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MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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திகதி } 30-06-2026
Date }

National Budget Circular No: 02/2026

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

Budget Call - 2027

Guidelines for the Preparation of Annual Budget Estimates – 2027 within the Medium Term Fiscal Framework

1. Introduction

The Budget Call Circular for 2027 is hereby issued in terms of Section 22 of the Public Financial Management Act No. 44 of 2024 to provide guidance, fiscal parameters, and operational instructions for the preparation of expenditure estimates for the financial year 2027.

The preparation of the 2027 Budget Estimates shall be undertaken within the approved Medium-Term Fiscal Framework (MTFF) embedded in the Fiscal Strategy Statement approved by the Cabinet of Ministers, with due consideration to the Government's fiscal consolidation objectives, expenditure prioritization, and efficient allocation of public resources.

Accordingly, all Ministries, Departments, and other Spending Agencies are required to prepare their budget estimates in conformity with this Circular and the following documents. These documents can be downloaded from the website of General Treasury. (www.treasury.gov.lk)

- Fiscal Strategy Statement 2027, approved by the Cabinet of Ministers and announced in Parliament,
- Public Investment Programme (PIP)
- Binding Baseline Expenditure Ceilings pertaining to Ministries for 2027, fixed in view of the Medium-Term Fiscal Framework (**Annex I**)

2. Expenditure Ceilings for 2027

The binding expenditure ceilings, estimated pursuant to the "Base Line Estimates" already submitted by Spending Agencies, in response to the Treasury Letter No. BD/CBP/01/01/23/2026 dated 11-06-2026, are set out in **Annex I**.

The expenditure ceilings specified in Annex I shall constitute the maximum resource allocation available for the preparation of the 2027 Budget Estimates. Accordingly, Ministries should ensure that all recurrent and ongoing expenditure commitments are accommodated within the approved baseline ceilings.

Any proposal for a **new development project, programme, activity, service, or policy initiative** included in the Public Investment Program shall be submitted separately from the Baseline Budget Estimates and the same shall not be included within the expenditure ceilings specified in Annex I. Such proposals will be considered subject to national priorities, implementation readiness and fiscal space available for 2027 and the medium term.

Ministries are requested to strictly adhere to the guidelines set out in Paragraph 3.2 of this Circular when submitting proposals for new expenditure initiatives.

3. Guidelines for Finalization of Detailed Budget Estimates

3.1. Application of Budget Ceilings

The expenditure ceilings stipulated in Annex I shall be strictly observed, when the detailed Budget Estimates for 2027 are prepared. In this regard, Chief Accounting Officers shall ensure compliance with the following guidelines:

- i. **The approved budget ceiling is binding** and shall be utilized solely for financing ongoing activities, programmes, projects, and services of the respective Ministry, Departments and Spending Agencies come under thereof, and Special Spending Units.
- ii. **Chief Accounting Officers** shall provide necessary guidance to the Officers in charge to prepare the final Budget Estimates for each Expenditure Head, in line with the Baseline Budget Estimates already submitted in response to Treasury Letter No. BD/CBP/01/01/23/2026 and dated 11-06-2026.
- iii. **Priority shall be accorded to meeting statutory and contractual obligations and other fixed costs**, including salaries and wages, pension contributions, unsettled bills in hand, rents, rates and taxes, utility charges such as electricity, water and telecommunications, and other unavoidable commitments.
- iv. **Adequate provision shall be made for all non-discretionary expenditure items** to minimize the need for virements, supplementary allocations, and other in-year budget adjustments.
- v. **Priority shall be given to ongoing projects and programmes that are near completion** and capable of delivering tangible economic and social benefits within a reasonable timeframe.
- vi. **Provision shall be made for all tax-related expenditure**, including customs duties, taxes, levies, and other statutory charges payable by Ministries, Departments, and projects, to avoid delays in procurement processes, customs clearance, and implementation activities arising from insufficient budgetary allocations.
- vii. **Multi-year contractual and financial commitments shall be carefully reviewed**, and adequate provisions shall be made for obligations falling due in 2027, in accordance with approved project implementation schedules and contractual arrangements.
- viii. Ministries shall review expenditure patterns and identify opportunities for **efficiency gains, cost savings, and the reallocation of resources** from low-priority activities to higher-priority programmes within the approved expenditure ceiling.

