



Governance/ Institutional Framework of Sri Lanka in National Budget Making Process

The State & Sovereignty of the people

- Sri Lanka is a free, Sovereign, Independent and Democratic Socialist Republic
- Sovereignty is in the people and is inalienable and includes the powers of the government, fundamental rights and the franchise
- The president elected by the people is the head of the state, Head of the Executive and of the Government

Cabinet of Ministers and Prime Minister

- Cabinet of Ministers charged with the direction and control of the Government of the Republic, which is collectively responsible and answerable to Parliament
- The president is a member of the Cabinet of Ministers and Head of the Cabinet of Ministers
- A Member of the Parliament is appointed as the Prime Minister by the President

Subjects and Functions of the Ministers

- The President shall determine the number of Ministers of the Cabinet of Ministers and the Ministries and the assignment of subjects and functions to such Ministries
- The President may assign to himself any subject or function and shall remain in charge of any subject or function not assigned to any Minister referred above

Finance Minister

- The minister of Finance is charged with the raising of revenue and the collection of other Government monies as well as with general oversight of all the financial operations of the Government
- It is the duty of the Minister of Finance to account to parliament for all receipts and payments

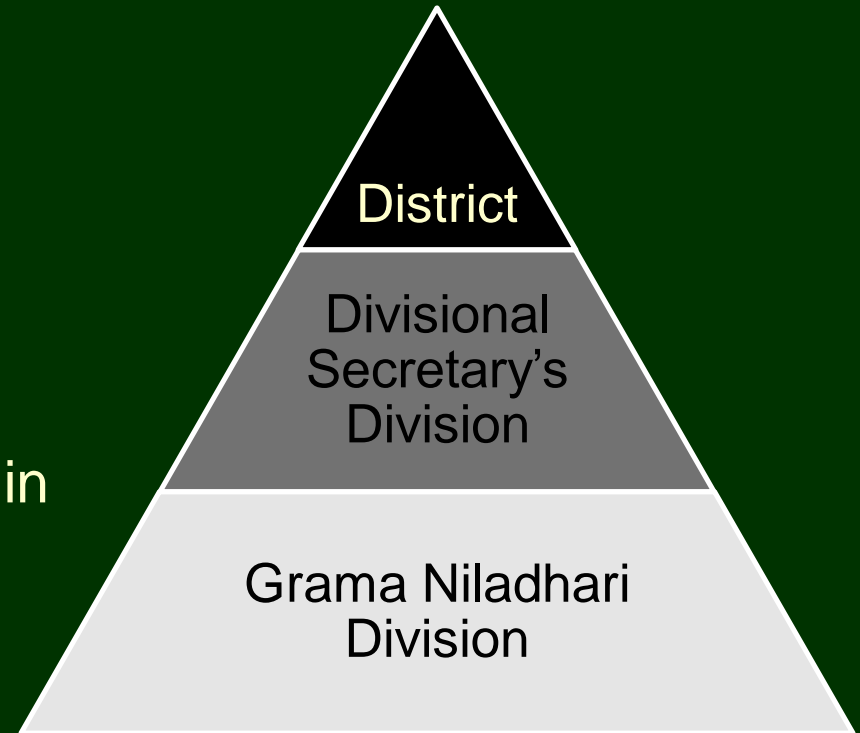
- It is necessary for him to nominate officers for the collection and disbursement of public funds on his behalf
- The secretary to each ministry will be the Chief Accounting Officer
- In addition, the officers in charge of departments are also considered as Chief Accounting Officers

Control of Parliament over Public Finance

- The Parliament has power to make laws as provided in the Constitution
- The Parliament shall have full control over public finance and no tax, or any other levy can be imposed by any local authority or any other public authority except by or under the authority of a law passed by the Parliament or any existing law

The Administrative Structure

- Republic of Sri Lanka (Central Government)
- 9 Provincial Councils
- 25 administrative districts
- There is a Government Agent in charge of each district



Finance Commission

- Consisting of the Governor of the Central Bank and the Secretary to the Treasury and three other members appointed by the President
- The Finance Commission gives effect to a dynamic system through which provincial finances could be dealt with

Financial Regulations

- Is a comprehensive document that has been laid down for the carrying out of financial transactions in an orderly manner and is binding on all Government Departments, Statutory Boards and similar institutions
- All Government officers are required to acquaint themselves with these regulations

Auditor General

- ✓ is appointed by the President
- ✓ Is required to audit the accounts of
 - all departments of Government
 - The office of the Cabinet of Ministers
 - The Judicial Service Commission
 - The Public Service Commission
 - The Parliamentary Commissioner for Administration
 - The Secretary General of Parliament
 - The Election Commission
 - Local authorities
 - Public Corporations and business/ other undertakings vested in the Government under any written law

