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MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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 My No. } BD/CBP/01/01/21/2025

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 உமது இல. }
 Your No. }

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 திகதி }
 Date } 30.06.2025

National Budget Circular No: 02/2025

All Secretaries to Ministries/Chief Secretaries of Provincial Councils
 Heads of Special Spending Units/Departments/District Secretaries
 Chairpersons of State Corporations/University Grants Commission/Statutory Boards

Budget Call - 2026

Guidelines for the Preparation of Annual Budget Estimates - 2026 within the Medium-Term Fiscal Framework 2026-2030

Introduction

1. The Budget Call Circular for 2026 is hereby issued in accordance with section 22 of the Public Financial Management (PFM) Act No. 44 of 2024, providing policy guidance and instructions on preparation of the expenditure estimates for the next financial year.

This circular will communicate;

- Fiscal Strategy Statement approved by the Cabinet of Ministers and announced in Parliament
- The Expenditure ceilings for 2026, as adjusted for the Medium-Term Fiscal Framework
- Public Investment Programme (Project Pipeline) 2026-2028
- Policy and administrative guidance for the preparation and submission of expenditure estimates

The Strategies and Priority Areas of the Budget 2026

2. The economy of Sri Lanka has entered a sustainable trajectory in fiscal stability as the result of attentive reforms of the government and the difficult sacrifices endured by the public. However, the continuation of further reforms and maintenance of fiscal discipline remain critical, and these achievements do not signify a time for complacency. Hence, it is essential to stay align with the ongoing macroeconomic reform path.
3. In this backdrop, the Budget shall be formulated with due attention to the broad-based, overarching objectives of public financial management, outlined in section 10 of the PFM Act.
4. Meanwhile, there is a pressing need to shift Sri Lanka's economic strategy towards a higher growth trajectory. Unless this shift takes place, further reforms in the fiscal sector will not be sustainable.
5. Further, the government expects to create a widespread sense of development throughout society by reducing disparities among social groups. The Government's theme of the development initiatives is **"A Productive Economy and Foster the Engagement of Everyone in Economic Development"**.

6. The Budget 2026 shall be formulated taking all the above facts into account, while paying due consideration to the Fiscal Strategy Statement and the Medium-Term Fiscal Framework. These documents can be downloaded from the website of General Treasury. (www.treasury.gov.lk)

Priority Areas of Budget 2026

7. Among other initiatives, the Government has selected Integrated Village Development as the key driver to accelerate the delivery of development outcomes to the society. Ministries are encouraged to coordinate with the Ministry of Rural Development, Social Security and Community Empowerment and “Prajashakthi” Secretariat established under the Presidential Secretariat regarding development needs at the village level, as they have developed an Integrated Village Development Plan, including all the Grama Niladari Divisions.

Expenditure Ceilings for 2026

8. The primary expenditure ceiling for the year 2026 is set at Rs. 4,385,400 million. The Base line ceilings for all Ministries and Special Spending Units are provided in annexure I. All the spending agencies are advised to prepare budget estimates within the allocated ceilings.

Guidelines for Finalization of Detailed Budget Estimates

It is instructed to finalize the Detailed Budget Estimates adhering to the following Fiscal Principals and Guidelines for Allocation of Resources.

9. Fiscal Principles

- i. Enforcement of fiscal rules and anchors is crucial in budget formulation.
- ii. The selection of new projects shall be made from the Public Investment Programme (PIP) and shall be based on the recommendations of the Public Investment Committee appointed under section 40 of the PFM Act. The final decision of project selection will be made by the Minister of Finance. (The PIP can be downloaded from www.treasury.gov.lk)
- iii. Priority shall be given in resource allocation for the settlement of domestic arrears as well as budget implementation, in order to support private sector growth.
- iv. Priority shall be given to the completion of the ongoing projects and other multi-year commitments.
- v. Ensuring adequate funding for the operations and maintenance of infrastructure and other assets.
- vi. Further continuation of halting the purchasing of vehicles, except for those required for health service delivery, public transport, utility and other non-passenger transport purposes
- vii. Exploring the possibilities of productively utilizing or investing underutilized public assets that have been acquired through significant public expenditure.
- viii. Utilizing statutory funds in conformity with the primary objectives outlined in the relevant laws, ensuring such funds deliver economic benefits rather than being invested in banks or other capital market instruments.

