

Public Financial Management Act, No. 44 of 2024

K.V.C. Dilrukshi (FCA, MBA, MBS)

Director

Department of Public Enterprises

***Ministry of Finance, Planning and Economic
Development***

Objects of the Act - Sec. 2

- Promote Sound Financial Management
 - Establish standards, requirements, rules and procedures for:
 - Transparency & accountability
 - Discipline & effectiveness
 - Efficiency & economy
- Strengthen Public Finance Processes
 - Set requirements for fiscal responsibility objectives and rules
 - Guide budget planning, formulation, approval and implementation
 - Establish processes for monitoring, evaluation, internal controls, accounting and reporting
- Strengthen Performance & Accountability
 - Define clear performance requirements
 - Establish accountability requirements for public finance management

Applicability - Sec. 3 (2)

Public Entities

 Budgetary entities

 Statutory Funds and Trusts

 State Owned Enterprises

 Provincial Councils

 Provincial Ministries

 Provincial Departments

 Local Authorities

Officers and Employees

 +  + ✓ Officers and employees of the public entities whom a power or duty is conferred, delegated or assigned under this Act or any regulation made thereunder

Powers, Duties and Functions

- Minister of Finance – Sec. 4
- Secretary to the Treasury – Sec. 5
- Chief Accounting Officer (CAO), Accounting Officer (AO) and Revenue Accounting Officer (RAO) – Sec. 7 and regulations thereon

Revenue Management Committee – Sec. 8

Responsibility

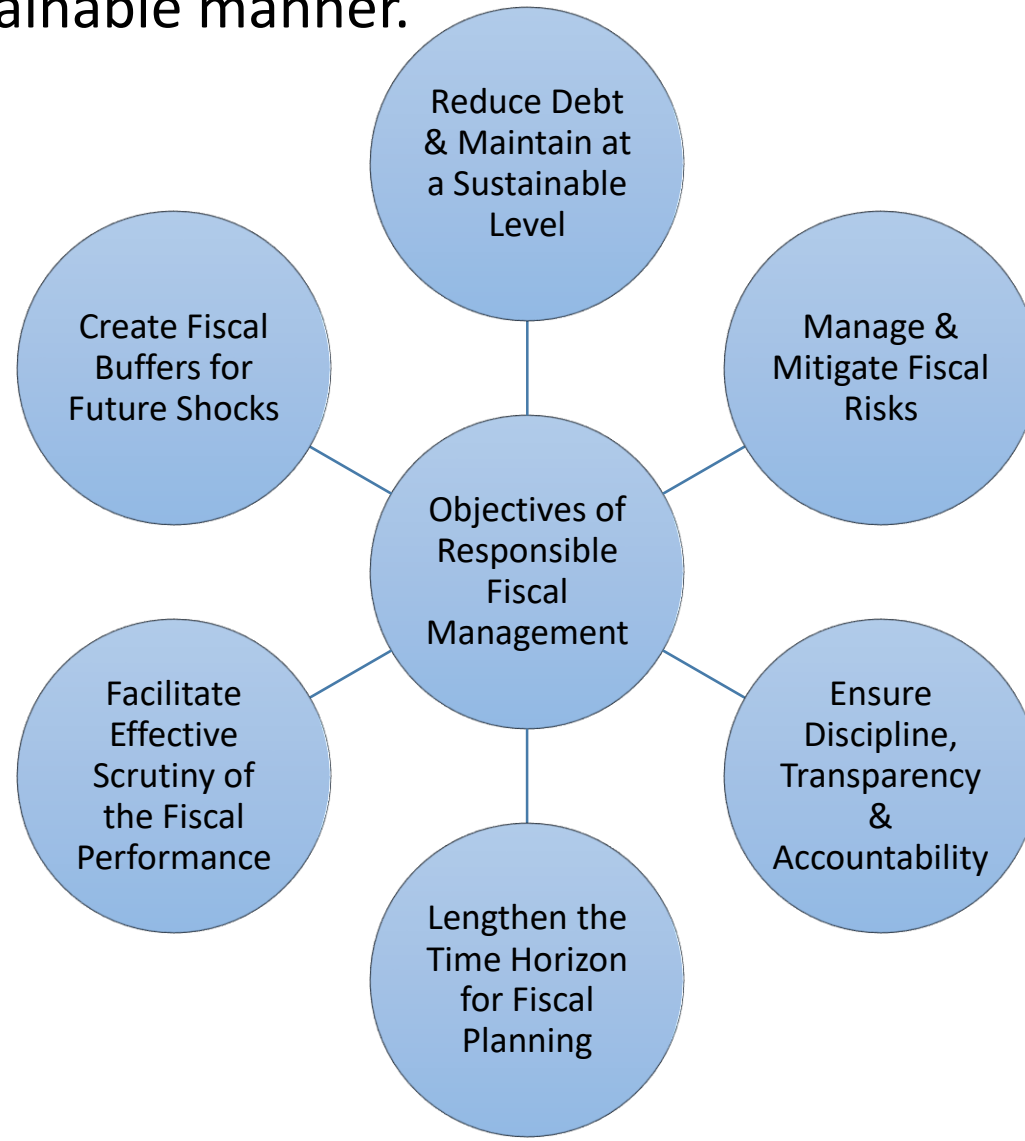
- Developing and formulating revenue strategies consistent with the fiscal strategy statement
- Providing strategic advice to public entities that generate revenue

