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MINISTRY OF FINANCE, ECONOMY AND POLICY DEVELOPMENT

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திகதி } 27.01.2020
Date }

Circular No: PED 01/2020

To: All Secretaries of Ministries / All Heads of State Owned Enterprises

Appointment of Boards of Directors for State Owned Enterprises (i.e. Statutory Bodies, State Corporations, State Owned Banks and Insurance Companies, fully or majority owned state companies and all connected subsidiary companies) and Public Expenditure Management of all those entities

This Circular is issued in line with the Circular No PS/SP/Circular/02/2020 dated 13th January 2020 issued by the Secretary to the President.

The government is keen to ensure that public sector systems and procedures are improved with more simplification, resulting in a better quality of service to the public. In this regard, the State Owned Enterprises (SOEs) considering its size and the sectors it operate, are very much required to improve its operations in terms of the quality of the outcomes, measured through both financial and non-financial performance indicators and expected results. Prudent coordination and expenditure reviews targeting cost benefit analysis will support the achievement of ultimate results.

In this backdrop, all SOEs should take immediate steps to simplify their systems and procedures to ensure that the public service delivery mechanism would become more efficient and people friendly in order to provide maximum benefits of public expenditure to the people.

You are, therefore, instructed to strictly adhere to the following;

01. Payment of Allowances and providing transport facilities to Chairmen, Executive and Non-Executive Directors and Observers are amended with effect from 01st January 2020.

- 1.1 Chairman of any SOE could only draw an allowance of Rs.100,000/- per month or the allowances as stipulated in section 2.1 and 2.2 of the Public Enterprises Circular No: PED 3/2015, whichever is less.
 - 1.2 Chairman of any SOE will be entitled to use only one official vehicle and a fuel allowance equivalent to 150 liters per month. Accordingly, the sections 3.1 (1) and 3.2.1 of the Public Enterprises Circular No: PED 1/2015 are hereby revoked. Further, Chairman of any such SOE could either be provided an official vehicle as per the Public Enterprises Circular No: PED 1/2015(i) or could draw a monthly allowance.
 - 1.3 Payment of Allowances to Chairmen, Executive and Non-Executive Directors and Observers should be based on the conditions stipulated in the Public Enterprises Circular No: PED 3/2015. However, regardless of the number of Board meetings attended by a Board member or an Observer during a month, the total sitting allowance for Board meetings held during a month should not exceed Rs.25,000/- per month.
 - 1.4 Board members or Observers are not entitled to use vehicles provided by the SOEs for any purpose other than for attending Board meetings or subcommittee meetings. However, if the vehicle is not provided by the SOEs for the same, a transport allowance can be paid in terms of the Section 2.7 of the Public Enterprises Circular No: PED 3/2015.
 - 1.5 Any deviations from these instructions should be referred immediately to the Secretary to the Treasury.
02. In the process of making related fresh appointments, refrain from appointing any Working Directors (WDs). In the event any WDs have already been appointed, you are requested to take necessary corrective measures in that regard.
 03. All Chairmen and the Board of Directors must make a comprehensive assessment of the operations of the entities at the outset specially related to the operational status, human resources and financial position. In that
 - a. Boards must ensure that all activities undertaken by the entity are streamlined to ascertain improved delivery through the avoidance of duplication and overlap of work, and better use of technology.
 - b. Chairmen and Board Members should assess the suitability of their respective CEOs, CFOs and other members of the Senior Management and take

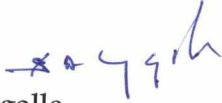
appropriate management decisions in consultation with the relevant authorities, and where necessary with the General Treasury in this regard.

