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**நிதி அமைச்சு**  
**MINISTRY OF FINANCE**

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Date }

National Budget Circular No. 01/2021

To All Secretaries to Ministries

All Secretaries to State Ministries

Chief Secretaries of Provincial Councils

Heads of Departments

Chairmen of Corporations and Statutory Boards

Budget Call - 2022

Guidelines for the preparation of Annual Budget Estimates- 2022 within the Medium Term Budgetary Framework  
2022-2024

Annual Budget Estimates for the year 2022 are expected to be prepared within the Medium Term Macro Economic Framework of 2022-2024 in order to achieve the objective of providing benefits to the public in line with the government policy statement - "Vistas of Prosperity and Splendour" while controlling the pandemic situation expeditiously and managing economic challenges, arisen due to Covid-19.

Budget for the year 2021 was prepared by laying a strong foundation for the long journey of achieving objectives of "Vistas of Prosperity and Splendour". Nonetheless, the management of government budget has been challenging in this year, due to the re-emergence of Covid- 19 pandemic in the first quarter of 2021, collecting the expected revenue was hampered, and government expenditure increased unexpectedly due to additional expenditure for providing reliefs for affected people. The government expects to be back on track soon by vaccinating a majority of the population rapidly and move forward in 2022 with a new approach.

In this context, the objective of this circular is to provide guidelines to prepare the budget estimates for the year 2022 and the medium term of 2022-2024.



## 2. Guidelines for the preparation of expenditure estimates

It is emphasized that the budget estimates for the year 2022 should be prepared by giving due consideration to the narrow fiscal space owing to slow recovery of government revenue which declined due to the pandemic and the expectation of the government to reduce the central government debt, which remains at a higher level, to 95 per cent of GDP. In this respect, with the consultation of the respective Ministers Direct involvement of Chief Accounting Officers are expected to include only the essential and productive expenditure after reviewing same in a rational and prudent manner.

In addition to expenditure management, strict attention should be paid the generation of revenue and public institutions, including government departments, should work towards expanding the existing avenues of revenue s and exploring new sources. Specially, Statutory Institutions and Public Enterprises should focus on alternative methods to cover their operational expenditure without seeking budgetary provisions.

### 2.1 Priority Sectors

In allocating resources in line with the government policy priorities, prime importance should be given to the programs which will provide benefits to the public by completing those within the medium term of 2022-2024. Thereby, adequate attention should be paid to the following areas in preparation of the budget for the year 2022.

- 1) Controlling the pandemic situation and restoration of livelihood of the people expeditiously
- 2) Adequately producing organic fertilizer for domestic agriculture while ensuring proper standards
- 3) Taking appropriate measures to revive and encourage the tourism sector
- 4) Continuation of on-going national programs for rural and urban infrastructure development such as Water for All, "Waari Saubhagya", Developing 100,000km of roads
- 5) Facilitating to promote import substitute industries and promoting export oriented industries
  - I. Encouraging revival of small and medium scale industrial sector and identifying proper programs to open international trade opportunities
  - II. Training and developing the workforce to suit with foreign and local employment opportunities
  - III. Pursuing new opportunities of foreign employment suitable for professionals, trained and skilled workers
  - IV. Encouraging foreign market based Information Technology Industries.
  - V. Focusing on pushing value-added exports instead of traditional exports and the supply of raw materials
  - VI. Exploring the opening of opportunities in foreign markets where organic agro products are in demand and establish a foundation for enhancing exports through product diversification
- 6) Digitalizing government institutions, schools and universities widely to provide online services to the clients



- 7) Simplifying institutional processes in order to expedite the development process and to ensure the ease of service delivery to the general public
- 8) Restructuring the state owned business enterprises that are dependent on the Treasury and make them financially strong and stable

## 2.2 Recurrent Expenditure

### (a) Salaries & wages, overtime and other allowances

Salaries & wages and other allowances for the year 2022 should be calculated separately for each individual based on the actual cadre as at 01.07.2021. Detailed information should be prepared accurately at the institutional level and submitted through Annexure (01). (Soft copy or hard copy)

Since new recruitments will be discouraged in the year 2022, provisions will not be allocated for the same.

