

**MID - YEAR
FISCAL POSITION REPORT
2016**



Ministry of Finance, Sri Lanka



MID - YEAR FISCAL POSITION REPORT - 2016

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

Ravi Karunanayake
Minister of Finance

30th June 2016

Mid -Year Fiscal Position Report

Issued by the Hon. Minister of Finance

Under Section 10 of the Fiscal Management (Responsibility) Act, No. 03 of 2003

In terms of Section 10 of the Fiscal Management (Responsibility) Act No. 03 of 2003, the Minister of Finance is requested to present the Mid-Year Fiscal Position Report to the public by the last day of June of the year and thereafter lay before Parliament.

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

The report contains the performance of government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2016. The report also provides provisional budget outturn for the first four months of 2016, updated information, depending on the availability of information, relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of state owned business enterprises.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2015	2016 (Provisional)
REAL SECTOR				
Economic Growth	First Quarter	%	4.4	5.5
Agriculture	First Quarter	%	5.9	1.9
Industry	First Quarter	%	1.4	8.3
Services	First Quarter	%	5.4	4.9
Inflation (Point to Point)	End May	%	0.2	4.8
Inflation (Average)	End May	%	1.9	1.7
Unemployment Rate	Annual	%	4.6	n.a.
Labour Force Participation Rate	Annual	%	53.8	n.a.
FISCAL SECTOR				
Budget Deficit	Jan-April	Rs. Mn.	-271,517	-233,444
Total Revenue	Jan-April	Rs. Mn.	395,117	472,689
Tax Revenue	Jan-April	Rs. Mn.	360,617	441,211
Non Tax Revenue	Jan-April	Rs. Mn.	34,500	31,478
Recurrent Expenditure	Jan-April	Rs. Mn.	522,535	559,697
Public Investment	Jan-April	Rs. Mn.	138,983	151,978
Government Debt	End Dec	Rs. Mn.	8,503,227	n.a.
EXTERNAL SECTOR				
Exports	Jan-April	US\$ Mn.	3,598	3,435
o/w Agriculture Exports	Jan-April	US\$ Mn.	801	722
Industrial Exports	Jan-April	US\$ Mn.	2,779	2,699
Textile and Garments	Jan-April	US\$ Mn.	1,588	1,710
Imports	Jan-April	US\$ Mn.	6,283	6,055
Consumer Goods	Jan-April	US\$ Mn.	1,567	1,426
Intermediate Goods	Jan-April	US\$ Mn.	3,153	3,019
o/w Petroleum Products	Jan-April	US\$ Mn.	922	687
Investment Goods	Jan-April	US\$ Mn.	1,555	1,608
Trade Balance	Jan-April	US\$ Mn.	-2,685	-2,621
Tourist Arrivals	Jan-May	No.	714,584	846,229
Earnings From Tourism	Jan-May	US\$ Mn.	1,184.4	1,402.5
Workers' Remittances	Jan-April	US\$ Mn.	2,265	2,393
Portfolio Investments (Net)	Jan-April	US\$ Mn.	45	n.a.
Overall Balance of Payments (BOP)	Jan-April	US\$ Mn.	-1,025	-720
Gross Official Reserves	End April	US\$ Mn.	7,455	6,221
Exchange Rate (End Month)	End May	Rs. Per US\$	133.90	145.75
Exchange Rate (Monthly Average)	Jan- May	Rs. Per US\$	133.50	145.65
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End June	%	6.00	6.50
Standing Lending Facility Rate (SLFR)	End June	%	7.50	8.00
Statutory Reserve Requirement (SRR)	End June	%	6.00	7.50
Commercial Bank Average Weighted Prime Lending Rate (AWPR)	End June	%	6.93	10.23
Commercial Bank Average Weighted Lending Rate (AWLR)	End April	%	11.53	11.66
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End June	%	6.50	9.50
W.A. Yield Rate of Treasury Bills (91 Days)	End June	%	6.08	8.86
W.A. Yield Rate of Treasury Bills (364 Days)	End June	%	6.28	10.55
Growth in Money Supply (M2b)	Apr 2016/ Apr 2015	%	13.9	18.2
Growth in Credit to the Private Sector	Apr 2016/ Apr 2015	%	15.2	28.1

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level	2015	%	98.5
Water			
Access to Safe Drinking Water	2015	% of Population	89.7
Access to Pipe borne Water	2015	% of Population	45.9
Roads			
Road Density	2015	Km ²	1.8
Total Road Length	2015	Km	117,093
Communication			
Telephone Density including Cellular Phones	2015	Per 100 persons	128.7
Access to Internet	2015	Per 100 persons	19.5
Education			
General Education			
Primary School Enrolment Ratio	2014	%	99.2
Student/Teacher Ratio (Government Schools)	2015	Students	17
Literacy Rate (Average)	2014	%	93.3
Computer Literacy Rate	2014	%	25.1
University Education			
Student/Teacher Ratio	2015	Students	17
Age Specific Enrolment Ratio (age 19-23 yrs)	2015	%	6.6
Health			
Hospitals	2015	Number	827
Beds	2015	Number	76,781
Hospital Beds	2015	Per 1000 persons	3.7
Persons per Doctor	2015	Persons	1,079
Population			
Population Density	2015	Persons per sq. km	334
Population Growth	2015	%	0.9
Life Expectancy	2014	Years	74.9
Infant Mortality Rate	2013	Per 1000 live births	8.2
Maternal Mortality Rate	2010	Per 1000 live births	0.2
Crude Birth Rate	2015	Per 1000 persons	16.0
Crude Death Rate	2015	Per 1000 persons	6.3
Dependency Ratio	2015	%	49.4
Poverty			
Poverty Head Count Index	2012/2013	%	6.7
Gini Coefficient of Household Income	2012/2013	Coefficient	0.48
Poverty Gap Index	2012/2013	%	1.2
Average Daily Calorie Intake	2012/2013	Kilocalories	2,111
International Rankings			
Human Development Index	2014	Rank out of 188 Countries	73
Doing Business Index	2016	Rank out of 189 Countries	99
Global Competitiveness Index	2015/16	Rank out of 140 Countries	68
The A.T. Kearney Global Services Location Index	2016	Rank out of top 20 Countries	14
Infrastructure Index	2015/16	Rank out of 140 Countries	64
Economic Freedom Index	2016	Rank out of 186 Countries	93
Global Peace Index	2016	Rank out of 163 Countries	97
Basic Requirements Index	2015/16	Rank out of 140 Countries	67
e-Government Development Index	2014	Rank out of 193 Countries	74

CHAPTER 1

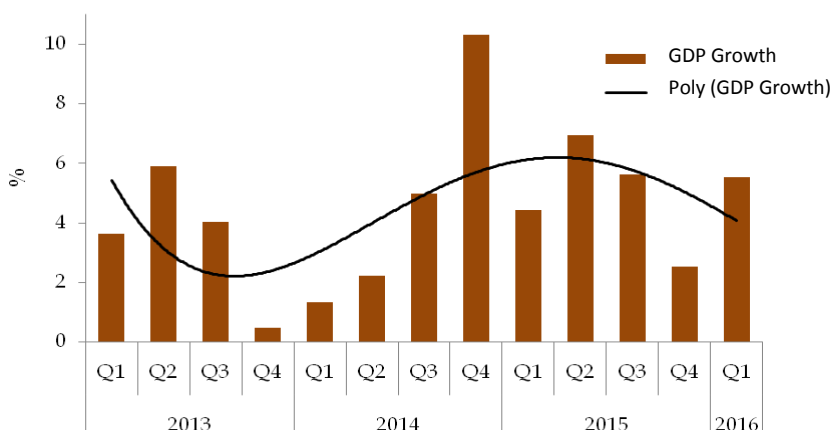
The Economy

1.1 Economic Growth

Despite domestic and international challenges, the Sri Lankan economy grew by a faster pace of 5.5 percent, in real terms, in the first quarter of 2016, compared to a 4.4 percent growth in the same quarter of 2015. The growth was mainly led by the surge in construction activities and the expansion of financial services, insurance, wholesale and retail trade activities. In addition, the growth was supported by the sub-sectors such as food and beverages, textile and wearing apparel, transport of goods and passenger services, telecommunication and coconut and related products. However, the growth was hindered by the contraction of real estate activities, mining and quarrying, marine and inland fishing and professional services such as legal and accounting services, tea, fruits and spices sectors. Industry sector expanded significantly by

8.3 percent in the first quarter of 2016, compared to a mere growth of 1.4 percent in the same quarter of 2015. The growth in Industry sector was driven by sub-sectors such as construction, food and beverages, textiles and apparel, electricity, and manufacturing of furniture, machinery, wood, paper products and refined petroleum products. Similarly, the Services sector enhanced at a faster pace of 4.9 percent in the reference quarter, compared to 5.4 percent recorded in the corresponding quarter of 2015 reflecting the expansion of wholesale and retail trade, transport, personal services, financial services and insurance. However, Agriculture sector recorded a moderate growth of 1.9 percent in the review quarter of 2016 in comparison to 5.9 percent reported in the same quarter of 2015 led by the sub-sectors such as vegetables, coconuts, forestry, animal production and rice.

Chart 1.1: Quarterly GDP Growth



The economic growth in the first quarter of 2016 was mainly attributable to the expansion of Industry and Services related activities with a moderate growth in Agriculture sector. Agriculture, Industry, Services and “Taxes less subsidies on

products” contributed to GDP by 8.0 percent, 31.0 percent, 56.4 percent and 4.6 percent, respectively. With the increased value-added production of vegetables, coconuts, forestry, animal production and rice, Agriculture sector grew by 1.9 percent

in the review period. However, there was a sharp contraction in the sub-sectors such as tea, rubber, spices, perennial and beverage crops and marine and inland fishing sector. Vegetables sub-sector increased by 16.3 percent in the review quarter despite the dry weather condition prevailed throughout the country during the period. With the increased production of coconut by 12.8 percent in the review period, coconut sub-sector grew by 10.1 percent in the first quarter of 2016. Paddy production slightly increased to 2.9 million MT in 2015/2016 Maha season. In addition, cereals sub-sector comprising of ground nuts, cowpea and kurakkan, recorded a significant growth of 29.0 percent in the first quarter of 2016, compared to 2.0 percent growth recorded in the first quarter of 2015. Reflecting the impact of declining international commodity prices, the performance of the tea and rubber sub-sectors remained subdued in the first quarter of 2016. The tea production declined considerably by 11.4 percent to 70 million kg in the first quarter of 2016, compared to 79 million kg recorded in the same period of 2015 due to unfavorable weather condition prevailed in the tea growing areas coupled with relatively low international prices. The average price of tea in the Colombo Tea Auction (CTA) decreased by 2.3 percent to Rs. 409.21 per kg in the first quarter of 2016 from Rs. 419.04 per kg in the respective quarter of 2015. Meanwhile, the rubber production dropped by 2.4 percent to 28.2 million kg in the review period due to the decline of international prices coupled with increased labour cost. In contrast, coconut production increased by 6.2 percent to 778.8 million nuts in the review period benefiting from the conducive weather condition prevailed in the 'coconut triangle', increased fertilizer usage and enhanced fruiting of new cultivations. In addition, milk and eggs production increased by 9.4 percent and 11.2

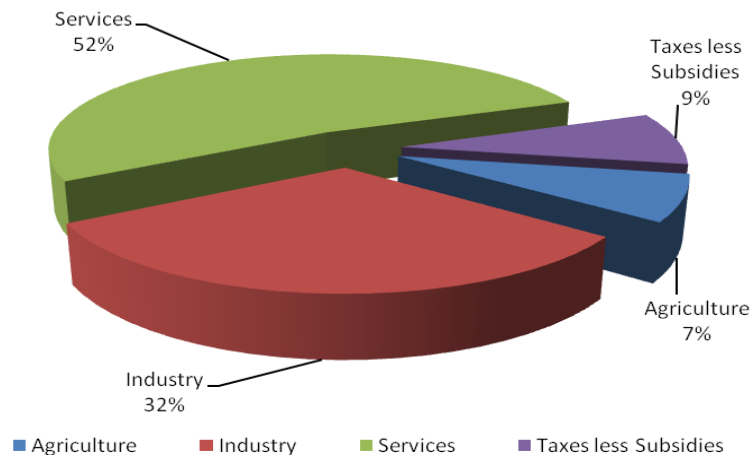
percent, respectively. Meanwhile, value-added marine and inland fish production contracted by 2.6 percent and 21.7 percent, respectively in the first quarter of 2016 due to the reduction of fish catch emanating from dry weather condition prevailed during the early months of 2016. However, it is expected to revive the sector benefiting from the exports of Sri Lankan fish products to the European Union (EU) market with the lifting the ban imposed on such exports.

Industry sector recorded a significant growth of 8.3 percent during the first quarter of 2016 compared to 1.4 percent growth recorded in the first quarter of 2015 with the expansion of sub-sectors except mining and quarrying, non-metallic mineral products and water supply sub-sectors. The construction sub-sector expanded by 12.0 percent in the first quarter of 2016, compared to a contraction of 11.1 percent registered for the respective quarter of 2015 with the resumption of most of the mega infrastructure development projects and other related activities. Reflecting the expansion of the construction activities, the total supply of cement increased by 23.3 percent during the period. Meanwhile, the manufacturing sub-sector, which accounted for 62.0 percent to the Industry sector expanded by 8.0 percent in the first quarter of 2016. The highest earnings from industrial exports generated from the textiles and garments with an increase of 8.8 percent to US\$ 1,369 million in the review period. However, export earnings from total industrial exports contracted by 3.3 percent to US\$ 2,154 million in the reference period due to a sharp reduction of earnings from petroleum and other industrial products. The value-added production of electricity sub-sector increased by 10.1 percent during the review period following a 6.2 percent growth recorded in the first quarter of 2015. Increase of electricity power generation by

9.9 percent to 3,439 Gwh from 3,129 Gwh contributed to this performance. Hydro-thermal power ratio changed to 36:64 in the first quarter of 2016 from 45:55 recorded in the same quarter of 2015 due to dry weather condition prevailed throughout the early

months of 2016. In contrast, reflecting the moderate performance of the gem industry, mining and quarrying sub-sector further contracted by 1.5 percent in the first quarter of 2016.

Chart 1.2 : Sectoral Composition of GDP at current prices- First Quarter 2016



The Services sector grew by 4.9 percent during the first quarter of 2016, compared to 5.4 percent in the respective quarter of 2015 mainly driven by wholesale and retail trade, transportation of goods and passenger services, financial services and other personal activities. Wholesale and retail trade which contributed nearly 10.3 percent to the overall GDP, expanded by 5.7 percent in the first quarter of 2016, compared to 3.7 percent growth recorded for the same period of 2015. This growth was realized with the performance of the domestic activities amidst the weak performance in both exports and imports sectors. The total exports declined by 4.7 percent to US\$ 2,728 million in the review period with the increase of exports of coconuts and textiles and garments and the drop of other forms of exports. Similarly, total import expenditure declined by 4.1 percent to US\$ 4,594 million in the review period from US\$ 4,792 million recorded in the same period of 2015 with the decline of all forms of imports except the expenditure on textiles and clothing,

machinery and equipment and building material. With the increase of revenue generated from air, water and land transportation, value-added production of transportation sub-sector grew by 2.4 percent in the review period. However, registration of motor vehicles declined by 30.8 percent in the reference period due to the upward revisions of excise duty rates applicable for motor vehicles. Meanwhile, financial services grew by 15.9 percent in the review period with the 17.2 percent increase in the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks followed by an accommodative monetary policy adopted by the Central Bank of Sri Lanka (CBSL). The telecommunication sub-sector recorded a notable growth of 20.9 percent in the first quarter of 2016, compared to the same period of 2015 fuelled by increased service utilization. In contrast, real estate activities, postal and courier services sub-sectors contracted during the review period.

Table 1.1: Sectoral Composition of GDP at Constant (2010) Prices - First Quarter 2015-2016

		Rs. Million		
Sector		2015	2016 (Prov.)	% Change
Agriculture, Forestry and Fishing		163,535	166,631	1.9
1	Growing of Cereals (except rice)	3,795	4,896	29.0
2	Growing of Rice	10,535	10,602	0.6
3	Growing of Vegetables	16,503	19,186	16.3
4	Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	454	509	12.1
5	Growing of Fruits	14,053	14,016	-0.3
6	Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	16,763	18,442	10.0
7	Growing of Tea (Green Leaves)	17,403	15,385	-11.6
8	Growing of Other Beverage Crops (Coffee, Cocoa etc.,)	315	301	-4.2
9	Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	14,213	14,101	-0.8
10	Growing of Rubber	8,431	8,212	-2.6
11	Growing of Other Perennial Crops	3,872	3,757	-3.0
12	Animal Production	12,092	12,704	5.1
13	Plant Propagation and Support Activities to Agriculture	2,441	2,597	6.4
14	Forestry and Logging	12,773	13,286	4.0
15	Marine Fishing and Marine Aquaculture	27,379	26,670	-2.6
16	Fresh Water Fishing and Fresh Water Aquaculture	2,511	1,967	-21.7
Industries		598,180	647,567	8.3
17	Mining and Quarrying	52,376	51,602	-1.5
18	Manufacture of Food, Beverages and Tobacco Products	149,563	151,348	1.2
19	Manufacture of Textile, Wearing Apparel and Leather Related products	95,805	97,656	1.9
20	Manufacture of Wood and Products of Wood and Cork, except Furniture	6,299	8,067	28.1
21	Manufacture of Paper Products, Printing and Reproduction of Media Products	8,086	11,775	45.6
22	Manufacture of Coke and Refined Petroleum Products	8,546	13,897	62.6
23	Manufacture of Chemical Products and Basic Pharmaceutical Products	17,944	18,845	5.0
24	Manufacture of Rubber and Plastic Products	9,805	10,493	7.0
25	Manufacture of Other Non-metallic Mineral Products	19,740	19,261	-2.4
26	Manufacture of Basic Metals and Fabricated Metal Products	7,219	10,742	48.8
27	Manufacture of Machinery and Equipment	8,835	10,765	21.8
28	Manufacture of Furniture	23,857	30,412	27.5
29	Other Manufacturing and Repair and Installation of Machinery and Equipment	16,185	18,314	13.2
30	Electricity, Gas, Steam and Air Conditioning Supply	20,438	22,497	10.1
31	Water Collection, Treatment and Supply	2,909	2,775	-4.6
32	Sewerage, Waste, Treatment and Disposal Activities	4,976	5,997	20.5

Table 1.1: Sectoral Composition of GDP at Constant (2010) Prices - First Quarter 2015-2016 Contd...

33	Construction	145,596	163,120	12.0
	Services	1,122,362	1,177,494	4.9
34	Wholesale and Retail Trade	227,331	240,226	5.7
	Transport of Goods and Passenger including			
35	Warehousing	208,373	213,408	2.4
36	Postal Courier Activities	1,020	1,012	-0.8
37	Accommodation, Food and Beverage Service Activities	32,849	34,232	4.2
	Programming and Broadcasting Activities and Audio			
38	Video Productions	671	597	-11.0
39	Telecommunication	8,310	10,045	20.9
40	IT Programming Consultancy and Related Activities	3,132	3,207	2.4
	Financial Service Activities and Auxiliary Financial			
41	Services	96,292	111,599	15.9
42	Insurance, Reinsurance and Pension Funding	14,199	15,844	11.6
	Real Estate Activities, Including Ownership of			
43	Dwelling	123,475	122,236	-1.0
44	Professional Services	38,735	35,831	-7.5
	Public Administration and Defence; Compulsory Social			
45	Security	96,309	101,365	5.2
46	Education	40,020	42,381	5.9
	Human Health Actives, Residential Care and Social			
47	Work Activities	31,206	31,643	1.4
48	Other Personal Service Actives	200,439	213,867	6.7
	Gross Value Added (GVA), at basic prices	1,884,077	1,991,691	5.7
	(+) Taxes less Subsidies on Products	94,532	96,332	1.9
	Gross Domestic Product(GDP), at market prices	1,978,609	2,088,024	5.5

Source: Department of Census and Statistics

(a) Provisional

1.2 Inflation

Inflation has been maintained at single-digit levels. Inflation, as measured by the Colombo Consumer's Price Index (CCPI, 2006/07=100), which covers representative households in urban areas of the Colombo District, and the National Consumer Price Index (NCPI, 2013=100), which covers representative households in all provinces in Sri Lanka, increased in May 2016. This increase was supported by the effect of unfavourable supply side developments emanating from the adverse weather conditions and the policy changes made to tax structure of the government. The CCPI

based headline inflation increased to 4.8 percent, on year-on-year basis, in May 2016 from 0.2 percent recorded in May 2015. Similarly, NCPI based headline inflation also increased to 5.3 percent in May 2016 from 3.0 percent in May 2015. Core inflation, which measures the price movements excluding fresh food, energy, transport, rice and coconut in terms of annual average increased to 4.5 percent in May 2016 compared to 2.9 percent recorded in May 2015. Inflation is expected to remain mid-single digit level during the remainder of 2016 with the gradual management of demand pressures.

