yan Oya, Rambukkan Oya reservoirs, Uma Oya Diversion and rehabilitating existing irrigation schemes.



Source: Department of National Budget and Department of National Planning

Total investment in irrigation sector during 2006 - 2011 amounted to Rs. 83 Bn of which Rs. 66.4 Bn has been on capital expenditure. A significant amount of public expenditure has been made in the areas such as construction of new reservoirs (Rs.29 Bn), rehabilitation of irrigation systems (Rs.23 Bn), water management, operation and maintenance

of irrigation schemes (Rs.10 Bn) and development of flood protection systems (Rs. 4 Bn). A considerable amount of funds was spent on operation and maintenance of reservoirs considering its importance in the long run. Total expenditure in 2011 amounted to Rs, 19 Bn of which Rs.16 Bn was on capital expenditure on ongoing irrigation systems.

Table 8.39 > **Irrigation Sector Investment by Areas (2005-2011)**

	Rs.Bn						
	2005	2006	2007	2008	2009	2010	2011
Construction of Major/ Medium Irrigation schemes	1.71	2.30	3.53	4.41	8.46	3.59	7.11
Rehabilitation of Irrigation Schemes	2.03	2.73	2.42	3.79	3.71	4.70	5.74
Operation & Maintenance activities/Water Management	1.38	1.56	1.24	1.60	1.45	1.59	2.3
Feasibility, Research, Other studies & Other Capital	0.32	0.74	0.31	0.94	0.72	0.64	0.87
Total	5.44	7.33	7.50	10.75	14.34	10.52	16.02

Source: Department of National Budget and Department of National Planning

During the last five year period, domestic resource was the main source of financing irrigation. The government allocated significant amount of domestic funds for irrigation sector having considered the importance of the sector for ensuring better water conservation and management. Since 2006, Rs. 47 Bn invested as domestic funds which is 71 percent of the total investment of the sector. Moragahakanda and Kaluganga reservoirs and Uma Oya Diversion are funded by foreign sources. Considering their large size and multipurpose activities, these two irrigation systems are expected to bring 103,500 ha of land in North, North Central and Eastern provinces under irrigation, improve

livelihood and support new settlements to increase food production in addition to adding about 140 MW hydro power generation capacity.

Progress of selected multipurpose irrigation schemes 2006-2011

Department of Irrigation has played a considerable role during 2006-2010 periods completing 9 major and 18 medium irrigation schemes using domestic funds, engineering and technical skills and providing benefits to 70,000 farmer families to cultivate 65,000 ha.

Table 8.40 > **Some of the Selected Major, Medium and Minor irrigation schemes 2006-2011**

Scheme	Districts	Cost Rs.Mn	Extent (ha)	Beneficiary families
Moragahakanda - Kaluganga reservoir	Anuradhapura, Polonnaruwa Trincomalee and Matale districts	64,385	97,500	200,000
Uma Oya Multipurpose irrigation scheme	Moneragala and Hambantota	74,000	6,000	12,000
Deduru Oya reservoir	Kurunegala, Puttalam	6,200	11,500	11,000
Rambukkan Oya Reservoir	Ampara	2,500	1,423	2,000
Dam Safety and Water Resources Planning	Island wide	7,739		
Menik ganga (Weheragala reservoir (Completed in 2009)	Hambantota, Moneragala	2,200	10,000	8,000
Kekiri Obada reservoir (Completed in 2010)	Hambantota	445	1,511	3,437
Wewalanda wewa (Completed in 2010)	Ratnapura	55	350	350
Weli Oya Diversion	Moneragala	852	1500	3000
Wemedilla reservoir	Matale	335	600	720
Gal Oya river division	Ampara	275	10,000	8,000
Wahalkada tank	Anuradhapura	57	190	200
Holuwegoda drainage scheme	Galle	45	650	500
Walawe Left Bank	Hambantota	9,425		5,469
Restoration of Jana Ranjana Wewa	Trincomalee	53	325	300
Hettige Ela Development	Gampaha	42	800	1500
Muthukeliyawa Anicut Extension	Moneragala	77	240	430
Construction of Dambulu Oya Anicut	Matale	50	265	265
Restoration of Kirampuchchenai Anicut	Batticaloa	40	1,220	800
Rehabilitation of Minipe Main canal	Kandy	12.8	6,073	10,000
Restoration of Mahahalmillewa project	Polonnaruwa	61	105	220
Medagamagonagama tank	Kurunegala	22.5	57	200
Kumbukkan oya (Nakkala) Reservoir	Moneragala	10,500	5,265	15,000
Minor tanks rehabilitation programme	Island wide	5,000	200,000	400,000
	Total	184,371.3	355,574	683,391

Sources: Ministry of Irrigation and Water Resources Management, Department of Agrarian Development, Provincial Councils

Impact of Floods during 26th December 2010 to 5th February 2011:

Floods in December/February 2010/11 caused severe damage to the reservoirs in the country. As a result, Major and Medium irrigation Schemes (139), minor tanks (538),

anicuts (305) and canals (769) suffered damages. The government spent Rs 7.5 Bn in restoring these assets in addition to provide relief to the affected families. District level irrigation departments' public service delivery system made a significant contribution towards restoring normalcy in affected areas.

Feasibility Studies

Several feasibility studies on irrigation schemes have been undertaken to provide well developed irrigation system in the country.

Table 8.41 > **Feasibility studies in progress**

Scheme	Location	Total Project Cost (Rs.Mn.)	Scheme	Location	Total Project Cost (Rs.Mn.)
North Central Province (NCP) Canal/Moragahakanda/ Kaluganga	North Central Province	120,000	Weli Oya (System L) Development	Anuradhapura, Mullativu, Vavunia	9,415
Kaluganga reservoir	Kanthalai, Trincomalee	1,517	Basnagoda reservoir	Gampaha	2,500
Kaluganga reservoir project	Rathnapura	10,000	System A development (Allai -Kantale Development)	Allai	400
Lower Malwathu Oya reservoir project	Mannar, Anuradhapura	10,000	Nakkala reservoir	Monaragala	10,500
Gin Nilwala Diversion project	Galle, Matara	55,125	Extension of Kaudulla left bank main canal upto Damsopura wewa project	Kaudulla	370
Maduru Oya Right Bank Feasibility updates(System B)	Batticaloa	38,500	Development of (System B) Maduru Oya Left Bank balance area	Batticaloa	13,836

Source: Ministry of Irrigation and Water Resources Management

Rehabilitation works of existing irrigation schemes in the conflict affected areas accelerated by investing over Rs. 3.5 Bn. during 2008 -2011. These Projects provide irrigation facilities for about 172,780 farmer families to cultivate

approx. 177,522 ha of cultivable land in those areas, which has already proven success with high agricultural productivity and improved livelihood activities to those suffered people.

Table 8.42 > Selected Irrigation Rehabilitation Projects in Conflict Affected Districts (i)

Scheme	Districts	TEC (Rs. Mn)	Extent (ha)	Beneficiary families	Scheme	Districts	TEC (Rs. Mn)	Extent (ha)	Beneficiary families
Pavatukulam	Vavuniya	106	1673	2067	Mallavi	Mullaitivu	29	325	45
Giants Tank	Mannar	440	9890	21452	Therankandal	-do-	21	300	55
Allai Scheme	Trincomalee	313	7700	10000	Iyankulam	-do-	66	952	125
Rugam Scheme	Batticaloa	188	4151	2466	Koddaikadiyakulam	-do-	39	405	75
Karavahu Drainage Scheme	Ampara	217	1822	1952	Olumadukulam and Periyapuliyanikulam	-do-	10	333	98
Valukkaiaru Drainage Scheme	Jaffna	264	1506	11361	Kalmaidu tank	Kilinochchi	129	582	795
Meiyankulam	Batticaloa	85	1891	4424	Kariyalainagapaduwan	Kilinochchi	45	254	302
Piramanthararu	Kilinochchi	60	247	400	Driaru	Kilinochchi	23	198	350
Morawewa tank	Trincomalee	308	1636	1060	Periyakulam	Vavuniya	3	105	42
Kurankupanchan	Trincomalee	58	202	254	Kurissuddakulam	Vavuniya	2	67	21
Puluganawi	Batticaloa	460	1755	750	Kunriddamadukulam	Vavuniya	3	90	17
Borapola	Ampara	48	300	625	Periyamadu	Mannar	86	304	250
Mamaduwa	Vavuniya	58	267	285	Kudamuriddykulam	Kilinochchi	23	2023	2640
Akathimurippukulam	Mannar	188	2500	1700	Visvamaradu	Mullaitivu	26	120	210
Thadchanamaruthamaduru	Mannar	69	215	175	Vavunikulam	Mullaitivu	22	339	1285
Thennyan Kulam	Mullaitivu	115	344	340	Muthuyankaddu	Mullaitivu	20	794	657
Akkarayan kulam	Kilinochchi	411	1358	1139	Periya Poovarasankulam	Vavuniya	6	65	91
Total number of Projects (629)							8,951	105,241	149,306

Source: Ministry of Economic Development (MOED)

(i) The projects have been implemented by the MOED through funding mobilized from both domestic and foreign sources.

Human Resources

The government has given high priority towards developing human resource capacity in the irrigation sector considering its inter linkage with development as well as national importance in agriculture, water management, and liveli-

hood development. Allowances are being revised to attract irrigation engineers who do not enjoy the benefits of their colleagues work in commercial enterprises.

Table: 8.43 > **Human Resources Capacity in Irrigation Sector**

Cadre	Approved	Existing	2011 Recruitments		Vacancies
			Permanent	Contract	
Ministry of Irrigation	109	298	–	207	
Technical	11	144	–	136	(133)
Engineers				34	
Non Technical	98	154	–	71	(56)
Ministry /Dept. Irrigation	5614	3180	118	269	2434
Technical	4400	2263	118	200	2137
Engineers	328	239	–	–	89
Engineering Asst.	649	471	118	20	178
Field Asst/ Work Supervisors	1154	235	–	180	919
Draphtsman, Hydrology Asst., Drilling Asst.	322	253	–	–	79
Non Technical	1214	917	–	69	297
Mahaweli Authority of S.L	4451	4359		138	92
Technical	3402	2966	–	20	436
Engineers	150	101	–	–	49
Engineering Asst.	134	99	–	–	35
Technical Asst., Technicians	286	217	–	9	69
Vetenary Surgon	5	3	–	3	–
Non Technical	1049	1393		118	(344)
Water Resources Board	408	250	13	–	158
Technical	272	155	3	–	117
Geologists	12	3	–	–	9
Hydrologists	6	4	3	–	2
Mechanical Engineers	2	1	–	–	1
Chemists	1	1	–	–	–
Asst. Drilling Superintendents, Drilling Officers	13	7	–	–	6
Non Technical	136	95	10	–	41
Total Cadre	10,582	8,087	131	614	2495
Total Technical cadre	8085	5528	121	356	2557

Source: Ministry of Irrigation and Water Resources Management

Table 8.44 > Existing Agricultural Production under Selected Irrigation Schemes

District	Scheme	Capacity MCM	Extent under Cultivation (ha)	Paddy production (MT)	Field crops Production (MT)	Fish Production (MT)	Milk Production/ yr (l)
Ampara			86,995				
	Ambalanoya	45	1457	13478	350	164	309,404
	Ekgal Oya	25	992	7453	238	79	210,567
	Namal Oya	46	1498	11033	360	121	317,999
	Naval Aru	39	1586	13419	381	68	336,649
	Pallan Oya -Jayanthi Wewa	115	1417	10436	340	122	300,810
	Pannalgama	26	1093	8050	262	49	232,053
	Rottikulam	6	574	4353	138	152	121,785
	Senanayaka Samudraya	951	48583	357814	11660	225	10,313,473
Anuradhapura			73226				
	Huruluwewa	68	4049	25380	972	261	1,137,847
	Mahakandarawa	45	2526	13529	606	458	710,017
	Mahawilachchi- ya	41	1093	6965	262	495	307,219
	Manankattiya	6	607	4279	146	861	170,677
	Nachchaduwa	56	2540	16314	610	436	713,885
	Nuwara Wewa	44	1012	6394	243	366	284,462
	Padaviya	105	5587	30484	1341	968	1,570,229
	Rajangana	101	7490	46805	1798	598	2,105,017
	Wahalkada	53	810	5711	194	861	227,569
Badulla			16185				
	Badulu Oya	-	683	2910	164	-	243,695
	Bathmedilla	15	567	3130	136	49	202,237
	Dambarawa	16	607	4063	146	94	216,682
	Nagadeepa	33	1711	8092	411	44	610,322
	Sorabora	21	810	5395	194	159	288,910
Batticaloa			21502				
	Navakiri	65	7085	41786	1700	37	3,057,872
	Rugam	23	3948	13076	948	26	1,704,021
	Unnichchai	51	5165	28082	1240	36	2,229,101
	Vakaneri	17	3603	21578	865	42	1,555,146
Hambantota			36945				
	Kirama Oya	-	2108	9830	506	-	743,251
	Lunugamwehera	226	5162	39799	1239	1,199	1,819,946
	Muruthawela	48	1308	10385	314	28	461,053
	Uda Walawa	27	2742	25173	658	1,309	966,784
	Manik Ganga (Veheragala)	75	10000	82240	2400	322	624,063
	Urubokka Oya	16	1770	13161	425	11	3,525,698
	Kekiri Obada	3	5573	45181	1338	5	1,964,872

District	Scheme	Capacity MCM	Extent under Cultivation (ha)	Paddy production (MT)	Field crops Production (MT)	Fish Production (MT)	Milk Production/ yr (l)
	Weerawila	13	931	7178	223	230	328,304
	Yoda Wewa	10	1323	10200	317	189	466,334
Kurunegala			18975				
	Batalagoda	6	2441	18361	586	37	756,320
	Hakwatuna	24	2453	14119	589	178	760,082
	Kimbulwana	9	674	3956	162	57	208,709
	Palukadawala	8	820	4354	197	26	253,988
	Deduru Oya	75	10000	58500	900	-	3,098,026
	Ridibendi Ela -Magalwewa	9	2429	14191	583	28	752,557
Monaragala			11785				
	Buttala	-	648	5079	155	-	533,930
	Weli Oya	-	3750	17765	900	-	3,090,956
	Ethimale	7	406	2546	97	113	334,374
	Handapanagala	7	405	2433	97	54	333,706
	Kumbukkan Oya	-	810	4778	194	-	667,413
	Muthukandiya	29	810	5079	194	104	667,413
Polonnaruwa			74120				
	Giritale	23	3077	19233	738	212	478,451
	Kaudulla	128	5061	38330	1215	1,074	787,029
	Minneriya	136	8907	49616	2138	929	1,385,171
	Maduru Oya	596	21000	176947	5040	1350	3,265,854
	Parakrama Sam- udraya	135	10121	76508	2429	635	1,574,057
	Elaheera - sys- tem G	-	6700	38027	1608	-	1,042,026
Puttalam			7204				
	Inginimitiya	73	2644	9843	634	619	1,770,319
	Karavita	8	444	2092	106	244	297,132
	Neelabemma	17	842	3550	202	81	563,899
	Tabbowa	19	847	4226	203	567	567,153
Trincomalee			16865				
	Kantale	141	6073	55767	1457	308	4,274,111
	Mahadivulwewa	20	563	3994	135	105	396,068
	Mora Wewa	38	1619	9294	389	88	1,139,763
	Vendrasan	25	709	5030	170	46	498,646
Vavuniya			15701				
	Maruthamadu	2	183	1080	44	11	213,753
	Muhathan kulam	3	323	2160	77	57	377,728
	Rajendran kulam	1	123	923	30	-	143,966
	Pavatkulam	33	1674	3389	402	115	1,960,673
Mannar			12883				
	Akathimuruppu	9	2523	16760	605	5	162,018

District	Scheme	Capacity MCM	Extent under Cultivation (ha)	Paddy production (MT)	Field crops Production (MT)	Fish Production (MT)	Milk Production/ yr (l)
	Giants Tank	39	9894	11840	2375	184	635,434
Killinochchi			10060				
	Irannamadu Tank	42	8455	38227	2029	593	-
	Piramantharuru	5	247	1035	59	115	-
	Akkarayankulum	15	1358	5788	326	69	-
Matara			7288				
	Ellawela	1	547	2501	131	17	79,895
	Kekanadura	3	486	2139	117	20	71,018
	Urapola	-	627	2477	150	-	91,613
Ratnapura			4938				
	Katupath Oya	-	1000	5520	240	-	256,505
	Kaltota	-	915	3433	220	-	234,697
	Panamura	-	456	1846	110	-	117,037
Gampaha			5539				
	Ketawela	-	654	3357	157	-	286,795
	Morena	-	383	1479	92	-	167,992
	Muruthawela	-	749	3770	180	-	328,526
	Panugala	-	398	1508	96	-	174,563
	Welikada	-	525	2334	126	-	230,324
Galle			2304				
	Holuwagoda	-	464	1662	111	-	81,272
	Aluth Pahala Kepu Ela	-	100	360	24	-	17,532
Kandy			8045				
	Murapola	1	515	2646	124	2	129,930
	Minipe L. B.	-	7530	41508	1807	-	1,899,919
Matale			995				
	Hattota Amuna	-	222	1302	53	-	49,708
	Himbiliyakada	3	160	861	38	48	35,879
	Wemedilla	6	600	3444	144	66	134,548
Colombo			177				
	Boralasgamuwa	0.02	92	450	22	10	27,102
	Thalangama	0.04	85	406	20	3	25,081
Kalutara			142				
	Uyanwatta	0.46	142	642	34	10	34,719
Total		4,126	431,874	1,761,617	64,185	18,244	77,843,333

Sources: Department of Irrigation, Sri Lanka Mahaweli Authority, Ministry of Irrigation and Water Resources Management, National Aquatic Resources Development Authority and Department of Census and Statistics

Above selected irrigation schemes provide irrigation facilities for 273,500 ha of lands which accounts for 63 percent of total irrigable land to cultivate paddy, field crops and vegetables in the above districts. In addition, there is a vast potential to increase livestock and fisheries production in the above areas and schemes facilitating to improve the livelihood activities of existing and newly settled farmer families through higher production and productivity of agriculture.

BOX 8.4

Irrigation: Catering to Water Demand.....

Rain fall is the only source of fresh water for existing & newly proposed Irrigation infrastructure in Sri Lanka. Annual rainfall of Sri Lanka is estimated as 118,015 Million Cubic Meters (MCM). Of this, the potential usable fresh water available in 103 main river basins has been estimated at 43,000 (MCM) annually. However, from the 43,000 MCM of fresh water available for development, about 28,000 MCM goes to the sea without a productive use. Therefore at present only 15,000 MCM of fresh water from the total rainfall of 118,015 MCM have been made available for various human uses. This includes 12,000 MCM for irrigated agriculture and 3000 MCM for domestic and industrial water supply annually. This means that we have only used around 35 percent of total available fresh water for development purposes. (Published data, Department of Irrigation 2003, National Atlas 2007).

As illustrated in the Map, the level of water usage varies from region to region. In the wet zone, west region has most unused water while higher percentage of water has been used in the dry zone. Therefore the studies should focus on diverting unused water in the wet zone to the

dry zone areas and improving the water use in dry zone provinces as well.

The target of the government is to reduce the amount of water that discharge to the sea without productive use, from 65 percent in 2010 to 50 percent in 2020. In achieving this target, construction of 39 medium and major irrigation schemes such as Moragahakanda & Kaluganga, Deduru Oya & Rambukkan Oya reservoirs and Uma Oya Diversion etc. are in progress. In addition, out of the existing 29,369 minor tanks /anicuts, 10,000 are being rehabilitated targeting to complete by 2020.

Map 8.b.1 > **Sri Lanka Water Usage**

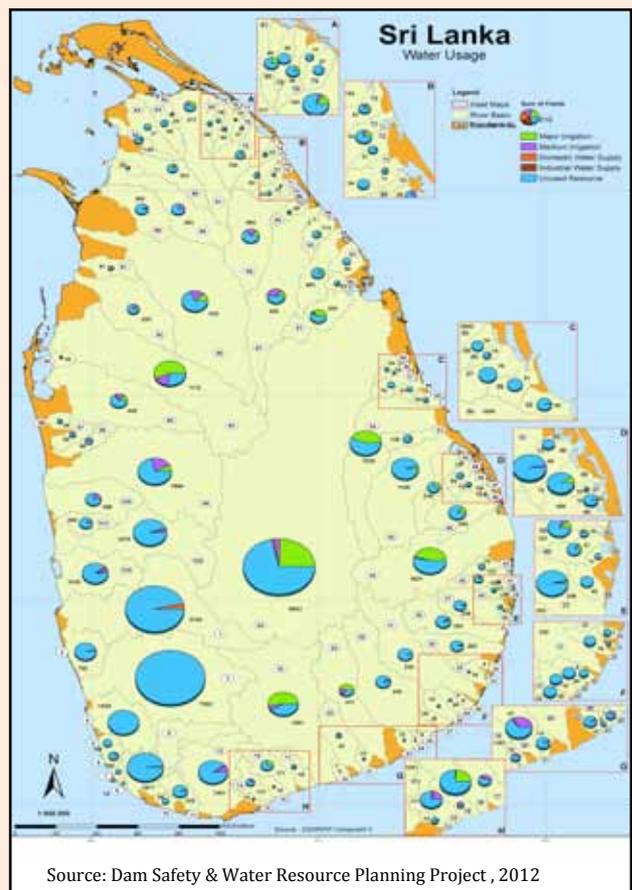
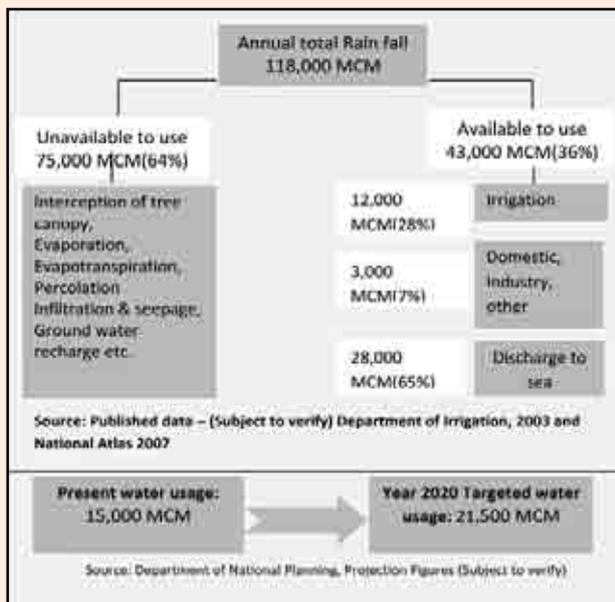


Figure 8.b.1 > **Sectoral Water Usage**



The map shows the sectoral water usage by river basin. However, sectoral water usage has not yet been finalized.

With the rapid economic development, population increase and rising demand for water from different sectors

such as domestic, industry and other sectors, the irrigation system faces increasing pressure to meet the water demand. Therefore keeping in line with the national water policy, irrigation sector strategy aims at constructing new reservoirs to harvest as much as possible runoff water discharge to the sea while increasing the irrigation water use efficiency.

Water use efficiency of the irrigation sector in Sri Lanka is considered low compared to other Asian countries. Estimated water need for cultivating one Acre of paddy in Sri Lanka is about 3-4 Acre feet. However due to the wasteful practices in water use, farmers use about 5-7 Acre feet for cultivating one Acre of paddy. In the Asian region the average water use for cultivating one Acre of paddy is about 3-3.5 Acre feet.

Therefore water use efficiency in irrigated agriculture sector need to be improved as a matter of priority. Intensive methods of cultivation, crop diversification & improved irrigation techniques etc. are being used as our strategies for reducing water usage.

Non revenue water in domestic & industrial water usage of the country as per the National Water Supply and Drainage Board is 29.8 percent (in Colombo district 49 percent) and target is to reduce the non revenue water to 20 percent in 2020. Industrial water use efficiency need to be improved by providing partial treated water to the required industries rather than providing drinking water to reduce cost. Water recycling and reuse should also be studied to improve the water use of the country.

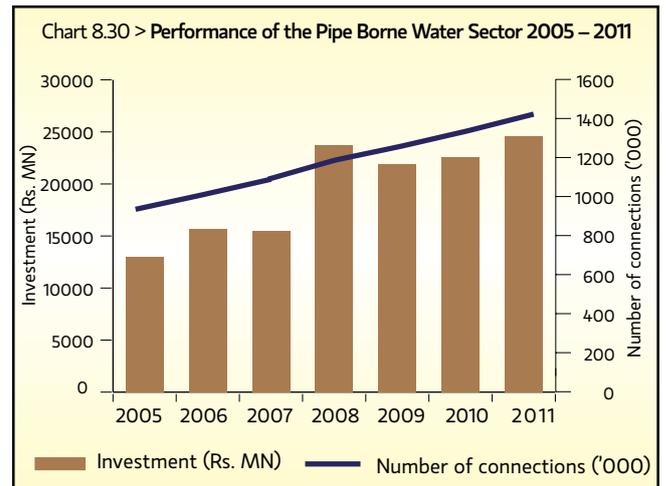
8.4.4. Water Supply for Safe Consumption

The vision of the government is to provide safe drinking water for entire population at an affordable cost in an equitable, efficient and sustainable manner by 2020. At present, 88 percent of the population in the country is able to access safe water. The expectation of every household is to receive pipe borne water. The government has adopted a three - pronged strategy in providing 100 percent safe water to the nation. First strategy is to provide 100 percent pipe borne water to metro, urban areas and emerging small cities which have high population through large scale water supply schemes. The second strategy is to provide pipe borne water to villages through community water supply schemes. The third strategy is to support households to use safe drinking water from individual wells and other sources through regular water quality testing facilities.

Accordingly, the provision of household pipe borne water is to be increased from the present level of 43¹ percent to 60 percent of the population by 2020. Therefore, on average 150,000 new pipe borne water connections have to be provided annually .In the mean time, the Non Revenue Water (NRW) level of water supply schemes has to be reduced from the present level of 30 percent of the total production to 20 percent.

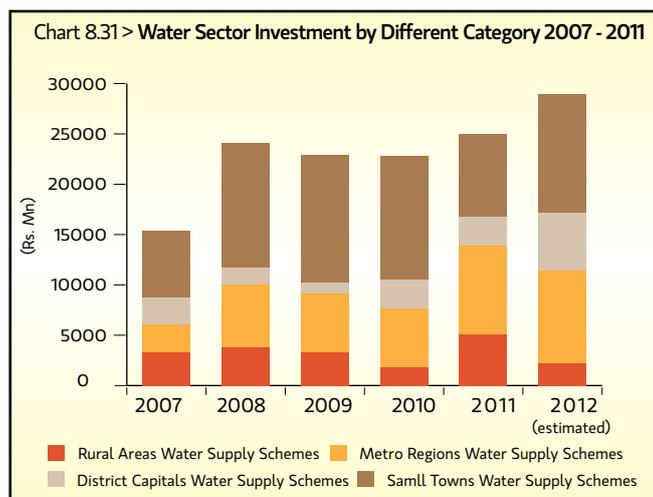
In 2011, around 57 percent of the population obtains water from wells and other surface water sources. These wells are not regularly tested for quality and safety. The government will pay its attention to establish water quality testing facilities in the rural areas to ensure people have accessed to safe water.

It is estimated that nearly 850,000 families still do not have safe drinking water. Therefore, projects for construction of small and medium pipe borne water schemes and wells will be implemented on priority basis.



Sources: Department of National Budget and National Water Supply and Drainage Board (Investment made by NWSDB)

During the period of 2005 -2011, government has invested Rs.145,000 mn for the development of water supply in the country. Of this, Rs. 25,070² mn has been invested during 2011. There is a gradual increase in the investment in water sector.



¹ Pipe borne water coverage from Community Managed Schemes, Local Authorities and NWSDB

² This includes the investment on actual basis made by NWSDB and Ministry of Economic Development (under Gama Neguma)

Table 8.45 > **Key Parameters of the Pipe Borne Water Supply Sector 2005 – 2011**

	2000	2005	2006	2007	2008	2009	2010	2011
Piped Water Production. (m3 mn)	332	383	398	424	440	449	469	490
Household Average Monthly Consumption (M3/household)								
- Greater Colombo	22.4	19.14	18.28	18.07	17.84	17.25	17.14	17.22
- Regions	17.7	15	14.24	14.13	13.61	13.53	13.18	13.16
Household Average Billing per month (Rs.)								
- Greater Colombo	196.92	370.1	402.1	386	388.3	530.9	566.2	573.21
- Other areas	113.02	200.7	199.65	188	193.4	294.6	310.25	319.03
Household Mean Income (Rs: per month)	17,114*	17,114	25,414	25,414	25,414	36,451	36,451	36,451
Number of water supply schemes operated by NWSDB	269	285	295	308	309	312	315	322
Pipe-borne Water Connections (No.)	581,165	907,622	989,395	1,078,892	1,186,931	1,266,328	1,353,573	1,449,306
By Consumer Type;								
Domestic	507,792	815,003	892,012	976,555	1,078,178	1,166,636	1,248,176	1,336,840
Non-domestic	73,373	92,619	97,383	102,337	108,753	99,692	105,397	112,466
By Province ;								
Central	58,297	98,691	113,711	128,029	139,414	148,470	164,259	179,688
North Central	21,118	30,016	33,363	39,851	50,026	55,669	62,579	67,294
North Western	38,071	23,178	26,218	28,470	32,684	36,347	40,947	46,686
Northern	752	3,366	4,439	5,083	5,435	5,631	6,456	7,087
Eastern	24,942	44,033	49,313	54,997	74,942	85,061	95,169	106,066
Southern	85,796	122,258	91,836	153,549	172,663	188,550	203,820	222,472
Western	307,664	502,410	533,081	567,372	600,270	627,855	654,308	687,536
Uva	22,157	36,226	39,662	44,178	49,157	52,624	56,771	59,192
Sabaragamuwa	22,368	47,444	52,139	57,363	62,340	66,121	69,264	73,258

Source: National Water Supply and Drainage Board, Department of Census and Statistics *2003/2004 household survey

NWSDB has provided pipe borne water to 36 percent of the population in the country. On average, 87,000 new pipe borne water connections have been provided annually since 2005. In 2011, 95,733 new water connections have been provided. This is 9.7 percent increase compared to number of

water connections provided (87,245) in 2010. However, the rate of increase in new connections every year is insufficient to achieve targets in 2020. As per the present connection charges, a household has to pay Rs. 18,000 – Rs. 25,000 to obtain a water supply connection from NWSDB.

Non Revenue Water and Water Production Capacity of NWSDB

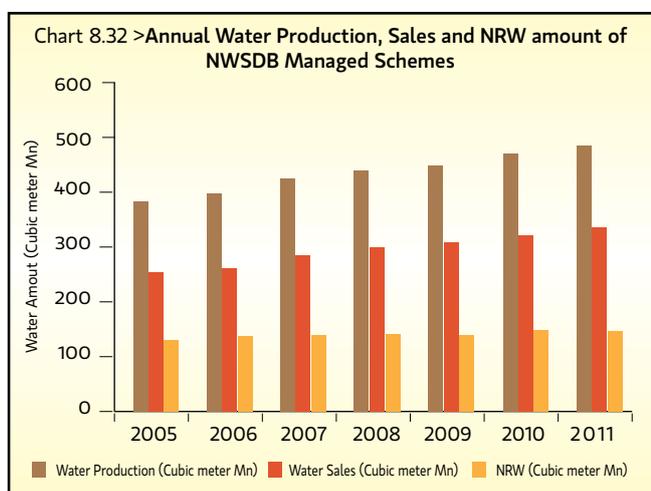
Table 8.4.6 > Non Revenue Water by Region

Region	2000			2005			2011		
	Annual Water Production (m3.mn)	NRW amount (m3 mn per year)	NRW level- (percentage of total production)*	Annual Water Production (m3.mn)	NRW amount (m3 mn per year)	NRW level- (percentage of total production)*	Annual Water Production (m3.mn)	NRW amount (m3 mn per year)	NRW level- (percentage)
Colombo city	97.8	52.5	53.7	99	50.6	51.25	105.3	52.58	49.97
Kotte,				42.3	11.8	28.03	41	8.39	20.45
Kolonnawa,									
Battaramulla Area	44.3	11.8	26.6	18.7	3.5	18.71	26	3.16	12.34
Maharagama, Homagama, Piliyandala, Avissawella, Pa-dukka area									
Towns north of Colombo (Kelanaya, Biyagama, Jaela)	24.3	4.38	18.02	31.47	6.42	20.46	43.24	11.64	26.92
Towns south of Colombo (Moratuwa, Dehiwala)	35	9	26.2	33.8	8.4	24.89	38	13.75	36.31
Kalutara	9	3.23	35.74	11.39	4.68	41.09	22	6.28	28.88
Gampaha				12.86	2.28	17.69	16	3.12	19.87
Kurunegala	21	5.33	25.36	8	1.29	16.17	5.48	0.5	10
Puttalama							6.45	1.12	17.42
Polonnaruwa	10.5	3.07	29.25	11.62	3.3	28.43	3.4	0.6	17.47
Anuradhapura							12.32	2.46	20.22
Kegalle	9.43	3.29	34.86	15.52	5.41	35.71	9.41	2.2	24.22
Rathnapura							8	1.8	23.69
Kandy							42	11.6	27.8
Matale	26.55	7.9	29.76	32.68	11.39	34.85	8.4	3	35.98
NuwaraEliya							2.4	0.77	32.36

Region	2000				2005			2011	
	Annual Water Production (m3.mn)	NRW amount (m3 mn per year)	NRW level- (percentage of total production)*	Annual Water Production (m3.mn)	NRW amount (m3 mn per year)	NRW level- (percentage of total production)*	Annual Water Production (m3.mn)	NRW amount (m3 mn per year)	NRW level- (percentage)
Hambantota	9.85	3.42	34.72	11.18	3.18	28.5	18	4.96	27.45
Matara	20.5	5.35	26.1	12	2.71	22.52	17	4	23.73
Galle				13.27	4.07	30.67	21	5.8	27.93
Badulla	10.49	3.9	37.22	11.44	3.58	31.29	11	2.79	26.46
Monaragala							5.2	1.3	26.39
Vavuniya							0.37	0.12	31.48
Mannar	0.29	0.033	11.52	1.17	0.058	4.97	1.36	0.48	35.29
Jaffna							0.29	0.022	7.6
Ampara	4.51	1.57	34.73	7.9	2.87	36.33	7	1.52	22.72
Batticolao							7	0.7	10.43
Trincomalee	7.57	3.17	41.81	8.75	3.744	42.78	10	2.9	29.26
Total	331.09	117.9	35.68	383.05	129.28	33.8	487	147.56	30.44

Source : National Water Supply and Drainage Board

Note : In 2000 and 2005 most of the regions were merged and therefore NRW cannot be calculated separately for each region.



Source : National Water Supply and Drainage Board

The water production capacity of NWSDB is increasing gradually. In 2011, NWSDB produced around 490 m³ mn of water which is a 4.5 percent increase compared to 2010. However, NWSDB sold only 342 m³ mn water in 2011 which is 70 percent of the total production. The Non Revenue water accounts for 30.0 percent. This level is high even though it has declined from 2005. This has resulted a financial loss of around Rs. 4,500 mn annually. If NRW is reduce to a technically accepted ratio of around 18 percent, the savings per year can be estimated at Rs. 2,400 mn.

Interventions on Non-Revenue Water (NRW) Reduction

Leakages from the distribution system, illegal tapping, stand posts/common taps in tenement gardens and defective meters are identified as main reasons for high level of NRW in the Colombo city. Therefore, a number of options is being implemented by NWSDB. 'Randiya' project is being implemented to replace common taps with metered taps in tenement gardens in the Colombo city. NWSDB has taken actions to restructure the Colombo city pipe borne water management system. The zones have been demarcated and zone officers have been empowered to take action to reduce NRW. A project is being implemented to enhance the operational and technical capacities of NWSDB officers in Colombo city area on NRW reduction with the assistance of

JICA. In addition, Under the Kalugaga Water Supply project 56 km of pipes in the distribution system are being replaced in Kochchikade, Masangasweediya, New Bazaar, Pettah, Jinthupitiya, Keselwatta and Kotahena areas at a cost of Rs. 1,100 mn. A Master Plan as well to reduce NRW in the Colombo city is being prepared at a cost of Rs. 550 mn under the same project.

There are around 3,500 community managed rural water supply schemes island wide. These schemes provide water to around 3.5 mn people. However, most of these schemes have faced serious technical, financial and management issues and some of these schemes are not functioning. Therefore, the government established the Community Water Trust under the Ministry of Water Supply and Drainage to provide technical and management support to these schemes.

Table 8.47 > Pipe Borne Water Consumption by Category

Consumption Category	Water Consumption (m ³ mn per annum)	Percentage to the total water sales
Domestic	220	64.0
Government institutions (Armed forces, Police, hospitals and others)	36	10.6
Commercial Institutions	31	9.2
Bulk supply to Local Authorities and CBO	10	2.9
Industries and BOI	9.1	2.7
Samurdhi - Domestic	5.8	1.7
Religious Places	5.5	1.6
Schools	4.38	1.3
Tourist Guests	2.3	0.7
Stand posts	2.10	0.6
Tenement Garden	10.0	3.0
other	6	1.9
Total	342	100.0

Source: National Water Supply and Drainage Board

Cost of water

It costs Rs. 28** for NWSDB to provide one unit (1000 l) of purified water. Particularly, average water tariff for a household consumes less than 25 units per month is Rs. 25 per unit. About 82 percent of NWSDB connections consume water less than 25 units per month accounting to a volume of about 150 m³ mn annually. As illustrated in the

following table the government produces heavy subsidy for water units consumed by the household less than 25 units per month. Therefore, the total water subsidy per year for this group is estimated around Rs. 1,600 mn. In addition, NWSDB does not receive revenue to water provided to tenement garden. The tenement garden receives 10 m³ mn volume of water annually and the NWSDB incurs a loss of around Rs. 330 mn per annum.

Table 8.48 > **Water Tariff Structure for the Domestic Sector**

Slab/ Monthly Consump- tion (units)	Tariff per unit (Rs)	Fixed Char- ge (Rs)	Total monthly bill for the slab (Rs:) *	Avg Tariff (Rs: per unit)	Avg: Production Cost per unit(Rs:) **	Total Produc- tion Cost in the category(Rs)***	Subsidy by the Govern- ment in the bill (Rs per month)	Annual water con- sumption in the slab (units mn)
0- 5	3	50	115	11.50	28	280	165	24.31
6-10	7	65	195	13.00	28	420	225	39.78
11 - 15	15	70	355	17.75	28	560	205	48.62
16 - 20	30	80	625	25.00	28	700	75	37.57
21 - 25	75	200	1100	36.66	28	840	-	24.31
26 - 30	90	400	2200	55.00	28	1120	-	22.1
31 - 40	105	650	3500	70.00	28	1400	-	8.84
41 - 50	110	1000	6600	88.00	28	2100	-	6.63
51 - 75	120	1600	10200	102.00	28	2800	-	2.21
76 - 100	120	1600	16200	110.00	28	4200	-	2.21
101 - 150	120	1600	16200	110.00	28	4200	-	2.21
over 151	120	1600	depending on consuming units	depending on consuming units	28	depending on consuming units	-	4.42

Source : Department of National Planning

*The total bill is excluding VAT

**provisional

*** Production cost does not include loan repayment and interest

For this calculation, the production cost excludes non-revenue water. However the production cost of unit of water with NRW is Rs. 38.72.

Important Measures taken in the Water Supply Sector in 2011

Community Water Trust was established under the Ministry of Water Supply and Drainage to improve sustainability of around 3,500 Community Managed Water Schemes

A decision was taken to allocate 5 percent of the total estimated cost of each water supply project for sanitation development activities in the relevant project area. This is to enhance the catchment area protection and to assure the sustainability of water sources.

Table 8.49 > **Completed and On- Going Water Supply Flagship Projects 2011**

Name of the Project	Covering Areas	Total Cost of the Project (Rs. mn)	Expenditure incurred in 2011 Rs. mn	Progress of the project as at end of 2011 (percentage)	Total Number of connections provided by the project	Cost per household connection (Rs)
Projects Implemented to Provide Water to Metro Regions and Urban Areas						
Kirindi Oya Water Supply Scheme	Ranminithenna, Angunakolawewa and 16 Km along the Lunugamwehera - Kataragama road	2,105	229	completed	8,000	263,125
Grater Kandy Water Supply project -Stage II	Katugastota, Kondadeniya	4,164	1,196	90	40,000	104,000
Negambo (Bambukuliya) Water Supply Scheme	Negambo Municipal area, Kochchikade, Dalupotha and Duwa Pitipana	7,288	1371	80	15,000	182,000
Ruhunupura Water Supply Project	Hambantota Town and surrounding area	9,742	2,741	22	30,000	437,000
Towns North of Colombo Water Supply Project	Ja-Ela, Ekala, Kandana, Mahara, Biyagama, Ragama, Welisara	6,490	1,600	90	80,000	81,000
Kelani Right Bank Water Treatment Plant	Gampaha and Colombo Districts	10,150	2,911	95	This project includes the construction of a water treatment plant and a salinity barrier	
Kaluganga Water Supply Project - Stage II	Colombo (Pettah, Kotahena, Maradana) , Kesbewa , Panadura East and Horana	10,846	1,844	38	40,000	216,000
Greater Trincomalee Integrated Water Supply Project	Trincomalee town and surrounding area	4,218	433	75	70,000	60,257
Batticaloa Water Supply Scheme	Batticaloa town and surrounding area	12,556	1,106	Treatment plant was commissioned in 2011	50,000	215,112

Name of the Project	Covering Areas	Total Cost of the Project (Rs. mn)	Expenditure incurred in 2011 Rs. mn	Progress of the project as at end of 2011 (percentage)	Total Number of connections provided by the project	Cost per household connection (Rs)
Greater Colombo Water Rehabilitation	Gothatuwa, Kotikawatta, Mulleria, Mattakkuliya and Maligakanda	4,785	1,073	66	25,000	191,000
Projects Implemented to Provide Water to Small towns / Emerging Townships						
Eastern Province Water Sector Development Project	Uhana, Damana, Higurana, Samanthurei, Irakkamam, , Maha Oya, Pothuvil	6,526	218	49	40,000	163,000
Medirigiriya Water Supply Project	Medirigiriya Town and Surrounding area	638	192	78	12,000	53,000
Mahawa, Wariyapola, Nikaweratiya Water supply scheme	Mahawa, Wariyapola and Nikaweratiya areas	998	103	85	9,000	110,000
Buttala Water Supply Scheme	Buttala town and surrounding area	295	217	80	1000	295,000
Kalutara Integrated water Supply Scheme -Stage II	Kalutara town and surrounding area	1,366	146	46	20,000	68,000
Hakmana Water Supply Scheme	Hakmana town and surrounding area	383	63	18	2,680	141,800
Ipalogama Housing Scheme Water Supply Scheme	Ipalogama housing scheme	798	88	76	3,600	221,600
Projects Implemented to Provide Water to Rural Areas						
Water Supply Schemes for Unserved Areas of the Ampara District - Phase III	Gonagolla, Bakkiella, Kondawatuwana, Paragahakele, Deegawapiya, Dadayamthala	18,012	6,118	12	40,000	450,000

Source : National Water Supply and Drainage Board

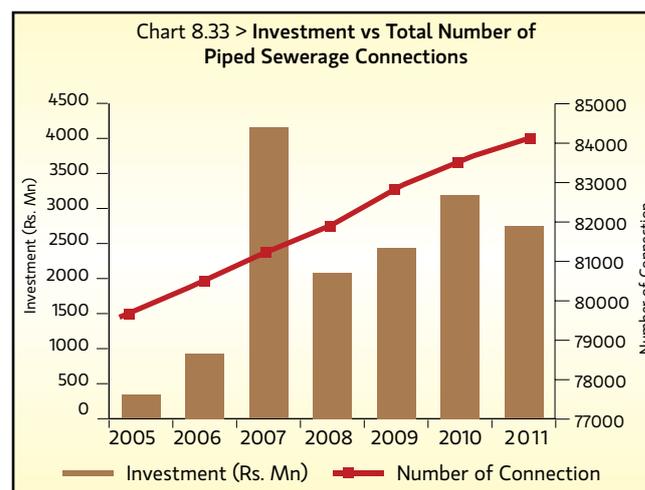
In 2011, following water supply projects were approved for implementation.

1. Daduru Oya Water Supply Project at a cost of Rs. 6,045 mn to provide water supply facility to Mahawa, Polpitiyagama and surrounding areas covering a population of 80,000
2. Anuradhapura South Integrated Water Supply Project at a cost of Rs. 9,176 mn to provide water supply facility to Nochchiyagama, Talawa, Rambewa, Tirappane Divisional Secretariat (DS) divisions covering a population of 172,000
3. Anuradhapura North Integrated Water Supply Scheme at a cost of Rs. 8,360 mn to provide water supply facility to Horowpathana, Kahatagasdigiliya, Medawachchiya, and Rambewa DS divisions covering a population of 270,000
4. Valachchenei Regional Water Supply project at a cost of Rs. 4,000 mn to provide water supply facility to Koralaipattu, Koralaipattu West, Koralaipattu Central and Koralaipattu South DS divisions covering a population of 150,000
5. North and East Pilot WASH project for Post Conflict Resettlement areas at a cost of Rs. 220 mn to provide water supply and sanitation facilities to selected rural areas in Manner and Trincomalee districts covering a population of 15,000
6. Angunakolapelessa Water Supply Scheme at a cost of Rs. 1,100 mn to provide pipe borne water supply facility to 24 Grama Niladhari Divisions(GND)s in Angunakolapelessa area covering a population of 32,500
7. Hakmana Water Supply Scheme at a cost of Rs. 300 mn to provide pipe borne water supply facility to villages located in Hakmana Pradeshiya Sabha area covering a population of 15,400.
8. Ibbagamuwa Water Supply Scheme at a cost of Rs. 198 mn to provide pipe borne water supply facility to Ibbagamuwa town and surrounding area covering a population of 7,500.
9. Improvement of Treatment process of water Supply Schemes with Partial Treatment at a cost of Rs. 2,657 mn to improve the treatment process of 61 schemes located in North Western, North Central, Uva and Southern Provinces benefiting 295,000

10. Matara Water Supply Scheme- stage IV at a cost of Rs. 15,000 mn to provide pipe borne water to 231 GNDs of Matara District and Tangalle and Beliatta divisional Secretariat divisions covering a population of 267,000

Wastewater Disposal

The vision of the government is to enhance piped wastewater discharging facility to 7 percent of the population by 2020 from the percent level of 2.3 percent. With increased urbanization and industrialization, the generation of wastewater is increasing and this needs to be discharged without environmental pollution. Therefore, infrastructure related to wastewater discharging have to be developed. Highly industrialized and populated areas will be given the main concern.



Source : Department of National Budget, NWSDB & Colombo Municipal Council

During the period of 2005 -2011, government has invested Rs. 15,870 million for the development of wastewater discharging facilities in the country. There is a gradual increase in the investment in wastewater sector. However, on average, 808 households have obtained piped wastewater discharging connections per year since 2006, which is not adequate to meet the demand. In 2011, only 542 new sewerage connections have been provided island wide. A significant expansion of number of sewerage connections is required to maintain the sustainability of sewerage network. On average a household located adjacent to a sewer network has to pay Rs. 30,000 to obtain a sewer connection from the system. However, with the increase of the distance from the sewer network, the cost per connection is increasing significantly. This is mainly due to increase of pipe laying cost of sewers

Table 8.50 > **On- Going Sewerage Flagship Projects 2011**

Name of the Project	Covering Areas	Total Cost of the Project (Rs. mn)	Expenditure incurred in 2011 Rs. mn	Progress of the project as at end of 2011 (percentage)	Total Number of connections provided by the project	Cost per household connection (Rs)
Waste Water Disposal System for Ratmalana/ Moratuwa & Ja-Ela/ Ekala Areas	Ratmalana/ Moratuwa & Ja-Ela/ Ekala Areas	16,155	2,355	72	5,000	3,200,000 (this project mainly for construction of treatment plant , pump houses, and sea outfalls.)
Sewage disposal system for Kandy Municipal area	Kandy Municipality and surrounding area	22,585	68	3	30,000	750,000

Source : National Water Supply & Drainage Board

In 2011, following Wastewater discharging projects were approved for implementation

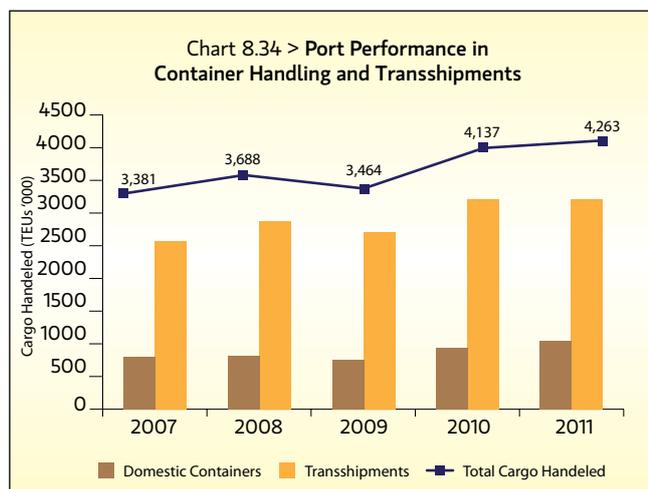
1. Sri Jayawardanapura Kotte Wastewater disposal project at a cost of Rs. 16,400 mn to provide piped sewerage facility to Rajagiriya, Ethul Kotte, Beddagana, Battramulla, Nugegoda , Delkada, and part of Maharagama covering a population of 185,000.
2. Increasing Household Sewerage Connections and Off - Network Sanitary Solutions in Dehiwala, Ratmalana, Moratuwa, Kolonnawa, Jaela and Ekala areas at a cost of Rs. 1,455 mn covering a population of 75,000 .
3. Wastewater Disposal System for 21 GNDS in Maharagama and Boralesgamuwa areas at a cost of Rs. 2,000 mn covering a population of 35,000 .
4. Construction of Wastewater Treatment System for Kili-nochchi General Hospital and for the Army Camp at a cost of Rs. 36 mn covering a population of 10,000

8.4.5 Ports & Airports - Towards a Regional Hub

The “Mahinda Chintana” Development Policy Framework emphasizes the importance of making a gateway to the world by developing an efficient naval and aviation infrastructure in the country. To achieve the objectives of this policy framework, a considerable investment has been placed for the construction of new sea and air ports, expanding existing ports as well as upgrading infrastructure in and around port areas to position Sri Lanka as a global hub in international trade and shipping.

Seaport Development

Annual ship arrival to the country remains 4,200 on average. Total cargo handled by all ports in Sri Lanka which was 27.5 mn MT in 2000 increased to 37.3 mn MT in 2005 and further increased to 65.1 mn MT in 2011. Total container traffic of ports increased from TEU's 2.45 mn in 2005 to TEU's 4.26 mn in 2011. This significant increase in cargo handling and container traffic indicates the demand on the port sector infrastructure and country's prospects in port related economic activities.



Source: Sri Lanka Ports Authority

At present, the Colombo Port handles 15 percent of the transshipment cargo in South Asia which is 3.12 mn per annum. Since, the Colombo Port has almost reached its maximum capacity, port expansion activities such as construction of breakwater, dredging channel, rerouting of submarine pipe line and construction of wave wall were

commenced in 2007. Construction of breakwater is nearing completion and all other works are expected to complete in 2013. A Built-Operate-Transfer (BOT) agreement was signed for the construction of new terminal at Colombo Port under Public Private Partnership in 2011. After the completion of the terminal of the Colombo Port, TEUs 2.4 mn container traffic will be handled per annum in each terminal.

In 2010, the construction work of the Magampura Port - Phase I was successfully completed well ahead of the scheduled time with an investment of US\$ 361 mn. Around US\$ 600 mn has earmarked for construction of the phase II of the Magampura Port which has been commenced in 2011 and to be completed in 2014. Hambantota Bunkering and Tank Farm Project are currently underway.

To provide direct and indirect job opportunities and to develop the industry sector of the country, proposals were called from prospective investors to start businesses in the port area. Accordingly, approval has been granted to start a Sugar Refinery Plant, a Petro Chemical Industry, a Storage Bagging of Fertilizer and a Cement Grinding Plant with the total investment of around US\$ 684 mn.

Ports of Oluvil, Trincomalee and Kankasanthurai are developed as regional ports connecting the regions with main ports. Galle port is developed as a tourism port by developing a yacht marina. Therefore, the construction of yacht repair workshop building is in progress. In addition, it has been planned to establish a ship building facility in the Galle Port premises.

Figure 8.1 > **Main Maritime Routes and the Conceptual Framework for the Maritime Hub in the Region**



Bunkering	Since the country's two main ports are located on the main sea routes the development of bunkering facilities has a significant potential.
Ship Building	Capitalizing on skilled human resources, service based businesses such as oil bunkering, marine engineering, ship-building and repairing can be developed to international standards capturing a significant share of the international market.
Transshipment	Present transshipment capacity of around 4 million TEUs can be increased significantly with sound transshipment development strategy working closely with world leaders in sea transport.
Maritime Training	With its strategically located ports network, sound tropical weather and skilled human resources, maritime training facilities can be improved to cater to the needs of the world. The maritime research facilities at NARA can be developed further.
Industries	It is planned to provide port based facilities to industries such as food processing, light engineering, manufacturing, grinding and packing of flour, sugar, fertilizer, cement etc. and other industries based on imported as well as local raw materials.
Leisure Ports	Ports have high potential to stimulate and to provide direct support for the development of tourism and public transportation. Galle port will be developed as a tourism port with local passenger transportation. Kankesanurai and Point Pedro are being developed for transport of passengers between India and Sri Lanka.
Finance, Insurance and Legal Services	The sound business environment, established banking system and skilful human resources have created a high potential to introduce ship finance, marine insurance, and maritime legal and arbitration services.

The well positioned in the centre of the world's busiest sea route, Sri Lanka links the East and West of the world as a maritime hub. Almost half the world's containerized traffic - nearly 80 per cent of Japan's and 60 per cent of China's oil supplies - passes along international sea route which is located mere six to ten nautical miles away from Sri Lanka. The development of the port network in Sri Lanka is expected to attract over USD 2 Bn worth industries and port related services and provides more than 25,000 direct (over 15,000) and indirect employment opportunities.

Airport Development

Sri Lanka's strategic position in the Indian Ocean provides an opportunity for the country to emerge as an aviation hub. The government has planned to develop various eco-

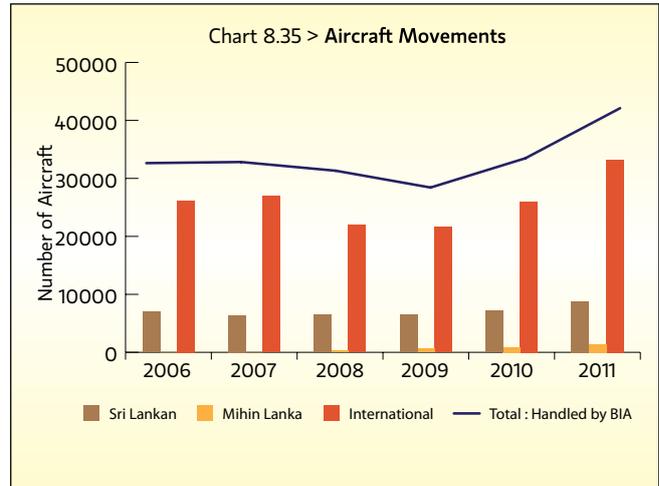
nommic activities such as tourism, pilot training, catering, cargo handling, aircraft maintenance, super markets, food processing and industrial parks based on country's two international airports.

Bandaranaike International Airport (BIA) is Sri Lanka's only international airport at present. Hambantota International Airport (HIA) which is now under construction at a cost of US \$ 209 mn and will commence its commercial operations by the end 2012. Arrangements have made to commence operations of the BIA Development Project Stage II Phase II in 2012 to increase the handling capacities at a total cost of US \$ 400 mn. Furthermore, an airport hotel with 300 luxury rooms will be constructed at a cost of US \$ 25 mn to address the congestion at the airport.

Figure : 8.2 > **Conceptual Framework for the Aviation Hub**



In addition to two International Airports, Sri Lanka already has 13 domestic airports. Among them Koggala, Ampara and Tricomale (China Bay) have already been planned for development at a total estimated cost of Rs. 900 mn to cater ever increasing demands of domestic air travel needs by tourists, business and leisure travelers. Ratmalana will be developed as a ‘City Airport’ targeting charter flights and private jet operations by constructing a new terminal, improving existing terminal building and repairing runway, taxiway and apron. Koggala will be developed to attract amphibian aircrafts and to use the Koggala lagoon as a water aerodrome. The other airports will be developed for domestic passenger and cargo movements. The objective of the government is to develop domestic airport network in the country to attract tourists and business passengers



Source: Ministry of Civil Aviation

Table 8.51 > Air Service

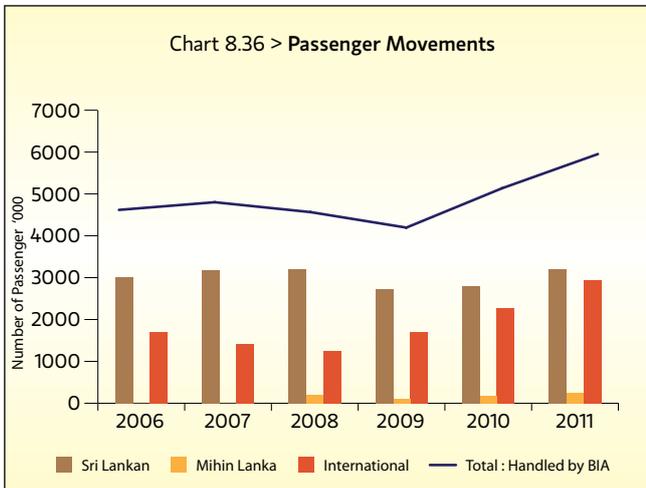
Key Features		2010	2011
Destinations	Sri Lankan	29	31
	Mihin Lanka	8	8
Fleet Expansion	Sri Lankan	15	21
	Mihin Lanka	2	2
Bilateral Air Service Agreements signed		57	61

Source: AASL Annual Report

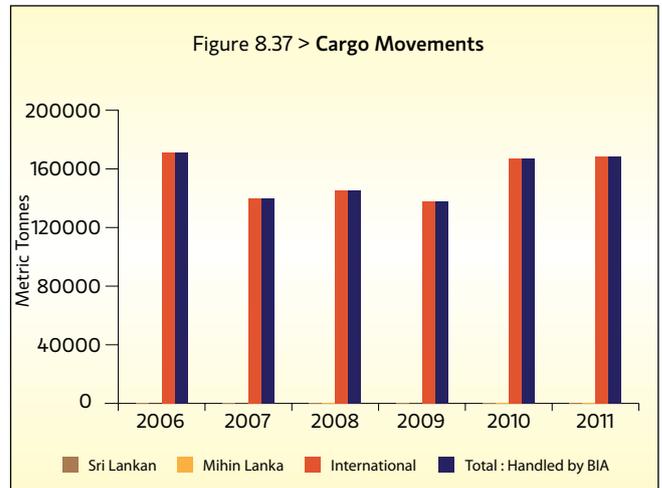
The country’s state owned air carriers: Sri Lankan and Mihin Air with a fleet of 23 aircrafts. In addition, 32 international airlines fly to Colombo. The country has an air network consisting of 52 cities including 33 direct destinations. Sri Lanka has signed 61 bilateral agreements. Open skies agreements have been signed with the United States, Thailand, Singapore, Switzerland and Malaysia. In 2011, air service negotiations with India, Philippine and Russia were concluded to discuss civil aviation related issues.

In 2011, BIA handled 43,454 aircraft movements which is a 27 percent increase compared with 2010. The two national carriers have operated 24 percent of total aircraft movements and carried 56 percent of total passenger movements. Several strategies have been developed to increase the number of aircraft movements. Under this program aircraft movements of both national carriers as well as international airlines will be increased.

The BIA has handled 6,145,532 passenger movements consisting of 3,056,971 arriving passengers and 3,088,561 depart passengers in 2011. This is a 17 percent increase from 5,259,648 passenger movements handled in 2010. Since the maximum capacity of the BIA is 6 mn passengers per year, the BIA has already approached its maximum passenger handling capacity. During this period passenger movement through international airlines has also showed a gradual increase. With the planned aircraft fleet additions to the national carrier and with continuous increase in passenger movements by international airlines, the BIA expects to increase its passenger movements to 9 mn by 2015, which is nearly 50 percent increase from 2011. Steps have already taken to obtain long term borrowings from JICA to achieve this capacity enhancement of the BIA.



Source: Ministry of Civil Aviation



Source: Ministry of Civil Aviation

The cargo movement of BIA which was 167,130 MT in 2010 increased by 0.8 percent to 168,577 MT in 2011 and showed that capacity utilization of 56 percent. The export cargo decreased by 4 percent and import cargo increased by 10 percent in 2011. The BIA's maximum cargo handling capacity is 300,000 MT per annum.

In 2010, total jet fuel sale for aviation sector was 338.96 mn liters and it has grown by 15 percent 389.69 mn liters in 2011. The average sale of jet fuel per day has increased from 0.93 mn liters in 2010 to 1.07 mn liters in 2011. Sri Lankan Airlines has purchased 56 percent of total jet fuel sales and Mihin Lanka has purchased 2 percent of the total jet fuel. The total jet fuel sale has increased by 15 percent in 2011 to Rs. 37,800 mn compared to Rs. 32,900 mn in 2010.

8.4.6 Towards a Sustainable Transport System

Sri Lanka's middle income achievements have resulted in the preferential shift among people towards using private

vehicles. The use of private vehicle for transport has increased by 8 percent which includes 4.3 percent increase in private car use in 2011 compared to 2010. Motor cars, three wheelers and motor cycles have become the popular modes of transportation as improvement in public transport has not kept pace with economic development.

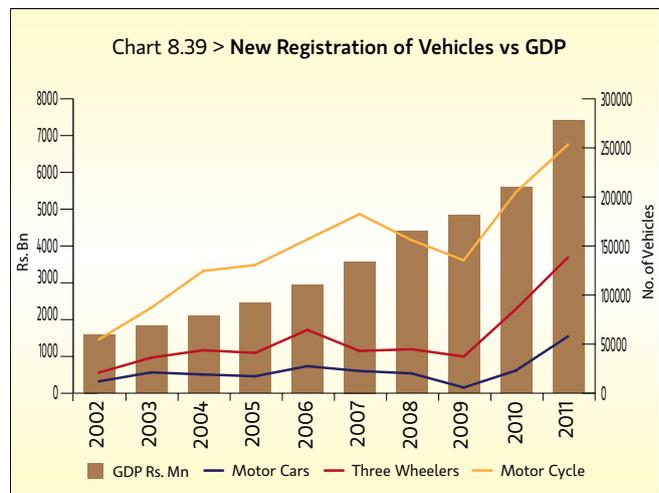
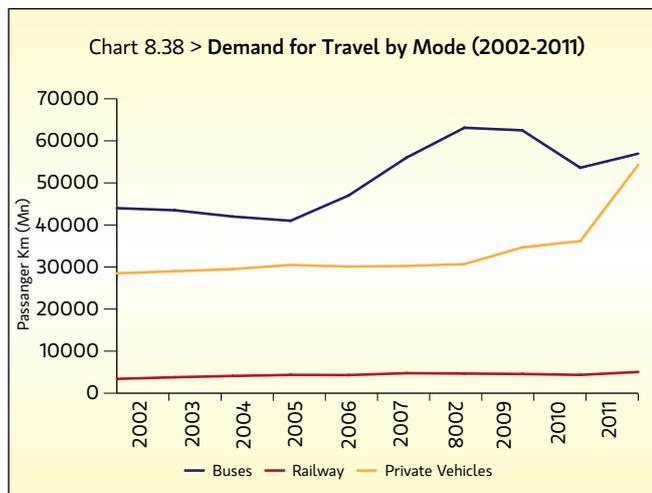


Table 8.52 > **Vehicle per 1000 persons**

Vehicle Type	2005	2006	2007	2008	2009	2010	2011
Motor Cars	16	17	18	19	19	20	23
Three Wheelers	13	16	18	20	22	26	32
Motor Cycles	64	72	80	87	93	102	113

Source: Department of National Planning

During the period from 2005 to 2011 the vehicle per 1000 persons has increased significantly showing around 44 percent, 77 percent and 146 percent increase in the modes of motor cars, motor cycles and three wheelers respectively. Total number of private vehicles registration has increased from 329,994 in 2010 to 525,421 in 2011 recording a 59 percent increase within a single year. The highest percentage of increase (250 percent) of vehicle registration was recorded in Uva Province and the lowest increase (45 percent) registered in Eastern Province in 2011 compared to 2005.

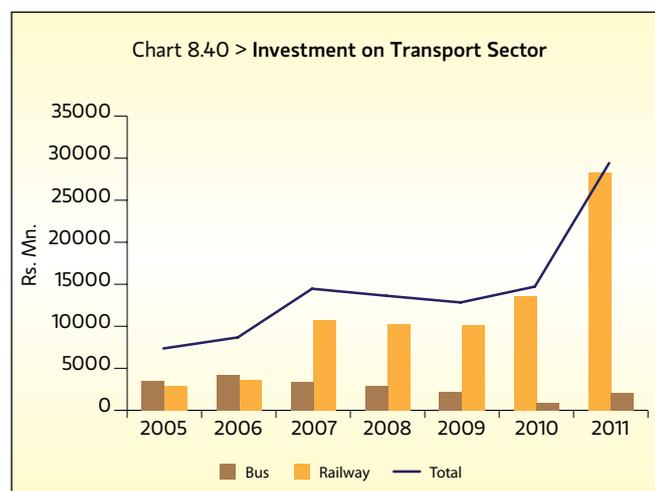
Table 8.53 > New Vehicle Registration by Province and Total Vehicle Population (2005-2011)

Province	Year	Car	Motor tricycle	Motor cycle	Bus	Land vehicle (2 wheels)	Land vehicle (4 wheels)	Motor lorry	Dual purpose	Total
Western	2005	13,490	14,132	51,560	1,075	1,042	1,215	7,079	4,626	94,219
	2010	16,403	23,833	54,616	1,061	1,647	974	5,221	4,762	108,517
	2011	39,128	40,965	76,539	2,127	877	1,181	7,161	14,674	182,652
Eastern	2005	148	2,107	16,537	81	1,654	1,588	585	178	22,878
	2010	273	6,114	20,846	106	1,426	1,918	591	732	32,006
	2011	961	7,424	18,640	130	1,406	2,466	747	1,456	33,230
Southern	2005	868	6,978	14,441	257	1,772	577	1,665	394	26,952
	2010	1,604	10,689	28,810	285	1,064	226	1,071	1,315	45,064
	2011	4,255	17,288	35,475	437	1,131	456	1,199	3,855	64,096
Central	2005	1,030	4,390	4,703	169	590	199	1,383	454	12,918
	2010	1,498	10,303	10,597	223	730	135	993	775	25,254
	2011	4,398	17,669	11,955	400	755	407	1,196	2,514	39,294
North Central	2005	214	1,741	8,751	86	3,085	316	473	126	14,792
	2010	474	6,050	22,037	149	3,467	929	923	1,007	35,036
	2011	1,521	7,891	22,615	207	4,024	1,434	1,107	2,271	41,070
Uva	2005	128	2,219	3,054	72	1,073	224	413	80	7,263
	2010	291	6,257	9,657	120	1,022	443	515	491	18,796
	2011	961	10,192	9,759	194	1,284	1,069	717	1,271	25,447
Sabaragamuwa	2005	469	4,952	5,395	149	427	103	890	199	12,584
	2010	671	11,287	11,615	177	307	58	657	576	25,348
	2011	2,068	18,957	14,229	298	290	135	763	1,779	38,519
North Western	2005	872	4,157	15,215	149	2,090	272	1,507	711	24,973
	2010	1,729	9,052	32,889	189	1,880	376	1,190	1,486	48,791
	2011	4,210	14,992	37,976	331	2,341	983	1,242	4,541	66,616
North	2005	64	409	11,040	31	749	447	267	83	13,090
	2010	129	2,063	13,744	181	1,431	1,631	684	568	14,182
	2011	384	3,048	26,143	124	1,316	1,639	686	1,157	34,497
Sri Lanka Vehicle Fleet	2005	311,030	254,193	1,265,514	73,887	180,940	37,134	223,740	180,942	2,527,380
	2010	410,282	529,543	2,100,832	84,280	276,997	46,457	296,692	209,228	3,954,311
	2011	468,168	667,969	2,354,163	88,528	293,542	53,186	310,206	243,970	4,479,732

New Registrations

Source: Department of Motor Traffic

Due to absence of a proper development programme in railway system and public bus services, the usage of private vehicles has increased continuously. In order to improve the public transport in the country, public investment in transport sector has increased gradually during the period from 2005 to 2011. The investment has doubled from 2010 to 2011 extend and improve the railway service as reconstruction of the ruined Northern Railway Line, modernization of Southern Railway Line, improvement of signaling system and purchase of new buses to uplift the Sri Lanka Transport Board (SLTB) operations.



Source: Department of National Budget

Bus Transport

In 2011, bus transport both private and public has provided transport services for 49 percent of passengers. Although, the number of passenger km of bus transport has increased, the market share has decreased by 8 percent in 2011 compared to that of 2010. There were about 26,500 buses operated for passenger transport in 2011. Around 80 percent buses operated is privately owned and 20 percent is operated by the Sri Lanka Transport Board (SLTB). During 2011, SLTB has enhanced its fleet by purchasing 100 new buses under the purchase of 500 B+ modal buses (56 seater buses) on easy payment basis.

The SLTB provides transport service for uneconomical routes and off peak non-profit time schedules while it is operating on commercial basis. The services of Sisu Seriya (for school services), Gemi Seriya (for rural services), and Nisi Seriya (for night services) which are social transport services rather than commercial services improved during 2011. Since these services are not commercially viable, the government subsidizes SLTB to run these services, by providing Rs. 300 million annually.

Table 8.54 > Social Services in Transport Sector

Service		2005	2010	2011	Beneficiaries per day
Sisu Seriya	No. of buses operating under Sisu Seriya	185	688	900	90,000 school children and 1,000 teachers
	No. of bicycles for students		500	500	1,000 school children (Batticaloa, Ampara and Kilinochchi districts)
Gemi Seriya	No. of buses operating rural areas	13	42	38	86,400 passengers
Nisi Seriya	No. of buses operating areas where the night time transport facilities needed	16	42	100	10,000 passengers

Source: Ministry of Private Transport

With a view to minimizing the vehicle congestion in Colombo and suburbs and also to minimize the difficulties of passengers having to travel from one place to another in Colombo by two or more buses, luxury bus services have been introduced as a pilot project, Moratuwa-Colombo

and Colombo - Negombo with the participation of private sector. A bus service exclusively for ladies was introduced in order to provide opportunities for them to travel separately. This special bus service operates from Kottawa to Colombo and Moratuwa to Colombo regularly.

Fuel Consumption in Transport Sector -2011

In 2011, total fuel consumption has increased by 5.5 percent compared to 2010. Nearly 85 percent of energy demand in 2011 has come from the private passenger vehicles which carry less than 40 percent (of

which 56 percent was cars and vans) of the passengers. All public modes of transport (bus and rail) together will account for less than 15 percent of fuel consumption in 2011.

Chart 8.41

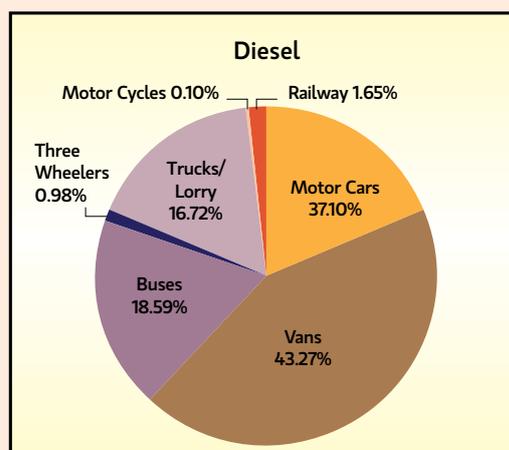
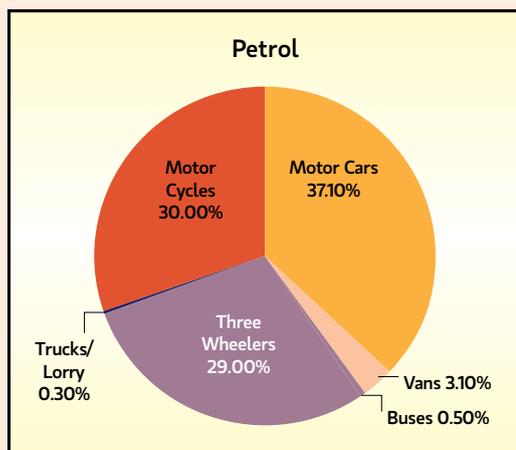
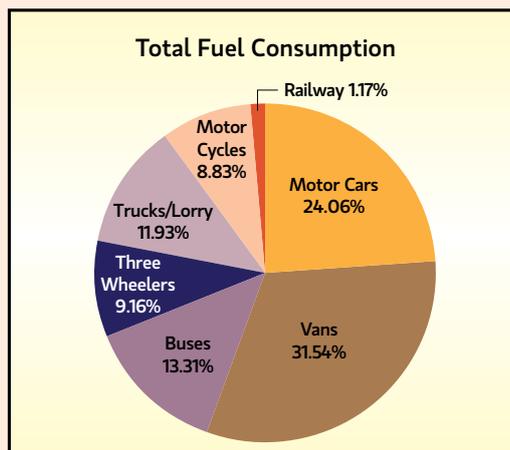


Table 8.55 > Fuel intensity of Different Modes of Land Transport

Mode	Fuel Consumption per 1000 seat km (l)	Passenger Occupancy
Motor Car (10km/l)	25.0	2.5
12 Seater Private Van (8km/l)	10.0	4.2
Public 50 Seater Bus (3km/l)	6.7	52.0
Train with 12 Compartments (0.3km/l)	2.5	480.0

Source: Dr. T L Gunaruwan, University of Colombo

The growing use of fuel and inefficient combustion of fuel will increase air pollution and emissions of a variety of greenhouse gases. The significant efforts made by the Government over the past few years and vehicular emission standards were gazetted in 2008, by which regulates the smoke testing process. It was implemented in 7 provinces by the end of 2011. Testing of vehicle emission is carried out by the private sector under the supervision of Department of Motor Traffic and monitoring of Central Environmental Authority.

The policy attention paid to increase investment on public transport especially in Mass Rapid Transport (MRT), Bus Rapid Transport (BRT) and Monorail Systems to enhance fuel efficiency.

Rail Transport

Sri Lanka Railways catered 4.3 percent of the total passenger market by carrying 110 million passengers in 2011. This is a decrease by 0.3 percent from the number of passengers carried in 2010. In addition, railways transported 1.8 mn MT of freight in 2011 which is approximately 2 percent of the total freight transportation including cement and petroleum products.

In order to increase the efficiency of the railway transportation, improvement of existing railway lines are being carried out. Modernization work of the Coastal railway line between Kalutara and Galle at a cost of US \$ 56 mn is being carried out to increase the speed level from 40km/hr to 100km/hr. In addition, expansion of the railway network throughout the country is underway and several feasibility studies have already been completed. The new railroads identified for construction are Kurunegala -Habarana via Dambulla, Kottawa- Horana and the extension of Kelani Valley rail line to Hambantota via Ratnapura.

In addition, the construction of the Matara - Beliatta section, which is the first stage of the Matara - Kataragama extension

of Colombo - Matara railway line has commenced. About US \$ 425 mn has been allocated to reconstruct the rail lines from Medawachchiya - Talaimannar and Omantai - Palai.

In order to improve the transport facilities in Eastern Province, a Rail-bus service and a new luxury train service have been introduced. Up to 2010, Power Sets were used for short distance operations and in 2011, steps were taken to import 20 new power sets from India at a cost of US \$ 71.35 mn for long distance services. Out of them 09 power sets have been already received. Among them 06 are in operation and 03 are in testing stage. In addition, 07 power sets have been ordered from China at the cost of US \$ 101 mn. Out of these, 2 air conditioned power sets will be operated for tourist transportation.

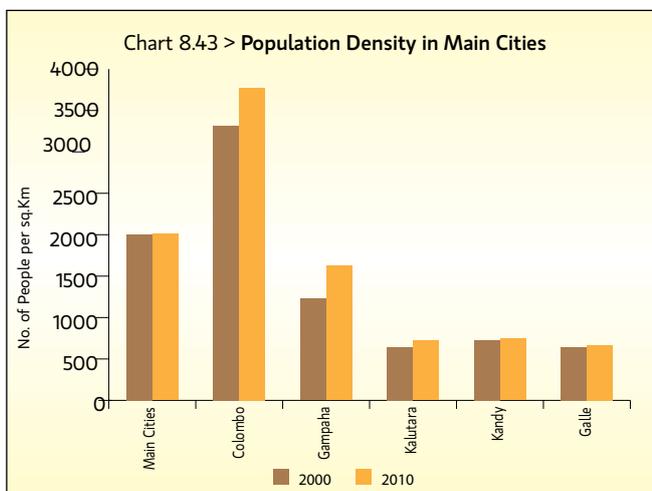
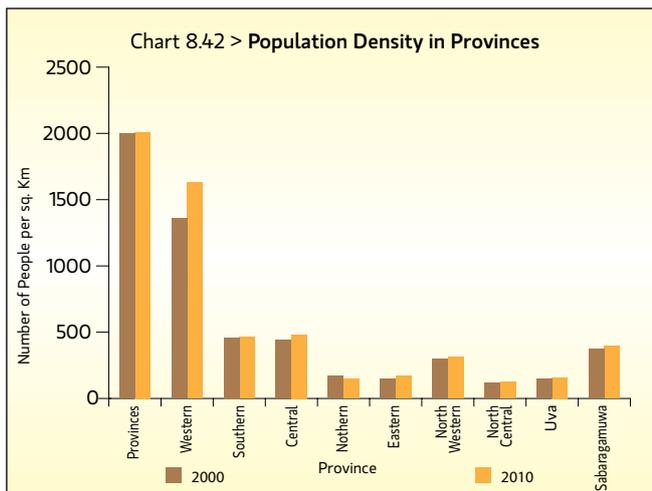
During the year 2011 safety signals have been installed level crossings at Alawathupitiya, Kudahakapola, Peralanda, Uk-gahawatta, Makumbura, Vimana road, Horape and Tangarin road at the cost of Rs 16 mn. Rehabilitation of the old centralized rail control system from Maradana to Wadduwa has commenced at the cost of US \$1.58 mn.

8.4.7 Urban and Township Development

The average rate of urbanization in Sri Lanka is 3 - 4 percent while annual population growth rate is less than 1.0 percent. At present 35 percent of Sri Lankans live in urban areas. In terms of population density, Sri Lanka was in 39th place in the World and 12th in the Asia. By 2030, the estimated population would be 25 million, of which 60 percent is expected to live in urban areas. Therefore, the government's vision is to develop well integrated and connected urban and semi urban centres across the country. Accordingly, development of the road networks, transport, urban utilities and other infrastructure facilities to meet the growing economic and social needs of people is given high priority.

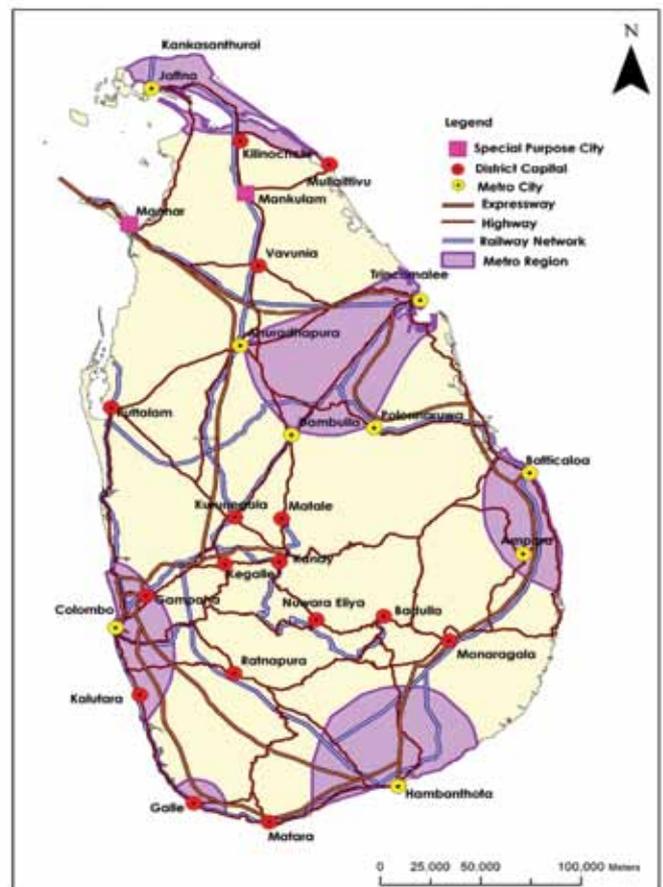
Haphazard urbanization, lack of coordination among the government infrastructure development institutions and regulatory institutions, non availability of integrated plan for urban development, increasing trend of shanty dwellers and urban poverty, lack of suitable lands are the major issues faced by the urban sector. Therefore, sustainable urban development which links sectoral and regional development is highly significant.

In this background, "National Physical Planning Policy and Plan" has been launched in terms of the section 3 (1) in Town and Country Planning (Amendments) Act No. 49 of 2000 in 2007 to achieve sustainable urban development throughout the country.



Source: Department of Census & Statistics

Map 8.2 > Settlement Pattern 2030 and Systematic Location of Metro Regions



Source: The Department of National Physical Planning

The government has proposed to develop a network of growth centres including 05 metro regions, 09 metro cities, 17 district capitals, 02 special purpose cities in Mankulam and Mannar and 300 service centres (approximately) to promote catalytic regional investment. The following are the major achievements made under urban development in 2011.

Township Development in Colombo and suburb

- Relocation of government offices including security establishment in Battaramulla is one of the major projects in the present Greater Colombo city development plan. The second stage of office complex construction has almost completed at a cost of Rs. 2,873.8 mn. The work is in progress to relocate security establishment at a cost of Rs.20 Bn.
- Auditor General Department has been relocated at a new building complex in Battaramulla.
- Old Dutch Hospital at Colombo Fort has been renovated and it was transformed as a modern shopping complex and food court.
- Independent Square is being transformed to a green township environment with the modernization of National Archives and sport complex including artificial Hockey turf at Reid Avenue Colombo 07, is almost completed in 2011 at a cost of Rs. 180 mn.
- Improvement and construction of new urban facilities such as jogging tracks, recreation ground, public parking, paving the pedestrian ways were completed emerging townships in Colombo, Battaramulla, Malambe, Gampaha, Kadawatha. In addition, Mahinda Rajapaksha Diyagama stadium was declared open to the sportsmen in 2011.
- Renovation of Old Marketing Department building at Colombo Fort.
- Relocation of fish market at Peliyagoda was completed while relocation of Manning Market at Peliyagoda was initiated in 2011.
- Refurbishment of Central Supper Market Building at Pettah.
- Dredging and construction of six water retention lakes and improve the canals and flood protection system at a cost of Rs. 804.2 mn in Colombo¹.
- Homagama bus stand development project implemented under the Homagama Town Centre Development is also approaching to the final stage. The estimated cost of this project is Rs. 68.0 mn.
- The loan agreement to be signed to obtain US \$ 213 mn from the International Bank for Reconstruction and Development (IBRD) to implement the Metro Colombo Urban Development Project. The objective of this project is to reduce flooding in the catchment of Colombo water basin and strengthen the capacity of local authorities in the Colombo Metropolitan Area (CMA) to rehabilitate, improve and maintain its local infrastructure facilities.

Port City Development in the South

- Hambantota city to be developed as an industrial and transportation hub while improving the modern facilities required for emerging township environment. A fully fledged administrative complex was established in 2011 at a cost of Rs. 2,900 mn on a 72 acre land in Siribopura. Accordingly, 42 government institutions housed in this building complex including Local Government institutions, auditorium, banks, post office, public library, telecommunication offices, and official residences.
- International convention centre and a central bus-stand are being constructed at a cost of Rs. 4,490 mn in Siribopura. The International convention centre comprises of about 2000 seats, modern restaurants, and open air theater and exhibition halls.
- The sport complex at Dalalla is being constructed at a cost of Rs.500 mn in order to develop recreational facilities under the Greater Galle Development Programme.
- Radampola mini town, Matara development is almost completed at a cost of Rs. 50 mn in 2011.

¹ Construction of water retention lake at Diyawannawa Garden, Dredging of Thalawathugoda lake and Kimbulawala lake, Construction of water retention lake and earth hillocks in Waters Edge, Canal Bank protection using sheet piles and gabion, Dredging of Epitamulla lake, Dredging of lakes at Mudun Ela, fish market, cleaning of canal flow hindrances under bridges, improvement of Beira canal, drainage improvement work near Devi Balika Vidyalyaya

Domestic Trade Hub - Dambulla

Being the main distributor of agricultural production which comes from Northern, Eastern, North Western and Central provinces along with existing economic centre, Dambulla city to be developed to facilitate this vision. Accordingly following projects are being implemented.

- Two storied multi-purpose hall at Galewela was completed at a cost of Rs.120 mn. Total floor area of this building is 2500 square meters with 500 seating capacity.
- Administrative complex at Gam-Udawa Site, Dambulla was completed at a cost of Rs.89 mn. This building comprised of three wings six floors per each to house all administrative institutions in one shelter.
- Two storied bus stand building is being constructed in Naula at a cost of Rs. 40 mn including bus terminals, tracks, parking and shopping facilities as well.

Up Country Development

- Nuwara Eliya being one of the well known tourist destinations in Sri Lanka. The rehabilitation of Lake Gregory was completed in 2011 at a cost of Rs.175 mn. At present, it plays a major role of sea plane transport system which is the modern and new approaches of tourism industry in Sri Lanka.
- Badulla town centre development was initiated in 2011 in order to provide better commercial space in the heart of the town. The estimated cost is Rs. 250 mn.

Eastern Development

- In addition establishment of Kantale Leelaratne play ground is being implemented at a cost of Rs.86mn to provide better recreational facilities.

- Planning and consultation for the project such as Batticaloa Sport Complex, Supervising Office in Batticaloa have already been planned by the UDA'
- Development works of Kantale bus stand and retail shops in town area were also approached to the final stages at a cost of Rs.74mn and Rs.22mn respectively.
- Pasikuda, Kuchchaweli, Trincomalee are being developed as tourism based townships in the Eastern Province.

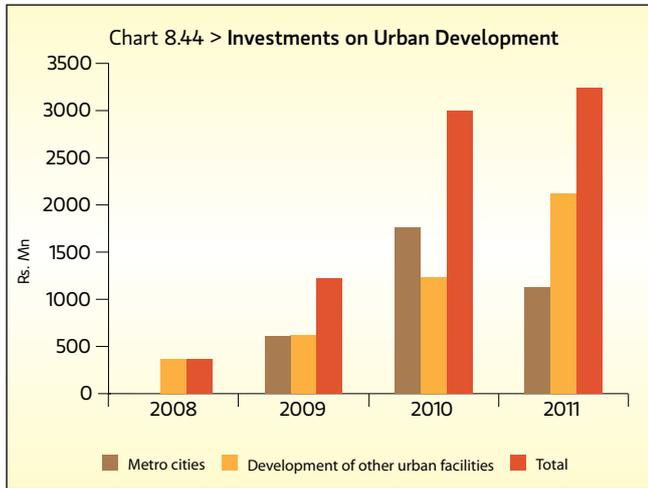
Northern development

- Planning and consultation service for the project such as Jaffna city shopping complex, cultural centre development and construction of Thuraiappa stadium were initiated.

University Township Development

- Townships based on universities of Rajarata, Wayamba, Sabaragamuwa, South Eastern, Uva Wellassa and Vavuniya campus will be developed with a unique core identity for each university.
- Accordingly Rs. 3,000 mn has been allocated for this project for the implementation during 2012-2015.
- Required facilities such as transportation, accommodation, and recreation facilities will be developed under this programme.
- This will help to create surrounding township of the university to provide opportunities for knowledge base economy.
- Students will be able to find part time job opportunities and working experience for their career development.

The government's investment for urban development sector has increased by about nine fold from Rs. 361 mn to Rs. 3,244 mn from 2008 - 2011.



Source: Department of National Budget & Department of National Planning

Note: *Urban development programmes such as development of town centres implemented by the Ministry of Local Government and Provincial Councils, the UDA are included

Challenges

- Issues on land acquisition and getting public support for structural changes in urban environment continue to interrupt rapid expansion.
- Lack of capacity and weak coordination of local authorities.
- High cost involved in the provision of quality urban services such as solid waste management, sewerage, and public sanitation to the increasing urban population which demand private investment.
- Attracting private investment for solid waste management, sewerage and provision of other urban services which required commercial agreement, institutional set up and willingness of state agencies to corporate such development models.

8.4.8 Regional Development

The government gives high priority to ensure that its development process is equitable across provinces and communities. A number of regionally focused development initiatives is being implemented to address provincial focus development issues to reduce such inequalities. Improving connectivity between regions through the development of

road network is one of the major strategies. Remote rural localities are being linked to the country's ports, airports, urban townships and economic centers. The government has launched a rapid development programme to provide a nation-wide access to electricity, water supply, transport, communication, health, education, and information communication facilities.

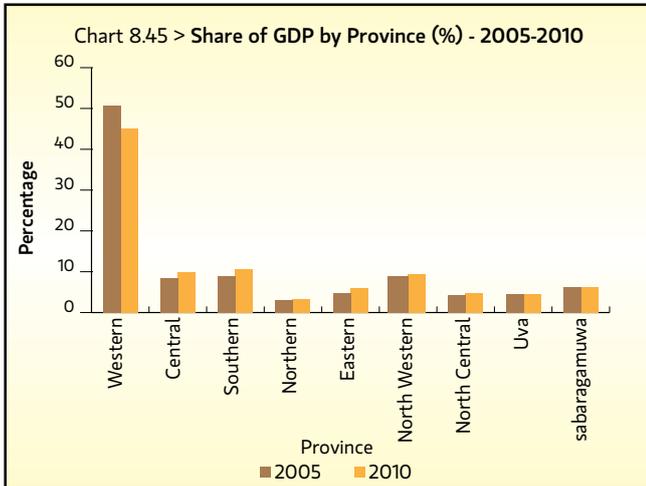
Table 8.56 > **Regional Development Programmes Implemented - 2011**

Programme	Scope	Duration	Beneficiary Coverage	Annual Investment (Rs. mn)
Divi Neguma	Empowering households	From 2011	1.5 million households	4,400
Gamaneguma	Development of basic access to services to uplift the villages and living condition of rural people using their own resources	From 2006 up to now	14,000 GN Divisions Communities	8,600
Maga Neguma	Improving rural roads network	From 2005 up to now	more than 15,000 families	4,000
Pura Neguma	Improving backward Local Authorities	2011 - 2014	100 Local Authorities Communities	12
Nenasala	Bringing ICT to the village	From 2005 up to now	Establishment of 625 centres for benefiting about 1,000,000 persons	6,500

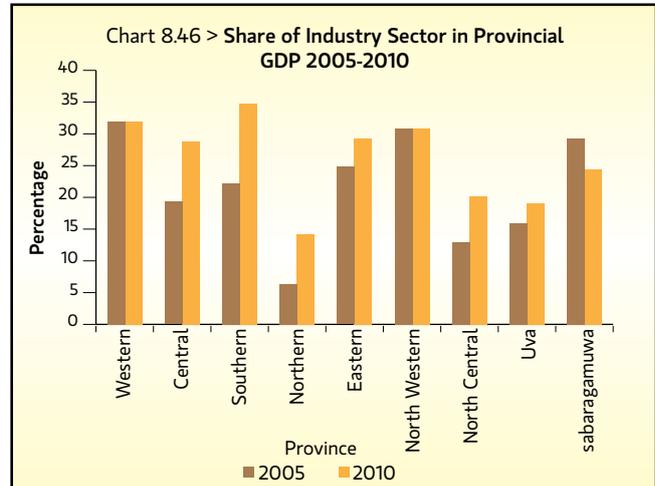
Source: Department of National Planning

Provincial GDP

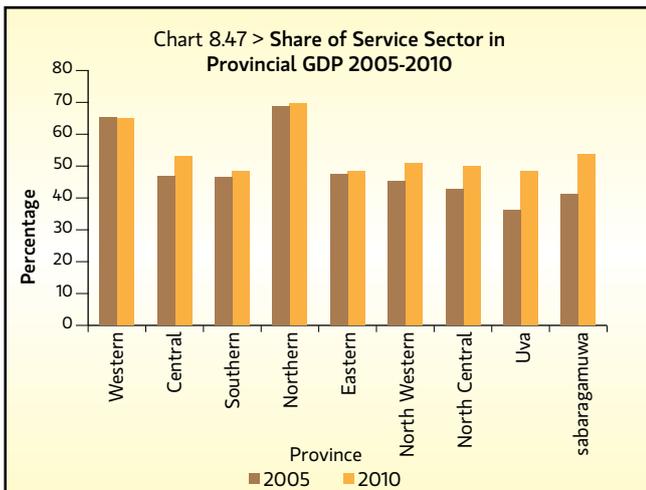
The impact of development programmes on reducing regional inequality is already evident the share of contribution of the Western Province to GDP has decreased to 45.1 percent in 2010 from 50.8 percent in 2005. The share of GDP of the Central and Southern Provinces increased by around 20 percent during 2005-2010 period. The contribution to GDP from all Provinces increased in absolute terms.



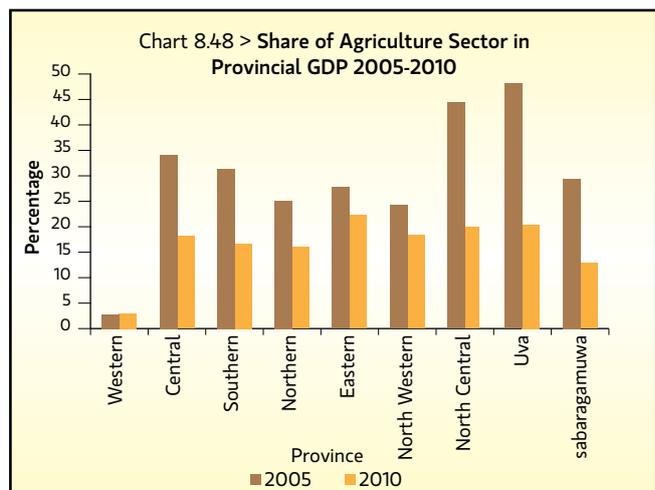
Source: Central Bank of Sri Lanka



Source: Central Bank of Sri Lanka



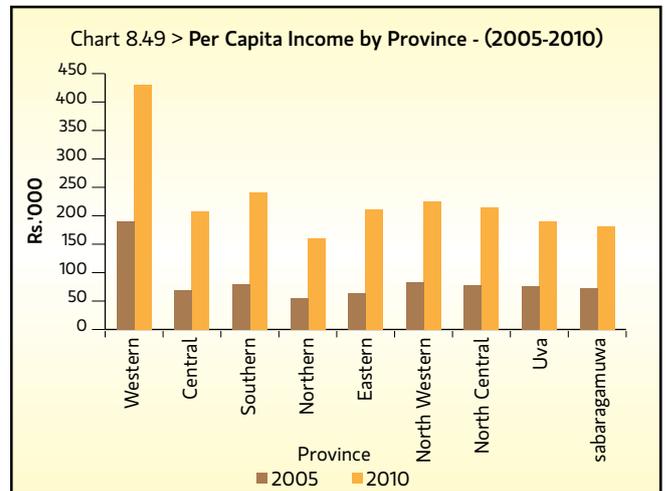
Source: Central Bank of Sri Lanka



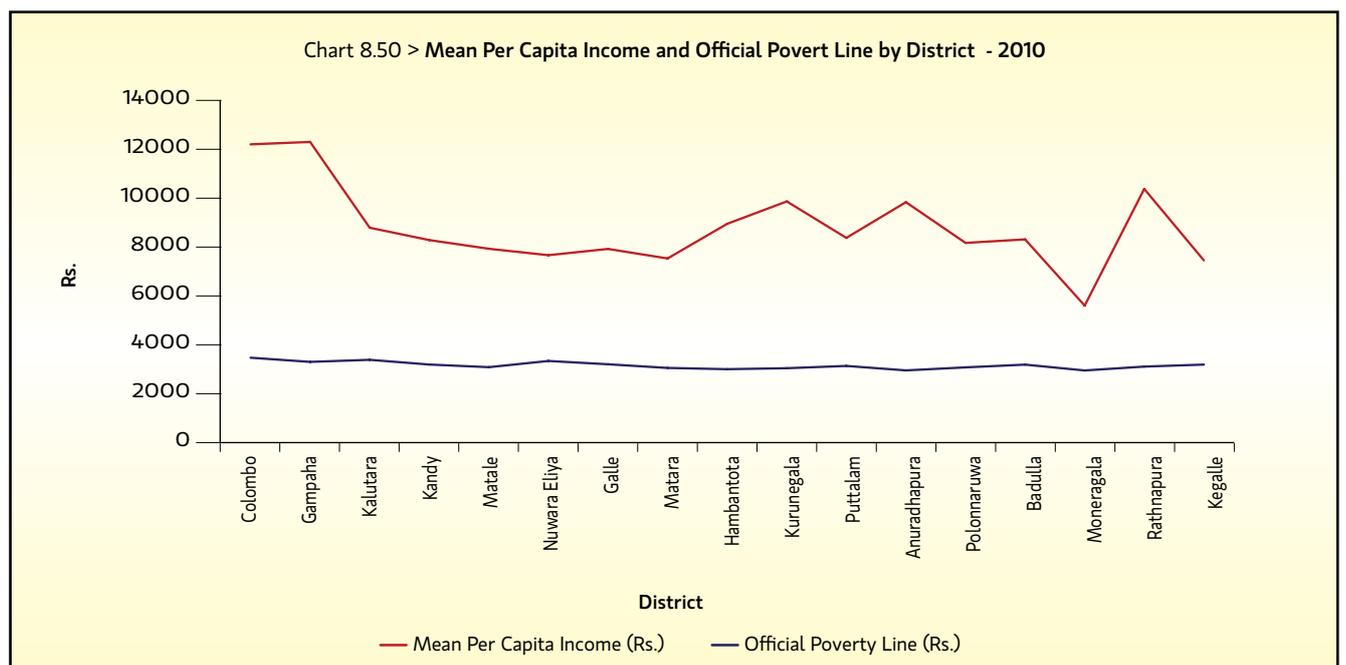
Source: Central Bank of Sri Lanka

The per capita income of the Western Province increased by 125 percent and the per capita income of Northern Province increased by 187.5 percent during 2005-2010. Consequently, per capita income gap between Western Province and other Provinces has begun to decrease.

The Gini Coefficient (the indicator used to measure inequality levels of household income) of Eastern Province reduced to 0.42 in 2009/10 from 0.44 in 2006/07 indicating an improved income distribution in the province. Meanwhile, the Gini Coefficient of household income of the Western Province decreased from 0.49 in 2006/07 to 0.47 in 2009/10 reflecting on improved income distribution in Western Province. However, the Gini Coefficients of Sabaragamuwa and North Western Provinces increased up to 0.53 and 0.54 respectively indicating a worsening of income distribution among people in those provinces



Source: Central Bank of Sri Lanka



Source: Central Bank of Sri Lanka

* The data related to official poverty line for districts in Northern and Eastern Provinces are not available

The average monthly per capita income of all Districts is above the respective poverty line. This indicates that the livelihood income sources of the majority of people in all districts are higher than the official poverty line. There is a large gap between the mean per capita income and official poverty line in Colombo and Gampaha Districts. The regional development initiatives of the government have focused on increasing the livelihood income sources particularly

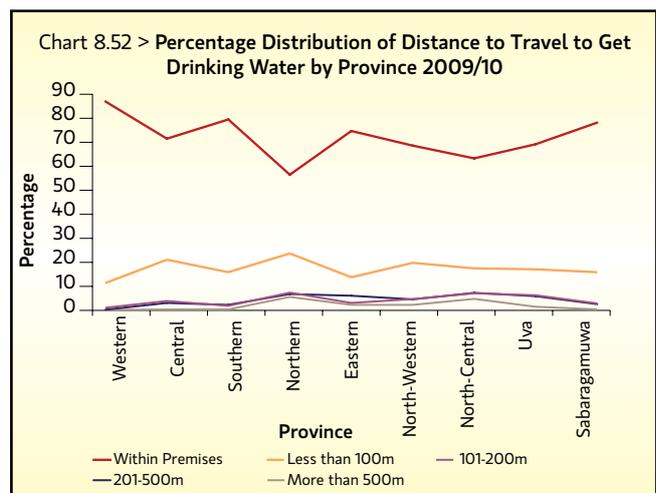
through the implementation of Divineguma programme targeting 2.5 mn households.

The regional disparities in education is another concern. Type 1 AB and 1C schools have better education facilities than other types of schools. About 51 percent of 1AB type schools and 43 percent of 1C type schools are located in the Western, Southern and Central Provinces. These three pro-

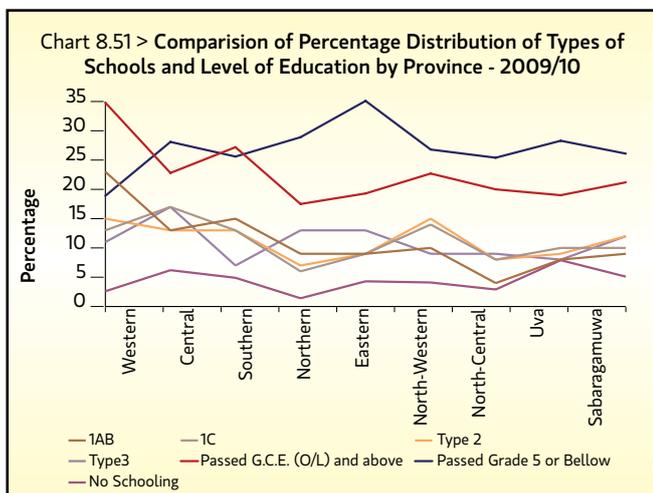
vinces have a higher percentage of G.C.E. (O/L) and above qualified people. The level of education of people in other provinces is relatively lower than these three provinces. In order to achieve a balanced education development the government has launched 1000 secondary schools and 5,000 primary schools development programmes to be implement in 2012-2014.

Despite the expansion of investing in water supply projects, there is a disparity in access to water among provinces. Further access to safe water in the provinces such as Uva and Sabaragamuwa are lower than the national standard. Rural water supply projects are being implemented as part of ongoing Gama Neguma initiatives. The community water supply trust was established to provide community water supply projects on a sustainable basis.

