FISCAL MANAGEMENT REPORT 2014

21st NOVEMBER 2013
MINISTRY OF FINANCE AND PLANNING
SRI LANKA

FISCAL MANAGEMENT REPORT 2014

Mahinda Rajapaksa
President and Minister of Finance and Planning

21st NOVEMBER 2013

Issued under the Fiscal Management (Responsibility) Act No. 3 of 2003, consisting of the Fiscal Strategy Statement-2014 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report-2014 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance.

Contents

Charts		**Page No.**

Reporting Requirements
Under the Fiscal Management (Responsibility) Act No. 3 of 2003

Section	Requirement	Required Contents	Compliance
Sections 4, 5 and 6	Submission of the Fiscal Strategy Statement *	Fiscal Strategy Statement to increase public awareness of the Government's fiscal policy and establish standards for evaluating the conduct of the Government's fiscal strategy.	To be released to the public and laid before the Parliament on the day of the second reading of the Appropriation Bill.
Sections 7, 8 and 9	Submission of The Budget, Economic and Fiscal Position Report *	The Budget, Economic and Fiscal Position Report to set out the basis to evaluate the Government's fiscal performance as against its fiscal strategy.	To be released to the public and placed before the Parliament on the day of the second reading of the Appropriation Bill.
Sections 10, 11 and 12	Submission of the Mid-year Fiscal Position Report *	Mid-year Fiscal Position Report to provide updated information of the Government's fiscal performance pertaining to the first four months of the relevant year, to enable an evaluation of the same against the Government's fiscal strategy.	To be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed before the Parliament within two weeks from the date of such release.
Sections 13, 14 and 15	Submission of the Final Budget Position Report (Annual Report)*	Final Budget Position Report (Annual Report) to provide updated information of the Government's fiscal performance pertaining to the relevant financial year, to enable an evaluation of the same against the Government's fiscal strategy.	To be released to the public within five months from the end of the Financial Year and placed before the Parliament within two weeks from the date of such release.
Sections 16, 17, 18 and 19	Submission of Pre-Election Budgetary Position Report **	Pre-Election Budgetary Position Report to provide updated information of the fiscal position of the country.	To be released to the public within three weeks of the publication of the proclamation order requiring the holding of a general election for the election of Members of Parliament and placed before the Parliament within two weeks of the first sitting of the new Parliament.

** By the Minister of Finance*
*** By the Secretary to Ministry of Finance*

Compliance - 2013

- **Final Budget Position Report – The Annual Report - 2012 of the Ministry of Finance and Planning** stating the fiscal and economic position of 2012 was released to the public by end May 2013 and was soon thereafter placed before the Parliament.

- **Mid Year Fiscal Position Report - 2013** was released to the public by end June 2013 and was soon thereafter placed before the Parliament.

This Fiscal Management Report-2014 contains:

- **Fiscal Strategy Statement-2014**, setting out the Government's fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures which the Government considers important for the overall fiscal policy, to be placed before the Parliament on the day of the second reading of the Appropriation Bill.

- **Budget, Economic and Fiscal Position Report - 2014** setting out the basis to evaluate the Government's fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc., to be placed before the Parliament on the day of the second reading of the Appropriation Bill.

Fiscal Strategy Statement - 2014

Issued by the Hon. Minister of Finance
Under sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act No. 3 of 2003

This report is issued under the sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act No. 3 of 2003 where the Minister of Finance is required to present the Fiscal Strategy Statement of the Government to the public and also lay before the Parliament on the day of the second reading of the Appropriation Bill in Parliament.

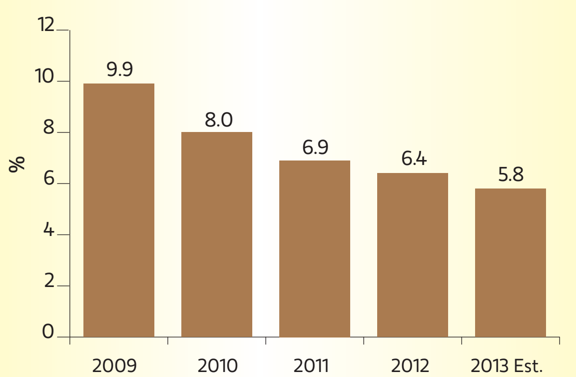
This report explains the broad strategic priorities on which the budget is based while specifying key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

Medium Term Fiscal Strategy

The Sri Lankan economy has been growing at an average rate of 7.5 percent during the last three years supported by a stable macroeconomic policy environment, amidst domestic and international challenges. Although there was a moderation in the growth in 2013, the continuous progress in sustaining low rate of inflation of around 6 percent has improved growth outlook with stability.

The overall fiscal policy strategy has been designed to support the broad based development objectives in the medium term in line with the policy direction provided by the "Sri Lanka: The Emerging Wonder of Asia - Mahinda Chintana – Vision for the Future", the policy framework of the government. The fiscal operations are guided by the Fiscal Management (Responsibility) Act (FMRA) No. 3 of 2003, which provides a legal framework to phase out fiscal deficits and associated debt while promoting fiscal accountability.

Chart 1: **Budget Deficit as a % of GDP**



The medium term fiscal strategy of the government has been designed to reduce the budget deficit and debt to a level conducive to support the growth process in the medium to long run. The strategy emphasizes further consolidation of the deficit reduction path achieved in the recent past by reducing the deficit as a percentage of GDP from a high level of 9.9 percent in 2009 to 6.4 percent in 2012 and to 5.8 percent of GDP in 2013 to ensure the continuity in such a direction for the fourth consecutive year. The budget deficit is expected to reduce to below 5 percent of GDP over the 2014-16 medium term fiscal framework. The underlying strategy envisages an increase in the revenue, a moderation in the growth in the current expenditure or both, while maintaining a stable public investment level at around 6 percent of GDP. This medium-term target is consistent in accommodating available long-term financing from foreign and domestic sources while creating an increased space for borrowings by the private sector. This level of deficit will also be conducive to provide greater freedom to the Central Bank to conduct its monetary policy towards consolidating price stability with mid-single digit inflation. The resultant low interest rates will ease the burden on the government budget as well as on the entire economy while being conducive to consolidate primary deficit.

In achieving the medium term deficit targets, the transformation is particularly expected to come from a turnaround in the government dis-savings through a surplus in the revenue account in the medium term by phasing out its underlying deficit while protecting public service delivery and ensuring welfare expenditure. This will enable to finance a part of public investments from such savings thereby reducing the borrowing requirement.

This process is being supported by the reforms introduced in various areas, particularly fiscal reforms, through the introduction of regionally competitive rate structure with a broader tax base and simplified tax system complemented by measures to improve tax administration to make it more investment friendly.

The government revenue of around 13 percent of GDP is expected to be improved in the medium term when present tax reforms generate a revenue elastic tax system and tax administration is improved. The medium term revenue effort is expected to reach 15-16 percent of GDP as the base settles down following the recent monetary and fiscal policy adjustments towards stability in external sector. Further increase in the revenue is also important to provide adequate liquidity to Treasury operations to facilitate better execution of the budget.

Strong effort will be made to address the challenge of taxing the Services sector, which has become an important issue with the structural shift of the economy towards more service oriented one. Other challenges such as the facilitation of the emerging sectors in the new economy, promotion of exports and improvement of domestic production will also be addressed appropriately.

The moderation in current expenditure is expected to continue, particularly with the support of the relatively low defence expenditure and expenditure relating to the internally displaced persons (IDP) camps. In the backdrop of continued improvement in livelihood opportunities, decline in unemployment, poverty and inflation, the provision of expenditure for welfare has helped to improve the quality of such schemes. The cost-reflective price adjustments are expected to progress in order to improve the financial viability of State Owned Enterprises supporting to phase out the deficit in the revenue account.

Consequently, the revenue deficit, which has been reduced from 3.7 percent in 2009 to 0.7 percent in 2013, is expected to be further consolidated over the medium term. The continued improvement in revenue account will be conducive for the protection of public investment at around 6 percent of GDP and reduce borrowing requirement of the government.

Within the above medium term fiscal framework, the government's debt management strategy is designed to reduce the debt gradually through a lower deficit complemented by the anticipated higher economic growth in the range of 7-8 percent. The debt to GDP ratio is targeted to reduce below 65 percent by 2016.

The process of achieving desired targets is not free from risks and vulnerabilities as the management of fiscal operations is often confronted with a complex economic environment, both domestically and internationally. Domestically, the vulnerability of the budget to adverse implications from the vagaries of weather has increased in the recent years. Internationally, the fiscal management has particularly become complex as the advanced economies are struggling to bring their fiscal houses in order because the nature of the challenges faced by countries is diverse and new issues and challenges continue to emerge requiring innovative solutions to address them. In the context of continued risks and uncertainties in the international economy, including the depressed growth environment, the ongoing sovereign debt issue in the Euro Zone area, the sluggish recovery in the US economy, timing and impact of the possible tapering of quantitative easing measures by the US, impact of aggressive fiscal tightening in advanced countries, continued high oil prices and political unrest in the Middle East, the Sri Lankan economy could have an unfavourable impact in sustaining its adjustments to achieve targets. This warrants constant refinement of policy strategies to deal with such downside risks and uncertainties to sustain medium to long term prospects of high investment and high growth momentum with economic and financial system stability.
The medium term macro fiscal framework is given in Table 1.

Table 1 > **Medium Term Macro Fiscal Framework: 2013-2016 (As a percentage of GDP)**

Indicator		Projections			
	2012	2013	2014	2015	2016
Revenue	**13.9**	**13.6**	**14.5**	**15.3**	**16.5**
Tax Revenue	12.0	12.1	12.8	13.4	14.1
Income Tax	2.3	2.8	2.9	3.0	3.2
VAT	3.0	2.9	3.1	3.0	3.1
Excise Tax	3.0	2.8	2.7	2.6	2.7
Tax on External Trade	2.9	2.7	3.1	3.2	3.2
Other	0.9	1.0	1.2	1.5	1.9
Non Tax Revenue	1.9	1.5	1.6	1.9	2.3
Grants	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Expenditure	**20.5**	**19.7**	**19.6**	**19.9**	**20.4**
Current Expenditure	14.9	14.1	13.5	13.7	14.2
Salaries and Wages	4.6	4.5	4.1	4.1	4.1
Interest Payments	5.4	5.1	4.4	4.4	4.2
Subsidies and Transfers	3.1	2.8	2.9	2.8	2.8
Other Goods and Services	1.8	1.6	2.0	2.4	3.0
Public Investment	5.9	5.8	6.3	6.3	6.3
o/w Highways	1.8	1.5	1.5	1.7	1.6
Ports and Aviation	0.2	0.2	0.1	0.1	0.1
Power and Energy	0.4	0.3	0.2	0.2	0.2
Water and Sanitation	0.4	0.4	0.3	0.4	0.4
Irrigation	0.4	0.4	0.4	0.4	0.4
Education and Health	0.6	0.6	0.6	0.7	0.8
Rural Sector	1.3	1.2	1.1	1.1	1.0
Revenue Deficit (-)/Surplus (+)(% of GDP)	**-1.0**	**-0.5**	**1.0**	**1.6**	**2.3**
Budget Deficit (-)/Surplus (+)(% of GDP)	**-6.4**	**-5.8**	**-5.0**	**-4.4**	**-3.8**
Government Debt (% of GDP)	**79.1**	**78.0**	**74.3**	**70.6**	**65.0**

Source : Department of Fiscal Policy and Department of National Budget

The revenue enhancement is the key for the fiscal consolidation in the medium term. Responding to the new tax system introduced in 2011, a considerable increase in government revenue to around 16 percent of GDP is expected through a broader base to maximize yield over the medium term. The major revenue sources will be Income tax, VAT, NBT, Excise Taxes and trade based taxes. The turnaround in the declining trend in the revenue collection has already begun and is expected to consolidate with the improvement in domestic economic activities as well as imports, which will increase the import based taxes with the impact of relatively high motor vehicle tax is fully absorbed by the economy.

Tax policy reforms will be complemented by the improvement in the tax administration as well as the introduction of the proposed Revenue Administration and Management Information System (RAMIS) at the Inland Revenue Department (IRD) to facilitate greater self-compliance and efficiency gain in tax administration. Reflecting the combined impact of the consolidated growth in tax base and improved compliance, the buoyancy of the tax system is expected to improve in the medium term.

Reform Initiatives

Adoption of continuous changes through policy reforms has become essential to improve efficiency and productivity, explore new potentials and sustain a high growth in the economy, in a highly competitive global economic environment in the context of Sri Lanka being a rapidly developing middle income country. In particular, the reforms in the fiscal sector are imperative to improve the performance of the government budgetary operations towards a prudent fiscal policy regime to secure development with stability. Accordingly, a series of focused legislative, administrative, institutional and capacity development measures have been implemented by the government throughout the last several years to facilitate the achievement of the medium term fiscal targets. These initiatives mainly covered reforms in the areas of taxation, tax administration, public expenditure management, state owned enterprises, and institutional and capacity development.

Tax Reforms

The need to introduce and maintain a stable tax regime without ad hoc changes, which result in reforms to move back and forth thereby creating uncertainties, has been clearly identified by the government. This has also been noted in the recommendations of Presidential Commission on Taxation. The thrust of tax reforms, introduced in Budget 2011 and further consolidated in 2012 and 2013, was to create a simple and broad based tax regime to generate a buoyant growth in government revenue and create an enabling environment for private investment and growth in the economy. The key reform areas are as follows;

- Personal income tax system has been simplified to be comparable with the rates in the countries in the region (the present income tax regime is given in Box 1). The highlights of the income tax regime includes the followings;
    - Reducing applicable marginal tax rates: The maximum marginal rate for personal income tax was reduced to 24 percent with few tax brackets and a high threshold to exclude low income people. In respect of emerging sectors, a single corporate income tax rate of 12 percent was introduced. For the rest of business activities, a single rate of 28 percent was introduced with provisions for expenditure on depreciation and research and development.
    - Increasing the tax free threshold
    - Making the Pay-As-You-Earn (PAYE) tax a final tax
    - Extending the PAYE tax to government sector employees

- Changes in the corporate income tax include the reduction of tax rates while incentivizing the firms that are engaged in export related activities with higher local value addition, creation of an Investment Fund Account (IFA) and the increase of the threshold for the chargeability of the Economic Service Charge (ESC), mainly for the benefit of the SMEs.

- Within the VAT system, the unification of the VAT rate at 12 percent, including that on financial services, modification of the VAT system to avoid complexities and cumbersome refund and setting off mechanisms, introduction of a simplified VAT (SVAT) system, which includes an expanded VAT suspension scheme to address the cash flow issues and refund issues of exporters are the key measures.

- VAT was imposed on supply of goods by any person or a partnership carrying on a business of wholesale or retail trade with quarterly turnover (including exempted turnover and supplies) not less than Rs 500 million to broaden the VAT base.

- The NBT system was simplified with a rate reduction and extending it up to the wholesale and retail level by amalgamating the Provincial Turnover Tax relating to those sectors with a revenue sharing mechanism between the Central government and the Provincial Councils (PCs) to compensate the loss of revenue due to the abolition of the Provincial Turnover Tax.

Table 2 > **Transfer of Revenue to Provincial Councils by Central Government**

Type of Tax/Fee	Percentage	Relevant Provisions
Nation Building Tax (NBT)	33.33%	Section 10 of the NBT (Amendment) Act No. 11 of 2011, which amends the NBT Act No. 9 of 2009.
Motor Vehicle Registration Fee	70%	Motor Vehicle Act No. 14 of 1951, as amended.
Stamp Duty	100%	Provincial Councils (Transfer of Stamp Duty) Act No. 13 of 2011.

Source: Department of Fiscal Policy

Box 1
Income Tax Regime

Description	Tax Rate (%)
Individuals	
Up to Rs.500,000	Exempted
On the Balance	
First Rs.500,000 (of the taxable income)	4.0
Second Rs.500,000	8.0
Third Rs.500,000	12.0
Fourth Rs.500,000	16.0
Fifth Rs.1,000,000	20.0
Balance	24.0
Pay-As-You-Earn (PAYE) Tax is not applicable on employment income below Rs. 600,000.	
For Pilots and Profession Employees who work for companies in providing professional services abroad, the maximum PAYE Tax rate is 16.0%.	
For employees who work under more than one employer and the payment per month is less than Rs. 25,000, the tax rate is 10.0%. If the payment exeeds Rs. 25,000 per month, the applicable tax rate is 16.0%.	
Corporate Income Tax	
Agriculture	10.0
Exports with 65 percent value addition	
Manufacture of any article or provision of any service with the turnover not exceeding Rs. 500 million per annum	
Operation of storage facilities	
Development of software	
Supply of Labour	
Educational services	
Clubs and associations	
Remittance tax	
Any unit trust, mutual fund and unit trust management	
Poultry	
Dividend income	
Small companies (taxable income not exceeding Rs. 5 million)	12.0
Non-traditional exports*	
Animal produce	
Livestock	
Manufacture of animal feed	
Tourism	
Construction	
Healthcare services	
Manufacture of handloom products	
Venture capital companies	
Petroleum exploration	
Manufacturing business	28.0

Business of Liquor, Tobacco and Gaming	40.0
Other	
Partnerships on divisible profits	8.0
Employees' Trust Fund and Provident or Pension Funds	10.0
Charitable Institutions	
Non-Governmental Organizations	28.0

** Exports, including deemed exports, other than black tea in bulk (more than one kilogram in a package) not being organic tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconuts*

- Increasing the threshold of the annual turnover for VAT and NBT to Rs.12 million to facilitate SME sector while also easing the administrative burden through the reduction of a large number of small tax payer files managed by the Inland Revenue Department to improve its productivity.

- The introduction of a composite telecommunication levy by removing VAT, NBT, Regional Infrastructure Development Levy, Environment Conservation Levy and the Mobile Subscriber's Levy on the telecommunications sector, the removal of the Regional Infrastructure Development Levy, Social Responsibility Levy and Debit Tax to reduce the complexity of the tax system.

- Rationalizing many exemptions and bringing investment incentives under Strategic Investment Law and Income Tax Law to rationalize tax holidays and the concession regime.

- Introduction of the following key reforms/ changes in the import related taxes.
  - Simplification of the prohibitive tax rates on many items, including the motor vehicles
  - Elimination of the surcharges on imports
  - Placement of intermediate goods which are necessary to local value added industries at a low tax regime
  - Removal of import duties and cess on most of the raw materials to support the domestic value addition
  - Further reduction of taxes on importation of machinery and equipment to encourage mechanization of the economic activities
  - Maintenance of a four band tariff system

- Introduction/scaling up of Cess on products that Sri Lanka has a comparative advantage to have a fair competition

- Continuation of the Special Commodity Levy (SCL), which has unified the multiple taxes applied on most essential consumer items and bringing the export of items in raw form to relatively high tax rates to encourage the domestic value addition are the key measures introduced in the international trade related taxes.

- Imposition of an all-inclusive 5 percent levy on the gross collection of the activities of Betting and Gaming on a monthly basis in lieu of multiple taxes which were applicable and making the registration with the Inland Revenue Department mandatory to carry out such activities to ensure tax compliance with regard to such activities within an effective regulatory regime that was so far lacking, while confining it to those who are already in operation. Also, the annual levy payable by business of gaming was increased to Rs. 100 million from Rs. 50 million.

- Introducing targeted tax incentives to boost Identified activities such as IT-BPO, telecommunications, import replacement activities and capital market transactions.

- Issuing of the Finance Act - Commercial Hub Operations No. 01 of 2013 under Extraordinary Gazette No. 1818/30, dated 11 July 2013 (known as Commercial Hub Provisions), to declare identified areas as free ports and bonded areas, dedicated for offshore business activities (Box 2).

- Discouragement of the consumption of liquor and cigarettes through high taxes and with stringent measures to prevent the illicit liquor, drugs and narcotics.

The introduction of necessary adjustments to the tax system introduced since 2011 will be continued to consolidate the reforms while ensuring the credibility of the tax policy.

Box 2
Commercial Hub Provisions

As announced in the Budget 2013, the legal framework to be able to declare identified areas as free ports and bonded areas, dedicated for offshore business activities, was put in place by the government under the Finance Act - Commercial Hub Operations No. 01 of 2013. Accordingly, the Colombo and Hambantota Ports were declared as Free Ports, the Katunayake and Koggala Export Processing Zones were declared as Bonded Areas and the Mattala Rajapaksa International Airport and Mirijjawila Export Processing Zone were declared as Specified Bonded Areas.
The offshore businesses identified under this framework include the followings;

a. Entrepot trade involving import, minor processing and re-export
b. Off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing same into Sri Lanka
c. Providing front end services to clients abroad
d. Headquarters operations of leading buyers for management of finance supply chain and billing operations
e. Logistic services such as warehousing and multi-country consolidation in Sri Lanka

The minimum investment requirement of fixed capital investment and re-export turnover has been specified in the regulation as given in the following Table.

	Activity	Minimum Fixed Capital Investment (US$ Mn.)	Re-Export Turnover (US$ Mn.)
a.	Entrepot trade involving import, minor processing and re-export	5.0	20.0
b.	Off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing same into Sri Lanka	1.0	10.0
c.	Providing front end services to clients abroad	1.0	10.0
d.	Headquarters operations of leading buyers for management of finance supply chain and billing operations	1.0	10.0
e.	Logistic services such as warehousing and multi-country consolidation in Sri Lanka	3.0	15.0

According to the regulations, the above investment should be made within 6 months period and re-export turnover should be achieved over a period of five years.

The introduction of these provisions is expected to play a pivotal role in the international trade and related services utilizing the great potential that Sri Lanka has in every aspect. In particular, Sri Lanka's geographical location in the region with close proximity to international sea routes between Asia and Europe and the expansion of the Port of Colombo to accommodate larger vessels in the world complemented by the long earned reputation in service delivery will help achieve the objectives under these provisions.

Reforms in Tax Administration

Given the current status of the tax administration in the country, the tax and customs administration reforms require modernization of systems and procedures to simplify the payment system in line with tax policy reforms. The computerization of processes is a central component of such reforms to enable the automated services for filing of returns, payment of taxes etc. along with upgrading the skills of related staff while providing them with administrative freedom and incentives. Furthermore, as Sri Lanka is gradually being consolidated as a middle income country with a rapidly expanding Service sector, introduction of an automated system in tax administration while linking all the revenue and related agencies has become a strong necessity. In this context, the Fiscal Management Efficiency Project (FMEP), implemented under a long term financing arrangement from the Asian Development Bank (ADB), has facilitated the implementation of a major institutional reform drive targeting Department of Inland Revenue, Department of Customs and Department of Excise. The introduction of Information Technology Systems at the Inland Revenue Department, namely Revenue Administration and Management Information System (RAMIS), is the key among the activities carried out under the project related to the tax administration. The development of the human resources in the revenue agencies to manage such a system to address tax administration related issues and application of information technology has given the priority.

In addition, the activities of the Ministry of Finance and Planning (MOFP) are also being modernized through an Integrated Treasury Management Information System (ITMIS). The institutional and social capacity development is the other important component of the FMEP where a large number of officials in the revenue agencies and MOFP are being trained (Box 3).

Box 3
Institutional and Capacity Development

Fiscal Management Efficiency Project

Reforms in fiscal management facilitated by adoption of Information and Communication Technologies is among key modernization initiatives in many government reform agendas as it offers many advantages to the management of public funds. The experiences from implementation of IT systems in public financial management worldwide have shown wider economic benefits, on a sustainable basis as it provides for effective control and monitoring of Government revenues and expenditure.

Government of Sri Lanka is making significant strides in implementation of such reforms and has taken a series of coordinated steps for improving the fiscal management in the country. These reforms are primarily driven by Ministry of Finance and Planning (MOFP) through two key initiatives, facilitated by the Asian Development Bank (ADB), focusing on the following;

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

Introduction of a Revenue Administration and Management Information System (RAMIS)

The introduction of RAMIS is ongoing under which all the business processes of the IRD, including taxpayer services, will be automated primarily to improve the revenue management to facilitate and increase the revenue collection while providing access to timely and accurate information. With the setting up of this system, taxpayer registration, filing of returns, making tax payments, appeals, collections, cancellations, directions, clearances etc. will be IT enabled. It is expected that RAMIS will be expanded to the 19 IRD branches situated island-wide through the Wide Area Network already established through the FMEP/ using the web.

Progress

The Government of Sri Lanka in June 2013, sought the assistance from the Government of the Republic of Singapore in implementation of RAMIS. In August 2013, the Singaporean Government, through its Infocomm Development Authority International (IDAi), submitted the proposal for implementation of RAMIS which is currently being evaluated by a Technical Evaluation Committee (TEC) with the assistance of a Core Team of IRD in validating the functional requirements of proposed RAMIS.

Integrated Treasury Management Information System (ITMIS)

The work related to the introduction of an Integrated Treasury Management Information System which will automate key departments of the Treasury/MOFP is in progress. Automation of entire lifecycle of public financial management in the country including budgeting, revenue and expenditure management, debt management, auditing and accounting of public revenue and expenditure related to all government agencies is the key objective of the implementation of the ITMIS in which the FMEP is tasked with leading and overseeing of its implementation.

The ITMIS will facilitate the automation of various functions of the General Treasury, ensuring proper and effective management in revenue administration and integrated Treasury operations. It will also facilitate the preparation of variable-based and query-based reports, etc. It will be interfaced with RAMIS to ensure that there is fiscal /revenue consolidation, having accounted for, and having reconciled all aspects on a more frequent basis. Implementation of the proposed ITMIS will improve government financial management.

Progress

An international competitive bidding process which started back in year 2011, resulted Samsung SDS of Korea been selected as the successful contractor in implementing ITMIS and the respective contract was awarded to Samsung SDS in August 2013.

The initial phase of the approximately 22 months long implementation process has already started and with Samsung SDS is conducting discussions with the key departments of the Treasury in identifying detailed functional requirements of proposed ITMIS. Parallel efforts are also underway in transforming the MOFP website in to a comprehensive user-friendly online portal.

Social Capacity Development/ Training

The Academy of Financial Studies (AFS) or "Miloda", which was set up as a modern State - of – the – Art, Training Centre was declared opened and will facilitate the training of officers of the MOFP, including officers of Accountancy and Planning Services, Officers of the Inland Revenue Department, the Customs Department, the Department of Excise, Import and Export Control Department, Census and Statistics Department and Valuation Department etc.

Capacity development is also facilitated through the FMEP Project, covering various domestic and foreign training in a number of fields, including Public Finance, Strategic Management and E-Governance, Change Management and Business Process Re-engineering, which will help improve the government revenue management and the entire public financial management system of the country.

The Committee on Interpretation of Tax Laws and Tax Appeals Commission which were established in 2011 (Box 4) are expected to encourage tax compliance with uniform treatment while avoiding administrative discretions and improving transparency. The Committee on Interpretation of Tax Laws was set up at the Department of Inland Revenue (IRD) in April 2011 to ensure consistency, credibility and transparency in the tax administration, while taking away the discretionary powers till then held by individual officers of the IRD on interpretations to ensure consistency and fair-play relating to interpretations. Tax Appeals Commission was established under the Tax Appeals Commission Act No. 23 of 2011 comprising senior officials of the IRD to ensure that tax appeals will be determined by members of an autonomous body, primarily to pave the way for expeditious decisions given by a panel of independent experts constituting the Commission.

Box 4
Summary of Progress in Tax Administration Reforms

Tax Appeals Commission

The Tax Appeals Commission (TAC) which was established in March 2011, has the key mandate of providing for a more efficient and effective system or fair and unbiased hearing of tax appeals. The TAC is involved in the work related to the appeals transferred from the Board of Review and new appeals received by the Commission. The progress of these two appeals attended by TAC is given in the following tables.

No. of Appeals Transferred from the Board of Review

Tax Category	No. of Appeals	Appeals withdrawn	Appeals Settled	Apeals Being Heard	Fully Heard & Order Reseved	Determinations Issued	Cases Stated
Income Tax	48	1	3	18	18	8	3
VAT	22			1	11	10	3
ESC	4			1	3	0	
WHT	1			0	0	1	
Stamp Duty.	1			0	1	0	
Total	**76**	**1**	**3**	**20**	**33**	**19**	**6**

Source: Tax Appeals Commission

Out of the 76 total appeals which were transferred from the Board of Review to the TAC, one appeal was withdrawn and another three have been settled by end October 2013. Out of 72 appeals, 33 Appeals were fully heard and determinations are to be issued. Determinations were given for 19 appeals. In addition to the above appeals, 95 new appeals have been received by October 2013. Details of new Appeals are given in the following table.

New Appeals Received by the Tax Appeals Commission

Tax Category	No. of Appeals Received	No. Withdrawn	No. of Appeals Listed for Hearing in 2014	Appeals Being Heard	Fully Heard & Order Reserved	Determinations Issued	Cases Stated
IT	63	2	7	18	10	25	21
VAT	26		1	6	8	11	4
ESC	6	1	1	1	2	2	-
Total	**95**	**3**	**9**	**25**	**20**	**38**	**25**

Source: Tax Appeals Commission

Committee on Interpretation of Tax Laws

One of the key administrative reform initiatives was the establishment of the Committee on Interpretation of Tax Laws in the Inland Revenue Department in April 2011 in terms of the Inland Revenue Act No. 10 of 2006, to ensure consistency, credibility and transparency in the tax administration, while taking away the discretionary powers till then held by individual officers of the Inland Revenue Department, on interpretations. This Committee is headed by a Senior Deputy Commissioner General of the Inland Revenue Department. As announced in Budget 2013, a time bar of 6 months was introduced within which an interpretation has to be given.

The Committee has up to 31st October 2013, interpreted 121 cases and out of which 102 interpretations were communicated from amongst 216 cases tendered by respective parties to the Committee. The unresolved number comprises requests in respect of which further information sought by the Committee and the cases registered newly.

As reflected from the data, most of the interpretations dealt with were in relation to income tax, and the rest were on Economic Service Charge, Value Added Tax, Nation Building Tax, Stamp Duty and Betting and Gaming Levy.

Details of Interpretations given up to 31.10.2013

Tax Type	Area	No of Cases
Income Tax	Exemptions	9
	Liability of Income Tax	4
	Ascertainment of Profits and Income (Allowability of Deduction) and Deductions from total Statutory Income.	8
	Employment Income	9
	WHT on debt securities	8
	Dividends	4
	Rental Income	1
	Qualifying Payments	1
	Application of Concessionary rates	9
	Reduction or waiver of penalty	1
	Sub Total	**54**
VAT	Exemptions	3
	Liability for VAT	10
	Zero rated Supply of a Company	6

	Deferment facility on imports	2
	Investment Fund Account	2
	Set off of Input Tax	1
	Sub Total	**24**
NBT	Exemptions	1
	Liability for NBT	6
	Definitions and Computation of Liable Turnover	8
	Sub Total	**15**
Stamp Duty	Exemptions	1
	Liability on Share Certificates on Transfer or Issue of Shares	5
	Sub Total	**6**
ESC	Computation of Liable Turnover	2
	Sub Total	**2**
Betting & Gaming Levy	Liability for Betting & Gaming	1
	Sub Total	**1**
Total		**102**

Source: Department of Inland Revenue

Double Taxation Avoidance Agreements

At present, Sri Lanka has Double Tax Avoidance Agreements with 38 countries, which are in force. Another 5 agreements have been signed with Luxemburg, Seychelles, Belarus, Palestine and Bahrain which are to be entered into force in the near future. Further 4 agreements have been signed at official level with Ukraine, Oman, Germany (Revised) and Singapore (Revised). Double taxation avoidance agreements secure the position that a taxpayer is not required to pay tax twice in respect of the same income for the same period although they are generally subject to tax their home country as well as in the country in which they make investments. The main objective of entering in to the agreements for the avoidance of double taxation is to encourage the inflow of capital, technology and expertise in to the country and thereby accelerate the economic development and remove the double taxation of the same income and obstacles incidental thereto. It is expected that these provisions will encourage investments in Sri Lanka and help expand the trade and economic ties between all these countries. This type of agreements will also help establishing goodwill, friendship and closer cooperation between Sri Lanka and these countries.

Countries that have Double Tax Avoidance Agreements with Sri Lanka: As at end of October 2013

Australia	India (Rev.)	Netherlands	Singapore
Bangladesh	Indonesia	Norway (Rev.)	Sweden (Rev.)
Belgium	Iran	Oman (Limited)	Switzerland
Canada	Italy	Pakistan (Rev.)	Thailand
China	Japan	Philippines	U.A.E. (Limited)
Denmark (Rev.)	Korea	Poland	U.A.E. (Comprehensive)
France	Kuwait	Qatar	U.K.
Finland	Malaysia (Rev.)	Romania	U.S.A
Germany (Rev.)	Mauritius	Russia	U.S.A.Protocol
Hong Kong (Limited)	Nepal	Saudi Arabia (Limited)	Vietnam

Source: Department of Inland Revenue

Public Expenditure Management

The government has made a concerted effort in managing the government expenditure by improving its quality while encouraging appropriate prioritization to enable the government's financial resources be managed prudently and to improve the fiscal discipline. Commitment control and imprest controls are being strengthened to ensure the management of the activities of line ministries within the available financial resources. In order to manage the available resources effectively, line ministries are being encouraged to work in a medium term budgetary framework on a clearly planned expenditure cycles. The budget making process has been improved with a wider consultation of the stakeholders and the general public to inculcate the culture of working within the available resource envelope of the government while expanding inclusivity in policy making.

Meanwhile, the activities of the Committee on Public Enterprises (COPE) which has the intention of ensuring the compliance of financial discipline in Public Corporations and other Semi Governmental bodies in which the government has a financial stake and Committee on Public Accounts (COPA), which is engaged in probing the managerial efficiency and financial discipline of the government Ministries, Departments, Provincial Councils and Local Authorities, are becoming stronger thereby helping to ensure better management of public expenditure.

The financial regulations are also being revisited to change them to be much simpler to meet the needs of an emerging middle income country thereby enhancing the productivity of the public sector. New systems and regulations will be introduced to improve the expenditure management. Meanwhile, cadre management and assessment activities are also being undertaken to ensure the efficient and effective human resource management in the public sector (Box 5). The introduction of necessary reforms and policy initiatives will be continued in the future to address structural and institutional issues.

Box 5
Public Sector Cadre Management

In the context of upholding the optimal human resource so as to achieve the development goals within the policy framework of the government, widening of opportunities to enter into the public sector in a competitive manner for the qualified professionals and skilled laborers is required for each sector. In line with this, recruitment of the persons, including the graduates from universities and technical institutions, to the public service is being done based on the timely requirements. Cadre reviews are also carried out through in depth functional study in each sector having recognized the need of a rational human resource management.

The total cadre of the public sector as at 30 June 2013 was about 1.3 million of which about 1.1 million depends entirely on the national budget within which the education and health sectors have absorbed significantly high numbers. The number of professionals, such as engineers and technical officers, has also increased over the years with the expansion of the public service delivery. The number of instructors and lecturers in the vocational and technological institutions has been increased significantly to support the technical education. Number of medical officers and nursing officers has also been expanded in order to cater to the initiations in the health services. A policy decision has been taken to establish veterinary units in each divisional secretariat area to uplift the livestock sector and thereby leading to an expansion in the number of veterinary surgeons.

Cadre Composition of Public Sector –June 2013

Administrative Level	Total
National	932,509
Provincial Councils	309,246
Local Authorities	38,070
Total	**1,279,825**

Sectoral Distribution of Public Sector Cadre - June 2013

Sector	Central Government[1/]			Provincial Councils and Local Authorities	Total	Percentage
	Public Service	Semi Government	Commercial Entities			
Security Law & Order	427,364	1,970	1,257	-	430,591	33
Civil Administration	43,766	2,313	5,984	53,167	105,230	8
Education	40,063	30,183	-	211,674	281,920	22
Health	64,605	179	2,618	64,292	131,694	10
Social Development	15,873	3,389	-	2,253	21,515	2
Agriculture	25,813	8,219	6,367	8,068	48,467	4
Industry & Commerce	12,343	8,341	10,150	4,872	35,706	3
Infrastructure	63,603	45,380	89,153	2,990	201,126	16
Banking	-	1,437	22,139	-	23,576	2
Total	**693,430**	**101,411**	**137,668**	**347,316**	**1,279,825**	**100**

1/ Central government consists of pensionable public service, semi government i.e. universities, budgetary funded corporations and statutory boards; and government owned business enterprises including state banks.

During the first 8 months of 2013, 14,479 new posts were created, paying more attention on reaching the expected goals in the Development Framework of the government and considering timely requirements of each sector through an extensive cadre reviews carried out for each sector.

New posts have to be created for the 52,000 graduate trainees who were recruited in 2012, so that they can be appointed on permanent basis upon the successful completion of their training. Accordingly, 47,719 new posts of "Development Officer" have been created up to now.

Creation of New Posts - 2013

Institute	New Posts Created		
	Senior Level	Middle Level	Primary Level
Ministries	584	5,210	162
Departments	87	2,845	178
District and Divisional Secretariats	58	1,661	7
Provincial Councils	26	2,063	96
Statutory Boards	117	748	637
Total	**872**	**12,527**	**1,080**

The key areas related to the cadre management are being dealt with added responsibility. Accordingly, granting approval for filling vacancies, creating new posts and revising designations, and suppressing unnecessary posts are being done with the recommendations of the relevant institutions and researches when necessary to ensure a better public service delivery and to maintain an optimum level of total cadre for public service. Approval of the optimum cadre for the infrastructure development projects, including highways, irrigation and water supply schemes, is being done and the Management Services Circular No. 33 is being amended in order to provide enhanced benefits to service receivers and realizing the timely need of attracting quality human resource for the development projects. In addition, the provision of recommendations for the formulation of service minutes and schemes of recruitments while granting approval for scheme of recruitments of statutory bodies in appropriate manner are also being continued.

The introduction of the proposed Integrated Treasury Management Information System (ITMIS) to automate the activities related to the activities in the Treasury will help efficient management government resources. The use of techniques such as time slicing is also being emphasized to ensure the productive and efficient management of public expenditures. Efforts to keep the operational expenditure on check are being made while giving priority to curtail unproductive expenditures. Steps are being taken to strengthen the planning, improving cost benefit analyses and proper sequencing of the projects etc. Necessary adjustments to the procurement procedures to improve the accountability for best practices in the public sector are also being introduced to address the issues in the public procurement.

Box 6
Measures Introduced in 2013 to Promote Best Practices in Public Procurement

A new procurement policy was introduced to call open competitive bids including those state owned construction organizations such as Central Engineering Consultancy Bureau (CECB), State Engineering Corporation (SEC) and State Development and Construction Corporation (SD&CC) giving more competition, transparency and accountability in the procurement process thereby discouraging the tendency to award construction procurement directly to state owned construction companies. Under the new policy, state owned construction companies are awarded the tenders considering their capacity at any given time. Their works and consultancy services will be monitored closely.

During the year, a circular was issued inviting attention of the Accounting Officers to the requirement of granting preference to domestically manufactured goods supplied by local bidders (Para 7.9.6 of the Government Procurement Guidelines-2006) who participate in supply contracts of goods manufactured locally using local raw materials, labour and other factors encouraging them in economic development process.

The Procurement Planning Committee (PPC), appointed for procuring fertilizer for agriculture sector, has been reconstituted with new members who possess expertise in related fields with a new mandate to search for hazardous free and environment friendly alternative products addressing health, environmental and social issues in the farming community.

Further to three Standard Cabinet Appointed Procurement Committees (SCAPCs), appointed under the Ministry of Health, two new SCAPCs were appointed to deal with procurement of essential/lifesaving drugs to minimize the delays and shortfall in supply of essential drugs. Separate Technical Evaluation Committees (TECs), dedicated on procurement of essential drugs and cancer drugs, have also been appointed to assist these SCAPCs.

In addition, action has been taken to reconstitute 27 SCAPCs and 2 Standard Cabined Appointed Procurement Planning Committees (SCAPPCs) appointed under a number of Ministries in 2011 and 2012 to give maximum transparency and accountability in the public procurement process.

A circular letter was issued drawing attention of Accounting Officers to the need to consider the bid securities and guarantees issued by the Construction Guarantee Fund (Para 5.3.11 of the Government Procurement Guidelines-2006) in evaluating and awarding contracts and include clear instructions in bidding documents to that effect. This would encourage especially small and medium scale contractors participating in construction procurement which in turn help develop local construction industry.

Action is being taken to appoint members for the TECs for organizations such as National Water Supply and Drainage Board (NW&DB), Ceylon Electricity Board (CEB), Airport and Aviation (Sri Lanka) Ltd. (AASL) and Road Development Authority (RDA) from outside such organizations who possess the experience and knowledge in related area of expertise in addition to the members from such organizations. This practice is expected to provide maximum transparency and accountability in selection of contractors for large scale contracts.

Public Investment

The government is committed to maintain public investment at around 6-7 percent of GDP in the medium term concentrating on key infrastructure development projects and important infrastructure in lagging regions, health and education while the private investment is expected to play the larger role in the growth process. This level of public investment will complement the achievement of a steady improvement in the overall investment ratio to around 33-35 percent of GDP for the realization of the medium-term to long-term GDP growth target of over 8 percent complemented by a significant increase in productivity in both the public and private sectors as well as improvements in the public sector service delivery and regulatory arrangements. Hence, the balance 80 percent of investment will have to come from both domestic private sector and foreign direct investment (FDI).

In the context of infrastructure project financing, steps were taken to broaden the base of local financing available for implementation of public investment programmes. Accordingly, the Investment Fund Accounts (IFAs) established in the commercial banks in terms of the budget proposal of 2011 facilitated the of use tax savings in banking institutions for long term lending to development financing of State Owned Business Enterprises (SOBSs) and Public Corporations. The financing sources will continue to be diversified by allowing SOBEs to borrow on their own on the basis of the strength of their cash flows subject to required due diligence. The use of public private partnerships (PPP) as an effective tool for implementing development projects will also be enhanced in the future. Meanwhile, issues such as implementation delays, cost overruns, and other impediments that affect the effective project implementation are being addressed to ensure cost saving and timely completion of projects.

Social Protection

The commitment to ensure the social protection of vulnerable and the needy, including the elderly population and differently abled people, is an important element of the medium term fiscal strategy. The existing income support programmes will be continued and the community empowerment through infrastructure support by providing roads, electricity, quality water & sanitation, minor irrigation projects at rural levels and through the rural centric development projects, such as Divi Neguma, Gama Neguma, and Pura Neguma to promote productive livelihood development initiatives to empower the poor. This will effectively shift the country from having a pro-poor social welfare based poverty reduction approach to a more inclusive growth based income raising approach. With the gradual reduction in poverty, unemployment and inflation along with the improvement in livelihood opportunities through the emphasis on backyard economies (Divi Neguma), rural infrastructure (Gama Neguma) and Small and Medium Enterprises (SMEs), the available funds provide opportunities to improve quality of spending towards remaining facets of poverty and other vulnerabilities.

State Owned Enterprises (SOEs)

The improvement of the performance and efficiency of State Owned Enterprises (SOEs) encompasses an important position within the current fiscal strategy. Accordingly, strong emphasize is placed on their pricing, management improvements and capital enhancement to make them financially stronger institutions. In particular, SOEs which are the providers of essential services such as electricity, energy and water, are required to be cost efficient. Given the government's clear policy of non-privatization of SOEs, they are encouraged to adopt innovative management reforms to become commercially viable dividend paying entities, without depending on the assistance from the government budget. The new capital infusion, which is being taken place, is expected to improve productive capacity of SOEs. This, coupled with the adjustments in prices, will enable these enterprises to generate significant profits, and are expected to become strong revenue sources by transferring such profits to the government as non-tax revenues.

The domestic energy price revisions introduced in 2012 and 2013 have contributed to make a significant positive impact on the Ceylon Petroleum Corporation (CPC). The electricity price revision introduced in 2013 and the favorable weather conditions have helped to improve the financial performance of the Ceylon Electricity Board (CEB). This will be strengthened further with the expected change in the country's energy mix with the introduction of low cost energy sources, such as coal.

A number of issues that has been highlighted by the Committee on Public Enterprises (COPE) that hampers the efficient management of SOEs are being addressed to improve their performance. It is noteworthy that many SOEs have complied with Annual Accounts and Annual Reports requirements in line with this.

Debt Management

Sri Lanka's consolidation as a middle income economy together with a gradual reduction in Official Development Aid (ODA) by advanced economies to developing countries has resulted in a decline in the foreign grants and concessional financing that the country receives for development activities. Accordingly, a proper blend of foreign concessional and non-concessional financing, including the borrowings from financial markets, will be maintained to keep the cost of overall borrowing at an affordable level. In the domestic front, the structure of the government debt, which has moved towards more marketable instruments and practice of allowing foreign investments in government securities with exposure limits, will be maintained. The improvement of government securities market in order to ensure more competitive pricing in debt will also be continued. In this context, maintaining of an optimal mix of domestic and foreign debt, giving due consideration on foreign exchange needs and other internal and external developments, maintaining a proper currency mix to reduce risks, enhancing the efficiency of the secondary market by developing a dynamic long term benchmark yield curve and diversification of the investor base will be the priority areas in the medium term debt management strategy.