Constitutional/ Legal Framework in Budget Making Process

Consolidated Fund

- Funds of the Republic not allocated by law to specific purpose shall form one consolidated fund
- the produce of all taxes, imposts, rates and duties and all other revenues and receipts of the Republic not allocated to other specific purposes should be paid to the Consolidated Fund
- No sum can be withdrawn from the consolidated fund except under the authority of a Warrant under the hand of the Minister of Finance

Annual Appropriation Act

- This Act is approved by the Parliament for the relevant year before the annual budget presentation
- This Act determines the aggregate borrowing & expenditure limit of the government for the particular year concerned
- Provides financing provisions in respect of each activity in subject year

Foreign Loan Act

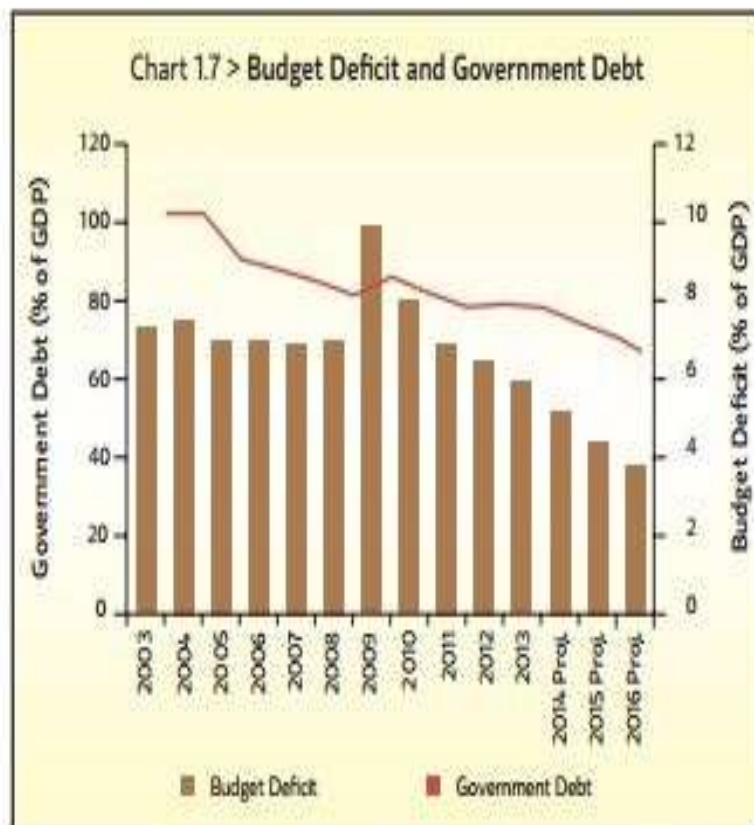
- Agreements relating to foreign Loan and a Guarantee by the Government relating to a foreign loan to a public corporation or public enterprise authorized to sign by the HE the President or any Person Specially authorized by him
- The Act gives power to charge all sums payable by the Government under the agreements relating to a foreign loan, guarantees relating to a foreign loan and any contract/ bond or promissory note executed pursuant to such agreement or guarantee on the consolidated fund
- The Act gives power to the minister in charge of the subject of finance to make provisions to give effect to an agreement or to a guarantee relating to a foreign loan

Fiscal Management (Responsibility) Act

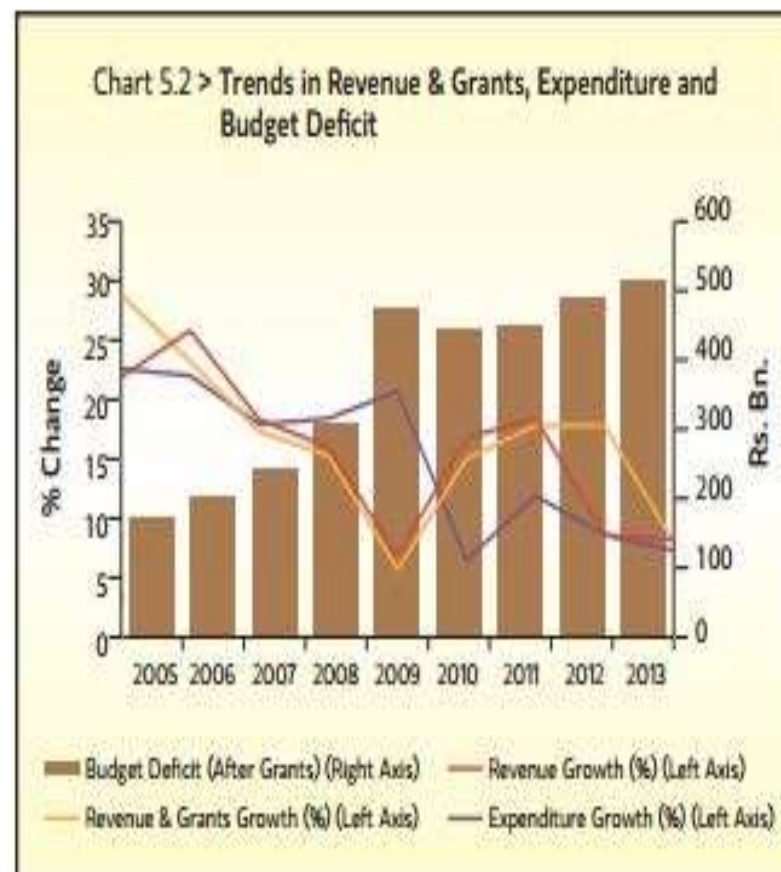
Make provisions to ensure that the financial strategy of the government is based on principles of responsible fiscal management.