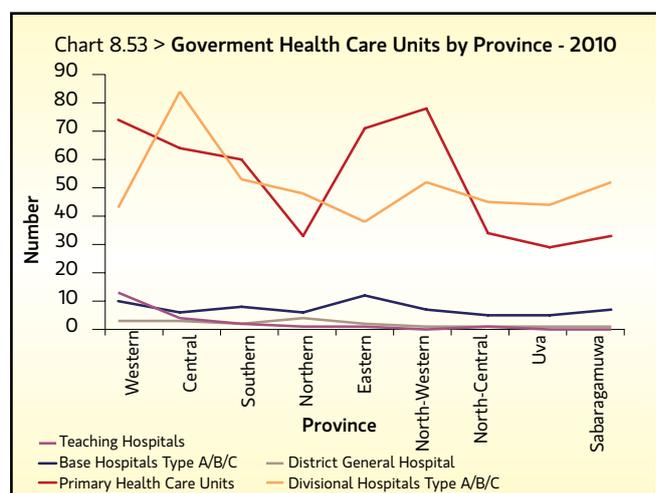
The tertiary hospitals such as teaching hospitals and district general hospitals are concentrated in the Western, Central and Southern Provinces. The government has planned to upgrade all divisional and rural hospitals by providing modern equipment to reduce the regional disparity in health facilities.



Source: Department of Census and Statistics

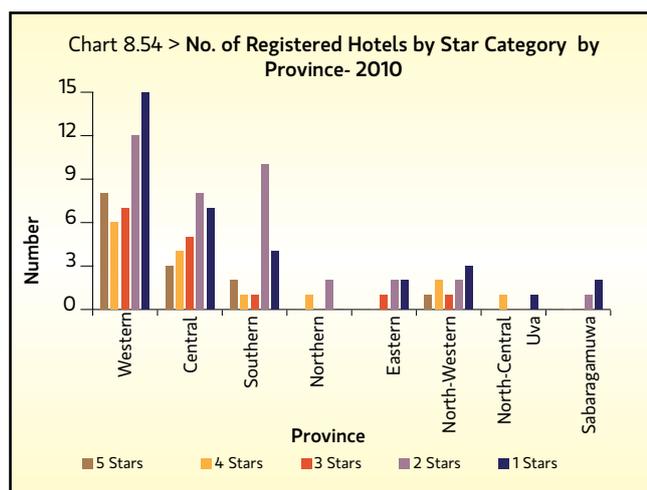


Source: Ministry of Education

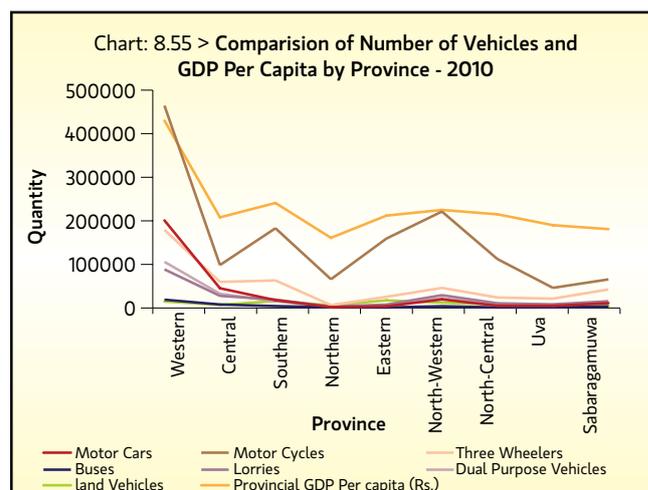


Source: Department of Census and Statistics

The distribution of the licensed vehicles in the provinces and the provincial per capita GDP indicate that there is a strong correlation indicating improved access to schools, health and urban facilities with the economic growth.



Source: Sri Lanka Tourism Development Authority



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

Table 8.57 > **Regional Development Key Indicators**

Province	Poverty HCR (%)		Gini coefficient of household income		Prosperity Index		Contribution to GDP		Per Capita Income (Rs. 000)		Unemployment Rate	
	2002/2003	2009/2010	2006/2007	2009/2010	2005	2007	2005	2010	2005	2010	2005	2010
Western	10.8	4.2	0.49	0.47	60.3	66.1	50.8	45.1	191	430	5.7	3.7
Central	25.1	9.7	0.48	0.48	47.8	52.9	8.4	10.0	70	208	6.9	6.7
Southern	27.8	9.8	0.44	0.42	47.5	51.5	8.9	10.7	79	241	9.4	7.8
Northern	N/A	12.8	N/A	N/A	41.8	43.6	3.1	3.4	56	161	N/A	N/A
Eastern	N/A	14.8	0.44	0.42	40.5	44.2	4.8	5.9	64	212	N/A	5.3
North Western	27.3	11.3	0.48	0.54	45.7	49.4	8.9	9.4	83	225	5.9	4.8
North Central	21.5	5.7	0.44	0.44	44.1	48.4	4.2	4.8	78	215	6.3	3.6
Uva	37.2	13.7	0.48	0.47	42.3	47.8	4.4	4.5	77	190	8.2	4.1
Sabaragamuwa	33.6	10.6	0.48	0.53	43.9	48.2	6.3	6.3	72	181	7.8	4.6
Sri Lanka	22.7	8.9	0.49	0.49	48.1	52.7	100	100	125	271	8.9	4.9

Source: Department of Censuses & Statistics / Central Bank of Sri Lanka

Table 8.58 > **Key indicators on Infrastructure Accessibility improvement**

Province	Roads (km.)		Never attended school -age 5-20 (%)		University Admission		Access to Safe Drinking Water (%)		Access to Electricity (% of Households)	
	2006	2010	2003/2004	2009/2010	2005/06	2009/10	2006/2007	2009/2010	2003/2004	2009/10
Western	3,410	3,536	3.9	3.5	4,650	5,512	94.4	95.7	92.4	95.0
Central	3,962	3,982	11.1	3.7	1,844	2,111	72.1	81.2	72.7	87.3
Southern	3,119	3,194	7.7	3.7	2,805	3,553	85.0	86.2	78.4	91.1
Northern	1,259	3,219	7.6	2.5	1,396	1,532	N/A	96.2	63.6	69.6
Eastern	2,246	2,269	13.8	2.5	1,099	1,308	89.1	96.0	65.6	76.3
North Western	3,429	3,523	6.7	4.0	1,828	2,226	86.2	91.4	68.5	77.0
North Central	3,105	3,231	7.6	3.5	715	879	82.7	91.7	62.0	77.2
Uva	2,903	2,903	11.9	3.2	809	1,005	78.3	69.9	56.7	78.9
Sabaragamuwa	3,317	3,777	9.0	3.5	1,358	1,985	72.9	70.4	64.7	79.1
Sri Lanka	26,750	29,634	7.9	3.5	17,299	21,547	84.7	87.7	74.9	85.3

Source: Central Bank of Sri Lanka / : Department of Censuses & Statistics

Table 8.59 > **Density of licensed Vehicles by Type and by District - 2010**

District	Population ('000) (Provisional)	Number of Persons per car	Number of persons per Motor Cycle	Number of persons per Three Wheeler	Number of persons per bus	Number of persons per lorry	Number of persons per dual purpose vehicle	Number of Persons per land vehicle
Colombo	2,553	17	12	28	231	46	38	291
Gampaha	2,177	58	13	37	410	91	77	506
Kalutara	1,135	92	14	38	431	124	113	616
Kandy	1,431	35	22	34	279	74	56	556
NuwaraEliya	761	318	74	99	886	159	195	1,319
Matale	497	200	21	48	250	133	159	122
Galle	1,080	119	12	43	595	131	147	334
Matara	839	127	16	36	476	136	165	183
Hambantota	571	257	13	38	756	118	187	71
Jaffna	611	331	13	153	656	357	470	151
Vavuniya	174	916	13	84	713	177	368	109
Mullative	148	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kilinochchi	156	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mannar	104	2,419	24	256	675	248	671	249
Trincomalee	374	467	10	46	947	161	227	103
Batticaloa	543	426	10	87	2,935	285	380	99
Ampara	644	355	10	58	1,064	179	234	77
Kurunegala	1,563	113	10	48	508	84	111	170
Puttalam (2009)	770	132	11	59	823	72	91	252
Anuradapura	830	215	10	54	1,029	115	179	168
Polonnaruwa	410	309	12	47	990	118	190	142
Badulla	886	227	35	58	788	144	208	407
Moneragala	440	442	21	73	1,306	194	331	111
Ratnapura (2009)	1,113	163	28	49	561	120	171	360
Kegalle (2009)	813	193	31	42	532	134	168	823
Sri Lanka	20,623	317.4	17.4	60.6	713.6	136.0	197.4	288.7

Source: All District Secretariat Offices

Table 8.60 > **Distribution of Commercial Places by District* - 2009**

District	Retail Shops and Canteens	Restaurants and Food Canteens	Textile and Footwear	Meat, Fish and Vegetables	Dispensary and Pharmacy	Wood and Iron Furniture	Electrical Items	Grocery Goods	Building Material and Paints	Liquor Shops	Jewellery and Stationery	Book and Motor Vehicles	Spare parts and Vehicles	Other	Total
Gampaha	6,612	2,127	1,008	821	494	643	276	522	884	143	324	283	458	329	14,924
Kalutara	5,356	1,285	902	551	296	289	248	342	25	33	209	242	310	2,123	12,211
Kandy	8,467	1,529	928	960	310	535	282	578	650	108	172	369	287	4,115	19,290
Matale	3,345	822	439	687	185	253	130	234	221	51	100	142	101	4,668	11,378
Nuwara Eliya	3,927	496	332	491	90	107	110	169	125	137	139	93	74	621	6,911
Galle	6,690	1,525	980	739	701	435	295	539	587	67	209	465	191	1,644	15,067
Matara	5,063	889	595	279	277	246	183	422	280	37	157	158	136	2,678	11,400
Hambantota	3,049	898	337	425	139	131	81	341	180	17	78	114	76	1,507	7,373
Vavuniya	241	51	66	52	42	42	32	117	79	32	49	75	68	380	1,326
Batticaloa	1,694	679	379	594	115	248	194	665	157	41	245	140	147	1,322	6,620
Ampara	5,432	1,193	319	384	172	134	177	171	255	41	218	86	360	2,214	11,156
Kurunegala	10,447	1,901	770	992	330	318	238	422	559	115	225	290	309	16,916	33,832
Puttalam	3,653	851	426	496	250	450	162	270	330	75	192	173	264	3,187	10,779
Anuradhapura	5,266	803	439	474	124	254	87	164	209	23	89	114	123	1,089	9,258
Polonnaruwa	1,296	431	153	168	58	159	55	119	84	25	49	60	80	1,152	3,889
Badulla	5,720	711	491	808	184	212	181	216	181	102	122	173	218	287	9,606
Moneragala	3,306	660	169	235	65	91	57	89	98	32	35	44	74	322	5,277
Ratnapura	5,119	1,549	587	369	196	193	127	230	276	61	109	163	88	1,535	10,602
Kegalle	4,076	1,302	303	372	134	157	50	74	131	28	56	74	37	237	7,031
Total	88,759	19,702	9,623	9,897	4,162	4,897	2,965	5,684	5,311	1,168	2,777	3,258	3,401	46,326	207,930

* The data related to Colombo, Jaffna, Mannar, Mullaitivu, Kilinochchi, and Trincomalee Districts is not available
Source: Department of Census and Statistics

Table 8.61 > **Small Tanks and Anicuts by District**

Province	District	Number of Tank	Number of Anicuts	Working		
				Command Area (Ha)		Total
				Tank	Anicuts	
Western	Colombo	3	210	121	1,963	2,084
	Gampaha	24	395	359	4,635	4,994
	Kalutara	6	401	157	5,949	6,106
Central	Kandy	86	1,586	642	8,490	9,132
	Matale	278	759	3,541	5,889	9,430
	Nuwara Eliya	54	1,113	891	8,455	9,347
Southern	Galle	0	504	0	6,872	6,872
	Matara	24	825	591	11,370	11,960
	Hambantota	446	32	3,279	362	3,640
Northern	Mullaitivu	129	3	2,884	112	2,996
	Mannar	61	3	1,164	25	1,188
	Vavuniya	453	12	10,426	224	10,650
Eastern	Ampara	181	46	3,538	117	3,655
	Trincomalee	428	0	10,000	0	10,000
	Batticaloa	132	4	3,286	213	3,499
North Western	Kurunegala	4,192	657	33,140	7,045	40,185
	Puttalam	743	63	8,751	1,388	10,138
North Central	Anuradhapura	2,333	8	46,339	161	46,500
	Polonnaruwa	79	131	2,563	4,638	7,201
Uva	Badulla	259	3,623	1,945	12,809	14,754
	Moneragala	285	325	2,157	2,186	4,343
Sabaragamuwa	Kegalle	7	609	104	2,991	3,095
	Ratnapura	59	1,436	822	11,391	12,214
Total		10,262	12,745	136,699	97,285	233,984

Source: Department of Agrarian Development

Table 8.62 > **Distribution of Religious Institutions by District- 2009**

District	Temple	Kovil	Mosque	Church	Other	Total
Colombo	707	111	88	214	N/A	1,120
Gampaha	778	8	72	181	71	1,110
Kaluthara	408	102	63	16	N/A	589
Kandy	998	351	283	97	15	1,744
Matale	408	102	63	16	N/A	589
Nuwaraeliya	278	438	42	139	N/A	897
Galle	778	29	48	10	22	887
Matara	583	26	44	12	23	688
Hambantota	442	2	19	11	14	488
Jaffna	4	2,331	12	215	N/A	2,562
Vavuniya	21	330	19	55	11	436
Mannar	4	76	58	132	N/A	270
Mullativu	N/A	349	4	57	N/A	410
Kilinochchi	N/A	N/A	N/A	N/A	N/A	N/A
Batticaloa	N/A	N/A	N/A	N/A	N/A	N/A
Ampara	199	186	338	66	N/A	789
Trincomalee	100	245	208	60	N/A	613
Kurunegala	1,519	40	195	97	60	1,911
Puttalam	317	60	199	224	73	873
Anuradhapura	779	20	149	40	13	1,001
Polonnaruwa	308	26	38	10	7	389
Badulla	477	323	55	51	10	916
Moneragala	332	42	24	11	1	410
Ratnapura	710	192	55	46	20	1,023
Kegalle	672	128	77	40	21	938
Total	10,822	5,517	2,153	1,800	361	20,653

Source : Department of Census and Statistics

BOX 8.5 > **Gama Neguma – Empowering Villages**

Government place rural sector at the core of its development plans for reducing poverty through increasing the income of majority of people and maintain urban and rural equity. The Gamaneguma, the Government programme is to promote efficient linkages between mainstream development and rural centric activities in the villages, for making the rural communities a major contributor to national economy, provides: Rural and farm land access roads, electrification of villages, minor irrigations and community water supply and filling gaps of the existing programme such as development maternity and health care centers, pre-schools, market places, storages, and livelihood development initiatives. This has significantly contributed to the decline in

the incidence of poverty in rural sector from 15.7 percent in 2006/07 to 9.4 percent in 2009/10.

Starting with 119 villages in 2006, the Gamaneguma programme has been extended to all Grama Niladari Divisions in 2011 on par with the Mahinda Chintana vision development policy framework. In 2011, Rs 11.3 Bn has been allocated for this programme.

It directly benefited to improve of life-style in all citizens especially in the rural areas and emerging regions. During 2006-2011 period under the Gamaneguma programme 128,559 projects have been completed at the cost of Rs. 43,366 mn benefitting 20,931,232 persons.

Table 8.b.2 > **Gamaneguma Rural Infrastructure Programme 2006 - 2010**

Description	2006		2007		2008		2009		2010	
	Expen. (Rs mn)	No of Proj								
Rural Roads	84	46	2,969	4,508	7,313	16,465	6,599	15,104	9,573	25,300
Rural Electrification	113	64	128	157	882	1606	706	1279	666	2066
Water Supply & Sanitation	3	7	96	137	272	820	322	876	455	870
Minor Irrigation	2	10	203	305	310	659	551	1858	737	1891
Common Buildings	375	88	158	228	291	627	400	1187	150	344
Livelihood Development	15	62	31	50	420	8350	739	4300	93	1574
Social Development	1	27	195	250	406	2319	344	2444	343	1124

Source : Ministry of Economic Development

Figure 8.b.2

Implementing small scale infrastructure programme has made direct and indirect benefits to the economic activities in the village. The achievements of the key developments areas are shown below.



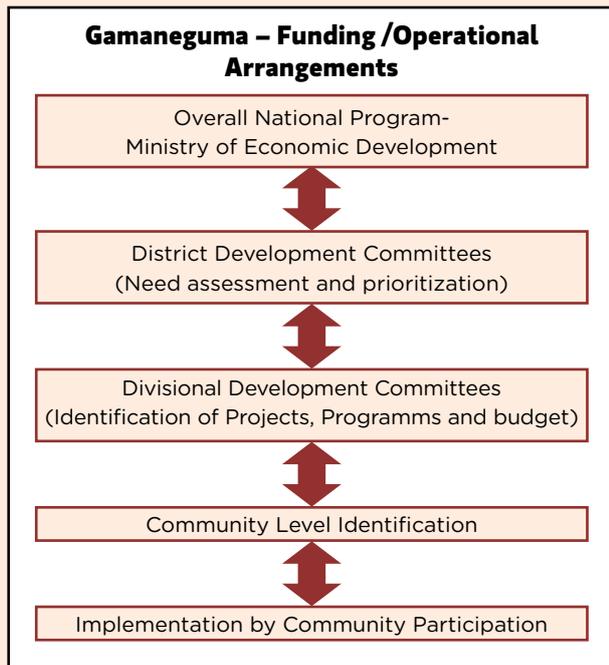
Source : Ministry of Economic Development

In 2012, the Gamaneguma undertakes a new approach of “one project for one village” to implement one development project in each village with each project costing Rs 1 million. The importance of this approach is to bring new dimensions, catering to the emerging needs of village.

14,000 development projects have already been selected to be implemented in all 14,000 Grama Niladary Divisions with the participation of community organizations. The programme has been implemented through the Ministry of Economic Development.

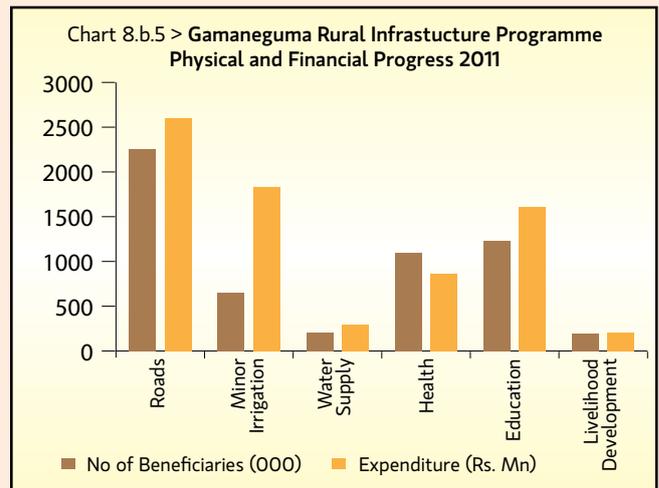
Road development, minor irrigation and drinking water facilities are the most popular projects.

Figure 8.b.3



Source : Ministry of Economic Development

The participatory nature of the decision making process has led to better targeting of the priority and thereby, improved governance, transparency and accountability at the village level. In order to meet the objective of this innovation, the Government take the role of the facilitator of development projects initiated by the people. Therefore, the success of this programme will depend upon the better



Source : Ministry of Economic Development

co-ordination with the government and the people at the grass root level. Thus, the rural community will wean away from dependency on subsistence agriculture and wage labour and benefit from a diversified stream of income, both from on-farm and off-farm livelihood opportunities. Thereby, new approach will discourage people from leaving the village and create the prosperous village centers.

BOX 8.6 > Divi Neguma - Changing Dynamics

Cause factors: Along with the change in daily food habits and consumption patterns, in line with improved income and middle income lifestyle the people tend to be vulnerable to food insecurity, nutritional problems, health hazards, quality of life and environmental problems. Divi Neguma is a novel initiative of the government proposed in 2011 budget to show how people can produce most of the vegetable and fruits needed for daily consumption within the household using their own labor and resources in a productive and efficient manner. It encourages households to make a family effort to address basic household problems. "Divi Neguma", the national drive of creating healthy and economically empowered households, was initiated on 12 March 2011 with the objectives of strengthening the economic base of the family in support of creating a strong network of backyard economy.

Strategic Thrust: The first phase of Divi Neguma focused on setting up of one million domestic economic units to encourage a wide range of economic activities spanning from gardening, vegetable/fruit cultivation, environment friendly living arrangements, home based industries, and services etc. Home units were identified paying special attention to the feasibility of the economic unit, interest of potential beneficiaries, their dedication and compe-

tency level, availability of skilled non-skilled labor within the household, resource availability at home environment, market potential for the relevant home based industry in the region etc. to ensure smooth implementation of the program in a sustainable manner.

People Initiative-Government Support: Development of Cottage Industries, self employment support initiatives, fishery and livestock development are the main focus in the second phase of the program which was launched on 27 October, 2011 providing meaningful stimulus to the domestic economy. The efficient operation of a Divi Neguma needs simplified and considerable organizational improvements in the rural economy. Their products need to be linked to domestic and regional markets. Implementation of projects such as mobile shops for self employment, retail shopping facilities for handicrafts, fresh fruits, vegetables and home needs, marketing outlets for newspapers and magazines, retail shops around religious and public places, small restaurants, and flower shops etc are important in this context. This program intends to promote organized micro and SME activities in agriculture, livestock, fisheries, small industries as backyard activity in each household.

Table 8.b.3 > **Progress of the first round of the Divi Neguma National program as at 31/12/2011**

District	Nos of families involved in the program	Seed packages	Coconut sapling	Fruit plants	Minor crop, herbal and other plants	Number of Chicks	Expenditure (Rs. Mn)
Colombo	83,550	139,250	37,350	35,812	87,051	8,090	66.87
Gampaha	176,550	294,250	98,426	217,486	115,633	37,015	82.70
Kalutara	114,300	190,500	87,112	14,810	23,307	16,190	66.40
Ratnapura	86,250	143,750	103,026	24,883	186,084	12,982	32.36
Kegalle	85,950	143,250	64,011	124,646	113,761	19,370	58.31
Kurunegala	241,500	402,500	177,074	353,778	452,020	52,349	125.76
Puttalam	82,200	137,000	104,800	15,426	-	49,442	82.17
Anuradaparaya	105,300	175,500	137,693	10,840	15,661	4,200	86.07
Polonnaruwa	44,250	73,750	88,252	148,078	118,000	24,220	52.07
Galle	134,400	293,751	78,837	680,271	55,896	78,303	177.82
Matara	97,500	284,239	31,730	125,654	65,044	11,487	94.06
Hambantota	86,400	144,000	79,989	278,198	114,714	8,800	57.16
Monaragala	47,850	79,750	63,796	152,501	97,950	17,748	39.31
Badulla	85,050	141,750	47,022	178,497	192,186	40,658	63.44
N-Eliya	73,650	122,750	38,993	86,024	63,616	7,105	63.30
Kandy	178,200	293,770	172,697	52,786	213,532	13,520	50.82
Matale	81,750	136,909	65,117	188,813	242,108	7,138	74.93
Trincomalee	34,500	58,110	42,023	10	66,609	8,200	68.69
Bataloa	51,750	86,250	60,150	134,316	25,292	30,000	46.30
Ampara	75,450	130,750	91,290		-	130,518	92.38
Vauniya	50,484	25,500	20,400		1,000		5.18
Manner	41,713	38,150	22,970				6.75
Jaffna		108,750	23,200				15.34
Mulative		4,000	7,010				0.40
Kilinochchi							
Expenditure of all Line Ministries engaged in the program							451.0
Total	2,058,547	3,648,179	1,742,968	2,822,829	2,249,464	577,335	1,959.56

In addition to the above 396 number of of Demo Battas and 250 number of Three Wheelers have been distributed island wide

Source: Ministry of Economic Development

At the start each and every household participate in this program was given seeds, concessions at door steps, awareness programs and technical inputs. Particular attention has been paid under the program to identify import replacement home based industries and home based manufacturing items for large scale industries providing backward linkages for those industries. Steps have been taken to identify and train the beneficiaries through a social mobilization process. Divi Neguma has immensely contributed to the tourist industry due to the growing requirement of fruits, vegetable, poultry products etc for hotels and tourist restaurants. In addition to that the local handicraft and artifacts have become products of tourist attraction and the tourist industry will provide a great boost to our craftsmen. Fishery development is another sector that will anticipate a major upsurge under the Divi Neguma program. Fisheries cooperatives are being strengthened and people engaged in the fishery industry are being given financial assistance for improving their vocations and boat building activities. These facilities are being provided to inland and marine fishing, and breeding and development of ornamental fishing.

of the program has resulted in an expanded coverage up to 2.5 million households under the theme of “Isurumath Nivahanak - Asirimath Maubimak”. Setting up of Divi Neguma enterprise villages consisting of around 200 families with the facility of a small livestock farm, storage facility for dairy products, meat and vegetable, an organic fertilizer processing centre, small rice mill and food processing centre will be in place in 2012. Apart from that small villages to promote home based industries will be identified and Divi Neguma enterprise credit scheme will be introduced during the year. Various subsidy schemes targeted to facilitate home gardening, plant nurseries, livestock, fisheries and beekeeping etc are also being carried out in 2012.

The people centric approach of empowering the village and thereby develop the country is the central theme of Mahinda Chintana “Vision for the Future”. The emerging shift towards the removal of supply side constraints for food production, food price stability, impressive production drive of home based industries, revival of fisheries and livestock industry, healthy and self-reliant family life style will help Sri Lanka to consolidate to create a strong safety net to its people.

Empowering Households Economy: Encouraging success



8.5 Human Capital Development

8.5.1 Education for Knowledge Economy

The government has given the highest priority to the development of human capital by providing free education for all. The vision is that “no child should enter into society without obtaining academic, technical or professional qualification that can effectively contribute to knowledge based economy”. The strategy is to educate, train, guide and mentor every child who is born in the country through a planned and well coordinated education system. Under this strategy, when the child enters the society at the age of 20, he/she should be fully equipped with necessary skills to make a valuable contribution to the society. Sri Lanka annually needs a new entrants to the workforce of around 300,000 in various disciplines including 80,000 employment opportunities available in the international labour market.

The national literacy rate is 91.9 percent. The proportion of non-school going children at the age of 5-10 has declined to 7 percent in 2011 from 11 percent in 2005. Overall primary and junior secondary school enrolment rates are about 93 percent and 92 percent respectively in 2011. The junior secondary level enrolment in the country is the highest in South Asia and higher than some of the South East Asian countries. The survival rate up to grade 5 has increased

from 97.7 percent in 2007 to 98.2 percent in 2011. Therefore the country has been able to achieve universal primary and secondary education levels.

According to the Global Competitiveness Report 2011, out of 142 countries, Sri Lanka is positioned at 40th place in terms of the quality of the education system. In terms of the quality of primary education and the quality of maths and science education, Sri Lanka is positioned at 45th and 55th places respectively out of 142 countries. Sri Lanka ranks 88 out of 146 countries in the Knowledge Economy Index (KEI) prepared by the World Bank (2009).

However, the existing general education, higher education and vocational education system are not capable for providing human resource needs of the country. Under the present system, out of the total of about 344,724 children who enter the formal school education system annually, only about, 31,500 students enter into local and foreign universities and other higher education institutions for higher education. Another 203,134 students obtain some form of vocational training through public and private sector vocational training institutions. As such, under the current system around 110,073 youths enter the society each year without any valid academic or professional qualification or possessing vocational skills.

Table 8.63 > **Gap in Human Resource Development Needs - 2010**

	Category	No. of Children	Percentage of total Number of Children
1	No. of Student entering to primary education - per year	344,724	99.0
2	Students intake to state Universities - per year	21,547	6.2
3	Students intake to other higher education institutions & foreign Universities - per year	9,970	2.8
4	No. of Students obtaining Vocational / Technical or other skills training from public and private institutions	203,134	58.9
5	Total No. of Students who obtain higher education and skills training (2+3+4)	234,651	68.0
6	Total No. of Children who enter society without a proper academic qualification or skills training (1 - 5) (Skills Training Need gap)	110,073	31.9

Source: Department of National Planning

General Education

The well established network of schools in the country has been able to provide universal access to primary and secondary education in Sri Lanka. At present there are about 4,152,000 school children attending the 10,527 government, private and pirivena schools in the country. Out of the

10,527 schools, 9,714 schools are government schools with 3,969,757 students and 716 pirivena schools with 62,645 students. The student teacher ratio remains 18:1 in government schools. The education structure of the country consists of 342 National schools with 798,909 students and 9,372 provincial schools with 3,170,848 students.

Table 8.64 > **Distribution of Schools by Province**

Province	Type of Schools				Total No. of Schools	No. of Students	No. of Teachers	No. of Students per Teacher
	1AB	1C	Type 2	Type 3				
Western	162	269	587	315	1,333	927,240	41,689	22
Central	96	335	536	494	1,461	523,056	29,962	17
Southern	107	256	525	205	1,093	506,573	29,106	17
Northern	70	123	286	396	875	246,365	14,171	17
Eastern	65	188	378	387	1,018	384,303	20,473	19
North-Western	73	292	605	245	1,215	475,938	26,747	18
North-Central	34	160	337	246	777	259,216	14,957	17
Uva	55	205	347	231	838	279,394	18,419	15
Sabaragamuwa	56	214	481	353	1,104	367,672	21,544	17
Sri Lanka	718	2,042	4,082	2,872	9,714	3,969,757	217,068	18

Source: Ministry of Education

While there are 1,561 small schools with less than 50 students, there are 196 large schools with over 2,500 students. It is expensive to provide higher-order learning spaces to schools which have a small number of students. As a result serious inequalities have been created with regard to the provision of facilities required for quality education. Teachers in the smaller schools are de-

motivated. There is an intense competition among parents to get admission to the popular schools for their children and this has emerged as a serious issue of national concern. Out of 2,760 government secondary schools, only 718 schools have facilities to teach Advanced Level science stream subjects.

Table 8.65 > **Group of Schools Based on Number of Students**

No. of Students	Number of Schools											
	2006		2007		2008		2009		2010		2011	
	No	%	No	%	No	%	No	%	No	%	No	%
01-50	1,549	16	1,533	16	1,554	16	1,510	16	1,590	16	1,561	16
50-2500	8,029	83	7,978	82	7,942	82	7,726	82	7,908	82	7,957	82
>2500	136	1	167	2	166	2	174	2	187	2	196	2
Total	9,714	100	9,678	100	9,662	100	9,410	100	9,685	100	9,714	100

Source: Ministry of Education

Around 20 percent of the schools do not have adequate drinking water facilities in the school premises whereas 48 percent of the schools do not have adequate sanitation facilities.

Table 8.66 > **Basic Facilities of Schools by Province**

Province	Basic Facilities at Schools			
	Adequate Drinking Water Facilities Not Available		Adequate Toilet Facilities Not Available	
	No. of Schools	% of Schools	No. of Schools	% of Schools
Western	38	2.9	564	42.3
Central	330	22.6	597	40.9
Southern	125	11.4	565	51.7
Northern	116	13.3	377	43.1
Eastern	223	21.9	536	52.7
North-Western	231	19.0	796	65.5
North-Central	175	22.5	478	61.5
Uva	201	24.0	263	31.4
Sabaragamuwa	234	21.2	548	49.6
Sri Lanka	1,673	17.2	4,724	48.6

Source: Ministry of Education

In respect of the formal education system, the common criticism is that the subject streams which are offered in most instances, do not meet the needs of the labour market. At present, more than 50 percent of the G.C.E. (A/L) students select subjects in the arts stream, though there is no labour market demand for these qualifications. In order to address this issue, it has been decided to restructure the G.C.E. (A/L) subject streams, to encourage students to choose subject streams with a higher demand in the labour market.

The G.C.E. (O/L) pass rate, defined as students qualifying level for the G.C.E. (A/L), is gradually increasing. In 2005, only 47.8 percent of the G.C.E. (O/L) candidates qualified for G.C.E. (A/L). In 2010, the G.C.E. (O/L) pass rate increased to 58.8 percent. The G.C.E. (A/L) pass rate has also increased from 59.2 percent in 2005 to 61.2 percent in 2010. The table below gives the details of performance of students at G.C.E. (O/L) and G.C.E. (A/L) exams.

Table 8.67 > **Performance of Students at G.C.E. (O/L) and G.C.E. (A/L) – 2005 to 2010**

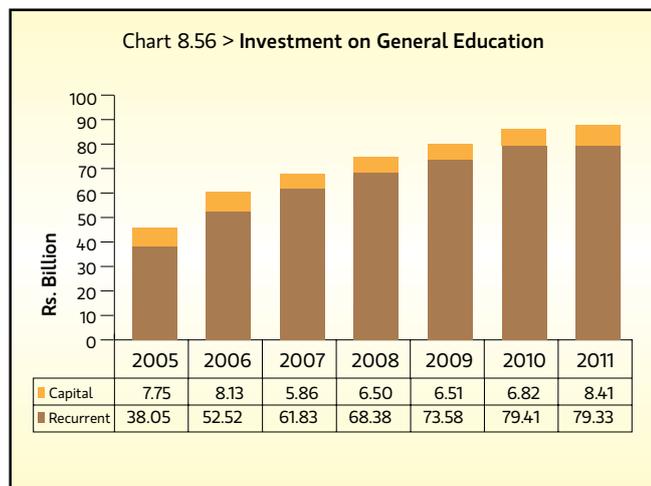
Year	G.C.E. (O/L)			G.C.E. (A/L)		
	Number of Students sat for O/L Exam	No. qualified for G.C.E. (A/L)	%	Number of Students sat for A/L	No. qualified for university entrance	%
2005	307,771	146,885	47.8	173,731	102,854	59.2
2010	310,642	182,630	58.8	177,640	108,725	61.2

Source: Dept. of Examinations

Investment in General Education

The public investment in education at primary, secondary and tertiary levels has increased significantly during the

last five years. The total expenditure on general education has increased from Rs. 68 Bn in 2007 to Rs. 88 Bn in 2011 representing an increase of 26 percent during the four year period.



Source: Department of National Budget

Capital expenditure has been increased to provide modern facilities such as computers, class rooms, laboratories, libraries and sport facilities. The need for capital investment is greater particularly for the primary and secondary education levels. However, currently the capital expenditure accounts for 8 percent of the total investment on general education.

Higher Education

Higher education sector plays a critical role in knowledge economy. Therefore, the higher education strategy of the Government is to improve the quality of higher education, research and technology development to meet the need of a knowledge economy.

In Sri Lanka, Higher Education is mainly offered by the Government through 15 universities, 6 post graduate institutions and 9 other degree offered institutions. At

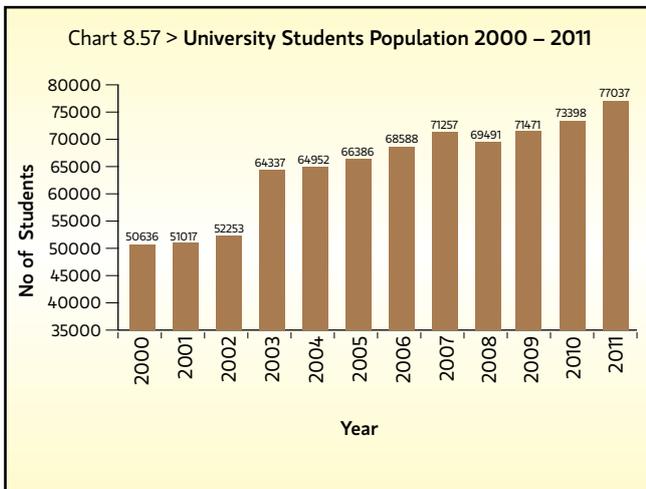
present, about 77,037 undergraduates 5,000 academic staff and 9,500 supportive staff are in the university system. However, only 17 percent of those who qualify for university education gain admission to state universities because of the limited facilities in the state universities. Private sector higher education institutions are also not able to provide adequate facilities to fill the gap of accommodating all students who qualify for university education in the country. However, intake of new students into the state universities has increased gradually from 17,287 in 2005 to 22,175 in 2010.

Table 8.68 > Students Intake into State Universities 2000 -2010

Year of A/L Exam	Number sat for G.C.E. (A/L) exam	Number qualified for University	Number admitted for University	Students admitted out of sat for GCE A/L (%)	Students admitted out of qualified (%)
2000	154,364	80,411	11,805	7.64	14.68
2001	171,493	86,655	11,962	6.97	13.80
2002	186,728	81,554	13,040	6.98	15.98
2003	247,755	93,353	14,260	5.76	15.30
2004	199,937	108,357	14,850	7.43	13.80
2005	204,030	118,770	17,287	8.47	14.60
2006	201,686	119,955	17,248	8.55	14.40
2007	198,183	121,421	20,069	10.13	16.50
2008	207,436	130,236	20,846	10.05	16.00
2009	205,249	125,284	21,547	10.50	17.20
2010	233,609	142,516	22,175*	9.20	15.10

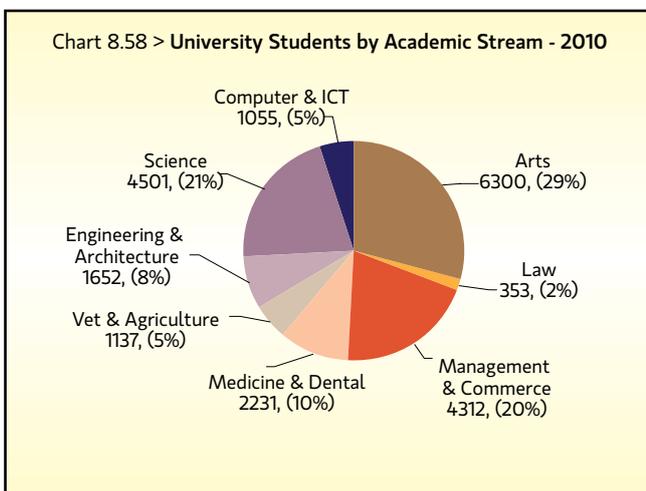
Source; Ministry of Higher Education

* Provisional



Source; University Grants Commission

The intake of Arts and General Science students to the universities is 10,800 which represent 50 percent of the total intake of students. Since the labour market for these graduates is limited, action is being taken to reduce proportion of Arts and General Science student intakes by introducing demand driven degree programmes.



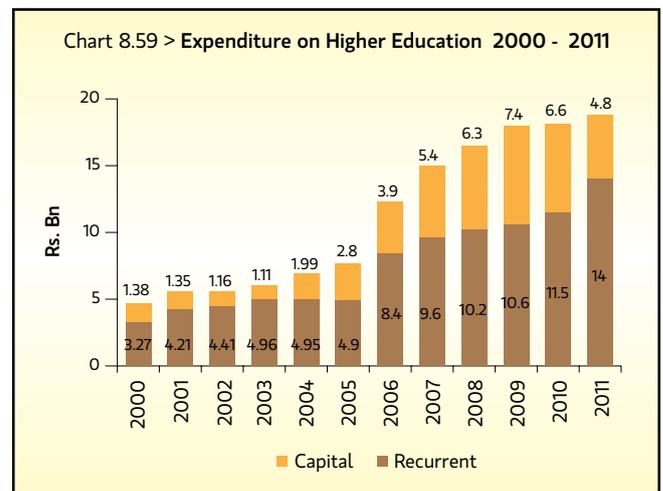
Source; University Grants Commission

The aim of the Government is to place the Sri Lankan state universities among the top universities in the world. While the state university system plays a major role as the main provider of university education, private participation in tertiary education should be encouraged since the

annual student intake to the state universities is limited considering the existing facilities. We have to expand the higher education opportunities through alternative higher education institutions to increase the number of graduates to 40,000 over, in the medium term. Degree-offering institutions and non-state affiliated universities should operate, side-by-side, in collaboration with the state universities under the surveillance of state laws.

Investment in Higher Education

The total investment on higher education sector (both recurrent & capital) has increased from Rs 7.7 Bn in 2005 to Rs 18.8 Bn in 2011.



Source; University Grants Commission

Of the total capital investment of Rs 9,989 Mn in 2011, 80 percent was financed through the domestic funds. The balance was financed by foreign borrowings. In 2011, 41 construction projects were implemented at a total estimated cost of Rs. 14,662 Mn. These funding were used for construction of lecture theatre complexes, hostels, library buildings and research centres. Veterinary Teaching Hospital at the University of Peradeniya, Civil Engineering Research Centre at the University of Moratuwa and relocation of Trincomalee campus were completed at a cost of Rs 2,224 Mn in 2011 to enhance the quality of university education. Further, Rs 3,000 Mn has been allocated to develop university townships with the objective to provide required facilities to the universities such as recreation, accommodation and transportation. Another Rs 600 Mn was allocated to Peradeniya, Moratuwa, Colombo, Sri Jayewardanepura, Kelaniya and Ruhuna universities to upgrade their facilities up to international standards in their specialized fields. Under this programme, universities are encouraged to achieve global standards in research and innovations to provide opportunities for academics to get exposure in research environments at Centres of Excellence

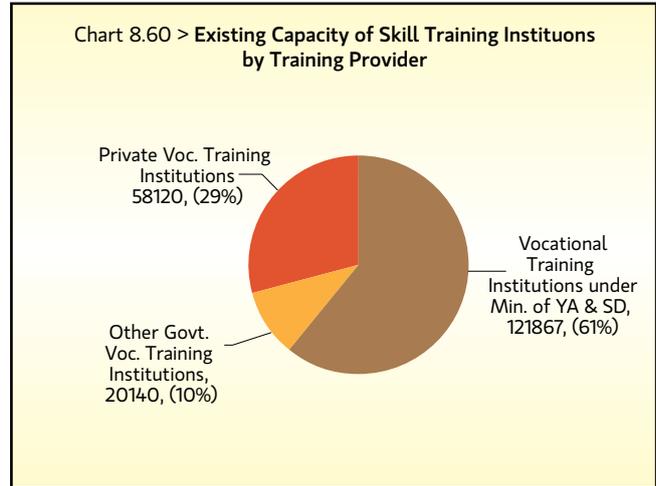
in their fields. The total investment in higher education sector is 1.21 percent of total government expenditure in 2010.

The Government plans to expand the higher education sector by creating more opportunities for students. The expectation is to provide opportunities for every citizen to receive higher education in his or her chosen field at any age. There should not be restriction in term of age or subject for higher education in Sri Lanka to become a regional knowledge hub. Investment in the higher education sector will be gradually increased with private sector participation.

Skills Education

Drastic change in the vocational and skill education system in the country is necessary along with the restructuring of the formal education sector to meet the skills need of the country. A high percentage of youths who are dropped out from the formal education system is waiting for skill education. About 31,500 youth enter in to local, foreign universities and other higher education institutions annually. The remaining about 314,000 students need to be provided with skill training opportunities.

However, private and public sector skill training institutions collectively are capable of providing skills training only to about 200,000 youth. This means, around 110,000 youth do not get skills training opportunities or higher education.



Source: Department of National Planning

Table 8.69 > **Annual Intake for Skill Training by Public Sector Institutions**

Ministry	Institute	Average Annual Intake
Industry and Commerce	Sri Lanka Institute of Textile and Apparel (SLITA)	350
	National Entrepreneur Development Authority (NEDA)	102
Construction, Engineering Services, Housing and Common Amenities	Institute for Construction Training and Development (ICTAD)	5,487
	Construction Equipment Training Centre (CETRAC)	1,523
	Centre for Habitat Planning and Development	281
Agriculture	School of Agriculture	265
	Cinnamon Peelers Training-Dept. of Export Agriculture	1,000
Education	College of Education	3007
Ports and Highways	Mahapola Training Institute	896
Power and Energy	Ceylon Electricity Board Training Centre	20
Mass Media and Information	Sri Lanka Television Training Institute	750
	Sri Lanka Broadcasting Corporation	250
	Film Corporation	200
Telecommunication and Information Technology	Sri Lanka Telecom Training Centre	443
Transport	Ceylon German Railway Technical Training Institute	150
Traditional Industries and Small Enterprise Development	National Design Centre (NDC)	38
	National Crafts Council	350
Environment	Gem and Jewellery Research and Training Institute	350
Economic Development	Institute for Tourism & Hotel Management	2,500
Higher Education	Sri Lanka Institute of Advanced Technological Education/Advance Technical Institute	350
Health	Nurses Training Schools	4,335
	National Institute of Health Services and other training centres	500
Youth Affairs and Skills Development	Dept. of Technical Education & Training (DTET)	17,481
	Vocational Training Authority (VTA)	35,861
	National Apprenticeship and Industrial Training Authority (NAITA)	25,000
	National Institute of Business Management (NIBM)	11,035
	University of Vocational Technology (UNIVOTEC)	418
	Institute of Printing and Graphics Sri Lanka Ltd	1,025
	Ceylon German Technical Training Institute (CGTTI)	344
	Ocean University (NIFNE)	1,741
	Sri Lanka Institute of Printing (SLIOP)	1,025
	National Youth Corps	11,825
	National Youth Service Council (NYSC)	16,000
Total		144,902

Source : Department of National Planning

It is necessary to strengthen the vocational education sector in order to transform Sri Lanka into a Knowledge Hub in the region. However, existing vocational training facilities are limited or do not provide suitable courses to meet the demand of emerging economic sectors. The state vocational training sector has 557 vocational training centres which comprise University of Vocational Technology, College of Technology, network of Technical Colleges, National Vocational Training Centres, District Vocational Training

Centres, Rural Vocational Training Centres, NAITA Centres, NIBM Centres and other government training institutions. These state institutions enroll about 118,000 youths and private sector vocational training institutions enroll about 58,000 youths annually. Although the existing state vocational training institutions have the capacity to train about 145,000 youth, the current enrolment in the state vocational institutions is about 118,000 youth.

Table 8.70 > **Student Intake for Public and Private Vocational Training Institutions**

Name of Institution	No. of Training Centres in 2010	Maximum Capacity (No. of Students)	Annual Students Intake in 2010
Ministry of Youth Affairs and Skills Development			
Dept. of Technical Education & Training	38	17,481	7,221
Vocational Training Authority	264	35,861	23,304
NAITA	125	25,000	24,347
NIBM	4	11,035	10,829
INGRIN	1	1,137	707
UNIVOTEC	1	418	418
CGTTI	2	344	344
NIFNE	8	1,741	1,741
Sri Lanka Institute of Printing	1	1,021	874
National Youth Corps	36	11,825	11,825
National Youth Service Council	76	16,000	13,215
Other line Ministries	1	23,151	23,187
Private sector institutions	379	58,120	58,120
Total	936	203,134	176,132

Source: Department of National Planning, Ministry of Youth Affairs and Skills Developments

Among the public sector skills training providers, the Ministry of Youth Affairs and Skills Development has the largest network of skills training centres throughout the island. The number of key public vocational training institutions under the Ministry of Youth Affairs and Skills Development has increased by 13 percent from 357 in 2008 to 404 in 2010. As at 2010, a total of 936 vocational and skills education training institutions which consists 557 public sector institutions and 379 private sector institutions have been registered in the sector. At the same time, the private sector is also providing skills training through a large number of training centres distributed across the country.

Among the private sector skills training institutions while large scale institutions are been registered with the TVEC (Technical and Vocational Training Education Commission), most of the small scale centres are not registered.

Total student intake to vocational training institutions under the Ministry of Youth Affairs and Skills Development has doubled from 50,518 in 2005 to 123,862 in 2011 with in a period of 6 years. These institutions are conducting 464 part time courses and 497 full time courses in 27 different fields of studies targeting 48 different occupations.

Ministry of Youth Affairs and Skills Development has introduced National Vocational Qualifications (NVQ) system in 2005 to the vocational education sector in order to standardize vocational training programmes conducted by public and private sector. Under the National Vocational Qualifications (NVQ) programme, 16,572 NVQ

certificates have been issued by 955 accredited courses in 2011.

According to the labour survey, about 71 percent of the total unemployed persons have not followed any vocational training courses.

Table 8.71 > **Unemployment and Vocational Training - 2011**

Unemployed Persons	Male		Female		Total	
	No.	%	No.	%	No.	%
With Vocational Training	39,871	26.1	62,553	31.5	102,424	29.2
Without Vocational Training	112,992	73.9	135,774	68.5	248,766	70.8
Total	152,863	100	198,327	100	351,190	100

Source: Quarterly Labour Force Survey

When considering the educational status of unemployed persons, 44.2 percent of unemployed youths below the G.C.E. (O/L) qualification have not followed any vocational training courses. Of the unemployed youth, 21.8 percent of G.C.E. (O/L) and 34 percent of G.C.E. (A/L) or higher qualified have not followed any vocational training courses.

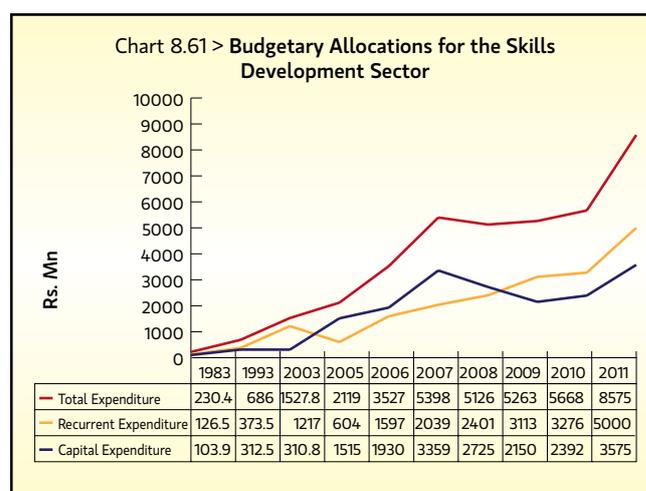
Table 8.72 > Skills Training Requirement on District Basis - 2010

District Name	School enrollment	School drop out before O/L	No. sat for O/L	No. not qualified for A/L	No. qualified for A/L	Students Qualification Status After A/L					No. of Students	
						No. qualified for universities	No. enter in to local universities	No. enter in to foreign universities and other higher education institutes	No. qualified for university and not get opportunity	No. not qualified for university entrance	No. enter in to society with out any skills after A/L	Total target population for skill development
Colombo	40,523	9,014	31,509	9,579	21,930	17,159	2,861	1,685	12,613	4,771	17,384	35,977
Gampaha	37,146	9,726	27,420	10,750	16,670	13,411	1,627	1,545	10,239	3,259	13,498	33,974
Kalutara	19,192	3,563	15,629	5,865	9,764	8,610	1,024	798	6,788	1,154	7,942	17,370
Kandy	23,023	255	22,768	9,686	13,082	11,186	1,290	957	8,939	1,896	10,835	20,776
Matale	7,944	350	7,594	3,475	4,119	3,243	357	182	2,704	876	3,580	7,405
Nuwara Eliya	12,665	1,277	11,388	5,785	5,603	4,108	464	289	3,355	1,495	4,850	11,912
Galle	17,829	507	17,322	7,103	10,219	9,761	1,585	407	7,769	458	8,227	15,837
Matara	13,705	132	13,573	5,209	8,364	8,031	1,243	313	6,475	333	6,808	12,149
Hambantota	10,366	891	9,475	3,585	5,890	5,751	725	216	4,810	139	4,949	9,425
Jaffna	9,986	1,149	8,837	3,072	5,765	5,426	967	202	4,257	339	4,596	8,817
Kilinochchi	2,849	558	2,291	1,068	1,223	801	98	52	651	422	1,073	2,699
Mannar	2,728	1,024	1,704	727	977	769	141	62	566	208	774	2,525
Vavuniya	3,188	491	2,697	708	1,989	1,125	230	62	833	864	1,697	2,896
Mullaitivu	2,190	125	2,065	1,135	930	705	96	50	559	225	784	2,044
Batticaloa	8,756	1,466	7,290	3,038	4,252	2,975	467	200	2,308	1,277	3,585	8,089
Ampara	10,674	588	10,086	4,045	6,041	4,551	565	244	3,742	1,490	5,232	9,865
Trincomalee	6,475	352	6,123	2,721	3,402	2,215	276	140	1,799	1,187	2,986	6,059
Kurunegala	26,283	1,379	24,904	9,183	15,721	13,169	1,640	599	10,930	2,552	13,482	24,044
Puttalam	12,774	2,393	10,381	4,487	5,894	4,438	586	291	3,561	1,456	5,017	11,897
Anuradhapura	14,296	874	13,422	5,669	7,753	6,102	619	306	5,177	1,651	6,828	13,371
Polonnaruwa	6,462	125	6,337	2,940	3,397	2,331	260	147	1,924	1,066	2,990	6,055
Badulla	14,478	438	14,040	6,155	7,885	6,608	647	320	5,641	1,277	6,918	13,511
Monaragala	8,767	1,614	7,153	3,011	4,142	3,429	358	163	2,908	713	3,621	8,246
Ratnapura	18,286	1,108	17,178	7,677	9,501	9,441	1,169	417	7,855	60	7,915	16,700
Kegalle	14,139	1,050	13,089	4,972	8,117	7,040	816	323	5,901	1,077	6,978	13,000
Total	344,724	40,449	310,642	121,645	182,630	152,385	*21,547	9,970	122,304	30,245	152,549	314,643

Source: Ministry of Higher Education, Department of Examinations, Department of National Planning
*Including special intake of 1,436 students to universities

Investment on Skills Education

During 2005-2011 period, a significant increase in budgetary allocations for the skills development sector can be witnessed. In 2011, government has allocated Rs. 8,575 Mn for the Ministry of Youth Affairs and Skills Development which included Rs. 5,000 Mn for capital expenditure and Rs. 3,575 Mn for recurrent expenditure



Source: Department of National Budget

Table 8.73 > Existing Capacity of Public and Private Vocational Training Categories

Institute	Government Technical Training Institutions under Min. of Youth Affairs and Skills Development		Government Specialized Training Institutions	Private Sector		Total	
	Skills Category	Certificate level		Diploma, Higher diploma and Degree level	Long term		Short term
Agriculture, Plantation & Livestock		480	120	265	78	943	
Art Design & Media		689	28		1,762	77	2,556
Automobile Repair & Maintenance		8,033	235		1,280		9,548
Building and Construction		12,799	451	7,010	1,753	1,100	23,113
Engineering				350			350
Electrical, electronics & Telecommunication		7,694	170	463	1,644	157	10,128
Finance, Banking and Management		3,236	1,861		1,631	955	7,683
Fisheries and Aquaculture		2,050	50				2,100
Food Technology		221	20		1,120	54	1,415
Gem & Jewellery		286	20	350			656
Hotel & Tourism		13,415		2,500	358		16,273
Information Communication		10,367	3,812		17,064	2,639	33,882
Languages		7,050	320		749	17	8,136
Leather & Footwear		211			25		236
Marine & Nautical Science		380	130		15		525

Institute	Government Technical Training Institutions under Min. of Youth Affairs and Skills Development		Government Specialized Training Institutions	Private Sector		Total
	Certificate level	Diploma, Higher diploma and Degree level		Long term	Short term	
Mechatronics Technology	600	152				752
Metal & Light Engineering	6,489	120		566	87	7,262
Office Management	2,996			204	710	3,910
Personal Community Development	13,625			2,678	8,558	24,861
Printing and Packaging	1,044	20		832	8	1,904
Rubber & Plastic	200					200
Refrigeration & Air Conditioning	2,128	79		729		2,936
Textiles and Garments	5,193		402	1,533	656	7,784
Trainer Training	210			624		834
Wood Related	2,393			110		2,503
Other skills	4,149			1,199	1,202	6,550
Diploma in IM		67				67
Education in Technology		26				26
Human Resource Management				2,008	2,146	4,154
Aviation and Aeronautics				12		12
Entrepreneur Development			50			50
Habitat Planning			281			281
Cinnamon peelers training			1,000			1,000
Ports related			896			896
Mass media and Information			1,200			1,200
Teachers Training			3,007			3,007
Railway Technical Training			150			150
Crafts and Design			388			388
Medical and Health sciences - Nurses & Paramedics			4,835			4,835
Medical and Health Science for private sector	2,201	40		1,632	148	4,021
Total	114,146	7,721	23,147	39,528	18,592	203,134

Source: Department of National Planning, Ministry of Youth Affairs and Skills Development

Sri Lankan youths have great number of overseas employment opportunities in various disciplines. As per the statistics, 252,430 overseas skilled employment opportunities were received by Sri Lanka in 2010. However, Sri Lanka could cater only 16.2 percent of the overseas demand for skilled job categories in 2010 due to non availability of required skilled labour.

Table 8.74 > **Overseas Demand for Sri Lankan Labour in 2010**

Job Category	Demand	Departures No. Persons	Gap
Manpower Level - Professional	5,381	438	4,943
Manpower Level - Middle Level	8,087	834	7,253
Manpower Level - Clerical & Related	16,083	2,247	13,836
Manpower Level - Skilled	252,430	41,120	211,310
Sub Total	281,981	44,639	237,342
Manpower Level - Semi Skilled	9,227	1,709	7,518
Manpower Level - Housemaid	332,357	87,026	245,331
Manpower Level - Unskilled	115,732	27,323	88,409
Total	437,316	116,058	341,258

Source : Sri Lanka Foreign Employment Beaurau

Table 8.75 > **Skills Training Targets 2010 - 2015**

Skills Category	(No. of Trainees)	
	2010	2015
Agriculture, Plantation & Livestock	943	15,900
Airport and Aviation Engineers/Technicians	50	1,885
Art Design & Media (Visual and Performing)	2,556	8,747
Automobile Repair & Motor Mechanics	9,548	14,600
Building and Construction - Professional Grades	1,551	2,526
Building and Construction - Technical Grades	7,010	11,740
Building and Construction - Craft Related Grades	14,552	26,880
Beauty Culture - Professional	1,025	6,300
Beauty Culture - Other Grades	701	2,695
Cinnamon Peelers	1,000	30,000
Environmental Managers	50	100
Engineering	350	3,000
Electrical, Electronics & Telecommunication	10,128	12,900
Finance, Banking and Management	7,683	8,890

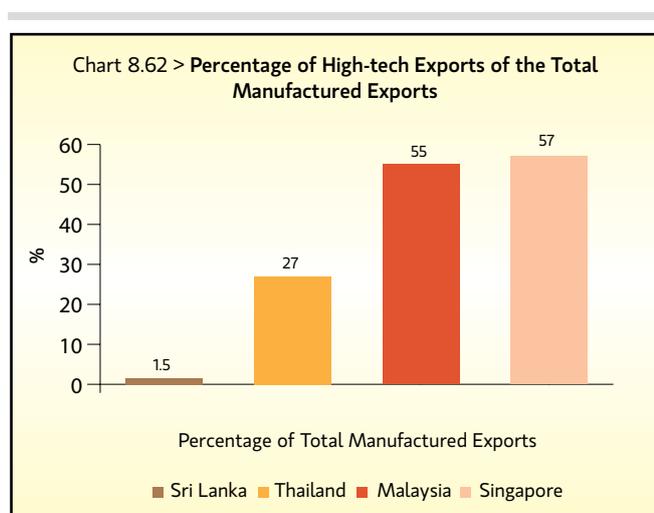
Skills Category	(No. of Trainees)	
	2010	2015
Fisheries and Aquaculture	2,100	4,000
Food Technology	1,415	7,200
Gem & Jewellery	656	900
Hotel & Tourism - Managerial skills	358	1,800
Hotel & Tourism - Non- Managerial skills	15,915	22,000
Entrepreneur Development	50	250
Information Communication and Multimedia Technology	33,882	50,000
Leather & Footwear	236	2,720
Marine & Nautical Science	525	3,500
Mechatronics Technology	752	1,500
Machine operators and Mechanics	1,150	2,657
Metal & Light Engineering-Managerial & Technical	207	2,685
Metal & Light Engineering - Craft Related	7,055	10,533
Middle level Urban and Town Planners	50	100
Office Management	3,910	500
Personal Community Development	24,554	-
Photography and film career related skills	250	1,050
Printing and Packaging	1,904	1,300
Rubber & Plastic	200	576
Refrigeration & Air Conditioning	2,936	450
Textile and Garments	7,784	12,700
Trainer Training	834	1,800
Wood Related	2,503	3,500
Teachers Training	3,007	6,000
Education in Technology	26	250
Human Recourses Management	4,154	1,000
Entrepreneur Development	50	256
Habitat Planning and Development	281	350
Ports related	896	2,900
Mass media and Information	1,200	7,053
Railway Technical Training	150	250
Craft and Design	388	700
Medical and Health sciences - Nurses and Paramedics	4,835	10,000
Medical and Health Science - other categories	4,021	8,000
Other (Semi-skilled)	19,171	-
Capacity Gap	110,073	-
Total	314,643	314,643

Source: Department of National Planning

8.5.2 Science and Technology Based Growth

Development of Technology and Research is one of the priority economic development strategies as identified in the Mahinda Chintana Development Framework.

The high-tech exports from Sri Lanka are estimated to be 1.5 percent of the total manufactured exports compared to 57 percent from Singapore, 55 percent from Malaysia and 27 percent from Thailand.



Source: Ministry of Technology and Research

Currently, Sri Lanka obtains an annual income of US\$ 8 Mn by exporting raw Ilmenite, while spending US \$ 12 Mn to import the small amount of Titanium Dioxide required for our paint industry. A 250-fold value addition to raw Ilmenite can be achieved by producing Titanium Dioxide in Sri Lanka.

At present, Sri Lanka has approximately 4,037 researchers in various research fields both fulltime and part time. The full time equivalent of those 4,037 researchers is around 2,700. The number of research scientists per Mn inhabitants is around 237. This is below the average number of researchers for a developing country.

Table 8.76 > Researchers per Mn Inhabitants

Category	Percentage of total Number of Children
World Average	894.1
Average for developed countries	3272.7
Average for developing countries	374.3
Sri Lanka	237.3

Source: Ministry of Technology and Research

The world average number of researchers per Mn inhabitants was estimated at 894 by the UNESCO institute for statistics in 2004. For us to be on par with the world average, we need approximately 18,000 research personnel which is 4 times the present number.

Table 8.77 > Number of Researchers by Research Fields in 2011

Discipline	No of Research and Development Scientists
Natural Scientists	1025
Agriculture	939
Engineering	927
Medical Sciences	768
Social Sciences and Humanities	267
Other	111
Total	4037

Source: Ministry of Technology and Research

Only 23 percent of the current research and development personnel are in engineering disciplines, and only a small number is in Advanced Technologies, i.e. Nanotechnology (15), Biotechnology (70), Electronics (28) and Mechatronics (02).

Sri Lanka produces less than 100 postgraduate research degrees per year (59-89 during 2007-2009) with less than 20 percent of the potential research trainers being engaged in postgraduate research supervision.

The total number of potential trainers (i.e. University academic staff members at grades of Senior Lecturer and above) in the entire university system (consisting of 78 faculties and 425 departments) in 2008 was 2466. However, the actual number of research trainers in Science and Technology is lower because less than 20percent of the university academics are actually engaged in research.

A survey of 220 Sri Lankan expatriate Science and Technology personnel revealed that 96 percent of them were willing to return to Sri Lanka if they are provided with adequate salaries and better working environments. Only 718 schools out of a total of 9714 schools have facilities to teach Science. The country has 31 state research institutes, 17 universities and few private sector industries which engage in research.

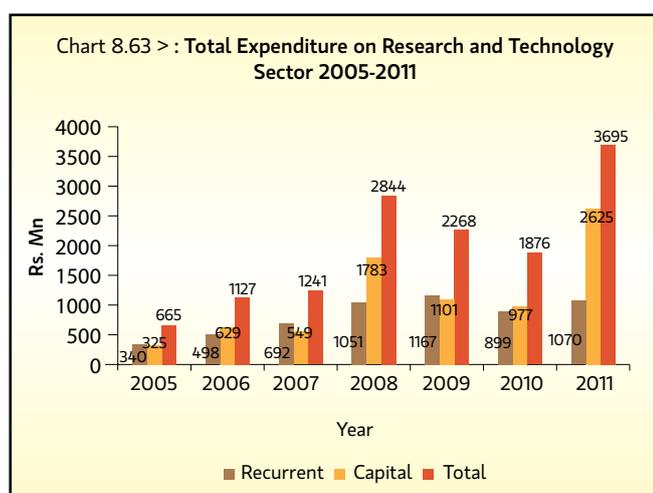
Attention has been paid to formulate and adopt a comprehensive career development plan for researchers in line with national requirement for next five years.

Table 8.78 > **Proposed Areas for Training of Research and Development Personnel over the Medium Term**

Research Area	PhD/ M. Phil	M.Sc	Graduate Level Research Officers	Total
Agriculture and natural sciences	1500	1000	1500	4000
Medical sciences	600	800	750	2150
Statistics, Social sciences	500	300	2000	2800
Engineering and Technology	800	600	1500	2900
Nanotechnology	500	150	800	1450
Biotechnology	500	100	1000	1600
Mechatronics	300	75	750	1125
Electronics	400	50	600	1050
Advanced manufacturing	300	50	300	650
Advanced materials	400	50	300	750
ICT	1000	1000	2500	4500
Satellite communication	50	50	100	200
Robotics	50	50	100	200
Advanced engineering design	400	50	750	1200
Science administration	500	100	1000	1600
SandT infrastructure support, meteorology and the quality systems	400	50	400	850
Science journalism and communication	250	100	600	950
Total	8450	4525	14650	27625

Source: Department of National Planning

The total capital investment on research and technology sector has increased significantly from Rs. 665 Mn in 2005 to Rs. 2,625 Mn in 2011. This is an increase by 455 percent during the last six year period.



Source: Department of National Planning

In 2011, government allocated Rs. 220 Mn for the Industrial Technology Institute to improve its facilities for them improve the efficiency of technology transfer.

Specific research allowances of 25 percent of the salary have been given to university academic staff, medical professionals and other specific professionals to encourage them to undertake researches. Further, the government extended the concessionary duty scheme to import motor vehicles to professional and managerial categories of universities and academic institutions. Taxation strategy has also been designed in favor of state research institutions as well as researchers working with the private sector.

Scientific Innovation

Since government expects to increase the value of high-tech exports from 1.5 percent of total manufactured products in 2010 to 10 percent in 2015, the investment on high tech exports has increased by 196 percent from Rs. 268 Mn in 2010 to Rs. 800 Mn in 2011. New scientific initiatives such as gamma irradiation, non-destructive testing and nano-technology have been introduced. The Sri Lanka Institute of Nanotechnology (Pvt.) Limited (SLINTEC) which was established in 2007, under the National Nano-technology Initiative as a public private partnership has already proven success. Major useful researches including manufacturing of Nano Titanium Dioxide from raw Illmenite, preparation of carbon nanotubes from vein graphite, enhancement of nitrogen utilization efficiency of fertilizers, making reinforcing elastomeric-clay nano-composites and preparation of nanoparticles from magnetite ore have been successfully completed in 2011. Some of the technologies developed by SLINTEC, which includes BT (Bacteria) formulation for mosquito control, Self-cleaning Nano Titanium Dioxide coated floor tiles and fruit pulp technique have been transferred to private sector for commercial use.

Under technology transfer programmes, through Vidatha Centers, 2,192 training programmes and 501 awareness programmes have been conducted benefitting 51,630 beneficiaries including small and medium entrepreneurs in 2011.

8.5.3 A Healthier Nation

The Government's objective for health sector as stated in the Mahinda Chintana- Vision for the Future is to create a healthier nation that contributes to its socio economic development. The health care system is expected to be a patient-focused system provided free of charge at the point of service delivery, addressing both preventive and curative health care needs and managing health related issues.

The government specifically targets to address the demand for quality healthcare emerging from non-communicable diseases, communicable diseases and the nutritional issues. It is also expected to equip all hospitals with medical facilities including modern medical equipment, ambulances, all essential drugs and required medical professionals, so that the people will be confident of the services provided by any hospital in the country no matter whether it is a primary hospital or a tertiary hospital. Strengthening local pharmaceutical manufacturing capacity and encouraging private sector participation in the Health Sector have also been proposed.

In rural areas, government hospitals are the primary health-care providers which provide modern medical treatment to people. There are various types and methods of medicine in Sri Lanka which contribute the national healthcare services. They include Ayurveda, Siddha, Unani and Homeopathy and other systems of the medicine. All of them collectively constitute to an integral part of the public health services. Towards this end, the government has diverted its resources to improve health facilities throughout the country.

Table 8.79 > Distribution of Health Care Resources

Province	Teaching Hospitals	District General Hospitals	Base Hospitals A/B/C Type	Divisional Hospital Type A/B/C	Primary Health Care Units	Bed Strength	Ayurvedic Hospitals	No. of Ayurvedic Hospitals	No. of Ayurvedic Dispensaries	MOO**	Specialist MOO	Administrative MOO	Dental Surgeons	Nurses / Matrons / Ward Sisters	Midwives
Western	13	3	10	43	74	20,528	12	16	4382	544	125	407	10,874	1,754	
Central	4	3	6	84	64	9,531	9	21	1461	187	23	196	4,115	1,131	
Southern	2	2	8	53	60	7,515	9	25	1033	148	19	115	3,632	1,211	
Northern	1	4	6	48	33	4,945	7	18	416	60	15	56	825	358	
Eastern	1	2	12	38	71	5,607	7	40	800	67	17	98	1,849	853	
North Western	0	1	7	52	78	6,610	10	31	1029	110	15	118	2,574	950	
North Central	1	1	5	45	34	5,038	7	30	510	70	09	68	1,588	606	
Uva	0	1	5	44	29	4,554	3	20	564	65	07	88	1,567	637	
Sabaragamuwa	0	1	7	52	33	5,433	9	10	722	85	10	84	2,210	885	
Total	22	18	66	459	476	69,761	73	211	10,917	1336	240	1230	29,234	8,385	

Source: Information and Management Unit, Ministry of Health, Ministry of Indigenous Medicine

** Provisional

Table 8.80 > Province-wise Health Indicators

Province	Population/Hospital	Beds/1,000 Population	Doctors/100,000 Population*	Nurses/100,000 Population	Midwives/100,000 Population	Maternal Mortality (per 100,000 lb)	Infant Mortality (per 1,000 lb)	Child Mortality (per 100,000 lb)
Western	41,000	3.5	85.7	185.4	29.9	22.5	9.3	11.0
Central	16,000	3.5	62.4	153.1	42.0	38.5	11.1	13.1
Southern	20,000	3.0	48.2	145.6	48.6	49.6	8.6	10.0
Northern	13,000	4.1	40.1	69.2	30.0	30.1	3.0	6.1
Eastern	12,000	3.6	57.8	118.4	54.6	25.2	10.7	13.3
North Western	17,000	2.8	48.8	109.9	40.6	28.9	8.7	10.4
North Central	14,000	4.1	46.9	128.1	48.9	20.3	8.5	10.3
Uva	16,000	3.4	47.9	118.2	48.0	31.1	5.5	6.9
Sabaragamuwa	20,000	2.8	41.6	113.7	45.5	62.1	5.5	6.8
National	19,000	3.4	60.3	136.3	40.6	39.0	8.5	10.4

Source: Department of National Planning, FHB, RGD. Provisional

Government Financing on Health

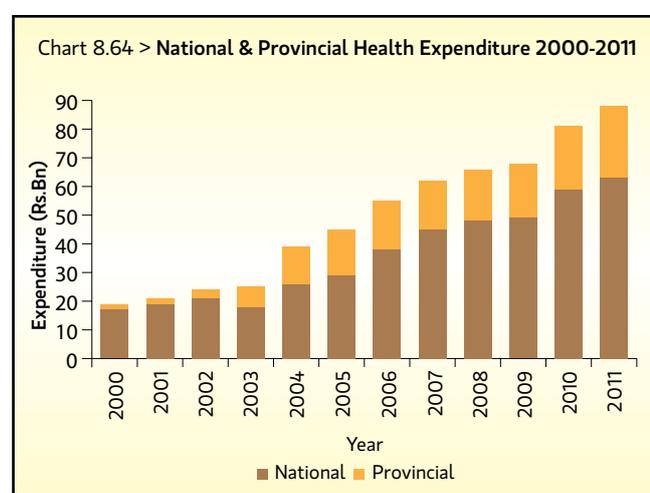
There is a remarkable increase in the health budget during 2005-2011. The government has spent Rs.88 Bn on health in 2011 for both national and provincial levels reflecting a 91 percent increase compared to 2005. Out of the total expenditure during 2005 to 2011, about 80 percent was recurrent expenditure out of which the major share is

for personal emoluments consisting of salaries & wages, overtime and other allowances. Capital expenditure on health has been increased by 44 percent from 2005 to 2010 which is mainly for upgrading of the extensive capital asset base in health sector.

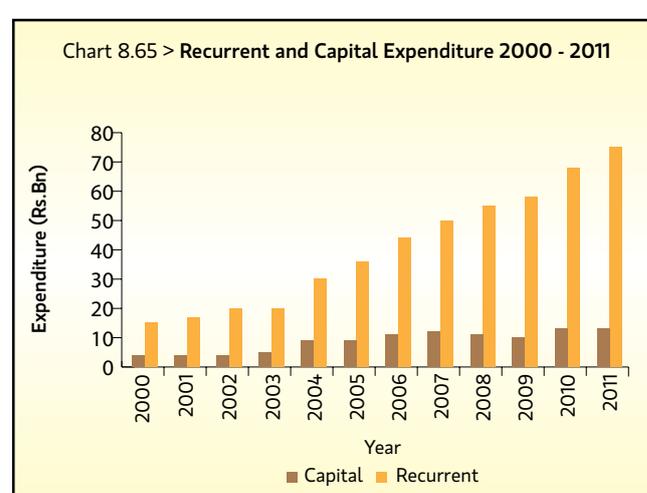
Table 8.82 > **Government Spending on Health (2000-2011)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Government Expenditure on Health (both capital & recurrent)(Rs.Bn.)	19	21	24	25	39	46	55	62	66	68	81	88
Health Expenditure as share of Total Government Expenditure (%)	5.7	5.5	4.1	3.7	5.9	5.7	5.2	4.5	4.7	3.9	4.1	4.8
Per Capita Government Health Expenditure (Rs)	995	1,099	1,250	1,299	2,004	2,339	2,716	3,000	3,215	3,325	3,631	3,994
Health Capital Expenditure (Rs.Bn.)	4	4	4	5	9	9	11	12	11	10	13	13
Health Recurrent Expenditure (Rs.Bn.)	15	17	20	20	30	37	44	55	58	59	68	75
Health Recurrent Expenditure as a share of Total Public Health Expenditure (%)	79	81	83	80	77	80	80	82	83	85	83	85

Source: Department of National Budget



Source: Department of National Budget



Source: Department of National Budget

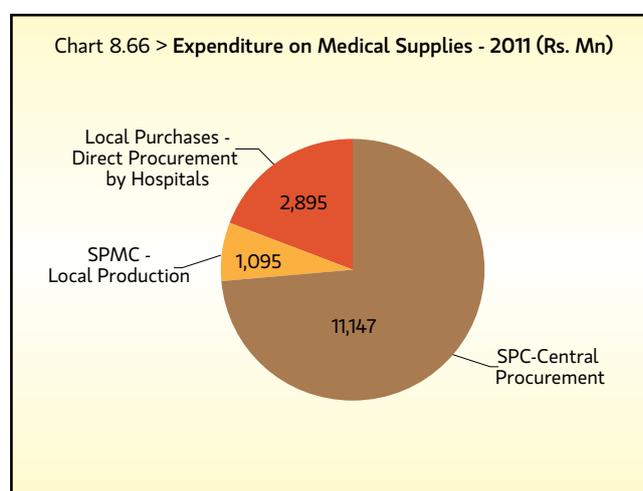
Table 8.82 > **Health Expenditure by Major Categories (Rs.Mn) 2003-2011**

Category	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal Emoluments	11,681	17,853	20,350	26,354	31,679	34,036	36,775	42,007	45,822
Medical Supplies	4,159	7,395	7,100	11,379	10,826	12,082	12,142	13,582	15,137
Nutritional Supports for expectant/ lactating mothers and children - Thriposha Programme	512	304	504	537	488	649	1,155	865	1,336
Bio Medical Equipment	-	645	1,000	1,034	1,178	434	603	638	1,299
Hospital Development Projects***	1,575	434	2,765	1,980	2,468	4,508	3,009	4,237	3,600

Source: Department of National Budget

*** Excluding Provincial Figures

Ensuring an efficient and timely supply of medicine for patients was the big task for health sector managers over the years. The budgetary allocation for medical supplies was continuously increased to address the increasing requirements. In 2011, the expenditure on medical supplies was increased to Rs. 15,137 Mn by 12 percent compared to 2010. Around, 20 percent of total expenditure of the medical supplies has been incurred for the local purchases including life saving drugs costing Rs. 1 Bn, gauze costing Rs.494 Mn, cancer drugs costing Rs. 558 Mn and oxygen costing Rs.100 Mn. Further, several measures have been taken to ensure efficient drug supply throughout the country.



Source: Ministry of Health

The expenditure on Thriposha Programme was increased by 56 percent from 2010 to 2011 to achieve and maintain the nutritional well-being of expectant mothers, lactating mothers and children under 5 years of age.

Table 8.83 > **Nutritional Programmes - 2011**

Name of the Programme	Total Estimated Cost (Rs)	Duration	Beneficiaries	Funding
Thripasha Programme	1,355,000,000	Annual	965,194 pregnant mothers, lactating mothers, under 5 children	Domestic Funds
National Nutrition Surveillance System	823,000	2010/2011 biennium	30 D.S. Divisions in 19 Districts	WHO
Developing Nutrition Action Plan	445,417	June - December 2011	Moneragala, Trincomalee and Nuwara Eliya	WHO, UNICEF
Nutrition aspects of Early Childhood Development programme	553,955	September-December 2011	160 Preschool Teachers and 30 Training of Trainers (TOT)	UNICEF

Source: Department of National Budget

High priority was given to provide all medical equipment to the health institutions throughout the country to safeguard efficient diagnostic, screening and curative care treatments. Therefore, the expenditure incurred on the acquisition of medical equipment was doubled from Rs.638 Mn in 2010 to Rs. 1,300 Mn in 2011. During 2011, high cost equipment such as Lithotripter, Digital Fluoroscopy machine, echo machines, dialysis machines and surgical equipment were distributed among health institutions to make efficient treatment available within the reach of all people. New units such as Emergency Trauma Unit at Karapitiya Teaching Hospital, Cancer complex, Intensive Care Units, Operation Theatres and wards at Badulla General Hospital and Nephrology unit at Maligawatta, Bibile, Wellawaya, Monaragala, Killinochchi and Polonnaruwa Hospitals and Colombo National Hospital were among the main health institutions provided with equipment in 2011. Apart from this, Oxygen Concentrators were provided to hospitals in tsunami affected and remote areas.

Rising trend in Non-communicable diseases such as cardiovascular and cerebrovascular diseases, cancer, diabetes, kidney disease, mental health disorders and traumatic injuries has become a major challenge that the country faces. Responding to that, several initiatives have been undertaken to mobilize funds for hospital development projects since 2005. In 2011, Rs 3,600 Mn (excluding provincial) was incurred for hospital development projects in order to strengthen the curative health care services. Following are the major projects implemented in 2011 aiming at improving the curative healthcare services to address the emerging threats of the non-communicable diseases.

However, in 2011 the capital investment for hospital development was declined as some of the expected foreign financing for several projects have not been realized due to procedural issues.

Table 8.84 > **Major Hospital Developments taken place in 2011**

Project	Outputs	Total Project Cost (Rs. Mn)	Cumulative Expenditure up to 2011 (Rs. Mn)
Epilepsy Project for National Hospital	6 storied ward complex for epilepsy treatment	2,918	51
Korea-Sri Lanka Friendship Hospital at Matara-Godagama	Paediatric Ward, Drugs Store, Water Supply Tank, Sewerage Treatment Plant	345	329
Improving Efficiency of Operation Theatres and Provision of Oxygen Concentrators	Provision of Oxygen Concentrators	1,520	930
Improvement of central functions in Jaffna Teaching Hospital	Operation Theatre Complex, Central Supply & Sterilizing Department, ICUs, Central Laboratory Complex	2,006	722
Development of Dental Institute of Colombo	10 Storied Building	800	180
Construction of Accident Emergency Unit & Ward Complex at DGH, Monaragala	ETU, Isolation Room, ICU and Wards	365	146
Development of District General Hospital-Polonnaruwa	4 Storied Medical Ward Complex, Laboratory	500	100
Proposed Millenium Ward Complex at TH-Colombo South (2010-2012)	Theatres, Clinics, Wards	458	339
Medical Ward Complex at Teaching Hospital Kandy	Medical Ward Complex with 4 units	493	166
Accident & Emergency Unit - GH Ratnapura	Observation Wards, On call room, CSSD	503	134
Sirimavo Bandaranaike Children Hospital-Stage 1&2	Wards,	627	511
Third Medical Ward Complex- National Hospital (completed)	MICU, Wards, Lecture Hall	657	677 (completed)
Construction of Operation Theatre Complex at TH, Kegalle	Operation Theatres	333	129

Source: Department of National Budget

As a result of continued investment in preventive healthcare services since 2005 to 2011, the status of many diseases such as polio, measles and neonatal tetanus have been almost eliminated. Island-wide interventions have brought the country almost free from filariasis in 2011. Sustaining this disease free status was a challenge. Budgetary allocations had to be maintained at a significant level during 2005-2011 to maintain communicable diseases at a lower level in the country. Malaria was brought to under control due to heavy investment on immunization programmes and well planned vigilant surveillance systems. There has been a dramatic reduction of Malaria cases during the last decade from 210,039 cases in the year 2000 to 124 cases in 2011 (99.9% reduction). A number of programmes has been launched to prevent and control the spread of Dengue fever

(DF)/Dengue Hemorrhagic fever (DHF) and many steps were taken to strengthen the quality and effectiveness of clinical management of DH/DHF cases to prevent deaths. Deaths due to Dengue fever/Dengue Hemorrhagic fever was reduced to 185 out of 28,240 reported cases in 2011 from 241 in 2010. Since the country has an incidence rate of Tuberculosis around 45 per 100,000 populations, Government had to invest around Rs. 514 Mn in 2011 on National Programme for Tuberculosis Control & Chest Diseases through GFATM.

Table 8.85 > **Major Programmes on Preventive Health Care**

Project	Duration	Total Cost (Rs. Mn)
National Dengue Control Programme	2011-2013	250
Avian/Pandemic Influenza Project	2009-2013	137
Rabies Control Programme	2009-2013	102
GAVI HSS (Global Alliance for Vaccines & Immunization – Health System Strengthening)	2008-2012	450
Global Fund to fight against AIDS, Tuberculosis and Malaria Project (GFATM)	2003-2012	4,547
Programme for Strengthening Primary level healthcare	2011-2013	247

Source: Ministry of Health

Over the last five years, the cost of implementing the routine immunization program was Rs. 1.9 Bn per year. The private sector contribution for immunization in urban areas

such as Kalutara, Gampaha and Colombo is around 10-12 percent whereas its contribution for immunization in rural areas is less than 1 percent.

Table 8.86 > **Immunization Coverage in Sri Lanka**

Type of Vaccine	Target Group of Children	Immunization Coverage		
		2009	2010	2011**
BCG	At Birth	94.0 %	97.0 %	100%
DPT 1/PvV	On completion of 2 months	88.9 %	94.1 %	94.4%
DPT 3/PvV	On completion of 6 months	88.5 %	92.4 %	92.6%
Measles	On completion of 1 year	94.4 %	95.3 %	96.2% *
DPT 4	On completion of 18 months	88.3 %	90.1 %	91.5%
MR	On completion of 3 years	87.7 %	94.9 %	91.8% *
DT/OPV	On completion of 5 years	90.5 %	91.0 %	92.0%

Source: Reported through quarterly EPI returns - Mainly the immunizations performed at the government sector

**Provisional

* Coverage calculated up to 3rd quarter

Sri Lanka is currently facing the migrant workers' health issues as the country is increasingly becoming a labor receiving country and a significant number of foreigners obtain resident visa each year. The number of resident visas issued in 2011 was 44,901. Those coming into the country to take part in the massive construction projects and returning refugees can cause several health problems. Therefore, the initiative for the establishment of a Visa Health Unit in the country was timely, to ensure the sustainability of the good health indicators of the country.

Human Resources in the Health Sector

The provision of quality healthcare depends primarily on the quality of trained manpower. The absorption of skilled human resources to the health sector has gradually increased since 2005 by the government in order to provide good quality services to every citizen.

Table 8.87 > Major Categories of Manpower in Health Sector 2000-2011

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administrative Grade MOO	101	97	102	101	106	124	124	128	131	136	138	240
Specialist MOO	n.a	n.a	n.a	719	751	848	905	959	1006	1135	1216	1336
Medical Officers	6873	7235	7459	8342	8749	9040	9297	9662	10932	11684	11782	12630
Dental Surgeons	569	654	726	763	774	805	849	861	879	1022	1209	1230
RMO/AMO	1332	1330	1295	1289	1276	1260	1274	1244	1244	1188	1158	1100
Nurses	14931	15061	16139	16771	17316	20332	20912	22088	22977	25617	26680	29,234
Midwives	5371	5189	n.a	7453	7407	7316	7165	7590	8722	8276	8276	8,385
Public Health Inspectors	1448	1450	1482	n.a	1564	1581	1574	1662	1695	1694	1689	1718
Medical Lab Technicians	733	860	873	910	899	984	913	910	1020	1332	1422	1415
Physiotherapists	208	199	203	211	209	220	217	215	241	268	322	328
Radiographers	288	320	338	346	341	345	340	336	385	464	477	485
Attendants	7309	7163	6955	6880	6696	6705	7091	7129	7184	8358	8189	8403

Source: Ministry of Health, Department of National Budget.

Policy Initiatives made in 2011

- National Health Sector Development Plan is being prepared to incorporate national and provincial investment requirements.
- Migration Health Policy was initiated for the health assessment of the migrants.
- Amalgamation of SPC and SPMC is being undertaken in order to establish efficient drug supply.
- Introduce new regulations on Cosmetics Device and Drugs Act to improve clinical trials in Sri Lanka.
- Amendments to Prevention of Mosquito Breeding Act providing the relevant agencies with sufficient authorities.
- Amendments to Private Medical Institutions Act initiated with a view of strengthening the regulatory framework of the private health sector and giving more powers to the Ministry in making decisions in order to ensure safe, quality care for patients.
- Maternal and Child Health Policy was prepared in order to strengthen the maternal and child health status.

Table 8.88 > **Key Indicators and Targets**

Indicator / Target	2000	2005	2010	Target By 2020	Upper Middle Income Coun- try Status (Eg. Malaysia)
Maternal Mortality (100000 LB)	62	41	39*	20	31
Under Five Mortality (1000 LB)	25	13.5	11.1*	06	6
Infant Mortality (1000 LB)	22	11.3	9.0*	4.5	5.4
Antenatal cover (4 Visits)			93%	100%	100%
Institutional Deliveries	94.1%	98%	98%	100%	100%
Beds / 1000 Population	2.9	3.2	3.39	04 (by 2015)	1.8
Doctors / 100000 Population	35	46	60	100	94
Life Expectancy (year) Male Female	67.8	70.4	72	80	74
	71.7	75.7	75	86	
Nurses / 100000 Population	78	103	136.3	150	273

*figures in 2008

**figures in 2008*

Source: Ministry of Health, Family Health Bureau, Registrar General's Department

8.5.4 Sports Economy

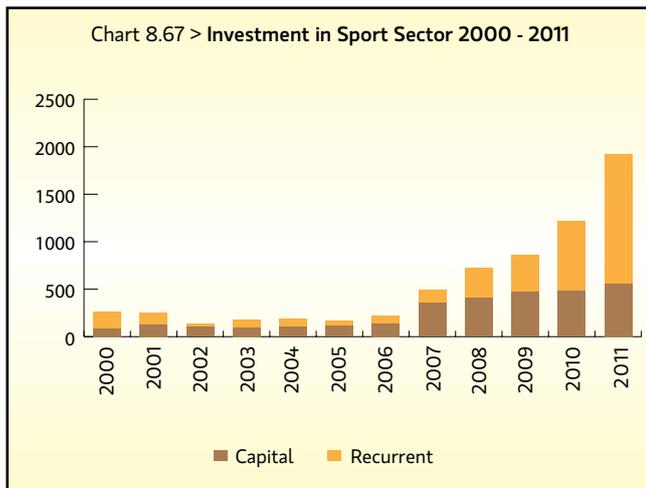
In line with rapid economic development of the country, physical, mental, and personality development of the people must be improved as a matter of priority. The government is planning to achieve this through converting Sri Lanka to a sports economy. In collaboration with the private sector, the government plans to develop island wide sports facilities to ensure that the entire population will have easy access to modern sports facilities that will promote health, well-being and social integration of varies communities. A policy on sports has been adopted to create a sports economy in Sri Lanka.

Investment in Sports Sector

Government investment in sports sector has increased significantly from Rs. 729 Mn in 2008 to Rs. 1,923 Mn in 2011. The capital investment has increased by 85% in 2011 (Rs.1,362 Mn) compared to Rs. 735 Mn invested in 2010.

The government is developing sports facilities in schools by establishing one sport school in each district with a fully fledged sports complex. Under this programme construction and repairing of 28 play grounds, 5 swimming pools, 5 volleyball courts, improvement of 35 public play grounds, and 32 public volleyball courts have been initiated at a cost of Rs. 318.97 Mn in 2011.

Currently, there are 8 International Cricket Grounds, 5 Rugby Grounds, 3 Hockey Grounds, and 2 Athletic Grounds in the country at international standards. In addition to this, there are 2 international level sports complexes namely Sugathadasa and Diyagama Mahinda Rajapaksa sport complex. The government plans to develop island-wide sports facilities. Under this programme, development of 14 District Sports Complexes and 7 National Sports Complexes have been planned at a cost of Rs. 4,472 Mn in 2011 to ensure that the entire population will have easy access to modern sports and recreational facilities. The target is to develop sports facilities in every Divisional Secretariat, District and Province.



Source: Department of National Budget

8.5.5 Social Protection

The government recognizes the need for social protection support for most vulnerable segments of the society. As a result, the government continues all its social welfare programmes including Samurdhi, fertilizer subsidy, electricity and fuel subsidy programme. By providing large amount of government welfare support to vulnerable groups, it is expected to build up the assets base of receiving families. In the long term, the government expects to change the dependency attitude of vulnerable

groups from passive recipients of social support to active contributors to the economy. Therefore, it is expected that a significant portion of welfare support funds will be used for assets creation.

Empowering women, creating opportunities for children, sharing the experience of elders and mainstreaming the differently-abled people are priority areas for government intervention made in social protection programmes. In 2011, the Government has spent Rs.98,696 Mn for upgrading the living standards of people.

Table 8.89 > **Expenditure on Subsidies - (2005-2011)**

Description	Rs. Mn						
	2005	2006	2007	2008	2009	2010	2011
School and Dharma School textbooks	1,080	1,123	2,250	3,387	2,196	2,056	2,334
Food Distribution under World Food Programme	1,258	1,075	2,466	4,437	8,736	6,638	3,398
Samurdhi Programme	9,161	10,789	9,200	9,995	9,267	9,241	9,509
Nutritional Food Package for expectant mothers (Poshana Malla)		82	418	386	505	388	360
Thripasha Programme	504	537	488	649	1,155	865	1,336
School and Higher Education Season Tickets	250	250	500	600	1,384	1,369	1,359
SLTB Unremunerative Routs Subsidy	100	91	300	500	300	2,250	1,920
Fertilizer Subsidy	6,846	10,700	11,000	26,450	26,935	23,027	42,036
Street Lighting Subsidy	800	900	1,000	1,300	204	360	123
Infant Milk Food Subsidy & Fresh Milk	143	150	13	35	167	178	249
Poshana Manpetha & Lama Saviya	4	25	22	24	30	30	18
Death & Disabled soldiers compensation	4,749	5,921	7,426	8,694	9,796	10,500	13,316
National Secretariat for Elders	17	42	41	49	48	53	62
Disabilities	10	20	24	75	74	76	393
Public Assistance through provincial council		648	326	922	960	650	950
School Nutritional Food Programme	166	722	1,308	1,649	2,251	2,475	2,631
School Uniform	1,060	963	1,067	582	1,260	950	1,364
Grade v scholarships , Mahapola and Bursary	421	235	201	565	578	645	777
Handicapped Students	40	50	71	70	74	71	80
Distribution of cooked meals and dry rations for disabled people	1,592	2,586	1,666	1,457	2,860	1,016	200
Flood and Drought Relief	348	171	345	323	738	264	698
Agriculture related development subsidy	40	47	40	155	348	630	410
Subsidy on water for religious places and schools	45	45	30	46	144	42	46
Medical Supplies for Government Hospitals	7,100	11,379	10,826	12,082	12,142	13,582	15,137
Total	35,734	48,551	51,028	74,432	82,152	77,357	98,696

Source: Department of National Budget

Poverty Alleviation

The national poverty level has reduced significantly during the past few years from 15.2 percent in 2006/07 to 8.9 percentage in 2010 as a direct result of various government welfare programmes.

Samurdhi: Government spent Rs. 9,044 Mn in 2011 for Samurdhi relief assistance which benefits around 1.5 Mn families throughout the country. In addition, under this programme, welfare allowances for marriages, deaths, hospitalizations and child births were given to 77,053 families.

Table 8.90 > **Poverty Head Count Ratio (%)**

Sector	Poverty Head Count Ratio (%)		
	2002	2006/7	2009/10
Urban	7.9	6.7	5.3
Rural	24.7	15.7	9.4
Estate	30.0	32.0	11.4
Sri Lanka	22.7	15.2	8.9

Source: Dept of Census and Statistic

Table 8.91 > **Samurdhi Beneficiaries and Government Expenditure 2005 & 2011**

Name of the Programme	2005		2011	
	No. Of beneficiaries	Expenditure (Rs.Mn)	No. of beneficiaries	Expenditure (Rs.Mn)
Samurdhi Relief	1,960,664	8,960.00	1,541,575	9,044.00
Other Samurdhi Benefits				
Births	156,99	18.42	5,848	29.24
Marriages	33,029	33.81	19,932	59.79
Hospitalization	24,349	17.78	18,473	110.83
Deaths	24,990	130.29	20,255	202.55
Scholarships	-	-	12,545	62.67
Total	2,058,731	9,160.30	1,618,628	9,509.08

Source: Sri Lanka Samurdhi Authority

Women and Children: The government has initiated several programmes to ensure development, welfare and protection of women and children, widows and female headed families and children of poorest families.

- Facilitation programme for women who were affected by war was implemented spending Rs. 10 Mn in 2011 providing relief to 7000 families.
- The "Lamasawiya/ Poshana Manpetha" targeted to upgrade the nutritional level of school children, investing Rs. 149 Mn for the period of 2006 - 2011.
- The School Nutritional Food Programme was conducted investing Rs.2, 631 Mn in 2011.
- A special infant milk food subsidy and fresh milk was initiated by the government in 2006 by investing Rs. 150 Mn. The allocation was gradually increased for this programme and the government has spent Rs. 249 Mn in 2011. This is a 39 percent increase compared to 2010.
- The investment in "Thriposhna Programme" for expectant mothers and children has increased to Rs. 1,336 Mn in 2011 from Rs.865 Mn in 2010. This is a 54 percent increase in 2011 compared to 2010.
- The Government spent Rs. 360 Mn in 2011 for the nutritional food package for expectant mothers "Poshana Malla" which has benefited 43,252 expectant mothers throughout the country.
- In 2011, the Ministry of Child Development and Women's Affairs conducted a programme titled "Men too can make a difference" to minimize the gender base violence.
- The Fresh Milk Programme to preschool children has been designed to increase nutritional level of children in the early childhood. In addition, it has led to increase the demand for milk produced locally. Accordingly, the government has spent Rs. 248.7 Mn in 2011 for this programme benefiting 2, 12,553 preschool children.

Table 8.92 > **No. of Beneficiaries and Expenditure - Poshana Malla and Thripasha Programmes**

Year	Poshana Malla		Thripasha Programme	
	No. of beneficiaries	Expenditure (Rs.Mn)	No. of beneficiaries	Expenditure (Rs.Mn)
2008	60,050	385.7	718,375	649.3
2009	76,620	505.0	756,935	1,155.03
2010	71,471	388.0	943,752	864.8
2011	43,252	360.0	965,194	1,336.0

Source: Sri Lanka Samurdhi Authority; Ministry of Health

Disabled Persons: The Government strategy is to mobilize disabled persons, empower and integrate them into society as useful and equal partners. Special programmes were implemented by the government for the disabled persons. Provision of education assistance, housing assistance, monthly allowances of Rs.3000 for selected

disabled persons and courses on Braille methodology, sign language and mobility etc are such programmes.

Elderly People: People who are over 60 years are considered as elderly population. In 2010, 9.2 percent of the total population comprised of elderly population. This population category has rapidly been growing over the last three decades and it is expected to have a considerably higher proportion of about 22 percent by 2030. Community based rehabilitation and institutional care facilities will be strengthened for the needy elderly persons and also families will be encouraged to provide long term care to older members within the family.

Table 8.93 > **The Fresh Milk Programme**

Year	2008	2009	2010	2011
Expenditure(Rs.Mn)	35	167	178	249
No of beneficiaries	49,654	80,188	94,833	2,12,553

Source: Ministry of Child Development and Women Affairs

Table 8.94 > **Monthly Allowance for Disable Families-2011**

District	No.of families Receiving Rs 3000/= Allowance	Annual Cost (Rs)	District	No.of families Receiving Rs 3000/= Allowance	Annual Cost (Rs)	District	No.of families Receiving Rs 3000/= Allowance	Annual Cost (Rs)
Colombo	436	15,696,000	Batticaloa	476	17,136,000	Jaffna	510	18,360,000
Gampaha	452	16,272,000	Ampara	660	23,760,000	Mannar	170	6,120,000
Kalutara	474	17,064,000	Trincomalee	329	11,844,000	Vavuniya	136	4,896,000
Kandy	680	24,480,000	Kurunagala	1014	36,504,000	Mullaitivu	204	7,344,000
Matale	374	13,464,000	Badulla	510	18,360,000	Kilinochchi	136	4,896,000
Nuwaraeliya	170	6,120,000	Monaragala	370	13,320,000	Puttalam	537	19,332,000
Galle	647	23,292,000	Ratnapura	578	20,808,000	Anuradapura	729	26,244,000
Matara	526	18,936,000	Kegalle	374	13,464,000	Polonnaruwa	229	8,244,000
Hambantota	408	14,688,000				Total	11,125	40,050,000

Source: Ministry of Social Services

Table 8.95 > **Welfare Support for Disable People - 2011**

Welfare Programme	Expenditure 2011
Rs. 3000/= monthly assistance	Spent Rs. 403.8 Mn for 11,125 poor families having disabled people
67 district wise mobile services	378 wheel chairs, 300 crutches, 370 elbow crutches and 39,891 spectacles were distributed spending Rs.13 Mn.
Financial Assistance for self employment	523 people were benefitted who were willing to engage self employment. The total expenditure was Rs.6 Mn.
Medical Assistance for heart surgeries, kidney transplant. etc.	Spent Rs. 6.27 Mn and 537 people were benefitted.
Financial Assistance for constructing new houses/ improvements	Spent Rs.30.4 Mn benefiting 635 disabled people.
Community Based Rehabilitation Programme in 331 DS Divisions	Spent Rs.8 Mn.
Social Security for disabled soldiers	Spent Rs. 13,315 Mn in 2011 and it was a 27 percentage increase compared to 2010.

Source: Ministry of Social Services

Table 8.96 > **Elderly population by Age Group and Gender - 2010**

Age Group	Male (000)	Female (000)	Total (000)	As a % of the Total Population
60-64	297	312	609	2.94
65-69	225	260	485	2.34
70-74	174	198	372	1.80
75 & above	205	239	444	2.14
Total	901 (47.1 %)	1009 (52.9 %)	1910	9.24

Source : Department of Census & Statistics

Table 8.97 > **Welfare & Social Protection for Elders -2011**

Programmes	Amount (Rs.)	Beneficiaries
Wedihiti Awarana Kepakaru Sponsorship Scheme	177,000	63
International Elders Day	1,347,265	700
Issuing Hearing Aids	336,600	51
Issuing 59 Hearing Aids in Elaheera & Hingurakgoda Mobile Services in Polonnaruwa District	336,800	59
Training Programmes for Care Givers	344,462	30
Counseling Programmes for Elders	626,382	908
Granting Funds for Divisional Secretariats to Awareness Programmes for Elders (Rs. 10,000)	1,350,000	135
Awareness Programmes for Daham Pasal Students	795,000	159
Issuing Eye Lenses	10,704,758	1455
Financially Assisted for Village Level Elders Committees	1,925,000	385
Financially Assisted for Divisional Level Elders Committees	157,500	21
Financially Assisted for District Level Elders Committees	15,000	1
Establish for Colombo District Elders Committee	28,553	100
Establish of Mathale District Elders Committee	6,750	70
Establish of Western Province Elders Committee	307,000	140
Home Gardening Projects in Elders Homes	122,600	10
The Maintenance Board for Elders		
No. of cases settled		53
Programmes	Amount (Rs.)	Beneficiaries
No. of cases withdrawn		19
No. of cases pending inquiry		48
Sub Total	776,500	147
Granting Funds for Day Centres	649,950	26
Issuing Identity Cards	1,299,900	35,358
Financially Assisted for Elders Home	1,677,338	26
Total	22,984,358	39,991

Source: Ministry of Social Services

Box 8.7 Measures of Poverty

1. Introduction

Poverty is a condition of the people who lack adequate income. Those who are unable to afford basic necessities and have significantly less access to income than the others in their own society are considered as poor. The measurement and analysis of poverty in a country is important in guiding development policy formulation as it helps to identify the number of poor as well as the nature, dimensions, magnitude and the determinants of poverty. It also facilitates the impact assessment of various policies, and poverty reduction strategies as well as social welfare programmes on the poor people and to ascertain the resource requirements for channeling development towards poorer areas. The national measures of poverty provide the basis for global comparison.

There is no universally accepted single indicator to measure poverty. A number of different standard measures are used by governments and international agencies around the world for this purpose. The poverty line is the minimum acceptable indicator to separate the poor from the non-poor. It defines the level of consumption (or income) needed for a household to escape poverty. In obtaining a poverty line, a consumption bundle, which is considered adequate for basic consumption needs, is specified and the cost of those basic needs is estimated using household survey data. Then, a summary statistic is generated to aggregate the information from the distribution of this indicator relative to the poverty line.

2. Absolute and Relative Poverty

Absolute Poverty or Extreme Poverty: This exists when people lack basic necessities, such as food, clean water, proper housing, sufficient clothing and medicines for survival. The absolute poverty measures the ability of a household to afford a minimum set of consumption requirements for their survival. The absolute poverty line is generally used as a threshold for comparison purposes and is expressed in terms of income sufficient to have basic needs, which is fixed over time in real terms.