Other than the provisions for rates already approved, overtime and allowances should not be included in the estimates for any other type of overtime or allowances. In the context that a large number of new recruitments to the public service were done during the last few years, technological tools are of extensive usage and online methods were initiated with the pandemic situation, overtime payments should be estimated deviating from the traditional methods by reviewing the requirements.

### (b ) Supplies and Contractual Services

All institutions are encouraged to communicate through online methods such as e-mail whenever possible and accordingly, the cost of stationaries is expected to be reduced by 5%.

The expenditure such as refreshments, traveling, and combined allowances will have to be reduced by holding virtual meetings whenever possible, based on experiences during the pandemic situation. Further, requests should not be made for leasing of new buildings and before extending the period of existing lease agreements, actions should be taken to explore the possibility of more favourable alternatives such as utilization of available spaces in government buildings.

### (c) Development Subsidies and Welfare Expenditure

Summaries with the number of beneficiaries should be prepared in estimating expenditure for development subsidies and welfare expenditure enabling the easy identification of the subsidy provided for each beneficiary under each program/scheme.

Chief Accounting Officers are responsible to avert estimation of provisions for expenditure under object code 1504- Development Subsidies and object code 1501- Welfare Programs except for approved programmes by any law or by the Cabinet of Ministers. Similarly, on-going subsidy and welfare programs shall be limited to the beneficiaries already approved unless otherwise decided by the Cabinet of Ministers.



It is required to restructure the welfare programs/projects implemented through the government funds by reviewing same in the context of the Covid-19 pandemic situation, to address same by accurately identifying the beneficiaries with proper supervision averting duplication of subsidies. Steps should be taken to integrate programs implemented by the Central Government and Provincial Councils to direct the welfare expenditure only for the most deserving cluster and ensure excluding of receiving benefits to ineligible people. Chief Accounting Officers should develop a method to ensure the direct receipt of the benefits by the beneficiary himself such as through a bank account or any other method.

In addition, it is required to control unnecessary administrative expenditure on delivering subsidies/benefits by reviewing those properly.

## 2.3 Capital Expenditure

### (a) Institutional Capital Expenditure

Institutional capital expenditure should be limited as much as possible to give more priority to development expenditure, which delivers a quick return on investment to the economy. Accordingly, strict attention should be paid to the following facts in preparing estimates for capital expenditure.

- I. The decision already taken by the government to temporarily suspend the construction of new buildings has been extended to several forthcoming years. Accordingly, the government institutions are requested to fulfill their needs by renovating economically viable buildings that require minor repairs.
- II. In support of the government decision to limit imports and considering the requirement of curtailing expenditure, purchase of new furniture, office equipment and vehicles for government agencies will have to be suspended in the coming year as well. Therefore, vehicle requirements should be fulfilled by repairing vehicles already available with the government agencies. However, the Treasury will decide appropriately on the purchase of tractors, trucks, ambulances, land vehicles and other utility vehicles as and when required.
- III. Foreign training programs utilizing domestic funds should be suspended and steps should be taken to fulfil such training requirements through virtual methods whenever possible.
- IV. It is observed that sustainability is not warranted and expected objectives have not been achieved although an enormous amount of money has been invested in developing/purchasing software for the efficient functioning of public institutions. Therefore, it is instructed to develop software after identifying the actual requirement by carrying out a proper study on the existing process/ workflows well and ensuring sustainability.



**(b) Development Expenditure**

It is emphasized that priority should be given to review and complete the on-going projects expeditiously enabling people to get the benefits of such projects within the stipulated period as these projects are financed by local or foreign loans at a substantial financial cost.

