



FISCAL MANAGEMENT REPORT 2022

**Basil Rajapaksa, M.P.
Minister of Finance**

12th November 2021

Issued under the Fiscal Management (Responsibility) Act, No. 3 of 2003, consisting of the Fiscal Strategy Statement – 2022 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report – 2022 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2020	2021
REAL SECTOR				
Economic Growth	First Half	%	-9.1	8.0
Agriculture	First Half	%	-7.3	7.1
Industry	First Half	%	-14.6	12.1
Services	First Half	%	-5.2	5.1
Inflation (Point to Point) – CCPI	End Sep	%	4.0	5.7
Inflation (Average) – CCPI	End Sep	%	4.7	4.5
Unemployment Rate	2 nd Quarter	%	5.4	5.1
Labour Force Participation Rate	2 nd Quarter	%	50.2	49.8
FISCAL SECTOR				
Budget Deficit	Jan-Aug	Rs. Bn.	-975	-1,119
Total Revenue	Jan-Aug	Rs. Bn.	906	942
Tax Revenue	Jan-Aug	Rs. Bn.	801	853
Non Tax Revenue	Jan-Aug	Rs. Bn.	105	89
Total Expenditure	Jan-Aug	Rs. Bn.	1,884	2,062
Recurrent Expenditure	Jan-Aug	Rs. Bn.	1,670	1,802
Public Investment	Jan-Aug	Rs. Bn.	228	270
Government Debt	End Jul	Rs. Bn.	14,261	16,752
EXTERNAL SECTOR				
Exports	Jan-Aug	USD Mn.	6,445	7,903
Agriculture Exports	Jan-Aug	USD Mn.	1,516	1,766
Industrial Exports	Jan-Aug	USD Mn.	4,905	6,093
Textile and Garments	Jan-Aug	USD Mn.	2,853	3,435
Other	Jan-Aug	USD Mn.	2,052	2,658
Imports	Jan-Aug	USD Mn.	10,257	13,412
Consumer Goods	Jan-Aug	USD Mn.	2,300	2,579
Intermediate Goods	Jan-Aug	USD Mn.	5,692	7,942
o/w Petroleum Products	Jan-Aug	USD Mn.	1,691	2,396
Investment Goods	Jan-Aug	USD Mn.	2,253	2,882
Trade Balance	Jan-Aug	USD Mn.	-3,812	-5509
Tourist Arrivals	Jan-Sep	No.	507,311	37,924
Earnings From Tourism	Jan-Sep	USD Mn.	681.9	51.0
Workers' Remittances	Jan-Sep	USD Mn.	5,048.8	4,577.5
Portfolio Investments (Net)	Jan-Aug	USD Mn.	-172.6	-181.3
Overall Balance of Payments (BOP)	Jan-Aug	USD Mn.	-722.2	-2,423.3
Gross Official Reserves	End Aug	USD Mn.	7,430	3,544
Exchange Rate (End Month)	End Sep	Rs. per USD	185.52	199.98
Exchange Rate (Monthly Average)	Jan- Sep	Rs. per USD	185.03	201.98
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Sep	%	4.50	5.00
Standing Lending Facility Rate (SLFR)	End Sep	%	5.50	6.00
Statutory Reserve Requirement (SRR)	End Sep	%	2.00	4.00
Commercial Bank Weekly Average Weighted Prime Lending Rate (AWPR)	End Sep	%	6.19	6.42
W.A. Yield Rate of Treasury Bills (91 Days)	End Sep	%	4.51	6.70
W.A. Yield Rate of Treasury Bills (364 Days)	End Sep	%	4.89	7.01
Growth in Money Supply (M _{2b})	Aug 2020/Aug 2021	%	17.5	21.0
Growth in Credit to the Private Sector	Aug 2020/Aug 2021	%	5.2	15.1

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 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 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 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 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 – 2021

- **Final Budget Position Report – Annual Report – 2020 of the Ministry of Finance**

Status of the fiscal and economic position of 2020 was released to the public by end May 2021 and was placed before Parliament on June 22, 2021.

- **Mid-Year Fiscal Position Report – 2021**

Status of the fiscal and economic position of first four months of 2021 was released to the public by end June 2021 and was placed before Parliament on July 19, 2021.

This Fiscal Management Report – 2022 contains:

- **Fiscal Strategy Statement – 2022**

This part presents 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 and to be placed before Parliament on the day of the second reading of the Appropriation Bill.

- **Budget, Economic and Fiscal Position Report – 2022**

This part describes 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., and to be placed before Parliament on the day of the second reading of the Appropriation Bill.

PART I

Fiscal Strategy Statement – 2022
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 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 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 the 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 | 01

1.1 Overview

Sri Lanka has been successful in managing the pandemic through aggressive vaccination rollouts and non-pharmaceutical measures such as social distancing. At the time of compiling this report, 83 percent of the eligible population aged over 16 years had been fully vaccinated, which is on par with advanced economies, while also initiating the administration of the third dose of the vaccine. This unprecedented success and commitment have enabled the economy to operate in a 'New Normal Status' in 2021. Pointing to a sharp 'V-shaped' recovery, GDP bounced back by 8 percent in the first half of 2021 after a contraction of 9.1 percent in the same period of 2020. Earnings from exports improved significantly to over USD 1 billion for the third successive month in August 2021 reaching the pre-pandemic levels, with the exports recorded in the month of October 2021 of USD 1,156 million being the highest recorded in any month in the last 10 years. The unemployment rate fell to 5.1 percent in the second quarter of 2021 from 5.7 percent in the first quarter of 2021. Stronger economic recovery helped increase government tax revenue by nearly 6.5 percent in the first 8 months of 2021. The ramification effect of the pandemic combined with monetary and fiscal stimulus packages has had an impact in expanding the fiscal deficit to almost 11 percent of GDP in 2021. However, the fiscal deficit excluding the pandemic related expenditure would be around 9.8 percent in 2021. While the stock of debt in Rupee terms has increased as expected with the expansion of the fiscal deficit, the debt dynamics have improved, with the share of foreign currency debt declining to almost 40 percent of total debt which was nearly 50 percent by the end of 2019. At the same time, as could be expected, the dynamics of the pandemic have also adversely affected the economic and fiscal fronts, resulting in the contraction of the economy, with such loss being in the range of almost Rs. 1,500-2,000 billion during the 2020/2021 period. Such an impact is also expected to be transmitted into the medium term as well.

The global economic recovery continued with the vaccination, particularly in

advanced economies. However, the recovery is crippled by the spread of contagious Delta and other variants across borders. As such, the International Monetary Fund (IMF) downgraded its outlook for global growth in its October 2021 World Economic Outlook report to 5.9 percent in 2021 and 4.9 percent in 2022. However, there are uneven growth prospects across countries depending on the size of the fiscal space and capacity levels. The growth prospects are also more vulnerable to both demand and supply side shocks. The rise in suppressed demand coupled with the economic recovery and disruptions to the value chains have led to increasing inflationary pressure across countries stemming from the unprecedented increase in international commodity prices including gas, fuel and food items coupled with increased cost of transportation. The pandemic has had a severe impact on living standards especially on the most vulnerable in developing economies with the recent rise in inflation. The global trend is also reflected in Sri Lanka with inflation increasing in recent months due to both demand and supply side shocks stemming from the increase in prices of food and non-food items, marking a divergence from the Central Bank's targets. However, the rising inflation in recent months is likely to be a temporary phenomenon which is expected to ease off to a mid-single-digit in 2022.

The USD 4 billion yielding tourism sector, which is perhaps the most adversely affected sector with the pandemic induced mobility restrictions so its earnings which was almost zero in 2020, increasing to USD 51 million in the first nine months of 2021. However, with the further easing of travel restrictions, tourists have started to trickle in, with the tourist inflows improving to a modest 22,771 in October 2021, followed by indications of improved inquiries and booking into local hotels in the last quarter of 2021.

Sri Lanka's monetary policy has shifted from an accommodative policy to a tightened stance in August 2021 with the increase in the policy interest rates in order to strengthen the domestic financial market. The Standing Deposit Facility Rate

(SDFR) and the Standing Lending Facility Rate (SLFR) increased to 5.00 percent and 6.00 percent, respectively in August 2021 following a continued reduction of SDFR and SLFR by 200 basis points each since March 2020 as a response to the pandemic. In addition, the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of Licensed Commercial Banks (LCBs) increased to 4.00 percent effective from September 2021 from 2.00 percent.

The Medium Term Macro Fiscal Framework 2022–2025 has been revised with the recent developments in the domestic and international fronts driven predominantly by the impact of the pandemic. The fiscal deficit in 2022 is expected to be contained 8.8 percent of GDP from the revised estimate of 11.1 percent of GDP in 2021. The Government's policy is to reduce the fiscal deficit to a sustainable level over the medium term to provide sufficient fiscal space for public investment, which is expected to be around 5 percent of GDP in 2022. The public investment to GDP ratio is expected to increase in the range of 5–7 percent over the medium term to stimulate economic growth. The fiscal consolidation through a combination of revenue enhancement and expenditure rationalization measures is expected to contain the deficit to 4.8 percent in 2025, together with the debt to GDP also reducing almost to 89.2 percent of GDP in 2025.

The Government policy framework as set out broadly in the "Vistas of Prosperity and Splendour" document, envisages maintaining inclusiveness and sustainability in the economy and stimulating growth at around 5–7 percent per annum in the medium term.

1.2 Fiscal Strategy in the Medium Term

The Government's fiscal policy framework as noted in the Medium Term Macro Fiscal Framework (MTMFF) is centered on achieving the targets as set out in the Fiscal Management (Responsibility) Act, No. 3 of 2003.

As such, the Government's fiscal strategy is a balance between stimulating growth,

on the course of achieving the target as established in the Fiscal Management (Responsibility) Act, No. 3 of 2003. It is also structured to support private sector led economic growth through both a robust public investment strategy complemented by a tax policy that hinges on low rate, simplicity and consistency.

In this context, the Government's tax policy is expected to remain within the broad parameters as announced in December, 2019, in keeping with its decision to maintain consistency while providing a stable environment for businesses. In particular to plan their activities, specially at a time of a pandemic that has created significant uncertainties. However, focus is also on to aggressively improve the tax administration making use of technological advancements including Artificial Intelligence (AI) and big data analytics, while continuously introducing mechanisms to make tax payments more tax payer friendly. Systems will also be geared to minimize tax evasion and thereby broadening the tax base including the introduction of online payment modalities and e-signatures. As a measure of further simplification of the tax structure, a composite single tax will come in to effect from early 2022.

Measures will also be taken to enhance non tax revenue through including the introduction of auctioning of licenses, increased dividends and levies, with the improved performance of the State Owned Enterprises (SOEs).

Expenditure management is strongly advocated requiring every spending agency to prioritize their activities after having followed a stringent process, especially in managing recurrent expenditures while assuring the efficiency and quality of such spending and an improved service delivery while ensuring that the vulnerable in society are protected through a strong social safety network. The Government is also keen to move toward a targeted delivery of subsidies.

Public investment will focus on priority areas such as water, irrigation, roads, health and education, rural village development, food security, housing, infrastructure

TABLE 1.1 : Medium Term Macro Fiscal-Framework from 2021 to 2025

Indicator	As a percentage of GDP					
	Provisional	Revised	Estimate	Projections		
	2020	Est. 2021	2022	2023	2024	2025
Total Revenue and Grants	9.2	9.1	12.4	13.6	14.4	15.5
Total Revenue	9.1	9.1	12.3	13.5	14.4	15.5
Tax Revenue	8.1	8.0	11.2	12.2	13.0	13.9
Income Taxes	1.8	1.8	2.9	2.7	2.9	3.3
Taxes on Goods and Services	3.9	3.9	5.7	6.2	6.6	7.1
Taxes on External Trade	2.4	2.3	2.6	3.3	3.5	3.6
Non-Tax Revenue	1.0	1.0	1.1	1.3	1.4	1.6
Grants	0.04	0.03	0.05	0.05	0.04	0.04
Total Expenditure	20.3	20.2	21.2	20.9	20.5	20.4
Recurrent Expenditure	17.0	16.7	16.2	15.4	14.5	13.7
Salaries and Wages	5.3	5.1	5.3	5.1	4.8	4.5
Goods and Services	1.2	1.1	1.0	1.0	0.9	0.8
Interest	6.5	6.4	6.1	6.1	5.8	5.5
Subsidies & Transfers	4.8	4.1	3.7	3.3	3.0	2.8
Capital Expenditure and Net Lending	3.3	3.5	5.0	5.6	6.0	6.7
Public Investments	5.4	3.5	5.1	5.6	6.1	6.7
Current Account Balance	-7.9	-7.7	-3.9	-1.8	-0.1	1.8
Primary Balance	-4.6	-4.7	-2.7	-1.3	-0.3	0.7
Budget Deficit	-11.1	-11.1	-8.8	-7.3	-6.1	-4.8
Deficit Financing	-11.1	-11.1	-8.8	-7.3	-6.1	-4.8
Foreign Financing (Net)	-0.6	-0.3	-1.0	0.4	0.0	-0.3
Domestic Financing (Net)	11.7	11.4	9.8	6.9	6.1	5.2
Central Government Debt (% of GDP)	101.0	102.8	101.7	98.7	94.4	89.2

Sources : Department of Fiscal Policy and Department of National Budget
 * projections are based on information as of end October 2021

development in agriculture and industry sectors, production processing zones, green economy, renewable energy, IT and digital governance which will be mainly financed by domestic sources. This will be further supplemented with the private sector engaging in projects in urban housing, roads, energy on Public Private Partnerships (PPP) and Build, Operate and Transfer (BOT) mechanisms.

The fiscal strategy is also characterized by the focus on digitalization of processes such as e-procurement and the e-national identity card, among others and a prudent deregulation of public sector systems that hinder an efficient delivery of services.

Medium Term Macroeconomic Framework :

- Achieving economic growth over 5.0 percent in 2022 and 6.0–7.0 percent thereafter.
- Maintaining unemployment below 5.0 percent.
- Retaining inflation at a range of 4.0–6.0 percent and ensuring a single-digit interest rate.
- Maintaining a stable exchange value of the rupee.

The sub-optimal performance of the SOEs driven by the lack of capacity,

transparency and accountability remains a concern. Structural reforms are required to transform the SOEs in to more financially viable, competitive and innovative entities. Productivity improvements, broad basing of the ownership of non-strategic commercial SOEs are expected to support the fiscal space in reducing expenditure whilst also boosting the non-tax revenue while also providing non-debt creating financing of the fiscal deficit.

In improving trade facilitation, exporters will be provided a rating, which will enable a faster clearance at Customs. Para tariffs continue to be removed and rationalized in keeping with the policy of unimpeded trade without compromising the position of the key domestic industries and in particular agriculture. Further, the requirement of licensing for imports will be streamlined by eliminating the requirement for approvals from multiple agencies.

The debt stock which was elevated due to the rise of the fiscal deficit however, saw a change in its dynamics in line with the announced Foreign Resource Mobilization 2020–2025 strategy, whereby with the rationalization of the foreign debt in the share of foreign debt has reduced to almost 40 percent from the highs of nearly 50 percent in 2019. It is expected that such a path could be maintained, while also sourcing the required financing from multilateral and bilateral agencies which are provided at concessionary terms. At the same time, domestic financing will be sourced in particular to finance the public investment programme, especially

in sectors that have minimal import requirements such as road construction, rehabilitation of tanks. Given that the work envisaged under the public investment programme such as road construction, housing etc. are executed by the private sector the circular movement of funds will mitigate the possible effects of crowding out.

Having recognized the necessity to ensure a sustainable economy, the agriculture and the energy sectors have been moving in the direction of organic agriculture and renewable energy sources for power generation. While such transition has met with resistance from stakeholders, Government's commitment is reflected in the resource allocations through the budget and also through the financial sector to meet the requirements in this regard. Action is also being taken to harness the potential in the green and sustainable financing options.

The impact of COVID-19 on the economy remains a key challenge which would have an impact on not only domestic growth but also on global growth and consumption patterns, thus affecting in particular the external and real sectors. The increase in the price of commodities in the international markets in particular oil, coal and gas could also create pressures on the energy sector having an impact on the economy. The increased uncertainties in the climate changes will have a serious impact with damages caused to natural and physical assets, food chains and livelihoods.

PART II

Budget, Economic and Fiscal Position Report – 2022

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 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 eight months of 2021. This Report provides key macroeconomic 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 2022 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of Government.

**Fiscal Developments,
Treasury Operations
and Foreign Financing** | **01**

1.1 Overview

The limited fiscal space witnessed before the pandemic has further tightened in the first eight months of 2021 due to the ramification effect of the pandemic and persistently weak economic growth over the years. The fiscal sector showed signs of numerous weaknesses even before the pandemic in 2019, the tax to GDP ratio was low at 11.6 percent; the fiscal deficit to GDP expanded to 9.6 percent; the debt to GDP ratio was 86.8 percent, and the 18-year low economic growth of 2.3 percent was recorded. In 2020, the tax to GDP dropped to 8.1 percent, the fiscal deficit further expanded to 11.1 percent, and the debt to GDP rose to 101 percent. Meanwhile, the Government introduced a simple, transparent, and efficient tax system in November 2019 to revive the saddled economy with much confidence. However, anticipated expectations were delayed due to the pandemic. Instead, pandemic-related costs including vaccinations increased. Fiscal and monetary stimuli were implemented to revitalize the economic activities covering cash transfers, tax concessions for small and medium enterprises (SMEs), debt moratoria, and maximum retail prices for essential commodities. Policy interest rates were slashed and external balances were managed through control of imports, among others. The lingering effect of the pandemic in a turbulent global economic environment has exerted extra pressure on the fiscal operations of the Government.

Amidst such difficult domestic and external conditions, the Government's revenue mobilization efforts have been successful in the first eight months of 2021. Government revenue including grants increased by 3.8 percent to Rs. 943.6 billion in the first eight months of 2021 from Rs. 908.9 billion in the same period of 2020. Tax revenue increased by 6.5 percent to Rs. 853.1 billion in the first eight months of 2021 from Rs. 801.3 billion in the same period in 2020 reflecting increased revenue collection from income taxes, Value Added Tax (VAT), Ports and Airports Development Levy (PAL), Commodity Export Subsidy Scheme (CESS), and excise duty on liquor. However, non-tax revenue declined by 14.8 percent

to Rs. 89.4 billion in the first eight months of 2021 from Rs. 105.0 billion in the same period of 2020 reflecting the revenue dip from fees and charges, rent and interest income and Central Bank profit transfers. However, profits and dividends from State-Owned Enterprises (SOEs) increased by 81.6 percent to Rs. 14.2 billion in the first eight months of 2021 mainly due to the surge in profit and dividend transfers from the financial and telecommunication sectors.

Revenue from income tax increased by 4.6 percent to Rs. 175.2 billion in the first eight months of 2021 from Rs. 167.4 billion in the same period of 2020. Revenue from corporate and non-corporate taxes rose by 16.1 percent to Rs. 158.3 billion reflecting a strong recovery of economic activities. In the same vein, revenue from the capital gains tax significantly increased by 66.6 percent to Rs. 239 million in the first eight months of 2021.

Domestic consumption-based tax revenue increased by 20.4 percent to Rs. 268.7 billion in the first eight months of 2021. Revenue from VAT on domestic activities increased by 37.0 percent to Rs. 119.4 billion, while revenue from excise duty on domestic activities such as liquor, cigarettes, and sweetened beverages increased by 11.0 percent to Rs. 149.1 billion in the first eight months of 2021.

Revenue generated from import-based taxes such as VAT on imports, Customs Import Duty (CID), CESS and PAL increased by 2.4 percent to Rs. 371.3 billion in the first eight months of 2021. However, revenue collected from the Special Commodity Levy (SCL) declined by 31.4 percent to Rs. 37.8 billion in the first eight months of 2021 due to the reduction in SCL rates to provide a cushion for stabilizing domestic prices. Revenue from Excise duty related to imports declined by 39.0 percent to Rs. 49.1 billion due mainly to the import restrictions imposed on motor vehicles.

More emphasis has also been placed on strengthening tax administration than ever before to increase tax compliance while mitigating tax evasions as announced in Budget 2021. The revenue

TABLE 1.1 : Summary of Fiscal Operations

Rs. Million

Item	Jan-Aug	
	2020	2021 ^(a)
Revenue and Grants	908,876	943,558
Revenue	906,359	942,491
Tax	801,340	853,063
Non-Tax	105,020	89,428
Grants	2,516	1,067
Expenditure	1,883,706	2,062,400
Current	1,670,356	1,801,521
Salaries	516,354	564,151
Interest Payments	653,498	700,538
Other	500,504	536,833
Public Investments	227,939	270,283
Other	-14,590	-9,405
Revenue Deficit (-)/Surplus (+)	-763,997	-859,030
Overall Budget Deficit (-)/Surplus (+)	-974,831	-1,118,842
Financing	974,831	1,118,842
Foreign Financing (Net)	-92,289	-183,115
Domestic Financing (Net)	1,067,119	1,301,957

Source : Department of Fiscal Policy
(a) Provisional

administration platforms such as the Revenue Administration Management Information System (RAMIS) at the Inland Revenue Department (IRD) and Automated System for Customs Data (ASYCUDA) and proposed Single Window system at Sri Lanka Customs are being streamlined to fast track the digitalization process. The Excise Department is in the process of introducing a digital revenue management system. Further, revenue administration at the IRD is facilitated by the establishment of the Large Taxpayers Unit (LTU), Upper Corporate Unit (UCU), Medium Corporate Unit (MCU), and Regional Corporate Unit (RCU) to enhance the efficiency of tax administration. In addition, e-filing has been made mandatory for all limited liability companies effective from April 1, 2021, and the use of Tax Identification Number (TIN) is also made mandatory in all tax-related source documents.

Total government expenditure increased by 9.5 percent to Rs. 2,062.4 billion in

the first eight months of 2021, compared to Rs. 1,883.7 billion in the same period of 2020 mainly due to the increase in recurrent expenditure on salaries and interest payments. Recurrent expenditure augmented by 7.9 percent to Rs. 1,801.5 billion in the first eight months of 2021, compared to Rs. 1,670.4 billion in the same period of 2020 due mainly to the induced COVID-19 related health expenditure including vaccinations together with the increase in expenditure on interest payments, salaries, and pensions. Expenditure on interest payments increased by 7.2 percent to Rs. 700.5 billion despite the reduction in interest payments to foreign loans. Salaries and wages increased by 9.3 percent to Rs. 564.2 billion and pension payments increased by 10.0 percent to Rs. 176.1 billion in the first eight months of 2021. Also, capital expenditure and net lending increased by 22.3 percent to Rs. 260.9 billion in the first eight months of 2021.

TABLE 1.2 : Estimated and Actual Revenue and Expenditure – 2021

Rs. Billion

Item	Annual	Jan-Aug		Deviation
	Estimated	Estimated	Actual ^(a)	
Total Revenue	1,951.0	1,232.7	942.5	-290.2
Tax Revenue	1,724.0	1,117.0	853.1	-264.0
Inland Revenue Department				
Taxes on Income and Profit	371.0	233.5	175.1	-58.3
Value Added Tax (VAT) – Domestic (Net)	200.0	119.9	119.4	-0.6
Other	4.5	2.6	22.7	20.1
Sub Total	575.5	356.0	317.2	-38.8
Sri Lanka Customs Department				
Customs Import Duty	180.0	117.5	60.9	-56.6
Value Added Tax – Imports (Net)	110.0	71.5	80.2	8.7
Ports & Airports Development Levy	170.0	112.9	92.0	-20.8
CESS Levy	70.0	46.1	51.2	5.1
Special Commodity Levy & Other	110.0	73.1	37.8	-35.3
Excise (Special Provisions) Duty	315.0	211.5	108.8	-102.8
Cigarettes	130.0	87.7	55.2	-32.5
Petroleum Products	85.0	56.3	37.5	-18.8
Motor Vehicles	90.0	60.9	11.6	-49.3
Other	10.0	6.6	4.5	-2.1
Other	2.0	1.3	0.1	-1.2
Sub Total	957.0	633.9	431.1	-202.8
Excise Department				
Liquor/Tobacco	160.0	106.2	89.4	-16.8
Sub Total	160.0	106.2	89.4	-16.8
Other				
Telecommunication Levy	20.0	13.3	9.5	-3.8
Licence Tax & Other	11.5	7.7	5.9	-1.8
Sub Total	31.5	21.0	15.4	-5.6
Non-Tax Revenue	227.0	115.6	89.4	-26.2
Total Expenditure	3,526.0	2,350.7	2,062.4	-288.3
Current Expenditure	2,466.0	1,644.0	1,801.5	157.5
Salaries and Wages	853.0	568.7	564.2	-4.5
Interest Payments	860.0	573.3	700.5	127.2
Pension Payments	250.0	166.7	176.1	9.5
Transfers to Public Corporations & Institutions	94.0	62.7	66.5	3.8
Other	409.0	272.7	294.2	21.5
Capital Expenditure and Net Lending	1,060.0	706.7	260.9	-445.8

Sources : Department of Treasury Operations and Department of Fiscal Policy
(a) Provisional

1.2 Government Revenue

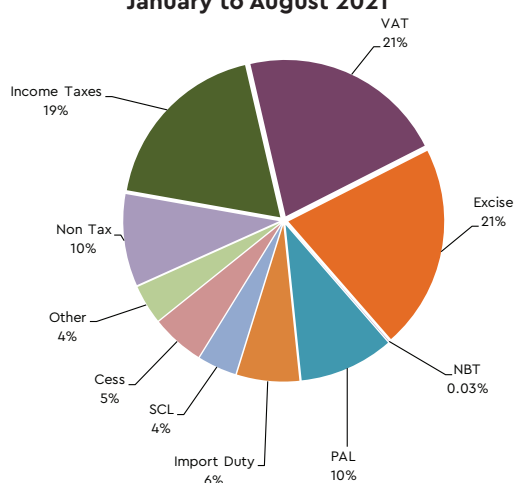
Total government revenue increased moderately by 4.0 percent to Rs. 942.5 billion in the first eight months of 2021, compared to Rs. 906.4 billion in the same period of 2020. The surge in revenue is mainly driven by the increase in the tax revenue by 6.5 percent to Rs. 517 billion in the first eight months of 2021 stemming from the notable increase in revenue collection from:

- i. Corporate and non-corporate income tax by 16.1 percent to Rs. 158.3 billion;

- ii. Value Added Tax (VAT) by 44.8 percent to Rs. 199.6 billion;
- iii. Ports and Airports Development Levy (PAL) by 28.2 percent to Rs. 92.0 billion;
- iv. CESS Levy by 63.8 percent to Rs. 51.2 billion; and
- v. Excise Duty on Liquor by 23.2 percent to Rs. 89.3 billion.

