



MID - YEAR FISCAL POSITION REPORT - 2019

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

**Mangala Samaraweera, M. P.
Minister of Finance**

30th June 2019

Mid-Year Fiscal Position Report
Issued by the Hon. Minister of Finance
Under Section 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003

In terms of Section 10 of the Fiscal Management (Responsibility) Act, No. 03 of 2003, the Minister of Finance is required 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 2019. The report also provides provisional budget outturn for the first four months of 2019, 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.

Table of Contents

Chapter 1	Economic Perspectives in a Global Context.....	1
	Economic Growth.....	1
	Inflation.....	3
	Money and Credit.....	4
	Stock Market.....	4
	External Sector Developments.....	5
	Global Economic Perspectives	7
Chapter 2	Fiscal Developments.....	13
	Overview.....	13
	Government Revenue.....	15
	Government Expenditure.....	23
	Performance of the Cash Flow of the General Treasury	34
Chapter 3	Performance of State Owned Enterprises.....	37
	Overview.....	37
	Review of the Ten Major SOBEs.....	37
	Reform Initiatives of Major SOBEs.....	40
Chapter 4	Foreign Financing	45
	Foreign Financing Commitments.....	45
	Foreign Financing Disbursements and Utilization.....	48
	Committed Undisbursed Balance (CUB).....	49
	External Debt Stock and External Debt Service Payments.....	49

Key Economic Indicators

Indicator	Period	Unit	Value	
			2018	2019 (Provisional)
REAL SECTOR				
Economic Growth	First Quarter	%	4.0	3.7
Agriculture	First Quarter	%	5.1	5.5
Industry	First Quarter	%	1.7	3.0
Services	First Quarter	%	5.5	4.1
Inflation (Point to Point)	End May	%	2.1	3.5
Inflation (Average)	End May	%	5.7	2.0
Unemployment Rate	Annual	%	4.4	n.a.
Labour Force Participation Rate	Annual	%	51.8	n.a.
FISCAL SECTOR				
Budget Deficit	Jan-April	Rs. Mn.	(250,638)	(363,438)
Total Revenue	Jan-April	Rs. Mn.	622,378	598,116
Tax Revenue	Jan-April	Rs. Mn.	570,471	551,530
Non Tax Revenue	Jan-April	Rs. Mn.	51,907	46,586
Recurrent Expenditure	Jan-April	Rs. Mn.	685,966	750,535
Public Investment	Jan-April	Rs. Mn.	181,998	212,899
Government Debt	End Dec	Rs. Bn.	11,977.5	n.a.
EXTERNAL SECTOR				
Exports	Jan-April	US\$ Mn.	3,784	3,954
o/w Agriculture Exports	Jan-April	US\$ Mn.	843	825
Industrial Exports	Jan-April	US\$ Mn.	2,714	3,112
Textile and Garments	Jan-April	US\$ Mn.	1,667	1,832
Other	Jan-April	US\$ Mn.	1,083	1,113
Imports	Jan-April	US\$ Mn.	7,765	6,413
Consumer Goods	Jan-April	US\$ Mn.	1,780	1,220
Intermediate Goods	Jan-April	US\$ Mn.	4,330	3,657
o/w Petroleum Products	Jan-April	US\$ Mn.	1,402	1,314
Investment Goods	Jan-April	US\$ Mn.	1,591	1,537
Trade Balance	Jan-April	US\$ Mn.	(3,981)	(2,458)
Tourist Arrivals	Jan-April	No.	888,353	907,575
Earnings From Tourism	Jan-April	US\$ Mn.	1,667 (a)	1,704 (b)
Workers' Remittances	Jan-April	US\$ Mn.	2,520	2,171
Portfolio Investments – Equity (Net)	Jan-April	US\$ Mn.	154.5	n.a.
Overall Balance of Payments (BOP)	Jan-April	US\$ Mn.	2,036	(176)
Gross Official Reserves	End April	US\$ Mn.	9,936	7,214
Exchange Rate (End Month)	End May	Rs. Per US\$	158.09	177.02
Exchange Rate (Monthly Average)	Jan- May	Rs. Per US\$	157.90	176.44
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End May	%	7.25	7.50
Standing Lending Facility Rate (SLFR)	End May	%	8.50	8.50
Statutory Reserve Requirement (SRR)	End May	%	7.50	5.00
Commercial Bank Average Weighted Prime Lending Rate (AWPLR)	End May	%	11.45	11.93
Commercial Bank Average Weighted Lending Rate (AWLR)	End April	%	14.13	14.47
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End May	%	7.95	8.04
W.A. Yield Rate of Treasury Bills (91 Days)	End May	%	8.34	8.52
W.A. Yield Rate of Treasury Bills (364 Days)	End May	%	9.62	8.88
Growth in Money Supply (M ₂ b)	Apr 2019/Apr 2018	%	16.77	9.00
Growth in Credit to the Private Sector	Apr 2019/Apr 2018	%	15.30	10.00

(a) Revised based on survey results of SLTD

(b) A on average stay period and average spending per day estimates for 2018

(c) This provisional estimate may be revised once the SLTDA releases its survey results for 2019

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level	2018	%	99.0
Water			
Access to Safe Drinking Water	2018	% of Population	90.6
Access to Pipe borne Water	2018	% of Population	50.5
Roads			
Road Density	2018	Km ²	1.82
Total Road Length	2018	Km	119,480
Communication			
Telephone Density including Cellular Phones	2018	Per 100 persons	161.5
Access to Internet	2018	Per 100 persons	33.5
Education			
General Education			
Primary Net Enrolment Ratio	2018	%	91.8
Student/Teacher Ratio (Government Schools)	2018	Number	17.0
Literacy Rate (Average)	2017	%	92.6
Computer Literacy Rate (First 06 months)	2018	%	27.5
University Education			
Student/Teacher Ratio	2018	Number	18.4
Age Specific Enrolment Ratio (Age 19-23 yrs) (a)	2018	%	7.5
Health			
Hospitals (Practicing Western Medicine) (b)	2018	Number	613
Beds (b)	2018	Number	76,774
Hospital Beds	2018	Per 1000 persons	3.5
Persons per Doctor	2018	Number	1,035
Population			
Population Density	2018	Persons per sq. km	346
Population Growth	2018	%	1.1
Life Expectancy at Birth	2017	Years	75.5
Infant Mortality Rate	2017	Per 1000 live births	8.5
Maternal Mortality Rate	2013	Per 1000 live births	26.8
Crude Birth Rate	2018	Per 1000 persons	15.1
Crude Death Rate	2018	Per 1000 persons	6.4
Dependency Ratio	2018	%	49.4
Poverty			
Poverty Head Count Index	2016	%	4.1
Gini Coefficient of Household Income	2016	Coefficient	0.45
Poverty Gap Index	2016	%	0.6
Average Daily Calorie Intake	2016	Kilocalories	2,095
International Rankings			
Human Development Index	2019	Rank out of 189 Countries	76
Doing Business Index	2018	Rank out of 190 Countries	100
Global Competiveness Index	2018	Rank out of 140 Countries	85
Economic Freedom Index	2018	Rank out of 180 Countries	115
Global Peace Index	2019	Rank out of 163 Countries	72
e-Government Development Index	2018	Rank out of 193 Countries	94

(a) Only includes internal enrolment of students

(b) Government

CHAPTER 1

Economic Perspectives

Economic Growth

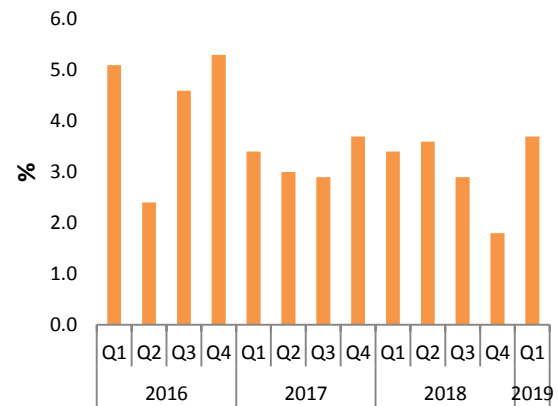
The Sri Lankan economy accelerated to 3.7 per cent in the first quarter of 2019, compared to 1.8 per cent recorded in the last quarter of 2018. However, real GDP growth moderated in the first quarter of 2019, compared to 4.0 per cent recorded in the same quarter of 2018. This growth was supported mainly by the expansion of agriculture activities which recorded a growth of 5.5 per cent, construction activities with a growth of 6.9 per cent together with the expansion of wholesale and retail trade, and financial services. Industry and service activities grew by 3.0 per cent and 4.1 per cent, respectively in the first quarter of 2019. The economy is expected to rebound in the remaining quarters of 2019 with policy measures taken to restore normalcy in the economy aftermath of the Easter Sunday attack.

Benign weather condition prevailed in major cultivation areas enhanced the performance of agriculture activities which grew by 5.5 per cent in the first quarter of 2019, compared to 5.1 per cent in the same quarter of 2018. This was mainly attributable to the substantial increase in the growing of rice, vegetables, fruits and coconut. Further, animal production, freshwater fishing and plant propagation contributed positively to the growth of agriculture. However, growing of cereals, tea and marine fishing sector contracted in the first quarter of 2019.

Paddy production recorded a bumper harvest in the first quarter of 2019 benefiting from the favourable weather condition prevailed in paddy growing areas. Paddy production during 2018/2019 *Maha* season significantly increased by 21.1 per cent to 2.9 million metric tons, compared to 2.4 million metric tons recorded in 2017/18 *Maha* season. Coconut and rubber production increased by 34.4 per cent to 782.4

million nuts and 3.3 per cent to 21.5 million kg, respectively. The total fish production increased marginally by 0.4 per cent to 133 million kg in the first quarter of 2019. However, value-added tea production contracted by 1.7 per cent in the first quarter of 2019, compared to 12.1 per cent growth in the same quarter of 2018. Total tea production declined by 1.2 per cent to 73.0 million kg in the first quarter of 2019.

FIGURE 1.1 Quarterly GDP growth



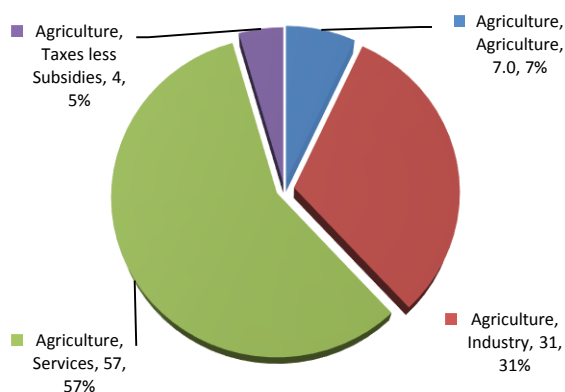
The value-added industry sector expanded by 3.0 per cent in the first quarter of 2019, compared to 1.7 per cent growth recorded in the same quarter of 2018. This growth was mainly attributable to the revival of construction activities, manufacturing of coke and refined petroleum products, manufacturing of textile and apparel and food and beverages sector, compared to the first quarter of 2018. Further, the value-added mining and quarrying, and manufacture of furniture positively contributed to the industry activities with the growth of 5.8 per cent and 5.7 per cent, respectively. As per the Index of Industrial Production (2015=100) compiled by the Department of Census and Statistics, the overall manufacturing sector increased by 5.7 per cent in the first quarter of 2019.

TABLE 1.1 Gross domestic product (GDP) at constant (2010) prices first quarter 2018-2019

Economic Activity	Rs. Million		
	2018	2019 (Prov.)	Rate of Change (%)
Agriculture, Forestry and Fishing	153,947	162,364	5.5
Growing of Cereals (except rice)	4,254	3,705	(12.9)
Growing of Rice	8,760	9,906	13.1
Growing of Vegetables	10,188	10,662	4.7
Growing of Sugar Cane, Tobacco and other non-perennial Crops	429	440	2.6
Growing of Fruits	13,259	14,330	8.1
Growing of Oleaginous Fruits (Coconut, King Coconut, Oil palm)	12,668	17,178	35.6
Growing of Tea (Green Leaves)	16,265	15,991	(1.7)
Growing of other Beverage Crops (Coffee, Cocoa, etc)	398	406	2.0
Growing of Spices, Aromatic, Drug and Pharmaceutical crops	17,094	17,143	0.3
Growing of Rubber	6,049	6,250	3.3
Growing of other perennial crops	3,982	4,115	3.3
Animal Production	14,069	15,394	9.4
Plant propagation and agricultural supporting activities	2,203	2,356	6.9
Forestry and Logging	14,537	14,657	0.8
Marine Fishing and Marine Aquaculture	26,510	25,972	(2.0)
Fresh water fishing Fresh water Aquaculture	3,284	3,862	17.6
Industries	703,548	724,691	3.0
Mining and quarrying	59,215	62,670	5.8
Manufacture of food, beverages and Tobacco products	165,124	168,869	2.3
Manufacture of textiles, wearing apparel and leather related products	110,247	112,313	1.9
Manufacture of wood and of products of wood and cork, except furniture	11,938	9,193	(23.0)
Manufacture of paper products, printing and reproduction of media products	11,638	10,334	(11.2)
Manufacture of coke and refined petroleum products	7,188	14,001	94.8
Manufacture of chemical products and basic pharmaceutical products	22,426	21,204	(5.5)
Manufacture of rubber and plastic products	11,781	11,972	1.6
Manufacture of other non - metallic mineral products	21,978	21,122	(3.9)
Manufacture of basic metals and fabricated metal products	14,622	13,084	(10.5)
Manufacture of machinery and equipments i.e	14,651	13,731	(6.3)
Manufacture of furniture	28,865	30,497	5.7
Other manufacturing and repair and installation of machinery and equipment	21,859	21,226	(2.9)
Electricity, gas, steam and air conditioning supply	24,873	25,028	0.6
Water collection, treatment and supply	3,448	3,670	6.4
Sewerage, Waste, treatment, and disposal activities	7,344	7,926	7.9
Construction	166,350	177,851	6.9
Services	1,283,058	1,335,470	4.1
Wholesale and retail trade	260,329	271,806	4.4
Transportation of goods and passengers including warehousing	228,430	232,601	1.8
Postal and courier activities	1,119	1,154	3.1
Accommodation, Food and beverage service activities	38,674	40,405	4.5
Programming and broadcasting activities and audio video productions	591	639	8.1
Telecommunication	10,455	12,032	15.1
IT programming consultancy and related activities	3,477	3,883	11.7
Financial Service Activities Auxiliary financial service	132,333	145,283	9.8
Insurance, reinsurance and pension funding	17,229	18,604	8.0
Real estate activities, including ownership of dwelling	141,740	144,845	2.2
Professional services	40,199	41,158	2.4
Public Administration and defense, compulsory social security	95,816	97,321	1.6
Education	44,326	45,585	2.8
Human Health Activities, Residential care and social work activities	32,879	33,780	2.7
Other personal service activities	235,461	246,376	4.6
Gross Value Added (GVA), at basic prices	2,140,553	2,222,525	3.8
(+) Taxes less Subsidies on Products	101,999	103,747	1.7
Gross Domestic Products (GDP), at Constant Market Price	2,242,552	2,326,273	3.7

Source: Department of Census and Statistics

FIGURE 1.2 Sectoral composition of GDP at current prices - first quarter 2019



Services activities grew moderately by 4.1 per cent in real terms in the first quarter of 2019, compared to 5.5 per cent in the same quarter of 2018. This was mainly benefitted from positive growth of all subsectors such as wholesale and retail sector by 4.4 per cent, transportation by 1.8 per cent, financial services by 9.8 per cent, real estate sector by 2.2 per cent and telecommunication sector by 15.1 per cent. The total container handled during the first quarter

of 2019 increased by 4.9 per cent to 1.8 million Twenty-foot Equivalent Units (TEUs) while total cargo handled during the period increased by 5.9 per cent to 27 million mt.

Inflation

Headline inflation as measured by the year-on-year change in the National Consumer Price Index (NCPI, 2013=100) remained mid-single digit level. The inflation increased to 3.5 per cent in May 2019 from 2.1 per cent in May 2018. The inflation showed an increasing trend in the first five months of 2019 and it accelerated to 3.5 per cent in May 2019 from 1.2 per cent in January 2019 due to the lagged effect of the sharp depreciation of the rupee in 2018. However, the inflation is expected to remain at 4-6 per cent range during the year and the increase of the recent uptick will be temporary. The change in the NCPI measured on an annual average declined notably to 2.0 per cent in May 2019 from 5.7 per cent in May 2018.

TABLE 1.2 Movements in inflation (%)

Year	Month	CCPI (2013=100)				NCPI (2013=100)			
		Headline Inflation		Core * Inflation		Headline Inflation		Core * Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2018	January	5.8	6.6	3.5	5.6	5.4	7.6	2.1	4.5
	February	4.5	6.4	3.5	5.3	3.2	7.2	2.0	4.1
	March	4.2	6.1	3.4	5.0	2.8	6.7	1.9	3.6
	April	3.8	5.9	3.5	4.7	1.6	6.1	1.9	3.3
	May	4.0	5.7	3.2	4.5	2.1	5.7	1.7	3.1
	June	4.4	5.6	3.4	4.4	2.5	5.3	1.8	2.9
	July	5.4	5.6	3.9	4.3	3.4	5.1	2.3	2.7
	August	5.9	5.6	3.7	4.1	2.5	4.7	2.7	2.5
	September	4.3	5.4	3.8	3.9	0.9	4.0	3.1	2.4
	October	3.1	5.0	3.8	3.8	0.1	3.3	3.4	2.4
	November	3.3	4.6	3.4	3.6	1.0	2.7	3.1	2.4
	December	2.8	4.3	3.1	3.5	0.4	2.1	3.1	2.4
2019	January	3.7	4.1	5.5	3.7	1.2	1.8	5.1	2.7
	February	4.0	4.1	5.4	3.8	2.4	1.7	5.5	3.0
	March	4.3	4.1	5.6	4.0	2.9	1.7	5.8	3.3
	April	4.5	4.1	5.5	4.2	3.6	1.9	6.3	3.7
	May	5.0	4.2	6.2	4.4	3.5	2.0	6.3	4.0

Source: Department of Census and Statistics

*CCPI Core Inflation - excludes food, energy and transport

The NCPI on a monthly percentage change, increased by 1.1 per cent in May 2019 from 0.7 per cent in April 2019 due to the increase in both food and non-food items in the basket such as vegetables, potatoes, milk powder, transport and health etc. The inflation as measured by a year-on-year basis in the Colombo Consumer Index (2013=100) reported acceleration in first five months of 2019 and the inflation increased to 5.0 per cent in May 2019 from 4.0 per cent in May 2018. The core inflation, which shows the underlying inflation in the economy, measured by NCPI and CCPI, demonstrated an uptick during the first five months of 2019 due to the increase in food and non-food category.

