

79th Budget Speech 2025

**17th February 2025
Parliament of Sri Lanka**

Budget Speech - 2025

Preamble

Honourable Speaker, it is our pleasure to present the first National Budget of our Government to this House.

The country went through its deepest and most complex socio, economic and political crisis in 2022 since independence. Although the crisis erupted in the year 2022, the underlying causes of the crisis are historical and structural. Corrupt governance, failed economic policies and irresponsible public financial management are the root causes of this crisis. As a consequence, there was breakdown of normalcy in economic activities in the country which was experienced by all sectors and social groups from businesses to households. Shortages in goods and services including fuel, electricity, essential food and medicine caused severe hardship on the people of the country, especially the women, children, disabled and the elderly people. Professionals were compelled to leave the country. People had to wait in long queues for days to access basic necessities and some died while waiting in the queues. The crisis of 2022 was not a mere economic crisis, it was a colossal failure in political administration up until that point. Even though the initial breakdown of the economy has been treated and largely contained, the economic crisis of 2022 has transformed into a humanitarian crisis affecting the poorest and the most vulnerable sections of society.

Going beyond the economic and the social, the crisis also triggered a political shift in the country. Unbearable economic hardships led to social uprising against the corrupt rulers. People's power forced them to step down from government.

Thereafter, a temporary Government was formed which was a distortion of the people's mandate. However, the aspirations of people for socio, economic and political transformation remained unfulfilled as the new temporary government protected and continued to project the corrupt, waste public money and suppressed the people. Measures taken to postpone the local Government election in March 2023, shattered the expectations of the people for democracy.

Through the Presidential election and the General election at the end of 2024 with unshaken determination, dedication and leadership, people took a progressive decision to form a new Government with a strong mandate to direct the country towards a common prosperity by transforming the economic, social and political system of the country.

Hence, this Budget becomes historic as it lays the foundation for fulfilling those aspirations of the people for economic transformation of the country, by driving the economy towards sustainable growth and development.

One of the challenges we faced at the outset was dispelling the wrongful picture of us created by the myths and malicious political propaganda against our economic policy and vision by those who tried to stop this triumph. We have succeeded in that. There were misconceptions that the Sri Lanka Rupee against the Dollar will rise even to LKR 400, that an era of fuel queues will return, international development partners and countries would isolate the new Government, investors will lose confidence, and that private property will be completely nationalized. Despite such negative propaganda against us, we were able to emerge successfully to stabilize the economy and build strong relationships with international partners and create confidence among investors.

Accordingly, prices and the financial sector gradually stabilized with the benchmark annual Treasury bill rate coming down to 8.8 percent. Foreign currency reserves were at USD 6.1 billion by the end of December 2024 even after,

the debt restructuring related payments of USD 570 million in December 2024, surpassing the predictions. Additionally, despite concerns over currency depreciation, the Sri Lankan Rupee has strengthened to approximately Rs. 300 per US dollar. We expect an economic growth of around 5 percent in 2025.

From mid-2022, Sri Lanka implemented economic reforms with the support of the International Monetary Fund (IMF) and other international partners in order to address the crisis. These remedial measures in some cases added to the pressures on the citizenry – particularly measures such as cost-reflective energy pricing, tax increases, and interest rate hikes. While we recognize the role played by the IMF Extended Fund Facility Programme (IMF-EFF) in stabilizing the economy, we are also of the view that in order to design our economic agenda achieving economic sovereignty is necessary.

Another key point in the economy was the conclusion of the debt restructuring process in December 2024. In fact, when we came into power, the debt restructuring process was ongoing which we did not want to obstruct given the potential of destabilising the economy if such a drastic change took place. While taking this decision, we also considered the significant time already spent on the debt restructuring process and the additional costs the continuation of the process would incur.

This process has provided substantial debt relief, significantly reducing debt servicing costs. It is imperative that the country leverages this fiscal space to strengthen external and fiscal buffers and enhance non- debt generating inflows such as export income and foreign investment and ensure long-term financial stability to facilitate the smooth resumption of debt repayments in the future. As a result, Sri Lanka's credit ratings were upgraded by leading global agencies, such as Fitch Ratings and Moody's by several notches at once. These improvements have been gradually building investor confidence, fostering trade and investment

opportunities, and lowering international financial transaction costs; key factors in driving economic growth.

On the other hand, the created economic crisis continues to impact many, particularly the most vulnerable segments of society. The crisis led to a significant rise in the cost of living, with inflation rising up to 70 percent in 2022. Although inflation has since declined, price levels of many goods and services remain elevated, and income growth has not kept pace accordingly, thereby reducing living standards of the people. Especially because the fact that real wages have dropped significantly over the last couple of years it is necessary to offer a fair pay hike. Further, the Government has increased cash transfers to targeted communities and extended the beneficiary time period through the *Aswesuma* program and offered other targeted social benefits to provide relief to those in need.

However, cash transfers of this nature are not a sustainable solution to eliminate the widespread poverty in the country. It is the obligation of a humane government to take care of the citizens who are unable to engage in economic activity due to various difficulties and challenges. We all know that there are inclusion and exclusion errors in the *Aswesuma* programme. That's why the Government is planning to select the most deserving people to the programme. At the same time, a sustainable solution to poverty alleviation is also necessary through enhancing opportunities for all people to engage in economic activity to their fullest potential.

Economic growth must take place in a manner that is inclusive, where all citizens have enhanced economic opportunities, and the resultant benefits are reaped fairly by all strata of society. Growth for the sake of growth has little value to society unless it is a means to uplifting the lives of all members of society. For several decades, economic activity and economic benefits have been concentrated

amongst the few. The concentration of income at a household level, with the top 20 percent of households accounting for 47 percent of household expenditure according to the latest (2019) Household Income and Expenditure Survey. Western Province accounts for 44 percent of GDP in 2023. Accordingly, what is needed going forward is for a greater democratisation of the economy, where economic opportunity is more fairly distributed. Mass struggles and last year's election saw people asserting their political rights. What is necessary is for economic rights to be similarly asserted. This is the philosophy of this budget.

This year's budget is prepared under significant constraints. We should not forget the severity of the economic crisis that we have been through since 2022. Most countries go through what is known as a "*Lost Decade*" following a sovereign default. However, we have achieved stability to a certain extent. Therefore, this budget has been prepared with a focused sense of fiscal discipline, economic vision and guidance. We are ready to give the political leadership necessary to reach the objectives of this budget.

The Public Financial Management Act sets the key fiscal rule, which is a limit of primary expenditure of 13 percent of GDP. This year's budget is prepared in accordance with this requirement. Therefore, we have to be cautious in the way we spend limited tax funds to ensure we get the best social return out of such spending.

In this year's budget, we have been able to allocate funds for many of our key priorities, although it may not be to the fullest extent that is desired. Whilst these focus areas are different to traditional budgets, we have also allocated funds for the continuity of ongoing initiatives, whilst making adjustments to align these with our mandate. This is evident in our increased expenditure on the *Aswesuma* programme and other social welfare priorities. We have allocated funds for the senior citizens' interest subsidy from July 2025, to the maximum extent that is

feasible given the tight fiscal constraints. We are also committed to implementing a robust mechanism to prevent abuse of this scheme. We have allocated 4 percent of GDP for capital expenditure in this year's budget. This is a key contribution from the Government towards driving economic growth. We will take measures to invigorate the SME sector, public transport, rural development, agricultural rejuvenation, local entrepreneurship, incentivise research, and remove barriers to growth and efficiency of domestic and export-oriented production. In all of these and other public expenditures, we will exercise a far greater degree of caution in terms of prioritisation, targeting, effective implementation and ensuring value for money. Therefore, the economic and social return is expected to be higher from every rupee that is spent out of the public finance.

As we continue on this journey of economic rebuilding, fiscal space will expand. As we unlock more savings through efficiency gains, elimination of corruption and waste, better prioritisation, and better tax administration, there will be more resources available to us to fulfill people's priority. Therefore, we as a country must be patient, and collectively work with discipline and determination, and the rewards will materialise as we go forward.

Principles of Budget 2025

A budget is not just a set of revenue and expenditure proposals for the upcoming year, it is also a reflection of the Government's approach to building the economy and overall policy. This budget will encapsulate three main facets of the supply side of economic policy objectives;

- i. Growth of production of industry, services and agriculture.
- ii. Production must take place with the active engagement and participation of people.
- iii. The benefits and gains from production must be equitably shared across society.

Similarly, on the demand side for goods and services, the Government's policy objectives are;

- i. To ensure continuous supply of essential goods and services.
- ii. Such goods and services must be supplied at a fair and reasonable price.
- iii. Goods and services must be of an acceptable level of quality.

The mechanism by which these supply and demand objectives will be achieved would be a combination of the following;

- i. Through the *competitive market* where supply, demand, and prices are determined through the forces of competition.
- ii. *Government must regulate and monitor the market through regulatory bodies.*
- iii. *Active Government participation* in supply and demand in certain areas.
- iv. Organizing production in certain areas.

