

PERFORMANCE REPORT - 2010

DEPARTMENT OF NATIONAL BUDGET

MINISTRY OF FINANCE & PLANNING

Vision

Socio-economic Development through an Efficient
Appropriation of Public Resources

Mission

Facilitation of the performance of the responsibility conferred on the legislature for the management of public finance, by provision and distribution of resources for efficient delivery of public services and for the achievement of the development objectives of the Government.

Functions & Responsibilities

- a. Formulation of the National Budget
 - Preparation of annual budget estimates for Ministries, Government Departments and Statutory Boards in consultation with the Spending Agencies and the relevant Treasury Departments to achieve the fiscal targets stipulated in the Fiscal Management (Responsibility) Act; and
 - Preparation of Medium Term Expenditure Framework (MTEF) over a period of 03 years.
- b. Public Expenditure Management
 - Issuance of Budget Circulars
 - Enforcement of controls to ensure that funds are used exclusively for the declared purposes within the approved limits.
 - Interacting with the Spending Agencies to ensure the effectiveness of spending.
 - Analysis of expenditure for monitoring of financial as well as physical progress.
 - Committee on Public Expenditure Control (CPEC).
 - Co- ordination of Opening of Letters of Credit (LCs) for procurement under the Ministry of Defence.
 - Preparation of Observations on related Cabinet Memoranda
 - Financial Administration of the Department; and
 - Participation of Staff on Boards and Committees.
- c. Activities Related to Statutory Boards (Non - commercial Public Institutions)
 - Preparation of Budget Estimates for Statutory Boards in consultation with the Department of Public Enterprises.
- d. Advance Accounts Activities
 - Determination of limits for the Commercial, Stores and Public Officer's Advance Accounts and consider the requests for revision of the limits.
 - Representing the Treasury at the Committee on Public Accounts (COPA) meetings on non-compliance of Advance Accounts Limits.

Contents

Chapter No.	Subject	Page
01	Overview	
1.1	Operational Framework	1
02	Review of 2010 Performance	
2.1	Sectoral Perspectives in 2010 Budget in the Medium Term Expenditure Framework of 2010-2012	09
2.2	Analysis of Sectoral Expenditure 2010	09
2.3	Analysis of Expenditure on Government Welfare Payments and Development Subsidies	20
03	Management of 2010 Budget	
3.1	Revenue and Expenditure as per Government Accounts	22
3.2	Issuance of Budget Circulars	23
3.3	Supplementary Estimates	24
04	Monitoring of Advance Accounts	25
05	Preparation of Annual Budget Estimates for the year 2010	
5.1	Statutory Provisions	25
5.2	Budget Estimates, 2010	26
5.3	Budget Estimates, 2011	26
5.4	Guidelines on Budget Formulation	26
06	Management of Non Commercial Public Enterprises	27
07	Observations on Cabinet Memoranda	28
08	Approval for the Purchase of Vehicles	
8.1	Committee on Public Expenditure Control (CPEC)	28
8.2	Forfeited Vehicles by Sri Lanka Customs	29
09	Participation of Staff on Boards and Committees	29
10	Co-ordination of Opening of Letters of Credit (LCs) and Telegraphic Transfers (TTs) under the Ministry of Defence	29
11	Organizational Structure of the Department of National Budget	
11.1	Staff of the Department	30
12	Human Resource Development	
12.1	Foreign Training	31
12.2	Local Training	34
13	Financial Administration of the Department of National Budget	
13.1	Summary of Expenditure of Head 240	36
13.2	Budgetary Provisions and Actual Expenditure of the Department by Projects for 2010	36
13.3	Auditor General's Queries for 2010	39

01. Overview

The Department of National Budget operates under the guidance of the Ministry of Finance and Planning. The Department functions as the focal point for the formulation of Budget Estimates based on a sectorwise Medium Term Expenditure Framework (MTEF) in consistence with the overall medium term macro economic framework. The MTEF presents its financial plans towards specific targets within the context of sectoral policy strategies while paying particular attention to the management of public expenditure. This process involves a continuous consultation with the line Ministries, Departments, Statutory Agencies of the Government and the relevant Treasury Departments.

1.1 Operational Framework

Performance of the operational activities of this department is based on the broader scope of public finance and planning of the Ministry of Finance and Planning and overall mandate of the Department of National Budget. In the year 2010, the department carried out a wide range of activities in relation to the preparation of Annual Budgets of 2010 and 2011 and the Medium Term Expenditure Framework 2010-2012 and also 2011-2013, as given in the Matrix at Table 1.1 below.

Table 1.1
Summary of Performance -Year 2010

Function	Activity	Overall Target	Achievement
1. Formulation of National Budget for the Year 2010			
1.1 Implemetation of Vote on Account for the first four months of 2010 in terms of Article 150(2) of the Constitution	<ul style="list-style-type: none"> • Incurr expenditure according to the estimates prepared within the maximum limits 	<ul style="list-style-type: none"> • Ensure the continuity of Government supplies and services 	<ul style="list-style-type: none"> • Provided allocations for the first four months of 2010
1.2 Authorization of incurring expenditure for a period of another three months under Article 150 (3) of the Constitution.	<ul style="list-style-type: none"> • Preparation of allocations for three months in terms of Article 150 (3) of the Constitution. 	<ul style="list-style-type: none"> • Ensure the continuity of Government supplies and services • Submit the expenditure estimate to the H.E. the President • Issue a budget circular on incurring expenditure for the 	<ul style="list-style-type: none"> • Approved by H.E. the President on 25.04.2010 • Issued the National Budget Circular number 147 dated 30. 04. 2010 to incur the expenditure for the next three months until the

Function	Activity	Overall Target	Achievement
<p>1.3 Formulation of National Budget for the period of 2010 (incorporating above items 1.1 & 1.2)</p>	<ul style="list-style-type: none"> • Issuance of Budget Guidelines on the preparation of the Budget Estimates • Preparation of draft annual budget estimates in consultation with spending agencies and relevant departments of the Treasury. 	<p>period of 01.05.2010 to 31.07.2010.</p> <ul style="list-style-type: none"> • Issue a circular with guidelines to prepare the budget • Ensure meeting the goals set out in the Ten year Development Horizon and the Government Development Policy Framework. • Submit the Appropriation Bill to the Parliament in the first week of June, 2010. • Preparation of detailed printed Estimates. • Present the Budget in Parliament in the third week of June 	<p>Appropriation Bill relevant to 2010 is passed by the Parliament.</p> <ul style="list-style-type: none"> • Issued letters with guidelines to the Spending Agencies. • Formulated the expenditure Budget for 2010 in line with the Government Development Policy Framework within MTEF 2010-2012. • Gazetted the Appropriation Bill for 2010 under the Gazette dated 26.05.2010 • Submitted the Appropriation Bill to Parliament on 08.06.2010. • Presented the Budget in Parliament (Second Reading) on 29.06.2010 • Parliament approved the budget on 09.07.2010 for the financial year 2010 incorporating the previous provisions in the 2010 Vote on Account in terms of Article 150(2) of the Constitution

Function	Activity	Overall Target	Achievement
2. Formulation of National Budget for the year 2011	<ul style="list-style-type: none"> • Issuance of Budget guidelines on the preparation of the Budget Estimates • Preparation of draft annual budget estimates in consultation with spending agencies • Conduct budget discussions with relevant Ministries 	<ul style="list-style-type: none"> • Issue a circular with guidelines to prepare the Budget Estimates • Ensure meeting the goals set out in the Vision for the Future; Development Policy Framework of the Government. • Meet the actual requirements and prepare a realistic budget • Submit the Appropriation Bill to Parliament in the first week of October, 2010. • Preparation of detailed printed Estimates • Present the Budget Parliament in the third week of November, 2010 	<p>and the Presidential Direction in terms of Article 150(3).</p> <ul style="list-style-type: none"> • Appropriation Act No 07 of 2010 was certified by the Hon. Speaker on 13.07.2010. • Prepared printed approved estimates. • Issued letters with guidelines to the Spending Agencies. • Formulated the expenditure Budget 2011 in line with the Government Development Policy Framework within the MTEF 2011-2013 • Conducted meetings under the Chairmanship of the Hon. Minister of the relevant Ministry. • Gazetted the Appropriation Bill for 2011 under the Gazette dated 08.10.2010 • Submitted the Appropriation Bill to Parliament on 19.10.2010.

Function	Activity	Overall Target	Achievement
			<ul style="list-style-type: none"> • Presented the Budget to Parliament (Second Reading) on 22.11.2010 • Appropriation Act No 20 of 2010 was passed by Parliament on 10. 12. 2010. • Prepared printed detailed estimates with analytical details.
3. Expenditure Management of the year 2010	<ul style="list-style-type: none"> • Preparation of guidance for efficient resource utilization and control of expenditure to manage the original budget, approved by the Parliament. 	<ul style="list-style-type: none"> • Revise the approved estimate for the year 2010 without changing the original limits of the approved budget by reallocating among expenditure Heads for an amount of Rs. 952 billion for Recurrent and Rs. 836 billion for Capital expenditure. 	<ul style="list-style-type: none"> • Actual expenditure was 98 percent of the original estimates i.e Rs. 1,751 billion Total expenditure of which, Rs. 951 billion was on Recurrent and Rs. 800 billion on Capital expenditure, including debt repayment.

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> Provision of additional funds for unforeseen expenditure and facilitate implementation of new policies 	<ul style="list-style-type: none"> Minimize unforeseen expenditure 	<ul style="list-style-type: none"> Allocated Rs. 32 billion from the Treasury Miscellaneous Vote as an additional provision for approved activities. Submitted 10 reports of Supplementary Estimates to Parliament in terms of 6(2) of the Appropriation Act.
	<ul style="list-style-type: none"> Submission of supplementary estimate to Parliament 	<ul style="list-style-type: none"> Provide funds for unforeseen expenditure 	<ul style="list-style-type: none"> Submitted a Supplementary estimate of Rs. 15 billion to the Parliament revising the approved estimates without changing the original expenditure limits of the budget, by way of reallocation among expenditure Heads.
	<ul style="list-style-type: none"> Authorization of transfer of funds under F.R. 66. 	<ul style="list-style-type: none"> Maintain the expenditure within the approved estimates. 	<ul style="list-style-type: none"> 1,400 FR 66 applications were authorized. Out of that, 154 applications were programme transfers and 1,335 were project transfers.
	<ul style="list-style-type: none"> Review cluster wise/sector wise Budget 	<ul style="list-style-type: none"> Ensure the sectoral budget aligns with sectoral policies. 	<ul style="list-style-type: none"> Prepared the sectoral budget aligned with sectoral policies.

