

MID - YEAR
FISCAL POSITION REPORT
2023



**Ministry of Finance, Economic Stabilization &
National policies, Sri Lanka**



MID – YEAR FISCAL POSITION REPORT – 2023

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

Ranil Wickremesinghe
Hon. Minister of Finance, Economic Stabilization and
National Policies

30th June 2023

MID-YEAR FISCAL POSITION REPORT

**Issued by the Hon. Minister of Finance, Economic Stabilization
and National Policies**

Under sections 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003

In terms of Section 10 of the Fiscal Management (Responsibility) Act, No. 3 of 2003, the Minister of Finance, Economic Stabilization and National Policies 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 2023. The report also provides provisional budget outturn for the first four months of 2023, updated information, depending on the availability of information, relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of state owned business enterprises.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2022	2023 (Provisional)
REAL SECTOR				
Economic Growth	First Quarter	%	-0.5	-11.5
Agriculture	First Quarter	%	-4.4	0.8
Industry	First Quarter	%	-3.7	-23.4
Services	First Quarter	%	1.8	-5.0
Inflation (Year on Year)	End May	%	39.1	25.2
			(2013=100)	(2021=100)
Unemployment Rate	Annual	%	4.7	n.a.
Labour Force Participation Rate	Annual	%	49.8	n.a.
FISCAL SECTOR				
Budget Deficit	Jan-April	Rs. Mn.	-524,100	-824,256
Total Revenue	Jan-April	Rs. Mn.	630,908	820,070
Tax Revenue	Jan-April	Rs. Mn.	543,649	742,578
Non Tax Revenue	Jan-April	Rs. Mn.	87,259	77,493
Recurrent Expenditure	Jan-April	Rs. Mn.	1,016,810	1,484,984
Public Investment	Jan-April	Rs. Mn.	140,999	177,903
Government Debt	End Dec	Rs. Bn.	27,492	n.a.
EXTERNAL SECTOR				
Exports	Jan-May	USD Mn.	5,273	4,866
o/w Agriculture Exports	Jan-May	USD Mn	975	1,018
Industrial Exports	Jan-May	USD Mn	4,277	3,825
Textile and Garments	Jan-May	USD Mn	2,409	2,031
Other	Jan-May	USD Mn.	1,868	1,794
Imports	Jan-May	USD Mn.	8,802	6,791
Consumer Goods	Jan-May	USD Mn.	1,354	1,242
Intermediate Goods	Jan-May	USD Mn.	5,843	4,571
o/w Petroleum Products	Jan-May	USD Mn.	2,384	2,065
Investment Goods	Jan-May	USD Mn.	1,603	971
Trade Balance	Jan-May	USD Mn.	-3,528	-1,926
Tourist Arrivals	Jan-May	No.	378,521	524,486
Earnings From Tourism	Jan-May	USD Mn.	635	828
Workers' Remittances	Jan-May	USD Mn.	1,336	2,347
Portfolio Investments – Equity (Net)	Jan-May	USD Mn.	92	3
Overall Balance of Payments (BOP)	Jan-May	USD Mn.	-2,595	1,597
Gross Official Reserves	End May	USD Mn.	1,887	3,491
Exchange Rate (End Month)	End May	Rs. Per USD	360.8	295.5
Exchange Rate (Monthly Average)	Jan- May	Rs. Per USD	358.9	310.2
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End May	%	13.5	15.5
Standing Lending Facility Rate (SLFR)	End May	%	14.5	16.5
Statutory Reserve Requirement (SRR)	End May	%	4.00	4.00
Commercial Bank Average Weighted Prime Lending Rate (AWPLR)	End May	%	22.1	20.3
Commercial Bank Average Weighted Lending Rate (AWLR)	End May	%	13.5	17.8
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End May	%	-	-
W.A. Yield Rate of Treasury Bills (91 Days)	End May	%	23.7	25.7
W.A. Yield Rate of Treasury Bills (364 Days)	End May	%	24.3	22.9
Growth in Money Supply (M ₂ b)	May 2023/ May 2022	%	20.0	3.7
Growth in Credit to the Private Sector	May 2023/ May 2022	%	20.3	-8.3

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level (2016)	2022	%	99.3
Water			
Access to Safe Drinking Water	2022	% of Population	96.0
Access to Pipe borne Water	2022	% of Population	60.4
Roads			
Road Density	2022	Km/Km ²	2.21
Total Road Length	2022	Km	144,937
Communication			
Telephone Density including Cellular Phones	2022	Per 100 persons	142.0
Access to Internet	2022	Per 100 persons	97.7
Education			
General Education			
Primary Net Enrolment Ratio	2022	%	95.3
Student/Teacher Ratio (Government Schools)	2022	Number	16.8
Literacy Rate (Average)	2021	%	93.3
Computer Literacy Rate (First 06 months)	2022	%	35.7
University Education			
Student/Teacher Ratio	2022	Number	20.2
Age Specific Enrolment Ratio (Age 19–23 yrs) (a)	2022	%	9.3
Health			
Hospitals (Practicing Western Medicine) (b)	2022	Number	617
Beds (b)	2022	Number	78,228
Hospital Beds	2022	Per 1,000 persons	3.5
Persons per Doctor	2022	Number	1,054
Population			
Population Density	2022	Persons per sq. km	354
Population Growth	2022	%	0.1
Life Expectancy at Birth	2017	Years	75.5
Infant Mortality Rate	2019	Per 1,000 live births	7.4
Maternal Mortality Rate	2015	Per 1,000 live births	23.2
Crude Birth Rate	2022	Per 1,000 persons	12.4
Crude Death Rate	2022	Per 1,000 persons	8.1
Dependency Ratio	2022	%	49.4
Poverty			
Poverty Head Count Index	2019	%	14.3
Gini Coefficient of Household Income	2019	Coefficient	0.46
Poverty Gap Index	2019	%	2.8
Average Daily Calorie Intake	2019	Kilocalories	2,120
International Rankings			
Human Development Index	2021	Rank out of 189 Countries	73
Doing Business Index	2020	Rank out of 190 Countries	101
Global Competitiveness Index	2019	Rank out of 141 Countries	84
Economic Freedom Index	2022	Rank out of 176 Countries	136
Global Peace Index	2022	Rank out of 163 Countries	90
e-Government Development Index	2022	Rank out of 193 Countries	95

(a) Only includes internal enrolment of students

(b) Government

CHAPTER 1

Economic Perspectives

Overview

With the ambitious reform initiatives carried out by the Government spanning fiscal, monetary, financial, and external sectors, Sri Lanka is gradually progressing on a path toward economic stabilization. Positive signs in the economy can be witnessed in terms of deceleration of inflationary pressures, enhanced foreign currency inflows through remittances and tourism earnings, appreciation of the Sri Lanka Rupee, increase in foreign currency reserves, and gradual dissipation of the adverse economic shocks witnessed in 2022 including long queues for essential commodities, power disruptions, and social and political unrest.

Sri Lanka is currently implementing a 48-month Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF) amounting to SDR 2.286 billion (approximately USD 3 billion) which complements a comprehensive reform agenda covering all sectors of the economy. With the IMF-EFF programme, other development partners pledged their support to Sri Lanka including the Asian Development Bank (ADB) which approved USD 350 million as a special policy-based loan to provide budget support to Sri Lanka for economic stabilization and the eligibility of Sri Lanka to access concessional financing to broaden the options to bridge urgent financing needs. In addition, World Bank approved USD 700 million in budgetary and welfare support for Sri Lanka.

However, many headwinds remain on the path toward economic stabilization. A contraction of 11.5 percent was recorded in the economy in the first quarter of 2023. Nevertheless, the agriculture sector is showing signs of returning to normalcy as the sector recorded a growth of 0.8 percent in the first quarter of 2023 when compared to the 4.4 percent

contraction recorded in the same quarter of 2022. Growing rice has recorded a growth of 42.1 percent, while 'freshwater fishing and freshwater aquaculture' and 'growing of cereals' recorded a growth of 16.9 percent and 13.0 percent, respectively. However, overall industrial activities contracted by 23.4 percent in the first quarter of 2023, compared to the 3.7 percent contraction in the same quarter of 2022. This was led by significant contractions in 'mining and quarrying' by 45.7 percent, 'construction' by 38.3 percent, and the overall manufacturing industry by 14.2 percent. A downturn in global demand would act as a headwind for the export manufacturing sector, particularly the apparel sector. The services sector, too, recorded a contraction of 5.0 percent in the first quarter of 2023, when compared to 1.8 percent growth in the first quarter of 2022. This was led by the declines in 'insurance services' and 'financial service activities' by 38.3 percent and 33.2 percent, respectively.

Inflation has decelerated throughout 2023 with headline inflation as measured by the Colombo Consumer Price Index (CCPI, 2021=100) on a Year-on-Year basis declining 12.0 percent in June 2023 from a peak of around 70 percent (CCPI, 2013=100) recorded in September 2022. Food inflation also reduced to 4.1 percent in June 2023. With the fast decline in inflation and expected further deceleration to reach single-digit level in Quarter 3 of 2023, Central Bank eased the monetary conditions by reducing the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 250 basis points to 13.00 percent and 14.00 percent, respectively on June 01, 2023.

The external sector showed improved performance in the early months of 2023, following the unprecedented challenges faced in 2022. The merchandise trade deficit declined to USD 1.9 billion in the first five

months of 2023, compared to USD 3.5 billion recorded in the same period in 2022. USD 4.9 billion worth of exports were recorded in the first five months of 2023, marking a decline of 7.7 percent from USD 5.3 billion recorded in the same period in 2022. Exports of textiles and garments, petroleum products and rubber products declined, whereas export earnings from gems, diamonds and jewellery and tea increased contributing to positive outcomes in the trade balance. Expenditure on imports considerably declined by 22.8 percent to USD 6.8 billion in the first five months of 2023, from USD 8.8 billion recorded in the similar period of 2022. This is primarily attributable to the decline in imports of textile and textile articles, machinery and equipment, fuel, building material, base metals, plastics and articles thereof, and cereals and milling industry products.

Workers' remittances increased by 75.7 percent to USD 2.3 billion in the first five months of 2023, compared to USD 1.3 billion recorded in the same period of 2022. Earnings from tourism, too, increased by 30.4 percent to USD 827.8 million in the first five months of 2023, compared to USD 634.6 million recorded in the same period of 2022.

Tourist arrivals increased by 38.6 percent to 524,486 in the first five months of 2023 from 378,521 recorded in the same period in the last year. With the improved foreign currency inflows, gross official reserves continued to increase, reaching USD 3.5 billion as at end May, 2023 which includes the swap facility from the People's Bank of China. With the positive developments in the external sector, Sri Lanka Rupee appreciated by 17.6 percent against the USD dollar during the year up to June 28, 2023.

Inflation

Headline inflation which peaked in September 2022 has been on a disinflation path since then. The deceleration trend of headline inflation continued faster than expected during the first five months of 2023 due to lagged impact of tight monetary and fiscal policies, appreciation of Sri Lanka Rupee, reduction in gas and fuel prices, normalization of food prices and the favourable impact of the statistical base year effect.

As such, the headline inflation on year-on-year (YOY) change in the National Consumer Price Index (NCPI, 2021=100) decreased to 22.1 percent in May, 2023 from 53.2 percent

TABLE 1.1 : Movements in Inflation (%)

Year	Month	CCPI				NCPI			
		Headline Inflation		Core * Inflation		Headline Inflation		Core * Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2022**	January	14.2	6.9	9.9	5.0	16.8	8.1	12.9	6.2
	February	15.1	7.9	10.9	5.7	17.5	9.3	14.1	7.1
	March	18.7	9.1	13.0	6.5	21.5	10.6	17.3	8.2
	April	29.8	11.3	22.0	8.1	33.8	13.0	27.9	10.2
	May	39.1	14.2	28.4	10.2	45.3	16.3	37.7	13.0
	June	54.6	18.4	39.9	13.3	58.9	20.8	49.3	16.8
	July	60.8	23.1	44.3	16.7	66.7	25.9	57.3	21.3
	August	64.3	28.0	46.6	20.3	70.2	31.3	60.5	26.0
	September	69.8	33.4	50.2	24.1	73.7	36.9	64.1	31.0
	October	66.0	38.3	49.7	27.8	70.6	42.2	62.4	35.7
	November	61.0	42.6	49.4	31.4	65.0	46.7	60.1	40.0
	December	57.2	46.4	47.7	34.6	59.2	50.4	57.5	43.9
2023***	January	51.7	n.a	45.6	n.a	53.2	n.a	52.0	n.a
	February	50.6	n.a	43.6	n.a	53.6	n.a	50.1	n.a
	March	50.3	n.a	39.1	n.a	49.2	n.a	44.2	n.a
	April	35.3	n.a	27.8	n.a	33.6	n.a	31.8	n.a
	May	25.2	n.a	20.3	n.a	22.1	n.a	21.6	n.a
	June	12.0	n.a	9.8	n.a				

Source: Department of Census and Statistics

*CCPI Core Inflation, NCPI Core Inflation – Excluding Volatile Food, Energy and Transport

** Base Year 2013=100

*** Base Year 2021=100

in January, 2023 reflecting the decrease in prices both in food and non-food items during the period. The Colombo Consumer Price Index (CCPI, 2021=100) on YOY change decreased to 12.0 percent in June 2023 from 51.7 percent in January 2023. The core inflation, which reflects the underlying inflation of the country as measured by the YOY change in the NCPI and CCPI also decreased substantially in the first five months of 2023. Hence, the overall inflation is expected to reach single digit levels from the third quarter of 2023 and stabilize around mid-single digit levels over the medium-term.

Money and Credit

The tightened monetary policy stance since April 2022 led market interest rates to increase significantly to its historically high levels. However, monetary conditions were eased from June 2023 to facilitate economic activity from the contraction observed until the first quarter of 2023.

Accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) which were increased by 100 basis points to 15.50 percent and 16.50 percent respectively in March 2023 were reduced by 250 basis points to 13.00 percent and 14.00 percent respectively in June 2023 while the Statutory Reserve Ratio (SRR) remained at 4.00 percent.

Stock Market

The stock market had a muted performance in the first five months of 2023 in terms of price indices and market capitalization amidst the lagged impact of adverse macroeconomic developments that prevailed during 2022. The All Share Price Index (ASPI) improved by 5.5 percent to 8,555 points at the end of May 2023 compared to 8,108 points at the end of May 2022. The Standard & Poor's Sri Lanka 20 (S&P SL20) index which represents the most liquid stocks, dropped by 9.6 percent to 2,421 points at the end of May 2023 compared to 2,679 points at the end of May 2022.

Market capitalization declined marginally by 0.4 percent to Rs. 3,598 billion as at end May 2023 compared to Rs. 3,611 billion recorded as at end May 2022. Meanwhile, the Colombo Stock Exchange (CSE) recorded an average daily turnover of Rs. 1,481 million in the first five months of 2023, which was a considerable decrease compared to Rs. 4,077 million recorded in the same period of 2022.

Net foreign sales declined by 41.8 percent to Rs. 13,809 million in the first five months of 2023 compared to Rs. 23,744 million recorded in the same period of 2022. Foreign purchases also declined by 32.8 percent to Rs. 15,168 million in the first five months of 2023 compared to Rs. 22,577 million

TABLE 1.2 : Money and Private Sector Credit

Item	Rs. Billion								
	2022				2023				2023 April/2022 April Growth (%)
	January	February	March	April	January	February	March	April	
Reserve Money	1,337.49	1,324.23	1,386.70	1,481.80	1,589.72	1,504.68	1,424.21	1,417.07	-4.37
Broad Money (M2b)	10,667.73	10,755.11	11,575.56	11,940.61	12,322.46	12,345.80	12,293.35	12,386.65	3.74
Private Sector Credit	7,017.77	7,051.28	7,533.54	7,752.83	7,318.02	7,260.39	7,152.77	7,109.55	-8.30

Source : Central Bank of Sri Lanka

recorded in the same period of 2022. As a combined outcome, net purchases increased significantly by 216.5 percent during the first five months of 2023.

the trade deficit of USD 1,925.7 million in the first five months of 2023, compared to USD 2,528.3 million in the same period of 2022.

TABLE 1.3 : Movements in the Capital Market

Indicators	2018	2019	2020	2021	2022	End May	
						2022	2023
All Share Price Index (1985=100)	6,052	6,129	6,774	12,226	8,490	8,108	8,555
S & P SL 20 Index	3,135	2,937	2,638	4,233	2,636	2,679	2,421
Market Capitalization (Rs. Bn.)	2,840	2,851	2,961	5,489	3,847	3,611	3,598
No. of Listed Companies in Trading	297	289	283	296	290	294	289
Daily Average Turnover (Rs.Mn.)	834	711	1,899	4,888	2,972	4,077	1,481
Foreign Sales (Rs. Mn.)	100,316	68,272	104,165	86,689	36,863	23,744	13,809
Foreign Purchases (Rs. Mn)	77,067	56,537	52,889	39,410	67,488	22,577	15,168
Net Purchases (Rs. Mn)	-23,249	-11,735	-51,276	-47,279	30,625	-1,167	1,359

Source: Colombo Stock Exchange and Central Bank of Sri Lanka

External Sector Developments

Sri Lanka's external sector exhibited signs of stabilization in the first five months of 2023. This was driven by the narrowing down of the trade deficit, significant improvement in workers' remittances and tourism earnings. Inflows from workers' remittances increased significantly by 75.7 percent, earnings from tourism grew by 30.4 percent whereas; total exports contracted by 7.7 percent; total imports declined by 22.8 percent; trade deficit narrowed to USD 1,926.0 million; and gross official reserves stood at USD 3.5 billion.