This year's budget is organised based on these principles, and we intend to set a foundation to create an economy where all citizens are active participants, active stakeholders, and active beneficiaries. The Government's role is to facilitate and remove the impediments for people to fulfil their economic potential. It is an injustice when a person is unable to fulfil their economic potential due to living in a remote area. It is an injustice when a person is unable to fulfil their economic potential due to a disability, due to a lack of educational opportunity, due to a lack of basic infrastructure. This is not an easy process that can be resolved overnight. It requires a great deal of effort to empower citizens to fulfill their economic potential. It is important to invest in education and training to build the required skills and capacity of the people. It is important to invest in healthcare to ensure people have the opportunity to fulfil their capabilities. Providing infrastructure to enable people to access markets and engage with economic opportunities in Sri Lanka and overseas. The Government must ensure that competition is fair – where there isn't excessive concentration of market power

that creates an uneven playing field. The proposals in this budget will begin economic empowerment of the people of this country. This would be the foundation for democratisation of the Sri Lankan economy.

Growth must also be driven by continuous productivity growth – and digitalisation of the economy is an essential. Another critical foundation for economic advancement, but also social upliftment, and political reform, is the good governance and elimination of corruption. Governance reforms and anti-corruption initiatives are a top priority of the Government. The Government's flagship Clean Sri Lanka initiative aims to give life to this aspiration of society.

Medium Term Macroeconomic Direction

Through the proposals presented in this budget, we are laying the foundation for a new paradigm in macroeconomic trajectory. We expect economic growth of over 5 percent real GDP growth over the medium term. Through our measures to improve supply capacity in the economy, we expect price shocks to be minimised, thereby providing further support to low and stable inflation. Macroeconomic policy path will also be supportive of a stable external current account balance, putting an end to the era of large current account deficits. Accordingly, we expect the currency, which is based on market fundamentals, will no longer experience spells of substantial volatility.

Growth will be facilitated by a strong export sector, where we expect exports of goods and services to reach an all-time high of close to USD 19 billion in 2025. This growth in non-debt creating inflows along with robust economic growth and a primary budget surplus of 2.3 percent of GDP will ensure Sri Lanka is well placed to meet the gradual increase in debt service payments from 2028 onwards.

The country's poverty rate reached 25.9 percent in 2023 according to World Bank estimates. Whilst most countries that have undergone a sovereign default

experience a prolonged period of elevated poverty, we hope to see a reversal of this trend by 2025, followed by a persistent decline in poverty as the proposals in this budget take the first steps towards a comprehensive effort to empower the poorest and most vulnerable members of society.

With sound financial management, responsible debt management, human capital investment, a robust social safety net, economic diversification, promotion of exports, improvement of investment climate, modernization of agriculture, green economy policies, innovation, digitalisation, entrepreneurship & startup ecosystems, Public-Private Partnerships (PPPs), strengthening of anti-corruption measures, improvement of governance, and promotion of transparency, and sustainable growth strategies, we expect to better use the post-crisis opportunities to create a transformative change in the Sri Lankan economy to achieve long-term economic stability and prosperity.

I will now present the 2025 Budget proposals to this Parliament.

1. Expanding Exports of Goods and Services

Government will formulate the national export development plan (2025-2029) with a view to increasing Sri Lanka's export of goods and services on an ambitious scale by enhancing Sri Lanka's ability to export into global markets. MSMEs will be facilitated to tap new export markets, expand existing markets or to connect in the value chains of large-scale exporters and global value chains.

With the view of removing limitations in access to high quality, affordable raw materials, new Tariff rates will be based on a National Tariff policy to create a simple, transparent and predictable tariff framework.

Sri Lanka's network of Free Trade Agreements (FTAs) with strategic partners, particularly with a view to greater economic ties with ASEAN nations will be expanded through the Regional Comprehensive Economic Partnership (RCEP) and other agreements.

Enhanced focus will be placed on economic diplomacy with dedicated and more professionalised efforts by Sri Lanka's diplomatic missions towards enhancement of Sri Lankan exports of goods and services.

Sri Lankan expatriates will be leveraged for enhanced access to overseas business networks, commercial opportunities, and commercial collaboration with Sri Lankan exporters.

Key border agencies and exporter registration will be automated and integrated through implementation of the Trade National Single Window (TNSW).

The new Customs Law will be introduced to enhance trade facilitation and revenue collection.

Double Taxation Avoidance Agreements (DTAs) will be expanded beyond the existing 44 DTAs with priority given to countries with high trade and investment potential.

2. Investment Promotion and Facilitation

Government will support expansion of export-oriented investment, sector-specific zones, establishing eco-industrial parks which focus on sustainable practices, resource management, and green technology through Public Private Partnership (PPPs) and privately run zones.

The Government will revisit the Economic Transformation Act with appropriate revisions to suit the emerging developments.

Government will lease out under-utilised state-owned land for productive economic activities.

An Investment Protection Bill will be enacted to facilitate and protect investments.

Improvements in the country's ease of doing business will be prioritised in key areas such as registering property, ease of paying taxes, trade facilitation, enforcement of contracts, and obtaining credit to attract foreign direct investments (FDI). Measures for digitisation of public services will play an important role in enabling this objective.

Government will introduce laws to ensure effective implementation of the one-stop-shop concept which consolidates all necessary approvals.

Barriers for local firms to invest overseas will be reviewed and gradually rationalised by establishing appropriate safeguards to track repatriation of earnings and dividends.

A Public Private Partnership (PPP) Bill will be introduced.

Bimsaviya programme will be expedited to develop good quality land titles for small scale land owners, which will increase the commercial usability of land.

A new Insolvency Law, already in the draft stages, will be expedited.

Government will call for foreign direct investments to optimize the utilization of Sri Lanka's untapped potential in investment, industrial development, and value added exports of Sri Lanka's mineral resources and marine economy.

Government will provide required technical and financial assistance for exporters and importers to obtain quality testing and certifications.

The testing and calibration labs, referral centers, the referral Center for health research on cancerous inputs, Universities and other conformity assessment bodies inclusive of Industrial Technology Institute will also be developed with an effective coordination mechanism to have efficient service delivery for clients. In order to fulfill the desired outcome of the NQI system in the country, we propose to allocate Rs.750 million for 2025.

3. Leveraging Sri Lanka's Strategic Location

Sri Lanka has the potential to be a hub for trade, logistics, financial services, and the digital economy. This budget will provide the fundamental steps towards fulfilling this potential.

Logistics holds significant potential to serve as a premier driver of economic development in Sri Lanka, leveraging the country's strategic geographic location. Currently, logistics contributes approximately 2.5 percent of the nation's GDP, 7 percent contribution to exports and provides direct full-time employment to an estimated 40,000–50,000 individuals.

The completion of the East and West Container Terminal projects will have a significant capacity enhancement of the Port of Colombo. Additionally, the proposed Colombo West Terminal 2 and Colombo North Port is expected to expedite the performance of Sri Lanka's ports. Therefore, we will call for Expression of Interest for these projects within a month.

The Port of Colombo is currently experiencing severe congestion as container volumes have surged significantly, exposing the need for critical development in infrastructure and systems and procedures.

Therefore, we propose to allocate Rs. 500 million from the 2025 Budget to support the land acquisition process and initial preparatory works of the Kerawalapitiya custom inspection yard and Bloemendhal Logistics Park.

As a long-term measure to ease the container traffic congestion in and around the Colombo port and increasing foreign earning through value addition, it is proposed to establish an Internal Container Dry Port (ICD) at Veyangoda as a rail based Integrated Multimodal Cargo and Logistic Center (IMCLC). We propose to allocate Rs. 500 million to review previous studies, identify an institutional mechanism, land acquisition and initial preparatory works on ICD at Veyangoda.

We propose to allocate Rs. 500 million to support the initial development of the National Single Window System, Truck Appointment System, E-Cargo Tracking System and Port Community System.

Modernizing infrastructure and incorporating cutting-edge technology is crucial for improving cargo movement. Outdated scanning systems are causing delays in the whole supply chain. Therefore, we propose to allocate Rs. 1,000 million to support the initial development and establishments of advanced scanning systems for Port of Colombo and Bandaranayake International Airport.

4. Digital Economy Advancement

Accelerating the development of Sri Lanka's Digital Economy is one of the most important pillars of our Economic Development strategy. Digital Transformation will uplift economic growth through enhancing productivity across industrial and service sectors, advancing economic opportunity, improving public service delivery and improving transparency in governance and public finance.

Introduction of Sri Lanka Unique Digital Identification (SL-UDI) for all citizens is a key priority. SL-UDI is a foundational Digital Public Infrastructure (DPI) essential for the development of a digital economy. Steps have already begun towards this process and it is expected that this process will be expedited.

Public and Institutional Trust in the Safety and Integrity of Digital Services and Systems is critical for the success and sustainability of Digital Transformation. Sri

Lanka's Digital Economy will be governed and protected through the creation of new legislation and the strengthening of existing legislation. We will also focus on strengthening the related institutional framework. We will enact new Legislation to further accelerate the Digital Economy and to empower an Apex Digital Economy Authority as well as other subject specific agencies in the Digital Eco-System. We will also strengthen legislation and institutions related to Cyber Security, Data Privacy and Data Protection.

Digital Payment Infrastructure is another foundational component of Sri Lanka's Digital Economy Framework. The accelerated adoption of digital payments flowing between Government, Business and Citizens will be key accelerator of the Digital Economy. The recently launched GovPay system is an example of one such Digital Payment channel. It is necessary to gradually shift away from a cash-based economy. It would be implemented in a carefully phased process with clear communication.