Global Environment and Its Impact on Sri Lanka

The growth in the global economy remains relatively low with its' underlying dynamics are changing, and advanced economies are recording a gradually picking up growth but slower than expected growth in emerging market and developing economies. However, the growth in the global economy is expected to moderate in 2014 benefiting from impetus from the expected higher growth in advanced economies with key drivers being the stronger U.S. economy, a reduction in fiscal tightening (except in Japan), and highly accommodative monetary conditions. Nevertheless, international commodity prices, including petroleum, and the favourable global supply conditions will be supportive for a decline in the expenditure on imports while helping to arrest the import driven inflation. If the performance of the global economy, particularly the advanced economies which are major export destinations of Sri Lanka, would be lower than expected levels, it is likely to affect the country's exports. This highlights the importance of fast tracking the proposed Free Trade Agreements (FTAs) with China and Japan while taking efforts to diversify country's exports to other emerging market economies. The continuation of the flexibility in the exchange rate while limiting the intervention of the Central Bank to prevent excessive volatility in the foreign exchange market and introduction of other structural measures also has to be in place to encourage exports.

Medium Term Strategic Priorities of the Fiscal Policy

- Streamlining of the tax policy reforms introduced in 2011 to simplify the tax system to consolidate a regionally competitive tax regime with low rates and broader tax base
- Strengthening tax administration to simplify payment system and support the enforcement
- Introducing information technology to revenue institutions and the Treasury
- Strengthening initiatives to institutional and human resource and management capacity building
- Quality improvement in public spending through sectoral budget planning
- Line ministries to work on a medium term framework to effectively manage sectoral coordination and improvement in commitment control and imprest management through the improvement of Treasury management and procurement
- Consolidation of the public security to ensure peaceful environment in the country
- Continuation and completion of the strategic infrastructure development projects
- Strengthening regional/rural centric infrastructure development initiatives to improve lagging regions
- Continuation of the livelihood development activities to empower the poor while providing social protection for the needy
- Maintaining public debt at prudent levels with gradual decline in the borrowing requirement of the government with the decline in the overall budget deficit and improved management of public debt
- Ensuring a proper mix of domestic and foreign debt in the government debt management
- Improving fiscal transparency and accountability

Key Fiscal Measures for the Improvement of Overall Fiscal Policy Implementation

- Taking measures to augment the revenue with greater emphasis on the expansion in tax base while avoiding ad hoc changes to tax rates
- Taking measures to contain tax evasion and avoidance through the strengthening of legal and regulatory framework
- Continuation of the income support programmes to vulnerable people and the needy in the society
- Improving stakeholder consultation in budget making process
- Introducing RAMIS and ITMIS to the IRD and MOFP, respectively
- Infusing capital to State Owned Business Enterprises (SOBEs) to make them financially viable entities
- Revising/updating financial regulations to suit for the fiscal management in a meddle income country

Budget Economic and Fiscal Position Report - 2014

Issued by the Hon. Minister of Finance
Under Sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act No. 3 of 2003

This Report is issued under sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act No. 3 of 2003, which requires the provision of a basis for the evaluation of the Government's fiscal performance as against its fiscal strategy statement and to be placed before the Parliament on the day of the second reading of the Appropriation Bill. It includes estimates relating to gross domestic product, consumer prices, balance of payments, and assumptions based for estimating revenue and expenditure.

Accordingly, this Report contains provisional figures of Government revenue, expenditure and borrowing in the first 9 months of 2013. This Report also provides key macro economic developments during this period to facilitate the understanding of the overall economic situation within which fiscal operations have been conducted. This Report also refers to the basis of information on economic and other assumptions used in preparation of estimates for 2014 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of the Government.

Fiscal Developments

Overview

The fiscal performance during the first nine months of 2013 was mixed as the the revenue was lagging and the expenditure was leading. The imbalance experienced in the early part of the year in the fisal operations as a result of this commenced to settle down towards the third quarter of the year with the improvement in revenue and closer monitoring of public expenditure management. The government revenue reflected a turn around of its declining trend since July 2013 as circumstances which led to a weak tax revenue collection have begun to wane with the signs of accelerating economic activities complemented by the impetus from the gradual recovery of the global economy. The aberration in revenue collection in the first half of 2013 which was a result of a drop in revenue collection mainly from taxes levied at the point of import due to the erosion in value of motor vehicle imports as the tax base, has commenced to reverse with the gradual improvement in external trade.

The disaggregated data indicates that there has been a buoyant growth of 14.4 percent in the revenue from income taxes to Rs. 154,709 million in the first nine months of 2013 in comparison to Rs. 135,238 million during the corresponding months of the previous year reflecting a favourable consolidation of the impact of 2011 tax reforms which is aimed at lower rates and broader base. During the first nine months of 2013, nominal growth in total revenue was 2.7 percent. Tax revenue increased by 4.2 percent thereby turning around the declining trend experienced until June 2013.

The revenue from Pay-As-You-Earn (PAYE) tax or tax on wage income increased by 25.9 percent to Rs. 14,245 million from 11,318 million despite lower rate structure and higher threshold inbuilt in the the new tax system introduced in 2011, higher wage income and employment liable to such taxes, improved compliance from employers and collection of this tax at the source as the final tax. Tax on interest recorded a higher growth of 31 percent reflecting the growth in deposit base in the banking and financial system as well as the increase in the amount of government securities issued during this period. Corporate and non-corporate income and profit tax increased by 15.6 percent due to a gradual completion of tax holiday period by many companies and improved performance of commercial banking, financial and insurance, imports and exports trade, tobacco and alcoholic beverages, tourism and manufacturing sectors despite the impact of continued slowdown in credit growth and business of motor vehicles and financial leasing activities.

Tax revenue from VAT on domestic consumption increased by 11.1 percent to Rs. 91,856 million, reflecting the improvement in the system under the newly introduced single rate system. The revenue from Cess increased by 12.1 percent to Rs. 26,399 million due to the imposition of Cess on a unit basis on several items. Special Commodity Levy (SCL) collected at the point of imports indicated a 38.1

Chart 2 > **Growth in Total Tax Revenue (%) (Cumulative)**

Chart 3 > **Growth in Import Based Taxes (%) (Cumulative)**

percent increase reflecting higher tax rate imposed to support the domestic producres by maintaining higher domestic producer margins for agriculture commodities.

On the negative side, there was a decline in the revenue due to the lower import of motor vehicles, and the sales volumes of cigarettes and liquor. The revenue from customs based taxes declined due to the compression in imports as a result of the impact of corrective measures adopted from February/ March 2012 to reduce imports and stabilize Balance of Payments. However, the decline of 14.1 percent in the import based taxes experienced in the first four months of 2013 has been moderated significantly to record only a 1.3 percent drop during the first nine months of the year. The decline in the import duties was 1.7 percent owing to lower value of imports subject to these duties. Owing to the same reason, the VAT revenue on imports declined by 4.6 percent and NBT revenue from imports declined by 7.6 percent. The revenue from Excise (Special) Provision tax declined marginally compared to the same period in 2012. Within this category, the revenue from motor vehicles reflected a decline of 3.6 percent over the previous year. The revenue from Ports and Airports Development Levy (PAL) also declined by 15.8 percent due to the contraction in imports of motor vehicles, home appliances, textiles, chemical products, wheat and maize and continuation of the exemption of several items in support of exports. Overall, the decline in revenue from import based taxes amounted to Rs. 4 billion in the first nine months of 2013 in comparison to the same period in 2012.

Non tax revenue from fees and charges, interest and social security contribution from public servants showed strong growth. There was a moderation or decline in the profit transfers from Central Bank of Sri Lanka (CBSL), State Owned Business Enterprises (SOBEs), and rent income.

The government expenditure during the first nine months of the year was Rs. 1,275 billion in comparison to Rs. 1,257 billion during the corresponding period of 2012. This consisted of current expenditure of Rs. 920 billion and public investment of Rs. 369 billion. The current expenditure increased by 3.8 percent while public investment expenditure declined by 4.0 percent.

Interest payments in terms of GDP droped to 4.2 percent from 4.3 percent in the same period in 2012 reflecting the combined impact of relatively low domestic interest rates and the movements in exchange rate. The peaceful environment prevailing in the country has resulted in a reduction of the defence related procurement expenditure. The government initiated a concerted effort to manage the other goods and services to make a room in government fiscal operations.

The commitment to continue public investments was sustained to facilitate the expansion of economic activities despite the challenges in fiscal management. While implementing national infrastructure development projects, due consideration was given to regional and rural development programmes, such as Divi Neguma, Gama Neguma, Maga Neguma, Pura Neguma, and a number of other regional/rural development initiatives. Human resource development, including education, health and vocational training, also continued. The expenditure on public investment during the first nine months of 2013 accounted for 4.2 percent of GDP.

The overall deficit, which arose as a result of the total government expenditure in excess of government revenue during the first nine months was Rs. 492 billion or 5.6 percent of GDP during in comparison to Rs. 483 billion or 6.4 percent in the corresponding period of 2012. The government has been successful in managing the revenue deficit, which has declined to 1.6 percent of GDP by end September 2013 from 3.7 percent by end 2009 underscoring substantial adjustments in non interest expenditure amidst the significant shortfall in the revenue.

The provisional data for the first nine months of the year with comparable figures in 2012 is presented in Table 3. The government revenue is expected to increase during the final quarter of the year with the continued improvement in income taxation, full impact of the extension of VAT coverage to retail trade, the normalisation of imports and acceleration of domestic economic activities. Going forward, the new tax regime introduced in 2011 is expected to generate higher revenues with the anticipated acceleration of economic activities with the gradual recovery of the global economy, low interest rate regime, contineous price stability, gradual recovery from the impact of adjustment measures, improvement in banking liquidity, end of the moratorium on BOI enterprises, further rationalisation of exemptions, and improvement in the tax administration with the introduction of IT enabling environment and related human resource development activities facilitating efficient management of the new tax system. The public expenditure is being monitored closely to be within the overall budgetary ceilings and with turnaround in the revenue, the budget deficit is expected to be maintained at 5.8 percent of GDP as announced in Budget 2013.

Table 3 > **Summary of the Budget**

Rs. Million

Item	January - June 2012	January - June 2013 Actual	January - September 2012	January - September 2013 Provisional	2012 Actual	2013 (Estimate)
Revenue and Grants	**529,390**	**484,084**	**774,314**	**783,235**	**1,067,532**	**1,203,166**
Revenue	521,100	481,745	759,915	780,218	1,051,461	1,183,166
Tax	458,700	435,397	678,105	706,684	908,914	1,052,200
Non Tax	62,400	46,348	81,810	73,534	142,547	130,966
Grants	8,291	2,339	14,399	3,017	16,071	20,000
Expenditure	**833,048**	**862,400**	**1,257,437**	**1,275,085**	**1,556,500**	**1,712,426**
Current	589,059	595,187	886,193	920,017	1,131,023	1,224,927
Salaries	169,984	188,640	257,421	290,720	347,747	391,444
Interest Payments	204,067	221,755	321,491	367,572	408,498	444,835
Other	215,008	184,792	307,281	261,725	374,778	388,648
Public Investments	255,540	279,230	384,402	369,005	443,973	503,984
Other	(11,551)	(12,016)	(13,158)	(13,937)	(18,497)	(16,485)
Revenue Deficit (-)/Surplus (+)	**(67,960)**	**(113,442)**	**(126,278)**	**(139,799)**	**(79,562)**	**(41,761)**
Overall Budget Deficit (-)/ Surplus (+)	**(303,658)**	**(378,317)**	**(483,123)**	**(491,850)**	**(488,967)**	**(509,260)**
Financing	**303,658**	**378,317**	**483,123**	**491,850**	**488,967**	**509,260**
Foreign Financing	70,116	72,937	161,752	95,379	180,760	149,873
Domestic Financing	233,542	305,380	321,371	396,471	308,207	359,387
Revenue/GDP (%)	6.9	5.5	10.1	9.0	13.9	13.6
Current Expenditure/GDP (%)	7.8	6.8	11.7	10.6	14.9	14.1
Public Investment/GDP (%)	3.4	3.2	5.1	4.2	5.9	5.8
Revenue Deficit/GDP (%)	-0.9	-1.3	-1.7	-1.6	-1.0	-0.5
Overall Budget Deficit/GDP (%)	-4.0	-4.3	-6.4	-5.6	-6.4	-5.8

Source: Department of Fiscal Policy

Box 7
Key Policy Measures (January – October 2013)

- Domestic Petroleum Prices were revised as given in the following Table with effect from 22 February 2013

Domestic Petroleum Prices Adjustment on 22 February 2013

Item	Price (Rs. Per litre) as at		Change (Rs.)
	14.12.2012	23.02.2013	
Petrol 90 Octane	159	162	3
Petrol 95 Octane	167	170	3
Lanka Auto Diesel	115	121	6
Lanka Super Diesel	142	145	3
Lanka Kerosene	106	106	0
Lanka Industrial Kerosene	111	115	4

- Electricity Tariffs were revised as given in the following Table with effect from 20 April 2013.

Electricity Tariff Structure approved by the Public Utilities Commission of Sri Lanka with effect from April 2013

Consumption (Units)		Tariff up to 19th April 2013			Proposed Rate from 20th April 2013		
Old	New	Unit Charge Rs./ Unitt	Fixed Charge Rs./ Month	FAC %	Unit Charge Rs./ Unit	Fixed Charge Rs./ Month	FAC %
0-30	0-30	3	30	25	3	30	25
31-60	31-60	4.7	60	35	4.7	60	35
	0-60				10	N/A	N/A
61-90	61-91	7.5	90	40	12	90	10
91-120	91-121	21	315	40	26.5	315	40
121-180	121-181	24	315	40	30.5	315	40
>180	>181	36	315	40	42	420	40

Sources: Ceylon Electricity Board and Department of Public Enterprises

- The validity period of the Special Commodity Levy (SCL) rates on 31 commodities was extended with effect from 08 February 2013.
- Palm kernel or babassu oil and fractions thereof were included under SCL with effect from 08 February 2013.
- SCL on potatoes was increased with effect from 03 May 2013.
- Imposing of custom import duty on gold was effective from 21 June 2013
- The Finance Act - Commercial Hub Operations No. 01 of 2013 under Extraordinary Gazette No. 1818/30, dated 11 July 2013 (known as Commercial Hub Provisions) was issued to declare identified areas as free ports and bonded areas, dedicated for offshore business activities.
- SCL on big onion was increased to Rs. 30/- per kg with effect from 11 July 2013.
- Customs import duty on yoghurt, butter, dairy spreads, fresh cheese, including whey cheese and curd, was revised at the rate of 30% or Rs 200/per kg with effect from 31 July 2013.
- Customs import duty on undenaturerd ethyl alcohol of an alcoholic strength by volume of less than 80%, spirits, liqueurs and other spirituous beverages was revised at the rate of Rs 1,500 per litre with effective from 31 July 2013.
- Excise duty on cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes, and motor vehicles for the transport of goods was revised with effect from 31 July 2013.
- SCL on sugar was increased to Rs. 27/- per kg with effect from 31 July 2013.
- SCL on big onion was increased to Rs. 35/- per kg with effect from 22 August 2013.
- SCL on potatos was increased to Rs. 40/- per kg with effect from 22 August 2013.
- Cess rate on export of sand was revised with effect from 25 September 2013.

The adjustments to electricity tariffs and abundant rains that enabled the enhanced hydro capacity utilization has improved the financial position of Ceylon Electricity Board (CEB) thereby helping to reduce its operational losses. The benefit of the adjustment in administered prices in petroleum products together with the relatively modest movements in international petroleum prices and exchange rates will help reduce the operational losses of Ceylon Petroleum Corporation (CPC). The improvement in the financial position of these two largest SOEs is conducive to enhance overall liquidity position in the economy thereby leaving more resources with the financial institutions for lending to the private sector economic activities. It will also strengthen the government fiscal operations by reducing the pressure on subsidies and lowering the market interest rates consequent to the enhanced market liquidity.

The economy grew by 6.9 percent during the first nine months of 2013 supported by the domestic demand amidst domestic and external challenges mainly benefiting from the favorable macroeconomic environment, sustained public investments in infrastructure and the prevailing peacefull situation in the country. This growth has supported by the favourable growth in Industry and Services sectors including construction, tourism and other services, and manufacturing although the decline in motor vehicle imports had an unfavourable impact on the related services such as leasing. The year on year inflation, as measured by the Colombo Consumer Price index (CCPI-2006/07 base year) was 6.2 percent at end September 2013 in comparison to 9.2 percent in December 2012. The average inflation during the first nine months of 2013 was 7.8 percent compared to 7.6 percent during 2012. Market interest rates indicated a gradual decline with the easing of the monetary policy stance by the Central Bank to support the growth momentum. Private sector credit growth is also expected to increase.

The overall performance of the external sector improved consequent to the adoption of greater flexibility in exchange rate, tightened credit policies and raising customs based taxes on motor vehicle and selected imports to address the widening trade deficit. Accordingly, the cumulative trade deficit contracted by 2.1 percent to US$ 6,722 million during the first nine months of 2013 in comparison to US$ 6,869 million in the same period in 2012 thereby improving the Balance of Payments (BOP). Worker remittances increased by 11.4 percent to US$ 4,922 million while earnings from tourism also increased by 24.2 percent to US$ 883 million helping to strengthen the BOP. The improvement in the BOP also supported by savings from the relatively lower import of petroleum products, motor vehicles and consumer goods. This highlights the importance of promoting alternative energy sources and domestic food production as substitutes while encouraging exports to address Balance of Payments difficulties.

Table 4 > **Estimated and Actual Revenue and Expenditure: January to September 2013**

Rs. Billion

Item	Estimated	Provisional	Deviation
Total Revenue	**925.6**	**780.2**	**-145.4**
Tax Revenue	**840.9**	**706.7**	**-134.2**
Inland Revenue Department			
Tax on Income and Profit	159.0	154.7	-4.3
VAT - Domestic (Net)	107.1	91.9	-15.2
Nation Building Tax (Domestic)	25.8	15.6	-10.2
Other	2.4	1.9	-0.5
Sub Total	**294.2**	**264.1**	**-30.2**
Customs Department			
Import Duty	74.5	58.6	-16.0
VAT - Imports (Net)	98.1	85.0	-13.1
Nation Building Tax (Import)	18.8	11.1	-7.7
PAL	69.1	43.0	-26.2
Cess Levy	30.6	26.4	-4.2
Special Commodity Levy & Other	34.7	33.7	-1.1
Excise Special Provisions	144.8	118.1	-26.7
Cigarettes	47.7	41.9	-5.8
Petroleum	26.3	13.3	-13.0
Motor Vehicles & other	70.8	62.9	-7.9
Sub Total	**470.6**	**375.8**	**-94.8**
Excise Department			
Liquor/Tobacco	52.2	46.1	-6.1
Sub Total	**52.2**	**46.1**	**-6.1**
Other			
Telecommunication Levy	18.8	18.1	-0.7
License Tax & Other	5.0	2.6	-2.4
Sub Total	**23.8**	**20.7**	**-3.1**
Non Tax Revenue	**84.7**	**73.5**	**-11.1**
Total Expenditure	**1,370.7**	**1,275.1**	**-95.7**
Current Expenditure	**969.5**	**920.0**	**-49.5**
Salaries and Wages	289.5	290.7	1.2
Interest Payments	356.3	367.6	11.3
Pension Payments	90.6	91.5	0.9
Transfers to Public Corporations & Institutions	46.3	43.7	-2.6
Other	186.9	126.6	-60.3
Capital Expenditure	**401.2**	**355.1**	**-46.2**

Sources: Department of Treasury Operations and Department of Fiscal Policy

Government Revenue

Total revenue of the government during the first nine months of 2013 increased by 2.7 percent to Rs. 780,218 million compared to the same period of 2012. Tax revenue from income taxes and domestic consumption based taxes increased by 14.4 percent and 5.2 percent, respectively while import base taxes declined by 1.3 percent resulting in an overall tax revenue increase of 4.2 percent to Rs. 706,683 million. Non-tax revenue declined by 10.0 percent to Rs. 73,535 million during this period.

The revenue from income tax recorded a considerable improvement during this period led by the significant increase in the revenue from Corporate Income Tax, Pay- As- You- Earn (PAYE) tax and Tax on Interest. The VAT on domestic economic activities increased by 11.1 percent. However, the slower growth recorded in imports, including motor vehicles, adversely affected the import based taxes and depressed the performance of the revenue from NBT, VAT, Excise and PAL based on imports. The evenue from Special Commodity Levy (SCL) and Cess recorded a considerable growth. The Non-Tax revenue decreased by 10 percent mainly due to the decrease of Central Bank Profit transfers and Profit and Dividends from SOBEs.

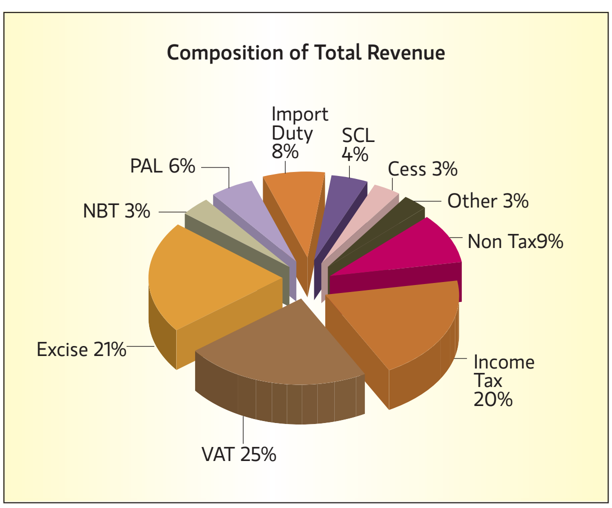
Table 5 > **A Summary of Performance of Government Revenue (January - September)**

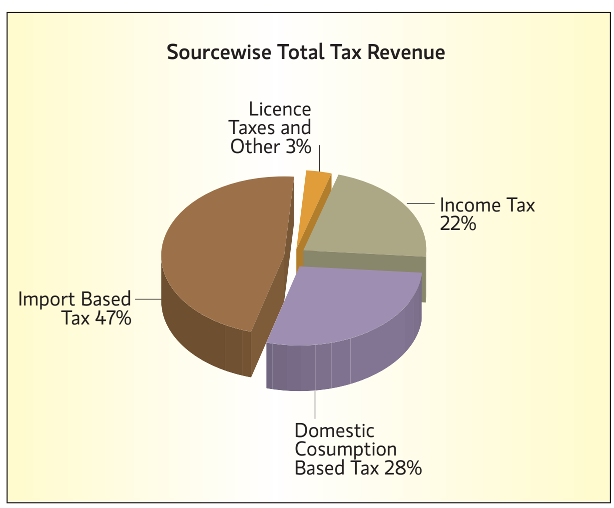
Rs. Million

Item	2012	2013	Change (%)
Tax Revenue	**678,105**	**706,683**	**4.2**
Income Tax	**135,238**	**154,709**	**14.4**
Domestic Consumption Based Tax	**187,453**	**197,245**	**5.2**
VAT	82,675	91,855	11.1
Excise Tax	87,124	89,829	3.1
Nation Building Tax	17,654	15,561	(11.9)
Import Based Tax	**336,518**	**332,100**	**(1.3)**
Custom Duty	59,552	58,554	(1.7)
VAT	89,081	84,989	(4.6)
Nation Building Tax	12,049	11,128	(7.6)
PAL	51,002	42,962	(15.8)
SCL	24,392	33,681	38.1
Excise Tax	76,887	74,387	(3.3)
Cess	23,555	26,399	12.1
Licence Taxes and Other	18,896	22,630	19.8
Non Tax Revenue	**81,810**	**73,535**	**(10.1)**
Total Revenue	**759,915**	**780,218**	**2.7**

Sources: Department of Treasury Operations and Department of Fiscal Policy

Chart 4 > **Tax Revenue - January - September 2013**





Income Tax

Total revenue generated from income tax increased by 14.4 percent to Rs. 154,709 million during the first nine months of 2013 compared to the same period of 2012. Increase of corporate and non-corporate income tax by 15.9 percent, Pay-As-You-Earn (PAYE) tax by 25.9 percent and Tax on Interest by 31.0 percent contributed to the positive growth of Income Tax while Economic Service Charge (ESC) decreased by 64.1 percent.

Table 6 > **Performance of Revenue from Income Tax (Jan – Sep 2013)**

Rs. Million

Tax Base	2012	2013	Growth (%)
Corporate & Non Corporate	61,659	71,273	15.9
PAYE	11,318	14,245	25.9
Economic Service Charge	13,006	4,674	(64.1)
Tax on Interest	49,255	64,515	31.0
Total	135,238	154,709	14.4

Source: Department of Fiscal Policy

Revenue from corporate and non-corporate income tax increased by 15.9 pecent to Rs.71,273 million during the January – September period of 2013 compared to the Rs.61,544 million in the same peiod in 2012. There was a positive contricbution by commercial banking, financial and insurance, imports and exports trade, tobacco and alcoholic beverages and manufacturing sectors to this growth in spite of the number of new exemptions and concessions granted by the 2013 budget.

Due to the high wages and increased employment in high earning categories like commercial banks, air transportation, imports and export trade, tourism, construction etc., the revenue from PAYE tax increased to Rs. 14,245 million during the period compared to the same period of 2012. The inclusion of public sector employees to the PAYE tax liable category also contributed positively. Tax revenue from interest income generated Rs. 64,515 million during this period compared to Rs.49,255 million generated in the same period of 2012. Increase of tax base, relatively higher interest rates and the issuance of Treasury Bills and Treasury Bonds during the period were the main reasons behind this increase.

Reflecting the impact of increase of ESC threshold to Rs. 50 million per quarter, removing the ESC liability on the turnover of any business of which the profits are subject to income tax and the moratorium on the extension of tax holiday, the revenue from ESC declined to Rs.4,674 million during the first nine months of 2013 compared to the Rs.13,006 collected in the same period of 2012. However, exports & imports, manufacturing and construction sectors were among the major contributors to the ESC revenue generation during this period.

Value Added Tax (VAT)

The revenue from VAT, on a net basis, increased by 3.0 percent to Rs. 176,845 million during the first nine months of 2013 compared to the same period in 2012. The VAT revenue on domestic economic activities expanded considerably by 11.0 percent to Rs. 91,856 million, reflecting the impact on the imposition of VAT on wholesale and retail trade with a quarterly turnover more than Rs. 500 million, revival of VAT revenue from local imports and selling, other manufacturing products, VAT on commercial banks, food items, hire purchase, leasing and other financing.

However, there was a decline in the VAT revenue from imports by 4.6 percent to Rs. 84,989 million reflecting the decreased imports resulting from the policy package introduced in 2012 to address the widening trade deficit. The introduction of Simplified VAT (SVAT) scheme has resuted in the amount of VAT refunds by 87.1 percent to Rs. 322 million during the period under review.

Table 7 > **Performance of Revenue from VAT (Jan - Sep)**

Rs. Million

Tax Base	2012	2013	Growth (%)
Domestic	83,173	91,932	10.5
Imports	91,073	85,235	-6.4
Gross Revenue	174,246	177,168	1.7
Refunds	2,490	322	-87.1
Net Revenue	171,756	176,845	3.0
Refunds as % of Gross Revenue	1.4	0.2	

Source: Department of Fiscal Policy

Excise Taxes

Total revenue from excise duty during the period of January to September in 2013 was Rs.164,216 million, reflected a marginal increase in comparison to the corresponding period of 2012. As in the previous years, liquor, cigarettes, motor vehicles, and petroleum products were the major sources of the Excise duty during this period. The decline in the sales growth of cigarettes and liquor and the decline in imports of motor vehicles and consumer durables slowed down the growth in the revenue from this source. The increase of excise duty rates on cigerettes and liquor in November 2012 and in July 2013 helped maintain the revenue from these sources at a moderate level.

The importation of motor vehicles generated Rs. 61,061 million, which reflected a decline of 3.6 percent in comparison to the corresponding period of 2012. This was a due to the decline in motor vehicle imports by 20 percent during this period over the same period of the previous year. The revenue from excise duty on petroleum products declined marginally to Rs. 13,326 during the first nine months of 2013 as the importation of petroleum products was not increased considerably given the increase in hydro power generation.

The revenue from excise duty on cigarettes was Rs. 41,965 million, during the first nine months of 2013, an increase of 5.4 percent over the same period in the previous year. The production of cigarettes declied by 2.8 percent during this period. However, the upward revision of excise duty on cigarettes and tobacco products in October 2012 and July 2013 contributed to this increase.

Tax revenue from excise duty on liquor was Rs.46,075 million during the first nine month of 2013, with an increase of 3.5 percent over the revenue collected same period in 2012. The excise tax revenue on hard liquor generated Rs.35,349 million, which is a 3.8 percent increase over the previous year although the production of hard liquor declined by 13.4 percent mainly as a result of drop in the production of Arrack. The production of malt liquor increased by 19.1 percent during the first nine months of 2013. The increase of excise duty on liquor in October 2012 and July 2013 mainly contributed to the increase in the excise tax revenue from liquor. The Government policy to discourage tobacco and liquor consumption, the enforcement of related legislations and the implementation of awareness programmes were mainly resulted to the decline in the hard liquor and cigarette sales.

Chart 5 > **Performance of Excise Duty (Jan.- Sep.)**

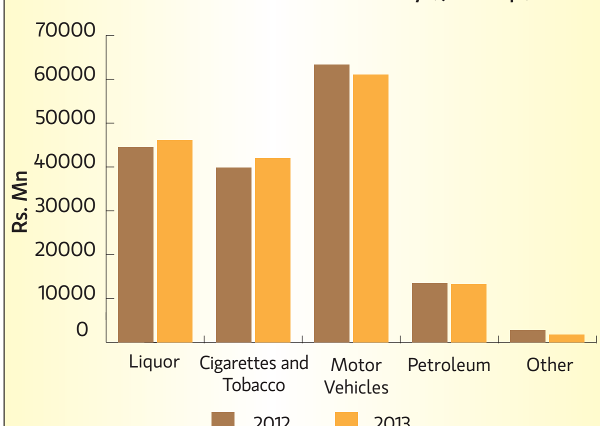


Table 8 > **Performance of Excise Duty (January - September)**

Rs. Million

Tax Base	2012	2013	Growth (%)
Liquor	44,520	46,075	3.5
Cigarettes and Tobacco	39,804	41,965	5.4
Motor Vehicles	63,335	61,061	-3.6
Petroleum	13,522	13,326	-1.4
Other	2,799	1,789	-36.1
Total	**163,981**	**164,216**	**0.1**

Source: Department of Fiscal Policy

Table 9 > **Excise Duty Rate Revisions on Cigarettes Rs./1,000 Sticks**

Category	2010 June	2010 Oct	2010 Nov	2011 Jan	2011 Oct	2012 Mar	2012 Oct	% Increase from 2009 Mar to 2012 Oct	2013 July
Cigarettes each not exceeding 60mm in length (eg. CAPSTAN,THREE ROSES)	2,830	3,425	3,440	3,465	3,465	4,037	4,612	101.50%	5,722
Cigarettes each exceeding 60mm but not exceeding 67mm in length (eg. FOUR ACES)	6,246	6,893	6,922	6,973	7,540	8,112	9,258	62.30%	10,355
Cigarettes each exceeding 67mm but not exceeding 72mm in length (eg. PALL MALL)	9,028	9,720	9,751	9,811	10,381	10,953	12,100	42.60%	12,100
Cigarettes each exceeding 72mm but not exceeding 84mm in length (eg. GOLD LEAF)	11,260	11,988	12,030	12,108	13,243	13,815	14,963	39.60%	16,610
Cigarettes each exceeding 84mm in length	13,170	14,360	14,400	15,000	16,400	17,100	18,500	52.00%	20,000

Source : Department of Fiscal Policy

Table 10 > **Motor Vehicle Imports and New Registration of Vehicles (January to September)**

Unit: Number

Item	Imports				New Registrations			
	2012	2013	Change	%	2012	2013	Change	%
Buses	2,812	1,073	(1,739)	-67	2,645	1,341	(1,304)	-49
Motor Cars	19,784	21,028	1,244	6	26,890	20,450	(6,440)	-24
Three Wheelers	69,527	66,862	(2,665)	-4	74,853	64,459	(10,394)	-14
Motor Cycles	138,484	114,109	(24,375)	-18	154,713	124,091	(30,662)	-20
Goods Transport Vehicles	43,240	20,312	(22,928)	-53	39,872	23,739	(16,133)	-40
Land Vehicles	17,857	11,434	(6,423)	-36	16,929	9,692	(7,237)	-43
Other	808	616	(192)	-24	918	589	(329)	-36
Total	**292,512**	**235,434**	**(57,078)**	**-20**	**316,820**	**244,361**	**(72,459)**	**-23**

Sources: Department of Motor Traffic and Sri Lanka Customs

Table 11 > **Coverage of Product and Value of Imports Under Free Trade Agreements (January - September 2013)**

Free Trade Agreement	No. of Products Subject to Tariff Concessions	Imports (Rs.Mn)
India - Sri Lanka Free Trade Agreement (ISFTA)	4,635	36,548
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	5,477	12,500
South Asia Free Trade Agreement (SAFTA)	3,054	220
Asia - Pacific Trade Agreement (APTA)	499	1,228
Total	**13,665**	**50,496**

Sources: Department of Customs and Department of Trade and Investment Policy

Import Duty

The revenue from import duty decreased by 1.7 percent to Rs. 58,554 million during the first nine months of 2013 in comparison to Rs. 59,552 milion during the same period in 2012. There was a decline in import of intermediate goods and investment goods while the consumer goods increased by 1.8 percent during the period.

Further, the decline in the import of motor vehicles and the import of duty free items, consisting of pharmaceuticals, fertilizer, textiles etc. and imports under FTA with India and Pakistan as well as duty free imports under investment agreements caused the decline the revenue from import duty. However, the reduction of the duty waiver on milk powder imports to promote the local dairy production and the increase of import duty on beer and alcohol spirits, cigarettes and tobacco products contributed positively to the revenue from imports during this period.

Special Commodity Levy

The revenue generated from Special Commodity Levy (SCL), which is a composite tax on selected special commodities amounted to Rs.33,681 million during January to September 2013 period in comparison to Rs.24,392 million in the corresponding period in 2012. This was mainly driven by the increase in number of items coming under SCL and revision of the SCL rates periodically to support the domestic producres by maintaining higher domestic producer margins for agriculture commodities. The key revenue items under the SCL system during the period concerned included the vegetable oil, sugar, big onions and lentils. However, the revenue from potatoes and big onions recorded a decline during the first nine months of 2013. With the adjustment of SCL to promote domestic production, local production of items such as potatoes, big onions ect. has increased in volume terms enabling a decline in import of these items. During the harvesting seasons, the government continued to use SCL as a mechanism to provide remunerative prices for domestic farmers while during the off seasons, it was adjusted to stabilize consumer prices.

Table 12 > **Special Commodity Levy Rates**

Rs. Per kg.

Item	End September 2012	End September 2013
Sprats	10	10
Potatoes	50	40
Red Onions	25	15
B' Onions	50	35
Garlic	40	40
Watana - Whole	20	20
Watana - Split	25	25
Chickpeas - Whole	10	10
Chickpeas - Split	15	15
Green gram	100	100
Lentils - Whole	18	18
Lentils - Split	22	22
Chillies-Neither Crushed nor ground	25	25
Chillies- Crushed or ground	40	150
Canned fish	75	100
Sugar	20	27
Black gram	100	110
Cowpea	100	100
Kurakkan	100	100
Millet/ Other	100	100
Maldive fish	250	275
Dried fish	75	75
Orange	60	60
Grapes	120	130
Apples	45	45
Coriander -Neither crushed nor ground	45	45
Coriander - Crushed or ground	90	200
Cumin	150	160
Fennel	50	50
Turmeric - Neither crushed nor ground	200	200
Turmeric- other	300	500
Mathe seeds	50	50
Kurakkan flour	150	150
Black gram flour	200	200
Ground nuts	100	110
Mustard seed	50	60
Palmoil	Crude - Rs. 80	Crude - Rs. 80
	Refined - Rs. 90	Refined - Rs. 110
	10% or Rs.10 per kg,	10% or Rs.10 per kg,
Fish	the amount of levy	the amount of levy
	whichever is higher	whichever is higher

Compiled by the Department of Trade and Investment Policy

Nation Building Tax (NBT)

Table 13 > **Performance of NBT, Stamp Duty and Motor Vahicle Registration Fees (January - September)**

Rs. Mn.

Item	2012			2013 (Provisional)			% Change - 2013/2012		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT *	29,703	14,852	44,555	26,689	13,345	40,034	-10	-10	-10
Domestic	17,654	8,827	26,481	15,561	7,781	23,342	-12	-12	-12
Import	12,049	6,025	18,074	11,128	5,564	16,692	-8	-8	-8
Stamp Duty**	-	5,277	5,277	-	4,672	4,672	-	-11	-11
Motor Vehicle Reg. Fees***	583	1,359	1,942	490	1,145	1,635	-16	-16	-16
Total	30,286	21,488	51,774	27,179	19,162	46,341	-10	-11	-10

Source: Finance Commission & Department of Fiscal Policy

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

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

****Data represent 70 percent of the revenue collected by the central government from Motor Vehicles Registration Fee and transferred to PCs.*

Note: CG = Central Government, PCs = Provincial Councils

The NBT revenue generated from domestic activities declined by 12 percent to Rs. 15,561 million mainly due to the increase in NBT threshold of any business activity to Rs. 3 million per quarter or Rs. 12 million per year to facilitate the SMEs coupled with several other exemptions. However, improvement in manufacturing sector such as food, beverages, rubber products, and several service sectors such as renting, security and janitorial service, educational services, improvement in hotels, restaurant, catering services and rest house in line with the boost in tourism industry, contributed positively to the performance in NBT revenue from domestic activity. Contraction in import of motor vehicles, home appliances, chemical products, wheat and maize and NBT liable food and beverages in value terms, mainly affected the decline in NBT revenue from imports to Rs. 11,128 million in the first nine months of 2013 from Rs. 12,049 million in the same period in 2012.

Out of the total NBT revenue of Rs. 40,034 million, one third or Rs. 13,345 million was transferred to Provincial Councils (PCs) under the revenue sharing arrangement with the central government which was introduced in 2011 as a prt of the simplification of the tax system. It reflected a moderation of the amount transferred reflecting the decline in the NBT revenue from domestic activities and imports. In addition, 70 percent of revenue amounting to Rs. 1,145 million collected from motor vehicle registration fees while the entire revenue collection from stamp duty of Rs. 4,672 million was also transferred to PCs during the first nine months of 2013 in support of devolved activities.

Telecommunications Levy

The revenue collected from Telecommunications Levy, which was introduced as a single composite levy in lieu of different indirect taxes charged on this industry under the Telecommunication Levy Act No. 11 of 2011, increased by 9.4 percent to Rs. 18,134 million during the first nine months of 2013 in comparison to Rs. 16,572 million in the same period in 2012. Since the VAT exemption given on importation of machinery and high-tech equipment used in the industry, investments has been promoted in the Telecommunication sector. Consequent expansion of the services, covering Northern and Eastern provinces and the high demand for data transmission (IT and BPO industry) service from business enterprises, supported this improved performance.

Other Taxes

During the first nine months of 2013, the revenue generated from Ports and Airport Development Levy (PAL), which is charged on import of goods with fewer exemptions, declined by 15.8 percent to Rs. 42,962 million compared to respective period in 2012, affecting from the decline in imports, in particular the intermediate goods and consumer goods including vehicles.

During this period, the Cess revenue from imports increased by 13.8 percent to Rs. 24,113 million benefiting from the increase or imposition of Cess on import of selected items since end of 2012 and also the revenue generated from import of cement, tiles and iron/steel with the increased demand for construction activities. However, the revenue generated from Cess on export of selected goods in raw form declined by 2.9 percent to Rs. 2,286 million, despite the upward revision of Cess on export of cinnamon and cloves and natural minerals since end of 2012, reflecting the reduced demand. Accordingly, the total revenue generated from Cess imposed on import and export of selected goods to promote domestic value addition and hence domestic industries, increased by 12 percent to Rs. 26,399 million during the first nine months of 2013, enabling the recycling of resources for agriculture sector development through fertilizer subsidy and commercial crop subsidies during 2013.

Non Tax Revenue

Total non tax revenue decreased by 10 percent to Rs. 73,535 million during the first nine months of 2013 compared to Rs 81,810 million recorded in the same period in 2012. Decrease in profits and dividends by 25.8 percent to Rs. 17,919 million in 2013 in comparison to Rs. 24,159 million in 2012 and decrease in profits transfer of Central Bank of Sri Lanka by 43 percent to Rs. 14,350 million were the main reasons for the drop of revenue from non tax sources. However, the revenue from sales and charges generated Rs. 21,940 million and recorded 47 percent growth over the same period in 2012.

Table 14 > **Variance Analysis of Government Revenue (January – September)**

Rs. Bn

Item	2012	2013 Est.	2013 Prov.	Reasons
Income Tax	135.2	159.0	154.7	The notable increase of revenue from Pay-As-You-Earn (PAYE) tax due to high wages, enhanced employment in high earning categories in sectors such as commercial banks, tourism, construction, IT and professional services and improved compliance and expanded base with the inclusion of public sector employees. Since increase of tax base and relatively higher interest rate and issuance of Treasury Bonds and Treasury Bills, tax on interest contributed to the positive growth of income tax revenue.
VAT	171.8	205.2	176.9	Imposition of VAT on wholesale and retail trade and better performance in certain sectors such as hotels, restaurants and catering services coupled with the decline in VAT cash refunds with the introduction of SVAT system helped to increase the VAT revenue from domestic activities. However, decline in imports due to policy measures taken to address the BOP issues including higher excise tax, credit restrictions and exchange rate depreciation which affected negatively on the imports resulted a deviation in import VAT revenue estimates from the actual.
Excise Tax	164.0	197.0	164.2	The upward revision of the excise duty on liquor and tobacco products amidst the decline in their volume mainly helped the increase in excise tax revenue in 2013. However, the decline in the importation of all types of motor vehicles as a result of the increase of excise duty on selected motor vehicles and the exchange rate depreciation negatively affected to revenue from this source.
Import Duty	59.6	74.5	58.6	Declining of import of dutiable goods had a negative impact on the revenue from this source. However, the reduction of the duty waiver on milk powder imports to promote the local dairy production and the increase of import duty on beer and alcohol spirits, cigarettes and tobacco products contributed positively to the revenue from import duty during this period.
Port and Airport Development Levy (PAL)	51.0	69.1	43.0	The lower revenue collection with compared to estimated from PAL was mainly due to the slowdown in import, particularly in the first half of 2013.
Nation Building Tax (NBT)	29.7	44.6	26.7	Sluggish growth in domestic factory industries coupled with contraction in imports resulted a shortfall of NBT revenue. The increased NBT threshold of all business carried out by any person or partnership to Rs. 3 million per quarter or Rs. 12 million per year which was made effective from 01 January 2013 to facilitate the SMEs was affected to the domestic NBT revenue.
Other Taxes	66.8	91.5	82.7	Increased revenue from Special Commodity Levy (SCL) due to the adding up of new commodities to the SCL list and the rate revisions carried out during the domestic production process in selected commodities as well as the increase in the revenue from Telecommunications Levy mainly contributed to this increase.
Non Tax Revenue	81.8	84.7	73.5	Despite the increase in revenue from sales and charges, the decline in profit transfers from Central Bank of Sri Lanka attributed mainly to the reduced non tax revenue.
Total	**759.9**	**925.6**	**780.2**	

Compiled by the Department of Fiscal Policy

Government Expenditure

Total government expenditure during the first nine months of 2013 was Rs. 1,275,085 million, which constituted of Rs. 920,017 million of current expenditure and Rs. 355,068 million of capital expenditure. Current expenditure increased by 3.8 percent while Capital expenditure declined by 4.4 percent compared with the corresponding period of the previous year.

Welfare Expenditure

The government continued its welfare programmes aiming at addressing the needs of the poorer segments of the society incurring Rs. 51,783 million during first nine months in 2013. Accordingly, Rs. 12,762 million was spent on Samurdhi cash supplements, grants to elderly and to provide assistance to differently able persons during the period from January to September 2013 with an increase of 60.6 percent over the corresponding period of the previous year. The expenditure on social security of disabled soldiers, families of dead soldiers and Ranaviru Parents, was Rs. 12,862 million with an increase of 13.6 percent over the previous year. The government also spent Rs. 1,450 million in respect of disaster management activities during the period under review. The programmes to uplift nation's healthiness and nutritional standards were continued during the first nine months of this year spending Rs. 19,098 million to provide free medicine for all, Rs. 430 million for infant and mother care programme, Rs.989 million for Thriposha Programme and Rs.1,952 million for school nutritional food programme. The assistance provided under World Food programme amounted to Rs. 962 million during this period.

