

PERFORMANCE REPORT - 2012

DEPARTMENT OF NATIONAL BUDGET

MINISTRY OF FINANCE & PLANNING

Vision

Socio-economic Development through an Efficient
Appropriation of Public Resources

Mission

Facilitation of the performance of the responsibility conferred on the legislature for the management of public finance, by provision and distribution of resources for efficient delivery of public services and for the achievement of the development objectives of the Government.

Functions & Responsibilities

- a. Formulation of the National Budget
 - Preparation of Medium Term Expenditure Framework (MTEF) over a period of 03 years; within that
 - Formulation of annual budget estimates for Ministries, Departments and Statutory Agencies of the government in consultation with the Spending Agencies and the relevant Treasury Departments to achieve the fiscal targets stipulated in the Fiscal Management (Responsibility) Act.

- b. Public Expenditure Management
 - Issuance of Budget Circulars
 - Enforcement of appropriate budgetary management measures to ensure that funds are used exclusively for the declared purposes within the approved limits.
 - Interacting with the Spending Agencies to ensure the effectiveness of spending.
 - Analysis of expenditure for monitoring of financial as well as physical progress.
 - Representing the Department of National Budget at the Committee on Public Accounts (COPA).
 - Preparation of Observations on related Cabinet Memoranda
 - Granting approval for Vehicle Procurements
 - Procurement of vehicles for all government agencies under the financial leasing method.
 - Participation of Staff on Boards and Committees, and .
 - Financial Administration of the Department

- c. Activities Related to Statutory Agencies (Non – commercial Public Institutions)
 - Preparation of Budget Estimates for Statutory Agencies
 - Representing the Department of National Budget at the Committee on Public Enterprises (COPE).

- d. Advance Accounts Activities
 - Determination of limits for the Commercial, Stores and Public Officer's Advance Accounts in consultation with the spending agencies and consideration of the requests for revision of limits.
 - Representing the Treasury at the Committee on Public Accounts (COPA) meetings on matters related to Advance Accounts.

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01. Overview

The Department of National Budget operates under the guidance of the Ministry of Finance and Planning. 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.

1.1 Operational Framework

Performance of the operational activities of this department is based on the broader scope of public finance management and planning of the Ministry of Finance and Planning and overall mandate of the Department of National Budget. In the year 2012, the department carried out a wide range of activities in relation to the implementation of Budget 2012 as well as preparation of Annual Budget of 2013 within the Medium Term Expenditure Framework, 2013–2015, as given in Table 1.1.

Table 1.1
Summary of Performance - 2012

Function	Activity	Overall Target	Achievement
1. Implementation of Budget 2012 and Expenditure Management.	<ul style="list-style-type: none"> • Issuance of Budget Circulars giving instructions on expenditure management • Provision of additional funds for unforeseen expenditure and Submission of Supplementary Estimates to Parliament. • Authorization of transfer of funds under F.R. 66 and 69 	<ul style="list-style-type: none"> • Manage public expenditure efficiently. • Provide funds and minimize unforeseen expenditure • Maintain the expenditure within the approved estimates. 	<ul style="list-style-type: none"> • Issued National Budget Circular Nos. 156 & 157 in this regard • The 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 to Parliament. • As per the Financial Regulations, 1,886 applications were authorized. Out of that, 184 applications were programme transfers and 1,702 were project transfers
2. Preparation of National Budget Estimate for 2013	<ul style="list-style-type: none"> • Issuance of Budget guidelines on the preparation of the Budget Estimates. 	<ul style="list-style-type: none"> • Issue individual letters to relevant line ministries with guidelines to prepare the Budget Estimates. 	<ul style="list-style-type: none"> • Formulated the Budget for 2013 in line with the Government Development Policy Framework within MTEF 2013-2015.

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> Preparation of draft annual budget estimates in consultation with spending agencies and relevant departments of the Treasury. Conduct Budget discussions with relevant ministries 	<ul style="list-style-type: none"> Ensure meeting the goals set out in the Vision for the Future; Development Policy Framework of the Government. Meet the actual requirements and prepare a realistic budget 	<ul style="list-style-type: none"> Conducted pre budget meetings for selected ministries and other stakeholders with the Chairmanship of HE the President. Conducted meetings under the Chairmanship of the Hon. Minister of the relevant Ministry
	<ul style="list-style-type: none"> Make necessary arrangements to present the Appropriation Bill for 2013 to Parliament, on time. 	<ul style="list-style-type: none"> The Appropriation Bill to be presented to Parliament in third week of Oct, 2012 Preparation of detailed Estimates. Pass the Appropriation Bill by Parliament 	<ul style="list-style-type: none"> Gazetted the Appropriation Bill for 2013 in the Gazette, dated 28. 09. 2012. Printed detailed estimates with the background information concerning all relevant spending heads. Submitted the Appropriation Bill to Parliament on 26.09.2012 Presented the Budget to the Parliament (Second Reading) on 08. 11. 2012 Parliament passed the Appropriation Bill on 08. 12. 2012 Appropriation Act No 23 of 2012 was certified by the Hon. Speaker on 08.12.2012
3. Policy & Expenditure Review	<ul style="list-style-type: none"> Submission of observations on Cabinet Memoranda 	<ul style="list-style-type: none"> Submit observations and comments on Cabinet Memoranda on time with relevant analysis of government/sectorial policy and expenditure. 	<ul style="list-style-type: none"> Submitted 256 observations on Cabinet Memoranda and 240 comments on Cabinet Memoranda to other departments in the Treasury.
4. Internal Management of the Department of National Budget.	<ul style="list-style-type: none"> General Administration 	<ul style="list-style-type: none"> Ensure efficient utilization of human resources and budgetary provisions allocated to the Department. 	<ul style="list-style-type: none"> Utilized Rs.1,477.9 mn of allocation i.e. Rs.68.5 mn of recurrent expenditure and Rs. 1409.4 mn of Capital expenditure

Function	Activity	Overall Target	Achievement
	<ul style="list-style-type: none"> Control of Departmental Advance Account 	<ul style="list-style-type: none"> Grant Loans/advances to all the applicants of the staff of NBD complying with the limits of the Advance Accounts 	<ul style="list-style-type: none"> Adhering to the authorized limits, officers were given distress loans, bicycle loans, special advances and festival advances amounting to Rs. 3,968,834
	<ul style="list-style-type: none"> Capacity Building Submission of Reports Replying to the Audit Queries 	<ul style="list-style-type: none"> Develop human resources through local and foreign training. Submit reports before the deadlines <ul style="list-style-type: none"> (a) Performance Report (b) Appropriation Account Minimize audit queries. Attend COPA 	<ul style="list-style-type: none"> 10 officers were trained overseas while 14 officers were trained locally on programmes related to activities of the NBD. Submitted the following Reports on time. <ul style="list-style-type: none"> (a) Performance Report 2011 (b) Appropriation Account 2011 Replied to 07 audit queries forwarded by the Department of Auditor General.

2. Implementation of Budget 2012

2.1 Appropriation Act for 2012

As per the Appropriation Bill presented in Parliament on 18th October 2011, the total estimated expenditure of the Government, including advance account activities, for 2012 was Rs.2,224 billion and the maximum borrowing limit was Rs.1,150 billion. The total expenditure of the Government was detailed as follows.

- Expenditure related to general services of the Government Rs.1,284 billion
- Expenditure of the Government authorized by special laws and to be charged to the Consolidated Fund Rs.936 billion
- Expenditure related to Advance Account Activities Rs.4 billion

At the Budget Speech, H.E the President in his capacity as the Minister of Finance and Planning, proposed mandatory savings of two percent from recurrent expenditure and nine percent from capital expenditure so that the total Government expenditure approved by Parliament was reduced to Rs.2,194 billion. Having amended the provision for revenue and expenditure proposals the borrowing requirement of the Government for 2012 was reduced from Rs.1,150 billion to Rs.1,139 billion. The Appropriation Bill for 2012 was passed by Parliament on 21st December 2011 and certified by the Speaker thereby made it an Act of Parliament.

2.2. Performance of Budget 2012

Head-wise expenditures which were disaggregated in terms of Projects and by Object Codes with sources of financing presented to Parliament in the Printed Estimates along with the Budget Speech. Once the Appropriation Bill became an Act and the Minister of Finance issued warrants authorizing to incur expenditure as indicated in Printed Estimates. As per the budget estimates approved by Parliament for year 2012, provisions were allocated among 201 expenditure heads/spending units which consisted of 22 Special Spending Units, 54 Ministries and 125 Departments.

During the year, additional provision requirements of Rs.12.8 billion for Capital Expenditure have been satisfied by transferring the savings of recurrent expenditure as per the Clause 5 of the Appropriation Act and the procedures laid down in the Financial Regulations. Supplementary budgetary provisions amounting Rs.73.4 billion were provided for debt service payments. As debt service payments are in the category of expenditure already approved by special laws, the supplementary provisions are provided by issuing a Warrant by the Minister of Finance and do not require approval of Parliament. Accordingly, the total budgetary provisions allocated for the year 2012 was Rs.2,268 billion, excluding the provision for Advance Account Activities.

The total expenditure recorded for 2012 was Rs.2,192 billion. Accordingly, the unutilized budgetary provision for 2012 was as Rs.73 billion or 03 percent. Of this, Rs,13 billion was recurrent expenditure provisions and the balance 60 billion was capital expenditure provisions. Although such a saving was recorded targeted activities for the year were able to be achieved by mobilizing resources of all line ministries, departments and institutions focusing towards Government development strategy. A detail review of utilization of budgetary provisions is given in the Table 2.1.