Function	Activity	Overall Target	Achievement
		<ul style="list-style-type: none"> • Avoid duplications of activities 	<ul style="list-style-type: none"> • Minimized duplications of activities by preparing the budget through the sectoral perspectives.
	<ul style="list-style-type: none"> • Issuance of Budget Circulars giving instructions on expenditure management 	<ul style="list-style-type: none"> • Manage public expenditure efficiently. 	<ul style="list-style-type: none"> • Issued National Budget Circular Nos. 146, 147, 148, 149, & 150 in this regard.
4. Facilitating the implementation of Budget Proposals	<ul style="list-style-type: none"> • Provision of supplementary allocation to relevant spending agencies 	<ul style="list-style-type: none"> • Ensure smooth implementation of expenditure proposals. 	<ul style="list-style-type: none"> • One supplementary estimate was approved by the Parliament without changing the expenditure limits (Details are given in Table 3.2).
5. Subsidies	<ul style="list-style-type: none"> • Health Care and Nutrition • Education • Agriculture 	<ul style="list-style-type: none"> • Rs. 15,126 mn was allocated to increase nutrition level of pregnant mothers, children and infants and to provide medical supplies for government hospitals • Provide free text books, uniforms, mid day meals, scholarships & season tickets for school children and provide books to Dhamma school children and uniforms to Dhamma school teachers. • Fertilizer subsidy and interest subsidy to facilitate reducing the production cost of the farmers and to increase productivity. 	<ul style="list-style-type: none"> • Actual utilization of the subsidy was 99.03% • Out of Rs. 7,260 mn, 99.94% was utilized. • Out of the budgetary provision of Rs. 30,484 mn, Rs. 23,711 mn was utilized (77.78%).

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> • Writing off of loans 	<p>lighting</p> <ul style="list-style-type: none"> • Writing off of loans of co-operative societies 	<p>expenditure was Rs. 360 mn (40.36%).</p> <ul style="list-style-type: none"> • Rs. 85 mn was allocated for this purpose and Rs. 84 mn was utilized which is 98.82%.
6. Policy & Expenditure Review	<ul style="list-style-type: none"> • Submission of observations on Cabinet Memoranda 	<ul style="list-style-type: none"> • Submit observations and comments on Cabinet Memoranda on time with relevant analysis of government / sectoral policy and expenditure 	<ul style="list-style-type: none"> • Submitted 96 observations on Cabinet Memoranda and 63 comments on Cabinet Memoranda to other departments in the Treasury.
7. Internal Management of NBD	<ul style="list-style-type: none"> • General Administration • Control of Departmental Advance Account • Capacity Building • Submission of 	<ul style="list-style-type: none"> • Ensure efficient utilization of budgetary provisions. • Grant Loans/advances to all the applicants of the staff of NBD complying with the limits of the Advance Accounts • Develop human resources through local and foreign training. • Submit reports 	<ul style="list-style-type: none"> • Utilized Rs. 64.5 mn of allocation i.e. Rs. 63.5 mn of recurrent expenditure and Rs. 1.0 mn of Capital expenditure • 262 officers were given distress loans, bicycle loans, special advances and festival advances amounting to Rs. 3,322,355. • Adhered to the authorized limits. • 45 officers were trained in overseas while 44 Officers were trained locally on programmes related to activities of the NBD. • Submitted the

Function	Activity	Overall Target	Achievement
	Reports <ul style="list-style-type: none"> • Replying to the Audit Queries 	before the deadlines (a) Performance Report 2009 (b) Appropriation Account 2009. <ul style="list-style-type: none"> • Minimize audit queries. 	following Reports on time. (a) Performance Report 2009 (b) Appropriation Account 2009 <ul style="list-style-type: none"> • Replied to 03 audit queries forwarded by the Department of Auditor General.

2. Review of 2010 Performance

2.1 Sectoral Perspectives in 2010 Budget in the Medium Term Expenditure Framework of 2010-2012

The Budget 2010 was mainly based on the Mahinda Chinthana, Vision for New Sri Lanka; the Ten Year Horizon Development Framework 2006-2016. The scope for the introduction of a budget for the financial year 2010 was limited due to the Presidential and General Elections held in 2010. Fiscal operations for 2010 were conducted on a Vote on Account for the first four months according to Article 150 (2) and for the next three months under the provisions of Section 3 of 150 of the Constitution by a Presidential decree. The complete budget for 2010 incorporating the previous provisions was approved by the Parliament in July 2010. The preparation of final budget was mainly based on the commitments made in 2009 Budget while continuing the application of following operational scenarios which were also applied in the formulation and implementation of 2009 Budget.

- Sectoral basis - The budgetary allocations for 2010 were made in accordance with the sectoral policy framework developed by relevant stakeholders for the respective sectors in 2009.
- Realistic assessment - The budget 2010 was based on an assessment of actual expenditure incurred under the limits provided in terms of Article 150 (2) and Article 150 (3) of the Constitution.
- Non-performing projects - Reformulation or leaving out of all such projects that have been carried on in estimates for several years.
- Avoid duplications and overlapping - Spending agencies and the provincial councils were guided to ensure sector allocations are properly distributed among similar activities implemented under projects and programmes.

In order to facilitate this sectoral process, all Ministries, Departments, and other Spending Agencies were classified under nine sectors, namely Social

Security, Human Resource Development, Infrastructure Development, Real Economy, Environment, Research and Technology, Public Service Delivery, Defence and Law Enforcement. Accordingly, each spending agency was categorized into said sectors, depending on the activity undertaken.

2.2 Analysis on Sectoral Expenditure 2010

The Budgetary allocations for the medium term 2010-2012 was prepared under nine sectors with the application of above operational scenarios. As in 2009, specific directions were provided initially to review the actual performance of ongoing development plans implemented and continue commitments in much needed investments. In view of rationalizing recurrent expenditure, directions were also given to limit them to the most needed requirements.

A comparison in terms of priorities of allocations established on sectoral basis and the actual expenditure during 2010 is given in Table 2.1. These figures were based on the sectors classified according to the Ministries existed prior to the Cabinet re-shuffle on 22.11.2010. This also includes the amounts provided as additional allocations to cover the unforeseen expenditure and the supplementary allocations provided for the implementation of a budget proposal on regional road network development.

Table 2.1
Sectoral Resources Allocation Vs. Actual Expenditure - 2010

Sector	2010 Budget (Rs.mn)	% of Total Allocation	2010 Actual (Rs.mn)	% of Total Expenditure	% of Utilization
Human Resources	201,371	20.0	195,025	20.5	97
Infrastructure	305,143	30.2	279,258	29.4	92
Defence	205,939	20.4	204,882	21.5	99
Law Enforcement	8,802	0.9	8,686	0.9	99
Social Security	124,763	12.4	124,312	13.1	100
Real Economy	78,186	7.7	63,013	6.6	81
Public Services	74,998	7.4	67,462	7.1	90
Research and Technology	7,192	0.7	6,082	0.6	85
Environment	2,974	0.3	2,159	0.2	73
Total *	1009,368	100.0	950,879	100.0	94

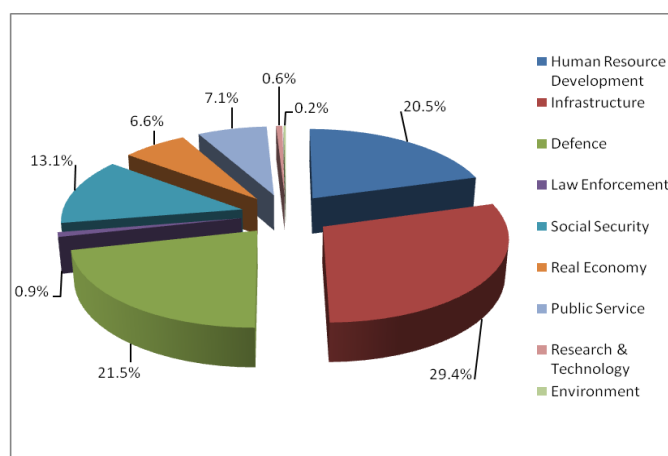
* Excluding debt amortization

Note: Sectors developed according to Treasury Format and 2010 Budget Estimates prior to the Cabinet re-shuffle on 22.11.2010

The percentage utilized out of the total budget in 2010 recorded 94 percent. All sectors utilized more than 85 percent of their total allocation except Real Economy and Environment sectors. The highest priority with a share of 30

percent out of the total allocation was given for the infrastructure sector, in respect of development of key national, and regional and rural infrastructure projects.

Graph 2.1
Sectoral Expenditure, 2010



The sector specific performances are stated below in respect of different development sectors.

2.2.1 Human Resource Development

Policy Thrust: Promotion of equitable access to primary and secondary education while improving the quality of education at all levels towards a knowledge economy; provision of high quality, equitable, cost-effective, modern and sustainable health care services to the people; facilitation of producing competent sportsmen with the aim of reducing regional imbalances and enhancing national prestige and power; promotion and propagation of Art, Culture & Religion by safeguarding and enriching traditional arts, protecting historical & cultural heritage and promoting religious activities.

Education

In line with the policy thrust of the education sector, the investment in education has mainly focused on promoting the equity, and enhancing the quality and relevance of education at school and university level. In 2010, a total sum of Rs 107 billion has been invested in the development of education sector in comparison to the amount, Rs 101 billion, invested in 2009, an increase of 6 percent over 2009. This total includes an investment of Rs 58 billion on provincial education. Out of the total investment in education, Rs. 86 billion i.e. 83 percent, utilized on development of school education while investing the balance on development of higher education. A number of large scale projects such as Higher Education for 21st Century, South Eastern University Development Project, Uwa Wellassa Development Project, Construction of Buildings, Hostels and Faculties for Universities etc. have been implemented to achieve the intended targets of the Higher Education sector.

