



MID – YEAR FISCAL POSITION REPORT – 2021

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

**Mahinda Rajapaksa, M. P.
Hon. Minister of Finance**

30th June 2021

MID-YEAR FISCAL POSITION REPORT

Issued by the

Hon. Minister of Finance

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

In terms of Section 10 of the Fiscal Management (Responsibility) Act, No. 03 of 2003, the Minister of Finance is required to present the Mid-Year-Fiscal Position Report to the public by the last day of June of the year and thereafter lay before Parliament.

The purpose of this report is to provide updated information on the Government's fiscal performance as per the fiscal strategy of the Government.

The report contains the performance of government revenue, expenditure, cash flow operations and borrowings during the first four months of the year 2021. The report also provides provisional budget outturn for the first four months of 2021, updated information, depending on the availability of information, relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of state owned business enterprises.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2020	2021 (Provisional)
REAL SECTOR				
Economic Growth	First Quarter	%	-1.8	n.a
Agriculture	First Quarter	%	-6.5	n.a
Industry	First Quarter	%	-7.9	n.a
Services	First Quarter	%	2.9	n.a
Inflation (Point to Point)	End May	%	5.2	6.1
Inflation (Average)	End May	%	5.2	5.4
Unemployment Rate	Annual	%	5.5	n.a
Labour Force Participation Rate	Annual	%	50.6	n.a
FISCAL SECTOR				
Budget Deficit	Jan-April	Rs. Mn	-452,175	-520,543
Total Revenue	Jan-April	Rs. Mn	476,733	481,722
Tax Revenue	Jan-April	Rs. Mn	408,484	427,261
Non Tax Revenue	Jan-April	Rs. Mn	68,248	54,461
Recurrent Expenditure	Jan-April	Rs. Mn	823,844	890,085
Public Investment	Jan-April	Rs. Mn	118,928	114,227
Government Debt	End Dec	Rs. Bn	15,117	n.a
EXTERNAL SECTOR				
Exports	Jan-April	USD Mn	2,931.9	3,800.3
o/w Agriculture Exports	Jan-April	USD Mn	626.8	829.4
Industrial Exports	Jan-April	USD Mn	2,294.8	2,949.4
Textile and Garments	Jan-April	USD Mn	1,320.1	1,699.5
Other	Jan-April	USD Mn	974.7	1,249.9
Imports	Jan-April	USD Mn	5,625.3	6,748.1
Consumer Goods	Jan-April	USD Mn	1,268.6	1,276.5
Intermediate Goods	Jan-April	USD Mn	3,115.7	4,065.7
o/w Petroleum Products	Jan-April	USD Mn	1,070.1	1,390.3
Investment Goods	Jan-April	USD Mn	1,233.4	1,403.1
Trade Balance	Jan-April	USD Mn	-2,693.4	-2,947.8
Tourist Arrivals	Jan-April	No.	507,311	13,797
Earnings From Tourism	Jan-April	USD Mn	682 ^(a)	19 ^(b)
Workers' Remittances	Jan-April	USD Mn	1,975	2,386
Portfolio Investments – Equity (Net)	Jan-April	USD Mn	-28	-107
Overall Balance of Payments (BOP)	Jan-April	USD Mn	-290	-929
Gross Official Reserves	End April	USD Mn	7,210	4,471
Exchange Rate (End Month)	End May	Rs. Per USD	186.29	199.50
Exchange Rate (Monthly Average)	End May	Rs. Per USD	187.87	199.58
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End May	%	5.5	4.5
Standing Lending Facility Rate (SLFR)	End May	%	6.5	5.5
Statutory Reserve Requirement (SRR)	End May	%	4.0	2.0
Commercial Bank Average Weighted Prime Lending Rate (AWPLR)	End May	%	9.3	5.7
Commercial Bank Average Weighted Lending Rate (AWLR)	End April	%	13.1	9.7
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End May	%	6.4	n.a ^(c)
W.A. Yield Rate of Treasury Bills (91 Days)	End May	%	6.7	5.1
W.A. Yield Rate of Treasury Bills (364 Days)	End May	%	6.9	5.2
Growth in Money Supply (M2b)	Apr 2021/Apr 2020	%	13.2	20.4
Growth in Credit to the Private Sector	Apr 2021/Apr 2020	%	7.6	8.2

^(a) Revised based on survey results of SLTDA on average stay period and average spending per day estimates for 2020

^(b) This provisional estimate may be revised once the SLTDA release its survey results for 2021

^(c) The compilation and publication of SLIBOR was discontinued with effect from 01 July 2020

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level	2016	%	99.3
Water			
Access to Safe Drinking Water	2020	% of Population	93.2
Access to Pipe borne Water	2020	% of Population	53.1
Roads			
Road Density	2020	Km ²	0.19
Total Road Length	2020	Km	12,496
Communication			
Telephone Density including Cellular Phones	2020	Per 100 persons	143
Access to Internet	2020	Per 100 persons	79.9
Education			
General Education			
Primary Net Enrolment Ratio	2019	%	91.1
Student/Teacher Ratio (Government Schools)	2020	Number	16
Literacy Rate (Average)	2019	%	92.9
Computer Literacy Rate (First 06 months)	2020	%	32
University Education			
Student/Teacher Ratio	2020	Number	18.9
Age Specific Enrolment Ratio (Age 19–23 yrs) ^(a)	2020	%	8.2
Health			
Hospitals (Practicing Western Medicine) ^(b)	2020	Number	609
Beds ^(b)	2020	Number	77,121
Hospital Beds	2020	Per 1000 persons	3.5
Persons per Doctor	2020	Number	1,117
Population			
Population Density	2020	Persons per sq. km	350
Population Growth	2020	%	0.5
Life Expectancy at Birth	2017	Years	75.5
Infant Mortality Rate	2015	Per 1000 live births	8.5
Maternal Mortality Rate	2013	Per 1000 live births	26.8
Crude Birth Rate	2020	Per 1000 persons	13.8
Crude Death Rate	2020	Per 1000 persons	6.0
Dependency Ratio	2020	%	49.4
Poverty			
Poverty Head Count Index	2016	%	4.1
Gini Coefficient of Household Income	2016	Coefficient	0.45
Poverty Gap Index	2016	%	0.6
Average Daily Calorie Intake	2016	Kilocalories	2,095
International Rankings			
Human Development Index	2020	Rank out of 189 Countries	72
Doing Business Index	2019	Rank out of 190 Countries	99
Global Competiveness Index	2019	Rank out of 140 Countries	84
Economic Freedom Index	2020	Rank out of 178 Countries	131
Global Peace Index	2020	Rank out of 163 Countries	77
e-Government Development Index	2020	Rank out of 193 Countries	85

^(a) Only includes internal enrolment of students

^(b) Government

CHAPTER 1

Economic Perspectives

Overview

Sri Lanka's responses to the COVID-19 pandemic has been broad-based to prevent, contain and reduce the spread of the virus. The Government successfully utilized combinations of vaccinations and non-pharmaceutical interventions such as the use of facemasks and isolation of infected people while supporting the livelihoods of the people through the existing social safety networks such as *Samurdhi* and monthly allowance for elders and cash grants, mostly to the temporarily unemployed due to restrictions on mobility in lockdown areas and the provision of essential goods to those quarantining at their homes. Sri Lanka has eased the mobility restrictions and localized lockdowns are being implemented in lieu of large scale lockdowns. As such, the country is approaching to return to normalcy. So far, nearly 3,506,000 doses were administered on an islandwide basis which has started in February, 2021. It is expected to ensure that at least 60 percent of the population will be able to be vaccinated thereby facilitating the country to enable its economic activities to rebound and recover at a faster pace. This will be enabled with the initiation started to the production of vaccines in Sri Lanka.

Fiscal and monetary policy support continued in the first half of 2021 to further accelerate the aggregate demand of the country while encouraging the private sector particularly, entrepreneurs to invest more in productive sectors of the economy armed with already established simple and transparent tax system in line with an accommodative monetary policy stance of the country.

The government revenue including grants increased to Rs. 482.3 billion in the first four months of 2021, nearly 25 percent of the annual estimated revenue of Rs. 1,961 billion in 2021.

An accommodative monetary policy stance continued in the first half of 2021 to support economic rebound through the acceleration of credit to the private sector for the investment in productive sectors of the economy. As such, market interest rates started to decline and demonstrated to their historic low levels thereby reducing the borrowing costs which has reflected in the increase in the private sector credit by 8.2 percent to Rs. 6,445.9 billion as at end April 2021. Meanwhile, the overall inflation rate remained broadly within a corridor of 4–6 percent during the second half of 2021.

The external sector remained resilient amidst the challenges posed by the pandemic. The earnings from exports increased by 29.6 percent to USD 3,800 million in the first four months of 2021 benefiting from the rise in earnings from textile and garments, rubber products, agricultural exports such as tea, spices and coconut and mineral products. Also, expenditure on imports increased by 20.0 percent to USD 6,748 million due to the increased import bills of food and beverages, medical and pharmaceuticals, fuel, textiles, chemical and plastic products, machinery and equipment and building materials. The trade deficit widened to USD 2,948 million. The workers' remittances elevated significantly by 20.8 percent to USD 2,386 million. The country's reserves position was USD 4.5 billion excluding the standby SWAP agreement of USD 1.5 billion with the People's Bank of China.

Despite the exerted pressures due to the pandemic, Sri Lanka so far maintained an unblemished record of debt servicing. Foreign debt to GDP ratio slashed to 40 per cent. The non-debt inflows are expected to rise with the new investment arm of Colombo Port City Economic Commission and the purchase of export proceeds and worker remittances from the market by the Central Bank with other inflows to the Government from multilateral

TABLE 1.1 : Movements in Inflation (%)

Year	Month	CCPI (2013=100)				NCPI (2013=100)			
		Headline Inflation		Core * Inflation		Headline Inflation		Core * Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2020	January	5.7	4.5	3.0	5.3	7.6	4.1	3.9	5.6
	February	6.2	4.6	3.2	5.1	8.1	4.5	3.4	5.5
	March	5.4	4.7	2.9	4.9	7.0	4.9	3.2	5.2
	April	5.2	4.8	3.1	4.7	5.9	5.1	3.2	5.0
	May	4.0	4.7	2.9	4.4	5.2	5.2	3.7	4.8
	June	3.9	4.7	3.1	4.2	6.3	5.6	4.4	4.6
	July	4.2	4.8	3.2	4.0	6.1	5.9	4.5	4.5
	August	4.1	4.8	3.2	3.8	6.2	6.1	4.6	4.4
	September	4.0	4.7	2.9	3.6	6.4	6.2	4.8	4.3
	October	4.0	4.6	3.0	3.4	5.5	6.2	4.5	4.2
	November	4.1	4.6	3.0	3.2	5.2	6.3	4.5	4.2
	December	4.2	4.6	3.5	3.1	4.6	6.2	4.7	4.1
2021	January	3.0	4.3	2.7	3.1	3.7	5.8	4.2	4.2
	February	3.3	4.1	2.6	3.0	4.2	5.5	4.1	4.2
	March	4.1	4.0	3.1	3.0	5.1	5.3	4.3	4.3
	April	3.9	3.9	3.0	3.0	5.5	5.3	4.1	4.4
	May	4.5	3.9	3.2	3.0	6.1	5.4	4.2	4.4

Source: Department of Census and Statistics

*CCPI Core Inflation, NCPI Core Inflation(2013=100) – Excluding Volatile Food, Energy and Transport

and bilateral sources. The SWAP facilities are expected to be realized: USD 250 million from the Bangladesh Bank in July 2021; USD 400 million from the SAARCFinance SWAP facility from the Reserve Bank of India in August 2021; and USD 1,000 million initiated with the Indian counterpart. Moreover, around USD 800 million under the IMF SDR allocation is expected in August 2021.

Inflation

Reflecting well-anchored inflation expectations coupled with subdued aggregate demand, inflation remained subdued in the first four months of 2021. However, some inflationary pressures exerted since March 2021 due to the supply side disruptions driven by the adverse weather conditions together with the resumption of the third wave of the COVID-19 pandemic. As such, the headline inflation on year-on-year (YOY) change in the National Consumer Price Index (NCPI, 2013=100) increased to 6.1 percent in May, 2021 from 3.7 percent in January, 2021 reflecting the increase in prices both in food and non-food items

during the period. Similarly, the Colombo Consumer Price Index (CCPI, 2013=100) on YOY change increased to 4.5 percent in May 2021 from 3.0 percent in January 2021. The core inflation, which reflects the underlying inflation of the country as measured by the YOY change both in the NCPI and CCPI remained subdued in the first four months of 2021. However, the overall inflation rate is expected to remain broadly within a corridor of 4–6 percent during the second half of 2021 and over the medium term.

Money and Credit

An accommodative monetary policy stance continued in the first half of 2021 to support economic revival through the acceleration of credit to the private sector for the investment in productive sectors of the economy. As such, market interest rates started to decline and demonstrated to their historic low levels. Accordingly, reserve money increased by 0.9 percent, on YOY basis, while broad money (M2b) increased by 20.4 percent on YOY basis. The private sector credit increased by

TABLE 1.2 : Money and Private Sector Credit

Rs. Billion

Item	2020				2021				2021 April/2020 April Growth (%)
	January	February	March	April	January	February	March	April	
Reserve Money	935.6	963.3	1,013.8	1,021.6	975.9	978.1	1,028.6	1,031.1	0.9
Broad Money (M2b)	7,703.8	7,793.0	8,098.2	8,259.0	9,532.7	9,650.9	9,838.6	9,947.3	20.4
Private Sector Credit	5,796.7	5,822.0	5,942.1	5,955.5	6,196.6	6,276.0	6,388.2	6,445.9	8.2

Source : Central Bank of Sri Lanka

8.2 percent to Rs. 6,445.9 billion as at end April 2021 reflecting the promotion of credit to the priority sectors such as micro, small and medium scale enterprises (MSMEs) of the economy. Credit to the public sector also increased by 17.1 percent to Rs. 1,093.4 billion in the first four months of 2021.

The policy interest rates of Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) continued at 4.50 percent

2021: the Bank Rate remained at 8.50 percent; and the Statutory Reserve Ratio (SRR) remained at 2.00 percent.

Stock Market

Colombo Stock Exchange (CSE) activities showed a significant rebound in the first quarter of 2021 as its operations continued unhindered compared to the same period of 2020. This was due to the commencement

TABLE 1.3 : Movements in the Capital Market

Indicators	2016	2017	2018	2019	2020	End May	
						2020	2021
All Share Price Index (1985=100)	6,228	6,369	6,052	6,129	6,774	4,847	7,403
Milanka Price Index/S & P SL 20 Index	3,496	3,672	3,135	2,937	2,638	2,016	2,979
Market Capitalization (Rs. Bn)	2,745	2,899	2,839	2,851	2,961	2,266	3,268
No. of Listed Companies in Trading	295	296	297	289	283	289	284
Daily Average Turnover (Rs.Mn)	737	915	834	711	1,899	1,215	4,409
Foreign Sales (Rs. Mn)	74,200	94,627	100,315	68,272	104,245	46,382	44,850
Foreign Purchases (Rs. Mn)	74,583	112,285	77,067	56,537	52,889	34,111	19,527
Net Purchases (Rs. Mn)	384	17,658	-23,248	-11,735	-51,356	-12,271	-25,323

Source: Colombo Stock Exchange and Central Bank of Sri Lanka

and 5.50 percent, respectively in the first half of 2021 to support for the economic revival at the midst of the domestic and external macroeconomic and financial market developments. Meanwhile, policy rates remained unchanged during the first half of

of aggressive vaccination drive together with the selective mobility restrictions in the third wave of the pandemic in 2021, compared to the first wave of pandemic in 2020. The stock exchange had exponential growth in January, 2021 with All Share Price Index (ASPI) gaining 30.05 percent from 6,774.22 points at the end

of 2020 to 8,812.01 points at the closing of days trading on January 27, 2021. S&P SL 20 index increased by 33.21 percent from 2,638.10 points at the end of 2020 to 3,514.18 points at the close of trading on January 29, 2021. However, both ASPI and S&P SL20 started to dip from the beginning of February, ASPI dropping to 6,854 points and S&P SL 20 dropping to 2,757.45 points in the second week of March 2021 with the emergence of the third wave of the pandemic. At the end of days trading on June 11, ASPI settled at 7,610.30 points while S&P SL20 remained at 3,067.03 points. Market capitalization increased by 44.21 percent to Rs. 3,268 billion in May 2021 to a pre-pandemic levels from Rs. 2,266 billion in May 2020. In the same vein, daily average turnover increased beyond pre-pandemic levels, to Rs. 4,409 million at the end of May 2021 while it was

Rs. 1,899 million in 2020 and Rs. 711 million in 2019. However, net foreign sales accelerated in the first five months of 2021. Net foreign sales increased to Rs. 25,323 million at the end of May 2021, compared to Rs. 12,260 million at the end of May 2020. Foreign purchases at the end of May 2021 was Rs. 19,527 million, a drop of 44.21 percent from Rs. 34,121 million at the end of May 2020.

