

Secretaries to the Ministries,  
Chief Secretaries of Provincial Councils/ Heads of Departments, Statutory Boards/Institutions

## **Preparation of Annual Budget 2009 in the Medium Term Expenditure Framework**

### **1. Introduction**

Annual Budget 2009 is the fourth year of Medium Term Expenditure Framework (MTEF) initiated in 2006 in line with Mahinda Chinthana: Vision for a New Sri Lanka -*Ten Year Horizon Development Framework* 2006-2016. Accordingly, the spending agencies are requested to review the performance of the development plans implemented during the past two years as well as the 01<sup>st</sup> half of 2008 and undertake a critical review of 2008 budget estimates to make appropriate revisions to 2008 estimates and finalize 2009 budget estimates and projections for 2010 and 2011, keeping in line with MTEF projections already made in the Budget Estimates 2008.

### **2. Focus**

It has been observed that the estimates/projections made in previous MTEF are not strictly based on proper need assessment and adequate preparation for implementation. Therefore, spending agencies are requested to pay due attention to make realistic projections on both recurrent and capital expenditure having regards to government priorities, resource constraints and efficient use of funds.

### **3. Directions**

The following guidelines should be considered in addition to those spelt out in the Budget Call 2008 issued on 25<sup>th</sup> July 2007 in revising 2009 Estimate as well as the projections for 2010 and 2011;

#### **• Recurrent Expenditure**

- Salaries, wages and other allowances should be calculated on the basis of existing number of employees as at 31<sup>st</sup> July 2008. Separately identify expenditure on new recruitments for the year 2009 based on the approvals granted by the Department of Management Services (MSD). No provisions should be included on pending approval of MSD or for anticipated recruitments.
- Other items should be based on need assessment and subject to ceilings indicated by the National Budget Department (NBD).

#### **• Capital Expenditure**

- Make a realistic assessment of the implementation phases of each ongoing project and give first priority for such projects when estimates are prepared. Unless procurement plans are ready for immediate execution upon budget is approved, please refrain from requesting total cost as a provision.

- Ensure request for provisions having confirmed to the procedures stipulated in the National Budget Circular 138 issued on 04.04.2008.
- Reformulate or drop all non-performing projects that have been carried in Estimates for several years.
- Avoid duplication and overlapping of activities with regard 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.

• **New Proposals for 2009**

Only the projects, which have been recommended by the Department of National Planning and approved by Cabinet before 01<sup>st</sup> of August 2008, will be included in 2009 estimates. Foreign funded projects which have the concurrence of the Department of External Resources and for which the implementation plans are finalized and loan agreements are ready, will be considered for inclusion in 2009 estimates. However, they can be accommodated in 2010/2011 projections depending on the level of preparation for implementation and funding arrangements. The projects that are to be implemented from 2010 and onwards should also be submitted along with the 2009 Budget to formulate MTEF.

• **Submission of Estimates**

The Department of National Budget will send revised estimates for 2008 and indicative estimates for 2009 for each agency by 10<sup>th</sup> August 2008. Accordingly, you are requested to forward the 2009 draft Budget Estimates with 2010 and 2011 projections to the Department of National Budget on or before 22<sup>nd</sup> August 2008. Relevant Formats indicated below should be used in revising the MTEF and preparation of 2009 budget.

Annexure 1 - Tentative Budget Calendar for 2009 Budget Process

Annexure 2 - Estimate Presentation Formats, 2009-2011- Ministries/Departments/Special Spending Units

Annexure 3 - Estimate Presentation Format, 2009-2011 - Institutions/ Statutory Boards

Annexure 4 - Information on Approved Cadre and Personal Emoluments, 2009



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Secretary to the Treasury

and Secretary to the Ministry of Finance & Planning

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  - ii. Project Directors