2.1 Progress of Utilization of Provisions - 2012

Name of the Ministry	Recurrent							Capital						
	Original Budget (1)	Budget Savings at 2% (2)	Additional Allocation provided from Treasury Miscellaneous Vote (3)	FR Transfer to Capital (4)	Total Provision (Revised) (sum of (1)+(2)+(3)+(4)) (5)	Utilized Provision (6)	Unutilized Provisions (5)-(6) (7)	Original Budget (1)	Budget Savings at 9% (2)	Additional Allocation provided from Treasury Miscellaneous Vote (3)	FR Transfer to Capital (4)	Total Provision (Revised) (sum of (1)+(2)+(3)+(4)) (5)	Utilized Provision (6)	Unutilized Provisions (5)-(6) (7)
Special Spending Units	7,464	64	1,694	-	9,094	8,869	225	4,300	374	529	-	4,455	2,722	1,733
Buddha Sasana and Religious Affairs	843	15	148	-	976	814	16	1,030	74	21	-	977	709	268
Finance and Planning	11,132	90	1,907	(13)	12,936	11,078	1,858	9,624	727	5,505	13	14,415	13,269	1,146
Defence	215,427	187	6,596	-	221,836	220,743	1,093	15,816	768	6,447	-	21,495	17,830	3,665
Economic Development	18,547	30	2,798	(4.0)	21,311	21,160	151	86,024	7,717	140	4	78,451	72,663	5,788
Disaster Management	635	8	27	(56)	598	555	43	784	71	64	56	834	558	276
Postal Services	7,853	17	497	-	8,333	8,333	-	346	35	10	-	321	235	86
Justice	3,418	12	464	(7)	3,863	3,836	27	819	74	234	7	986	920	66
Health	55,000	-	4,258	-	59,258	57,859	1,399	19,500	1,755	121	-	17,866	13,647	4,219
External Affairs	5,700	-	1,630	-	7,330	7,305	25	940	13	264	-	1,191	995	196
Transport	13,540	271	2,734	(2)	16,001	15,844	157	40,000	4	385	2	40,383	32,010	8,373
Petroleum Industries	101	2	-	-	99	94	5	7	1	3	-	10	6	4

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Co-operatives and Internal Trade	707	10	430	-	1,127	1,067	60	600	50	4	-	554	211	343
Ports & Highways	200	-	-	(3)	198	196	2	144,367	-	3,396	3	147,766	146,682	1,084
Agriculture	2,381	13	54	(3)	2,419	2,391	28	3,708	327	-	3	3,384	2,829	555
Power and Energy	1,083	22	-	(9)	1,053	459	594	32,500	852	707	9	32,365	32,207	158
Child Development and Women's Affairs	734	6	42	(1)	769	717	52	215	19	48	1	245	201	44
Public Administration and Home Affairs	135,954	80	4,944	-	140,818	140,538	280	2,000	180	876		2,696	2,221	475
Mass Media and Information	1,658	33	277	(1)	1,901	1,848	53	447	40	14	1	422	235	187
Construction, Engineering Services, Housing and Common Amenities	712	8	37	-	741	708	33	2,075	201	194	-	2,068	1,734	334
Social Services	914	5	594	(1)	1,501	1,472	29	204	16	1	1	191	103	88

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Education	27,250	6	1,790	-	29,034	28,977	57	6,016	3	551	-	6,564	4,641	1,923
Labour & Labour Relations	1,120	22	12	-	1,110	1,089	21	400	23	20	-	398	329	69
Traditional Industries and Small Enterprises Development	522	10	4	-	517	507	10	300	15	123	-	409	327	82
Local Government and Provincial Councils	95,059	1,899	1,149	-	94,309	92,059	2,250	34,714	2,950	4,330	-	36,094	25,566	10,528
Technology and Research	1,149	23	-	-	1,126	1,058	68	2,027	182	13	-	1,858	1,125	733
National Languages and Social Integration	253	5	35	(1)	282	234	48	183	12	3	1	175	136	39
Plantation Industries	1,882	15	9	(2)	1,873	1,487	386	1,194	56	11	2	1,152	776	376
Sports	552	11	0	-	541	483	58	1,542	139	7	-	1,410	880	530

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Indigenous Medicine	787	16	29	-	800	764	36	477	43	99	-	533	300	233
Fisheries and Aquatic Resources Development	821	14	227	(2)	1,032	1,019	13	2,248	198	580	2	2,632	1,967	665
Livestock and Rural Community Development	449	9	11	(10)	441	439	2	2,239	182	204	10	2,271	2,105	166
National Heritage	754	6	32	-	780	724	56	822	57	3	-	768	481	287
Parliamentary Affairs	322	6	25	-	341	341	-	37	73	-	-	-37	21	-58
Re-settlement	273	5	-	(47)	221	200	21	209	19	154	47	391	346	45
Industry and Commerce	751	14	-	-	737	656	81	1,249	112	16	-	1,152	494	658
Irrigation and Water Resources Management	3,335	5	75	-	3,405	3,299	106	32,500	2,651	1,000	-	30,849	28,155	2,694
Lands and Land Development	2,393	6	38	(2)	2,423	2,416	7	2,815	253	197	2	2,761	2,235	526

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Youth Affairs & Skill Development	3,917	92	60	-	3,885	3,778	107	4,700	423	17	-	4,294	3,269	1,025
Environment	1,400	14	21	(2)	1,405	1,329	76	2,017	182	34	2	1,871	955	916
Water Supply and Drainage	156	2	36	-	190	169	21	33,000	2,988	2,480	-	32,492	31,110	1,382
Higher Education	15,716	314	6	-	15,408	15,333	75	8,754	658	236	-	8,332	5,553	2,779
Public Management Reforms	86	2	-	(3)	81	64	17	100	2	-	3	101	36	65
Rehabilitation and Prison Reforms	3,769	75	103	(80)	3,717	3,627	90	553	42	50	80	641	421	220
State Resources and Enterprise Development	107	2	4	(2)	106	97	9	105	2	4	2	108	32	76
Civil Aviation	87	2	-	(1)	84	78	6	12,007	1	2,822	1	14,829	14,801	28
Culture and the Arts	810	12	12	-	810	761	49	703	63	34	-	673	438	235

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	Original Budget	Budget Savings at 2%	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer to Capital	Total Provision (Revised) (sum of (1)+(2)+(3)+(4))	Utilized Provision	Unutilized Provisions (5)-(6)	Original Budget	Budget Savings at 9%	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer to Capital	Total Provision (Revised) (sum of (1)+(2)+(3)+(4))	Utilized Provision	Unutilized Provisions (5)-(6)
Coconut Development & Janatha Estate Development	564	11	4	-	556	536	20	1,200	90	18	-	1,128	555	573
Agrarian Services & Wildlife	37,541	4	2,779	-	40,316	40,316	-	1,437	129	275	-	1,583	1,074	509
Minor Export Crop Promotion	443	4	-	-	439	391	48	281	25	32	-	288	264	24
Productivity Promotion	259	5	562	-	816	808	8	105	9	7	-	103	76	27
Foreign Employment Promotion & Welfare	82	2	2	-	83	70	13	310	28	-	-	282	28	254
Public Relation and Public Affairs	49	-	-	-	49	49	-	110	10	1	-	101	86	15
Private Transport Services	479	10	2	-	472	235	237	229	-	19	-	248	66	182

2.1 Progress of Utilization of Provisions - 2012

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	Original Budget	Budget Savings at 2%	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer to Capital	Total Provision (Revised) (sum of (1)+(2)+(3)+(4))	Utilized Provision	Unutilized Provisions (5)-(6)	Original Budget	Budget Savings at 9%	Additional Allocation provided from Treasury Miscellaneous Vote	FR Transfer to Capital	Total Provision (Revised) (sum of (1)+(2)+(3)+(4))	Utilized Provision	Unutilized Provisions (5)-(6)
Telecommunication & Information Technology	59	1	7		66	66	-	9	-	450	-	459	455	4
Treasury Miscellaneous vote	51,800	-	-	(12,591)	505	-	505	21,100	-	-	12,591	941	-	941
Total (Without Public Debt & Interest Payment)	739,000	3,494	36,162	(12,843)	720,122	709,345	10,777	541,000	24,917	32,750	12,843	528,925	471,090	57,835
Public Debt Amortization/ Interest Payment	370,000	-	40,822	-	410,822	408,987	1,835	570,000	-	35,129	-	605,129	602,814	2,315
Grand Total	1,109,000	-	76,984	(12,843)	1,130,944	1,118,332	12,612	1,111,000	-	67,879	12,843	1,134,054	1,073,904	60,150

2.3 Public Expenditure Distribution – 2012

In 2012, non interest public expenditure amounted to Rs.1,167 billion representing 74 percent of the total government expenditure. In relation to GDP, it was 15.4 percent. This amount excluding defence expenditure amounted to Rs.1,007 billion comprising Rs.563 billion of recurrent expenditure and Rs.444 billion of capital expenditure to provide public services and the capital formation in the public sector.

The total investment on HRD increased from Rs.161 billion in 2007 to Rs.235 billion in 2012, accounted for 3.1 per cent of GDP in 2012. In addition, Social security spending increased from Rs.120 billion in 2007 to Rs.171 billion in 2012, representing 65 percent on pension payments for public sector employees. The investment on infrastructure has been increased from Rs.159 billion to Rs.406 billion respectively from 2007 to 2012, indicating over two fold increase.

2.4 Sectoral Perspectives in 2012 Budget in the Medium Term Expenditure Framework of 2012-2014

The Budget 2012 was mainly based on the Mahinda Chinthana, Vision for the Future, and the Development Policy Framework of the government and on the strategies identified therein. It was also formulated with a greater focus on the Government's responsibility in transforming Sri Lanka into a middle income country and sustaining such achievement. The following operational scenarios were also applied in the formulation and implementation of 2012 Budget.

- (a) Sectoral basis – The budgetary allocations for 2012 were made in accordance with the sectoral policy framework developed by relevant stakeholders for the development of respective sectors during the medium term of 3 years.
- (b) Realistic assessment – The budget 2012 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 leaving out of all such projects that have been carried on in estimates for several years.
- (d) Avoid duplications 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.