External Sector Developments

External sector exhibited a mixed performance in the first four months of 2021: total exports increased by 29.6 percent with the increase of all categories of exports such as industrial, agricultural and mineral exports; total imports also grew by 20 percent; trade deficit widened: inflows from workers' remittances

TABLE 1.4 : External Trade January – April 2021

Category	USD Million		
	2020	2021 (Prov.)	% Change
Exports	2,931.9	3,800.3	29.6
Agricultural Products	626.8	829.4	32.3
Tea	348.4	417.4	19.8
Primary Products (Rubber and Coconut Products)	93.5	139.0	48.7
Other Agricultural Products	184.9	273.0	47.6
Industrial Exports	2,294.8	2,949.4	28.5
Textile and Garments	1,320.1	1,699.5	28.7
Petroleum Products	192.2	122.1	-36.5
Other Industrial Products	782.6	1,127.8	44.1
Mineral	5.9	16.0	171.2
Other	4.4	5.6	27.3
Imports	5,625.3	6,748.1	20.0
Consumer Goods	1,268.6	1,276.5	0.6
Food and beverages	563.2	628.8	11.6
Other Consumer Goods	705.4	647.7	-8.2
Intermediate Goods	3,115.7	4,065.7	30.5
Petroleum	1,070.1	1,390.3	29.9
Fertilizer	55.0	82.2	49.5
Textiles and Clothing	768.9	938.6	22.1
Other Intermediate Goods	1,221.7	1,654.6	35.4
Investment Goods	1,233.4	1,403.1	13.8
Machinery and Equipment	685.5	913.0	33.2
Transport Equipment	187.4	107.7	-42.5
Building Material	359.4	381.8	6.2
Other Investment Goods	1.0	0.6	-40.0
Other	7.7	2.8	-63.6
Trade Balance	-2,693.4	-2,947.8	-9.4

Source: Central Bank of Sri Lanka

significantly surged whereas earnings from tourism subdued; and gross official reserves stood at USD 4.5 billion.

The earnings from exports increased by 29.6 percent or USD 868 million to USD 3,800 million in the first four months of 2021, compared to USD 2,932 million in the same period of 2020 benefiting from the rise in earnings from textile and garments, rubber products, agricultural exports such as tea, spices and coconut and mineral products. Also, expenditure on imports increased by 20.0 percent or USD 1,123 million to USD 6,748 million in the first four months of 2021, compared to USD 5,625 million in the same period of 2020 due to the increased import bills of food and beverages, sugar and confectionery, medical and pharmaceuticals, fuel, textiles, chemical and plastic products, machinery and equipment and building materials. The increase in imports over exports has resulted to widen a trade deficit of USD 2,948 million in the first four months of 2021, compared to USD 2,693 million in the same period of 2020.

The workers' remittances augmented significantly by 20.8 percent or USD 411 million to USD 2,386 million in the first four months of 2021, compared to USD 1,975 million in the same period of 2020. This was mainly due to the diversion of sending money to formal channels in lieu of informal channels and the increased receipts of compensation and terminal benefits. Foreign remittances were further supported by the declaration of a special incentive to pay Rs. 2 per dollar above the normal exchange rate for the foreign exchange remitted through banks to Sri Lanka. Moreover, the introduction of a Special Deposit Account (SDA) with a higher interest rate encouraged more foreign inflows to Sri Lanka.

With the introduction of the air bubble concept, the tourism sector regained its momentum after the second wave of COVID-19. However, it was disturbed with the resumption of the third wave of the pandemic. The earnings from tourism declined to USD 19 million in the first four months of 2021, compared to USD 682 million in the same period of 2020.

The Colombo Stock Exchange (CSE) recorded a net outflow of USD 107 million in the first four months of 2021, compared to USD 28 million

in the same period of 2020. Gross inflows to the government declined to USD 799 million. Meanwhile, the gross official reserves stood at USD 4.5 billion as at end April 2021 which is equivalent to 3.1 months of imports. The overall Balance of Payments (BoP) recorded a deficit of USD 929 million by end of April, 2021. The Sri Lankan rupee marginally depreciated by 0.3 percent against the USD by the end of April, 2021.

Exports

Earnings from exports surged by 29.6 percent to USD 3,800.3 million in the first four months of 2021, compared to USD 2,931.1 million in the same period of 2020 reflecting a resilience demonstrated towards the pandemic. Earnings from industrial exports increased by 28.5 percent to USD 2,949.4 million in the first four months of 2021 from USD 2,294.8 million in the same period of 2020 benefiting from the increased earnings from textiles and garments, rubber products and food, beverages and tobacco products. Earnings from textile and garments increased by 28.7 percent to USD 1,699.5 million in the first four months of 2021 from USD 1,320.1 million in the same period of 2020. Export earnings from rubber products, food, beverages and tobacco products machinery and mechanical appliances increased by 44.3 percent to USD 317.9 million, 32.0 percent to USD 167.4 million and 63.5 percent to USD 156.0 million, respectively. Other industrial exports such as gems, diamonds and jewellery, chemical products, base metals and transport equipment contributed significantly to the total export earnings in the first four months of 2021. However, export earnings from petroleum products declined by 36.5 percent to USD 122.1 million mainly due to the drop in earnings from aviation and bunkering fuel.

Export earnings from agricultural exports significantly increased by 32.3 percent to USD 829.4 million in the first four months of 2021 from USD 626.8 million in the same period of 2020 mainly driven by increased earnings from tea by 19.8 percent to USD 417.4 million, spices by 115.8 percent to USD 136.2 million, coconut by 45.9 percent to USD 123.6 million and seafood by 19.4 percent to USD 75.6 million. Earnings from vegetables, rubber and unmanufactured tobacco also increased by 3.9 percent to USD 8.4 million and 75.6 percent

to USD 15.4 million and 88.8 percent to USD 11.3 million, respectively. However, earnings from minor agricultural exports plummeted by 6.6 percent to USD 41.6 million in the first four months of 2021. Meanwhile, earnings from mineral exports increased remarkably by 172.6 percent to USD 16.0 million in the first four months of 2021.

Imports

Expenditure on imports increased significantly by 20 percent to USD 6,748.1 million in the first four months of 2021, compared to USD 5,625.3 million in the same period of 2020 due to the increased import expenditure on intermediate and investment goods albeit at the restrictions imposed on the importation of non-essential items. The main contributors to the import bill were fuel, textiles, machinery and equipment, building material, chemical products, plastic, sugar and confectionary and medical and pharmaceuticals.

Import expenditure on consumer goods increased marginally by 0.6 percent to USD 1,267.5 million in the first three months of 2021, compared to USD 1,268.6 million in the same period of 2020 mainly due to the increased import expenditure on food and beverages despite the decline in expenditure on non-food consumer goods. Import expenditure on vegetables, cereals, dairy products, seafood, and spices declined whereas expenditure on sugar and confectionary increased. Expenditure on non-food consumer goods contracted by 8.2 percent to USD 647.7 million mainly due to the decline in expenditure on personal vehicles and clothing accessories. Expenditure on telecommunication devices increased significantly by 117.4 percent to USD 137.0 million in the first four months of 2021 owing to increased demand for such products arisen with the pandemic.

Import expenditure on intermediate goods increased by 30.5 percent to USD 4,065.7 million during the first four months of 2021 from USD 3,115.7 million in the same period of 2020 due to the increase in expenditure on all the subsectors except for mineral products. Expenditure on fuel imports including coal increased by 29.9 percent to USD 1,390.3 million in the first four months of 2021, compared

to USD 1,070.1 million in the same period of 2020, of which crude oil constituted nearly 18 percent of the total oil bill and the rest 82 percent was expenditure on refined petroleum products. Despite the non-importation of crude oil in March 2021 due to maintenance work at the oil refinery, expenditure on fuel import bill increased in the first four months of 2021 due to the imports of refined petroleum at higher prices with higher volumes to cater for the local demand. Import bill on textiles increased by 22.1 percent to USD 938.6 million while plastic and articles thereof increased by 53.5 percent to USD 257.8 million, chemical products by 42.7 percent to USD 364.6 million and base metals by 42.0 percent to USD 194.2 million. Other intermediate goods such as diamonds (by 60 percent to USD 43.5 million), paper and paper boards (by 22.3 percent to USD 146.8 million), rubber (by 65.6 percent to USD 133.4 million), agricultural inputs (by 24.9 percent to USD 86.6 million), wheat and maize (by 35.3 percent to USD 120.2 million), fertilizer (by 49.4 percent to USD 82.2 million) increased. However, the import bill on mineral products declined by 15.1 percent to USD 44.5 million.

The import bill for investment goods increased by 13.8 percent to USD 1,403.1 million in the first four months of 2021 from USD 1,233.4 million in the same period of 2020 due to the increase in expenditure on machinery and equipment by 33.2 percent to USD 913.0 million and building material 6.2 percent to USD 381.8 million despite the expenditure on transport equipment declined by 42.5 percent USD 107.7 million.

Global Economic Perspectives

COVID-19 pandemic and Global Economy

The year 2021 began with the renewed hope for a higher growth trajectory around the globe with the acceleration of vaccination programmes and other mitigation measures in response to the pandemic. As such, the International Monetary Fund (IMF) estimates that the global economy is expected to recover at 6.0 percent in 2021 and 4.4 percent in 2022. However, the prospects have been surrounded by numerous uncertainties triggered by the eruption of new and highly contagious variants

of the virus across the globe and the increase in the number of COVID cases in certain parts of the world.

As of June 27, 2021, COVID-19 has grabbed the human lives devastating the socioeconomic spectrum of every society, rising global death toll to 3.9 million while increasing the number of infected persons to 180.7 million. A massive new wave spiralled in India recording the second highest number of cumulative confirmed cases amounting to 30.18 million in the World after the United States (US). Countries in Europe including France and Germany and other countries such as Brazil also recorded a peak in the number of cases in 2021, increasing the number of cumulative cases up to 18.38 million in Brazil, 5.8 million in France and 3.7 million in Germany.

Complications persist around the world on the distribution and access of vaccine. The equal access to vaccinations by each country determines the speed of economic recovery. However, there is a large disparity among countries depending on their income levels. According to "Our World in Data", 22.6 percent of the world population has received at least one dose of a COVID-19 vaccine with 2.8 billion doses administered by at least 212 countries and 41.2 million doses administered each day as of June 26, 2021.

Out of the 2.8 billion doses administered in the world, 32.7 percent are from high income countries, 52.6 percent from upper middle income countries, 14.4 percent from lower middle income countries and 0.3 percent is from low income countries as of June 25, 2021. This suggests that there is a strong need for financial support for low income countries to provide access to vaccines for all.

In addition to the acceleration of the vaccination drive across the world, global policy actions have been altered to offset the adverse impacts of the pandemic as countries strive for sustainable and inclusive economic recovery while achieving macroeconomic stability. This would require facilitating employment generation in high-growth sectors, protecting vulnerable segments of the society, reducing trade costs, along with increasing public investments for education

and health, connectivity and green and resilient infrastructure. In this context, the challenge is to rebuild the fiscal space accordingly without repercussions on growth prospects, with improved spending efficiency, prioritization of development activities and better targeted social welfare. Further, global cooperation is imperative in supporting to address liquidity and solvency issues in poorer countries, establishing globally coordinated debt relief efforts and facilitating transformational investments across key identified sectors.

In this context, despite projections of speedy global recovery and rebounding of global growth, higher inflationary pressures with increasing oil and commodity prices, continuing impacts to global unemployment, widened fiscal deficits and increased global debt levels and impacts of rising United States (US) policy rates remain matters of concern for most Emerging Market and Developing Economies (EMDEs).

Global Growth

A positive turnaround to the World Economy is expected for 2021 after a sharp contraction of 3.3 percent in 2020. In January 2021, the IMF estimated the world economy to grow by 5.5 percent in 2021 and 4.2 percent in 2022. However, in April, 2021, it was revised upwardly to 6 percent for 2021 and 4.4 percent for 2022 as per the World Economic Outlook in April 2021. Meanwhile, the World Bank in its Global Economic Prospects report issued in June 2021 expects the global economy to be expanded by 5.6 percent in 2021. This suggests that the estimation for world economic growth is more volatile than ever before with the surge of the pandemic.

The global economy is expected to be uneven across regions and countries depending on the speed of vaccine rollout, the emergence of new waves of the disease, level of policy support, debt levels, and structural factors of the country such as reliance on tourism and the lingering effect of the economic damage from the crisis.

According to IMF estimates, advanced economies are expected to grow by 5.1 percent in 2021, compared to a sharp contraction of 4.7

percent recorded in 2020. The US is estimated to grow by 6.4 percent and the Euro Area is set to a growth of 4.4 percent. Japan, the United Kingdom (UK) and Canada are expected to grow by 3.3 percent, 5.3 percent and 5 percent, respectively in 2021. EMDEs are set to grow by 6.7 percent in 2021, compared to the 2.2 percent contraction experienced in 2020, led by China's and India's strong growth expectations by 8.4 percent and 12.5 percent, respectively. Emerging and Developing Asia is poised for a growth of 8.6 percent, whereas Emerging and Developing Europe is estimated to grow by 4.4 percent. Meanwhile, Latin America and the Caribbean region, Middle East and Central Asia and Sub-Saharan Africa are expected to grow by 4.6 percent, 3.7 percent and 3.4 percent, respectively.

South Asian growth prospects

As per World Bank estimates in June 2021, the South Asian economy is expected to expand by 6.8 percent in 2021. India's recovery estimated by the IMF at the rate of 12.5 percent is expected to be disturbed by the large increase in COVID-19 cases. Nevertheless, the IMF expects the growth in the countries in the region to be largely uneven in 2021: Maldives (18.9 percent after a contraction of 32.2 percent in 2020 due to tourism concentration), Bangladesh (5.0 percent), Afghanistan (4.0 percent), Nepal (2.9 percent), Pakistan (1.5 percent) and Bhutan (-1.9 percent).

Unemployment

The COVID-19 pandemic caused a devastating effect on employment and livelihoods in 2020 and this has a lingering effect to 2021 as well. The International Labour Organization (ILO) estimates that 8.8 percent of total working hours have been lost. In 2020, total employment declined by 114 million, compared to 2019 due to workers being unemployed or becoming economically inactive. The global shortfall in employment increased by 144 million jobs in 2020. The trends continued in 2021 with a shortfall in total working hours of 4.8 percent or 140 million full-time jobs in the first quarter of 2021 and 4.4 percent or 127 million full-time jobs in the second quarter of 2021. The loss of working hours has led to a decline in the labour income by 8.3 percent to USD 3.7 trillion in 2020, compared to the pre-

pandemic estimate and a reduction in global labour income of 5.3 percent or USD 1.3 trillion in the first two quarters of 2021 which has led to an increase in the global poverty levels.

Although the global economic recovery is projected to create 100 million jobs in 2021 and a further 80 million jobs in 2022, it is estimated that the projected employment growth would be insufficient to address the employment shortfall that occurred due to the pandemic. The pandemic-induced global shortfall in jobs estimated to be around 75 million in 2021 and 23 million in 2022. The unemployment rate is expected to increase to 6.3 percent in 2021 and decline to 5.7 percent in 2022.

Global Trade

Global trade grew by 10 percent on year-on-year (YoY) basis in the first quarter of 2021 after the contraction recorded in 2020 which was largely attributable to the increase in exports from East Asian economies. Trade in Advanced economies improved with 12 percent growth in imports and 7 percent growth in exports in the first quarter of 2021, compared to the same quarter of 2020. Imports and exports in developing countries recorded a YoY growth of 18.0 percent and 22.0 percent, respectively in the first quarter of 2021. The sectors such as minerals (42 percent), office equipment (38 percent), and communication equipment (37 percent), other manufacturing (33 percent), textiles (28 percent) contributed to the expansion of trade in 2021. Further, global trade in services recovered in the first quarter of 2021 despite the disturbances that occurred in travel and tourism services.

Inflation

As per the World Bank estimates, with oil prices expected to rise over the year along with the increase in commodity prices and bottlenecks in the global supply chain, global inflation is expected to rise by 1.4 percentage points in 2021 to 3.9 percent in 2021 from 2.5 percent in 2020. Considering the growth expectations and oil price forecasts, Inflation in advanced economies is set to rise to 1.8 percent in 2021 from 0.5 percent in 2020, whereas inflation in EMDEs is forecasted to rise to 4.6 percent in 2021 from 3.1 percent in 2020.