- I. The government has adopted an integrated development approach as a policy for project implementation. With the view of avoiding duplications, on-going projects should also be reviewed by coordinating with other projects being implemented in the area and aligning to the above policy without implementing them individually. Specially, institutions that implement the infrastructure development projects should coordinate with other infrastructure providers and regulatory agencies to minimize project delays and reduce waste of resources. Accordingly, the institutions responsible for highways, water supply, land, electricity, valuation, survey, communications, etc. of the area should work together to implement development projects with a collaborative approach.
- II. Actions should be taken to negotiate the inclusion of relevant clauses in agreements enabling the use of local labour, consultation services, raw materials and equipment in the implementation of projects with foreign loans.
- III. As emphasized by the cabinet decision number 21/1360/304/114 dated 27.07.2021 on presentation of 2022 budget, necessary action should be taken to complete the foreign funded projects without delay giving due consideration to the fact that it is important to disburse the foreign funds as scheduled and also the fact that commitment charges have also to be paid on such projects on top of the interest payments.,
- IV. Provisions for domestic funded projects that does not have a specific completion date, should be reviewed and provisions should be sought after determining the time frames of completion. If the time frame has already lapsed for a particular project, allocations should not be sought unless commitments are still available.
- V. Provisions for some small scale projects are allocated under sub project or item as a block allocation (Ex: Under the Ministry of Health, Education etc...) You have already been informed to submit specific details of such projects to the Department of National Planning. (Letter No. NP/IMF/TRN/MI/2021/01 dated 05.05.2021)

It has been decided to obtain a review from the Department of National Planning before making provisions for such projects. Therefore, actions should be taken to provide the relevant information to the Department of National Planning without delay.

Estimates for development projects should be submitted with details of Annexure 02.



## 2.4 General Instructions

- I. Providing financial assistance to cover the essential expenses of government institutions affected by COVID-19 will not be continued in 2022 and therefore, Chief Accounting Officers are required to ensure taking measures to increase revenue and managing expenditure of such institutions.
- II. The relevant line Ministries should supervise and ensure the formulation of effective business plans and successful implementation of same by the government agencies which are established with the objective of self-financing.
- III. Similarly, attention should be paid to the Circular No. PS/SP/SB/C/22/2019 dated 03.10.2019, issued by the Presidential Secretariat on achieving Sustainable Development Goals and instructions & guidelines on Gender, issued from time to time by the Ministry in charge of the subject of Women's Affairs.
- IV. On instances where certain projects/programmes are transferred to a new Ministry from the Ministry that initiated such projects/programmes due to changing subjects and functions of Ministries from time to time most often the new Ministry implements new plans instead of continuing initial plans causing, funds being diverted to the new plan instead of settling the outstanding of the work completed of the initial plan. Priority should be given to settle outstanding liabilities in budgeting as well as making payments in order to avoid such situations. If additional allocations are sought during the next year without taking action as above, the Treasury will not consider such requests as priority and therefore special attention needs to be paid in this regard..
- V. In preparation of the budget, expenditure should be prioritized as follows.
  - Allocations of provisions for outstanding expenditure of previous years or this year and no provision is available as at present
  - Allocations of provisions to complete already delayed projects expeditiously.
  - Allocation of balance provisions for projects/works which are being implemented as scheduled.
  - Allocation of provisions for the rehabilitation and improvement of capital assets.
  - Provisions for other essential expenditure.

## 3. Advance Accounts

The estimates of Public Officers' Advance Account should be submitted as per the format given in Annexure 03. Institutions that maintain Commercial Advance Accounts should submit such estimates in a proper format with relevant and adequate information.



#### 4 . Submission of Expenditure Estimates

Duly prepared estimates in terms of the above instructions should be submitted through the Integrated Treasury Management Information System (ITMIS) with all the annexes on or before 16<sup>th</sup> August 2021. It is mandatory to enter the Annual Budget Estimates for the year 2022 and projection of Budget Estimates for the years, 2023 and 2024 within the Medium Term Budgetary Framework of 2022-2024. In addition, hard copies of such documents should be submitted to the relevant staff officer of the Department of National Budget. If any assistance is required to enter data into ITMIS, please contact officers of ITMIS helpdesk via 011-2484999.

#### 5 . Clarification

If any further clarification is required in this regard, please contact the relevant officer of the Department of National Budget, who is in charge of the budget of your Ministry/ Department/ Institution.

Sgd/ 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