In order to facilitate this sectoral process, all Ministries, Departments, and other Spending Agencies were classified under nine sectors in the Budget formulation, namely Social Security, Human Resource Development, Infrastructure Development, Real Economy, Environment, Research and Technology, Public Service Delivery, Defence and Law Enforcement. Accordingly, each spending agency was categorized into said sectors, depending on the activity undertaken.

2.5 Analysis on Sectoral Expenditure 2012

The Budgetary allocation for the medium term 2012-2014 was prepared under nine sectors with the application of above operational scenarios. As in 2011, specific directions were provided initially to review the actual performance of ongoing development plans implemented and continue commitments in much needed investments. In view of rationalizing recurrent expenditure, directions were also given to limit them to the most needed requirements.

A comparison in terms of priorities of allocations established on sectoral basis and the actual expenditure during 2012 is given in Table 2.2. This also includes the amounts provided as additional allocations to cover the unforeseen expenditure and the supplementary allocations provided for the implementation of budget proposals.

The sector specific performances are stated below in respect of different development sectors.

Table 2.2
Sectoral Resources Allocation vs. Actual Expenditure – 2012

Sector	2012 Budget (Rs.mn)	% of Total Allocation	2012 Actual (Rs.mn)	% of Total Expenditure	% of Utilization
Human Resource Development	245,569	19.2	221,273	18.7	90
Transport	229,950	18.0	218,055	18.5	95
Power and Energy	34,402	2.7	32,766	2.8	95
Irrigation	42,470	3.3	36,799	3.1	87
Water Supply and Sanitation	35,713	2.8	31,342	2.7	88
Housing and Urban Development	5,923	0.5	4,026	0.3	68
Regional Development	110,355	8.6	91,247	7.7	83
National Security and Law Enforcement	238,424	18.7	237,017	20.1	99
Social Protection	147,775	11.6	145,918	12.4	99
Real Economy	64,100	5.0	58,253	4.9	91
Service Economy	98,614	7.7	84,234	7.1	85
Technology Development	17,214	1.3	15,322	1.3	89
Environment	7,009	0.5	4,182	0.4	60
Total	1,277,518	100.0	1,180,434	100.0	92

Source: Department of National Budget

Note:

Total excludes debt amortization

Sectors developed according to Treasury Format

Human Resource Development

Education

The total investment on Education sector which covers General Education, Higher Education and Vocational Education both at Central and Provincial levels has been increased from Rs.111 billion in 2011 to Rs.136 billion in 2012. Out of the total investment on education, Rs.90 billion has been spent on General Education in order to improve the quality and to promote equitable access for general education throughout the country. Steps have been taken to improve the quality by way of training of teachers, development of syllabuses and provision of equipment. To ensure equal access for education, development of 1,000 secondary schools and 5,000 feeder primary schools programme was commenced in 2012. Under this programme Rs.400 million has been channeled in 2012 to initiate the construction of 409 Mahindodaya Technical Laboratories in secondary schools and Rs.858 million has been invested to refurbish 1,716 primary schools.

Expenditure on Higher Education sector has been increased from Rs.19 billion in 2011 to 21 billion in 2012. Out of this, Rs.1 billion has been spent on Mahapola and Bursary in order to support the lives of university undergraduates while spending Rs.69million on 02 weeks orientation programme for new enrolments to facilitate adjustments to higher educational group interaction and development. Among the 104 ongoing construction projects in universities, 30 major projects have been completed in 2012. Meanwhile Universities of Sri Jayawardenapura, Moratuwa, Jaffna and Ruhuna have prepared their initial plans on University Township Development in 2012, as per the relevant Budget Proposal.

As the government pays special attention on vocational education, Rs.7 billion has been spent on vocational training and skills development in 2012 in order to provide a high quality vocational training that can meet the increasing demand for skilled labour. The concept of developing 25 university colleges in technical fields was initiated in 2012.

In addition to above, Rs.18 billion has been spent through the other Ministries on Educational relevant fields.

Health

The total public investment in health, covering western and indigenous medicine both at national and provincial level in 2012 was Rs.101 billion. This indicated a significant increase of 43 percent over 2007. During 2012, a major share of recurrent expenditure and a substantial increase in capital expenditure has been accounted for curative services. Out of the total utilization of Rs.92 billion, 84 percent was on recurrent and 16 percent on capital expenditure. The total recurrent expenditure consisted of 66 percent on Personal Emoluments and 22 percent on Medical Supplies. Moreover, Rs.1.3 billion was utilized on Thripasha.

In 2012, the capital expenditure was mainly committed on hospital development, hospital rehabilitation and procurement of equipment. Out of the total capital allocation, the sector was able to utilize 69 percent during 2012. A satisfactory progress in the implementation of

many of the hospital development projects were witnessed utilizing local funds. This included the Thousand Hospital Development Project initiated as a 2012 Budget proposal and procurement of 250 Ambulances in fulfillment of the long felt need of the ambulance requirement of island wide hospital network. In addition, a major share of funding has also been allocated for key ongoing projects of Development of District Hospital in Hambantota and Nuwara Eliya, Epilepsy Unit at National Hospital Colombo, Development of Dental Hospital Colombo, and Development of Polonnaruwa General Hospital etc.

The assistance given for the Indigenous Medicine sector also continued further by investing Rs. 2.1 billion in 2012, indicating a satisfactory increase by two folds over 2007. In addition to funds channeled for curative health services, a greater emphasis has also been given to improve the preventive health services through Ayurvedic System of Medicine during 2012.

Sports and Labour

The Government has invested Rs.1, 365mn to Sports Sector with the recognition of the Sports Economy. Priority has been given to Infrastructure Developments and Human Resource development; Accordingly, steps have been taken to construction of 8 provincial and 14 district sports complexes, office building and Torrington synthetic track. School sports development project were also successfully accelerated in 2012.

Fostering rural sports development, internationally accepted sports facilities for rural men and women have been provided which rural sports ground development programmes. Further for this purpose Re-Engineering programme,"Kreeda shakthi" programme and district training facilities development programme were also conducted in 2012.

New approach has been introduced by the Government to upgrade Labour Productivity in Sri Lanka by re-engineering the sector by strengthening National Labour Advisory Council. Rs.2,300 mn has been invested to ensure safeguarding employment rights, labour relations, enhancement of productivity, promotion of manpower and upgrade skills of Sri Lankan workforce, ensuring a better living standard of work force of the country.

Religion, Arts & Culture

The total investment in the religion, arts and cultural sector in 2012 was Rs.1,556 mn. This investment made for safe guarding and promoting the rich diversity of religious, cultural and national heritage of Sri Lanka.

Under these activities, priorities were given to development of the sacred places, improvement of dham education, establishment of cultural centers, and preservation and conservation of archeological sites. Action was taken promoting programs on protecting cultural diversity. Rs 279 mn. was allocated for construction and rehabilitation of religious places in respect of all religions, and a further Rs.427 mn. was allocated to promote the Dham education as well. Under the sacred area development programs Rs. 235 mn. and Rs.123 mn. have been spent for construction and rehabilitation of cultural centers respectively, enhancing the cultural activities. among the target, 15 cultural centers have been completed in 2012.

Preservation and conservation of 10 archeological sites were also given priority, allocating Rs. 216 mn. in 2012 Budget.

Infrastructure Development

Roads

The investment on infrastructure in 2012 was Rs.354.7 billion. The road sector investment alone contributed to the one third of investment in infrastructure development. A major share of the investment in road sector has been utilized for rehabilitation and reconstruction of roads and bridges. Expenditure on road development has increased from Rs.101.4 bn in 2011 to Rs.135.3 bn in 2012.

The Government has invested to build expressways and rehabilitation and improvement of major national roads and bridges, specially a foreign financing. Local funds are mainly used for rehabilitation, improvement and maintenance of roads. In addition, several major activities have been undertaken to improve the road network of the country, among them, under the roads widening and improvement program, 572 kms of roads have been completed throughout the country. Rs.5,961 mn has been spent to maintain island wide national road network and bridges. Through the road maintenance program, 867km has been sand sealed and 867km have been rectified and resurfaced. 45 weak/ damaged bridges were reconstructed and 38 are in progress by the end of 2012.

Under the Maga Neguma rural development program, aiming at rehabilitation of rural roads and structures in 2012, 635.8 km of roads has been rehabilitated 93 bridges, 1112 culverts and 29 causeways have also been rehabilitated / built. Connecting Villages Program which has been implemented under Maga Neguma commenced in June 2011 and 46 projects (total length 258km) have been implemented covering 12 districts. Further, 197 km of road under 35 projects have been implemented under Diyawara Gammana and Deyata Kirula programmes. The total investment under the Maga Neguma programme is 3.1 billion in 2012.

One of the major policy decisions taken by the government in 2011 was to give opportunity for local contractors for road rehabilitation work under the local bank funding. Initially, Cabinet has given approval to use domestic funds through local banks to rehabilitate 692km of national roads at a cost of Rs.56,497 mn. During 2012 and accordingly, 559 km roads have been rehabilitated under this program. One of the major achievements in 2012 is the construction of Southern Highway Stage II i.e. Pinnaduwa to Godagama (30 km) and access road to Galle Port (5.4 km).

Energy Resources

The Government invested Rs.32,207 mn in 2012, Power Sector to ensure uninterrupted, and efficient and supply of energy meeting the rapidly increasing demand. Out of the total investment, Rs. 12,482 mn was invested for electricity generation, of which Rs.8,114 mn for transmission and Rs.11,408 mn for distribution. The target of production of electricity for all

by 2016 was achieved up to level of 94% by end of 2012. Special attention has been given to improve clean energy supply within the period concerned.

Transport

The government invested Rs.48.56 billion on the development activities of transport sector during the year of 2012, with the aim of achieving effective and safety transport system for general public. Out of the total investment in the above, Rs.38.91 billion was related to development and improvement of rail transport and Rs.9.65 billion was invested in improvement and development of public and private transport facilities.