Table 1.2: Movements in Inflation (%)

Year	Month	CCPI ((2006/2007=100)				NCPI (2013=100)	
		Headline Inflation		Core Inflation*		Point to Point	Annual Average
		Point to Point	Annual Average	Point to Point	Annual Average		
2015	January	3.2	3.2	2.1	3.4	9.4	-
	February	0.6	2.9	0.8	3.2	5.7	-
	March	0.1	2.5	1.4	3.0	4.3	-
	April	0.1	2.1	2.4	2.9	2.8	-
	May	0.2	1.9	2.6	2.9	3.0	-
	June	0.1	1.7	2.8	2.8	2.7	-
	July	-0.2	1.3	3.5	2.8	1.8	-
	August	-0.2	1.0	3.9	2.8	1.9	-
	September	-0.3	0.7	4.2	2.8	1.9	-
	October	1.7	0.7	4.5	2.9	3.0	-
	November	3.1	0.9	4.3	3.0	4.8	-
	December	2.8	0.9	4.5	3.1	4.2	3.8
2016	January	0.9	0.7	4.6	3.3	-0.7	2.9
	February	2.7	0.9	5.7	3.7	1.7	2.6
	March	2.0	1.1	4.5	3.9	2.2	2.4
	April	3.1	1.3	4.5	4.1	4.3	2.6
	May	4.8	1.7	6.6	4.5	5.3	2.7

Source: Department of Census and Statistics

*Excluding fresh food, energy, transport, rice and coconut

1.3 Money and Credit

Growth in reserve money, broad money and the private sector credit increased during the first four months of 2016. Reserve money grew by 24.5 percent in April 2016 on year-on-year basis while the year-on-year growth of broad money (M_{2b}) increased by 18.2 percent in April 2016, compared to 13.8 percent in April 2015 mainly due to the expansion in credit to the private sector and the government. Meanwhile, private sector credit grew at 28.1 percent in April 2016 on year-on-year basis. With regard to sectoral distribution of credit, Industry and Services

sectors attracted the highest levels of credit disbursements, while personal loans and advances also recorded a significant increase. Meanwhile, short-term money market rates showed some stabilization. However, other retail market interest rates demonstrated an upward trend reflecting the gradual transmission of previous monetary policy adopted. Meanwhile, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) remained at 6.50 percent and 8.00 percent, respectively as at end June 2016.

Table 1.3 : Money and Private Sector Credit

Item	Rs. Billion								2016 April/ 2015 April Growth (%)
	2015				2016				
	January	February	March	April	January	February	March	April	
Reserve Money	576.1	583.0	619.6	612.7	718.6	739.3	791.6	763.1	24.5
Broad Money (M _{2b})	3,896.0	3,926.6	3,980.7	4,038.2	4,638.3	4,703.8	4,731.6	4,772.1	18.2
Private Sector Credit	2,779.2	2,803.7	2,845.1	2,858.8	3,493.1	3,546.8	3,634.6	3,662.1	28.1

Source: Central Bank of Sri Lanka

1.4 Stock Market

The stock market showed a sluggish performance during the first four months of 2016 due to the factors such as depreciation of rupee, increased capital outflows emanating from global financial and economic downturns etc. Accordingly, All Share Price Index (ASPI) reached 6,516 points by end of April 2016, which is a drop of 9.2 percent in comparison to the same period in 2015. Meanwhile, the S&P SL 20

Index decreased by 15.2 percent to 3,436 points by end April 2016. The annual turnover also declined by 26.2 percent to Rs. 59 billion during the first four months of 2016 in comparison to the corresponding period of the previous year. Further, market capitalization dropped by 8.9 percent to Rs. 2.8 trillion in comparison to the 17 percent growth recorded during the corresponding period of 2015.

Table 1.4 : Movements in the Capital Market

Indicators	2010	2011	2012	2013	2014	2015	End April	
							2015	2016
All Share Price Index (1985=100)	6,636	6,074	5,643	5,913	7,299	6,895	7,179	6,516
Milanka Price Index/ S&P SL 20 Index*	7,061	5,229	5,119	3,264	4,089	3,626	4,053	3,436
Market Capitalization (Rs. Bn.)	2,210	2,214	2,168	2,460	3,105	2,938	3,049	2,777
No. of Listed Companies in Trading	242	272	287	289	294	294	297	294
Annual Turnover (Rs.Bn.)	570	546	214	200	341	253	80	59
Foreign Sales (Rs. Mn.)	118,761	68,854	33,972	60,873	83,554	89,790	22,852	24,104
Foreign Purchases (Rs. Mn)	92,426	49,875	72,653	83,657	104,771	84,418	26,351	20,893
Net Purchases (Rs. Mn)	-26,335	-18,979	38,681	22,784	21,217	-5,372	3,499	-3,211

Sources: Colombo Stock Exchange and Central Bank of Sri Lanka

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

Foreign purchases declined by 20.7 percent to Rs. 21 billion by end April 2016 whereas foreign sales rose by 5.5 percent to Rs. 24 billion in the review period. Accordingly, net purchases dropped to Rs. 3 billion by end April 2016. However, the stock market is expected to regain its momentum with the three-year Extended Fund Facility (EFF) of USD 1.5 billion approved in June 2016 by the International Monetary Fund (IMF) to support the balance of payments (BOP) position of the country and the government's economic reform agenda.

1.5 External Sector Developments

The external sector showed modest performance during the first four months of 2016 with the contraction of the trade deficit coupled with higher foreign currency inflows from workers' remittances and tourist earnings. The decline in import expenditure on food and beverages by 15.5 percent, petroleum products by 25.5 percent and transport equipment by 47.0 percent despite the decline in total exports helped contract the trade deficit during the review period. Earnings from exports contracted by 4.5 percent to US\$ 3,435 million during the review period reflecting mainly the plunge in commodity prices in the international market and slowdown of world demand. Meanwhile, the total imports declined by 3.6 percent to US\$ 6,055 million. Consequently, the trade deficit narrowed to US\$ 2,621 million with a contraction of 2.4 percent during the first four months of 2016 in comparison to US\$ 2,685 million during the same period in 2015. Meanwhile, the remittances from overseas employments expanded by 5.6 percent to US\$ 2,393 million during the review period despite the stagnation of income levels in oil-exporting Middle Eastern countries which slowed down the inflows such as

remittances to the country. Also, earnings from tourism grew by 20.0 percent to US\$ 1,195 million due to the increase of tourist arrivals by 20.0 percent during the first four months in 2016, compared to the corresponding period of 2015. Meanwhile, gross official reserves stood at US\$ 6.2 billion by end April 2016, which is equivalent to 4.0 months of imports while total reserves amounted to US\$ 8.2 billion, which is sufficient to 5.3 months of imports.

1.5.1 Exports

Earnings from exports declined by 4.5 percent to US\$ 3,435 million during the first four months of 2016, compared to US\$ 3,598 million in the same period of 2015. Decline in earnings from tea by 7.1 percent, other agricultural products such as spices and vegetables by 23.1 percent, petroleum products by 38.7 percent contributed to this decline. However, the export earnings from textile and garments and rubber and coconut products increased during the first four months of 2016. Earnings from petroleum products decreased due to a drop in export volume and average price of bunker fuel. Meanwhile, export earnings from industrial products contracted by 2.9 percent to US\$ 2,699 million in the review period of 2016 from US\$ 2,779 million in the same period of 2015. Earnings from tea exports declined due to the exerted pressure on the demand emanating from heightened geo-political uncertainty prevailed in major tea buyers such as Russia and the Middle Eastern countries. However, textiles and garments, which accounted more than 50 percent of total exports, increased by 7.7 percent to US\$ 1,710 million in the review period.

1.5.2 Imports

Total imports declined by 3.6 percent to US\$ 6,055 million during the first four months of 2016 in comparison to the same period in 2015. The decline was mainly due to the drop in imports of petroleum products by 25.5 percent to US\$ 686.5 million, food and beverages by 15.5 percent to US\$ 517 million and transport equipment by 47 percent to US\$ 195 million during the review period. However, import expenditure on textiles

and clothing increased by 16.6 percent to US\$ 897 million in the review period. Also, import expenditure on investment goods increased marginally by 3.4 percent to US\$ 1,608 million mainly due to the significant reduction of import expenditure on transport equipment combined with the substantial increase in import expenditure on machinery and equipment by 19.2 percent to US\$ 925 million and the building material by 18.7 percent to US\$ 485 million during this period.

Table 1.5 : External Trade (January - April)

Category	2015	2016 Prov.	US\$ Million
			% Change
Exports	3,597.8	3,434.6	-4.5
Agricultural Products	801.1	721.8	-9.9
Tea	437.4	406.3	-7.1
Primary Products (Rubber and Coconut products)	119.2	127.4	6.9
Other Agricultural Products	244.5	188.1	-23.1
Industrial Products	2,779.3	2,698.5	-2.9
Textile and Garments	1,588.1	1,709.8	7.7
Petroleum Products	150.5	92.3	-38.7
Other Industrial Products	1,040.6	896.4	-13.9
Mineral	12.2	9.2	-24.6
Other	5.2	5.1	-1.9
Imports	6,282.5	6,055.4	-3.6
Consumer Goods	1,567.3	1,425.5	-9.0
Food and Drinks	611.8	516.9	-15.5
Other Consumer Goods	955.5	908.6	-4.9
Intermediate Goods	3,153.0	3,019.3	-4.2
Petroleum	921.7	686.5	-25.5
Fertilizer	86.4	54.1	-37.4
Textiles and Clothing	768.9	896.8	16.6
Other Intermediate Goods	1,376.0	1,381.9	0.4
Investment Goods	1,554.9	1,607.8	3.4
Machinery and Equipment	776.0	925.2	19.2
Transport Equipment	367.9	195.1	-47.0
Building Material	409.0	485.3	18.7
Other Investment Goods	2.0	2.2	10.0
Other	7.3	2.8	-61.6
Trade Balance	-2,684.8	-2,620.8	-2.4

Sources: Department of Customs and Central Bank of Sri Lanka

CHAPTER 02

Global Economic Trends

2.1 Overview

The world economic growth outlook¹ remains weak for 2016 with a lower forecast of 2.4 percent as anticipated by the World Bank in June 2016. This was a downward revision of 0.5 percentage points from the January forecast mainly due to the low economic growth in advanced economies, the plunge in commodity prices and the decline in global trade and capital flows. In addition, slow performance in major emerging markets, the exit of Britain (Brexit) from the European Union (EU), financial market volatility and geo-political uncertainty in the Middle East and Russia and the accumulated increase of private debt in several emerging and developing economies spurred risks in the global economic growth. The risks have a ramification effect particularly on commodity-exporting developing countries whose policies have not yet been adjusted to these adverse global economic developments.

Meanwhile, commodity-exporting emerging market and developing economies are projected to grow at a slower pace due to the fall in commodity prices, according to the “Global Economic perspectives” of the World Bank. However, commodity-importing emerging markets and developing economies are projected to expand at a rate of 5.8 percent benefiting from low petroleum prices and the slight recovery in advanced economies.

Major emerging market economies such as China and India are expected to grow at 6.7 percent and 7.6 percent, respectively in 2016 whereas the growth in Brazil and Russia is expected to contract in 2016. The economies such as Indonesia, Malaysia and Thailand will expand with the increased investments while the growth in economies such as the Philippines and Vietnam is supported by the increased demand emanating from the decline in commodity prices. The geo-political tensions in Russia, Ukraine and Turkey have prompted to weigh on the growth prospects in the Europe and Central Asian region. Meantime, Latin America and Caribbean region including the countries such as South America and Brazil is anticipated a contraction of 1.3 percent in 2016. Oil-exporting countries in the Middle East are expected to pick up with a growth of 2.9 percent in 2016. However, Iran is expected to pick up its economic activities following the removal of sanctions in January 2016. Meanwhile, growth in South Asia is expected to achieve 7.1 percent in 2016 amidst weaker export demand in advanced economies. The South Asian economies such as India, Pakistan, Bangladesh and Bhutan showed resilience benefiting from the enhanced demand from the plunge in petroleum prices and low inflation. Commodity exporting Sub-Saharan economies are expected to remain weak with the slow recovery of the global economy. Meanwhile, the Brexit can have adverse effects on economic and political conditions around the world particularly, Asian economies including China.

¹ This Chapter is based on various reports, such as the *World Economic Outlook (April 2016)*, *Fiscal Monitor (April 2016)* and *Global Financial Stability Report (April 2016)* published by International Monetary Fund and *Global Economic Prospects (June 2016)* published by the World Bank.

Table 2.1 : A Snapshot of the World Economy- 2015

Country	GDP Growth (Annual percentage change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	1.2	n.a.	6.5	-7.4	56.5
Australia	2.5	1.5	6.1	-2.8	36.8
Brazil	-3.8	9.0	6.8	-10.3	73.7
Canada	1.2	1.1	6.9	-1.7	91.5
Chile	2.1	4.3	6.2	-2.3	17.1
China	6.9	1.4	4.1	-2.7	43.9
France	1.1	0.1	10.4	-3.6	96.8
Germany	1.5	0.1	4.6	0.6	71.0
Greece	-0.2	-1.1	25.0	-4.2	178.4
India	7.3	4.9	n.a.	-7.2	67.2
Indonesia	4.8	6.4	6.2	-2.5	27.2
Italy	0.8	0.1	11.9	-2.6	132.6
Japan	0.5	0.8	3.4	-5.2	248.1
Korea	2.6	0.7	3.6	-0.2	35.9
Malaysia	5.0	2.1	3.2	-3.0	57.4
Mexico	2.5	2.7	4.3	-4.1	54.0
Russia	-3.7	15.5	5.6	-3.5	17.7
Singapore	2.0	-0.5	1.9	1.1	98.2
South Africa	1.3	4.6	n.a.	-4.0	50.1
Spain	3.2	-0.5	22.1	-4.5	99.0
Sri Lanka	4.8	0.9	4.6	-7.4	76.0
Thailand	2.8	-0.9	0.9	0.3	43.1
United Kingdom	2.2	0.1	5.4	-4.4	89.3
United States	2.4	0.1	5.3	-3.7	105.8
Vietnam	6.7	0.6	2.4	-6.5	59.3

Sources: World Economic Outlook, IMF, April 2016; Fiscal Monitor, IMF, April 2016 and Annual Report 2015, Central Bank of Sri Lanka
n.a.- not available

2.2 Inflation

The global inflation is projected to decelerate in 2016 due to the plunge in oil and other commodity prices coupled with sluggish growth in global economic activities. Inflation in emerging market economies excluding Venezuela and developing economies is projected to decline to 4.5 percent in 2016 from 4.7 percent in 2015. The annual inflation in the US is estimated to increase to 0.8 percent in 2016 from 0.1 percent in 2015 due to the moderate wage growth in the labour market

whereas inflation in the other advanced economies remain well below their Central Bank's targets. Inflation in the Euro economies is expected to reach 0.4 percent in 2016 with the support from monetary policy easing by the European Central Bank (ECB). Meanwhile, Japan's inflation is projected to be negative and is expected to remain at -0.2 percent in 2016 reflecting the decline in commodity prices and the strengthening of the Yen in recent months of 2016. In addition, inflation in China is expected to remain low at around 1.8 percent in 2016 due to the lower commodity prices and the

appreciation of the Renminbi. India's inflation is expected to be at around 5.1 percent and 5.4 percent in 2016 and 2017, respectively. Inflation in Russia is projected to decline to 8.4 percent in 2016 from 15.5 percent in 2015.

2.3 Interest Rates

The London interbank offered rate (LIBOR) on six-month U.S. dollar deposits, on average, will be 0.9 percent in 2016 and 1.5 percent in 2017, according to the World Economic Outlook (WEO) 2016 report. Meanwhile, the rate on three-month Euro deposits is expected to average -0.3 percent and -0.4 percent in 2016 and 2017, respectively. The interest rate on six-month Japanese Yen deposits will turn out to be -0.1 percent and -0.3 percent in 2016 and 2017, respectively.

2.4 Exchange Rates

Exchange rates in the advanced economies and emerging market and developing economies experienced significant volatility during 2016. The currencies in advanced economies appreciated during first half of 2016 owing to some recovery in commodity prices whereas currencies in developing economies remained highly volatile and depreciated significantly with the plunge of capital inflows, the increase of capital outflows and the decline in export revenue emanating from the low commodity prices. The WEO reports that Japanese Yen, the US dollar and Euro appreciated by 10 percent, 3 percent and 2 percent, respectively during August 2015 and February 2016. In contrast, the British pound depreciated its 31-year low after the Brexit vote. The US dollar is projected to strengthen further in 2016 supported by the policy interest rate gap between the US with the EU and Japan. Among emerging market economies, countries such as South Africa, Mexico,

Russia and Colombia experienced a sharp depreciation of their currencies.

2.5 Fiscal Deficits

The fiscal deficit as a percentage of GDP, on average, in the globe is estimated to around 3.6 percent of GDP in 2016 and it is expected to further narrow down in 2017 with the lower oil prices, near zero inflation rates and interest rates. The fiscal deficit to GDP ratio of advanced economies, on average, marginally improved to 2.9 percent in 2016 and expected to be reduced further to 2.5 percent in 2017. However, fiscal deficit to GDP ratio in the emerging market and middle-income economies slightly expanded to 4.7 percent in 2016 from 4.5 percent in 2015 mainly due to the revenue losses of oil-exporting economies coupled with higher capital outflows and exchange rate depreciation in some of the countries. Furthermore, the average fiscal deficit in low-income developing economies increased to 4.5 percent of GDP in 2016 from 4.1 percent of GDP in 2015 reflecting the fall in commodity prices, slow growth, depreciation of domestic currency and increased capital outflows.

2.6 Government Debt

The government debt as a percentage of GDP in the globe expanded to 83.6 percent in 2016 from 81.3 percent in 2015. In 2016, the gross government debt as a percentage of GDP in advanced economies increased marginally to 107.6 in 2016 from 105.8 percent in 2015 due to the sluggish growth, substantial output gaps and near zero inflation rates. In contrast, government debt to GDP ratios in emerging market and developing economies are estimated to be about 47.5 percent in 2016. It is expected to increase the ratio to 49.0 percent in 2017. There is a declining trend in India's debt to GDP ratio since 2009 and it will reach 66.5

percent and 65.6 percent in 2016 and 2017, respectively. Meanwhile, China's debt to GDP ratio is on the rise to 46.8 percent in 2016 from 43.9 percent in 2015.

2.7 International Trade

International trade remains subdued in 2016 with the sharp drop in import demand emanating from commodity exporters and economic rebalancing of China shifting from trade-intensive investment and exports to consumption and services led growth. The world trade volume expected to grow by 2.8 percent in 2016 and to increase further to 3.6 percent in 2017. According to the latest update of the World Trade Organization (WTO), exports of developed and developing and emerging economies are expected to be at 2.9 percent and 2.8 percent, respectively in 2016. Meanwhile, imports of developed and developing and emerging countries are expected to grow at 3.3 percent and 1.8 percent, respectively in 2016. The downward trends in commodity prices and sharp decline in oil prices since mid-2014 have deteriorated the terms of trade of many commodity-exporting countries, limiting their ability to demand goods and services from the rest of the world. The import contraction was severe in most of commodity exporters, particularly in Brazil and Russia.

2.8 Commodity prices

In 2016, energy and other commodity prices remain low with the backdrop of ample supply situation, weaker demand, slow down of world economic recovery and the appreciation of US dollar amidst recoveries in the prices. However, crude oil prices increased by 53.3 percent to USD 46 per barrel in May 2016 from less than USD 30 per barrel in January 2016 emanating from increased demand from China and heightened geo-political uncertainty in Iraq, Nigeria and the United Arab Emirates. It is expected that crude oil prices will remain, on average, USD 41 per barrel for 2016 and USD 50 per barrel for 2017 with the projection of the drop in non-Organization of the Petroleum Exporting Countries (OPEC) production coupled with supply restraints imposed by the major suppliers. Meanwhile, natural gas prices are on the rise with the increase supply condition in the market. In contrast, metal prices are on the decline due to lower investments in new projects. The other commodity items such as iron ore, copper and aluminum remained over-supplied with larger stocks. Meanwhile, agricultural prices also declined due to ample production benefiting from low input costs.