3.2. New Project Selection Methodology

- i. **New project proposals shall be selected from the Public Investment Programme (PIP).** Ministries are required to identify and prioritize project proposals contained in the Public Investment Programme for inclusion in the Medium-Term Budget Framework. PIP can be downloaded through www.treasury.gov.lk.
- ii. Ministries shall submit, a list of proposed new projects for commencement during the period 2027–2029, as a separate annexure to the Budget Estimates. Each project proposal shall be accompanied by a duly completed **Annex IV – New Project Proposal Form** and any supporting documentation required to demonstrate the project readiness. Chief Accounting Officers shall be responsible for ensuring only projects meeting the prescribed readiness criteria are submitted for consideration.
- iii. Ministries are encouraged to prioritize projects that contribute directly to economic growth, export development, digital transformation, climate resilience, and improved public service delivery, while ensuring value for money and long-term fiscal sustainability.
- iv. It is pertinent to note that, in accordance with the provisions of the Public Financial Management Act No. 44 of 2024, all proposed projects submitted by Ministries and Departments will be reviewed by the **Public Investment Committee** against the approved project selection criteria, including strategic relevance, economic and social benefits, implementation readiness, affordability, and consistency with national development priorities. The inclusion of the projects in the Annual Budget Estimates will be decided taking into consideration the recommendations of the Public Investment Committee, fiscal constraints, government policy priorities, and the availability of resources.

3.3. Advance Account Activities

- i. Budget Estimates relating to **Public Officers' Advance Accounts** shall be prepared and submitted in the format prescribed in **Annex III** of this Circular.
- ii. The estimates submitted shall be based on realistic assessments of advances to be granted, recoveries expected during the year, and the outstanding balances projected at the beginning and end of the financial year.
- iii. Institutions operating **Commercial Advance Accounts** shall submit the relevant estimates separately, in an appropriate format, providing adequate information on projected receipts, expenditure, operating results, cash flows, assets, liabilities, and other relevant financial indicators.

4. Cross Cutting Issues for all Spending Agencies

4.1. Responsiveness to Climate Change

For the purpose of tagging on climate related expenditure in the Budget, you are requested to fill the **Annex V** and submit the same with your budget submission. If there is no likely expenditure a nil report shall be submitted.

4.2. Sustainable Development Goals

You are requested to follow the guidelines that can be downloaded from the Sustainable Development Council Website <https://sdc.gov.lk>, for the tagging of expenditure with Sustainable Development Goals.

4.3. Submission of Annual Proposed Procurement Plans

It has been observed that although budgetary allocations are provided to implement specific activities, the necessary procurement requirements are often not identified until late in the financial year, thereby

resulting in the underutilization of allocated funds. Therefore, all Spending Agencies are required to clearly identify the specific actions, outputs, and associated procurement requirements of which budgetary provisions are sought. Accordingly, all Spending Agencies are required to submit the Annual Proposed Procurement Plan and relevant supporting documents for the budget year, stipulated in section 4.1.2 of the Procurement Guidelines and in Annexure II of Chapter 04 of Manual for Goods, Works, and Non-Consulting Services, to the Department of National Budget, when expenditure proposals for the year 2027 are submitted.

5. Submission of Expenditure Estimates

The foremost attention of the Spending Agencies should be directed to the formulation of budget estimates in a compatible manner to the guidelines provided by this Circular. You are kindly requested to submit all the duly prepared Annexures on or before 31st July 2026.

The submission of estimates should be carried out through the Integrated Treasury Management Information System (ITMIS), using the version 2027EXP_ES for expenditure estimates and the version 2027ADV_ES for Advance Account estimates. It is mandatory to enter the Annual Budget Estimates for the year 2027 and projection of Budget Estimates for the years 2028 and 2029 within the Medium Term Budgetary Framework, for 2027-2029.

In addition, hard and soft copies of expenditure estimates and all the annexures should be submitted to the relevant Staff Officer of the Department of National Budget. If any assistance is required while entering data in to the ITMIS, please contact ITMIS helpdesk officers on 011-2484999.

6. Submission of Revenue Estimates

The Department of Fiscal Policy will issue a separate Circular containing guidelines on the submission of revenue estimates for the year 2027, in due course, when necessary.

7. Budget Discussions

Pursuant to the expenditure estimates received from the Spending Agencies, the General Treasury will arrange discussions with the Spending Agencies headed by the Minister of Finance/Secretary to the Treasury, as appropriate to identify concerns, priorities, and to make any changes to the Estimates. Budget discussions are scheduled to be held during the month of August 2026.

8. Clarifications

If any further clarification is required, please contact the relevant staff officer of the Department of National Budget, who is in charge of the subject holding responsibility over your Ministry/Department/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
 - iv. Auditor General
 - v. Secretary, Finance Commission