

Statement by the Minister of Finance on Hundred Day Revolution

01.Introduction

1.1 Honorable Speaker, exactly 21 days ago, on 8 January 2015, the people of the country voted for a change in favor of Honorable President Maithripala Sirisena. They gave a clear mandate emphasizing that they desperately need a change. A change that goes far beyond party politics and individual aspirations to create a new political and economic culture in the country.

1.2 As the 19th Minister of Finance of the Democratic Socialist Republic of Sri Lanka, following the illustrious footsteps of previous Finance Ministers, it is a privilege and a pleasure to make this statement. I am sure that the provisions of this people friendly statement which will be recorded in the annals of history as the one which provided maximum benefits and concessions to the people of Sri Lanka.

1.3 The humane leadership provided by the Honorable President Maithripala Sirisena coupled with the wisdom of the Honorable Prime Minister had paved the way to create a new Sri Lanka devoid of misdeeds leading to a “Maithree Palanaya”. Today’s statement would be a shining example of how a people friendly government creates opportunities to serve the people. At this juncture, I call upon all Sri Lankans to show solidarity with our government and rally together for a “change” to create a better tomorrow commencing with the “Hundred Day Revolution”.

Power is temporary. Official positions are also temporary. As trustees of our voting public, our duty is to honorably serve the nation. We must not forget that we are servants of the people and it is our bounden duty to be of service.

1.4 Sri Lankans are smiling again. The smiles portray freedom, liberty and courage. It is refreshing, the release from a bonding of family rule and crony nepotism. Honorable Speaker, Honorable Members of the Parliament, before I conclude I am sure that the smiles will be wider. They deserve the plethora of benefits that are to be announced. And they also deserve a future of sustenance, enjoyment and good life. All are enjoying the serene breeze of change. A change for the better, a change to be cherished. A rule of compassion- A Maitree Palanaya.

1.5 Political rhetoric is common in Sri Lanka which we had heard over the years but economic rhetoric is an uncommon phenomenon. We heard more than enough of such

economic rhetoric during the last few years of rule or should I correct as misrule. This economic rhetoric churned out kept some spellbound but the truth is bitter and difficult to absorb. An economy in the doldrums needs resuscitation and rejuvenation and that is what this government is focused on.

Honorable Speaker, this statement will be a forerunner for many more budget presentations in the future by this national government and we would ensure that what would be presented is based on facts and not on rhetoric.

1.6 These Goebbels inspired rhetoric conveyed to the people that Sri Lanka is the “Wonder of Asia” leaving many of us wondering of the grounds of reality relating to such rhetoric.

1.7 National day of independence is six days hence from today on the 4th of February the day we gained freedom from the British. The 8th of January 2015 will also be remembered as the day the nation “Regained Freedom”. Freedom from family rule, freedom from corrupt rule, freedom from crony miscreants, freedom from bad governance, regaining of independence of the judiciary, police, public service and freedom from misrule where the rule of law was abused at will. As such, it is our bounden duty to guard and foster the freedom regained.

The Hundred Day Revolutionary Programme will provide the foundation for a new era and provide a brand new meaning to “Freedom and Liberty”. Independent commissions, right to information, constitutional amendments etc. which are clearly enumerated within the Hundred Day Program will provide a significant backdrop for the nation to enjoy fruits of freedom thus regained.

1.8 The family rule did not only damage the economy of Sri Lanka but also tore apart the social fabric which knitted together Sri Lankans as a pious nation. Drug barons, Casino operators and ethanol kings made the future of our children bleak. The voice of the people was muzzled and silenced. But some who could express themselves at will, coined novel phrases such as “Economic Assassin” as additions to the vocabulary. Disseminating the facts and evidence available, we could say that there are many such Economic Assassins who ensured that a selected few will enjoy and pillage the wealth of this great nation whilst a majority will suffer.

1.9 Following the Presidential election, a Maithripala – Ranil National Unity Government was formed with the participation of the members from a majority of the parties which represent the Parliament. This has created a unique situation in the post independence history of our country.

Today, I am proud to say that, with these initiatives, we have been successful in showing an alternative way to the nation and we are marching slowly but steadily along that path. It is a path to compassionate Maithri governance, path to a stable country, a path to prosperity and more importantly, a path to freedom, humanity and dignity.

1.10 On behalf of Honorable President, Honorable Prime Minister and the Government, I as the Minister of Finance, would like to thank and salute all of you, the clergy, public servants, pensioners, farmers, teachers, health sector employees, the fishing community, young voters including students, labourers, entrepreneurs, estate workers, Trishaw drivers, transport sector employees, the self employed, members of the armed forces, Police and civil defence force, and the general public in all ethnic and religious groups in Sri Lanka who came forward bravely amidst various intimidations, and cast their vote in one voice for this noble effort.

1.11 Your contribution is indeed salutatory as the degree of intimidation, excessive utilization of state resources and utilization of free issues of various items to entice the voting population, by the previous government had been beyond average imagination. In the Presidential election campaign, we made a promise a major commitment to the people in this country. We promised that after coming in to power, we would implement a Hundred Day Revolutionary Programme to provide speedy solutions to the burning problems of the country and its citizens.

1.12 We promised to implement specific measures to provide relief to the people by reducing the rising Cost of Living, which we consider a key burning issue of the country.

The country needs solutions to counter the burden of Cost of Living which had deprived many people of this nation the basic necessity of food at required standards. A poverty level of 6.7% and malnourished children of 21.6% are not statistics which are progressive. We will ensure that the “Change” envisaged and voted democratically will address these burning issue and provide relief to a degree hitherto unheard of and will be improved over the years.

1.13 The appointment of the Special Commissions to investigate allegations of massive corruption in the preceding period, establishment of Independent Commissions and making required appointments, introduction of the National Audit Bill and Right to Information Bill, introduction of a National Drugs Policy and creation of a Parliamentary system instead of the Executive Presidential system are among other key promises that we made under this programme.

The degree of corrupt practices reached a zenith during the last few years of misrule and we expect the nation to bear with us as we will have to patiently go through the due process in bringing the corrupt miscreants to face the consequences of their misdeeds through judicial means.

- 1.14 We are now in the process of implementing these proposals. By looking at what we have done so far during the last 21 days, you could make a judgment on our performance and the commitment. We want to emphasize that we are working with a clear vision towards achieving the objectives within the Hundred Day Revolutionary Programme. The Statement presented today is also another important step forward in that effort.
- 1.15 Our government is people oriented and is focused on providing relief on a priority basis. Relief provided in the form of lower fuel prices prior to this Statement is a perfect example. We have managed to provide the nation with the highest ever reduction of fuel prices at any given time and I am at a loss to understand why the previous government did not envisage such revisions for the benefit of the people.
- 1.16 Before I present our proposed measures to provide relief to the general public as well as other revenue and expenditure proposals, I would like to elaborate on a few points about the bubble that had to burst, budget that has already been approved by the Parliament for 2015, economic performance of the country and related areas.

02. The Bubble Had to Burst

- 2.1 Sri Lanka had gone through a period of economic disorder. The statistics until a few days back provided a different picture. A façade of political rhetoric coupled with unrelenting economic bravado created a rosy picture. The weapons of the so called economic maestros consisted of manipulated charts and graphs.
- 2.2 Much spoken, of a “Wonder of Asia”, and “Hubs” of varying descriptions. The average people did not fully fall into the trap of lies and deception. They did observe some Hubs which were focused on destroying the nation. The “Kudu Hubs”, “Ethanol Hubs” and “Casino Hubs” continued to grow. The young generation, the future our beloved country, so many innocent children had fallen prey to the wiles of the drug barons, ethanol kings and Casino operators.
- 2.3 The Stock Exchange became the laughing stock of the experts who knew stock trading. “Pumping and Dumping” was the order of the day whilst the small timers had to face the music. When interest rates were reduced the hierarchy invited the elderly people to invest in shares. Knowing very well the consequences, the hearts of the people who matter did

not melt. Even the poor pensioners suffered. The super rich “Stock Market Barons” continued to fatten at the expense of the poor.

- 2.4 The circus continued. The clowns played their roles to perfection. The trapeze artists swung to and fro. The economy continued to crumble. The façade artists “modus operandi” was to dress up the truth. The bitter truth was camouflaged with sweetened falsehoods. “Lies, Damn lies and statistics” the phrase ideally fitted the picture. GDP and Public Debt moved benignly in their rich vocabulary.
- 2.5 The system of “Crony Economics” created a segment of the society which was ultra rich enjoying a life of supreme luxury. They were flaunting not only their ill gotten wealth but their muscles too. A mere two per cent of the entire population continued to prosper at the expense of others. What of the balance 98%. They were requested to tighten their belts way back in 2005 and they had to continue. Their families fell apart due to economic hardships, jewelry pawned, family heirlooms sold to ensure that home fires continued to burn. Some were facing abject poverty. Naval guards had to be stationed at the Matara Mahanama Samaraweera bridge and at the Kaluthara Bridge to save our mothers and fathers, brothers and sisters from jumping into river to end their lives, stricken with unbearable poverty.
- 2.6 The economic jargon, high-flown language, political and economic rhetoric continued to reverberate louder than ever. Astrologers too played their part conjuring the path of celestial objects at their whims and fancies. The objective positively singular, merely, to foster and nurture the mere 2% of the nation. January 8th 2015 was the day of reckoning. A whiff of freedom, a sweet fragrance of change wafted across the nation.
- 2.7 The officials and economic experts have looked into the figures and now the economics of deceit and falsehood had surfaced. The bad news is that economy is in a sad state, and the good news it is not beyond resurrection and is in safe and sound hands. We had managed to decipher the correct status of the economy which is been explained in detail. We will also investigate and recover ill gotten gains irrespective of the category politician, stock market whiz kid or a mere drug dealer. The period of immunity is over for the cronies and the clans, justice supreme will overcome the wicked and the wrong doers.
- 2.8 Finally the bubble had to burst. Our government will now take stock of the situation, prime up the economy and move forward with finesse. We promise the nation that the correct picture will be portrayed at all times.

- 2.9 Hon. Speaker, Hon. Members of the Parliament the goodness of this “Maitree Palanaya” will bring in a new dimension of justice and fair play to this nation. I wish to present two typical examples. After the results were announced at the previous election held in 2009, whilst the victor rejoiced the vanquished was jailed. This time the victor was relieved that he was spared the agony of been jailed whilst the vanquished received a free helicopter ride at the expense of the people to reach his home town at Meda Mulana.
- 2.10 The Presidential oath read out at the Independence Square on the 9th of January 2015 by Honorable Maithripala Sirisena had cost a mere Rs. 60,000 whilst the previous oath taking ceremony in 2009 had cost several millions of public funds.

03. Objective of this Statement

- 3.1 Today’s Statement may be a new phenomenon in the public finances in our country. We have heard about Vote on Accounts which were presented on many occasions to this Parliament previously when a general election had been announced in order to allow the new government to present a full year budget incorporating their new policies.
- 3.2 However, the Statement that we are making today is an absolute necessity as we have made a significant change in the structure of the line Ministries in the government. As you are aware, we have reduced the number of Ministers from 71 to 31, reflecting a significant deviation from the governance of the previous regime.