Objectives underlying the Act

- Reduction of Government debt to prudent levels
- Prudent Management of Fiscal Risks
- Adoption of policies relating to spending in the way that government debt should not increase to excessive levels
- Adoption of taxing and spending policies as to consistent with the stability and predictability in the level of tax rates



Sources: Department of Fiscal Policy and Central Bank of Sri Lanka



Contingencies Fund

- Created for the purpose of providing for urgent and unforeseen expenditure
- The Minister of Finance, if satisfied that there is a need for such expenditure, and that no provision for such expenditure exists, may with the consent of the President authorize provision to be made therefore by an advance from this fund
- After every such advance, a supplementary Estimate should be presented to the parliament, as soon as possible, for the purpose of replacing the amount so advanced

Monetary Law Act No. 58 of 1949

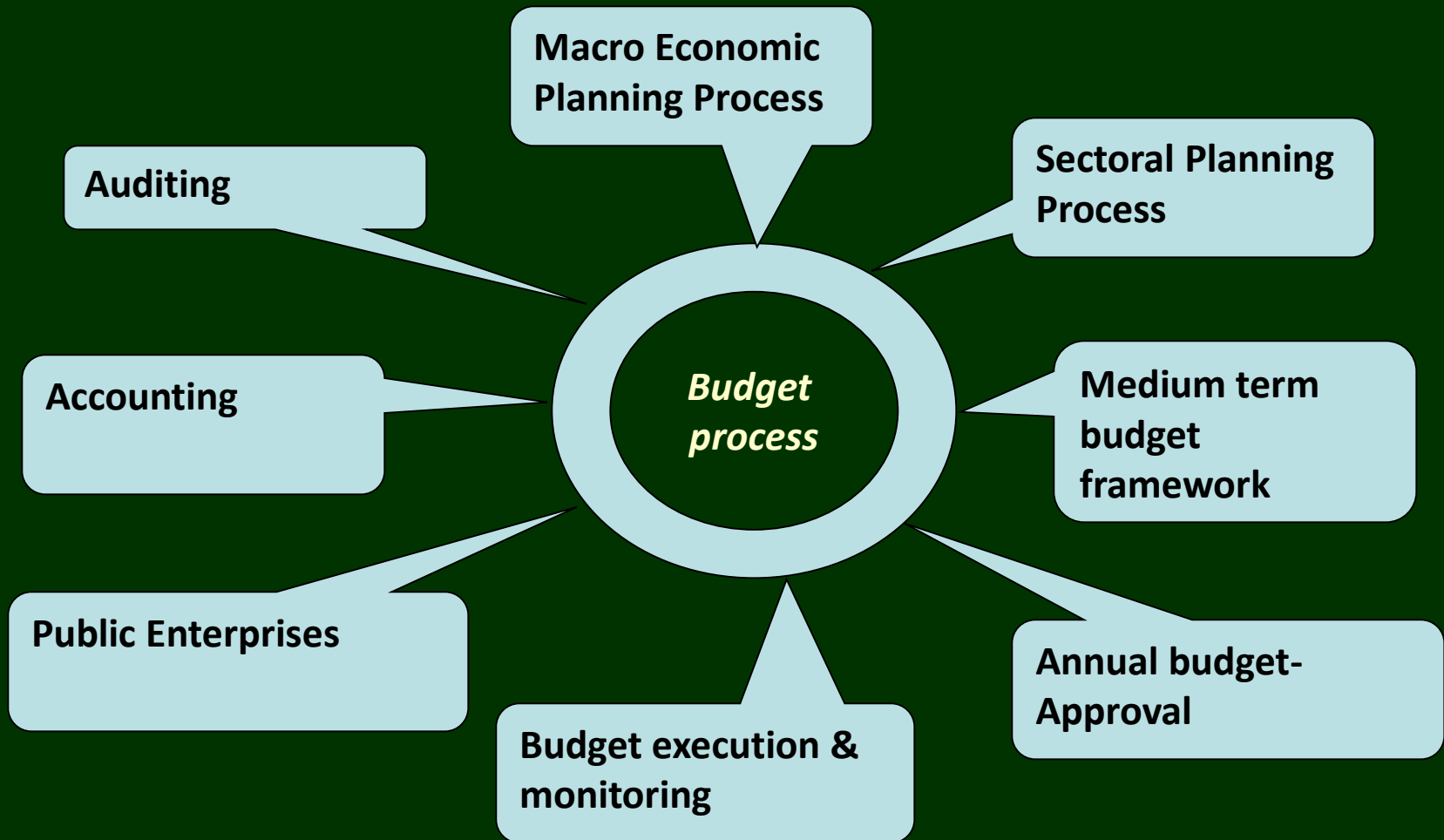
- Management of Public Debt in Sri Lanka has been entrusted to the Central Bank under this Act
- In terms of section 113 of this Act the Central Bank of Sri Lanka is entrusted with carrying out the function of debt management on behalf of the Government of Sri Lanka
- Government provides necessary provisions in the annual budget to meet debt service obligations