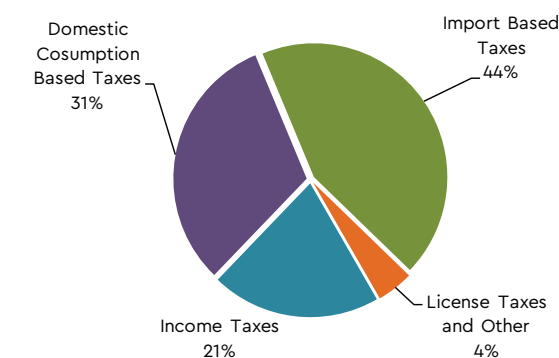
The total government revenue realization in the first eight months of 2021 was 48.3 percent of the estimated revenue of Rs. 1,951 billion for 2021.

FIGURE 1.1 : Composition of Total Revenue from January to August 2021



Source : Department of Fiscal Policy

FIGURE 1.2 : Tax Revenue by Sources from January to August 2021



Source : Department of Fiscal Policy

TABLE 1.3 : Summary of Performance of Government Revenue

Item	Rs. Million		
	2020	Jan-Aug 2021 ^(a)	Change (%)
Tax Revenue	801,340	853,063	6.5
Income Taxes	167,440	175,157	4.6
Domestic Consumption Based Taxes	223,200	268,698	20.4
o/w Value Added Tax (VAT)	87,148	119,374	37.0
Excise Duty	134,297	149,056	11.0
Import Based Taxes	362,610	371,259	2.4
o/w Customs Duty	73,171	60,892	-16.8
Value Added Tax (VAT)	50,644	80,179	58.3
Ports & Airports Development Levy (PAL)	71,769	92,033	28.2
Special Commodity Levy (SCL)	55,141	37,835	-31.4
Excise Duty	80,486	49,071	-39.0
CESS Levy	31,286	51,234	63.8
Licence Taxes and Other	48,090	37,949	-21.1
Non-Tax Revenue	105,020	89,428	-14.8
Total Revenue	906,359	942,491	4.0

Source : Department of Fiscal Policy
(a) Provisional

However, the non-tax revenue declined by 14.8 percent to Rs. 89.4 billion in the first eight months of 2021. This was due to the drop in revenue collection from rent by 69.6 percent to Rs. 3.0 billion, fines, fees and charges by 53.7 percent to Rs. 15.9 billion, Central Bank profit transfers by 37.5 percent to Rs. 15.0 billion and interest income by 19.0 percent to Rs. 3.8 billion in the first eight months of 2021. Nevertheless, revenue from profits and dividends of State-Owned Enterprises (SOEs) increased by 81.6 percent to Rs. 14.2 billion, while revenue from social security contributions increased by 8.9 percent to Rs. 22.6 billion in the first eight months of 2021. The realization of non-tax revenue was 39.4 percent in the first eight months of 2021 as against its estimate of Rs. 227.0 billion for 2021.

Income Tax

Total revenue from income tax including corporate and non-corporate income tax and tax on interest increased by 4.6 percent to Rs. 175.2 billion in the first eight months of 2021, compared to Rs. 167.4 billion in the same period of 2020. Revenue from corporate and non-corporate taxes increased by 16.1 percent to Rs. 158.3 billion in the first eight months of 2021 owing to a sharp recovery in economic activities. In the same vein, revenue from capital gains

tax increased by 66.6 percent to Rs. 239.0 million in the first eight months of 2021, compared to Rs. 144.0 million in the same period of 2020.

However, revenue from Advance Personal Income Tax (APIT) fell by 5.0 percent to Rs. 9.4 billion in the first eight months of 2021, while revenue from the tax on interest fell by 8.0 percent to Rs. 6.8 billion. Both APIT and the tax on interest have been made optional for residents since January 1, 2020.

Value Added Tax (VAT)

Revenue from VAT increased by 44.8 percent to Rs. 199.6 billion in the first eight months of 2021, compared to Rs. 137.8 billion in the same period of 2020, reflecting a faster recovery of both imports and domestic activities as a result of the well-managed pandemic. As such, VAT revenue was the largest contributor to the government's tax revenue in this period realizing 64.4 of the annual estimates for 2021. This was primarily due to a 58.3 percent increase in VAT revenue from imports to Rs. 80.2 billion in the first eight months of 2021, compared to Rs. 50.6 billion in the same period of 2020. VAT revenue collection from domestic activities increased by 37.0 percent to Rs. 119.4 billion in the first eight months of 2021 from Rs. 87.1 billion in the same period of 2020.

TABLE 1.4 : Performance of VAT

Tax Base	Rs. Million		
	2020	Jan-Aug 2021 ^(a)	Growth (%)
Domestic	87,394	119,379	36.6
Imports	51,626	80,199	55.3
Gross Revenue	139,019	199,577	43.6
Refunds	1,226	24	-
Net Revenue	137,793	199,553	44.8
Refunds as a % of Gross Revenue	0.88	0.01	

Source : Department of Fiscal Policy

(a) Provisional

Excise Duty

Revenue from excise duty declined by 7.8 percent to Rs. 198.1 billion in the first eight months of 2021, compared to Rs. 214.8 billion in the same period of 2020,

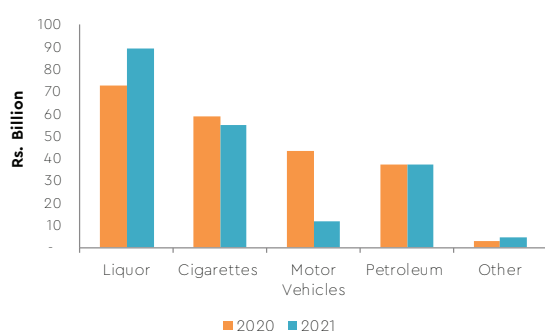
owing primarily to lower revenue from motor vehicles, cigarettes, and petroleum products. Excise duty revenue accounted for 23.2 percent of total tax revenue in this period, with an achievement of 41.7 percent of the annual estimate for 2021.

TABLE 1.5 : Performance of Excise Duty

Tax Base	Rs. Million		
	2020	2021 ^(a)	Growth (%)
Liquor	72,503	89,342	23.2
Cigarettes	58,949	55,196	-6.4
Motor Vehicles	43,151	11,585	-73.2
Petroleum Products	37,335	37,486	0.4
Other	2,846	4,517	58.7
Total	214,783	198,126	-7.8

Source : Department of Fiscal Policy

(a) Provisional

FIGURE 1.3 : Performance of Excise Duty from January to August 2021

Source : Department of Fiscal Policy

The revenue collected from excise duty on liquor increased by 23.2 percent to Rs. 89.3 billion in the first eight months of 2021 from Rs 72.5 billion in the same period of 2020. The relaxed mobility restrictions during the festive season combined with the augmented demand were mainly attributable to this surge. Accordingly, the excise duty revenue from hard liquor increased by 20.6 percent to Rs. 62.2 billion in the first eight months of 2021, compared to Rs. 51.6 billion in the same period of 2020. In the same vein, excise duty revenue from malt liquor increased by 27.4 percent to Rs. 25.9 billion in the first eight months of 2021, compared to Rs. 20.3 billion in the same period of 2020.

Revenue from excise duty on motor vehicles declined notably by 73.2 percent to Rs. 11.6 billion in the first eight months of 2021, compared to Rs. 43.2 billion recorded in the same period of 2020. This was primarily due to a 72.1 percent decline in motor vehicle imports with the restriction imposed on vehicle imports.

Excise duty revenue on cigarettes declined by 6.4 percent to Rs. 55.2 billion in the first eight months of 2021, compared to Rs. 58.9 billion in the same period of 2020. Cigarette sales, on the other hand, increased by 3.5 percent in the first eight months of 2021 to 1,521 million sticks from 1,469 million sticks in the same period of 2020 due to the shift of smokers' choice to low priced categories.

Meanwhile, revenue from petroleum products marginally increased by 0.4 percent to Rs. 37.5 billion in the first eight months of 2021, compared to Rs. 37.3 billion in the same period of 2020. However, revenue from excise duty on other products including sweetened beverages, palm oil fatty acid, and refrigerators substantially increased by 58.7 percent to Rs. 4.5 billion in the first eight months of 2021, compared to Rs. 2.8 billion in the same period of 2020.

TABLE 1.6 : Motor Vehicle Imports and New Registration of Vehicles

Item	Imports				New Registrations			
	Jan-Aug				Jan-Aug			
	2020	2021	Change	%	2020	2021	Change	%
Motor Cars	9,684	72	-9,612	-99	19,007	2,626	-16,381	-86
Passenger Van and Buses	215	4	-211	-98	743	246	-497	-67
Three Wheelers	4,774	2,002	-2,772	-58	6,610	2,062	-4,548	-69
Motor Cycles	70,181	1,110	-69,071	-98	135,270	5,662	-129,608	-96
Goods Transport Vehicles ^(a)	5,827	1,744	-4,083	-70	2,650	2,737	87	3
Land Vehicles	1,268	12,877	11,609	916	4,595	8,846	4,251	93
Other ^(b)	7,088	9,144	2,056	29	9,054	600	-8,454	-93
Total	99,037	26,953	-72,084	-73	177,929	22,779	-155,150	-87

Sources : Department of Customs and Department of Motor Traffic

(a) Lorries, other Goods Transport Vehicle and Special Purpose Vehicle

(b) Including Dual Purpose Vehicle

Customs Import Duty (CID)

Revenue from CID declined by 16.8 percent to Rs. 60.9 billion in the first eight months of 2021, compared to Rs. 73.2 billion in the same period of 2020. The decline was mainly attributable to the downward

revision of the duty structure in line with Budget 2021, general duty waivers granted on the importation of petrol, diesel, wheat grain, and milk powder, the exemptions granted to project-related items and the implementation of free trade agreements.

TABLE 1.7 : Coverage of Products and Value of Imports/Exports Under Free Trade Agreements

Free Trade Agreement	No. of Products Subject to Tariff Concessions	Jan-Sep 2021	
		Import Value (CIF / Rs. Million)	Export Value (FOB/ Rs. Million)
India – Sri Lanka Free Trade Agreement (ISFTA)	5,145	31,257	76,417
Pakistan – Sri Lanka Free Trade Agreement (PSFTA)	5,987	1,995	10,900
South Asia Free Trade Agreement (SAFTA)	6,027	1,341	14,124
Asia – Pacific Trade Agreement (APTA)	781	4,592	39,350
Total	17,940	39,185	140,791

Source : Department of Trade and Investment Policy

Special Commodity Levy (SCL)

Revenue collection from SCL declined considerably by 31.4 percent to Rs. 37.8 billion in the first eight months of 2021. This was mainly due to the downward revisions of SCL rate on commodities such as sugar, big onion, coconut oil and lentils combined with the duty extension granted on fruits, mackerel fish, dried fish, Maldives fish, peas, chickpeas and Kurakkan, among others.

Other Taxes

Ports and Airports Development Levy:

The total revenue collected from PAL increased noticeably by 28.2 percent to Rs. 92.0 billion in the first eight months of 2021, compared to Rs. 71.8 billion recorded in the same period of 2020. This was mainly due to the impact of both volume and value increase in tandem with the increase in international prices of petroleum products, cement clinker, steel, raw materials and other consumable commodities.

Telecommunication Levy:

Total Telecommunication Levy revenue increased by 8.8 percent to Rs. 9.5 billion in the first eight months of 2021 from Rs. 8.8 billion in the same period of 2020 due to the increase in both local incoming and outgoing call duration.

CESS Levy:

Revenue from the CESS Levy significantly increased by 63.8 percent to Rs. 51.2 billion in the first eight months of 2021, compared to Rs. 31.3 billion in the same period of 2020, benefiting from the rate revisions of CESS in Budget 2021. CESS revenue on imports increased by 64.6 percent to Rs. 49.5 billion in the first eight months of 2021, compared to Rs. 30.1 billion in the same

TABLE 1.8 : CESS Revenue from International Trade

Item	Rs. Million	
	Jan-Aug	
	2020	2021
CESS on Exports	1,224	1,757
Tea – under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	272	340
Rubber – under Rubber Replanting Subsidy Act	4	6
Coconut – under Coconut Development Authority Act	129	122
EDB CESS – under Sri Lanka Export Development Act	819	1,289
CESS on Imports - under Sri Lanka Export Development Act	30,062	49,477
Total	31,286	51,234

Source : Department of Fiscal Policy
(a) Provisional

TABLE 1.9 : Performance of Stamp Duty and Motor Vehicle Registration Fees

Item	Rs. Million								
	2020			2021			% Change 2020/2021		
	Jan-Aug			Jan-Aug			Jan-Aug		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
Stamp Duty*	-	4,374	4,374	-	3,145	3,145	-	-28.1	-28.1
Motor Vehicle Registration Fees**	372	869	1,241	168	392	224	-54.9	-54.9	-82.0
Total	372	5,243	5,615	168	3,537	3,369	-54.9	-32.5	-40.0

Source : Department of Fiscal Policy

*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

period of 2020. CESS revenue on exports increased by 43.6 percent to Rs. 1.8 billion in the first eight months of 2021, compared to Rs. 1.2 billion in the same period of 2020.

Non-tax Revenue

Non-tax revenue declined by 14.8 percent to Rs. 89.4 billion in the first eight months of 2021, compared to Rs. 105.0 billion in the same period of 2020 due to a drop in revenue from Central Bank profit transfers, sales and charges, interest income, and rent income. Revenue from rent income dropped by 69.6 percent to Rs. 3.0 billion

in the first eight months of 2021, compared to Rs. 9.8 billion in the same period of 2020. Central Bank profit transfers dropped by 37.5 percent to Rs. 15.0 billion from Rs. 24.0 billion in the same period of 2020. Meanwhile, fines, fees and charges and interest income declined by 53.7 percent to Rs. 15.9 billion and by 19.0 percent to Rs. 3.8 billion, respectively.

However, revenue collected from profits and dividends of SOEs increased by 81.6 percent to Rs. 14.2 billion in the first eight months of 2021, compared to Rs. 7.8 billion in the same period of 2020, owing

primarily to a significant increase in financial sector profits and dividends. Further, revenue from social security contributions also increased by 8.9 percent to Rs. 22.6 billion in the first eight months of 2021.

TABLE 1.10 : Variance Analysis of Government Revenue (January – August 2021)

Item	Rs. Billion			Reason
	2020 (Jan-Aug)	2021 Annual Est.	2021 (Jan-Aug) (prov.)	
Income Tax	167.4	371.0	175.2	Revenue collection from income taxes increased to Rs. 175.2 billion in the first eight months of 2021, compared to the same period of 2020, realizing 47.2 percent of the annual estimate of 2021. This was mainly due to the faster recovery of economic activities with the well-managed pandemic. The revenue from the corporate and non-corporate tax increased to Rs.158.3 billion. The revenue from the Capital Gain Tax also increased to Rs. 239 million. However, revenue collection from employment income and tax on interest declined to Rs. 9.4 billion and Rs. 6.8 billion, respectively.
Value Added Tax (VAT)	137.8	310.0	199.6	VAT revenue increased significantly to Rs. 199.6 billion in the first eight months of 2021, realizing 64.4 percent of the annual estimate of 2021. This was mainly due to the increase in import and domestic related trade activities. Revenue from VAT on domestic economic activities and import related activities increased by 37.0 percent to Rs.119.4 billion and 58.3 percent to Rs. 80.2 billion, respectively.
Excise Duty	214.8	475.0	198.1	Revenue collection from Excise duties declined by 7.8 percent to Rs. 198.1 billion in the first eight months of 2021, realizing 41.7 percent of the annual estimate of 2021. This was mainly due to the restriction imposed on motor vehicle imports effective from March 2020. Excise duty revenue on cigarettes also contained by 6.4 percent to Rs. 55.2 billion. Despite the enhanced total stick sales by 3.5 percent for the review period, the shift of stick sales to a lower price category which was introduced in mid of 2020, from high end categories negatively impacted the revenue generation from cigarettes. Further, improved petrol and diesel imports led to a marginal increase in Excise duty revenue on petroleum products by 0.4 percent to Rs. 37.5 billion. However, revenue collection from liquor increased by 23.2 percent to Rs. 89.3 billion. Revenue collection from other products also positively contributed to an increase in the Excise duty revenue by 58.7 percent to Rs. 4.5 billion.
Customs Import Duty (CID)	73.2	180.0	60.9	The revenue collection from Import Duty declined noticeably to Rs. 60.9 billion in the first eight months of 2021, realizing 33.8 percent of the annual estimate of 2021. This slower performance was mainly supported by the rate changes of selected commodities such as petrol, diesel and milk powder in order to reduce the burden on consumers in the local market.

Item	Rs. Billion			Reason
	2020 (Jan-Aug)	2021 Annual Est.	2021 (Jan-Aug) (prov.)	
Ports and Airports Development Levy (PAL)	71.8	170.0	92.0	Revenue collection from PAL increased by 28.2 percent to Rs. 92.0 billion realizing 54.1 percent of annual estimate of 2021. This was mainly due to the increase in imports by 30.7 percent and depreciation of the rupee against the USD in the period.
Special Commodity Levy (SCL)	55.1	110.0	37.8	Revenue from SCL declined significantly by 31.4 percent to Rs.37.8 billion in the first eight months of 2021, achieving 34.4 percent from its annual estimate. This was mainly attributable to the downward rate revisions of selected commodity items such as sugar, big onion, coconut oil and dhal in order to prevent retail price hikes of such commodities.
Other Taxes	81.2	108.0	89.5	The revenue collection from other taxes increased significantly by 10.1 percent to Rs. 89.5 billion in the first eight months of 2021, realizing 82.8 percent of the annual estimate of 2021. This was mainly due to the increase in revenue from CESS levy by 63.8 percent to Rs. 51.2 billion, reflecting the impact of upward revision of CESS rates in line with the Budget 2021. The Telecommunication Levy (TL) increased by 8.8 percent to Rs. 9.5 billion due to the increase in both local incoming and outgoing calls.
Non-tax Revenue	105.0	227.0	89.4	Non-tax revenue declined significantly by 14.8 percent to Rs. 89.4 billion in the first eight months of 2021, realizing 39.4 percent of the annual estimate of 2021. This was owing to the decline in rent and interest income, Central Bank profit transfers and fees and charges stemming from the impact of the COVID-19 pandemic. However, the increased revenue receipts from the profits and dividends from SOEs of Rs. 14.2 billion, social security contributions of Rs. 22.6 billion and other non-tax revenue of Rs. 15.0 billion contributed positively to the non-tax revenue.
Total	906.4	1,951.0	942.5	

Compiled by the Department of Fiscal Policy

BOX 1|Major Fiscal Measures: January – August 2021

Effective Date	Measures
Income Tax –Amendments to the Inland Revenue Act, No. 24 of 2017	
Inland Revenue (Amendment) Act, No. 10 of 2021	
Income Tax Exemptions	
01.04.2021	<ul style="list-style-type: none"> - Gains made by a person from the realization of lands or buildings which were sold, exchanged or transferred to a Sri Lanka Real Estate Investment Trust (SLREIT) listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka. - Dividends and gains on the realization of units or amounts derived as gains from the realization of capital asset of a business or investment by a unitholder from any SLREIT. - Interest accruing to or derived by any welfare society (including benevolent fund which promotes the savings of members). - Interest accruing to or derived by any multi-national company on any deposit opened and maintained such deposits in foreign currency in any domestic bank, if such deposit is maintained to cover its import expenditure for that year of assessment. - Interest or discount accrued or derived by any Samurdhi community-based bank established under the Department of Samurdhi Development from the Sri Lanka Government Treasury Securities. - Gains from the realization of Sri Lanka international sovereign bonds, issued by or on behalf of the Government of Sri Lanka and received or derived by a commercial bank or authorized dealer who made an aggregate investment not less than USD 100 million in such bonds on or after April 1, 2021. - Gains and profits earned or derived from any business of export of gold, gems or jewellery or from the business of cutting and polishing gems which are brought to Sri Lanka and exported after such cutting and polishing, where such gains and profits earned in foreign currency are remitted through a bank to Sri Lanka. - Gains and profits earned or derived by any Vocational Education Institution from any vocational educational programme which is standardized under TVET concept (Technical and Vocational Education and Training) and regulated by the Tertiary and Vocational Education Commission, if such institution has doubled their student intake of such programmes for such year of assessment compared to the student intake of the previous year. The exemption is available for a period of five years. - Remittance tax (at the rate of 14 percent on remitted profit) is exempted for a non-resident company carrying a business in Sri Lanka through a Sri Lankan permanent establishment which earned profits and income and retained such total profit for minimum of three years period by investing in Sri Lanka to expand its business or to acquire shares or any securities from Colombo Stock Exchange or to acquire any Treasury Bill, Treasury Bond or Sri Lanka International Sovereign Bonds. The exemption is available for the period of three years.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures	
Tax holidays		
01.04.2021	<p>Tax holidays are granted for the gains and profits (excluding capital gains) received or derived from the following new businesses. Two years implementation period will be considered.</p> <ul style="list-style-type: none"> - Ten-year tax exemption period for an undertaking which sale of construction materials recycled in a selected separate site established in Sri Lanka to recycle the materials which were already used in the construction industry. - Five-year tax exemption period for any business commenced on or after April 1, 2021 by an individual after successful completion of vocational education from any institution which is standardized under TVET concept and regulated by the Tertiary and Vocational Education Commission. - Seven-year tax exemption period for an undertaking commenced by a resident person in manufacturing of boats or ships in Sri Lanka and received or derived any gains and profits from the supply such boats or ships. - Seven-year tax exemption period for any "renewable energy project" established with a capacity to produce not less than one hundred Mega Watts solar or wind power and supplied such power to the national grid. - Five-year tax exemption period for any undertaking commenced on or after January 1, 2021 by any resident person who constructs and installs the communication towers and related appliances using local labours and local raw materials in Sri Lanka or provide required technical services for such construction or installation. 	
Concessionary Tax Rates		
01.04.2021	<ul style="list-style-type: none"> - Sale of Gem and Jewellery taxed at the maximum rate of 14 percent for individuals and flat rate of 14 percent for companies. - Amounts received on the supply of electricity to national grid generated by using renewable energy resources taxed at the maximum rate of 14 percent for individuals and flat rate of 14 percent for companies. - A company which lists its shares in Colombo Stock Exchange during the period of January 1, 2021 and December 31, 2021 for three years of assessment commencing from April 1, 2022 (2022/2023 to 2024/2025) taxed at the rate of 14 percent. 	
Reduction of Tax Liability		
01.04.2021	Income	Reduction of Tax
	Aggregate income tax payable by any company (including BOI companies but other than on gains from the realization of investment assets) which lists its shares on or after January 1, 2021 but prior to December 31, 2021 in the Colombo Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka for the year of assessment 2021/2022.	50%
	On the relevant tax liability of dividend income derived by a multinational company	
	(i) If exports are increased by a minimum of 30 percent in 2021/2022 compared to the year 2020/2021	25%
	(ii) If exports are increased by a minimum of 50 percent in 2022/2023 compared to 2021/2022	50%
	(iii) If exports are increased by minimum of 50 percent in 2023/2024 compared to 2020/2021 or same status as in (ii) above is maintained for 2023/2024	50%
	On attributable quantum of the relevant tax liability, if agricultural produce from farming activities are used for processing or manufacturing activities by the same person	25%