The Government will facilitate a conducive investment environment to attract Private Capital and Partnerships across all segments of the Digital Economy. This will also support to attracting investments towards innovations in artificial intelligence, robotics, FinTech, and other emerging technologies.

Our aim is to grow Sri Lanka's Digital Economy to a level in excess of USD 15 Bn or 12 percent of the National Economy over the next 5 years. In achieving this ambition, the Government aims to facilitate an increase in the ICT industry's annual export revenue to USD 5 billion.

Accordingly, we propose to allocate Rs. 3,000 million to bolster the acceleration of Digital Economy Development through the initiatives described.

5. Tourism Sector

It is necessary to ensure that we focus on the value generated from tourism instead of simply focusing on the number of arrivals.

Towards this end, steps will be taken to develop local destinations so as to optimize value generation from each destination with local branding of destinations to reflect the unique cultural value proposition of that destination with required infrastructure facilities. After identification, the required critical infrastructure development activities will be carried out on a priority basis during the 2 year period, 2025-2026. This infrastructure development will be supported by an integrated city branding and promotion campaign for these developed destinations. For this purpose, we propose to allocate Rs. 500 million for year 2025.

The Government will facilitate training youth in communication and other skills, in the tourism sector.

Developing and promoting new tourist destinations to expand the moving capacity of tourists will be a priority agenda of the Government.

In parallel, a digital ticketing system will be introduced to address issues of overcrowding and improve capacity of the sector.

Bandaranaike International Airport Terminal 2 will be expanded with the support of Japanese investments.

The Government will improve tourist safety and facilities through a combination of technology based solutions linking the tourist police, Government agencies and civic organizations to provide information on tourist attractions, receive security alerts, feedback on tourist experience and monitor complaints to law enforcement authorities.

6. SMEs as the Backbone of Economic Development

The development of small and medium enterprises and entrepreneurship is a key objective of the Government. Access to finance has long been one of the biggest challenges facing the SME sector and rural entrepreneurs. The financial culture in this country has been one of collateral based lending which has led to a great deal of financial exclusion. Whilst banks must protect the interests of depositors and ensure prudence in their lending practices, there also needs to be a solution for SMEs and new entrepreneurs as well.

Towards this end, the Government is working towards setting up a development bank. As a first step, the function of a development bank through a new administrative structure will be established through the existing state bank mechanism. The Government will support this task through the National Credit Guarantee Institution (NCGI).

7. Fostering Innovation & Entrepreneurship

R&D projects will be aligned with the industry needs in collaboration and consultation with diverse stakeholders including research institutions, universities, Government agencies and private sector and National Intellectual Property Organization (NIPO).

Priority for R&D initiatives will be on following areas;

- i. Providing co-financing for selected R&D initiatives.
- ii. Coordinate linkages between public R&D institutions and relevant universities with Sri Lanka's diaspora engaged in similar fields globally.
- iii. Facilitate exporters to receive trademark protection globally through accession to the Madrid Protocol.

It is reported that 272 patent registrations were in 2020 and out of them, 223 patents were Non-Resident registrations and we ranked as the 61st country in 2019 in terms of patent application submission. We observe that there are a number of research findings which have not been commercialized and utilized for the benefit of the economy, and reaping the investment opportunities. For this purpose, we propose to allocate Rs. 1,000 million to create an Innovation Invention Fund for commercialization of Research Findings.

8. Expenditure Management

The Government will continue efforts to streamline state expenditure. The entire ecosystem of allowances and benefits provided to public representatives is being reviewed. Through such interventions, it would be possible to free up valuable resources that are tied up in depreciating assets and deploy them in far more productive uses.

To set an example on the side of the political leadership on expenditure management, the number of Ministers is limited 21. Ministers' and Deputy Ministers' expenditure has been rationalized reducing the public expenditure for the Government.

Public resources such as mansions allocated for the President, Prime Minister and Ministers have been redirected to effective public use. A Committee is appointed to recommend the best use of such properties in economically viable projects and the public interest.

All luxury vehicles that require heavy running & maintenance expenses will be auctioned.

- **Minimizing state expenditure on vehicles.**

Vehicles assigned as official vehicles to Government officials have high fuel consumption and are of significant value. These vehicles incur high maintenance costs. Hence, the Government has decided to minimize heavy expenditure on vehicles by encouraging selected officers through an additional financial benefit.

- **Rationalisation of State Agencies**

Over the years, the Government mechanism has enlarged into an unwieldy structure. Several agencies have been set up without appropriate study or reason. This has resulted in duplication, wastage, and a hindrance to the effective delivery of Government services. In order to remedy this situation, a Committee under the Prime Minister's Secretary has already been appointed to review the functions and utility of a plethora of Government agencies. It would be possible to determine which agencies need to continue, which need to be amalgamated with other agencies, and which agencies need to be discontinued, which need to change their objectives. This exercise is expected to deliver substantial gains in terms of improved efficiency in delivery of public services.

- **Institutional Governance of State-Owned Enterprises**

A key requirement to reduce future financial risk emanating from SOEs is to improve SOE governance. Towards this end, a Holding Company under the full control of the Government will be established under which selected SOEs are held as subsidiaries with a view to improve governance, financial discipline and operational efficiency.

9. Supporting Women's Economic Participation

Programs for women's affairs are implemented at the line ministry as well as the provincial council level. In that, a monthly assistance is given for providing nutritious food especially for pregnant mother, for which Rs. 7,500 million has been earmarked. Also, for the Triposha program for the nutrition of mothers and children, Rs. 5,000 million has been allocated.

For programs to prevent child and women violence, empower women and save women, Rs. 120 million has also been allocated. In order to maintain the network spread across the island for the implementation of programs aimed at women Rs. 720 million will be incurred.

10. Towards a Healthy Society

i. Digitalization of the Health system

Digitalization within Sri Lanka's health system has been minimal compared to the other countries in the region. Accordingly, new initiatives and interventions will be carried out from 2025 to enhance the digitalization of healthcare delivery. This will include digitalization of functions of National Medicines Regulatory Authority (NMRA), State Pharmaceuticals Corporation (SPC), and improvement and expansion of the "Swastha" system.

ii. Improving Rural-level Primary Health Care

Efforts are being made to improve the service delivery at over 1,000 Primary Medical Care Units (PMCU) and Divisional hospitals with the focus on non-communicable disease control and prevention. Furthermore, palliative and geriatric care services will be available at selected PMCU in each district, especially considering the ageing population.

iii. Estate Health

Actions will be taken to expedite the process of strengthening estate level health care service through Public Private Partnership (PPP) with Regional Plantation Companies. Required human resources, necessary equipment and pharmaceuticals for estate hospitals will be provided by the Government.

iv. Pandemic Preparedness

National capacity for pandemic prevention, preparedness, and response will be improved with the assistance of development partners over the next three years. Additionally, surveillance and early warning capacity against all potential health hazards will be strengthened.

A healthy population is also essential for human capital development, as it directly contributes to increased productivity, better educational outcomes, enhanced workforce participation, innovation and skill development. It also promotes social stability, improve quality of life, and drive economic growth and stability. Accordingly, Government health budget for 2025 has significantly increased to an allocation of Rs. 604,000 million.

In order to ensure the supply of pharmaceuticals and medical supplies, Rs. 185,000 million is allocated in 2025 budget. The Government will take necessary actions through the Ministry of Health to ensure the procurement and distribution of quality pharmaceuticals and medical supplies without any interruption and minimize wastages while optimizing procurement processes and full utilization of funds.

v. Provision of healthcare treatment for Children with Neurodevelopmental Disabilities, including Autism

Sri Lanka has seen a rise in the number of children diagnosed with neurodevelopmental disabilities, including autism over the past decade.

To address these challenges, it is proposed to implement a 5-year national program to improve health, education and service facilities for children with neurodevelopmental disabilities, including autism across all 25 districts of Sri Lanka. As an initial step, we propose to allocate Rs. 200 million for 2025 to establish a treatment center for children with neurodevelopmental disabilities with international standards at the Lady Ridgeway Children's Hospital (LRH). Further, efforts will be made to establish similar kind of treatment centers in every district with the necessary human resources within the next five years.

vi. Inclusive Early Childhood Development for Children with Neurodevelopmental Disabilities, including Autism

Currently, the Pre-schools and Day-care services are provided by the private sector. Pre-schools and Day-care facilities for children with Autism are limited. This is mainly due to the lack of awareness and capacity among preschool teachers and caregivers on inclusive education and early childhood development for children with Neurodevelopmental Disabilities, including Autism. Accordingly, we propose allocating Rs. 250 million for developing a model daycare center.

11. Education Opportunities for Everyone

Due to economic challenges that prevailed in the country, renovations of school infrastructure have not been done since 2019. Therefore, over Rs. 10,000 million has already been allocated from the 2025 budget to upgrade school infrastructure.

Rs. 135,000 million has already been allocated to improve the quality of the university system.

- **Pre-school Nutrition Programme.**

We propose to increase the payment per meal per student for pre-school morning meal programme from Rs. 60 to Rs. 100 and a provision of Rs. 1,000 million has already been made in 2025 budget estimates for this purpose.

An allocation of Rs. 80 million has been made in the 2025 budget estimates to construct a model early childhood education center laying a foundation for lifelong learning.