10. Allocation of Resources

- i. Ensuring full allocation of resources for statutory government obligations and fixed costs such as salaries, unsettled bills in hand, rents and local taxes, electricity, water and telephone bills.
- ii. Allocating adequate amounts to non-discretionary expenditure items to avoid transfer of provisions under virement procedure and through additional allocations.

- iii. Prioritizing ongoing projects that are nearing completion, as they deliver expeditious results to the society.
- iv. Prioritizing allocations towards the actions that support advancing village-level development and production-oriented economy.
- v. Ensuring that all tax-related expenditures are integrated into the budgets of respective entities, so as to avoid shortfalls of budgetary provisions and delays in the release of goods from customs.
- vi. Prioritizing the upgrading and enhancing of existing computer systems/software applications, and related tools to ensure intended effective outcomes.
- vii. Ensuring the maintenance, routinely preservation of the quality and timely renovations of existing public assets by Chief Accounting Officers, Accounting Officers and responsible officials, in order to improve the outcomes from such assets. To this end, Chief Accounting Officers shall give adequate priority for financing the operations and maintenance of the government assets, including the public goods such as roads, railways, hospitals, schools, power plants, irrigation schemes, dams, water supply schemes, industrial parks and public buildings.
- viii. Paying due attention to multi-year commitments.

New Project Selection Methodology

11. Space for new projects has not been included within the expenditure ceilings. Therefore, it is required to submit a separate annexure indicating the list of proposed new projects. Only the projects listed in the PIP are eligible for the inclusion in the Budget Estimates. PIP can be accessed through the Treasury website at www.treasury.gov.lk. Chief Accounting Officers are responsible for ensuring that the selected projects have fulfilled all required readiness conditions. The Public Investment Committee (PIC) will review the proposals submitted by spending agencies and recommend a prioritized list to the Minister of Finance. The Minister of Finance reserves the authority to select projects for inclusion in the Annual Budget Estimates from the projects recommended by the PIC.

Preparation of Expenditure Estimates for 2026 within the Medium-Term Budgetary Framework 2026 - 2028

12. Recurrent Expenditure

The following matters should be considered when estimates for recurrent expenditure are prepared.

12. i. Salaries

- (a) Provisions for the salary increase in 2026, arising from the salary revision announced by Public Administration Circular No. 10/2025, shall be shown separately.
- (b) Provisions for new recruitments should not be included, except for instances where it is confirmed that recruitments will definitely take place at the beginning of 2026, pertaining to which examinations and/or interviews have already been conducted. Expenditure for essential recruitments, with explicit clearance from the relevant authorities, can be managed through transfer of provisions under virement procedure and through additional allocations during 2026.
- (c) Salaries, wages and other allowances for the year 2025 should be calculated separately for each officer, based on the actual number of employees as at 30.06.2025. These details should be prepared at the institutional level and submitted in accordance with the format provided in

Annexure II. Details of officials whose personal emoluments are budgeted under object code 1503 should be submitted separately by each institution, using the same format in terms of the respective circular related to the salary revision in 2025.

12. ii. Other Recurrent Expenditure

- (a) Budgeting for supplies, including medical supplies, should support the implementation of robust inventory management systems that track stock levels, expiration dates and usage patterns. In addition, regular stock audits should be conducted to maintain optimal inventory levels and prevention of overstocking and wastage.
- (b) Budgeting for fuel must be based on the fuel prices as of 01.07.2025.
- (c) If the allocation under Other Supplies (1205) and Other Services (1409) exceeds Rs. 100 million, it is required to itemize those individual expenditure components that exceed Rs. 50 million. If no single component exceeds Rs. 50 million, itemization is not necessary.

13. Capital Expenditure

Allocation of provisions for ongoing development projects should be based on the PIP and must remain within the given ceiling for the Ministry.