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
Deductions in computing the assessable income	
01.04.2021	<ul style="list-style-type: none"> - Marketing and communication expenses, incurred on market research, development and production of marketing or advertising campaigns, , advertising on mainstream media or social media, product launches or campaign activation and development and printing of point-of-sale material are allowed to be deducted in computing the assessable income from business whether the expenditure is on capital or revenue nature. - Cost of funds incurred by any financial institution will be considered as a deductible expenditure for such financial institutions, on any loans provided for start-up capital of the businesses starting by young men and women after a vocational training (which is qualified for 5-year tax holiday).
New Qualifying Payments	
01.04.2021	<ul style="list-style-type: none"> - Contribution made by a resident individual in money or otherwise to establish a shop for a female individual who is from a Samurdhi beneficiary family as instructed and confirmed by the Department of Samurdhi Development. - Expenditure incurred by any financial institution by way of cost of acquisition or merger of any other financial institution where such cost is ascertained by considering all the facts on a case-by-case basis and as confirmed by the Central Bank of Sri Lanka. The total deductible expenditure shall be apportioned in equal amounts over a period of three years and be deductible from the assessable income up to the total qualifying payment. - Expenditure incurred in the production of any film at a cost (including the promotional expenditure of such film) not less than five million rupees or in the construction and equipping of a new cinema at a cost not exceeding twenty-five million rupees or in the upgrading of a cinema at a cost not exceeding ten million rupees. The deduction will be restricted to one third of the taxable income of the year and can be carried forward to next year.
Consideration as "specified undertakings"	
01.04.2021	<p>The following businesses are considered as specified undertakings to apply the 14 percent rate:</p> <ul style="list-style-type: none"> - Bunkering services provided for the supply of marine fuel, including the supply of marine fuel to local bunker suppliers within a specified port premises. - Sale of goods manufactured in Sri Lanka by a BOI export-oriented company which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, to – <ul style="list-style-type: none"> (a) any company which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, including any company enjoying tax holiday under the Strategic Development Projects Act, No.14 of 2008, and which is permitted to import project related goods or raw materials on duty free basis under the provisions of such agreement, during the project implementation period; or (b) to any person eligible to import specific goods on duty free basis under any Government Authority, but, up to the quantity approved by the Board of Investment as import replacement within the 3 years period commencing on April 1, 2021.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
Changes in Tax Incentives and Temporary Concessions	
01.04.2021	<ul style="list-style-type: none"> - Additional deduction of 100% of the expenditure is provided with an upper cap of Rs. 500 million for a three-year period commencing on April 1, 2021. However, expenditure should be attributable to a good or service with minimum of 65 percent of local value addition during the three years from 2021/2022 to 2023/2024. - Construction of a building or similar work in a lease hold land will be considered for enhanced capital allowance purpose. - The validity period to claim enhanced capital allowances in relation to new investments up to USD 3 million under the Sixth Schedule of the Inland Revenue Act has been extended for another 3 years. - Additional 100 percent deduction is granted on research and development expenditure for the years of assessment from 2021/2022 to 2022/2023.
Tax relief for resident Individuals	
01.04.2021	<ul style="list-style-type: none"> - Relief to the individuals who invest in solar panels up to the maximum deduction of Rs. 600,000 for a year. Investment can be made by financing through a bank loan and in such cases, the loan repayment will be considered for relief purposes.
Changes to tax administrative provisions	
01.04.2021	<ul style="list-style-type: none"> - Allowing to file a single capital gains tax return (covering all capital gains transactions of the month) and making the payments within thirty days after the end of the relevant calendar month in which the realization occurred. - If a person files a return of income, it will be considered as his self-assessment for the relevant year of assessment and capital gain tax returns filed by the same person for the same year shall not result in self-assessments. - Making it mandatory to use the Tax Identification Number (TIN) in all tax related source documents or underlying documents of the taxpayer. - Making e-filing mandatory for all limited liability companies irrespective of whether resident or non-resident, including public corporations to file their tax returns (including annual statements) only electronically using the computer system or mobile devices.
01.04.2020	Gazette Notification No. 2217/7 dated 02.03.2021 <ul style="list-style-type: none"> - To impose regulations on transfer pricing
01.04.2020	Gazette Notification No. 2234/6 dated 29.06.2021 <ul style="list-style-type: none"> - To prescribe information technology and enabled services exempted from income tax.
Value Added Tax (VAT) –Amendments to Value Added Tax Act, No. 14 of 2002	
Value Added Tax (Amendment) Act, No. 9 of 2021	
01.01.2021	<ul style="list-style-type: none"> - To reduce piece based VAT rate applicable on domestic sale of certain garments by the export oriented Board of Investment (BOI) companies from Rs.100/- to Rs. 25/-
01.04.2021	Gazette Notification No. 2228/33 and dated 20.05.2021 <ul style="list-style-type: none"> - To amend the record keeping regulations for VAT registered persons to include requirement of record keeping for exports
01.04.2021	Gazette Notification No. 2234/7 and dated 29.06.2021 <ul style="list-style-type: none"> - To prescribe information technology and enabled services exempted from VAT
Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989	
05.04.2021	Gazette Notification No. 2222/2 of 05.04.2021 <ul style="list-style-type: none"> - To exempt the applicable duty to purchase 2,000 three -wheelers to the Sri Lanka Police.
06.04.2021	Gazette Notification No. 2222/3 of 05.04.2021 <ul style="list-style-type: none"> - To introduce a new duty structure on locally assembled/ manufactured motor vehicles and motor bicycles in line with the implementation of Standard Operating Procedures (SOP) for the Automobile manufacturing /assembling industry and the Automobile component manufacturing industry.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
23.04.2021	Gazette Notification No. 2224/24 of 22.04.2021 - To revise the duty rates applicable on mobile workshop vehicles.
03.08.2021	Gazette Notification No. 2239/16 of 03.08.2021 - To exempt the payment of Excise Duty to import 52 water bowsers and 62 double cabs for use of essential field activities.
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
01.01.2021	Excise Notification No. 01/2021 (Gazette Notification No. 2208/34 of 01.01.2021) - To extend the date of implementing the Foolproof Sticker and Sticker Management System for licensed manufacturers up to June 30, 2021.
01.01.2021	Excise Notification No. 02/2021 (Gazette Notification No. 2208/35 of 01.01.2021) - To exempt the annual license fee for FL/7, FL/8, FL/11, FL/12 FL/22B for the year 2021.
08.01.2021	Excise Notification No. 03/2021 (Gazette Notification No. 2209/42 of 07.01.2021) - To reduce the duty from Rs 50/- to Rs. 25/- per litre of bottled toddy manufactured in and issued from any licensed manufactory established in Sri Lanka. (Excise Notification No. 993 (Gazette Extraordinary No.1998/6 of 20.12.2016 is rescinded.)
07.01.2021	Excise Notification No. 04/2021 (Gazette Notification No. 2209/44 of 07.01.2021) - To amend the Excise Notification No. 03/2018 to extend the opening and closing hours of Toddy Taverns (Excise Notification No. 11/2018 (Gazette Extraordinary No.2075/24 of 13.06.2020 is rescinded.)
07.01.2021	Excise Notification No. 05/2021 (Gazette Notification No. 2209/43 of 07.01.2021) - To increase the limit of sale by retail and quantity transported to 3 litres for Toddy from 1.5 litres. (Excise Notification No. 745 of 14.08.1985 is rescinded.)
11.01.2021	Excise Notification No. 06/2021 (Gazette Notification No. 2210/2 of 11.01.2021) - To exempt payment of Authorization Fee only for the year of 2021 to (i) 3 star and 4 star class hotels and (ii) 5 star hotels and above star class/ boutique hotels: boutique villas / heritage hotels.
25.02.2021	Excise Notification No. 07/2021 (Gazette Notification No. 2216/16 of 25.02.2021) - To specify regulations pertaining to the Security Features and Security Features Management System for licensed manufacturers.
30.06.2021	Excise Notification No. 08/2021 (Gazette Notification No. 2234/23 of 30.06.2021) - To amend the Excise Notification No. 07/2021, to extend the implementation date of the Security Features and Security Features Management System for licensed manufacturers up to August 15, 2021.
29.07.2021	Gazette Notification No. 2238/28 of 29.07.2021 and Gazette Notification No. 2238/29 of 29.07.2021 - To notify that the Excise Notifications No. 01/2021 and 02/2021 were passed by parliament on April 20, 2021 as per Section 32 of the Excise Ordinance (Chapter 52) in order to fulfil the legal requirements.
29.07.2021	Gazette Notification No. 2238/30 of 29.07.2021 and Gazette Notification No. 2238/31 of 29.07.2021 - To notify that the Excise Notification No. 04/2021 and 06/2021 were passed by parliament on May 04, 2021 as per Section 32 of the Excise Ordinance (Chapter 52) in order to fulfil the legal requirements.
16.08.2021	Excise Notification No. 09/2021 (Gazette Notification No. 2241/3 of 16.08.2021) - To amend the Excise Notification No. 07/2021, to extend the implementation date of the Security Features and Security Management System for licensed manufacturers up to October 15, 2021.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
16.10.2021	Excise Notification No. 10/2021 (Gazette Notification No. 2249/50 of 16.10.2021) <ul style="list-style-type: none"> - To amend the Excise Notification No. 07/2021, to extend the implementation date of the Security Features and Security Management System for licensed manufacturers up to January 03, 2022.
Ports and Airports Development Levy (PAL) – Ports and Airports Development Levy Act, No. 18 of 2011	
05.01.2021	Gazette Notification No. 2209/17 of 05.01.2021 <ul style="list-style-type: none"> - To change the recommending authority for granting PAL exemptions to pharmaceutical machinery and raw materials used in the production of face masks from Secretary, Ministry of Health to Secretary, State Ministry of Production, Supply and Regulation of Pharmaceuticals.
23.02.2021	Gazette Notification No. 2216/3 of 22.02.2021 <ul style="list-style-type: none"> - To grant a concessionary rate of 2.5 percent on the importation of milk powder.
09.03.2021	Gazette Notification No. 2218/51 of 09.03.2021 <ul style="list-style-type: none"> - To allow any enterprise which carries out a capital investment of not less than USD 50 million in a stage wise during the project implementation or construction period and prior to the commencement of commercial operations to be exempted from PAL.
20.03.2021	Gazette Notification No. 2219/68 of 19.03.2021 <ul style="list-style-type: none"> - To create an exemption provision for PAL to allow Ceylon Petroleum Corporation to import furnace oil specifically for the production of bitumen.
20.04.2021	Gazette Notification No. 2224/08 of 19.04.2021 <ul style="list-style-type: none"> - To grant a concessionary rate of 7.5 percent or Rs. 2,000 per Metric Ton (MT) whichever is the lowest on the importation of LP Gas, until International LP Gas Prices reach USD 325 per MT.
12.06.2021	Gazette Notification No. 2231/19 of 11.06.2021 <ul style="list-style-type: none"> - To grant a concessionary rate of 5.0 percent on the importation of whole or broken, raw Cocoa beans.
12.08.2021	Gazette Notification No. 2240/21 of 11.08.2021 <ul style="list-style-type: none"> - To exempt imported milk powder from PAL.
CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979	
13.01.2021	Gazette Notification No. 2210/09 of 12.01.2021 <ul style="list-style-type: none"> - To exempt CESS on the export of scrap/waste by an enterprise, generated through the process of manufacture of goods to be exported, out of raw material imported and generated through the process of repair/maintenance works done by that enterprise which has entered into an agreement with the Board of Investment of Sri Lanka and registered under the Customs Manufacture-in-Bond Scheme or under the Temporary Importation for Export Processing (TIEP) Scheme.
18.03.2021	Gazette Notification No. 2219/36 of 17.03.2021 <ul style="list-style-type: none"> - To allow any good imported by any enterprise and Strategic Development Project, which invests USD 50 million or above in each stage on a project on or after March 06, 2019, during the project implementation or construction period of the said project but prior to commencement of commercial operations to be exempted from CESS.
16.03.2021	Gazette Notification No. 2219/15 of 15.03.2021 <ul style="list-style-type: none"> - To revise CESS Levy on the importation of tiles and sanitary ware.
Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962	
23.04.2021	Revenue Protection Order No. 01/2021 (Gazette Notification No. 2224/25 of 22.04.2021) <ul style="list-style-type: none"> - To create National HS Subdivision for Motor Vehicles used as mobile workshops as per direction of the Committee on Public Accounts.
18.05.2021	Revenue Protection Order No. 02/2021 (Gazette Notification No. 2228/2 of 17.05.2021) <ul style="list-style-type: none"> - To create National HS Subdivision for Face Masks to impose a nominal Special Commodity Levy and protect revenue leakage.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
Surcharge on Customs Duty – Customs Ordinance (Chapter 232)	
02.02.2021	Gazette Notification No.2213/7 of 01.02.2021 - To remove the surcharge on Rs. 20 per 1 for octane 95 and other petrol, Rs. 30 per 1 for super diesel/ other diesel and Rs. 12 per 1 for auto diesel.
Customs Import Duty (CID) Waiver – Customs Ordinance (Chapter 232)	
01.01.2021	- To increase CID waiver on the importation of petrol (Octane 92) to Rs. 18 per litre from Rs. 7 per litre and petrol (Octane 95) to Rs. 16 per litre from Rs. 6 per litre - To grant CID waiver of Rs. 15 per litre on the importation of super diesel and increase CID waiver on auto diesel to Rs. 20 per litre.
02.02.2021	- To increase CID waiver on the importation of petrol (Octane 92) to Rs. 29 per litre from Rs. 18 per litre and reduce CID waiver on petrol (Octane 95) to Rs. 8 per litre from Rs. 16 per litre - To remove CID waiver of Rs. 15 per litre on the importation of super diesel and reduce CID waiver on auto diesel to Rs. 14 per litre from Rs. 20 per litre.
25.03.2021	- To increase CID waiver on the importation of petrol (Octane 92) to Rs. 45 per litre from Rs. 29 per litre and petrol (Octane 95) to Rs. 24 per litre from Rs. 8 per litre - To grant CID waiver of Rs. 10 per litre on the importation of Super Diesel and increase CID waiver on Auto Diesel to Rs. 25 per litre from Rs. 14 per litre.
12.08.2021	- To increase CID waiver on the importation of milk powder to Rs. 225 per kg or 20 percent from Rs. 210 per kg
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
14.01.2021	Gazette Notification No. 2210/16 of 13.01.2021 - To extend the validity period of SCL on the importation of sugar, Bombay onion and dhal for a period of three months.
19.01.2021	Gazette Notification No. 2211/8 of 18.01.2021 - To extend the validity period of SCL on the importation of cheese, coriander, turmeric and black gram flour for a period of six months.
12.02.2021	Gazette Notification No. 2214/58 of 11.02.2021 - To maintain the same duty rate for all varieties of dried fish and to reduce the duty of potatoes to Rs. 15 per kg to control vegetable prices in the market for a period of six months.
04.03.2021	Gazette Notification No. 2217/23 of 03.03.2021 - To extend the validity period of SCL on the importation of mackerel fish, black gram, cowpea and <i>kurakkan</i> and millet for a period of one year.
14.04.2021	Gazette Notification No. 2223/2 of 13.04.2021 - To extend the validity period of SCL on the importation of sugar, Bombay onion and dhal for a period of six months.
27.04.2021	Gazette Notification No. 2225/1 of 26.04.2021 - To extend SCL on the importation of fish, Maldivian fish, green gram, mangoes, kiwi fruit for a period of one year.
28.04.2021	Gazette Notification No. 2225/8 of 27.04.2021 - To impose SCL on the importation of Desiccated Coconut (other) of Rs. 300 per kg for a period of three months and grant duty waiver to BCC Lanka Ltd .
27.04.2021	Gazette Notification No. 2225/13 of 27.04.2021 - To increase SCL on the importation of potatoes to Rs. 50 per kg.
18.05.2021	Gazette Notification No. 2228/3 of 17.05.2021 - To extend the validity period of SCL on the importation of 22 items for a period of one year.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
15.06.2021	Gazette Notification No. 2232/03 of 14.06.2021 - To extend the validity period of SCL on the importation of 17 items including Clementines Fresh & others for a period of one year.
19.07.2021	Gazette Notification No. 2236/66 of 18.07.2021 - To extend the validity period of SCL on the importation of cheese, coriander, turmeric and black gram flour for a period of one year.
12.08.2021	Gazette Notification No. 2240/20 of 11.08.2021 - To extend the validity period of SCL on the importation of Sprats, dried fish, butter, Mathe seed, <i>kurakkan</i> flour, mustard seed and salt for a period of one year.
08.09.2021	Gazette Notification No. 2244/8 of 07.09.2021 - To increase SCL on the importation of Bombay onions to Rs. 40 per kg.
Regulations of Department of Imports and Exports Control	
05.01. 2021	Imports and Exports (Control) Regulations No. 01 of 2021 (Gazette Notification No. 2209/18 of 05.01.2021) - To amend the lists of goods related to tyre imports that are under import restrictions as specified by Imports and Exports (Control) Regulations No. 04 of 2020.
11 .02.2021	Imports and Exports (Control) Regulations No. 03 of 2021 (Gazette Notification No. 2214/56 of 11.02.2021) - To amend the lists of goods related to ceramic products and sarees that are under restrictions as specified by Imports and Exports (Control) Regulations No. 04 of 2020.
07.04.2021	Imports and Exports (Control) Regulations No. 04 of 2021 (Gazette Notification No. 2222/31 of 06.04.2021) - To regulate the importation of palm oil.
23.04.2021	Imports and Exports (Control) Regulations No. 05 of 2021 (Gazette Notification No. 2224/43 of 23.04.2021) - To impose requirement of Import Control License (ICL) for mobile workshops.
23.04.2021	Imports and Exports (Control) Regulations No. 06 of 2021 (Gazette Notification No. 2224/44 of 23.04.2021) - To temporarily suspend the importation of brand new mobile workshops.
06.05.2021	Imports & Exports (Control) Regulations No. 07 of 2021 (Gazette Notification No. 2226/48 of 06.05.2021) - To control the importation of chemical fertilizers, pesticides & herbicides.
11.06.2021	Imports & Exports (Control) Regulations No. 08 of 2021 (Gazette Notification No. 2231/16 of 11.06.2021) - To impose thee requirement of ICL for the importation of facemasks, gold and metal.
11.06.2021	Imports & Exports (Control) Regulations No. 09 of 2021 (Gazette Notification No. 2231/17 of 11.06.2021) - To empower the recommendation to National Medicines Regulatory Authority to export the goods specified in Schedule I including oxygen.
11.06.2021	Imports & Exports (Control) Regulations No. 10 of 2021 (Gazette Notification No. 2231/18 of 11.06.2021) - To temporarily suspend the lists of goods in Schedule 1 that are under import restrictions as specified by Imports and Exports (Control) Regulations No. 04 of 2020.
31.07.2021	Imports & Exports (Control) Regulations No. 11 of 2021 (Gazette Notification No. 2238/45 of 31.07.2021) - To impose the requirement of ICL for mineral or chemical fertilizers.

BOX 1|Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
Finance Act, No. 35 of 2018	
Luxury Tax on Motor Vehicles	
05.01.2021	Gazette Notification No. 2209/23 of 05.01.2021 - To exempt Members of the 8th Parliament under a permit issued by the Secretary of line Ministry of the subject of Parliament Affairs from payment of Luxury Tax.
Finance Act, No. 11 of 2006	
Levy on Tele-dramas, Films and Commercials	
09.02.2021	Gazette Notification No.2214/25 of 09.02.2021 - To reimpose the Levy on Tele-dramas, films and commercials on the telecast of foreign tele-dramas and films.
11.05.2021	Gazette Notification No.2227/2 of 10.05.2021 - To introduce a provision for obtaining a certificate of clearance for telecasting foreign commercials for one month.
Finance Act, No. 11 of 2009	
International Telecommunication Operators Levy	
01.01.2021	Gazette Notification No. 2208/59 of 01.01.2021 - To continue the same rates for International Telecommunication Operators Levy with effect from 01.01.2021
Finance Act, No. 18 of 2021	
15.09.2021	- To provide a tax amnesty to individuals and companies who voluntarily disclose taxable supply, income or asset which they were required to disclose, but had failed to disclose under the provisions of specified revenue laws on or prior to March 31, 2020 after investing/deposit such taxable supply, income or asset in the specified form and payment of the Tax on Voluntary Disclosure at 1 percent of such investment/deposit. - To provide for tax arrears to be written off under certain laws.
Strategic Development Projects Act, No.14 of 2008	
05.01.2021	Gazette Notification No. 2209/22 of 05.01.2021 - To Setup a dedicated pharmaceutical manufacturing zone in Arabokka, Hambantota.
05.03.2021	Gazette Notification No. 2217/40 of 05.03.2021 - To publish project information including exemptions and conditions to adhere with regarding the SDP Project "Ceylon Tyre Manufacturing Company (Pvt) Ltd".
23.03.2021	Gazette Notification No. 2220/30 of 23.03.2021 - To publish amend a clause in already published 3(4) Gazette Notification of the Colombo International Financial Centre (CIFC) Mixed Development Project.
19.04.2021	Gazette Notification No. 2224/2 of 19.04.2021 - To declare the infrastructure requirement and granting incentives for each enterprise of the dedicated pharmaceutical manufacturing zone.
20.04.2021	Gazette Notification No. 2224/9 of 20.04.2021 - To declare the infrastructure requirement and grant incentives for each enterprise of the dedicated textile manufacturing zone.
24.05.2021	Gazette Notification No. 2229/02 of 24.05.2021 - To extend the time granted to implement the "WELCOMHOTELS LANKA (PRIVATE) LIMITED" Project for a further period of Eighteen (18) months from 01.01.2022
24.05.2021	Gazette Notification No. 2229/03 of 24.05.2021 - To extend the time granted to implement the "AVIC INTERNATIONAL HOTELS LANKA LIMITED "Project for a further period of Nineteen (19) months from 25.03.2020.

BOX 1 | Major Fiscal Measures: January – August 2021 (Contd.)

Effective Date	Measures
30.07.2021	Gazette Notification No. 2238/39 of 30.07.2021 - To publish project information including exemptions and conditions to adhere with regarding the SDP Project of the Development and Operation of West Container Terminal-1 (WCT-1) project under the Colombo Port Expansion Project.
30.07.2021	Gazette Notification No. 2238/40 of 30.07.2021 - To declare the tax exemptions / concessions granted for each enterprise of the dedicated textile manufacturing zone.
Amendments to Fiscal Rules	
Fiscal Management (Responsibility) (Amendment) Act, No. 12 of 2021	
	<ul style="list-style-type: none"> - To extend the Government debt target of 60 percent of GDP to 2030 from 2020; and - To increase the guarantee limit to 15 percent from 10 percent.

1.3 Government Expenditure

The government expenditure in the first eight months of 2021 was Rs. 2,062.4 billion of which Rs.1,801.5 billion was recurrent expenditure, Rs. 260.9 billion was capital and net lending expenditure.

TABLE 1.11 : Performance of Government Expenditure

Item	Rs. Million	
	2020	2021 ^(a)
Recurrent	1,670,356	1,801,521
Salaries	516,354	564,151
Pension	160,058	176,131
Interest	653,498	700,538
Other	340,446	360,701
Capital and Net Lending	213,350	260,879
Total Expenditure	1,883,706	2,062,400

Sources : Department of National Budget & Department of Fiscal Policy

(a) Provisional

Personal Emoluments and Pensions

Total expenditure on personal emoluments for public servants including the Provincial Councils' employees increased by 9.3 percent to Rs. 564.2 billion in the first eight months of 2021, compared to Rs. 516.4 billion in the same period of 2020. This was mainly due to the new recruitment of 53,000 graduate trainees in the latter part of 2020 and early 2021, provision of permanent positions to 14,500 graduate trainees who have been recruited in 2019 together with 30,000 new recruitments to the Multipurpose Development Task Force personnel under 100,000 job program in the latter part of 2020. Central Government's

contribution to the Provincial Council salaries increased to Rs. 172.6 billion in the first eight months of 2021 from Rs.153.8 billion in the same period of 2020. This increase was mainly due to change in the structure of employment, recruitments during the latter part of 2020 and early 2021 combined with the increase in the COVID-19 related payments to the Health Sector employees.

The pension payments increased by 10.0 percent to Rs. 176.1 billion in the first eight months of 2021, compared to Rs. 160.1 billion in the same period of 2020. The increase was a result of the rise in the number of pensioners and new retirees having higher

basic salaries which was implemented with the Public Administration Circular 03/2016.

Interest Payments

Interest payments on domestic and foreign debt increased by 7.2 percent to Rs. 700.5 billion in the first eight months of 2021 from Rs. 653.5 billion in the same period of 2020. This was largely a reflection of the increase

in interest payments on the domestic debt by 12.4 percent. However, interest payments on foreign debt fell significantly by 7.4 percent in the first eight months of 2021. Out of the total interest payments of Rs. 700.5 billion, interest payments on domestic debt amounted to Rs. 541.5 billion while interest payments on foreign debt were Rs.159.0 billion.

TABLE 1.12 : Behaviour of Yield Rates (%) on Government Securities and Exchange Rate from 2020 to 2021

Period	Treasury Bills (%)			Treasury Bonds (%)				Average Exchange Rate Rs/USD	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year		
2020	Jan	7.51	8.15	8.59	-	9.39	-	9.27	181.4
	Feb	7.42	8.06	8.58	-	-	-	-	181.6
	Mar	7.00	7.25	7.50	-	9.33	9.81	-	185.1
	Apr	6.75	6.80	7.00	-	8.14	8.70	8.75	193.1
	May	6.69	6.82	6.93	-	8.05	-	-	187.9
	Jun	5.50	5.53	5.66	5.86	-	-	8.59	186.0
	Jul	4.59	4.68	4.86	5.73	-	-	6.50	185.8
	Aug	4.56	4.68	4.89	-	-	-	-	184.9
	Sep	4.51	4.64	4.89	5.65	5.72	-	6.59	185.0
	Oct	4.57	4.69	4.96	-	-	-	-	184.4
	Nov	4.64	4.76	5.00	-	-	6.32	-	184.8
	Dec	4.69	4.80	5.05	-	5.99	-	6.79	187.2
2021	Jan	4.69	4.75	4.98	-	-	6.34	6.72	190.5
	Feb	4.90	4.99	5.09	-	6.70	-	7.07	194.1
	Mar	5.05	5.10	5.11	6.19	6.30	-	7.05	197.0
	Apr	5.11	5.14	5.18	6.50	-	-	7.25	197.4
	May	5.13	5.14	5.18	-	-	7.04	-	199.6
	Jun	5.18	5.19	5.23	6.35	-	7.30	7.31	199.8
	Jul	5.22	5.23	5.25	6.36	6.87	7.47	-	200.0
	Aug	5.87	5.90	5.93	6.75	-	8.55	-	200.5
	Sep	6.70	6.99	7.01	8.12	8.10	-	-	202.0

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

Welfare Expenditure

The Government expenditure on welfare programmes includes expenditure on healthcare and nutrition, education, livelihood support, and social welfare and safety net programmes. Such expenditure amounted to Rs. 161 billion in the first eight months of 2021. The government's investments into the social welfare programmes continued unabated providing the support to the vulnerable specially those affected by the pandemic with loss of livelihoods.

