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நிதி அமைச்சு
MINISTRY OF FINANCE

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திகதி } 29.. December 2015
Date }

National Budget Circular No.: 06/ 2015

All Secretaries to the Ministries
Chairman, Finance Commission
Heads of Departments
Chairpersons of Corporations, Institutions and Statutory Boards

Monitoring of Financial and Physical Performance of Activities Financed by the National Budget

With the introduction of Zero-Based Budgeting (ZBB) approach from Budget 2016, each program has to justify its own existence, which requires continuous monitoring and evaluation of performance of the activities carried out under the programs financed by the National Budget. This will ensure efficient and effective utilization of scarce public resources in a manner to achieve desired outcomes. Besides, ZBB will help ensure financial discipline, accountability and transparency of the public expenditure programs.

02. Therefore, it has been decided to strengthen the monitoring mechanism associated with performance of the activities relating to recurrent and capital expenditures allocated under the National Budget. The Budget Implementation and Monitoring Unit of the Department of National Budget will periodically and systematically monitor the budgetary process in order to ensure that requirements of the ZBB approach are adhered by the line ministries and agencies.

03. This will be a continuous exercise of collecting and reporting data/statistics on, among other, the utilization of the allocated funds and physical performance against the agreed Key Performance Indicators (KPIs) and targets of the all public expenditure programs. In addition, this exercise ensures identification of deviations between planned and current performance of the line ministries /agencies. Hence, it will help to take required corrective actions without delay.

04. Accordingly, all line ministries/agencies should adhere to the following requirements of ZBB.

- (i) The Secretary of the line ministry is expected to appoint an officer at the level of Additional Secretary to “the Ministry Focal Point” (MFP) for all matters relating to the implementation of ZBB and budget monitoring. The relevant MFP of each line ministry should be held responsible for coordinating and liaising with different units of the ministry and other agencies under the purview of the ministry and to communicate with the Department of National Budget on financial and physical performance of the line ministry and other agencies within the agreed time frame for this purpose. The Secretary of the line ministry is required to inform name, designation and contact details (Mobile, Office, Residence phone Nos., Fax No. and e mail address) of the MFP, to the Director General Department of National Budget on or before 8th January 2016.
- (ii) In terms of the Budget Circular No. 3/2015, all spending agencies need to identify Key Performance Indicators (KPIs) in respect of each Project/ Sub Project level. Further, the Secretary, Ministry of National Policies and Economic Affairs issued guidelines on 14 October 2015 in which all ministries are required to formulate Action Plans as per the decision of the Cabinet of Ministers dated 22nd September 2015. This may require the Secretary of the line ministry to revisit the existing KPIs. Accordingly, the Secretary of the line ministry is required to submit a fresh list of KPIs in respect of each Project/ Sub Project of the line ministry and other agencies, to the Director General of National Budget on or before 8th January 2016.
- (iii) The Secretary of the line ministry is required to submit copies of Action Plan/s and Procurement Plan/s prepared for 2016 in respect of activities to be carried out under the Project/ Sub Project (including those associated with the budget proposals) of the line ministry/agencies to the Director General of National Budget on or before 15th January 2016.
- (iv) Each imprest requirement of the line ministry/ agency submitted to the Department of Treasury Operation should be copied to the Director General of National Budget including the first imprest request made for month of January 2016.
- (v) The Secretary of the line ministry, through MFP should submit relevant information in respect of the ministry and other agencies, to the Director General of National Budget via e- mail address - budmoni@nbd.treasury.gov.lk;
- a) as per the **Form 1** in the Annex, on or before 18th day of January 2016;
 - b) as per the **Form 2 - A, 2 - B, 3 and 4** in the Annex, for the period of first two weeks of the reporting month, on or before 18th day of same month and for the second two weeks of the reporting month, on or before 3rd day of the following month;
 - c) As per the **Form 5 and 6** in the Annex, on or before 3rd day in the months of April, July, October and January (2017) for each quarter respectively.

- (vi) Secretary of the line ministry or nominated Additional Secretary, along with the relevant officials including the official associated with MFP is required to attend at the Monthly Budget Monitoring Meeting chaired by the Secretary to the Treasury/ Deputy Secretary to the Treasury/ Director General of National Budget, held at the General Treasury, to review the financial progress against the allocated funds and physical performance on the basis of the Procurement Plan, Action Plan and KPIs agreed upon.
- (vii) Accordingly the Director General of National Budget will issue a recommendations to the Department of Treasury Operation for releasing imprest for a particular line ministry/ agency based on the performance of the ministry/ agency reported through the fortnight reporting formats and verified at the Monthly Budget Monitoring Meeting.
- (viii) The Director General of the Department of Treasury Operation may not release requested imprest if the relevant imprest has not been recommended by the Director General of National Budget.
- (ix) The Secretary of the line ministry is requested to adhere to the requirements set out in this circular.
- (x) For any clarification on the matters relating to this circular, you may contact Mr. M. K. P. Kumara, Director (Budget Monitoring) (Contact details: 011 2 484 688, 0718 320 679, Fax: 0112 432 848) or Mr. S. I. M. Rosa, Assistant Director (Budget Monitoring) (Contact details: 011 2 484 965, 0718 391 742, e mail address: budmoni@nbd.treasury.gov.lk).



R. H. S. Samaratunga

Secretary to the Treasury

- Cc:** (i) Secretary to the President
(ii) Secretary to the Prime Minister
(iii) Secretary to the Cabinet of Ministers
(iv) Deputy Secretaries to the Treasury
(v) Auditor General
(vi) Director General, Department of National Budget
(vii) Director General, Department of Treasury Operation
(viii) Director General, Department of Public Enterprises