Composition

- Ex-officio
 - ST (Chair)
 - DST (Fiscal Policy Subject)
 - CGIR
 - DG Customs
 - CGE
 - DG TOD
 - DG FPD
- Two appointed members (Revenue Administration experts)

Fiscal Responsibility – Sec. 9 & 10

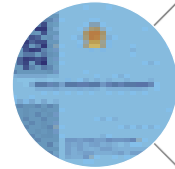
The Government shall manage its fiscal policy in an accountable, efficient, fair, transparent, and sustainable manner.



Fiscal Strategy Statement (Steps & Purpose) – Sec. 11

Step 1

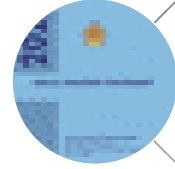
- Annually prepare by the Minister of Finance



Provide a formal statement of Government Fiscal Strategy, before annual budget is prepared

Step 2

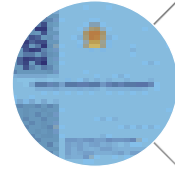
- Obtain the approval of the Cabinet of Ministers



Strategic guidance for upcoming budget

Step 3

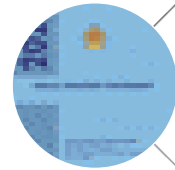
- Announce by the Minister of Finance at Parliament on or before 30th June



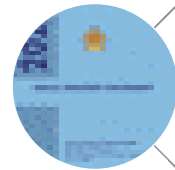
Establish the basis for fiscal performance evaluation

Step 4

- Publish on the Finance Ministry website upon announcement



Strengthen Parliament oversight



Enhance Fiscal transparency & accountability

Content of Fiscal Strategy Statement – Sec. 11 (5)

Fiscal targets and policies being implemented to achieve such targets

Explanation on how the fiscal targets align with objectives of responsible fiscal management

Medium-term fiscal framework

Proposed timeframe for debt reduction

Assessment of performance against fiscal strategy

Main sources of fiscal risk and its impact

Macroeconomic impact of fiscal decisions taken over the past 3 years

Medium-term Fiscal Framework – Sec. 12

Prepare for the upcoming financial year and for the four succeeding financial years

Minimum Disclosures

- A primary balance target consistent with the debt reduction objectives of the Government (as a % of forecast nominal GDP)
- A primary expenditure ceiling of the Government (in LKR)
- Fiscal aggregate projections and supplementary targets of the Government
- Economic and other assumptions used to prepare those projections

Medium-term Fiscal Framework (MTFF)