Relative Poverty: The concept of relative poverty is used to look at the poor in terms of relative deprivation. It interprets the poverty in relation to living standards of a given society. Hence, the relative poverty measures the extent to which the financial resources of a household fall below an average income threshold at a particular time. Accordingly, people are considered as relatively poor if the average standard of living in their society requires more spending than the income available with them.

When a society becomes more prosperous, the standard of living tends to improve. Hence, the relative poverty line, which calculates in line with this definition, varies with the changes in variables such as economic growth, higher employment and growth in earnings.

3. Summary Measures of Poverty

A number of summary measures of the extent of poverty are used in measuring and analyzing poverty in which the features of the major indicators are as follows.

Poverty Headcount Index (PHCI) or Incidence of Poverty:

This measures the proportion of the population that is poor by looking at the share of the population whose income or consumption is below the poverty line. It reflects the share of the population that cannot afford to purchase a basic basket of goods. This is considered as the most widely used measure as it simply enables to measure and understand the proportion of the population that is considered as poor.

Poverty Gap Index (PGI) or Depth of Poverty: The PGI depicts the extent to which individuals, on average, fall below the poverty line by adding up the poverty gaps, and expresses it as a percentage of total population. This index provides information regarding how far off households are from the poverty line. The mean aggregate income or consumption shortfall with respect to the poverty line across the entire population is captured by the PGI. When adding up all the shortfalls of the poor, the non-poor is considered as having a shortfall of zero and divided the total by the population. It also provides the information on total resources needed to bring all the poor to the level of the poverty line (divided by the number of individuals in the population).

Squared Poverty Gap Index (SPGI) (also known as the Poverty Severity Index): The SPGI is an index based on the PGI indicated above. It is obtained by squaring the poverty gap or the amount that a household's expenditure below the national poverty line. As it gives additional weight to the poorest households in the society, higher the SPGI the greater will be the severity of poverty.

4. Measuring Poverty in Sri Lanka

The Department of Census and Statistics (DCS) is the official agency in Sri Lanka that collects, computes and disseminates data on poverty using Household Income and Expenditure Surveys (HIES) conducted with a time lag. The DCS uses the absolute poverty line approach, which is

the practice adopted in most developing countries as well. This facilitates to check the changes in poverty over time or across regions reference to the fixed poverty line.

4.1 Poverty Line in Sri Lanka

4.1.1. Calculation of Poverty Line

a. Food Poverty Line: The population is selected as per the manner given in 4.1.2 below and the monthly expenditure on food which provides 2,030 kilo Calories of energy per day per person of the selected population is called the food poverty line. This value is Rs. 973 per month according to the 2002 constant prices (The minimum calorie limit of 2,030 Kilo Calorie is recommended by the Medical Research Institute of Sri Lanka).

b. Non-food Poverty Line: Monthly expenditure on non-food of a person whose income is close to the poverty line calculated above is called the non-food poverty line. This value is Rs. 450 per month according to the 2002 constant prices.

c. Official Poverty Line (OPL)¹: This is the sum of the food poverty line and the non-food poverty line;

Official Poverty Line	=	Food Poverty Line	+	Non-food Poverty Line
Rs. 1,423	=	Rs. 973	+	Rs. 450

4.1.2 Methodology of Selecting the Population for Calculating Poverty Line

- Population is arranged according to the ascending order of the monthly per capita expenditure values calculated in HIES and the lower 40 percent of the population is selected.
- According to the HIES, the average food consumption pattern of the above population (excluding liquor, narcotic drugs and tobacco) is obtained. Using this food consumption pattern, Spatial Price Index is calculated to understand the price differences among the districts.
- The above price index is used to convert current per capita expenditure value in to real value. Using those real values, 40 percent of the population who receive minimum monthly per capita real expenditure is selected.

4.1.3 Updating the Poverty Line

a. Official Poverty Line (OPL), determined according to the HIES 2002 (constant prices), was Rs. 1,423. This is the real total monthly per capita expenditure. This value is inflated or deflated by the relevant Colombo Consumers' Price Index (CCPI) value to obtain the current value of the OPL in a given time.

b. District price index, calculated according to the recent HIES, is used to adjust the OPL to obtain nominal district poverty lines which are published monthly on the website of the DCS.

4.1.4 Calculation of Poverty Index

a. Persons whose monthly total per-capita expenditure is calculated according to the household expenditure information collected through HIES.

b. Persons whose monthly total per-capita expenditure is less than the value of the poverty line of the relevant district are identified as poor.

c. Determining the percentage of poor in different geographical and social domains, such as all island, district, sector etc. as required, is called the calculation of poverty index.

$$\text{Poverty Index (For the District)} = \frac{\text{Poor Population in the District}}{\text{Total Population in the District}} \times 100$$

4.2 Poverty Index (%) by HIES Survey Period and District

Using the poverty line, the Poverty Index or Poverty Head Count Ratio, which is defined as the percentage of the population whose monthly per capita total consumption expenditure falls below the district level poverty line, has been computed for 1990-91, 1995-96, 2002, 2006/07 and 2009/2010 by the DCS. The outcome is summarized in Table 8.b.4.

¹The OPL of Sri Lanka has been established with the expertise available at the Department of Census and Statistics assisted by international expertise from the UN Statistical Institute of Asia and the Pacific, and the World Bank.

Table 8.b.4 > Poverty Headcount Ratio – Sri Lanka

District	1990/91	1995/96	2002	2006/07	2009/10
Sri Lanka	26.1	28.8	22.7	15.2	8.9
Colombo	16.2	12.0	6.4	5.4	3.6
Gampaha	14.7	14.1	10.7	8.7	3.9
Kalutara	32.3	29.5	20.0	13.0	6.0
Kandy	35.9	36.7	24.9	17.0	10.3
Matale	28.7	41.9	29.6	18.9	11.5
Nuwara-Eliya	20.1	32.1	22.6	33.8	7.6
Galle	29.7	31.6	25.8	13.7	10.3
Matara	29.2	35.0	27.5	14.7	11.2
Hambantota	32.4	31.0	32.2	12.7	6.9
Jaffna	-	-	-	-	16.1
Vavuniya	-	-	-	-	2.3
Batticaloa	-	-	-	10.7*	20.3
Ampara	-	-	-	10.9	11.8
Trincomalee	-	-	-	-	11.7
Kurunegala	27.2	26.2	25.4	15.4	11.7
Puttalam	22.3	31.1	31.3	13.1	10.5
Anuradhapura	24.4	27.0	20.4	14.9	5.7
Polonnaruwa	24.9	20.1	23.7	12.7	5.8
Badulla	31.0	41.0	37.3	23.7	13.3
Moneragala	33.7	56.2	37.2	33.2	14.5
Ratnapura	30.8	46.4	34.4	26.6	10.5
Kegalle	31.2	36.3	32.5	21.1	10.8

Source: Department of Census and Statistics

- No survey was done due to security reasons. * Excluding some remote areas in the district.

Table 8.b.5 > Poverty Indicators of Sri Lanka

Index	Unit	Survey Period				
		1990/91	1995/96	2002	2006/07	2009/10
Poverty Headcount Index						
National	%	26.1	28.8	22.7	15.2	8.9
Urban	%	16.3	14.0	7.9	6.7	5.3
Rural	%	29.5	30.9	24.7	15.7	9.4
Estate	%	20.5	38.4	30.0	32.0	11.4
Poverty Gap	%	5.6	6.6	5.1	3.1	1.7
Squared Poverty Gap	%	1.8	2.2	1.6	0.9	0.5

Source: Department of Census and Statistics

4.3 Household Income Median and Mean (Real and Nominal) by HIES Survey Period

From the year 2002, the real median household income has increased (Table 8.b.6). According to the median income distribution, 50 per cent of the households will get an income more than (or less than) the rupee value of the median income. As per the accepted norms, an income distribution is better represented by its' median.

These two statistical measures indicate that; (a) between 2006/7 and 2009/10 period, the income of the higher income earning households has declined in Sri Lanka and (b) the income situation of the 50 percent of the households with the lowest income has improved. That is the interpretation that can be given for the decline in real mean income and the increase in the real median income. As a result, the inequality of income distribution has declined during the same period.

Table 8.b.6 > **Household Income Median and Mean (Real and Nominal) by HIES Survey Period**

Household Income	Survey Period				
	1990/91	1995/96	2002	2006/07	2009/10
Nominal Mean	3,549	6,477	12,803	26,286	36,451
Nominal Median	2,547	4,440	8,482	16,735	23,746
Real Mean (2002 Constant Prices)	10,574	11,066	12,803	17,465	17,129
Real Median (2002 Constant Prices)	7,588	7,585	8,482	11,120	11,159

Source: Department of Census and Statistics

5. International Poverty Lines

In order to measure the extreme poverty internationally, the World Bank uses the concept of US\$ 1.25 a day². This has been defined in absolute terms and is calculated by averaging and standardizing the national poverty lines of the countries using the Purchasing Power Parity (PPP) method. The PPP is an implicit foreign exchange rate and is generally used to compare the value of products across countries using a basket of goods to compare purchasing power, excluding the impact of exchange rates.

The adjustment made to the national poverty lines based on PPP has enabled the comparison of welfare of the poor people in the world in real terms rather than in money terms. The World Bank defines the moderate poverty as the population living on less than US\$ 2 a day, at 2005 international prices. Table 8.b.7 provides a comparison of Sri Lanka's international poverty line with selected countries using the latest available data in the World Development Indicators 2012 of the World Bank published in April 2012.

² This new concept, introduced in 2008, uses 2005 as the base and replaced the concept of US\$ 1 per day to measure the poverty, which was also introduced by the World Bank in 1990. The adjustment to the poverty estimates and the new poverty line of US\$1.25 a day in 2008, were based on the results of the International Comparison Program (ICP) of 2005.

Table 8.b.7 > Poverty Rates at International Poverty Lines in Selected Countries

Country	Survey Year (b)	Population Below International Poverty Line ^(a)				Survey Year (b)	Population Below International Poverty Line ^(a)			
		Population Below US\$	Poverty Gap at US\$	Population Below US\$	Poverty Gap at US\$		Population Below US\$	Poverty Gap at US\$	Population Below US\$	Poverty Gap at US\$
		1.25 a day (%)	1.25 a day (%)	2.0 a day (%)	2.0 a day (%)		1.25 a day (%)	1.25 a day (%)	2.0 a day (%)	2.0 a day (%)
Sri Lanka	2002	14.0	2.6	39.7	11.9	2007	7.0	1.0	29.1	7.4
India	2005(c)	41.6	10.5	75.6	29.5	2010(c)	32.7	7.5	68.7	24.5
Bangladesh	2005	50.5	14.2	80.3	34.3	2010	43.3	11.2	76.5	30.4
Nepal	2003	53.1	18.4	77.3	36.6	2010	24.8	5.6	57.3	19.0
Pakistan	2006	22.6	4.1	61.0	18.8	2008	21.0	3.5	60.2	17.9
Indonesia	2009(c)	20.4	4.1	52.7	16.5	2010(c)	18.1	3.3	46.1	14.3
Malaysia	2007	<2	<0.5	2.9	<0.5	2009	<2	<0.5	2.3	<0.5
Thailand	2008	<2	<0.5	5.0	0.8	2009	<2	<0.5	4.6	0.8

Source: World Development Indicators, 2012, The World Bank

(a) Based on nominal per capita consumption averages and distributions estimated from household survey data, unless otherwise noted.

(b) Refers to the year in which the underlying household survey data were calculated; In cases for which the data collection period bridged two calendar years, the year in which most of the data were collected is reports.

(c) Population weighted average of urban and rural estimates

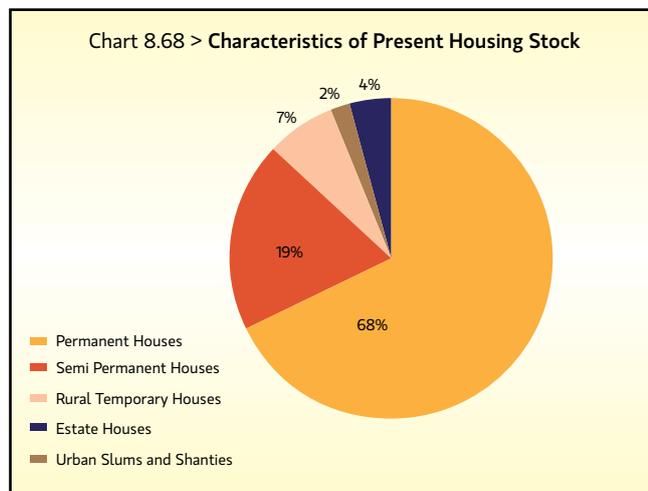
References:

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8.5.6 Assets Owning Society - Housing for all

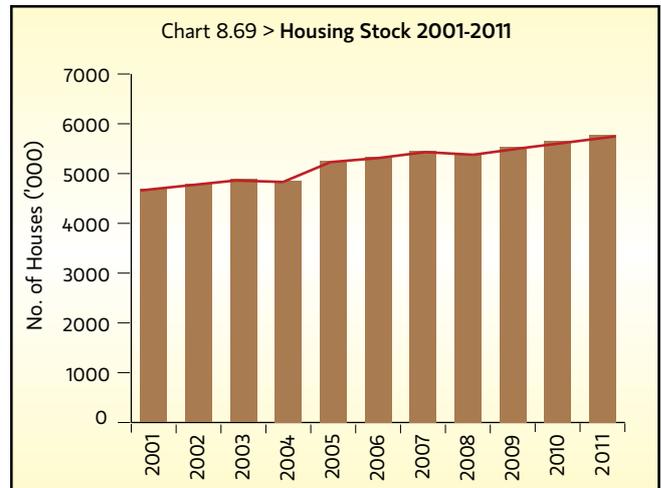
“Every family will live in a decent and comfortable house belonging to a settlement which ensures safety, protection, basic health and food security” is the vision of the Government as stipulated in the Mahinda Chintana Vision for the Future. The availability of quality shelter for its citizens reflects country’s economic standard and the well being of its people.

Strategy of the government is to facilitate the private sector to invest in housing since it is mainly a private sector activity. The government provides support to vulnerable groups such as rural low income families, urban slum dwellers, plantation communities and conflict affected families through providing concessionary loan facilities, cash grants, in kind assistance and technical assistance. The government also creates an enabling environment through releasing suitable lands, providing tax incentives and developing required infrastructure facilities particularly road network, water supply, electricity, public transport and hospitals for private sector and households to invest in housing development.



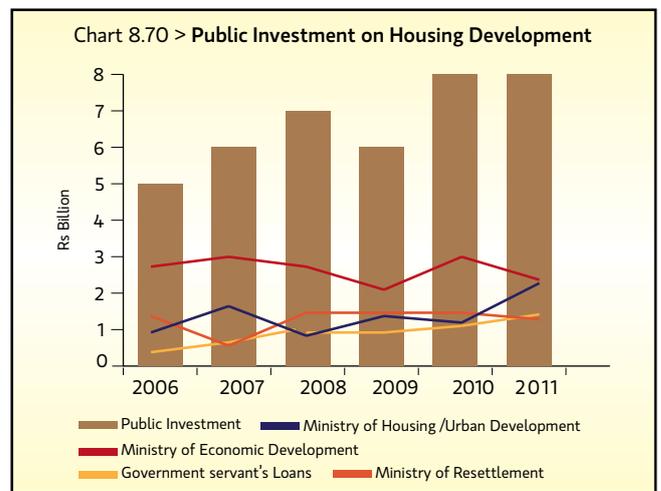
Source: Department of Census and Statistics

In 2011, total housing stock of the country was 5.7 Mn of which, 68 percent was permanent, 19 percent was semi-permanent and 13 percent was temporary houses. Around 1.08 Mn housing units have been constructed during the last 10 year period from 2001 to 2011. The tsunami housing reconstruction programme enables to replace damaged/demolished houses in affected areas. Further, construction of new houses increased due to enhanced income earning capacity of the people, increased availability of funds at low cost, reconstruction of conflicted affected areas houses and resettlement of internally displaced persons (IDPs).



Source: Department of Census and Statistics, Department of National Planning

The public investment in the housing sector has increased by 50 percent during the period from 2006 to 2011. This includes investment on rural housing, fishery community housing, relocation of underserved settlements, plantation



Source: Department of National Budget

area housing, reconstruction of conflict damaged houses, and increased interest subsidized housing loan facilities for public servants, and provident funds beneficiaries from banks.

Janasevana National Housing Development Programme which is the largest housing programme of the government targets to construct one Mn housing units by year 2020. Several housing programmes are also being implemented by various government agencies parallel to Janasevana Housing Programme.

Table 8.98 > **Housing Development Initiatives 2011**

Programme	No. of Housing Units Constructed in 2011	Total Expenditure Rs. Mn in 2011
Janasevana Viru Upahara	565	195.97
Visiri Niwasa	5,572	873.29
Sevana Upahara	2,736	1,411.56
Dayata Kirula - Monaragala	1,036	94.37
Sahasaviya Niwasa	448	312.58
Other Sub Programms Implemented by NHDA	3,898	383.61
Jana Upahara Loan Programme	6,346	2,210
Resettlement of IDP	1,737	98
North East Housing Project	13,563	2,469
Puttlum Housing Project	6749	1936.9
Estate Housing Programme	550	100
Housing Loans Under EPF	20,041	6,355
Government Servant's Loan Scheme	1,000	1,548
Samurdhi Housing Programme	5,147	547.05

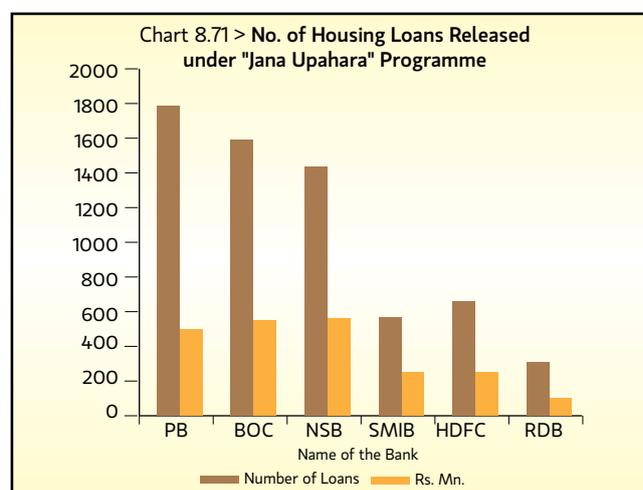
Source: NHDA / Ministry of Economic Development

Ministry of Resettlement / Ministry of Livestock and Rural Community Development

Department of National Budget

The North East Housing Reconstruction Programme and Puttalm Housing Project implemented with the World Bank loan assistance for providing housing facilities for IDPs have been completed in 2011. Under this programme 49,488 houses were built in the Northern and Eastern Provinces and 7,400 houses were built in Putalam district. In addition to this, UN HABITAT has reconstructed 3,785 houses in the conflict affected areas in the Northern Province during the 2011. The Government of India has pledged to reconstruct 50,000 houses in the Northern, Eastern and Central provinces. Of these, houses construction works of 1,000 houses were commenced during 2011.

In 2011, government introduced a new housing loan programme with an interest subsidy called "Janauphara Loan Programme" with the assistance of state banks targeting irregular income earners who are unable to access formal financial institutions. Under this programme 6,350 loans to the value of Rs.2,210 Mn were issued during 2011. The banks disburse loans to beneficiaries based on the recommendation of NHDA which is also the responsible agency for the loan recovery as well as technical assistance. The programme is being implemented successfully. The state banks are expected to provide Rs.4,000 Mn in 2012 to construct or improve 12,000 houses under this programme coordinated by NHDA.



Source: National Housing Development Authority

In order to find a lasting solution to the problem of Colombo shanty dwellers, Urban Development Authority (UDA) and Urban Settlement Development Authority (USDA) under the supervision of Ministry of Defence and Urban Development and Ministry of Construction, Engineering Services, Housing and Common Amenities have initiated a programme to construct low income houses with all comforts within the City of Colombo for low income families. Under phase -I, the construction of 10,763 housing units was commenced in 2011.

Table 8.99 > **Housing Projects Implemented for Underserved Communities in Colombo in 2011**

Name of Project	Estimated Cost Rs. Mn	No. of Housing Units to be Completed
Kolonnawa - Salamulla	513	216
Dematagoda	1,320	500
54 - 66 Watta	2913	1,152
Maura Place Col. 06	400	120
Kolonnawa	1,600	672
Maligawatta - Phase 1	2,200	910
Maligawatta - Phase 11	6,950	1,970
Henamulla	2,750	1,137
Jewel Art Land	4,375	1,750
Aluth Mawatha	8,360	1,392
Cyril C Perera Mawatha	1,500	600
Moratuwa Angulana	925	284
Borella Singhapura	159	60
Total	33,965	10,763

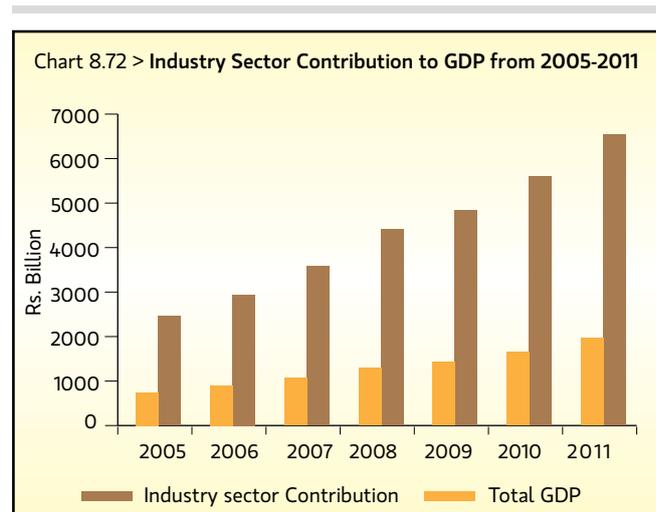
Source: Urban Development Authority, Urban Settlement Development Authority

8.6 Private Sector Development

The private sector plays a dynamic role in country's economy. The organized private sector which engages largely in manufacturing industry, construction, leisure, banking, finance, trade and plantation accounts for a significant portion of GDP, investment and employment creation.

8.6.1 Manufacturing Sector

In 2011, the industry sector contribution to the national GDP was 30 percent. Dominated by private sector activities, industrial exports recorded an average growth of 8 percent during the period between 2005 and 2010. It is expected that by 2015, the industry sector contribution to the GDP will increase to 35 percent from the current 30 percent with the expansion of some of the thrust industries such as agro based, construction, apparel, textiles and pharmaceuticals industries. Private sector also dominates in services sector which accounts for over 60 percent of GDP. At present, the industry sector employs 1.87 mn employees, accounting for about 25 percent of the total work force in the country.



Source: Department of Census and Statistics

Table 8.100 > Industry Sector Performance 2005-2011

Item	2001	2005	2011
Contribution to GDP (Rs. bn)	334	740.5	1,962.6
As a percentage of GDP	26.8	28	30
Number of employees (mn)	1.49	1.78	1.87
Employee Share from Total workforce	23.9	26.3	24.2
Industrial exports (US\$ mn)	3,651	4,935	7,992
As a percentage of total exports	74.7	72.0	74.3
FDI Inflows to manufacturing sector (US\$ bn)	0.17	0.3	0.5

Source: Department of National Planning

"Export bias Industrial Development"

Based on global demand, comparative advantage and present export performance, several priority areas have been identified for rapid development generating higher export income from each area. They are, value added tea, apparel industry, rubber based products, IT based industry, spices and allied product based industries, food and beverages and gem and jewelry industries. The apparel industry which has increased backward linkages realized US\$ 4 bn export earnings in 2011 and is expected to achieve a US\$ 5 bn target by 2015. The value added tea industry itself with expanded plantation and value added activities generated

US\$ 0.78 bn exports in 2011 in comparison to US\$ 0.42 bn in 2005. This industry too, is expected to reach US\$ 2.5 bn by 2015. Rubber based industry, which uses local raw materials generated export earnings of around US\$ 0.9 bn and expected to expand rapidly.

Development of these industries will largely help to enhance the country's export earnings, and thereby reduce the unfavorable trade balance. In addition, these industries will lead to a substantial employment generation and expansion in the primary agriculture and the domestic resource use in the country.

Table 8.101 > **Export Earnings of Selected Leading Industries 2005-2011 (US\$ mn)**

Industry	2005	2006	2007	2008	2009	2010	2011
Apparel and Clothing	2747.78	2917.06	3144.31	3282.44	3119.89	3178.21	3985.78
Food, Beverages and Tobacco	219.82	240.67	335.08	258.38	203.13	287.14	407.58
Diamond, Gem and Jewelry	326.09	409.63	509.59	608.41	458.81	394.27	491.63
Rubber Based Products	394.8	449.5	482.9	539.9	384.3	556.8	884.2
Spices	95.84	102.61	124.42	151.46	115.11	191.19	213.62
Value Added Tea	421.99	442.19	515.96	655.76	597.39	788.01	778.77
IT/BPO	82.0	98	175	230	245	265	387
Total	4288.33	4659.62	5287.27	5726.36	5123.65	5660.63	7148.59

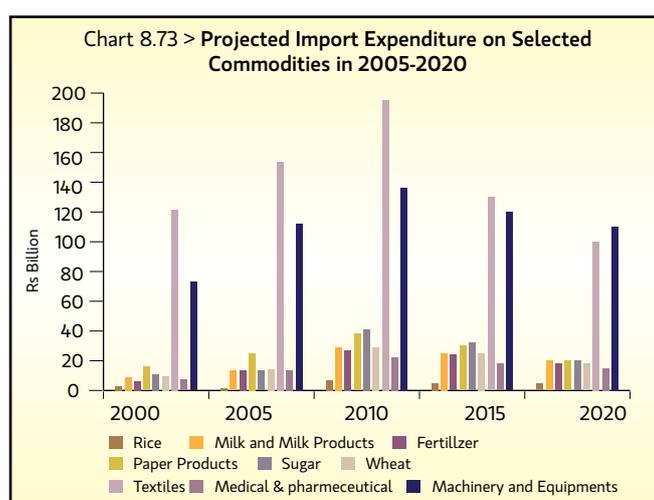
Source: Sri Lanka Customs

Development of "Import Replacement Industries"

At present Sri Lanka spends a considerable sum of foreign exchange on import of, sugar, pharmaceuticals, fertilizer, dairy products, cement, textiles and machinery and equipments. These imports show prospects for investment potentials in respective areas which are already in the domain of private sector. The government has already initiated actions to promote these sectors for private investments in order to reduce imports and reach towards self sufficiency in domestic production as projected below.

Some of the key Industry Sector Strategies adopted in 2011

- Enhance domestic value addition on export of minerals and other raw material based products by imposition of export Cess on the exports on raw form
- Encourage the local industrialists to manufacture products that are purchased by the government such as school uniforms, pharmaceuticals, medical equipments, fertilizer and other major imports such as sugar and dairy products
- Restructure vocational training facilities in collaboration with the industry sector, in order to provide required labor skills to cater to the changing demands of knowledge based economy.
- Provide necessary guidance and support for industries to utilize sustainable energy sources to become energy efficient
- Provide various incentives to Research and Development institutions, and promote private sector to work closely with them to acquire up to date advanced technological knowhow for economic advancement.



Source: Department of National Planning

8.6.2. Plantation - A Value Added Industry

As one of the highest foreign exchange earners, plantation sector plays a vital role in the country's economy. It contributes 22 percent of total export earnings. The total

annual export earnings of the plantation products increased from US\$ 1.1 bn in 2005 to US\$ 2.3 bn in 2011. The exports in a primary form in this sector consisting of bulk tea of US\$ 493 mn, raw rubber of US\$ 202 mn, coconut of US\$ 178 mn, cinnamon of US\$ 118 mn and other US\$ 77 mn.

Table 8.102 > **Production, Export and Prices - 2011**

Product	Production Mn.(kg)	Semi Product Export		Value Added Export	
		Quantity mn.(kg) Rs/kg	Average Price Quantity	Quantity mn.(kg)	Average Price Rs/kg
Tea	328.4	125.8	442.6	177.4	541.7
Rubber	157.9	42.3	532.7	110.0	870.0
Coconut (mn. nuts)	2,808.0	176.0	89.3	270.0	211.0
Cinnamon	18.3	13.5	989.9	0.3	6,909.0
Pepper	10.8	5.6	518.0	0.1	17,581.4
Clove	5.5	5.2	752.9	0.1	3,507.7
Nutmeg	2.1	1.7	1,239.1	0.2	10,608.1
Cashew	0.8	0.2	900.0	0.1	1,098.0

Source: Department of National Planning, Ministry of Plantation Industries

Although the plantation industry accounts for 22 percent of exports earnings, its capacity is further enhanced through improved plantation and high value addition process industry, branding and reaching diversified emerging markets to increase total export value remain high.

In recent years, plantation industry performance was blessed by favorable weather conditions as well as improved commodity prices, fertilizer subsidies and production incentives for new planting, re-planting and tax benefits including CESS on bulk tea exports to promote value added

Table 8.103 > **Composition of Exports 2005- 2011**

Category	Export Earnings (US \$ bn)		Share (Percentage)	
	2005	2011	2005	2011
Manufacturing	5.0	8.0	79.9	75.5
Textiles and Garments	2.9	4.2	46.4	39.6
Other Industrial and Mineral	2.1	3.8	33.6	35.8
Plantation Industry	1.1	2.3	17.2	21.7
Tea	0.8	1.5	12.9	14.2
Raw Rubber	0.1	0.2	0.7	1.9
Coconut	0.1	0.3	1.9	2.8
Export Agriculture Crops	0.1	0.3	1.6	2.8
Other	0.2	0.3	2.9	2.8

Source: Sri Lanka Census Data, Department Export Agriculture, Export Development Board.

exports. The strategy of the government is to transform the plantation economy to an integrated value added industry by managing a young plantation through continuous cultivation, increasing productivity by high yields, applying modern technology, Good Agricultural Practices and diversify products, markets and sustain international competitions.

Tea

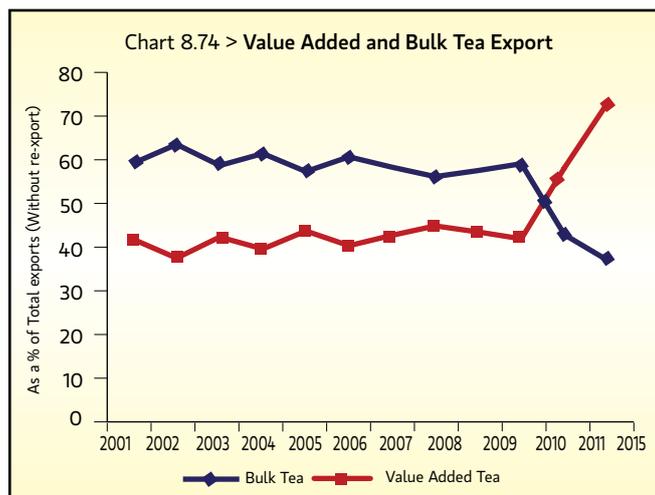
Value addition in the tea sector which remained at 40 percent of total tea export in 2001 increased to 58 percent in 2011. Russia, Iraq, Hong Kong, Syria, Iran, Australia and Chile are the main destinations of country's value added tea. The average price (FOB) of value added black tea bags amounted to Rs.912.47/kg (US\$. 8.07/kg) as against the average price of bulk black tea at Rs. 442.66/kg (US\$ 3.92/kg). Moreover, the average price (FOB) of value added green tea bags accounts for Rs. 1,496.25/kg (US\$. 13.24/kg) as against the average price of bulk green tea of Rs. 448.53/kg (US\$. 3.97/kg). Taking the value added production drive forward the government has facilitated producers for replanting and new planting to keep quality tea productions.

In order to promote and popularize Ceylon Tea in international markets, government permitted Tea Board to establish a fund

of Rs. 1 bn per annum using income earned from the CESS imposed on tea at a rate of Rs. 3.50 per kg. It is envisaged that the Ceylon tea products will have to be positioned as premium products in global markets. As a further step in this direction, in 2012 budget proposed to encourage tea production through increasing re/new planting at a rate of minimum 2 percent and promote joint ventures between tea producers and export companies in order to encourage tea exports. Accordingly, it is planned to bring 75 percent of the total tea export as value added tea by 2015.

Total production of tea reached 328 mn kg in 2011, in comparison to 331 mn kg in 2010. The average export price at the Colombo Tea Auction in 2011 was recorded as Rs. 500.64 per kg in comparison to Rs. 497.67 in 2010.

With the National Fertilizer Subsidy Scheme, productivity in the tea small holding sector has increased by 4 percent to 1,976kg/ha compared to the national average yield of 1,670kg/ha. Moreover, 1,770 ha of tea replanting and 50 ha of tea new planting have been completed in 2011 at a cost of Rs. 220 mn by way of planting subsidies. The 2012 budget proposed to distribute about 15,178 ha of underutilized lands by RPCs among small holders to improve production.

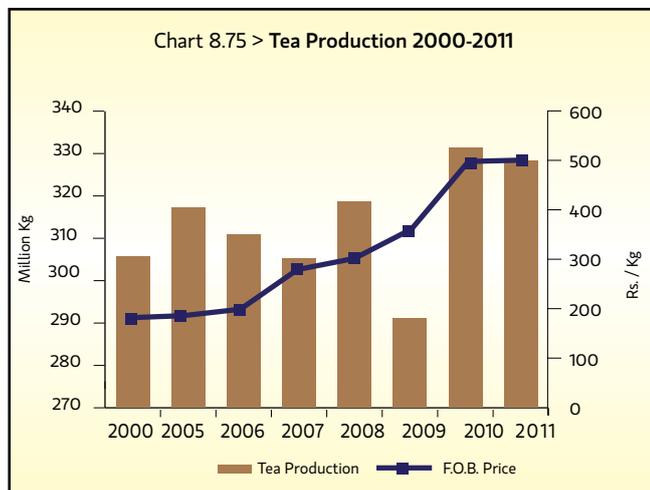


Source: Ministry of Plantation Industries, Export Development Board

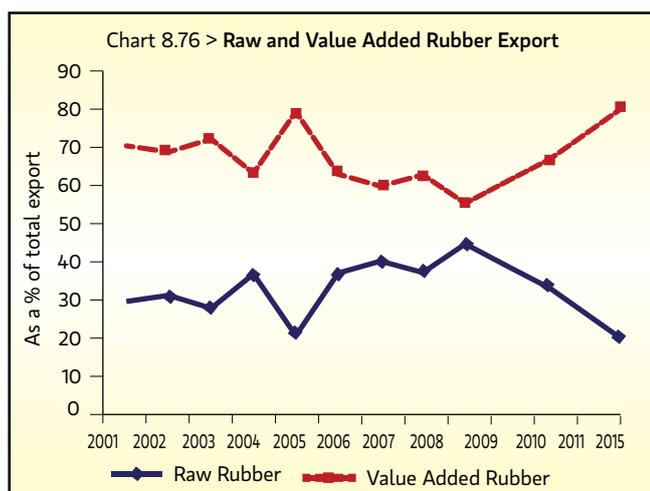
Table 8.104 > Performance of Tea Sector

Item	Unit	2005	2007	2009	2011
Production	mn kg	317.2	304.6	291.1	328.4
Yield (all elevations)	kg/ha	1,418.0	1,356.0	1,312.0	1,670.0
Cost of Production	Rs. /kg	149.1	210.7	269.0	350.0
Of which Labour	Rs. /kg	89.5	126.4	161.4	210.0
Average Sale Price	Rs. /kg	186.2	279.5	360.7	375.0
Producer Margin	Rs. /kg	37.1	68.8	91.7	25.0

Source: Ministry of Plantation Industries,



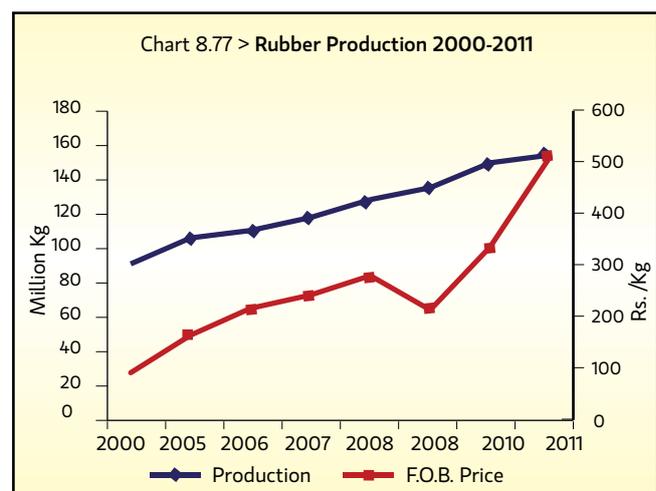
Source: Ministry of Plantation Industries,



Source: Ministry of Plantation Industries, Export Development Board

Rubber

During 2011, earnings from export value added rubber products commodity of surgical gloves, tyres and tubes, gaskets, washers, rubber plates etc. generated Rs. 97 bn (US\$ 880 mn.) out of total earning from rubber export of Rs120.6 bn (US\$ 1,096 mn.). This value added composition of rubber exports increased to 68 percent of total rubber exports from 62 percent in 2010. This is mainly due to the promotion of rubber based industries through incentives and imposing CESS on rubber exports in primary forms to improve the competition of domestic raw material based rubber industry. It is expected to increase the value added form above 80 percent by 2015.



Source: Ministry of Plantation Industries

The total rubber production has been increased by 3 percent to 158 mn kg in 2011, from 153 mn kg in 2010. Rubber production increased by over 50 percent during the period of 2005-2011 due to increased application of fertilizer to mature rubber cultivation, tapping of extended number of days by fixing rain guards, improvement of productivity, favorable producer prices and new cultivations.

The highest rubber price of Rs. 532.48 per kg, was recorded in 2011 (Rs. 338.23 per kg in 2010) owing to increased demand for natural rubber from India and China and the decline in supply of the leading rubber producing countries such as Thailand, Malaysia and Indonesia due to unfavorable weather conditions. Global rubber demand increased from 9.5 mn MT in 2010 to 10.5 mn MT in 2011.

Table 8.105 > **Performance of Rubber Sector**

Item	Unit	2005	2007	2009	2011
Production	mn kg	104.4	117.6	136.9	157.9
Export	MT	31,633.0	51,421.0	55,991.0	42,300.0
Yield	kg/ha	1,171.0	1,246.0	1,437.0	1,552.0
Cost of Production	Rs. /kg	77.4	112.7	118.6	120.5
Of which Labour	Rs./kg	47.2	86.0	92.0	91.5
Average Sale Price (RSSI)	Rs. /kg	141.2	233.7	202.8	508.8

Source: Ministry of Plantation Industries,

Coconut

Priority has been placed to increase the productivity of coconut lands through soil fertility improvement, coconut land rehabilitation, encouraging growers to fertilizer application, pest and disease control and new/replanting to meet the national demand of coconut which has been estimated around 3,000 mn nuts to be realized by 2015.

Accordingly, Kapruka Navodawa - the National Coconut Sector Development Plan has been prepared with the vision of becoming "Sri Lanka: the world's best coconut cultivator". The coconut production showed an increase in 2011 by 21 percent to 2,808 mn nuts compared to 2,317 mn nuts in 2010.

Table 8.106 > **Performance of Coconut Sector**

Item	Unit	2005	2007	2009	2011
Production	mn nuts	2,515.0	2,869.0	2,853.0	2,808.0
Yield	nuts/ha	6,370.0	7,266.0	7,220.0	7,112.0
Cost of Production	Rs./nut	7.5	10.3	9.5	19.5
Average Sale Price (Retail)	Rs. /nut	7.5	11.5	23.7	42.3
Exports of Major Coconut Products					
Coconut Oil	MT	1,426.0	1,372.0	1,937.0	1,931.0
Desiccated Coconut	MT	33,377.0	45,393.0	38,651.0	45,761.0
Mattress Fibre	MT	23,646.0	54,264.0	83,915.0	78,174.0
Bristel Fibre	MT	3,211.0	7,683.0	8,344.0	9,450.0
Twisted Fibre	MT	23,028.0	22,863.0	51,456.0	26,808.0
Shell Charcoal	MT	3,368.0	3,059.0	3,550.0	4,957.0
Copra	MT	16,857.0	14,058.0	8,592.0	2,185.0
Coconut Milk Powder	MT	3,924.0	3,141.0	4,236.0	4,446.0
Activated Carbon	MT	16,040.0	17,880.0	17,455.0	31,359.0

Source: Coconut Research Institute, Coconut Development Authority

Table 8.107 > **Export Volume and Prices of Coconut Products - 2005 and 2011**

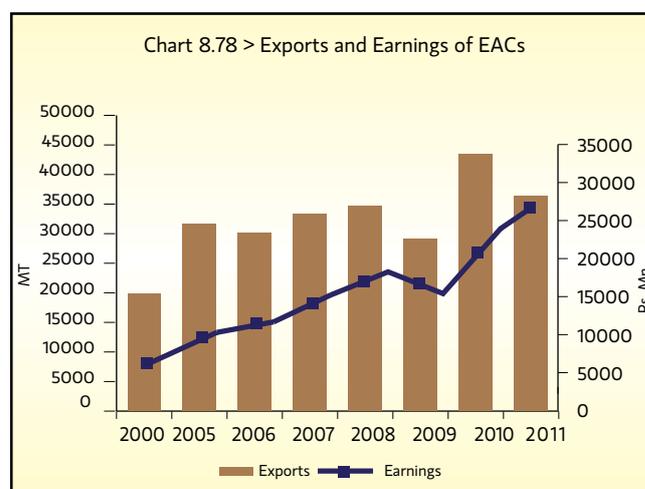
Product Category	2005		2011	
	Volume (MT)	Unit Value (US\$/MT)	Volume (MT)	Unit Value (US \$/MT)
Coconut Oil	1,426.0	830.0	1,931.0	3,914.2
Coconut Cream	1,776.0	1,159.0	1,745.0	3,383.7
Coconut Milk	3,654.0	740.7	6,351.0	1,749.2
Coconut Milk Powder	3,924.0	2,815.4	4,446.0	5,021.7
Defatted Coconut	2,675.0	704.7	3,876.0	1,878.8
Activated Carbon	16,040.0	1,013.2	31,359.0	2,087.2
Coir Yarn	1,301.0	608.1	767.0	785.0
Coir Twain	3,327.0	755.3	5,417.0	1,420.4
Geo Textiles	1,789.0	644.6	3,722.0	1,047.4
Fiber Dust	106,480.0	210.7	131,913.0	292.7
Husk Chips	3,485.0	239.3	14,311.0	416.3
Desiccated Coconut	33,377.0	894.8	45,761.0	2,699.1
Copra	16,857.0	738.1	2,185.0	1,136.2
Mattress Fibre	23,646.0	174.9	78,174.0	379.8
Bristel Fibre	3,211.0	400.3	9,450.0	595.2
Twisted Fibre	23,028.0	260.4	26,808.0	474.2
Shell Charcoal	3,368.0	256.3	4,957.0	497.1
Shell and Shell flour	1,325.0	255.3	546.0	369.4

Source: Coconut Research Institute

Export Agricultural Crops (EACs)

Most of the other exports oriented agricultural products still cater the global markets in primary forms although some progress has been made in cinnamon, pepper, etc. It is necessary to make some continuous efforts to develop the production as value added form to exploit the full potential of export agriculture.

A sizeable drop in total production of EACs was recorded in 2011 due to unfavorable weather conditions prevailed at the beginning of the year. Decline in the production of pepper, clove, nutmeg and mace is the major reason for this condition. Accordingly, total export volume of EACs has declined by 16 percent to 36,362 MT in 2011 from 43,364 MT in 2010. However, the total earnings from the export of EACs continued to increase by 20 percent to Rs. 28.8 bn in 2011 compared to that of 2010 due to higher international prices.



Source: Department of Export Agriculture

Table 8.108 > **Export Volume and Prices of Cinnamon Products - 2005 and 2011**

Product Category	2005		2011	
	Volume (MT)	Unit Value (US\$/MT)	Volume (MT)	Unit Value (US\$/MT)
Quills cut	1,688.5	5,035.8	3,490.0	9,871.3
Quills other	9,518.7	4,314.4	7,890.0	9,420.6
Qullings	879.4	2,014.6	1,170.0	3,515.8
Featherings	36.2	1,408.2	32.0	2,863.2
Other	76.8	2,780.4	390.0	3,024.6
Crushed	82.7	1,141.1	63.0	7,160.9
Ground	11.4	3,143.6	62.0	5,336.6
Leaf Oil	187.7	6,185.2	230.0	19,084.5
Bark Oil	5.9	198,961.7	30.0	102,883.1

Source: Department of Export Agriculture

Table 8.109 > **Selected Export Crop Production and Exports 2005-2011**

Crop	2005			2010			2011		
	Pro-duction (MT)	Export (MT)	Export Earnings (Rs.mn)	Pro-duction (MT)	Export (MT)	Export Earnings (Rs.mn)	Pro-duction (MT)	Export (MT)	Export Earnings (Rs.mn)
Cinnamon	15,898	12,549	6,118	16,435	11,960	9,866	18,250	13,777	14,228
Pepper	14,303	8,131	1,234	17,332	12,224	4,866	10,800	5,065	3,543
Cocoa	902	164	25	520	4,176*	2,090	525	5,190*	2,689
Cardamom	79	12	41	48	7	47	57	12	72
Clove	6,082	5,517	1,766	9,551	8,344	4,269	5,553	5,208	3,957
Nutmeg and Mace	2,054	1,935	74	2,376	2,210	1,898	2,116	1,896	3,059

* including re-export

Source: Department of Export Agriculture

Table 8.110 > Performance of Export Agriculture

Item	Unit	2005	2007	2009	2011
Area under Cultivation	ha				
Cinnamon		27,424.0	28,405.0	29,486.0	30,522.0
Pepper		29,108.0	29,910.0	30,528.0	31,292.0
Clove		7,608.0	7,608.0	7,613.0	7,606.0
Cardamom		2,784.0	2,784.0	2,794.0	2,795.0
Nutmeg		910.0	911.0	927.0	954.0
Cocoa		2,470.0	2,502.0	2,253.0	2,299.0
Total Production	MT	102,520.0	110,110.0	103,851.0	95,414.0
Total Exports	MT	31,595.0	33,347.0	29,168.0	36,362.0
No. of Producers	No.	425,000.0	450,000.0	487,000.0	500,000.0
Cost of Production	Rs./kg				
Cinnamon		81.4	164.0	166.6	241.4
Pepper		64.5	79.3	102.1	118.5
Clove		180.5	199.3	309.9	220.2
Cardamom		358.3	439.3	791.4	872.6
Nutmeg		174.0	185.0	196.5	206.3
Cocoa		21.7	20.1	150.0	171.1

Source: Department of Export Agriculture

Public Expenditure and Investment Status

The total public expenditure in plantation sector has increased from Rs. 1.8 bn in 2005 to Rs. 4.4 bn in 2011. A large bulk of Rs. 2.0 bn has been invested on replanting, new planting and promotional activities. A considerable sum of around Rs.750 mn is spent annually in maintaining

research institutions and their staff to promote research and development activities. A CESS structure has been maintained to promote value added products by exempting value added export from CESS while raw form is subjected to CESS payments. The CESS receipts together with government revenue are raised to meet development expenditure in plantation sector.

Table 8.111 > Development Expenditure and Taxation Structure

Category	2005	2011	Category	2005	2011
1. Total Expenditure (Rs.mn)	1,779.5	6,105.9	Coconut- husked or partially husked/ Rs. per unit	2.0	7.0
Development Assistance	1,112.0	952.9	Cinnamon/ Rs. per kg	-	
Institutional Investment	31.8	1,064.0	Quillings	-	3.0
Knowledge Enhancement*	0.2	19.0	Featherings	-	3.0
Research and Development	221.0	751.0	Chips		3.0
Subsidies**	414.5	3,319.0	Pepper/ Rs. per kg	-	
Replanting	301.1	592.6	Light Berries	-	10.0
New planting	73.4	447.5	Other		3.0
Fertilizer for plantation Crops	40.0	2,279.0	Clove/ Rs. per kg	-	
2. Export CESS Rates			Cloves	-	3.0
Tea -bulk/ Rs. per kg	2.5	10.0	Stems	-	3.0
Tea -Value Added -/ Rs. per kg	2.5	4.0	Cardamom/ Rs. per kg	-	10.0
Rubber - primary/ Rs. per kg	4.0	12.0	Nutmeg/ Rs. per kg		10.0

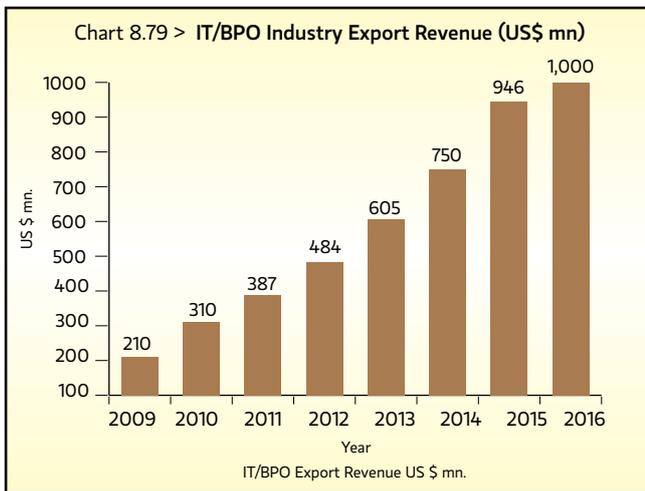
Source: Ministry of Finance and Planning, Ministry of Plantation Industries

* including recurrent expenditure. ** including national fertilizer subsidy for plantation crops

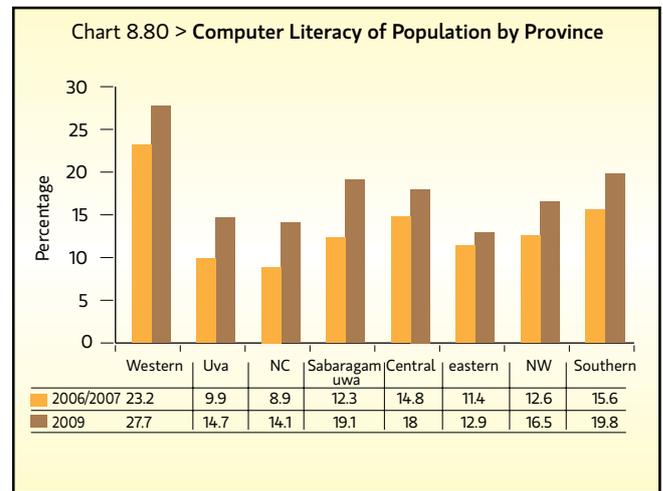
8.6.3. IT/BPO

Sri Lanka has been recognized as an emerging business outsourcing destination in the world for several key functions and specialized services during the past five years. As a result IT/BPO industry has become the fifth largest export revenue earner. In 2011 the revenue of IT/BPO/KPO industry was US\$ 387 mn. The government targets to increase the export earnings in IT/BPO sector to US\$ 1 bn by 2016.

Sri Lanka has adopted e-Government policy as one of the major strategies to shift the country to knowledge based economy. Hence, the use of Information Communication Technology (ICT) is an important precondition. In this background, the government has targeted to increase ICT literacy from the current level of 35 percent to 75 percent in 2016 and 100 percent in 2020.



Source: Export Development Board - Sri Lanka



Source: Department of Census and Statistics

Table 8.112 > **Household Computer Ownership**

Sector/Province*	Percentage of Households Owned a Desktop Computer		
	2004 (Percent)	2007(Percent)	2009(Percent)
Sri Lanka	3.8	8.2	10.6
Urban	10.5	17.8	23.6
Rural	3.1	6.9	9.2
Estate	0.3	1.1	3.1
Province			
Western	8.4	16.4	19.0
Central	3.3	6.7	9.7
Sothern	2.2	4.9	6.6
Eastern	1.2	3.7	5.8
North - Western	3.1	4.8	6.9
North - Central	1.4	2.7	6.1
Uva	0.4	2.7	4.6
Sabaragamuwa	2.0	3.3	7.3

Source: Department of Census and Statistics

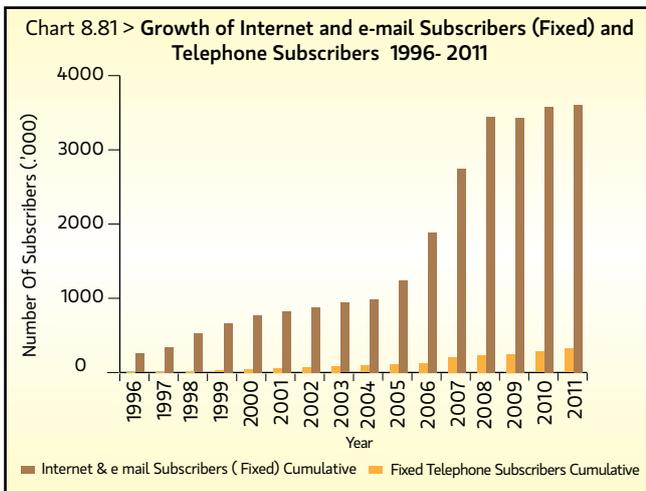
The usage of internet facility has increased rapidly. The number of people use internet increased from 115,000 in

2005 to 322,000 in 2011. However, compared to telephone penetration, internet penetration is still remaining very low.

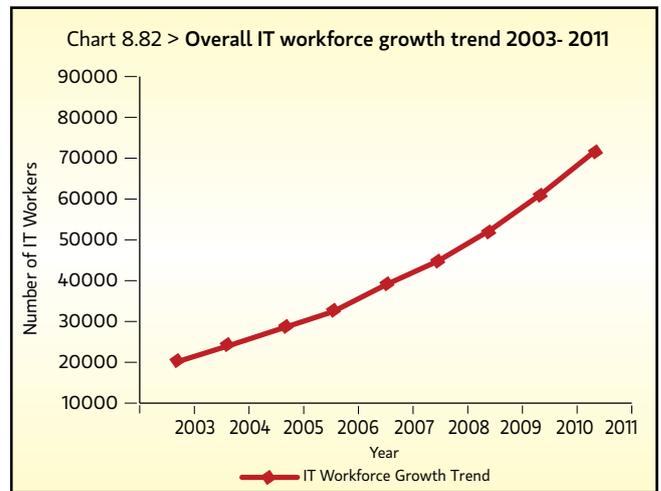
Table 8.113 > **Internet and Telephone Usage in Sri Lanka**

Indicator	in 000'						
	2005	2006	2007	2008	2009	2010	2011
Fixed Phones (No.)	1,244	1,884	2,742	3,446	3,436	3,578	3,608
Mobile Phones (No.)	3,362	5,412	7,983	11,082	14,095	17,267	18,319
Total Telephone connections (Mobile and Fixed) (No.)	4,606	7,297	10,726	14,529	17,531	20,846	21,928
Internet e mail subscribers (Fixed Lines) (No.)	115	130	202	234	250	280	322
Mobile Broadband Subscribers (No.)	NA	NA	NA	NA	91	200	485
Internet Service Providers (No.)	1	3	4	5	8	9	9
Teledensity (Fixed Phones per 100 inhabitants)	6	14	15	17	17	17	17.1
Mobile Subscription per 100 people	16	25	37	54.6	69	82	86.5

Source: Telecommunication Regulatory Commission of Sri Lanka



Source: Telecommunication Regulatory Commission of Sri Lanka



Source: National ICT Workforce Survey - ICTA

8.6.4 Leisure Industry

Tourism industry in Sri Lanka has high potential to be the leading foreign exchange earner in the country. The Year 2011 was declared as the “Visit Year for Sri Lanka” and a five year Tourism Development Strategy (2011 – 2016) was launched by the Ministry of Economic Development in 2011 to exploit full potential in this sector.

Tourist arrivals have increased by 30.8 percent, to 855,975 in 2011 from 654,476 in 2010. Country’s botanical gardens, wildlife parks, zoological gardens, archeological cities and Cultural Triangle have attracted tourism in 2011.

The highest room occupancy ratio at 84 percent recorded in Colombo city which increased to 95 percent in December 2011 showing increased capacity use. Tourism sector provided direct employment for 57,786 and indirect employment for additional 80,899 persons in 2011.

Total earning from the tourism sector increased from US\$ 575 mn in 2010 to US\$ 838 mn in 2011. Receipt per tourist per day increased from US\$ 88 in 2010 to US\$ 98 in 2011 showing an 11 percent increase compared to the previous year. Room occupancy ratio increased to 77.1 percent in 2011 which is a 10 percent increase from the previous year.



Source; Sri Lanka Tourism Development Authority

Table 8.114 > Room Occupancy of Graded Hotels by Regions-2011

Resort Region	Annual O/R
Colombo City	84.0
Greater Colombo	79.5
South Coast	78.1
East Coast	75.7
High Country	73.3
Ancient Cities	71.1
All Island	77.1

Source: Sri Lanka Tourism Development Authority

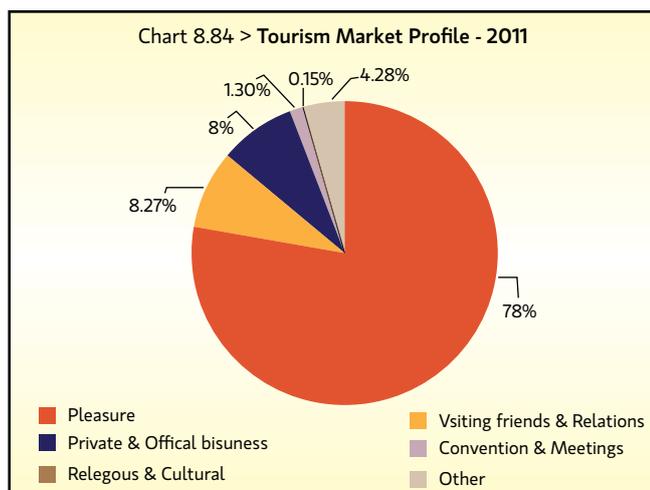
The highest room occupancy ratio at 84 percent recorded in Colombo city which increased to 95 percent in December 2011 showing increased capacity use. Tourism sector provided direct employment for 57,786 and indirect employment for additional 80,899 persons in 2011.

Table 8.115 > **Annual Occupancy of Graded Hotels-2005- 2011**

Year	Room O/R
2005	45.4
2006	47.8
2007	46.0
2008	43.9
2009	48.4
2010	70.1
2011	77.1

Source: Sri Lanka Tourism Development Authority

The current tourism strategy is to attract tourists from India, China, East Asia, Middle East and Russia in addition to the traditional markets in Western Europe. This strategy also favours an environment friendly sustainable tourism targeting niche markets with diversified products such as health tourism, community based tourism, cultural tourism, sports tourism and agro based tourism.



Source: Tourism Development Authority

Table 8.116 > **Tourist Arrivals by Region**

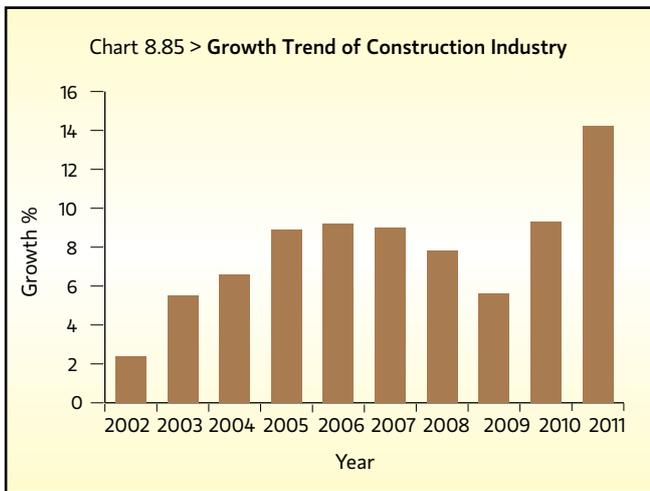
Region	2010	2011	Percent change
North America	40,216	49,057	22
Latin America and the Caribbean	620	1,036	67.1
Western Europe	256,861	315,210	22.7
Eastern Europe	35,517	49,249	38.7
Africa	2,308	3,614	56.6
Middle East	37,540	57,501	53.2
East Asia	68,430	96,194	40.6
South Asia	175,694	237,647	35.3
Australia and other	37,290	46,467	24.6
Total	654,476	855,975	30.8

Source: Sri Lanka Tourism Development Authority

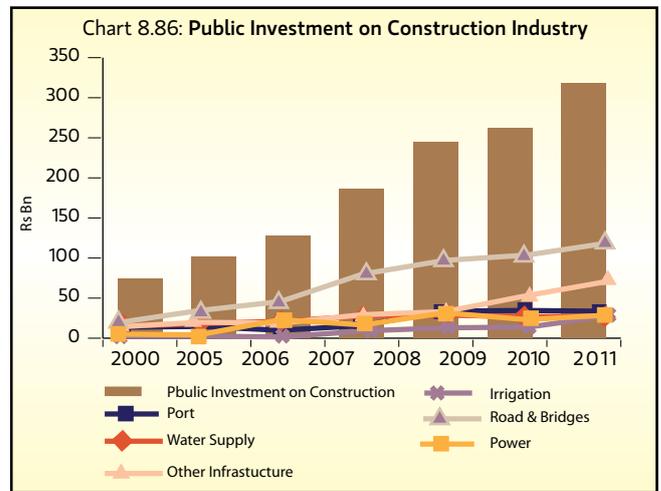
8.6.5: Construction Industry

A vibrant construction sector is the foundation for the development of the economy. With the government commitment to develop all required infrastructure facilities the construction sector recorded an annual average growth of 8.1 percent during the 2006 – 2010. It registered a growth of 14.2 percent in 2011 in comparison to 9.3 percent growth in 2010. This growth is supported by the increased public investment on economic and social infrastructure development as well as private sector investment in construction activities in commercial and residential facilities. Further, the low interest rate regime, relatively stable prices of construction materials and post conflict growth momentum gave impetus to the industry.

Since 2005, the government has maintained public investment around 6 percent of GDP in the national budget. Of this, 80 percent was directed towards infrastructure development. In 2011, the public investment amounting to Rs. 389 bn of which Rs.318 bn (80 percent) was on the construction of roads and bridges, ports, power plants, irrigation systems and water supply schemes. The private sector investments in the construction sector are mostly directed to housing development, commercial building and hotel sector development. The private sector investment has shown an upward trend supported by increased disbursement of loans and advances granted by commercial banks and



Source: Department of Census and Statistics



Source: Department of National Planning

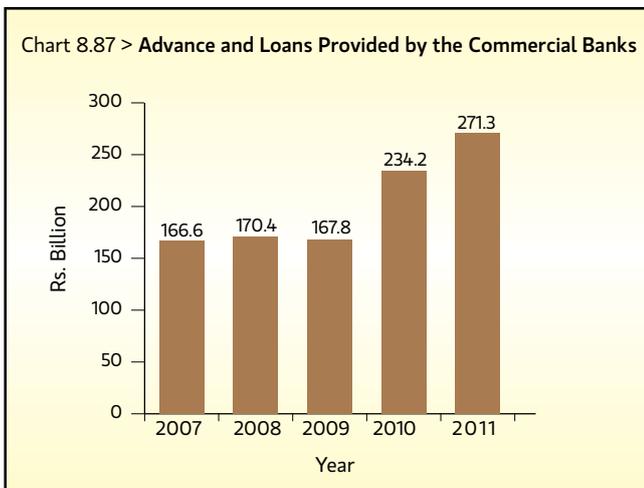
financial institutions. Commercial banks granted Rs. 271.3 bn as loans and advances for the construction related activities in 2011 when compared to Rs. 234.2 bn in 2010.

Construction sector contribution to the GDP was 7.1 percent in 2011 when compared to 7.6 percent in 2010. However, in absolute terms the construction sector contribution to GDP increased from Rs. 423,414 mn in 2010 to Rs. 511,220 mn in 2011.

The construction sector absorbed around 8 percent of the labour force during the last five years while providing around 550,000 jobs in different categories. The number of active registered contractors in 2011 decreased to 2,511 from 2,621 in 2010.

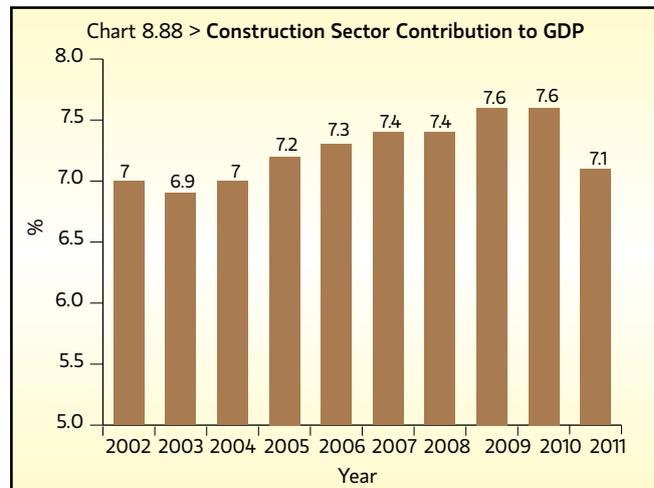
Further, 80 percent of the major construction work is being undertaken by about thirty C1 Grade contractors who engage small contractors as sub contractors.

Chart 8.87 > Advance and Loans Provided by the Commercial Banks



Source: Department of Public Enterprises and Commercial Banks

Chart 8.88 > Construction Sector Contribution to GDP



Source: Department of Census and statistics

Table 8.117 > Construction Sector Employment and Registered Contractors

	2007	2008	2009	2010	2011
Employment in Construction Industry (No)	507,060	550,875	522,005	506,936	550,000
Labour Force Share (percent)	8.5	8.6	8.2	7.8	8.1
Active Registered Contractors (No)	-	2,514	2,287	2621	2,511

Source: ICTAD, Dept. of Census and Statistics

Considering the future development needs of the country, it requires financially sound, well equipped and technically and professionally developed construction industry. This requires to develop adequate and professionally qualified human resources to meet the emerging needs of the sector. Further, construction industry requires the appropriate research and development to introduce alternative low cost construction technology, green technologies and energy efficient construction strategies to suite the rapidly changing environment.

8.6.6 Promotional Agencies for Private Sector Development

An aggressive public investment policy of the government to promote infrastructure ranging from roads, electricity, water, urban development, etc. together with the implementation of post conflict resettlement work in conflict affected areas and market friendly business and regulatory environment have created a platform for higher private investment in the country. The government has taken several initiatives to strengthen financial institutions, reforming the tax system and customs administration and

promotional institutions to promote private investments in the country.

In this context entities such as the Board of Investment (BOI), Sri Lanka Tea Board, Sri Lanka Tourism Development Authority (SLTDA), Sri Lanka Tourism Promotional Bureau, (SLTPB) Sri Lanka Conventional Centre (SLCC), Export Development Board (EDB), Industrial Development Board (IDB), Information and Communication Technology Agency of Sri Lanka (ICTA) and Sri Lanka Foreign Employment Bureau (SLFEB) are entrusted with the task of promoting and facilitating investments, tourism, exports, industries, information technology and foreign employment for high economic growth.

The government having identified the need to raise Foreign Direct Investment to at least 4 percent of GDP by 2016 redefined the role of BOI in 2011 to focus on promoting selected high quality investments from abroad that are environment friendly and socially responsible. Managing the Industrial Zones to exploit full potential of the 12 zones is given equal emphasis as they are export oriented and servicing the investor community already mobilized in

country development process can be a powerful force in mobilizing new investments.

In this regard the BOI as the catalyst for foreign investment into the country should identify the potential areas of development and should formulate strategies to attract FDI's into these sectors. BOI should also streamline its operations to ensure a smooth entry of a FDI by providing the necessary institutional support through a "One stop shop" where an investor could be guided on all aspects of investment approval and follow up support. Toward this the BOI is expected to restructure with a full time CEO for which BOI law has already been amended. Investment Promotion Officers have already designated to each major country from which Sri Lanka has already mobilized investments.

SLTPB is entrusted with positioning Sri Lanka as a unique tourist destination through very selective strategies in the various market segments. The authority is expected to focus on tourists arrivals from emerging economies in East Asia, Middle East while protecting the already established arrivals

from Western Europe. Therefore the challenge to SLTPB, SLTDA and SLCB is to identify various potential tourists markets and create promotional strategies accordingly. The government is formulating a new law to merge the four agencies to enhance its effectiveness in Tourist Development.

Sri Lanka Tea Board which is the promotional and regulatory agency for tea industry is required to reformulate its role to develop the entire value chain from plantation to value added product export with Sri Lankan brand name. As promotional agencies particularly in investment, tourism and export have operated under traditional institutional framework with red tapes, lack of investor friendly institutional environment, poor coordination with other government agencies and lack of conclusive decision making process. Reforms to make them a private sector friend has become an urgent to promote investment. The following Table highlights the promotional agencies that could make substantial contribution in investment, tourism, foreign employment and exports:

Table 8.118 > **Loan Activation of Promotional Agencies and Allocation of Public Funds for Respective Agencies**

Agency	Core Activities	Total
Board of Investment	<ul style="list-style-type: none"> Foreign Direct Investment in 2011 amounted to US\$ 1,066 mn. Managing industrial zones with capacity realization of around 85 percent. 	2,024
Sri Lanka Tourism Development Authority	<ul style="list-style-type: none"> Develop Sri Lanka as a tourist and travel destination 	147
Sri Lanka Tourism Promotion Bureau	<ul style="list-style-type: none"> Develop diverse, unique and quality tourism services and products 	590
Sri Lanka Convention Bureau	<ul style="list-style-type: none"> Develop and promote Meetings, Incentive Travel, Conferences and Exhibitions (MICE) in Sri Lanka 	62
Sri Lanka Institute of Tourism and Hotel Management	<ul style="list-style-type: none"> Skills development in Hospitality and Travel Industry 	204
Sri Lanka Foreign Employment Bureau	<ul style="list-style-type: none"> Promotion and development of overseas employment Assist and regulate the business of foreign employment agencies Secure welfare and protection of Sri Lankans employed outside Sri Lanka Promotion of foreign investment in nontraditional market Assets for business development of skilled migration 	1,518
Industrial Development Board	<ul style="list-style-type: none"> Promote and develop SME Industries Promote technology transfer 	378
Sri Lanka Export Development Board	<ul style="list-style-type: none"> Develop and promote exports of new products to new markets. 	512

Agency	Core Activities	Total
Sri Lanka Tea Board	<ul style="list-style-type: none"> • Globally promote Ceylon Tea • Regulate and develop the tea industry to protect Tea plantations 	268
Coconut Development Authority	<ul style="list-style-type: none"> • Quality control and assurance of the coconut industry • Regulate, supervise and guide the coconut industry. 	188
Coconut Cultivation Board(CCB)	<ul style="list-style-type: none"> • Development of productivity of lands in coconut cultivation 	331

Source : Department of Public Enterprises

Constraints to Private Investment

Despite policy reforms towards private sector development, the private sector investment is constrained by several factors which need urgent corrective actions by strengthening institutional set up.

- Inefficient approval process that take investors to multiples agencies
- Lack of focus investment priorities and project proposals in priorities.
- Price controls on some selected commodities such as milk, poultry, and cement etc instead of using pricing formula and regulatory supervision.
- Inadequate flexibility by line Ministries and agencies to promote private sector into commercial activities.
- Inadequate long term funds and institutional support to SMEs.
- An absence of coordinated promotional effort by BOI, Tourism Authorities, EDB, Tea Board and Foreign Employment Bureau due to highly compartmentalized operations and bureaucracy.
- Outdated institutional setting in investment promotion agencies and inadequate professional skills.

In the context of expected private investment of around 26-30 percent in addition to public investment of around 6 percent of GDP promotional agencies are required to re-strategize their role on a priority basis. As the country is endowed with improved infrastructure, improved skilled and productive labour force, favourable tax and incentive environment and emphasize on a number of activities for export development and import replacement industries together with new opening for infrastructure development with the participation of private sector, the promotional agencies are expected to develop new strategies with

strong commitments. Cabinet subcommittee on investment is expected to coordinate this task in addition to reforming respective the organizations to deliver better results.

8.6.7 New Incentive Regime for Private Investors

A new tax incentive regime has been introduced with the budget 2012 to promote private investments, both domestic and foreign. These new incentives are applicable to following categories of investments.

- Small Enterprises (Section 16C of the Inland Revenue Act)
- Medium Enterprises (Section 16C of the Inland Revenue Act)
- Large Enterprises (Section 17A of the Inland Revenue Act)
- Expansion of existing undertakings (Activities specified in section 16C , Section 17A or Section 16D of the Inland Revenue Act)
- Strategic Import replacement enterprises (Section 16 D of the Inland Revenue Act)
- Strategic Development projects (Under the Strategic Development project Act No 14 of 2008)

The details of the qualifying investment and the incentives granted for the enterprises under each category are highlighted below.

1) Small Scale – New Enterprises

New enterprises engaged in any of the following activities, provided that the investment is made on or before 31st March 2015 will be eligible to tax holidays as follows.

Category	Qualifying Criteria	Tax Incentives
1. Manufacturing (Other than any liquor or tobacco products) for domestic and/or export market	Minimum Investment Rs 50Mn	4 years
2. (i) Agriculture and/ or agro processing Animal Husbandry and/ or processing Fisheries and/or Fish processing (ii) Services : Creative work including work of a artist and information technology	Minimum Investment Rs 25Mn	4 years

2) Medium Scale - New Enterprises

New enterprises engaged in “specific activities” provided that the investment is made on or before 31st March 2015 will be eligible to tax holidays as follows.

Category	Qualifying Criteria	Tax Incentives
1. Manufacturing (Other than any liquor or tobacco products)	Investment of Rs. 50 Mn and above	upto 6 years
2. Agriculture : including animal husbandry or fishing		
3. Services : Information technology, software development, business/ Knowledge process outsourcing, Healthcare, education, beautycare, cold room and storage facilities, tourism, sports and fitness centers, creative work including art work and mini hydro power projects		

3) Large Scale – New Enterprises

Category	Qualifying Criteria (Min. Investment (Rs Mn))	Tax Incentives
1. Agriculture or Forestry	300 – 500	6
Cultivation of food crops, industrial crops or horticulture	500 – 700	7
Forestry	700 – 1,000	8
Animal Husbandry:	1,000 – 1,500	9
Dairy, poultry, Swine, Goat etc	1,500 – 2,500	10
	Above 2,500	12
2. Manufacturing	300 – 500	6
2.1 Manufacturing, Production or processing of non-traditional goods for exports, including deemed exports;	500 – 700	7
	700 – 1,000	8
2.2 Manufacturing for domestic and/or export market : Boats, Pharmaceuticals, Tyres and Tubes, Motor Spare Parts, Furniture, Ceramics, glass ware or other mineral based products, rubber based products, Cosmetic products, edible products manufactured out of locally cultivated agricultural products, construction materials and electrical/electronic items	1,000 – 1,500	9
	1,500 – 2,500	10
	Above 2,500	12

Category	Qualifying Criteria	Tax Incentives
3. Services:		300 - 500
- Provided to a person or partnership outside Sri Lanka		500 - 700
- Tourism or Tourism Related Projects,		700 - 1,000
- Providing Hotel Services, Guest Houses or Similar Services,		1,000 - 1,500
- Infrastructure Projects including Construction of Commercial Buildings,		1,500 - 2,500
- Development of any warehousing or storage facility,		Above 2,500
- Power Generation using Renewable Resources		
- Establishment of Industrial Estates, Special Economic Zones or Knowledge Cities,		
- Urban Housing or Town Centre Development,		
- Provision of Any Sanitation Facility or Waste Management Systems,		
- Development of Water Services,		
- Development of internal water ways, and /or related transport (passenger/ freight)		
- Construction of Hospitals and Provision of Health Care Services,		
- Maintenance /repair of maritime vessels/ aircrafts		
- Sporting Services (e.g. Motor Racing or Golf Course)		
- Information Technology		
- Software development		
- Business/knowledge process outsourcing		
- Any Project in Light or Heavy Engineering Industry,		
- Artificial insemination for cattle (Dairy development)		
- Higher Education/skills Development /adult education		
- Processing & Solid Waste Management		

A 6 -12 year tax holiday period has been introduced to large scale projects engaged in "specific activities".

4) Expansion of Existing Enterprises

Category	Qualifying Criteria (Investment Rs Mn)	Tax incentives
Any Existing Enterprise (activities specified in section 16C or 17A)	Minimum Investment Rs 50Mn	The investment will be treated as a qualifying payment deductible from the assessable income of the enterprise subject to a maximum of 25% of the investment for each year of assessment falling within the period of 4 years commencing from the year of investment since 01.04.2011.

To encourage project expansions, special incentive scheme has been introduced for existing enterprises

5) Strategic Import Replacement Enterprises

To encourage import substitution, tax incentives have been granted for both new and existing enterprises (applicable for both BOI & Non-BOI enterprises) engaged in the following sectors. There will be no restriction on market access.

Category	Qualifying Criteria (Investment US\$ Mn)		Tax incentives
i. Fabric	5	New	Existing
ii. Pharmaceutical	10		
iii. Milk Powder	30	5 years Tax holiday	concessionary tax rate (12%) for 5 years
iv. Cement	50	followed by a concessionary tax rate of 12%	coupled with, qualifying payment relief (Investment is considered as a qualifying payment deductible from the assessable income of the enterprise subject to a maximum of 25% of the investment for each year of assessment falling within the period of 4 years commencing from the year of investment).

6) VAT, Customs Duty, and PAL – Exemptions on imports of capital goods

(Section 17A, Strategic Import Replacement Enterprises)

To reduce the upfront cost incurred on account of importation of project related plant, machinery and equipment, the applicable VAT, Customs Duty, and PAL will be deferred during the project implementation period, and such deferment will be treated as an exemption on the fulfillment of the conditions specified by the Board of Investment of Sri Lanka.

7) Strategic Development Projects

Any investment capable of altering the economic landscape of Sri Lanka would fall under Strategic Investment Projects in which the tax exemptions are considered under the provisions of the Strategic Investment Projects Act No 14 of 2008 as amended by the Strategic Investment Projects (Amendment) Act No 12 of 2011.

Strategic Investment Projects Act covers full or partial exemptions (depending on the type and the level of investment) of the following taxes.

- (i) Value Added Tax
- (ii) Income Tax
- (iii) Economic Service Charge
- (iv) Customs Duty

- (v) Excise Duty
- (vi) Nation Building tax
- (vii) Port and Airport development levy
- (viii) Taxes under the Finance Acts

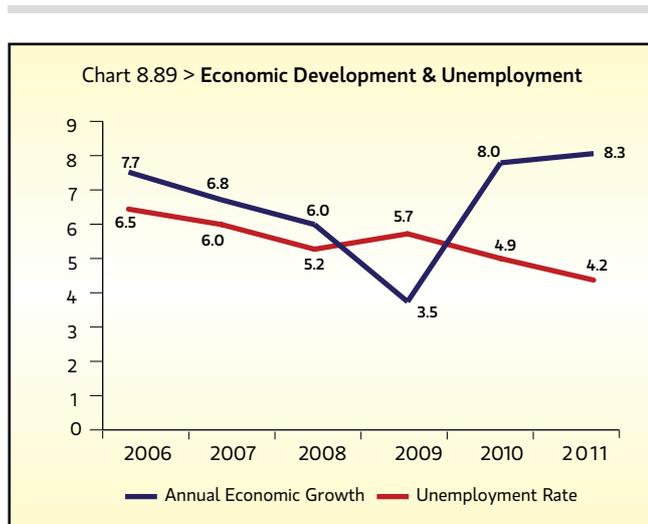
The facilitator is Board of Investment of Sri Lanka (BOI) with the concurrence of the Ministry of Finance. The project proposal should be submitted to the BOI directly by the investor. Investment proposal for government lands and property are scrutinized by a Standard Cabinet Appointed Review Committee on the recommendation of the line Ministry. BOI will carry out the necessary analysis of the project along with the line Ministry, with the concurrence of the Ministry of Finance. The Cabinet approval will be granted for the recognition of the project and for the approval of the Parliament.

A Project is considered as strategic project on exceptional grounds on its very special Nature based on;

- Strategic importance to the public, substantial investment into a thrust sector,
- Substantial inflow of foreign exchange, employment generation; transfer of technology;
- The national interest, capable of changing the landscape of the country while bringing social and economic benefits to the economy

8.6.8 Labour Force

Sri Lanka's labour market is in a state of rapid transition. Changing demographic structure due to ageing, the slow growth of the working age population, increase migration for overseas work and decline in unemployment have significant influence in the labour supply of the country.



Source : Department of National Planning

Table 8.119 > **Employment Statistics 2005 and 2011**

Year	2005	2011
Population ,(000)	19,668	20,869
Labour Force Participation Rate (percent)	49.3	48.2
Male (percent)	67.3	66.5
Female (percent)	32.6	31.8
Labour Force (000)	7,314	8,236
Employed Population (000)	6,788	7,894
Unemployed (000)	526	342
Unemployment Rate (percent)	7.2	4.2
Sectoral Employment		
Agriculture (percent)	30.3	33.7
Industry (percent)	26.3	23.6
Service (percent)	43.3	42.7
Migrant Workers (Total) Workers (Departures) -2010	231,290	266,445
Male	93,896	135,870
Female	137,394	127,090
Remittances (\$)	2.0 bn	5.1 bn

Source : Department of Census and Statistics, CBSL

Table 8.120 > **Unemployment Rates 2005-2011**

	2005	2006	2007	2008	2009	2010	2011
Sri Lanka	7.7	6.5	6.0	5.4	5.8	4.3	4.2
Male	5.5	4.7	4.3	3.7	4.3	3.5	2.7
Female	11.9	9.7	9.0	8.4	8.6	7.7	6.8

Source : Department of Census and Statistics

The total number of unemployed was estimated at 342,000 in 2011 compare to 401,000 in the 2010. The decline in unemployment is seen in both male and female labour force.

Table 8.121 > **Unemployment Among Age Group**

Age Category	2008	2009	2010	2011
15-19	20.8	20.9	20.3	15.4
20-29	13.7	25.4	13.8	12.4
30-39	3.1	3.7	3.1	2.7

Source : Department of Census and Statistics

Youth unemployment at age group of 20-29 also has shown a decline. The Government has targeted to reduce the National unemployment to 3.2 percent by 2015.

Table 8.122 > **Unemployment and Education Level**

Level of Education	Unemployment Rate (percent)		
	Male	Female	Total
Below G.C.E (O/L)	2.7	7.0	4.2
G.C.E (O/L)	3.5	10.5	5.8
G.C.E (A/L) and above	4.4	11.6	7.8
Total	2.7	7.0	4.2

Source : Department of Census and Statistics

The highest unemployment rate has been reported among the group with G.C.E. (A/L) and above which was about 7.8 percent showing a longer waiting period for studies.

Wages

The total number of government servants in 2011 is about 1.2 mn and accounts for about 12 percent of the labour force. The minimum wage in the public sector has increased from Rs.7,900 in 2005 to Rs.11,730 in 2010 which is a 48 percent increase. The cost of living allowance for them which was introduced in 2006 has increased from Rs.1, 000 in 2005 to Rs. 5,850 in 2010 and further an allowance of a 10 percent of basic salary increase in 2011.

Table 8.123 > **Nominal Wage Rate Index**

Year	2005	2006	2007	2008	2009	2010	2011
Government	2,417.5	3,150.8	3,828.4	4,116.1	4,502.8	4,651	4,964.5
Wages Boards							
All	1,329.7	1,358.2	1,648.8	2,070.4	2,171.4	2,865.3	2,996.1
Agriculture	1,527.4	1,567.1	1,821.4	2,286.6	2,349.4	3,327.6	3,427.2
Industry	1,078.4	1,090.7	1,522.4	1,877.5	2,054.0	2,198.9	2,402.1
Service	779.7	777.9	1,057.1	1,370.8	1,545.8	1,673.3	1,851.8

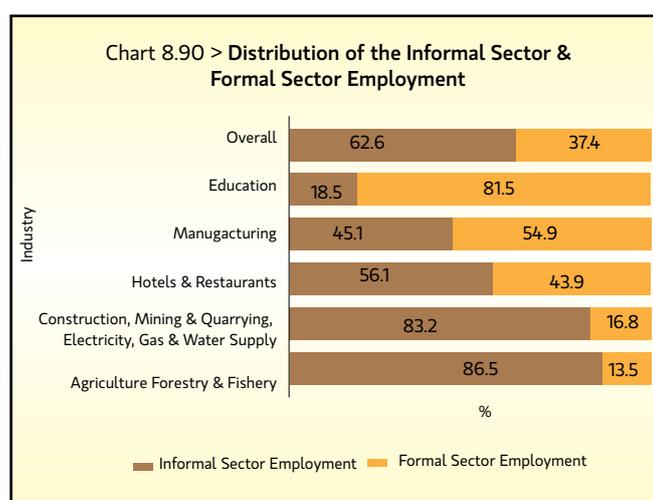
Source: Department of Labour

The minimum wage rate indices in the major categories of the formal private sectors such as agriculture, industry and services have increased by 3.0 percent, 9.2 percent, and 10.7 percent respectively in 2011.

The informal sector employs 62.6 percent of the total labour force. Agriculture sector has the highest percentage

of informal sector workers followed by construction and mining and hotel and restaurant sectors.

Daily wages of the informal private sector tend to get adjusted to because of demand and supply condition in the economy. It is noteworthy that daily wages in the informal sector increased by 11.9 in 2011 compared to previous year.



Source : Department of Census and Statistics

Table 8.124 > **Average Daily Wages of Informal Sector (Rs.)**

Sector	2009		2010		2011	
	Male	Female	Male	Female	Male	Female
Agriculture						
Tea	488	356	545	396	617	438
Rubber	532	416	588	474	658	490
Coconut	651	-	700	-	783	-
Paddy	613	423	658	454	704	530
Construction Sector	Male		Male		Male	
Carpenter						
Master	934		1,000		1,115	
Helper	645		656		729	
Masonry						
Master	925		994		1,093	
Helper	623		667		729	

Source: Department of Labour

Labour Productivity

The labour productivity in the country increased in the recent past. In 2011, the productivity in industry sector increased by 7.6 percent and services by 6.7 percent. Productivity of the agriculture sector however declined by 1.7 percent during the last year. The improvement of productivity in the agriculture sector is vital to contribution to National Economy and food Security.

In 2011, the number of strikes and man days lost in the private sector increased compared to the previous year. Although it is notable that these numbers are lower than those experienced in 2008.

Overseas Employment

Sri Lankan overseas employment stands at around 1.8 mn with an annual outflow of about 250,000 workers including first time departure of 80,000 workers. On average 729 person are leaving for overseas jobs per day. The government has initiated several programmes to increase the migration of skilled workers while reducing the unskilled labour migration as country still experiences large outflow of unskilled workers seeking for overseas jobs though it has declined to 66 percent. The foreign remittance which is the main foreign exchange earnings in the country has increased from Rs. 198 bn in 2005 to Rs. 511 bn in 2011.

The gender balance in the foreign migrants has shifted from the female dominated structure prior to 2007 to male dominated in 2011 representing 51.7 percent male and 48.3 percent female. The average age of female labour migrant has also shifted from 18 years to 21 years.

Table: 8.125 > **Strikes and Number of Man Days Lost**

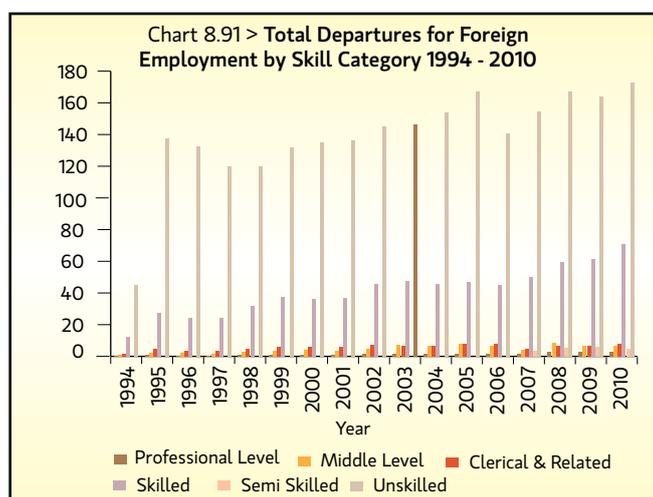
Year	Total		
	No. of Strikes	No. of Workers Involved	No. of Man Days Lost
2008	51	37,931	65,655
2009	8	5,020	7,665
2010	15	5,108	25,071
2011	27	11,039	39,186

Source : Department of Labour

Table 8.126 > **Labour Migration and Remittances 2005 - 2011 Rs.**

Year	Persons migrated				Total	Remittance Rs.	
	Male		Female			Total Rs. bn	Per worker (Rs)
	No.	percent	No.	percent			
2005	93,896	40.60	137,394	59.40	231,290	197.97	86,000
2006	90,170	44.65	111,778	55.35	201,948	224.68	110,000
2007	103,476	47.37	114,983	52.63	218,459	276.81	126,000
2008	128,232	51.19	122,267	48.81	250,499	316.12	126,000
2009	119,381	48.31	127,745	51.69	247,126	382.80	154,000
2010	135,502	50.86	130,943	49.14	266,445	465.37	174,000
2011	135,870	51.7	127,090	48.3	262,960	511.0	194,000

Source: Foreign Employment Bureau



Source : Department of National Planning

Box 8.8 > Stakeholder consultation process for the Annual Budget preparation

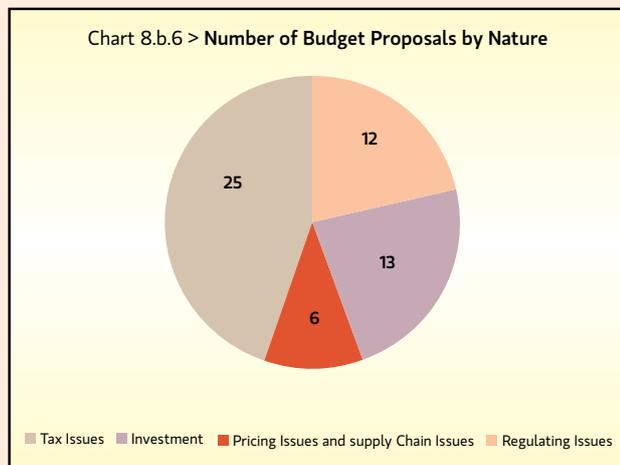
The National Budget preparation process involves a wider consultations among Ministries, Agencies and as well as with other stakeholders. The Budget Call is issued by National Budget Department after the initial Cabinet approval, to Secretaries of line Ministries, Chief Secretaries of Provincial Councils and Heads of Departments, giving guidelines and directions for the preparation of the Annual Budget. Treasury also releases the resources available for allocation, and the allocation process is set in motion through budget discussions, towards sectors, Ministries/ other Institutions, programmes and projects within Ministries and other Institutions, after having prioritised within the overall development framework of the government.

His Excellency the President and the Secretary to the Treasury, engage in pre budget consultative and review process, as government believes in a participatory approach in achieving the development goals of the economy and promoting development through collective efforts of all stakeholders, ministries, line agencies, private sector, trade unions and donors. Several consultative sessions were carried out by His Excellency the President and in addition the Secretary to the Treasury and the Treasury Officials also carried out several follow up sessions with the private sector representatives from national and regional levels in following sectors :

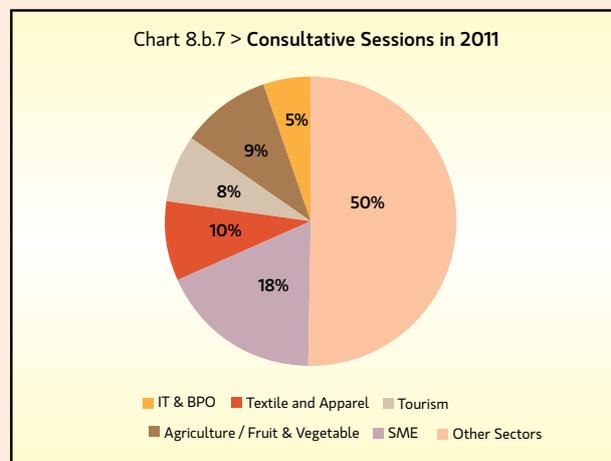
- *Construction industry
- *Women entrepreneurs
- *IT-BPO
- *Telecommunication
- *Private health care
- *SMEs
- *Handicraft manufacturers & Artisans
- *Gem & Jewellery
- *Hair & Beauty care
- *Professional & Trade Associations including all Regional Chambers and MSME Associations
- * Handloom sector
- * Tourism
- * Apparel & Textile
- * Pharmaceutical
- * Agriculture
- * Financial & Capital market
- * Printing & Packaging
- * Leather & Footwear

In addition, investment review meetings were conducted with the existing Foreign Investors and Foreign Missions in Sri Lanka to ascertain the level of prevailing investment climate in the country and to decide on the future cause of action to attract more investment. Outcome of the consultative sessions were considered in formulating the Budget 2012. As a part of the consultations extended there were number of pressing needs identified such as creating a conducive environment for investment with a low tax regime, more liberalized exchange control regime, simplified import/export control regulations, duty structure and custom regulations, mobilize credit among regional level SMEs. There were 157 meetings held with stakeholders out of which 18% were on SME's, 60% construction industry, tourism, financial institutions and health sector, 9% for farmers and 8% for Traders who involve in supply chain as shown in graph.

The issues raised by the participants found to be that 44% were related to the regulatory issues, 23.2% related to the investments and only 21% were related to the taxes.



Source: National Council for Economic Development



Source: National Council for Economic Development

8.6.9 Small & Medium Enterprise Development

SME sector dominates agriculture, plantation, construction manufacturing, trade and other services. Recognizing the importance, the government has developed various strategies through consultation based on consumer/users quality assurance on imports, innovative financing and credit facilities, infrastructure facilities, skills development, research and technology etc. SMEs contribution to total Gross Domestic Product increased from 40 percent in 2010 to 52 percent in 2011. The expansion of innovative financing schemes and strengthening the backward/forward linkages for SMEs has been evolved. The Government social welfare schemes such as Thripasha; surgical gauze; selected pharmaceutical products; school text books; uniforms; furniture etc. are being redesigned to provide stimulus to SMEs.

The microfinance sector has penetrated the rural areas with “Divi Naguma Programme” designed and implemented by the Ministry of Economic Development to energize the backyard economy and improve the living

standard of people and also food security at family/ household level.

The total credit facility used by the microfinance sector is Rs. 372 billion during the year 2011 from the banking sector and all microfinance institutions. The self employed traders in the urban informal sector were provided with credit facilities to purchase the small trucks to improve their marketability in urban areas through the state banks namely, the Bank of Ceylon and the People’s Bank with the exposure limit of Rs. 460 million. This excludes the microfinance circulated among the rural and estate economy by the informal traditional means.

The fertilizer subsidy programme has provided stimulus to SMEs in primary agriculture through cost reduction at a time fertilizer cost has drastically risen. Imposition of CESS on seasonally harvested agricultural product, provision of credit, marketing and reasonable prices have helped production growth in the agriculture sector.

Box 8.9 Highlights of SMEs

- Reduction of income tax to 10 percent for all SMEs whose annual turnover does not exceed Rs. 500 million
- Amend tax laws to simplify the tax system
- Extend tax holidays and other tax incentives to encourage both new and existing enterprises
- Reduce taxes on the importation of all machinery
- Provision of long-term funding through Investment Fund Accounts (IFA)
- Set up a special SME bank branches in all district within 2012
- Provide a 50 percent Government guarantee for loans provided by special SME banks
- Extend exemption limit of Economic Service Charge for enterprises of annual turnover up to 500 million
- Write off all un-paid tax liabilities up to March 2009 of all enterprises with annual turnover below Rs. 100 million
- Imported Rs. 23,263 million worth Machinery and Equipment during the year 2011 by SMEs³
- Increased the storage capacity of SMEs by 22 percent and productivity by 17 percent in 2011⁴
- Increased the credit obtained by the private sector SMEs from Rs. 290 billion in 2010 to Rs. 488 billion in 2011⁵

¹ Data collected from Banks and a research conducted by the Dept. of Development Finance, to estimate the SME contribution

² Data from the Microfinance Association and compiled by the Department of Development Finance

³ Source: Department of Customs

⁴ Source: Department of Census and Statistics

⁵ Source: Regional Development Department, Central Bank of Sri Lanka

8.6.9.1 SME Sector

The vision of the Government of Sri Lanka is to double the country's per capita income to US\$ 4,000 by 2016 and consolidate Sri Lanka as an emerging economy. This requires a growth rate of around 8 percent to be maintained over the years. The budget 2012 has therefore, assigned high priority to the SME sector to strengthen SME as backbone of the economy. Steps have been taken by the Government to form an entrepreneurial development environment by introducing appropriate policy reforms and providing greater incentives for SMEs. More importantly, the Government's initiative in collaboration with development partners such as the World Bank (WB), International Fund for Agricultural Development (IFAD), Asian Development

Bank (ADB), United Nations Development Programme (UNDP), the USA, Japan, Germany and India, is a joint effort to revitalize the SME sector.

Recent international experience shows that the creation of employment opportunities is critical for faster recovery in post conflict countries. The opening of economic opportunities in the conflict affected and emerging regions is the effort of government to expedite the recovery process and to expand the scope of the SME sector considerably, to increase income opportunities. As a result, the unemployment rate has declined to 4.2 percent in 2011 from 7.2 percent in 2005.

However, improvement of access to finance is the main driving force to promote entrepreneurship activities.

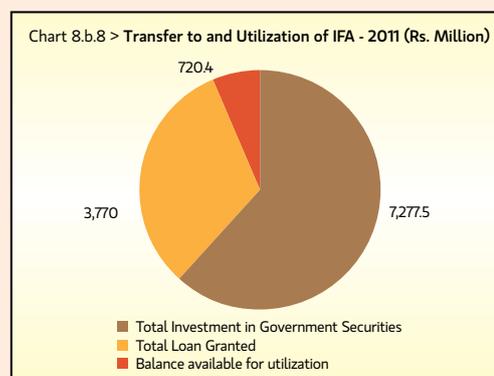
BOX 8.10

Investment Fund Accounts Established in 2011 through Tax Reduction of Financial Institutions

In line with the budget 2011, steps were taken by all banks to setup Investment Fund Account (IFA) from the reduction of income tax on profit from 35 percent to 28 percent, through provisions in the Inland Revenue Act. At the end of December 2011, Rs. 12 billion was available under the IFA. As envisaged by the government, there are five banks that have more than one billion in IFA in 2011, have taken initiatives to provide funding for road sector and SME development programmes.

Table 8.b.8 >

Name of the Bank	Amount in IFA (Rs. Mn)
People's Bank	1,897.70
National Savings Bank	1,535.00
Bank of Ceylon	1,484.10
Commercial Bank of Ceylon Plc	1,194.30
The Hongkong & Shanghai Banking Cooperation Ltd.	902.70

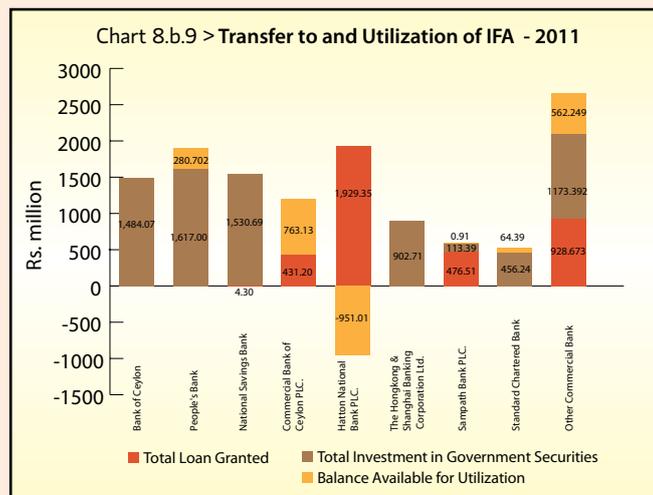


The IFA is now becoming a strong pool of resources that will enable banks to venture into long term lending during next two years in order to provide necessary stimulus for the growth strategies set out by the Government Policy Framework of "Mahinda Chinthana Vision for the Future". The progress of the IFA is as follows;

- 32 percent of the total of Rs. 12 billion, equivalent to Rs. 4 billion has lent to the SMEs
- The remaining 62 percent (Rs. 7 billion) of the IFA has invested in the Government Securities and the People's Bank and the Bank of Ceylon have committed for financing for four road rehabilitation projects
- Rs. 720 million earmarked for investment loans, has not been utilized and remaining with the banks (6 percent of the total 12 billion).
- The Hatton National Bank has lent Rs. 951 million more than the fund collected during year 2011, which is a positive step towards achieving the objectives of IFA

³ Annual Report 2011, Central Bank of Sri Lanka

The budget proposal for 2012 has further strengthened the IFA by reducing the prevailing income tax rate from 28 percent to 24 percent for the interest income which is estimated the increase of more than Rs. 16 billion in 2012. The special SME bank branches established to utilize IFA, will support SMEs providing guidance for marketing, financial management, changing energy by renewable sources, increasing productivity and competitiveness to compete with product of other countries in order to depart from protective environment.



50 percent Government Guarantee for SME Loans

Although the Government has taken many efforts to improve the access to finance, it is observed that banks and financial institutions do not pay sufficient attention to the problems faced by SMEs, specially collateral issues. To solve this problem the three state banks namely, Bank of Ceylon, People's Bank, Regional Development Bank were directed to open a special bank branch for SMEs in each district through budget proposal 2012. There is a positive response for this concept from the private Commercial Banks, agreeing to establish SME centers at regional level in the first quarter of 2012. The Government has taken steps to reduce the prevailing income tax rate from 28 percent to 24 percent for the interest income from such banking. A 50 percent Government guarantee

will be given for those banks providing loans under IFA to restructure SMEs in order to improve their performance.

In response to the budget 2012 in line with the "Mahinda Chinthana Vision for the Future" the People's Bank which is the first state bank, opened the first SME Bank in Anuradhapura and the second branch in Kurunegala. The People's Bank has taken steps to grant loan facilities to various sectors including agriculture products, livestock, textile, fisheries, tourism and construction through the SME centers.

The scope of the SME Bank is different from the traditional banking activities and will function as a "SME Centre" which provides all necessary services for SMEs under one roof. This will be an innovative concept which directs the country towards a new development era.

SMEs in Manufacturing Sector

Textile and Apparel Industry

There are 7 major domestic textile manufacturers who are engaged in manufacturing textiles and supply for the requirement of the local market. The Government has given high priority to the domestic textile manufacturers for the supplying of uniform material to the three forces and school children in order to develop the domestic textile industry. These manufacturers import raw materials (yarn), weave and process or import in a grey form and process locally.

in line with the “Mahinda Chinthana Vision for the Future” the People’s Bank which is the first state bank, opened the first SME Bank in Anuradhapura and the second branch in Kurunegala...