Public Investment

The expenditure on infrastructure development in priority areas covering highways, water supply, irrigation, transport, and agriculture and education sectors was nearly Rs. 154 billion in the first eight months of 2021 includes:

- Rs. 82,970 million for the development of 100,000 km of alternative roads, main roads and expressways

TABLE 1.13 : Welfare Expenditure

Item	Rs. Million	
	Jan-Aug	
	2020	2021 ^(a)
Healthcare & Nutrition	44,089	71,617
Free Medicine for All	40,133	67,732
Thriposha Programme	728	411
Morning Meal for Pre-School Children	65	66
Poshana Malla	3,163	3,408
Education	10,523	11,848
Free Text Books	1,958	816
Free School Uniforms	2,080	1,665
School Season Tickets	2,900	5,300
School Nutritional Foods	1,541	1,237
Shoes for Students in Difficult and Very Difficult area Schools	491	898
Grade Five Scholarships	321	299
Mahapola Scholarships	698	700
Bursaries	427	500
Dhamma School Text Book	30	2
Dhamma School Uniforms for Teachers	3	2
Assistance for Dhamma School Teachers	74	429
Livelihood Support	57,457	49,079
Fertilizer Subsidy	21,349	9,482
Samurdhi Relief	35,087	38,844
Subsidies for Replanting (Tea/Rubber)	740	619
Assisting the Farmers for Export Crop Development	281	134
Social Welfare & Safety net	14,258	15,613
Assistance for Differently Abled Person & Kidney Patient	1,460	4,411
Assistance to Elderly Persons	6,575	6,589
Social Care of <i>Ranawiru</i> Parents	1,571	1,519
Food Assistance, Flood and Drought Relief	52	194
Bus Services in Uneconomical Routes	4,600	2,900
Total	126,327	148,157

Source : Department of National Budget

Excluding COVID-19 Livelihood assistance expenditure

(a) Provisional

TABLE 1.14 : Government Expenditure to control the COVID-19 pandemic

Description	Rs. Million	
	Jan - Aug	
	2020	2021
Providing allowance of Rs. 5000 for the people affected by the COVID pandemic	50,020	18,590
Quarantine, Health Infrastructure, Medical Supplies services, etc.	28,663	111,768
Facilities provided by the District Secretariats and Divisional Secretariats for the people affected by the COVID pandemic	307	12,397
Total	78,990	142,755

Source : Department of National Budget

- Rs.10,552 million for ensuring adequate and safe drinking water for all
- Rs. 9,204 million for improving efficiency, capacity and connectivity of the transport network
- Rs. 13,282 million for improving productivity and efficiency of the agriculture value chain by introducing modern technology
- Rs. 20,413 million for ensuring water availability for agriculture by constructing multipurpose irrigation schemes and canals
- Rs. 17,891 million for infrastructure development and quality improvement of the education system

1.4 Treasury Operations

Performance of the Cash Flow of the General Treasury

Cash inflows by way of revenue and other receipts amounted to Rs. 909.1 billion in the first eight months of 2021 as against the estimate of Rs. 1,185.9 billion, a realization of 76.7 percent of the estimate. This was an increase of 3.2 percent, compared to Rs. 880.9 billion in the same period of 2020. Meanwhile, cash outflow for both

recurrent and public investment increased by 8 percent to Rs. 2,095.8 billion in the first eight months of 2021, compared to Rs. 1,941.0 billion over the same period of 2020.

Net cash deficit as at 31st August 2021 was Rs. 1,186.7 billion, an increase of 11.9 percent compared to Rs. 1,060.1 billion as at end August 2020 mainly due to the increase in the operational expenditure and public investment by 7.8 percent and 8.9 percent respectively. This has resulted in the increase in closing negative cash balance up to Rs. 895.1 billion as at 31st August 2021 from Rs. 541.5 billion recorded as at 31st August 2020.

Management of Government Debt

The total borrowing limit approved by Parliament for the year 2021 amounted to Rs. 2,997 billion, within which the utilization of Government borrowings (Book Value) for the period from 01st January to 31st August 2021 was recorded as Rs. 1,754.1 billion. Total borrowing utilization comprising of domestic and foreign borrowings amounted to Rs. 1,471.8 billion and Rs 282.3 billion, respectively as at 31st August 2021 to finance cash flow operations and development projects during the period. Domestic borrowing accounts for almost 83.9 percent of the

TABLE 1.15 : Statement on Government Treasury Cash Flow Operations

Item	Rs. Billion		
	January – August		
	2020 Actual	2021 Estimate	2021 Actual
Opening Cash balance year /month	-274.3	-488.2	-488.2
Total cash inflow from revenue and other receipts	880.9	1,185.9	909.1
Total cash outflow for recurrent payments	-1,626.7	-1,723.8	-1,753.6
Total cash outflow for capital payments*	-314.3	-546.6	-342.2
Net cash surplus / (deficit)	-1,060.1	-1,084.5	-1,186.7
Gross borrowing *	1,406.2	2,013.5	1,754.1
Debt repayment	-673.8	-1,001.2	-992.5
Net borrowing	732.4	1,012.3	761.6
Balance proceeds of ISB previous year	51.4	0.0	0.0
Adjustment account balance (TEB, net deposits, etc.)	9.1	0.0	18.2
Closing Cash balance year /month end	-541.5	-560.4	-895.1

Source : Department of Treasury Operations

*Includes project/programme loans disbursement as at August 31, 2021

total borrowings during the first eight months of 2021. Treasury Bonds, Treasury Bills, Sri Lanka Development Bonds (SLDBs) and Provisional Advance were the main sources of domestic borrowings of the Government. Accordingly, around 55 percent of the total domestic borrowings were raised by way of Treasury Bonds while 29 percent were raised by way of Treasury Bills and another 16 percent was raised by way of SLDBs and Provisional Advance of Central Bank of Sri Lanka in the first eight months of 2021. Further, proceeds from the Syndicate Loan issued in the first quarter of 2021 was utilized to finance the foreign currency debt service payments. The net borrowing as at end of August 2021 was Rs. 761.6 billion.

The gross domestic borrowing of the Government during January – August 2021 is summarized below.

Disclosure of Contingent Liabilities on Treasury Guarantees

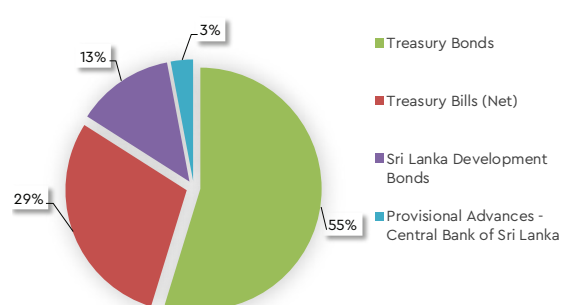
The value of Treasury Guarantees issued and remained valid as at August 31, 2021, was Rs. 1,484.1 billion which were within the limit applicable as per Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No.13 of 2016. The list of Treasury Guarantees issued by the General Treasury as at August 31, 2021, is given in Annexure 1.

TABLE 1.16 : Gross Domestic Borrowings by Instruments

Instruments	Rs. Billion
	Jan-Aug 2021
Treasury Bonds	831.2
Treasury Bills (Net)	444.5
Sri Lanka Development Bonds	197.4
Provisional Advances – Central Bank of Sri Lanka	45.1
Total	1,518.2
Repayment of Foreign Currency Banking Unit	-46.4
Domestic Borrowings Utilization	1,471.8

Source : Department of Treasury Operations

FIGURE 1.4 : Gross domestic borrowings by instruments from January to August 2021



Source : Department of Treasury Operations

1.5 Foreign Financing

Foreign Financing Commitments

The Government has committed to aligning required financing on high priority development projects since the beginning of 2020 to curtail foreign debt exposure while creating non-debt financed projects. As such, the Government obtained foreign loans amounting to USD 1,710 million in the first eight months of 2021. This consists of Official Development Assistance (ODA) of USD 901.9 million of which, USD 28.6 million was made in the form of grants and the balance USD 873.3 million was made as loans. A further USD 500 million and another RMB 2,000 million as a Foreign Currency Term Financing facility from the China Development Bank was raised at very competitive terms compared to the market rates.

Table 1.17 : Foreign Financing Commitments with Terms – from 1st January to 31st August 2021

Development Partner/ Lending Agency	Instrument Type	Agreement Date (DD/MM/YYYY)	Project /Program/ Instrument Name	Amount Committed (million)			Financial Terms			Other Terms			
				Currency	In Instrument	Rupees	USD	Interest	Annual Rate (%)		Margin (100 basis points)	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)
Bilateral													
Hungary	Loan	4/1/2021	Construction of Flyover at Kohuwela & Gatambe	EUR	52.0	12,143.6	60.9	Interest free loan	Not Applicable	Not Applicable	0	9	27
India	Loan	16/06/2021	Dollar Credit line Agreement for Implementation of Solar Power Project	USD	100.0	19,972.4	100.0	Fixed	1.75	Not Applicable	Commitment fee 0.5%, Management Fee 0.5%	5	20
Multilateral													
International Bank for Reconstruction & Development	Loan	13/05/2021	Second Additional Financing for the COVID 19 Emergency response & Health Systems Preparedness Project	USD	54.0	10,773.0	54.0	Variable	LIBOR for USD	Variable Spread**	Commitment fee 0.25%, Front-End Fee 0.25%	5	18
	Loan	1/1/2021	Climate Resilience Multiphase Programmatic Approach	USD	92.0	17,055.9	92.0	Variable	LIBOR for USD	Variable Spread**	Front end fee 0.25%, Commitment fee 0.25%	6	30
International Development Association	Loan	22/04/2021	Sri Lanka Integrated Watershed and Water Resource Management Project- Concessional Loan	SDR	31.4	8,851.6	46.1	Fixed	1.25	Not Applicable	Service fee 0.75% Commitment fee 0.25%	5	29
	Loan	22/04/2021	Sri Lanka Integrated Watershed and Water Resource Management Project- No concessional Loan	USD	26.7	5,126.4	26.7	Variable	LIBOR for USD	Variable Spread**	Front end fee 0.25%, Commitment fee 0.25%	5	29

Development Partner/ Lending Agency	Instrument Type	Agreement Date (D/M/YYYY)	Project /Program/ Instrument Name	Amount Committed (million)			Financial Terms			Other Terms			
				Currency	In Instrument Currency	Rupees	USD	Interest	Other Charges	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)		
								Type	Annual Rate (%)	Margin (100 basis points)			
			Second Additional Financing for the COVID 19 Emergency Response & Health Systems Preparedness Project Kandy Multimodal Transport Terminal Development Project -Concessional	SDR	18.7	5,361.8	26.9	Fixed	1.25	Not Applicable	Service fee 0.75% Commitment fee 0.5%	5	30
	Loan	13/05/2021		SDR	47.1	13,286.4	69.3	Fixed	1.25	Not Applicable	Service fee 0.75%	4	29
	Loan	22/04/2021		USD	5.0	960.0	5.0	Variable	LIBOR for USD	0	Frontend fee 0.25%	4	9
	Grant *	28/01/2021	Local Support Development Project (LDSP) related Grant	EUR	20.0	4,762.2	24.3			Not Applicable			1
	Grant *	17/05/2021	Additional Financing to the Agriculture Sector Modernization Project	EUR	2.7	653.4	3.3			Not Applicable			1
International Fund for Agricultural Development	Loan	10/6/2021	Smallholder Agribusiness Resilience Project (SARP)	USD	41.7	8,326.5	41.7	Fixed	1.75	Not Applicable		11	27
	Grant	10/6/2021	Smallholder Agribusiness and Resilience Project (SARP)	USD	1.0	199.6	1.0			Not Applicable			1

Development Partner/ Lending Agency	Instrument Type	Agreement Date (DD/MM/YYYY)	Project /Program/ Instrument Name	Amount Committed (million)			Financial Terms			Other Terms				
				Currency	In Instrument	Rupees	USD	Interest	Margin (100 basis points)	Other Charges	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)		
								Annual Rate (%)	Type	Annual Rate (%)	Margin (100 basis points)			
Asian Development Bank	Loan	28/05/2021	Second Integrated Road Investment Program – Tranche 3	USD	200.0	39,912.6	200.0	LIBOR for USD	Variable	LIBOR for USD	0.7	Commitment fee 0.15%	9	29
	Loan	7/9/2021	Responsive Covid 19 Vaccines for recovery Project – Rapid Response Component	USD	84	16,791.60	84	LIBOR for USD	Variable	LIBOR for USD	0.7	Commitment fee 0.15%	9	29
	Loan	7/9/2021	Responsive Covid 19 Vaccines for recovery Project -Project Investment Component	USD	66	13,193.40	66	LIBOR for USD	Variable	LIBOR for USD	0.7	Commitment fee 0.15%	3	10
Commercial														
China Development Bank	Loan	12/4/2021	Foreign Currency Term Facility	USD	500.0	99,955.0	500.0	LIBOR for USD	Variable	LIBOR for USD	2.51	Upfront fee 1.25%	3	10
	Loan	17/08/2021	Foreign Currency Term Facility	RMB	2,000.0	61,723.1	308.7	LPR 5Y	Variable	LPR 5Y	0.20	Upfront fee 1.25%	3	10
Total						339,048.5	1,709.9							

Source: Department of External Resources

Note:

LIBOR = London Interbank Offer Rate,

LPR 5Y = Market Quoted Interest Rate of Five-Year Loans Respectively Issued by the National Interbank Funding Centre under Authorization of the People's Bank of China

SDR = Special Drawing Rights

* These two grants disbursed by EU are administered by the World Bank

** Variable Spread is applied. It was 0.72% at the date of agreement signing and this margin is subjected to revise for each payment period.

Financial values committed in difference currencies have been converted into USD and LKR as per the exchange rates prevailing to each agreement date

Foreign Financing Disbursements and Utilization

The Government successfully utilized foreign funds in a productive manner in the first eight months of 2021 in spite of the many disruptions including lockdown that has affected to the implementation of foreign financed projects. The total foreign financing disbursements increased by 16 percent to USD 1,601.7 million in the first eight months of 2021 compared to the

same period of 2020, of which USD 1,592.3 million was disbursed as loans while USD 9.4 million was disbursed by way of grants.

The majority of the disbursements recorded in the first eight months of 2021 were made from loan agreements with multilateral agencies, with the World Bank accounting for almost 56 percent of such disbursements while the Asian Development Bank accounting to 40

TABLE 1.18 : Disbursements of Foreign Loans and Grants from January to August 2021

	Disbursements* (USD Million)		
	Loan	Grant	Total
Bilateral	256.3	0.04	256.3
Japan	74.9	-	74.9
China	69.7	-	69.7
Netherlands	23.1	-	23.1
France	19.2	0.04	19.2
India	15.1	-	15.1
Hungary	11.8	-	11.8
Austria	11.2	-	11.2
Kuwait	9.7	-	9.7
Saudi Arabia	7.0	-	7.0
Korea	7.6	-	7.6
United Kingdom	4.0	-	4.0
Spain	2.8	-	2.8
Denmark	0.2	-	0.2
Multilateral	536.0	9.4	545.4
World Bank	301.8	0.6	302.4
Asian Development Bank	212.1	4.6	216.7
OPEC Fund	10.9	-	10.9
Asian Infrastructure Investment Bank	9.0	-	9.0
International Fund for Agricultural Development	2.2	-	2.2
UNICEF	-	3.0	3.0
UNDP	-	1.2	1.2
Commercial			
China Development Bank	800.0	-	800.0
Total	1,592.3	9.4	1,601.7

Source : Department of External Resources

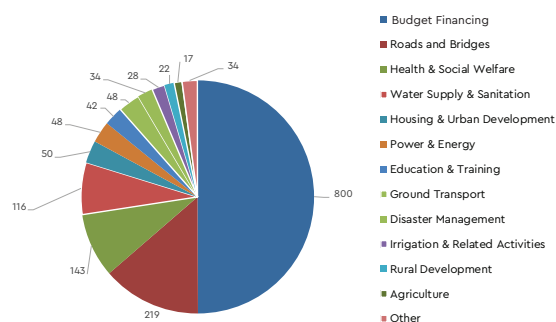
Note: For conversion of disbursements made in different currencies into USD and Rupees, the exchange rates as at 31st August 2021 have been used

* Provisional

percent. Bilateral ODA financing accounted for almost 16 percent of the disbursements, with Japan accounting for 30 percent of the total bilateral disbursements followed by China with 25 percent.

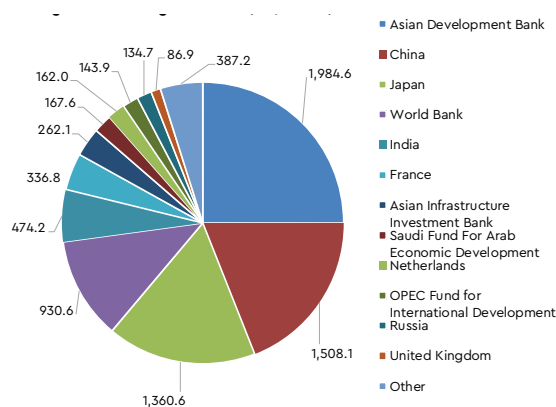
The USD 500 million and RMB 2,000 million of Foreign Currency Term Financing Facility was obtained to support the budgetary activities. The majority of the disbursements was in lieu of the projects implemented in the Roads & Bridges sector

FIGURE 1.5 : Disbursements Made for Each Sector from January – August 2021 (USD Million)



Source : Department of External Resources

FIGURE 1.6 : Lender-wise CUB of Development Projects and Programs – as at August 31, 2021 (USD Million)



Source : Department of External Resources

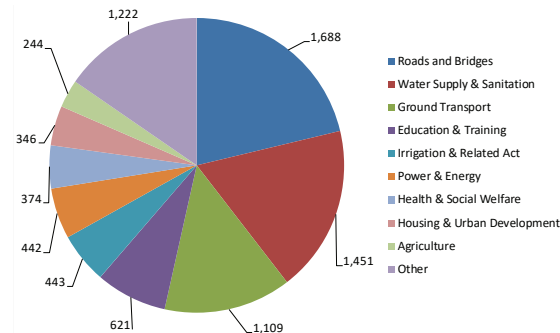
amounting to almost 14 percent of the total disbursements, followed by the Health & Social Welfare sector at 9 percent, Water Supply & Sanitation sector at 7 percent, and Housing & Urban Development at 3 percent.

Committed Undisbursed Balance (CUB) *

As at 31st August 2021, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in the next 3-5 years, amounted to USD 7,939 million. In this regard, the majority of the CUB is from China followed by the Asian Development Bank, Japan and the World Bank, respectively.

Almost 21 percent of the CUB to be utilized in Roads and Bridges sector whereas 18 percent is for Water supply and sanitation

FIGURE 1.7 : Sector-wise CUB of Development Projects and Programs as at August 31, 2021 (USD Million)



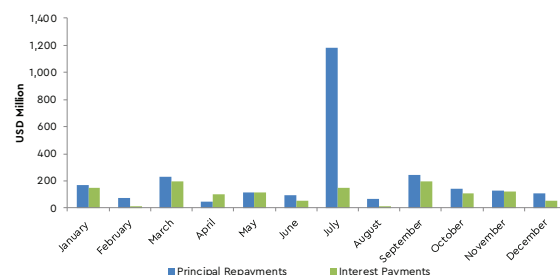
Source : Department of External Resources

and 14 percent for the ground transport sector.

External Debt Stock and External Debt Service Payments

By the end of August 2021, the total outstanding external debt of the Central Government stood at USD 33.9 billion¹. Total debt service² payments from 1st January to 31st August 2021 amounted to USD 2,767 million, of which, USD 1,978 million was in lieu of principal repayments and the balance USD 789 million for the payment of interest. The also includes the settlement of the international Sovereign Bond (ISB) amounting to USD 1,000 million in July 2021.

Figure 1.8 : Debt Service Payments from January to August 2021 and Forecast for September to December 2021



Source : Department of External Resources

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

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

* Provisional

**Economic
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2.1 Overview

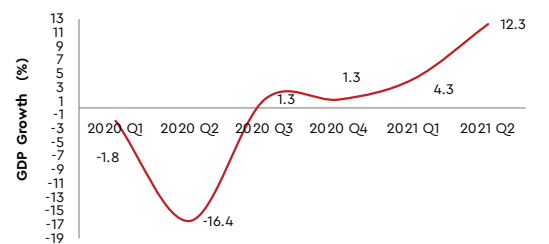
At the time of compiling this report, the world for the second consecutive year is still battling against the COVID-19 pandemic, Sri Lanka has adopted a multi pronged approach in managing the pandemic including with an aggressive vaccination rollout coupled with and other non-pharmaceutical interventions such as social distancing and wearing masks, which is the first line of protection against the pandemic. The global economic growth for 2021 and 2022 is expected to scale down from the original estimate. The anticipated improved global growth momentum has been slashed to 5.9 percent in 2021 and 4.9 percent in 2022 by the IMF in their October 2021 World Economic Outlook.

As such, Sri Lanka's economy demonstrated a sharp "V-shaped" recovery in the first half of 2021 registering a 8.0 percent growth from a 3.6 percent contraction in 2020. Economic recovery was witnessed since the third and fourth quarter of 2020 which has further strengthened in the first half of 2021, with a growth of 4.3 percent been recorded during the first quarter and a 12.3 percent growth been recorded in the second quarter of 2021.

The unemployment rate declined to 5.1 percent in the second quarter of 2021 from 5.7 percent in the first quarter of 2021. Loss of employment recorded in 2020 recovered in 2021 with the recommencing of economic activities with the easing of the restrictions on mobility and the aggressive vaccination drive.

Meanwhile, an uptick in inflation is recorded in 2021, stemming mainly from the high international commodity prices coupled with increased transportation costs. Headline inflation, on year on year basis, increased to 7.6 percent in October 2021 from 5.7 percent in September 2021. The core inflation, on year on year basis, increased to 6.3 percent in October 2021. The exerted inflationary pressure has resulted in the inflation recorded in 2021 diverging from the inflation target of 4-6 percent in the near term announced by the CBSL, however, it is expected to stabilize in 2022.

FIGURE 2.1 : GDP Growth



Source : Department of Census and Statistics

During 2020 and much of 2021 the CBSL like many Monetary Authorities around the world, adopted an accommodative monetary policy through the reduction of policy rates and the Statutory Reserve Ratio (SRR) thereby injecting liquidity into the market creating a low interest rate regime. However, with the economy showing signs of recovery and to manage the inflationary pressures thereon, the CBSL has now shifted to a more tightened monetary policy stance since of August 2021. A further reflection of the economic recovery is evident with credit to both the private and the public sector increased in the first eight months of 2021. As such, growth on broad money was on the rise in the period.

The stock market maintained an upward momentum in the first nine months of 2021 recording the highest gains amongst the major global markets in September 2021. The all Share Price Index (ASPI) and S&P SL20 index improved. Market capitalization recorded its highest in September, reaching Rs. 4,216 billion as at end September in 2021 relative to Rs. 2,596 billion as at end September 2020. Meanwhile, the highest average turnover of Rs. 793 billion was recorded in September 2021 since 2010.

Although, the external sector continues to be challenged with lockdowns resulting in the closure of ports and airports disrupting supply chains, the exports recorded during the first eight months of 2021 at USD 7,903 million with the exports recorded exceeding USD 1,000 million consecutively for three months since June 2021 remains encouraging.

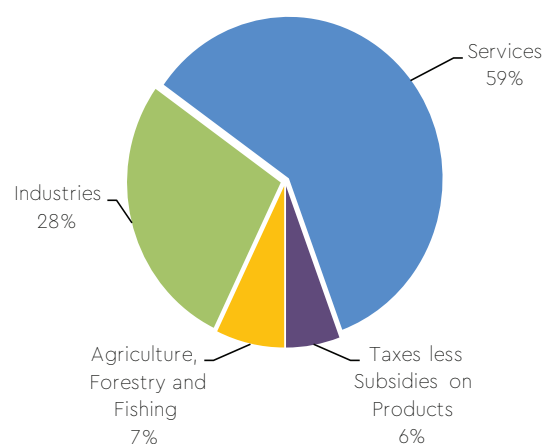
Import expenditures have increased with the rise in international commodity prices which has led to expanding the trade deficit in the first eight months of 2021 relative to the same period of 2020. The recovery is expected in tourism and worker remittances. The gross official reserves as at end August 2021 was USD 3.5 billion.

2.2 Economic Growth

Sri Lankan economy grew by 8.0 percent in the first half of 2021, compared to the contraction of 9.1 percent in the same period of 2020, benefitting from the expansion of Agriculture, Industry and Services sectors combined with the base effect. The agriculture sector rebounded with a growth of 7.1 percent in the first half of 2021 from the contraction of 7.3 percent in the same period of 2020 which was mainly attributable to the significant increase in the growing of cereals, rubber, tea, oleaginous fruits and animal production. The industry sector recorded a growth of 12.1 percent in the first half of 2021, compared to the contraction of 14.6 percent in the first half of 2020. This positive growth is supported by the expansion of all the subsectors of the industry sector except the manufacture of coke and

refined petroleum products and sewerage, waste, treatment and disposal activities. The services sector also recorded a moderate growth of 5.1 percent in the first half of 2021, compared to the contraction of 5.2 percent in the same period of 2020 which was largely driven by the growth in IT programming consultancy and related activities, transportation of goods and passengers including warehousing, telecommunication, financial and insurance service activities. Taxes less subsidies on products increased by 22.0 percent in the first half of 2021 in value added terms.

