



PERFORMANCE REPORT

2016

DEPARTMENT OF NATIONAL BUDGET
MINISTRY OF FINANCE

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1. Overview

The Department of National Budget operates within the legal framework established under the provisions of Parliamentary Acts and under the guidance of the Ministry of Finance. The Department functions as the focal point for the formulation of Budget Estimates based on a sector-wise Medium Term Expenditure Framework (MTEF) in consistence with the overall medium term macro-economic framework. The MTEF presents its financial plans towards specific targets within the context of sectorial policy strategies while paying particular attention to the management of public expenditure. This process involves a continuous consultation with the line Ministries, Departments, Statutory Agencies of the Government and the relevant Treasury Departments.

The operational activities of this Department are carried out within the broader scope of public finance management, with a special focus on facilitating the changes made in the administrative structure of the government since 2015, within the framework of National Budget.

1.1 Vision

“Socio – Economic Development through Effective Appropriation of Financial Resources”.

1.2 Mission

Estimation and Appropriation of public financial resources for effective delivery of public goods and selected services achieving development objectives of the Government.

1.3 Goals

- Ensure socio economic development of the people through efficient and effective allocation of financial resources.
- Maintain fiscal discipline.
- Ensure fiscal consolidation.
- Learning and sharing for better estimation.

1.4 Functions & Responsibilities

1.4.1 Formulation of the National Budget

The national budget is formulated considering government priorities, directions and strategies. Socio- economic development plans of the government are crafted through a consultative process and accommodated for effective resource allocation. Annual budget for the State is formulated for spending agencies including Ministries, Departments, Provincial Councils and Statutory Boards in consultation with the respective Agencies and the relevant Treasury Departments to achieve fiscal targets stipulated by the government as per the Fiscal Management (Responsibility) Act. Annual estimates are prepared within the Medium Term Expenditure Framework (MTEF) for the period of the next three years.

1.4.2 Implementation of the National Budget

The following activities are conducted annually for implementation of the national budget.

- Issuance of guidelines and Circulars related to the budget formulation and implementation including authorization.
- Enforcement of controls to ensure that funds are used exclusively for the appropriate purposes within the approved limits and the fiscal discipline is maintained.
- Interacting with Spending Agencies to ensure operational efficiency.

- Making Recommendations to the Department of Treasury Operations (TOD) to release cash for selected capital projects as determined by the Budget Review Implementation Committee (BRIC).
- Drafting observations on Cabinet Memoranda relating to the allocation of financial resources.
- Representing the General Treasury at the Committee on Public Accounts (COPA), Committee on Public Finance (COPF) and Committee on Public Enterprises (COPE) and other parliamentary meetings.
- Representing the General Treasury at the Presidential Meetings, Prime Minister's Meetings and other meetings organized by Ministries and Spending Agencies.
- Reallocation of provisions to ensure allocative efficiency.
- Monitoring the progress of Budget Proposals implementation by respective Ministries.
- Granting approval for transfer of allocation under FR 66.

1.4.3 Advance Account Activities

- Determination of limits for the Commercial, Stores, Public Officer's Advance Accounts and revision of these limits based on requests of spending agencies.

1.4.4 Monitoring the Implementation of Budgetary Provisions

- Perform as the Secretary to the Budget Review Implementation Committee (BRIC).
- Issuing guidelines and Circulars relating to budget monitoring.
- Monitor financial and physical performance related to Budget Proposals of Ministries, Departments and Statutory Boards.

1.4.5 Allocation of Financial Resources for Programmes/ Projects

- Allocation of financial resources required for new Programmes/ Projects, proposed by the Hon. Minister of Finance under budget proposals.
- Re-allocation of provisions reserved for social welfare activities.
- Allocation of financial resources for disaster relief and other essential and urgent requirements.

Table 1.1 Summary of Performance – 2016

Action	Activity	Overall Target	Output
1. Implementation of Budget 2016 and Expenditure Management.	Issuance of Budget Circulars giving instructions on expenditure management.	Manage public expenditure efficiently.	Issued National Budget Circular No 7/2015 (Authorization of Expenditure of Budget 2016 & Public Expenditure Management) in this regard.
	Provision of additional funds for unforeseen expenditure and submission of Supplementary Estimates in the Parliament.	Manage funds minimizing unforeseen expenditure.	Additional fund requirements, especially for accommodating unforeseen incidents such as floods, draughts etc were addressed, managing the reallocation of funds within the approved expenditure ceiling, without submitting a Supplementary Estimate in the Parliament.
	Authorization of transfer of funds under FR 66 and 69.	Maintain expenditure within the approved estimates.	As per the said Regulations, 1563 applications were authorized. Out of that, 240 applications were programme transfers and 1,323 were project transfers.

Action	Activity	Overall Target	Output
	Amendment to the Appropriation Act No. 16 of 2015.	<p>Create Expenditure Heads for each Provincial Council as they were abolished from the original appropriation Act for 2016(No. 16 of 2015) and amended the paragraph 2(1)(6) of the Appropriation Act (relevant to Borrowing Limits).</p> <p>Present the Appropriation (Ammendment) Bill to the Parliament in the Second week of Aug, 2016.</p> <p>Pass the Appropriation (Ammendment) Bill in the Parliament.</p>	<p>Gazetted the Appropriation (Ammendment) Bill for 2016 in 15. 07. 2016.</p> <p>Submitted the Appropriation (Ammendment) Bill to the Parliament on 09.08.2016.</p> <p>Second Reading on 26.10.2016.</p> <p>Parliament passed the Appropriation (Ammendment) Bill on 26. 10. 2016.</p> <p>Appropriation (Ammendment) Act No 23 of 2016 was certified by the Hon. Speaker on 26.10. 2016.</p>

Action	Activity	Overall Target	Output
2. Preparation and formulation of National Budget Estimate for 2017	Issuance of Budget guidelines on the preparation of Budget Estimates.	Issue a Budget call with the guidelines to prepare Budget Estimates.	Formulated the Budget for 2017 in line with the Government Development Policy Framework and medium term fiscal framework within MTEF 2017-2019 by using Zero Based Budgeting Approach.
	Preparation of draft annual budget Estimates in consultation with spending agencies and relevant Departments of the Treasury.	Ensure achieving economic and development goals of the Government.	Conducted pre budget meetings for selected ministries and other stakeholders with the Chairmanship of Hon. Finance Minister and Hon. Minister of the relevant Ministry.
	Conduct Budget discussions with relevant Ministries.	Meet the actual requirements and prepare a realistic budget.	Conducted review meetings with the Secretary to the Treasury and the Deputy Secretaries along with relevant Departments/Agencies.
	Make necessary arrangements to present the Appropriation Bill for 2017 to the Parliament, on time.	Present the Appropriation Bill to the Parliament in the third week of Oct, 2016. Pass the Appropriation Bill in the Parliament.	Gazetted the Appropriation Bill for 2017 in 05. 10. 2016. Submitted the Appropriation Bill to the Parliament on 20.10.2016. Presented the Budget to the Parliament (Second Reading) on 10.11.2016. Parliament passed the Appropriation Bill on 10. 12. 2016.