Common Amenities

The government's development policy framework gives high priority to increase safe drinking water coverage and sanitation facilities. It is planned to increase pipe borne water coverage to 50 percent by 2015 and 60 percent by 2020. The safe drinking water coverage which stands at 84 percent at present will be increased to 100 percent by 2020. For achieving these targets in 2012 Rs.39,771 mn has been provided for this sector of which Rs.31,261mn was for capital expenditure. Out of the total 80 percent has been invested on large scale water supply and sanitation projects.

The major water supply and sanitation projects which were completed during 2012 were Negambo Water Supply Project, Greater Kandy Water Supply Scheme and Towns North of Colombo Water Supply Project. In addition, emerging township water supply and sanitation projects/schemes in Palapathwela, Hingurakgoda, Minneriya, Ipalogama, Pahalakadugannawa, Pitabeddara, Ohiya and Kantale have also been completed. Greater Colombo Water Supply Service Improvement Project (with the total estimated cost of Rs.26,000 million); and Mahiyangana Water Supply project are the large town water supply projects started in 2012. 130,000 new water supply connections were provided for the people in 2012.

Housing

The actual expenditure on housing sector in 2012 was Rs.2,442 million of which Rs.1,734 mn was for capital investment for the main programmes, implemented during the year. They are revamping of housing schemes in Colombo district, rural housing loan programme, UN habitat housing programme, Angulana housing project, Moratuwa Lunawa urban housing schemes, and Janasevena Participatory Environment & Sanitation programme. By the end of 2012, total number of 35,119 houses has been constructed and loan facilities were provided to 32,766 families through several programs, including the programmes implemented by other Ministries. Out of them, housing under the programmes Smaurdhi Diriya Piyasa, (8,046 houses) Visiri Nivasa, (8,244 houses) Janaupahara Housing Programmes, (6,294 houses) and flood relief (6,007 houses) were the main housing programme implemented in 2012.

Posts and Telecommunication

An allocation amounting to Rs.9.08 billion was dedicated to Posts and Telecommunication sector in 2012, an increase of 11.4 percent over 2011. These funds were mainly utilized to develop the postal service throughout the country. While Postal Network Improvement Project continued to improve the connectivity of all post offices in the island ensuring quality service and minimizing the cost of the services. Simultaneously the Ministry of Telecommunication and Information Technology have also implemented IT related projects i.e construction of school computer labs, throughout the country in order to increase the IT literacy rate in Sri Lanka up to 75% by 2016.

Rural and Regional Infrastructure Development

The Rural and Regional Development activities have been conducted under several ministries. The total investment for this purpose in 2012 was Rs.43.7 billion of which Rs.27.8 billion was for the regional infrastructure development. The investment provided for this sector aimed at improving infrastructure facilities such as rural roads, water supply and sanitation, minor irrigation electrification, housing and other livelihood development initiatives.

“Gamaneguma” national programme is targeted to promote efficient linkages between the mainstream development and rural centric development activities in villages. In 2012, Rs.12.9 billion has been invested for this programme focusing mainly on rural infrastructure facilities. “Divineguama” programme, which generally focuses livelihood improvement measures, especially home gardening that has been contributed to establish 1.5 mn household economic units.

In addition, demining activities carried out by incurring Rs.4 mn in the conflict affected areas to ensure the national integration as a part of regional development. This has supported to undertake the resettlement activities, providing shelter for the affected families for the benefit of their improving the living standards.

Defence and Public Security

The total expenditure for defence and public security for 2012 recorded as Rs.233 billion of which Rs.219 billion was recurrent expenditure and the balance Rs.14 billion was capital expenditure. Of the total expenditure, three forces and the police accounted for Rs.217 billion and the balance Rs.16 billion was for Department of Civil Security, Special Task Force, National Cadet Corps, State Intelligence Service and for the general administration of Ministry of Defence and Urban Development.

Personal emoluments of the defence forces and police recorded as Rs.182 billion or 78 percent of the total recurrent expenditure of defence and public security. The balance Rs.51 billion or 12 percent was for expenditures such as diets, uniforms, fuel, and other operational expenditure. The capital expenditure of Rs.14 billion was mainly for acquiring new plant and machinery, periodical overhauling of existing plant, machinery, other military hardware and to provide other basic facilities and infrastructure for the staff of the forces which were neglected and scarified during the period of conflict.

Law Enforcement

The total expenditure on justice to ensure an effective administration of justice and law enforcement was Rs.9,068 mn in 2012. Out of this total, Rs.642 million has been utilized to complete the construction of new courts complexes in Negambo, Kotapola and Kadawatha, Circuit Magistrate's Courts at Padaviya, Manampitiya and Bakamuna, District Magistrate's Court at Hingurakgoda and Pottuvil, separate court system for children in Batticaloa District and to commence construction of Circuit Magistrate's Courts at Kalpitiya and Kuchchavely, & Quazi Courts, District Court at Akkaraipattu, Magistrate's Court at Samanthurai and facilities for courts with office buildings, record rooms and stores. Further, training programmes for 372 officers have been provided locally and 58 officers in abroad at a cost of Rs.66 million to improve and update their knowledge on emerging social, environmental and such other demands in legal procedures.

Giving special attention for the reconstruction & redevelopment of infrastructure in Northern and Eastern provinces after peace established in these areas several court complex were modernized and rebuilt with the support of Conflict Affected Regions Emergency Project, implemented under the Ministry of Economic Development. In addition, Rs.435 million has been spent under the Ministry of Prison Reforms, especially for rehabilitation of ex-combatants and construction of prisons under the Prison Relocation Project.

Social Protection

A total investment of approximately Rs.145 billion was made on social protection and welfare in 2012 covering the area of social security, social safety nets and social services. Rs.46 billion has been spent for these purposes and it was been increased by 36.5 percent compared to the expenditure in 2011. Several projects and programmes have been implemented through various line ministries and Provincial Councils targeting the protection and welfare of the low income families, elders, disabled, the handicapped, deprived or destitute women & children. Out of this expenditure Rs.12,282 mn has been spent for Samurdhi relief, disaster relief, disability assistance, elderly assistance and for resettlement assistance.

Real Economy

Agriculture Sector

Agriculture sector is mainly composed of food crops, plantations, livestock, fisheries and aquatic recourses, irrigation, and land & land development. In 2012, the total expenditure in agriculture sector was Rs.104,456 mn. It was an increase of 23 percent compared to such expenditure in 2011. Out of the total expenditure in agriculture sector in 2012, Rs.48,248 mn spent for fertilizer subsidy realizing the government policy on providing a wide range of incentives for small scale farmers for improving productivity and competitiveness of the agriculture sector.

The public investment for the agriculture sector in 2012 mainly focused on promotion of local food production, development of government seed farms, production of certified seed, agriculture research activities and development of plantation industries. The Bim Saviya enhancing programme has also been continued to ensure formalizing the ownership of land.

The public expenditure incurred in 2012 for the sub sectors is as follows.

Paddy and Other Food Crops

Total expenditure for the food crops in 2012 was Rs.61,228 mn. Out of the total expenditure for the improvement of food crops, a large amount has been spent for fertilizer subsidy. In addition, high priority has been given for production of seed & planting materials, research and extension, supply of agricultural inputs at concessionary price and land development. As a result of this investment, the total production of such crops increased by 34 percent to 680,895 mt in 2012, compared to 506,334 mt in 2011. Meanwhile, the production of maize reached up to 202,315 mt realizing the year of self-sufficiency in maize production and the importation of maize have been decreased to 1,004 mt in 2012.

Irrigation

Budgetary allocation in year 2012 for the rehabilitation and development of irrigation sector was Rs.30.7 billion. The expenditure on this sector contributed to increase the paddy production as well as livestock and other crop production of the country, ensuring improved income of the beneficiaries. However, although sufficient budgetary provision was available, only 66 percent of Deduru oya project and 80 percent on Rambakan-oya project have been completed.

Meanwhile, the investment in this sector was utilized on construction of access tunnel, access roads and resettlement facilities of new reservoir projects such as Umaoya and Moragahakanda.

Livestock

The actual expenditure for Livestock Sector was Rs.2,544 mn in year 2012. It was an increase of 38 percent compared to such expenditure in 2011. This investment has been directed to implement projects on importation of dairy animals, promotion of liquid milk consumption, Kirigamma programme, improvement of animal breeding, animal health & livelihood and basic facility improvement of rural communities in lagging areas. In addition, Rs.160 mn has been provided to Milco ltd. with the aim of increasing prices of fresh milk up to Rs.50.00 per liter. Annual milk production has increased by 16 per cent from 258.3 mn liters in 2011 to 299 Mn liters in 2012.

Fisheries

The total public expenditure on Fisheries and Aquatic Resources Development Sector was Rs.2,986 mn. It was an increase of 12 percent compared to the total expenditure in 2011. Out of the total expenditure in 2012, Rs.1,019 mn. was for the recurrent expenditure and Rs.1,967 mn. was for the capital expenditure. In 2012, the priority has been given for improvement of infrastructure facilities and livelihood activities for fishing community to increase their living standards through increasing production of marine and inland fish. The annual fish production was recorded at 486,170 mt by end of 2012. It was an increase of annual fish production by 41,340 mt compared to 2011 which is an increase of 9 percent.

Industries

The government expenditure on industry sector development was 1,149.0 mn for 2012. Funds were directed to upgrade the infrastructure facilities in Mannar, Matugama, Kurunegala & Trincomalee Industrial Estates, establishment of Handloom Villages, development of SME and Micro Financing sector and entrepreneurship development.

Services

The service sector consists of Tourism, Trade & Cooperatives. The government investment on this sector was Rs.1.6 mn in 2012. To strengthening the food distribution while ensuring the consumer protection, 20 Lak Sathosa outlets were established in 2012. Funds were also directed to rehabilitate the Economic centers.

Science, Technology, Research and Development

An investment of Rs.10 billion was made in this sector covering the fields of Technology and Research in sectors such as industry, agriculture, irrigation, health, information technology, aquatic resources etc. Projects such as National Nanotechnology Initiative, Multipurpose Gamma Irradiator programme and Agro Food Project were continued in 2012. Rs.1,225 mn. has been provided to strengthen the public institutions which function under the Ministry of Technology and Research giving attention to enhance SME development, Science popularization and fundamental and high technology transfers in line with the development priorities of the national economy.