Table 2.2 : International Commodity Prices

		US Dollar						
Item	Unit	Actual			Projection			
		2014	2015	2016 Q1	2016 Q2	2016 Q3	2016 Q4	
Energy								
Coal, Australia	\$MT	75.1	61.6	54.5	58.2	61.6	61.5	
Crude oil, average*	\$/bbl	96.2	50.8	32.8	44.9	48.6	49.5	
Natural gas, US	\$/MMB TU	4.4	2.6	2.0	2.2	2.4	2.7	
Non-energy								
Agriculture								
Beverages								
Cocoa	\$MT	3,062.8	3,135.2	2,980.8	3,209.9	3,136.4	3,066.5	
Coffee, robusta	cts/lb	105.6	94.2	82.1	72.7	75.3	76.2	
Tea	cts/kg	237.9	340.4	290.3	238.0	238.0	238.0	
Food								
Fats and Oils								
Palm oil	\$MT	739.4	565.1	586.9	656.9	637.1	623.9	
Soybean meal	\$MT	467.0	352.7	294.9	392.0	429.7	412.3	
Soybeans	\$MT	457.8	347.4	323.4	380.8	395.2	388.0	
Grains								
Maize	\$MT	192.9	169.8	159.9	168.3	160.2	161.1	
Rice	\$MT	426.5	380.0	367.7	398.0	407.5	421.9	
Wheat	\$MT	284.9	185.6	162.6	178.5	173.7	182.5	
Other food								
Sugar, free market	cts/lb	17.1	13.2	14.3	16.5	17.4	17.6	
Raw materials								
Cotton	cts/lb	83.1	70.4	66.9	62.6	63.9	63.4	
Rubber, Singapore	cts/lb	88.8	70.7	59.3	73.5	67.4	66.1	
Sawn wood	\$/M3	897.9	833.3	780.3	780.0	780.0	780.0	
Metals and Minerals								
Aluminum	\$MT	1,867.4	1,664.7	1,514.5	1,558.1	1,554.7	1,564.5	
Copper	\$MT	6,863.4	5,510.5	4,674.7	4,763.3	4,697.8	4,693.3	
Nickel	\$MT	16,893.4	11,862.6	8,507.7	8,649.2	8,415.7	8,453.3	

Source: adapted from the Price Forecast (31.05.2016) IMF, available at WWW.imf.org/external/np/res/commodi/index.aspx

* Petroleum price is average of spot prices for U.K. Brent, Dubai and West Texas Intermediate.

CHAPTER 3

Fiscal Developments

3.1 Overview

The government's fiscal consolidation process was further strengthened in the first four months of 2016 as reflected in the increase of government revenue and the management of expenditure. The overall revenue showed a healthy growth in the first four months of 2016 due to the continuous efforts made on strengthening tax administration and simplifying tax structure. Accordingly, the total revenue increased by 19.6 percent to Rs. 473 billion in the review period of 2016, compared to Rs. 395 billion recorded in the same period of 2015. The tax revenue increased by 22.3 percent to Rs. 441 billion in the reference period, compared to Rs. 361 billion in the same period of 2015. However, non-tax revenue declined by 8.8 percent to Rs. 31 billion in the first four months of 2016 from Rs. 34 billion in the same period of 2015.

Upon the increase of domestic economic activities, the revenue generated from indirect taxes on domestic activities showed positive performance. The revenue from Value Added Tax (VAT) on domestic consumption increased by 16.9 percent to Rs. 51,342 million in the first four months of 2016 due to the positive performance of sectors such as wholesale and retail trade and banking and insurance. However, revenue from VAT on imports marginally increased by 1.6 percent to Rs. 28,574 million due to a modest performance in the external sector. The revenue generated from Nation Building Tax (NBT) on domestic activities increased by 22.4 percent to Rs. 10,716 million reflecting enhanced economic activities during the review period. Meanwhile, the NBT revenue from imports

increased by 28.2 percent to Rs. 6,024 million in the reference period.

The revenue from excise duty on liquor and cigarettes increased by 25.9 percent and 12.8 percent, respectively mainly due to the upward duty rate revisions on liquor and cigarettes coupled with increased production of hard liquor. Meanwhile, the revenue from excise duty on petroleum products significantly increased by 614.7 percent to Rs. 17,221 million during the first four months of 2016, compared the same period of 2015 owing to the increased demand for petroleum products stemming from the reduction of retail prices of petrol and diesel and the rise of vehicle fleet by 11.6 percent in the review period. However, the excise duty revenue on motor vehicles declined by 10.6 percent to Rs. 59,433 million in the first four months of 2016, compared to the review period of 2015 due to the upward duty revisions on motor vehicles which has reflected in the decline in motor vehicle imports by 23.0 percent including cars by 43.0 percent, buses by 52.7 percent and auto trishaws by 62.6 percent.

Revenue generated from Special Commodity Levy (SCL) grew by 6.1 percent to Rs. 21,119 million in the first four months of 2016 owing to the rate revisions made in selected commodities to support domestic production. Also, the revenue from Ports and Airports Development Levy (PAL) increased significantly by 56.7 percent to Rs. 27,406 million reflecting the increased PAL rate to 7.5 percent from 5 percent and the revision of the concessions granted items in January, 2016. Also, the revenue from import duties significantly enhanced by 73.9 percent to Rs. 48,441 million mainly benefiting from the upward revision of duty

rates. Meanwhile, the revenue collected from commodity export subsidy scheme (Cess) also increased by 54.1 percent to Rs.

18,674 million benefiting from the increased rates of Cess.

Table 3.1 : Summary of the Budget: January - April

Item	Rs. Million	
	2015	2016 Provisional
Revenue and Grants	395,211	472,689
Revenue	395,117	472,689
Tax Revenue	360,617	441,211
Non Tax Revenue	34,500	31,478
Grants	94	-
Expenditure	666,728	706,133
Recurrent	522,535	559,697
Interest Payments	170,126	196,676
Other	352,409	363,021
Public Investments	138,983	151,978
Other	5,210	-5,542
Revenue Deficit (-)/Surplus (+)	-127,418	-87,008
Overall Budget Deficit (-)/Surplus (+)	-271,517	-233,444
Financing	271,517	233,444
Foreign Financing	-68,029	-17,058
Borrowing	39,234	42,400
Repayment	-107,263	-59,458
Domestic Financing	339,546	250,502
Borrowing	525,154	410,070
Repayment	-185,608	-159,568

Source: Department of Fiscal Policy

In terms of direct taxes, the revenue from corporate and non-corporate income tax showed a substantial increase with a growth of 48.8 percent in the reference period with the enhanced performance of the wholesale trade, hiring of movables, and manufacturing sectors and the policy measures taken to introduce a single tax rate of 17.5 percent as income tax other than the sectors of banking, financial services, insurance, liquor, tobacco, lottery, betting and gaming. During the first four months of 2016, the revenue from Pay-As-You-Earn (PAYE) tax increased by 2.8 percent benefiting from the increased salaries and

wages in both private and public sector. Revenue from Economic Service Charge (ESC) expanded by 1.9 percent in the reference period of 2016 reflecting the increased tax rate to 0.5 percent from 0.25 percent coupled with broadening the ESC liability for profit making businesses and petrol, diesel and kerosene retail trade. However, the revenue from tax on interest declined by 5.2 percent to Rs. 21,557 million in the first four months of 2016 reflecting the relatively lower issuance of domestic debt securities in this period. Accordingly, the total income tax revenue increased by 16.5 percent to Rs. 64,857 million in first four

months of 2016, compared to the same period in 2015. Meanwhile, the automation of the revenue management process of the Inland Revenue Department (IRD) by introducing the Revenue Administration Management Information System (RAMIS) contributed to increase the revenue collected from the IRD.

In contrast to tax revenue, non-tax revenue declined by 8.8 percent to Rs. 31,478 million during the first four months in 2016, compared to the review period of 2015. The revenue from rent income and sales and charges showed a positive growth whereas revenue collected from profits and dividends and social security contribution were attributable for the decline in non-tax revenue.

The government expenditure increased by 5.9 percent to Rs. 706,133 million during the first four months of 2016, compared to Rs. 666,728 million recorded in the corresponding period of 2015. Of the total expenditure, recurrent expenditure was Rs. 559,697 million and the capital expenditure and net lending was Rs. 146,436 million. The

recurrent expenditure increased by 7.1 percent while capital expenditure and net lending expanded by 1.6 percent during the review period. Total government expenditure in excess of government revenue generated an overall deficit of Rs. 233,444 million during January to April 2016 in comparison to Rs. 271,517 million in the corresponding period of 2015.

The efforts have been made to enhance both direct and indirect tax revenue by broadening tax base, simplifying tax system, removal of certain exemptions applicable on VAT and NBT and strengthening revenue administration with the expectation of rebounding domestic economic activities, which will help improve government revenue in the rest of period in 2016. Meanwhile, measures have been implemented to curtail unproductive expenditure through strengthening expenditure monitoring and zero-based budgetary systems. Accordingly, the fiscal position of the country will be improved in 2016 with the expectation of lowering the budget deficit to GDP ratio to 5.4 percent in 2016 from 7.4 percent recorded in 2015.

Table 3.2 : Estimated and Actual Revenue & Expenditure: January to April 2016

Item	Estimated	Actual	Rs. Billion
			Deviation
Total Revenue	541.3	472.7	-68.6
Tax Revenue	495.0	441.2	-53.8
Non Tax Revenue	46.3	31.5	-14.8
Total Expenditure	715.0	706.1	-8.9
Recurrent Expenditure	565.0	559.7	-5.3
Capital Expenditure	150.0	146.4	-3.6

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

The government fiscal strategy lies on achieving economic growth of 6.0 percent of GDP in 2016 by implementing long-term fiscal policy reforms with a reduction of the budget deficit while increasing the revenue and strengthening the expenditure

management. The prospects on improving the performance and efficiency of the key State Owned Business Enterprises (SOBEs) will create a conducive investment environment combined with viable investments to address the required

demand. The reforms introduced in the Budget 2016 laid the foundation in achieving development objectives of the country while strengthening the fiscal position of the country.

3.2 Government Revenue

The total government revenue increased by 19.6 percent to Rs. 473 billion in the first four months of 2016 in comparison to Rs. 395 billion in the same period of 2015 benefiting from increased tax revenue by 22.3 percent to Rs. 441 billion in the review period. This was also attributable to the increase in revenue generated from corporate and non-

corporate income taxes, domestic consumption based taxes and the import based taxes. The domestic consumption based taxes increased by 19.1 to Rs. 133,862 million in the first four months of 2016 in comparison to Rs. 112,360 million during the corresponding period of the previous year. Meanwhile, the import based taxes also increased by 26.7 percent to Rs. 226,892 million in the first four months of 2016, compared to the same period in 2015. However, the non-tax revenue decreased by 8.8 percent to Rs. 31 billion in the reference period mainly due to the decline in profits and dividends from State Owned Business Enterprises(SOBEs).

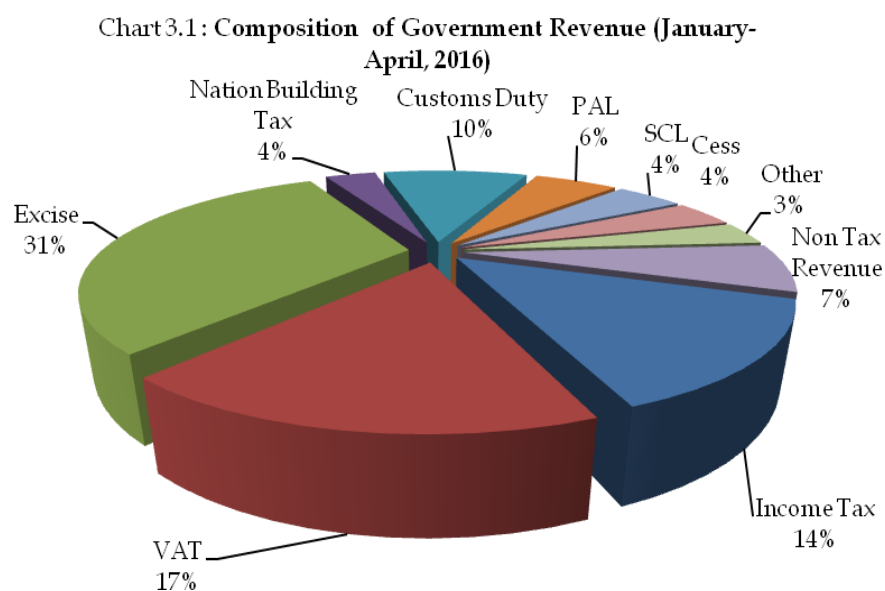
Table 3.3 : Estimated and Actual Tax Revenue: January - April 2016

Item	Rs. Billion	
	Est.	Act.
Inland Revenue Department		
Tax on Income and Profit	68.9	64.9
VAT - Domestic	55.2	51.3
NBT - Domestic	27.7	10.7
Sub Total	151.8	126.9
Customs Department		
Import Duties	37.5	48.4
VAT - Imports	23.3	28.6
NBT - Imports	13.5	6.0
Ports and Airports Development Levy	28.6	27.4
Import/Export Cess	17.6	18.7
Special Commodity Levy & Other	19.6	21.1
Excise Special Provisions	117.7	106.3
Excise on Cigarettes	26.6	28.8
Petroleum Products	12.1	17.2
Motor Vehicle & Other	79.0	60.3
Sub Total	257.8	256.5
Excise Department		
Liquor	46.7	42.2
Sub Total	46.7	42.2
Other		
Telecommunication Levy	13.5	11.9
License Tax & Other	25.2	3.7
Sub Total	38.7	15.6
Total Tax Revenue	495.0	441.2

Table: 3.4 : Summary of Performance of Government Revenue (January - April)

Item	2015	2016 Provisional	Rs. Million Growth %
Tax Revenue	360,617	441,211	22.3
Income Tax	55,688	64,857	16.5
Domestic Consumption Based Tax	112,360	133,862	19.1
VAT	43,931	51,342	16.9
Excise Duty	59,674	71,804	20.3
Nation Building Tax	8,755	10,716	22.4
Import Based Tax	179,078	226,892	26.7
Customs Duty	27,851	48,441	73.9
VAT	28,112	28,574	1.6
Nation Building Tax	4,701	6,024	28.2
PAL	17,490	27,406	56.7
SCL	19,896	21,119	6.1
Excise Duty	68,911	76,654	11.2
Cess	12,117	18,674	54.1
License Taxes and Other	13,491	15,601	15.6
Non Tax Revenue	34,500	31,478	-8.8
Total Revenue	395,117	472,689	19.6

Source: Department of Fiscal Policy



Income Tax

The revenue generated from corporate and non-corporate income tax significantly increased by 48.8 percent to Rs. 30,582 million in first four months of 2016, compared to Rs. 20,556 million in the

respective period of 2015. Wholesale trade, hiring of movables and manufacturing sectors mainly contributed to this growth. In addition, the policy measures taken to introduce a single tax rate of 17.5 percent as income tax other than the sectors of banking and financial services and insurance, liquor,

tobacco and lottery, betting and gaming contributed this increase. During the first four months of 2016, the revenue from PAYE tax increased by 2.8 percent to Rs. 9,828 million from Rs. 9,563 million in the review period of 2015. The increase in salaries and wages in both private sector and the government sector and employment in high earning categories in sectors such as professional services, banking sector and tourism were attributable to this growth.

The tax on ESC improved by 1.9 percent to Rs. 2,890 million in the first four months of 2016, compared to the same period of 2015

benefiting from the increased tax rate from 0.25 percent to 0.5 percent while broadening the ESC liability for profit making businesses and petrol, diesel and kerosene retail trade with effect from 01.04.2016. However, the revenue from tax on interest declined by 5.2 percent to Rs. 21,557 million mainly due to the relatively lower issuance of domestic debt securities in the first four months of 2016. The total revenue for income tax increased by 16.5 percent to Rs. 64,857 million during the first four months of 2016, compared to Rs. 55,688 million in the respective period of the previous year.

Table 3.5 : Performance of Income Tax Revenue (January - April)

Rs. Million

Tax Base	2015	2016 Provisional	% Change
Corporate and Non Corporate	20,556	30,582	48.8
PAYE	9,563	9,828	2.8
Tax on Interest Income	22,733	21,557	-5.2
Economic Service Charge	2,836	2,890	1.9
Total	55,688	64,857	16.5

Source: Department of Fiscal Policy

Value Added Tax (VAT)

The total VAT revenue increased by 10.9 percent to Rs. 79,916 million during the first four months of 2016, in comparison to Rs. 72,043 million in the same period of 2015

driven by increased domestic economic activities. The revenue from VAT on domestic activities increased by 16.9 percent to Rs. 51,342 million in the review period, compared to Rs. 43,931 million in the same period of 2015.

Table 3.6 : Performance of Revenue of VAT (January - April)

Rs. Million

Tax Base	2015	2016 Provisional	Growth (%)
Domestic	43,931	51,862	18.1
Imports	28,367	28,177	-0.7
Gross Revenue	72,298	80,039	10.7
Refunds	255	123	-51.6
Net Revenue	72,043	79,916	10.9
Refunds as % of Gross Revenue	0.4	0.2	

Source : Department of Fiscal Policy

The growth of VAT revenue from the sectors such as food, textile and garments, leather products, rubber products and plastic products had a positive impact on domestic VAT revenue. Meanwhile, the revenue from VAT on imports increased marginally by 1.6 percent to Rs. 28,574 million during the first four months of 2016, compared to the corresponding period of 2015 due to a weaker performance in imports during this period.

Excise Duty

The total excise tax revenue generated from liquor, cigarettes and tobacco, petroleum, motor vehicles and other items increased by 15.5 percent to Rs. 148,458 million during the first four months of 2016, compared to Rs. 128,585 million recorded in the same period of 2015. Increased demand for petroleum products due to relatively lower domestic prices together with the increase of excise duty rates on liquor and cigarettes mainly contributed to this performance amidst the significant decline in revenue from excise duty on motor vehicles.

The revenue collected from excise duty on liquor increased significantly by 25.9 percent to Rs. 42,193 million in the review period,

compared to the same period of 2015 reflecting the upward duty rate revisions on liquor and increased production of hard liquor by 6.6 percent. The revenue from cigarette and tobacco increased by 12.8 percent to Rs. 28,764 million during the first four months of 2016 benefiting from the increase in excise duty rates on cigarettes. Meanwhile, the revenue from petroleum products significantly increased by 614.7 percent to Rs. 17,221 million during the first four months of 2016, compared to Rs. 2,410 million in the same period of 2015. This was mainly due to the increased imports of petrol and gas oil including diesel by 214.7 percent with increased demand benefiting from the reduction of retail prices of petrol and diesel.

However, the revenue collected from excise duty on motor vehicles declined by 10.6 percent to Rs. 59,433 million in the first four months of 2016, compared to Rs. 66,501 million in the review period of 2015. This decline was mainly due to the fall in motor vehicle imports by 23.0 percent, including cars by 43.0 percent, buses by 52.7 percent and auto trishaws by 62.6 percent, with the increased taxes on motor vehicles.