Money and Credit

Reserve money contracted by 7.6 per cent, on a year-on-year basis, while the growth of broad money (M2b) increased by 9.0 per cent in April 2019 on year-on-year basis. Moreover, private sector credit, on-year-on-year basis, grew by 9.9 per cent in April 2019. The Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of commercial banks was reduced by 1.00 per centage point to 5.00 per cent effective from March 01, 2019. Accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank remained at 8.00 per cent and 9.00 per cent, respectively. However, the SDFR and SLFR were reduced by 50 basis points to 7.50 per cent and 8.50 per cent, respectively effective from May 31, 2019 considering the domestic and global economic developments while keeping inflation at mid-single digit level.

TABLE 1.3 Money and private sector credit

Item	2018				2019				2019 April/2018 April Growth (%)
	January	February	March	April	January	February	March	April	
Reserve Money	930.0	938.1	997.2	1,000.1	949.1	963.0	962.9	924.2	(7.6)
Broad Money (M2b)	6,378.4	6,450.5	6,606.6	6,691.7	7,110.9	7,188.6	7,252.1	7,294.2	9.0
Private Sector Credit	4,842.1	4,900.0	5,022.2	5,044.5	5,557.1	5,564.7	5,587.7	5,544.3	9.9

Source : Central Bank of Sri Lanka

Stock Market

The stock market showed a subdued performance during the first five months of 2019 due to adverse developments in the domestic and global economic environment. However, the stock market is expected to gain its momentum during the remaining months with positive economic and political developments. All Share Price Index (ASPI) declined by 17 per cent to 5,311 points as at end May 2019, compared to 6,398 points in the same period of 2018. The S&P SL 20 Index declined by 30.8 per cent to 2,470 points as at end May 2019, compared to 3,567 points as at

end May 2018. The daily average turnover declined by 44.8 per cent to Rs. 551 million as at end May 2019, compared to Rs. 998 million in the corresponding period of the previous year. In addition, market capitalization fell by 16.3 per cent to Rs. 2,502 billion as at end May 2019 from Rs. 2,989 billion in the same period of 2018. Meanwhile, cumulative foreign purchases dropped significantly by 49.1 per cent to Rs. 22.3 billion as at end May 2019, compared to Rs. 43.9 billion as at end May 2019 while foreign sales also declined by 48.3 per cent to Rs. 27.9 billion as at end May 2019, compared to Rs. 53.9 billion as at end May 2018.

TABLE 1.4 Movements in the capital market

Indicators	2014	2015	2016	2017	2018	End May	
						2018	2019
All Share Price Index (1985=100)	7,299	6,895	6,228	6,369	6,052	6,398	5,311
Milanka Price Index/S & P SL 20 Index	4,089	3,626	3,496	3,672	3,135	3,567	2,470
Market Capitalization (Rs. Bn.)	3,105	2,938	2,745	2,899	2,839	2,989	2,502
No. of Listed Companies in Trading	294	294	295	296	297	299	291
Daily Average Turnover (Rs.Mn.)	1,415	1,060	737	915	834	998	551
Foreign Sales (Rs. Mn.)	83,554	89,790	74,200	94,627	100,315	53,947	27,899
Foreign Purchases (Rs. Mn)	104,771	84,418	74,583	112,285	77,067	43,861	22,313
Net Purchases (Rs. Mn)	21,217	(5,372)	384	17,658	(23,248)	(10,087)	(5,585)

Source: Colombo Stock Exchange and Central Bank of Sri Lanka

External Sector Developments

Sri Lanka's external sector moderated in the first four months of 2019 mainly due to the lessening of the trade deficit, a marginal increase in earnings from tourism, the decline in workers' remittances and weaker financial flows. The exports increased by 4.5 per cent to US\$ 3,954 million in the first four months of 2019 while imports contracted by 17.4 per cent to US\$ 6,412 million which has resulted in narrowing the trade deficit to US\$ 2,458 million in the first four months of 2019, compared to US\$ 3,981 million in the same period of 2018.

Earnings from tourism increased marginally by 2.2 per cent to US\$ 1,704 million in the first four months of 2019 partly due to the decline in earnings from tourism in April 2019 with the impact of Easter Sunday attacks. Tourist arrivals increased by 2.2 per cent to 907,575 persons at end April 2019 from 888,353 persons at end April 2018. However, tourist arrivals in the month of April 2019 declined by 7.5 per cent to 166,975 persons from 180,429 persons in April 2018. The remittances from overseas employment declined by 13.8 per cent to US\$ 2,171 million in the first four months of 2019, compared to US\$ 2,520 million in the same period of 2018.

The Colombo Securities Exchange (CSE) reported a net outflow of US\$ 24 million in the first four months of 2019 as against the net inflow of US\$ 47 million in the same period of 2018. The gross inflows to the Government

including Treasury Bills and Bonds, long-term loans and International Sovereign Bonds (ISBs) recorded US\$ 3,199 million in the first four months of 2019. At the end April 2019, the country's international reserve position as reflected by the gross official reserves stood at US\$ 7.2 billion which was sufficient to cover 4.1 months of imports.

Exports

Earnings from exports increased moderately to US\$ 3,954.2 million in the first four months of 2019 due mainly to the increase in industrial and mineral exports despite a contraction in agricultural exports. Earnings from industrial exports increased by 6.5 per cent to US\$ 3,112 million in the first four months of 2019 owing to the increased earnings from textiles and garments by 9.9 per cent to US\$ 1,832 million benefiting from higher demand for garments from the USA and non-traditional markets such as Canada, China, Australia and Brazil. Export earnings from food, beverages and tobacco products increased by 6.5 per cent to US\$ 165 million in the first four months of 2019 while export earnings from rubber products increased slightly by 1.9 per cent to US\$ 286 million. Export earnings from chemical products, base metals and articles, wood and paper products, and printing industry products contributed positively to the industrial exports in the first four months of 2019. However, export earnings from gems, diamond and jewellery, machinery and mechanical appliances, transport

equipment, petroleum products, leather, plastic and ceramic products declined. Meanwhile, export earnings from mineral exports increased by 9.6 per cent to US\$ 11.3 million in the first four months of 2019.

Earnings from agricultural exports declined by 2.2 per cent to US\$ 825 million in the first four months of 2019 reflecting the decline in earnings from tea, rubber and minor agricultural products. Export earnings from tea declined by 6.7 per cent to US\$ 446 million in the first four months of 2019 due to the combined effect of lower average export prices and the decline in export volumes. Export earnings from rubber

fell by 23 per cent to US\$ 11 million while earnings from minor agricultural products declined by 15.5 per cent to US\$ 35 million in the first four months of 2019 reflecting the reduction in export earnings from most of the subcategories particularly fruits, betel leaves and arecanuts. However, export earnings from coconut rose by 10.7 per cent to US\$ 112 million in the first four months of 2019 due to high export volumes of coconut kernel products, desiccated coconut and non-kernel coconut products. Meanwhile, export earnings from vegetables, spices and seafood also increased in the first four months of 2019.

TABLE 1.5 External trade: January - April 2019

Category	US\$ Million		
	2018	2019 (Prov.)	% Change
Exports	3,783.7	3,954.2	4.5
Agricultural Products	843.4	824.7	(2.2)
Tea	478.1	446.2	(6.7)
Primary Products (Rubber and Coconut Products)	115.1	122.6	6.5
Other Agricultural Products	250.2	255.9	2.3
Industrial Exports	2,923.2	3,111.9	6.5
Textile and Garments	1,667.2	1,831.8	9.9
Petroleum Products	173.2	166.9	(3.6)
Other Industrial Products	1,082.8	1,113.2	2.8
Mineral	10.3	11.3	9.7
Other	6.7	6.3	(6.0)
Imports	7,764.6	6,412.5	(17.4)
Consumer Goods	1,780.1	1,220.4	(31.4)
Food and Drinks	652.7	457.4	(29.9)
Other Consumer Goods	1,127.4	762.9	(32.3)
Intermediate Goods	4,329.8	3,656.8	(15.5)
Petroleum	1,402.0	1,313.6	(6.3)
Fertilizer	88.5	74.6	(15.7)
Textiles and Clothing	882.7	907.6	2.8
Other Intermediate Goods	1,956.6	1,361.0	(30.4)
Investment Goods	1,590.7	1,532.9	(3.6)
Machinery and Equipment	866.9	848.8	(2.1)
Transport Equipment	221.4	204.9	(7.5)
Building Material	499.7	477.0	(4.5)
Other Investment Goods	2.7	2.2	(18.5)
Other	64.1	2.4	(96.3)
Trade Balance	(3,980.9)	(2,458.2)	(38.3)

Source: Sri Lanka Customs and Central Bank of Sri Lanka

Imports

Expenditure on imports declined by 17.4 per cent to US\$ 6,412.5 million in the first four months of 2019 reflecting the contraction of imports of consumer goods, intermediate goods and investment goods. Import expenditure on consumer goods declined significantly by 31.4 per cent to US\$ 1,220.4 million in the first four months of 2019 mainly due to the decline in imports of all the sub-categories except beverages. Import expenditure on non-food consumer goods declined by 32.3 per cent to US\$ 763 million of which import expenditure on personal motor vehicles declined significantly by 57.9 per cent to US\$ 217.4 million owing to the drop in importation of motor cars with less than 1000cc, hybrid and electric motor vehicles. Further, import expenditure on cereals and milling industry products, dairy products, fruits and vegetables, seafood, and sugar and confectionary products declined. In addition, import expenditure on medical and pharmaceuticals declined in the first four months of 2019.

Import expenditure on intermediate goods dropped by 15.5 per cent to US\$ 3,657 million in the first four months of 2019 owing to the decline in all the sub-categories except textiles and textile articles and mineral products. Expenditure on fuel imports declined by 6.3 per cent to US\$ 1,314 million in the first four months of 2019 from US\$ 1,402 million in the same period of 2018 due to lower imported volumes of refined petroleum products and coal despite the increase in crude oil imports by 43.9 per cent to US\$ 293.1 million in the first four months of 2019. Import expenditure on chemical products and plastic fell to US\$ 274 million and US\$ 191 million, respectively. Similarly, imports expenditure on paper and base metal dropped to US\$ 136.5 million and US\$ 173 million, respectively in the first four months of 2019. Expenditure on diamonds, precious stones and metals imports declined by 86.4 per cent to US\$ 64.6 million in the first

four months of 2019 from US\$ 474 million in the same period of 2018 mainly due to the reduction of gold imports stemming from the imposition of customs duty on gold in April 2018. As such, gold imports declined by 99.8 per cent to US\$ 0.9 million in the first four months of 2019 from US\$ 437.3 million in the same period of 2018. In addition, import expenditure on wheat and maize, fertilizer, food preparation and chemical products declined in the review period. However, import expenditure on textiles and textile articles increased by 2.8 per cent to US\$ 908 million in the first four months of 2019 from US\$ 883 million in the same period of 2018 while expenditure on mineral products imports increased by 43.2 per cent to US\$ 85.5 million in the first quarter of 2019.

Import expenditure on investment goods declined by 3.6 per cent to US\$ 1,533 million in the first four months of 2019 from US\$ 1,591 million in the same period of 2018 reflecting the decline in expenditure on imports of machinery and equipment, building material and transport equipment. Imports on building material declined by 4.5 per cent to US\$ 477.0 million and expenditure on imports of machinery and equipment declined by 2.1 per cent to US\$ 849 million in the first four months of 2019.

Global Economic Perspectives¹

Global economic growth is projected to slow from the IMF April Forecast of 3.3 per cent in 2019 to the World Bank 2019 June Forecast of 2.6 per cent in 2019. The expected growth momentum remains weak due to wide array of reasons: (i) the intensified the United States

¹ This section is based on the *Global Economic prospects: heightened tensions, subdued investment, June 2019*, *World Economic Outlook: Growth slowdown and precarious recovery*, International Monetary Fund, April 2019 and other various sources.

(US)–China trade tensions, (ii) tightened financial condition combined with normalization of monetary policy stance adopted by advanced economies, (iii) increased debt levels and subdued investment growth in developing economies and (iv) other country-specific reasons, such as macroeconomic turbulence in Argentina and Turkey, challenges faced by automotive industry in Germany owing to the US tariff hike, Chinese economic slowdown together with tighter credit policies adopted in China. The global economy is expected to moderate to 2.7 per cent and 2.8 per cent in 2020 and 2021, respectively. Meanwhile, Government debt to GDP ratio has increased significantly in advanced economies, emerging market and developing economies (EMDEs) and low income countries (LICs) over the years. Low-interest rates have prompted to borrow more for financing activities which will lead to elevate debt levels.

The impact of financial tightening and political uncertainty will be a common obstacle to economic growth in a number of countries in 2019 and 2020. The economic growth in advanced economies is expected to grow by 1.7 per cent in 2019 and will decelerate to 1.5 per cent in 2020 due to the subdued performance in exports and investment. The economic growth in the Euro and Central Asia is projected to slow around 1.6 per cent in 2019 and is expected to recover to 2.7 per cent in 2020, compared to 3.1 per cent in 2018. EMDEs are anticipated to drop to a low level of 4.0 per cent in 2019 before returning to 4.6 per cent in 2020 owing to the reduced global growth along with declined investment and limited fiscal space. The debt level of those countries has increased significantly due to excessive borrowing. The low-income countries are challenged by heightened poverty and related fragility and

heavily reliance on Agriculture, despite the growth in low-income countries is expected to increase to 6.0 per cent in 2020 from 5.4 per cent in 2019.

Growth prospects for major economies

Economic growth in major economies, such as the US, Euro countries, Japan and China is anticipated to downgrade their growth prospects in 2019 and 2020. The US economy grew by 2.9 per cent in 2018 benefiting from the increased productivity and labour force participation rate and low unemployment level. The US economy is expected to slow to 2.5 per cent in 2019 and further slowdown to 1.7 per cent in 2020. However, recent tariff hikes and trade tension between the US and China may slowdown the projected growth. Economy in the Euro Area is expected to decline to 1.2 per cent in 2019 from 1.8 per cent in 2018 due to the slowdown in the manufacturing sector together with the decline in exports to China. Unemployment is expected to further decline. Countries in the Euro Area, such as Germany, France, and Italy have introduced various fiscal measures including limited tax cuts and expenditure increases. Core inflation remains at around 1.0 per cent in the Euro Area. Meanwhile, growth in Japan is expected to remain at 0.8 per cent in 2019 and further decelerate to 0.7 per cent in 2020 due to the weaker external demand, particularly exports to China. Meanwhile, the unemployment rate remains at a low level in Japan. Growth in China is projected to decline to 6.2 per cent in 2019 from 6.6 per cent in 2018 reflecting the slowdown in manufacturing and trade activities, particularly stemming from the increase in tariffs on trade with the US and a weaker global economic growth. Recent activity has been supported by monetary and fiscal stimulus.

TABLE 1.6 A Snapshot of the world - 2018

Country	2018				
	GDP Growth (Annual per cent change)	Inflation (Per cent)	Unemployment (Per cent)	Fiscal Balance (Per cent of GDP)	Gross Debt (Per cent of GDP)
Argentina	(2.5)	34.3	9.2	(5.2)	86.3
Australia	2.8	2.0	5.3	(1.2)	40.7
Brazil	1.1	3.7	12.3	(6.8)	87.9
Canada	1.8	2.2	5.8	(0.4)	90.6
Chile	4.0	2.3	6.9	(1.5)	25.6
China	6.6	2.1	3.8	(4.8)	50.5
France	1.5	2.1	9.1	(2.6)	98.6
Germany	1.5	1.9	3.4	1.7	59.8
Greece	2.1	0.8	19.6	0.4	183.3
India	7.1	3.5	...	(6.7)	69.8
Indonesia	5.2	3.2	5.3	(1.8)	29.2
Italy	0.9	1.2	2.6	(2.1)	132.1
Japan	0.8	1.0	2.4	(3.2)	237.1
Korea	2.7	1.5	3.8	2.8	40.7
Malaysia	4.7	1.0	3.3	(3.6)	56.2
Mexico	2.0	4.9	3.3	(2.3)	53.6
Russia	2.3	2.9	4.8	2.8	14.0
Singapore	3.2	0.4	2.1	4.0	108.3
South Africa	1.2	5.0	27.5	(4.4)	56.7
Spain	2.5	1.7	15.3	(2.7)	97.0
Sri Lanka	3.2	4.3	4.4	(5.3)	82.9
Thailand	4.1	1.1	1.2	(0.3)	42.1
United Kingdom	1.4	2.5	4.1	(1.4)	86.9
United States	2.9	2.4	3.9	(4.3)	105.8
Vietnam	7.1	3.5	2.2	(4.6)	57.5
Venezuela	(18.0)	929790 (a)	35.0	(29.9)	175.6

Source: "World Economic Outlook", IMF, April 2019, Fiscal Monitor, IMF, April 2019 and Annual Report 2018, Central Bank of Sri Lanka ... Negligible

(a) Excluded from all WEO group composites

Regional economic growth

Prospects for regional economic growth in the globe shows a mixed performance. Economic growth in Europe and the Central Asian region is expected to rise to 2.7 per cent in 2020 from a 1.6 per cent in 2019 benefiting from the recovery of Turkey after the slowdown. The economic growth is expected to recover to 2.7 per cent in Eastern Europe and moderate to 4.0 per cent in Central Asia. In the same vein, growth in the Middle East and North African region is expected to increase to 3.2 per cent in 2020. Economy in South Asian region remains robust with the growth of 7.0 per cent in 2020 and 7.1 per cent in 2021 reflecting the increased growth expectation from India stemming from the rise in demand with the support from monetary and fiscal policy instruments. Economic growth in India will expand by 7.5 per

cent in 2020. Growth in the Sub-Saharan African region is anticipated to increase to 3.3 per cent in 2020 reflecting the increased investor confidence over, in particular oil production. However, economic growth in the East Asia and Pacific area is expected to slow to 5.9 per cent in 2019 from 6.3 per cent in 2018 due to the expected drop in China's economic growth stemming from the weak performance in global trade, weak commodity prices and accommodative global financial conditions. Growth in Latin America and the Caribbean region is expected to moderate to 1.7 per cent in 2019 and 2.5 per cent in 2020. A recovery is expected in Brazil with a growth of 2.5 per cent in 2020 from 1.5 per cent in 2019. Argentina is expected to record positive growth in 2020.