Public Service Delivery

The main sectoral focus was to administer and regulate the national and provincial level public service delivery and provide avenues to coordinate development activities in such a way to enhance the good governance and people centric development. In 2012, the sectoral investment for the above purposes was Rs.260 bn. The recurrent component; for the service delivery supportive and personal emolument expenditure reported at Rs.232 bn and the Public Service pension and gratuity payment which come under this category accounted Rs.127 bn. A sum of Rs.28 bn out of the sectoral investment was an account of capital investments including construction of buildings for government employee quarters in remote

areas, Information Technology Development and Networking of all regional level offices in order to upgrade the efficiency of public service, Infrastructure development of provincial schools and hospitals, rural electrification, provincial and rural level road development and maintenance, livelihood development and small township development programs, also were facilitates.

Environment

The total investment in the environment sector in 2012 was Rs.2,379 million. In the environment sector investments were made under three policy areas. Environmental conservation, waste management and pollution control. In this context, Rs.526 million was spent on environment conservation, Rs.354 million on waste management and Rs.136 million on pollution control.

Table 2.3

Capital and Recurrent Expenditure by Sector 2012

Rs.Mn

Sector	2012 Budget			2012 Actual					%
	Recurrent	Capital	Total	Recurrent	%	Capital	%	Total	
Human Resources Development	190,385	55,184	245,569	185,334	97	35,939	65	221,273	90
Transport	17,037	212,913	229,950	16,353	96	201,702	95	218,055	95
Power & Energy	1,175	33,227	34,402	553	47	32,213	97	32,766	95
Irrigation	6,670	35,800	42,470	6,559	98	30,240	84	36,799	87
Water Supply & Sanitation	172	35,541	35,713	169	98	31,173	88	31,342	88
Housing & Urban Development	750	5,173	5,923	708	94	3,318	64	4,026	68
Regional Development	10,441	99,914	110,355	10,357	99	80,890	81	91,247	83
National Security & Law Enforcement	222,764	15,660	238,424	221,715	100	15,302	98	237,017	99
Social Protection	145,213	2,562	147,775	144,281	99	1,637	64	145,918	99
Real Economy	46,957	17,143	64,100	46,258	99	11,995	70	58,253	91
Service Economy	67,384	31,230	98,614	62,966	93	21,268	68	84,234	85
Technology Development	12,378	4,836	17,214	12,143	98	3,179	66	15,322	89
Environment	2,036	4,973	7,009	1,948	96	2,234	45	4,182	60
Total *	723,362	554,156	1,277,518	709,344	98	471,090	85	1,180,434	92

* Excluding Debt Amortization

Note: Sectors developed according to Treasury Format

Source: Department of National Budget

2.6 Expenditure on Government Welfare Payments and Development Subsidies

The government emphasized the need for continuation of welfare payments and development subsidies with an objective of enhancing living standards of vulnerable segments of the society in line with the country's distinctive commitment to promote balanced economic growth. Accordingly, in 2012, approximately Rs. 205 billion was spent on the overall subsidy programme of the government which comprised of Welfare Payments and Development Subsidies. It was almost one fifth of the total government expenditure made in 2012. Table 2.4 shows the distribution of welfare payments and development subsidies in 2012.

Table 2.4
Expenditure on Welfare Payments and Development Subsidies, 2012

Area	2012		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
Welfare Payments					
Health & Nutrition	19,115	18,439	96.46	9.01	10.97
Fresh Milk for Children	240	205	85.42	0.10	0.12
Medical Supplies for Govt. Hospitals	17,000	16,796	98.80	8.21	10.00
Thripasha Programme	1,575	1,189	75.49	0.58	0.71
Poshana Malla	300	249	83.00	0.12	0.15
Education	7,775	7,110	91.45	3.47	4.23
Free Text Books	2,400	2,055	85.63	1.00	1.22
School Uniforms	230	230	100.00	0.11	0.14
School Season Tickets	1,233	1,233	100.00	0.60	0.73
Handicapped Students	18	17	94.44	0.01	0.01
Scholarships	230	230	100.00	0.11	0.14
School Nutritional Food Programme	2,792	2,790	99.93	1.36	1.66
Uniforms and Text Books to Dhamma School Teachers	391	233	59.59	0.11	0.14
Library Allowance for Dhamma School Teachers	463	305	65.87	0.15	0.18
Vocational/Technical Training – Stipend, Bursaries & Season Tickets	18	17	94.44	0.01	0.01
Social Welfare	138,913	140,248	100.96	68.53	83.47
Samurdhi Relief & Kerosene oil	10,600	10,553	99.56	5.16	6.28
Assistance to Disabled Soldiers	13,700	14,779	107.88	7.22	8.80
Assistance to Internally Displaced Persons	54	54	100.00	0.03	0.03
WFP Food Assistance	2,590	2,447	94.48	1.20	1.46
Flood & Drought Relief	170	153	90.00	0.07	0.09
Rehabilitation of Persons	112	108	96.43	0.05	0.06
National Council Secretariat for Persons	404	403	99.75	0.20	0.24

Area	2012		Utilization Ratio %	As a % of Total* (Actual)	As a % of Sectors (Actual)
	Provision Rs.mn.	Actual Rs.mn.			
with Disabilities					
Senehasa Programme(Poshana Manpetha)	20	13	65.00	0.01	0.01
National Secretariat for Elders	63	56	88.89	0.03	0.03
Pension	111,200	111,682	100.43	54.57	66.47
Other	2,819	2,233	79.21	1.09	1.33
Water Subsidy for Religious Places & Schools	49	49	100.00	0.02	0.03
Street Lighting	586	-	-	-	-
Subsidy to SLTB for uneconomical routes	2,184	2,184	100.00	1.07	1.30
Total - Welfare Payments	168,622	168,030	99.65	82.10	100.00
Development Subsidies					
Subsidies for Agriculture	37,343	36,628	98.09	17.90	100.00
Fertilizer Subsidy	37,000	36,456	98.53	16.44	67.79
Interest Subsidy for Agricultural Loans etc	343	172	50.15	0.08	0.32
Operational Losses	-	-	-	-	-
Sri Lanka Railways	4,516	3,797	84.08	1.71	7.06
Sri Lanka Transport Board	-	9,972	-	4.50	18.54
Postal Department	3,171	3,381	106.62	1.52	6.29
Total - Development Subsidies	37,343	36,628	98.09	17.90	100.00
Total - Welfare Payments and Development Subsidies	205,965	204,658	99.37	100.00	

Source: Department of National Budget

Welfare and Subsidies

This category of expenditure covers mainly subsidies for education, health, agriculture, transport and social protection schemes. In 2012, it accounted for 20.8 percent of the total recurrent expenditure. In comparison to average spending during the period 2009-2011, it was an increase of 14.4 percent in 2012. Increase in pensions and welfare assistance was the main reason for this increase in 2012. Social security and welfare expenditure was Rs.172 billion on account of pension and welfare assistance for injured and deceased security personnel which accounted to Rs.125 billion. The balance was for free medical supplies,

Samurdhi cash grants and other welfare assistance to vulnerable groups due to introduction of new welfare schemes for parents of the employees of security forces, income support to elderly over 70 years of age and the adjustments made to the ongoing Samurdhi Cash programme and the expenditure grew by 11.4 percent.

The subsidies provided for fisheries, agriculture and other areas amounted to Rs.48 billion of which Rs.36 billion was for fertilizer subsidy. The agriculture sector subsidy witnessed an increase of 12 percent compared to such expenditure in 2011. Transport sector has also absorbed a significant amount of subsidy to cover operational losses of the Department of Railways and Sri Lanka Transport Board.

2.7 Management of 2012 Budget

2.7.1 Revenue and Expenditure as per Government Accounts

The Government Expenditure of Rs.1,575 billion in 2012 recorded an increase of 8.8 percent over the previous year. Total recurrent expenditure increased by 10.3 percent to Rs.1,131 billion and amounted to 14.9 percent of GDP in comparison to 15.7 percent in 2011. Interest expenditure amounted to Rs.408 billion and accounted for 36 percent of recurrent expenditure. It was 5.4 percent of GDP, almost same as last year. Non-interest public expenditure at Rs.1,167 billion moderated and accounted to 15.4 percent of GDP as against 16.7 percent in 2011. Annual Capital expenditure in support of public investment in progress amounting to Rs.444 billion showed an increase of 5.1 percent in 2012. Accordingly it was 5.9 percent of GDP. The bulk of the public investment supported physical infrastructure development totaling Rs.267 billion in 2012 in comparison to Rs.213 billion in 2011.