TABLE 1.5 : A Snapshot of the world – 2020

Country	2020				
	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Balance (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-10.0	42.0	11.4	-8.9	103.0
Australia	-2.4	0.9	6.5	-9.9	63.1
Brazil	-4.1	3.2	13.2	-13.4	98.9
Canada	-5.4	0.7	9.6	-10.7	117.8
Chile	-5.8	3.0	10.8	-7.1	32.5
China	2.3	2.4	3.8	-11.4	66.8
France	-8.2	0.5	8.2	-9.9	113.5
Germany	-4.9	0.4	4.2	-4.2	68.9
Greece	-8.2	-1.3	16.4	-9.9	213.1
India	-8.0	6.2	...	-12.3	89.6
Indonesia	-2.1	2.0	7.1	-5.9	36.6
Italy	-8.9	-0.1	9.1	-9.5	155.6
Japan	-4.8	0.0	2.8	-12.6	256.2
Korea	-1.0	0.5	3.9	-2.8	48.7
Malaysia	-5.6	-1.1	4.5	-5.1	67.5
Mexico	-8.2	3.4	4.4	-4.6	60.6
Russia	-3.1	3.4	5.8	-4.1	19.3
Singapore	-5.4	0.2	3.1	-8.9	128.4
South Africa	-7.0	3.3	29.2	-12.2	77.1
Spain	-11.0	-0.3	15.5	-11.5	117.1
Sri Lanka	-3.6	4.6	5.5	-11.1	101.0
Thailand	-6.1	-0.8	2.0	-4.7	49.6
United Kingdom	-9.9	0.9	4.5	-13.4	103.7
United States	-3.5	1.2	8.1	-15.8	127.1
Vietnam	2.9	3.2	3.3	-5.4	46.6
Venezuela	-30.0	2,355.0	55.5	-5.0	304.1

Source: World Economic Outlook, IMF, April 2021, Fiscal Monitor, IMF, April 2021 and Annual Report 2020, Central Bank of Sri Lanka

... Not Available

Commodity Markets

Commodity prices increased in 2021 after the sharp drop in 2020. Energy prices increased: Brent crude oil increased by 36.2 percent to USD 60.6 bbl in the first quarter of 2021, compared to USD 44.5 bbl in the fourth quarter of 2020. Natural gas prices also increased. Prices of Australian coal and South African coal increased 30.5 percent and 20.7 percent in the first quarter of 2021. Non-energy and agriculture prices demonstrated an increasing

trend in 2021. Maize prices increased in the first quarter of 2021 by 11.8 percent to USD 214.6 per metric ton, rice (Thailand 5%) by 9.9 percent to USD 542.3 per metric ton and wheat by 10.9 percent USD 2,752 per metric ton, compared to fourth quarter of 2020. Metal prices such as aluminium increased by 9 percent, copper by 18 percent, iron ore by 25.5 percent, Lead by 5.8 percent, nickel by 10.4 percent, tin by 33.4 percent and Zinc by 4.4 percent in the first quarter of 2021, compared to the fourth quarter of 2020.

TABLE 1.6 : International Commodity Prices

Item	Unit	Actual			Projection		
		2019	2020	2021	2022	2023	2024
Energy							
Coal, Australia	\$/MT	77.9	60.8	78.0	76.1	74.2	72.4
Crude oil, average	\$/bbl	61.4	41.3	56.0	60.0	61.0	61.9
Natural gas, US	\$/mmbtu	2.6	2.0	2.8	2.9	2.9	3.0
Non-energy							
Agriculture							
Beverages							
Cocoa	\$/kg	2.34	2.37	2.40	2.43	2.47	2.50
Coffee, Robusta	\$/kg	1.62	1.52	1.60	1.63	1.66	1.70
Tea ,average	\$/kg	2.56	2.70	2.50	2.55	2.60	2.65
Food							
Oils and Meals							
Palm oil	\$/MT	601	752	975	983	992	1,001
Soybean meal	\$/MT	347	394	500	503	507	510
Soybeans	\$/MT	369	407	550	555	561	566
Grains							
Maize	\$/MT	170	165	210	212	214	216
Rice,Thailand 5%	\$/MT	418	497	510	512	514	516
Wheat,U.S., HRM	\$/MT	202	211	230	233	235	238
Other food							
Sugar,World	\$/kg	0.28	0.28	0.34	0.35	0.35	0.36
Raw Materials							
Cotton	\$/kg	1.72	1.59	1.95	1.97	2.00	2.02
Rubber	\$/kg	1.64	1.73	2.25	2.25	2.26	2.26
Sawn wood	\$/cum	696	700	750	758	767	775
Metals and Minerals							
Aluminium	\$/MT	1,794	1,704	2,200	2,050	2,100	2,150
Copper	\$/MT	6,010	6,174	8,500	7,500	7,000	7,500
Nickel	\$/MT	13,914	13,787	16,500	16,000	16,146	16,293

Source: World Commodity Outlook, April 2021

Fiscal Sector

Global fiscal deficit increased to 10.8 percent of GDP in 2020 from 3.6 percent in 2019 with the unprecedented level of policy support provided to offset the deceleration of economic activities in 2020. The global fiscal deficit is expected to contain to 9.2 percent in 2021 and 5.4 percent in 2022. Advanced economies are set to reduce their fiscal deficits to 10.4 percent in 2021 and 4.6 percent in 2022. EMDEs are expected to reduce their fiscal

deficit albeit at a slower rate to 7.7 percent in 2021 and 6.7 percent in 2020.

In parallel to the increase in fiscal deficit, global debt levels surged to 97.3 percent of GDP in 2020 from 83.7 percent in 2019. The global debt level is set to further increase to 98.9 percent and 99.0 percent in 2021 and 2022, respectively. Debt to GDP ratio in Advanced economies sharply increased to 120.1 percent in 2020 from 103.8 percent in 2019 and it is expected to increase to 122.5 percent in 2021 and drop slightly to 121.6 percent in 2022.

Debt levels in EMDEs also rose sharply to 64.4 percent of GDP in 2020 from 54.7 percent in 2019 and expected to increase to 65.1 percent in 2021 and 67.3 percent in 2022.

Monetary and Financial Sector

Long-term interest rates in the US have risen about 125 basis points since the mid-2020, rebounding from sharp declines experienced during the pandemic, reflecting the rising commodity prices and driven primarily by higher inflation break-evens. By April 2021, the real rates have begun to increase with expectations of long-term interest rates reaching pre-pandemic levels. Higher long-end yields in the US have put some upward pressure on comparable maturity yields in other Advanced economies as average advanced economy 10-year rates have increased 50 basis points by April 2021. However, continuous and steep increases in rates can lead to repricing of risk and sudden tightening of financial conditions, resulting in

financial vulnerabilities and impacts to macro-financial stability. This may greatly impact the EMDEs at a time they face large financing needs and higher debt burden, impacting their bond markets, currencies and leading to large currency outflows.

Looking Forward within Sri Lankan Context

The world economic conditions reiterate the need for promoting inclusive, sustainable and resilient economic growth equipped with macroeconomic stability, debt sustainability, human resources development, targeted and well-oriented social protection and climate resilience. As the rest of the World, Sri Lanka is faced with similar daunting challenges posed by the pandemic and ensuing global economic factors, but the country is positioned to achieve strong economic recovery with the revival of economic activities, better revenue administration, focused public investments and policy certainty.

Box 1.1 | Key Policy Responses to COVID-19 in 2020 and 2021

Fiscal Sector

- Establishment of a COVID-19 Healthcare and Social Security Fund with an allocation of Rs. 100 million from the President Fund.
- Granting tax exemptions on importation and supply or donation of medical, surgical, and dental instruments, drugs and chemicals and similar items, required for the provision of health services to address the COVID-19 pandemic.
- Granting tax exemptions on the supply or donation of health protective equipment and similar products by export-oriented BOI enterprises to the Ministry of Health and other government institutions.
- Granting tax exemptions on the importation of Pharmaceutical machinery and equipment including accessories and spare parts for pharmaceutical machinery and equipment.
- Granting Tax Exemptions on the importation of Medical instrument and equipment including test kits required for the provision of health services, to help in detection of COVID-19 patients.
- Establishment of the Fuel Price Stabilization Fund (FPSF) with an initial capital of Rs. 50 billion. Surcharge on Customs Duty collected on fuel imports has been credited to the FPSF. However, surcharge was removed due to the increase in oil prices.
- Provisions of Rs. 5,000 cash allowance to senior citizens, differently-abled persons, kidney patients and farmers and displaced daily worker for the month of April to December and to low income families living in locked down areas across the nation.
- Provision of Rs. 5,000 for Samurdhi beneficiaries and low income earning households for New Year in April 2021.
- Providing Rs. 10,000 worth of dry rations for families (regardless of economic status) who are undergoing quarantine of 2 weeks

- Incurring COVID-19 related expenditure of Rs 117.5 billion for 2020 and Rs. 53.0 billion during Jan-June 2021.
- Payment of an interest-free advance of Rs. 10,000 to Low Income beneficiaries through all Samurdhi Banks.
- Implementation of a debt moratorium facilitated through banks complemented by guarantees from the Central Bank.
- Introduction of one-month grace period to the general public for the payments of utility bills and monthly credit card bills less than Rs. 50,000.
- Doubling the insurance benefits for health workers, Police, Tri-forces personnel and other government employees engaged in COVID-19 prevention activities.
- Suspension of the loan payment deductions from salaries of all public sector employees drawn from advance accounts for two (02) months.
- Extending the payment deadlines for Value Added Tax for the months of February and March until April 30, 2020.
- Directions issued to exempt penalty payments of all taxes during the COVID-19 lockdown period and to commence penalty provisions for late payments from July 2020.
- Relief measures for SMEs such as waiving of income tax arrears on assessments issued up to the Year of Assessment 2018/19, non-issuance of additional assessments for the year 2019/20, granting grace period to settle taxes in arrears/default, extension on seizure notices, and extension of the dates for the payment of taxes and filling tax returns.

External Sector

- Suspension of foreign currency outflows in relation to any investments by local persons, outward remittances and repatriation of funds by emigrants for three months.
- Suspension of Letters of Credit (LCs) facilities on the importation of selected motor vehicles and on the Importation of selected non-essential goods under LCs, documents against acceptance and advance payments for a period of three months.
- Imposition of restrictions on all non-essential imports with certain conditions.
- Issuing of directions to Authorized Dealers to issue foreign currency notes up to a maximum of US\$ 5,000 (or its equivalent in other foreign currency) as travel allowance to persons resident in Sri Lanka travelling abroad for any purpose, from the previously permitted travel allowance of US\$ 10,000.
- Sell-Buy Forex SWAP Auctions for LCBs to provide foreign currency liquidity on term basis without depleting the foreign reserves.
- Obtaining approval to enter into a Bilateral Currency Swap Agreement with the Reserve Bank of India for US\$ 400 million. All necessary prerequisites for signing the Swap Agreement have been fulfilled by the Ministry of Finance and Central Bank.
- Curtailing of Net Open Positions (NOP) of LCBs on a selective basis to prevent speculative activity in the foreign exchange market.
- Obtaining approval to initiate a Repo Facility for US\$ 1,000 million from Federal Reserve Bank New York, to meet the contingent liquidity needs of the government.
- Obtaining approval to enter in to a Bilateral Currency Swap Agreement with the Bangladesh Bank for US\$ 250 million and return to the US\$ 400 million swap agreement with the Reserve Bank of India.

Monetary Sector

- Suspension of the leasing loan repayment for a period of six months for 1.5 million self-employed persons, including owners of three-wheelers, trucks, school buses and vans and self-employed motorists.

- Injection of liquidity amounting to Rs. 150 billion into the banking system by reducing the Statutory Reserve Ratio (SRR) to 2.00 in order to facilitate economic activity.
- Introduction of the Rs. 50 billion re-financing facility to support business and the economy.
- Introduction of a "Special Deposit Account" to support the national efforts to manage the challenges faced due to COVID-19.
- Reduction of the Standing Deposit Facility Rate (SDFR) and Standard Lending Facility Rate (SLFR) by 250 basis points to 4.50 and 5.50 respectively to reduce market lending rates.
- Reduction of the interest rate for credit card domestic transactions to 15% up to Rs. 50,000 and reduce the minimum daily reserve requirement limit from 90 per cent to 20 per cent for Licensed Commercial Banks 50% in minimum monthly charges.
- Opening of all bank branches during non-curfew hours providing maximum service to customers.
- Issuance of the guidelines to licensed banks for them to maintain uninterrupted credit flows by cutting down on discretionary payments and other non-essential expenditures.
- Implementation of three new Credit Schemes to support the revival of economic activity to support lending to business segments affected by the COVID-19 (construction and other needy sectors) at the concessional rate of 4.00 per cent per annum. Repayment period was extended to 9 months.
- Issuance of guidelines to Non-Banking Financial Institutions (NBFI) on concessions for businesses and individuals affected by the 3rd wave of COVID-19. This includes a variety of concessions catered towards performing and non performing credit facilities and other facilities.

Administrative Operations

- Commence Vaccination from February, 2021 onwards.
- Establishment of the National Operations Centre for Prevention of COVID-19 and appointment of Presidential Task Forces on COVID-19 Health Care, Education, Economic Revival and Poverty Alleviation and a high-level coordination council to manage health risks and economy easing strategies.
- Conversion of National Institute of Infectious Diseases and many other major hospitals into the COVID-19 treatment centers and establishing around 34 Quarantine Centers island wide.
- Increase the Daily PCR testing to over 25,000 tests as at May, 2021.
- Delivery of food and medicines directly to the targeted beneficiaries.
- Payment of the pensions to 645,179 pensioners through Divisional Secretariats and Postal Services.
- Implementation of the "Saubhagya Home Garden" programme to ensure the food security of the country.
- Provisions of fertilizer, and seeds and plantation material for low income beneficiaries to encourage farming.
- Encourage of domestic manufacturers and inventors to produce requested equipment such as hospital beds, disinfection chambers and sanitizers.
- Relaxing of the restrictions such as curfew on all agricultural activities to meet local and export demand.
- Contribution of US\$ 5 million to the SAARC COVID-19 Emergency Fund.

CHAPTER 2

Fiscal Developments

Overview

Fiscal and monetary policy support continued in the first half of 2021 to further accelerate the aggregate demand of the country while encouraging the private sector particularly, entrepreneurs to invest more in productive sectors of the economy armed with already established simple and transparent tax system in line with an accommodative monetary policy stance of the country. However, the effect of the COVID-19 pandemic coupled with the flagging global economic turbulence at unprecedented levels have exerted pressure on the fiscal operations of the Government. Amidst such challenges. The government revenue including grants increased to Rs. 482.3 billion in the first four months of 2021, nearly 25 percent of the annual estimated revenue of Rs. 1,961 billion in 2021.

The government revenue mobilization efforts have been successful in the first four months of 2021 with the increase of government revenue to Rs. 481.7 billion from Rs. 476.7 billion in the same period of 2020. Tax revenue increased by 4.6 percent to Rs. 427.3 billion in the first four months of 2021 from Rs. 408.5 billion in the same period of 2020 benefiting from the higher receipts from Value Added Tax (VAT), Ports and Airports Development Levy (PAL), CESS and Excise duty on liquor. However, non-tax revenue declined by 20.2 percent mainly due to reduction of Central Bank profit transfers from Rs. 24 billion to Rs. 15 billion.

Revenue collected from income tax dropped by 32.1 percent to Rs. 55.2 billion in the first four months of 2021 from Rs. 81.4 billion in the same period of 2020. Revenue from corporate and non-corporate tax fell by 18.7 percent to Rs. 47.0 billion due to the mobility restriction imposed to mitigate the spread of COVID-19 in 2020. Reflecting the revival of economic activities in 2021, revenue from the capital gains tax significantly increased by 227.2 percent to Rs. 191 million in the first four

months of 2021 from Rs. 59 million in the same period of 2020.

Revenue from domestic consumption-based taxes increased by 19.9 percent to Rs. 145.3 billion in the first four months of 2021. Revenue from VAT on domestic activities increased by 31.2 percent to Rs. 62.4 billion from Rs. 48.2 billion while revenue collected from excise duty on domestic activities increased by 15.6 percent to Rs. 82.7 billion in the first four months of 2021.

Meanwhile, the Government introduced three band custom duty structure of 0, 10 and 15 percent as announced in the Budget 2021 in order to rationalise the custom duty rates.

Revenue generated from import-based taxes such as VAT on imports, Customs Import Duty (CID), CESS and PAL increased by 5.6 percent to Rs. 200.7 billion. However, revenue collected from Special Commodity Levy (SCL) declined by 14.9 percent to Rs. 20.5 billion in the first four months of 2021 while excise duty related to imports declined by 49.0 percent to Rs. 28.6 billion which was attributable to the decline in revenue from motor vehicles due to the import restrictions.