The line ministries have been structured to secure the maximum outcome with minimum expenditure in formulating a Cabinet of Ministers. We need to reallocate the resources to newly created Ministries and seek the approval of the Parliament to formalize the new structure.

With the Approval of Parliament, I propose to authorize the Secretary to the Treasury to provide detailed budget estimates to Ministries and Spending Units based on the approved expenditure ceilings specified the in Appropriation (Amendment) Bill.

In addition, as I would be explaining in the latter part of my statement, there are a number of new revenue and expenditure proposals as well, particularly to provide concessions to the public.

- 3.3 These changes and proposals will have to be accommodated in the original Budget 2015, which was presented in 24 October 2014 and approved by the Parliament on 23 November 2014 which needs to be approved by this Parliament to seek the necessary legal provisions for the same.

04. The Budget 2015

- 4.1 The original Budget 2015 expected total revenue of Rs. 1,594 billion which consisted of Rs. 1,400 billion of tax revenue and Rs. 194 billion of non tax revenue. Total expenditure and net lending was Rs. 2,990 billion of which recurrent expenditure was Rs. 1,465 billion and, capital expenditure and net lending was Rs. 685 billion. The estimated deficit in Budget 2015 was Rs. 521 billion or 4.6% of GDP.
- 4.2 I should say that this deficit is related only to government revenue and expenditures. However, we have repeatedly shown to this Parliament and discussed even outside Parliament over the past several years that this deficit does not reflect the real burden of the public finances of the country today as it does not take into account many budgetary operations of the government.
- 4.3 This façade of duplicity has to be removed and the actual position has to be made known to Honorable Members of Parliament and the general public. We do not intend to mislead neither the Honorable Members of Parliament nor the general public in our endeavor to ensure good governance.
- 4.4 Some of the critical issues where the public debt is not adequately presented are listed below.
- a. This deficit does not reflect by any means the contingent liabilities that the country has incurred over the past few years. The government has given Rs. 524 billion as Treasury Guarantees by the end of 2014, which mainly include guarantees given to commercial banks to implement infrastructure developments projects by State Owned Enterprises (SOEs) (Annex I). If these liabilities are not honoured by the relevant SOEs, the government will have to pay them.
 - b. The outstanding debt of SOEs to the banking system of Rs. 593 billion as at end 2014 also to be reflected in these numbers. This also includes the impact of US\$ 60 million or Rs. 7.8 billion of the Hedging Transaction of Ceylon Petroleum Corporation (CPC), which has already been paid. It has been estimated that the total loss to the government due to the Hedging Transaction could be about US\$ 120 million (Rs. 15.7 billion). This could be one of the most obnoxious transactions ever recorded in the history of commercial operations in Sri Lanka with the end result adversely impacting the people.
 - c. The government budget deficit also does not include foreign borrowings made by SOEs for infrastructure projects. The total outstanding of these borrowings as at end 2014 was US\$ 2,356 million or Rs. 308 billion. These have been borrowed to finance the Puttalam

Coal Power Project, Hambantota Port Development Project and Mattala International Airport Project (Annex II).

4.5 If we add the Treasury Guarantees, SOEs debt to the banking system and the amount of foreign borrowings for the projects implemented by SOEs, the budget deficit could have been much higher than the published numbers.

4.6 Now you could observe the magnitude of the deficit that we have inherited from the previous regime. This is the unhealthy legacy of the previous government which we have had to inherit and from where we have to commence our journey.

4.7 Few more years of such practices would have made our country a contender to be labeled as an economically failed nation. Once again I wish to thank all those who made this “Change” possible as if not, our great nation also would have ended up as a “banana republic” where the economies had been ripped apart and pillaged by corrupt rulers.

4.8 According to the provisional data, the outstanding debt of the government as at end 2014 was Rs. 7,373 billion. This reflects a per capita debt of Rs. 357,233.

However, if we include the three items that I indicated above, the total debt will increase to Rs. 8,817 billion. Naturally, the per capita debt will also increase to about Rs. 427,220. Again, you can see the magnitude of the burden that has been created by the previous government on the people of this country.

4.9 I should emphasize the fact that all these debts will have to be paid by the innocent people in this country, not only the present generation but generations to come. We are proud of our legacy as a country with a history of over 2500 years, but how could we be proud of the legacy of debt created by the last government? The question also arises as to whether it was necessary and prudent? The previous rulers should be ashamed of the manner in which the monetary issues had been handled where generations will be called upon to pay back debt sought at the whims and fancies of a selected few.

Total Debt and Per Capita Debt

Item	2012	2013	2014
Total Debt (Rs. Bn.)			
Government Debt	6,000	6,793	7,373
Total Debt: Government Debt, Treasury Guarantees, Borrowings of SOEs from Banks and Foreign Sources	6,853	8,099	8,817
Total Debt to GDP Ratio (%)			
Government Debt	79.2	78.3	74.4
Total Debt: Government Debt, Treasury Guarantees, Borrowings of SOEs from Banks and Foreign Sources	90.4	93.4	88.9
Per Capita Debt (Rs.)			
Government Debt	295,165	331,653	357,233
Total Debt: Government Debt, Treasury Guarantees, ⁸ Borrowings of SOEs from Banks and Foreign Sources	337,140	395,379	427,220

- 4.10 As a percent of GDP, the total “government” debt as at end 2014 will be about 74.4%. This level of debt is still high in international standards. With the three items that I indicated above, total debt to GDP ratio will further increase to 88.9%.
- 4.11 The majority of the allocations in the government budget were mainly confined to a few under the previous regime. However, in the revisions that we have made to the Appropriation Bill for fiscal year 2015, we have taken measures to rectify this.
- 4.12 All these incidents indicate the need for strong and innovative measures in the future to avoid the repetition of such things and reduce the budget deficit and outstanding debt of the country.
- 4.13 Before I present our new proposals, I would like to indicate two key factors i.e. economic growth and nominal wages and the debt repayment burden.

05. Economic Growth and Nominal Wages

- 5.1 We know that Sri Lanka is currently identified as an economy with relatively higher economic growth among the emerging market economies, and characterized by low levels of inflation and unemployment.
- 5.2 This century had provided enormous opportunity for countries in the Asian region to grow, overtaking the western world as the key economic drivers of the world. Giant strides made by China and India have shown the world the ability of Asian countries to move up and we should critically analyze whether Sri Lanka should have reached a better standing based on our potential as a nation with a literacy rate of over 90%, the highest in the Asian region.

It should not only be highways, air and sea ports and a host of buildings that constitute growth and stability that could be sustained. What is the status of agriculture, industry, services and industry related exports?

The norm is that within an overall development plan, there should be provisions for road networks and other infrastructure requirements. There was no such development plans and ad hoc projects had been formulated, once again at the whims and fancies of a selected few jeopardizing the country’s economy. Focus of attention to develop selected townships to glorify and promote political dynasties drained the economy almost beyond remedial options.

- 5.3 Sri Lanka’s annual real economic growth averages around 7 % during the last three years, while it expanded by around 15 % annually in nominal terms during the same period.

This has resulted in a substantial growth in per capita income, which was estimated to be about US\$ 3,646 or Rs. 477,600 in 2014, which is comparable to middle income economy levels according to international classifications.

- 5.4 However, the growth in national income in nominal terms has not reflected the improvements in standard of living of every citizen. We have to look at an average citizen and observe whether he had reached the level of prosperity the per capita income depicts. If not there is a missing link. This government will ensure, as our Honorable Prime Minister had often stated, that we would bring about an economy where the pockets of all citizens will be filled without limiting the benefits to a dynastically privileged few. We do not believe in the prosperity of a few families and a selected few but glad tidings for all stakeholders i.e. all citizens of mother Lanka.
- 5.5 Some nominal wages have increased at a lower rate than the others. For instance, public sector nominal wages have increased by less than 10% on average during the last two years, and once it is adjusted for inflation, the annual growth in real wages is about 5%, which may not reflect sizable improvement in the purchasing power of the households. In addition, real wage may have deteriorated for some segments in the labour market.
- 5.6 This situation warrants some adjustment in both wage level and price level. With the salary increase of Rs.10,000 per month within the Hundred Day Revolutionary Programme of which Rs. 5,000 will be increased from February 2015, and the balance by June 2015, the nominal wage growth of government employees is estimated to increase by about 47% in 2015 compared to 2014. The real wage growth also will increase by 40% in 2015 compared to the previous year under the low inflationary situation.
- 5.7 With the reduction of prices of identified goods and services, the positive impact on household real incomes may be higher for all households. As such the future prospects for all Sri Lankans will be enhanced within a framework of good governance and equal opportunity.

06. Debt Repayment Burden

- 6.1 We know that the debt service payments create a huge pressure on government budgetary operations. In 2015 alone, the interest payments amount to Rs. 425 billion and debt repayments amount to Rs. 840 billion, making a total debt service of Rs. 1,265 billion.

- 6.2 This will be about 77% of the revenue in the revised Budget for 2015. This has significantly limited the space in the budget to provide many essential services to the public. I would like to highlight followings in terms of debt repayments;
- a. The debt repayment to bilateral and multilateral agencies as well as on commercial borrowings and export credit will be US\$ 1,394 million in 2015. Total debt repayments related to these sources will be about US\$ 8,461 million in the next five years. This includes the repayment of international sovereign bonds, which amounted to US\$ 5,000 million by end 2014, in which a substantial amount will be maturing during the 2015-2020 period.
 - b. The foreign investments in Treasury Bills and Bonds will be gradually retired and there could be premature sales of outstanding foreign investment in government securities amidst rising yields in international capital markets.
 - c. The majority of recent loans obtained for large scale projects may start repayment this year onwards after the initial grace period which is about 3-4 years on average.
 - d. We still have to pay defence related loans of US\$ 15 million to suppliers. In addition, there will be hedging transaction related payments, which we are still unaware of the exact magnitudes.
- 6.3 These debt repayments will amount to substantial sums in aggregate terms increasing the foreign currency outflows over the coming years. As such, the burden of meeting debt repayment requirements in the short-term may fall on the level of international reserves. The interest rates of the foreign borrowings made in the last few years are given in Annex III.
- 6.4 This again depicts how vulnerable we are today as a country and more critically the precarious status of the national economy. Hence, there is a strong need to increase export earnings and reduce short-term debt obligations with longer tenure debt to ease the pressure on fiscal operations as well as external sector stability.

07. Expenditure Proposals

- 7.1 Today's statement could be termed as one of the most important exercises of the "Hundred Day Revolution". For me, I would call it the "Hundred Day Challenge". The planned benefits to the people of Sri Lanka that we envisaged went beyond the contents of the "Hundred Day Program" promised during the election campaign.