In order to ensure the provision of free education for all school going age children, government spent Rs. 6,288 million on providing free school text books, school uniforms, nutritional foods, season tickets, shoes for school children in difficulties, bursaries, and free dhamma school text books during the first nine month of 2013.

The livelihood support programmes carried out by the government to improve agriculture and rural economic activities such as fertilizer subsidy scheme, provision of seeds and planting materials and credit subsidies were continued during January to September this year spending Rs. 21,084 million.

Table 15 > **Performance of Government Expenditure January – September**

Rs. Mn

	2012	2013
Current Expenditure	**886,193**	**920,017**
Salaries	257,421	290,720
Pension	84,555	91,458
Interest	321,491	367,572
Other	222,726	170,267
Capital Expenditure	**371,244**	**355,068**
Total	**1,257,437**	**1,275,085**

Salaries and Pension

The expenditure on salsries and wages of public servants during the first nine month of 2013 was Rs. 290,720 million with an increase of 12.9 percent over the same period in 2012. This increase was mainly due to the increase of cost of living allowance by Rs. 750/- per month with effect from January 2013 and increase of special allowance by 5 percent of basic salary in twice in 2013, full impact of gradual increase of allowances during the year 2012 and new recruitments under the Development Officers' Service minute and to other vacant positions from graduate trainees.

The expenditure on pension payments, which amounted to Rs. 91,458 million during the first nine months in 2013, recorded an increase of 8.2 percent. This was partly due to the full impact of over 15,000 new retirees in 2012 and the partial impact of 11,250 new retirees in the first nine months of 2013. The increase in pension payments for retirees prior to 2006 as a pension anomaly rectification made in 2012 and the Cost of Living Allowance for all public sector pensioners, which was increased by Rs. 500/- per month in January 2013, also contributed for this increase.

Table 16 > **Welfare Expenditure, January – September**

Rs. Mn

Item	2012	2013
Mothers and Children		
ThriposhaProgramme and Infant Milk Food Subsidy/Poshanamalla	1,174	1,419
Free Text Books & Uniforms	3,194	2,718
School Season Tickets	1,143	1,430
School Nutritional Foods	2,750	1,952
Agriculture		
Fertilizer Subsidy	**36,446**	**18,760**
Welfare Payments		
Samurdhi Relief	**7,945**	**12,762**
Assistance to Differently able Soldiers	**11,017**	**11,970**
Food Assistance, Flood and Drought Relief	**1,852**	**967**

Source: Department of National Budget

Interest Payments

The interest payments on domestic and foreign debt was Rs.367,572 million in the first nine month of 2013, with a 14.4 percent increase over the same period in 2012. The relatively stable exchange rate prevailed during this period compared to the significant depreciation of the rupee in the early part of 2012 and the declined market interest rates helped favourably on the interest payments. The interest cost as a percentage of GDP declined to 4.2 percent from 4.3 percent in the same period in 2012.

Table 17 > **Behaviour of Yield Rates (%) on Government Securities and Exchange Rate : 2012-2013**

Period		Treasury Bills			Treasury Bonds				Average Exchange Rate
		91 Days	182 Days	364 Days	2 Years	3 Years	4 Years	5 Years	
2012	Jan	8.67	8.71	9.30	9.45	-	9.55	-	113.90
	Feb	9.51	9.64	10.19	-	10.20	-	10.75	117.23
	Mar	11.00	11.06	11.32	10.61	-	10.83	-	125.52
	Apr	11.93	12.05	12.16	11.46	11.60	11.80	12.10	128.66
	May	11.58	12.32	12.50	-	13.50		14.00	129.38
	Jun	11.12	12.61	12.88	-	-	-	-	132.04
	Jul	11.35	12.85	13.15	-	-	-	14.15	132.87
	Aug	11.41	13.07	13.31	13.62	-	14.10	-	132.07
	Sep	11.30	12.57	13.02	-	-	-	-	131.78
	Oct	-	11.90	12.48	-	-	-	-	129.11
	Nov	10.79	12.09	12.85	-	-	-	-	130.33
	Dec	10.00	11.32	11.69	-	-	-	-	128.35
2013	Jan	9.63	10.41	11.25	-	10.98	-	10.90	126.85
	Feb	9.10	10.08	11.10	-	-	-	10.74	127.70
	Mar	9.26	-	11.35	-	-	-	-	126.81
	Apr	9.23	10.23	11.34	-	-	-	11.45	126.03
	May	8.73	9.90	10.86	-	-	-	-	126.31
	Jun	8.66	9.70	10.66	-	-	-	-	127.81
	July	9.60	10.75	11.79	-	-	-	11.17	131.00
	Aug	9.57	10.72	11.72	-	10.87	-	11.17	131.82
	Sep	9.56	10.71	11.74	-	-	-	-	132.46

Source: Department of Treasury Operations and Department of Public Debt, Central Bank of Sri Lanka

Public Investment

During the first nine months of 2013, the government channeled resources for the development of national infrastructure such as, roads, highways, water supply, irrigation, electricity, ports and airports as well as rural (Divi Neguma and Gama Neguma) and urban (Pura Neguma and regional development initiatives) development activities and countrywide Human Resource Development programmes in education, health, primary education, vocational training, higher education, sports, youth affairs and livelihood development opportunities as a part of the strategy to accelerate the development and to ensure that all households will benefit from development through improved access to these services and achieve higher living standards. Total public investment of Rs. 369 billion during the first nine months of 2013 amounted to 70 percent of the budgeted public investment in 2013.

Table 18 > **Public Investment - By Key Areas of Investment (Jan.- Sep.)**

Rs. Mn.

Sector	**2012**	**2013 (Provisional)**
Roads and Bridges	104,110	101,025
Electricity	33,824	29,145
Ports and Aviation	14,397	15,036
Irrigation	13,566	15,004
Agriculture & Products	7,401	8,292
Water Supply	17,532	15,374
Education	16,954	18,602
Health	15,803	17,017
Rural Infrastructure	58,996	61,003
Transport	35,187	38,469
Administration / Judicial/ Security Related and Other	66,632	50,038
Total	**384,402**	**369,005**

Source: Department of National Budget

Treasury Operations

Performance of the Government Treasury Cash Flow

Cash inflows to the Government Treasury during the first nine months of 2013 have increased by 3 percent compared to the same period in 2012. Cash deficit after outflow for recurrent and capital expenditure amounted to Rs 568 billion which is higher than the corresponding figure for the same period in 2012 by Rs 65 billion. This was mainly due to the increase in cash outflows for recurrent expenditure by 11 percent compared to the corresponding period of the previous year. The overall closing cash balance (deficit) as at end September 2013 was Rs 121 billion which is higher than the cash deficit which prevailed at the end of September 2012, by Rs. 23 billion.

Management of Government Debt

The government debt operations indicated a total gross borrowing of Rs 1,134 billion during the nine months of 2013. The repayments of government debt, both domestic and foreign, amounted to Rs 529 billion however net borrowing was Rs 605 billion during this period. The government's gross domestic borrowings during January - September 2013 are given in tables below.

Table 19 > **Statement on Government Treasury Cash Flow Operations**

Rs. Bn.

Item	2012 (Jan.-Sep.)	2013 (Jan.- Sep.)	
	Actual	Estimate	Actual
Opening Cash balance as at 1st January	(97.8)	(144.5)	(144.5)
Total cash inflow from revenue and other receipts	702.7	895.0	723.8
Total cash outflow for recurrent expenditure	(832.9)	(935.2)	(921.6)
Total cash outflow for capital expenditure*	(373.0)	(401.6)	(370.4)
Net cash surplus (deficit)	(503.2)	(441.8)	(568.2)
Gross borrowing *	1,024.7	1,143.0	1,133.7
Debt repayment	(467.7)	(659.7)	(528.8)
Net borrowing	557.0	483.3	604.9
Adjustment account balance (TEB, net deposits, etc.)	(54.1)	0.3	(13.1)
Closing Cash balance as at 30th September	(98.1)	(102.7)	(120.9)

Source: Department of Treasury Operations
**Includes project/programme loans received by the government and recorded in the CS-DRMS as at September 30,2013*

Table 20 > **Domestic Borrowings -Sri Lanka Development Bonds -2013 (Jan.-Sep.)**

Series	Settlement Date	Maturity Date	Amount Accepted (Rs Mn.)	Margin (basis points Over 6 months LIBOR)
SLDB2016E	26/02/13	26/03/16	20,237	400
SLDB2016E	27/03/13	26/03/16	16,352	400
SLDB2016B	01/07/13	30/06/16	11,727	400
SLDB2018A	01/07/13	01/07/18	21,761	415

Source: Central Bank of Sri Lanka

Table 21 > **Domestic Borrowings - Treasury Bills- 2013 (Jan.- Sep.)**

Issue Date	Amount Accepted (Rs. Mn.)			Weighted Average Yield Rates		
	91 Days	182 Days	364 Days	91 Days	182 Days	364 Days
1/4/2013	2,125	7,350	20,727	11.01	12.21	12.64
1/11/2013	2,097	8,296	20,935	10.98	12.01	12.61
1/18/2013	1,056	3,721	29,841	10.83	11.76	12.51
1/25/2013	1,000	3,149	14,206	10.70	11.57	12.50
2/1/2013	2,000	3,000	30,823	10.52	11.42	12.35
2/8/2013	1,390	2,000	17,000	10.28	11.29	12.34
2/15/2013	4,255	4,945	15,231	10.12	11.21	12.34
2/22/2013	926	1,135	12,919	10.11	11.20	12.34
3/1/2013	3,027	4,172	11,573	10.11	11.20	12.34
3/8/2013	2,425	1,270	24,288	10.12	11.22	12.38
3/15/2013	2,920	1,076	8,451	10.18	11.28	12.44
3/22/2013	1,137	1,352	3,971	10.24	11.38	12.51
3/29/2013	825	0	8,007	10.29	-	12.62
4/5/2013	775	0	8,062	10.29	-	12.61
4/12/2013	1,000	1,000	6,000	10.28	11.39	12.62
4/19/2013	1,000	340	12,683	10.27	11.38	12.60
4/26/2013	1,000	1,000	8,990	10.26	11.36	12.60
5/3/2013	1,000	3,000	18,530	10.22	11.35	12.58
5/10/2013	1,000	3,000	12,082	10.20	11.33	12.54
5/17/2013	1,000	2,923	15,191	9.72	11.01	12.05
5/24/2013	2,258	3,000	11,000	9.72	11.00	12.07
5/31/2013	1,430	4,918	17,304	9.70	11.00	12.07
6/7/2013	1,314	3,000	20,359	9.67	10.90	12.06
6/14/2013	943	2,767	11,236	9.63	10.89	12.06
6/21/2013	1,590	2,016	7,145	9.62	10.89	12.06
6/28/2013	627	7,712	34,100	9.63	10.78	11.84
7/5/2013	579	500	9,539	9.62	10.78	11.85
7/12/2013	1,000	1,000	11,742	9.59	10.75	11.82
7/19/2013	935	1,022	15,470	9.59	10.73	11.77
7/26/2013	0	0	9,275	-	-	11.73
8/2/2013	0	0	24,809	-	-	11.68
8/9/2013	0	0	17,615	-	-	11.75
8/16/2013	1,095	821	6,340	9.57	10.73	11.74
8/23/2013	0	750	8,185	-	10.72	11.72
9/6/2013	593	1,278	849	9.56	10.71	11.74
9/13/2013	1,084	256	2,709	9.57	10.71	11.74
9/20/2013	770	472	1,250	9.56	10.71	11.75
9/27/2013	500	325	13,897	9.56	10.70	11.75

Source: Central Bank of Sri Lanka

Table 22 > **Domestic Borrowings - Treasury Bonds - 2013 (Jan. - Sep.)**

Series	Settlement Date	Maturity Date	Amount Accepted (Rs. Mn.)	Weighed Average Yield
08.50%2018C	15/01/13	01/04/18	16,392	12.11
09.00%2021A	15/01/13	01/05/21	10,000	12.94
09.00%2028A	15/01/13	01/07/28	16,800	13.61
08.00%2016B	24/01/13	01/06/16	4,000	12.21
09.00%2021A	24/01/13	01/05/21	1,107	12.93
09.00%2028A	24/01/13	01/07/28	4,500	13.61
08.50%2018D	01/02/13	01/06/18	10,300	11.93
09.00%2021A	01/02/13	01/05/21	25,000	12.71
09.00%2028A	01/02/13	01/07/28	10,150	13.57
08.50%2018B	15/02/13	15/07/18	4,300	11.92
08.00%2018A	01/03/13	15/11/18	2,000	12.19
07.00%2023A	01/03/13	01/10/23	2,000	13.07
08.50%2018B	01/04/13	15/07/18	3,000	12.72
09.00%2023A	01/04/13	01/09/23	6,000	13.11
09.00%2026A	01/04/13	01/02/26	6,000	13.50
08.00%2022A	02/05/13	01/01/22	1,000	13.08
09.00%2025A	02/05/13	01/05/25	2,000	13.44
09.00%2043A	03/06/13	01/06/43	3,000	13.89
09.00%2033A	17/06/13	01/06/33	8,050	13.50
09.00%2043A	17/06/13	01/06/43	5,050	13.89
08.00%2018A	15/07/13	15/11/18	7,400	12.42
08.00%2022A	15/07/13	01/01/22	3,000	12.83
09.00%2033A	15/07/13	01/06/33	5,000	13.67
08.00%2018A	01/08/13	15/11/18	5,000	12.41
09.00%2028B	01/08/13	01/05/28	20,000	13.44
09.00%2043A	01/08/13	01/06/43	10,000	13.89
05.80%2017A	12/08/13	15/01/17	1,600	12.08

Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Bank Guarantees issued and remaining valid as at 30 September 2013 amounted to Rs.424 billion which is below 7 percent of the average GDP (or Rs. 533 billion) of this year and two preceding years as prescribed in the section 3(e) of the Fiscal Management (Responsibility) Act No. 3 of 2003 as amended by the Fiscal Management (Responsibility) amendment Act No 15 of 2013. The list of Bank Guarantees issued by the General Treasury up to 30 September 2013 is given in Annex II.

Foreign Financing

Foreign Financing Commitments

With the intervention of the Department of External Resources, the total value of the commitments made by development partners and lending agencies to Sri Lanka during the period from 1st January to 30th September 2013 was USD 2,062.1 million (Rs.264,882.3 million). Of which, project loans amounted to USD 1,940.3 million (Rs.249,282.1 million) and grants amounted to USD 121.8 million (Rs 15,600.2 million).

A full list of the agreements signed upto 30th September 2013 is shown in Table 22 below.

Table 23 > **List of Foreign Financing Agreements Signed during January –September, 2013**

Development Partner/ Lending Agency	Loan / Grant	Agreement Date	Project	Instrument Currency	Original Amount Million	SL Rs. Million	USD Million
Bilateral							
Japan	Loan	2013/03/14	Greater Colombo Transmission and Distribution Loss Reduction Project	JPY	15,941.0	20,740.8	158.8
	Loan	2013/03/14	Major Bridge Construction Project of the National Road Network	JPY	12,381.0	16,325.6	129.2
	Loan	2013/03/14	Landslide Disaster Protection Project of the National Road Network	JPY	7,619.0	10,046.4	79.5
	Loan	2013/03/14	Anuradhapura North Water Supply Project (Phase i)	JPY	5,166.0	6,811.9	53.9
	Grant	2013/03/18	Non Project Grant Aid for Provision of SME's Project	JPY	200.0	266.4	2.1
	Grant	2013/03/18	Non Project Grant Aid for Provision of Medical Equipment (2013)	JPY	550.0	732.5	5.8
	Grant	2013/03/18	Procurement of a self Propelled Grab Hopper Dredger	JPY	988.0	1,315.9	10.4
	Grant	2013/03/18	Project for the Development of Intelligent Transport System for Expressways in Sri Lanka	JPY	940.0	1252.0	9.9

Table 23 > **Conted...**

Development Partner/ Lending Agency	Loan / Grant	Agreement Date	Project	Instrument Currency	Original Amount Million	SL Rs. Million	USD Million
Japan	Grant	2013/08/22	Human Resources Development Scholarship Programme (JDS)	JPY	192.0	257.5	1.9
Korea	Grant	2013/03/22	The Construction of the International Convention Center in Hambantota (Enhancement)	USD	2.7	342.7	2.7
	Loan	2013/07/23	Construction of Solid Waste Disposal Facilities Project	USD	33.5	4,407.1	33.5
	Loan	2013/07/23	Establishment of Colombo Central Vocational Training Center and Gampaha College of Technology Project in Sri Lanka	USD	26.0	3,422.8	26.0
Export Credit							
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	Loan	2013/01/15	Implementation of the Greater Rathnapura Water Supply Scheme	EUR	21.9	3,702.7	29.4
Co-op Centrale Raiffeisen-Boerenleenbank (Netherlands)	Loan	2013/02/19	Upgrading of the National Blood Transfusion Services of SL	USD	32.6	4,140.7	32.6
	Loan	2013/02/19	Upgrading of the National Blood Transfusion Services	USD	18.5	3,153.0	24.7
Export Import Bank of Hungary	Loan	2013/02/14	Rehabilitation Of Kalatuwawa Water Treatment Plant	EUR	17.4	2,954.0	23.4
	Loan	2013/02/14	Rehabilitation of Labugama Water Treatment Plant project	EUR	16.7	2,840.2	22.5
HSBC Bank PLC (UK)	Loan	2013/03/15	Modernization of Processing Factories of MILCO (Pvt) Ltd	USD	43.6	5,505.9	43.6
	Loan	2013/06/21	Regional Bridges Project – Phase II	USD	60.0	7,716.0	60.1

Table 23 > **Conted...**

Development Partner/ Lending Agency	Loan / Grant	Agreement Date	Project	Instrument Currency	Original Amount Million	SL Rs. Million	USD Million
The Export-Import Bank of China	Loan	2013/02/19	Matara Beliatta Section of Matara Kataragama Railway Extension Project	USD	200.0	25,375.8	200.0
	Loan	2013/03/24	Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment Project	CNY	960.0	19,700.7	155.4
	Loan	2013/05/28	Matara–Beliatta Section of Matara – Kataragama Railway Extention Project	CNY	508.0	10,481.3	83.0
	Loan	2013/09/18	Greater Kurunegala Water Supply and Drainage Project	CNY	487.0	10,521.1	79.6
Export-Import Bank of United States	Loan	2013/07/01	Badulla, Haliela, Ella Intergrated Water Supply Project	USD	64.9	8,455.8	65.0
BNP Paribas -Belgium	Loan	2013/08/14	Reconstruction of 7 Railway Steel Bridges Project	EUR	4.4	774.8	6.0
UniCredit Bank Austria AG (Austria)	Loan	2013/03/14	Augmentation of Mahiyangana Water Supply Project	EUR	10.4	1,704.1	13.5
	Loan	2013/02/27	Supply of 2 Numbers of Cardiac Catheterization System to Cardiology Dep. of the NHSL	EUR	2.4	396.3	3.1
Multilateral							
Asian Development Bank	Loan	2013/02/13	Dry Zone Urban Water & Sanitation Project - Additional Financing	XDR	25.9	5,061.6	40.1
	Loan	2013/05/08	Clean Energy and Network Efficiency Improvement Project	USD	100.0	16,462.4	130.3
	Loan	2013/05/08		XDR	19.9		
	Loan	2013/08/19	Education Sector Development Program	USD	100.0	26,412.7	200.8
	Loan	2013/08/19		XDR	66.6		

Table 23 > **Conted...**

Development Partner/ Lending Agency	Loan / Grant	Agreement Date	Project	Instrument Currency	Original Amount Million	SL Rs. Million	USD Million
Asian Development Bank	Grant	2013/05/08	Clean Energy and Network Efficiency Improvement Project	USD	1.5	189.6	1.5
Food & Agriculture Organization	Grant	2013/07/15	Building Statistical Capacity for Quality Food Security & Nutrition	USD	0.5	58.9	0.5
	Grant	2013/08/05	Management of Risks Associated with Pesticide in Agri. in Sri Lanka	USD	0.3	35.7	0.3
International Development Associaton	Loan	2013/08/19	Second Health Sector Development Project	XDR	129.8	25,849.0	196.5
	Grant	2013/07/18	AusAid-IDA Grant for Transforming the School Education System as the Foundation of Knowledge Hub Project	USD	11.1	1,461.4	11.1
OPEC fund for International Development	Loan	2013/06/10	Colombo National Highways Project	USD	50.0	6,319.4	50.0
United Nations Development Programme (UNDP)	Grant	2013/02/27	Institutional Strengthening Phase IX	USD	0.1	17.1	0.1
	Grant	2013/07/10	Promoting Sustainable Biomass Enery Production	USD	1.9	260.7	2.0
	Grant	2013/07/25	UN-REDD National Programm – Sri Lanka	USD	4.0	526.1	4.0
	Grant	2013/07/25	Support to Human Rights Commisission Phase 2	USD	0.5	69.8	0.5
	Grant	2013/07/17	Strategic Positioning of the Dep. of Project Management & Monitorin	USD	0.2	29.5	0.2
	Grant	2013/08/13	Law, Access to Justice & Social Integration in Sri Lanka	USD	10.9	1,443.0	11.0

Table 23 > **Conted...**

Development Partner/ Lending Agency	Loan / Grant	Agreement Date	Project	Instrument Currency	Original Amount Million	SL Rs. Million	USD Million
United Nations Population Fund (UNFPA)	Grant	2013/06/07	Strengthened National Capacity to Delivar Quality Reproductive Health Service	USD	5.9	747.4	5.9
United Nations Childern's Fund	Grant	2013/02/27	UNICEF Country Program 2013 - 2017	USD	50.2	6,401.0	50.2
United Nations Industrial Development Organisation (UNIDO)	Grant	2013/01/15	Enhancing the Capacities of the Cinnamon Value Chain in Sri Lanka.	USD	1.5	193.0	1.5
			Total			**264,882.3**	**2,062.1**

Source: Department of External Resources
Note: The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where each Agreement was signed

The commitments made by each major development partner/ lending agency during January –September 2013 are listed in Table 23 and all project loans finalized during this period with their financial terms are depicted in Table 23.

Table 24 > **Foreign Financing Commitments (January –September 2013)**

Million

Development Partner	Amount Committed					
	Loan		Grant		Total	
	USD	Rs.	USD	Rs.	USD	Rs.
Bilateral	**1,322.7**	**169,176.9**	**32.9**	**4,167.0**	**1,355.6**	**173,344.1**
China	517.9	66,078.9	-	-	517.9	66,078.9
Japan	421.5	53,924.7	30.2	3,824.3	451.7	57,749.1
United Kingdom	103.7	13,221.8	-	-	103.7	13,221.8
USA	64.9	8,455.8	-	-	64.9	8,455.8
Korea	59.5	7,829.9	2.7	342.7	62.2	8,172.6
Netherlands	57.3	7,293.7	-	-	57.3	7,293.7
Other	97.9	12,372.1	-	-	97.9	12,372.2
Multilateral	**617.6**	**80,105.2**	**88.9**	**11,433.0**	**706.5**	**91,538.2**
Asian Development Bank	371.2	47,936.8	1.5	189.5	372.7	48,126.3
International Development Association	196.4	25,849.0	11.1	1,461.4	207.5	27,310.4
UN Agencies	-	-	76.3	9,782.1	76.3	9,782.1
OPEC Fund	50.0	6,319.4	-	-	50.0	6,319.4
Total	**1,940.3**	**249,282.1**	**121.8**	**15,600.0**	**2,062.1**	**264,882.3**

Source : Department of External Resources
Note : The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the Agreement was signed

Of the total commitments during the period under review, 25 per cent of funds have been committed by China followed by 22 per cent from Japan. From the total commitments recorded during the period under review, 60 per cent was for infrastructure development which consisted 30 per cent for roads and bridges, 16 per cent for Water Supply and 14 per cent for Power & Energy.

Chart 6 > **Foreign Financing Commitmnets by Developmnt Partners- - 2013(Jan.- Sep.)**

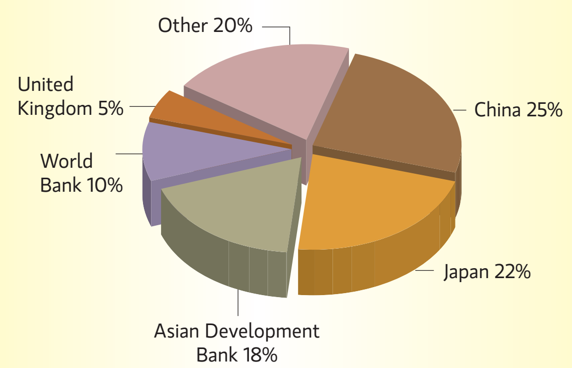


Chart 8 > **Foreign Financing Commitmnets by Sector**

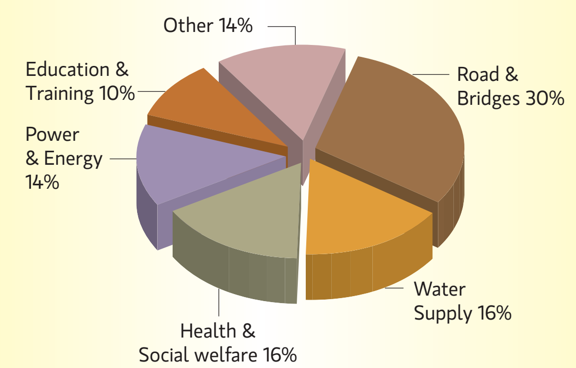


Table 25> **List of Loan Agrements Signed on Financial Terms- 2013 (jan.- Sep.)**

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed				Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
Bilateral													
Japan	2013/03/14	Greater Colombo Transmission and Distribution Loss Reduction Project	JPY	15,941.0	20,740.8	158.8	Fixed	Tranche 1 - 0.3% Tranche 2- 0.01%	N/A	0.1%	-	10	40
	2013/03/14	Major Bridge Construction Project of the National Road Network	JPY	12,381.0	16,325.6	129.2	Fixed	Tranche 1 - 0.2% Tranche 2- 0.01%	N/A	0.1%	-	10	40
	2013/03/14	Landslide Disaster Protection Project of the National Road Network	JPY	7,619.0	10,046.4	79.5	Fixed	Tranche 1 - 1.4% Tranche 2- 0.01%	N/A	0.1%	-	7	25
	2013/03/14	Anuradhapura North Water Supply Project (Phase I)	JPY	5,166.0	6,811.9	53.9	Fixed	Tranche 1 - 1.4% Tranche 2- 0.01%	N/A	0.1%	-	7	25
Korea	2013/07/23	Construction of Solid Waste Disposal Facilities Project	USD	33.5	4,407.1	33.5	Fixed	0.15	N/A	-	-	10	40
	2013/07/23	Establishment of Colombo Central Vocational Training Center and Gampaha College of Technology Project in Sri Lanka	USD	26.0	3,422.8	26.0	Fixed	0.15	N/A	-	-	10	40
Export Credit													
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	2013/01/15	Implementation of the Greater Rathnapura Water Supply Scheme	EUR	21.9	3,702.7	29.4	Variable	EURIBOR - 6 Month for EUR	2.1	0.35%	Management Fee (0.5% of loan amount, payable one time)	2	11

Table 25 > **Conted...**

Development Partner/ Lending Agency	Agreement Date	Project	Currency	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
				Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
Co-op Centrale Raiffeisen-Boerenleenbank (Netherlands)	2013/02/19	Upgrading of the National Blood Transfusion Services of SL	USD	27.7	3,519.6	27.7	Fixed	4.94%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	3	13
	2013/02/19	Upgrading of the National Blood Transfusion Services	USD	4.9	621.1	4.9	Fixed	5%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	2.5	3.5
	2013/06/14	Upgrading of the National Blood Transfusion Services	EUR	18.5	3,153.0	24.7	Fixed	4.65%	N/A	-	-	3	13
Export Import Bank of Hungary	2013/02/14	Rehabilitation of Kalatuwawa Water Treatment Plant	EUR	17.4	2,954.0	23.4	Fixed	1.03%	N/A	-	-	3	15
	2013/02/14	Rehabilitation of Labugama Water Treatment Plant project	EUR	16.7	2,840.2	22.5	Fixed	1.03%	N/A	-	-	3	15
HSBC Bank PLC (UK)	2013/03/15	Modernization of Processing Factories of MILCO (Pvt) Ltd	USD	43.6	5,505.9	43.6	Variable	Tranche 1 - LIBOR- 6 Month for USD	6	1%	Structuring fee (1% of loan amount, payable one time)	1	9
								Tranche 2- LIBOR- 6 Month for USD	2	1%	Structuring fee (0.5% of loan amount, payable one time)		
	2013/06/21	Regional Bridges Project – Phase II	USD	60.0	7,716.0	60.0	Variable	LIBOR- 6 Month for USD	2%	0.25%	0.25%	4	14

Table 25 > **Conted...**

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed				Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
The Export-Import Bank of China	2013/02/19	Matara Beliatta Section of Matara Kataragama Railway Extension Project	USD	200.0	25,375.8	200.0	Fixed	2%	N/A	0.50%	Management Fee (0.5% of loan amount, payable one time)	7	20
	2013/03/24	Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment Project	CNY	960.0	19,700.7	155.4	Fixed	2%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	5	20
	2013/05/28	Matara –Beliatta Section of Matara – Kataragama Railway Extention Project	CNY	508.0	10,481.3	82.9	Fixed	2%	N/A	0.25%	0.25%	7	20
	2013/09/18	Greater Kurunegala Water Supply and Drainage Project	CNY	487.0	10,521.1	79.6	Fixed	2%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	4.5	19.5
UniCredit Bank Austria AG (Austria)	2013/03/14	Augmentation of Mahiyangana Water Supply Project	EUR	10.4	1,704.1	13.5	Interest Free	-	N/A	0.40%	Management Fee (0.45% of loan amount, payable one time) Guarantee Charge (1.093% this behaves as an interest since the charge is calculated on outstanding amount)	6.5	16
	2013/02/27	Supply of 2 Nos Cardiac Catheterization System to Cardiology Department of the NHSL	EUR	2.4	396.3	3.1	Fixed	0.40%	N/A	0.40%	Management Fee (0.45% of loan amount, payable one time) Handling Fee (EUR 1,440) Guarantee Charge (EUR 4,400)	7	19.5

Table 25 > **Conted...**

Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed				Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. million	US$ million	Interest Type	Rate	Margin (100 basis points)				
Export Import Bank of United States	2013/07/01	Badulla, Haliela, Ella Intergrated Water Supply Project	USD	65.0	8,455.8	65.0	Variable	CIRR	1.26%	0.5%	Exposure Fee (4.6% of loan amount, payable one time)	3	14.5
BNP Paribas Belgium	2013/08/14	Reconstruction of 7 Railway Steel Bridges Project	EUR	4.4	774.8	6.0	Fixed	1%	N/A	0.25%	0.25%	3	13
Multilateral													
Asian Development Bank	2013/02/13	Dry Zone Urban Water & Sanitation Project - Additional Financing	XDR	25.9	5,061.6	40.1	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	24
	2013/05/08	Clean Energy and Network Efficiency Improvement Project	USD	100.0	12,636.7	100.0	Variable	LIBOR- 6 Month for USD	0.6%	0.15%	-	5	20
			XDR	19.9	3,825.7	30.3	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
	2013/08/19	Education Sector Development Program	USD	100.0	13,152.0	100.0	Variable	LIBOR- 6 Month for USD	0.6%	0.15%	-	5	20
			XDR	66.6	13,260.7	100.7	Fixed	2%	N/A	-	-	5	25
International Development Association	2013/08/19	Second Helath Sector Development Project	XDR	129.8	25,849.0	196.4	Fixed	2%	N/A	0.5%	-	5	20
OPEC Fund for International Development	2013/06/10	Colombo National Highways Project	USD	50.0	6,319.4	50.0	Fixed	4.6%	N/A	-	-	5	20
Total					**249,282.1**	**1,940.3**							

Source: Department of External Resources

Note : 1. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the Agreement was signed.

2. N/A = Not Applicable, - = nil

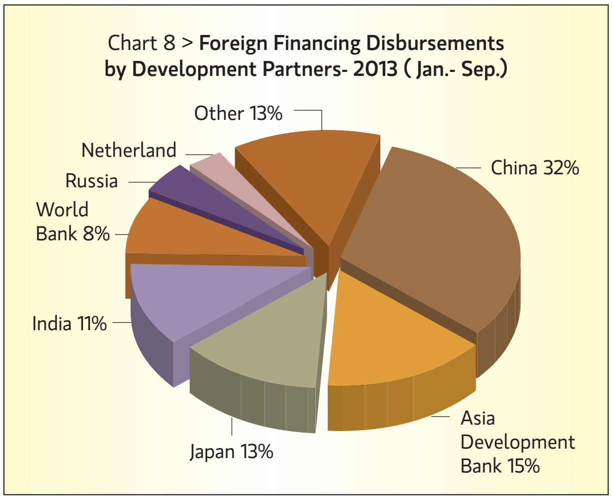
Foreign Financing Disbursements & Utilization

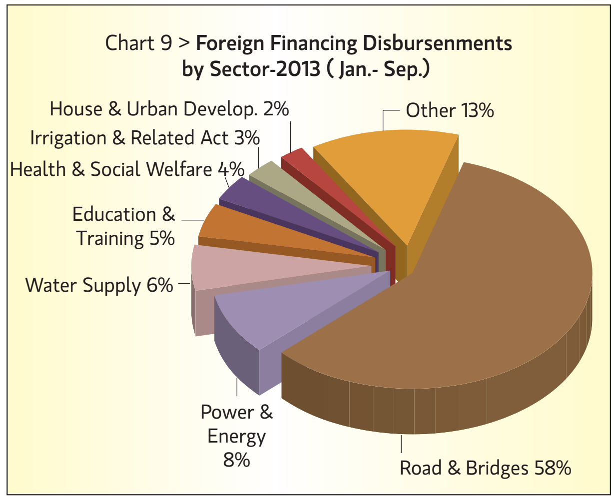
The total disbursements recorded in development projects from January to September 2013 was USD 1,394.00 million (Rs.178,890.60 million). Of the total, project loans accounted for USD 1,370.70 million (Rs. 175,873.90) and grants accounted for USD 23.30 million (Rs.3,016.70 million). In terms of project loans, this is 98.33 per cent. Disbursements made during the period under review by each creditor are depicted in Table 25 below.

Table 26 > **Foreign Financing Disbursements from 1st January –30th September, 2013 by Development Partner**

Development Partner/ Lending Agency	Loan		Grant		Total Amount (million)	
	Rs.	USD	Rs.	USD	Rs.	USD
Bilateral	**130,104.2**	**1,014.7**	**2,099.3**	**16.3**	**132,203.5**	**1,031.0**
China	56,865.3	442.8	-	-	56,865.3	442.8
Japan	21,892.7	170.4	843.8	6.6	22,736.5	177.0
India	20,679.7	161.4	-	-	20,679.7	161.4
Russia	8,156.7	64.6	-	-	8,156.7	64.6
Iran[1]	3,422.2	27.0	-	-	3,422.2	27.0
The Netherlands	5,580.1	43.5	-	-	5,580.1	43.5
South Korea	3,693.9	28.8	-	-	3,693.9	28.8
Sweden	2,127.9	16.6	-	-	2,127.9	16.6
Spain	1,501.2	11.8	-	-	1,501.2	11.8
Australia	1,333.7	10.5	-	-	1,333.7	10.5
United States of America	-	-	1,230.8	9.5	1,230.8	9.5
Austria	1,181.2	9.2	-	-	1,181.2	9.2
Hungary	1,198.2	9.1	-	-	1,198.2	9.1
France	660.0	5.2	-	-	660.0	5.2
Belgium	242.2	1.9	-	-	242.2	1.9
Denmark	422.1	3.2	-	-	422.1	3.2
Germany	174.5	1.3	24.7	0.2	199.2	1.5
Saudi Fund	898.8	6.8	-	-	898.8	6.8
Kuwait	73.9	0.6	-	-	73.9	0.6
Multilateral	**45,769.7**	**356.1**	**917.4**	**7.0**	**46,687.1**	**363.1**
Asian Development Bank	26,407.1	204.1	294.5	2.3	26,701.6	206.4
World Bank - International Development Association	14,178.7	111.2	234.6	1.8	14,413.3	113.0
World Bank - International Bank for Reconstruction and Development	4,058.6	32.1	-	-	4,058.6	32.1
International Fund for Agricultural Development	762.6	5.9	-	-	762.6	5.9
Opec Fund for International Development	362.8	2.8	-	-	362.8	2.8
UNDP	-	-	125.5	0.9	125.5	0.9
FAO	-	-	262.8	2.0	262.8	2.0
Total	**175,873.9**	**1,370.7**	**3,016.7**	**23.3**	**178,890.6**	**1,394.0**

Source: Department of External Resources
Note : The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made.
[1] Disbursements affected due to sanctions on Iranian financial system





Out of the total disbursements recorded during the period January –September, 32 per cent or Rs. 56,865.30 million was reported under the development projects funded by China and 13 per cent or Rs. 23,141.4 million was from the Japan - funded projects. The total disbursements recorded in the projects financed by multilateral agencies such as the World Bank, Asian Development Bank , IFAD, Opec Fund and Un Agencies was 26 per cent or Rs. 46,687.1 million.

Out of the total disbursements recorded during the period January – September 2013, 58 per cent was disbursed for the construction of roads and bridges and 9 per cent, 6 per cent and 5 per cent were disbursed for the power sector development, water supply and education and training projects respectively.

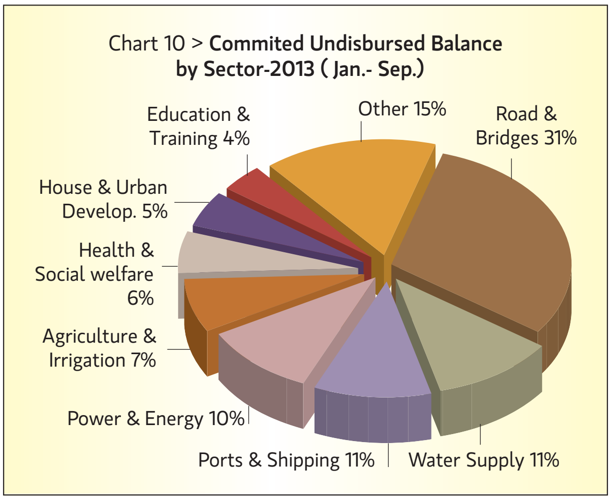
Committed Undisbursed Balance (CUB)

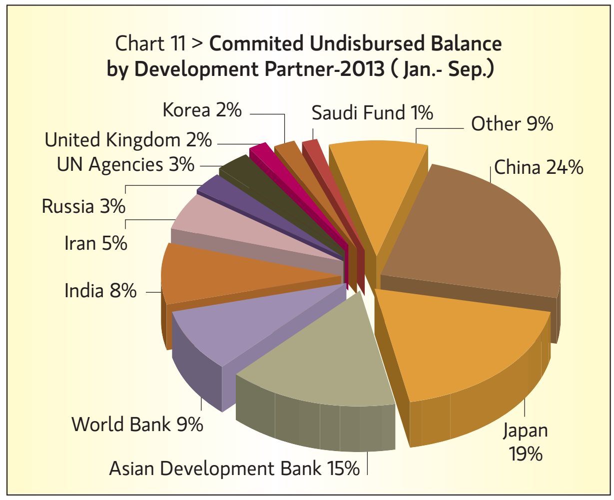
The total undisbursed balance of foreign financing available to utilize in development projects as at end of September 2013 was USD 8,093.6 million. The project implementation duration for these commitments will be in the range of 2-5 years and hence the utilization will be on the same basis. Table 26 and Chart 9 indicate the sector wise classification of the committed undisbursed balance.

Table 27 > **Committed Undisbursed Balance by Creditor –as at end of September 2013**

Creditor	CUB Amount (USD million)
China	1,928.7
Japan	1,500.2
Asian Development Bank	1,230.8
World Bank	730.6
India	680.7
Iran	434.6
Russia	235.4
UN Agencies	237.1
United Kingdom	147.8
Korea	136.4
Saudi Fund	118.1
Others	713.2
Total	**8,093.6**

Source: Department of External Resources





Outstanding External Debt & Debt Service Payments

At the end of September 2013, the total outstanding external debt of the Government was USD 18.9 billion[1] (Rs.2,494.6 billion).
Total debt service payment[2] from January to September 2013 amounted to USD 917.1 million (Rs.130,887.4 million). Of this, USD 533.6 million (Rs.81,165.1 million) was for principal payments and the balance USD 383.5 million (Rs.49,722.3 million) was for the interest payments.

The total estimated debt service payments for 2013 is US$ 1,143.0 million[3] (Rs. 160,698.3 million), of which 80 percent has already been paid by 30th September 2013.

[1] This includes outstanding external debt for loans obtained to finance development projects and International Bond Issues. this does not include loan outstanding of SOEs.
[2] Debt Service Payments = Principal Payments + Interest Payments.
[3] Includes the Debt Service Payment of International Bond Issues. USD estimations were calculated based on the exchange rates as at 30th September 2013, , this does not include loan service payments of SOEs.

Performance of State Owned Business Enterprises

Overview

The management of State Owned Business Enterprises (SOBEs) reflected an improved performance during the first nine months of 2013. This was supported by the revision of prices towards achieving cost reflective prices, positive impact of the weather, expansion of physical infrastructure, and gradual improvement in business strategies, management and governance. Of the total asset base of 55 operational SOBEs, 95 percent was represented by the enterprises engaged in electricity, petroleum, water, ports, aviation, banking and insurance.

The performance of the key strategic SOBEs, such as Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB), is particularly noteworthy given the challenges such as still high international oil prices. It is encouraging to note that the non-financial SOBEs made a profit of Rs. 33 billion during the first nine months of 2013 in comparison to a loss of Rs. 155 billion recorded in 2012. Similarly, the financial sector state enterprises, including state banks, recorded a profit of Rs. 22 billion during the period concerned despite many challenges, including the decline in international gold prices.

With the improved performance, many SOBEs repaid their dues to the banking system. During the first nine months of 2013, Rs. 15 billion of outstanding bank borrowings was repaid strengthening the liquidity position in the market enabling banks to expand their lending to private sector economic activities. This improvement in the financial position of SOBEs is expected to continue during the remaining period of the year as well resulting in a repayment of about Rs. 52 billion to the banking system facilitating the decline in market interest rates and higher lending to the private sector.

