

Budget Call 2010

**National Budget Circular
No: 143**

Department of National Budget

General Treasury,
The Secretariat Building,
Colombo 01

10th July 2009

Guidelines for the Preparation of Annual Budget - 2010

To:
All Secretaries to the Ministries,
Chief Secretaries of the Provincial Councils,
Heads of Departments,
Chairmen of Statutory Boards and Institutions

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Electronic access to Budget Call 2010 is located
at <http://www.treasury.gov.lk>

Guidelines for the Preparation of Annual Budget Estimates for 2010

01. Introduction

The Annual Budget 2010 will be based on a Medium Term Fiscal Framework to facilitate a smooth transition to a renewed phase of socio-economic progress in line with the “Mahinda Chinthana” vision and strategy towards a new Sri Lanka

Budget 2010 will focus on two major areas i.e., (a) speedy implementation of the ongoing development programs, making most effective use of available resources and (b) improving living conditions and restoration of economic activities through accelerated resettlement, rehabilitation and reconstruction programs.

Mobilization of resources needed to successfully complete the on going projects and to implement planned development projects is a challenging task. Although part of the development expenditure will be financed through external funding, a large amount of resources also will have to be found domestically. In keeping with government’s development strategy, priority will be given to provide resources for public investment. In this context, it is imperative that only the essential recurrent expenditures will be included in the 2010 budget. All spending agencies are requested to exercise sound expenditure controls and management to improve efficiency in public spending.

02. Macro Economic Perspectives

The macro economic framework has been designed to achieve 7 per cent economic growth over the medium-term. Realization of this requires (a) faster completion of infrastructure development projects which have already been launched during the last four years, (b) clear prioritization of new development projects considering particularly the development needs in the Northern, Eastern and other lagging regions, (c) faster utilization of already committed foreign resources for various development projects, (d) a clear focus in mobilizing foreign resources to make most effective use of such resources and (e) harnessing resources and development potential in the regions. All spending agencies should strengthen their oversight functions and monitoring activities over all development programs/projects so that they will improve their contribution to the realization of sustainable higher economic growth. In this background, it is essential that the expenditures are rationalized paying special attention to 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/programs 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 programs with a view to harmonizing those as far as possible.

Table 1 : Medium Term Macro Fiscal Framework 2007 -2012 (As a % of GDP)

Indicator	Actual		Estimate	Revised	Projections		
	2007	2008	2009	2009	2010	2011	2012
Revenue	15.8	14.9	16.4	14.8	15.7	16.7	17.1
Tax Revenue	14.2	13.3	14.9	13.4	14.3	15.3	15.7
Non-Tax Revenue	1.6	1.6	1.5	1.4	1.4	1.4	1.4
Expenditure	23.5	22.6	22.8	21.9	22.3	21.7	21.6
Current Expenditure	17.4	16.9	15.8	16.5	16.0	15.4	15.1
Capital Expenditure and net lending	6.1	5.7	7.1	5.3	6.3	6.3	6.5
Of which; Public Investment	6.4	6.0	7.1	5.4	6.3	6.3	6.5
Overall Budget Deficit	(7.7)	(7.7)	(6.5)	(7.0)	(6.6)	(5.0)	(4.5)

Source: Department of Fiscal Policy

03. Preparation of Budget Estimates

All the spending agencies are requested to prepare estimates for 2010 together with expenditure projections for the years 2011 and 2012 in line with the Medium Term Expenditure Framework. Expenditure estimates for 2009 should be revised taking in to consideration the instructions given in the National Budget Circular No 142.

3.1 Guidelines for the Preparation of Estimates

3.1.1 Recurrent Expenditure Estimates

(a) Estimates for personal emoluments should be made on the basis of existing cadre as of 30.06.2009 and no provisions should be included for vacant posts. The General Treasury, however, will take actions to provide required funds for the essential recruitments on the recommendations of the Department of Management Services based on the need assessment. The specific tasks should be clearly identified in making provisions for overtime and no provision should be included for that purpose except for specific instances.

(b) Action should be taken to assess the outstanding liabilities and financial commitments for the year 2009 accurately and include those in the estimates. Particularly provisions required to settle the provisional entries on account of taxes and duties those were payable to Department of Customs should also be included.

3.1.2 Capital Expenditure Estimates

(a) Priority should be accorded to complete capital projects which have already been commenced. If any new capital project is to be included in the estimates for 2010, recommendation of the Department of National Planning and the approval of the Cabinet of Ministers should be obtained prior to 1st of August 2009. Foreign funded projects, which have received the concurrence of the Department of External Resources and for which the implementation plans are finalized and loan agreement are ready, will be considered for inclusion in 2010 estimates.

(b) All imports made by government agencies are also liable to pay duties, taxes and levies. It should be noted that imports financed under foreign aid programs are too liable to pay duties, taxes and levies. No exemptions will be permitted. Therefore, all Chief Accounting Officers and Accounting Offices are requested to identify resource requirement for such expenditure correctly.

(c) Prior assessment should be made before the inclusion of provisions for commitments for any expenditure item.

3.1.3 In order to strengthen the result based budgeting in the public sector, it is expected that the Managing for Development Results (MfDR) initiative taken by the Ministry of Plan Implementation be linked to the annual budgeting process starting from 2010. Some have already taken steps to prepare Agency Result Frameworks (ARF) with Key Performance Indicators (KPI) to report the progress. As such, all Secretaries are requested to submit the Result Framework as per the format given at **Annexure V** to the Department of National Budget along with the 2010 budget estimates. KPIs should be identified as output as well as outcome levels so that the annual budgetary provisions requested by the respective Ministry can be justified.

3.1.4. Additional Provisions from the Budgetary Support Services and Contingent Liability Project (Treasury Miscellaneous Vote) will not be granted unless the requirements meet with the guidelines stipulated in the printed budget estimates approved by Parliament. Therefore, it is the responsibility of Secretaries to prepare estimates for budget 2010 on a realistic basis.

04. Submission of Budget Estimates

All spending agencies are requested to forward Budget Estimates for 2010 through the Chief Accounting Officers on or before 07.08.2009 to the Department of National Budget. Relevant Formats indicated in Annexure I to V should be used for the preparation of Budget Estimates (Soft copies should be forwarded along with the duly signed hard copies).

Annexure I - Presentation Format of Estimates 2010 (Ministries and Departments)

Annexure II - Presentation Format of Estimates 2010 (Institutions)

Annexure III - Information on Approved Cadre and Personal Emoluments 2010 (Ministries and Departments)

Annexure IV - Information on Approved Cadre and Personal Emoluments 2010 (Institutions)

Annexure V - Managing for Development Results

Annexure VI - Tentative Budget Calendar for 2010 Budget Process



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