- 7.2 The outflows had to be matched with adequate revenue proposals to ensure that we do not increase the debt burden. The excessive expenditure based dynastic image building, coupled with wanton waste that was prevalent, as provided in the original budget, made life easier for the team that formulated this most valuable statement.
- 7.3 Honorable Speaker, Members of the Parliament the people of Sri Lanka who went through a period of untold hardships during the last decade, due to the spiraling Cost of Living, will be in for a pleasant surprise. We are positively focused on easing the burden on the poorer strata of the society. They are also stakeholders of our nation. The time has come for the rich and the super rich to make a telling contribution towards nation building. As we are well aware, certain individuals and organizations did receive concessions beyond reasonable yardsticks from the previous regime to garner profits excessive and extraordinary.
- 7.4 As I indicated earlier, the number of Ministers has reduced to 31 from 71 in the previous regime. This measure alone will help us to save about Rs. 2,500 million annually, which can be utilized for much more productive purposes.
- 7.5 It also signifies the level of resources that the previous regime has wasted for mere political intentions. This is the difference between them and us, who are focused about the well being of the people of this country.

Public Sector Salary Revision

- 7.6 Now I would like to formally announce one of our major proposals within the “Hundred Day Revolution”. We promised the public servants in the country that we will increase their salaries by Rs. 10,000 per month and initially Rs. 5,000 will be provided in February 2015.
- 7.7 I am happy to say that all permanent public servants of over 1.3 million got Rs. 3,000 in January and will get their February salary by Rs. 5,000 and will get the balance in June 2015 thus honoring the promise given by us.
- 7.8 Honorable Speaker, this revision may be recorded as the highest ever salary increase granted to public servants of Sri Lanka. It is a special privilege for me to propose this increase to public servants the vanguard of administration of our nation.
- 7.9 I call upon the unions, public servants, and all stakeholders of the public sector to improve the productivity to be on par with the standards in the Asian region.

Private Sector Wages and Salaries

- 7.10 I wish to make an earnest request and a humble appeal to all private sector employers to assist the government in national reconciliation by ensuring compliance. Such a positive endeavor I am sure will create a vital impact on narrowing and hopefully eradicating the gap between the haves and the have-nots. Human capital is the most important tool and the best asset in your company. Therefore, let us have a contented workforce which will help increase the productivity and have a pleasant working environment.
- 7.11 We understand the great difficulties that the private sector undergoing. However, considering the input cost reduction especially on energy, we urge the private sector to consider an increase of Rs. 2,500 per employee per month, linking to productivity. Furthermore, the employer may utilize any value arising out of non cash benefits such as provision of food cost as a part of proposed increase. The contribution made by private sector employees also needs to be mentioned in glowing terms and hopefully the employers will ensure a positive outcome. It is the most opportune period for the engine of growth, the private sector of the country, to prime up their human resource, the life blood of their institutions.
- 7.12 The new government is working to get the GSP+ facility back. I am happy to say that Honorable Prime Minister and the Minister of External Affairs are working seriously on this matter. The country has enjoyed this concession for several years and it has undoubtedly assisted country's industrial exports. Unfortunately the previous government did not look at this positively and we as a country, had to suffer a lot.
- 7.13 The loss of this facility has resulted in a loss of about US\$ 5,000 million in the past 7 years. Not only that, the number of job opportunities lost is countless and even today, many people are suffering from the loss of their jobs due to the removal of this facility, which has resulted in lost incomes and employment thereby driving them in to poverty.
- 7.14 It was also a serious setback in the export side, which had serious implications on the trade balance, Balance of Payments and external reserves.
- 7.15 Our plan is to set up new factories and restart the factories which were shut down during last many years with the renewal of the GSP+ facility. The private sector will get a huge boost due to this.
- 7.16 Honorable Speaker, at this very moment, the European Union (EU) has suspended the import of fish and fishery products from Sri Lanka, which became effective from 15 January 2015.

- 7.17 Although the EU allowed Sri Lanka to address the concerns by implementing international maritime law obligations and putting in place an efficient vessel monitoring system and a sanction scheme for deep sea fleets three months before this import ban came into effect, the previous government did not take it seriously and hence did not take any effective measures regarding this.
- 7.18 However, as this is an important issue which is particularly linked with our fishing community and fish exporters, we as a responsible government are taking every possible measure to get this ban removed and resume fish exports to the EU. Once resumed, it will provide many new opportunities to the private sector to enhance their activities in the lagging regions.

Revision of Pensions

- 7.19 The retired public servants of Mother Lanka had contributed immensely towards the betterment of the country and it is time that they are provided with just means during retirement.
- 7.20 As such, we propose to increase the amount of pensions for retirees of the public service since we are very concerned about their well being. I would like to propose that they will receive an additional Rs. 1,000 in their monthly pension from April 2015. About 550,000 pensioners will benefit from this revision of pensions and we will have to incur an additional Rs. 4,900 million on this proposal.

Samurdhi Welfare Scheme-Enhancement of Samurdhi Allowance

- 7.21 From the inception, there was no proper scheme to identify the desired beneficiaries of the Samurdhi system. A comprehensive survey would be undertaken to identify the needy segments of the society. The future payments of the Samurdhi allowance would be carried out through a more efficient method to facilitate the minimization of an expenditure outlay of over Rs. 10 billion per annum, an enormous administrative expense entailed with the programme.
- 7.22 Samurdhi beneficiaries will be granted enhanced monthly payments with an increase of 200% with effect from April 2015. As per the commitment enumerated within the Hundred Day Revolution.
- 7.23 Samurdhi/Divi Neguma banks will be integrated with Regional Development Bank in order to enhance access to finance in the rural areas.

Concessionary Fixed Deposit Interest Rates for Senior Citizens

- 7.24 We know the low interest rates in the market have created serious repercussions to the senior citizens in the country. There is a significant number of senior citizens who sustain themselves with the monthly interest income that they receive on their deposits. As we were much concerned about them, we made a commitment to increase the interest rates on their deposits under the "Hundred Day Revolution".
- 7.25 I am happy to announce that the senior citizens will be receiving a higher interest rate of 15% per annum for their savings up to a maximum level of Rs. 1 million for funds deposited in commercial banks.

A Healthy Motherhood - Assistance to Maintain Health Standards

- 7.26 A nutritious and healthy society is an asset to a country especially when the issue relates to motherhood. However, the level of nutrition among the low income earning pregnant mothers is much lower than the affluent and the middle class strata of the population in the country.
- 7.27 Assistance will be given through an Electronic teller card banking system and the grant will be disbursed over a period of two years. The extended time period will ensure that disbursed funds will be rationally utilized for the purpose intended. We will seek the assistance of the Honorable Minister of Children's Affairs to guide and assist the officials in guaranteeing that the beneficiaries will receive all benefits expected relating to the grant. This grant will be focused on the welfare of the new born children and mothers.
- 7.28 In order to ensure the children who will be born to such mothers are healthy, we promised to provide an allowance of Rs. 20,000 for pregnant mothers to supplement their nourishment under the "Hundred Day Revolution".
- 7.29 In order to ensure that Rs. 20,000 is not utilized in an irrational manner, a method of utilizing the funds would be communicated through a circular.

Waiver of Advances Granted to Farmers

- 7.30 As an agriculture based nation, we will never forget the valuable contribution made by farmers to foster the economy. We have reliable information that they borrow from many sources, particularly from banks by pawning their valuables, to undertake their agricultural activities. We know that in the recent past, they had to undergo many difficulties as their crops were damaged as a result of natural disasters and hence, many of them were unable to repay their loans to the banks.

7.31 We are concerned about these farmers who were not able to repay their borrowings to the banks. That is why we propose to provide relief to them under our "Hundred Day Revolution". I am pleased to announce that as a relief measure, a 50% waiver will be provided for a maximum loan capital of Rs. 100,000 on the loans advanced to farmers by commercial banks and presently overdue. This will cost Rs. 2,500 million to the government budget.

Guaranteed Prices to Boost Agricultural Economy

7.32 The provision of a guaranteed price for selected items is also considered an important measure to further energize the farmers. This would reduce the uncertainty of those who are involved in respective fields. Accordingly, the following guaranteed price structure will be implemented.

- a. The guaranteed purchase price of paddy will be increased to Rs.50 per Kg. commencing from the 2015 Maha season. Depending on the variety, moisture content and the quality, paddy will be graded. Stringent purchasing procedures will be implemented to avoid corruption and misuse which is the foremost intention of the government.
- b. The guaranteed purchase price of potatoes will be increased to Rs.80 per Kg. commencing from the next harvest.
- c. The guaranteed purchase price of tea leaves will be increased to Rs.80 per Kg.
- d. The guaranteed purchase price of rubber to be Rs.350 per Kg.

The guaranteed price scheme for Tea leaves and Rubber will be implemented subject to a comprehensive evaluation of the industry within a short span of time. This process will facilitate the origination of a suitable mechanism to introduce the proposed guaranteed purchase prices listed above.

Hand Tractors at Concessionary Prices

7.33 A concerted effort will be made by our government to reduce the price of Hand Tractors for the use of farming community in a focused effort to upgrade the agriculture sector. A comprehensive evaluation of the present tax and other cost factors will be taken into account in arriving at a feasible price. Hand tractors offered to the farmers at a lower price would not only make them efficient but also promote the concept of mechanization of agriculture.

- 7.34 We are also happy to state that the fertilizer subsidy will continue. However, the quality of fertilizer will be upgraded to meet international standards. We will be socially responsible unlike the previous regime, which contributed to the CKD.
- 7.35 We will be consulting the farmer community and relevant cooperative societies for the best technology and financing terms to the farmer community.
- 7.36 Our President Honorable Maithripala Sirisena hails from a farming community and will be obviously pleased with these developments. The farming fraternity of Sri Lanka could now breathe a sigh of relief and could be assured of better times in making a bigger contribution to bolster the national economy.

Guaranteed Price for Milk to Develop the Dairy Farming Industry

- 7.37 I propose an increase of the guaranteed purchase price of fresh milk by Rs. 10 per litre from the existing Rs. 60 per litre which will increase the income levels of dairy farmers resulting in the increase of the local milk production. This will be implemented from 1st July 2015.

Empowering the Youth Parliament

- 7.38 The youth Parliament will be granted financial powers to implement youth programmes. An allocation of Rs. 250 million will be provided for 2015 to ensure that this programme is successfully implemented. The Ministry of Youth Affairs will coordinate as to when the funds are needed for this purpose.

Concessions for Colombo City Dwellers Relocated Against their Will

- 7.39 We perfectly understand the grievances of the people who had to leave their loving homes and native places in the precincts of Colombo just because of the relocation programme stubbornly implemented by the previous government. Our government will bear the initial advance of Rs. 100,000 per family borne by the relocated and also bear a part of the rental up to Rs. 250 per month over a period of 240 months.
- 7.40 I know personally that this will be a huge relief for those who were forced to shift to newly built flats by the previous government mostly against their own will. It is envisaged that a substantial gain could arise to the genuine householder aggrieved due to the process of relocation practiced.

Decentralized Budgets or Our Own DCBs

- 7.41 This refers to a proposal which is more relevant to Honorable Members of Parliament, the representatives of the people of the Democratic Socialist Republic of Sri Lanka. The

Decentralized Budget (DCB) has been stagnant for a long time due to politicization and I am happy to propose an increase.