Table 8.127 > **Growth of SMEs on Apparel/ Textile Exports - 2005 to 2011 (US\$ million)**

	2005	2006	2007	2008	2009	2010	2011
Total exports on Textile & Apparel	2,747.78	2,917.06	3,144.31	3,282.44	3,199.89	3,178.21	3,985.78
SMEs Contribution	1,583.86	1,866.92	2,012.36	2,100.76	2,047.93	2,034.05	2,670.47
As a % of total exports	43%	42%	41%	40%	44%	37%	38%

Source: Export Development Board

The apparel industry grew with the support of SMEs and under the new definition only 36 percent of the total apparel industry belongs to big companies, and the rest, 64 percent are SMEs (Table 8.127). The textile and apparel sector has contributed more than 40 percent to the total exports before 2009 and it has presently changed to 38 percent of total export earnings of the country. The value addition of this industry has also increased to 60 percent in 2011 from 40 percent in 2001. This sector has invested Rs. 3 billion in 2011 creating 600,000 employment opportunities.

The government has exempted all taxes imposed at Customs on the importation of yarn in order to increase the value addition of this industry. This facility was introduced by the 2012 budget granting further incentives to import necessary equipment at zero VAT and customs duty for the apparel industry. The producers of apparel for export market were given opportunity to release 25 percent of their products to the local market paying only Rs. 25/- per each item which is much lower than the taxes imposed on imported garments.

Surgical Gauze Industry

The domestic SMEs have dominated the surgical gauze industry during last few decades. The gauze manufacturers

are able to produce 19 million meters of surgical gauze annually to meet the demand of the government hospitals while saving foreign exchange and creating 5,000 to 10,000 employment opportunities. At present, a large number of manufacturers in this industry use handloom machineries and few use high tech powerloom machineries. The manufacturers use imported yarn and chemicals to manufacture gauze. The Ministry of Finance and Planning introduced a pricing formula in 2008 in order to improve competitiveness, efficiency of the industry by way of protecting from imported surgical gauze. The local surgical gauze manufacturers are given opportunity to determine annual price using this formula once a year or if there is reasonable cost increase of inputs to the manufacturing of surgical gauze. The recommended price per meter of gauze in 2011 is Rs. 23.70. New open quota system was introduced in 2011 as requested by SMEs.

Leather and Footwear Industry

The Sri Lankan leather and footwear sector is dominated by the SMEs. There were 3,026 SMEs employing more than 30,000 direct and indirect employees in 2011. The total exports of leather and footwear industry was Rs. 36 million consisting of Rs. 17 million footwear and Rs. 20 million leather sub sectors respectively 2011.

Gem and Jewellery Industry

All enterprises in gem and jewellery belong to SME sector earned US\$ 519 million in 2011 (Table 8.128). There is a significant signs of re-bouncing the export of gem and jewellery after the adverse effect of the Global Economic Crisis 2008 and 2009. The gem, diamond and jewellery sector has secured an overall growth of high demand sector in Sri Lanka. The total permits issued for Gemming, Dealing and Lapidary sectors were 44,967 and direct and indirect employees engaged 750,000 up to end of 2011. The total exports are produced US\$ 2,309 million up to 2011.

Pharmaceuticals

Requirement of the pharmaceutical products of the country is met with imports from other countries as this industry has not grown costing to the economy 1 to 2 percent of GDP. However, SME sector which involves in manufacturing pharmaceutical products currently exports products worth of US\$ 2 million. There was a growth of 7 percent in 2011 as shown in Table 8.129.

The government has proposed, in budget proposals 2012, to extend tax relief to the private sector to promote production of pharmaceuticals and also reduce the income tax on health services at about 12 percent. The main purpose is to encourage the private sector investors in this industry.

Cement Industry

The current demand for cement in the country is estimated 6 million Mt per annum. However, 2 million Mt of the demand produces locally and the rest is imported. Further, this market demand grows annually by 10 percent. The SMEs are engaged in manufacturing and importation of the cement in order to meet the market demand.

According to trade sources, five largest bulk cement importers (Holcim, Tokyo - cement, Ultra Tech, Lafarge and Singha) who process cement bag packing, operations and distribution network in the country share more than 90 percent of the market and the rest is shared with five SMEs.

SMEs in Plantation and Agriculture Sector

Paddy Milling

There are approximately three hundred millers in SME level who represent the private sector. They participate in

Table 8.128 > **Progress of Gem and Jewellery Industry from 2007-2011**

Year	No. of Permits Issued	No. of people engaged	Total Exports (US\$ Mn)
2007	9,889	250,000	467
2008	9,226	150,000	531
2009	8,140	100,000	392
2010	8,424	100,000	400
2011	9,288	150,000	519

Source: Gem and Jewelry Authority

Table 8.129 > **Exports of Pharmaceuticals (US\$ mn)**

Year	Pharmaceutical Exports
2005	2.21
2006	3.13
2007	2.20
2008	2.22
2009	2.0
2010	2.18
2011	2.34

Source: Export Development Board

government paddy milling process done through Paddy Marketing Board. There are around 30 rice mills owned by Cooperative Societies which have milling capacities of 300 Mt per week of paddy in total. This shows the significant influence of the SME rice millers.

Tea

Tea industry is the largest and the best source in terms of foreign exchange earnings, value addition, employment generation and poverty reduction especially in the estate sector. It brings US\$ 1.5 billion which is 15 percent of total export earnings of the country. The SMEs contribute 70 percent to the tea production of the country. Therefore, the Government has taken action to increase the subsidy given to the smallholders for re-plantation from Rs. 250,000 to 300,000 and for new plantation from Rs. 50,000 to 150,000 per hectare. It is also proposed to introduce a concessionary loan scheme to assist medium scale plantation companies for new plantation and re-plantation. The growing trend in the tea exports from year 2005 to 2011 is shown in Table 8.130.

Rubber

To cope with the world demand for natural rubber, the Government has taken initiatives to increase rubber production by 50 percent through new cultivation and re-cultivation. The SMEs have been encouraged to invest in this sector. For this purpose, 2012 budget has proposed to develop 10,000 hectares of rubber lands in small holder sector in the Ampara District and Mahaoya areas and to continue with the CESS imposed on primary exports in order to develop and promote industrial goods produced from rubber. At present, 127,000 SMEs are involved in rubber cultivation. Due to the effort of government, the export of rubber has increased from 2005 to 2011 as stated in Table 8.130.

Coconut

Government has allocated Rs 500 million during the year 2011 to grant subsidies for replanting, new planting, inter cropping and productivity improvements in the coconut sector targeting small and medium holders. The value of export of coconut products has increased to US\$ 423 million in 2011 from US\$ 277 million in 2010 as shown in Table 8.130. The Government's effort is to increase coconut production to 3,700 million nuts per year within the next 6 years (2011-2016) to meet culinary and industrial demand of the country. This will result to increase employment opportunities in the SME sector and reduce the poverty level in the country further.

Fruits and Vegetables

There are 68 SMEs engaged in export of fruits and vegetables, earned US\$ 36 million in 2011. In addition, several SMEs function as suppliers of the fruits and vegetables in the form of processed and semi-processed items. It is noted that 24 medium scale private sector enterprises are also involved in supplying fruits and vegetables to the domestic market. It is estimated that 60,000 direct employments have been created within this sector, which is outside the backward linkages of growers. There is a rapid increase in vegetable production of the country which is not facilitated by the SMEs to harmonize the price level since it is surplus product compared to the country's traditional consumption patterns.

Export of fruits and vegetables is only 0.0034 percent of the total exports of the country in 2011 as shown in Table 8.131. Therefore, SMEs in this sector have to be more dynamic to respond to the production of fruits and vegetables in the country.

Table 8.130 > **Exports of Tea, Rubber & Coconut 2005-2011**

Year	Exports in US\$ Mn		
	Tea	Rubber	Coconut
2005	810.77	47.03	167.03
2006	881.73	92.18	186.73
2007	1,025.11	109.35	220.8
2008	1,271.05	125.35	262.6
2009	1,185.42	98.85	260.75
2010	1,439.15	173.75	277.04
2011	1,476.18	207	422.91

Source: Export Development Board

Table 8.131 > **Export of Fruits and Vegetables by SMEs in US\$ million**

	2005	2006	2007	2008	2009	2010	2011
Fruits	6.57	9.57	11.27	14.20	12.28	16.20	17.37
Vegetables	11.92	10.18	11.52	13.75	12.04	16.32	18.54
Total	18.49	19.75	22.79	27.95	24.32	32.52	35.91
As % of the total Exports	0.003%	0.003%	0.003%	0.003%	0.003%	0.004%	0.003%

Source: Export Development Board and Department of Customs

⁴ www.blog.fccisl.lk

⁵ Budget speech 2011

Minor Crops

Cultivation of minor crops is dominated by the SMEs in the rural sector, therefore, it helps to reduce the cost of imports by US\$ 500 million. The government has therefore, implemented subsidy schemes for planting and re-planting of spices and provided financial assistance under the SME development programme to grow minor crops such as cin-

namon, pepper, clove, cardamom, nutmeg & mace, cocoa, coffee, areca nuts, betel and citronella. Sri Lanka has unique advantage in earning foreign exchange by diversification of minor crops. Therefore, the government has decided through its budget 2012 to increase the allocation by a further Rs. 150 million to provide cultivation aid to promote intercropping of cinnamon, pepper, cardamom and cocoa. The increase in the production level of minor crops has shown in Table 8.....

Table 8.132 > **Production of Export Agriculture Crops by SMEs 2003 – 2011**

Crop	Production (Mt)						
	2005	2006	2007	2008	2009	2010	2011
Cinnamon	15,898	15,792	16,795	14,691	15,690	16,435	18,250
Pepper	14,303	14,801	16,377	12,897	12,306	17,332	10,800
Clove(with stem)	6,077	3,505	2,886	8,553	3,032	9,551	5,553
Cardamom	74	79	80	70	61	48	57
Nutmeg & Mace	2,054	2,092	2,267	2,265	2,379	2,376	2,116
Cocoa	902	1,055	1,336	1,696	2,453	520	525
Coffee	3,086	3,145	2,979	3,081	3,125	3,163	2,974
Arecanuts	19,693	23,389	22,605	24,955	23,540	24,361	24,485
Betel	29,841	29,739	32,716	30,571	30,454	30,046	30,645
Citronella	23	29	19	22	7	30,046	30,645
Total	91,950	93,625	98,061	97,105	93,048	103,851	95,414

Source: Department of Export Agriculture

Poultry Industry

The progress of the poultry industry was facilitated by monitoring market supply and demand and frequently reviewing the opportunities for intervention in order to maintain a healthy environment for the development of SMEs in poultry industry. This has contributed to harmonize market environment and smooth progress of the industry during the year 2011 irrespective of festive season. The maximum retail price of whole chicken was maintained at Rs. 350/- per kilo gram during the year 2011. Due to the policy intervention and program introduced in 2010, there was a considerable increase in production of chicken and eggs which prevented the scarcity of chicken and eggs in the market during festive seasons. Price of an egg was

Rs. 8/- to 10/- on average during the 2011. The "Divine-guma" livelihood development programme strengthens the domestic level poultry industry which balances any oligopoly decisions on price of chicken and eggs. Production of chicken and eggs were gradually increasing due to expansion done by the industrialists by enjoying the tax incentives on investment to this industry. The entry of the household level farmers made further increase in production supplying more in to the market at village level. This gives way to the SMEs in poultry industry to explore the possibilities to enter into foreign market and export the excess production. The government targets to export 5,000 Mt of chicken by June 2012 at an export price of US\$ 1 per kilo gram and the exporters are given a special duty rebate amounting to Rs. 150/- per kilo.

Table 8.133 > **Data on Chicken and Eggs**

	Year	Quantity Produced	Requirement
Chicken (Mt '000)	2000	66	68
	2005	86	88
	2006	85	86
	2007	100	100
	2008	102	103
	2009	99	99
	2010	105	112
	2011	117	119
	Year	Quantity Produced	Consumption
Eggs (mn)	2000	1032	766*
	2005	1449	1448*
	2006	1243	1242*
	2007	1252	1176*
	2008	1380	1316*
	2009	1099	1050*
	2010	1,189	1,550*
	2011	1,178	1,372*

Source: Department of Census and Statistics

* Estimated by the Dept. of Development Finance using the data of Dept. of Animal Production and Health

The government targets to export 5,000 Mt of chicken by June 2012 at an export price of US\$ 1 per kilo gram and the exporters are given a special duty rebate amounting to Rs. 150/- per kilo...

Further, the government encouraged the SMEs in the poultry industry to get involved in production of input materials for the poultry industry such as poultry feed and resources for breeder farms, so that the dependency of the industry on imports of inputs would be removed. Soya bean meal which is imported from India at a higher cost, is the main ingredient of poultry feed. Poultry industrialists are willing to set up soya bean extraction plants given assurance of un-interrupted supply of soya beans. Therefore, VAT exemptions, given by the budget 2012 for modern machinery and equipment required for certain industries including poultry and livestock industry will encourage those industrialists to invest in and to expand the industry. The tax holidays are available for enterprises engaged in animal husbandry and processing according to the Budget 2012, depending on the size of the investment.

Category	Investment	Tax Holiday
Small Scale Enterprises	Rs. 25 Mn minimum	4 years
Medium Scale Enterprises	Rs. 50 Mn - Rs. 100 Mn	4 years
	Rs. 100 Mn - Rs. 200 Mn	5 years
	Over 200 Mn	6 years
Large Scale Enterprises	Rs. 300 Mn - Rs. 500 Mn	6 years
	Rs. 500 Mn - Rs. 700 Mn	7 years
	Rs. 700 Mn - Rs. 1,000 Mn	8 years
	Rs. 1,000 Mn - Rs. 1,500 Mn	9 years
	Rs. 1,500 Mn - Rs. 2,500 Mn	10 years
	Rs. 2,500 Mn and above	12 years

Source: Budget Speech 2012

Since 2010 the poultry farmers receive assistance in expanding their industry under the Agro Livestock Development Loan scheme (ALDL) which is discussed under ALDL later in this chapter.

Table 8.134 > **Loans Granted to Poultry Sector through ALDL 2010 - 2011**

Item	2010		2011		Total	
	No. of Loans Granted	Amount Released (Rs. Mn)	No of Loans Granted	Amount Released (Rs. Mn)	No. of Loans Granted	Amount Released (Rs. Mn)
Agro- based & Agro related processing Industry	24	27.5	35	118.81	59	146.31
Small Poultry Farming	91	12.27	235	34.83	326	338.27
Process Industries - Poultry	4	4.05	14	40.54	18	44.59
Total	119	43.82	284	194.18	403	529.17

Source: Regional Development Department, Central Bank of Sri Lanka

The total amount released to the poultry sector under ALDL loan scheme in 2010 and 2011 was Rs. 529 million which consists of 403 loans.

SMEs in Service Sector

Health Services

The SMEs' contribution in health sector is more vital to meet increasing demand for the value added health services of the middle income population. There was notable increase in the health sector SMEs in year 2011 compared to 2010 as shown in Table 8.135 The growth of small Medical Institutions and Part Time Dental Surgeries were recorded more than 10 percent growth in 2011. The Private Hospitals, Medical Laboratories and Medical Centers have recorded a considerable growth in the health services. This has contributed people to obtain more facilities from medical specialists by part time and full time practices in dental and other medical centers.

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Table 8.135 > **Growth of SMEs in Health Sector**

Category	2010	2011	%
Private Hospitals and Nursing Homes	172	186	8.14
Medical Laboratories	485	529	9.07
Medical Centers/Screening Centers/Day Care Medical Centers/Channel Consultations	269	291	8.18
Full Time General Practices/Dispensaries/ Medical Clinics	443	452	2.03
Part Time General Practices/Dispensaries/ Medical Clinics	1,192	1,236	3.69
Full Time Dental Surgeries	121	124	2.48
Part Time Dental Surgeries	110	122	10.91
Full Time Medical Specialist Practices	21	23	9.52
Part Time Medical Specialist Practices	23	25	8.70
Private Ambulance Services	14	15	7.14
Other Private Medical Institutions	159	180	13.21

Sources: Ministry of Health

Passenger Transport

The total operated passenger kilo meters were 121 billion of which 52 percent is by the private sector bus operators belongs to SMEs and entrepreneurs who provide school passenger transport services by vans and para transit (three wheelers) services. The Government has contributed (SLCTB) only 26 percent of the bus passenger transport service and given opportunity to the SMEs in the private sector to contribute the balance 74 percent of market share of the transport sector. The school vans and taxi services belong to the SMEs as shown in Table 8.136

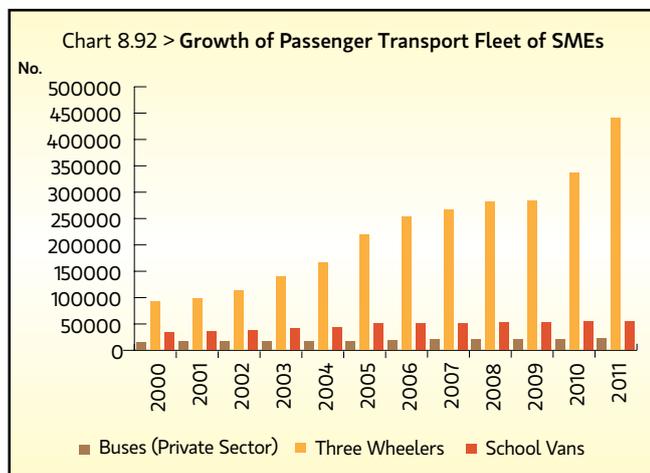
It is noted that Rs. 2 billion for school vans, Rs. 9 billion for buses, and Rs. 27 billion for three-wheelers have been invested by the SMEs in the private sector which also represents 70 percent of informal sector entrepreneurs. This amounts to total of Rs. 38 billion investment in 2011 on public transport by the SMEs.

There was notable growth of the fleet of private sector buses, school vans and three wheelers during last ten years as shown in Chart 8.92

Table 8.136 > **Growth of SMEs in Road Passenger Transport (in million Operated Passenger kilo meters)**

Type SMEs of Passenger Transport	2008	2009	2010	2011
Private Bus Passenger Transport	48,028	47,367	38,945	43,460
School Vans	11,606	11,641	10,906	15,379
Three-wheelers (Para Transit)	5,802	7,556	8,746	13,566
Total	65,436	66,564	58,596	72,405

Source: NTC, Provincial Passenger Transport Authority, Three Wheelers Associations and Estimated By the MOF&P



Freight Transport

An investment of Rs. 5,337 million was recorded in 2011 for the truck fleet which is 100 percent belongs to the SME sector. It is noted that 97 percent of the supply chain is also accounted by the SMEs in 2011. The total volume of freight in Sri Lanka in the year 2011 included 113 million tons of agricultural produce, 7 million tons of industrial outputs which are exported commodities and 22 million tons of imported commodities (Motor Vehicles and other commodities). Notably, 98 percent of this freight uses the road network while only 0.8 percent uses the railways. Coastal shipping accounts for the balance. The average per capita freight tonnage in the year 2011 was 6 tons. The per capita consumption of all commodities has increased from 3.1 tons in 2000 to 6.2 tons in 2010. All these transport services are provided by the private sector with the fleet of trucks amounting to 225,269 in 2011 as shown in Table 8.137.

Table 8.137 > **Growth of Road use Truck Fleet**

(Nos)

	2005	2006	2007	2008	2009	2010	2011
Small Trucks	118,190	132,466	142,394	145,949	155,570	161,050	192,366
Medium Trucks	14,560	17,703	20,306	21,312	21,308	25,824	32,903

Source: Revenue license data from Department of Motor Traffic and All Divisional Secretaries used to estimate the Active Fleet

⁶ Department of Customs, February, 2012

It was found that the total freight flow of the country is 8,828 million ton per kilo meters in 2011. This number has been arrived at covering 24 commodities which are con-

sumer items and production items. This freight flow has generated considerable truck per kilo meters as shown in Table 8.138.

Table 8.138 > **Operated Truck Freight and Operated Freight Flow 2007 - 2010**

Description	2007	2008	2009	2010
Operated Truck/ Lorry (km)	1,410,904,656	1,290,964,752	1,277,377,868	1,209,393,793
Freight Volume (tons)	120,764,620	107,150,074	102,904,058	97,427,341
Freight flow (ton km)	7,728,935,706	7,071,904,911	6,997,475,958	6,625,059,197

Source: *Economic Review, People's Bank, 2011 December (calculation based on traffic data, fuel consumption and data on production and consumption of Department of Census and Statistics)*

The Government has removed VAT and Custom Duty on the importation of lorries, trucks, new lorry engines and tyres used for lorries and trucks to stimulate the freight transport sector which is dominated by the small and medium sector with approximately 400,000 employments.

Banking and Insurance

Banking and insurance sector shows high performance in 2011 reflecting high rate of business growth, improving credit quality with huge investments. Banks play a major role in facilitating day to day activities of the general public, especially to the SMEs and microfinance sector. The banking sector consists of 12 domestic licensed commercial banks, including 2 state banks, 12 foreign banks and 9 licensed specialized banks. In addition, there are 6,122 bank outlets and 2,240 Automated Teller Machines (ATMs) by the end of 2011. The total network expanded by 201 outlets of which 150 were opened outside Western Province. The total assets of the banking sector recorded 20 percent growth in 2011 compared to 18 percent in 2010. As a result of this the share of loans and advances mainly in agriculture, consumption, and infrastructure trade and construction sector increased from 56 percent at the end 2010 to 61 percent at the end of 2011. The insurance sector consists of 21 insurance companies, 45 insurance broking companies and about 65,000 insurance agents in 2011. The increase of total assets by 19 percent, to Rs. 263 billion in 2011 shows an expansion of insurance business.

Tourism Sector

Sri Lanka has a greater potential as a tourist destination in terms of its strategic location. 850,000 tourists have arrived in 2011, recording foreign exchange earnings of US\$ 830 million. Most of the SMEs in tourism are however, highly informal and the number of small and medium scale hotels and restaurants registered under the Tourism Authority is just around 40, which shows the majority is informal and not regulated by any authority. Due to this, there is no detailed analysis available on the investment and output of the SMEs in tourism sector. Based on a survey carried out in 2009 by the Tourism Authority, there were 1,099 hotel units and 6,943 rooms serving as informal entities. The hotels have been categorized based on the facilities provided. Quality of facilities provided and the educating the people engaged in the field have been a major concern in uplifting the sector.

Telecommunications

There are five main telecommunication service providers in the SME sector. The Table 8.139 shows a considerable increase of 48 percent in data subscribers through both fixed connections and mobile connections from 2010 to 2011, illustrating the increased data access. Voice subscribers in total have also been increased by 5 percent which is not very significant as the data connections.

⁷ Department of Customs, February, 2011

⁸ Estimate by the Dept. of Development Finance using data for 2010 from the Sri Lanka Socio-Economic Data 2011, CBSL, June, 2011

Table 8.139 > **Telecommunication Facilities Provided by SME Level Service Providers 2010-2011**

Type of Connection	2010		2011	
	Voice Subscribers	Data Subscribers	Voice Subscribers	Data Subscribers
Fixed connections	3,534,575	302,674	3,608,392	359,216
Mobile connections	20,801,982	512,593	21,927,839	844,381
Total	24,336,557	815,267	25,536,231	1,203,597

Source: Telecommunication Regulatory Commission

The investment by small and medium level service providers is Rs. 54,014 million in total which consists of Rs. 9,279 million investment on fixed connections and 44,735 investment on mobile connections in 2010.

Business Process Outsourcing (BPO)

Sri Lanka is emerging as a global BPO destination center and therefore, the BPO industry has been identified as a key industry by the government. This exposes the SMEs to best practices followed by high quality giant enterprises. With the recognition of the potential of the industry, the government has taken number of positive steps by providing fiscal and other incentives and concessions to fast track the development of this sector. The national economic policy framework focused on developing Sri Lanka as a Center of Excellence (COE) to create a work force for the BPO industry. BPOs are mainly focused on the areas such as financial & accounting services, investment research, engineering services, IT and UK based legal services. There are about 15 leading BPO companies operating in Sri Lanka including HSBC, WNS Global Services, Virtusa and Industrial & Financial Systems (IFS).

Beauty Care Industry

The beauty care industry which gradually becoming paramount in the emerging middle income country wholly belongs to SME sector. There are approximately 6,000 beauty care centers in the country including saloons. The total estimated amount invested in the beauty care industry is around Rs. 3,225 million and more than 30,000 direct and indirect employment opportunities have been created in 2011. According to the Sri Lanka Association of Hair Dressers and Beauticians, the productivity of industry is recorded that each saloon served 5 clients on average per day

SME sector Programmes

Small and Medium Enterprise Regional Development Project

Small and Medium Enterprise Regional Development Project (SMERDP) was to redress prevailed regional imbalances and enhance the growth and development of regional SMEs by providing access to medium to long-term funds, and encouraging Commercial Banks (PCBs) to proactively finance opportunities among regional SMEs.

The Loan Agreement for this purpose was signed on 18th December 2007 between the Government and ADB with specific outcome of accelerated development of the SME sector outside the Western Province through increased output and employment generation. The total cost of the project is US\$ 89 million of which 56 percent is provided by ADB and 19 percent and 25 percent are contributed by PCBs and SMEs respectively. The project was implemented through DFCC Bank, Commercial Bank, National Development Bank and the Sampath Bank.

The total cost of approved loans under this programme is Rs. 8,298 million and of that ADBs contribution is Rs. 4,668 million. PCBs and SMEs contribute Rs. 1,556 million and Rs. 2,075 million respectively. From the ADB's contribution as refinance facility, Rs. 4,345 million has already been released to the PCBs up to the 31st December 2011 and has extended the project completion date to 30th June 2012, in order to replenish the committed loans given by the PCBs up to 30th December 2010. The details of the utilization of ADB funds by banks are given in Table 8.140 and Chart 8.93.

⁹ Annual Report - 2011, Central Bank of Sri Lanka

Table 8.140 > **Utilization of ADB Funds by Banks**

Bank	ADB Funds								%
	Allocation (Mn)		Released up to 31.12.2011 (Mn)		Commitments to be released (Mn)		Total (Mn)		
	US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	Rs.	
Sampath	10	1,070	6.55	732.22	0.52	60.84	7.07	793.06	71.0
Commercial	15	1,605	11.89	1,328.27	1.58	184.86	13.47	1,513.13	89.8
DFCC	15	1,605	12.99	1,457.77	0.03	3.51	13.02	1,470.79	86.8
NDB	10	1,070	7.38	826.58	0.00	0.00	7.38	826.58	73.8
Total	50	5,350	38.81	4,344.84	2.13	249.21	40.94	4,603.56	82.0

Source: Sampath Bank, Commercial Bank, DFCC & NDB

Progress for the year 2011

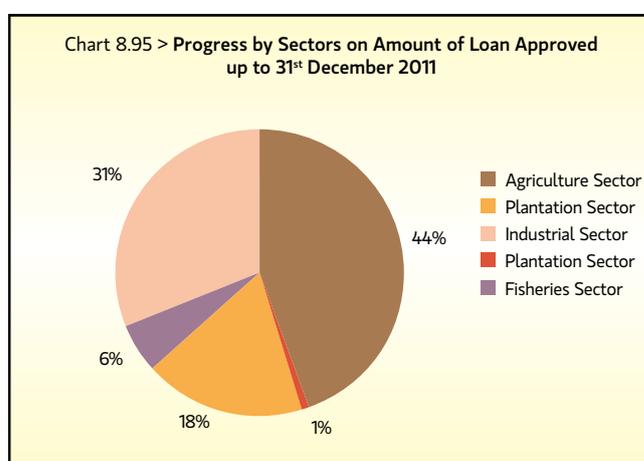
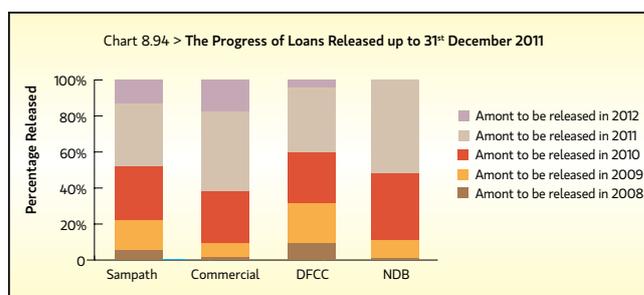
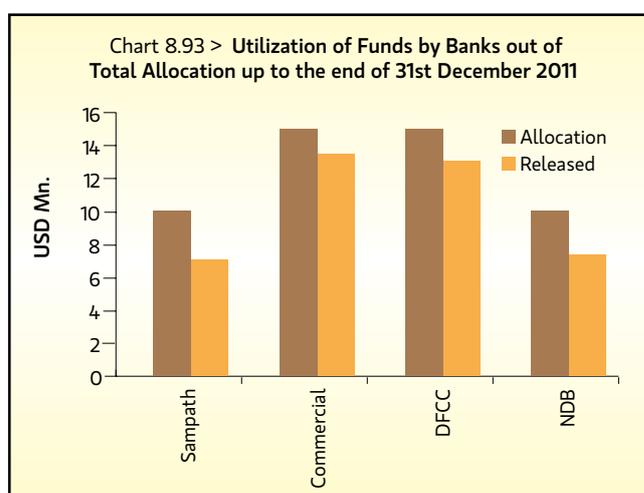
A total of US\$ 12 million of ADB funds has been released to the SMEs by all four banks during the year 2011. 82 percent of allocated funds have been utilized as at 31st December 2011. The details of loan released by the PCBs during the period 2008 to 2011 and the amount to be released in 2012 are shown in the Chart 8.94.

Progress by Sectors

The agriculture sector dominates from the loans approved by providing 408 loans amounting to Rs. 2,205 million followed by the service sector. However, out of the total fund provided, the agriculture sector has led by granting around 38 percent of the total funds and followed by the service sector around 33 percent as shown in the Chart 8.95. Considering the size of loan granted, the agriculture sector led by granting highest average loan amounting of Rs. 5.4 million followed by the plantation sector amount to Rs. 5.05 million.

Progress by Districts

Map 8.3 provides the details of the funds invested by districts during the loan period. The District of Kurunegala has recorded the highest number of approved loans of 156, followed by Districts of Galle and Matara giving approval for 139 and 107 loans.



Map 8.3 > **SMERDP – Progress by Districts**



Small and Medium Enterprise Development Facility Project

Small and Medium Enterprise Development Facility Project (SMEDeF) commenced in 2010 aiming at improving access to finance (including term finance) for SMEs affected by the global financial crisis. The total value of the project is US\$ 57.4 million and financed by a loan facility of International Development Association of World Bank for a period of three years. The Project consists of two components:

- Financing and risk sharing facility
- Policy and capacity enhancement for SME banking

Financing and risk sharing facility contains a line of credit to refinance short and long term loans for SMEs and a risk sharing facility to reduce the banks' risk of lending to SMEs. Policy and capacity enhancement for SME banking includes capacity enhancement of SMEs and lending institutions, technical assistance to strengthen the enabling environment for SME banking and implementation support for the Project Implementation Unit.

Outcomes in 2011

- Agreements were signed with eight banks (Participatory Financial Institutions - PFIs) to implement the line of credit facility.
- The total allocation for the line of credit is Rs. 3,055 million from which Rs. 818.5 million, 27 percent, has been disbursed by PFIs during 2011.
- The highest value of loan disbursement has been achieved by the Development Finance Corporation of Ceylon (DFCC) amounting to Rs. 182 million (22 percent) followed by Bank of Ceylon and Hatton National Bank disbursing Rs. 174 million (21 percent) and Rs. 141 million (17 percent) respectively (Table 8.141).
- The total number of loans approved as at December 31st, 2011 is 250 from which 90 loans, i.e. 36 percent, were granted during 2011. The highest number of loans, 23 loans, have been granted by the People's Bank. Bank of Ceylon has granted 22 loans.
- In the context of size of loans, 63 percent of the approved loans of 250 is below Rs. 5 million.
- In terms of the regional distribution of loan disbursement Colombo District accounts for the highest loan disbursement amounting to Rs. 186 million (23 percent) followed by Kurunegala District by disbursing Rs. 164 million (20 percent) (Chart 8.96).
- Tourism sector accounts for Rs. 247 million, 30 percent of the total loan disbursement, while agro processing industries has been disbursed Rs. 167 million which is 20 percent of the total disbursement for 2011 (Chart 8.97).

- Under the capacity enhancement, 1,290 loan officers and 496 entrepreneurs have been trained.

Chart 8.96 > Loan Disbursement for 2011 - District Wise (Rs. Million)

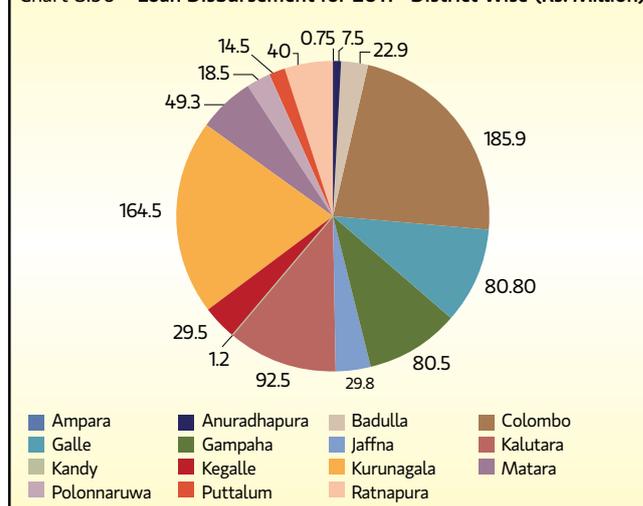
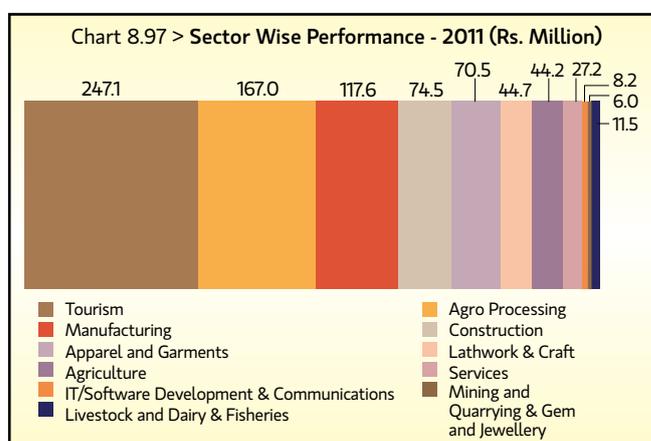


Table 8.141 > Loan Disbursement by the Participatory Financial Institutions

Bank	As at 31.12. 2011	
	No.	Rs. Mn
Regional Development Bank	1	2.00
Commercial Bank	1	37.00
National Development Bank	4	85.00
Hatton National Bank	7	141.00
DFCC Bank	15	181.86
Sampath Bank	17	64.70
Bank of Ceylon	22	174.30
People's Bank	23	132.60
Total	90	818.46

Source: SMEDeF Project

Chart 8.97 > Sector Wise Performance - 2011 (Rs. Million)



National Agri-business Development Programme

Competitiveness of the agriculture sector through improvement in the productivity and increase in value addition is a necessary condition for the sustainable development of this sector. The policy framework of the government therefore, recognises the public and private partnership and private sector development in agriculture in order to resolve problems faced by the farmers. A popular approach which is the creation of public companies with share capital contribution by the Government and stakeholders will be introduced through the National Agri-business Development Programme to promote public private partnership.

Financing Agreement for the implementation of National Agri-business Development Programme was signed between the government and the International Fund for Agricultural Development (IFAD) on 23 February 2010, at a cost of US\$ 22 million during the period 2010 to 2016. The objective of this programme is to assist smallholder farmers and the landless, especially the youth by increasing their incomes through participation in the marketing chain deve-

lopment. This programme is being implemented by the Regional Development Department, Central Bank of Sri Lanka under the supervision of the Department of Development Finance, Ministry Finance and Planning. The programme components are:

- I. Marketing chain development and linkages
- II. Microfinance and training of youth
- III. Programme management and policy support

The first component will be national in scope but exclude the Western Province and urban areas, and have two approaches. The first approach is private sector - led marketing chain development which focuses on fruits and vegetables, spices and spices based products, cereals and food crops, cashew and cashew based products and dairy and milk products. The companies who wish to establish value chains have to come up with business plans and to finance 51 percent of the plan. Farmers will have to contribute between 2-5 percent and the balance will be financed on equity basis under the programme. The following project proposals have been approved for funding under the first approach.

Table 8.142 > **Projects for Funding under Private Sector - Led Marketing Chain Development**

Project	Main Activities	No. of Share-holders	Total Investment (Rs.)	Share Contribution (Rs.)		
				Company/CBO (51%)	Producers (5%)	NADeP (44%)
1 Cocoa Bean Processing - EDNA Group	Establishment of collecting and processing centre and a processing company with cocoa producers as shareholders	685	28,300,000	14,433,000	1,415,000	12,452,000
2 Fresh Fruits & Vegetables Processing - CR Exports Company	Establishment of collecting and packing centre for exportable vegetables and creation of processing company with the producers	500	50,000,000	25,500,000	2,500,000	22,000,000
3 Lime & Chilli processing - International Food Stuff Company (IFCO)	Establishment of lime processing centre and processing company with lime producers	600	56,000,000	28,560,000	2,800,000	24,640,000

Source: NADeP Project - Regional Development Department, Central Bank of Sri Lanka

The second approach is community based organizations (CBOs)-led marketing chain development for producer groups. The CBOs will have to contribute at least 20 percent of the capitalization of the producer groups while farmers will contribute 2-5 percent of the balance, 30 percent is raised

in the form of long term debt and 40-45 percent will be financed out of the programme on equity basis. The funds provided under the programme on equity basis will be held by the Board of Trustees. The following project proposals have been approved for funding under the second approach.

Table 8.143 > **Projects for Funding under CBOs - Led Marketing Chain Development**

Project	Main Activities	No. of Share-holders	Total Investment (Rs.)	Share Contribution (Rs.)			
				CBO (20%)	Producers (5%)	Credit (30%)	NADeP (45%)
1 Dry Fish Processing -Small Fishers Federation of Lanka (SFFL)	Establishment of two drying and vacuum packing centers, processing company with dry fish producers	456	18,285,000	3,657,000	914,250	5,485,500	8,228,250
2 Kithul Jaggery Production -Friends of Lanka CBO	Establishment of five processing centers and 28 collecting centers of Kithul sap and creation of a processing company with producers	450	10,000,000	2,000,000	500,000	3,000,000	4,500,000
3 Dairy milk Processing -Industrial Services Bureau	Expansion of dairy milk processing centre and creation of processing company with producers	250	10,395,000	2,079,000	519,720	3,118,500	4,677,750

Source: NADeP Project - Regional Development Department, Central Bank of Sri Lanka

The second component of microfinance and training of youth will be implemented in the districts of Ampara, Kegalle, Kurunegala, Puttalam and Ratnapura to provide financing to the landless, women groups, and especially the youth to commence income generating activities. Since youth has been identified as a special target group, this programme will finance the training of 2,200 youths to improve their skills and to prepare them for employment. This project will not only assist the government in meeting its several policy objectives of encouraging private sector investment in rural areas, but also assist to promote partnership between the rural poor and the private sector.

SME Sector Development Programme

Since the development strategies focus more on SME development to fulfill the desired economic growth of more than

8 percent, the Government requested Germany to provide assistance to develop the SME sector.

Accordingly, Germany has agreed to provide Euro 2.5 million for the implementation of the SME Sector Development Programme. The Exchange of Note for this purpose was signed on 15th November 2011 between the two Governments. The objective of this programme is to improve the financial and non-financial pre-conditions required for the development of SME sector. The main components of the programme are:

- i Development of a coherent and consistent SME policy
- ii Improve access to finance
- iii Improve access to technology/ market

Agro Livestock Development Loan Scheme

Mahinda Chinthana, Policy Framework aims at ensuring self sufficiency in milk by 2020 while retaining the foreign exchange outflow used for import of milk powder within the country. Accordingly, the Agro Livestock Development Loan Scheme (ALDL) commenced in March, 2008. The objective of ALDL is to empower the small dairy farmers with their capital needs thereby enhancing the local milk production. The scope of the scheme was expanded in 2009 and 2010 by including activities of establishment of cooling facilities and block ice manufacturing plants and activities related to the poultry farming.

A total of eleven commercial banks are engaged in this scheme as Participatory Financial Institutions (PFIs) and the loans are disbursed through PFIs. The Government provides the interest subsidy at 6 percent per annum for small farmer borrowers engaged in dairy and agro products and 2 percent per annum for private investors who purchase liquid milk direct from small farmers. The expected amount to be disbursed among the target beneficiaries under the scheme is Rs. 5,000 million. However, by the end of 2011, the value of loans granted under the scheme is only 2,037 million which is equivalent to 41 percent of the total allocation. The interest subsidy granted by the Government during 2011 is Rs. 41 million increasing the total amount granted to Rs. 94 million. The project period has been extended until 30th June 2012.

Table 8.144 > **Progress of Agro Livestock Development Loan Scheme, 2008 - 2011**

Province	Small farmer Borrowers				Investors in the Private Sector			
	No. of Loans Granted		Amount Released (Rs. Mn)		No. of Loans Granted		Amount Released (Rs. Mn)	
	2011	Total up to Dec 2011	2011	Total up to Dec 2011	2011	Total up to Dec 2011	2011	Total up to Dec 2011
Western	282	906	47.09	134.76	37	93	8.98	398.86
Central	663	2,572	62.49	200.33	10	41	3.50	50.46
Eastern	873	1,678	151.69	279.04	3	77	1.74	62.63
North Central	243	1,037	28.8	112.85	0	15	0	2.40
North Western	655	2,599	75.79	247.46	6	818	44.04	126.86
Northern	203	649	38.52	88.16	0	1	0	10.00
Sabaragamuwa	93	362	10.05	41.16	0	17	0	3.59
Southern	293	700	50.23	99.65	16	25	110.55	115.83
Uva	113	739	13.42	60.13	0	23	0	2.46
Total	3,418	11,242	478.08	1,263.54	72	1,110	168.81	773.09

Source: Regional Development Department, Central Bank of Sri Lanka

Small farmer borrowers have benefited from this scheme since its inception. Around 91 percent of the total loans granted have been obtained by the small farmer borrowers during the period 2008 - 2011. The value of the loans granted is Rs. 2,037 million which is 62 percent of the total amount released. The small farmer borrowers have obtained 98 percent of the loans granted with 74 percent of total disbursement during 2011 as well. Under this scheme the number of be-

neficiaries, both small farmer borrowers and private sector investors, has increased by 9 percent compared to 2010. Regional distribution of the borrowers shows that the highest number of borrowers are from Eastern Province while the highest amount of disbursement of Rs. 161 million is in the Southern Province during 2011. Further, nearly half of the total disbursement shares within the Eastern and Southern Provinces.

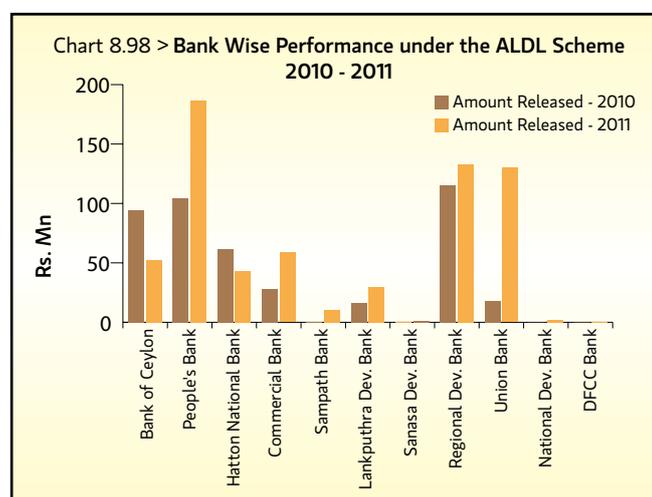
Table 8.145 > **Sector Wise Progress Agro Livestock Development Loan Scheme - 2011**

Item	No. of Loan Granted	Amount Released (Rs. Mn)
Purchase of cows, heifers & equipment for dairy project and Construction of cattle sheds	3,268	451.43
Processing of liquid milk & production of milk	63	122.17
Agro-based & agro-related processing industry	7	33.64
Establishing cooling facilities	0	0.00
Establishing block ice manufacturing plants	1	3.00
Small poultry farming	150	26.65
Processing industries-poultry	1	10.00
Enhancing storage facilities in the process	0	0.00
Total	3,490	646.89

Source: Regional Development Department, Central Bank of Sri Lanka

Loans are provided for eight sectors under the ALDL Scheme. Among these sectors purchase of cows, heifers & equipment for dairy project and construction of cattle sheds sector has obtained the highest amount with the highest number of beneficiaries of 11,037 within the past four years. Further, Rs. 451 million was obtained this sector during 2011,

which is 70 percent of the total disbursement. The entire dairy farming sector shares 95 percent of the total number of loans granted with 89 percent of the total disbursement. Further, the minimum loan amount of Rs. 3 million was released to the establishing block ice manufacturing plants sector during 2011.



Eleven Commercial Banks are involved as PFIs in this scheme. Compared to other banks, Bank of Ceylon shows a higher performance on issuing loan amount within last four years. It has issued Rs. 565 million worth of loans for 2,166 beneficiaries during this period. It represents 28 percent of total amount disbursed and 18 percent of total beneficiaries. Nevertheless, Regional Development Bank shows the highest performance of creating beneficiaries of this scheme. It has created 4,523 numbers of beneficiaries in last four years. During 2011, the People's Bank has issued 1,180 loans to the value of Rs. 184 million for small farmer borrowers while the Union Bank has issued Rs. 122 million worth of loans for private sector investors against the other PFIs.

During the year 2011, the performance of the banking sector in issuing loans for private sector investors is not at satisfactory level compared to issuing loans for small farmers. Further, all PFIs have issued only 72 loans, 2 percent of the total loans issued, while disbursing 26 percent of the total amount released in that period. However, considering the issuance of loans under this scheme, the state banks show a better performance against the private commercial banks. In the previous year, the state banks have issued Rs. 372 million worth of loans which is 58 percent of the total disbursement to the borrowers.

New Comprehensive Rural Credit Scheme

Enhancing the rural sector production and uplifting the living standard of rural community the New Comprehensive Rural Credit Scheme (NCRCS), was continued during 2011 as well by providing credit facility for cultivation. Loans given for cultivation purposes under the Scheme are mostly utilized by small farmers. It is revealed that the NCRCS has contributed significantly towards the reduction in rural poverty. The NCRCS consists of two credit programmes, namely:

- Loans for cultivation of paddy and other subsidiary food crops and production of seed and planting material on a commercial scale; and
- Loans for purchasing agricultural produce under the forward sales contracts.

However, the credit facility for purchasing agricultural produce under the forward sales contracts was removed from the banking system based on the evaluation of the sustainability and optimization of benefits carried out in 2010. The credit facility for cultivation is being implemented at a concessionary interest rate of 8 percent by Participatory Financial Institutions (PFIs), out of their own funds. 33 major crops including paddy, chili, onion, oil seeds, root and tuber, vegetable and other are eligible to receive loans under this scheme. The Treasury provides 6 percent of interest subsidy to PFIs. The operational instructions of the scheme were revised in September 2011 confining to short term crops of maximum of 270 days. In 2011, the Treasury provided Rs. 206 million of interest subsidy to PFIs for the cultivation loans they have granted.

During 2011, the demand for loans under NCRCS has been increased due to economic situation and peaceful environment in the country. Compared to 2010, the number of farmers benefited under NCRCS has increased to 98,593 by 37 percent in 2011 while the total loan disbursement has increased from Rs. 3,570 million in 2010 to Rs. 6,419 million in 2011 by 80 percent. The main reason for this increase is granting more credit facilities to the Northern Province. The farmers in the Northern Province have the broader access to credit facilities after the 30 year prolonged war. It is further corroborated by the highest loan disbursement of Jaffna District, which is 22 percent of the total loan disbursement of Rs. 6,419 million in 2011. Further, no loan was granted for Killinochchi in 2010 whereas 5,319 loans have been granted utilizing Rs. 754 million in 2011.

Table 8.146 > **Loan Details of the New Comprehensive Rural Credit Scheme**

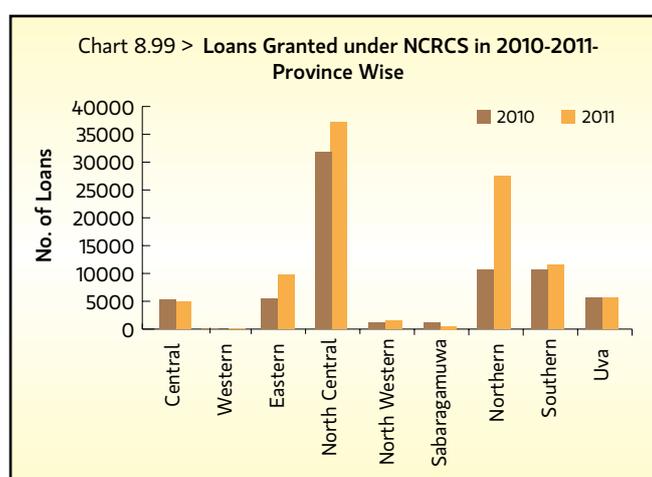
Purpose	Beneficiary	On-Lending Rate	GOSL Interest Subsidy
Cultivation of Agricultural Crops	Small Farmers	8% p.a.	6% p.a.
Production of Seed and Plant Material	Small Farmers and Companies	8% p.a.	6% p.a.

Source: Regional Development Department, Central Bank of Sri Lanka

Table 8.147 > **Progress of Cultivation Loans under NCRCS, 2010-2011**

Loan Details	2010	2011	% increase
Total Amount of Loans Released (Rs. Mn)	3,570.20	6,419.16	80%
Extent of Land Cultivated (Acres)	200,807.90	313,326.30	56%
Total Number of Beneficiaries	71,991	98,593	37%

Source: Regional Development Department, Central Bank of Sri Lanka



Considering the regional distribution of the beneficiaries and the loan disbursement, the highest numbers of beneficiaries and the loan disbursement recorded in the Northern and the North Central Provinces respectively compared to other provinces. In the Northern Province, the numbers of beneficiaries increased by 157 percent and the amount of loan disbursement also increased by 292 percent against the last year. The numbers of beneficiaries and the amount of loans disbursed have increased by 17 percent and 28 percent respectively in North Central Province.

Among nine Participatory Financial Institutions (PFIs) of this scheme, Bank of Ceylon has issued high amount of loans with more beneficiaries. It represents 81 percent increase of loan amount against 2010. Regional Development Bank and People's Bank have issued Rs. 1,365 million and 1,049 million respectively. The total amounts of these two banks represents 38 percent of the total loan amount released in 2011.

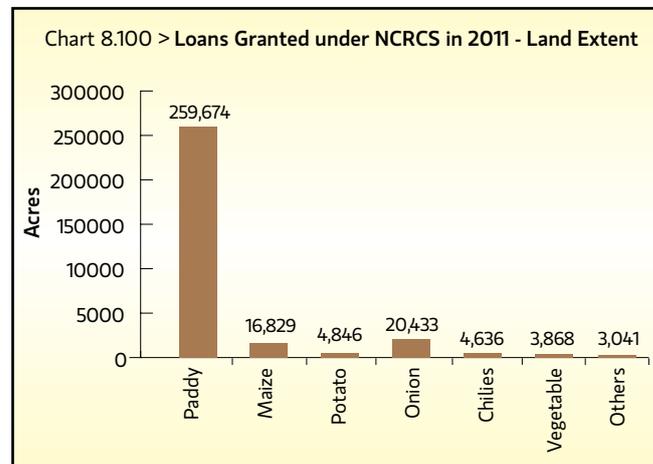
Table 8.148 > **Loan Granted under NCRCS in 2011 - Bank Wise**

Name of the Bank	No. of Loans		Growth in %	Amount Released (Rs. Mn)		Growth in %
	2010	2011		2010	2011	
Bank of Ceylon	24,820	33,588	35	1,315.60	2,381.70	81
People's Bank	13,715	20,267	48	537.50	1,049.00	95
Commercial Bank	718	4,504	527	79.10	562.20	611
Hatton National Bank	7,120	11,157	57	466.30	908.60	95
Sampath Bank	24	58	142	1.90	3.30	74
Seylan Bank	999	831	-20	65.90	61.60	-7
Union Bank	69	874	1166	3.50	83.20	2277
Regional Development Bank	24,524	27,271	11	1,100.20	1,365.20	24
Lankaputhra Development Bank	2	43	2050	0.20	4.30	2050
Total	71,991	98,593		3,570.20	6,419.10	

Source: Regional Development Department, Central Bank of Sri Lanka

In term of crop distribution, paddy sector has received the highest value of loans with the highest number of beneficiaries during 2011. Accordingly, paddy sector has attained 64

percent of the total loan disbursement during 2011. It was also recorded the highest cultivated land area compared with other crops cultivated under this scheme.



Onion and Maize represented the second and third highest cultivated land area respectively which was 12 percent of the total land extent under this scheme. Further, Rs. 1,207 million

and 486 million have been disbursed for Onion and Potato respectively. These two crops were cultivated in 25,279 acres of land which is 8 percent of the total cultivated land under this scheme in this period.

Stimulated Financing for Agriculture Sector

In line with the “Mahinda Chinthana” policy framework, financing the agriculture sector was mainly focused towards the achievement of the multiple goals such as; ensuring food security, establishing a fair price for the harvest of the farmers by harmonizing the market, expanding the fertilizer subsidy to all crops in order to reduce the cost of production of the farmers, minimizing the post harvest losses and encouraging export of crops.

Budget proposals 2012 laid the foundation for a rice exporting economy by establishing four rice exporting zones in South, East, Rajarata and North. An initial seed capital of Rs. 200 million has been allocated from the budget for required research, seed development and extension services. Further, it proposed that tax concessions are extended to those who are willing to set up modern rice processing mills in these export zones. Rs. 100 million has been allocated towards the production of seed material, improvement of extension services and related technical know - how in seed production. The income derived from the cultivation of certified seed and planting material has been exempted from tax from the year 2011 itself in order to encourage private sector engagement in such activities.

Fertilizer Subsidy Programmes

Paddy

Sri Lanka has been traditionally an agriculture based economy presently looking towards excessive production in paddy

beyond self sufficiency. The agriculture sector contributes 11.2 percent to GDP employing 32.5 percent of total labour force¹⁰. Paddy takes a prominent place among all other crops since rice is not only the staple food of the country but also its contribution towards livelihood activities. In 2011, the paddy production was 3.8 million metric tons cultivated in 1.2 million ha.

Fertilizer is a key determinant in paddy cultivation and proper fertilizer application is necessary to obtain optimum level of yield with desired level of soil conservation. However, high price of fertilizer was identified as a major impediment for paddy cultivation. It makes an adverse impact on farmer economy since paddy is a major source of rural livelihood. Further, around one million farmers are involved in paddy cultivation in the country. Considering this significance, the Government declared in 2005, to make available major types of fertilizer used for paddy (Urea, TSP, and MOP) at subsidized price of Rs. 350/- per 50 kg bag which is continued to date.

The government expenditure on fertilizer subsidy for paddy is significant (Table 8.149). Taking into account the paddy production and the expenditure for fertilizer subsidy for paddy in 2011 the Government has spent Rs. 9.54 on fertilizer to produce a kilo gram of paddy. The amount of fertilizer required for the paddy cultivation is issued by the Agrarian Services Centers to the farmers on the recommendations of the Department of Agriculture and the National Fertilizer Secretariat. Compared to the market price, the subsidy granted by the Government is more than 85 percent of the market price for 50 kg bag of fertilizer (Table 8.150).

Table 8.149 > **Expenditure on Fertilizer Subsidy for Paddy, 2005 - 2011**

Year	Cost incurred by the Government (Rs. Mn)
2005	6,285.50
2006	10,696.30
2007	10,167.10
2008	24,382.70
2009	23,117.90
2010	22,344.50
2011	36,960.10

Source: National Fertilizer Secretariat

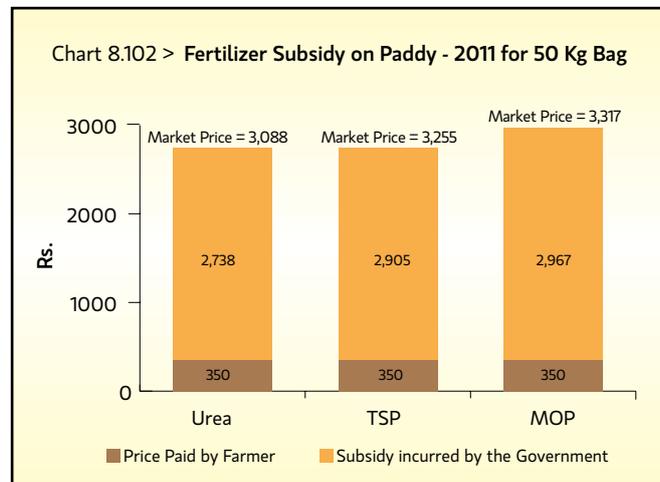
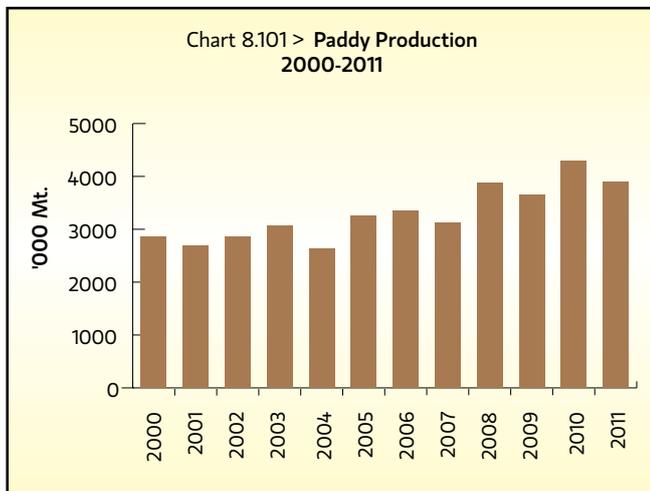
Budget proposals 2012 laid the foundation for a rice exporting economy by establishing four rice exporting zones in South, East, Rajarata and North. An initial seed capital of Rs. 200 million has been allocated from the budget for required research, seed development and extension services...

¹⁰ Labour Force Survey - Annual Report 2010, Department of Census & Statistics

Table 8.150 > **Comparison of Subsidized Price and Market Price of Fertilizer for Paddy, 2010 Yala - 2011/12 Maha**

Season	Fertilizer Type	Average Market Price /50 kg bag (Rs.)	Subsidized price of 50 kg bag (Rs.)	Subsidy for 50 kg bag (Rs.)	Subsidy as a % of Market Price
2010 Yala	Urea	2,708	350	2,358	87
	TSP	2,969	350	2,619	88
	MOP	3,392	350	3,042	90
2010/11 Maha	Urea	2,481	350	2,131	86
	TSP	2,790	350	2,440	87
	MOP	3,298	350	2,948	89
2011 Yala	Urea	2,951	350	2,601	88
	TSP	3,099	350	2,749	89
	MOP	3,245	350	2,895	89
2011/12 Maha	Urea	3,097	350	2,747	89
	TSP	3,267	350	2,917	89
	MOP	3,256	350	2,906	89

Source: National Fertilizer Secretariat



Subsequent to the introduction of the fertilizer subsidy programme, the paddy sector recorded high level of production with favorable weather conditions. The highest paddy production during the last decade, 4.3 million Mt, was recorded in 2010. However, this production level was not able to maintain during 2011 due to unfavorable weather conditions including flood damages taken place in early 2011. Particularly paddy production of 2010/11 Maha was adversely affected. The paddy production for 2010/11 Maha was 1.99 million Mt which is a 24 percent decrease compared to the paddy production in 2009/10 Maha of 2.63 million Mt. However, paddy

production was recovered in 2011 Yala (1.87 million Mt) with 12 percent increase compared to the paddy production of 1.67 million Mt in 2010 Yala.

Availability of rice and the substantially high price of wheat flour influence the elasticity of demand for rice of consumers. The estimated annual rice consumption of the country is 2.3 million Mt in 2011. Table 8.151 shows the increase in rice consumption and the fluctuations in wheat flour consumption.

Table 8.151 > **Total Annual Consumption of Rice and Wheat Flour, 2002 - 2011 (Mt)**

Year	Rice	Wheat Flour
2002	1,936,320	183,601
2005	2,051,541	179,860
2006/07	2,143,257	139,151
2009/10	2,223,815	168,590
2011	2,360,000	171,885

Source: Estimated from Household Income and Expenditure Surveys of Department of Census and Statistics, Ministry of Co-operatives & Internal Trade

It is observed that the over use of chemical fertilizer in the long term results adverse environmental impacts such as ground water pollution and change in soil structure. The Government has encouraged the application of organic fertilizer for paddy sector considering the soil conservation. The optimum level of production can be achieved by

applying correct proportion of organic fertilizer and chemical fertilizer. The increasing annual expenditure for fertilizer subsidy will be able to reduce by encouraging farmers to apply organic fertilizer. Rs. 250 million has been earmarked in 2012 annual budget estimates for the production and use of organic fertilizer.

Box 8.11 Revival of Paddy Sector in 2011

The flood disaster in 2010/11 Maha season caused a considerable damage of over 50 percent of the harvest. However, the agriculture sector was able to recover within one cultivation season due to Government intervention. The Cabinet has approved the following measures:

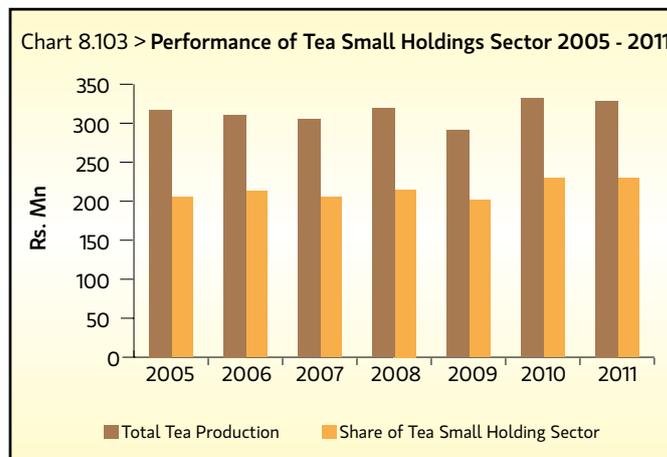
- Provision of free seed paddy amounting to five bushels maximum per ha for totally damaged paddy cultivation.
- Free provision of selected minor crops per 0.2 ha
- Financial allocations of Rs. 4,000/- per 0.4 ha up to a maximum of 1 ha per farmer for re-cultivation of paddy land
- Further arrangements were made with state banks to extend the repayment period for loans obtained for cultivation purposes

All Other Crops

Extension of fertilizer subsidy programme for all other crops is a significant take off in agricultural and plantation sector. It opens the way for the farmers to shift from cultivating one crop to multiple crops. Until the declaration of subsidy programme for all other crops on 6th May 2011, only paddy, coconut and tea sectors received the fertilizer subsidy through complicated documentation and procedural system.

Tea fertilizer subsidy was introduced in 2009 for tea small holding sector in order to strengthen the tea export sector which was adversely affected by the global economic recession. A 50 kg bag of mixed fertilizer was supplied at a subsidi-

dized price of Rs. 1,000/-. There are about 370,000 smallholders in the tea sector cultivating in 118,000 ha benefited from this programme. Tea smallholding sector consisting of plots of land less than 50 acres contributes 70 percent to the total tea production. When the tea subsidy was replaced by the fertilizer subsidy for all other crops, 35,436 Mt of mixed fertilizer, of which value of the subsidy is Rs. 1,507 million, have been provided for the tea smallholding sector for the period, January - May 2011. The average market price of a 50 kg bag of mixed fertilizer was Rs. 3,135/- whereas the subsidized price was Rs. 1,000/-. Accordingly, the subsidy granted by the government is 68 percent of the market price.



Fertilizer subsidy for coconut was approved by the Cabinet of Ministers in December 2010 considering the high prices of coconut prevailed in the country during that period. The lowest coconut production for the last decade, 2,317 million nuts, was recorded in 2010, which led the Government to take measures to increase coconut production. Under the fertilizer subsidy programme for coconut, unmixed fertilizer, Urea and MOP 50 kg bag each was provided at a

subsidized price of Rs. 1,000/-. Considering the average market price of Urea and MOP for 50 kg bag issued under this scheme, the subsidy granted by the government is around 70 percent of the market price. 9,199 Mt of MOP and 5,117 Mt of Urea were provided to coconut cultivators with a cost of Rs. 740 million for subsidy payment until this scheme was replaced by the fertilizer subsidy for all other crops.

Table 8.152 > Annual Coconut Production, 2005 - 2011

Year	Annual Production (Mn nuts)
2005	2,515
2006	2,684
2007	2,805
2008	2,909
2009	2,762
2010	2,317
2011	2,808

Source: Coconut Development Authority, Coconut Research Institute

Extension of fertilizer subsidy for all other crops created the opportunity for private fertilizer companies to take part in the fertilizer subsidy programme. With the declaration of the new scheme, fertilizer stocks as at 6th May 2011 with the private fertilizer companies were audited to grant subsidy payment. The subsidy payment for fertilizer stocks with fertilizer companies was Rs. 2,200 million. Since all the fertilizer types come under the subsidy scheme a formula was developed with the participation of the representatives of fertilizer companies, officials of the Treasury and the Ministry of Agrarian Services and Wildlife to decide the commercial price of fertilizer. Further, a committee set up under the Ministry of Agrarian Services and Wildlife with the participation of relevant government officials and representatives from the state and

private fertilizer companies meets quarterly and decides the commercial price of fertilizer for the following quarter based on the formula.

Taking into account the fertilizer subsidy for paddy, tea, coconut and all other crops, the payments made and the committed of the Government amounts to Rs. 48,434 million 2011 which is 0.74 percent of GDP.

Further, the Government has implemented purchasing programmes in order to protect the farmers and to ensure the consumer a fair price. (Purchasing programmes are discussed separately in this chapter). Moreover, the Government has designed strategies to export the excess production of paddy.

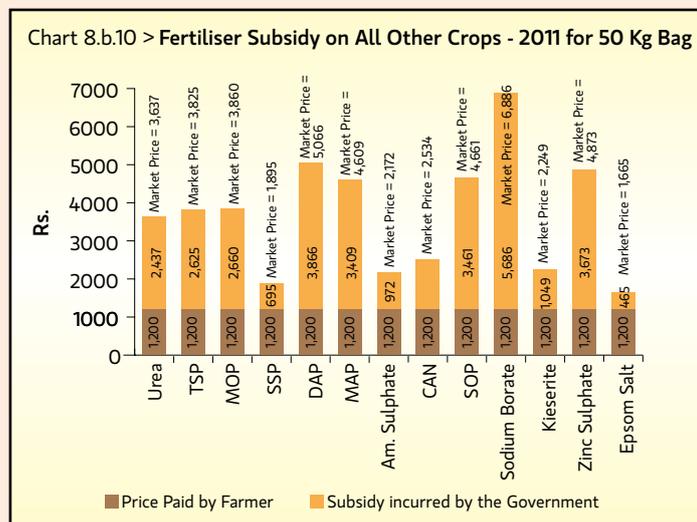
Box 8.12 Fertilizer Subsidy for All Other Crops

Increase in production and productivity of commercial plantation, other field crops, fruits, vegetables etc are much concerned in consolidating food security. In line with this objective the fertilizer subsidy programme which was applied only to paddy, tea and coconut was extended to all other crops from May 6th, 2011 by the Government. Accordingly:

- A 50 kg bag of any type of straight fertilizer of which market price is higher than Rs. 1,200/- to be sold at Rs. 1,200/-
- A 50 kg bag of any type of straight fertilizer of which market price is less than Rs. 1,200/- to be sold at its price
- A 50 kg bag of mixed fertilizer to be sold at Rs. 1,300/-
- Existing Fertilizer Subsidy Programme for paddy to be continued unchanged

The new fertilizer subsidy programme removed all the approvals and issues pertaining to fertilizer distribution at the several layers of government procedures allowing users to purchase their fertilizer requirement from open market at subsidized price of Rs. 1,200/-. Provision of any type of fertilizer at a subsidized price influences farmers to apply the standard amount of fertilizer for their cultivation. By applying correct proportion of fertilizer, crops get nutrients resulting high yield and production. Compared to the market price of the fertilizer types, the subsidy granted by the government varies from 28 - 83 percent of market price for 50 kg bag (Chart 8.b.10).

Fertilizer types of Urea, TSP and MOP are mainly used for all crops and use of the other fertilizer types depends on the nature of the crops; Single Super Phosphate (SSP) is mainly used for vegetables, Kieserite for fruits and export agricultural crops, Ammonium Sulphate and Sulphate of Potash for plantation crops, Mono Ammonium Phosphate for tea and Di Ammonium Phosphate (DAP) for rubber etc.



Other field crops namely maize, soya beans, black gram, green gram are mainly used fertilizer types of Urea, TSP and MOP. Availability of these fertilizer types at lower price of Rs. 1,200/- created opportunity for proper application of fertilizer. Further, the reduction in cost of production encouraged the farmers to extend their cultivation for more land areas and multiple crops. However, the unfavourable weather conditions with flood damages in early 2011 adversely affected the cultivation and production of other field crops.

Table 8.b.9 > **Production and Extent of Other Field Crops, 2005 - 2011**

	2005		2006		2007		2008		2009		2010		2011	
	Extent (ha)	Production (Mt)	Extent (ha)	Production (Mt)	Extent (ha)	Production (Mt)	Extent (ha)	Production (Mt)	Extent (ha)	Production (Mt)	Extent (ha)	Production (Mt)	Extent (ha)	Production (Mt)
Maize	28,401	41,804	32,002	47,521	3,4181	56,438	51,917	112,290	50,857	129,769	57,618	161,694	50,590	135,156
Soya Beans	3,080	4,990	3,062	5,177	2,856	4,799	1,253	3,032	1,654	3,788	4,500	7,521	2,482	3,889
Black Gram	6,210	6,923	6,804	7,470	6,813	7,747	8,321	9,477	7,867	7,071	9,808	9,991	8,668	5,783
Green Gram	9,643	8,997	8,700	7,975	8,766	8,520	9,363	8,878	8,569	9,258	10,283	11,703	9,335	10,838
Kurakkan	6,207	6,447	5,910	6,296	5,407	5,457	6,384	6,510	5,902	6,433	6,565	7,307	5,282	5,422

Source: Department of Census & Statistics

* 2011 Provisional

The annual expenditure incurred by the Government on fertilizer subsidy for all other crops is considerable. Subsidy payment for the fertilizer stocks as at 6th May 2011 with the fertilizer companies was Rs. 2,200 million and for the period May - December 2011 is Rs. 1,392 million amounting the total subsidy for all other crops Rs. 3,592 million for 2011.

Smoothing Farmer Incomes

Paddy

Government is concerned on smoothing the farmer's income and made arrangements to purchase the marketable surplus of the paddy harvest at a fair price.

Purchasing was carried out by the Paddy Marketing Board (PMB), Cooperative societies and District Secretaries while providing room for private sector to purchase paddy at the government certified price of Rs. 28/- per kilogram of Nadu paddy and Rs. 30/- per kilogram of Samba paddy. Table 8.153 illustrates the information on paddy purchasing.

Table 8.153 > **Paddy Purchasing by State Sector and Private Sector, 2005 - 2011**

Year	Paddy Marketing Board (Mt)	District Secretaries (Mt)	Cooperative Societies (Mt)	Private Sector (Mt)	Stocks held by Farmers for Future Selling (35%) (Mt)
2005	0	64,788	1,671	2,143,492	1,036,239
2006	0	62,921	1,480	2,208,830	1,068,691
2007	0	1,338	3,068	2,124,141	1,002,534
2008	43,122	395	2,411	2,589,723	1,239,187
2009	83,810	410	3,153	2,395,747	1,168,226
2010	115,226	6,241	19,883	2,780,294	1,378,976
2011	74,844	12,650	1,870	2,518,886	1,219,562

Source: Compiled by the Dept. of Development Finance information obtained from the relevant institutions

PMB was mainly financed through Treasury Funds, pledge loans granted by state banks and finance from Agro Trust Fund for paddy purchasing activities other than their own over draft facilities. State banks granted pledge loans for paddy purchasing to private sector as well. The exposure limits were set for those pledge loans by the state banks in

consultation with the Treasury in 2011 (Table 8.154). The limit of “Revolving fund for sale and purchase of farmer products” which is operated by the Department of Treasury Operations of the Ministry of Finance and Planning was augmented to provide those Treasury Funds.

Table 8.154 > **Exposure Limits for Paddy Purchasing through PMB (Rs. Million)**

Source	PMB	District Secretaries	Private Sector
Bank of Ceylon	2,200	-	15,000
People's Bank	1,500	-	5,000
Regional Dev. Bank	250	-	500
Treasury Funds	1,900	1,100	-
Total	5,850	1,100	20,500

Source: Information obtained from the relevant institutions and compiled by the Dept. of Development Finance

The Treasury reimbursed the interest component of the pledge loans given to the PMB due on 31st August 2011 which was amounting to Rs. 365 million.

Initiative has been taken to export stock of excess paddy to Somalia and Heity as donation out of the paddy stored with Paddy Marketing Board. This will enable preventing the possible drop in the price of paddy in the local market during the harvesting seasons due to excess harvest, while minimizing the additional costs to be incurred on storing surplus paddy for longer periods, by making available the funds for paddy purchasing for coming season and for settling pledge loans obtained from state banks for paddy purchasing, while giving exposure to the paddy farmer to enter the international market and sell their harvest for a better price.

Soya Beans

Locally produced soya beans are mainly used for production of “Thriposha” “Samaposa” and similar type of food. Government was compelled to intervene through Paddy Marketing Board in 2010 in purchasing soya beans from farmers to assure a fair price of Rs. 85/- per kilo gram in order to harmonize the market. This task has been regulated in 2011 with the intervention of the Regional Development Bank to purchase the excess harvest totaling to 2,000 Mt from farmers through pledge loans. The purchased stocks were supplied to Thriposha Programme at Rs. 95/- which discouraged the soya bean suppliers who bought soya beans at lower prices (Rs. 40/- per kilo gram) from farmers and supplied to Thriposha Institute through tenders at prices higher than Rs. 95/- receiving unfair gains. Soya beans is imported in the form of Soya bean meal for animal feed production. Poultry feed industrialists

were given tax exemptions to import machinery in order to encourage them to set up soya oil extraction plants so that the import of soya bean meal would be reduced while saving foreign exchange on imports.

Sri Lanka has the capacity to grow the total requirement of the country and targets to make the imports of soya beans zero by 2015. Due to the government incentives and private sector led programmes in Huruluwewa and GalenbBidunuwewa areas the production of soya beans in those areas were increased considerably. It has been decided to increase the soya bean production further and export the excess with value addition.

Maize

Maize is a main ingredient for animal feed and Thriposha production. The rest is mainly used for human consumption as corn. Annual maize consumption is 228,000 Mt of which 200,000 is consumed by the livestock sector. Actual maize production was 139,000 Mt in 2011 while maize imports were 3,362 Mt. Compared to import of 9,571 Mt of maize in 2010, imports in 2011 shows a 185 percent decrease. Licenses were issued to import maize to fulfill the shortage of maize that emerged as a result of the flood disaster. Strict conditions were imposed to discourage excess imports since it would adversely affect the maize price in local market for the following seasons. Accordingly, the importers were bound to purchase maize locally in the subsequent seasons, both in 2011 Yala and 2011/12 Maha, twice the quantity of maize imported. Licenses issued to private parties amounting to 18,500 Mt by 31st August 2011. But the total amount was not imported. However the period of the permits issued for maize imports were extended till 30th September 2011 since the local market could not meet the total demand.

Table 8.155 > **Production of Maize and Soya Beans 2009 – 2011**

Crop	Year	Production (Mt)		
		Maha	Yala	Total
Soya beans	2009	796	2,992	3,788
	2010	1,353	6,168	7,521
	2011	313	3,576	3,889
Maize	2009	114,655	15,114	129,769
	2010	127,761	33,934	161,694
	2011	104,491	30,665	135,156

Source: Department of Census & Statistics

Discussions were held with all the stakeholders to implement sustainable plans to expand the maize cultivation and related industries and suppliers. Storage facilities have to be developed and forward contracts have to be arranged with feed millers and other purchasers to improve the

maize cultivation as a component of a chain that connects all the related industries. Presently, the effective tax rate and maize prices of world market have made very healthy environment to the maize producers with the minimum price Rs. 32/- per kilo gram.

Box 8.13 Maize and Soya Beans for Thriplosha Programme

“Thriplosha” is the most nutrient cereal diet for pregnant mothers and small children in Sri Lanka. The main ingredients of Thriplosha are maize, 66 percent, and soya beans, 30 percent. The soya beans requirement for “Thriplosha” production in 2010 was partially met by the imports through World Food Programme (WFP). There was no imports of soya beans in 2011 as local producers supplied total requirement for “Thriplosha” in addition to the stocks brought forward from the previous year. Maize was mainly supplied by five local suppliers who were selected through the government tender procedure.

The allocation for Thriplosha programme was increased from Rs. 1,100 million in 2010 to Rs. 1,500 million by the budget 2011. The programme was expanded considering the requirement of Thriplosha for children in the age range from 6 months to 5 years and all deserving mothers. This target group consists of 900,000 – 1,000,000 of population.

Table 8.b.10 > **Production Data for Thriplosha Programme**

	2010	2011
Machine Capacity (Mt)	13,000	13,000
Actual Thriplosha Production(Mt)	8,775	11,473
Percentage Capacity Achieved (%)	67.50	88.25

Source: Thriplosha Institute

The production capacity has been improved from 67 percent in 2010 to 88 percent in 2011. The monthly requirement of Thriplosha estimated to be 1,350 Mt considering a beneficiary level of 900,000. It is expected to increase the production up to the level of 1,500 Mt per month (annual target of 18,000 Mt) in 2012 by installing new machinery for production. The increase in Thriplosha production enabled the excess supply of soya beans and maize of the country to be utilized. The excess production of Thriplosha is to be exported after meeting the local demand.

8.6.9.2 Microfinance Sector and Rural Economy

Many of countries and development agencies use microfinance as a tool to address the socio-economic revival of the poor. In Sri Lanka, the microfinance sector has been an effective instrument for reduction of poverty of Sri Lankan rural community due to its contribution to the growth of rural sector. It also satisfies the financial needs of the low income urban community including informal sector micro entrepreneurs who do not have direct access to formal banking system and financial institutions. “Mahinda Chanthana Development framework” has therefore, assigned high priority to the microfinance sector, stating that “Sri Lanka will have a strong microfinance sector in the next decade. It will involve the provision of sustainable and poverty focused financial services, which include loans to micro to small enterprises as well as to poor households for various needs.”

It further states that, “About 500,000 new micro enterprises will be erected throughout the country and about 10 percent of existing microfinance business will be promoted to the category of small enterprises. As a result of these developments, both unemployment and poverty in the country will drop by 2 percent by 2016”. At present, microfinance of the country is practiced by many actors such as Ministries, commercial banks, specialized banks, registered finance companies and informal lenders. Many development provider agencies and NGOs also support to improve the accessibility of poor people to financial services at grass root level. The government of Sri Lanka is the major provider of financial services through various agencies by providing 65 percent of the total micro credit in the country.

The Growth of Microfinance Sector

Over the last decades microfinance has developed as a form of saving associations, rotating savings clubs, credit associations, funeral or death benefit societies as various savings and credit groups or clubs at rural and urban community level. These Microfinance Institutions (MFIs) provide financial services including loans, savings, insurance remittances and non financial services to the low income people who were traditionally neglected by the formal banks and financial institutions. The services provided by the MFIs are targeted the needs of individuals, household and small domestic enterprises and boost the income and capabilities of low income groups. Country’s microfinance sector consists of diverse range of institutions which can be segregated into following broad categories.

- Samurdhi bank Societies (SBSs)
- Co-operative Rural Banks (CRBs) and other Cooperatives
- Thrift and Credit Cooperative Societies (TCCSs/SANASA societies)
- NGO - MFIs
- Licensed specialized banks
- Regional Development Bank (RDB) and SANASA Development Bank (SDB)
- Other financial institutions

Different authorities are responsible for the supervision of the different types of microfinance institutions and there are large numbers of microfinance institutions that are operating in the country which are not subject to any supervisory/regulatory institutions or framework. However, the outreach and financial performance of the MFIs is varied according to the objectives and weight given to the microfinance sector. The major MFIs have 23,129,815 depositors with 8,768,391 of borrowers. The total borrowing of the microfinance sector is Rs. 107 billion in 2011 as shows in Table 8.156.

the microfinance sector in Sri Lanka has achieved impressive outreach; with more than 23 million deposit accounts and 9 million, micro loans from a population of 20 million by 2011. The outstanding loan portfolio of major microfinance institutions stands at Rs. 280,484 million...

Table 8.156 > **Progress of Major Microfinance Institutions in 2011**

Microfinance Institute	No of Depositors	No of Debtors	Total Capital (Rs. Mn)	Total Deposits (Rs. Mn)	Total Borrowings (Rs. Mn)	Total Assets (Rs. Mn)	Total Investment (Rs. Mn)	Loan Advances (Rs. Mn)	Loan Balances (Rs. Mn)
Regional Development Bank	3,980,038	1,060,744	4,555	46,154	4,557	59,408	9,344	46,114	47,194
Samurdhi Authority	5,487,914	4,441,834	5,196	41,131	68,280	47,323	42,767	68,281	13,407
Department of Co-operative Development	12,736,456	2,151,750	1377	76,378	29,395	67,585	32,946	20,417	30,781
Department of Agrarian Development	157,472	406,975	448	208	184	1042	395	3,823	472
SEEDS	-	150,768	546	705	1,277	5,540	1109	-	3,843
Gemidiriya Foundation	268,859	154,308	1,924	466	No Borrowings	2,429	Not Allowed	4,133	1,358
SANASA Development	499,076	159,434	3,316	15,241	1,535	21,224	3,126	16,439	16,439
NDTF*	N/A	242,578	798	N/A	1,988	3	1,308	7,782	-
Total	23,129,815	8,768,391	18,160	180,283	107,216	204,554	90,995	166,989	113,495

Source: Survey of Department of Development Finance

* Up to 2010

Accordingly, the microfinance sector in Sri Lanka has achieved impressive outreach; with more than 23 million deposit accounts and 9 million, micro loans from a population of 20 million by 2011. The outstanding loan portfolio of major microfinance institutions stands at Rs. 280, 484 million. Regional Development Bank holds the highest outstanding loan portfolio with Rs. 93,308 million and the amount followed by Samurdhi Banking Societies is Rs. 81,688 million. Department of Cooperative Development has the third largest loan portfolio with Rs. 51,198 million.

Borrowing and savings are the major source of funding of MFIs. Table 8.156 indicates that the savings of the poor people have reached up to Rs. 180 billion by 2011. However, those MFIs have spent Rs. 91 billion for long term and short term

investment purposes while some MFIs utilize their savings for other community development and livelihood improvement activities. Borrowing is the critical factor of MFIs in 2011 and major MFIs have borrowed Rs. 107 billion for microfinance activities of which Rs. 68 billion has borrowed by the Samurdhi Authority.

Micro credit programmes provide small loans to very poor and low income households for self employment that generate income for their family. Most micro credit programmes have targeted the financial needs and expectations of target group. Therefore, various small loan programmes have been prepared by formal to attract the poor for the formal financial system.

Table 8.157 > **Loan Disbursement to the Microfinance Sector by the Formal Banks in 2011**

Name of the Bank	Loan Disbursement				Total Rs. Mn
	Less than Rs. 2 Mn	Rs. 2 Mn - Rs. 5 Mn	Rs. 5 Mn - Rs. 10 Mn	More than Rs. 10 Mn	
BOC	41,493.00	3,381.00	143.00	414.00	45,431.00
People's Bank	2,791.39	797.60	494.42	450.21	4,533.62
RDB	7,748.00	-	-	-	7,748.00
NDB	28.78	-	-	-	28.78
Commercial	1,601.85	-	-	-	1,601.85
Sampath	73.98	3.00	10.00	-	86.98
HNB	9,106.26	2,643.20	1,889.21	2,744.72	16,383.39
Sanasa	16,461.00	-	-	-	16,461.00
Total	79,304.26	6,824.80	2,536.63	3,608.93	92,274.62

Source: All Banks

Accordingly, the formal banks have disbursed Rs. 92 billion loans to the microfinance sector for implementing various micro credit programmes. Bank of Ceylon and Sanasa Development Bank and Hatton National Bank (HNB) have

disbursed outstanding amount of small loans of less than Rs. 2 million. Compared to State Banks, HNB is highly involved in microfinance activities and has offered significant amount of loans to the microfinance sector in all range of loan amounts.

Box 8.14 **Pawning: A Micro Loan for Poor**

Why is it important to Poor?

A survey was carried out by the Department of Development Finance on lending of "Pawning" by the banking sector in 2011, considering that the 26 percent of total loan portfolio of banks are "Pawning". It was observed that "Pawning" has become the most popular credit facility in terms of outreach to the poorer population in rural, urban and estate sector. These loan programmes are prepared with to meet the basic urgent needs and expectations of target customer group. Further, it was found that "Pawning" is more popular in rural areas, where as it is more common in urban areas. These facilities are different from the most bank lending and provide high volume of small loan advances within the short period of time. The facility is simple and easy to access. Pawning has increased substantially in the formal banking system since 1995* and within last five years the growth rate of pawning has risen at an average rate of 43 percent per annum. There was evidence that Sri Lankan community had informal sector at their community level that provide money on pawning gold or land for their urgent need of money. However, it is clear that now this has been replacing by the banking system and other formal financial institutions pawning by the formal banks from 2007 to 2011 shows in the following table.

Table 8.b.11 > **Pawning Data from 2007 to 2011**

Name of the Bank	Amount of Loans (Rs. Mn)				
	2007	2008	2009	2010	2011
Commercial Bank	-	12.80	539.60	3,757.60	23,928.40
DFCC Vardhana	27.00	206.80	339.50	962.80	4,361.00
Lankaputtra Development Bank	-	-	-	-	5208.70
HNB	16,780.00	21,130.00	21,920.00	27,970.00	35,720.00
Peoples Bank	76,143.60	96,313.50	125,120.30	189,797.20	291,325.70
Sampath Bank	11,962.00	16,444.00	24,817.00	43,306.00	64,009.00
RDB	46,729.50	53,883.00	58,234.10	66,189.20	75,917.70
BOC	24,670.00	37,783.90	55,278.00	93,796.20	188,481.10
NSB	10,758.30	14,607.10	24,572.00	36,217.00	57,822.60
Seylan Bank	1,577.00	4990.40	7219.00	17,601.00	30,623.20
Total	188,647.40	245,371.50	318,039.50	479,597.70	777,397.40
No. of loans provided	5,095,518	5,900,434	6,673,524	7,608,067	9,027,369
Interest rate	19-24%	18-24%	14-23%	10-14%	10-14%
Average loan size (Rs.)	37,729.50	42,301.70	47,682.00	63,899.40	86,186.00
Growth rate	-	30%	30%	53%	60%

Source: All Banks

The basic features of pawn business is the loan advances is adjusted to the World market price of gold. The interest rate for gold pawning is market oriented and it is slightly below or higher than the commercial lending rates but significantly below the informal money lenders. The interest rate has been decreased considerably within last five years because of competition among banks for this market and the average rate is around 10-14 percent in 2011. The total pawn loan portfolio is significant when it considers the disbursement of Rs. 777 billion in 2011 among the 9,027,369 clients for various purposes. It has increased by 300 percent from 2007 to 2011. The average loan size has been more than doubled within last five years from Rs. 37,729/- in 2007 to Rs. 86,186/- in 2011.

However, informal financial sector still plays a dominant role in Sri Lanka. The considerable share of savings is held in the form of gold and jewellery. Still the illegal gold pawning and mortgage are considerably very high. Hence, the growth of this sector has made a significant impact to the economy of the country.

* Reaching the Poor Clients of Sri Lanka - People's Bank Article, People's Bank Pawning and Savings Center

Facilitation of Regulatory Framework

The microfinance sector in Sri Lanka consists of large number of institutions that are different in size, activities, operating areas, operational mechanism and levels, institutional structures and funding methods etc. These MF institutions are regulated and supervised by different authorities. On the other hand, there are numerous informal and non institutional service suppliers in the microfinance system. But they are not subject to any regulatory control.

The absence of a cohesive regulatory and supervisory system for the microfinance sector has been one of the constraints to the growth of this sector. The Microfinance Act has been drafted to ensure the smooth functioning of this sector. The need for regulation is therefore, more pronounced when the industry is mature and significant in size, in order to ensure stability in the financial system.

In this endeavor, government has taken a decision to establish appropriate regulatory framework for the regulation and supervision of microfinance business. It also strengthens and develops the MFIs by enhancing their viability and accountability.

Financing Facilities for Urban Informal Sector (Self Employment)

The committee for the Cost of Living and Food Security reviews the fluctuation of prices of essential commodities and vegetables on regular basis, and takes remedial actions

in order to protect the customers, farmers and traders. One of the solutions recommended by the Committee was to promote participation of informal sector such as the Federation of Self employers to distribute essential food items to tackle the additional over head cost adding by the formal sector. The Ministry of Finance and Planning has made arrangements through the state banks namely the Bank of Ceylon and People's Bank to provide financial assistance at concessionary terms to lease small trucks (Dimo Batta/Lorry) and three wheelers in order for the self employers in urban townships to distribute essential food items at a low cost to the people.



As a result, the middle and low income groups have opportunities to buy essential commodities relatively lower prices than the formal sector establishments. Table 8.158 shows the amount disbursed by the two state banks to lease small trucks and threewheelers.

Table 8.158 > **Amount disbursed by the Two State Banks to Lease Dimo Lorry/Threewheelers**

Bank	Interest Rate	No of Beneficiaries	Amount Allocated (Rs. Mn)
People's Bank	10%	50 (Dimo Lorry)	50.00
• Malwatta Branch		60(Dimo Lorry)	56.93
• Gampaha Branch			
Bank of Ceylon	12%	286 (Dimo Lorry)	256.76
Union Place		258 (Threewheel)	
	10%		96.48

Source: People's Bank & Bank of Ceylon - Jan. 2012

On the other hand, this was one of the budget proposals implemented during 2011 to increase the self employment activities in urban townships with the assistance of state Banks.

Promotion of Microfinance Project (ProMis)

The Implementation Agreement for the provision of grant of Euro 4 million was signed between the Governments of Sri Lanka and Germany on 26th March 2007 to implement the Promotion of Microfinance Project (ProMis). The project is being implemented in the districts of Ampara, Batticaloa, Jaffna, Mannar, Trincomalee, Vauniya, Badulla, Moneragala, Nuwara-Eliya and and Puttalam. The Phase I of this project was completed in 2009 and Germany has agreed to provide Euro 3 million to implement the phase II for the period 2010 - 2012.

The objective of this programme is to enhance and improve the services offered by the selected MFIs to the poorer section of society and micro and small enterprises in an appropriate manner. The project has three components:

1. Capacity development of microfinance institution
2. Development of microfinance service sector
3. Development of framework for microfinance policy and legislation

Main activities completed for the year 2011

- Enabling Dialogues on social performance management in microfinance were conducted in Kandy and Hambanthota. This was coordinated by Lanka Microfinance Practitioners' Association (LMFPA) with support from ProMiS
- Conducted household cash management training and entrepreneurship development Training
- Conducted Technical training on enterprise and livelihood Eg: food processing, carpentry dairy products
- Conducted leadership & personality development training
- Commenced Diploma in Microfinance for academic year 2011/12 for 45 participants. This program is jointly conducted by IBSL and Frankfurt School of Germany
- Action has been taken to create microfinance resource pool in Jaffna
- Signed the contract in May 2011 for the implementation of various capacity development programmes with LMFPA
- Action has been taken to release the publication on Sri Lanka Microfinance Review - 2011
- Held Steering Committee meeting for ProMiS in October 2011 and reviewed the progress of the project
- Completed Impact Study for the Phase I

In this endeavor, government has taken a decision to establish appropriate regulatory framework for the regulation and supervision of microfinance business. It also strengthens and develops the MFIs by enhancing their viability and accountability...

Box 8.15
Loan Schemes for SME and Microfinance

SME	Microfinance
<ul style="list-style-type: none"> • SMILE III • SME II Revolving • Small and Medium Enterprise Development Facility (SMEDeF) • Small farmers & Landless Credit Project (Isuru) • BOC (SME) • Comprehensive Credit Scheme for Small Entrepreneurs Development "SED" • HNB –SME DP • Small Holder Plantation Entrepreneurship Development Programme • Second Perennial Crops Development Programme • E-Friends II • E-Friends (Rev) • Constriction Sector Development Project (CSDP) • Dasuna (Rev) Fund • KFW – DFCC V • Investment Fund Account (IFA) • Tea Dev (Rev) Fund • Post Tsunami Line of Credit (EIB – A & B) • Kapruka Ayojana • Saubagya • Fixed Payment Loan (Commercial) • Fixed Payment Loan (Individual) • Plantation Development Project (PDP) • Tobacco Cultivation Loans • F/L – Leasing • Short term Commercial Loans • Fixed payment (Commercial) New • Fixed payment (Individual) New • Normal Fixed Rate Leases • Diribala Loan Scheme (Commercial Bank) • Viskam Loan Scheme • Dasun Loan Scheme 	<ul style="list-style-type: none"> • Vidatha Loan Scheme • Vanitha Navodya Loan Scheme • Athamaru • Loan Scheme for Cultivation Activities in Home Gardens (Divi Neguma) • Dry Zone Livelihood Support & Partnership Programme (Bagya) • Mahaweli Saviya • Self Employment Promotion (SMAGL) • Nagenahira Nawodaya • Sabaragamuwa Province Integrated Rural Development Project • Eastern Province Special Loan Scheme • Poverty Alleviation Microfinance Project Loan Scheme (PAMP - II) • Sokshama – Micro Credit Scheme • Microfinance Spend • Gami Pubuduwa • Agriculture Development • PAMP • ALDL • NCRCS • Tea Development • PCDP • SMILE • Smallholder Plantation Entrepreneurship Development programme (SPEnDP) Loan Scheme • SP REAP • Susahana • REACT EAST • Awakening North • Prosperity • Post Tsunami Coastal Area rehabilitation & resources management programme • Self Employment Threewheel Auto • Self Employment Promotion Initiative Promotion Initiative Loan Scheme "SEPI" • Comprehensive Credit Scheme for Small Entrepreneurs Development "SED" • 50,000/- Pledge (PB) • Bank Funded Microfinance Credit Scheme
<ul style="list-style-type: none"> • Upraise of Micro & Small Scale Entrepreneurs Engaged in Micro & Small Scale trading Activities 	

Source: All commercial banks

* There is no clear definition for microfinance and SMEs

Future Directions

A Positive environment created by the Government for SMEs, contributes to reach the expected growth in the industrial and service sectors of Sri Lanka. Despite the adverse impacts of the world economy, Sri Lanka is able to go straight forward since the total value of the economy is about US\$ 56 billion of which more than 73 percent of enterprises are belong to the domestic SMEs. Microfinance sector has also been an effective instrument for reduction of rural poverty. In line with the "Mahinda Chinthana" Ten Year Development Plan, it is appropriate to establish a strong financial system consolidating the special SME banking network and the microfinance to address the needs of micro, small and medium enterprise.

Export of agricultural products such as tea, rubber and minor crops brings foreign exchange of US\$ 3,000 million to the country annually. To increase the foreign earnings further, it is necessary to develop and promote value added products rather than exporting primary raw materials. Research and development programmes in the agriculture sector are

essential to sustain the development and to cope with the future demands. The Government has therefore, proposed to deduct the research and development expenditure from taxes to promote the entrepreneurship skills and to invent new products with high quality and it is necessary to pay attention on this matter by SMEs.

The Government efforts to improve the access to finance and other conditions required for the emerging economy and, to provide fertilizer subsidies to stimulate the agriculture sector has resulted in the reduction of poverty level from 15 percent in 2007 to 9 percent in 2011 and the increase in per capita income of the country to US\$ 2,836 in 2011 from US\$ 2,400 in the previous year. To fulfill the vision of "Mahinda Chinthana" and to double the country's per capita income to US\$ 4,000 by 2016, requires a prudent pathway to sustain the development of micro, small and medium enterprises harmonizing the public interest.

09

TRENDS IN THE GLOBAL ECONOMY

9.1 Overview

The global recovery continued in 2011 at a varied pace but recorded a setback with an estimated lower growth of 3.9 percent in comparison to 5.3 percent in the previous year. In 2011, the downside risks about the sustainability of the recovery process were intensified with the growing uncertainties in a number of areas. More importantly, the pace of economic recovery in the advanced economies slowed down due to after-effects of global financial crisis and financial and capital market instabilities due to debt-related strains in the Euro zone. Fiscal issues remained as a major challenge for many countries, including Japan and the US, highlighting the need for fiscal consolidation to ensure sustainability. Financial sector development measures are being continued to ensure the stability¹.

The uneven growth has resulted in some tensions reflecting the social impact thereby requiring the promotion of growth to create jobs and raise living standards. Particularly in advanced economies, the slow recovery has led to high unemployment, which has necessitated the creation of employment opportunities. Many emerging economies have recorded a strong recovery while the rise in commodity prices has turned out to be a social concern in many developing countries although their growth has also been relatively strong.

In 2012, the global economic growth is projected to moderate due to various corrective measures that are being taken by many countries although the prospects have strengthened gradually. The emerging market economies, led by the Asian economies, are expected to drive the global growth in the medium term, albeit at relatively lower rates in their own standards, as they have the flexibility in fiscal and financial areas. The possible increase in oil prices triggered by the political turmoil in the North Africa and the Middle East coupled with the embargo on Iran remains as a risk.

9.2 Output

The world economy experienced a lower growth of 3.9 percent in 2011 following the expansion of 5.3 percent recorded in 2010. The growth has been uneven as advanced economies recording 1.6 percent growth which was half the growth obtained in 2010, while emerging and developing economies witnessing a growth of 6.2 percent in comparison to 7.5 percent recorded in the previous year. The average growth in developing Asia decelerated to 7.8 percent in 2011 from 9.7 percent in the previous year.

The financial turmoil in Euro area had a significant impact on the economic performance of both advanced and developing economies resulting in a lower than expected growth together with a considerable reduction in capital flows to emerging economies.

Table 9.1 > **World Output (Annual percentage change)**

	Actual		Forecast	
	2010	2011	2012	2013
World Output	5.3	3.9	3.5	4.1
Advanced Economies	3.2	1.6	1.4	2.0
United States	3.0	1.7	2.1	2.4
Euro Area	1.9	1.4	-0.3	0.9
Germany	3.6	3.1	0.6	1.5
France	1.4	1.7	0.5	1.0
Italy	1.8	0.4	-1.9	-0.3
Spain	-0.1	0.7	-1.8	0.1
Japan	4.4	-0.7	2.0	1.7
United Kingdom	2.1	0.7	0.8	2.0
Canada	3.2	2.5	2.1	2.2
Emerging and Developing Economies	7.5	6.2	5.7	6.0
Developing Asia	9.7	7.8	7.3	7.9
China	10.4	9.2	8.2	8.8
India	10.6	7.2	6.9	7.3
ASEAN-5*	7.0	4.5	5.4	6.2
Commonwealth of Independent States	4.8	4.9	4.2	4.1
Russia	4.3	4.3	4.0	3.9
Latin America & the Caribbean	6.2	4.5	3.7	4.1
Brazil	7.5	2.7	3.0	4.1
Central and Eastern Europe	4.5	5.3	1.9	2.9
Middle East and North Africa (MENA)	4.9	3.5	4.2	3.7
Sri Lanka	8.0	8.3	7.2	8.0

Source: World Economic Outlook, April 2012, IMF; Central Bank of Sri Lanka

* Includes Indonesia, Malaysia, Philippines, Thailand & Vietnam

¹ This chapter is mainly based on the information obtained from World Economic Outlook in September 2011 of the IMF, World Economic Outlook Update on 24 January 2012 of the IMF, Fiscal Monitor update on 24 January 2012 of IMF, World Economic Outlook in April 2012 of the IMF, Global Economic Prospects in January 2012 of The World Bank, and Food Outlook in November 2011 of the Food and Agriculture Organization.

The global economic growth in 2012 is projected to decline further to 3.5 percent. Advanced economies, and emerging and developing economies are estimated to be growing at 1.4 and 5.7 percent, respectively. This slowdown is mainly expected considering fiscal consolidation and bank deleveraging measures in many advanced economies, including Europe. The economy of Euro area is projected to slow down in 2012 with a risk of mild recession owing to uncertainties over financial situation and fiscal consolidation measures that are being taken by the many European economies. However, The growth in the most of the advanced European economies are expected to rebound from the recession in the second half of 2012 except Greece, Portugal, Italy and Spain which are projected to recover in early 2013. The US and Japanese economies are expected to perform better in 2012 as the US had exhibited some improvements in the latter half of 2011 and Japan is recovering from the disruptions caused by the earthquake and Thai flood effects. The emerging economies will be adversely affected by reduced exports demand from advanced economies as a consequence of the projected low growth of them, but have positive prospects for the implementation of prudential policies to attain a sustainable growth.

The vulnerability of world economy depends on the intensity of the downside and upside global risks such as the heightening Euro area crisis, the soaring oil price due to geopolitical unrest in the Middle East and North Africa, disinflationary pressures and high budget deficit and debt levels of the US and Japan. The euro crisis could spill over to European and Asian emerging markets through shortened credit facilities from Euro banks and possible outflows from local equity and foreign exchange markets. The susceptibility of the emerging markets will depend on the extent of measures to withstand aforesaid adverse shocks such as building up of sufficient capital and liquidity buffers. On the other hand, the deteriorating external situation and low internal demand will slowdown their economic growth. The world output likely to be better than that of the current projections if geopolitical conflicts in the Middle East are diminished, financial situation in Europe is improved and prudential policies are implemented in emerging economies.

The spillovers from the European crisis have been observed with economies that have strong trade relationships and financial connections with the Europe. As Europe being the main export market of Sri Lanka, especially for the apparel products, the exports could be adversely affected as the purchasing power of European consumers diminishes. Hence, finding out of new markets in emerging economies like China, India and Russia or other alternative destinations in Middle East and Asian countries is vital in sustaining exports.

9.3 Inflation

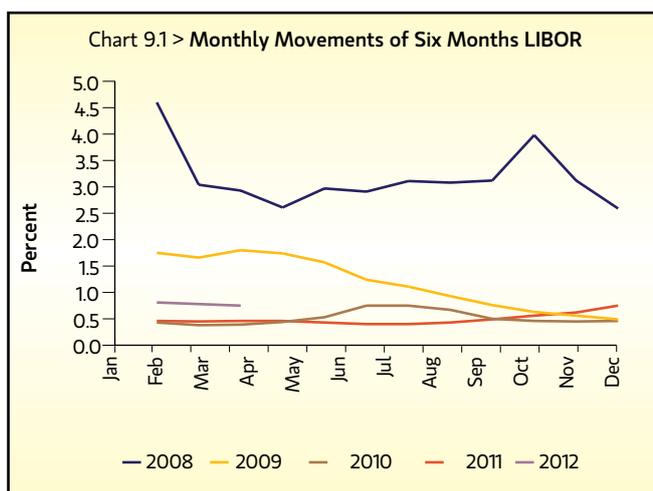
The consumer price inflation of the world elevated as a result of the oil price hike and increase in commodity prices during the first months of 2011. The inflation of advanced economies recorded as 2.7 while that of emerging and developing economies stood at 7.1 and was mainly decided by commodity and energy prices, gap between potential and actual GDPs of the economies and reliability of macroeconomic policies. Food and energy prices, which were swelled at the beginning of the year adding much inflationary pressures, decelerated at the end of the year. The relatively high inflation in the developing economies than the advanced economies is due to inclusion of food items as dominant components which share about 30 to 40 per cent of the consumption basket and less prominent credibility of policy making than the advanced economies.