Total government expenditure increased by 7.7 percent to Rs. 1,002.8 billion in the first four months of 2021, compared to Rs. 930.9 billion in the same period of 2020 mainly due to the increase in recurrent expenditure. Recurrent expenditure elevated by 8.5 percent to Rs. 890.1 billion in the first four months of 2021, compared to Rs. 820.7 billion in the same period of 2020 due mainly to the induced COVID-19 related direct expenditure including reliefs and livelihood supports extended to the COVID-affected families and the COVID-mitigated measures such as quarantine activities and import bill on vaccinations together with the increase in expenditure on interest payments, salaries, and pensions. Expenditure on interest

TABLE 2.1 : Summary of the Budget from January to April 2021

Rs. Million

Item	2020	2021 (Provisional)
Revenue and Grants	478,696	482,289
Revenue	476,733	481,722
Tax Revenue	408,484	427,261
Non Tax Revenue	68,248	54,461
Grants	1,963	567
Expenditure	930,871	1,002,832
Recurrent	820,685	890,085
Interest Payments	336,216	366,240
Other	484,469	523,844
Public Investment	118,928	114,227
Other	-8,742	-1,480
Revenue Surplus(+)/Deficit(-)	-343,952	-408,362
Overall Budget Surplus(+)/Deficit(-)	-452,175	-520,543
Financing	452,175	520,543
Foreign Financing	26,299	16,994
Borrowing	118,439	127,077
Repayments	-92,139	-110,083
Domestic Financing	425,876	503,549
Borrowing	1,030,188	1,397,680
Repayments	-604,312	-894,131

Source: Department of Fiscal Policy

TABLE 2.2 : Estimated and Actual Revenue and Expenditure from January to April 2021

Rs. Billion

Item	Estimated (Annual)	Provisional (Jan-Apr)	Achievement (%)
Total Revenue	1,951	482	24.7
Tax Revenue	1,724	427	24.8
Non – Tax Revenue	227	54	24.0
Total Expenditure	3,526	1,003	28.4
Recurrent Expenditure	2,466	890	36.1
Capital Expenditure and Net Lending	1,060	113	10.6

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

payments increased by 8.9 percent to Rs. 366.2 billion despite the reduction in interest payments to foreign loans, salaries and wages increased by 8.0 percent to Rs. 274.0 billion and pension payments by 9.3 percent to Rs. 87.3 billion in the first four months of 2021. Also, capital expenditure and net lending rose by 2.3 to percent Rs. 112.7 billion in the first

four months of 2021 from Rs. 110.2 billion in the same period of 2020.

Government revenue

Total government revenue increased to Rs. 481.7 billion in the first four months of 2021, compared to Rs. 476.7 billion in the same

period of 2020 mainly driven by the surge in tax revenue.

The tax revenue augmented by 4.6 percent to Rs. 427.3 billion in the first four months of 2021,

compared to Rs. 408.5 billion in the same period of 2020 due to the notable increase in revenue collected from VAT, PAL, CESS and excise duty on liquor by 32.4 percent, 44.8 percent, 110.9 percent and 46.5 percent,

TABLE 2.3 : Annual Estimate and Actual Tax Revenue from January to April 2021

Rs. Billion

Item	Estimated Annual	Provisional (Jan-Apr)
Department of Inland Revenue		
Tax on Income and Profit	371.0	55.2
VAT – Domestic	200.0	62.4
NBT -Domestic	–	0.2
IRD Other	4.5	18.5
Sub Total	575.5	136.4
Department of Customs		
Import Duty	180.0	31.6
VAT – Imports	110.0	39.4
NBT -Imports	–	0.0
Ports and Airports Development Levy	170.0	53.8
Import/Export Cess	70.0	26.8
Special Commodity Levy	110.0	20.5
ESC	–	0.0
Excise Special Provisions	315.0	58.8
Cigarettes	130.0	27.6
Petroleum	85.0	20.7
Motor Vehicles & Other	100.0	10.6
Other	2.0	0.0
Sub Total	957.0	231.0
Department of Excise		
Liquor/Tobacco	160.0	52.4
Sub Total	160.0	52.4
Other		
Telecommunication Levy	20.0	4.3
License Tax & Other	11.5	3.1
Sub Total	31.5	7.4
Total Tax Revenue	1,724.0	427.3

Source : Department of Fiscal Policy

respectively. The realization of government revenue as against the annual estimated revenue of Rs. 1,951 billion was 24.7 percent in the first four months of 2021. However, the non-tax revenue declined noticeably by 20.2 percent to Rs. 54.5 billion in the first four months of 2021 with the decline in receipts

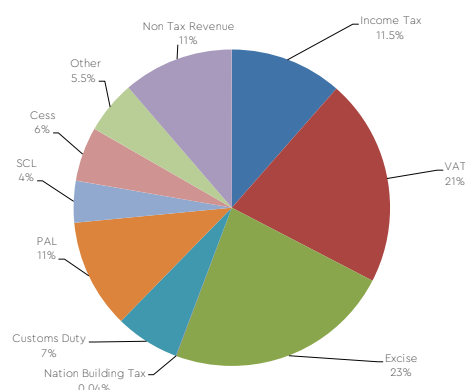
from rent, sales and charges and interest amidst the increase in profits and dividends from SOEs. Revenue from profits and dividends significantly increased to Rs. 7.0 billion in the first four months of 2021, compared to Rs. 2.9 billion in the same period of 2020.

TABLE 2.4 : Summary of Performance of Government Revenue from January to April 2021

Rs. Million

Item	2020	2021 (Provisional)	Growth %
Tax Revenue	408,485	427,260	4.6
Income Tax	81,372	55,245	-32.1
Domestic Consumption Based Tax	121,164	145,316	19.9
VAT	48,199	62,435	29.5
Excise Duty	71,534	82,690	15.6
Nation Building Tax	1,432	191	-86.7
Import Based Tax	190,122	200,710	5.6
Customs Duty	31,267	31,644	1.2
VAT	28,740	39,407	37.1
Nation Building Tax	101	5	-95.0
PAL	37,165	53,814	44.8
SCL	24,092	20,500	-14.9
Excise Duty	56,065	28,574	-49.0
Cess	12,692	26,766	110.9
License Taxes and Others	15,827	25,989	64.2
Non Tax Revenue	68,248	54,461	-20.2
Total Revenue	476,733	481,722	1.0

Source : Department of Fiscal Policy

FIGURE 2.1 : Composition of Government Revenue from January to April 2021

Source : Department of Fiscal Policy

Tax revenue

Tax revenue, which is accounted for 88.7 percent of the total revenue, increased by 4.6 percent to Rs. 427.3 billion in the first four months of 2021 from Rs. 408.5 billion in the same period of 2020. However, revenue from income tax declined by 32.1 percent to Rs. 55.2 billion in the first four months of 2021,

compared to the Rs. 81.4 billion in the same period of 2020 which was mainly driven by the decline in receipts from the corporate sector stemming from the impact of the pandemic that erupted in March, 2020. Meanwhile, the contribution of revenue collected from indirect taxes to the government tax revenue accounted for 87.1 percent and revenue from indirect taxes increased by 13.7 percent to Rs. 372.0 billion in the first four months of 2021 from Rs. 327.1 billion in the same period of 2020.

Income tax

Income tax revenue declined by 32.1 percent to Rs. 55.2 billion in the first four months of 2021, compared to Rs. 81.4 billion recorded for the same period of 2020. Revenue from corporate and non-corporate tax dropped by 18.7 percent to Rs. 47.0 billion in the first four months of 2021, compared to the same period of 2020. This was attributable to the ramification effect of measures taken

to mitigate the spread of the COVID-19 pandemic in 2020. However, revenue from the capital gains tax significantly increased by 227.2 percent to Rs. 191 million in the first four months of 2021 from Rs. 59 million in the same period of 2020 reflecting the revival of economic activities in 2021. Revenue from Pay-as-you-earn (PAYE) declined by 20.9 percent to Rs. 4.4 billion in the first four months of 2021, compared to Rs. 5.6 billion recorded in the same period of 2020. Withholding Tax (WHT) on employment income was removed effective from January 1, 2020. In lieu of WHT on employment income, Advance Personal Income Tax (APIT) was introduced effective from April 1, 2020 on a voluntary basis for residents, but on a compulsory basis for non-residents and non-citizens. In the same vein, with the introduction of Advance Income Tax (AIT) on interest, inter alia, as an optional tax for residents which is deducted only at their request, the tax on interest has dropped by 33.6 percent to Rs. 3.3 billion in the first four months of 2021.

TABLE 2.5 : Performance of Income Tax Revenue from January to April 2021

Rs. Million

Tax Base	2020	2021 (Provisional)	Change %
Corporate and Non Corporate	57,788	46,967	-18.7
PAYE	5,556	4,396	-20.9
Tax on Interest Income	4,924	3,268	-33.6
Economic Service Charge	13,044	423	-96.8
Capital Gain Tax	59	191	227.2
Total	81,372	55,245	-32.1

Source : Department of Fiscal Policy

Value Added Tax (VAT)

The total VAT revenue increased by 32.4 percent to Rs. 101.8 billion in the first four months of 2021, compared to Rs 76.9 billion in the same period of 2020, a realization of 32.9 percent of the annual estimate. The VAT revenue from domestic activities increased by 29.5 percent to Rs. 62.4 billion while

VAT revenue from imports increased by 37.1 percent to Rs. 39.4 billion in the first four months of 2021. This was mainly attributable to the resumption of economic activities in the first four months of 2021.

TABLE 2.6 : Performance of Revenue of VAT from January to April 2021

Rs. Million

Tax Base	2020	2021 (Provisional)	Growth %
Gross Revenue	77,130	101,842	32.0
Domestic	48,237	62,435	29.4
Imports	28,893	39,407	36.4
Refunds	191	-	
Net Revenue	76,938	101,842	32.4
Refunds as % of Gross Revenue	0.2	-	

Source : Department of Fiscal Policy

Excise duty

Revenue generated from Excise duty declined by 12.8 percent to Rs. 111.3 billion in the first four months of 2021, compared to Rs. 127.6 billion in the same period of 2020 mainly due to the decline of revenue from motor vehicles, cigarettes and petroleum products despite the gains in revenue from liquor and other excisable articles. Excise duty revenue accounted for 26.0 percent of the tax revenue and 23.1 percent of the total revenue collected in the first four months of 2021 while achieving 23.4 percent of the annual estimate.

TABLE 2.7 : Performance of Excise Duty from January to April 2021

Rs. Million

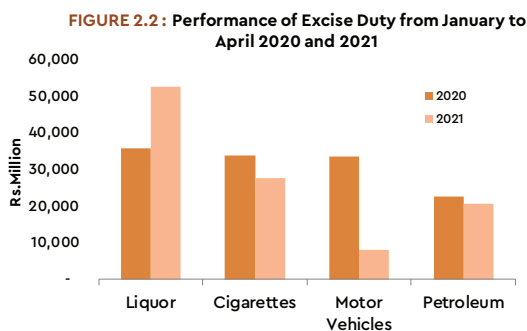
Tax Base	2020	2021 (Provisional)	Growth %
Liquor	35,778	52,412	46.5
Cigarettes	33,867	27,602	-18.5
Motor Vehicles	33,551	7,921	-76.4
Petroleum	22,514	20,653	-8.3
Other	1,880	2,665	41.7
Total	127,591	111,253	-12.8

Source : Department of Fiscal Policy

Revenue from liquor increased significantly by 46.5 percent to Rs. 52.4 billion in the first four months of 2021 from Rs. 35.8 billion in the same period of 2020 mainly due to the relaxation of mobility restrictions during the festive season. Accordingly, revenue from hard liquor increased by 78.8 percent to Rs. 36.4 billion in the first four months of 2021, compared to Rs. 20.3 billion in the same period of 2020. Similarly, revenue collection from malt liquor increased substantially by 117.1 percent to Rs. 15.2 billion in the first four months of 2021, compared to Rs. 7.0 billion in the same period of 2020. However, revenue from cigarettes fell by 18.5 percent to Rs. 27.6 billion in the first four months of 2021, compared to Rs. 33.9 billion in the same period of 2020 mainly due to the decline in sales reflecting on the responses to the health related association between smoking and COVID-19.

Excise duty from motor vehicles significantly declined by 76.4 percent to Rs. 7.9 billion in the first four months of 2021, compared to Rs. 33.6 billion in the same period of 2020 due to reduction of motor vehicle imports stemming from the measures introduced to curtail the non-essential imports since March 2020.

Revenue from petroleum products declined by 8.3 percent to Rs. 20.7 billion in the first four months of 2021, compared to Rs. 22.5 billion in the same period of 2020 mainly due to the reduction of imports of, in particular, March 2021 diesel during the period. However, revenue from other excisable articles improved to Rs. 2.7 billion in the first four months of 2021, compared to Rs. 1.9 billion in the same period of 2020.



Source: Department of Fiscal Policy

Other taxes

Revenue generated from PAL, CID and CESS increased mainly due to the increased imports in the first four months of 2021. However, revenue collected from Special Commodity Levy (SCL) and Telecommunication Levy declined in the first four months of 2021, compared to the same period of 2020.

Revenue collected from PAL increased significantly by 44.8 percent to Rs. 53.8 billion in the first four months of 2021 from Rs. 37.2 billion in the same period of 2020 benefiting from the return to normalcy of economic activities following the first two waves of the COVID-19 pandemic. This was a realization of 31.7 percent of the annual estimate of Rs. 170 billion for 2021. Notable rate revisions of PAL were conducted in February and April 2021 on imported milk powder, LP Gas and cocoa beans in response to higher international commodity prices. Meanwhile, revenue from CID increased by 1.2 percent to Rs. 31.6 billion in the first four months of 2021, compared to Rs. 31.3 billion in the same period of 2020. However, revenue collected from SCL declined by 14.9 percent to Rs. 20.5 billion due to the downward revision of SCL rates on essential commodities and revenue from Telecommunication Levy marginally dropped by 0.4 percent to Rs. 4.3 billion in the first four months of 2021.

Revenue from CESS levy increased significantly by 110.9 percent to Rs. 26.8 billion in the first four months of 2021, compared to Rs. 12.7 billion in the same period of 2020. This increase was due to the revisions introduced to CESS Levy rates in par with CID as announced in the Budget 2021. Revenue collected from CESS Levy on imports increased significantly by 113.9 percent to Rs. 26.1 billion in the first four months of 2021 from Rs. 12.2 billion in the same period of 2020. Similarly, revenue from CESS levy on exports increased by 39.6 percent to Rs. 0.7 billion in the first four months of 2021 from Rs. 0.5 billion in the same period of 2020.

Non-tax revenue

Non-tax revenue significantly declined by 20.2 percent to Rs. 54.5 billion in the first four months of 2021, compared to Rs. 68.2 billion in

the same period of 2020 due to the lingering effect of the pandemic. Benefiting from the resumption of economic activities, profit and dividend receipts from SOEs considerably increased by 146.0 percent to Rs. 7.0 billion in the first four months of 2021, compared to Rs. 2.9 billion in the same period of 2020 while revenue from social security contribution increased by 27.6 percent to Rs. 11.3 billion in the first four months of 2021. However, revenue from sales and charges fell by 40.2 percent

to Rs. 12.5 billion in the first four months of 2021 from Rs. 20.9 billion in the same period of 2020. Revenue from rent income also declined by 83.4 percent to Rs. 1.4 billion in the first four months of 2021 from Rs. 8.6 billion in the same period of 2020. Meanwhile, interest income also declined to 1.3 billion. The non-tax revenue collected in the first four months of 2021 was a realization of 24.0 percent of the annual estimate for 2021.

TABLE 2.8 : Variance Analysis of Government Revenue

Item	Rs. Billion			Reason
	2020	2021 Annual Est.	2021	
Income Tax	81.4	371.0	55.2	Revenue collection from income taxes declined by 32.1 percent to Rs. 55.2 billion in the first four months of 2021, compared to the same period in 2020, realizing 14.9 percent of the annual estimate. This was mainly due to the slowdown of economic activities resulting in the outbreak of the COVID-19 pandemic erupted in mid March of 2020. As such, the Corporate and Non Corporate tax declined by 18.7 percent to Rs. 47.0 billion in the period under review. However, revenue collected from the Capital Gain Tax positively contributed to the income tax revenue during the period of first four months of 2021.
VAT	76.9	310.0	101.8	VAT revenue increased significantly by 32.4 percent to Rs. 101.8 billion in the first four months of 2021, compared to the same period of 2020, realizing 32.9 percent from the annual estimate. This was mainly due to the increase in domestic activities including retail trade under the new normal condition in 2021 coupled with increased imports by 20.0 percent in the first four months of 2021. Revenue from VAT on domestic economic activities and import related activities increased by 29.5 percent to Rs. 62.4 billion and 37.1 percent to Rs. 39.4 billion, respectively in the first four months of 2021, compared to the same period of 2020.
Excise Tax	127.6	475.0	111.3	Revenue collection from excise duties declined by 12.8 percent to Rs. 111.3 billion in the first four months of 2021, compared to the same period of 2020, realizing 23.4 percent of the annual estimate of 2021. This was mainly due to the restriction imposed on passenger motor vehicle imports effective from March, 2020. The excise duty revenue collection from cigarettes contracted by 18.5 percent to Rs. 27.6 billion due to the decline in cigarette sales. The excise duty revenue on petroleum products also declined by 8.3 percent to Rs. 20.7 billion due to the decline in importation of diesel reflecting the reduced consumption of such products. However, revenue collection from liquor increased by 46.5 percent to Rs.52.4 billion mainly due enhanced sales during festive seasons. Excise duty Revenue collection from other products increased to by 41.7 percent to Rs.2.7 billion in the period under review narrowing of the gap between the estimated and actual values.

