

Draft

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BUDGET ESTIMATES

2010



FISCAL YEAR 2010

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

2. Introductory Note on the Budget Estimates 2010

This document shows details of expenditure which was included under Ministries and Departments in the schedules of Appropriation Bill for 2010 presented to the Parliament on 8th June 2010 to provide financial provisions for government services in the fiscal year 2010. Further, it includes expected revenue for the government from various revenue sources.

1. Expenditure Estimates

Although the expenditure estimates are specified under expenditure Heads and Programmes in the Appropriation Bill for 2010, this document (which is referred to in the Standing Orders of Parliament of the Democratic Socialist Republic of Sri Lanka as "Printed Estimates") provides further details on said Government expenditure for the year 2010 in terms of Projects and Object Codes as well, as required in Section 131 of Standing Orders. The expenditure estimates in this document consist of:

- i. Government expenditure specified in the First Schedule to the Appropriation Bill for the fiscal year 2010 and
- ii. Other expenditure which are charged to the Consolidated Fund in terms of laws already approved by Parliament (Special Laws) specified in the Second Schedule to the Appropriation Bill for the fiscal year 2010.

These estimates contain the provisions made in the fiscal year 2010 includes the Vote on Account and the provisions in Article 150(3) of the Constitution made for the period 1st January 2010 up to the date of enacting this Appropriation Bill, hence covers the total expenditure for year 2010.

Accordingly, the expenditure estimates referred to in the First Schedule to the Appropriation Bill are identified in the printed estimates by the Financing Codes 11, 12, 13, 14, 15, 16, and 17 whereas the expenditure to be incurred under laws already approved by the Parliament (Special Laws) which shown under second schedule of the bill are identified by Financing Code 21 under respective Ministries and Departments.

All expenditure estimates of the Government are shown in the printed estimates separately under Ministries set up in terms of Article 44 (1) (a) of the Constitution and published in Extraordinary Gazette No 1651/20 of 30.04.2010. All the Secretaries to the Ministries are required under Section 52 (2) of the Constitution to exercise the supervision over the departments and other institutions gazetted under his/her Ministry subject to the direction and control of his/her Minister.

Secretaries are accountable for the expenditure incurred against the budgetary provisions approved for his/her Ministry and for the Departments and Institutions falling under his/her purview by virtue of the appointment as Chief Accounting Officer by the Hon. Minister in charge of the subject Finance in terms of Financial Regulations 124(2). He/she is also accountable for the expenditure incurred against the provisions that will be allocated by the Treasury in terms of the Clause 6 (1) of the Appropriation Bill, out of provisions that will be voted under Head 240 Programme 02 and Project 2 "Budgetary Support Services and Contingent Liabilities".

1.1 Guidelines for Granting an Allocation out of Budgetary Support Services and Contingent Liabilities Project Provision

A pool provision is included to meet various unforeseen outlays for which provisions have not been made under each spending unit and also for expenses of a special character which can not appropriately be provided for as direct expenses under a particular Ministry or Department. For the year 2010 too, a pool provision amounting to Rs10 billion of recurrent expenditure and Rs.17 billion of capital expenditure have been included under Head 240, Programme 2, under Department of National Budget in the First Schedule of the Appropriation Bill for 2010. The purpose of this pool provision is to facilitate smooth conduct of public finance management in a more efficient and effective manner.

As stipulated in sub section 6 (1) of the Appropriation Bill for 2010, the supplementary allocations will be provided strictly for following purposes.

- i. Provisions for payment of Cost of Living Allowances for 2010, rectification of salary anomalies, essential new recruitments and other related payments.
- ii. Provisions for implementing of budget proposals
- iii. Provisions for purchase of vehicles to Ministries, Departments/special spending agencies as separate provisions are not included under those agencies to purchase passenger vehicles.
- iv. Provisions for expenditure required for restructuring of public enterprises and to meet contingent liabilities of failed public enterprises.
- v. Provisions to meet any short-fall in capital expenditure of development projects funded with donor assistance and related counterpart-funding requirements inclusive of payments of taxes and duties.
- vi. Provisions to meet any commitment arising from any agreement to which the Government is a party and to meet obligations under Government guarantees.