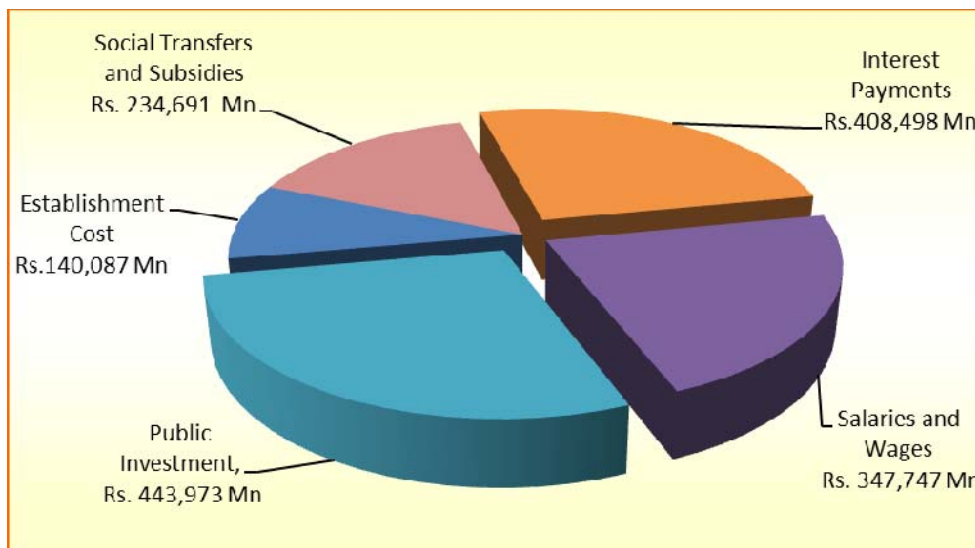
The general pattern of Public Expenditure;

Table 2. 5: Pattern of Public Expenditure as a Percentage of GDP

Item	2005-2007	2008-2010	2011-2013	2014-2016 (estimated)
Total Expenditure	24.2	23.7	21.2	20.8
Recurrent	18.0	17.3	15.1	14.5
Capital	6.2	6.4	6.1	6.3

Source: Department of National Budget

Figure 2.1: Structure of Government Expenditure, 2012



Source: Department of National Budget

Salaries and Wages

Expenditure on salaries and wages for public servants, including those in the provincial councils and security services increased by 8.8 percent to Rs.348 billion in 2012 in comparison to an increase of 6.3 percent in 2011 and contributed to 30.7 percent of total recurrent expenditure. This increase is mainly due to the combined effect of the provision of all public servants with a special salary allowance equivalent to 10 percent of their basic salary, for the non-staff grade category from January 2012 and for the staff grade category from July 2012. Public sector salaries have expanded as follows;

Table 2.6: Distribution of Salary Cost of National and Provincial Public Services

	Rs.Mn		
Sector	National	Provincial	Total
Education	15,812	52,489	68,301
Health	32,104	20,952	53,056
Civil Administration	31,237	10,343	41,575
Economic & Social Services	16,817	4,433	21,250
National Security	163,565	-	163,565
Total	259,530	88,217	347,747

Source: Department of National Budget

Revision of Transport Allowance for Grama Niladaries, Driver's Allowance for the members of Judiciary Service, On Call Allowances to doctors, Field Attendance and Transport Allowance to engineers and salary adjustment to the university academic and non-academic staff have been the other contributory factors for the increased expenditure on salaries and wages of the public service in 2012. It has been further increased due to the recruitment of graduates numbering over 50,000 during the period of 2011-2012 to the public service.

Establishment Cost

The share of expenditure on establishment cost of government for utilities and services such as fuel, electricity, transport, travelling and building rent etc. was 8.9 percent of the economic outlay of the expenditure. This has slightly increased from 06 percent of expenditure in 2012 compared to that of in 2011. The overall increase of establishment cost of the government was mainly due to the accelerated implementation of development activities around the country, high cost of fuel, electricity & transport and expanded facilities for IT, air conditioners and accommodation of large number of public servants.

Transfers and Subsidies

This category of expenditure covers mainly subsidies for education, health, agriculture, transport and social protection schemes. In 2012, it accounted for 20.8 percent of the total recurrent expenditure. In comparison to average spending during the period 2009-2011, it was an increase of 14.4 percent in 2012. Increase in pensions and welfare assistance was the main reason for this increase in 2012. Social security and welfare expenditure was Rs.172 billion on account of pension and welfare assistance for injured and deceased security

personnel which accounted to Rs125 billion. The balance was for free medical supplies, Samurdhi cash grants and other welfare assistance to vulnerable groups due to introduction of new welfare schemes for parents of the employees of security forces, income support to elderly over 70 years of age and the adjustments made to the ongoing Samurdhi Cash programme and the expenditure grew by 11.4 percent.

The subsidies provided for fisheries, agriculture and other areas amounted to Rs.48 bn of which Rs.36 billion was for fertilizer subsidy. The agriculture sector subsidy witnessed an increase of 12 percent compared to such expenditure in 2011. Transport sector has also absorbed a significant amount of subsidy to cover operational losses of the Department of Railways and Sri Lanka Transport Board.

Government transfers to Provincial Councils (PCs) for recurrent and capital expenditure from the national budget has been extended on the basis of Block Grants (BG) for recurrent expenditure and the Criteria Based Grants (CBG) and Provincial Specific Development Grants (PSDG) for capital expenditure.

2.7.2 Public Expenditure Management

Among the tools that have been employed for prudent public expenditure management by the Treasury, the Budgetary Support Services and Contingent Liabilities (Treasury Miscellaneous Vote- TMV) was one of the main instruments to prevent supplementary budget to manage various unforeseen urgent requirements during the year.

This instrument capturing an aggregate sum at the time of budget formulation based on past trend enabled the Treasury to recognize such a provision as part of expenditure and accordingly plan budget deficit and other targets. Overlooking such provision tends to influence fiscal targets adversely and compel the Government to take ad-hoc measures.

2.7.3 Commitment Control

The realization of fiscal and development outcome requires a sound public financial management. It has been observed that commitments are being entered into by various spending agencies without consultation and the verification of the available budgetary provisions from the Treasury. In this context, the medium term budget formulation process has been developed to plan and prioritize such expenditure accordingly. It also requires greater coordination among the spending agencies and the Treasury to ensure that expenditure plans are carried out within budgetary ceilings. Accordingly, commitment controls based on the provisions in the budget, procurement cycle, contract management, financial disbursements etc. are being adopted and streamlined to ensure improved public financial management in addition to using imprest control systems.

The management of fuel / electricity expenditure has been made through Budget Circular No. 156 dated 16.02.2012 to ensure the recurrent expenditure in particular, of the approved budget is not exceeded. This circular has been issued in realizing the national responsibility of all Government Institutions to give priority and extend fullest co-operation to consume fuel and electricity economically in view of the revision of oil prices and electricity tariff in the

context of high international prices and cost of imports. The expected main objectives in increasing these prices are to reduce the amount of foreign exchange that is being spent annually to import oil for generating energy. Hence, economization of such expenditure in the process of public service delivery is unavoidable.

Accordingly, all the secretaries are responsible to ensure that the expenditure on fuel and electricity of institutions operating within their purview, are managed within the provisions made in the estimate and also based on the expenditure incurred for these items in January 2012 as a benchmark, without exceeding such limits. For this purpose, all government institutions had to ensure the curtailment or minimizing the usage of the number of pool vehicles that are being used for daily office management, fieldwork, seminars, workshops etc. Further, it was essential to ensure that the expenditure on fuel, electricity and air-conditioners are being made cost effective and desired outcomes are achieved, recognizing the national priority of energy conservation.

2.7.4 Issuance of Budget Circulars

The Department has issued following circulars during the year 2012, providing guidelines required for expenditure management of the spending agencies.

16.02.2012	156	Management of Fuel/Electricity Expenditure.
28. 12.2012	157	Authorization of Incurring Expenditure for 2013 and Public Expenditure Management.

2.7.5 Supplementary Estimates

It is also noteworthy that the government has not submitted any supplementary estimates in Parliament since 2010 and has been able to manage expenditure within the limits originally approved by Parliament for each year mainly because unforeseen expenditure outlays for events such as natural calamities etc. are also managed within the Treasury Miscellaneous Vote (TMV). The year 2012 was also a special year which was able to manage the additional fund requirements of various spending agencies to continue the major development activities while accommodating funds for unforeseen incidents such as floods, without submitting a Supplementary estimate to Parliament and reallocating funds within the approved budget.

2.7.5.1 Status of the TMV in 2012

The total estimate of Budgetary Support Services and Contingent Liabilities (Treasury Miscellaneous Vote) for 2012 was Rs.72.9 billion including the provisions of the budget proposals, of which Rs.51.8 billion was for Recurrent Expenditure and Rs.21.1 billion was for Capital Expenditure.

As at the 31st December 2012, additional provisions given through the TMV were transferred to the spending heads amounting to Rs.71.89 billion of which Rs.32.22 billion of recurrent expenditure and Rs.39.67 billion of capital expenditure. Out of these provisions Rs.22.1 billion is specifically for the implementation of Budget Proposals for 2012.

2.8 Monitoring of Advance Accounts

Monitoring of Advance Accounts operations continued under the purview of the Department during the year 2012. Advance Accounts comprising of 189 Public Officers' Advance Accounts, 4 Commercial Advance Accounts, 3 Stores Advance Accounts and 4 Special Advance Accounts were operated for which Rs.18,070 million was allocated. Financing of Advance Accounts Limits, monitoring of revisions of these limits, follow-up action on Auditor General's reports were some of the duties undertaken by this Department with regards to Advance Accounts. Limits of 21 Public Officers' Advance Accounts and 07 other Advance Accounts were revised during the year as provided for, in the Appropriation Act. Officers of this Department attended meetings of the Committee on Public Accounts (COPA) held to examine the Auditor General's reports on Advance Accounts in 2012.

3. Preparation of Budget Estimates for 2013

Budget estimates for 2013 were formulated with a greater focus on the Government's responsibility to transform Sri Lanka into an *Emerging Wonder of Asia*. 2013 Budget was considered as the eight year of Medium Term Expenditure Framework (MTEF) initiated in 2006. It was mainly focused on accelerating strategic infrastructure projects while developing rural infrastructure to ensure a regionally balanced development, and improving living conditions and restoration of economic activities island wide through accelerated resettlement and rehabilitation programmes.

3.1 Budget Formulation Guidelines

A standard Budget Circular was not issued for the preparation of Budget Estimates for the year 2013. All the Secretaries of Ministries were addressed personally giving guidelines to prepare their Estimates for 2013 by way of a personalized letter issued by the Secretary to the Treasury, which included all the specific instructions. Draft Estimate for the year 2013 was approved by the Parliament on 08.12.2012.

The following specific guidelines were considered for expenditure categories in formulating 2013 Budget;

Recurrent Expenditure – To calculate salaries, wages & other allowances on the basis of the actual number of employees as at 30th June 2012 and separately identify expenditure for approved new recruitments for 2013.

