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தேசிய வரவு செலவுத்திட்ட திணைக்களம்
DEPARTMENT OF NATIONAL BUDGET

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எனது இல.
My No.

BD/CBP/4/1/2-2018

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி.
Date

07.11.2017

Secretary

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Dear Sir/Madam

Implementation of Performance Based Budgeting System

Further to the National Budget Circular no. 2/2017 of 25 July 2017 on "Guidelines and directions for the preparation of Annual Budget Estimates".

02. As was highlighted in Para 3 and 4 of the circular under reference, the government is taking steps to practice the performance based budgeting system replacing the zero-based budgeting system which was in place during the last few years. The shift from zero-based budgeting system to performance based budgeting creates substantial differences in financial and non-financial resource allocation. However, it is noted that the organizational performance has already been recognized as an important element in zero-based budgeting. Therefore, the introduction of performance based budgeting system can be considered as an extension to the zero-based budgeting and the performance already documented can be further used as performance information drawn from the mandate, policy documents or strategy documents for resource allocation.

03. It is noteworthy to state that action should be taken to create a performance culture in every organization in the future once the performance management is fully operational. However, at the inception of the introducing performance based management, it is required to shift from resource based documentation of inputs, processes and actions to performance based documentation of outputs, outcomes and impacts. In the meantime, it is recognized that some organizations face difficulties in specifying the exact outcomes and impacts of actions to be taken. However, it is well accepted that every organization can easily recognize and document its outputs as the initial step of the process. In the second step, it is required that all institutions articulate Key Performance Indicators (KPI) in relation

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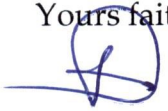
to the outcomes. It may be noted that in submitting budget proposals for 2018, some of the institutions had not identified KPIs including outputs/outcomes in such manner in order to allocate financial resources. Therefore, spending agencies are required to identify outputs and targets for the financial resources already allocated for the year 2018.

04. Accordingly, all institutions are (excluding Ministry offices) expected to furnish the following details by 15th December 2017. It is encouraged to direct soft copies of the documents to relevant subject officers while sending the hardcopies signed by the head of the institution.

- i. Mission - includes what the said institution is functioning for
- ii. Key functions - the major tasks of the institution as included in the Budget Estimate
- iii. Outputs against budget estimates - desired outputs of the institution
 - a. Name of the output (or activity)
 - b. Quality/Standards and time period required
- iv. Outcome and impact of the organization if they can be recognized

05. If you need any clarifications on the above, please contact the relevant Budget Director of the Department of National Budget.

Yours faithfully,



K.D.S. Ruwanchandra
Director General

Copies to:

- I. Secretary to the President
- II. Secretary to the Prime Minister
- III. Secretary to the Cabinet of Ministers
- IV. Auditor General
- V. Chairman,.....
- VI. Director General/ Managing Director.....