The earnings from exports dropped by 7.7 percent or USD 407.7 million to USD 4,865.7 million in the first five months of 2023, compared to USD 5,273.4 million in the same period of 2022 owing to the significant decline in earnings from industrial exports including textile and garments, rubber products, food, beverage and tobacco and petroleum products coupled with the subdued global demand and the diversion of consumption pattern towards services sector. Similarly, expenditure on imports declined by 22.8 percent or USD 2,010.3 million to USD 6,791.4 million in the first five months of 2023, compared to USD 8,801.7 million in the same period of 2022 due to the decline in consumer goods, intermediate goods and investment goods. The decline in both imports and exports has led to narrow

The workers' remittances grew significantly by 75.7 percent or USD 1,011 million to USD 2,347 million in the first five months of 2023, compared to USD 1,336 million in the same period of 2022. This was mainly due to large remittance inflows with notable increase in migration of Sri Lankan workers since the latter part of 2022 and several policy measures including incentive schemes undertaken by the CBSL together with the Government to encourage migrant workers to use official channels to repatriate their remittances.

Earnings from tourism increased by 30.4 percent to USD 828.0 million in the first five months of 2023, compared to USD 635.0 million recorded in the same period of 2022 due to the continued recovery in the global tourism. Tourist arrivals grew to 524,486 in the first five months of 2023 compared to 378,521 in the same period of 2022. Most tourists arrived from Russia, India, the United Kingdom, Germany, and France during this period.

The Colombo Stock Exchange (CSE) recorded a significant decline in net inflow of USD 3 million in the first five months of 2023, compared to USD 92 million in the same period of 2022. In contrast, gross inflows to the government securities market increased notably to USD 398 million in the first five months of 2023 from USD 9 million in the same period of 2022. Meanwhile, the gross official

reserves stood at USD 3.5 billion as at end May 2023 including the swap facility of USD 1.4 billion (equivalent) from People's bank of China. The overall Balance of Payments (BoP) recorded a surplus of USD 1,597 million by end of May, 2023 compared to deficit of USD 2,595 million in the same period of 2022. The Sri Lankan rupee appreciated significantly by 17.6 percent against the USD by the end of June 28, 2023.

Exports

Earnings from exports declined by 7.7 percent to USD 4,865.7 million in the first five months of 2023, compared to USD 5,273.4 million in the same period of 2022 mainly due to the decline in industrial exports reflecting the slowing global demand, particularly in major export markets of Sri Lanka. Earnings from industrial exports declined by 10.6 percent to USD 3,825.2 million in the first five

months of 2023 from USD 4,277.0 million in the same period of 2022 due to diminished export earnings from textiles and garments, rubber products, petroleum products and food, beverages and tobacco products by 15.7 percent to USD 2,030.6 million, 8.5 percent to USD 360.5 million, 28.6 percent to USD 207.8 million and 6.1 percent to USD 208.6 million, respectively. Earnings from other industrial exports such as chemical products, base metals and articles, wood and paper products, transport equipment, leather, travel goods and footwear, plastics and articles thereof, and ceramic products also declined. However, export earnings from machinery and mechanical appliances, gems, diamonds and jewellery, animal fodder, and printing industry products contributed positively to the total export earnings in the first five months of 2023.

TABLE 1.4 : External Trade January – May 2023

Category	USD Million		
	2022	2023	% Change
Exports	5,273.4	4,865.7	-7.7
Agricultural Products	974.5	1,017.9	4.5
Tea	460.9	524.0	13.7
Primary Products (Rubber and Coconut Products)	195.8	148.0	-24.4
Other Agricultural Products	317.8	345.9	8.8
Industrial Exports	4,277.0	3,825.2	-10.6
Textile and Garments	2,408.5	2,030.6	-15.7
Petroleum Products	291.1	207.8	-28.6
Other Industrial Products	1,577.4	1,586.8	0.6
Mineral	14.2	10.8	-23.9
Other	7.7	11.7	51.9
Imports	8,801.7	6,791.4	-22.8
Consumer Goods	1,353.7	1,241.7	-8.3
Food and Beverages	767.8	698.7	-9.0
Other Consumer Goods	585.9	543.0	-7.3
Intermediate Goods	5,842.7	4,571.1	-21.8
Petroleum	2,383.8	2,064.8	-13.4
Fertilizer	44.5	61.6	38.4
Textiles and Textiles Articles	1,404.7	999.9	-28.8
Other Intermediate Goods	2,009.7	1,444.8	-28.1
Investment Goods	1,603.3	971.4	-39.4
Machinery and Equipment	1,024.9	658.8	-35.7
Transport Equipment	87.5	30.8	-64.8
Building Material	489.0	280.7	-42.6
Other Investment Goods	1.9	1.1	-42.1
Other	1.9	7.3	284.2
Trade Balance	-3,528.3	-1,925.7	-45.4

Source: Central Bank of Sri Lanka

Earnings from agricultural exports increased slightly by 4.5 percent to USD 1,017.9 million in the first five months of 2023 from USD 974.5 million in the same period of 2022 mainly driven by earnings from tea by 13.7 percent to USD 524.0 million, spices by 16.0 percent to USD 148.2 million, and seafood by 8.2 percent to USD 114.5 million. Earnings from vegetables and unmanufactured tobacco also increased by 25.8 percent to USD 11.8 million and by 25.3 percent to USD 11.0 million, respectively. However, earnings

from coconut, minor agricultural exports and rubber plummeted by 24.4 percent to USD 132.6 million, by 8.5 percent to USD 60.5 million and by 24.8 percent to USD 15.4 million respectively in the first five months of 2023.

Imports

Expenditure on imports declined significantly by 22.8 percent or USD 2,010.3 million to USD 6,791.4 million in the first five months of 2023,

TABLE 1.5 : A Snapshot of the world – 2022

Country	2022				
	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Balance (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	5.2	72.4	7.0	-3.9	84.5
Australia	3.7	6.6	3.7	-3.3	55.7
Brazil	2.9	9.3	7.9	-4.6	85.9
Canada	3.4	6.8	5.3	-0.7	106.6
Chile	2.4	11.6	7.9	-1.3	38.0
China	3.0	1.9	4.2	-7.5	77.1
France	2.6	5.9	7.3	-4.9	111.1
Germany	1.8	8.7	3.1	-2.6	66.5
Greece	5.9	9.3	12.2	-4.0	177.4
India	6.8	6.7	-9.6	83.1
Indonesia	5.3	4.2	5.9	-2.3	39.9
Italy	3.7	8.7	8.1	-8.0	144.7
Japan	1.1	2.5	2.6	-7.8	261.3
Korea	2.6	5.1	2.9	-0.9	54.3
Malaysia	8.7	3.4	3.8	-5.3	66.3
Mexico	3.1	7.9	3.3	-4.4	56.0
Russia	-2.1	13.8	3.9	-2.2	19.6
Singapore	3.6	6.1	2.1	-0.4	134.2
South Africa	2.0	6.9	33.5	-4.5	71.0
Spain	5.5	8.3	12.9	-4.5	112.0
Sri Lanka	-7.8	46.4	4.7	-10.2	113.8
Thailand	2.6	6.1	1.0	-5.5	60.5
United Kingdom	4.0	9.1	3.7	-6.3	102.6
United States	2.1	8.0	3.6	-5.5	121.7
Vietnam	8.0	3.2	2.3	-2.5	37.1
Venezuela	8.0	201.0	...	-6.0	157.8

Source: "World Economic Outlook", IMF, April 2023, Fiscal Monitor, IMF, April 2023 and Annual Report 2022, Central Bank of Sri Lanka

... Not Available

compared to USD 8,801.7 million in the same period of 2022 due to the declined import expenditure on consumer, intermediate and investment goods. The decline of main import categories such as food and beverages, non food consumer goods, fuel, textiles and textile articles, machinery and equipment, chemical products, building material, plastics and articles thereof and paper and paperboard and articles was notable.

Import expenditure on consumer goods declined significantly by 8.3 percent to USD 1,241.7 million in the first five months of 2023, compared to USD 1,353.7 million in the same period of 2022 mainly due to the declined import expenditure on both food and beverages and nonfood consumer goods. Import expenditure on food and beverages dropped significantly by 9.0 percent to USD 698.7 million in the first five months of 2023, compared to USD 767.8 million in the same period of 2022 with the decline in all sub categories except the notable increase in sugar and confectionary by 123.7 percent to USD 220.5 million. Further, declined import expenditure was recorded from non food consumer goods by 7.3 percent to USD 543.1 million in the first five months of 2023, compared to USD 585.8 million in the same period of 2022 despite the notable increase in expenditure on medical and pharmaceuticals by 32.9 percent to USD 306.4 million in the first five months of 2023 compared to USD 230.7 million in the same period of 2022 and personal vehicles by 271.4 percent to USD 12.5 million in the first five months of 2023 compared to USD 2.7 million in the same period of 2022.

Import expenditure on intermediate goods declined by 21.8 percent to USD 4,571.1 million during the first five months of 2023 from USD 5,842.7 million in the same period of 2022 due to the decline in expenditure on all the subsectors except wheat and maize, agricultural inputs, Diamonds, precious stones, and metals, and fertilizer. Expenditure on textiles declined significantly by 28.8 percent to USD 999.9 million in the first five months of 2023 compared to USD 1,404.7 million in the same period of 2022 reflecting the gradual slowing down of export earnings from textiles and garments with the subdued global demand. Meanwhile, import bill on

fuel declined by 13.4 percent or USD 319.0 million to USD 2,064.8 million in the first five months of 2023 with the significant decline in refined petroleum by 36.6 percent mainly due to the diminishing fuel prices in the international market and limiting the usage of fuel by the Government with the implementation of QR code system for fuel to assure the weekly quota for all users. Other intermediate goods such as chemical products (by 26.6 percent to USD 321.4 million), plastic and articles thereof (by 43.8 percent to USD 180.0 million), paper and paper boards (by 15.5 percent to USD 173.3 million), base metals (by 58.8 percent to USD 91.2 million), rubber (by 55.1 percent to USD 68.4 million) and mineral products (by 61.2 percent to USD 28.6 million) also recorded a decline.

The import bill for investment goods contracted by 39.4 percent to USD 971.3 million in the first five months of 2023 from USD 1,603.3 million in the same period of 2022 due to the decline in expenditure on machinery and equipment by 35.7 percent to USD 658.8 million and building material 42.6 percent to USD 280.7 million and transport equipment by 64.8 percent USD 30.8 million with the continuous weak domestic demand on investment related activities.

Global Economic Perspectives¹

Despite the anticipation of a gradual global economic recovery owing to a decline in inflationary pressures related to food and energy as well as expectations of consistent growth, further headwinds continue to hinder global growth momentum. The lagged effects of the adverse shocks during the past three years, including the COVID-19 pandemic and Russia-Ukraine conflict, continue to affect the global economy.

Uncertainty remains high as the financial sector remains particularly vulnerable owing to the consequences of raising policy rates in response to historically high inflation recorded in many countries in 2022. In addition, most adverse economic

¹ Based on World Economic Outlook (April 2023, IMF), Fiscal Monitor (April 2023, IMF), Global Financial Stability Report (April 2023, IMF), Commodity Markets Outlook (April 2023, IMF), Global Economic Prospects (June 2023, World Bank) and other data and information from the IMF, World Bank and the Worldwide Web.

conditions that affected countries in 2022 are expected to continue in 2023: tightened monetary policy stances to arrest inflation, continuing geopolitical tensions and commodity price hikes associated with the Russia-Ukraine conflict and limited fiscal space amidst high debt levels. These challenges will prove to be more daunting with the vulnerabilities in the financial sector, leading policymakers to face difficult trade-offs in bringing down inflation, maintaining growth, and preserving financial sector stability.

Global Growth

In comparison to the growth of 3.4 percent in 2022, global economic growth is expected to slow down at around 2.8 percent in 2023, before rising slowly to 3.0 percent in 2024. However, if the financial sector stresses cannot be contained, global growth is expected to slow down at a rate of 2.5 percent in 2023. Beyond 2023, global economic growth is anticipated to stabilize over 3.0 percent over the medium term, below pre-pandemic levels.

Growth is expected to be slower in advanced economies from 2.7 percent in 2022 to 1.3 percent in 2023 and 1.4 percent in 2024. About 90 percent of advanced economies are projected to see a decline in growth in 2023. For instance, Germany (-0.1) and the United Kingdom (-0.3) are expected to have negative growth rates in 2023.

In contrast, Emerging Markets and Developing Economies (EMDEs) are poised for a greater recovery with growth rates moving from 4.0 percent in 2022, to 3.9 percent in 2023 and 4.2 percent in 2024. Emerging and Developing Asian countries are expected to grow by 5.3 percent and 5.1 percent, respectively in 2023 and 2024, mainly aided by China's expected growth of 5.2 percent in 2023 and 4.5 percent in 2024 and India's projected growth of 5.9 percent in 2023 and 6.3 percent in 2024.

Inflation

Global inflation is set to decrease from 8.7 percent in 2022 to 7.0 percent in 2023 and 4.9 percent in 2024. Disinflation is expected

across all major country groups, with about 76 percent of economies expected to experience lower headline inflation in 2023. Consumer prices in advanced economies are set to reduce from 7.3 percent in 2022 to 4.7 percent in 2023 and 2.6 percent in 2024. Inflation in EMDEs are expected to reduce more slowly, from 9.8 percent in 2022, to 8.6 percent in 2023 and 6.5 percent in 2024. Inflation in Emerging and Developing Asia would remain modest at 3.4 percent in 2023 and 3.0 percent in 2024. However, inflation will remain elevated up to double digits in emerging and developing countries in Europe (19.7 percent), Latin America and the Caribbean (13.3 percent), Middle and Central Asia (15.9 percent) and Sub-Saharan Africa (14.0 percent) in 2023.

Commodity Markets

As of March 2023, commodity prices experienced a significant decrease of approximately 30 percent compared to their peak in June 2022. Notably, energy prices were 20 percent lower in the first quarter of 2023 compared to the final quarter of 2022. Projections indicate that crude oil prices are expected to decline by around 24 percent in 2023 and a further 5.8 percent in 2024. However, non-fuel commodity prices are anticipated to remain relatively stable.

The agriculture price index saw an increase from 108.31 in 2021 to 122.75 in 2022 due to elevated production costs and sustained growth in domestic and global demand. However, with the decrease in input costs and the rise in agricultural supplies, agricultural prices are expected to decrease by 7 percent in 2023.

Global Trade

With the slowdown in global demand due to lagged effects of the pandemic-induced global recession and shift in consumption from traded goods towards domestic services, growth in the volume of world trade is expected to decline from 5.1 percent in 2022 to 2.4 percent in 2023 and 3.5 percent in 2024.

Monetary and Financial Sector

In response to persistent high inflation worldwide, central banks across the globe implemented interest rate hikes in over the past two years. Such rate increases have significantly reduced the value of financial assets, particularly bonds with fixed coupons. The stress in financial markets is challenging to manage amidst the persistent underlying inflationary pressures. This is particularly true of advanced economies which face the difficult task of ensuring financial stability

while bringing inflation back to targeted levels. On the other hand, Emerging and frontier markets remain exposed to the risk of a sudden tightening in global financial conditions and increased capital outflows.

Countries with vulnerable financial sectors, limited or no fiscal capacity, and significant external financing requirements are already under significant strain and could face further severe challenges if there is a disorderly tightening of conditions.

