

# **80<sup>th</sup> Budget Speech 2026**



**07<sup>th</sup> November 2025**  
**Parliament of Sri Lanka**



# Budget Speech- 2026

## 1. Preamble

Honourable Speaker,

It is our great pleasure to present our second National Budget to this House.

Following the historic mandate given to us by the Sri Lankan citizens, within a short time period of a year, we have taken many decisive steps with a clear vision to fulfill their aspirations. The people expected a clear change in the nepotism that had existed until now and the corrupt political culture associated with it. Today, we can be proud of the transformative steps we have taken to preserve that trust. We have embarked on a continuous mission to modernize the economic and political structure, create a people-centered governance, establish the rule of law and order, strengthen governance, and bring our economic achievements to the people living at the grassroots level.

Honourable Speaker,

By the time we took on this challenge, the country's economic foundation was already tattered. Decades of macroeconomic instability and fiscal imbalances, structural inefficiencies, and governance weaknesses had left the entire economy at a critical juncture. Our people were under severe pressure. The hopes of the people, who were not at all responsible for this crisis, had been shattered. Therefore, from the moment we received our mandate, we initiated very broad reformative changes to stabilize the macro economy, ensure fiscal discipline, strengthen state institutions, prevent corruption and increase transparency, and ensure accountability to the people. I am pleased to announce to this House today that these reforms have restored fiscal, macroeconomic and social stability within a short period of one year.

The economy grew by 4.8 percent in the first half of 2025, driven by strong growth across all sectors, surpassing the forecasts of multilateral organizations. Inflation has now returned to a positive value. The financial sector has stabilized with the reduction in the Treasury Bill interest rate. The exchange rate has also stabilized. The external sector, including imports and exports, has strengthened even amidst global shocks. Due to the increase in exports, tourism, and foreign remittance

inflows, the gross official reserves have exceeded USD 6 billion. It is expected that this year, after almost two decades since 2006, the Government revenue will be able to reach the level of 16 percent of GDP. It is also expected that, the highest primary surplus as a percentage of GDP in its history will be recorded in this year, significantly exceeding the target value of 2.3 percent. Due to these circumstances, we have been able to build strong relationships with international stakeholders and build investor confidence like never before.

The initial strategy to rescue the country from the economic crisis was to establish a transparent and accountable public financial management along with fiscal discipline. By strengthening domestic revenue mobilization, digitizing revenue administration, and rationalizing Government expenditure, we were able to record a high primary surplus. The continuous increase in this primary surplus will contribute to a significant reduction in the central Government debt as a percentage of GDP from 114.2 percent in 2022 to 96.8 percent by 2026. Furthermore, we expect to achieve that figure at a level of about 87.0 percent by 2030. These results have paved the way for our desired exit from the debt crisis.

The economic crisis that existed has gradually escalated into an exploding level in the year 2020. This has spread like a domino effect across all sectors of the economy. The end result was that we were declared a sovereign default status in April 2022. This economic bankruptcy has created a 'lost decade' for our country. It means that it would take 10 years to reach the economic situation that prevailed before the crisis. Accordingly, many people have predicted that the economic situation of 2019 would be regained in 2029. However, we believe that by the end of 2025, we will be able to regain the economic situation that existed before the crisis.

Honourable Speaker,

Our debt restructuring process is nearly completed. Sri Lanka has been placed on a sustainable fiscal path and the confidence of both domestic and international investors has been further strengthened. These remarkable achievements have led to the country's sovereign ratings being upgraded by international rating agencies; FitchRatings, Moody's, and S&P to CCC+, Caa1, and CCC+, respectively. These new ratings further reflect investment confidence in Sri Lanka.

We are implementing the necessary economic reforms under the Extended Fund Facility arrangements of the International Monetary Fund (IMF-EFF) and with the participation of other international development partners to meet our national

requirements. We have been able to complete successive reviews and reap the economic benefits of the programme by meeting its targets and structural benchmarks. The cooperation between the Government and international organizations has made significant progress in restoring macroeconomic stability, strengthening public financial management, and rebuilding public finances and external reserves, which are essential for long-term resilience.

Social protection and human resource development is also a core objective of our policy approach. Accordingly, the *Aswesuma* programme has been expanded and reformed to ensure it supports the truly deserving low-income families. To ensure that only genuine low-income earners continue to receive this assistance, these beneficiaries will be reviewed in 2026. Also, allowances for the elderly and kidney patients were increased. *Mahapola* scholarships and bursaries were also increased to support university students. School students from *Aswesuma* beneficiary families were given a allowance to purchase books and school supplies. The aim of these activities is to bring the benefits of economic growth to every citizen of the country.

The public sector needs to be reformed and modernized in order to provide better and more efficient services. For this, our commitment was demonstrated in our first budget. To that end, the salaries of public servants have already been increased in 3 phases. Steps have been taken to fill essential vacancies in the public sector. Strategies are being formulated for the digitalization drive of the public sector. The public sector is being reorganized. The objectives of this are to build an efficient and attractive public service that can truly serve the people.

Honorable Speaker,

We have been able to accelerate governance reforms and anti-corruption drives, ensuring transparency, accountability and public trust. Our aim is to replace archaic rules and regulations with a new legal system by enacting new laws on public-private partnerships, state-owned enterprises, public asset management, and public procurement. The new draft Bills required are currently in the final stages. In many areas our digital approach to public finances is also currently being implemented. Furthermore, by strengthening the Integrated Treasury Management Information System (ITMIS) and creating an e-procurement system, we will eliminate opportunities for fraud and corruption.

'Corruption is a tax on the poor, and it is a fetter on our development.' Our reforms are not just about increasing efficiency; they are also important tools for achieving social justice. Various studies have revealed that reducing corruption can increase economic growth. The transparency of the system for declaring assets and earned wealth has been improved. Steps have been taken to assure the budgetary and staff independence of the Commission to Investigate Allegations of Bribery or Corruption (CIABOC). Steps are being taken to introduce a digital asset declaration system by March 2026, and it is also expected to appoint an expert committee to introduce a code of ethics for judicial officers in 2026. In addition, we have taken steps to remove unnecessary privileges that politicians and high-ranking officials had until now. Accordingly, we are working towards building a new society based on justice and equality.

We are creating an investor-friendly environment through measures taken to prevent corruption. Hateful propaganda was spread that our Government could be hostile to the private sector, discourage investment, and seize property. These claims have now been proven to be baseless. We are in the process of strengthening the regulatory framework by enacting the necessary legal statutes to ensure investment protection and the ease of doing business. We ended the culture of providing tax exemptions and concessions to our cronies through informal means. Both the Strategic Development Projects Act and the Port City Act are being amended to provide tax incentives based on transparent, rule-based criteria. To increase the transparency of tax exemptions, a tax expenditure statements is published on the Ministry of Finance's website on a bi-annually basis. The Simplified Value Added Tax (SVAT) system has also been removed, making the tax refund process transparent and efficient, which will further strengthen our tax administration.

Honorable Speaker,

Steps have also been taken to make State-Owned Enterprises more efficient. A new "Public Commercial Business Management Act" is to be introduced for State-Owned Enterprises and the Bill is scheduled to be presented to this Parliament in the first half of 2026. It will clearly identify the objectives of State-Owned Enterprises, publish annual audited accounts, and limit borrowing for appropriate purposes. Furthermore, we are strengthening the regulatory framework for the supervision and management of our public assets. The National Audit Act was already been amended to facilitate the imposition of fines on officials who fail to fulfill their responsibilities in the supervision and management of public assets.

A special task force will be appointed to review the management and use of state lands. It is expected that the Public Assets Management Bill be passed in 2026 to improve the transparency, management and disposal of public assets. Cost-reflective energy pricing continues and concessions will be confined to the necessary sectors. To disrupt the networks of institutions that support corruption, we are strengthening the anti-money laundering framework by introducing a functional beneficial ownership registry by January 2026. Further, the “Proceeds of Crime Act” has already been passed. A separate police division, headed by a Deputy Inspector General of Police, has already been established to enforce this endeavor.

In line with this vision, we aim to build a safe, secure and just society. We must free our children from the long-standing victimization of drugs and organized crime. Our children, who have been victims of drugs and organized crime for a long time, must be rescued. To this purpose, a multifaceted action plan has been prepared including the actions such as disrupting the supply chain of narcotics, weakening the demand network, implementing education and rehabilitation programmes, and providing employment opportunities.

We are grateful to our bilateral and multilateral partners who have supported our development, as well as the Central Bank of Sri Lanka for their contribution. These partnerships have helped rebuild a stable and prosperous Sri Lanka, and we look forward to further strengthening these ties.

With this second Budget, we expect to further strengthen the foundation we laid in the first Budget and achieve a rapid economic leap. We expect the contribution and support of all parties to overcome challenges and move forward on our journey towards a prosperous country and a beautiful life.

## **2. Strategic Objectives of the 2026 Budget**

### **2.1 Sustainable and Inclusive Economic Growth**

Honourable Speaker,

Our key strategic objective is to achieve a sustained growth rate exceeding 7 percent within the next few years, ensuring that the benefits of such growth are shared equitably across all regions, communities and social groups of the country. For this initiative, a participatory economy, increasing productivity, promoting

innovation, and private sector-led investment and growth will be the main driving forces of our economy. We will continue to attract foreign investment through a transparent and rules-based mechanism. We also need to integrate Sri Lanka into global value chains by strengthening exports and value-added industries. Public-Private Partnerships (PPPs) and the modernization of State-Owned Enterprises will further strengthen these efforts. It is also essential to implement strategic infrastructure development projects efficiently, transparently and responsibly.

## **2.2 Higher Income Through Export Diversification**

With the aim of further enhancing Sri Lanka's export growth, efforts are being made to diversify exports, improve export competitiveness, connect with global value chains and capture new export markets as well as expand existing markets in accordance with the National Export Development Plan (2025-2029). An expert committee has already been appointed to review existing trade agreements and facilitate to negotiate new free trade agreements, with the objective of expanding Sri Lanka's export potential. We are working to introduce a new tariff policy, improve the necessary financial facilities for the promotion of new goods and services exports and establish a Trade National Single Window (TNSW).

## **2.3 Ensuring Debt Sustainability**

The International Monetary Fund (IMF) had declared in 2022 that Sri Lanka's debt level was unsustainable. The main reasons for this declaration were irresponsible borrowing for non-priority projects, failure to generate the necessary assets from the loans obtained, failure to complete the relevant projects on time, and failure to manage debt within a formal and systematic policy framework. However, we are currently developing a clear plan to ensure debt sustainability, particularly through the Public Debt Management Office. Market confidence has grown rapidly due to the near-complete debt restructuring process and our intervention to achieve macroeconomic stability. Also, in a context where Sri Lanka's credit ratings have been upgraded, our government is moving systematically and steadily, along a clear path towards achieving debt sustainability.

Maintaining the gross financial requirement at a level below 13 percent of GDP in the medium term, and annual central government foreign currency debt servicing at a level not exceeding 4.5 percent of GDP is a strategy to ensure debt sustainability. Accordingly, as the public financial situation has strengthened, public debt as a percentage of GDP has begun to decline gradually.

The public debt target as a percentage of GDP of 95 percent by 2032 is gradually reaching. Given the remarkable performance achieved in the public finances and our debt management strategy, we believe that there is a high level of potential to maintain public debt as a percentage of GDP below 90 percent by 2032.

Certain groups are spreading an unfounded opinion that an inability to pay foreign debt may arise in 2028. But what is the real situation? We made the payment of USD 1,674 million for foreign debt servicing in 2024. Foreign debt service in 2025 amounted to USD 2,435 million, of which USD 1,948 million had been paid by September 30. Another USD 487 million is set to be paid by December 31 of this year. Accordingly, foreign debt service payments in 2025 are an increase of USD 761 million compared to 2024.

Honourable Speaker,

The foreign debt service payment in 2028 is only USD 3,259 million. That is, an increase of only USD 824 million compared to 2025. We have the capacity to pay this. Therefore, we believe that the people of this country will not accept such false propaganda.

Further, a portion of International Sovereign Bonds (ISBs) obtained by the Government has been as Governance-Linked Bonds (GLB). They should be repaid in 2034 and 2035. The creditors have agreed to provide relief in the debt restructuring process depending on the progress that Sri Lanka achieves on two indicators during the debt restructuring process.

Accordingly, the government's revenue targets for 2026-2027 should be maintained above 15.3 percent and 15.4 percent of GDP, respectively, and the fiscal strategy should be announced within the stipulated time frame. If these targets are met, the creditors have agreed to provide a 0.75 percent reduction in the annual interest rate payable from 2028 to 2035.

Accordingly, the Government will receive a debt servicing benefit of USD 7.9 million per year. The Government is working to achieve these economic targets.

#### **2.4 Strengthening the Production Economy**

As an economy heavily dependent on imports, Sri Lanka remains vulnerable to global shocks. Therefore, we expect to build a production economy. We are currently working to provide targeted subsidies, necessary technology and market access to our Small and Medium-sized Enterprises (SMEs) to manufacture the

goods locally that are currently imported. We are also focusing on increasing the participation of the private sector in large-scale production and in adding value to local products. For this, we expect to invest in the necessary infrastructure and utilize PPPs for human resource development.

## **2.5 Eradicating Rural Poverty**

To eradicate rural poverty, the smallest unit, the village, must be transformed into a prosperous village. The benefits of the growth of the economy at the national level must be brought to the village level as rural people will also receive such benefits. As such, empowering the rural people to engage in productive economic activities is our main strategy. A modern and sustainable development programme that leaves no one behind is being implemented at the national level for this purpose. It is implemented under a development framework based on sustainable development goals and targets, including increasing economic opportunities, developing infrastructure, promoting a productive economy, planned urbanization, and improving education and health facilities.

At the same time, a strong social protection programme must be created for those who need special care and those who fall into transitional poverty due to the impact of various crises. It must be noted that our policy of achieving a Thriving Nation - A Beautiful Life has been formulated to achieve this goal.

## **2.6 Promoting Digitalization**

We have identified digitalization as an important strategic approach to enhance our economic growth and social life. We have identified that the digital economy in our country has the potential to grow to USD 15 billion. Also, this digital transformation that we are achieving makes a significant contribution to transparent and efficient governance and service delivery. Therefore, we are in the process of providing the necessary financial support and create the legal and institutional environment to build a strong digital infrastructure.