In 2012, the inflation is projected to be lowered to 1.9 percent and 6.2 percent in advanced and emerging economies, respectively. This projection is given the expected revert of the commodity and energy prices to normal levels and anticipated decrease in demand due to lowering global economic activities. In emerging Europe, inflation is expected to be elevated from its 2011 level owing to energy price hikes. However, inflation in Commonwealth of Independent States is expected to be moderated following healthy economic activities and reduced food prices while that of other European economies are projected to be controlled by the lowered economic activities and price levels. The forecast inflation in Asian region is lowered with the expected slowdown in economic activities and capital flows except India, Indonesia and Korea with heightened inflationary pressures. A modest fall of inflation is projected for Latin American economies as economic activities are expected to flourish. According to IMF, supply side disruptions and accommodative macroeconomic policies will cause inflationary pressures to go up to some extent in Middle East and North African region and Sub Saharan African economies.

9.4 Interest Rates

Interest rates in the advanced economies have declined to historically low levels alongside the increased risk aversion and monetary accommodation with yield rates on medium term government securities remaining relatively stable at lower rates. In many other economies as well, the interest rates continue to remain low. However, in response to rising inflationary pressures arising from rapid growth in credit and asset prices, some economies have increased policy interest rates.

London Inter-Bank Offered Rate (LIBOR) which is the average rate of lending unsecured funds on the London money market between contributor banks with a maturity of six months was less than 0.5 per cent during the first nine months of 2011. The US\$ LIBOR rose rapidly from August



Sources: Fannie Mae; British Bankers' Association

to December in 2011 following a sudden increase in August by 14 percent after moving around 0.4 percent for about 12 months period and peaked at 0.81 percent in January 2012 recording the highest value since July 2009. As LIBOR is indicative of trust levels in financial markets, the sudden rise in the interest rate was due to fears over a second acute credit crunch related to European crisis. However, the rate fell gradually up to April 2012 reaching 0.73 percent given the distribution of huge funds among the banks by the European Central Bank (ECB).

9.5 Unemployment

Unemployment remains high, particularly in advanced economies, given lay-offs in many developed countries as well as the widened output gaps. The unemployment levels in Central and Eastern Europe and Commonwealth of Independent States that are affected by the European crisis remains very high while that of Middle East and North African economies are also at higher levels, especially among young population due to suppressed job creation. The Latin American and Emerging Asian economies recorded low unemployment levels owing to relatively strong economic growth maintained during the recent past. The US unemployment recorded as 9.0 percent which is less than the anticipated levels due to positive growth trends. The Euro area unemployment stood at the expected level of 10.1 percent.

9.6 Fiscal Deficits and Government Debt

In 2011, many advanced and emerging economies recorded lowered fiscal deficits compared to the previous year given the fiscal policy measures taken by most governments to increase tax revenue and curtail public expenditure. Fiscal deficits as a percent of GDP in both advanced and emerging economies fell by 1 percent in 2011 to 6.6 percent and 2.6 percent, respectively. However, the deficit in Japan showed a marginal increase due to post-Tsunami reconstruction activities.

Table 9.2 > Overall Fiscal Balance (percent of GDP)

	Actual		Forecast	
	2009	2010	2011	2012
World Output	-6.7	-5.5	-4.5	-4.1
Advanced Economies	-9.0	-7.6	-6.6	-5.7
United States	-13.0	-10.5	-9.5	-8.0
Euro Area	-6.5	-6.3	-4.3	-3.4
Japan	-10.8	-9.3	-10.1	-10.2
United Kingdom	-10.4	-9.9	-8.6	-7.8
Emerging Economies	-4.8	-3.6	-2.6	-2.7
Brazil	-3.1	-2.8	-2.6	-2.4
Russia	-6.3	-3.5	0.5	-1.4
India	-9.7	-8.9	-8.5	-7.9
China	-3.1	-2.3	-2.0	-2.0
South Africa	-5.3	-5.1	-4.9	-4.8
Low-income Economies	-4.0	-3.1	-2.8	-2.8
Sri Lanka	-9.9	-8.0	-6.9	-6.2

Source: Fiscal Monitor Update, January 2012, IMF; Department of Fiscal Policy

In 2012, the global fiscal situation has become a serious concern with escalating indebtedness of advanced economies, relatively high borrowing requirements and fragile financial situation prevailing in most economies, including the Euro zone. Several fiscal tightening measures are under implementation in both advanced and emerging economies, including lowering public expenditure, increasing tax rates, expanding tax base or reducing tax expenditure aiming further strengthening of the fiscal balance. Some economies, such as the UK, expect an adjustment with the operation of automatic stabilizers. However, the emerging economies with broadened deficits and high domestic debt levels may not have adequate financing to consolidate fiscal stance.

World indebtedness has increased slightly by 0.1 percent over 2010 mainly due to the low levels of government revenue and fiscal stimulus packages in the US and Japan. Government debt as a percent of GDP remains high in advanced economies than developing and emerging economies mostly due to crisis driven decline in the output, large primary deficits and significant interest-growth rate differentials.

Table 9.3 > **General Government Gross Debt (percent of GDP)**

	Actual		Forecast	
	2009	2010	2011	2012
World	65.9	70.0	70.1	70.9
Advanced Economies	93.7	99.7	103.5	107.6
United States	89.9	98.5	102.0	107.6
Euro Area	79.4	85.3	88.4	91.1
Germany	74.4	83.2	81.5	81.6
France	79.0	82.4	87.0	90.7
Italy	115.5	118.4	121.4	125.3
Spain	53.6	60.8	70.1	78.1
Japan	216.3	219.0	233.4	241.0
United Kingdom	68.4	75.1	80.8	86.8
Canada	83.6	85.1	85.5	86.7
Emerging Economies	36.7	40.8	37.8	36.4
Brazil	66.9	65.2	66.0	64.2
Russia	11.0	11.7	10.5	11.2
India	74.3	67.4	65.8	65.3
China	17.7	33.5	26.6	23.3
South Africa	31.5	35.3	37.9	40.0
Low-income Economies	42.4	40.8	40.0	40.3
Sri Lanka	86.2	81.9	78.5*	77.7

Source: Fiscal Monitor Update, January 2012, IMF; Central Bank of Sri Lanka
*Provisional

9.7 Trade

World trade improved at a rate of 5.8 percent in 2011 amidst negative consequences such as European sovereign debt crisis together with related contagion to other advanced and emerging economies and the oil price hike followed by Middle East and North African turmoil. World import demand declined throughout 2011 with some fluctuations while advanced economies also witnessed a similar deceleration. However, developing economy import demand improved in the final quarter mainly due to strong demand in China with an imports volume accounting for 40 percent of the global volume in the fourth quarter of 2011. The domestic demand of Brazil and India picked up in the final quarter of 2011 with the introduction of loose monetary policy measures. Overall growth in imports in emerging and developing economies was 8.8 percent surpassing advanced economies growth rate of 4.3 percent in 2011.

Exports of goods and services in advanced economies grew by 5.3 percent while emerging and developing economies improved by 6.7 percent in 2011. However, the exports declined across developing economies except in Latin American and Caribbean regions and Central Asia and European emerging nations. The floods in Thailand in the final quarter of the year, interruption to the global oil supply and disruptions to the world trade chain by natural disaster in Japan were among the foremost reasons behind this decline. Even though South Asian exports recorded a record high exports volume at the beginning, there was a sharp decrease during the final quarter of the year. East Asian exports were disturbed by Thai floods as Thailand, being the manufacturing hub of the region, had a negative growth at the end of 2011. Latin American exports remained strong throughout the year owing to region's less dependency on European market.

Several fiscal tightening measures are under implementation in both advanced and emerging economies, including lowering public expenditure, increasing tax rates, expanding tax base or reducing tax expenditure aiming further strengthening of the fiscal balance...

Table 9.4 > **World Trade Volumes**
(Annual percentage change)

	Actual		Forecast	
	2010	2011	2012	2013
World Trade Volume (Goods and Services)				
Volume	12.9	5.8	4.0	5.6
Imports				
Advanced Economies	11.5	4.3	1.8	4.1
Emerging and Developing Economies	15.3	8.8	8.4	8.1
Exports				
Advanced Economies	12.2	5.3	2.3	4.7
Emerging and Developing Economies	14.7	6.7	6.6	7.2

Source: World Economic Outlook, April 2012, IMF

9.8 Capital Flows

Capital flows to emerging and developing economies declined marginally from US\$ 527 billion to 521 billion in 2011 owing to unfavorable financial circumstances in advanced economies including the Euro zone. Capital flows to developing Asia and Middle East and North

Table 9.5 > **Private Financial Flows (Net) (US\$ Bn)**

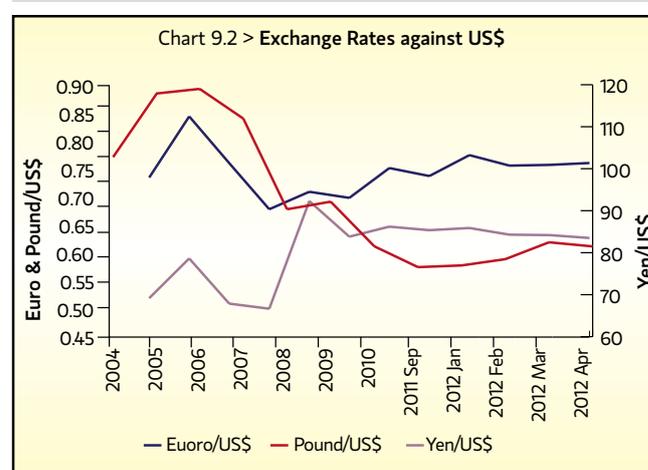
	Actual		Forecast	
	2010	2011	2012	2013
Emerging and Developing Economies	527.0	521.0	394.7	460.0
Central and Eastern Europe	79.7	88.9	95.3	112.1
Commonwealth of Inde- pendent States	-22.6	-60.7	-55.2	-17.4
Developing Asia	331.8	303.2	264.9	241.1
Latin America and Ca- ribbean	127.7	198.9	155.3	151.3
Middle East and North Africa	20.1	-18.5	-86.7	-62.4
Sub-Saharan Africa	-9.7	9.2	21.2	35.2

Source: World Economic Outlook, April 2012, IMF

Africa decreased during the year while those for Central and Emerging Europe and Sub-Saharan Africa increased. Sri Lanka also has an excellent opportunity to attract higher level of FDI and other capital flows particularly in the peaceful environment in the country conducive for investments due to the ending of the protracted conflict complemented by macroeconomic stability, improved doing business environment and the recently revised incentive scheme for investments, which is more rational and transparent.

9.9 Currency Movements

In 2011, a significant volatility was shown in international currency markets. The yen continued to appreciate against the US dollar driven by the demand for the currency as a consequence of the uncertainty related to the Euro crisis and the concerns over the US economy. Euro also appreciated against both US dollar and Sterling pound, but at a lower rate during the first part of the year. However, Euro dropped against US dollar and yen at the end of the year with the uncertainty over the injection of cash in to the financial system by European Central Bank to prevent a second credit crunch. This was the weakest level of the currency after September 2010. The Australian dollar over performed Euro and remained strong throughout the year owing to high Asian demand for Australian commodities. Chinese Yuan appreciated last year by about 4.9 percent against the US dollar. Meanwhile, the Sterling pound, remained relatively stable since 2009, after appreciating significantly until 2008. Indian rupee was one of the worst performing currencies in 2011 due to widening trade deficit which reached record high in 17 years and depreciated by around 15.5 percent.



Source: www.x-rates.com

9.10 Commodity Prices

International commodity prices, except crude oil prices, fell sharply during the second half of 2011 after peaking in early-2011. The early rise in prices was due to declined output of agriculture and mineral products due to heavy rains and droughts. Energy prices went up with the slowing down of oil supply as a result of political turmoil in North African and Middle Eastern countries. The decline in the latter part of the year was mainly due to unfavourable global macroeconomic and financial situation together with weak demand from emerging economies, especially from China. Since commodity prices are a significant factor in determining inflation in developing economies because of the higher share of food and energy in overall consumption, inflation rates in such economies are more vulnerable to changes in commodity prices than advanced economies. However, non-oil commodity prices are projected to be declined further in 2012 by 10.3 percent due to combined effect of high supply and weak global demand.

Since commodity prices are a significant factor in determining inflation in developing economies because of the higher share of food and energy in overall consumption, inflation rates in such economies are more vulnerable to changes in commodity prices than advanced economies...

Table 9.6 > **World Trade Prices in US\$ (Annual percentage change)**

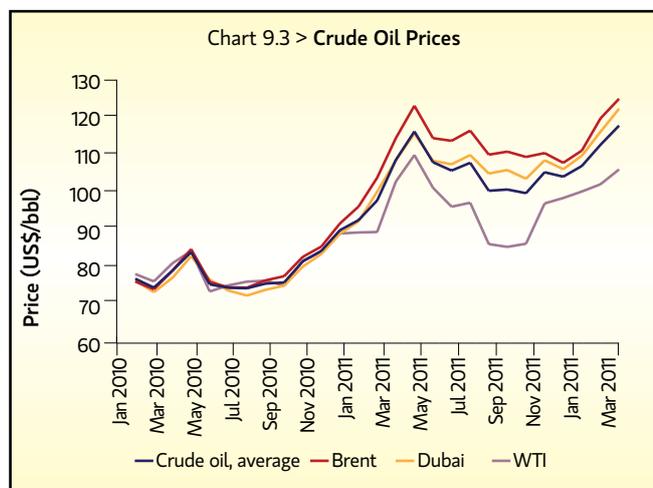
	Actual						Forecast	
	2006	2007	2008	2009	2010	2011	2012	2013
Manufacturers	2.5	6.0	6.7	-6.6	2.4	7.2	0.2	0.2
Oil	20.5	10.7	36.4	-36.3	27.9	31.6	10.3	-4.1
Non-fuel Primary Commodities	23.2	14.1	7.5	-15.7	26.3	17.8	-10.3	-2.1
Food	10.5	15.2	23.4	-14.7	11.5	19.7	-7.5	-3.1
Beverages	8.4	13.8	23.3	1.6	14.1	16.6	-22.2	1.6
Agricultural Raw Materials	8.8	5.0	-0.8	-17.0	33.2	22.7	-13.2	-3.4
Metals	56.2	17.4	-7.8	-19.2	48.2	13.5	-10.5	-0.7

Source: World Economic Outlook, April 2012, IMF.

Crude Oil Prices

The social and political turmoil in the Middle East and North Africa contributed to increase crude oil prices from US\$ 90/bbl in December 2010 to US\$ 120/bbl by late April 2011 mostly due to the disruption in the Libyan supply. This was a 51 percent increase over the average price of US\$ 79.60/bbl for 2010. The average price of the second quarter was US\$ 105/bbl following the increased supply from other members of the Organization of Petroleum Exporting Countries (OPEC) and the release of 60 million barrels of emergency stocks by International Energy Agency (IEA) members of which half of that amount is

from the US Strategic Petroleum Reserve. The crude oil price averaged around US\$ 100/bbl during the fourth quarter of the year mainly due to low global oil demand, increased Libyan supply and surplus of crude oil flows in US mid-continent from Canada, North Dakota and Gulf of Mexico. The December average crude oil price went up with the geopolitical concerns over Iran's nuclear programme. The average crude oil price is forecast to be US\$ 99/barrel in 2012 from the average of US\$ 104 in 2011 with the assumptions of contained political situation in Middle East countries, including Libya, expected slowdown in global demand, efficiency improvements and global trend to move for alternative energy sources.



Source: Food and Agriculture Organization

Crude oil demand in 2011 was largely influenced by escalating oil prices and plummeting global economic growth. According to the World Bank, the growth in global consumption was just 0.7 mb/d or 0.8 percent over the previous year. The crude oil demand from Organization for Economic Co-operation and Development (OECD) member countries declined further while non-OECD countries recorded a growth of 1.2 mb/d or 3 percent. The World Bank projects crude oil demand to be increased by 1.3 mb/d or 3.6 percent in 2012. However, this will largely depend on the extent of the recovery of world economic activities. The entire growth is expected to be from emerging economies, because of the measures taken by advanced economies to improve the efficiency in oil consumption such as use of higher fuel efficient vehicles and efforts to minimize carbon emission in industries will lower the demand.

There are positive supply side developments in non-OPEC areas like Brazil, Canada, the Caspian and West Africa. As revealed by IMF World Economic Outlook, September 2011, the year-on-year percent change of oil production during the first half of 2011 by non-OPEC suppliers was 52.5 percent while that of OPEC suppliers was 35.4 percent. The oil investments in non-OPEC countries were high reflecting continued exploration and technological innovation. The non-OPEC oil supply is forecast to be increased by 1 mb/d in 2012. OPEC output is also predicted to be up with the return of oil production by Libya and Iraq.

Agricultural Prices

World agricultural prices declined during the latter part of 2011 from the peak values in February. According to the

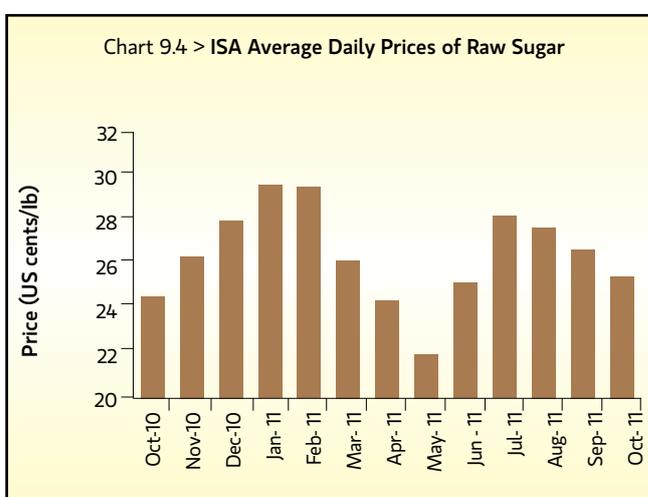
World Bank sources, the agricultural price index in 2011 lowered by 19 percent from the highest values in February of which food prices reported a reduction of 14 percent. However, average prices of agricultural products went up by 23 percent in 2011 reporting the highest values after the energy crisis in 1970's, since these are highly sensitive to energy prices through production and final sales prices.

The high oil and fertilizer prices together with increasing production of bio fuels added uncertainty to the stabilization of world crop prices. Wheat and maize prices declined by about 17 percent each from July to December 2011, while rice prices went up by about 30 percent during the period from May to November due to policy decision of Thai government to increase the intervention price of rice and loss of crop due to flooding in Thailand. About 25 to 30 percent of world rice exports are from Thailand.

Food prices are projected to decline in 2012 amidst the vulnerabilities caused by uncertainties in stock conditions. International food prices have direct impact on developing country inflation rate while unfavourable weather conditions and policy factors may also cause supply shortages.

Sugar Prices

Sugar prices were highly volatile in 2011 reaching the highest value within 30 years in January 2011 recording US cents 29.61 per pound and steadily declining to US cents 22 per pound in May. This fall was mainly caused by production bump in Brazil and Thailand and increased exports from India. Then the price per pound increased to US cent 28.20 in July. The prices again decreased during next three months reporting US cents 25.45 in October.

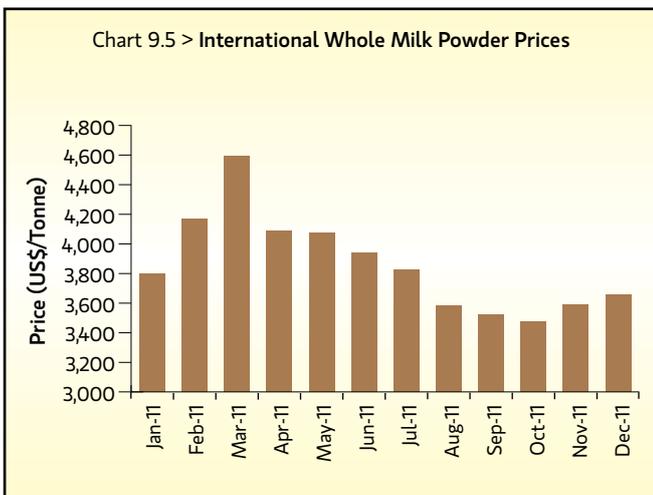


Source: Food and Agriculture Organization

Various efferots were taken by many economies to prevent high inflationary risk by releasing sugar stocks, controlling retail price of sugar and reducing import tariffs. As Food Outlook published by Food and Agriculture Organization in November 2011 highlights, world sugar consumption is projected to be increased by 1.5 percent in 2011/12 to reach 166.6 million tonnes over 2010/11. The world sugar production forecast in 2011/12 is 173.1 million tonnes and there will be a surplus of 7 million tonnes due to increased area and input use and strong international sugar prices. Import growth of sugar in Asia will remain elevated during 2012 with increasing population and income, especially in countries like China and Indonesia. However, sugar exports are projected to decline following strong domestic demand in producing countries, the requirement of producers to rebuild the stocks and predicted decline in output in Brazil, the world’s largest sugar exporter.

Whole Milk Powder Prices

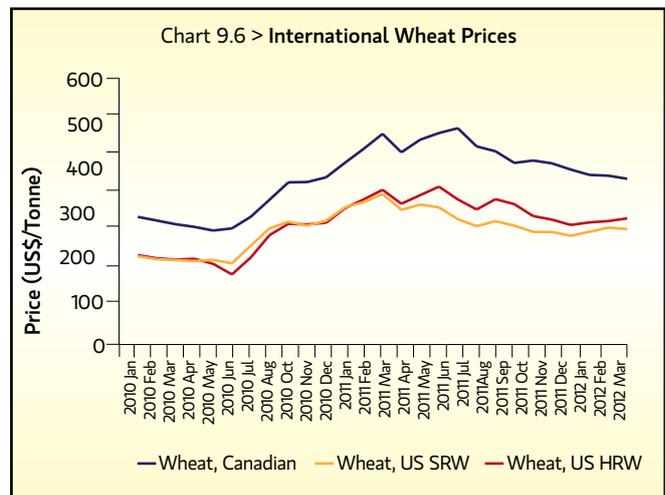
The world whole milk powder prices soared during the first months of 2011 as a result of the uncertainty on export supplies due to lowered stocks and dry weather conditions prevailed throughout the Europe. Prices peaked at US\$ 4,592 per tonne in March and declined steadily to US\$ 3,475 per tonne by October after uncertainty over the stocks have been cleared. However, the prices increased again to US\$ 3,588 and 3,658 per tonne in November and December, respectively. Whole milk powder exports reported an increase of 2.2 million tonnes in 2011 over the exports of 2010. Algeria, Mexico and Venezuela were the major importers while New Zealand, EU, Argentina and Australia topped in exports.



Source: Food and Agriculture Organization

Wheat Prices

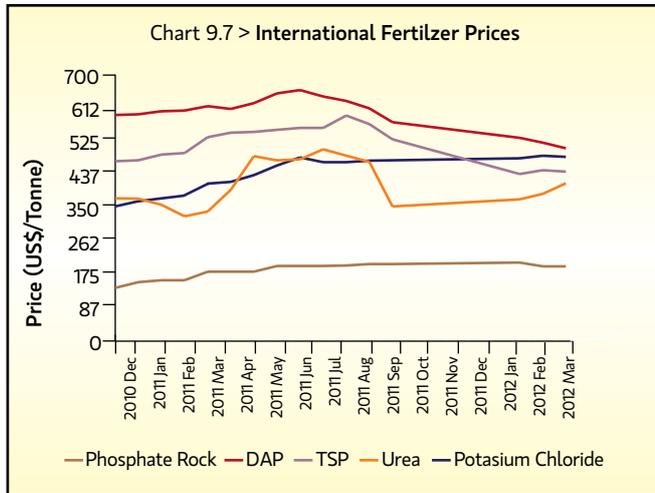
International wheat prices started to decline from the second quarter of 2011 following more than expected production yields and strengthening of the US dollar. The improved production and removal of export restrictions in Russian Federation contributed significantly to increase the supply. The upward growth in supply encouraged the other producers for further relaxation or removal of export constraints and thereby pushing down the prices. The downward movement of international prices urged more consumption and imports. The wheat usage as animal feed has been moving up considerably during the recent past in areas like China, EU and the US, because of the competitive price of wheat compared with other coarse grains. Therefore, the price volatility of wheat markets also depends on fluctuations or tightness in the other grain markets such as maize. Although prices declined since the mid-2011, the annual price of US Hard Red Winter variety increased by 41 percent to US\$ 316.26 per tonne in 2011 from the previous year’s US\$ 223.58 per tonne. The price of a tonne of US Soft Red Winter variety went up to US\$ 285.91 from US\$ 229.68 of 2010. The Canadian wheat price moved up from 2010’s US\$ 312.39 to US\$ 439.64 per tonne in 2011.



Source: Food and Agriculture Organization

Fertilizer Prices

Urea prices increased steadily from mid-2010 and peaked in the third quarter of 2011 given the supply shortage from China, Romania, Libya and Pakistan. This was due to the cost limitations with much expensive natural gas supply in the production process and also driven by the political turmoil in Libya. The market price was maintained by the high demand from India, the main importer for urea and



Source: Food and Agriculture Organization

from Latin America, especially Brazil. The urea annual price stood at US\$ 342.43 per tonne in 2011 which is about 34 percent higher than the annual price of 2010, US\$ 255.56 per tonne. Di-ammonium phosphate (DAP) prices reached record high during mid-2011 owing to high imports from India in line with less than anticipated exports from China caused by power restrictions and high sulphur prices. The 2011 annual price of DAP increased by 13 percent in 2011 to US\$ 503.43 per tonne from US\$ 443.37 per tonne of 2010. In 2011, the global demand for potash fertilizers, including Tri-Super Potash (TSP) and potash rock remains high following enhanced utilization in China, India and Brazil. The 2011 annual TSP price went up to US\$ 437.85 per tonne by 29 percent from US\$ 338.18 per tonne in 2010.

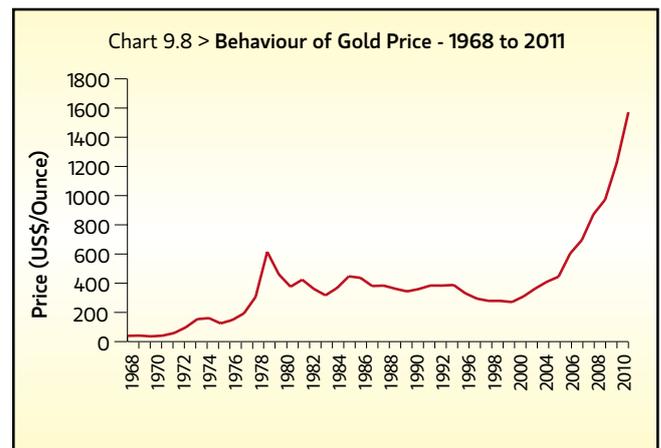
Metal Prices

Policy decisions by Chinese government played a major role in determining global metal prices in 2011 with a market share of about 40 percent of world base metal markets with a high demand for construction, infrastructure and manufacturing purposes. Metal prices peaked towards first quarter of 2011 with high demand from China, reduced stocks, low production and disruptions in supply. Global consumption of metals increased by 10 percent in 2010 and weakened by 4 percent during the first 10 months of 2011. This was mainly due to the policy tightening of Chinese government as a consequence of high inflationary threat and increasing house prices and surged China's country specific metal inventories which caused local prices to rise over international prices.

Copper prices recovered during mid 2011 while lead prices went up with the closure of world's largest lead mine. Aluminum prices were stable throughout the year as supply and demand cycles matched with each other. Nickel prices too remained stable, but with a slow growth than 2010 due to decrease in demand by China and other industrial countries together with tightened supply conditions.

Gold Prices

The gold prices sky rocketed during the past decade. The major reasons behind this increase were the reduction in gold supply by 10 percent during the ten years beginning from 2001 together with the supply-demand mismatch created by the increasing economic activities of India and China and the weakening of the US dollar with the increase in US national debt and financial crisis of 2008. At the dawn of the 21st century, the gold price was US\$ 279.11 per ounce and slightly decreased to US\$ 271.04 per ounce in 2001. Since then, it increased continuously to record breaking US\$ 1,571.52 per ounce in 2011 with a gain of 479.81 percent. The central banks around the world became net purchasers of gold in 2009 for the first time after two decades and central banks of China, India and Russia announced their plans to increase gold reserves. The sluggish economic growth experienced by high oil prices had an impact on escalating gold prices by shifting investor interest from share markets to investing in gold. Another linkage between soaring oil price and gold price is the minimized profit margin of gold mines due to high energy requirement for the industry.



Source: World Gold Council; www.kitco.com

10

FINANCIAL STATEMENTS

Financial Statements 2011

Financial Statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year ended 31st December 2011 which mainly comprised of statements of Financial Performance and Cash Flow for the year 2011, Financial Position as at 31 December 2011, an Analysis of Total Expenditure in the Financial Performance along with the Report of the Auditor General are presented in this statement.

These Statements have constantly adopted the reporting formats introduced with the Financial Statements prepared for the year 2005 aiming at shifting to accrual accounting and prepared in full compliance with generally accepted accounting principles and practices, guided by the Sri Lanka Accounting Standards and International Public Sector Accounting Standards. This demonstrates the commitment of the Government in transition towards preparing and presenting its Financial Statements on the basis of accrual accounting as against the legacy practice of cash based accounting. The report formats enable an advanced presentation of the Financial Performance in consistent with the classification and presentation of the Annual Budget that has been approved by the Parliament while facilitating easy comparison.

Since 2004 the Government has been making a concerted effort to implement an accrual accounting regime. Accordingly, documenting process of information to be disclosed outside the Accounting System pertaining to asset management, commitments and liabilities was designed. The relevant information on movable assets acquired after 01-01-2004 is disclosed in Financial Statements until accrual accounting principles are fully adopted. In addition to the above ,capital expenditure in development project in the year 2011 also disclosed as a explanatory note of the financial statements.

These financial statements encompass the financial operations of twenty two special spending units, fifty four Government Ministries ninety two Government Departments and twenty five District Secretariats/ Kachcheries in their performance utilizing the financial resources allocated during the year 2011. Moreover, basic information pertaining to the financial resources allocated by the Central Government in the year 2011 to nine Provincial Councils and Public Enterprises which comprise thirty three Commercial Public Corporations and Share holding in Government owned or Other companies, Plantation companies and Development Bank, has also been disclosed in this document.

In line with the vision of the Department of State Accounts to be the Center for Excellence in Government Financial Information and in discharging its reporting responsibility of the public financial accountability by presenting the Annual Financial Statements of the Government to the Parliament, it has warranted the Department to assure the high quality of information generated and furnished. For this purpose the Department has implemented a computerized information system and well designed process with all the necessary internal controls, checks and balances and required level of supervision in all stages of data compilation, processing, reporting and storage to maintain the integrity, accuracy and completeness of the data collected and information produced.

Any comments and suggestions for making further improvements to these Financial Statements are very much appreciated.

Statement of Financial Performance

for the year ended 31st December, 2011

Budget Estimates (Revised) 2011 Rs.	Note	2011 Rs.	Actual 2010 Rs.
REVENUE			
827,504,100,000	Tax Revenue	812,647,344,688	724,806,231,416
159,947,000,000	Income Tax	157,308,604,799	135,622,983,118
477,846,100,000	Taxes on Domestic Goods & Services	467,560,957,884	430,353,138,756
189,711,000,000	Taxes on International Trade	187,777,782,005	158,830,109,542
105,768,437,000	Non Tax Revenue & Others	130,295,690,314	100,882,174,529
933,272,537,000	TOTAL REVENUE (a)	942,943,035,002	825,688,405,945
Less : EXPENDITURE			
252,080,302,141	Wages, Salaries and Other Employment Benefits	251,128,858,679	236,861,066,207
113,531,504,210	Other Goods & Services	112,186,124,259	95,893,296,489
305,876,771,782	Subsidies, Grants and Transfers	303,839,501,876	271,043,548,728
355,217,127,582	Interest Payments	353,008,964,120	347,688,371,746
524,252,357	Other Recurrent Expenditure	33,768,120	7,672,709
1,027,229,958,072	Total Recurrent Expenditure (b)	1,020,197,217,054	951,493,955,879
93,957,421,072	REVENUE DEFICIT (a) - (b)	77,254,182,052	125,805,549,934
468,718,087,734	Public Investments	398,518,995,838	347,006,678,875
562,675,508,806	BUDGET DEFICIT	475,773,177,890	472,812,228,809
FINANCING THE BUDGET DEFICIT			
199,089,555,000	Foreign Borrowings	287,012,381,370	261,700,749,179
(72,800,000,000)	Foreign Debt Repayments	(72,262,198,510)	(69,112,362,273)
126,289,555,000	NET FOREIGN BORROWINGS	214,750,182,860	192,588,386,906
13,750,000,000	Foreign Grants	15,961,635,355	16,950,005,976
140,039,555,000	TOTAL FOREIGN FINANCE	230,711,818,215	209,538,392,882
863,087,819,000	Domestic Non-Bank Borrowings	695,393,866,280	639,569,547,809
(470,608,449,272)	Domestic Debt Repayments	(470,075,014,039)	(383,499,478,976)
392,479,369,728	NET DOMESTIC BORROWINGS	225,318,852,241	256,070,068,833
14,772,000,000	Recoveries from On-lending	14,877,712,658	15,534,545,002
500,000,000	Sale of Capital assets	514,298,415	240,455,985
-	Net Change in Deposit Accounts and Liabilities	6,527,187,288	(1,779,741,874)
-	(Increase) / Decrease in Cash & Cash Equivalents	(2,176,690,927)	(6,791,492,020)
547,790,924,728	TOTAL FINANCING	475,773,177,890	472,812,228,809

Statement of Cash Flows

for the year ended 31st December, 2011

	2011 Rs.	Actual 2010 Rs.
Cash Flows from Operating Activities		
Total Tax Receipts	812,647,344,688	724,806,231,416
Fees, Fines, Penalties and Licenses	17,680,190,119	11,748,410,617
Profit	51,938,962,000	41,330,730,782
Other Receipts	46,417,543,209	34,815,075,790
Total Cash provided from Operations (a)	928,684,040,016	812,700,448,605
Less - Cash was disbursed to:		
Personal Emoluments & Operating Payments	363,314,982,938	332,754,362,687
Subsidies & Transfer Payments	303,839,501,876	271,043,548,724
Finance Costs	353,042,732,240	347,696,044,468
Total Cash disbursed to Operations (b)	1,020,197,217,054	951,493,955,879
NET CASH FLOWS FROM OPERATING ACTIVITIES (C) = (a) - (b)	(91,513,177,038)	(138,793,507,274)
Cash Flows from Investing Activities		
Interest	9,846,503,634	8,017,400,768
Dividends	4,412,491,352	4,970,556,572
Divestiture Proceeds & Sale of Physical Assets	514,298,415	240,455,985
Recoveries from On Lending	14,877,712,658	15,534,545,002
Total Cash provided from Investing Activities (d)	29,651,006,059	28,762,958,327
Less - Cash was disbursed to:		
Purchase or Construction of Physical Assets & Acquisition of		
Other Investment	398,518,995,838	347,006,678,875
Total Cash disbursed to Investing Activities (e)	398,518,995,838	347,006,678,875
NET CASH FLOWS FROM INVESTING ACTIVITIES (F) = (d) - (e)	(368,867,989,779)	(318,243,720,548)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (g) = (c) + (f)	(460,381,166,817)	(457,037,227,822)
Cash Flows from Financing Activities		
Local Borrowings	695,393,866,280	639,569,547,809
Foreign Borrowings	287,012,381,370	261,700,749,179
Grants Received	15,961,635,355	16,950,005,976
Total Cash provided from Financing Activities (h)	998,367,883,005	918,220,302,964
Less - Cash was disbursed to:		
Repayment of Local Borrowings	470,075,014,039	383,499,478,976
Repayment of Foreign Borrowings	72,262,198,510	69,112,362,273
Change in Deposit Accounts and Other Liabilities	(6,527,187,288)	1,779,741,874
Total Cash disbursed to Financing Activities (i)	535,810,025,261	454,391,583,123
NET CASH FLOWS FROM FINANCING ACTIVITIES (J) = (h) - (i)	462,557,857,744	463,828,719,841
Net Movement in Cash (k) = (g) + (j)	2,176,690,927	6,791,492,020
Opening Cash Balance as at 01st January	(58,278,914,237)	(65,070,406,257)
Closing Cash Balance as at 31st December	(56,102,223,310)	(58,278,914,237)

Statement of Financial Position

as at 31st December, 2011

	Notes	2011 Rs.	Actual 2010 Rs.
Financial Assets			
Loans to Public Officers	16	26,121,780,267	25,695,785,833
Advances to Govt. Departments	17	8,530,774,206	8,337,309,856
Membership Fees Paid	18	3,517,179,874	3,517,179,874
On Lending	19	298,967,281,949	273,906,129,356
Capital Contribution in State Owned Enterprises	20	124,010,414,438	121,865,113,583
Remittance Account for Crown Agent		-	13,046,811
Stamp Stock Account		906,812,955	994,659,879
Total Financial Assets		462,054,243,689	434,329,225,192
Liabilities			
Bank Overdrafts	21	56,102,223,310	58,278,914,237
Advance from the Central Bank	22	94,743,012,800	77,878,822,800
Foreign Loan Revolving Funds	23	19,846,433,388	21,455,287,347
Miscellaneous Funds	24	1,610,755,327	2,098,246,350
Government Borrowings	25	4,634,972,660,483	4,099,414,489,679
Deposits and Other Liabilities	26	64,271,839,126	75,963,233,860
Operating Accounts with Government Departments	27	3,439,966,496	1,013,041,844
Sundry Accounts	28	5,808,499	(2,462,511,689)
Total Liabilities		4,874,992,699,429	4,333,639,524,428
Contingency Fund		140,000,000	140,000,000
Total Liabilities & Contingency Fund Balance		4,875,132,699,429	4,333,779,524,428
Total Liabilities and Contingency Fund			
Balance over Financial Assets		4,413,078,455,740	3,899,450,299,236
Consolidated Fund - Accumulated Deficit	29	201,700,214,610	196,423,775,459
Total Investments in Physical Assets and			
Accumulated Net Revenue Deficit	30	4,211,378,241,130	3,703,026,523,777
		4,413,078,455,740	3,899,450,299,236
Contingencies & Commitments	31	291,448,980,000	230,825,250,000

The accompanying "Statement of Accounting Policies" and "Notes" to Financial Statements form an integral part of these Financial Statements. The Department of State Accounts is responsible for the preparation and presentation of these Financial Statements.



N.G. DAYARATNE
Director General
Department of State Accounts



P.B. JAYASUNDERA
Secretary, Ministry of Finance & Planning,
and Secretary to the Treasury

General Treasury
Colombo 01
30th March, 2012

Analysis of Total Expenses of the Statement of Financial Performance

for the year ended 31st December, 2011

By Functional Classification	Actual (Rs. Mn.)											
	2011						2010					
	Recurrent	%	Capital	%	Total	%	Recurrent	%	Capital	%	Total	%
Defence	213,533	20.93	28,027	2.98	241,560	12.32	197,758	20.78	16,314	2.04	214,072	12.23
Law Enforcement	7,040	0.69	1,661	0.18	8,701	0.44	6,539	0.69	2,140	0.27	8,679	0.50
Public Services	603,473	59.15	589,345	62.64	1,192,818	60.83	576,503	60.59	502,016	62.78	1,078,519	61.59
Social Services	1,948	0.19	1,445	0.19	3,393	0.17	2,330	0.24	1,929	0.24	4,259	0.24
Research and Technology	954	0.09	1,221	0.13	2,175	0.11	909	0.10	977	0.12	1,886	0.11
Human Resources	101,871	9.99	27,770	2.95	129,641	6.61	88,110	9.26	24,666	3.08	112,776	6.44
Infrastructure	24,112	2.36	204,866	21.77	228,978	11.68	21,525	2.26	180,834	22.62	202,359	11.56
Environment	2,302	0.23	2,106	0.22	4,408	0.22	1,799	0.19	1,623	0.20	3,422	0.20
Real Economy	64,964	6.37	84,415	8.97	149,379	7.62	56,021	5.89	69,120	8.64	125,141	7.15
Total	1,020,197	100	940,856	100	1,961,053	100	951,494	100	799,619	100	1,751,113	100

Note:

These figures presented in the expenditure estimate for line ministries are based on resource ceiling available for each sector under which Ministry votes are presented.

Statement of Accounting Policies

Reporting Entity

These Financial Statements are of the Government of the Democratic Socialist Republic of Sri Lanka and encompass the Reporting Entity of the Central Government comprised of Government Ministries, Departments, Special Spending Units and District Secretariats/Kachcheris. Public Enterprises which comprised of Commercial Public Corporations, State Owned Enterprises and Statutory Boards, and Provincial Councils are not covered in these statements. However, cash outflows to those entities taken place during the reporting year and the Government's total interest in the Commercial Public Corporations and State Owned Enterprises held in the form of capital contribution and loans granted are accounted in these Financial Statements.

Basis of Preparation

These Financial Statements are prepared under historic cost convention in conformity with Generally Accepted Accounting Principles and guided by the Sri Lanka Accounting Standards and the International Public Sector Accounting Standards. Historical cost is applied as the measurement base. The cash based accounting is adopted unless otherwise stated.

Reporting Period

The reporting period of these Financial Statements is the year ended 31st December 2011

Basis of Consolidation

Expenditure incurred and revenue collected by respective Ministries & Departments in the form of financial assets, liabilities, revenues and expenses are consolidated using the same classification codes used for accounting those revenues and expenditures.

Revenue

The Central Government provides many products, services and benefits that do not generate revenue, to the general public. The revenue is raised by way of taxes, fees and charges imposed under various statutes approved by the Parliament to finance the expenditure incurred in provision of such products, services and benefits. All such revenue collected through the relevant Ministries & Departments are identified and accounted at the time of collection. Investment Income is accounted for the period during which such income is actually collected.

Premiums and Discounts

Premiums and discounts on the issue of a debt instrument are treated as an adjustment against the cost of borrowings.

Gains

Gains arising from the sale of assets are accounted during the period in which the transaction occurs. Foreign exchange gains realized on monetary assets and liabilities are duly accounted in the Statements of Financial Position as at the end of the Reporting Period.

Expenses

All expenses are accounted in the period in which it is incurred.

Foreign Currency Transactions

Transactions in Foreign currencies are converted into Sri Lanka Rupee using the exchange rate prevailed on the date of transaction. Exchange differences arising at the point of settlement of these transactions are duly accounted and presented in the Statement of Financial Performance.

Investment

Value of the Government's equity investments in State Owned Enterprises is recorded at cost and shown separately in the financial statements. However, investments in Statutory Boards are not uniquely identified and disclosed since such entities operate like other Government Departments relying on the Central Government for their recurrent and capital expenditure requirements.

Borrowings

In the Statement of Financial Position, all local borrowings are recorded at cost. Since foreign borrowings are subject to variations in exchange rates such foreign monetary liabilities are converted in to Sri Lankan Rupees on the exchange rate prevailed at the end of the Reporting Period.

Employee Entitlements

Employee entitlements to salaries and wages, annual leave, pre-retirement leave and other similar benefits are recorded when they actually accrue to or utilized by the employees. Retired Government employee entitlements for their pension payments are also recorded on the same basis.

Statement of Accounting Policies

Contingent Liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at which point the contingency is evident.

Comparatives

To ensure consistency with the current period and classification method adopted in making a fair presentation of financial information, comparative figures have been restated where appropriate.

Bank Overdraft

The Bank Overdraft is comprised of all favorable and unfavorable cash book balances in the name of the Deputy Secretary to the Treasury, sum of unsettled imprest balances of Ministries and Departments which is treated as cash in transit and converted Rupee value of all foreign currency bank accounts as at the balance sheet date.

Compilation of Government Finance Statistics

The Budget Outturn presented in Economic Classification under Government Finance Statistics (GFS) varies from the information presented in these Financial Statements due to the different classification methods adopted for economic analysis.

Notes to Financial Statements

Budget Estimates 2011	Revenue Code	Revenue Title	2011 Rs.	2010 Rs.
Note 1 - INCOME TAX				
67,458,900,000	1004.01.01	Income Tax	70,176,680,423	51,507,698,052
7,566,700,000	1004.01.02	Dividend Tax	7,157,344,654	5,645,471,773
12,000,000	1004.01.03	Remittance Tax	78,781,882	6,810,656
-	-	Corporate Tax & Other		-
75,037,600,000	1004.01.00	Total Corporate Tax (a)	77,412,806,959	57,159,980,481
17,344,300,000	1004.02.01	PAYE Tax	14,797,523,554	16,268,173,200
5,427,300,000	1004.02.99	Other	5,603,130,008	5,485,416,573
41,065,100,000	1004.03.00	Withholding Tax	38,160,053,008	38,661,689,689
36,550,100,000	1004.03.01	on Interest	33,775,884,745	29,422,008,983
4,515,000,000	1004.03.99	on Fees & Other	4,384,168,264	9,239,680,706
21,072,700,000	1004.04.00	Economic Service Charge	21,335,091,270	18,047,723,175
84,909,400,000	1004.02.00	Total Non-Corporate Tax (b)	79,895,797,840	78,463,002,637
159,947,000,000		Total Income Tax (a+b)	157,308,604,799	135,622,983,118
Note 2 - TAXES ON DOMESTIC GOODS & SERVICES				
227,945,100,000	1002.01.00	Value Added Tax	215,419,828,725	219,563,122,247
21,933,000,000	1002.01.01	Financial Services	21,721,757,148	29,826,277,828
63,540,900,000	1002.01.02	Other Services	48,563,220,719	58,454,129,937
33,863,000,000	1002.01.03	Manufacturing	32,824,883,451	31,705,003,722
108,608,200,000	1002.01.04	Imports	112,309,967,407	99,577,710,759
35,000,000	1002.02.00	Goods and Services Tax	25,543,710	38,534,018
20,000,000	1002.02.01	Services	17,091,140	25,689,345
15,000,000	1002.02.02	Manufacturing	8,452,570	12,844,672
-	1002.02.03	Imports	-	-
15,000,000	1002.03.00	National Security Levy	14,743,435	23,222,185
10,000,000	1002.03.01	Services	13,254,423	16,759,064
5,000,000	1002.03.02	Manufacturing	1,489,012	6,463,121
-	1002.03.03	Imports	-	-
55,521,000,000	1002.04.00	Excise (Ordinance) Duty	55,285,644,294	36,634,730,096
55,521,000,000	1002.04.01	Liquor	55,285,644,294	36,634,730,096
128,588,000,000	1002.05.00	Excise (Special Provisions) Duty	130,691,648,967	93,197,160,572
49,804,000,000	1002.05.01	Cigarettes	49,589,458,250	40,642,689,281
-	1002.05.02	Liquor	146,369	19,621,931
26,449,000,000	1002.05.03	Petroleum Products	22,469,769,500	28,037,979,793
49,362,000,000	1002.05.04	Motor Vehicles	52,834,802,242	21,198,647,763
2,973,000,000	1002.05.99	Other	5,797,472,606	3,298,221,804
25,000,000	1002.06.00	Tobacco Tax	33,082,337	32,155,684
-	1002.07.00	Stamp Duty	-	4,439,842,692
4,233,000,000	1002.08.00	Debit Tax	4,232,322,781	10,843,436,359
250,000,000	1002.09.00	Turnover Tax	130,615,686	388,294,513
100,000,000	1002.10.00	Social Responsibility Levy	1,331,272,262	4,789,388,668
20,500,000,000	1002.11.00	Telephone Subscribers Levy	18,650,864,238	8,868,352,700
34,075,000,000	1002.12.00	Nation Building Tax	35,667,343,636	46,022,517,147
10,913,500,000	1002.12.01	Services	12,316,470,577	11,595,944,639
7,175,500,000	1002.12.02	Manufacturing	6,723,646,893	7,714,130,983
15,986,000,000	1002.12.03	Imports	16,627,226,166	26,712,441,526
6,029,272,000	1003.00	Licence Taxes and others	5,504,405,143	4,875,351,503
575,000,000	1003.01.00	Luxury Motor Vehicle Tax	717,112,194	334,566,693
130,000,000	1003.02.00	Transfer Tax	130,782,025	74,466,250

Notes to Financial Statements *contd...*

Budget Estimates 2011	Revenue Code	Revenue Title	2011 Rs.	2010 Rs.
300,000,000	1003.03.00	Betting & Gaming Levy	286,881,858	294,841,046
4,075,000,000	1003.04.00	Share Transaction Levy	3,263,518,189	2,272,957,122
949,272,000	1003.05.00	Construction Industry Guarantee Fund Levy	1,106,035,867	829,785,134
-	1003.06.00	Environment Conservation Levy	75,010	1,068,735,261
529,728,000	1003.07.00	Other Licences	573,6142,670	637,030,373
130,000,000	1003.07.01	Fees for registration of Nursing Homes	151,993,399	144,663,624
129,000,000	1003.07.02	Registration fees relevant to the Dept. of Registrar General's	182,280,954	160,717,380
150,000,000	1003.07.03	Private Timber Transport	60,903,544	178,070,421
32,000,000	1003.07.04	Tax on Sale of Motor Vehicles	41,862,975	35,976,313
12,000,000	1003.07.05	Licence Taxes relevant to the Min. of Public Security, Law & Order	10,088,778	11,435,163
6,000,000	1003.07.06	Licence fees relevant to the Dept. of Fisheries & Aquatic Resources	4,951,420	17,164,508
70,728,000	1003.07.99	Other	121,561,600	89,002,964
477,846,100,000		Total Taxes on Domestic Goods & Services	467,560,957,884	430,353,138,756
Note 3 - TAXES ON INTERNATIONAL TRADE				
80,252,000,000	1001.01.00	Import Duties	76,010,380,173	64,222,751,642
30,000,000	1001.02.00	Export Duties	16,754,804	20,629,322
320,000,000	1001.03.00	Import & Export Licences Fees	432,482,867	310,609,461
65,032,000,000	1001.04.00	Ports & Airports Development Levy	66,027,567,856	49,632,566,609
29,366,000,000	1001.05.00	Cess Levy	29,661,584,149	29,752,368,133
26,366,000,000	1001.05.01	Import Cess Levy	26,876,465,113	28,022,093,827
3,000,000,000	1001.05.02	Export Cess Levy	2,785,119,036	1,730,274,306
-	1001.06.00	Motor Vehicle Concessionary Levy	738,499	335,096
-	1001.07.00	Regional Infrastructure Development Levy	6,147,207	4,717,512,848
14,711,000,000	1001.08.00	Special Commodity Levy	15,622,126,449	10,173,336,431
-	1001.99.00	Other	-	-
189,711,000,000		Total Revenue from Taxes on International Trade	187,777,782,005	158,830,109,542
Note 4 - NON-TAX REVENUE AND OTHERS				
4,432,000,000	2001.01.00	Railways	4,235,379,004	4,018,035,372
5,595,000,000	2001.02.00	Postal	4,408,928,158	4,572,263,224
30,000,000	2001.03.00	Advance Accounts (Trading)	4,640	100,166,569
10,057,000,000		Revenue From Other Sources (a)	8,644,311,801	8,690,465,164
2,562,394,000	2002.01.00	Rent	3,579,631,848	2,047,908,293
690,000,000	2002.01.01	Rent on Government Building & Housing	663,386,711	696,660,029
840,000,000	2002.01.02	Rent on Crown Forests	1,399,283,630	716,915,156
16,000,000	2002.01.03	Rent from Land and Other	28,854,746	17,425,204
956,394,000	2002.01.04	Lease Rental from Regional Plantation Companies	825,946,852	543,840,327
60,000,000	2002.01.99	Other Rental	662,159,909	73,067,579
8,075,000,000	2002.02.00	Interest	9,846,503,634	8,017,400,768
6,775,000,000	2002.02.01	On-Lending	7,293,475,234	6,549,368,192
1,300,000,000	2002.02.99	Other	2,553,028,400	1,468,032,576
24,618,000,000	2002.03.00	Profits	29,938,962,000	26,330,730,782
4,601,043,000	2002.04.00	Dividends	4,412,491,352	4,970,556,572
100,000,000	2003.01.00	Departmental Sales	137,491,014	100,231,718
16,210,000,000	2003.02.00	Administrative Fees & Charges	18,180,024,744	11,605,405,346
38,000,000	2003.02.01	Audit Fees	101,845,564	59,325,819
-	2003.02.02	Air Navigation Fees	-	-
64,000,000	2003.02.03	Fees under Registration of Persons Act No. 32 of 1968	90,640,027	69,266,459
72,000,000	2003.02.04	Survey Department Fees	100,929,696	86,863,389

Notes to Financial Statements *contd...*

Budget Estimates 2011	Revenue Code	Revenue Title	2011 Rs.	2010 Rs.
237,000,000	2003.02.05	Service Charges of Government press	209,976,686	260,805,100
15,000,000	2003.02.06	Fees under the Fauna & Flora Protection Ordinance	15,591,721	10,374,999
3,550,500,000	2003.02.07	Fees of Passports, Visas & Dual Citizenship	3,764,250,049	4,076,329,643
-	2003.02.08	Embarkation Levy	-	-
25,000,000	2003.02.09	Fees of Valuation Department	22,981,498	19,179,283
55,000,000	2003.02.10	Fees of Registrar of Companies	68,096,713	56,504,525
32,000,000	2003.02.11	Legal Fees from Corporations & Statutory Bodies	40,842,270	32,607,518
1,500,000	2003.02.12	Fees recovered under the Public Contract Act	1,909,000	1,482,000
100,000,000	2003.02.13	Examinations & Other Fees	166,029,564	130,642,515
5,800,000,000	2003.02.14	Fees under the Motor Traffic Act & Other receipts	6,271,998,065	3,485,849,970
180,000,000	2003.02.16	Aircraft Rentals	261,957,147	159,499,724
70,000,000	2003.02.17	Fees on Local Sale of Garments	93,818,076	86,847,091
110,000,000	2003.02.18	Fees relevant to the Department of Agriculture	124,825,145	116,047,269
360,000,000	2003.02.19	Fees relevant to Botanical Gardens	342,239,368	177,802,958
-	2003.02.20	Accounting & Auditing Standard Cess Levy	-	-
5,500,000,000	2003.02.99	Sundries	6,502,094,155	2,775,977,088
2,800,000,000	2003.03.00	Fines & Forfeits	6,264,216,677	3,078,482,083
8,500,000,000	2003.99.00	Other Receipts	12,711,007,905	8,140,791,587
11,760,000,000	2004.01.00	Social Security Contribution	12,627,965,092	11,119,542,222
8,100,000,000	2004.01.00	Central Govt.	8,213,389,165	8,232,406,849
3,660,000,000	2004.02.00	Provincial Councils	4,414,575,927	2,887,135,373
16,485,000,000	2005	Current Transfers	23,953,084,247	16,780,659,996
15,000,000,000	2005.01.00	Central Bank Profits	22,000,000,000	15,000,000,000
-	2005.01.99	Other Transfers	1,953,084,247	1,780,659,996
1,485,000,000	2005.02.99	National Lotteries Board and other transfers	-	-
95,711,437,000		Revenue From Other Sources (b)	121,651,378,512	92,191,709,365
105,768,437,000		Total Non - Tax Revenue & Others (a) + (b)	130,295,690,313	100,882,174,529
933,272,537,000		Grand Total (Note 1 - 4) Total Revenue	942,943,035,001	825,688,405,945

Note 5 - WAGES, SALARIES & OTHER EMPLOYMENT BENEFITS (OBJECT CODE WISE CLASSIFICATION)

Object Code	Object Title		
	Personal Emoluments		
137,418,948,065	1001 Salaries & Wages	136,800,079,458	130,130,627,650
8,973,454,956	1002 Overtime and Holiday Payments	8,902,603,285	7,975,961,985
105,687,899,120	1003 Other Allowances	105,426,175,936	98,754,476,573
252,080,302,141	Total	251,128,858,679	236,861,066,207

Note 6 - OTHER GOODS AND SERVICES (OBJECT CODE WISE CLASSIFICATION)

Object Code	Object Title		
	Travelling Expenditure		
9,480,478,700	1101 Domestic	9,409,622,539	9,584,949,917
2,667,750,362	1102 Foreign	2,621,430,431	1,459,957,771
12,148,229,062	Total (a)	12,031,052,969	11,044,907,688
	Supplies		
1,792,080,364	1201 Stationery and Office Requisites	1,746,225,052	1,703,041,237
9,143,651,768	1202 Fuel	9,063,391,025	6,166,010,280
30,141,155,022	1203 Diets & Uniforms	30,047,627,355	23,960,270,820
17,614,012,430	1204 Medical Supplies	17,611,112,345	14,327,282,627
3,713,628,878	1205 Other	3,692,132,087	3,836,877,928
62,404,528,462	Total (b)	62,160,487,864	49,993,482,892

Notes to Financial Statements *contd...*

Budget Estimates 2011	Revenue Code	Revenue Title	2011 Rs.	2010 Rs.
Maintenance Expenditure				
2,066,251,105	1301	Vehicles	2,004,767,889	1,706,611,924
1,442,303,150	1302	Plant, Machinery & Equipment	1,408,579,581	955,520,927
659,540,101	1303	Buildings and Structures	606,965,816	494,740,576
4,168,094,356		Total (c)	4,020,313,286	3,156,873,428
Services				
3,073,359,510	1401	Transport	3,038,744,588	3,417,483,504
1,988,322,405	1402	Postal & Communication	1,876,117,818	1,680,639,207
8,081,282,338	1403	Electricity & Water	7,945,672,891	7,012,322,642
2,822,716,420	1404	Rents and Local Taxes	2,742,197,912	2,563,569,271
18,844,971,657	1405	Other	18,371,536,931	17,024,017,858
34,810,652,330		Total (d)	33,974,270,140	31,698,032,482
113,531,504,210		TOTAL EXPENDITURE ON OTHER GOODS AND SERVICES (a+b+c+d)	112,186,124,259	95,893,296,489
Note 7 - TRANSFERS, GRANTS & SUBSIDIES (OBJECT CODE WISE CLASSIFICATION)				
Transfers				
32,567,215,548	1501	Welfare Programmes	32,351,988,558	28,493,866,230
100,352,784,542	1502	Retirement Benefits	100,276,852,787	92,255,440,693
38,734,204,244	1503	Public Institutions	37,732,986,365	33,923,062,031
31,480,157,653	1504	Development Subsidies	31,172,961,869	23,682,230,048
2,145,051,703	1505	Subscriptions and Contributions Fees	1,793,724,968	1,987,544,896
1,576,580,341	1506	Property Loan Interest to Public Servants	1,548,136,242	1,157,741,044
94,649,000,000	1507	Provincial Councils	94,645,097,539	85,345,998,756
4,371,099,551	1508	Other	4,317,330,764	4,087,961,975
678,200	1509	Losses and Write Off	422,784	109,703,054
305,876,771,782		Total	303,839,501,876	271,043,548,728
Note 8 - INTEREST PAYMENTS				
313,217,127,582	1601	Domestic Debt	312,284,706,748	318,985,514,709
42,000,000,000	1602	Foreign Debt	40,724,257,372	28,702,857,037
355,217,127,582		Total	353,008,964,120	347,688,371,746
Note 9 - OTHER RECURRENT EXPENDITURE				
38,808,906	1701	Losses and Write off Contingency Services	33,768,120	7,672,709
485,443,451	1702	Contingency Services	-	-
524,252,357		Total	33,768,120	7,672,709
1,027,229,958,072		Grand Total (Notes 5 to 9) Total Recurrent Expenditure	1,020,197,217,054	951,493,955,879
Note 10 - PUBLIC INVESTMENT EXPENDITURE (OBJECT CODE WISE CLASSIFICATION)				
Rehabilitation & Improvements of Capital Assets				
30,094,369,946	2001	Buildings & Structures	29,200,901,810	33,313,808,163
4,302,240,505	2002	Plant, Machinery and Equipment	4,168,992,801	2,781,142,407
3,038,948,771	2003	Vehicles	2,937,539,749	2,913,988,649
37,435,559,222		Total (a)	36,307,434,360	39,008,939,219
Acquisition of Capital Assets				
11,405,649,135	2101	Vehicles	11,169,110,826	5,666,306,954
3,011,911,665	2102	Furniture & Office Equipment	2,657,615,048	2,832,234,806
13,083,908,577	2103	Plant, Machinery and Equipment	11,513,256,133	5,584,739,084
95,227,576,676	2104	Buildings and Structures	85,206,063,464	60,784,819,514
58,308,815,321	2105	Lands and Land Improvements	51,383,955,969	13,379,337,350
181,037,861,374		Total (b)	161,930,001,440	88,247,437,708

Notes to Financial Statements *contd...*

Budget Estimates 2011	Revenue Code	Revenue Title	2011 Rs.	2010 Rs.
		Capital Transfers		
54,934,066,560	2201	Public Institutions	45,025,884,858	38,655,640,267
2,001,471,739	2202	Development Assistance	1,791,425,676	2,571,796,246
15,894,000,000	2203	Provincial Councils	13,580,860,000	14,259,350,000
585,000,000	2204	Transfers Abroad	584,926,623	301,150,708
73,414,538,299		Total (c)	60,983,097,157	55,787,937,221
		Acquisition of Financial Assets		
100,000,000	2301	Equity Contribution	100,000,000	-
60,126,180,114	2302	On-Lending	49,515,040,768	63,669,497,508
60,226,180,114		Total (d)	49,615,040,768	63,669,497,508
		Capacity Building		
5,094,652,890	2401	Training & Capacity Building	3,822,321,888	4,424,489,261
5,094,652,890		Total (e)	3,822,321,888	4,424,489,261
		Other Capital Expenditure		
585,520,000	2501	Restructuring	581,751,049	1,911,806,949
95,490,462,030	2502	Other Investments	74,200,514,802	89,409,486,292
98,303,580	2503	Contingency Services	-	-
15,335,010,225	2504	Other Investments in Provincial Councils	11,078,834,375	-
111,509,295,835		Total (f)	85,861,100,226	91,321,293,241
		Public Debt Amortization		
-	3001	Domestic	-	-
-	3002	Foreign	-	4,547,084,717
-		Total (g)	-	4,547,084,717
468,718,087,734		TOTAL EXPENDITURE ON PUBLIC INVESTMENTS (a+b+c+d+e+f+g)	398,518,995,838	347,006,678,875
1,495,948,045,806		Grand Total (Notes 5 to 10) - Total Expenditure	1,418,716,212,893	1,298,500,634,754

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project	Actual	
		2011 Rs	2010 Rs
Note 11 - FOREIGN BORROWINGS - 2011			
	AB SVENSK EXPORT CREDIT	1,761,910,511	3,229,802,227
1	Fourth Rural Electrification Project	79,559,250	1,082,386,854
2	Ratmalana & Ja-Ela Westweater Treatment Facilities Project	1,682,351,261	2,147,415,373
	ASIAN DEVELOPMENT BANK (ADB)	29,898,266,984	34,409,668,455
3	Road Network Improvement Project	1649	-
4	Southern Transport Development Project	1711	130,629,070
5	Southern Province Rural Economic Advance Project	1849	-
6	Aquatic Resource Development and Quality Improvement	1910	-
7	Aquatic Resource and Quality Improvement	1911	-
8	Plantation Development Project	1913	-
9	Power Sector Development Project	1930	-
10	Secondary Towns and Rural Community Water/Sanitation	1993	754,147,262
11	Distance Education Modernization Project	1999	-
12	North East Coastal Community Development Project	2027	93,151,117
13	Conflict Affected Areas Rehabilitation	2043	222,700,664
14	Conflict Affected Areas Rehabilitation	2044	412,748,848
15	TA Loan - Road Project Preparatory Facility	2080	231,989,246
16	Secondary Education Modernization (ii)	2096	-
17	Strengthening of the Fiscal Management Institutions Project	2131	-
18	Modernization of Revenue administration	2132	200,292,487
19	Financial Markets Programme for Private Sector Development	2138	-
20	TA for Financial Markets Programme for Private Sector Development	2139	-
21	Tsunami Affected Areas Rebuilding Project	2167	90,551,175
22	North East Community Restore and Development	2168	29,120,243
23	Technical Education Development	2197	693,186,322
24	Local Government Infrastructure Improvement Project	2201	1,421,794,578
25	National Highways Sector Project	2217	4,702,325,580
26	Secondary Towns & Rural Community Water Sanitation (OCR)	2275	163,020,155
27	Secondary Towns & Rural Community Water Sanitation Supply I	2276	291,850,169
28	Colombo Port Expansion Project	2319	8,543,029,315
29	Education for Knowledge Society Project	2371	1,452,796,959
30	SME Regional Development Project	2381	1,345,278,798
31	Southern Transport Development Project - Supplementary	2413	910,689,633
32	Dry Zone Urban Water and Sanitation Project	2477	105,709
33	Clean Energy and Access Improvement Project	2518	804,270,267
34	Clean Energy and Access Improvement Project	2519	265,884,424
35	Eastern & North Central Provincial Road Project	2546	2,297,784,764
36	Greater Colombo Wastewater Management Project (OCR)	2557	35,298,366
37	Greater Colombo Wastewater Management Project (ADF)	2558	164,377,859
38	N - E Community Restoration & Development Project 11 Supplementary	2618	295,486,211
39	ADB Funded Fiscal Management Efficiency Project	2624	39,211,291
40	Conflict Affected Region Emergency Project	2626	957,499,529
41	Northern Road Connectivity Project (OCR)	2639	2,271,750,238
42	Northern Road Connectivity Project (ADF)	2640	507,265,047
43	Jaffna & Kilinochchi Water Supply & Sanitation Project (OCR)	2710	158,594,155
44	Jaffna & Kilinochchi Water Supply & Sanitation Project (ADF)	2711	250,960,370
45	Secondary Towns & Rural Com/Based Water Supply Add.	2757	12,210,189
46	Secondary Towns & Rural Com/Based Water Supply (XDR)	2758	148,266,944

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project	Actual	
		2011 Rs	2010 Rs
	BANK AUSTRIA CREDITANSTALT AG	359,182,493	835,397,386
47	Enhancement & Strengthening of the Road Infrastructure by Construction of Five Bridges	-	46,426,018
48	Greater Colombo Sewerage Rehabilitation System II 2007003	144,766,002	176,964,311
49	Rehabilitation & Augmentation of Kirindi Oya Water Supply Project 2008021	214,416,491	612,007,057
50	Supply of Modern Medical Equipment for Teaching Hospital Kurunegala	-	-
	BOERENLEEN BANK	1,501,178,363	2,621,658,619
51	Disaster Management & Emergency Response System 2006085	-	70,635,986
52	Disaster Management Communication & Response Project 2007032	51,300,680	160,435,796
53	Improvements of the Facilities and Programmes of SLIATE	-	842,905,064
54	Extension of a Disaster Management & Emergency Response System 2009030	-	606,189,459
55	Extension of a Disaster Management & Emergency Response System 2009031	1,390,545,695	941,492,314
56	Importation of Dairy Animals (Netherlands & Australia) 2011026	59,331,988	-
	DANSKE BANK A/S	91,633,610	775,795,693
57	Towns South of Kandy Water Supply Project 200	91,633,610	775,795,693
	EUROPEAN INVESTMENT BANK	-	741,411,500
58	Post Tsunami Line of Credit - Contract A	-	741,411,500
	HSBC BANK Plc (UK)	812,730,903	4,733,796,511
59	Regional Bridge Project HSBC Bank Plc UK 2007027	667,930,600	1,909,493,786
60	Supply & Installation of 5000 Solar Powered Drip Irrigation & Fertilising Systems 2008024	141,824,408	216,510,550
61	The Development of the Dikowita Fisheries Harbour (Netherlands) 2008037	2,975,895	2,607,792,175
	IDA	23,140,583,689	16,327,867,315
62	Renewable Energy for Rural Economic Development Project 3673	331,982,195	1,046,545,460
63	Improving Relevance & Quality of Undergraduate Education 3781	-	721,377,415
64	Second North East Irrigated Agriculture Project 3935	1,899,472,520	950,168,138
65	E - Sri Lanka Development Project 3986	488,845,892	561,931,170
66	North East Housing Reconstruction Project 4014	294,625,268	331,327,119
67	Road Sector Assistance Project 4138	688,833,108	306,151,890
68	Puttalam Housing Project 4261	552,267,894	882,898,768
69	Renewable Energy for Rural Economic Development Project 3673-1	1,812,351,316	-
70	Dam Safety & Water Resources Planning 4406	900,653,908	615,137,529
71	Public Sector Capacity Building Project 4412	507,885,684	369,164,843
72	Additional Financing for North - East Housing Reconstruction Project 4428	1,961,654,860	1,955,260,820
73	Additional Financing for Education Sector Development Project 4423	240,244,939	387,794,487
74	Additional Financing for Road Sector Assisting Project 4429	306,371,551	-
75	Additional Financing for Health Sector Development Project 4575	28,209,092	1,554,128,957
76	Second Community Development & Livelihood Improvement Project 4613	2,069,044,066	-
77	Second Community Development & Livelihood Improvement Project 46130	-	1,734,795,320
78	Provincial Roads Project 4630	1,681,489,770	1,720,338,163
79	Emergency Additional Financing for Community 4671	971,738,280	173,689,285
80	Emergency Northern Recovery Project 4676	2,612,523,415	2,648,317,361
81	Higher Education for the 21st Century 4686	304,768,594	334,508,470
82	Sustainable Tourism Development Project 4702	10,199,874	-
83	North East Local Services Improvement Project 4728	2,163,876,704	-
84	Small & Medium Enterprise Development Facility Project 4804	3,280,902,541	-
85	Second Additional Financing for Road Sector Assistance Project 4906	32,642,218	-
86	PPA- Preparation of Proposed North East Local Services Improvement Project 6920	-	34,332,120
	ING BANK N.V.	489,193,416	504,388,888
87	Negombo Water Supply Project 2008032	489,193,416	504,388,888

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project	Actual	
		2011 Rs	2010 Rs
	INTERNATIONAL FUND FOR AGRICULTURE DEVELOPMENT	2,036,071,364	1,241,373,711
88	Matale Regional Economic Advancement Project 493	-	-
89	Dry Zone Livelihood Support & Partnership Programme 636	738,769,802	491,750,182
90	Post Tsunami Coastal Rehabilitation & Resource Mgt Programme 664	193,571,579	532,995,151
91	Smallholder Plantations Entrepreneurship Dev. Programme 712	394,019,467	194,628,471
92	Post Tsunami Coastal Rehabilitation & Resource Mgt Programme 11 693	433,728,516	-
93	Post Tsunami Livelihood Support & Partnership Prg II 694	-	21,999,907
94	National Agri-business Development Programme 797	275,982,000	-
	NORDEA BANK DENMARK A/S	4,401,110,534	3,490,084,680
95	Kelani Right Bank Water Treatment Plant 2008028	2,601,308,676	1,336,648,179
96	Oluvil Port Development Project 2008029	639,729,987	2,153,436,501
97	Rural Electrification Project 4 Extention 2011011	1,160,071,871	-
	ORGANISATION OF PETROLEUM EXPORTING COUNTRIES (OPEC)	339,420,167	64,463,374
98	Southern Province Rural Economic Advancement Project 868 P	78,473,830	64,463,374
99	National Highway Sector Project 1355 P	260,946,337	-
	RAIFFEISEN ZENTRAL BANK	248,470,851	498,376,577
100	Up-grading of Technical Education (SLIATE) 2008038	248,470,851	498,376,577
	AUSTRALIAN & NEW ZEALAND INVESTMENT BANK	4,067,659,133	1,494,933,584
101	Intergrated Water Supply Scheme for the Unserved Areas of Ampara District-Phase111 2010023	4,067,659,133	1,494,933,584
	UNICREDIT BANK AUSTRIA AG	1,309,960,711	641,503,569
102	Rehabilitation of Old Laxapana Hydroelectric Power Plant / Rehabilitation of Eastern Railway Line 210022	-	641,503,569
103		1,309,960,711	-
	CALYON CREDIT AGRICOLE CIB	2,104,706,136	1,937,423,487
104	Rehabilitation of Wimalasurendra and New Laxapana Power Stations 2008042	2,104,706,136	1,937,423,487
	GOVERNMENT OF PEOPLES' REPUBLIC OF CHINA	-	297,956,470
105	Supply of 100 Nos Railway Passenger Carriages	-	297,956,470
	CHINA DEVELOPMENT BANK CORPORATION	6,658,002,239	-
106	Rehabilitation and Improvement of Priority Road Project 2010051	3,383,110,799	-
107	Improvement and Rehabilitation of Priority Roads 2011007	3,274,891,440	-
	GOVERNMENT OF DENMARK	-	282,687,663
108	Nuwara Eliya District Group Water Supply Project	-	282,687,663
	GOVERNMENT OF FRANCE	2,106,700,183	5,197,140,831
109	Spatial Information Infrastructure for Reconstruction Monitoring Project	-	29,162,706
110	Trincomalee Intergrated Infrastructure Project 2005049	229,587,513	4,880,596,714
111	Greater Trincomalee Water Supply Project 2005052	515,537,234	5,736,171
112	Trincomalee Integrated Infrastructure Project 2008030	397,331,557	-
113	Provision of Oxygen Concentrations, Operating Theaters & Medical Equipment to 2010008	964,243,879	281,645,240
	GOVERNMENT OF GERMANY	426,316,729	1,043,773,822
114	Koggala Water Supply Project 9865080	41,855,548	47,270,787
115	Nawalapitiya Water Supply Project 9765835	39,972,047	44,986,540
116	DFCC V Credit Line for SME in the North and East 2006040	295,243,799	266,966,429
117	Ampara Water Supply Project	22,811,274	25,762,579
118	Colombo Grid Substation Project	4,835,796	621,615,534
119	Reconstruction of Water Supply Galle District Phase 11 2010036	21,598,265	-
120	Rehabilitation of Electricity Supply Jaffna Region (Transmission Line)	-	37,171,953

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project	Actual	
		2011 Rs	2010 Rs
GOVERNMENT OF INDIA		24,813,307,575	1,240,791,092
121	Indian Line of Credit	-	71,745,458
122	Upgrading of Railway Line Colombo Matara	2008011 4,580,465,085	1,108,468,851
123	Upgrading of Railway Line Colombo Matara Phase 11	2010010 3,139,687,398	-
124	Railway Line Omanthi-Pallai, Madhu-Tallaimannar & Medawachchiya	2010052 13,839,341,148	-
125	India Dollar Credit Line Agreement	2008006 3,253,813,944	60,576,783
GOVERNMENT OF STATE OF KUWAIT		767,136,519	621,262,417
126	Bridges Reconstruction & Rehabilitation Project	466/627 7,467,822	84,231,591
127	Strengthening of Tertiary Education & Administrative Infrastructure in Tsunami Affected Areas	711 198,543,677	182,333,573
128	South Eastern University of Sri Lanka Development Project Phase I "A"	747 172,723,050	315,418,506
129	Kalu Ganga Development Project	781 388,401,970	39,278,747
GOVERNMENT OF SAUDI ARABIA		369,830,506	446,045,804
130	Development of Health Facilities - Colombo Hospital	4/390 294,092,243	288,011,671
131	Bataloa - Trincomalee Road Project	5/416 53,943,982	129,895,960
132	Epilepsy Hospital & Health Centers Project	7/477 19,557,217	28,138,173
133	Development of Health Facilities - Colombo Hospital Addi. Loan	6/476 2,237,064	288,011,671
JAPAN / SRI LANKA		39,834,893,359	35,110,286,863
134	Colombo City Electricity Distribution Development Project	72 983,306,740	2,814,569,701
135	Lunawa Environment Improvement and Community Development Project	73 -	1,450,313,243
136	Upper Kotmale Hydro Power Project	74 8,799,178,071	6,585,841,654
137	Plantation Reform Project (II)	75 -	774,819,655
138	Provincial Road Improvement Project	76 382,662,036	465,898,885
139	Pro-poor Economic Advt. & Commu. Enht.	77 1,298,508,783	2,141,607,446
140	Power Sector Restructuring Project (Kerawalapitiya)	78 -	106,775,628
141	Small and Micro Industries Leader and Entrepreneur Promotion	81 -	182,525,802
142	Environmentally Friendly Solution Fund (II)	82 -	536,055,828
143	Vavuniya Kilinochchi Transmission Line Project	83 641,083,392	392,454,548
144	Tourism Resources Improvement Project	86 564,692,646	361,107,491
145	Pro - poor Eastern Infrastructure Development Project	87 431,463,208	1,585,455,036
146	Greater Colombo Transport Development Project	89 4,833,388,410	5,859,257,337
147	Water Sector Development Project	90 3,233,772,621	5,178,763,562
148	Greater Colombo Urban Transport Development Project	91 7,902,337	12,290,754
149	Southern Highway Construction Project (II)	92 7,346,553,690	3,431,318,651
150	Water Sector Development Project (II)	93 1,453,719,620	782,059,191
151	Poverty Alleviation Micro Finance Project (II)	94 885,000,621	1,004,958,846
152	Ukuwela Power Station Rehabilitation Project	- 738,611,965	831,173,500
153	Energy Diversification Enhancement Project	95 1,072,029	62,694,293
154	Provincial Rural Road Development Project	96 1,219,152,203	1,991,199
155	Provincial Rural Road Development Project	97 1,269,087,087	519,749,239
156	Eastern Province Water Supply Development Project	98 461,183,417	24,561,135
157	Kandy City Waste Water Management Project	99 19,380,992	3,053,885
158	Upper Kotmale Hydro Power Project 11	100 6,274,906	990,354
159	Greater Colombo Urban Transport Development Project - Phase 11	101 7,686,080	-
160	Vavuniya-Kilinochchi Transmission Line Project - Phase 11	102 417,545,055	-
161	Emergency Natural Disaster Rehabilitation Project	103 4,833,667,450	-

Notes to Financial Statements *contd...*

S No	Funding Agency / Name of the Project	Actual	
		2011 Rs	2010 Rs
	GOVERNMENT OF SPAIN	-	66,977,679
172	Design Supply & Setting up of Two Water Treatment Plants at Galle & Negambo	-	66,977,679
	SRI LANKA - KOREA	3,004,737,754	5,233,538,632
173	Re-Engineering Government Component of E - Sri Lanka Project	13	195,816,375
174	Administrative Complex in Hambantota Project	14	910,590,656
175	Upgrading of Niyagama National Vocational Training Centre Project	16	187,589,250
176	Lanka Government Network Stage 11 Project	17	630,392,551
177	Improvement of Padeniya-Anuradhapura Road Project	18	1,589,145,462
178	Ruhunupura Water Supply Development Project	19	1,720,004,338
179	Hatton-Nuwara Eliya Road Improvement Project	20	-
	GOVERNMENT OF SWEDEN	-	109,581,135
180	Education Reforms in Plantation Schools	-	109,581,135
	THE EXPORT - IMPORT BANK OF CHINA	24,845,730,320	27,035,469,295
181	Hambantota Port Development Project	2007044	12,987,651,775
182	Colombo - Katunayake Expressway (CKE) Section A1	2009011	2,157,029,898
183	Colombo - Katunayake Expressway (CKE) Section A2	2009010	1,957,164,033
184	Colombo - Katunayake Expressway (CKE) Section A3	2009012	1,472,111,352
185	Colombo - Katunayake Expressway (CKE) Section A4	2009013	2,056,688,521
186	Supply of 13 Nos. Diesel Multiple Units to Sri Lanka Railway Project	-	3,386,040,296
187	Supply of Two Nos. A60 Aircraft Project	2010029	-
188	Bunkering Facility & Tank Farm Project at Hambantota	2009009	3,018,783,419
189	Nothern Road Rehabilitation Project	2010031	-
190	Nothern Road Rehabilitation Project	2010032	-
191	Nothern Road Rehabilitation Project	2010033	-
192	Nothern Road Rehabilitation Project	2010034	-
193	Nothern Road Rehabilitation Project	2010035	-
194	Highway Section Pinnaduwa to Kodagoda	2011005	-
195	Highway Section Kodagoda to Godagama	2011006	-
	EXPORT DEVELOPMENT BANK OF IRAN	1,949,926,810	-
196	Implementation of Rural Electrification Project 8	2010005	-
	OTHERS	109,703,720,611.00	111,467,291,900
197	Bonds 500 mn	-	111,467,291,900
198	International Sovereign Bond Issue 2011	109,703,720,611	-
		287,012,381,370	261,700,749,179

Notes to Financial Statements *contd...*

	Actual	
	2011 Rs	2010 Rs
Note 12 - FOREIGN GRANTS		
Grants Received in the Form of Cash for Projects		
Asian Development Bank	-	579,578
Japan	2,686,933	4,841,887
Canada	-	3,980,502
International Labour Organization	403,197	3,043,640
Japan	-	261,865,057
Netherlands	49,882,074	32,969,256
Norway	-	679,375
Sweden	-	69,872,998
United Nations High Commission for Refugees (UNHCR)	68,447,245	234,469,291
United Kingdom	271,337,461	4,146,211
United Nations Development Programme (UNDP)	168,157,510	114,550,541
UNESCO	28,612,899	5,509,260
United Nations Fund for Population (UNFA)	61,417,371	105,150,882
United Nations Children's Education Fund (UNICEF)	752,989,457	702,207,995
United State of America	32,420,261	115,032,482
World Health Organisation	71,996,093	40,237,140
World Bank	636,329,762	351,133,124
United Nations Environment Programme (UNEP)	6,119,816	2,433,277
Italy	-	7,101,008
IDA	3,369,390,010	482,394,540
India	53,282,003	110,815,600
GAVI	118,703,180	78,015,363
SAARC	20,000,000	1,520,918
SEOUL KOREA	-	774,888
Local	4,000,000	5,605,850
Other	78,452,081	-
	5,794,627,348	2,738,930,662
Less: Refunds or adjustments		
Sub Total (a)	5,794,627,348	2,738,930,662
Grants Received through Special Foreign Currency Accounts		
International Development Association (IDA)	513,088,132	196,735,327
Asian Development Bank (ADB)	810,585,853	3,102,763,476
	-	-
United Nations Development Programme (UNDP)	36,019,528	9,333,059
IFAD	28,888,225	7,502,197
Sub Total (b)	1,388,581,737	3,316,334,059

Notes to Financial Statements *contd...*

	Actual	
	2011 Rs	2010 Rs
Grants Received and Reported in the Form of Materials & Equipments		
World Food Programme	3,413,188,850	4,622,862,185
The Government of Netherlands	-	763,692,546
The Government of Korea (KOICA)	-	177,502,992
The Government of India	-	81,679
The Government of Japan	1,906,170,882	-
JICA	513,466,180	318,053,320
ADB	1,053,903,973	1,276,778,955
WMO	3,936,100	-
United Nations Development Programme (UNDP)	470,045,275	80,598,858
Unicef/ UNFPA/ Red Cross	-	155,000,000
IFRC	-	620,000,000
KFW	-	354,000,000
SWEDEN	2,897,980	99,000,000
FAO	90,637,890	-
EU	184,314,941	-
GFATM	396,504,361	-
ROMAN	21,000,000	-
CANADA	55,970,000	-
SPANISH	21,392,110	-
IRAN	100,000,000	-
NETHERLAND	110,192,653	-
The European Union	-	665,037,689
Sub Total (c)	8,343,621,195	9,132,608,224
Direct Payment		
JICA	-	1,906,099,852
ADB	-	147,317,653
UNDP	10,714,157	-
UNICEF	1,000,000	-
FAO	3,567,725	11,462,000
Sub Total (d)	15,281,882	2,064,879,505
Non Project		
Japan	419,523,194	-
Grand Total - (a)+(b)+(c)+(d)	15,961,635,355	17,252,752,450
Less: Grants Received for Tsunami Related Expenses		
Refunds relating to Prior years	-	(302,746,474)
	15,961,635,355	16,950,005,976

Notes to Financial Statements *contd..*

	Actual	
	2011 Rs.	2010 Rs.
Note 13 - DOMESTIC NON-BANK BORROWINGS		
Net Borrowings through Treasury Bills - 8085	92,063,836,890	98,569,494,544
Treasury Bonds - 9093	537,673,800,390	469,807,146,165
Foreign Currency Banking Unit - 9107	5,464,504,500	-
Sri Lanka Development Bonds 9105	60,191,724,500	71,192,907,100
	695,393,866,280	639,569,547,809
Net Borrowings through Treasury Bills	1,115,723,923,483	942,335,724,276
<u>Less:</u> Total Repayments	1,023,660,086,593	843,766,229,732
Net Amount of Repayment/Borrowings	92,063,836,890	98,569,494,544
Note 14 - DOMESTIC DEBT REPAYMENTS		
Treasury Bonds - 9093	356,651,912,740	296,266,641,740
Rupee Loans - 8249	25,748,259,742	24,583,028,232
Sri Lanka Development Bonds - 9105	57,319,133,450	60,119,977,780
Local Loans in Foreign Currency - 9107	5,992,268,100	2,084,553,150
CITI Bank Loans - 9112	-	445,217,932
Deferred Loan Repayment	24,363,440,007	-
Other	-	60,142
	470,075,014,039	383,499,478,976
Note : - Net amount payment of Treasury Bills reflects the difference between borrowings through Treasury Bills and their settlements on maturity, taken place during the year.		
Note 15 - RECOVERIES FROM ON-LENDING		
Foreign Funded Lending		
National Development Bank	935,173,346	943,064,740
Sri Lanka Ports Authority	4,668,488,136	4,595,714,836
Sri Lanka Telecom	-	618,676,762
Development Finance Corporation of Ceylon	1,908,314,375	1,823,952,816
Hatton National Bank	437,981,418	285,750,928
Lanka Electricity Company Ltd.	77,422,406	77,422,406
National Water Supply & Drainage Board	764,550,000	750,000,000
Sampath Bank	335,988,761	286,677,397
Commercial Bank	392,394,866	336,219,934
Seylan Bank	118,619,385	58,837,187
Ceylon Petroleum Corporation	647,368,644	647,368,644
National Development Trust Fund	16,032,023	16,032,023
Lanka Orix Leasing Company	162,344,771	58,472,916
Local Loan Development Fund	57,440,926	56,459,114
Revolving Funds of Central Bank with Regional Dev. Banks	1,912,234,528	2,374,272,460
Lankaputhra Development Bank	8,878,643	8,878,643
Other Institutions	2,110,735,248	2,182,526,312
Sub Total (a)	14,553,967,478	15,120,327,118
Treasury Funded Lending		
AHF Loan Scheme	296,487,652	295,798,184
Provincial Council Loans	-	24,000,000
Other Loans	27,257,528	94,419,700
Sub Total (b)	323,745,180	414,217,884
Grand Total (a+b)	14,877,712,658	15,534,545,002

Notes to Financial Statements *contd...*

	2011 Rs.	Actual 2010 Rs.
Note 16 - LOANS TO PUBLIC OFFICERS		
Advances to Public Officers Transferred to Provincial Councils (7004)	193,040,033	154,653,537
Advances to Public Officers of the Central Government (8493)	25,928,740,234	25,541,132,296
	26,121,780,267	25,695,785,833
Note 17 - ADVANCES TO GOVERNMENT DEPARTMENTS		
Treasury Authorised Advance Accounts (7000)	8,530,774,206	8,337,309,856
	8,530,774,206	8,337,309,856
Note 18 - MEMBERSHIP FEES PAID		
International Monetary Institutions Membership Fees Paid (8234) and (8339)	1,885,484,941	1,885,484,941
Foreign Aids Counterpart Fund - Grants (8317)	1,631,694,933	1,631,694,933
	3,517,179,874	3,517,179,874

Notes to Financial Statements *contd..*

Note 19 - ON LENDING

S.No	Name of the Institution	Balance as at 01.01.2011 Rs.	New Loan During 2011 Rs.	Amount Settled During 2011 Rs.	Balance as at 31.12.2011 Rs.
1	Sri Lanka Ports Authority	60,968,202,702	8,543,029,315	4,668,488,136	69,006,542,619
	Less/ Add : Parity Variance	4,163,798,738	-	-	4,055,876,273
	Balance	65,132,001,440	8,543,029,315	4,668,488,136	73,062,418,892
2	Ceylon Electricity Board	67,034,065,266	13,287,125,446	-	80,321,190,713
	Balance	67,034,065,266	13,287,125,446	-	80,321,190,713
3	Development Finance Corporation of Ceylon	20,928,060,538	1,616,168,915	1,908,314,375	20,152,899,763
	Less/Add : Parity Variance/Adjustment	(483,015,315)	-	-	(374,415,958)
	Balance	20,445,045,223	1,616,168,915	1,908,314,375	19,778,483,805
4	Lankaputhra Development Bank	2,191,707,943	-	8,878,643	2,129,649,910
	Less/ Add : Parity Variance	(53,179,391)	-	-	-
	Balance	2,138,528,552	-	8,878,643	2,129,649,910
	Indian Line of Credits				
5	Bank of Ceylon	632,883	-	421,928	210,955
6	Commercial Bank of Ceylon Ltd.	969,233	-	775,396	193,837
7	Hatton National Bank Ltd.	417,224	-	417,224	-
8	People's Bank	482,575	-	193,028	289,547
	Sub Total	2,501,915	-	1,807,576	694,339
9	People's Bank	-	132,597,844	-	132,597,844
10	National Development Bank	10,149,521,830	720,916,271	935,173,346	9,075,633,322
	Less : Parity Variance/ Adjustment	(859,631,433)	-	-	(859,631,433)
	Balance	9,289,890,397	720,916,271	935,173,346	8,216,001,889
11	Lanka Electricity Company	287,436,277	-	77,422,406	210,013,871
12	Sampath Bank Ltd.	3,732,749,652	923,443,488	335,988,761	4,088,995,818
	Less : Parity Variance/ Adjustment	(231,208,561)	-	-	(247,764,504)
	Balance	3,501,541,091	923,443,488	335,988,761	3,841,231,314
13	Hatton National Bank Ceylon Ltd.	4,477,943,309	890,937,412	437,981,418	4,864,793,157
	Less : Parity Variance/ Adjustment	(66,106,147)	-	-	(65,606,120)
	Balance	4,411,837,162	890,937,412	437,981,418	4,799,187,037
14	Commercial Bank	7,087,355,198	762,146,925	392,394,866	6,749,554,072
	Less : Parity Variance/ Adjustment	(707,553,186)	-	-	(707,553,186)
	Balance	6,379,802,012	762,146,925	392,394,866	6,042,000,886
15	Seylan Bank	454,991,374	-	118,619,385	336,371,989
16	Ceylon Petroleum Corporation	3,940,324,492	-	647,368,644	3,292,955,848
17	National Development Trust Fund	1,439,115,319	-	16,032,023	1,423,083,296
18	Sarvodaya Economic & Enterprises Dev. Services	1,096,048,791	-	167,507,428	928,541,362
19	Local Loan Development Fund	2,217,660,425	2,589,283,201	57,440,926	4,749,502,699
20	Lanka Orix Leasing Co. Ltd.	1,634,938,010	17,766,387	162,344,771	1,485,926,317
	Less : Parity Variance/ Adjustment	(4,433,309)	-	-	(9,472,812)
	Balance	1,630,504,701	17,766,387	162,344,771	1,476,453,505
21	National Water Supply & Drainage Board	24,325,203,823	3,236,616,917	764,550,000	26,797,270,740

Notes to Financial Statements *contd...*

S.No	Name of the Institution	Balance as at 01.01.2011 Rs.	New Loan During 2011 Rs.	Amount Settled During 2011 Rs.	Balance as at 31.12.2011 Rs.
22	Bank of Ceylon	2,719,745,597	174,300,000	119,142,783	2,498,969,768
	Less: Parity Variance/ Adjustment	(275,933,046)	-	-	(276,388,498)
	Balance	2,443,812,551	174,300,000	119,142,783	2,222,581,270
23	Colombo Dockyard	94,770,000	-	24,076,500	59,049,900
	Add: Parity Variance	(11,643,600)	-	-	445,800
	Balance	83,126,400	-	24,076,500	59,495,700
24	Urban Development Authority	276,749,960	-	-	276,749,960
25	S.L. Land Reclamation and Dev. Board	44,238,458	-	44,238,458	-
26	Commercial Leasing Company Ltd.	387,594	-	387,594	-
27	Ceylinco Leasing Company Ltd.	117,197,417	-	14,649,677	102,547,740
28	Housing Development Finance Corporation	18,325,625	-	18,325,625	-
29	State Mortgage & Investment Bank	13,758,746	-	13,758,746	-
30	People's Leasing Company Ltd.	225,775,709	10,000,000	-	233,070,857
	Less: Parity Variance/ Adjustment	(2,704,853)	-	-	(17,572,818)
	Balance	223,070,856	10,000,000	-	215,498,038
31	Kandurata Development Bank	65,679,710	-	-	65,679,710
	Less: Parity Variance/ Adjustment	-	-	-	-
	Balance	65,679,710	-	-	65,679,710
32	Distance Learning Centre Ltd.	28,855,442	-	3,206,160	25,649,282
33	Central Bank of Sri Lanka	1,483,643,348	-	122,458,962	1,361,184,386
34	Prajashakthi District Organization-Badulla	5,820,000	-	-	5,820,000
35	Sanasa Development Bank	12,056,479	-	-	12,056,479
36	Sanasa Development Bank	34,690,428	-	3,854,492	30,835,936
37	Min. of Agricultural Dev. Agrarian Services	1,523,886,812	-	19,027,453	1,504,859,359
38	Alliance Finance Company Ltd.	155,099,089	-	-	155,099,089
39	Revolving Funds with Central Bank of Sri Lanka	13,767,259,781	96,258,000	1,912,234,528	14,520,567,929
	Add: Parity Variance/ Adjustment	2,569,284,676	-	-	2,611,713,733
	Balance	16,336,544,457	96,258,000	1,912,234,528	17,132,281,662
40	Wayamaba Development Bank	72,902,400	-	-	57,503,246
	Less: Parity Variance/ Adjustment	(15,399,154)	-	-	(16,380,292)
	Balance	57,503,246	-	-	41,122,954
41	HDFC / NHDA	371,676,845	-	25,464,582	346,212,263
42	Airport & Aviation Services (Sri Lanka) Ltd.	15,853,684,812	-	1,488,661,522	16,015,179,787
	Less: Parity Variance	1,650,156,498	-	-	1,199,540,515
	Balance	17,503,841,310	-	1,488,661,522	17,214,720,302
	On Lending Based on Foreign Aids	254,526,463,033	33,000,590,121	14,509,799,786	269,018,101,923
43	Local Loans & Development Fund	321,280,525	7,415,800	22,963,290	305,733,035
44	Sri Lanka Rubber Manufacture & Dev. Corporation	773,340,000	-	-	773,340,000
45	Sri Lanka Handicraft Development Board	9,761,000	-	-	9,761,000
46	Lankaputhra Development Bank II	10,000,000	-	10,000,000	-
47	Lankaputhra Development Bank -Sml/Med.Gar.pr.	27,272,800	-	5,454,400	21,818,400
48	Hotel Developers Lanka Ltd.	11,731,101,098	1,598,768,631	-	13,329,869,729
49	Other Local Loans	60,250,000	-	5,750,000	54,500,000

Notes to Financial Statements *contd...*

S.No	Name of the Institution	Balance as at 01.01.2011 Rs.	New Loan During 2011 Rs.	Amount Settled During 2011 Rs.	Balance as at 31.12.2011 Rs.
50	AHF Loan Scheme 2004/2005	2,368,674,926	-	296,487,652	2,072,187,273
51	Real Estate Exchange Pvt Ltd.	250,000,000	-	-	250,000,000
52	Min. of Prtrolium & Pet. Resos. Dev.	591,152,900	-	-	591,152,900
53	Department of Treasury Operations - (RFPDFP)	1,999,025,150	-	-	1,999,025,150
54	Department of Treasury Operations - (PLGF)	916,231,000	-	-	916,231,000
55	Ceylon Hotel Corporations	19,000,000	-	-	19,000,000
56	Ceylon Ceramic Corporations	8,676,923	-	-	8,676,923
57	Ceylon Fisheries Corporations	50,000,000	-	-	50,000,000
58	Ceylon Fisheries Corporations	11,600,000	-	-	11,600,000
59	Ceylon Fisheries Corporations	50,000,000	-	-	50,000,000
60	Osu Govi Pvt Ltd.	17,800,000	-	17,800,000	-
61	National Paper Company Ltd.	50,000,000	-	-	50,000,000
62	Central Bank - (SPIRDP)	70,000,000	-	7,958,244	62,041,756
63	Selesene	-	9,300,000	-	9,300,000
64	Central Bank - SEPI Loan Scheme	44,500,000	30,000,000	1,499,284	73,000,716
On Lending Based on Domestic Funds		19,379,666,321	1,645,484,431	367,912,870	20,657,237,882
Total Parity Variance		5,672,431,918	-	-	5,292,790,699
Total (Before Parity Variance)		268,233,697,437	34,646,074,552	14,877,712,658	293,674,491,250
Total (After Parity Variance)		273,906,129,356	-	14,877,712,658	298,967,281,949

Notes to Financial Statements *contd...*

Note 20 - CAPITAL CONTRIBUTION OR SHAREHOLDINGS IN THE COMMERCIAL PUBLIC CORPORATIONS / STATE OWNED COMPANIES / OTHER COMPANIES / PLANTATION COMPANIES / DEVELOPMENT BANKS (8468 / 8548)

	Balance as at 01.01.2011	Additions in 2011	Adjustments */ Reductions in 2011	Balance as at 31.12.2011
	Rs.	Rs.	Rs.	Rs.
Note - 20.1 (a) Capital Contribution in Commercial Public Corporations	83,659,272,851	-	-	83,659,272,851
Note - 20.1 (b) Central Bank of Sri Lanka	15,000,000	-	-	15,000,000
Note - 20.2 Shareholdings in Government Owned or Other Companies	31,740,085,686	2,136,496,600	-	33,876,582,286
Note - 20-3 Shareholdings in Plantation Companies	1,677,234,640	-	-	1,677,234,640
Note - 20.4 Shareholdings in Companies in US Dollar denomination	224,282,840	8,804,255	-	233,087,095
Note - 20.5 Shareholdings in Development Banks	4,549,237,566	-	-	4,549,237,566
Total	121,865,113,583	2,145,300,855		124,010,414,438

Note 20.1 (A) - CAPITAL CONTRIBUTION IN COMMERCIAL PUBLIC CORPORATIONS

S. No.	Name	Balance as at 01.01.2011	Additions in 2011	Reduction in 2011	Balance as at 31.12.2011
		Rs.	Rs.	Rs.	Rs.
1	Bank of Ceylon	5,000,000,000	-	-	5,000,000,000
2	Central Engineering Consultancy Bureau	500,000	-	-	500,000
3	Ceylon Ceramics Corpoartion	2,640,000	-	-	2,640,000
4	Ceylon Electricity Board	51,198,676,120	-	-	51,198,676,120
5	Ceylon Fisheries Corporation	376,710,000	-	-	376,710,000
6	Ceylon Petroleum Corporation	117,820,000	-	-	117,820,000
7	Development Lotteries Board	2,200,000	-	-	2,200,000
8	Housing Development Finance Corporation Bank	346,490,000	-	-	346,490,000
9	National Films Corporation of Sri Lanka	10,000,000	-	-	10,000,000
10	National Institute of Business Management	57,175,766	-	-	57,175,766
11	National Livestock Development Board	576,587,649	-	-	576,587,649
12	National Lotteries Board	21,263,100	-	-	21,263,100
13	National Savings Bank	1,700,000,000	-	-	1,700,000,000
14	National Water Supply & Drainage Board	185,480,000	-	-	185,480,000
15	People's Bank	7,198,133,000	-	-	7,198,133,000
16	Sri Lanka Ayurvedic Drugs Corporation	5,000,000	-	-	5,000,000
17	Sri Lanka Broadcasting Corporation	307,386,085	-	-	307,386,085
18	Sri Lanka Cashew Corporation	427,287,074	-	-	427,287,074
19	Sri Lanka Cement Corporation	966,971,844	-	-	966,971,844
20	Sri Lanka Transport Board	3,944,890,550	-	-	3,944,890,550
21	Sri Lanka Export Credit Insurance Corporation	30,000,000	-	-	30,000,000
22	Sri Lanka Handicraft Board	69,629,000	-	-	69,629,000
23	Sri Lanka Land Reclamation & Development Corporation	1,000,000	-	-	1,000,000
24	Sri Lanka Ports Authority	7,535,916,027	-	-	7,535,916,027
25	Sri Lanka Rupavahini Corporation	537,743,000	-	-	537,743,000
26	State Development & Construction Corporation	16,671,650	-	-	16,671,650

Notes to Financial Statements *contd...*

S. No.	Name	Balance as at 01.01.2010 Rs.	Additions in 2011 Rs.	Reduction in 2011 Rs.	Balance as at 31.12.2011 Rs.
27	State Engineering Corporation of Sri Lanka	70,000,000	-	-	70,000,000
28	State Mortgage & Investment Bank	889,813,000	-	-	889,813,000
29	State Pharmaceuticals Corporation of Sri Lanka	59,055,258	-	-	59,055,258
30	State Pharmaceuticals Manufacturing Corporation	690,079,000	-	-	690,079,000
31	State Printing Corporation	15,000,000	-	-	15,000,000
32	State Timber Corporation	41,503,668	-	-	41,503,668
33	Urban Development Authority	1,257,651,060	-	-	1,257,651,060
	Total (20.1)	83,659,272,851	-	-	83,659,272,851

Note 20.1 (B) - CENTRAL BANK OF SRI LANKA

1	Central Bank of Sri Lanka	15,000,000	-	-	15,000,000
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Notes to Financial Statements *contd...*