- vii. Contingency Provisions for security related and natural disaster related risks.
- viii. Provisions to meet additional expenditure and liabilities arising from changes in underline assumption based in the preparation of budget estimates.

As per the provisions in sub section 6 (1) of the Appropriation Bill, supplementary provisions will be provided to relevant spending agencies on the basis of need assessment undertaken by the Department of National Budget. Requests for supplementary provisions should be made through the relevant Chief Accounting Officers who are accountable for the use of such supplementary provisions in terms of relevant Financial Regulations and approved procedures. The Treasury will submit a report containing the amount of money so transferred and the reasons for the transfer to the Parliament within two months of the date of the said transfer.

In complying with the sub section 6(2) of the Appropriation Bill, details of all transfers made out of this provision including the reasons for such transfers will be incorporated in the Government fiscal performance reports which are to be tabled in Parliament under the Fiscal Management (Responsibility) Act, No 3 of 2003.

1.2 Presentation of Expenditure Estimates

(1) This document includes actual expenditure for 2008 and 2009, and estimated expenditure for 2010 for each spending unit. Expenditure projections for 2011, 2012, and 2013 are indicated separately. Total anticipated financial resources for the Medium Term including the estimated expenditure for year 2010 and for the projected years 2011 to 2013 are also indicated in this document under each spending unit by expenditure category levels.

The expenditure estimates for line Ministries are based on available resource for each of the following 9 sectors under which Ministry votes are presented.

- | | |
|----------------------------|--------------------|
| 1. Defence | 6. Human Resources |
| 2. Law Enforcement | 7. Infrastructure |
| 3. Public Services | 8. Environment |
| 4. Social Services | 9. Real Economy |
| 5. Research and Technology | |

(II). Order of Presentation of Expenditure Estimates

Aggregate expenditure estimates for 2010 is presented in two parts as Volume I and Volume II on sectoral basis. In the Volume I, out of the sectors indicated in para 1.2 above, spending agencies falling under the first 5 sectors of Defence, Law Enforcement, Public Services, Social Services and Research and Technology are included and in Volume II, estimates of spending agencies coming under sectors of Human Resources, Infrastructure Environment and Real Economy are included. Accordingly, the expenditure estimates are presented in the following sequence:-

- Summary of expenditure by Sector (total expenditure of each Ministry falling under the respective Sector)
- Expenditure details by Ministries
 - i. Key functions / basic information of the Ministry and institutions under its purview
 - ii. Key expenditure areas/priority projects
 - iii. Expenditure summary by Programmes
 - iv. Ministry expenditure summaries by Object Codes with sources of Financing and Employment Profile
- Head - wise expenditure summary by Object Codes with sources of Financing and Head Specific Employment Profile
 - i. Detailed expenditure of Projects (Cost Centres) by Object Codes with sources of Financing

(III). Levels of Disaggregation

(a) Expenditure Heads

Spending agencies grouped under 9 sectors referred to in (I) above are given a specific expenditure Head number as follows: -

- i. Special Spending Units (Departments and Commissions etc. which are not classified under a particular Ministry) are given Head numbers from 1 to 22. In addition to that expenditure head number 229 Attorney Generals Department and 230 Legal Draftsmen Department also categorized as special spending units from this onwards.
- ii. Ministries are given expenditure Head Numbers starting from Head Numbers 101 to 175
- iii. Departments, Provincial Councils, District Secretaries and certain institutions (such as the University Grants Commission) are given expenditure Head Numbers from 201 to 325

(b) Expenditure Programmes

The estimated expenditure is shown under the following Programmes ;

- Programme 1 - Operational Activities
- Programme 2 - Development Activities

The expenditure which were conventionally identified as recurrent and capital expenditure have further been shown separately under the above programmes.

(c) Project / Sub-Project

The Programmes referred to above consist of a number of Projects. The Project is a cost unit (cost centre) consisting of a certain activity or group of similar activities which facilitate costing of each activity. In certain instances key activities coming under a Project have been further classified as Sub-Projects. These Estimates consist of 477 Projects and 1365 Sub-Projects.

