

Budget Speech - 2022

1.0 Preface

Honorable Speaker,

1.1 I present today the 76th Budget of the independent Sri Lanka. This is the second budget of the government of His Excellency the President Gotabaya Rajapaksa and my maiden budget speech as the Minister of Finance.

Honorable Speaker,

1.2 We are passing through perhaps the most painful period of human civilization. I doubt if there is anybody who is unable to comprehend this reality. Nevertheless, we must make every effort to conquer these challenging times.

Honorable Speaker,

1.3 I first come to learn the concept of *Challenging the Challenges* for the betterment of the public in my ancestral home in Madamulana. The Rajapakse's have a history of never being daunted by challenges. Mr. D.M.Rajapakse, who is known as the "the Lion of Ruhuna", who represented the second State Council in 1936 is known by the entire country. He is my father's elder brother (*loku thaththa*).

Honorable Speaker,

1.4 My father's election to the State Council in 1945 was a key political turning point for the Ruhunu Giruwaya. To date, the land and the lives of the people of Ruhuna bears evidence of Mr.D.A. Rajapaksa's futuristic and visionary patriotism.

Honorable Speaker,

1.5 The Hon. Prime Minister Mahinda Rajapakse who is today in this House, is at the center of the Rajapakse Political legacy. The decade from 2005 to 2015 was the most critical 10-year period of Independent Sri Lanka.

Honorable Speaker,

1.6 There are three main responsibilities that any elected government must fulfill in any country in the world. They are, national security, development, and social welfare. President Mahinda Rajapaksha is the only leader who fulfilled all three of these responsibilities during the same era. Such leaders are not frequently found on the world's political arena.

Honorable Speaker,

1.7 The 2015 to 2019 period marks the next chapter of our political journey. The continuous harassments we faced during this period have strengthened us. Nevertheless, these painful memories are not forgotten neither by us nor by those who fought side by side with us. It is common to take revenge from one's enemies after victory. However, we did not let anyone take revenge.

Honorable Speaker,

1.8 Unshaken and undaunted by the hateful and the violent political environment during the time of the "Government of good governance" we dared to create the Asia's largest and the most successful political movement. That is Sri Lanka Podujana Peramuna. Just 15 months after the formation of this new party we had to face our first election. That was the Local Government election held on 10th February 2018.

Honorable Speaker,

1.9 We were able to gain a landslide victory in this election having defeated strong political camps. Then it was the time of the Presidential Election. By then we had 3 incomparable political factors which were unavailable to any other political party in the country. The first is the unmatched political leadership of Hon. Mahinda Rajapaksa. The second is a well-organized Sri Lanka Podujana Peramuna. The third is that the victorious candidate who was the overwhelming choice of the people was in our political camp. That is His Excellency Gotabaya Rajapakse who is now the President of the country.

Honorable Speaker,

1.10 Amidst a myriad of internal and external challenges, His Excellency the President Gotabaya Rajapaksa marked a landslide victory in the 2019 Presidential Election. 69 lakhs voted for His Excellency Gotabaya Rajapaksa. That was a historic landmark victory with a majority of 13 lakhs of votes.

Honorable Speaker,

1.11 Subsequently after 9 months, in testament to the leadership of His Excellency Gotabaya Rajapaksa, we were able to win the 2020 Parliamentary Election with a historically large majority. The overwhelming response of our people have managed to shake our political opponents.

Honorable Speaker,

2.0 This Budget is presented at a time when the world is grappling with 5 major issues.

2.1. **The first** of which is that more than ever, the social and economic disparities have increased. Or else the rich individuals and companies continue to be richer while the poor is becoming poorer.

2.2. **The second is the** slow progress of achieving the sustainable goals. This will be even more difficult for developing countries, such as us.

2.3. Increased **environmental** catastrophes owing to increased global temperature is **the third** issue. Presently most countries, both developed and developing, are faced with various natural disasters.

2.4. The **fourth issue** is that assistance from bi-lateral and multi-lateral institutions are severely limited as was never before in the history. This is mainly due to the developed countries also being beset with a number of internal issues that they have given priority to resolve.

2.5. The **fifth issue** is the challenge of adapting to the “new normal” that has emerged post the Corona pandemic. We are faced with the challenges that

arises simultaneously from lockdowns, work from home, price increases, and disruption to global production networks.

Honorable Speaker,

2.6 These conditions have had a varying impact on each country. The impact is worse on countries with trade focused economies, such as ours, compared to those economies dominated by the manufacturing sector.

Honorable Speaker,

2.7 The opportunity to provide such services both domestically and externally has been curtailed resulting in a loss of income. As a result, the loss of revenue to the country and the Treasury has been unlike any other year before. The loss to the Treasury according to our estimates is over Rs. 500 billion.

Honorable Speaker,

2.8 We are living through the history's most challenging period in terms of people's lives, livelihoods, sources of income, and job security.

Honorable Speaker,

2.9 I **strongly believe** that, even amidst these challenges, we are equipped with all the necessary strengths to manage the economy and to overcome such challenges.

3.0 Our Strengths

Honorable Speaker,

I take this an opportunity to enlighten this House about our strengths, briefly.

3.1 Bold leadership and political stability

Our country, has the highest democratic political stability in the region. We have an Executive President elected by the people. Our President embodies simplicity, and is a leader, who is honest, makes firm decisions, and is dedicated to the eradication of corruption, fraud, and waste. He is a great

strength to our way forward. At the same time, we have a two-thirds majority in the Parliament.

Honorable Speaker,

This Parliament is led by Asia's most mature political leader, Hon. Prime Minister Mahinda Rajapaksa. He is a leader who has rendered an extraordinary service to this nation.

Honorable Speaker,

In addition, our country has an independent judiciary and a disciplined public service. We are proud today, than ever before of both the judiciary and the public service.

3.2 Infrastructure at Global Standards

Honorable Speaker,

Our infrastructure facilities are of high standard. The quality of our Ports, airports, telecommunications, highways, roads, and electricity supply are very good. Also, through the 100,000 kilometer road project and the 5,000 bridges program, the by-road network will be strengthened further and the entire country will become a single network. Therefore, we are at the forefront of being able to provide global standard infrastructure to local and foreign investors.

3.3 Non-aligned, friendly international relations

Honorable Speaker,

We have expanded our diplomatic relations with the bilateral and multilateral agencies as has never been done in our history. The World Bank, the Asian Development Bank, the European Union, the Japan International Cooperation Agency (JICA), the Kuwait Fund, the French Development Agency, the KfD, Korean International Cooperation Agency (KOICA) the OPEC for International Development, and all agencies aligned with the United Nations

are working very closely with us. In addition, I am honoured to state that these organizations are prepared to assist our country immediately in times of need.

3.4 A Healthy, Intelligent Human Resource

Honorable Speaker,

We live in a blessed country. Our people possess multiple skills; they are healthy, educated, intelligent, courteous, and appreciative. I am, therefore, proud to say that our human resource is rich with qualities which are not considered in the traditional criteria of human resource development. Therefore, we have the strength to face any challenge. Even during the time of the Covid pandemic, we experienced practically, the importance of having a highly sensitive human resource. As a result, we had the opportunity to provide immediate care to all.

3.5 A Nation that is Environmental Friendly

Honorable Speaker,

I am sure that there is almost no nation that loved the environment as much as we do. There is ample evidence to that effect throughout the over 2,500 years of written civilization. The landscape of Sri Lanka is rich in forests, wetlands, agricultural lands, and coastal and marine eco systems.

Honorable Speaker,

Its distribution depends on a wide range of climate, topography, and soil types. Our country's ecosystems rich in biodiversity, such as, rainforests and coral reefs could be found in physically defined geographical spaces.

3.6 Vision of a Sustainable Economy

Honorable Speaker,

Many have thought development and environment to be diametrically opposed. But today, we believe that the integration of development and

environment is possible. At a time when the world is moving towards sustainable development, we must also protect our heritage of rich natural resources and biodiversity systems. I wish to inform that the overall economic development strategies of our country are geared by optimally integrating the conflicting objectives of environment and development. We have already announced the program to build a green economy through the “Vistas of Prosperity and Splendour”. The budget 2022 is an extension of that same concept.

3.7 Priority for National Security

Honorable Speaker,

We have firmly consolidated peace and national security in Sri Lanka. Extremism or terrorism has no place in this country. Our country is one of the most peaceful and stable countries in the world today. We are reaping the benefits of peace after defeating terrorism. We are happy that we are able to build a better future for our children. However, we are also mindful that we too have to face some of the global threats. We consider it our paramount duty to protect our nation from such threats and to ensure national security.

Honorable Speaker,

Therefore, we will not abscond our responsibility for national security which is the foundation of freedom and prosperity. We have been able to ensure national security in line with the aspirations of the people. There is immense public support for this. Therefore, I am pleased to announce that we have been able to better strengthen ethnic harmony, political and economic stability, elimination of terrorism, and counter-extremism in the country.

3.8 Leader in Vaccinations

Honorable Speaker,

From May 2020, our government took drastic measures to prevent the spread of the Covid pandemic. To safeguard our people we even had to lockdown the country completely.

Travel restrictions throughout the island had to be imposed while also enforcing localized isolations. With the third wave, the enforcement of health regulations to prevent the pandemic was intensified.

Honorable Speaker,

We strengthened the availability of Covid treatment centers and facilities throughout the country. The vaccination program focused on immunization, especially in high-risk areas and amongst high-risk populations. The Government worked with various parties to expedite action to mobilize resources to respond to the health and economic challenges posed by the pandemic. We were able to save nearly half a million people who were infected.

Honorable Speaker

We are a government that walked the talk. Today we have achieved the vaccination targets. Therefore, today we are considered the “Vaccinated Nation in Asia”. We owe our special respect and gratitude to His Excellency the President for leading the vaccination program.

3.9 Returning to Work Defeating Covid

Honorable Speaker,

We were able to gain a distinct advantage by the early control of the Covid pandemic. We were able to revitalize the lives of our people and revive critical sectors of the economy, including the tourism industry. Moreover, we believe that this gave us the strength to lead to a post-Covid economic revival ahead of other countries in the region. A large number of people are getting used to their usual way of life. Mobility has returned. Income generating activities have recommenced. Normalcy has returned to the lives of our people. This has led the entire country to turn itself into a busy workplace.

3.10 Local entrepreneurial strength

Honorable Speaker,

The work done by the medical, the defense forces, and the public servants who were at the forefront caring for us during the pandemic, was visible. Though was not visible, another force was there, strengthening us. That is our entrepreneurial community. They did not retrench their work forces. They supported the delivery of essential services to the people by maintaining the production chains in every way possible.

Honorable Speaker,

The export industries fulfilled their national responsibility. This helped to manage the trade balance. We will provide every support to our entrepreneurs to consolidate as key stakeholders of our economy. A strong entrepreneurial community will ensure that when required they will not hesitate to serve their nation at critical junctures. As such, our government is determined to provide all possible facilities to them.

Honorable Speaker,

We can continue to identify such hidden strengths within us. However, I am not going to elaborate on these further.

4.0 The Challenges before Us

Honorable Speaker,

Unfortunately, there are many obstacles before us impeding our journey towards development. We believe there is nothing wrong with portraying them as challenges. I also do not underestimate the importance of making this House aware of these challenges. Therefore, I would like to brief on these challenges.

4.1 International drug mafia

Honorable Speaker,

The attempt to involve Sri Lanka in international drug trafficking is at the forefront of all challenges. It is a very dangerous situation. The youth who is to take over the leadership of our country is the main target of the drug mafia. The entire state apparatus, including, the President, the Tri Forces, the Police, Prisons and Rehabilitation officers are bravely fighting against the international drug mafia. We should thank them for that. Sri Lanka has gained international recognition for making great strides in recent times in the fight against drug trafficking.

4.2 Fraudulent Business Operations

Honorable Speaker,

Another serious issue which needs to be especially considered is the impact on the lives of the people of this country through the fraudulent business activities of individuals and institutions seeking illicit profits. Especially, through the concealment of goods, creation of an artificial shortage of goods, creation of a black market through high prices are the tragedies faced by the people of this country from time to time. Our fight against those unjust traders has not come to an end.

Honorable Speaker,

At times it was necessary to retreat strategically on behalf of the people, but I urge you to not see it as a weakness. We undertake to take action to ensure a fair market place; instead of monopolies a competitive market; a cooperative sector that is on par with the private sector together with the small and medium sized entrepreneurs through the introduction of reforms to create a sustainable solution.

4.3 Forces detrimental to the country

Honorable Speaker,

Similarly, agents of foreign powers disguised as social activists are exerting a considerable pressure on our society to the extent that, today, such so called activism can overthrow strong and populist governments. It is not possible for

a government alone to manage. Therefore, I invite all citizens of this country as responsible citizens to be vigilant about this situation.

4.4 Common Global Challenges

Honorable Speaker,

We, like many other countries in the world are faced with a number of challenges. Disruption to food production chains, climate change, natural catastrophes, energy crises, and fluctuations in international commodity prices over which we have no control, have become common. These cannot be solved only through domestic measures. These require collaborations internationally. Local and international interventions are being looked at. We must also be a partner in these ventures.

4.5 The Challenges of rising Cost of Living

Honorable Speaker,

We have been for a long time talking about the frequent fluctuations in the prices of goods and services. Yet every government failed to provide a lasting solution. We must honestly admit it as such. We need to question why there are such fluctuations in prices and quantities in the market. We believe that matters, such as, changes in consumption patterns, inadequate increase in production yield, inability to adapt to modern technology, issues with transportation and storage, the impact of intermediaries, and the asymmetry of information, within the production chain have all contributed to rising commodity prices.

4.6 Obsolete economic tools

Honorable Speaker,

We have been unable to achieve an adequate growth in the manufacturing sectors relative to the population dynamics. Attempts to control market prices and supplies utilizing traditional tools without correctly understanding these situations will inevitably be criticized. It is my belief that traditional tools are insufficient to control the prices of goods and services. This is why in the recent

past our government faced various criticisms regarding the printing of Gazette notifications. Similarly, some of the measures used to control prices and supply were have created uncertainties.

Honorable Speaker,

The government faced a lot of criticism for failing to increase production without an adequate encouragement being given to the producers, without correctly disseminating information about the supply network, and making decisions without following scientific methods. Therefore, we must at least now, stop, the groping in the darkness.

Honorable Speaker,

We have to accept that the increase in prices is due to a shortage of goods, the imposition of import restrictions, the overreliance on imports, the depreciation of the rupee together with the failure to adequately encourage manufacturers. Given the aforementioned, it must be understood that the solutions available to control the behavior of the goods and services market are both medium to long term.