South Asia

South Asia's growth expanded by 7.0 per cent in 2018 due to the increased private domestic demand with moderate inflation. The only exception was Pakistan. The fiscal consolidation efforts have been weakened in the region. South Asia is expected to grow by 6.9 per cent in 2019, 7.0 per cent in 2020 and 7.1 per cent in 2021 benefiting from domestic demand growth. Indian economy grew by 7.2 per cent in 2018/19 reflecting the increased both private investment and public infrastructure spending. India's economy is expected to pick up by 7.5 per cent in 2019/20 while Pakistan's economy is anticipated to slow to 2.7 per cent in 2019/20. Bangladesh economy is projected to grow by 7.3 per cent in 2018/19 benefiting from the increase in inflows of remittances together with increased private consumption and is expected to grow by 7.3 per cent in 2021. Recent security-related incidents can have an impact on the Sri Lankan economy in 2019 and the economy however, is expected to expand to 3.5 per cent in 2019.

Global trade

Global trade activities are projected to slowdown to 2.6 per cent in 2019 from 4.1 per cent recorded in 2018 due to the decline in industrial production, particularly in capital goods including electronic components and the overall slowdown in economic activities. The tariff hike by the US and reactive actions taken by China and related partners are more likely to impact on the trade activities which will have an adverse impact on the growth of exports, particularly in EMDEs countries. Oil production cuts in *Organization of the Petroleum Exporting Countries* (OPEC) and the US sanction on the Islamic Republic of Iran will help to decline the exports in the Middle East. However, global trade activities are expected to stabilize, on average, to 3.2 per cent in 2020.

Financial markets

Major central banks adopted accommodative monetary policy stance due to the decline in global economic growth coupled with low inflation regime prevailed during 2018. Although, the expectation of tightened monetary policy stance of the U.S. Federal Reserve and other major central banks during the first half of 2019, the policy stance has been delayed due to the recovery of capital flows to EMDEs. The aggregate sovereign bond spreads of EMDEs have declined about 50 basis points since the beginning of 2019. International debt issuance has been on the rise benefiting from the favourable market condition prevailed to meet financing needs. The performance of foreign direct investment (FDI) flows to countries demonstrated a mixed performance with the increased flows to China and Brazil and the declined flows to Central Asia, the Middle East and Sub-Saharan Africa. However, it is expected that the global financial condition will improve during the year to support global economic growth.

Commodity markets

Prices of commodities, particularly metals in 2019 will be lower due to the slowdown of global economic growth combined with the intensified trade tensions between the US and China. Crude oil prices in the first half of 2019 were, on average, \$64 per barrel (bbl) reflecting the production cuts among OPEC including Saudi Arabia, Russia and the US sanctions on Iran. The prices of Oil are expected to average at \$66/bbl in 2019 and \$65/bbl in 2020 depending on the production cuts. Meanwhile, the prices of metals such as copper, nickel, lead, and zinc are expected to decline in 2019 and 2020 owing to the decline in demand for such products stemming from the anticipated slow global economic activities. The prices of Agricultural commodities are expected to decline in 2019 and stabilize in 2020 due to the supply-side improvements.

TABLE 1.7 International commodity prices

Item	Unit	Actual		Projection			
		2017	2018	2019	2020	2021	2022
Energy							
Coal, Australia	\$/MT	88.5	107.0	94.0	90.0	86.4	83.0
Crude oil, average*	\$/bbl	52.8	68.3	66.0	65.0	65.5	66.0
Natural gas, US	\$/MMBTU	3.0	3.2	2.8	2.9	3.0	3.1
Non-energy							
Agriculture							
Beverages							
Cocoa Beans	\$/Kg	2.0	2.3	2.4	2.4	2.4	2.5
Coffee, robusta	\$/Kg	2.2	1.9	1.8	1.8	1.8	1.9
Tea	cts/kg	287.4	375.8	381.2	381.2	381.2	381.2
Food							
Fats and Oils							
Palm oil	\$/MT	751.0	639.0	600.0	623.0	646.0	670.0
Soybean meal	\$/MT	350.0	405.0	355.0	363.0	371.0	379.0
Soybeans	\$/MT	393.0	394.0	390.0	401.0	412.0	424.0
Grains							
Maize	\$/MT	155.0	164.0	168.0	171.0	175.0	179.0
Rice	\$/MT	399.0	421.0	410.0	413.0	415.0	418.0
Wheat	\$/MT	174.0	210.0	212.0	214.0	217.0	219.0
Other food							
Sugar, free market	\$/Kg	0.35	0.28	0.28	0.29	0.30	0.30
Raw Materials							
Cotton	\$/Kg	1.84	2.01	1.88	1.91	1.93	1.96
Rubber	\$/Kg	2.0	1.6	1.7	1.8	1.8	1.9
Sawn wood, Hardwood	\$/cum	702	728	720	731	742	753
Metals and Minerals							
Aluminium	\$/MT	1,968	2,108	1,940	1,970	1,992	2,014
Copper	\$/MT	6,170	6,530	6,490	6,680	6,711	6,743
Nickel	\$/MT	10,410	13,114	12,880	13,700	14,079	14,469

Source: Adapted from the Price Forecast (23.04.2017) IMF, available at www.imf.org/external/np/res/commod/index.aspx

* Petroleum price is average of spot prices for UK< brent, Dubai and West Texas Intermediate

Inflation

Reflecting the subdued economic growth in advanced economies, inflation in such economies is anticipated to decelerate to 1.6 per cent from 2.0 per cent in 2018 and remain at existing levels in the medium-term. Inflation in EMDEs is expected to

decline with the exception of Venezuela. Core inflation in the US and the Euro area is expected to reach 2.0 per cent. Core inflation, excluding fresh food and energy, in Japan is anticipated to increase to 1.4 per cent. Inflation in EMDEs excluding Venezuela is projected to reach to 4.9 per cent in 2019.

CHAPTER 2

Fiscal Developments

Overview

Fiscal operations of the Government moderated during the first four months of 2019 amidst the Government's efforts towards a revenue-based fiscal consolidation. Total revenue declined slightly by 3.9 per cent to Rs. 598 billion in the first four months of 2019 from Rs. 623 billion in the same period of 2018. Tax revenue declined by 3.3 per cent to Rs. 552 billion in the first four months of 2019 from Rs. 570 billion in the same period of 2019 while non-tax revenue declined by 10.3 per cent to Rs. 47 billion in the first four months of 2019 from Rs. 52 billion in the same period of 2018. Meanwhile, government expenditure increased by 10.1 per cent to Rs. 962 billion in the first four months of 2019, compared to Rs. 873 billion in the same period of 2018. The recurrent expenditure was Rs. 751 billion and capital expenditure was Rs. 211 billion in the first four months of 2019.

Reflecting the Government's efforts to mobilize direct tax revenue, revenue generated from income tax increased significantly by 9.6 per cent to Rs. 104 billion, compared to Rs. 95 billion in the same period of 2018 due mainly to the increase in revenue collection from corporate and non-corporate income taxes, Pay-As-You-Earn (PAYE) tax and the Economic Service Charge (ESC). Revenue generated from domestic consumption-based taxes remained unchanged to Rs. 193 billion in the first four months of 2019 owing to the moderation of domestic economic activities. Revenue generated from Value Added Tax (VAT) on domestic activities remained flat to Rs. 102 billion during the first four months of 2019. However, revenue collected from Nation Building Tax (NBT) on domestic activities increased slightly by 2.5 per cent to Rs. 19 billion

in the first four months of 2019, compared to Rs. 18 billion in the same period of 2018. Similarly, revenue from the excise duty on domestic economic activities fell by 1.0 per cent to Rs. 72 billion in the first four months of 2019, compared to Rs. 73 billion recorded in the same period of 2018.

Revenue collected from import-based taxes declined significantly by 12.7 per cent to Rs. 234 billion in the first months of 2019, compared to Rs. 268 billion in the same period of 2018. Revenue collected from Customs Import Duty (CID) increased by 6.9 per cent to Rs. 31 billion in the first four months of 2019, compared to Rs. 29 billion in the same period of 2018. Revenue collected from VAT and NBT on import related activities increased moderately by 3.6 per cent to Rs. 59 billion and 3.9 per cent to Rs. 7 billion, respectively. Revenue collected from Ports and Airports Development Levy (PAL) increased slightly by 2.8 per cent to Rs. 37 billion in the first four months of 2019. Revenue from Special Commodity Levy (SCL) increased by 3.6 per cent to Rs. 25 billion in the first four months of 2019 from Rs. 24 billion in the same period of 2018. Excise duty on import related activities fell significantly by 40.7 per cent to Rs. 58 billion in the first four months of 2019, compared to Rs. 98 billion in the same period of 2018 due to the decline in revenue from motor vehicles, petroleum products, cigarettes and tobacco and liquor products. Meanwhile, revenue from CESS Levy declined slightly by 2.4 per cent to Rs. 16.8 billion in the first four months of 2019 from Rs. 17.2 billion in the same period of 2018 due to the removal of CESS under the phasing out of Para-tariff Programme.

TABLE 2.1 Summary of the budget: January - April

Item	Rs. Million	
	2018	2019 (Provisional)
Revenue and Grants	622,712	598,426
Revenue	622,379	598,116
Tax Revenue	570,471	551,530
Non Tax Revenue	51,908	46,586
Grants	333	309
Expenditure	873,350	961,864
Recurrent	685,966	750,535
Interest Payments	271,545	297,060
Other	414,421	453,475
Public Investment	181,998	212,899
Other	5,386	(1,571)
Revenue Surplus(+)/Deficit(-)	(63,587)	(152,419)
Overall Budget Surplus(+)/Deficit(-)	(250,638)	(363,438)
Financing	250,638	363,438
Foreign Financing	7,235	(7,079)
Borrowing	78,992	339,069
Repayments	(71,757)	(346,148)
Domestic Financing	243,403	370,517
Borrowing	686,882	937,426
Repayments	(443,479)	(566,909)

Source: Department of Fiscal Policy

TABLE 2.2 Estimated and actual revenue and expenditure: January - April 2019

Item	Rs. Billion		
	Estimated	Actual	Deviation
Total Revenue	703	598	(105)
Tax Revenue	643	552	(91)
Non - Tax Revenue	60	47	(13)
Total Expenditure	957	962	5
Recurrent Expenditure	740	751	11
Capital Expenditure and Net Lending	217	211	(5.7)

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

Non-tax revenue declined by 10.3 per cent to Rs. 47 billion in the first four months of 2019 due to the non-receipt of Central Bank's profit transfers in the first four months of 2019. However, other non-tax revenue increased considerably in the first four months of 2019: interest income increased significantly by 156.4 per cent to Rs. 5 billion, fees and charges by 18.9 per cent to Rs. 28 billion, profits and dividends by 13.5 per cent to Rs. 3 billion, social security contributions by 13.3 per cent to Rs. 9 billion and rent income by 5.2 per cent to Rs. 1 billion. A Vote on Account (VoA) was submitted to Parliament for the first four months of 2019 due to the time limitation for submitting a fresh Appropriation Bill for the year 2019. This VoA

was approved by Parliament on December 21, 2018. Meanwhile, the Budget 2019 was formulated based on the guidelines in the National Budget Circular No. 4/2018 and the Budget 2019 was presented to Parliament on March 05, 2019 and passed on April 05, 2019.

TABLE 2.3 Estimated and Actual Tax Revenue: January - April 2019

Item	Rs. Billion	
	Estimated	Actual
Department of Inland Revenue		
Tax on Income and Profit	100.4	103.7
VAT - Domestic	98.1	102.2
NBT -Domestic	18.5	18.7
IRD Other	11.0	10.8
Sub Total	228.0	235.4
Department of Customs		
Import Duty	48.6	31.4
VAT - Imports	61.4	59.1
NBT -Imports	7.0	6.7
Ports and Airports Development Levy	37.5	37.1
Import/Export Cess	17.3	16.8
Special Commodity Levy	30.0	24.8
ESC	2.9	0.5
Excise Special Provisions	151.1	88.7
Cigarettes	38.3	29.2
Petroleum	33.9	18.4
Motor Vehicles & Other	78.9	41.1
Sub Total	355.9	265.1
Department of Excise		
Liquor/Tobacco	43.8	41.6
Sub Total	43.8	41.6
Other		
Telecommunication Levy	8.5	6.4
License Tax & Other	6.5	2.9
Sub Total	15.0	9.3
Total Tax Revenue	642.7	551.5

Source : Department of Fiscal Policy

Total government expenditure amounted to Rs. 962 billion, an increase of 10.1 per cent, compared to Rs. 873 billion in the same period of 2018. Settlement of unsettled payments in 2018 was one of the factors contributed to the increase in government expenditure in the first four months of 2019. Recurrent expenditure increased by 9.4 per cent to Rs. 751 billion in the first four months of 2019, compared to Rs. 686 billion in the same period of 2018: expenditure on salaries and wages increased by 3.9 per cent to Rs. 218 billion; pension payments increased by 17.8 per cent to Rs. 74 billion; and interest payments increased by 9.4 per cent to Rs. 297 billion. Also, capital expenditure increased by 12.8 per cent to Rs. 211 billion in the first four months of 2019, compared to Rs. 187 billion in the same period of 2018.

TABLE 2.4 Summary of performance of government revenue: January - April 2019

Item	Rs. Million		
	2018	2019 Provisional	Growth %
Tax Revenue	570,471	551,530	(3.3)
Income Tax	95,128	104,255	9.6
Domestic Consumption Based Tax	193,379	193,146	(0.1)
VAT	102,220	102,237	0.0
Excise Duty	72,870	72,164	(1.0)
Nation Building Tax	18,289	18,745	2.5
Import Based Tax	268,007	233,959	(12.7)
Customs Duty	29,340	31,354	6.9
VAT	57,029	59,104	3.6
Nation Building Tax	6,424	6,672	3.9
PAL	36,080	37,086	2.8
SCL	23,961	24,830	3.6
Excise Duty	97,953	58,110	(40.7)
Cess	17,220	16,803	(2.4)
License Taxes and Others*	13,958	20,170	44.5
Non Tax Revenue	51,908	46,586	(10.3)
Total Revenue	622,378	598,116	(3.9)

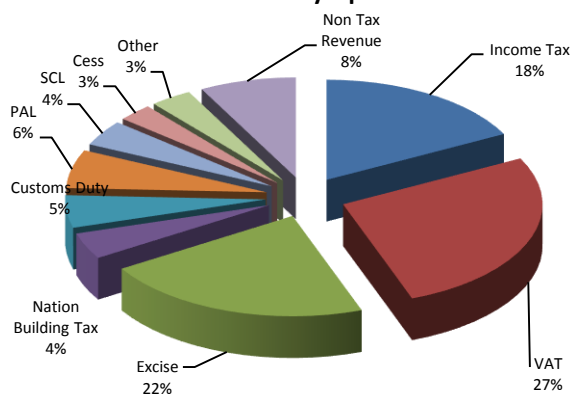
Source : Department of Fiscal Policy

* Included revenue on tobacco.

Government revenue

Government revenue declined in the first four months of 2019 due mainly to the decline in revenue generated from the excise tax on petroleum and motor vehicles, telecommunication levy and CESS together with contraction of 17.4 per cent in imports and the decline in non-tax revenue. However, revenue from income tax increased with the simplification of tax structure, strengthening tax administration and tax audit in line with the New Inland Revenue Act effective from April 2018.

FIGURE 2.1 Composition of government revenue: January-April 2019



However, revenue from non-tax declined, reflecting the non-receipt of Central Bank profit transfers in the first four months of 2019, compared to 14 billion recorded in the same period of 2018.

Tax revenue

Income tax

Total revenue from income tax increased to Rs. 104 billion in the first four months of 2019: corporate and non-corporate income tax increased by 10.2 per cent to Rs. 43 billion; revenue from PAYE tax increased by 19.2 per cent to Rs. 18 billion; revenue from ESC increased by 11.3 per cent to Rs. 27 billion. However, revenue from tax-on-interest declined to Rs. 17 billion in 2019.

TABLE 2.5 Performance of income tax revenue January - April 2019

Tax Base	Rs. Million		
	2018	2019 Provisional	Change %
Corporate and Non Corporate	38,620	42,572	10.2
PAYE	14,711	17,535	19.2
Tax on Interest Income	17,477	17,093	(2.2)
Economic Service Charge	24,320	27,056	11.3
Total	95,128	104,255	9.6

Source : Department of Fiscal Policy

Value Added Tax (VAT)

Revenue from VAT increased marginally by 1.3 per cent to Rs. 161 billion in the first four months of 2019, compared to Rs. 159 billion in the same period of 2018, which was 30.5 per cent of the total annual estimate for 2019. Revenue from VAT on domestic activities remained unchanged to Rs. 102 billion in the first four months of 2019 due to disruption of domestic activities. However, revenue from VAT on imports increased by 3.6 per cent to Rs. 59 billion.