Item	Rs. Billion			Reason
	2020	2021 Annual Est.	2021	
Import Duty	31.3	180.0	31.6	Revenue from Import Duty increased marginally by 1.2 percent in the first four months of 2021, realizing 17.6 percent of the annual estimate. This performance was mainly due to the increase in imports and continuation of restricted importation of certain items applicable on customs import duty.
Port and Airport Development Levy (PAL)	37.2	170.0	53.8	Revenue collection from PAL increased by 44.8 percent to Rs. 53.8 billion in the first four months of 2021, realizing a 31.7 percent of the annual estimate. This was mainly due to the increase in imports of items applicable on PAL, in particular some investment goods.
Special Commodity Levy	24.1	110.0	20.5	Revenue from SCL declined by 14.9 percent to Rs. 20.5 billion in the first four months of 2021, compared to the same period of 2020, achieving 18.6 percent from annual estimate of 2021. This performance was mainly due to the downward rate changes of selected commodity items in order to balance the domestic demand and supply in a sustainable level.
Other Taxes	30.1	108.0	53.0	The revenue collection from other taxes increased significantly by 76.2 percent to Rs. 53.0 billion in the first four months of 2021, compared to Rs. 30.1 billion in the same period of last year realizing 49.1 percent of the annual estimate of 2021. This was mainly due to the increased revenue from Cess levy by 110.9 percent to Rs. 26.8 billion, compared to the same period of previous year, reflecting the impact of rate changes in line with the Budget 2021 and collection of temporary unclassified online payments to the Department of Inland Revenue in response to the implementation of COVID-19 control measures. However, Telecommunication Levy (TL) declined marginally by 0.4 percent due to the drop in both international incoming and outgoing call duration in the first quarter in 2021 compared to the same period in previous year.
Non Tax Revenue	68.2	227.0	54.5	Non-tax revenue declined by 20.2 percent to Rs. 54.5 billion in the first four months of 2021 compared to Rs.68.2 billion in the same period in 2020, realizing 24.0 percent of the annual estimate, mainly due to the decline in , rent, interest income, Central Bank Profit transfers and fees and charges. This was mainly due to the slowdown on the economic activities resulting in the outbreak of the COVID-19 pandemic in 2020. However, nontax revenue from profits and dividends from State-owned enterprises reached Rs 7 billion while social security contributions reaching Rs 11.3 billion during the first four months of 2021 showing a 146 percent and 27.6 percent increase over the period under review of 2020. Further, other non tax revenue recorded a Rs. 5.9 billion, registering more than a four fold increase compared to the revenue collected from January to April 2020.
Total	476.7	1,951.0	481.7	

Compiled by the Department of Fiscal Policy

Box 2.1: Major Fiscal Measures: January- June 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 deposit 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 banks 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 (Technical and Vocational Education and Training) concept 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% 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.

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% for individuals and flat rate of 14% for companies. - Amounts received on the supply of electricity to national grid generated by using renewable energy resourced taxed at the maximum rate of 14% for individuals and flat rate of 14% 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%.

Effective Date	Measures	
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%
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 and communication 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 institutions 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. 	

Effective Date	Measures
	<ul style="list-style-type: none"> - 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.
	<p>Consideration as "specified undertakings"</p>
01.04.2021	<p>The following businesses are considered as specified undertakings to apply the 14 % 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, or to 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, <p>but, up to the quantity approved by the Board of Investment as import replacement within the 3 years period commencing on April 1, 2021.</p>
	<p>Changes in Tax Incentives and Contemporary Concessions</p>
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% of local value addition during the three years from 2021/2022 to 2023/2024. - Construction of a building or similar work in a leasehold land will be considered for enhanced capital allowance purposes. - 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.
	<p>Tax relief for resident Individuals</p>
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.

Effective Date	Measures
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.
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	<p>Value Added Tax (Amendment) Act, No. 9 of 2021</p> <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/-
Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989	
05.04.2021	<p>Gazette Notification No. 2222/2 of 05.04.2021</p> <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	<p>Gazette Notification No. 2222/3 of 05.04.2021</p> <ul style="list-style-type: none"> - To introduce new duty structure on locally assembled/ manufactured motor vehicles and motor bicycles in line with the implementation of standard operating procedures (SOP) for Automobile manufacturing /assembling industry &Automobile component manufacturing industry.
23.04.2021	<p>Gazette Notification No. 2224/24 of 22.04.2021</p> <ul style="list-style-type: none"> - To revise the duty rates on mobile workshop vehicles.
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
01.01.2021	<p>Excise Notification No. 01/2021 (Gazette Notification No. 2208/34 of 01.01.2021)</p> <ul style="list-style-type: none"> - To extend the date of implementing the Foolproof Sticker and Sticker Management System for licensed manufacturers.
01.01.2021	<p>Excise Notification No. 02/2021 (Gazette Notification No. 2208/35 of 01.01.2021)</p> <ul style="list-style-type: none"> - To exempt the annual licence fee for FL/7, FL/8, FL/11, FL/12 and FL/22B for the year 2021.
08.01.2021	<p>Excise Notification No. 03/2021 (Gazette Notification No. 2209/42 of 07.01.2021)</p> <ul style="list-style-type: none"> - To impose a duty of Rs. 25/ per litre of bottled toddy manufacturers in and issued from any licensed manufactory established in Sri Lanka. <p>Excise Notification No. 993 (Gazette Extraordinary No.1998/6 of 20.12.2016 rescinded.</p>

Effective Date	Measures
07.01.2021	<p data-bbox="357 203 1397 234">Excise Notification No. 04/2021 (Gazette Notification No. 2209/44 of 07.01.2021)</p> <ul data-bbox="357 269 1397 331" style="list-style-type: none"> <li data-bbox="357 269 1397 331">- To amend the Excise Notification No. 03/2018 to revise the opening and closing hours of Toddy Taverns <p data-bbox="357 367 1397 429">Excise Notification No. 11/2018 (Gazette Extraordinary No.2075/24 of 13.06.2020 rescinded.</p>
07.01.2021	<p data-bbox="357 437 1397 468">Excise Notification No. 05/2021 (Gazette Notification No. 2209/43 of 07.01.2021)</p> <ul data-bbox="357 504 1397 535" style="list-style-type: none"> <li data-bbox="357 504 1397 535">- To revise the limit of sale by retail and quantity transported to 3 litres for Toddy. <p data-bbox="357 570 1397 597">Excise Notification No. 745 of 14.08.1985 rescinded.</p>
11.01.2021	<p data-bbox="357 645 1397 676">Excise Notification No. 06/2021 (Gazette Notification No. 2210/2 of 11.01.2021)</p> <ul data-bbox="357 712 1397 805" style="list-style-type: none"> <li data-bbox="357 712 1397 805">- To exempt payment of Authorization Fee only for 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	<p data-bbox="357 814 1397 844">Excise Notification No. 07/2021 (Gazette Notification No. 2216/16 of 25.02.2021)</p> <ul data-bbox="357 880 1397 937" style="list-style-type: none"> <li data-bbox="357 880 1397 937">- To specify regulations pertaining to the security features and Security Management System.
Ports and Airports Development Levy (PAL) – Ports and Airports Development Levy Act, No. 18 of 2011	
05.01.2021	<p data-bbox="357 1017 1397 1048">Gazette Notification No. 2209/17 of 05.01.2021</p> <ul data-bbox="357 1088 1397 1212" style="list-style-type: none"> <li data-bbox="357 1088 1397 1212">- 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	<p data-bbox="357 1221 1397 1251">Gazette Notification No. 2216/3 of 22.02.2021</p> <ul data-bbox="357 1282 1397 1318" style="list-style-type: none"> <li data-bbox="357 1282 1397 1318">- To grant the concessionary rate of 2.5 percent on the importation of milk powder.
09.03.2021	<p data-bbox="357 1327 1397 1358">Gazette Notification No. 2218/51 of 09.03.2021</p> <ul data-bbox="357 1389 1397 1513" style="list-style-type: none"> <li data-bbox="357 1389 1397 1513">- To allow any enterprise which carries out a capital investment of not less than US\$ 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	<p data-bbox="357 1521 1397 1552">Gazette Notification No. 2219/68 of 19.03.2021</p> <ul data-bbox="357 1588 1397 1645" style="list-style-type: none"> <li data-bbox="357 1588 1397 1645">- To create an exemption provision to allow Ceylon Petroleum Corporation to import furnace oil specifically for the production of bitumen.
20.04.2021	<p data-bbox="357 1654 1397 1685">Gazette Notification No. 2224/8 of 19.04.2021</p> <ul data-bbox="357 1720 1397 1822" style="list-style-type: none"> <li data-bbox="357 1720 1397 1822">- To grant concessionary rate of 7.5 percent or Rs. 2,000 per Metric Ton (MT) whichever is the lowest until International liquefied Petroleum Gas Prices reach US\$ 325 per MT on the importation of Liquefied Petroleum Gas.
12.06.2021	<p data-bbox="357 1831 1397 1862">Gazette Notification No. 2231/19 of 11.06.2021</p> <ul data-bbox="357 1897 1397 1964" style="list-style-type: none"> <li data-bbox="357 1897 1397 1964">- To grant concessionary rate of 5 percent on the importation of Cocoa beans (whole/broken or raw)

Effective Date	Measures
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.
16.03.2021	Gazette Notification No. 2219/15 of 15.03.2021
	<ul style="list-style-type: none"> - To revise CESS Levy on importation of tiles and sanitary ware.
18.03.2021	Gazette Notification No. 2219/36 of 17.03.2021
	<ul style="list-style-type: none"> - To allow any goods imported by any enterprise and Strategic Development Project, which invests US\$ 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.
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 17.11.2020)
	<ul style="list-style-type: none"> - To create National HS Subdivisions 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 Subdivisions for Face Masks to impose a nominal Special Commodity Levy and protect revenue leakage.
Surcharge on Customs Duty -Customs Ordinance (Chapter 232)	
02.02.2021	Gazette Notification No. 2213/7 of 01.02.2021
	<ul style="list-style-type: none"> - To reduce surcharge to zero rate on importation of selected fuel oils.
Customs Import Duty (CID) Waiver – Customs Ordinance (Chapter 232)	
01.01.2021	<ul style="list-style-type: none"> - 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
	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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
	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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. 16 per litre
	<ul style="list-style-type: none"> - 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.
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
14.01.2021	Gazette Notification No. 2210/16 of 13.01.2021
	<ul style="list-style-type: none"> - To extend the validity period of SCL on the importation of (Sugar, Bombay onion and dhal for a period of six months.)

Effective Date	Measures
19.01.2021	Gazette Notification No. 2211/8 of 18.01.2021 <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - To maintain the same duty rate for all varieties of dried fish and to reduce the duty of potatoes to Rs. 15 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 <ul style="list-style-type: none"> - To extend the validity period of SCL on the importation of (Mackerel fish, black gram, cowpea and kurakkan and millet for a period of one year.
14.04.2021	Gazette Notification No. 2223/2 of 13.04.2021 <ul style="list-style-type: none"> - To extend the validity period of SCL on the importation of (Sugar, Bombay onion and dhal for a period of six months.)
28.04.2021	Gazette Notification No. 2225/1 of 27.04.2021 <ul style="list-style-type: none"> - To extend SCL on the importation of fish, Maldivefish, green gram, mangoesteens, kiwi fruit for a period of one year.
28.04.2021	Gazette Notification No. 2225/8 of 27.04.2021 <ul style="list-style-type: none"> - To impose SCL on the importation of Desiccated Coconut (other) of Rs. 300 per kg for a period of three months and granted duty waiver to BCC Lanka Ltd .
27.04.2021	Gazette Notification No. 2225/13 of 27.04.2021 <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - To extend the validity period of SCL on the importation of 22 items for a period of one year.
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) <ul style="list-style-type: none"> - 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) <ul style="list-style-type: none"> - 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) <ul style="list-style-type: none"> - 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) <ul style="list-style-type: none"> - To Impose requirement of ICL for mobile workshops

Effective Date	Measures
23.04.2021	Imports and Exports (Control) Regulations No. 06 of 2021 (Gazette Notification No. 2224/44 of 23.04.2021
07.05.2021	Imports & Exports (Control) Regulations No 07 of 2021 (Gazette Notification No. 2226/48 of 06.05.2021 - To temporary suspend the importation of brand new mobile workshops - To control Importation of Chemical fertilizers, pesticides & herbicides
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 re impose the Levy on Tele-dramas, films and commercials on the telecast of foreign tele-dramas and films. Foreign tele-dramas and films were exempted from the levy on 27.03.2020 as a temporary measure considering the disruptions to local production of tele-dramas and films due to COVID-19 related restrictions.
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
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 relevant information of the "Ceylon Tyre Manufacturing Company (Pvt) Ltd".
23.03.2021	Gazette Notification No. 2220/30 of 23.03.2021 - To publish relevant information 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 granting incentives for each enterprise of the dedicated textile manufacturing zone.

Effective Date	Measures
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 the 25.03.2020.

Government expenditure

Government expenditure increased by 7.7 percent to Rs. 1,002.8 billion in the first four months of 2021, compared to Rs. 930.9 billion in the same period of 2020. Recurrent expenditure augmented by 8.5 percent to Rs. 890.1 billion in the first four months of 2021, compared to Rs. 820.7 billion in the same period of 2020 due mainly to the induced COVID – 19 related expenditure including reliefs and livelihood supports extended to the COVID-affected families and the COVID-mitigated measures such as quarantine activities and import bill on vaccinations coupled with the increase in expenditure on interest payments, salaries, and pensions. Capital expenditure and net lending increased marginally by 2.3 percent to Rs. 112.7 billion in the first four months of 2021 from Rs. 110.2 billion in the same period of 2020.

TABLE 2.9 : Performance of Government Expenditure from January to April 2021

Item	Rs. Million	
	2020	2021 (Provisional)
Recurrent Expenditure	820,685	890,085
Salary & Wages	253,810	274,044
Pension payment	79,878	87,345
Interest payment	336,216	366,240
Other	150,781	162,456
Capital Expenditure and Net Lending	110,186	112,748
Total	930,871	1,002,832

Source : Department of Fiscal Policy

Interest payments

The expenditure on interest payments including both domestic and foreign debt

increased by 8.9 percent to Rs. 366.2 billion in the first four months of 2021, compared to Rs. 336.2 billion in the same period of 2020. Benefiting from the Government policy on the reduction of foreign exposure in the debt announced in 2020, interest payments for foreign debt plummeted by 11.3 percent to Rs. 92.4 billion in the first four months of 2021, compared to Rs. 104.1 billion in the same period of 2020 whereas interest payments for domestic debt increased by 18.0 percent to Rs. 273.8 billion in the first four months of 2021 from Rs. 232.0 billion in the same period of 2020.

Salaries and pensions

The expenditure on salaries and wages of public servants including Provincial Councils increased by 8.0 percent to Rs. 274.0 billion in the first four months of 2021, compared to Rs. 253.8 billion in the same period of 2020.

Meanwhile, the expenditure on pension payment increased by 9.3 percent to Rs. 87.3 billion in the first four months of 2021, compared to Rs. 79.9 billion in the same period of 2020. This increase was mainly attributable to the higher basic salaries of new pensioners together with the payment of overdue gratuity in the first four months of 2021.

Welfare expenditure

The Government incurred Rs. 172.1 billion on household subsidies including *Samurdhi* payments, elder's allowance, assistance to differently-abled soldiers, food package for pregnant mothers, and fertilizer subsidy and school uniforms and text books in the first four months of 2021.

Expenditure on Samurdhi cash grant provided to low-income families remained intact to Rs. 17,271 million in the first four months of 2021. However, financial support provided for Kidney patients with a payment of Rs. 5,000 per month increased by 40 percent to Rs. 776 million from Rs. 554 million due to the increase in beneficiaries effective from September 2020 with the inclusion of all low income kidney patients in the country as per the Cabinet decision dated 10.06.2020.

The Government expenditure on medical supplies for Government Hospitals elevated by 46.0 percent to Rs. 20,143 million in the first four months of the year 2021, compared to Rs. 13,763 million in the same period of 2020 due to additional expenditure on prevention of the COVID-19 pandemic. Meanwhile, the Government has also spent almost Rs. 2,000 million on the nutritional food package program for expectant mothers.

The cost of welfare programs on education such as free textbooks, uniforms and shoes for students in difficult school for the concerned period was Rs. 2,888 million.

TABLE 2.10 : Major Welfare Expenditure from January to April 2021

Program	Rs. Million 2021 (Provisional)
Social Welfare	
Samurdhi relief	17,271
Support for low-income differently-abled persons	1,432
Financial support for elderly	3,303
Financial support for kidney patients	776
"Ranaviru Mapiya Rakawarana " allowance	724
Flood & drought relief	41
Allowance for pre-school teachers	0
Service Compensation for Death & Injured Soldiers	12,293

Program	Rs. Million 2021 (Provisional)
Health & Nutrition	
Thripasa program	98
Nutritional food package for expectant mothers	1,928
School Nutritional Food Program	781
Fresh Milk Programme – School Children	0
Health Insurance for School Children	1,353
Morning Meal for Pre-School Children	36
Medical Supplies for Government Hospitals (with Ayurvedha)	20,143
Education	
School textbooks	541
School uniforms	684
Shoes for Students in difficult and very difficult School	802
Scholarships – Grade 5 students	208
Mahapola and bursaries	600
Interest Subsidy for Laptops and Wifi facilities of university students	1
Loan scheme for the students who are unable to get into the state universities	50
Dhamma school textbook for student	1
Uniforms for Dhamma school teachers	1
Subsidies	
Fertilizer and crop subsidy	7,140
Other Subsidies	
Sri Lanka Transport Board, subsidy for unremunerated routes season tickets school and armed forces bus passes	3,800

Source: Department of National Budget

In addition to the regular welfare programmes, the Government continued the relief measures with the provision of the cash allowance of Rs. 5,000 for the people whose livelihoods had been directly or indirectly losing due to lockdowns and movement restrictions of the country and the wait-listed beneficiaries such as elders, disabled persons, and kidney patients in April and May 2021. Furthermore, measures were taken to provide essential food items at concessionary prices to vulnerable and low-income families.

