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MINISTRY OF FINANCE & PLANNING

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National Budget Circular No. 133

Department of National Budget
 General Treasury
 Colombo 01.

To all Secretaries to the Ministries/ Chief Secretaries
 of the Provincial Councils/ Heads of the Departments and
 Chairmen of Corporations, Statutory Boards & Government
 Owned Companies.

Public Expenditure Management and Incurring of Expenditure for the Year 2007

Your attention is drawn to the proposals of public expenditure management appeared in the
 Budget Speech of 2007 presented to Parliament by His Excellency the President.

1. Incurring of Recurrent Expenditure in a Rational Manner

1.1 Expenditure on Supplies, Maintenance and Services

In accordance with the proposals made in the budget speech and with a view to introduce a
 proper management of recurrent expenditure, 2% of the provisions provided for every
 Ministry and Department under the following votes in the printed estimates of 2007 will be
 reduced.

Object Code	Category	Item
1202	Supplies	Fuel
1205	Supplies	Other
1301	Maintenance	Vehicles
1401	Services	Transport
1402	Services	Postal & Communication
1403	Services	Electricity & Water

The above adjustments apply to the government Corporations, Statutory Boards and
 government owned Companies that receive provisions for recurrent expenditure from the
 Treasury.

All Heads of Institutions should pay their personal attention to manage the expenditure by
 way of utilising the total provision including all recurrent expenditures and above

expenditures frugally and through proper management methodology. No payment should be postponed or delayed due to the proposed curtail of expenditure. Further, expenditure should not be incurred exceeding the amended provision limits and no request be made to the Treasury to transfer provisions under FR 66 or 69 and to obtain additional provision for the above object.

1.2 Limit of Provisions Provided to Under Performing Government Enterprises

With a view to encourage the government enterprises to generate their revenue by way of efficient use of their own assets available, the provisions made by the printed estimates for the year 2007 will be reduced by 5% as per budget proposal.

1.3 Implementation of Risk Based Auditing

The procurement procedure should be properly followed in order to prevent undue delays and make it advantage to the government, when incurring expenses by the government institutions to purchase fertilizer, pharmaceuticals and food items. Steps will be taken to make every such purchases examine by a Special Audit Unit of the Department of Auditor General. Accordingly the prepared procurement plans should be submitted to the Director General, National Budget before 31.01.2007.

2. Capital Expenditure Management

2.1 Development Priorities

Within the development strategy aimed at alleviation of poverty and to promote the development of backward areas, priority should be given to areas such as rural roads, electricity, water and irrigation, housing development and development of livelihood.

2.2 Implementation of Work Pertaining to Unfinished/ Part Completed Projects of 2006

Before embarking new projects utilising domestic funds, necessary steps should be taken to complete expeditiously the projects commenced under 2006 budget and not completed or reached the final target. Provisions have been provided by circular No. 188 (1) 2006 issued by me on 20.12.2006, without lapsing, provisions allocated for the year 2006 for priority areas such as rural road, electricity, water and irrigation, housing development and development of livelihood to transfer to a deposit account to be used for 2007

2.3 Implementation of New Projects in the Year 2007

- i) To give priority for 119 selected Divisional Secretariats with the objective of eradicating regional disparities.
- ii) To ascertain a proper coordination among relevant institutions in order to prevent duplication of work as similar development projects are implemented by number of Ministries.
- iii) Considering the possibility of completing the procurement activities and the commencement of projects within the specified period identify the actual work and to carry forward the balance provision for the next year under the medium term expenditure framework
- iv) Ascertain the formal approval for projects included in estimates pending Cabinet approval.

Chief Accounting officers are requested to strictly abide by the instructions in the footnotes of Expenditure Estimates 2007. For further clarification in this regard contact the officer-in-charge of the Department of National Budget.

3. Considering the above instructions pertaining to the implementation of budget expenditure proposals, the expenditure limits for 2007 for each ministry, department are indicated in the revised list of provisions in **Annexure I**. Accordingly, re-estimated/amended provision under each object should be forwarded to the Department of National Budget before 16.01.2007. Please note that the imprests will be released by the Department of Treasury Operations based on this revised estimates.