4.7 Greater emphasis on a Trading Economy

Honorable Speaker,

At present, our economy is tilted more towards the trading sector. For a long time now, imports have been double of exports. This is not sustainable and it is challenging. We will have to transform our economy into an advanced manufacturing economy. The economy should be driven by innovations and within the broad framework envisaged in the “Vistas of Prosperity and Splendour”.

Honorable Speaker,

We must establish an economy that provides micro to small and medium scale producers and large scale producers uninterrupted access to facilities that allows them to perform. This calls for a change in the traditional laws and regulations. Information and communication access should be broadened. The

entire public service should be the facilitator of the production economic process. The Public Service should not be an impediment to the same.

4.8 Challenges of Earning Foreign Exchange

Honorable Speaker,

I believe that it was important to discuss about our foreign reserves, management of the foreign exchange rate, and the country's current debt position. As a government, we acknowledge that our foreign reserves are being challenged, with the frequent fluctuations in the Rupee, which lead to the imposition of certain restrictions on the use of foreign exchange.

Honorable Speaker,

Our annual earnings from tourism amounting to almost USD 5 billion did not materialize during the last two years. Adequate foreign direct investments have not flowed into the country. The inflow of worker remittances have also been somewhat limited. Many avenues of earning revenue locally have also been affected. The gap between the export income and the import expenditure is not simply a national challenge during the past several decades, but it is an unsolved economic problem.

Honorable Speaker,

Although tourism income, worker remittances and the income from apparel and tea exports showed an increasing trend during the decade up to 2018; apart from utilizing such inflows to meet the import expenditures, the country has failed to take decisive action required in a middle income country to create an export surplus in goods and services.

4.9 Public Debt Expansion

Honorable Speaker,

The recurring fiscal deficit resulted in the creation of an unbearable stock of debt. The debt to GDP ratio exceeded 100 percent for the first time during the period 1988-89 due to the island wide insurgency and terrorist activities. The debt to GDP ratio exceeded 100 percent again several times during the period

1998 to 2004. It indicates that we have borrowed over and above our gross domestic production.

Honorable Speaker,

In 2014, when President Mahinda Rajapaksa handed over the country to the previous government, the total debt of the country stood at Rs. 7,487 billion. It was 72.3 percent of the Gross Domestic Product. When the present President came to power at the end of 2019, public debt had increased to Rs. 13,032 billion. That is how the government of good governance had created debt.

Honorable Speaker,

As such, interest expenditure on public debt has become the single largest expenditure item in the budget. This is in addition, to the repayments of loans that we have to undertake. Government borrowings from domestic savings and banks have increased, creating limitations for the people to access credit. Interest rates increased. Share of foreign debt reached almost 50 percent of the total debt stock. A Rs.1 depreciation of the currency, results in the debt stock increasing by Rs.50 billion. We must understand that one of the key challenges is that the impact the foreign currency market, money and banking activities, interest rates and exchange rates have on each other, resulting in creating complexities in budget management and banking and financial sector management.

Honorable Speaker,

We acknowledge that public finances will be severely impacted with all sources of revenue contracting in the face of the Covid pandemic. The government had to incur a significant cost in curbing the Covid pandemic, while maintaining the public services, on-time payment of public servants' salaries and pensions, and providing relief to families who have lost their sources of income.

Honorable Speaker,

During this period, we settled two international sovereign bonds amounting to USD 2 billion, reaffirming the country's debt servicing capability while

providing confidence to the international markets. We protected our banking system. Rs. 300 billion was provided as working capital facilities at a concessionary interest rate to provide relief to small and medium scale industrialists. We also provided relief through the debt moratorium on loans and leasing facilities amounting to almost Rs.700 billion, thus protecting the private sector.

Honorable Speaker,

I also would like to remind this House that this government is responsible for the servicing and the repayment of the debt raised by the previous government including the debt raised amounting to USD 6.9 billion during only a 15-month period between April 2018 and 15 July 2019.

4.10 Management of Foreign Reserves

Dr. N.M.Perera, in his 1970/71 Budget Speech has presented a deep analysis of the management of foreign reserves in the country and has stated that no government since independence has managed its foreign reserves with a long term view. This is clearly presented in page 5-15 of his budget speech and I invite the attention of this House to the same. In that he states that instead of building foreign exchange reserves, we have used it for the importation of goods creating a foreign reserve crisis and, thereby, seeking the support of the International Monetary Fund (IMF). From the first IMF facility in 1961, successive governments have resorted to short term assistance from the IMF, and our leaders and financial sector experts have failed in introducing a sustainable long term programme to manage our foreign reserves. The government of HE the President Gotabaya Rajapakse, expects to create apart from a foreign exchange reserves a number of other reserves. The first of which is the reserve of water, food, and energy, which are created through the land, water, and the renewable energy which are gifts of nature.

4.11 Identifying potential for Exports

Honorable Speaker,

We need to explore novel avenues of earning foreign exchange. We cannot solve this problem only by obtaining international loans. Therefore, we must adopt a special programme to encourage the export to earn foreign exchange.

Honorable Speaker,

I believe we need to focus on sectors, such as, textiles and apparel, gem and jewelry, rubber and rubber products, as well as, value-added tea, coconut and coconut products, fish and fish products, spices, processed food, fruit and beverages, ornamental flowers and plants, electrical and electronics manufacturing, boat manufacturing, and engineering products and services.

4.12 Inadequate attention on non-debt creating avenues

Honorable Speaker,

We expect to expand the contribution of the services sector to compensate the trade deficit. We expect that the expansion of the service sector will contribute to bridge the trade deficit. We need to formulate a special mechanism to encourage exports of services. In particular, we need to upgrade the tourism industry, expand the IT sector, promote opportunities for business process outsourcing, and develop port and airport related services. We have paid special attention to these in this budget.

4.13 Supplementing Imports

Honorable Speaker,

We are a country with an abundance of experience over a long period of time in promoting import substitution industries. While we have been successful in certain sectors, there has also been failures due to incompatibilities with the government policies. “Vistas of Prosperity and Splendour” has created a broad scope for the production of agricultural and industrial goods that are identified as import substitutes.

Honorable Speaker,

HE the President has introduced a green economy concept in this regard and we should create a strong import substitution industries through the manufacturing of organic fertilizer, renewable energy, and the production of Milk, Sugar and Medicines. As such we must focus on creating a strong mechanism to improve domestic incomes while saving foreign currency outflows. This will divert a large amount of money otherwise flowing abroad to local farmers, industrialists, and to others working in those fields.

Honorable Speaker,

This creates a new space for employment. But at the same time we are faced with significant challenges at the implementation levels.

4.14 Limitation to encouraging Foreign Direct Investment

Honorable Speaker,

We have more than three decades of experience in attracting foreign direct investment to the country. But it always remained a challenge. Foreign direct investments flowed into the country as investments into free trade zones and other strategic investments. Nevertheless, we were unable to expand it as expected. We have been able to make some progress in foreign direct investments over the past year and a half. Already investment projects valued around USD 1,076 million have commenced.

Honorable Speaker,

However, certain factions in the society and political groups need to comprehend correctly what an investment is, what a selling is and what procedures are to be followed in this regard.

4.15 Common social and economic challenges

Honorable Speaker,

Underemployment, unemployment, poverty, malnutrition are issues that our society has been facing for a long time. Every government that came to power after independence, has made various attempts to solve these issues. But the results have been far from being satisfactory. Therefore, even today we have to take care of Samurdhi beneficiaries. That is almost 23 percent of the population. In the year 2021 itself, 20 percent of the recurrent expenditure of the government was incurred on social welfare. In the next few decades, we envisage challenges from the change in the demographics of the population with the percentage of elderly population being on the rise.

4.16 The importance of food security

Honorable Speaker,

Food security is the ability to access safe, nutritious food by all citizens of the country without any trouble. A family is food-secure only if its members are living without starvation or without the fear of being starved. With the emergence of the Covid pandemic, we have become more concerned about food security than ever before. This is because there are people among us whose vulnerability to food security is high.

The most vulnerable include those engaged in the informal sector, those without access to income generating sources, and communities entirely reliant on buying and selling.

4.17 State enterprises a burden to the economy

Honorable Speaker,

There are approximately 300 state owned enterprises in our country. These enterprises are engaged in the provision of various products and services. The government has invested over Rs. 670 billion in these state owned enterprises. In addition, annually about Rs. 75 billion is spent to maintain these entities. Most of these institutions do not provide returns on the investments made by the government.

Honorable Speaker,

So far I have attempted to explain, the socio-economic conditions our country is faced with at the moment.

5.0 Policy Synopsis

Honourable Speaker,

5.1 I spoke of the challenges that lie ahead of us and the strengths that we possess as a country to overcome such challenges. It is my responsibility to inform this House regarding the basic axioms such as principles, guidelines and laws and regulations that are followed to aptly manage the applicable instruments in the process of developing the country to successfully confront these challenges.

Honourable Speaker,

5.2 When it comes to leaders, it is said that at times the leader should be ahead of his followers, and at some other times he should be on par with the followers, whilst at certain other times, he should be behind the followers. Wherever the leader is, he should work with commitment, courage and honesty with the common objective of achieving the goals. His Excellency the President, Gotabaya Rajapaksa has followed this tenet to his utmost ever since he was elected as the President.

Honourable Speaker,

5.3 We consulted all groups in society dispersed horizontally and vertically in order to obtain proposals for the budget. We listened to opinions and proposals made by various stakeholders through mass media and social media. We sorted the proposals as those that can be done now, those that are difficult to be done and those that can be implemented in the future. Accordingly, we compiled a set of common policies. When following that set of comprehensive policies, irrespective of certain difficulties that may arise in the short run, it is our collective duty to understand the reality even taking one step backward, so long as the medium term and long term objectives desirable.

Honourable Speaker,

I wish to remind that the National Policy Framework “Vistas of Prosperity and Splendour” was considered in its entirety in preparing the Budget 2022.

Honourable Speaker,

Unproductive high expenditures and weaknesses in expenditure controls have resulted, in often governments not being able to properly engage in expenditure management. As a result almost every government has increased tax rates and introduced various taxes considering the low government revenue. Other than the government seizing a slice of the income of tax payers, it has not resulted in any increase of the total private and government revenue. That is why national budgetary policies should be prepared in a way that would bring about a structural change that would enable the increase of total revenue of the country and thereby increase savings and investment.

5.4 Therefore, I would like to present to this august House a series of proposals for expenditure management.

Honourable Speaker,

5.4.1 The first one of which is to issue quarterly warrants instead of the annual warrant which is issued by the Minister of Finance authorizing the expenditure of government institutions for the entire year after the passage of the annual Appropriation Bill in Parliament. Accordingly, it is expected to instil financial discipline in the utilisation of the allocations by requiring all government institutions to prepare their plans relating to procurement, salaries and allowances, debt servicing, development and maintenance well in advance. Commitment control in accordance with the desired objectives and steering the procurement process accordingly, are required by heads of institutions of all expenditure units.

5.4.2 My second priority in formulating the fiscal policy is to inculcate a savings culture amongst a majority of the country. This is to create a conducive environment that enables all citizens - working community, high income earners and entrepreneurs - to save as much as they can and thereby expand their investment capacity. Instead of providing funds for recurrent

expenditure, funds for capital expenditure will be made available by the government for SOE's to enable them to generate income by undertaking public and private construction activities and providing other services.

- 5.4.3 To improve the business focus and financial discipline of State Owned Enterprises that have become drain on the national economy, based on contemporary benchmarks, focusing on those entities that have been incurring losses continuously and those under-utilized, a multi-disciplinary consultative committee will within a specific time frame propose a strategic way forward.
- 5.4.4 Assets of many of these enterprises are underutilized. I expect that my fellow Ministers, their secretaries and heads of departments would provide leadership to utilize these assets to the maximum. Except for office buildings that are under construction at the moment, I propose to suspend the construction of new office premises for two years. It is necessary to utilize the allocated capital expenditure for development activities that directly benefit the public, while productively using the existing office facilities. I also propose to **include amendments to the Appropriation Bill preventing requests for Supplementary Estimates for 2022** by all Ministries.
- 5.4.5 I firmly believe that public sector should also contribute in **promoting national savings**. In this regard, it is also required to reduce Recurrent Expenditure. Hence, I propose to reduce the fuel allowance provided to Hon Ministers and government officers by 5 litres per month, cut down the telephone expenses of government institutions by 25 percent and reduce the provisions for electricity by 10 percent in order to encourage the shift to electricity generated through solar power. Secretaries to Ministries and Heads of Institutions are required to take action to deploy those concentrated in urban areas into the peripheries.

Honourable Speaker,

- 5.4.6 **Members of Parliament** are now entitled for a pension having served for a period of 5 years. I propose to **extend the five year period to ten years**. This proposal is valid for all positions including the Presidency for whom salaries

are paid from the Consolidated Fund. Legal provisions are required to be formulated to bring this proposal into effect.

5.4.7 The **public service** in our country covers the entire economy. The efficiency of the public sector has an impact on the efficiency of the private sector as well. We have firmly recognized the importance of transforming the public sector into an efficient service and one that is easily approachable by the public. All government institutions should become courteous and client-centric. Hence, I propose to prepare a Client Charter for every government institution. Further, it should be displayed in the premises for the information of the public.

5.4.8 I propose to introduce an appraisal system for the public service based on the satisfaction of clients and Key Performing Indicators (KPI) and thereby motivate them and enhance the efficiency and productivity of the public service to an optimal level.

5.4.9 I reiterate that it is the responsibility of the National Pay Commission to introduce amendments in relation to salaries and pensions of the public service, eliminate anomalies, and to establish salary structures. We must understand that unwanted salary scales and irregularities within the salary structures occur when such institutional structures are disregarded. Hence, I propose to establish a **new salary structure** for the public service by removing the anomalies in public service salaries with effect from the next financial year.

Salary administrative procedures will be simplified by granting the salary increment on the due date without the need of appraisal reports for all government employees, except for those who are subject to disciplinary action.

5.4.10 I propose to establish an **Integrated Results Based Management System** to follow up the achievements of anticipated progress as per the plans prepared by integrating the national development priorities as well as priorities in areas related to those priorities, while monitoring the progress of development objectives, aims and targets that Sri Lanka expects to achieve within the 2022-2024 Medium Term Budgetary Framework and to implement that system

through the five (5) National Coordinating Sub-Committees currently established by consolidating Ministries.