Recognizing pre- school teachers as key players in human resource development, in order to enhance the quality of preschool education and acknowledge their valuable contribution, we propose to increase their monthly allowance by Rs. 1,000 starting from June this year. Accordingly, we propose to allocate Rs. 100 million for this purpose.

- **Modernization of school Education**

The Government's policy is to develop a primary school within 3 kilometers radius, where children's residence or their parent's place of work. At present, there are 10,126 Government schools island wide. Of them, 3,946 are primary schools, and approximately 634,094 children enrolled in these schools. There are more than 3,000 schools having fewer than 100 students, 1,471 schools have fewer than 50 students. Most of these schools are in rural and remote areas. This has led to a great disparity between schools. Accordingly, it is proposed to review the school system to prepare a national plan to relocate schools. Accordingly, we propose to allocate Rs. 500 million to implement this programme.

- **Student Scholarships**

- a. We propose to increase monthly scholarship amount from Rs. 750 to Rs. 1,500 to Students who qualified grade 5 scholarship examination in low-income families. Accordingly, we propose to allocate Rs. 1,000 million for this purpose.
- b. Nutritious Food Allowance has been supported for students in sports schools to obtain a nutritious diet. Hence, we propose to double the monthly Nutritious Food Allowance from Rs. 5,000 to Rs. 10,000 per student. Budgetary provision has been already made in 2025 budget estimate for this purpose.
- c. We propose to increase this stipend from 4,000 to Rs. 5,000 per month for students in vocational Education. Budgetary provision has already been made in 2025 budget estimate for this purpose, in addition to which we propose to allocate a further Rs. 200 million for the same.
- d. We propose to increase monthly Mahapola scholarship from Rs. 5,000 to Rs. 7,500 and monthly Bursary payments from 4,000 to Rs 6,500. A provision of Rs. 4,600 million has already been made in 2025 budget estimates.

All of these payments will be made from April, 2025.

- **Scholarship for Pursuing Undergraduate Courses at High-ranking Universities**

We propose to create a programme to offer scholarships for students who show outstanding performance in G.C.E. A/L examination to study undergraduate degree programmes at high-ranking universities and return to Sri Lanka to apply

their acquired knowledge and skills to the country. For this purpose, we propose to allocate Rs. 200 million to initiate this programme in 2025.

- **Development of Sports Schools**

In this regard, we propose to develop specialized sports schools in five provinces; Western, Northern, Central, Uva, and North Central, and the schools will be selected based on the records of the past or present students accomplished in the local and international competitions. Accordingly, we propose to allocate Rs. 500 million for the development of sports schools in five provinces.

- **Improvement of Jaffna and other Regional Libraries**

A large number of readers, including school students from Jaffna and nearby islands, use the Jaffna Library. However, the infrastructure has not been adequately developed for the benefit of these readers. Therefore, we propose to allocate Rs. 100 million from this budget to provide computers and other essential facilities for this library. In addition to that, we propose to allocate another Rs. 200 million under this budget for the development of other regional libraries.

12. Energy Sector

The energy sector is vital for the country's economic development. We will focus on diversifying energy sources with more weight on renewable energy and modernizing infrastructure. Government will continue to invest in the energy sector while welcoming local and foreign investors who could provide the best tariff advantage to Sri Lanka. Necessary reforms to the regulatory framework will be prioritized to facilitate internal restructuring with the new Act to be passed soon.

We awarded a tender to a 50MW wind power project at USD 4.65 cents for a unit of electricity. In that context, awarding projects at an excessive tariff around USD 8.26 cents cannot be justified. To provide energy at a competitive cost to industries, exporters, and consumers, we will welcome energy investments based on the lowest tariffs and we will not provide preferential treatment purely on the company or the country of origin.

When we exclude the oil tanks given CPC and IOC, there are 61 more oil tanks in the Trincomalee oil tank complex which has 99 tanks of 10,000 Metric Ton capacity. Considering the strategic location of these tanks, there is high potential to access international markets. We expect to develop these tanks collaborating with internationally recognized companies.

13. Agriculture and Food Security

The agriculture sector provides employment to approximately 30 percent of the country's labour force and is the backbone of the rural economy. Therefore, enhancing the potential of the agriculture sector is a key requirement in terms of improving economic opportunities for the vast majority of Sri Lankans.

The Government policy on agriculture sector is aimed at increasing its productivity, competitiveness and resilience. The fertilizer subsidy for paddy farmers will be continued, for which the Government has already allocated Rs. 35,000 million for 2025. The development of quality seeds, cascade management, efficient use of water in agriculture has been identified as priority areas and are expected to be supported by the budgetary allocation.

- *Maintaining a Healthy buffer Stock:* A sufficient buffer stock starting from this Maha 2024/25 is proposed to be maintained as a resilience measure to bridge the demand and supply of rice in the market while avoiding haphazard price

volatility. We propose to allocate Rs. 5,000 million for this purpose for Maha 2024/25.

- *Information System:* The agriculture sector lacks a sound data and information system for timely decision making. Therefore, action will be taken to establish a sound data and information system covering the entire value chain from the point of production up to the point of consumption under the ongoing Asian Development Bank funded “Food Security Livelihood Emergency Assistance Project” and will be expanded with the funds coming from the new World Bank Project; Integrated Rurban Development and Climate Resilience Project.
- *Production Increase of Other Field Crops (OFCs):* In addition to paddy, the production of green gram, black gram, chillie, red-onion, cowpea, soya, maize, potatoes and other selected cereals as well as tuber crops will be increased through an accelerated programme over the medium term 2025-2027. For this purpose, we propose to allocate Rs. 500 million for 2025, in addition to the funds given for the Ministry of Agriculture for 2025.

It is appropriate to develop a regulatory framework to regulate the collection and storage of paddy and rice stock in the market. Accordingly, it is proposed to amend the Paddy Marketing Board Act for vesting the powers with them to regulate the collection and storage of paddy and rice.

- **Bringing Land into Production**

Some of the lands presently managed by LRC, RPCs, SLSPC, JEDB and under utilized will be identified and brought in for private investment including SMEs taking the suitability of the land into consideration. We propose to allocate Rs. 250 million to undertake initial activities in this regard.

- **Youth Entrepreneurs and Producer Cooperatives**

At present, there are many global examples of successful producer cooperative arrangements. Fonterra a New Zealand dairy cooperative, Amul, Indian Dairy Farmers Cooperative and Mondragon Workers Cooperative of Spain are a few of the best global examples.

We too propose to adopt an alternative production approach where the cooperative mechanism. The Government will support these cooperative mechanisms through provision of land, agricultural extension services, and other support. To further strengthen the legal empowerment and to provide the necessary infrastructure facilities and financial incentives, we propose to allocate Rs. 100 million for this initiative for 2025.

- **Youth Entrepreneurship Development in Agriculture**

The youth entrepreneurs in agro-based SMEs, particularly for those who expect to scale-up or willing to engage in startups, will be targeted through this initiative. We propose to allocate Rs. 500 million for this purpose.

- **Dairy Production**

At present, the domestic milk production is sufficient only to cater to around 45 percent of the local demand. In order to increase the dairy production, Rs. 2,500 million is proposed to be invested during 2025-26 for the improvement of Dairy Value Chains and to enhance dairy farming productivity through the ongoing Inclusive Connectivity Development Project.

- **Irrigation Sector Development**

Sri Lanka's agriculture-based economy is very significant with about 75 percent of the population living and working in the rural sector. The total public sector investment for irrigation sector development for 2025 is estimated at Rs. 78,000 million.

The new water resources development projects, including Malwathu Oya, Gin Nilwala, Maduru Oya Right Bank development, Mundeni Aru project will gradually be brought into implementation over the medium term, considering the priority within the available fiscal space.

In order to rehabilitate down-stream development of Galoya, Rajanganaya, Minneriya and Hurulu Wewa schemes, an allocation of Rs. 2,000 million is proposed to be provided in 2025.

14. Plantations and other export crops

- **Increasing Coconut Production**

The global demand for coconut products is continuously increasing, and as predicted by the industry, total nut requirement of the country would be 4,500 million nuts in 2030, where 1,800 million nuts are expected to be used for home consumption, and the balance 2,700 million nuts can be absorbed for industry purposes.

Therefore, we propose to allocate Rs. 500 million for high-yielding coconut seedlings to the growers in the Northern region for planting 16,000 acres of new coconut land in established Northern Coconut Triangle based on CRI recommendation.

- **Other Export Crops - Spices**

Measures will be taken to expand value addition in traditional exports such as Cinnamon. Marketing and promotion of these products will be enhanced through Sri Lanka's embassies. The Government will provide technical assistance to farmers in order to improve supply quality and facilitate linkage with value added exporters, including through international joint ventures.

In order to link to the global value chain, we propose to allocate Rs. 250 million to implement an integrated product development and trade promotion programme on Ceylon cinnamon and other export crops.

15. Fisheries & Aquaculture

Limited availability of freshwater prawn seeds is identified as a major constraint to further develop the freshwater prawn farming industry in Sri Lanka. In order to promote the stocking of freshwater prawn in tanks and non-traditional aquaculture, and enhance the future production towards export economy, we propose to empower farming community/fisheries societies and local communities and establishment of freshwater prawn hatcheries under Public Private Partnership (PPP) arrangements, farmer cooperatives and marketing networks and facilitate farmer societies to link with such marketing networks as well. For this purpose, we propose to allocate Rs. 200 million.