Sectoral expenditure

School education

The total expenditure on school education incurred by the Government was Rs. 82,035 million in the first four months of 2021, of which recurrent expenditure was Rs. 80,925 million and capital expenditure was Rs. 1,110 million. The total recurrent expenditure increased by 9.8 percent whereas the welfare expenditure declined by 19.6 percent as some of the welfare programmes such as nutritious food and glass of milk for school children etc. could not be implemented as planned due to the closure of schools during the COVID-19 pandemic.

The State Ministry of Education Reforms, Open Universities and Distance Learning Promotion has taken steps to improve distance education through *e-thaksalawa* and "*Guru Gedara*" TV programmes. Further, the Ministry is in the process of procuring 5,945 Televisions to be provided to 4,092 rural schools and providing internet facilities to strengthen the infrastructure facilities.

TABLE 2.11 : Expenditure on Major Activities of School Education from January to April 2021

Description	Rs. Million	
	2020	2021 (Provisional)
Recurrent Expenditure		
Personnel emoluments for school teachers and other staff	60,080	69,059
National	13,867	14,224
Provincial	46,213	54,835
Welfare Programs	5,432	4,369
Evaluation of examination	1,165	702
Capital Expenditure		
Rehabilitations and Infrastructure Developments in School	4,129	403
Special education development	55	4
Teacher development	327	98
Provincial education	584	470

Source: Department of National Budget

Higher education

The total expenditure on university education increased by 17 percent to Rs. 23,261 million in the first four months of 2021, compared to the same period of 2020. The recurrent and capital expenditure increased by 7 percent to Rs. 17,699 million and by 64 percent to Rs 5,562 million, respectively in the first four months of 2021. Out of the capital expenditure, Rs. 904 million was incurred for the construction of the Engineering Faculty building at the University of Sri Jayewardenepura and Technology Faculty Buildings at Sabaragamuwa and Kelaniya Universities. Further, Rs. 1,595 million was incurred under the Accelerating Higher Education Expansion and Development (AHEAD) project which focused on enhancing the quality of the higher education, increasing the enrolments in Science, Technology, Engineering and Maths (STEM) education and improving of curricular of the universities.

The total expenditure for skills development and vocational training was Rs. 2,537 million of which Rs. 242 million for capital projects in the first four months of 2021.

TABLE 2.12 : Expenditure on Major Activities of Higher Education from January to April 2021

Description	Rs. Million	
	2020	2021 (Provisional)
Recurrent Expenditure		
Personnel emoluments of universities & other higher educational institutions	14,677	15,221
<i>Mahapola</i> and Bursary payment	525	600
Capital Expenditure		
Development of Universities & ther higher educational institutions	1,157	1,531
Establishment of the state medical faculties at Wayamba University	100	50
Establishment of Technology faculty of the universities	250	250
Loan interest for laptops (university students)	49	1

Rs. Million

Description	2020	2021 (Provisional)
Accelerating Higher Education Expansion & Development project (World Bank)	290	1,595
Building complex for the Faculty of Health Care Science, Eastern University (GOSL – Kuwait)	325	574
Science & Technology Human Resource Development project (GOSL – ADB)	80	904

Source : Department of National Budget

TABLE 2.13 : Expenditure on Major Activities of Skill Development from January to April 2021

Rs. Million

Description	2020	2021 (Provisional)
Skills Sector Development Programme	46	113
Establishment of Colombo Vocational Training Center and Gampaha Technical College	157	68
Construction of Building for Anamaduwa Technical College	37	9
Nipunatha Sisudiriya Scholarship Programme	-	47

Source : Department of National Budget

Health

The Government has been taken various measures for the continuous delivery of essential health services to the citizen particularly, to manage the COVID-19 pandemic, among others. Accordingly, both Central and Provincial Government expenditure on health care including Western and indigenous medicine increased significantly by 24.2 percent to Rs. 91,296 million in the first four months of 2021. Out of the total health expenditure, the recurrent expenditure was Rs. 83,242 million and the capital expenditure was Rs. 8,054 million.

The medical supplies, one of the major categories in the recurrent expenditure demonstrated a significant increase compared

to the same period of 2020. Accordingly, out of the total expenditure made under the recurrent component, Rs. 20,143 million was spent on pharmaceuticals, surgical items and laboratorial items.

TABLE 2.14 : Expenditure on Major Activities of Health Sector from January to April 2021

Rs. Million

Description	2020	2021 (Provisional)
Total Recurrent Expenditure	68,421	83,242
Service delivery expenditure	38,501	44,352
of which Salaries of medical personnel and support staff	31,915	34,693
Provision of Medicine	13,763	20,143
Provincial Health	16,158	18,747
Public Investment Expenditure	5,059	8,054
Medical Equipment	1,283	1,282
Health System Enhancement Project – ADB	-	824
Sri Lanka COVID 19 Emergency Response and Health Systems Preparedness Project (WB)	-	804
Establishment of Specialized Pediatric Care Complexes in Karapitiya, Ampara and Jaffna Hospitals	36	185
Upgrading Health Facilities of Selected Hospitals	-	175
Improvement of ETU-Facilities under Line Ministry Hospitals	67	109
Development of Ambulatory Care Centre (OPD) of NHSL (GSOL_ China)	110	98
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	88	69
Construction of National Nephrology Hospital in Polonnaruwa (GOSL_China)	139	10
Construction of Nursing Faculty/ Hostel	177	5
Other capital investments	2,012	4,493
Provincial Health Investment	1,147	1,377

Source: Department of National Budget

Irrigation and Water Resources Management

Total investment in irrigation and water resources management in the first four months of 2021 was Rs. 8,807 million of which Rs. 1,400 million was spent for the development and improvement of irrigation schemes in the *Mahaweli* areas including *Mahaweli* Water Security Investment programme. The remainder, Rs. 7,407 million was spent for the development of irrigation systems through the Ministry of Irrigation and Department of Irrigation.

Agriculture

The total expenditure on the agriculture sector including plantation, livestock, fisheries and land development was Rs. 16,991 million in the first four months of 2021 of which Rs. 6,655 million spent on production and supplying fertilizer and regulation of the use of, chemical fertilizer and insecticides Rs. 4,272 million was spent on crop agriculture, Rs. 2,386 million on plantation sector development, Rs. 928 million on fisheries development, Rs. 2,536 million on land development and the balance for livestock development to develop infrastructure and provide required facilities for beneficiaries.

Water Supply and Sanitation

The Government continued spending on ensuring access to safe drinking water and quality sanitation services including the servicing of loans obtained from domestic and foreign banks with a cost of Rs. 4,705 million in the first four months of 2021. There are 248 projects under the national programme of "water for all" aiming at enhancing the production capacity, new water supply schemes and expedite ongoing projects to ensure access to safe drinking water by the entire population.

TABLE 2.15 : Highlights of Water Supply and Sewerage Projects Expenditure from January to April 2021

Rs. Million	
Project	2020 (provisional)
Prevention of Water Borne Diseases in the Chronic Kidney Disease Affected Areas	67
Water Supply and Sanitation Improvement Project (GOSL – WB)	964
Greater Colombo Water and Wastewater Management Improvement Investment Programme -Project 1 (GOSL/ADB)	626
Ambathale Water Supply System Improvement & Energy Saving Project (GOSL/ France)	254
Anuradhapura North Water Supply Project Phase 1 (GOSL/JICA)	111
Kandy North & Pathadumbara Integrated Water Supply Project (GOSL/China)	774
Water for all All Island Water Supply Programme	30
Praja Jala Abhiman Water Supply Scheme	131

Source: Department of National Budget

Highways and Bridges

The expenditure on roads and bridges increased by 4 percent to Rs. 38,796 million in the first four months of 2021, compared to the same period of 2020. Out of this amount, Rs. 22,527 million incurred on national and rural road development drive, of which Rs. 12,055 million incurred on integrated road development programme (i- Road) to rehabilitate and improve more than 6,000 km of rural and provincial roads while Rs. 7,371 million was spent for the development of 100,000 km of alternative roads to access main roads targeting to improve connectivity especially in the rural sector and also to address traffic congestion in urban areas.

Expenditure on expressways development was Rs. 522 million. Expenditure on widening and improvement of roads stood at Rs. 1,437 million while expenditure related to the construction of bridges and fly overs development was Rs. 118 million.

Construction of the new *Kelani* Bridge is nearing to completion in 2021 and the Central

Expressway project from *Kadawatha* to *Meerigama* is in the early stage of construction. The new *Kelani* Bridge, Port Access Elevated Highway and Elevated Highway from New *Kelani* Bridge to *Athurugiriya* will together ease the traffic congestion in Colombo

and the suburbs. Further, around Rs. 11,339 million incurred as the interest and capital repayment for the loan obtained by the Road Development Authority (RDA) from local banks to implement road rehabilitation and improvement projects.

TABLE 2.16 : Expenditure on Roads and Bridges from January to April 2021

		Rs. Million	
	Project/Programme	2020	2021 (provisional)
1	Expressways Development	8,173	520
	Outer Circular Highways Project - Phase III	13	-
	Central Expressway Project	107	444
	Extension of Southern Expressway (almost Completed)	5,817	-
	Colombo - Rathnapura - Pelmadulla Expressway	9	23
	Elevated Highway from New Kelani Bridge to Athurugiriya	19	31
	Port Access Elevated Highway Project	2,208	22
2	Highways Development	9,607	22,527
	Maintenance of Roads	928	1,503
	Priority Road Projects- III	1,013	-
	Colombo District Road Development Project	128	664
	Southern Road Connectivity Project	460	267
	Integrated Road Investment Programme (i-Road)	5,186	12,055
	Development of 100,000 km of alternative roads to access main roads and expressways	-	7,371
	Others	1,768	667
3	Widening and Improvement of Roads	795	1,437
4	Construction of Bridges and Flyovers	3,329	118
	UK Steel Bridge Project	11	-
	Reconstruction of Damaged/ Weak Bridges on National Highways	271	52
	Major Bridge Construction project	54	-
	Construction of Rural Bridges using old bridge components	29	16
	Second New Kelani Bridge Construction Project	2,894	32
	Others (Including 3 Flyovers)	70	18
5	Natural Disaster Affected Road Rehabilitation	485	38
6	Maganeguma Rural Road Development Programme	74	16
7	Transfers to RDA	2,465	2,590
8	Lands & Land Improvements(Other projects excluding priority projects)	79	391
9	Gap Financing of the Road Development Authority's Commitments	12,137	11,339
10	Others	-	-
	Total	37,144	38,796

Source: Department of National Budget

Transport

The total expenditure incurred by the central government for the transport sector was Rs. 13,585 million in the first four months of 2021, of which Rs. 9,676 million was for recurrent expenditure and Rs. 3, 909 million was for capital expenditure. Rs. 1,453 million incurred for the continuation of construction projects including Colombo suburban railway project, Rehabilitation of railway track and installation of signaling from *Maho* to *Omantei* and Major and minor repairing of rolling stocks of railways.

Out of the total expenditure in the transport sector, Rs. 3,800 million incurred for operating of buses on the unremunerated routes, school and higher education season tickets, Armed Forces Bus Passes by the Sri Lanka Central Transport Board (SLCTB).

Department of Motor Traffic incurred Rs. 407 million for the registration of number plates for vehicles and printing of driving license in the first four months of 2021.

Housing Development

The Government has allocated considerable funding in the 2021 Budget for the construction of housing and infrastructure. Housing development under the theme of "*Obata Geyak-Ratata Hetak*" has been undertaken and supplemented further through this year. Rs. 2,436 million incurred for the facilitation of housing needs in the period of first four months out of which Rs. 1,510 million incurred for the construction of new houses for low income families including Rural, Urban, *Virusumithuru* and Chronic Kidney Disease (CKD) affected people. Amidst the pandemic situation, the Government is on the pathway of achieving its objective to the construction of 34,876 housing units within the year.

Urban Development

Amidst the COVID-19 pandemic, the Government continued spending on the urban development sector targeting sustainable urban development which is one of the prominent objectives of the Government. Cumulative government expenditure recorded in the first four months

of 2021 for the development of urban facilities amounted to Rs. 4,868 million. Out of the total expenditure in the urban development sector, Rs. 3,133 Million incurred for Colombo Urban Regeneration Project, Development of Strategic Cities (Kandy and Galle, Jaffna), Weras Ganga Storm Water Drainage and Environment Improvement Project and Town Development Projects in all Nine Provinces.

TABLE 2.17 : Large Scale Urban Development Project Expenditure from January to April 2021

Rs. Million

Project Name	2021 (provisional)
Metro Colombo Solid Waste Management Project (Aruwakkaru Project)	142
Relocation of Manning Market at Peliyagoda	6
Port City Development Project	6
Town Development Projects in Nine Provinces (Sukithapurawara Programme)	233
Beira Lake Rehabilitation and Redevelopment Project	30
Improvement of Road Infrastructure in the Homagama Region (Tech City)	45
Weras Ganga Storm Water Drainage & Environment Improvement Project	492
Restoration of water quality of Beira Lake	6
Metro Colombo Urban Development Project-(GOSL-World Bank)	359
Development of Strategic Cities- Kandy and Galle (GOSL-World Bank)	626
Development of Strategic Cities – Jaffna -(GOSL-World Bank)	331
Development of Strategic Cities – Anuradhapura -(GOSL-AFD)	2
Support to Colombo Urban Regeneration Project(URP) GOSL-AIIB	1,092
Urban Project Preparatory Facility (GOSL/ADB)	115

Source: Department of National Budget

Performance of the cash flow of the General Treasury

Cash inflows to the General Treasury including revenue and other receipts increased to Rs. 459.1 billion in the first four months of 2021,

compared to Rs. 457.7 billion in the same period of 2020 which was a realization of 83.4 percent of the estimate of Rs. 550.8 billion. Cash outflows including recurrent and public investment were Rs. 1,022.7 billion, an achievement of 94.9 percent of the estimate of Rs. 1,077.9 billion. The cash outflows increased by 13 percent in the first four months of 2021, compared to Rs. 897.9 billion in the same period of 2020.

The total cash deficit was Rs. 563.6 billion as at end April 2021, compared to Rs. 440.2 billion recorded as at end April 2020. This was mainly due to the increase in operational and public investment expenditure by 8.8 percent and 55.9 percent, respectively amidst a marginal increase in revenue which has resulted in the increased closing of negative cash and bank balances to Rs. 620.5 billion as at end April 2021, compared to Rs. 304.4 billion as at end April 2020.

TABLE 2.18 : Government Treasury Cash Flow Operations from January to April 2021

	Rs. Billion		
	2020	2021	
	Actual	Estimate	Actual
Opening Cash balance	-274.3	-488.2	-488.2
Total cash inflow from revenue and other receipts	457.7	550.8	459.1
Total cash outflow for recurrent payments	-800.2	-892.0	-870.4
Total cash outflow for capital payments*	-97.7	-185.9	-152.3
Net cash surplus / (deficit)	-440.2	-527.1	-563.6
Gross borrowing *	629.9	733.4	732.5
Debt repayment	-270.0	-299.1	-310.7
Net borrowing	359.9	434.3	421.8
Balance proceeds of ISB previous year	51.4	-	-
Adjustment account balance (TEB, net deposits, etc.)	-1.2	-	9.5
Closing Cash balance	-304.4	-581.0	-620.5

Source : Department of Treasury Operations

*Includes project/programme loans accounted by Department of Treasury Operations as at 30th April 2021

Management of Government debt

The total borrowing limit approved by Parliament for 2021 was Rs. 2,997 billion, of which Rs. 732.5 billion was utilized in the first four months of 2021. The utilization of domestic and foreign borrowings in order to finance cash flow operations and development projects amounted to Rs. 608.3 billion and Rs 124.0 billion, respectively. Domestic borrowing consisting of Treasury Bonds, Treasury Bills and Provisional Advances and Sri Lanka Development Bonds (SLDBs) accounted for 83.1 percent of the total borrowings in the first four months of 2021. As such, around 67 percent of the total domestic borrowings was raised by Treasury Bonds, 23 percent raised by the Treasury Bills and the remainder 10 percent raised by Provisional Advance of

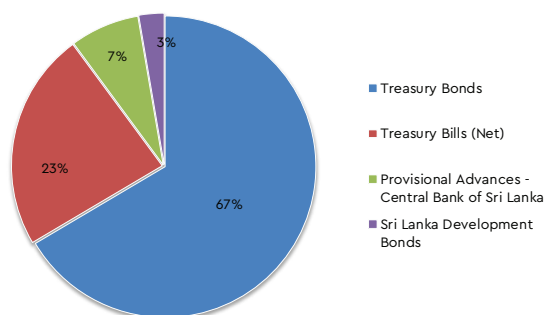
Central Bank of Sri Lanka together with SLDBs. Furthermore, proceeds from the Foreign Currency Term Financing Facility (FCTFF) issued in the first quarter of 2021 was utilized to finance the foreign currency debt service payments. The net borrowing as at end April 2021 was Rs. 421.8 billion.