- 5.4.11 Life expectancy at birth has increased. At the same time, the elderly population is on the increase. Sri Lanka is almost on par with developed countries as per the quality of life indices. As a result, elders have the capacity to remain in active service for much longer than before. It is very important to productively utilise their experience and skill set. Therefore, I propose to extend the **retirement age of public service** to 65 years in order to strengthen the labour force.
- 5.4.12 I propose to modernize the *Samurdhi* movement considering the practical social context. Without restricting the **Samurdhi movement** solely to a poor relief programme, I expect to transform it as a rural development movement that ensures economic revival and food security, while integrating with modern trends. I assign the responsibility in this regard to the senior management of the movement. I propose to select beneficiaries for social welfare and assistance programmes under a rational and scientific mechanism.
- 5.4.13 It is also planned to restructure the **Samurdhi banking movement which is the nearest financial service provider** that fulfils the financial needs of the rural community. I propose to convert *Samurdhi* banks as one-stop shops that provide all services and facilities including financial facilities and financial advice for the development of micro and small enterprises.
- 5.4.14 **To make the Cooperative movement stronger**, I propose to swiftly commence the implementation of the required restructuring activities to conduct proper investigations into alleged frauds on depositors of cooperative and rural banks, assist such depositors by reimbursing financial damages, if such frauds have occurred.
- 5.4.15 The management of all **State Owned Media Institutions** is entrusted with the responsibility of substantively reviewing the business focus and financial

discipline of such institutions and achieving the required results by implementing a strategic plan within a short period time.

5.4.16 I propose to expand the business focus of the **Sri Lanka Insurance Corporation** to move into sectors that has previously not been looked at ensuring a competitive market in which everyone could to get an insurance policy, within a new insurance system. I propose to amend relevant laws in order to amalgamate life and property insurances of Sri Lanka Insurance Corporation.

5.4.17 It is expected to avoid deficiencies that occur or can occur in charging custom duties by updating the HS code system currently being used by **Sri Lanka Customs**, while also introducing advanced technological tools globally used in customs operations to Sri Lanka Customs. In addition, a Single Window System will be established to facilitate the import-export process by integrating all institutions that work with Sri Lanka Customs into one system. I propose to grade the exporters and provide free customs facilities to exporters with a high grading.

1766 HS codes are subject to regulations by the Import Controller. Importers are faced with a number of issues as they are required t get clearances from a multitude of agencies. At the same time, as a large number of HS codes are subject to CESS the cost of import and export has increased. Excluding the HS codes pertaining to liquor, cigarettes, motor vehicles and domestically produced agricultural products, the Custom duties and CESS rates would be simplified together with the licensing mechanism for imports, the custom clearances will be provided once such imports have been cleared by the Standards Institution and the Quarantine authorities.

5.4.18 I propose to strengthen the Consolidated Large Tax Payer Unit of the **Inland Revenue Department** established bringing in an integrated administration of all the units connected to the 80 percent of the government tax revenue which is derived from 20 percent of the tax payers.

Honorable Speaker,

The Revenue Administration Management Information System (RAMIS), which was initiated by Hon. Prime Minister Mahinda Rajapakse in 2013 and launched in July 2018 but the full implementation has been somewhat slow due to various reasons. Arrangements are being made to implement the system by expeditiously attending to matters that were delayed in the recent past due to COVID-19. Integration of all banks and financial institutions with Lanka Clear by using the online tax payment platform should be made an element of tax administration. I also propose to expeditiously introduce amendments to the tax law in relation to the use of digital identification numbers and other legal requirements.

Honorable Speaker,

Treasury records indicate that due but uncollected tax revenue is over Rs. 200 billion. It amounts to around 1.5 percent of the GDP. Taxpayers evade payment of due taxes resorting to various mechanisms. Further, although tax evaders are sent a notice of tax assessment by Inland Revenue Department, there is a belief that the payment of due taxes can be evaded by paying a certain penalty to the Department. In order to change these practices, I expect to establish legal provisions to apply **technological processes to tax administration.**

5.4.19 As proposed by the 2021 Budget, I propose to implement the Special Goods and Services Tax, for which legal provisions are already drafted, with effect from January 2022 to cover all goods and services covered by the Act.

5.4.20 The serious lapses in the mobile and the internet signal network were evident during the Covid-19 pandemic. I propose to install a country wide telecommunication network expeditiously covering all 10,155 schools in the country using Fibre Optic technology, for which the required financial and technological assistance is proposed to be provided to the Telecommunication Regulatory Commission.

5.4.21 Although three-wheeler service is vastly spread around the country, contributing immensely to the service sector in particular, as of now there is no

mechanism to regulate the Three wheeler service. The need for regulating the service has arisen due to its massive expansion related issues. To that effect, I propose to establish a **Three-wheeler Regulatory Authority** and to make decisions including the three-wheeler charges and service standardization through the Authority.

5.4.22 We have taken into account gender, racial and other cultural differences and demographics in preparing the budgets, allocation of funds and implementing budget proposals by **Ministries, Departments, Corporations and Statutory Bodies**. I propose that monitoring mechanisms adopted by each Ministry also reflect these factors at its implementation level.

5.4.23 As per population projections, there is a need for a unique **social safety programme** for safeguarding the rapidly ageing population. To this effect, I propose to establish a **contributory pension scheme** for senior citizens who do not currently receive pensions.

5.4.24 There is a considerable number of **differently-abled persons in Sri Lanka**. They should also have access to equal opportunities, equal privileges and equal responsibilities in the society. Therefore, in line with the Article 12 of the Constitution of the country which spells out that all citizens are equal, I propose to introduce an **Act on Rights of the Differently-abled**. I further propose to launch a programme for the development of their entrepreneurship and skills.

5.4.25 I propose to introduce an inclusive programme to address the issues on **children and mental health development** having identified the basic issues faced.

5.4.26 Sri Lanka should immediately move towards an economy which is more tilted towards the **production economy**, synergizing on the opportunities in the service economy. We should create a trend where the educated young generation of our country strive to become entrepreneurs and employment providers by changing their mentality of pursuing job opportunities. Accordingly, it is proposed to not to charge the business registration fees in the year 2022 in order to provide an impetus for new start-ups.

- 5.4.27 It is proposed to amend the Finance Act to simplify the complex processes currently in place for new business registration process adopted by the Board of Investment, Department of Foreign Exchange and Export Development Board and to consolidate fees levied by various institutions in this regard.
- 5.4.28 I propose to take action to review issues, requirements and deficiencies in relation to the production of fruits, vegetables, fish based products, liquid milk and commercial crops and to expand local and international market-oriented products in order to promote production economy.
- 5.4.29 While identifying the deficiencies in the sector of growing flowers and foliage, I propose to implement a new programme to provide necessary knowledge, to encourage flower growers and to promote export-oriented production. I entrust the leadership of this task to the Department of National Botanical Gardens which is under the Ministry of Tourism.
- 5.4.30 I propose to facilitate and encourage the private sector to produce medicines of highest quality in Sri Lanka targeting the international market by further promoting steps already taken with regard to pharmaceutical production and linking with companies of international repute. I further propose to expeditiously implement the proposals of the committee already appointed, comprising of all stakeholders on a mechanism to keep the pharmaceutical prices stable.
- 5.4.31 I propose to start the production of the raw materials required both domestically and internationally by the apparel industry thereby opening a new avenue of entering the international market. At the same time, I propose to implement a rapid programme to promote the local handloom and the Batik production industry with the aim of generating an income of USD 1 billion by 2025.
- 5.4.32 I propose to further enhance the steps currently taken to increase Sri Lanka's share of gems and natural mineral resources in the global market. Given the

capacity to increase the income generation, it is proposed to make Sri Lanka a main centre for the purchase of gems in the world market.

- 5.4.33 Our country is recognized globally as a top brand in the production of related Rubber goods. As such, I propose to restrict the importation of rubber related products and to promote investments in the production of rubber-related finished products instead of exporting rubber as a raw material.
- 5.4.34 Action will be taken to remove obstacles in purchasing raw materials for the production of electrical and electronic appliances and promote investments of the private sector to achieve targets of the international market. So as to promote renewable energy, ensuring the reduction of the use of carbon emitting fuel and foreign currency outflows, I propose to encourage the local manufacture of equipment and appliances required for the generation of renewable energy.
- 5.4.35 To facilitate the necessary environment for promoting Sri Lanka as a centre for wellness tourism, required action will be taken to link our country to the global wellness tourism industry which is estimated to value more than USD 700 billion. Further, required action will be taken to promote different forms of tourism such as event tourism that focuses on events such as exhibitions and conferences, destination tourism and homestays in order to provide the benefits of the tourism industry to the general public.
- 5.4.36 I propose to formulate a new programme for establishing new Ayurveda treatment centres and promoting traditional indigenous medicine and natural treatment methods.
- 5.4.37 I propose in line with the policies of sustainable development with the objective of enhancing health and nutrition of our citizens to expand the capacity of the organic fertilizer production of special categories of fertilizer for targeted cultivations/crops through the provision of the required technical expertise at Grama Niladhari Division level.

- 5.4.38 I propose to promote the diversification of agricultural products and value added agricultural products so as to generate foreign income.
- 5.4.39 I propose to establish hi-tec agro parks in order to produce new agro-entrepreneurs by providing uncultivated lands to women and youth under a special basis and thereby expand the extent of cultivated lands in agriculture and plantation sectors.
- 5.4.40 I further propose to introduce new laws on the usage of lands owned by plantation companies as well as those of both public and private ownership to ensure the maximum utilization of buildings and other assets.
- 5.4.41 Our government is always committed to safeguarding the farmers. But, a clear law in this regard has not been formulated yet. There should be a national programme that protects the interest of farmers, ensures an appropriate price for agricultural produce, enhances the productivity of agricultural sector and manages risks in agriculture while ensuring its safety.

In this regard, it is required to focus our attention on the conservation of soil and water resources, management of damages to wildlife and ensuring food safety. Strategies should be formulated to enhance the productivity through genetically engineered agricultural produce, whilst also preventing likely damages from such produce.

Therefore, I propose to draft a Green Agricultural Development Act that protects the traditional knowledge of our farmers, safeguards their right to own lands and right to the distribution of water and ensures the participation of the farmers in the decision making process.

- 5.4.42 Sri Lanka is positioned at the center of Asia. The nave routes connecting the east Asia to west Asia lies in close proximity to Sri Lanka. This positioning will strengthen our global economic operations. This was identified for the first time under the Five Hubs strategy presented by “Mahinda Chintana” policy statement in 2010.

As such, I propose to make Sri Lanka Asia's Hub.

Naval Hub

5.4.42.1 Given Sri Lanka's position on the navel route connecting East Asia to West Asia, the country could be developed to not only as a hub for bunkering, provision of food and supplies but also as a point of crew rotation. In addition the country could also undertake ship repairs.

The Colombo Port has already become the navel hub for entrepot trading in South Asia. Once the construction of the East and the West Terminals at the Colombo Port is completed, entrepot trading is expected to expand. Accordingly it is expected to develop Colombo Port as an Entrepot Hub, the Trincomalee Port as an Industrial Port, Galle Port as a Tourist Port and the Hambanthota Port as a Service Port.

When considering Sri Lanka's strategic position in the world along with already developed infrastructure of ports, there is every opportunity to establish Sri Lanka as an international free port. Hence, I propose to introduce necessary legal provisions under a new Finance Act to establish free ports. Further, I propose to simplify the strict rules currently in place with regard to registration of ships and to facilitate and increase focus for this purpose and thereby I propose to transform Sri Lanka which is physically located as a naval hub to be a central as a naval hub in the global context.

Aviation Hub

5.4.42.2 Although Dubai and Singapore are considered as the Asia's aviation hubs, their position creates issues especially in long haul flights. However, Sri Lanka's position as the centre-point will make such long haul flights becomes shorter and much more comfortable. At the same time, Sri Lanka could also be the hub for India which has the world's second largest population. The shortest route to Africa, where millions of Indians live, from India lies through Sri Lanka.

Currently the second runway is being constructed at the Bandaranaike International Airport, while also improving the infrastructure facilities for the provision of services. While the Mattala Airport is being developed to be more attractive for tourists as well as for cargo transportation and it is also expected to construct a hospital and hotels in close proximity.

Energy Hub

5.4.42.3 Singapore accounts for 25 percent of the global bunkering in the world, in spite of not having a drop of oil within its shores. Singapore imports Crude oil and produces fuels such as Petrol, Diesel, Bunkering oil, and Aviation fuel together with a number of by products such as Bitumen, Plastic and Nylon for export.

Leveraging on the strategic positioning Sri Lanka also has the potential to become Asia's energy hub, through the import Crude Oil and export petroleum products. The unutilized Trincomalee Tank Farm, with a storage capacity of 8 million barrels of oil is extremely crucial in this context.

Two new Refineries focused on exports, are planned to be established in Hambanthota and Trincomalee. At the same time, the potential to generate electricity from renewable sources such as wind, ocean waves and Solar exceeds Sri Lanka's energy requirement. As such Sri Lanka has the opportunity to produce and export Green hydrogen from the surplus of renewable energy.

Commercial Hub

5.4.42.4 Given Sri Lanka's proximity to the two of the largest markets in the world being India and China, has created an opportunity for the country to be a trading place for their goods. In addition, the country could also provide professional services such as Banking, Insurance, Arbitration and legal services together with a developed securities and a financial sector market.

Knowledge Hub

5.4.42.5 Two millennia ago, Maha Vihara in Anuradhapura was the knowledge hub of Asia. For many, not only in Asia but also in Europe, who were looking for knowledge Sri Lanka was a final destination. With the aim of attracting foreign students, academics and researchers, we expect to develop the infrastructure facilities and the standards of the Universities. We have a unique opportunity to share knowledge on Buddhism, indigenous medicine, meditation and eco-friendly lifestyle with the rest of the world.

5.4.42.6 I propose to amend laws and regulations that impede the inflow of foreign exchange earned by young free-lancers through development and upgrading of new software through IT knowledge and artificial intelligence and new innovations.

There is a need for public and private entities to improve their, businesses, products and services in line with new technology. Therefore, digitalization is no longer an option.

It is proposed to use technologies such as Blockchain to strengthen internal systems by improving the efficiency, operational efficacy, expenditure management.

Conventional banks should transform themselves adopting technology matching the speed of change in new technologies. Innovations are required in a fast evolving market place. As such, it is proposed to encourage banks to convert their branches into smart banking units using digitalization. Therefore, the Central Bank is requested to introduce the required laws, regulatory framework including on capital requirements, licensing etc.

To boost a techno-entrepreneurship driven economy, the budget 2021 proposed the establishment of techno-parks of which two are already being set up in Kurunegala (Rathgalla) and Galle (Akmeemana) while by 2023, three new techno-parks are proposed to commence in Habarana, Nuwaraeliya (Mahagasthota), Kandy (Digana).