Skills Development

The total investment by the government for the development of vocational training and technical education sector was Rs 6.1 billion in 2010, an increase of about 8 percent over 2009. The Ministry of Skills Development has taken a leading role in the development of vocational training sector particularly in the areas of promoting the knowledge and skills of young professionals while enhancing their exposure to domestic and foreign expertise, enabling them to meet the emerging needs in the global market.

Health

The expenditure on health consists of western and indigenous sectors of medicine covering curative, preventive and promotive care services both at national and provincial levels. The expenditure on health increased from Rs. 70 billion in 2009 to Rs. 76 billion in 2010 recording a 12 percent increase. Out of the total recurrent expenditure, 63 percent was utilized on personal emoluments while spending 37 percent on hospital maintenance. In addition, Rs. 13.5 billion was accounted for medical supplies covering 22 percent of the total recurrent expenditure in 2010. The utilization of capital expenditure in 2010 was Rs. 13 billion, an increase of 18 percent over 2009. A major share of capital expenditure was for hospital development, maintenance and rehabilitation, and provision of equipment. Construction of Neuro Trauma Unit at the National Hospital Colombo, improvement of curative care services at Anuradhapura Teaching Hospital, construction of OPD complex at Badulla General Hospital are some of the key projects completed in 2010. The support given by the Government for the development of traditional systems of medicine also continued further in 2010.

Sports and Labour

The total expenditure of the Government on sports and labour, labour relations and enhancement of productivity for 2010 was Rs. 1.3 billion. These funds were mainly focused on safeguarding employment rights and labour relations. A new ministry was established in November 2010 for productivity promotion. The main objective of the establishment of this ministry was to develop and promote manpower and also promote and upgrade the skills of Sri Lankan workforce ensuring a better living standard.

A sum of Rs. 1.2 billion was invested in 2010 to improve the infrastructure on sports and promote programmes on sports all over the country. The key projects accelerated during the year 2010 include, Reid Avenue Sports Complex-Colombo, Torrington Synthetic Tracks-Colombo, Grandstand Sport Complex Nuwara-Eliya, Tholangamuwa Playground-Kegalle, Jayathilaka Sports Complex-Nawalapitiya. In addition, a special programme for the development of sports in schools was carried out in Piliyandala, Madampe, and Dickwella in 2010.

Art and Culture

Investments in Religion, Culture, National Heritage and Arts mainly focused on safe guarding and promoting the rich diversity of our religion, culture and national heritage in 2010.

New cultural centers were established in Pitabeddara, Weligama, Beliatta, Panduwasnuwara and construction work of 8 Cultural Centers were completed in order to facilitate the cultural activities and skills development programme in 2010. In addition, 90 percent of construction work of the National Performing Arts Theatre has been completed at a cost of Rs. 820 million in 2010. The aim of this project is to provide international level infrastructure facilities with highly sophisticated modern hi-tech facilities for professional and amateur artists, researchers, foreign troops and general public to perform, train and engage in research.

Activities of several projects related to preservation of places with historic and archaeological value, belonging to Dutch period have been finalized during 2010. The conservation and restoration of the Naval Commissioner's house in Trincomalee was completed in 2010, by investing a sum of Rs. 140 million. Construction of a SAARC Cultural Center was commenced at a cost of Rs.135 million in 2010 with a view to promoting cultural and mutual cooperation among SAARC countries.

Religion

In view of promoting Dham Education in all religions, Rs. 162 million was allocated to provide library and uniform allowances for Dhamma School Teachers. Further, Rs. 85 million was allocated for the construction of Dahampaya building at Dharmapala Mawatha, Colombo. The Sacred Area Development, Construction of a Building at Lumbini Vihara Temple in Nepal, Mathata Thita Programme and Protection of Milking Cows were some of the priority projects carried out in 2010.

2.2.2 Infrastructure Development

Policy Thrust: Implementation of Randora, the national infrastructure development drive, to build a strong network of infrastructures around different corridors of the country and supportive arterial infrastructure to enable the emergence of regional growth centers.

Roads

The investment in infrastructure in 2010 was Rs. 279 billion, contributing to 6 percent of GDP, while the road sector alone contributing 2 percent. A major share of investment in road sector has been utilized for rehabilitation and reconstruction of roads and bridges. The investment in road development has increased from Rs. 84 billion to Rs. 91 billion from 2009 to 2010. A total length of 770 km of roads were sand sealed during 2010 under the routine and periodic maintenance programme. Further, 239.73 km of roads and 13 bridges were improved under the widening and improvement of roads and bridges programme. Moreover, a total length of 854.54 km of rural roads has been rehabilitated under the Maga Neguma Rural Development programme. In addition, Rs. 9.6 billion has been spent by the Ministry of Provincial Councils and Local Governments for rehabilitation of provincial roads.

A total length of 732.72 km of roads and 45 bridges, including the following key projects, were completed in 2010.

- Rehabilitation /Improvement of Siyambalanduwa -Ampara Road & Ampara-Karaitivu Road - 77.82 km
- Siyambalanduwa - Pottuvil - Akkaraipattu Road - 78.4 km
- Rehabilitation & upgrading of Habarana - Kantale road - 43.6 km
- Colombo- Ratnapura - Wellawaya- Batticaloa Road from Akkaraipattu to Batticaloa – 64 km
- Batticaloa-Trikkondimadu-Trincomalee from Batticaloa-Trinkondiadamadu – 36km
- Trincomalee - Pulmudai Road – 20 km
- Pottuvil - Panama Road – 17 km
- Mannar Bridge
- Peradeniya Deltota Bridge
- Sangupiddy Flyover

Improvement of Kandy Jaffna road from Thandikulam to Jaffna (136.61 km) is one of the key road projects commenced in 2010.

Transport

The total investment in the transport sector in 2010 was Rs. 55 billion of which the capital investment was Rs. 22 billion. These funds were utilized for augmentation of bus and rail fleet, purchase of railway carriages, locomotives, spares and materials, rehabilitation of tracks and communication system, institutional development and capacity building. This investment maintained a steady fleet of rail and bus service resulting in an increased passenger and freight transportation. Increased transportation has resulted in for an increased income from Rs. 15.4 billion to Rs. 16.7 billion by buses. However, the income from railways has been decreased from Rs. 4.01 billion in 2009 to Rs. 4.00 billion in 2010.

Energy Resources

The investment made for generation, installation and distribution of power in 2010 was about Rs. 27 billion. Further, in 2010, around 209,804 new connections (CEB-200,255 & LECO-9,549) were provided to households and industries in an effort to meeting the target of 'Electricity for All' by 2015. The total generation capacity installed has been increased from 2,684 MW in 2009 to 2,806 MW in 2010.

Common Amenities

The budgetary allocation provided for the water supply and sanitation sector in 2010 was Rs 30 billion of which capital expenditure, Rs. 26 billion. This was a 7 percent increase compared to 2009. Out of the total investment, 80 percent has been invested on mega water supply schemes such as Kelani Right Bank Water Treatment Plant, Secondary Towns Rural Community Based Water Supply project, Towns North of Colombo Water Supply - Stage II , Integrated Water Supply Schemes for the Unserved Areas of Ampara District and Kalu Ganga Water Supply Project. Further, around Rs. 10.6 billion has been invested on new water supply and sanitation development projects. In addition, 87,245 new water supply connections have been provided in 2010 of which 65.9 percent was in Southern, Central and Western Provinces. The

National Water Supply and Drainage Board has carried out community water supply and sanitation works during 2010 and provided 4,499 domestic wells, 99 tube wells, 2,997 rain water tanks and also 18,300 toilets, for Anuradhapura, Polonnaruwa, and Batticaloa districts.

Housing

The actual expenditure on housing sector in 2010 was Rs. 1,034 million. The total capital investment was Rs. 471 million which mainly directed towards rural housing development program, revamping Maligawatta & Soysapura housing scheme, and housing program for urban poor. The housing sector was developed by constructing 4,312 new houses and upgrading of 1,213 houses during the year 2010.

Posts and Telecommunication

An allocation amounting to Rs. 7.7 billion was directed to Posts and Telecommunication sector in 2010, an increase of 4.5 percent over 2009. These funds were mainly utilized by the Department of Posts. The Ministry of Postal Services continued the 'Postal Network Improvement Project' to improve the connectivity of all post offices in the island in order to offer good service for the public in 2010.

Rural and Regional Infrastructure Development

In 2010, allocations have been made under several ministries to undertake rural development activities. The total investment for rural development in 2010 was Rs. 56 billion of which, Rs 41 billion was for regional infrastructure development. These investments contributed for the development of rural infrastructure facilities specially, rural roads, water and sanitation, minor irrigation schemes, electrification, housing and other livelihood development programmes.

The government focused on major development initiatives for the rural sector through the "Gamaneguma" programme amounting to Rs 13.6 billion. A total number of 5.38 million people benefitted under this programme and 33,040 small scale infrastructure projects implemented through-out the island. In addition, Rs 7.5 billion has also been allocated for regional development programme; "Infrastructure Development in the Lagging Region". This programme contributed to improve the infrastructure facilities particularly, in the North and East, and undertook resettlement activities. Further, foreign resources amounting to Rs.15 billion has been obtained for the development of rural infrastructure facilities.

Moreover, Rs 6 billion was utilized for community development programmes of which, Rs. 5 billion for communities in the Northern and Eastern provinces. Apart from that, Rs. 3 billion has been allocated for providing housing and other basic needs of the people in the North and East.

2.2.3 Defence

Policy Thrust: Ensure a just and secured living environment for all citizens through enhanced national security.

Defence

The actual expenditure on defence was Rs. 205 billion in 2010. The expenditure on defence indicated an increase due to the inclusion of Department of Immigration and Emigration, Department of Registration of Persons, Department of Coast Conservation, Urban Development Authority, Sri Lanka Land Reclamation and Development Corporation, Administrative Complex-Hambanthota and International Convention Center-Hambanthota. These institutions came under the purview of Ministry of Defence according to the Gazette notifications dated 24.04.2010 and 22.11.2010.