Chart 3.2: Performance of Excise Duty (January-April 2015 and 2016)

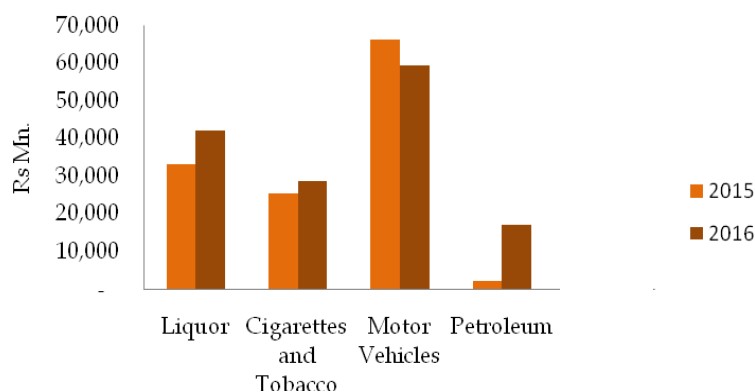


Table 3.7 : Performance of Excise Duty (January - April)

Tax Base	2015	Rs. Million	
		2016 Provisional	Growth (%)
Liquor	33,505	42,193	25.9
Cigarettes and Tobacco	25,491	28,764	12.8
Motor Vehicles	66,501	59,433	-10.6
Petroleum	2,410	17,221	614.7
Other	678	847	24.9
Total	128,585	148,458	15.5

Source : Department of Fiscal Policy

Import Duty

The revenue generated from import duty significantly increased by 73.9 percent to Rs. 48,441 million in the first four months of 2016, compared to Rs. 27,851 million in the same period of 2015. It was a 11.0 percent of total tax revenue. The increase of the revenue was mainly attributable to the upward revisions of import duties coupled with the increased import expenditure of machinery and equipment by 19.2 percent and building material by 18.6 percent during the first four months of 2016.

However, the import of duty exempted items such as, fertilizer, pharmaceutical manufacturing items and machinery and equipment used for supply and distribution of electricity and also duty exempted items under the investment agreements adversely affected to the performance of the revenue generated from import duty. Furthermore, the importation of many products which were granted duty free or normal duty status under the Free Trade Agreements to strengthen bilateral and regional trade continued during the period.

Table 3.8 : Motor Vehicle Imports and New Registration of Vehicles - January to April

Unit: Number

Item	Imports				New Registrations			
	2015	2016	Change	% Change	2015	2016	Change	% Change
Buses	2,093	991	-1,102	-52.7	1,712	871	-841	-49.1
Motor Cars	25,923	14,780	-11,143	-43.0	24,488	15,300	-9,188	-37.5
Three Wheelers	35,828	13,411	-22,417	-62.6	39,425	14,555	-24,870	-63.1
Motor Cycles	93,543	89,872	-3,671	-3.9	124,658	99,006	-25,652	-20.6
Goods Transport Vehicles(a)	13,879	9,647	-4,232	-30.5	13,355	9,003	-4,352	-32.6
Land Vehicles (b)	2,904	5,513	2,609	89.8	2,894	4,103	1,209	41.8
Other	228	69	-159	-69.7	243	343	100	41.2
Total	174,398	134,283	-40,115	-23.0	206,775	143,181	-63,594	-30.8

Source: Department of Customs and Department of Motor Traffic

(a) Lorries and Other Goods Transport Vehicles.

(b) Tractors, Hand Tractors and Other Land Vehicles.

Special Commodity Levy

The revenue generated from Special Commodity Levy (SCL) increased by 6.1 percent to Rs. 21,119 million during the first four months of 2016, compared to Rs. 19,896 million recorded in the first four months of 2015. This performance was mainly due to the increase of number of products coming under the SCL and upward revision of the SCL rates to encourage domestic production of potatoes, big onions, onions, green gram and sugar etc. Moreover, SCL duty rates applicable items such as Maldives fish, sprats, green gram, black gram, chilies, coriander, turmeric, black gram flour, canned fish, maize, potatoes, B-onions, mackerel fish, peas etc., were revised in the review period.

Nation Building Tax

The revenue generated from Nation Building Tax (NBT) significantly increased by 24.4 percent to Rs. 16,740 million in the first four months of 2016, compared to Rs. 13,456 million in the same period of 2015.

The revenue collected from NBT on domestic activities increased by 22.4 percent to Rs. 10,716 million in the review period reflecting improvements in sectors such as retail trade and distribution, rent, construction, manufacturing products, hotels and restaurants, catering services. Meanwhile, the revenue collected from NBT on imports rose by 28.2 percent to Rs. 6,024 million in the reference period, compared to the same period of 2015.

Under the revenue sharing mechanism introduced in 2011 as a part of the simplification of the tax system, Rs. 8,370 million was transferred to Provincial Councils during the first four months of 2016, compared to Rs. 6,720 million in the same period of 2015. This increase was mainly a reflection of higher collection of NBT on domestic activities. In addition, 70 percent of revenue amounting to Rs. 626 million collected from motor vehicle registration fees and entire revenue of Rs. 3,541 million collected from stamp duty were also transferred to PCs during the first four months of 2016.

Table 3.9 : Revenue Transferred to Provincial Councils (January-April 2016)

Month	NBT		Motor Vehicle Registration Fees	Stamp Duty	Total
	Inland Revenue Department	Customs			
January	1,579	992	147	1,864	4,582
February	1072	669	146	173	2,060
March	1061	742	175	180	2,158
April	1,645	610	158	1,324	3,737
Total	5,357	3,013	626	3,541	12,537

Source: Department of Fiscal Policy

Other Taxes

The revenue from Ports and Airports Development Levy (PAL) increased by 56.7 percent to Rs. 27,406 million and accounted for 6.2 percent of total tax revenue in the first four months of 2016, compared to the same period of 2015. The total revenue

collected from Cess on imports and exports amounted to Rs. 18,674 million and it was an increase of 54.1 percent in comparison to the same period in 2015. In order to protect the local industries and also encourage the domestic value addition to the export industry, Cess was imposed on selected imports and low value added exports.

Box 3.1: Fiscal Measures: January 2016- May 2016 ²

Effective Date	Measures
Excise (Special Provisions) Duty	
12.01.2016	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1949/29 of 12.01.2016) - to grant duty concessions with certain conditions for the vehicles imported for personal use.
29.04.2016	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1964/70 of 29.04.2016) - to grant duty concessions with certain conditions for the vehicles imported on a concessionary permit by a member of Parliament, a member of a Sri Lanka diplomatic officer and a member of Provincial Council.
02.05.2016	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1965/2 of 02.05.2016) - to exempt Excise Duty for importing vehicles for the Members of 8 th Parliament.
16.05.2016	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1967/5 of 16.05.2016) - to exempt Excise Duty for the articles imported for the official use of the President or the Prime Minister of Sri Lanka.
19.05.2016	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1967/52 of 19.05.2016) - to grant duty concessions with some conditions for the vehicles imported on a concessionary permit for those who rendered distinguished service to the country or awarded to such persons.
27.05.2016	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1968/19 of 26.05.2016) - to revise Excise Duty based on unit rates on motor vehicles and introduce a excise duty rate per kilowatt of the motor power of the engine for electric vehicles.
Excise (Ordinance) Duty	
01.01.2016	Excise Notification No. 985 (Gazette Notification No. 1947/41 of 31.12.2015) - to impose restrictions on retail sale and transportation of foreign liquor.
01.01.2016	Excise Notification No. 987 (Gazette Notification No. 1947/43 of 31.12.2015) - to increase excise duty rate on bottled toddy.
01.04.2016	Excise Notification No. 988 (Gazette Notification No. 1956/19 of 02.03.2016) - to revise excise duty on ethyl alcohol.
Stamp Duty (Special Provisions)	

² Major fiscal policy measures implemented during the period of January 2016 – May 2016 are included.

Effective Date	Measures
01.01.2016	Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1947/45 of 01.01.2016) - to increase Stamp Duty on foreign purchases using credit cards.
01.01.2016	Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1947/46 of 01.01.2016) - to remove Stamp Duty on local purchasing using credit cards and remove Stamp Duty on issuing share certificates.
Ports and Airports Development Levy (PAL)	
01.01.2016	<ul style="list-style-type: none"> - PAL rate was increased to 7.5 percent from 5 percent - concessionary rate of 2.5 percent to electronic and electrical items was extended. - machinery and equipment used for agriculture, dairy and construction industry were exempted from PAL. <p>Ports and Airports Development Levy (PAL) Act, No. 18 of 2011 (Gazette Notification No. 1947/47 of 01.01.2016)</p> <ul style="list-style-type: none"> - to gazette the relevant H.S codes which liable for concessionary rate of 2.5 percent of PAL. - to declare exempt articles from the payments of PAL.
CESS Levy	
15.06.2016	Sri Lanka Export Development Act, No 40 of 1979 (Gazette Notification No. 1971/5 of 13.06.2016) - to revise the Export Cess Levy on raw rubber from Rs. 15 per Kg to Rs. 4 per Kg.
15.06.2016	Sri Lanka Export Development Act, No 40 of 1979 (Gazette Notification No. 1971/6 of 13.06.2016) - to revise the Import Cess Levy on imported beef, turkey and sheep from 30 percent or Rs. 225 per Kg to 15 percent or Rs. 100 per Kg.
Betting and Gaming Levy	
01.01.2016	<ul style="list-style-type: none"> - the casino entry fee was removed. - annual levy imposed on the business of gaming other than rudjino was increased to Rs. 400 mn from Rs. 200 mn. - the present annual levy for carrying on the business of playing rudjino was reduced to Rs. 5 mn per year from Rs. 200 mn per year.
Economic Service Charges (ESC)	
01.04.2016	<ul style="list-style-type: none"> - ESC rate was increased to 0.5 percent from 0.25 percent. - the existing maximum liability of Rs. 120 mn per year was removed. - the existing exclusion of profit making business was removed.
Value Added Tax (VAT)	
02.05.2016	<ul style="list-style-type: none"> - VAT rate was increased to 15 percent from 11 percent. - VAT registration threshold was increased to Rs. 12 mn per annum from Rs. 15 mn per annum. - wholesale and retail trade was made liable for VAT and the threshold for VAT liability for wholesale and retail trade was reduced to Rs. 12 mn per annum. - currently exempted supplies namely, supply of telecommunication services, import or supply of telecom equipment or machinery, high tech equipment including copper cables for telecom industry, issue of licenses to local telecom operators by TRC, supply of healthcare services and supply of goods or services to any specified projects other than housing projects were made liable for VAT.

Effective Date	Measures
Nation Building Tax (NBT)	
02.05.2016	<ul style="list-style-type: none"> - currently applicable NBT rate of 2 percent was continued. - NBT registration threshold was revised to Rs. 3 mn per quarter from Rs. 3.75 mn per quarter. - the existing NBT exemptions on articles or services, namely, telecommunication services, supply of electricity, lubricants, supply of goods or services to any specified projects other than housing projects, were removed.
Income Tax	
01.04.2016	<ul style="list-style-type: none"> - the following income tax rates were applied on the profits from; <ul style="list-style-type: none"> • banking and financial services, insurance industry and trading activities – 28 percent • Liquor, tobacco, lottery, betting and gaming – 40 percent • All other activities – 17.5 percent • Other sources such as interest income, royalty, dividends, etc., continue with the existing rates applicable depending on the source of income.
Revenue Protection Act	
01.02.2016	Revenue Protection Act, No. 19 of 1962 (Gazette Notification No. 1952/10 of 01.02.2016) – to increase customs import duty on rice to Rs. 50 per Kg from Rs. 35 per Kg.
01.03.2016	Revenue Protection Act, No. 19 of 1962 (Gazette Notification No. 1956/17 of 01.03.2016) – to revise the method of customs valuation of motor vehicles.
Special Commodity Levy (SCL)	
21.01.2016	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 1950/30 of 20.01.2016) – to extend the validity period of SCL on 8 items including Maldives fish, sprats, green gram, black gram, chillies, turmeric etc. for a period of six months.
29.01.2016	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 1951/28 of 28.01.2016) – to extend the validity period of SCL on maize and vegetable fats for a period of one month and three months respectively.
01.03.2016	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 1956/10 of 29.02.2016) – to increase the duty rates of Potatoes and B' Onions to Rs. 35 per Kg from Rs. 15 per Kg and to Rs. 25 per Kg from Rs. 5 per Kg respectively.
08.03.2016	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 1957/5 of 08.03.2016) – to extend the validity period of SCL on 8 items including mackerel fish, peas, chickpeas, cowpeas, Kurakkan, margarine, sugar etc. for a period of six months.
02.04.2016	Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 1960/59 of 01.04.2016) – to extend the validity period of SCL on 15 items including dried fish, yogurt, butter, red onions, oranges, grapes, apple etc. for a period of six months.
Finance Act	
01.01.2016	The Finance Act, No. 10 of 2015 of 30.10.2015 – to impose Motor Vehicle Importers License Fee amounting Rs. 1.5 mn per annum.
01.01.2016	The Finance Act, No. 11 of 2004 (Gazette Notification No. 1945/02 of 14.12.2015) – to increase the rates on International Telecommunication Operator's Levy (ITOL) from USD 09 Cents to USD 12 Cents.

Effective Date	Measures
01.01.2016	The Finance Act, No. 25 of 2003 (Gazette Notification No. 1947/48 of 01.01.2016) – to increase Embarkation Levy rate to USD 30 for both ship and air passengers.
01.01.2016	Construction Industry Guarantee Fund Levy was removed.
01.01.2016	Vehicle Entitlement Levy was introduced in lieu of Motor Vehicle Importers License Fee.
01.01.2016	Share Transaction Levy was removed.
01.04.2016	Share Transaction Levy was re-imposed at the rate of 0.3 percent.
Land (Restrictions on Alienation) Act	
01.01.2016	Tax imposed on the leasing of land to foreigners was removed.

3.3 Government Expenditure

The total government expenditure for the first four months of 2016 amounted to Rs. 706,133 million, of which recurrent expenditure was Rs. 559,697 million and capital expenditure and net lending was Rs. 146,436 million, an increase of 5.9 percent

over the same period in 2015. The recurrent expenditure was increased by 7.1 percent mainly due to the increase of salaries of government employees and pensioners while the capital expenditure and net lending decreased by 1.6 percent due to the slow progress of capital projects.

Table 3.10: Performance of Government Expenditure: January – April 2016

Item	Rs. Million	
	2015	2016 Provisional
Recurrent Expenditure	522,535	559,697
Salaries	181,400	188,604
Pension	48,012	56,008
Interest Payments	170,126	196,676
Other	122,997	118,409
Capital Expenditure	144,193	146,436
Total	666,728	706,133

Source: Department of National Budget, Department of State Accounts and Department of Treasury Operations

Salaries and Pension

Expenditure on salaries and wages of public servants including Provincial Councils, amounted to Rs. 188,604 million for the first four months of 2016, which was an increase of 4.0 percent over the corresponding period of 2015. This increase was mainly due to the combined effect of the increase of interim allowance in 2015 and the increase of permanent cadre by absorbing the temporary employees to the permanent

cadre as per the provisions of Public Administration Circular 25/ 2014

The pension payment was Rs. 56,008 million for the first four months of 2016, an increase of 16.6 percent over the same period of 2015. Rectification of pension anomalies with effect from 1st July 2015, by adjusting pensions according to the salary structure implemented on 01.01.2006 and the increase in public sector basic salaries as per Public Administration Circular 3/2016 contributed to increase the pension expenditure.

Interest Cost

During the first four months of 2016, the government spent Rs. 196,676 million on interest payments of domestic and foreign

debt, an increase of 15.6 percent compared to Rs. 170,126 million over the same period in 2015 as most of the loans has been started to service after their grace period.

Table 3.11 : Behavior of Yield Rates (%) on Government Securities and Exchange Rate : 2015-2016 June

Period	Treasury Bills			Treasury Bonds				Monthly Average Exchange Rate (Rs./US\$)	
	91 Days	182 Days	364 Days	2 Years	3 Years	4 Years	5 Years		
2015	Jan	5.80	5.90	6.05	-	-	-	-	131.55
	Feb	5.98	6.09	6.13	-	-	-	-	132.73
	Mar	6.60	6.70	6.80	-	8.70	-	9.13	132.90
	Apr	6.19	6.35	6.50	8.14	-	8.92	9.07	132.90
	May	6.07	6.18	6.29	-	7.96	8.15	8.46	133.50
	Jun	6.08	6.18	6.28	6.17	7.18	-	8.11	133.90
	Jul	6.28	6.43	6.48	-	8.18	-	8.39	133.69
	Aug	6.53	6.87	6.97	-	-	-	8.38	133.88
	Sep	6.78	7.07	7.18	-	-	-	9.58	138.88
	Oct	6.61	6.99	7.06	-	-	9.50	-	140.89
	Nov	6.44	6.40	6.92	-	-	-	-	142.02
	Dec	6.28	6.54	7.01	-	-	8.91	9.56	143.45
2016	Jan	6.78	7.19	7.80	-	-	-	-	143.94
	Feb	7.14	8.07	8.50	-	-	-	-	143.93
	Mar	8.30	9.29	9.90	10.00	-	11.87	11.42	143.96
	Apr	8.45	9.53	10.17	11.75	11.75	12.78	13.00	143.90
	May	8.91	9.67	10.48	11.83	11.51	12.11	12.48	145.75
	Jun	8.84	9.8	10.54	11.42	-	-	11.97	145.68*

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

* Average up to 25th June 2016

Welfare Expenditure

Total expenditure on welfare payments and subsidies during the first four months of 2016 increased by 10.4 percent to Rs. 47,539 million from Rs. 43,054 million in the same period of 2015. The expenditure incurred for the following major welfare programmes contributed mainly for this increase.

- Samurdhi relief
- Elders allowance
- Monthly allowances for July Strikers
- Fertilizer subsidy

- Food nutritional programme for pregnant mothers (Poshanamalla)
- Special grant for Kidney patients

The welfare programmes continued targeting the needy segments of the society through Samurdhi cash grant, payments to elderly and parents of security personnel and flood and drought relief to affected families which amounted to Rs. 12,386 million. Of this total, the service compensation for dead and disabled soldiers was Rs. 8,622 million during the

first four months of 2016, compared to Rs. 7,387 million in the same period of 2015.

The government continued national programme, such as Poshanamalla, Thriposha program, fresh milk and school nutrition programme spending Rs. 2,618 million in the first four months of 2016 with the intention of improving maternal and child nutrition. The expenditure on Thriposha programme was Rs. 574 million and Rs. 1,179 million spent for the expenditure on Poshanamalla programme.

The welfare programmes implemented for school children by providing free text books, uniforms, season tickets, free Dhamma school text books and bursaries continued at a cost of Rs. 3,832 million during the period. The priority has been given by the government to provide free medicine for patients without any disruption incurring Rs. 13,138 million during the first four months of 2016. Under the fertilizer subsidy programme, the government incurred Rs. 7,360 million during this period to provide all varieties of fertilizer for paddy farmers and other small crop holders.

Table 3.12: Welfare Expenditure January-April 2016

Item	Rs. Million	
	Jan- April 2015	Jan- April 2016
Mothers and Children		
Thriposha Programme and Infant Milk Food Subsidy/Poshanamalla	583	1,753
Free text books & uniforms	1,790	2,570
School season tickets	875	1,263
School Nutritional foods	325	863
Agriculture		
Fertilizer subsidy	8,213	7,360
Welfare payments		
Samurdhi Relief	12,437	13,817
Assistance to differently able soldiers	7,387	8,622
Elder Allowance	2,436	3,008
Assistance for differently-able	189	354
Food assistance, flood and drought Relief	191	2

Source: Department of National Budget

Public Investment Expenditure

(A) Human Capital Development

(1) Education

The total expenditure on education sector, i.e. general education, higher education, tertiary and vocational education and science, technology and research amounted to Rs. 32,313 million, an increase of 35.8 percent over the first four months of 2015. The expenditure on welfare programmes

increased by Rs. 1,020 million in the review period over the same period of 2015 due to the increased expenditure on “school nutrition program” and settling the outstanding bills of printing of school text books.

Construction and provision of equipment for technological labs for Advanced Level (A/L) technology stream and the construction of 60 hostel complexes for universities were the major investments

made for the first four months of 2016. Further, Rs. 112 million was invested by the University of Jayewardenepura for construction of building complex for Faculty of Medical Science during the first four months of 2016. Slow progress was observed in the Skills Sector Development

Programme implemented by the Ministry of Skills Development and Vocational Training. However, the establishment of Vocational Training Institute at Kilinochchi with the collaboration of GIZ, is near completion.