TABLE 2.6 Performance of revenue of VAT: January - April 2019

Tax Base	Rs. Million		
	2018	2019 Provisional	Growth %
Gross Revenue	159,392	161,533	1.3
Domestic	102,249	102,275	0.0
Imports	57,143	59,258	3.7
Refunds	143	193	34.9
Net Revenue	159,249	161,340	1.3
Refunds as % of Gross Revenue	0.1	0.1	-

Source : Department of Fiscal Policy

Excise duty

The excise duty revenue generated from liquor, cigarette and tobacco, petroleum, motor vehicles and other items declined by 23.7 per cent to Rs. 130 billion in the first four months of 2019, compared to Rs. 171 billion in the same period of 2018. This was mainly attributable to the contraction of revenue collected from all excisable products excluding the liquor.

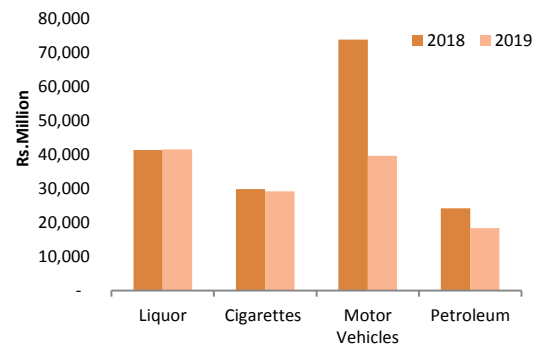
TABLE 2.7 Performance of excise duty: January - April 2019

Tax Base	Rs. Million		
	2018	2019 Provisional	Growth %
Liquor	41,322	41,575	0.6
Cigarettes	29,828	29,184	(2.2)
Motor Vehicles	73,774	39,675	(46.2)
Petroleum	24,179	18,435	(23.8)
Other	1,720	1,405	(18.3)
Total	170,824	130,275	(23.7)

Source : Department of Fiscal Policy

Revenue collected from liquor marginally increased by 0.6 per cent to Rs. 41.6 billion in the first four months of 2019, compared to Rs. 41.3 billion in the same period of 2018 despite the increase in excise duty rates on both hard and malt liquor in the Budget 2019. Total country liquor (arrack) production declined by 2 per cent to 8.1 absolute million litres in the first four months of 2019 from 8.3 absolute million liters in the same period of 2018.

FIGURE 2.2 Performance of excise duty (January-April 2018 and 2019)



The production of country-made foreign liquor significantly increased by 17 per cent to 767,691 absolute litres in the first four months of 2019, compared to 657,950 absolute liters in the same period of 2018. Malt liquor strength less than 5% and strength more than 5% production notably increased by 20 per cent and 13 per cent, respectively in the first four months of 2019.

The revenue generated from motor vehicles significantly declined by 46.2 per cent to Rs. 40 billion in the first four months of 2019, which was 16.5 per cent of the total annual estimate for 2019. This drop was mainly due to reduction of imports of motor cars by 70.2 per cent stemming from the restriction imposed on cash margin for the establishment of Letter of Credits (LCs) and the temporary suspension of the establishment of LCs for the importation of motor vehicles under the concessionary permit schemes together with upward revisions of excise duty rates in August 2018 on motor vehicles with engine capacity less than 1000cc as measure of controlling the foreign currency outflow. Meanwhile, excise duty rates on motor vehicles were also revised to address the issues of tax anomalies and make market affordability in line with the Budget 2019.

Excise duty collected from cigarettes declined by 2.2 per cent to Rs. 29 billion in the first four months of 2019 reflecting the decline in cigarette production by 15.2 per cent combined with the upward revision of duty rates. In the

same vein, the revenue from petroleum products significantly declined by 23.8 per cent to Rs. 18 billion in the first four months of 2019, compared to Rs. 24 billion in the same period of 2018 resulting from the decline in imports of petrol by 2.3 per cent and diesel by 8.5 per cent

together with a reduction in excise duty rate on auto diesel. The application of cost-reflective retail pricing mechanism of auto fuels and increasing world market price of petroleum products had contributed to the rationalization of consumption of auto fuels.

TABLE 2.8 Motor vehicles imports and new registration of vehicles: January - April 2019

Item	Imports (Unit Number)				New Registrations (Unit Number)			
	2018	2019	Change	% Change	2018	2019	Change	% Change
Motor Cars	29,048	8,649	(20,399)	(70.2)	25,363	13,913	(11,450)	(45.1)
Three Wheelers	5,156	3,631	(1,525)	(29.6)	6,391	6,353	(38)	(0.6)
Motor Cycles	113,548	79,018	(34,530)	(30.4)	119,612	100,247	(19,365)	(16.2)
Passenger Vehicles	1,061	517	(544)	(51.3)	1,171	502	(669)	(57.1)
Good Transport Vehicles (a)	9,030	6,390	(2,640)	(29.2)	9,541	6,486	(3,055)	(32.0)
Land Vehicles (b)	3,245	2,777	(468)	(14.4)	3,440	2,735	(705)	(20.5)
Other (c)	204	1,223	1,019	499.5	33	799	766	2,321.2

Source : Department of Customs and Department of Motor Traffic

(a) Including single cabs, Dual Purpose vehicles, Motor Lorries, Prime movers and Lorry trailers, Motor tricycle van

(b) Including hand Tractors, Land Vehicle tractors and land vehicle other (trailers)

(c) Including Special Purpose Vehicle, Quardicycle, Motor Home, Ambulance, Hearse

Nation Building Tax (NBT)

The revenue generated from Nation Building Tax (NBT) significantly increased by 2.9 per cent to Rs. 25.4 billion in the first four months of 2019, compared to Rs. 24.7 billion in the same period of 2018. The revenue collected from NBT on domestic activities increased by 2.5 per cent to Rs. 19 billion reflecting improvements in sectors such as retail trade and distribution, rent, construction, manufacturing products, hotels and restaurants and catering services.

Meanwhile, the revenue collected from NBT on imports increased by 3.9 per cent to Rs. 7 billion in the reference period. Under the revenue sharing mechanism, Rs. 12,708 million was transferred to Provincial Councils in the first four months of 2019, compared to Rs. 12,357 million in the same period of 2018.

Other taxes

Revenue collected from PAL increased by 2.8 per cent to Rs. 37 billion in the first four months in 2019, compared to Rs. 36 billion in the same period of 2018. Revenue collected from CESS declined by 2.4 per cent to Rs. 17 billion due to the removal of CESS for 25 items including egg yolks, various types of nuts, fruits, preserved fruits and nuts. Revenue collected from Telecommunication Levy (TL) declined by 33.7 per cent to Rs. 6.4 billion in the first four months of 2019, compared to Rs. 9.7 billion recorded in the same period of 2018 due to reduction of the TL from 25 per cent to 15 per cent in the latter part of 2018. The revenue generated from import duty increased by 6.9 per cent to Rs. 31 billion in the first four months of 2019,

TABLE 2.9 Revenue transferred to provincial councils January - April 2019

	Rs. Million				
	NBT			Stamp Duty	Total
Department	Inland Revenue	Customs	Motor Vehicle Registration Fees		
January	2,556	927	168	1,758	5,409
February	2,046	768	135	218	3,167
March	1,948	844	158	419	3,370
April	2,822	796	124	1,740	5,483
Total	9,372	3,336	585	4,136	17,429

Source : Department of Fiscal policy

compared to Rs. 29 billion in the same period of 2018. This increase was partly due to the increase in import duty rate of selected 261 goods. The total revenue from SCL increased by 3.6 per cent to Rs. 25 billion during the first four months of 2019, compared to Rs. 24 billion recorded in the same period of 2018 benefiting the upward revision of SCL rate on black gram, potatoes, maize and duty extension granted on chickpeas, lentils, sugar and brown sugar, vegetable oils and B'Onion.

Non-tax revenue

The non-tax revenue declined in the first four months of 2019 with the non-receipt of profits transfers from the Central Bank. Revenue

generated from all sub-categories, such as profits and dividends from SOEs, rent income, social security contributions, sales and charges and interest income increased in the first four months of 2019.

Revenue from the profit and dividends of the SOBEs increased by 13.5 per cent to Rs. 3.2 billion while rent income increased by 5.2 per cent to Rs. 1.1 billion in the first four months of 2019. Revenue from social security contributions and sales and charges increased by 13.3 per cent to Rs. 8.7 billion and by 18.9 per cent to Rs. 27.7 billion, respectively. Revenue from interest income significantly increased by 156.4 per cent to Rs. 4.7 billion.

BOX 2.1 The Easter Sunday Attacks on Fiscal Policy Operations

The impact of the Easter Sunday Attacks on the fiscal policy operations are twofold, ie; the impact of the fiscal revenue generation and impact of the government expenditure. The government expenditure is recording an increasing trend due to the implementation of relief package to facilitate the recovery of affected people, strengthening of security measures to restore “normalcy”, providing interest subsidy on soft loans to the affected sectors and reconstruction of the affected public infrastructure including places of worship. The Easter Sunday attacks has directly disturbed the government revenue generation by drying up the tax base as well as provision of tax concession to the directly affected sectors including tourism industry. An initial estimate on the impact of the Easter Sunday attacks on the government revenue in the short term indicates that the direct contribution to the government revenue by affected sectors like finance, tourism, trade and construction, will come down by Rs. 50 billion approximately. This estimated loss of government revenue could further increase due to the slowdown of economic activities during the remaining months in the year 2019. The economic slowdown has already hindered collection of internal taxes namely Value Added Tax (VAT) and Nation Building Tax, in addition to the other taxes collected on importation of goods. The loss of government revenue has been observed from the collection of fees and charges as well. This tendency will affect the revenue targets in the 2019 including primary balance, budget deficit, debt financing etc.

TABLE 2.10 Variance analysis of government revenue: January- April 2019 Rs. Million

Item	2018	2019 Est.	2019	Reasons
Income Tax	95,128	103,288	104,255	<p>The realization of income tax in the first four months of 2019 was 101 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • increased revenue from corporate and non-corporate taxes, PAYE tax and ESC, which accounted for 84.0 per cent of total income tax revenue; • effective implementation of the Inland Revenue Act effective from April 01, 2018; • broadened tax slabs for the calculation of personal income tax and widened tax rate for employment income; and • Implementation of RAMIS system helped increase income tax revenue.
VAT	159,249	159,557	161,340	<p>The realization of VAT in the first four months of 2019 was 101 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • increase in imports such as milk powder, cement and cement clinker etc; • removal of VAT exemptions on the import or supply of imported goods including plants and flowers, fabric, wood and articles, plant and machinery/industrial racks; • increase in monitoring the payments and receipts with the implementation of RAMIS and tax audits; and • Strengthening the tax administrative process at IRD.
Excise Tax	170,824	194,451	130,275	<p>The realization of Excise tax in the first four months of 2019 was 67per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • a decline in revenue collected from motor vehicles, petroleum and cigarette; • Excise duty from motor vehicles declined due to a significant drop in import of motor cars by 70.2 per cent due to the imposition of Letter of Credit (LC) restrictions for the importation of motor vehicles and upward revisions of Excise duty on motor vehicles less than 1,000 CC category. • a decline in cigarette production by 15.2 per cent to 936.5 Mn sticks; • Drop in quantity imported of petrol by 2.3 per cent and diesel by 8.5 per cent in 2019 together with a reduction in excise duty rate on auto diesel. • Increase in production of country-made foreign liquor and malt liquor.

TABLE 2.10 Variance analysis of government revenue: January- April 2019 contd . . .

Import Duty	29,340	48,638	31,354	<p>The realization of Import Duty in the first four months of 2019 was 64.5 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • reduction of general tax waivers on milk powder, petrol and diesel; • increased Customs duty rates by 10 per cent for selected 261 items; • increase duty waivers on wheat grain; and • a decline in total imports by 17.4 per cent.
Port and Airport Development Levy (PAL)	36,080	37,516	37,086	<p>The realization of PAL in the first four months of 2019 was 98.8 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • increase in imports of crude oils; and • Granting the concessionary rate of 2.5 per cent for high tech machinery and equipment which was applied the standard rate of 7.5 per cent.
Nation Building Tax (NBT)	24,712	25,487	25,417	<p>The realization of NBT in the first four months of 2019 was 99.7 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • remove exemption applicable on liquor; • improvements in sectors such as retail trade and distribution, rent, construction, manufacturing products, hotels and restaurants, catering services; and • Increase in imports of milk powder, cement and cement clinkers etc.
Other Taxes	55,139	73,793	61,803	<p>The realization of other taxes in the first four months of 2019 was 83.8 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • removal of applicable Cess rates of 30% on sanitary towels and removal of CESS on selected consumer goods; • Reduction of the Telecommunication Levy on voice communication and drop in international outgoing call duration; • increase Special Commodity Levy rates on vegetable oils and Potatoes; and • Introduction of debt repayment levy, SMS advertising Levy and Cellular Tower Levy.
Non Tax Revenue	51,908	54,602	46,586	<p>The realization of non-tax revenue in the first four months of 2019 was 85.3 per cent as against the estimate. This was achieved due mainly to the following reasons:</p> <ul style="list-style-type: none"> • non-receipt of profits transfers from the Central Banking the first four months of 2019
Total	622,379	697,332	598,116	

BOX 2.2 Major fiscal measures: January – April, 2019

Effective Date	Measures
Excise (Special Provisions) Duty	
11.01.2019	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2105/48 of 11.01.2019) - To extend the period to Customs clearance for which vehicles imported under public service permit scheme and Letters of Credit (LC) established on or before June 08, 2018.
06.03.2019	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2113/9 of 05.03.2019) - To revise Excise Duty on excisable articles including motor vehicles together with implement the budget proposals 2019.
13.03.2019	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2114/25 of 13.03.2019) - To remove the retrospective effect of the order issued in Gazette Notification No. 2113/9 of 05.03.2019.
15.03.2019	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2114/49 of 14.03.2019) - To reduce Excise Duty on electric vehicles.
05.04.2019	Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No.2117/48 of 04.04.2019) - To grant concessionary Excise Duty to release the vehicles lying in the Hambantota Port due to the revision of Excise Duty on motor vehicles during 2015-2017.
Excise (Ordinance) Duty	
06.03.2019	Excise Notification No. 01/2019 (Gazette Notification No. 2113/6 of 05.03.2019) - To increase the Excise Duty on local manufacturing liquor.
06.03.2019	Excise Notification No. 02/2019 (Gazette Notification No. 2113/7 of 05.03.2019) - To revise the Excise Duty on imported foreign liquor (Rs. 55.00 per bulk litre for malt liquor, Rs. 110.00 per bulk liter for wine and Rs. 215.00 per bulk litre for other liquor).
06.03.2019	Excise Notification No. 03/2019 (Gazette Notification No. 2113/8 of 05.03.2019) - To convert the Excise Duty on local wine (with sake) produced by local material from proof Litre to absolute Litre basis.
Ports and Airports Development Levy (PAL)	
06.03.2019	Ports and Airports Development Levy Act, No. 18 of 2011 (Gazette Notification No. 2013/10 of 06.03.2019) - To grant the exemption and concessionary rates on the importation of selected items.
CESS Levy	
06.03.2019	Export Development Act, No.40 of 1979 (Gazette Notification No. 2113/3 of 05.03.2019) - To remove CESS on the importation of selected items.
06.03.2019	Export Development Act, No.40 of 1979 (Gazette Notification No. 2113/4 of 05.03.2019) - To introduce CESS on biodegradable plastic products and to revise CESS on beedi leaves.
04.04.2019	Export Development Act, No.40 of 1979 (Gazette Notification No. 2117/46 of 04.04.2019) - To remove the retrospective effect of the order issued in Gazette Notification No. 2113/4 of 05.03.2019.

BOX 2.2 Major fiscal measures: January – April, 2019 contd. . .

Taxes and Levies under Finance Act

Finance Act, No. 35 of 2018

- Carbon Tax
- 01.01.2019 - To introduce Carbon Tax for motor vehicles based on the engine capacity, age from first registration and fuel type.
- Cellular Tower Levy
- 01.01.2019 - To introduce Cellular Tower Levy charged at Rs. 200, 000.00 annually per tower from mobile telephone operators.
- Levy on Mobile Short Message Services
- 01.01.2019 - To introduce Levy on Mobile Short Message Services on bulk advertisement sent through mobile short services targeting a group of subscribers on commercial purpose.
- Tourism Development Levy
- 01.01.2019 - To introduce Tourism Development Levy at a rate of 0.5% for institutions having an annual turnover not exceeding Rs. 12.0 million or a quarterly turnover not exceeding Rs. 3.0 million.
- Luxury Tax
- 06.03.2019 - Gazette Notification No. 2113/11 of 05.03.2019
To prescribe the date and the rates.
- 07.03.2019 - Gazette Notification No. 2113/46 of 07.03.2019
To remove the application of the Luxury Tax on Motor Vehicle with retrospective effect.
- 09.04.2019 - Gazette Notification No. 2118/24 of 09.04.2019
To amend Luxury Tax on motor vehicles.

Finance Act, No. 25 of 2003

- Embarkation Levy
- 29.03.2019 - Gazette Notification No. 2116/62 of 29.03.2019
To revise Embarkation Levy for a person leaving from Sri Lanka by aircraft or ship from US\$ 50 to US\$ 60.

Customs Import Duty (CID)

- Revenue Protection Act, No. 19 of 1962 (Gazette Notification No. 2113/2 of 05.03.2019)
- 06.03.2019 - To revise CID on the importation of selected 14 HS Codes.
- To create new 55 HS Codes.
- To increase CID on the importation of selected 261 HS Codes by 10%.

