

PERFORMANCE REPORT - 2009

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 controlling 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 Budgetary Framework (MTBF) for 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) under the Ministry of Defence.
 - Participation of Staff on Boards and Committees.
 - Preparation of Observations on Cabinet Memoranda; and
 - Financial Administration of the Department.
- 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 COPA meetings on non-compliance of Advance Accounts Limits.

Contents

Chapter No.	Subject	Page
1	Summary of Performance	1
1.1	The Operational Framework	1 - 5
2	Review of 2009 Performance – Sectoral Budget and Subsidies	5
2.1	Sectoral Perspectives in 2009 Budget in the Medium Term Expenditure Framework of 2009-2011	5 – 11
2.2	Analysis on Sectoral Expenditure 2009	11 – 13
2.3	Analysis of Expenditure on Government Welfare Payments and Development Subsidies	13
2.3.1	Welfare Payments	13 – 14
2.3.2	Development Subsidies.	14 – 15
3	Management of 2009 Budget	15
3.1	Revenue and Expenditure as per Government Accounts	15 – 16
3.2	Issuance of Budget Circulars	16
3.3	Supplementary Estimates	16 18
4	Budget Proposals 2009 – A Revisit	18 – 19
5	Monitoring of Advance Accounts	19
6	Preparation of Annual Budget Estimates for the year 2009	19 – 20
7	Management of Non Commercial Public Enterprises	20 – 21
8	Observations on Cabinet Memoranda	21
9	Approval for the Purchase of Vehicles	21
9.1	Committee on Public Expenditure Control (CPEC)	21 – 22
9.2	Sri Lanka Customs forfeited vehicles	22
10	Participation of Staff on Boards and Committees	23
11	Co-ordination of Opening of Letters of Credit (LCs) and Telegraphic Transfers (TTs) under the Ministry of Defence	23
12	Organizational Structure of the Department of National Budget	23
12.1	Staff of the Department	23 – 24
13	Human Resource Development	24
13.1	Foreign Training	24 – 25
13.2	Local Training	26
13.3	Transfer Scheme for Budget Assistants	26
14	Financial Administration of the Department of National Budget	26 – 27
14.1	Summary of Expenditure of Head 240	27 – 28
14.2	Budgetary Provisions and Actual Expenditure of the Department by Projects for 2009	28 – 31
14.3	Auditor General's Queries for 2009	31

1. Summary of Performance

The Department of National Budget operates under the overall 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 budgetary framework paying particular attention to management of public expenditure. This process involves a continuous consultation with the line Ministries, Departments, Institutions, Corporations and the relevant Treasury Departments.

1.1 The Operational Framework

Within the broader scope of public finance and planning of the Ministry and within the overall mandate of the National Budget Department, the Department performed a wider range of activities in the year 2009 as given in the Matrix at Table 1:1 below.

Table 1.1
Summary of Performance -Year 2009

Function	Activity	Overall Target	Achievement
1. Formulation of National Budget for the year 2010.	<ul style="list-style-type: none"> • Issuance of Budget Guidelines on the preparation of Budget Estimates. 	<ul style="list-style-type: none"> • Issue a Circular with guidance to prepare the Budget in July 	<ul style="list-style-type: none"> • Issued the National Budget Circular No. 143 / Budget Call – 2010 on 10.07.2009
	<ul style="list-style-type: none"> • Preparation of draft annual budget estimates in consultation with spending agencies 	<ul style="list-style-type: none"> • Ensure meeting the goals set out in the 10 Year Development Horizon and the government policies. • Submit Appropriation Bill to Parliament in the first week of October • Present the Budget to Parliament on the first week of November 	<ul style="list-style-type: none"> • Formulated Budget for 2010 within the Medium Term Expenditure Framework of 2010-2012.
2. Expenditure Management of the year 2009	<ul style="list-style-type: none"> • Management of expenditure to reach the targets of GDP as set out in the Medium Term Macro Economic Framework. 	<ul style="list-style-type: none"> • Maintain the following indicators as a % of GDP. (Public Expenditure as a 22.8% of GDP in order to maintain the overall Budget Deficit at 6.5% with a Current Account Balance of 0.6%) 	<ul style="list-style-type: none"> • Public Expenditure was maintained at 24.9% of GDP, ensuring the overall Budget Deficit at 9.9% with a Current Account Deficit at 3.7%

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> Preparation of guidance for efficient resource utilization and control of expenditure to manage the original budget, approved by Parliament. 	<ul style="list-style-type: none"> Revise the approved estimate for the year 2009. (From original estimate of Rs. 1719.4 bn. to Rs.1934 bn. of which Rs. 921.3 bn. for Recurrent and Rs.1012 bn for Capital expenditure) 	<ul style="list-style-type: none"> Revised the Budget (It had deviated by 12.51% from the original estimate, where as the actual expenditure was 91% of the revised estimates - Rs. 1747 bn. Total expenditure of which Rs. 881.9 bn. Recurrent and Rs. 865.1 bn. was Capital expenditure).
	<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. 49.5 bn. from the Consolidated Fund as additional provision.
	<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"> Supplementary estimates of Rs. 93.1 bn was approved by Parliament of which Rs. 79.9 bn was allocated under the provision of Special Law.
	<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"> 1489 FR 66 applications were authorized .Out of that 154 applications were programme transfers and 1335 were projects transfers.
	<ul style="list-style-type: none"> Review cluster wise/sector wise Budget 	<ul style="list-style-type: none"> Policy alignment 	<ul style="list-style-type: none"> Policy alignment was made at the budget preparation. But no sufficient indicators are available to analyze budget implementation / performance
		<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. 143, 144, 145, 130(III) in this regard.
3 . Facilitating the implementation of Budget Proposals	<ul style="list-style-type: none"> Provision of supplementary allocation to relevant spending agencies to implement Budget Proposals 	<ul style="list-style-type: none"> Ensure smooth implementation of 7 expenditure proposals at a cost of Rs. 18,125 million. 	<ul style="list-style-type: none"> Provided supplementary allocations amounting to Rs 9,687 million to relevant spending agencies to implement these proposals

Function	Activity	Overall Target	Achievement
4. Subsidies	<ul style="list-style-type: none"> Health Education Agriculture Social Welfare Operational losses Subsidy to SLTB for uneconomical routes 	<ul style="list-style-type: none"> Rs. 16,054 mn was allocated to increase nutrition level of pregnant mothers, children and infants and to provide medical supplies for govt. hospitals Provide school books, uniforms, season tickets to school children, and provide books to Dhamma school children and uniforms to Dhamma school teachers. Fertilizer subsidy and interest subsidy to reduce the production cost of the farmers and to increase productivity. Improve the quality of the life of the vulnerable groups of the society through the provision of Samurdhi Relief assistance, Assistance to disabled soldiers, nutritional food package to expectant mothers & children. Urgent relief assistance to IDPs & victims of floods and droughts through the programmes such as WFP relief assistance, and flood & drought relief. Cover up losses of the Sri Lanka Railways, Sri Lanka Transport Board, and Postal Department. Subsidize SLTB to maintain uneconomical routes 	<ul style="list-style-type: none"> Actual utilization of the subsidy was 87.19% Out of Rs. 8,402mn 90.29% ie Rs. 7,586 mn was utilized. Budgetary provision was Rs. 28,086 mn and actual expenditure was Rs. 27,314 mn (97.25%) Utilized 91.4% of the allocation i. e. Rs. 31,864 mn. Budgetary provision given for this purpose was Rs. 16,683 mn and utilization ratio was 91.21%, ie Rs. 15,217 mn Rs. 294 mn was allocated under SLTB for this purpose and it has been completely utilized.