FIGURE 2.2 : Composition of GDP – First Half of 2021



Source : Department of Census and Statistics

TABLE 2.1 : Sectoral Composition of GDP at Constant (2010) Prices

Sector	2018	2019	2020 ^(b)	First Half		Growth (%)	
				2020 ^(b)		2020	2021
				2020 ^(b)	2021 ^(a)	2020	2021
Agriculture, Forestry and Fishing	679,702	686,412	669,802	306,122	327,846	-7.3	7.1
1 Growing of Cereals (except rice)	11,829	10,582	14,957	6,873	8,316	22.1	21.0
2 Growing of Rice	70,380	74,169	78,417	27,925	26,371	16.0	-5.6
3 Growing of Vegetables	55,230	53,248	58,606	28,078	29,248	8.4	4.2
4 Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	1,820	2,000	2,339	1,224	1,259	21.1	2.8
5 Growing of Fruits	55,654	60,399	64,156	30,274	32,304	5.6	6.7
6 Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	57,577	67,742	60,804	29,444	32,461	-14.7	10.2
7 Growing of Tea (Green Leaves)	67,170	66,329	61,621	28,829	35,610	-17.9	23.5
8 Growing of Other Beverage Crops (Coffee, Cocoa etc.,)	1,592	1,181	1,437	718	708	20.4	-1.5
9 Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	66,914	66,223	68,437	33,583	35,188	-0.6	4.8
10 Growing of Rubber	25,158	22,779	23,831	11,445	13,257	-10.1	15.8
11 Growing of Other Perennial Crops	16,303	16,380	16,681	8,139	8,009	-1.0	-1.6

	Sector	2018	2019	2020 ^(b)	First Half		Growth (%)	
					2020 ^(b)	2021 ^(a)	2020	2021
12	Animal Production	63,418	64,744	61,566	27,536	30,602	-9.7	11.1
13	Plant Propagation and Support Activities to Agriculture	9,258	8,404	8,363	4,123	4,602	-1.4	11.6
14	Forestry and Logging	58,920	58,846	54,066	22,401	23,489	-20.6	4.9
15	Marine Fishing and Marine Aquaculture	102,175	96,589	75,593	37,937	37,611	-23.4	-0.9
16	Fresh Water Fishing and Fresh Water Aquaculture	16,304	16,797	18,930	7,590	8,810	-1.7	16.1
	Industries	2,541,186	2,608,211	2,427,844	1,126,428	1,262,468	-14.6	12.1
17	Mining and Quarrying	225,505	231,893	202,873	90,981	99,995	-23.1	9.9
18	Manufacture of Food, Beverages and Tobacco Products	559,356	574,888	599,902	290,844	307,491	2.0	5.7
19	Manufacture of Textile, Wearing Apperal and Leather Related products	324,565	326,803	287,844	135,957	165,915	-22.7	22.0
20	Manufacture of Wood and Products of Wood and Cork, except Furniture	34,233	31,178	28,725	12,855	14,820	-6.6	15.3
21	Manufacture of Paper Products, Printing and Reproduction of Media Products	32,884	30,803	30,094	15,369	17,989	-10.1	17.0
22	Manufacture of Coke and Refined Petroleum Products	27,312	33,694	30,026	15,471	10,988	-21.0	-29.0
23	Manufacture of Chemical Products and Basic Pharmaceutical Products	97,851	100,511	101,312	46,317	53,848	-10.5	16.3
24	Manufacture of Rubber and Plastic Products	85,933	83,009	68,334	24,556	35,424	-33.6	44.3
25	Manufacture of Other Non-metallic Mineral Products	81,764	85,341	81,844	36,576	46,312	-14.1	26.6
26	Manufacture of Basic Metals and Fabricated Metal Products	48,491	46,328	45,017	21,180	25,245	-1.2	19.2
27	Manufacture of Machinery and Equipment	51,697	52,578	51,285	20,361	24,441	-11.7	20.0
28	Manufacture of Furniture	92,997	100,797	87,299	44,788	55,957	-22.4	24.9
29	Other Manufacturing and Repair and Installation of Machinery and Equipment	76,589	75,040	69,623	31,726	35,289	-13.3	11.2
30	Electricity, Gas, Steam and Air Conditioning Supply	100,382	104,437	102,758	49,985	53,719	-4.3	7.5
31	Water Collection, Treatment and Supply	14,351	15,139	15,866	7,867	8,132	4.2	3.4
32	Sewerage, Waste, Treatment and Disposal Activities	30,207	32,403	32,078	16,142	15,225	-0.7	-5.7
33	Construction	657,070	683,371	592,963	265,453	291,677	-22.6	9.9
	Services	5,555,325	5,678,485	5,595,469	2,583,781	2,715,766	-5.2	5.1
34	Wholesale and Retail Trade	1,040,360	1,071,847	1,086,937	567,332	580,605	1.2	2.3
35	Transport of Goods and Passenger including Warehousing	1,034,755	1,048,825	978,455	367,400	397,172	-17.1	8.1
36	Postal Courier Activities	4,485	4,752	4,975	2,328	2,422	3.6	4.0
37	Accomodation, Food and Beverage Service Activities	154,794	147,671	89,452	50,186	43,438	-32.9	-13.4
38	Programming and Broadcasting Activities and Audio Video Productions	2,519	2,639	2,702	1,338	1,384	0.1	3.5
39	Telecommunication	45,830	53,695	61,990	30,829	36,788	16.0	19.3
40	IT Programming Consultancy and Related Activities	15,072	17,044	18,752	8,892	10,659	7.0	19.9
41	Financial Service Activities and Auxiliary Financial Services	687,918	701,891	778,258	379,021	431,359	7.8	13.8
42	Insurance, Reinsurance and Pension Funding	112,515	117,446	118,134	39,871	45,016	-3.5	12.9
43	Real Estate Activities, Including Ownership of Dwelling	566,078	579,601	572,799	270,350	282,797	-6.0	4.6
44	Professional Services	165,550	169,523	164,949	77,784	80,286	-6.8	3.2
45	Public Administration and Defence; Compulsory Social Security	428,022	437,065	443,960	202,661	205,119	0.8	1.2

Sector	2018	2019	2020 ^(b)	First Half		Growth (%)	
				2020 ^(b)	2021 ^(a)	2020	2021
46 Education	179,524	185,116	186,712	91,435	92,262	3.8	0.9
47 Human Health Activities, Residential Care and Social Work Activities	179,356	182,777	190,706	85,331	88,404	3.2	3.6
48 Other Personal Service Activities	938,547	958,592	896,688	409,024	418,056	-13.5	2.2
Gross Value Added (GVA), at basic prices	8,776,212	8,973,108	8,693,114	4,016,331	4,306,080	-8.2	7.2
(+) Taxes less Subsidies on Products	889,166	910,242	837,491	211,420	257,894	-23.0	22.0
Gross Domestic Product(GDP) at market prices	9,665,379	9,883,350	9,530,606	4,227,751	4,563,974	-9.1	8.0

Source : Department of Census and Statistics

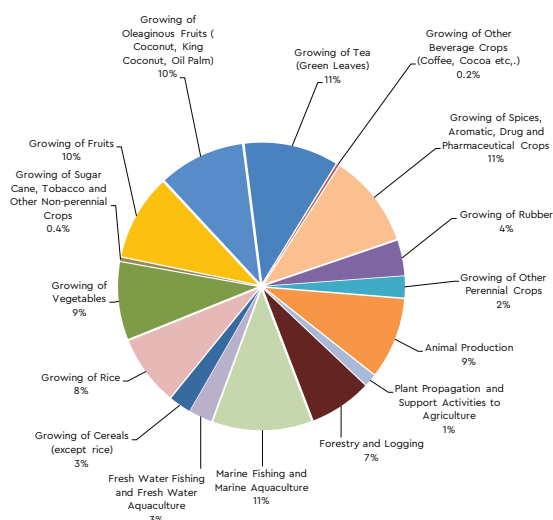
(a) Provisional

(b) Revised

Agriculture

The Agriculture sector which accounted for 7.2 percent of the Gross Domestic Product (GDP) recorded a growth of 7.1 percent in the first half of 2021, compared to the contraction of 7.3 percent in the same period of 2020. This was mainly driven by the expansion of sectors such as animal production, plant propagation growing of cereals, rubber, oleaginous fruits and tea. However, the growing of rice, other beverage crops, other perennial crops and marine fishing recorded negative growth.

FIGURE 2.3 : Composition of Agriculture Sector – First Half of 2021



Source : Department of Census and Statistics

Paddy

Value added production of paddy contracted by 5.6 percent in the first half

of 2021, compared to the growth of 16.0 percent recorded in the same period of 2020. The total paddy production increased to 5.2 million metric tons in 2021, compared to 5.1 million metric tons in 2020: production of 2020/21 Maha season was 3.1 million metric tons and 2021 Yala season is expected to be at 2.1 million metric tons. Gross extent sown in 2020/21 Maha season increased to 770,240 hectares compared to 752,248 hectares in 2019/20 Maha season.

Tea, Rubber and Coconut

Value added production of tea, rubber and oleaginous fruits sub-sectors increased by 23.5 percent, 15.8 percent and 10.2 percent, respectively in the first half of 2021 compared to the same period of 2020. The tea production increased by 18.0 percent to 211.7 million kg in the first eight months of 2021, compared to 179.4 million kg in the same period of 2020. This was mainly due to the government's support provided for the continuing agricultural activities even during the lockdown period. However, monthly tea average prices declined by 8.1 percent to Rs. 591.70 per kg at the Colombo Tea Auction in the first eight months of 2021. Similarly, rubber production increased by 12.1 percent to 56.3 million kg in the first eight months due to the attractive prices induced by increased demand for rubber. The average latex crepe 1X price at the Colombo Rubber Auction CRA increased significantly by 51.1 percent to Rs. 680 per kg in the first eight months of 2021 from Rs. 450 as at end 2020. Coconut production increased by 10.1 percent to 2,034.6 million nuts in the first eight months of 2021, compared to 1,848.3 million nuts in the

same period of 2020 due to the favourable weather conditions that prevailed during 2021. In July 2021, the planting of 100,000 coconut saplings has been implemented to meet the future coconut demands catering for the export market.

Cereals, Vegetables, Fruits, Spices and Pharmaceutical Crops

Growing of cereals contributed positively to the growth of the Agriculture sector with an increase of 21.0 percent, in value added terms, in the first half of 2021 benefiting from the government policy to increase local production of such agricultural items with an aim of achieving food security. In value added terms, the growing of vegetables increased by 4.2 percent while the growing of fruits expanded by 6.7 percent in the first half of 2021. Value-added production of spices, aromatic, drug and pharmaceutical crops increased by 4.8 percent in the first half of 2021, compared to the contraction of 0.6 percent in the same period of 2020.

Fisheries and Livestock

In value added terms, the marine fishing and marine aquaculture sub-sector contracted by 0.9 percent in the first half of 2021, compared to the contraction of 23.4 percent in the same period of 2020. However, the freshwater fishing and freshwater aquaculture sub-sector expanded by 16.1 percent in the first half of 2021, compared to the contraction of 1.7 percent in the same period of 2020.

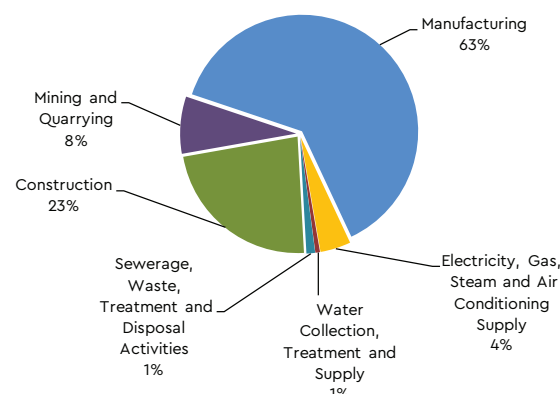
The total fish production decreased slightly by 0.2 percent to 282.8 metric tons in the first eight months of 2021, compared to 283.5 metric tons in the same period of 2020. The animal production sub-sector expanded, in value added terms, by 11.1 percent in the first half of 2021, compared to the 9.7 percent contraction in the first half of 2020.

Industry and Manufacturing

The industry sector expanded by 12.1 percent in the first half of 2021, compared to the 14.6 percent contraction recorded in the same period of 2020. This was mainly due to the expansion in manufacture

of rubber and plastic products (44.3 percent), manufacture of textiles, wearing apparel and leather related products (22.0 percent), manufacture of food, beverages & tobacco product (5.7 percent), construction (9.9 percent), manufacture of furniture (24.9 percent). The sectors such as mining and quarrying (9.9 percent), manufacture of chemical products and basic pharmaceutical products (16.3 percent), manufacture of basic metals and fabricated metal products (19.2 percent), other manufacturing, and repair and installation of machinery and equipment (11.2 percent) positively contributed to the GDP. Similarly, manufacture of paper products, printing and reproduction of media products (17.0 percent), manufacture of other non-metallic mineral products (26.6 percent), manufacture of machinery and equipment (20.0 percent), manufacture of wood and products of wood and cork, except furniture (15.3 percent) and water collection, treatment and supply (3.4 percent) reported positive growth during the first half of 2021. However, manufacture of coal and refined petroleum products and sewerage, waste, treatment and disposal activities contracted by 29.0 percent 5.7 percent, respectively in the first half of 2021.

FIGURE 2.4 : Composition of Industry Sector – First Half of 2021

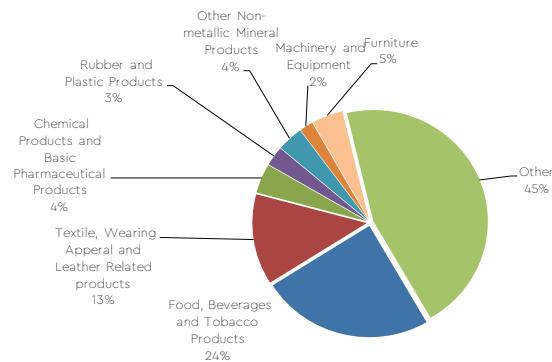


Source : Department of Census and Statistics

Supply of electricity, gas, steam and air conditioning recorded a moderate growth of 7.5 percent, in value added terms, in the first half of 2021. Total power generation increased by 6.4 percent to 8,120 GWh in the first half of 2021, compared to 7,632 GWh in the same period of 2020. Sale of electricity to industries increased by

24.7 percent to 2,343 GWh in the first half of 2021, relative to the same period of 2020 reflecting the expansion of industrial activities. The generation mix of hydro: thermal (fuel): thermal (coal): non-conventional renewable energy and wind has changed favourably to 26:21:40:13 in the first six months of 2021, compared to the 20:29:41:10 for the same period of 2020 benefiting from heavy rainfalls in the period.

FIGURE 2.5 : Composition of Manufacturing Sector – First Half of 2021



Source : Department of Census and Statistics

Services

The services sector recorded a growth of 5.1 percent in the first half of 2021, compared to the contraction of 5.2 percent in the same period of 2020. This was mainly due to the expansion in transportation including warehousing (8.1 percent), IT programming consultancy and related activities (19.9 percent), telecommunication (19.3 percent), financial service activities and auxiliary financial services (13.8 percent) and insurance, reinsurance and pension funding (12.9 percent). The sectors such as wholesale and retail trade (2.3 percent), postal and courier activities (4.0 percent), programming and broadcasting activities (3.5 percent), real estate activities including ownership of dwelling (4.6 percent) positively contributed to the GDP. Similarly, value addition of professional services (3.2 percent), public administration and defense (1.2 percent), education (0.9 percent), human health activities (3.6 percent) and other personal service activities (2.2 percent) recorded positive growth in the first half of 2021. However, accommodation, food and beverage service activities contracted by

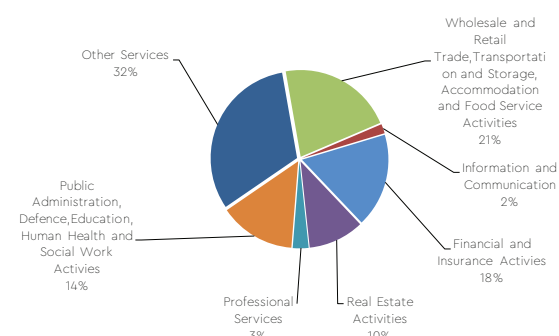
13.4 percent in the first half of 2021 due to the deceleration of the tourism sector and movement restrictions imposed across provinces.

Wholesale and Retail Sale, Transport of Goods, Warehousing and Passenger Services

Wholesale and retail trade activities expanded by 2.3 percent in the first half of 2021, compared to 1.2 percent growth in the same period of 2020. The transport sector recorded a growth of 8.1 percent, compared to the 17.1 percent contraction in the first half of 2020. The total number of new vehicle registrations declined considerably to 24,909 in the first nine months of 2021 from 180,886 in the same period of 2020. This was mainly due to the import restrictions of vehicles imposed by the government as part of its strategy to manage its external sector challenges.

The registration of motor cars declined by 85.5 percent in the first nine months of 2021 while registration of busses, three-wheelers and motorcycles declined by 53.3 percent, 70.5 percent, 95.8 percent, respectively during the period. However, registration of goods transport vehicles and land vehicles increased by 4.5 percent and 79.9 percent, respectively during the first nine months of 2021.

FIGURE 2.6 : Composition of Services Sector – First Half of 2021



Source : Department of Census and Statistics

Total containers handled in the first eight months of 2021 increased by 5.5 percent to 4.8 million Twenty-foot Equivalent Units (TEUs), compared to 4.5 million TEUs in the same period of 2020. Containers handled for domestic, transshipment and re-stowing

TABLE 2.2 : Selected Indicators of Service Sector

Indicator	2017	2018	2019	2020 ^(a)	2020 ^(a)	2021 ^(a)
Port Services					Jan-Aug	Jan-Aug
Vessels Arrived (No)	4,879	4,874	4,707	4,337	2,925	2,823
Total Cargo Handled (MT '000)	93,857	104,934	106,979	102,908	67,103	73,765
Total Container Handled (TEU '000)	6,209	7,047	7,228	6,855	4,545	4,797
Transshipment (TEU '000) ^(b)	4,826	5,704	5,955	5,765	3,843	3,987
Telecommunication Sector					2020 End June	2021 End June
Fixed Telephone Lines (No.'000)	2,603	2,485	2,300	2,613	2,328	2,870
Cellular Phones (No.'000)	28,199	32,528	32,884	28,739	27,679	29,049
Wireless Phones (No.'000)	1,405	1,269	1,055	1,367	1,074	1,618
Internet and E-mail Subscribers (No. '000)	6,747	10,563	13,408	17,524	13,295	20,629
Health Sector					2020 End June	2020 End June
Private Hospitals	181	191	207	217	209	227
Public Hospitals	612	612	603	609	605	609
No. of Beds (Government)	76,569	76,824	77,964	77,121	78,526	77,121
No. of Doctors (Government)	20,349	19,692	18,130	19,615	18,041	18,992
No. of Nurses (Government)	34,221	34,714	38,276	37,634	38,569	38,743
Financial Sector					Jan-June	Jan-June
Bank Branches and Other Outlets	6,213	6,882	7,387	3,619	3,615	3,620
Credit Cards in Use	1,486,545	1,710,671	1,854,103	1,984,525	1,903,091	2,045,716
Licensed Finance Companies	45	43	42	40	41	39
Specialised Leasing Companies	6	5	4	3	3	3
Tourism Sector					Jan-Sep	Jan-Sep
Tourist Arrivals	2,116,407	2,333,796	1,913,702	507,704	507,311	37,924
Tourist Earnings (USD Million)	3,925	4,381	3,607	682	682	51
Room Occupancy Rate	73.3	72.8	n.a.	15	-	-
Transport Services (New Registration)					Jan-Sep	Jan-Sep
Buses	3,331	2,957	1,613	578	507	237
Cars	39,182	80,776	38,232	21,021	20,048	2,905
Goods Transport Vehicles ^(c)	16,742	16,931	3,738	3,941	3,102	3,241
Motor Cycles	344,380	339,763	284,301	151,634	144,399	6,031
Three Wheelers	23,537	20,063	15,490	7,150	7,040	2,080
Tractors and Trailers ^(d)	13,049	10,282	7,666	8,302	5,790	10,415

Source : Central Bank of Sri Lanka

(a) Provisional

(b) Includes re-stowing

(c) Includes special purpose vehicles, motor lorry and lorry others

(d) Includes tractors, hand tractors and tailors

increased by 15.2 percent, 3.7 percent and 39.9 percent, respectively in the first eight months of 2021. The total number of cargo handled increased by 9.9 percent to 73.8 million metric tons in the first eight months

of 2021, compared to 67.1 million metric tons in the same period of 2020. The recovery of global supply chains in 2021 relative to the year 2020 could be attributable to this moderate growth.

TABLE 2.3 : Performance of Tourism Sector

Month	Tourist Arrivals					Tourist Earnings (USD Million)				
	2017	2018	2019	2020 ^(b)	2021 ^(a)	2017	2018	2019	2020 ^(b)	2021 ^(a)
January	219,360	238,924	244,239	228,434	1,682	407.0	448.5	460.3	307.0	2.3
February	197,517	235,618	252,033	207,507	3,366	366.3	442.3	475.0	278.9	4.5
March	188,076	233,382	244,328	71,370	4,581	348.8	438.1	460.5	95.9	6.2
April	160,249	180,429	166,975	-	4,168	297.2	338.7	314.7	-	5.6
May	121,891	129,466	37,802	-	1,497	226.1	243.0	71.2	-	2.0
June	123,351	146,828	63,072	-	1,614	228.8	275.6	118.9	-	2.2
July	205,482	217,829	115,701	-	2,429	381.1	408.9	218.1	-	3.3
August	190,928	200,359	143,587	-	5,040	354.0	376.1	270.6	-	6.8
September	145,077	149,087	108,575	-	13,547	269.0	279.8	204.6	-	18.2
October	152,429	153,123	118,743	-	-	283.0	287.4	223.8	-	-
November	167,511	195,582	176,984	-	-	311.0	367.1	333.6	-	-
December	244,536	253,169	241,663	393	-	453.0	475.2	455.5	0.5	-
Total	2,116,407	2,333,796	1,913,702	507,704	37,924	3,925.3	4,380.7	3,606.8	682.3	51.0

Source : Sri Lanka Tourism Development Authority

(a) Provisional

(b) Revised

Accommodation, Food and Beverages

Value-added production of accommodation, food and beverages sub-sector contracted by 13.4 percent in the first half of 2021 from the contraction of 32.9 percent in the same period of 2020. Tourist arrivals declined by 92.5 percent to 37,924 tourists in the first nine months of 2021, compared to 507,311 tourists in the same period of 2020. As such, earnings from tourism dropped significantly by 92.5 percent to USD 51.1 million in the first nine months of 2021.

Telecommunication, IT consultancy, Postal Services

Value added services of the telecommunication sub-sector continued its growth momentum by recording a growth of 19.3 percent in the first half of 2021 due to the higher demand for such services with the imposition of mobility restrictions and the introduction of the 'work from home' concept. IT programming consultancy and related services expanded by 19.9 percent in the first half of 2021 benefiting from higher demand for digitalization of business processes. Meanwhile, postal and

courier services recorded a growth of 4.0 percent, compared to the same period of 2020.

Financial Services, Insurance and Real Estate and Other Services

Value-added services of the financial and auxiliary financial sector expanded by 13.8 percent in the first half of 2021, compared to 7.8 percent in the same period of 2020. The insurance sub-sector also recorded a significant growth of 12.9 percent in the first half of 2021. Total assets of the insurance sector increased by 7.9 percent to Rs. 814.6 billion as at the end June 2021, compared to Rs. 755.2 billion as at the end June 2020.

Real estate activities, including ownership of dwelling expanded by 4.6 percent in the first half of 2021, compared to a contraction of 6.0 percent in the same period of 2020. Public administration and defence, education, professional services and human health and social work activities sub-sectors expanded by 1.2 percent, 0.9 percent, 3.2 percent and 3.6 percent, respectively in the first half of 2021.

TABLE 2.4 : Sectoral Distribution of GDP Growth (%)

Sector	2016	2017	2018	2019	2020 ^(b)	First Half	
						2020 ^(b)	2021 ^(a)
Agriculture	4.7	-3.7	-0.4	6.5	-2.4	-7.3	7.1
Growing of Tea	-2.5	-11.2	4.5	0.4	-7.1	-17.9	23.5
Growing of Rice	25.0	-31.3	-7.1	44.7	5.7	16.0	-5.6
Growing of Rubber	-10.1	-10.7	4.9	-0.3	4.6	-10.1	15.8
Growing of Cereal	14.3	-1.9	1.0	-10.5	41.3	22.1	21.0
Growing of Vegetables	2.7	2.9	-5.3	4.0	10.1	8.4	4.2
Animal Production	8.1	7.3	5.6	8.0	-4.9	-9.7	11.1
Forestry and Logging	1.9	8.5	19.2	-0.8	-8.1	-20.6	4.9
Fishing	-2.5	1.6	-0.5	0.2	-16.6	-20.4	2.0
Industry	4.1	1.2	3.0	6.7	-6.9	-14.6	12.1
Mining and Quarring	-5.2	13.8	-0.3	-5.2	-12.5	-23.1	9.9
Manufacturing Activities	2.3	2.9	4.7	1.8	-3.9	-10.9	14.0
Other Industries	2.9	10.1	4.4	6.0	-0.8	-2.7	4.7
Construction	-2.5	8.3	4.4	-2.5	-13.2	-22.6	9.9
Services	3.8	6.5	5.3	4.2	-1.5	-5.2	5.1
Wholesale and Retail Trade	1.3	3.8	4.7	2.5	1.4	1.2	2.3
Transportation and Storage	5.4	4.5	5.5	4.1	-6.7	-17.1	8.1
Accommodation and Food Service Activities	-5.8	4.0	-1.3	4.0	-39.4	-32.9	-13.4
Information and Communication	7.7	11.4	12.5	8.0	14.1	13.9	19.4
Financial and Insurance Activities	5.3	14.6	14.8	11.8	9.4	13.7	6.6
Real Estate Activities	12.8	6.4	9.6	4.2	-1.2	-6.0	4.6
Professional Services	4.0	2.8	-7.1	-3.1	-2.7	-6.8	3.2
Education, Human Health and Social Work Activities	-10.8	5.7	-1.6	4.5	2.0	2.1	1.7
Public Administration and Defence	-0.8	5.2	6.9	5.2	1.6	0.8	1.2
Other Services (Excluding Own-services)	10.0	8.6	2.9	1.3	-6.5	-13.5	2.2
GDP	3.4	4.5	4.8	4.2	-3.6	-9.1	8.0

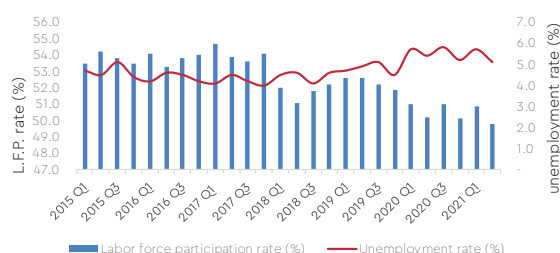
Source : Department of Census and Statistics

(a) Provisional

(b) Revised

Unemployment

Reflecting the economic recovery in the first half of 2021 to a "new normal status", the unemployment rate declined to 5.1 percent in the second quarter of 2021, compared to the 5.7 percent recorded in the first quarter of 2021. The labour force participation rate, which was 50.2 percent in the second quarter of 2020, has dropped to 49.8 percent in the second quarter of 2021 while increasing employment rate to 94.9 percent from 94.3 percent.

FIGURE 2.7 : Labor Force Participation Rate and Unemployment Rate

Source : Department of Census and Statistics

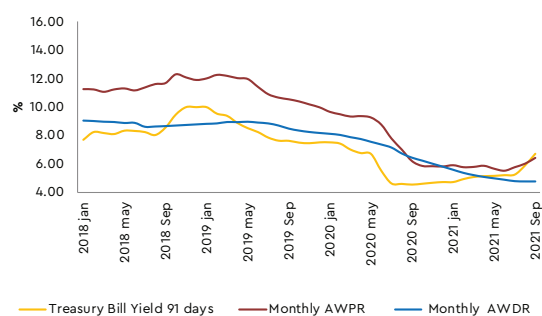
2.3 Monetary Sector Developments

The Central Bank maintained an accommodative monetary policy stance in meeting the challenges posed by the pandemic since March 2020. The Central Bank significantly reduced Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 250 basis points to 4.5 percent and by 250 basis points to 5.5 percent, respectively in July 2020 from SDFR of 7.0 percent and SLFR of 8.0 percent at the end of 2019 to revive economic activities through stimulating private sector credit growth. A range of policy measures have been conducted by the Central Bank to reduce the interest rates and increase the private sector credit growth including the introduction of new credit schemes at concessional rates for working capital purposes. With this aggressive policy support, credit to private sector increased by 15.1 percent from August 2020 to Rs. 6,796 billion at the end of August 2021.