Special Commodity Levy (SCL)

- Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2104/30 of 03.01.2019)
- 04.01.2019 - To increase SCL on the importation of black gram by Rs.75.00 per kg for a period of 06 months.
- Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2108/65 of 01.02.2019)
- 02.02.2019 - To extend the validity period of existing SCL on the importation of chickpeas, lentils, sugar and brown sugar for a period of 06 months.
- Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2109/15 of 07.02.2019)
- 08.02.2019 - To increase SCL on the importation of potatoes by Rs.30.00 per kg for a period of 03 months.
- Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No.2109/20 of 08.02.2019)
- 09.02.2019 - To increase SCL on the importation of maize by Rs. 10.00 per kg.
- Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2111/58 of 24.02.2019)
- 25.02.2019 - To extend the validity period of existing SCL on the importation of edible oil for a period of 12 months.
- Special Commodity Levy Act, No. 48 of 2007 (Gazette Notification No. 2112/48 of 02.03.2019)
- 02.03.2019 - To extend the validity period of existing SCL on the importation of B' onion for a period of 03 months

Government expenditure

The total government expenditure was Rs. 962 billion during the first four months of 2019. This is an increase of 10.1 per cent compared to the same period of 2018. The recurrent expenditure was Rs. 756 billion and the capital expenditure was Rs. 211 million. Recurrent expenditure increased by 9.4 per cent, reflecting the increase in salaries and wages of the government employees and interest payments while the capital expenditure increased by 12.8 per cent in the review period. The bills brought forward from the previous year had an impact on this increase.

TABLE 2.11 Performance of government expenditure: January – April 2019

Item	Rs. Million	
	2018	2019 Provisional
Recurrent Expenditure	656,966	750,535
Salaries	210,234	218,442
Pension	62,829	74,019
Interest	271,545	297,060
Payments		
Other	141,358	161,015
Capital Expenditure	187,384	211,328
Total	873,350	961,863

Source: Department of Fiscal Policy

TABLE 2.12 Behaviour of yield rates (%) on government securities and exchange rate (2018-2019 May)

Period	Treasury Bills (%)			Treasury Bonds (%)				Monthly Average Exchange Rate (Rs/US\$)
	91 days	182 days	364 days	2 year	3 year	4 year	5 year	
2018 Jan	-	8.04	8.86	-	-	-	-	153.80
Feb	8.07	8.15	9.12	-	9.85	-	-	154.86
Mar	8.22	-	9.66	-	-	-	10.68	155.73
Apr	8.13	-	9.72	-	9.79	-	-	156.14
May	8.31	8.93	9.66	-	-	-	10.51	157.90
June	8.34	8.87	9.46	-	-	-	-	159.07
Jul	8.33	8.75	9.34	-	-	-	-	159.34
Aug	8.11	8.64	9.10	-	-	-	9.91	160.35
Sep	8.13	0.00	9.09	-	-	10.03	-	164.42
Oct	9.37	9.75	10.33	-	-	-	11.69	171.22
Nov	9.90	9.99	11.14	-	-	-	-	176.85
Dec	-	10.01	11.22	-	11.88	-	-	180.10
2019 Jan	-	9.90	10.80	-	10.85	-	11.58	182.13
Feb	9.55	9.87	10.71	-	-	-	-	178.73
Mar	9.46	9.74	10.57	-	-	-	11.04	178.43
Apr	9.07	9.27	10.00	-	10.72	-	10.98	174.80
May	8.62	8.86	9.27	-	-	-	-	176.44

Source: Central Bank of Sri Lanka

Salaries and pension

The expenditure on salaries and wages of public servants including Provincial Councils increased by 3.9 per cent in the first four months of 2019, compared Rs. 218 billion in the same period of 2018. The pension payment was Rs. 74 billion for the first four months of 2019, an increase of 17.8 per cent compared to the same period of 2018.

Interest payments

The expenditure on interest payments increased by 9.4 per cent to Rs. 297 billion during the first four months of 2019, compared to Rs. 271 billion in the same period of 2018. Out of the total interest payments Rs.79 billion has been incurred for interest payments for foreign debts.

Welfare expenditure

The Government spent Rs. 36,550 million on welfare payments and subsidies during the first four months of 2019. The payments include mainly *Samurdhi* relief, elders allowance, assistance to differently-abled soldiers, food package for pregnant mothers, differently-abled allowance and special grant for Kidney patients.

The welfare assistance targeted to needy people of the society including low income earners, elders, pregnant mothers, school children, farmers, differently-abled soldiers and flood and drought-affected families amounted to Rs. 20,308 million. Out of which *Samurdhi* cash grant was Rs.13,003 million in the first four months of 2019, compared to Rs. 13,142 in the same period of 2018. Compensation for differently-abled soldiers amounted to Rs. 10,575 million during the first four months of 2019, compared to Rs.9,461 million in the same period of 2018. The number of welfare programs such as free textbooks, uniforms, season tickets and health insurances for children implemented for the benefit of school children by incurring Rs. 7,310 million in the first four months of 2019.

The priority has been given by the Government to provide free medicine to all while continuing nutrition programmes such as *Triposha* Programme, *Poshanamalla*, fresh milk programme and school nutritional programme spending Rs. 3,874 million in the first four months of 2019.

TABLE 2.13 Welfare expenditure: January-April 2019

Item	2018	2019
Mothers and Children		
<i>Triposha</i> Programme and infant Milk Food Subsidy/ <i>Poshanamalla</i>	1,944	2,100
Free textbooks and uniforms	1,966	3,208
Schools season tickets	1,234	1,507
School Nutritionals foods	1,377	1,774
Welfare payments		
<i>Samurdhi</i> Relief	13,142	13,003
Assistance to differently abled soldiers	9,461	10,575
Elders Allowance	3,050	3,289
Food assistance, food and drought relief	1,328	251
Kidney Patients Allowance	397	464

Source: Department of National Budget

Public investment expenditure

School education

During the first four months of 2019, the total expenditure for school education was Rs. 69,895 million of which Rs. 61,378 million for recurrent expenditure and Rs. 8,517 million for capital expenditure. The expenditure on welfare programmes were Rs. 6,444 million, an increase of 77 per cent compared to the same period of 2018. This was due to the provision of school uniforms and shoes to the students of difficult and very difficult schools in the first four months of 2019. Having considered the importance of adequate infrastructure for quality education, the "Nearest School is the Best School" (NSBS) programme which was commenced in 2016, continued in 2019. The expenditure incurred on the NSBS program as at end of April 2019 was Rs. 4,225 million.

TABLE 2.14 Expenditure on major activities of school education

Description	Rs. Million	
	Jan - April 2018	Jan - April 2019
Recurrent Expenditure		
Personnel Emoluments for School Teachers and other support staff	46,754	47,407
<i>National Level</i>	10,548	10,799
<i>Provincial Level</i>	36,206	36,608
Welfare Program	3,644	6,444
Evaluation of examinations	1,231	1,406
Capital Expenditure		
Primary school development	39	62
Secondary school development	567	412
Special Education development	51	57
Teacher development	348	301
General Education Development Projects	8,677	5,575
Provincial Education	705	1,958

Source: Department of National Budget

Higher Education

The Government has spent Rs. 21,070 million in the first four months of 2019 for the development of higher education, of which recurrent and capital expenditure were Rs. 15,113 million and Rs. 5,957 million, respectively.

Rs. 665 million was incurred for the construction of new building complexes for the establishment of technological faculties in ten (10) universities as at the end of April 2019. During the first four months of 2019, 1,097 university students have obtained loans to purchase laptops and also Rs. 19 million has paid to the People's Bank and Bank of Ceylon to bear the interest cost of the loans provided since 2016. The total expenditure for the skills development and vocational training was Rs 3,138 million of which Rs. 1,813 million for recurrent expenditure and Rs. 1,325 million for capital projects for the first four months of 2019.

TABLE 2.15 Expenditure on major activities of the education sector

Description	Rs. Million	
	Jan - April 2018	Jan - April 2019
Higher Education – Recurrent Expenditure		
Personnel Emoluments of Universities & other Higher Educational Institutions	8,400	12,437
Mahapola and Bursary Payment	402	553
Higher Education – Capital Expenditure		
Development of Universities & Other Higher Educational Institutions	2,387	3,326
Construction of 84 Hostel Complexes	1,350	361
Establishment of the state Medical Faculties at Wayamba University	297	200
Establishment of Technology Faculty of the Universities	1,253	665
Loan Interest for Laptops (University Students)	71	19
Skills Development		
Skills Sector Development Programme	326	375
Establishment of Colombo Vocational Training Center and Gampaha Technical College	15	382
Construction of Building for Anamaduwa Technical College	19	38

Source: Department of National Budget

Health

The total government expenditure on health including Western and indigenous medicine sectors declined by 0.6 per cent to Rs. 68,373 million in the first four months of 2019, compared to the same period of 2018 covering both Provincial and Central Government health expenditure. Out of the total health expenditure, the recurrent expenditure was Rs. 59,991 million and the capital investment was Rs. 8,382 million.

TABLE 2.16 Expenditure on major activities of the health sector

Description	Rs. Million	
	2018 Jan- April	2019 Jan- April
Total Recurrent Expenditure	59,634	59,991
service delivery expenditure	29,480	32,106
of which Salaries of medical personnel and support staff	23,948	26,296
Provision of Medicine	14,174	15,085
Provincial Health	15,980	12,800
Public Investment Expenditure	9,172	8,382
Development of District Hospital - Polonnaruwa	98	23
Epilepsy unit at National Hospital, Colombo	5	-
Development of Estate Sector Hospitals	29	1
Helmut Khol Maternity Hospital Karapitiya, Galle (GOSL-Germany-kfw)	35	-
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	55	46
Other capital investments	7,727	7,333
Provincial Health Investment	1,445	979

Irrigation and water resources management

The Government has invested Rs. 73,022 million for activities related to irrigation and water resources management in the first four months of 2019, of which, Rs. 35,575 million was spent on Mahaweli irrigation schemes under the Ministry of Mahaweli Development and Environment. Major projects include the Morahagakanda – Kaluganga project which is about to completion and the Water Resources Development Investment program. The balance, Rs. 33,370 million has been invested by the Ministry of Irrigation and Water Resources and Disaster Management for the development of irrigation schemes and construction of reservoirs. The expenditure on major irrigation component including Moragahakanda, Kaluganga and Uma Oya projects amounted to Rs. 15,339 million during the review period. Moragahakanda - Kaluganga project, which secured the largest portion of the total allocation for development activities under this sector reported 100 per cent financial progress as at the end of April of 2019.

TABLE 2.17 Expenditure on major projects

Project	Expenditure as at 30.04.2019 (Rs. Mn)		
	Foreign	Local	Total
Jaffna Killinochchi Water Supply & Sanitation Project	432	212	644
Anuradhapura North Water Supply Project Phase1	812	26	838
Greater Matale Water Supply Project	704	718	1422
Kelani Right Bank Water Supply Project – Stage II	2082	981	3,063
Deduru Oya Water Supply Project	852	88	940
Matugama, Agalawatta Integrated Water Supply Project	-	52	52
Alawwuwa, Polgahawela Integrated Water Supply Project	640	35	675
Thabuththegama Water Supply Project	43	2	45
Kandy City Wastewater Management Project	1034	84	1118
Greater Kurunegala Water Supply & Sewerage Project	0	9	9
Water Supply & Sanitation Improvement Project	1974	78	2052
Greater Colombo Wastewater Management Project	922	250	1172

Source: Ministry of City Planning, Water Supply and Higher Education / National Water Supply & Drainage Board/ Department of National Budget

Agriculture

A total allocation of Rs. 61,455 million has been allocated for the Agriculture sector for development activities in 2019 including special programs to ensure food security. The expenditure incurred during the first four months of 2019 for these activities was Rs. 22,984 million. A number of activities including special programs to ensure food security has shown steady financial progress during the period under consideration

Water supply and sanitation

With a view to providing access to safe drinking water and quality sanitation services, the Government has invested Rs. 19,308 million on water supply and sanitation during the first four months of 2019, including providing support to the National Water Supply and Drainage Board (NWS&DB) to meet the cost financing of such loans from both domestic and foreign banks.

Budgetary provisions of Rs.12,186 million was provided through the Annual Budget and Rs.5,873 million of loans was obtained directly by NWS&DB. Further, it includes the People's Bank loan proceeds of Rs. 877 million which has been utilized as domestic counterpart funds of foreign funded water supply and sewerage projects.

Highways and Bridges

The Government has spent Rs. 65,561 million in the first four months of 2019 as capital

expenditure for national roads, expressway development and construction of bridges and flyovers. Expressway development accounted for Rs. 31,790 million and highways Rs. 9,440 million. Rs. 2,779 million was spent on widening and improvement of roads while Rs. 1,324 million was invested in the construction of bridges and flyovers. Rs. 607 million was spent on the projects implemented under *Maganeguma* Rural Road Development Programme.

TABLE 2.18 Expenditure on roads and bridges

Rs. Million

Project/Program	Expenditure as at 30th April 2018	Expenditure as at 30th April 2019	Variance %
1 Expressways Development	4,861	31,790	653
Outer Circular Highways Project - Phase III	25	8,798	351
Central Expressway Project	2,944	1,876	63
Extension of Southern Expressway	1,846	21,038	1,139
Others	46	78	169
2 Highways Development	2,730	9,440	345
Maintenance of Roads	0	2,197	0
Priority Road Projects- III	1,093	1,913	175
Colombo District Road Development Project	531	547	103
Southern Road Connectivity Project	492	655	133
Integrated Road Investment Program (iRoad)	280	2,969	1,060
Others	334	1,159	347
3 Widening and Improvement of Roads	5,686	2,779	48
4 Construction of Bridges and Flyovers	598	1,324	221
UK Steel Bridge Project	124	25	20
Reconstruction of Damaged/ Weak Bridges on National Highways	106	202	190
Reconstruction of 46 Bridges	16	1.5	9
Major Bridge Construction project	106	133	125
Construction of Rural Bridges using old bridge components	133	68	51
Second New Kelani Bridge Construction Project	39	731	1,874
Others (Including 3 Flyovers)	74	163.5	220
5 Natural Disaster Affected Road Rehabilitation	131	689	525
6 Maganeguma Rural Road Development Program	1,704	607	35
7 Transfers to RDA	2,037	2,166	106
8 Lands & Land Improvements(Other projects excluding priority projects)	402	202	50
9 Gap Financing of the Road Development Authority's Commitments	15,139	16,564	109
10 Others	-	-	-
Total	33,468	65,561	195

Source: Department of National Budget

Central Expressway and extension of Southern Expressway continued as mega scale projects under expressways development programme including the priority roads projects, i-road project and New Kelani bridge project. New program “Ran Mawath” was granted an allocation of Rs.10,000 million with a view to developing rural roads. The Government has paid Rs. 16,564 million for interest and capital repayment of local bank funded road projects in the first four months of 2019.

Power and energy

The Government has decided to convert the loans of CEB to equity capital since 2014 in order to strengthen the financial position of the Ceylon Electricity Board (CEB) and facilitate the operations through its self-generated earnings. Hence, the contribution of the Government for the revenue making power projects has been declined regularly. During the first four months of 2019, the Government has invested Rs. 34.85 million in power and energy sector projects.

The new project for promoting biomass energy production and modern bio-energy technologies is included as “Biomass Energy 2022” in the Budget Estimates 2019.

Transport

The investment in the transport sector during the period under review was Rs. 7,109 million which was mainly incurred for infrastructure development and fleet expansion of public transport in order to make an efficient and modern public transport system available in the country.

Out of the total expenditure, Rs. 704 million was incurred by the Sri Lanka Central Transport Board (SLCTB) for the payment of lease instalments of the purchase of new buses and spare parts. The balance, Rs. 6,405 million was spent for the continuation of construction projects including Matara–Beliatta–Kataragama

New Rail Line, Colombo Suburban Railway Efficiency Improvement Project, and Railway Development Project.

TABLE 2.19 Railway sector expenditure : January - April 2019

Name of the Project	Rs. Million		
	Domestic Financing	Foreign Financing	Total Expenditure
Matara - Beliatta - Kataragama New Rail Line	72	-	72
Colombo Suburban Railway Efficiency Improvement Project	232	41	273
Rehabilitation of Permanent way with New rails and Sleepers	1470	-	1470
Installation Level Crossing Protection	90	-	90
Rehabilitation of Vehicles	1355	-	1355
Railway Development Project under USD 318mn Credit Line	162	-	162
Railway Development Project under the Balance USD 382.37mn Credit Line	1049	1526	2575
Total Investment	4,430	1,567	5,997

Source : Department of National Budget

Urban development

Cumulative Government expenditure in the first four months of 2019 for the development of urban facilities amounted to Rs. 8,325 million of which Rs. 8,017 million was under the Ministry of Megapolis and Western Development and Rs. 308 million was under the Ministry of City Planning Water Supply and Higher Education. Township Development in areas such as Kalmunai, Valachchnai, Thalaimannar and Sammanthurai which is a new project implemented through a budget proposal in 2019 under the Ministry of City Planning Water Supply and Higher Education.

TABLE 2.20 Large scale urban development project expenditure: January- April 2019

Project	Rs. Million		
	Local	Foreign	Total
Metro Colombo Urban Development Project (GOSL-WB)	329	1,185	1,514
Metro Colombo Solid Waste Management Project	2,914	-	2,914
Greater Colombo Urban Transport Development Project – Phase I	236	-	236
Development Strategic Cities – Kandy & Galle (GOSL-WB)	91	549	640
Relocation of Manning Market to Peliyagoda Project	258	-	258
Port City Development Project	26	-	26
Town Development Projects in Nine Provinces	1,290	-	1,290
Weras Ganga Storm Water Drainage & Environment Improvement Project	749	-	749
Improving Bus Service to Promote Public Transport	40	-	40
Projects implemented by the Urban Development Authority	-	-	-
Projects implemented by the Sri Lanka Land Reclamation & Development Corporation	350	-	350
Development of Townships in Lagging Regions	278	-	278
Intergraded Townships in Samanthurai and Kalmunai	30	-	30

Source : Department of National Budget

Housing Development

Housing development under the theme of “Shelter for All” is undertaken by several ministries. These housing development programmes supplemented further through subsidized loans and grants. The total allocation for the Housing Development in 2019 is around Rs. 34,460 million and Rs. 11,612 million was incurred in the first four months of 2019 and nearly, 47,500 houses were constructed.