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> Water and electricity subsidy for schools and religious places. Street lighting Writing off of loans 	<ul style="list-style-type: none"> Subsidize water and electricity for needy schools and religious places. Subsidize local authorities for provision of street lighting Writing off of loans of co-operative societies 	<ul style="list-style-type: none"> Rs. 144 mn was allocated for this purpose and total provision (100 %) had been utilized. Rs. 1226 mn was allocated under Ceylon Electricity Board and actual expenditure was Rs. 205 mn (16.72%). Rs. 192 mn was allocated for this purpose and the entire amount was utilized
5. Policy & Expenditure Review	<ul style="list-style-type: none"> Submission of observations to Cabinet Memoranda 	<ul style="list-style-type: none"> Submit observations and comments to Cabinet Memoranda on time with relevant analysis of government / sectoral policy and expenditure 	<ul style="list-style-type: none"> Observations to 146 Cabinet Memoranda and comments to 93 Cabinet Memoranda for other departments in the Treasury were submitted.
6. Public Servants' Advance Accounts	<ul style="list-style-type: none"> Determination of limits of Advance Account for each spending Head - (maximum limits of expenditure, receipts and debit balances) and issue guidance on the Activity. 	<ul style="list-style-type: none"> Enhance opportunities to obtain loans/advances for public servants subject to the available resources 	<ul style="list-style-type: none"> Increased the total allocation for loans by Rs. 2,000 mn by way of a budget proposal. Increased the amount granted under Festival Advance from Rs. 3,000 to 5,000. Increased the amount granted under Special advance from Rs. 1,000 to 2,500. Introduced a maximum limit of Rs.250,000 for Distress Loans.
7. Internal Management of NBD	<ul style="list-style-type: none"> General Administration Control of Departmental Advance Account Capacity Building 	<ul style="list-style-type: none"> Ensure efficient utilization of budgetary provision. 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 	<ul style="list-style-type: none"> Utilized Rs.60 mn of allocation i.e. recurrent expenditure Rs.55.7 mn. and Capital expenditure Rs. 4.5 mn. 261 officers were given distress loans, bicycle loans, special advances and festival advances amounting to Rs. 3,972,800. Adhered to the authorized limits. 11 officers were trained in overseas while 44 Officers were

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> Submission of Reports Replying to the Audit Queries 	<p>training.</p> <ul style="list-style-type: none"> Submit reports before the deadlines (a) Performance Report 2008 (b)Appropriation Account 2008. Minimize audit queries. 	<p>trained locally.</p> <ul style="list-style-type: none"> Submitted the following Reports on time. Performance Report 2008 Appropriation Account 2008 Replied to 03 audit queries forwarded by the Department of Audit.

2. Review of 2009 Performance – Sectoral Budget and Subsidies

2.1 Sectoral Perspectives in 2009 Budget in the Medium Term Expenditure Framework of 2009-2011

2009 Budget was based on the Mahinda Chinthana, Vision for New Sri Lanka; the Ten Year Horizon Development Framework 2006-2016 and on the priorities identified therein. The Budget was formulated and expected to be implemented under the following main operational scenarios-

1. Sectoral basis – The budgetary allocations were made in accordance with the sectoral policy framework developed by all stakeholders for the development of respective sectors during the following 3 years.
2. Realistic assessment- Assessment was done on the implementation phases to prioritize ongoing projects. It was also emphasized to refrain from including total costs as a provision unless procurement plans are ready for immediate execution. Realistic assessment was to be made on the outstanding liabilities.
3. Non-performing projects – Reformulation or leaving out of all such projects that have been carried on in estimates for several years.
4. Avoid duplications and overlapping – Spending agencies and the provincial councils were 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 seven sectors, namely Rural Development & Social Security; Human Resource Development; Infrastructure Development; Economy & Environment, Governance, & Public Service Delivery and ; National Security, Justice & Law Enforcement. Accordingly, each spending agency was categorized into one or more of the said sectors, depending on the activity undertaken. Budgetary allocations were guided mainly by the following sectoral policies and priorities identified for the 3 year period of 2009-2011;

- **Governance, & Public Service Delivery** - Capacity building for good governance through an effective service delivery with a transparent and accountable public administration at central as well as District / Divisional levels.

- **National Security, Justice and Law Enforcement** – Ensure a just and secured living environment through enhanced national security, effective administration of justice and law enforcement.
- **Rural Development & Social Security** - Improvement of the living standards of people in lagging regions to ensure enhanced income, increased well being, reduced vulnerability, and improved food security. Provision of relief assistance for the poorest of the poor and protection for senior citizens, differently abled persons, women & children through creating opportunities to engage in productive activities were the main focus of social security in the National Budget.
- **Human Resource Development** - Improvement and development of education, health services, skill development, and to facilitate producing competent sportsmen with the aim to reduce prevalent regional imbalances in the efforts to sustain favorable development already achieved. Promotion and propagation of Art, Culture & Religion by safeguarding and enriching traditional arts, protecting historical & cultural heritage and assisting religious activities were also focussed.
- **Infrastructure Development**- Implementation of Randora, the national infrastructure development drive, to build a strong network around different corridors of the country and supportive arterial infrastructure to enable the emergence of regional growth centers.
- **Economy & Environment** – A significant increase in production and improving quality in agriculture, industry and services through improved productivity and optimum utilization of natural resources, while preserving the environment.

2.2 Analysis on Sectoral Expenditure 2009

Since the Medium Term Framework applies for the year 2009, it was expected that the policy thrusts spelt out in the Budget Call 2008 would be followed in 2009 as well. Specific directions were provided initially to review the actual performance of the ongoing development plans implemented and to limit the recurrent expenditure to the most needed necessities without committing to anticipated requirements. However, to ensure further, a control of government expenditure, the Estimates were revised to incorporate saving proposals made at the Budget Speech 2009 i.e. the 2 percent saving in recurrent allocations made for administration and 15 percent under expenditure in estimated capital provision in view of technical limitations such as procurement, land acquisition etc. The final budget, in line with the above proposals was prepared in consultation with the line ministries. 2009 Budget shown in the following table also includes the amounts provided as additional funding to cover the unforeseen expenditure.

A comparison can be made in terms of the allocation priorities established and the actual expenditure.

Table 2.1
Sectoral Resources Allocation Vs. Actual Expenditure – 2009

	Rs. mn.				
Sector	2009 Budget	Percentage share in Total Allocation	2009 Actual	Percentage share of Total Expenditure	Percentage Spent Out of the Budget
Human Resource Development	209,759	19.0	184,111	19.8	88
Infrastructure Development	255,137	23.1	208,753	22.5	82
National Security	218,421	19.8	193,022	20.8	88
Rural Development & Social Security	227,775	20.6	193,530	20.9	85
Governance and Public Service Delivery	70,969	6.4	57,402	6.2	81
Economy and Environment	113,418	10.3	82,939	8.9	73
Justice and Law Enforcement	8,680	0.8	7,864	0.8	91
Total *	1,104,159	100.0	927,623	100.0	84

* *Excluding debt amortization*

Overall, except for the Sector of Economy & Environment all other sectors have spent more than 80% of the Budget. The sector specific performances are stated below in different development sectors.

Infrastructure; Investments in 2009 in infrastructure are Rs. 217 bn which is 4.5 percent of GDP. In 2009, the road sector alone contributed 2.1 percent in the GDP. The major share of the investment has been utilized for rehabilitation and reconstruction of roads and bridges. The investment on road development has increased from Rs. 63.53 bn in 2008 to Rs. 82.72 bn in 2009. National roads amounting to 1180 km have been improved and rehabilitated while major bridges at Katugastota, Kinniya, Bentota and Tangalle along with 31 small bridges have been reconstructed. In addition, 37 steel bridges and 2 flyovers at Nugegoda and Dehiwela have been completed. Construction work of Colombo – Katunayake Expressway and rehabilitation works of the Padeniya – Anurathapura road work commenced in 2009. In addition, approximately 3,500 km of rural roads have been upgraded to motorable level and 310 km of provincial roads have been rehabilitated.