- 5.4.43 I propose to carry out an in-depth analysis and review on the procedures followed by the Board of Investment in attracting **Foreign Direct Investments (FDIs)** to Sri Lanka. I propose to expeditiously look into whether conditions currently imposed to facilitate attraction of FDIs should be relaxed and to identify suitable methods and to formulate a programme for this purpose.
- 5.4.44 I propose to submit a Special Finance Bill to ensure the safety of local and foreign exporters, to ensure the safety of transactions of foreign current accounts and to simplify the conditions that are imposed by the Central Bank on exports with regard to foreign currency conversions and transfers.
- 5.4.45 Our government has always been keen on reducing district level disparities identified in education and health facilities. Private sector, too, always contributed in this regard. In order to further enhance these efforts, I propose to provide the required lands and tax concessions to encourage investors to establish an international school and a hospital in every district.
- 5.4.46 I propose to obtain investments through public-private partnerships and local and international sources to implement mixed development projects comprising of shopping malls, financial services, hotels, office facilities, cinema halls, entertainment centres, apartments, etc. using lands, owned by Department of Railways, that are currently not being utilized in a productive manner.
- 5.4.47 I propose to decentralize the monitoring of all infrastructure development projects of the government to continuously maintain the commitment of the contractors on work zone management, safety of the community and workers and environmental sensitivity and to expeditiously and productively implement such projects.
- 5.4.48 To fast track the public investment programme, maintaining efficiency, effectiveness and transparency, the Procurement Processes will be modernised including through the introduction of a more decentralised process and also the e procurement process. The new processes will be benchmarked to those

processes already followed by multilateral agencies such as the World Bank and the Asian Development Bank. At the same time, to remove legal impediments to promote investments standing Investment Committee will be set up.

5.4.49 In order to increase income from foreign remittances, I propose to further improve the existing facilities to provide knowledge, skills and other requirements for going overseas for employment and to enhance opportunities available in this regard by consulting the Ambassadors of other countries.

5.4.50 Focusing on ongoing green projects and programmes for achieving sustainable development goals, I propose to initiate discussions with interested foreign stakeholders to obtain green bond financing facilities and to respond to climate change through those projects. I propose to encourage state as well as private sector banks to develop this type of financing facilities.

5.4.51 It has been observed that the incidence of disasters such as landslides have gone up due to the increase of natural disasters with the global climate change. Therefore, I propose to make it mandatory to obtain recommendations for all constructions including private houses, factories and common amenities from relevant institutions.

5.4.52 As per the Trade Union Ordinance, No. 14 of 1935 and the Amendment Act, No. 24 of 1970, when a government employee obtains the membership of a professional association relevant to his service, obtaining the membership of another government professional association is not permitted. Further, integration, consolidation and centralization of several professional associations of different services is also not allowed. I propose to remove such limitations through an amendment to the Trade Union Ordinance.

6 Development of the National Economy

Honorable Speaker,

6.1 I view every expenditure incurred by the government as an investment in the people. Public interests are met by such investments. It generates assets. Those assets could become the fixed resources with long-term benefits to the people of the country. Or else, those assets could convert to monetary value with short-term benefits. We refer to this as the essence of the government's financial management program.

Honorable Speaker,

6.2 Accordingly, from now I will now present the Expenditure Proposals or the Investment Plan of the Government Financial Management Program for the Fiscal Year 2022.

Honorable Speaker,

6.3 On 07 October, 2021, we presented to this House the Appropriation Bill on Government Expenditure. It outlines the major expenditure heads the government expects to spend from the national budget in the coming year. This is a tradition. We must protect it. While remaining within that tradition, we expect to further strengthen those expenditure heads. Within these Expenditure Proposals, or the Investment Plan, we expect to line up the development of the country through 10 key sectors.

6.4 Manufacturing economy and livelihood development

Honorable Speaker,

In 1960, Sri Lanka's economy was better than that of Singapore and Malaysia. In 1961, the economy of Singapore was only USD 0.76 billion. At that time, the economy of Sri Lanka was at USD 1.44 billion.

Honorable Speaker,

However, in 2020, Singapore's Gross Domestic Product was at USD 340 billion. Sri Lanka's Gross Domestic Product was only USD 81 billion. This highlights the extent of how much our economy is lagging behind.

Honorable Speaker,

As such, what we need now is to move away from regressive policies and embark on a rapid economic development which fulfills the aspirations of the entire population.

Honorable Speaker,

If we use the right economic management strategies, we can move forward similar to other emerging economies.

Honorable Speaker,

We expect to strengthen the economy by facilitating the creation of new products, expansion of existing diversification, and value addition in order to increase the contribution to the Gross Domestic Product from the agricultural, service, and industrial sectors.

For this, we have considered the entire spectrum from small scale production to large scale production. For that, it is necessary to encourage small and medium scale enterprises through the coordination between the private and public sectors. We have prepared a well-designed program for that.

6.4.1. Agriculture sector

Honorable Speaker,

More than 80 percent of our population is employed in the agricultural sector. As the manufacturing economy develops, the agricultural sector will inevitably take precedence. Therefore, the government has decided to invest in the agricultural sector as has never been done before. We have identified a number of issues in the agriculture sector which need to be addressed by the government.

Among them are;

- Un-settled land ownership
- Water inadequacy for crops
- Lack of access to high quality seeds

- Fertilizer problems
- Unnecessary administrative laws and regulations
- Lack of agricultural extension services
- Inadequate use of modern technology
- Lack of agricultural machinery and equipment
- Damages caused by animals and natural disasters
- Lack of adequate marketing facilities
- Underdeveloped internal infrastructure for rural agricultural products
- Lack of adequate and expeditious financial credit facilities for agricultural activities

6.4.2. Relief for farmers to encourage the usage of non-toxic weedicides

Usage of alternative weedicides and doing away with high-toxic chemicals are good agricultural practices to adopt. Therefore, in order to promote the usage of alternative weedicides, **Rs. 4,000 million** is allocated. As such, to minimize weeds and the use of weedicides in the preparation of lands for cultivation, it is proposed to provide a Rs. 5,000 grant per hectare up to a maximum of 2 hectares.

6.4.3. Promoting the use of organic fertilizers

The “Vistas of Prosperity and Splendour” was formulated after a serious discussion with the people. Accordingly, a clear people's mandate was given to guarantee their right to a toxic-free diet. The development of a country relies upon working on long-term goals and objectives and not on short-term solutions. Therefore, we are committed to realize these objectives. We stand ready to support the farming community in this regard.

As such, within the larger organic economic framework, instead of the chemical fertilizer subsidy from the 2021/22 Maha season, every farmer will be provided with startup working capital to produce solid and liquid fertilizers, organic

pesticides instead of chemical pesticides, and further financial support will also be provided to support farmers to incur additional expenses to remove weeds without using chemical weedicides. For this purpose **Rs. 35,000** million is already allocated.

6.4.4. Introducing new agricultural technology

Honorable Speaker,

In comparison to the developed countries in the world in terms of agriculture, we need to rapidly modernize the agricultural sector. For the introduction of new agro-technologies, I propose to allocate Rs. 5,000 million augmenting the already allocated Rs.17,005 million in the Appropriation Bill.

6.4.5. Plantation sector

Honorable Speaker,

To conquer the international market, our aim is to build a value-added plantation crop industry which is equipped with modern technology. Through that we expect to,

- increase foreign exchange earnings, and
- increase the planters' income

In order to reap the maximum benefits of the plantation industry, it is necessary to ascertain the drawbacks in tea, coconut, rubber, cinnamon, pepper, coffee, citrus, vanilla, cardamom, cloves, and other export crops.

Accordingly, priority should be given to,

- Replantation of crops
- Gap filling
- New cultivations

Ensuring water supply can increase the productivity of these crops. In addition, we seek to encourage private investment and strategically win over the export market.

I propose to allocate a further **Rs. 10,000 million** for this purpose in addition to the amount allocated under the Appropriation Bill.

6.4.6. Fisheries and aquatic sector

Honorable Speaker,

Presently,

- Fisheries products,
- Fish farming in fresh water reservoirs,
- Brackish-water prawns cultivation,
- Ornamental fish farming, and
- Fish farming in domestic ponds

are becoming vital sectors as an industry in our economy.

I am also delighted to state that our ornamental fish are in great demand in Europe and America. Even during the pandemic, the government fulfilled all requirements to facilitate these exports. Amenities will be expanded to encourage the production of processed fish, dried fish, Maldive-fish, and canned fish.

Honorable Speaker,

The fisheries and aquatic sector has a potential for further development.

Accordingly,

- In 2022, it is expected to release 196 million fingerlings into the 200,000 hectares of freshwater reservoirs and expect yield around 125,000 metric tons worth about Rs. 18,000 million.
- Numerous programs to develop and construct the fishing anchorages and fishing harbors are already underway.

I propose to allocate a further **Rs. 1,000 million** for these purposes in addition to the amount currently allocated under the Appropriation Bill.

6.4.7. Livestock Sector

Honorable Speaker,

Sri Lanka has already self-sufficient in eggs and poultry. Over a long period of time, the Government has implemented a series of programmes to meet the protein requirement of the public. As a result of such programmes, we could considerably increase the production of eggs and poultry. We were even able to export poultry in 2021.

But, it is apparent that we should strive harder with regard to milk production. We are spending a hefty fortune for importing milk powder. Therefore, we expect to increase milk production and enhance the consumption of fresh milk.

Further, in encouraging medium and large scale private sector investors to engage in the production of milk, eggs and poultry, the cost of raw materials and machinery should be minimized.

Accordingly, there is a need for further investment in the livestock sector. For this purpose, I expect to allocate **Rs. 1,000 million** in addition to the allocation already made under the Appropriation Act.

6.4.8. Traditional cottage industries

Honorable Speaker,

From the olden times, Sri Lanka had been enriched through an agro-based culture. Our people were always engaged in creative arts whenever they got spare time. As a result, those creative arts developed as traditional cottage industries. We have already identified around 273 villages around the island such as Handessa, Thalagune, Thiththagalla, Paraduwa and Bambagahadeniya which are dedicated for industries such as rattan, Dumbara mats and brassware.

Honorable Speaker,

These traditional industries embody our pride and identity. There are a number issues relating to their production. Among those, lack of raw materials is the main issue.

Honorable Speaker,

It is required to infuse modern technology to these products, while enhancing their quality. It is our responsibility to remove the impediments that hinder the entry of their products into national and international markets.

Therefore, we have entrusted the responsibility of protecting and promoting of traditional cottage industries to a Ministry established just for that purpose. Therefore, I propose to allocate another **Rs. 1,000 million** in addition to the already allocated provisions for the development of traditional cottage industries including rattan, clay-based products, brass, lacquer, masks, coconut shell, jewellery, stone carving, flax fibre and Dumbara patterns.

6.4.9. Textile industry including handloom and batik

Honorable Speaker,

In the past, Sri Lanka was also famous for textile industry like other countries such as India and China. Handloom industry is also a traditional industry with a long history. This industry was directly affected by the collapse of the tourism industry in recent times.

Similarly, Sri Lankan batik industry also accounts for a long history. It is a heritage of Sri Lanka. But, only a few people are seen to be studying the art. The high price of raw materials required for this industry could be one reason for this. However, there is a group of people among us who loves the art. There are a considerable number of people engaged in the art as a profession or as means of self-employment. A high demand for products of these industries can be created in local and international market through a well-planned approach. We have targeted an export income of USD 1 billion for handloom and batik products by 2025.

Hence, I propose to allocate **Rs. 1,000 million** for the development of textile industries including handloom and batik.

6.5 Investment zones for new products

Honorable Speaker,

When basic human needs of food, air and water are met, they want an improved lifestyle. We have the opportunity to meet such demands. After meeting the domestic demand of those products, we can earn considerable foreign exchange by exporting these products. Therefore, we have paid attention to manufacturing products aimed at both the local and foreign markets and the re-export of products after value addition.

By doing so, we are striving to build an export oriented economy. We will create an integrated mechanism between the public and private sectors, we will assign annual targets for each export sector and intervene regularly to solve issues faced by exporters in meeting such targets.

Accordingly, there are number fields identified to enhance production. Amongst them, the following production sectors are important.

- Organic fertilizer production industries
- Pharmaceutical production
- Production of raw material for textile and apparel industry
- Rubber industrial products
- Export based agro-processing
- Livestock
- Agricultural equipment and machinery
- Fisheries and aquaculture development
- Production of chemical materials
- Electric and electronic appliances and IT products
- Production of sports equipment
- Steel and heavy metal industry

I invite the private sector to invest in these sectors. It is our responsibility to provide basic infrastructure for these investors. As such, we will provide land,

electricity, water, access roads both internal and external, in establishing new investment zones and for which **Rs. 5,000 million** will be allocated.

Honorable speaker,

We have identified the following areas to be developed as proposed investment zones for new products for each identified production sector.

- Organic fertilizer production - all agricultural districts
- Pharmaceutical production - Oyamaduwa, Millaniya and Arugambokka
- Production of raw materials for textile and apparel industry - Eravur, Monaragala, Puttalam and Kilinochchi
- Export based agro-processing zones - Mattala, Elpitiya, Hambantota and Jaffna
- Livestock production zones - Nawalapitiya, Wariyapola and Polonnaruwa
- Fisheries and aquaculture development zones through private investment - Puttalam, Mannar, Hambantota, Jaffna, Kokkadichole
- Production of chemicals - Paranthan, Pulmudei and Eppawala
- Investment zones for the production of electric and electronic appliances and IT based products - Henegama, Sooriyawewa, Kundasale and Homagama
- Manufacturing sports equipment - Hambantota and Sooriyawewa
- Steel and heavy metal industry - Mirijjawila

6.5.1. Small and medium scale enterprises at regional and district levels

Honorable Speaker,

Together with the provision of necessary facilities for large scale entrepreneurs under the investment zones for new products as mentioned above, it is also the responsibility of the government to provide the required facilities to small and medium scale entrepreneurs.

There is a higher tendency to establish these small and medium scale enterprises in Colombo, Gampaha and Kalutara districts within the Western Province.

Therefore, necessary action are being taken to provide basic required facilities such as land, electricity, water, roads and fences to encourage them to establish their industries outside Western Province and shift industries from cities to villages.

Therefore, the government has directed its attention to establish small and medium scale industries at divisional and district levels. A number of direct and indirect employment opportunities at divisional level will get created under this programme. I propose to allocate **Rs. 5,000 million** for this purpose.

6.6 Basic infrastructure development

Hon. Prime Minister Mahinda Rajapakse kick started making “Vistas of Prosperity and Splendour” a reality by presenting the 2021 budget. He stated the following in the Budget speech 2021.

“During the discussions HE the President has had with the people of the country at the time of the drafting of the “Vistas of Prosperity and Splendour” policy document and after the formation of the new government, we noted that the people do not demand subsidies or anything free from the government. They unanimously requested rural schools to be provided with teachers of English, Science, Technological Studies and Sports with their children’s education in mind. They called for development of the rural hospitals for their basic healthcare needs. The children demanded that school playgrounds and proper sanitation facilities. Villagers requested rural roads to be built according to accepted standards in a way that they can carry out their day to day work. They also requested safe drinking water. They requested the government to rehabilitate tanks and canals enabling them to be self-reliant in improving their livelihood activities. They requested us to protect their properties and children from wild animal attacks.