Action	Activity	Overall Target	Output
		Preparation & Printing of detailed Estimates.	<p>Appropriation Act No 24 of 2016 was certified by the Hon. Speaker on 10.12.2016.</p> <p>A Warrant was issued by the Minister of Finance on 19.12.2016.</p> <p>Printed detailed estimates with the background information concerning all relevant spending heads.</p>
3. Submission of observations on Cabinet Memoranda.	Submit observations and comments on Cabinet Memoranda on time with relevant analysis of government/sectoral policy and expenditure.	Timely submission of observations on Cabinet Memoranda.	Submitted observations for 360 Cabinet Memoranda on time.
4. Internal Management of the Department of National Budget.	General Administration. Management of Leasing Vehicles under financial leasing.	Ensure efficient utilization of human resources and budgetary provisions allocated to the Department.	Utilized Rs. 8,403.60 million of allocation i.e. Rs. 2,889.42 million of recurrent expenditure and Rs. 5,514.18 million of capital expenditure of which Rs 5,506.17 million have been utilised for paying the financial leasing.
	Control of the Departmental Advance Account.	Grant Loans/advances to all the applicants of the staff of NBD complying with limits of the Advance Accounts.	Distress loans, bicycle loans, special advances and festival advances amounting to Rs. 6,957,606 have been provided, while adhering to authorized limits.

Action	Activity	Overall Target	Output
	Capacity Building.	Develop human resources through local and foreign training.	17 officers were trained overseas while 24 officers were trained locally on programs related to activities of the Department of National Budget .
	Submission of Reports.	Submit reports before the deadlines (a) Performance Report (b) Appropriation Account (c) Reconciliation of Public Officers' Advance Account.	Submitted the following reports on time. (a) Appropriation Account 2016 (b) Reconciliation of public officers Advance Account 2016.
	Replying to Audit Queries.	Minimize audit queries. Attend COPA, COPE COPE.	Replied to all audit queries (07) forwarded by the Department of Auditor General.

2. Review and Implementation of Budget 2016

2.1 Appropriation Act for 2016

The Appropriation Bill for 2016 was presented in the Parliament for the first reading on 23rd October 2015. Following the second and third readings it was passed by the Parliament on 19th of December 2015. Same was enacted as the appropriation Act No 16 of 2015.

Appropriation Act included three schedules, namely, the first schedule, second schedule and the third schedule. Each schedule included the following expenditure, as given in Table 2.1.1.

Table 2.1.1 Appropriation Act for 2016

First Schedule	Expenditure of general services of the Government by programme.	Total estimated expenses was Rs. 2,507 billion. (Recurrent- Rs. 1,114 billion and Capital- Rs. 1,055 billion)
Second Schedule	Expenditure of the Government, authorized by law and to be charged on the Consolidated Fund.	Estimated expenditure was Rs. 1,192 billion. (Recurrent- Rs. 544 billion and Capital- Rs. 648 billion)
Third Schedule	Expenditure related to Advance Account Activities.	Contribution from the government budget was Rs. 5 billion.

Accordingly the total expenditure of the government in terms of the above three schedules was Rs. 3,704 billion.

2.2 Amendments to the Appropriation Act No.16 of 2015

The prevailing system for allocation of budgetary provisions for the Provincial Councils (PC) under separate Expenditure Heads was overturned in the year 2016, including the budgetary provisions for all PCs into the Expenditure Head of the Ministry of Provincial Councils and Local Government when implementing the budget 2016. As this effort is negatively impacted on the autonomy, Provincial Councils continually requested to revise the process and implement the system used until 2015. Acknowledging these requests the Cabinet of Ministers has decided to reverse the process by amending the Appropriation Act No 16 of 2015 creating an Expenditure Head for each Provincial Council. Accordingly, the draft Appropriation (Amendment) Bill was published in the Government Gazette on 15.07.2016 and submitted to Parliament for approval.

Further, as a measure of correcting the issue raised by the Auditor General on the Financial Statements of the Government, actions have been taken to amend the clause 2. (1) (b) of the Appropriation Act to amend the accounting treatment practiced during last decades. This amendment was made as a Committee Stage Amendment to the Appropriation (Amendment) Bill for 2016.

Endorsing the above changes, the Appropriation (Amendment) Bill was approved by the Parliament as the Appropriation (Amendment) Act No. 23 of 2016 while all the estimated Revenue, Expenditure and Budget Deficit remained unchanged.

2.3 Utilization of Contingency Fund

As an interim measure in the absence of an Expenditure Head for the newly created Ministry of Regional Development, an advance of Rs 15 million was withdrawn from the Contingencies Fund, in terms of the Article 151(2) of the constitution. The procedure stipulated in Financial Regulation 78 was adhered to. As advances drawn from the Contingencies Fund for a designated purpose should be settled before the end of the financial year by submitting a supplementary estimate to Parliament, this was included in the Supplementary Estimate submitted by the same Ministry and settled against the provisions therein.

2.4 Supplementary Estimates

The Minister of Finance submitted a Supplementary Estimate to the Parliament for settling the advance of Rs.55 Mn drawn from the Contingencies Fund in the year 2015 in order to facilitate the 11 ministries established by the extra ordinary gazette no. 1909/20 issued on 06th April 2015 and 1909/54 issued on 10th April 2015. Thereafter, Special Warrant no.01 was issued by the Minister of Finance enabling them to report the expenditure incurred using the said advance which has been withdrawn from the Contingencies Fund in 2015 referred to in the Supplementary Estimate.