Capital investment of Rs. 12 bn has been made for the public transport in 2009 for augmentation of the bus and rail fleet, purchase of 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 an increased passenger and freight transportation. Increase transportation has resulted in increase income from Rs. 14.3 bn to Rs. 15.4 bn by buses and from Rs. 3.67 bn to Rs. 4.01 bn income by rail in years 2008 and 2009 respectively.

The investment made in 2009 for the generation, installation and distribution of power sector was Rs. 32 bn and this was 50 % increase compared to the year 2008. The consumer base has increased from 4 mn in 2008 to 4.25 mn in 2009 and access to electricity has increased from 83% to 85%. In 2009, around 250,000 new connections have been given to households and industries as an effort to meeting the target of 'Electricity for All' in 2015.

Expenditure on water supply and sanitation was Rs. 24.4 mn in 2009. During this year, 80,000 new connections have been given under major water schemes. About 57% of investment has been spent for expansion of water supply systems in regional townships such as Ambalangoda, Galle, Hambantota, Kalutara, Negombo, Batticaloa, Kandy, Nuwara Eliya while Rs. 1,408 mn has been provided to cover 351 Grama Niladhari Divisions (GNDs) under the community water supply projects, benefiting about 500,000 people in those GNDs.

Rural Development; A significant share of the total budget has been provided for Rural Development Sector i. e Rs. 73,535 mn, which is about 3.68% of the GDP. The budgetary provisions have been made under several line ministries which were responsible for rural development activities. These investments contribute to develop and improve all rural infrastructure mainly, roads, electricity, small irrigation, housing, water & sanitation, vocational training, agriculture, animal husbandry and other rural livelihood development initiatives covering all districts in the country. Total expenditure of this sector was incurred in a few major development projects namely 'Gamaneguma' – rural infrastructure, North East Reconstruction, Estate Infrastructure and Livelihood Development initiatives. 'Gamaneguma' Programme was the highest expenditure consumer i. e. 20% of the sector budget. Further, a significant amount of funds was provided under the Uthuruwasanthaya Programme. It included a number of projects that accelerate the resettlement programme in the North. These projects mainly focused on developing basic infrastructure around IDP camps at Manki Farm. Further, a sum of Rs. 4,033 mn. out of domestic funds has also been spent to import machinery and equipment used for development activities to expedite rehabilitation and reconstruction activities in the Northern Province.

Social Security; Approximately Rs.111,004 mn was spent on social security in 2009 which was about 7% increase compared to the expenditure in 2008. The major share, which is about Rs. 95,903 mn, has been spent for payment of the public servants' pension and the social security programmes for disabled soldiers. Meanwhile, Rs. 9,267 mn was spent under the Samurdhi relief assistance under which about 1.6 million Samurdhi beneficiaries have received these assistances. Further, 711,000 beneficiaries were covered under the Thripasha Programme implemented at a cost of Rs. 1,150 mn while Rs. 2,860 mn was spent on providing dry rations for IDP's. Other major programmes implemented under the social security were provision of fresh milk for malnourished children, nutritional food packages for expectant mothers disaster mitigation activities, housing assistance and assistive devices to disabled persons, rehabilitation of elder's homes and programmes implemented to protect the rights of senior citizens & disabled persons.

Education; The expenditure on education covers the expenditure on Higher Education and General Education both at national and provincial level. This expenditure was incurred to continue the work under Education Sector Development Framework and Programme, targetting four major themes namely, promotion of equitable access to basic and secondary education, improvement of the quality of the education, enhancing efficiency and equity of resource allocation and maintenance of an effective system of service delivery. Compared to 2008, the expenditure on education has increased by 5.6 percent from Rs. 85,973 mn in 2008 to Rs. 90,864 mn in 2009. Consequently, expenditure on General Education has increased from Rs. 69,383 mn to Rs. 72,777 mn and expenditure on Higher Education has increased from Rs.16,590 mn to Rs. 18,087 mn in 2009.

Health; In 2009, the actual expenditure for the Health sector was Rs 72,319. mn which was incurred under the central government and the provincial councils. About 51.2 percent of total expenditure was spent on personal emoluments while 16.7 percent was utilized for medical supplies of the health sector. The total capital expenditure amounted to Rs 14,006.9 mn which covered the areas of rehabilitation of

hospitals, construction of new wards, medical units, operation theatres and provision of equipment for hospitals etc.

Vocational Training; The total government investment in vocational training and technical education was Rs. 3,559 mn in 2009. Due to the completion of several major projects during 2008, the investment in 2009 was low when compared with the investment in 2008. The capital expenditure projects were mainly designed to improve the quality of the existing training programmes in order to match the training with the industry needs and expansion of the training facilities in the served regions.

Labour; The total Government expenditure on labour relations and enhancement of productivity for 2009 was Rs.1.47 billion and was mainly focused on upgrading of labour relations, development of manpower and promotion of productivity to upgrade skills of the Sri Lankan workforce ensuring better living standard of workers.

Sports; A sum of Rs. 858 mn has been invested in the Sport Sector during 2009 mainly to improve and develop sport infrastructure of the country and promote sports programmes all over the country. Among the main projects commenced during this year include Reid Avenue Sports Complex, Torrington Synthetic Tracks, Grandstand Sport Complex at Nuwara Eliya. In addition, a special school sports development programme was carried out in 2009.

Agriculture; Total investment in agriculture sector in 2009 was Rs. 40,303 mn, which is about 2 percent higher than that of 2008. Agriculture sector showed poor performance during 2009 mainly in the tea and paddy sub sectors which recorded contractions in production compared to the previous year. However, rubber production representing plantation sub sector along with export agricultural crops were the main contributors for the growth of this sector. National campaign to increase domestic food production, “Api Wawamu - Rata Nagamu” continued in 2009 as well, to encourage domestic agriculture production. Various programmes such as continuation of fertilizer support scheme, re-cultivation of abandoned paddy lands, production and use of organic fertilizer, production of quality seeds and planting material, post harvest technology, research & extension services etc. were also continued with land regularization programme “Bim Saviya” supporting the qualitative & quantitative improvement of this sector.

Irrigation; Investment in irrigation sector was about Rs. 14 bn in 2009. This amount includes mainly the mobilization payments for new reservoirs such as Uma Oya Diversion Project, construction of multipurpose reservoirs such as Moragahakanda & Kaluganga, Menik Ganga (Weheragala), Deduru Oya, Rambukkan Oya, Kekiri Obada, rehabilitation and improvement of existing reservoirs & irrigation schemes.

Livestock; Investment in livestock sector was Rs.1,375 mn in the year 2009 and this sector has recorded highest ever milk production, 233 Its mn, during this year. Steps were taken to increase livestock production, while giving priority to popularize liquid milk consumption and encouraging local milk production. At the same time higher priority was also given to the animal breeding programmes to increase the population of dairy animals in Sri Lanka.

Fisheries; This sector has recorded the highest ever fish production of 339,730MT during the year 2009 contributing to improve the nutritional status & food security of the people, utilizing Rs. 7,426 mn. This achievement was mainly due to the governments investment in infrastructure development programmes namely construction of Dikowita Fishery Harbour, Peliyagoda Fish Market Complex and improving inland fisheries and marketing etc.

Industries; The projects commenced in previous years in this sectors were continued in 2009 as well with an investment of Rs. 8,393 mn. Promoting 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 this period.

Services: This sector consists of tourism, trade and co-operatives and Rs. 4850 mn has been invested in 2009. Investment in tourism mainly covered facility development in tourist attracted places, 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 43 Lak Sathosa outlets and 957 mini co-op city outlets were established in 2009. 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 mn as cash grants.

