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நிதி மற்றும் வெகுசன ஊடக அமைச்சு

MINISTRY OF FINANCE AND MASS MEDIA

මහලේකම් කාර්යාලය, කොළඹ 01.
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செயலகம், கொழும்பு 01.
இலங்கை

The Secretariat, Colombo 01.
Sri Lanka

කාර්යාලය - මුදල් } (+94)-11-2484500
அலுவலகம் - நிதி } (+94)-11-2484600
Office - Finance } (+94)-11-2484700
කාර්යාලය - ජනමාධ්‍ය } (+94)-11-2513459
அலுவலகம் - வெகுசன ஊடக } (+94)-11-2513498
Office - Mass Media } (+94)-11-2512324

ලකේස් - මුදල් }
பெக்ஸ் - நிதி } (+94)-11-2449823
Fax - Finance }
ලකේස් - ජනමාධ්‍ය }
பெக்ஸ் - வெகுசன ஊடக } (+94)-11-2513458
Fax - Mass Media }

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Websites } www.treasury.gov.lk
www.media.gov.lk

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திகதி } 17 .07.2018
Date }

National Budget Circular No. 4/2018

All Secretaries to the Ministries
Chief Secretaries of Provincial Councils
Head of Departments
Chairman of Corporations and Statutory Boards

Budget Call – 2019

Guidelines for the Preparations of Annual Budget Estimates

The Cabinet of Ministers on 10.07.2018 granted approval on the medium-term macro –fiscal framework for the preparations of the Annual Budget 2019. The envisaged macro-fiscal framework requires an efficient allocation of public funds into socio-economic development activities, thereby supporting further improvement of macroeconomic fundamentals of the economy over the medium-term.

2. Medium –Term Macro-Fiscal Framework

The medium term macro-fiscal framework for 2019-2021 in the main includes the rationalization of recurrent expenditure and prioritization of capital expenditure, while enhancing government revenue mobilization along the envisioned path of fiscal consolidation of the government. The major outcomes as envisioned by 2021 are as follows;

- (i). Government revenue at 17 percent of GDP
- (ii). Government Recurrent Expenditure at 15 percent of GDP
- (iii). Government Public Investment at 5.5 percent of GDP
- (iv). Budget Deficit at 3.5 percent of GDP
- (v). Outstanding government debt to maintain at around 70 percent of GDP

Such improvements in the performance of the public finance management would augur well for the realization of medium-term economic growth of around 6 to 7 percent, while inflation could stay at mid-single digit levels. In 2019, major macroeconomic assumptions include real GDP growth of 5.5 percent, a primary surplus around 2 percent of GDP and overall budget deficit to contain at 3.9 percent of GDP.

3. Performance Based Budgeting and Key Performance Indicators (KPIs)

2019 Budget will be formulated based on the Performance –Based Budgeting (PBB) approach. PBB allocates resources for achieving specifically defined measurable outcomes. Therefore, PBB requires the definition of Key Performance Indicators (KPIs) for the fiscal year and linking such KPIs to resources allocation becomes a vital part of the entire budgeting process.

4. Capital Expenditure Utilization

The Cabinet of Ministers meeting held on 10.07.2018 noted the following on the level and efficiency of capital expenditure utilization of the Budget and highlighted the need for taking appropriate measures at all levels of budget implementation.

Public Investment Management Assessment (PIMA) undertaken jointly by IMF and World Bank at the request of the government highlighted that 1/3 of potential impact of public investment has been lost during the public investment management process whereas only 2/3 of the expected outcome is delivered. Hence, it is imperative that appropriate actions are taken to improve the efficiency of the capital investment over the medium term budgetary framework.

On the other hand, the low level of utilization of allocated provisions for the capital expenditure projects is also a major concern. During the last three years, actual capital expenditure was about 30% less than budgeted expenditure on average. If such inefficiency and underutilization of public investment is to continue that would delay the completion of ongoing and new capital projects, which would slow down the economic growth further.