13. i. Development Expenditure

- (a) The government has identified the low level of capital expenditure utilization as a pressing issue, as it hinders economic growth and delays the timely delivery of expected benefits to the public within the estimated cost. As it was reiterated in the last year budget call, a significant number of projects even with lower total cost and less complexities show weak progress and implementation delays. Therefore, the prompt attention of Chief Accounting Officers is required to accelerate project execution, while having a strong focus on project readiness and institutional capacity before allocating provisions for capital projects. Further, it is recommended to re-scoping such natured projects, moving the same down the pipeline or removing from the PIP in consultation with the National Planning Department.
- (b) A separate annexure to be furnished for the selected new projects. No new projects will be selected unless they are included in the PIP. Project readiness has to be justified by clear evidence. The prioritization of new investment projects selected by the Ministries will be scrutinized by the Public Investment Committee and the final selection of such new projects will be decided by the Minister of Finance as per the provisions of the PFM Act.
- (c) Provisions must be split according to the standard object codes as per the Chart of Accounts under each capital sub-project, when estimates for development projects prepared. For example, if a sub-project involves building constructions, purchase of machineries, software developments, etc., the budgetary provisions should be allocated under the respective standard object codes accordingly.
- (d) No provision should be included to continue any previous year's Budget Proposal, going beyond the relevant year, unless specifically indicated.
- (e) Block allocations for ongoing annual development programmes will not be considered, unless the respective projects are recommended by the Department of National Planning and included in the PIP.

- (f) In view of the decision taken by the Cabinet of Ministers on 05.08.2024 to “Enhance the efficiency and quality of public service,” special attention should be given to upgrading existing information systems and planning future systems to uniquely identify individuals and entities, thereby facilitating improved service delivery through data sharing and systems integration.
- (g) It has been observed that certain Statutory Funds are being maintained as idle deposits, without being utilized for the purposes for which they were established. Such practices should be discontinued. In this context, proposal/s should be prepared for development-oriented projects that align with the objectives and legal mandates of respective funds while meaningfully contributing to national economic priorities.

13. ii. Institutional Capital Expenditure

- (a) The freeze on vehicle purchases imposed by National Budget Circular No. 03/2021 will remain in effect. However, vehicles for health service delivery, public transport, utility, and other non-passenger transport purposes will be considered on case-by-case basis.
- (b) No provision shall be included under Capacity Development (object code 2401) for foreign training that has to be paid from the Consolidated Fund. Such training requirements should be fulfilled through virtual methods and local institutions.
- (c) Provision for local training should be included only in instances when such trainings are required to manage specialized tasks, required under Service Minutes, Schemes of Recruitments (SOR), provisions of circulars, or when such trainings are directly relevant to the duties of the officer.

13. iii. Maintenance, Rehabilitation and Improvements

While maximizing the utilization of existing assets, due attention must be paid to allocate adequate provisions for their maintenance, rehabilitation, and improvement to ensure sustainability. Accordingly, when preparing capital expenditure estimates, priority should be placed on the safeguarding existing assets and achieving their maximum productive use.

In particular, it is essential to specify, and secure provisions required for the maintenance of highways, railways, hospitals, schools, main dams and reservoirs, anicuts, and canals, under a proper maintenance plan, on priority basis.

13. iv. Fiscal Decentralization

Provisions should not be included under line Ministries or Departments in connection with the functions that are directly assigned to Provincial Councils. To avoid duplication of programmes or projects carried out by line Ministries and Departments at the regional level, alongside those of the Provincial Councils, plans must be prepared in close coordination with the respective Provincial Councils.

Advance Accounts Activities

14. Estimates pertaining to Public Officers' Advance Accounts should be submitted using the format provided in **Annexure III**. Institutions maintaining commercial advance accounts should submit related estimates in an appropriate format, containing sufficient information.

Cross-Cutting Issues for all Spending Agencies

15. Responsiveness to Climate Change

As climate change impacts are fiscally critical, it has been decided to introduce tagging for climate-related expenditure in the Budget. Accordingly, spending agencies are requested to identify expenditure components related to climate risk reduction, disaster response, mitigation, adaptation and the management of potential climate-related disasters within their purview. Further, when preparing the 2026 Budget, adequate attention should be paid to properly identifying such risks and allocating appropriate expenditure for risk management. To integrate climate considerations and ensure sustainable public investments that reduce vulnerability to climate impacts, public investment planning may include climate risk assessments and promote climate-smart investments.

It is therefore required to complete **Annexure IV** and submit it along with the budget submission. In the absence of any climate-related expenditure, a nil report shall be submitted.