### 3. Medium-Term Macroeconomic Path

Honourable Speaker,

We will continue to build upon the ongoing macroeconomic stabilization, strengthened governance, and revenue-based fiscal consolidation which we have already achieved. Our goal is to confidently steer our economy towards strong, sustainable, and inclusive growth. We are working towards achieving an economic growth rate of over 7 percent in the medium term.

We have laid a solid foundation in the first year to achieve these objectives. Accordingly:

- Our economic growth increased to 4.8 percent in the first half of 2025, compared to 4.6 percent recorded in the same period of 2024.
- The unemployment rate declined to 3.8 percent in the first quarter of 2025, compared to 4.5 percent recorded in the same period of 2024.

Compared to first nine months of 2024 during the first nine months of 2025;

- Our merchandise exports increased from USD 8.5 billion to USD 9.1 billion.
- Workers' remittances increased from USD 4.8 billion to USD 5.8 billion.
- Tourism earnings increased from USD 2.3 billion to USD 2.5 billion.
- Government Revenue and Grants increased from Rs. 2.9 trillion to Rs.3.8 trillion, exceeding our targets.
- The primary balance increased sharply from Rs. 0.8 trillion to Rs. 1.5 trillion, also exceeding our targets.

The performance of the capital market as of September 2025 compared to September 2024:

- The All Share Price Index showed a historic increase from 11,855 points to 21,779 points.
- The S&P SL20 Index increased from 3,453 points to 6,127 points.
- Market capitalization expanded from Rs. 4.4 trillion to Rs. 7.8 trillion.
- Foreign purchases increased from Rs. 37 billion to Rs. 47 billion.

Honorable Speaker,

We have ended an era of fiscal recklessness and replaced it with a prudent legal framework. This legal framework will safeguard us from future shocks and ensure that every citizen manages their taxes with discipline, transparency and accountability.

We are systematically and efficiently increasing Government revenue. Government revenue is projected to exceed 15.3 percent of GDP by 2026. The Department of Inland Revenue is being modernized through the implementation of RAMIS 3.0. Our goal is to increase Government revenue to 20 percent of GDP in the long term. We also aim to gradually adjust the direct-to-indirect tax ratio from 25:75 to 40:60, thereby ensuring a more progressive and equitable tax system.

We will maintain primary expenditure within the 13 percent limit and maintain public investment at a minimum of 4 percent of GDP, to strengthen social safety nets for the most vulnerable and develop essential infrastructure.

Honourable Speaker,

Our fiscal strategy is now firmly positioned on a path that replaces volatility with predictability, privilege with equity, and short-term gains with long-term prosperity. It forms the foundation for building a sovereign, prosperous and good Sri Lanka for all.

I now present to this Honourable Parliament the Budget Proposals for the year 2026.

## **4. Private Sector and Investment-led Economic Growth**

### **4.1 Creating an Investment-friendly Environment**

Honourable Speaker,

The informal and biased culture that Sri Lanka has maintained so far regarding the investments has now changed. Accordingly, we are building a new environment where cronyism, racketeering, and nepotism are replaced by credibility, discretion by predictability, and privilege by partnership. This kind of environment helps attract quality investments. Provide the strength required for the recovery of our nation.

- To create a stronger rule-based incentive regime for foreign and domestic investments, amendments have been introduced to the Strategic Development Projects Act and the Colombo Port City Commission Act. These amendments streamline the procedures for foreign direct investment (FDI), enhance the transparency of the incentive system, and provide the consistency that foreign investors seek. We believe that these amendments will significantly increase the inflow of foreign direct investment into the country.
- Investing in Sri Lanka's economic and social infrastructure is crucial to support economic growth, job creation, and increasing the resilience of the economy. The private sector can play an important role in providing this infrastructure through strong partnerships with the Government. The draft Bill, which provides a transparent legal framework for the Public-Private Partnership (PPP) Act, was submitted for public consultation in September and will be presented to this House for approval in early 2026.
- To further strengthen investor confidence and protect investments, a new "Investment Protection Act" will be passed in early 2026.
- By developing auxiliary zones as service zones associated with existing investment zones, there is a potential to improve the efficiency of the main investment zones, expand the economic benefits at the provincial level and integrate SMEs into the value chains. This is expected to create new opportunities for SMEs, improve labor mobility and expand the economic benefits of industrialization at the provincial level. For this purpose, Rs. 2,000 million has already been allocated and it is proposed to allocate another Rs. 1,000 million.
- As the infrastructure and investment-friendly environment required for investment growth in the IT sector have not yet been practically strengthened, attracting investors to the sector has become challenging. There are two technology parks in Kurunegala and Galle, which were started by previous governments at great expense and have been abandoned for many years. The contractors who built this project have taken loans from the People's Bank and the National Savings Bank, but to clear the outstanding loans that have not been paid to the banks for many

years, Rs. 1,500 million will be paid this year itself and the projects will be opened for private sector investment. Two more parks are planned to be established under the Board of Investment of Sri Lanka, centered in the cities of Digana and Nuwara Eliya.

- A residence visa system will be introduced for foreign investors who meet a certain minimum investment threshold in priority sectors or eligible projects.
- It is expected to take necessary steps to implement the approval process for projects implemented under the Board of Investment of Sri Lanka through a "Single Window" mechanism based on digital technology. This mechanism will enable the investment process to be carried out efficiently, transparently and quickly, and will provide investors with the necessary confidence and convenience in making business decisions. Rs. 100 million has already been allocated for this purpose.
- It is essential to streamline the preparation of the Land Use Policy Plan and improve the efficiency of land release for investment. For this purpose, it is proposed to allocate Rs. 100 million in this budget to improve the facilities of institutions related to the land subject, such as the Board of Investment, and to establish a central digital information system that includes land information by integrating these institutions. Also, it is expected to introduce a new legal framework related to the provision of land to investors and to introduce a methodology for determining the valuation of land according to the nature of the investment.

Honourable Speaker,

- The Bill to establish a government company to hold shares in commercial enterprises, which aims to increase accountability, transparency, governance and profitability in state-owned commercial enterprises, proposed in our previous budget, is expected to be presented to Parliament in the first quarter of 2026.

- To increase exports, the Export Development Board is in the process of preparing the National Export Development Plan with the technical assistance of public and private stakeholders and the Asian Development Bank. In addition to the basic activities related to the implementation of the National Export Development Plan, it is proposed to allocate Rs. 250 million under the National Export Brand Promotion Plan of the Export Development Board.
- We have initiated discussions to expand free trade agreements with various countries and regions. For this purpose, the Cabinet has already appointed a committee with expert capacity and that committee is reviewing existing trade agreements and exploring new trade agreements to be added.
- It is proposed to allocate an additional Rs. 250 million in addition to the provision allocated to the Export Development Board for programmes such as participation in trade fairs, product certification, digital marketing, and adaptation to the expectations of international buyers for the promotion of Sri Lankan products and services in the international market by export-oriented enterprises, especially SMEs and emerging service sectors.
- Improving trade facilities is an essential factor in enhancing Sri Lanka's competitiveness in international trade. In this regard, developing facilities including the Trade National Single Window, updating laws, standardizing regulatory processes, reducing transaction costs and enabling entrepreneurs to connect efficiently with global markets are of paramount importance. For this purpose, Rs. 2,500 million has been allocated as the necessary provisions for improving the Trade National Single Window facility.

#### **4.2 Integrated Framework for Strengthening Small and Medium Enterprises in Sri Lanka**

- In order to make the coordination of institutions dealing with the development of Small and Medium sized Enterprises more efficient, it is proposed to consolidate the functions of the Industrial Development Board

(IDB), the National Enterprise Development Authority (NEDA), and the Small and Medium Enterprise Development Division (SMED) and place them under the Industrial Development Board (IDB). We propose to allocate Rs. 1,000 million in addition to the current budgetary provision of Rs. 4,000 million for 2026 to properly manage the establishment and development of industrial zones.

- Small and Medium-sized Enterprises contribute more than 52 percent of the GDP and employ nearly half of the total workforce. With the aim of increasing the access to finance of these enterprises, several government-backed loan schemes have already been introduced, providing loans at concessional interest rates to meet investment and working capital needs through local banks.
- To minimize risks associated with lending to SMEs, the Government has honored the promise given, by enabling businesses to obtain loans without collateral under the National Credit Guarantee Institution. Accordingly, by 2025, collateral-free loans amounting to over Rs. 4,027 million have already been granted. For 2026, it is planned to provide credit guarantees for loans amounting to approximately Rs. 7,000 million. The Asian Development Bank has provided a loan of USD 50 million to establish this institution.
- Rs. 25,000 million has been allocated to provide loans at concessional interest rates of up to Rs. 25 million to a successful business and up to Rs. 15 million to businesses facing economic difficulties for working capital needs and investments of small and medium scale entrepreneurs.
- Rs. 5,900 million has been allocated to provide loans of up to Rs. 50 million to Small and Medium sized Enterprises.
- Development of agricultural value chains
  - Rs. 1,700 million has been allocated to provide agricultural loans up to Rs. 3 million at an interest subsidy of 5 percent through the New Comprehensive Rural Credit Scheme (NCRCS).

- A new loan scheme has been initiated through the Small and Medium Enterprise Development Loan Scheme and Rs. 7,700 million has been allocated for it, through which new loans up to Rs. 50 million will be provided at concessional interest rates.
- Rs. 6,200 million has been allocated to provide loans up to Rs. 50 million under a concessional interest rate program for the development of agricultural value chains. Under the Pledge Loan Scheme, small and medium-scale paddy mill owners can obtain loans up to Rs. 50 million at a concessional interest rate. Rs. 15,000 million has been allocated for this purpose.
- It is proposed to allocate Rs. 800 million to establish a Sustainable Farmers' Loan Fund aimed at increasing access to agricultural projects.

Honorable Speaker,

- In addition, funds have been allocated for all concessional loan proposals, including youth entrepreneurship loan schemes, microfinance loans, and women entrepreneurship empowerment loan schemes. Accordingly, loan facilities of Rs. 80,000 million have been provided for 2026 for loan schemes such as refinance loans, grants, pledge loans, collateral-free loans, and interest subsidies.
- With the aim of expanding new investments and encouraging new investments in small and medium-sized enterprises, it is proposed to reduce the investment threshold eligible for the existing enhanced capital allowances from USD 3 million to USD 250,000.

## **5. Promotion of Tourism Industry**

Honourable Speaker,

The tourism sector is expected to grow rapidly, with a target of increasing tourism earnings to USD 8 billion and tourist arrivals to 4 million by 2030. Steps have been taken to restructure institutions in the tourism sector to improve productivity and efficiency in order to overcome the major challenge to the development of the

tourism sector, which is the coordination issues between various stakeholders. In addition to strengthening institutions, it is essential to continue investing in infrastructure development, human resource development, and conducting an integrated marketing and advertising campaign to achieve the goals of various sectors of the tourism industry.

- It is proposed to implement a tourism destination development project that focuses on nature and highlights historical heritage. For these activities, Rs. 3,500 million has been allocated from the Sri Lanka Tourism Development Authority. Under this initiative, it is proposed to implement development programmes for the coastal and marine environments of the Western Province, including the Hamilton Canal and Negombo Lagoon.
- Further, it is planned to make the Haputale area another major tourist destination in Sri Lanka by improving the infrastructure facilities and providing necessary publicity in the tourist attractions located in the areas of Haputale, Beragala and Idalgashinna, which already have a large local and foreign tourist attraction in the Uva Province.
- More than 900 underutilized tourist bungalows and resorts owned by the government have been identified. Most of these are located in places with high tourist attraction. These places are being developed into income generating units with the support of the private sector to meet the accommodation needs of the tourism sector.
- It is estimated that by 2030, over 800,000 skilled personnel will be required across various categories in the tourism and hospitality sector. Due to the limited physical and human resources available, the Sri Lanka Institute of Tourism and Hotel Management (SLITHM) alone cannot meet this demand. To bridge this national level workforce gap, the Sri Lanka Institute of Tourism and Hotel Management has introduced a Hospitality Multi-Purpose Programme, a short-term vocational training programme, through training institutions in the public and private sectors recognized by the Tertiary and Vocational Education Commission (TVEC) throughout the island. For this purpose, it is proposed to utilize Rs. 500 million from the underutilized Tourism Development Fund allocated to the Sri Lanka Tourism Promotion Bureau.

- It is expected to develop the Beira Lake and make it an attractive place in the heart of Colombo, and to increase the productive use of all aspects of social, economic and environmental, including tourism activities. For this purpose, it is proposed to utilize Rs. 2,500 million from the underutilized Tourism Development Fund allocated to the Sri Lanka Tourism Promotion Bureau.
- The promotion of domestic flights is essential for the growth of the tourism industry. For this purpose, it is expected to complete the development work of the Hingurakgoda Airport in 2026, which has already been commenced. It is proposed to allocate a provision of Rs. 1,000 million for the development of the Sigiriya and Trincomalee domestic airports, and to expand the operations of the Jaffna International Airport, and the Civil Aviation Authority will contribute additional provisions.
- Sri Lanka has a unique opportunity to establish itself as a leading International Transit Hub to meet the growing demand for air transport and facilitate the movement of passengers and cargo. Our strategic location provides unparalleled access to both the Western and Eastern regions.

To make this vision a reality, we must invest in state-of-the-art airport facilities and develop our own airline with an adequate fleet of aircraft. To this end, we will resume the stalled project to expand the Bandaranaike International Airport in the first quarter of next year. Further, work is underway to successfully complete the debt restructuring process of SriLankan Airlines.

## **6. Modernization and Digitalization**

Honourable Speaker,

Digital economic development is a critical path to economic growth and global competitiveness that benefits all. Sri Lanka has missed many opportunities on its development path, but this digitalization opportunity should not be missed. With Government investment of over Rs. 25,500 million in 2026, Sri Lanka has the potential to capture a significant share of the digital transformation. By providing infrastructure needs, streamlining investment processes, and fostering innovation-friendly environments, these proposals provide a workable roadmap

for sustainable digital advancement. Through improved infrastructure, streamlined investment processes, and innovation-friendly environments, these proposals offer a viable roadmap for sustainable digital advancement.