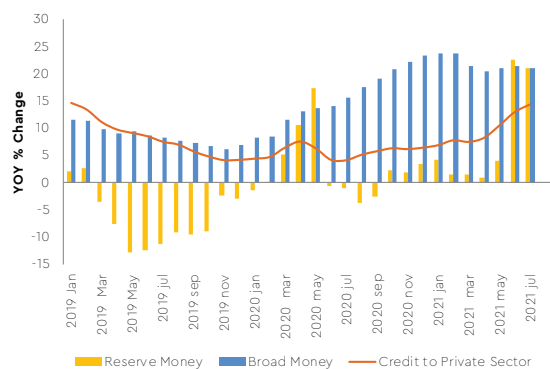
However, policy interest rates of SDFR and SLFR have been increased by 50 basis points each, to 5.00 percent and 6.00 percent, respectively in August 2021 while increasing Statutory Reserve Ratio (SRR) by 2.0 percentage points to 4.00 percent effective from September 2021 given the uptick in the economic growth recorded coupled with the ensuing pressures on the real sector.

Average Weighted Lending Rate (AWLR) was 10.17 percent at the end of January 2021 and dropped to 9.50 percent towards the end of June 2021 and had further dropped to 9.38 percent at the end of August 2021. Meanwhile, Average Weighted Deposit Rate (AWDR) dropped to 4.75 percent by September 2021 from 5.58 percent at the end of January 2021. While Broad Money (M_{2b}) increased by 10.3 percent from Rs. 9,533 billion at the end of January 2021 to Rs. 10,514 billion at the end of August 2021, the credit to the private sector increased substantially to Rs. 6,796 billion at the end of August 2021 from Rs. 6,197 billion at the end of January, 2021.

FIGURE 2.8 : Yield Rates, Monetary Aggregates and Private Sector Credit Growth



Source : Central Bank of Sri Lanka

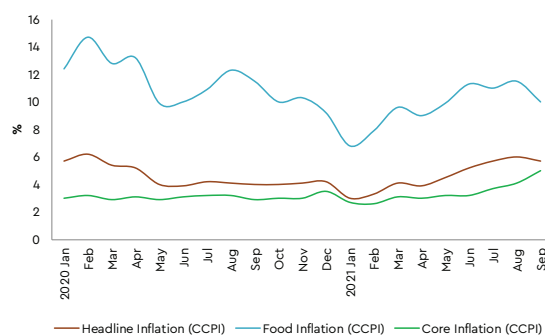


Source : Central Bank of Sri Lanka

Inflation

Headline inflation as measured by the Colombo Consumer Price Index (CCPI, based year 2013=100), on year on year basis, exhibited an increasing trend from 3.0 percent in January to 6.0 percent in August 2021. Supply side constraints coupled with weather related issues have created a significant inflationary pressures on the prices of essential food items particularly rice, milk powder, coconut, fresh fish and also on non food items such as gas.

FIGURE 2.9 : Movements in Headline, Core and Food inflation (Based : 2013 = 100)



Source : Department of Census and Statistics

TABLE 2.5 : Headline Inflation, Core Inflation and Food Inflation (Base : 2013 = 100)

Month	Headline Inflation (%)				Core Inflation* (%)				Food Inflation (%)			
	YoY		Annual Average		YoY		Annual Average		YoY		Annual Average	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
January	5.7	3.0	4.5	4.3	3.0	2.7	5.3	3.1	12.4	6.8	2.0	10.9
February	6.2	3.3	4.6	4.1	3.2	2.6	5.1	3.0	14.7	7.9	3.3	10.3
March	5.4	4.1	4.7	4.0	2.9	3.1	4.9	3.0	12.8	9.6	4.4	10.1
April	5.2	3.9	4.8	3.9	3.1	3.0	4.7	3.0	13.2	9.0	5.5	9.7
May	4.0	4.5	4.7	3.9	2.9	3.2	4.4	3.0	9.9	9.9	6.3	9.7
June	3.9	5.2	4.7	4.1	3.1	3.2	4.2	3.0	10.0	11.3	7.2	9.9
July	4.2	5.7	4.8	4.2	3.2	3.7	4.0	3.1	10.9	11.0	8.4	9.9
August	4.1	6.0	4.8	4.3	3.2	4.1	3.8	3.2	12.3	11.5	9.7	9.8
September	4.0	5.7	4.7	4.5	2.9	5.0	3.6	3.3	11.5	10.0	10.4	9.7
October	4.0	-	4.6	-	3.0	-	3.4	-	10.0	-	10.7	-
November	4.1	-	4.6	-	3.0	-	3.2	-	10.3	-	11.2	-
December	4.2	-	4.6	-	3.5	-	3.1	-	9.2	-	11.4	-

Source : Department of Census and Statistics

2.4 Stock Market

The stock market gained momentum in the first nine months of 2021 reflecting a shift in the investment opportunities in the country attributed also to the aggressive digitalization strategy adopted by the SEC and the CSC. The all Share Price Index (ASPI) and S&P Sri Lanka 20 index recorded a growth of 58.1 percent and 43.5 percent, respectively by end September 2021, compared to the same period of 2020. Market capitalization significantly increased by 62.4 percent to Rs. 4,215.6 billion at the end September 2021, compared to Rs. 2,595.8 billion at the end of September 2020. The average daily turnover increased significantly by 200.7 percent to Rs. 4,455.0 million in the first nine months of 2021, compared to Rs. 1,481.6 million in the same period 2020. The cumulative foreign sales

were Rs. 73.5 billion in the first nine months of 2021, compared to Rs. 87.0 billion in the same period of 2020.

The CSE initiated digitalization of the operations in the stock market in September 2020 jointly with the Securities and Exchange Commission of Sri Lanka (SEC) in order to provide uninterrupted access for stakeholders, increasing investor participation and enhancing operational efficiencies. The second phase was completed in July 2021 and the third phase is expected to be completed during the fourth quarter of 2021. new accounts 21,110 have been opened since the launch of the first phase of market digitalization by SEC. Also, the daily volume of new accounts have doubled and young investors have been attracted to the stock market with this digitalization drive.

TABLE 2.6 : Movements in Capital Market

Indicators	2015	2016	2017	2018	2019	2020	End Sep	
							2020	2021 ^(a)
All Share Price Index (1985 = 100)	6,895	6,228	6,369	6,052	8,120	6,774	5,985	9,460
S&P SL 20 Index	3,626	3,496	3,672	3,135	3,062	2,638	2,463	3,535
Market Capitalization (Rs. Billion)	2,938	2,745	2,899	2,840	3,599	2,961	2,596	4,216
No. of Listed Companies in Trading	294	295	296	297	289	283	285	287
Annual Average Turnover (Rs. Billion)	253	176	221	200	171	397	218	793
Foreign Sales (Rs. Million)	89,793	74,275	94,627	100,315	68,272	104,245	87,027	73,577
Foreign Purchases (Rs. Million)	84,421	74,625	112,285	77,067	56,537	52,889	46,905	28,715
Net Purchases (Rs. Million)	-5,372	350	17,658	-23,248	-11,735	-51,356	-40,122	-44,862

Sources : Colombo Stock Exchange and Central Bank of Sri Lanka

(a) Provisional

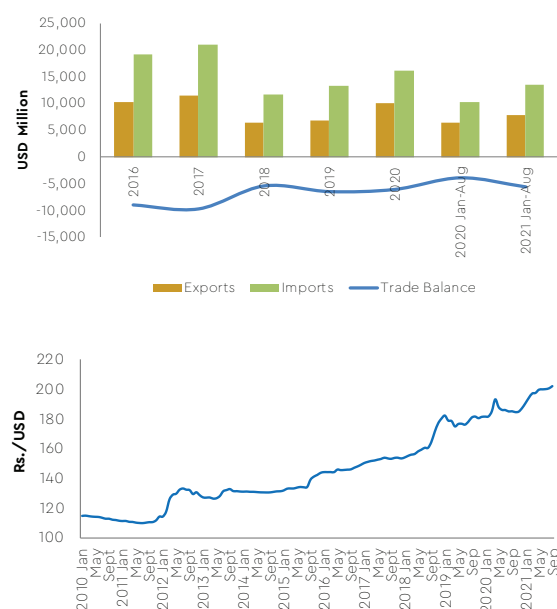
2.5 External Sector Developments

Sri Lanka's external sector demonstrated positive signs of recovery from the pandemic in the first eight months of 2021. All categories of exports including industrial, agricultural and mineral exports grew by 24.2 percent to USD 6,093.2 million, by 16.5 percent to USD 1,765.5 million and by 115.3 percent to USD 30.7 million, respectively. Import expenditure increased by 30.7 percent to USD 13,411.5 million in the first eight months of 2021, compared to USD 10,257.4 million in the same period of 2020. Import expenditure on intermediate goods, investments goods and consumer goods grew by 39.5 percent to USD 7,942.4 million, by 27.9 percent to USD 2,882.3 million and by 12.1 percent to USD 2,579.3 million, respectively. Expenditure on non-food consumer goods increased by 11.8 percent to USD 1,427.3 million in the first eight months of 2021 due to the increase in import expenditure on medical and pharmaceuticals particularly for vaccines, home appliances and telecommunication devices.

The overall Balance of Payments (BoP) is estimated to have recorded a deficit of USD 2,423 million in the first eight months of 2021, compared to the USD 722 million deficit in the same period of 2020. The inflow of foreign direct investments was USD 398 million in the first eight months of 2021, compared to USD 351 million in the same period of 2020. Moreover, total

foreign assets amounted to USD 7.3 billion at the end of August 2021 while Gross Official Reserves (GOR) stood at USD 3.5 billion by the end of August 2021 including the receipt of the allocation from Special Drawing Rights (SDR) by the International Monetary Fund (IMF) and due to the bilateral currency swap arrangements between the Central Bank of Sri Lanka and the Bangladesh Bank. Meanwhile, the Sri Lankan rupee depreciated by 6.8 percent against the USD as of October 18, 2021.

FIGURE 2.10 : Trade Balance and Exchange Rate Movements



Source : Central Bank of Sri Lanka

TABLE 2.7 : External Trade

Category	USD Million				
	2018	2019	2020	Jan-Aug	
				2020	2021 ^(a)
Exports	11,890	11,940	10,077	6,445	7,903
Agricultural Exports	2,580	2,462	2,336	1,516	1,766
Tea	1,429	1,346	1,241	806	882
Other Agricultural Products	1,151	1,116	1,095	710	883
Industrial Exports	9,258	9,427	7,702	4,905	6,093
Textile and Garments	5,318	5,597	4,423	2,853	3,435
Food, Beverages and Tobacco	462	447	464	303	354
Rubber Products	875	866	786	489	682
Machinery and Mechanical Appliances	435	400	338	210	329
Petroleum Products	622	521	374	268	295
Other Industrial Exports	1,546	1,596	1,317	783	998
Mineral Exports	34	34	25	14	31
Unclassified	18	18	14	9	14
Imports	22,233	19,937	16,055	10,257	13,412
Consumer Goods	4,980	3,957	3,402	2,300	2,579
Food and Beverages	1,606	1,427	1,554	1,024	1,152
Other Consumer Goods	3,374	2,530	1,847	1,277	1,427
Intermediate Goods	12,488	11,369	9,077	5,692	7,942
Petroleum	4,152	3,892	2,543	1,691	2,396
Textiles and Garments	2,859	2,909	2,335	1,457	1,944
Wheat and Maize	374	346	384	229	266
Other	5,104	4,222	3,814	2,315	3,336
Investment Goods	4,690	4,603	3,563	2,253	2,882
Machinery and Equipment	2,492	2,490	2,176	1,325	1,823
Building Materials	1,525	1,509	1,036	671	804
Transport Equipments	668	597	348	255	252
Other	6	8	3	2	4
Unclassified	75	8	14	11	8
Trade Deficit	-10,343	-7,997	-5,978	-3,812	-5,509

Source : Central Bank of Sri Lanka
(a) Provisional

Exports

Earnings from exports increased significantly by 22.6 percent to USD 7,903.0 million in the first eight months of 2021, compared to USD 6,445.0 million during the same period of 2020 due to the growth of industrial, agricultural and mineral exports with the impetus provided for the encouragement of export sector. Industrial exports earnings increased by 24.2 percent to USD 6,093.2 million in the first eight months of 2021 from USD 4,905.4 million in the same period of 2020. This was the result of the increased

earnings from textile and garments by 20.4 percent to USD 3,434.8 million, gems diamond and jewellery by 73.4 percent to USD 178.0 million, rubber products by 39.4 percent to USD 681.7 million, machinery and mechanical appliances by 57.1 percent to USD 329.1 million and petroleum products by 10 percent to USD 294.9 million. Export earnings from petroleum products increased with the increase in prices of aviation and bunker fuel and increase in export quantities of bunker fuel. Meanwhile, earnings from agricultural exports increased by 16.5 percent to USD

1,765.5 million in the first eight months of 2021 from USD 1,516.0 million in the same period of 2020 due to the increased earnings from tea, rubber, coconut, spices, unmanufactured tobacco and seafood, except vegetables and minor agricultural products. Earnings from rubber, coconut, spices and seafood increased by 52.7 percent to USD 27.3 million, by 25.0 percent to USD 276.9 million, by 45.2 percent to USD 282.4 million and by 24.3 percent to USD 165.5 million, respectively. Earnings from tea grew by 9.5 percent to USD 882.4 million in the first eight months of 2021 from USD 805.6 million in the same period of 2020 with the increase in tea exports in volumes, particular in August 2021. Meanwhile, earnings from mineral exports significantly increased by 115.3 percent to USD 30.7 million due to the increase in earnings from earths and stones.

FIGURE 2.11 : Composition of Exports



Source : Central Bank of Sri Lanka

Imports

Expenditure on imports significantly increased by 30.7 percent to USD 13,411.5 million in the first eight months of 2021, compared to USD 10,257.4 million in the same period of 2020. Import expenditure on consumer goods increased by 12.1 percent to USD 2,579.3 million due to the increase in imports of food and beverages and non-food consumer goods. Import expenditure on food and beverages grew by 12.5 percent to USD 1,151.9 million from USD 1,023.7 million in the same period of 2020 mainly owing to an increase in import expenditure on the cereals and milling industry products by 16.1 percent and

sugar and confectionery by 30.0 percent. Expenditure on non-food consumer goods increased by 11.8 percent to USD 1,427.3 million with the increase in imports of medical and pharmaceuticals especially vaccines for COVID-19, home appliances and telecommunication devices. However, import expenditure on personal vehicles significantly declined by 97.2 percent to USD 7.8 million from USD 280.8 million in the same period of 2020 reflecting the restrictions imposed on imports of motor vehicles. Meanwhile, import expenditure on intermediate goods increased significantly by 39.5 percent to USD 7,942.4 million in the first eight months of 2021 from USD 5,692.4 million in the same period of 2020 as a result of the increased expenditure on imports of fuel, textiles and textile articles, base metals, chemical products, plastic and articles thereof and rubber and articles thereof. Expenditure on fuel imports increased by 41.7 percent to USD 2,395.9 million reflecting the increase in prices of refined petroleum and crude oil.

Import expenditure on investment goods increased by 27.9 percent to USD 2,882.3 million in the first eight months of 2021 from USD 2,253.2 million in the same period of 2020, due to increased import expenditure on machinery and equipment and building material during the review period. Accordingly, import expenditure of machinery and equipment grew by 37.6 percent to USD 1,822.5 million, building material by 19.7 percent to US\$ 803.9 million while transport equipment import expenditure declined by 1.2 percent to USD 252.1 million.

FIGURE 2.12 : Composition of Imports



Source : Central Bank of Sri Lanka

Tourism and Workers' Remittances

Tourist arrivals declined by 95.2 percent to 24,377 persons in the first eight months of 2021, compared to 507,311 persons recorded in the same period of 2020 reflecting the impact of global travel restrictions in response to the pandemic.

Accordingly, earnings from tourism declined by 95.2 percent to USD 33 million in the first eight months of 2021 from USD 682 million in the same period of 2020. Workers' remittances marginally declined by 2.8 percent to USD 4,224 million in the first eight months of 2021 from USD 4,346 million in the same period of 2020.

Performance of State Owned Enterprises | 03

3.1 Overview

The COVID-19 pandemic has given prominence to the role played by State Owned Enterprises (SOEs). However, the sub-optimal performance of the SOEs driven by a lack of capacity, transparency, and accountability remains a concern and, hence, some have become a burden to the public coffers. Therefore, structural reforms are necessary to make such SOEs more financially viable, competitive, and innovative.

The aggregated net profits of the 52 strategic SOEs was Rs. 7.3 billion for the first seven months of 2021; out of which 32 SOEs recorded an aggregated profit before tax of Rs. 102.8 billion. However, this performance is eroded by the balance 20 SOEs' aggregated net loss of Rs. 95.5 billion. Only 19 SOEs paid dividends and levies to the government amounting to Rs. 13.7 billion in first seven months of 2021 with a year-on-year increase of 63 percent on the back of higher payments of dividends and levies by financial and telecommunication sectors.

A Committee is appointed by the Cabinet of Ministers to make decisions on the remuneration packages and recruitment processes of selected SOEs in order to achieve the objectives of the government policy framework. Cabinet approval is already granted to recruit high caliber professionals to the Board of Investment of Sri Lanka (BOI) to increase Foreign Direct Investments (FDIs) with an aim to fuel the economy. Furthermore, introducing technology into the financial and operational management systems of the SOEs has been identified for corrective measures in advance. In this regard, a web based data collection mechanism has been introduced to make SOE monitoring further strengthening.

3.2 Review of the Ten Major SOEs

This section reviews the performance of the ten major SOEs, in the finance & insurance, electricity, water, and aviation sectors.

Bank of Ceylon (BoC)

The asset base of the BoC increased by 14.6 percent to Rs. 3,420 billion as at end July 2021 from Rs. 2,983 billion as at end 2020 and continues to be the leading Commercial Bank in the country. The deposit base increased by 6.3 percent to Rs. 2,633 billion as at end July 2021, compared to Rs. 2,475 billion as at end 2020. Gross non-performing loan ratio of the bank has improved by 30 bps to 4.5 percent as at end July 2021, compared to 4.8 percent as at end 2020 benefitting from the continuation of concessions, such as, moratoria granted to its customers during the pandemic. Profit before Tax (PBT) of the BoC increased to Rs. 31 billion in the first seven months of 2021, compared to the Rs. 24 billion PBT reported for the entire financial year of 2020.

People's Bank (PB)

PB's asset base increased by 11.8 percent to Rs. 2,495 billion as at end July 2021 from Rs. 2,230 billion as at end 2020. The deposit base of the bank increased by 13 percent to Rs. 2,081 billion as at end July 2021 from Rs. 1,835 billion as at end 2020. Loans and advances increased by 10.9 percent to Rs. 1,911 billion as at end July 2021 from Rs. 1,723 billion as at end 2020. NPL increased marginally by 10 bps to 3.3 percent as at end July 2021 from 3.2 percent as at end 2020. PB recorded a PBT of Rs. 15 billion in the first seven months of 2021, compared to Rs. 21.2 billion recorded in the entire financial year of 2020. Meanwhile, PB successfully raised Rs. 3.5 billion in additional Tier I capital through the issuance of debentures in March 2021, improving its regulatory ratios.

National Savings Bank (NSB)

NSB's asset base increased by 10.8 percent to Rs. 1,511 billion as at end July 2021 from Rs. 1,364 billion as at end 2020 driven by customer deposits (90 percent of total assets) which increased by 10.2 percent to Rs. 1,363 billion as at end July 2021 from Rs. 1,237 billion as at end 2020. During the period of the first seven months of 2021, the bank has mobilized Rs. 126 billion worth of

deposits. The portfolio of loans & advances declined marginally to Rs. 510 billion as at end July 2021 from Rs. 517 billion as at end 2020. NSB recorded a PBT of Rs. 16.6 billion in the first seven months of 2021, compared to the PBT of Rs. 15.6 billion recorded in the financial year of 2020.

Sri Lanka Insurance Corporation Limited (SLIC)

SLIC recorded a PBT of Rs. 13.7 billion in the first seven months of 2021 compared to PBT of Rs. 23.7 billion in the financial year of 2020. Further, total revenue has improved by 25 percent year-on-year to Rs. 33.2 billion in the first seven months of 2021, compared to Rs. 26.5 billion recorded in the corresponding period of 2020. Having capitalized the conducive insurance market conditions which prevailed in the first seven months of 2021, the SLIC has expanded its asset base to Rs. 249.5 billion whilst life and non-life funds reached Rs. 147.6 billion and Rs. 18.5 billion, respectively, at the end of July 2021.

Ceylon Electricity Board (CEB)

CEB revenue from the sale of electricity has increased by 4 percent to Rs. 143 billion in

the first seven months of 2021, compared to Rs. 137 billion in the same period of 2020, owing to resumption of economic activities following relaxation of mobility restrictions. However, the direct electricity generation cost declined by 14 percent year-on-year to Rs. 94 billion during the first seven months of 2021, compared to Rs. 110 billion in the same period of 2020, benefitting from the heavy rain falls led increase in hydropower generation. Meanwhile, power generation through Non-Conventional Renewable Energy (NCRE) sources, especially wind and solar, and mini-hydro increased notably during the period. As such, the cost per unit at the selling point has considerably declined in first seven months of 2021 by 13 percent year-on-year to Rs. 17.30 per KWh compared to Rs. 20.08 per KWh in corresponding period of 2020. Consequently, CEB's operating loss has considerably declined by 96 percent year-on-year to around Rs. 1 billion for the first seven months of 2021 compared to the operating loss of Rs. 23 billion for the same period of 2020. CEB's issue of Rs.20 billion worth of Senior, Unsecured, Listed, Redeemable, Rated Debentures with a maturity period of five (5) years was oversubscribed on the opening day of 08th April 2021 itself.

TABLE 3.1 : Composition of Electricity Generation and Capacity

	2020 Jan – July			2021 Jan – July (Provisional)		
	Installed capacity MW	Percentage on Total Generation	GWh	Installed capacity MW	Percentage on Total Generation	GWh
Hydro	1,399	20%	1,864	1,383	28%	2,737
Thermal – CEB Oil	654	10%	961	654	8%	841
Thermal – IPP Oil	704	19%	1,756	457	12%	1,161
Wind – CEB	–	–	–	31	2%	150
Thermal – Coal	900	41%	3,936	900	38%	3,825
NCRE & Wind	660	8%	782	698	10%	1,024
Rooftop Solar	236	2%	154	305	2%	214
Total	4,553	100%	9,453	4,428	100%	9,952

Source: CEB and Department of Public Enterprises

CEB's borrowings from state banks for working capital requirements has declined by 41 percent to Rs. 24.5 billion at the end of July 2021 from Rs. 41.5 billion recorded at the end of 2020. However, the total outstanding obligations to the state banks, including project loans, as at the end of July 2021 stood at Rs. 365.5 billion compared to Rs. 371.9 billion at the end of 2020. Moreover, trade payables to Ceylon Petroleum Corporation (CPC) and Independent Power Producers (IPPs) has decreased to Rs. 128 billion at the end of July 2021 from Rs. 136 billion recorded as at end 2020.

Ceylon Petroleum Corporation (CPC)

CPC recorded a loss of Rs. 61,886 million for the first seven months of 2021 compared to Rs. 4,584 million in the same period of 2020. This was mainly due to the year-on-year increase in international oil prices by 47 percent from USD 51/bbl to USD 75/bbl and a year-on-year 9 percent depreciation of the rupee against the USD from Rs. 182.73 to Rs. 199.49. However, financial shocks of the CPC are temporarily absorbed by the two State Banks i.e. BoC and PB which has reached to Rs. 707,505 million payables as at end of July 2021.

To fulfil the demand of 2,942 million litres of finished petroleum products, CPC has imported 18.4 million barrels of crude oil and finished products at aggregate cost of Rs. 253,668 million in the first seven months of 2021. Total cost of sales increased by 17 percent year-on-year to Rs. 315,885 million in the first seven months of 2021, compared to Rs. 268,225 million recorded in corresponding period of 2020.

Despite the increase in retail prices of petroleum products in June 2021 to absorb some of the costs, CPC recorded an operating loss of Rs. 18,848 million in the first seven months of 2021 compared to the operating profits of Rs. 17,402 million in the same period of 2020. Meanwhile, with the pressure to settle the outstanding of the USD denominated loan, the CPC faced with severe financial constraints with finance cost increasing by 19 percent year-on-year to Rs. 13,709 million for the

first seven months of 2021 compared to Rs. 11,516 million in the same period of 2020.

Higher credit receivables amounting to Rs. 152,430 million as at the end of July 2021 has adversely affected the financial position of the CPC.

In view of all facts, in order to mitigate the impact of the volatility in global prices, CPC has planned to adopt a multi-pronged strategy to increase the refinery capacity and the storage facilities in collaboration with potential investors.

Sri Lanka Ports Authority (SLPA)

The Government embarked on an aggressive port related infrastructure development drive in the first quarter of 2021. The SLPA initiated to commence the development of East Container Terminal (ECT) and develop the West Container Terminal (WCT) with the participation of private sector. SLPA is in the process of parallel development of ECT and WCT during the next five years and be fully operationalized by 2025 to cater the increasing demand of services in the international shipping industry.

During the first seven months of 2021, 2,249 cargo and other ships and vessels have called to the SLPA operated ports of Colombo, Trincomalee and Galle, which is a 5 percent decline year-on-year compared to the same period of 2020. However, SLPA handled a total throughput container of 1.28 million TEUs, recording a 7 percent increase in the first seven months of 2021.

Revenue generated by the SLPA through navigation, stevedoring, wharf handling, port facilities, and other service operations increased by 18 percent year-on-year to Rs. 31,207 million in the first seven months of 2021, compared to Rs. 26,545 million in corresponding period of 2020, while total expenditure increased by 6 percent to Rs. 18,340 million. SLPA's PBT increased by 37 percent year-on-year to Rs. 11,525 million in the first seven months of 2021, compared to the PBT of Rs. 8,436 million in the same period of 2020. Foreign and local debt of the entity reached to Rs. 55,434 million and

Rs. 8,364 million, respectively, as at end July 2021.