- 7.42 Honorable Speaker, the present Parliament is unique and is a blend which not only signifies racial and religious amity but also political amity which we had not encountered previously. The commitment extended by all Members of Parliament to ensure the success of the "Hundred Day Revolution" deserves the highest of accolades.
- 7.43 The DCB of the members of Parliament has been instrumental in providing many facilities to the people, particularly in the remote areas. From this year, the amount of Rs. 5 million provided under the DCB for each Member of Parliament will be doubled to Rs. 10 million (increase by 100%). This will cost additional Rs. 1,125 million but we believe that it will be a positive move towards providing enhanced service by Honorable Members of Parliament in the areas that they represent.

"Deyata Kirula" – A Negative Converts to a Positive

- 7.44 The Deyata Kirula Exhibition, which was a pet project of the previous government, has led to many mal-practices and corruption. In 2014, an estimated Rs. 14,000 million has been spent by the Ministry of Finance on this exhibition while a huge amount was also spent by other Ministries as well. A total of Rs. 34 billion has been estimated to be spent by all Ministries in 2015.
- 7.45 The Deyata Kirula exhibition had been a white elephant which was a crown for a set of selected people who benefitted, and to be glorified, at the cost of a greater damage to the national economy.
- 7.46 The monies spent without any feelings for the common people of Sri Lanka if not spent would have ensured a very much lower milk food price and lower prices for many of the essential items benefiting consumers.
- 7.47 I propose an end to this wasteful exercise and the event not to be held this year or in the future. However, we will allocate Rs. 1 billion to complete the on-going development projects in the related areas.
- 7.48 The funds so wantonly allocated to promote political dynasties now could be channeled to more humane and just, people friendly projects. For the officials formulating the budget, the saving had become an inference of a very positive nature hence the caption.

Increasing Healthcare Expenditure to 3% of GDP

- 7.49 Since independence, successive governments have played a remarkable role in healthcare

development providing free medical care to all citizens of the country. As a result, main health indicators in Sri Lanka have been impressive in comparison to those of other nations in the region.

- 7.50 However, the gains made by the health sector are currently being challenged by the demographic transition and emergence of non-communicable diseases as the leading cause of mortality, requiring stronger need for targeted measures to address these issues.
- 7.51 As the main health service provider, the government has a major role to play in this regard. Therefore, government will be initiating steps to increase its spending on health care to around 3% of GDP over the years compared to 1.4% of GDP at 2013.
- 7.52 The funding requirements to ensure a twenty four hour OPD service at all hospitals, assistance to CKDU patients, and a concerted effort to bring down the numbers awaiting surgery will be implemented in consultation with the Ministry of Health and Indigenous Medicine. In order to give a special grant for CKDU patients, Rs. 2,000 million has been allocated for 2015.
- 7.53 All efforts will be made to secure the required information in providing needed medical care to the people and the increased allocation would no doubt ensure that Sri Lanka will consist of a healthier nation.

Increasing Education Expenditure to 6% of GDP

- 7.54 Honorable Speaker, as you are well aware, the expenditure on education is critical for economic growth and social cohesiveness of an economy. Higher government expenditure on education ensures equal education opportunities for all children across the country, enhancing the level of human capital development, so that we will be better prepared to compete globally.
- 7.55 In the current globalized world, education needs are constantly evolving. To address these needs, other countries in the region are spending a comparatively higher proportion on education. Public spending on education averages 2.9% of GDP in Asia compared to 5.3% in advanced economies.
- 7.56 However, the government of Sri Lanka spends around 2% of GDP on education. Even though private sector education expenditure has also increased to some extent, increased expenditure on education by the government is also necessary considering emerging global market conditions and its requirements.

7.57 Therefore Sir, education spending needs to be enhanced to broaden the access for the poor for education and ensure a level playing field for growth. Making infrastructure affordable and accessible allows the poor to take better advantage of the opportunities that come with improved education and health. Thus, I should mention that as proposed in the Manifesto of Honorable President Maithripala Sirisena, the government will introduce initiatives to increase educational spending gradually to a more desirable level in order to reach the expected 6% of GDP.

Proposals to Cushion the Cost of Living

7.58 Honorable Speaker, now I will turn into another important aspect of our Hundred Day Revolution, that is to extend many more concessions to the general public by providing a welcome relief from the unbearable cost of living they had endured under the previous regime.

7.59 The disregard in not addressing the cost of living issues left many destitute and the relief provided within twenty one days of gaining office shows the effervescence of the “Maithri Palanaya”. Honorable Speaker, Honorable Members of the Parliament, our government will further endeavor to provide more relief for the people of Sri Lanka as we gain momentum over the years to come.

Reduction of Fuel Prices

7.60 The government has already implemented one of the major proposals in the Hundred Day Revolution, which is the reduction of petroleum product prices by a significant margin.

We have reduced the price of diesel by 14.4% to Rs. 95 per litre. Petrol price was reduced by 22% to Rs. 117 per litre and Kerosene price reduction was 20% to Rs. 65 per litre. With a view to further support the estate community, fishing community, small time vegetable growers and the SME sector, I propose to reduce the Kerosene price by another Rs. 6 per litre with immediate effect bringing down the price to Rs. 59 per litre. Don't you think that these are commendable measures?

Though the domestic Petrol, Diesel and Kerosene prices were reduced in September and December 2014, the price reductions did not necessarily reflect the magnitude of the decline in international prices, which took place during the rule of the previous regime.

7.61 But we are really committed to provide any benefit received through global pricing to the people in this country. That is why the government decided to pass the full benefit of

declining global petroleum prices to consumers while also reducing the taxes applicable on petroleum products. Due to this measure, the government has forgone Rs. 85 billion, something that our government could have collected as taxes from the consumers.

- 7.62 The previous government did not provide due relief to the people based on the declining fuel prices and carried out an exercise similar to extorting funds from the suffering public.
- 7.63 Going forward, the government plans to introduce a pricing formula not only for fuel but also for electricity tariffs as well based on international market prices. This will enable a more flexible domestic fuel price and electricity tariff structure, thus relieving the Treasury, CPC and CEB from any additional financial burden due to international market price fluctuations.
- 7.64 Further, as a measure to encourage alternative energy sources and to curtail government expenditure, I propose to install solar units in government entities whose consumption consists of a value which will provide a return on capital invested on the equipment within a period of 7 years or less. This would have a long term impact on our fuel bill.

Reduction of Passenger Bus Fares and School Van Hiring Charges

- 7.65 Based on current negotiations, the Bus fares will be reduced by a minimum of 10% and the school van fares by a minimum of 5% providing further relief to the people.

Reduction of Taxes on Essential Goods

- 7.66 Honorable Speaker, you may recall that at the Presidential Election campaign, we promised that we will lower the excessive taxes on 10 essential food items to reduce prices under the Hundred Day Programme, to provide relief to the public.
- 7.67 We are happy to say that we have done it to 13 items. I am pleased to announce that the prices of following essential food items will be reduced from the mid night today.

1. ***Sugar:*** Sugar is a very important consumer item in our day to day life. The present SCL of Rs. 28 will be reduced by Rs. 10 to Rs. 18 per Kg though it will result in a significant revenue loss of Rs. 5,243 million to the government. With the, the retail price should come down to Rs. 85 per kg.

The previous government had a Minister dedicated to overlook Sugar but unfortunately he had not looked into providing relief to the poor through his Ministry.

2. **Milk Powder:** We have decided to reduce the maximum retail price (MRP) of milk powder to Rs. 325 per 400 gram milk powder packet by Rs. 61 per 400 gram packet.

I wish to thank the importers of Milk foods for their magnanimous gesture in agreeing to a reduction in prices in our hour of need. I wish to reciprocate as we are under "Maithree Palanaya" and look forward to such importers shifting their inputs from imports to local milk. Positive changes will receive concessions from the government to develop their industries.

3. **Sustagen:** This is more of an energy food item mostly prescribed to terminally ill patients for sustenance. The price of which is beyond the reach of the poor patients direly in need of this. We will waive the customs duty of 15% to ensure a price reduction of around Rs. 100 per 400 gram tin, thus providing needed relief for invalid people of Sri Lanka.

In order to encourage the domestic milk industry, we have not touched the taxes on milk powder at this moment. The increase of the guaranteed price paid to dairy farmers for a litre of milk by Rs. 10 to Rs. 70 per litre will also help promote domestic milk production.

4. **Wheat Flour:** The import duty of wheat grain will be reduced by Rs. 10 per kg., which will lead to a price reduction of wheat flour. The price of flour will be brought down by a sum of Rs. 12.50 per kg.
5. **Bread:** With the reduction of the price of wheat flour, coupled with the reductions in fuel and electricity prices, the price of Bread also will reduce by at least Rs. 6 per loaf. I am sure that the plantation workers will be pleased with the reduction of wheat flour and bread prices taking into consideration their life style.
6. **Green Gram:** The current Special Commodity Levy (SCL) on Green Gram of Rs. 40 will be reduced by Rs. 30 to Rs. 10 per kg. This will have a decline of revenue by Rs. 519 million. With this, I believe that the retail price of the green gram should be reduced by about Rs. 40 per kg. along with the impact of the reduced fuel prices.
7. **Sprats:** The current SCL on Sprats of Rs. 26 will be reduced by Rs. 15 to Rs. 11 per kg. This will result in a decline of the revenue of Rs. 657 million to the government.

In an era where people are clamoring to focus on big fish for different reasons the lowering of the price of Sprats, one of the nutritious food items will be beneficial mainly to the poorer strata of the society.

8. **Canned Fish:** This is another essential consumer item that we believed a tax reduction is necessary. Accordingly, the current SCL on canned fish of Rs. 102 will be reduced by Rs. 52 to Rs. 50 per kg providing a huge relief to the consumers. The revenue loss from this measure will be Rs. 1,057 million. This measure, coupled with the recent reduction of fuel prices, should reduce the market price of a canned fish by at least Rs. 60 per kg.

In this context, I should emphasize that if there are entrepreneurs who wish to commence domestic production of canned fish with a real and genuine value addition, the government is always happy to help them as we strongly believe that the country needs a strong effort to better use the fish, which is an important ocean resource. There have been many canned fish manufacturers who have been requesting protection through tax. If they come to a more integrated system where an enhanced output is prevalent, the government is more than ready to provide any additional assistance.

Once again I wish to reiterate that consumption of canned fish mainly relates to low income families primarily residing in outstations. The reduced prices will provide them the opportunity to consume fish as an additional nutrition.

9. **Coriander:** The current SCL on Coriander neither crushed nor ground is Rs. 46, which will be reduced by Rs. 20 to Rs. 26 per kg. The SCL on Coriander crushed or ground has been reduced by Rs. 150 to Rs. 52 per Kg from Rs. 202 per kg. The total revenue loss will be Rs. 635 million due to this measure.

Kotthamalli had been the indigenous panacea for all illnesses from our childhood. It is unfortunate that even Kotthamalli had not been spared by the previous regime.