- Under this programme, significant progress has been made in several areas such as introducing the GovPay system for payments related to Government institutions, establishing the National Cyber Security Operations Centre, improving the document services provided to citizens through the Presidential Fund and embassies, setting up the GovTech Institute to accelerate digitalization, establishing the Digital Economy Authority in the near future, and successfully issuing 5G licenses. To ensure the participation of every citizen, efforts are underway to expand broadband access across the country, attract foreign direct investments, and foster an ecosystem that supports new entrepreneurs. Investments are being encouraged in next-generation digital infrastructure, including artificial intelligence, cloud computing, and data centers. For this purpose, an allocation of Rs. 3,000 million has been provided.
- The Personal Data Protection Act has been passed with amendments to enable the Data Protection Authority to operate. Through the new Digital Economy Act, steps will be taken to establish the Digital Economy Authority as well as the Digital Economy Council, which will function as a Cabinet Subcommittee on the Digital Economy.
- A number of critical steps for building a digital economy have been initiated, such as the Sri Lanka Unique Digital Identity (SLUDI), national data exchange, upgrading the Lanka Government Cloud infrastructure, and creating specialized software for a single-window digital interface to deliver Government services. An awareness program on a Unique Digital Identity will be launched in Sri Lanka in early 2026. The first digital identity card will be issued in the 3rd quarter of 2026.
- The transformation towards a society that transacts through digital channels has begun, reducing the tendency to use of cash. The aim of this transformation is to facilitate transactions, reduce the cost involved, minimize misuse of money and increase efficiency. In the first quarter of 2025, more than Rs. 2,000 billion worth of transactions have been made through the Lankapay online platform alone in government payments. In order to promote the creation of a cashless society, it is proposed to provide facilities for all government

transactions through the online payment mode. As an initial step, it is proposed not to charge service fees for payments to government institutions as an incentive for this purpose. It is proposed to allocate Rs. 1,000 million for covering the cost of these transactions, system improvements and public awareness. Further, Rs. 500 million has been allocated for providing the necessary facilities and promotional programmes.

- Accordingly, effective from January 1, 2026, all service fees for electronic payments to Government institutions are permitted to be waived. Further, to promote payments using the QR code system, we propose to provide the necessary provisions through the expenditure head of the Ministry of Digital Economy to enable QR code payments worth less than Rs. 5,000 to be made free of charge.
- Sri Lanka has a high potential to emerge as a regional hub for setting up data centers. There are many crucial steps that we need to take in attracting investments in data centers. Among them, it is necessary to strengthen data security, confidentiality, privacy, and digital governance legal systems and ensure investor confidence. We are already doing that. To encourage these investments, an attractive environment should be created in this sector for foreign and local investors through financial incentives, green energy use incentives, low-cost electricity at the initial stage, and concessional provision of necessary land. As an initial step, it is proposed to allocate Rs. 500 million for 2026.
- The government is providing medium-term funding for public-private partnerships and strategic digital infrastructure projects to position Sri Lanka as a regional leader in innovation, particularly in digital infrastructure and artificial intelligence. Rs. 750 million has been allocated to foster innovation, provision of funds for selected artificial intelligence projects, scholarships for foreign training and development of local language datasets, and provide artificial intelligence and cloud facilities for research and development purposes in universities and schools.

- In order to expand access to digital technology for all citizens, it is envisaged to provide broadband vouchers for education-related access to children from disadvantaged and other low-income families. The aim is to further enable online education and participation in the digital economy. This will ensure the creation of a digital future that benefits all.
- To accelerate the spread of digital technology, a simpler and faster unique approval process will be established for the construction of digital infrastructure facilities such as communication towers. It is proposed to suspend the tax applicable to new towers constructed under this digital technology expansion programme for a period of 5 years.
- To attract investment, a fund will be established in 2026 to accelerate the growth of the start-ups ecosystem. An initial government grant of Rs. 1,500 million (USD 5 million) has been allocated under the Ministry of Digital Economy expenditure head for the establishment of the fund.
- It is also proposed to establish "Virtual Special Economic Zones" through the Board of Investment to practically operate in Sri Lanka, generating exports and employments.

## **7. Strengthening the Research and Development Sector for Economic and Social Advancement**

Honourable Speaker,

The draft Research and Development Policy of the Government has been finalized. In line with the Government's development process, the national programme to bring research to commercialization will be implemented by identifying priorities while providing appropriate resources. The National Research, Development and Commercialization Institute and the National Council on Research and Development will be established as a centralized administrative institution to oversee the entire process, and the relevant bill will be presented to this council in 2026.

A provision of Rs. 1,200 million has been allocated for the national programme to bring research to commercialization.

## **8. Continuous Programme of Clean Sri Lanka**

In our previous budget, it was proposed that our country would become a Clean Country - a Clean Sri Lanka in order to build A Thriving Nation – A Beautiful Life. The objectives of the Clean Sri Lanka project include improving ethical policies and responding to a cleaner physical environment and an island-wide moral commitment. We reiterate that the Clean Sri Lanka programme is not limited to one book or a single project and that this programme is not a roadmap that will be completed in a day, a month, or a few years. It is a large-scale, non-stop programme that continues to move forward and must move forward, and new things must be added, and today we are making it a reality. The “Clean Sri Lanka” project aims to build a society that is clean not only in terms of the environment but also in all aspects. That continuous programme extends to making the noble aspiration of creating a clean country in every respect, such as a clean country free from drugs, a clean country free from the underworld, a clean country free from bribery and corruption, a clean country free from corrupt politicians obsessed with power, a clean country with an efficient public service instead of an inefficient public service, a clean country that respects the law and order, a reality.

We introduced the Clean Sri Lanka programme as a programme that everyone can agree on, regardless of party affiliation, in order to make this country a standardized and beautiful country. Rs. 6,500 million has been allocated for that programme.

## **9. A Nation United National Operation**

Honorable Speaker,

I would like to remind you that the drug menace is a very serious epidemic facing our country and the real situation is more terrifying than we think. This drug epidemic is even invading the school bags of young children who know nothing. It is also knocking on the doors of almost every home. The young generation is being pushed into a serious tragedy, and the entire country is directly and indirectly becoming the prey and victims of this disaster. This situation is sending a dangerous message to all levels of society. It is proposed that this terrible disaster must be decisively ended in order to create a clean and beautiful country. Some who have been victims of drug addiction, organized crime, and corruption in the public service are breaking the chains that have been tied together by political zeal

one by one. This daunting and essential task is not a solitary battle that can be done by one party or one group alone. We invite the entire country to this noble national task. Accordingly, today, 'A Nation United' National Operation to eliminate toxic drugs from the entire social fabric has been launched. It is a programme that does not stop, does not retreat, and fights to the end, under any challenge.

- It is proposed to allocate Rs. 1,500 million to implement drug control programmes covering all sectors that are the basis for taking forward the vision of "A Nation United National Operation".
- It is proposed to establish 10 voluntary rehabilitation centers under the Rehabilitation Bureau in 10 locations including Polonnaruwa, Welikanda-Senapura, to rehabilitate people addicted to toxic drugs.
- Although the capacity of the existing prisons is sufficient for only 11,000 inmates, there are currently over 35,000 inmates in those prisons. It is proposed to allocate Rs. 2,000 million to meet the urgent need for efficient prison operations, ie. the expeditious implementation of projects such as the expansion of identified prisons and relocation to recommended locations, improvement of prison infrastructure, and referral of prisoners to community programmes and detention in open prisons, in accordance with the existing legal framework.

## **10. Supporting the Disabled Community**

The disabled community, which is about 1.6 million people scattered throughout the country, representing around 7 percent of the total population. As a country that has ratified the National Convention on the Rights of the Disabled, the Government has the responsibility to protect all the rights of the disabled community.

- Rs. 19,000 million has already been allocated to provide a subsidy of Rs. 10,000 each to about 140,000 persons with disabilities through the *Aswesuma* programme.
- The existing gazette notification regarding the accessibility regulations for persons with disabilities will be revised in accordance with international standards and specifications, considering it a priority task.

- It is proposed to allocate Rs. 1,000 million from this budget to provide accessibility and sanitation facilities to public places such as Divisional Secretariats, Railway Stations, Bus Stands, Courts, Police Stations and other places for the disabled community.
- It has been officially announced that 3 percent of the government service has been allocated for the disabled community, but it is not being implemented properly. Therefore, efforts will be made to recruit that 3 percent for government service in all future public service recruitments.
- With the aim of encouraging private employers and increasing employment, if persons with disabilities who are able to work are employed in the private sector, we propose to pay a wage subsidy of 50 percent of the employees' salary, subject to a maximum of Rs. 15,000, for up to 24 months. It is proposed to allocate Rs. 500 million for this purpose.
- The construction of day care centers for children with disabilities, including autism, is already underway under the Ministry of Health and the Department of Social Services. For the continuation of these activities in the coming year, Rs. 100 million has been allocated under the Ministry of Health and Rs. 447 million under the Department of Social Services. It is also proposed to allocate an additional Rs. 500 million for the establishment of day care centers to further expand these activities.

## **11. Education and Training**

Honorable Speaker,

- With the aim of reducing the cost of books, equipment and stationery for a family to educate their children and ensuring that every child receives the stationery they need for their studies, we continue Rs. 6,000 stationery allowance provided to students in 2025 for the year 2026 as well. For this purpose, Rs. 9,000 million has been allocated under the Aswesuma Programme.

- Since education is considered a fundamental right of all children, efforts are being made to provide education to children with disabilities through inclusive education. However, the engagement in education children with disabilities remains very low. With the aim of sending these children to school, it is proposed to allocate Rs. 50 million from this year's budget to provide a monthly allowance of Rs. 5,000 per disabled child from low-income families, based on medical recommendations.
- A very low percentage of children with disabilities pursue higher education. They also study in those educational institutions in an environment where special facilities for children with disabilities are very limited. Therefore, with the aim of encouraging students with disabilities studying in higher educational institutions, it is proposed to allocate Rs. 50 million to provide a monthly allowance of Rs. 5,000/- to students from low-income families.
- Although the number of students enrolled in universities has increased to 43,000 over the past decade, the lack of adequate facilities for them has created many serious problems. Therefore, Rs. 2,500 million has been allocated to improve common facilities such as hostels, canteens and common learning areas for students.
- Rs. 11,000 million has been allocated for the development of medical faculties at Sabaragamuwa, Moratuwa, Ruhuna, Uva Wellassa and Eastern Universities to sort out the issues caused by nonexistence of professorial units and laboratory facilities required for quality medical education, even though new medical faculties has been established past years.
- In addition, Rs. 11,500 million has been allocated for improving facilities and research activities at universities and higher educational institutions.
- Mahapola and bursary allowances provided for university students have increased by Rs. 2,500 in our first budget. In 2026 also, we propose to increase the monthly Mahapola and bursary allowances for university students by Rs. 2,500 to keep pace with the rising cost of living. Accordingly, the monthly Mahapola allowance will be increased to Rs. 10,000 and the bursary allowance will be increased to Rs. 9,000. subsequently, the "Nipunatha Sisu Diriya Allowance" will also be increased by Rs. 2,500.

- It is proposed to increase the allowance paid to National College of Education scholarship recipients by Rs. 2,500. It is proposed to allocate an additional Rs. 2,750 million in addition to the amount currently allocated to pay the increased allowance.

Rs. 1,500 million will be allocated from the budget for the construction of hostels in selected universities, especially in the South-East, Jaffna (Kilinochchi), Vavuniya, Eastern and Sabaragamuwa universities. Provisions have also been made in this year's budget for the renovation of hostels that have not been properly maintained due to the financial crisis in the country. Going forward, more attention will be paid to utilizing the building facilities of the surrounding community when providing dormitory facilities for university students.

- It is expected that the quality of vocational education will be improved and decent employment opportunities will be made available through the upcoming education reforms. Accordingly, activities such as improving the facilities of vocational training centers, modernizing subject courses, and training teachers and instructors will continue. For this purpose, the necessary work to upgrade 9 vocational education and vocational training centers as Centers of Excellence and to upgrade 50 training centers will commence in 2026. Rs. 8,000 million has been allocated from the budget for the improvement of overall vocational training education, including Rs. 2,000 million.

## **12. A Healthy Population for a Developed Country**

Honorable Speaker,

Declining birth rates, increasing elderly populations, increasing prevalence of non-communicable diseases, nutritional problems, and climate change have adversely affected the health of the entire human community. Despite the existence of free healthcare services, it is an issue that people have to bear significant personal expenses for their health needs for a long time. The government will provide solutions to these issues in the coming years, utilizing modern technology.

- We propose to establish "Arogya" centers covering between 5,000 - 10,000 people with the aim of increasing people's access to services aimed at primary health and well-being. We propose to allocate Rs. 1,500 million to implement this concept as a pilot project in 2026 in locations such as maternity and children's clinics, Medical Officer of Health (MOH) offices, etc., which currently provide various health services and have the necessary infrastructure. Considering its results, this programme will be implemented throughout the country over the next 03 years in collaboration with Provincial Councils.
- Secondary health services are provided through 82 Base Hospitals. The facilities of most of these hospitals have not been developed recently. Provisions have been made to commence the first year of a five-year programme of Rs. 31,000 million to improve the quality of secondary health services by developing these hospitals.
- Cardiovascular diseases are at a significant level in Sri Lanka and account for nearly 40 percent of all deaths, and it continues to grow. The Cardiology Unit of the Colombo National Hospital, although operating as the largest and most advanced cardiac care center in Sri Lanka, has failed to accommodate the increasing number of patients due to limited space and limited facilities. Due to this, people have had to wait on waiting lists for long periods of time or spend a lot of money to obtain services from the private sector. As a solution to these problems, Rs. 200 million has been allocated to begin the initial work required to establish a 16-storey National Heart Unit with more space and modern equipment at a cost of Rs. 12,000 million.
- A large percentage of Thalassemia patients suffer from a range of physical complications and severe anemia. A high percentage of patients will require lifelong blood transfusions or other treatments, including daily iron removal therapy. As a result, not only these patients but also their families have to face severe psychological, social and economic problems. In this situation, Provincial Councils pay allowances of varying amounts, from the Rs. 500 to Rs. 5,000, to low-income thalassemia patients. We propose to allocate Rs. 250 million to provide a monthly allowance of Rs. 10,000 each to low-income thalassemia patients based on medical recommendations, in lieu of the amount paid by the Provincial Councils.

- Demographic and Health Survey (DHS) information is very important for understanding the health status of the people and improving overall health services, based on data. This survey, which is supposed to be conducted every five (5) years, has not been conducted since 2016. This information is very important for reporting national health outcomes related to the Sustainable Development Indicators and the Universal Health Coverage Index. Accordingly, Rs. 570 million has been allocated to conduct this survey.
- We hope to provide continuous health services to the regional population, improve disease control and medical administration efficiency. Accordingly, we propose to allocate Rs. 1,000 million to relocate the Dambulla and Deniyaya regional hospitals to more accessible, secure, more spacious and suitable locations.