Table 3.13: Expenditure on Major Activities of Education Sector

Description	Rs. Million	
	Jan - April 2015	Jan - April 2016
Recurrent Expenditure		
General Education		
Personnel Emoluments for School Teachers and other support staff	8,610	10,115
Welfare Program	2,443	3,463
Evaluation of examinations	1,932	687
Provincial Education	25,373	39,800
Higher Education		
Personnel Emoluments of Universities & other Higher Educational Institutions	6,578	7,440
Mahapola and Bursary Payment	130	339
Tertiary & Vocational Training		
Salaries for Vocational Training and other support staff	978	1,327
Stipend and season tickets provided for Technical Training students	159	3
Science, Technology & Research		
Personnel Emoluments for science, Technology & Research Institutes and other staff	374	407
Public Investment Expenditure		
General Education		
Primary school development	21	22
Secondary school development	1,157	1,304
Teacher development	89	132
Other Development Projects	110	53
Provincial Education	364	1,121
Higher Education		
Development of Universities & other Higher Educational Institutions	3,202	3,147
Construction of 60 Hostel Complexes	444	755
Higher Education for 21 st century Project	586	246
Tertiary & Vocational Training		
Vocational Training Institutes *	86	40
Skills Sector Development Program	563	196
Science, Technology & Research		
Science, Technology & Research Institutes and other capital investments	31	95

Source: Department of State Accounts

*Do not include the expenditure of Youth Services Council and National Youth Corps as the youth development component has been transferred to the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs from 2015 onwards

(2) Health

With a view of improving the free healthcare service across the country, public investment increased continuously at central as well as provincial level. The total expenditure of provincial and central

government during the first four months of 2016 was Rs. 58,842 million, an increase of 9.7 percent compared to the same period of 2015. Of the total expenditure, recurrent expenditure amounted to Rs. 53,270 million and the capital investment was Rs. 5,572 million.

Table 3.14: Expenditure on Major Activities of Health Sector

Description	Rs. Million	
	2015 Jan-April	2016 Jan-April
Total Recurrent Expenditure	47,920	53,270
service delivery expenditure	20,848	24,132
of which Salaries of medical personnel and support staff	17,229	20,372
Provision of Medicine	9,350	13,138
Provincial Health	17,722	16,000
Public Investment Expenditure	5,730	5,572
Development of District Hospital - Polonnaruwa	32	23
Epilepsy unit at National Hospital, Colombo	201	699
Development of DGH Hambantota and DGH Nuwaraeliya	1	1
Construction of the State of the Art Cancer Ward Complex at National Institute of Cancer, Maharagama (Razavi Project)	-	15
Maternity Ward Complex at TH Kurunegala	188	21
Development of Estate Sector Hospitals	9	31
Accident Service and Ward Complex at TH Ragama	48	33
Helmut Khol Maternity Hospital Karapitiya, Galle (GOSL-Germany-kfw)	1	46
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	150	471
Other capital investments	2,970	3,238
Provincial Health Investment	2,130	994

Source: Department of National Budget

(B) Infrastructure

(1) Irrigation and Water Resources Management

The government invested Rs. 5,986 million for the development of irrigation schemes through rehabilitation and construction of

new reservoirs, during the review period in 2016. The expenditure on inter provincial and multipurpose ongoing irrigation schemes such as, Moragahakanda and Kaluganga projects amounted to Rs. 2,087 million during the first four months of the year. Major and medium size irrigation schemes received Rs. 1,435 million for rehabilitation works.

(2) Water Supply and Sanitation

During the first four months of 2016, the government invested Rs. 5,300 million in water supply and sanitation sector. Out of this, Rs. 4,840 million was spent on large scale water supply and sanitation schemes, such as Dry Zone Urban Water and Sanitation Project, Badulla -Haliela and Ella Water Supply Project, Moneragala-Buttala

Water Supply Project, Mahiyangana Water Supply Project, Wastewater Disposal System to Moratuwa, Rathmalana and Ja-ela Ekala and Kandy City Water Supply Management Project. In addition, Rs. 245 million and Rs. 215 million spent on Water Sector Community Facilitation and Small and Medium Water Supply Schemes respectively.

Table 3.15: Expenditure on Water Supply and Sanitation

Rs. Million

Project	Local Funds	Treasury Bond	Foreign Fund	Total Expenditure
Small & Medium Water Supply Projects	215	-	-	215
Foreign Funded Large Scale Water Supply & Sanitation Projects	-	849	3,991	4,840
Rural Water Supply Projects	230	-	-	230
National Community Water Supply Projects	15	-	-	15
Total Investment	460	849	3,991	5,300

Source : National Water Supply & Drainage Board

(3) Highways and Bridges

Total investment during the first four months of 2016 for road development was Rs. 17,460 million of which Rs. 85 million was incurred for recurrent expenditure and Rs. 17,375 million for capital expenditure.

The capital investment incurred mainly for the development of expressways, highways, flyovers, bridges as well as widening and improvement of roads. A major portion of

the expenditure of Rs. 9,650 million spent for highways development which included the local banks funded road development project. Rs. 899 million spent for Phase III of the Outer Circular Highway from Kadawatha to Kerawalapitiya section which is planning to be completed by June 2019. Further, the government has identified the central expressway as a priority project and Rs. 64.6 million incurred during the first four months of 2016 for acquisition of lands.

Table 3.16: Expenditure on Major Activities on Road Sector

Rs. Million

S/No.	Project/Programme	Expenditure as at 30th April 2015	Expenditure as at 30th April 2016
1	Expressways Development	1,188.7	1,578.0
	Outer Circular Highway Project - Phase III	1,137.8	899.3
	Central Expressway Project	3.9	64.6
	Extension of Southern Expressway	30.2	591.5
	Others	16.8	22.6
2	Highways Development	2,917.6	1,842.3
	Maintenance of Roads	1,200.0	497.0
	Priority Road Projects- III	1,573.6	612.5
	Colombo District Road Development Project	3.3	588.7
	Southern Road Connectivity Project	2.0	15.0
	Integrated Road Investment Programme (iRoad)	34.8	22.9
	Others	103.9	106.2
3	Widening and Improvement of Roads	1,247.7	2,215.7
4	Construction of Bridges and Flyovers	330.4	782.4
	UK Steel Bridge Project	137.1	161.5
	Reconstruction of Damaged/ Weak Bridges on National Highways	5.1	50.4
	Reconstruction of 46 Bridges	167.2	304.4
	Major Bridge Construction project	11.3	13.8
	Construction of Rural Bridges using old bridge components	-	40.8
	Second New Kelani Bridge Construction Project	7.9	108.6
	Others	1.8	103.0
5	Natural Disaster Affected Road Rehabilitation	4.2	12.3
6	Maganeguma Rural Road Development Programme	2,415.0	293.0
7	Transfers to RDA	2,000.0	2,000.0
8	Lands & Land Improvements	149.9	822.9
9	Government Guaranteed Local banks Funded Project	5,317.7	7,807.9
10	Others	11.4	20.5
	Total	15,582.6	17,375.1

Source: Department of National Budget

(4) Transport

The investment in the transport sector during the period under review was Rs. 9,813 million and it was mainly incurred for infrastructure development and fleet expansion of public transport in order to have efficient and modern public transport system in the country. Out of the total expenditure, Rs. 856 million was incurred by the Sri Lanka Central Transport Board (SLCTB) for payment of leasing installment

of the purchase of new buses and spare parts. The balance Rs. 8,957 million was spent for the continuation of construction projects including Matara-Beliatta-Kataragama new rail line, Omanthai-Pallai rail line, Madu-Thalaimannar rail line, Pallai-Kankasanthurai rail line and Installation of New Railway Signaling and Telecommunication system from Anuradhapura/Thalaimannar/Kankasanthurai.

Table 3.17: Railway Sector Expenditure : January - April 2016

Rs. Million			
Name of the Project	Domestic Financing	Foreign Financing	Total Expenditure
Matara - Beliatta - Kataragama New Rail Line	41	-	41
Upgrading Colombo - Matara Railway	458	-	458
Medawachchiya - Madu Line	820	-	820
Madu - Thalaimannar Line	1,459	-	1,459
Omanthai - Pallai Line	1,947	-	1,947
Pallai - KKS Line	1,440	-	1,440
Installation of New Railway Signaling & Telecommunication System from ANP/TLM/KKS	636	-	636
Rehabilitation of Permanent way with New rails and Sleepers	549	-	549
Concrete Sleepers production Plant Unit	295	-	295
Rehabilitation of Vehicles	616	-	616
Total Investment	8,261	-	8,261

Source : Department of National Budget

(5) Power and Energy

With a view of strengthening the financial position of the Ceylon Electricity Board (CEB) and to facilitate operations through its self-generated earnings, the government decided to convert the loans of CEB to equity since 2014. As a result, the public investment for the revenue making power generation projects has been gradually decreased. In 2016, the CEB expects to invest Rs 94, 000 million on power generation and distribution projects.

During the first four months of 2016, the government investment to the power and energy sector was Rs. 60.8 million. This includes the expenditure incurred for the improvement of the Gender Inclusive Access to Clean Energy and Renewable Energy, Clean Energy and Network Energy Improvement project, and Sustainable Power Sector Support Projects amounting to Rs 15.13 million, Rs. 14 million, and Rs. 9.13 million, respectively. Meanwhile, Polipto Lanka (Pvt) Ltd spent Rs. 24 million in the

first four months for the conversion of plastic waste to fuel.

(6) Urban Development

The concept of Megapolis development is a new strategy of the government for transforming the Sri Lanka into the high-income developed country status. Accordingly, the Western Region Megapolis is envisioned and conceptualized to transform the city to a planned mega city to answer the issues of traffic congestion, garbage disposal issues, slums, environmental issues etc. In addition, it is expected to develop strategic cities such as Galle, Kandy, Jaffna, Anuradhapura and Trincomalee.

In this regard, during the first four months of 2016, Rs. 1,521 million was spent for urban development of which Rs. 1,420 million was invested mainly for large scale urban development projects.

Table 3.18: Large Scale Urban Development Project Expenditure: January- April 2016

Rs. Million

Project	Local Funds	Foreign Fund	Total Expenditure
Metro Colombo Urban Development Project	90.69	392.81	483.50
Greater Colombo Urban Transport Development Project - Phase I -(Township Development)	113.48	-	113.48
Development Strategic Cities - Kandy & Galle	148.14	182.97	331.11
Greater Colombo Flood protection and Environment Development Project	3.8	-	3.80
Metro Colombo Flood Resilient and Urban Environment Trust Fund Project	-	16.54	16.54
Western Region Megapolis Master Plan Project	51.4	-	51.4
Relocation of Manning Market to Peliyagoda Project	76.62	-	76.62
Townships Development and Urban Solid Waste Management Project	168.53	-	168.53
Projects implemented by the Sri Lanka Land Reclamation & Development Corporation	175.08	-	175.08
Total Investment	827.74	592.32	1420.06

Source : Department of State Accounts

The Use of Budgetary Support Services and Contingent Liability Project (Treasury Miscellaneous Vote - TMV)

Total provision for the Treasury miscellaneous vote for 2016 is Rs. 623,285.5 million and out of which Rs. 256,315 million has been allocated to the budget proposals. As per the Section 6 (1) of the Appropriation, No. 16 of 2015, total budgetary allocations provided from the

TMV for the first quarter in 2016 is Rs. 38,935.3 million of which Rs. 9,198.6 million and Rs. 29,736.7 million provided for recurrent and capital expenditure, respectively. Rs. 21,089 million has been allocated from the TMV from January to April 2016 for the implementation of 2016 budget proposals, out of which Rs. 500 million was for recurrent expenditure and Rs. 20,589 million was for capital expenditure.

Table 3.19: Ministry wise Summary of Additional Allocations as of 30.04.2016

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
1 - 22	Special Spending Units		-	-
1	His Excellency the President	“Pubudamu Polonnaruwa” programme, National Environmental Conservation, child protection, drug prevention programme and Local Food programme, National Procurement Commission and Delimitation Commission, motor car for Most Venerable Asgiri Mahanayaka Thero, Increased pension for Widow of former President (Mrs. Hema Premadasa) construction of building at official residence premises of former President Hon. C.B. Kumarathunga, grant given by the UNICEF for National Nutritional Secretariat.	31,580,000	796,497,000
2	Office of the Prime Minister	Electricity and water , Domestic travelling, 02 vehicle carriers and VIP security vehicles, leasing installment of 4 leased vehicles, foreign travelling and rehabilitation and improvement of capital assets,	91,000,000	625,792,369
8	National Police Commission	Personal emoluments and services.	23,200,000	
10	Commission to Investigate Allegations of Bribery or Corruption	Utilization of UNDP funds for Staff Training, Strengthening of the Commission to investigate Allegation of Bribery or Corruption as per 2016 Budget Proposal	-	127,500,000
16	Parliament	Plant, machinery and equipment, Settlement of bills on live telecast of Parliament meetings.	66,000,000	37,000,000
17	Office of the Leader of the House of Parliament	Purchase a new Three-Wheeler		650,000
19	Office of the Leader of the Opposition of Parliament	Acquisition of Capital Assets		9,269,082
20	Department of Elections	Personal emoluments, quarters at Gampaha election office, renovation of Parliament branch and Director General's Office.	10,000,000	8,815,073
21	Auditor General	Expenditure of Newly established Audit Service Commission, grant from USAID for STAIR Project.	29,000,000	106,500,000
22	Office of the Parliamentary Commissioner for Administration	Travelling	280,320	-

Head No.	Ministry / Department	Purpose	Recurrent	Capital
101	Ministry of Buddha Sasana	Rehabilitation of Under Developed Buddhist Temples, Upliftment of Religious Activities.	20,000,000	30,000,000
201	Department of Buddhist Affairs	Dehami Diriya Programme and providing Uniforms for Dhamma school Teachers.	90,200,000	-
102	Ministry of Finance	Fiscal Management Efficiency Project, Premium of Natural Disaster Insurance Scheme to National Insurance Trust Fund as per the Budget proposal 2016, Plant, machinery and equipment.	-	1,024,700,000
240	Department of National Budget	lump sum payment of Rs. 250,000 for July strikers as per the Budget Proposal of 2016.	450,000,000	-
243	Department of Development Finance	Construction of Three Warehouses as per the Budget Proposal of 2016, Travelling.	900,000	61,000,000
247	Sri Lanka Customs	Purchase full scanner.	-	20,500,000
249	Department of Treasury Operations	Furniture and office equipment	-	2,940,000
251	Department of Valuation	Compensation under the Revival of Under Performing Enterprises or Underutilized Assets Act No. 43 of 2011	-	37,652,218
103	Ministry of Defence	Procure vehicles, Building for Defense Service Command and Staff College.	-	293,990,000
223	Sri Lanka Navy	Relocation of Vidura -Navy Recruits Training Center, Renovation of Circuit Bungalow in Benthota.	-	493,500,000
104	Ministry of National Policies and Economic Affairs	Empowering the Youth, Food Relief Programme and services.	13,382,600	478,800,000
106	Ministry of Disaster Management	Flood & Drought Relief for Kandy, Anuradhapura, Rathnapura, Kegalle, Matale and Mulativu Districts, Acquisition of vehicles for Hon. Minister and Hon. Deputy Minister	25,239,105	63,000,000
108	Ministry of Posts, Postal Service and Muslim Religious Affairs	Construction of Muslim Cultural complex, Rehabilitation of the Minister's residence.	-	124,850,000

Head No.	Ministry / Department	Purpose	Recurrent	Capital
202	Department of Muslim Religious and Cultural Affairs	Uniforms for Dhamma School Teachers, Library Allowance for Dhamma School Teachers, Dhamma School Text Books for students.	20,000,000	-
110	Ministry of Justice	Establishment of Authority for Protection of Victims of Crimes and Witnesses, project management unit for Strengthening the process of Administration of Justice, legal reform programme, strengthening the capacity of Judicial Training Institute, capacity building of staff of the Department of Attorney General, Legal Draftsman and Government Analyst as per the Budget Proposal of 2016.	1,000,000	268,100,000
228	Courts Administration	EPF of Superior Courts Complex Board of Management, court administration and automated court administration system as per the Budget Proposal of 2016.	14,400,000	230,200,000
111	Ministry of Health, Nutrition and Indigenous Medicine	Improvement of the condition of Anuradhapura, Kurunagala and Jaffna hospitals, Development of mobile hospitals and Facilities and improvement to reduce non-communicable diseases, Construction of Cancer Hospitals at Matara, Kandy and Tellippallai, Establish 1,000 Kidney Dialysis Centers in Chronic Kidney Disease prevalent areas as per the Budget Proposal of 2016, Emergency Pre Hospital Care Ambulance Service in Sri Lanka, personal emoluments.	192,000,000	3,387,000,000
112	Ministry of Foreign Affairs	purchase a flag car for the use of Sri Lanka Mission in Nigeria, Karachi, Saudi Arabiya and south Africa, foreign travelling expenditure, legal fee on countervailing duty petition on certain new pneumatic off-the-road tires exported to USA.	75,641,265	34,480,000
114	Ministry of Transport & Civil Aviation	School and Higher Education Season Tickets, Armed Forces -bus passes and SLTB unremunerated routes Subsidy,	5,632,000,000	-

Head No.	Ministry / Department	Purpose	Recurrent	Capital
117	Ministry of Higher Education and Highways	Rectification work of Kokmaduwa earths slip at Southern Expressways and settle the outstanding bills of Southern Transport Development Project, compensation for the land acquisitions of Colombo District Road Development Project,	-	1,190,000,000
214	University Grants Commission	Developing the Technology faculty with necessary infrastructure and establishment of the Faculty of Engineering in University of Jaffna as per the Budget Proposal of 2016.	-	3,200,000,000
118	Ministry of Agriculture	Special Programmes for Ensuring Food Security and Rehabilitation of Small Tank and Canals programmes as per the Budget Proposal of 2016, services, Post-harvest losses in Horticultural Changes in SAARC Countries Project.	776,790,000	106,436,650
120	Ministry of Women and Child Affairs	preschool teacher's instruction manual regarding Early Childhood Development Standards, Account financial grant given by the Save the Children to the of Social Protection for Children Programme, Fresh Milk for Pre-School Children	67,900,000	69,240,000
121	Ministry of Home Affairs	District and Divisional Coordinating Committees, "Pubudamu Polonnaruwa" program, Cremation Ceremony of the most Ven. Galagama Sri Dhammasiddhi Sri Dhammananda Aththadashyabidhana Mahanayaka, Gorakaela kandalanda , Demuwawatha bridge and Niwitigala Township Development, Acquisition of two vehicles for Hon. Minister and one vehicle for Hon. Deputy Minister.	4,910,000	1,303,950,000
275	District Secretariat - Polonnaruwa	"Pubudamu Polonnaruwa" program	-	500,000,000
122	Ministry of Parliamentary Reforms and Mass Media	Establishment of the Parliamentary Reforms Division.	-	31,500,000

Head No.	Ministry / Department	Purpose	Recurrent	Capital
123	Ministry of Housing and Construction	payroll costs of State Engineering Corporation of Sri Lanka, Allowances of trainees in the field of building and construction as per the Budget Proposal of 2016, acquisition of vehicle for Hon. Deputy Minister.	125,000,000	28,000,000
124	Ministry of Social Empowerment and Welfare	Completion of Amunukumbura, Thelabuyaya Vocational Training Centers and Self Employment Opportunities for single parent families Programme, rehabilitation and improvement expenditure of Hon. Minister's Official Bungalow.	-	94,320,000
331	Department of Divineguma Development	Divineguma Livelihood Development Programme, compensation and gratuity of Department of Divineguma Development.	500,000,000	1,200,000,000
126	Ministry of Education	Shoes for Students in difficult and very difficult School, Grade 5 scholarships, sanitary, water, electricity facilities in schools, upgrading 25 schools to secondary level in plantation sector, improving science education and Providing dental health facilities for schools and Upgrade the facilities of 3,577 primary schools and Facilitate teacher training programmes as per the Budget Proposal of 2016.	660,000,000	7,250,000,000
207	Department of Archaeology	Maintenance of Kinniya water wells	-	3,000,000
135	Ministry of Plantation Industries	purchase of tea from the Colombo Tea Auction, Improved Management Strategies Project for rubber sector development, Strengthen the Sugarcane, Palmyra, Tea, Rubber and Coconut Research Institutions as per the Budget Proposal of 2016, Coconut Cultivation and Rehabilitation Programme.	100,000,000	21,148,000
136	Ministry of Sports	Sports Laboratory, Research and Development Unit for Sports, Excellence Development as per the Budget Proposal of 2016.	-	110,000,000