10. **Black Gram:** This is again an important consumer item, particularly to our Tamil people who prepare delicious meals from it. The current SCL of Rs. 110 per kg will be reduced to Rs. 60, a decline of Rs. 50 per kg.

The SCL on Black Gram flour will also be reduced to Rs. 200 with a decline of Rs. 100 from Rs. 300 per kg. Again, I urge merchants to provide the full benefit of this decline to the respective consumers.

11. **Maldiv Fish:** The current SCL on Maldiv fish is Rs. 302 per Kg. This will be reduced by Rs. 200 to Rs. 102 per Kg.

We have observed that this is an item with prices which are insensitive to the reduction of taxes. But, I strongly request the people who are engaged in the trading of Maldivian Fish that this benefit should be passed on to the public totally.

From time immemorial, Maldivian fish had been a basic ingredient in the culinary process of the Sri Lankan housewife. As a much sought after culinary delight I am sure that reduced price will be positively felt by a majority of Sri Lankans.

12. **Turmeric:** The current SCL on Turmeric, not crushed, is Rs. 202 per kg. We have decided to reduce it by Rs. 100 per Kg to Rs. 102 per Kg, which will result an annual revenue loss of Rs. 426 million.

Also, the SCL on the crushed Turmeric will be reduced by Rs. 150 to Rs. 360 per Kg. There will be no revenue implication due to this measure as there are no imports of the same.

13. **Chillies:** The SCL on crushed Chillies is Rs. 150 per Kg. at present. It will be reduced by Rs. 25 to Rs. 125 per Kg. However, we will not change the SCL of Rs. 25 on Chillies, not crushed, in order to encourage domestic production. This will result in a marginal decline of the revenue per annum.

We have ensured that the Chillie farmer is not left in the lurch by ambitious price reductions.

7.68 The total impact of the above proposals will be a reduction of government revenue considerably in 2015. The Consumer Affairs Authority will be entrusted to monitor to ensure that the full benefit of these tax reductions is passed on to consumers. The Cost of Living Committee that has been created will be monitoring such benefit accruing to the consumer on a weekly basis.

7.69 Honorable Speaker and Honorable Members of Parliament, we have delivered more than we promised, our commitment was to bring down the prices of ten food items but we have done better. And the count stands at thirteen.

7.70 I hope relief provided through these measures will amply compensate the period of hardships the people of our motherland had gone through showing resilience and patience.

Special Relief for People who had Pawned Jewelry

7.71 Sri Lankans are resilient and the main pillar of this resilience could be termed as the mother of a family who carries the burden without any complaints. The first item which

is pawned to a bank at the first call of economic deprivation is the few pieces of family jewelry received from her parents by the wife. Our government understands the misery of the people who had gone through numerous hardships in facing up to the rising cost of living.

7.72 The interest payments on pawned jewelry to a value not exceeding Rs. 200,000 held at state banks will be waived as a special relief to the ladies who at waged a war of attrition with the rising cost of living during the last decade.

7.73 It should be mentioned that during the presidential election we saw innocent family members receiving jewelry which was forfeited from them during the ethnic conflict. However, we learned that 4 containers were handed over to government by General Fonseka and the members of the valiant armed forces. We would like to question where the balance three and a half containers of gold is located whereas a half a container of gold had surfaced through government channels.

Reduction of LP Gas Prices

7.74 I propose the gas prices be reduced by Rs. 300 per 12.5 kg cylinder to Rs. 1,596 per 12.5 kg cylinder from the mid night today as a measure to reduce the cost of living of the people.

7.75 We are left to wonder why the benefit of the sharp decrease in global gas prices could not be passed on to the people of Sri Lanka. May be it will be another story of misdeeds and corruption that will be headlined within the near future.

08. Revenue Proposals

8.1 Honorable Speaker, as you are aware, we have proposed significant measures to reduce the burden of cost of living with changes in both the expenditure and revenue side of the budget. At the same time, we need to implement these proposals with least impact on the government budget.

8.2 The most appropriate way to do that would be to find the required additional funds by enhancing the government revenue. In doing so, we have selected a different path in line with our policy.

8.3 We would be imposing taxes, mainly on very high income earning people and companies who have gathered a significant amount of wealth in the recent past with the undue patronage of the previous regime. At the same time, we will not be imposing any undue

tax on the innocent people in the country as we are aware of the difficulties faced by them.

- 8.4 The measures proposed are just like good governance, which will be people friendly with no undue taxes burdening the people. Further, the borrowings have been reduced by narrowing the gap considerably which was inherited from the previous regime to ensure that future generations will not be unduly burdened.
- 8.5 A Maithree Palanaya devoid of hatred, jealousy and petty differences will have the blessings of all and sundry to ensure that the goodness of good governance will cascade through all sectors of the society at all times.
- 8.6 Followings are the new proposals that we have made in this Hundred Day Revolution.

Tax Revenue Proposals

Mansion Tax

- 8.7 Over the years, the country has done away with the taxes on capital gains related to the sale of houses and real estate. However, in the current scenario, there is a need to re-introduce a similar mechanism to collect due revenue to the government arising from the high end luxury house owning segment in Sri Lanka. A tax termed as Mansion Tax of Rs. 1 million will be levied on owners of all houses valued at Rs. 100 million or more or on houses above 5000 square feet whichever is higher on an annual basis. The relevant tax would be collected on an annual basis commencing 2015 through the local authorities. This will be in addition to local authority rates and taxes.

Migrating Tax

- 8.8 Sri Lankans migrating to foreign countries convert to valuable foreign exchange their wealth derived in Sri Lanka. Our government invites all Sri Lankans to serve the nation to the best of their ability instead of leaving Sri Lanka. However, if they so desire to permanently leave Sri Lanka I propose a tax of 20% on all such foreign exchange released to be taken out of the country by them at the point of immigration.

Dual Citizenship

- 8.9 Dual citizenship option to be provided to all with a Sri Lankan origin and upon due evaluation to be granted the dual citizenship preceding the payment of Rs. 500,000 per individual request.

8.10 Further, provision will be made for foreigners seeking resident status in Sri Lanka who are in a position to invest US\$ 10 million. All such resident status in Sri Lanka will be subjected to the approval of Defence Ministry, which will be renewed every 5 years. The visa fee will be Rs. 2.5 million for such persons.

Super Gain Tax

8.11 Honorable Speaker, we have observed that there are very few companies/businesses in Sri Lanka which have earned super normal profits during the last several years with the undue patronage of the previous regime at the expense of the development of many other companies/businesses in the country.

8.12 This is not a tolerable situation by any means. As a responsible government, we have a duty to provide justice to the society through a proper mechanism.

8.13 In this context, I would like to propose a Super Gain Tax, which will be a one off payment. Accordingly, any company or individual who has earned profits over Rs. 2,000 million in the tax year 2013/2014 will be liable to pay 25% of their profit. This will help reverse the ill gotten gains of these companies back to the general public. The expected revenue from this will be Rs. 50,000 million in 2015.

Raising the Exempted Amount in PAYE

8.14 Under the present tax regime, the first Rs. 600,000 from the employment income is exempted from the Pay-As-You-Earn (PAYE) tax. In order to provide a further relief to the PAYE taxpayers, this amount is proposed to increase to Rs. 750,000 with effect from 01 April 2015.

Income Tax Concessions for Lagging Regions

8.15 The undeveloped regions in the country desperately need enhanced investments to create employment opportunities and reduce regional poverty. Hence, there is a need to encourage investors who are willing to invest in the lagging regions, which will be named by the Commissioner General of Inland Revenue.

8.16 Accordingly, the profits earned under these projects will be taxed at a 50% of the normal income tax rate.

Revision of Vehicle Taxes

8.17 In order to encourage low income families to purchase a motor car to improve their living standards, I propose to reduce the taxes applicable on the motor cars with engine capacity less than 1,000 cc by around 15%.

- 8.18 The present tax structure on motor vehicles has created an unhealthy disparity between hybrid and normal motor cars. In order to rectify this anomaly, I propose to revise the excise taxes applicable on hybrid vehicles. These changes will be implemented from mid night today.
- 8.19 The present practice of depreciating the value of vehicles at the point of import has created many mal-practices, including under valuation of vehicles and changing the date of registration. This has led to a significant amount of revenue loss to the government. As a solution for this, I propose to remove the depreciation Table with effect from mid night today.

Construction Industry

- 8.20 Today, the progress of the construction industry has hindered due to the high cost in the inputs such as cement, steel and sand. In order to address this issue, I propose to remove the customs duty applicable on cement and steel billets. Further, we would take every step to ensure that sand, which is another key input in the construction industry, is mined without harming our environment.

Recovery of Lost Tax Revenue from Domestic Motor Vehicle Manufacturers

- 8.21 It is observed that some of the companies who are engaged in the assembly of motor vehicles in the country have not paid the due taxes in full to the government citing various reasons.
- 8.22 A need has arisen to review the value addition that these companies have made within the country in the manufacturing process and also to review the amount of excise duty that they have paid during the same period of time.
- 8.23 If it is found that the declared value addition has not been done by these companies, the due taxes will be charged from the companies.
- 8.24 A comprehensive Audit and verification process to be carried out to ascertain the veracity of details provided to the approving authorities by companies in the assembly of motor vehicles in the past few years. A high level committee to be appointed for this purpose consisting of the Commissioner General of Motor Traffic, Director General of the Department of Commerce, Auditor General, Attorney General and a member from the Auditing sector.

Encouraging Domestic Production of Motor Cycles and Three Wheelers

8.25 The taxes of imported spare parts will be fully removed for those who are engaged in the manufacturing/assembling of motor cycles and three wheelers to encourage domestic production/ local value addition.

Increasing the Age Limit on the Importation of Passenger Buses

8.26 The existing 5 year age limit for the importation of Passenger buses will be extended to 10 years. This extension has been granted to provide an adequate fleet of buses, particularly for the Tourism industry.

Sri Lanka Customs

8.27 In an endeavor to improve the service offered to the people of Sri Lanka, the Sri Lanka Customs will extend their services on a round the clock basis. I wish to thank the officials of the Sri Lanka Customs who had contributed immensely towards the betterment of the country through a dedicated service. Special thanks for the forthright manner in which Customs officials had stood up against political intimidation and undue political influence during the rule of the past regime.

Customs Scanning Equipment

8.28 In the recent past, high slippage of ethanol, drugs and other high valued items had prevailed. Hence, it has been decided that sophisticated scanning mechanisms will be placed at all entry points of Sri Lanka Customs. The scanning of containers will be mandatory. It should be implemented by 1st September 2015 and it is envisaged an additional income of around Rs. 50 billion from this measure.

Customs Valuation Review Panel

8.29 In an endeavor to facilitate the settlement of disputes arising with regard to valuations at the Sri Lanka Customs, a Valuation Review Panel will be appointed consisting of two representatives nominated by Sri Lanka Customs, two representatives from the Auditor General's Department, one member each from the accounting profession, the legal profession and a member nominated by the Chamber of Commerce. The mechanism will be duly informed.