### **13. Sustainable and Inclusive Development**

Honorable Speaker,

Community Development Councils (CDCs) are established in every Grama Niladhari division to identify the real development needs and opportunities of the people. Steps are being taken to plan regional development programmes of the Government according to the development needs identified by CDCs. The responsibility of creating a prosperous village and a secure life in every aspect is entrusted to these CDCs. Through this, we are working to make the people the real owners of development.

Accordingly, in order to implement the integrated rural development programme island-wide under the National Campaign for Eradicating Poverty, we propose to allocate Rs. 20,750 million in addition to the provisions of Rs. 4,250 million allocated for the Praja Shakthi programme, increasing the total allocation to Rs. 25,000 million.

## 14. Uplifting the Living Standards of Estate Workers

It is our position that estate workers should be paid a fair daily wage commensurate with their service. It is proposed to increase the current minimum daily wage of Rs. 1,350 to Rs. 1,550 from January 2026. Furthermore, in addition to the salary of Rs. 1,550, it is proposed to pay Rs. 200 as a daily attendance incentive by the government. It is proposed to allocate Rs. 5,000 million for this purpose.

## 15. Regional Development

The Government expects to actively involve all citizens of the country, especially the rural community, in the country's development programmes. We have given priority to improving the living standards of people living in underdeveloped areas and strengthening social life. For national development to be successful, it is essential to improve administrative efficiency, social welfare, infrastructure including roads and strengthen economic relations at the provincial and regional levels. For this purpose, we allocate more funds than last year to the Provincial Councils and local government institutions.

- A special focus will be placed on the development of infrastructure in regional administrative complexes. It is proposed to construct a new administrative complex for the second phase of the Uva Provincial Council, a long-standing requirement.
- It is noted that the lack of suitable auditorium facilities in Monaragala and Ampara towns for public activities such as conferences, cultural and recreational activities, and community meetings hinders community engagement. Therefore, it is proposed to allocate Rs. 200 million to the relevant Provincial Councils for the preliminary work of constructing a complex that includes auditorium facilities.
- It is proposed to provide Rs. 300 million to complete development projects, such as the partially completed and halted construction of the Nindavur Urban Council building in the Eastern Province after a due feasibility study.
- To enhance daily travel, trade, and expand access to services for rural communities, construction of previously started and halted roads and bridges will be reactivated, and major junctions will be widened. Accordingly, Rs. 24,000 million is allocated for rural roads and Rs. 2,500 million for rural bridges.

## **16. Investing in the Silver Economy**

Sri Lanka is undergoing a rapid demographic transition, with the proportion of the population aged 60 and over growing faster than the younger population. It is proposed to allocate Rs. 10 million to the Ministry of Rural Development, Social Security, and Community Empowerment to formulate a policy to make them active stakeholders in society.

## **17. Empowering Women: Nutrition, Safety, and Economic Opportunities**

In 2026, we expect to enhance the Thripasha programme and the Monthly Nutrition Assistance Programme for Pregnant and Lactating Mothers, and ensuring wider coverage and improved delivery of these programmes through strengthened community health networks.

The contribution of the female community to our country's labor force is very important. However, the female labour force participation rate remains at a low level around 32 percent. This budget has allocated Rs. 240 million to uplift self-employment, household industries, etc., carried out by women entrepreneurs across the island at the Divisional Secretariat level. Under this, efforts will be made to provide assistance to women entrepreneurs to start new businesses and strengthen self-employment activities. In addition to this, an additional Rs. 200 million is proposed to be allocated for programmes aimed at the welfare of women.

## **18. Providing Relief to Sri Lankans Abroad**

Our highest net source of foreign exchange is the remittances made by Sri Lankans abroad. In appreciation of the contribution made by this group to the development of our country, we are introducing a housing loan scheme at concessional interest for migrant workers. It is proposed to implement it using the funds of the Sri Lanka Bureau of Foreign Employment according to the interest reimbursement method.

Similarly, a contributory pension scheme for foreign workers is being introduced. The Bureau of Foreign Employment will carry out the necessary work to implement the basic work quickly and within the year 2026.

Rs. 2,000 million will be allocated from the funds of the Bureau of Foreign Employment in the initial phase of these programmes.

## **19. Mitigating the Human-Elephant Conflict**

The Human-Elephant Conflict results in the loss of about 80 human lives and over 260 elephants annually. The highest number of incidents are reported in the Anuradhapura, Polonnaruwa, and Ampara districts. The Human-Elephant Conflict in Sri Lanka poses a serious threat to both the rural and national economies.

- Approval has been granted to procure 294 essential vehicles and modern communication equipment to enhance the efficiency of the Department of Wildlife Conservation.
- An additional Rs. 300 million is already allocated to complete the construction of all electric fences in all identified, essential areas. This includes fences that are already completed but dilapidated, broken down, partially constructed, or planned for construction.
- It is also proposed to provide special training to 5,000 Civil Security Service officers and attach them permanently to the Department of Wildlife to monitor elephant enclosures and minimize elephant-human conflict.
- Rs. 375 million is allocated to provide food allowances and fuel allowances for equipment maintenance to Civil Security officers assigned to monitor and maintain electric fences.
- We have allocated Rs. 80 million for pasture and water source management activities to ensure the provision of food and water for elephants.
- We propose to allocate an additional provision of Rs. 1,000 million in addition to the provisions allocated to the Department of Wildlife Conservation to complete the construction of electric fences and other related tasks to control elephant-human conflict.

- We propose to allocate Rs. 10 million for research to find long-term, research-based solutions beyond the construction of electric fences to reduce these elephant-human conflicts.

## **20. Promoting Drama, Performing Arts and Literature**

A meaningful platform has been created to advance Sri Lanka's cultural diversity, reconciliation, and inclusive national identity. The Government's policy framework emphasizes the importance of education, culture, and inter-community dialogue in building a compassionate society that respects heritage and diversity.

We propose to allocate an additional Rs. 50 million in addition to the existing allocations to promote drama, performing arts and literature as an area of cultural enrichment.

## **21. Promotion of the Media Sector**

- Due to mismanagement of media institutions of the Government, their administration has collapsed and it has become difficult to even pay the salaries of their staff. This has created an environment of constant dependence on the Government for their day-to-day operations. Experts in the field have been appointed to key positions in these institutions and efforts have been made to rebuild them. We believe that the Government should support these institutions until they are restored to normal. Therefore, in the 2026 budget, Government support will be provided for the operations and essential capital expenditures of the Sri Lanka Broadcasting Corporation, Sri Lanka Rupavahini Corporation and Independent Television Network.
- It is proposed to allocate Rs. 100 million to provide higher education scholarships and support for the technical approach required in journalism, in order to provide the necessary support for the development of the skills of journalists in line with the advancements in the field of journalism and modern technology.

## **22. Developing Sports Culture**

Developing a sports culture creates a healthy, vibrant, cooperative, and "An energetic citizen - Triumphant people" in society. Therefore, Rs. 1,800 million has been allocated to promote sports culture among our children and youth by expanding opportunities for sports facilities. We propose to allocate an additional Rs. 800 million for this purpose.

Rs. 1,163 million have been allocated to provide facilities for players to participate in international sports competitions, second-tier sports pools, international sports tournaments, national sports competitions, and high-caliber sports teams to provide facilities for about 4,000 participating athletes.

Under the development of sports infrastructure, Rs. 225 million has been allocated in this year's budget for the development of sports complexes in the Mannar and Vavuniya districts, and Rs. 150 million for the completion of the Kalmunai Sports Stadium. Subsequently, Rs. 150 million has been allocated for the development of sports complexes in the Northern and Eastern provinces.

## **23. Economic Sovereignty and Food Security**

### **23.1 Agriculture and Livestock Sector**

Honorable Speaker,

- Since a higher price is given for well-dried paddy when determining the guaranteed price for paddy, it is expected that paddy drying machines equipped with modern technology will be provided to the relevant farming companies or cooperative societies. In addition to managing this proposed project within the allocated funds under the "Building Production Cooperatives and Creating Young Entrepreneurs" programme, it is proposed to allocate another Rs. 500 million.
  
- It is proposed to provide Rs. 1,000 million to strengthen the mechanism related to the service provided by Sathosa and to improve storage facilities to minimize price fluctuations in food crops including onions, potatoes and maize.

- Dambulla Cold Storage, which was constructed at a cost of over Rs. 500 million but is not operational due to various technical issues, should be used effectively in the agricultural storage. This cold storage facility has a capacity of about 5,000 metric tons. We propose to provide the necessary provisions of Rs. 250 million in this budget to complete the construction work that is hindering the use of the warehouse and install a solar panel system. Attention needs to be paid to a more appropriate methodology for the operation and management of this cold storage facility.
  
- Efforts are being made to increase agricultural production in Matale, Kandy and other potential areas in the dry zone by using new technologies and climate-friendly irrigation technologies. For this purpose, it is proposed to provide Rs. 4,000 million for 400 identified irrigation schemes within the medium-term budgetary framework, and out of this, it is proposed to allocate Rs. 1,000 million to implement 100 irrigation schemes in the year 2026.
  
- Current domestic milk production is sufficient to meet about 40 percent of the country's milk requirements, and a significant amount of foreign exchange is spent annually on importing milk and milk-related products. To become self-sufficient in milk, approximately 1,200 million liters of milk must be produced annually. The National Dairy Production Programme is designed to reach the target of meeting 75 percent of the domestic milk requirement by 2030.

For this programme, it is expected to implement a programme to improve the breeding, nutrition and health of dairy cattle by organizing farmers based on each Veterinary Division. For this purpose, we propose to organize farmers and increase local milk production, based on the potential of Veterinary Divisions. We propose to allocate Rs. 1,000 million for the preliminary work including the feasibility study of this project under the "Small and Medium sized Livestock Development Programme".

- Increasing the number of high-quality breeding animals in the livestock sector has been identified as a fundamental need to increase local animal production, and this is particularly prominent in the dairy cattle and piggery sectors. Therefore, priority will be given in this budget to improve the breeding units

of several high-quality dairy cows and pig breeds and to cultivate nutritious grasses in several selected farms belonging to the National Livestock Development Board, through a methodology selected after a proper study. We propose to allocate Rs. 1,000 million for this purpose.

- It is very important to resume the construction work of the Badalgama Dairy Factory of Milko (Pvt) Ltd. The Badalgama Dairy Factory, which was started in 2015, has already been stalled, having already spent about Rs. 18,000 million of public money. This project, which has been abandoned since 2022, will be implemented in line with the Government's policy statement to increase local milk production to process milk to a higher standard in order to contribute effectively to the national economy in the future. Accordingly, it is proposed to allocate Rs. 3,000 million for the basic works required to complete the remaining works of the factory, in particular, the rectification of machinery and buildings and the renovation of the factory in order to commence production.

We propose to complete the work of the Badalgama Dairy Factory as soon as possible and relocate the current Narahenpita milk factory to this location.

Honorable Speaker, while allocating funds for development of this dairy factory, we expect to conduct an investigation into the corruption and waste of public funds that has occurred in this regard.

## **23.2 Strengthening Coconut Cultivation**

- Sri Lanka's annual coconut production is about 2,800 - 3,000 million nuts, of which about 70 percent is used for domestic consumption and the rest for the coconut and coconut-based products industry. The current annual coconut production is sufficient to meet domestic consumption; however, it is not sufficient to meet industrial demand.

Therefore, as a long-term strategy to increase coconut production, we have allocated Rs. 600 million for the further expansion of coconut cultivation in the already established Northern Coconut Triangle based on the recommendations of the Coconut Research Institute.

- Although coconut landowners in commercial coconut cultivation have adopted fertilizer use and moisture conservation methods to some extent, the interest shown by coconut landowners with less than 5 acres in them remains relatively low. Despite the Coconut Cultivation Board has implemented a programme to use mulch for soil and moisture conservation covering about 4,000 acres of land cultivated with coconuts at present, Coconut cultivation needs to be further expanded to achieve its desired goals.

Therefore, in order to achieve the expected export targets by achieving the medium-term productivity goals of the coconut sector, it is proposed to allocate Rs. 2,500 million to implement a structured programme to motivate coconut growers who own less than 5 acres out of the estimated 447,000 acres currently under coconut cultivation.

## **24. Fisheries Industry**

### **24.1 Development of Infrastructure Facilities in Fishery Harbours**

- Focusing on providing necessary assistance for safe and quality fishing vessel operations, improving efficiency, and minimizing post-harvest losses, we have allocated Rs. 300 million for the renovation, rehabilitation, and upgrading of existing infrastructure facilities at selected fishery harbours, including Beruwala, Ambalangoda, Kudawella, and Nilwella.

Further, in addition to the provisions already allocated for further improvement of essential infrastructure facilities in fishery harbours, it is proposed to allocate an additional Rs. 1,000 million.

### **24.2 Providing Modern Technology to Enhance the Safety of Fishermen**

- Provisions are allocated for the improvement of the Valaichchenai Fishery Harbour with the objectives of providing enhanced services, ensuring safe maritime navigation, and reducing congestion in the harbour. Accordingly, Rs. 350 million has been allocated to empower the fishing community by strengthening the operations of the Valaichchenai Fishery Harbour to ensures uninterrupted operations.

- To ensure the safety of fishermen, it is proposed to allocate Rs. 100 million to provide life-saving equipment for fishermen. Many countries in the world are using modern technology to easily identify fishing spots. Providing that technology to our fishermen will lead to the advancement of the industry.

### **24.3 Increasing Fish Harvest**

- Rs. 500 million has been allocated for the development of infrastructure at the wharves to improve the living standards of the fishing community by obtaining a qualitative and quantitative fish harvest through minimizing post-harvest losses.
- It is proposed to allocate Rs. 100 million to develop a system for identifying fish grounds using satellite technology and communicating relevant information efficiently to the fishing community.
- Rs. 100 million has been allocated for the development of aquaculture development centers to increase the supply of fish seeds and improve the availability of quality freshwater fish.

### **24.4 Promoting the Blue Economy**

- Sri Lanka's blue economy plays a vital role in national prosperity and sustainable development. Sri Lanka's strategic location in the Indian Ocean provides a unique opportunity to harness our marine and coastal resources for sustainable economic growth and also provides an opportunity to emerge as a regional hub for blue economy investments.
- Rs. 100 million has been allocated to conduct a detailed study on the economic benefits that can be achieved through marine and coastal fisheries, marine aquaculture, ecotourism, diving-related activities, marine biotechnology and development of seabed resources in the Exclusive Economic Zone (EEZ).