Science, Technology, Research and Development; An investment of Rs. 5,045 mn was made in this sector covering the fields of industry, agriculture, irrigation, health, information technology, aquatic resources etc. The projects commenced in previous years continued in 2009. The primary focus was promoting efficient and effective utilization of new technology to speed up the economic growth.

Environment; Rs. 2268 mn was spent to achieve the sustainable development of the environment sector, while paying special consideration to the programmes for solving of urban waste disposal problems, reforestation, protection of wild life and water resources and monitoring of air quality management etc.

Art, Culture and Religion; Investment in Religion, Culture, National Heritage and Art, in 2009 was mainly focused on safeguarding and promoting of the rich diversity of our Religion, Culture, and National Heritage. A number of projects and programmes were implemented by the ministries and institutions coming under this sector in line with the national objectives and priorities. New cultural centers were established in Matale-Yatawatha, Matara-Akuressa, Vavuniya-Settikkulam and Kurunegala-Kuliyapitiya in 2009 and work of 20 cultural centres were already completed in order to facilitate cultural activities.

Meanwhile, construction work of the National Performing Art Theatre was accelerated and Rs.282 mn was invested in 2009 for this purpose. This project aims at providing modern theatre facilities for Sri Lankan artists and art loving people of the country. The Dutch sites of great historical importance particularly in Matara and Galle were conserved at a cost of Rs.141 mn with the financial assistance of Netherlands Governments and Old Dutch Navel Commissioner's House in Trincomalee was improved by utilizing Rs. 25 mn. Construction work of Sigiriya Museum which was funded by JICA was completed in 2009.

Priority was given to provide facilities to Daham Schools of all religions. Rs.229 mn was spent to promote the Daham education in the country covering 12,510 Daham schools, 2,310,898 students and 142,530 teachers. Further Rs. 328 mn was invested in the development of religious places and sacred areas.

National Security, Justice and Law Enforcement; The total actual expenditure of this sector was Rs. 220,091 mn in 2009. This was a significant increase as against the estimated allocation of Rs. 185,236 mn. Expenditure was mainly incurred during the first half of the year with the climax of the war against terrorism. However the impact and cost of reconstruction work undertaken by three forces were spreaded out all

over the year. In that sense, its resource requirements had to be handled sensitively and manageably despite the budgetary constraints experienced in 2009. Accordingly National Budget Department has provided additional allocations while supplementary allocation was approved by Parliament to meet the allocation gaps. A decision was taken by the Government to grant operational allowance for all the members of the armed forces irrespective of their service area in addition to a monthly special allowance of Rs.1,000 since November 2009 along with the Rs. 750 of Cost of Living Allowance which is granted for all government employees.

Judicial expenditure for 2009 was Rs. 7,864 mn as against the estimated allocation of Rs. 8,176 mn which was a decline of Rs. 312 mn over the estimated amount. This decline was reflected in the capital expenditure.

Governance: In 2009, total expenditure for governance and service delivery sector was Rs.67,175 mn. This consisted of Rs.54,925 mn for recurrent expenditure and Rs.12,250 mn for capital expenditure. Rs. 16,250 mn was spent for payment of salaries and allowances for employees of local authorities and Provincial Councils excluding education and health sector employees of Provincial Councils. Rs.8,500 mn of the said recurrent expenditure was spent on salaries, allowances and other administrative expenditure for the employees who are in District and Divisional Secretariats. During the year, a significant amount of capital expenditure has been spent to provide logistic requirements of offices and improvement of quarters and offices, aiming at providing better services to the public.

Table 2.2

Capital & Recurrent Expenditure by Sector 2009

Sector	Rs.Mn.								
	2009 Budget			2009 Actual & Percentage Spent					
	Recurrent	Capital	Total	Recurrent	%	Capital	%	Total	%
Human Resource Development	159,535	50,224	209,759	153,486	96	30,625	61	184,111	88
Infrastructure Development	25,309	229,827	255,137	22,343	88	186,410	81	208,753	82
National Security									
Justice and Law Enforcenent	165,027	20,209	185,236	189,025	115	31,066	154	220,091	119
Rural Development & Social Security	130,273	97,502	227,775	124,816	96	68,714	70	193,530	85
Governance and Public Service Delivery	49,747	21,223	70,969	46,286	93	11,116	52	57,402	81
Economy and Environment	47,314	66,104	113,418	44,932	95	38,007	57	82,939	73
Total *	613,420	490,738	1,104,159	577,704	94	349,918	71	927,623	84

* Excluding Debt Amortization

The highest amount of under expenditure was recorded in capital spending in Governance and Public Service Delivery. Also, the level of expenditure is low in the sectors of Economy and Environment when compared to the priority given at allocating recourses.

Table 2.3
Expenditure 2009 by Sector

Rs.Mn.

Sector	2008 Actual	2009 Budget	2009 Actual	% Actual against Budget 2009	Increase in Expenditure 2009 than 2008 %
Rural Development and Social Security	166,147	227,774	193,531	85	16
Income Generation	4,702	7,213	4,826	67	3
Basic Needs Improvement	5,117	10,567	6,862	65	34
Rural & Regional Infrastructure Development	36,902	61,385	45,508	74	23
Community Development	15,390	22,269	19,567	88	27
Social Welfare	85,276	97,821	96,750	99	13
Women Empowerment and Child Protection	714	1,237	685	55	(4)
Relief Services	18,046	27,282	19,333	71	7
Human Resource Development	170,229	209,760	184,108	88	8
Health	64,758	82,852	70,948	86	10
Education	93,027	110,491	101,319	92	9
Skill Development	6,615	7,673	6,028	79	(9)
Sports and Labour	2,386	3,639	2,517	69	5
Culture	1,964	3,232	1,898	59	(3)
Religion	1,480	1,872	1,398	75	(6)
Infrastructure Development	153,685	255,137	208,754	82	36
Roads	63,369	93,406	84,458	90	33
Energy Resources	18,240	42,009	33,618	80	46
Transport	36,321	70,660	56,345	80	36
Housing Common Amenities	1,282	5,071	744	15	(42)
Posts and Telecommunication	27,833	40,631	29,120	72	5
	7,173	7,690	7,402	96	3
Economy and Environment	72,135	113,417	82,941	73	15
Agriculture	39,631	45,932	40,303	88	2
Irrigation	10,825	19,948	13,507	68	25
Livestock	688	1,236	659	53	(4)
Fisheries	3,612	6,845	6,515	95	80

Sector	2008 Actual	2009 Budget	2009 Actual	% Actual against Budget 2009	Increase in Expenditure 2009 than 2008 %
Environment	3,932	5,629	3,669	65	(7)
Industries	8,168	11,291	8,393	74	3
Services	1,973	13,244	4,850	37	146
Science, Technology, Research & Development	3,306	9,292	5,045	54	53
National Security	188,219	218,421	193,023	88	3
Law & Order	1580	2,019	1004	50	(36)
National Security	186,639	216,402	192,019	89	3
Justice and Law Enforcement	7,201	8,680	7,864	91	9
Justice	7,201	8,680	7,864	91	9
Governance and Public Service Delivery	63,949	70,970	57,402	81	(10)
Special Spending Authorities	9,062	10,314	9,375	91	3
Administration	54,706	60,452	47,859	79	(13)
Planning and Monitoring	181	204	168	82	(7)
Total	821,565	1,104,159	927,623	84	13

2.3 Analysis of Expenditure on Government Welfare Payments and Development Subsidies

The government subsidies could be categorized as welfare payments and development subsidies. The government emphasized the need for continuation of government subsidies in 2009 by incurring Rs. 96,813 mn. This is an increase of 14.8 percent compared to the expenditure of Rs. 84,359 mn incurred in 2008. The main aim of the welfare payments are to enhance the standard of living of the poorest segment of the society, to help vulnerable people of the country, improve nutrition level of pregnant mothers, children and infants and to provide basic needs to school children. Table 2.4 shows the distribution of welfare payments and development subsidies in 2009.