TABLE 1.6 : International Commodity Prices

Item	Unit	Actual		Projection	
		2021	2022	2023	2024
Energy					
Coal, Australia	\$MT	138.1	344.9	200.0	155.0
Crude oil, average*	\$/bbl	70.4	99.8	84.0	86.0
Natural gas, US	\$/MMBTU	3.9	6.4	2.7	3.7
Non-energy					
Agriculture					
Beverages					
Cocoa	\$/kg	2.4	2.4	2.7	2.6
Coffee, robusta	\$/kg	2.0	2.3	2.3	2.3
Tea	\$/kg	2.7	3.1	2.7	2.8
Food					
Fats and Oils					
Palm oil	\$MT	1,131.0	1,276.0	980.0	1,020.0
Soybean meal	\$MT	481.0	548.0	590.0	570.0
Soybeans	\$MT	583.0	675.0	590.0	540.0
Grains					
Maize	\$MT	260.0	319.0	270.0	240.0
Rice	\$MT	458.0	437.0	510.0	490.0
Wheat	\$MT	315.0	430.0	355.0	335.0
Other food					
Sugar	\$/kg	0.4	0.4	0.5	0.5
Raw Materials					
Cotton	\$/kg	2.2	2.9	2.2	2.3
Rubber	\$/kg	1.7	1.5	1.4	1.5
Sawn wood	\$/cum	750	675	680	689
Metals and Minerals					
Aluminium	\$MT	2,473	2,705	2,400	2,450
Copper	\$MT	9,317	8,822	8,500	8,000
Nickel	\$MT	18,465	25,834	22,000	20,000

Source: Adapted from the Price Forecast IMF, available at www.worldbank.org/en/research/commodity.markets

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

Box 1.1: Revenue Based Fiscal Consolidation and Debt Restructuring

Sri Lanka has had a high burden of public debt for several years. The sharp increase in budget deficits following tax policy changes in end 2019 coupled with the adverse impacts of the pandemic, resulted in a significant escalation of public debt to reach unsustainable levels. By early 2020 Sri Lanka lost access to global capital markets as key credit rating agencies downgraded the sovereign credit rating. Accordingly, whilst Sri Lanka continued to service external debt up to USD 5 to 6 billion per year, it was not possible to raise foreign capital to refinance debt. Foreign reserves were sharply depleted in this process, and by April 2022 usable reserves had reached negligible levels, forcing the country to announce a unilateral standstill on external debt repayments pending debt restructuring.

In April 2022 Sri Lanka formally commenced negotiations with the International Monetary Funds with a view to securing an Extended Fund Facility (EFF). The IMF's rules do not allow it to provide finance to countries with unsustainable debt, and therefore the restructuring of Sri Lanka's debt became a crucial prerequisite for obtaining IMF support. Therefore, in parallel to engagement with the IMF, the government also commenced the process of negotiating the restructuring of public debt, with the support of financial advisors Lazard Freres and legal advisors Clifford Chance.

One of the first steps in the debt restructuring process is the development of a Debt Sustainability Analysis (DSA) by the IMF. The DSA outlines the country's macroeconomic framework in the forthcoming period, and makes an assessment of the required reduction in public debt to make the country's debt sustainable. In fundamental terms, the reduction of public debt over time is derived through a combination of domestic fiscal consolidation and a reduction in debt outstanding held by creditors. The former is achieved by a reduction in domestic budget deficits through increased government revenue and management of expenditure – this embodies part of the burden sharing shouldered by the citizens of the debtor country. The latter (reduction of debt held by creditors) is achieved through a combination of nominal haircuts, maturity extensions, coupon reductions, on outstanding debt instruments held by creditors. The resulting reduction in net present value in outstanding debt is the burden sharing taken on by creditors.

The IMF's DSA for Sri Lanka indicates the requirement for a substantial reduction in public debt to restore debt sustainability. Three key indicators of the DSA are as follows;

TABLE 1 : Three key indicators of the DSA

Indicator	2022	2027-2032
Public Debt to GDP %	128%	95% (2032)
Gross Financing Needs/GDP %	34.5%	13%
Foreign Debt Service/GDP%	9.4%	4.5%

Box 1.1: Revenue Based Fiscal Consolidation and Debt Restructuring Contd...

Accordingly, the envisaged reduction in debt service during the period 2023–2027 would amount to USD 17 billion. This is a significant contribution expected from Sri Lanka's creditors towards restoring the country's public debt sustainability. This includes a contribution from Sri Lanka's domestic creditors given the share of domestic debt service in the government's annual Gross Financing Needs. The Domestic Debt Optimisation (DDO) process has been carefully calibrated to achieve the envisaged debt targets without undermining the stability of the country's financial sector.

Given the contribution to debt reduction from creditors, there is also an expectation that Sri Lanka's citizens share in the burden of restoring debt sustainability. This is achieved through a reduction in the budget deficit, and specifically a reduction in the primary deficit of the budget (revenue minus expenditure plus interest cost). Accordingly, the IMF's DSA incorporates a primary surplus in the budget of 2.3 percent of GDP from 2025 onwards, which is crucial particularly towards achieving the target on Gross Financing Needs.

Considering the structure of Sri Lanka's budget, the major effort in terms of reducing the budget deficit would be from enhanced government revenue. This is due to the fact that Sri Lanka's government revenue is significantly lower than global averages (8.2 percent of GDP in 2022) whereas government expenditure which has ranged between 18 percent and 20 percent of GDP is not high by global standards. Furthermore, there are areas where further expenditure would be required in areas such as education, healthcare, public transport, digitisation, and others.

It is in this context that the ongoing efforts to enhance government revenue take on a significant level of importance. As Sri Lanka asks its creditors to absorb substantial losses on their lending to the country, it is well understood that creditors would expect a material fiscal effort from the citizens of Sri Lanka. This is particularly true in the case of official bilateral creditors whose tax payers will have to absorb NPV losses during the process of debt restructuring.

Sri Lanka has already demonstrated significant commitment towards this end with the implementation of substantial tax policy enhancement in 2022 and 2023. Nonetheless, it is necessary to continue to enhance tax revenue such that the primary surplus target of 2.3 percent of GDP can be met on a sustained basis to ensure Sri Lanka's debt restructuring targets can be achieved. Furthermore, any shortfalls in the fiscal effort as embodied in the primary surplus target, would also risk the delicate balance that has been achieved in the DDO process, and in turn undermine the financial stability of the country if further domestic debt restructuring is required to meet any fiscal shortfalls.

Given the progress made in revamping tax policy, tax administration measures will play a major role towards achieving the envisaged revenue targets and the primary surplus target. A failure to meet these targets on a sustained basis would put in jeopardy the economic recovery that Sri Lanka is embarking on at present, and risks pushing the country back to the extremely difficult conditions endured in 2022.

CHAPTER 2

Fiscal Developments

Overview

The Government exceeded the primary balance target for the first quarter of 2023 by achieving a surplus of Rs. 48.3 billion over the deficit target of Rs. 56 billion mainly due to the enhanced revenue collection. A series of bold policy measures were introduced from June 2022 to make the tax structure progressive and broad-based. Policy measures such as the removal of preferential Corporate Income Tax (CIT) rates and exemptions, re-introduction of mandatory Advanced Personal Income Tax (APIT), withholding taxes and increasing Personal Income Tax rates (PIT) and Value Added Tax (VAT) rates, mainly contributed to the improved revenue performance in the first four months of 2023. However, amidst high domestic inflation, a weakened domestic currency, high global commodity prices, and rigid government recurrent expenditure, consolidation of government expenditure continued to remain challenging.

Total government revenue in the first four months of 2023 increased by 30.0 percent to Rs. 820.1 billion from Rs. 630.9 billion in the same period of 2022, realizing 24.1 percent of Rs. 3,408.0 billion annual estimate benefiting from the mobilization of tax revenue. Tax revenue increased by a significant 36.6 percent to Rs. 742.6 billion in the first four months of 2023 achieving 23.7 percent of Rs. 3,130.0 billion annual estimate for 2023 mainly benefiting from higher revenue performance in VAT, income tax, Excise and revenue from Social Security Contribution Levy introduced in October 2022. However, revenue from CESS, SCL and PAL decreased in the first four months of 2023 compared to the same period of 2022. Non-tax revenue declined by 11.2 percent to Rs. 77.5 billion mainly due to the non-receipt of Central Bank Profits which amounted to Rs. 30 billion in the first four months of 2022. However, fines,

fees and charges increased significantly by 73.4 percent to Rs. 39.6 billion in the first four months of 2023 from Rs. 22.9 billion in the same period of 2022 owing to the fees and charges revision introduced under the budget 2023.

Revenue collection from income tax increased by 28.6 percent to Rs. 191.8 billion in the first four months of 2023 from Rs. 149.2 billion in the same period of 2022 supported by the increase in APIT with the introduction of mandatory APIT. Revenue from APIT increased to Rs. 40.1 billion in the first four months of 2023 from Rs. 7.2 billion in the same period of 2022. Corporate income tax also increased significantly to Rs. 105.0 billion in the first four months of 2023 from Rs. 72.2 billion in the same period of 2022 benefiting from the removal of exemptions and preferential rates and upward revision of CIT rate to 30 percent. Taxes on goods and services also showed a significant performance in the first four months of 2023 compared to the same period of 2022, increasing 64.2 percent to Rs. 442.3 billion. The increase in VAT on domestic activities by 85.4 percent to Rs. 158.2 billion from Rs. 85.3 billion in 2022. Despite the continuation of import restrictions, VAT from imports also increased by 27.9 percent to Rs. 65.0 billion mainly stemming from the depreciation of the Sri Lankan rupee and global commodity price increases. Revenue from excise taxes also increased by 11.7 percent to Rs. 136.6 billion in the first four months of 2023 supported by increases in excise tax on petroleum products and cigarettes while excise revenue from liquor decreased slightly by 2.2 percent to Rs. 58.2 billion.

All taxes on external trade structure except customs import duty declined in the first four months compared to the same period of 2022. Taxes on external trade decreased by 13.3 percent to 108.5 billion in the four months

of 2023 from Rs. 125.2 billion in 2022. Revenue from PAL and CESS decreased by 9.5 percent and 43.0 percent respectively to Rs. 56.7 billion and Rs. 16.7 billion while Import-CID increased by 15.8 percent to Rs. 20.3 billion. This revenue performance shift in PAL and CESS was due to policy measures introduced from Budget 2023 to phase out PAL and CESS by 5 years and 3 years respectively in order to improve economic competitiveness and to remove the barriers on international trade. Simultaneously, Customs Import Duty rates were revised to 0 percent, 15 percent and 20 percent to minimize the revenue implication due to phasing out of para-tariffs. Revenue from SCL also decreased by 5.9 percent to Rs. 14.9 billion in the first four months of 2023 due to periodic downward revision of rates to help ease the rising costs of living.

Government expenditure increased by 42.4 percent to Rs. 1,645.6 billion in the first four months of 2023, compared to Rs. 1,155.2 billion in the same period of 2022. Recurrent

expenditure increased by 46.0 percent to Rs. 1,485.0 billion, while capital expenditure and net lending increased by 16.0 percent to Rs. 160.6 billion. The upswing in expenditure was mainly due to the increased spending on interest payments, pensions and welfare programs. Interest payments on domestic debt increased by 130.8 percent due to high-interest rates on government debt, while interest payments on foreign debt fell by 64.9 percent. Expenditure on salaries and wages of public servants decreased by 4.0 percent due to the retirement of large number of public servants at the end of 2022 while due to the same reason, expenditure on pension payment increased by 6.3 percent. Welfare expenditure increased by 38.3 percent, mainly due to the increase in the expenditure of the "Samurdhi" program and the provision of additional relief to the most vulnerable groups of the society.

TABLE 2.1 : Summary of the Budget from January to April 2023

Item	Rs. Million	
	2022	2023 (Provisional)
Revenue and Grants	631,129	821,346
Revenue	630,908	820,070
Tax Revenue	543,649	742,578
Non Tax Revenue	87,259	77,493
Grants	221	1,276
Expenditure	1,155,229	1,645,602
Recurrent	1,016,810	1,484,984
Interest Payments	426,786	818,969
Other	590,023	666,015
Public Investment	140,999	177,903
Other	(2,580)	(17,285)
Current Account Surplus(+)/Deficit(-)	(385,902)	(664,913)
Overall Budget Surplus(+)/Deficit(-)	(524,100)	(824,256)
Financing	524,100	824,256
Foreign Financing	(126,985)	(77,498)
Borrowing	111,742	49,970
Repayments	(238,727)	(127,468)
Domestic Financing	651,085	901,753
Borrowing	3,564,527	6,045,994
Repayments	(2,913,443)	(5,144,241)

Source: Department of Fiscal Policy

TABLE 2.2 : Estimated and Actual Revenue and Expenditure from January to April 2023

Rs. Billion

Item	Estimated (Annual)	Actual (Provisional)	Achievement (%)
Total Revenue	3,408	820	24.1
Tax Revenue	3,130	743	23.7
Non - Tax Revenue	278	77	27.9
Total Expenditure	5,819	1,646	28.3
Recurrent Expenditure	4,609	1,485	32.2
Capital Expenditure and Net Lending	1,210	161	13.3

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

Government Revenue

Total Government revenue excluding grants increased by 30.0 percent to Rs. 820.1 billion in the first four months of 2023 compared to Rs. 630.9 billion in the same period of 2022 mainly due to the increase in tax revenue by

36.6 percent to Rs. 742.6 billion. However, non-tax revenue declined by 11.2 percent to Rs. 77.5 billion. The realization of Government revenue as against the annual estimated revenue of Rs. 3,408 billion was 24.1 percent in the first four months of 2023.

TABLE 2.3 : Annual Estimate and Actual Tax Revenue from January to April 2023

Rs. Billion

Item	Annual Estimate	Actual (Jan - Apr) (Provisional)
Department of Inland Revenue		
Tax on Income and Profit	912	192
VAT - Domestic	553	158
NBT -Domestic	-	0.02
SSCL -Domestic	186	54
Sub Total	1,651	404
Department of Customs		
Import Duty	80	20
VAT - Imports	355	65
SSCL -Import	64	15
NBT -Imports	-	0.1
Ports and Airports Development Levy	220	57
Import/Export Cess	85	17
Special Commodity Levy	70	15
Excise Special Provisions	346	78
Cigarettes	140	43
Petroleum	142	28
Motor Vehicles & Other	64	8
Sub Total	1,220	268
Department of Excise		
Liquor/Tobacco	214	58
Sub Total	214	58
Other		
Telecommunication Levy	20	5
License Tax & Other	25	7
Sub Total	45	13
Total Tax Revenue	3,130	743

Source : Department of Fiscal Policy

Tax revenue increased by 36.6 percent to Rs. 742.6 billion in the first four months of 2023 compared to Rs. 543.6 billion in the same period of 2022 due to significant increases in revenue collected from Income Tax by 28.6 percent to Rs. 191.8 billion, VAT by 63.9 percent to Rs. 223.2 billion, Excise Tax on Cigarettes by 29.6 percent to Rs. 42.7 billion and Excise Tax on petroleum by 68.8 percent to Rs. 27.8 billion. Further, revenue collected from the Social Security Contribution Levy, which was Rs. 69.9 billion in the first four months, also contributed to this growth. In the first four months of 2023, the realization of tax revenue collection was 23.7 percent of the estimate of Rs. 3,130 billion for 2023.

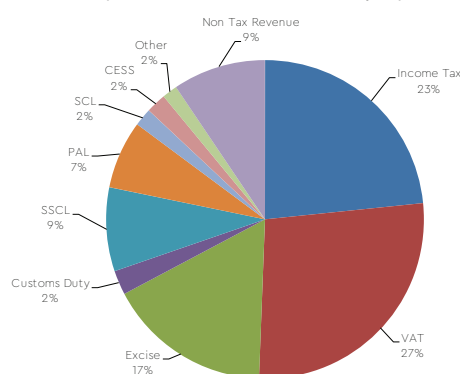
Non-Tax revenue declined significantly by 11.2 percent to Rs. 77.5 billion in the first four months of 2023 compared to Rs. 87.3 billion in the same period of 2022. This was mainly due to non-receipt of Central Bank profit transfers and decline of revenue from profits and dividends (by 16.1 percent), rent (by 40.6 percent) and Social Security Contribution (by 6.5 percent) amidst the increase in revenue from interest income (by 173.6 percent) and fine, fees and charges (by 73.4 percent). In the first four months of 2023, the realization of non-tax revenue collection was 27.9 percent of the estimate of Rs. 278.0 billion for 2023.

TABLE 2.4 : Summary of Performance of Government Revenue from January to April 2023

Item	Rs. Million		
	2022	2023 (Provisional)	Growth %
Tax Revenue	543,649	742,578	36.6
Income Tax	149,163	191,768	28.6
Domestic Consumption Based Tax	180,090	314,848	74.8
VAT	85,314	158,181	85.4
SSCL	-	54,396	-
Excise Duty	94,726	102,246	7.9
Nation Building Tax	50	24	-51.9
Import Based Tax	203,582	223,414	9.7
Customs Duty	17,505	20,264	15.8
VAT	50,832	65,007	27.9
Nation Building Tax	9	148	1,555.9
PAL	62,633	56,685	-9.5
SCL	15,797	14,872	-5.9
SSCL	-	15,456	-
Excise Duty	27,571	34,319	24.5
Cess	29,235	16,663	-43.0
License Taxes and Others	10,814	12,548	16.0
Non Tax Revenue	87,259	77,493	-11.2
Total Revenue	630,908	820,070	30.0

Source : Department of Fiscal Policy

FIGURE 2.1 : Composition of Government Revenue from January to April 2023



Source: Department of Fiscal Policy

Tax Revenue

Tax Revenue, which accounted for 90.6 percent of the total revenue in the first four months of 2023, increased by 36.6 percent to Rs. 742.6 billion in the first four months of 2023 compared to Rs. 543.6 billion in the same period of 2022. Revenue from income taxes significantly increased by 28.6 percent to Rs. 191.8 billion from Rs. 149.2 billion due to increased revenue from the corporate and non-corporate tax by 54.9 percent, Advanced Personal Income Tax (APIT) by 458.5 percent and Withholding Tax (WHT) by 605.8 percent. Further, higher revenue collection from VAT, which accounted to Rs. 223.2 billion in the first four months of 2023, also significantly contributed to the growth of tax revenue. Meanwhile, revenue from indirect taxes which accounts for 74.2 percent of total tax revenue increased by 39.6 percent to Rs. 550.8 billion in the first four months of 2023 from Rs. 394.5 billion in the same period of 2022.