Similarly, the Ministry of Regional Development was established on 18/03/2016 by appointing a Minister of Regional Development by the Extraordinary Gazette no. 1958/72. As this Ministry did not exist during the period of budget formulation for the year 2016, a supplementary Estimate had been submitted to the Parliament as a measure of providing an Expenditure Head to this Ministry. Following the procedure of Financial Regulations 74, 75 and 76, the Minister of Regional Development submitted a Supplementary Estimate of Rs. 592,925,000 million (Recurrent - Rs. 469,425,000 and Capital - Rs. 123,500,000 million). When it was approved by Parliament on 2016.09.20, Expenditure Head No. 147 has been created to the Ministry of Regional Development and Special Warrant No.02 was issued by the Minister of Finance, enabling to release imprest for expenditure earmarked in the Supplementary Estimate.

2.5 Funds Withdrawn from the Contingencies Fund

As an interim measure in the absence of an Expenditure Head for the newly created Ministry of Regional Development, an advance of Rs 15 million was withdrawn from the Contingencies Fund, in terms of the Article 151(2) of the Constitution. Procedure stipulated in the Financial Regulation 78 was adhered to. Since advances drawn from the Contingencies Fund for a designated purpose should be settled before the end of the financial year by submitting a supplementary estimate to Parliament, the said amount was settled through the Supplementary Estimate submitted by the relevant Ministry accordingly.

2.6 Special Law Warrants as Supplementary Allocations

If there is any additional fund requirement for a purpose that has been referred to in the Special Law Services in Schedule 2 of the Appropriation Act during the year, the Minister of Finance shall issue a Supplementary Special Law Warrant on the Form of Treasury 77, authorizing release of money from the Consolidated Fund. As such, nine (9) special law warrants have been issued during the year 2016 as given in Table 2.6.1.

Table 2.6.1 Special Law Warrants as Supplementary Allocations

Authority No	Expenditure		Purpose /Objective	Amount (Rs).
	Head	Institution		
01	01	H.E. The President	To pay the revised pension amount of former President Ms. C.B. Kumarathunga, as per the resolution passed by the Parliament.	870,000
02	20	Election Commission	To pay remunerations of members of the Election Commission.	800,000
03	06	Public Service Commission	To pay remunerations of members of the Public Service Commission.	5,670,000
04	253	Department of Pensions	To meet the shortfall of provisions provided for the payment of W&OP.	7, 585,000,000
05	08	National Police Commission	To pay remunerations of members of the Police Commission.	7,100,000

06	10	Commission to Investigate Allegations of Bribery or Corruption	To pay remunerations of members of the Commission.	1,300,000
07	253	Department of Pensions	To meet the shortfall of provisions provided for the payment of W&OP.	270,000,000
08	249	Department of Treasury operations	To meet the shortfall of provisions allocated on debt servicing.	179,270,670,000
09	249	Department of Treasury operations	To meet the shortfall of provisions on debt servicing due to the change of accounting policy regarding Treasury Bills and Treasury Bonds.	12,090,339,859.19

2.7 Performance of Budget 2016

The total actual expenditure recorded for the year 2016 was Rs. 3,106 billion against the estimated provision of Rs. 3,699 billion. That was Rs.98 billion lower than the total actual expenditure incurred in the year 2015. The total utilization ratio of the provision was 84 percent which was 12 percent lower than the utilization in the year 2015, recorded as 96 percent. One of the reasons for this lowering the actual is that there were bills in hand by spending agencies on 31.12.2016 amounting to Rs. 82 Bn. Had this amount been paid, the actual expected expenditure utilized would have been 57%.

Out of the provisions authorized under the clause 2 (1) of the Appropriation Act, (expenditure on supply services) only 69 percent was utilized during the year. However, utilization of Capital Expenditure of the Government shows a clear decline recording as 50 percent against the initial estimate. The unutilized ratio of expenditure recorded on recurrent expenditure was 3.3 percent against the revised estimate, excluding the notional cost of 139 million earmarked to account for the utilization of land and buildings in the Health and Education sectors. The actual Expenditure on personal emoluments recorded has been overrun by Rs 2 Bn while actual expenditure on transfer payments has been overrun by Rs. 15Bn. These transfer payments are mainly on transfers to Provincial Councils and retirement benefits.

The expenditure estimates under special law (Financing code 21) has also shown an overrun of Rs 196 billion against the initial estimation of Rs. 1,192. This was basically due to the increase in debt servicing, both repayment and interest payment of domestic and foreign loans as well as pension payments. The policy prevailed in reporting cash based accounting treatment for Treasury Bills & Treasury Bonds has been revised to the face value of the Treasury Bills and Treasury Bonds which contributed to this significant change in debt servicing.

Both programme 1–Operational activities and Programme 2– Development activities illustrate the downward trend in recording the actual expenditure.

Table 2.7.1 indicates the summary of utilization of budgetary provisions in 2016, in comparison to the year 2015.

Table 2.7.1 Utilization of Budgetary Provisions 2015-2016

Expenditure Category	(Rs. Billion)			
	2015		2016	
	Budget	Expenditure	Budget	Expenditure
Appropriation Act (1st schedule)	2,101	1,849	2,507	1,719
Programme – 1	1,085	1,102	1,021	988
Programme – 2	1,016	747	1,486	731
Special Law Services (2nd schedule)	1,237	1,354	1,192	1,388
Total	3,338	3,203	3,699	3,106

Source : Department of State Accounts

The source of financing of government expenditure for the year 2015 and 2016 is shown in Table 2.7.2.

Table 2.7.2 Financing Source of Government Expenditure

Financing Code	Financing Source	2015 Rs. Bn	2016 Rs. Bn
11	Domestic Funds	1,545.2	1,466.6
12	Foreign Loans	252.5	205.4
13	Foreign Grants	5.5	6.9
14	Reimbursable Foreign Loans	1.7	2.7
15	Reimbursable Foreign Grants	0.1	0.2
16	Counterpart Funds	0.5	0.3
17	Foreign Finance Associated Local costs	43.0	36.3
21	Special Laws	1,354.5	1,387.6
Total		3,203.0	3,106.5

Source : Department of State Accounts

The amount received as foreign grants has increased by 1.6 billion, reflecting a positive trend when compared with the sharp decrease recorded in 2015. However, the disbursement ratio of foreign grants is still only 50 percent against the estimated amount.