Chart 12 > **Profitability of Non Financial SOBEs**

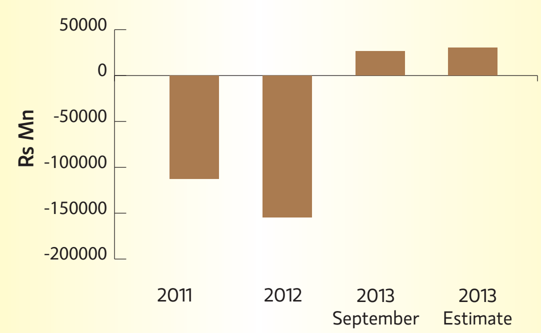


Chart 13 > **Profitability of State Owned Financial Enterprises**

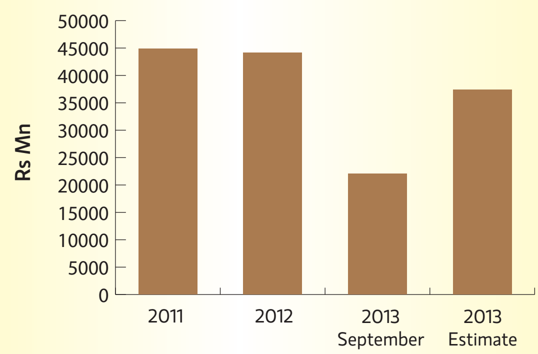


Chart 14 > **YOY Net Change in Settlement of Bank Borrowings by Non Financial SOBES**

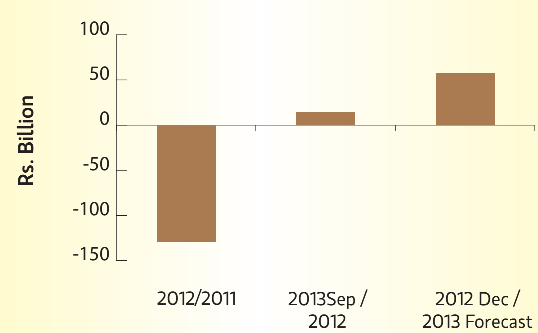


Table 28 > **Outstanding Debts to Banks- Non Financial Business Enterprises**

Rs mn

Enterprise	Actual						Change		
	2011	2012	2013 May	2013 June	2013 Sep	2013 Forcast	2012/2011	Sep 2013/ Dec 2012	Dec 2012/ 2013 forecast
1 Ceylon Electricity Board	14,629	43,839	49,400	45,760	51,698	29,300	29,210	7,859	(14,539)
2 Ceylon Petroleum Corporation	147,975	211,163	225,853	213,614	203,719	190,869	73,482	(7,325)	(20,175)
3 Sri Lanka Ports Authority	6,284	5,436	3,824	4,577	6,389	6,731	(848)	953	1,295
4 Sri Lankan Air Lines Ltd.	12,240	44,841	43,978	42,645	26,926	24,262	32,601	(17,915)	(20,579)
5 Mihin Lanka Ltd.	194	3	436	447	317	256	(191)	314	253
6 Sri Lanka Transport Board	396	627	660	660	660	690	231	33	63
7 State Engineering Corporation	138	484	537	428	197	494	346	(287)	10
8 Central Engineering Consultancy Bureau	49	0	0	0	0	0	(49)	-	-
9 State Development & Construction Corporation	222	231	386	288	287	310	9	56	79
10 Milco (PVT) Ltd.	0	642	659	652	645	480	642	3	(162)
11 National Livestock Development Board	128	1,005	1,060	1,059	1,057	1,055	927	2	-
12 Ceylon Fisheries Corporation	283	258	85	89	81	227	(25)	(177)	(31)
13 Ceylon Fishery Harbour Corporation	0	54	15	8	35	44	54	(19)	(10)
14 State Pharmaceuticals Manufacturing Corporation	168	148	183	232	191	298	13	(101)	6
15 Sri Lanka Ayurvedic Drugs Corporation	0	60	58	58	57	56	60	(3)	(4)
16 State Pharmaceuticals Corporation	4,717	7,897	3,219	2,445	1,739	2,397	3,180	(6,158)	(3,500)
17 Independent Television Network Ltd.	3	0	0	0	75	70	(3)	75	70
18 Sri Lanka Rupavahini Corporation	0	27	0	4	3	3	27	(24)	(24)
19 Ceylon Fertilizer Company Ltd.	71	82	0	0	234	110	11	(82)	(82)
20 Colombo Commercial Fertilizer Company Ltd*	4,326	3,587	11,042	11,042	10,500	9,500	(739)	6,913	5,913
21 Sri Lanka State Trading (General) Corporation Ltd.	11	93	93	193	247	154	82	154	61
22 Hotel Developers Lanka PLC	70	35	0	0	0	0	(35)	(35)	(35)
23 Lanka Sathosa Limited	11	21	0	0	0	0	10	(21)	(21)
24 State Printing Corporation	449	423	261	539	729	236	(26)	306	(187)
25 Sri Lanka State Plantation Corporation	99	180	140	58	56	54	81	(124)	(126)
26 Janatha Estate Development Board	262	607	236	234	65	63	345	(542)	(544)
27 Sri Lanka Handicraft Board (Laksala)	152	207	321	413	420	170	55	213	(37)
28 Kahatagaha Graphite Lanka Limited	19	9	8	1	0	0	(10)	(9)	(9)
Total	**192,896**	**321,959**	**344,335**	**327,830**	**307,478**	**263,967**	**129,063**	**-14,481**	**-57,992**

Source : SOBEs & PED

** Debts to Banks Against Fertilizer Procurements of Rs 13,384 Mn*

Table 29 > **Profitability of Non Financial State Owned Business Enterprises**

Rs. Mn.

	Enterprise	2011	2012	Sep 2013*	2013 Estimate
1	Ceylon Electricity Board	(19,266)	(61,163)	17,800	21,182
2	Ceylon Petroleum Corporation	(94,508)	(89,658)	(3,748)	(3,524)
3	Sri Lanka Ports Authority	257	5,211	8,627	7,215
4	Sri Lankan Airlines Ltd.	(19,675)	(29,973)	(15,754)	(26,695)
5	Mihin Lanka Ltd.	(1,967)	(2,866)	(675)	(1,415)
6	Sri Lanka Transport Board	(3,490)	(4,653)	(4,178)	(4,588)
7	State Engineering Corporation	211	233	44	265
8	Central Engineering Consultancy Bureau	428	452	346	542
9	State Development & Construction Corporation	42	73	141	158
10	Milco (Pvt) Ltd.	(245)	(267)	(70)	60
11	National Livestock Development Board	250	28	38	50
12	Ceylon Fisheries Corporation	(69)	(42)	(27)	(39)
13	Ceylon Fishery Harbours Corporation	(189)	(277)	(114)	(208)
14	State Pharmaceuticals Manufacturing Corporation	245	116	288	470
15	Sri Lanka Ayurvedic Drugs Corporation	64	54	53	57
16	State Pharmaceuticals Corporation	476	468	471	512
17	Independent Television Network Ltd.	678	739	584	934
18	Sri Lanka Rupawahini Corporation	173	47	95	89
19	Ceylon Fertilizer Company Ltd.	144	133	48	98
20	Colombo Commercial Fertilizer Company Ltd.	265	152	13	446
21	National Water Supply & Drainage Board	421	(258)	389	910
22	Airport and Aviation Service Limited	2,140	3,859	4,009	5,041
23	Employees' Trust Fund Board	12,571	14,130	10,422	15,017
24	Sri Lanka Insurance Corporation	4,215	4,235	4,182	6,149
25	National Insurance Trust Fund	2,315	2,537	2,563	2,805
26	Agiculture and Agrarian Insurance Board	(3,687)	(4,841)	(3,611)	(4,853)
27	Sri Lanka Export Credit Insurance Coporation	113	163	179	183
28	National Lotteries Board	903	1,187	988	1,313
29	Development Lotteries Board	1,901	2,193	1,385	2,498
30	Sri Lanka State Plantation Coporation	(52)	(98)	(170)	(220)
31	Janatha Estate Development Board	(258)	(199)	(115)	(160)
32	Chilaw Plantations Limited	97	86	61	76
33	Kurunegala Plantations Limited	225	186	121	150
34	Kalubovitiyana Tea Factory Limited	31	91	9	30
35	Sri Lanka Cashew Corporation	45	44	3	40
36	Lanka Sugar Company Ltd.	1,283	93	976	1,973
37	Sri Jayewardenepura General Hospital	(28)	(121)	(66)	(141)
38	Sri Lanka Broadcasting Coporation	(78)	(54)	(44)	(28)
39	Lanka Sathosa Limited	79	47	628	798
40	Sri Lanka Handicrafts Boards (Laksala)	51	73	25	88
41	STC General Trainning Coporation Ltd.	62	105	73	132
42	State Timber Coporation	603	828	287	(58)
43	State Printing Coporation	134	141	80	147
44	Hotel Developers Lanka Plc	(948)	758	156	948
45	Lanka Phosphate Ltd	203	137	86	161
46	Kahatagaha Graphite Lanka Ltd	54	17	23	127
47	Lanka Mineral Sands Ltd	1,107	1,373	(105)	1,664
Total		**(112,732)**	**(154,481)**	**34,128**	**38,026**

Sources: SOBEs and Department of Public Enterprises
** Draft*

Table 30 > **Profitability of State Owned Financial Enterprises**

Rs. Mn.

Enterprise		2011	2012	Sep 2013*	2013 Estimate
1	Bank of Ceylon	16,485	19,794	11,474	18,135
2	People's Bank	15,600	15,249	6,571	10,250
3	National Savings Bank	9,255	6,169	1,787	5,396
4	State Mortgage and Investment Bank	688	436	331	457
5	HDFC Bank	321	73	248	320
6	LankaPuthra Development Bank	124	294	242	340
7	Pradeshiya Sanwardana Bank	1,875	1,493	868	1,739
8	Sri Lanka Savings Bank	494	594	562	726
Total		**44,842**	**44,102**	**22,083**	**37,363**

Sources: SOBEs and Department of Public Enterprises
** Draft*

The performance of CPC and CEB was strengthened during the first nine months of 2013 benefiting from the revisions towards cost reflective prices, favourable weather conditions and low cost power. With the increasing demand for pipe born water in line with rapid expansion of commercial and industrial activities and annual price revision, the financial performance of the National Water Supply and Drainage Board (NWS&DB) was improved. Commuter transport sector too was strengthened by adding 297 buses to the fleet during this period, though there are issues such as workforce related management challenges, lapses in the maintenance of bus fleet, expenditure control issues. With a capital infusion of US$ 235 million and increased passenger traffic the Sri Lankan Airlines Ltd has reduced its operational losses though continued efforts are necessary for further improvement.

Airport and Aviation Services (Sri Lanka) Limited (AASL) and Sri Lanka Ports Authority (SLPA) continued their infrastructure development and capacity expansion work, including the commissioning of Mattala International Airport in March 2013 and the Colombo International Container Terminals Limited (CICT) in August 2013. AASL recorded a considerable increase in passenger movements and reflected a significant operating profit during the period. Container throughputs handled by SLPA increased as a result of accommodating large ships with the expansion of facilities at ports. SOBEs in the construction sector could not cater to the increased demand due to the capacity constraints in terms of finance and the work load although the country experienced a boom in the construction industry.

Decline in the international gold prices adversely affected the performance of state banks resulting in a significant increase in non-performing loan ratio and a drop in the operating profits during the first nine months of 2013. However, the capital base of state banks continued to increase enabling them to remain competitive and strengthen the confidence of customers.

SOBEs in the plantation sector were unable to grab the advantages of favourable weather conditions prevailed in the beginning of the year 2013 in tea growing areas and higher tea auction prices due to ageing bushes and poor agricultural practices. Severe draught prevailed in coconut cultivating areas resulted in a relatively low coconut yield leading to a comparatively lower performance in SOBEs engaged in coconut plantation.

Lanka Sathosa Limited and Sri Lanka Handicrafts Board were able to increase their trading volumes as profitable marketing ventures. With the increase in demand for locally produced dairy products, MILCO Pvt. Limited and National Livestock Development Board (NLDB) expanded the market share while enhancing the capacity of both entities.

The other SOBEs reflected a mixed performance given the market developments, level of the improvements in the management, and responses to challenges and issues faced by those institutions.

Performance of Key SOBEs

Key developments in the performance of 19 enterprises, which account for 95 percent of the asset base of the 55 operational SOBEs, are highlighted below.

Energy
Ceylon Electricity Board

Table 31 > **Financial Outturn of Ceylon Electricity Board**

	Actual			Revised Forecast 2013
	2011	2012	Sep 2013*	
Revenue (Rs.Mn)	**137,003**	**170,652**	**142,774**	**198,178**
Sale of Electricity	132,460	163,998	139,650	191,378
Other Income	4,543	6,654	3,124	6,800
Expenditure (Rs.Mn)	**156,269**	**231,815**	**124,974**	**176,996**
Generation	115,912	173,658	88,458	121,417
IPP	84,144	120,264	60,892	76,012
CEB	31,768	53,394	27,566	45,405
Generation O&M, Transmission & Distribution	18,218	27,658	15,451	26,825
Corporate expenses	2,014	3,238	1,389	2,390
Interest on borrowings	1,828	6,334	4,426	7,182
Other Expenses	18,297	20,927	15,250	19,182
Profit/ (loss) (Rs.Mn)	**(19,266)**	**(61,163)**	**17,800**	**21,182**
Borrowings from Banks (Rs.Mn)	4,520	37,518	21,528	21,528
Payments to Banks (Rs. Mn)	(5,343)	(8,308)	(13,669)	(36,067)
Outstanding Debt to Banks (Rs.Mn)	14,629	43,839	51,698	29,300
Government Debt (Rs.Mn)	189,090	278,456	278,456	278,456
Purchases From CPC and IPP (Rs. Mn)	103,576	156,395	63,722	99,911
Payment to CPC and IPP (Rs. Mn)	(83,921)	(182,192)	(98,072)	(149,616)
Outstanding to CPC and IPP (Rs. Mn)	75,503	49,705	15,355	-
Key Performance Indicators				
Generation Hydro: Thermal	40:60	30:70	61:39	50:50
Electricity Coverage (%)	90	93	94	96
System losses (%)	11.7	11.0	11	10.6
Generation Composition (Gwh)				
Thermal (Fuel)	5,748	6,932	2,288	3,909
Hydro	4,020	2,729	4,604	4,986
Mini Hydro and NCRE	724	727	878	1,325
Coal	1,038	1,413	1,151	1,752
Total	**11,530**	**11,801**	**8,921**	**11,972**

Sources: Ceylon Electricity Board, Department of Public Enterprises
**Draft*

The contribution of hydro power to the power generation increased to 61 percent due to the favorable weather condition prevailed in the country. Consequently, the power generation composition of CEB changed from Hydro: Thermal ration of 20:80 to 61:39 during the first nine months of 2013, resulting in a reduction in the average cost per unit to Rs. 15.75 by end September 2013 from Rs. 22.13 in December 2012.

With the change in the generation mix and the impact of tariff revisions, average revenue per unit has been increased to Rs. 17.60 in 2013 from Rs. 15.66 in 2012 led the CEB to record a profit of Rs. 17.8 billion during first nine months of 2013. The CEB expects to close the year with an operational profit at around Rs. 21 billion, provided the generation mix is managed well to remain the Hydro: Thermal mix at around 50:50, which would be possible given the fact that the reservation storage remains at 70 percent throughout the year 2013. The impact of the revised tariff structure will also help to achieve this improvement.

Chart 15 > **Power Generation 2005 - 2013**

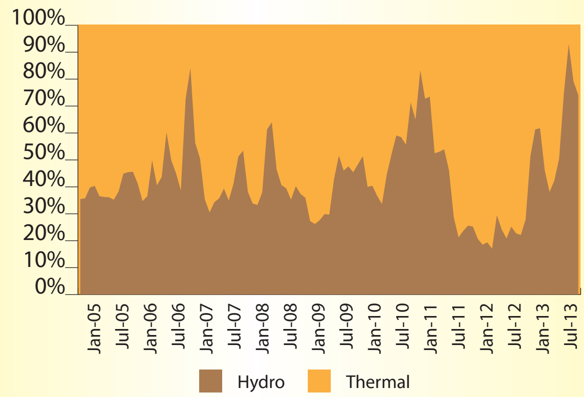
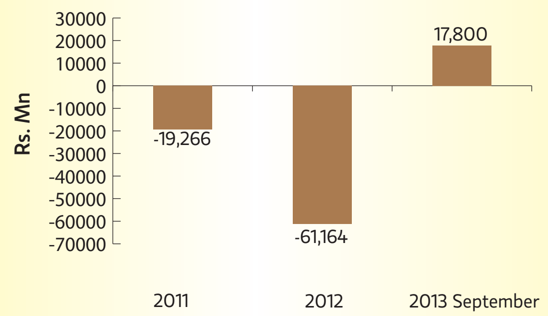


Chart 16 > **Profitability of CEB**



Additional cash generated from operations and Bank borrowings have been utilized to settle past dues to Ceylon Petroleum Corporation (CPC) and Independent Power Producers (IPPs) amounting to Rs 98 billion during first nine months of 2013. Hence, the outstanding debt to CPC and IPPs has declined significantly to Rs. 15.4 billion from Rs. 75.5 billion in 2011, which is expected to settle completely by end of 2013.

Table 32 > **Financial Outturn of Ceylon Petroleum Corporation**

	Actual			Revised Forecast 2013
	2011	2012	Sep 2013*	
Total Revenue (Rs.Mn)	**356,903**	**515,704**	**390,291**	**520,388**
Operating Income	356,575	513,252	385,534	514,088
Other Income	328	2,452	4,757	6,300
Total Expenditure (Rs.Mn)	**451,411**	**605,362**	**386,427**	**515,236**
Cost of Sales	426,583	568,238	363,567	484,755
Finance Cost	9,001	18,360	12,343	16,458
Other Expenditures	15,827	18,764	10,517	14,023
Profit/(Loss) (Rs. Mn)	**(94,508)**	**(89,658)**	**3,864**	**5,152**
Hedging Cost (Rs. Mn)	-	-	(7,612)	(8,676)
Adjusted Profit/ (Loss) (Rs. Mn)	**(94,508)**	**(89,658)**	**(3,748)**	**(3,524)**
Borrowings from Banks during the period (Rs.Mn)	285,615	398,549	333,926	359,800
Settlement of Loans during the year (Rs Mn)	188,867	335,361	341,370	372,650
Outstanding dues to Banks (Rs. Mn)	**147,975**	**211,163**	**203,719**	**190,869**

Sources: Ceylon Petroleum Corporation, Department of Public Enterprises
**Draft*

CPC recorded an operating profit of Rs. 3.9 billion during first nine months of 2013 before making adjustments to the hedging transaction amounting to Rs. 7.6 billion and expected to close the year 2013 with a loss of Rs. 3.5 billion against the originally forecasted loss of Rs. 20 billion. This is significant improvement in comparison to the loss of Rs. 89 billion recorded in 2012.

Chart 17 > **Profitability of CPC**

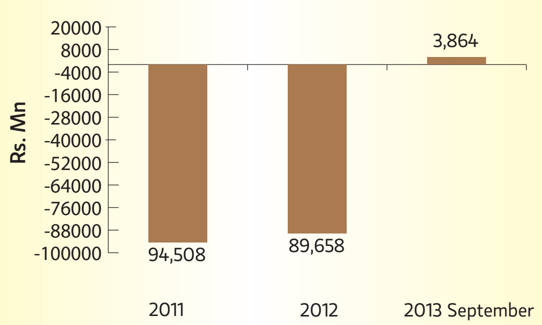
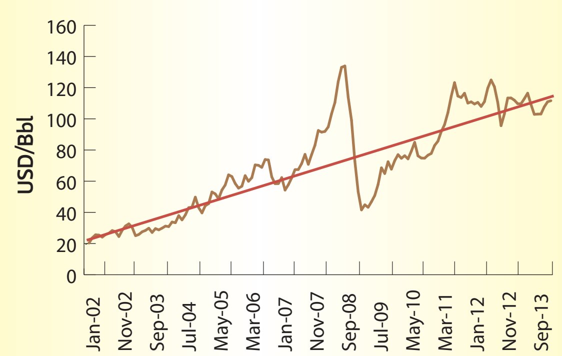


Chart 18 > **Brent Crude Oil Prices 2002-2013**



The price revision effected in February 2013 supported CPC to maintain a cost reflective price structure for all its' products other than Kerosene, Heavy Fuel and Aviation Fuel during January - September 2013 in the midst of high international crude oil prices which continued at an average of US$ 109/bbl. Nevertheless, the revenue of CPC declined mainly due to the reduction of heavy fuel demand from the power sector.

During the period under review, the refinery had to close down for 16 days apart from regular maintenance and CPC is expected to procure crude oil varieties with higher refined yield with a view to ensure uninterrupted refining process. The Corporation has taken initiatives to enhance fuel storage capacities and other related facilities to ensure energy security of the country and expected to commence constructions in 2014.

Water

National Water Supply & Drainage Board

The revenue and operational cost of National Water Supply & Drainage Board (NWS&DB) for the first nine months of 2013 was fairly consistent with the forecast and generated a profit of Rs. 389 million compared to the loss of Rs. 258 million incurred in 2012. This is mainly due to the increase in revenue by 13 percent and increase in operational cost only by 8 percent in comparison to the same period of the previous year.

The 44.3 percent target of piped borne water supply coverage has almost been achieved during the period and total number of water supply connections has increased to 1,667,660 by adding 79,997 new connections. Meanwhile, the NWS&DB produced 361 million m3 of water while the consumption of water during first nine months of the year 2013 was 251 million m3.

Chart 19 > **Number of Water Connections (Mn)**

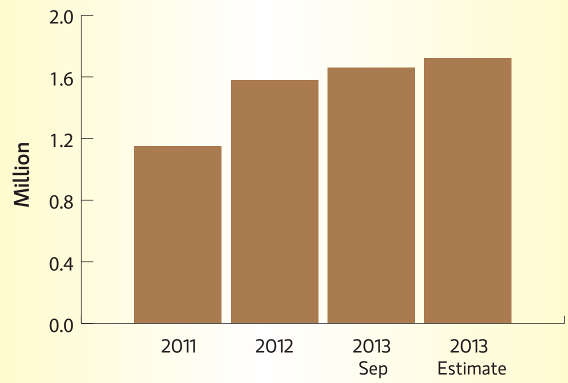


Chart 20 > **Non-Revenue water Vs water sales**

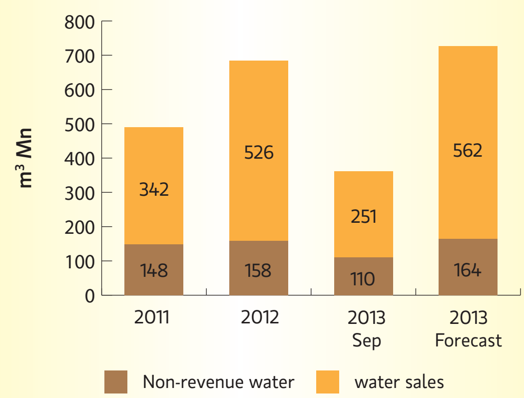


Table 33 > **Financial Outturn of National Water Supply & Drainage Board**

	Actual			Revised Forecast
	2011	**2012***	**Sep 2013***	**2013**
Revenue (Rs. Mn)	**14,404**	**15,682**	**13.316**	**20,410**
Water	11,616	13,132	11,787	17,012
Water Related Income	2,519	1,925	1,323	3,129
Other Income	269	269	206	269
Operating Cost (Rs. Mn)	**13,983**	**15,940**	**12,928**	**19,500**
Profit/(loss) (Rs. Mn)	**421**	**(258)**	**389**	**910**
Outstanding dues to the Government (Rs.bn)	32.8	36.3	33.7	35.6
Key Performance Indicators				
Connections (Nos Mn)	1.15	1.58	1.66	1.72
Water Production (m3 Mn)	490	526	361	562
Water Sales (m3 Mn)	342	368	251	398
Non-Revenue Water (%)	30.4	29.9	30.3	29.2
Piped Borne Water Coverage (%)	32.3	43.5	44.3	35.7

Sources: National Water Supply & Drainage Board, Department of Public Enterprises
** Draft*

Island wide Non-Revenue Water (NRW) percentage has increased slightly to 30.26 percent from 29.9 percent in 2012 against the target of 29.2 percent for 2013. However, NRW percentage of Colombo Municipal Council area remains unchanged at the level of 49 percent.

Total outstanding debt declined marginally to Rs. 33.7 billion which is equivalent to 18.2 percent of the total equity of the NWS&DB.

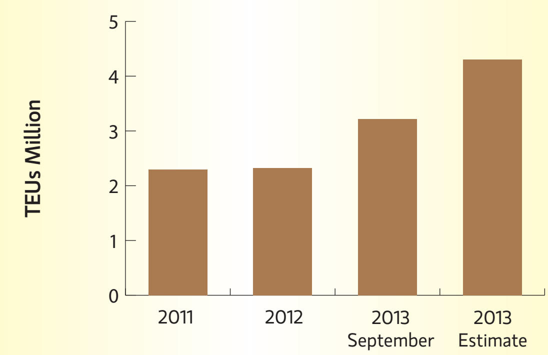
Ports
Sri Lanka Ports Authority

The container throughputs (TEUs) handled by Sri Lanka Ports Authority (SLPA) during the first nine months of 2013 increased to 3.22 million as a result of accommodating larger ships with the expansion of the facilities at ports although there was a decline in the vessel arrivals during the same period. It is noteworthy that the SLPA recorded its ever highest monthly container volume of 219,290 during the month of June 2013.

The number of vessels arrived at Hambantota Magam Ruhunupura Mahinda Rajapaksa (MRMR) port has recorded a significant increase to 91 as at end September 2013 in comparison to 38 vessels arrived in 2012. New tariff rates (a lease rental as well as a minimum guaranteed royalty based on investor's throughputs to the SLPA) have been introduced to the MRMR Port.

SLPA recorded a before tax profit of Rs. 8.6 billion during the first nine months of 2013, which is a 120 percent increase in comparison to the same period in 2012. The decline in operational expenses by 27 percent to Rs. 16.9 billion despite the decrease in revenue by 7 percent to Rs. 25.9 billion helped to achieve this improvement. It is expected that SLPA will close the year with a reasonable profit including probable gain from the depreciation of the Japanese Yen.

Chart 21 > **Container Throughput (TEU's) Handled by SLPA (Million)**



Outstanding debt against foreign borrowings of SLPA has decreased by 1 percent to Rs. 141 billion, while the debt against local borrowings has increased by 18 percent to Rs. 6.4 billion as at end September 2013.

Meanwhile, the Colombo International Container Terminals Limited (CICT), which was established as a Public Private Partnership (PPP) Project (China Merchants Ltd. and SLPA) commissioned in August 2013.

Table 34 > **Financial Outturn of Sri Lanka Ports Authority**

	Actual			Revised Forecast
	2011	**2012***	**Sep 2013***	**2013**
Total Revenue (Rs.Mn)	**30,385**	**37,125**	**25,949**	**45,490**
Navigation	4,095	4,860	3,675	5,126
Stevedoring	16,625	19,433	14,696	24,476
Wharf Handling	3,273	3,634	3,029	4,704
Port Facilities	2,761	3,682	2,408	5,513
Other	3,631	5,517	2,141	5,671
Total Expenditure (Rs.Mn)	**30,128**	**31,914**	**17,322**	**19,789**
Operational Expenses	29,389	31,159	16,933	18,700
Net Finance Cost	739	755	389	1,089
Profit/(Loss) Before Tax (Rs.Mn)	**257**	**5,211**	**8,627**	**7,215**
Outstanding debts to Banks (Rs.Mn)	6,283	5,435	6,389	6,731
Foreign Loans (Rs.Mn)	116,837	141,365	140,564	188,439
Interest on Foreign Loans (Rs.Mn)	1,841	2,255	4,459	5,751

Table 34 Contd...

	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Key Performance Indicators				
TEU's Handling (Nos Mn)	**2.30**	**2.32**	**3.22**	**4.3**
Vessels Arrival (Nos)	**5,189**	**4,931**	**3,025**	**3,691**
Colombo	4,772	4,495	2,751	3,691
MRMRP	10	38	91	133
Other Ports	407	398	183	248

Source: Sri Lanka Ports Authority, Department of Public Enterprises
**Draft*

Aviation

Sri Lankan Airlines

Sri Lankan Airlines (SLA) recorded a revenue of Rs.54.4 billion during the first six months of the financial year 2013/14, which is 5 percent decrease over the budgeted revenue and 7 percent decrease compared to the same period in 2012/13. Further, despite the increase of the passenger load factor by 2 percent against the previous year, SLA recorded a loss of Rs.15.8 billion in the first six months of 2013/14, in comparison to the loss of Rs 29.9 billion recorded for the year 2012/2013.

In accordance with the government policy decision of infusing capital to the tune of US$ 500 million over a period of five years commencing from 2012, US$ 100 million (Rs. 12.6 billion) was provided to SLA during the first quarter of 2013.

During the period under review, SLA settled outstanding fuel bills amounting to Rs. 24.2 billion to CPC by transferring Treasury bonds worth of US$ 225 million. SLA's liabilities to overseas in respect of aviation fuel, lease rental, ground handling, and loan servicing for next six months stands at Rs. 43 billion.

Chart 22 > **Aviation Passenger Movements**

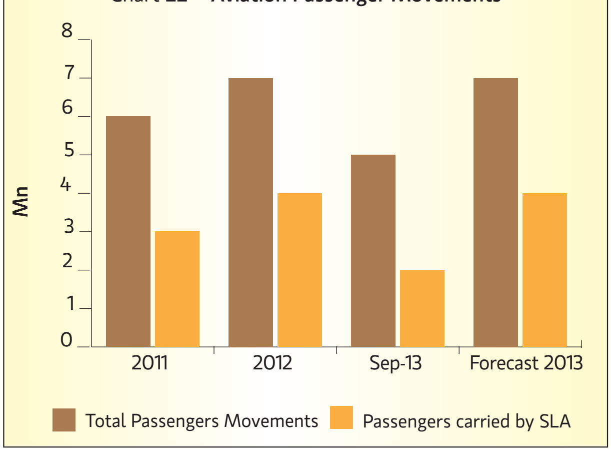


Table 35 > **Financial Outturn of the Sri Lankan Airlines**

	Actual			Revised Forecast
	2011/12	2012/13	Sep 2013*	2013/14
Revenue (Rs.Mn)	**91,164**	**117,186**	**54,441**	**114,498**
Passenger	71,474	93,254	47,132	97,527
Cargo	10,599	12,804	6,352	13,249
Other	9,091	11,129	957	3,723
Expenditure (Rs.Mn)	110,839	147,159	70,195	141,193
Operational Cost	68,418	89,899	44,084	93,063
Finance Cost	**1,431**	**3,228**	**1,787**	**2,592**
Others	40,990	54,032	24,324	55,850
Operating profit (loss) (Rs.Mn)	(19,675)	(29,973)	(15,754)	(26,695)
Outstanding Debt to Banks (Rs.Mn)	**6,943**	**27,684**	**26,926**	**24,262**
Capital Contribution (Rs Mn)	14,286	12,600	12,600	13,000
Key Performance Indicators				
Passengers carried (No's Mn)	**3,459**	**3,964**	**2,145**	**4,297**
Aircraft Fleet (Nos)	**20**	**21**	**21**	**21**
Routes (Nos)	46	38	39	39

Sources: Sri Lankan Airlines, Department of Public Enterprises
**Draft*

Airport and Aviation Services (Sri Lanka) Limited

Table 36 > **Financial Outturn of Airport and Aviation Services (Sri Lanka) Limited**

	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Revenue (Rs.Mn)	**9,807**	**11,819**	**9,614**	**13,315**
Aeronautical	2,142	2,708	2,085	2,942
Non Aeronautical	6,818	7,980	6,815	9,689
Other	847	1,131	714	684
Expenditure (Rs.Mn)	**7,667**	**7,960**	**5,605**	**8,274**
Operating profit/(loss) (Rs.Mn)	**2,140**	**3,859**	**4,009**	**5,041**
Total Borrowings	29,016	38,839	38,835	47,830
Key Performance Indicators				
Passengers Movements (Nos)	6,145,532	7,079,920	5,496,569	7,300,000
Aircraft Movements (Nos)	43,454	48,416	33,107	50,100

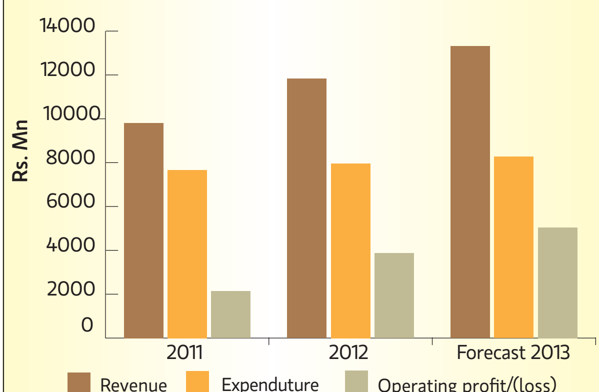
Source: Airport and Aviation Services (Sri Lanka) Limited, Department of Public Enterprises
**Draft*

Airport and Aviation Services (Sri Lanka) Limited (AASL) recorded 8.4 percent growth in its revenue by earning Rs. 9.6 billion during the first nine months of 2013 compared to Rs. 8.9 billion during the same period in 2012. The company was able to record an operational profit of Rs. 4 billion during first nine months of 2013 in comparison to Rs. 3.9 billion in 2012. The AASL was able to maintain operating profit margins of 22 percent, 33 percent and 42 percent for 2011, 2012 and first nine months of 2013 respectively and declared a dividend of Rs. 821 million for the year 2012.

Total foreign borrowings of AASL as at 30th September 2013 stood at Rs. 38.4 billion. The Company has paid Rs. 865 million in the first nine months of 2013 to service seven foreign loans obtained through General Treasury. AASL is to commence the servicing of loan amounting to US$ 189 million obtained for the construction of Mattala International Airport and also to obtain the 2nd tranche of the loan amounting to US$ 120 million for its further development.

In recognizing the need for doubling the handling capacity at Bandaranaike International Airport within next five years, necessary construction works are planned to commence in 2014.

Chart 23 > **Financial Outturn of Airport and Aviation Services Limited**



Commuter Transportation
Sri Lanka Transport Board

Sri Lanka Transport Board (SLTB) has recorded a 5.4 percent growth in total revenue and 9.6 percent increase in total expenditure by the end September 2013 in comparison to the same period in 2012, resulting in an increase of the loss by 20 percent to Rs. 4.2 billion.

Running bus fleet of the SLTB has decreased by 432 buses due to overdue of useful life of buses despite the procurement of 281 small buses utilizing Rs. 1 billion allocated by the General Treasury, 13 luxury busses and three 2-door busses on lease basis. It is projected to provide further Rs. 5 billion to strengthen the bus fleet during the period of 2014-2018.

Unsettled EPF contribution of SLTB at the end of September 2013 amounts to Rs. 3,911 million which has been accumulated since 2010, creating employee unrest leading to legal actions against the Board.

Chart 24 > **Financial Outturn of Sri Lanka Transport Board**

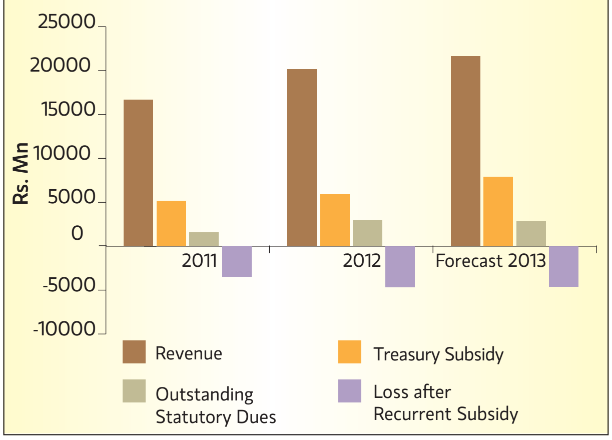


Table 37 > **Financial Outturn of Sri Lanka Transport Board**

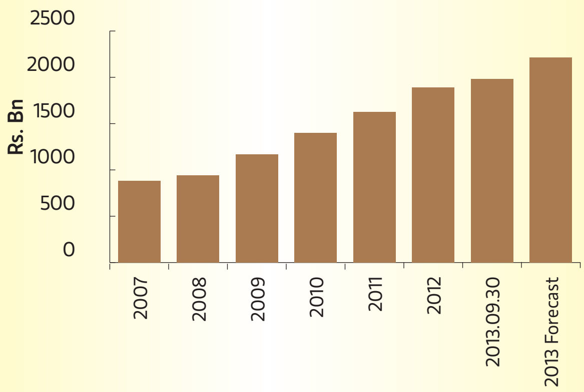
	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Revenue (Rs.Mn)	**16,698**	**20,165**	**15,946**	**21,607**
Waybill Income	15,175	18,209	14,172	19,227
Season ticket income	552	654	519	710
Other income	971	1,302	1,255	1,670
Expenditure (Rs.Mn)	**24,126**	**30,137**	**25,010**	**32,170**
Operational Cost	10,322	13,797	11,065	14,350
Other Expenditure	13,804	16,340	13,945	17,767
Treasury Subsidy (Rs. Mn)	**5,181**	**5,894**	**5,516**	**7,895**
Recurrent	3,938	5,319	4,886	5,975
Capital	1,243	575	630	1,920
Loss after Recurrent Subsidy (Rs.Mn)	**(3,490)**	**(4,653)**	**(4,178)**	**(4,588)**
Outstanding Dues to Banks	396	627	660	690
Outstanding Statutory Dues	**1,570**	**2,971**	**3,911**	**2,824**
Key Performance Indicators				
Operated Passenger Kilometres	933,810	923,034	931,527	935,000
Buses in Operation (Avg per annum)	4,365	4,779	4,347	4,830

Source: Sri Lanka Transport Board, Department of Public Enterprises
**Draft*

State Banks

Deposit base of the state banks reached the Rs. 2 trillion landmark during first nine months of 2013. The non-performing loans increased by 70 percent to Rs. 92 billion at the end September 2013 from Rs. 54 billion as at end 2012 due to the impact of decrease in international gold prices.

Chart 25 > **Deposits of State Owned Banks - 2007-2013**



Bank of Ceylon

Bank of Ceylon (BOC) continued with its dominant position in the Sri Lankan banking industry with an asset base of Rs.1, 197 billion by the end of September 2013. The capital adequacy ratio of BOC by the June 2013 was 10.88 percent in comparison to 11.4 percent in 2012.

Increase in time deposits by Rs. 82 billion or 21 percent during the period was mainly contributed to the increase in total deposit by 12.5 percent to Rs. 780.3 billion. Decrease in net interest margin to 2.6 percent at the end of September 2013 in comparison to 3.3 percent in 2012 has resulted in achieving only 61 percent of the annual net interest income target of 2013. As a result of decrease in international gold prices, Non-Performing Loan (NPL) ratio has increased to 4.47 percent by the end September 2013 against 2.8 percent at the end December 2012.

It is expected that the Bank will close the year 2013 with a profit at around Rs.18 billion, provided the efforts are intensified to attract low cost deposits and reduce the credit to deposit ratio during the next three months of 2013.

In this backdrop BOC is in the process of implementing strategies such as focus on quality advances when granting new facilities, strict monitoring of non-performing advances, taking remedial actions to prevent potential facilities going into NPL and rescheduling and restructuring of existing facilities to improve assets quality. The decline in interest rates, removal of the credit ceiling and the availability of liquidity in the market will also have a positive impact on the activities of BOC during the balance period of 2013.

Table 38 > **Financial Outturn of Bank of Ceylon**

	Actual			Revised Forecast
	2011	**2012***	**Sep 2013***	**2013**
Total Income (Rs. Mn)	**70,857**	**110,138**	**90,083**	**126,007**
Interest Income	61,622	95,022	81,243	113,324
Interest Expense	36,216	59,701	58,543	76,057
Net Interest Income (Rs. Mn)	**25,006**	**35,321**	**22,700**	**37,267**
Other Income	9,235	15,116	8,840	12,683
Total Operating Expenses (Rs. Mn)	**16,955**	**20,870**	**20,066**	**31,815**
Personnel Expenses	10,460	12,927	10,059	14,915
Other Expenses	6,495	7,943	10,007	16,900
Profit Before Tax (Rs. Mn)	16,485	19,794	11,474	18,135
Key Performance Indicators				
Investments (Rs.Mn)	152,749	276,655	377,823	331,986
Deposits (Rs.Mn)	595,773	693,440	780,305	824,521
Loans and Advances (Rs.Mn)	543,149	691,899	639,591	689,072
Non Performing Advances (Rs.Mn)	11,416	19,221	31,413	33,926
ROA (%)	2.12	2.1	1.36	1.5
ROE (%)	33.45	31.24	21.55	26.5
NPL Ratio (%)	2.1	2.8	4.47	4.7

Source: Bank of Ceylon, Department of Public Enterprises
**Draft*

People's Bank

Table 39 > **Financial Outturn of People's Bank**

	Actual			Revised Forecast
	2011	**2012***	**Sep 2013***	**2013**
Total Income (Rs. Mn)	**67,901**	**94,633**	**85,094**	**113,867**
Interest Income	61,788	85,241	78,912	105,358
Interest Expense	31,470	51,323	56,621	72,758
Net Interest Income (Rs. Mn)	**30,318**	**33,918**	**22,291**	**32,600**
Other Income	6,113	9,392	6,182	8,509
Total Operating Expenses (Rs. Mn)	**20,831**	**28,061**	**21,902**	**29,859**
Personnel Expenses	10,547	13,819	8,962	13,106
Other Expenses	10,284	14,242	12,940	17,753
Profit Before Tax (Rs. Mn)	**15,600**	**15,249**	**6,571**	**10,250**
Key Performance Indicators				
Investments (Rs.Mn)	129,977	175,491	214,509	223,589
Deposits (Rs.Mn)	550,226	683,950	731,736	790,540
Loans and advances (Rs.Mn)	461,656	611,414	627,041	690,898
Non Performing Advances (Rs.Mn)	16,062	17,407	30,460	33,852
ROA (%)	2.6	2.0	1.0	1.2
ROE (%)	49.2	41.7	20.8	24.3
NPL Ratio (%)	3.4	2.8	4.8	4.9

Sources: People's Bank, Department of Public Enterprises
**Draft*

Due to high market interest rates prevailed in the beginning of the year 2013 with a lower growth rate in low cost deposit base, interest margin has decreased and the Bank achieved only 68 percent of the net interest income forecast for 2013. However, the decline in interest rates and removal of the credit ceiling would have a positive impact on the performance during the balance period of 2013.

Profitability of the bank has adversely affected by the reversal of interest amounting to Rs. 1.85 billion accrued on non-performing loans and a provisioning of Rs. 3.3 billion due to the decrease in average international gold prices. Asset quality of the Bank has deteriorated with the sharp increase in non-performing loan portfolio from Rs 17.4 billion in 2012 to Rs 30.5 billion at the end of September 2013.

The bank has introduced a special medium term loan scheme to encourage customers to pay back the capital of pawning loans in equal installments. A comprehensive strategy has also been drawn up to develop SME sector in order to achieve a 25 percent plus SME loan portfolio over the total loan book in the medium term through various programmes.

National Savings Bank

NSB recorded a profit before tax of Rs. 1.8 billion for the first nine months of 2013. Bank's net interest margin has decreased to 1.7 percent during 2013 from 2.9 percent in 2012. This is mainly due to the high interest rates offered for time deposits in 2012 which account for 85 percent of the total deposits and majority of its investments has longer tenure. Hence, the Bank has to be more concerned on cost of deposit mobilization to reach the targeted profit for year 2013.

By end of September 2013, the deposit base of NSB has increased to Rs. 471.5 billion from Rs. 457.7 billion in 2012. Non performing advances (NPA) of the Bank as at end of September 2013 has increased by 202 percent to Rs.10.5 billion from Rs.3.5 billion at the end of December 2012

Table 40 > **Financial Outturn of National Savings Bank**

	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Total Income (Rs. Mn)	**47,863**	**53,045**	**47,176**	**64,318**
Interest Income	47,096	52,673	46,343	63,208
Interest Expense	29,296	39,142	39,708	51,356
Net Interest Income (Rs. Mn)	**17,800**	**13,531**	**6,635**	**11,852**
Other Income	767	372	833	1,110
Total Operating Expenses (Rs. Mn)	**9,312**	**7,734**	**5,681**	**7,567**
Personnel Expenses	4,140	4,077	3,138	4,175
Other Expenses	5,172	3,657	2,544	3,392
Profit Before Tax (Rs. Mn)	**9,255**	**6,169**	**1,787**	**5,396**
Key Performance Indicators				
Investments (Rs.Mn)	327,797	312,723	369,850	373,558
Deposits (Rs.Mn)	411,013	457,650	471,470	494,626
Loans and advances (Rs.Mn)	116,700	155,245	136,177	175,465
Non Performing Advances (Rs.Mn)	2,890	3,469	10,472	7,854
ROA (%)	2.1	1.21	0.45	0.4
ROE (%)	38.2	25.3	6.10	13.7
NPL Ratio (%)	2	1.8	7.26	5.0

Sources: National Savings Bank, Department of Public Enterprises
**Draft*

due to the decrease in average international gold prices. NSB has the largest branch network with 219 branches, 4,053 post office/sub post office network and was able to retain at AAA credit rating for consecutive 10 years. Further, the Bank has 17.4 million account holders all over the country.

Employees' Trust Fund Board

Employees' Trust Fund Board (ETF) maintained 10.3 million member accounts as at 30th September 2013 and 72,709 claims amounting to Rs 4.7 billion were settled during that period. The revenue of the ETF has increased to Rs. 10,994 million for the period, in comparison to Rs. 10,046 million recorded in the same period of 2012.

Investment portfolio of the Board grew by 6 percent to Rs. 158.6 billion during the period in comparison to Rs. 149.6 billion in 2012.

During the first three quarters of 2013, the ETF Board enhanced its facilities to allow members to pay their contributions through an electronic banking system with People's Bank, Hatton National Bank and Sampath Bank in addition to Bank of Ceylon and Commercial Bank. ETF has implemented express claim processing system with effect from 1st March 2013 enabling members to obtain their claims within a day. The Board has also increased Automatic Life Insurance benefits given to members from Rs. 50,000 to Rs. 100,000 with effect from 1st July 2013.