The Monetary Board

- The Monetary Board of the Central Bank of Sri Lanka comprises of the Governor of the Central Bank, Secretary to the Ministry of Finance and three other members appointed by the President on the recommendation of the Minister of Finance
- No new loan can be raised and no new issue of stock or debentures can be made by the Government or by any such agency or an institution acting on behalf of the Government unless the advice of the Monetary Board has first been obtained on the Monetary implications

Budget Making Process and the Role of the Treasury Departments in Budget Making Process

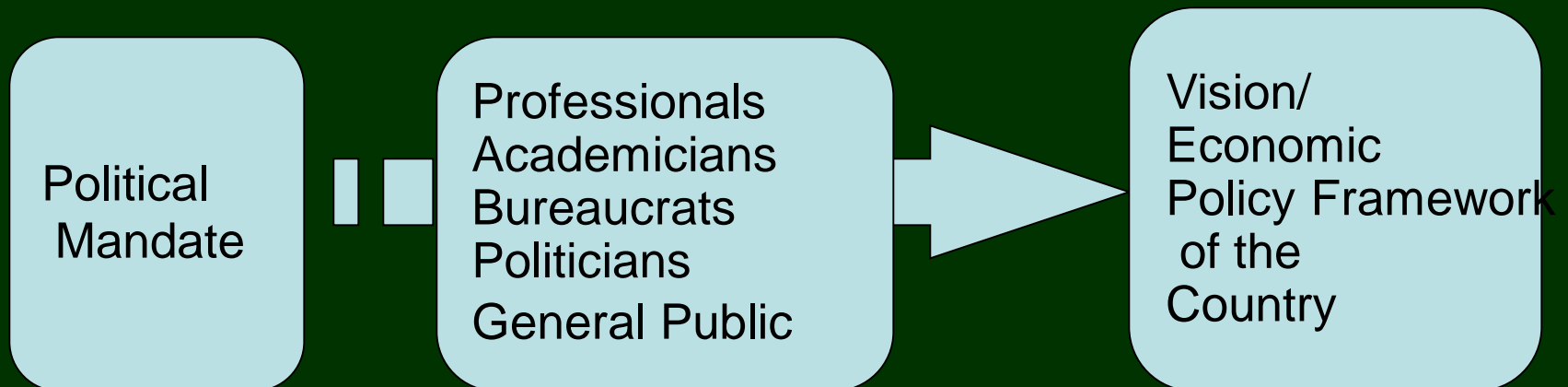
Budget Process



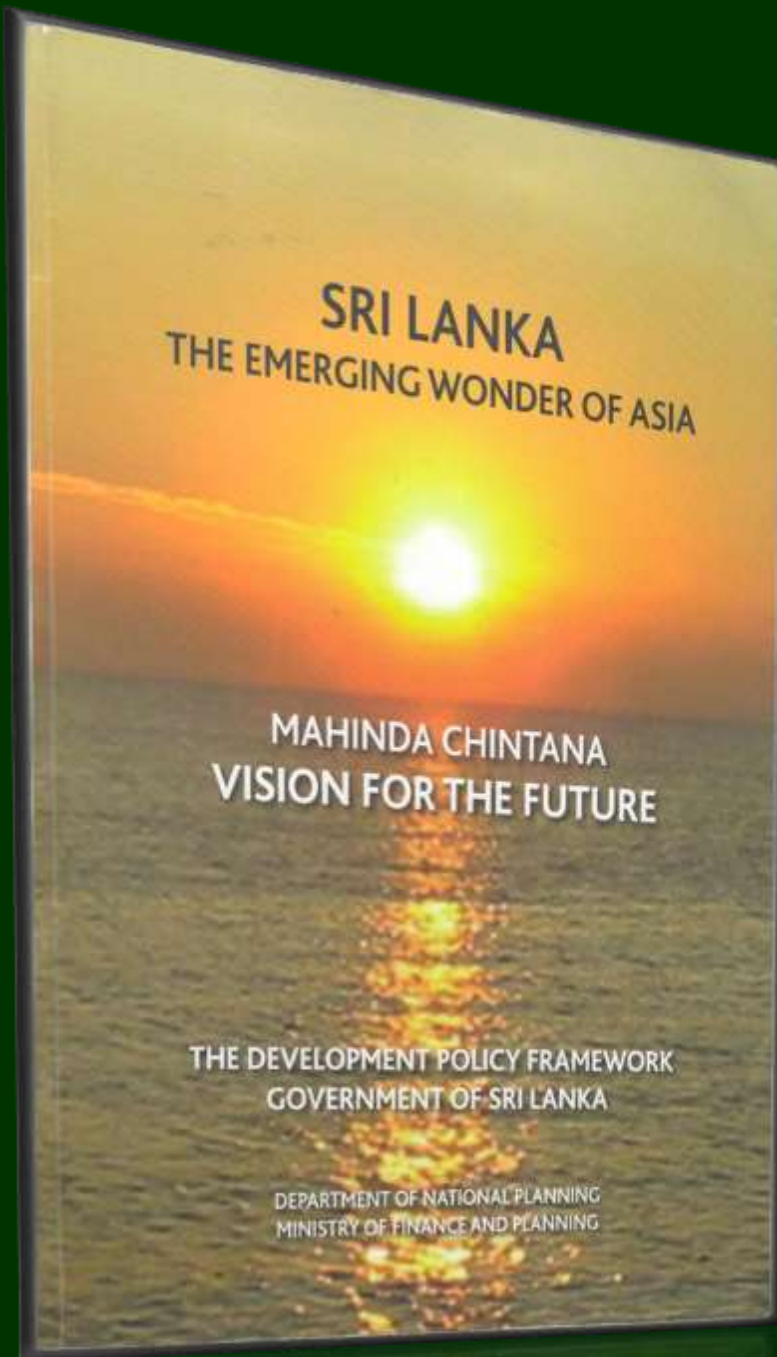
NATIONAL DEVELOPMENT VISION, GOALS & OBJECTIVES –Sri Lankan context