Head No.	Ministry / Department	Purpose	Recurrent	Capital
219	Department of Sports Development	Development of Torrington Sports Complex, 12 th South Asian Games 2016, Sports Talent Identification as per the Budget Proposal of 2016.	-	250,000,000
140	Ministry of Hill Country New Villages, Infrastructure and Community Development	Implementation of the of housing program and amenities for plantation communities as per the Budget Proposal of 2016.	-	100,000,000
145	Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs	Accelerating the resettlement activities of Northern & Eastern Provinces as per the Budget Proposal of 2016, strengthen Palmyrah Development Board.	-	1,223,222,119
149	Ministry of Industry and Commerce	Personal emoluments of National Paper Company Ltd and Valachchenai Paper Mill, Lanka Cement Ltd, Lanka Salusala Ltd, Sri Lanka Cement Corporation, Lanka Cement Ltd Enhancing the field of professional management accountancy in Sri Lanka.	25,300,000	79,924,680
151	Ministry of Fisheries and Aquatic Resources Development	Salaries of the staff of Ceylon Fisheries Corporation, foreign travelling, Enhancing fish breeding capacity through National Aquaculture Development, as per the Budget Proposal of 2016.	52,500,000	428,000,000
153	Ministry of Lands	Personal emoluments of Kanthale Sugar Company Ltd.	-	6,000,000
155	Ministry of Provincial Councils and Local Government	Expenditure of committee appointed under section 3 (d) of Local Authorities Elections Ordinance, Colombo Municipal Council for relocating 180 families around the Meethotamamulla Solid waste dumping site.	3,000,000	216,000,000
157	Ministry of National Dialogue	Furniture and Office Equipment, Plant Machinery and Equipment, accounting the financial grant given by GIZ for the project of Facilitating Local Initiative for Conflict Transformation (FLICT) ,	-	5,941,000

Head No.	Ministry / Department	Purpose	Recurrent	Capital
		Allowances for staff of the Phase III of Equal Access Justice programme funded by SELAJSI-UNDP		
158	Ministry of Public Enterprise Development	Relief flight operated on 08th December 2015 to Delhi, salaries of employees of Elkaduwa Plantations Ltd, State Plantation Corporation, Janatha Estate Development Board, Foreign travelling, Interior arrangement of the Ministry, consultation fee of the restructure plan of Sri Lankan Airlines Ltd.	434,000	281,493,592
159	Ministry of Tourism Development and Christian Religious Affairs	acquisition of vehicles for Hon. Deputy Minister	-	56,000,000
160	Ministry of Mahaweli Development and Environment	Waste Management System project at Dompe, Gampaha District.	-	6,390,308
283	Department of Forests	Industrial Plantations Project.	-	40,000,000
284	Department of Wildlife Conservation	Mitigate Human -Elephant Conflict in Sri Lanka as per the Budget Proposal of 2016.	-	28,775,000
162	Ministry of Megapolis and Western Development	Completon of Western Region Magapolis Master Plan, Relocation of Manning Market to Peliyagoda, public awareness campaigns of the Megapolis Development Initiative - 2016, Townships Development & Urban Solid Waste Management as per the Budget Proposal of 2016, acquisition of vehicles for Hon. Deputy Minister.	-	1,039,878,466
311	Department of National Physical Planning	Acquisition of Capital Assets	-	500,000
163	Ministry of Internal Affairs, Wayamba Development and Cultural Affairs	Implement the Wayamba Development Programme	-	93,000,000
226	Department of Immigration and Emigration	Rlocation of the department of immigration and emigration in the registration of persons secretariat building.	-	185,000,000

Head No.	Ministry / Department	Purpose	Recurrent	Capital
165	Ministry of National Integration and Reconciliation	Account the grant given by UNDP for the Office for National Unity and Reconciliation.	-	19,881,325
166	Ministry of City Planning and Water Supply	Acquisition of vehicle for Hon. Minister.	-	35,000,000
176	Ministry of Ports and Shipping	Training of Sri Lanka youth as trainee seafarers, Compensation for the lands acquired to the second stage of the Hambantota Port Project.	25,000,000	500,000,000
182	Ministry of Foreign Employment	Foreign travelling, acquisition of vehicle for Hon. Deputy Minister.	502,020	28,000,000
192	Ministry of Law and Order and Southern Development	Rents and local taxes.	4,800,000	-
193	Ministry of Labour and Trade Union Relations	Rehabilitation of Hon. State Minister's Official Bungalow.	-	6,000,000
194	Ministry of Telecommunication and Digital Infrastructure	Implementation "Digitalization of Economy" programme as per the Budget Proposal of 2016, services, Renovation of the official residence of Hon. Minister, acquisition of vehicles for Hon. Minister and Hon. Deputy Minister.	660,000	188,340,000
195	Ministry of Development Strategies and International Trade	acquisition of vehicle for Hon. State Minister.	-	28,000,000
196	Ministry of Science, Technology & Research	Expenses of the Coordinating Secretariat for Science, Technology and Innovation (COSTI), Foreign travelling	15,870,040	-
197	Ministry of Skills Development and Vocational Training	Introduce new degree courses of the Ocean University, Increasing the intake of CGTTI, Training of Mater Trainers on Soft Skills including English as per the Budget Proposal of 2016, acquisition of two vehicles for Hon. Minister.	-	920,000,000

Head No.	Ministry / Department	Purpose	Recurrent	Capital
215	Department of Technical Education and Training	Government contribution for EPF of casual employees, stipend & season tickets of students of Vocational Education, Building and Structures.	50,120,000	49,000,000
198	Ministry of Irrigation and Water Resources Management	Pay of third installment of Prefabricated buildings for Government Agencies from peoples' Republic of China.	-	552,075,000
Total			9,198,609,350	29,736,751,882

Source: Department of National Budget

3.4 Treasury Operations Performance of the Government Treasury Cash Flow

Cash inflows to the Treasury during the first four months of 2016 were Rs. 466.1 billion. Cash deficit after outflow for recurrent and capital payments amounted to Rs. 208.5 billion which was Rs. 67 billion lower than the corresponding figure for the same period in 2015. This was

mainly due to the decrease in cash outflows for capital payments by 7.0 percent and the increase in cash inflows to Treasury by 23 percent, compared to the corresponding period of the previous year. The overall closing cash balance (deficit) as at the end of April, 2016 was Rs. 163 billion which was Rs. 5 billion lower than the cash deficit which prevailed at the end of April 2015.

Table 3.20: Statement of Government Treasury Cash Flow Operations - January to April 2016

Item	Rs. Billion.		
	2015	2016	
	Jan-April Actual	Jan-April Estimate	Jan-April Actual
Opening Cash Balance as at 1 st January	-180.7	-196.8	-196.8
Total Cash Inflows from Revenue and Other Receipts	376.6	515.2	466.1
Total Cash Outflows for Recurrent Payments	-521.4	-547.7	-553.3
Total Cash Outflows for Capital Payments*	-130.7	-289.3	-121.3
Net Cash Surplus / (Deficit)	-275.5	-321.8	-208.5
Gross Borrowings*	569.8	450.5	453.4
Debt Repayment	-291.3	-219.5	-218.0
Net Borrowings	278.5	231.0	235.4
Adjustment Account Balance (TEB, Net Deposits, Etc.)	9.7		6.9
Closing Cash Balance as at 30 th April	-168.0	-287.6	-163.0

Source: Department of Treasury Operations

*Includes project/programme loans received by the government and recorded in the CS-DRMS as at April 30, 2016

Management of Government Debt

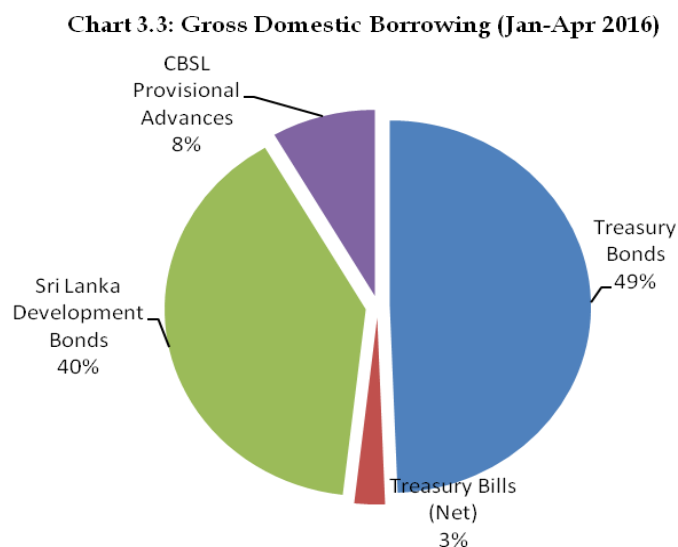
The government debt operations indicated total gross borrowing as Rs. 453.4 billion during the first four months of 2016. It includes Rs. 403.4 billion domestic borrowings and Rs.50.0 billion foreign

borrowings. Rs. 218.0 billion of the domestic borrowings was utilized for debt repayments and balance for interest payments. The net borrowing was Rs. 235.4 billion during this period. The Table 3.21 summarizes the government gross domestic borrowings during January - April, 2016.

Table 3.21 : Gross Domestic Borrowings (January to April 2016)

Borrowing Instrument	Rs. Billion
	Amount
Treasury Bonds	199.2
Treasury Bills (Net)	9.9
Sri Lanka Development Bonds	160.6
CBSL Provisional Advances	33.7
Total	403.4

Source: Department of Treasury Operations



Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remained valid as at April 30, 2016 was Rs. 606.14 billion which remained within the limit of 7 percent of GDP as per the section 2(a) of the Fiscal Management

(Responsibility) (Amendment) Act No. 15 of 2013. The list of Treasury Guarantees issued by the General Treasury as at April 30, 2016 is given in Table 3.22.

Table 3.22: The list of Treasury Guarantees Issued by the General Treasury up to 30.04.2016

S.No	Name of the Bank or Institution	Name of Institution	Rs Million Value of the Treasury Guarantees
1	Bank of Ceylon	Ceylon Petroleum Corporation	132,678.00
		General Sir John Kotelawala Defence University	835.00
		Mihin Lanka (Pvt)Ltd	367.00
		National School of Business Management Limited	8,600.00
		National Water Supply & Drainage Board	16,348.96
		North Limited	50.00
		Paddy Marketing Board	3,129.78
		Road Development Authority	42,356.51
		State Development and Construction Corporation	400.00
		STC General Trading Company Ltd.	460.00
2	Commercial Bank	Ministry of Defence and Urban Development	2,000.00
		National Water Supply & Drainage Board	1,929.61
		Road Development Authority	7,209.81
3	DFCC Bank	Ministry of Defence and Urban Development	1,000.00
		National Water Supply & Drainage Board (NWSDB)	3,837.87
		Road Development Authority	1,328.87
4	Employees' Trust Fund Board	Lakdhanavi Ltd.	2,992.00
5	Hatton National Bank	Ministry of Defence and Urban Development	3,550.00
		National Water Supply & Drainage Board	1,348.76
		Road Development Authority	28,262.54
6	Hongkong & Shanghai Banking Co.Ltd.	West Coast Power(Pvt)Ltd.	22,800.10
7	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board - Broadlands Hydropower Project	10,278.12
8	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	40,145.24
9	National Development Bank PLC	National Water Supply & Drainage Board (NWSDB)	3,874.13
		Road Development Authority	8,353.31
10	National Savings Bank	General Sir John Kotelawala Defence University	29,724.29
		Lakdhanavi Ltd.	2,992.00
		National Water Supply & Drainage Board (NWSDB)	1,239.48
		Paddy Marketing Board	1,031.00
		Road Development Authority	53,154.85

		Sri Lanka Land Reclamation & Development Corporation - Werasganga Project	3,500.00
		Urban Development Authority	2,770.00
		Ceylon Electricity Board	21,785.24
		Ceylon Petroleum Corporation	95,823.00
		Ceylon Petroleum Storage Terminals Ltd.	5,941.03
		Ceylon Shipping Corporation Ltd	11,793.60
		Co-operative Whole Sale Establishment	157.10
11	People's Bank	Lanka Coal Company (Pvt) Ltd	5,000.00
		Ministry of Defence and Urban Development	1,000.00
		Paddy Marketing Board	2,247.23
		People's Bank Pension Trust Fund	5,000.00
		Road Development Authority	18,848.64
		Total Amount	606,143.06

Source: Department of Treasury Operations

CHAPTER 4

Performance of State Owned Business Enterprises

4.1 Overview

State Owned Business Enterprises (SOBEs) in Sri Lanka appear to be an important feature of the economic landscape by making a substantial contribution to the GDP of around 12-15 percent. Currently, there are 245 Public Enterprises and they contribute substantially in varying degrees to the socio economic growth in the country covering strategic sectors of the economy. Several measures have been taken by the Treasury during 2015 to strengthen the financial capabilities of SOEs including provision of equity capital investments to SOEs, buy back of non-performing investments, conversion of outstanding debts to Treasury into government equity, issuance of Treasury guarantees to secure credit facilities from state banks and debt servicing to be borne by the treasury.

Seven (07) SOBEs contributed towards government's non-tax revenue by way of paying levies and dividends to the consolidated fund totaling to Rs. 7,861 million during first four months of 2016. This was a 14.0 percent decrease, compared to the non-tax revenue of Rs. 9,153 million recorded in the same period of 2015. Meanwhile, the outstanding debt to banks of 55 SOBEs decreased by 23 percent to Rs. 358,325 million during the first four months of 2016 from Rs. 467,252 million recorded in the same period of 2015.

4.2 Review of the ten major SOEs

Bank of Ceylon (BOC)

Bank of Ceylon (BOC) has initiated several steps to enhance the product portfolio and the delivery channels to customers and to

enhance infrastructure facilities towards a better service to customers under the corporate slogan of "BEST beyond 75". The branch network of the bank has expanded to 580 during the first four months of 2016 with the opening of two new branches.

BOC has the largest total asset base in the banking industry and has managed to maintain the asset base above one trillion over last three years. The asset base of the bank recorded an increase of 1.4 percent to Rs. 1,590 billion by the end of April 2016, from Rs. 1,568 billion as at the end of year 2015. The deposit base of the bank has increased by 2.2 percent during the first four months of 2016, compared to the deposit base of Rs. 1,066 billion as at the end of 2015. Non-performing loan ratio of the bank has recorded an improvement during the period to 3.81 percent from 4.30 percent prevailed as at the end of 2015. BOC has recorded a profit before tax of Rs. 10.1 billion for first four months of 2016, compared to Rs. 6.4 billion in the corresponding period of the previous year.

People's Bank (PB)

People's Bank (PB) is the country's second largest bank in terms of the asset base and operates with the largest branch network covering almost all parts of the island. PB provides internet, mobile and SMS banking facilities to the customers with the aim of being a more digitally capable bank moving along with the modern technology. Bank's asset base recorded an increase of 3.5 percent to Rs. 1,218 billion as at the end of first four months of 2016, from Rs. 1,177 billion as at the end of 2015. Deposit base of the bank increased by 4.7 percent to Rs. 929.4 billion by the end of April 2016, from Rs. 887.7 billion as at the end of previous

year. Net loans and advances recorded an increase of 7.3 percent during the period from January to April 2016. PB recorded a profit before tax of Rs. 5.6 billion for the first four months of 2016 in comparison to Rs. 5.9 billion for the corresponding period of 2015.

National Savings Bank (NSB)

National Savings Bank (NSB) is the premier Licensed Specialized Bank in Sri Lanka owned by the government of Sri Lanka and the only bank whose deposits are fully guaranteed by the government and retained the AAA (lka) national long term rating by Fitch Ratings Lanka for the thirteenth consecutive year in 2015. Bank's asset base recorded an increase of 1.2 percent to Rs. 858 billion as at the end of first four months of 2016 from Rs. 848 billion as at the end of 2015. Deposit base of the bank increased by 3.8 percent to Rs. 618.6 billion by the end of April 2016, from Rs. 595.8 billion as at the end of previous year. Loans and advances recorded an increase of 4.0 percent during the review period of 2016 to Rs. 258.2 billion. NSB recorded a profit before tax of Rs. 4.4 billion for the first four months of 2016 in comparison to Rs. 3.9 billion for the corresponding period of 2015.

Sri Lanka Insurance Corporation (SLIC)

The Sri Lanka Insurance Corporation recorded a profit before tax of Rs.317 million during the first four months of 2016 and recorded a total revenue of Rs. 10.8 billion, which was a slight increase of 5.8 percent, compared to 10.2 billion during the corresponding period in 2015. Although, initiatives have been taken to split life and general insurance businesses into two separate companies as required under the regulation of insurance industry (Amendment) Act, No. 03 of 2011, it was suspended due to the protest of trade unions. During the period, corporation

declared the biggest bonus in the industry for its life insurance policy holders valued at Rs. 5.4 billion. Corporation introduced new health planning schemes such as SLI annual medical plan, SLI Medi-Life, SLI Comprehensive plan, SLI Overseas Comprehensive Plan, SLI Surgical Plan, "Minimuthu Dayada" children's Plan and SLI Hospital cash plan with the purposes of better serving and attracting more clients to its life insurance products. The service offered for general insurance policy holders was upgraded further during the period by partnering with the "Assist America Global Medical Emergency Services", a world renowned company, in providing medical emergency assistant services worldwide to Sri Lanka Insurance Motor Plus comprehensive customers.

Ceylon Electricity Board (CEB)

CEB has recorded an operating loss of Rs. 5,781 million in the first four months of 2016 compared to the profit of Rs. 1,837 million recorded in the same period of 2015. Cost per unit without Tax has been increased to Rs. 17.54 per kWh in the first quarter of 2016 over Rs. 15.07 per kWh recorded in 2015. Due to the prevalence of dry weather condition in the country and failure of Norochcholai Coal Power plant for 4-5 days, CEB failed to meet uninterrupted supply of power to customers during the period. Generation mix comprised with 1,246 GWh Hydro, 1,089 GWh Thermal (Fuel) and 1,143 GWh Thermal (Coal) during the reporting quarter, which has changed from 45:21:34 in 2015 to 36:31:33 in first three months of 2016 due to the decrease of hydro power generation resulted by the dry weather condition prevailed in the country. As per the decision taken at the Economic Management Committee, 100 Mw has been purchased from ACE Power Embilipitiya (Pvt) Ltd considering country's increased

energy demand and transmission bottlenecks.

A borrowing limit of Rs. 85,800 has been approved for 2016 by the Ministry of Finance. Further, CEB was able to reduce its outstanding dues to banks by Rs. 2,887 million in the first quarter resulting in total obligations to the banks to reach to Rs. 39,055 million during the quarter. It is noted that a new Human Resources Plan for 2016 has been submitted for the approval of the Department of Management Services which is to be effect from 01.01.2016.

CEB's involvements are needed more given that the demand for electricity and use of electricity have expanded with the advent of electric cars, increase in per capita income which gives rise to use more electric appliances. At the same time, country's energy policy requires that by 2020 at least 20 percent of the country's electricity generation capacities must be from non-conventional sources. As such, CEB to meet their target will have to look into innovative financial and structural models.

Ceylon Petroleum Corporation (CPC)

The imports of petroleum products by the CPC for the first four months of 2016 amounted to US\$ 310 million, representing nearly 5 to 6 percent of the total imports of the country which is estimated at US\$ 6,000 million. The petroleum bill represented about 20- 25 from total imports during the period of year 2014.

The average import price of crude oil in the international market further reduced to US\$ 35 per barrel in March 2016, compared to US\$ 41.21 per barrel recorded in December 2015, while the average international market prices of the refined petroleum products for

year 2015 were also around US\$ 65 per barrel. This favorable price trend has led the CPC to record a remarkable operational profit of Rs. 27.5 billion for the first quarter of 2016 and the overall profit to be stood at Rs. 21.4 billion. However, CPC recorded a net loss of Rs. 18.3 billion even though they were able to record an operational profit of Rs. 27.6 billion. The depreciation of the Rupee against the US Dollar by 9.3 percent during the year and the finance cost that could not be avoidable due to huge bank borrowings, impacted mainly on overall losses of CPC during 2015.

The reduction in the import cost in line with the decrease in global oil prices has resulted in improvements in CPC's cash flow during the period started from January 2015, with the outstanding liabilities of CPC to two state commercial banks which was stood at Rs. 373 billion at the end of year 2014, declining to 333 billion as at the end of April 2016.

However, CPC's previous losses which occurred due to non-passing the high cost of fuel to consumers have had a substantial negative impact on its balance sheet. The lack of a fully cost reflective pricing structure from 2005 to 2013 resulted in CPC accumulating a loss of Rs. 267 billion. This accumulated loss has been financed through bank exposures to the two state commercial banks by way of foreign currency loans and import bills amounting to Rs. 333 billion as at the end of April 2016. As such, CPC's balance sheet needs to be strengthened either by injecting more equity or via sustained earnings (profits). In this context, the government has proposed to introduce a pricing formula with a view to stabilize the local prices of petroleum products for future years while maintaining a healthy balance sheet position in the entity. It is envisaged that this will facilitate CPC to be profitable

without undue pressures being placed on the domestic financial sector as CPC depends for majority of their funding needs on the domestic financial market.