With the conclusion of humanitarian operations, the three forces were engaged demining, resettlement and infrastructure development activities in northern and eastern areas. Priority has been given to establish police stations and deploying troops in areas cleared during the year 2010.

2.2.4 Law Enforcement

Policy Thrust: Ensure an effective administration of justice and law enforcement.

The total expenditure on justice was Rs. 9 billion in 2010. Out of the total, Rs. 950 million has been utilized to construct new courts complexes and also to renovate court buildings. In addition, Rs. 4.4 billion has been allocated for the Ministry of Rehabilitation and Prison Reforms mainly for the rehabilitation of excombatants.

2.2.5 Social Security

Policy Thrust: Improvement of the living standards of deprived, differently abled, displaced, senior citizens, pregnant women and children with the aim of ensuring enhanced income, increased well being, reduced vulnerability, and improved food security; Provision of social security, promotion of economic opportunities and protection of the rights of the vulnerable groups.

Social Security and Welfare, and Women Empowerment and Protection

A total investment of approximately Rs 124.3 billion was made on social security in 2010 covering the areas of social insurance, social assistance, social safety nets and social services etc. which is about 10 percent increase over 2009. A major share, which is about Rs. 102.4 billion has been spent on payment of public servants' pension and social security programmes for the disabled soldiers. Further, under the social safety net, Rs. 9.2 billion was spent on Samurdhi safety net programme providing cash grants for about 1.6 million beneficiaries. In addition, approximately Rs. 990 million has been spent on public assistance programme which was implemented under the provincial social services departments benefitting around 4,48,000 vulnerable persons island wide.

In 2010, the allocation for social relief programmes was Rs 10 billion of which Rs. 7.6 billion was for providing cooked meals and dry rations for IDP's. A sum of Rs. 831 million has also been spent on providing flood and drought relief for the victims of disasters, fresh milk for malnourished children and nutritional food packages for expectant mothers. Further, Rs. 865 million has been spent on Thriposha Programme covering 780,000 beneficiaries. In addition, programmes to provide housing assistance and distribution of assistive devices to disabled persons, rehabilitation of elders' homes, protection of the rights of senior citizens and disabled persons, and activities

for disaster mitigation were also implemented islandwide under social protection in 2010.

2.2.6 Real Economy

Policy Thrust: A significant increase in production and improving quality in agriculture, industry and services through improved productivity and optimum utilization of natural resources.

Agriculture

The public investment in agriculture sector excluding livestock and fisheries sectors was Rs. 37 billion in 2010. Out of the total investment, 79 percent has been incurred for the fertilizer subsidy programme and development subsidies for the plantation and other export crops. The investment on agriculture sector is mainly focused on promotion of local food production through the continuation of fertilizer subsidy scheme, re-cultivation of abandoned paddy lands, production and use of organic fertilizer, production of quality seeds and planting material, *Bim saviya* programme, and research and extension services etc.

Irrigation

The allocation for the irrigation sector in 2010 was Rs.11.4 billion of which Rs. 9.0 billion has been used for direct investment. This includes mobilization payments mainly for construction of new reservoirs such as Uma Oya, Moragahakanda & Kaluganga, Menik Ganga (Weheragala), Deduru Oya, Rambukkan Oya, rehabilitation and improvement of major and inter-provincial schemes, and irrigation infrastructures and the modernization of dams and hydrometeorological systems.

Livestock

A total sum of Rs. 1.3 billion has been invested in the Livestock sector in 2010. This amount was directed mainly to promote milk production and popularize liquid milk consumption, strengthen animal feed production, improve service delivery system, promote poultry production, promote research and livelihood development of the rural community. In addition, high priority has also been given to animal breeding programs with a view to increasing the population of dairy animals in Sri Lanka. 33 percent of the national milk requirement was met through local production by end 2010.

Fisheries

Public investment in the fisheries sector was Rs. 5 billion in the year 2010. Establishment of Peliyagoda Central Fish Market Complex, Aquatic Resources Development and Quality Improvement Project and Tsunami Area Rehabilitation project were successfully completed during 2010. Priority has also been given to infrastructure development programs focused on improvement of nutritional status and food security of citizens through the increase of fish production. Meanwhile, the fisheries sector contribution to GDP has met 1.57 percent.

Industries

The projects commenced in previous years under this sector were continued in 2010 as well with an investment of Rs. 5.6 billion. Promotion of regional industrialization by providing necessary infrastructure and other facilities, provision of financial assistance to SME sector, improvement of technology in thrust areas of die & mould, pharmaceutical, footwear, rubber etc. and development of textile and apparel sector were the main areas focused during the period. Further, funds were also directed for improvement of management of malfunctioning institutions.

Services

The service sector consists of tourism, trade and co-operatives and Rs. 2.6 billion has been invested to develop these three areas in 2010. Investment in tourism mainly covered facility development of places of tourist attraction, improvement of tourism resources and development of community tourism villages. In order to strengthen the food distribution network at fair prices, priority was given to set up Lak Sathosa outlets and mini co-op city outlets under which 104 Lak Sathosa outlets and 957 mini co-op city outlets were established up to end of 2010. Steps were taken to revitalize the co-operative sector by writing off loans of co-operative societies and financing to set up mini co-op city outlets. As a measure of minimizing the adverse impact of global financial crisis on export sector, the Export Development Reward Scheme was implemented and 180 exporters who fulfilled the requirements stipulated under the scheme received Rs.782 million as cash grants.

2.2.7 Research and Technology

Policy Thrust: Foster a national science culture that effectively reaches every citizen of the country and increase the resource base for scientists and technologists progressively to respond to the development needs of the country.

Science, Technology, Research and Development

An investment of Rs. 6.0 billion was made in this sector covering the fields of industry, agriculture, irrigation, health, information technology, aquatic resources etc. The projects commenced in previous years specially Nanotechnology Initiative, Multipurpose Gamma Irradiator programme and Agro Food Project were firmly continued in 2010. Further, funds were utilized in 2010 to develop 260 Vidatha centers and 19 new technology industries developed by Industrial Technology Institution. The primary focus on these programmes was to promote efficient and effective utilization of new technology to enhance the economic growth.

2.2.8 Public Services

Policy Thrust: Capacity building for good governance through an effective service delivery with a transparent and accountable public administration at levels of Central, District, Divisional, Provincial and Local Authorities.

Administration and Regulation

In 2010, the total expenditure on public services was Rs.67.4 billion. This consisted of Rs. 53 billion for recurrent expenditure and Rs.14.7 billion for capital expenditure. Out of the total recurrent expenditure, Rs. 18.5 billion

was spent on payment of salaries and allowances for employees of local authorities and Provincial Councils excluding education and health sector employees of Provincial Councils. A total sum of Rs. 9.1 billion of the said recurrent expenditure was spent on salaries, allowances and other administrative expenditure for the employees who were in District and Divisional Secretariats. During 2010, a significant amount of capital expenditure has been spent on providing logistic requirements of offices and improvement of quarters and offices, aiming at providing better services to the public.

2.2.9 Environment

Policy Thrust: Ensure long term sustainable economic and social development by improving livelihood of the communities, their health and well-being through preserving the unique bio diversity of Sri Lanka and the nature of the environment. Address cross sectoral issues, direct all sectors to be aligned with national and international environmental concerns into the development processes throughout the country.

Environment

The total investment in the environment sector in 2010 was Rs 2.1 billion. The environment sector mainly focused on the development of areas such as waste system management, strengthening of air quality management, lands and land improvements, mainstreaming biodiversity conservation and improved human nutrition and well-being etc. "Dayata Sevana" a national programme outlined in the Mahinda Chintana, aiming at planting 1.1 million trees launched across the country on 15th November 2010 in order to improve the vegetation cover of the country while creating economic benefits and achieving well ahead of the target by planting 3 million trees within a day. Further, 12,600 plastic compost bins were distributed among local authorities, schools, religious places and government institutions to promote solid waste management in Sri Lanka.

Table 2.2
Capital and Recurrent Expenditure by Sector 2010

Rs.Mn.

Sector	2010 Budget			2010 Actual					
	Recurrent	Capital	Total	Recurrent	%	Capital	%	Total	%
Human Resource Development	163,157	38,213	201,371	162,382	100	32,643	85	195,025	97
Infrastructure	34,182	270,961	305,143	33,115	97	246,144	91	279,259	92
Defence	193,311	12,628	205,939	192,892	100	11,990	95	204,882	99
Law Enforcement	6,582	2,220	8,802	6,546	99	2,140	96	8,686	99
Social Security	116,165	8,598	124,763	116,281	100	8,031	93	124,312	100
Real Economy	43,846	34,340	78,186	36,321	83	26,692	78	63,013	81
Public Services	54,677	20,321	74,998	52,692	96	14,770	73	67,462	90

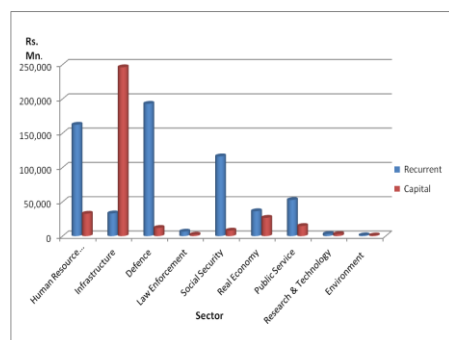
Research and Technology	3,332	3,860	7,192	3,086	93	2,995	78	6,081	85
Environment	1,232	1,742	2,974	1,197	97	962	55	2,159	73
Total *	616,484	392,883	1,009,368	604,512	98	346,367	88	950,879	94

* Excluding Debt Amortization

Note: Sectors developed according to Treasury Format and 2010 Budget Estimates prior to the Cabinet re-shuffle on 22.11.2010

Source: Department of National Budget

Graph 2.2
Recurrent and Capital Expenditure by Sector, 2010



A 100 percent utilization of recurrent expenditure has been recorded in the sectors of Human Resource Development, Social Security and Defence in 2010. In addition, more than 90 percent of capital expenditure has also been utilized under Infrastructure, Social Security, Defence and Law Enforcement sectors while recording the highest amount of under expenditure in capital spending in the Environment sector.