Extended Facilities to the Business Community at BOI

8.30 A business facilitation networking unit consisting of the following governmental institutions to be created to provide a better service to the business community. Department of Inland Revenue, Board of Investment, Department of Commerce,

Import and Export Controller, Registrar of Motor Vehicles, Registrar of Companies and Ministry of Finance. This networking process, which will work as a one stop shop, will help an entrepreneur to seek relevant approvals within a period of 100 days from the date of submission of proposal.

- 8.31 Sri Lanka has not been able to capitalize on the post-conflict surge in confidence amongst private investors both locally and abroad. As a result, private investment as a proportion of GDP has stagnated at around 20%. This is due to the government borrowing significantly in the local banking system and in local and international capital markets. These over-borrowings of the government have resulted in the private sector being crowded out.
- 8.32 This situation can be reversed very quickly. The thrust of economic development under the new government of Honorable Maithripala Sirisena will shift from focusing on over-reliance on public sector funded infrastructure projects towards stimulating domestic consumption and promoting public-private investment.
- 8.33 Among the initiatives envisaged include commencing immediate construction of export processing zones on a large scale under the Board of Investment of Sri Lanka (BOI). Not a single such zone has been built in the last 10 years. However, the experience of the BOI shows that whenever a zone is built immediately it attracts local and foreign investors. We will also take every measure to make use of the underutilized capacity in the existing zones.

Special Levy on the Casino Industry

- 8.34 A Rs. 1,000 million levy will be imposed immediately on all the Casino operators, who will have to be paid before 15 April 2015 as a one off special levy.

Betting and Gaming Levy

- 8.35 The annual levy payable under the Betting and Gaming Levy Act will be doubled.

Imposing an Annual Levy on Liquor and Beer Manufacturers

- 8.36 There has been a lot of misuse and manipulation of liquor licences where the country has been deprived of due revenue.
- 8.37 Therefore it has been decided to reformulate the licensing through a tendering process. Under this system, no one person can possess more than 3 licenses. In the process of tendering a fool proof system will be adopted.
- 8.38 Until such time the proposed scheme is implemented, the licensing fee will be doubled.

- 8.39 All liquor manufacturing and beer manufacturing companies will be liable to pay a minimum of Rs. 200 million per month. This provision has been made in order to discourage the smalltime operators and rationalize the number of manufacturers.
- 8.40 Action will be taken in the future to issue liquor licenses in a transparent manner following an open tender procedure commencing 2016.

Imposing a Special Levy on Bars and Taverns

- 8.41 A special levy of Rs. 250,000 will be imposed per tavern or liquor sales outlet, which will be a one off payment.

Proposal to Formalize the Beedi Industry

- 8.42 The high taxes on cigarettes have shifted the consumption towards low priced products which are produced in an informal manner that could be more harmful to health. Hence, steps will be initiated to formalize the Beedi industry. The issues of concern would be the numbers employed in the industry and the ability to continue the operation by relevant Beedi manufacturers.

Reducing the Registration Fee of Marriage

- 8.43 The registration fee for marriage, which was arbitrarily increased to Rs. 5,000 will be reduced to Rs. 1,000.

Rationalization of Taxes

- 8.44 Sri Lankan taxpayers are confronted by an array of different taxes. We aim to simplify the tax system over the next year which will help to have an effective tax administration while facilitating the taxpayer community in the country. The present 38 taxes and levies will be reduced to 20 and our intention is to get this implemented as soon as possible.

Non Tax Revenue Proposals

Levy on Licensed Mobile Telephone Operators

- 8.45 A one off levy of Rs. 250 million will be imposed on all licensed mobile telephone operators in Sri Lanka.

Levy on Direct-to-Home Services via Satellite

- 8.46 There are commercial operations of the Direct-to-Home via satellite operators having more than 50,000 subscribers in Sri Lanka. They had been in business in Sri Lanka for many years without making payments and thereby depriving government revenue. In

order to recoup this lost revenue, I propose to impose a one off levy of Rs. 1,000 million on such companies.

Levy on Utilization Satellite Location

8.47 Satellite owners who utilize the location reserved for Sri Lankan satellite will be imposed with a special levy of Rs. 1 billion on a one off basis.

Dedicated Sports Channels

8.48 Similarly, there are dedicated sports channels which have deprived government revenue. Accordingly, I propose to charge a levy of Rs. 1,000 million on dedicated sports channels operating island-wide using more than 5 transmitting locations.

Mobile Phones Reload Charges

8.49 A lot had been said about the number of Mobile phone usage in Sri Lanka which is supposed to be ever enhancing. We also know that the mobile phone had become a day to day necessity in an ever changing world. To provide relief to the people of Sri Lanka, especially the younger generation, the mobile facility operators to desist from passing the tax of 25% payable on reloads to the government from the consumer. The company has to bear this cost on behalf of the client. The mobile facility providers' assistance at this hour need for the liable consumers to bring down their day to day expenses would be appreciated by our government.

Profits, Dividends & Levies on State Owned Institutions

8.50 Public institutions are supposed to contribute to the Consolidated Fund of the government by way of dividend, profits or special levies. However, we observe that institutions like Telecommunications Regulatory Commission (TRC), National Lotteries Board (NLB), LITRO Gas Company, Sri Lanka Tea Board, Rakna Arakshaka Lanka Limited (RALL) etc. were in possession of huge amount of funds, which have not been properly transferred to the Treasury. Hence, I propose to collect Rs. 25,000 million from these public institutions as non tax revenues in 2015.

Sale of Dilapidated Vehicles in Government Institutions

8.51 It is widely accepted that there are a significant number of vehicles that are lying in various government institutions. These are being dilapidated day by day without any usage. We believe that this is a waste of government resources. Hence, it is proposed to recall all the abandoned vehicles, and sell and dispose them at public auctions. This will generate estimated revenue of Rs. 1,000 million in 2015.

- 8.52 Honorable Speaker, the Members of Parliament, haven't we seen many vehicles at various public institutions been wasted mostly parked open to the elements without been utilized for a viable purpose. All such vehicles relate to public money and we would ensure that the national assets are not left to be wasted.
- 8.53 We would look forward to similar options for the plethora of luxury vehicles allocated to the Presidential Secretariat and selected institutions, to generate more funds for the benefit of the people.
- 8.54 Our holistic principles of good governance coupled with prudent fiscal management will ensure that no new vehicles will be imported for the official use of neither Politicians nor Public Officials during 2015.

Import License for Motor Vehicle Importers

- 8.55 At present, there are many deficiencies in regulations pertaining to vehicle importation and trading industry. In particular, there are a number of importers who do not follow the regulations of the relevant authorities and try to avoid formal channels or to make various manipulations wherever possible. This situation has resulted in a significant revenue loss to the government.
- 8.56 As a measure of addressing this issue and encouraging people who are engaged in genuine vehicle business, I propose to introduce an annual license fee of Rs. 1.5 million irrespective of the fact whether importers are engaged in importing brand new or used vehicles.
- 8.57 The present practice of anybody and everybody resorting to be importers will cease with the Motor Vehicle Importers Association invited to provide a listing of registered vehicle importers to facilitate the proposed licensing process.

Non Manipulation Certificates for Outgoing Containers

- 8.58 Sri Lanka Customs will implement a scheme to issue non manipulation certificates for outgoing cargo which will enhance the port activities. This certificate will be issued charging US\$ 10 per container.

09. Other Proposals

National Kidney Fund

- 9.1 Honorable President Maithripala Sirisena announced during his election campaign that the funds which will be utilized for campaign propaganda should be credited to a National Kidney Fund. I call upon the generous Sri Lankans who are concerned about

the sufferings of the kidney patients to contribute to this fund. These donations will be free from taxes.

Special Facilities for Disabled Soldiers

- 9.2 A special loan scheme named as “*Viru Dirija*” will be introduced to disabled soldiers up to a maximum of Rs. 500,000 considering the invaluable service rendered by them to the nation. The scheme will be implemented by state banks.

Support for Differently Abled Persons

- 9.3 As the government has identified the importance of giving due recognition to the differently abled persons, measures will be taken to minimize their unwanted dependency through empowering and enabling them to become equal partners in national development.

Absorbing Outsourced Employees at CEB, Water Board and Sri Lanka Telecom

- 9.4 The union representatives of the above institutions have brought to our notice that some of the outsourced workers have been working for more than 15 years without being absorbed to the regular cadre. To address the repeated representations made by the unions, I propose that the outsourced workers who have been working in these institutions for more than 7 years be absorbed to the regular work force.

Sarasavi Mahapola Scholarship Enhancement

- 9.5 The Mahapola Scholarship Scheme initiated by my Guru and Mentor the Late Honorable Lailth Athulathmudali 34 years ago, has become a boon to the university student population of Sri Lanka.
- 9.6 I propose to increase the Mahapola Scholarship grant to Rs 5,000 per month with effect from July 2015 so that many more students will move through portals of university education in Sri Lanka. This increase will be implemented in consultation with the Mahapola Trust Fund.

Allowance to Pre-School Teachers

- 9.7 A monthly allowance of Rs. 250 will be provided to pre-school teachers from June 2015. This allowance scheme named “*Lama Dirija*” will be applicable to preschools which are registered with the Ministry of Children’s Affairs.

Allowance to Dhamma School Teachers

- 9.8 An allowance of Rs. 200 will be provided to Dhamma School Teachers from June 2015 under a novel scheme named as “*Dabam Diriyā*”. To be eligible for this allowance, the Dhamma School should be registered with the relevant Religious Ministry.

Pension Scheme for Self Employees

- 9.9 A pension scheme will be introduced for the benefit of farmers, fishermen, three wheeler operators, masons, private security guards, estate workers, pavement hawkers, carpenters etc. from July 2015. This scheme will operate with the assistance on an equated basis conducted through banking and insurance institutions.
- 9.10 Sri Lanka has an ageing population and the previous rulers for more than a decade had not addressed the issues prevalent adequately. Our government will come out with a just solution ensuring that the employees who do not have guaranteed pensions will be granted the option to be part of a pension scheme.

Consolidating Sri Lankan Airlines and Mihin Lanka

- 9.11 The Sri Lankan Airlines has made huge losses in the last several years. The total loss during the last 5 years alone amounts to over Rs. 100 billion. The losses relate mainly to management inefficiencies in the previous regime. If we did not incur losses of this magnitude, we could have purchased a number of new aircrafts to Sri Lankan Airlines.
- 9.12 Mihin Lanka also is another loss making entity. During the last 5 years, it has incurred a cumulative loss of Rs. 15 billion. All these are losses that the people in this country will have to bear and outstanding advances to be repaid.
- 9.13 As an interim solution to this huge loss making scenario, it is proposed to consolidate these two airlines. This will enable the efficient use of resources to improve the operational efficiency and reduce losses gradually.

Enhancing Access to Banking in Every Corner

- 9.14 It is obvious that the access to banking is not at a satisfactory level in many areas. In contrast, we have seen that there are many urban areas where the branches of almost all the commercial banks are operating.
- 9.15 We strongly believe that this has to be rationalized and changed. Hence, commercial banks are directed to open their branches in remote areas. At the same time, banks are also directed to open accounts to the new customers without making any initial charge.