Table 2.7.2 Unutilization of Provisions

Name of the Ministry/Expenditure Item	Estimated Provisions	Additional Allocation provided from TMV	Supplementary Allocation Through Special Warrant and Parliament	Total Provisions (sum of (1)+(2)+(3))	Actual Expenditure	Rs Mn
						Unutilized Provisions (4)-(5)
	(1)	(2)	(3)	(4)	(5)	(6)
Special Spending Units	11,278	6,323	16	17,616	12,923	4,693
Buddha Sasana	1,338	829	-	2,166	2,018	148
Finance	33,899	27,889	55	61,842	57,850	3,992
Defence	306,658	4,413	-	311,071	270,532	40,539

National Policies and Economic Affairs	12,922	24,417	-	37,340	26,628	10,712
Disaster Management	2,934	2,796	-	5,730	4,446	1,284
Posts, Postal Services and Muslim Religious Affairs	12,587	582	-	13,169	12,927	241
Justice	9,885	704	-	10,588	9,513	1,075
Health, Nutrition and Indigenous Medicine	174,078	5,554	-	179,632	136,632	43,000
Foreign Affairs	9,469	500	-	9,969	9,361	608
Transport & Civil Aviation	59,531	29,207	-	88,738	67,392	21,346
Higher Education and Highways	173,064	57,961	-	231,025	195,600	35,425
Agriculture	54,201	5,193	-	59,394	47,886	11,508
Power and Renewable Energy	1,237	12,430	-	13,667	13,020	647
Women and Child Affairs	9,766	445	-	10,211	7,773	2,438
Home Affairs	32,638	17,625	-	50,263	38,437	11,825
Parliamentary Reforms and Mass Media	5,454	190	-	5,645	3,557	2,087
Housing and Construction	2,823	5,475	-	8,298	8,206	92
Social Empowerment and Welfare	68,401	2,400	-	70,801	66,752	4,048
Education	185,976	17,396	-	203,372	65,000	138,372
Public Administration and Management	194,256	73	7,855	202,184	200,608	1,576
Plantation Industries	7,879	3,063	-	10,941	8,540	2,401
Sports	3,321	1,126	-	4,447	3,230	1,218
Hill Country New Villages, Infrastructure and Community Development	687	1,110	-	1,797	1,284	513
Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs	12,598	14,389	-	26,988	22,008	4,980
Regional Development	-	42	593	634	541	94
Industry and Commerce	5,675	4,827	-	10,502	9,151	1,351
Petroleum Resources Development	282	161	-	443	406	37

Fisheries and Aquatic Resources Development	4,933	1,565	-	6,498	5,670	828
Lands	7,801	548	-	8,349	7,059	1,290
Rural Economic Affairs	4,800	6,643	-	11,443	9,312	2,132
Provincial Councils and Local Government	237,935	5,956	-	243,891	221,089	22,802
National Co-Existence, National Dialogue and Official Languages	791	27	-	818	588	230
Public Enterprise Development	361	775	-	1,136	1,088	48
Tourism Development and Christian Religious Affairs	163	756	-	919	548	371
Mahaweli Development and Environment	69,496	281	-	69,776	45,780	23,996
Sustainable Development and Wildlife	3,146	842	-	3,989	3,488	501
Megapolis and Western Development	22,275	8,177	-	30,452	13,336	17,116
Internal Affairs, Wayamba Development and Cultural Affairs	6,151	3,067	-	9,218	6,642	2,576
National Integration and Reconciliation	100	297	-	397	337	60
City Planning and Water Supply	31,978	2,972	-	34,950	26,761	8,190
Special Assignment	150	43	-	193	72	121
Ports and Shipping	691	1,255	-	1,945	1,232	713
Foreign Employment	1,037	107	-	1,144	1,069	75
Law and Order and Southern Development	68,221	4,822	-	73,043	66,901	6,142
Labour and Trade Union Relations	7,076	135	-	7,210	5,570	1,641
Telecommunication and Digital Infrastructure	427	1,150	-	1,577	996	581
Development Strategy and International Trade	815	290	-	1,105	774	330

Science, Technology and Research	3,869	210	-	4,078	3,294	784
Skills Development and Vocational Training	12,017	1,432	-	13,449	10,071	3,378
Irrigation and Water Resources Management	28,078	2,209	-	30,287	18,816	11,471
Primary Industries	1,294	200	-	1,494	1,285	209
Debt Service Payment	1,169,273	-	191,361	1,360,634	1,352,443	8,191
Treasury Miscellaneous vote (TMV)	623,286	(290,876)	-	332,410	-	332,410
Grand Total	3,699,000	-	199,880	3,898,880	3,106,443	792,437

Source : Department of National Budget/Department of State Accounts

2.8 Sectoral Perspectives in 2016 Budget in the Medium Term Expenditure Framework of 2016-2019

The Budget 2016 was mainly based on the Development Policy Framework of the Government and on the strategies identified therein. The following operational scenarios were also applied in the formulation and implementation of 2016 Budget.

- (a) Sectoral basis – The budgetary allocations for 2016 were made in accordance with the sectoral policy framework developed by relevant stakeholders for the development of respective sectors.
- (b) Realistic assessment – The budget 2016 was based on an assessment of actual expenditure incurred under the limits provided in terms of Article 150 (2) and Article 150 (3) of the Constitution.
- (c) Non-performing projects – Reformulation or phasing out of all such projects that have been carried in estimates for several years.
- (d) Avoid duplication and overlapping – Proper recognition given to interdependent and overlapping activities among individual Ministries. Spending agencies and the provincial councils were guided to ensure sector allocations are properly distributed among similar activities implemented under projects and programmes.

2.9 Management of 2016 Budget

2.9.1 Transfer of Funds

As per the Section 5 of the Appropriation Act No.16 of 2015, General Treasury granted approval to reallocate or transfer of unutilized provisions within the total expenditure limit approved by the Parliament under procedures specified in Financial Regulations and printed Estimates. In this process, transfers or reallocation of budgetary provisions allocated for recurrent expenditure, which have not been utilized or not likely to be utilized, to recurrent or capital expenditure within the same programme, or to capital expenditure in any other programme within the same Head of expenditure have been allowed. Similarly, transfer of capital expenditure, which has not been utilized for the purpose within the same programme has been considered for the re-allocation for another capital expenditure.