2.3.1 Welfare Payments

Welfare payments are basically categorized under health & nutrition, education and social welfare, and these categories constituted of 55.8 percent of the total welfare payments and development subsidies in 2009. Compared to 2008, the expenditure for welfare payments has increased by 15.4 percent while 58.9 percent of welfare payments has been secured by social welfare sub sector in 2009 as it was in 2008. Samurdhi relief, assistance to disabled soldiers and internally displaced persons, and relief given for flood and drought victims, are included under social welfare. Health & nutrition sub sector accounted for 25.8 percent of total welfare, covering the programmes of distribution of fresh milk for children, provision of drugs for all government hospitals and provision of nutritional foods for children and pregnant/lactating mothers. Education sub sector which provides free text books and uniforms for the school children represents 14.0 percent of the welfare payments while 1.1 percent of the welfare budget was spent for water subsidy for religious

places & schools, street lighting and subsidy to Sri Lanka Transport Board for uneconomical routes.

2.3.2 Development Subsidies

Development subsidies, which mainly cover fertilizer subsidy and financial assistance to certain institutions to cover operational losses, accounted for 44.1 percent of the total government welfare payments and development subsidies. With a view to reducing the cost of production and increasing the yield in paddy and smallholder plantations, the fertilizer subsidy was granted. It secured the largest share, about 63 percent, of the development subsidies and represented the highest individual share, 27.8 percent, of the total expenditure for welfare payments and development subsidies. Financial assistance to cover operational losses of Sri Lanka Railway, Sri Lanka Transport Board and Postal Department, constituted 35.6 percent of the total development subsidies.

Table 2.4
Expenditure on Welfare Payments and Development Subsidies

Area	2009		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
Welfare Payments					
Health & Nutrition	16,054.00	13,997.00	87.19	14.46	25.88
- Fresh Milk for Children	584.00	168.00	28.77	0.17	0.31
- Medical Supplies for Govt. Hospitals	14000.00	12,149.00	86.78	12.55	22.46
- Thriposhha Programme	800.00	1156.00	144.5	1.19	2.14
- Poshana Malla	670.00	524.00	78.21	0.54	.97
Education	8,402.00	7,586.00	90.29	7.84	14.02
- Free Text Books	2,300.00	2,196.00	95.48	2.27	4.06
- School Uniforms	1260.00	1260.00	100.00	1.3	2.33
- School Season Tickets	1,366.00	1,366.00	100.00	1.41	2.53
- Handicapped Students	76.00	74.00	97.37	0.08	0.14
- Scholarships	400.00	183.00	45.75	0.19	0.34
- School Nutritional Food Programme	2730.00	2251.00	82.45	2.33	4.16
- Uniforms and Text Books to Dhamma School Teachers	104.00	108.00	103.85	0.11	0.20
- Library Allowance for Dhamma School Teachers	152.00	137.00	90.13	0.14	0.25
- Vocational/Technical Training – Stipend, Bursaries & Season Tickets	14.00	11.00	78.57	0.01	0.02
Social Welfare	34,861.00	31,864.00	91.40	32.91	58.91
- Samurdhi Relief & Kerosene oil	10,850.00	9,274.00	85.47	9.58	17.15
- Assistance to Disabled Soldiers	10,000.00	9796.00	97.96	10.12	18.11
- Assistance to Internally Displaced Persons	2,503.00	2,860.00	114.26	2.95	5.29
- WFP Food Assistance	10,400.00	8736.00	84.00	9.02	16.15
- Flood & Drought Relief	650.00	738.00	113.54	0.76	1.36
- Rehabilitation of Persons	300.00	319.00	106.33	0.33	0.59

Area	2009		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
National Council Secretariat for Persons with Disabilities Senehasa Programme(Poshana Manpetha)	77.00	74.00	96.10	0.08	0.14
National Secretariat for Elders	56.00	48.00	85.71	0.05	0.09
Other	1664.00	643.00	38.64	0.66	1.19
- Water Subsidy for Religious Places & Schools	144.00	144.00	100.00	0.15	0.27
- Street Lighting	1,226.00	205.00	16.72	0.21	0.38
- Subsidy to SLTB for uneconomical routes	294.00	294.00	100.00	0.30	0.54
Total Welfare Subsidies	60,981.00	54,090.00	88.70	55.87	100.0
Development Subsidies					
Subsidies for Agriculture	28,086.00	27,314.00	97.25	28.21	63.93
- Fertilizer Subsidy	27500.00	26,935.00	97.95	27.82	63.05
- Interest Subsidy for Agricultural Loans etc	586.00	379.00	64.68	0.39	0.89
Operational Losses	16,683.00	15,217.00	91.21	15.72	35.62
- Sri Lanka Railways	6,633.00	4,988.00	75.20	5.15	11.68
- Sri Lanka Transport Board	5,200.00	5183.00	99.67	5.35	12.13
- Postal Department	4850.00	5046.00	104.04	5.21	11.81
Other	192.00	192.00	100.00	0.20	0.45
- Losses & Write off of Co-operative Societies	192.00	192.00	100.00	0.20	0.45
Total Development Subsidies	44,961.00	42,723.00	95.02	44.13	100.00
Total Welfare Payments and Development Subsidies	105,942.00	96,813.00	91.38	100.00	

3. Management of 2009 Budget

3.1 Revenue and Expenditure as per Government Accounts

Adverse impact of the continued global economic crisis has affected the government revenue in 2009 as well. Although the revenue target for 2009 was Rs. 855 bn, actual revenue collected was about Rs. 700 bn. However, this is an increase of Rs. 45 bn over the 2008 actual revenue which was Rs. 655 bn.

The total expenditure in 2009 was Rs. 1,202 bn of which recurrent expenditure was Rs. 880 bn whereas the capital expenditure was Rs. 322 bn. The actual recurrent expenditure has increased by Rs. 56 bn over the Estimated Recurrent expenditure of Rs. 824 bn in 2009. This increase in actual recurrent expenditure in 2009 over its Estimated was mainly due to new recruitments of defence staff made in the latter part

of 2008 and first half of 2009, increase of cost of living allowance to government servants and pensioners, additional payments made for interest payments etc. Meanwhile public investment decreased to Rs. 322 bn against Estimated Rs. 371 bn. In 2009, 27 supplementary estimates have been approved by the Parliament. (Details are given under para 3.3)

The total budget deficit increased to 9.9 percent of GDP as against the estimated 6.5 percent in 2009. This was mainly due to the increase in recurrent expenditure and decrease in government revenue and public investment. As a result, domestic financing has doubled from Rs. 183 bn. to Rs. 393 bn.

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

Description	<i>Rs. billion</i>		
	2008 Actual	2009 Budget	2009 Actual
Revenue	655	855	700
Expenditure	996	1,192	1,202
Recurrent	744	824	880
Capital	252	368	322
Overall balance	-310	-337	-476
Revenue balance	-89	-31	-180

3.2 Issuance of Budget Circulars

The following circulars were issued during the year 2009, providing the guidelines required for expenditure and cadre management of the spending agencies.

- ◆ National Budget Circular No. 143 “Budget Call 2010” was issued on 10th July 2009 providing guidelines for the preparation of annual budget on the Medium Term Expenditure Framework for the period of 2010 to 2012.
- ◆ National Budget Circular No. 144 on “Annual Transfers of Budget Assistants – 2010” was issued on 4th August 2009 allowing the various Ministries and Departments to transfer their Budget Assistants among spending agencies.
- ◆ National Budget Circular No 145 titled “Authorization of Expenditure Vote on Account 2010” was issued on 11th December 2009 giving the details of warrants sanctioned by the Hon. Minister of Finance and Planning to incur expenditure by Chief Accounting Officers and Accounting Officers.
- ◆ National Budget Circular No. 130 (III) “Provision of Property Loans through Banks; Instructions on Accounting” was issued on 8th December 2009 to reactivate the public officers’ property loan scheme by revising the interest rate.