2.3 Analysis of Expenditure on Government Welfare Payments and Development Subsidies

The government emphasized the need for continuation of welfare payments and development subsidies with an objective of enhancing living standards of vulnerable segments of the society ensuring the country's distinctive commitment to promote equitable growth. Accordingly, in 2010, Rs. 88 billion has been spent on growth sustaining subsidy programme to enhance the standard of living of the poorest segment of the society, improve nutrition level of pregnant mothers, children and infants and ensuring the provision of basic needs to school children. Table 2.3 shows the distribution of welfare payments and development subsidies in 2010.

Expenditure incurred under welfare payments and development subsidies in 2010 recorded a 9.8 percent decrease compared to 2009 as a result of declining numbers of IDP recipients in welfare villages. Out of the total, the share of both the welfare payments and development subsidies have decreased by 2 percent and 18 percent respectively over 2009.

2.3.1 Welfare Payments

The main aim of the government's welfare payment programme is to enhance the standard of living of the vulnerable segments of the society by providing

income supplements and material assistance. Welfare payments are basically categorized under health & nutrition, education and social welfare, which constituted 60 percent of the total subsidies paid in 2010.

The total allocation for social welfare in 2010 was Rs. 28 billion of which 98 percent was utilized in the forms of income supplement, flood and drought relief, assistance to disabled soldiers, food supplements for internally displaced people etc. In 2010, the Government spent Rs. 9 billion for Samurdhi relief benefitting around 1.5 million families. Although the social welfare consisted the largest share of the subsidy budget in 2010, this share has been decreased by 12 percent over 2009. This can be attributed to declining costs involved in the assistance provided to IDPs, with the decreasing number of IDPs in welfare camps.

Health care and nutrition sub sector accounted for 28 percent from the total welfare sector in 2010, covering the programmes of distribution of fresh milk for children, provision of nutritional foods for children and pregnant/lactating mothers under Thripasha programme and provision of drugs to all the government hospitals. Education sub sector which provides free text books, school uniforms, school season tickets etc. represented 14 percent of the total welfare payments while 5 percent spent on water subsidy for religious places & schools, street lighting and subsidy to Sri Lanka Transport Board for maintaining uneconomical routes.

2.3.2 Development Subsidies

Development subsidies, which mainly consists of fertilizer subsidy and financial assistance to certain institutions to cover operational losses, accounted for 40 percent of the total government welfare payments and subsidies in 2010. Fertilizer subsidy which was granted with a view to reducing the cost of production and increasing the yield in paddy and smallholder plantations, secured the largest share, about 67 percent of the development subsidies and represented the highest individual share, 26 percent, of the total expenditure for welfare payments and development subsidies. Financial assistance of Rs. 11 billion was provided to cover operational losses of Sri Lanka Railway, Sri Lanka Transport Board and Postal Department, under development subsidies granted in 2010.

Table 2.3
Expenditure on Welfare Payments and Development Subsidies, 2010

Area	2010		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
Welfare Payments					
Health & Nutrition	15,126.00	14,980.00	99.03	16.99	28.31
Fresh Milk for Children	187.00	178.00	95.19	0.20	0.34
Medical Supplies for Govt. Hospitals	13,544.00	13,544.00	100.00	15.36	25.59
Thripasha Programme	885.00	870.00	98.26	0.99	1.64
Poshana Malla	510.00	388.00	76.08	0.44	0.73
Education	7,260.00	7,256.00	99.94	8.23	13.71
Free Text Books	1,941.00	1,941.00	100.00	2.20	3.67
School Uniforms	949.00	949.00	100.00	1.08	1.79

Area	2010		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
School Season Tickets	1,370.00	1,370.00	100.00	1.55	2.59
Handicapped Students	71.00	71.00	100.00	0.08	0.13
Scholarships	225.00	225.00	100.00	0.26	0.43
School Nutritional Food Programme	2,474.00	2,474.00	100.00	2.81	4.67
Uniforms and Text Books to Dhamma School Teachers	106.00	106.00	99.57	0.12	0.20
Library Allowance for Dhamma School Teachers	112.00	111.00	99.20	0.13	0.21
Vocational/Technical Training - Stipend, Bursaries & Season Tickets	12.00	9.00	75.00	0.01	0.02
Social Welfare	28,122.00	28,034.00	99.69	31.80	52.97
Samurdhi Relief & Kerosene oil	9,300.00	9,241.00	99.37	10.48	17.46
Assistance to Disabled Soldiers	10,500.00	10,498.00	99.98	11.91	19.84
Assistance to Internally Displaced Persons	1,009.00	1,016.00	100.69	1.15	1.92
WFP Food Assistance	6,664.00	6,638.00	99.61	7.53	12.54
Flood & Drought Relief	265.00	265.00	100.00	0.30	0.50
Rehabilitation of Persons	230.00	227.00	98.79	0.26	0.43
National Council Secretariat for Persons with Disabilities	80.00	76.00	95.00	0.09	0.14
Senehasa Programme(Poshana Manpetha)	20.00	20.00	100.00	0.02	0.04
National Secretariat for Elders	54.00	53.00	98.15	0.06	0.10
Other	3,184.00	2,652.00	83.29	3.01	5.01
Water Subsidy for Religious Places & Schools	42.00	42.00	100.00	0.05	0.08
Street Lighting	892.00	360.00	40.36	0.41	0.68
Subsidy to SLTB for uneconomical routes	2,250.00	2,250.00	100.00	2.55	4.25
Total - Welfare Subsidies	53,692.00	52,922.00	98.57	60.04	100.0
Development Subsidies					
Subsidies for Agriculture	30,484.00	23,711.00	77.78	26.90	67.31
Fertilizer Subsidy	29,783.00	23,028.00	77.32	26.12	65.37
Interest Subsidy for Agricultural Loans etc	701.00	683.00	97.43	0.77	1.94
Operational Losses	12,365.00	11,434.00	92.47	12.97	32.46
Sri Lanka Railways	3,771.00	3,173.00	84.14	3.60	9.01
Sri Lanka Transport Board	5,734.00	5,508.00	96.06	6.25	15.63
Postal Department	2,860.00	2,753.00	96.26	3.12	7.81

Area	2010		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
Other	85.00	84.00	98.82	0.10	0.24
Losses & Write off of Co-operative Societies	85.00	84.00	98.92	0.10	0.24
Total - Development Subsidies	42,934.00	35,229.00	82.05	39.96	100.00
Total - Welfare Payments and Development Subsidies	96,626.00	88,151.00	91.23	100.00	

Source: Department of National Budget

3. Management of 2010 Budget

3.1 Revenue and Expenditure as per Government Accounts

The total government revenue in 2010 recorded as Rs. 817 billion, an increase of Rs. 118 billion compared to Rs. 699 billion in 2009, achieving the target of 2010. This was a commendable performance supported by increase in both tax and non tax revenue.

The total expenditure in 2010 was Rs. 1,280 billion of which recurrent expenditure was Rs. 937 billion whereas the capital expenditure was Rs. 343 billion. The actual recurrent expenditure in 2010 has increased by Rs. 11 billion over the estimated recurrent expenditure of Rs. 926 billion in 2010. This increase over its estimate was mainly due to the increased cost of living allowance to public sector employees, increased costs in interest payment etc. However, as a percentage of GDP, it declined to 16.7 percent from 18.2 percent in 2009 reflecting the efforts taken in rationalizing the recurrent expenditure. Meanwhile, public investment decreased marginally to Rs. 357 billion against estimated Rs. 359 billion. Only one supplementary estimate has been submitted for the approval of the Parliament in 2010 which also did not increase the total expenditure originally approved by Parliament for 2010 as it was only for reallocation of unutilized amounts identified under various expenditure heads. (Details are given in Table 3.2)

The total budget deficit decreased to 7.9 percent of GDP as against the estimated 8.0 percent in 2010. This was mainly due to the achievement of the revenue target while maintaining the government expenditure within the original budgetary allocation. As a result, the Government was able to record a net repayment Rs 1.9 billion to the banking sector in 2010 compared to the net borrowing of Rs. 49 billion in 2009.

Table 3.1
Summary of the Budget in terms of the Economic Classification

Description	Rs. billion		
	2009 Actual	2010 Budget (Revised)	2010 Actual
Revenue	699.6	812.1	817.3
Expenditure	1,201.9	1,275.0	1,280.2

Recurrent	879.6	925.9	937.1
Capital	322.4	349.0	343.1
Overall balance	-476.4	446.7	-446.0
Revenue balance	-179.9	113.9	-119.8

Source: Department of Fiscal Policy

3.2 Issuance of Budget Circulars

The following circulars were issued during the year 2010, providing the guidelines required for expenditure and cadre management of the spending agencies.

- ◆ National Budget Circular No. 146 dated 29th April 2010 on “Fulfilment of Office, Office Equipment and Allocation of Vehicles for the New Ministries”.
- ◆ National Budget Circular No. 147 dated 30th April 2010 on “Authority to incur the expenditure from the Consolidated Fund until the Appropriation Act for the Year 2010 is passed”.
- ◆ National Budget Circular No 148 dated 10th May 2010 on “Allocation and Accounting of Financial Provisions for Expenditure Heads according to Composition of New Ministries”.
- ◆ National Budget Circular No. 149 dated 15th July 2010 on “Authorization for Incurring Expenditure for 2010”.
- ◆ National Budget Circular No. 150 dated 07th December 2010 on “Guidelines on Procurement of Vehicles for Government Agencies under the Financial Leasing Method”.
- ◆ National Budget Circular No. 151 dated 28th December 2010 on “Authorization for Incurring Expenditure for 2011”.