Note 20.2 - SHAREHOLDINGS IN GOVERNMENT OWNED OR OTHER COMPANIES

Se. No.	Name of Company	Number of Shares			Nominal Value Per Share (Rs.)	Value of the Investment as at 01.01.2011	Value of the Investment as at 31.12.2011	Percentage of Share holdings by the Treasury	
		As at 01.01.2011	Additions	Deductions					As at 31.12.2011
1	Airport & Aviation Services (Sri Lanka) Ltd.	200,000			200,000	100.00	20,000,000.00	20,000,000.00	0.98
2	BCC Lanka Ltd.	10,000,000			10,000,000	10.00	100,000,000.00	100,000,000.00	100.00
3	Bogala Graphite Lanka Ltd.	254,500			254,500	10.00	2,545,000.00	2,545,000.00	0.91
4	Borwood Ltd.	200,000			200,000	10.00	2,000,000.00	2,000,000.00	-
5	Building Materials Coporation	1,000,000			1,000,000	10.00	10,000,000.00	10,000,000.00	100.00
6	Ceylon Agro Ltd.	5,951,701			5,951,701	10.00	59,517,010.00	59,517,010.00	8.50
7	Ceylon fertilizer Co. Ltd.	50,245,608			50,245,608	10.00	502,456,080.00	502,456,080.00	100.00
8	Ceylon Hotel Corporation	1,200,000			1,200,000	10.00	12,000,000.00	12,000,000.00	100.00
9	Ceylon Oxygen Ltd.	8,453			8,453	10.00	84,530.00	84,530.00	-
10	Ceylon Shipping Corporation Ltd.	5,000,000			5,000,000	10.00	50,000,000.00	50,000,000.00	100.00
11	Ceylon Shipping Lines Ltd.	156,493			156,493	10.00	1,564,930.00	1,564,930.00	39.00
12	Ceylon Petroleum Storage Terminals Ltd.	250,000,000			250,000,000	10.00	2,500,000,000.00	2,500,000,000.00	33.00
13	Ceynor Foundation Ltd.	4,000,000			4,000,000	10.00	40,000,000.00	40,000,000.00	100.00
14	Colombo Commercial Company (Engeneers) Ltd.	2,960,000			2,960,000	10.00	29,600,000.00	29,600,000.00	-
15	Colombo Commercial Fertilizer Ltd.	1,000,000			1,000,000	10.00	10,000,000.00	10,000,000.00	100.00
16	Colombo Sack Makers Ltd.	2,499,996			2,499,996	10.00	24,999,960.00	24,999,960.00	-
17	Commercial Bank of Ceylon Ltd.	14,418			14,418	10.00	144,180.00	144,180.00	0.00
18	Comsec Management Servises	2,499,996			2,499,996	10.00	24,999,960.00	24,999,960.00	-
19	Cultural Publication Company Ltd.	600			600	100.00	60,000.00	60,000.00	-
20	Distance Learning Center Ltd.	14,206,509			14,206,509	10.00	142,065,090.00	142,065,090.00	99.99
21	Laxapana Batteries Ltd. (Elephant Lite Corporation Ltd) - (Peference)	1,000			1,000	10.00	10,000.00	10,000.00	5.00
22	Galadari Hotels Lanka Ltd.	292,200			292,200	10.00	2,922,000.00	2,922,000.00	-
23	Glaxso Welcome Ceylon Ltd.	450			450	10.00	4,500.00	4,500.00	-
24	Hotel Developers (Lanka) Ltd.	29,388,463			29,388,463	10.00	293,884,630.00	293,884,630.00	64.98
25	Hotel Services Ltd.	2,263			2,263	10.00	22,630.00	22,630.00	-
26	Hunas Falls Ltd.	1			1	10.00	10.00	10.00	-
27	Independent Television Network Ltd.	9,500,000			9,500,000	10.00	95,000,000.00	95,000,000.00	100.00
28	Kahatagaha Grafite Lanka Ltd.	130,000			130,000	10.00	1,300,000.00	1,300,000.00	90.00
29	Kalubowitiyana Tea Factory Ltd.	4,637,500			4,637,500	10.00	46,375,000.00	46,375,000.00	99.90
30	Kantale Suger Industries Ltd.	268,993			268,993	100.00	26,899,300.00	26,899,300.00	100.00
31	Lafarge Mahaweli Cement (Pvt) Ltd.	480,000			480,000	10.00	4,800,000.00	4,800,000.00	10.00
32	Lanka Canneries Ltd.	40,002			40,002	100.00	4,000,200.00	4,000,200.00	9.09
33	Lanka Cement Ltd.	22,246,000			22,246,000	10.00	222,460,000.00	222,460,000.00	13.00
34	Lanka Coal Company (Pvt) Ltd.	400,000			400,000	10.00	4,000,000.00	4,000,000.00	-
35	Lanka Electricity Company (Pvt) Ltd.	49,880,000			49,880,000	10.00	498,800,000.00	498,800,000.00	43.56
36	Lanka Fabrics Ltd.	210,000			210,000	10.00	2,100,000.00	2,100,000.00	93.30
37	Lanka Hydraulic Institute Ltd.	50,000			50,000	10.00	500,000.00	500,000.00	4.53
38	Lanka Industrial Estates Ltd.	7,800,000			7,800,000	10.00	78,000,000.00	78,000,000.00	48.84
39	Lanka Layland Ltd.	-			-	10.00	-	-	100.00
40	Lanka Layland Ltd.	1,289,900			1,289,900	6.94	8,951,906.00	8,951,906.00	-

Notes to Financial Statements *contd..*

Se. No.	Name of Company	Number of Shares			Nominal Value Per Share (Rs.)	Value of the Investment as at 01.01.2011	Value of the Investment as at 31.12.2011	Percentage of Share holdings by the Treasury	
		As at 01.01.2011	Additions	Deductions					As at 31.12.2011
41	Lanka Layland Ltd.	430,000			430,000	0.01	4,300.00	4,300.00	-
42	Lanka Machine Leasers (Pvt) Ltd.	588,884			588,884	100.00	58,888,400.00	58,888,400.00	100.00
43	Lanka Mineral Sands Ltd.	80,000,000			80,000,000	10.00	800,000,000.00	800,000,000.00	100.00
44	Lanka Phosphate Ltd.	7,251,000			7,251,000	10.00	72,510,000.00	72,510,000.00	100.00
45	Lanka STC General Trading Co. Ltd.	10,000,000			10,000,000	10.00	100,000,000.00	100,000,000.00	100.00
46	Lanka Synthetic Fiber Company	956,256			956,256	10.00	9,562,560.00	9,562,560.00	-
47	Lanka Textile Mills Emporium Ltd.	700,000			700,000	10.00	7,000,000.00	7,000,000.00	-
48	Lanka Tractors Ltd.	5,250,000			5,250,000	10.00	52,500,000.00	52,500,000.00	30.00
49	Mantai Salt Ltd.	300,000			300,000	100.00	30,000,000.00	30,000,000.00	100.00
50	Mattegoda Textile Mills Ltd.	-			-	10.00	-	-	-
51	Mihin Lanka (Private) Ltd.	30,041,142	21,364,966		51,406,108	100.00	3,004,114,200.00	5,140,610,800.00	100.00
52	MILCO (Pvt) Ltd. - Kiriya Milk Industries	31,945,403			31,945,403	10.00	319,454,030.00	319,454,030.00	99.99
53	National Development Bank	265,950			265,950	10.00	2,659,500.00	2,659,500.00	0.32
54	National Paper Company Ltd.	32,300,000			32,300,000	10.00	323,000,000.00	323,000,000.00	100.00
55	National Savings Bank	150,000,000			150,000,000	10.00	1,500,000,000.00	1,500,000,000.00	-
56	National Insurance Corporation Ltd.	6,848			6,848	10.00	68,480.00	68,480.00	-
57	Orient Lanka Ltd.	1,048			1,048	10.00	10,480.00	10,480.00	-
58	Paranthan Chemicals Company Ltd.	4,000,000			4,000,000	10.00	40,000,000.00	40,000,000.00	100.00
59	Rajarata Food Grain Ltd.	386,249			386,249	10.00	3,862,490.00	3,862,490.00	-
60	Puttalam Cement Company Ltd.	97,071			97,071	10.00	970,710.00	970,710.00	-
61	Ruhunu Cement Co. Ltd.	10,175,000			10,175,000	10.00	101,750,000.00	101,750,000.00	-
62	Shell Gas Lanka Ltd.	17,616,853			17,616,853	10.00	176,168,530.00	176,168,530.00	49.00
63	Skills Development Fund Ltd.	10,200,152			10,200,152	10.00	102,001,520.00	102,001,520.00	98.00
64	SME Bank	-			-	10.00	-	-	-
65	Sri Lanka Export Credit Insurance Corporation	1,000,000			1,000,000	10.00	10,000,000.00	10,000,000.00	100.00
66	Sri Lanka Rubber Manufacturing & Export Corporation Ltd.	7,798,000			7,798,000	10.00	77,980,000.00	77,980,000.00	100.00
67	Sri Lanka Telecom Ltd.	893,405,709			893,405,709	10.00	8,934,057,090.00	8,934,057,090.00	49.50
68	Sri Lanka Telecom (Servicers)	-			-	10.00	-	-	-
69	Sri Lankan Airlines Ltd.	48,726,952			48,726,952	100.00	4,872,695,200.00	4,872,695,200.00	94.68
70	Statcon Rubber Company Ltd.	74,830			74,830	10.00	748,300.00	748,300.00	9.00
71	Tea Smallholder Factories Ltd.	49,000,000			49,000,000	10.00	490,000,000.00	490,000,000.00	100.00
72	The Selinsing Company Ltd.	615			615	10.00	6,150.00	6,150.00	1.00
73	Thomas De La Rue Lanka Currency & Security Print (Pvt) Ltd.	2,800,000			2,800,000	10.00	28,000,000.00	28,000,000.00	40.00
74	United Motors Lanka Ltd.	13			13	10.00	130.00	130.00	-
75	Vayangoda Textile Ltd.	7,500,000			7,500,000	10.00	75,000,000.00	75,000,000.00	-
76	Wakers & Greig Ltd.	2,850			2,850	2.00	5,700.00	5,700.00	-
77	Wakers & Greig Ltd.	100			100	10.00	1,000.00	1,000.00	-
78	West Coast Pwer (Pvt) Ltd (Ordinary)	49,750,000			49,750,000	100.00	4,975,000,000.00	4,975,000,000.00	55.73
79	West Coast Pwer (Pvt) Ltd (Preference)	7,500,000			7,500,000	100.00	750,000,000.00	750,000,000.00	-
	Total	1,938,085,971	21,364,966		1,959,450,937	-	31,740,085,686.00	33,876,582,286.00	-

Notes to Financial Statements *contd...*

Note 20.3 - SHAREHOLDING IN PLANTATION COMPANIES

Se. No.	Name of Company	Number of Shares				Nominal Value per Share (Rs.)	Value of the Investment at cost as at 01.01.2011	Value of the Investment at cost as at 31.12.2011	Percentage of Share holdings by the Treasury
		As at 01.01.2011	Additions	Deductions	As at 31.12.2011				
		Nos.	Nos.	Nos.	Nos.				
1	Agaraptana Plantation Ltd.	23,284,644			23,284,644	10.00	232,846,440	232,846,440	30%
2	Agalawatta Plantation Ltd.	741			741	10.00	7,410	7,410	29%
3	Bagawantalawa Plantation Ltd.	14,443			14,443	10.00	144,430	144,430	28%
4	Balangoda Plantation Ltd.	4,760			4,760	10.00	47,600	47,600	20%
5	Chilaw Plantation Ltd.	20,000,001			20,000,001	10.00	200,000,010	200,000,010	100%
6	Elkaduwa Plantation Ltd.	18,000,001			18,000,001	10.00	180,000,010	180,000,010	100%
7	Elpitiya Plantation Ltd.	7,806,546			7,806,546	10.00	78,065,460	78,065,460	21%
8	Gal Oya Plantation Ltd.	51,600,000			51,600,000	10.00	516,000,000	516,000,000	51%
9	Hapugastenne Plantation Ltd.	1			1	10.00	10	10	-
10	Horana Plantation Ltd.	5,889			5,889	10.00	58,890	58,890	24%
11	Kahawatte Plantation Ltd.	1			1	10.00	10	10	-
12	Kegalle Plantation Ltd.	4,387			4,387	10.00	43,870	43,870	-
13	Kelani Valley Plantation Ltd.	1			1	10.00	10	10	-
14	Kotagala Plantation Ltd.	3,800,557			3,800,557	10.00	38,005,570	38,005,570	12%
15	Kurunegala Plantation Ltd.	20,000,001			20,000,001	10.00	200,000,010	200,000,010	100%
16	Madulsima Plantation Ltd.	3,805,653			3,805,653	10.00	38,056,530	38,056,530	13%
17	Malwatta Valley Plantation Ltd.	1			1	10.00	10	10	-
18	Maskeliya Plantation Ltd.	9,007			9,007	10.00	90,070	90,070	30%
19	Maturata Plantation Ltd.	7,806,021			7,806,021	10.00	78,060,210	78,060,210	22%
20	Namunukula Plantation Ltd.	3,763,301			3,763,301	10.00	37,633,010	37,633,010	16%
21	Pussellawa Plantation Ltd.	7,817,123			7,817,123	10.00	78,171,230	78,171,230	33%
22	Talawakele Plantations Ltd.	368			368	10.00	3,680	3,680	-
23	Udapussellawa Plantation Ltd.	1			1	10.00	10	10	-
24	Watawala Plantation Ltd.	16			16	10.00	160	160	-
	Total	167,723,464			167,723,464	-	1,677,234,640	1,677,234,640	-

Note 20.4 - SHAREHOLDINGS IN COMPANIES IN US DOLLAR DENOMINATION

1	Asian Reinsurance Corporation	980	980	US1000	109,779,600	112,582,400	-
2	Ceylon Shipping Agency	24,500	24,500	1Singapore	2,147,180	2,178,295	99.00%
3	International Finance Corporation	1,003	1,003	US1000	112,356,060	118,326,400	-
	Total	26,483	26,483		224,282,840	233,087,095	-

Exchange Rate as at 01.01.2011/ 31.12.2011

Currency	01.01.2011	31.12.2011
	Rate	Rate
US Dollar	112.02	114.88
Singapore Dollar	87.64	88.91

Notes to Financial Statements *contd...*

Note 20.5 - SHAREHOLDINGS IN DEVELOPMENT BANKS

Se. No.	Name of Company	Number of Shares			Nominal Value per Share (Rs.)	Value of the Investment at cost as at 01.01.2011	Value of the Investment at cost as at 31.12.2011	Percentage of Share holdings by the Treasury	
		As at 01.01.2011	Additions	Deductions					As at 31.12.2011
		Nos.	Nos.	Nos.					Nos.
1	Pradeshia Sanvardhana Bank	87,744,671			87,744,671	10.00	877,446,710	877,446,710	79.81%
2	Lankaputhra Development Bank	15,000,000			15,000,000	100.00	1,500,000,000	1,500,000,000	99.99%
3	Lankaputhra Development Bank	21,071,028			21,071,028	103.07	2,171,790,856	2,171,790,856	99.99%
	Total	123,815,699			123,815,699	-	4,549,237,566	4,549,237,566	-

Summary

31.12.2011

Se. No.	Company Name	Numbers of Shares	Nominal Value of Shares (Rs.)
1	General	1,959,450,937	33,876,582,286
2	Plantation	167,723,464	1,677,234,640
3	Shares in Dollar Value	26,483	233,087,095
4	Development Banks	123,815,699	4,549,237,566
	Number of Shares	2,251,016,583	40,336,141,587

Notes to Financial Statements *contd...*

	2011	2010
	Rs.	Rs.
Note 21 - BANK OVERDRAFTS		
Treasury Authorised Imprest Account (7002)	35,844,337,488	17,504,441,191
Treasury Authorised Imprest Account - (RFA) (7003)	134,201,532	103,979,252
DST Cash Account (8020)	(94,478,177,173)	(76,527,923,075)
Crown Agent Current Account (8030)	26,050,520	(1,473,987)
Temporary Employed Balances of CBSL (8192)	(18,729,744,118)	(13,154,696,259)
Central Bank of Sri Lanka - IDA Special Dollar Accounts (8813)	8,136,395,648	6,041,924,363
ADB Loan SLCB Special Dollar Account (8918)	3,710,852,212	3,325,223,435
International Fund for Agri Dev. Special Dollar Account (8973)	535,468,053	177,599,233
CB Special Yen Account (9094)	24,353,780,755	19,286,310,929
CBSL Special Deutsche Mark Account (9101)	57,969,682	187,937,603
Central Bank Nordic Special Account (9110)	2,226,340	2,168,712
Special Rupee Account (9114)	(15,735,820,464)	(15,735,820,472)
Special Foreign Currency French Development Agency Account (9125)	40,236,215	511,414,839
	(56,102,223,310)	(58,278,914,237)
Note 22 - ADVANCES FROM CENTRAL BANK SRI LANKA		
Advance From CBSL - Monetary Law Act (8176)	94,743,012,800	77,878,822,800
	94,743,012,800	77,878,822,800
Note 23 - FOREIGN LOAN REVOLVING FUNDS		
Reimbursable Foreign Aid Revolving Fund (8760)	1,756,432,502	2,139,140,093
IDA Revolving Fund (8814)	9,231,156,962	11,119,010,612
ADB Special Dollar Revolving Fund Account (8919)	1,888,757,596	1,753,475,928
CBSL Special Dollar Account (International Fund for Agr. Dev. Revolving Fund) (8974)	707,383,839	844,558,731
IBRD Revolving Fund Account (8982)	1,570,884,206	1,570,884,205
CBSL Revolving Fund Account (Yen) - (9095)	1,775,326,194	1,312,268,954
CBSL Special Deutsche Mark Revolving Fund Account (9102)	302,971,637	128,568,930
Central Bank Special Nordic Revolving Fund (9111)	101,253,373	101,195,744
Special Rupee Revolving Fund Account (9120)	(476,985)	(476,985)
Special Foreign Currency Revolving Fund Account (Euro Italy) (9121)	1,868,496,395	1,868,496,395
Special Rupee Revolving Fund Account (9122)	498,950,000	498,950,000
Special Foreign Currency Revolving Fund Account (9126)	140,297,669	119,214,740
Revolving Fund for Purchase and Disposal of Farmer Product (9132)	5,000,000	-
	19,846,433,388	21,455,287,347
Note 24 - MISCELLANEOUS FUNDS		
Public Service Provident Fund Account (8098)	1,249,873,094	1,798,990,924
Teachers' Widows & Orphans Pension Fund (8186)	360,882,233	299,255,426
	1,610,755,327	2,098,246,350
Note 25 - GOVERNMENT BORROWINGS		
Treasury Bills (8085)	625,524,364,205	533,460,527,314
Treasury Bonds (9093)	1,745,695,766,079	1,564,673,878,432
Sub Total	2,371,220,130,284	2,098,134,405,746
Rupee Loans (8249)	61,960,766,290	87,709,026,032
Sri Lanka Development Bonds (9105)	175,935,031,249	173,062,440,199
Local Loans in Foreign Currency (9107)	16,830,427,500	17,267,559,500
Sri Lanka Nations Building Bonds (9128)	-	493,972,070
	254,726,225,039	278,532,997,801
Total Borrowings - Domestic	2,625,946,355,323	2,376,667,403,547
Foreign Loans (8343) - (Adverse Parity Variance recognised in 2011)	2,009,026,305,160	1,722,747,086,132
	4,634,972,660,483	4,099,414,489,679

Notes to Financial Statements *contd...*

	Actual	
	2011 Rs.	2010 Rs.
Note 26 - DEPOSITS & OTHER LIABILITIES		
Treasury General Deposit Account (6000)	60,486,516,530	72,594,406,416
Treasury Deposit Account for District Secretaries (6003)	3,470,337,628	3,054,226,921
Public Service Mutual Guarantee Association (8013)	14,984,968	14,600,523
Director General Of Customs - Cess Recovery Account (8105)	300,000,000	300,000,000
	64,271,839,126	75,963,233,860
Note 27 - OPERATING ACCOUNTS WITH GOVERNMENT DEPARTMENTS [DR./ (CR.)]		
General Manager - Railway Department (8003)	466,955,531	748,305,042
Director General - Dept. of Customs (8005)	45,852,526	(65,918,516)
Post Master General - Department of Posts (8037)	(6,602,795)	(6,602,794)
Treasury Operations Department (8233) and (8583)	(3,944,339,495)	(1,671,979,482)
Treasury Operations Department (9092)	(68,874,890)	(80,434,832)
Provincial Councils (8657)	8,316,602	4,922,714
Collection of GST (9098)	38,940,420	38,940,419
GST Refund Account (9099)	(986,855)	(986,855)
Non Operating Accounts (9100)	20,772,460	20,712,460
	(3,439,966,496)	(1,013,041,844)
Note 28 - SUNDRY ACCOUNTS [DR./ (CR.)]		
Cheque Returned Account (8315)	5,939,216	5,939,215
Sinking Fund Investment Account (8574)	46,492,720	46,492,720
Sinking Fund Account (8575)	(46,492,720)	(46,492,720)
Parity Variance Account on Crown Agent Account (8029)	(39,556,141)	(21,127,850)
Foreign Aid Expenditure Account (8301)	26,524,228	2,476,416,124
Foreign Aid Grant Account (8314)	-	-
Investment Account for National Housing Bonds (8859)	1,284,200	1,284,200
	(5,808,497)	2,462,511,689
Note 29 - STATEMENT OF CHANGE IN EQUITY		
Opening Balance of the Consolidated Fund as at 1st January	(196,423,775,459)	(204,995,009,372)
Add - Prior Year Adjustments	(925,942,790)	
Add Receipts to the Consolidated Fund		
Total Cash Provided from Operations	928,684,040,016	812,700,448,605
Total Cash Provided from Investing Activities	29,651,006,059	28,762,958,327
Total Cash Provided from Financing Activities	998,367,883,005	918,220,302,964
Total Cash Receipts (a)	1,956,702,929,080	1,759,683,709,896
Less Total Payments of the Consolidated Fund		
Total Cash Disbursement to Operations	1,020,197,217,054	(951,493,955,879)
Total Cash Disbursement to Investing Activities	398,518,995,838	(347,006,678,875)
Total Cash Disbursement to Repayment of Debt	542,337,212,549	(452,611,841,249)
Total Cash Payments (b)	1,961,053,425,441	(1,751,112,476,003)
Net Cash Receipts (a) - (b)	(4,350,496,361)	8,571,233,893
Closing Balance of the Consolidated Fund as at 31st December (Dr.)	(201,700,214,610)	(196,423,775,459)
Note 30 - TOTAL INVESTMENT IN PHYSICAL ASSETS AND ACCUMULATED NET REVENUE DEFICIT		
Accumulated Revenue Deficit (2005-2011)	653,701,425,299	576,447,243,247
Total Accumulated Value of Physical Assets at cost, with Accumulated Net Revenue Deficit Prior to 2004	3,557,676,815,831	3,126,579,280,530
	4,211,378,241,130	3,703,026,523,777

Notes to Financial Statements contd...

Note 30.1 - MOVABLE ASSETS ACQUIRED SINCE 01.01.2004
2101-Vehicles

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
H.E.the President	...	30,910	1,321,809	1,332,904	2,236,847	173,499	202,089	-	2,410,346	202,089	-	2,612,435	472,899	-	3,085,334			
Office of the Prime Minister	335	17,172	56,615	60,615	60,615	2,303	26,184	-	62,918	26,184	-	89,102	32,281	-	121,383			
Office of the Cabinet of Ministers	...	4,764	8,254	8,254	14,513	-	14,513	4,140	-	18,653	-	-	-	-	18,653			
Secretariat for Special Functions (Senior Ministers)																		
Parliament	6,800	27,735	27,735	27,735	61,770	7,100	7,500	-	68,870	7,500	-	76,370	35,443	-	111,813			
Office of the Leader of the House of Parliament	78	78	7,536	13,036	13,036	2,268	-	15,304	-	15,304	-	3,738	5,050	-	16,616			
Office of the Chief Government whip of Parliament	...	7,150	7,413	12,913	12,913	-	-	12,913	2,922	-	-	15,835	702	-	16,537			
Office of the Leader of the Opposition of Parliament	80	7,512	7,512	8,012	8,012	255	-	8,267	7,942	-	-	16,209	-	-	16,209			
Office of the Former President(Hon D.B.Wijethunge)	...	...	...	12,000	12,000	-	-	12,000	-	-	-	12,000	-	-	12,000			
Public Service Commission	...	...	8,990	8,990	16,160	2,772	-	18,932	-	18,932	-	18,932	-	-	18,932			
Judicial Service Commission	...	100	1,088	8,879	8,879	-	-	8,879	-	8,879	-	8,879	-	-	8,879			
National Police Commission	...	...	249	5,560	6,117	-	-	6,117	-	6,117	-	6,117	-	-	6,117			
Commission to Investigate Allegations of Bribery or Corruption	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Department of Elections	...	...	-	15,715	25,626	-	-	25,626	4,846	5	30,467	10,853	41,320	-	41,320			
Auditor General	...	2,151	2,543	2,543	2,543	3,955	-	6,498	-	6,498	-	6,498	9,736	-	16,234			
Office of the Parliamentary Commissioner for Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Office of the Finance Commission	...	4,850	4,850	7,700	7,700	95	-	7,795	5,040	-	-	12,835	-	-	12,835			
National Education Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Human Rights Commission of Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Ministry of Buddhasana and Religious Affairs	-	...	5,500	24,545	24,545	-	-	24,545	8,172	-	-	32,717	6,259	-	38,976			
Ministry of Finance & Planning	4,100	42,251	54,217	113,815	128,922	4,662	3,815	129,769	14,500	7,863	-	136,406	9,091	-	145,497			
Ministry of Defence	495	10,152	57,907	459,119	2,545,912	17,827	-	2,563,739	41	-	-	2,563,780	54,204	-	2,617,984			
Ministry of Plan Implementation & Monitoring	...	...	48,815	50,980	37,330	4,229	2,485	39,074	-	-	-	39,074	-	-	39,074			
Ministry of Economic Development	...	...	-	47,035	47,035	4,318	-	51,353	106,323	-	-	157,676	182,879	-	340,555			
Ministry of Disaster Management	...	...	18,595	20,172	20,172	-	-	20,172	6,000	-	-	26,172	29,722	-	55,894			
Ministry of Tourism	1,545	4,495	14,451	53,448	53,537	-	450	53,087	-	-	-	53,087	-	-	53,087			
Ministry of Post & Telecommunications (Min.of Postal Services)	...	5,800	19,825	52,725	52,725	-	-	52,725	24,266	4,263	-	72,728	4,357	-	77,085			
Ministry of Justice	16,717	16,717	33,465	34,663	58,314	1,167	-	59,481	1,167	2,467	-	58,181	19,156	-	77,337			
Ministry of Health	...	...	-	18,296	18,296	33,417	-	51,713	37,429	13,632	-	75,510	54,345	-	129,855			
Ministry of External Affairs	...	25,986	151,191	273,957	345,547	41,779	630	386,696	18,978	-	-	405,674	104,154	-	509,828			
Ministry of Ports & Aviation	...	...	9,446	9,446	22,259	3,850	-	26,109	12,700	-	-	38,809	-	-	38,809			
Ministry of Transport	-	-	4,500	20,213	37,213	-	-	37,213	5,040	-	-	42,253	28,664	-	70,917			
Ministry of Petroleum Industries	-	-	10,553	23,303	34,180	-	-	34,180	9,289	-	-	43,469	8,743	-	52,212			
Ministry of Co-operative and Internal Trade	...	8,450	17,411	30,351	30,351	-	-	30,351	19,487	9,743	-	40,095	43,300	-	83,395			
Ministry of Highways	...	-	5,432	67,087	83,787	-	-	83,787	41,627	-	-	125,414	-	-	125,414			

Notes to Financial Statements *contd..*

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Disposal	Additions	Disposal	Additions	Balance	Additions	Balance	
Ministry of Agriculture	15,047	18,274	37,096	123,672	125,089	67,621	-	192,710	35,352	-	228,062	-	228,062	-	228,062	-	228,062	
Ministry of Power & Energy	1,682	16,727	16,727	16,727	16,727	-	-	16,727	4,597	-	21,324	8,751	30,075	-	30,075	-	30,075	
Ministry of Child Development & Women's Affairs	...	3,475	16,325	26,175	26,175	-	-	26,175	18,453	-	44,628	6,883	51,511	-	51,511	-	51,511	
Ministry of Public Administration & Home Affairs	7,923	569,755	1,031,387	1,031,387	1,035,497	11,925	-	1,047,422	27,977	8,995	1,066,404	45,053	1,111,457	-	1,111,457	-	1,111,457	
Ministry of Mass Media & information	...	3,428	13,707	52,662	57,218	4,710	-	61,928	1,907	27,906	35,929	-	35,929	-	35,929	-	35,929	
Ministry of Construction, Engineering Services, Housing and Common Amenities	...	...	-	24,333	24,333	-	-	24,333	-	-	24,333	-	24,333	-	24,333	-	24,333
Ministry of Social Service	...	...	28,149	33,040	33,040	-	-	33,040	12,200	-	45,240	21,079	66,319	-	66,319	-	66,319
Ministry of Housing and Common Amenities	...	174,206	174,206	193,391	193,391	-	-	193,391	-	-	193,391	-	193,391	-	193,391	-	193,391	
Ministry of Education	4,386	94,114	110,654	177,597	177,597	3,132	-	180,729	10,086	4,060	186,755	25,452	212,207	-	212,207	-	212,207	
Ministry of Labour Relations & Productivity Improvement	...	19,050	30,410	47,090	47,090	686	-	47,776	-	52	47,724	16,500	64,224	-	64,224	-	64,224	
Ministry of Traditional Industries & Small Enterprises Development	...	...	-	26,036	36,785	2,264	-	39,049	-	-	39,049	-	39,049	-	39,049	-	39,049
Ministry of Vocational & Technical Training	241	241	7,731	39,431	32,031	-	-	32,031	-	-	32,031	-	32,031	-	32,031	-	32,031	
Ministry of Local Government & Provincial Councils	...	...	8,131	81,036	76,904	267,019	-	109,079	44,025	-	65,054	48,877	16,177	-	16,177	-	16,177
Ministry of Enterprise Development & Investment Promotion	...	...	-	25,700	25,700	-	-	25,700	-	-	25,700	-	25,700	-	25,700	-	25,700
Ministry of Technology and Research	-	...	5,500	34,706	31,832	-	-	31,832	11,500	1,577	41,755	33,276	75,031	-	75,031	-	75,031	
Ministry of National Languages & Social Integration	...	9,000	9,000	42,434	42,434	-	-	42,434	11,072	6,884	46,622	10,702	57,324	-	57,324	-	57,324	
Ministry of Plantation Industries	...	...	35,579	115,151	115,151	19,523	-	134,674	12,276	-	146,950	40,237	187,187	-	187,187	-	187,187
Ministry of Sports	...	...	-	-	4,350	14,478	-	18,828	3,850	-	22,678	5,774	28,452	-	28,452	-	28,452
Ministry of Indigenous Medicine	...	9,242	20,217	35,217	35,217	-	-	35,217	-	-	35,217	-	35,217	-	35,217	-	35,217	
Ministry of Fisheries & Aquatic Resources Development	2,625	2,625	10,776	21,864	48,225	93,122	2,785	138,562	26,002	-	164,564	16,361	181,525	-	181,525	-	181,525	
Ministry of Livestock and Rural Community Development	...	...	3,390	46,160	58,221	9,823	-	68,044	8,611	-	76,655	13,946	90,601	-	90,601	-	90,601
Ministry of National Heritage & Cultural Affairs	...	20,795	33,619	59,035	68,035	15,000	-	83,035	-	-	83,035	-	83,035	-	83,035	-	83,035	
Ministry of Parliamentary Affairs	13,425	13,425	13,425	30,927	30,927	-	-	30,927	4,904	-	35,831	10,677	46,508	-	46,508	-	46,508	
Ministry of Re-Settlement	...	...	16,638	39,363	48,863	7,885	680	56,068	-	-	56,068	30,849	86,917	-	86,917	-	86,917
Ministry of Industry and Commerce	2,667	2,667	15,538	37,338	50,928	14,399	-	65,327	6,300	-	71,627	1,634	73,261	-	73,261	-	73,261	
Ministry of Foreign Employment Promotion & welfare	...	...	14,515	14,515	19,890	-	-	19,890	-	-	19,890	36,850	56,740	-	56,740	-	56,740
Ministry of Irrigation & Water Resources Management	4,758	4,758	4,758	12,293	12,293	5,500	-	17,793	7,302	-	25,095	8,629	33,724	-	33,724	-	33,724	
Ministry of Lands and Land Development	...	...	-	-	72,094	-	-	72,094	15,500	-	87,594	6,437	94,031	-	94,031	-	94,031
Ministry of Youth Affairs & Skills Development	...	1,912	14,902	22,402	20,861	-	-	20,861	51,931	1,450	71,342	24,500	95,842	-	95,842	-	95,842	
Ministry of Environment	6,550	24,226	31,726	51,685	51,685	3,708	2,245	53,143	13,250	-	66,393	7,271	73,664	-	73,664	-	73,664	
Ministry of Youth Empowerment & Socio Economic Development	...	...	-	51	3,180	2,253	-	5,433	-	-	5,433	-	5,433	-	5,433	-	5,433
Ministry of Community Development & Social Inequity Eradication	...	...	-	13,950	13,950	-	-	13,950	-	-	13,950	-	13,950	-	13,950	-	13,950
Ministry of Water Supply & Drainage	...	...	-	25,986	25,986	8,230	-	34,216	16,000	-	50,216	10,061	60,277	-	60,277	-	60,277
Ministry Of Export Development and International Trade	...	...	-	-	67	-	-	67	-	-	67	-	67	-	67	-	67
Ministry of Counstruction & Engineering Services	-	...	-	13,300	22,800	-	500	22,300	-	-	22,300	-	22,300	-	22,300	-	22,300	

2101-Vehicles

Rs '000'

Notes to Financial Statements contd...

Name of Institution	Rs '000'																
	2004		2005		2006		2007		2008		2009		2010		2011		
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	
Ministry of Urban development and sacred area	-	-	-	-	-	-	-	-	-	-	-	-	-	32,115	-	32,115	-
Ministry of Higher Education	-	...	-	14,795	14,795	-	-	14,795	14,795	17,062	2	-	31,855	13,434	-	45,289	-
Ministry of Public Management Reforms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,753	-
Ministry of State Resources and Enterprise Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,692	-
Ministry of Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,441	-
Ministry of Coconut Development & Janatha Estate Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,197	-
Ministry of Agrarian Services and Wild Life	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,554	-
Ministry of Rehabilitation and Prison Reforms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,623	-
Ministry of Minor Export Crop Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,303	-
Ministry of Productivity Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,292	-
Ministry of Public Relation and Public Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,159	-
Ministry of Private Transport Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,162	-
Ministry of Telecommunication and Information Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,000	-
Department of Buddhist Affairs	-	-	-	-	-	-	-	-	-	-	-	-	1,176	-	-	1,607	-
Department of Muslim Religious & Cultural Affairs	...	2,775	2,864	2,864	2,864	2,864	2,864	2,864	2,864	-	-	-	2,864	-	-	2,864	-
Department of Christian Religious Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	595	-
Department of Public Trustee	-	-	-	-	-	-	-	-	-	2,016	-	-	2,016	5,040	-	7,056	-
Department of Archaeology	5,573	5,573	9,773	10,538	10,538	10,538	10,538	10,538	10,538	4,264	-	-	14,802	-	-	14,802	-
Department of National Museums	...	3,475	3,475	3,475	3,475	3,475	3,475	3,475	3,475	-	-	-	3,475	-	-	3,475	-
Department of National Archives	2,275	2,275	2,275	2,275	2,275	2,275	2,275	2,275	2,275	-	-	-	2,275	337	-	2,612	-
Department of Information	...	...	79	9,379	9,379	9,379	9,379	9,379	9,379	-	-	-	9,379	-	-	9,379	-
Department of Government Printer	...	...	-	20,518	20,518	20,518	20,518	20,518	20,518	-	-	-	20,518	-	-	20,518	-
Department of Examinations	...	2,875	2,875	8,797	8,797	8,797	8,797	8,797	8,797	-	-	-	8,797	1,395	-	7,402	-
Department of Technical Education & Training	...	...	75,205	78,705	78,705	78,705	78,705	78,705	78,705	-	-	-	78,705	-	-	78,705	-
Department of Social Services	...	...	-	-	-	-	-	-	-	345	-	-	345	-	-	345	-
Department of Probation & Child Care Services	...	...	-	3,877	3,877	3,877	3,877	3,877	3,877	-	-	-	3,877	-	-	3,877	-
Department of Sports Development	...	...	-	-	-	-	-	-	-	-	-	-	-	-	-	3,098	-
Department of Ayurveda	...	...	789	6,584	6,584	6,584	6,584	6,584	6,584	-	-	-	6,584	-	-	6,584	-
Department of Labour	...	...	48	20,788	20,788	20,788	20,788	20,788	20,788	-	-	-	20,788	-	-	20,788	-
Sri Lanka Army	...	409,651	973,124	1,468,196	2,453,745	2,453,745	2,453,745	2,453,745	2,453,745	1,308,382	9,729	3,752,398	249,822	37,309	3,964,911	1,764,300	5,729,211
Sri Lanka Navy	38,152	38,152	251,852	761,052	1,266,602	1,266,602	1,266,602	1,266,602	1,266,602	206,610	6,982	1,466,230	157,342	-	1,623,572	747,781	2,371,353
Sri Lanka Air Force	...	201,940	401,595	523,506	686,680	686,680	686,680	686,680	686,680	100,495	6,503	780,672	22,612	16,172	787,112	417,503	1,204,615
Department of Police	...	...	479,644	680,084	2,192,626	2,192,626	2,192,626	2,192,626	2,192,626	173,211	-	2,365,837	156,919	264	2,522,492	2,656,426	5,178,918
Department of Immigration & Emigration	...	...	10,410	10,410	10,410	10,410	10,410	10,410	10,410	-	-	10,410	-	-	10,410	-	10,410
Department of Registration of Persons	123	123	12,223	14,158	24,158	24,158	24,158	24,158	24,158	-	-	24,158	-	-	24,158	108	24,266

Notes to Financial Statements contd..

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011		
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Disposal	Additions	Balance	Disposal	Additions	Balance	Additions	Balance	
Courts Administration	....	....	1,321	17,176	186,796	15,441	-	202,237	15,441	-	217,678	14,154	-	217,678	14,154	-	231,832	-	231,832
Department of Attorney General	....	....	-	90,400	215,126	4,095	-	219,221	7,490	1,371	225,340	-	-	225,340	-	-	225,340	-	225,340
Department of Legle Draftsman	....	13,770	13,770	27,620	27,620	-	-	27,620	-	-	27,620	360	-	27,620	360	-	27,980	-	27,980
Department of Prisons	17,813	19,905	45,497	58,804	79,926	4,975	-	84,901	23,069	-	107,970	-	-	107,970	-	-	107,970	-	107,970
Department of Government Analyst	....	....	3,441	13,137	13,137	5,040	-	18,177	-	-	18,177	-	-	18,177	-	-	18,177	-	18,177
Registrar of Supreme Court	....	....	18,475	219,907	219,907	-	-	219,907	4,914	-	224,821	5,900	-	224,821	5,900	-	230,721	-	230,721
Department of Law Commission	....	....	1,575	2,699	8,747	1,280	-	10,027	389	-	10,416	-	-	10,416	-	-	10,416	-	10,416
Department of National Planning	....	2,506	2,506	7,856	7,856	2,225	-	10,081	-	-	10,081	-	-	10,081	-	-	10,081	-	10,081
Department of Fiscal Policy	....	....	-	11,400	11,400	2,268	-	13,668	-	-	13,668	-	-	13,668	-	-	13,668	-	13,668
Department of External Resources	....	....	7,973	7,973	7,973	2,268	-	10,241	4,914	-	15,155	-	-	15,155	-	-	15,155	-	15,155
Department of National Budget	....	....	3,475	7,100	7,100	-	-	7,100	-	-	7,100	275,866	-	7,100	275,866	-	282,966	-	282,966
Department of Public Enterprise	....	....	-	12,200	12,200	-	-	12,200	-	-	12,200	-	-	12,200	-	-	12,200	-	12,200
Department of Management Services	....	....	-	2,600	2,600	-	-	2,600	-	-	2,600	-	-	2,600	-	-	2,600	-	2,600
Department of Development Finance	....	....	-	2,800	2,800	-	-	2,800	-	-	2,800	-	-	2,800	-	-	2,800	-	2,800
Department of Trade Tariff & Investment Policy	....	....	-	8,400	8,400	-	-	8,400	-	-	8,400	-	-	8,400	-	-	8,400	-	8,400
Department of Public Finance	....	....	3,500	3,500	9,365	-	-	9,365	-	-	9,365	-	-	9,365	-	-	9,365	-	9,365
Department of Inland Revenue	4,999	50,608	60,508	90,675	90,675	-	-	90,675	-	-	90,675	-	-	90,675	-	-	90,675	-	90,675
Department of Customs	....	18,562	18,562	3,923,342	3,923,342	6,426	-	3,929,768	14,931	-	3,944,699	1,930	-	3,944,699	1,930	-	3,946,629	-	3,946,629
Department of Excise	....	....	14,407	31,744	31,744	2,554	-	34,298	-	-	34,298	-	-	34,298	-	-	34,298	-	34,298
Department of Treasury Operations	....	....	-	12,818	12,818	-	-	12,818	-	-	12,818	-	-	12,818	-	-	12,818	-	12,818
Department of State Accounts	....	....	-	6,500	6,500	-	-	6,500	-	-	6,500	-	-	6,500	-	-	6,500	-	6,500
Department of Valuation	-	-	-	7,955	7,955	-	350	7,605	-	-	7,605	-	-	7,605	-	-	7,605	-	7,605
Department of Census & Statistics	3,446	6,874	29,132	48,643	48,643	-	-	48,643	28,858	-	77,501	2,454	-	77,501	2,454	-	79,955	-	79,955
Department of Pensions	....	....	3,360	14,205	14,205	-	-	14,205	-	-	14,205	-	-	14,205	-	-	14,205	-	14,205
Department of Registrar General	....	....	-	-	-	-	-	-	-	-	-	105	-	-	-	-	105	-	105
District Secretariat - Colombo	6	6	6	6	6	75	-	81	-	-	81	-	-	81	-	-	81	-	81
District Secretariat - Gampaha	....	....	-	1,932	1,932	-	-	1,932	-	-	1,932	-	-	1,932	-	-	1,932	-	1,932
District Secretariat - Mataara	....	17,070	17,070	17,070	17,070	-	-	17,070	-	-	17,070	-	-	17,070	-	-	17,070	-	17,070
District Secretariat - Jaffna	....	5,390	5,390	5,390	5,390	-	-	5,390	-	-	5,390	-	-	5,390	-	-	5,390	-	5,390
District Secretariat - Trincomalee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Agrarian Development	....	6,500	6,500	6,500	7,033	-	-	7,033	-	-	7,033	-	-	7,033	-	-	7,033	-	7,033
Department of Irrigation	494	494	181,243	249,450	372,179	109,891	8	482,062	27,608	-	509,670	-	-	509,670	-	-	509,670	-	509,670
Department of Forests	3,350	3,350	3,350	3,350	3,350	11,270	-	14,620	-	-	14,620	-	-	14,620	-	-	14,620	-	14,620
Department of Wildlife Conservation	....	....	-	2,643	23,508	-	-	23,508	-	-	23,508	-	-	23,508	-	-	23,508	-	23,508
Department of Agriculture	....	....	-	18,850	18,850	-	-	18,850	-	-	18,850	724	-	18,850	724	-	19,574	-	19,574
Department of Land Commissioner	....	7,150	7,150	7,150	7,150	-	-	7,150	-	-	7,150	-	-	7,150	-	-	7,150	-	7,150

Notes to Financial Statements contd...

Name of Institution	Rs '000'															
	2004		2005		2006		2007		2008		2009		2010		2011	
	Balance	...	Balance	...	Balance	...	Balance	...	Balance	...	Balance	...	Disposal	Balance	...	Balance
Department of Survey General	...	...	...	...	11,400	11,400	11,400	-	-	11,400	-	-	-	11,400	-	11,400
Department of Fisheries and Aquatic Resources	...	...	...	...	1,521	11,617	11,617	-	-	11,617	282	-	-	11,899	-	11,899
Department of Coast Conservation	181	181	12,054	12,054	12,054	12,054	-	-	12,054	11,900	-	-	-	23,954	14,570	38,524
Department of Animal Production & Health	...	...	7,500	7,500	7,500	7,500	3,023	3	10,520	-	-	-	-	10,520	-	10,520
Department of Rubber Development	...	...	1,266	1,266	1,266	1,266	4,075	-	5,341	14,814	-	-	-	20,155	12,959	33,114
Department of National Zoological Garden	...	359	6,654	14,879	10,696	-	-	-	25,575	-	-	-	-	25,575	-	25,575
Department of Commerce	...	...	3,410	3,410	3,410	-	-	-	3,410	-	-	-	-	3,410	-	3,410
Department of Import and Export Control	...	...	89	4,689	8,584	-	-	-	8,584	-	-	-	-	8,584	-	8,584
Department of Measurement Units, Standards & Services	...	2,256	2,256	2,256	2,256	-	-	-	2,256	-	-	-	-	2,256	-	2,256
Department of Food Commissioner	...	...	-	2,760	2,760	-	-	-	2,760	-	-	-	-	2,760	-	2,760
Co-operative Employees Commission	...	7	2,502	2,502	2,502	-	-	-	2,502	-	-	-	-	2,502	-	2,502
Department of Meteorology	...	3,970	3,970	3,970	3,970	-	-	-	3,970	-	-	-	-	3,970	-	3,970
Department of Sri Lanka Railways	...	5,285	3,624,645	8,573,784	1,952,386	-	-	-	10,526,170	3,886,488	-	-	-	14,412,658	3,271,009	17,683,667
Department of Motor Traffic	...	3,227	5,227	5,229	5,229	-	-	-	5,229	-	-	-	553	4,976	-	4,976
Department of Posts	2,095	33,225	123,212	123,274	151,812	26,606	-	-	178,418	23,997	-	-	-	202,415	17,092	219,507
Department of Buildings	...	4,950	5,300	5,300	5,300	3,708	-	-	9,008	-	-	-	1,123	7,885	-	7,885
Government Factory	...	...	4,000	4,000	4,000	-	-	-	4,000	-	-	-	-	4,000	-	4,000
Department of National Physical Planning	...	...	3,630	3,630	3,630	-	-	-	3,630	-	-	-	-	3,630	-	3,630
Central Provincial Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Southern Provincial Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sabaragamuwa Provincial Council	...	...	7,500	7,500	7,500	-	-	-	7,500	-	-	-	-	7,500	-	7,500
Department of Civil Security	...	...	34,065	81,960	5,126	-	-	-	87,086	-	-	-	-	87,086	-	87,086
Department of National Botanical Gardens	-	-	-	3,700	3,700	-	-	-	3,700	-	-	-	-	3,700	11,438	15,138
Department of Legle Affairs	-	-	-	-	-	2,520	-	-	2,520	-	-	-	-	2,520	-	2,520
Department of Coast Guard of Sri Lanka	-	-	-	-	-	-	8,872	-	8,872	-	-	-	-	8,872	812	9,684
Ministry of Reconstruction & Development	...	...	22,500	22,500	22,500	-	-	-	22,500	-	-	-	-	22,500	-	22,500
Ministry of Mahaweli & River Basin Development & Rajarata Development	...	9,998	9,998	9,998	9,998	-	-	-	9,998	-	-	-	-	9,998	-	9,998
Ministry of Eastern Development & Muslim Religious Affairs	3,275	3,275	3,275	3,275	3,275	-	-	-	3,275	-	-	-	-	3,275	-	3,275
Ministry of Home Affairs Provincial Councils & Local Government	...	3,107	3,107	3,107	3,107	-	-	-	3,107	-	-	-	-	3,107	-	3,107
Ministry of Interior	226	226	226	226	226	-	-	-	226	-	-	-	-	226	-	226
Ministry of Regional Development	...	706	8,606	8,606	8,606	-	-	-	8,606	-	-	-	-	8,606	-	8,606
Ministry of Coconut Development	...	...	12,975	17,725	17,725	-	-	-	17,725	-	-	-	-	17,725	-	17,725
Ministry of Small & Rural Industries	...	4,753	7,852	7,852	7,852	-	-	-	7,852	-	-	-	-	7,852	-	7,852
Ministry of Rural Economic Development	...	...	18,368	18,368	18,368	-	-	-	18,368	-	-	-	-	18,368	-	18,368
Ministry of New Railroad Development	...	...	10,900	11,449	11,449	-	-	-	11,449	-	-	-	-	11,449	-	11,449

Notes to Financial Statements *contd...*

Rs '000'

2101-Vehicles

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Ministry of Skills Development & Public Enterprise Reforms	-	....	17,590	17,590	17,590	17,590	17,590	17,590	17,590	17,590	-	-	17,590	-	-	17,590	-	17,590
Ministry of Relief , Rehabilitation & Reconciliation	24,675	146,769	146,769	146,769	146,769	146,769	146,769	146,769	146,769	146,769	-	-	146,769	-	-	146,769	-	146,769
Ministry of Promotion of Botanical & Zoological Gardens	....	....	16,592	20,084	20,084	20,084	20,084	20,084	20,084	20,084	-	-	20,084	-	-	20,084	-	20,084
Ministry of Textile Industrial Development	....	....	7,487	7,487	7,487	7,487	7,487	7,487	7,487	7,487	-	-	7,487	-	-	7,487	-	7,487
Total	196,137	2,245,559	6,736,799	17,993,839	30,164,946	30,164,946	30,164,946	30,164,946	30,164,946	30,164,946	4,644,802	304,184	34,505,564	5,666,310	150,824	40,021,050	11,169,110	51,190,160

Notes to Financial Statements contd...

Rs '000'

2102-Furniture & Office Equipment
Note 30.1 - MOVABLE ASSETS ACQUIRED SINCE 01.01.2004

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011		
	Balance		Balance		Balance		Balance		Balance		Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance	
H.E.the President	1,723	10,526	138,511		1,328,118	1,426,035					55,417	-	1,481,482	29,978	-	1,511,430	29,985	1,541,415	
Office of the Prime Minister	1,807	6,850	7,750	12,570	17,494	5,108	-	-	-	-	5,108	-	22,602	5,772	-	28,374	4,979	33,353	
Secretariat for Special Functions (Senior Ministers)																		4,910	4,910
Office of the Cabinet of Ministers	45	77	307	784	5,264	7,817	-	-	-	-	7,817	-	13,081	1,164	-	14,245	3,366	17,611	
Parliament	3,313	6,831	11,826	17,564	27,390	7,313	-	-	-	-	7,313	-	34,703	8,808	-	43,511	14,151	57,662	
Office of the Leader of the House of Parliament	117	316	516	623	747	324	-	-	-	-	324	-	1,071	335	-	1,406	467	1,873	
Office of the Chief Government whip of Parliament	234	625	738	1,098	1,098	257	-	-	-	-	257	-	1,355	748	-	2,103	844	2,947	
Office of the Leader of the Opposition of Parliament	...	392	492	572	627	62	-	-	-	-	62	-	689	200	-	889	219	1,108	
Office of the Former President(Hon D.B.Wijethunge)	98,976	99,014	98,995	98,995	98,995	-	-	-	-	-	-	-	98,995	-	-	98,995	-	98,995	
Office of the Former Prime Minister (Hon.C.B.Kumaratunge)	...	...	1,400	1,448	1,448	-	-	-	-	-	-	-	1,448	-	-	1,448	-	1,448
The Constitutional Council	42	42	521	569	586	83	29	640	640	3	88	3	88	3	88	555	-	555	
Public Service Commission	11,394	11,988	12,402	12,862	14,767	722	-	15,489	15,489	31	-	-	15,520	31	-	15,520	87	15,607	
Judicial Service Commission	476	578	1,451	1,787	1,810	28	-	1,838	1,838	18	-	-	1,856	18	-	1,856	146	2,002	
National Police Commission	500	3,968	4,917	6,999	8,390	184	0.5	8,574	8,574	0.5	-	-	8,574	-	-	8,574	4	8,578	
Administration Appeals Tribunal	144	144	205	250	295	40	-	395	395	40	-	-	395	12	-	347	12	359	
Commission to Investigate Allegations of Bribery or Corruption	497	1,196	1,892	2,886	2,872	883	-	3,455	3,455	874	-	-	4,329	874	-	4,329	887	5,216	
Department of Elections	...	...	985	2,702	4,583	3,682	-	8,265	8,265	2,990	525	-	10,730	2,990	525	10,730	9,608	20,338
Auditor General	1,966	5,352	7,841	9,035	13,677	2741	-	16,418	16,418	6,225	-	-	22,643	6,225	-	22,643	1,265	23,908	
Office of the Parliamentary Commissioner for Administration	87	160	160	227	349	152	-	501	501	514	-	-	1,015	514	-	1,015	170	1,185	
Office of the Finance Commission	194	759	814	994	978	15	-	993	993	1,661	-	-	2,654	1,661	-	2,654	2,253	4,907	
National Education Commission	424	875	1,361	1,432	1,745	788	-	2,533	2,533	472	-	-	3,005	472	-	3,005	597	3,602	
Human Rights Commission of Sri Lanka			-	-	-	905	-	905	905	1,305	-	-	2,210	1,305	-	2,210	997	3,207	
Ministry of Buddhasasana and Religious Affairs	50	220	2,614	3,578	4,178	1,134	-	5,312	5,312	752	-	-	6,064	752	-	6,064	900	6,964	
Ministry of Finance & Planning	2,225	7,366	16,088	21,072	24,719	4,264	-	28,983	28,983	5,050	-	-	34,033	5,050	-	34,033	717	34,750	
Ministry of Defence	1,876	13,307	39,173	76,086	150,733	23,947	-	174,680	174,680	56,023	-	-	290,703	56,023	-	290,703	29,122	259,825	
Ministry of Plan Implementation & Monitoring	...	...	9,056	11,661	13,071	618	1,264	12,425	12,425	-	-	-	12,425	-	-	12,425	-	12,425
Ministry of Economic Development	...	...	-	424	2,793	2,607	-	5,400	5,400	2,740	3	-	8,137	2,740	3	8,137	11,782	19,919
Ministry of Disaster Management	...	...	7,628	8,969	10,268	657	21	10,904	10,904	1,798	-	-	12,702	1,798	-	12,702	906	13,608
Ministry of Tourism	271	929	1,368	2,661	3,257	425	366	3,316	3,316	-	-	-	3,316	-	-	3,316	-	3,316	
Ministry of Post & Telecommunications (Min.of Postal Services)	...	...	754	1,837	3,741	7,133	1,919	9,082	9,082	2,507	-	-	11,589	2,507	-	11,589	1,095	12,684
Ministry of Justice	4,937	125,085	321,411	392,157	395,422	8,736	-	404,158	404,158	7,683	8,131	-	403,710	7,683	8,131	403,710	8,433	412,143	
Ministry of Health	-	...	-	67,930	67,930	162,354	15,039	215,245	215,245	138,364	801	-	352,808	138,364	801	352,808	157,609	510,417	
Ministry of External Affairs	1,921	14,645	77,465	154,033	219,778	48,860	225	288,413	288,413	73,517	-	-	341,930	73,517	-	341,930	67,293	409,223	
Ministry of Ports & Aviation	1,627	3,767	5,300	5,739	7,158	904	-	8,062	8,062	826	23	-	8,865	826	23	8,865	2,527	11,392	
Ministry of Transport	23,001	23,001	24,498	25,375	26,711	588	-	27,299	27,299	817	-	-	28,116	817	-	28,116	693	28,809	

Notes to Financial Statements *contd..*

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Ministry of Petroleum Industries	...	...	3,012	6,597	8,641	913	-	9,554	1,130	16	10,668	993	11,661					
Ministry of Co-operative and Internal Trade	161	432	2,281	2,725	3,502	1,251	-	4,753	2,096	-	6,849	816	7,665					
Ministry of Highways	690	1,840	4,264	4,983	7,044	1,412	-	8,456	8,539	-	16,995	-	16,995					
Ministry Agriculture	2,466	8,616	15,544	20,563	23,184	1,741	263	24,662	4,002	-	28,664	1,210	29,874					
Ministry of Power & Energy	227	355	2,291	4,494	4,494	1,854	-	6,348	1,551	-	7,899	8,130	16,029					
Ministry of Child Development & Women's Affairs	62	5,318	9,474	15,468	15,518	1,235	-	16,753	2,846	4	19,595	237	19,832					
Ministry of Public Administration & Home Affairs	3,659	16,823	24,142	36,401	41,783	3,556	-	45,339	16,194	-	61,533	22,137	83,670					
Ministry of Mass Media & Information	...	1,783	4,783	6,765	7,308	2,189	-	9,497	1,020	-	10,517	612	11,129					
Ministry of Construction, Engineering Services, Housing and Common Amenities	279	1,050	2,585	3,442	4,224	621	54	4,791	1,959	666	6,084	2,646	8,730					
Ministry of Social Service	...	...	3,414	5,141	5,612	850	-	6,662	1,647	-	8,309	1,617	9,926					
Ministry of Housing & Common Amenities	1,177	5,567	6,220	8,431	10,134	405	-	10,539	-	-	10,539	-	10,539					
Ministry of Education	20,709	1,505,227	2,907,513	4,342,564	4,366,124	47,463	408	4,413,179	1,192,490	812	5,604,857	1,129,731	6,734,588					
Ministry of Labour Relations & Productivity Improvement	...	3,069	7,035	9,618	11,373	2,046	-	13,419	1,315	89	14,645	543	15,188					
Ministry of Traditional Industries & Small Enterprises Development	...	...	-	765	1,595	566	-	2,161	1,033	-	3,194	1,462	4,656					
Ministry of Vocational & Technical Training	5,057	354,300	354,600	356,217	356,880	3,251	-	360,131	-	-	360,131	-	360,131					
Ministry of Local Government & Provincial Councils	357	357	2,134	4,219	6,248	1,526	-	7,774	2,588	-	10,362	5,790	16,152					
Ministry of Enterprise Development & Investment Promotion	...	2,276	7,637	10,602	10,602	-	-	10,602	-	-	10,602	-	10,602					
Ministry of Technology and Research	3,265	7,530	13,746	25,372	36,497	13,986	15	50,468	20,159	-	70,627	10,516	81,143					
Ministry of National Languages & Social Integration	724	1,478	1,542	8,188	9,376	7,175	-	16,551	1,474	5,310	12,715	12,663	25,378					
Ministry of Plantation Industries	2,455	4,126	5,621	7,576	14,379	3,295	5	17,669	3,180	-	20,849	7,812	28,661					
Ministry of Sports	...	...	-	-	2,375	1,191	-	3,566	3,442	-	7,008	5,172	12,180					
Ministry of Indigenous Medicine	...	719	1,290	2,876	3,834	1,206	-	5,040	6,258	-	11,298	4,683	15,981					
Ministry of Fisheries & Aquatic Resources Development	1,523	7,206	12,773	58,003	85,145	4,823	-	89,968	5,492	-	95,460	4,812	100,272					
Ministry of Livestock and Rural Community Development	...	...	1,016	3,198	4,070	180	19	4,231	1,179	70	5,340	2,268	7,608					
Ministry of National Heritage & Cultural Affairs	...	19,745	40,466	42,464	62,816	21,892	-	84,708	20,735	-	105,443	4,201	109,644					
Ministry of Cultural Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-					
Ministry of Parliamentary Affairs	532	532	707	1,834	2,228	763	-	2,991	934	196	3,729	996	4,725					
Ministry of Re-Settlement	...	...	2,217	5,767	7,211	1,850	-	9,061	1,590	-	10,651	1,385	12,036					
Ministry of Industry and Commerce	446	446	2,051	4,000	6,302	1,009	-	7,311	1,602	-	8,913	4,300	13,213					
Ministry of Foreign Employment Promotion & Welfare	...	...	2,076	2,828	4,518	442	-	4,960	-	-	4,960	7,091	12,051					
Ministry of Irrigation & Water Resources Management	...	...	3,652	5,212	6,653	543	-	7,196	3,408	-	10,604	2,600	13,204					
Ministry of Lands and Land Development	1,943	1,943	1,943	1,943	5,482	3,161	13	8,630	3,312	-	11,942	2,306	14,248					
Ministry of Youth Affairs & Skills Development	...	2,525	3,920	8,720	9,597	63	-	9,660	4,856	-	14,516	10,947	25,463					
Ministry of Environment	146	11,320	12,267	16,580	18,257	966	54	19,169	1,090	37	20,222	309	20,531					

Notes to Financial Statements contd...

Rs '000'

2102-Furniture & Office Equipment

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance		Balance		Balance		Balance		Balance		Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Ministry of Internal Administration	-	....	-	....	-	524	903	432	-	1,335	-	-	1,335	-	-	-	-	1,335
Ministry of Youth Empowerment & Socio Economic Development	-	....	-	4,749	5,749	4,591	-	10,340	-	-	-	-	10,340	-	-	-	-	10,340
Ministry of Community Development & Social Inequality Eradication	675	675	675	4,196	4,651	204	15	4,840	-	-	-	-	4,840	-	-	-	-	4,840
Ministry of National Heritage	-	....	-	-	3,499	-	-	-	3,499	-	-	-	3,499	-	-	-	-	3,499
Ministry of Water Supply & Drainage	-	-	-	3,277	4,814	1,498	-	6,312	702	-	-	-	7,014	424	-	-	-	7,438
Ministry of Export Development & International Trade	-	-	-	1,236	1,402	156	-	1,558	-	-	-	-	1,558	-	-	-	-	1,558
Ministry of Public Estate Management & Development	-	-	-	6,922	8,113	1,205	-	9,318	-	-	-	-	9,318	-	-	-	-	9,318
Ministry of Counstruction & Engineering Services	-	-	-	12,282	14,325	1,494	-	15,819	-	-	-	-	15,819	-	-	-	-	15,819
Ministry of Special Projects	-	-	-	4,070	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Higher Education	-	-	-	1,252	3,187	258	-	3,445	153,965	76	-	-	157,334	23,498	-	-	-	180,832
Ministry of Public Management Reforms	-	-	-	-	-	-	-	-	5,148	-	-	-	5,148	2,445	-	-	-	7,593
Ministry of Rehabilitation and Prison Reforms	-	-	-	-	-	-	-	-	2,610	-	-	-	2,610	978	-	-	-	3,588
Ministry of State Resources & Enterprise Development	-	-	-	8,654	9,900	1,047	-	10,947	649	-	-	-	11,596	364	-	-	-	11,960
Ministry of Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-	-	3,294	-	-	-	3,294
Ministry of Culture and the Arts	-	-	-	-	-	-	-	-	-	-	-	-	-	29,924	-	-	-	29,924
Ministry of Coconut Development and Janatha Estate Development	-	-	-	-	-	-	-	-	-	-	-	-	-	5,041	-	-	-	5,041
Ministry of Agrarian Services and Wild Life	-	-	-	-	-	-	-	-	-	-	-	-	-	3,388	-	-	-	3,388
Ministry of Minor Export Crop Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	3,041	-	-	-	3,041
Ministry of Productivity Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	2,195	-	-	-	2,195
Ministry of Public Relations and Public Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	1,202	-	-	-	1,202
Ministry of Private Transport Services	-	-	-	-	-	-	-	-	-	-	-	-	-	2,560	-	-	-	2,560
Ministry of Telecommunication and Information Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	1,984	-	-	-	1,984
Department of Buddhist Affairs	3,795	7,344	8,308	9,288	9,992	236	-	10,228	457	-	-	-	10,685	1,443	-	-	-	12,128
Department of Muslim Religious & Cultural Affairs	616	635	883	1,411	1,505	41	-	1,546	150	-	-	-	1,696	90	-	-	-	1,786
Department of Christian Religious Affairs	....	-	-	173	427	819	-	1,246	286	-	-	-	1,532	268	-	-	-	1,800
Department of Hindu Religious & Cultural Affairs	739	781	1,534	2,705	3,733	293	-	4,026	490	-	-	-	4,516	1,429	-	-	-	5,945
Department of Public Trustee	....	515	593	1,255	1,503	211	-	1,714	326	-	-	-	2,040	146	-	-	-	2,186
Department of Cultural Affairs	....	3,059	4,665	5,983	7,896	759	-	8,655	906	-	-	-	9,561	2,154	-	-	-	11,715
Department of Archaeology	1,279	3,196	4,600	10,262	15,362	2,817	-	18,179	2,945	-	-	-	21,124	3,199	-	-	-	24,323
Department of National Museums	500	5,217	9,678	11,226	15,586	1,710	-	17,296	2,429	-	-	-	19,725	1,982	-	-	-	21,707
Department of National Archives	3,281	6,445	9,999	17,512	19,417	1,066	-	20,483	1,870	-	-	-	22,353	2,424	-	-	-	24,777
Department of Information	....	785	3,177	3,822	9,221	2,602	-	11,823	1,305	-	-	-	13,128	25,792	-	-	-	38,920
Department of Government Printer	....	1,684	5,464	8,272	9,855	1,552	-	11,407	1,664	-	-	-	13,071	1,928	-	-	-	14,999
Department of Examinations	....	499	1,992	3,020	3,800	914	-	4,714	94,273	-	-	-	98,987	997	-	-	-	99,984

Notes to Financial Statements *contd..*

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011		
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance	
Department of Educational Publications	349	693	693	1,335	1,803	1,803	594	2,397	926	-	3,323	537	3,860						
Department of Technical Education & Training	7,444	14,940	24,940	36,987	39,843	42,954	3,111	42,954	6,988	-	49,942	12,374	62,316						
Department of Social Services	1,257	5,650	9,204	16,950	17,942	18,494	552	18,494	2,873	-	21,367	855	22,222						
Department of Probation & Child Care Services	300	1,154	2,309	3,148	3,372	3,682	310	3,682	324	-	4,006	411	4,417						
Department of Commissioner General of Samurdhi	....	703	2,485	3,532	3,712	285	3,997	2,402	-	6,399	499	6,898						
Department of Sports Development	2,185,223	2,187,994	2,189,215	2,190,155	2,190,954	220	2,191,174	478	-	2,191,652	266	2,191,918							
Department of Ayurveda	3,316	5,879	9,811	14,027	19,304	3,170	22,474	6,769	-	29,243	8,790	38,033							
Department of Labour	10,682	63,348	76,166	79,077	80,205	830	81,035	707	-	81,742	2,312	84,054							
Sri Lanka Army	....	32,916	104,997	172,004	301,299	87,997	389,296	109,982	205	499,073	72,319	571,392						
Sri Lanka Navy	34,298	34,298	34,298	69,570	69,570	-	69,570	29,560	-	99,130	92,628	191,758							
Sri Lanka Air Force	2,810	32,669	50,689	69,091	77,542	99,667	171,488	38,295	7,211	202,572	73,862	276,434							
Department of Police	....	....	-	146,389	146,389	-	146,389	120,313	-	266,702	100,000	366,702						
Department of Immigration & Emigration	573	28,520	36,813	39,383	41,307	420	41,727	1,554	-	43,281	8,288	51,569							
Department of Registration of Persons	1,312	2,034	3,040	3,884	4,543	1,611	6,154	864	-	7,018	889	7,907							
Courts Administration	17,204	33,866	59,486	94,758	134,790	51,404	186,194	29,973	-	216,167	53,285	269,452							
Department of Attorney General	3,615	6,362	8,894	14,330	17,039	4,884	21,923	9,229	-	31,152	4,743	35,895							
Department of Legle Draftsman	501	1,212	1,765	2,251	6,346	10,477	75	16,748	15,945	495	32,198	10,987	43,185						
Department of Debt Conciliation Board	....	-	-	231	318	98	416	99	-	515	104	619						
Department of Prisons	1,463	3,721	6,545	19,546	29,080	15,533	44,613	11,814	-	56,427	9,991	66,418							
Department of Government Analyst	995	2,456	3,452	21,449	39,021	20,819	59,840	49,981	-	109,821	29,550	139,371							
Registrar of Supreme Court	2,415	2,574	5,310	8,303	11,311	7,572	18,883	682	-	19,565	1,459	21,024							
Department of Law Commission	352	352	952	2,182	3,112	970	4,082	659	440	4,301	400	4,701							
Department of Official Languages	15	115	392	648	648	178	826	61	-	887	151	1,038							
Department of National Planning	1,151	6,196	6,428	10,038	13,258	1,527	14,785	567	476	14,876	574	15,450							
Department of Fiscal Policy	....	4,163	4,497	4,497	4,562	97	4,641	818	-	5,459	526	5,985						
Department of External Resources	1,192	10,433	16,409	27,297	27,297	578	27,875	1,918	-	29,793	110	29,903							
Department of National Budget	138	646	729	957	1,207	4,676	5,863	25	-	5,908	397	6,305							
Department of Public Enterprise	782	1,305	1,480	2,609	4,286	4,095	5,821	505	2	6,324	86	6,410							
Department of Management Services	1,945	3,161	4,482	5,894	5,910	457	6,362	548	226	6,684	3,281	9,965							
Department of Development Finance	....	187	359	502	502	46	548	72	-	620	52	672						
Department of Trade Tariff & Investment Policy	....	-	-	736	1,446	18	1,444	20	-	1,464	595	2,059						
Department of Public Finance	1,518	1,772	2,329	5,361	5,361	28	5,389	289	-	5,678	354	6,032							
Department of Inland Revenue	986	8,245	40,917	49,083	54,406	9,749	64,155	9,228	-	73,383	14,953	88,336							
Department of Customs	....	722	722	18,478	18,478	25,919	44,397	100,000	-	144,397	936	145,333						
Department of Excise	697	1,744	8,646	13,992	17,606	4,062	21,668	4,130	-	25,798	3,153	28,951							

Notes to Financial Statements contd...

Rs '000'

2102-Furniture & Office Equipment

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Treasury Operations	....	....	277	417	531	1,581	-	2,112	900	24	2,988	94	3,082					
Department of State Accounts	846	1,703	2,077	3,172	3,172	685	-	3,857	932	-	4,789	274	5,063					
Department of Valuation	396	984	1,778	3,611	8,386	1,699	-	10,085	10,000	-	20,085	736	20,821					
Department of Census & Statistics	1,016	3,010	4,639	6,128	7,559	4,836	156	12,239	26,499	270	38,468	98,901	137,369					
Department of Pensions	767	4,542	8,201	11,429	14,312	2,503	-	16,815	4,741	-	21,556	3,496	25,052					
Department of Registrar General	....	2,812	6,052	18,226	27,657	1,832	-	29,489	8,033	-	37,522	8,344	45,866					
District Secretariat - Colombo	3,131	14,978	17,425	51,313	55,005	12,582	8	67,579	15,220	-	82,799	22,501	105,300					
District Secretariat - Gampaha	1,499	2,178	4,126	20,102	22,867	1,895	-	24,762	1,947	-	26,709	2,925	29,634					
District Secretariat - Kautara	920	2,418	5,379	27,961	33,908	1,088	-	34,996	6,647	5,065	36,578	4,125	40,703					
District Secretariat - Kandy	746	2,242	4,793	44,617	51,427	4,226	-	55,653	7,436	53	63,036	4,975	68,011					
District Secretariat - Matale	1,691	3,688	5,538	25,040	28,403	4,126	53	32,476	3,489	186	35,779	4,434	40,213					
District Secretariat - Nuwara Eliya	475	2,468	3,926	19,193	26,077	5,094	-	31,171	5,490	29	36,632	5,991	42,623					
District Secretariat - Galle	3,918	7,177	9,161	39,153	46,565	5,942	75	52,432	6,999	182	59,249	4,993	64,242					
District Secretariat - Matara	1,375	10,146	12,695	33,522	38,153	6,371	-	44,524	11,984	-	56,508	6,994	63,502					
District Secretariat - Hambantota	2,135	4,403	7,403	22,384	26,102	4,946	-	31,048	6,449	-	37,497	12,800	50,297					
District Secretariat - Jaffna	....	3,797	7,493	27,487	31,206	8,200	-	39,406	5,749	-	45,155	7,277	52,432					
District Secretariat - Mannar	....	499	3,247	8,661	13,227	4,979	-	18,206	5,949	-	24,155	6,563	30,718					
District Secretariat - Vavuniya	....	899	2,139	8,013	11,268	997	-	12,265	3,956	-	16,221	3,999	20,220					
District Secretariat - Mullativu	500	894	3,373	7,792	7,792	2,113	-	9,905	2,969	-	12,874	5,495	18,369					
District Secretariat - Kilinochchi	365	1,365	2,864	11,849	13,999	7,999	-	21,998	8,495	-	30,493	7,585	38,078					
District Secretariat - Batticaloa	998	6,194	7,892	19,476	23,806	4,977	-	28,783	4,496	43	33,236	3,993	37,229					
District Secretariat - Ampara	850	2,321	3,779	20,970	23,331	6,179	-	29,510	20,073	-	49,583	8,000	57,583					
District Secretariat - Trincomalee	2,993	3,992	6,930	14,731	15,829	2,683	-	18,512	3,842	-	22,354	3,999	26,353					
District Secretariat - Kurunegala	4,583	7,730	10,533	61,954	66,799	66,799	-	66,799	4,830	-	71,629	3,953	75,582					
District Secretariat - Puttalam	999	2,729	5,228	20,227	24,621	3,850	-	28,471	2,794	-	31,265	2,009	33,274					
District Secretariat - Anuradhapura	1,186	2,863	5,735	25,295	29,006	4,403	-	33,409	4,791	-	38,200	4,960	43,160					
District Secretariat - Polonnaruwa	988	3,584	6,571	28,777	34,940	1,972	8	36,904	2,464	-	39,368	3,865	43,233					
District Secretariat - Badulla	989	2,994	5,111	12,981	15,304	3,497	-	18,801	5,992	-	24,793	6,000	30,793					
District Secretariat - Monaragala	1,009	2,928	5,154	7,918	10,789	8,394	-	19,183	7,634	-	26,817	8,977	35,794					
District Secretariat - Ratnapura	782	3,274	5,751	25,762	29,750	2,736	-	32,486	3,982	10	36,458	4,975	41,433					
District Secretariat - Kegalle	....	1,840	4,399	4,997	4,796	228	-	5,024	-	-	5,024	19	5,043					
Department of Foreign Aid & Budget Monitoring	....	3,470	8,148	17,400	22,096	9,040	-	31,136	21,819	-	52,955	14,076	67,031					
Department of Agrarian Development	15,177	29,400	51,505	70,491	85,553	23,718	17	109,254	6,524	48	115,730	19,538	135,268					
Department of Irrigation	490	988	1,530	6,488	11,720	3,857	-	15,577	3,998	-	19,575	4,493	24,068					
Department of Forests	63	2,030	3,019	4,141	40,553	2,763	-	43,316	18,839	-	62,155	2,948	65,103					
Department of Wildlife Conservation																		

Notes to Financial Statements contd..

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Agriculture	10,921	15,778	19,734	31,255	44,228	12,096	1,400	56,324	13,211	1	69,534	24,295	93,829					
Department of Land Commissioner	1,798	3,796	6,784	9,278	11,116	1,429	5,580	12,516	2,000	-	14,516	4,993	19,509					
Department of Land Settlement	198	1,571	2,848	3,351	4,151	148	282	133,322	1,591	24	134,889	2,287	137,176					
Department of Survey General	3,386	125,364	127,493	132,310	133,456	2,431	40	7,648	2,890	-	10,538	3,399	13,937					
Department of Export Agriculture	2,929	2,929	2,929	2,961	5,257	1,364	231	8,942	1,492	-	10,434	3,479	13,913					
Department of Fisheries and Aquatic Resources	298	2,093	3,406	4,936	7,809	68	-	4,384	193	-	4,577	479	5,056					
Department of Coast Conservation	692	2,586	3,282	4,018	4,316	2,633	159	21,792	5,066	68	26,790	9,501	36,291					
Department of Animal Production and Health	2,296	2,296	7,441	12,226	19,318	2,464	-	7,576	982	-	8,558	1,485	10,043					
Department of Rubber Development	....	759	946	4,008	5,112	701	-	2,737	352	-	3,089	751	3,840					
Department of National Zoological Garden	211	511	895	1,537	2,036	499	-	3,674	436	-	4,110	373	4,483					
Department of Commerce	....	1,681	2,317	3,106	3,175	987	-	2,813	94	-	2,907	96	3,003					
Department of Import and Export Control	327	506	833	2,098	1,826	215	-	215	-	-	215	-	215					
Department of the Registrar of Companies	2	215	215	215	215	-	-	2,370	489	-	2,859	497	3,356					
Department of Measurement Units, Standards & Services	301	630	1,005	1,907	2,370	-	-	44	44	-	44	-	44					
National Intellectual Property Office of Sri Lanka	44	44	44	44	44	-	-	2,128	1,368	-	3,496	1,314	4,810					
Department of Food Commissioner	44	89	650	1,500	1,915	213	-	2,467	100	-	2,567	98	2,665					
Department of Co-operative Development	....	629	1,809	2,302	2,391	76	-	1,596	66	2	1,660	21	1,681					
Co-operative Employees Commission	....	295	1,369	1,540	1,535	61	-	1,913	144	-	2,009	1,349	3,303					
Department of Textile Industries	494	919	1,117	1,708	1,769	1,193	-	11,919	1,090	-	13,009	1,349	14,358					
Department of Meteorology	2,218	7,019	7,679	9,621	10,726	255	-	1,344	200	-	1,544	244	1,788					
Department of Upcountry Peasantry Rehabilitation	49	298	741	741	1,089	4,643	-	26,950	4,874	-	31,824	10,771	42,595					
Department of Sri Lanka Railways	....	5,839	9,751	10,185	22,307	3,253	-	22,139	3,542	2,968	22,713	4,377	27,090					
Department of Motor Traffic	....	1,998	7,658	12,317	18,886	8,758	-	98,470	9,816	-	108,286	11,944	120,230					
Department of Posts	26,557	45,544	52,744	55,100	89,712	5,622	-	28,072	2,907	-	30,979	1,508	32,487					
Department of Buildings	....	1,244	4,035	13,216	22,450	637	-	3,942	497	-	4,439	489	4,928					
Government Factory	240	1,010	1,872	2,843	3,305	105	-	6,093	101	-	6,194	298	6,492					
Department of National Physical Planning	1,524	2,398	3,615	5,088	5,988	18,459	-	63,110	7,484	-	70,594	7,499	78,093					
Department of Civil Security	....	....	-	26,075	44,651	-	-	462	297	-	759	442	1,201					
Department of National Botanical Garden	-	-	-	-	-	225	-	225	460	-	685	182	867					
Department of Legal Affairs	-	-	-	-	-	179	-	179	131	-	310	347	657					
Department of Management Audit	-	-	-	-	-	875	-	875	5,210	-	6,085	4,964	11,049					
Department of Coast Guard of Sri Lanka	-	-	-	-	-	-	-	-	3,433	-	3,433	156	3,589					
Department of Community Base Correction	-	-	-	-	-	-	-	-	-	-	-	-	-					
Department of Land Use Policy Planning	-	-	-	-	-	-	-	-	-	-	-	-	-					
Department of Man Power and Employment	-	-	-	-	-	-	-	-	-	-	-	-	-					
Office of the Former Prime Minister (Hon.F. Wickramanayake)	10	10	10	10	10	10	-	10	-	-	10	-	10					

Notes to Financial Statements contd...

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Ministry of Policy Development & Implementation	...	...	...	555	555	555	555	555	555	555	-	-	555	-	-	555	-	555
Ministry of Reconstruction & Development	...	...	25,238	25,238	25,238	25,238	25,238	25,238	25,238	25,238	-	-	25,238	-	-	25,238	-	25,238
Ministry of Infrastructure Development in the Eastern Province	...	1,954	1,954	1,954	1,954	1,954	1,954	1,954	1,954	1,954	-	-	1,954	-	-	1,954	-	1,954
Ministry of Mahaweli & River Basin Development & Rajarata Development	...	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	-	-	2,445	-	-	2,445	-	2,445
Ministry of Eastern Development & Muslim Religious Affairs	996	996	996	996	996	996	996	996	996	996	-	-	996	-	-	996	-	996
Ministry of Home Affairs Provincial Councils & Local Government	1,467	3,374	3,374	3,374	3,374	3,374	3,374	3,374	3,374	3,374	-	-	3,374	-	-	3,374	-	3,374
Ministry of Interior	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	-	-	1,130	-	-	1,130	-	1,130
Ministry of Regional Development	...	2,000	4,397	5,490	5,490	5,490	5,490	5,490	5,490	5,490	-	-	5,490	-	-	5,490	-	5,490
Ministry of Infrastructure Development & Fisheries Housing	...	...	548	548	548	548	548	548	548	548	-	-	548	-	-	548	-	548
Ministry of Coconut Development	...	...	3,790	4,066	4,066	4,066	4,066	4,066	4,066	4,066	-	-	4,066	-	-	4,066	-	4,066
Ministry of Small & Rural Industries	...	1,496	2,459	2,459	2,459	2,459	2,459	2,459	2,459	2,459	-	-	2,459	-	-	2,459	-	2,459
Ministry of Small Holder Development	298	298	298	298	298	298	298	298	298	298	-	-	298	-	-	298	-	298
Ministry of Southern Region Development	4,262	4,262	4,262	4,262	4,262	4,262	4,262	4,262	4,262	4,262	-	-	4,262	-	-	4,262	-	4,262
Ministry of Western Region Development	458	458	458	458	458	458	458	458	458	458	-	-	458	-	-	458	-	458
Ministry of Central Region Development	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013	-	-	1,013	-	-	1,013	-	1,013
Ministry of Rural Economic & Development	1,217	1,217	2,919	3,206	3,206	3,206	3,206	3,206	3,206	3,206	-	-	3,206	-	-	3,206	-	3,206
Ministry of Samurdhi & Poverty Alleviation	...	...	...	899	899	899	899	899	899	899	-	-	899	-	-	899	-	899
Ministry of Skills Development & Public Enterprise Reforms	...	...	4,669	5,389	5,389	5,389	5,389	5,389	5,389	5,389	-	-	5,389	-	-	5,389	-	5,389
Ministry of New Railroad Development	...	...	1,415	1,479	1,479	1,479	1,479	1,479	1,479	1,479	-	-	1,479	-	-	1,479	-	1,479
Ministry of Christian & Parliamentary Affairs	...	155	155	155	155	155	155	155	155	155	-	-	155	-	-	155	-	155
Ministry of North West Region Development	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	-	-	1,080	-	-	1,080	-	1,080
Ministry of Relief, Rehabilitation & Reconciliation	1,203	10,616	10,616	10,616	10,616	10,616	10,616	10,616	10,616	10,616	-	-	10,616	-	-	10,616	-	10,616
Ministry of Assisting Vanni Rehabilitation	398	398	398	398	398	398	398	398	398	398	-	-	398	-	-	398	-	398
Ministry of Promotion of Botanical & Zoological Gardens	...	...	4,031	5,348	5,348	5,348	5,348	5,348	5,348	5,348	-	-	5,348	-	-	5,348	-	5,348
Ministry of Textile Industry Development	...	...	...	947	984	984	984	984	984	984	-	-	984	-	-	984	-	984
Ministry of Rural Livelihood Development	...	...	6,721	7,461	7,461	7,461	7,461	7,461	7,461	7,461	-	-	7,461	-	-	7,461	-	7,461
Total	2,616,091	5,243,858	7,638,157	11,770,941	12,759,638	1,100,791	27,219	13,833,211	2,832,232	34,875	16,630,568	2,657,615	19,288,183					

Notes to Financial Statements *contd..*

Note 30.1 - MOVABLE ASSETS ACQUIRED SINCE 01.01.2004

2103-Plant, Machinery & Equipment

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Disposal	Additions	Balance	Disposal	Additions	Balance	Additions	Balance
H.E.the President	3,000	9,582	420,875	452,978	516,455	150,949	667,404	199,876	-	867,280	-	82,313	82,313	-	867,280	-	82,313	949,593
Office of the Prime Minister	2,880	59,564	63,902	68,949	77,634	2,999	80,633	1,243	-	81,876	-	4,958	86,834	-	81,876	-	4,958	86,834
Secretariat for Special Functions (Senior Ministers)																		
Office of the Cabinet of Ministers	2,084	2,517	3,638	4,347	4,347	-	4,347	947	-	5,294	-	620	5,914	-	5,294	-	620	5,914
Parliament	6,900	7,425	9,492	10,992	21,399	7,273	28,672	51,237	-	79,909	-	26,054	105,963	-	79,909	-	26,054	105,963
Office of the Leader of the Opposition of Parliament	-	-	-	-	461	670	1,131	-	-	1,131	-	-	1,131	-	1,131	-	-	1,131
The Constitutional Council	25	133	133	133	133	-	133	-	-	133	-	-	133	-	133	-	-	133
Public Service Commission	400	981	1,618	2,069	2,208	722	2,930	363	-	3,293	-	6,250	9,543	-	3,293	-	6,250	9,543
Judicial Service Commission	...	...	98	134	177	432	609	183	-	792	-	974	1,766	-	792	-	974	1,766
National Police Commission	152	1,006	1,534	1,534	1,557	39	1,596	25	-	1,621	-	-	1,621	-	1,621	-	-	1,621
Administration Appeals Tribunal	165	165	165	165	165	-	165	-	-	165	-	-	165	-	165	-	-	165
Commission to Investigate Allegations of Bribery or Corruption	1,656	2,521	4,001	4,545	4,693	-	4,693	-	-	4,693	-	-	4,693	-	4,693	-	-	4,693
Department of Elections	...	...	5,006	51,198	58,055	6,744	63,339	6,141	2,076	67,404	-	9,912	77,316	-	67,404	-	9,912	77,316
Office of the Finance Commission	69	177	397	477	506	-	506	696	-	1,202	-	458	1,660	-	1,202	-	458	1,660
National Education Commission	...	...	25	29	38	495	533	-	-	533	-	58	591	-	533	-	58	591
Human Rights Commission of Sri Lanka	-	-	-	-	-	421	421	18	-	439	-	143	582	-	439	-	143	582
Ministry of Buddhasana and Religious Affairs	3,673	4,970	5,432	7,630	8,204	469	8,673	619	-	9,292	-	609	9,901	-	9,292	-	609	9,901
Ministry of Finance & Planning	14	312	562	4,618	5,075	49	5,124	4,232	-	9,356	-	134	9,490	-	9,356	-	134	9,490
Ministry of Defence	5,311	14,579	19,476	119,084	664,468	10,090	674,558	15,375	-	689,933	-	37,260	727,193	-	689,933	-	37,260	727,193
Ministry of Plan Implementation	...	...	-	-	1,626	-	1,626	-	-	1,626	-	-	1,626	-	1,626	-	-	1,626
Ministry of Economic Development	...	...	-	1,216	2,318	1,168	3,486	1,795	-	5,281	-	1,915	7,196	-	5,281	-	1,915	7,196
Ministry of Disaster Management	...	...	2,431	19,108	20,402	532	20,934	1,170	-	22,104	-	570	22,674	-	22,104	-	570	22,674
Ministry of Tourism	624	1,113	1,809	2,301	2,967	1,861	4,723	105	-	4,723	-	-	4,723	-	4,723	-	-	4,723
Ministry of Post & Telecommunications (Min:of Postal Services)	...	1,234	5,168	5,333	5,333	-	5,333	1,107	-	6,440	-	1,774	8,214	-	6,440	-	1,774	8,214
Ministry of Justice	...	75	311	791	1,012	-	1,012	-	-	1,012	-	-	1,012	-	1,012	-	-	1,012
Ministry of Health	...	...	-	311,773	311,773	666,862	13,469	965,166	1,598,499	8,193	2,555,472	2,437,644	4,993,116	-	2,555,472	-	2,437,644	4,993,116
Ministry of External Affairs	...	5,242	13,743	17,307	28,261	11,758	40,019	20,671	-	60,690	-	11,755	72,445	-	60,690	-	11,755	72,445
Ministry of Port & Aviation	1,583	1,583	2,633	4,891	6,469	1,880	8,349	1,085	-	9,434	-	25,779	35,213	-	9,434	-	25,779	35,213
Ministry of Transport	78,900	78,900	80,878	82,936	84,845	1,330	86,175	1,189	-	87,364	-	4,465	91,829	-	87,364	-	4,465	91,829
Ministry of Petroleum Industries	...	...	1,606	3,558	4,669	207	4,876	61	-	4,937	-	-	4,937	-	4,937	-	-	4,937
Ministry of Co-operative and Internal Trade	...	1,160	3,379	4,209	6,337	1,434	7,771	5,103	-	12,874	-	2,046	14,920	-	12,874	-	2,046	14,920
Ministry of Highways	543	1,597	3,680	45,280	46,353	1,759	48,112	35,290	-	83,402	-	-	83,402	-	83,402	-	-	83,402
Ministry of Agriculture	38	1,217	2,289	76,072	1,021,632	641,776	1,663,408	307,246	-	1,970,654	-	212,814	2,183,468	-	1,970,654	-	212,814	2,183,468
Ministry of Power & Energy	-	-	-	-	-	135	135	1,690	-	1,825	-	1,601	3,426	-	1,825	-	1,601	3,426
Ministry of Child Development & Women's Affairs	57	2,429	2,499	3,402	3,787	246	4,033	889	-	4,837	85	199	5,036	-	4,837	85	199	5,036

Notes to Financial Statements contd...

Rs '000'

2103-Plant, Machinery & Equipment

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance		Balance		Balance		Balance		Balance		Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Ministry of Public Administration & Home Affairs	270	1,685	4,353	11,206	18,089	989	-	19,078	4,757	-	23,835	2,033	25,868					
Ministry of Mass Media & Information	...	3,186	5,386	11,000	13,302	1,939	-	15,241	1,886	-	17,127	1,633	18,760					
Ministry of Construction, Engineering Services, Housing and Common Amenities	214	654	1,653	2,756	4,120	1077	7	5,190	1,250	102	6,338	436	6,774					
Ministry of Social Service	...	...	5,517	9,904	10,183	249	-	10,432	1,933	-	12,365	1,173	13,538					
Ministry Of Housing and Common amenities	1,553	1,981	2,376	3,388	4,174	266	-	4,440	-	-	4,440	-	4,440					
Ministry of Education	9,837	45,340	90,051	146,540	155,213	5,903	6	161,110	13,924	385	174,649	15,641	190,290					
Ministry of Labour Relations & Productivity Improvement	...	5,707	14,407	30,388	32,706	3,943	-	36,649	3,538	42	40,145	2,131	42,276					
Ministry of Traditional Industries & Small Enterprises Development	-	-	-	-	-	3,010	-	3,010	983	-	3,993	2,110	6,103					
Ministry of Vocational & Technical Training	2,663	26,408	26,608	26,816	29,658	-	-	29,658	-	-	29,658	-	29,658					
Ministry of Local Government & Provincial Councils	495	495	2,337	3,474	5,281	1,445	-	6,726	3,553	-	10,279	3,953	14,232					
Ministry of Enterprise development & Investment Promotion	...	1,411	1,411	1,411	1,411	-	-	1,411	-	-	1,411	-	1,411					
Ministry of Technology and Research	...	...	-	4,583	10,479	5304	-	15,783	5,884	-	21,667	6,122	27,789					
Ministry of National Languages & Social Integration	...	203	1,090	1,436	1,705	330	-	2,035	3,650	202	5,483	603	6,086					
Ministry of Sports	...	...	-	-	331	691	-	1,022	3,737	-	4,759	4,446	9,205					
Ministry of Indigenous Medicine	...	221	368	563	1,798	654	-	2,452	7,036	-	9,488	2,536	12,024					
Ministry of Fisheries & Aquatic Resources Development	3,454	4,042	4,976	10,156	34,873	41,519	7,832	68,560	61,029	-	129,589	4,670	134,259					
Ministry of Livestock and Rural Community Development	-	-	1,914	3,117	4,078	2,250	-	6,328	2,212	-	8,540	1,439	9,979					
Ministry of National Heritage & Cultural Affairs	...	1,291	2,875	5,264	6,384	3,814	-	10,198	1,782	-	11,980	3,210	15,190					
Ministry of Parliamentary Affairs	150	150	186	322	399	54	-	453	859	-	1,312	47	1,359					
Ministry of Re-Settlement	...	...	529	17,210	19,506	6,136	-	25,642	1,398	-	27,040	1,658	28,698					
Ministry of Industry and Commerce	434	434	2,334	4,689	7,313	2,734	-	10,047	2,860	-	12,907	2,369	15,276					
Ministry of Foreign Employment Promotion & Welfare	...	...	3,027	4,372	6,070	135	-	6,205	-	-	6,205	1,139	7,344					
Ministry of Irrigation & Water Resources Management	...	...	-	591	812	123	-	935	89	-	1,024	118	1,142					
Ministry of Lands and Land Development	...	...	-	-	12,922	2,985	-	15,907	-	-	15,907	-	15,907					
Ministry of Youth Affairs & Skills Development	...	6,803	10,929	14,745	15,628	238	-	15,866	269	-	16,135	1,024	17,159					
Ministry of Environment	438	7,715	9,311	10,881	12,844	1,938	-	14,782	2,699	-	17,481	15,820	33,301					
Ministry of Internal Administration	...	...	-	4,703	9,624	314	-	9,938	-	-	9,938	-	9,938					
Ministry of Youth Empowerment & Socio Economic Development	...	...	-	3,249	4,178	-	-	4,178	-	-	4,178	-	4,178					
Ministry of Community Development & Social Inequity Eradication	1,437	1,437	1,437	4,762	5,769	-	-	5,769	-	-	5,769	-	5,769					
Ministry of Water Supply & Drainage	...	...	-	3,256	4,244	1,007	-	5,251	2,013	-	7,264	573	7,837					
Ministry of Export Development & International Trade	...	...	-	2,252	2,808	1,087	66	3,829	-	-	3,829	-	3,829					
Ministry of Public Estate Management Reforms	...	...	-	462	1,771	673	-	2,444	-	-	2,444	-	2,444					
Ministry of Counstruction & Engineering Services	...	...	-	3,579	4,265	736	-	5,001	-	-	5,001	-	5,001					
Ministry of Special Projects	...	...	-	226	-	-	-	-	-	-	-	-	-					
Ministry of Higher Education	...	...	-	3,667	5,212	126	-	5,338	559	4	5,893	666	6,559					

Notes to Financial Statements contd..

Name of Institution	2004		2005		2006		2007		2008		2009		2010		2011	
	Balance	...	Balance	...	Balance	...	Balance	...	Balance	...	Balance	...	Disposal	Balance	...	Balance
Ministry of State Resources & Enterprise Development	3,349	3,618	344	3,962	78	4,040	775	4,815						
Ministry of Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,074
Ministry of Culture and Arts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,174
Ministry of Coconut Development and Janatha Estate Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,653
Ministry of Agrarian Services and Wild Life	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,921
Ministry of Minor Export Crop Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,412
Ministry of Productivity Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,099
Ministry of Public Relations and Public Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,366
Ministry of Private Transport Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	404
Ministry of Telecommunication and Information Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,983
Ministry of Public Management Reforms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,360
Ministry of Rehabilitation and Prison Reforms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,515
Department of Muslim Religious & Cultural Affairs	867	1,648	1,901	1,908	85	1,993	128	2,121	125	2,246						
Department of Christian Religious Affairs	-	-	-	180	215	395	2	418	-	418						
Department of Hindu Religious & Cultural Affairs	-	-	-	103	72	175	285	206	2,048	2,254						
Department of Public Trustee	-	-	797	1,348	67	1,415	32	1,447	317	1,764						
Department of Cultural Affairs	...	504	3,349	6,820	805	7,625	8,358	14910	2,799	17,709						
Department of Archaeology	2,976	4,195	5,290	5,672	145	5,817	2,331	8,158	2,856	11,014						
Department of National Museums	5,982	7,038	7,998	8,351	204	8,555	259	8,814	356	9,170						
Department of National Archives	4,846	6,705	13,414	17,639	2,171	19,810	9,448	29,258	5,305	34,563						
Department of Information	...	10,860	20,057	45,933	4,125	50,058	3,509	53,567	4,666	58,233						
Department of Government Printer	...	17,016	60,077	263,018	25,282	288,300	89,449	344,749	73,530	418,279						
Department of Examinations	...	5,096	11,860	14,001	2,461	16,462	1,409	17,792	1,567	19,359						
Department of Educational Publications	8	8	8	391	412	803	96	899	954	1,853						
Department of Technical Education & Training	41,559	64,575	103,292	123,825	841	124,666	1,960	126,626	12,973	139,599						
Department of Social Services	...	...	44	823	335	2,072	315	2,387	349	2,736					
Department of Probation & Child Care	600	886	890	1,246	243	1,489	437	1,940	80	2,020						
Department of Sports Development	2,188	2,835	21,873	39,890	39,890	45,413	24,910	66,380	12,537	78,917						
Department of Ayurveda	413	3,054	7,862	15,246	377	15,623	9,271	24,894	9,737	34,631						
Department of Labour	15,663	29,885	43,561	205,913	24,397	230,310	59,804	231,431	54,907	286,338						
Sri Lanka Army	...	28,065	74,013	386,758	870,410	680,340	1,550,750	966,749	121	2,517,378						
Sri Lanka Navy	323,588	323,588	666,588	894,077	928,750	55,620	1,823	982,547	504,259	2,061	1,006,369					
Sri Lanka Air Force	8,999	35,148	46,166	2,551,815	7,191,248	1,615,583	328,375	8,478,456	357,002	177,694	9,048,781					
Department of Police	...	...	...	442,799	442,799	301,101	442,799	301,101	442,799	130,157	572,966				
Department of Immigration & Emigration	23,720	24,915	112,550	158,583	197,979	19,610	217,589	9,358	226,947	6,165	233,112					

Notes to Financial Statements contd...

Rs '000'

2103-Plant, Machinery & Equipment

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Registration of Persons	667	3,237	4,995	12,451	13,136	1,434	-	14,570	1,500	-	16,070	-	17,569	1,499	-	19,068	1,499	17,569
Department of Attorney General	...	...	...	5,799	5,799	-	-	5,799	-	-	5,799	-	15,299	9,500	-	24,799	9,500	15,299
Department of Legle Draftsman	562	562	562	562	562	-	-	562	-	-	562	-	562	-	-	562	-	562
Department of Prisons	5,666	10,092	16,537	22,808	27,781	11,667	-	39,448	8,817	-	48,265	-	52,929	4,664	-	57,589	4,664	52,929
Registrar of Supreme Court	-	-	-	-	-	-	-	-	-	-	-	-	1,257	98	-	1,355	98	1,257
Department of Official Languages	676	1,876	2,475	2,475	2,509	169	-	2,678	-	-	2,678	-	2,872	194	-	3,066	194	2,872
Department of National Planning	...	...	3,334	3,334	3,334	-	-	3,334	-	-	3,334	-	3,334	-	-	3,334	-	3,334
Department of Fiscal Policy	...	...	1,555	2,351	2,464	1,351	-	3,815	-	-	3,815	-	3,815	-	-	3,815	-	3,815
Department of National Budget	3,293	6,339	11,764	13,934	14,389	-	-	14,389	-	-	14,389	-	14,389	-	-	14,389	-	14,389
Department of Public Enterprises	-	-	-	-	922	-	-	922	6	-	916	-	916	-	-	916	-	916
Department of Management Service	-	-	-	-	-	110	-	110	-	-	110	-	110	-	-	110	-	110
Department of Development Finance	...	...	-	33	33	-	-	33	-	-	33	-	33	-	-	33	-	33
Department of Trade Tariff & Investment Policy	...	...	-	1,964	2,958	9	-	2,967	-	-	2,967	-	2,967	-	-	2,967	-	2,967
Department of Public Finance	...	178	178	178	178	-	-	178	-	-	178	-	178	-	-	178	-	178
Department of Inland Revenue	3,381	7,913	31,922	64,312	77,899	15,199	-	93,098	8,900	-	101,998	-	101,998	-	-	101,998	-	101,998
Department of Customs	...	14,983	14,983	2,046,228	2,046,228	-	-	2,046,228	85,065	-	2,131,293	-	2,140,598	9,305	-	2,149,903	9,305	2,140,598
Department of Excise	293	680	2,615	6,485	10,447	1906	-	12,353	390	-	12,743	-	12,743	5	-	12,748	5	12,748
Department of Treasury Operations	...	-	...	1,318	2,457	-	-	2,457	-	-	2,457	-	2,457	-	-	2,457	-	2,457
Department of State Accounts	500	1,501	1,648	1,648	1,648	-	-	1,648	-	-	1,648	-	1,648	-	-	1,648	-	1,648
Department of Valuation	653	1,390	2,182	4,670	16,711	34,000	-	50,711	496	-	51,207	-	51,207	52	-	51,259	52	51,259
Department of Census & Statistics	1,002	4,415	6,212	16,230	22,958	10,677	66	33,569	-	-	33,569	-	33,569	-	-	33,569	-	33,569
Department of Pensions	237	299	299	1,978	4,363	2,520	-	6,883	5,697	-	12,580	-	15,748	3,168	-	18,916	3,168	15,748
Department of Registrar General	...	...	357	1,091	3,488	1,902	-	5,390	3,633	-	9,023	-	12,229	3,206	-	15,435	3,206	12,229
District Secretariat - Colombo	...	...	172	30,169	32,622	4,073	-	36,695	4,397	-	41,092	-	44,087	2,995	-	47,082	2,995	44,087
District Secretariat - Gampaha	...	1,288	4,841	7,278	9,127	1,857	-	10,984	3,697	-	14,681	-	18,378	5,332	-	23,710	5,332	18,378
District Secretariat - Kalutara	...	...	2,354	13,293	14,951	960	-	15,911	2,489	-	18,400	-	20,370	1,970	-	22,340	1,970	20,370
District Secretariat - Kandy	47	47	1,472	2,345	4,181	825	-	5,006	1,994	-	7,000	-	8,453	1,453	-	9,906	1,453	8,453
District Secretariat - Matale	380	380	1,879	2,756	3,496	1,020	4	4,512	1,398	8	5,902	-	7,893	1,991	-	9,884	1,991	7,893
District Secretariat - Nuwara Eliya	1,526	2,510	4,106	4,106	5,077	2,158	-	7,235	2,189	-	9,424	-	11,707	2,283	-	13,990	2,283	11,707
District Secretariat - Galle	274	1,088	3,939	8,785	10,610	1,181	32	11,759	5,433	6	17,186	-	18,185	999	-	19,184	999	18,185
District Secretariat - Matara	14	372	1,846	2,644	4,479	1,642	-	6,121	2,412	-	8,533	-	10,506	1,973	-	12,479	1,973	10,506
District Secretariat - Hambantota	400	400	2,434	2,879	3,530	1,499	-	5,029	225	-	5,254	-	5,696	442	-	6,138	442	5,696
District Secretariat - Jaffna	...	96	2,091	3,862	5,205	598	-	6,603	868	-	7,471	-	8,339	1,377	-	9,716	1,377	8,339
District Sererariat-Mannar	...	...	-	1,678	2,051	1,949	-	4,000	1,698	-	5,698	-	6,194	496	-	6,690	496	6,194
District Sererariat-Vavuniya	...	172	1,087	2,085	3,009	1,552	-	4,561	998	-	5,559	-	6,757	1,198	-	7,955	1,198	6,757
District Sererariat-Mulatiwu	...	...	1,258	3,369	3,369	773	-	4,142	2,838	-	6,980	-	10,464	3,484	-	13,948	3,484	10,464

Notes to Financial Statements contd..