National Water Supply and Drainage Board (NWS&DB)

In line with the Government's commitment to provide clean and safe drinking water to the entire population of the country by 2025, the water supply coverage by NWS&DB is expected to be increased from 43.8 percent as at 2020 to 78.8 percent and piped sewer coverage from 2.2 percent to 3.0 percent by end 2025. As at end July 2021, a total piped borne water coverage increased to 55 percent, safe water supply coverage to 95.1 percent, and piped sewerage coverage to 2.05 percent.

NWS&DB, with an increase of 4 percent year-on-year, recorded Rs. 16,560 million in revenue in the first seven months of 2021 compared to Rs. 15,928 million in the same period of 2020. However, gross profit declined by 7.7 percent to Rs. 6,298 million in the first seven months of 2021 due to an increase in cost of sales and its ripple effect is observed in operating loss of Rs. 1,011 million in the first seven months of 2021 compared to operating profit of Rs. 198 million in the same period of 2020.

NWS&DB has added 101,861 new connections to the system with a total connections of 2.66 million while producing 471 million cubic meters and selling 352 million cubic meters of water during the first seven months of 2021. However, the increase in Non-Revenue Water (NRW) percentage to 25.3 percent as at end July 2021 compared to 24.6 percent as at end December 2020 calls for prudent measures to control NRW.

The General Treasury contributed to fulfill NWS&DB's obligation to service the loans covering 50 percent on urban projects, 75 percent on rural projects and 100 percent on Chronic Kidney Disease (CKD) reduction projects with a total financial support of Rs. 8,447 million for the first seven months of 2021.

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

The COVID-19 pandemic and its related containment efforts have significantly reduced demand for passenger and freight air travel in the aviation sector. During the first half of 2021, there were only 166,648 passenger arrivals and 125,525 passenger departures. AASL recorded a net loss of Rs.1,792 million in the first seven months of 2021, compared to a net loss of Rs.3,748 million in the previous financial year.

AASL continues to invest in major infrastructure projects at Bandaranaike International Airport in order to increase the airport's capacity to 15 million passengers per year by 2024. With the award of an Airport Health Accreditation certificate by the Airports Council International, Mattala Rajapaksa International Airport, became one of the 600 airports worldwide with such an accreditation out of around 17,600 commercial airports worldwide.

SriLankan Airlines (SLA)

Despite continued border restrictions and airport closures, SLA as the National Carrier has maintained global trade and repatriated Sri Lankans stranded overseas. However, compared to 166,969 passengers transported in the financial year ended March 2021, SLA was able to transport 121,944 passengers from April to July 2021 and maintain seat factor around 20 percent. Compared to the total Cargo Tons of 56,406 carried by SLA in whole financial year of 2020/21, SLA carried Cargo Tons of 29,442 during April to July 2021.

SLA has earned Rs. 28,600 million revenue during April to July 2021 compared to Rs. 39,600 million revenue for the whole financial year ended March 2021. Net loss of the company for the April to July 2021 is Rs. 24,800 million compared to Rs. 58,066 million in 2020/21 financial year.

TABLE 3.2 : Profitability of 52 State Owned Enterprises*Rs. Million*

	Enterprise	2019*	2020*	For the period ended 31.07.2021 (Draft)
1	Bank of Ceylon	29,685	23,552	31,056
2	People's Bank	19,666	21,227	15,006
3	National Savings Bank	10,462	15,645	16,652
4	State Mortgage & Investment Bank	465	587	316
5	HDFC Bank	774	978	638
6	Pradeshiya Sanwardena Bank	1,222	1,586	412
7	Employees' Trust Fund Board	29,761	32,500	2,475
8	Sri Lanka Insurance Corporation Ltd	19,865	23,663	13,728
9	National Insurance Trust Fund	3,009	9,015	4,523
10	Sri Lanka Export Credit Insurance Corporation	253	265	**183
11	Agriculture and Agrarian Insurance Board	627	1,257	207
12	Ceylon Electricity Board	-85,411	-62,561	-929
13	Ceylon Petroleum Corporation	-11,836	2,371	-61,886
14	Sri Lanka Ports Authority	16,155	20,327	11,525
15	National Water Supply and Drainage Board	-1,111	663	-825
16	Airport and Aviation Services (Sri Lanka)Ltd	15,223	-3,748	-1,792
17	Sri Lankan Airlines Ltd (a)	-47,198	-58,066	-24,800
18	Sri Lanka Transport Board	1,890	-2,383	-3,215
19	State Engineering Corporation	-976	-997	-730
20	Central Engineering Consultancy Bureau	340	261	-6
21	State Development and Construction Corp.	-844	-243	-106
22	Milco (Pvt) Ltd	-619	417	240
23	National Livestock Development Board	-362	6	**110
24	Sri Lanka State Plantations Corporation	-330	-150	-95
25	Janatha Estates Development Board	-757	-350	-118
26	Kurunegala Plantations Ltd.	120	214	289
27	Chilaw Plantations Ltd.	64	283	295
28	Kalubovitiyana Tea Factory Ltd.	-53	43	-34
29	Sri Lanka Cashew Corporation	43	15	**2
30	Lanka Mineral Sands Ltd	1,982	69	450
31	Lanka Phosphate Ltd.	21	66	**23
32	Kahatagaha Graphite Lanka Ltd	21	1	6
33	Development Lotteries Board	2,897	2,994	1,857
34	National Lotteries Board	1,323	1,435	**1,369
35	State Pharmaceuticals Manufacturing Corporation	592	1,164	653
36	Sri Lanka Ayurvedic Drugs Corporation	3	9	5
37	State Pharmaceuticals Corporation	2,176	2,546	485
38	Sri Jayawardenepura General Hospital	-94	174	21
39	Independent Television Network Ltd.	-571	-213	-244
40	Sri Lanka Rupavahini Corporation	-501	-234	-56
41	Sri Lanka Broadcasting Corporation	-101	-28	29
42	Sri Lanka Handicraft Board	99	-98	-58
43	State Timber Corporation	317	464	80

TABLE 3.2 : Profitability of 52 State Owned Enterprises (Contd.)

Rs. Million

Enterprise	2019*	2020*	For the period ended 31.07.2021 (Draft)
44 STC General Trading Company	-27	-120	**31
45 Lanka Sathosa Ltd	-2,982	-1,381	** -151
46 State Printing Corporation	-169	23	** -226
47 Ceylon Fisheries Corporation	-100	-48	-43
48 Ceylon Fishery Harbour Corporation	-71	-109	-83
49 Ceylon Fertilizer Company Ltd	189	268	12
50 Colombo Commercial Fertilizer Company Ltd	306	241	58
51 Hotel Developers Lanka Ltd.	-312	-892	-153
52 Lanka Sugar Company Ltd	-1,304	1,171	158
Total	3,821	33,879	7,344

Source: SOEs and Department of Public Enterprises

* Provisional

** profit as at 30.06.2021 (Jan-June 2021)

(a) Financial year end 31st March (i.e. 2020-2020/21)

TABLE 3.3 : Levy/ Dividend Income from SOEs

Rs. Million

	Actual			Projection	
	2019	2020	Upto 31.07.2021	2022	2023
Levy	22,634	14,769	10,058	22,537	22,610
National Savings Bank	2,000	1,000	1,500	1,510	1,520
Bank of Ceylon	-	1,250	1,500	2,010	2,020
People's Bank	2,200	2,500	500	3,000	3,000
Telecommunication Regulatory Commission	8,950	5,000	5,500	10,050	10,100
Regional Development Bank	169	-	-	-	-
State Timber Corporation	50	-	-	50	50
National Insurance Trust Fund	3,268	782	412	2,000	2,000
Geological Survey and Mines Bureau	2,300	-	-	350	350
National Gem and Jewellery Authority	25	-	-	15	15
Board of Investment	250	156	-	500	500
Securities and Exchange Commission	53	-	-	-	-
Sri Lanka Export Credit Insurance Corporation	15	-	-	25	25
Central Engineering Consultancy Bureau	25	-	-	25	25
Sri Lanka Tourism Promotion Bureau	500	-	-	300	300
Civil Aviation Authority	800	-	-	500	500
State Pharmaceuticals Manufacturing Corporation	-	-	-	200	200
State Pharmaceuticals Corporation	-	-	-	200	200
National Transport Medical Institute	200	-	-	200	200
Sri Lanka Bureau of Foreign Employment	650	-	-	500	500
National Transport Commission	50	-	-	-	-
Sri Lanka Tourism Development Authority	200	-	-	300	300
Sri Lanka Land Reclamation and Development Corporation	29	-	-	150	150
Sri Lanka Ports Authority	900	-	-	-	-
National Medicine Regulatory Authority	-	81	80	82	83

TABLE 3.3 : Levy/ Dividend Income from SOEs (Contd.)

Rs. Million

	Actual			Projection	
	2019	2020	Upto 31.07.2021	2022	2023
National Institute of Business Management			16	18	20
Sri Lanka Ayurvedadic Drug Corporation				2	2
Road Development Authority	-	4,000	-	-	-
Land reforms Commission			350	350	350
National Lotteries Board			200	200	200
Dividends	5,025	2,855	3,685	5,818	5,881
National Savings Bank	60	60	30	65	70
Bank of Ceylon	346	347	173	350	355
People's Bank	316	316	158	320	321
National Development Bank PLC	1	1	1	-	-
Sri Lanka Insurance Corporation Ltd	1,720	695	899	2,000	2,000
Airport and Aviation Services Ltd	500	-	-	350	400
Lanka Mineral Sands Ltd	130	-	500	500	500
Lanka Phosphate Ltd	7	-	5	5	7
Lanka Leyland Ltd	13	2	-	-	-
Rakna Arakshaka Lanka Ltd	37	-	-	30	30
Manthai Salt Ltd	-	2	1	8	8
Ceylon Fertilizer Ltd	15	304	-	8	8
Colombo Commercial Fertilizer Ltd	10	-	-	10	10
Paranthan Chemicals Company Ltd	-	10	-	20	20
Sri Lanka Telecom PLC	947	947	1,331	1,350	1,350
De La Rue Lanka Ltd	133	-	159	175	175
Lanka Electricity Company Ltd	501	-	327	350	350
Lanka Industrial Estates Ltd	82	82	-	60	60
Ceylon Agro Industries Ltd.	23	77	48	100	100
Lanka Thriposha Ltd				30	30
Plantation Companies	172	12	53	86	86
Others	12	-	-	1	1
Total	27,659	17,624	13,743	28,355	28,491

Source: SOEs and Department of Public Enterprises

**Basis Used for
Preparation of
2022 Budget** | **04**

BASIS USED FOR THE PREPARATION OF 2022 BUDGET ESTIMATES

The macroeconomic and fiscal estimates in the Budget 2022 are based on a series of assumptions, analyses and staff judgements at the time of budget preparation. This provides details of the macroeconomic indicators which are used for estimates such as GDP, inflation, external sector developments, and unemployment's etc and assumptions used for revenue and expenditure while providing sensitivities of the estimates.

Gross Domestic Product

The "V-shaped" recovery of the Sri Lankan economy continued with the impressive economic growth of 8.0 percent in the first half of 2021, despite the unprecedented challenges encountered both in the domestic and external fronts. It is expected the economy to grow by 5.0 percent in 2022 with well-managed vaccination rollouts and the Government commitments to control the pandemic while safeguarding the most vulnerable people in the society. The expansion of economic activity is further supported by the expected FDI inflows to the major projects including the Port City, technoparks, Special Development Projects such as Fabric Park and pharma zone and export processing zones. This will be further strengthened through the digitalization drive of the Government while expanding the free-port activities. However, the pandemic related risks and its dynamics, supply side disruptions, the rise in unemployment and inflationary pressure would exert pressure on the anticipated growth.

From the demand side, private and government final consumption expenditure, net exports and gross fixed capital formation are expected to be driven the growth in 2022. From the supply side, three major sectors in the economy i.e. Agriculture, Industry and Services sector would contribute positively to the growth expectation. The agriculture sector is expected to revive particularly in plantation crops and export crops in addition to the non-traditional agricultural items such as fruits and vegetables and flower cuts with the

clear-guided policy directions combined with anticipated favourable weather conditions. Benefiting from the potential growth in the manufacturing industry and construction, among other key sectors, the industry sector is expected to rebound in 2022. The Services sector which is the largest contributor to the GDP is expected to expand further with positive contributions from Information Communication Technology, transportation, financial services and the real estate sector. The education and health sector of the country would remain as the catalyst for the expansion of the Services sector.

Consumer Prices

Despite the price hikes witnessed in the first half of 2021 as a resultant to the pandemic induced demand and supply side mismatches both on domestic and external sides in the near term, the present high inflation is expected to ease off in 2022 and would maintain a mid-single digit level inflation in 2022. The Government's commitments to increase local production to achieve food security of the country would help improve the supply side. In addition, trade and fiscal policy instruments are expected to help stabilize prices of essential food items by revising relevant taxes and duties and other policy measures when required. The fuel prices are on the rise recording over USD 80 a barrel in October 2021 for the first time since 2018 due to the supply side disruptions and the increase in demand for fuel as economies started to reopen which will be an extra shock to the fuel prices in Sri Lanka. This will be expected to recover in 2022. With the anticipated improved performance on the fiscal side together with monetary policy measures, inflation is expected to remain in the target level in 2022.

Employment and Unemployment

The Government continued the implementation of measures to keep the employment at a sustainable level while creating more opportunities through the attraction of both local and foreign investments, in particular, industrial

and services sectors. As observed over the years, the women labour force participation rate is 32.0 percent in 2020, which is well below considering their educational levels. Hence, active participation of women labour force is anticipated with the flexible administrative measures together with facilitating the delivery of the service through online platforms. The unemployment rate has improved in the second quarter of 2021 with the reduction of unemployment rate by 0.6 percentage points to 5.1 percent from 5.7 percent in the first quarter with the expansion of economic activities in new normal economic conditions. Hence, the unemployment rate is expected to decline and maintain at around 4.5 percent in 2022.

External Sector

Sri Lanka's external sector is expected to bounce back in 2022 with the increase in exports while normalising the imports despite the import restriction of non-essential items hence, the trade deficit is expected to improve. Transport services and IT/BPO activities are expected to expand in 2021 and 2022. Tourism and workers' remittances are expected to recover with the normalization of economic activities. As such, the external current account deficit is expected to improve over the medium term. FDI inflows are expected to rebound with the commencement of the Port City project and a stable exchange rate is anticipated during 2022.

Monetary Aggregates

The money supply is expected to maintain at a level compatible with the expected growth in the nominal GDP in 2022. The fiscal consolidation efforts along with the improvement in the performance of State Owned Enterprises will inject more resources in the market which could be used for the private sector investment to realize the expected economic growth in 2022.

Revenue

Assumptions used for the revenue estimates are given in Annex IV.

Expenditure

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

- The expenditure estimates on salaries and wages are based on the assumption that there will be about 1.5 million employees in the public sector while allowing a normal annual increase in the salaries due to annual increments entitled by employees. The confirmation of new recruitments to the permanent positions is included in the salary bill for 2022.
- The number of pensioners is assumed to be around 0.71 million in estimating the expenditure on pension payments with the partial impact of about 25,000 and 28,000 retirees who would retire in 2021 and 2022, respectively.
- There will be an increase in expenditure on interest payments given the anticipated higher domestic interest rates in 2022 consequent to the moderate increase in inflation.
- Expenditure on utility services and supplies etc. would be further tightened by strictly managing its medium term fiscal targets.
- Transfers and subsidies to households will be continued by implementing support programmes for school children and differently-abled soldiers in addition to the cash grant provided for the vulnerable groups in the society due to the COVID-19 pandemic. Social security and welfare schemes for the needy people such as free medicine, poverty alleviation programs will be continued together with agriculture support programs.
- Promotion of IT and digitalized based solutions to all sectors is given priority.
- Transfers to public institutions and corporations will be maintained at the desired level while expecting a strong improvement in their performance.
- Public investment is expected to maintain at 5–7 percent of GDP over the medium term in economic and

social infrastructure such as roads, transportation, water, education, health and vocational training etc., while stimulating the private sector in economic activities.

- Efforts to improve the quality of public spending and curtailment of unproductive expenditures will be strengthened.
- To avoid duplication and smooth functioning of the utilization of budgetary provisions, close cooperation and monitoring mechanisms with devolved agencies and line ministries are applied when implementing development activities.
- Commitment control mechanisms will be implemented for fiscal and cash flow management.
- Priority has been given for institutional development in terms of the process, service delivery and rule of law.

Borrowings

The government debt to GDP ratio is to be increased to 102.8 percent in 2021 from 101.0 percent by 2020 and the ratio will decline to 101.7 percent of GDP in 2022. The debt is projected to contain at around 75 percent of GDP by 2027. 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 containment of debt is expected to be conducted through revenue based fiscal consolidation while enhancing tax revenue, rationalizing the expenditure and strengthening the external sector. The debt management will be continued to focus on ensuring that the financing needs of the government are met at the lowest possible cost.

Sensitivities to the Estimates

Economic Projections could be sensitive to the following challenges:

- Recovery of the global economy in 2022 is expected to increase

in international energy 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 intensification of the COVID-19 pandemic or other related health risks
- Adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth
- Risks associated with natural disasters and possible international geopolitical uncertainties.
- Unfavorable weather conditions could have an adverse impact on agriculture, hydropower generation and government budget
- Administrative and procurement related impediments
- Capacity constraints to the medium term transformation may affect the use of funds in relation to foreign funded mega projects and thereby investment level and economic growth.
- Risks likely to have a material effect on the fiscal position
- Deterioration of global imbalances resulting in a lower than expected global economic growth which could adversely affect external demand for Sri Lankan goods and services which will result in a slowing down of the Sri Lankan economy
- Fluctuated prices of petroleum and commodity in the international market could have an impact on the macroeconomic stability and growth targets while affecting government expenditure and revenue.
- Increasing trend in public sector employees' salaries and pensions related recurrent expenditure
- Underperforming State Owned Business Enterprises (SOBEs)

The List of Treasury Guarantees Issued by the General Treasury – August 31, 2021

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
1	People's Bank	Ceylon Electricity Board	26,526.65	312,841.80
		Ceylon Petroleum Corporation	185,990.76	
		Ceylon Shipping Corporation Ltd	14,734.29	
		Lanka Coal Company (Pvt) Ltd	11,000.00	
		National Water Supply & Drainage Board	6,427.77	
		National Paper Corporation	140.00	
		Paddy Marketing Board	1,942.95	
		Road Development Authority	51,249.95	
		State Printing Corporation	1,350.00	
		Sri Lankan Airlines Limited	10,138.44	
		Sri Lanka State Plantation Corporation	100.00	
		Lanka Sathosa Limited	3,241.00	
		2	Bank of Ceylon	
Ceylon Electricity Board	5,000.00			
Ceylon Fisheries Corporation	350.00			
Ceylon Petroleum Corporation	184,407.93			
Elkaduwa Plantation Ltd	30.00			
General Sir John Kotelawala Defence University	835.00			
Janatha Estates Development Board	140.00			
National School of Business Management Limited	8,600.00			
National Water Supply & Drainage Board	55,176.62			
Northsea Limited	39.02			
Paddy Marketing Board	2,500.00			
Road Development Authority	135,443.03			
Sri Lankan Airlines Limited	7,621.42			
State Development and Construction Corporation	1,000.00			
Sri Lanka Rupavahini Corporation	200.00			
State Engineering Corporation	2,400.00			
Urban Development Authority	2,189.88			
3	National Savings Bank	Ceylon Electricity Board	7,500.00	176,011.61
		General Sir John Kotelawala Defence University	35,923.35	
		Lakdhanavi Ltd.	2,992.00	
		National Water Supply & Drainage Board	30,710.61	
		Road Development Authority	92,615.66	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00	
		Urban Development Authority	2,770.00	
4	Commercial Bank	National Water Supply & Drainage Board	968.36	5,724.29
		Road Development Authority	4,755.93	

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
5	DFCC Bank	National Water Supply & Drainage Board	6,026.24	11,922.75
		Road Development Authority	5,896.51	
6	Employees' Trust Fund Board	Lakdhanavi Ltd.	2,992.00	2,992.00
7	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	18,165.21	18,165.21
8	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	37,637.50
		National Water Supply & Drainage Board	13,504.35	
		Road Development Authority	20,133.15	
9	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	9,043.76	42,003.77
		West Coast Power(Pvt)Ltd.	32,960.01	
10	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	8,600.05	8,600.05
11	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	142,038.75	142,038.75
12	National Development Bank	National Water Supply & Drainage Board	21,380.43	21,380.43
		Road Development Authority	6,299.21	6,299.21
13	Exim Bank of India	National Water Supply & Drainage Board	52,597.24	52,597.24
14	China Development Bank	National Water Supply & Drainage Board	12,799.28	12,799.28
15	Asian Development Bank	Ceylon Electricity Board	95,277.43	95,277.43
16	Sampath Bank PLC	Road Development Authority	14,500.00	14,500.00
17	UniCredit Bank Austria AG	National Water Supply & Drainage Board	12,368.56	12,368.56
18	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	20,276.59	20,276.59
19	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	2,458.77	2,458.77
20	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	8,969.40	8,969.40
21	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	35,857.10	35,857.10
22	Sri Lanka Savings Bank Limited	Northsea Limited	60.00	60.00
23	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	36,881.59	36,881.59
Total			1,484,096.23	1,484,096.23

Source : Department of Treasury Operatios

Macroeconomic Indicators

TABLE 1 : Key Sectoral Growth Rate % : 2019–2021

	2019	2020	2021 Q ₄ ^(a)	2021 Q ₂ ^(a)
GDP	2.3	-3.6	4.3	12.3
Agriculture	1.0	(2.4)	6.1	8.1
Industry	2.6	-6.9	5.5	22.1
Services	2.2	-1.5	3.0	7.5
Inflation – GDP Deflator (%)	2.2	3.4	4.1	7.4
Unemployment Rate (%)	4.8	5.5	5.7	5.1

Source : Department of Census and Statistics
(a) Provisional

TABLE 2 : Quarterly Growth Rates of Key Sub-Sectors of Agriculture : 2019–2021

Sector	2019	2020	2021 ^(a)	
			Q ₄	Q ₂
Tea (Mn kg)	300.1	278.5	73.8	85.9
Growth %	-1.2	-7.2	37.5	11.8
Rubber (Mn kg)	74.8	78.2	22.7	20.8
Growth %	-9.5	4.6	16.0	15.6
Coconuts (Mn nuts)	3,085.6	2,792.2	720.5	770.8
Growth %	17.6	-9.5	7.4	13.5
Fish ('000 Mt)	505.8	428.7	108.9	101.3
Growth %	-4.0	-15.2	-9.7	20.3
	Maha	Yala	Maha	
Paddy ('000 Mt)	3,072.6	1,924.2	3,196.8	

Source : Central Bank of Sri Lanka
(a) Provisional

TABLE 3 : Performance in Industrial Sector : 2019 – 2021

Description	2019	2020	Rs. Million	
			2021 ^(a)	2021 ^(a)
			Q ₄	Q ₂
Food, Beverages and Tobacco Products	574,888	599,902	185,555	121,937
Growth Rate	2.8	4.4	6.0	5.4
Textile, Wearing Apparel and Leather Related Products	326,803	287,844	108,972	56,943
Growth Rate	0.7	-11.9	8.4	60.7
Chemical Products and Basic Pharmaceutical Products	100,511	101,312	25,891	27,957
Growth Rate	2.7	0.8	20.0	13.0
Rubber and Plastic Products	83,009	68,334	11,573	23,851
Growth Rate	-3.4	-17.7	12.9	66.8
Non-metallic Mineral Products	85,341	81,844	23,783	22,529
Growth Rate	4.4	-4.1	15.3	41.3
Furniture	100,797	87,299	32,125	23,833
Growth Rate	8.4	-13.4	9.4	54.4
Total Industrial Sector	2,608,211	2,427,844	716,261	546,207
Overall Industrial Growth	2.6	-6.9	5.5	22.1

Source : Department of Census and Statistics
(a) Provisional

TABLE 4 : Performance in Electricity Generation and Services Sector : 2020 – 2021

Category	2020			2021 ^(a)				
	Q ₃	Q ₂	Aug	Jan-Aug	Q1	Q2	Aug	Jan-Aug
Electricity Generation								
Total Generation (GWh)(Excluding Self Generation)	3,987.1	3,644.7	1,371.3	10,406.0	4,073.8	4,088.7	1,344.7	10,945.8
Growth Rate	1.4	-10.0	-0.1	-3.3	2.2	12.2	-1.9	5.2
Hydro (excluding mini hydro)	784.4	818.1	468.3	2,321.7	691.8	1,459.2	488.8	3,215.2
Growth Rate	-7.4	60.5	56.9	26.3	-11.8	78.4	4.4	38.5
Fuel Oil	1,453.9	854.0	312.1	2,999.0	1,227.5	528.9	88.8	2,062.5
Growth Rate	-2.3	-46.9	-31.1	-26.3	-15.6	-38.1	-71.5	-31.2
Coal	1,440.2	1,520.7	401.0	3,960.1	1,720.7	1,370.4	557.1	4,019.6
Growth Rate	9.2	-1.3	-6.7	3.5	19.5	-9.9	38.9	1.5
NCRE (Including mini hydro)	308.6	451.9	189.9	1,125.2	433.8	730.1	210.0	1,648.5
Growth Rate	10.9	16.1	-0.6	10.0	40.6	61.6	10.6	46.5
Hydro: Fuel Oil: Coal: NCRE Ratio	20:36:36:8	22:23:42:12	34:23:29:14	22:29:38:11	17:30:42:11	36:13:34:18	36:7:41:16	29:19:37:15
Reservoir Water Level % (End Period Average)	Q ₃ 69.6	Q ₂ 54.5	Sep 67.8	Jan-Sep 62.3	Q ₃ 75.4	Q ₂ 74.1	Sep 78.1	Jan-Sep 76.3
Port Services								
Total Cargo Handled ('000 MT)	27,249.0	20,911.9	9,624.2	67,102.6	27,142.8	27,645.1	9,296.3	73,765.5
Growth Rate	1.0	-22.1	5.3	-6.5	-0.4	32.2	-3.4	9.9
Total Container Handled ('000 TEUs)	1,803.9	1,475.1	647.9	4,545.5	1,749.5	1,826.3	601.6	4,796.5
Growth Rate	0.7	-18.1	0.2	-5.8	-3.0	23.8	-7.2	5.5
Telecommunications Services (No. of Subscribers)								
Fixed Lines ('000)	2,325.4	2,328.1	n.a	n.a	2,823.7	2,870.0	n.a	n.a
Growth Rate	-1.8	-1.1	n.a	n.a	21.4	23.3	n.a	n.a
Cellular ('000)	31,875.8	27,679.0	n.a	n.a	29,243.6	29,048.7	n.a	n.a
Growth Rate	-2.1	-15.4	n.a	n.a	-8.3	4.9	n.a	n.a
Total Fixed Lines and Cellular ('000)	34,201.2	30,007.1	n.a	n.a	32,067.3	31,918.7	n.a	n.a
Growth Rate	-2.1	-14.5	n.a	n.a	-6.2	6.4	n.a	n.a
Internet and email ('000)	13,079.0	13,295.3	n.a	n.a	19,371.0	20,628.9	n.a	n.a

