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MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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## PRESS RELEASE

### Supplementary Estimates - 2024

Whenever there is a necessity for the government to incur expenditure that is not included in the expenditure allocations approved by the Parliament in that year's budget, a Supplementary Estimate is required. This typically occurs when there is a change in the type of allocation or when there is an urgent expenditure that was not foreseen at the time the budget was prepared. The government presented to the Parliament on 05<sup>th</sup> December 2024, Supplementary Estimates for Rs. 219.4 billion.

#### 1. Compensating any Loss Incurred by Two State Banks due to the Restructuring of the CPC Loans

The largest item in this Supplementary Estimate is the change in the classification of allocation for state bank recapitalisation due to the restructuring of loans provided by the state banks to the Ceylon Petroleum Corporation, which were subsequently transferred to the government. The Parliament had already approved an allocation of Rs. 450 billion in the 2024 budget for the recapitalisation of banks to compensate the possible adverse impacts of government debt restructuring on bank balance sheets. This allocation for recapitalisation was classified as capital expenditure in the 2024 budget.

During the course of negotiations with the state banks, the banks indicated a strong preference to receive immediate possible loss to be identified within the bank's financial statements on the restructuring of CPC loans granted by the two state Banks and subsequently absorbed to the government balance sheet as an interest payment in advance. The required funds for this purpose were estimated to be at Rs. 130 billion.

Accordingly, such a provision would need to be classified as a recurrent expenditure as opposed to a capital expenditure. Parliamentary approval is necessary to make this change of classification for the relevant amount (Rs. 130 billion).

## **2. Accounting for Grants**

The Supplementary Estimate also includes provisions that are necessary to record the grant revenue and related expenditure which were received by way of school uniforms, Air Force aircraft, and grants received for the health sector and the fisheries sector amounting to Rs. 30 billion from foreign Partners.

## **3. Senior Citizen Interest Rates and Pension Allocations**

In line with the government policy decision to increase pension allowance, no adequate provisions were available within the approved budget for the year 2024. Further, provisions made within the budget for the settlement of due interest to the banking sector on Senior Citizen interest subsidy scheme were also insufficient to meet the liability thereon. Therefore, the approval was sought for an additional allocation of Rs. 34 billion to settle these liabilities through the Supplementary Estimate.

## **4. Unforeseen Expenditure**

The government made a decision to increase the expenditure allocations for school meals, taking into account higher costs of certain food items and the urgent necessity to address child nutrition issues in the country. Allowances were also increased for diets related to the prison sector.

In line with the appreciation of LKR against the USD, during latter part of 2024, an unrealized loss is arising in the books of government on the prevailing USD balances in the DST's official Dollar account. Therefore, such loss/gain which may occur due to fluctuations in the exchange rates is required to be recorded in the financial statements of the Government. As such, an expenditure allocation of Rs. 18 billion is required to account for such exchange losses, which may not require any cash outflow.