16. Social Protection

Increasing ageing population, low female labour force participation, and shrinking labour market have created a challenging situation in the country. Furthermore, it is observed that inequality and vulnerability persist particularly among certain segments; including children, disadvantaged women, the elderly, the poor, and the differently-abled. Therefore, the Government's responsibility is to protect and to empower them to integrate into society as productive and equal partners.

- **“Aswesuma” benefit enhancement**

In order to ease the burden of vulnerable communities, the Government will take necessary steps to safeguard them by enhancing the cash grants for those in the social registry. Accordingly, the Government has increased social protection programme net spending to Rs. 232.5 billion in 2025. The increase in the monthly benefit allowance paid to the two social groups; the poor and the extremely poor, from Rs. 8,500 to Rs. 10,000 and from Rs. 15,000 to Rs. 17,500, respectively, has already been implemented with effect from January 2025. We propose to extend the benefit payment period for transitional social groups whose payments were set to end on March 31, 2025, until April 30, 2025. Further, for those eligible for *Aswesuma* to enter the scheme, yet not included it is expected to finish enumeration in May 2025, providing another opportunity for them to enter the programme.

- **Increase of the Kidney Patients/Disability/ Elderly Allowance**

We propose to increase the monthly allowances for kidney patients and people with disabilities from Rs. 7,500 to Rs. 10,000 and monthly allowances for elderly persons from Rs. 3,000 to Rs. 5,000 with effect from April 2025.

- **Empowering the “Aswesuma” beneficiaries for sustainable change**

According to Government policy, 1.2 million “*Aswesuma*” beneficiaries will be empowered using Government funds and foreign funds. Around 25,000 families have been selected to be empowered under the pilot programme with the assistance of the Asian Development Bank and the World Bank funded projects. The remaining number of potential/ eligible families are expected to be empowered gradually using the local funds. Accordingly, we propose to enhance the empowerment programme by Rs. 500 million.

The Government has already announced and implemented several other relief measures such as the Rs. 6,000 payment for each student from low income groups to support purchase of education related stationary and books. The Government has also already provided a kerosene subsidy amounting to a total of Rs. 3 billion during the period October 2024 up to March 2025 to support the livelihoods of the fishing community, particularly to help them withstand the lingering impacts of the economic crisis.

- **Enhancing the Welfare of Children Placed in Probation – Renovation of Certified Schools/Remand Homes and Childcare Institutions**

At present, 379 certified schools/detention homes/children's homes are being operated. Out of these, 47 institutions are operated by the Government. The facilities in these homes are at a very low level and it is observed that security is not adequate in some places. Some buildings need repairs and the buildings in some districts do not have sufficient space. Therefore, we propose to improve the capacity of child care centers in the areas of physical and human resource development. For this purpose, we propose to allocate Rs. 500 million.

- **Establishing a child-friendly transport system for institutionalized children to and from courts – transportation of child convicts**

We observe that children in institutionalized homes are most vulnerable for many reasons including due to inadequate transport facilities. Accordingly, we propose to allocate Rs. 250 million in 2025 to purchase the necessary vehicles for this purpose.

- **Enhanced Social Security for Orphaned Children and Youth**

In line with our manifesto and the Government's commitment to ensuring that every citizen is given the opportunity to lead a dignified and secure life, we propose social security and housing to orphaned children. This initiative will

provide them with long-term support, skills development, and financial security, ensuring their well-being and integration into society as empowered individuals who can positively contribute to the economy.

The 2025 Budget has presented proposals for the welfare of children in Government institutions and detention homes. When implementing these proposals, relevant institutions should prioritize the following matters:

- i. A monthly allowance of Rs. 5,000 for institutionalized children and orphans will be provided. We propose that Rs. 2,000 be deposited into a minor's account, and the remaining Rs. 3,000 be given to their legal guardians under Government supervision for the children's expenses. We propose to allocate Rs. 1,000 million from the 2025 Budget for this purpose.
- ii. Most of these children lack a family background or supportive system to help them to start their lives with housing and security. Therefore, these vulnerable communities are postponing marriage due to the inability to afford housing, which leads to social stress, and economic disparities. While their bank savings provide a foundation, it is often insufficient to cover the cost of building a house. Considering this reality, we propose a Rs. 1 million housing grant, to build a stable and secure house. To implement this, the Government proposes to allocate Rs. 1,000 million in the 2025 budget.
- iii. Ensuring opportunities for children in care homes and Government rehabilitation centers to enroll in the nearest national or Provincial Council school with proper educational facilities when providing school education.
- iv. Following rehabilitation methodologies that provide NVQ level 3 or 4 quality vocational/skills training for youth being rehabilitated in rehabilitation centers, enabling them to join society as good, and

productive citizens with a profession or livelihood upon release. Developing a methodology for issuing Police/Grama Seva certificates in a way that doesn't hinder those who have been rehabilitated and demonstrate good conduct from obtaining suitable employment.

- v. Giving priority based on qualifications for Government housing assistance, training, and employment recruitment when institutionalized children are reintegrated into society after turning 18 and when such children marry (especially for females).
- vi. Amending relevant laws to allow individuals to continue residing in these institutions under certain conditions when institutionalized children who turn 18 are not in a suitable position to reintegrate into society, with the aim of preventing their abuse and exploitation by various persons.

- **Database on People with Disabilities**

A significant number of the population suffers with one or many disabilities. We observe that there is no reliable data base about their distribution, difficulties, educational level, abilities to engage in economic activities and employment. Therefore, we propose to allocate Rs 100 million to establish a comprehensive database on the people with disabilities under the Secretariat for Persons with Disabilities in collaboration with the Department of Census and Statistics in the year 2025.

- **Disaster Relief**

A compensation of Rs. 250,000 is currently being paid to the people who lose their lives and those who get permanently disabled due to disasters. Accordingly, actions have been taken to increase this compensation to Rs. 1,000,000 for death or permanent disabilities caused by all factors, including natural disasters and damages caused due to wildlife.

Further, the payment of compensation of Rs 2.5 million has been already introduced for property damages that were not yet been compensated particularly for children's homes, elderly homes and residential centers for persons with disabilities, which are affected by disaster.

- **Mental Health**

We are experiencing many unfortunate incidents of suicides among adolescents. The Government has recognized the severity of this issue as a social problem. Therefore, we propose to allocate Rs. 250 million for 2025 to implement a medium-term programme to expand the awareness and counselling services for students and adolescents by the Ministry of Health in collaboration with the Ministry of Education.

- **Manufacturing of Assistive Devices Locally**

Assistive devices are crucial for people with disabilities and they are considered as a part of their body. I observe that a comprehensive programme is required to expand locally manufacturing facilities of these devices in all provinces. Therefore, we propose to allocate Rs. 500 million for this purpose in 2025. Initially, the assistive device manufacturing facility at the Rheumatology and Rehabilitation Hospital, Ragama will be expanded as the national center and regional manufacturing centers will be established as necessary.

- **Providing essential foods at a concessionary price during the New Year period**

The Government has decided to provide a concessionary 'Seasonal Food Package' by allowing them to purchase essential food items at affordable prices as a supportive measure to reduce the increased cost of living. Accordingly, it is proposed to provide a Dry Food Ration including rice, canned fish, dhal, onions, potatoes, and dried fish at a concessionary rate through Lanka Sathosa Ltd, during the upcoming New Year season. We propose to allocate Rs. 1,000 million to finance these rations.

17. Sri Lankan Expatriates

Sri Lanka's migrant workers play an important role in the country's development, both in terms of foreign exchange remittances and skills they bring back to the homeland, following their work overseas. We are exploring ways of encouraging and rewarding this important community of Sri Lankans. As a first step, we propose to enable a more generous duty-free allowance for Sri Lanka's migrant workers as they return to the country. The criteria and basis for the allowance will be determined and publicized following a detailed study of options.

18. Special Interest Scheme for Senior Citizens

We propose to implement a Special Interest Scheme for Senior Citizens. Under this scheme, individuals above 60 years of age will be eligible for one-year fixed deposits of up to Rs. 1 million with an annual additional interest rate of 3 percent, above the prevailing interest rates in the market for ensuring their financial stability. To implement the scheme, we propose to allocate Rs. 15,000 million to subsidize the 3 percent additional interest to be paid for the senior citizens.

This scheme will be implemented from July 2025.

19. Creating a Drug - Free Society

Drug addiction is a significant concern in Sri Lanka, affecting various segments of society. Therefore, the Government has recognized the importance of creating a drug-free society through multifaceted approaches that go beyond punishment. Accordingly, we propose to prepare a comprehensive programme incorporating awareness campaigns, rehabilitation including counseling, social empowerment and integration, and law enforcement. Accordingly, we propose to allocate Rs. 500 million to implement a compressive program to create drug-free society.

20. Skills Development Programme for Convicted Prisoners

At present, there are around 30,000 prisoners in 37 prisons located island wide. One third of them are convicted prisoners and others are remand prisoners. Overcrowding of prisons results in degraded living conditions in the prison which violates the notion that prisoners are also human beings.

