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நிதி அமைச்சு
MINISTRY OF FINANCE

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08 .03.2021

Circular No: MF/01/2020

All Secretaries to Ministries,
Secretaries to State Ministries,
Chief Secretaries of the Provincial Councils,
Heads of Departments and District Secretaries,
Heads of Local Government Authorities,
Chairmen of Government Corporations, Statutory Boards,
Chairmen of Government Owned Companies,

Simplifying Systems and Processes to Fast track Implementation of Development Activities

Timely achievement of government's priorities, in particular ensuring access to water, rehabilitation and development of roads providing connectivity and access to markets, irrigation and improving livelihoods, supporting agriculture are severely compromised due to a number of reasons including the existence of a regulatory framework that is archaic and not efficient. In this regard, current approval mechanism which requires approvals from several entities and finally the Cabinet of Ministers together with the delays in payments to the contractors have been identified as key impediments to fast track development activities which results not only delays in the execution of activities but also results in significant cost escalations.

Accordingly, as such the Cabinet of Ministers has given approval for the following processes:

1. Issuance of Letters of Credit/Letters of Comfort and Letters of Guarantee

- The Cabinet of Ministers has authorized the Secretary to the Treasury to issue Treasury Guarantees, Letters of Comforts and Letters of Credits(Collateral) within the applicable statutory limits.

- b. Such collateral will be issued to the relevant entity including Banks, on behalf of State Owned Enterprises (SOE), if such collateral is required by the SOE to raise financing for both working capital as well as to engage in activities that are of developmental nature.
- c. As such, requests for the issuance of Treasury Guarantees, Letters of Comforts and Letters of Credits (Collateral) should be made directly to the Secretary to the Treasury. However, the requesting agency should ensure that legal and regulatory prerequisites are complied with approvals from the Cabinet of Ministers, under various laws including the Finance Act no 38 of 1971 and from the Boards of Directors/Management or equivalent authority
- d. Collateral to third party entities will be issued on the approval of the Cabinet of Ministers having followed a due process.
- e. Standby Letters of Credit (SBLC), Treasury guarantees or Letters of Comfort will be issued, on behalf of the contractors to banks assuring the repayment of loans whenever the contractor has also raised funds from banks to finance projects of government while ensuring full compliance to the approved budgets

2. Changes to ongoing Projects:

- a. Changes to ongoing projects that have already been approved by the Cabinet of Ministers that including:
 - i. Restructuring/Scope change/s of ongoing projects
 - ii. Utilizing savings for new activities
 - iii. New phases for additional financing
 - iv. Loan extensions
 - v. Project extensions
 - vi. Cancellation of projects

should be forwarded to the Director General External Resources or the Director General National Budget Department as appropriate which will then be submitted to a committee consisting of the following officials:

- i. Secretary to the Treasury – Chairman and Member
 - ii. Secretary to the Ministry of Water - Member
 - iii. Secretary to the Ministry of Ports - Member
 - iv. Secretary to the Ministry of Power - Member
 - v. Secretary to the Ministry of Highways - Member
 - vi. Secretary to the Ministry of Agriculture - Member
 - vii. Secretary to the Ministry of Plantations - Member
 - viii. Deputy Secretary to the Treasury in charge of Planning- Member
 - ix. Director General Department of National Planning - Member & Secretary
- b. Director General National Budget, Director General External Resources and Director General Public Enterprises will participate at the committee as observers.
 - c. The decision of the committee shall be considered to be final.

3. Matters pertaining to Bilateral and Multilateral Financing Agencies:

- a. Any issue that arises after the approval of the Cabinet of Ministers pertaining to the Bilateral and Multilateral Agencies within Sri Lanka, including those arising out of policy dialogues, operational and tactical nature should be forwarded to the Director General Department of External Resources.
- b. Secretary to the Treasury has been authorized to resolve such issues and the decision taken by the Secretary to the Treasury shall be considered to be final.

4. Agreements between Government agencies:

- a. When agreements entered into between Government agencies including Ministries, Departments and SOE's, such agreements could be signed with the approval of the line Ministry Secretary when such agreements are between Ministries and Departments and otherwise when SOE's are a party to such agreements the approval of the governing body as stated in the Act of incorporation or the Companies Act will suffice and should not be forwarded for the approval of the Cabinet of Ministers.
- b. However, matters pertaining to procurement of goods or services undertaken in line with the Procurement Guidelines issued by the Government may be excluded from the above.

5. Nonfunctioning, Winding up, liquidation or closure of State entities including Ministries, Departments, units of Ministries and Departments and SOE's and funds

- a. Issues relating to instances of winding up, liquidation or Closure of State entities, which have already been approved by the Cabinet of Ministers, should be forwarded as appropriate to the Director General Department of Public Finance or the Director General Department of Public Enterprises, to be forwarded to the Secretary to the Treasury for necessary directions.

6. Outstanding contentious matters pertaining to Human resources at State Owned Enterprises

There are matters that are being referred to the Cabinet of Ministers of SOE's that includes issues in recruitment, promotions in particular that are long outstanding and has been prolonged unnecessarily.

As such a standing committee of consisting of the following have been appointed to look into such matters:

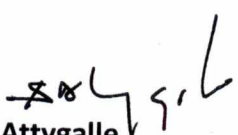
- i. Secretary Ministry of Public Services, Provincial Councils and Local Government – Chairman & Member
- ii. Deputy Secretary to the Treasury as nominated by Secretary to the Treasury- Member
- iii. Secretary- State Ministry of Money & Capital Markets and State Enterprises Reforms- Member

- iv. Director General Department of Public Enterprises – Member
- v. Director General Department of National Budget – Member
- vi. Director General Department of Management Services – Secretary & Convener

The decisions of the committee will be considered final. The committee must ensure that all matters outstanding will be addressed and resolved within 2 hearings.

7. Financing Projects by the State Owned Enterprises

- i. SOE's when they finance projects by themselves and requires the support of the government to service and repay such loans, the relevant line Ministry should seek the approval of the Cabinet of Ministers for the following:
 - 1. Project concept
 - 2. Financing methodology
 - 3. Issuance of Guarantees/Letters of Comfort etc
 - ii. However, once the approval of the Cabinet of Ministers is obtained, the SOE could if required with the assistance of the Treasury arrange such financing as appropriate during the lifetime of the project with the Treasury providing any collateral as envisaged within the limits approved. Budgetary provisions could also be provided as equity/gap financing/grant etc to service and repay such funds raised by way of loans or through any other appropriate instrument.
8. For any clarifications you may contact Additional Secretary on 94112484524/ext 1422 and on Addlsec@mo.treasury.gov.lk


S. R. Attygalle

Secretary to the Treasury

CC:

- 1. Secretary to HE the President
- 2. Secretary to the Hon. Prime Minister
- 3. Secretary to the Cabinet of Ministers
- 4. Auditor General
- 5. Chairman, Finance Commission