Income Tax

Income Tax revenue increased significantly by 28.6 percent to Rs. 191.8 billion in the first four months of 2023 compared to Rs. 149.2 billion in the same period of 2022 mainly due to the increased revenue from corporate and non-corporate tax, Advanced Personal Income Tax (APIT) and Withholding Tax (WHT). This was due to making APIT and WHT on employment income mandatory for all taxpayers exceeding the personal relief of Rs. 1.2 million per year of assessment with effect from January 01, 2023. Simultaneously, the income tax structure was amended by revising Personal Income Tax (PIT) rates

progressively from 6 percent to 36 percent on every Rs. 500,000 exceeding the tax relief while increasing the maximum PIT rate to 36 percent from 18 percent and decreasing the tax slabs on taxable income from Rs. 3 million to Rs. 500,000. As per the new revision, tax-free threshold for PIT was reduced to Rs. 1.2 million from Rs. 3.0 million per year of assessment with effect from January 01, 2023 and removed expenditure relief of Rs. 1.2 million which is granted for expenditure incurred in a year of assessment. Meanwhile, the standard Corporate Income Tax rate (CIT) increased from 24 percent to 30 percent with effect from October 01, 2022 and the concessionary CIT rates were removed while maintaining CIT rate on liquor, tobacco and betting and gaming at 40 percent. As a result, revenue from the corporate and non-corporate tax increased by 54.9 percent to Rs. 111.8 billion in the first four months of 2023 from Rs. 72.2 billion in the same period of 2022. Revenue from APIT increased notably by 458.5 percent to Rs. 40.1 billion in the first four months of 2023 from Rs. 7.2 billion in the same period of 2022. In addition, revenue from withholding tax also recorded a significant increase of 605.8 percent to Rs. 39.3 billion from Rs. 5.6 billion. Meanwhile, revenue from Capital gains tax dropped by 26.0 percent to Rs. 469 million in the first four months of 2023 from Rs. 633 million in the same period of 2022 with subdued performance in the real estate sector.

TABLE 2.5 : Performance of Income Tax Revenue from January to April 2023

Tax Base	Rs. Million		
	2022	2023 (Provisional)	Change %
Corporate and Non Corporate	72,184	111,843	54.9
PAYE	7,177	40,082	458.5
Tax on Interest Income	5,569	39,301	605.8
Economic Service Charge	127	63	-50.7
Capital Gain Tax	633	469	-25.9
Surcharge Tax	59,586	-	-
Voluntary Disclosure Tax	3,887	11	-99.7
Total	149,163	191,768	28.6

Source : Department of Fiscal Policy

Value Added Tax (VAT)

The total VAT revenue increased by 63.9 percent to Rs. 223.2 billion in the first four months of 2023 in comparison to Rs. 136.1 billion in the same period of 2022, realizing 24.6 percent of the annual estimate for 2023. VAT revenue from domestic activities increased by 85.4 percent to Rs. 158.2 billion while VAT revenue from imports increased by 27.9 percent to Rs. 65.0 billion in the first four months of 2023. This revenue performance of VAT in the first four months of 2023 in comparison to the same period of 2022 was mainly due to major policy measures introduced from mid-2022 such as the successive increase of standard VAT rate from 8 percent to 15 percent and reduction of VAT registration threshold from 300 million to Rs. 80 million per annum.

TABLE 2.6 : Performance of Revenue of VAT from January to April 2023

Rs. Million			
Tax Base	2022	2023 (Provisional)	Growth %
Domestic	85,314	158,181	85.4
Imports	50,832	65,007	27.9
Revenue	136,146	223,189	63.9

Source : Department of Fiscal Policy

Excise duty

Revenue generated from Excise duty increased by 11.7 percent to Rs. 136.6 billion in the first four months of 2023, compared to Rs. 122.3 billion in the same period of 2022 mainly due to the increase of revenue from cigarettes and petroleum products despite the decline in revenue from liquor, motor vehicles and other excisable articles. Excise duty revenue accounted for 18.4 percent of the tax revenue and 16.7 percent of the total revenue collected during the first four months of 2023 while achieving 24.4 percent of the annual estimate.

TABLE 2.7 : Performance of Excise Duty from January to April 2023

Rs. Million			
Tax Base	2022	2023 (Provisional)	Growth %
Liquor	59,473	58,158	-2.2
Cigarettes	32,962	42,706	29.6
Motor Vehicles	11,125	6,559	-41.0
Petroleum	16,446	27,759	68.8
Other	2,291	1,382	-39.7
Total	122,297	136,564	11.7

Source : Department of Fiscal Policy

Revenue from liquor declined slightly by 2.2 percent to Rs. 58.2 billion in the first four months of 2023 from Rs. 59.5 billion in the same period of 2022 mainly due to the decreased production of liquor by 22.6 percent to 12.1 million absolute litres recorded in first four months of 2023 compared to the same period of 2022. Accordingly, revenue from hard liquor declined by 9.8 percent to Rs. 39.7 billion in the first four months of 2023, compared to Rs. 44.0 billion in the same period of 2022. Similarly, revenue collection from malt liquor declined slightly by 2.4 percent to Rs. 17.5 billion in the first four months of 2023, compared to Rs. 17.9 billion in the same period of 2022. The realization of the excise duty collection on liquor in the first four months of 2023 was 27.2 percent of the total estimated revenue in 2023.

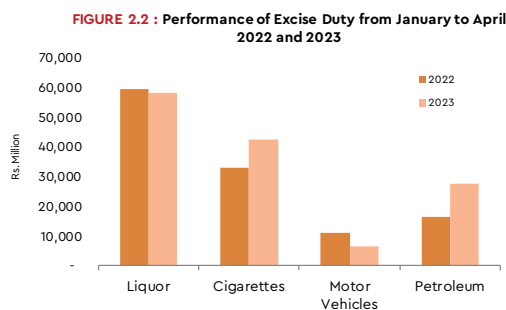
However, revenue from cigarettes increased notably by 29.6 percent to Rs. 42.7 billion during the first four months of 2023, compared to Rs. 33.0 billion in the same period of 2022 mainly due to the increase of tax rate of all kinds of cigarettes by 20 percent except cigarettes not exceeding 60mm in length (eg. CAPSTAN). The rate of Excise Duty of the cigarette with a length less than 60mm was restored to Rs. 13,360 per 1,000 sticks with effect from January 01, 2023. This has led to a significant revenue increase in that category of cigarettes while declining sales of sticks.

Furthermore, Revenue from petroleum products increased significantly by 68.8 percent to Rs. 27.8 billion during the first four months of 2023, compared to Rs. 16.4 billion in the same period of 2022 mainly due to the

increase of Excise Duty on the importation of all types of Petrol and Diesel by Rs. 25.00 per litre with effect from January 01, 2023 to yield 0.3 percent of the GDP in 2023 to finance the transferred liabilities to the Treasury from the Ceylon Petroleum Corporation (CPC).

Excise duty from motor vehicles significantly declined by 41.0 percent to Rs. 6.6 billion during the period from January to April, the first four months of 2023, compared to Rs. 11.1 billion in the same period of 2022 due to the continuation of government policy on restricting motor vehicle imports as a part of the measures introduced to curtail the non-essential imports since March 2020.

Meanwhile, the excise duty revenue generated from other excisable items such as sweetened beverages, refrigerators, palm oil fatty acid, etc. decreased by 39.7 percent to Rs. 1.4 billion during the period from January to April, the first four months of 2023, compared to Rs. 2.3 billion in the same period of 2022 reflecting the effect of import restrictions.



Source: Department of Fiscal Policy

Other taxes

Revenue generated from CID and Telecommunication Levy increased in the first four months of 2023 while revenue generated from PAL, SCL and CESS declined compared to the same period of 2022. Revenue collected from PAL declined by 9.5 percent to Rs. 56.7 billion in the first four months of 2023 from Rs. 62.6 billion in the same period of 2022 due to the overall decline in imports. PAL revenue collected in the first four months of 2023 was a realization of 25.8

percent of the annual estimate of Rs. 220.0 billion for 2023. Meanwhile, revenue from CID increased notably by 15.8 percent to Rs. 20.3 billion in the first four months of 2023, compared to Rs. 17.5 billion in the same period of 2022 mainly due to the upward revision of CID rates from 0 percent, 10 percent and 15 percent to 0 percent, 15 percent and 20 percent in March, 2023 and the removal of duty waiver on wheat flour. However, revenue collected from SCL declined by 5.9 percent to Rs. 14.9 billion due to overall decline in import quantities of essential food items, maintaining nominal SCL rates on commodities as well as the removal of SCL on maize. Revenue from Telecommunication Levy increased considerably by 25.0 percent to Rs. 5.3 billion in the first four months of 2023 compared to the same period of 2022 mainly due to the upward rate revision in June, 2022. Revenue from CESS levy decreased by 43.0 percent to Rs. 16.7 billion in the first four months of 2023, compared to Rs. 29.2 billion in the same period of 2022 due to the drop of imports with the government's restrictive policy measures to curtail non-essential and non-urgent imports by imposing marginal deposit requirements on selected imports. Accordingly, revenue from CESS Levy on imports decreased significantly by 44.0 percent to Rs. 16.0 billion in the first four months of 2023 from Rs. 28.5 billion in the same period of 2022. Meanwhile, revenue from CESS levy on exports increased slightly by 1.4 percent to Rs. 0.70 billion in the first four months of 2023 from Rs. 0.69 billion in the same period of 2022 due to the impact of exchange rate depreciation. The CESS revenue collected in the first four months of 2022 was a realization of 19.6 percent of the annual estimate of Rs. 85.0 billion for 2023.

Non-tax revenue

Non-tax revenue declined notably by 11.2 percent to Rs. 77.5 billion in the first four months of 2023, compared to Rs. 87.3 billion in the same period of 2022 mainly due to the non-receipt of Central Bank profits, compared to Rs. 30.0 billion received in first four months of 2022. Profit and dividend receipts from SOEs declined by 16.1 percent to Rs. 9.6 billion in the first four months of 2023, compared to Rs. 11.4 billion in the same period of 2022 while revenue from

social security contribution decreased by 6.5 percent to Rs. 11.3 billion in the first four months of 2023. Revenue from rent income also declined significantly by 40.6 percent to Rs. 1.3 billion in the first four months of 2023 from Rs. 2.2 billion in the same period of 2022. However, interest income increased significantly by 173.6 percent to Rs. 3.0 billion in the first four months of 2023 compared to Rs. 1.1 billion in the same period of 2022.

Revenue from fines, fees and charges also increased significantly by 73.4 percent to Rs. 39.6 billion in the first four months of 2023, compared to Rs. 22.9 billion in the same period of 2022 due to increase in Passport charges, visa fee, vehicle registration fee and revenue license fees. The non-tax revenue collected in the first four months of 2023 was a realization of 27.9 percent of the annual estimate for 2023.

TABLE 2.8 :Variance Analysis of Government Revenue

Rs. Billion

Item	2022 (Jan – April)	2023 Est.	2023 (Jan – April) (Provisional)	Reasons
Income Taxes	149.2	912.0	191.8	Revenue collection from income taxes increased significantly by 28.6 percent to Rs. 191.8 billion in the first four months of 2023, compared to the same period in 2022, realizing 21 percent of the annual estimate. This was mainly due to the increased revenue from corporate and non-corporate tax, Advanced Personal Income Tax (APIT) and Withholding Tax (WHT) resulting mainly from revision of PIT rates progressively from 6 percent to 36 percent, increasing maximum PIT rate to 36 percent from 18 percent as well as increasing standard CIT rate from 24 percent to 30 percent among others. As such, revenue from the corporate and non-corporate tax increased by 54.9 percent to Rs. 111.8 billion in the period under review. Revenue from APIT increased by 458.5 percent to Rs. 40.1 billion. Withholding tax also recorded a significant increase of 605.8 percent to Rs. 39.3 billion. However, revenue from Capital gains tax dropped by 25.9 percent to Rs. 469.0 million in the period under review due to subdued performance in the real estate sector.
Value Added Tax (VAT)	136.1	908.0	223.2	VAT revenue increased significantly by 63.9 percent to Rs. 223.2 billion in the first four months of 2023, compared to the same period of 2022, realizing 24.6 percent from the annual estimate. This was mainly due to key policy revisions introduced from mid-2022 such as the successive increase of standard VAT rate from 8 percent to 15 percent and reduction of VAT registration threshold from Rs. 300 million to Rs. 80 million per annum. Revenue from VAT on domestic economic activities and import related activities increased by 85.4 percent to Rs. 158.2 billion and 27.9 percent to Rs. 65.0 billion, respectively in the first four months of 2023, compared to the same period of 2022.

Item	2022 (Jan – April)	2023 Est.	2023 (Jan – April) (Provisional)	Reasons
Excise Duty	122.3	560.0	136.6	Revenue collection from excise duties increased by 11.7 percent to Rs. 136.6 billion in the first four months of 2023, compared to the same period of 2022, realizing 24.4 percent of the annual estimate of 2023. This was mainly due to the increase of revenue from cigarettes and petroleum products despite the decline in revenue from liquor, motor vehicles and other excisable articles. The excise duty revenue collection from cigarettes increased by 29.6 percent to Rs. 42.7 billion due to the increase in excise duty rates on cigarette sticks. The excise duty revenue on petroleum products increase significantly by 68.8 percent to Rs. 27.8 billion mainly due to the increase in excise duty on all types of petrol and diesel by Rs. 25 per litre. However, revenue collection from liquor declined marginally by 2.2 percent to Rs. 58.2 billion mainly due to the decreased production of liquor. Excise duty Revenue collection from other products declined by 39.7 percent to Rs. 1.4 billion in the period under review which was a 23.0 percent realization of the estimated value.
Import Duties	17.5	80.0	20.3	Revenue from Import Duty increased notably by 15.8 percent to Rs. 20.3 billion in the first four months of 2023, realizing 25.3 percent of the annual estimate. This performance was mainly due to the upward revision of Duty rates from 0%, 10% and 15% to 0%, 15% and 20% in March, 2023 together with removal of duty waiver applicable on wheat flour.
Port and Airport Development Levy (PAL)	62.6	220.0	56.7	Revenue collection from PAL declined by 9.5 percent to Rs. 56.7 billion in the first four months of 2023 from Rs. 62.6 billion in the same period of 2022 realizing a 25.8 percent of the annual estimate mainly due to the overall decline in imports.
Special Commodity Levy (SCL)	15.8	70.0	14.9	Revenue from SCL declined by 5.9 percent to Rs. 14.9 billion in the first four months of 2023, compared to Rs. 15.8 billion recorded in the same period of 2022, achieving 21.2 percent from annual estimate of 2023. This performance was mainly due to the overall decline in import quantities of essential food items, maintaining nominal SCL rates on essential commodities as well as removal of SCL applicable on maize.
Other Taxes	40.1	380.0	99.2	The revenue collection from other taxes increased significantly by 147.4 percent to Rs. 99.2 billion in the first four months of 2023, compared to Rs. 40.1 billion in the same period of last year realizing 26.1 percent of the annual estimate of 2023. This was mainly due to the imposition of Social Security Contribution Levy which yielded Rs. 69.9 billion in the first four months of 2023. Revenue from CESS levy decreased by 43.0 percent to Rs. 16.7 billion in the first four months of 2023, reflecting the drop of imports with the government's restrictive policy measures to curtail non-essential and non-urgent imports. However, Telecommunication Levy (TL) increased considerably by 25 percent to Rs. 5.3 billion in the first four months of 2023 compared to the same period of 2022 mainly due to the increase in TL in June, 2022.