Around 65 percent of the prisoners are in the peak of their working age; below 40. Accordingly, we propose to conduct employable and marketable skill development courses together with vocational training institutions and award relevant vocational qualifications. For this purpose, we propose to increase existing allocation by Rs. 100 million to implement this programme.

21. Public Transport Modernization

An efficient public transport system is a crucial element of enhancing people's access to meaningful economic engagement and mobility.

Therefore, it is essential to enhance existing public transport systems with new technologies and introduce new transport modes to meet the increasing passenger demand, especially in urban and suburban areas. Accordingly, it is a timely requirement to upgrade and modernize both road and rail transportation systems.

● Bus Sector Modernization

As an initial step towards enhancing public sector transportation, a modern and comfortable fleet of technologically advanced buses will be introduced on a pilot basis. Accordingly, 100 air-suspension, low-floor, comfortable buses will be deployed along three main road corridors within Colombo city. We propose to allocate Rs. 3,000 million for the procurement of 100 low floor buses. In addition to that SLTB will add 200 low-bed passenger buses for its fleet through its own funds.

These buses will be operated under newly established companies collectively known as Metro Bus Companies (MBC). Proposed bus companies will operate on a fully digitized platform.

- **Railway Sector Modernization**

Rail based public transportation is highly important in long distance as well as the urban and sub-urban areas. However, the poor condition of the coaches negatively impacts passenger safety, comfort, and train speed. Further, it is important to establish the railway system as an industry while focusing on repairing and building new coaches within the country.

Accordingly, as a first step, we propose to allocate Rs. 500 million to rehabilitate old railway passenger coaches targeting to rehabilitate passenger coaches to enhance the efficiency of services and cater the growing passenger demand.

We propose to allocate Rs. 250 million for 2025 to the Department of Railways to initiate building new coaches aiming at fulfilling new passenger coach requirements within the country.

In order to provide an efficient railway service and improve public transportation facilities, we propose to extend the Kelani Valley Railway Line, which currently operates up to Avissawella, beyond Avissawella in phases. An allocation of Rs. 250 million will be made through the 2025 budget to begin the initial work related to this.

The Government will implement a joint time table in all bus routes after discussing with CTB and private bus operators. The Government will continue to invest in the Kandy multi-modal transport terminal development project which would have important spill-over effects in terms of regional development.

- **Rail Transport for Agricultural Products**

Transporting agricultural goods over the road network remains a major challenge due to high costs, post-harvest losses during transportation, road congestion, and environmental concerns. To address this, we propose to introduce a dedicated rail-based transportation of agriculture products from production centers to destinations.

We plan to upgrade the Thambuththegama Railway Station by incorporating loading docks with storage facilities upon the recommendation of the study. To support this initiative, we propose an allocation of Rs. 100 million for the feasibility study as the initial step.

- **SriLankan Airlines Legacy Debt Settlement**

SriLankan Airlines (SLA) performs a leading service in the transportation of passengers and cargo by air. Furthermore, previous Governments' attempts to divest state ownership and attract private investment have also been unsuccessful.

In light of this, the Government would sign an agreement with those banks and set aside Rs. 10,000 million for loan capital repayment in 2025 as well as Rs. 10,000 million for interest payments. The Airline would be fully responsible for ensuring operating profitability once these legacy debt service costs are settled by the Government. A new medium term strategic plan is being devised by the company towards this end. Accordingly, we propose to allocate Rs. 20,000 million for this purpose.

- **Enhancing Road Infrastructure**

A robust road network is a critical component of the infrastructure necessary to connect citizens with markets and public spaces.

As such, we propose an allocation of Rs. 3,000 million for improvement and rehabilitation of rural roads, giving priority to roads that connect less developed rural villages, tourist destinations, industrial estates and economically significant places/ areas in addition to the already allocated amount of Rs. 26,680 million for the development of the rural roads island wide.

Aiming at ensure safe and reliable mobility to all users, we propose Rs.1,000 million allocation to rehabilitation of rural bridges in addition to the already allocated amount of Rs 1,000 million for the development of the rural bridges island wide.

- **Rural roads and bridges in Northern Province**

It has been observed that the Northern province has been largely isolated from mainstream development. However, it holds tremendous potential to contribute significantly to our economy. As such, focusing at the rehabilitation of basic infrastructure needs, we propose to allocate Rs. 5,000 million for the rehabilitation and improvement of rural roads and bridges in the Northern Province.

- **Construction of Vadduvakal Bridge in Mullaitivu**

The Vadduvakal causeway is a narrow bridge over the mouth of the Nandikadal lagoon in Mullaitivu, which is the main artery connecting Mullaitivu, Pudukkudiyiruppu, and Jaffna. This bridge is in a dilapidated condition which creates risks to commuters. Therefore, we propose to build Vadduvakal bridge aligned with the developmental needs of the Mullaitivu District. We propose to allocate Rs. 1,000 million under this budget to commence work accordingly.

22. Regional Development

The Decentralize Budget Programme 2025 is being implemented focusing on building a production economy. For this purpose, we propose that each MP is to be allocated Rs. 10 million for 2025 utilizing Rs. 2,250 million from the already allocated budgetary provisions of Rs. 11,250 million to minimize the regional disparities. The remaining Rs. 9,000 million will be allocated for the essential development activities.

23. District Development Programme

As we understand, there are unanswered issues in many districts in spite of the huge investment made by the Government annually through the budget on various programmes. The particular issues may be related to infrastructure development, enhancing localized production, effective service delivery, trade and marketing, institutional improvements etc. In order to reach at an inclusive and sustainable development, those untouched gaps and emerging needs in districts are required to be addressed. This will catalyse the private sector to bring investment for economic development and also will enable the local community to enhance their decent living. In this context, we propose to allocate Rs. 2,000 million in the budget 2025 to address these emerging issues at district level.

24. Eastern Province Development

Eastern Province is one of the provinces with a huge potential for economic development. Therefore, we propose to implement a comprehensive development programme in the Eastern Province with the Indian Multi-sectoral Grant Assistance to support infrastructure and livelihood development, focusing mainly on education, health, agriculture, fisheries, tourism and community empowerment sectors.

25. Programmes to Uplift the Living Standards of Malayagam Tamil People

The Malayagam people are a part of the Sri Lankan nation and have been living with significant difficulties over a long period of time. However, the livelihoods of this community still remain below standards to have a dignified life. Accordingly, Rs. 7,583 million has already been allocated to support the following initiatives.

- i. Rs. 4,267 million is allocated for development of estate housing and infrastructure development.
- ii. Rs. 2,450 million is allocated for Vocational training, Livelihood development and Infrastructure Development of Malayagam Tamil youth
- iii. Rs. 866 million is allocated for smart class rooms for schools in Malayagam Tamil community.

26. Industrial Development

The industrial sector in Sri Lanka plays a crucial role in its economy predominantly in providing employment opportunities, increasing income, fostering innovation, and driving exports. Accordingly, the following proposals are to be introduced.

- **Industrial Zone dedicated for Chemical Manufacturing**

With the aim of improving value addition to Sri Lanka's extensive mineral resources and providing essential industrial inputs for domestic manufacturing, it is proposed to establish an Industrial Estate in Paranthan, Northern Province dedicated for chemical product manufacturing including acids and alkalis. There will be 5 Industrial parks such as KKS, Maankulam, Iranawila, Galle and Tincomalee. We propose to allocate Rs. 500 million for this purpose.

- **Industrial Zone dedicated for Automobile and Rubber products manufacturing**

A significant level of investment in the domestically value-added automobile manufacturing/assembly industry and rubber product manufacturing is an important factor to cater to the demand required by the components manufacturing industry to become competitive in the export market.

With this purpose, it is proposed to establish an Industrial Estate dedicated for Automobile components and rubber manufacturing. We propose to manage the requirement for this purpose within the already allocated budgetary provisions of Rs. 1,500 million under the Ministry of Industry for this purpose.

27. Clean Sri Lanka

The Clean Sri Lanka Program is a massive program implemented through the three main pillars of social development, environmental development and ethical development to sustainably elevate Sri Lanka and the entire Sri Lankan society to a higher level. For this, the entire public, the state sector, entrepreneurs, businessmen including the private sector, national and international non-governmental organizations, the Sri Lankan community abroad, international donor agencies, various professionals and experts, are being planned and implemented with the support of all.

Under this, It is expected to conduct a cultural festival where all sections of the community can enjoy together promoting inter-ethnic, inter-religious and inter-communal ties in Sri Lankan society, mutual understanding and cooperation, create facilities for the differently-abled people of our country which constitute a significant percentage of the population, promote the ethics and capacity building of facilitators such as three-wheelers, taxi drivers and tour guides for the tourism industry, renovate several selected cities with ancient heritage with their ancient

identity, renovating buildings, repairing school equipment and improving sanitation facilities for selected provincial schools with less facilities, building a high-quality learning environment with the participation of the private sector for early childhood development, promoting sanitation facilities in urban areas, promoting road safety, drug prevention, managing stray animals, assisting relevant agencies on managing solid waste, making the coastline attractive and environmentally sustainable, carry out conservation of watersheds and promotion of water quality in rivers, making public service efficient, creating high resource utilization and building a corruption free public service and promotion and dissemination of the Clean Sri Lanka concept.

For this, we propose to allocate Rs. 5,000 million from the state budget for the year 2025 in addition to the financial contribution of the donors.