Apart from these infrastructure facilities, requests were also made to provide electricity, telecommunication and technology to the village. They requested a methodology to make their produce directly available in the market, and to obtain financing for their economic and social activities without any difficulties.”

Honorable Speaker,

The basic infrastructure requirements are the foundation of development. This Government hope develop such infrastructure under 5 sectors.

6.6.1. Water for all

Despite being a country endowed with an extensive network of rivers, a considerable proportion of the population of the country are suffering due to lack of clean potable water. Clean drinking water is available only for 56 percent of the population. As such, fulfilment of the demand for drinking water is our prime responsibility. During the year 2022, we will focus on providing pipe-borne water connections to approximately 200,000 households while expanding the community water projects, developing reservoirs while taking to conserve water sources.

Therefore, action will be taken targeting to provide 3,314,500 new water supply connections around the country through the completion of already initiated water supply schemes including Attanagalle, Minuwangoda, Kurunegala, Kandy, Anuradhapura North, Jaffna and Kilinochchi.

Accordingly, in order to accelerate the major water supply schemes launched aiming at achieving the benefits of “Water for All” programme, which was initiated in line with the policy document, “Vistas of Prosperity and Splendour” to ensure 24 hour uninterrupted clean drinkable water supply, I propose to allocate **Rs.15,000 Million** in addition to the already allocated Rs. 33,963 million under the 2022 budget estimates. Accordingly, we will reach the

target of 90% of the fulfilment of the clean drinking water demand by 31 December 2024.

6.6.2. Vari Saubhagya

Honorable Speaker

The prime objectives of “Vari Saubhagya” programme are,

- To ensure food safety through the improvement of food production
- To facilitate the fulfilment of the demand for drinking water
- To meet the water requirement of industries and services
- To help achieve the targets of national renewable energy

by providing sufficient irrigated water for both Yala and Maha seasons to uplift the socio economic standards of the farmers whose livelihood is Agriculture.

Honorable Speaker

Similarly, nearly 90 percent of construction of large scale irrigation projects like,

- Uma Oya Multipurpose Development Scheme
- Yan Oya

are complete. Wayamba Canal, North Central Canal, Minipe Canal Mundeni Aru Reservoir Scheme, Lower Malwathu Oya Reservoir, Kuda Vilachchi Reservoir development projects are being implemented as planned.

Honorable Speaker

Further, while rehabilitating the tanks and canals identified by rural community under His Excellency the President’s programme, “Gama Samaga Pilisandarak” (Discussion with the Village) we will also commence work 2022 including on the following;

- Uma Oya Downstream Development
- Development of irrigation facilities in Himbilyakada – Wattegedara
- Construction of the irrigation dam of Kuchchaveli – Peraru
- Development of Kumbukkan Oya Reservoir
- Maduru Oya Right Bank Development
- Nilwala River Downstream Development

Under “Vari Saubhagya” programme, 5,000 small tanks and anicuts are planned to be renovated. Out of those, 1,050 small tanks and anicuts have been rehabilitated and a further 2,000 will be completed in 2020.

Accordingly, Rs.48,237 million is allocated for “Vari Saubhagya” by 2022 Budget Estimates. A further **Rs.20,000 million** is allocated for this programme. These projects which are implemented across the country are expected to be completed within the next three (03) years i.e. by the year 2024.

6.6.3. Road Development

Honorable Speaker

It is expected to complete our National Road Development programme, which we launched to create a modern road network connecting the capital, cities, suburbs and remote villages in order to strengthen the mechanism of distribution of goods and services, and travelling for daily needs of the people and for employment, within the next three (03) years.

Under the 100,000km of roads project, 18,000 km of roads will be completed by the end of this year. In addition, 25,000 km of roads per year will be constructed starting from 2022.

Under the rural bridges programme which has been designed to provide access to remote villages, 200 bridges have already been completed and allocations will be provided to complete the balance bridges.

Colombo Port Access Elevated Expressway, New Kelani Bridge - Athurugiriya Elevated Expressway, Central Expressway, Kurunegala - Dambulla Expressway, Ruwanpura Expressway, Colombo - Moratuwa Marine Drive and the Fly Overs in the city of Colombo will be completed with the medium term of 2022-2024.

Rs.260,000 million has been allocated for the year 2022. In addition, a further **Rs.20,000 million** will be allocated.

6.6.4. Development of Renewable energy - Electricity for All

Honorable Speaker

Our prime objective is to drive towards an eco-friendly rapid development in line with the National and International New Development Policies. Renewable energy is highly important in that respect. We have paid our attention towards electric Three Wheelers and Motor cars. Economy and environment will not benefit from motor cars driven by electricity generated through carbon emitting fuel. Renewable and Clean Energy are highly advantageous in building a green economy and saving the foreign earnings spent on imported fuel.

For that purpose, investment opportunities in energy sector have been opened for private sector. In order to fulfil 70 percent of the aggregate electricity demand through renewable energy by 2030, I propose to expedite such investments in 2022.

Honorable Speaker

I propose to allocate an additional **Rs.500 million** for the facilitation of encouraging private investment in Renewable Energy sector.

Accordingly, it is expected to add approximately 2,000 Mw to the National Grid within the next three (03) years with the support of the private sector by generating electricity from Renewable Power Plants of Uma Oya, Pooneryn, Siyambalanduwa, Mannar, Boardland, Moragolla and Seethawaka.

I encourage the Local government agencies to move into the provision of street lighting through renewable energy sources in a bid to reduce the use of fossil fuels in the country, given that even countries with fossil fuels are now shifting into renewable sources by 2030.

6.6.5. Housing and Urban Development

Honorable Speaker

Our aim is to create an environment where each family will have their own comfortable home as noted in the policy document of the government “Vistas of Prosperity and Splendour”.

Already, to realize this objective housing projects have been implemented covering all Grama Niladhari Divisions targeting low income families in urban, rural and estate sectors.

Honorable Speaker,

Some possess the capacity to build their own homes. Some others can obtain loans from banks to construct houses.

Nevertheless, government assistance is required for vulnerable communities living in urban, rural and estate sectors to construct their houses.

Therefore, in addition to the already made allocations, an extra Rs.2,000 million is allocated for urban housing and an additional Rs.5,000 million is allocated for the development of rural housing. It has also been planned to complete the construction of condominiums that are already under construction in Colombo and its suburbs by 2024.

Honorable Speaker,

I am sure that I need not elaborate on the condition of estate housing. The state of which is pathetic. Their labour is one of the basic inputs of tea, which is one of the main export crops. Therefore, it is the responsibility of each of us to uplift the standard of living of those communities. Therefore, **Rs.500 million is allocated** within the next three (03) years to develop housing in the estate sector.

Honorable Speaker,

Urban development is one key component in our development agenda. We have commenced planned urban development programmes including integrated road and transport network, comfortable housing and eco-friendly urban forests. Lakes and canals in flood-prone lowlands in Wattala, Jaela,

Katana, Gampaha and Kelaniya and also areas close to Hamilton canal will be developed in an eco-friendly manner. In that respect, over Rs.7,000 million has already been allocated through 2022 budget estimates and local and foreign investments are also sought.

Honorable Speaker,

Next, I hope to present the Rural Development Programme. This is mutually linked to the already presented Production Economy and Livelihood Development Programme and Basic Infrastructure Development Programme.

6.7. “Gama Samaga Pilisandara” (Discussion with the Village) - Rural Development Programme

Honorable Speaker,

Four-pronged strategy is already underway to uplift the standard of living of the people, to develop rural infrastructure, and implement rural development programmes. Those are;

- Livelihood development
- Development of common infrastructure
- Environment and sustainable development
- Social welfare and social development

Rural Development Programmes and projects are already been identified in the said sectors by community participation through Rural Committees.

Honorable Speaker,

Our government’s policies are driven by sensitivities to the social opinions, new trends, global socio-economic and political changes.

Therefore, instead of conventional factors like subjective and regional priorities, scientific facts are considered in taking objective decisions. I believe the reality of that would be clear to you.

We considered the manner of allocation of funds to the rural development programme through various administrative units.

6.7.1. Grama Niladhari Division

Honorable Speaker,

As we all are aware, the smallest administrative unit and closest to the people is the Grama Niladhari Division. The entire administrative structure is made up of the collection of those 14,021 Grama Niladhari Divisions. This time we have allocated funds for each GN division separately.

Honorable Speaker,

Fund allocation is not driven by the individuals or how powerful or not they are. All GN Divisions including my GN division of 399 Medamulana, have been allocated equal amounts. I will let the future decide on naming this programme- whether it is equality or reasonableness or the democracy of the government.

Honorable Speaker,

Rs. 3 million is allocated to each GN Division. That means every village will get 30 lakhs of rupees, and **the total allocation is Rs.42,063 million**. The people of a village will have the authority to decide on the type of development projects required. The Chief Incumbent of the village temple, clergy of the Kovil, Church, Mosque, rural community leaders and all the villagers can actively engage themselves in this process. Rural requirements can be identified by a forum of government officials and rural political leaders.

6.7.2. Local Government Divisions

Honorable Speaker,

Local Government Division which is under the local government agency is the smallest unit in the political structure. The total number of **local government divisions is 4,917**. Budgetary allocations have been made separately for each local government division. One division is provided with Rs. 4 million. That is forty lakhs. Accordingly, it needs to be **mentioned that Rs. 19,668 million** will flow to 4,917 local government divisions.

Honorable Speaker,

I would like to reiterate to this House that discrimination, whether on political or any other reasons, is not our way. Therefore, allocations have been made available through 2022 estimates irrespective of the political party, to fulfill the development expectations. This government is therefore creating a new political culture. I trust that the future will also follow this example.

6.7.3. Decentralized budget of the Members of Parliament

Honorable Speaker,

It is decided to increase the budgetary allocation provided to all Members of Parliament for development activities of their respective divisions by Rs.5 million.

I firmly believe that through this, the expectations of 225 Members of Parliament, including you, at district level can be achieved in a wider scale. It is a victory of the people.

Every member of the Parliament will be provided an allocation in 2022 of Rs.15 million of development budgetary allocations and the **total allocation would amount to Rs.3,375 million.**

6.7.4. Divisional and District Investments

Honorable Speaker,

What do we expect by allocating such an enormous amounts of funds for rural development? I would use the next few minutes to give a clear answer to that question.

Our foremost objective is to strengthen the rural economy, raise the income level of rural families, liberate them from the subsistence mentality, integrate their economic activities to the mainstream, increase Gross Domestic Product and minimize the income disparity.

Honorable Speaker,

Therefore, economic processes have to be implemented through a structural programme from home garden to extensive farmlands and from domestic products to factory productions.

This Budget has assumed that historic responsibility. This extensive concept will be implemented through a three-pronged approaches:

- Regaining the lost income sources
- Development of available revenue streams
- Creation of new revenue generation sources

Honorable Speaker

All the District Secretaries and Divisional Secretary have been made aware of this and instructions have been given already. Accordingly, all the officials, are awaiting to commence the rural livelihood development programmes with a new vigour. The total allocation covering all 335 Divisional Secretary's Divisions and 25 Districts **amount to a further Rs.19,894 million.**

Provision of these allocations is based on land, population and other socio-political factors.

Honorable Speaker

I propose to allocate Rs.85,000 million (in rupee lakhs, 8 lakhs and fifty thousand) for "Gama Samaga Pilisandara" (Discussion with the village) Rural Development Programme.

Honorable Speaker

We have created a conducive environment for the investment of public funds subject to the full approval of this House, to be utilized within a financial management framework of stringent financial discipline, transparency and accountability. We have to ensure value for money in every project that is implemented. It is the responsibility of all the public servants and elected officials that this public money is invested in productive projects and all those

projects should be monitored and followed up to deliver the impact for the people.

Honorable Speaker

We can trace back all budget estimates in the recent history from 1886. I would like to point out that this is the first instance when such a huge amount of allocation is provided for rural development.

6.8 Providing relief for those affected by Covid 19 pandemic

Honorable Speaker

The present government is faced with biggest challenges that had never been faced by any government in the history. Tourism sector has come to a standstill. Government revenue decreased. In comparison to such decrease in revenue, the government expenditure rose unexpectedly.

However, amidst such challenges, a huge amount of funds was spent on vaccination and to improve health facilities to relieve people from the pandemic situation. Vaccination of 75 percent of the population is a significant achievement.

Government took care of all those who were affected including those who lost their livelihoods by granting relief packages. However, small and medium scale enterprises are still not out of the woods and they still require further support to integrate with the mainstream economy for which further concessions will have to be provided.

6.8.1 Relief for micro, small and medium scale businessmen

Honorable Speaker,

We have recognized the importance of providing relief to the micro and small businessmen, especially those who sell kadala, wade, quid, porridge, hoppers, king coconuts, young coconuts, who have become unable to do business being affected by the pandemic. Similarly, medium scale industrialists too deserve relief.

Therefore, it is proposed to allocate an additional Rs.5,000 million in addition to the already provided allocation to provide relief to micro, small and medium scale businessmen representing all sectors that were directly affected by the actions resorted to by the government to control the Covid 19 pandemic.

6.8.2 Relief for school van owners who lost income during the period when the country was locked down

Honorable Speaker,

During past few months with the closure of schools owners of school vans and buses lost their income in full. We must understand that they lost their livelihoods and yet had to continue to pay lease rentals and incur expenditure on maintenance of the vehicle resulting in an additional burden. Having understood these issues, I propose to allocate **Rs.400 million** is allocated for to provide relief to the school van and bus owners.

6.8.3 Relief for Three Wheel owners who lost income during the period when the country was locked down

Honorable Speaker,

Three Wheel owners serve as an essential service providers in our daily lives. I propose to allocate **Rs.600 million** to provide relief to the Three Wheel owners who lost their income since those vehicles could not be driven during the past few months.

6.8.4 Relief for private bus owners who lost income during the period when the country was locked down

Honorable Speaker,

The service provided by the private bus owners is very important. Due to the closure of the country and quarantine rules, private industry was affected severely. Being a people's government we have understood this issue. Therefore, I propose to allocate **Rs.1,500 million** to provide relief to the private bus owners who lost their income.

6.8.5 Special sectors that lost income during the period of lockdown

Honorable Speaker,

Income sectors that relied on Arts and Entertainment and Weddings and Event Management came to a complete halt due to the Covid pandemic. Loss of employment and revenue stand at a very precarious level. Due to the lack of maintenance of technical and other devices in the sector, restarting the profession is also in a complex situation. In certain cases, in order to restart the activities additional expenses may have to be incurred. As such many artists have been severely distressed.