4. **Public Officers' Advance Account**

4.1 The public officers' advance account limits appear in the printed estimates in respect of the Heads in the **Annexure 2** of this circular, should be amended.

4.2 As per the budget proposals of 2007, the distress loan should be paid based on the basic salary excluding allowances, w.e.f. 01.01.2007. The instructions given below should be followed in paying the distress loans.

- a) Priority should be given to minor employees and to those who apply for the said loan for the first time
- b) An employee is eligible to obtain a distress loan again only if he/she has repaid 2/3 of the previous distress loan.
- c) Repayments of the distress loan for those who pay at once the relevant amount in order to fulfil 2/3 of the loan, should be made on an attestation of the Head of Department to the effect that there are sufficient provisions under 4:2 (a) and 4:2(e) 1 & 2 and according to the priority list
- d) The maximum expenditure limit will not be revised on any request whatsoever. The minimum receipt limit and maximum debit balance will be considered for revision on justifiable reasons.
- e) Advance loan payments should be made subject to the following order of priority

1. Festival Advance
2. Special Advance
3. Distress Loan

5. **Commercial Advance Account**

The maximum expenditure limit approved by Parliament should be strictly adhered. The requests to revise this limit will be considered only on special grounds. The minimum receipt limit and the maximum debit balance will be considered for revisions on reasonable grounds.

6. **Additional Provisions**

The provisions have been made under Treasury in the budget estimates of 2007 to provide additional provisions to other government institutions only to implement the budget proposals presented by His Excellency the President. Any request for an

additional provision outside the above, should be made having obtained the Parliamentary approval for a Supplementary Estimate by the relevant ministry.

7. Transfer of Provisions

The requests made to the Treasury for the transfer of provisions under FR 66-69 will be considered only if they are not in contrary with the above instructions

8. Authority for Expenditure

In terms of the provisions of section 150 (1) of the Constitution, the Hon. Minister of Finance has signed the warranty certificates to incur expenditure for the year 2007 in terms of Appropriation Act No. 47 of 2006 approved by Parliament on 06th December 2006.

The warranty for paying vouchers and other documents are as follows:

- a) For general services – General Warranty Certificate No. 1 of 2007
- b) For special law services – Special Law Services Warranty No. 1 of 2007
- c) For advance account matters – Advance Warranty Certificate No. 01 of 2007

9. General Issues

9.1 For a more productive expenditure categorisation, all budget expenditure of the year 2006 has been concentrated under two programmes namely Operational Programme and Development Programme. The object codes have also been amended in the 2007 budget. The relevant details are given in **Annexure 3**.

9.2 The achievement of the development goals basically depends on incurring expenditure within a highly disciplined expenditure framework. Therefore, it is expected that all Chief Accounting Officers and Accounting Officers will strictly abide by the instructions laid down in this circular.

9.3 Any further clarifications in respect of above matters could be made from the officers of the National Budget Department.

Sgd/ P.B. Jayasundara
Secretary to the Treasury

Copy to : Auditor General

Amendments of Limits of in Public Officers Advance Accounts

SRL No.	Ministry/Department	Item No	I Activities of the Government	II Maximum Limits of Expenditure of activities of the Government Rs.	III Minimum Limits of Receipts of activities of the Government Rs.	IV Maximum Limits of Debit Balances of activities of the Government Rs.
32	Minister of Health Care and Nutrition	11101	Advances to Public Officers	735,000,000	535,920,000	2,600,000,000
47	Minister of Education	12601	Advances to Public Officers	1,070,000,000	516,000,000	2,700,000,000
107	Sri Lanka Army	22201	Advances to Public Officers	1,730,000,000	921,720,000	3,675,000,000
108	Sri Lanka Navy	22301	Advances to Public Officers	540,000,000	208,920,000	1,175,000,000
110	Sri Lanka Air Force	22401	Advances to Public Officers	530,000,000	235,560,000	1,175,000,000
111	Department of Police	22501	Advances to Public Officers	1,225,000,000	698,160,000	3,150,000,000
197	Sri Lanka Railway	30601	Advances to Public Officers	419,000,000	316,320,000	1,765,000,000
200	Department of Post	36001	Advances to Public Officers	514,000,000	241,500,000	1,635,000,000