Table 41 > **Financial Outturn of the Employees' Trust Fund Board**

	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Total Income (Rs.Mn)	**13,371**	**13,488**	**10,994**	**16,351**
Investment Income	13,127	13,229	10,819	16,088
Other Income	244	259	175	263
Income Net of Tax	13,230	13,322	10,906	16,160
Total Expenditure (Rs.Mn)	**993**	**1,174**	**834**	**1,330**
Operating Expenses	699	766	542	867
Member Expenses	294	408	292	463
Net Income (Rs.Mn)	**12,237**	**12,148**	**10,072**	**14,830**
Profit for Distribution (Rs.Mn)	**12,571**	**14,130**	**10,422**	**15,017**
Key Performance Indicators				
Interest on Members Fund 3%	3,695	4,190	-	4,633
Dividend 7%	8,622	9,777	-	10,038
Total Rate-Interest & Dividend (%)	10	10	-	9.5

Sources: Employees' Trust Fund Board, Department of Public Enterprises
**Draft*

Insurance
Sri Lanka Insurance Corporation

Table 42 > **Financial Outturn of Sri Lanka Insurance Corporation**

	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Revenue (Rs. Mn)	17,208	25,644	24,479	32,957
Expenditure (Rs. Mn)	11,773	19,781	17,711	23,349
Profit/ (loss) (Rs. Mn)	4,215	4,235	4,182	6,149

Sources: SLIC and Department of Public Enterprises
**Draft*

Sri Lanka Insurance Corporation (SLIC) accounts for 67 percent at Rs. 15,431 million of Gross written Premiums for the period against the forecast of Rs. 23,198 million for 2013 while net earned premium is Rs, 13,056 million against the forecast for the year of Rs. 19,118. The contribution of life insurance to Gross Written Premium is 36.5 percent while Non-Life Insurance account for 63.5 percent. SLIC is the largest Insurer in terms of assets and also second largest in terms of insurance premium.

The SLIC has recorded an investment income of Rs. 7,917 million which account for 37 percent of the total revenue in comparison to 28 percent in 2012. On average the company pays Rs. 31 million in settlement of claims daily.

Livestock
MILCO (PVT) Limited

MILCO has generated revenue of Rs. 3,645 million for the six months ended 30th September 2013 against the forecast of Rs. 8, 609 million for 2013/2014, and it is doubtful whether the Company will reach the expected target within the year at current operating level. Expenditure to total revenue has increased to 102 percent during the six months ended 30th September 2013 mainly due to increase in administration and selling & distribution expenses. Even though outstanding debts to bank as at 31st March 2014 was expected to come down to Rs. 480 million from Rs 582 million as of 31st March 2013, the balance at 3oth September 2013 has increased

Table 43 > **Financial Outturn of Livestock Sector**

		Actual			Revised Forecast
		2011/12	2012/13	Sep 2013*	2013/14
MILCO (Pvt) Limited	**Revenue (Rs.Mn)**	**5,428**	**6,489**	**3,645**	**8,609**
	Sale of Milk Production	5,263	6,385	3,630	8,577
	Other income	167	104	15	32
	Expenditure (Rs.Mn)	**5,673**	**7,356**	**3,715**	**8,549**
	Profit/ (Loss) Before Tax (Rs.Mn)	**(245)**	**(267)**	**(70)**	**60**
	Outstanding Debt to Banks (Rs.Mn)	**642**	**582**	**645**	**480**
	Key Performance Indicators				
	Milk Collection (ltrs Mn)	68.5	69.2	36.7	75.0
National Livestock Development Board	**Revenue (Rs. Mn)**	**1,232**	**1,219**	**1,135**	**1,409**
	Expenditure (Rs.Mn)	**982**	**1,191**	**1,097**	**1,359**
	Profit/(Loss) Before Tax (Rs.Mn)	**250**	**28**	**38**	**50**
	Outstanding Debts to Bank(Rs.Mn)	**128**	**1,005**	**1,057**	**1,055**
	Key Performance Indicators				
	Neat Cattle Milk (lt,'000)	2,868	3,442	5,620	4,130
	Buffaloes Milk (lt,'000)	635	684	545	739
	Curd Production (lt,'000)	-	407	309	384
	Yoghurt (80ml Cups) (Nos,'000)	-	469	538	589

Source: MILCO (Pvt) Limited, NLDB, Department of Public Enterprises
**Draft*

to Rs 645 million as company has gone for new borrowings to purchase milk processing machines.

Out of 78 milk chilling centers 77 centers have been handed over to farmer managed societies and the staff in those centers have been assigned to factories and field, and as result the company is incurring additional expenditure on milk collection around Rs 3.8 million per month. Procurement of machines utilizing foreign loan of Euro 33.7 million from Denmark have been started and some of the machineries have already been reached the harbor.

National Livestock Development Board (NLDB)

National Livestock Development Board (NLDB) has recorded a revenue growth of 24 percent to Rs 1,135 million compared to Rs 1,219 million in 2012 resulting from an increase in neat cattle milk production in a higher rate than expected after importation of high yielding 2,000 heifers from Australia. There is an increasing trend in profitability of the Company and expected to close the year with a profit at around Rs. 50 million exceeding the original forecast of Rs. 30 million.

The amount of debt to banks during the period has increased from Rs. 1,005 million to 1,057 million due to new borrowings on incurring capital expenditure to accommodate imported heifers. Under the Dairy Animal Importation Project, importation of another 2500 heifers from Australia is in progress and expected to have them in place by 2014.

Demand for both MILCO and NLDB products have increased with the recent developments in local milk consumption creating an enormous market opportunity for both institutions to enhance their business.

Health

Table 44 > **Financial Outturn of the Health Enterprises**

		Actual			Revised Forecast
		2011	2012	Sep 2013*	2013
State Pharmceuticals Corporation	**Revenue (Rs. Mn)**	**17. 375**	**20,215**	**13,258**	**21,427**
	Sales - DHS	12,569	15,938	10,109	16,894
	Sales - SPC	4,806	4,277	3,149	4,533
	Expenditure (Rs. Mn)	**16,899**	**19,747**	**12,276**	**20,915**
	Profit/ (loss) (Rs. Mn)	**418**	**468**	**471**	**512**
	Outstanding Debt to Banks (Rs. Mn)**	4,717	7,897	1,739	2,397
	Osusala outlets operated (Nos)	25	25	29	30
State Pharmaceutical Manufacturing Corporation	**Revenue (Rs. Mn)**	**1,432**	**1,414**	**1,516**	**1,798**
	Sales -DHS	1,006	1,001	1,113	1,361
	Sales - SPC	426	412	8	10
	Direct Marketing	-	-	395	427
	Expenditure (Rs. Mn)	**1,187**	**1,298**	**1,137**	**1,328**
	Net profit before tax (Rs. Mn)	**245**	**116**	**288**	**170**
	Outstanding Debt to Banks (Rs. Mn)**	168	148	191	298

Sources: SPC, SPMC, Department of Public Enterprises
**Draft*
***To be financed by the government budget in 2013-2015*

State Pharmaceuticals Corporation

State Pharmaceuticals Corporation (SPC) operates through Osusala network with 30 outlets which account for 26 percent of the revenue and the balance 74 percent earned from selling pharmaceuticals to the Department of Health Services (DHS). During the first nine months of the year 2013 Corporation has achieved only 61 percent of its revenue target of Rs. 21,427 million. This has resulted from a decline in supplies to the Department of Health Services by 15 percent during first nine months of 2013, in comparison to the same period in 2012. It is noted that the Corporation has been able to reduce its outstanding debts to banks significantly to Rs. 1,739 million by the end September 2013, from Rs. 7,897 million at the end of 2012.

SPC has added 3 Osusala outlets to its network in line with medium term target to expand its business operations. However, mismatch between the orders and drug requirement of the Department of Health Services resulted in inefficient and ineffective drug stocks management and excess importation.

State Pharmaceutical Manufacturing Corporation (SPMC)

State Pharmaceutical Manufacturing Corporation (SPMC) fulfils almost 15-20 percent of the drug requirement of the DHS by manufacturing 60 drugs with high quality and expected to expand operations to increase its market share further by the end of 2016.

The SPMC has already achieved 84 percent of its annual revenue target of Rs. 1,798 million with the initiation of direct marketing. Almost 73 percent of total revenue comes from Department of Health Services and 27 percent from other income including direct marketing channels and sales to SPC. Outstanding debt has increased by 29 percent to Rs. 191 million as at 31st September 2013, from Rs. 148 million at the end of 2012 due to increase of sales volume and high raw material cost. SPMC is unable to meet the demand due to limited storage facilities and also operates with more than 25 years old machineries leading to high maintenance cost, less operational efficiency. SPMC has carried out marketing campaigns to make aware of the quality of their products to distributers and medical practitioners during January - September 2013 and expects to expand its operations with the infrastructure development in the medium term in line with the business plan.

Marketing and Distribution
Lanka Sathosa Limited

Lanka Sathosa Limited (LSL), a government owned supermarket network, operates with 274 outlets and almost 25 percent of the market share. Increment in both sales revenue and indirect income by 18 percent and 24 percent respectively, has contributed towards the revenue growth of 18 percent at the end of the third quarter of 2013 in comparison to the same period in 2012. The gross profit margin of LSL has increased nearly by 4 percent leading to an increase in profit to Rs.628 million at the end of the third quarter of 2013 compared to Rs. 35 million for the same period in 2012. LSL need to consider whether these changes are sustainable in maintaining consumer demand in the long term.

Table 45 > **Financial Outturn of Lanka Sathosa Limited**

	Actual			Revised Forecast
	2011	2012*	Sep 2013*	2013
Revenue (Rs.Mn)	**16,633**	**20,661**	**18,304**	**24,368**
Sales	16,551	20,548	18,199	24,255
Other Income	82	113	105	113
Total Cost (Rs.Mn)	**16,554**	**20,614**	**17,676**	**23,570**
Profit/ (Loss) Before Tax (Rs.Mn)	**79**	**47**	**628**	**798**

Sources: Lanka Sathosa Limited, Department of Public Enterprises
**Draft*

Fertilizer

Table 46 > **Financial Outturn of Fertilizer Companies**

		Actual			Revised Forecast
		2011/12	2012/13	Sep 2013*	2013/14
Ceylon Fertilizer Company	**Revenue (Rs.Mn)**	**2,763**	**2,559**	**1,049**	**2,712**
	Core-Business	2,496	2,450	1,033	2,501
	Other Income	267	109	16	211
	Expenditure (Rs.Mn)	**2,619**	**2,426**	**1,001**	**2,614**
	Finance Cost	37	54	20	70
	Profit/Loss (Rs.Mn)	**144**	**133**	**48**	**98**
	Outstanding Debt (Rs.Mn)	**82**	**135**	**234**	**110**
	Govt. Fertilizer Subsidy (Rs. Mn)	**19,936**	**19,215**	**3,102**	**18,430**
Colombo Commercial Fertilizer Ltd	**Total Revenue (Rs. Mn)**	**1,072**	**1,032**	**526**	**1,346**
	Expenditure (Rs. Mn)	**807**	**880**	**513**	**900**
	Finance Cost	40	77	10	78
	Profit Before Tax (Rs. Mn)	**265**	**152**	**13**	**446**
	Importation of Fertilizer (MT'000)	**155**	**170**	**0**	**187**

Sources: Ceylon Fertilizer Company, Colombo Commercial Fertilizers Limited, Department of Public Enterprises
**Draft*

Ceylon Fertilizer Company

Ceylon Fertilizer Company (CFC) is engaged in importing, blending and distributing fertilizer and handles 65 percent of fertilizer subsidy to paddy farmers. CFC has not yet been able to involve in organic fertilizer business even it has been emphasized on encouraging the usage of organic fertilizer to avoid adverse effect on soil, water and bio-diversity as proposed by the Budget 2013.

CFC distributed 69,622MT of fertilizer in Yala 2013 representing 65 percent of allocation for subsidies resulting an oversupply of 12,264 MT at an additional cost of Rs.767 million to the government. However, there was a fertilizer shortage in the real arena, signifying the importance of revitalizing the system.

At the end of September 2013, total revenue of CFC had dropped by 18 percent to Rs. 1,049 million in comparison to the corresponding period of the financial year 2012/13 and as a result, profit has come down by 27 percent.

Colombo Commercial Fertilizers Limited

Colombo Commercial Fertilizers Limited (CCFL) fulfills 35 percent of total fertilizer requirement of the country and accounts for 24 percent of the total fertilizer imports to the country. In Yala 2013, CCFL distributed 35 percent of the total fertilizer amounting to 36,090MT resulting an oversupply of 6,357 MT of the fertilizer requirement to cultivate the planned extent of land. This resulted an additional cost of Rs. 397 million to the government. This reveals that the fertilizer distribution system should be revisited to mend any loopholes within the system.

The profitability of the company has come down by 83 percent at the end of the second quarter of year 2013/14 in comparison to the same period in 2012/13 due to an increase in total expenditure by 17 percent.

Table 47 > **Submission of Annual Reports– State Owned Business Enterprises**

Enterprise		2009	2010	2011	2012
1	Bank of Ceylon	√	√	√	√
2	People's Bank	√	√	√	√
3	National Savings Bank (NSB)	√	√	√	√
4	State Mortgage & Investment Bank (SMIB)	√	√	√	X
5	HDFC Bank (HDFC)	√	√	√	√
6	Lankaputhra Development Bank Ltd*	√	√	√	√
7	Pradeshiya Sanwardhana Bank (RDB)	√	√	√	√
8	Sri Lanka Savings Bank Ltd*	√	√	√	√
9	Employee's Trust Fund Board	√	√	√	X
10	Sri Lanka Insurance Corporation	√	√	√	√
11	National Insurance Trust Fund*	√	√	X	X
12	Ceylon Electricity Board	√	√	X	X
13	Ceylon Petroleum Corporation	√	√	X	X
14	Sri Lanka Ports Authority	√	√	√	X
15	National Water Supply and Drainage Board	√	√	X	X
16	Airport and Aviation Services (SL)Ltd	√	√	√	√
17	Sri Lankan Airlines Ltd	√	√	√	√
18	Mihin Lanka (Pvt) Ltd**	√	√	√	X
19	Sri Lanka Transport Board	X	X	X	X
20	State Engineering Corporation of Sri Lanka	√	√	X	X
21	Central Engineering Consultancy Bureau	√	√	X	X

Table 47 Contd...

Enterprise		2009	2010	2011	2012
22	State Development and Construction Corporation	√	√	X	X
23	Milco Ltd	√	√	√	√
24	National Livestock Development Board	√	√	√	X
25	Ceylon Fisheries Corporation	√	√	√	X
26	Ceylon Fishery Harbour Corporation	√	√	X	X
27	State Pharmaceuticals and Manufacturing Corporation	√	√	√	X
28	Sri Lanka Ayurvedic Drugs Corporation	√	√	√	X
29	State Pharmaceuticals Corporation	√	√	√	X
30	Sri Jayawardenapura General hospital	√	√	√	X
31	Independent Television Network Ltd	√	√	√	√
32	Sri Lanka Rupavahini Corporation	√	√	√	X
33	Sri Lanka Broadcasting Corporation	√	√	√	X
34	Ceylon Fertilizer Company Ltd	√	√	√	√
35	Colombo Commercial Fertilizer Company Ltd	√	√	√	√
36	State Timber Corporation	√	√	√	X
37	STC General Trading Company	√	√	X	X
38	Hotel Developers Lanka PLC	√	√	√	√
39	Lanka Sugar Company Ltd	-	-	-	-
40	Lanka Sathosa Ltd	X	X	X	X
41	Development Lottery Board	√	√	√	X
42	National Lottery Board	√	√	√	X
43	Lanka Mineral Sands Ltd	√	√	√	√
44	Lanka Phosphate Ltd	√	√	√	√
45	State Printing Corporation	√	√	√	X
46	Sri Lanka Export Credit Insurance Corporation	√	X	X	X
47	Agriculture and Agrarian Insurance Board	√	X	X	X
48	Sri Lanka State Plantations Corporation	X	X	X	X
49	Kurunegala Plantations Ltd	√	√	√	√
50	Janatha Estates Development Board	X	X	X	X
51	Chilaw Plantations Ltd	√	√	√	√
52	Kalubovitiyana Tea Factory Ltd	√	√	√	X
53	Sri Lanka Cashew Corporation	√	√	√	X
54	Sri Lanka Handicraft Board	√	√	√	X
55	Kahatagaha Graphite Lanka Ltd	√	√	√	√

Sources: State Owned Business Enterprises and Public Enterprises Department

Table 48 > **Levy/Dividend Income from SOBEs**

Rs Mn

	2002	2006	2007	2008	2009	2010	2011	2012	2013 Sep
Levy	-	**1,316**	**1,434**	**1,279**	**4,471**	**4,524**	**10,379**	**13,562**	**6,166**
National Savings Bank	-	810	1,060	1,060	1,750	2,312	4,560	8,260	3,060
State Mortgage & Investments Bank	-	116	25	-	50	-	-	25	-
Regional Development Bank	-	46	50	40	144	55	-	500	250
State Timber Corporation	-	75	150	75	50	10	75	50	40
State Pharmaceuticals Manufacturing Corporation	-	25	30	40	30	85	59	20	20
National Insurance Trust Fund	-				2,250	2,000	3,495	4,200	2,250
Sri Lanka Ports Authority	-	115	65	-	-	-	-	-	-
Ceylon Electricity Board	-	-	-	-	-	-	2,000	-	-
Other*	-	129	54	64	197	62	190	507	546
Dividends	**435**	**3,585**	**4,014**	**2,966**	**4,219**	**6,867**	**14,183**	**13,987**	**9,146**
Bank of Ceylon	-	1,173	846	1,046	1,346	2,923	4,020	5,346	3,596
People's Bank	-	668	1,416	816	1,139	3,253	4,500	4,658	1,816
Sri Lanka Telecom Plc	300	670	893	893	893	223	536	759	759
De La Rue Lanka (Pvt) Ltd	20	-	100	100	38	-	68	42	43
Lanka Mineral Sands Ltd	-	98	50	34	60	35	500	1,700	-
Lanka Industrial Estates Ltd	11	20	62	31	31	31	31	47	54
Ceylon Petroleum Storage Terminal Ltd	-	-	438	-	-	-	-	-	-
Airport and Aviation Services Ltd	-	-	100	-	200	-	2,406	-	250
West Coast Power (Pvt) Ltd	-	-	-	-	392	-	-	-	-
Lanka Electricity Company Ltd	100	100	75	-		300	-	75	75
Plantation Companies**	-	-	-	-	30	-	212	179	116
Sri Lanka Insurance Corporation Ltd	-	-	-	-	-	-	1,750	1,001	2,199
Sri Lankan Airlines Ltd	-	788	-	-	-	-	-	-	-
Other *	4	68	34	46	90	102	160	180	238
Total	**435**	**4,901**	**5,448**	**4,245**	**8,690**	**11,391**	**24,562**	**27,549**	**15,312**

Sources: Department of Treasury Operations and Department of Public Enterprises

** Independent Television Network of Sri Lanka , National Lotteries Board, SL Rupavahini Corporation, State Pharmaceuticals Corp, SL Export Credit Insurance Corp, National Lotteries Board (Sewana Fund), Lanka Phosphate Ltd, Lanka Leyland Ltd, Ceylon Agro Industries Ltd, Colombo Commercial Fertilizer Ltd, Paranthan Chemical Company ltd, Rakna Arakshana Lanka Ltd, Lankaputhra Development Bank, National Development Bank.*

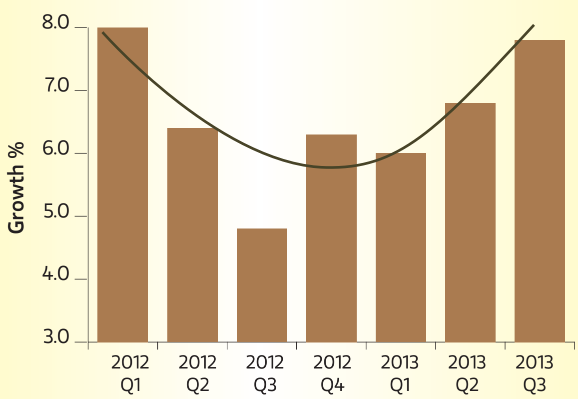
***Chilaw, Kalubowitiyana, Elkaduwa, Kurunegala, Namunuluka, Kegalle, Agalawatte, Kotagala, Balangoda,Watawala, Horana, Elpitiya and Pussellawa Plantations*

The Economy

Economic Growth

The Sri Lankan economy recorded a 6.9 percent growth, in real terms, during the first nine months of 2013 in comparison to 6.3 percent growth recorded during the first nine months of 2012. Attesting the improvements in the economy amidst challenges confronted in domestic as well as external front, the continued noteworthy performance in Services and Industry sectors supported the growth. Accordingly, strongly recovering from the deceleration during mid of 2012, the economy grew by 6.8 percent and 7.8 percent during the second and third quarters of 2013, in comparison to 6.4 percent and 4.8 percent growth during the corresponding period in 2012, respectively. The augmented domestic demand with the normalization of the domestic economy, driven by the striving environment emerged throughout the country in tandem with the improved confidence, continued infrastructure development, increased private investment in expanding economic activities and the revival in tourism industry coupled with the removal of the ceiling imposed on private sector credit expansion and downward adjustment of interest rates since end of 2012, had an impetus on growth, particularly in Industry and Services sectors. The agriculture sector recorded a 7.0 percent growth during the third quarter of 2013, recovering strongly from the setback in the first two quarters due to unfavorable weather.

Chart 26 > **GDP Growth**



The Agriculture sector which accounted for 11.4 percent of the Gross Domestic Product (GDP) recorded a lower growth of 2.7 percent during the first nine months of 2013 in comparison to 6.5 percent growth recorded during the first nine months of 2012, mainly due to contraction in Rubber, Coconut and Highland Crops subsectors as well as slower growth in Tea, Vegetables and Fruits subsectors affecting from the adverse impact of severe drought and unfavorable rainfall prevailed in major growing areas. However, the significant growth in Paddy, Minor Export Crops and Livestock subsectors and Marine Fishing subsector positively contributed for the growth. In spite of the destructions from the unfavorable weather, the continued commitment of the government to ensure the food security in the country promoting the agriculture sector in all spheres including fishing, livestock farming and self-sufficiency in food crops, through development initiatives focused on improving agriculture infrastructure, provision of financial assistance and other farming needs at subsidized prices, maintaining better farm gate prices through market interventions and tax policy measures appropriately adopted to safeguard the domestic producers as well as consumers, helps securing the Agriculture sector performance.

Nevertheless, during the first nine months of 2013, Industry sector and Services sector which accounted for 30.4 percent and 58.2 percent of the GDP grew by 9.5 percent and 6.3 percent, respectively, in comparison to 9.2 percent and 4.9 percent growth recorded during the first nine months of 2012. In particular, during the review period in 2013, all the main subsectors of these two sectors positively contributed to the growth while significant growth in Factory Industry, Electricity, Construction, Post and Telecommunication, Domestic Trade and Transport subsectors is notable. In addition, with the increased domestic demand, easing of monetary conditions and gradual recovery in the global economy, import and export trade services recorded 9.1 percent and 7.5 percent higher growth during the third quarter of 2013 recovering from the contraction of these activities during the first quarter of 2013. These developments highlight the strength of the rebounding Sri Lankan economy in achieving a growth rate of over 7 percent in 2013.

Chart 27 > **Composition of GDP -2013 (Jan.-Sep.)**

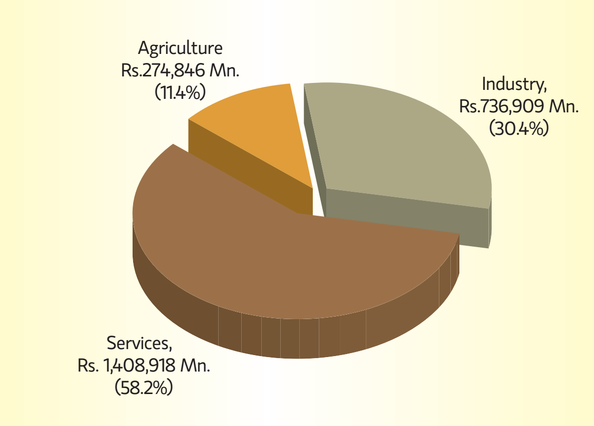
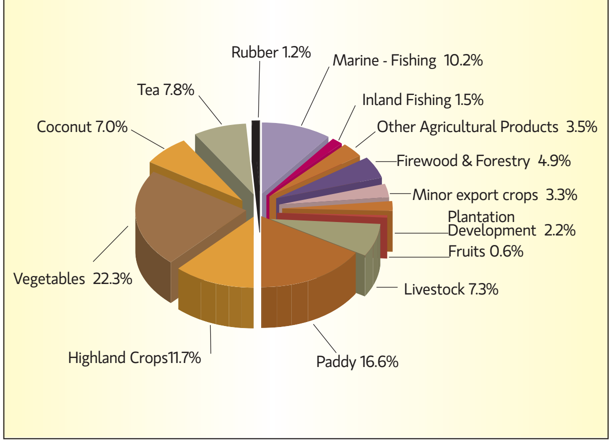


Chart 28 > **Composition of Agriculture Sector -2013 (Jan.- Sep.)**



Agriculture

The Agriculture, Forestry and Fishing sector which accounted for 11.4 percent of GDP during the first nine months of 2013 recorded a slower growth of 2.7 percent compared to 6.5 percent growth recorded during the corresponding period in 2012. The contraction in rubber subsector by 26.1 percent, coconut subsector by 20.1 percent and highland crops subsector by 1.3 percent as well as lower production in other food crops affecting from the adverse impact of prevailed severe drought and unfavorable rainfall pattern in major growing areas, affected the agriculture sector growth. However, 13.3 percent growth in paddy subsector driven by the 56.5 percent higher growth during the third quarter of 2013 and 10.1 percent growth in marine fishing subsector supported the agriculture sector growth during the review period. Further, the government has committed to promote the agriculture sector through the continued development initiatives, including development of agriculture infrastructure; provision of machinery and equipment for mechanization, high yielding seeds and fertilizer at subsidized prices for all varieties of crops, agriculture extension services, credit facilities and interest subsidies through special loan schemes; maintaining better farm gate prices, implementation of "Divi Neguma" program focusing income generation of 2.5 million households through development of back yard economies as well as appropriately adopted favorable tax policy measures to safeguard the domestic producers as well as consumers.

Tea

The Tea subsector which accounted for 7.8 percent of the Agriculture sector and 0.9 percent of GDP grew by 1.9 percent during the first nine months of 2013, compared to 1.1 percent contraction during the corresponding period in 2012. Increase in production by 2.3 percent benefiting from the prevailed favorable weather and also higher prices for tea during the first nine months of 2013 supported the growth while 5.1 percent contraction during third quarter of 2013 due to decline in production had a negative impact. Also, the government assistance through the provision of fertilizer at subsidized prices as well as other measures such as factory modernization and encouraging replanting and new planting, supported the increase in tea production. Accordingly, average yield of tea production is estimated to be increased by 1 percent to 1,704 kg per hectare in 2013. During the first nine months of 2013, low grown tea production contributed for 65 percent of total tea production and the tea small holders contributed for 68.9 percent of total tea production compared to 67.9 percent during the first nine months of 2012. The prices at Colombo Tea Auction continued to remain high with average price increasing by 11.2 percent to Rs. 429.60 per kg compared to Rs. 386.27 per kg during the first nine months of 2012. Further, benefiting from the increased production as well as external demand, tea exports grew by 6.9 percent to US $ 1,103 million during the first nine months of 2013 compared to 6.6 percent decline during the same period in 2012.

Table 49 > **Sectoral Composition of GDP (2002) Constant Prices (Rs. Million)**

Sector				First Nine Months		Growth(%)	
	2010	2011	2012	2012	2013*	2012	2013*
Agriculture, Forestry and Fishing	**315,610**	**320,178**	**338,625**	**267,736**	**274,846**	**6.5**	**2.7**
1. Agriculture, Livestock and Forestry	**283,203**	**282,748**	**297,730**	**237,285**	**242,665**	**6.0**	**2.3**
1.1 Tea	28,770	28,432	28,077	21,053	21,463	(1.1)	1.9
1.2 Rubber	6,983	7,128	6,647	4,455	3,293	(0.0)	(26.1)
1.3 Coconut	28,855	29,720	31,504	24,091	19,250	8.4	(20.1)
1.4 Minor Export Crops	14,955	12,114	11,507	8,417	8,995	(10.7)	6.9
1.5 Paddy	48,377	44,325	44,887	40,298	45,659	3.8	13.3
1.6 Livestock	22,397	24,029	25,556	18,801	19,982	6.3	6.3
1.7 Other food crops	99,994	102,378	112,659	92,710	95,105	10.3	2.6
Highland crops	33,117	33,507	36,297	32,697	32,272	7.7	(1.3)
Vegetables	64,821	66,832	74,313	58,464	61,264	12.2	4.8
Fruits	2,057	2,039	2,049	1,549	1,568	0.3	1.2
1.8 Plantation Development	6,895	7,287	7,926	5,694	6,025	5.8	5.8
1.9 Firewood and Forestry	15,832	16,481	17,377	12,724	13,364	5.2	5.0
1.10 Other Agricultural Crops	10,146	10,853	11,589	9,042	9,529	6.3	5.4
2. Fishing	**32,407**	**37,431**	**40,895**	**30,451**	**32,182**	**11.3**	**5.7**
Inland - Fishing	4,359	5,054	5,775	4,859	4,011	34.1	(17.5)
Marine - Fishing	28,048	32,377	35,120	25,592	28,171	7.8	10.1
Industry	**760,334**	**838,932**	**956,509**	**672,842**	**736,909**	**9.2**	**9.5**
3. Mining and Quarrying	**60,079**	**71,191**	**84,672**	**56,951**	**65,169**	**19.0**	**14.4**
3.1 Gem Mining	12,111	14,212	15,660	12,476	13,141	8.9	5.3
3.2 Other Mining	47,968	56,980	69,012	44,474	52,028	22.2	17.0
4. Manufacturing	**458,660**	**494,990**	**552,112**	**385,437**	**407,591**	**5.4**	**5.7**
4.1 Processing (Tea, Rubber and Coconut)	15,868	16,006	17,043	13,226	12,816	6.9	(3.1)
4.2 Factory Industry	414,925	449,177	503,895	349,023	370,600	5.3	6.2
Food and Beverages	197,731	211,848	222,722	167,428	178,060	5.1	6.4
Textile, Wearing Apparel & Leather	92,293	102,263	107,242	77,926	83,013	5.2	6.5
Chemicals, Petroleum, Coal, Rubber & Plastic	66,990	73,203	77,455	56,039	58,985	6.0	5.3
Non-Metallic Mineral Products except products of Petroleum & Coal	16,328	17,670	18,826	14,149	14,911	6.8	5.4
Fabricated Metal Products, Machinery & Equipments	35,482	37,733	39,663	28,452	30,242	4.8	6.3
Other Industries	6,101	6,459	6,813	5,030	5,389	5.4	7.1
4.3 Cottage Industry	27,868	29,808	31,174	23,187	24,175	4.7	4.3
5. Electricity, Gas and Water	**63,682**	**69,547**	**72,634**	**53,157**	**59,955**	**3.0**	**12.8**
5.1 Electricity	56,291	61,722	64,352	47,046	53,700	2.6	14.1
5.2 Gas	4,593	4,855	5,100	3,801	3,863	5.6	1.6
5.3 Water	2,798	2,970	3,181	2,311	2,392	7.3	3.5
6. Construction	**177,912**	**203,204**	**247,091**	**177,298**	**204,194**	**17.4**	**15.2**
Services	**1,569,598**	**1,704,605**	**1,783,317**	**1,325,245**	**1,408,918**	**4.9**	**6.3**
7. Wholesale and Retail Trade	**613,258**	**676,565**	**701,408**	**524,366**	**550,170**	**4.2**	**4.9**
7.1 Import Trade	213,477	243,963	246,446	177,797	183,733	2.2	3.3
7.2 Export Trade	106,279	117,064	117,960	90,069	92,285	1.0	2.5
7.3 Domestic Trade	293,602	315,538	337,002	256,500	274,151	6.7	6.9
8. Hotels and Restaurants	**13,845**	**17,501**	**21,029**	**11,011**	**12,992**	**23.4**	**18.0**
9. Transport and Communication	**368,643**	**410,402**	**435,872**	**324,013**	**357,407**	**6.7**	**10.3**
9.1 Transport	302,983	337,088	357,221	265,285	293,159	6.3	10.5
Transport - Railway	2,899	2,980	3,126	2,453	2,517	5.8	2.6
Transport- Passenger and Goods	300,084	334,108	354,095	262,832	290,642	6.3	10.6
9.2 Cargo Handling-Ports and Civil Aviation	18,706	20,060	21,194	14,794	15,174	7.1	2.6
9.3 Post and Telecommunication	46,953	53,254	57,457	43,934	49,075	8.9	11.7
10. Banking, Insurance and Real Estate and etc.	**234,255**	**252,706**	**269,744**	**200,511**	**213,332**	**6.9**	**6.4**
11. Ownership of Dwellings	**74,692**	**75,607**	**76,926**	**57,492**	**59,099**	**1.6**	**2.8**
12. Government Services	**202,187**	**204,704**	**207,559**	**154,692**	**159,124**	**1.6**	**2.9**
13. Private Services	**62,617**	**67,119**	**70,779**	**53,162**	**56,795**	**5.1**	**6.8**
Gross Domestic Product	**2,645,542**	**2,863,715**	**3,078,451**	**2,265,823**	**2,420,673**	**6.3**	**6.9**

Source: Department of Census and Statistics,
** Provisional*

Rubber

The Rubber subsector, which accounted for 1.2 percent of the Agriculture sector and 0.1 percent of the GDP, contracted by 26.1 percent during the first nine months of 2013 compared to marginal decline during the corresponding period in 2012. This was resulted mainly due to decline in rubber production affecting from unfavorable rainfall for tapping activities and lower prices for rubber. During the first nine months of 2013, rubber production declined by 23.3 percent. Accordingly, average yield of rubber production is estimated to be declined by 11 percent to 1,298 kg per hectare in 2013, despite the cultivated extent is estimated to be increased by 3.8 percent. The average prices of RSS No. 1, RSS No.2 and crepe rubber in Colombo Auction declined by 8.9 percent, 8.7 percent and 4.7 percent to Rs. 387 per kg, Rs. 379 per kg and Rs. 396 per kg respectively, during the first nine months of 2013. Further, export of rubber declined by 48.5 percent to US $ 52.1 million and rubber products declined by 4.4 percent to US $ 616.0 million during the first nine months of 2013, affecting the growth.

Coconut

The Coconut subsector, which accounted for 7.0 percent of the Agriculture sector and 0.8 percent of the GDP, contracted by 20.1 percent during the first nine months of 2013 compared to 8.4 percent growth during the first nine months of 2012. This was resulted mainly due to decline in coconut production affecting from the lag effect of the drought prevailed in major coconut growing areas. During the first eight months of 2013, coconut production declined by 15.8 percent. The export of coconut kernel products declined by 13.5 percent to US$ 55.3 million and other coconut products declined by 13.8 percent to US $ 85.3 million during the review period in 2013 compared to same period in 2012.

Paddy

The Paddy subsector, which accounted for 16.6 percent of the Agriculture sector and 1.9 percent of the GDP, recorded a higher growth of 13.3 percent during the first nine months of 2013 compared to 3.8 percent growth during the first nine months of 2012. This improvement was supported by the 56.5 percent higher growth during the third quarter, despite the slower growth during the first half due to prevailed drought affecting the production in 2012/2013 Maha season. The paddy extent cultivated increased by 11.0 percent to 779,635 hectares while production increased only by 4.8 percent to 2.8 million MT in 2012/2013 Maha season. Thereby, average yield of paddy production declined by 3.7 percent to 4,281 kg. per hectare in 2012/2013 Maha season compared to 2011/2012 Maha season.

Minor Export Crops

The Minor Export Crops subsector which accounted for 3.3 percent of the Agriculture sector and 0.4 percent of the GDP recorded a higher growth of 6.9 percent during the first nine months of 2013 in comparison to 10.7 percent contraction during the corresponding period in 2012, benefiting from the increased production and exports. During the first nine months of 2013, export of spices increased by 33.3 percent to US$ 253.5 million, accounting for 13.8 percent of total agricultural product exports.

Livestock

The Livestock subsector which accounted for 7.3 percent of the Agriculture sector and 0.8 percent of the GDP recorded a 6.3 percent growth during the first nine months of 2013 compared to 6.3 percent growth during the corresponding period in 2012. The positive impact of 8.0 percent and 8.3 percent higher growth during the first and third quarters of 2013 was offset by the slower growth of 2.9 percent during the second quarter. This growth performance was supported by the increase in local milk production by 17.5 percent and broiler meat production by 7.1 percent during the first nine months of 2013, even though the egg production reflected a 6.2 percent decline compared to 33.8 percent higher growth during the same period in 2012. The government initiatives to upgrade the living standards of the small scale farmers through different level assistance programs including the high taxes on imported milk powder, better farm gate prices and provision of other assistance through development of backyard economies under the “Divi Neguma” program as well as tax concessions granted for lowering the cost of production, supported the improvement of the Livestock subsector.

Other Food Crops and Agricultural Crops

The Other Food Crops subsector which comprised of highland crops, vegetables and fruits accounted for 34.6 percent of the Agriculture sector and 3.9 percent of the GDP recording a slower growth of 2.6 percent during the first nine months of 2013 compared to 10.3 percent higher growth during the respective period in 2012. This slowdown was resulted affecting from the 1.3 percent contraction in Highlands Crops compared to 7.7 percent growth during the same period in 2012. Also the 4.8 percent slower growth in Vegetables subsector compared to 12.2 percent growth during the first nine months of 2012 had a negative impact. The Fruits subsector recorded a 1.1 percent growth compared to 0.3 percent growth during same period in 2012. Other Agricultural Crops subsector recorded a 5.4 percent growth during the first nine months of 2013compared to 6.3 percent growth during the same period in 2012. During the 2012/2013 Maha season, production of potatoes increased by 20.0 percent to 38,667 MT, chilies increased by 14.7 percent to 50,689 MT, maize increased by 4.0 percent to 172,637 MT and big onion production increased by 31.9 percent to 2,418 MT compared to 2011/2012 Maha season supporting the growth even though the red onion production declined by 15.6 percent to 39,139 MT. The higher growth in Other Food and Agricultural Crops subsector was evaded by the relatively slower growth in production affecting from the unfavorable weather. However, the government initiatives to extend the fertilizer to all food crops at subsidized prices and other assistance including credit facilities to promote home gardening under the "Divi Neguma" program and tax policy measures targeting increase in domestic production coupled with better farm gate prices supported the growth of these sub sectors.

Fishery Industry

The Fishing subsector which accounted for 11.7 percent of the Agriculture sector and 1.3 percent of the GDP recorded a 5.7 percent slower growth during the first nine months of 2013 compared to 11.3 percent growth recorded during the same period in 2012 affecting from contraction in Marin Fishing subsector during second quarter and Inland Fishing subsector during the review period in 2013. The Marine Fishing subsector which accounted for 1.2 percent of GDP recorded a higher growth of 10.1 percent compared to 7.8 percent growth during the corresponding period in 2012. The positive impact of the 17.7 percent and 18.0 percent higher growth of this subsector during the first and third quarters of 2013 was lessened by the 3.0 percent contraction during the second quarter of 2013 due to adverse impact of heavy storm occurred in mid of 2012. During the review period, Inland Fishing subsector contracted by 17.5 percent in comparison to 34.1 percent growth during the corresponding period in 2012 affecting from the stocking process of finger lings and since large portion of fish affected from the severe drought prevailed in the latter part of 2012. Accordingly, during the first nine months of 2013, import of sea food increased by 22.8 percent and export of sea food recorded a slower growth of 9.8 percent compared to 7.3 percent decline and 12.8 percent increase respectively, during the respective period in 2012. However, the development of fishery harbors throughout the country, in particular in Northern and Eastern provinces, provision of other assistance viz., credit felicities, fuel subsidy targeting fishermen since February 2012 to reduce the cost of production, provision of vessels and equipment as relief assistance for liberated areas, adjustment of tax policy measures to discourage import of fish and fish products in excessive levels as well as tax concessions to promote local fish processing industry supported the growth of fishery industry.

Industry

The Industry sector recorded a healthy growth of 9.5 percent contributing for 30.4 percent of the GDP during the first nine months of 2013, in comparison to 9.2 percent growth recorded during the respective period in 2012, benefiting from the increased domestic demand coupled with the increased income levels and private investment. This growth performance was driven by the positive contribution of all the main subsectors and particularly the steady growth of factory industries and construction services as well as higher growth in electricity. During the review period, Manufacturing subsector contributed for 16.8 percent of the GDP recording a 5.7 percent growth, construction services contributed for 8.4 percent of the GDP recording a 15.2 percent growth and Mining and Quarrying subsector contributed for 2.7 percent of the GDP recording a 14.4 percent growth while Electricity, Gas and Water subsector contributed for 2.5 percent of the GDP recording a 12.8 percent higher growth.

of the Industry sector and 90.9 percent of the Manufacturing subsector recorded a 6.2 percent growth compared to 5.3 percent growth during the first nine months of 2012 benefiting from the growth in Food and Beverages subsector.

Chart 29 > **Composition of Industry Sector -2013 (Jan.- Sep.)**

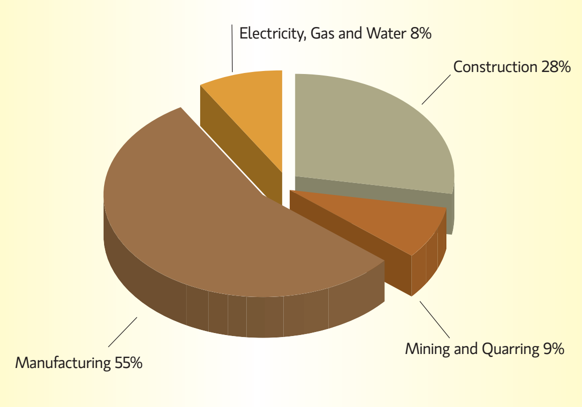
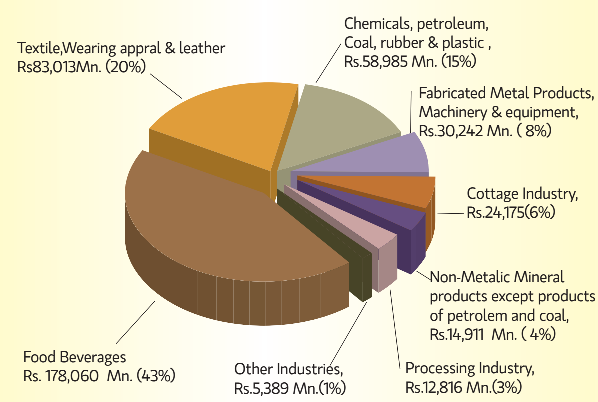


Chart 30 > **Composition of Manufacturing Sector -2013(Jan.- Sep.)**



Mining and Quarrying

The Mining and Quarrying subsector which accounted for 8.8 percent of the Industrial sector recorded a 14.4 percent growth during the first nine months of 2013 compared to 19.0 percent higher growth recorded during the same period in 2012, supporting from the increased demand for raw materials with further expansion in construction activities and expanding gem industry coupled with improvements in tourism sector. However, decline in exports affecting from the reduced demand in a still recovering global economy affected the growth of this subsector. The export of Gems declined by 3.5 percent and mineral exports declined by 33.5 percent during the first nine months of 2013 compared to 27 percent and 59.8 percent growth recorded during the same period in 2012. Accordingly, the Gem mining and mining of other items recorded relatively slower growth of 5.3 percent and 17.0 percent compared to 8.9 percent 22.2 percent growth during the respective period in 2012.

Manufacturing

The Manufacturing subsector which accounted for 55.3 percent of the Industry sector recorded a 5.7 percent growth during the first nine months of 2013 compared to 5.4 percent growth during the corresponding period in 2012. The factory industries which accounted for 50.3 percent

The Food and Beverages subsector which accounted for 48.0 percent of factory industries recorded a 6.4 percent growth during the first nine months of 2013 compared to 5.1 percent growth during the corresponding period in 2012, supporting from the increase in domestic production as well as imports with the increased demand. During the first nine months of 2013, import of vegetables and seafood increased by 36.0 percent and 22.8 percent while oils and fats, and spices increased by 250 percent and 16.7 percent, respectively However, import of beverages declined by 22.9 percent and cereals and milling industry products declined by 26.8 percent due to increase in import cost of such items affecting from greater flexibility allowed for exchange rate determination to manage the widening trade deficit. Also, import of dairy products declined by 18.2 percent compared to 4.1 percent increase, during the corresponding period in 2012 affecting from the ban imposed on import of selected products due to health concerns arisen with regard to prevailed issues on quality of such imports as well as increasing trend of production and use of local fresh milk.