9.16 All efforts will be made to initiate bank accounts for all citizens and all grants and allowances that may devolve on them to be remitted through the Banking system in the near future.

9.17 I request the banks to simplify their rules and regulations, particularly in lending operations, to facilitate borrowers. The new simplified systems should be implemented from September 2015.

Increasing the Inbound Foreign Exchange Allowance

9.18 In order to provide more convenience, I propose to increase the maximum limit of foreign exchange that could be brought in to or remitted to the country to US\$ 25,000.

Foreign Employment Bureau Charges

9.19 Owing to the immense service rendered by the Si Lankan migrant workers, I propose to reduce the Foreign Employment Bureau charges to Rs. 5,000 per worker with effect from 1st May 2015.

Promoting the Commercialization of Intellectual Property

9.20 In the modern day economic development, innovations as well as scientific and technological progress are essential elements irrespective of the country. Inventions have changed and improved the quality of life dramatically and the process of innovating continues.

9.21 In Sri Lanka also, there are many new inventors that have made amazing inventions. They have also been able to get patent rights to their inventions. However, the level of commercialization of such inventions by no means is satisfactory. Hence, specific encouragement will be provided to the inventors to commercialize their inventions. An allocation of Rs. 100 million will be made to implement this proposal.

Issuing a Travel Card to Senior Citizens who Travel by Public Transport

9.22 The provision of enhanced facilities to the senior citizens of the country remains an uncompromising responsibility of every one of us. In line with this, the Lanka Private Bus Owners Association (LPBOA) has agreed to issue a special card to senior citizens who travel by bus and will charge 50% of the total bus fare from them. I take this opportunity to extend my gratitude to the LPBOA for extending their support to an important proposal of this nature.

Insurance Scheme for Fishermen

9.23 As committed within the “Hundred Day Revolution”, a novel insurance scheme will be introduced for the benefit of Seafaring Fishermen with the assistance of the Finance Ministry. The scheme to be conducted through the Fisheries Ministry. A life insurance cover of Rs. 1 million per fisherman will be provided under this scheme.

Providing an increased Interest Rate to NRFC Account Holders

9.24 There are savings by Sri Lankan migrant workers in NRFC accounts at commercial banks which earn relatively low interest rate of below 3% per annum. In the meantime, Sri Lanka has obtained foreign loans by issuing sovereign bonds at about 5.5%. In order to provide an attractive interest rate for the hard earned money of migrant workers, I request to grant an interest rate of about 5% on NRFC accounts.

9.25 NRFC accounts relate to the incomes of people who had been employed mostly away from their loved ones over long periods of time. The contribution made towards the betterment of the national economy by them is immeasurable.

Issuing Nation Development Bonds to Sri Lankan Expatriates

9.26 Sri Lanka has about 2 million migrants of Sri Lankan origin domiciled abroad out of which a significant number are residing in advanced-developed countries with relatively higher earnings. Though they make savings, such savings attach only a relatively lower rate of interest of less than 1% prevailing in those countries.

9.27 In this context, the government wishes to request this Sri Lankan Expatriates to be a part of its development efforts, particularly such people originating from the Northern Province. For this purpose, I propose to issue a special government bond called “Nation Development Bonds (NDB)” which will carry a fixed interest rate of 4.5% with a minimum investment of US\$ 25,000 and a maturity period of 5 years.

9.28 The interest income from the investment in these bonds will be exempted from the income taxes. Commercial banks are requested to actively participate in the promotion of these bonds.

9.29 The introduction of NDB will enable the investors to earn a higher interest rate while promoting efforts for national reconciliation and development. Such a scheme will also help to strengthen the country’s external resources as well.

Imposing a Cap on the Interest Rates on Lending through Credit Cards

- 9.30 We have received many complains on the fact that commercial banks are charging extremely high interest rates on their credit card lending. This has created an unfavorable environment to the customers as well as the development of the credit card industry also had been hampered due to this negative factor.
- 9.31 Hence, I request the to impose an interest rate cap on credit card lending, subject to a maximum of 8% over and above the normal lending rates.
- 9.32 Whether the commercial banks are adhering to the laid down conditions, will be supervised by the Department of Bank Supervision of the Central Bank. Any violations in this regard would be considered critically and remedial actions will be taken accordingly.
- 9.33 It is unfortunate that no concrete efforts had been made to regularize the interest rates on credit cards which had become an instrument for the common man to keep the home fires burning.
- 9.34 A word of caution especially for the younger generation to use your credit cards wisely at all times.

Imposing a Cap on the Interest Rates on Micro Finance Lending

- 9.35 The micro finance sector plays an important role in the economy. It is observed that there are over 10,000 Micro Finance Institutions (MFIs) in the country and has achieved a significant outreach to a large number of population of the country.
- 9.36 We have identified the importance of promoting financing facilities in the micro finance sector to enhance income generation opportunities and improve living standards of the people in the country.
- 9.37 However, there are significant fluctuations in the interest rates charged by the MFIs. This has hampered the development of this sector in one hand and restrained the entrepreneurial outlook which otherwise would have been positive in bringing the poorest segments in the society out of the poverty trap.
- 9.38 All micro finance lenders preach financial inclusiveness and now they could make a bigger impact by providing funds at a better rate of interest to upgrade their clientele.
- 9.39 The micro finance industry lending rate, to be limited to a maximum of an effective rate of 40% per annum.

Special endeavor to assist SME sector organization to resuscitate and rehabilitate their industries

9.40 An innovative program with the assistance of the Finance Ministry in tandem with the banking sector will be introduced to provide assistance to SME sector industrialists who had fallen into a debt trap thus granting them an opportunity to restructure potential entities.

Assistance to SME sector industrialists and Credit card holders in difficulties listed under the Credit Information Bureau (CRIB)

9.41 People who are having outstanding of Rs. 250,000 or less will be assisted with a repayment plan within 6 months. The implementation process will be communicated to commercial banks.

Failed Non Banking Financial Institutions with Deposit Liabilities

9.42 All efforts will be exercised to provide relief to depositors of defunct NBFIs through the intervention of the Central Bank and Finance Ministry. Discussions with depositor representatives, directors who were responsible for plight of the deposit holders, will commence on a priority basis to originate just solutions. The process will be supervised by the Central Bank.

Restricting Newspaper Advertisements by Government Institutions

9.43 The publication of newspapers advertisements by government institutions based on political rhetoric seems to be excessive in many instances. It appears that many advertisements so publicized with a political background are only creating a burden to the government expenditure.

9.44 Hence, I propose that all Ministries and departments should immediately stop the publication of political advertisements in news papers, except in specific situations where they can publish with the approval of the Secretary to the relevant line Ministry.

9.45 I also propose that all the Chairmen and Boards of Directors of the public institutions not only should refrain from publishing such newspaper advertisements with political rhetoric but also they will be held personally responsible for any cost on unauthorized advertisements, which will have to be borne by them in the event they had approved same.

9.46 The restriction of politician based pictures and material appearing in Calendars, diaries etc also will be applicable in the future pertaining to such material printed and published by Public institutions.

Pharmaceutical Sector

9.47 Considering the huge potential and the enormous amount of foreign exchange drained out of the country to import pharmaceutical products, we encourage foreign and local pharmaceutical manufacturers to invest in this sector. In order to ensure a stable market for their products, a buy back scheme will be introduced.

Incentives for Intercropping Activities

9.48 In order to maximize the available land of the country, I propose to introduce tax incentives for entrepreneurs in the agriculture sector who are engaged in intercropping activities. The profit generating from these activities will be provided with a 50% reduction on their due income tax.

Vegetable and Food Processing Industry

9.49 It is observed that a significant amount of local vegetable and fruit produced is wasted. In order to encourage vegetable and food processing industry in the country, I propose to provide 50% tax reduction for the entrepreneurs who commence businesses in this sector.

Encouraging Local Construction Companies to Expand Globally

9.50 It is observed that the local construction companies have developed their capacity and skills. In this context, there is a need to encourage local construction companies to expand their activities in overseas. Accordingly, I propose that the profits earned from such activities will be exempted from income tax.

9.51 I also propose that foreign contractors who are engaged in construction activities in Sri Lanka will have to tie up with local partners. This will help to bring in new technology to the country while creating employment opportunities to local people.

Review of Contracts Awarded during the Last 6 Months Period

9.52 Actions will be initiated to review contracts awarded in relation to the major capital projects to evaluate whether the costs of those projects are reasonable and also as to whether appropriate procedures have been adopted in granting such contracts.

9.53 Most of the past projects were carried out through unsolicited proposals without adopting a proper evaluation mechanism. We will however, set up a committee under the Ministry of Economic Affairs to evaluate the future proposals to ensure appropriate evaluation in transparent manner.

Withdrawing EPF Balances for Land Purchases or Building Houses

9.54 There was a long standing request from the trade unions and the employees that 30% of their EPF balances would be withdrawn to purchase land or build houses. I propose to accommodate this to fulfill the employees' request.

Wastage and Corrupt Practices

9.55 Our government is much concerned and focused on the elimination of wastage and corrupt practices. The wanton expenditure of public funds during the misrule of the previous government provides us with lessons on how not to mismanage funds. We would take every effort to eliminate corruption. Followings are some of the examples of corruption and wastage.

National Lotteries Board funds Diverted for Political Purposes

Information received highlight the issue that approximately Rupees Two hundred seventy million had been utilized for political purposes from National Lotteries Board Funds. It is very unfortunate that such erratic disbursements had happened. The most pathetic situation is that the Development Lotteries Board had struggled even to allocate funding for "Mahapola" beneficiaries, whilst the Health Ministry facing a similar plight with regard to a mounting waiting list for heart surgery patients.

National Savings Bank Share Dealings

It is a well known fact that an insider share dealing of a major magnitude was about to happen when alert Finance Ministry officials and alert officials of the NSB managed to stop the alleged scam. Our government will ensure that the perpetrators of this unholy share deal also will be brought to face the judicial process.

Northern Highway Cost Overrun

A re-evaluation of the estimates provided for the Northern highway project highlights the cost overrun of Rs. 50 billion based on the information we have reviewed.

Purchase of MI 17 Helicopters

We have been reliably informed that a cost of US\$ 450 million expended could have been negotiated for a sum of US\$ 200 million resulting in a loss of US\$ 250 million (Rs. 33 billion).

Investments in Non-Strategic investment areas – Seychelles, A Tax Haven

An official audit and investigation process will be initiated to inquire into the non-strategic investments at Seychelles. Seychelles is a country reputed worldwide as a tax haven has a handful of Sri Lankans living there as expatriates. Another issue of concern is to rationalize the reason for an international Branch of a state Bank to be established at Seychelles. Our government will ensure a critical analysis and an in depth evaluation pertaining to the viability of such an operation.

Commonwealth Games Bid

The past regime had provided us with some of the best examples of how wastage of funds that could affect an economy of a country adversely. The expenditure incurred in the presentation of the Commonwealth Games bid relates to a sum of over Rs. 760 million of people's money. It is also disheartening to note that some public officials had been directly involved in the process of promoting this exercise.