(d) Spending Object

Identifiable components of a Project cost are classified under "Objects". No of homogeneous objects are classified as a category. There are 51 Object Codes and 14 categories used in these Estimates to classify expenditure. These standard object codes and categories are shown in 5.1 and a summary of aggregate expenditure by object codes and categories are given in table 5.5.

(e) Financing Particulars

For accounting purposes, financing sources of each project are classified under the following financing codes. Financing sources of the total cost is given in table 5.5.

Domestic		Foreign	
11	Domestic Funds	12	Foreign Aid Loans
17	Foreign Aid Related Domestic Funds	13	Foreign Aid Grants
21	Special Laws	14	Reimbursable Foreign Aid Loans
		15	Reimbursable Foreign Aid Grants
		16	Counterpart Funds

(f) Advance Accounts

Advance is provided by the Treasury to operate certain activities of commercial nature that are performed by Government Departments. Expenditure and income limits of Advance Accounts are shown in the Table 6.1 at the end of this document.

(g) Employment profile

The following categorization has been made based on the Annex II of the Public Administration Circular No. 06/2006 of 25th April 2006. Accordingly staff of each expenditure Head will be categorised as Primary level, Secondary level, Tertiary level and Senior level. It is noted that this categorization of Employment under each expenditure Head is prepared only for the use of budgetary purposes of the Department of National Budget.

2. Revenue Estimates

Estimated tax revenue and non tax revenue for the year 2010 together with actual revenue for last four years are shown in Tables 4.2.1. and 4.2.2. These revenue estimates are based on prevailing rates of duties/taxes specified in various revenue legislations which are shown in the Tables 4.1.1 and 4.1.2 for regulations made under those Acts.

In the preparation of these revenue estimates, macro economic forecasts on GDP, prices, exchange rates, interest rates, import and export conditions were also taken into consideration. The expected impact of various measures taken during recent years to strengthen the tax administration and the likely impact of various Free Trade Agreements have also been recognized. Further, the tax concessions granted on essential commodities with a view to providing relief to consumers and also on raw materials, machinery and equipment imported for identified thrust industries were taken into consideration in preparing the estimates. Contributions expected from public enterprises are also embodied in estimates on non-tax revenue.

Underlying assumptions relating to revenue estimates and macro economic framework are provided in “ Fiscal Management Report 2010 “ published in terms of Fiscal Management (Responsibility) Act No. 3 of 2003.

Table 2.1
Expenditure that Can be Charged to the Consolidated Fund Without Obtaining Parliamentary Approval through Appropriation Bill 2010

Head No	Spending Ministry/Department/Unit	Base Legislation	Recurrent (Rs. '000)	Capital (Rs.'000)	Total (Rs.'000)
1	His Excellency the President	Article 36 of the Constitution	1,470	-	1,470
3	Judges of the Superior Courts	Article 108 of the Constitution	27,000	-	27,000
5	Parliament	Article 65 of the Constitution	970	-	970
11	The Constitutional Council	Article 41 of the Constitution	6,720		6,720
12	Public Service Commission	Article 54 of the Constitution	3,660	-	3,660
13	Judicial Service Commission	Article 111 of the Constitution	1,227		1,227
14	National Police Commission	Article 155 of the Constitution	3,113		3,113
16	Commission to Investigate Allegations of Bribery or Corruption	Bribery or Corruption Commission Act No 19 of 1994	2,400	-	2,400
17	Department of Elections	Article 103 of the Constitution	3,098	-	3,098
18	Auditor General	Article 153 of the Constitution	742	-	742
19	Office of the Parliamentary Commissioner for Administration	Article 156 of the Constitution	680	-	680
111	Ministry of Health	Medical Ordinance (Chp 105)	2	-	2
239	Department of External Resources	The Bretton Woods Agreement of No. 10, 1978 (Special Provision)	378,000	460,000	838,000
249	Department of Treasury Operations	Ceylon Development Loans Act (Chp 407), National Development Loan Ordinance 1945 (Chp 408), National Development Loan 1950 Act (Chp 409), Registered Stock and Securities Ordinance 1937 (Act as Amended), Foreign Loans Act (as amended)	330,207,000	456,380,300	786,587,300
253	Department of Pension	Widow's and Orphan's Pension Fund Ordinance (Chp 431) No. 01 of 1890 and subsequent amendments, Widowers & Orphan's Pensions Act No. 24 of 1983, Widow's and Orphan's Scheme (Armed Forces) Act No. 18 of 1970, School Teacher's Pensions Ordinance (Chp 432)	18,630,000	-	18,630,000
			349,266,082	456,840,300	806,106,382