The Textile, Wearing Apparel & Leather products subsector recorded a steady growth of 6.5 percent during the first nine months of 2013 compared to 5.2 percent growth during the corresponding period in 2012. During the first nine months of 2013, textiles and garments exports increased by

5.2 percent to US$ 3127 million compared to 4.3 percent contraction during the corresponding period in 2012. Despite the challenges faced by the uncertainties in export destinations and the impact of withdrawal of GSP+ concessions, private sector enthusiasm through product and market diversifications and appropriately adopted tax policy measures to promote the textiles and garment industry helped achieving a robust growth contributing to 42.7 percent of total exports.

During the first nine months of 2013, Chemicals, Petroleum, Coal, Rubber & Plastic subsector recorded a 5.3 percent growth compared to 6.0 percent growth during the same period in 2012. This slowdown was affected by the contraction in exports affecting from the reduced global demand as well as decline in rubber production. During the first nine months of 2013, export of chemical products and petroleum products declined by 1.9 percent and 4.2 percent and plastic products and rubber products declined by 8.3 percent and by 4.4 percent, respectively, compared to relevant period in 2012. During the review period in 2013, the Fabricated Metal Products, Machinery and Equipment subsector which accounted for 8.1 percent of the factory industries recorded a 6.3 percent growth compared to 4.8 percent growth during the same period in 2012, benefiting from the increased domestic demand for such items. The Tea, Rubber and Coconut processing industries which accounted for 3.1 percent of the manufacturing subsector contracted by 3.1 percent compared to 6.9 percent growth during the first nine months of 2012, affecting from the decline in exports as well as domestic production of rubber and coconut due to prevailed unfavorable weather conditions.

With the expansion of the economy towards improved economic activities with technological improvements, increased public sector and private sector investments in construction activities, revival in tourism industry and opening up of overseas employment opportunities for skilled labour, small scale industries are in a declining trend. Accordingly, the Cottage Industry subsector which accounted for 5.9 percent of the manufacturing subsector recorded a 4.3 percent growth, compared to 4.7 percent growth recorded during first nine months 2012 supporting from the continued assistance of the government through cottage industry promotion segment of the “Divi Neguma” program and “Industrial Development Village” program.

Electricity, Gas and Water

The Electricity, Gas and Water sub sector which accounted for 8.1 percent of the Industry sector and 2.5 percent of the GDP recorded a higher growth of 12.8 percent during the first nine months of 2013 compared to 3.0 percent growth recorded during the same period in 2012. This improvement was mainly supported by the increase in hydropower generation by 174.7 percent during the first nine months of 2013 benefiting from the favorable rainfall and addition of 150 MW to national grid through Upper Kothmale hydropower plant. Accordingly, during the review period thermal power generation declined by 49.2 percent and total power generation increased by 1.1 percent. The Water subsector grew by 3.5 percent during the first nine months of 2013 compared to 7.3 percent growth recorded during the same period in 2012 supporting from the increase in water distribution and consumer accounts with the increased public investment on provision of water supply facilities throughout the country.

Construction

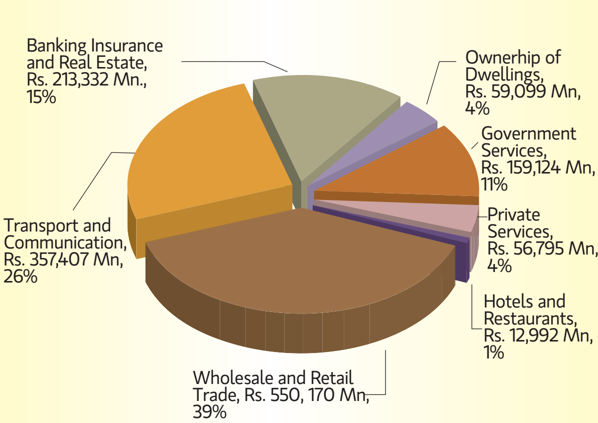
The Construction subsector which accounted for 27.7 percent of the Industrial sector and 8.4 percent of the GDP recorded a 15.2 percent growth during the first nine months of 2013 compared to 17.4 percent growth during the same period in 2012, reflecting the continued improvements in public investment in development of ports, expressways, highways and roads, electricity generation, irrigation and water supply and sanitation facilities as well as increased private investment in economic activities. Thereby, during the first nine months of 2013, import of machinery and equipment increased by 6.0 percent and building materials increased by 14.4 percent. Further, this improvement was supported by the tax concessions granted on import of machinery and equipment as well as easing of monetary conditions since end of 2012.

Services

The Services sector spurred the economy contributing for 58.2 percent of the GDP and recording a 6.3 percent significant growth during the first nine months of 2013 compared to 4.9 percent growth during the correspoding period in 2012. This improvement was driven by the positive contribution of all the main subsectors. In particular, domestic trade services and transport and communications services which accounted for 19.4 percent and 25.4 percent of the Services sector recorded 6.9 percent and 10.3 percent growth, respectively. Also, hotels and restaurants services grew by 18.0 percent while banking, insurance and real estate services grew by 6.4 percent contributing for the services sector expansion.

However, the positive impact of significant growth in import and export trade services during the second and third quarters of 2013 was lessened by the contraction in those services during the first quarter of 2013. The impact of fiscal and monetary measures adopted since end of 2011 to manage the widening trade deficit and instabilities in export destinations as well as decline in main agricultural crops production affecting from the prevailed unfavourable weather conditions affected the import and export trade services growth during the first quarter of 2013. However, the services sector performance is expected to improve further due to prevailing conducive environment in the country, increase in income level and revival in the tourism sector coupled with the easing of monetary conditions and decline in cost of borrowings.

Chart 31 > **Composition of Services Sector-2013 (Jan.- Sep.)**



Wholesale and Retail Trade

The Wholesale and Retail Trade subsector which accounted for 39.0 percent of the services sector and 22.7 percent of the GDP recorded a moderate growth of 4.9 percent during the first nine months of 2013 compared to 4.2 percent growth recorded during the respective period in 2012 supporting from the higher growth in domestic trade services as well as pick up in import and export trade services during second and third quarters of 2013. Benefiting from the increased domestic demand coupled with easing of monetary conditions, during the first nine months of 2013, domestic trade services which accounted for 19.5 percent of the Services sector recorded a significant growth of 6.9 percent compared to 6.7 percent growth recorded during the same period in 2012.

Further, supporting from the rebounding domestic economy and recovery in global economy, import trade services grew by 5.9 percent and 9.1 percent and export trade services grew by 3.8 percent and 7.5 percent during the second and third quarters of 2013, respectively. This improvement helped offsetting the negative impact of contraction of import trade services by 6.1 percent affecting from the protracted impact of fiscal and monetary measures adopted since end of 2011 to manage the widening trade deficit and export trade services by 5.1 percent due to instabilities in export destinations and also decline in main agricultural crops production affecting from the unfavourable weather conditions, during the first quarter of 2013. Under these circumstances, during the first nine months of 2013, the import of consumer goods increased by 1.8 percent mainly due to increase in food and beverages by 3.3 percent. The import of intermediate goods declined by 0.3 percent mainly due to drop in textiles by 8.6 percent and fertilizer by 36.8 percnt. However, the import of machinery and equipment increased by 6.0 percent and building materials by 14.4 percent during this period, following the increased investment in construction activities.

Table 50 > **Selected Indicators of Service Sector**

Indicator	2009	2010	2011	2012	2012 Jan-Sep.	2013 Jan-Sep.(a)
Port Services						
Vessels arrived	4,456	4,067	4,358	4,178	3,127	2,965
Total Cargo Handled (MT '000)	48,777	61,240	65,097	65,030	49,056	49,666
Total Container Handled (TEU '000)	3,464	4,137	4,263	4,187	3,152	3,223
Transshipment (TEU '000)	2,633	3,205	3,216	3,167	2,294	2,401
Telecommunication Sector						
Fixed Telephone Lines (No. '000)	3,435	3,534	3,608	3,449	3,441	2,732
Cellular Phones (No. '000)	13,950	17,247	18,319	20,324	19,637	20,235
Wireless Phones (No. '000)	2,563	2,638	2,667	2,450	2,455	1,666
Internet and E-mail Subscribers ('000)	240	280	359	423	1,238	1,694
Health Sector						
Private Hospitals	220	172	186	197	186(b)	202(b)
Public Hospitals	555	568	592	593	593(b)	603(b)
No. of Beds (Government)	68,905	69,501	69,731	73,437	73,437(b)	74,636(b)
No. of Doctors (Government)	15,930	16,492	18,299	18,252	17,129(b)	17,553(b)
No. of Nurses (Government)	25,549	27,494	29,234	30,217	30,136(b)	30,928(b)
Financial Sector						
Bank Branches and Other Outlets	5,703	5,927	6,184	6,375	6,274(c)	6,452(c)
Credit Cards In Use	840,509	778,544	862,352	952,256	874,109(c)	910,705(c)
Registered Finance Companies	35	36	39	47	44(c)	47(c)
Registered Leasing Companies	21	21	16	13	13(c)	11(c)
Tourism Sector						
Tourist Arrivals	447,890	654,476	855,975	1,005,605	693,772	801,210
Tourist Earnings (US $ mn)	350	576	830	1039	711	883
Room Occupancy Rate	48.4	70.2	77.1	71.2	69.1	n.a
Transport Services (New Registration)						
Buses	649	2,491	4,248	3,095	2,645	1,341
Cars	5,762	23,072	57,886	31,546	26,890	20,450
Lorries	8,225	11,845	14,818	12,266	9,575	3,990
Motor Cycles	135,421	204,811	253,331	192,284	154,714	124,091
Three Wheelers	37,364	85,648	138,426	98,815	74,853	64,459
Tractors	13,951	17,363	20,073	18,450	16,929	9,692

Source : Central Bank of Sri Lanka
(a) Povisional.,(b) As at end June, ,(c) As at end Augest

Table 51 > **Performance of Tourism Sector**

	Tourist Arrivals					Tourist Earnings (US $ Mn.)				
Month	**2009**	**2010**	**2011**	**2012**	**2013**	**2009**	**2010**	**2011**	**2012**	**2013**
January	38,468	50,757	74,197	85,874	97,411	30	44.7	70.5	88.5	107.2
February	34,169	57,300	65,797	83,549	93,232	26.7	50.4	62.5	86.1	102.5
March	34,065	52,352	75,130	91,102	98,155	26.5	46.1	76.2	93.8	108.0
April	26,054	38,300	63,835	69,591	79,829	20.4	33.7	61.9	71.7	89.6
May	24,739	35,213	48,943	57,506	70,026	19.3	31.0	47.0	59.3	77.0
June	30,234	44,730	53,636	65,245	73,628	23.5	39.3	52.0	60.6	81.0
July	42,227	63,339	83,789	90,338	98,944	33	55.8	81.3	100.5	108.8
August	41,207	55,898	72,463	79,456	100,224	32.1	49.1	70.3	81.4	110.3
September	37,983	47,339	60,219	71111	89,761	30.2	41.7	58.4	69.3	98.7
October	37,571	52,370	69,563	80379		28.7	46.1	67.5	79.4	
November	44,311	72,251	90,889	109202		34.6	63.6	88.1	114.8	
December	56,862	84,627	97,517	122252		79.1	74.4	94.6	133.4	
Total	**447,890**	**654,476**	**855,975**	**1,005,605**	**801,210**	**385.3**	**575.9**	**830.3**	**1,038.8**	**883.1**

Source: Sri Lanka Tourism Development Authority

Hotel and Restaurants

The Hotels and Restaurants subsector which accounted for 0.5 percent of the GDP and 0.9 percent of the Services sector recorded a 18.0 percent growth during the first nine months of 2013 compared to 23.4 percent growth recorded during the same period in 2012. The continued revival in the tourism industry with the peace dividends and the government commitment to develop the country as an attractive tourist destination emphasizing the up market tourism promotion, improvement in local tourism driven by the increase in domestic income levels together with the increase in private sector investment in hotels and restaurants industry, including in Northern and Eastern provinces, promoted the hotels and restaurants industry growth. During the review period of 2013, tourist arrivals increased by 15.5 percent and tourist earnings increased by 24.2 percent compared to same period in 2012.

Transport and Communication

The Transport and Communication subsector which accounted for 25.4 percent of the services sector recorded a 10.3 percent higher growth during the first nine months of 2013 compared to 6.7 percent growth recorded during the same period in 2012, benefiting from the 10.6 percent higher growth in passenger and goods transport services, compared to 6.3 percent growth in same period in 2012. This improvement was driven by the development of the road network throughout the country and increased domestic trading activities coupled with the surge in economic activities despite the decline in import of vehicles. During the first nine months of 2013, import value of vehicles declined by 1.0 percent and new registration of buses, cars, motor bicycles and three wheelers declined 49.3 percent ,23.9 percent, 19.8 percent and 13.9 percent respectively, while import of lorries and tractors declined by 58.3 percent and 42.7 percent. However, railway transportation recorded a slower growth of 2.6 percent during this period compared to 5.8 percent growth during the same period in 2012 even though government has committed to develop railway transportation through rehabilitation and reconstruction of railway lines and adding of new 16 trains to railway transportation in 2012.

The Post and Telecommunication subsector which contributed for 3.5 percent of Services sector recorded an 11.7 percent higher growth during the review period in 2013, compared to 8.9 percent growth recorded during respective period in 2012. This was supported by the initiatives taken by the service providers in terms of value added products, competitive rates and expansion of the services. Accordingly, even though the fixed line telephone connection dropped by 20.6 percent to 2.7 million and wireless connections declined by 32.1 percent to 1.7 million, cellular phone connections increased by 3.0 percent to 20.2 million during the first nine months of 2013. Also, internet and e-mail subscribers increased by 36.8 percent to 1.7 million during the review period.

The Cargo Handling – Ports and Civil Aviation subsector which accounted for 1.1 percent of Services sector grew only by 2.6 percent during this period compared to 7.1 percent growth during the first nine months of 2012, due to decline in imports. However, reflecting the improvements in expansion of capacities in Sri Lankan port services and increasing trend in arrival of vessels with higher capacities, even though the total number of vessels arrived at Sri Lankan Ports dropped by 5.2 percent to 2,965 during this period, transshipments handled increased by 4.7 percent to 2.4 million TEUs while total container and total cargo handling increased by 2.3 percent to 3.2 million TEUs and by 1.2 percent to 49.7 million MTs, respectively.

Banking, Insurance and Real Estate

The Banking, Insurance and Real Estate subsector which accounted for 15.1 percent of the Services sector and 8.8 percent of the GDP recorded a 6.4 percent growth during the first nine months of 2013 compared to 6.9 percent growth recorded during the same period in 2012. During the first eight months of 2013, the number of bank branches and other outlets increased by 2.8 percent to 6,452 and number of credit cards in use increased by 4.2 percent to 910,705.

Table 52 > **Sectoral Distribution of GDP Growth (%)**

Sector					First Nine Months	
	2009	2010	2011	2012	2012	2013*
Agriculture	**3.2**	**7.0**	**1.4**	**5.8**	**6.5**	**2.7**
Tea	-8.4	13.8	-1.2	-1.2	-1.1	1.9
Paddy	-5.1	17.5	-8.4	1.3	3.8	13.3
Minor Exports	5.2	35.6	-19.0	5.0	-10.7	6.9
Livestock	6.2	2.9	7.3	6.4	6.3	6.3
Food Crops	7.0	4.4	2.4	10.0	10.3	2.6
Fisheries	6.9	12.2	15.5	9.3	11.3	5.7
Industry	**4.2**	**8.4**	**10.3**	**10.3**	**9.2**	**9.5**
Agriculture Processing	0.7	5.8	0.9	6.5	6.9	-3.1
Factory Industry	3.4	7.5	8.3	5.2	5.3	6.2
Cottage Industries	3.3	5.5	7.0	4.6	4.7	4.3
Electricity	3.7	8.2	9.6	4.3	2.6	14.1
Construction	5.6	9.3	14.2	21.6	17.4	15.2
Services	**3.3**	**8.0**	**8.6**	**4.6**	**4.9**	**6.3**
Trade	-0.2	7.5	10.3	3.7	4.2	4.9
Hotels	13.3	39.8	26.4	20.2	23.4	18.0
Cargo Handling	0.4	16.8	7.2	5.7	7.1	2.6
Post and Telecommunications	11.7	13.2	13.4	7.9	8.9	11.7
Financial Services	5.7	7.5	7.9	6.7	6.9	6.4
Government Services	5.9	5.4	1.2	1.4	1.6	2.9
Private Services	5.8	5.8	7.2	5.5	5.1	6.8
GDP	**3.5**	**8.0**	**8.2**	**6.4**	**6.3**	**6.9**

Source: Department of Census and Statistics
** Provisional*

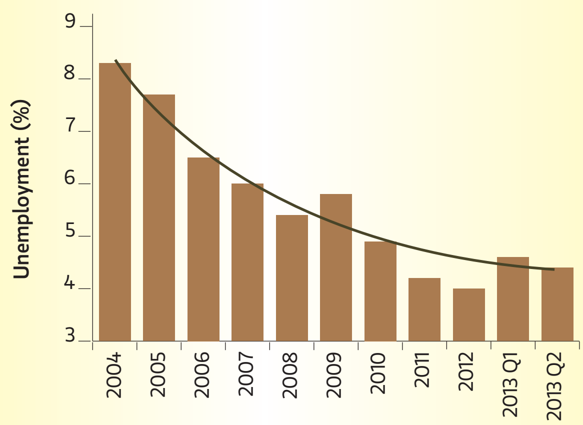
Government Services and Private Services

The Government Services subsector which accounted for 11.3 percent of the Services sector and 6.6 percent of the GDP recorded a moderate growth of 2.9 percent during the first nine months of 2013 compared to 1.6 percent growth recorded during the same period in 2012. The Private Services subsector which accounted for 4.0 percent of the Services sector and 2.3 percent of the GDP also recorded a higher growth of 6.8 percent during the review period in 2013 compared to 5.1 percent growth recorded in the same period in 2012.

Unemployment

The unemployment in Sri Lanka is in a declining trend, from 8.3 percent since 2004, in particular to below 5 percent since 2009, following the new avenues created through vigorous development program coupled with the peace dividends. Thereby, opening up of new employment opportunities in tandem with the increased public investment in infrastructure development and private investment in economic activities, improvement in tourism sector and construction industries as well as creation of self- employment opportunities throughout the country including Northern and Eastern provinces, supported reducing unemployment level. Further, creation of public sector new employment opportunities for graduates as well as the continued commitment of the government for Small and Medium Enterprises development helped reducing the unemployment during this period. Hence, the unemployment level declined to 4.9 percent in 2010 and further to 4.0 percent in 2012. However, following the to 3.9 percent reduced rate during the fourth quarter of 2012, the unemployment increased to 4.6 percent and declined to 4.4 percent during the first and second quarters of 2013, respectively, reflecting the impact of newly added educated labor force looking for respective employment opportunities as well as the decline in agriculture sector employment during the first quarter of 2013.

Chart 32 > **Unemployment**



Monetary Sector Developments

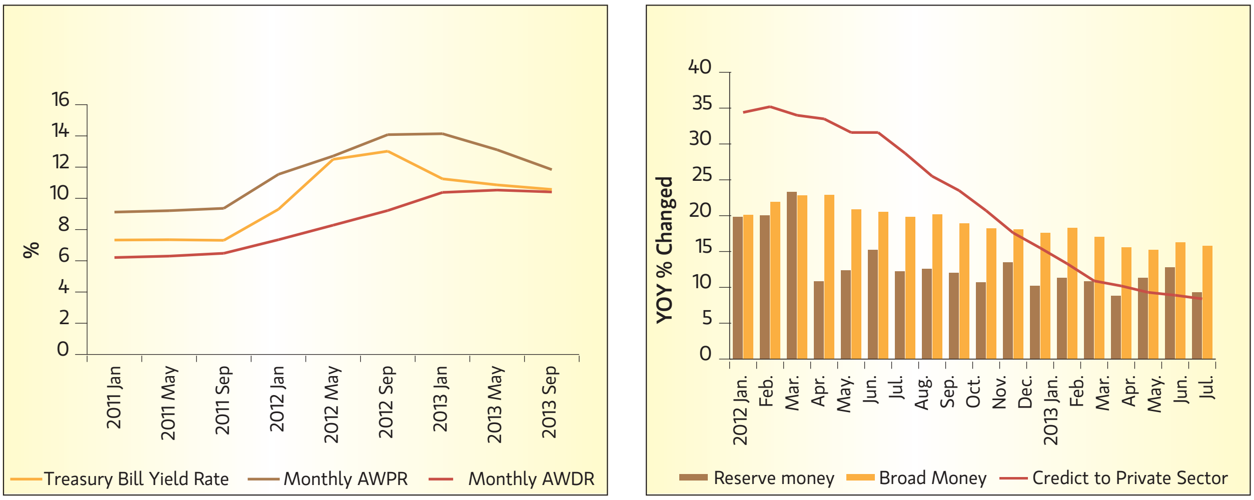
The easing of monetary policy stance of the Central Bank was continued in 2013 amidst a low inflation environment to regain the high growth momentum in the economy after addressing the macroeconomic imbalances effectively in 2012 by evading the possible adverse impacts from expansion in private sector credit and imports in excessive levels. Accordingly, in addition to the reduction of policy interest rates by 25 basis points in December 2012 while allowing the ceiling imposed on private sector credit to expire, the Central Bank, in May 2013, reduced the policy interest rates by further 50 basis points. Consequently, the Repurchase rate was reduced to 7.00 percent from 7.50 percent and the Reverse Repurchase rate was reduced to 9.00 percent from 9.50 percent. In addition, the Statutory Reserve Ratio (SRR) on all rupee deposit liabilities of commercial banks was reduced by 2 percentage points to 6 percent in July 2013. Meanwhile, in order to harness Sri Lanka's full economic potential and to stimulate the economy to reach a higher growth trajectory, the Central Bank further reduced the Repurchase rate and the Reverse Repurchase rate by 50 basis points, respectively on 15 October 2013, thereby placing the Repurchase rate at 6.50 percent and the Reverse Repurchase rate at 8.50 percent.

Reflecting the impact of overall monetary policy easing, the short term money market rates adjusted downwards. Accordingly, the average weighted call money rate (AWCMR) declined by 139 basis points to 8.44 percent and average weighted prime lending rate (AWPLR) declined by 246 basis points to 11.94 percent during the first nine months of 2013. The weighted average yield rates on 91 days, 182 days and 364 days Treasury bills were also declined by 140, 169 and 112 basis points, respectively from end December 2012 to end September 2013 mainly reflecting the impact of reduction of policy interest rates and increased level of liquidity. During the first nine months of 2013, the average weighted deposit rate (AWDR) and the average weighted fixed deposit rate (AWFDR) declined by 17 basis points and 64 basis points, respectively.

Mainly as a result of the reduction in SRR in July 2013, reserve money recorded a negative growth of -1.3 percent on a year-on-year basis in August 2013. Reserve money is expected to grow at 3.1 percent as per the revised Monetary Programme for 2013. This indicates a downward revision from its original target of 16.5 percent as the money multiplier increased to around 6.7 in response to the reduction in SRR in July 2013. Meanwhile, broad money (M2b) growth was 15.3 percent in August 2013 on a year-on-year basis compared to the targeted average broad money growth of 15 percent for the year, which was maintained unchanged in the revised Monetary Programme.

During the first eight months of the year, the public sector absorbed a greater proportion of domestic credit within the overall monetary expansion as against the credit extended to the private sector by commercial banks. The private sector credit, which was accelerated by a higher rate of 34.5 percent in 2011 and moderated to 17.6 percent in 2012, reflecting the deceleration in domestic economic activity, high market interest rates consequent to tight monetary policy measures adopd in early 2012 and depreciation of the rupee thereby resulting in a drop in imports, declined further to 7.9 percent in August 2013 on a year-on-year basis. The stickiness of market lending rates towards adjusting downwards, sharp decline in growth of pawning activity due to low gold prices and slower than expected growth in economic activity, both locally and globally, could be attributed to the slower progress in the private sector credit during this period. The partial impact of the still prevailing measures, such as the increase of taxes, introduced to address the macroeconomic imbalance in 2012, and the resorting of the private sector on alternative forms of direct financing in the form of issuing debentures in the domestic market and foreign financing by way of borrowing funds from abroad, were also affected the performance of private sector credit during this period. The credit to the private sector is expected to increase during the remaining period of the year benefiting from the downward adjustment in market lending rates, expected easing in public sector borrowing and improvement in economic activity.

Chart 33 > **Yield Rates, Monetary Aggregates and Private Sector Credit Growth**



Inflation

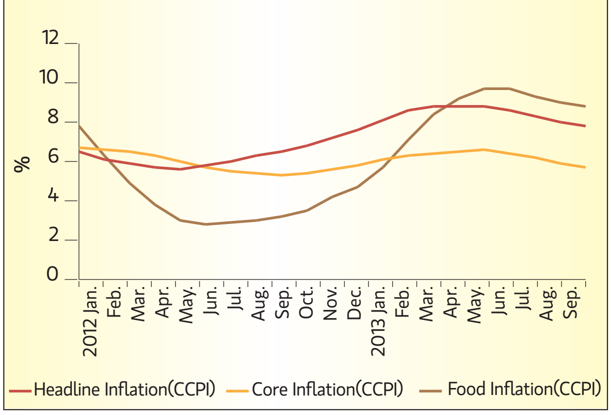
The inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2006/07=100), decreased to 6.2 per cent on a year-on-year basis in September 2013. This was supported by the lagged effect of tight monetary policy stance adopted in 2012 in managing the demand in absence of significant supply side shocks domestically and moderation of international commodity prices although the upward revision to electricity prices exerted some upward pressure on prices in May 2013. The annual average inflation declined to 7.8 percent in September 2013 for the fourth consecutive month. Meanwhile, the core inflation on both year-on-year and annual average basis decreased to 3.0 percent and 5.7 percent, respectively.

Table 53 > **Headline Inflation, Core Inflation and Food Inflation (Base: 2006/07=100)**

	HEADLINE INFLATION				CORE INFLATION (%)				FOOD INFLATION (%)			
	YoY		Annual average		YoY		Annual average		YoY		Annual average	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
January	3.8	9.8	6.5	8.1	4.7	7.3	6.7	6.1	-0.2	10.8	7.8	5.7
February	2.7	9.8	6.1	8.6	4.7	7.4	6.6	6.3	-4.1	12.9	6.3	7.1
March	5.5	7.5	5.9	8.8	4.9	6.8	6.5	6.4	-2.5	12.6	4.9	8.4
April	6.1	6.4	5.7	8.8	5.2	6.1	6.3	6.5	0.2	9.9	3.8	9.2
May	7.0	7.3	5.6	8.8	4.8	5.7	6.0	6.6	2.2	7.9	3.0	9.7
June	9.3	6.8	5.8	8.6	5.8	4.3	5.7	6.4	7.1	7.3	2.8	9.7
July	9.8	6.1	6.0	8.3	6.0	3.1	5.5	6.2	9.8	5.8	2.9	9.3
August	9.5	6.3	6.3	8.0	5.9	3.1	5.4	5.9	9.4	6.0	3.0	9.0
September	9.1	6.2	6.5	7.8	6.2	3.0	5.3	5.7	8.9	5.9	3.2	8.8
October	8.9		6.8		6.8		5.4		7.9		3.5	
November	9.5		7.2		7.2		5.6		10.0		4.2	
December	9.2		7.6		7.6		5.8		9.0		4.7	

*Source: Department of Census and Statistics, * CCPI Core Inflation-Excluding Fresh Food, Energy, Transport, Rise and Coconut*

Chart 34 > **Movements in Headline , Core and Food Inflation (Base : 2006/07=100)**



to US$ 2,287 million and long term loans obtained by the government amounted to US$ 1,371 million. Also, Foreign Direct Investment (FDI) increased by 25.4 percent to US$ 852 million and net foreign investments in Colombo Stock Exchange (CSE) amounted to US$ 156.3 million during the first nine months of 2013. Following these developments, gross official reserves amounted to US$ 7.0 billion which were equivalent to 4.4 months of imports and total international reserves which comprised of gross official reserves and foreign assets of commercial banks amounted to US$ 8.3 billion which were equivalent to 5.3 months of imports by end of September 2013.

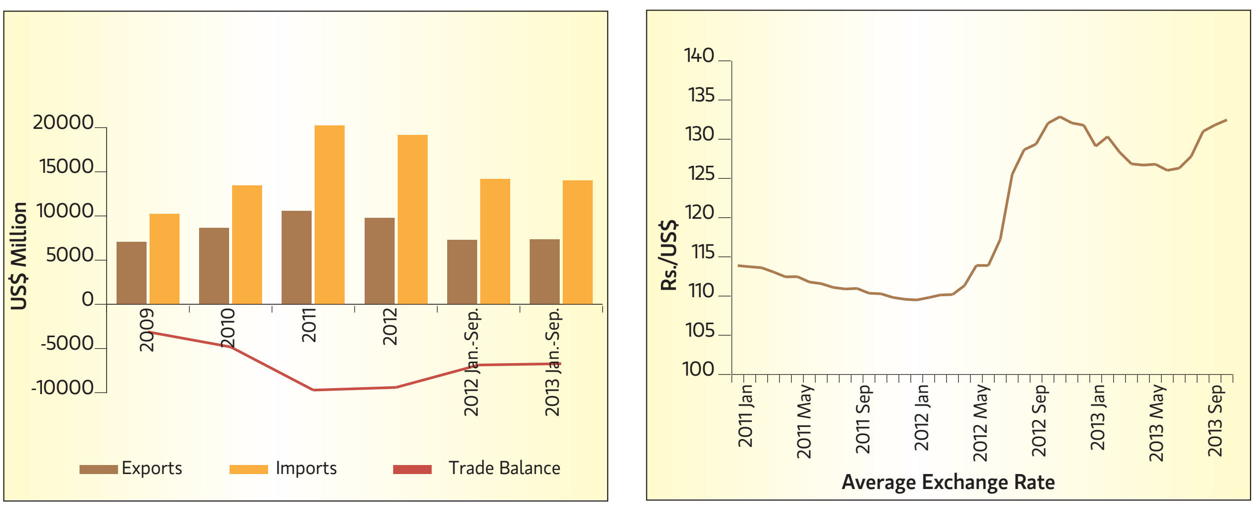
External Sector

The external sector continued to improve during the first nine months of 2013, supporting from the fiscal and monetary policy measures adopted since early 2012 to contain the widening trade deficit. The trade deficit declined by 2.1 percent to US$ 6,722 million during the first nine months of 2013 compared to 1.0 percent increase during the corresponding period in 2012 with exports picking up with the gradual recovery of the global economy offsetting the relative increase in imports since mid of 2013. Strengthening the current account and the capital and financial account of Balance of Payments (BOP), workers' remittances increased by 11.4 percent to US$ 4,922 million, earnings from tourism increased by 24.2 percent to US$ 883 million, net foreign investments in government securities increased by 17.0 percent

Exports

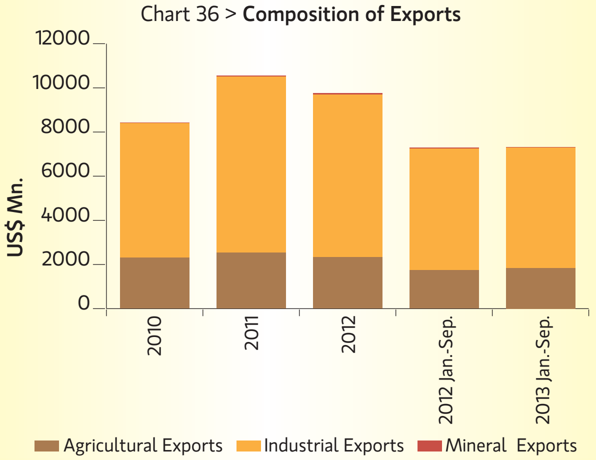
The export earnings amounted to US$ 7,327 million during the first nine months of 2013 which is a 0.3 percent increase compared to 7.0 percent decline during the corresponding period in 2012. This improvement was mainly driven by the significant growth in export of tea as well as textiles and garments, benefiting from the increased demand with the gradual recovery in global economy. Earnings from agricultural products amounted to US$ 1,837 million accounting for 25 percent of total export earnings benefiting from the 6.9 percent growth in export of tea amounting to US$ 1,103 million as well as increase in export of spices by 33.3 percent to US$ 253 million and sea foods by 9.8 percent to US$ 164 million. The export earnings from textiles and garments increased

Chart 35 > **Trade Balance and Exchange rate movements**



by 5.2 percent amounting to US$ 3,127 million compared to 4.3 percent contraction during the corresponding period in 2012. However, the export of food, beverages and tobacco products declined by 21.6 percent to US$ 167 million compared to 18.9 percent contraction during the corresponding period in 2012. The export of rubber products declined by 4.3 percent to US$ 616 million compared to 0.2 percent decline during the corresponding period in 2012 affecting from the decline in production as well as lower international prices. The export of Gem, diamond and jewellery declined by 24.8 percent affecting from the reduced demand and low international market prices. Accordingly, earnings from export of industrial products amounted to US$ 5,453 million accounting for 74.4 percent of total export earnings. The export of mineral products declined by 33.4 percent to US$ 28 million affecting from the weak global demand.

Chart 36 > **Composition of Exports**



Imports

The import expenditure declined by 0.9 percent to US$ 14,048 million during the first nine months of 2013 compared to 3.0 percent decline during the corresponding period in 2012. The relative increase in imports was driven by the increase in imports since mid of 2013. The import of food and beverages increased by 3.3 percent with the increased demand compared to 15.0 percent decline during the review period in 2012 while other consumer goods increased by 0.7 percent. Although there was a decline in value of import of vehicles by 1.0 percent during the first nine months mainly due to increase in taxes since end of 2011 and the depreciation of the rupee against foreign currencies, there was an increase in importation of motor vehicles since April 2013. Consequently, the import of consumer goods increased by 1.8 percent compared to 14.7 percent decline during the corresponding period in 2012. The import of fuel increased only by 3.1 percent to US$ 3,829 million in comparison to 8.6 percent increase during the corresponding period in 2012, supporting from the decline in thermal power generation with the increase in hydropower generation. Further, reflecting the increase in domestic value addition in garment industry, the import of textiles and textile articles declined by 8.6 percent to US$ 1,503 million. However, import of intermediate goods declined only by 0.3 percent to US$ 8,529 million compared to 3.6 percent decline during the corresponding period in 2012, due to significant increase in import of chemical products, gold and mineral products. The import of machinery and equipment increased by 6.0 percent to US$ 1,696 million and building materials increased by 14.4 percent to US$ 1,011 million, following the increased investment in construction industry benefiting from the easing of monetary conditions since end of 2012 and enhanced investments in the country.

Chart 37 > **Composition of Imports**

Table 54 > **External Trade**

USD Mn.

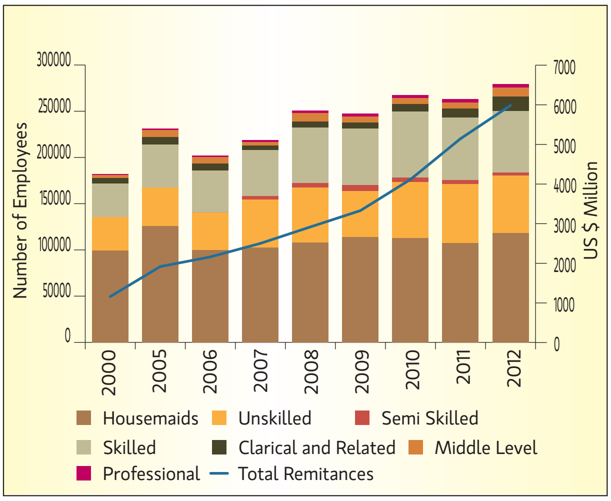
Indicator	2010	2011	2012	2012 Jan-Sep.	2013 Jan.-Sep. (a)
Exports	**8,626**	**10,559**	**9,774**	**7,305**	**7,327**
Agricultural Exports	**2,306**	**2,528**	**2,332**	**1,737**	**1,837**
Tea	1,441	1,491	1,412	1,032	1,103
Other Agricultural Products	865	1,037	920	705	734
Industrial Exports	**6,097**	**7,992**	**7,371**	**5,519**	**5,453**
Textiles and garments	3,356	4,191	3,991	2,973	3,127
Food beverages & tobacco	245	348	284	213	167
Rubber products	558	885	859	644	616
Machinery and mechanical appliances	259	312	297	225	218
Petroleum products	263	553	463	352	337
Other industrial exports	1,416	1,703	1,477	1,112	988
Mineral exports	**24**	**33**	**61**	**42**	**28**
Unclassified	**199**	**6**	**10**	**7**	**9**
Imports	**13,451**	**20,269**	**19,183**	**14,173**	**14,068**
Consumer goods	**2,477**	**3,654**	**2,995**	**2,292**	**2,333**
Food and Bevarages	1,322	1,567	1,304	994	1,026
Other consumer goods	1,155	2,087	1,691	1,298	1,307
Intrmediate goods	**8,054**	**12,275**	**11,570**	**8,552**	**8,529**
Petroleum	3,041	4,795	5,037	3,715	3,829
Textiles and garments	1,812	2,321	2,266	1,645	1,503
Wheat and Maize	265	429	364	294	254
Other	2,936	4,730	3,903	2,898	2,943
Investment goods	**2,758**	**4,286**	**4,590**	**3,305**	**3,177**
Machinery and equipment	1,339	2,141	2,356	1,600	1,696
Building materials	822	1,076	1,237	883	1,011
Transport equipments	593	1,065	992	818	467
Other	4	4	5	3	4
Unclassified	**162**	**54**	**28**	**24**	**10**
Trade Deficit	**(4,825)**	**(9,710)**	**(9,409)**	**(6,868)**	**(6,722)**

Source: Central Bank of Sri Lanka
(a) provisional

Workers' Remittances

Workers' remittances, being a continuously improving stable source of foreign exchange earnings of Sri Lanka, amounted to US$ 4,922 million during the first nine months of 2013 which is a 11.4 percent increase compared to respective period in 2012 and helped to meet 35 percent of the import expenditure. This improvement was mainly supported by the government commitment to develop a skilled labour force providing required vocational training, making proper channels for entering in to high paid secure foreign employment opportunities and increase in banking facilities throughout the country enabling to remit foreign exchange through formal channels.

Chart 38 > **Worker Remittances Composition of Departures and Destinations**



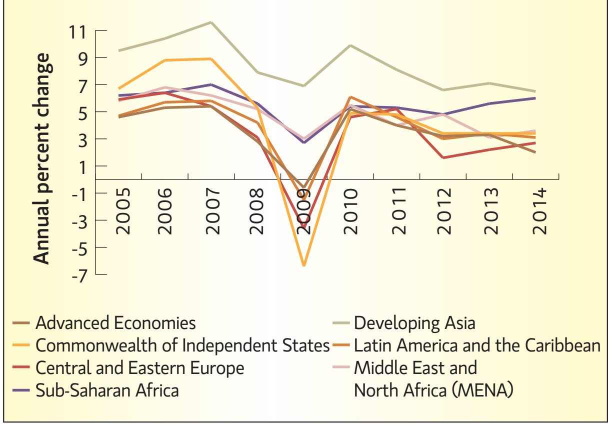
Global Economy

The global economy is growing at a slow pace in 2013 in comparison with the previous year, with gradually picking up advanced economies and slower than expected growth in emerging market and developing economies. The commendable performance of advanced economies is reflected by narrowing budget deficits and likely –stabilizing, but even high debt levels while emerging market and developing economies are faced with domestic fiscal and financial vulnerabilities worsened with adverse spillover effects from struggling advanced economies. Some of the significant changes visible in advanced economies are; shifting to higher interest rates and less accommodative monetary policies in the United States, spurred economic activities achieved with fiscal and monetary reforms by "Abenomics" policy framework in Japan and moving for a stronger monetary union in the European region. Immediate public debt consolidation is required for advanced economies with convincing medium term adjustment plans while urgent structural reforms to adjust for the low growth, prudent monetary policy frameworks together with fiscal consolidation efforts for reducing large fiscal balances and high inflation are essential for emerging market and developing economies. At the same time, the latter group will have to be well prepared to avoid outflows in capital back to the advanced economies that might be occurred in consequence with a tapering of quantitative easing in the United States. Cautious monetary and fiscal policy implementation will avoid such outflows.

Economic Growth

The global growth slowed to 2.5 percent during the first two quarters of 2013 and the expected annual growth is 2.9 percent which is slightly lower than 3.2 percent growth of 2012. The projected world economic growth for 2014 is 3.6 percent. The growth forecast for advanced economies is 1.2 percent while emerging market and developing economies are projected to grow at a rate of 4.5 percent. However, the growing patterns are changed across the globe as advanced economies have acquired relatively more speed while emerging market and developing economies are slowing. As per the October 2013 *World Economic Outlook* by IMF, the recovery of the United States economy is due to tightening of fiscal policies, recovery of the real estate sector, higher household wealth, more borrowing and easier bank lending conditions and the country is expected to grow at 1.6 percent this year with a projection of 2.6 percent in 2014. Japanese growth is projected to be identical to the previous year at 2.0 percent owing to fiscal stimulus and quantitative and qualitative monetary easing of Bank of Japan. The Asian economies are forecasted to grow at a growth of 6.3 percent but slightly lower than the growth of 6.4 percent recorded in 2012. Chinese, Brazilian and Indian economies are anticipated to grow at low rates and the slowdown in China would affect commodity exporters of emerging market and developing economies via trade linkages.

Chart 39 > **Regional Output of the World**



Source: World Economic Outlook (WEO)-Transitions and Tensions, October 2013, IMF

Table 55 > **GDP Growth Rates - World (%)**

	Actual		Projections	
	2011	**2012**	**2013**	**2014**
World GDP Growth	3.9	3.2	2.9	3.6
Advanced Countries	1.7	1.5	1.2	2.0
United States	1.8	2.8	1.6	2.6
Euro area	1.5	-0.6	-0.4	1.0
Japan	-0.6	2.0	2.0	1.2
United Kingdom	1.1	0.2	1.4	1.9
Canada	2.5	1.7	1.6	2.2
Other Advanced Countries	2.6	1.4	2.0	2.7
Emerging Market and Developing Economies	6.2	4.9	4.5	5.1
Asia	7.8	6.4	6.3	6.5
China	9.3	7.7	7.6	7.3
India	6.3	3.2	3.8	5.1
Korea	3.7	2.0	2.8	3.7
Indonesia	6.5	6.2	5.3	5.8
Sri Lanka*	8.3	6.4	7.3	7.5
Central and Eastern Europe	5.4	1.4	2.3	2.7
Commonwealth of Independent States	4.8	3.4	2.1	3.4
Russia	4.3	3.4	1.5	3.0
Middle East, North Africa, Afghanistan and Pakistan	3.9	4.6	2.3	3.6
Latin American and the Caribbean	4.6	2.9	2.7	3.1
Brazil	2.7	0.9	2.5	2.5
Mexico	4.0	3.6	1.2	3.0
Sub-Saharan Africa	5.5	4.9	5.0	6.0
South Africa	3.5	2.5	2.0	2.9

Source: World Economic Outlook (WEO)-Transitions and Tensions, October 2013, IMF
** For 2013 and 2014, revised projections*

Inflation and Unemployment

The inflationary pressures in most advanced economies are projected to be subdued in 2013 and 2014 due to lift up in economic activities and stabilizing commodity prices whereas in emerging market and developing economies an elevated inflation is expected. Japanese inflation is projected to be elevated to 2.9 percent in 2014 following zero inflation in 2013, as anticipated through consumption tax increase planned for 2014-2015 and inflation targeting monetary policy reforms. However, IMF's, October 2013 *World Economic Outlook* expects the inflationary pressures of emerging market and developing economies to be somewhat relieved with slow economic activities coupled with stabilizing commodity prices even though the impact of it may probably be offset by capacity constraints, high domestic demand pressures and exchange rate depreciations.

The unemployment in advanced economies continued at higher levels during 2013 and expected to remain elevated in next few years, especially in Euro area. The unemployment in emerging Europe has lowered but still at higher values due to structural reasons. However, the unemployment in the United States is expected to reduce significantly to 7.6 percent in this year from 8.1 percent in the previous year. But this reduction is partly due to the decline in the labour force as a result of demographic trends and drop out of discouraged labour force. The level of unemployment in developing Asian and Latin American and Caribbean regions are at lower values as job participation is high. Yet, policy actions for job creation are urgent in Middle East and North African economies because of the very high and rapidly rising unemployment levels mainly created by geo-political tensions and other socio economic issues.