## 25. Irrigation and Water Supply

### 25.1 Irrigation

- Rs. 91,700 million has been allocated to uplift irrigation. We expect to achieve the Government's priority objectives such as increasing domestic agricultural production, regional development, and job creation by resuming temporarily suspended projects.
- Accordingly, Rs. 50 million has been allocated in this budget to resume the work of the Mundeni Aru project by commencing the initial work.
- Further, we expect to engage in discussions with development partners to secure the required financial provisions to commence the Talpitigala Reservoir Project and the Kumbukkan Oya Reservoir Project.
- Also, Rs. 5,000 million has been allocated to expedite the Lower Malwathu Oya Multipurpose Development Project, which will enable the cultivation of new lands related to the Yodha Wewa in the Northern Province, increase productivity of existing lands, fulfill drinking water needs, and provide a solution to the flood in the Mannar District.
- Rs. 6,500 million has been allocated for the restoration of other canal systems, including urgent initiation of restoration work of the sluice (Sorowwa) of Senanayake Samudraya, as well as restoration of Gal Oya, Rajanganaya, Huruluwewa, and Minneriya reservoirs.
- Rs. 8,350 million has been allocated for the improvement and rehabilitation of small tanks, canals and sluice systems. Under this programme, it is expected to renovate 650 tanks and nearly 350 kilometers of canals.

### 25.2 Urban Flood Control

- Having recognized the need for a sustainable solution to urban flood control, attention has been focused on short, medium, and long-term programmes. In particular, immediate solutions are required for recurring flood threats in cities such as Colombo, Gampaha, Galle, Ampara, Mannar, and Puttalam. As a short and medium-term solution, it is proposed to prepare an integrated plan in

collaboration with the Department of Irrigation, Urban Development Authority, Sri Lanka Land Development Corporation, and Local Government Institutions, and to implement it within the medium-term budgetary framework. In this budget, Rs. 250 million has been allocated for the preparation and implementation of this plan.

- Due to the absence of a proper flood management plan, people in Ratnapura, Kalutara, and Matara have faced severe difficulties. Therefore, there is a need to conduct a formal feasibility study on flood management of the Gin and Kalu rivers. We expect through this proposed programme to provide additional water to the Walawe basin and also to provide a suitable solution to the existing flood problem in Ratnapura and Kalutara districts. It is proposed to allocate Rs. 500 million for conducting these studies.
- A saltwater barrier constructed in 2022 across the Nilwala River in Matara has caused several issues. This situation has significantly impacted the livelihood of the people in this area as well as those who are engaged in agriculture. In this regard, a study is currently being conducted. Rs. 1,000 million has been allocated to implement the necessary solutions based on the findings of that study. Additionally, Rs. 1,200 million has been allocated for the prompt payment of compensation for paddy lands that have been damaged and cannot be cultivated due to this flood.
- It is proposed to allocate Rs. 100 million to provide an immediate practical and permanent solution to prevent coastal erosion associated with the Kalu River lagoon, restore fisheries activities hindered due to silting and blocking the estuary from sand deposition, and revitalize the tourism industry in the Kalutara coastal area.
- It is proposed to allocate Rs. 500 million to the Ministry of Transport, Highways, and Urban Development to conduct the initial study necessary for the construction of the Kiran Bridge and the Pondukulchenai Bridge to minimize flood risk in the Batticaloa District.

### **25.3. Improvement of Drinking Water Supply**

The drinking water supply has so far met only 62 percent of the requirement. The lack of access to clean drinking water has become a major problem facing the people. New water supply projects are being initiated and the ongoing projects are being completed expeditiously. Rs. 85,700 million has been allocated for the implementation of drinking water supply projects as well as community water supply projects covering districts such as Gampaha, Kalutara, Anuradhapura, Kandy, Jaffna, Kilinochchi and Kurunegala. Furthermore, steps are being taken to implement the necessary infrastructure facilities for drinking water supply in collaboration with the private sector.

- To meet the urban drinking water demand in Colombo District by constructing a new water supply system in Ambatale, to update and provide new water supply to Kolonnawa and Nugegoda-Jubilee post, and to construct a new water project in Lunugamvehera in the Hambantota District to supply drinking water to people affected by water scarcity and to support the upliftment of production-oriented industries, Rs. 1,000 million has been allocated.
- By 2040, it is estimated that the daily water requirement for Hambantota development will be around 300,000 cubic meters. At present, the daily water supply in the area is approximately 90,000 cubic meters, supplied through water sources including Lunugamwehera Reservoir, Walawe River, Kirindi Oya, Kachchigal Ara, Kirama Oya, and Urubokka Oya. According to the preliminary studies that have been conducted so far, indicate that an additional 100,000 cubic meters of water per day can be obtained in the short term by investing and developing these water sources, which will support to meet future water demand. In this regard, a full feasibility study is being conducted, to promptly identify and implement development needs.

## **26.Sustainable Infrastructure Development**

### **26.1 Public Transportation**

The current public transportation sector is facing numerous challenges. The inefficiency of the overall transportation system, the lack of adequate facilities, and the insecurity within the transport network are causing passengers to further

distance themselves from public transport. Achieving the government's long-term vision of " A good public transportation service - Speedy destination" requires the creation of an efficient and sustainable passenger transportation system, which is a key priority of the current government. For this purpose, Rs. 67,200 million has been allocated in this budget. Among them, the main projects to be implemented include the following:

- To strengthen the public transportation sector, 600 buses are scheduled to be added to the long-distance service fleet by the Sri Lanka Transport Board (SLTB). Rs. 3,600 million has been allocated for the initial implementation of this project.
- Furthermore, Rs. 2,062 million has been allocated for the next year to replace the worn-out engine units of 307 belonging to the Sri Lanka Transport Board (SLTB).
- We would also like to mention that Rs. 790 million has been allocated for the procurement of necessary new tools, machinery, and equipment required for the depots and workshops of the Sri Lanka Transport Board (SLTB).
- With the objective of enhancing the efficiency and passenger-friendliness of the railway service, Rs. 3,300 million has been allocated for the initial activities related to the procurement of five new Diesel Multiple Units (DMUs) for the Sri Lanka Railways Department. Furthermore, preliminary work on the digitalization of the railway service, including the introduction of an electronic ticketing system for rail passengers, has already commenced.
- Further, it has been observed that private sector service providers have reduced their bus operations on certain routes across the island due to insufficient revenue. As a result, passengers in these rural areas experience significant hardships. Therefore, it is proposed to formulate an appropriate programme to systematically identify such routes and ensure the provision of a sustainable transport service. As an interim measure, an additional allocation of Rs. 2,000 million is proposed for the year 2026.

## 26.2 Road Development

The economic crisis experienced by the country led to the suspension of numerous road development projects, resulting in various complications. Measures have been taken to resolve these issues and recommence the implementation of those projects. For overall road development in the year 2026, Rs. 342,000 million or Rs. 342 billion has been allocated. This includes the following projects:

➤ **Central Expressway - Phase I**

A decision has also been taken to provide financial facilities for the construction of the Kadawatha-Mirigama section of the Central Expressway, among the expressways that were currently on hold. Development work on the Kadawatha-Mirigama Expressway section has already commenced and Rs. 66,150 million has been allocated for the year 2026.

➤ **Central Expressway - Phase III**

The construction of the Pothuhera-Rambukkana section of the Central Expressway - Phase III from Pothuhera to Galagedara is scheduled for completion in the first quarter of 2027. Rs. 10,500 million has been allocated for this purpose. Furthermore, it is proposed to commence construction work on the Rambukkana-Galagedara section of the same phase using domestic funding, taking into account the fiscal space. For this purpose, an allocation of Rs. 20,000 million is proposed, comprising both the remaining provisions from the Road Development Authority's debt repayment arising from the full settlement of a portion of future loan obligations within this year and an additional budgetary allocation.

➤ **Katugastota-Galagedara Road Section**

Furthermore, the necessary feasibility studies for the widening of the Katugastota-Galagedara road section are scheduled to commence next year. In parallel with the construction of the Kandy Multi-Modal Transport Centre, provisions have been made in this budget to widen and upgrade several access roads leading into Kandy city. These developments are expected to help reduce traffic congestion within the city to a considerable extent.

- **Kurunegala-Dambulla Proposed Expressway**  
Land acquisition activities for the proposed Kurunegala-Dambulla Expressway are currently in progress. Rs. 1,000 million has been allocated to complete the land acquisition process for this project.
- **Ruwanpura Expressway – First Section of Kahathuduwa to Ingiriya**  
The construction of the 25-kilometre section of the Ruwanpura Expressway from Kahathuduwa to Ingiriya had been undertaken in an irregular and fragmented manner, and work was temporarily suspended with the onset of the economic crisis. As a result of these partially completed constructions, the local communities have been facing several economic, social, and environmental challenges. Accordingly, it is proposed to reassess the improvement of the existing access road from Kahathuduwa to Ingiriya, based on a review of the feasibility study conducted in 2018 and further analysis of the information derived from the study. Land acquisition activities for this expressway section continue and Rs. 1,500 million has been allocated for this purpose.
- **Feasibility Study on the Construction of the Link between the Port Access Elevated Highway and the Marine Drive Extension (Phase II)**  
With the objective of enhancing road connectivity to the Colombo Port and the Port City, an elevated highway project is currently under construction. To address the traffic congestion expected around the Lotus Roundabout area and its surroundings near Galle Face, following the integration of this expressway into the national road network, Rs. 330 million has been allocated to conduct a feasibility study on constructing a link between the Port City end of the Port Access Elevated Highway and the Marine Drive.

### **26.3 Implementation of a Road Safety Programme to Minimize Traffic Accidents**

It has been observed that road accidents have increased rapidly in recent times, with a significant proportion resulting in fatalities. According to the Sri Lanka Police Road Accident Report, a total of 24,589 road related accidents were reported in 2024, of which 2,262 were fatal, resulting in the loss of 2,368 lives. These accidents have not only caused immense hardship to the public but have also led to considerable economic losses as a whole.

It is proposed to allocate an additional Rs. 1,000 million, supplementary to the provisions already set aside, for the implementation of a comprehensive road safety programme. This programme aims to enhance road safety infrastructure through the integration of safety strategies into road design and the improvement of unsafe road sections.

## **27. Energy Sector**

### **27.1 Green Energy**

Honourable Speaker,

Since our Government assumed power in September of last year, we have taken decisive measures to introduce a competitive bidding system for government procurements, with the objective of ensuring the most favorable prices for consumers. A major achievement of this effort was clearly visible in the recent awarding of power generation projects. The previous administration had awarded two tenders for a total capacity of 500 MW at a rate of US cents 8.26 per kilowatt-hour, without following a proper procurement process and without even factoring in the cost of a substation for connecting the wind power capacity.

Honorable Speaker, we recently, on 28th October 2025, opened two tenders for two power projects in Mullikulam and I am very proud to report to this House on the remarkable results achieved. Accordingly, bids were submitted for the Phase I, 50 MW power plant at a price of US cents 3.96 per unit and for the Phase II, 50 MW power plant at a price of US cents 3.77 per unit. In addition, the Mannar Phase 1 Expansion Project, a 50MW project, was awarded at an impressive price of US cents 4.65 per unit.

### **27.2 People - Centric Energy Transition**

As a major step towards a People-centric Energy Transition, the Sri Lanka Electricity Act was amended and four separate fully State-Owned Companies were established to handle the functions of generation, transmission, distribution and system control with the aim of improving the national economy and the living standards of the people.

According to the Long-Term Generation Plan 2025 - 2044 published by the Ceylon Electricity Board, it is estimated that the electricity requirement will increase by about 60 percent in the next decade.

We have been debating for decades about how to generate electricity. Plans were outdated, procurement was not done properly, construction was delayed. The electricity generated was mostly used only to provide light, run a fan, and run an AC, and while it could be argued that it would improve the standard of living of the people, the weaknesses in powering electricity consumption for economic activities remained.

We now focus on entering new areas to revitalize the national economy by utilizing electricity. Namely;

1. Data Centres
2. Transport Electrification
3. Green Hydrogen
4. Green Ammonia

We need to develop electricity consumption that targets new economic opportunities. To achieve this, electricity transmission and distribution systems need to be developed using modern, smart technology.

To empower this work, an Integrated Economic Development Framework will be established by integrating Energy, Digital, and Transport.

It is expected to introduce Energy Transition Act in next year with the aim of establishing the necessary legal framework for this purpose.

## **28. Effective Utilization of Underutilized Buildings and Structures**

It is currently reported that there are more than 2,700 structures built by various government agencies that are currently abandoned or partially completed and not being used properly. They can be identified as educational buildings, hospitals, textile industry buildings, vocational training centres, community halls, service centres and multi-purpose buildings, warehouses, cultural centres and other buildings.

We are studying the possibility of improving these underutilized buildings or structures and using them for income-generating projects such as hotels, business centres, factories or other purposes through public-private partnerships and accordingly, we are preparing the necessary plans to effectively utilize these resources.

Accordingly, efforts are being made to provide value for these investments by ensuring that these structures, which were built at high cost without proper feasibility studies in the past, are not letting deteriorate and ensuring optimal use.

## **29. Supply Chain Development**

### **29.1 Infrastructure Developments to Improve Container Operations Within the Port**

Sri Lanka has significant potential to become a regional leader in Port Logistics, leveraging its strategic location. In the next year, we expect to enhance the capacity of the Colombo Port and enhance operational efficiency through major development initiatives, including the Western Container Terminal Phase II project with the support of the Asian Development Bank, feasibility studies for the proposed Ports Logistics Centres with the support of the World Bank, and the proposed Colombo North Port Development Project. In addition, the Kerawalapitiya Customs Verification Centre and Trade Facilitation Centres in the Bloemendal area will be established.

In addition to developing the necessary infrastructure to positioning the ports in Sri Lanka as a leading logistics hub in the region, digitalization and automation of port operations are being enhanced to ensure seamless and efficient port operations, including the implementation of the Port Community System as an integrated data management system.

### **29.2 Infrastructure Development to Make Airport Operations more Efficient (Air Cargo Centre)**

The second phase of the airport development, which was halted due to economic downturns and other factors, will begin construction in early 2026. JICA has already agreed to provide financial facilities for this purpose.

Bandaranaike International Airport is on its way to becoming a regional hub for air cargo, with ongoing development activities, including the expansion of SriLankan Airlines' cargo terminal and cargo handling facilities.