Rs '000'

Name of Institution	2004		2005		2006		2007		2008		2009		2010		2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Disposal	Additions	Disposal	Balance	Disposal	Additions	Balance
District Sererariat-Kilinochchi	....	....	825	2,823	4,322	2,607	6,929	1,485	-	8,414	3,400	11,814	-	8,414	3,400	11,814
District Sererariat-Batticaloa	....	....	1,277	1,277	2,167	966	3,133	991	1	4,123	954	5,077	-	4,123	954	5,077
District Sererariat-Ampara	499	2,384	4,263	9,236	10,415	4,785	15,200	9,424	-	24,624	4,800	29,424	-	24,624	4,800	29,424
District Sererariat-Trincomalee	....	....	604	604	604	-	604	2,000	-	2,604	2,000	4,604	-	2,604	2,000	4,604
District Sererariat-Kurunegala	48	97	6,152	6,552	6,568	1,995	3,715	734	-	4,449	3,000	7,449	-	4,449	3,000	7,449
District Sererariat-Puttalam	....	....	....	798	1,720	1,995	3,715	734	-	4,449	3,000	7,449	-	4,449	3,000	7,449
District Sererariat-Anuradhapura	184	314	3,082	4,830	6,478	1,620	8,098	2,376	-	10,474	772	11,246	-	10,474	772	11,246
District Sererariat-Polonaruwa	....	101	1,637	2,133	2,133	1,695	3,828	1,693	-	5,521	2,054	7,575	-	5,521	2,054	7,575
District Sererariat-Badulla	....	....	1,934	3,841	6,592	997	7,589	6,488	-	14,077	4,654	18,731	-	14,077	4,654	18,731
District Sererariat-Monaragala	....	400	1,664	2,164	4,161	2,000	6,161	2,500	-	8,661	1,000	9,661	-	8,661	1,000	9,661
District Sererariat-Ratnapura	101	176	1,444	1,559	1,879	-	1,879	-	-	1,879	529	2,408	-	1,879	529	2,408
District Sererariat-Kegalle	....	....	1,315	1,315	2,321	822	3,143	-	-	3,143	-	3,143	-	3,143	-	3,143
Department of Foreign Aid & Budget Monitoring	....	....	3,545	3,545	3,545	-	3,545	-	-	3,545	-	3,545	-	3,545	-	3,545
Department of Agrarian Development	....	....	....	14,705	17,804	14,095	31,899	7,246	-	39,145	14,368	53,513	-	39,145	14,368	53,513
Department of Irrigation	14,833	38,625	45,692	56,341	178,121	175,070	353,191	197,497	3	550,685	196,991	747,676	-	550,685	196,991	747,676
Department of Forests	500	998	998	1,647	2,636	958	3,594	985	-	4,579	1,207	5,786	-	4,579	1,207	5,786
Department of Wildlife Conservation	860	1,847	2,330	3,452	131,457	663	132,120	284	-	132,404	718	133,122	-	132,404	718	133,122
Department of Agriculture	4,536	5,504	17,034	52,774	58,918	6,601	65,519	21,937	37	87,419	23,449	110,868	-	87,419	23,449	110,868
Department of Land Settlement	327	327	327	707	707	-	707	1,968	-	2,675	2,440	5,115	-	2,675	2,440	5,115
Department of Survey General	22,333	22,333	61,516	75,507	87,314	2,963	89,226	21,034	479	109,761	46,241	156,022	-	109,761	46,241	156,022
Department of Export Agriculture	1,130	1,130	1,130	1,130	4,011	6,679	10,633	5,465	-	16,098	8,732	24,830	-	16,098	8,732	24,830
Department of Fisheries and Aquatic Resources	603	8,540	16,799	20,179	25,891	3,719	29,603	3,927	-	33,530	2,778	36,308	-	33,530	2,778	36,308
Department of Coast Conservation	....	1,055	2,502	11,427	11,720	413	12,133	500	-	12,633	498	13,131	-	12,633	498	13,131
Department of Animal Production and Health	2,254	2,254	41,823	82,701	94,440	8,684	103,089	6,338	22	109,405	1,658	111,063	-	109,405	1,658	111,063
Department of Rubber Development	....	....	-	-	1,822	1,986	3,808	403	-	4,211	1,211	5,422	-	4,211	1,211	5,422
Department of National Zoological Garden	5,262	9,345	14,269	19,867	24,419	4,176	28,595	4,403	-	32,998	2,260	35,258	-	32,998	2,260	35,258
Department of Commerce	....	1,330	2,122	2,921	3,392	491	3,883	460	-	4,343	237	4,580	-	4,343	237	4,580
Department of Measurement Units, Standards & Services	10,496	41,874	78,899	119,061	140,299	1,728	142,027	34,427	-	176,454	28,598	205,052	-	176,454	28,598	205,052
Department of Food Commissioner	....	....	45	916	916	235	1,151	4,513	-	5,664	-	5,664	-	5,664	-	5,664
Department of Co-operative Development	-	-	-	-	-	-	-	193	-	193	-	193	-	193	-	193
Co-operative Employees Commission	....	258	298	298	298	67	365	84	2	447	-	447	-	447	-	447
Department of Textile Industries	....	....	165	165	165	-	165	-	-	165	-	165	-	165	-	165
Department of Meteorology	4,492	6,048	9,841	186,547	349,911	7,961	357,872	42,448	-	400,320	37,750	438,070	-	400,320	37,750	438,070
Department of Sri Lanka Railways	-	-	-	923	55,409	111,340	166,749	116,307	-	283,056	148,254	431,310	-	283,056	148,254	431,310
Department of Motor Traffic	....	4,799	26,928	55,100	78,634	12,114	90,748	71,075	13,230	148,593	8,260	156,853	-	148,593	8,260	156,853
Department of Posts	48	416	70,630	76,413	93,357	4,152	97,509	7,399	-	104,908	6,937	111,845	-	104,908	6,937	111,845

Notes to Financial Statements *contd...*

Rs '000'

2103-Plant, Machinery & Equipment

Name of Institution	2004		2005		2006		2007		2008		2009			2010			2011	
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance	Additions	Balance
Department of Buildings	...	...	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	-	-	2,650	514	-	3,164	449	3,613
Government Factory	600	2,816	14,249	18,090	27,152	27,152	27,152	27,152	27,152	27,152	2,762	-	29,914	2,440	-	32,354	4,039	36,393
Department of National Physical Planning	225	1,710	3,631	5,576	5,637	5,637	5,637	5,637	5,637	5,637	99	-	5,736	78	-	5,814	49	5,863
Department of Civil Security	-	-	...	42,887	165,112	172,242	172,242	172,242	172,242	172,242	-	-	337,354	89,980	-	427,334	39,982	467,316
Department of National Botanical Gardens	-	-	-	-	270	270	270	270	270	270	-	-	270	291	-	561	312	873
Department of Management Audit	-	-	-	-	-	-	-	-	-	-	233	-	233	-	-	233	189	422
Department of Coast Guard of Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-	23,075	-	23,075	26,082	49,157
Department of Land use policy planning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,598	1,598
Department of Man Power and Employment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420	420
Office of the Former Prime Minister (Hon.R.Wickramanayake)	43	43	43	43	43	43	43	43	43	43	-	-	43	-	-	43	-	43
Ministry of Policy Development & Implementation	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	-	-	3,339	-	-	3,339	-	3,339
Ministry of Reconstruction & Development	...	...	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	-	-	2,468	-	-	2,468	-	2,468
Ministry of Infrastructure Development in the Eastern Province	...	1,374	1,374	1,374	1,374	1,374	1,374	1,374	1,374	1,374	-	-	1,374	-	-	1,374	-	1,374
Ministry of Mahaweli & River Basin Development & Rajarata Development	...	606	606	606	606	606	606	606	606	606	-	-	606	-	-	606	-	606
Ministry of Eastern Development & Muslim Religious Affairs	947	947	947	947	947	947	947	947	947	947	-	-	947	-	-	947	-	947
Ministry of Home Affairs Provincial Councils & Local Government	889	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	-	-	2,082	-	-	2,082	-	2,082
Ministry of Interior	1,356	1,356	1,356	1,356	1,356	1,356	1,356	1,356	1,356	1,356	-	-	1,356	-	-	1,356	-	1,356
Ministry of Regional Development	...	...	522	1,110	1,110	1,110	1,110	1,110	1,110	1,110	-	-	1,110	-	-	1,110	-	1,110
Ministry of Infrastructure Development & Fisheries Housing	...	...	276	276	276	276	276	276	276	276	-	-	276	-	-	276	-	276
Ministry of Small & Rural Industries	...	559	590	590	590	590	590	590	590	590	-	-	590	-	-	590	-	590
Ministry of Southern Region Development	328	328	328	328	328	328	328	328	328	328	-	-	328	-	-	328	-	328
Ministry of Western Region Development	328	328	328	328	328	328	328	328	328	328	-	-	328	-	-	328	-	328
Ministry of Rural Economic Development	...	...	4,570	4,945	4,945	4,945	4,945	4,945	4,945	4,945	-	-	4,945	-	-	4,945	-	4,945
Ministry of Samurdhi & Poverty Alleviation	...	...	...	398	398	398	398	398	398	398	-	-	398	-	-	398	-	398
Ministry of Skills Development & Public Enterprise Reforms	...	...	1,103	3,164	3,164	3,164	3,164	3,164	3,164	3,164	-	-	3,164	-	-	3,164	-	3,164
Ministry of New Railroad Development	...	...	3,991	5,020	5,020	5,020	5,020	5,020	5,020	5,020	-	-	5,020	-	-	5,020	-	5,020
Ministry of Christian & Parliamentary Affairs	...	147	147	147	147	147	147	147	147	147	-	-	147	-	-	147	-	147
Ministry of North West Region Development	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	-	-	1,032	-	-	1,032	-	1,032
Ministry of Relief, Rehabilitation & Reconciliation	692	12,377	12,377	12,377	12,377	12,377	12,377	12,377	12,377	12,377	-	-	12,377	-	-	12,377	-	12,377
Ministry of Assisting Vanni Rehabilitation	155	155	155	155	155	155	155	155	155	155	-	-	155	-	-	155	-	155
Ministry of Promotion of Botanical & Zoological Gardens	...	...	181	512	512	512	512	512	512	512	-	-	512	-	-	512	-	512
Ministry of Textile Industry Development	...	...	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	-	-	1,279	-	-	1,279	-	1,279
Ministry of Rural Livelihood Development	...	...	3,918	4,521	4,521	4,521	4,521	4,521	4,521	4,521	-	-	4,521	-	-	4,521	-	4,521
Total	658,439	1,112,848	2,644,984	9,942,915	17,774,269	17,774,269	17,774,269	17,774,269	17,774,269	17,774,269	4,701,175	354,401	22,121,043	5,584,743	204,753	27,501,033	11,513,256	39,014,289

Notes to Financial Statements *contd...*

Note - 31 STATEMENT OF CONTINGENT LIABILITIES

(A) STATEMENT OF BANK GUARANTEES ISSUED BY THE TREASURY UP TO 31.12.2011

No:	Name of Institution	Name of The Bank or Institution	Guaranteed Amount (Rs. Mn.)	Date of Issue	Date of Expiry	Capital Outstanding (Rs. Mn.)
1	Co-operative Whole Sale Establishment	People's Bank	207.10	2-Feb-05	31-May-12	207.10
2	Sri Lanka Consumer Co-operative Societies	People's Bank	50.00	31-Jul-06	31-May-12	45.43
3	Lakdanavi Ltd.	National Savings Bank	2,992.00	22-Feb-07	31-Mar-22	2,992.00
4	Lakdanavi Ltd.	Employee's Trust Fund	2,992.00	1-Mar-07	31-Mar-22	2,992.00
5	West Coast Power	Hongkong & Shanghai Banking Co. Ltd.	20,170.24	28-Jun-07	28-Jun-22	19,084.63
6	Ceylon Electricity Board 300MW Kerawalapitiya Combine Cycle Power Plant Project	People's Bank	4,116.00	7-May-08	3-Mar-23	4,116.00
7	Ceylon Electricity Board	People's Bank	1,766.04	11-Jun-08	9-Oct-23	1,750.33
8	Ceylon Petroleum Corporation	Bank of Ceylon	79,733.50	9-Sep-08	31-Dec-12	188,047.04
9	Ceylon Electricity Board	People's Bank	2,413.36	29-Sep-08	31-Dec-12	461.42
10	People's Bank Pension Trust Fund	People's Bank	2,500.00	17-Dec-08	16-Dec-16	2,500.00
11	State Trading (Co-operative Wholesale) Company Ltd.	People's Bank	32.00	13-Mar-09	31-Dec-11	31.49
12	Ceylon Electricity Board	People's Bank	7,000.00	7-Sep-09	11-Mar-13	3,094.00
13	Ceylon Petroleum Corporation	Bank of Ceylon	25,000.00	27-Sep-09	27-Mar-12	25,000.00
14	Ceylon Petroleum Storage Terminals Ltd.	People's Bank	4,634.50	9-Oct-09	6-Oct-19	2,363.40
15	People's Bank Pension Trust Fund	People's Bank	2,500.00	23-Oct-09	22-Oct-17	2,500.00
16	Urban Development Authority	National Savings Bank	2,770.00	6-Nov-09	18-Nov-24	2,770.00
17	Mihin Lanka (Pvt) Ltd.	Bank of Ceylon	1,552.50	25-Nov-09	24-Nov-12	1,519.26
18	STC General Trading Company Ltd.	Bank of Ceylon	1,100.00	22-Dec-09	31-Dec-12	1,055.93
19	Ceylon Electricity Board	People's Bank	5,000.00	17-Aug-10	31-Jul-16	3,749.80
20	Urban Development Authority	Bank of Ceylon	10,000.00	8-Jul-10	8-Jul-15	10,000.00
21	Lanka Coal Company (Pvt) Ltd.	People's Bank	1,000.00	27-Sep-10	27-Sep-13	152.80
22	Mihin Lanka (Pvt) Ltd.	Bank of Ceylon	252.27	25-Nov-10	25-Nov-12	189.20
23	Urban Development Authority	Bank of Ceylon	7,346.87	30-May-11	30-Jun-14	4,917.95
24	Road Development Authority	Commercial Bank	1,534.00	1-Sep-11	28-Feb-26	431.20
25	General Sir John Kotelawala Defence	Bank of Ceylon	85.00	29-Aug-11	31-Dec-26	85.00
26	Ceylon Petroleum Corporation	People's Bank	11,389.00	1-Nov-11	30-Apr-12	11,393.00
Total			198,136.38			291,448.98

Notes to Financial Statements *contd...*

(B) STATEMENT OF LETTERS OF COMFORT ISSUED TO LOCAL BANKS AND THE LIABILITY AS AT 31.12.2011

No:	Name of Institution	Name of The Bank	Total Value of Letter of Comfort Issued (Value in Mn.)	Liability as at 31.12.2011 (Rs. in Million)
1	Sri Lanka Air Force	} People's Bank	2,227.20	483.97
2	Sri Lanka Air Force		337.21	53.75
3	Sri Lanka Air Force		987.86	48.29
4	Sri Lanka Air Force		973.21	875.90
5	Sri Lanka Air Force		3,228.14	833.50
6	Ceylon Fertilizer Company Ltd.		16,688.90	6,831.44
7	Colombo Commercial Fertilizers Company Ltd.		11,157.50	6,831.44
8	Ministry of Labour and Labour Relations		8.42	8.42
9	State Pharmaceuticals Corporation of Sri Lanka	} Bank of Ceylon	3,000.00	3,197.00
10	Sri Lanka Army		3,844.87	3,844.87
11	Sri Lanka Navy		1,251.73	1,251.73
12	Secretary to the President		6.63	6.63
13	Police Department		188.47	188.47
14	Special Task Force		109.55	109.55
15	Government Printing Department		156.79	156.79
16	Department of Civil Security		13.90	13.90
17	Commission to Investigate Allegation Bribery		5.87	5.87
18	Department of Meteorology		0.83	0.83
19	Ministry of Fisheries and Aquatic Resources Dev.		289.45	289.45
20	Ministry of Environment		6.53	6.53
21	Ministry of Economic Development		1,523.64	1,523.64
22	Ministry of Construction, Eng. Services, Housing		4.41	4.41
23	Ministry of Education		1,005.75	1,005.75
24	Ministry of Civil Aviation		18.46	18.46
25	Ministry of Foreign Affairs		6.90	6.90
26	Ministry of Social Services		4.72	4.72
27	Ministry of Youth Affairs and Skills Development		8.30	8.30
28	Ministry of Water Supply and Drainage		4.19	4.19
29	Ministry of Public Administration		12.09	12.09
30	Ministry of Health		40.33	40.33
31	Department of Measurement Units		2.22	2.22
TOTAL			47,114.07	27,669.34

Explanatory Notes

Note 10- Lease of Vehicles.

According to the budget circular No 150 Department of National Budget has been procured 670 number of vehicles on Leased basis in 2011 and paid Rs 275,866,391 as a lease installment during the year. This amount included in the Object code No 2101-Acquisition of Vehicles.

Note 26- Deposits and other Liabilities

Rs 19,817,306,000 received from Sangri- La Hotels Lanka (Pvt) Ltd and Avic International Hotels Lanka Limited for the land allocated to hotel development has been deposited in Treasury General Deposit Account (6000).

Note 30-Accumulated Total Investment and Accumulated Revenue Deficit

The presentation of composition of the accumulated revenue deficit, which has been derived in the newly introduced reporting formats, has not been possible for periods prior to 2004 as the information required for ascertaining the same has not been compiled during pre-2004 periods. Total investments in physical assets are comprised of accumulated value of property, plant and equipment held by Ministries, Departments and Statutory Boards, at cost.

Among other physical assets held in the form of property, plant and equipment, major items included are the accumulated value of physical assets of the infrastructure facilities provided by the State over the years in Transport, Irrigation, Health, Education etc., at cost.

Therefore, there are difficulties associated with presenting the detailed itemized composition of such assets held by or prevailed under the supervision of the relevant Ministries, Departments and other Institutions as a detailed system of documentation and information had not been maintained to itemize the total value of such assets in the Cash Based Accounting System adopted. Similarly, total accumulated depreciation on those assets is also not calculated in the Cash Based Accounting System.

However, for the fulfillment of requirements on the accountability on those physical assets in property, plant and equipment held by Ministries and Departments, especially in respect of movable physical assets, Annual Verification Procedure is followed for reporting the position to the Auditor General in terms of provisions in Section 3 of Chapter XIII of Government Financial Regulations, for securitization.

In addition, Rs 699,930,000 received from Royal Dutch Shell Plc for the settlement of the future commitments has been recorded as an investment in the main Ledger No 9134.

Statement of Capital Investments on Development Projects-2011

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
1	His Excellency the President	e-Sri Lanka Development Project	1,079,899,000.00	697,815,446.10	65
		Lanka Government Network	168,000,000.00	114,117,528.73	68
		Maintenance Requirements at Bandaranaike Memorial International Conference Hall	50,000,000.00	49,658,547.37	99
		Information and Communication Technology Regulator Capacity Building Project	30,000,000.00	25,653,012.50	86
		Continuation of Operations for Lanka Government Network	67,000,000.00	66,211,200.00	99
10	Commission to Investigate Allegation of Bribery or Corruption	Support Efforts Against Corruption	20,000,000.00	0.00	-
11	Office of the Finance Commission	Health Sector Development Project	30,000,000.00	853,008.58	3
		Education Sector Development Project	25,000,000.00	23,830,371.50	95
12	National Education Commission	Education Sector Development Project	5,520,000.00	2,461,132.32	45
13	Human Rights Commission of Sri Lanka	Other Capital Expenditure	544,100.00	8,846.00	2
15	Department of Legal Draftsman	Revision of Legislative Enactments	20,000,000.00	-	0
16	Parliament	Other Capital Expenditure	15,000,000.00	908,297.92	6
101	Ministry of Buddha Sasana and Religious Affairs	Other Capital Expenditure	70,404,082.00	68,750,307.11	98
		Capital Expenditure	265,000,000.00	247,229,546.94	93
102	Ministry of Finance and Planning	Other Capital Expenditure	500,000,000.00	-	-
		Fiscal Management Reforms Project	667,680,000.00	310,401,326.65	46
		Other Capital Expenditure	2,000,000.00	530,088.41	27
		Fiscal Management Efficiency Project	840,000,000.00	126,449,568.37	15
		Capacity Development Fund (ADB)	155,000,000.00	0.00	0
103	Ministry of Defence	Other Capital Expenditure	21,854,791,471.00	1,888,535,633.78	9
		Other Capital Expenditure	10,900,000.00	9,742,439.76	89
		National Secretariat for NGOs	1,200,000.00	771,974.40	64
		Administrative Complex Hambanthota (KOREA)	355,000,000.00	353,693,398.46	100
		International Conventional Center- Hambanthota (KOREA)	767,000,000.00	606,306,601.54	79
		Other Capital Expenditure	50,000,000.00	6,032,601.38	12
		Other Capital Expenditure	20,000,000.00	17,676,123.20	88
105	Ministry of Economic Development	Gama Naguma Programme	-	-	-
		Decentralised Budget	1,125,000,000.00	1,033,573,558.15	92
		Infrastructure Development in Lagging Regions	20,121,300,000.00	18,325,997,242.30	91
		Expansion of the Mathata Thitha Programme	200,000,000.00	-	0
		Conflict Affected Region Emergency Project (ADB)	3,909,742,000.00	1,395,483,642.50	36

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
105		Emergency Northern Recovery Project (WB)	2,828,000,000.00	2,826,294,405.46	100
		North East Housing Reconstruction Programme (WB&EC)	2,252,000,000.00	2,250,908,463.41	100
		North East Coastal Community Development Project (ADB)	14,200,000.00	7,931,580.30	56
		North East Community Restoration & Development Project (ADB)	722,800,000.00	466,692,804.24	65
		Protected Relief and Recovery Programme (WFP)	6,300,000,000.00	5,048,253,942.87	80
		Second Community Development and Livelihood Improvement Project (WB)	2,100,000,000.00	2,099,990,818.37	100
		Tourism Resources Improvement Project (JICA)	856,900,000.00	856,747,653.99	100
		Sustainable Tourism Development Project (WB)	280,700,000.00	3,244,828.82	1
		Monitoring & Evaluation of Samurdhi Safety Net Programme (WB)	22,000,000.00	1,123,425.13	5
		Trincomalee Intergrated Infrastructure Project (FRANCE)	140,000,000.00	82,232,602.05	59
		Supporting Demining in North East by the Civilian Demining Unit of Sri Lanka (JICA)			
		Mine Risk Education Programme (UNICEF)	4,610,000.00	2,389,890.77	52
		Transition Programme	8,000,000.00	2,622,899.00	33
		Livelihood Restoration of Resettled IDP in the North	107,000,000.00	0.00	0
		Rapid Promotion of Reconstrction and Dev. In Taffna District	1,200,000.00	1,200,000.00	100
			4,300,000.00	4,173,783.45	97
		Kandurata Udanaya	2,200,000.00	1,097,595.65	50
			2,200,000.00	2,158,663.42	98
			45,000,000.00	36,270,499.64	81
106	Ministry of Disaster Management	Other Capital Expenditure	1,979,000.00	1,973,526.92	100
		Other Capital Expenditure	434,820,971.00	433,981,016.00	100
108	Ministry of Postal Service	Capital Expenditure	55,000,000.00	6,820,752.48	12
110	Ministry of Justice	Other Capital Expenditure	5,828,200.00	5,720,376.19	98
111	Ministry of Health	Other Capital Expenditure	10,000,000.00	9,994,367.75	100
		Capital Expenditure	21,000,000.00	9,660,641.17	46
		Special Emergency Provision for Crisis Management	9,584,902.00	7,250,511.06	76
		Neuro Trauma Unit at National Hospital Colombo (Saudi)	5,000,000.00	3,229,346.03	65
		Epilepsy Unit at the National Hospital-Colombo (Saudi Assistance)	61,000,000.00	14,869,677.46	24
		Improving Efficiency of Operation Theaters and Provision of Oxygen Concentrators (France)	1,151,000,000.00	1,106,303,416.93	96
		Programme for Strengthening Primary Level Healthcare	247,100,000.00	50,744,826.77	21
		Capital Expenditure	48,150,000.00	29,524,330.21	61
		Family Health Bureau	78,370,000.00	52,421,403.14	67

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
111		Other Community Health Services	19,000,000.00	7,256,300.12	38
		National Dengue Control Programme	247,000,000.00	212,104,892.59	86
		Rabies Control Programme	101,000,000.00	100,591,973.41	100
		Kidney Disease Programme	25,000,000.00	9,306,735.69	37
		Anti-Leprosy and Filariasis Campaign	8,000,000.00	3,997,297.20	50
		Poisons Centre-NHSL	1,000,000.00	171,175.00	17
		GAVI-HSS	100,000,000.00	34,623,861.78	35
		Health Education Bureau	7,000,000.00	4,890,634.92	70
		Strengthening and Rehabilitation of Provincial Mental Health	8,000,000.00	-	0
		School Health Programme	1,500,000.00	1,111,689.10	74
		Leptospirosis Controlling	15,000,000.00	12,236,705.64	82
		Children Action Plan	15,000,000.00	13,942,363.05	93
		Disaster Preparedness & Response Programme	5,000,000.00	-	0
		National Cancer Control Centre	10,000,000.00	6,009,034.63	60
		GAVI-(NVS)-co-financing	69,400,000.00	56,673,810.96	82
		Global Fund to Fight Against AIDS, Tuberculosis and Malaria (GFATM)	1,579,000,000.00	1,417,172,372.20	90
		Health Sector Development Project - WB	5,000,000.00	2,421,196.60	48
		Improving of Preventive Health Services in the Estate Sector	20,000,000.00	18,351,178.00	92
		Non Communicable Diseases	36,400,000.00	36,106,390.30	99
		Health & Nutrition Programme (UNICEF Country Programme)	49,000,000.00	10,339,759.45	21
		Reproductive Health Programme (UNFPA)	1,500,000.00	1,399,591.95	93
		Capital Expenditure	8,000,000.00	3,567,206.06	45
112	Ministry of External Affairs	Other Capital Expenditure	1,115,000.00	1,113,246.40	100
		Other Capital Expenditure	100,000.00	14,829.00	15
114	Ministry of Transport	Implementation of Strategic Plan for Traffic Management (TEC is Rs.10bn)	50,000,000.00	110,904.98	0
116	Ministry of Co-operative and Internal Trade	Expansion of Laksathosa Outlets	49,500,000.00	49,500,000.00	100
117	Ministry of Ports and Highways	Outer Circular Highway (OCH)	241,944,000.00	114,279,390.09	47
		Alternate Colombo-Kandy Highway (ACKH)	40,879,000.00	40,878,153.91	100
		Expressway Management Unit	114,825,000.00	114,824,257.00	100
		Road Sector Assistance Project (RSAP)-World Bank	386,000,000.00	377,867,296.56	98
		National Highway Sector Project (NHSP)-ADB	600,000,000.00	595,316,627.27	99
		Tax Component	1,349,465,000.00	1,349,464,570.31	100
		Deyata Kirula	3,500,000,000.00	3,277,791,933.68	94
		Road Project Preparatory Facility (Including Provincial Roads)-ADB	399,500,000.00	264,421,500.19	66
		Surveys, Investigations and Feasibility Studies	65,000,000.00	20,457,517.13	31
118	Ministry of Agriculture	Crop Forecasting Programme	3,500,000.00	2,452,491.90	70

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Implementation of Tree Felling Act and Soil Conservation Act	20,000,000.00	16,978,450.45	85
		Micro Irrigation Development Programme & Rain Water Harvesting	25,000,000.00	20,246,836.21	81
		Implementation of Dry Zone Livelihood Support and Partnership Programme (IFAD, WFP, CIPA, UNDP)	690,000,000.00	669,556,929.00	97
		Special Programmes under Api Wawamu - Rata Nagamu	403,175,592.19	349,616,930.19	87
		Production and Use of Organic Fertilizer	295,000,000.00	241,383,748.02	82
		Uthuru Wasanthaya	20,000,000.00	12,721,016.65	64
		Utilization of Japanese 2KR Counterpart Funds for Reactivation of Government Seeds Farms at Murunkan in Mannar District and Paranthan in Killinochchi District	100,000,000.00	69,939,773.39	70
		Implementation of National Agricultural Research Plan (NARP) with Universities	20,000,000.00	443,065.12	2
		Big Onion Seed Production Programme	20,000,000.00	12,034,629.31	60
119	Ministry of Power and Energy	Power Sector Reform	285,000.00	284,451.86	100
		Accelerated Rural Electrification Project	2,095,100,000.00	1,728,501,245.36	83
120	Ministry of Child Development and Women's Affairs	Diriya Kantha Programme	41,100,000.00	41,099,748.80	100
		Lama Saviya Programme	12,000,000.00	11,597,748.05	97
		Italian Government Assisted Project	5,000,000.00	-	0
		Kekulu Udana	20,000,000.00	20,000,000.00	100
		UNICEF/ Child Protection Programme	16,000,000.00	14,412,035.95	90
		Kantha Saviya	23,000,000.00	23,000,000.00	100
		Women Development Programme	4,000,000.00	4,000,000.00	100
		Gender Based Violence Programme (UNFPA)	5,338,567.00	5,338,566.40	100
		Promoting Gender Responsive Access to Road Rehabilitation Related Opportunities under the Eastern & North Central Road Project - JFPR*	162,000,000.00	130,563,960.57	81
121	Ministry of Public Administration and Home Affairs	Local Governance Project (LOGO Pro) (UNDP)	58,759,597.00	55,449,636.48	94
123	Ministry of Construction, Engineering Services, Housing and Common Amenities	Capacity Building in Construction Industry (RPL)	2,000,000.00	1,969,145.00	98
		Establishment of Construction Technology Theme Park	20,000,000.00	20,000,000.00	100
		Acquisition of New Equipment to update Construction Equipment Operator Training at ICTAD	30,000,000.00	30,000,000.00	100
		Registration of Skilled Craftsmen in the Construction Industry	4,000,000.00	2,894,125.50	72
		Implementation of UN Habitat Programmes	103,000,000.00	103,000,000.00	100

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
123		National Equipment and Machinery Organization (NEMO)	100,000,000.00	89,000,000.00	89
		Government Servent Housing Project/Kammalwatta & Nupewala	6,000,000.00	6,000,000.00	100
		Completion of Already Initiated Urban Housing Schemes-2011 Budget Proposal	500,000,000.00	228,334,000.00	46
124	Ministry of Social Services	Forum of Ministers In-charge of Social Development of SAARC Member Countries on Social Protection Policies organized by UNESCO	2,367,000.00	2,366,638.97	100
		National Council and Secretariat for Persons with Disabilities	30,000,000.00	28,503,669.50	95
		Community Based Rehabilitation Programme	8,000,000.00	7,909,582.53	99
		Social Development Management Information System	500,000.00	497,126.32	99
		Social Development Programme	2,000,000.00	1,950,023.80	98
		Self Employment Opportunities for Single Parent Families	3,000,000.00	2,998,438.20	100
		National Counselling Programme	9,000,000.00	8,429,497.91	94
		Social Care Centres	3,500,000.00	3,452,248.52	99
		UNICEF GOSL Country Programme	15,000,000.00	14,989,519.70	100
126	Ministry of Education	Education Sector Development Grant (ESDG) (World Bank)	20,950,000.00	20,693,436.23	99
		Education for Social Cohesion	10,500,000.00	-	0
		Assistance from Save the Children Fund	25,000,000.00	11,862,702.93	47
		Other Capital Expenditure	4,000,000.00	3,194,886.00	80
127	Ministry of Labour and Labour Relations	Implementation of the National Policy for Decent Work	28,900,000.00	27,008,790.29	93
128	Ministry of Traditional Industries and Small Enterprises Development	1000 Industrial Villages Development	13,000,000.00	2,285,709.20	18
		Exhibition and Award Ceremony	26,000,000.00	24,800,207.28	95
		Kithul Development Project	10,000,000.00	9,461,181.68	95
		Atchchuvely Industrial Estate Rehabilitation Project (India)	280,000,000.00	9,312,893.72	3
		Re-establishment of the Research Institute of Palmyrah Development Board (India)	103,000,000.00	20,999,574.67	20
130	Ministry of Local Government and Provincial Councils	Greater Colombo Waste Water Management Project-ADB	383,500,000.00	207,372,377.44	54
		Upgrading the Disaster Response Network Project-Phase ii-Netherlands	2,294,863,456.00	2,294,830,799.25	100
		Other Capital Expenditure	8,150,000.00	8,131,080.44	100
		Hakmana Town Development Programme	40,000,000.00	39,046,951.37	98
		Solid Waste Managemnt Project	72,900,000.00	66,572,212.76	91
		Dehiovita Town Development Programme	48,000,000.00	39,999,999.45	83
		Horana Town Development Programme	8,000,000.00	3,762,000.00	47

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Pallepola Town Development Programme	14,000,000.00	11,876,372.41	85
		Constructions of New Buildings for North East Local Authorities	40,000,000.00	39,741,384.74	99
		Beliatta Town Development Programme	34,100,000.00	26,911,807.62	79
		Akkareipattu Town Development Programme	50,000,000.00	49,979,326.80	100
		Panduwasnuwara Town Development Programme	20,000,000.00	5,535,112.56	28
		Other Capital Expenditure	8,000,000.00	7,664,274.90	96
133	Ministry of Technology and Research	Capital Expenditure	25,000,000.00	19,481,217.05	78
		Scientific Development Programmes	18,700,000.00	4,013,399.76	21
		Information Technology Development	10,000,000.00	9,995,474.33	100
		Multipurpose Gamma Irradiator Project	200,000,000.00	83,262,378.59	42
		Nanotechnology Initiative	600,000,000.00	234,708,482.00	39
		Negenahira Navodaya	19,000,000.00	908,703.19	5
		Implementation of Science Technology Innovations Strategy	60,000,000.00	28,752,702.82	48
		Agro Food Project	3,000,000.00	296,288.75	10
		Development of Science Kits to Facilitate Hands on Science at Secondary Schools of S.L. (NSF) - UNESCO	7,800,000.00	-	0
		Installation of a 4D Digital Projectors	75,000,000.00	-	0
134	Ministry of National Languages and Social Integration	Other Capital Expenditure	155,000,000.00	139,737,352.58	90
135	Ministry of Plantation Industries	Other Capital Expenditure	768,852.58	0.00	0
		Small Holders Outgrowers Estate Development Programme (IFAD)	52,257,000.00	36,219,376.60	69
		Tea and Rubber Land (Fragmentation) Board	1,200,000.00	655,842.78	55
		Other Capital Expenditure	5,000,000.00	4,498,093.75	90
138	Ministry of Indigenous Medicine	Other Capital Expenditure	90,410,040.00	83,813,832.39	93
139	Ministry of Fisheries and Aquatic Resources Development	Fisheries Community Strengthening	50,000,000.00	49,193,529.00	98
		Purchase of Two Mother Vessels	10,000,000.00	-	0
		Delimitation of Continental Shelf	5,500,000.00	5,457,302.00	99
		Dickowita Fishery Harbour	690,666,397.00	285,754,048.91	41
		Post Tsunami Coastal Rehabilitation & Resources Management Programme and Post Tsunami Livelihood Support & Partnership Programme	1,228,000,000.00	604,890,176.77	49
		Tsunami Affected Areas Rehabilitation Project	16,203,603.00	16,203,400.46	100
		Facilities for Responsible Fish Utilisation and Community Strengthening	4,000,000.00	3,523,359.31	88
		Stocking of Fish Fingerlings free of charge in fresh water bodies under the crash programme for Development of Fish Inland Fisheries	30,000,000.00	30,000,000.00	100

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Participatory Coastal Zone Rehabilitation in the Eastern Province	158,500,000.00	18,460,705.07	12
		Sustainable Management of the Bay of Bengal Large Marine Ecosystem	200,000,000.00	2,897,980.00	1
		Regional Fisheries Livelihood Programme for South & South East Asia	50,000,000.00	50,000,000.00	100
		Aquaculture Development in the Southern Province	21,000,000.00	21,000,000.00	100
		Restoration and Improvement of Fish Landing Centers with Stakeholder Participation in Management	118,000,000.00	118,000,000.00	100
		Minimum Standards for fish handling and reduced post harvest losses in selected Tsunami Affected Communities	11,750,000.00	-	0
		Capacity Development of NARA for Marine Resources Survey & Stock Assessment in Selected Fisheries/ Resources in the Coastal Water of Sri Lanka	20,000,000.00	-	0
		IOMAC Implementation Programme	15,000,000.00	15,000,000.00	100
140	Ministry of Livestock and Rural Community Development	Facilitation and Promotion of Liquid Milk Consumption	40,616,000.00	32,853,767.25	81
		Establishment of Animal Breeder Farms	44,200,000.00	39,435,855.27	89
		Kirigamma Programme	82,100,000.00	69,053,100.61	84
		Set up cold storage facilities and milk collection centres at Provincial level (BP -2008)	24,225.00	24,225.00	100
		Importation of 1000 Dairy / Dual Purpose Goats to Sri Lanka	175,775.00	22,650.00	13
		Medium Term Livestock Development Programme 2010/2011	88,750,000.00	29,543,769.15	33
		Importation of Dairy Animals	205,000,000.00	59,331,988.42	29
		Estate Housing Programme	125,000,000.00	106,470,500.00	85
		Increase of fresh milk buying price	5,384,000.00	5,383,005.10	100
		Deyata Kirula Development Programme	10,000,000.00	3,074,779.25	31
		Livelihood and Basic Facility Improvement in rural areas	165,000,000.00	140,142,469.79	85
		Lagging Area Socio Economic Development Project	420,000,000.00	367,982,590.17	88
142	Ministry of National Heritage	Sri Lanka Netherlands Cooperation Programme	56,000,000.00	54,060,115.06	97
		Inservice Training Centre	6,000,000.00	1,232,233.66	-
		Construction and Restoration of the Old Dutch Naval Commissioner's House in Trincomalee	18,000,000.00	8,396,216.64	47
		Construction of Tsunami Memorial Museum at Peraliya	45,000,000.00	19,515,837.19	43
		Conservation, Preservation and Protection of Ancient Cemetery at Ranchamadama Ratnapura	5,500,000.00	5,500,000.00	100
		Development of Cultural Oriented Tourism in Sigiriya under Japanese Technical Corporation	4,500,000.00	4,500,000.00	100
		Negenahira Navodaya Programme	2,300,000.00	2,300,000.00	100
		Preservation of Native Habitats	34,000,000.00	14,645,810.41	43
		Folk Art Centre	3,000,000.00	1,628,303.30	54
		Improving Existing Website	4,683,000.00	3,179,012.62	68

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
142		Maha Mewna Uyana Development Project	10,000,000.00	3,914,611.99	39
145	Ministry of Resettlement	Conflict Affected Persons Re-settlement Project	250,000,000.00	246,509,491.35	99
		Puttalam Housing Project	1,100,000,000.00	608,975,702.72	55
		Support for Resettlement Activities-IOM	68,415,000.00	65,940,000.00	96
		Support for Resettlement Activities-India	63,938,400.00	63,938,400.00	100
149	Ministry of Industry and Commerce	Industrial Estates	285,000,000.00	284,881,171.60	100
		Thrust Area Development Programme	182,878,000.00	100,143,509.64	55
		Productivity Improvement Programme for the Apparel Sector	13,800,000.00	5,750,000.00	42
		International Image Building Programme for the Apparel Sector	40,000,000.00	36,003,379.06	90
		Clothing Designing Degree Course in Moratuwa University	58,000,000.00	51,283,400.55	88
		Kantha Diriya - Handloom	41,540,000.00	27,276,248.72	66
		SME Apparel/Sector Programme	5,000,000.00	5,000,000.00	100
		Establishment of 3 Handloom Villages in the Eastern Province	3,000,000.00	3,000,000.00	100
		Establishment of 3 Dyeing Centers	4,600,000.00	3,000,000.00	65
		Establishment of Handloom Villages in the Northern Province	15,000,000.00	11,951,491.33	80
		Environmentally Friendly Solution Fund II and Small & Micro Industries Leader & Entrepreneur Promotion III Projects	16,800,000.00	2,830,544.44	17
		Other Capital Expenditure	20,000,000.00	20,000,000.00	100
152	Ministry of Irrigation and Water Resources Management	Pro-Poor Economic Advancement & Community Enhancement (PEACE) Project (JBIC)	1,912,455,555.00	1,765,739,712.48	92
		Rehabilitation of Major and Medium Irrigation Schemes Including Emergency infrastructure Rehabilitation Works	17,000,000.00	6,776,175.99	40
		Other Capital Expenditure	4,498,000.00	4,000,000.00	89
		Dam Safety and Water Resources Planning Project	2,412,544,445.00	1,232,955,024.14	51
		Moragahakanda and Kaluganga Reservoir Project	1,780,000,000.00	1,259,612,292.00	71
		Pre Feasibility Studies	415,000,000.00	191,571,313.68	46
156	Ministry of Youth Affairs and Skills Development	Other Capital Expenditure	6,304,000.00	4,542,120.50	72
		Other Capital Expenditure	21,200,000.00	21,173,175.36	100
		Improvement of Vocational Training Activities (Yovun Diriya Programme)	604,060,102.00	118,283,326.31	20
		Niyagama Vocational Training Center	12,500,000.00	11,847,973.12	95
		Setting Up Vocational Training Centers in Northern, Eastern & Central Provinces	175,000,000.00	94,392,302.72	54
		Other Capital Expenditure	10,439,898.00	6,585,754.67	63
		Other Capital Expenditure	698,000,000.00	479,388,790.97	69

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/ Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
160	Ministry of Environment	Strengthen the National Co-ordination Activities of the GEF Focal Points	500,000.00	-	0
		Pilisaru Programme	637,300,000.00	465,207,742.00	73
		Plastic waste Management Programme	100,000,000.00	44,700,000.00	45
		The Preparation of the Nomination of the Peak Wilderness Sanctuary, Knuckles Range Forest and Horton Plains National Park Cluster as a World Heritage Site	350,000.00	-	0
		Establishment of Waste Management System in High Level Road Region in Colombo District	176,100,000.00	21,100,000.00	12
		Strengthening of AirMAC, Implementation of Vehicular Emission Testing (VET) Programme and Indoor Air Quality Management in Sri Lanka	5,000,000.00	328,804.25	7
		School Environmental Pioneer Programme (EPP) (Haritha Niyamu)	5,000,000.00	5,000,000.00	100
		Establishment of Clean Development Mechanism (CDM) Secretariat	250,000.00	-	0
		Ambient Air Quality Monitoring at 08 locations using mobile ambient air quality monitoring station	50,875,000.00	0.00	0
		Developing a database for environmental polluting activities in Sri Lanka for Protection of Environment	1,500,000.00	1,500,000.00	100
		Water quality monitoring of several river basins of the country	500,000.00	500,000.00	100
		World Environment Day Programme	5,000,000.00	4,446,580.78	89
		Establishment of Climate Change Secretariat & Research Studies Under Climate Change	1,500,000.00	47,136.00	3
		Establishment of Sri Lanka Carbon Fund - Initial share of the government	50,000,000.00	25,000,000.00	50
		Formulation of National Climate Change Policy	645,000.00	644,998.00	100
		Updating of National Environmental Policy	3,000,000.00	2,199,020.00	73
		Paleobiodiversity Conservation and Sustainable Tourism Programme	9,300,000.00	9,245,241.06	99
		Safe Disposal of Mobile and Associated Waste	6,500,000.00	-	0
		Other Capital Expenditure	300,000.00	284,906.96	95
		Other Capital Expenditure	3,268,810.00	1,438,334.94	44
166	Ministry of Water Supply and Drainage	Implementation of Rain Water Harvesting Programme	5,000,000.00	4,036,098.42	81
		Second Community Water Supply and Sanitation Project (IDA)	135,000,000.00	57,181,422.95	42
		Lunawa Environment and Community Development Project (JBIC)	199,000,000.00	198,980,073.55	100
		South Asia Conference on Sanitation	12,683,000.00	12,683,000.00	100
171	Ministry of Higher Education	Establishment of National E-Learning Centre-University of Colombo School of Computing (Sweden)	2,932,351.00	2,932,351.00	100
		Sri Lanka Institute of Advanced Technological Education (Mattakkuliya/ Labuduwa)-(Austria)	248,471,000.00	248,470,851.36	100

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		The Development Plan for South Eastern University (Kuwait)	267,471,000.00	191,719,843.48	72
		Enhancement and Upgrading of Advanced Technological Institutes (ORET-Netherlands/Austria)	349,002,000.00	76,187,128.00	22
		Enhance Research Activities in Post Graduate Institute of Science (PGIS)	1,000,000.00	-	0
			10,224,000.00	10,223,469.72	100
175	Ministry of State Resources and Enterprise Development	Other Capital Expenditure	10,200,000.00	9,830,986.34	96
		Other Capital Expenditure	36,000,000.00	36,000,000.00	100
177	Ministry of Culture and the Art	Public Performance Board	4,000,000.00	3,634,500.00	91
		Towerhall Theatre Foundation	38,000,000.00	24,250,000.00	64
		National Performing Art Theatre	930,636,924.00	230,322,406.73	25
		Construction of SAARC Cultural Centre	350,363,076.00	152,394,197.95	43
178	Ministry of Coconut Development and Janatha Estate Development	Capital Expenditure	200,000,000.00	167,183,699.58	84
180	Ministry of Minor Export Crop Promotion	Other Capital Expenditure	7,000,000.00	3,000,000.00	43
182	Ministry of Foreign Employment Promotion and Welfare	Other Capital Expenditure	9,000,000.00	7,457,781.79	83
202	Department of Muslim Religious and Cultural Affairs	Other Capital Expenditure	17,500,000.00	17,498,805.01	100
203	Department of Christian Religious Affairs	Other Capital Expenditure	9,500,000.00	9,420,881.10	99
206	Department of Cultural Affairs	Other Capital Expenditure	70,000,000.00	36,648,189.86	52
209	Department of National Archives	Other Capital Expenditure	10,500,000.00	6,139,331.02	58
212	Department of Examinations	Other Capital Expenditure	16,640,000.00	2,924,789.32	18
213	Department of Education Publications	Other Capital Expenditure	50,500,000.00	8,537,168.68	17
217	Department of Probation and Child Care Services	Refurbishment of Children's Homes	3,500,000.00	3,490,407.77	100
219	Department of Sports Development	Capital Expenditure	232,000,000.00	198,634,091.72	86
220	Department of Ayurveda	Other Capital Expenditure	200,000.00	-	0
221	Department of Labour	World Day Against "Child Labour" Programme	403,197.00	403,197.00	100

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
	Sri Lanka Army	Other Capital Expenditure	811,000,000.00	784,896,668.17	97
		Other Capital Expenditure	696,392,919.00	169,634,110.79	24
223	Sri Lanka Navy	Other Capital Expenditure	450,000,000.00	337,543,336.78	75
		Other Capital Expenditure	329,403,584.00	246,592,591.10	75
224	Sri Lanka Airforce	Other Capital Expenditure	355,204,410.00	66,805,339.31	19
		Other Capital Expenditure	100,000,000.00	93,048,237.85	93
225	Department of Police	Other Capital Expenditure	466,272,500.00	132,757,320.78	28
226	Department of Immigration and Emigration	Other Capital Expenditure	334,000,000.00	324,640,562.66	97
227	Department of Registration of Persons	Other Capital Expenditure	31,400,000.00	31,020,247.20	99
228	Courts Administration	Project Expedite the Hearing of Case	36,344.00	36,344.00	100
237	Department of National Planning	Other Capital Expenditure	200,000.00	199,788.65	100
		Project Management of Eastern Province Water Supply Project (JICA)	78,000,000.00	66,043,782.12	85
		Project Management of Eastern Province Rural Road Project (JICA)	40,600,000.00	37,285,495.83	92
		Strengthening the National Capacities of MDG (UNDP)	20,000,000.00	10,714,157.38	54
		Population and Development (UNFPA)	3,000,000.00	-	0
		Population and Development (UNFPA)	6,000,000.00	-	0
		Emergency Natural Disaster Rehabilitation Project	400,000.00	313,409.00	78
239	Department of External Resources	Other Capital Expenditure	5,540,000.00	4,677,961.24	84
240	Department of National Budget	Education Sector Development Project (ESDP)-WB	1,000,000.00	-	0
243	Department of Development Finance	Small and Medium Enterprises Regional Development Project	1,521,191.00	1,014,475.18	67
249	Department of Treasury Operations	Other Capital Expenditure	331,167,300.00	331,167,300.00	100
252	Department of Census and Statistics	Child Activity Programme(ILO)	2,450,000.00	1,851,851.96	76
		Adopting the Supply of use Framework National Accounts (ADB)	560,000.00	557,338.27	100
		Improving Price Collection of non Household Expen. Component & Upgrading of Purchasing Power (ADB)	4,560,000.00	3,621,588.50	79
		Census of Population and Housing (UNDP)	3,287,700.00	-	0
		Census of Population and Housing (UNICEF)	15,013,830.00	-	0
		Census of Population and Housing -2011	1,165,500,000.00	634,128,451.11	54
		Population and Development (UNFPA)	6,128,470.00	180,000.00	3
		Snap Census -Northern Province	32,000,000.00	28,730,155.35	90
264	District Secretariat/Kachcheri-Jaffna	Other Capital Expenditure	158,961,693.00	158,650,142.63	100

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
280	Department of Foreign Aid and Budget Monitoring	Strengthening of the Monitoring Mechanism at National Level & Sub National Level	2,100,000.00	-	0
		Project Evaluation and Web Based Monitoring System	3,500,000.00	2,987,341.79	85
		Strengthening Plan Implementation Capacity	12,000,000.00	2,570,000.00	21
		Managing for Development Results	1,000,000.00	480,900.00	48
281	Department of Agrarian Development	Re-Cultivation of abandoned paddy lands (Ape Wawamu Rata Nagamu)	220,000,000.00	184,172,053.95	84
282	Department of Irrigation	Other Capital Expenditure	140,000,000.00	130,583,627.19	93
283	Department of Forests	Other Capital Expenditure	10,000,000.00	9,999,720.68	100
		Jeewa Jawaya Establishment of Bio Fuel Plantation in Sri Lanka	500,000.00	181,470.00	36
		Conservation of Hill Tops in the central highlands in Sri Lanka	23,000,000.00	22,999,094.60	100
285	Department of Agriculture	Infrastructure Development Needs to Improve Rice Research & Development Institutes (RRDI)	49,000,000.00	41,840,353.21	85
		Development of Hybrid Rice, Maize, Fruit & Vegetable	9,300,000.00	8,094,418.19	87
		Small Scale Agricultural Research Project (US)	6,200,000.00	5,876,765.57	95
		Implementation of National Agricultural Research Plan (NARP)	50,000,000.00	34,520,920.80	69
		Production of Quality Planting Materials and Crops with Higher Economic Value Through Application of Tissue Culture Technology	20,000,000.00	13,855,701.75	69
		Media Programme	20,000,000.00	19,856,722.40	99
		Bataatha and Gannoruwa Agro Technology Parks	4,500,000.00	4,220,761.12	94
		National Seed Production and Purchasing Programme	472,000,000.00	458,891,537.12	97
		Germplasm Development Project (USDA)	4,300,000.00	1,102,274.55	26
		Quality Assurance of Seeds and Planting Materials Through the Implementation of Seed Act.	20,000,000.00	10,844,284.35	54
		Accelerated Seed Farms	200,000,000.00	119,859,516.30	60
286	Department of Land Commissioner	Other Capital Expenditure	5,000,000.00	4,786,806.18	96
288	Department of Surveyor General	Other Capital Expenditure	10,350,000.00	9,162,027.35	89
289	Department of Export Agriculture	Implementation of National Agricultural Research Plan (NARP)	6,000,000.00	4,663,234.85	78
290	Department of Fisheries and Aquatic Resources	Fisheries Society Activities	6,000,000.00	5,999,180.67	100
291	Department of Coast Conservation		13,000,000.00	11,940,899.25	92
292	Department of Animal Production and Health	Other Capital Expenditure	6,500,000.00	6,238,336.10	96

Statement of Capital Investments on Development Projects-2011 *contd...*

Head No.	Name of the Ministry/Department	Project Description	Provision (Rs.)	Expenditure (Rs.)	Expenditure as % of Provision
		Control of Contagious Diseases	33,000,000.00	29,988,692.02	91
		Livestock Health Improvement Programme	3,500,000.00	2,961,779.91	85
		Implementation of Livestock Research	20,000,000.00	9,075,701.03	45
		Immediate Assistance for Highly Pathogenic Avian Influenza (HPAI) Emergency Preparedness (WB)	78,161,000.00	74,096,994.29	95
			2,000,000.00	1,999,999.37	100
		Production of vaccine against foot and mouth disease locally for the enhancement of the livestock industry in Sri Lanka	45,000,000.00	40,003,369.23	89
		Other Capital Expenditure	18,600,000.00	17,812,583.80	96
		Increase the High Quality Heifer Calves	103,810,000.00	103,782,208.31	100
		Improvement of Services Delivery System of Field Veterinary Office	41,000,000.00	39,552,546.75	96
		Small Scale Dairy Farming Improvement Through Genetic and Feeding Management Improvement	3,000,000.00	1,301,032.11	43
		Animal Identification and Traceability System	20,000,000.00	16,879,387.09	84
		Expansion and Modernization of Animal Quarantine Units	12,828,500.00	10,091,708.55	79
		Livestock Breeding Project	80,000,000.00	59,128,973.75	74
293	Department of Rubber Development	Other Capital Expenditure	85,050,000.00	39,077,266.26	46
294	Department of National Zoological Gardens	Other Capital Expenditure	1,500,000.00	934,340.38	62
295	Department of Commerce	Other Capital Expenditure	7,000,000.00	3,523,091.00	50
301	Department of Co-operative Development	Other Investments	12,000,000.00	11,947,225.90	100
		Revolving Fund for Working Capital of Co-operative Societies	450,000,000.00	392,500,000.00	87
307	Department of Motor Traffic	Other Capital Expenditure	985,000,000.00	982,067,882.22	100
308	Department of Posts	Vadakkinn Wasantham	5,000,000.00	4,999,874.00	100
311	Department of National Physical Planning	Other Capital Expenditure	200,000.00	200,000.00	100
		Physical Planning	7,000,000.00	6,985,079.51	100
313	Central Provincial Council	Health Sector Development Project (HSDP)-WB	6,700,000.00	6,700,000.00	100
328	Department of Man Power and Employment	Capital Expenditure			
		Youth Development and Career Guidance	9,500,000.00	9,182,693.71	97
			10,000,000.00	9,998,295.31	100
Total			116,446,818,029.77	74,200,514,802.23	64

Head-wise Summary of Expenditure Account with Budgetary Provision - 2011

Rs. 000'

HEAD No.	Ministry / Department	Total			Recurrent			Capital					
		Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)			
1	His Excellency The President	5,063,076	5,531,814	488,738	92	3,050,772	3,056,360	5,588	100	2,012,304	2,475,454	463,150	81
2	Office Of The Prime Minister	277,068	287,315	10,247	96	197,195	199,210	2,015	99	79,873	88,105	8,232	91
3	Secretariat For Special Functions (Senior Ministers)	397,460	414,705	17,246	96	234,659	244,965	10,306	96	162,800	169,740	6,940	96
4	Judges Of The Superior Courts	85,022	93,121	8,099	91	85,022	93,121	8,099	91	0	0	0	0
5	Office Of The Cabinet Of Ministers	58,857	65,320	6,463	90	46,117	49,035	2,918	94	12,740	16,285	3,545	78
6	Public Service Commission	87,566	125,895	38,329	70	79,579	114,615	35,036	69	7,987	11,280	3,293	71
7	Judicial Service Commission	30,548	36,930	6,382	83	29,332	35,330	5,998	83	1,216	1,600	384	76
8	National Police Commission	30,742	37,395	6,653	82	30,733	36,895	6,162	83	9	500	491	2
9	Administrative Appeals Tribunal	10,259	12,605	2,346	81	10,045	12,325	2,280	82	214	280	66	76
10	Commission To Investigate Allegations Of Bribery Or Corruption	157,633	218,970	61,337	72	113,912	123,343	9,431	92	43,721	95,627	51,906	46
11	Office Of The Finance Commission	60,714	97,405	36,691	62	32,812	35,975	3,163	91	27,902	61,430	33,528	45
12	National Education Commission	29,596	41,450	11,854	71	20,312	27,780	7,468	73	9,285	13,670	4,385	68
13	Human Rights Commission Of Sri Lanka	127,020	134,644	7,624	94	120,694	126,925	6,231	95	6,326	7,719	1,393	82
14	Department Of Attorney General	403,908	433,500	29,592	93	388,001	395,100	27,099	93	35,908	38,400	2,492	94
15	Department Of Legal Draftsman	62,022	88,465	26,443	70	48,805	51,090	2,285	96	13,218	37,375	24,157	35
16	Parliament	1,490,650	1,660,214	169,564	90	1,390,625	1,512,267	121,642	92	100,025	147,947	47,922	68
17	Office Of The Leader Of The House Of Parliament	27,657	31,800	4,143	87	21,437	23,650	2,213	91	6,220	8,150	1,930	76
18	Office Of The Chief Govt. Whip Of Parliament	31,534	36,466	4,932	86	28,907	28,925	18	100	2,627	7,541	4,913	35
19	Office Of The Leader Of The Opposition Of Parliament	54,113	61,560	7,447	88	52,856	60,190	7,334	88	1,257	1,370	113	92
20	Department Of Elections	2,433,889	2,558,625	124,736	95	2,369,454	2,489,975	120,521	95	64,435	68,650	4,215	94
21	Auditor General	1,087,272	1,123,554	36,282	97	639,514	654,617	15,103	98	447,758	468,937	21,179	95
22	Office Of The Parliamentary Commissioner For Administration	9,408	9,495	87	99	7,436	7,480	44	99	1,972	2,015	43	98
101	Ministry Of Buddha Sasana And Religious Affairs	591,149	613,804	22,655	96	88,634	89,070	436	100	502,515	524,734	22,219	96
102	Ministry Of Finance And Planning	1,680,266	3,437,246	1,756,979	49	1,213,420	1,226,339	12,919	99	466,847	2,210,907	1,744,060	21
103	Ministry Of Defence And Urban Development	11,398,186	33,202,822	21,804,436	34	6,385,859	7,760,362	** 1,374,503	82	5,012,327	25,442,260	** 2,042,933	20
105	Ministry Of Economic Development	64,608,482	75,546,230	10,937,748	86	8,834,118	8,927,880	** 93,762	99	55,774,364	66,618,350	** 10,843,985	84
106	Ministry Of Disaster Management	1,667,648	1,963,772	296,124	85	846,839	1,072,888	226,049	79	820,809	890,884	70,076	92
108	Ministry Of Postal Services	105,739	157,590	51,851	67	78,699	81,490	2,791	97	27,040	76,100	49,060	36
110	Ministry Of Justice	384,153	443,523	59,370	87	287,330	336,235	48,905	85	96,823	107,288	10,465	90
111	Ministry Of Health	63,353,565	68,916,086	5,562,521	92	52,994,533	53,340,592	346,059	99	10,359,032	15,575,494	5,216,462	67
112	Ministry Of External Affairs	6,983,943	7,037,873	53,930	99	6,053,860	6,060,648	6,788	100	930,083	977,225	47,142	95
114	Ministry Of Transport	5,546,945	13,090,170	7,543,225	42	4,089,044	4,466,670	** 377,626	92	1,457,900	8,623,500	7,165,600	17
115	Ministry Of Petroleum Industries	94,545	103,735	9,190	91	83,470	91,910	8,440	91	11,075	11,825	750	94
116	Ministry Of Co-Operatives And Internal Trade	715,701	873,270	157,569	82	389,866	393,960	4,094	99	325,836	479,310	153,474	68
117	Ministry Of Ports And Highways	114,588,497	147,355,258	32,766,761	78	195,776	195,886	111	100	114,392,721	147,159,371	** 32,766,651	78

Head-wise Summary of Expenditure Account with Budgetary Provision - 2011 contd...

HEAD No.	Ministry / Department	Total			Recurrent			Capital			
		Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	
118	Ministry Of Agriculture	2,119,186	2,442,072	322,886	396,294	431,677	35,383	1,722,892	2,010,395	287,503	86
119	Ministry Of Power & Energy	26,194,730	36,258,817	10,064,087	680,173	895,602	215,428	25,514,556	35,363,215	9,848,659	72
120	Ministry Of Child Development And Women's Affairs	821,136	864,737	43,600	545,116	550,213	5,097	276,020	314,524	38,504	88
121	Ministry Of Public Administration & Home Affairs	867,198	1,025,440	158,242	415,217	430,330	15,113	451,981	595,110	143,128	76
122	Ministry Of Mass Media And Information	615,269	860,459	245,190	321,862	337,959	16,097	293,406	522,500	229,094	56
123	Ministry Of Construction, Engineering Services, Housing and Common Amenities	1,924,665	2,313,683	389,017	248,081	261,583	13,502	1,676,584	2,052,100	375,516	82
124	Ministry Of Social Services	707,610	724,494	16,884	599,865	613,616	13,751	107,745	110,878	3,133	97
126	Ministry Of Education	29,181,157	31,091,206	1,910,049	24,932,270	25,712,925	** 780,655	4,248,887	5,378,280	1,129,394	79
127	Ministry Of Labour & Labour Relations	193,321	220,737	27,416	137,065	159,316	22,251	56,256	61,421	5,165	92
128	Ministry Of Traditional Industries And Small Enterprise Development	652,874	1,026,565	373,691	504,840	511,290	6,451	148,034	515,275	367,240	29
130	Ministry Of Local Government And Provincial Councils	6,221,104	6,561,223	340,119	162,781	172,064	9,283	6,058,324	6,389,159	330,836	95
133	Ministry Of Technology And Research	2,175,313	3,746,653	1,571,340	953,992	1,081,780	127,788	1,221,321	2,664,873	1,443,552	46
134	Ministry Of National Languages And Social Integration	408,286	460,285	51,999	150,548	162,973	12,425	257,738	297,313	39,574	87
135	Ministry Of Plantation Industries	1,567,718	2,157,994	590,276	877,860	1,012,180	134,320	689,859	1,145,814	455,956	60
136	Ministry Of Sports	819,153	836,730	17,577	316,608	332,235	15,627	502,545	504,495	1,950	100
138	Ministry Of Indigenous Medicine	298,551	379,238	80,687	173,819	192,428	18,609	124,732	186,810	62,078	67
139	Ministry Of Fisheries And Aquatic Resources Development	2,398,346	4,215,689	1,817,343	574,671	582,369	7,698	1,823,675	3,633,320	1,809,645	50
140	Ministry Of Livestock And Rural Community Development	1,051,807	1,386,954	335,147	144,467	145,745	1,278	907,340	1,241,209	333,870	73
142	Ministry Of National Heritage	325,922	475,075	149,153	177,393	244,757	67,364	148,529	230,318	81,789	64
143	Ministry Of Parliamentary Affairs	320,853	389,045	68,192	294,600	324,426	29,826	26,253	64,619	38,366	41
145	Ministry Of Re-Settlement	1,383,585	1,912,218	528,633	359,637	390,406	30,769	1,023,948	1,521,813	497,864	67
149	Ministry Of Industry And Commerce	1,223,361	1,784,040	560,678	389,755	531,895	142,140	833,606	1,252,145	418,538	67
152	Ministry Of Irrigation And Water Resources Management	11,322,146	16,800,094	5,477,948	1,976,302	2,000,825	24,523	9,345,844	14,799,269	5,453,424	63
153	Ministry Of Land And Land Development	1,891,550	2,555,689	664,139	114,458	115,761	1,303	1,777,092	2,439,928	662,836	73
156	Ministry Of Youth Affairs And Skills Development	5,933,896	7,309,200	1,375,304	2,470,712	2,555,445	84,733	3,463,183	4,753,755	1,290,572	73
160	Ministry Of Environment	1,366,101	2,051,108	685,007	508,300	533,382	25,082	857,801	1,517,726	659,925	57
166	Ministry Of Water Supply And Drainage	27,222,072	30,419,794	3,197,722	148,527	148,900	373	27,073,545	30,270,894	3,197,349	89
171	Ministry Of Higher Education	1,710,418	3,565,807	1,855,389	663,602	673,617	10,015	1,046,816	2,892,190	1,845,374	36
173	Ministry Of Public Management Reforms	121,431	211,325	89,894	60,559	111,325	50,766	60,872	100,000	39,128	61
174	Ministry Of Rehabilitation And Prison Reforms	549,739	586,898	37,158	166,296	182,433	16,137	383,443	404,465	21,022	95
175	Ministry Of State Resources And Enterprise Development	340,676	361,330	20,654	93,452	108,747	15,296	247,225	252,583	5,358	98

Rs. 000'

Head-wise Summary of Expenditure Account with Budgetary Provision - 2011 contd...

Rs. 000'

HEAD No.	Ministry / Department	Total			Recurrent			Capital					
		Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)			
176	Ministry Of Civil Aviation	2,047,645	2,079,409	31,764	98	79,084	95,493	16,409	83	1,968,561	1,983,917	15,356	99
177	Ministry Of Culture And The Arts	1,322,928	2,256,474	933,546	59	693,272	712,374	19,102	97	629,655	1,544,100	914,445	41
178	Ministry Of Coconut Development And Janatha Estate Development	1,414,997	1,674,809	259,812	84	504,513	533,070	28,557	95	910,485	1,141,739	231,254	80
179	Ministry Of Agrarian Services And Wildlife	29,938,162	31,478,606	1,540,444	95	29,891,600	31,397,126	** 1,505,526	95	46,562	81,480	34,918	57
180	Ministry Of Minor Export Crop Promotion	184,187	209,756	25,568	88	91,332	106,028	14,696	86	92,855	103,728	10,873	90
181	Ministry Of Productivity Promotion	128,806	139,760	10,954	92	61,785	65,840	4,055	94	67,021	73,920	6,899	91
182	Ministry Of Foreign Employment Promotion And Welfare	287,698	328,770	41,072	88	67,275	69,520	2,245	97	220,423	259,250	38,827	85
183	Ministry Of Public Relations And Public Affairs	51,858	58,922	7,064	88	42,950	43,442	492	99	8,908	15,480	6,572	58
184	Ministry Of Private Transport Services	406,919	725,673	318,754	56	324,914	551,119	226,205	59	82,004	174,554	92,550	47
185	Ministry Of Telecommunication And Information Technology	93,933	163,244	69,311	58	61,494	76,238	14,744	81	32,440	87,006	54,567	37
201	Department Of Buddhist Affairs	585,809	609,522	23,713	96	492,790	505,902	13,112	97	93,020	103,620	10,600	90
202	Department Of Muslim Religious And Cultural Affairs	106,466	129,771	23,305	82	45,429	46,499	1,070	98	61,036	83,272	22,236	73
203	Department Of Christian Religious And Cultural Affairs	65,741	69,333	3,592	95	53,030	54,453	1,423	97	12,711	14,880	2,169	85
204	Department Of Hindu Religious And Cultural Affairs	167,144	167,727	583	100	62,208	62,636	428	99	104,936	105,091	155	100
205	Department Of Public Trustee	30,597	31,121	524	98	29,302	29,737	436	99	1,295	1,384	88	94
206	Department Of Cultural Affairs	282,239	320,276	38,037	88	234,231	235,325	1,094	100	48,009	84,951	36,942	57
207	Department Of Archeology	492,413	499,676	7,263	99	390,331	390,336	5	100	102,083	109,340	7,257	93
208	Department Of National Museums	105,388	106,821	1,433	99	85,769	86,928	1,159	99	19,619	19,893	274	99
209	Department Of National Archives	212,414	278,117	65,703	76	52,135	52,656	521	99	160,279	225,461	65,182	71
210	Department Of Information	297,502	298,952	1,450	100	140,281	141,577	1,296	99	157,221	157,375	154	100
211	Department Of The Government Printer	1,263,715	1,319,265	55,550	96	1,167,377	1,196,015	28,638	98	96,338	123,250	26,912	78
212	Department Of Examination	1,770,482	1,811,958	41,476	98	1,743,789	1,749,375	** 5,586	100	26,693	62,583	35,890	43
213	Department Of Educational Publications	34,271	118,741	84,470	29	20,951	26,386	** 5,435	79	13,320	92,355	79,035	14
214	University Grants Commission	17,239,821	20,261,000	3,021,179	85	12,961,095	13,161,000	199,905	98	4,278,726	7,100,000	2,821,274	60
215	Department Of Technical Education And Training	1,091,641	1,298,810	207,169	84	999,175	1,015,427	16,252	98	92,466	283,383	190,917	33
216	Department Of Social Services	323,948	332,992	9,044	97	292,337	298,171	5,834	98	31,612	34,821	3,209	91
217	Department Of Probation And Child Care Services	156,032	158,747	2,716	98	150,831	153,447	2,616	98	5,201	5,300	99	98
218	Department Of The Commissioner General Of Samurdhi	9,551,772	11,152,825	1,601,053	86	9,549,259	11,148,925	** 1,599,666	86	2,512	3,900	1,388	64
219	Department Of Sports Development	1,216,758	1,401,455	184,697	87	246,332	266,505	20,173	92	970,426	1,134,950	164,524	86
220	Department Of Ayurveda	592,170	811,937	219,767	73	539,195	672,087	132,892	80	52,975	139,850	86,875	38
221	Department Of Labour	1,303,908	1,354,276	50,369	96	970,275	982,340	12,065	99	333,633	371,936	38,303	90
222	Sri Lanka Army	115,239,890	116,647,728	1,407,838	99	110,711,282	110,779,122	** 67,841	100	4,528,608	5,868,606	** 1,339,997	77
223	Sri Lanka Navy	37,838,032	42,282,660	4,444,628	89	31,644,590	32,722,926	** 1,078,336	97	6,193,443	9,559,734	** 3,366,292	65
224	Sri Lanka Air Force	29,062,046	31,701,522	2,639,476	92	21,279,123	21,986,242	** 707,119	97	7,782,924	9,715,280	** 1,932,357	80

Head-wise Summary of Expenditure Account with Budgetary Provision - 2011 contd...

HEAD No.	Ministry / Department	Total			Recurrent			Capital			
		Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	
225	Department Of Police	37,528,970	38,361,288	832,318	33,823,571	34,109,210	**285,639	3,705,399	4,252,078	** 546,679	87
226	Department Of Immigration And Emigration	902,088	980,250	78,162	538,244	564,800	** 26,556	363,844	415,450	** 51,606	88
227	Department Of Registration Of Persons	225,138	236,660	11,522	184,965	195,280	** 10,295	40,172	41,400	**1,228	97
228	Courts Administration	3,587,765	3,648,655	60,890	2,989,751	2,996,705	6,954	598,014	651,950	53,936	92
231	Department Of Debt Conciliation Board	7,534	7,852	318	7,371	7,642	271	164	210	46	78
232	Department Of Prisons	3,633,186	3,719,570	86,384	3,362,172	3,383,620	21,448	271,014	335,950	64,936	81
233	Department Of Government Analyst	376,216	380,968	4,752	79,418	81,706	2,289	296,798	299,262	2,463	99
234	Registrar of Supreme Court	91,611	94,175	2,564	78,304	79,520	1,216	13,307	14,655	1,348	91
235	Law Commission Of Sri Lanka	9,807	10,575	768	8,808	9,575	767	999	1,000	1	100
236	Department Of Official Languages	62,695	72,870	10,175	49,725	57,070	7,345	12,969	15,800	2,831	82
237	Department Of National Planning	167,975	204,025	36,050	50,936	52,125	1,189	117,039	151,900	34,861	77
238	Department Of Fiscal Policy	126,070	135,150	9,080	125,154	133,900	8,746	916	1,250	334	73
239	Department Of External Resources	865,084	1,169,470	304,386	271,986	572,141	300,155	595,099	597,329	4,230	99
240	Department Of National Budget	363,856	960,887	597,031	86,721	575,713	488,993	277,136	385,174	108,038	72
241	Department Of Public Enterprises	42,138	44,264	2,125	40,854	42,764	1,910	1,285	1,500	215	86
242	Department Of Management Services	35,282	36,767	1,485	30,884	31,267	383	4,398	5,500	1,102	80
243	Department Of Development Finance	1,619,459	1,792,825	173,366	764,081	778,325	14,244	855,378	1,014,500	159,122	84
244	Department Of Trade, Tariff And Inetment Policy	777,888	823,220	45,332	777,153	821,452	44,299	735	1,768	1,033	42
245	Department Of Public Finance	128,394	129,400	1,006	127,089	127,300	211	1,305	2,100	795	62
246	Department Of Inland Revenue	1,569,097	1,597,307	28,210	1,434,576	1,460,457	25,881	134,521	136,850	2,329	98
247	Sri Lanka Customs	2,680,405	2,793,680	113,275	1,251,364	1,324,780	73,416	1,429,041	1,466,900	39,859	97
248	Department Of Excise	443,861	446,554	2,693	422,515	424,679	2,164	21,346	21,875	529	98
249	Department Of Treasury Operations	910,102,008	913,901,445	3,799,438	360,609,607	362,818,046	2,208,439	549,492,401	551,083,399	1,590,998	100
250	Department Of State Accounts	37,640	38,345	705	31,288	31,505	217	6,352	6,840	488	93
251	Department Of Valuation	223,435	243,463	20,027	215,868	230,138	14,269	7,567	13,325	5,758	57
252	Department Of Census & Statistics	1,437,009	2,584,550	1,147,541	523,968	541,250	17,282	913,042	2,043,300	1,130,258	45
253	Department Of Pensions	113,541,241	113,587,407	46,166	113,521,013	113,561,107	40,095	20,229	26,300	6,071	77
254	Department Of Registrar General	622,177	625,166	2,989	562,438	563,016	578	59,739	62,150	2,411	96
255	District Secretariat, Colombo	600,815	609,150	8,335	413,812	418,100	4,288	187,003	191,050	4,047	98
256	District Secretariat, Gampaha	605,756	613,974	8,217	557,569	564,674	7,105	48,188	49,300	1,112	98
257	District Secretariat, Kalutara	527,482	531,650	4,168	463,511	466,600	3,089	63,972	65,050	1,078	98
258	District Secretariat, Kandy	674,938	685,006	10,068	615,774	615,806	32	59,165	69,200	10,035	85
259	District Secretariat, Matale	333,383	337,450	4,067	311,334	314,800	3,466	22,049	22,650	601	97
260	District Secretariat, Nuwara-Eliya	314,967	333,350	18,383	257,571	260,650	3,079	57,396	72,700	15,304	79
261	District Secretariat, Galle	636,740	638,095	1,355	570,598	571,845	1,247	66,142	66,250	108	100
262	District Secretariat, Matara	606,907	609,261	2,354	458,238	460,269	2,030	148,669	148,993	324	100

Rs. 000'

Head-wise Summary of Expenditure Account with Budgetary Provision - 2011 contd...

HEAD No.	Ministry / Department	Total			Recurrent			Capital			
		Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	
263	District Secretariat, Hambantota	440,013	446,908	6,895	349,844	351,533	1,689	90,169	95,375	5,206	95
264	District Secretariat/ Kachcheri - Jaffna	414,700	414,825	126	333,595	333,642	47	81,105	81,183	78	100
265	District Secretariat/ Kachcheri - Mannar	139,318	151,710	12,392	102,400	103,060	660	36,918	48,650	11,732	76
266	District Secretariat/ Kachcheri - Vavuniya	145,274	147,775	2,501	99,533	102,025	2,492	45,742	45,750	8	100
267	District Secretariat/ Kachcheri - Mullaitivu	133,507	136,125	2,618	73,379	75,050	1,671	60,129	61,075	946	98
268	District Secretariat/ Kachcheri - Killinochchi	144,899	147,350	2,451	80,132	81,950	1,818	64,767	65,400	633	99
269	District Secretariat/ Kachcheri - Batticaloa	333,841	341,401	7,559	279,027	280,151	1,124	54,814	61,250	6,436	89
270	District Secretariat, Ampara	506,606	546,925	40,319	454,779	457,825	3,046	51,827	89,100	37,273	58
271	District Secretariat/ Kachcheri - Trincomalee	283,363	284,586	1,223	189,120	190,136	1,016	94,242	94,450	208	100
272	District Secretariat, Kurunegala	900,926	936,375	35,449	858,806	872,225	13,419	42,120	64,150	22,030	66
273	District Secretariat, Puttalam	447,534	477,244	29,710	359,141	361,694	2,553	88,393	115,550	27,157	76
274	District Secretariat, Anuradhapura	687,648	697,500	9,852	476,460	483,900	7,440	211,188	213,600	2,412	99
275	District Secretariat, Polonnaruwa	257,618	260,070	2,452	208,733	210,720	1,987	48,884	49,350	466	99
276	District Secretariat, Badulla	425,827	431,100	5,273	363,818	365,450	1,632	62,009	65,650	3,641	94
277	District Secretariat, Monaragala	395,243	395,378	134	251,693	251,828	134	143,550	143,550	0	100
278	District Secretariat, Ratnapura	476,881	479,873	2,992	402,215	404,573	2,358	74,666	75,300	634	99
279	District Secretariat, Kegalle	400,136	410,060	9,924	320,288	329,960	9,672	79,948	80,100	252	100
280	Department Of Project Management And Monitoring	66,292	84,031	17,739	59,752	63,181	3,429	6,540	20,850	14,310	31
281	Department Of Agrarian Development	3,338,911	3,415,322	76,411	2,956,301	2,958,022	1,722	382,610	457,300	74,690	84
282	Department Of Irrigation	6,457,221	7,975,555	1,518,334	1,222,624	1,254,125	31,501	5,234,597	6,721,430	1,486,833	78
283	Department Of Forests	1,174,837	1,209,620	34,783	791,916	822,370	30,454	382,921	387,250	4,329	99
284	Department Of Wild Life Conservation	831,446	943,986	112,540	428,304	430,696	** 2,392	403,142	513,290	110,148	79
285	Department Of Agriculture	2,695,645	2,931,305	235,660	1,749,349	1,759,110	9,761	946,296	1,172,196	225,900	81
286	Department Of Land Commissioner	471,691	482,300	10,609	168,726	174,300	5,574	302,965	308,000	5,035	98
287	Department Of Land Settlement	162,200	182,001	19,801	156,074	175,291	19,217	6,126	6,710	584	91
288	Department Of Surveyor General	1,805,392	1,818,444	13,052	1,679,153	1,690,036	10,883	126,238	128,408	2,170	98
289	Department Of Export Agriculture	525,220	542,905	17,685	259,222	260,305	1,083	265,998	282,600	16,602	94
290	Department Of Fisheries And Aquatic Resources	254,848	271,640	16,792	209,775	226,230	16,455	45,074	45,410	336	99
291	Department Of Coast Conservation	363,857	424,425	60,568	124,260	133,275	** 9,015	239,597	291,150	** 51,553	82
292	Department Of Animal Production And Health	789,364	873,015	83,651	303,255	303,315	60	486,109	569,700	83,591	85
293	Department Of Rubber Development	689,768	1,033,110	343,342	611,630	901,360	289,730	78,138	131,750	53,612	59
294	Department Of National Zoological Gardens	354,131	824,630	470,499	146,416	146,730	314	207,715	677,900	** 470,185	31
295	Department Of Commerce	573,057	583,445	10,388	75,421	81,820	6,399	497,636	501,625	3,989	99
296	Department Of Import And Export Control	34,767	37,698	2,931	34,400	37,248	2,847	367	450	83	82
297	Department Of The Registrar Of Companies	25,145	25,180	35	25,145	25,180	35	0	0	0	-

Rs. 000'

Head-wise Summary of Expenditure Account with Budgetary Provision - 2011 contd...

HEAD No.	Ministry / Department	Total			Recurrent			Capital		
		Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)	Expenditure (Rs.)	Provision (Rs.)	% Savings (Rs.)
298	Department Of Measurement Units, Standards And Services	84,962	91,675	6,713 93	55,867	56,175	308 99	29,096	35,500	6,404 82
299	National Intellectual Property Office Of Sri Lanka	13,864	16,560	2,696 84	13,864	16,560	2,696 84	0	0	0
300	Department Of Food Commissioner	93,365	100,700	7,335 93	70,856	76,787	5,931 92	22,509	23,913	1,404 94
301	Department Of Co-Operative Development (Registrar Of Co-Operative Societies)	445,542	509,075	63,533 88	40,282	46,075	5,793 87	405,260	463,000	57,740 88
302	Co-Operative Employees Commission	9,266	10,227	961 91	9,171	10,097	926 91	95	130	35 73
303	Department Of Textile Industries	76,278	83,723	7,445 91	55,988	59,623	3,635 94	20,290	24,100	3,810 84
304	Department Of Meteorology	200,593	206,950	6,357 97	155,521	158,900	3,379 98	45,072	48,050	2,978 94
305	Department Of Up-Country Peasantry Rehabilitation	14,665	15,730	1,065 93	13,713	14,655	942 94	952	1,075	123 89
306	Department Of Sri Lanka Railways	39,632,357	39,975,439	343,082 99	8,295,221	8,473,721	**178,500 98	31,337,136	31,501,718	164,582 99
307	Department Of Motor Traffic	2,843,592	2,889,850	46,258 98	1,786,592	1,817,350	**28,758 98	1,055,000	1,072,500	17,500 98
308	Department Of Posts	7,946,913	8,044,700	97,787 99	7,745,426	7,820,500	75,074 99	201,487	224,200	22,713 90
309	Department Of Buildings	212,876	220,065	7,189 97	193,164	198,765	5,601 97	19,712	21,300	1,588 93
310	Government Factory	63,373	64,630	1,257 98	46,880	47,110	230 100	16,493	17,520	1,027 94
311	Department Of National Physical Planning	146,975	149,161	2,185 99	136,562	138,661	2,099 98	10,414	10,500	86 99
312	Western Provincial Council	11,019,116	11,415,479	396,363 97	8,979,479	8,979,479	0 100	2,039,637	2,436,000	396,363 84
313	Central Provincial Council	15,712,845	16,567,966	855,121 95	13,696,516	13,696,516	0 100	2,016,329	2,871,450	855,121 70
314	Southern Provincial Council	13,335,536	13,620,700	285,165 98	11,759,940	11,759,940	0 100	1,575,596	1,860,760	285,165 85
315	Northern Provincial Council	11,703,582	12,761,241	1,057,659 92	9,317,741	9,317,741	0 100	2,385,841	3,443,500	1,057,659 69
316	North Western Provincial Council	14,553,763	14,859,324	305,561 98	13,017,574	13,017,574	0 100	1,536,189	1,841,750	305,561 83
317	North Central Provincial Council	11,497,949	12,003,920	505,971 96	7,595,670	7,595,670	0 100	3,902,279	4,408,250	505,971 89
318	Uva Provincial Council	11,599,736	12,417,587	817,851 93	8,948,287	8,948,287	0 100	2,651,449	3,469,300	817,851 76
319	Sabaragamuwa Provincial Council	11,905,362	12,697,967	792,605 94	10,334,717	10,334,717	0 100	1,570,645	2,363,250	792,605 66
320	Department Of Civil Security	8,924,212	8,982,580	58,368 99	8,813,924	8,871,880	**57,956 99	110,287	110,700	413 100
321	Eastern Provincial Council	14,834,315	16,281,576	1,447,261 91	10,952,076	10,952,076	0 100	3,882,239	5,329,500	1,447,261 73
322	Department Of National Botanical Gardens	404,212	596,875	192,663 68	154,970	158,760	**3,790 98	249,242	438,115	**188,873 57
323	Department Of Legal Affairs	8,571	8,826	255 97	8,371	8,512	141 98	200	314	114 64
324	Department Of Management Audit	19,423	21,187	1,764 92	18,447	20,155	1,708 92	975	1,032	57 95
325	Department Of Sri Lanka Coast Guard	77,173	125,150	47,977 62	27,086	28,200	1,114 96	50,087	96,950	**46,863 52
326	Department Of Community Base Correction	61,066	68,905	7,839 89	60,478	63,025	2,547 96	588	5,880	5,292 10
327	Department Of Land Use Policy Planning	186,900	198,360	11,460 94	141,582	144,238	2,657 98	45,318	54,122	8,803 84
328	Department Of Man Power And Employment	197,557	203,655	6,098 97	166,221	173,505	5,284 97	29,336	30,150	814 97
		1,961,053,425	2,111,676,005	150,622,580 93	1,020,197,217	1,035,296,958	15,099,741 99	940,856,208	1,076,379,047	135,522,839 87
		- ***-72,319,510	***-72,319,510	-	-	***-8,067,000	-	-	***-64,252,510	***-64,252,510
		1,961,053,425	2,039,356,495	78,303,070 96	1,020,197,217	1,027,229,958	7,032,741 99	940,856,208	1,012,126,537	71,270,329 93

** figures include identified unutilized provisions of Rs. 72,319,510,000 frozen as per the Department of National Budget letter No.BD/GPS/240/9/2 and dated at 30th Dec. 2011.
*** These figures are provisions frozen to cover up excess supplementary allocation provide under the object code No. 1702 and 2503 of the Department of National Budget.

Rs. 000'



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கணக்காய்வாளர் தலைமை அபிவிதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
My No
துலைவா

EF/B/SA/IA/AR
/64/2011

මගේ අංකය
உமது இல
No.

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திகதி
Date } May 2011

Report of the Auditor General on the Financial Statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2011.

The audit of financial statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2011 comprising the statement of financial position as at 31 December 2011 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Government of the Democratic Socialist Republic of Sri Lanka as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.


W.P.C. Wickramaratne
 Acting Auditor General

අංක 306/72 පොල්දූව පාර,
බත්තරමුල්ල, ශ්‍රී ලංකාව

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✉ - පෙට්ටි
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STATISTICAL APPENDIX

Table O1

Economic Classification of Government Fiscal Operations														
Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
	Rs. million													
1. Revenue and Grants	74,661	145,286	216,427	239,796	268,967	284,421	320,154	412,387	507,901	595,559	686,483	725,566	834,188	949,953
1.1 Total Revenue	67,964	136,258	211,282	234,296	261,888	276,465	311,473	379,747	477,833	565,051	655,260	699,644	817,279	934,812
Tax	61,206	118,543	182,392	205,840	221,838	231,597	281,552	336,828	428,378	508,947	585,621	618,933	724,747	812,647
Non-Tax	6,758	17,715	28,890	28,456	40,050	44,868	29,921	42,919	49,455	56,104	69,639	80,711	92,532	122,166
1.2 Grants	6,697	9,028	5,145	5,500	7,079	7,956	8,681	32,640	30,068	30,508	31,222	25,922	16,909	15,141
2. Expenditure and Lending minus Repayments	99,814	203,484	335,822	386,517	402,989	417,673	476,906	584,783	713,647	841,604	996,126	1,201,928	1,280,206	1,400,133
2.1 Recurrent	71,771	154,159	254,279	303,361	330,847	334,694	389,679	443,350	547,960	622,758	743,710	879,575	937,094	1,006,632
2.2 Capital and Lending minus Repayment	28,043	49,325	81,543	83,156	72,142	82,979	87,227	141,433	165,687	218,846	252,416	322,352	343,112	393,501
o/w Public Investment	27,605	52,810	80,955	82,491	72,177	87,409	97,631	148,582	177,443	229,273	263,859	330,448	356,519	407,525
3. Current Account Surplus(+)/ Deficit (-)	-3,807	-17,901	-42,997	-69,065	-68,960	-58,229	-78,206	-63,603	-70,127	-57,707	-88,450	-179,931	-119,815	-71,819
4. Budget Deficit	-25,153	-58,198	-119,396	-146,722	-134,022	-133,251	-156,752	-172,396	-205,745	-246,045	-309,644	-476,361	-446,017	-450,180
5. Financing of Budget Deficit	25,153	58,198	119,396	146,722	134,022	133,251	156,752	172,396	205,745	246,045	309,644	476,361	446,017	450,180
5.1 Total Foreign Financing (Net)	11,644	21,224	495	14,538	1,979	43,117	37,071	47,773	41,941	63,748	12,933	83,885	194,912	193,888
Gross Borrowings	16,550	29,701	23,777	42,459	39,036	77,542	70,112	69,133	87,930	127,863	67,730	194,171	270,004	282,270
Repayments	-4,906	-8,477	-23,282	-27,921	-37,057	-34,425	-33,041	-21,360	-45,989	-64,115	-54,797	-110,286	-75,092	-88,383
5.2 Total Domestic Financing (Net)	13,508	33,972	118,501	123,595	126,351	79,910	117,243	123,604	163,805	182,297	296,711	392,476	251,065	256,292
Non-Bank Financing (Net)	12,946	26,359	58,797	74,294	132,003	100,735	69,274	93,109	83,797	111,308	114,437	185,247	193,891	44,171
Foreign Owned Treasury Bills and Bonds (Net)	-	-	-	-	-	-	-	-	-	37,160	-17,578	146,922	48,875	25,068
Bank Financing (Net)	257	7,065	56,528	48,554	-4,836	-20,905	43,289	26,195	80,008	15,769	195,233	49,027	-1,892	191,850
Gross Borrowings	4,962	7,501	57,707	62,850	-20,732	-20,905	46,605	26,195	86,826	21,155	183,689	46,685	12,542	213,959
Use of Cash Balances	-4,705	-436	-1,179	-14,296	15,896	-	-3,316	-	-6,818	-5,386	11,544	2,342	-14,434	-22,109
Other Borrowings (Net)	305	548	3,175	747	-816	80	4,680	4,300	-	18,060	4,619	11,280	10,191	-4,798
5.3 Privatization Proceeds	-	3,001	401	8,589	5,693	10,223	2,437	1,020	-	-	-	-	-	-

Sources: Department of Inland Revenue, Sri Lanka Customs, Department of Excise, Telecommunications Regulatory Commission of Sri Lanka, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy, Central Bank of Sri Lanka

(a) Provisional

Table 02

Item	Economic Classification of Government Fiscal Operations											As a percentage of GDP		
	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
1. Revenue and Grants	23.2	21.8	17.2	17.0	17.0	15.6	15.3	16.8	17.3	16.6	15.6	15.0	14.9	14.5
1.1 Total Revenue	21.1	20.4	16.8	16.6	16.6	15.2	14.9	15.5	16.3	15.8	14.9	14.5	14.6	14.3
Tax	19.0	17.8	14.5	14.6	14.0	12.7	13.5	13.7	14.6	14.2	13.3	12.8	12.9	12.4
Non-Tax	2.1	2.7	2.3	2.0	2.5	2.5	1.4	1.7	1.7	1.6	1.6	1.7	1.7	1.9
1.2 Grants	2.1	1.4	0.4	0.4	0.4	0.4	0.4	1.3	1.0	0.9	0.7	0.5	0.3	0.2
2. Expenditure and Lending minus Repayments	31.0	30.5	26.7	27.5	25.4	22.9	22.8	23.8	24.3	23.5	22.6	24.9	22.8	21.4
2.1 Recurrent	22.3	23.1	20.2	21.6	20.9	18.4	18.6	18.1	18.6	17.4	16.9	18.2	16.7	15.4
2.2 Capital and Lending minus Repayment o/w Public Investment	8.7	7.4	6.5	5.9	4.6	4.6	4.2	5.8	5.6	6.1	5.7	6.7	6.1	6.0
8.6	7.9	6.4	5.9	4.6	4.8	4.7	6.1	6.0	6.4	6.0	6.8	6.4	6.2	
3. Current Account Surplus(+)/ deficit (-)	-1.2	-2.7	-3.4	-4.9	-4.3	-3.2	-3.7	-2.6	-2.4	-1.6	-2.0	-3.7	-2.1	-1.1
4. Budget Deficit	-7.8	-8.7	-9.5	-10.4	-8.5	-7.3	-7.5	-7.0	-7.0	-6.9	-7.0	-9.9	-8.0	-6.9
5. Financing of Budget Deficit	7.8	8.7	9.5	10.4	8.5	7.3	7.5	7.0	7.0	6.9	7.0	9.9	8.0	6.9
5.1. Total Foreign Financing (Net)	3.6	3.2	...	1.0	0.1	2.4	1.8	1.9	1.4	1.8	0.3	1.7	3.5	3.0
Gross Borrowings	5.1	4.4	1.9	3.0	2.5	4.3	3.4	2.8	3.0	3.6	1.5	4.0	4.8	4.3
Repayments	-1.5	-1.3	-1.9	-2.0	-2.3	-1.9	-1.6	-0.9	-1.6	-1.8	-1.2	-2.3	-1.3	-1.4
5.2. Total Domestic Financing (Net)	4.2	5.1	9.4	8.8	8.0	4.4	5.6	5.0	5.6	5.1	6.7	8.1	4.5	3.9
Non- Bank Financing (Net)	4.0	3.9	4.7	5.3	8.3	5.5	3.3	3.8	2.9	3.1	2.6	3.8	3.5	0.7
Foreign Owned Treasury Bills and Bonds (Net)	-	-	-	-	-	-	-	-	-	1.0	-0.4	3.0	0.9	0.4
Bank Financing (Net)	0.1	1.1	4.5	3.4	-0.3	-1.1	2.1	1.1	2.7	0.4	4.4	1.0	-0.03	2.9
Gross Borrowings	1.5	1.1	4.6	4.5	-1.3	-1.1	2.2	1.1	3.0	0.6	4.2	1.0	0.2	3.3
Use of Cash Balances	-1.5	-0.1	-0.1	-1.0	1.0	-	-0.2	-	-0.2	-0.2	0.3	0.05	-0.3	-0.3
Other Borrowings (Net)	0.1	0.1	0.3	0.1	-0.1	...	0.2	0.2	-	0.5	0.1	0.2	0.2	-0.1
5.3 Privatization Proceeds	-	0.4	0.03	0.6	0.4	0.6	0.1	0.04	-	-	-	-	-	-

Sources: Department of Inland Revenue, Department of Excise, Telecommunications Regulatory Commission of Sri Lanka, Department of Census and Statistics, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy, Central Bank of Sri Lanka

(a) Provisional

Economic Classification of Government Revenue

Item	Rs. million													
	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
1. Tax Revenue	61,206	118,543	182,392	205,840	221,839	231,597	281,552	336,828	428,378	508,947	585,621	618,932	724,747	812,647
Income Tax	7,337	17,161	27,457	34,636	37,437	39,398	41,372	52,535	79,693	107,169	126,541	139,557	135,624	157,309
Corporate & Non Corporate	6,251	15,004	22,935	21,969	21,190	20,266	19,791	26,478	42,710	48,409	53,901	57,716	62,646	83,016
Pay-As-You-Earn (PAYE)	1,086	2,157	4,522	9,934	5,148	4,852	6,255	5,661	7,465	11,250	14,334	14,446	16,268	14,798
Economic Service Charge (ESC)	-	-	-	-	-	-	4,052	8,067	8,853	12,203	14,476	14,207	18,048	21,335
Withholding Tax	-	-	-	2,733	11,099	14,280	11,274	12,329	20,665	35,307	43,830	53,188	38,662	38,160
Value Added Tax (VAT) (b)	20,291	36,429	43,893	45,901	66,692	97,230	120,382	138,660	164,555	187,452	203,646	171,510	219,990	215,420
Domestic (Net)	10,524	16,980	25,021	26,940	34,320	50,949	55,523	65,300	71,877	85,490	102,815	103,891	120,412	103,110
Services	3,726	7,074	14,413	15,157	18,644	41,326	42,688	45,951	49,613	62,920	79,116	75,652	88,694	70,433
Manufacturing	6,798	9,906	10,608	11,782	15,677	9,624	12,835	19,349	22,265	22,570	23,699	28,239	31,718	32,677
Import (net)	9,767	19,449	18,872	18,961	32,372	46,281	64,859	73,360	92,678	101,962	100,831	67,619	99,578	112,310
National Security Levy (NSL) (c)	-	14,408	33,539	43,065	28,859	79	240	35	-	-	-	-	-	-
Excise Tax	8,170	19,436	42,655	44,978	52,114	50,972	65,790	76,978	93,529	96,675	100,971	97,604	129,864	186,010
Liquor	2,657	6,298	9,532	9,795	10,235	10,735	13,512	16,285	20,661	23,723	27,434	28,525	36,654	55,286
Cigarettes/Tobacco	5,461	8,788	19,269	19,475	20,579	20,055	23,457	26,992	30,067	31,437	37,288	37,602	40,675	49,623
Petroleum	-	-	10,700	12,948	16,708	13,251	14,817	17,041	18,234	19,124	18,977	23,018	28,038	22,470
Motor Vehicles	-	-	2,599	2,202	4,261	6,405	12,674	14,220	21,671	17,415	11,067	3,192	21,199	52,835
Other	52	4,350	555	558	332	526	1,330	2,440	2,896	4,976	6,205	5,268	3,298	5,798
Stamp Duties (d)	-	-	8,564	8,415	2,331	69	51	9	1,516	4,026	3,751	3,328	4,439	-
Ports & Airports Development Levy (PAL)	-	-	-	-	3,497	5,483	7,340	10,969	21,126	26,700	31,017	36,286	49,632	66,028
Debits Tax (e)	-	-	-	1,119	1,315	3,611	4,489	5,700	6,255	7,187	8,410	8,036	10,843	4,232
Import Duties	16,792	24,365	23,970	26,356	28,345	34,184	41,096	45,391	52,657	56,017	63,842	79,560	64,165	76,010
Cess Levy	-	-	-	-	-	-	-	4,444	5,872	17,157	24,472	28,520	29,752	29,662
Special Commodity Levy (SCL)	-	-	-	-	-	-	-	-	-	-	14,603	18,965	10,173	15,622
Nation Building Tax (NBT) (f)	-	-	-	-	-	-	-	-	-	-	-	27,205	46,022	35,667
Domestic	-	-	-	-	-	-	-	-	-	-	-	11,594	19,310	19,040
Imports	-	-	-	-	-	-	-	-	-	-	-	15,611	26,712	16,627
Telecommunications Levy (g)	-	-	-	-	-	-	-	-	-	-	-	-	8,869	18,651

Economic Classification of Government Revenue contd...

Item	Rs. million													
	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
License Taxes & Other	8,616	6,744	606	1,371	1,249	572	792	2108	3,175	6,563	8,367	8,361	15,376	8,035
2. Non Tax Revenue	6,758	17,715	28,890	28,456	40,050	44,868	29,921	42,919	49,455	56,104	69,639	80,712	92,532	122,166
Rent	238	217	1,325	630	620	607	1,163	1,155	1,294	1,709	2,050	1,425	2,048	3,580
Interest	1,143	6,946	7,304	7,626	13,232	7,963	8,673	8,642	10,320	9,242	9,305	9,043	8,017	9,847
Profit and Dividends	76	4,368	6,305	3,507	3,055	5,380	4,357	5,929	7,451	7,682	7,365	11,982	31,301	34,351
Sales and Charges	1,016	2,336	6,177	8,189	4,477	11,806	9,207	16,196	22,249	18,437	32,260	25,387	22,925	37,293
Social Security Contributions	381	825	3,620	2,667	2,930	3,037	3,444	4,910	6,470	8,777	9,791	11,165	11,120	12,628
Central Bank Profit Transfers	500	1,200	3,200	5,000	10,000	10,000	1,000	5,000	-	4,000	8,000	20,000	15,000	22,000
Other	3,404	1,822	959	838	5,736	6,075	2,077	1,087	1,671	6,257	868	1,710	2,122	2,468
3. Total Revenue	67,964	136,258	211,282	234,296	261,888	276,465	311,473	379,747	477,833	565,051	655,259	699,644	817,279	934,812

Sources: Department of Inland Revenue, Sri Lanka Customs, Department of Excise, Telecommunications Regulatory Commission of Sri Lanka, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy, Central Bank of Sri Lanka

(a) Provisional

(b) VAT was introduced with effect from 01 August 2002 and is in operation since then. It replaced the Goods and Services Tax (GST), an almost similar tax on the consumption of goods and services, which was in effect since April 1998. Prior to that, the data represents the revenue from central government Business Turnover Tax (BTT).

(c) NSL was abolished since April 2002 with the introduction of VAT.

(d) Under the revenue sharing mechanism introduced in 2011 with the Provincial Councils (PCs), 100 percent of the revenue from stamp duties is transferred to PCs. The Provincial Turnover Tax collected by Provincial Councils was abolished in 2011 and NBT was extended to buying and selling activities.

(e) Debits tax was abolished with effect from April 2011.

(f) Data in 2011 represents only two thirds of the total revenue from NBT as the balance one third is transferred to PCs under the revenue sharing mechanism with them.

(g) Data in 2011 represents the revenue from Telecommunications Levy, which was introduced as a composite tax to the telecommunications sector by removing VAT, NBT, Regional Infrastructure Development Levy, Environment Conservation Levy and the Mobile Subscribers' Levy on this sector in 2011.

Economic Classification of Government Expenditure and Lending Minus Repayments

Item	Rs. million											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(e)
1 Current Expenditure	254,279	303,361	330,849	334,692	389,679	443,351	547,959	622,758	743,711	879,575	937,094	1,006,632
1.1 Expenditure on Goods & Services	130,765	143,747	139,894	138,659	164,530	194,861	253,025	292,632	360,328	379,731	388,286	433,331
Salaries and Wages	68,544	78,056	88,806	91,783	106,187	138,604	175,031	214,160	239,078	271,229	300,558	319,601
Central Government	18,506	22,618	24,383	26,285	30,246	44,950	54,544	61,799	65,315	71,859	75,817	83,072
Provincial Councils	21,401	25,125	29,213	29,237	34,455	44,620	61,453	69,366	73,791	74,634	81,887	90,818
Defence	28,636	30,313	25,748	26,604	30,850	38,040	44,960	60,185	73,509	94,189	110,335	112,703
Police and Public Security			9,462	9,657	10,636	10,993	14,074	22,810	26,463	30,547	32,519	33,008
Other Purchases of Goods and Services	62,221	65,691	51,088	46,877	58,343	56,257	77,994	78,472	121,250	108,502	87,728	113,730
Central Government	18,265	26,434	20,784	19,993	24,941	21,466	29,012	25,725	46,950	42,970	38,618	53,467
Provincial Councils	1,819	1,280	1,377	1,539	1,436	1,859	1,576	1,416	3,075	3,110	3,112	3,784
Defence	34,825	31,767	23,417	20,401	25,491	23,458	36,283	41,671	61,201	50,695	33,471	43,400
Police and Public Security	7,312	6,210	5,510	4,944	6,475	9,474	11,123	9,660	10,024	11,727	12,527	13,079
1.2 Interest Payments	71,200	94,307	116,515	125,126	119,782	120,159	150,777	182,681	212,475	309,676	352,592	356,699
Foreign	9,015	9,747	10,617	11,586	13,904	6,995	16,990	21,311	30,277	35,698	55,464	68,565
Domestic	62,185	84,560	105,897	113,540	105,878	113,164	133,787	161,370	182,198	273,978	297,127	288,134
1.3 Subsidies and Transfers	52,314	65,307	74,441	70,907	105,367	128,331	144,157	147,445	170,908	190,168	196,216	216,601
Households	41,815	53,319	53,958	52,649	83,585	101,602	104,842	110,910	131,342	148,993	156,194	171,438
o/w Pensions	21,602	26,493	31,123	31,150	36,444	46,782	58,006	68,822	74,922	85,139	90,995	99,961
Samurdhi (b)	9,661	12,574	9,910	8,715	8,498	9,161	10,789	9,200	9,995	9,267	9,241	9,043
Fertilizer Subsidy	1,733	3,650	2,448	2,190	3,572	6,846	11,867	11,000	26,450	26,935	26,028	29,802
Sub National Governments	1,424	694	392	608	358	233	172	150	217	-	-	-
Non Financial Public Enterprises	3,370	4,376	7,998	5,705	8,405	10,412	18,336	10,639	12,942	14,126	12,361	12,999
Institutions and other	5,705	6,919	12,093	11,945	13,019	16,084	20,807	25,746	26,407	27,049	27,661	32,164

Economic Classification of Government Expenditure and Lending Minus contd...