Table 56 > **Inflation and Unemployment (Percent of GDP)**

	Actual		Projections	
	2011	**2012**	**2013**	**2014**
Consumer Price Inflation				
Advanced Economies	1.3	1.2	1.2	1.7
Developing Asia	6.3	4.7	5.0	4.7
Central and Eastern Europe	5.3	5.8	4.1	3.5
Commonwealth of Independent States	10.1	6.5	6.5	5.9
Latin America and the Caribbean	6.6	5.9	6.7	6.5
Middle East and North Africa	9.2	10.8	12.3	10.3
Sub-Saharan Africa	9.3	9.0	6.9	6.3
Unemployment Rates				
Advanced Economies	7.9	8.0	8.1	8.0
United States	9.0	8.1	7.6	7.4
Euro Area	10.2	11.4	12.3	12.2
Germany	6.0	5.5	5.6	5.5
France	9.6	10.3	11.0	11.1
Italy	8.4	10.7	12.5	12.4
Spain	21.7	25.0	26.9	26.7
Japan	4.3	4.4	4.2	4.3
UK	8.0	8.0	7.7	7.5
Advanced Asia	-	4.2	4.1	4.2
South Africa	-	25.1	26.0	26.2

Source: World Economic Outlook (WEO)-Transitions and Tensions, October 2013, IMF

Government Debt and Fiscal Balances

Most of the advanced economies are experiencing historically high debt-to-GDP ratios which bring new challenges and this debt over-hang reflects the effects of the counter-cyclical fiscal policies, bailouts and automatic stabilizers followed by them. The United States government raised the debt-ceiling in October, removing the uncertainties of possible default and related impacts over world economy. As given in IMF's October 2013 *Fiscal Monitor*, the absence of solid medium-term adjustment measures in advanced economies especially in the United States and Japan will aggravate the repercussions faced with high public debt levels. On the other hand, October 2013 *World Economic Outlook* of IMF suspects of an emergence of a new crisis if advanced economy high debt levels and fragmented financial systems prevail. Conversely, the debt-to-GDP ratios of emerging market and developing economies are at comparatively low levels and expected to decrease to 34.1 percent of GDP by 2014.

Table 57 > **Government Debt/ GDP Ratio in Selected Countries (Percent of GDP)**

Country					Projections	
	2009	2010	2011	2012	2013	2014
Canada	81.3	83.1	83.5	85.3	87.1	85.6
France	79.2	82.4	85.8	90.2	93.5	94.8
Germany	74.5	82.4	80.4	81.9	80.4	78.1
Greece	129.7	148.3	170.3	156.9	175.7	174.0
Italy	116.4	119.3	120.8	127.0	132.3	133.1
Japan	210.2	216.0	230.3	238.0	243.5	242.3
Korea	33.8	33.4	34.2	35.0	35.7	35.3
Singapore	101.5	99.3	105.2	111.0	107.8	106.2
Spain	54.0	61.7	70.4	85.9	93.7	99.1
United Kingdom	67.1	78.5	84.3	88.8	92.1	95.3
United States	86.3	95.2	99.4	102.7	106.0	107.3
India	72.5	67.0	66.4	66.7	67.2	68.1
Indonesia	28.6	26.8	24.4	24.5	26.2	26.8
Malaysia	52.8	53.5	57.3	55.5	57.0	57.3
Thailand	45.2	42.6	42.1	45.4	47.1	48.3
Pakistan	59.1	61.5	59.5	63.8	66.2	66.6
Philippines	44.3	43.5	42.0	41.9	41.2	39.0
Brazil	66.8	65.0	64.7	68.0	68.3	69.0
Mexico	43.9	42.4	43.6	43.5	44.0	45.8
Sri Lanka	86.2	81.9	78.5	79.1	78.0	74.3

Source: Fiscal Monitor-Taxing Times, October 2013, IMF. For Sri Lanka, latest official projections.

IMF's October 2013 Fiscal Monitor forecasts low fiscal deficits for the majority of the advanced economies in 2013 and 2014 as fiscal consolidation measures are to be completed in near future. A significant improvement is projected for the United States with the continuation of the automatic spending cuts and unanticipated revenue growth. The improvement of 1.8 percent forecast in the United Kingdom for 2013 is due to quantitative easing carried out by Bank of England. However, Japan has postponed the fiscal consolidation efforts to 2014 and 2015 with an increase in consumption tax. In contrast, emerging market and developing economies are postponing consolidation attempts amidst of several economic and socio-political challenges faced and the projections for 2013 and 2014 got weakened compared to 2012. Nevertheless, the fiscal balances of these economies are expected to stabilize in 2014, following a widening in 2013.

Table 58 > **Fiscal Balances (Percent of GDP)**

	Actual		Projections	
	2011	2012	2013	2014
World	-4.5	-4.3	-3.7	-3.0
Advanced Economies	-6.5	-5.9	-4.5	-3.6
United States	-9.7	-8.3	-5.8	-4.6
Euro Area	-4.2	-3.7	-3.1	-2.5
Germany	-0.8	0.1	-0.4	-0.1
France	-5.3	-4.9	-4.0	-3.5
Italy	-3.7	-2.9	-3.2	-2.1
Spain	-9.6	-10.8	-6.7	-5.8
Japan	-9.9	-10.1	-9.5	-6.8
UK	-7.8	-7.9	-6.1	-5.8
Emerging Market Economies	-1.7	-2.1	-2.7	-2.5
Asia	-2.6	-3.2	-3.4	-3.1
Latin America	-2.4	-2.5	-2.8	-3.0
Middle East and North Africa	-8.7	-9.8	-11.8	-10.5
South Africa	-4.0	-4.8	-4.9	-4.7

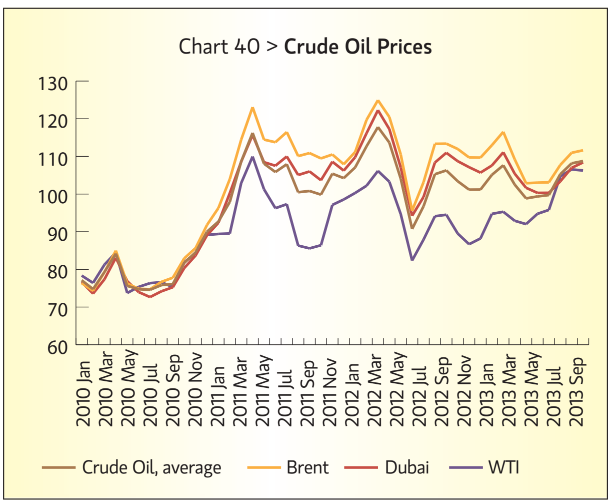
Source: Fiscal Monitor-Taxing Times, October 2013, IMF

Commodity Prices

The downward movement of prices of non-energy commodities this year was supported by supply improvements and low demand growth from major emerging market economies due to weakening of economic activities, especially from China. As per IMF's *Commodity Market Monthly* of July 2013, the prices went down by 2.0 percent during the first six months of the year in which energy prices by 2 percent, food prices by 3 percent and metal prices by 12 percent, respectively. Even though agricultural prices depend on weather conditions, prospects for the supply of maize, wheat and rice are on upward directions together with a record high supply of major edible oils. Sugar prices stabilized with the surplus in production especially in India and Thailand. Fertilizer prices were eased further, following the moderate prices of natural gas, an input of the production process. The plunging in metal prices is largely influenced by the low activity in China which accounts for 45 percent of global metal consumption and expectations for the tapering of quantitative easing in the United States during this period. According to the World Bank, prices of lead, zinc, copper, aluminum and Nickel dropped by 8.5 percent, 9.5 percent, 10.1 percent, 15.6 percent and 20.9 percent, respectively during the first half othe the year. The decline in prices is caused by low demand and supply abundance. The precious metal price index of the World Bank also went down by 22 percent and the "safe-haven" image of gold also diminished amidst the speculations over the transition in the U.S. monetary policy.

International Oil Prices

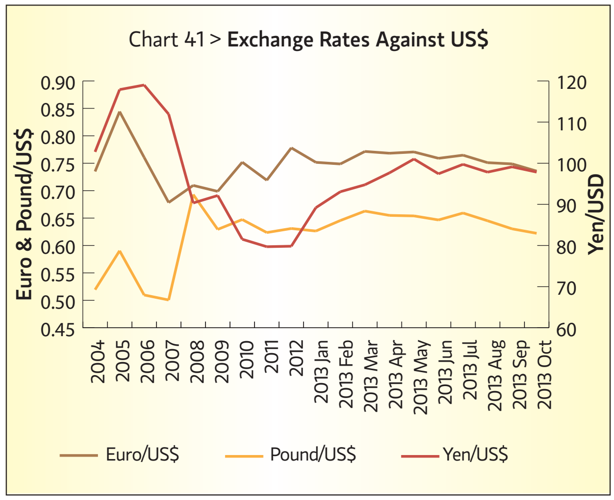
The IMF's projections for the average petroleum spot price (APSP) which is a simple average of major crude oil varieties Brent, Dubai and West Texas Intermediate (WTI) is US$ 104.5 per barrel in 2013 and US$ 101.4 in 2014. The forecast for 2013 is a slight decrease from 2012 average of US$ 105. The disruptions to the supply by geo-political concerns in the Middle East and North Africa including Syria and Egypt are the major upside risks to price fluctuations of oil, while weakening demand from emerging market and developing economies and the increase in non-OPEC oil production, especially the rapid shale liquids production in the United States are on the downside. As given in the World Bank's October 2013 *Global Economic Prospects*, the global oil demand mainly comes from non-OECD countries as OECD countries are moving to efficiency improvements in vehicles. The supply of non-OPEC oil is increasing with the use of advanced technologies for extractions especially in Brazil, the Caspian Sea, West Africa and North America.



Source: World Bank, Development Prospects Group

International Currency Movements

The capital outflows in consequence with the U.S. Federal Reserve's announcement on tapering of the government bond purchasing programme and weakened domestic economic situations created exchange rate depreciations in most of the emerging market and developing economies across the globe. As revealed by IMF's October 2013 *World Economic Outlook*, Indian rupee, Brazilian real and South African rand depreciated by 8-16 percent against the U.S. dollar during 2013 and these depreciations mainly aimed at increasing external competitiveness and partly counterbalancing the unfavorable effects of increases in sovereign bond yields. IMF expects euro to be depreciated by 3.1 percent, Japanese yen by 21 percent against the U. S. dollar in 2013 compared to 2012 while sterling pound to be appreciated by 2.8 percent against the U.S. dollar during the same period.



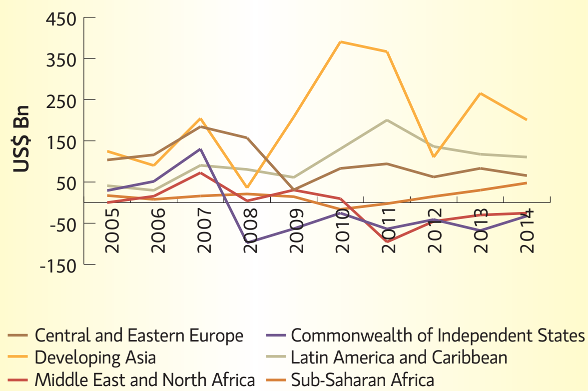
Source: X-rates.com

World Trade

The global trade volume increased by only 2.7 percent in 2012 which is a much lower achievement compared to 6.1 percent growth in 2011 and the significant gain of 12.6 percent reported in 2010. The IMF's projections for 2013 and 2014 are 2.9 percent and 4.9 percent, respectively and the slowdown in trade is consistent with lowering economic activities of the world. According to World Trade Organization (WTO), the revised growth rate of global trade for 2013 is 2.5 percent owing to the slow pick-up in the European economies. There are also concerns over low productivity gains in trade liberalization processes which are administered by WTO. The advanced economy imports are expected to be grown at 1.5 percent and this is a slight improvement compared to the increase of 1.0 percent in 2012. The growth in the imports of emerging market and developing economies is anticipated at 5.0 percent, a marginal decrease over 5.5 percent expansion in previous year. The export growth in advanced and emerging market and developing economies are projected at 2.7 percent and 3.5 percent, respectively.

Capital Flows

Chart 42 > **Private Financial Flows (Net)**



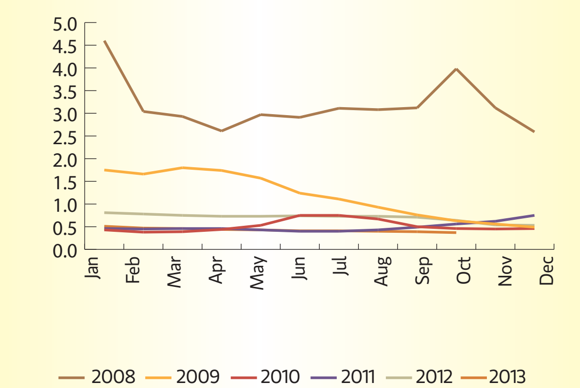
Source: World Economic Outlook (WEO)-Transitions and Tensions, October 2013, IMF

A healthier behaviour is projected for net private financial flows to the emerging market and developing economies at US$ 398 billion in 2013 with a 68 percent increase over US$ 237 billion reported in 2012. However, there was a sudden reversal of capital flows that have been intermediated primarily through sovereign and corporate bond markets since June 2013, due to the announcements by the U.S. Federal Reserve of tightening of monetary policies by tapering government bond buying programme as well as due to the weakening economic prospects in emerging market and developing economies. The developing Asia is projected to be benefitted by US$ 266 billion and Latin American and the Caribbean region comes next with anticipated US$ 117 billion inflows in 2013.

Interest Rates

The IMF projects the London interbank offered rate (LIBOR) on six-month U.S. dollar deposits to be averaged at 0.4 and 0.6 percent in 2013 and 2014, respectively. The LIBOR on three-month Euro deposits are expected to be averaged at 0.2 and 0.5 percent while that on six-month Yen deposits will average at 0.2 and 0.3 percent in 2013 and 2014. Real interest rates in most emerging and developing economies are remained low during the year, making more space for investments. The indications given by Federal Reserve of a tapering of the government bond purchasing programme paved the way for an increase in the sensitivity of yield rates since the end of May 2013. At the same time, the U.S. long term bond yields went up. However, the interest rates are expected to remain at relatively low values, as long as unconventional monetary policies adopted by the European economies and Japan continue.

Chart 43 > **Monthly Movements of Six Months LIBOR**



Source: MoneyCafe.com

Basis used for the preparation of 2014 Budget Estimates

Gross Domestic Product

The economy is expected to grow by around 7.5 percent in 2014, which is projected to be a broad based growth with positive contribution from all major sectors of the economy. The Agriculture sector is expected to perform well with the contribution of major agricultural crops in both export and domestic agriculture with the prevalence of favourable weather and revival in the Northern and Eastern Provinces complemented by the government initiatives, such as the fertilizer subsidy, to develop this sector. The Industry sector would also expand in 2014, particularly with the expected enhanced contribution from the growth in factory industry with more favourable domestic and external economic environment. The revamp of crisis stricken economies in the European region, the targeted mid-single digit inflation rate, lower interest rates and expected stable exchange rate are expected to create conducive environment for industries. The Service sector is expected to grow at a higher rate in sustaining the overall growth in 2014 with positive contribution coming mainly from external and domestic trade, tourism, trade and port related services, transportation and financial services. The projected growth momentum is expected to be supplemented by investment expenditure by private sector in an environment of positive investor sentiment on the growth prospects of the country.

Consumer Prices

Inflation is expected to remain subdued at around 5 - 6 percent in 2014 continuing the single digit inflation for the sixth consecutive year. The expected robust growth in the economy, particularly the supply side improvements in domestic agricultural production, and favourable developments in the monetary sector are expected to impact positively on the price developments. Globally also the demand pressures are expected to remain subdued in 2014 reflecting the relatively slow recovery of the world economy. However, an accelerated recovery of the world economy with the utilization of excess capacities in major economies is likely to exert pressure on commodity prices, especially petroleum prices.

Employment and Unemployment

Greater employment opportunities are expected to be created through government's strategies towards improved production and commitment in infrastructure development. Emphasis placed on human resource and skills development is expected to create a better skilled and productive labor force capable of being gainfully employed in new openings in many areas. These measures, coupled with the expansion in the private sector investments and production and related expansion in all sectors of the economy, will create more employment opportunities thereby limiting the unemployment of the country to below 5 percent.

Balance of Payment (BOP)

Sri Lanka's external sector is expected to improve further in 2014 recording an overall surplus in the BOP and thereby the country's external reserves. Exports are expected to record a steady growth of around 12.5 percent in 2014 consequent to the anticipated recovery in the external demand with the gradual recovery of the US and Euro area, the major trading partners of Sri Lanka, as well as the higher value addition and diversification of export products and markets. The positive impact of the existing free trade agreements (FTAs), deeper regional economic integration and proposed FTAs with China and Japan will also favourably affect the country's exports. Imports are projected to grow by around 13 percent mainly due to higher import demand, particularly for intermediate and investment goods, arising from the expansion in domestic economic activities. The envisaged improvement in services account through enhanced earnings from tourism and port related services etc. and inflows of foreign worker remittances, which are estimated to be around US$ 7.5 billion in 2014, are expected to ease the deficit in the external current account. Increase in the equity and debt investment reflecting the renewed foreign investor confidence will help to strengthen the capital and financial account in 2014.

Exchange Rate

A stable exchange rate is expected to be continued in 2014, supported by the strengthened external reserves of the country.

Monetary Aggregate

Money supply would be maintained at a level compatible with the expected growth in the nominal GDP in 2014. The envisaged consolidation in government fiscal operations and the improvement in the performance of state owned enterprises will allow to have enhanced amount of resources in the market, which could be used by the private sector to increase their investment to achieve the expected economic growth.

Revenue

The details of the assumptions used for revenue estimates are given in Annex IV.

Expenditure

The basis for the preparation of expenditure estimates are as follows;

- Expenditure on salaries and wages are based on the assumption that there will be about 1.3 million employees in the public sector while allowing a normal annual increase in the salaries due to annual increments entitled by employees. The full impact of the 50,450 graduates recruited to public service in 2013 has also taken into account.
- The number of pensioners is assumed to be 523,000 in estimating the expenditure on pension payments with the partial impact of about 15,000 retirees who would retire in 2014.
- There will be a lower increase in interest payments given the expected lower domestic interest rates consequent to the anticipated decline in inflation as well as government borrowing requirement with the reduction of the budget deficit.
- Expenditure on utility services and supplies etc. are expected to be strictly managed to meet medium term deficit targets.
- Transfers and subsidies to households will be continued by implementing support programmes for school children, university students, Pirivena students, disabled soldiers and other needy people while continuing agriculture support programmes, such as fertilizer subsidy.
- Transfers to public institutions and corporations will be maintained at a desired level while expecting a strong improvement in their performance.
- Public investment in national, regional and rural level development programmes to develop both economic and social infrastructure such as education, health and vocational training, will be continued at over 6 percent of GDP to support the growth momentum of the economy by stimulating private sector economic activities to reduce poverty and regional economic disparities.
- Efforts to improve the quality of public spending will be strengthened.
- Strong efforts will be made to keep the operational expenditure on check in line with revenue performance.

Borrowings

A proper combination of domestic and foreign borrowings will be maintained to ensure that the government debt to GDP ratio would continue to decline. The debt management will be continued to focus on ensuring that financing needs of the government are met at lowest possible cost.

Sensitivities to the estimates

Economic projections could be sensitive to following challenges.

- A faster recovery of the global economy than envisaged leading to an increase in international oil and other commodities, which could adversely affect the import cost, domestic consumer prices, production costs as well as budget costs though it will also generate positive implications, such as enhanced exports
- The timing and the manner in which economic stimulus packages will be phased out by advanced economies

- Unexpected and sudden adverse developments in global geo political conditions affecting economic performance of the world
- Adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth
- Unfavorable weather conditions which could have an adverse impact on agriculture, hydro power generation and government budget
- Natural disasters
- Administrative and procurement impediments
- Capacity constraints to the medium term transformation which may affect the use of funds in relation to foreign funded large projects and thereby investment level and growth

Risks likely have a Material Effect on the Fiscal Position

- Higher than expected oil and commodity prices in international markets could threaten the macroeconomic stability and growth targets while affecting government expenditure and revenue
- Global imbalances resulting in a lower than expected global economic growth could adversely affect external demand for Sri Lankan goods and services which will result in slowing down of the country's economy
- New recruitments to the public service in excess of the targeted retirements
- Lower than expected performance in the state owned enterprises

Annex I

Allocations Provided from the Budgetary Support Services and Contingent Liability Project (January to September, 2013)

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
1	His Excellency the President	Establish a special fund to assist Artists, Journalists and Writers. Continuation of Programmed of National Nutritional Secretariat and Child Friendly School Network Project as per the Budget Proposal 2013, Renovation of Nelum Pokuna Mahinda Rajapaksha Theatre and BMICH for Commonwealth Heads of Government Meeting (CHOGM), Purchase and Maintenance of vehicles, Supply and Maintenance, Rehabilitation and Improvement of Assets.	765,000,000	1,270,122,460
2	Office of the Prime Minister	Supply and other services.	10,000,000	-
3	Secretariat for Special Functions (Senior Ministers)	Purchase and maintenance of vehicles, Rehabilitation and Improvement of official residences, Implementation of Co-coordinating project for Science, Technology and Innovation through a Secretariat.		79,800,000
4	Judges of the Superior Courts	Rehabilitation of official residence, Vehicle maintenance, Setup an information technology based secretariat for Chief Justice, Personal Emoluments, Services and Rehabilitation & Improvement of Assets.	22,000,000	17,900,000
6	Public Service Commission	Purchase of Vehicles, Acquisition of Furniture and office equipment	800,000	6,800,000
7	Judicial Service Commission	Acquisition of furniture, office equipment, plant and machinery.		700,000
8	National Police Commission	Purchase of Vehicles.		5,150,000
10	Commission to Investigate Allegations of Bribery or Corruption	Special allowances for legal officers, Services and Construction of new office building.	4,040,000	16,500,000
12	National Education Commission	Acquisition of furniture and equipment, Fuel, Supplies and Stationery.	360,000	700,000
13	Human Rights Commission of Sri Lanka	Purchase of Vehicles.		6,500,000
14	Department of Attorney General	Maintenance of Vehicles, Personal Emoluments, Services and supplies.	17,175,000	3,000,000
15	Department of Legal Draftsman	Rent and Local Taxes	9,000,000	
16	Parliament	Purchase of Vehicles and travelling	3,000,000	4,000,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
19	Office of the Leader of the Opposition of Parliament	Travelling, Transport, and Purchase of vehicles.	1,490,600	10,650,000
20	Department of Elections	Expenditure of the Provincial Council Election in the provinces of Northern, North West and Central, Expenditure of the Election Office in Hambantota, Foreign Travelling, Electricity & Water, and Diets & Uniforms.	755,600,000	
21	Auditor General	Other Allowances.	56,000,000	
22	Office of the Parliamentary Commissioner for Administration	Acquisition of furniture, office equipment and travelling.	440,000	543,000
101	Ministry of Buddha Sasana and Religious Affairs	Purchase of vehicles, Renovation of Dutugamunu Pilgrims Rest at Lumbini in Nepal, Implementation of a special programme for the promotion if religious activities and Construction of official residence of Asgiriya temple as per the Budget Proposal 2013, Diets and uniforms, Foreign travelling.	50,683,200	70,600,000
201	Department of Buddhist Affairs	Travelling for Buddhist Coordinating Officers	5,800,000	
204	Department of Hindu Religious and Cultural Affairs	Personal Emoluments	4,500,000	
102	Ministry of Finance and Planning	Recruitment of officers for Sri Lanka Planning Service and Accountancy Service. Accounting provision for the absorbtion of grants given for conducting a study on developing a comprehensive social protection scheme, Purchase of vehicles, Personal Emoluments, Travelling, Supplies, Maintenance, Services, Expenditure of newly established Department (Information Technology and Management), Settlement of Custom duty released on provincial entry basis in 2009. Personal Emoluments for Social Security Board as per the Budget Proposal 2013 and management service circular no.30.	114,219,799	45,723,165
237	Department of National Planning	Accounting provision for the absorption of grants given for implementation of Policies and Advocacy for a Caring Society and Equitable Development Programmed.		39,650,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
239	Department of External Resources	Grant assistance from Sri Lanka to establish a Vocational and Technical Training Centre in Uganda and Construction of a road in Maldives, Purchase of Computers and Foreign travelling.	3,000,000	1,020,000,000
240	Department of National Budget	Interest payament for leasing vehicles, Compensation for July Strikers as per the Budget Proposl 2013.	671,600,000	
241	Department of Public Enterprises	Arbitration fees and other expenses.	2,200,000	
243	Department of Development Finance	Establishment of a credit guarantee fund at Lankaputhra Development Bank as per the Budget Proposal 2013.		500,000,000
245	Department of Public Enterprises	Allowances for Standing Cabinet Appointed Review Committee (SCARC) members & officers.	1,150,000	
246	Department of Inland Revenue	Purchase of 225 computers for the use of tax administration , Rents and Local Taxes. Staff Training.	25,000,000	45,000,000
247	Sri Lanka Customs	Purchase of a bus for facilitating the Airport activities in Mattala, Accounting provision for taxes of the forfeited vehicles released to the government institutions in 2009.	"	13,926,000
249	Department of Treasury Operations	Deferred Payments, Loan administrative expenses and Increase the limit of paddy purchasing revolving fund.	1,370,000,000	1,553,000,000
250	Department of State Accounts	Settlement of the outstanding bills related to building renovations.		8,000,000
251	Department of Valuation	Payment of compensation for the underperforming enterprises vested with the government under the Act No 43 2011, as per the Cabinet Decision on 19th December, 2012, Services.	1,400,000	2,100,000,000
252	Department of Census and Statistics	Initiate the census on damaged property and human lives due to the conflict as per the recommendation of LLRC and the Economic Census as per the Gazette Nortification on 28th February 2013, Foreign travelling, Accounts for the grant given by Asian Development Bank for the Social Protection Index, Expenditure for census of Population and Housing - 2011.	1,500,000	472,512,129
280	Department of Project Management and Monitoring	Acquisition of plant, machinery and equipment, Accounting provision for the use of grants given for strenthening the capacity of the Department of Project Management and Monitoring.	700,000	3,230,000
296	Department of Import and Export Control	Improvement of computer facilities enabling to implement an e-Import & Export system.		4,000,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
323	Department of Legal Affairs	Maintenance of Plant and Machinery.	400,000	
103	Ministry of Defence and Urban Development	Implementation of Budget Proposal on Flood Mitigation Activities in Urban Areas, Research and development activities, and Development of sathi pola at Paddukka, Delkanda and Embilipitiya. Purchase of Vehicles , Settlement of outstanding bills of the Ranaviru Gammana Programme, Implement Solid Waste Management Project in Badulla, Integrated Development Project of Social Security, Electricity & Water, Vehicle maintenance, Plant, Machinery and Equipment, Expenditure related to GHOGM and Expenditure for newly established Ministry of Law & Order.	207,500,000	1,432,100,000
222	Sri Lanka Army	Fuel, Staff Training, Purchase of Vehicles, Acquisition of buildings, and Expenditure related to GHOGM.	500,000,000	414,500,000
223	Sri Lanka Navy	Development of Naval Academy as per the Budget Proposal 2013. Purchase of Vehicles and Maintenance of Ships.		766,500,000
224	Sri Lanka Air Force	Payment of 15% advance of the total estimated cost for purchasing helicopters and the construction of air field at Iranamadu. Welfare programmes, Purchase of Vehicles, Foreign travelling, Vehicles maintenance, Electrify & Water, Staff training, Supplies, Purchase of Equipment, and Construction of a Runway for the domestic airport in Kandy.	325,000,000	3,045,850,000
225	Department of Police	Purchase of vehicles, Purchase of Water supply equipment, Allowances for Level Crossing Operators, Purchase of uniforms and security equipment for the VIP security, Stationery and office requisites, Fuel and Supplies.	284,500,000	669,519,500
226	Department of Immigration and Emigration	Setting up the facilities at International Airports and the airfare related to the repatriation of a Nigerian detainee, Developing a system for online visa processing, Purchase of 500,000 travel documents, and Services.	47,987,200	314,927,000
320	Department of Civil Security	Property loan interest for public servants.	70,000	

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
105	Ministry of Economic Development	Accounting provision for the use of grants given for conducting Mine Risk Education Programme and conducting National Mine Action Programme, Purchase of vehicles, Provision of free mid- year uniforms and free pair of shoes for the students in the most isolated schools, as per the Budget Proposal - 2013, Ranaviru Divineguma Special Loan Programme, Salary increment of staff of Samurdhi Authority, Allowances for graduate trainees, Rehabilitation of damaged houses in Puttalam District due to the flood in 2012, Accounting provision for the use of grants given to construct a school building, Expenditure for the newly established Ministry of Investment Promotion, Paddy storage at Maradagahamulla, Personal Emoluments, Vehicles maintenance and Rents & Local Taxes.	2,966,200,000	554,840,000
106	Ministry of Disaster Management	Accounting provision for the use of grants given for improvement of the system for Disaster Risk Management of Sri Lanka and for the development of the Early Disaster Warning System for selected communities of the country, Acquisition of vehicles, Expenditure on completion of the auditorium, Renovation of buildings and Property loan interest of public servants, Allowances for graduate trainees, Transport, Rehabilitation of Houses damaged due to the flood in 2012, and Personal Emolument.	44,138,000	542,460,182
304	Department of Meteorology	Fuel, Local Taxes, Purchase of Furniture and Office Equipment, Maintenance of vehicles and Settlement of outstanding bills.	1,050,000	24,685,000
308	Department of Posts	Purchase of vehicles.		78,000,000
110	Ministry of Justice	Procurement of vehicles for Superior Court Judges and for the Ministry		239,700,000
228	Courts Administration	Small scale court building development programme, Rehabilitation and Improvement of buildings, Furniture and office equipment, Personal Emoluments, and Electricity & Water.	145,000,000	130,000,000
233	Department of Government Analyst	Construction of a new office building, Recruitment of Lab Assistants, Electricity & Water, and Vehicles maintenance.	25,000,000	176,000,000
234	Registrar of Supreme Court	Expansion of storage facilities at courts record rooms.		9,000,000

Allocations Provided... Continued

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
111	Ministry of Health	Purchase of Vehicles, Settlement of outstanding bills for Thousand Hospital Programme, Purchase of drugs.	250,000,000	450,919,956
112	Ministry of External Affairs	Acquisition of buildings for the Sri Lanka Embassy in Washington Dc, Purchase of vehicles for Sri Lanka mission in Bahrain and Melbourne, Acquisition of Plant, Machinery and Equipment, Furniture & Office Equipment, Construction of official residence for Sri Lankan Embassy in New Delhi, Services, Transport, Fuel, Stationary and Office Requisites.	233,500,000	840,637,250
114	Ministry of Transport	Personal Emoluments for the employees of Sri Lanka Transport Board as per the cabinet decision on 17.01.2013.	2,062,850,000	
306	Department of Sri Lanka Railways	Settle outstanding bills of upgrading Colombo - Matara Railway Line and Fuel	500,000,000	400,000,000
115	Ministry of Petroleum Industries	Purchase of Vehicles.		26,940,000
116	Ministry of Co-operatives and Internal Trade	Subsidy for providing plastic crates, settle the loss that was incurred in connection with the importation of rice.	295,000,000	
117	Ministry of Ports & Highways	Purchase of Vehicles, Northern Expressway, Kadawatha to Kerawalapitiya Outer Circular Highway, Colombo - Katunayake Expressway, Subscription and Contribution fees for International Maritime Organization (IMO) and Establishment of a secretariat on Indian Ocean MOU, Improvement of Thambuththegama, Rajanganaya, Kalaoya Road, Southern Highway Development, and Maganeguma roads- Inner access Roads in Urban Areas.	3,000,000	1,615,617,262
118	Ministry of Agriculture	Livelihood support for the returning Internally Displaced Persons in Mannar District, Implementation of Dry Zone Livelihood Support and Partnership Programme, Purchase of vehicles and Personal Emoluments.	20,000,000	94,700,000
285	Department of Agriculture	Seeds to distribute among the farmers in drought affected areas, and Improvement of agricultural training schools as per the budget proposal 2013.		257,024,285
119	Ministry of Power and Energy	Purchase of Vehicles.		12,000,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
120	Ministry of Child Development and Women's Affairs	Purchase of Vehicles, Accounting provision for the use of grants given for the Kekulu Udana Child Protection Programme, Building rent, Furniture and office equipment, plant, machinery and equipment, Expenditure for providing facilities at Sethsiripaya office premises, and Personal Emoluments for the National Child Protection Authority.	67,500,000	39,750,000
121	Ministry of Public Administration and Home Affairs	Local Governance Project, Purchase of Passenger Coach, Examination for recruiting Grama Niladaries, Rents and Local Taxes, Maintenance of buildings, and Efficiency Bar Examinations of the Sri lanka Administrative Service, Sri Lanka Engineering Service and Sri Lanka Scientific Service and Recruitment of SLAS offices for Northern & Eastern provinces.	100,000	50,570,000
254	Department of Registrar General	Building Rent and Services.	49,600,000	
255	District Secretariat, Colombo	Allowances for graduate trainees.	50,000,000	
256	District Secretariat, Gampaha	Allowances for graduate trainees, Rents and Local Taxes	210,876,707	
257	District Secretariat, Kalutara	Allowances for graduate trainees, and Traveling.	80,800,000	
258	District Secretariat, Kandy	Allowances for graduate trainees, and Property loan interest to public servants	151,250,000	
259	District Secretariat, Matale	Allowances for graduate trainees.	72,800,000	
261	District Secretariat, Galle	Allowances for graduate trainees, Office equipment for Divisional Secretariats at Yakkalamulla and Karandeniya, and Rehabilitation and improvement of buildings .	100,000,000	1,985,000
262	District Secretariat, Matara	Allowances for graduate trainees.	155,700,000	
263	District Secretariat , Hambantota	Allowances for graduate trainees, Services, and Retirement Benefits.	142,860,950	
264	District Secretariat - Jaffna	Allowances for graduate trainees, Diets and Uniforms, Property Loan Interest to public servants, Personal Emoluments, Building and Structures, Electricity and Water.	151,952,000	
265	District Secretariat, Mannar	Allowances for graduate trainees.	17,280,000	
266	District Secretariat, Vavuniya	Allowances for graduate trainees	36,840,000	
267	District Secretariat, Mullaitivu	Allowances for graduate trainees, and Building and Structures.	24,000,000	54,000,000
268	District Secretariat, Killinochchi	Allowances for graduate trainees.	40,000,000	

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
269	District Secretariat , Batticaloa	Regional Development activities in line with the Deyata Kirula - 2013, Personal Emoluments, Fuel, Vehicle Maintenance, and Electricity & Water.	230,000,000	950,000,000
270	District Secretariat , Ampara	Regional Development activities, preparation of exhibition site, & mobile services of Deyata Kirula -2013, and Allowances for graduate trainees.	116,060,000	600,000,000
271	District Secretariat/ Kachcheri - Trincomalee	Regional Development activities in line with the Deyata Kirula - 2013, Stationery and office requisites and Allowances for Graduate Trainees.	78,000,000	650,000,000
272	District Secretariat, Kurunegala	Allowances for graduate trainees.	409,000,000	
274	District Secretariat, Anuradhapura	Allowances for graduate trainees, Personal Emoluments, Fuel, Vehicle Maintenance, and Services.	106,312,000	
275	District Secretariat - Polonnaruwa	Regional Development activities in line with the Deyata Kirula - 2013, Allowances for graduate trainees, Construction of official residence for the District Secretary.	40,000,000	360,000,000
277	District Secretariat, Monaragala	Cost of living and salary increments as per the budget proposal -2013, Plant, Machinery and Equipment .	3,550,000	50,000,000
278	District Secretariat, Ratnapura	Allowances for graduate trainees and Personal Emoluments.	233,500,000	
279	District Secretariat, Kegalle	Allowances for graduate trainees and Fuel.	120,475,000	
122	Ministry of Mass Media and Information	Purchase of Vehicles, and Public awareness campaign by media institutions regarding CHOGM.	231,000,000	23,000,000
123	Ministry of Construction, Engineering Services, Housing and Common Amenities	Renovation of sewerage system of multi storied housing project at Nupewela, Settlement of outstanding payments of the Condominium Management Authority and Institute for Construction Training and Development, Construction of a paddy store at Maradagahamula in consultation with the Ministry of Economic Development, Settlement of commitments of housing development programme undertaken by Urban Settlement Development Authority, Vehicle maintenance, Electricity & Water, Traveling, Personal Emoluments for the Condominium Management Authority, and Construction of Urban Housing Scheme at Angulana.	14,308,000	142,000,000
309	Department of Buildings	Diets and Uniforms, and Land & Land Improvements.	124,000	2,000,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
311	Department of National Physical Planning	Settlement of outstanding bills for the construction of pilgrims rest at Polonnaruwa as per a court order.		8,459,724
124	Ministry of Social Services	Accountting provision for the absorbtion of the grants given for Country Programme, Rehabilitation of buildings, Building rent for the National Institute of Social Development, Electricity and Water, Building & Structures, Vehicle maintenance, and Personal Emoluments.	18,671,000	27,300,000
126	Ministry of Education	Transforming the School Education System as the Foundation of the Knowledge Hub Project, Mobilization advances for the construction of Mahindodaya Technological Labs under the Project of Development of Thousand Secondary Schools, Purchase of Vehicles, Water and sanitation facilities for unnerved schools, Construction of Defence School Buildings, Implementation of UNESCO activities, Teacher development Framework of National Colleges Education, Construction of an Auditorium and Library building for Kuliyapitiya Central College, Personal Emoluments, and Provincial Teacher Training Programme, as per Budget Proposal 2013.	419,737,000	2,455,026,000
213	Department of Educational Publications	Construction of stores at Pitipana and Homagama for storing school text books.		43,000,000
127	Ministry of Labour & Labour Relations	Purchase of Vehicles		10,000,000
128	Ministry of Traditional Industries and Small Enterprises Development	"Shilpa" National Exhibition, Rehabilitation of Lunuwila and Weerawila fishing net factories, Purchase of Vehicles, Re-activation of the Atchchuveli Industrial Estate, Office equipment for recruited graduates, Rent & Local Taxes. and Personal Emolument.	7,000,000	138,500,000
130	Ministry of Local Government and Provincial Councils	Purchase of tractors for Local Authorities, Local Government Infrastructure Improvement Project, Purchase of vehicles, Expenses of National Delimitation Committee for Local Authorities, Central and Sabaragamuwa Provincial Road Project, Emergency Response Capacity Project, and Special Poverty alleviation programme as per Budget Proposal 2013.	43,134,770	1,675,830,000
312	Western Provincial Council	Construction of Crematorium, and Personal Emoluments	800,000,000	167,000,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
313	Central Provincial Council	Emergency Natural Disaster Rehabilitation Project, Provincial Road Project, Personal Emoluments and Provincial Teachers' Training Programme as per the Budget Proposal, 2013.	550,000,000	310,200,000
314	Southern Provincial Council	Accounting provision for the use of grants given for implementing the UNICEF programmes at provincial levels, and Personal Emoluments.	450,000,000	808,125
315	Northern Provincial Council	Accounting provision for the use of grant given for implementing the UNICEF programmes at provincial levels, Northern Road Connectivity Project and Personal Emoluments.	480,000,000	225,059,000
316	North Western Provincial Council	Rehabilitation of flood damaged provincial roads in North Western Province, and Personal Emoluments.	485,000,000	50,000,000
317	North Central Provincial Council	Rehabilitation of Oyamaduwa - Thanthrimale and Sinharagama- Ranoraewa roads under the Deyata Kirula 2012, Emergency Natural Disaster Rehabilitation Project, Rehabilitation of flood damaged roads, North Central Provincial Road Project, Provincial Teachers Training programme as per Budget Proposal2013, and Personal Emoluments.	273,000,000	1,459,000,000
318	Uva Provincial Council	Eastern and Uva Provincial Road Development Project and Personal Emoluments.	330,000,000	1,678,000,000
319	Sabaragamuwa Provincial Council	Central and Sabaragamuwa Provincial Road Development Project and Personal Emoluments.	345,000,000	376,000,000
321	Eastern Provincial Council	Estern and Uva Provincial Road Development Project, Accounting provision for the absorption of grant given for implementing UNICEF programmes at provincial levels, Emergency Natural Disaster Rehabilitation Project, Eastern Province Rural Roads Development Project and Personal Emoluments.	287,000,000	2,232,748,000
133	Ministry of Technology and Research	Settlement of commitments of Agro Food Project, Nano Science Park and Multipurpose Gamma Irradiation Project, and Implementation of Project for Conversion of Plastic to Fuel.		278,160,037
134	Ministry of National Languages and Social Integration	Purchase of Vehicle, Building Rent for Official Languages Commission , Accounting provision for the absorption of grants given for Equal Access to Justice Programme, and Examination for recruiting National Integration Co-ordination Officers.	12,113,360	9,907,892

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
135	Ministry of Plantation Industries	Improving the working and living conditions of the employees in Tea Research Institute, Purchase of Vehicles, and Implementation of Budget Proposal on Mechanization of Tea harvesting in the Tea small holding sector.		66,098,050
293	Department of Rubber Development	Hosting the General Assembly and the Committee meeting of the Association of Natural Rubber Producing Countries in Sri Lanka.	10,000,000	
136	Ministry of Sports	Procurement of vehicles, Initial activities of the Asian Youth Games to be held in 2017 and Renovation of office building.		51,400,000
219	Department of Sports Development	Exposure of internationally accepted sports facilities to rural sports		149,000,000
138	Ministry of Indigenous Medicine	Purchase of vehicles.		11,500,000
220	Department of Ayurveda	Grativity for retired Ayurvedic Doctors	500,000	
139	Ministry of Fisheries and Aquatic Resources Development	Settlement of outstanding bills and parity variation of Dickowita Fishery Harbour Development Programme. Purchase of vehicles. Post Tsunami Coastal Rehabilitation and Resources Management Programme and Post Tsunami Livelihood Support Partnership Programme and Foreign Travelling.	1,500,000	515,500,000
290	Department of Fisheries and Aquatic Resources	Welfare for empowering the fishing community, Relief for fishermen who affected by the heavy windstorm on 08.06.2013, Services, and 4%Interest subsidy of Diyawara Diriya Loan Scheme.	111,200,000	
140	Ministry of Livestock and Rural Community Development	Purchase of Vehicles. Importation of 30,000 doses of sexed semen, Rehabilitation of building and structures and Personal Emoluments	23,500,000	104,065,679
142	Ministry of National Heritage	Purchase of vehicles.		11,500,000
209	Department of National Archives	Electricity and Water	11,500,000	
143	Ministry of Parliamentary Affairs	Purchase of vehicles.		8,000,000
145	Ministry of Re-settlement	Resettlement assistance for 1,500 families in Kelabogaswewa, Purchase of vehicles. Construction of 500 houses under the Welioya Resettlement Programme, and Accounting provision for the absorption of the grants given for resettling 650 families in Padaviya, Anuradhapura District.		61,287,000
149	Ministry of Industry and Commerce	Purchase of Vehicles.		10,000,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
303	Department of Textile Industries	Compensation for affected workers of Power Loom Industry due to privatization during, 1980 - 1982.	183,700,000	
152	Ministry of Irrigation and Water Resources Management	Protestation of river bank of Mahaweli at Gatambe, and Rehabilitation of flood damaged irrigation systems and tanks.		435,000,000
282	Department of Irrigation	Complete the construction of Rambukkan Oya Project.		750,000,000
153	Ministry of Land and Land Development	Rehabilitation and improvement of buildings and procurement of media equipment.		2,853,540
286	Department of Land Commissioner	Electricity and water.	6,330,000	
156	Ministry of Youth Affairs & Skills Development	Rehabilitation of buildings in 25 training institutes, Acquisition of machinery and equipment, Construction of Vocational Training Center in Mirijawila, Construction of a training center and hotel school in Nilaweli, Knowledge enhancement of academic staff under the Technical Education and Vocational Training Sector Development Project, Hosting a conference on Sri Lankan youth for the World Youth -2014 as per the budget proposal 2013, Purchase of Vehicles, Self Employment Promotion Initiatives and Purchase of Equipment.		969,685,000
215	Department of Technical Education and Training	Construction of Building for Matale Technical College and rehabilitation of Ampara Hardy College.		110,000,000
160	Ministry of Environment	Accounting provision for the absorption of grants given for the Technical Needs Assessment Project on Climate Change in Sri Lanka, Accounting provision for absorbtion of the grants given for 3 projects i.e. hosting the 25th Steering Committee Meeting and 5th South Asia sub-Regional Cooperation meeting in Sri Lanka, project on United National Convention to Combat Desertification & Implementation of National Policy on Traditional Knowledge for Sustainable Livelihood, Rents and Local Taxes, Foreign Travelling, Pilisaru Programme, International conventions, conferences and official visits, Purchase of vehicles, vehicles Maintenance, Fuel, Electrify & Water and other services.	14,750,000	109,775,000
283	Department of Forests	Property loan interest to public servants	3,500,000	

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
171	Ministry of Higher Education	Accounting provision for absorption of the grant given to promote researches of the University of Peradeniya, Purchase of Vehicles, and Payment of mobilization advance for constructing 60 University Hostels.		1,352,956,503
214	University Grants Commission	Purchase of Vehicles, and Examination cost of Postgraduate Institute of Medicine for the intake in year 2011/2012.	7,200,000	1,509,150,000
173	Ministry of Public Management Reforms	Rehabilitation and Improvement of Buildings. Acquisition of Furniture and Office Equipments, Building Rent and Fuel.	42,000,000	7,300,000
174	Ministry of Rehabilitation and Prison Reforms	Purchase of Vehicles. Rehabilitation of Buildings and Maintenance of Vehicles.		36,200,000
232	Department of Prisons	Purchase of buses for providing transport facilities to prisoners, and Acquisition of Plant and Machinery.		47,224,000
326	Department of Community Based Corrections	Acquisition of Furniture and Office Equipments.		4,700,000
175	Ministry of State Resources and Enterprise Development	Personal Emoluments of the employees of Kanthale Sugar Industries, Settlement of Court Charges of the case filed by the employees of Walachchena Paper Company Ltd, Purchase of vehicles, Settlement of outstanding bills of the Hingurana Sugar Industries Ltd. Development of small scale enterprises connecting with Laksala Network as per the Budget Proposal 2013. Janatha Estates Development Board , Services, and Gratuity dues for 57 factory employees of Lanka Cement PLC.		400,667,757
176	Ministry of Civil Aviation	Improvement of office premises. Purchase of vehicles. Capitalization of the Sri Lankan Airlines, Personal Emoluments, Traveling Expenses, Supplies, Maintenance expenditure, and Services.	34,371,235	178,854,261
177	Ministry of Culture & the Arts	Purchase of Vehicles		6,700,000
206	Department of Culture and the Arts	National Art Festival - 2013.	5,000,000	
178	Ministry of Coconut Development and Janatha Estate Development	Purchase of vehicles. Rehabilitation and improvement of assists, Building rent, local taxes, Popularization of organic fertilizer in coconut cultivation. Maintenance of Vehicles. Settlement of outstanding Cess to Mahaweli Coconut Plantation. Transport, and Personal Emoluments.	113,216,264	34,719,000

Rs.