Source : Central Bank of Sri Lanka

(a) Provisional

n.a. not available

TABLE 5 : Export Performance in 2020 – 2021

Item	USD Million	
	2020 Jan-Aug	2021 Jan-Aug ^(a)
Agricultural Products	1,516	1,766
Tea	806	882
Rubber	18	27
Coconut Products	222	277
Other Agricultural Products	471	579
Industrial Products	4,905	6,093
Textile and Garments	2,853	3,435
Petroleum Products	268	295
Other Industrial Products	1,784	2,364
Mineral Export	14	31
Other Exports	9	14
Total Exports	6,445	7,903

Source : Central Bank of Sri Lanka
(a) Provisional

TABLE 6 : Import Performance in 2020 – 2021

Item	USD Million	
	2020 Jan-Aug	2021 Jan-Aug ^(a)
Consumer Goods	2,300	2,579
Rice	21	24
Sugar	163	211
Other Food Products	141	233
Other Consumer Goods	1,976	2,110
Intermediate Goods	5,692	7,942
Fuel	1,691	2,396
Wheat and Maize	229	266
Fertilizer	124	104
Textile & Clothing	1,457	1,944
Other Intermediate Goods	2,190	3,233
Investment Goods	2,253	2,882
Other Imports	11	8
Total	10,257	13,412

Source : Central Bank of Sri Lanka
(a) Provisional

TABLE 7 : Balance of Payments – 2021

Item	USD Million	
	2021	
	Q1 ^(a)	Q2 ^(a)
Current Account Balance	-546	-990
Trade Balance	-2,059	-2,257
Exports	2,982	2,717
Imports	5,041	4,974
Services (net)	207	342
Receipts	684	688
Payments	477	346
Primary Income (net)	-493	-464
Receipts	39	30
Payments	532	494
Secondary Income (net)	1,798	1,389
Secondary income: credit	1,868	1,459
Secondary income: debit	70	70
Capital Account (net)	2	9
Capital account: credit	10	14
Capital account: debit	8	6
Current and Capital Account (net)	-544	-982
Financial Account (net)	-1,134	-786
Direct Investment: Assets	4	4
Direct Investment: Liabilities	129	174
Portfolio Investment: Assets	-	-
Debt securities	0.57	31.81
Portfolio Investment: Liabilities	-79	-5
Equity and investment fund shares	-79	-37
Debt securities	1	32
Financial Derivatives	-	-
Other Investment: Assets	-334	371
Currency and deposits	-304	253
Trade credits and advances	50	50
Other accounts receivable	-80	69
Other Investment: Liabilities	-800	967
Currency and deposits	-277	100
Loans	-722	710
Trade credits and advances	266	-28
Other accounts payable	-67	185
Special Drawing Rights (SDRs)	-	-
Reserve Assets	-1,555	-26
Net Errors and Omissions	-590	196
Overall Balance	-1,101	-1,261

Source : Central Bank of Sri Lanka

(a) Provisional

TABLE 8 : International Reserves

Item	USD Million			
	End 2020	Jun 2021	Jul 2021	Aug 2021
Total External Reserves	8,521	6,824	5,947	7,309
Months of Imports	6.4	4.5	3.8	4.6
Gross Official Reserves	5,664	4,060	2,806	3,544
Months of Imports	4.23	2.6	1.8	2.2

Source : Central Bank of Sri Lanka

Table 9 : Government Foreign Currency Debt Outstanding

Items	USD Million
	End Jul 2021
Total Outstanding	37,437.87
Government Foreign Debt ^{(a)(b)}	32,186.92
Dollar dominated Domestic Debt	5,250.95
Sri Lanka Development Bonds (SLDBs) ^(a)	2,312.11
Foreign Currency Banking Units (FCBUs)	1,027.88
International Sovereign Bonds (ISBs) ^(a)	1,859.03
Domestic project loans denominated in foreign currency	51.93

Source : Central Bank of Sri Lanka

(a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs and outstanding ISBs have been classified under foreign debt and resident holdings of outstanding SLDBs and outstanding ISBs of the Sri Lankan Government have been classified under domestic debt.

(b) Includes non resident holdings of outstanding ISBs, non resident holdings of outstanding SLDBs, Foreign Project Loans, Syndicated & Term Loans and Foreign Holdings of T-bills and T-bonds.

* Exchange rate used 1 USD = 199.90 (Date : 30 July 2021)

TABLE 10 : Outstanding Domestic Foreign Currency Debt of the Government

	USD Million	
	End 2020	End Sep. 2021
Outstanding		
FCBUs	1,220.00	890.63
SLDBs ^(a)	2,638.60	2,305.41
Receipts		
SLDBs ^(b)	507.03	991.33
Payments		
SLDBs ^(c)	952.80	1,324.52

Source : Central Bank of Sri Lanka

(a) Includes both resident and non resident holdings of SLDBs.

(b) Receipts are issues during the period.

(c) Payments are maturities during the period.

TABLE 11 : Movements in Selected Exchange Rates (Against the USD)

Currency	Appreciation (+) / Depreciation (-)	
	End 2019 – End 2020	End 2020 – Sep 2021
Sri Lanka Rupee	-2.56	-6.79
Indian Rupee	-2.56	-1.56
Bangladesh Taka	0.29	-1.02
Pakistan Rupee	-3.51	-6.07
Singapore Dollar	1.93	-2.91
Thailand Bhat	-0.25	-11.92
Taiwan Dollar	6.69	0.89
Indonesian Rupiah	-1.12	-1.83
Philippine Peso	5.52	-5.57
Korean Won	6.77	-8.47
Japanese Yen	5.39	-7.81

Source : Central Bank of Sri Lanka

TABLE 12 : Central Bank Holdings of Treasury Bills

End Period	Gross (Face Value)	Rs. Billion
		Net of Repos (Book Value)
2012	154.01	163.31
2013	3.05	13.29
2014	123.50	3.14
2015	104.75	79.05
2016	331.39	330.08
2017	9.91	25.60
2018	45.80	274.20
2019	74.74	125.30
2020	725.19	737.41
End Sep. 2021	1,332.21	1,640.18

Source : Central Bank of Sri Lanka

TABLE 13 : Commercial Banks' Loans and Advances to the Private Sector – June 2021 ^(a,b,c)

	Amount (Rs. Million)	as a % of Total
1. Agriculture & Fishing	529,706	7.7
<i>of which...</i>		
Tea	107,890	1.6
Rubber	36,564	0.5
Coconut	32,439	0.5
Paddy	42,710	0.6
Vegetable, Fruit Cultivation and Minor Food Crops	29,784	0.4
Livestock and Dairy Farming	28,870	0.4
Fisheries	21,154	0.3
2. Industry	2,768,377	40.4
<i>of which...</i>		
Construction	1,449,403	21.1
<i>of which...</i>		
– Personal Housing including Purchasing/Construction/Repairs	681,061	9.9
– Staff Housing	95,924	1.4
Food and Beverages	173,753	2.5
Textiles and Apparel	265,743	3.9
Wood and Wood Products including Furniture	24,001	0.3
Paper and Paper Products	20,907	0.3
Chemical, Petroleum, Pharmaceutical, Healthcare and Rubber and Plastic Products	147,145	2.1
Non-metallic Mineral Products	13,553	0.2
Basic Metal Products	53,988	0.8
Fabricated Metal Products, Machinery and Transport Equipment	145,337	2.1
Other Manufactured Products	26,522	0.4
3. Services	1,882,564	27.5
<i>of which...</i>		
Wholesale and Retail Trade	558,006	8.1
Tourism	284,610	4.2
Financial and Business Services	366,473	5.3
Transport	79,906	1.2
Information and Communication Technology	73,517	1.1
Printing and Publishing	29,082	0.4
Education	20,900	0.3
Health	59,719	0.9
Shipping, Aviation, Supply and Freight Forwarding	23,875	0.3
4. Personal Loans and Advance^(d)	1,677,224	24.5
<i>of which...</i>		
Consumer Durables	348,013	5.1
Pawning	268,402	3.9
Credit Card	128,820	1.9
Personal Education	11,366	0.2
Personal Healthcare	1,996	0.0
5. Other	861,001	12.6
Total ^(e)	6,857,871	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 excludes cash items in the process of collection

(c) Provisional

(d) Excludes personal housing loans, which have been included under 'Construction' classified under 'Industry' and includes Safety Net Scheme related loans.

(e) Total credit to the private sector as per the Quarterly Survey differs from that in the monthly Monetary Survey due to differences in the compilation methodologies.

TABLE 14 : Interest Rate Movements in 2020 – 2021

Interest Rate	End July 2020	End Dec 2020	End March 2021	End June 2021	End Sep 2021
Policy Rates of the Central Bank					
Standing Deposit Facility Rate (SDFR)	4.50	4.50	4.50	4.50	5.00
Standing Lending Facility Rate (SLFR)	5.50	5.50	5.50	5.50	6.00
Weighted Average Call Money Rate (AWCMR)	4.53	4.55	4.62	4.93	5.94
Weighted Average OMO Auction Rate (Repo)	-	-	-	-	-
Weighted Average OMO Auction Rate (Reverse Repo)	-	-	-	-	-
Treasury Bill Rates					
91-days	4.59	4.69	5.05	5.18	6.70
182-days	4.68	4.80	5.10	5.19	6.99
364 -days	4.86	5.05	5.11	5.23	7.01
Lending Rates					
Average Weighted Prime Lending Rate(AWPR) (weekly)	7.47	5.83	5.78	5.51	6.42
Average Weighted Prime Lending Rate (AWPR) (monthly)	7.79	5.74	5.67	5.67	6.39
Average Weighted Lending Rate(AWLR)	12.29	10.29	9.91	9.50	-
Deposit Rates					
Average Weighted Deposit Rate (AWDR)	7.16	5.80	5.20	4.87	4.75
Average Weighted Fixed Deposit Rate (AWFDR)	8.69	7.14	6.29	5.82	5.64

Source : Central Bank of Sri Lanka

Assumptions for Revenue Estimates – 2022

The revenue assumptions are based on actual revenue collected up to August 2021 for the estimate of 2021 and emerging trends including the impact of the COVID-19 pandemic for the year. Since assumptions are more critical with the unfolded pandemic across borders. The revenue projections for 2022 are based on the economic trends, the impact of the pandemic, country's tax system followed by the staff's best judgment about the performance of the economy and revenue.

The broad assumptions are as follows.

- The economy is expected to revive in 2022 with gradual recovery from the pandemic which has halted economic growth in 2020. With the support of a successful aggressive vaccination programme, a 'V shaped' economic recovery has been witnessed in 2021 which will provide a basis for the expansion of the economy by 5–6 percent in 2022.
- Sri Lanka is expected to be ready for "New Normal" status with a fully vaccinated population by end 2021 with an aged over 16 years.
- The profitability of the financial sector is anticipated to be further improved.
- Increased domestic agricultural and industrial production along with prioritized infrastructure development are expected to more income and employment thereby boosting the productive capacity of the economy.
- Inflation is expected to maintain at a range of 4–6 percent in 2022.
- The unemployment rate is expected to decline to around 5 percent in 2022.
- External Sector is expected to revive with the Government's extended support provided for the exporters with the help of encouragement given for the diversification and value addition in the export basket.
- Growth in exports is expected to continue with the enhanced external demand particularly from major trading partners such as the United States and India while helping 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.
- A stable exchange rate is expected to be continued, supported by the enhanced external reserves of the country.
- Domestic demand is expected to improve consequently to a strong improvement in domestic economic activities complemented by the low interest rate regime.
- The growth in the money supply in 2022 is expected to maintain at a level compatible with the expected nominal growth of around 10.8 percent of GDP.
- New revenue sources are expected to be introduced along with increasing efficiency of tax administration owing to digitalized systems.
- Integrated Treasury Management Information System (ITMIS) will ensure efficient management of government resources.
- International travel operations together with the tourism industry are expected to gradually resume in 2022.
- Overseas employment is expected to expand in 2022.

TABLE 1 : Excise Duty Structure for Motor Vehicles (As at 30.09.2021)

Item/ Engine Capacity	Rate
(i) Cars – Petrol	
Less than 1,000 cc	Rs. 1,650,000/- per unit or Rs. 2,000/- per cm ³
1,000 cc – 1,300 cc	Rs. 3,200/- per cm ³
1,300 cc – 1,500 cc	Rs. 3,700/- per cm ³
1,500 cc – 1,600 cc	Rs. 4,250/- per cm ³
1,600 cc – 1,800 cc	Rs. 5,300/- per cm ³
1,800 cc – 2,000 cc	Rs. 6,350/- per cm ³
2,000 cc – 2,500 cc	Rs. 7,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 8,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 9,000/- per cm ³
3,000 cc – 4,000 cc	Rs. 10,000/- per cm ³
Exceeding 4,000 cc	Rs. 11,000/- per cm ³
(ii) Cars – Diesel	
Less than 1,500 cc	Rs. 4,600/- per cm ³
1,500 cc – 1,600 cc	Rs. 5,750/- per cm ³
1,600 cc – 1,800 cc	Rs. 6,900/- per cm ³
1,800 cc – 2,000 cc	Rs. 8,000/- per cm ³
2,000 cc – 2,500 cc	Rs. 8,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 9,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 10,000/- per cm ³
3,000 cc – 4,000 cc	Rs. 11,000/- per cm ³
Exceeding 4,000 cc	Rs. 12,000/- per cm ³
(iii) Cars – Hybrid/ Petrol	
Less than 1,000 cc	Rs. 1,500,000/- per unit
1,000 cc – 1,300 cc	Rs. 2,300/- per cm ³
1,300 cc – 1,500 cc	Rs. 2,850/- per cm ³
1,500 cc – 1,600 cc	Rs. 4,000/- per cm ³
1,600 cc – 1,800 cc	Rs. 5,200/- per cm ³
1,800 cc – 2,000 cc	Rs. 5,700/- per cm ³
2,000 cc – 2,500cc	Rs. 6,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 7,000/- per cm ⁴
2,750 cc – 3,000 cc	Rs. 8,000/- per cm ⁴
3,000 cc – 4,000 cc	Rs. 9,000/- per cm ⁵
Exceeding 4 000 cc	Rs. 10,000/- per cm ⁵
(iv) Cars – Hybrid/ Diesel	
Less than 1,000 cc	Rs. 3,400/- per cm ³
1,000 cc – 1,300 cc	Rs. 3,400/- per cm ³
1,300 cc – 1,500 cc	Rs. 3,400/- per cm ³
1,500 cc – 1,600 cc	Rs. 4,600/- per cm ³
1,600 cc – 1,800 cc	Rs. 5,700/- per cm ³
1,800 cc – 2,000 cc	Rs. 6,900/- per cm ³
2,000 cc – 2,500 cc	Rs. 7,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 8,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 9,000/- per cm ³

Item/ Engine Capacity	Rate
3,000 cc – 4,000 cc	Rs. 10,000/- per cm ³
Exceeding 4,000 cc	Rs. 11,000/- per cm ³
(v) Electric Cars	
Car – Electric – By External Source or Generator	
Less than 50kW	Rs. 7,500/- per kW
50kW – 100kW	Rs. 10,000/- per kW
100kW – 200kW	Rs. 15,000/- per kW
Exceeding 200kW	Rs. 40,000/- per kW
Car – Electric – By Solar Panels	Rs. 7,500/- per kW
(vi) Vans	
13 – 25 Persons/ Diesel	Rs. 4,500,000/- per unit
13 – 25 Persons/ Petrol	Rs. 1,750/- per cm ³
Less than 13 Persons/ Diesel	200%
Less than 13 Persons/ Petrol	150%

Source : Department of Fiscal Policy

TABLE 2 : Excise Duty Structure for Cigarettes (As at 30.09.2021)

Category	Rs. per 1,000 Sticks
Cigarettes each not exceeding 60mm. in length	13,360
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	22,300
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	37,650
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	43,100
Cigarettes each exceeding 84mm. in length	48,350

Source : Department of Fiscal Policy

TABLE 3 : Excise Duty Structure for Petroleum Products (As at 30.09.2021)

Item	Rs. Per litre
Petrol	27.00
Diesel – Auto	6.00
Diesel – Super	13.00

Source : Department of Fiscal Policy

TABLE 4 : Excise Duty Structure under Excise Ordinance (As at 30.09.2021)

Classifications	Duty Rate (Rs.)
Liquor	
Molasses, Palmyrah, Coconut and Processed Arrack (per litre of alcohol)	4,050
Country Made Foreign Spirits (per litre of alcohol)	4,150
Malt Liquor (per liter of alcohol)	3,200
Liquors manufactured by process other than distillation from natural products of palm tree or other plant (per litre of alcohol)	3,200
Raw materials used for production of Ethanol	
Coconut Toddy (per bulk litre)	5
Molasses (per bulk kg)	10
Rice used for production of spirits by distillation (per bulk kg)	10
Maize used for production of spirits by distillation (per bulk kg)	10
Fruit used for production of spirits by distillation (per bulk kg)	10
Foreign liquor	
Imported Malt Liquor (Beer) (per bulk litre)	135
Imported Wine (per bulk litre)	230
Any other imported Foreign Liquor (which does not come under malt liquor or wine) (per bulk litre)	650
Non-potable Spirits (per bulk kg)	6

Source : Department of Fiscal Policy

TABLE 5 : Ports and Airports Development Levy (As at 30.09.2021)

Category	Rate
General Rate	10.0%
Concessionary Rates	7.5%, 5.0%, 2.5%

Source : Department of Fiscal Policy

TABLE 6 : Value Added Tax (VAT)

Rate	Item
Zero Rate	Export Goods
Standard Rate (8%)	General Items
Exemptions	Goods and Services which are listed in the Part II of the First Schedule of the VAT Act

Source : Department of Fiscal Policy

TABLE 7 : Customs Import Duty Structure (As at 30.09.2021)

Item	Rate
Basic raw materials and machinery	Zero
Semi processed items and Intermediate products	10%
Finished products and luxury goods	15%

Source : Department of Trade and Investment Policy

TABLE 8 : Rent Income

Item	Rs. Million			
	2019	2020 (Provisional)	2021 Revised Estimate	2022 Estimate
Rent on Government Buildings & Housing	1,069	1,153	1,200	1,800
Rent on Crown Forests	1,837	1,290	1,500	2,500
Rent from Land & Other	111	105	70	100
Lease Rental from Regional Plantation Companies	754	952	1,420	1,700
Others	956	8,555	810	900
Total Rent Income	4,727	12,055	5,000	7,000

Source : Department of Fiscal Policy

TABLE 9 : Fees and Charges

Item	Rs. Million			
	2019	2020 (Provisional)	2021 Revised Estimate	2022 Estimate
Service Charges by Government Press	1,118	1,041	500	800
Fees of Passport, Visas and Dual Citizenship Examination & Other Fees	14,054	5,533	5,700	8,480
Fees under the Motor Traffic Act & other Receipts	325	312	200	325
From others Various Sources	10,289	7,237	6,000	7,400
Total	32,032	15,590	13,019	21,123
Total	57,818	29,712	25,419	38,128

Source : Department of Fiscal Policy

TABLE 10 : Special Commodity Levy Rates

Rs. per kg.

	Item	End 2020	End Sept. 2021
1	Sprats	1	100
2	Potatoes	55	50
3	Red Onions	50	50
4	B' Onions	25 Cents	40
5	Garlic	50	50
6	Watana – Whole	5	5
	Watana – Split	10	10
7	Chick Peas – Whole	5	5
	Chick Peas – Split	10	10
8	Green Gram	40	40
9	Lentils – Whole	25 Cents	25 Cents
	Lentils – Split	25 Cents	25 Cents
10	Chilies – Neither crushed nor ground	100	100
	Chilies – Crushed or ground	125	125
11	Canned fish	100	100
12	Sugar	25 Cents	25 Cents
13	Black Gram – Whole	200	200
	Black Gram – Skinned	300	300
14	Cowpea	70	70
15	Kurakkan	70	70
	Millet/Other	70	70
16	Maldive Fish	302	302
17	Dried Fish	127	100
18	Orange-Fresh	125	125
19	Grapes – Fresh	200	200
20	Apples – Fresh	100	100
21	Seeds of Coriander – Neither crushed nor ground	26	26
	Seeds of Coriander – Crushed or ground	52	52
22	Seeds of Cumin	162	162
23	Seeds of Fennel	162	162
24	Turmeric – Not crushed or ground	102	102
	Turmeric – Crushed or ground	360	360
25	Mathe – Seed	50	50
26	Kurakkan Flour	150	150
27	Black Gram Flour	325	325
28	Ground Nut	220	220
29	Mustard Seeds	62	62
30	Palm oil/Other Veg. Oil – Crude	250	250
	Palm olein	255	255
	Palm Stearin	250	250
	Refine Palm oil	275	275

	Item	End 2020	End Sept. 2021
	Other Veg. Oil Refine	275	275
	Palm Kernal – Crude	250	250
	- Refine	275	275
	Coconut oil – Crude	125	125
	Coconut oil – Refine	150	150
31	Fish	10% or Rs.200	10% or Rs.200
32	Mackerel Fish(Jac/Horse Mackerel)	6	6
33	Yoghurt	800	800
34	Butter	880	880
35	Margarine(Fat 80% >)	650	650
	Margarine -(Fat 80% <)	650	650
36	Salt	40 (Waiver -30)	40 (Waiver -30)
37	Dates	100	100
38	Dried Grapes	200	200
39	Mangoesteen	200	200
40	Dried Orange	125	125
41	Pears	220	220
42	Cherries	315	315
43	Plums and Sloes	250	250
44	Kiwifruit	175	175
45	Pomegranate (Other)	200	200
46	Grated/powdered Cheese	200	200
47	Maize	25	25
48	Face Mask	1	1
49	Clementines – Fresh	120	120
50	Clementines – Dried	250	250
51	Other (citrus) fruits – Fresh	120	120
52	Other (citrus) fruits – Dried	250	250
53	Grapefruit – Fresh	285	285
54	Grapefruit – Dried	300	300
55	Lemon – Fresh	350	350
56	Lemon – Dried	400	400
57	Other Citrus fruits – Fresh	300	300
58	Other Citrus fruits – Dried	375	375
59	Quinces	350	350
60	Apricots	350	350
61	Cherries – Sour	330	330
62	Peaches and Nectarines	310	310
63	Vegetable fats and oil	160	160
64	Margarine – Liquid	200	200

Source : Department of Trade and Investment Policy

TABLE 11 : State Owned Enterprises' Levy/Dividend Income and Revised Estimate for 2021

Rs. Million

	2019	2020	Revised Estimate 2021
Levy	22,634	14,769	27,397
1 National Savings Bank	2,000	1,000	1,000
2 Bank of Ceylon	-	1,250	2,000
3 People's Bank	2,200	2,500	3,000
4 Telecommunication Regulatory Commission	8,950	5,000	16,000
5 Regional Development Bank	169	-	-
6 State Timber Corporation	50	-	50
7 National Insurance Trust Fund	3,268	782	2,000
8 Geological Survey and Mines Bureau	2,300	-	350
9 National Gem and Jewellery Authority	25	-	15
10 Board of Investment	250	156	500
11 Securities and Exchange Commission	53	-	-
12 Sri Lanka Export Credit Insurance Corporation	15	-	25
13 Central Engineering Consultancy Bureau	25	-	25
14 Sri Lanka Tourism Promotion Bureau	500	-	300
15 Civil Aviation Authority	800	-	500
16 National Transport Medical Institute	200	-	200
17 Sri Lanka Bureau of Foreign Employment	650	-	500
18 National Transport Commission	50	-	-
19 Sri Lanka Tourism Development Authority	200	-	300
20 Sri Lanka Land Development Corporation	29	-	150
21 Sri Lanka Ports Authority	900	-	-
22 National Medicine Regulatory Authority	-	81	80
23 Road Development Authority	-	4,000	-
24 Others			402
Dividends	5,025	2,855	5,139
1 National Savings Bank	60	60	60
2 Bank of Ceylon	346	347	347
3 People's Bank	316	316	317
4 National Development Bank PLC	1	1	-
5 Sri Lanka Insurance Corporation Ltd	1,720	695	2,000
6 Airport and Aviation Services Ltd	500	-	600
7 Lanka Mineral Sands Ltd	130	-	200
8 Lanka Phosphate Ltd	7	-	3
9 Lanka Leyland Ltd	13	2	-
10 Rakna Arakshaka Lanka Ltd	37	-	30
11 Manthai Salt Ltd	-	2	8
12 Ceylon Fertilizer Ltd	15	304	8
13 Colombo Commercial Fertilizer Ltd	10	-	10
14 Paranthan Chemicals Company Ltd	-	10	20
15 Sri Lanka Telecom PLC	947	947	947
16 De La Rue Lanka Ltd	133	-	140
17 Lanka Electricity Company Ltd	501	-	300
18 Lanka Industrial Estates Ltd	82	82	60
19 Ceylon Agro Industries Ltd.	23	77	35
20 Plantation Companies	172	12	53
21 Others	12	-	1
Total	27,659	17,624	32,536

Sources : SOEs and Department of Public Enterprises