TABLE 2.19 : Gross domestic borrowings from January to April 2021

Instrument	Rs. Billion
Treasury Bonds	404.5
Treasury Bills (Net)	142.3
Provisional Advances – Central Bank of Sri Lanka	45.1
Sri Lanka Development Bonds	16.4
Total	608.3

Source : Department of Treasury Operations

FIGURE 2.3 : Gross domestic borrowings from January to April 2021



Source: Department of Treasury Operations

Disclosure of contingent liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remained valid as at end April 2021 was Rs. 1434.7 billion which were within the applicable limit as specified in Section 2 of the Fiscal Management (Responsibility) (Amendment) Act, No. 12 of 2021. The list of Treasury Guarantees issued by the General Treasury as at end April 2021, is detailed in Table 20.

TABLE 2.20 : The List of Treasury Guarantees Issued by the General Treasury up to 30.04.2021

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
1	People's Bank	Ceylon Electricity Board	26,505.53	307,631.69
		Ceylon Petroleum Corporation	181,427.00	
		Ceylon Shipping Corporation Ltd	14,372.74	
		Lanka Coal Company (Pvt) Ltd	11,000.00	
		National Water Supply & Drainage Board	6,413.39	
		National Paper Corporation	40.00	
		Paddy Marketing Board	942.95	
		Road Development Authority	52,316.24	
		State Printing Corporation	1,350.00	
		Sri Lankan Airlines Limited	9,922.84	
		Sri Lanka State Plantation Corporation	100.00	
Lanka Sathosa Limited	3,241.00			
2	Bank of Ceylon	Building Materials Corporation Ltd	500.00	388,450.17
		Ceylon Electricity Board	5,000.00	
		Ceylon Fisheries Corporation	350.00	
		Ceylon Petroleum Corporation	179,883.00	
		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	54,636.20	
		Northsea Limited	39.02	
		Paddy Marketing Board	1,000.00	
		Road Development Authority	124,151.95	
		Sri Lankan Airlines Limited	7,495.13	
		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	

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total	
3	National Savings Bank	Ceylon Electricity Board	7,500.00	162,540.40	
		General Sir John Kotelawala Defence University	35,702.13		
		Lakdhanavi Ltd.	2,992.00		
		National Water Supply & Drainage Board	30,710.61		
		Road Development Authority	79,365.66		
		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		
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 Commission of Sri Lanka	Regulatory	17,719.47	17,719.47
8	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	37,593.35	
		National Water Supply & Drainage Board	13,460.20		
		Road Development Authority	20,133.15		
9	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	8,821.85	41,527.63	
		West Coast Power(Pvt)Ltd.	32,705.78		
10	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	8,389.02	8,389.02	
11	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	136,786.32	136,786.32	
12	National Development Bank	National Water Supply & Drainage Board	21,380.43	27,679.63	
		Road Development Authority	6,299.21		
13	Exim Bank of India	National Water Supply & Drainage Board	51,306.63	51,306.63	
14	China Development Bank	National Water Supply & Drainage Board	12,485.22	12,485.22	
15	Asian Development Bank	Ceylon Electricity Board	92,939.55	92,939.55	
16	Sampath Bank PLC	Road Development Authority	14,500.00	14,500.00	
17	UniCredit Bank Austria AG	National Water Supply & Drainage Board	12,273.16	12,273.16	
18	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	20,120.19	20,120.19	
19	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	2,398.44	2,398.44	

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
20	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	8,749.31	8,749.31
21	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	34,977.25	34,977.25
22	Sri Lanka Savings Bank Limited	Northsea Limited	60.00	60.00
23	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	35,976.60	35,976.60
Total			1,434,743.08	1,434,743.08

Source : Department of Treasury Operations

CHAPTER 3

Performance of State Owned Enterprises

Overview

State Owned Enterprises (SOEs) in Sri Lanka continued to play a major role in key sectors of the economy such as supply chains, logistics, trade, energy, banking, electricity, water, ports and airports and pharmaceuticals etc. whose performance has been of great importance of responding to the COVID-19 pandemic, among others. Accordingly, State Pharmaceuticals Corporation and State Pharmaceuticals Manufacturing Corporation have been active in ensuring the continuous supply and manufacture of medicines and the importation of vaccines and the envisaged production of vaccines in Sri Lanka in 2021; the Lanka Sathosa Ltd and Sri Lanka Ports Authority have been facilitated the access to essential goods and ensuring uninterrupted supply chains; the banks including Bank of Ceylon, People's Bank and National Savings Bank have been supported for the swift implementation of debt moratorium without any penalty interest to businesses and individuals.

Total loss of the major 52 SOEs for the first four months of 2021 was Rs. 13.4 billion. Out of the 52 SOEs, 33 recorded a profit before tax amounting to Rs. 69.4 billion while other 19 SOEs made net losses amounting to Rs. 82.8 billion in the first four months of 2021. Nineteen SOEs contributed to the government's non-tax revenue in the form of paying dividends and levies totaling Rs. 6.84 billion in the first four months of 2021.

Review of the Ten Major SOEs

Bank of Ceylon (BoC)

The asset base of the BoC increased by 4.3 percent to Rs. 3,113 billion as at end April 2021 from Rs. 2,983 billion as at end 2020, being the

first Sri Lankan bank to have an asset base over Rs. 3.0 trillion. The deposit base of the bank increased by 2.1 percent to Rs. 2,528 billion as at end April 2021, compared to Rs. 2,475 billion as at end 2020. Gross non-performing loan ratio of the bank has improved slightly to 4.4 percent as at end April 2021, compared to 4.8 percent as at end 2020. The BoC recorded a Profit before Tax (PBT) of Rs. 19.6 billion as at end April 2021, compared to the Rs. 23.5 billion PBT reported for the whole financial year of 2020.

People's Bank (PB)

PB's asset base increased by 8.5 percent to Rs. 2,420 billion as at end April 2021 from Rs. 2,230 billion as at end 2020. The deposit base of the bank increased to Rs. 2,031 billion as at end April 2021 from Rs. 1,835 billion as at end 2020. Loans and advances increased by 10.5 percent to Rs. 1,904 billion by the end April 2021 from Rs. 1,723 billion as at end 2020. Non-performing loan ratio of the bank declined marginally to 3.0 percent as at the end April 2021 from 3.2 percent as at the end 2020. PB recorded a PBT of Rs. 8.0 billion in the first four months of 2021, compared to Rs. 6.8 billion in the same period of 2020.

National Savings Bank (NSB)

NSB's asset base increased by 6.3 percent to Rs. 1,451 billion as at end April 2021 from Rs. 1,364 billion as at end 2020. The deposit base of the bank increased by 6.7 percent to Rs. 1,320 billion by end April 2021 from Rs. 1,237 billion as at end 2020. Loans and advances declined marginally to Rs. 502 billion in the first four months of 2021 from Rs. 517 billion as at the end 2020. NSB recorded a PBT of Rs. 10.6 billion in the first four months of 2021, compared to Rs. 3.9 billion in the same period of 2020.

Sri Lanka Insurance Corporation Limited (SLIC)

SLIC recorded a PBT of Rs. 7.5 billion in the first four months of 2021 whilst recording a total revenue of Rs. 19.1 billion, 47 percent incline, compared to Rs. 13.0 billion in the same period of 2020. Having capitalized the favorable market conditions prevailed in the first four months of 2021, the SLIC has been able to expand its assets base to Rs. 243 billion as at end April 2021. SLIC made a further equity investment of Rs. 2 billion at its subsidiary i.e. Canwill Holdings (pvt) Ltd in May 2021 in order to finance the ongoing Grand Hyatt Colombo project.

Ceylon Electricity Board (CEB)

The demand for electricity increased by 23 percent to 4,949 Gwh in the first four months of 2021, compared to the 4,026 Gwh in the same period of 2020 mainly due to the increase in demand for industry, general purpose and hotel sector as relaxation of lockdowns and travel restrictions during the period. As a result, revenue from sale of electricity has also increased by 20 percent to Rs. 80,529 million in the first four months of 2021, compared to Rs. 67,213 million in the same period of 2020. Thus, CEB has enabled to reduce its total loss to Rs. 7,515 million, compared to Rs. 25,994 million recorded in the same period of 2020. Meanwhile, cost per unit at the selling point also declined to Rs.18.29 per Kwh for the reporting period compared to Rs. 23.74 per Kwh recorded in the same period of 2020 due to the favorable changes in generation mix as Hydro: Thermal (fuel): Thermal (coal): Non - Conventional Renewable Energy (NCRE) to 18:29:44:9 from 19:34:40:7.

The total outstanding obligations including project loans stood at Rs. 371,299 million as at end April 2021, whereas outstanding to the state banks due to working capital requirements stood at Rs. 107,219 million. However, the total payables of CEB to Ceylon Petroleum Corporation and to Independent Power Producers declined to Rs. 126,869 million by the end April 2021 from Rs. 133,365 million as at end 2020.

Ceylon Petroleum Corporation (CPC)

The overall demand for petroleum products increased by 7 percent to around 2 MT million in the first four months of 2021, compared to the same period of 2020. As a result, the import quantity of petroleum and petroleum-related products increased by 20 percent to 1.78 MT million in the first four months of 2021, compared to 1.48 MT million in the same period of 2020. Also, the international Brent crude oil prices increased by 29 percent to USD 66 per barrel in the first four months of 2021. CPC's total import cost of the petroleum products increased by 28 percent to around USD 894 million in the first four months of 2021, compared to USD 699 million in the same period of 2020.

In this context, persistence in fixed retail price has partly deteriorated the financial performance of CPC, with the entity incurring a gross loss of Rs. 8.2 billion in the first four months of 2021, compared to the gross profit of Rs. 8.4 billion recorded in the same period of 2020. This trend led the CPC to end up with a net loss of Rs. 45.3 billion in the first four months of 2021. Meanwhile, the outstanding dues to CPC from various enterprises mainly from Ceylon Electricity Board and Srilankan Airlines stood at Rs. 149,602 million as at end April 2021.

Altogether, CPC reported negative accumulated retained earnings worth Rs. 382 billion as at end April 2021. As a result, CPC's outstanding borrowings from two state commercial banks increased to Rs. 670 billion as at end April 2021 from Rs. 529 billion as at the end of 2020. Having considered the above concerns, among others, the Government increased the retail prices of petroleum products effective from June 12, 2021. Further, in a bid to strengthen the financial position, CPC is in the process of exploring the possibility of obtaining a long-term re-financial facility of USD 1.0 billion from foreign market. Also, CPC is carrying out a feasibility study to recommence the bunkering business with a new business model and to build a new 100,000 bbl capacity oil refinery as a public-private partnership.

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 West Container Terminal (WCT) with the participation of private sector. SLPA is in the process of development of ECT and WCT parallelly during the next five years and be fully operationalized in 2025 to cater the increasing demand of services in the international shipping industry.

The SLPA's expansion programme will be resulted in the introduction and growth of ancillary industries such as bunkering, provision of warehouse and storage facilities, ship building and repairing, insurance, banking and other services. This in turn will yield high dividends both financially and socially over the medium term through direct and indirect employment, transfer of technology which will add value to the economy and increase productivity.

During the first four months of the year 2021, 1,303 cargo and other ships and vessels have called to the SLPA operated ports of Colombo, Trincomalee and Galle, which is a 35 percent increase compared to the same period of 2020. Accordingly, SLPA handled the total throughput container of 700,000 TEUs, a 35 percent increase in the first four months of 2021.

SLPA earns revenue through navigation, stevedoring, wharf handling, port facilities and other service operations. Revenue generated by the SLPA increased by 23 percent to Rs. 17,024 million in the first four months of 2021, compared to the same period of 2020 while total expenditure increased by 10 percent to Rs. 10,549 million. As such, SLPA's PBT increased by 7 percent to Rs. 4,993 million in the first four months of 2021, compared to the PBT of Rs. 4,675 million recorded in the same period of 2020. The foreign and local debt of the entity reached to Rs. 55,096 million and Rs. 8,795 million, respectively as at end April 2021.

National Water Supply and Drainage Board (NWS&DB)

In accomplishing the targets of the NWS&DB for the year 2025 and fulfilling the Government's vision for "Water for All", the NWS&DB was able to increase the piped borne water and safe drinking water supply coverage in the country to 53.7 percent and 93.8 percent, respectively by the end of first four months of 2021 as against the 51.9 percent and 92.0 percent, respectively recorded as at end 2020.

During this period the NWS&DB successfully completed 02 large scale foreign funded water projects by adding 21,000 new connections to the system. Therefore, revenue of the NWS&DB increased by 3 percent to Rs. 8,327 million in the first four months in 2021, compared to the revenue of Rs. 8,115 million in the same period of 2020. As a result, the NWS&DB recorded an operating profit of Rs. 117 million in the first four months of 2021, compared to operating profit of Rs. 36 million in the same period of 2020. However, the NWS&DB incurred a loss of Rs. 209 million in the first four months of 2021, compared to the profit of Rs. 143 million recorded in the same period of 2020.

Water production and water sales increased by 3 percent to 265 million m³ and 7 percent to 200 million m³, respectively in the first four months of 2021. Moreover, Non-Revenue Water (NRW) percentage decreased in the first four months of 2021 due to the implementation of Greater Colombo Waste Water Investment Program.

Airport and Aviation Services Sri Lanka Ltd (AASL)

Measures introduced to mitigate the impact of COVID-19 pandemic has a ramification effect on AASL's financial condition, which has resulted to report a total loss of Rs. 1,792 million in the first quarter of 2021 with a handling of only 119,742 passengers. The Bandaranaike International Airport (BIA) Terminal 2 will be built using the smart airports concept, and its completion within three years will allow AASL to provide a comfortable travel experience for both domestic and international travelers. Multi-story parking lots, new airport

lounges, gate lounges, networked multi-mode transportation systems, and other amenities would greatly improve passenger convenience and pleasure. The new terminal will have a total floor space of 180,900 m², which will be enlarged to 270,900 m² when combined with the terminal. With the addition of 96 new check-in counters, the total number of passenger check-in counters will rise to 149. In addition, the new terminal will have 32 new departure passport control counters, 56 new arrival passport control counters, 16 contact gates, 10 bus gates, 6 new airline lounges, 7 new baggage claim carousels, 7 baggage make-up carousels, and 23 to 28 new aircraft parking bases.

Srilankan Airlines (SLA)

With the outbreak of the COVID-19 pandemic in 2020, the operating environment for the airline industry changed completely. The increase in the severity of the pandemic at present is having a negative impact on passenger travel to Sri Lanka. The pandemic is further affecting the airlines' key markets such as India, the Middle East and the Far East with travel restrictions being imposed by many countries. Therefore, the traditional business of carriage of passengers which came to a virtual standstill due to cross border restrictions worldwide last year is now continuing to 2021 and the cargo business has become the main line of operations. A dedicated cargo schedule was introduced in the first four months of 2021 and one wide-body aircraft was converted to a freighter configuration to enhance cargo capacity. Six new routes have been introduced to date which are primarily driven by cargo demand. Plans are being implemented to further enhance the Cargo business through the introduction of more new routes and aircraft. The airline industry globally faces its gravest crisis in the modern times and in order to mitigate the negative impact, SLA has taken measures to preserve the liquidity by optimization of its cost structure, negotiating deferred payment plans and concessions with the airline's key suppliers. Whilst doing so, the airline is continuously looking at creating new business opportunities whilst focusing on cost saving measures to improve contribution.

The main initiatives undertaken in optimizing cost include the restructuring of aircraft lease

agreements which has resulted in a permanent reduction in lease rentals by USD 27.5 million per annum as well as deferment of payments which helped the liquidity position of the company.

Staff cost optimizations through numerous measures including a Voluntary Retirement Scheme (VRS), restructuring of allowances, mandatory salary reductions ranging from 2.5 percent to 25 percent and freezing all the salary increments/ recruitments will continue under the current circumstances. All Collective Bargaining Agreements were repudiated during the year 2021.

The Government continued to support the SLA with the infusion of new equity capital. This was the first capital infusion to SLA after 2014 and two tranches amounting to Rs. 27.7 billion in November 2020 and Rs. 18 billion in April 2021 has been granted. This infusion was part of a USD 500 million capitalization program approved by the Cabinet of Ministers on 26 October, 2020.

Further the Government through the General Treasury approved the re-issue of all Letters of Comfort that expired during the period amounting to USD 205.4 million and Rs. 27.6 billion, in favor of two state banks in order to continue with the provision of short-term loan facilities. Also, during the year 2021, based on the approval of Cabinet of Ministers to provide Treasury guarantees, two state banks disbursed new facilities of USD 75 million for working capital purposes.

During the year 2020–2021, the SLA recorded a loss of Rs. 45,162.76 million with an accumulated loss of Rs. 372,015.25 million as at 31 March 2021. Further, the SLA's current liabilities exceeded its current assets by Rs. 221,254.34 million and the total equity of the SLA as at reporting date has declined to a negative Rs. 289,546.99 million. The SLA's net assets are less than half of its stated capital and face a serious loss of capital. The Government by way of an approval of the Cabinet of Ministers issued a letter confirming that the Government will continue to extend the required financial support to the company to continue its operations as a "Going Concern" until the implementation of the proposed restructuring process is completed.