New Standard Object Codes

Object code no.	Category/ Object title	Expenditure to be included for each object item (When no changes have been made to the previous categorization, it has been stated so)
Recurrent Expenditure		
Personal Emoluments		
1001	Salaries and Wages	Remain unchanged
1002	Over Time and Other Allowances	Overtime and holiday pay, other allowances, holiday warrants, implementation of official language policy and all other type of allowances and payments
Traveling Expenses		
1101	Domestic	Remain unchanged
1102	Foreign	Remain unchanged
Supplies		
1201	Stationery and Office Requisites	Expenses on stationary, electrical equipments and such other official requirements
1202	Fuel	Fuel and lubrication oil
1203	Diets and Uniforms	Expenses on supply of food and uniforms
1204	Medical Supplies	Remain unchanged
1205	Other	Expenses on other special supplies which can not be categorized under above items
Maintenance Expenditure		
1301	Vehicles	
1302	Plant, Machinery and Equipment	Remain unchanged
1303	Buildings and Structures	Maintenance expenses on buildings and constructions
Services		
1401	Transport	Expenses on vehicle rentals and transport charges
1402	Postal and Communication	Expenses on postal and telecommunication services
1403	Electricity and Water	
1404	Rents and Local Taxes	Rent and rates & taxes to local authorities
1405	Other	Expenses on special or other type of services which can not be categorized under above items
1406	Contingency Services	Provisions to meet unexpected recurrent expenses (Only for the use of the National Budget Department)
Transfers		
1501	Welfare Programmes	Grants and transfers to households, non public institutions and private individuals through welfare programs
1502	Retirement Benefits	pension fund contributions, public service provident fund, pension, gratuity and such other pension benefits
1503	Public Institutions	Transfers and grants to public enterprises, public financial institutions and other public institutions, operational loss of government enterprises
1504	Development Subsidies	Expenses on price subsidy, interest subsidy and other development subsidies
1505	Subscriptions and Contributions Fees	Subscriptions and contributions and membership fees for local or foreign organizations
1506	Property Loan Interest to Public Servant	Remain unchanged – (Previously indicated under personal emoluments)
1507	Provincial Councils	Grants to provincial councils (Only for the use of Ministry of Local Government and Provincial Councils)
1508	Other	Expenses on awards and indemnities, losses and write offs, special or other type of subsidies and transfers which can not be categorized under above items
Interest Payments		
1601	Domestic Debt	
1602	Foreign Debt	
Capital Expenditure		
Rehabilitation and Improvement of Capital Assets		
2001	Buildings and Structures	Improvements and rehabilitation expenses of buildings and structures
2002	Plant, Machinery and Equipment	Remain unchanged
2003	Vehicles	Remain unchanged
Acquisition of Capital Assets		
2101	Vehicles	Remain unchanged
2102	Furniture and Office Equipment	Remain unchanged
2103	Plant, Machinery and Equipment	Remain unchanged
2104	Buildings and Structures	Acquisition of buildings and structures
2105	Lands and Land Improvements	Remain unchanged
Capital Transfers		
2201	Public Institutions	Transfers and grants to public enterprises and public institutions
2202	Development Assistance	Development Assistance, capital grants to non public institutions and private individuals
2203	Provincial Councils	Remain unchanged (Only for the use of Ministry of Local Government and Provincial Councils)
2204	Transfers Abroad	Remain unchanged
Acquisition of Financial Assets		
2301	Equity Contribution	Remain unchanged – (Equity contributions by the Government)
2302	On - Lending	On-lending and loans outlay
Capacity Building		
2401	Training and Capacity Building	Expenses on personnel training, capacity building and institutional capacity promotions
Other		
2501	Restructuring	Expenses on restructuring and reforms
2502	Other Investments	Expenses on special or other development projects which can not be categorized under any other object code be treated under this description. Provisions for all development projects should be classified under the relevant object codes in terms of its output or benefits.
2503	Contingency Services	Provisions to meet unexpected recurrent expenses (Only for the use of the National Budget Department)
Public Debt Amortisation		
Repayments		
3001	Domestic	Repayments of domestic loans and other repayments
3002	Foreign	Remain unchanged