Capital expenditure

- Give priority to complete the capital projects which have been already commenced before starting new projects.
- Include new projects only if such projects have been given the approval of the Department of National Planning and the Cabinet by 01.08.2012.

- Avoid duplication and overlapping of activities with regards to projects and programmes undertaken by spending agencies and the provincial councils to ensure sector allocations are properly distributed.
- Make realistic provisions required for the outstanding liabilities and the future requirements of import duties and taxes.

The Department did a review on 2012 Budget and based on critical assessment, worked out a Ministry-wise potential budget. By mid-August 2012 the Department sent the indicative estimates for 2013 for each ministry with the detailed letter indicating the assumptions used to derive those estimates. Based on these, the Ministries were requested to submit their draft estimates by September 2012 often which an individual consultation process with the ministries were conducted before aiming at the final figures is ensure the priority projects are captured adequately.

4. Special Activities

4.1 Budgetary Management of Non Commercial Public Enterprises

All matters relating to Public Finance and Budgetary Management of 122 Non Commercial Enterprises (Statutory boards) were carried out by the Department of National Budget during the year of 2012. The following functions with regard to these institutions were carried out by the Department of National Budget in 2012 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, Corporate Plan and Annual Report etc.
- Recommendation of the requests for release of monthly cash imprest on the recurrent and the capital grants to 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 the COPE meetings are convened by Parliament.
- Grant approval for the purchase of new vehicles required by the Non Commercial Enterprises.
- Purchasing and handing over new vehicles under the Financial Leasing Method as per requirements of the Non Commercial Enterprises.

- Review the Audit Examine Reports of the Auditor General and the Special Audit Quarries submitted to this Department. Coordinate with the relevant Statutory Boards on resolving these quarries and ensure that the remedial actions are taken to avoid such audit quarries in the future.
- Submit recommendations to the Department of Management Services on the recruitment of new staff to Statutory Boards based on availability of Budgetary Provisions and actual needs of such institutions.
- Grant approval of the Department of the 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 etc.

Table 4.1
Performance of 2012

Activity	No.
1. Approval for incurring Capital Expenditure as per Finance Act	117
2. Preparation of COPE Reports	109
3. Approvals for vehicle procurements	129
4. Issuance of monthly cash release recommendations	1,354
5. Issuance of vehicles under the Financial Leasing Method	259

Source: Department of National Budget

4.2 Observations on Cabinet Memoranda

During the year 2012, the department prepared observations to 256 Cabinet Memoranda for the Hon. Minister of Finance and Planning. The department submitted comments for 240 cabinet Memoranda for other Treasury departments

4.3 Coordinating “Deyata Kirula” Development Program-2013

The Department of National Budget has been involved in coordination of Deyata Kirula National Development program such as, organizing pre-discussions, Identification of areas to implement the program, identification of ongoing and new development projects in respective areas and expedite and prioritize, prepare and submitting Cabinet Memorandum, participate in National Operational Committee and Procurement Committee and overall fund management.

4.4 Approval for the Purchase of Vehicles

4.4.1 National Budget Approval for Vehicle Procurements

In terms of the Cabinet decision of 31.01.1990, the National Budget Department grants approval for 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, had to obtain the prior approval of the Committee for any such purchase. The National Budget Department continued reviewing the requests for procurement of vehicles by various government agencies and given approvals. During the year 2012, the Department has given approval for purchase of 713 vehicles.

Table 4.2
Vehicles approved by the National Budget Department by vehicle type

Type of Vehicle	No. of Vehicles Approved
Motor Cars	81
Vans	18
Buses	04
Single / Double/Crew cabs	123
Three wheelers	49
Lorries / Trucks	29
Motor cycles	334
Ambulances	10
SUVs	-
Others (Tractors/Trailers/Water Bowsers, etc.)	65
Total	713

Source: Department of National Budget

4.4.2 Procurement of Vehicles to the Public Sector

Recognizing the need for management control and efficiency in providing vehicles to the government agencies the Cabinet of Ministers on 30/08/2010 granted approval for purchasing

Category of Vehicle	Number of Vehicles
Vans	267
Motor Cars	625
Double Cabs	1,140
Jeeps	27
Ambulance	250
Total	2,309

Source: Department of National Budget

of vehicles to government agencies on financial leasing method. This was enacted by the Department of National budget Circular numbered 150 of 07/12/2010. This method was applied as a part of cash flow management as the cost of vehicles could be distributed over 05 years and at the end the vehicle becomes an asset of the concerned agency.

Accordingly the Department of National Budget has been purchasing vehicles for government agencies by calling competitive bidding from the state leasing companies of Bank of Ceylon (BOC) and the People's Leasing Company; a subsidiary leasing company of People's Bank (PLC). Accordingly 2,050 vehicles have been purchased at the cost of Rs.8,500 million during the period of 2010- 2012 on leasing installments to be paid over a 05 year period in equal annual installments. The purchased vehicles have been distributed among government agencies on the basis of a need

assessment conducted by the Department of National Budget in consultation with relevant agencies.

4.5 Participation of Staff on Boards and Committees

Most of the staff officers of this Department have served as Directors (Treasury Representatives) on 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 attended meetings of the Committee on Public Accounts (COPA) and the Committee on Public Enterprises (COPE) in Parliament, representing the Department.

5. The 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 Service
2. Security
3. Law Enforcement
4. Human Resources
5. Infrastructure
6. Research & Technology
7. Social Security
8. Environment
9. Real Economy

5.1 Staff

Numbers of Officers under the following service levels were in the Organizational structure of NBD in year 2012 as per the Public Administration Circular No. 06/2006.

Service Level	No. of Officers
Senior Level	22
Tertiary Level	02
Secondary Level	64
Primary Level	33

As at the end of the year 2012, the approved cadre & the actual cadre of the Department were as follows.

**Table 5:1
Cadre of the Year - 2012**

Designation	Approved Cadre	Actual Cadre
Director General	01	01
Additional Director General	03	01
Director	15	12
Deputy Director	16	08
Assistant Director		
Accountant	01	00
Administrative Officer	01	01
Translator	01	01
Project Officer	04	03
Budget Assistant	38	30
Research Assistant	01	04
Development Assistant	00	03
Management Assistant	40	24
Driver	15	15
KKS	22	18
	-----	-----
Total	158	121
	=====	=====

5.2 Human Resource Development

The Department was able to send its staff for the following local and foreign training programmes in 2012, in order to enhance their professional skills and working efficiency, in addition to attending various meetings in their official capacities.

5.2.1 Foreign Training/Seminars/ Meetings

Serial No	Name of the Officer	Designation	Programme	Country	Period
01	Mr. A.K. Seneviratne	Addl. Director General	Financial Programming and Policies	Singapore	2012.01.09 -
02	Mr. K.M. Rizvi	Asst. Director	The 2 nd ADB - OECD Roundtable on Labour Migration in Asia	Japan	2012.01.08 -
			Managing Migration to Support Inclusive and Sustainable growth		2012.01.20
03	Mr. P.H.A.S. Wijayaratna	Director	Sustainable Development environmental strategies for sustainable growth	Singapore	2012.03.05 -
04	Mrs. J.M.S.D. Rathnayake	Director	ESCAP/ADB/UNDP High-level sub regional Forum accelerating achievement of the millennium develop goals in South Asia	India	2012.03.16 2012.02.17 -
					2012.02.18
05	Mrs. J.M.S.D. Rathnayake	Director	Second Inter-Governmental Meeting for the preparation of the SAARC Regional Poverty Profile	Nepal	201.03.05 -
					2013.03.06
06	Mrs. P.K.A.D. De Silva	Director	Consultative Round Table on Social Protection in EU Development Cooperation	Thailand	2012.03.25 -
					2012.03.28

Serial No	Name of the Officer	Designation	Programme	Country	Period
07	Mr. A.K. Seneviratne	Addl. Director General	Seminar on Countercyclical Fiscal Policy in Asia	Japan	2012.04.25 - 2012.04.28
08	Ms. G.D.C. Ekanayake	Director General	Meeting of the Management Board of the Asian Re-insurance Corporation	Thailand	2012.04.19 - 2012.04.21
09	Mr. S.P. Kiriwattuduwege	Asst. Director	Group Training Programme on Sri Lanka Economic Development Strategy	Korea	2012.06.07 - 2012.06.23
10	Mrs. J.M.S.D. Rathnayake	Director	Sixty Eight Session of the United Nations Economic and Social Commission for Asia and the Pacific	Thailand	2012.05.16 - 2012.05.23
11	Ms. G.D.C. Ekanayake	Director General	35 th meeting of the Council Members and the 6 th Meeting of the Shareholders' Assembly – Asian Re-insurance Corporation	Thailand	2012.06.20 - 2012.06.23
12	Mrs. M.R.R. Abeywickrama	Director	2 nd Provincial Level Consultation on Sustainable Immunization Financing (M/Health)	Cambodia	2012.07.03 - 2012.07.06
13	Ms. D.C.W. Hapugoda	Director	DMC Project Processing Practices Forum	Philippines, Manila	2012.08.27 - 2012.08.29
14	Mrs. Y.P. Sumanawathie	Director	Agriculture Adoption to the Climate Change	Thailand	2012.11.19 - 11.23

5.2.2 Local Training

The following staff members were given local training in different fields in the year 2012.