Item	2022 (Jan – April)	2023 Est.	2023 (Jan – April) (Provisional)	Reasons
Non Tax Revenue	87.3	278.0	77.5	Non-tax revenue declined by 11.2 percent to Rs. 77.5 billion in the first four months of 2023 compared to Rs. 87.3 billion in the same period in 2022, realizing 27.9 percent of the annual estimate, mainly due to the decline in Central Bank Profit transfers, profit and dividends, rent and social security contributions. However, non tax revenue from interest income reached Rs. 3.1 billion and fines, fees and charges reached Rs 39.6 billion during the first four months of 2023 showing a 173.6 percent and 73.4 percent increase over the period under review of 2022. Further, other non tax revenue recorded a Rs. 12.6 billion, registering 66.7 percent increase compared to the revenue collected from January to April 2022.
Total	630.9	3,408.0	820.1	

Compiled by the Department of Fiscal Policy

Box 2.1 | Major Fiscal Measures: January – June 2023

Effective Date	Measures
Income Tax- Amendments to the Inland Revenue Act, No. 24 of 2017	
01.06.2023	Gazette Notification No. 2334/21 of 31.05.2023 - To introduce compulsory tax registration at the Department of Inland Revenue for all residents who are above 18 Years of age without considering their annual income and tax free thresholds, as proposed in Interim Budget Speech 2022.
Inland Revenue (Amendment) Act, No. 45 of 2022	
01.01.2023	Personal Income Tax
	Taxable income per annum First Rs. 1,200,000 – Exempt Rs. 500,000- Rs. 1,000,000 – 6 % Rs. 1,000,000- Rs. 1,500,000 – 12 % Rs. 1,500,000- Rs. 2,000,000 – 18 % Rs. 2,500,000- Rs. 3,000,000 – 24 % Rs. 3,000,000- Rs. 3,500,000 – 30 % Above Rs. 3,500,000 – 36 %
01.01.2023	Withholding Tax (WHT)
	WHT Rates Dividend – 15 % Interest or Discount paid – 5 % Rent payments exceeding Rs. 100,000 p.m. – 10 % Service payments Rs. 100,000 p.m – 5 % In all other cases – 14 %
Value Added Tax (VAT)- Value Added Tax Act, No. 14 of 2002	
01.01.2023	Value Added Tax (Amendment) Act No. 44 of 2022 - To remove VAT exemption on Condominium Residential Apartments.

Box 2.1 | Major Fiscal Measures: January – June 2023 Contd...

Effective Date	Measures
Excise (Special Provisions) Duty- Excise (Special Provisions) Act, No. 13 of 1989	
01.01.2023	Gazette Notification No. 2312/68 of 31.12.2022 <ul style="list-style-type: none"> - To assign Excise Duty applicable the newly created/ subdivided and amended HS codes accommodating the 2022 HS code revision implemented by Sri Lanka Customs. - To increase Excise Duty applicable on Petroleum Products. - To increase Excise Duty applicable on Cigarettes.
01.06.2023	Gazette Notification No. 2334/23 of 31.05.2023 <ul style="list-style-type: none"> - To increase the Excise (Special Provision) Duty rate applicable on fuel (Petrol and Diesel) by Rs. 25/- per liter each.
17.06.2023	Gazette Notification No. 2336/69 of 16.06.2023 <ul style="list-style-type: none"> - To impose on Excise (Special Provision) Duty on Palmitic Acid (HS Code 2915.70.10) and Lauric Acid (HS Code 2915.90.10) of 29% of CIF value.
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
03.01.2023	Excise Notification No. 07/2022 (Gazette Notification No. 2312/70 of 31.12.2022) <ul style="list-style-type: none"> - To Increase the Duty on Liquor.
01.01.2023	Gazette Notification No. 2312/71 of 31.12.2022 <ul style="list-style-type: none"> - To impose a tax on beedi of Rs. 2 per stick under the Tobacco Tax Act, No. 08 of 1999.
17.06.2023	Excise Notification No. 01/2023 (Gazette Notification No. 2336/70 of 16.06.2023) <ul style="list-style-type: none"> - To increase the current limits of Isopropyl Alcohol that can be kept in possession with and without license.
Customs Surcharge – Customs Ordinance (Chapter 235)	
05.01.2023	Gazette Notification No. 2313/35 of 04.01.2023 <ul style="list-style-type: none"> - To reissue the existing orders which have contained HS Codes 2017 version with the new HS version of 2022.
01.06.2023	Gazette Notification No. 2334/28 of 31.05.2023 <ul style="list-style-type: none"> - To reissue the Gazette Notification No. 2308/16 of 30.11.2022 to continue to the surcharge as a percentage of the Custom Import Duty on selected goods for another six months period till December 31, 2023.
Ports and Airports Development Levy Act, No. 18 of 2011	
01.01.2023	Gazette Notification No. 2312/67 of 31.12.2022 <ul style="list-style-type: none"> - To assign PAL applicable the newly created / subdivided and amended HS Codes accommodating the 2022 HS Code revision implemented by Sri Lanka Customs.
04.04.2023	Gazette Notification No. 2326/2 of 03.04.2023 <ul style="list-style-type: none"> - To exempt PAL applicable on 1631 tariff lines as the first step of the five-year phasing out of PAL as per the proposal in Budget 2023.
CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979	
01.01.2023	Gazette Notification No. 2312/76 of 01.01.2023 <ul style="list-style-type: none"> - To assign CESS levy applicable the newly created/subdivided and amended HS Codes accommodating the 2022 HS Code revision implemented by Sri Lanka Customs.
31.01.2023	Gazette Notification No. 2316/32 of 26.01.2023 <ul style="list-style-type: none"> - To impose a CESS levy of 0.006% on the value of Repurchase Transaction (REPO) in corporate debt securities which are carried out on the Over the Counter (OTC) platform of the Colombo Stock Exchange.
29.03.2023	Gazette Notification No. 2325/06 of 28.03.2023 <ul style="list-style-type: none"> - To reduce CESS levy on 2,668 HS Codes out of 8,155 HS Codes as the first step of phasing out CESS levy within three years as proposed in Budget 2023.

Box 2.1 | Major Fiscal Measures: January – June 2023 Contd...

Effective Date	Measures
17.06.2023	<p>Gazette Notification No. 2336/71 of 16.06.2023</p> <ul style="list-style-type: none"> - To increase CESS levy on importation of Portland cement and impose CESS of Rs. 1 per kg on importation of Clinkers.
Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962	
01.01.2023	<p>Revenue Protection Order No. 07/2022 (Gazette Notification No. 2312/75 of 01.01.2023)</p> <ul style="list-style-type: none"> - To update the HS Code System every 5 years to facilitate the legitimate international trade flows. Sri Lanka has a total of 7,842 HS Codes in 08 Digits. However, due to the HS Code 2022 Version, the total HS Codes has increased to 8155 HS Codes.
29.03.2023	<p>Revenue Protection Order No. 01/2023 (Gazette Notification No. 2325/07 of 28.03.2023)</p> <ul style="list-style-type: none"> - To increase CID rate for specific items to maintain revenue neutrality due to reduction of CESS Levy by 20 percent by revision of the three-band tariff system of the Customs Import Duty from 0%, 10% and 15% to 0%, 15% and 20%.
17.06.2023	<p>Revenue Protection Order No. 02/2023 (Gazette Notification No. 2336/72 of 16.06.2023)</p> <ul style="list-style-type: none"> - To create new HS Codes (National Sub Divisions) for Palmitic Acid and Lauric Acid and to impose a duty structure on the same as the duty structure of Palm oil Fatty Acid to facilitate the local Cosmetic Industry.
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
05.01.2023	<p>Gazette Notification No. 2313/34 of 04.01.2023</p> <ul style="list-style-type: none"> - To reissue the existing orders which have contained HS Codes 2017 Version with the new HS Version of 2022.
26.01.2023	<p>Gazette Notification No. 2316/28 of 25.01.2023</p> <ul style="list-style-type: none"> - To facilitate local animal feed manufacturing industry, the concession was extended subject to consignments of Maize reaching ports by January 15, 2023 on the recommendation of Secretary, Ministry of Agriculture.
21.02.2023	<p>Gazette Notification No. 2320/04 of 20.02.2023</p> <ul style="list-style-type: none"> - To introduce a SCL of Rs.50/- per egg on importation of eggs and to grant concessionary rate of only Rs.1/- per egg for State Trading Cooperation to make available the eggs at reasonable price for the Bakery Industry.
04.03.2023	<p>Gazette Notification No. 2321/76 of 04.03.2023</p> <ul style="list-style-type: none"> - To extend the validity period of SCL imposed on Black Gram, Cowpea, Kurakkan and Millet for another one-year period in order to ensure better price for local farmers.
08.03.2023	<p>Gazette Notification No. 2322/20 of 07.03.2023</p> <ul style="list-style-type: none"> - To increase SCL to Rs.50/- in order to encourage the local farmers by ensuring a reasonable market price for their harvest.
08.03.2023	<p>Gazette Notification No. 2322/21 of 07.03.2023</p> <ul style="list-style-type: none"> - To apply concessionary rate of Rs.1/kg for importation of dates to be received as donation or gifts in Ramazan Festival Season.
18.03.2023	<p>Gazette Notification No. 2323/40 of 17.03.2023</p> <ul style="list-style-type: none"> - To apply concessionary rate of Rs.200/kg for importation of frozen whole egg liquid subject to the recommendation of Secretary to the Ministry of Trade , Commerce and Food Security.
18.05.2023	<p>Gazette Notification No. 2332/14 of 17.05.2023</p> <ul style="list-style-type: none"> - To extend the validity period and to increase SCL on importation of rice of 25 cents to Rs.65 per kg, and to impose SCL duty of Rs.75 /kg for importation of maize and grant duty waiver for maize imports of Rs.50/Kg for the production of Thripasha and to extend validity period of other 34 items as same duty rate.
21.05.2023	<p>Gazette Notification No. 2332/53 of 20.05.2023</p> <ul style="list-style-type: none"> - To continue a SCL of Rs.50/- per egg on importation of eggs and to grant concessionary rate of only Rs.1/- per egg for State Trading Cooperation to make available the eggs at reasonable price for the Bakery Industry.

Box 2.1 | Major Fiscal Measures: January – June 2023 Contd...

Effective Date	Measures
23.06.2023	<p>Gazette Notification No. 2337/16 of 22.06.2023</p> <ul style="list-style-type: none"> - To grant concessionary rate of Rs.200/kg on importation of frozen whole egg liquid subject to the recommendation of Secretary to the Ministry of Trade, Commerce and Food Security by considering the Food Policy Committee Decision. - To grant concessionary rate of Rs.275 per kg on importation of fish varieties such as sail fish, marlin fish and queen fish.
Imports and Exports (Control) Act, No. 01 of 1969	
01.01.2023	<p>Imports & Exports (Control) Regulations No.01 of 2023 (Gazette Notification No. 2312/77 of 01.01.2023)</p> <ul style="list-style-type: none"> - To consolidate Import Control License.
01.01.2023	<p>Imports & Exports (Control) Regulations No.02 of 2023 (Gazette Notification No. 2312/78 of 01.01.2023)</p> <ul style="list-style-type: none"> - To consolidate Temporary Suspension.
19.01.2023	<p>Imports & Exports (Control) Regulations No.03 of 2023 (Gazette Notification No. 2315/46 of 19.01.2023)</p> <ul style="list-style-type: none"> - To amend the Regulations on Payment Terms.
22.02.2023	<p>Imports & Exports (Control) Regulations No.04 of 2023 (Gazette Notification No. 2320/46 of 22.02.2023)</p> <ul style="list-style-type: none"> - To amend the Regulations on Payment Terms.
22.02.2023	<p>Imports & Exports (Control) Regulations No.05 of 2023 (Gazette Notification No. 2320/47 of 22.02.2023)</p> <ul style="list-style-type: none"> - To amend Import and Export Control Regulations.
24.03.2023	<p>Imports & Exports (Control) Regulations No.06 of 2023 (Gazette Notification No. 2324/45 of 24.03.2023)</p> <ul style="list-style-type: none"> - To amend exhaust emission and safety measures/ standard regulations.
06.04.2023	<p>Imports & Exports (Control) Regulations No.07 of 2023 (Gazette Notification No. 2326/40 of 06.04.2023)</p> <ul style="list-style-type: none"> - To amend the Import Control Regulations on Payment Terms.
01.06.2023	<p>Imports & Exports (Control) Regulations No.08 of 2023 (Gazette Notification No. 2326/41 of 06.04.2023)</p> <ul style="list-style-type: none"> - To impose regulations of single use plastic items.
10.06.2023	<p>Imports & Exports (Control) Regulations No.09 of 2023 (Gazette Notification No. 2335/26 of 09.06.2023)</p> <ul style="list-style-type: none"> - To consolidate Temporary Suspension and to amend the Gazette Notification No. 2312/78 of 01.01.2023.
Finance Act, No. 25 of 2003	
Embarkation Levy	
12.01.2023	<p>Gazette Notification No. 2314/16 of 11.01.2023</p> <ul style="list-style-type: none"> - To collect Embarkation Levy from Airlines. However, regulations have not been imposed to collect embarkation levy for ships since the Embarkation Levy imposed in 2003. Therefore, introduce regulations to collect Embarkation Levy for passengers leaving Sri Lanka by a flight as well as a ship.
25.04.2023	<p>Gazette Notification No. 2329/19 of 25.04.2023</p> <ul style="list-style-type: none"> - To amend item No. ii of the schedule 1 of the order published in the Extraordinary Gazette Notification No. 2314/16 dated 11.01.2023.
Finance Act, No. 11 of 2004- International Telecom Operators Levy	
01.01.2023	<p>Gazette Notification No. 2312/80 of 01.01.2023</p> <ul style="list-style-type: none"> - To extend the rate of levy payable on incoming international calls, incoming international calls on Specific Telephone Numbers (STN), Incoming Local Access Charge (ILAC), Telecommunication Development Charge (TDC) and Outgoing Local Access Charge (OLAC) for further two years from January 01, 2023 to December 31, 2024.

Box 2.1 | Major Fiscal Measures: January – June 2023 Contd...

Effective Date	Measures
Finance Act, No. 35 of 2018 – Luxury Tax on Motor Vehicle	
01.01.2023	Gazette Notification No. 2312/69 of 31.12.2022 - To assign Luxury Tax applicable the newly created/ subdivided and amended HS codes accomodating the 2022 HS code revision implemented by Sri Lanka Customs.
10.02.2023	Gazette Notification No. 2318/53 of 10.02.2023 - To increase tax free threshold of fully electric vehicles from Rs. 6 million to Rs. 12 million for migrant workers importing electric cars.
31.05.2023	Gazette Notification No. 2334/24 of 31.05.2023 - To extend the period of consideration of remittances, establishment of Letters of Credit (LCs) and Registration of Motor vehicles published in the Extraordinary Gazette No. 2318/53 of 10.02.2023 (increase of tax free threshold of fully electric motor vehicles from Rs. 6 million to Rs.12 million for migrant workers)

Government expenditure

Government expenditure increased by 42.4 percent to Rs. 1,645.6 billion in the first four months of 2023, compared to Rs. 1,155.2 billion in the same period of 2022. Recurrent expenditure grew by 46.0 percent to Rs. 1,485.0 billion in the first four months of 2023, compared to Rs. 1,016.8 billion in the same period of 2022 due mainly to the increase in expenditure on interest payment, pension payment and welfare expenditures. Capital expenditure and net lending increased by 16.0 percent to Rs. 160.6 billion in the first four months of 2023 from Rs. 138.4 billion in the same period of 2022.

TABLE 2.9 : Performance of Government Expenditure from January to April 2023

Item	Rs. Million	
	2022	2023 (Provisional)
Recurrent Expenditure	1,016,810	1,484,984
Salary	316,051	303,310
Pension	99,659	105,924
Interest payment	426,786	818,969
Other	174,313	256,781
Capital Expenditure and Net Lending	138,419	160,618
Total	1,155,229	1,645,602

Source : Department of Fiscal Policy

Interest Payments

The total expenditure on interest payments including both domestic and foreign debt increased by 91.9 percent to Rs. 819.0 billion in the first four months of 2023, compared to Rs. 426.8 billion in the same period of 2022. Interest payments on foreign debt fell by 64.9 percent to Rs. 29.8 billion in the first four months of 2023, compared to Rs. 84.9 billion in the same period of 2022 whereas interest payment for domestic debt increased by 130.8 percent to Rs. 789.1 billion in the first four months of 2023 from Rs. 341.9 billion in the same period of 2022.

Salaries and Pensions

The expenditure on salaries and wages of public servants including Provincial Councils declined by 4.0 percent to Rs. 303.3 billion in the first four months of 2023, compared to Rs. 316.1 billion in the same period of 2022. This drop was due to the increased number of retirees at the end of 2022, the suspension of recruitment to public sector together with the revision of the compulsory retirement age to 60 years. However, the expenditure on pensions increased by 6.3 percent to Rs. 105.9 billion in the first four months of 2023, compared to Rs. 99.7 billion in the same period of 2022.

Welfare expenditure

The Government incurred Rs. 264.39 billion on household subsidies including Samurdhi payments, elder's allowance, assistance to differently-abled soldiers, food packages for pregnant mothers, and fertilizer subsidy and school uniforms and text books in the first four months of 2023.

Expenditure on Samurdhi cash grant provided to low-income families for the first four month of year 2023 has increased to Rs. 55,593 million from Rs. 20,679 million in correspondence period of 2022 due to the Government decision to provide allowance

in addition to Samurdhi regular allowance, top up allowance and allowance to the wait-listed benificerics as well. The estimated expenditure for the samurdhi and payment of other categories for the year 2023 has been estimated as Rs. 200 billion.