However, to overcome further challenges, particularly in the cold chain system, lack of sufficient storage capacity and outdated systems, and to achieve the full potential of the air cargo sector and to ensure operational efficiency and financial sustainability, it is proposed to provide advanced facilities such as cold storage required to handle air cargo to the newly constructed cargo terminal through a Public Private Partnership (PPP) model.

### **30. A New Approach to Urban Development**

- Urban development projects have been implemented informally and without prioritization, without proper study and planning, and due to that have not been able to achieve the desired results. Therefore, the city development process will be conducted according to a formal plan with proper studies effective from 2026. Efforts are being made to establish an efficient, sustainable, tourists and investment-attractive city network. Rs. 2,000 million have been allocated to commence preliminary work to identify the feasibility of 10 identified cities across the island, including Jaffna, Eheliyagoda, Batticaloa, Chilaw, and Matara, and this amount will be released based on requirement and progress.
- In order to reduce the current congestion at the entrance to Matale city, necessary measures will be taken to expand the number of lanes to 4 lanes, acquire the necessary land for this purpose, and prepare a city plan. It is expected to prepare the necessary city plan to provide appropriate solutions to the heavy traffic congestion in Hatton City in 2026, and also propose to provide a short-term, rapid solution to reduce the existing congestion. For this purpose, we propose to allocate Rs. 500 million of this Budget.
- While paying a special attention to the city of Ratnapura, it is proposed to relocate the government quarters located in the old town to the new town area. We expect that this placement will be useful in fulfilling the long-term residential needs. For this purpose, it is proposed to allocate Rs. 500 million from this budget under the Urban Development Authority.

### **30.1 Waste Management Facilities for Local Government Institutions**

With the increasing trend of urbanization, proper solid waste management has become a challenge for local governments. Due to improper disposal of waste, environmental and health impacts, animal distress and public complaints are becoming increasingly serious day by day.

In response to this problem, it is proposed to allocate funds from the budget 2026 to provide local governments with environmentally friendly, cost-effective and hygienic solid waste transport equipment such as compactors, tractors and trailers. The procurement process has already begun to purchase 700 machines with an allocation of Rs. 8,000 million from the remaining capital expenditure in 2025.

Accordingly, Rs. 900 million has been allocated for the implementation of solid waste management under the Ministry of Public Administration, Provincial Councils and Local Government to provide vehicles and equipment for the systematic disposal of solid waste and maintenance.

### **30.2 Meeting the Expenditures of Local Government Institutions (Regional Development)**

Local Government Institutions are institutions with independent powers, but they have been made dependent on the General Treasury even for the payment of salaries. In providing provisions for the payment of salaries from the General Treasury, it is proposed to introduce a new system instead of the existing system of providing provisions by reducing the percentages of 20 and 40 percent of the estimate.

Accordingly, based on the study recently conducted by the Ministry of Public Administration, Provincial Councils and Local Government, it is proposed to initiate a formal system of providing government contribution to each local government institution, taking into account the income and actual expenditure of the local government institutions.

In doing so, if a budget deficit arises in a local government institution, provisions will be provided for capital expenditure to cover it.

Rs. 2,500 million for the strengthening of local government institutions, improvement of infrastructure facilities in local government institutions, and revenue generation programs has been allocated for this purpose.

### **30.3 Introducing Services and Facilities for the Care of Street Dogs and the Burial/Cremation of Pets**

With the changing lifestyles in urban and semi-urban areas, the trend of having pets is growing rapidly. At the same time, burial and cremation of pets when they die remains a problem. The demand for respectful and environmentally responsible alternatives has also increased.

It has also been recognized that there is a need to develop a system to take care of stray dogs and pets in urban areas in collaboration with the local authorities.

As a consideration to this need, it is proposed to allocate Rs. 100 million to implement a pilot project in the local authorities of Kesbewa and Piliyandala areas, with the aim of encouraging the provision of services for the burial of pets, cremation and care of stray animals.

## **31. A Safe Home for Every Individual**

"Shade for the head is peace for the mind," every citizen believes. Having a decent home is a basic human right for every human being, regardless of their status. There are people in this country who suffer and sigh for a house throughout their lives. With the hope of bringing comfort to the lives of the citizens of our country, we are embarking on the process of fulfilling the dream of a house.

There are many factors that leads to housing problems. Among them, there are various reasons such as poverty, insufficient income, scarcity of land, increase in construction costs, migration, informal urbanization, displacement and natural disasters. In 2026, a housing development programme with a new approach is expected to be implemented, encompassing all social groups facing housing issues. Under this programme, construction work on 27,000 new homes including those currently under construction, is expected to be completed.

### **31.1 Solving Housing Problems Arising out of Low Income Communities and Urbanization**

- As a solution to the housing problems of low-income families, "A Place of your own – A Beautiful Life" housing programme will be implemented in several phases from next year onwards, under which it is expected to construct 70,000 houses in the medium term. For this purpose, it is proposed to allocate another Rs. 3,000 million in addition to the Rs. 7,200 million allocated for the construction of 10,000 houses in 2026.
- Under the Urban Regeneration Project implemented for the people in areas identified as 'Urban Estates' or urban settlements with low amenities in Colombo and its suburbs, Rs. 15,000 million has been allocated for the construction of houses in Applewatta, Madampitiya, Fergusson Mawatha, Obeysekarapura, Stadiumgama, Colombage Mawatha and Torrington Place for 2026.
- Furthermore, 1,996 houses are being constructed in Moratuwa, Peliyagoda, Dematagoda, Maharagama and Kottawa under the assistance of the Chinese government and Rs. 6,500 million has already been allocated for this purpose. Among those houses, arrangements are also being made to provide housing for journalists and artists.
- The conditions of the old apartment complexes built by the government are very deplorable and Rs. 1,180 million has been allocated to renovate them.
- Rs. 840 million has been allocated to resettle unauthorized settlers who have been an impediment to the development of the Kelani Valley Railway in other suitable places.

### **31.2 Provision of Housing for the Malayagam Community**

Rs. 4,290 million has been allocated with the assistance of the Government of India, for the construction of 2,000 houses to upgrade the housing and infrastructure facilities of the Malayagam Estate workers living in Central, Uva, Sabaragamuwa, North Western and Southern Provinces. Further, a sum of Rs. 1,305 million has

been allocated for the completion of work on 943 houses currently in the Northern and Southern Provinces with the assistance of the Government of India.

### **31.3 Provision of Houses for People Displaced by Natural Disasters**

About 9,000 rural and estate family units living in areas made vulnerable due to landslides and other environmental issues have been identified. In the next three years, it will be imperative to provide safe housing for these families. An additional Rs. 2,000 million is proposed to be allocated for the construction of houses for 1,200 such families this year, in addition to the Rs. 1,000 million already allocated.

### **31.4 Provision of Housing for Internally Displaced Communities**

The current allocation of Rs. 3,850 million for the construction of 2,500 houses for families who do not own any houses due to the conflict in the Northern and Eastern provinces will be increased to Rs. 5,000 million.

### **31.5 Housing Assistance for Resocialization and Child Care**

We have embarked on a new journey by introducing a special programme in the Budget 2025, providing a grant to young people who have grown up in children's detention centers to build a stable and safe home, giving them the strength they need to rebuild their lives. Strengthening this initiative further, we propose to provide a financial provision of Rs. 2 million to those who have lived and socialized in children's detention centers at any stage of their lives and to families of children at risk identified by the National Child Protection Authority, to purchase a land and build a house, build a house on land they own or renovate existing houses. Accordingly, we propose to allocate Rs. 2,000 million for this purpose.

## **32. Modernization of the Public Service**

To achieve future achievements economically, socially and culturally, we recognize the necessity of a strong public service for our country. However, at present, the public service bears a relatively high-cost burden for the provision of public services. Politicized recruitment to the public service, institutions that have historically completed their functions, and various institutions that have been established for the same functions have contributed to this. We are taking steps to

properly evaluate the essential services that the government should provide and close down government institutions that have completed their functions, merge various government institutions that perform the same function, and reorganize outdated objectives according to new objectives. We have initiated steps to close down 33 such institutions that do not perform any commercial, regulatory or administrative activities. Further, non-commercial institutions that have deviated from the original purpose of their establishment and are not suitable for the current context have also been identified and are preparing to close them.

The above State-Owned Enterprises do not contribute to the national economy or service provision, and their financial records are very difficult to find, and due to legal issues regarding unsettled liabilities and asset ownership, a final decision has not been taken on this matter. A unit has already been established under the Ministry of Finance to resolve these issues and expedite the process.

Based on the recommendations made on State-Owned non-commercial institutions, 21 institutions will be reorganized to consolidate the same functions, 14 institutions in the research sector will be merged to establish one national-level institution, 9 institutions that are currently not operating in a commercial model will be converted into financially independent institutions, and 13 institutions will be liquidated as the objectives for which they were established at that time are no longer needed at present.

### **32.1 Regularization of Recruitment in the Public Service**

The public service mechanism has been completely paralyzed due to the lack of formal recruitment for vacancies in the public service for many years. Therefore, after a formal study conducted by the Committee to Review the Recruitment Process and Manage the Number of Employees in the Public Service, established under the chairmanship of the Prime Minister, approval has been given to recruit nearly 75,000 people under a proper system. This includes positions such as technical officers, law enforcement officers, revenue officers, etc. that are required to maintain essential public services. Also, from now on, all recruitments, promotions and other tasks in the public sector will be carried out only in accordance with the prescribed examinations and service regulations, free from political interference, to provide equal opportunities to the youth.

### **32.2 Increasing Digital Access in Government Institutions**

The complex procedures of government institutions that directly provide public services should be simplified (Business Process Reengineering) and those facilities should be provided under digital methods expeditiously. For this purpose, it is proposed to allocate another Rs. 1,000 million in addition to the provisions currently allocated for applications in line with the digitalization program (Digital Blue Print) already prepared by the government.

### **32.3 Providing Vehicles Required for Government Institutions/Machinery Required for Provincial Government Institutions**

The government's current fleet of vehicles and machinery is inadequate and a significant portion of the existing vehicles and machinery are obsolete, resulting in substantial expenditures on repairs and maintenance. This situation has become a significant obstacle to the continuation of the development activities that the government is expected to achieve. Considering this situation, the government has decided to purchase a number of vehicles and machinery essential for government institutions, as well as vehicles to be provided on the basis of return after the end of the parliamentary members' term. For this purpose, it is proposed to allocate a total of Rs. 12,500 million as the primary requirement.

### **32.4 Settlement of Outstanding Statutory Payments of Government Institutions**

Due to the lack of proper management or financial discipline in recruiting employees for State Owned Enterprises, which are used as places to provide jobs to supporters for political gain, numerous state institutions have become a huge burden on the people, are in debt to banks, and are unable to pay their Employees' Provident Funds, Employee Trust Funds, and tax payments.

1. Lanka Sugar Company (Private) Limited
2. Janatha Estates Development Board
3. Sri Lanka State Plantations Corporation
4. Sri Lanka Rupavahini Corporation
5. Ceylon Fisheries Corporation
6. National Livestock Development Board
7. Elkaduwa Plantations Limited
8. Sri Lanka Broadcasting Corporation
9. North Sea Limited
10. Ceylon Ceramics Corporation

A total of Rs. 11,000 million is required to settle the outstanding arrears of statutory allowances such as Employees' Provident Fund (EPF), Employees' Trust Fund (ETF), Gratuity Allowances and taxes of 10 State owned Enterprises.

It is proposed to pay these unpaid statutory payments in phases and to allocate Rs. 5,000 million for the year 2026. It is expected that this will ensure the payment of the outstanding Employees' Provident Funds and Employees' Trust Funds of the current employees of these institutions as well as the payment of the employee gratuity entitlements of the retired employees and to restructure their balance sheet liabilities.

### **32.5 Settlement of Treasury Guarantees and Letters of Comfort Issued by the Government to Public Enterprises**

Treasury guarantees or letters of Comfort have been issued to state banks for the state-owned enterprises to obtain loans. Due to long term losses and financial crises, such enterprises are unable to repay these loans. These obligations which will be in effect until 31.12.2026 will be settled during this year considering as an urgent need.

### **32.6 Payment of Government Contributions for the Interest Paid to Senior Citizen Accounts**

Although an additional interest of about 15 percent was given to the savings of senior citizens, the outstanding amount that should have been paid to the banks in 2022 and 2023 but has not been paid so far is being settled. For this, from the interest to be borne by the government (from the government contribution), the unpaid amount of Rs. 10,000 million has already been paid in 2025, and the remaining outstanding amount of Rs. 45,700 million is also being paid in full this year.

### **33. Salaries and pension in the public sector**

#### **33.1 Establishment of a Salaries and Pensions Commission**

It is our responsibility to manage salary and pension policies in a sustainable manner. Considering the salary anomalies that have arisen over the years, and the challenges to public financial management, a Salaries and Pensions Commission is being established to provide solutions to the problems of public employees and pensioners regarding salaries and allowances.

#### **33.2 Amendment of the Condition of the Appointment Letter Regarding the Entitlement to Contributory Pension Benefits**

All government officers recruited into the public service on or after 2016.01.01 have mentioned the entitlement to contributory pension benefits in the appointment letters issued. However, if such an employee retires, it is not practical to consider them outside the existing pension scheme. The clause regarding pension entitlement is being removed from the appointment letters and their entitlement to the existing pension scheme is confirmed.

#### **33.3 Second Phase of Public Sector Salary Increase**

An allocation of Rs. 110 billion has been provided for the implementation of the second phase of the salary revisions made in 2025. Accordingly, these salaries will be paid to all public servants commencing from January 2026.

#### **33.4 Second Phase of Pension Anomaly Rectification for Retirees Before 2020**

In the second phase of pension revision, the pensions of those who retired before 2020 will be revised based on the salary structure of 2019. An amount of Rs. 20,000 million has been allocated for the payment of this revised salary from July 2026.

#### **33.5 Providing Housing and Property Loans to Public Servants at Concessional Interest Rates**

The property loan scheme provided to public servants is expected to be activated under a new structure to provide loans up to Rs. 50 lakhs. In that case, we propose to allocate Rs. 500 million to provide loans at 4 percent concessional interest rate up to the initial Rs. 30 lakhs and at 2 percent concessional interest rate from Rs. 30 lakhs to Rs. 50 lakhs.

### **33.6 Expanding the Coverage of Health Benefits under the Agrahara Scheme**

Although public servants receive certain concessions under the Agrahara Insurance Scheme currently in operation for public servants, in order to ensure that the benefits provided to employees are remained at a stable level due to the minimum employee contribution of Rs. 125, we propose to increase the contribution amount of Rs. 125 by another Rs. 75 and the monthly contributions of Rs. 300 and Rs. 600 by another Rs. 150.