Sri Lanka Ports Authority (SLPA)

Total revenue of Sri Lanka Ports Authority increased by 8.5 percent to Rs. 14 billion during the first four months of the year 2016, compared to the revenue of Rs. 12.9 billion during the same period in 2015. As a result of managing their expenses, SLPA recorded a profit before tax of Rs. 4.6 billion during the first four months of the year, against the recorded profit of Rs. 3.2 billion during the same period of 2015. Hence, the profit increased by 43.7 percent in the review period, compared with the same period in the previous year.

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

Total outstanding borrowings of SLPA by April 2016 increased up to Rs. 233.6 billion due to the implementation of several development projects for SLPA during recent years. Performance of SLPA is expected to expand with the latest improvements and developments in ports under the SLPA. However, SLPA should take prompt action for implementation of a prudent debt management system to ensure debt sustainability, since it reflects a huge amount of loan outstanding balance at present.

National Water Supply and Drainage Board (NWS&DB)

NWS&DB as a strategically important entity has a significant role to play in order to enhance access to pipe borne water from 44 percent to 60 percent by 2020. Accordingly, borrowing power of NWS&DB to implement large scale water supply project for 2016 was approved by the General Treasury as follows;

- Local Funded Projects Rs. 67.81 billion
- Foreign Funded Project USD 678.55 million
- Foreign Funded projects Euro 36.48 million

However, having considered the financial constraints of NWS&DB, as per the decisions made by Cabinet of Ministers on 24.01.2016 following strategies will be adopted until 2020 in order to achieve set targets

- Fifty percent (50%) of the debt service of Urban Water Supply Projects and seventy five percent (75%) of the debt service of Rural Water Supply Projects will be borne by the Treasury.
- Government aim is to ensure that 100 percent of the population has access to safe drinking water in the country specially to mitigate Chronic Kidney Disease (CKD) that is adversely prevalent in the country. Accordingly, 100 percent of the debt servicing (capital and interest) of water projects aiming at reducing CKD will be borne by the Treasury.

Overall non-revenue water level has been reduced over the years and currently it stood at 27.28 percent. But it still remains at a higher level of 46.16 percent in greater Colombo area which is also a considerable

burden on the operational performance of NWS&DB.

Funding requirements for small scale projects should be arranged by the NWS&DB itself. Accordingly, NWS&DB shall obtain the entity rating in order to raise debt finance at a competitive rate. Further, as per the government directions, on-lent loans to NWS&DB by the Treasury as at 31.12.2014 was converted to government equity during the first quarter of 2016, with an aim to strengthen the balance sheet. During the first four months of 2016, the total revenue of NWS&DB amounted to Rs. 4,939 million, with the total operating cost of Rs. 4,674 million which has resulted in an operating profit of Rs. 265 million.

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

Airport and Aviation Services (Sri Lanka) Ltd handled over 3.2 million passenger movements including 396,211 transit passengers during the first four months of 2016 which was 14 percent increase compared to the same period of the previous year. Further, AASL estimated 29 percent increase in its revenue by earning Rs. 6,490 million during first four months of 2016, compared to Rs. 5,029 million in the same period of 2015. The company has recorded an operational profit of Rs. 1,838 million in the first four months of 2016, which is 25 percent increase than the operational profit of Rs. 1,472 million of the same period of 2015.

As per the budget speech 2016, the government has decided to integrate courier companies to utilize Mattala Airport for hub operations and to utilize Mattala Airport as a cargo, air freight and encourage private sector to setup a flying training school and maintenance, repairs, overhaul facilities in

future. AASL has already initiated action in this regard.

AASL engages in phase II of the Bandaranaike Airport development project which has the capacity to accommodate 15 million passenger movements per year. Ministry of Transport and Civil Aviation has submitted proposals to the Cabinet of Ministers to develop and construct domestic airports in main district of Sri Lanka. Airport and Aviation Services (SL) Limited act as an airport operator and an air navigation service provider for all these airports under the existing legislation.

Sri Lankan Airlines (SLA)

SLA is running under an operational loss situation due to weak financial position and operational inefficiencies prevailed over the last several years. This has resulted in the deterioration of the financial position of the company which was at Rs. 85 billion negative net worth as at 31.03.2016. Therefore, SLA has prepared a restructuring plan to make it a viable entity in the medium term. The Treasury issued two Letters of Comfort in 2015 to both People's Bank (PB) and Bank of Ceylon (BOC) to obtain credit facility of Rs. 30 billion to meet their financial requirements and these Letters of Comfort have extended up to 31.03.2017. Further, two Letters of Comfort have been issued to BOC and PB of US\$ 35 million each in order to meet the urgent capital requirement of both SriLankan airlines and Mihin Lanka Ltd. Having considered the continuous loss making position, government decided to take over all liabilities of SLA as at 31.12.2015 and has decided to source a suitable partner for the successful management of the business operations on the basis of clean balance sheet.

4.3 Reform Initiatives for Major SOBEs

Institution	Reform Initiatives
State Banks (BOC, PB & NSB)	<ul style="list-style-type: none"> ▪ Improve business planning and implement strategies to position the lead role in the industry in a competitive environment. ▪ Identify emerging growth sectors of the economy to direct credit towards such sectors. ▪ Develop technological capabilities to compete with the private sector banks as the usage of internet and mobile phones have significantly expanded into most remote areas of the country. ▪ Enhance skills and capacity of the staff to ensure that bank's strategies are implemented effectively and efficiently responding to clients' needs. ▪ Improve credit quality as well as efficiency in the recoveries mechanism. ▪ Diversify the product portfolio to attract more private sector customers and reduce the high dependency on exposure to government
SLIC	<ul style="list-style-type: none"> ▪ Introduce pension products to the nation considering the increasing population of senior citizens. ▪ Implement measures to increase the rate of insurance penetration in the country.
CEB	<ul style="list-style-type: none"> ▪ Continue the implementing measures to minimize system losses in the distribution system. ▪ To ensure energy security and affordability, formulate a low cost generation mix incorporating coal and non-renewable energy sources. ▪ Move towards cost reflective pricing policies while prioritized emerging industries are subsidized.
CPC	<ul style="list-style-type: none"> ▪ Explore the possibility of purchasing of Murban crude oil which are being used as the input into CPC refinery on G to G basis. ▪ Investigate the possibility of using the Trincomalee upper tanks farm back to oil storage ▪ Invest on a new cross country pipeline with latest technologies to avoid cost escalations incurred due to dilapidated condition of the cross country pipe lines which are being used to discharge the products from port to terminals.
Institution	Reform Initiatives
SLPA	<ul style="list-style-type: none"> ▪ Improve infrastructure facilities and enhance capacity through introduction of modern technology. ▪ Introduce sector specific marketing and business development programs with medium term focus on income generation activities to match the rising finance costs. ▪ Since the total loan liability of SLPA represents 69 percent of SLPA's total assets, it is recommended that they should take action for the implementation of a product debt management system to ensure debt sustainability

NWS&DB	<ul style="list-style-type: none"> ▪ A close project monitoring mechanism to be introduced in order to implement the proposed project in a timely manner. ▪ The project aiming to reduce Non - Revenue Water (NRW) should be speeded up to enhance revenue collection. ▪ A proper cost benefit analysis need to be done before selecting a project ▪ A long term strategy to ensure 100 percent safe drinking water coverage need to be established.
AASL	<ul style="list-style-type: none"> ▪ Manage Mattala Rajapaksha International Airport as a strategic Business Unit in line with the government policy framework. ▪ Assure an efficient service delivery to tourists which directly affects to the brand image of the country ▪ Expand Infrastructure facilities including airport and ground handling along with the increasing demand. ▪ Expand the domestic airport networks capturing the opportunities emerging in the tourism industry.
SLA	<ul style="list-style-type: none"> ▪ Speed up the process of selecting a suitable business partner in order to mitigate the financial burden faced due to the inefficient operations. ▪ Subject to some key assumptions made, the consultants appointed by the Ministry of Finance have suggested that the airline could reach brake-even in 2.5 years if route rationalization, fleet re-negotiation and other cost control measures were put in place quickly.

Table 4.1: Outstanding Debt to Banks of Non-Financial State Owned Business Enterprises

Enterprise	Debt to Banks		Rs. Million
	2014	2015	As at 30.04.2016
1 Bank of Ceylon	-	-	-
2 People's Bank	-	-	-
3 National Savings Bank	-	-	-
4 State Mortgage & Investment Bank	-	-	-
5 HDFC Bank	-	-	-
6 Lankaputhra Development Bank Ltd	-	-	-
7 Pradeshiya Sanwardhana Bank (RDB)	-	-	-
8 Sri Lanka Savings Bank Ltd	-	-	-
9 Employee's Trust Fund Board	-	-	-
10 Sri Lanka Insurance Corporation	388	-	578
11 National Insurance Trust Fund	-	-	-
12 Sri Lanka Export Credit Insurance Corporation	-	-	-
13 Agriculture and Agrarian Insurance Board	-	-	-
14 Ceylon Electricity Board	54,791	41,614	39,055
15 Ceylon Petroleum Corporation	247,788	268,445	337,000

**Table 4.1: Outstanding Debt to Banks of Non-Financial State Owned Business Enterprises
Continued**

16	Sri Lanka Ports Authority	11,968	233,189	228,982
17	National Water Supply and Drainage Board	-	9,412	3,100
18	Airport and Aviation Services (SL)Ltd	35,919	37,730	37,372
19	Sri Lankan Airlines Ltd	55,822	43,356	62,572
20	Mihin Lanka (Pvt) Ltd	164	3,395	3,372
21	Sri Lanka Transport Board	745	250	-
22	State Engineering Corporation	-	100	482
23	Central Engineering Consultancy Bureau	-	-	-
24	State Development and Construction Corp.	21	666	678
25	Milco (Pvt) Ltd	1,354	861	588
26	National Livestock Development Board	1,672	4,559	163
27	Sri Lanka State Plantations Corporation	24	8	36
28	Janatha Estates Development Board	34	-	166
29	Kurunegala Plantations Ltd	-	-	-
30	Chilaw Plantations Ltd	-	-	-
31	Kalubovitiyana Tea Factory Ltd	-	-	-
32	Sri Lanka Cashew Corporation	-	-	-
33	Lanka Mineral Sands Ltd	73	-	-
34	Lanka Phosphate Ltd	-	-	-
35	Kahatagaha Graphite Lanka Ltd	-	-	-
36	Development Lotteries Board	-	-	-
37	National Lotteries Board	-	-	-
38	State Pharmaceuticals and Manufacturing Corp.	175	-	342
39	SL Ayurvedic Drugs Corporation	52	534	144
40	State Pharmaceuticals Corporation	-	-	-
41	Sri Jayawardenapura General hospital	-	-	-
42	Independent Television Network Ltd	-	778	-
43	SL Rupavahini Corporation	135	189	334
44	Sri Lanka Broadcasting Corporation	-	925	49
45	Sri Lanka Handicraft Board	698	196	604
46	State Timber Corporation	-	1,572	-
47	STC General Trading Company	851	388	703
48	Lanka Sathosa Ltd	7,468	-	-
49	State Printing Corporation	492	-	363
50	Ceylon Fisheries Corporation	97	1,060	-
51	Ceylon Fishery Harbour Corporation	-	1,168	-
52	Ceylon Fertilizer Company Ltd	20,651	428	27,460
53	Colombo Commercial Fertilizer Company Ltd	9,300	135	12,483
54	Hotel Developers Lanka PLC	-	607	326
55	Lanka Sugar Company Ltd	584	5,132	544
	Total	451,266	656,697	757,496

Source: SOBEs and Department of public Enterprises

Table 4.2: Profitability of State Owned Enterprises

		Rs. Million			
	Enterprise	Profit/(Loss)		Forecasted 2016	As at 30.04.2016
		2014	2015		
1	Bank of Ceylon	20,777	25,109	26,475	10,195
2	People's Bank	17,200	19,497	22,723	5,628
3	National Savings Bank	10,472	13,034	12,355	4,428
4	State Mortgage & Investment Bank	411	731	718	168
5	HDFC Bank	818	972	1,544	159
6	Lankaputhra Development Bank Ltd	193	204	252	18
7	Pradeshiya Sanwardhana Bank (RDB)	1,268	2,112	2,625	174
8	Sri Lanka Savings Bank Ltd	236	332	332	83
9	Employee's Trust Fund Board	17,274	18,095	18,329	4,636
10	Sri Lanka Insurance Corporation	4,511	3,017	3,089	1,074
11	National Insurance Trust Fund	4,674	4,449	6,000	772
12	Sri Lanka Export Credit Insurance Corporation	190	224	254	55
13	Agriculture and Agrarian Insurance Board	-1,941	-256	-1,082	-544
14	Ceylon Electricity Board	-13,303	20,720	-9,630	-5,781
15	Ceylon Petroleum Corporation	1,633	-	50,000	21,500
16	Sri Lanka Ports Authority	7,950	-9,575	-3,473	4,467
17	National Water Supply and Drainage Board	1,432	1,030	502	265
18	Airport and Aviation Services (SL) Ltd	4,038	2,725	2,527	1,838
19	Sri Lankan Airlines Ltd	-16,181	-	-4,582	-689
20	Mihin Lanka (Pvt) Ltd	-1,187	16,433	255	-514
21	Sri Lanka Transport Board	-9,407	-1,483	1,074	-40
22	State Engineering Corporation	81	-586	244	-132
23	Central Engineering Consultancy Bureau	426	510	581	138
24	State Development and Construction Corp.	90	80	140	-123
25	Milco (Pvt) Ltd	185	-250	114	20
26	National Livestock Development Board	87	39	66	-14
27	Sri Lanka State Plantations Corporation	-69	-168	-61	-49
28	Janatha Estates Development Board	-237	-401	-405	-110
29	Kurunegala Plantations Ltd	227	147	186	13
30	Chilaw Plantations Ltd	85	86	133	30
31	Kalubovitiyana Tea Factory Ltd	24	17	85	-12
32	Sri Lanka Cashew Corporation	2	17	10	0.51
33	Lanka Mineral Sands Ltd	61	509	473	30
34	Lanka Phosphate Ltd	179	57	99	1.4
35	Kahatagaha Graphite Lanka Ltd	17	12	58	7
36	Development Lotteries Board	2,345	2,390	2,503	700
37	National Lotteries Board	109	871	222	248

38	State Pharmaceuticals and Manufacturing Corp.	270	414	211	117
39	SL Ayurvedic Drugs Corporation	47	49	18	11
40	State Pharmaceuticals Corporation	654	1,230	1,254	143
41	Sri Jayawardenapura General hospital	549	-250	357	37
42	Independent Television Network Ltd	566	477	538	46
43	SL Rupavahini Corporation	-182	-375	31	45
44	Sri Lanka Broadcasting Corporation	-51	62	12	16
45	Sri Lanka Handicraft Board	21	9	55	14
46	State Timber Corporation	425	795	436	99
47	STC General Trading Company	46	19	30	10
48	Lanka Sathosa Ltd	364	-3,647	436	145
49	State Printing Corporation	71	3	17	-31
50	Ceylon Fisheries Corporation	-56	-187	15	-16
51	Ceylon Fishery Harbour Corporation	20	-60	-200)	-52
52	Ceylon Fertilizer Company Ltd	288	411	568	142
53	Colombo Commercial Fertilizer Company Ltd	366	436	282	36
54	Hotel Developers Lanka PLC	316	433	605	56
55	Lanka Sugar Company Ltd	-31	-981	259	322
	Total	58,353	64,262	139,659	49,780

Source: SOBEs and Department of public Enterprises

Table 4.3: Levy/Dividend Income from SOEs

Item	Rs. Million						
	2010	2011	2012	2013	2014	2015	As at 30.04.2016
Levy	24,434	20,189	32,774	20,960	29,697	18,178	6,030
National Savings Bank	2,312	4,560	8,260	5,060	4,060	2,860	1,030
Telecommunication Regulatory Commission	13,800	9,050	7,200	10,100	10,000	10,000	4,000
Ceylon Petroleum Corporation	-	-	-	-	10,000	-	-
State Mortgage & Investments Bank	-	-	25	40	10	10	-
Regional Development Bank	55	-	500	500	-	87	-
State Timber Corporation	10	75	50	50	25	50	-
State Pharmaceuticals Manufacturing Corporation	85	59	20	20	25	30	-
National Insurance Trust Fund	2,000	3,495	4,200	3,200	4,000	3,000	1,000
Geological Survey and Mines Bureau	-	740	750	700	650	850	-
National Gem and Jewelry Authority	-	-	-	100	-	75	-
Ceylon Electricity Board	-	2,000	-	-	-	-	-
Board of Investment	-	210	200	-	100	141	-
National Lotteries Board	-	-	502	500	-	50	-
Sri Lanka Tourism Promotion Bureau	-	-	-	-	500	500	-
Securities and Exchange Commission	-	-	-	94	-	-	-

Table 4.3: Levy/Dividend Income from SOEs continued.....

Insurance Board of Sri Lanka	-	-	-	300	-	-	-
State Institutions Temporary Surplus Trust Fund	6,110		10,700	-	-	-	-
Civil Aviation Authority	-	-	350	200	250	400	-
State Pharmaceutical Corporation	-	-	-	50	75	100	-
Other*	62	-	17	46	2	25	-
Dividends	6,867	14,162	13,987	14,208	17,116	11,618	1,861
Bank of Ceylon	2,923	4,020	5,346	5,346	6,846	5,346	173
People's Bank	3,253	4,500	4,658	4,816	6,316	3,316	158
Sri Lanka Telecom PLC	223	536	759	760	759	795	-
De La Rue Lanka Ltd	-	68	42	43	49	61	-
Lanka Mineral Sands Ltd	35	500	1,700	-	43	14	-
Lanka Industrial Estates Ltd	31	31	47	54	55	55	-
Airport and Aviation Services Ltd	-	2,406	-	500	500	497	-
Lanka Electricity Company Ltd	300	-	75	75	25	87	-
Plantation Companies**	-	219	179	139	92	62	-
Sri Lanka Insurance Corporation Ltd	-	1,750	1,001	2,199	2,001	1,003	1,000
Lankaputhra Development Bank	-	6	18	36	36	36	-
Lanka Phosphate Ltd	10	20	40	25	35	30	-
Independence Television Network Ltd	-	49	88	50	125	84	-
Rakna Arakshaka Lanka Ltd	-	-	10	17	68	93	-
Ceylon Fertilizer Ltd	-	12	4	9	38	54	-
Lanka Leyland Ltd	-	35	5	97	11	-	-
Other *	92	10	15	42	117	85	530
Total	31,301	34,351	46,761	35,168	46,813	29,796	7,861

Sources: Department of Treasury Operations and Department of Public Enterprises

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

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

CHAPTER 5

Foreign Financing

5.1 Foreign Financing Commitments

Mobilization of required foreign financing for development projects at the least possible cost while maintaining debt sustainability of the county is one of the important objectives of the borrowing strategy of the Government. During first four months in 2016, foreign financing of US\$ 855.4 million (or about Rs. 122,365 million) through 8 loan agreements with total committed amount of US\$ 727.5 million (or about Rs. 103,966 million) and 9 grant agreements amounted to US\$ 127.9 (or about Rs. 18,399 million) was secured from foreign development partners and lending agencies while adhering the above objective of foreign borrowing.

A number of loan agreements targeting the implementation of flagship development projects was signed during the period including Extension of Southern Expressway Section II project (US\$ 360.3 million) funded by China Exim Bank, Greater Matale Water Supply Project (EURO 123.7 million) funded by Credit Agricole of France, Small and Medium-sized Enterprises Line of Credit (US\$ 100 million) funded by ADB, Integrated Rural Development in the most Vulnerable Districts of Central and Uva Province in Sri Lanka (EURO 30 million) funded by European Community, Construction of

Anamaduwa Integrated Water Supply project (EURO 29.3 million) funded by the Government of Spain and Development of General Hospital Kaluthara (EURO 24.5 million) funded by Co-op Centrale Raiffeisen Bank, Netherlands.