3.1 SUMMARY OF THE BUDGET

	Rs. Mn					
	2004	2005	2006	2007	2008	2009
Total Revenue and Grants	320,154	412,387	507,902	595,559	686,481	725,565
Total Revenue	311,473	379,747	477,834	565,051	655,259	699,643
Tax Revenue	281,552	336,828	428,378	508,947	585,620	618,931
Non Tax Revenue	29,921	42,919	49,456	56,104	69,639	80,712
Grants	8,681	32,640	30,068	30,508	31,222	25,922
Total Expenditure & Net Lending	-476,906	-584,783	-713,646	-841,603	-996,126	-1,201,927
Recurrent	-389,679	-443,350	-547,960	-622,758	-743,710	-879,575
Public Investment	-97,630	-148,582	-177,443	-229,273	-263,828	-330,448
Other	10,403	7,149	11,757	10,428	11,412	8,096
Current Account Surplus / Deficit (-)	-78,206	-63,604	-70,127	-57,707	-88,451	-179,933
Budget Deficit	-156,752	-172,396	-205,745	-246,045	-309,644	-476,361
Financing	156,752	172,396	205,745	246,045	309,644	476,361
Foreign Borrowing	37,071	47,773	41,942	100,908	12,933	83,886
Domestic Borrowing	117,243	123,604	163,805	145,137	296,711	392,475
Divestiture Proceeds	2,437	1,020	-	-	-	-

SUMMARY OF THE BUDGET - AS A PERCENTAGE OF GDP

	2004	2005	2006	2007	2008	2009
Total Revenue and Grants	15.8	16.8	17.3	16.6	15.6	15.0
Total Revenue	15.3	15.5	16.3	15.8	14.9	14.5
Tax Revenue	13.9	13.7	14.6	14.2	13.3	12.8
Non Tax Revenue	1.5	1.7	1.7	1.6	1.6	1.7
Grants	0.4	1.3	1.0	0.9	0.7	0.5
Total Expenditure & Net Lending	-23.5	-23.8	-24.3	-23.5	-22.6	-24.9
Recurrent	-19.2	-18.1	-18.6	-17.4	-16.9	-18.2
Public Investment	-4.8	-6.1	-6.0	-6.4	-6.0	-6.8
Restructuring	0.5	0.3	0.4	0.3	0.3	0.2
Current Account Surplus / Deficit (-)	-3.9	-2.6	-2.4	-1.6	-2.0	-3.7
Budget Deficit	-7.7	-7.0	-7.0	-6.9	-7.0	-9.9
Financing	7.7	7.0	7.0	6.9	7.0	9.9
Foreign Borrowing	1.8	1.9	1.4	1.8	0.3	1.7
Domestic Borrowing	5.8	5.0	5.6	5.1	6.7	8.1
Divestiture Proceeds	0.1	0.0	0.0	0.0	0.0	0.0

Note : Details may not add to totals due to rounding.

3.2 SUMMARY OF GOVERNMENT REVENUE

(ECONOMIC CLASSIFICATION)