TABLE 3.1 : Reform/Key Initiatives for Major SOEs

Institution	Reform/Key Initiatives
State Banks(BOC, PB & NSB)	<ul style="list-style-type: none"> • Enhance credit quality and improving monitoring and collections. • Strengthen the risk management framework. • Develop technological capabilities to meet the customer expectations through adoption of mobile apps for their customers under the pandemic conditions. • Develop new products to assist the existing customers and attract new customers. • Ensure continuous and uninterrupted banking services to customers amidst 3rd wave of the COVID-19 pandemic. • Adopt new concessionary financing arrangement for their customers who were affected due to the pandemic.
CPC	<ul style="list-style-type: none"> • The Cabinet of Ministers granted the approvals; <ul style="list-style-type: none"> - To obtain a long term refinancing facility of USD 1.0 billion for the CPC - To acquire a land for the proposed new Oil Refinery at Sapugaskanda
SLPA	<ul style="list-style-type: none"> • Initiative steps have been taken to develop the West Container Terminal as a Public Private Partnership under BOT basis for 35 years by joint venture comprising SLPA and Adani Port and Special Economic Zone Ltd and their local partner John Keels Holdings PLC. • Actions are being taken to develop East Container Terminal by SLPA in phases and to operate as fully SLPA owned container terminal. Structural design and the preparations of tender documents for the civil work of the terminal are in progress. • SLPA is in the process of developing the Port of Galle with collaboration of private sector by inviting RFP as a regional port for tourism and commercial activities. • SLPA initiated to implement the Port Community System (PCS). PCS will be independent stand-alone software solutions providing connectivity to fulfill in port sector business process and it will create a new information system application which will use a common interface to push or pull only the relevant transactions to complete the business cycle of a process.
Lanka Sugar Company Ltd	<ul style="list-style-type: none"> • Actions are being taken to increase the factory capacity and sugarcane cultivation in order to enhance the sugar production.

Source: SOEs and Department of Public Enterprises

TABLE 3.2 : PBT – Profitability of 52 State Owned Enterprises

		Rs. Million		
Enterprise	2019 ^(a)	2020 ^(a)	As at 30.04.2021 ^(a)	
1 Bank of Ceylon	29,685	23,552	19,656	
2 People's Bank	19,666	21,227	8,055	
3 National Savings Bank	10,462	15,645	10,567	
4 State Mortgage & Investment Bank	465	587	192	
5 HDFC Bank	774	978	433	
6 Pradeshiya Sanwardena Bank	1,222	1,586	-88	
7 Employees' Trust Fund Board	29,761	32,500	10,668	
8 Sri Lanka Insurance Corporation Ltd	19,865	23,663	7,460	
9 National Insurance Trust Fund	3,009	9,015	3,029	
10 Sri Lanka Export Credit Insurance Corporation	253	265	86	
11 Agriculture and Agrarian Insurance Board	627	1,257	138	
12 Ceylon Electricity Board	-85,411	-62,561	-7,515	
13 Ceylon Petroleum Corporation	-11,836	2,371	-45,304	
14 Sri Lanka Ports Authority	16,155	20,327	4,993	
15 National Water Supply and Drainage Board	-1,111	663	-209	
16 Airport and Aviation Services (SL) Ltd*	15,223	-3,748	-1,792	
17 Srilankan Airlines Ltd ^(a)	-47,198	-45,162	-24,800	
18 Sri Lanka Transport Board	1,890	-2,383	-1,090	
19 State Engineering Corporation	-976	-997	-369	
20 Central Engineering Consultancy Bureau	340	261	16	
21 State Development and Construction Corporation	-844	-243	39	
22 Milco (Pvt) Ltd*	-619	417	80	
23 National Livestock Development Board*	-362	6	31	
24 Sri Lanka State Plantations Corporation	-330	-150	-41	
25 Janatha Estates Development Board	-757	-350	-97	
26 Kurunegala Plantations Ltd	120	214	135	
27 Chilaw Plantations Ltd	64	283	135	
28 Kalubovitiyana Tea Factory Ltd	-53	43	9	
29 Sri Lanka Cashew Corporation	43	15	1	
30 Lanka Mineral Sands Ltd	1,982	69	406	
31 Lanka Phosphate Ltd.*	21	66	39	
32 Kahatagaha Graphite Lanka Ltd	21	1	12	
33 Development Lotteries Board	2,897	2,994	1,500	
34 National Lotteries Board	1,323	1,435	635	
35 State Pharmaceuticals Manufacturing Corporation	592	1,164	266	
36 Sri Lanka Ayurvedic Drugs Corporation	3	9	1	
37 State Pharmaceuticals Corporation	2,176	2,546	229	
38 Sri Jayewardenepura General Hospital	-94	174	-41	
39 Independent Television Network Ltd	-571	-213	-132	
40 Sri Lanka Rupavahini Corporation	-501	-234	-65	
41 Sri Lanka Broadcasting Corporation	-101	-28	6	
42 Sri Lanka Handicraft Board	99	-98	-211	
43 State Timber Corporation	317	464	132	
44 STC General Trading Company	-27	-120	43	
45 Lanka Sathosa Ltd*	-2,982	-1,381	355	
46 State Printing Corporation	-169	23	-285	
47 Ceylon Fisheries Corporation*	-100	-48	-4	
48 Ceylon Fishery Harbour Corporation	-71	-109	-61	
49 Ceylon Fertilizer Company Ltd*	189	268	12	
50 Colombo Commercial Fertilizer Company Ltd*	306	241	43	
51 Hotel Developers Lanka Ltd.	-312	-892	-310	
52 Lanka Sugar Company Ltd	-1,304	1,171	-369	
Total	3,821	46,783	-13,381	

Sources : SOEs and Department of Public Enterprises

^(a) Provisional

* profit as at 31.03.2021 (Jan-March 2021)

TABLE 3.3 : Levy/ Dividend Income from SOEs

Rs. Million

	2019	2020	As at 30.04.2021
Levy	22,663	14,769	4,296
National Savings Bank	2,000	1,000	1,500
Bank of Ceylon	-	1,250	-
People's Bank	2,200	2,500	500
Telecommunication Regulatory Commission	8,950	5,000	2,000
Regional Development Bank	169	-	-
State Timber Corporation	50	-	-
National Insurance Trust Fund	3,268	782	-
Geological Survey and Mines Bureau	2,300	-	-
National Gem and Jewellery Authority	25	-	-
Board of Investment	250	156	200
Securities and Exchange Commission	53	-	-
Sri Lanka Export Credit Insurance Corporation	15	-	-
Central Engineering Consultancy Bureau	25	-	-
Sri Lank Tourism Promotion Bureau	500	-	-
Civil Aviation Authority	800	-	-
National Transport Medical Institute	200	-	-
Sri Lanka Bureau of Foreign Employment	650	-	-
National Transport Commission	50	-	-
Sri Lanka Tourism Development Authority	200	-	-
Sri Lanka Land Development Corporation	29	-	-
Sri Lanka Ports Authority	900	-	-
National Medicine Regulatory Authority	29	81	80
National Institute of Business Management	-	-	16
Road Development Authority	-	4,000	-
Dividends	5,025	2,855	2,542
National Savings Bank	60	60	30
Bank of Ceylon	346	347	173
People's Bank	316	316	158
National Development Bank PLC	1	1	1
Sri Lanka Insurance Corporation Ltd	1,720	695	-
Airport and Aviation Services Ltd	500	-	-
Lanka Mineral Sands Ltd	130	-	300
Lanka Phosphate Ltd	7	-	5
Lanka Leyland Ltd	13	2	-
Rakna Arakshaka Lanka Ltd	37	-	-
Manthai Salt Ltd	-	2	1
Ceylon Fertilizer Ltd	15	304	-
Colombo Commercial Fertilizer Ltd	10	-	-
Paranthan Chemicals Company Ltd	-	10	-
Sri Lanka Telecom PLC	947	947	1,331
De La Rue Lanka Ltd	133	-	159
Lanka Electricity Company Ltd	501	-	327
Lanka Industrial Estates Ltd	82	82	-
Ceylon Agro Industries Ltd.	23	77	24
Lanka Logistics Limited	-	-	1
Plantation Companies	172	12	32
Others	12	-	-
Total	27,688	17,624	6,838

Source: SOEs and Department of Public Enterprises

CHAPTER 4

Foreign Financing

Overview

In line with the renewed policies to mobilize foreign financing adopted since 2020, the Government has re-prioritized the development projects in the pipeline to contain debt reduction while promoting non-debt financed projects. As such, during the first 4 months of 2021, the Government has acquired foreign loans for watershed and water resource management and the construction of two flyovers in high traffic areas. In addition, the Government has mobilized USD 500 million as a Foreign Currency Terms Loan Facility (FCTLF) for the balance of payment support.

Foreign financing commitments

The Government has made arrangements to mobilize foreign financing of USD 633.8 million by entering into 4 agreements with foreign development partners and lending agencies in the first four months of 2021 to support the public investment program consisting USD 500.0 million of FCTLF extended by the China Development Bank (CDB) for the balance of payment support, USD 58.08 million extended by the World Bank to be utilized for water resource management project and USD 60.96 million extended by Exim bank of Hungary for the construction of flyover at Kohuwela

and Gatambe. However, the performance of mobilizing foreign financing in the first four months of 2021 was largely affected by the Covid-19 pandemic.

Foreign financing disbursements and utilization

Total foreign financing disbursements made in the first four months of 2021 amounted to USD 856.4 million, of which USD 855.8 million was disbursed as loans while USD 0.6 million was disbursed in the form of grants.

The majority of the disbursements were from the loan agreements signed with China, which is almost 60 percent, followed by World Bank (16 percent), Asian Development Bank (13 percent) and Japan (5 percent).

Other than the loan of USD 500 million obtained for the balance of payment support, the majority of the disbursements was in lieu of the projects implemented under the roads and bridges sector accounting for almost 13 percent of the total disbursements followed by the water supply and sanitation sector at 5 percent, health and social welfare 5 percent, ground transport sector at 3 percent, housing and urban development 3 percent, education and training 3 percent and power and energy sector at 2 percent.

TABLE 4.1 : Foreign Financing Commitments with Terms – from January 01 to April 30, 2021

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project /Program/ Instrument Name	Amount Committed (million)			Financial Terms			Other Terms			
				Currency	In Instrument Currency	Rupees	US\$	Type	Annual Rate (%)	Margin (100 basis points)	Other Charges	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)
Bilateral													
China Development Bank	Loan	4/12/2021	Foreign Currency Term Facility 2021	US\$	500.0	99,955.0	500.0	Variable	LIBOR for US\$	2.51	Upfront fee 1.25%	3	10
Multilateral													
International Development Association	Loan	4/22/2021	Sri Lanka Intergrated Watershed and Water Resource Management Project- Concessional Loan	XDR	31.4	8,851.6	31.4	fixed	Not Applicable	1.25	Service fee 0.75% Commitment fee 0.25%	5	29
	Loan	4/22/2021	Sri Lanka Intergrated Watershed and Water Resource Management Project- Nonconcessional Loan	US\$	26.7	5,126.4	26.7	Variable	LIBOR for US\$	Not Applicable	Front end fee Commitment fee 0.25%	5	29
Export Credit													
Exim Bank of Hungary	Loan	4/1/2021	Construction of Flyover at Kohuwela & Gatambe	EUR	52.0	12,143.6	60.9	Interest free loan			Not Applicable	10	37
Total						129,076.6	633.8						

Source: Department of External Resources

Note: LIBOR = London Interbank Offer Rate, Financial values committed in difference currencies have been converted into USD and LKR as per the prevailing exchange rates of each agreement date

TABLE 4.2 : Disbursements of Foreign Loans and Grants fro January 01 to April 30, 2021

Development Partner	Disbursements* (USD Million)		
	Loan	Grant	Total
Bilateral	590.9	-	590.9
China**	514.9	-	514.9
Japan	42.1	-	42.1
France	2.7	-	2.7
India	13.0	-	13.0
United Kingdom	2.9	-	2.9
Netherlands	3.0	-	3.0
Austria	4.4	-	4.4
Kuwait	6.0	-	6.0
Spain	0.5	-	0.5
Korea	0.6	-	0.6
Saudi	0.8	-	0.8
Multilateral	264.9	-	265.2
Asian Development Bank	113.6	-	113.6
World Bank	134.4	0.6	135
AIIB	9.0	-	9.0
IFAD	1.3	-	1.3
OPEC Fund	6.6	-	6.6
Total	855.8	0.6	856.4

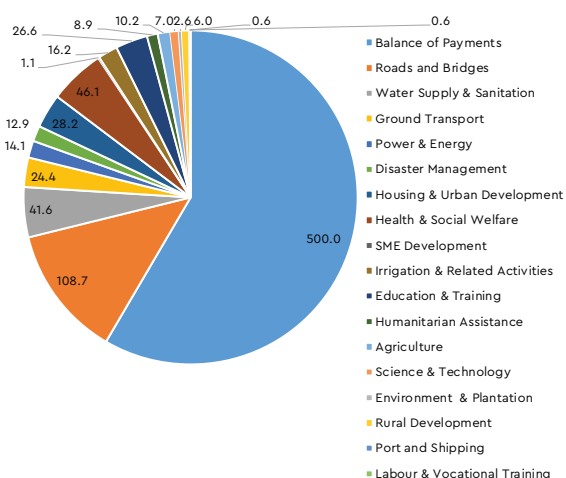
Source: Department of External Resources

Note: For conversion of disbursements made in different currencies into US\$ and Rupees, the exchange rates as at 30th April 2021 have been used

* Provisional

** Includes Foreign Currency Term Financing facility of USD 500 million extended by the China Development Bank

FIGURE 4.1 : Disbursements Made for each Sector from 1st January to 30th April 2021 (USD million)



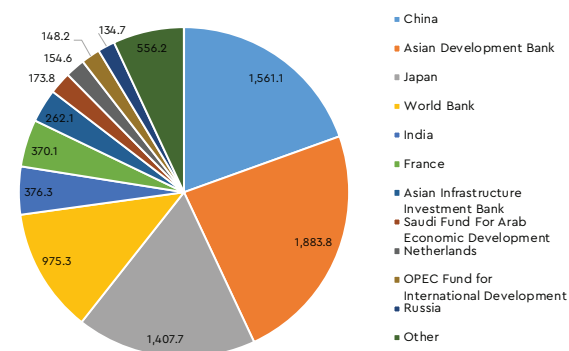
Source: Department of External Resources

Committed undisbursed balance (CUB)

As at end April 2021, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in next 3–5 years, was USD 8,003.9 million. Asian Development Bank has the majority to be disbursed and the balance to be disbursed by China, the World Bank and Japan.

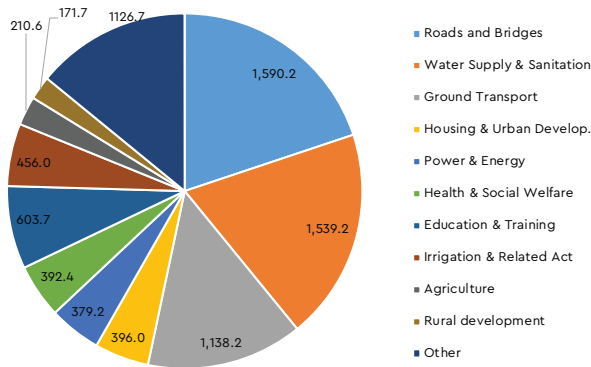
Almost 20 percent of the CUB to be utilized in roads and bridges sector whereas 19 percent is for water supply and sanitation and 14 percent for ground transport sector.

FIGURE 4.2 : CUB of Development Projects and Programs as of 30th April 2021 (USD million)



Source: Department of External Resources

FIGURE 4.3 : Sector-wise CUB of Development Projects and Programs as of 30th April 2021 (USD million)



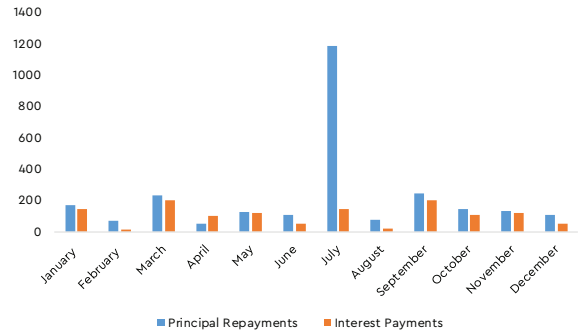
Source: Department of External Resources

External debt stock and external debt service payments

By the end of April 2021, total outstanding external debt of the Government was USD 35.1 billion. Total debt service

payments from 1st January to 30th April 2021 amounted to USD 981.0 million, of which USD 520.6 million was in lieu of principal repayments and the balance USD 460.4 million for the payment of interest.

FIGURE 4.4 : Debt Service Payments during January – April 2021 and Forecast for the Remaining Period of 2021 (USD million)



Source: Department of External Resources