Serial No	Name of the Officer	Designation	Programme	Institute	Period
01	Ms. Irangani Perera	Pub. Manage. Asst.	Computerized Integrated Government Accounting System (CIGAS)	MILODA	2012.02.27 - 2012.03.03
02	Mrs. K.K.D.N.S. Jayatilake	Pub. Manage. Asst.	Training Programme on Salary Conversions	Public Service Training Institute	2012.04.05 (one day)
03	Mr. D.R. Samarasekara	Pub. Manage. Asst.	Training Programme on Salary Conversions	Public Service Training Institute	2012.04.05 (one day)
04	Ms. M.D. Abeygunawardana	Asst. Director	Diploma in English for Professionals	SLIDA	2012.03.27 to 10 days
05	Mrs. S.H.A. Anuruddhika	Pub. Manage. Asst.	Training Programme on Filling and Maintain of Personal Files	Public Service Training Institute	2012.04.05

Serial No	Name of the Officer	Designation	Programme	Institute	Period
06	Ms. M.M.T.P.S. Perera	Pub. Manage. Asst.	Training Programme on Public Finance Management	Public Service Training Institute	2012.04.23 - 2012.04.27
07	Mrs. B.S.P. Perera	Pub. Manage. Asst.	Training Programme on Basic Computer Skills	Public Service Training Institute	2012.05.28 - 2012.06.01
08	Mr. A. Thagalingam	Pub. Manage. Asst.	Training Programme on Basic Computer Skills	Public Service Training Institute	2012.05.28 - 2012.06.01
09	Mr. A.K. Senevirathna	Addl. Director General	Master of Business Administration (2010 - 12) Programme	University of Colombo	Year 2010 - 2012
10	Mrs. N.V.M. Sirimanna	Chief Pub. Manage. Asst.	Training Programme on the Role Chief Management Assistant	Public Service Training Institute	2012.08.02 - 2012.08.03
11	Mr. A. Thagalingam	Pub. Manage. Asst.	Training Programme on Office Management	Public Service Training Institute	2012.09.03 - 2012.09.09
12	Ms. M.D. Abeygunawardana	Asst. Director	Master in Economic Degree Programme 2011/2012	University of Ruhuna	Years 2010 / 2012
13	Mr. D.R. Samarasekara	Pub. Manage. Asst.	Training Programme on Preparation of Recruitment Procedure	Public Service Training Institute	2012.07.02 (one day)
14	Mrs. B.S.P. Perera	Pub. Manage. Asst.	Training Programme on Advance Computer (MS Excel & MS Powerpoint)	Public Service Training Institute	2012.08.20 - 2012.08.24
15	Mrs. D.I. De S. Wijayasinghe	Budget Assistant	Course on Computer Hardware Essentials for Professionals	Arthur C Clarke Institute for Modern Technologies	To 2012.08.25 (two week ends)
16	Mrs. N.V.M. Sirimanna	Chief Pub. Manage. Asst.	Training Programme on Salary Conversions	Public Service Training Institute	2012.08.29 (one day)
17	Mr. D.R. Samarasekara	Pub. Manage. Asst.	Public Officer Advance Account Activities - "B" Account	MILODA	2012.09.03 (one day)
18	Mrs. D.D.D.N.K. Rathnathilaka	Pub. Manage. Asst.	Computerized Integrated Government Accounting System (CIGAS)	MILODA	2012.10.15 (six days)

5.3. Financial Administration of the Department of National Budget

Budgetary provision required for the normal operations of the Department of National Budget was shown under Head 240 in the Budget Estimates for 2012. 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 - Budgetary 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 2012 Budget Speech and for policy priorities announced in the financial year.

A sum of Rs. 74,478,795,000 had been provided for the Department of National Budget after incorporating the budget proposals and savings from identified expenditure heads to the original estimates of 2012.

The above total provision was utilized as follows:

(1) Expenditure of Project 01 of Programme 1	Rs.	1,477,885,934
(2) Provisions transferred to other Heads under Programme 2 Project 02	Rs.	71,455,976,456
Total	Rs	72,933,862,390
Balance Provision	Rs.	<u>1,544,932,610</u>

Accordingly, the balance provision was only 2.07 percent of the total provision allocated. This was mainly due to unchanged Expenditure in source of the Budget Proposal.

5.3.1 Summary of Expenditure of Head 240

Summary of budgetary provision and actual expenditure, and variance and variance as a percentage of the net provision are given in the following Table 5.2.

Table 5.2
Summary of Expenditure under Head 240 for the Year 2012

(1) Description	(2) Net Provision (Rs.)	(3) Actual Expenditure/ Transfers to other Heads (Rs.)	(4) Variance (Savings) (2)-(3) (Rs.)	(5) Variance as a percentage of Net Provision
Recurrent Expenditure				
1 Budget Formulation and Policy	71,345,000	68,473,412	2,871,588	4.02
2 Budgetary Support Services and Contingent Liabilities	39,209,500,000	38,706,188,772	503,311,228	1.28
Total Recurrent Expenditure	39,280,845,000	38,774,662,184	506,182,816	1.29
Capital Expenditure				
1 Budget Formulation and Policy	1,507,450,000	1,409,412,522	98,037,478	6.5
2 Budgetary Support Services and Contingent Liabilities	33,690,500,000	32,749,787,684	940,712,316	2.8
Total Capital Expenditure	35,197,950,000	34,159,200,206	1,038,749,794	2.95
Grand Total	74,478,795,000	72,933,862,390	1,544,932,610	2.07

Source: Department of National Budget

5.3.2 Budgetary Provisions and Actual Expenditure of the Department by Projects for 2012

The following Table shows budgetary provisions and the Actual Expenditure of the Department for each Project under each Programme for 2012. Column 3 shows the revised provision after consideration of FR 66 transfers, and provision made under the legend amendments. The difference between revised estimates and actual expenditure i.e. the savings are shown under Column (6) of Table 5.3

Table 5.3
Expenditure under Programme 1 – Operational Activities
Project 01 - Budget Formulation & Policy

	(2) Estimate (Rs)	(3) Net Provision (Rs)	(4) Actual (Rs)	(5) Savings (3)-(4) (Rs)	(6) Variance as a %
Recurrent Expenditure					
Personal Emoluments	52,500,000	53,080,000	51,210,519	1,869,481	3.52
Other Recurrent Expenditure	18,845,000	18,265,000	17,262,893	1,002,107	5.48
Total Recurrent Expenditure	71,345,000	71,345,000	68,473,412	2,871,588	9.00

	(2) Estimate (Rs)	(3) Net Provision (Rs)	(4) Actual (Rs)	(5) Savings (3)-(4) (Rs)	(6) Variance as a %
Capital Expenditure					
Rehabilitation and Improvement of Capital Assets					
Buildings					
Machinery	500,000	500,000	-	500,000	100
Vehicles	500,000	500,000	489,063	10,937	2.18
Acquisition of Fixed Assets					
Vehicles	1,000,000,000	1,500,000,000	1,403,221,379	96,778,621	6.45
Furniture and Office Equipment	5,000,000	5,607,000	5,584,780	22,220	0.4
Machinery	850,000	671,000	-	671,000	100
Capacity Building					
Training and Capacity Building	600,000	172,000	117,300	54,700	31.8
Total Capital Expenditure	1,007,450,000	1,507,450,000	1,409,412,522	98,037,478	6.50
Total Expenditure	1,078,795,000	1,578,795,000	1,477,885,934	100,909,066	6.39

Source: Department of National Budget

As shown in the above Table, 93.61% of the net provision provided for Project 1 of the Programme 01 had been utilized.

Table 5.4
Expenditure under Programme 02 – Development Activities
Project 02 - Budgetary Support Services & Contingent Liabilities

(1) Description	(2) Net provision (Rs)	(3) Transferred to other Heads (Rs)	(4) Savings (As per the Appropriation Accounts) (Rs)	(5) Variance as a %
Recurrent Expenditure				
Other Recurrent Expenditure	39,209,500,000	38,706,188,722	503,311,228	1.28
Total Recurrent Expenditure	39,209,500,000	38,706,188,722	503,311,228	1.28
Capital Expenditure				
Acquisition of Vehicles	1,240,000,000	1,200,503,467	39,496,533	3.18
Restructuring				
Liabilities for Failed Enterprises	30,000,000	30,000,000	-	-
Foreign Aid Related Expenditure				
- Foreign Aid Loans (12)	9,200,000,000	8,996,721,728	203,278,272	2.21
- Foreign Aid Grants (13)	409,000,000	302,152,210	106,847,790	26.12
- Reimbursable Foreign Aid Loans (14)	95,000,000	95,000,000	-	-
- Counterpart Funds (16)			-	-
- Foreign Aid Related Domestic Funds (17)	4,549,700,000	4,549,399,631	300,369	.007
Other Contingency Payments (11)	18,166,800,000	17,576,010,648	590,789,352	3.25
Total Capital Expenditure	33,690,500,000	32,749,787,684	940,712,316	2.79
Grand Total	72,900,000,000	71,455,976,406	1,444,023,544	1.98

Source: Department of National Budget

A sum of Rs.72,900,000,000 was made available under this project for granting supplementary allocations to meet unforeseen and unexpected expenditure of the various spending agencies/institutions and implementation of the budget proposals declared at the Budget Speech 2012. Out of this amount, Rs.71,455,976,406 was released to various spending agencies. It was 98.02 percent of the total allocation.

Table 5.5
Public Officers' Advance Account for 2012

Category	Authorized Limit 2012 Rs.	Actual 2012 Rs.
Maximum Limit of Expenditure	7,000,000.00	3,968,834.00
Minimum Limit of Receipts	3,700,000.00	4,813,623.75
Maximum Limit of Debit Balances	35,000,000.00	22,223,115.02

In terms of the Budget Circular No. 114 of 31.12.2003, figures of the above Table comprised only the transactions occurred under the Advance Account item No. 240-under 011, within the department. According to Circular No. 118, loan balances of officers who had been transferred out or in, were settled with Accounting Heads, under the Advance Account item No. 240-012. With regard to settlement of these loan balances, expenditure incurred was Rs.3,874,959.90 and Receipts were Rs.3,947,234.00 during the year 2012. Accordingly, the Department had complied within the authorized limits of Public Officers' Advance Account.

Table 5.6
Loans Given in Year 2012

Loan/Advance	No of Loans Given	Amount (Rs.)
Festival Advance	96	480,000
Special Advance	51	120,000
Distress and Bicycle Loans	100	3,368,834
Total	247	3,968, 834

Source: Department of National Budget

5.3.3 Auditor General's Queries for 2012

During the year 2012, 07 queries were referred to this Department by the Auditor General and all the queries were duly answered.