3.3 Supplementary Estimates

In 2010, a supplementary estimate amounting to Rs. 15 billion has been approved by the Parliament without changing the expenditure limits of the approved budget. This amount included Rs. 3 billion for recurrent expenditure and Rs. 12 billion for capital expenditure. The originally allocated provisions for spending heads have been revised considering the fact that some of these approved estimates for ministries and departments will not be fully utilized during the year due to several practical reasons. The reallocation made through the supplementary was to meet the additional requirements of the ministries and departments that implemented infrastructure related large scale projects. The approved supplementary estimate has been included into the Treasury Miscellaneous Vote as indicated in the table below;

Table 3.2
Supplementary Estimates Approved by Parliament for year 2010

240 - Department of National Budget
Programme - 02 Development Activities
Project - 02 Budgetary Support Services and Contingent Liabilities

Finance Code	Description	Amount (Rs.)		
		Recurrent	Capital	Total
	Unforeseen Recurrent Expenditure			
11	Personal Emoluments	1,500,000,000		1,500,000,000
	Other Contingency	1,500,000,000		1,500,000,000
	Unforeseen Capital Expenditure			
12	Foreign Loans		10,000,000,000	10,000,000,000
17	Foreign Funds Related Domestic Funds		2,000,000,000	2,000,000,000
	Total			15,000,000,000

The additional allocation approved under Special Law Provision to several Government institutions are given below;

Table 3.3
Special Law Warrants

Ministry / Department	Amount	
	Recurrent	Capital
Department of Pensions	11,100,000,000	-
Department of Treasury Operations	21,800,000,000	-
Department of Treasury Operations		6,500,000,000
Total	32,900,000,000	6,500,000,000

Rs

4. Monitoring of Advance Accounts

Monitoring of Advance Accounts operations continued under the purview of the Department during the year 2010. 190 Advance Accounts comprising of 179 Public Officers' Advance Accounts, 5 Commercial Advance Accounts, 2 Stores Advance Accounts and 4 Special Advance Accounts were operated for which Rs 20,756 million was allocated. Financing of Advance Accounts Limits, monitoring of revision of these limits, follow-up action on Auditor General's reports were some of the duties undertaken by this Department with regards to Advance Accounts. Limits of 19 Public Officers' Advance Accounts and 9 other Advance Accounts were revised during the year. Officers of this Department attended meetings of the Committee on Public Accounts (COPA) held to examine the Auditor General's reports on Advance Accounts in 2010.

5. Preparation of Annual Budget Estimates

5.1 Statutory Provisions

5.1.1 Appropriation Act

An Appropriation Act is passed by Parliament authorizing the Government to utilize funds for the specific financial year from the Consolidated Fund. This Act appropriates funds to government ministries, departments and institutions coming under their purview, and it is also applicable for expenditure of that given fiscal year. In addition to expenditure, it includes

maximum borrowing limit of the government, fund transfer authority and limits of Advance Accounts.

5.1.2 Article 150 (2) and 150 (3) of the Constitution

Article 150 (2) of the Constitution - If the Parliament is not able to vote the entire budget before the commencement of the new financial year (due to situations such as dissolution of the Parliament) it is necessary to get the approval of the Parliament to withdraw funds from the Consolidated Fund to maintain the public administration in the country. Therefore, provisions have been made in the Constitution to pass a motion (a Vote on Account) to withdraw funds from the Consolidated Fund for this purpose. Fiscal operations have been conducted in the years of 1931, 1960, 1970, 1971, 1982, 1988, 1995, 2000, 2002, & 2010 under a Vote on Account. Due to the General Election in 2010, a Vote on Account was submitted to Parliament for the first four months of 2010 to permit time for the newly elected Government to formulate the budget according to their priorities.

Authority of the HE the President under Article 150 (3) of the Constitution -This applies to a situation where Parliament has been dissolved before it has allocated funds through the budget. In such a situation, the President is empowered to authorize expenditure for the maintenance of public services for a period of 3 months from the date on which the new Parliament is scheduled to meet. In 2002 & 2010 fiscal operations have been conducted under such a Presidential decree.

5.2 Budget Estimates, 2010

Due to the Presidential and Parliamentary Elections held in 2010, a delay took place in presenting the Budget Estimates for the fiscal year 2010. In order to maintain the public services continuously, fiscal operations from January to April were conducted under a Vote on Account which was approved by the Parliament in 2009. Fiscal operations from May to July 2010 were conducted under the provisions of Section 3 of the Article 150 of the Constitution by a Presidential decree. Accordingly, the Government expenditure for the first seven months of 2010 was computed based on the budgetary allocations made for 2009. The Appropriation Bill which made provisions for 2010 Budget was presented to the Parliament on 08th June 2010 and was approved by the Parliament on 09th July 2010. This covered all the expenditure incurred under Vote on Account for the first four months and next three months under the Presidential decree.

5.3 Budget Estimates, 2011

Budget estimates for 2011 were formulated with a greater focus on the Government's responsibility to transform Sri Lanka into an *Emerging Wonder of Asia*. 2011 Budget was considered as the sixth year of Medium Term Expenditure Framework (MTEF) initiated in 2006. It was mainly focused on accelerating strategic infrastructure projects while developing rural infrastructure to ensure a regionally balanced development, and improving living conditions and restoration of economic activities island wide through accelerated resettlement and rehabilitation programmes.

5.4 Budget Formulation Guidelines

Issued letters with guidelines to all the line Ministries to prepare the 2010 Budget. The guidelines were mainly provided to formulate the final budget for the remaining five months of 2010. The following specific guidelines were considered for expenditure categories in formulating 2010 Budget;

Recurrent Expenditure - To calculate salaries, wages & other allowances on the basis of the actual number of employees as at 30th June 2010 and separately identify expenditure for approved new recruitments for 2010, as no provision will be included on anticipated recruitments in the Expenditure Estimates 2010.

Capital expenditure

- Give priority to complete the capital projects which have been already commenced.
- Include new projects only if such projects have been given the approval of the Department of National Planning and the Cabinet by 01.08.2010.
- Make realistic provisions required for the outstanding liabilities and the future requirements of import duties and taxes.

A Budget Circular was not issued for the preparation of Budget Estimates for the standard year 2011. All the Secretaries of Ministries were addressed personally giving guidelines to prepare their Estimates for 2011 by way of a personalized letter which included all the specific instructions. Draft Estimate for the year 2011 was approved by the Parliament on 10.12.2010.

6. Budgetary Management of Non Commercial Public Enterprises

Department of National Budget carried out, all matters relating to the Public Finance and Budgetary Management of 120 Non Commercial Public Enterprises (Statutory Boards) during the year of 2010. The following functions with regard to these institutions were carried out by the Department of National Budget in 2010 to improve their financial and management efficiency.

- Review the performance and the progress of these Non Commercial Enterprises, by analyzing and examining the Annual Budget, Annual Action Plan, Annual Accounts, Co-operate Plan and Annual Report etc.
- Examine and submit recommendations to the Department of Treasury Operation of the requests for release of monthly cash imprest based on the recurrent and capital grant requirements.
- Grant necessary approvals for Capital expenditure exceeding Rs. 500,000/- in terms of the Finance Act No. 38 of 1971
- Review the Audit Examination Reports of the Auditor General and the Special Audit Quarries submitted to this Department. Inform the relevant Statutory Boards about these quarries and ensure about the remedial actions taken to avoid such instances in the future.

- Assist, prepare and submit reports on the financial performance and the management of the Statutory Boards to the Committee on Public Enterprises (COPE) when the COPE Meetings are convened by Parliament.
- Grant approval of the Department of National Budget to travel abroad for various purposes (Training, meetings, seminars, conference etc.) depending on the availability of Budgetary Provisions and the needs of such visits.
- Submit recommendations to the Department of Management Services on the recruitment of new staff to Statutory Boards based on the availability of Budgetary Provisions and actual needs of such recruitment.
- Grant approval of the Committee of Public Expenditure Control (CPEC) for the purchase of new vehicles required by the Statutory Boards.
- Advice and co-ordinate with the Statutory Boards on the other financial and management issues such as implementation of Mega Capital Projects, implementation of Voluntary Retirement Schemes etc.

Table 6.1
Performance of 2010

Activity	No.
1. Issuance of monthly cash release recommendations	1,417
2. Approval of Foreign Travel	56
3. Preparation of COPE Reports	44
4. Approval of CPEC Committee for vehicles	30
5. Approval for incurring Capital Expenditure as per Finance Act	124
6. Review of Audit Reports	21

Source: Department of National Budget

7. Observations on Cabinet Memoranda

During the year 2010, the department prepared observations to 96 Cabinet Memoranda for the Hon. Minister of Finance and Planning. The department submitted comments for 63 cabinet Memoranda for other treasury departments.

8. Approval for the Purchase of Vehicles

8.1 Committee on Public Expenditure Control (CPEC)

In terms of the Cabinet decision of 31.01.1990, the functions of the Committee on Public Expenditure Control (CPEC) were confined to the granting of approval for purchase of vehicles by Government Institutions. Accordingly, all ministries, departments, provincial councils, local authorities and all statutory boards, corporations and government owned companies (GOCs)

whether under self-financing or otherwise, had to obtain the prior approval of the Committee for any such purchase. The National Budget Department continued to service the Committee on Public Expenditure Control (CPEC) and participated in decision making.

During the year 2010, the Department has given CPEC approval for purchase of 991 vehicles.

Table 8.1
Vehicles approved by the CPEC by vehicle type

Type of Vehicle	No. of Vehicles Approved
Motor Cars	66
Vans	37
Buses	08
Single / Double/Crew cabs	157
Three wheelers	40
Lorries / Trucks	24
Motor cycles	419
Ambulances	20
Jeeps	135
Others (Tractors/Trailers/Water Bowsers, etc.)	87
Total	993

8.2 Sri Lanka Customs Forfeited Vehicles

As per the letter of the Secretary to the Treasury of 04th June 2000 addressed to the Director General of Sri Lanka Customs, the Department of National Budget continued to grant approval to the government agencies to obtain customs forfeited vehicles in 2010. During the year, the Department authorized 34 such vehicles to be purchased by government agencies, categorized as follows.

Table 8.2
Approval given for Purchasing of Vehicles
from Sri Lanka Customs

	Type of vehicles	No.
01	Motor Cars	05
02	Vans	05
03	Double Cabs	01
04	Jeeps	20
05	Trucks	03
	Total	34

09. Participation of Staff on Boards and Committees

Most of the staff officers of this Department have served as Directors (Treasury Representatives) on the Boards of Directors of Statutory Boards, Public Corporations and Government owned Companies (GOCs), while some Officers have served as Members of Cabinet Appointed Tender Boards (CATBs), and Technical Evaluation Committees (TECs) representing the Secretary to the Treasury in these committees. In addition, Staff Officers of this Department attended meetings of the Committee on Public Accounts (COPA) and the Committee on Public Enterprises (COPE) in Parliament, representing the Department.