- c. With regard to the human resources, Boards must , having undertaken a needs assessment, ensure that the staff is utilized better, including through the consolidation of activities, redeployment of staff to ensure that no division /unit is overstaffed while others are understaffed. It is important that when taking decisions that such decisions are taken with a view to ensure that the interests of the entity is achieved within the broader policy framework of the government and that no decisions is taken that will disturb industrial peace. All effort must be taken to ensure that no new recruitments are done.
- d. All SOEs must ensure that their budgets and spending programmes are reassessed and aligned with the government's priorities to provide an efficient service delivery to the public with the maximum cost effectiveness. In this regard, SOEs must pay particular attention to rationalize and control the expenditure relating to advertising, marketing and promotional budgets with special control over fuel, electricity, communications, travel, use of vehicles, purchase of office equipment, furniture and other office facilities.
- e. All procurements must be undertaken having followed the due procedures and all SOEs must have a procurement plan approved by the Board.
- f. Boards are also strongly advised to undertake a thorough due diligence of specially the legally binding contracts/agreements/memorandums of understandings, the SOEs will enter into, specially having undertaken a cost benefit analysis, any liabilities that may arise both direct and contingent. Prior to the signing of such contracts/agreements/memorandums of understandings, it is mandatory that the required approvals are in place.
- g. It is noted that the Boards of SOEs must draw up Corporate /Strategic/Business Plan to improve the performance of the SOEs, centered in the improvement in the service delivery at the least cost. Boards are encouraged to use technology appropriately and in implementing IT related programmes, entities should ensure strict adherence to Circular Number PS/GPA/Circular/01/2020 dated 13th January 2020 issued by the Secretary to the President.
- h. SOEs should refrain from making any new commitments and from entering in to any MOUs or agreements with foreign governments and organizations and dealing with investment proposals, financing proposals or bilateral or multilateral funding arrangements and public investment projects either in the

form of grant, aid or foreign loans. Your attention is drawn to Circular Number PS/SP/SB/Circulars/06/2019 dated 19th December 2019 issued by the Secretary to the President.

04. The Boards of all SOEs are responsible for the overall operations and establishment and continuing the governance environment of the SOEs. The Boards must be thoroughly conversant with the industry regulatory framework within which the SOEs should operate and other compliance requirements such as the statute of establishment/Articles of Association, where relevant, the provisions of the Companies Act. Actions must be taken to meet all statutory payments on time. Board meetings must be meaningful in so far that discussions of key policies and operational matters are a regular feature in the Board meetings. The sub committees of all SOEs must be operationalized and the Board of Directors (BoDs) must frequently discuss the matters raised in such sub committees.
05. Boards are required and encouraged to take necessary decisions using its discretion in the interests of the SOEs, as the Chairmen and the Boards of Directors' fundamental responsibility is to ensure that the SOEs function in a viable manner in achieving the set objectives of the entity.
06. The Chairmen and BoDs should make sure that Citizen Charters including charges, estimated time periods for each service etc. must be displayed to the public/customers in office premises and websites. The Chairmen and BoDs should assure that those policies are strictly adhered by the staff in compliance with the government policy on maintaining people-friendly, timely and transparent public service delivery.
07. Government policy of zero tolerance of waste, irregularities, and corruption must prevail and Boards must take necessary actions to keep its employees and stakeholders informed of the same.
08. You are reminded that SOEs are centric in the government's policy framework and it is expected that the Chairmen and the Boards will discharge the responsibility of ensuring that the SOEs operate within a framework of best practices in governance, so as to achieve the objectives as established, to the best of their ability and in good faith.
09. The SOEs are requested to draw special attention on immediate action to be undertaken in early 2020 as explained in Annex A.

10. SOEs are invited to coordinate and engage with the Treasury through the Director General, Department of Public Enterprises or the Department of National Budget as appropriate. Any clarifications on this Circular could be obtained from the Director General Department of Public Enterprises on T.P. 0112484617 or email dgpe@ped.treasury.gov.lk
11. Heads of SOEs must ensure that this Circular is tabled at the next immediate Board meeting for discussion.



S.R. Attygalle
Secretary to the Treasury

Copies:

1. Secretary to the President
2. Secretary to the Prime Minister
3. Secretary to the Cabinet of Ministers
4. Auditor General

Annex A

- (a) Having coordinated with the relevant authorities, Chairmen should ensure that the first Director Board meeting is convened on or before 31st January 2020 provided that there are sufficient number of members are appointed to meet the quorum.

- (b) Chairmen and BoDs should ensure that the respective entities' budget and spending programmes for 2020 are reassessed and aligned with the government's priorities. The 2020 budget should reflect the tax simplifications and reductions recently announced. Thereby it is desirable that all entities target at least a 25% saving in its expenditure. Such savings should be channeled towards investments to improve the efficiency and the effectiveness of the SOE. Chairmen and BoDs should ensure that the revised budgets are submitted to the Department of Public Enterprises or the Department of National Budget as appropriate on or before 28th February 2020.