The Government expenditure on health and nutrition programme including medical supplies to the Government hospitals increased by 116.36 percent to Rs. 42,526 million in the first four months of 2023, compared to Rs. 19,655 million in the same period of 2022.

Table 2.10 : Major Welfare Expenditure from January to April 2023

	Rs. Million
Programme	2023 Provisional
Social Welfare	
Samurdhi Relief	55,593
Support for low-income differently abled persons	1,800
Financial support for elderly	6,750
Financial support for Kidney Patients	941
Ranaviru Mapiya Rakawarana" allowance	754
Flood & drought relief	8
Allowance for pre-school teachers	54
Service Compensation for Death & Injured Soldiers	13,015
Health & Nutrition	
Thriposha Programme	152
Nutritional Food Package for Expectant Mothers	285
School Nutritional Foods program	1,400
Fresh Milk Programme – School Children	–
Health Insurance for School Children	500
Morning Meal for Pre-School Children	5
Medical Supplies for Government Hospitals (with Ayurvedha)	42,526
Education	
School texbooks	7,071
School Uniforms	832
Shoes for Students in Difficult and Very Difficult Area Schools	–
Scholarships – Grade 5 students	152
Mahapola and Bursaries	716
Interest Subsidy for laptops and Wifi facilities of university students	0.13
Loan scheme for the students who are anable to get into the stste univercities	–
Dhamma School Text Book	0.19
Uniforms for Dhamma School teachers	–
Subsidy	
Fertilizer and Crop subsidy	13,772
Other Subsidies	
Sri lanka Transport Board, subsidy for unremnerated routes, school season tickets and armed forces bus passes	3,296
Total	149,622

Source: Department of National Budget

The cost of welfare programmes on education such as free textbooks, uniforms and shoes for students in difficult schools for the first four months was Rs. 8,771 million. It is also important to note that the Government subsidy on chemical fertilizer is Rs. 13,772 million for the first four months of the year.

Sectoral expenditure

School Education

During the first four months of 2023, Rs. 102,624 million has spent on school education, of which recurrent and capital expenditures were Rs. 101,211 million and Rs. 1,413 million, respectively. The recurrent expenditure has increased by 6 percent in the first four months compared to the same period in 2022 due to the increase in the cost of paper for printing school text books.

The Government has continued welfare programmes such as the School Nutritional Food Program, Printing of School Text Books and School Uniforms, and Shoes for Students in Difficult Schools in 2023. In order to improve the nutritional status of the school children, the Government increased the per student per day allowance of nutritious meals from Rs. 30 to Rs. 100 and spent Rs. 1,400

TABLE 2.11: Expenditure on Major Activities of School Education from January to April 2023

Description	Rs. Million	
	2022 Jan-April	2023 Jan-April (Provisional)
Recurrent Expenditure		
Personnel emoluments for school – teachers and other staff	84,089	83,909
<i>National</i>	25,519	17,669
<i>Provincial</i>	58,570	66,240
Welfare Programs	3,558	9,969
Evaluation of examination	299	649
Capital Expenditure		
Rehabilitation/ Infrastructure Developments in School	386	377
Teacher development	10	12
Qualitative Development Reforms in Education	59	2
Provincial education	582	981

Source: Department of National Budget

million in 2023. During the first four months, the total expenditure incurred for the School Nutritional Food Program and Printing of Text Books and School Uniforms etc. was Rs. 9,969 million. As a result, the expenditure incurred these welfare programs was increased by 180 percent compared to the same period of 2022. Capital expenditure was mainly spent on Rehabilitation/ Infrastructure Developments in Schools and Qualitative Development Reforms including the provincial education sector.

Higher Education

The total expenditure on university education increased by 14.3 percent to Rs. 24,318 million in the first four months of 2023, compared to the same period of 2022. The recurrent expenditure increased by 4.8 percent to Rs. 19,210 million in the first four months. The capital expenditure, increased by 72.5 percent to Rs. 5,108 million in the first four months of 2023, compared to the same period in 2022.

TABLE 2.12 : Expenditure on Major Activities of Higher Education from January to April 2023

Description	Rs. Million	
	2022 Jan-April	2023 Jan-April (Provisional)
Recurrent Expenditure		
Personnel emoluments of universities & other higher educational institutions	16,585	16,796
Mahapola and bursary payment	450	716
Capital Expenditure		
Accelerating Higher Education Expansion & Development project (World Bank)	970	967
Building complex for the Faculty of Health Care Science, Eastern University (GOSL – Kuwait)	360	-
Science & Technology Human Resource Development project (GOSL – ADB)	905	1,286
Wayamba University Township Development Project (GOSL/Saudi)	386	342

Source: Department of National Budget

Skills Development and Vocational Education

The total expenditure for skills development and vocational education was Rs.2,565 million of which recurrent expenditure was Rs. 2,365 million and capital expenditure was Rs. 201 million during the first four months of

TABLE 2.13 : Expenditure on Major Activities of Skill Development from January to April 2023

Description	Rs. Million	
	2022 Jan – April	2023 Jan – April
Nipunatha Sisu Diriya	-	194
Skills Sector Development Programme (ADB/WB)	-	152
Modernization of 7 Colleges of Technology & Technical Colleges	35	-
Capacity Building Project For Construction Courses In Technical Colleges And Colleges Of Technology In Sri Lanka (GOSL/KOICA)	-	48

Source: Department of National Budget

Science & Innovation

The total expenditure for Science & Innovation was Rs. 630 million of which recurrent expenditure was Rs. 529 million and capital expenditure was Rs. 100 million during the first four months of 2023.

Table 2.14: Expenditure on Major Activities of Science & Innovation from January to April 2023

Description	Rs. Million	
	2022 Jan – April	2023 Jan – April
Development Programme – Sri Lanka Institute of Bio Technology	-	94
Scientific Development Programme	0.3	2

Source: Department of National Budget

Health

The total government expenditure on health including of Western and indigenous medicine sectors increased by 29.1 percent to Rs. 123,661 million during the first four months of 2023 compared to the same

period of 2022 covering both Provincial and Central Government health expenditure. Out of the total health expenditure, the recurrent expenditure was Rs. 117,215 million and the capital investment was Rs. 6,446 million. The medical supplies, one of the major categories in the recurrent expenditure, Rs. 41,146 million was spent on pharmaceuticals, surgical items and laboratorial items.

TABLE 2.15 : Expenditure on Major Activities of Health Sector from January to April 2023

Description	Rs. Million	
	2022 Jan-April	2023 (Provisional)
Total Recurrent Expenditure	87,447	117,215
service delivery expenditure	47,786	47,483
of which Salaries of medical personnel and support staff	37,233	38,620
Provision of Medicine	19,637	41,146
Provincial Health	20,024	28,586
Public Investment Expenditure	8,281	6,446
Medical Equipment	172	560
Health System Enhancement Project – ADB	286	155
Sri Lanka COVID 19 Emergency Response and Health Systems Preparedness Project (WB)	3,323	174
Upgrading Health Facilities of Selected Hospitals	449	-
Improvement of ETU- Facilities under Line Ministry Hospitals	58	137
Development of Ambulatory Care Centre (OPD) of NHSL (GSOL_ China)	2	-
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	-	53
Construction of Nursing Faculty/ Hostel	50	23
Other capital investments	2,924	5,345
Provincial Health Investment	1,017	2,100

Source: Department of National Budget

Irrigation and Water Management

During the first four months of 2023, the total investment for irrigation and water management decreased by 9.82 percent to Rs. 10,248 million. Rs. 11,364 million have been spent for the development of irrigation systems, including the Mahaweli Water Security Investment Program for which programme, Rs. 3,477 million has been spent in the current year and the balance Rs. 6,771 million was allocated to the Ministry of Irrigation and the Department of Irrigation

for the development and improvement of irrigation systems.

Agriculture

The total expenditure on the agriculture sector including plantation, livestock, fisheries and land development increased by 2.8 percent to Rs. 20,785 million in the first four months of 2023. Out of this amount, Rs. 13,513 million was spent on Fertilizer Subsidy Programme for Chemical and Organic Rs. 786 million was spent on crop agriculture, Rs. 17 million on plantation sector development, Rs. 290 million on fisheries development, Rs. 79 million on land development and the balance for livestock development to develop infrastructure and to provide required facilities for beneficiaries.

Water Supply and Sanitation

The Government continued spending on ensuring access to safe drinking water and quality sanitation services including the servicing of loans obtained from domestic

TABLE 2.16: Highlights of Water Supply and Sewerage Projects Expenditure from January to April 2023

Project	Rs. Million	
	2023 (Jan to April) (provisional)	
Jaffna Kilinochchi Water Supply and Sanitation Project (GOSL/ADB)	5,052	
Water Supply and Sanitation Improvement Project (GOSL - WB)	3,434	
Greater Matale Water Supply Project (GOSL/France)	1,902	
Greater Colombo Water and Wastewater Management Improvement Investment Programme -Project 2 (GOSL/ADB)	1,817	
Ambathale Water Supply System Improvement & Energy Saving Project (GOSL/ France)	1,758	
Capacity Enhancement & Distribution Expansion Project	1,702	
Greater Colombo Water and Wastewater Management Improvement Investment Programme -Project 3 (GOSL/ADB)	951	
Greater Ruwanwella Water Supply Project (GOSL / Korea)	487	

Source: Department of National Budget

and foreign banks with a cost of Rs. 17,294 million in the first four months of 2023, an increase of nearly 100 percent compared to the same period of 2022. The national programme of "Capacity Enhancement & Distribution Expansion Project" (formerly operated under the name of the subproject "Water For All"), consists of 248 projects, with the aims of enhancing production capacity, establishing new water supply schemes, and expediting ongoing projects to ensure access to safe drinking water by the entire population is being implemented in 2023.

Highways and Bridges

During the first four months of 2023, the expenditure on roads and bridges amounted to Rs. 81,626 million which is a more than 100 percent increase compared to the same period of 2022. The Government has given a high priority to settling outstanding bills of contractors during the first quarter of this year. Out of the total amount, Rs. 18,925 mn has been spent on national and rural road development. Under this, Rs. 4,034 mn have been spent on integrated road development programme (i- Road), aims to rehabilitate and improve more than 6,000 km of rural and provincial roads while Rs. 8,269 million was spent for mainly the settlement of bills for the development of 100,000 km of alternative roads to access main roads.

Expenditure on expressways development was Rs. 17,666 million and of which a significant amount has been spent on the Central Expressway Development Project. Expenditure on widening and improvement of roads stood at Rs. 511 million while expenditure related to the construction of bridges and flyovers development was Rs. 941 million.

Further, around Rs. 39,960 million which represents the highest proportion of total expenditure has been paid as the interest and capital repayment for the loan obtained by the Road Development Authority from local banks to implement road rehabilitation and improvement projects.

TABLE 2.17 Expenditure on Roads and Bridges from January to April 2023

Rs. Million

Project/Programme	2022 Jan -April	2023 Jan -April (Provisional)
1 Expressways Development	1,430	17,666
Central Expressway Project	238	13,933
Colombo – Rathnapura – Pelmadulla Expressway	117	10
Elevated Highway from New Kelani Bridge to Athurugiriya	54	13
Port Access Elevated Highway Project	1,021	1,965
Extension of Southern Expressway Project	-	1,745
2 Roads Development	16,123	17,845
Maintenance of Roads	688	1,434
Colombo District Road Development Project	158	276
Southern Road Connectivity Project	438	316
Integrated Road Investment Programme (iRoad)	10,613	4,034
Widening and Improvement of roads and bridges in Central and Uva provinces	1,200	15
Inclusive Connectivity and Development Project	21	1,740
Development of an alternative Road Network to Access Main Roads and Expressways and to ease the Traffic Congestion	2,436	8,269
Others	569	1,761
3 Widening and Improvement of Roads	113	511
4 Construction of Bridges and Flyovers	606	941
Reconstruction of Damaged/ Weak Bridges on National Highways	32	130
Construction of Rural Bridges using old bridge components	303	125
Second New Kelani Bridge Construction Project	21	2
Design and Construction of Flyovers in Kohuwala and Gatambe	226	115
Construction of Flyovers over the Railway Line at Uttharananda Mawatha and near the Slave Island Railway Station	2	559
Others	22	10
5 Natural Disaster Affected Road Rehabilitation	12	-
6 Maganeguma Rural Road Development Programme	1,134	1,080
7 Transfers to RDA	2,550	3,000
8 Lands & Land Improvements(Other projects excluding priority projects)	50	623
9 Gap Financing of the Road Development Authority's Commitments	14,380	39,960
10 Others	-	-
Total	36,398	81,626

Source: Department of National Budget

Transport

The total government expenditure on the transport sector increased by 7 percent to Rs. 19,289 million during the first four months of 2023 compared to the same period of 2022. Rs. 14,218 million and Rs. 5,071 million have been spent on recurrent and capital expenditure, respectively. Colombo Suburban Railway Project, Rehabilitation of Railway Line from Mahawa to Omanthai, Maintenance of existing railway lines and

Minor and large-scale repairs to the railroad Rs. 1,340 million was incurred by the Railway Department.

During the first four months of 2023, the total expenditure on bus transportation was Rs. 3,118 million which has been spent on welfare services such as operating SLTB buses on economically unprofitable routes, issuing school and higher education season tickets and bus passes to the Armed Forces. The Department of Motor Traffic has spent Rs. 776 million during this period.

Housing development

During the first four months of 2023, Rs. 344 million has been spent on the construction of housing and related infrastructure. It was a 75 percent decline compared to Rs. 1,351 in the same period of 2022. Rs. 329 million was spent on the construction of houses for low-income families, including those in rural, urban, estates, Virusumithuru and kidney disease affected people.

Urban development

The total expenditure on Urban Development increased by 52 percent to Rs. 8,211 million in the first four months of 2023, compared to Rs. 5,408 million in the same period of 2022. Out of which Rs. 820 million was recurrent expenditure and Rs. 7,391 million was spent on capital expenditure. Out of the total expenditure of the urban development sector, Rs. 5,011 million has been spent on the Colombo Urban Development Project, Urban Regeneration Project, the Strategic Urban Development Project (Kandy, Galle and Jaffna), the Weras Ganga Project, the "Siyak Nagara" Program and the Provincial Urban Development Project.

Performance of the cash flow of the General Treasury

During the first four months of the year 2023, cash inflows to the General Treasury by way of revenue and other receipts amounted to Rs. 782.0 billion, as against the estimate of Rs. 830.3 billion, achieving 94.2 percent from the estimate. Meanwhile, cash outflow for both recurrent and public investment during the first four months of 2023 amounted to Rs. 1,619.7 billion as against the estimate of Rs. 1,732.8 billion, achieving 93.5 percent from the estimate. This is a 29.6 percent increase compared to Rs. 1,249.3 billion over the same period of 2022.

The total cash deficit as at 30th April 2023 was Rs. 837.7 billion reflecting an increase of 28.7 percent compared to Rs. 650.8 billion deficit as at end April 2022 mainly due to an increase in operational expenditure by 39.4 percent. However, the closing negative cash and bank balance as at 30th April 2023 was

recorded as Rs. 4.9 billion against the Rs. 230.3 billion which prevailed as at 30th April 2022. This was mainly due to an increase in the revenue and other receipts by 30.7 percent and the receipt of proceeds under the International Monetary Fund (IMF), EFF programme.

2.18 : Government Treasury Cash Flow Operations from January to April 2023

Rs. Billion

	2022	2023	
	Actual	Estimate	Actual
Opening Cash balance	-831.6	-84.2	-84.2
Total cash inflow from revenue and other receipts	598.5	830.3	782.0
Total cash outflow for recurrent payments	-998.8	-1,535.0	-1,392.9
Total cash outflow for capital payments*	-250.5	-197.8	-226.8
Net cash surplus / (deficit)	-650.8	-902.5	-837.7
Utilization of Gross borrowing *	1,754.1	1,497.1	1,384.6
Debt repayment	-605.6	-549.1	-474.8
Utilization of Net borrowing	1,148.5	948.0	909.8
Balance proceeds of Commercial Borrowing (previous year)	4.5	-	-
Adjustment account balance (TEB, net deposits, etc.)	99.1	-	7.2
Closing Cash balance	-230.3	-38.7	-4.9

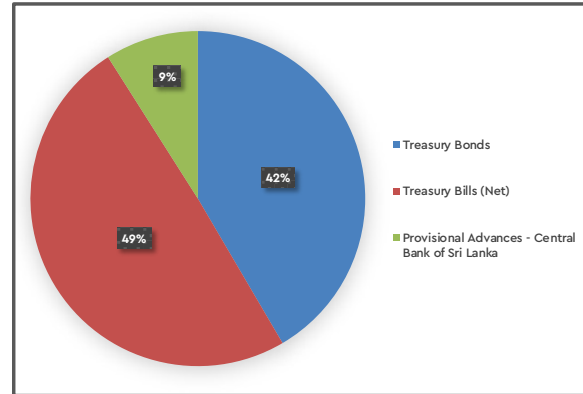
Source : Department of Treasury Operations

Management of Government debt

The total borrowing limit approved by Parliament for 2023 amounted to Rs. 4,979 billion, within which the utilization of Government borrowings for the period from 01st of January to 30th April 2023 was recorded as Rs. 1,384.6 billion. Total borrowing utilization comprised domestic and foreign project/programme borrowings amounting to Rs. 1,196.0 billion and Rs 188.6 billion, respectively to finance cash flow operations and development projects during the period. Of the total borrowings approximately 86.4 percent consisted of domestic borrowing in the first four months

of 2023. Treasury Bills, Treasury Bonds and Provisional Advances were the main sources of domestic borrowings of the Government. Accordingly, around 49 percent of the total domestic borrowings were raised by way of Treasury Bills, while 42 percent represent the Treasury Bonds and another 9 percent was raised by way of Provisional Advance of Central Bank of Sri Lanka in the first four months of 2023. The net borrowing as at end of the period under review was Rs. 909.8 billion.