What we have to do for the benefit of all is to immediately restart all the activities. In order to facilitate that, government has successfully fulfilled its fundamental responsibilities including vaccination. Yet some more needs to be done It is proposed to allocate **Rs.500 million** to facilitate and motivate the sector.

6.9 Environment and Sustainable Development

Honorable Speaker,

Environment conservation and development are closely linked sectors. Simultaneously with the rapid development, a conflict between man and environment exists. Therefore, managing it is the responsibility of all of us.

6.9.1. Conservation of environment

Honorable Speaker,

Garbage disposal to the environment has become a national issue. We have paid our attention to urban forests and beautification including conservation of water, soil, noise management, solid waste management.. Under “Surakimu Ganga” conservation programme, priority has been given to conservation of 103 rivers and river valleys in the island in eco-friendly manner, conservation of eco-sensitive area of Muthurajawela and as a Ramsar wetland. Accordingly, additional **Rs.2,000 million** is allocated in addition to the already made allocation for environment conservation.

6.9.2. Forest conservation

Honorable Speaker,

Simultaneous to the population growth settlements grew and the effect on the forest cover is immense. Therefore, I propose to allocate **Rs.2,000 million** in addition to the already made allocations to conserve our available forests and to

- Increase the forest cover by 30 percent
- Protect the catchment areas
- Removal of invasive plants and increase forest cover with beneficial plants

6.9.3. Wildlife conservation

Honorable Speaker,

In order to obtain water and food for the animals from the forest itself, small tanks are habitats are expected to be developed. While controlling the animals that damage agriculture, protecting wildlife is both our duty and responsibility. Therefore, I propose to allocate **Rs.1,000 million** in addition to the already made allocation to conserve wildlife.

6.10 Public services and rural infrastructure facilities

Honorable Speaker,

Under public services and rural infrastructure, we primarily pay attention to education, health, development of indigenous medicine, development of sports facilities, small irrigation, vocational and technical training facilities and passenger transport.

6.10.1 Education

Honorable Speaker,

It became evident through the demands of the school children in most of the villages in “Gama Samaga Pilisandara” (Discussion with the village) programme of His Excellency the President that investments in education through physical infrastructure developments like school buildings do not manifest the real benefits of education. This is a matter of concern.

Honorable Speaker,

With the objective of making rural schools attractive, the programme to establish “1,000 National Schools” is implemented as a priority development project of the government by establishing national schools in 123 Divisional Secretary’s Divisions where there is no National School and uplifting the facilities of secondary schools.

Thereby, class rooms, desks, chairs, toilets, drinking water, electricity, renovation of teachers’ quarters, provision of school instruments, laboratory building and required equipment, aesthetic units and required facilities will be provided and reforms will be introduced to maintain technical subject stream.

Honorable Speaker,

Rs.2,200 million has been allocated through the Appropriation Bill to establish 1,000 National Schools and it is expected to complete the programme by implementing expeditiously within the next three (03) years. In order to accelerate the programme and for other developments in education sector I propose to include an allocation of **Rs.5,300 million** as a budget proposal in addition to the already made allocation.

6.10.2 Development of health/indigenous medicine

Honorable Speaker,

In this respect, I propose to allocate **Rs. 5,000 million in addition to the already allocation Rs.32,650 million** for the development of agencies that continue Children’s and maternal clinics, Rural hospitals, dispensaries, offices of

Medical Officers of Health, Ayurvedic dispensaries, Yoga and clinics for mental health.

6.10.3 Development of Sports facilities

Honorable Speaker,

Sports is essential to maintain physical and mental wellbeing. It is our responsibility to improve sports facilities both in the city and village. Therefore, attention is paid to develop sports facilities in villages and school playgrounds, and indoor sports facilities. Accordingly, I propose to allocate **Rs.3,000 million** for sports development in addition to the already made allocation.

6.10.4 Minor irrigation

Honorable Speaker,

It is proposed to increase the allocation by **Rs.2,000 million** to implement programmes including rehabilitation of small tanks, anicuts, canals, tank bunds and catchment areas under minor irrigation schemes.

6.10.5 Vocational and technical training

Honorable Speaker,

Skilled youth is essential for the development of the country. Skilled work force is an asset to the country. The foreign earnings brought in by skilled labour is very high. Even in the private sector there is a huge demand for multi-skilled young labour.

Therefore, it is expected to allocate **Rs.2,000 million** in addition to the already made allocation to provide facilities for technical and technological education and city universities and to improve the existing facilities for vocational and technical skills after school education.

6.10.6 Passenger Transport (Railways and SLTB)

Honorable Speaker,

On the path towards prosperity by gaining the contribution of the entire country for the development process, establishment of an efficient and effective transport system that addresses the needs of country is a must.

Honorable Speaker,

Having identified the opportunities in both the public as well as private transport sectors, it is important that such expansions in the transport sector be promoted. I propose to allocate a further Rs.2,000 million in addition to the allocation provided through the annual budget estimate for National Transport Commission, Department of Motor Traffic, Sri Lanka Transport Board and Sri Lanka Railways to maintain their services with new technological methods and to provide a comfortable, efficient and disciplined transport services for people establishing connectivity between the cities and the villages.

6.11 Public Security

6.11.1 Judicial Reforms and provision of infrastructure

Honorable Speaker,

In order to avert delays in the judicial process, alleviate inefficiencies, a considerable amount of funds were allocated. In addition to the Rs.6,937 million, I propose to allocate **Rs. 5,000 million** to make the judicial functions efficient through digitalization of human resources required for reforms in laws related to criminal, civil and commercial laws and to ensure the continuity of the programme to develop Court infrastructure facilities.

6.11.2 Public Security, Law and Order

Honorable Speaker,

Government has given a very high priority for public security. The institutions established for that purpose have been playing a significant role not only in ensuring public security but also in safeguarding the welfare of the people.

It is expected to establish a community police service that works closely with the people to curb drugs and crimes. In addition to the already allocated Rs.7,885 for recruitment of police officers and to provide facilities for the community police service that is already in place, I propose to allocate a further Rs.500 million

6.11.3 Improvement of sanitary facilities of detainees in prisons.

Honorable Speaker,

It has been reported that there are sanitation issues due to the congestion in prisons since the number of detainees has gone up and infrastructure facilities have not been improved. Therefore, in addition to the already allocated amount for the improvement of sanitary facilities of all prison inmates, I propose to allocate an additional **Rs.200 million**.

6.11.4 Providing facilities for our senior citizens and persons with special needs

Honorable Speaker,

In spite of the severe curtailment of the revenue flows, we continued the implementing of welfare programs for the elderly. It is important to note that in spite of the challenges to revenue, the government did not resort to suspending these welfare programmes.

Therefore, in ensuring that the elderly are continuously protected while providing facilities for those with special needs, I propose to allocate **Rs. 1,000 million**.

Such funds will be utilized to establish the necessary facilities at village level facilitating the senior citizens a healthy and a happy lifestyle, while also improving the facilities required for those with special needs.

6.12 Securing the Home Economy

Honorable Speaker,

The government implements a large number of social welfare and relief programs. Nearly 50 such programmes are in place. Given the number of programmes, I will not read out the full list. Nevertheless, it is worth mentioning a few of them. Pensions, Samurdhi benefits, elders' assistance, nutritional food allowances for school children, and the Suraksha student Insurance scheme are some of the main schemes. The annual expenditure on these programs is close to Rs.600,000 million.

With the Covid pandemic, increasing in global fuel prices, gas prices, shipping costs, and cost of production of goods and services have had an upward pressure on the prices of goods and services globally. As a result, prices of goods and services in the local market too have risen leading to a cost of living hike.

The expenditure on social welfare and relief programs is a significant portion compared to the total government expenditure. The time has now come to ensure if certain benefits, such as the Samurdhi, actually are provided to those who actually deserve such benefits. We must encourage the Samurdhi beneficiaries to rethink their consumption patterns and inculcate a savings and an investment culture. The society at large demands that we take a critical view of this matter.

Therefore, we are in a dire need of a suitable mechanism which has faith in the poor, develop a positive attitude about themselves, improve entrepreneurial skills, add good value to village-based products, improve quality, familiarize modern communication technology, connect with the market network, and transform to be empowered to stand on own two feet while being enriched and self-sufficient in nutritious food. It is in this context that the Home Economy Security Program which includes three-components will be introduced.

Accordingly, I propose to allocate Rs. 31,000 million to provide relief to people under this Home Economy Security Program.

6.12.1 Nutrition basket for pregnant mothers

Honorable Speaker,

The intellectual development of a child takes place mostly in the mother's womb and in the early periods from birth. As such to ensure that nutritional requirements of both the baby and the mother, the Home Security Programme will give priority to ensuring nutrition needs of the new born children by supporting the lactating mothers.

Therefore, I propose to extend the provision of the nutrition basket for pregnant mothers which is valued at Rs.10,000 each for a period of 24 months from the current 10 months.

Accordingly, apart from **the existing allocation for this program, a further Rs. 1,000 million** will be allocated.

6.12.2 Home Food Security Program - Relief Basket

Honorable Speaker,

Together with the nutrition of the mother and the baby, the nutrition of the family becomes significant. Therefore, an allocation of around **Rs. 15,000 million** will be made to implement a program identifying economically poor families at the GN Division level and provide them with a relief basket to alleviate the pressure of the cost of living hike.

6.12.3 Establishment of a mini supermarket chain for women entrepreneurs - Home Shop

Honorable Speaker,

Up to now, we have allocated funds for programs designed to nourish the family, including the mother and the newborn child. Similarly, their need for economic empowerment should also be fulfilled. Therefore, we are

implementing an island-wide new economic development program focused on women entrepreneurs.

This programme is based on the experience gained from distributing essential food items to the village during the Covid pandemic. Accordingly, the need emerged for a mechanism which

- Meets the food requirements of the rural people
- Sells home-made edibles, groceries, and other products
- Integrates with the main supply chain by networking using information technology
- Ensures an uninterrupted supply and distribution even in the event of any disaster

I allocate **around Rs. 15,000 million** to this program to establish a mini supermarket network at the Grama Niladhari Division level.

6.13 Public service

Honorable Speaker,

Although public services operates incurring an enormous expense expecting an efficient and effective public service; owing to the rigid laws and regulations, and lengthy and outdated administrative methods and procedures, the public has to exert a lot of effort, time, and expense to connect with government agencies for their needs.

6.13.1 A client-centric public service - Digitization

Honorable Speaker,

Therefore, to increase the productivity and efficiency of the public service, making it client-centric, and to digitize the public service, in addition to the allocation of **Rs. 3,500 million a further Rs.500 million** will be provided.

6.13.2 Motorcycles for public officers

Honorable Speaker,

In 2014, we launched a program to provide motorcycles aiming to increase the efficient provision of public services offered by the field officers. 146,381 field officers obtained motorcycles under this initiative and I am happy to see that they are still using these motorcycles to provide public services.

Honorable Speaker,

I have planned on reintroducing this program and implementing a system of transferring its benefits to the public servants. I propose to allocate **Rs. 500 million** for the activities necessary for this.

6.13.3 Elimination of Teachers' and Principals' salary anomalies

Honorable Speaker,

Given that the government through the Cabinet decision dated 30 August 2021 has agreed as a matter of policy to eliminate the Teacher -Principal salary anomalies, thereby ending the trade union activities, and therefore, for the expeditious implementation of such policy, I propose an **additional Rs. 30,000 million** be included for salary payments.

This is in addition to the **current allocation of over Rs. 109,000 million** on teachers' and principals' salaries.

6.13.4 Job confirmation for graduates

Honorable Speaker,

Steps will be taken to offer permanent appointments from January 2022 to over 53,000 graduates who are already recruited to the government service as trainees.

It is expected that around Rs. 27,600 million will be necessary for this and the entire provision will be allocated from the budget this year. Accordingly, Rs. 7,600 million will be allocated for this purpose in addition to the amount already allocated.

6.13.5 Compensation for the victims of political victimisation during 2015-2019

Honorable Speaker,

Measures will be taken to allocate **Rs. 100 million** as compensation to those who have been politically victimized during the period 2015-2019.

6.13.6 Eliminate pensioners' pay anomalies

Honorable Speaker

In response to the continuous requests to correct the pension anomalies, the Government has focused on creating an appropriate mechanism to correct the pension anomalies. Accordingly, **Rs. 500 million** will be allocated to undertake the initial action required.

6.14 Allocation under Special Financial Provisions

6.14.1 For maintenance of Buddhist temples and shrines

Honorable Speaker,

Our village based life has been centered on the Temple since the ancient times. That is our rich heritage. However, many of our Buddhist temples and shrines, in extremely remote areas often lack even the basic needs and infrastructure. As such to support essential maintenance and construction of Buddhist temples and shrines located in extremely remote areas I propose to allocate **Rs. 500 million**.

6.14.2 Indemnity and compensation for persons who went missing at various periods

Honorable Speaker,

Budget allocations are made to compensate the disappearances of people during different eras owing to various reasons. I propose to allocate another **Rs. 300 million** in addition to the present provision to do justice to the families of such missing persons.

6.14.3 Government Contribution to Professional Associations

Honorable Speaker,

Professionals make a remarkable contribution to the development of the country. Their professional knowledge should be transferred to the new generation. It is their responsibility to liaise with international professional bodies and bring new global knowledge to the motherland.

I propose to include an allocation of **Rs. 100 million** to support professional associations.

7.0 Revenue Proposals

Honorable Speaker,

7.1 Government revenue shows a downward trend as a percentage of the Gross Domestic Product. Therefore, government revenue which was 21.9 percent during the period of 1950-1999, has plummeted to 16.3 percent during 2000-2009. After a gradual decline, government revenue further reduced to 9.2 percent in 2020 owing to the impact of the Covid-19 pandemic.

Honorable Speaker,

7.2 When compared with peer countries, revenue of these countries are relatively higher than that of Sri Lanka. It is 20.2 percent in Malaysia, 20.6 percent in Thailand, 18.3 percent in India, and 17.6 percent in Singapore. In some emerging economies, government revenue is maintained at levels over 25 percent. For example, it is 29.4 percent in Brazil and 25.3 percent in China. Government revenue lost owing to the inefficiencies in our tax administration is also a significant portion. Therefore, we need to improve our tax compliance.