Sri Lankan Air Lines and VIP Kits

Sri Lanka has an unreasonable gap between the rich and the poor and very little effort had been made to bridge the gap. The recent Air Bus purchases made by the loss making national Air Line brings out another wanton exercise of utter waste where a VIP kit had been attached valued at US\$ 15 million (equivalent to a Rs. 1.95 billion) offered free of charge. Whereas a question could be asked as to why the cost had not been renegotiated without including luxury equipment or is it another episode under the mega deal category. Our government will be alert and focused to ensure wastages of this nature will not recur.

The summary of the Proposed Revenue and Expenditure Measures in this Statement is given in Tables I and II while the total gross borrowing limit for the 2015 Appropriation Bill and the Summary of the Revised Budget 2015 are given in Tables III and IV, respectively.

“We cannot make the poor, rich within a short time. But we can build a society devoid of poverty within a short span of time.”

10. Conclusion

Preparation of a budget related document needs a cohesive effort consisting of a reasonable time frame and necessary information. A twenty day exercise to generate a comprehensive document of this nature and the final product signifies the collective efforts of the officials of my Ministry who rallied together to collate the necessary data and required information.

In light of the limited time frame the officials had to struggle to ensure this statement is ready for presentation today as per the original plan within the “One Hundred Day Revolution”. I wish to inform the members of this August body that any shortcoming that may be prevalent herein to be excused due to the exigencies that the officials had to face. Honorable Speaker, I wish to place on record my appreciation and grateful thanks to the Secretary to the Treasury and his officials, who had to burn mid night oil in no uncertain terms to present this Statement today.

I also wish to thank the Hon. Speaker, His Excellency the President, Hon. Prime Minister, Hon. Leader of the Opposition, Hon. Members of the Parliament for been present today and I am sure that the people of Sri Lanka will be the happiest based on the benefits granted.

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May god bless our motherland with the choicest of blessings!

Table I: Summary of Revenue Measures

	Rs. Million
Revision of Special Commodity Levy (SCL)	(8,350)
Removal of Import Duty on Wheat Grain	(8,000)
Mansion Tax	1,000
Migrating Tax	100
Super Gain Tax	50,000
Revision in PAYE Threshold	(575)
Removal of Import Duty on Spare Parts of Three Wheelers and Motor Cycles	(500)
Excise Duty Revision of Motor Vehicles	7,000
Special Levy on Casino Industry	5,000
Betting and Gaming Licence Fee	400
Special Levy on Liquor and Beer Manufacturers	5,000
Special Levy on Bars and Taverns	1,000
Revision of Liquor Licence Fees	600
Revision of Import Duty on Cement and Steel	(3,000)
Levy on Licensed Mobile Operators	1,250
Levy on Direct to Home Services via Satellite	2,000
Levy on Satellite Locations Reserved for Sri Lanka	1,000
Levies/Dividends	25,000
TRC	10,000
LITRO	10,000
Sri Lanka Tea Board	2,500
Tourist Board	1,000
Registrar of Companies	1,500
Sale of Depleted Vehicles in Government Institutions	1,000
Licence Fee for Vehicle Importers	375
Total	80,300

Memo:

Loss of Revenue to Government	
Excise leakages	8,000
Local Assembly of Cars	15,000

Table II: Summary of Expenditure Measures

	Rs. Million
Increase of Public Sector Salary	89,700
Increase on Public Sector Pensions	4,900
Increase of Samurdhi Relief	8,000
Granting of 15% interest for Deposits of Senior Citizens	4,000
Allowance for Pregnant Mothers	1,000
50% Reduction of Farmers' Loans	2,500
Guaranteed Price for Tea Leaves	5,000
Guaranteed Price for Rubber	3,600
Guaranteed Price for Liquid Milk	3,000
Youth Parliament	200
Increase of Decentralized Budget (DCB)	1,125
Government Contribution to Insurance Scheme to the Fishermen	75
Relief for Pawning	7,000
Payments for Patients with Chronic Kidney Disease (CKD)	2,000
Monthly Allowance for Pre-School Teachers and Dhamma School Teachers	250
Concessions for Colombo City Dwellers	1,000
Establishment of Innovators' Commission	100
Administrative cost savings due to rationalizing of wasteful expenditures, and reduction of fuel and electricity prices	(38,000)
Total	95,450

Table III: Gross Borrowings Requirement -2015

(Provisioning for Accounting Transactions)

Item	Rs. Billion
Total Revenue Receipts and Grants	1,622
Total Payments, including Debt Repayments	3,097
Provision for Advance Account Operations	4
Risk Provision on Account of Variation in Receipts and Payments	60
Issue of bonds for the Balance Sheet restructuring for SOEs	170
Contingent liability	30
Adjustments for book/cash value of government securities	41
Total Gross Borrowings Requirement to be recorded in Government Accounts	1,780
Of which, total Debt Repayments	840

Table IV: Summary of the Budget - 2015 ¹

Rs. Billion

	2015 Budget	
	Original	Revised
Total Revenue & Grants	1,689	1,622
Total Revenue	1,654	1,592
Tax Revenue	1,416	1,337
Income Tax	322	302
Taxes on Goods & Services	774	763
Taxes on External Trade	321	272
Non-Tax Revenue	174	195
Provincial Councils Tax Sharing and Devolved Revenue	64	60
Grants	35	30
Total Expenditure	2,210	2,121
Recurrent	1,525	1,612
Salaries & Wages including Provincial Councils (PCs)	558	616
Other Goods & Services including Provincial Councils (PCs)	163	159
Interest	425	425
Subsidies & Transfers	379	412
Public Investment	696	520
Education and Health	120	121
Infrastructure	576	399
Other	(11)	(11)
Revenue Surplus(+)/Deficit (-)	129	(20)
Primary Surplus (+)/Deficit(-)	(96)	(74)
Budget Surplus (+)/deficit(-)	(521)	(499)
Total Financing	521	499
Total Foreign Financing	251	251
Foreign Borrowings-Gross	453	453
Foreign Borrowings	258	258
Foreign Commercial	195	195
Debt Repayments	(202)	(202)
Total Domestic Financing	270	248
Non-Bank Financing	160	138
Foreign Investment in T-Bills and T-Bonds	40	40
Bank Borrowings	70	70
Total Revenue and Grants/GDP (%)	14.9	14.3
Total Revenue/ GDP (%)	14.6	14.1
Tax Revenue GDP (%)	12.5	11.8
Non-Tax Revenue /GDP (%)	1.5	1.7
PCs Tax Sharing and Devolved Revenue /GDP(%)	0.6	0.5
Grants/GDP (%)	0.3	0.3
Total Expenditure /GDP (%)	19.5	18.7
Recurrent Expenditure/ GDP (%)	13.5	14.2
Non-Interest /GDP(%)	9.7	10.5
Interest/GDP(%)	3.8	3.8
Public Investment/GDP(%)	6.2	4.6
Revenue Surplus (+)/Deficit (-)/ GDP (%)	1.1	(0.2)
Primary Surplus (+)/Deficit (-)/ GDP (%)	(0.9)	(0.7)
Budget Surplus (+)/Deficit (-)/ GDP (%)	(4.6)	(4.4)

¹ Including revenue and expenditure transfers to Provincial Councils

Annex I: List of Guarantees Issued by the General Treasury up to 31.12.2014

No.	Name of Institution	Value of the Treasury Guarantees (Rs. Mn.)
1	Ceylon Electricity Board	17,985
2	Ceylon Petroleum Corporation	206,724
3	Ceylon Petroleum Storage Terminals Ltd.	4,635
4	Ceylon Shipping Corporation Ltd	10,670
5	Co-operative Wholesale Establishment	157
6	General Sir John Kotelawala Defence University	27,726
7	Lakdhanavi Ltd.	5,984
8	Lanka Coal Company (Pvt) Ltd	5,000
9	Mihin Lanka (Pvt)Ltd	371
10	Ministry of Defence and Urban Development	7,550
11	National School of Business Management Limited	8,600
12	National Water Supply & Drainage Board	14,114
13	Paddy Marketing Board	6,599
14	People's Bank Pension Trust Fund	5,000
15	Road Development Authority	157,319
16	Sri Lanka Consumer Co-operative Societies Federation Ltd.	50
17	Sri Lanka Land Reclamation & Development Corporation	2,000
18	State Development and Construction Corporation	400
19	State Trading (Co-operative Wholesale) Company Ltd.	32
20	STC General Trading Company Ltd.	460
21	Urban Development Authority	21,372
22	West Coast Power (Pvt) Ltd.	21,994
Total		524,741

Source: Department of Treasury Operations

Annex II: Foreign Borrowings by State Owned Enterprises for Infrastructure Projects/Off Balance Sheet Borrowings

Project	Institution	Amount (Rs. Mn.)
Puttalam Coal Power Project	Ceylon Electricity Board	160,195
Hambantota Port Development Project	Sri Lanka Ports Authority	122,568
Mattala International Airport Project	Airport and Aviation (Sri Lanka) Ltd.	25,909
Total		308,672

Source: Department of External Resources

Memo: Contingent liabilities would be further enhanced due to following loan agreements (Rs. Billion).

Hambantota Port Development Project Phase II	106
Digital Communication Project - Japan	20

Annex III: Summary of Interest Rates on Ongoing Foreign Funded Projects

Development Partner	Annual Interest Rate	
	Fixed	Floating
Bilateral		
Japan	0.10% – 2.2%	
China Development Bank		LIBOR 6 Months for US\$ +2.90%
India		LIBOR 6 Months for US\$ + from 0.50% to 2.0%
Kuwait	1% - 2.5%	
Korea	0.1% - 1.5%	
Germany	2.2%	
Saudi Fund	1.13% - 2.15%	
Multilateral		
Asian Development Bank (ADB)	1% - 1.5%	LIBOR 6 Months for US\$ +0.6%
World Bank - International Bank for Reconstruction & Development (IBRD) - International Development Association	0.75%	LIBOR 6 Months for US\$ +0.6%
International Fund for Agricultural Development (IFAD)	0.75%	
OPEC Fund for International Development (OFID)	4.1% - 4.6%	
Export Credit		
Import-Export Bank of China	2% - 6.5%	LIBOR 6 Months for US\$+ from 1.0% to 3.0%
Banco Bilbao Vizcaya Argentaria S.A. of Spain		EURIBOR 6 Months +2.1%
Calyon Credit Agricole CIB of France	4.95%	
Co-op Centrale Raiffeisen-Boerenleenbank of the Netherlands	4.94% - 5.0%	LIBOR 6 Months for US\$+ from 1.35% to 1.95%
Export Import Bank of Hungary	1.03%	
Fortis Bank" NV/Fortis Banque SA of Belgium	0.80%	
HSBC of United Kingdom		LIBOR 6 Months for US\$ +2.0%
Nordea Bank of Denmark		LIBOR 6 Months for US\$ +1.0%
UniCredit Bank of Austria	1.4%	
Commercial Banks		
International Sovereign Bond Issuances (To be matured)	5.13% - 6.25%	

Source: Department of External Resources