2.9.2 Supplementary Support Services and Contingent Liabilities

The Supplementary Support Services and Contingent Liabilities project under the Expenditure Head 240, was implemented by the Department of National Budget in year 2016 for facilitating the unforeseen urgent additional fund requirements of spending agencies.

The total provision of this project in 2016 was Rs 623.3 bn, including the provision for implementation of budget proposals, of which Rs 246.8 bn has been reallocated to relevant spending agencies as supplementary allocations on the basis of need assessments undertaken by the Department of National Budget. All supplementary allocations have been provided in line with specific guidelines stipulated in printed Estimates for 2016. A summary is given in table 2.9.2.1.

Table 2.9.2.1 Summary of Provisions allocated Under the Clause 6 of the Appropriate Act

Purpose as per the Printed Estimates		Amount (Rs. Mn)
1	Provisions for payment of salary increases proposed in the budget speech, rectification of salary anomalies, new recruitments and other related payments and increase in Public Sector Pensions.	7,317
2	Provisions to meet additional expenditure and liabilities arising from changes underlying assumptions based in the preparation of budget estimates.	36,715
3	Provisions for implementation of budget proposals.	110,537
4	Provisions to meet any shortfall in capital expenditure of development projects funded through external financing and related counterpart-funding requirement inclusive of payment of taxes and duties.	92,303
Total		246,872

Source: Department of National Budget

A report containing the amount of provision transferred and the reasons for such transfer, was submitted to the Parliament within two months of the date of the said transfer made, in terms of clause 6(1) of the Appropriation Act. In addition, details of all transfers made out of this provision were incorporated in the Government Fiscal Performance report 2016 as per the Fiscal Management (Responsibility) Act. No. 3 of 2003. Finally, actual utilization is reported under the relevant object codes in printed Estimates for the following year.

2.9.3 Issuance of Budget Circulars

The Department has issued circulars, providing guidelines required for expenditure management of the spending agencies. During the fiscal year of 2016, six circulars have been issued in the areas of budget preparation and formulation , vehicle hiring , relief on disaster victims, granting compensation and authorization of expenditure as mentioned below.

Table 2.9.3.1 Issuance of Budget Circulars

	Date	Circular No	Title
1	17.03.2016	NBD 01/2016	Guidelines for procurement of vehicles for Government Agencies under the Operational Leasing method.
2	19.09.2016	NBD 01/2016 (i)	Guidelines for procurement of vehicles for Government Agencies under the Operational Leasing method (Amendment to NBD 01/2016 dated 17.03.2016).
3	02.08.2016	NBD 02/2016	Budget call 2017- Guidelines and Direction for the Preparation of Annual Budget Estimated for 2017.
4	30.12.2016	NBD 03/2016	Guidelines to provide relief to the disaster victims in a disaster emergency situation and to the people evacuated from the residencies due to disaster risk and restoration of damage areas.
5	30.12.2016	NBD 04/2016	Guidelines to grant compensation for the fishermen who died while engage in fisheries activities in a disaster emergency situation.
6	28/12/2016	NBD 05/2016	Authorization of Expenditure and Public Expenditure Management -2017 Budget.

Source: Department of National Budget

3. Preparation of Budget Estimates for 2017

Budget estimates for 2017 were formulated within a Medium Term Budgetary Framework for 2016-2019 based on the government policy aimed at accelerating economic growth of the country. Accordingly, Budget 2017 expected public investment to be increased by at least 6-7 percent of GDP in the medium term in order to achieve an economic growth beyond 8 percent.

3.1 Budget Formulation Guidelines

The Budget Call 2017, including the guidelines and directions for preparation of Annual Budget Estimates was issued as the National Budget Circular No. 02/2016. Accordingly, directions had been given to formulate the 2017 budget in line with the Government Economic Policy Framework. Focus areas of the budget 2017 includes job creation in rural areas, enhancing export income, improving labour skills, enhancing participation of the private sector in development activities and expending infrastructure development programmes.

Further, the 2017 budget continued the zero based budgeting approach while moving towards the performance based Budgeting with the view to transforming the budgeting system of the country by 2020.

4. Special Activities

4.1 Budgetary Management of Public Institutions

All matters relating to Public Finance and Budgetary Management of 117 Public Institutions (Statutory boards, Authorities, Commissions etc.) which are financially supported by the Consolidated Fund were carried out by the Department of National Budget during the year 2016. The following functions with regard to these institutions were carried out by the Department of National Budget in 2015 to improve their financial and management efficiency:

- Review the performance and the progress of these Statutory Boards, by analyzing and examining the Annual Budget, Annual Action Plan, Annual Accounts and the Annual Report.
- Revise the requests for release of monthly cash imprest on the recurrent and the capital grants in coordination with the Department of Treasury Operation.
- Grant necessary approvals for capital expenditure exceeding Rs.500,000/- in terms of the Finance Act No. 38 of 1971.

- Assist, prepare and submit reports of the financial performance and management of Statutory Boards to the Committee on Public Enterprises (COPE), when COPE meetings are convened by Parliament.
- Grant approval for the purchase of new vehicles required by these Enterprises as well as purchasing and handing over new vehicles under the Financial Leasing Method as and when necessary.
- Review the Audit Examine Reports of the Auditor General and the Special Audit Queries submitted to this Department. Coordinate with the relevant Statutory Boards on resolving these queries and ensure that remedial actions are taken to avoid occurrence of such audit queries in the future.
- Submit recommendations to the Department of Management Services on the recruitment of new staff to Statutory Boards based on the availability of Budgetary Provisions and actual needs of such institutions.
- Grant approval for officers of the Department of National Budget to travel abroad for various purposes (trainings, meetings, seminars, conference etc.)
- Advice and co-ordinate with the Statutory Boards on the other financial and management issues such as implementation of Mega Capital Projects.

4.2 Observations on Cabinet Memoranda

During the year 2016, the department prepared observations for 360 Cabinet Memoranda for the Hon. Minister of Finance.