In addition, the National Water Supply and Drainage Board (NWS&DB) has obtained foreign financing assistance amounted to US\$ 403 million under Government guarantees from the Exim Bank of India to implement Aluthgama, Mathugama and Agalawatta Water Supply project (US\$ 164.9 million), Polgahawela, Pothuhera and Alawwa Integrated Water Supply project (US\$ 91.8 million) and Kundasale-Haragama Water Supply project (US\$ 146.3 million). Similarly, Airport and Aviation Services LTD (AASL) has obtained US\$ 402.7 to implement Bandaranaike International Air Port Development Project Phase II Stage II from the Government of Japan during the period.

A full list of loan and grant agreements only with the corresponding terms and conditions, signed by the Government with foreign lenders during the first four months of 2016 is shown in Table 5.1 and a similar list of loan agreements signed by the State Owned Enterprises under Government guarantees are depicted in Table 5.2.

Table 5.1: List of Foreign Financing Agreements Signed from January to April, 2016 with their Terms

Development Partner/Lending Agency	Agreement Date	Project	Loan Amount			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)	
			Currency	Original Amount Million	Rs. million	US\$ million	Interest Type	Rate					Margin (100 basis points)
Bilateral													
Raiffeisen Zentral Bank Austria	2016.01.16	Implementation of Kochchikade Bridge	Euro	8.70	1,353.00	9.41			Interest free		n/a	9	18
Canada	2016.03.03	Uniterra 2015-2020 Volunteer Cooperation programme	CAD	2.77	298.49	2.07							Grant
Spain	2016.02.16	Construction of Anamaduwa Integrated project	Euro	29.51	4,743.01	32.94	Fixed	0.15%	0	0.05%	0.1% Mgt. Fee	4	36
Co-op Centrale Raiffeisen Boerenien Bank Netherlands	2016.02.19	Dev. Of General Hospital Kaluthara	Euro	24.47	3,197.64	27.22	Variable	3 month or 6 month Euribor	1.5	0.00%	0	3	10
China	2016.04.07	Extension of Southern Expressway section II	USD	360.29	51,846.30	360.29	Fixed	2.00%	0	0.25%	0.5% Mgt. fee	5	20
	2016.04.07	Provide Eight Kidney Disease Mobile Screening Vehicles	CNY	15.00	333.34	2.32							Grant
	2016.04.07	Economic and Technical Cooperation	CNY	500.00	11,111.45	77.22							Grant
India	2016.02.05	Constructions of a Surgical Unit and Supply Medical Equipment to Batticaloa	LKR	275.00	275.00	1.91							Grant
	2016.02.05	Renovation of 27 Schools in Northern Province	LKR	250.00	250.00	1.74							Grant
Kuwait	2016.03.16	Building complex for the Faculty of Healthcare Sciences, Eastern University Sri Lanka Project	KWD	10.00	4,801.39	33.37	Fixed	1%			Service Fee 0.5%		

Credit Agricole CIB	2016.04.25	Greater Matale Water Supply Project	Euro	123.73	19,893.41	138.24	Variable	6 Month Euribor	1.7	0.75%	0.5% Mgt. fees	3	12
Multilateral													
ADB	2016.02.23	Small and Medium-sized Enterprises Line of Credit	USD	100.00	14,391	100.00	Variable	6 months Euribor	2%	0.15%	–	10	20
European Community	2016.03.16	Integrated Rural Development in the most Vulnerable Districts of Central and Uva Province in Sri Lanka	Euro	30.00	4,823.21	33.51							Grant
	2016.03.16	Trade Related Assistance in Sri Lanka	Euro	8.00	1,278.04	8.88							Grant
Food and Agriculture Organization	2016.03.02	E-agriculture Environment and Developing ICT - Mediated Agricultural solutions for countries in Asia Pacific	USD	0.045	6.48	0.045							Grant
World Bank	2016.03.24	Improving Poverty Estimation	USD	0.16	23.03	0.16							Grant
International Fund For Agricultural Development	2016.04.26	Sri Lanka Smallholder Tea and Rubber Revitalization	XDR	18.45	3,740.35	25.99	Fixed	1.25%	–	–	0.75% Service Charge	5	25
Total					122,365.2	855.3							

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offer Rate

2. EURIBOR = Euro Interbank Offer Rate

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

4. Foreign loans commitments received by SOEs are not included

5. N/A = Not Applicable

Table 5.2: List of Foreign Financing Loan Agreements Signed by the State Owned Enterprises with Government Guarantee from January to April, 2016 with their Terms

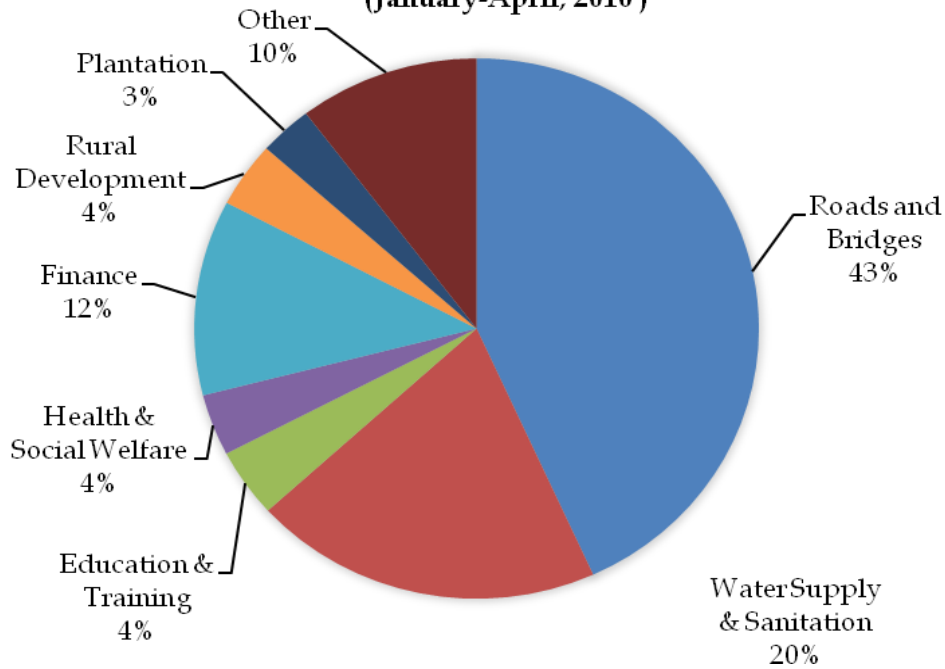
Development Partner/ Lending Agency	Agreement Date	Project	Loan Amount			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period)	
			Currency	Original Amount Million	Rs. million	US\$ million	Interest Type	Rate				Margin (100 basis points)	(Years)
Exim Bank of India (to NWS&DB)	2016.03.08	Aluthgama, Mathugama and Agalawatta Water Supply Project	USD	164.90	23,729.11	164.9	Variable	6 month Libor%	1.75	0.50%	2.5% Guarantee fee 0.5% Mgt fees	3	12
	2016.03.08	Polgahawela, Pothuhera and Alawwa Integrated Water Supply project	USD	91.80	13.21	91.8	Variable	6 month Libor%	1.75	0.50%	2.5% Guarantee fee 0.5% Mgt fees	3	12
	2016.03.08	Kundasale-Haragama Water supply project	USD	146.31	21,054.01	146.31	Variable	6 month Libor	1.75	0.50%	2.5% Guarantee fee 0.5% Mgt fees	3	12
Government of Japan (to AASL)	2016.03.24	Bandaranayaka International Air Port Development Project Phase II Stage II	JPY	45,428.00	57,947.95	402.69	Fixed	1.00%	-	-	-	10	40

Source: Department of External Resources

Note: 1. LIBOR = London Interbank Offer Rate

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

**Chart 5.1: Foreign Financing Commitments by Sector
(January-April, 2016)**



China accounted for more than 50 percent of the total foreign financing commitments made during first four months of 2016. Similar to the previous years, the major portion of the total foreign commitments during the period were channeled for the development of roads and bridges sector followed by water supply and sanitation sector.

Foreign Financing Disbursements

The total disbursements from commitments already made by various bilateral and multilateral development partners during first four months of 2016 was US\$ 311.7 million (approximately Rs. 44,894.47 million) Of that, project loan disbursements accounted for US\$ 301.9 million (about 97 percent of total disbursement) while the grants accounted for US\$ 9.95 million.

Table 5.3: Foreign Financing Disbursement in Development Projects from 1st January – 30th April, 2016 by Development Partner

Development Partner/ Lending Agency	Loan		Grant		Total Amount	
	Rs.	USD	Rs.	USD	Rs.	USD
Bilateral	27,554.70	191.39	666.79	4.64	28,221.49	196.03
China	11,173.30	77.56	-	-	11,173.30	77.56
Japan	4,964.42	34.49	512.81	3.57	5,477.23	38.06
India	2,107.47	14.64	-	-	2,107.47	14.64
United Kingdom	2,724.11	18.93	-	-	2,724.11	18.93
Netherlands	2,044.57	14.21	-	-	2,044.57	14.21
South Korea	129.36	0.90	-	-	129.36	0.90
Hungary	943.36	6.56	-	-	943.36	6.56
Sweden	194.68	1.35	-	-	194.68	1.35
Spain	1,278.16	8.88	-	-	1,278.16	8.88
Austria	173.92	1.21	-	-	173.92	1.21
Belgium	100.84	0.71	-	-	100.84	0.71
Germany	462.52	3.21	153.98	1.07	616.50	4.28
Kuwait	225.91	1.57	-	-	225.91	1.57
Denmark	1,032.08	7.17	-	-	1,032.08	7.17
Multilateral	15,908.42	110.52	764.56	5.31	16,672.98	115.83
Asian Development Bank	8,484.57	58.95	-	-	8,484.57	58.95
World Bank - International Development Association	4,893.88	33.99	764.56	5.31	5,658.44	39.30
World Bank - International Bank for Reconstruction and Development	1,692.56	11.76	-	-	1,692.56	11.76
International Fund for Agricultural Development	432.54	3.01	-	-	432.54	3.01
OPECFund for International Development (OFID)	404.87	2.81	-	-	404.87	2.81
Total	43,463.12	301.91	1,431.35	9.95	44,894.47	311.86

Source – Department of External Resources

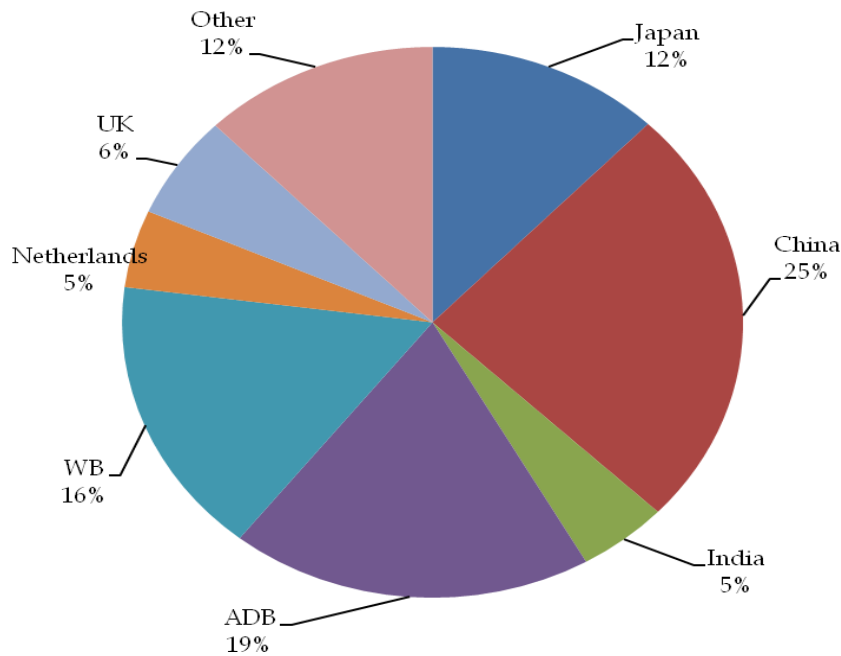
Note – 1. The conversion rates used for the report were the exchange rates prevailed for different Currencies at the date where the disbursements were made.

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

Out of total disbursements recorded during the first four months of 2016 period, about 63 percent or US\$ 196 million represented by the bilateral development partners and the balance amount of US\$ 115.9 million was disbursed through multilateral lending agencies. The highest amount of disbursement

(US\$ 77.6 million) was recorded as disbursements for the development projects financed by China followed by ADB, World Bank and Japan by disbursing US\$ 58.9 million, US\$ 51.1 million and US\$ 38.1 million, respectively.

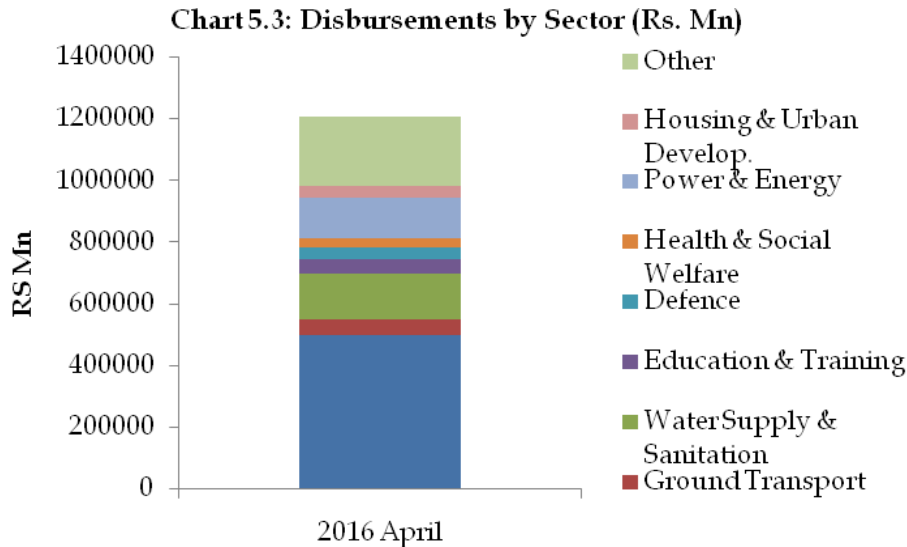
Chart 5.2: Foreign Finance Disbursements by Development Partners



Other: Sweden, Austria, Belgium, Denmark, USA, etc.

About 41.4 percent of the total disbursement during the period under review was mobilized for the road and bridges sector while project disbursements under water

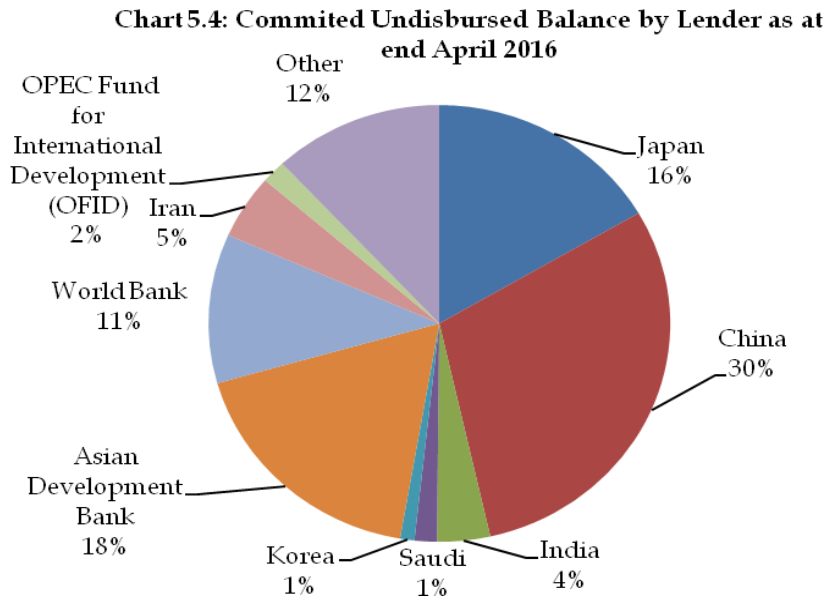
supply and sanitation, power and energy and education about 12 percent, 11 percent and 4 percent, respectively.



Committed Undisbursed Balance (CUB) and Utilization

As at 30.04.2016, the total undisbursed balance of foreign financing available from the loans and grants already signed and to be disbursed in next 3-5 years on development project was US\$ 8,401.1 million. Of that, US\$

5,917.4 million or about 70 percent of total undisbursed balance was available for Economic Infrastructure Sector representing US\$ 1,027 million for water supply and sewerage, US\$ 920.6 million for power and energy and US\$ 354.4 million for transport sector.



Other: France, Sweden, Australia, Spain, Austria, Belgium, Netherland, Denmark, United Kingdom, USA, etc.

Table 5.4: Committed Undisbursed Balance by Sector

Sector	Million	
	Rs	USD
Agriculture	104,639.40	727.10
Agriculture	3,168.40	22.00
Livestock Development	7,043.20	48.90
Land & Irrigation	94,427.80	656.20
Economic Infrastructure	851,501.60	5,917.40
Transport	50,991.90	354.40
Ports & Shipping	18,818.30	130.80
Power & Energy	132,472.60	920.60
Water Supply and Sewerage	147,789.60	1,027.00
Road and Bridges	501,429.20	3,484.60
Social Infrastructure	115,282.40	801.10
Education & Vocational Training	46,981.70	326.50
Health & Social Welfare	29,957.90	208.20
Housing & Urban Development	36,652.80	254.70
Rehabilitation	1,690.00	11.70
Finance & Banking	14,389.60	100.00
Institutional & Industrial Development	6,097.70	42.40
Environment	8,398.90	58.40
Other	108,609.60	754.70
Total	1,208,919.20	8,401.10

Source: Department of External Resources

Note: Foreign loan commitments received by SOEs are not included

Total Outstanding External debt and Debt Service Payments

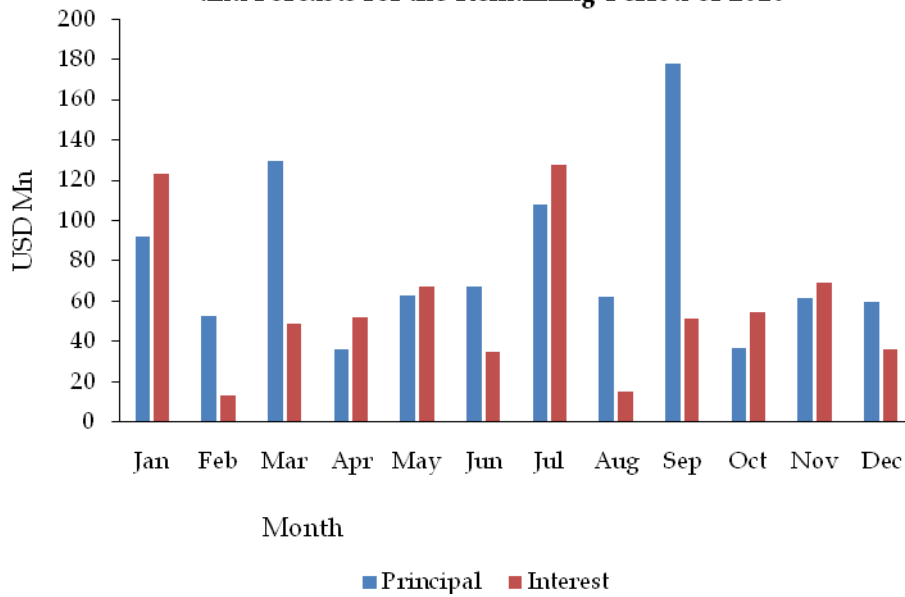
By the end of April 2016, the total outstanding external debt of the Government was US\$ 23.1 billion³. The total debt service⁴ payments from

January to April 2016 amounted to US\$ 546.8 million. Of which, US\$ 309.7 million was for principal payment and the balance US\$ 237.1 million was for interest payment.

³This includes outstanding external debt for loans obtained to finance development projects and International Bond Issuances. Loans obtained by State Owned Enterprises (SOEs) and foreign investment on Treasury bond and Treasury Bills are not included.

⁴Debt service = Principal Payments + Interest Payments.

Chart 5.5: Debt Service Payments during January -April 2016 and Forecasts for the Remaining Period of 2016



Total estimated debt service payment for 2016 is US\$ 1638.7 million⁵, of which 33.5 percent has already been made by 30th April 2016. As per the estimates for the remaining period of

2016, July and September of 2016 are expected to have relatively larger debt service requirements.

⁵Including the Debt Service Payments of International Bond Issuances. US \$ estimations are based on the exchange rates as at 30th April 2016.