28. Solid Waste Management

There is a growing issue of solid waste management in many areas of the country. Anuradhapura, a city with significant historical and cultural value, is one such example. With the Anuradhapura Teaching Hospital and a growing population, managing both general and hospital waste has become a challenge, threatening public health and the environment. To tackle this, we propose to allocate Rs. 750 million for a waste disposal facility. This initiative will improve cleanliness, protect the environment, and promote sustainable development in Anuradhapura municipal area.

29. Mitigating Elephant-Human Conflict and Conservation of Forests

To minimize crop damage, property destruction, and loss of life caused by wild elephants, several measures have been implemented. These include the improvement of approximately 5,611 km of electric fencing, with 1,456 km identified for refurbishment. Additionally, guard posts along the fence will be

constructed, necessary equipment will be procured, and elephant habitats will be improved through invasive plant removal, better grassland management, and enhanced water sources. A budget of Rs. 300 million has been allocated for these efforts.

Furthermore, Rs. 100 million has been allocated to enhance the capacity of 270 offices, including wildlife zonal offices, guard offices, and Bittu officers. These funds will support electric fence maintenance, vehicle and boat maintenance, wildlife crime prevention, and overall efforts to reduce the human-elephant conflict. An additional Rs. 240 million has been allocated as compensation for victims of such conflicts, bringing the total budget for mitigating the elephant-human conflict to Rs. 640 million.

Moreover, Rs. 1,050 million has been allocated to promote natural regeneration and address deforestation. This funding will support reforestation efforts, forest conservation initiatives, commercial forestry expansion, environmental protection, and mangrove management. It will also facilitate eco-friendly tourism, increase forest cover, minimize forest fires, and prevent forest-related crimes.

30. Sustainable Financing

The Government will leverage opportunities in sustainable financing to foster a vibrant ecosystem of Environmental Social and Governance (ESG) based financing. The Ministry of Environment will work in coordination with the Ministry of Finance and Central Bank, to access globally available pools of sustainable financing linked to climate change initiatives and related endeavours.

31. Developing Financial Markets

As Sri Lanka emerges from the economic crisis, the financial sector is also recovering from a period of stress. It is not appropriate to focus on developing the financial market of the country in order to position them to support growth of the real economy. Capital markets need to be deepened and evolved in terms of sophistication. The government will actively encourage private and appropriate state entities to raise funds through listed equity and debt capital markets.

As bank interest rates decline, it becomes all the more important for retail investors to have access to well-regulated financial products that provide a reasonable return. Unit Trusts, investment funds, and other collective investment schemes will be important in filling this gap in the market. It is important for the sector to explore innovations and more complex transitions whilst ensuring due diligence and all necessary safeguards, amidst an effective regulatory environment.

32. Governance Reforms

Corruption has been identified as a major impediment to economic progress. Hence, there is an urgent need in addressing the rampant corruption that hinders the country's sustainable economic development as a collective effort. In this context, it is not only the Government officials but also the private actors and the entire citizenry should acknowledge their role in perpetuating corruption. In this regard, the necessary legal framework will be strengthened further. The enactment of the Proceeds of Crime bill and further strengthening of the Commission to Investigate Allegations of Bribery and Corruption (CIABOC) will be expedited with the increased financial and other support with the assistance of the international institutions to drive anti-corruption initiatives towards strengthening governance, transparency and accountability in Sri Lanka.

Moreover, the Government will review and implement Proceeds of Crime legislation which is now in draft stage following a collaborative drafting process.

33. Sri Lanka Day

The Government policy framework, “A Thriving Nation – A Beautiful Life” articulates a vision for a reconciled Sri Lanka, committed to bridging gaps between communities. Therefore, I propose to hold a “National Cultural Festival”. This festival will be initiated in November and launched in December which we have the highest number of tourist arrivals to our country. This festival will be organized with the participation of the private sector. Accordingly, we propose to allocate Rs. 300 million for this purpose.

34. Housing for Internally Displaced People

With the reconciliation initiatives and release of lands, the internally displaced people (IDPs) are being resettled and refugees are returning to the Northern and Eastern Provinces for resettlement after the conflict. However, the basic infrastructure facilities and utilities of the resettle families are yet to be fulfilled.

Accordingly, we propose to initiate a multi-pronged strategy to address the key issues faced by people in the North and the East. In the 2025 Budget, Rs.1,500 million has been allocated to meet the needs of resettling these people and speed up the housing programme and provide essential relief to the families remaining homeless based on the current requirement.

35. Essential Maintenance of Housing Schemes Constructed by Government

The physical condition of the public housing schemes provided by the Government has been poor due to lack of maintenance and deficiencies in usage. Many physical defects such as cracking, spalling, corrosion and water seepage were observed at the external side of all these buildings. Accordingly, we propose

to allocate Rs. 1,000 million for essential maintenance of the apartment complexes constructed by the Central Government.

36. Housing for Artists/Journalists

With the assistance of the Government of the People's Republic of China, 1996 housing units are being constructed. Within this, an apartment complex comprising 108 housing units will be reserved from the Kottawa, Palathuruwatta area for artists and journalists who make special contributions to the cultural enrichment of our society.

37. Drinking Water Sector

- **Expeditious completion of ongoing large-scale water schemes and community water projects**

The pipe-borne drinking water coverage by the National Water Supply and Drainage Board and the Community Water Supply Department, is around 62 percent of the country's population. Identifying the national importance of ensuring safe water delivery, the Government has committed to provide budgetary support to expedite the completion of Gampaha, Attanagalle, and Minuwangoda integrated water supply project, Aluthgama, Mathugama and Agalawatta integrated water supply project, Polgahawela, Allawwa and Pothuhara integrated water supply project and Thabutthegama water supply project where the completion has been delayed due to the economic crisis and the suspension of credit facilities by the respective lenders. The Government will provide the funding requirement of Rs. 41,234 million in a span of two years with available fiscal space. Accordingly, Rs. 20,000 million is included in the national budget for the year 2025 to facilitate the completion of the above priority projects as "equity" contribution of the Government.

- **Extension of Community water supply scheme**

We have realized the necessity of implementing the community-based water supply schemes specifically in rural areas where the pipe-borne water coverage is limited. To enhance the quality of rural life by eradicating vulnerabilities in water stressed areas, including the Northern region and CKDu affected areas, we recognize the importance of extending the community-based rural water supply schemes in such areas to deliver fully treated drinking water.

Accordingly, we propose to utilize the already allocated Rs 2,000 million in the budget estimates under the Department of Community Water Supply for the year 2025 to complete the community water supply schemes which have already been started and to commence new community water supply schemes.

- **Re-initiating of Giribawa- Eppawala Water Supply Scheme**

Giribawa and Eppawala areas being in a dry zone under North Central province face difficulties in terms of access to quality drinking water, creating various risks to the population of that region. We recognize the importance of providing drinking water from surface water sources to the area of Giribawa and Eppawala preferably by Rajanganaya Tank which is fed by Kalawewa through Kala Oya. For this purpose, we proposed to allocate Rs. 1,000 million for re- initiating of initial works in Giribawa- Eppawala Water Supply Scheme to provide pipe-borne water to the area.

38. Filling Essential Vacancies in the Public Service

We have stopped the past practice of filling the public service with the supporters of politicians. Aligned with the Government's vision, recruitment, promotions, and transfers in the public service will be based on qualifications and skills, free from political influence.

Due to the challenges posed by the COVID-19 pandemic, economic downturn, and political instability, there is a large number of unemployed graduates and youth. We will implement a strategic recruitment plan to hire 30,000 individuals in essential public service roles, strictly according to cadre vacancies starting from this year. Accordingly, we propose to allocate Rs 10,000 million for this purpose in 2025.

39. Public Service Salary Increase

Given that nearly a decade has passed since the last basic salary revision, it is now time to revise the salary structure having evaluated all factors in a holistic manner. It is necessary to provide a decent living standard for public sector employees, enabling the Government to attract talent and skilled workers, whilst at the same time avoiding an excessive burden on the budget.

Accordingly, we propose to increase the minimum monthly basic salary from Rs.24,250 to Rs.40,000 by Rs.15,750. The current ad-hoc interim allowance and special allowance will be integrated into the basic salary giving a net increase of Rs.8,250 in the minimum salary.

The proposed minimum monthly basic salary increase of Rs. 15,750 will also be applicable to judicial services, public corporations, statutory boards, university staff, and officers of tri-forces on the same basis in line with the minimum basic salary increase for public sector employees.

In addition to a minimum monthly basic salary increase of Rs.15,750, it is proposed to raise the value of the annual salary increment by 80 percent. Consequently, the minimum annual salary increment of Rs. 250 will be increased to Rs. 450. It is also proposed to adjust annual salary increments for all public sector employees to the same percentage.

The total estimated cost of this salary increase is expected to be Rs.325 billion. Considering present fiscal constraints, it is proposed that this salary increase be implemented in phases. Of the total net salary increase, Rs.5,000 and 30 percent of the balance amount will be paid starting from April 2025, with the remaining 70 percent being paid in equal portions beginning in January 2026 and January 2027.

Therefore, it is proposed that Rs.110 billion be allocated for the proposed salary increase in 2025.

As part of this salary increase, it is proposed that the retirement benefits for officers retiring on or after 01.01. 2025 be calculated based on the new salary structure, ensuring that they receive retirement benefits under the proposed 2025 salary scheme.