	<i>Rs Mn</i>					
	2004	2005	2006	2007	2008	2009
1. Tax Revenue	281,552	336,828	428,378	508,947	585,620	618,931
Income tax	41,372	52,535	80,483	107,168	126,541	139,558
VAT / GST	120,382	138,660	164,551	187,699	203,646	171,527
Excise Duties	65,790	76,978	92,846	96,685	100,970	97,604
Stamp Duties	51	9	1,516	4,026	3,751	3,328
Debits Tax	4,489	5,700	6,255	7,187	8,410	8,036
Import Duties *	41,096	45,391	52,681	56,017	63,462	79,560
Port & Airport Development Levy (PAL)	7,340	10,969	21,126	26,700	31,017	36,286
Licence Fee /MVT/SRL/Cess/Betting & Other	1,032	6,587	8,920	23,465	47,823	83,032
2. Non Tax Revenue	29,921	42,919	49,456	56,104	69,639	80,712
Rent	1,163	1,155	1,294	1,709	2,050	1,425
Interest	8,673	8,336	10,321	9,242	9,305	9,043
Profit and Dividends	4,357	5,929	7,451	7,682	7,365	11,981
Sales and Charges	9,207	16,196	22,249	18,439	32,260	25,387
Social Security Contributions	3,444	4,910	6,470	8,777	9,791	11,165
Other	3,077	6,392	1,671	10,255	8,868	21,709
TOTAL	311,473	379,747	477,834	565,051	655,259	699,643
Tax Revenue / GDP (%)	13.9	13.7	14.6	14.2	13.3	12.8
Non Tax Revenue / GDP (%)	1.5	1.7	1.7	1.6	1.6	1.7
Total Revenue / GDP (%)	15.4	15.5	16.3	15.8	14.9	14.5

* Net of Duty Rebate

Note: Revenue from the Postal and Railways Departments is netted against recurrent expenditure of those departments and reflected in recurrent expenditure as transfers to Public Enterprises. Loan recoveries from on-lending is reflected as lending minus repayments and not treated as revenue for economic classification. Divestiture proceeds are treated as a source of financing.

3.3 SUMMARY OF GOVERNMENT EXPENDITURE

(ECONOMIC CLASSIFICATION)

Rs Mn

	2004	2005	2006	2007	2008	2009
1. Current Expenditure	389,679	443,350	547,960	622,758	743,710	879,575
General Public Service	55,187	66,416	83,556	87,524	112,265	114,829
Salaries	30,246	44,950	54,544	61,799	65,315	71,859
Other Goods & Services	24,941	21,466	29,012	25,725	46,950	42,970
National Security & Defence	73,452	81,965	106,440	134,326	171,197	187,158
Salaries	41,486	49,033	59,034	82,995	99,972	124,736
Other Goods & Services	31,966	32,932	47,406	51,331	71,225	62,422
Interest on Public Debt	119,782	120,159	150,777	182,681	212,475	309,675
Domestic	105,878	113,164	133,787	161,370	182,198	273,977
Foreign	13,904	6,995	16,990	21,311	30,277	35,698
Transfers to Other Institutions	57,673	73,208	102,344	107,317	116,432	118,919
Provincial Councils	35,891	46,479	63,029	70,782	76,866	77,744
Corporations	8,405	10,412	18,336	10,639	12,942	14,126
Statutory Agencies	13,019	16,084	20,807	25,746	26,407	27,049
Local Authorities	358	233	172	150	217	-
Social Safety	82,135	101,602	104,842	110,910	131,342	148,994
Pension	36,444	46,782	58,006	68,822	74,920	85,139
Samurdhi	8,498	9,161	10,789	9,200	9,995	9,267
Other Welfare	37,193	45,659	36,047	32,887	46,427	54,588
Contingency & Other	1,450	-	-	-	-	-
2. Capital Expenditure & On lending	87,227	141,433	165,686	218,845	252,416	322,352
Public Investment	97,630	148,582	177,443	229,273	263,828	330,448
Acquisition of Fixed Assets	40,449	88,190	88,208	111,510	113,738	143,590
Capital Transfers	38,546	40,823	54,306	74,305	97,267	110,046
Provincial Transfers	4,812	11,141	19,699	20,346	21,220	23,780
On Lending	13,823	8,428	15,230	23,112	31,253	53,032
Other	-	-	-	-	350	300
Under expenditure	-	-	-	-	-	-
Other Expenditure	(10,403)	(7,149)	(11,757)	(10,428)	(11,412)	(8,096)
Advance Account Net Lending	1,950	1,850	83	700	1,457	1,932
Repayments on Lending	(15,920)	(10,364)	(13,881)	(11,677)	(13,526)	(11,978)
Restructuring Expenditure	3,567	1,365	2,041	549	657	1,950
Total	476,906	584,783	713,647	841,603	996,126	1,201,927

Current Expenditure / GDP (%)	19.2	18.1	18.6	17.4	16.9	18.2
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Public Investment / GDP (%)	4.8	6.1	6.0	6.4	6.0	6.8
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Notes:

(1) Revenue minus Expenditure of departmental enterprises are netted and shown as transfers to Public Enterprises.