Honorable Speaker,

7.3 Despite the decline in the government revenue, government expenditure has increased. The unusual impact of the Covid pandemic has also contributed to this. Interest expenditures of the Government as a percentage of the government revenue is 71.4 percent in 2020. Salary payments as a percentage of government revenue increased to 57.8 percent in 2020. Recurrent expenditure increased to Rupees 2,548 billion in 2020. Government revenue has

come to a level which is insufficient to cover the day-to-day recurrent expenditure. Therefore, deficit in the recurrent account, i.e. government revenue over recurrent expenditure, as a percentage of Gross Domestic Product has increased by 0.6 percentage points from 1.1 percent during 2010-2014 to 1.7 percent during 2015-2019. This has increased to 7.9 percent in 2020.

Honorable Speaker,

7.4 Similarly, the deficit in the primary account (total revenue minus other expenditure, excluding interest payments) as a percentage of the Gross Domestic Product was 1.5 percent in 2010, and has increased to 2.9 percent in 2015, and to 4.6 percent in 2020. This depicts the increase in government expenditure, excluding interest payments. Total debt stock increases as this expenditure gets added to the initial loan amount. Accordingly, our target is to record a surplus in the primary account by 2025.

Honorable Speaker,

7.5 Apart from the budget surplus recorded in 1954 and 1955, the country has been incurring a budget deficit continuously. This deficit has grown to 11.1 percent in 2020. Accordingly, the debt stock has also increased. In 2020, the total debt as a percentage of Gross Domestic Product increased to 101 percent.

Honorable Speaker,

7.6 As a result, we are now mindful of the requirement for Fiscal Consolidation. We will make every effort to reduce the budget deficit to 8.8 percent in 2022, 6.1 percent in 2024, and 4.8 percent in 2025. We expect a balanced budget in 2028. In order to reduce the budget deficit we need measures for, solid expenditure management, increasing government revenue, and restructuring loss-making public enterprises.

Honorable Speaker,

7.7 As soon as our Government was elected; we took measures to create a simple, transparent, and an effective tax system aiming at facilitating tax payers and an improved tax compliance. Through these tax revisions we expected to protect the small and medium scale entrepreneurs from the rigid taxes and debt traps,

and divert savings from reduced taxes to investments. However, our expectations met with challenges, owing to the Covid pandemic. Nevertheless, the tax revisions also became incentives cushioning the impact on the people from the pandemic.

Honorable Speaker,

7.8 I the following proposals are expected to strengthen the government's financial position. Similarly, it is expected that these proposals will become helpful to rebuild the economy from the post Covid position.

Honorable Speaker,

7.9 One-time taxes

- I. A one-time tax surcharge of 25 percent is proposed to be imposed on persons or companies with taxable income over Rupees 2,000 million for the year of assessment 2020/2021. Rupees 100 billion is expected to be earned through this tax.
- II. VAT on banks and financial service providers under supply of financial services by specified institutions is proposed to be increased to 18 percent from 15 percent. This tax should be paid monthly from 01 January 2022 to 31 December 2022. Furthermore, this tax should not be shifted to the customer. Rupees 14 billion is expected to be earned through this tax.

Honorable Speaker,

7.10 Social Security Contribution

Aiming to rebuild Sri Lanka economy affected by the Covid pandemic, a "Social Security Contribution" is proposed. This contribution will be charged at 2.5 percent on the annual threshold turnover exceeding Rupees 120 million. Rupees 140 billion is expected as revenue through this contribution. This will be effective from 01 April 2022.

7.11 Tax on Cigarettes

Tax on Cigarettes is proposed to be increased with immediate effect. As a result, the price of a cigarette will increase by Rupees five (5). Government expects a revenue of Rupees eight (8) billion through this initiative.

7.12 Excise Tax

It is proposed to increase Excise tax with immediate effect. An additional revenue of Rupees 25 billion is expected through this tax increase.

7.13 Motor Vehicles

7.13.1 It is proposed to impose a fee on vehicles meeting with accidents with the opportunity of reimbursing this fee from the insurance. Through this initiative, it is expected to reduce the number of motor vehicle accidents.

7.13.2 In addition, it is proposed to impose a fee on vehicle modification, alteration, and refurbishment; and, subject to an amnesty period to pay fines, legally register illegal motor cars and motor cycles, if they are in condition suitable for road.

7.13.3 Similarly, it is proposed to release all vehicles seized at the Sri Lanka Customs owing to non-payment of applicable taxes and other reasons. Such release will be subject to the applicable taxes and fines.

7.13.4 It is expected to earn an additional income of Rupees four (4) billion from these proposals.

7.14 Tax Administration

7.14.1 This government took several initiatives from the 2021 budget to simplify the tax administration and improve its efficiency. For this, it is proposed to further strengthen the Large Tax Payers Unit (LTU) and Upper Corporate Unit (UCU) to improve revenue collection from large tax payers.

7.14.2 Similarly, it is proposed to remove weaknesses in the digital revenue collection systems of the revenue collection bodies; Revenue Administration Management Information System (RAMIS) of the Department of Inland Revenue and Single Window System of the Sri Lanka Customs.

7.14.3 In addition, it is proposed to expedite the implementation of the digital revenue collection system of the Excise Department and simplify the excise licensing process.

7.14.4 Furthermore, it is proposed to introduce a mechanism to examine the accuracy of the tax documents when filing through the above systems, and allow, at every possibility, to present digital invoices and documents as valid documents.

7.15 Money earned by the Perpetual Treasuries Limited

In order to examine, investigate, and report on the issuance of the Treasury bonds during the period 01 February 2015 to 31 March 2016, the former HE President appointed a tri-party Presidential Commission of Inquiry chaired by retired Supreme Court Judge K.T. Chithrasiri.

As per the report of the aforementioned Presidential Commission of Inquiry, during the period 01 February 2016 to 31 March 2016, when selling Treasury bonds to the Employees Provident Fund, other statutory entities, and government institutions; Perpetual Treasuries Limited has made profit mainly through “price sensitive inside information” and “market manipulation”. Therefore, this report identifies that Rupees 8.5 billion is received by wilfully violating the provisions of the code of conduct issued by the Central Bank of Sri Lanka under the Registered Stock and Securities Ordinance No. 07 of 1937, to the primary dealers on best practices.

According to the recommendations of this Commission, and without hindering the legal actions taken by the Attorney General, it is proposed to transfer to the Treasury the Rupees 8.5 billion that the Perpetual Treasuries Limited has earned in violation of the Code of Conduct of the Central Bank of Sri Lanka.

7.16 Leisure License Fee

It is proposed to issue a license under goods and service tax for the designated areas to be developed as special zones for leisure activities.

7.17 License issued by the Telecommunications Regulatory Commission of Sri Lanka

The Telecommunications Regulatory Commission of Sri Lanka issues licenses for telecommunication services, including, fixed phone operations, mobile phone operations, internet service providers, and satellite broadcasting operations. As those obtaining these licenses make a substantial investment on telecommunication services, it is proposed to issue these licenses through an auction. Furthermore, it is proposed to sell by auction the 5G frequencies to be included the information technology field.

8.0 Macroeconomic vision for a revival

Honorable Speaker,

In preparing this budget, I attempted to focus on the five main balance sheets required to open up our country locally and internationally in a manner that strengthens the national production economy.

1. Human Resource Development that targets people of our country (Human Resources Profile)
2. Environment conservation enriched by bio diversity
3. Balance of payments that includes our international trade and financial activities
4. Public Finance and National Budget that includes the government revenue and expenditure
5. Banks and financial activities

Honorable Speaker,

- 8.1 “Vistas of Prosperity and Splendour” focuses on an eco-friendly sustainable development enriched with biodiversity. As such, we resolve on organic agriculture in that respect. Vari Saubhagya, Surakimu Ganga, Integrated Road Investment Programme, Inclusive Connectivity and Development Project, Renewable Energy programme were proposed as development approaches in this budget. Proposals have been made for various sectors required for the National Production Economy that builds on those. Many proposals were presented on the protection of environment, food security, safe water and land, security of the people and national security.

Honorable Speaker,

Proposals were presented for an inclusive economic development with benefits for all provinces and people. Within the first two quarters of 2021 the country

could achieve an 8 percent growth in the production economy. Although it was a growth amidst the recession in 2020, through the proposals that I have made, I anticipate an economic growth of more than 6 percent during five year period of 2022-2027. Together with the restoration of the supply of goods and services, the entire budget process is directed to reduce the rate of increase of the cost of living.

Honorable Speaker,

8.2 Human Capital Development is considered as the centre of our economic development strategy. A huge investment made to vaccinate more than 75 percent of the population of this country and provide them with a booster dose needed to maintain their immunity to protect them from the Covid-19 virus was made because human resource development is of high priority. In line with that, I have paid special attention to land, water, food, housing, and healthy environment, as well as, skills-based education and sports facilities by covering the various facets of human resource development. We also focused on the task of building a prosperous family by nurturing religious and cultural endowments. I presented various proposals to create the environment needed to improve their economic activities, alleviate their economic hardships, and fulfil their changing ambitions and future expectations.

Honorable Speaker,

8.3 We must have a vision to build international trade, finance, and foreign exchange reserves in our country. We must admit that at present we are concerned about our foreign reserves and the debt stock. The previous government, that made us inherit it, should admit that. We are making efforts to manage this situation in the short run with the support of our friendly countries.

Honorable Speaker,

8.4 However, our goal should be to sustainably build our foreign reserves to a secure level. My goal is to increase our country's official foreign reserves to USD 10,000 million by 2027. To achieve this, it is my intention to increase our total exports which is being diversified, to USD 19,000 million by 2022.

Honorable Speaker,

8.5 Increase in our exports to USD 10,028 million by October 2021 is encouraging. I have set a target of USD 11,900 million for the whole year. Similarly, expenditure on imports for the same period is USD 16,588 million. I have set a spending target of about USD 18,900 million for this year. Therefore, the trade deficit during this year would be about USD 7,000 million. The cost of imports will be around USD 26,800 million by 2027. Therefore, I expect to stabilize the trade deficit at around the same level of the ongoing year.

Honorable Speaker,

8.6 In 2022, a trade surplus is expected amounting to around USD 1,000 million, including from tourism, ports, and IT export services and I have spelt out policies and measures in this budget speech to increase it to USD 8,000 million in 2027.

Honorable Speaker,

The net foreign remittances is expected to be around USD 6,850 million in 2021 and it is my expectation to increase it to reach USD 8,000 million by 2027.

Honorable Speaker,

8.7 Transactions such as dividends and interests that occur in the form of international current payments and receivables need to be maintained to match the promotion of foreign investments. However, due to restrictions in current account and the tendency towards commercial financing, our country has not become attractive for foreign investors and Sri Lankan enterprises and individuals that are based abroad. Therefore, the balance of transactions also incurs a deficit. The said deficit is approximately USD 2,000 million per annum.

Honorable Speaker,

8.8 The totality of what I have been explaining points to a deficit in the external current account. That is why the attention is directed towards the aforementioned exports, tourism, information technology, and revenues from foreign employment in order to turn the present deficit of USD 1,100 million to a surplus of USD 6,000 million in the year 2027. Therefore, it is the responsibility of all of us to add a minimum surplus of USD 1,000 to the balance of payments each year within the period of next 5 years in handling the international trade of goods and services as well as international financing.

Honorable Speaker,

8.9 Balancing the government budget has become our primary responsibility while managing the enormous socio-economic challenges that have piled up from years of either the failure to provide sustainable solutions or viewing issues from a political biasness. It is a fact that every government since the independence has pursued a deficit budget policy. This deficit, which was about 6 percent of the national income in the 1960s, has exceeded 10 percent from time to time from 1978. During the period 2010-2018, this has been around 7 percent and again has exceeded 10 percent. We are now experiencing the consequences of these policies that have been in place for almost 70 years. Even among us as people's representatives, the common political mentality is to conveniently evade the issue rather than take decisive action breaking away from the norm. We consider that the mandate, which the people gave us, is to

build an economically strong country by moving away from the commonly tread path during our period in office.

Honorable Speaker,

8.10 Financial activities of the government will not improve by merely through the collection of taxes, and fees and charges. To create a sustainable financial discipline it is necessary to control the public expenditures prudently. We cannot delay building a culture of managing public finances with suitable measures to maintain expenditures at levels the government revenue can meet. As such, we must take action to prune our expenditures to match the revenue, having undertaken a continuous assessment of the process where the traditional approach is to match the finances to support the recurrent expenditures.

Honorable Speaker,

8.11 The timely disbursement of welfare expenditure, maintenance expenditure, and development expenditure has become a constant challenge amidst interest, salaries, pensions, loan installments, repayment priorities approved by this Parliament. Owing to lags and leads in terms of both revenue and borrowings, the Treasury is often unable to obtain the required finances in time for release to fulfill the cash requirements. As a result, public finance management has become an issue, leading to unsettled supplier bills while the development and the quality of public service plummets.

Honorable Speaker,

8.12 We need to change this trajectory. The budget deficit which had been talked about for 72 years has become the central issue in the entire economic process. I outlined above a number of ways in which we must approach a public budget management that can balance government revenue and expenditure, and I must inform this House that I have not underestimated the difficulties in implementation. We need to face the reality. Therefore, my vision is to manage the overall budget to reduce the budget deficit from the 10 percent of national income level at present to 1.5 percent by 2027. We need to strengthen tax administration so that government revenue, which is 9 percent of national income at present, can increase to 18 percent by 2027. It is in this context that I have introduced an economic development model that provides growth opportunities for both individuals and business, while expanding the tax base together with an increase in the tax compliance among individuals and businesses.

Honorable Speaker,

8.13 As I mentioned before, in addition to encouraging personal savings, the government also needs to save through its budget management, and the aim is to increase budget savings to 5 percent by reducing recurrent expenditure, which is about 16 percent as a percentage of national income at present to 13 percent by 2027. The decisive year here is 2024. It is because this is the year in which the surplus in the current account is expected to grow. I expect the full cooperation of both the Members of Parliament and public officials in getting to this point.

Honorable Speaker,

8.14 Therefore, the development expenditure which is currently about 3.5 percent of the national income can be increased to 6 percent by 2024 and it is expected to increase to around 7 percent by 2027. It is expected that such increase in the public investment is possible due to the expected savings derived from the budget. As a result, I believe that public debt, which is currently around 102 percent, can be reduced to 74 percent. My expectation is to reduce foreign debt as a percentage of national income from 36.5 percent to 13.6 percent. This includes the a further reduction of the stock of International Sovereign bonds to USD 8,000 million through sustainable financing as proposed in the these budgetary reforms which include changing the composition of foreign loans through sustainable financing.

Honorable Speaker,

8.15 My budget vision presented is a challenging path which, I believe all of us must take together. It is a more disciplined path of public finance control different from the deficit budget path. Getting used to it can be difficult at first. But I firmly believe that this is a path that will strengthen the country, the nation, and the economy.