Considering the increase in the minimum basic salary of state employees, the limit on distress loans for public servants which is currently set at Rs. 250,000 will also be increased to Rs. 400,000. Further details of the salary increase are given in the Technical Note in Annexure V.

40. Private Sector Minimum Wage Increase

The Employers' Associations have already agreed to increase the monthly Minimum Wage to the Private Sector workers from Rs. 21,000 to Rs. 27,000 in April 2025 and to Rs. 30,000 from 2026.

41. Reconsideration of the Wage of Plantation Workers

There are nearly 1.5 million plantation workers engaged in the sector, mainly in tea, rubber and coconut. The Government is of the view that their living standards need to be improved. In addition to the programmes focused on the development of plantation sector, the Government will intervene to increase the daily wages of the workers to Rs. 1,700.

42. Public Sector Pensions

Further, by considering salaries and benefits entitled to them, a monthly increase of Rs. 3,000 was implemented immediately after the Presidential election thus resolving the Pension Anomalies of Pensioners who retired before 01st January 2020.

We observe that there will be a pension anomaly created by revising the pensions of the Government employees who retired from 2016 - 2020 only, based on the salary scale of the fifth phase related to the year 2020, since all the pensioners who retired till 31.12.2017 are on the same salary scale.

As this issue remains unresolved for a long time, we believe that it has to be resolved in a phased manner within the existing limited fiscal space. Therefore, we propose to revise the pensions of all pensioners who retired before 01.01.2020 in three phases, corresponding to the salary scales applicable to the year 2020 as per the Public Administration Circular No. 03/2016.

As the first phase, the pensions of all pensioners who retired before 01.01.2018 will be revised in line with the third stage salary scales relevant to the year 2018 in the Public Administration Circular No. 03/2016 and to be implemented from July 2025. For this phase, we propose to allocate Rs. 10,000 million through the Budget 2025.

Furthermore, we also propose to implement the pension conversions related to the fourth and fifth stages of the salary conversion from July 2026 and July 2027, respectively.

43. Legal Reforms

The Government will introduce a number of legal reforms in the coming year to establish sound legal provisions aimed at fostering rapid economic development, good governance, and effective public service delivery. These laws include legislation to improve governance of state owned enterprises, creating a legal framework for public-private partnerships, enhancing governance around procurement, public asset management, statistics, data exchange, valuation, asset management, microfinance and credit and anti-money laundering and terrorist financing. More details on these laws are available in the Annexure VIII of the budget.

44. Revenue Measures

Sri Lanka's economic reform programme is based on a foundation of revenue based fiscal consolidation. This is reflective of the fact that leading up to the economic crisis, Sri Lanka had one of the world's lowest Government tax revenue levels of 7.3 percent of GDP in 2022.

For the year 2025, the bulk of revenue gains is expected to be delivered by the liberalisation of motor vehicle imports that took place on 1st February 2025. This process is being carefully monitored to ensure that import of vehicles does not result in undue negative impacts on external sector stability. Other key revenue measures which have already been announced in Parliament previously in December 2024 include the increase of tax-free threshold for personal income tax, further adjustments to the second income tax slab, removal of VAT on fresh milk and yoghurt. The Government also decided to not pursue this year the Imputed

Rental Income Tax that had been agreed by the previous administration. To compensate for any revenue losses, the Government already presented in

Parliament measures including the introduction of VAT on digital services, the imposition of corporate income tax on export of services, and an increase in the corporate tax on cigarettes/liquor, and gaming.

The tax policy measures outlined here are expected to deliver the required revenue to enable Sri Lanka to meet the revenue targets of 15.1 percent of GDP in 2025. Nonetheless, in parallel, the Government is taking concerted efforts to improve tax administration and compliance. In fact, Sri Lanka's revenue strategy for the upcoming budget aims to enhance fiscal sustainability by strengthening tax administration, improving compliance, improve institutional strength through enhanced digitalization and rigorous monitoring mechanisms; while providing relief to the most vulnerable groups of the society. Efforts will be directed toward digitalizing tax systems to reduce leakages and enhance transparency while minimizing human interactions in tax administration.

Sri Lanka is moving towards a cashless economy as a part of its broader digitalization agenda to formalize the economy and improve revenue collection. The use of Point-of-Sale (POS) machines across businesses, especially in VAT-registered enterprises, will be implemented as a key initiative to facilitate digital transactions and reduce cash dependency. A cashless economy will not only curb tax evasion and illicit financial activities but also enhance fiscal efficiency, contributing to Sri Lanka's economic stability and growth.

Digitalisation of revenue agencies and the overall digital economy drive is expected to provide significant impetus to the revenue enhancing efforts. However, it is not just the tax collection authorities that have a responsibility in this regard. Several other stakeholders, including audit firms and tax accountants, have a responsibility to discharge their duties in a socially responsible manner

such that the Government is not deprived of due tax revenue. Appropriate measures will be taken to ensure compliance with the regulatory and legal framework in this regard as well.

We are confident that these tax administration and tax compliance enhancement measures will enable Sri Lanka to surpass revenue targets beyond 2025. At that point, it will be possible to provide further relief to the public in a manner that does not jeopardize the achievement of revenue targets and ensure the country's fiscal and economic stability.

45. Borrowing Limit

The Borrowing Limit for the Appropriation Bill for the financial year 2025 is presented in Annexure II. In addition, the Technical Note on expenditure and revenue measures is given in Annexure III and Annexure IV, respectively. Further, the documents, which have to be submitted along with the Second Reading of the Budget under the Public Financial Management Act, No. 44 of 2024, are also tabled.

Conclusion

While the policies that I outlined today reflect the vision upon which I was elected to this office, I did not come up with them alone. These policies are the result of an incredible effort, born out of the dedication and collective action of a Cabinet, most of whom have never served in a Parliament but have vast experience and practical knowledge. They were born from the experience of many dedicated and devoted civil servants and policymakers who finally have a voice in shaping the destiny of our country. And they were born from the confidence and courage of the many renowned, patriotic professionals who have distinguished themselves in their careers, and for the first time had the confidence that they could contribute to a truly clean, truly functional and truly compassionate Government.

If you look in the ranks of this Government, you will see a mix of some of the most passionate and disciplined politicians, and some of the most accomplished academics and professionals who have sacrificed their careers, time with their families and even their business legacies to put their country before profit. Together, we have begun a monumental effort. We have brought down costs of living. We have begun restoring confidence in our justice system. And we have for the first time banished not just corruption but even the appearance of corruption from the highest echelons of power.

For many years now, those who felt moved to invest in Sri Lanka found that in order to get anything done, they would first have to invest in middlemen. That era is over. I can assure you that no elected or appointed official in this Government will seek bribes or favours in return for doing or not doing their jobs. However, in the very unlikely event that anyone among us does bend or break the law, I can promise that whoever is responsible will be investigated and prosecuted to the full extent of the law. This Government will never, ever, tolerate corruption among its ranks. From here on, those who attempt to receive bribes should be afraid. One should not be afraid of not paying the bribe.

Our judiciary has never been more free or independent. Our police force has never been more empowered or independent. They will enforce the law without fear or favour. However, many who have left Sri Lanka and live overseas know that elimination of corruption is about more than just enforcing the law. It is about modernizing the way Government functions, making the state machinery function more efficiently, and function more transparently. This will address the root cause of corruption by making it harder to take bribes, and less attractive to pay them.

Never has Sri Lanka had a chance like this to catch up with the modern world. I see a chance for united Sri Lanka, for a clean Sri Lanka, for a prosperous Sri Lanka, to surpass everyone's expectations.

To the Sri Lankan Expatriates, those with Sri Lankan roots, whether you were born in Sri Lanka or heard of your motherland from your parents, know that to us, you are all Sri Lankans.

Your country is proud of your success. We understand why you may have lost faith in our motherland. Know that I am grateful for every effort that any of you take, even from afar, to help our country.

We invite you, one and all, to come back and see for yourself how much Sri Lanka has changed. We invite you to contribute your expertise, your talent and your perspective to our island nation, whether in the private, public or non-profit sectors. Join us, and work with us to accomplish a level of success that we can only all achieve together.

Majority of our citizens voted last year to chart a new course, to unite to rebuild our country and reach the full potential of our citizenry. For the first time in history, all of Sri Lanka, from north to south, and east to west, have united behind a common purpose. Religion, race, gender, class and age no longer divide us. That is one thing I can promise about the people of Sri Lanka: The people will never again be divided against each other. The people will never again be fooled by those who seek to turn us against each other for their own political or personal gain.

Public Representatives and officials of our Government all have a common objective. Similarly the thousands of hardworking, dedicated, and patriotic public servants who have joined us to make a difference also have a collective objective. We will never tire. We will never waver. We will not compromise on

our principles. We will never ever let you down. We will lead by example, and raise all Sri Lankans up together. Together we will all prosper. We will all be proud of each other and of the beautiful, sacred island we call home.

Finally, I want to express my gratitude to the officials at the Ministry of Finance, especially the Secretary to the Treasury Mahinda Siriwardana, who worked tirelessly for weeks to finalize the budget. I expect further cooperation from the officials at the Treasury to successfully implement the budget proposals in time to take forward the economic programme of the Government.

Thank you!