Vision- “Sri Lanka to become a Dynamic Global Hub - economically advanced and prosperous nation, with a stable and internationally competitive economy”

Vision normally comes with political mandate. The election manifesto of the ruling party is the initial policy document that guide future development plans with regard to each economic sectors.



National development Vision, Goals & Objectives



Aviation Hub

Naval Hub

Energy Hub

Commercial Hub

Knowledge Hub

- Increase per capita income to well above US\$ 4,000
- Maintain continuous growth rate of 8% per annum during next 6 years
- long-term sustainable growth
- Benefits filter down to the people

Economic Policy Framework of the Government

Vision

SECTORAL POLICIES

Agriculture
HRD (Health)
Industry
Economic infrastructure
Poverty alleviation
Services etc

Department of National Planning
Line Ministry
Provincial Councils

Strategies
(route to achieve
policy objectives)

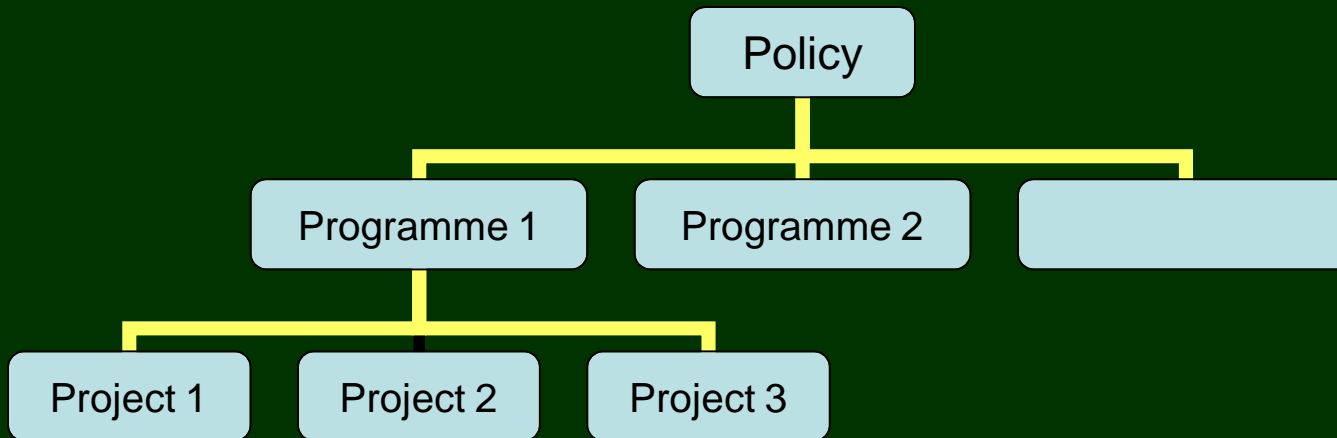
Detailed planning
is necessary.

Programmes

Projects

Annual action plans

POLICY INTO PROJECTS



Policy: Provide quality health service to people

Programme 1- Provision of curative services

Programme 2- Provision of preventive services

Project 1- Improving hospital services

Project 2- Modernizing Hospitals

Project 3- Strengthening Human Resources

All these are
working Towards
Single Policy
objective

MANAGING FOR DEVELOPMENT RESULTS

- Managing for Development Results is a planning approach or strategy which emphasizes **outcomes** or **results** to ensure development effectiveness. It is also known as Results Based Management (RBM).
- Traditionally, development planning and management focused more on **inputs**, **activities** and **outputs**. There was very little focus on **outcomes** and **results**. The MfDR approach uses information regarding performance to make better decisions that contribute to steer development efforts towards identified goals.
- The key features of the MfDR (or RBM) approach are the following -
 - It links results with planning and resource allocation.
 - It provides key performance indicators (KPIs) to focus on results and outcomes.