4.3 Approval for the Purchase of Vehicles

4.3.1 National Budget Approval for Vehicle Procurements

In terms of the Cabinet decision of 31.01.1990, the Department of National Budget grants approval for the purchase of vehicles by Government Institutions. Accordingly, all Ministries, Departments, Provincial Councils, local authorities and all Statutory Boards, Corporations and Government Owned Companies (GOCs) whether under self-financing or otherwise, are required to obtain prior approval of this Department for any aforementioned purchase. During the year 2016, the Department has given approval for the purchase of 463 vehicles. The number of vehicles purchased by each type is stated in Table 4.3.1.

Table 4.3.1: Vehicles Approved by the Department of National Budget by Vehicle Type, in 2016.

Type of Vehicle	No. of Vehicles Approved
Vans	18
Single / Double/Crew cabs	69
Three wheelers	44
Lorries / Trucks/ Mini Truks	13
Motor cycles	54
Others (Tractors/Trailers/Water Bowsers, etc.)	265
Total	463

Source: Department of National Budget

4.3.2 Procurement of Vehicles for the Public Sector

Financing method of procurement of vehicles for the Government was changed from financing leasing to operating leasing as proposed by the Budget 2016 in order to achieve a higher cost efficiency to the government than before. Accordingly, all Government agencies have been advised to follow the guide lines of the National Budget circular no. 1/2016 regarding the procurement of vehicles. As per the instructions given in the above guidelines the Department of National Budget has granted approval to obtain 160 motor cars, 5 jeeps, 328 double cabs and 51 vans for the year 2016.

Providing of motorcycles for government officials was halted in line with the Budget Proposals 2016. As per the directions, 359 motorcycles/ Scooters were provided during the year 2016.

4.4 Participation of Staff in Boards and Committees

Most of the staff officers of this Department have served as Directors (Treasury Representatives) to the Boards of Directors of Statutory Boards, Public Corporations and Government Owned Companies (GOCs), while some officers have served as Members of Cabinet Appointed Tender Boards (CATBs), and Technical Evaluation Committees (TECs) representing the Secretary to the Treasury in these committees. In addition, Staff Officers of this Department attend meetings of the Committee on Public Accounts (COPA), Committee on Public Finance (COPF) and the Committee on Public Enterprises (COPE) in the Parliament, representing the Department.

5. Organizational Structure and Role of the Department of National Budget

The Organizational Structure and role of the National Budget Department have been constructed with a categorization under the following comprehensive sectors which represent the provisions of Line Ministries expenditure estimates.

1. Public Services
2. National Security and Law Enforcement
3. Human Resources
4. Infrastructure
5. Finance
6. Social Security
7. Environment
8. Real Economy

5.1 Staff

Numbers of Officers under the following service levels were in the organizational structure of the Department of National Budget in year 2016 as per the Public Administration Circular No. 06/2006.

Service Level	No. of Officers
Senior Level	39
Tertiary Level	04
Secondary Level	75
Primary Level	37

As at the end of 2016, the approved cadre and the actual cadre of the Department were as shown in Table 5.1.1.

Table 5.1.1 Cadre of the Year 2016 Department of National Budget

Designation	Service	Grade/ Class	Salary Group	Approved Cadre Permanent	Existing Cadre	Vacancies
					Permanent	
Senior Level						
Director General	SLAS	Special	SL-3	1	1	0
Addl. Director General	SLAS	Special	SL-3	2	2	0
Addl. Director General	SLPS	Special	SL-3	1	1	0
Director	SLAS	I	SL-1	8	7	1
Director	SLPS	I	SL-1	5	4	1
Director	SLAcc.S	I	SL-1	1	1	0
Deputy Director/Asst. Director	SLAS	II/III	SL-1	15	12	03
Deputy Director	SLAcc.S	II	SL-1	1	1	0
Deputy Director/ Asst. Director	SLPS	II / III	SL-1	4	4	0
Accountant	SLAcc.S	III	SL-1	1	1	0
Total				39	34	05
Tertiary Level						
Administrative Officer	PMAS	Supra	MN-7	1	1	0
Translator	TS			2	2	0
IT Officer	IT			1	1	0
Total				4	4	0
Secondary Level						
Management Asst.	PMAS	I/II/III	MN-2	23	23	0
Budget Assistant			MN-4	1	1	0
Development Officer	DO s		MN-4	51	39	12
Total				75	63	12
Primary Level						
Drivers	DS	I/II"A"/ II"B"	PL-3	18	17	1
K.K.S	O.E.S	I/II/III	PL-1	19	18	1
				37	35	02
SUB TOTAL				155	136	19

5.2 Human Resource Development

The Department was able to send its staff for the following local and foreign training programmes in 2016, in order to enhance their professional skills and working efficiency, in addition to attending various meetings in their official capacities.

5.2.1 Foreign Trainings / Seminars / Meetings

The following staff members were given foreign trainings in different fields in the year 2016.

S. No	Name of the Officer	Designation	Programme	Country	Period
1	Ms. K.G.K. Wimalaweera	Additional Director General	Policy Dialogue – Central & Local Government Relations & Fiscal Sustainability	Japan	21.04.2016 – 23.04.2016
			Sovereign Debt Management Forum	Washington	19.10.2016 – 20.10.2016
2	Mr. H.P. Jayananda	Additional Director General	Seminar on Strengthening Budget Institutions	Singapore	25.07.2016 – 29.07.2016
3	Ms. D.S.A.M.Costa	Director	Asia pacific forum on sustainable development	Thailand	03.04.2016 – 05.04.2016
4	Ms. Y.P.Sumana	Director	Health financing policy	Manila	11.07.2016 – 15.07.2016
5	Mr. C. Jayasuriya	Director	Risk sensitive investment planning	Thailand	02.08.2016 – 04.08.2016