### **33.7 Increase in Festival Advance**

It is proposed to increase the interest-free festive advance of Rs. 10,000 provided to government employees to Rs. 15,000.

### **33.8 Distress Loan Advance**

In line with the increase in the salaries of public servants, we have taken steps to increase the amount of distress loan advances that they can obtain at an interest rate of 4.2 percent from Rs. 250,000 to Rs. 400,000. To ensure that these advances can be obtained within a short period of time without any disruption, Rs. 10,000 million has been allocated for the advance account limit of public servants.

### **33.9 Increase in Allowances for Teachers Engaged in Remote Service and Allowances for Principals**

Since the allowances paid to teachers working in schools in remote areas have not been increased for 20 years, we propose to increase the allowance by Rs. 1,500 to motivate those teachers.

In recognition of the administrative responsibilities and accountability of principals in achieving educational goals, we propose to increase the principal allowance paid to principals serving in the position of principal by Rs. 1,500 and to allocate Rs. 1,000 million to increase the achievement of educational goals.

### **33.10 Increasing the Allowance of Gatekeepers at Unsafe Railway Crossings**

The frequent accidents at unsafe railway crossings result in a significant number of deaths annually, with a significant number of people becoming permanently disabled. As remedial measures to this situation, about 1,000 gatekeepers have been employed. We propose to allocate Rs. 250 million to increase the minimum allowance currently paid to them from Rs. 7,500 to Rs. 15,000 per month for an eight-hour shift.

### **33.11 Formalization of Permanent Appointments for Employees Engaged on Temporary, Casual, Substitute, Contract, or Concessionary Basis**

It has been reported that, due to previous governments not formally granting permanent appointments to employees recruited on a temporary, casual, substitute, contract, or concessionary basis, approximately 9,800 employees receiving only minimum wages are currently serving in various institutions within the public sector.

Although permanent appointments have been given to only a portion of these employees on various occasions, these employees have been denied the opportunity for regularization.

The government confirms that recruitments to the public service in an irregular manner over a long period of time will not be made under our government in the future, and we acknowledge the need to regularize the services of these employees who have already been recruited and have not been given proper service conditions. Accordingly, we propose to grant permanent appointments to all employees currently employed in various institutions for more than 6 months who have fulfilled the qualifications under Public Administration Circular 25/2014 and Public Administration Circular 29/2019.

## **34. Fiscal Discipline and Macroeconomic Stability**

### **34.1 Revenue Measures and Domestic Revenue Mobilization**

In parallel with the full implementation of the Public Financial Management Act, No. 44 of 2024, our government is committed to building a modern tax system based on transparency, fairness, and administrative efficiency. In line with international benchmarks, our goal is to achieve and maintain tax revenue at a level exceeding 15 percent of GDP in the medium term, secure the necessary fiscal space for critical social investments, strengthen investor confidence, and expand our financial markets.

### **34.2 Progress in Government Tax Revenue Collection**

When our government took office, revenue collection was at a low level. Tax compliance was poor, and public confidence in the entire system had eroded. We are pleased to announce that, within just one year, we have made significant progress in revenue collection.

Accordingly, government revenue, including grants, increased to Rs. 3,800 billion in the first nine months of 2025 from Rs. 2,900 billion in the same period of 2024. At this moment, we wish to express our sincere gratitude to all government officials who have contributed to this task.

The Simplified VAT System (SVAT) has been abolished with effect from October 01, 2025, and has been shifted to an approved refund process to improve tax compliance and reduce misuse. The total number of registered taxpayers has increased by 3 lakhs as of September 30, 2025 compared to 2024.

Our approach to strengthening revenue collection is anchored in the principle of shared responsibility, reflecting the social contract between the citizen and the Government. We are implementing a comprehensive reform agenda that rationalizes tax expenditures, strengthens income taxes, improves the efficiency of VAT and excise duty, and expands the formal sector through simplified procedures and digital-first compliance frameworks. These measures must be aligned with broader institutional reforms to improve the efficiency of expenditure, accountability, and public trust.

## **35. Revenue Proposals – 2026**

### **35.1 Imposition of Value Added Tax and Social Security Contribution Levy on Imported Coconut Oil and Palm Oil**

Locally produced coconut oil and palm oil are subjected to Value Added Tax and Social Security Contribution Levy, while imported coconut oil and palm oil are subjected to Special Commodity Levy at Rs. 150 per kilogram and Rs. 275 per kilogram, respectively. To ensure a level playing field, it is proposed to remove the Special Commodity Levy on imported coconut oil and palm oil and instead implement the general tax structure including Value Added Tax. It is also proposed to implement this proposal from April 2026.

### **35.2 Reduction of registration threshold of Value Added Tax and Social Security Contribution Levy**

With the view of broadening the tax base, we propose to reduce the annual turnover threshold for the registration from Rs. 60 million to Rs. 36 million Value Added Tax and Social Security Contribution Levy effective from April 01, 2026.

### **35.3 Removal of CESS and imposition of VAT on Imported Fabric**

Locally manufactured fabric is subjected to VAT and the imported fabric, although exempted from VAT, is subjected CESS of Rs. 100 per kilo gram. To ensure a level playing field, it is proposed to remove CESS and impose VAT on the imported fabric. This will be implemented effective from April 01, 2026.

### **35.4 Imposition of Social Security Contribution Levy on Vehicles**

It is observed that the social security contribution levy on the sale of vehicles is not being collected properly. Therefore, the social security contribution levy is proposed to be charged at the time of import or manufacture and sale of vehicles, and exempt this tax at the time of after-sales. This is expected to be implemented effective from April 2026.

### **35.5 Implementation of the National Tariff Policy**

We propose to revise the current Customs Import Duty rates of 0%, 15%, 20%, in line with the National Tariff Policy, to 0%, 10%, 20%, 30%, effective from April 2026. Also, with the aim of boosting economic growth by increasing the competitiveness of external trade, we expect the gradual phase out of para-tariffs through the proposed revisions in Customs Import Duty rates. We propose to prepare and implement a plan according to a time frame for the phaseout of para-tariff with a minimal impact on government revenue.

### **35.6 Improving the Tax Audit Process**

To enhance the integrity, efficiency and fairness of tax administration, the Government will introduce a modern tax audit framework effective on the returns filed from January 2026. These reforms will streamline audit procedures and reduce the illegal connections between taxpayers and officials, thereby minimizing opportunities for discretion and corruption. Under the new system, the selection of audit cases will be based on transparent risk assessments conducted by the Risk Management Unit and, when necessary, reviewed by a committee appointed by the Commissioner General of Inland Revenue. These changes, implemented through amendments to the relevant tax statutes, demonstrate the Government's accountability for establishing a transparent, rule-based and credible revenue administration that supports Sri Lanka's journey towards sustainable economic growth.

### **35.7 Amendments to the Telecommunications Tax Act and Strengthening the Government's Programme Against Money Laundering and the Financing of Terrorism**

Any bad debt incurred by the telecommunications service provider should be included in the payment of the Telecommunications Levy on the provision of telecommunications services. Similarly, any bad debt recovered should be included in the payment of the relevant tax. It is proposed to amend the Telecommunications Tax Act, No. 21 of 2011, to introduce the relevant amendments and to reflect the changes made from time to time in relation to telecommunications taxes.

Legal provisions are proposed to be included in the relevant tax laws to allow tax administration authorities to exchange information with the Financial Intelligence Unit and other enforcement agencies regarding the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Framework.

Also, to strengthen the government's efforts against money laundering and the financing of terrorism, necessary legal provisions are proposed to be introduced in all tax legislations for enforcement, including the interpretation of tax-related crimes, prosecution by the Attorney General and imposition of fines, penalties.

### **35.8 Development of the National Electronic Invoicing System**

To initiate a national e-invoicing system, Sri Lanka has introduced an API-based integrated framework to enable seamless connectivity between taxpayers' Enterprise Resource Planning (ERP) systems and the Revenue Administration Management Information System (RAMIS).

This initiative is expected to be completed and implemented within this year, following a pilot project involving a selected group of companies that have upgraded their ERP systems to support API integration.

In the first phase, the system will be expanded to cover export-oriented enterprises and integration with selected pilot companies through the API mechanism. In the second phase, all VAT-registered taxpayers will be included.

In the third phase, the e-invoice system is expected to be deployed through point-of-sale (POS) machines to record transactions in real time, improve tax compliance, and enhance the efficiency and transparency of VAT administration through a fully web-based platform.

### **35.9 Establishment of the Department of Inland Revenue in a Single Office Premises**

The Department of Inland Revenue is one of the main institutions responsible for generating government revenue, and directing its tax collection process towards digitalization enables the provision of a more efficient service.

Under this condition, by operating the main office of the Department of Inland Revenue and its related offices within a single premises, it will be possible to provide taxpayers with a simpler, more reliable, and efficient service, while also strengthening the tax collection process in a sustainable manner. Since taxpayers are the main beneficiaries of this institution, it is essential to develop the necessary physical facilities to provide them with a quality service.

Accordingly, it is proposed to allocate Rs. 2,000 million to establish a new office complex after selecting the most suitable location among the proposed sites and conducting a feasibility study.

## **36. Changing the date of publication of the Final Budget Position Report and the Mid-Year Fiscal Position Report**

Considering the delays in the timely dissemination of essential public financial information required for effective fiscal oversight and policy coordination during the financial year, we propose to enhance fiscal transparency and make public financial management more responsive by advancing the publication deadlines. Accordingly, the deadline for releasing the Final Budget Position Report (Annual Report) will be moved from June 30 to May 31 each year, and the publication of the Mid-Year Fiscal Position Report will be advanced from October 31 to August 31 each year.

## **37. Borrowing Limit**

The borrowing limit of the Appropriation Bill for the financial year 2026 is presented in Annexure II. The technical note on the relevant expenditure measures is given in Annexure III. Further, the documents to be presented with the second reading of the budget under the Public Financial Management Act, No. 44 of 2024 have also been tabled.

### **37.1 Reducing the Maximum Borrowing Limit for the Year 2026**

Due to the revisions to the revenue estimates expected through the budget proposals, the borrowing limit in the Appropriation Bill presented to this Parliament on 26.09.2025 should be revised by reducing it by Rs. 60 billion to Rs. 3,740 billion. This revision is presented in Annex II of this Budget Speech.

### **37.2 Amendments to the Appropriation Bill arising from the Revision of Subjects and Functions of Ministries**

Following the submission of the Appropriation Bill to Parliament, certain subjects and functions of Ministries were revised as per the Extraordinary Gazette No. 2485/65 dated 18.10.2025. Accordingly, the necessary amendments to this Bill, in line with those revisions, will be made under the respective expenditure heads at the Second Reading of the Budget.

The changes to expenditure heads required for the year 2025, in line with the revision of subjects and functions, have already been outlined in National Budget Circular No. 04/2025.

## **38. Conclusion**

Honorable Speaker,

At a moment when it is internationally recognized that Sri Lanka's comprehensive economic reform programme has continued to make impressive progress, at a moment when there are indications globally that Sri Lanka is a tourist paradise and one of the number one tourist destinations in the world, at a moment when our country has advanced 15 places according to the Global Democracy Index, and at a moment when the anti-corruption process has been appreciated by the world, we are proud to present the Budget Speech 2026.

In this short period, we have created a new sense of humanity in the country. We have built universal justice. We have created a sense of Sri Lankan. We have created a country without racism. Strengthening the rule of law, making institutions independent that uphold the rule of law, freeing the security forces including the police from politics, passing new legislations, taking steps to combat drugs and the organized criminal networks, and strengthening foreign relations are some of our notable achievements. We have stabilized the economy and increased government revenue by establishing high fiscal discipline. Growth in export earnings, increase in tourism earnings, and increase in foreign exchange remittances have strengthened the stability of the country. Increasing port operating profits, increasing customs revenues, together with our government's one-year balance sheet demonstrates positive results of government's operations.

Accordingly, the citizens of this country have a strong belief that this is a government that has not compromised the aspirations of the people and has not betrayed those aspirations.

A country that has been taking strong and rapid measures against over the recent times during this past period. This is a country that has ended racism, religiousness and extremism through the sovereignty of the people. A country that has established the rule of law and order independent to an extent that has not existed in any era in the history. A country with a government that has not misused public funds and has established fiscal discipline. Our government has the humble self-satisfaction of presenting a budget speech in such a country.

Accordingly, for the first time in history, we have placed before the country the second Budget of a government that has not misused public funds or used improper privileges.

Honorable Speaker,

The people of this country and ourselves have an unforgettable history. According to a historic political decision taken a year ago, our government came into power. We have ruled the country during the period we passed, making it clear that political power and state power are not ownership but only a stewardship. However, we have experienced with the systems of government in history that dreamed of turning the power given temporarily by the people into a permanent power.

We believe that even a comparison with other governments in history is enough to understand the balance sheet of the last year.

During this period, we have made optimal decisions instead of popular decisions. During this period, we have made transparent decisions instead of opaque decisions for the country. We have completely wiped out the illegal activities that took place in the history of this country under the shadow of politicians. We have defeated the political power with an organized theft ring that was tainted by terrible fraud and corruption and transformed our country into a responsible governance system that bows to the law and loves the country.

We have passed through old histories where things that should not have been expected at all happened in the first year of the establishment of a government.

We remember the history of the regimes that gave privileges to their friends and cronies within the first few months of coming to power.

We have experienced regimes that robbed the Central Bank within a few months of coming to power.

We have experienced regimes that gave tax concessions worth trillions to their friends within a few months of coming to power. We have witnessed regimes that within mere months of assuming power, bent the law and judiciary to suit their political agenda. We have seen the painful regimes that, within a very short period of coming to power, gave innocent cancer patients in this country injections of water instead of medicine.

We changed that terrible, immoral, and ugly system.

Honorable Speaker,

We have decisively changed the difference between the citizen and the public representative. We have changed the status of the politician as someone above the people, treating them like slaves, a king or a *Maheshakya* God, and we have made him a person who does not deserve undue privileges. He may be a leader elected by the people. However, we have confirmed in society in this short period of time that he is an ordinary person like general public. That is a victory we have achieved. Our aim is to further strengthen it.