10. Co-ordination of Opening of Letters of Credit (LCs) and Telegraphic Transfers (TTs) under the Ministry of Defence

The Department of National Budget provided facilities for opening of letters of credit, Telegraphic transfers and Bank drafts for the Armed Forces, Sri Lanka Police and Department of Civil Security mainly for their overseas procurement by ensuring and confirming budgetary provisions to the Department of Treasury Operations.

The following table indicates the number of letters of credit (LC), Telegraphic Transfers (TT) and Bank drafts (BD) recommended by the Department of National Budget during the year 2010.

**Table 10.1
Opening of LC, TT & BDs in 2010**

	LC	TT	BD
S.L.Airforce	56	241	-
S.L.Navy	47	131	15
S.L. Army	26	3	-
S.L.Police	18	-	-
Civil Security Dept.	4	-	-
Total	151	375	15

11. Organizational Structure of the Department of National Budget

Organizational structure of the Department of National Budget consists of clusters representing following nine sectors.

- Defence
- Law Enforcement
- Public Service
- Social Security
- Research and Technology
- Human Resources
- Infrastructure
- Real Economy
- Environment

11.1 Staff of the Department

As at the end of the year 2010, the approved cadre and the actual cadre of the department were as follows.

**Table 11.1
Cadre for the Year 2010**

Designation	Approved Cadre	Actual Cadre
Director General	01	01
Additional Director General	03	00
Director	14	10
Deputy Director	} 18	12
Assistant Director		
Accountant	01	01
Administrative Officer	01	01

Translator	01	01
Project Officer	04	03
Budget Assistant	38	29
Research Assistant	01	04
Management Assistant	40	27
Driver	13	11
KKS	22	17
	-----	-----
Total	157	117
	=====	=====

- In November, 2009 Mrs. C.S. Kumarasinghe, Additional Director General retired from service on completion of 60 years of age and re-employed to serve till March, 2010 based on accumulated leave as per Public Administration Circular 24/2007.
- During the year, former Director General to the Budget, Mrs. Sudharma Karunaratne was appointed as the Director General to the Custom and transferred with effect from 23.05.2010 and former Director General of the Trade, Tariff & Investment Policy Department, Ms. G.D.C. Ekanayake was appointed as the Director General to the Budget with effect from 25.05.2010.
- In June 2010, Mr. W.R.V.G.G. Samarasiri, Director retired from the service on completion of 60 years of age and re-employed to serve till August, 2010 based on accumulated leave as per PA Circular No. 24/2007.
- During the year, as per the approval of Director General, Management Services, under FR 71, 02 posts of Directors in Class I of Sri Lanka Administrative Service has been created.
- Mr. W.S.K. Liyanagama, Mr. K.P.W.T.N. Devapriya and Mr. Mahesh Hewawitharana, the Assistant Directors have taken full pay leave for Postgraduate studies abroad.
- Mr. K.N.J. Cooray, K.K.S. who had been granted No Pay Leave for employment abroad has reported to duty after the completion of the approved term at the end of year 2010.

12. Human Resource Development

The Department was able to send its staff for the following local and foreign training programmes in 2010, in order to enhance their professional skills and working efficiency.

12.1 Foreign Training

The following officers were sent abroad during the year 2010 for short-term and long-term training programmes utilizing opportunities provided under the foreign technical assistance programmes.

Name of Officer & Designation	Programme Name	Country	Duration
01. Mrs. W.S. Karunaratne Director General	Annual OECD Asian Senior Budget officials meeting	Thailand	04.02.2010-05.02.2010
	Procurement of Urgently needed out of stock Pharmaceuticals	India	18.05.2010-22.05.2010
02. Mr. Mahinda Saliya Director	Expert Group Meeting on the Establishment of SAU	India	07.01.2010 -09.01.2010
	Workshop on Government Finance & Public Secor Debt	Singapore	25.01.2010-29.01.2010
	Middle and Junior level Govt. Officers (FMRP)	Thailand	12.09.2010-18.09.2010
03. Mr. A.K. Seneviratne Director	South Asia Regional High Level Forum on Health Finaicing	Maldivies	02.06.2010.-04.06.2010
	SAARC Ministers and Preceding meeting	Bhutan	23.08.2010-23.08.2010
	Middle and Junior level Govt. Officers (FMRP)	Thailand	06.09.2010-10.09.2010
	Study Automated Revenue Admn. & Treasury Mgt.	Korea	24.10.2010-26.10.2010
04. Ms G. K. Wimalaweera Director	International Training Workshop on Poverty Reduction	Indonesia	08.06.2010-13.06.2010
	Middle amd Junior Level Govt. Officers (FMRP)	Thailand	06.09.2010-10.09.2010
	High Level Roundtable on Pro-poor Policy & Emergeing	Bangkok	30.11.2010-02.12.2010
05. Mr. A.H.S. Gunawardena Director	Middle and Junior Level Govt.Officers (FMRP)	Thailand	23.08.2010 -27.08.2010
06. Ms. K.D.A.Munasinghe Director	Middle and Junior Level Govt.Officers (FMRP)	Thailand	23.08.2010-27.08.2010
07. Ms. C.S.Perera Director	KOICA Group Training	Korea	28.08.2010-11.09.2010
08. Mrs. C. Wijewardena Director	SAARC Workshop on Govt. Performance Management	New Delhi	30.03.2010-31.03.2010
	Middle and Junior Level Govt. Officers (FMRP)	Thailand	12.09.2010-18.12.2010
09. Mr. D.A.P. Abeysekera	Macroeconomic Mgt. &	Singapore	14.06.2010-25.06.2010

	Director	Fiscal Policy		
		Middle & Junior Level Govt. Thailand Officers (FMRP)		23.08.2010-27.08.2010
10.	Mrs. M. Gangatharan Director	Middle and Junior Level Govt. Officers (FMRP)	Thailand	06.09.2010-10.09.2010
11.	Mr. Chandana Wickramasooriy Asst. Director	Co-financing & Immunization Financing Workshop	London	25.05.2010-27.05.2010
		Middle & Junior Level Govt. Officers (FMRP)	Thailand	23.08.2010 -27.08.2010
12.	Mr. W.S.K. Liyanagama Asst. Director	Japanese Grant Aid for Human Resources Dev. Scholarship	Japan	02.08.2010-01.10.2012
13.	Mr. K.P.N.T.N. Devapriy Asst. Director	- do -	Japan	- do -
14.	Mr. B.A.K.W. Mahendra Asst. Director	Middle & Junior Level Govt. Officers (FMRP)	Thailand	23.08.2010-27.08.2010
15.	Ms. M.D. Abeygunawardena Asst. Director	-do-	-do-	12.09.2010-18.09.2010
16.	Mr. S.P. Kiriwaththuduwa Asst. Director	-do-	-do-	06.09.2010-10.09.2010
17.	Mrs. S.H.D. Kaluthanthri Asst. Director	-do-	-do-	-do-
18.	Miss. D.S.A. Costa Accountnat	-do-	-do-	12.09.2010- 18.09.2010
19.	Mr. R.M. Bandula Weerabandara Budget Assistant	- do-	-do-	23.08.2010- 27.08.2010
20.	Mrs. D.S. Hendawitharana Budget Assistant	-do-	-do-	-do-
21.	Mr. I.P.S.P. Deshapriya Budget Assistant	-do-	-do-	-do-
22.	Mrs. L.D. Paragahawatta Research Assistant	-do-	-do-	-do-
23.	Mrs. J.R. Damayanthi Budget Assistant	-do-	-do-	-do-
24.	Mr. H.S. Hettiarachchi Project Officer	- do-	-do-	-do-
25.	Miss. E.A.N.C.K. Wijebandara Budget Assistant	- do-	-do-	-do-
26.	Mrs. K.S. Kulasinghe	-do-	-do-	-do-

Budget Assistant			
27. Ms. D.D.A.P Hewawasam Research Assistant	-do-	-do-	12.09.2010-18.09.2010
28. Ms. G.U. Sriyakanthi Budget Assistant	- do-	-do-	-do-
29. Mrs. S. Malani Chandralatha Budget Assistant	-do-	-do-	-do-
30. Mr. A. K. Karunarathna Budget Assistant	- do-	-do-	-do-
31. Mr. B.M.K. Jayawardena Budget Assistant	-do-	-do-	-do-
32. Mrs. D.I.De.S. Wijesinghe Budget Assistant	-do-	-do-	-do-
33. Mr. K.G. Padumasiri Project Officer	- do-	-do-	-do-
34. Ms. I.A.W.S. Perera Budget Assistant	-do-	-do-	-do-
35. Mrs. U.U.I. Fernando Budget Assistant	- do-	-do-	-do-
36. Mr. I.M. Ilangakoon Budget Assistant	-do-	-do-	06.09.2010-10.09.2010
37. Mr. W.H.T. Dassanayake Budget Assistant	- do-	-do-	-do-
38. Ms. P.N. Damayanthi Budget Assistant	- do-	-do-	-do-
39. Mr. V.G.S. Nilantha Budget Assistant	- do-	-do-	-do-
40. Ms. H.L.M.J. Lunuwila Budget Assistant	-do-	-do-	-do-
41. Mr. S. Rajapaksha Budget Assistant	- do-	-do-	-do-
42. Ms. P. Padmawathi Budget Assistant	- do-	-do-	-do-
43. Mrs. A.B. Priyanka Kumudunee Budget Assistant	- do-	-do-	-do-
44. Miss. A. Samanthi Wijesinghe Budget Assistant	- do-	-do-	-do-
45. Mr. M.M.J.J. Marasinghe Budget Assistant	- do-	-do-	-do-

12.2 Local Training

The following staff members were given local training in different fields in the year 2010.