Honorable Speaker,

8.16 We need to celebrate the victories we achieved in the operations of our banks and financial institutions in the last 72 years. I like to recognize the establishment of Employees Provident Fund in 1957, People's Bank in 1961, nationalization of Bank of Ceylon, National Insurance Corporation in 1960s, National Savings Bank in 1971 as revolutionary changes in banking and financial sector in our country. Rural areas of the country could access banking and financial facilities because these institutions opened a branch network targeting rural areas. If not for the state Banks and entities, Private Banks and Insurance Companies would never tread there.

However, during the last few decades, state banks and insurance companies, were financing institutions in petroleum, electricity, chemical fertilizers in particular, which were more inclined towards financing the government

budget. Therefore, a significant progress has not shown in financing for the development of enterprises and technology, housing and agriculture or ordinary depositors. Similarly, the government's pledge loan scheme which is granted on concessionary rates to purchase the agricultural harvest of the farmers has turned out to be a financial tool in the hands of big businessmen.

Honorable Speaker,

8.17 State banks and financial institutions such as State Investment and Mortgage Bank, Housing Development and Finance Corporation, Sri Lanka National Savings Bank, Regional Development Bank have not transformed to development financing. Except for Samurdhi Bank system, no other micro-financing institution has become productive to the rural economy. Cooperative Rural Bank system needs to be strengthened. Operations of financing and leasing companies are also in the same state. Financing companies like ETI, the Finance Company have fallen apart. This adversely affects the entire finance sector. Credit Information Bureau has become an impediment for small and medium scale enterprises. With the privatization of National Development Bank, the development banking system was effectively done away with. At the 2021 budget, Hon. Prime Minister pointed out the need of a development bank which is a collaboration of the afore said state banks that works for the small and medium scale enterprises.

Honorable Speaker,

8.18 In the meantime, the fees levied by banks and financial institutions on clients for various transactions including savings have become complex. A need has emerged to make those fees equal. Therefore, I propose that Central Bank of Sri Lanka and the Ministry of Finance should start wide ranging reforms in these sectors taking the report of the Presidential Commission on ETI also into consideration.

Conclusion

Honorable Speaker,

9.0 During the so called "Virtuous" and the regimes of "Good Governance" the path that the country was heading was never beneficial. His Excellency the President Gotabaya Rajapaksa is fearlessly committed to change that direction for the sake of the future of this country.

Honorable Speaker,

9.1 We have embarked on a journey to build the country initiating with the introduction of organic agriculture and an economy of renewable energy to move away from the traditional route we have been on. The infrastructure

facilities that we provide, not only benefits the construction sector, but also facilitates the market connectivity, health and public services and the education sector to develop. Enrichment of biodiversity and environment conservation generates sustainability. The budget of the country, balance of payments and banks and finance sectors should together contribute to it. Human Resource Development should be targeted to build a stable social economy. I believe that the path for establishing an independent sovereign state is through such an approach.

Honorable Speaker,

9.2 Many developing countries have now become prosperous nations. Scholars and businessmen of our country migrated for employment in those countries. Those countries became prosperous not only because of the physical infrastructure such as modern airports and ports, expressways and apartments. But because the economies of those countries were strong. Their institutions like banks, ports, customs and Inland Revenue developed in tandem with through the utilization of technological advancements. Those countries achieved a trade surplus by exporting value added industrial and technological products instead of exporting primary raw materials. Instead of maintaining deficit budgets for more than 70 years, they increased the government revenue exceeding the expenditure and created a saving within the budget.

Honorable Speaker,

9.3 These countries also were willing to allow their public and private entities to become profitable by allowing professional management's operational freedom without getting obsessed with the ownership, resulting in these entities and the countries becoming prosperous. They established facilities to draw students from foreign countries. Having developed the health facilities to high standards, these countries were able to attract the foreigners including ours to these medical facilities. Banks and financial institutions were turned from being primary commercial banks that maintain deposits and loan accounts to financial institutions equipped with a range of fully-fledged instruments.

Honorable Speaker,

9.4 The Budgetary framework that I presented to make our country a prosperous land can be made a turning point only though embarking on a development route of similar to those "prosperous countries". That is why the support and approval of is required of all the Members of this House, upon whom this responsibility is bestowed.

Honorable Speaker,

- 9.5 It is my utmost duty to thank all of you before concluding my budget speech.
- I respectfully thank Venerable Chief Prelates and all venerable sirs, Religious leaders of Hindu, Catholic and Islam religions for the blessings extended for the preparation of the budget
 - I wish to extend my gratitude first to His Excellency Gotabaya Rajapaksa for giving me this opportunity to formulate a futuristic people's budget at this challenging hour
 - I wish to thank to our exemplary leader Hon. Prime Minister for all the noble guidance given.
 - I would like to extend my gratitude to Hon. Speaker for making available all the facilities and support to present my maiden budget speech.
 - Hon. Ministers, Hon. State Ministers, Hon. Members of Parliament, your unstinted support is much appreciated.
 - I place my respectful thanks to Secretary to His Excellency the President, Secretary to the Ministry of Finance and the entire staff of the Ministry of Finance, All Secretaries to Ministries and State Ministries, Government Agents, Divisional Secretaries, Heads of Departments and Government Institutions and the entire public service.
 - I thank the Secretary General of Parliament and his entire staff
 - I also thank Hon. Governors and former Members of Provincial Councils, Representatives of Local Government agencies for the critical support they extended.
 - I respectfully thank all the private sector chambers of commerce, civil organizations, trade unions, representatives of professional bodies for their active engagement in formulating the budget.
 - I thank all the citizens including rural community leaders
 - I thank all the constituent parties of Sri Lanka Podujana Peramuna and all the organizations therein
 - In addition to all of this, I extend my heartfelt gratitude to my fellow countrymen who patiently waited for the presentation of the budget having endured the toughest of times during the Covid pandemic.

Honorable Speaker,

In conclusion of my budget speech I would like to quote a thought from Mahagamasekera one of our greatest literary figures.

Dharme

Cassim

Rajasunderam

All gather here

Let us come together

Let us make this world a better place than it is now.

May the Triple Gem Bless you all!

Summary of the Budget (2021- 2022)

Rs. Billion

Item	2021 Revised Estimate	2022 Budget
Total Revenue and Grants	1,561	2,284
Total Revenue	1,556	2,274
Tax Revenue	1,325	1,987
Income Tax	295	496
Taxes on Goods and Services	650	1,031
Taxes on External Trade	380	460
Non Tax Revenue	170	226
Provincial Council Tax Sharing and Devolved	61	61
Grants	5	10
Total Expenditure	3,387	3,912
Recurrent	2,817	2,996
Salaries and Wages including Provincial Councils	887	1,015
Other Goods and Services including Provincial Councils	198	203
Interest	1,055	1,115
Subsidies and Transfers	677	663
Public Investment	582	931
Other	(12)	(15)
Revenue Surplus (+)/Deficit(-)	(1,261)	(722)
Primary Surplus (+)/Deficit(-)	(771)	(513)
Budget Surplus (+)/Deficit(-)	(1,826)	(1,628)
Total Financing	1,826	1,628
Total Foreign Financing	(48)	(179)
Foreign Borrowings-Gross	489	508
Project and Programme Loans	332	358
Foreign Commercial	157	150
Debt Repayment	(536)	(687)
Total Domestic Financing	1,874	1,807
Non - Bank Borrowings	1,569	1,397
Sri Lanka Development Bond	(64)	(91)
Bank Borrowings and Other	368	501
Revenue and Grants/GDP (%)	9.5	12.3
Total Revenue/GDP (%)	9.4	12.3
Tax Revenue/GDP	8.0	10.7
Non Tax Revenue/GDP (%)	1.0	1.2
PC Tax Sharing and Devolved Revenue/GDP (%)	0.4	0.3
Grants/GDP (%)	0.03	0.05
Total Expenditure/GDP (%)	20.6	21.1
Recurrent Expenditure/GDP (%)	17.1	16.2
Non Interest including Provincial Council/ GDP (%)	10.7	10.2
Interest/ GDP (%)	6.4	6.0
Public Investment/ GDP (%)	3.5	5.0
Revenue Surplus (+)/Deficit (-) GDP (%)	(7.7)	(3.9)
Primary Surplus (+)/Deficit (-) GDP (%)	(4.7)	(2.8)
Budget Surplus (+)/Deficit (-) GDP (%)	(11.1)	(8.8)

Compiled by Department of Fiscal Policy

Annexure II

Gross Borrowings Requirement – 2022
(Provisioning for Accounting Transactions)

Item	Rs. Billion
Total Receipts other than Government Borrowings	2,261
Total Payments Including Debt Repayments	5,245
Provision for Advanced Accounts	6
Adjustments for book/cash Value of Government Securities	150
Risk Provision	60
Total Gross Borrowing Requirement to be recorded in Government Accounts	3,200
O/W Total Debt Repayments	1,531

Compiled by the Department of Fiscal Policy, Department of National Budget and Department of Treasury Operations

Revenue Proposals - 2022

No.	Proposal	Rs. Mn
1	Surcharge Tax	100,000
2	Social Security Contribution	140,000
3	Value Added Tax (VAT) and other charges	14,000
4	Special Goods and Services Tax	50,000
5	Proposals relating to Motor Vehicles	4,000
6	Licence fees, auctions and other non-tax revenue	25,000

Compiled by Department of Fiscal Policy

Expenditure Proposals

No.	Proposal	Allocation (Rs. million)
1.	Providing relief for using organic herbicides	4,000
2.	Modernization of Agriculture	5,000
3.	Modernization of plantation sector and providing relief	10,000
4.	Fisheries and aquaculture development	1,000
5.	Livestock development	1,000
6.	Development of traditional cottage industries	1,000
7.	Development of textile industries including Handloom and Batik	1,000
8.	Infrastructure facilities for new product investment zones	5,000
9.	Small and Medium Scale Industry Zones	5,000
10.	Water for All programme	15,000
11.	<i>Vari Saubhagya</i>	20,000
12.	100,000 km roads (including estate sector roads)	20,000
13.	Development of renewable energy	500
14.	Development of urban houses	2,000
15.	Development of rural houses	5,000
16.	Development of estate houses	500
17.	Rural Development Projects	42,063
18.	Development of local government divisions	19,668
19.	Decentralized budget	3,375
20.	Rural livelihood development	19,894
21.	Relief for Micro, Small and Medium Scale Entrepreneurs	5,000
22.	Relief for school van owners	400
23.	Relief for three-wheeler owners	600
24.	Relief for private bus owners	1,500
25.	Relief for areas of art and entertainment	500
26.	Environment conservation	2,000
27.	Forest conservation	2,000
28.	Wildlife protection	1,000

No.	Proposal	Allocation (Rs. million)
29.	Development of schools	5,300
30.	Health and indigenous medicine	5,000
31.	Development of sports facilities	3,000
32.	Minor irrigation	2,000
33.	Vocational and Technical Training	2,000
34.	Passenger Transport	2,000
35.	Court infrastructure facilities	5,000
36.	Public security, law and order	500
37.	Sanitary facilities for prisoners	200
38.	Facilities for elders and people with special needs	1,000
39.	Pregnant mothers	1,000
40.	Home economy	15,000
41.	Home shop	15,000
42.	Digitalization of the public sector	500
43.	Motor cycles for government employees	500
44.	Removal of salary anomalies of teachers and principals	30,000
45.	Confirmation of graduate trainees	7,600
46.	Compensating the politically victimized	100
47.	Removal of anomalies of pensioners	500
48.	Maintenance of Buddhist temples	500
49.	Compensation for disappeared people	300
50.	Contribution for professional association	100
51.	Saving of expenditure	(30,000)

Technical Note

Budget 2022- Taxation

I. Tax revenue proposals

1. Surcharge Tax levied on income on one-off basis

Imposition of a Surcharge Tax at the rate of 25 percent on individuals or companies who have earned a taxable income over Rs. 2,000 million for the year of assessment 2020/2021.

2. Social Security Contribution

Charging "Social Security Contribution" on the liable turnover over Rs. 120 million per annum at the rate of 3 percent. This contribution is charged with effect from April 1, 2022.

3. Amendments to the Value Added Tax Act, No. 14 of 2002

3.1 Increase of Value Added Tax charged on supply of financial services by financial institutions from 15 percent to 18 percent. The levy is to be paid every month from January 1, 2022 to December 31, 2022.

3.2 Amending the item (xxxi) in paragraph (a) of Part (II) of the First Schedule of the Value Added Tax Act No. 14 of 2002 to allow Value Added Tax exemptions on importation or supply of medical equipment, machinery, apparatus, accessories and parts thereof and hospital furniture, drugs and chemicals donated to a government hospital or the Ministry of Health for the provision of health services to address any pandemic or public health emergency, approved by the Minister of Finance on the recommendation of the Secretary to the Ministry of the Minister assigned with the subject of Health with effect from January 1, 2022.

4. Excise Duty (Special Provisions) of Cigarettes

Revision of Excise Duty on Cigarettes

5. Excise Duty on Liquor under Excise Ordinance

Revision of Excise Duty on Liquor

II. Proposals in relation to non-tax income

1. Levying a fee in respect of vehicles which undergo motor traffic accidents and allowing the insurer to reimburse the fee from the insurance.
2. Levying a fee for modernization, modification or upgrading of vehicles.
3. Legalizing all unauthorized roadworthy motor vehicles and motor cycles by paying a penalty during a period of amnesty.
4. Release all vehicles stationed at Sri Lanka Customs because of non-payment of tax or other reasons for release after charging relevant taxes and a fine.

5. Issuing a licence for conducting leisure related activities for special premises which are developed as special zones.
6. Issue licences issued by Telecommunication Regulatory Commission of Sri Lanka through an auction. These licences are issued in relation to telecommunication including for fixed telephone operators, mobile operators, internet service providers and satellite broadcasting operators.

III. Tax Administration

1. Further strengthening the Large Taxpayers' Unit (LTU) and Upper Corporate Unit (UCU) established at the Inland Revenue Department to further increase the revenue generated from large taxpayers.
2. Addressing deficiencies within the digitized platforms of revenue agencies: RAMIS at Inland Revenue Department and Single Window at Sri Lanka Customs.
3. Expediting the implementation of the digital revenue platform of Excise Department
4. Simplifying the obtaining of liquor license.
5. Allowing the submission of digital invoices and documents as valid documents in tax filing wherever possible through the above digital platforms with the proper verification system in place.

IV. Other proposals

1. Monetary Gains made by Perpetual Treasuries Ltd.

Transferring to the Treasury monetary gains made by Perpetual Treasuries Ltd. by violating the Code of Conduct of the Central Bank of Sri Lanka, in a way that would not hinder the legal action taken by the Honourable Attorney General.

2. Technical Rectifications

Relevant Amendments will be made to Value Added Tax Act, No. 14 of 2002 and other relevant acts to rectify certain ambiguities (including differences in translations).