MfDR as a Whole - of - Government Approach

Building Results into the Development Process

National Development Plan
Incorporating MDG'S

MAHINDA CHINTANA : VISION FOR
A NEW SRI LANKA

A Ten Year Horizon
Development Framework 2008 - 2018

Department of National Planning
Ministry of Finance and Planning

Scoring Performance



Ensuring Good Health



Harnessing the Seas



Sustaining the Environment



Providing Safe Drinking Water



Connecting Regions



Enhancing Quality Education



Lighting the Nation



- Mahinda Chinthana – A vision for a New Sri Lanka – The mandate
- A 10 year horizon – Development framework 2006-2016
- Unstoppable Sri Lanka 2020

Medium Term Macro Framework – CBSL – Treasury coordination
(Monetary – Fiscal coordination)

Medium Term Budget Framework 2014-2016

Fiscal Policy and the Annual Budget

Treasury Departments

1. National Planning
2. Fiscal Policy
3. Trade, Tariff and Investment Policy
4. Public Enterprises
5. National Budget
6. Management Services
7. External Resources
8. Development finance
9. Public Finance
10. Legal Affairs
11. Project Management and Monitoring
12. Treasury Operations
13. State Accounts
14. Management Audit
15. Information Technology Management
16. Cooperate Management

Department of National Planning

Policy Development and planning inline with the Government's overall policy vision

Department of Fiscal Policy

Setting out the macro fiscal framework, evaluating the conduct of Government fiscal strategy and ensuring public knowledge relating to Government fiscal performance

Department of National Budget

Formulation of the National Budget and related public expenditure management and ensuring that the Budget objectives are met through effective coordination with line ministries and such other agencies

Department of Public Enterprises

Ensuring Government revenue from Public Enterprises through the collection of profits and dividend and monitoring the performance of such enterprises to ensure that they are able to operate as financially independent entities without burdening the National Budget, unless the Government declares a specific role to be played by any such entity

Department of Trade, Tariff and Investment Policy

Formulating policies relating to international trade, Customs tariff and taxes and carrying out oversight responsibilities of the Customs administration and trade/investment policy

Department of Management Services

Cadre and remuneration management in the public sector and Public Enterprises, with a view to enhance performance and productivity and ensuring the proper deployment of officers to deliver services

Department of External Resources

Facilitating coordination, negotiation and mobilization of external funds

within limits approved by the parliament

to be used towards development objectives of the Government and

ensuring that all external funds to

Government Ministries and other agencies

are channelled through the National Budget

unless otherwise recognized

Department of Development finance

Assisting the Budget making process by facilitating to identify primarily the needs of Small Medium Enterprises towards formulation of proposals relating to economic development and related financial instruments and follow-up on the related implementation

Department of Management Audit

Carrying out internal audit functions in relation to performance within the overall responsibilities assigned to departments and spending agencies

Department of Public Finance

Ensuring compliance with the regulatory aspects of public finance, procurement and asset management and accountability in the conduct of public finance

Department of Legal Affairs

Ensuring legal compliance relating to the Budget making process and assisting in the preparations of legislations and regulations to give effect to Budget proposals in a timely manner

Department of Project Management and Monitoring

Functioning as the national focal point for macro fiscal monitoring and the evaluation of development policies, programmes and projects of the Government, to ensure results

Department of Treasury Operations

Executing and operationalizing the approved National Budget through the release of appropriate imprest to spending agencies and ensuring that all legal and procedural limits are complied

Department of State Accounts

Recording and reconciling Government revenue and expenditure, preparation of monthly, quarterly and annual Government accounts having discussed with relevant Departments, monitoring the progress and dissemination of such information in a timely manner

Key Revenue Departments

- **Sri Lanka Customs**
- **Inland Revenue Department**
- **Excise Department**

Budget Calendar

- ❑ Preparation of the MTBF and approval of the Hon. Minister of F&P for the Budget Circular- mid July
- ❑ Briefing note to the Cabinet on Budget outline & priorities- July
- ❑ Issuing the budget circular calling for proposals- July
- ❑ Submission of budget requests to the DNB by Ministries- August
- ❑ Review of budget requests with line Ministries- August
- ❑ Finalization & Presentation of the Appropriation Bill to the Cabinet and Parliament- October
- ❑ Budget Speech- November
- ❑ Expenditure Authorization (issue of Warrants by the Hon Minister) and Release of cash flow statement- December