Designation	No. of Employees	Programme Names
Staff Officers	04	Seminar on Introduction of the S.L. Public Sector Accounting Standards
	01	MBA (University of Colombo)
	02	Training Programme on WTO Related Issues
	01	Workshop on Dicipianry matters
	01	Workshop on Stores Management and Supply Management

	09	
Project Officer	01	Ms Excel
Budget Assistant	03	MA- Economics(Uniniversity of Kelaniya)
Budget Assistant	02	Power Point Presentation
Development Assistant	01	-do-
Manag.Assistants	02	Human Resources Management
	02	CIGAS Accountancy Package
	02	Office Management
	01	Basic Computer Training
	01	Stores Management & Tender Procedure
	12	Training of Public Management Assistant(M/Fin)
	01	Advanced Computer Training

	28	
KKSs	01	Training of Binder
KKSs	05	K.K.S. Training Programme
-do-	01	Binding of Books

	07	

Total	44	
	====	

13. Financial Administration of the Department of National Budget

Budgetary provision required for the normal operations of the Department of National Budget was shown under Head 240 in the Budget Estimates for 2010. Budgetary allocations were provided under 2 Programmes and 3 Projects as given below:

- | | | | |
|------|-----------------------------|----|---------------------------------------------------------|
| (a) | Programme | 01 | - Operational Activities |
| | Project 01 of the Programme | 01 | - Budget Formulation and Policy |
| (b). | Programme | 02 | - Development Activities |
| | Project 02 of the Programme | 02 | - Budgetary Support Services and Contingent Liabilities |

The provision related to departmental administrative expenditure on budget formulations and policies was provided by the Project No. 01 while Project 02, provided allocation for facilitating unexpected and unforeseen expenditure required by various spending agencies, expenditure related to implementation of the budget proposals announced in the 2010 Budget Speech and for policy priorities announced in the financial year. Provisions for budgetary support for development projects were provided under the Project 03.

Rs. 42,768,070,000 had been provided for the Department of National Budget after incorporating the budget proposals to the original estimates of 2010.

The above total provision was utilized as follows:

(1) Expenditure of Project 01 of Programme 1	Rs. 64,565,169
(2) Provisions transferred to other Heads under Programme 2 Project 02-	Rs.41,323,424,344
(3) Expenditure of Programme 2 Project 03	-
Total	Rs 41,387,989,513
Balance Provision	Rs. 1,380,080,487

Accordingly, the balance provision was only 3.2 percent of the total provision allocated.

13.1 Summary of Expenditure of Head 240

Summary of budgetary provision and actual expenditure, and variance and variance as a percentage of net provision are given in the following Table 13.1.

Table 13.1
Summary of Expenditure under Head 240 for the Year 2010

(1) Description	(2) Net Provision (Rs.)	(3) Actual Expenditure/ Transfers to other Heads (Rs.)	(4) Variance (Savings) (2)-(3) (Rs.)	(5) Variance as a percentage of Net Provision (Rs.)
<i>Recurrent Expenditure</i>				
Project				
1 Budget Formulation and Policy	65,496,795	63,645,412	1,851,383	2.83
2 Budgetary Support Services and Contingent Liabilities	13,000,000,000	12,857,999,989	142,000,011	1.09
3 Budgetary Support for Development Activities	-	-	-	
Total Recurrent Expenditure	74,020,000,000	12,921,645,401	143,851,394	1.10

(1) Description	(2) Net Provision (Rs.)	(3) Actual Expenditure/ Transfers to other Heads (Rs.)	(4) Variance (Savings) (2)-(3) (Rs.)	(5) Variance as a percentage of Net Provision (Rs.)
Capital Expenditure				
Project				
1 Budget Formulation and Policy	3,050,000	919,757	2,130,243	69.84
2 Budgetary Support Services and Contingent Liabilities	29,700,000,000	28,465,424,355	1,234,575,645	4.16
3 Education Sector Development Project.	4,000,000	-	4,000,000	100
Total Capital Expenditure	29,707,050,000	28,466,344,112	1,240,705,888	4.18
Grand Total	42,772,546,795	41,387,989,513	1,384,557,282	3.24

13.2 Budgetary Provisions and Actual Expenditure of the Department by Projects for 2010

The following Table shows Budgetary provisions and the Actual Expenditure of the Department for each Project under each Programme for 2010. Column 3 shows the revised provision after consideration of FR 66 transfers, and provision made under the legend amendments. The difference between revised estimates and actual expenditure i.e. the savings are shown under Column (5) of Table 13.2

Table 13.2
Expenditure under Programme 1 - Operational Activities
Project 01 - Budget Formulation & Policy

(1) Description	(2) Estimate (Rs)	(3) Net Provision (Rs)	(4) Actual (Rs)	(5) Variance (3)-(4) (Rs)	(6) Variance as a %
Recurrent Expenditure					
Personal Emoluments	46,000,000	46,475,000	44,874,894	1,600,106	3.44
Other Recurrent Expenditure	16,020,000	19,021,795	18,770,518	251,277	1.32
Total Recurrent Expenditure	61,020,000	65,496,795	63,645,412	1,851,383	2.83
Capital Expenditure					
Rehabilitation and Improvement of Capital Assets	3,050,000	3,050,000	919,757	2,130,243	69.84
Buildings	30,000,000	25,500,000	0	25,500,000	100
Machinery	600,000	600,000	206,590	393,410	65.57
Vehicles	600,000	600,000	597,017	2,9839	0.50
Acquisition of Fixed Assets	13,300,000	10,330,000	3,222,685	7,107,315	68.8
Furniture and Office Equipment	500,000	500,000	25,400	474,600	94.92

(1) Description	(2) Estimate (Rs)	(3) Net Provision (Rs)	(4) Actual (Rs)	(5) Variance (3)-(4) (Rs)	(6) Variance as a %
Machinery	800,00	800,000	-	800,000	100
Capacity Building	1,000,000	1,000,000	64,000	936,000	93.6
Training and Capacity Building	550,000	550,000	90,750	459,250	83.5
Total Capital Expenditure	3,050,000	3,050,000	919,757	2,130,243	69.84
Total Expenditure	64,070,000	68,546,795	64,565,169	3,981,626	6.21

As shown in the above Table, 94.2% of the net provision provided for Project 1 of the Programme 01 had been utilized.

Table 13.3
Expenditure under Programme 02 - Development Activities
Project 02 - Budgetary Support Services & Contingent Liabilities

(1) Description	(2) Net provision (Rs)	(3) Transferred to other Heads (Rs)	(4) Variance (2)-(3) (Rs)	(5) Savings (As per the Appropriation Accounts) (Rs)	(6) Variance as a %
Recurrent Expenditure					
◆ Other Recurrent Expenditure	13,000,000,000	12,857,999,989	-	142,000,011	1.09
Total Recurrent Expenditure	13,000,000,000	12,857,999,989	-	142,000,011	1.09
(1) Description	(2) Net provision (Rs)	(3) Transferred to other Heads (Rs)	(4) Variance (2)-(3) (Rs)	(5) Savings (As per the Appropriation Accounts) (Rs)	(6) Variance as a %
Capital Expenditure	29,700,000,000	28,465,424,355	-	1,234,575,645	4.16
◆ Other Capital Expenditure (Budget Proposals)					
National Research council Contingency Services					
Acquisition of Vehicles	770,000,000	769,882,975	-	117,025	0.01
Restructuring Liabilities for Failed Enterprises	263,000,000	224,817,391	-	38,182,609	14.52
Foreign Aid Related Expenditure					

- Foreign Aid Loans (12)	8,200,000,000	8,199,046,000	-	954,000	0.01
- Foreign Aid Grants (13)	1,000,000,000	195,326,146	-	804,673,854	80.47
- Reimbursable Foreign Aid Loans (14)	567,000,000	528,190,000	-	38,810,000	6.84
- Reimbursable Foreign Aid Grants (15)	50,000,000	-	-	50,000,000	100
- Counterpart Funds (16)	50,000,000	-	-	50,000,000	100
- Foreign Aid Related Domestic Funds (17)	4,900,000,000	4,800,089,632	-	99,910,368	2.04
Other Contingency Payments	13,900,000,000	13,748,072,211	-	151,927,789	1.09
Total Capital Expenditure	29,700,000,000	28,465,424,355	-	1,234,575,645	4.16
Grand Total	42,700,000,000	41,323,424,344	-	1,376,575,656	3.22

In terms of the Clause 6 of the Appropriation Act 7 of 2010, a sum of Rs. 42,700,000,000 was made available under this project for granting supplementary allocations to meet unforeseen and unexpected expenditure of the various spending agencies/institutions and implementation of the budget proposals declared at the Budget Speech 2010. Out of this amount, Rs. 41,323,424,344 was released to various spending agencies. It was 96.78 percent of the total allocation.

Table 13.4
Expenditure under Programme 02 -Development Activities
Project 03 - Budgetary Support for Development Activities

(1) Project Description	(2) Net provision (Rs)	(3) Actual 2010 (Rs)	(4) Variance (2)-(3) (Rs)	(5) Variance as a %
Education Sector Development Grant (ESDP)	4,000,000	-	4,000,000	100
Total Expenditure	4,000,000	-	4,000,000	100

Table 13.5
Public Officers' Advance Account for 2010

Category	Authorized Limit 2010 Rs.	Actual 2010 Rs.
Maximum Limit of Expenditure	12,500,000	3,600,311.83
Minimum Limit of Receipts	3,700,000	4,183,687.52

Maximum Limit of Debit Balances	40,000,000	23,349,429.57
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In terms of the Budget Circular No. 114 of 31.12.2003, figures of the above Table comprised only the transactions occurred under the Advance Account item No. 240-under 011, within the department. According to Circular No. 114, loan balances of officers who had been transferred out or in, were settled with Accounting Heads, under the Advance Account item No. 240-012. With regard to settlement of these loan balances, expenditure incurred was Rs. 3,651,230/- and Receipts were Rs. 3,752,819/- during the year 2010. Accordingly, the Department had complied within the authorized limits of Public Officers' Advance Account.

Table 13.6
Loans Given in Year 2010

Loan/Advance	No of Loans Given	Amount (Rs.)
Festival Advance	97	485,000
Special Advance	58	145,000
Distress and Bicycle Loans	107	2,692,355
Total	262	3,322,355

13.3 Auditor General's Queries for 2010

During the year 2010, 03 queries were referred to this Department by the Auditor General and all the queries were duly answered.