16. Sustainable Development Goals and Gender Responsiveness

Following the guidelines available for downloading from the Sustainable Development Council website (<https://sdc.gov.lk>), all budgeted expenditure programmes and projects should be aligned with the Sustainable Development Goals (SDGs) and related targets. This alignment should be coordinated through the Focal Point Officers designated in your institutions, with technical support from the Sustainable Development Council. A soft copy of the compiled budgetary information should be submitted to the Sustainable Development Council via info@sdcc.gov.lk, with a copy to the Department of National Budget, concurrently with the submission of expenditure estimates.

17. Gender, Disability and Social Equity Responsiveness

All spending agencies are advised to ensure their responsiveness to gender, disability and social equity i.e., inclusiveness in access to, participation in, and benefits from public goods and services by all men and women, persons with disabilities, and all income and social groups. Special attention should be given to allocating funds for reproductive health services, programmes to prevent gender-based violence, targeted incentives for women, and initiatives that promote accessibility and empowerment of persons with disabilities and marginalized communities.

18. Submission of Expenditure Estimates

The foremost attention of all spending agencies should be directed towards formulating budget estimates in full compliance with the guidelines provided in this Circular. It is instructed to submit all duly completed annexures on or before 31st July 2025.

The submission of estimates should be carried out through the Integrated Treasury Management Information System (ITMIS), using version 2026EXP_ES for Expenditure Estimates and version 2026ADV_ES for Advance Accounts Estimates. It is mandatory to enter the Annual Budget Estimates for the year 2026, along with the projections for the years 2027 and 2028, within the Medium-Term Budgetary Framework for 2026–2028.

In addition, both hard and soft copies of the Expenditure Estimates and all relevant annexures should be submitted to the respective staff officer of the Department of National Budget. If any assistance is required when entering data into ITMIS, please contact the ITMIS Helpdesk at 011-2484999.

19. Submission of Revenue Estimates


A separate Circular containing guidelines for the submission of Revenue Estimates for the year 2026 will be issued by the Department of Fiscal Policy in due course, when necessary.

20. Budget Discussions

Pursuant to the Expenditure Estimates submitted by the spending agencies, the General Treasury will engage in discussions with the respective agencies to identify concerns, establish priorities, and make any necessary revisions to the estimates. These budget discussions are scheduled to be held from 05th August 2025 to 04th September 2025.

21. Clarifications

If any further clarification is required, please contact the relevant staff officer of the Department of National Budget who is responsible for overseeing matters related to your Ministry, Department, or Institution.



Dr. Harshana Suriyapperuma
Secretary to the Treasury

- Copies to:
- i. Secretary to the President
 - ii. Secretary to the Prime Minister
 - iii. Secretary to the Cabinet of Ministers
 - vi. Auditor General
 - v. Secretary, Finance Commission

2026 Budget Ceilings

Rs.Million

Name of Ministries/Special Spending Unit	Total Ceilings
Special Spending Units	33,500
His Excellency the President	11,385
Office of the Prime Minister	1,298
Judges of the Superior Courts	645
Office of the Cabinet of Ministers	280
Office of the Public Service Commission	440
Judicial Service Commission	185
National Police Commission	307
Administrative Appeals Tribunal	66
Commission to Investigate Allegations of Bribery or Corruption	1,665
Office of the Finance Commission	160
Human Rights Commission of Sri Lanka	495
Parliament	5,280
Office of the Leader of the House of Parliament	90
Office of the Chief Govt. Whip of Parliament	95
Office of the Leader of the Opposition of Parliament	360
Election Commission	6,650
National Audit Office	3,785
Office of the Parliamentary Commissioner for Administration	54
Audit Service Commission	95
National Procurement Commission	140
Delimitation Commission	25
Ministry of Buddhasasana, Religious and Cultural Affairs	14,500
Ministry of Finance, Planning and Economic Development (without debt servicing)	535,000
Ministry of Defence	440,100
Ministry of Justice and National Integration	58,500
Ministry of Health and Mass Media	550,000
Ministry of Foreign Affairs, Foreign Employment and Tourism	23,000
Ministry of Trade, Commerce, Food Security and Co-operative Development	2,500
Ministry of Transport, Highways, Ports and Civil Aviation	455,000
Ministry of Agriculture, Livestock, Land and Irrigation	224,000
Ministry of Energy	22,300
Ministry of Urban Development, Construction and Housing	104,000
Ministry of Rural Development, Social Security and Community Empowerment	36,000
Ministry of Education, Higher Education and Vocational Education	300,000
Ministry of Public Administration, Provincial Councils and Local Government	653,500
Provincial Councils	607,000
Ministry of Plantation and Community Infrastructure	18,000
Ministry of Industry and Entrepreneurship Development	15,000
Ministry of Fisheries Aquatic and Ocean Resources	9,500
Ministry of Environment	16,700
Ministry of Women and Child Affairs	17,100
Ministry of Digital Economy	17,000
Ministry of Public Security and Parliamentary Affairs	207,000
Ministry of Labour	7,700
Ministry of Youth Affairs and Sports	12,500
Ministry of Science and Technology	6,000
Primary Expenditure	4,385,400
Debt Servicing	4,350,000
Interest	2,850,000
Debt Amortization	1,500,000
Total Expenditure	8,735,400