TABLE 2.21 Allocation provided for housing development in 2019 by the different ministries

Ministry	Allocation (Rs. Mn.)
Ministry of Housing, Construction and Cultural Affairs	10,860
Ministry of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern Province Development and Youth Affairs	10,000
Ministry of Hill Country New Villages, Infrastructure and Community Development	2,900
Ministry of Megapolis and Western Development	8,100
Ministry of Public Administration and Disaster Management	1,600
Interest Subsidy for Housing Loan Program through NSB	1,000
Total	34,460

Source : Department of National Budget

TABLE 2.22 Ministry wise summary of additional allocations as of 30.04.2019

Rs.

Head No.	Ministry / Department	Purpose	Recurrent	Capital
1 - 22	Special Spending Units			
1	His Excellency the President	Personal emoluments due to new recruitments, procurement of furniture & office equipment for the National Salaries & Cadre Commission and expenditure of newly established Non Cabinet Ministry of Public Distribution & Economic Reforms & Non Cabinet Ministry of Special Area Development	74,913,300	30,117,000
7	Judicial Service Commission	Payment of special allowance to the staff and payment to the Department of Examination pertaining to holding exams	6,925,000	-
8	National Police Commission	Grant transferred by UNDP for the project of Catalytic Support to Peace Building in Sri Lanka, provisions for fuel, Postal & communication and to meet the shortfall of provisions due to increase of allowances of the Chairman & Members of the Commission	1,075,000	1,910,000
12	National Education Commission	Payment for gratuity	468,000	-
13	Human Rights Commission of Sri Lanka	Settle the bills in hand of the project of Catalytic Support to Peace Building in Sri Lanka and grant received for the project of Strengthening the Capacity of Human Rights Commission to Effectively Fulfil its Mandate	-	6,383,000
17	Office of the Leader of the House of Parliament	Provision for the personal emoluments and property loan interest to public servants	1,305,800	-
19	Office of the Leader of the Opposition of Parliament	Provision for the personal emoluments, domestic & foreign travelling, supplies, maintenance of vehicles and plant & machinery, property loan interest to public servants and acquisition of official vehicle for the use of the Hon. Leader of the Opposition of Parliament	14,215,000	44,420,000
21	National Audit Office	Settle the outstanding bills on purchase of 20 nos. of computers and 10 nos. of photocopy machines	-	4,900,000
24	National Procurement Commission	payment of capital, interest and stamp duty for the vehicle procured to the Secretary General under financial leasing method	1,127,000	1,541,000
54	Non Cabinet Ministry of Labour	Expenditure of the Interior designing works of "Mehewara Piyasa" building	-	100,000,000

	and Trade Union Relations			
221	Department of Labour	Expenditure of construction of "Mehewara Piyasa" Office Complex	-	248,150,000
55	Non Cabinet Ministry of Mass Media	Expenditure of State Media Awards - 2018 programme	28,000,000	-
102	Ministry of Finance and Mass Media	Pay compensation for the Security Deposit Holders of the Golden Key Company Ltd and expenditure of NAPPP project	-	509,300,000
241	Department of Public Enterprises	Settle the debt repayments of National Water Supply and Drainage Board	-	165,000,000
103	Ministry of Defence	Procure an official vehicle for Secretary, Ministry of Defence and security vehicle for the Hon. Minister of Defence, pay outstanding bills on procuring 07 buses, 06 Trucks, 02 Gully Sucker, 01 Water Bowser and 07 Three Wheelers	-	291,790,000
104	Ministry of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern Province Development, Vocational Training & Skills Development and Youth Affairs	Establishment of Colombo Vocational Training Centre and Gampaha Technical College	-	52,100,000
252	Department of Census and Statistics	Project of Pilot Study on Implementation of 19th ICSL International Conference of Labour Satisfaction	-	4,700,000
110	Ministry of Justice & Prison Reforms	Expenditure of the project of Strengthening Access to Justice and Victim and Witness Protection in Sri Lanka	-	13,200,000
228	Courts Administration	Provision for stationary and office requisites & transport services, settle the outstanding bills of expansion of courts in Kilinochchi, Theldeniya, Pugoda, Kantale and complete the projects of relocating courts in Ratnapura & Welimada, expansion of courts in Kilinochchi, Theldeniya, Pugoda & Kantale pertaining to year 2018	144,000,000	263,740,000
229	Department of Attorney General	Provision for rents & local taxes and settle the outstanding bills of constructing Head Office building in year 2018	71,447,000	31,700,000
230	Department of Legal Draftsman	Provision for fuel, electricity & water services	2,000,000	-
114	Ministry of Transport			

	& Civil Aviation			
306	Department of Sri Lanka Railways	Provision to procure 30 Nos. of Tank Wagons, 20 Nos. of Track Wagons, 06 Nos. of DMUs and 10 Nos. of Locomotives under Railway Development Project	-	1,120,000,000
117	Ministry of Highways & Road Development and Petroleum Resources Development	Implement the "Ran Mawath" Rural Roads Maintenance and Construction Programme (Budget Proposal 2019)	-	10,000,000,000
118	Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries & Aquatic Resources Development	For paddy purchasing in the Maha Season, 2018/2019, settle the bills in hand of 2017 related to the rehabilitation of paddy stores, implement the project of granting loans to Small and Medium Scale Rice Millers, pay the compensation for crop damages due to Armyworm attack and settle the outstanding bills of year 2018 and continuation works of Gandara and Wellamankara Fishery Harbours	3,368,000,000	787,000,000
120	Ministry of Women & Child Affairs and Dry Zone Development	Implement the Dry Zone Development Project - Anuradhapura District and procuring of 05 vehicles to transport Juvenile Offenders and Victims	-	57,000,000
122	Ministry of Lands and Parliamentary Reforms	Expenditure of the United Nations Human Settlement Programme for the surveying of 10,000 land plots, and regularization of 20,000 land titles in the Northern Province	-	23,155,000
130	Ministry of Public Administration and Disaster Management	Provision for drought relief and settle the bills in hand on Rehabilitation of work of flood affected areas	300,000,000	1,108,000,000
135	Ministry of Plantation Industries	Payment of salaries and wages, festival advances of the JEDB and SLSPC for the first quarter of 2019	-	132,000,000
140	Ministry of Hill Country New Villages, Infrastructure and Community Development	Initial cost of establishment of the New Villages Development Authority and settle the outstanding bills of 2018- upgrading Vocational Training Centre in Hatton	-	3,320,000
155	Ministry of Internal and Home Affairs	Settle the custom duty for import goods for the construction of Rural Bridges Project,	-	134,943,000

	and Provincial Councils & Local Government	repayment of unutilized loan of the Flood and Landslide Disaster Response Project and to disburse the balance amount of funds of the Health Sector Development Project		
257	District Secretariat - Kalutara	To settle the outstanding compensation disaster payment related to the in May 2017	-	29,000,000
312	Western Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		100,000,000
313	Central Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		100,000,000
314	Southern Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		234,000,000
315	Northern Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project and complete the activities of the Northern Road Connectivity Project		155,020,000
316	North Western Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		100,000,000
317	North Central Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project and complete the activities of the Northern Road Connectivity Project		260,200,000
318	Uva Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		100,000,000
319	Sabaragamuwa Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		100,000,000
321	Eastern Provincial Council	Disbursement of the balance amount of funds of the Health Sector Development Project		100,000,000
159	Ministry of Tourism Development, Wildlife and Christian Religious Affairs			
294	Department of National Zoological Gardens	Provision for personal emoluments	18,800,000	-
176	Ministry of Ports & Shipping and Southern Development	Settle the outstanding bills of 2018 for the project of Southern Development	-	102,020,000
	Total		4,032,276,100	16,514,609,000

Source: Department of National Budget

Performance of the cash flow of the General Treasury

During the first four months of the year 2019, cash inflows to the General Treasury by way of revenue and other receipts amounted to Rs. 696.8 billion, as against the estimation of Rs. 671.8 billion, which was an increase of 15 per cent, compared to Rs. 607.5 billion in the same period of 2018. Total cash outflow for both recurrent and public investments has increased by 13 per cent to Rs. 963.4 billion in the first four months of 2019 from Rs. 854.3 billion over the same period of 2018. Total cash deficit as at

30th April 2019 was Rs. 266.7 billion, an increase of 8.0 per cent, compared to Rs. 246.8 billion as at end April 2018 mainly due to the increase in cash inflows to the General Treasury by 15 per cent against the increase in cash outflows for the public investment by 20 per cent. Even though operational expenditure has increased by Rs. 68.6 billion from Rs. 655.1 billion to Rs. 723.7 billion in the first four months of 2019, the overall closing cash and bank balance as at 30th April 2019 has increased slightly to Rs. 130.2 billion as against Rs. 125.3 billion as at 30th April 2018.

TABLE 2.23 Statement on government Treasury cash flow operations: January to April 2019

Item	Rs. Billion		
	2018	2019	
	January-April Actual	January-April Estimate	January-April Actual
Opening Cash balance as at 1 st January	(186.2)	(274.2)	(274.2)
Total cash inflow from revenue and other receipts	607.5	671.8	696.8
Total cash outflow for recurrent payments	(655.1)	(751.5)	(723.7)
Total cash outflow for capital payments*	(199.2)	(261.8)	(239.8)
Net cash surplus / (deficit)	(246.8)	(341.5)	(266.7)
Gross borrowing *	670.9	949.8	944.2
Debt repayment	(364.6)	(647.6)	(536.8)
Net borrowing	306.3	302.2	407.4
(Temporary Employed Balances (TEB), net deposits, etc.)	1.4	-	3.3
Closing Cash balance as at 30 th April	(125.3)	(313.5)	(130.2)

Source: Department of Treasury Operations

*Includes project/programme loans received by the Government and recorded in the CS-DRMS as at 30th April 2019

Management of Government debt

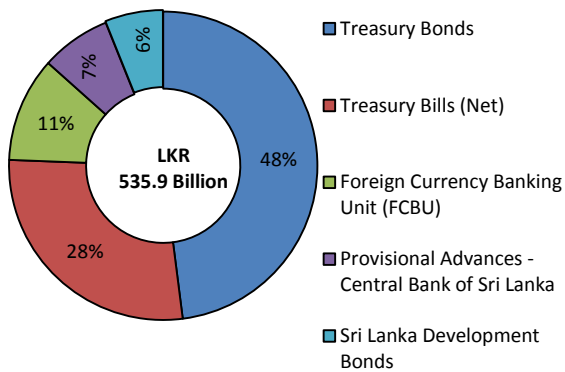
The total borrowing limit approved by Parliament for the year 2019 amounted to Rs. 2,079 billion, within which the utilization of Government borrowings for the period from 01st of January to 30th April 2019 was recorded as Rs. 944.2 billion. Total borrowing limit comprised of domestic and foreign borrowings amounting to Rs. 535.9 billion and Rs 408.3 billion, respectively to finance cash flow operations and development projects during the period. Approximately 46.0 per cent of domestic borrowing consisted of short-term borrowing in

the first four months of 2019. Treasury Bonds and Treasury Bills were the main sources of domestic borrowings of the Government. Accordingly, around 48 per cent and 28 per cent of the total domestic borrowings were raised by way of Treasury Bonds and Treasury Bills, respectively in the first four months of 2019. In addition to the domestic borrowings, the proceeds from the International Sovereign Bonds (ISBs) issued in the first quarter of 2019 was utilized to finance the foreign currency debt service payments. The net borrowing as at end of the period under review was Rs. 407.4 billion.

TABLE 2.24 Gross domestic borrowings (January to April 2019)

	Rs. Billion
Treasury Bonds	257.1
Treasury Bills (Net)	148.1
Foreign Currency Banking Unit (FCBU)	58.9
Provisional Advances - Central Bank of Sri Lanka	39.2
Sri Lanka Development Bonds	32.6
Total	535.9

FIGURE 2.3 Gross domestic borrowings (January - April 2019)



Disclosure of contingent liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remained valid as at 30th April 2019 was Rs. 1,109.9 billion which were within the limit applicable limit as per the Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016. The list of Treasury Guarantees issued by the General Treasury as at 30th April 2019, is given in Table 2.25.

TABLE 2.25 The list of treasury guarantees issued by the general treasury up to 30.04.2019

S. No	Name of the Bank or Institution	Name of Institution	Rs Million	Total
1	People's Bank	Ceylon Electricity Board	9,912.54	219,579.78
		Ceylon Petroleum Corporation	161,329.96	
		Ceylon Shipping Corporation Ltd	12,780.65	
		Lanka Coal Company (Pvt) Ltd	11,000.00	
		National Water Supply & Drainage Board	3,215.70	
		Paddy Marketing Board	2,864.13	
		Road Development Authority	17,126.80	
		State Printing Corporation	1,350.00	
		Building Materials Corporation Ltd	500.00	
		Ceylon Petroleum Corporation	159,957.00	
2	Bank of Ceylon	General Sir John Kotelawala Defence University	835.00	305,968.56
		National School of Business Management Limited	8,600.00	
		National Water Supply & Drainage Board	47,275.37	
		Northsea Limited	50.00	
		Paddy Marketing Board	8,970.88	
		Road Development Authority	76,480.30	
		State Development and Construction Corporation	1,000.00	

TABLE 2.25 The list of treasury guarantees issued by the general treasury up to 30.04.2019 contd. . .

		State Engineering Corporation	2,300.00	
		Ceylon Electricity Board	6,250.00	
		General Sir John Kotelawala Defence University	35,835.70	
		Lakdhanavi Ltd.	2,992.00	
3	National Savings Bank	National Water Supply & Drainage Board	1,239.48	
		Road Development Authority	68,621.43	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00	
		Urban Development Authority	2,770.00	121,208.60
4	Commercial bank	National Water Supply & Drainage Board	1,929.61	
		Road Development Authority	5,948.81	7,878.42
5	DFCC Bank	National Water Supply & Drainage Board	6,026.24	
		Road Development Authority	6,105.85	12,132.09
6	Employees' Trust Fund Board	Lakdhanavi Ltd.	2,992.00	2,992.00
7	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	15,756.65	15,756.65
		Airport & Aviation Services (Sri Lanka) Limited	4,000.00	
8	Hatton National Bank	National Water Supply & Drainage Board	21,797.56	
		Road Development Authority	23,943.54	49,741.10
9	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	7,844.64	
		West Coast Power(Pvt)Ltd.	26,993.62	34,838.26
10	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	12,391.98	12,391.98
11	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	119,503.90	119,503.90
12	National Development Bank	National Water Supply & Drainage Board	17,380.43	
		Road Development Authority	7,745.36	25,125.79
13	Exim Bank of India	National Water Supply & Drainage Board	45,623.29	45,623.29
14	China Development Bank	National Water Supply & Drainage Board	11,102.21	11,102.21
15	Asian Development Bank	Ceylon Electricity Board	82,644.45	82,644.45
16	Sampath Bank PLC	Road Development Authority	14,500.00	14,500.00
17	UniCredit Bank Austria AG	National Water Supply & Drainage Board	10,129.61	10,129.61
18	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	16,606.14	16,606.14
19	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	2,132.76	2,132.76
		Total	1,109,855.60	1,109,855.60

Chapter 3

Performance of State Owned Enterprises

Overview

State Owned Enterprises (SOEs)¹, remain as an integral component of Sri Lankan economy, being most prevalent in strategic sectors of the country including energy, water, ports, banking and insurance, commuter transportation, aviation and construction. The SOEs' contribution to GDP amounted to 13.3 per cent in 2018. Out of the 422 SOEs, 54 SOEs have been identified as strategically important State Owned Businesses Enterprises (SOBEs)² that plays a catalytic role in transforming the country's economy to a high growth trajectory. At present, 287 SOEs are being monitored by the Department of Public Enterprises (PED) and the remaining SOEs come under the purview of the Department of National Budget (NBD).

The PED has introduced the Concept of Statement of Corporate Intent (SCI), the tripartite agreement, containing key performance indicators targeting the key activities of the entity in 2017. This was initiated with five Key SOBEs namely, Ceylon Petroleum Corporation (CPC), Ceylon Electricity Board (CEB), Sri Lanka Ports Authority (SLPA), Airport and Aviation Services (Sri Lanka) Limited (AASL) and National Water Supply and Drainage Board (NWS&DB). Such SCIs are monitored by PED and the PED submits a progress report to the Cabinet of Ministers periodically. Another 08 SCIs were signed with selected SOBEs including Sri Lanka State Plantation Corporation, Lanka Sathosa (Pvt) Ltd, Central Engineering Consultancy Bureau, State Timber Corporation, State Pharmaceuticals Corporation, Milco (Pvt) Ltd, National Livestock Development Board and Geological Survey and Mines Bureau on June 10, 2019.

Review of the ten major SOEs

Bank of Ceylon (BOC)

The asset base of the BOC declined slightly to Rs. 2,224 billion as at the end of April 2019 from Rs. 2,268 billion as at the end of 2018. During the first four months of 2019, the deposit base of the bank declined by 0.9 per cent to Rs. 1,749 billion, compared to Rs. 1,765 billion as at end 2018. Non-performing loan ratio of the bank increased to 5.27 per cent as at end April 2019 from 3.6 per cent as at end 2018. The bank's profit before tax decreased by 14.8 per cent to Rs. 7.3 billion for the first four months of 2019, compared to Rs. 8.6 billion in the corresponding period of the previous year.

- 1 State Owned Enterprises are Public Corporations, Statutory Boards or any other entity vested with the government under any written law and Companies which have majority ownership to the government, registered under the Companies Act which carries out commercial or non – commercial activities.
- 2 State Owned Business Enterprises are those State Owned Enterprises engaged in business activities and generate revenue by way of sale of goods or services.
- 3 Excluding the profitability of the Ceylon Fisheries Corporation (CFC) Financial Statements of CFC has not been finalized.

People's Bank (PB)

PB's asset base increased marginally to Rs. 1,744 billion as end April 2019 from Rs. 1,735 billion as at end 2018. The deposit base of the bank increased by 2.6 per cent to Rs. 1,460 billion as end April 2019 from Rs. 1,423 billion as at end 2018. Loans and advances decreased

by 4.6 per cent to Rs. 1,274 billion in the first four months of 2019. Non-performing loan ratio of the bank increased to 3.2 per cent in the first four months of 2019 from 2.5 per cent as at end 2018. PB recorded a profit before tax of Rs. 6.6 billion in the first four months of 2019 compared to Rs. 7.8 billion in the same period of 2018.