FIGURE 2.3 : Gross domestic borrowings January – April 2023



Source : Department of Treasury Operations

TABLE 2.19 : Gross Domestic Borrowings January to April 2023

Instrument	Rs.Billion
Treasury Bonds	502.9
Treasury Bills (Net)	598.4
Provisional Advances – Central Bank of Sri Lanka	109.0
Repayment of Foreign Currency Banking Unit	(14.3)
Total	1,196.0

Source : Department of Treasury Operations

Disclosure of contingent liabilities on Treasury Guarantees

Treasury Guarantees are issued in terms of Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 13 of 2016 and the value of Treasury Guarantees issued and remained valid as at 30th April 2023 was Rs. 1,550.4 billion. The list of Treasury Guarantees issued by the General Treasury as at 30th April 2023, is given in Table 2.20.....

TABLE 2.20 : The List of Treasury Guarantees Issued by the General Treasury up to 30.04.2023

S. No	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
1	People's Bank	Ceylon Electricity Board	15,633.33	128,520.26
		Ceylon Petroleum Corporation	2,539.60	
		Ceylon Shipping Corporation Ltd	23,640.67	
		Lanka Coal Company (Pvt) Ltd	500.00	
		National Water Supply & Drainage Board	7,336.78	
		National Paper Corporation	140.00	
		Paddy Marketing Board	760.75	
		Road Development Authority	58,078.53	
		State Printing Corporation	1,350.00	
		Sri Lankan Airlines Limited	15,449.60	
		Sri Lanka State Plantation Corporation	100.00	
		Lanka Sathosa Limited	2,241.00	
		Techno Park Development Company Private Limited	750.00	
2	Bank of Ceylon	Building Materials Corporation Ltd	500.00	404,028.74
		Ceylon Electricity Board	4,780.00	
		Ceylon Fisheries Corporation	250.00	
		Ceylon Petroleum Corporation	100,000.00	
		General Sir John Kotelawala Defence University	835.00	
		Janatha Estates Development Board	200.00	
		Lanka Coal Company (Pvt) Ltd	49,500.00	
		National School of Business Management Limited	8,600.00	

		National Water Supply & Drainage Board	68,489.67	
		Northsea Limited	38.63	
		Paddy Marketing Board	500.00	
		Road Development Authority	147,102.33	
		Sri Lankan Airlines Limited	11,506.30	
		State Development and Construction Corporation	1,126.81	
		Sri Lanka Rupavahini Corporation	200.00	
		State Engineering Corporation	2,400.00	
		Litro Gas Lanka Limited	8,000.00	
3	National Savings Bank	Ceylon Electricity Board	7,500.00	203,019.18
		General Sir John Kotelawala Defence University	41,372.91	
		National Water Supply & Drainage Board	32,710.61	
		Road Development Authority	114,415.66	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00	
		Urban Development Authority	2,770.00	
		Techno Park Development Company Private Limited	750.00	
4	Commercial Bank	National Water Supply & Drainage Board	968.36	5,724.29
		Road Development Authority	4,755.93	
5	DFCC Bank	National Water Supply & Drainage Board	6,026.24	11,922.75
		Road Development Authority	5,896.51	
6	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	29,145.46	29,145.46
7	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	44,211.43
		National Water Supply & Drainage Board	16,033.27	
		Road Development Authority	20,133.15	
		Ceylon Electricity Board	4,045.01	
8	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	14,510.41	14,510.41
9	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	13,798.49	13,798.49
10	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	183,076.14	183,076.14
11	National Development Bank	National Water Supply & Drainage Board	21,380.43	27,679.63
		Road Development Authority	6,299.21	
12	Exim Bank of India	National Water Supply & Drainage Board	84,390.48	84,390.48
13	China Development Bank	National Water Supply & Drainage Board	54,247.46	54,247.46
14	Asian Development Bank	Ceylon Electricity Board	131,500.56	147,938.13
		Regional Development Bank	16,437.57	
15	Sampath Bank PLC	Road Development Authority	14,500.00	14,500.00
16	UniCredit Bank Austria AG	National Water Supply & Drainage Board	18,401.02	18,401.02
17	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	30,166.01	30,166.01
18	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	3,945.02	3,945.02
19	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	14,391.09	14,391.09
20	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	57,531.50	57,531.50
21	Sri Lanka Savings Bank Limited	Northsea Limited	60.00	60.00
22	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	59,175.25	59,175.25
		Total	1,550,382.74	1,550,382.74

Source : Department of Treasury Operations

Chapter 03

Performance of State-Owned Enterprises

Overview

The gradual recovery of the economy and relative currency stability helped improve the performance of State Owned Enterprises (SOEs) in the first four months of 2023 as reflected in the profit of Rs. 144 billion by the key 52 SOEs in the first four months of 2023, compared to the loss of Rs. 859 billion recorded in the same period of 2022. The cost-reflective electricity tariff adjustment made in 2022 and 2023 together with the implementation of the fuel price formula and other reform initiatives helped improve the performance. The significant currency depreciation in early 2022 contributed to the losses of SOEs with dollar debt last year. The more stable currency position in 2023 along with balance sheet restructuring curtailed such losses in the corresponding period in 2023. The petroleum industry is being liberalized with competition being introduced to the downstream retail market. An automatic cost reflective pricing methodology introduced for both the fuel and electricity sectors will limit the adverse pressure exerted on the banking system.

Bold reforms in SOEs are important for Sri Lanka to stabilize the economy and to unlock future growth potential. The key steps including the establishment of the SOE Restructuring Unit, to fast-track the SOEs restructuring process will help enhance SOE governance, competition, and improve the financial position of key SOEs.

The improvement of the balance sheets of four key SOEs i.e. Ceylon Electricity Board (CEB), Ceylon Petroleum Corporation (CPC), Road Development Authority (RDA), and SriLankan Airlines Ltd. (SLA), publication of audited financial statements of key 52 SOEs while entering into Statements of Corporate Intent (SCIs) with selected SOEs with agreed targets are expected to reduce fiscal risks over the medium term.

The collection of levies and dividends from the SOEs declined to Rs. 9.6 billion in the first four months of 2023, compared to Rs. 11.4 billion in 2022 in the same period of 2022.

Review of the ten Major SOEs

Bank of Ceylon

The asset base of the Bank of Ceylon (BoC) declined by 7.2 percent to Rs. 4,023 billion as at end April 2023 from Rs. 4,336 billion as at end 2022. During the first four months of 2023, the deposit base of the bank increased by 1.2 percent to Rs. 3,377 billion, compared to Rs. 3,335 billion as at end 2022. Stage III loan ratio of the bank has deteriorated slightly to 6.8 percent as at end April 2023, compared to 5.27 percent as at end 2022. The BoC recorded a Profit before Tax (PBT) of Rs. 3.4 billion in the first four months of 2023, compared to the Rs. 19.9 billion PBT reported in the same period of 2022.

People's Bank

People's Bank's (PB) asset base decreased by 1.9 percent to Rs. 2,914 billion as at end April 2023 from Rs. 2,972 billion as at the end of 2022. The deposit base of the bank increased marginally to Rs. 2,428 billion as at end April 2023 from Rs. 2,372 billion as at end 2022. Loans and advances increased by 2.6 percent to Rs. 1,830 billion in the first four months of 2023 from Rs. 1,783 billion as at the end 2022. Stage III loan ratio of the bank has deteriorated to 18.3 percent as at end April of 2023, compared to 12.8 percent as at end 2022. PB recorded a PBT of Rs. 6.3 billion in the first four months of 2023, compared to Rs. 9.6 billion in the same period of 2022.

National Savings Bank

National Savings Bank's (NSB) asset base increased by 1.4 percent to Rs. 1,640 billion as at end March 2023 from Rs. 1,617 billion as at end 2022. The deposit base of the bank increased by 1.2 percent to Rs. 1,496 billion by end March 2023 from Rs. 1,477 billion as at end 2022. Loans and advances balance decreased by 1.6 percent to Rs. 544 billion in the first three months of 2023 compared to Rs. 553 billion as at end of 2022. NSB recorded a PBT of Rs. 2.0 billion in the first three months of 2023, compared to Rs. 8.6 billion recorded in the first four months period of 2022.

Sri Lanka Insurance Corporation Limited

During the first four months of 2023, Sri Lanka Insurance Corporation Limited (SLIC) recorded a profit before tax of Rs. 4,458 million which is a decline of 51 percent compared to the same period in 2022. This was mainly due to the unrealized loss on foreign currency-denominated transactions of the company. Recently, Fitch Rating Services has downgraded the National Insurance Financial Strength (IFS) of SLIC to "A (lka)" from "AA (lka)" following the recent sovereign downgrade and recalibration of the agency's Sri Lankan national rating scale. The Government has now identified the SLIC to be divested on a priority basis under the SOEs reform program.

Ceylon Electricity Board

Electricity demand fell by 22 percent to 4,516 Gwh during the first four months of the year 2023 from 4,935 Gwh in the corresponding period of the year 2022. Nonetheless, the revenue generated from electricity sales for the respective period was more than doubled primarily due to the second upward price revision that took place with effect from February 15, 2023, with an average increase of 66 percent reflecting cost recovery adjustments. Accordingly, the revenue generated from electricity sales was recorded as Rs.180,117 million for the first four months period of the year 2023. In the future, CEB will implement a regular, bi-annual end-user tariff modification based on a forward-looking cost recovery basis

in order to make CEB financially viable and minimize the budgetary burden on the government. However, as a result of higher fuel and coal prices in the rupee terms, the direct generation cost was increased by 55 percent to Rs. 177,468 million in the first four months of 2023 compared to Rs. 114,460 million in the same period in 2022. Further, due to the increase in interest rates on the bank borrowings for the working capital requirements, the finance cost has increased to Rs. 23,264 million in the first four months of 2023 compared to Rs. 5,876 million in the same period of 2022. Even though the electricity tariff was increased, CEB incurred an operating loss of Rs. 29,797 million in the first four months of 2023 due to the delayed tariff increase being inadequate to fully compensate for the significant increase in generation cost.

Further, the cost per unit at the selling point also has considerably increased to Rs. 47.44 per KWh during the first four months of 2023 against Rs. 26.95 per KWh in 2022. With respect to the generation mix during the concerned period of the first four months of 2023 has changed as hydro: thermal (fuel): thermal (coal): NCRE & Wind 24:22:41:12 in comparison to the same period in 2022 of 21:27:39:12.

The total outstanding obligations of CEB to CPC and Independent Power Producers (IPP) have increased to Rs. 216.92 billion as of the end of April 2023. The Independent Power Producers, mainly in the Renewable Energy sector have faced severe financial difficulties due to non-payment for their electricity produced by the CEB. However, with the Government policy decision to transfer the outstanding loan balance of Rs. 214.7 billion (USD 591.4 million) as at the end of December 2022 obtained for the construction of the Norochcholai power plant into the Government Books of Accounts and to convert the debts amounting to Rs. 146.5 billion, which were recorded as sub-loans in the CEB financial statements, into equity investment by the Government in CEB as at end December 2022, the outstanding debts to the bank has decreased to Rs. 239.8 billion as of end of April 2023 from Rs. 397.9 billion recorded at the end of April 2022.

Ceylon Petroleum Corporation

The average import price of crude oil in the global market dropped further, from USD 81 per barrel in December 2022 to USD 78.5 per barrel in March 2023. However, the total petroleum bill, which is close to USD 1,599.7 million, represented about 30 percent of total imports into the country during the first four months of 2023 with a 16.8 percent drop compared to year on year. The imports of petroleum and petroleum products by the CPC for the first four months of 2023 amounted to USD 877.35 million, representing nearly 54 percent of the total petroleum bill.

A decrease in the import cost in line with the decline in international oil prices has resulted in improvements CPC working capital rotations during the period starting in January 2023; it has also led the CPC to record a profit of Rs. 43.4 billion for the first four months of 2023.

Further, due to the weak financial position and liquidity constraints of the CEB and SLA, the total outstanding liability, including CEB and SLA, to the CPC increased to Rs. 238.9 billion. On the other hand, the CPC has residual liabilities to the Government for its on-lending of the Indian Line of Credit facility (USD 697 million), liabilities to the National Iran Oil Company (USD 251 million), and the Bank of Ceylon (Rs. 26.2 billion) at the end of April 2023. Therefore, CPC was unable to settle the Indian Credit Line worth USD 697 million, which was used to facilitate fuel importation. Hence, the treatment of these cross liabilities between the Central Government, CEB, SLA, and CPC would be addressed in the Government's overall strategy for restructuring the balance sheets of key SOEs.

The Government has signed agreements with two established companies in petroleum-producing countries for the importation, storage, distribution, and sale of petroleum products through the predetermined distribution dealers operated in Sri Lanka. This will introduce competition in petroleum retail in Sri Lanka and improve service standards for the benefit of the consumers.

Sri Lankan Airlines Limited

Divestment of SLA and its subsidiaries has been identified as a priority due to its high fiscal risks.

The Cabinet has approved the divestment of Government-owned shares of SLA and sell-side transaction advisors (i.e., International Finance Corporation) have been appointed. It is expected that the initial due diligence and divestment strategy (phase I) will be completed by the transaction advisors by the end of December 2023 and phase II of the engagement to execute the transaction would take a further 6 months.

Despite the challenging external and internal funding constraints, SLA has recorded a profit of Rs. 60.2 billion during the last quarter of the financial year 2022/23 and the SLA had negative net assets of Rs. 511 billion at the end of March 2023.

National Water Supply and Drainage Board

The National Water Supply and Drainage Board (NWS&DB) was able to increase the piped-borne water and safe drinking water supply coverage in the country to 60.7 percent and 96.4 percent, respectively in the first three months of the year 2023 against 54.9 percent and 95.0 percent respectively for the year 2022.

During the first four months, the NWS&DB was able to add 120,000 new connections to the system with a total of 2.94 million connections as a whole. With the implementation of a new tariff for water with effect from September 2022, the NWS&DB recorded a revenue of Rs. 16,597 million for the first four months in 2023, an increase of 62.4 percent compared to Rs. 10,221 million in the same period of 2022. Meantime, with the increase in the electricity tariff and other material costs, the cost of sales increased by 50 percent to Rs. 9,211 million during the period under review. However, the Board recorded a gross profit of Rs. 7,386 million in the first four months of 2023 against the gross profit of Rs. 4,081 million recorded in the same period of last year. As a result, the

Board incurred a profit of Rs. 2,778 million for the first four months of 2023 against the loss of Rs. 483 million during the same period of the preceding year.

The NWS&DB produced 263 million m³ of water during the first four months of 2023 against 275 million m³ in the same period of 2022 and water sales for the period under review were recorded as 196 million m³ against 210 million m³ in the same period of 2022 mainly due to the consumer behavior based on the new tariff implementation. Further, Non-Revenue Water (NRW) showed an increasing trend over the previous year whereas NRW for the period under review recorded as 25.4 percent against 24.0 percent of the previous year.

Sri Lanka Ports Authority

Over the past few years, the port of Colombo has steadily seen an increase in traffic until it has finally reached its maximum working capacity. It is crucial that the West Container Terminal's development is finished quickly and that the East Container Terminal is fully operating.

In accordance with the country's Port Master Plan, Sri Lanka Ports Authority (SLPA) has started a number of development projects, including the East Container Terminal -II (ECT - II), West Container Terminal -I (WCT - I), and WCT -II, among others. These projects are anticipated to be completed by 2030. With the deep draft of the East Container Terminal, there is ample potential for mega vessels to call at the port. The remaining development process of the terminal is expedited with an investment of Rs. 5.9 billion. MSC, the largest shipping company in the world with a fleet of more than 775 TEU vessels for container transportation around the world and a more than ten-year history of cooperative commercial relationships with SLPA, has begun operations at ECT. As a result, the Port of Colombo will earn more revenue for the SLPA and strengthen the credibility placed by the international shipping community on the Port of Colombo.