3.3 Supplementary Estimates

During 2009, 27 supplementary estimates under 13 line ministries were approved by the Parliament, amounting to Rs. 93,156 mn of which Rs. 52,762 mn was for recurrent expenditure and Rs. 40,394 mn was for capital expenditure as indicated in the table below:

Table 3.2
Supplementary Estimates approved by Parliament for year 2009

Supplementary No	Ministry / Department	Amount Rs. Mn		
		Recurrent	Capital	Total
1	Department of Rubber Development	450,000,000		450,000,000
2	Ministry of Transport	2,299,830,000		2,229,830,000
3	Ministry of Industrial Development		200,000,000	200,000,000
4	Department of Commerce	13,000,000	8,003,400,000	8,016,400,000
5	Department of Development Finance	150,000,000	200,000,000	350,000,000
6	Department of Treasury Operations	1,500,000,000		1,500,000,000
7	Ministry of Agriculture Development and Agrarian Services	2,500,000,000		2,500,000,000
8	Department of Inland Revenue	1,079,280,000		1,079,280,000
9	Department of National Zoological Gardens	50,000,000		50,000,000
10	Ministry of Power and Energy		2,400,000,000	2,400,000,000
11	Department of Agriculture	685,393,938		685,393,938
12	Ministry of of Nation Building and Estate infrastructure Development	900,000,000		900,000,000
13	Ministry of Resettlement and Disaster Relief Services	350,000,000		350,000,000
14	Ministry of Urban Development and Sacred Area Development		1,715,000,000	1,715,000,000
15	Ministry of Nation Building and Estate infrastructure Development		7,877,500,000	7,877,500,000
16	Ministry of Defence, Public Security, Law and Order	550,000,000	20,800,000	570,800,000
17	Sri Lanka Army	18,900,000,000	781,000,000	19,681,000,000
18	Sri Lanka Navy	5,974,300,000	1,400,000,000	7,374,300,000
19	Sri Lanka Air force	2,275,000,000	675,000,000	2,950,000,000
20	Department of Police	1,640,000,000		1,640,000,000
21	Department of Civil Security	1,500,500,000	130,000,000	1,630,500,000
22	Ministry of Water Supply and Drainage	1,295,000,000	850,000,000	2,145,000,000

Supplementary No	Ministry / Department	Amount Rs. Mn		
		Recurrent	Capital	Total
23	Ministry of Highways and Road Development		10,641,000,000	10,641,000,000
24	Department of Treasury Operations	10,600,000,000		10,600,000,000
25	Ministry of Resettlements and Disaster Relief Services		750,000,000	750,000,000
26	Department of Agriculture	50,000,000		50,000,000
27	Department of Railway		4,750,000,000	4,750,000,000
	Total	52,762,303,938	40,393,700,000	93,156,003,938

Out of total of Rs. 93,156 million Rs. 13,566 million was approved to provide the additional allocations to stimulate the export industry which was significantly affected by global financial crisis. Meanwhile supplementary allocation of Rs 33, 847 million was approved to strengthen the national security, while another Rs 27,136 mn was approved for accelerating of donor assisted developments projects. Further, Rs 1,100 mn was approved to provide basic needs to internally displaced persons during 2009.

In addition, 06 Special Law Warrants were approved under Special Law Provision of which the details are given below:

**Table 3.3
Special Law Warrants**

Ministry / Department	Amounts Rs. (Mn)	
	Recurrent	Capital
Department of Elections	978,000	-
Public Service Commission	3,150,000	-
Department of External Resources	198,000,000	-
Judges of the Supreme Court	5,500,000	-
Department of Treasury Operations	51,100,000,000	-
Department of Treasury Operations		28,600,000,000
Total	51,307,628,000	28,600,000,000

4. Budget Proposals 2009 – A Revisit

Out of 31 major expenditure type budget proposals, 7 budget proposals, were assigned to National Budget Department. Budgetary provision for those proposals have been included in Budgetary Support Services and Contingent Liabilities Project known as Treasury Miscellaneous Vote in order to provide budgetary allocation to the relevant executing agencies when those proposals were implemented. If the expenditure proposal involved more than one institution in implementation. Budgetary allocation for these provisions were included in the Treasury Miscellaneous Votes.

Table 4.1
Expenditure Proposals of Budget Speech 2009

	Rs. million
Increase of Cost of Living Allowances for Government Servants	12,000
Enhancement of the allowances for members of the Armed Forces	4,500
National Tax Commission	25
Concessions for Consumers less than 15 units of Water	140
Concessions for Encouraging Economic Use of Electricity	160
National Research Council	300
Incentives for Export Promotion	1,000

5. Monitoring of Advance Accounts

Monitoring of Advance Accounts operations continued under the purview of the Department during the year 2009 as well. 198 Advance Accounts comprising 187 Public Officers' Advance Accounts, 5 Commercial Advance Accounts, 2 Stores Advance Accounts and 4 Special Advance Accounts were operated for which Rs 18,668 mn. Was allocated Fixing 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 21 Public Officers' Advance Accounts and 8 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 2009.

The amounts granted under the Festival Advance and Special Advance which are operated under the Public Officers' Advance Accounts, was increased from Rs. 3,000 to Rs. 5,000 and Rs. 1,000 to Rs. 2,500 respectively in 2009. In addition, the Distress Loan entitlement was limited to a maximum of Rs. 250,000 in order to provide this facility for more government employees.

The Department intervened to re-activate the property loan scheme and as a result a sum of Rs. 671 mn was granted by banks among 809 government employees during the last quarter of 2009. Further, Budget Circular No. 130 (III) was issued by the National Budget Department setting out the guidelines on accounting the interest payment for the banks.

6. Preparation of Annual Budget Estimates for the year 2010

2010 was considered as the fifth year of Medium Term Expenditure Framework (MTEF) initiated in 2006 in line with the Mahinda Chintana Vision for a new Sri Lanka – Ten Year Horizon Development Framework 2006-2016.

6.1 Budget Formulation Guidelines

National Budget Circular No. 143 of 10th July 2009(Budget Call) was issued to all Secretaries to the Ministries, Chief Secretaries of the Provincial Councils, Heads of Departments and Chairmen of Corporations and Statutory Boards setting out the

guidelines for the preparation of Budget Estimates for the year 2010 and following two years of the medium term. The Budget 2010 was focused on two major areas of (a) speedy implementation of the ongoing development programmes, making most effective use of available resources and (b) improving living conditions and restoration of economic activities through accelerated resettlement, rehabilitation and reconstruction programmes.

The spending agencies were guided as per the following;

- i. Need for containing the recurrent expenditures for 2010 at those of 2009 levels.
- ii. Need for facilitation of the revival of economic activities in the North through the identified projects/programmes in line with the recommendations of the Presidential Task Force for Resettlement, Development and Security in the Northern Province.
- iii. Need for taking all possible action to ensure that the commercial public enterprises improve their performance over their achievements in 2009.
- iv. Need for rationalization of various subsidy programmes with a view to harmonizing those as far as possible.
- v. The following specific directions were given for the following expenditure categories;

Recurrent Expenditure – To calculate salaries, wages & other allowances on the basis of the actual number of employees as at 30th June 2009 and separately identify expenditure for approved new recruitments for 2009, 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 01.08.2009.
- Make realistic provisions required for the outstanding liabilities and the future requirements of import duties and taxes.
- Include Key Performance Indicators (KPIs) in order to strengthen the result-based budgeting in the public sector.

The Ministries were requested to submit their 2010 draft estimates by 7th August 2009.