6	Ms. M. Anoma Nandani	Director	G-77 Bangkok roundtable on sufficiency economy	Thailand	2016.02.28 - 2016.02.29
			Macroeconomic Policies Programme	Hong Kong	12.07.2016 - 16.07.2016
7	Ms. Biyanka N. Gamage	Director	Fiscal & Debt Management Workshop	Malaysia	13.06.2016 - 17.06.2016
8	Ms. Nalani Amarathunge	Director	Sovereign climate risk transfer programme	Indonesia	17.10.2016 - 19.10.2016
9	Ms. Ajitha Batagoda	Director	Financial Programming & Policies	Singapore	11.01.2016 - 22.01.2016
			1st SEARO ProLead Workshop for Health Promotion 2016	Thailand	27.07.2016 - 01.08.2016
			Forum & Workshop	Thailand	24.10.2016 - 27.10.2016
10	Mr. A.V. Janadara	Director	Public Finance for Nutrition Workshop	Thailand	25.04.2016 - 27.04.2016
			Public Finance & Budgeting	Thailand	05.09.2016 - 16.09.2016
11	Mr. A.G. Nishantha	Director	Macroeconomic Policies Programme	Hong Kong	12.07.2016 - 16.07.2016
			Nominated International Programme for Management	Thailand	19.03.2016 - 26.03.2016
12	Ms. M.A.M. Arifa	Director	Foreign Direct Investment Programme	Singapore	09.05.2016 - 13.05.2016
13	Mr. S.I.M. Rosa	Asst. Director	Public Finance & Budgeting	Thailand	05.09.2016 - 16.09.2016
14	Ms. D.A.S. Dahanayake	Asst. Director	Macroeconomic Policies	Hong Kong	12.07.2016 - 16.07.2016
			Sovereign climate risk transfer programme	Indonesia	17.10.2016 - 19.10.2016

15	Ms. E.G.H.M.Ranasinghe	Asst. Director	Seminar on Cloud Computing, Big Data Network Construction & Developing Strategies for Developing Countries	China	23.05.2016 - 12.06.2016
			Macroeconomic Policies Programme	Hong Kong	01.08.2016 - 05.08.2016
16	Ms. H.L.J.K.Amarasekara	Asst. Director	Financial Programming and Policies	Singapore	22.02.2016 - 04.03.2016
17	Ms.Y.A.N. Thushari	Asst. Director	Programme on Management (Audit)	Thailand	24.07.2016 - 31.07.2016

5.2.2 Local Trainings

The following staff members were given local trainings in different fields in the year 2016.

	Name	Designation	Training	Institute	Duration
1	Ms. C.P. Pitigala Arachchi	Management Assistant	Training programme on Establishment Codes	Ministry of Public Administration and Management	One day
	Ms. D. Samarasinghe	Management Assistant			
2	Mr. H.M.C.K. Hearth	Assistant Director	Training programme on Introduction to Financial Market	Academy of Financial Studies	19.05.2016 - 20.05.2016
3	Mr. K.P.D.P. Karunanayake	Assistant Director	Training programme on Introduction to Interest Rates	Academy of Financial Studies	24.05.2016 - 25.05.2016
4	Ms. N. Amarathunga	Director	Introduction to Fixed Income Securities	Academy of Financial Studies	26.05.2016
5	Ms. S.A.L. Samarasekara	Assistant Director	Training programme on Introduction to Forex	Academy of Financial Studies	30.05.2016 - 03.06.2016
6	Ms. W.A.N. Thushari	Assistant Director	Training programme on Introduction to Risk Management	Academy of Financial Studies	31.05.2016
7	Mr. S.I.M. Rosa	Assistant Director	Bourse Games	Academy of Financial Studies	06.06.2016

8	Ms. R. Kuhabalan	Management Assistant	Training programme on Office Management	District Secretariat Colombo	09.06.2016
	Ms. S. Pushpanathan	Management Assistant			
9	Ms. W.C. Kumuduni	Management Assistant	Training programme on Establishment Codes	Ministry of Public Administration and Management	One day
	Ms. C.P. Dasanayaka	Management Assistant			
10	Ms. S.D.S. Fernando	Administrative Officer	Training programme on Document Administration	Department of Archives	One day
11	Mr. S.I.M. Rosa	Assistant Director	Procurement Training Programme	USAID funded STAIR project	17.11.2016-25.11.2016
	Ms. W.A.N. Thushari	Assistant Director			17.11.2016-25.11.2016
	Ms. S.A.L. Samarasekara	Assistant Director			17.11.2016-25.11.2016
	Ms. H.M.C.K. Herath	Assistant Director			17.11.2016-25.11.2016
12	Mr. K.D.S. Ruwanchandra	Director General	Workshop on online fund transfer among government institute using electronic platform of the Central Bank of Sri Lanka pay	Ministry of Telecommunication and Digital Infrastructure	24.11.2016
	Ms. M.A. Nandani	Director			
13	Ms. D.C.A.M. Costa	Director	Training Programme on Enhancing Audit Quality	Sri Lanka Accounting and Auditing Standard Monitoring Board	29.11.2016
	Ms. Y.P. Sumanawathi	Director			30.11.2016
	Mr. C. Jayasuriya	Director			29.11.2016
	Ms. M.A. Nandani	Director			28.11.2016
	Ms. B.N. Gamage	Director			28.11.2016

5.3. Financial Administration of the Department of National Budget

The budgetary provision required for normal operations of the Department of National Budget was detailed under Head 240 in the Budget Estimates for 2016. Budgetary allocations were provided under 2 Programmes.

- | | | |
|-----|-----------------------------|--|
| (a) | Programme | 01 - Operational Activities |
| | Project 01 of the Programme | 01 - Budget Formulation and Policy |
| (b) | Programme | 02 - Development Activities |
| | Project 02 of the Programme | 02 - Supplementary Support Services and Contingent Liabilities |

The provision related to Departmental administrative expenditure on budget formulations and policies was provided by the Project No. 01 while Project 02, provided allocation for facilitating unexpected and unforeseen expenditure required by various spending agencies, expenditure related to implementation of the budget proposals announced in the year 2016 Budget Speech and for policy priorities announced in the financial year.

A sum of Rs. 632,107,300,000 had been provided under the Expenditure Head of the Department of National Budget to incorporate the expenditure on budget proposals and savings from identified Expenditure Heads that have been kept in the same Expenditure Head within the original estimates of 2016.

Table 5.3.1 Utilization of the provision under the Expenditure head of the Department

		Rs.
(1)	Expenditure of Project 01 of Programme 1	8,403,605,726
(2)	Provisions transferred to other Heads under Programme 2 Project 02	291,274,696,247
	Total	299,678,301,973
	Balance Provision	332,428,998,027

5.3.1 Advance Account Activities

The actual expenditure of Advance Account activities was Rs.19.75 billion against the estimate of the maximum expenditure of Rs.24.55 billion while the actual total receipt was Rs.22.65 billion against the estimate of minimum receipt of Rs. 19.55 billion. Accordingly, Advance Account activities were within the approved limits of the Appropriation Act No.16 of 2015. Activities under the Advance Account included activities of commercial nature as well as advances to public servants excluding the property loan. The total advances given to the public servants was Rs. 13.86 billion.