- Although planning & Budgeting is coordinated by government, it needs to be drawn upon all parts of society and the economy in order to be effective.
- Planners need to take account of the needs and actions of the private sector, NGOs, and regional considerations. Consensus among all parties is important.
- Institutions involved in the planning & Budgeting process can broadly be categorized in to 4 main groups-
 - Main planning institutions at the central level (NPD, NBD, ERD, DoFP, FC, Line Ministry planning Units)
 - Provincial Planning Units/ Provincial Ministries Planning Units
 - District Planning Secretariats/ Divisional Planning Units/ Pradeshiya Sabhas
 - Other institutions relevant to planning at various levels (CB, Governor etc)

Institutional Roles

Role	Activities	Institutions Responsible
Planning	Economic Policy Framework Long-term National Plans	MOF&P, NPD
	Setting up National Priorities	NPD
	Sectoral Plans, Programmes & Strategies	Line Ministries in consultation with the NPD
	Provincial, District Plans	PC, District/ Divisional Secretaries
	Project formulation	Line Ministries
	Project appraisal & review	NPD, FC
	Project Approval	Cabinet

Institutional Roles

Role	Activities	Institutions Responsible
Budgeting	Budget formulation	MOF&P, NBD, FC, Line Ministries
	Budget approval	Cabinet, Parliament
	Formulation of annual budget into operational cash flows	MOF&P, TOD, PC, DS/DS
	Aid negotiation	MOF&P, ERD, NPD, Donors

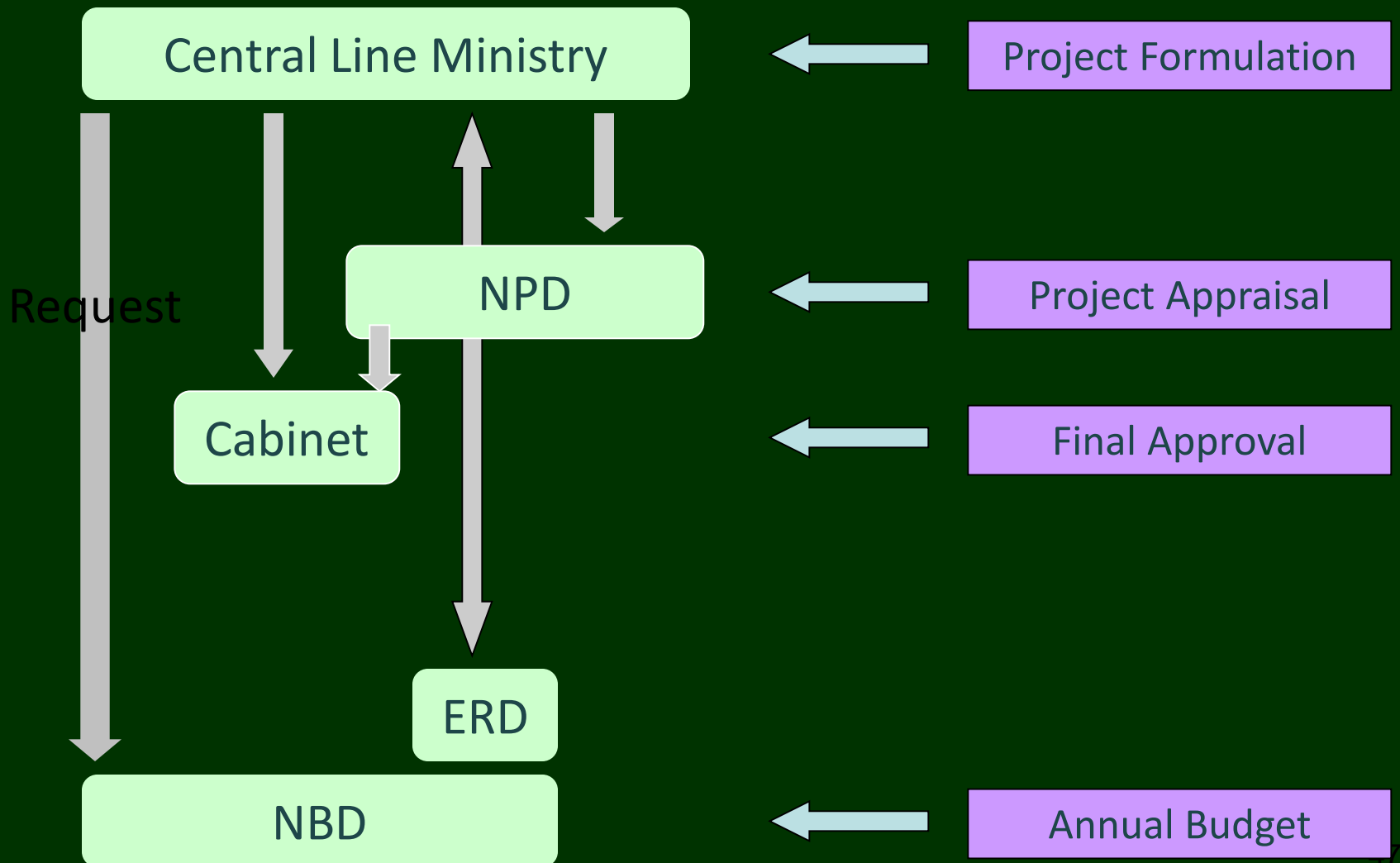
Institutional Roles

Role	Activities	Institutions Responsible
Public Financial Management	Formulation & Implementation of fiscal policies (Tax, trade, tariff, revenue)	MOF&P, DFP
	Formulate, review & monitor systems & procedures in relation to Public Financial Management	MOF&P, DPF
	Public debt management, control of exchange rates	CBSL