National Savings Bank (NSB)

NSB's asset base recorded an increase of 2.9 per cent to Rs. 1,080 billion as at end April 2019 from Rs. 1,050 billion as at end 2018. The deposit base of the bank increased by 18.1 per cent to Rs. 871 billion by end April 2019 from Rs. 737 billion as at end 2018. Loans and advances increased by 12.1 per cent to Rs. 452 billion in the first four months of 2019. NSB recorded a profit before tax of Rs. 2.7 billion in the first four months of 2019 compared to Rs. 3.9 billion in the same period of 2018. As per the government policy, NSB is currently engaged with the necessary actions to form a subsidiary by acquiring Sri Lanka Savings Bank Ltd and the process is yet to be finalized.

Sri Lanka Insurance Corporation (SLIC)

SLIC recorded a profit before tax of Rs. 1,595 million in the first four months of 2019 and recorded total revenue of Rs. 15.4 billion, which was an increase of 4 per cent, compared to Rs. 14.8 billion in the same period of 2018. Recently, Fitch Rating Services has upgraded SLIC's national Insurer Financial Strength (IFS) rating to 'AAA (lka)' from 'AA+ (lka)' with a Stable Outlook.

Ceylon Electricity Board (CEB)

Electricity generation expanded to 5,319 GWh in the first four months of 2019, compared to 5,138 GWh in the same period of 2018. However, an operating loss of the CEB increased to Rs. 23,114 million in the first four months of

2019, compared to Rs. 17,535 million in the same period of 2018. Cost per unit increased to Rs. 22.05 per KWh in the first four months of 2019 over Rs. 20.46 per KWh recorded in 2018. Generation mix comprised with 1,004 GWh of Hydro, 2,037 GWh of Thermal (Fuel) and 1,988 GWh of Thermal (Coal) and 290 GWh of NCRE and Wind during the reporting period, which has changed from 18:36:39:7 in 2018 to 19:38:37:5 in first four months of 2019. The coal power generation declined mainly due to failures occurred during early 2019 at the Norochcholai power plant.

The total outstanding obligations to the banks of CEB increased to Rs.80,218 million in the first four months of 2019, compared to Rs. 54,365 million in the same period of 2018. Further, the total outstanding obligations to Ceylon Petroleum Corporation (CPC) and Independent Power Producers (IPP) increased Rs. 103,191 million as at end April 2019 from Rs. 85,304 million in the same period of 2018.

As per an initiative taken in 2016, SCI between Government of Sri Lanka through its line Ministry of Power Energy and Business Development, and the Ministry of Finance and Ceylon Electricity Board has finalized and relevant parties have signed the agreement in March 2017. The main key performance targets in the SCI are to improve the quality of electricity to customers, to become a low- cost electricity supplier, optimizing generation capacity and ensuring the financial stability of CEB.

Ceylon Petroleum Corporation (CPC)

The CPC's operational losses reached to Rs. 4,294 million in the first four months of 2019 due to the increased international oil prices combined with the absence of pricing mechanism for the products used in aviation and power generation sectors and kerosene. However, due to the exchange gained together with the introduction of cost-reflective pricing formula for auto fuel effective from May, 2018,

the CPC's overall profits reached to Rs. 16,021 million in the first four months of 2019. The CPC recorded a negative net-worth of Rs. 262,811 million at the end of April, 2019. In this context, it is important to optimally utilize the refinery capacity of the CPC in order to reduce the overall cost while employing proper operational strategies to reduce the inefficiencies and maximum utilization of unionized human resources.

Sri Lanka Ports Authority (SLPA)

Ports of Colombo, Galle, Trincomalee, Kankasanthurai, Oluvil, Myliddy, Point Pedro and Karrainagar are currently operated by Sri Lanka Ports Authority (SLPA). SLPA has recorded a profit of Rs. 10,505 million in the first four months of 2019 and debt to banks was Rs. 11,957 million during the period. Steps have been taken by SLPA to increase the efficiency of the port by enhancing the capacity of Jaya container Terminal and procuring ships to shore under the modernization project. The Government entered into a Memorandum of Corporation between the Government of Japan, the Republic of India to develop the Colombo South Port. Even though the transactions of the Hambantota Port has been transferred to the Treasury, the legal process has not yet been completed.

National Water Supply and Drainage Board (NWS&DB)

NWS&DB has achieved the safe drinking water supply coverage of 90.9 per cent and piped sewerage coverage 3.3 per cent as at end April 2019. It has achieved such goals with Government support on debt servicing such as 50 per cent of urban project, 75 per cent on rural projects and 100 per cent on CKD reduction projects. NWS&DB has already launched 343 water supply schemes and 02 projects are in the pipeline. Ministry of Finance has granted approval for the borrowing power to NWS&DB to raise funds for locally funded

projects of Rs. 83.91 billion and foreign-funded projects worth of USD 1,155.37 million and Euro 170.03 million as at end April 2019.

Even though the revenue for the first four months in 2019 increased by 7 per cent to Rs. 7,850 million, NWS&DB has incurred a loss of Rs. 203 million for the first 4 months of 2019 as against the profit of Rs. 372 million for the same period in 2018. The government has provided capital infusion amounting to Rs. 1,255 million along with the Treasury Guarantees amounting to Rs. 182,721.92 million as at end April 2019 considering the liquidity issues faced by the entity due to non-revision of tariff since 2012.

The current Non-Revenue Water (NRW) is at 24.84 per cent which is a positive improvement over the previous year position of 25.49 per cent. The board has taken initiatives to establish a NRW cell to monitor and manage NRW islandwide with a pro-active intervention and upgrade the Regional Support Centres as Strategic Business Unit to manage assets and control the NRW below 18 per cent. However, the Board faces challenges in meeting adequate investments to achieve the water supply and sewerage coverage as targeted.

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

The SCL was signed with the AASL and DPE as the facilitator to the SCI closely monitors the performance of AASL in line with the targets and Key Performance Indicators (KPIs) set out in the SCI. Although the passenger handling Capacity of BIA is around 6 million, that limit normally gets exceeded, paving the way to reducing the service quality and abnormal delay in the process. However, it is expected to increase passenger handling capacity to 15 million by 2020 once the BIA 2nd phase expansion project is completed.

As per the Cabinet decision dated 02.04.2019, on Cabinet Memorandum No.19/1008/105/009-

I, approval has been granted to utilize the Northern part of the Palali runway for handling civil aviation, and to appoint AASL as the Service Provider to operate and maintain the Palali Airport and other aeronautical services under the Civil Aviation Act, No.14 of 2010, after development of the airport. For this purpose, funds of Rs. 1,050 million will be secured from Tourism Development Fund, while Rs. 900 million will be taken from the Civil Aviation Authority of Sri Lanka. This new development is expected to enhance the capacity of AASL and thereby increasing its revenue generation.

Sri Lankan Airlines (SLA)

The Government of Sri Lanka (GOSL) is currently in the process of restructuring the SLA, and an Expert Committee was appointed by H.E. the President to provide a report of policy recommendations. Accordingly, the Committee

has recommended to restructure the SLA through financial, corporate, and human resource restructuring and developing an effective strategic plan. The Cabinet has approved the same on 07.05.2019.

The total loss of SLA has increased to Rs.12,961 million in the first four months of 2019, while the total debt of SLA has exceeded USD 750 million. Further, the Government is currently bearing USD 375 million and Rs.26,250 million of contingent liabilities piled up since 2014. This includes the guarantee granted for International Bonds and letters of comfort issued to obtain loans during the BIA closure in 2016. Therefore, it is observed that the GOSL needs to have a significant business restructuring model, owing to the high possibility for the Government to bear the loss, and also due to the high correlation between Aviation industry and the tourism sector in the country.

Reform initiatives for major SOBEs

Institution	Reform Initiatives
State Banks (BOC, PB & NSB)	<ul style="list-style-type: none"> ▪ To strengthen the capital base to meet the Basel III provisions, the government infused capital of Rs. 5 billion to BOC. ▪ In line with the Budget Proposal 2016, Lankaputhra Development Bank was acquired by the Regional Development Bank on 31.12.2018. ▪ Develop technological capabilities to compete with the private sector banks & introduce innovative banking systems ▪ 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 and State Owned Enterprises
SLIC	<ul style="list-style-type: none"> ▪ Deployed a market penetration strategy by rapidly expanding the delivery network and by introducing a range of new niche insurance products, customized products for specific customer segments.
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, LNG and non-renewable energy sources. ▪ Move towards cost reflective pricing policies.
CPC	<ul style="list-style-type: none"> ▪ Cost reflective price formula was implemented since May 2018. However, the formula has not covered the full cost of the CPC which has adversely affected to its financial position.
SLPA	<ul style="list-style-type: none"> ▪ Several measures have been taken to increase the capacity, change in the competitive dynamics between the ports competing with the Port of Colombo and respond to the changes occurring in the shipping industry strategically.
NWS&DB	<ul style="list-style-type: none"> ▪ NWS&DB needs to be regulated by Public Utilities Commission of Sri Lanka (PUCSL) as per the directives given by the Cabinet of Ministers based on the recommendations made by

	the Ministry of Finance. The ministry of City Planning and Water supply collaborating with PUCSL is in the process of drafting the necessary legal framework in this regard.
AASL	<ul style="list-style-type: none"> ▪ NWS&DB to come up with the medium term as well as long term strategies in order to secure the water resources. ▪ Several measures have been implemented to reduce the leakages in the distribution channel which has become a Non-Revenue Water (NRW) which was 169 million m3 in 2018, compared to 171 million m3 in 2017. ▪ The Government has supported the NWS&DB to strengthen its financial position by contributing debt service requirements of the NWS&DB. ▪ The Cabinet of Ministers has already granted the approval for the development of the airport of Palali as a domestic airport. ▪ As the external factors of exchange rate fluctuations have adversely affected the performance and the financial position of the AASL, conscious risk mitigation strategies should be implemented by the Company in order to reduce the impact of exchange risk.
SLA	<ul style="list-style-type: none"> ▪ Having considered the needful to continue national carrier, Treasury issued required security by way of Letters of comfort in order to run SLA until the proposed business restructuring process is completed ▪ The Government bears contingent liabilities over the provision of guarantees for loans obtained from People's Bank and Bank of Ceylon as well as Sovereign Guarantee issued for the International Bond. These have become obvious liabilities for the government as the company was unable to repay at least a single installment for 2 consecutive using internally generated funds of SLA. ▪ SLA made some strategic moves i.e. rationalization of route networks, cancellation of unworthy lease agreements, as short term measures

Source: SOBEs and Department of public Enterprises

TABLE 3.1 Profitability of State Owned Enterprises

Rs. Million

Enterprise	Profit/(Loss)		As at
	2017	2018	30.04.2019 (Provisional)
1 Bank of Ceylon	30,343	31,892	7,323
2 People's Bank	25,913	24,406	6,618
3 National Savings Bank	14,135	7,941	2,687
4 State Mortgage & Investment Bank	566	732	312
5 Housing Development Finance Corporation Bank	821	919	387
6 Lankaputhra Development Bank (c)	378	297	N/A
7 Regional Development Bank	2,191	3,689	N/A
8 Sri Lanka Savings Bank Ltd	603	525	143
9 Employee's Trust Fund Board	27,080	26,726	9,846
10 Sri Lanka Insurance Corporation	5,890	3,515	1,595
11 National Insurance Trust Fund	1,077	3,289	1,857
12 Sri Lanka Export Credit Insurance Corporation	(162)	387	82
13 Agriculture and Agrarian Insurance Board	(3,895)	612	(114)
14 Ceylon Electricity Board	(49,231)	(30,458)	(23,114)
15 Ceylon Petroleum Corporation	3,367	(104,037)	16,021
16 Sri Lanka Ports Authority(b)	13,222	4,247	10,505
17 National Water Supply and Drainage Board	1,877	(505)	(134)
18 Airport and Aviation Services (SL)Ltd	10,820	10,458	N/A
19 Sri Lankan Airlines Ltd	(28,930)	(17,214)	(12,961)
21 Sri Lanka Transport Board	1,617	2,169	660.16
22 State Engineering Corporation	(943)	(1,024)	N/A
23 Central Engineering Consultancy Bureau	757	531	N/A
24 State Development and Construction Corp.	(491)	15	N/A
25 Milco (Pvt) Ltd	(154)	(770)	N/A
26 National Livestock Development Board	(869)	(429)	(185)

TABLE 3.1 Continued . . .

27	Sri Lanka State Plantations Corporation	(101)	(98.9)	(77.8)
28	Janatha Estates Development Board	(399)	(320)	N/A
29	Kurunegala Plantations Ltd	248	211	45.82
30	Chilaw Plantations Ltd(a)	85	(35)	11.60
31	Kalubovitiyana Tea Factory Ltd(a)	31	(16)	52.95
32	Sri Lanka Cashew Corporation	16	18	1.28
33	Lanka Mineral Sands Ltd	535	652	1,380
34	Lanka Phosphate Ltd(a)	32	17	29
35	Kahatagaha Graphite Lanka Ltd(a)	24	31	30
36	Development Lotteries Board	2,331	2,735	930
37	National Lotteries Board	624	1,038	46.2
38	State Pharmaceuticals and Manufacturing Corp.	322	360	208
39	SL Ayurvedic Drugs Corporation	61	33	16
40	State Pharmaceuticals Corporation	1,560	1,720	153
41	Sri Jayawardenapura General hospital	(144)	123	-
42	Independent Television Network Ltd	(287)	(627)	(225)
43	SL Rupavahini Corporation	(196)	188	(140.61)
44	Sri Lanka Broadcasting Corporation	75	(20)	12.5
45	Sri Lanka Handicraft Board	24.8	21.5	20.2
46	State Timber Corporation	967	672	33.4
47	STC General Trading Company	82	(30)	N/A
48	Lanka Sathosa Ltd	(2,782)	(2,177)	(788)
49	State Printing Corporation	(243)	(40)	2.3
0	Ceylon Fisheries Corporation	N/A	N/A	N/A
51	Ceylon Fishery Harbour Corporation	(64)	43	33.49
52	Ceylon Fertilizer Company Ltd	127	39	-
53	Colombo Commercial Fertilizer Company Ltd	70	290	-
54	Hotel Developers Lanka PLC (d)	173	(126)	(83.1)
55	Lanka Sugar Company Ltd	638	347	N/A
	Total	59,792	(27,405)	249

Source: SOBEs and Department of public Enterprises

(a) Chilaw Plantation Ltd and Kalubovitiyana Tea Factory Ltd profitability as at 31.03.2019

(b) After foreign exchange loss

(c) Lankaputhra Development Bank has been merged with Regional Development Bank

(d) Profit before tax after rupee depreciation

TABLE 3.2 Levy/dividend income from SOEs

Rs. Million

Levy						As at
	2014	2015	2016	2017	2018	30.04.2019
Levy	42,137	26,118	92,338	50,447	37,230	1,479
National Savings Bank	4,000	2,800	12,026	3,865	500	-
Bank of Ceylon	6,500	5,000	18,000	12,000	4,500	-
Peoples Bank	6,000	3,000	8,000	5,000	3,200	200
	10,000	10,000	28,000	22,800	21,850	-
Telecommunication Regulatory Commission						-
Ceylon Petroleum Corporation	10,000	-	10,000	-	-	-
State Mortgage & Investments Bank	10	10	10	25	-	-
Regional Development Bank	-	87	88	-	-	-
State Timber Corporation	25	50	175	100	100	-
State Pharmaceuticals Manufacturing Corporation	25	30	65	45	50	-
National Insurance Trust Fund	4,000	3,000	2,500	2,100	2,750	-
Geological Survey and Mines Bureau	650	850	900	1,500	1,700	300
	-	75	175	100	25	-
National Gem and Jewellery Authority	-	-	-	-	-	-
Sri Lanka Convention Bureau	-	-	-	-	-	-
Sri Lanka Rupavahini Corporation	2	-	-	-	-	-
Ceylon Electricity Board	-	-	8,000	-	-	-

TABLE 3.2 Continued . . .

Board of Investment	100	141	115	220	250	250
National Lotteries Board	-	50	550	-	-	-
Securities and Exchange Commission	-	-	-	-	-	-
Insurance Board of Sri Lanka	-	-	-	-	-	-
Sri Lanka Standard Institution	-	-	-	-	-	-
	-	-	25	-	15	-
Sri Lanka Export Credit Insurance Corporation						-
National Livestock and Development Board,	-	-	-			-
Central Engineering Consultancy Bureau	-	25	25	25	25	-
Sri Lanka Tourism Development Authority						200
Sri Lanka Tourism Promotion Bureau	500	500	1,500	1,000	1,000	-
Civil Aviation Authority	250	400	768	800	800	300
State Pharmaceutical Corporation	75	100	216	222	-	-
National Transport Medical Institute	-	-	200	160	165	-
	-	-	1,000	185	200	200
Sri Lanka Bureau of Foreign Employment				300	100	-
National Transport Commission						29
National Medical Regulatory	-	-	-	-	-	-
Dividends	4,664	3,678	15,821	3,550	4,598	1,714
National Savings Bank	60	60	60	60	60	30
Bank of Ceylon	346	346	346	346	346	173
People's Bank	316	316	316	316	316	158
Lankaputhra Development Bank	36	36	36	41	41	-
National Development Bank	6	5	2	2	1	1
Sri Lanka Savings Bank	-	-	-	-	86	-
Sri Lanka Insurance Corporation Ltd	2,001	1,003	11,857	503	1,856	162
Airport and Aviation Services Ltd	500	497	1,500	850	300	-
Lanka Mineral Sands Ltd	43	14	-	-	35	130
Lanka Phosphate Ltd	35	30	-	8	5	-
Independence Television Network Ltd	125	84	-	10	12	-
Lanka Leyland Ltd	11	54	34	35	45	-
Rakna Arakshaka Lanka Ltd	68	93	-	-	40	15
Manthai Salt Ltd	1	-	-	-	-	-
Ceylon Fertilizer Ltd	38	54	116	90	21	15
Colombo Commercial Fertilizer Ltd	12	10	25	12	20	10
Paranthan Chemicals Company Ltd	10	5	-	8	11	-
Kahatagaha Graphite Lanka Ltd	1	-	-	-	-	-
STC General Trading Company	-	-	5	-	-	5
Sri Lanka Telecom PLC	759	795	795	795	795	947
De La Rue Lanka Ltd	49	61	62	79	106	-
Lanka Electricity Company Ltd	25	87	152	218	305	-
Lanka Industrial Estates Ltd	55	55	47	55	78	-
Skills Development Fund	-	2	-	-	-	-
Ceylon Agro Industries	7	6	12	12	19	-
Lanka Sugar Company Ltd	80	-	-	-	-	-
Asian Reinsurance Corporation	-	-	-	-	-	-
Lanka Logistics Limited	2	2	5	-	1	-
Ceylon Petroleum Storage Terminals Ltd	-	-	438	-	-	-
Plantation Companies*	80	62	10	103	95	68
Others**	-	1	3	7	4	-
Total	46,801	29,796	108,159	53,997	41,828	3,193

Source: SOBEs and Department of Public Enterprises

Chapter 4

Foreign Financing

Foreign financing commitments

The Government has made arrangements to mobilize foreign financing of US\$ 2,439 million by entering into 19 Agreements with foreign development partners and lending agencies from 1st January to 30th April 2019, to support the public investment program. This mobilization consists of US\$ 2,431 million in the form of loans, that is, Official Development Assistance (ODA) and US\$ 8 million by way of ODA grants and technical assistance.