5. Policies of the Resources Allocation

Government stresses that health, education and economic infrastructure areas will continue to be major priority areas for resource allocation over the medium term. Thus budget estimates need to ensure adequate fund allocation for these areas. In addition, the government has embarked on a rapid rural development programme called “Gamperaliya” which commenced in 2018 and will be continued during 2019 and 2020 on priority basis. The Gamperaliya programme covers 12 development areas (**Annexure I**) and spans across all the districts. Further, attention should be given for the reduction of poverty through the implementation of “Grama Shakthi” programme that has been initiated in 2017. Therefore, adequate resource allocation in those identified areas should be ensured in 2019 Budget Estimates. Once the funds are allocated for priority projects, line ministries would need to utilize such provisions to achieve the expected results in line with the Key Performance Indicators (KPI)

6. Budgetary Allocations for 2019

The Cabinet of Ministers granted approval to fix the budgetary ceilings for each line Ministry and Agency and allocate resources for 2019 Budget accordingly. It was noted by the Cabinet of Ministers that most of the line Ministries reallocate their budgetary provisions to the District

Secretaries for implementation. In most cases, reallocation is done in the latter part of the fiscal year, creating situations where District Secretaries are unable to implement the capital projects within the fiscal year. While this may hinder the implementation of much needed capital projects for the country, it may also lead to an array of public finance management issues. Therefore, necessary measures need to be put in place in order to ensure maximum utilization of funds allocated within the budgetary ceilings for each line Ministry and Agency.

Line Ministries are expected to prepare the budget estimates within the allocated ceilings (Details are given in **Annexure II**). This need to include both the ongoing projects and government priority projects. General Treasury cash releases will be linked to the reported commitments and liabilities. Hence, all secretaries and Heads of Departments will have to update their commitments and liabilities to the General Treasury on regular basis through the Computerized Integrated government's Accounting Systems (CIGAS Programme). This will help minimize delays in cash releases, while facilitating Treasury cash flow management. Further, the line Ministries are required to pay due attention to phase out the total cost of the project over the implementation period in case of projects which span over more than one year. This would facilitate the preparation of medium-term budgetary framework of the government.

7. Submission of Expenditure Estimates

Considering the above you are kindly requested to submit duly prepared estimates **through the Integrated Treasury Management System (ITMIS)** with all the annexures **on or before 31st July 2018**. ITMIS will soon be the only system that will be used by the Ministry of Finance and Mass Media for budget planning, budget execution and reporting. Therefore, it is mandatory to enter the 2019 budget figures in this online system. In addition, hard copies of the documents should be submitted to the relevant staff officer of the Department of National Budget. Consultation process with the spending agencies will commence **from the First week of August 2018** onwards.

If any assistance is required please contact ITMIS helpdesk officials through, 0112151431, 0112151432 or 0112151433.

8. Achieving Sustainable Development Goals (SDGs)

Being Sri Lanka, as a signatory party to the 2030 Agenda for Sustainable Development, aligning of SDGs into development programs of the spending agencies are vital for achievement of 17 goals, 169 targets and 244 indicators by 2030. Achievement of these sustainable development goals are merely depending on the allocation of adequate resources for precise projects. Therefore, the spending agencies are directed to mainstream the SDG goals within the current and future development activities to ensure that sufficient allocations have been made to achieve the set targets. Accordingly, you are requested to submit the relevant information as per the **Annex III**.

9. Equal distribution of funds for all districts

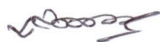
To ensure the equal distribution of resources for all districts line ministries are expected to provide detail information of the development projects in district wise distribution of 2019 budget estimate according to format given in **Annexure IV**.

10. Public Officer's Advance Accounts

The estimates of public officer's advance account should be submitted as per the format given in **Annexure V**.

11. Clarifications

Should you need and further clarification, please contact the relevant officer of the Department of National Budget assigned to your Ministry/ Department/ Institution.



R.H.S. Samaratunga
Secretary to the Treasury

Copies to:

- i. Secretary to the President
- ii. Secretary to the Prime Ministers
- iii. Secretary to the Cabinet of Ministers
- iv. Auditor General

Rapid Rural Development Programme - *Gamperaliya*

Area of Development Activity

- 1 Village Tanks and Anicuts
- 2 Rural Roads
- 3 School sanitary facilities (renovation and new constructions)
- 4 Development of School playgrounds
- 5 Development of 'Sathi Pola'
- 6 'Haritha Uyana' programme
- 7 Provision of electricity facilities for needy households
- 8 Rehabilitation of temples/kovils/churches/mosques
- 9 Rehabilitation of archeological places of tourist attraction
- 10 Housing development in rural and urban level
 - Rural Level - conversions to permanent roofs
 - Urban - new housing units
- 11 Issuing land deeds
- 12 Implementing the "Enterprise Sri Lanka" programme

Proposed Budgetary Ceilings for 2019 Budget

(Rs. Mn.)