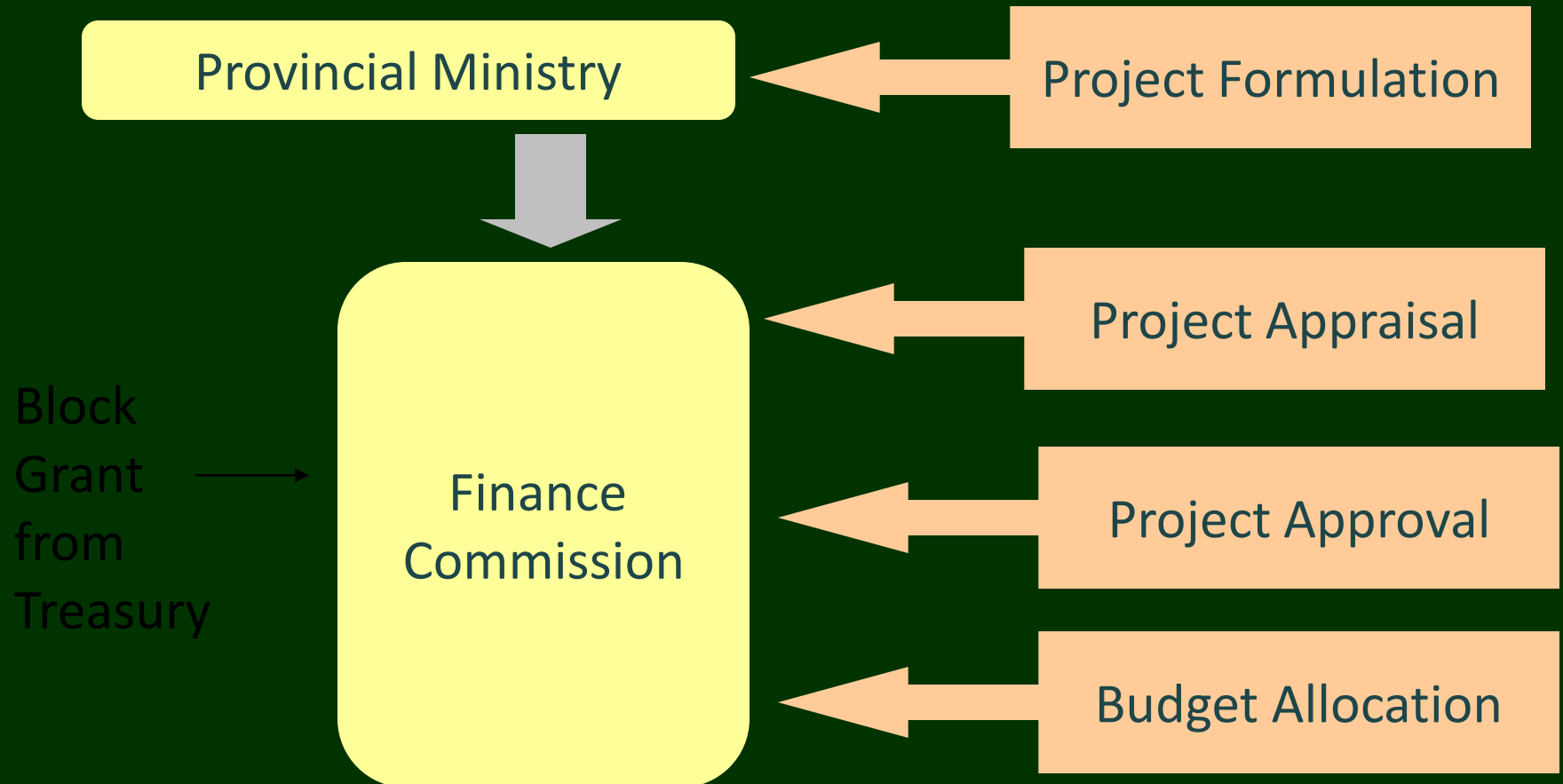
Institutional Roles

Role	Activities	Institutions Responsible
Project implementation & monitoring	Project implementation	Line Ministries, Departments, PC, DS/DS
	Project Monitoring	DPM&M, PC, DS/DS, PMU
	Evaluation	DPM&M, Development partners etc

Project Approval Procedure



Project Approval Procedure- PC



Thank You