7. Budgetary Management of Non Commercial Public Enterprises

All matters relating to Public Finance and Budgetary Management of 147 Non Commercial Public Enterprises (Statutory Boards) were handed over to the Department of National Budget with effect from 19.03.2008 as per a policy decision taken by the Ministry of Finance and Planning. The following functions with regard to these institutions were carried out by the Department of National Budget in 2009 to improve their financial and management efficiency. It should be noted that all these functions were performed by the National Budget Department, without any increase in the cadre at the level of management.

- Review of the performance of these Statutory Boards, by analyzing and examination of Annual Budget, Annual Action Plan, Annual Accounts and Annual Report etc.
- Granting of approval of the Hon. Minister of Finance for Capital expenditure exceeding Rs. 500,000/- in terms of the Finance Act No. 38 of 1971

- Recommendation of the requests for release of monthly cash imprest on the recurrent and capital grants to the Department of Treasury Operation.
- Granting of approval of the Committee of Public Expenditure Control (CPEC) for the purchase of new vehicles required by the Statutory Boards.
- Review the Annual Reports of the Auditor General and the Special Audit Quarries submitted to this Department. Inform the relevant Statutory Boards about these quarries and discuss about the remedial actions taken to avoid such audit quarries in the future.
- Preparation and submission of a report on the financial performance and the management of the Statutory Boards to the Committee on Public Enterprises (COPE) when the COPE Meetings are convened.
- Granting of 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.
- Submitting of recommendations of the National Budget Department on the recruitment of new staff to Statutory Boards on the availability of Budgetary Provisions and actual needs of such organizations.
- 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 7.1
Performance of 2009

1. Issuance of monthly cash release recommendations	1,353
2. Approval of Foreign Travel	44
3. Preparation of COPE Reports	12
4. Approval of CPEC Committee for vehicles	52
5. Issuance of Hon. Minister's Concurrence	119
6. Review of Audit Reports	27

8. Observations on Cabinet Memoranda

During the year the Department prepared observations to 146 Cabinet Memoranda for the Hon. Minister of Finance and Planning. The department submitted comments for 93 cabinet Memoranda for other treasury departments.

9. Approval for the Purchase of Vehicles

9.1 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 2009, the Department has given CPEC approval for purchase of 2,749 vehicles.

Table 9.1
Vehicles approved by the CPEC by vehicle type

Type of Vehicle	No. of vehicles approved
Motor Cars	69
Vans	51
Bus	43
Single / Double/Crew cab	275
Three wheelers	58
Lorries / Trucks	52
Motor cycles	1,176
Bicycles	530
Ambulances	30
Jeeps	23
Others (Tractors/Trailers/Water Bowsers, etc.)	442
Total	2,749

9.2 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 2009.

During the year, the Department authorized 94 such vehicles to be purchased by govt. agencies, categorized as follows.

Table 9.2
Approval given for Vehicles from Sri Lanka Customs

	Type of vehicles	No.
01	Motor Cars	20
02	Vans	11
03	Buses	01
04	Double Cabs/Crew Cabs/ Single Cabs	13
05	Jeeps/Pick-ups	29
06	Truck/Tar Spraying Bowser/Excavator	16
07	Fire Engines	04
	Total	94

10. 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 for Committee on Public Accounts (COPA) and the Committee on Public Enterprises (COPE) in Parliament, representing the Department.

11. 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 shows the number of letters of credit (LC), Telegraphic Transfers (TT) and Bank drafts (BD) opened during 2009 with assistance of the Department of National Budget.

Table 11.1
Opening of LC, TT & BDs in 2009

	LC	TT	BD
S.L.Airforce	134	280	-
S.L.Navy	154	459	75
S.L. Army	58	8	11
S.L.Police	19	-	-
Civil Security Dept.	4	-	-
Total	369	747	86

12. Organizational Structure of the Department of National Budget

Organizational structure of the Department of National Budget consists of following nine sectors namely, National Security, Law Enforcement Public Service, Social Security, Research and Technology, Human Resources, Infrastructure, Environment and Real Economy.

12.1 Staff of the Department

As at the end of the year 2009, the approved cadre and the actual cadre of this Department were as follows:

Table 12.1
Cadre for the Year 2009

Designation	Approved Cadre	Actual Cadre
Director General	01	01
Additional Director General	03	01
Director	07*	04
Deputy Director } Assistant Director }	24*	19
Accountant	01	01
Administrative Officer	01	01
Translator	01	00
Project Officer	04	03
Budget Assistant	38	29
Research Assistant	01	04
Management Assistant	40	27
Driver	13	11
K,K,S	<u>22</u>	<u>16</u>
Total	<u>156</u>	<u>117</u>

* As per the approval of Director General Management Services 06 Posts of Deputy Directors in Class II/I of SLAS had been suppressed and 06 Posts in Class I of SLAS had been created. On expiry of contract period of two Class I Director Posts and with the retirement of such offices those two posts were also suppressed. Accordingly the cadre composition of Director, Deputy/ Assistant Directors is as follows :

Designation	Approved Cadre	Actual Cadre
Director	12	03
Deputy Director } Assistant Director }	18	18

Six Deputy Directors were scheduled to be promoted to the post of Directors in 2009, but due to some administrative delays this could not be done in 2009.

During the year 2009, Mrs. C.S. Kumarasinghe, Additional Director General retired from service on completion of 60 years of age and re-employed to serve on accumulated leave as per PA Circular 24/2007 while Mr. W.A.S.C Gunathilake, retired on completion of contract period after retirement.

13. Human Resource Development

The Department was able to send its staff for the following local and foreign training programmes in 2009, in order to enhance their professional skills and working efficiency.

13.1 Foreign Training

The following officers were sent abroad during the year 2009 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 Meeting Study Tour on MfDR	Thailand Canada	12.02.2009-13.02.2009 28.02.2009-07.03.2009
	Conference on Employment Crisis	Japan	15.12.2009-17.12.2009
02. Mr. Mahinda Saliya Director	Expert Group Meeting on Funding	India	02.12.2009-04.12.2009
03. Mr. A.K. Seneviratne Director	Conference on the Impact of the -Global Policy	Vietnam	28.09.2009-30.09.2009
	Macroeconomic Mgt. and Financial Policy	Singapore	09.11.2009-20.11.2009
04. Miss G. K. Wimalaweera Deputy Director	Rural Development and Poverty -Reduction	India	19.02.2009-25.02.2009
	Establishment of a Dedicated - Reception facility	Greece	09.06.2009-17.06.2009
05. Ms. K.D.A.Munasinghe Deputy Director	Annual meeting of the Community -of Practise	Malaysia	22.11.2009-26.11.2009
06. Mr. A.H.S. Gunawardhana Deputy Director	Macroeconomic Mgt. and - Fiscal Policy	Singapore	09.11.2009-20.11.2009
07. Ms. C.S.Perera Deputy Director	Conference on the Impact of the -Global Policy	Vietnam	28.09.2009-30.09.2009
08. Mrs. C. Wijewardena Deputy Director	Asian Development Bank -Senior Officials	Malaysia	01.02.2009-07.02.2009
09. Mr. K.R. Uduwawala Deputy Director	Results Management for -Public Sector	Singapore	17.08.2009-21.08.2009
10. Mr. K.P.N.T.N. Devapriya Assistant Director	Sanitation Conference	Philippines	03.03.2009-05.03.2009
	Sanitary Awareness Programme	Korea	01.11.2009-08.11.2009
11. Mrs. M.F.K. Nissa Assistant Director	Income Generation and -Poverty Reduction	Thailand	16.03.2009- 10.04.2009

13.2 Local Training

The following staff members were given local training in different fields in the year 2009

Designation	No. of Employees	Programme Names
Staff Officers	01	Course on National Archives Management
	03	Advanced Certificate of General Management
	02	Skill Development for the SLAS officers of Gr. III
	03	Tamil Language for the Staff Officers
	02	Advanced Certificate in General Management
	01	International Seminar on "Regional Economic & Financial Monitoring – Colombo

	12	
Manag.Assistants	04	Human Resources Management
	02	Ms Power Point
	02	E-mail & Internet
	07	MS Excel
	02	Office Management
	02	Basic Computer Training
	03	Tamil Language for the Government Servants
	01	Diploma in English
	01	Stores Management & Tender Procedure
	02	Workshop on Letter Writing & Skills

	26	
Drivers	03	Training of Drivers
KKSs	01	Training of Binder
KKSs	02	K.K.S. Training Programme

	06	
Total	44	

= =

13.3 Transfer Scheme for Budget Assistants

In terms of Budget Circular No. 140 of 01.01.2009, 75 Budget Assistants who have completed 05 years of services had been transferred under annual transfers and 15 had been transferred on the decision of Appeal Board.