We have removed the undue privileges of former presidents. Some may feel pain about this. But we worked according to the mandate of the people. Some people argue about the privileges given to former presidents and prime ministers in other countries. However, those countries did not go bankrupt like us. Unfortunately, our country made bankrupt. In a country where children do not have schools; in a country where millions of people go to bed without even a single meal; in a

country where people suffer without the means to buy medicine to save their lives; in a country where innocent youth suffer without jobs, is it at least moral for former presidents to continue to enjoy privileges? Is it possible to remain like that?

But we have set that example. Our sole objective is to create an economy where people who do not eat three meals a day can get three nutritious meals, to create an environment for every child to receive education, to provide shade for every head, and to ensure a healthy life for every citizen.

And today, we have been able to create a bridge for anyone who wants to serve the country. We have opened the door to rising to the top of the country from a very small place. That bridge is open to those who have talent, skill and ability instead of wealth, power or social status.

In history, the law has been changed as needed to give all the privileges to their friends. We have stopped the history of nepotism and cronyism by changing even the rules and regulations to treat those who helped them in elections.

Also, in history, many people involved in the underworld and drugs had the cover of political heat. Today, they have lost all that.

When appointing to various positions, we looked at talent, ability, honesty, desire to work for the country and skill, and not whether they helped us or were one of our own. His political background, nationality, kinship, religion, school studied, former country, etc. are not relevant to us. We have no personal agendas. All we wanted was to know whether or not the services of these people would benefit the people of the country.

For a long time, investors had a bad image of our country. We changed that bad image. An investor is an asset to us. We changed the way we look at them and the attitude we have. We created the attitude that they come to us to support us. We have created a suitable environment for investment and we are creating the necessary environment to provide them with the necessary facilities without any delay. In order to transform Sri Lanka into a favorable destination for investors, we have already created a rule of law, long-term government policies, an independent judiciary and an investment-friendly environment free from corruption. A transparent investment environment free from hand-to-hand dealings, bribery and favoritism has now been created. Also, new legal frameworks, visa policies and other infrastructure facilities required by investors are being developed expeditiously and business facilities are being created. In this way, a liaison manager is being connected to facilitate investors who come and

achieve fruitful results. We are giving the message that this is an honest, beautiful country, a friendly country for investors.

This country is the home where more than twenty million citizens can breathe. And this country is also where many generations to come will live. We are creating a civilized country. A country that loves even animals. A country full of humanity.

We are deeply aware of how special the education of that country is in building a country. We are in the sustainable policy of providing education to all children.

Honourable Speaker,

The people of this country have entrusted us with the ultimate right to end decades of insecure, confusing and repressive history. We have used that vast and unique mandate very humbly and responsibly for the noble task of nation-building. No matter how difficult it is to carry out excellent tasks such as combating corruption, moving towards national unity, and making the law fair for all, we are climbing that difficult mountain with determination.

This budget has been presented with the sincere hope of making the path to realizing our vision and dream of every Sri Lankan enjoying a good life a reality.

There is a saying that gives them the serenity to accept the things that cannot be changed, the courage to change the things that can be done, and the wisdom to know the difference that has been made. We are a government that has understood that reality.

Honourable Speaker,

Throughout history, governments have set examples of tightening the belt for the people and loosening the belt for the politicians. But today, what has happened is an example of loosening the belt for the people and tightening the belt for the politicians. What we need is not a bigger government but a more productive government.

A country's budget is not just an accounting exercise that measures what we earn, what we spend and what we borrow as a nation. It is not just a document. It is a reflection of the difficult and transparent trade-offs that are necessary to balance fiscal sustainability while achieving our development goals. In short, we believe that the budget is the one that allocates the financial resources needed to fulfill the rights of all citizens. Accordingly, it is a compromise about the future of a country!

The problems we face as a country are clear. The priorities are clear. We no longer believe that diagnosis is necessary. Over time, we have understood the disease and the root cause of it. Now we are embarking on the task of curing the disease. It is challenging. We believe that we can all join hands and overcome that challenge.

In particular, in our country, unfortunately, we have lost a number of talented people who are living outside the country. Some left the country because they did not bow their heads to the injustices of the rulers. Or the rulers expelled those excellent people from the country. Those who studied in this country, perhaps those who were born in this country and studied abroad, had very good opportunities in the world. But they did not accept those opportunities and came to serve their motherland. However, they were not given a chance to breathe freely in the land of their birth or to serve that land. Their mistake was that they did not bow their heads to the wrongdoings of the rulers. And they did not agree to the system that does not give the right place to the right person. We invite all of them today, the time when this country was a forbidden land for you is over. The old system is over. Now there is a system that gives the right place to the right person. Come work freely, the doors of this country are open to you.

“Everything comes to us that belongs to us if we create the capacity to receive it”, says Rabindranath Tagore.

The aim of this budget is to create a renaissance by eradicating bribery and corruption, stimulating development, restoring trust, and starting a good life.

We respectfully request the opposition. Criticize us. Accuse us. Protest. But at least, when we fight to end drug trafficking and the underworld for the sake of the future generations of the country, and when we work to eradicate poverty, support it wholeheartedly. At least in that fight, this country expects that from the opposition.

Honorable Speaker,

The painful events of history tell us to build this country. The past, full of losses, negligence, oppression, threats, and roars, tells us to build this country.

The children of earlier generations could not call this land their home with true pride. But we owe to our future generations to free them from that tragedy and to build a nation they can proudly call their own.

Sacrificing every dream for a more beautiful country, every heart that stopped beating before that dream was realized, longed to see this nation become truly beautiful.

We have taken upon ourselves the dying wishes of those pure people. We fulfill those wishes with as much desire as the word of God.

We believe that the sun shines beyond the dark clouds, and that the dark clouds will disappear. And we believe that bright silver lines will definitely shine in the midst of the darkness.

We remember that on this journey we are on, we will not hear the frantic cries of the enemies, and we will only see the determined and hopeful eyes of the citizens of the country.

We will build a nation that is not only economically prosperous but also morally proud, globally respected and endowed with broad humanitarian qualities.

In this unique journey, you as citizens will play the most important roles. You are the strength and reason behind this transformation. We express our gratitude to the public servants, professionals and entrepreneurs who have worked tirelessly with honesty and dedication. We invite our Sri Lankans abroad to come back, invest and join hands in rebuilding our motherland that we all love.

Finally, I express my sincere gratitude to all the officials of the Ministry of Finance and the Secretary to the Treasury, Dr. Harshana Suriyapperuma, who worked with unwavering dedication and perseverance in preparing this budget. Their professionalism, dedication and sense of duty have been instrumental in the preparation of this comprehensive and forward-looking budget. As we collectively advance the government's economic reform agenda and national development goals, we look forward to your continued support and commitment as officials of the Ministry of Finance to ensure and implement these proposals in a timely and effective manner.

Thank you!



## Summary of the Budget Estimates 2026

Item	2024	Rs. Billion	
		2025 Revised Estimates	2026 Budget
<b>Total Revenue and Grants</b>	4,091	5,100	5,300
<b>Total Revenue</b>	4,031	5,075	5,270
<b>Tax Revenue</b>	3,705	4,725	4,910
Income Tax	1,026	1,120	1,210
Taxes on Goods and Services	2,201	2,953	3,056
Taxes on External Trade	477	652	644
<b>Non-Tax Revenue</b>	326	350	360
<b>Grants</b>	60	25	30
<b>Total Expenditure</b>	6,131	6,548	7,057
<b>Recurrent</b>	5,340	5,530	5,688
Salaries and Wages	1,066	1,220	1,323
Other Goods and Services	351	380	401
Interest	2,690	2,650	2,617
Subsidies and Transfers	1,234	1,280	1,347
<b>Public Investment</b>	817	1,033	1,380
<b>Other</b>	-26	-15	-11
<b>Revenue Surplus (+)/Deficit(-)</b>	-1,309	-455	-418
<b>Primary Surplus (+)/Deficit(-)</b>	650	1,202	860
<b>Budget Surplus (+)/Deficit(-)</b>	-2,040	-1,448	-1,757
<b>Total Financing</b>	2,040	1,448	1,757
<b>Total Foreign Financing</b>	333	200	235
Foreign Borrowings-Gross	3,967	650	700
Debt Repayment	-3,634	-450	-465
<b>Total Domestic Financing</b>	1,707	1,248	1,522
Non - Bank Borrowings (Net)	2,087	1,248	1,522
Bank Borrowings and Other (Net)	-381	-	-
<b>Revenue and Grants/GDP (%)</b>	13.7	15.9	15.4
<b>Total Revenue/GDP (%)</b>	13.5	15.9	15.3
Tax Revenue/GDP (%)	12.4	14.8	14.2
Non-Tax Revenue/GDP (%)	1.1	1.1	1.0
<b>Grants/GDP (%)</b>	0.2	0.1	0.1
<b>Total Expenditure/GDP (%)</b>	20.5	20.5	20.5
<b>Recurrent Expenditure/GDP (%)</b>	17.9	17.3	16.5
Non-Interest/ GDP (%)	8.9	9.0	8.9
Interest/ GDP (%)	9.0	8.3	7.6
<b>Public Investment/ GDP (%)</b>	2.7	3.2	4.0
<b>Revenue Surplus (+)/Deficit (-) GDP (%)</b>	-4.4	-1.4	-1.2
<b>Primary Surplus (+)/Deficit (-) GDP(%)</b>	2.2	3.8	2.5
<b>Budget Surplus (+)/Deficit (-) GDP(%)</b>	-6.8	-4.5	-5.1

Compiled by Department of Fiscal Policy

## Annexure II

**Gross Borrowings Requirement - 2026**  
**(Provisioning for Accounting Transactions)**

Item	Rs. Billion
Total Receipts other than Government Borrowings	5,355
<b>Total Primary Expenditure</b>	<b>4,485</b>
Recurrent	3,105
Capital	1,380
<b>Debt Service Payments</b>	<b>4,495</b>
Interest Payments	2,617
Debt Repayments	1,878
<b>Provision for Advanced Accounts</b>	<b>10</b>
Adjustments for book/ cash Value of Government Securities	105
<b>Total Gross Borrowing Requirement to be recorded in Government Accounts</b>	<b>3,740</b>

*Compiled by Department of Fiscal Policy*

## Expenditure Proposals - 2026

No.	Proposal	Rs. Million
1	Providing vehicles/machineries required for Government Institutions and Provincial Councils	12,500
2	Enhancing digital accessibility in Government Institutions	1,000
3	Settling the outstanding statutory payments of 10 State Own Enterprises within two years	5,000
4	Reactivating the Property Loan Scheme for government employees provided through Banks	500
5	Increasing the Principals' allowance and Teachers' Hardship allowance	1,000
6	Increasing the allowance for Gatekeepers at unsafe railway crossings	250
7	Development of Feeder Zones as Service Zones associated with existing Investment Zones	1,000
8	Providing incentives to attract International Data Centers	500
9	Streamlining the land release for investment purposes	100
10	Establishment and development of Industrial Zones	1,000
11	Export promotion	500
12	Encouraging the employment of youth with disabilities or special needs in the private sector	500
13	Ensuring accessibility and sanitation facilities in public places for persons with disabilities and special needs	1,000
14	Increasing the wages of Estate Workers	5,000
15	Providing relief for Thalassemia patients	250
16	Establishing Day Care Centers for children with disabilities including Autism	500
17	Increasing the total allocation for "Praja Shakthi Program" to Rs. 25 billion, for district and divisional-level implementation	20,750
18	Facilitating the Government Institutions to promote Cashless Economy	1,000
19	Increasing milk production	1,000

No.	Proposal	Rs. Million
20	Shelters for Street Animals and Crematoriums	100
21	Completing the construction of Badalgama Milk Processing Factory	3,000
22	Upgrading Livestock Breeder Farms	1,000
23	Providing concessions for Small-Scale Coconut Cultivators	2,500
24	Upgrading the Temperature-Controlled Storage Facility in Dambulla	250
25	Establishing a Sustainable Agricultural Credit Fund	800
26	Providing facilities for mechanized paddy drying	500
27	Increasing agricultural production in Matale, Kandy and dry zones through Climate-Smart Irrigation Technology	1,000
28	Increasing Mahapola/Bursary, Trainee Teacher and Nipunatha Sisu Diriya allowances by Rs. 2,500	2,750
29	Providing allowances for low-income students with disabilities studying in Higher Education Institutions	50
30	Providing new houses for families facing higher risk of landslides	2,000
31	Providing housing assistance for reintegration of institutionalized individuals and child protection	2,000
32	Implementing the "A Place of Their Own - for a Beautiful Life" Housing Program for low-income families	3,000
33	Providing housing for internally displaced communities	1,150
34	Conducting feasibility studies on flood control in Hambantota, Galle, Kalutara, and Rathnapura	500
35	Kalutara Lagoon development	100
36	Providing solutions for Human-Elephant Conflict	1,000
37	Ensuring the safety of Fishermen	100
38	Development of Fishery Harbors	1,000
39	Implementation of a safety program to reduce road accidents	1,000
40	Commencing preliminary work for the construction of the Kiran and Pondukulchenai Bridges in Batticaloa	500

No.	Proposal	Rs. Million
41	Construction of Rambukkana-Galagedara section of the Central Expressway	16,000
42	Establishing Aarogya Centers	1,500
43	Relocating Deniyaya and Dambulla Hospitals to suitable locations	1,000
44	Promoting Sports Culture	800
45	Launching a nationwide operation to prevent drug menace	1,500
46	Promoting Drama, Performing Arts, and Literature	50
47	Renovating Prisons and relocating them to identified suitable sites	2,000
48	Freeing up lands for Ratnapura City Development (construction of Quarters for Government Officers)	500
49	Development of Hatton and Matale Towns	500
50	Constructing City Halls in Ampara and Monaragala.	200
51	Providing subsidies for buses operating on unprofitable routes to ensure sustainable rural transport services	2,000
52	Women empowerment	200
53	Providing a Rs. 5,000 allowance for schoolchildren with disabilities from low-income families	50
54	Completion of Nintavur Cultural Center of which the construction stopped	300
55	Silver Economy - Investment in Senior Citizens	10
56	Satellite-Based Technology driven, information provision for Fishermen on fishing grounds	100
57	Establishment of the Inland Revenue Department in a single premise	2,000
58	Development of Domestic Airports	1,000
59	Improving facilities to ensure food security	1,000
60	Providing assistance to Journalists for higher education and technical approach	100
61	Flood and saltwater intrusion controlling along the Nilwala River in Matara	1,000
62	Finding research-based solutions to resolve the Human-Elephant Conflict	10







QR Code for Budget Speech 2026

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**2025.11.07**