Advance Account Activities for the Budget Estimate - Year 2026

Public Officers Advance Account activities

Name of the Ministry / Department / District Secretariat:

Advance "B" Account No.:

No. of Permanent Employees as at 30.06.2025	A	xxx		
No. of contract & Casual Employees as at 30.06.2025	B	xxx		
Total No of Employees	C	<u>xxx</u>		
Festival & special Advance				
Festival & special Advance per Employee (10,000+4,000)			14,000	
Total Allocation Required for festival & Special Advance (C x 14,000)	D		xxxxxx	
Distress Loan				
No. of Employees in Senior/ Tertiary/Secondary Level	A		xxxx	
Distress Loan per Employee in Sen./Ter./Sec. Level			400,000	
Total Allocation required for distress loan for the Employees in Sen./Ter./ Sec. Level (A x 400,000)	E		xxxxxx	
Total Allocation Required (D+E)				xxxxxxxx
Existing debit Balance in Advance "B" A/C as at 30.06.2025				(xxxxxx)
Remaining Provision available in advance "B" A/C as at 30.06.2025				(xxxxxx)
The balance amount required to pay the loan advances	F			<u>xxxxxxxx</u>
				Proposed Limits
Required Maximum Expenditure Limit for the Year 2026	F		xxxxxxxx	xxxx
Total Receipt for the period 01.01.2025 – 30.06.2025			xxxx	
Average receipt per month			xx	
Expected receipt for the year 2025			xxxx	
Required Minimum Limit for Receipts for 2026	G			xxxx
Balance in Advance "B" A/c as at 01.01.2025			xxxxx	
Expected total expenditure for the year 2025			xxxx	
Expected total receipts for the Year 2025			(xxxxxx)	
Expected Balance as at 31.12.2025			xxxxxxxx	
Required total expenditure for 2026	F		xxxxxxxx	
Required total receipts for 2026	G		(xxxxxx)	
Required Maximum Limit for Debit Balance for 2026				xxxxxx

Date:

.....

Signature
Head of the Department

Responsiveness to Climate Change

Ministry/ Department/ Institution:

Head No:

Serial No.	Name of the Project	Vote Particulars of Allocation	Total Estimated Cost (Rs.)	2026 Estimate (Rs.)	Responsiveness to Climate Change					
					Mitigation		Adaptation		Loss & Damage	
					Tagging*	2026 Allocation Component	Tagging*	2026 Allocation Component	Tagging*	2026 Allocation Component

*"principle": The Responsiveness will be "**principle**" if the primary objective of the project addresses adaptation, mitigation, and loss and damage related to climate change.

"significant": The Responsiveness will be "**significant**" if the wording of the objective of the project explicitly states that it significantly addresses adaptation, mitigation, and loss and damage related to climate change.

"marginal": The responsiveness will be "marginal" if the wording of the objective of the project is not stated explicitly or may only be a small concern to address adaptation, mitigation, and loss and damage related to climate change.□

"potential": The Responsiveness will be "**potential**" if the project does not make a clear contribution to climate change-related adaptation, mitigation, and loss and damage, or it is not clear that it will, but the project's outcomes will impact climate change adaptation, mitigation, and loss and damage in a significant way.