14. Financial Administration of the Department of National Budget

Budgetary provision required for the normal operation of the Department of National Budget was shown under Head 240 in the Budget Estimates for 2009. Budgetary allocations were provided under 2 Programmes and 2 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
(c)	Project	03	- Budgetary Support for Development Projects

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 2009 Budget Speech and for policy priorities announced in that financial year. Provisions for budgetary support for development projects were provided under the Project 03.

Rs. 50,778,392,000 had been provided for the Department of National Budget after incorporating the budget proposals to the original estimates 2009. No supplementary estimates were processed through National Budget Department in 2009.

This total provision was utilized as follows:

(1) Expenditure of Project 01 of Programme 1	Rs. 60,208,984
(2) Provisions transferred to other Heads under Programme 2 Project 02-	Rs.49,535,221,161
(3) Expenditure of Programme 2 Project 03	Rs. 1,453,499
Total	Rs 49,596,883,644
Balance Provision	Rs. 1,181,508,356

Accordingly, the balance provision was only 2.3% of the total provision.

14.1 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 14.1.

Table 14.1
Summary of Expenditure under Head 240 for the Year 2009

(1)	(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	60,912,000	55,746,550	5,165,450	8.5
2 Budgetary Support Services and Contingent Liabilities	17,412,647,369	17,360,085,453	52,561,916	0.3
3 Budgetary Support for Development Activities	-	-	-	
Total Recurrent Expenditure	17,473,559,369	17,415,832,003	57,727,366	0.3
<i>Capital Expenditure</i>				
Project				
1 Budget Formulation and Policy	38,080,000	4,462,434	33,617,566	88.3
2 Budgetary Support Services and Contingent Liabilities	33,257,852,631	32,175,135,708	1,082,716,923	3.3
3 Education Sector Development Project.	2,000,000	1,453,499	546,501	27.3
Total Capital Expenditure	33,297,932,631	32,181,051,641	1,116,880,990	3.3
Grand Total	50,771,492,000	49,596,883,644	1,174,608,356	2.3

14.2 Budgetary Provisions and Actual Expenditure of the Department by Projects for 2009

The following Table shows Budgetary provisions and the Actual Expenditure of the Department for each Project under each Programme for 2009. The 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 the Table 14.2

Table 14.2
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	46,000,000	42,468,931	3,531,069	7.7
Other Recurrent Expenditure	16,092,000	14,912,000	13,277,619	1,634,381	11.0
Total Recurrent Expenditure	61,092,000	60,912,000	55,746,550	5,165,450	8.5
Capital Expenditure					
Rehabilitation and Improvement of Capital Assets	30,500,000	26,750,000	1,175,749	25,574,251	95.6
Buildings	30,000,000	25,500,000	0	25,500,000	100
Machinery	200,000	200,000	177,188	22,812	11.4
Vehicles	300,000	1,000,000	998,561	51,439	5.1
Acquisition of Fixed Assets	13,300,000	10,330,000	3,222,685	7,107,315	68.8
Furniture and Office Equipment	10,800,000	7,830,000	3,222,685	4,607,315	58.8
Machinery	2,500,000	2,500,000	-	2,500,000	100
Capacity Building	1,000,000	1,000,000	64,000	936,000	93.6
Training and Capacity Building	1,000,000	1,000,000	64,000	936,000	93.6
Total Capital Expenditure	44,800,000	38,080,000	4,462,434	33,617,566	88.3
Total Expenditure	105,892,000	98,992,000	60,208,984	38,783,016	39.2

As shown in the above Table, 61% of the net provision provided for Project 1 of the Programme 01 had been utilized.

Table 14.3
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	17,412,647,369	17,360,085,453	52,561,916	52,561,916	0.3
Total Recurrent Expenditure	17,412,647,369	17,360,085,453	52,561,916	52,561,916	0.3
Capital Expenditure					
▪ Other Capital Expenditure(Budget Proposals)					
- National Research council	100,000,000	100,000,000	0	0	0
Contingency Services					
Acquisition of Vehicles	559,000,000	557,532,358	1,467,642	1,467,642	0.26
Restructuring					
Liabilities for Failed Enterprises	572,771,371	572,771,371	-	-	-
Foreign Aid Related Expenditure					
- Foreign Aid Loans-12	2,900,000,000	2,735,323,923	164,676,077	164,676,077	5.7
- Foreign Aid Grants -13	1,160,000,000	1,153,470,782	6,529,218	6,529,218	0.56
- Reimbursable Foreign Aid Loans -14	400,000,000	298,000,000	102,000,000	102,000,000	25.5
- Reimbursable Foreign Aid Grants-15	75,000,000	73,300,000	1,700,000	1,700,000	2.3
- Counterpart Funds-16	600,000,000	576,739,060	23,260,940	23,260,940	3.9
- Foreign Aid Related Domestic Funds -17	7,851,581,260	7,245,772,213	605,809,047	605,809,047	7.7
Other Contingency Payments	19,039,500,000	18,862,226,001	177,273,999	177,273,999	0.9
Total Capital Expenditure	33,357,852,631	32,175,135,708	1,082,716,923	1,082,716,923	3.2
Grand Total	50,670,500,000	49,535,221,161	1,135,278,839	1,135,278,839	2.2

In terms of the Clause 6 of the Appropriation Act 43 of 2008, a sum of Rs. **50,670,500,000** 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 2009. Out of this amount, Rs. **49,535,221,161** was released to various spending agencies. It was 98% of the total allocation.

Table 14.4
Expenditure under Programme 02 -Development Activities
Project 03 - Budgetary Support for Development Activities

(1) Project Description	(2) Net provision Rs.	(3) Actual 2009 Rs.	(4) Variance (2)-(3) Rs.	(5) Variance as a %
Education Sector Development Grant (ESDP)	2,000,000	1,453,499	546,501	27.3
Total Expenditure	2,000,000	1,453,499	546,501	27.3

Table 14.5
Public Officers' Advance Account for 2009

Category	Authorized Limit 2008 Rs.	Actual 2008 Rs.
Maximum Limit of Expenditure	10,390,000	3,973,400
Minimum Limit of Receipts	2,400,000	4,219,226
Maximum Limit of Debit Balances	40,000,000	24,034,393

In terms of the Budget Circular No. 114 of 31.12.2003, figures of the above Table comprised only of the transactions occurred under the Advance Account item No. 240-under 011, within the department . According to the 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. 4,904,697/- and Receipts were Rs. 6,043,835/- during the year 2009. Accordingly, the Department had complied within the authorized limits of Public Officers' Advance Account.

Table 14.6
Loans Given in Year 2009

Loan/Advance	No of Loans Given	Amount (Rs.)
Festival Advance	99	495,000
Special Advance	57	142,500
Distress and Bicycle Loans	105	3,335,900
Total	261	3,973,400

14.3 Auditor General's Queries for 2009

During the year 2009, 03 queries were referred to this Department by the Auditor General and all the queries were duly answered.