Head No.	Ministry/Department	Purpose	Recurrent	Capital
281	Department of Agrarian Development	Desalting of minor tanks and agro wells in the drought affected regions in Anuradhapura District. Establishment of Agrarian Tribunal and Boards of Review under the amended Act No. 46 of 2011 for networking districts offices	27,000,000	145,270,000
179	Ministry of Wildlife Resources Conservation	Rehabilitation and Improvement of Buildings, and Purchase of Vehicles.		11,330,000
180	Ministry of Minor Crops Promotion	Purchase of Vehicles		4,170,000
181	Ministry of Productivity Promotion	Purchase of Vehicles, Building Rent and Personal Emoluments.	78,400,000	51,000,000
182	Ministry of Foreign Employment Promotion and welfare	Personal Emoluments.	78,500,000	
183	Ministry of Public Relations and Public Affairs	Purchase of vehicle.		11,500,000
185	Ministry of Telecommunication and Information Technology	Construction of buildings in Hardy Technical College in Ampara . Acquisition of Building and other investments under the Deyata Kirula 2013. Purchase of vehicles, Setup and expand Nenasala Centers at Grama Niladari Division level, as per the Budget Proposal 2013.		611,000,000
188	Ministry of Botanical Gardens & Public Recreation	Rehabilitation and Improvement of buildings at Janakala Kendraya.		150,000,000
	Total		**19,994,566,085**	**41,240,636,757**

Outstanding Balances of the Guarantees issued as at 30.09.2013

S. No	File No.	Name of Institution	Name of the Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies US$ Mn.	Guaranteed Amount in Foreign Currencies Euro Mn.	Guaranteed Amount Rs. Mn	Outstanding Amount Rs.Mn	Date of Issue	Date of Expiry
1	TO/CM7/298	Co-operative Whole Sale Establishment	People's Bank	Credit facility			157.10	157.10	2-Feb-05	30-Nov-13
2	TO/CM7/302	Sri Lanka Consumer Co-operative Societies Federation Ltd.	People's Bank	Credit facility			50.00	50.00	31-Jul-06	31-Dec-13
3	TO/CM7/303	Lakdanavi Ltd.	National Savings Bank	Secure the Bonds			2,992.00	2,992.00	22-Feb-07	31-Mar-22
4	TO/CM7/303	Lakdanavi Ltd.	Employee's Trust Fund Board	Secure the Bonds			2,992.00	2,992.00	1-Mar-07	31-Mar-22
5	TO/CM7/311	Ceylon Electricity Board 300MW Kerawalapitiya Combine Cycle Power Plant Project	People's Bank	Credit facility			4,116.00	4,116.00	7-May-08	3-Mar-23
6	TO/CM7/303	West Coast Power(Pvt)Ltd.	Hongkong & Shanghai Banking Co.Ltd.	Secure the loan facility		134.84	24,419.52	24,419.52	28-Jun-07	28-Jun-22
7	SA/CM7/314	Ceylon Electricity Board	People's Bank	Credit facility	Rs.1.2Bn + US$ 4.2Mn		1,761.20	1,761.20	11-Jun-08	9-Oct-23
8	SA/CM7/315	Ceylon Petroleum Corporation	Bank of Ceylon	Secure the loan facility	700		93,534.00	93,534.00	9-Sep-08	31-Dec-13
9	TO/CM/316	Ceylon Electricity Board	People's Bank	Credit facility		1.18	213.70	213.70	29-Sep-08	31-Dec-13
10	TO/CM/317	People's Bank Pension Trust Fund	People's Bank	Secure the Debentures			2,500.00	2,500.00	17-Dec-08	16-Dec-16
11	TO/CM7/312	State Trading (Co-operative Wholesale) Company Ltd.	People's Bank	Credit facility			32.00	32.00	13-Mar-09	31-Dec-13
12	TO/CM7/325	Ceylon Electricity Board	People's Bank	Secure Short Term Credit facility			7,000.00	7,000.00	7-Sep-09	12-Mar-14
13	TO/CM7/321(ii)	Ceylon Petroleum Storage Terminals Ltd.	People's Bank	Credit facility	40.3		4,634.50	4,634.50	9-Oct-09	6-Oct-19
14	TO/CM7/317	People's Bank Pension Trust Fund	People's Bank	Secure the Debentures			2,500.00	2,500.00	23-Oct-09	22-Oct-17
15	TO/CM7/322	Urban Development Authority	National Savings Bank	Secure the loan facility			2,770.00	2,770.00	6-Nov-09	18-Nov-24

Outstanding Balances of the Guarantees Contd...

S. No	File No.	Name of Institution	Name of the Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount Rs. Mn	Outstanding Amount Rs.Mn	Date of Issue	Date of Expiry
					US$ Mn.	Euro Mn.				
16	TO/CM7/322	Urban Development Authority	Bank of Ceylon	Secure the loan facility	64.5		8,618.49	8,618.49	30-May-11	30-Jun-14
17	TO/CM7/330	STC General Trading Company Ltd.	Bank of Ceylon	Secure the loan facility			460.00	460.00	22-Dec-09	31-Dec-13
18	TO/CM7/333	Ceylon Electricity Board	People's Bank	Term Loan Facility			5,000.00	5,000.00	17-Aug-10	31-Jul-16
19	TO/REV/TG/334	Urban Development Authority	Bank of Ceylon	Issue of Debentures			10,000.00	10,000.00	8-Jul-10	08-Jul-15
20	TO/REV/TG/340	Road Development Authority	Commercial Bank	Secure the loan facility			1,534.00	1,509.99	1-Sep-11	28-Feb-26
21	TO/REV/TG/346	General Sir John Kotelawala Defence University	Bank of Ceylon	Secure the loan facility			85.00	78.00	29-Aug-11	31-Dec-26
22	TO/REV/TG/353	Road Development Authority	Bank of Ceylon	Secure the loan facility			2328.36	898.22	14-Mar-12	31-Dec-26
23	TO/REV/TG/354	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,472.36	640.34	12-Mar-12	31-Dec-26
24	TO/REV/TG/355	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,750.00	1,687.40	12-Mar-12	31-Dec-26
25	TO/REV/TG/350	Road Development Authority	People's Bank	Secure the loan facility			1,400.00	1,094.79	21-Mar-12	31-Dec-26
26	TO/REV/TG/351	Road Development Authority	People's Bank	Secure the loan facility			7,995.68	3,620.56	21-Mar-12	31-Dec-26
27	TO/REV/TG/352	Road Development Authority	People's Bank	Secure the loan facility			2,861.81	1,481.78	21-Mar-12	31-Dec-26
28	TO/REV/TG/349	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	200		26,724.00	26,724.00	10-Apr-12	01-May-14
29	TO/REV/TG/344	Ministry of Defence and Urban Development	Hatton National Bank	Secure the loan facility			3,550.00	3,550.00	24-Apr-12	31-Dec-30
30	TO/REV/TG/344	Ministry of Defence and Urban Development	Commercial Bank	Secure the loan facility			2,000.00	2,000.00	24-Apr-12	31-Dec-30
31	TO/REV/TG/344	Ministry of Defence and Urban Development	People's Bank	Secure the loan facility			1,000.00	1,000.00	24-Apr-12	31-Dec-30

S. No	File No.	Name of Institution	Name of the Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount Rs. Mn	Outstanding Amount Rs.Mn	Date of Issue	Date of Expiry
					US$ Mn.	Euro Mn.				
32	TO/REV/TG/344	Ministry of Defence and Urban Development	DFCC Bank	Secure the loan facility			1,000.00	1,000.00	24-Apr-12	31-Dec-30
33	TO/REV/TG/356	Sri Lankan Air Line	Mashreqbank Psc - Dubai	Secure the loan facility	175		23,383.50	23,383.50	1-Jun-12	01-Jun-16
34	TO/REV/TG/357	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,647.63	1,740.10	6-Jun-12	31-Dec-26
35	TO/REV/TG/361	Ceylon Petroleum Corporation	Bank of Ceylon	Secure the loan facility	200		26,724.00	26,724.00	27-Jun-12	31-Dec-13
36	TO/REV/TG/363	Road Development Authority	Bank of Ceylon	Secure the loan facility			315.58	315.58	15-Oct-12	30-Apr-27
37	TO/REV/TG/364	Road Development Authority	Bank of Ceylon	Secure the loan facility			354.58	354.58	15-Oct-12	30-Apr-27
38	TO/REV/TG/365	Road Development Authority	National Savings Bank	Secure the loan facility			384.25	384.25	25-Oct-12	30-Apr-27
39	TO/REV/TG/335/1	Lanka Coal Company (PVT) Ltd	People's Bank	Secure Short Term Loan facility			1,000.00	1,000.00	7-Nov-12	07-Nov-15
40	TO/REV/TG/359	Road Development Authority	Commercial Bank	Secure the loan facility			209.04	209.04	15-Nov-12	31-May-27
41	TO/REV/TG/366	Road Development Authority	Bank of Ceylon	Secure the loan facility			670.75	670.75	15-Nov-12	31-May-27
42	TO/REV/TG/367	Road Development Authority	Bank of Ceylon	Secure the loan facility			385.64	385.64	15-Nov-12	31-May-27
43	TO/REV/TG/369	Road Development Authority	Commercial Bank	Secure the loan facility			209.06	209.06	26-Dec-12	30-Jun-27
44	TO/REV/TG/370	Road Development Authority	Bank of Ceylon	Secure the loan facility			299.25	299.25	26-Dec-12	30-Jun-27
45	TO/REV/TG/371	Road Development Authority	Hatton National Bank	Secure the loan facility			309.12	309.12	28-Dec-12	30-Jun-27
46	TO/REV/TG/372	Road Development Authority	National Savings Bank	Secure the loan facility			225.54	225.54	31-Dec-12	30-Jun-27
47	TO/REV/TG/373	Road Development Authority	DFCC Bank	Secure the loan facility			89.60	89.60	31-Dec-12	30-Jun-27

Outstanding Balances of the Guarantees Contd...

S. No	File No.	Name of Institution	Name of the Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount Rs. Mn	Outstanding Amount Rs.Mn	Date of Issue	Date of Expiry
					US$ Mn.	Euro Mn.				
48	TO/REV/TG/359/1	Road Development Authority	Commercial Bank	Secure the loan facility			1,184.57	259.22	31-Jan-13	31-May-27
49	TO/REV/TG/363/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			1,788.16	467.66	31-Jan-13	30-Apr-27
50	TO/REV/TG/364/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,009.31	1,369.39	31-Jan-13	30-Apr-27
51	TO/REV/TG/365/1	Road Development Authority	National Savings Bank	Secure the loan facility			2,177.39	438.79	31-Jan-13	30-Apr-27
52	TO/REV/TG/366/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			3,934.25	326.81	31-Jan-13	31-May-27
53	TO/REV/TG/367/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,185.31	182.12	31-Jan-13	31-May-27
54	TO/REV/TG/369/1	Road Development Authority	Commercial Bank	Secure the loan facility			1,190.94	212.56	31-Jan-13	30-Jun-27
55	TO/REV/TG/370/1	Road Development Authority	Bank of Ceylon	Secure the loan facility			1,695.75	455.35	31-Jan-13	30-Jun-27
56	TO/REV/TG/372/1	Road Development Authority	National Savings Bank	Secure the loan facility			1,278.08	518.33	31-Jan-13	30-Jun-27
57	TO/REV/TG/373/1	Road Development Authority	DFCC Bank	Secure the loan facility			487.78	84.29	31-Jan-13	30-Jun-27
58	TO/REV/TG/371/1	Road Development Authority	Hatton National Bank	Secure the loan facility			1,751.73	203.40	11-Feb-13	30-Jun-27
59	TO/REV/TG/368/2	Mihin Lanka (Pvt)Ltd	Bank of Ceylon	Secure the loan facility	2.78		371.46	371.46	20-Feb-13	31-Dec-16
60	TO/REV/TG/377	Road Development Authority	Hatton National Bank	Secure the loan facility			3,223.31	453.27	14-May-13	30-Nov-27
61	TO/REV/TG/360	General Sir John Kotelawala Defence University	Bank of Ceylon	Secure the loan facility			750.00	0.00	7-Jun-13	30-Jun-28
62	TO/REV/TG/376	General Sir John Kotelawala Defence University	National Savings Bank	Secure the loan facility	201.63		26,941.80	3,799.00	24-Jun-13	31-Jan-32
63	TO/REV/TG/349/1	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	250		33,405.00	33,405.00	25-Jun-13	30-Jun-14
64	TO/REV/TG/382	Road Development Authority	Hatton National Bank	Secure the loan facility			1,802.74	303.73	11-Jul-13	31-Jan-28

Outstanding Balances of the Guarantees Contd...

S. No	File No.	Name of Institution	Name of the Bank or Institution	Purpose	Guaranteed Amount in Foreign Currencies		Guaranteed Amount Rs. Mn	Outstanding Amount Rs.Mn	Date of Issue	Date of Expiry
					US$ Mn.	Euro Mn.				
65	TO/REV/TG/383	Road Development Authority	Hatton National Bank	Secure the loan facility			2,053.52	250.81	11-Jul-13	31-Jan-28
66	TO/REV/TG/385	Ceylon Petroleum Corporation	People's Bank	Secure the loan facility	100		13,362.00	13,362.00	19-Jul-13	30-Jul-14
67	TO/REV/TG/378	Road Development Authority	Bank of Ceylon	Secure the loan facility			3,915.95	171.52	25-Jul-13	31-Jan-28
68	TO/REV/TG/380	Road Development Authority	Hatton National Bank	Secure the loan facility			1,020.00	42.66	5-Aug-13	31-Jan-28
69	TO/REV/TG/379	Road Development Authority	Hatton National Bank	Secure the loan facility			2,445.00	383.82	5-Aug-13	31-Jan-28
70	TO/REV/TG/385/1	Ceylon Petroleum Corperation	People's Bank	Secure the loan facility	100		13,362.00	13,362.00	8-Aug-13	31-Aug-14
71	TO/REV/TG/381	Road Development Authority	National Savings Bank	Secure the loan facility			2,179.48	91.15	12-Aug-13	29-Feb-28
72	TO/REV/TG/387/1	Paddy Marketing Board	Bank of Ceylon	Secure the loan facility			3,500.00	3,500.00	12-Aug-13	31-Dec-13
73	TO/REV/TG/387/2	Paddy Marketing Board	People's Bank	Secure the loan facility			2,350.00	2,350.00	12-Aug-13	31-Dec-13
74	TO/REV/TG/387/3	Paddy Marketing Board	Pradesiya Sanwardhana Bank	Secure the loan facility			440.00	440.00	12-Aug-13	31-Dec-13
75	TO/REV/TG/387/4	Paddy Marketing Board	National Savings Bank	Secure the loan facility			1,036.00	1,036.00	12-Aug-13	31-Dec-13
76	TO/REV/TG/388	Road Development Authority	Bank of Ceylon	Secure the loan facility			2,614.92	108.05	28-Aug-13	29-Feb-28
77	TO/REV/TG/389	Road Development Authority	Hatton National Bank	Secure the loan facility			1,596.53	200.38	30-Aug-13	29-Feb-28
78	TO/REV/TG/335	Lanka Coal Company (Pvt) Ltd	People's Bank	Secure Short Term Loan facility			2,000.00	2,000.00	27-Sep-13	27-Sep-14
Total Amount							**424,712.25**	**355,484.38**		

Note on Credit Risk Assessment:

1. Road Development Authority - Amortization and interest is provided in annual Budget
2. Ceylon Petroleum Corporation - Enables to maintain working capital requirement of Ceylon Petroleum Corporation at no cost
3. Paddy Marketing Board - Maintenance of food security

Annex III

Macro Economic Indicators

Quarterly Growth Rates of Key Sub-Sectors of Agriculture

Sector	2012					2013(a)	
	Q_1	Q_2	Q_3	Q_4	Annual	Q_1	Q_2
Tea (Mn kg)	73	90	78	83	323	80	92
Growth %	-3.1	-4.3	4.3	0.2	0.9	8.1	3.0
Rubber (Mn kg)	43	39	37	33	152	33	29
Growth %	-2.2	8.6	-4.7	-16.5	0.2	-23.0	-25.8
Coconuts (Mn nuts)	719	776	802	683	2,940	638	637
Growth %	9.8	6.0	10.2	-1.1	1.0	-7.4	-20.4
Paddy ('000 bushel)	130.4		54.1		184.3	130.3	
Growth %	36.1	13.2	-38.2	-40.1	1.5	0.1	4.8
Fish (MT)	107,990	117,800	133,090	127,290	486,170	110,240	110,240
Growth %	6.1	12.9	13.9	3.8	1.3	13.9	-5.3

Source: Department of Census and Statistics
(a) Provisional

Performance in Industrial Sector: 2011 - 2013

%

Description	2011	2012	2013(a)	
			Q1	Q2
Food, Beverages and Tobacco products	7.1	5.1	6.2	6.2
Textile, apparel and leather Products	10.8	4.9	6.8	6.2
Chemical, petroleum, rubber and plastic products	9.3	5.8	7.4	4.8
Non-metallic mineral products	8.2	6.5	5.2	4.5
Overall Industrial Growth	**10.3**	**10.3**	**10.7**	**10.1**

Sources: Department of Census and Statistics
(a)Provisional

Performance in Electricity Generation and Services Sector: 2012- 2013

Category	2012				2012 Jan-Sep	2013 Proj	2013			2013 Jan-Sep
		Q1	Q2	Q3			Q1	Q2	Q3	
Electricity Generaton										
Total Generation (GWh) (Excluding Self Generation)	11,800	2,943	2,932	2,965	8,840	11,977	2,957	2,985	2,993	8,935
Growth Rate	2.4	8.3	2.4	-1.2	3.0	1.5	0.5	1.8	0.9	1.1
Hydro	3,290	535	714	675	1,924	6,827	1,420	1,613	2,252	5,285
Growth Rate	-28.8	-69.8	-50.5	-4.9	-51.0	107.5	165.4	125.9	233.6	174.7
Thermal (includes Independent Power Plants)	8,339	2,391	2,172	2,212	6,775	5,150	1,511	1,292	637	3,440
Growth Rate	22.9	157.1	56.9	-1.3	48.7	-38.2	-36.8	-40.5	-71.2	-49.2
Hydro: Thermal Ratio	28:72	18:82	24:76	23:77	22:78	57:43	48:52	54:46	75:25	59:41
Reservoir Water Level % (End Period Aeverage))	41.1	44.0	32.9	23.4	32.5	n.a.	76.2	66.7	86.2	76.6
Port Services										
Total Cargo Handled ('000 MT)	65,100	16,373	16,173	16,510	49,056	67,000	15,894	16,701	17,071	49,666
Growth Rate	0.0	1.5	3.2	0.3	1.7	2.9	-2.9	3.3	3.4	1.2
Total Container Handled ('000 TEUs)	4,187	1,027	1,055	1,069	3,152	4,300	1,042	1,060	1,121	3,223
Growth Rate	-1.8	-4.6	3.8	-0.1	-0.4	2.7	1.4	0.4	4.9	2.2
Telecommunications Services (No. of Subscribers)										
Fixed Lines ('000)	3,449	3,616	3,431	3,441	3,441	2,759	2,833	2,796	2,732	2,732
Growth Rate	-4.4	1.9	-3.5	-4.0	-4.0	-20.0	-21.7	-18.5	-20.6	-20.6
Cellular ('000)	20,324	18,866	19,272	19,637	19,637	20,728	19,336	19,533	20,235	20,235
Growth Rate	10.9	6.4	6.0	6.6	6.6	2.0	2.5	1.4	3.0	3.0
Total Fixed Lines and Cellular ('000)	23,773	22,483	22,703	23,078	23,078	23,487	22,169	22,329	22,967	22,967
Growth Rate	8.4	5.7	4.5	4.9	4.9	-1.2	-1.4	-1.6	-0.5	-0.5
Internet and email ('000)	1,366	1,086	1,146	1,238	1,238	n.a.	1,504	1,476	1,694	1,694

Sources : Central Bank of Sri Lanka

Export Performance in 2012-2013

USD Mn.

Item	2012(a) Jan-Sep	2012(a) Oct-Dec	2012(a) Total	2013 Jan-Sep (a)	2013 Oct-Dec (b)	2013 Total (b)
Agricultural Products	1,736	595	2,332	1,837	692	2,529
Tea	1,032	380	1,412	1,103	403	1,506
Rubber	101	24	125	52	16	68
Coconut Products	163	46	209	141	55	195
Other Agricultural Products	441	145	586	542	218	760
Industrial Products	5,519	1,852	7,371	5,453	1,907	7,360
Textile and Garments	2,972	1,019	3,991	3,127	1,120	4,247
Petroleum	353	111	463	338	90	428
Other Industrial Products	2,194	723	2,917	1,989	697	2,686
Mineral Export	42	19	61	28	7	35
Other Exports	7	2	10	9	3	12
Total Exports	7,305	2,469	9,774	7,327	2,609	9,935

Sources : Central Bank of Sri Lanka
(a) Provisional
(b) Projections

Import Performance in 2012-2013

Item	2012(a) Jan-Sep	2012(a) Oct-Dec	2012(a) Total	2013 Jan-Sep (a)	2013 Oct-Dec (b)	2013 Total (b)
Consumer Goods	2,292	704	2,995	2,333	793	3,126
Rice	21	3	24	15	3	18
Sugar	248	97	345	226	72	297
Other Food Products	725	211	935	786	266	1,052
Other Consumer Goods	1,298	393	1,691	1,307	452	1,759
Intermediate Goods	8,552	3,018	11,570	8,529	3,094	11,623
Fuel	3,715	1,322	5,037	3,829	1,320	5,149
Wheat and Maize	294	70	364	254	89	343
Fertilizer	260	51	311	165	61	225
Textile & Clothing	1,645	622	2,266	1,503	665	2,168
Other Intermediate Goods	2,638	954	3,592	2,778	960	3,738
Investment Goods	3,305	1,284	4,590	3,177	1,157	4,334
Other Imports	24	4	28	10	5	15
Total	14,173	5,009	19,183	14,048	5,048	19,097

Source : Central Bank of Sri Lanka
(a) Provisional
(b) Projections

Balance of Payments – 2013

USD Mn.

Item	Q1(a)	Q2(a)	Annual Projction
A. Trade Balance	**-2,143.58**	**-2,412.96**	**-9,162**
Exports	2,363.17	2,297.85	9,935
Imports	4,506.75	4,710.81	19,097
B. Services, Net	**413.49**	**373.29**	**1,734**
Receipts	1,068.85	1,037.96	4,724
Payments	655.36	664.67	2,990
C. Income, Net	**-459.11**	**-207.31**	**-1,280**
Receipts	58.83	55.26	334
Payments	517.94	262.58	1,614
D. Goods, Services and Income, Net	**-2,189.20**	**-2,246.98**	**-8,709**
E. Current Transfers, Net	**1,357.13**	**1,496.36**	**5,804**
Private Current Transfers, Net	1,355.27	1,494.78	5,778
Official Current Transfers, Net	1.86	1.57	26
F. Current Account	**-832.07**	**-750.62**	**-2,904**
G. Capital Account	**5.72**	**16.62**	**134**
Private Capital Transfers, Net	2.26	13.70	85
Official Capital Transfers, Net	3.46	2.92	49
H. Financial Account	**1,500.17**	**1,156.49**	**3,469**
Long-Term, Net	573.43	415.42	2,561
Direct Investment	172.92	171.14	1,059
Foreign Direct Investment, Net	144.17	151.14	1,059
Privatization Proceeds			
Private Long-term, Net	188.79	13.45	522
Inflows	263.03	97.37	900
Outflows	74.24	83.91	378
Government Long-term, Net	240.48	250.83	980
Inflows	451.70	467.18	1,800
Outflows	211.22	216.34	820
Short-Term,Net	926.74	741.07	908
Protfolio Investment, Net	38.68	81.47	250
Private Short-term, Net	-263.35	350.90	-815
Commercial Banks, Net	616.59	179.16	993
Government Short-term, Net	534.82	129.53	480
I. Errors and Ommissions	**-640.92**	**-233.70**	**0**
J. Overall Balance	**153.60**	**-322.77**	**700**
K. Monetary Movements	**-153.60**	**322.77**	**-700**

Source: Central Bank of Sri Lanka
(a) Provisional

International Reserves

US $ Mn.

Item	End 2011	End 2012	Jul-13	Aug-13
Total External Reserves	7,199.00	8,357.23	7,345.82	7,501.38
Months of Imports	4.26	5.25	4.69	4.83
Gross Official Reserves	5,958.00	6,877.25	6,254.58	6,334.11
Months of Imports	3.53	4.32	3.99	4.07

Sources: Central Bank of Sri Lanka

Government Foreign Currency Debt Outstanding

US $ Mn.

Items	End Aug2013
Total Outstanding	25,473.0
Government Foreign Debt	22,515.3
Dollar dominated Domestic Debt	2,957.8
SLDBs	2,807.8
FCBUs	150.0

Sources: Central Bank of Sri Lanka

Outstanding Domestic Foreign Currency Debt of the Government

US $ Mn.

	End 2012	End Aug. 2013
Outstanding	**1,903.6**	**2,957.8**
FCBUs	150.0	150.0
SLDBs	1,753.6	2,807.8
Receipts	**456.6**	**1,429.2**
FCBUs	0.0	0.0
SLDBs	456.6	1,429.2
Payments	**317.0**	**750.1**
FCBUs	0.0	0.0
SLDBs	317.0	750.1

Sources: Central Bank of Sri Lanka

Movements in Selected Exchange Rates (Against the USD)

US $ Mn.

Currency	Appreciation(+) / Depreciation(-)	
	End 2011 - End 2012	End 2012 - Sep 2013
Sri Lanka Rupee	-10.43	-3.65
Indian Rupee	-3.22	-12.56
Bangladesh Taka	2.51	2.77
Parkistan Rupee	-7.54	-7.95
Singapore Dollar	6.38	-2.79
Thailand Bhat	3.76	-2.69
Taiwan Dollar	4.28	-1.81
Indonesian Rupiah	-5.97	-17.10
Philippine Peso	6.72	-5.69
Korean Won	8.40	-0.80
Japanese Yen	-9.63	-12.19

Sources: Central Bank of Sri Lanka

Central Bank Hidings of Treasury Bills

Rs.Mn.

End Period	Gross (Book value)	Net of Repos (Book value)
2007	41.8	41.8
2008	143.7	143.2
2009	36.0	36.0
2010	20.7	2.3
2011	161.9	167.3
2012	155.7	163.3
End Sep. 2013	18.0	5.1

Sources: Central Bank of Sri Lanka

Commercial Banks' Loans and Advances to the Private Sector - June 2013 (a)(b)

	Amount (Rs.mn) (c)	as a % of Total
1. Agriculture & Fishing	332,203	13.6
of which...		
Tea	50,674	2.1
Rubber	19,233	0.8
Coconut	6,310	0.3
Paddy	13,254	0.5
Vegetable, Fruit Cultivation and Minor Food Crops	12,368	0.5
Livestock and Dairy Farming	7,970	0.3
Fisheries	9,872	0.4
2. Industry	814,555	33.4
of which...		
Construction	353,069	14.5
of which...		
--- Personal Housing including Purchasing/Construction/ Repairs	165,608	6.8
--- Staff Housing	48,218	2.0
Food and Beverages	58,790	2.4
Textiles and Apparel	94,588	3.9
Wood and Wood Products including Furniture	7,026	0.3
Paper and Paper Products	6,078	0.2
Chemical, Petroleum, Pharmaceutical and Healthcare, and Rubber and Plastic Products	35,477	1.5
Non-metallic Mineral Products	9,340	0.4
Basic Metal Products	11,362	0.5
Fabricated Metal Products, Machinery and Transport Equipment	73,361	3.0
3. Services		
of which...	559,303	23.0
Wholesale and Retail Trade		
Tourism	201,906	8.3
Financial and Business Services	55,974	2.3
Transport	116,527	4.8
Communication and Information Technology	20,427	0.8
Printing and Publishing	27,459	1.1
Education	9,389	0.4
Health	4,366	0.2
Shipping, Aviation and Supply, and Freight Forwarding	10,131	0.4
4.Personal Loans and Advancse(d)		
of which...	705,509	29.0
Consumer Durables		
Pawning	70,501	2.9
Credit Card	334,808	13.7
Personal Education	47,826	2.0
Personal Healthcare	853	0.0
5. Safety Net Scheme Related (e.g., Samurdhi)		
6. Total	2,435,649	100.0

Source: Central Bank of Sri Lanka
(a) Based on the Quarterly Survey of Commercial Banks' Loans and Advances to the Private Sector, which includes loans and advances of both DBUs and OBUs of commercial banks.
(b) Includes loans, overdrafts, bills discounted and purchased and excludes cash items in the process of collection
(c) Provisional
(d) Excludes personal housing loans, which have been included under 'Construction' classified under' Industry'

Interest Rate Movements in 2012 - 2013

Interest Rate	End Dec 2012	End Mar 2013	End Jun 2013	End Sep 2013
Policy Rates of the Central Bank				
Repurchase Rate	7.50	7.50	7.00	7.00
Reverse Repurchase Rate	9.50	9.50	9.00	9.00
Weighted Average Call Money Rate (with tax)	**9.83**	**9.44**	**8.72**	**8.44**
Weighted Average OMO Auction Rate (Repo)	**8.86**	**8.36**	**7.80**	**7.10**
Weighted Average OMO Auction Rate (Reverse Repo)	**9.31**	**9.30**	**8.57**	**8.28**
Treasury Bill Rates				
91 days	10.00	9.26	8.66	8.60
180 days	11.32	10.25	9.70	9.63
364 days	11.69	11.35	10.66	10.57
Lending Rates				
Average Weighted Prime Lending Rate (weekly)	14.40	13.77	12.09	11.94
Average Weighted Prime Lending Rate (monthly)	14.29	13.86	12.47	11.84
Average Weighted Lending Rate	15.98	16.36	16.14	n.a.
Deposit Rates				
Average Weighted Deposit Rate (AWDR)	10.10	10.69	10.56	9.93
Average Weighted Fixed Deposit Rate (AWFDR)	13.21	13.94	13.61	12.57

Source: Central Bank of Sri Lanka

CCPI - Changes in Expenditure Values

	Rupees			Change		
	Weight	Sep-12	Sep-13	Rupees	%	Contri. to change (%)
Food and Non Alcoholic Beverages	**41.03**	**21,233.09**	**22,477.91**	**1,244.82**	**43.2**	**2.7**
Food	**34.32**	**17,590.23**	**18,656.63**	**1,066.40**	**37.0**	**2.3**
Bread and Cereals	7.87	4,419.81	4,520.33	100.51	3.5	0.2
Meat and Meat Products	2.29	980.13	1,030.79	50.66	1.8	0.1
Fish and Sea Food	5.95	3,121.73	3,182.37	60.63	2.1	0.1
Milk, Cheese and Eggs	6.11	3,141.70	3,468.93	327.24	11.4	0.7
Oils and Fats	1.15	565.41	654.88	89.47	3.1	0.2
Fruit	1.43	691.64	782.35	90.71	3.2	0.2
Vegetables	5.65	2,434.09	2,742.21	308.12	10.7	0.7
Sugar, Jam, Honey, Chocolate and Confectionary	1.54	802.71	785.99	-16.72	-0.6	0.0
Food Products n.e.c.	2.34	1,433.01	1,488.79	55.78	1.9	0.1
Non - Alcoholic Beverages	**0.87**	**527.86**	**588.13**	**60.28**	**2.1**	**0.1**
Coffee, Tea and Cocoa	0.73	456.63	513.61	56.97	2.0	0.1
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.14	71.22	74.52	3.30	0.1	0.0
Meals Bought from out side	5.84	3,115.01	3,233.15	118.14	4.1	0.3
Clothing and Footwear	**3.14**	**1,446.98**	**1,500.12**	**53.14**	**1.8**	**0.1**
Housing, Water, Electricity, Gas and Other Fuels	**23.72**	**9,125.25**	**10,357.59**	**1,232.34**	**42.8**	**2.7**
Furnishing, Household Equipment and Routine Household Maintenance	**3.60**	**1,451.73**	**1,497.50**	**45.78**	**1.6**	**0.1**
Health	**3.16**	**2,214.37**	**2,230.36**	**15.99**	**0.6**	**0.0**
Transport	**12.26**	**6,357.87**	**6,545.32**	**187.45**	**6.5**	**0.4**
Communication	**4.75**	**1,199.92**	**1,199.92**	**0.00**	**0.0**	**0.0**
Recreation and Culture	**1.50**	**6.6.41**	**642.22**	**35.81**	**1.2**	**0.1**
Education	**3.94**	**1,556.17**	**1,578.11**	**21.94**	**0.8**	**0.0**
Miscellaneous Goods and Services	**2.89**	**1,115.75**	**1,157.09**	**41.34**	**1.4**	**0.1**
All Items	**100.00**	**46.307.54**	**49,186.14**	**2,478.60**	**100.0**	**6.2**

Source: Department of Census and Statistics

Annex IV

Assumptions for Revenue Estimates – 2014

The revenue estimates for 2014 are based on the expected macroeconomic developments and the status of the country's tax system in which broad assumptions are as follows.

- The economy is expected to grow by about 7.5 percent in 2014 and the growth is expected to be broad based
- The inflation is expected to remain subdued at around 6 percent in 2014
- The recovery of the global economy is expected to be strengthened
- The external sector is expected to improve further in 2014 by maintaining a surplus in the Balance of Payments (BOP)
- Growth in exports is expected to continue with the enhanced external demand resulting in a commensurate improvement in domestic economic activities
- Imports are projected to record a relatively high growth with increased demand for investment and intermediate goods by both the private and the public sector to support higher export growth and economic growth while having a considerable increase in motor vehicle imports
- A stable exchange rate is expected to be continued, supported by the enhanced external reserves of the country
- Domestic demand is expected to improve consequent to a strong improvement in domestic economic activities complemented by the low interest rate regime
- The growth in the money supply in 2014 is expected to maintain at a level compatible with the expected nominal growth of around 15 percent of GDP
- Tax system is expected to continue without significant changes to existing tax rates
- The gradual establishment of the new tax system within the country will help generate expected revenue
- Tax administration and compliance is expected to improve further with the full impact of the recent measures such as the introduction of Tax Appeals Commission and the Committee of Interpretation of Tax Laws
- The revenue collection is expected to increase further while providing access to timely and accurate information with the improvement in revenue management through the introduction of Revenue Administration and Management Information System (RAMIS), which is on-going to automate all the business processes of the Inland Revenue Department (IRD), including taxpayer services.

Key Sectoral Growth Rates %

	2011	2012	2013 upto 3rd quarter (a)
GDP	8.2	6.4	6.9
Agriculture	1.5	5.8	2.7
Industry	10.3	10.3	9.5
Services	8.6	4.6	6.3
Inflation - GDP deflator (%)	7.9	8.9	7.2
Unemployment Rate (%)	4.2	4.0	-
Private Investment (% of GDP)	23.7	23.7	

(a) Provisional

Value Added Tax (VAT)

Rate	Item
Zero Rate	Export Goods
Standard Rate (12%)	General Items
Exemptions	Goods and Services which are listed in the VAT exemption list of the VAT Act.

Value of Imports

US $ Mn.

	2012(a)	2013 (b)
Rice	24.39	18.10
Sugar	344.88	297.30
Other Food	935.13	1,051.90
Other Consumable Goods	1,690.77	1,758.50
O / W Motor Vehicles	495.11	569.90
Fuel	5,036.96	5,149.10
Fertilizer	310.99	225.40
Wheat and Maize	363.77	342.70
Chemicals	669.74	726.30
Textiles	2,266.35	2,167.70
Other Intermediate Goods	2,922.12	3,011.80
Machinery and Equipment	2,356.01	2,325.70
Transport Equipment	991.89	646.50
Building Materials	1,237.37	1,355.60
Other	4.51	5.60
Total	**19,182.57**	**19,097.00**

(a) Provisional
(b) Projections

Composition of Imports

Category	% of Total Imports	
	2012(a)	2013(b)
Consumer Goods	15..6%	16.5%
Intermediate Goods	60.3%	60.0%
Investment Goods	23.9%	23.3%

(a) Provisional
(b) Projections

Customs Duty Structure

Zero	Essential commodities, Basic raw materials and Machinery
5.0%	Semi processed items (Lowest level of protection for domestic industry)
15.0%	Intermediate products (Medium level of protection for domestic industry)
30.0%	Finished products (Highest level of protection for domestic industry)

Value of Imports and Growth

	2012(a)	2013(b)
Value of Imports (US $ Mn.)	19,182.5	19,097.0
Growth	(5.4)	(0.4)

(a) Provisional
(b) Projections

Selected Items Subject to Excise Duty

	2013 Est	2014 Est
Volume of Hard Liquor (Million Lt.)	45	46
Volume of Malt Liquor (Million Lt.)	114	119
Volume of Cigarettes (Million Sticks.)	4,422	4,320
Volume of Aerated Water (Million Lt.)	165	170
Volume of Petrol (Million Lt.)	850	900
Volume of Diesel (Million Lt.)	2,400	2,500

(a) Provisional
(b) Projections

Cigarettes Excise Duty Structure (Per 1,000 cigarettes as at 29.07.2013)

	Rs. per 1,000
Cigarettes each not exceeding 60mm. in length	5,722
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	10,355
Cigarettes each exceeding 67mm. but not exceeding 72mmin length	12,100
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	16,610
Cigarettes each exceeding 84mm. in length	20,000

Liquor Excise Duty Structure (As at 29.07.2013)

	Rs. Per Proof Liter
Coconut Processed / Molasses Arrack	1,110.00
Country Made Foreign Liquor	1,250.00
Molt Liquor (Beer) above 5% in strength (per lit)	130.00
Molt Liquor less 5% in strength (per lit)	110.00
Wine containing more than 4% in strength	898.00
Aerated Water	8.00

Petroleum Excise Duty Structure

Petrol	Rs. 25.00 per liter
Diesel	Rs. 2.50 per liter

Excise (Special Provisions) Duty: Motor Vehicles Duty Structure

Item/ Engine Capacity	Rate
(i) Cars - Petrol	
Less than 1000 cc	85%
1000 cc - 1600 cc	85%
1600 cc - 2000 cc	85%
Exceeding 2000 cc	114%
Exceeding 3000 cc	129%
(ii) Cars - Diesel	
Less than 1600 cc	114%
1600 cc - 2000 cc	129%
2000 cc - 2500 cc	143 %
Exceeding 2500 cc	173%
(iii) Cars - Hybrid / Electric	
Less than 1000 cc	14%
1000 cc - 1600 cc	14%
1600 cc - 2000 cc	14%
Exceeding 2000 cc	40%
Exceeding 3000 cc	57%
(iv) Vans	
13 – 20 Persons / Diesel	41%
13 – 20 Persons / Petrol	41%
Less than 13 Persons / Diesel	114%
Less than 13 Persons / Petrol	85%

Ports and Airports Development Levy

General Rate	5.0%
Identified accessories, parts etc. for garments industry	2.5%
Raw materials for manufacturing of Pharmaceuticals	2.0%
Imports for Re-export	Exempt

Receipt of Profits/ Profit Transfers and Dividends: 2012 – 2014

Rs.Mn

	2012	2013 Budget	2014 Estimates
1. Bank of Ceylon	5,346	6,846	7,346
2. National Savings Bank	8,260	6,063	7,623
3. People's Bank	4,658	6,220	5,598
4. State Mortgage and Investment Bank	25	50	20
5. Regional Development Bank	500	500	500
6. Lanka Puthra Development Bank	18	2	40
7. National Development Bank	4	4	10
8. Telecommunications Regulatory Comm.	7,200	12,000	10,000
9. National Insurance Trust Fund	4,200	2,300	3,500
10. Sri Lanka Insurance Corporation	1,001	2,000	2,300
11. Sri Lanka Telecom	759	670	840
12. Geological Survey & Mine Bureau	750	500	800
13. National Lotteries Board	502	500	800
14. Airport and Aviation Services (SL) Ltd.	-	-	500
15. Civil Aviation Authority	350	-	400
16. BOI	200	-	300
17. Lanka Mineral Sands Ltd.	1,700	1,200	2,000
18. Lanka Electricity Company	75	80	75
19. Independence Television Network	88	30	75
20. SL Rupavahini Corporation	5	42	30
21. State Pharmaceutical Manufacturing Corp.	20	35	35
22. State Pharmaceuticals Corp.	-	30	25
23. State Timber Corp.	50	150	250
24. De La Rue Lanka Currency & Security Print	42	35	45
25. Lanka Industrial Estates	47	25	60
26. Lanka Phosphate Ltd.	40	40	40
27. Paranthan Chemicals Co Ltd.	3	7	8
28. Lanka Leyland Ltd.	5	50	80
29. Rakna Arakshaka Lanka Ltd.	10	25	25
30. Sri Lanka Convention Bureau	12	-	15
31. Ceylon Fertilizer Ltd.	4	6	10
32. Lanka Sugar Co.Ltd.	-	-	500
33. Pussellawa Plantation Ltd.	22	25	25
34. Kotagala Plantation Ltd.	7	6	10
35. Chilaw Plantation Ltd	75	75	50
36. Kurunagela Plantation	50	40	80
37. Kalubovitiyana Tea Factory	10	-	-
38. Namunukula Plantation	15	15	15
39. Sri Lanka Export Credit Ins. Corp.	-	20	-
40. Transferring Surplus fund and others	10,708	8,053	6,856
Total Levy & Dividends	**46,761**	**47,644**	**50,886**

Source: Department of Public Enterprises

Rent Income

Rs.Mn

	2012	2013 Budget	2014 Estimated
Rent on Government Buildings & Housing	582	665	1,069
Rent on Crown Forests	758	974	1,606
Rent from Land & Other	35	35	40
Lease Rental from Regional Plantation Companies	771	1,021	1,678
Others	50	240	142
Total Rent Income	**2,197**	**2,935**	**4,535**

Fees and Charges

Rs.Mn

	2012	2013 Budget	2014 Estimated
Service Charges by Government Press	308	300	375
Fees of Passport, Visas and Dual Citizenship	6,198	6,423	7,742
Examination & other Fees	263	165	300
Fees under the Motor Traffic Act & other Receipts	6,578	6,800	7,500
From others Various Sources	12,672	22,422	31,147
Total	**26,019**	**36,110**	**47,064**