China led the ODA commitments during this period amounting to US\$ 989 million followed by the World Bank (US\$ 352 million), Asian Development Bank (US\$ 310 million), Asian Infrastructure Investment Bank (US\$ 280 million), Japan (US\$ 270 million), France (US\$ 85 million), HSBC-Hong Kong (US\$ million 72), United Kingdom (US\$ 64 million), Austria (US\$ 10 million), Korea (US\$ 6 million), Food and Agriculture Organization (US\$ 0.3 million), and United Nations High Commissioner for Refugees (US\$ 0.02 million), respectively.

Of the commitments made in the form of ODA during the first four months of 2019, the highest amount was committed for the roads and bridges sector (US\$ 1,053 million), while the

ground transport sector received commitments of US\$ 570 million.

In addition to the funds raised from ODA development partners, US\$ 2,400 million was raised through International Sovereign Bonds (ISB) during the period under review of which, US\$ 1,000 million was raised at a fixed interest rate of 6.85 per cent with a 5 year tenure while the balance US\$ 1,400 million was raised at a fixed interest rate of 7.85 per cent with 10 year tenure.

FIGURE 4.1 Sector-wise ODA Commitments – 1st January – 30th April 2019 (US\$ million)

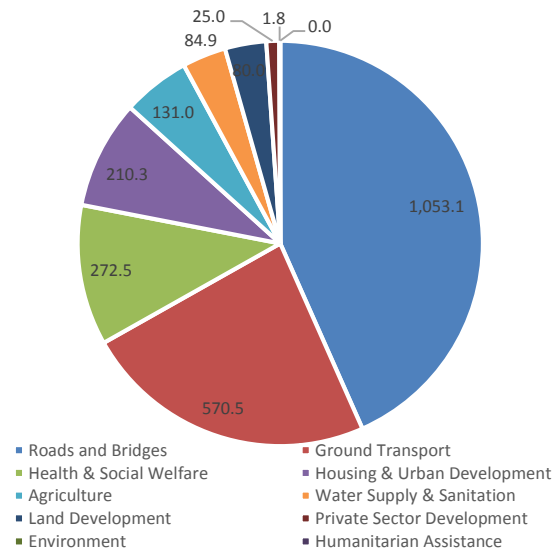


TABLE 4.1 Foreign Financing ODA Commitments with Terms - from 1st January to 30th April 2019

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project /Program/ Instrument Name	Currency	Amount Committed (million)			Type	Financial Terms			Other Terms	
					In Instrument Currency	Rupees	US\$		Interest	Margin (100 basis points)	Other Charges	Grace Period (Years)	Maturity /Availability Period from the Date of Signing (Years)
Bilateral ODA													
Japan	Loan	2019/03/11	Establishment of Light Rail Transit Project System in Colombo	JPY	30,040.0	48,250.2	270.5	Fixed	Tranche 1 - 0.1, Tranche 2 - 0.01	Not Applicable	Frontend fee 0.2%	12	40
Korea	Grant	2019/01/17	Modernization of Plant Quarantine in Sri Lanka	US\$	6.0	1,094.3	6.0			Not Applicable			4.5
Deutsche Bank AG (United Kingdom)	Loan	2019/01/23	Reconstruction of Rural Bridges USD 12.7 mn (Commercial Facility)	US\$	12.7	2,314.7	12.7	Variable	LIBOR 6 months for USD	4.15	Commitment Fee 0.25%, Arrangement fee 0.5%	4	7
	Loan	2019/01/23	Reconstruction of Rural Bridges USD 50.9 mn (UKEF)	US\$	50.9	9,259.5	50.9	Variable	LIBOR 6 months for USD	1.5	Commitment Fee 0.25%, Arrangement fee 0.5%	3	12
Export-Import Bank of China	Loan	2019/03/22	Central Expressway Project Section - I from Kadawatha to Meerigama	US\$	989.5	176,247.2	989.5	Fixed	2.5	Not Applicable	Commitment Fee 0.25%, Management Fee US\$ 2,5 million	6	20
Agence Francaise De Development (France)	Loan	2019/02/18	Rathmalana-Moratuwa Waste Water Disposal Project- Stage I - Phase II	EUR	75.0	15,169.1	84.9	Variable	EURIBOR 6 months	1	Appraisal Fee 0.5%, Commitment Fee 0.5%	7.5	25.5
HSBC (China-Hong Kong)	Loan	2019/03/12	Upgrading Health Facilities in Selected Hospitals of Sri Lanka	US\$	72.3	12,897.2	72.3	Variable	LIBOR 6 months for USD	1.85	Structural Fee 0.5%, Commitment Fee 0.5%	3	15
UniCedit Bank Austria AG (Austria)	Loan	2019/02/11	Supply of Firefighting Vehicles/Equipment for the Colombo Municipal Council	US\$	10.3	1,835.9	10.3		Interest Free		Commitment Fee 0.4%, Management Fee 0.45%, Handling Fee US\$ 1,440, Upfront Fee US\$ 45,136.8	5.5	19.5
Multilateral ODA													
Asian Development Bank	Loan	2019/01/17	Technical Assistance Loan Agreement	US\$	10.0	1,823.9	10.0	Fixed	2	Not Applicable	-	5	24
	Loan	2019/01/17	South Asia Sub regional Economic Cooperation Port Access Elevated Highway Project	US\$	300.0	54,715.5	300.0	Variable	LIBOR 6 months for USD	0.7	Commitment Fee 0.15%	8	28

TABLE 4.1 Foreign Financing ODA Commitments with Terms - from 1st January to 30th April 2019 Contd. . .

Asian Infrastructure Investment Bank	Loan	2019/04/25	Reduction of Landslide Vulnerable by Mitigation Measures Projects	US\$	80.0	13,979.7	80.0	Variable	LIBOR 6 months for USD	1.3	Commitment Fee 0.25%, Frontend fee 0.25%	6	30
	Loan	2019/04/25	Support to Colombo Urban Regeneration Projects	US\$	200.0	34,949.2	200.0	Variable	LIBOR 6 months for USD	1.4	Commitment Fee 0.25%, Frontend fee 0.25%	9	30
International Bank for Reconstruction & Development	Loan	2019/01/23	Primary Health Care System Strengthening Project	US\$	200.0	36,370.0	200.0	Variable	LIBOR 6 months for USD	0	Commitment Fee 0.25%, Frontend fee 0.25%	6	33
	Loan	2019/04/11	Framework Development & Infrastructure Financing to Support Public Private Partnerships Project	US\$	25.0	4,367.9	25.0	Variable	LIBOR 6 months for USD	0	Commitment Fee 0.25%, Frontend fee 0.25%	9	20
	Grant	2019/04/11	Climate mitigation action support project	US\$	1.8	314.5	1.8				Not Applicable		1.5
International Development Association	Loan	2019/04/11	Climate Smart Irrigated Agriculture Project	US\$	125.0	21,839.5	125.0	Variable	LIBOR 6 months for USD	0	Commitment Fee 0.25%, Frontend fee 0.25%	12	26
UNHCR	Grant	2019/01/09	Enabling Returnees in Kilinochchi, Puttalam and Mannar Districts to Access their Rights	LKR	3.7	3.7	0.02				Not Applicable		1
	Grant	2019/01/01	Innovative approaches to reduce, recycle and reuse food waste	US\$	0.3	48.1	0.3				Not Applicable		1.7
Food & Agriculture Organization	Grant	2019/01/01	Strengthening the Capacity for Monitoring Food Security and Sustainable Agriculture in the Context of SDG 2 and 12	US\$	0.03	5.1	0.03				Not Applicable		1
Total						435,485.3	2,439.2						

Source: Department of External Resources

Note: LIBOR = London Interbank Offer Rate, Financial values committed in different currencies have been converted into USD and LKR as per the prevailing exchange rates of each agreement date

Foreign financing disbursements and utilization

Total foreign financing disbursements made for development projects and programmes during the period from 1st January to 30th April 2019 amounted to US\$ 539 million, of which, US\$ 535 million was disbursed as loans while nearly US\$

4 million was disbursed by way of grants. The majority of the disbursements were from the loan agreements signed with China, which was almost 40 per cent followed by World Bank (14 per cent), Asian Development Bank (13 per cent) and Japan (12 per cent).

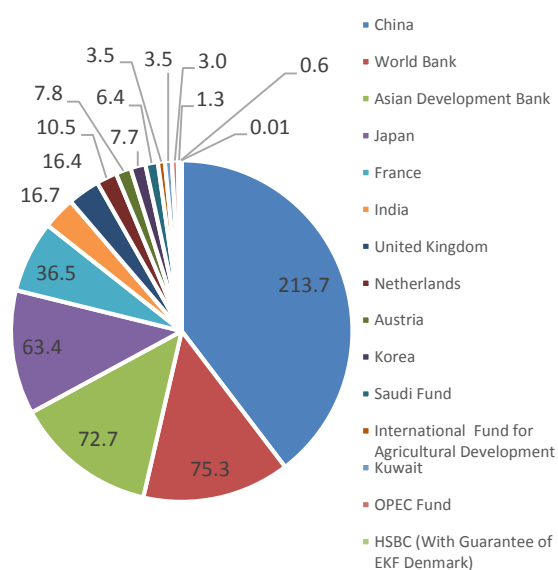
TABLE 4.2 Disbursements of foreign loans and grants from 1st January to 30th April 2019

Development Partner	Disbursements (USD million)*		
	Loan	Grant	Total
Bilateral	380.6	3.2	383.9
China	213.7	-	213.7
Japan	60.1	3.2	63.4
France	36.5	-	36.5
India	16.7	-	16.7
United Kingdom	16.4	-	16.4
Netherlands	10.5	-	10.5
Austria	7.8	-	7.8
Korea	7.7	-	7.7
Saudi Arabia	6.4	-	6.4
Kuwait	3.5	-	3.5
Denmark (HSBC With Guarantee with Denmark)	1.3	-	1.3
Multilateral	154.5	0.6	155.1
World Bank	75.3	-	75.3
Asian Development Bank	72.7	-	72.7
International Fund for Agriculture Development	3.5	-	3.5
OPEC Fund	3.0	-	3.0
United Nations Agencies (UNHCR), (UNICEF))	-	0.6	0.6
Total	535.2	3.8	539.0

Source: Department of External Resources

*Note: For conversion of disbursements made in different currencies into US\$ and Rupees, the exchange rates as at 30th April 2019 have been used * Provisional*

FIGURE 4.2 Highlighting disbursements made by development partners from 1st January to 30th April 2019 (USD million)



The majority of the disbursements was in lieu of the projects implemented under the roads and bridges sector accounting for almost 52 per cent followed by the water supply and sanitation sector at 15 per cent, ground transport sector at 6 per cent and SME sector at 5.5 per cent.

FIGURE 4.3: Sector-wise disbursements from 1st January to 30th April 2019 (US\$ million)

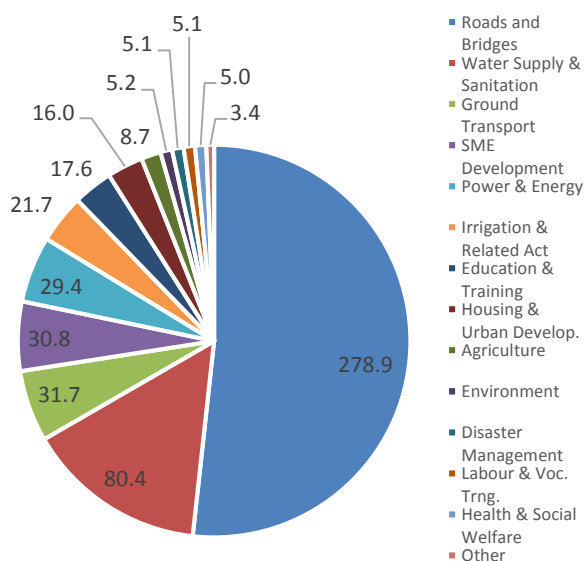
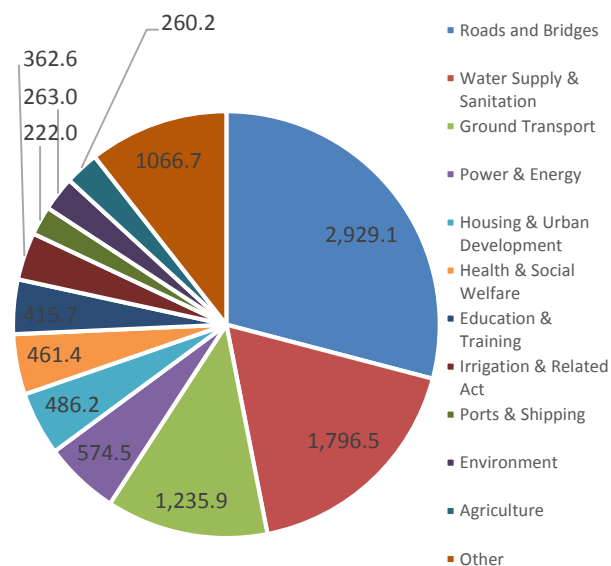


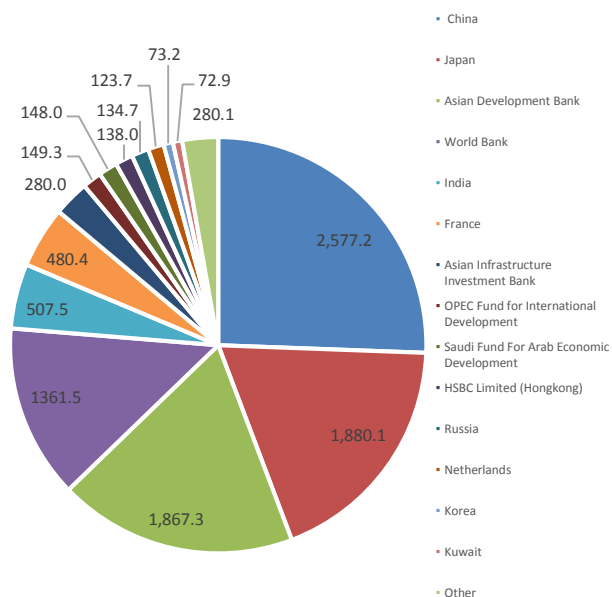
FIGURE 4.5: Sector-wise CUB of development projects and programs as of 30th April 2019 (US\$ million)



Committed undisbursed balance (CUB)

As at 30th April 2019, the total undisbursed balance of foreign financing available from the already committed loans that are to be utilized in next 3-5 years, was US\$ 10,074 million². Almost 29 per cent or US\$ 2,929 million has been committed for roads and bridges sector while US\$ 1,796 million is committed to water supply and sanitation sector.

FIGURE 4.4: CUB of development projects and programs as of 30th April 2019 (US\$ million)



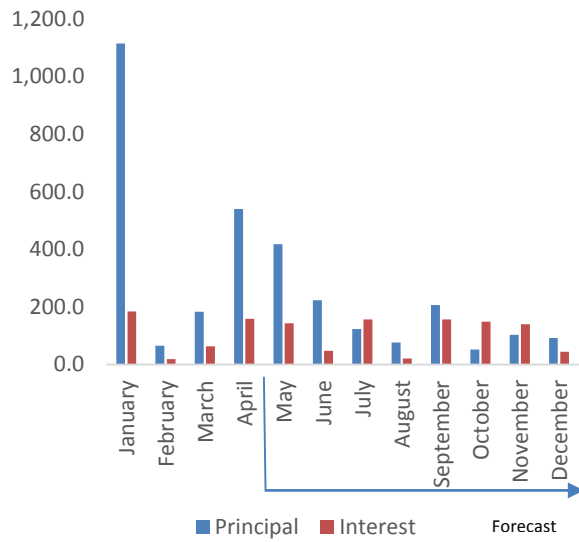
External debt stock and external debt service payments

By the end of April 2019, total outstanding external debt of the Government was US\$ 32.8³ billion. Total debt service⁴ payments from 1st January to 30th April 2019 amounted to US\$ 2,331.5 million. Of which, US\$ 1,904.7 million was in lieu of principal repayments and the balance US\$ 426.8 million for the payment of interest.

³ Non-residential holdings of Treasury Bills/Bonds and outstanding debt of State Owned Enterprises (SOEs) have not included.

⁴ Debt Service = Principal Payments + Interest Payments, Debt Service Payment of SOEs are not included

FIGURE 4.6: Debt service payments during January – April 2019 and forecast⁵ for the remaining period of 2019 (US\$ million)



⁵ US\$ estimations are based on the exchange rates as at 30th April 2019, Forecast was made based on existing portfolio only, i.e. debt stock to be accumulated due to new commitments were not included