Se. No.	Ministry/ Department/ Agency	Recurrent Expenditure		Capital Expenditure	Total Expenditure
		PE	Other		
1	Ministry of				
	Department of				
	Public Enterprise				

Note: The Budget ceiling of each spending agency is given through the ITMIS.

Alignment of SDGs in the Budget 2019

Ministry/ Department/ Institution:

Head No:

PIP Thrust Areas/ Sectors ¹	Spending Agency Service Delivery Programme	Most appropriate Sustainable Development Goal	SDG Target/s	SDG Indicator/s	Relevant SDG Domain/s ²	2019 Estimate (Rs. Mn)	Linkages to other SDG/s (Other than Column 3)
Ex: (i)	Operational (Recurrent)						
	Project 1 <i>Providing School text books (under Ministry of Education)</i>	4	4.1	4.1.1	2	1, 10
Ex: (ii)	Development (Capital)						
	Project 1 <i>Rehabilitation of small tanks and canals (under Ministry of Agriculture)</i>	2	2.4	2.4.1	1,2,3	6,1

Note:1. PIP Thrust Areas/ Sectors¹

i. human Resource Development, ii. Agriculture, iii. Industry, Trade, Investment and Tourism, iv. Infrastructure, v. Good Governance, vi. Environmental Management, vii. Social Protection, viii. Regional Development

2. SDG Domains – 1. Economic, 2. Social, 3. Environment and 4. Governance

Annexure IV

Head :
 Ministry :
 Department :

Rs.Mn

Sector	Year	Districts																							Total		
		CM	Gvl	KT	KD	ML	NE	GL	MT	HB	JF	KC	VV	MN	MU	TM	BT	AM	MO	BD	KU	PT	RP	KL		AN	PL
Education	2017																										
	2018 Est.																										
	2019 Est.																										
Health	2017																										
	2018 Est.																										
	2019 Est.																										
Roads	2017																										
	2018 Est.																										
	2019 Est.																										
Plantation & Estate Infrastructure	2017																										
	2018 Est.																										
	2019 Est.																										
Agriculture & Livestock	2017																										
	2018 Est.																										
	2019 Est.																										
Fisheries	2017																										
	2018 Est.																										
	2019 Est.																										
Rural Development	2017																										
	2018 Est.																										
	2019 Est.																										
Irrigation	2017																										
	2018 Est.																										
	2019 Est.																										
Other	2017																										
	2018 Est.																										
	2019 Est.																										

* Only capital expenditure items are required to submit in District wise

* Soft copies are preferred

* Abbreviations

CM - Colombo	ML - Matale	HB - Hambantota	MN - Mannar	AM - Ampara	PT - Puttam	PL - Polonnaruwa
GM - Gampaha	NE - Nuyyara Eliya	JF - Jaffna	MU - Mulativu	MO - Monaragala	RP - Rathnapura	
KT - Kaluthara	GL - Galle	KC - Kilinochchi	TM - Trincomalee	BD - Badulla	KL - Kegalle	
KD - Kandy	MT - Matara	VV - Vavuniya	BT - Batticaloa	KU - Kurunegala	AN - Anuradhapura	

Budget Estimate for Public Officers Advance Account - 2019

- 1 Name of the Ministry/ Department/ District Secretariat:-
-
- 2 Head No. :-
- 3 According to the salary particulars of June 2018 :
- (i) Number of Officers entitle to obtain Festival Advance:-
- (ii) Number of Officers entitle to obtain Special Advance:-
- (iii) Number of Officers entitle to obtain Distress Loan:-
- (iv) The amount of installment recovered from June 2018 salary:-
- (v) Expenditure of salaries for June 2018 :-
- (As per the expenditure object code No. 1001)
- 4 Estimated Salary for January 2019 - According to Public Administration
Circular 3/2016 (As per the expenditure object code No. 1001)
- 5 According to the Reconciliation of public officers Advance Account of the
year 2017
- (i) Total Expenditure (under 011) :-
- (ii) Total Receipt (under 011) :-
- (iii) Debit Balance as at 31st December :-
- 6 The Limits proposed for the year - 2019
- (i) Maximum limit of Expenditure (under 011):-
- (ii) Minimum limit of Receipt (under 011) :-
- (iii) Maximum limit of Debit Balance :-

Date:

.....
Signature of Head of Institutions