(2) Details may not add to totals due to rounding off.

(3) Defence related expenditure are treated as current expenditure.

(4) Debt repayment is treated as a financing item.

3.4 FINANCING OF THE BUDGET DEFICIT

(ECONOMIC CLASSIFICATION)*

	<i>Rs. Mn</i>					
	2004	2005	2006	2007	2008	2009
Financing	156,752	172,396	205,745	246,045	309,644	476,361
Foreign Borrowing (Net)	37,071	47,773	41,942	100,908	12,933	83,886
Domestic Borrowings / Additional Resources	117,243	123,604	163,805	145,137	296,711	392,475
Non Bank Borrowing	69,274	93,109	83,797	111,308	119,055	196,526
Bank Borrowing	43,289	26,195	80,008	15,769	195,234	49,027
Other Non Market Borrowing	4,680	4,300	-	18,060	(17,578)	146,922
Divestiture Proceeds	2,437	1,020	-	-	-	-

Note: Details may not add to totals due to rounding off.

* Netted against debt repayments

3.5 PUBLIC DEBT

	<i>Rs bn.</i>					
	2004	2005	2006	2007	2008	2009
Domestic Debt	1,143.4	1,265.7	1,479.2	1,715.1	2,140.2	2,400.9
By Instrument	1,143.4	1,265.7	1,479.2	1,715.1	2,140.2	2,400.9
Treasury Bills	243.9	234.2	257.7	307.0	402.6	441.0
Treasury Bonds	643.3	751.6	885.9	1,018.8	1,281.9	1,513.5
Rupee Securities	164.8	140.6	116.7	131.5	130.0	112.3
Sri Lanka Development Bonds	26.1	25.5	62.5	86.5	158.8	168.1
Advances and other*	65.2	113.8	156.4	171.3	166.9	166.0
By Institution	1,143.4	1,265.7	1,479.2	1,715.1	2,140.2	2,400.9
Banks	272.9	298.4	395.4	415.3	657.4	705.8
Central Bank	113.0	78.4	117.6	104.8	239.2	109.6
Commercial Banks*	159.9	220.0	277.8	310.5	418.2	596.2
Non Bank Sector	870.5	967.3	1,083.8	1,299.8	1,482.8	1,695.1
Employees Provident Foud	369.2	406.7	469.7	575.5	676.3	806.2
National Savings Bank	151.2	169.6	166.5	192.4	204.1	257.1
Other	350.1	391.0	447.7	531.9	602.4	631.8
Foreign Debt	996.1	956.6	1,103.4	1,326.5	1,448.7	1,760.5
Project Loans	914.2	865.5	978.4	1,087.4	1,261.3	1,362.8
Other	81.9	91.1	125.1	239.1	187.4	397.65
Total Debt	2,139.5	2,222.3	2,582.6	3,041.5	3,588.9	4,161.3
Total Debt as a % of GDP	102.3	90.6	87.9	85.0	81.4	86.2
Debt Service	300.5	344.9	444.3	498.9	592.8	825.5
Repayments	180.7	224.7	293.5	316.3	380.3	515.9
Domestic	147.7	203.3	247.5	252.2	258.7	401.2
Foreign	33.0	21.4	46.0	64.1	121.6	114.7
Interest Payments	119.8	120.2	150.8	182.7	212.5	309.6
Domestic	105.9	113.2	133.8	161.4	182.2	273.9
Foreign	13.9	7.0	17.0	21.3	30.3	35.7

Note : Details may not add to totals due to rounding off.

* Short term liabilities to the banking sector including Import Bills and Overdraft net of Deposits have been included.