The total revenue of SLPA during the first four months of 2023 was Rs. 26,795 million

of which 36 percent highest revenue of Rs. 9,936 million yielded from stevedoring, 24 percent of Rs. 6,424 million from navigation, 9 percent of Rs. 2,484 million from the wharf. The gross profit of the SLPA for the first four months of 2023 was Rs.11,485 million, compared to Rs.14,221 million in the same period of 2022.

Airport and Aviation Services (Sri Lanka) Ltd

The facilitation of an improved capacity for air cargo operations at BIA is led by Airport and Aviation Services (Sri Lanka) Limited (AASL). This will be the sixth air cargo terminal to be added to BIA as a new import air cargo building. By strategically switching the current import terminal facility to export operations, customers will benefit from an increase in the overall capacity of up to 400,000 MT from 250,000 MT.

Ground handling is a critical activity at an airport and acts as an interface between the airport and the airlines. It manages the efficiency and ease of flow at the airport. AASL ground handling service at Mattala Rajapaksa International Airport (MRIA) was launched by providing its ground handling services to domestic airlines with incoming passengers. With the intention of providing ground handling services for international flight operations, AASL launched its own Ground Handling Services Training Wing at MRJA, marking another significant historical moment. The profitability of the AASL enhanced to Rs. 11,624 million in the first four months of 2023 compared to the loss of Rs. 6,407 million recorded in the same period of 2022.

TABLE 3.1 : Reform/Key Initiatives for Major SOEs

Institution	Reform/Key Initiatives
State Banks	<ul style="list-style-type: none"> Enhance credit quality and improve monitoring and collections. Update with the evolving regulatory landscape, implement necessary changes, and maintain transparent reporting practices. Adopting digital technologies to enhance operational efficiency, and improve customer experience. Develop new products to assist existing customers and attract new customers. Expanding financial services to underserved populations and promoting financial inclusion.
Sri Lankan Airlines Limited	<ul style="list-style-type: none"> USD 175 million international bond interest payment was held due to the Interim External Debt Policy of Sri Lanka. Approval given by the Cabinet of Ministers to divest SLA and its subsidiaries on a priority basis.
Ceylon Electricity Board	<ul style="list-style-type: none"> End User electricity tariff was increased by 66 percent on average with effect from February 15, 2023. Cabinet approval was granted to variable standardized tariff for renewable energy projects below 10MW. Cabinet approval was granted institutional reforms to the power sector in consultation with the development agencies.
Ceylon Petroleum Corporation	<ul style="list-style-type: none"> The Government has signed agreements with two established companies in petroleum-producing countries for the importation, storage, distribution, and sale of petroleum products through the predetermined distribution dealers operated in Sri Lanka. Increase the QR quoter for vehicles.
Sri Lanka Ports Authority	<ul style="list-style-type: none"> Approval granted to revise the tariff structure of navigation, stevedoring, harbor tonnage, container operations, conventional cargo operations etc. Approved investment of South Asia logistic center in the port of Colombo.
Airport and Aviation Services (Sri Lanka) Ltd	<ul style="list-style-type: none"> Approval granted to revise the end-route navigation charges levied on international flights overflying Colombo flight information region.

Source : SOEs and Department of Public Enterprises

TABLE 3.2 : Profitability of 52 State Owned Enterprises

Rs. Million

Enterprise	2021	2022 (a)	2023.04.30 (a)
1 Bank of Ceylon	43,190	30,977	3,386
2 People's Bank	30,387	21,338	6,281
3 National Savings Bank	28,555	4,510	1,997*
4 State Mortgage & Investment Bank	405	-48	-426
5 HDFC Bank	878	377	-115
6 Pradeshiya Sanwardhana Bank (PSB)	776	1,823	-781
7 Employees' Trust Fund Board	33,159	43,428	21,080
8 Sri Lanka Insurance Corporation Ltd.	11,725	12,476	4,458
9 National Insurance Trust Fund	5,936	8,010	4,591
10 Sri Lanka Export Credit Insurance Corporation	334	1,884	76*
11 Agriculture and Agrarian Insurance Board	1,780	2,651	324
12 Ceylon Electricity Board	-34,139	-261,869	-29,797
13 Ceylon Petroleum Corporation	-81,816	-615,053	43,429
14 Sri Lanka Ports Authority	25,601	57,026	11,485
15 National Water Supply and Drainage Board	-3,054	-3,064	2,778
16 Airport and Aviation Services (SL) Ltd	-755	6,434	11,624
17 SriLankan Airlines Ltd	-166,370	-72,177	60,228*
18 Sri Lanka Transport Board	-3,054	484	217
19 State Engineering Corporation	-1,597	-940	-291
20 Central Engineering Consultancy Bureau	48	69	98
21 State Development and Construction Corp.	96	27	52
22 Milco (Pvt) Ltd	329	-471	-345
23 National Livestock Development Board	160	133	-77
24 Sri Lanka State Plantations Corporation	-232	17	-27
25 Janatha Estates Development Board	-490	-18	-10
26 Kurunegala Plantations Ltd	468	511	169
27 Chilaw Plantations Ltd	511	514	190
28 Kalubovitiyana Tea Factory Ltd	-3	380	-3
29 Sri Lanka Cashew Corporation	-20	2	0.3*
30 Lanka Mineral Sands Ltd	1,387	6,160	589
31 Lanka Phosphate Ltd	117	74	29
32 Kahatagaha Graphite Lanka Ltd	8	70	28
33 Development Lotteries Board	2,953	3,267	1,035
34 National Lotteries Board	1,004	1,390	424
35 State Pharmaceuticals Manufacturing Corp.	1,239	1,586	960
36 Sri Lanka Ayurvedic Drugs Corporation	-14	14	-1
37 State Pharmaceuticals Corporation	3,157	1,240	-4
38 Sri Jayawardenapura General hospital	-258	-2,033	193
39 Independent Television Network Ltd	-344	-370	3
40 Sri Lanka Rupavahini Corporation	-227	-541	-168
41 Sri Lanka Broadcasting Corporation	11	-236	-27
42 Sri Lanka Handicraft Board	-35	-53	-4
43 State Timber Corporation	1,136	315	60
44 STC General Trading Company	60	473	27
45 Lanka Sathosa Ltd	-880	-615	-71
46 State Printing Corporation	-281	-380	750
47 Ceylon Fisheries Corporation	-64	-42	6
48 Ceylon Fishery Harbour Corporation	-136	-38	11*
49 Ceylon Fertilizer Company Ltd	0.5	115	142
50 Colombo Commercial Fertilizer Company Ltd	234	61	16
51 Hotel Developers Lanka PLC	-976	-633	-350
52 Lanka Sugar Company Ltd	1,256	6,086	-5
Total	-97,845	-744,658	144,224

Source: SOEs and Department of Public Enterprises

*As at 31.03.2023

(a) Provisional

TABLE 3.3 : Levy/ Dividend Income from SOEs

	Rs Million		
	2021	2022	2023.04.30
Levy	25,919	22,004	7,535
National Savings Bank	3,500	-	-
Bank of Ceylon	1,500	-	-
People's Bank	1,977	441	-
Telecommunication Regulatory Commission	8,500	13,200	2,000
Regional Development Bank	-	-	-
State Timber Corporation	100	320	-
State Pharmaceuticals Manufacturing Corporation	100	100	-
National Insurance Trust Fund	1,824	1,608	225
Geological Survey and Mines Bureau	2,000	1,000	-
National Gem and Jewellery Authority	15	35	40
Ceylon Electricity Board	-	-	-
Board of Investment	-	416	-
National Lotteries Board	900	361	1,000
Securities and Exchange Commission	-	-	-
Sri Lanka Standard Institution	-	10	-
Sri Lanka Export Credit Insurance Corporation	25	50	-
National Livestock and Development Board	-	-	-
Central Engineering Consultancy Bureau	25	-	-
Sri Lank Tourism promotion Bureau	-	-	-
Civil Aviation Authority	50	1,000	1,000
State Pharmaceutical Corporation	-	350	-
National Transport Medical Institute	110	290	150
Sri Lanka Bureau of Foreign Employment	-	1,200	3,000
National Transport Commission	-	10	70
Sri Lanka Tourism development Authority	-	-	-
Sri Lanka Land Reclamation and Development Authority	-	-	-
Sri Lanka Ports Authority	-	1,015	-
National Medicine Regulatory Authority	147	400	-
Road Development Authority	4,000	-	-
Land Reforms Commission	1,100	-	-
Condominium Management Authority	25	50	-
National Institute of Business Management	16	33	-
Sri Lanka Ayurvedic Drugs Corporation	5	-	-
Post Graduate Institute of Management	-	90	-
Other SOEs	-	25	50
Dividends	4,672	6,087	2,030
National Savings Bank	60	60	30
Bank of Ceylon	346	346	173
People's Bank	316	316	158
Lankaputhra Development Bank	-	0	-
National Development Bank	1	0.9	-
Sri Lanka Savings Bank	-	0	-
Commercial Bank	-	0.17	-
Sri Lanka Insurance Corporation Ltd	899	1511	-
Airport and Aviation Services Ltd	-	500	500
Lanka Mineral Sands Ltd	700	759	-
Lanka Phosphate Ltd	20	20	20
Independence Television Network Ltd	-	0	-
Lanka Leyland Ltd	3	13	-
Rakna Arakshaka Lanka Ltd	-	0	25
Manthai Salt Ltd- (National Salt Company)	15	0	20
Ceylon Fertilizer Ltd	29	15	-
Colombo Commercial Fertilizer Ltd	-	10	-
Paranthan Chemicals Company Ltd	3	50	5
STC General Trading Company	-	11	-
Sri Lanka Telecom PLC	1331	1805	-
De La Rue Lanka Ltd	345	313	-
Lanka Electricity Company Ltd	327	218	436
Lanka Industrial Estates Ltd	82	0	86
Skills Development Fund Ltd	-	-	-
Ceylon Agro Industries	95	24	119
Lanka Sugar Company Ltd	-	-	352
Lanka Logistics Limited	-	-	-
Plantation Companies	98	95	97
Lanka Thriposha Ltd	-	10	10
Others	2	10	-
Total	30,591	28,091	9,565

Source: SOEs and Department of Public Enterprises

CHAPTER 4

FOREIGN FINANCING

Overview

The borrowing programme of the Government has been affected by the debt standstill policy adopted in April 2022. As such, disbursements and new financing commitments received from conventional bilateral creditors declined in the first quarter of 2023. Multilateral creditors continued their operations and some of their projects were repurposed to cater to the budget financing requirements of the Government.

Under the Extended Fund Facility (EFF) 2023–2026 of the International Monetary Fund (IMF), Sri Lanka received the first tranche of USD 333 million to meet budget financing needs. To strengthen the policy initiatives suggested by EFF, and to support the social safety net to improve vulnerable groups, the Government expects to receive a considerable amount of foreign financing from multilateral lenders later this year and beyond.

Furthermore, it is evident that the Emergency Credit Lines received from the Government of India helped substantially to ease the foreign currency needs for the importation of essential goods. USD 131 million was received under the Credit Lines in the first quarter of 2023. Accordingly, the Government secured USD 670.3 million during the period under review.

Foreign Financing Commitments

The Government obtained a total of USD 40.9 million in Official Development Assistance (ODA) commitments by entering into two grant agreements with the Government of Japan in the first quarter of 2023. This consists of USD 37.1 million for fuel grant assistance under the Japanese Economic and Social Development Programme and USD 3.8 million for the improvement of infectious waste management extended by the Government of Japan. This grant commitment was made for the health and social welfare sector.

Foreign Financing Disbursements and Utilization

Total foreign financing disbursements during the period from January 1 to April 30, 2023, amounted to USD 670.3. Of which, USD 333.0 million was received as the first tranche of EFF programme (2023–2026) and the rest of USD 333.0 was disbursed as other loans, and USD 4.3 million was disbursed by way of grants.

The majority of the disbursements recorded in 2023 were from the IMF which accounted for almost 50 percent of the total disbursements, followed by India (21 percent), the World Bank (18 percent) and the Asian Development Bank (9 percent).

TABLE 4.1: Disbursements of Foreign Loans & Grants from 1st January to 30th April 2023

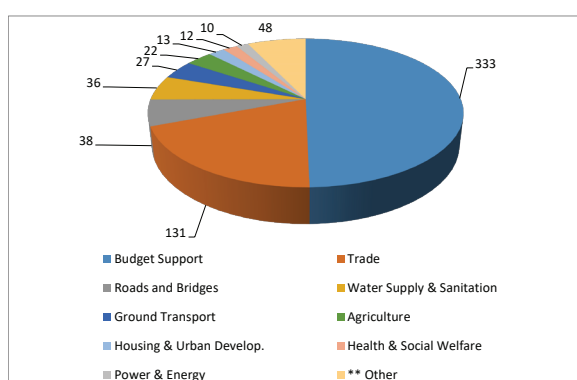
Development Partner	Disbursements* (USD Million)		
	Loan	Grant	Total
Bilateral	146.4	1.3	147.7
India	142.5	-	142.5
Netherlands	3.9	-	3.9
Germany	-	1.3	1.3
Multilateral	519.6	3.0	522.6
International Monetary Fund (IMF)	333.0	-	333.0
World Bank	114.2	3.0	117.2
Asian Development Bank	58.0	-	58.0
Asian Infrastructure Investment Bank	11.1	-	11.1
OPEC Fund	3.2	-	3.2
International Fund for Agricultural Development	0.1	-	0.1
Total	666.0	4.3	670.3

Source: Department of External Resources

Note: For conversion of disbursements made in different currencies into USD, the exchange rates as at 28th April 2023 have been used

* Provisional

FIGURE 4.1: Disbursements Made for each Sector from 1st January to 30th April 2023 (USD Million)



Source: Department of External Resources

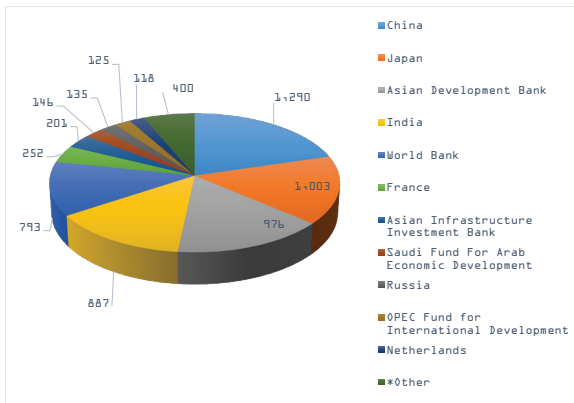
** Other = Education & Training, Defence, Science & Technology, Irrigation & Related activities, Environment, Humanitarian Assistance, Disaster Management, SME Development, Land Development, Plantation

Committed Undisbursed Balance (CUB) of development projects

As of 30th April 2023, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in the next 3–5 years was USD 6.3 billion. The major portion of the balance is to be disbursed from the projects committed with China, and others are from Japan, the Asian Development Bank, India, and the World Bank, respectively.

Almost 21 percent of the CUB is to be utilized in the roads and bridges sector, whereas 18 percent is for water supply and sanitation and 12 percent is in the ground transport sector.

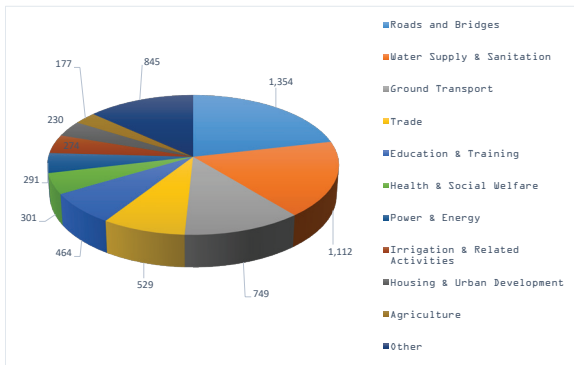
FIGURE 4.2 : CUB for Development Projects and Programs, by Major Development Partners as of 30th April 2023 (USD Million)



Source: Department of External Resources

*Other = Australia, UK, Hungary, Kuwait, Pakistan, Korea, Russia, Germany, Denmark, Spain, Austria, European Investment Bank, IFAD

FIGURE 4.3 : Sector-wise CUB of Development Projects and Programs, as of 30th April 2023 (USD Million)



Source: Department of External Resources

External Debt Stock and External Debt Service Payments

Total Central Government external debt as of the end of April 2023 amounted to USD 36.3¹ billion. Total debt service payments² from 1st January to 30th April in 2023 was amounted to USD 470.2 million of which, USD 378.4 million was in lieu of principal repayments and the balance USD 91.8 million for the payment of interest.

In line with the interim policy adopted by the Government, the servicing of the external debt of affected loans obtained from bilateral and commercial creditors has been temporarily suspended for an interim period commencing from 12th April, 2022. Accordingly, the principal amount of USD 3,691 million and interest of USD 1,301* million have been accumulated as unpaid debt service by the end of April 2023.

1 Provisional, Only the Central Government outstanding Foreign Debt are depicted. This includes unpaid Principal accumulated after the debt standstill policy was adopted.

2 Debt Service = Principal Payments + Interest Payments
* To be reconciled with creditors during restructuring discussions.