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MINISTRY OF FINANCE AND PLANNING

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திகதி } 18. 08. 2014  
Date }

**Budget Circular No. 03/2014**

To

All Secretaries to the Ministries,

Chief Secretaries of the Provincial Councils,

Heads of Departments,

Chairmen of Statutory Boards and Institutions

**Guidelines for Preparation of Budget Estimates for 2015**

**01. Background**

Considering the expected development goals, priorities and fiscal targets to be achieved under the development policy framework of the Government, the Cabinet of Ministers has granted approval to allocate financial resources on sectoral basis within the Medium Term Budgetary Framework 2015 - 2017 (Annex 1). The proposed allocation for each ministry under the above ceiling will directly be informed to relevant ministry by the Department of National Budget. All ministries, departments, Special Spending Units and institutions should prepare their expenditure estimates for 2015 within the expenditure ceilings proposed for the Medium Term Framework 2015 -2017. The purpose of this circular is to introduce general guidelines that are to be followed in the preparation of budget estimates for 2015.

## 02. Preparation of Budget Estimates for 2015 within the Medium Term Framework 2015 - 2017

Sectoral allocation of resources has been made considering the available financial resources that can be mobilized during the medium term 2015 - 2017. The maximum expenditure ceilings for ministries have been proposed in line with the sectoral ceilings, considering all recurrent and capital expenditure related to ongoing projects as well as projects already identified for implementation in the future by ministries, departments and institutions under the purview of the ministries. However, Secretaries of Ministries and Heads of Departments can prioritize their expenditure within such ceilings. Accordingly, the following guidelines have to be followed in preparing of expenditure estimates for 2015 and projections for 2016 and 2017.

### 2.1 Recurrent Expenditure

#### I. Salaries and Wages and Other Allowances

Salaries and Wages and Other Allowances for 2015 should be estimated based on the actual cadre as at 01st August 2014.

#### II. Overtime

Expenditure on overtime is expected to be decreased in 2015 in line with the new recruitments made during 2012, 2013 and 2014. Therefore, approved limits for overtime in 2014 should be applied in estimating overtime expenditure for 2015.

#### III. Supplies and Contractual Services

Expenditure such as stationary and office requisites, fuel, diet and uniforms, transport, postal and communication, electricity and water and rent and local taxes should be estimated after reviewing the expenditure already incurred during this year. Appropriate management strategies should be adopted to minimize such expenditure and circular instructions issued by the Presidential Secretariat, Ministry of Finance and Planning and Ministry of

Public Administration and Home Affairs from time to time in this regards should be strictly complied with.

#### IV. Expenditure on Social Security and Social Welfare

Changes in the actual numbers of beneficiaries in social security and social welfare expenditure programmes such as pension, Samurdhi payments, Ranaviru Mapiya Rekuma, financial assistance for elderly, assistance for disabled, nutrition programme for students, mid-day meal, free text books, school uniforms and shoes, etc. should also be taken into account.

### 2.2 Capital Expenditure

#### (a) Institutional Expenditure

- I. Based on requirements, provisions should be estimated for regular maintenance of fixed assets such as Building and Structures, Plant and Machinery and Vehicles. If rehabilitation expenditure exceeds Rs. 50 million per year, estimates for such expenditure (except for vehicles) need to be specifically identified under each asset category in the estimates for the medium term 2015 - 2017.
- II. Provisions for construction of new buildings can be made in the estimates only if approval for such buildings has already been obtained. Construction of new buildings should not be a priority in 2015. In construction of buildings, attention should be paid on energy efficiency, eco-friendliness, and also the related maintenance cost.
- III. As Department of National Budget provides several categories of vehicles under the financial leasing method, provisions should not be included in estimates for procurement of such vehicles. If utility vehicles such as tractors, trucks, ambulances, three-wheelers etc.

are required, provisions for such vehicles should be included only with the approval of the Department of National Budget.

**(b) Development Projects**

- I. After reviewing the progress of implementation, priority should be given for providing necessary provisions the timely completion of ongoing projects.
- II. Institutional capacity and capabilities within ministries, department and institutions, possible impact of weather conditions for project implementation and time required for procurement process have to be considered in estimating capital expenditure, requirements for the year.
- III. New projects have to be managed by prioritizing within the Medium Term Framework 2015 - 2017. In this regard, action should be taken to initiate projects within the existing ceilings and implement them within the medium term expenditure framework 2016 - 2018.
- IV. Estimates related to foreign financing projects, including domestic financial requirements, should be made within the expenditure ceiling provided.
- V. Expenditure projections for 2016 and 2017 should be made with due care and new projects for such periods should be identified in line with the Public Investment Programme in consultation with the Department of National Planning.

### **2.3 Transfers to Government Institutions**

- I. In estimating recurrent and capital expenditure requirements for institutions for which provisions allocated through government budget (except ministries and departments), revenue and expenditure estimates of such institutions should be dully considered.
- II. If ministries, provincial councils and other government institutions have invested their surplus funds in Treasury Bills/Bonds, action should be taken to credit such funds to the government revenue accounts or to utilize them only for financing of activities identified in the approved estimates.

### **03. Commitment Control**

Your special attention is drawn to commitment control by due compliance with the principles of management of public finance for the utilization of expenditure estimates prepared within the medium term expenditure framework. It has been observed that certain institutions do not maintain commitment registers properly. Therefore, all Accounting Officers should establish proper systems to ensure commitments are made only within approved budget and officers required for implementation of such systems should be identified in line with the guidelines on public finance for ministries/departments and institutions. In this regard, a Commitment Register should be maintained and updated regularly in order to submit same to the Treasury each time when requests for funds are made.

### **04. Submission of Budget Estimates for 2015**

The Department of National Budget will directly submit draft estimates prepared in line within the ceiling for each ministry for the convenience of the Chief Accounting Offices. Chief Accounting Officers should take necessary action to review estimates for 2015 - 2017 and amend suitably within the expenditure ceilings and the

guidelines given above. The Treasury will conduct negotiations with relevant ministries and departments in the future.

#### 05. Clarifications

Any clarification on this circular could be obtained from the Director General, National Budget.

Yours faithfully

Sgd: P. B. Jayasundera

Secretary to the Treasury and

Secretary to the Ministry of Finance and Planning

Cc

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

## Sectoral Allocation of Financial Resources 2015 - 2017 - in Rs billion

	2014	2015	2016	2017
Sector	Budget	Estimate	Projection	
Infrastructure	357	375	455	542
Human Resources	352	386	433	494
Production Economy	258	276	303	336
Social Development	16	18	20	24
Civil Administration	252	266	293	323
National Security	297	320	348	385
<b>Sub Total</b>	<b>1,532</b>	<b>1,641</b>	<b>1,852</b>	<b>2,104</b>
Debt Service Payment	1,071	1,270	1,226	1,285
Interest Capitalization		10	10	10
Advance Account	4	4	4	4
Allocation for Contingency Liabilities		75	75	75
<b>Total</b>	<b>2,607</b>	<b>3,000</b>	<b>3,167</b>	<b>3,478</b>