From the year 2005, property loans and vehicle loans for public officers have been made through state banks. During the year 2016, Rs.11.75 billion have been released for 12,649 government servants as property loans by state banks and the government has subsidized Rs.2.47 billion for loan interests.

Table 5.3.1: Public Officers' Advance Account for 2016

Category	Authorized Limit 2016 Rs.	Actual 2016 Rs.
Maximum Limit of Expenditure	7,000,000.00	6,957,606.00
Minimum Limit of Receipts	5,000,000.00	5,064,273.50
Maximum Limit of Debit Balances	25,000,000.00	21,250,043.26

Source: Department of National Budget

In terms of the Budget Circular No. 114 of 31.12.2003, figures of the above Table comprised only of transactions occurred under the Advance Account item No. 240-011, within the department. According to Circular No. 118, loan balances of officers who had been transferred out or in, were settled within the Accounting Heads, under the Advance Account item No. 240-012. With regard to settlement of these loan balances, expenditure incurred was Rs.5,371,105.00 and Receipts were Rs.5,888,557.50 during the year 2016. Accordingly, the Department had complied within the authorized limits of Public Officers' Advance Account.

Table 5.3.2: Loans Given in Year 2016

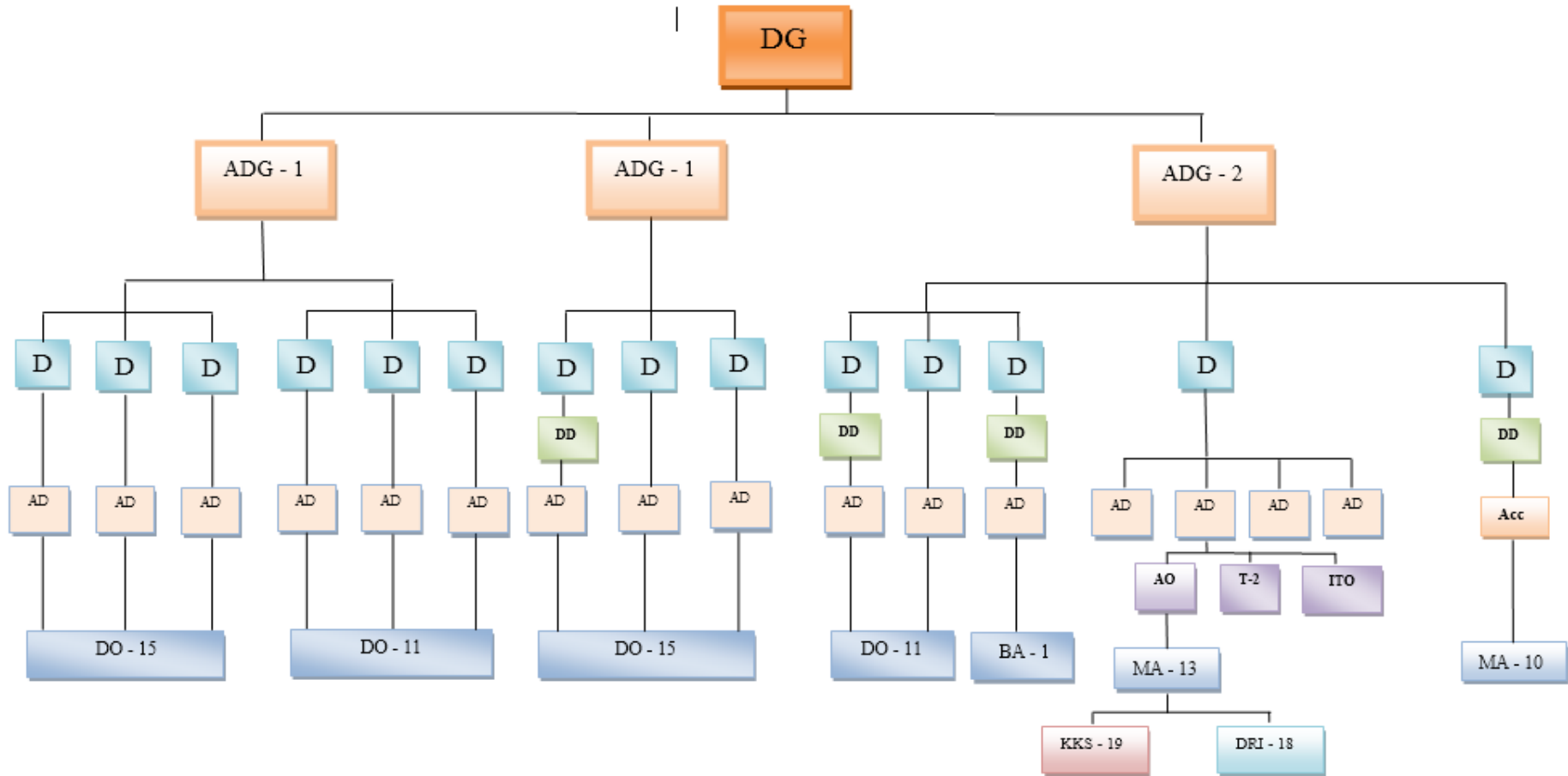
Loan/Advance	No of Loans Given	Amount (Rs.)
Festival Advance	99	991,250
Special Advance	55	220,400
Distress , Bicycle and other Loans	86	5,745,956
Total	240	6,957,606

Source: Department of National Budget

5.3.2 Auditor General's Queries for 2016

During the year 2016, seven (07) queries were referred to this Department by the Auditor, all of which were duly answered.

5.4 Organizational Structure of NBD (As per the approved cadre)



DG - Director General
 D - Director
 AD - Assistant Director
 BA - Budget Assistant
 OES - Office Employment Service

ADG - Additional Director General
 DD - Deputy Director
 MA - Management Assistant
 DO - Development Officer
 DRI - Driver

Acc - Accountant
 AO - Administration Officer
 T - Translator
 IT - IT Officer