Item	Rs. million											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
2 Capital Expenditure	67,769	67,902	58,595	75,089	83,807	140,154	162,214	206,162	232,607	277,416	302,087	363,037
2.1 Acquisition of Fixed Capital Assets	32,934	36,115	26,501	36,580	40,449	88,141	88,209	111,510	128,605	143,590	158,488	202,663
2.2 Capital Transfers	34,835	31,787	32,094	38,509	43,359	52,013	74,005	94,652	104,002	133,826	143,599	160,374
Institutions	14,522	18,351	15,118	19,894	19,306	20,700	32,371	50,408	59,991	90,291	99,151	105,603
Non Financial Public Enterprises	12,048	6,973	11,459	14,339	19,068	19,969	21,526	23,737	22,432	19,750	20,345	26,693
Sub National Governments	8,218	6,251	5,421	4,186	4,812	11,141	19,699	20,346	21,237	23,780	24,101	27,619
Other	47	212	96	90	173	203	409	160	341	5	1	459
3 Lending Minus Repayments	13,775	15,254	13,547	7,890	3,420	1,279	3,473	12,684	19,809	44,936	41,025	30,464
3.1 Net Lending through Advance Accounts	2,638	2,044	1,336	1,710	1,950	1,850	83	700	1,457	1,932	2,126	854
3.2 Lending to Public Enterprises	13,187	14,590	13,582	12,320	13,823	8,428	15,230	23,112	31,253	53,032	54,433	44,488
3.3 Loan Repayments by Public Enterprises	(6,209)	(6,699)	(6,060)	(10,741)	(15,920)	(10,364)	(13,881)	(11,677)	(13,526)	(11,978)	(15,535)	(14,878)
3.4 Restructuring Expenditure	4,159	5,320	4,689	4,601	3,567	1,365	2,041	549	625	1,950	-	-
4 Total	335,823	386,518	402,992	417,671	476,907	584,784	713,646	841,604	996,126	1,201,927	1,280,205	1,400,133

Sources: Department of National Budget, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy, Central Bank of Sri Lanka

(a) Provisional

Table O5

Functional Classification of Government Expenditure

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
1. Current Expenditure	71,770	154,159	254,279	303,362	330,847	334,693	389,678	443,350	547,960	622,758	743,710	879,575	937,094	1,006,632
General Public Services	17,943	47,888	82,643	82,149	80,970	86,361	95,443	106,992	136,352	165,807	207,348	224,281	228,184	248,716
Civil Administration	6,622	6,562	13,416	14,944	17,473	24,755	23,196	25,027	29,912	31,481	36,150	37,123	37,895	43,076
Defence	6,736	35,186	56,915	54,242	49,163	47,005	56,341	61,498	81,243	101,856	134,710	144,884	145,243	159,553
Police and Public Security	4,585	6,140	12,312	12,963	14,334	14,601	15,906	20,467	25,197	32,470	36,487	42,274	45,046	46,087
Social Services	24,449	57,647	77,160	87,968	106,096	104,812	138,820	188,652	204,635	226,271	240,768	260,072	267,636	314,137
Education	8,529	15,784	23,794	23,448	31,162	31,673	33,792	50,697	61,144	72,592	77,141	82,414	85,195	99,043
Health	3,685	8,818	15,394	14,785	20,234	22,073	25,919	34,113	44,069	51,741	55,874	58,789	60,506	74,443
Welfare	11,973	32,106	35,686	44,635	47,503	45,849	73,571	92,909	86,753	91,747	94,789	105,017	107,690	123,122
Community Services	262	941	2,286	5,100	7,198	5,217	5,538	10,933	12,669	10,191	12,963	13,852	14,245	17,529
Economics Services	3,927	6,830	9,738	13,882	14,769	11,625	17,548	25,811	43,977	45,479	74,489	78,464	78,819	81,646
Agriculture and Irrigation	982	3,826	5,706	7,967	7,635	7,002	8,876	13,500	22,173	22,849	41,579	43,967	44,081	46,290
Energy and Water Supply	345	990	474	565	385	9	112	1,008	2,766	3,647	3,323	3,429	3,492	3,533
Transport and Communication	2,600	2,014	3,558	5,350	6,749	4,614	8,560	11,303	19,038	18,983	29,587	31,068	31,246	31,823
Other	25,451	41,794	84,738	119,363	129,014	131,894	137,867	121,896	162,996	185,201	221,105	316,759	362,455	362,133
o/w Interest Payments	20,668	38,687	71,200	94,307	116,515	125,126	119,782	120,159	150,777	182,681	212,475	309,675	352,592	356,699
2. Capital Expenditure and Lending	27,605	52,810	80,955	82,491	72,177	87,409	97,631	148,582	177,443	229,273	263,859	330,448	356,519	407,525
General Public Services	3,617	5,776	7,157	6,563	4,713	5,203	7,191	9,901	21,356	32,143	34,403	20,095	21,510	32,484
Civil Administration	1,599	3,962	5,610	5,478	4,075	4,826	5,986	8,537	18,109	28,438	29,675	18,686	20,212	28,668
Police and Public Security	2,018	1,814	1,547	1,085	638	377	1,205	1,364	3,247	3,705	4,728	1,409	1,298	3,816
Social Services	3,019	9,855	16,471	14,559	15,690	19,190	28,996	35,992	48,387	54,986	60,236	53,938	56,205	62,953
Education	1,042	3,124	7,135	4,838	6,048	7,443	8,548	12,860	17,200	19,948	22,942	18,092	19,053	22,326
Health	1,279	2,134	5,302	3,987	4,713	5,403	8,500	10,738	13,969	16,961	18,674	12,664	13,329	14,774
Housing	538	3,300	2,476	3,722	3,717	4,090	7,250	3,937	4,021	4,481	4,826	5,291	5,489	6,712
Community Services	160	1,297	1,558	2,012	1,212	2,254	4,698	8,457	13,197	13,596	13,794	17,891	18,334	19,141
Economic Services	18,295	36,105	54,647	54,906	51,678	58,740	61,271	77,537	106,788	141,244	168,879	256,410	278,803	311,593
Agriculture and Irrigation	5,215	6,060	6,908	6,034	6,936	8,420	8,207	10,041	12,615	14,736	17,681	22,105	24,865	28,568
Energy and Water Supply	6,500	5,003	13,282	14,758	17,732	23,801	22,283	19,234	26,376	47,850	48,783	59,983	66,569	74,028
Transport and Communication	4,312	18,888	24,911	21,464	18,916	20,238	22,198	31,765	37,988	50,995	82,916	139,104	165,505	186,342
Other	2,268	6,155	9,549	12,650	8,094	6,283	8,583	16,500	29,810	27,663	19,499	35,219	21,804	22,692
Other	2,674	1,074	2,680	6,463	96	4,276	173	704	912	900	341	5	1	459
Other	952	-	-	-	-	-	-	24,448	-	-	-	-	-	-
3. Total Expenditure and Lending	99,375	206,969	335,234	385,853	403,024	422,102	487,309	591,932	725,403	852,031	1,007,569	1,210,023	1,293,613	1,414,157

Sources: Department of National Budget, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy, Central Bank of Sri Lanka

(a) Provisional

Table O6

Composition of Government Debt														
Source	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
Rs. million														
1. Foreign Debt	176,883	346,286	542,040	636,741	721,957	843,882	996,138	956,620	1,103,418	1,326,487	1,448,734	1,760,467	2,024,583	2,329,280
1.1 Project Loans	132,338	286,848	477,845	542,942	640,354	769,559	914,232	865,494	978,356	1,087,359	1,261,304	1,362,806	1,461,729	1,640,117
1.2 Non-project Loans	44,545	59,438	64,195	93,799	81,603	74,323	81,906	91,126	125,062	239,128	187,430	397,661	562,854	689,163
Commodity	43,393	57,730	63,009	67,000	68,050	68,892	73,835	69,116	69,021	68,665	66,499	62,304	54,653	53,460
Other	1,152	1,708	1,186	26,799	13,553	5,431	8,071	22,010	56,041	170,463	120,931	335,357	508,201	635,703
2. Domestic Debt	133,896	289,410	676,660	815,965	948,386	1,019,969	1,143,389	1,265,722	1,479,230	1,715,198	2,140,228	2,400,955	2,565,662	2,804,085
2.1 Rupee Loans	54,676	157,928	263,888	292,813	287,701	248,414	164,758	140,563	116,713	131,509	130,009	112,292	87,709	61,961
2.2 Treasury Bills	67,968	113,771	134,996	170,995	210,995	219,295	243,886	234,174	257,732	307,012	402,600	441,032	514,442	590,885
2.3 Treasury Bonds	-	-	204,124	229,174	347,128	483,107	643,349	751,569	885,972	1,018,852	1,281,978	1,513,512	1,643,887	1,819,251
2.4 Sri Lanka Development Bonds	-	-	-	14,749	24,177	8,816	26,083	25,519	62,469	86,459	158,805	168,079	173,877	183,845
2.5 Central Bank Provisional Advances	6,408	13,700	27,169	30,127	31,033	31,204	34,791	39,746	49,015	60,679	76,308	73,881	77,879	94,743
2.6 Other	4,844	4,011	46,483	78,107	47,352	29,133	30,522	74,151	107,329	110,687	90,528	92,160	67,869	53,400
3. Total	310,779	635,696	1,218,700	1,452,706	1,670,343	1,863,851	2,139,526	2,222,342	2,582,648	3,041,685	3,588,962	4,161,422	4,590,245	5,133,365
Government Debt to GDP Ratio														
Foreign Debt	55.0	51.9	43.1	45.2	45.6	46.3	47.6	39.0	37.5	37.1	32.8	36.4	36.1	35.6
Domestic Debt	41.6	43.3	53.8	58.0	60.0	56.0	54.7	51.6	50.3	47.9	48.5	49.7	45.8	42.9
Total Debt	96.6	95.2	96.9	103.2	105.6	102.3	102.3	90.6	87.9	85.0	81.4	86.2	81.9	78.5

Sources: Department of Public Debt of the Central Bank of Sri Lanka, Department of External Resources, Department of National Budget, Department of Treasury Operations, Department of State Accounts, Department of Fiscal Policy
(a) Provisional

Table O7

Domestic Production of Selected Items

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
Paddy	(MT'000)	2,538.0	2,809.9	2,859.9	2,695.8	2,859.5	3,071.2	2,628.0	3,246.2	3,342.0	3,131.1	3,875.0	3,652.0	4,300.6	3,874.6
Tea	(Kg Mn)	233.2	245.9	305.8	295.1	310.0	303.2	308.1	317.2	310.8	305.2	318.7	291.0	331.0	328.4
Rubber	(Kg Mn)	113.1	105.7	87.6	86.0	90.5	92.0	94.7	104.4	109.2	117.6	129.2	136.9	153.0	157.9
Coconut	(Nuts Mn)	2,532.0	2,755.0	3,096.0	2,769.0	2,392.0	2,562.0	2,591.0	2,515.0	2,785.0	2,869.0	2,909.0	2,853.0	2,584.0	2,808.0
Potatoes	(MT'000)	87.2	81.7	48.4	57.7	88.7	71.7	81.3	79.4	78.5	77.4	74.8	61.7	51.9	62.1
Sweet Potatoes	(MT'000)	76.9	61.8	51.8	48.5	47.5	44.1	39.7	41.2	41.6	49.2	52.5	47.3	46.5	39.8
Chillies - Green	(MT'000)	106.6	85.4	55.9	49.0	46.3	46.2	40.5	52.9	52.9	48.7	51.0	46.4	49.0	39.9
Chillies - Dried	(MT'000)	39.1	21.3	14.0	12.3	11.7	11.7	10.1	13.2	12.7	12.2	12.8	11.6	12.3	10.9
Big Onions	(MT'000)	15.3	29.7	36.6	32.0	31.6	32.3	37.5	55.5	73.6	92.2	57.4	81.7	58.9	68.6
Red Onions	(MT'000)	57.7	48.4	42.5	36.9	35.3	35.5	39.5	53.7	60.7	57.0	49.3	46.2	61.8	87.2
Maize	(MT'000)	33.2	34.8	31.0	28.8	26.4	29.6	35.2	41.8	47.5	56.4	112.3	129.8	161.7	138.6
Green Gram	(MT'000)	26.9	16.0	11.7	9.7	10.3	10.6	7.8	9.0	7.9	8.5	8.9	9.3	11.7	9.7
Black Gram	(MT'000)	4.9	7.9	5.4	5.1	5.1	5.9	5.0	6.9	7.5	7.7	9.5	7.1	10.0	6.5
Kurakkan	(MT'000)	7.2	4.9	4.8	4.2	4.1	5.3	4.7	6.4	6.3	5.4	6.5	6.4	7.3	5.3
Cowpea	(MT'000)	22.8	16.1	12.1	9.8	10.4	12.9	9.2	11.2	10.1	10.8	11.9	13.5	11.6	8.5
Soya Beans	(MT'000)	3.1	2.4	0.6	0.6	1.2	3.0	1.9	5.0	5.2	4.8	3.0	3.8	7.5	6.7
Gingerly	(MT'000)	4.8	4.5	4.6	4.2	4.1	5.5	4.3	6.2	6.0	6.3	6.3	8.5	16.9	10.6
Ground Nuts	(MT'000)	6.1	5.9	7.0	6.8	5.8	6.6	7.9	9.0	9.6	9.8	10.3	13.1	14.4	16.8
Sugar	(MT'000)	57.2	51.7	64.0	48.0	38.0	57.0	58.0	54.0	56.0	29.0	39.0	32.0	31.0	35.0
Coffee	(MT'000)	7.6	11.5	2.5	2.3	2.4	3.1	3.5	3.5	3.5	3.0	3.1	3.1	3.2	5.2
Cinnamon	(MT'000)	10.4	11.8	13.5	13.6	13.0	14.0	14.9	14.5	15.9	16.5	14.9	15.8	16.4	14.9
Pepper	(MT'000)	8.7	16.1	10.6	7.7	12.6	12.6	12.0	14.3	14.4	16.6	12.9	15.8	17.3	26.5
Cloves	(MT'000)	1.3	3.7	1.7	2.7	4.1	2.4	3.6	6.1	3.6	3.0	8.2	3.0	9.6	3.9
Milk	(Ltr Mn)	291.7	333.3	181.5	183.0	183.2	186.8	190.3	193.0	196.6	202.0	208.1	233.4	247.6	253.9
Fish	(MT'000)	184.0	235.8	300.3	284.7	302.9	285.0	286.4	163.2	251.3	291.0	319.1	339.7	384.7	444.8

Source: Department of Census and Statistics, Ministry of Agriculture
(a) Provisional

Table 08

Category	Value of Exports											US\$ million		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2010	2011
Agricultural Exports	1,134	1,026	1,016	1,058	1,151	1,250	1,424	1,647	1,976	1,836	2,305	2,528		
Tea	700	689	660	683	739	811	882	1,025	1,272	1,185	1,441	1,491		
Black Tea	637	613	593	601	646	718	769	890	1,111	1,072	1,383	1,430		
Bulk	393	350	360	338	393	407	463	535	643	616	567	534		
Packets	180	194	160	183	162	213	203	235	321	301	607	667		
Bags	64	69	73	81	91	98	103	121	147	156	209	229		
Instant	8	9	9	11	8	7	7	9	11	10	13	15		
Green Tea	3	5	5	8	11	14	19	22	29	29	44	46		
Other	52	63	53	63	73	72	86	106	118	74	-	-		
Rubber	29	24	27	39	51	47	93	109	125	99	173	206		
Sole Crepe	-	-	-	-	-	-	-	-	-	6	10	16		
Latex and Other Crepe	-	-	-	-	-	-	-	-	-	25	63	102		
Sheet Natural	13	11	15	22	28	25	54	59	69	46	67	63		
Latex Natural	0.2	0.3	1	0.5	2	1	3	10	17	11	15	8		
Block Rubber	14	11	10	14	15	16	24	25	23	2	1	2		
Other	1	1	1	2	6	5	12	15	16	10	18	15		
Coconut	121	82	84	93	113	113	124	141	171	166	166	266		
Kernal Product	77	41	41	48	59	49	53	60	82	58	56	136		
Other	44	41	42	45	54	64	71	81	89	108	110	130		
Other Agricultural Exports	155	136	168	150	162	183	195	370	410	386	335	380		
Vegetables	8.6	6.7	7.2	7.4	9.9	11.8	10.0	11.5	13.0	11.7	11.4	16.7		
Fruits (Fresh or Dry)	4.5	4.5	4.0	6.3	6.6	6.3	9.6	11.2	13.9	12.1	14.5	17.1		
Arecanut	0.6	0.1	0.3	0.2	0.4	0.7	2.0	0.9	3.4	1.4	2.2	2.5		
Coffee	0.1	...	0.1	0.5	0.2	0.2	0.2	0.1	0.2	0.1	0.3	0.1		
Pepper	20.9	6.0	15.5	12.8	9.2	12.2	17.1	31.7	26.2	20.6	42.7	30.7		
Cinnamon	45.4	42.3	45.0	44.9	46.7	58.3	66.2	75.8	82.6	74.1	82.9	121.1		
Cloves	4.0	13.0	28.3	6.0	14.0	17.5	12.6	9.2	33.0	12.0	37.4	35.4		
Nutmeg and Maize	5.5	3.9	5.7	6.4	4.8	7.4	6.3	7.6	9.0	8.1	16.0	25.5		
Cardamoms	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.3	0.2	0.3	0.6		
Other Oil Seeds	...	...	...	...	...	...	...	0.2	...	0.1	...	0.1		

Value of Exports contd...

Category	US\$ million											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Betel Leaves	1.7	1.3	2.0	2.9	3.0	2.6	2.6	4.1	6.7	6.0	5.1	6.9
Cocoa	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.2	4.1	21.3
Unmanufactured Tobacco	37.6	35.2	37.5	37.2	39.7	35.1	35.3	40.2	39.5	33.5	32.6	38.4
Sesame Seeds	0.1	...	...	0.4	1.6	0.7	1.3	0.6	0.4	1.6	8.9	0.5
Cashew Nuts	0.6	1.0	0.5	0.4	0.8	1.6	1.1	1.0	1.4	1.1	2.2	2.6
Essential Oils	0.9	0.9	0.9	1.0	1.3	1.4	1.7	3.5	3.8	2.4	5.0	10.2
Cinnamon Bark Oil	2.8	2.7	2.7	2.3	2.4	2.6	3.6	5.2	3.9	2.4	4.4	7.7
Clove Oil	0.1	0.0	0.2	0.0	0.1	0.0	0.2	0.3	0.3	0.1	0.4	0.4
Other Minor Agricultural Crops	16.7	15.3	13.6	16.2	15.7	18.0	18.9	20.1	39.7	52.3	51.4	50.9
Seafood	128.5	94.2	77.9	92.7	86.2	96.0	129.9	162.5	164.6	170.6	192.3	185.3
Industrial Exports	4,315	3,713	3,628	3,975	4,507	4,949	5,402	5,937	6,102	5,228	6,097	7,992
Food, Beverages and Tobacco	25	27	32	78	75	223	232	323	244	183	245	348
Milling Industry Products	8	7	9	9	13	30	52	48	62	40	71	142
Vegetable, Fruit and Nut Preparations	6	8	9	10	11	10	15	29	49	55	51	61
Cereal Preparations	1	2	2	2	4	4	5	7	11	9	11	19
Fish Preparations	...	...	...	...	1	3	1	1	1	1	1	...
Manufactured Tobacco	2	2	2	8	16	20	16	23	28	24	26	41
Other	9	8	10	48	30	156	142	215	93	54	85	85
Textile and Garments	2,982	2,544	2,425	2,575	2,808	2,890	3,084	3,337	3,478	3,261	3,356	4,191
Garments	2,712	2,335	2,246	2,400	2,654	2,748	2,917	3,144	3,284	3,120	3,178	3,986
Woven Fabrics	65	46	49	47	43	34	46	61	66	55	70	85
Yarn	32	27	25	23	22	24	24	45	44	42	50	57
Other Made Up Textile Articles	173	137	105	105	89	84	96	86	84	44	57	64
Petroleum Products	97	68	73	65	100	131	188	170	255	134	263	553
Bunkers and Aviation Fuel	75	53	60	65	100	131	181	168	253	133	259	524
Other Petroleum Products	22	14	13	...	-	-	7	2	2	2	4	28
Ceramic Products	47	42	42	40	47	47	47	47	49	36	40	38
Tiles	9	7	8	9	10	9	11	11	12	8	8	6
Tableware, Household Items and Sanitaryware	27	25	26	24	29	31	32	30	30	24	27	28
Other	10	11	9	8	8	7	5	5	7	4	5	5

Category	Value of Exports contd...											US\$ million	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Rubber Products	196	173	182	231	284	395	450	483	542	385	558	885	
Rubber Tyres	101	84	84	121	160	259	295	309	337	213	336	569	
Surgical Gloves and Other Gloves	62	56	61	73	77	86	105	111	117	114	137	181	
Other Rubber Products	33	32	37	37	47	50	50	64	88	58	85	135	
Leather, Travel Goods and Footwear	176	150	84	58	121	134	127	60	56	47	60	65	
Footwear	56	32	19	21	13	13	19	24	22	17	20	17	
Travel Goods	109	108	55	27	21	19	13	26	23	20	27	31	
Other	12	10	9	10	87	101	94	10	12	10	13	17	
Machinery and Mechanical Appliances	244	245	266	290	386	330	396	371	322	187	259	312	
Gems, Diamonds and Jewellery	334	276	251	346	373	402	414	474	514	402	409	532	
Gems	143	91	45	113	108	124	86	105	76	69	70	95	
Diamonds	178	166	192	216	247	265	312	348	418	317	322	414	
Jewellery	13	19	14	17	19	13	16	22	20	17	17	22	
Transport Equipment	15	81	100	164	145	105	138	151	108	127	144	225	
Road Vehicles	5	4	3	5	8	13	20	23	39	50	58	49	
Ships, Boats and Floating Structures	2	1	1	2	2	9	8	37	22	58	59	149	
Other	8	76	96	157	135	83	111	91	48	20	28	27	
Printing Industry Products	2	2	2	2	3	9	15	34	47	48	246	235	
Other Industrial Exports	197	177	231	338	399	512	532	487	497	418	517	608	
Chemical Products	31	28	31	35	53	73	65	78	78	74	86	116	
Mineral Exports	3	4	5	5	11	23	17	22	22	20	24	33	
Unclassified Exports	69	75	50	94	89	125	42	38	-	-	...	7	
Total Exports	5,522	4,818	4,699	5,133	5,759	6,347	6,883	7,640	8,111	7,085	8,626	10,559	

Source: Sri Lanka Customs, Department of Trade, Tariffs and Investment Policy, Central Bank of Sri Lanka

Table O9

Value of Imports

Category	US\$ million											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Consumer Goods	1,027	956	1,050	1,219	1,282	1,289	1,551	1,664	2,007	1,565	2,476	3,654
Food and Beverages	566	543	513	547	558	573	711	802	1,089	933	1,322	1,567
Sugar	141	115	132	116	111	132	224	151	203	218	363	426
Milk and Milk Products	118	115	110	120	122	133	171	186	288	165	259	345
Rice	4	11	18	9	59	16	6	39	44	23	59	18
Flour	8	1	2	2	1	32	3	2	1	1	1	14
Fish	68	69	65	63	56	68	92	108	115	119	128	147
Other Food and Beverages	227	232	186	237	208	192	216	317	437	407	512	617
Potatoes	5.5	9.8	6.3	5.6	4.1	7.6	10.4	20.0	23.6	23.0	36.9	35.7
Chillies	22.2	17.0	17.5	22.5	16.6	16.2	26.3	36.9	41.3	42.5	44.2	82.4
Onions	26.0	26.0	27.0	26.0	27.0	26.0	28.0	57.0	53.0	60.0	96.0	86.0
Lentils	39.5	36.7	35.0	29.9	29.6	31.6	37.6	59.6	108.0	113.0	129.0	116.8
Maize	14.0	20.1	12.6	18.8	24.8	25.0	15.7	18.7	22.8	6.4	2.5	2.3
Green Gram	5.3	3.0	2.3	2.5	4.0	3.0	3.8	7.4	11.0	10.7	15.6	13.8
Peas	7.1	5.4	5.1	5.1	5.3	5.0	6.3	10.0	18.8	12.9	14.9	18.5
Chick Peas	9.8	5.9	6.5	6.5	7.3	4.4	6.3	9.8	17.3	17.7	17.8	26.9
Kurakkan	0.3	0.1	0.2	0.1	0.3	0.2	0.2	0.3	0.6	0.6	0.6	0.6
Oil and Fat	11.0	9.0	35.0	56.0	18.0	15.0	14.0	21.0	31.0	14.0	19.0	26.0
Spices	28.0	27.0	28.0	32.0	26.0	24.0	35.0	50.0	64.0	65.0	72.0	111.0
Other	58.0	72.0	11.0	32.0	45.0	34.0	32.0	26.0	46.0	41.0	64.0	97.0
Non-food Consumables	461	413	537	672	724	716	840	862	918	632	1,154	2,087
Vehicles	40	37	138	249	249	235	308	244	239	93	455	881
Home Appliances-Radio and Television Sets	56	40	40	49	63	52	65	59	64	24	45	118
Rubber Products	34	26	29	32	37	38	42	44	51	46	72	83
Medical and Pharmaceutical Products	96	92	105	105	117	135	162	179	212	202	217	348
Household and Furniture Items	55	48	48	50	59	63	69	70	75	61	88	127
Other	180	170	177	187	199	193	194	266	277	206	277	530
Garments	132	100	88	89	99	92	82	86	89	99	94	138
Other Articals of Plastics	34	30	22	23	26	29	36	33	30	18	21	31
Insecticides	12	9	11	11	9	10	12	4	12	11	17	19
Printed Books	4	4	11	3	3	5	5	5	4	22	20	45
Fans	8	5	4	5	6	6	6	8	7	7	12	23
Washing Preparations	7	4	4	6	5	5	7	7	10	11	11	10

Category	Value of Imports contd...											US\$ million
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		2011 (a)
Powders, Makeup	5	2	3	3	4	3	4	4	6.2	4.8	5.6	11
Gas Cookers	5	2	4	3	3	4	4	3	3.8	3.7	5.0	9
Intermediate Goods	3,376	3,406	3,667	4,023	4,953	5,607	6,257	6,983	9,019	6,159	8,054	12,275
Fertilizer	79	68	75	87	107	134	163	192	577	182	240	407
Petroleum	902	729	791	837	1,213	1,657	2,070	2,516	3,392	2,184	3,041	4,795
Ceramic Products	202	195	218	238	265	312	357	405	508	432	520	702
Paper and Paper Boards	116	108	156	186	210	222	254	290	328	264	350	427
Wheat and Maize	143	131	144	158	209	168	217	255	402	269	265	429
Textile	1,139	1,459	1,414	1,476	1,634	1,659	1,656	1,724	1,788	1,529	1,812	2,321
Diamond	161	147	179	217	218	244	257	284	545	277	378	1,076
Base Metal	64	55	124	175	253	298	298	252	275	167	239	354
Vehicle and Machinery Parts	79	65	70	82	94	105	121	127	159	127	176	223
Other Intermediate Goods	491	449	496	567	750	808	864	938	1,045	728	1,033	1,540
Semi Finished Products of Iron	80	24	36	45	60	71	78	105	137	72	91	157
Solid Residues (Soya Been Oil)	0.4	0.2	0.2	0.2	0.3	0.1	0.2	3.2	0.2	0.2	0.2	0.3
Polymer of Ethylene	89	39	37	44	67	77	82	106	103	76	103	109
Unmanufactured Tobacco	49	1	30	41	36	46	32	40	42	39	31	46
Palm Oil (Refined)	71	18	34	24	53	131	131	145	127	35	68	161
Investment Goods	1,387	1,065	1,180	1,360	1,714	1,937	2,400	2,597	2,852	2,093	2,758	4,286
Machinery and Equipment	844	683	730	788	998	1,051	1,341	753	900	656	822	1,076
Recorders and Primary Batteries	38	13	15	18	29	50	49	119	124	107	87	124
Iron Pipe & Tube	84	34	38	45	63	79	85	93	126	88	108	136
Medical Instrument and Appliance - Used	63	34	48	31	47	56	56	60	73	54	63	113
Wire Cables (Electrical)	26	16	14	11	20	18	19	5	13	11	38	27
Gas Cylinders (For Industries)	6	4	4	3	4	3	4	7	6	3	6	12
Transport Equipment	245	127	156	228	269	333	405	410	481	357	593	1,065
Building Material	296	254	292	342	443	548	651	1,428	1,467	1,077	1,339	2,141
Other Investment Goods	2	1	2	2	4	5	3	6	4	3	4	4
Unclassified Imports	1,532	546	207	73	50	31	48	52	213	390	162	54
Total Imports	7,322	5,973	6,104	6,675	7,999	8,863	10,253	11,296	14,091	10,207	13,451	20,269

Source: Sri Lanka Customs, Department of Trade, Tariffs and Investment Policy, Central Bank of Sri Lanka
(a) Provisional

Table 10

Item	Import Quantities of Selected Items														MT '000
	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Sugar	311.9	424.0	570.4	457.4	567.7	526.0	496.5	444.2	520.6	470.7	563.1	460.7	539.2	596.6	
Milk Powder	66.5	50.1	56.9	52.2	61.9	63.8	54.2	52.8	68.1	62.1	62.5	62.4	72.4	84.1	
Potatoes	...	11.9	116.5	62.6	38.0	40.5	28.0	40.8	46.6	85.9	99.4	99.6	129.9	130.5	
Chilies - Red	1.3	10.8	23.4	25.8	25.3	27.7	24.3	27.3	29.4	31.2	34.7	36.0	37.7	42.7	
Big Onions	0.3	1.0	117.5	110.1	130.1	130.5	115.1	110.7	119.5	140.7	146.6	143.2	158.1	170.7	
Red Onions	27.1	77.5	5.9	2.7	1.8	0.2	2.7	10.2	10.9	23.8	26.9	16.2	11.9	6.8	
Dhal	36.0	76.0	80.4	90.7	106.5	90.9	89.6	86.4	107.7	103.2	104.9	108.0	134.3	151.3	
Rice	116.8	9.4	14.9	52.0	95.1	34.5	221.7	51.7	11.5	88.0	84.7	51.7	125.8	27.8	
Maize	1.9	76.6	115.2	157.3	94.6	128.5	148.8	146.8	83.7	78.4	82.5	27.2	9.6	7.0	
Green Gram	-	1.8	6.8	8.7	7.1	8.2	12.7	9.3	11.5	12.8	13.7	14.2	11.5	10.5	
Black Gram	-	4.0	7.3	7.9	6.9	7.6	5.4	4.6	6.2	7.1	5.0	3.3	1.5	7.1	
Peas	1.1	13.9	21.9	21.9	18.1	17.9	20.3	21.3	25.2	26.9	27.2	26.7	33.0	36.1	
Chick Peas	6.6	4.8	14.3	13.4	17.4	19.6	22.6	13.9	18.5	14.7	17.2	20.0	19.1	19.8	
Kurakkan	-	-	0.5	0.8	1.1	0.6	1.8	1.4	1.9	2.6	2.9	3.3	2.1	3.6	
Cowpea	-	-	0.2	0.1	0.1	0.2	0.1	0.2	0.3	0.6	0.7	0.4	0.6	0.9	
Soya Bean	0.3	2.7	2.9	3.2	3.5	1.5	1.6	1.3	0.2	0.0	2.4	1.8	1.6	0.0	
Coriander	8.5	10.7	12.8	10.1	11.7	13.1	13.1	9.9	11.0	14.8	9.7	10.9	12.1	13.3	
Turmeric	0.9	2.1	3.6	2.9	3.7	3.8	3.5	3.4	3.4	3.3	4.4	3.9	3.9	4.1	
Turmeric (Powder)	-	-	0.23	0.11	0.12	0.04	0.34	0.49	0.38	0.28	0.29	0.33	0.31	0.15	
Tamarind	-	-	0.8	0.03	0.4	0.7	0.1	1.0	0.1	0.1	0.1	0.1	0.9	0.7	
Garlic	20.3	8.0	13.7	15.7	19.0	19.5	17.5	18.4	18.4	20.9	25.0	21.2	20.4	23.8	
Apples	0.7	3.9	13.5	14.2	18.5	22.5	17.1	17.5	16.6	18.0	17.2	20.1	22.4	21.2	
Grapes	0.04	0.8	2.5	2.7	3.4	3.9	3.5	3.0	3.5	3.4	3.7	3.4	4.3	5.2	
Orange	0.3	1.6	10.8	9.4	10.8	11.1	7.6	3.8	5.0	3.3	3.6	4.3	4.5	7.0	
Mandarin	...	...	...	...	...	...	2.7	4.0	6.1	3.7	5.3	7.4	10.9	10.5
Melon	...	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.05	0.01	-
Canned Fish	6.8	20.1	21.8	20.3	20.1	18.1	18.1	20.2	19.7	23.1	18.2	13.6	16.7	18.8	
Maldive Fish	2.2	3.4	4.3	5.6	6.2	5.9	5.2	5.5	5.6	3.6	3.1	3.2	2.9	2.8	
Sprats	12.9	14.7	19.1	19.2	17.6	20.9	17.6	21.5	23.2	25.4	22.8	25.4	27.3	27.6	
Other Dry Fish	22.8	30.1	31.4	28.9	27.0	24.8	20.3	23.4	21.6	22.7	22.1	20.1	18.5	19.6	
Palm Oil	31.2	54.3	77.7	60.9	88.0	53.9	118.8	326.2	297.1	205.6	126.8	49.7	74.3	135.5	
Coconut Oil	-	-	4.2	2.8	62.2	108.4	19.2	5.5	4.9	5.5	15.6	2.4	3.5	3.6	

Source: Sri Lanka Customs, Department of Census and Statistics

Table 11

Motor Vehicles

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Motor Vehicle Imports														
Total	127,295	99,918	93,417	74,612	130,713	208,930	236,868	295,928	337,693	296,290	258,244	169,493	383,099	533,063
Motor Bicycles	101,964	29,741	37,717	37,546	70,749	117,301	142,445	193,411	209,635	177,193	153,191	117,913	221,832	252,038
Three-Wheelers	4,494	18,030	11,302	9,224	17,377	35,773	41,445	39,154	50,310	34,485	44,046	30,356	92,207	137,798
Tractors	3,433	8,893	14,307	8,592	12,591	16,379	15,288	26,106	23,120	23,629	28,181	12,874	18,617	26,870
Transport Vehicles	10,010	27,803	14,378	10,608	12,680	19,770	18,291	18,423	22,987	36,084	13,742	5,639	20,655	55,381
Passenger Vans and Buses	1,330	744	1,775	936	1,201	1,358	2,241	2,229	3,025	2,094	1,117	649	2,766	3,838
Motor Cars	6,007	14,621	13,723	7,614	15,989	17,871	16,876	15,944	28,464	22,315	17,273	1,852	26,745	56,369
Other	57	86	215	92	126	478	282	661	152	490	694	210	277	769
New Registration of Motor Vehicles														
Total	106,224	82,401	92,237	72,634	113,351	181,502	223,842	229,669	300,522	297,892	265,199	204,075	359,243	525,421
Motor Cars	5,938	6,206	13,893	8,426	12,003	21,184	19,116	17,283	27,578	22,603	20,237	5,762	23,072	57,886
Three Wheelers	3,893	12,661	11,593	10,274	20,876	36,204	43,789	41,085	64,466	43,068	44,804	37,364	85,648	138,426
Motor Cycles	84,424	34,207	40,080	34,119	54,762	86,877	124,474	130,696	156,626	182,508	155,952	135,421	204,811	253,331
Buses	1,237	1,701	2,291	1,310	1,429	1,949	2,167	2,069	3,346	2,637	1,180	739	2,491	4,248
Dual Purpose Vehicles	5,225	11,179	7,952	5,864	8,591	13,268	10,736	6,851	7,245	5,193	2,856	1,280	11,712	33,518
Goods Transport Vehicles-Lorries	2,835	7,323	8,750	6,095	8,166	11,158	10,703	14,262	20,436	18,408	14,038	8,225	11,845	14,818
Land Vehicles - Tractors	2,430	7,417	7,285	6,063	7,078	10,004	11,535	15,597	19,040	21,346	24,357	13,951	17,363	20,073
Land Vehicles - Trailers	242	1,707	393	483	446	858	1,322	1,826	1,785	2,129	1,775	1,333	2,301	3,121
Total Vehicle Fleet*														
Total	819,943	1,246,750	1,706,382	1,779,016	1,892,367	2,073,869	2,297,711	2,527,380	2,827,902	3,125,794	3,390,993	3,595,068	3,954,311	4,479,732
Motor Cars	163,039	195,204	233,018	241,444	253,447	274,631	293,747	311,030	338,608	361,211	381,448	387,210	410,282	468,168
Three Wheelers	10,480	35,665	101,965	112,239	133,115	169,319	213,108	254,193	318,659	361,727	406,531	443,895	529,543	667,969
Motor Cycles	391,732	641,221	834,586	868,705	923,467	1,010,344	1,134,818	1,265,514	1,422,140	1,604,648	1,760,600	1,896,021	2,100,832	2,354,163
Buses	39,812	53,181	64,963	66,273	67,702	69,651	71,818	73,887	77,233	79,870	81,050	81,789	84,280	88,528
Dual Purpose Vehicles	19,622	68,857	135,632	141,496	150,087	163,355	174,091	180,942	188,187	193,380	196,236	197,516	209,228	242,746
Goods Transport Vehicles-Lorries	106,192	131,136	173,356	179,451	187,617	198,775	209,478	223,740	244,176	262,584	276,622	284,847	296,692	311,510
Land Vehicles - Tractors	66,407	94,122	130,663	136,726	143,804	153,808	165,343	180,940	199,980	221,326	245,683	259,634	276,997	297,070
Land Vehicles - Trailers	22,659	27,364	32,199	32,682	33,128	33,986	35,308	37,134	38,919	41,048	42,823	44,156	46,457	49,578

Source: Sri Lanka Customs, Department of Motor Traffic

*Cumulative number of all vehicles registered in Sri Lanka

Table 12

Power Sector

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
Installed Capacity	Unit	1,290	1,409	1,838	1,999	2,231	2,483	2,499	2,434	2,444	2,645	2,684	2,818	3,141
Hydro Power	MW	1,018	1,137	1,150	1,161	1,172	1,247	1,281	1,314	1,324	1,345	1,379	1,383	1,401
Thermal		272	272	685	835	1,056	1,233	1,215	1,115	1,115	1,285	1,290	1,390	1,690
Wind		-	-	3	3	3	3	3	3	3	3	3	3	3
Other		-	-	-	-	-	-	-	2	2	12	12	42	47
Maximum Demand	MW	n.a.	n.a.	1,405	1,445	1,422	1,516	1,563	1,893	1,842	1,922	1,868	1,955	2,163
Total sales by CEB	GWh	2,608	3,915	5,258	5,236	5,502	6,209	6,667	7,832	8,276	8,417	8,441	9,268	10,023
Generation	GWh	3,150	4,783	6,686	6,520	6,810	7,612	8,043	9,389	9,814	9,901	9,882	10,714	11,521
Average Electricity Price	Rs	n.a.	n.a.	4.53	5.48	7.25	7.68	7.66	9.01	10.56	13.17	13.10	13.03	13.21
Average Cost of Electricity	Rs	n.a.	n.a.	6.28	7.58	9.42	9.17	10.33	10.93	13.48	17.67	14.93	13.03	16.21
Access to Electricity	000'	n.a.	n.a.	2,752	2,850	2,928	3,131	3,401	3,698	3,811	3,995	4,158	4,327	4,611
Access to Electricity	%	n.a.	n.a.	62.6	63.9	64.7	67.9	73.4	78.1	80.0	83.0	85.4	88.0	91.0

Source: Ceylon Electricity Board

(a) Provisional

Note: Installed capacity of Thermal includes hired plants from 2000-2004

Table 13

Roads

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Total Road Length	km	108,931	109,626	109,982	110,046	110,392	110,792	111,001	111,436	112,964	113,506	113,523	113,554	114,092	114,548
National Roads		10,431	11,126	11,482	11,546	11,649	11,649	11,658	11,693	11,773	11,874	11,891	11,922	12,019	12,019
Class A		4,106	4,216	4,216	4,216	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219	4,219
Class B		6,325	6,910	7,266	7,330	7,430	7,430	7,439	7,474	7,554	7,655	7,672	7,703	7,800	7,800
Expressways		-	-	-	-	-	-	-	-	-	-	-	-	-	95
Provincial Roads		15,500	15,500	15,500	15,500	15,743	15,743	15,743	15,743	16,532	16,532	16,532	16,532	16,973	17,429
Rural Roads		83,000	83,000	83,000	83,000	83,000	83,400	83,600	84,000	84,659	85,100	85,100	85,100	85,100	85,100
Total Roads Density	km/km²	1.66	1.67	1.68	1.68	1.68	1.69	1.69	1.70	1.72	1.73	1.73	1.73	1.74	1.75
National Roads Density		0.16	0.17	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Provincial Roads Density		0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.25	0.25	0.25	0.25	0.26	0.27
Rural Roads Density		1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.28	1.29	1.30	1.30	1.30	1.30	1.30
Road Condition of National Roads as per IRI*															
Excellent	%	-	-	-	-	-	-	-	-	-	7	7	11	16	18
Good	%	-	-	-	-	-	-	-	-	-	28	23	24	27	30
Fair	%	-	-	-	-	-	-	-	-	-	19	18	17	13	11
Poor	%	-	-	-	-	-	-	-	-	-	36	41	37	33	30
Bad	%	-	-	-	-	-	-	-	-	-	10	11	11	11	11

Source: Road Development Authority, Department of National Budget

*IRI = International Roughness Index

(a) Provisional

Table 14

Port Services

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Vessels Arrived	No.	3,089	3,612	4,232	4,014	4,062	4,032	3,883	4,139	4,469	4,710	4,814	4,592	4,075	4,358
Colombo		2,847	3,277	3,832	3,570	3,787	3,838	3,688	3,929	4,228	4,326	4,424	4,114	3,910	4,124
Sri Lanka Ports Authority		2,847	3,277	3,026	2,765	2,886	2,899	2,691	2,972	3,160	3,114	3,151	2,939	2,928	3,040
South Asia Gateway Terminal		-	-	806	805	901	939	997	957	1,068	1,212	1,273	1,175	982	1,084
Galle		59	69	97	117	76	73	88	114	100	87	68	32	48	73
Trincomalee		183	266	303	327	199	121	107	96	141	297	322	310	109	126
Magam Ruhunupura Mahinda Rajapaksa Port		-	-	-	-	-	-	-	-	-	-	-	-	-	9
KKS, Myliddy, Point Pedro & Karrainagar		-	-	-	-	-	-	-	-	-	-	-	-	136	26
Total Cargo Handled	MT '000	13,052	19,517	27,535	27,062	28,363	30,500	33,959	37,300	42,661	46,344	50,582	48,778	61,240	65,096
Colombo		11,718	17,414	25,222	24,741	26,273	28,198	31,299	34,523	39,428	43,502	47,960	46,373	58,768	62,015
Sri Lanka Ports Authority		11,718	17,414	21,986	21,207	20,298	21,502	21,918	24,885	27,585	28,985	30,924	27,281	33,775	36,019
South Asia Gateway Terminal		-	-	3,236	3,534	5,975	6,696	9,381	9,638	11,843	14,517	17,036	19,092	24,993	25,996
Galle		190	237	597	662	526	482	578	655	735	627	459	167	318	464
Trincomalee		1,144	1,866	1,716	1,659	1,564	1,820	2,082	2,123	2,498	2,215	2,163	2,238	2,154	2,574
Magam Ruhunupura Mahinda Rajapaksa Port		-	-	-	-	-	-	-	-	-	-	-	-	-	15
KKS, Myliddy, Point Pedro & Karrainagar		-	-	-	-	-	-	-	-	-	-	-	-	246	28
Total Container Traffic	TEUs '000	595	1,049	1,733	1,727	1,765	1,959	2,221	2,455	3,079	3,381	3,687	3,464	4,137	4,263
Sri Lanka Ports Authority		595	1,049	1,432	1,397	1,207	1,335	1,321	1,524	1,744	1,835	1,961	1,714	2,167	2,299
South Asia Gateway Terminal		-	-	301	330	558	624	900	931	1,335	1,546	1,726	1,750	1,970	1,963
Transshipment Container *	TEUs '000	422	721	1,181	1,195	1,218	1,370	1,531	1,716	2,330	2,578	2,874	2,712	3,205	3,216
Sri Lanka Ports Authority		422	721	959	959	848	964	949	1,106	1,297	1,412	1,517	1,301	1,604	1,652
South Asia Gateway Terminal		-	-	222	236	370	406	582	610	1,033	1,166	1,357	1,411	1,601	1,564
Employment (Sri Lanka Ports Authority)	No.	18,840	16,492	19,344	18,561	17,910	13,936	13,233	13,527	13,660	13,667	13,715	13,367	12,828	10,982
Colombo		16,892	14,851	17,411	16,744	16,157	12,522	11,888	12,217	12,382	12,470	12,548	12,263	11,747	10,083
Galle		758	779	758	737	752	638	634	622	615	577	553	513	480	433
Trincomalee		1,190	862	1,175	1,080	1,001	776	711	688	663	620	614	591	601	466

Source: Sri Lanka Ports Authority, Department of National Budget

* Including Re-Stowing

The South Asia Gateway Terminal commenced its operations in 1999.

(a) Provisional

Table 15

Water Supply and Sewerage

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Access to Pipe Borne Water	% population	7	13	n.a.	n.a.	n.a.	28	n.a.	30	31	32	34	37	40	42
Access to Safe Drinking Water*	% population	n.a.	n.a.	n.a.	n.a.	n.a.	71	n.a.	75	76	77	78	80	81	84
Access to Piped Sewerage	% population	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.4	2.4	2.4	2.4	2.3	2.3	2.3
Average Cost (per month)	Rs.000'	n.a.	n.a.	n.a.	n.a.	n.a.	406,069	441,030	513,698	587,222	741,554	880,770	946,918	1,066,353	1,196,382*
Average Household Bill (per month)	Rs	n.a.	n.a.	155.0	180.5	194.8	206.3	197.4	285.4	300.9	305.7	290.9	412.7	438.2	446.1
Water Supply Connections	No.	184,019	323,259	581,165	665,166	732,935	782,724	841,505	907,622	989,395	1,078,892	1,186,931	1,266,328	1,353,573	1,449,301
Water Production	Mn cum	219	275	332	343	349	357	368	383	398	425	440	449	470	490
Water Consumption	Mn cum	n.a.	150*	213	220	230	233	244	253	261	284	299	309	322	342
Water Sales (Bill Revenue)	Rs Mn	555	1,542	3,006	3,498	3,966	4,366	4,460	5,839	6,947	7,422	7,875	11,119	12,409	13,343
Non- Revenue Water															
Colombo City	%	n.a.	n.a.	54	54	52	52	53	51	52	53	54	53	52	50
Island wide	%	n.a.	n.a.	36	36	34	35	34	34	34	33	32	31	32	30
Employees	No.	7,355	7,555	7,809	8,334	8,103	8,187	7,806	7,981	8,335	8,848	9,006	9,063	9,018	9,199
Employees	Per 1000 connections	40.0	23.0	13.4	12.5	11.1	10.5	9.3	8.8	8.4	8.2	7.6	7.2	6.7	6.4
Collection Efficiency (Collection/Billing)		n.a.	0.9	1.0	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.0	0.9	1.0	1.0

Source: National Water Supply and Drainage Board, Department of National Budget

* Estimated

Communications

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
Telecommunication															
Fixed Access Services	No.	121,388	204,350	767,411	829,282	883,108	933,771	991,239	1,243,993	1,884,078	2,742,059	3,446,411	3,435,958	3,534,575	3,608,392
Wireline in Service		121,388	204,350	653,144	708,200	768,620	817,750	860,468	919,040	909,894	931,737	933,536	872,120	896,710	941,780
Wireless Access		n.a.	n.a.	114,267	121,082	114,488	116,021	130,771	324,953	974,184	1,810,322	2,512,875	2,563,838	2,637,865	2,666,612
Cellular Phones	No.	500	51,316	430,202	667,662	931,580	1,393,403	2,211,158	3,361,775	5,412,496	7,983,489	11,082,508	14,264,442	17,246,567	18,319,447
Telephone Density (Including Cellular Phones)	per 100 persons	0.7	1.4	6.3	8.0	9.6	12.1	16.5	23.4	36.7	53.6	71.9	86.6	100.8	105.1
Public Pay Phones	No. of Booths	363*	850	8,222	7,281	6,681	6,440	6,095	6,285	7,561	8,526	7,417	7,378	7,054	6,458
Internet and Email Subscribers	No.	n.a.	n.a.	40,497	61,532	70,082	85,500	93,300	115,000	130,000	202,348	234,000	249,756	280,000	322,000
Mobile Broadband Subscribers	No.	-	-	-	-	-	-	-	-	-	-	-	-	91,356	200,000
Internet Service Providers	No.	-	-	-	-	-	-	-	1	3	4	5	8	9	9
Postal															
Public Post Offices	No.	3,864	3,966	4,043	4,043	4,038	4,041	4,040	4,043	4,046	4,051	4,053	4,057	4,059	4,061
Main Post Offices		516	563	597	602	614	625	629	633	637	641	645	647	649	651
Sub Post Offices		3,349	3,376	3,446	3,441	3,424	3,416	3,411	3,410	3,409	3,410	3,408	3,410	3,410	3,410
Private Post Offices	No.	80	179	309	339	421	621	650	654	679	646	654	657	606	614
Private Agency Post Offices		80	179	309	339	376	420	436	439	463	480	488	494	491	499
Rural Agency Post Offices		-	-	-	-	-	156	156	157	158	159	159	159	111	111
Estate Agency Post Offices**		-	-	-	-	45	45	58	58	58	7	7	4	4	4

Source: Department of Posts, Sri Lanka Telecom, Telecommunications Regulatory Commission of Sri Lanka, Department of National Budget

(a) Provisional

*year 1991

**In 2002, a three year project was started to establish Estate Agency Post Offices on recommendations made by the Presidential Committee to address the 'Social Cultural Problems in the Estate Sector'. These offices ceased to function since 2006 due to the incapability of the Agents to expand the overall business capacity (potential) to earn sufficient income.

Table 17

Crude Oil and Petroleum Products

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
International Prices (End Year)															
Crude Oil															
Brent	US\$(bbl)	28.32	17.96	25.28	18.60	28.52	29.88	39.65	56.75	62.31	91.45	41.58	74.67	91.80	107.97
WTI	US\$(bbl)	27.33	19.03	28.40	19.31	29.44	32.12	43.23	59.41	62.00	91.36	41.44	74.49	89.22	98.61
Dubai	US\$(bbl)	24.18	16.81	22.16	17.64	25.71	27.86	34.26	53.13	58.67	85.75	41.00	75.49	89.18	106.20
Oman	US\$(bbl)	n.a.	n.a.	27.42	23.67	24.41	26.93	34.13	50.42	62.13	68.50	94.51	62.02	78.22	106.75
Refined Products (Singapore Plattes)(End Year)															
Petrol	US\$(bbl)	32.58	20.89	31.26	25.64	27.92	33.64	46.34	62.14	72.54	81.73	101.95	68.18	86.23	117.43
Diesel	US\$(bbl)	29.32	21.54	32.72	27.63	30.09	32.71	46.60	65.86	78.06	86.10	122.01	69.77	89.97	125.48
Kerosene	US\$(bbl)	32.62	22.84	34.48	28.33	29.77	32.90	47.61	67.93	80.66	86.77	122.08	70.14	90.18	125.71
Domestic Prices (End Year)															
Petrol (90 Octane)	Rs/ltr	Super Petrol 30.00	Super Petrol 40.00	50.00	50.00	49.00	53.00	70.00	80.00	92.00	117.00	120.00	115.00	115.00	137.00
Petrol (95 Octane)	Rs/ltr	-	-	53.00	53.00	52.00	56.00	73.00	83.00	95.00	120.00	133.00	133.00	133.00	155.00
Auto Diesel	Rs/ltr	11.00	12.40	24.50	26.50	30.00	32.00	44.00	50.00	60.00	75.00	70.00	73.00	73.00	84.00
Super Diesel	Rs/ltr	13.00	15.20	29.80	31.80	35.30	37.30	49.30	55.30	65.30	80.30	85.30	88.30	88.30	106.30
Kerosene	Rs/ltr	8.80	9.50	18.40	17.40	24.00	25.50	25.50	30.50	48.00	68.00	50.00	51.00	51.00	71.00
Furnace Oil - 800 Sec	Rs/ltr	6.30	6.80	15.10	17.00	21.90	23.70	25.20	32.80	45.80	53.90	33.90	32.90	42.20	52.20
Furnace Oil - 1000 Sec	Rs/ltr	6.00	6.50	14.60	16.50	21.20	23.20	24.70	31.40	44.40	44.40	52.70	52.70	48.70	48.70
Furnace Oil - 1500 Sec	Rs/ltr	n.a.	n.a.	14.00	15.80	20.70	22.30	24.30	30.30	43.30	51.70	25.00	32.70	40.00	50.00

Crude Oil and Petroleum Products contd...

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Furnace Oil - 3500 Sec	Rs/ltr	n.a.	n.a.	12,40	14,10	18,90	20,70	22,00	28,00	41,00	41,00	45,00	26,00	40,00	50,00
Quantity Imported															
Crude Oil	MT 000'	1,779	1,872	2,330	1,955	2,300	1,995	2,200	2,008	2,151	1,968	1,853	2,066	1,819	2,070
Refined Products	MT 000'	126	563	1,266	1,419	1,344	1,168	1,644	1,823	1,926	2,411	2,476	2,264	2,991	4,282
L.P. Gas	MT 000'	17	66	134	126	137	141	148	149	158	156	144	146	163	181
Domestic Production															
L.P. Gas	MT 000'	19	14	12	15	20	20	15	13	15	16	16	24	23	24
Local Sales															
Petrol (90 Octane)	MT 000'	181	190	220	244	277	375	417	526	454	487	490	518	573	651
Petrol (95 Octane)	MT 000'	n.a.	n.a.	4	5	9	16	20	23	24	31	29	22	22	35
Auto Diesel	MT 000'	511	789	1,715	1,675	1,728	1,663	1,890	1,862	1,633	1,752	1,606	1,681	1,663	1,937
Super Diesel	MT 000'	37	107	47	49	47	42	36	17	9	14	9	9	12	16
Kerosene	MT 000'	167	222	229	228	229	207	204	252	206	168	151	151	165	169
Furnace Oil	MT 000'	158	241	785	811	758	715	748	1,026	912	986	999	1,110	1,117	955
L.P. Gas	MT 000'	34	77	146	141	157	161	166	165	170	197	174	194	209	229
Petroleum Tax Revenue	Rs Mn.	n.a.	n.a.	n.a.	n.a.	19,702	22,291	25,876	27,413	26,004	23,270	33,072	32,287	39,434	32,725
o/w Excise Duty	Rs Mn.	n.a.	n.a.	10,700	12,948	16,708	13,251	14,817	17,041	18,234	19,124	18,977	23,018	28,038	22,470

Source: Ceylon Petroleum Corporation, Energy Statistics on Index Mundi (www.indexmundi.com/commodities)

Table 18

Petroleum Products Tax Structure

Item	Unit	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Petrol											
Value Added Tax (VAT)	%	10	10	15	15	15	15	15	5	5	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	20	20	16	Rs 35 Duty Waived	Ex
Excise Duty	Rs. per ltr	21	21	20	20	20	20	20	25	25	25
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	1	1	1	1	1	1	1	1.5	1.5	-
Surcharge	%	-	-	-	-	10	10	10	15	Free	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-
Diesel											
Value Added Tax (VAT)	%	10	10	15	15	Ex	Ex	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	Free	Free	Free	Rs 15 Duty Waived	Ex
Excise Duty	Rs. per ltr	3	3	2.25	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-
Kerosene											
Value Added Tax (VAT)	%	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Excise Duty	Rs. per ltr	1.25	1.25	1.25	1.25	1.25	Ex	Ex	Ex	Ex	Ex
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-
L.P. Gas											
Value Added Tax (VAT)	%	10	10	15	15	Ex	Ex	Ex	Ex	Ex	Ex
Import Duty	Rs. per ltr	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Excise Duty	Rs. per ltr	Ex	Ex	Ex	Ex	Ex	5% or Rs. 8	5% or Rs. 24	5% or Rs.	Ex	Ex
Ports and Airports Development Levy (PAL)	%	1	1	1	1.5	2.5	3	3	3	3	5
Nation Building Tax (NBT)	%	-	-	-	-	-	-	-	Ex	Ex	Ex
Social Responsibility Levy (SRL)	%	-	-	-	-	-	1	1	1.5	1.5	-
Surcharge	%	-	-	-	-	-	10	10	15	Free	-
Provincial Turnover Tax (PTT)	%	1	1	1	1	1	1	1	1	1	-

Source: Ministry of Finance and Planning, Department of Fiscal Policy

Note: EX - Exempted

Table 19

Health Services

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hospitals	No.	502	535	581	594	605	605	605	606	604	3,023	3,331	3,477	3,577	3,775
Public		502	535	581	594	605	605	605	606	604	619	612	555	568	592
Private*		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,404	2,719	2,922	3,009	3,183
Central Dispensaries	No	278	386	389	389	385	398	397	397	397	387	417	461	476	475
Beds	No	42,079 (a)	47,665 (b)	58,423	58,833	59,781	61,522	61,868	61,937	61,835	66,430	66,835	68,905	69,501	69,731
Doctors	No.	2,440	3,986	10,285	10,975	10,328	11,834	12,210	12,692	13,276	14,060	15,185	15,930	16,492	17,271
Administrative Gr. MOO		n.a.	n.a.	101	97	102	101	106	124	124	128	131	136	138	240
Specialist MOO		n.a.	n.a.	697	683	669**	719	791	848	905	959	1,006	1,135	1,216	1,336
Medical Officers		n.a.	n.a.	6,873	7,235	7,459	8,342	8,749	9,070	9,297	9,662	10,932	11,684	11,782	12,630
Intern MOO		n.a.	n.a.	693	676	746	624	514	585	857	1,218	993	765	989	1,835
Dental Surgeons		n.a.	n.a.	589	954	726	763	774	805	848	849	879	1,022	1,209	1,230
RMO/AMO		n.a.	n.a.	1,332	1,330	1,295	1,285	1,276	1,260	1,245	1,244	1,244	1,188	1,158	8,385
Nurses	No.	8,957	13,310	14,931	15,061	16,139	16,771	17,316	20,332	20,912	22,088	22,977	26,351	27,494	29,234
Pupil Nurses		n.a.	n.a.	3,668	5,277	5,830	5,095	5,704	6,494	7,149	8,288	9,922	7,705	7,264	5,934
Public Health Nursing Sisters (PHNS)		140	174	292	308	303	298	311	308	312	297	210	328	365	326
Public Health Midwives (PHM)		3,321	4,383	5,371	5,189	5,342	7,453	7,407	7,316	7,165	7,590	8,722	8,276	8,276	8,385
Public Health Inspectors (PHI)		886	932	1,448	1,450	1,482		1,564	1,581	1,574	1,662	1,695	1,691	1,689	1,718
Health Education Officers (HEOO)		n.a.	n.a.	50	54	52	51	51	49	50	43	43	51	50	56
Professions Supplementary to Medicine (PSM)	No.	2,153	2,313	2,357	2,471	2,456	2,471	2,456	2,557	2,485	2,488	2,756	3,251	3,509	3,553
Medical Lab Technicians (MLTT)		n.a.	n.a.	733	860	873	910	899	984	913	910	1,020	1,332	1,422	1,415
Physiotherapists		n.a.	n.a.	208	199	203	211	209	220	217	215	241	268	322	328
Radiographers		n.a.	n.a.	288	320	338	346	341	345	340	336	385	464	477	485
Occupational Therapists		n.a.	n.a.	45	49	47	49	49	47	46	47	56	75	92	100
Pharmacists		n.a.	n.a.	879	885	896	955	958	961	969	980	1,054	1,112	1,196	1,225
Attendants	No.	5,707	5,579	7,309	7,163	6,955	6,880	6,696	6,705	7,091	7,129	7,184	8,358	8,189	8,403

Source: Ministry of Health

* Private Medical Institutions registered under Private Medical Institutions (Registration) Act No.21 of 2006

**Excluding Specialist MOO attached to Anti Filariasis Campaign, Blood Bank Colombo, Faculty Staff Colombo, Fever HS Colombo, Mental HS Angoda, Rehabilitation HS Ragama, NIHS, STD Clinic Katugastota, BH Kalmunai South, BH Dehiattakandya, DH Madirigriya, DH Madirigriya & BH Nikaweratiya

(a) Excluding Northern province

Table 20

Education

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
General Education															
Schools	No.	10,382	10,832	10,615	10,552	10,508	10,473	10,501	10,461	10,459	10,430	10,445	10,205	10,502	10,527
Government		9,864	10,239	9,976	9,891	9,829	9,790	9,765	9,723	9,714	9,678	9,662	9,410	9,685	9,714
o/w National		28	198	317	320	323	323	324	324	327	328	330	334	340	342
Private		61	79	78	78	80	85	85	85	91	94	92	98	98	97
Pirivenas		457	514	561	583	599	598	651	653	654	658	691	697	719	716
Students	000'	4,232	4,351	4,340	4,337	4,179	4,099	4,029	4,098	3,999	4,111	4,101	4,038	4,119	4,153
Government		4,111	4,216	4,194	4,187	4,027	3,942	3,871	3,937	3,838	3,942	3,930	3,865	3,940	3,970
National		n.a.	391	717	746	706	644	684	723	682	730	749	759	785	799
Provincial		n.a.	3,825	3,477	3,441	3,322	3,298	3,186	3,214	3,156	3,212	3,181	3,106	3,155	3,169
Private		83	88	95	97	97	101	101	106	106	114	115	115	117	120
Pirivenas		38	47	51	53	55	56	57	55	55	55	56	58	62	63
Teachers	No.	184,822	195,388	194,718	198,410	196,407	196,897	197,687	199,715	215,439	220,204	223,314	224,672	226,646	229,387
Government		178,333	187,571	186,097	189,485	186,999	186,695	187,337	189,234	204,645	209,197	212,116	213,126	214,562	217,112
Private		3,069	3,677	4,332	4,343	4,569	4,913	4,846	5,000	5,266	5,414	5,454	5,701	5,994	5,788
Pirivenas		3,420	4,140	4,289	4,582	4,839	5,289	5,514	5,481	5,528	5,593	5,744	5,845	6,090	6,487
University Education															
Universities	No.	9	9	15	15	15	15	15	17	17	17	17	17	17	17
UGC (a)		9	9	13	13	13	13	13	15	15	15	15	15	15	15
MoHE		-	-	2	2	2	2	2	2	2	2	2	2	2	2
Students	No.	35,919	36,669	56,071	57,414	58,382	70,995	73,083	74,458	78,600	80,836	80,057	82,822	86,592	90,295
UGC (b)		31,447	32,004	50,636	51,017	52,253	64,337	64,952	66,386	68,588	71,257	69,491	71,471	73,398	77,037
OUSL		4,472	4,665	5,349	6,260	5,952	6,454	7,908	7,774	9,700	9,222	10,153	10,904	12,818	12,900
MoHE		-	-	86	137	177	204	223	298	312	357	413	447	376	358
New Admissions	No.	6,043	8,015	11,805	11,962	12,144	25,471*	13,396	14,520	16,598	17,196	20,069	20,846	21,547	22,016
Employees	No.	7,687	8,541	11,486	12,112	12,634	12,390	12,417	13,269	13,859	14,119	14,549	15,412	15,670	15,828
Acedamic															
Lecturers		2,040	2,808	3,255	3,282	3,425	3,531	3,567	3,814	4,066	4,363	4,504	4,790	5,032	5,116
UGC (a)		2,040	2,808	3,241	3,268	3,390	3,487	3,525	3,770	4,016	4,313	4,452	4,735	4,984	5,064
MoHE		-	-	14	14	35	44	42	44	50	50	52	55	48	52
Non Acedemic		5,647	5,733	8,231	8,830	9,209	8,859	8,850	9,455	9,793	9,756	10,045	10,622	10,638	10,712
Graduate Output**															
First Degree		4,476	4,206	9,374	8,224	9,027	12,436	15,828	12,545	16,812	16,837	19,755	20,931	20,357	14,335
Postgraduate		307	1,048	2,169	1,643	1,996	3,796	5,158	4,589	3,071	3,852	4,665	6,518	6,330	5,338

Source: Ministry of Education, Ministry of Higher Education, Department of National Budget

OUSL-Open University of Sri Lanka

UGC(a) - Universities under the University Grants Commission, including OUSL

UGC(b) - Universities under the University Grants Commission, excluding OUSL

MoHE - Buddhist and Pali University and Buddhasravaka Bhiksu University under Ministry of Higher Education

* In year 2003, two batches of undergraduates were admitted

** From 2003, Graduate output includes graduates who followed internal and external degree programmes of universities, Open universities and higher educational institutes

(a) Provisional

Table 21

Access to Banking and Finance

Category	Unit	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)	2011 (a)
Domestic Commercial Banks	No.	10	11	11	11	11	11	11	11	11	11	11	11	12
State		2	2	2	2	2	2	2	2	2	2	2	2	2
Private		8	9	9	9	9	9	9	9	9	9	9	9	10
Branches		931	952	987	1,013	1,056	1,090	1,179	1,253	1,289	1,333	1,417	1,533	1,533
State		603	604	608	610	620	624	630	633	637	640	640	640	650
Private		328	348	379	403	436	466	549	630	652	693	777	777	883
Other offices		480	523	633	679	700	742	2,296	2,894	3,256	3,452	3,523	3,600	3,600
State		275	275	325	340	348	368	1,955	2,566	2,910	3,077	3,101	3,157	3,157
Private		205	248	308	339	352	374	341	328	346	375	422	443	443
Automated Teller Machines (ATMs)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,256	1,510	1,710	1,815	2,035	2,035
State		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	392	490	625	664	740	740
Private		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	864	1,020	1,085	1,151	1,295	1,295
Foreign Commercial Banks	No.	16	14	12	11	11	11	12	12	11	11	11	11	12
Branches		38	37	31	32	33	35	39	43	44	44	46	46	49
Other Offices		7	9	4	6	6	7	23	133	170	170	170	170	171
Automated Teller Machines (ATMs)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46	47	47	47	47	47
Specialized Banks	No.	12	14	13	14	14	14	14	15	14	14	9	9	9
National Level Banks		6	8	7	8	8	8	8	8	8	8	8	8	8
Regional Development Banks *		6	6	6	6	6	6	6	6	6	6	1	1	1
Branches	No.	315	328	332	346	375	369	379	409	448	465	500	511	511
National Level Banks		134	140	142	156	178	170	175	191	229	239	270	270	278
Regional Development Banks *		181	188	190	190	197	199	204	218	219	226	230	230	233
Other Offices	No.	18	20	32	33	33	36	212	219	220	233	257	264	264
National Level Banks		11	13	20	21	21	23	194	202	203	215	236	243	243
Regional Development Banks *		7	7	12	12	12	13	18	17	17	18	21	21	21
Automated Teller Machines (ATMs)	No.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	68	97	119	158	158	158
Insurance Companies		8	9	11	12	13	14	15	15	16	18	19	19	22
Registered Finance Companies		25	25	26	26	26	28	29	32	34	35	36	36	39
Specialized Leasing Companies		n.a.	n.a.	13	15	17	18	18	20	22	21	21	21	16
Credit Cards Issued		n.a.	n.a.	n.a.	n.a.	153,186	181,857	234,720	200,679	122,033	68,430	90,489	148,481	148,481
Credit Cards in Use		205,324	255,584	321,145	393,854	491,196	629,740	810,179	905,561	929,112	840,905	778,544	862,352	862,352

Source: Central Bank of Sri Lanka, Insurance Board of Sri Lanka

(a) Provisional

* During 2010, business of 6 Regional Development Banks was vested with a new bank, i.e. Pradeshiya Sanwardhana Bank

Table 22

Labour Force and Unemployment

Item	Unit	1990	1995	2000	2001	2002	2003 (a)	2004 (b)	2005 (c)	2006(d)	2007 (d)	2008 (a)	2009 (a)	2010 (a)	2011 (a)
Labour Force															
Total Labour Force	000'	6,001	6,106	6,827	6,773	7,145	7,654	8,061	8,141	7,599	7,489	8,082	8,074	8,108	8,236
Labour Force Participation Rate	%	51.9	47.9	50.3	48.8	50.3	48.9	48.6	48.3	51.2	49.8	49.5	48.7	48.1	48.2
Employed Population by Industry															
Agriculture	000'	2,362	1,967	2,274	2,033	2,248	2,384	2,475	2,306	2,287	2,202	2,490	2,476	2,520	2,602
Public	000'	n.a.	36	32	33	24	23	33	27	89	98	157	145	107	117
Private	000'	n.a.	1,931	2,242	2,000	2,223	2,361	2,442	2,279	2,198	2,104	2,332	2,331	2,412	2,485
Industry	000'	979	1,188	1,491	1,491	1,459	1,611	1,781	1,928	1,890	1,874	2,005	1,910	1,867	1,915
Public	000'	n.a.	49	67	59	38	38	40	59	45	51	51	50	47	42
Private	000'	n.a.	1,139	1,424	1,433	1,421	1,573	1,742	1,869	1,845	1,823	1,954	1,860	1,820	1,873
Services	000'	1,706	2,202	2,545	2,711	2,813	3,017	3,138	3,284	2,928	2,966	3,154	3,216	3,320	3,378
Public	000'	n.a.	755	749	777	821	900	900	924	821	820	956	981	945	973
Private	000'	n.a.	1,447	1,796	1,934	1,992	2,117	2,238	2,360	2,107	2,146	2,198	2,235	2,375	2,405
Unemployment															
Unemployment No.	000'	954	749	517	537	626	641	667	623	493	447	433	471	401	342
By Gender															
Male	000'	n.a.	368	260	280	310	311	323	302	227	210	194	223	186	147
Female	000'	n.a.	381	257	257	316	330	344	322	268	237	239	248	216	195
By Age Group															
15-19 years	000'	54	157	101	114	125	127	121	122	86	70	68	68	59	43
20-29 years	000'	244	436	325	340	398	404	422	381	300	272	260	277	240	216
30-39 years	000'	258	113	62	56	69	74	78	76	59	59	58	71	59	53
Over 40 years	000'	387	41	30	27	34	36	45	44	48	46	46	55	43	29
By Level of Education															
Grade 5 & Below	000'	304	41	16	19	29	31	36	28	23	20	20	20	11	10
Grade 6 - 10	000'	430	352	236	219	255	258	245	232	207	183	17	188	140	130
GCE O/L	000'	153	218	134	147	158	167	175	178	131	98	101	109	91	68
GCE A/L & Above	000'	67	138	131	153	184	185	212	185	133	146	142	154	159	136
Unemployment Rate	%	15.9	12.0	7.6	7.9	8.8	8.4	8.3	7.7	6.5	6.0	5.4	5.8	4.9	4.2

Source: Department of Census and Statistics

(a) Data including Eastern province but excluding Northern province

(b) Excluding Mullaitivu and Killinochchi districts

(c) All the districts are included

(d) Excluding Northern and Eastern provinces

Average Daily Wages and Strikes

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Paddy Cultivation															
	Rs.per day														
Male		n.a.	n.a.	n.a.	n.a.	279.00	304.00	341.00	361.00	391.00	456.00	562.00	615.00	658.00	704.00
Female		n.a.	n.a.	n.a.	n.a.	217.00	230.00	258.00	261.00	293.00	336.00	395.00	423.00	454.00	530.00
Tea Cultivation															
	Rs.per day														
Male		41.08	66.50	95.00	101.00	258.00	276.00	304.00	300.00	333.00	375.00	440.00	496.00	543.00	617.00
Female				95.00	101.00	188.00	201.00	218.00	217.00	234.00	263.00	305.00	356.00	391.00	438.00
Rubber Cultivation															
	Rs.per day														
Male		38.86	64.01	95.00	95.00	277.00	280.00	304.00	305.00	335.00	389.00	500.00	532.00	588.00	658.00
Female				95.00	95.00	195.00	217.00	229.00	230.00	249.00	277.00	377.00	416.00	463.00	490.00
Coconut Cultivation															
	Rs.per day														
Male		38.86	64.01	95.00	110.00	330.00	338.00	366.00	387.00	421.00	479.00	590.00	652.00	699.00	783.00
Carpentry															
	Rs.per day														
Master Carpenter		n.a.	n.a.	105.00	165.00	439.00	470.00	516.00	556.00	633.00	732.00	844.00	932.00	1,002.00	1,115.00
Skilled and Unskilled		n.a.	n.a.	92.00	145.00	269.00	289.00	356.00	368.00	416.00	479.00	558.00	617.00	657.00	729.00
Masonry															
	Rs.per day														
Master Mason		n.a.	n.a.	105.00	165.00	433.00	466.00	510.00	553.00	629.00	727.00	837.00	935.00	995.00	1,093.00
Skilled and Unskilled		n.a.	n.a.	92.00	145.00	273.00	504.00	354.00	369.00	413.00	474.00	561.00	627.00	669.00	729.00
Strikes															
No. of Strikes		116	183	87	92	104	98	90	57	53	25	51	8	15	21

Source: Department of Labour

Table 24

Poverty and Inequality						
Index	Unit	Survey Period				
		1990/91	1995/96	2002	2006/07	2009/10
Poverty Head Count Index						
Sri Lanka	%	26.10	28.81	22.73	15.25	8.88
Sector						
Urban	%	16.28	13.96	7.93	6.73	5.27
Rural	%	29.48	30.89	24.65	15.70	9.39
Estate	%	20.50	38.40	30.01	32.03	11.41
District						
Colombo	%	16.17	11.98	6.39	5.41	3.61
Gampaha	%	14.69	14.09	10.71	8.72	3.93
Kalutara	%	32.32	29.49	20.00	12.99	6.04
Kandy	%	35.86	36.65	24.91	17.04	10.25
Matale	%	28.72	41.94	29.64	18.90	11.45
Nuwara Eliya	%	20.08	32.10	22.58	33.80	7.56
Galle	%	29.74	31.63	25.80	13.68	10.27
Matara	%	29.18	34.96	27.47	14.67	11.21
Hambantota	%	32.43	30.97	32.16	12.67	6.86
Jaffna	%	-	-	-	-	16.11
Vavunia	%	-	-	-	-	2.34
Batticaloa	%	-	-	-	10.65	20.30
Ampara	%	-	-	-	10.88	11.80
Trincomalee	%	-	-	-	-	11.74
Kurunegala	%	27.22	26.19	25.40	15.42	11.67
Puttlum	%	22.25	31.11	31.33	13.09	10.49
Anuradapura	%	24.37	26.97	20.37	14.88	5.70
Polonnaruwa	%	24.87	20.09	23.73	12.69	5.77
Badulla	%	31.03	41.00	37.30	23.68	13.33
Monaragala	%	33.67	56.16	37.15	33.16	14.50
Rathnapura	%	30.80	46.36	34.39	26.57	10.45
Kegalle	%	31.23	36.34	32.46	21.05	10.78
Poverty Gap	%	5.6	6.6	5.1	3.1	1.7
Squard Poverty Gap	%	1.8	2.2	1.6	0.9	0.5
Poverty Shortfall	Rs./Month	101	191	317	448	587
Gini Coefficient of Per Capita Expenditure		0.32	0.35	0.40	0.40	0.36
Gini Coefficient of Household Expenditure		-	0.36	0.41	0.41	0.37
Gini Coefficient of Household Income		0.43	0.46	0.47	0.49	0.49
Quintile Ratio	%	4.7	5.3	6.9	6.7	5.7

Sources: Department of Census and Statistics

Household Income and Expenditure Survey 1990/91 (excluding Northern and Eastern provinces)

Household Income and Expenditure Survey 1995/96 (excluding Northern and Eastern provinces)

Household Income and Expenditure Survey 2002 (excluding Northern and Eastern provinces)

Household Income and Expenditure Survey 2006/07 (excluding Northern province and Trincomalee district)

Household Income and Expenditure Survey 2009/10 (excluding Mannar, Mullaitivu and Killinochchi districts)

Table 25

Remittances and Departures for Foreign Employment

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(a)
Total Remittances	US\$ mn	401	727	1,160	1,155	1,287	1,414	1,564	1,918	2,161	2,502	2,918	3,330	4,116	5,144
By Country															
Middle East		217	423	730	703	770	804	868	1,089	1,234	1,451	1,745	1,995	2,474	3,030
European Union		46	108	156	190	220	253	286	355	411	500	525	603	724	885
Europe, Other		10	41	63	64	71	113	129	135	143	135	128	148	177	232
East Asia		20	55	68	61	63	69	76	86	110	135	175	203	247	401
North America		79	58	78	81	87	90	105	125	119	105	114	127	140	154
South and Central America		...	7	11	12	13	14	15	19	22	20	23	28	35	41
South East Asia		23	15	22	22	24	27	32	38	52	75	90	100	144	206
South Asia		3	5	8	7	11	12	13	19	22	25	32	40	58	51
Australia and New Zealand		2	7	12	14	14	16	23	29	28	33	55	57	82	103
Other		1	8	12	11	14	16	18	24	22	23	29	30	35	41
Total Departures	No.	42,625	172,471	182,188	184,007	203,773	209,846	214,709	231,290	201,948	218,459	250,499	247,126	264,507	262,960
Professional		116	878	935	1,218	1,481	1,541	1,827	1,421	1,713	1,653	2,835	2,832	3,057	3,835
Middle Level		381	2,495	3,781	3,776	4,555	7,507	6,561	8,042	6,638	3,962	8,667	6,388	3,884	6,106
Clerical and Related		843	4,594	5,825	6,015	7,239	6,779	6,679	7,742	7,911	4,551	6,791	6,719	7,923	9,888
Skilled		11,171	27,165	36,475	36,763	45,478	47,744	45,926	46,688	45,063	50,263	59,718	61,321	71,537	67,703
Semi Skilled		144	-	-	-	-	-	-	-	-	3,499	5,326	6,015	4,932	4,169
Unskilled		9,069	23,479	35,759	33,385	36,485	44,264	43,204	41,904	40,912	52,176	59,239	50,173	60,422	63,443
Housemaids		20,901	113,860	99,413	102,850	108,535	102,011	110,512	125,493	99,711	102,355	107,923	113,678	112,752	107,816

Source: Foreign Employment Bureau
(a) Provisional

Table 26

Description	Welfare Payments and Development Subsidies											Rs. million	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Healthcare													
Pharmaceuticals	4,600.0	4,482.0	4,721.0	4,068.0	6,796.0	7,100.0	11,379.0	10,804.0	12,082.0	12,149.0	13,544.0	16,617.0	
Empowering the Vulnerable and Needy													
Samurdhi	9,638.0	12,057.0	9,920.0	8,756.0	8,497.0	9,103.0	10,789.0	9,200.0	9,995.0	9,267.0	9,241.0	9,044.0	
No. of Beneficiaries (Families Mn)	2.0	2.0	1.9	1.9	1.9	2.0	1.9	1.8	1.6	1.6	1.6	1.5	
Public Assistance	-	-	-	-	-	-	648.0	326.0	922.0	960.0	650.0	950.0	
Allowance for Handicapped Students	-	-	-	-	-	40.0	50.0	71.0	70.0	74.0	71.0	80.0	
Allowance for Disable People	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	43.0	75.0	74.0	75.0	394.0	
Empowering Government Security Forces													
Allowance for the Third Child of Soldiers	-	-	-	-	-	-	-	-	-	-	-	297.0	
Death and Disabled Soldiers Compensation	-	-	-	-	-	4,749.0	5,921.0	7,426.0	8,694.0	9,796.0	10,500.0	13,316.0	
Agriculture Development													
Fertilizer	1,765.0	3,649.0	2,446.0	2,487.0	3,571.0	6,846.0	10,700.0	11,000.0	26,450.0	26,935.0	23,028.0	42,036.0	
Paddy Purchasing (To Stabilise the Paddy Prices)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	755.0	990.0	680.0	1,060.0	1,805.0	1,629.0	
Commercial Crop Development													
Crop Subsidy													
Tea	80.6	95.7	141.0	160.2	205.8	183.5	187.7	199.4	231.8	210.7	190.8	162.0	
Rubber	89.8	68.8	54.0	60.9	49.7	115.3	176.3	193.0	275.2	199.7	370.7	775.0	
Coconut	67.6	68.5	126.2	218.3	56.1	124.3	269.5	179.4	221.5	236.6	269.3	279.9	
Cashew	11.4	12.1	25.4	13.5	15.0	18.2	22.2	23.1	35.1	34.4	24.7	33.8	
Minor Crops - (Cineman, Cocoa, Coffee, Pepper)	104.2	99.0	40.0	31.8	40.0	45.5	78.5	133.5	117.5	175.5	180.0	182.2	
School Children and University Students													
School Uniforms	n.a.	n.a.	799.0	601.0	1,099.0	1,060.0	963.0	1,067.0	582.0	1,260.0	950.0	1,364.0	
Season Tickets	225.0	225.0	225.0	225.0	225.0	250.0	250.0	500.0	600.0	1,384.0	1,369.0	1,359.0	
School and Dharma School Textbooks	n.a.	n.a.	n.a.	970.0	1,099.0	1,080.0	1,123.0	2,250.0	3,387.0	2,196.0	2,056.0	2,334.0	

Welfare Payments and Development Subsidies contd...

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Grade V Scholarships, Mahapola and Bursary	222.0	255.0	n.a.	441.0	362.0	421.0	235.0	201.0	565.0	578.0	645.0	777.0
Nutrition Program	-	-	5.0	43.0	61.0	166.0	722.0	1,308.0	1,649.0	2,251.0	2,475.0	2,631.0
Thripsoe for Children and Expectant Mothers	246.0	487.0	617.0	512.0	304.0	504.0	537.0	488.0	649.0	1,155.0	865.0	1,336.0
Poshana Malla for Expectant Mothers	-	-	-	-	-	-	82.0	418.0	386.0	505.0	388.0	360.0
Fresh milk for Pre-school Children	-	-	-	-	-	-	-	13.0	35.0	167.0	178.0	249.0
Poshana Manpetha and Lama Saviya	-	-	-	-	13.0	4.0	25.0	22.0	24.0	30.0	30.0	18.0
Transport Facilities												
SLTB Transportation Facilities - Uneconomical Routes	350.0	1,262.5	1,714.7	1,833.9	3,065.0	3,689.3	4,360.2	3,159.1	3,735.7	2,332.0	2,459.5	1,923.0
Transportation Facilities for Armed Forces	-	-	-	-	-	-	-	-	200.0	598.0	208.0	300.0
Sudden Disaster Assistance												
Flood and Drought Relief	-	-	-	-	310.0	348.0	171.0	345.0	323.0	738.0	264.0	698.0
Cooked Meals and Dry Rations	-	-	-	-	1,800.0	1,482.0	2,586.0	1,670.0	1,457.0	2,859.0	1,000.0	198.0
Assistance to Religious Places												
Water for Religious Places	-	-	-	-	-	45.0	45.0	30.0	46.0	144.0	42.0	46.0
Common Facilities												
Street Lighting	-	-	300.0	294.0	-	800.0	900.0	1,000.0	1,300.0	204.0	360.0	123.0
Total	17,399.5	22,761.6	21,134.3	20,421.5	27,568.6	38,174.1	52,975.4	53,059.5	74,787.7	77,572.8	73,239.0	87,277.9

Source: Department of National Budget, Department of Treasury Operations

Table 27

Tourism

Item	Unit	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Tourist Arrivals by Country of Nationality														
	No.	403,095	400,414	336,794	393,171	500,658	566,202	549,308	559,603	494,008	438,475	447,890	654,476	855,975
North America		14,580	17,352	16,304	20,004	25,095	30,654	46,727	35,688	28,338	23,203	25,044	40,552	53,658
Latin America & the Caribbean		594	342	400	549	636	715	732	805	4,104	3,721	666	594	1,167
Western Europe		251,061	261,011	204,510	200,676	255,179	285,366	227,558	228,666	195,813	165,822	170,186	255,172	320,431
Eastern Europe		4,551	6,840	7,045	8,046	10,600	14,259	9,305	14,236	25,485	29,352	26,177	35,630	51,922
Middle East		3,816	4,347	5,364	6,462	6,759	9,486	10,230	10,191	13,587	16,701	23,821	37,501	36,376
Africa		732	891	902	1,545	1,925	1,759	2,337	3,163	2,991	2,354	1,591	2,249	6,736
Asia		117,513	91,409	89,343	142,578	177,377	196,023	222,844	241,954	200,697	175,944	174,382	245,753	334,274
Australia		10,248	18,222	12,926	13,311	23,067	27,940	29,575	24,900	22,993	21,378	26,023	37,025	51,411
Tourist Arrivals by Purpose of Visit														
	No.													
Leisure		383,570	360,887	300,545	335,898	404,327	442,534	382,321	377,093	331,238	321,079	358,188	516,538	668,343
Private & Official Business		10,772	19,346	22,677	36,793	45,762	59,961	92,789	99,404	52,116	37,261	38,473	83,270	68,097
Convention & Meetings		3,895	-	-	5,319	10,048	14,037	12,543	17,009	7,620	5,867	6,262	6,350	11,174
Visiting Friends & Relations		3,258	8,480	6,205	7,823	31,188	36,105	43,943	42,617	40,968	36,304	23,122	35,386	70,399
Religious & Cultural		1,119	6,891	3,974	3,771	5,765	8,289	5,400	9,561	13,902	11,523	9,127	5,150	1,304
Other		487	4,810	3,393	3,567	3,552	5,279	12,312	13,919	48,164	26,441	12,718	7,782	36,658
Official Tourist Receipts	US \$ Mn	225	253	211	253	340	417	362	410	384	342	349	575	830
Receipt Per Tourist Per Day	US\$	56	62	63	63	67	72	75	83	79	77	82	88	98
Average Duration (Nights)	No.	10	10	10	10	10	10	9	10	10	10	9	10	10
Accommodation Capacity (Graded)														
	No.													
Rooms		11,255	13,311	13,626	13,818	14,137	14,322	13,162	14,218	14,604	14,793	14,461	14,714	14,653
Beds		21,680	24,953	25,595	25,956	26,511	26,854	24,740	27,117	27,500	28,698	28,344	28,978	28,844

Tourism contd...

Item	Unit	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Foreign Travel by Sri Lankans (Departures)		504,420	524,212	505,341	532,737	591,126	680,248	727,301	756,735	862,011	966,337	962,786	1,122,212	1,239,290
Revenue from Tourism														
Tourism Development Levy	Rs. Mh	-	-	-	-	-	300.6	172.5	177.5	214.3	344.5	405.2	516.9	653.5
Embarkation Tax on Foreign Tourists	Rs. '000	201.6	200.2	269.3	393.2	500.6	566.2	823.9	839.4	741.0	738.8	766.3	1,000.1	1,041.7
Museums														
Number of Foreign Visitors		24,997	10,122	11,157	13,577	19,213	23,883	15,281	13,771	9,040	7,353	10,244	22,061	31,096
Revenue from Sale of Tickets	Rs. '000	1,171.0	506.2	620.4	769.0	1,181.1	1,463.2	3,937.6	6,522.5	4,190.9	3,340.6	4,636.4	9,868.6	14,200.0
Cultural Triangle														
Number of Foreign Visitors		166,661	155,167	129,201	131,804	212,521	246,380	110,443	138,232	104,583	112,190	109,404	197,947	239,920
Revenue from Sale of Tickets	Rs. Mh	168.7	276.0	222.0	242.8	403.3	543.1	284.7	400.9	279.8	307.5	402.8	743.5	998.2
Zoological Gardens														
Number of Foreign Visitors		189,043	204,681	150,353	147,329	217,930	252,445	135,006	178,902	155,310	153,934	149,833	249,556	284,898
Revenue from Sale of Tickets	Rs. Mh	11,448	29,215	22,249	30,204	42,297	119,547	61,419	82,655	133,118	134,286	201,659	410,097	470,239
Botanical Gardens														
Number of Foreign Visitors		n.a.	n.a.	n.a.	n.a.	n.a.	238,689	110,639	150,138	113,759	117,751	123,425	210,949	237,763
Revenue from Sale of Tickets	Rs. '000	25,199	29,461	21,226	26,346	57,919	70,704	32,605	44,210	66,560	69,119	72,267	123,162	253,896
Wild Life Parks														
Number of Foreign Visitors		n.a.	n.a.	n.a.	n.a.	n.a.	88,033	57,441	84,198	58,258	54,323	70,688	143,198	198,536
Revenue from Sale of Tickets	Rs. '000	38,539	60,153	54,390	58,537	102,234	113,802	62,692	99,551	85,733	84,420	103,993	227,249	301,009

Source: Sri Lanka Tourism, Central Cultural Fund and Ministry of Economic Development, Central Bank of Sri Lanka

(a) Provisional

Table 28

Livestock Sector

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Livestock Population		11,024	12,738	12,652	12,671	13,402	11,683	13,001	13,619	15,133	15,820	16,444	15,591	16,076	17,628
Cattle	No. '000	1,433	1,704	1,148	1,153	1,113	1,139	1,161	1,185	1,215	1,223	1,196	1,137	1,170	1,350
Buffalo	No. '000	823	764	305	290	282	280	302	308	314	319	440	372	423	475.30
Goat/Sheep	No. '000	437	610	506	504	360	424	417	405	395	405	387	385	381	406.91
Swine	No. '000	81	87	71	68	82	68	79	85	92	94	89	81	84	85.46
Chicken	No. '000	8,250	9,573	10,622	10,655	11,564	9,772	11,042	11,636	13,117	13,779	14,331	13,615	14,018	15,310
Total Production															
Milk	Mn Ltrs.	2918	333.3	181.5	183.0	183.2	186.8	190.3	192.7	196.6	202.0	208.1	233.3	247.6	253.3
Chicken meat	MT '000	31.4	38.9	66.5	71.3	74.71	80.31	77.77	86.27	85.25	100.06	102.5	99.28	104.16	116.76
Eggs	Mn	817.35	861.7	1,032.05	1,172.36	1,289.52	1,356.59	1,594.75	1,449.00	1,243.00	1,252.00	1,380.00	1,099.00	941.47	1,185.30
Mutton	MT	3,100	2,213	2,100	1,900	2,000	1,700	1,800	1,800	1,700	1,600	1,400	1,500	1,700	1,790
Pork	MT	2,570	2,339	5,500	5,500	9,500	9,500	10,000	11,000	11,500	11,700	11,100	10,120	10,435	9,800
Domestic Demand															
Domestic Demand - Milk															
Milk Requirement	Mn. Ltrs per year	6315	664.3	674.2	683.6	693.5	702.6	710.3	717.6	725.6	730.4	738	746.4	753.7	762.9
Domestic Production	Mn Ltrs.	2918	333.3	181.5	183.0	183.2	186.8	190.3	192.7	196.6	202	208	233.3	247.5	253.9
Domestic Production / Total Req. Ratio	%	46.2	50.2	26.9	26.8	26.4	26.6	26.8	26.9	27.1	27.7	28.2	31.3	32.8	33.3
Production Gap	Mn Ltrs.	339.7	331.0	492.7	500.6	510.3	515.8	520.0	524.9	529.0	528.4	530.0	513.1	506.2	509.0
Domestic Demand - Chicken															
Chicken Requirement	MT'000 per year	2210	232.5	236.0	239.3	242.7	245.9	248.6	251.2	253.8	256.5	261.1	261.2	263.8	266.6
Domestic Production	MT'000	31.4	38.9	66.5	71.3	74.7	80.3	77.8	86.3	85.3	100.1	102.5	99.3	104.2	116.8
Production Gap	MT'000	189.6	193.6	169.5	168.0	168.0	165.6	170.8	164.9	168.6	156.5	158.6	162.0	159.6	149.9
Domestic Demand - Egg															
Egg Requirement	Mn. per year	3,157	3,322	3,371	3,418	3,468	3,513	3,551	3,588	3,626	3,665	3,730	3,732	3,769	3,809
Domestic Production	Mn.	817	862	1,032	1,172	1,290	1,357	1,595	1,449	1,243	1,252	1,380	1,099	941	1,185

Livestock Sector contd...

Item	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Production Gap	Mn. 2,340	2,460	2,339	2,246	2,178	2,157	1,957	2,139	2,383	2,413	2,350	2,633	2,828	2,624
Per Capita Availability	Unit													
Milk and Milk Products	kg	8.35	8.34	9.02	8.88	9.33	9.94	9.42	9.93	9.52	9.67	9.98	10.68	n.a.
Chicken Meat	kg per Year	1.82	2.17	3.6	3.81	3.93	4.16	4.39	4.29	4.98	5.01	4.85	4.86	5.57
Eggs	No. per Year	29.6	46.9	55.88	62.59	67.84	70.29	82.03	73.7	62.56	62.35	53.74	45.59	56.08
Mutton	kg per Year	0.19	0.16	0.1	0.12	0.11	0.1	0.1	0.09	0.09	0.07	0.07	0.07	0.09
Pork	kg per Year	0.15	0.13	0.1	0.1	0.11	0.11	0.11	0.11	0.12	0.08	0.08	0.08	0.32
Beef	kg per Year	1.97	1.52	1.56	1.47	1.47	1.53	1.45	1.38	1.27	1.1	1.12	1.12	1.17
Imports														
Milk and Milk Products	MT	66,507	50,185	52,526	49,069	60,769	58,461	52,702	52,788	65,840	61,242	65,376	63,874	75,483
	Rs. Mn	2,322	5,532	7,780	9,080	9,587	10,106	11,289	12,591	16,254	19,306	30,849	18,609	29,029
Poultry and Poultry Products	MT	161.3	635.6	1,488.7	1,522.7	1,491.0	2,427.7	2,042.1	2,098.5	479.3	1,199.9	2,617.1	989.9	1,235.7
	Rs. Mn	11.8	40.8	90.6	98.8	97.3	149.6	131.2	151.6	32.7	88.7	228.9	85.2	149.7
Mutton and Mutton Products	MT	148.3	699.5	805.9	596.3	537.5	450.8	536.7	405.7	450.0	415.9	293.1	269.7	284.9
	Rs. Mn	12.6	60.1	87.7	88.7	106.1	100.6	120.1	109.0	116.6	116.4	93.0	58.3	82.2
Pork and Pork Products	MT	26.9	3.7	19.8	8.9	6.7	8.9	12.8	4.2	48.8	60.3	37.7	0.5	0.2
	Rs. Mn	2.3	0.9	8.4	4.3	3.4	5.8	4.3	4.6	6.2	27.6	21.1	0.4	0.5
Beef and Beef Products	MT	63.8	64.3	68.7	53.8	65.9	50.2	53.4	33.6	67.5	23.7	30.1	22.0	28.9
	Rs. Mn	15.2	20.9	26.5	14.6	19.8	21.4	32.2	24.1	29.0	23.1	25.6	16.9	12.7

Source: Department of Census and Statistics and Department of Animal Production and Health

Table 29

Fisheries Sector

Item	Unit	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fishing Fleet Capacity (Total Boats)	No.	28,148	27,717	28,703	30,295	31,164	30,504	38,819	38,383	39,049	40,245	48,134	94,607
High Seas Boats	No.	6	6	8	10	9	10	11	10	13	19	26	29
Multi Day Boats	No.	1,430	1,572	1,614	1,530	1,581	1,328	2,394	2,454	2,529	2,604	2,679	3,875
One Day Boats	No.	1,170	993	1,112	1,486	1,493	1,164	907	1,085	1,110	1,135	1,160	1,120
Out Board 6-8 m FRP	No.	8,690	8,744	9,033	11,020	11,559	11,010	16,685	15,016	15,016	15,016	15,016	19,890
Motorized Traditional Boats	No.	1,205	640	776	618	674	1,660	1,842	2,188	2,213	2,238	2,263	20,430
Non-Motorized Traditional Boats	No.	15,100	15,200	15,600	15,040	15,260	14,739	16,347	16,640	17,178	18,243	26,000	48,272
Beach Seine Boats	No.	547	562	560	591	588	593	633	990	990	990	990	991
Annual Fish Production	MT	300,380	284,760	302,890	284,960	286,370	162,680	251,270	291,050	319,120	339,730	384,670	444,830
Marine Fish Catch	MT	263,680	254,890	274,760	254,680	253,190	130,400	215,980	252,670	274,630	293,170	332,260	385,270
Coastal	MT	175,280	167,530	176,250	163,850	154,470	63,690	121,360	150,110	165,320	180,410	202,420	226,709
Offshore and Deep Sea	MT	88,400	87,360	98,510	90,830	98,720	66,710	94,620	102,560	109,310	112,760	129,840	158,561
Inland and Aquaculture	MT	36,700	29,870	28,130	30,280	33,180	32,280	35,290	38,380	44,490	46,560	52,410	59,560
Fish for Dry or Smoking	MT	60,900	43,650	61,720	54,340	63,470	18,900	71,740	77,830	93,240	97,690	100,120	102,000

Source: Ministry of Fisheries and Aquatic Resources Development

Climate

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Annual Rainfall (Average) Total	mm	1,738	1,626	1,296	1,430	1,471	1,419	1,945	1,607	1,921	1,640	2,020	1,711	1,992	2,027
Highest Rainfall															
Cities with Highest Rainfall															
	mm														
Anuradhapura		113.3	82.5	164.7	110.8	67.9	98.4	66.0	81/0	90.3	109.2	127.1	89.3	98.6	114.4
Badulla		230.6	52.8	90.9	73.1	71.9	73.5	127.4	60.6	108.4	65.7	69.8	72.6	90.9	131.6
Batticaloa		131.6	83.8	97.0	110.8	134.7	102.9	236.7	75.5	90.2	95.9	114.1	241.7	145.5	312.2
Colombo		110.3	126.3	141.7	94.1	132.4	110.5	96.5	270.1	163.9	131.6	111.0	207	440.2	81.9
Hambantota		78.6	92.4	81.7	151.1	94.4	96	70.5	67.6	91.8	139.9	56.0	62.6	82.9	100.6
Kandy		161.7	90.8	104.3	116.7	87.3	61.1	74.8	90.8	91.0	87.0	79.4	93	115.6	137.3
Kurunegala		119.3	140.1	116.4	136	111.6	62.1	200.0	97.1	162.0	97.0	186.3	123.2	135.4	144.4
Nuwara Eliya		172.4	76.2	77.0	85.3	64.2	61.1	81.1	73.2	76.8	77.6	48.7	62.8	68.2	94.1
Ratnapura		99.8	124.5	103.8	131	99.2	345.2	104.8	113.3	115.4	146.6	186.1	126.2	139.9	166.9
Vavuniya		118.4	64.5	276.9	94.9	58.9	133.4	115.5	77.3	81.3	156.5	104.7	104.7	163.9	123.2
Annual Minimum Temperature	°C														
Low Country		24.4	24.4	24.6	24.7	24.7	24.8	24.7	24.8	24.7	24.4	24.3	24.7	24.9	24.7
Hill Country		17.2	17.3	17.2	17.2	17.3	17.4	17.3	17.4	17.2	17.2	17.0	16.9	17.5	17.1
Annual Maximum Temperature	°C														
Low Country		31.3	31.5	31.1	31.3	31.5	31.4	31.4	31.5	31.2	31.2	31.1	31.4	31.4	31.1
Hill Country		26.4	26.2	26.1	26.5	26.5	26.6	26.4	26.6	26.2	26.0	25.8	26.1	25.9	26.0

Source: Department of Meteorology

Table 31

Demographic and Related Trends

Item	Unit	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Mid Year Population	'000	16,993	18,136	18,467	18,797	18,921	19,173	19,435	19,688	19,858	20,039	20,217	20,450	20,653	20,869
Mid-Year Population by Age Group	'000														
0-14 Years		5,982	6,384	-	4,942	5,041	5,108	5,107	5,163	5,220	5,266	5,315	5,378	5,431	5,488
15-64 Years		10,277	10,969	-	12,671	12,668	12,838	13,103	13,243	13,386	13,509	13,625	13,784	13,921	14,065
65 Years and Over		734	783	-	1,184	1,212	1,227	1,225	1,238	1,252	1,264	1,277	1,288	1,301	1,316
Growth of Population	%	1.0	1.5	1.4	1.2	1.3	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0
Density of Population	Persons per sq. km	271	289	305	300	303	307	310	314	317	319	332	326	329	333
Life Expectancy at Birth	Years														
Male		67.7	69.5	-	-	-	-	-	-	69.9	-	-	-	-	70.5
Female		72.1	74.2	-	-	-	-	-	-	78.7	-	-	-	-	79.8
Crude Birth Rate	Per '000	20.8	19.9	18.2	19.1	19.4	19.3	18.8	18.9	18.8	19.3	18.8	18.4	17.6	n.a.
Crude Death Rate	Per '000	6.0	6.0	6.1	6.0	5.9	6.0	5.9	6.7	5.9	5.9	5.9	5.9	6.2	n.a.
Infant Mortality Rate (IMR)	Per '000 Live Births	19.3	16.5	13.4	12.6	11.4	11.3	9.8	11.2	10.0	8.5	8.5	-	-	-
Maternal Mortality Rate (MMR)	Per 100,000 Live Births	n.a.	23.6	22.1	17.8	16.3	19.7	12.1	11.9	14.2	-	-	-	-	-
Net Migration Rate	%	1.2	-2.9	1.5	-0.9	-0.6	-1.3	-1.2	-1.5	-1.5	-1.8	-2.2	-1.4	-1.1	-2.2
Dependency Ratio	%	65.35	65.34	48.35	48.35	49.36	49.35	48.32	48.33	48.35	48.34	48.38	48.36	48.36	48.38
Literacy	Overall % of Population	-	-	-	-	-	-	-	-	91.5	91.1	91.3	91.4	91.9	-
Literacy Rate (b)	% of Population	-	-	-	-	-	-	-	-	-	16.1	-	-	20.3	-
Average Daily Calorie Intake (c)	Kilocalories	-	-	-	-	-	-	-	-	-	2,118	-	-	-	2,094

Source: Department of Census and Statistics

(a) Provisional

(b) Computer (Computer Literacy Survey 2006/07, Computer Literacy Survey 2009)

(c) Household Income and Expenditure Survey in 2006/07 and 2009/10