Table 1 | Medium-Term Fiscal Framework: 2026–2031

Indicator	As a percentage of GDP (Unless otherwise noted)						
	2025 Provisional	2026 Revised Estimates	2027 Estimates	2028	2029	2030	2031
Total Revenue and Grants	16.7	15.8	15.5	15.5	15.5	15.5	15.5
Total Revenue	16.6	15.7	15.4	15.4	15.4	15.4	15.4
Tax Revenue	15.4	14.4	14.2	14.2	14.2	14.2	14.2
Non-Tax Revenue	1.2	1.3	1.2	1.2	1.2	1.2	1.2
Grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	19.0	21.4	20.0	19.8	19.5	19.2	19.0
Recurrent Expenditure	16.0	16.6	15.6	15.5	15.1	14.9	14.7
Non-Interest Recurrent Expenditure	8.3	8.9	8.5	8.5	8.5	8.5	8.5
Interest Expenditure	7.6	7.7	7.1	6.9	6.6	6.3	6.2
Capital Expenditure and Net Lending	3.0	4.8	4.4	4.4	4.4	4.4	4.4
o/w Public Investments	3.1	4.8	4.4	4.4	4.4	4.4	4.4
Primary Balance*	5.4	2.1	2.6	2.6	2.6	2.6	2.6
Budget Deficit	-2.3	-5.6	-4.5	-4.3	-4.0	-3.8	-3.5
<i>Memorandum Items:</i>							
Nominal GDP (Rs. billion)	32,751	36,037	39,294	42,839	46,689	50,879	55,443
Nominal GDP (growth rate)	8.8	10.0	9.0	9.0	9.0	9.0	9.0
Real GDP (growth rate)	5.0	3.8	4.2	4.1	4.0	4.0	4.0
GDP deflator (per cent change)	3.7	6.0	4.6	4.7	4.8	4.8	4.8
Primary Expenditure (as a % of GDP)	11.4	13.7	12.9	12.9	12.9	12.9	12.9
Primary Expenditure (Rs. billion)	3,730	4,940	5,064	5,526	6,022	6,564	7,151

Source: Department of Fiscal Policy

* Exclude interest

Macroeconomic Assumptions

The fiscal targets and projections within the MTFF are expressed as percentages of nominal GDP, derived by dividing key fiscal aggregates by projections for nominal GDP. The underlying macroeconomic assumptions on which these nominal GDP projections are based are presented in Table 1.

Figure 4 illustrates the nominal GDP projections used to prepare the 2024, 2025 and 2026 MTFF vintages. With each successive MTFF update, the macroeconomic projections are revised to incorporate the most recent actual economic outcomes and to reassess whether the assumptions underpinning the forward-looking projections remain appropriate. Nominal GDP projections have been revised downward across successive MTFF vintages, reflecting the deflationary conditions that prevailed in Sri Lanka between September 2024 and July 2025. For instance, the nominal GDP estimate for 2026 was revised downward from Rs. 34,951 billion in the 2025 MTFF vintage to Rs. 34,754 billion in the 2026 vintage. Despite these revisions, the close alignment between the two latest vintages indicates that the macroeconomic assumptions underlying the 2025 MTFF have been broadly validated by subsequent outturns. This highlights the importance of periodically updating macroeconomic projections to ensure fiscal planning remains aligned with the evolving economic conditions.

Primary Balance Target – Sec. 14

- Set by the Minister of Finance in the MTFF
- Should be consistent with the debt reduction objective
- Served as a medium-term fiscal anchor
- Should be updated annually to reflect observed fiscal outcomes
- Any non-compliance or anticipated non compliance, the Minister of Finance shall submit to Parliament and publish within six weeks from the date of such non-compliance or anticipation;
 - A report containing an assessment explaining the reasons for non-compliance with the primary balance target
 - An updated medium-term fiscal framework
 - A fiscal plan to return to compliance in the current and the next financial year in case of non-compliance

Primary Expenditure – Sec. 15

- Shall not exceed 13% of the estimated nominal GDP for the relevant financial year
- The primary expenditure ceiling for the upcoming F/Y shall be binding for the annual budget for that F/Y at the time of its submission, approval, and execution
- For the four succeeding financial years shall be updated on an annual basis
- The primary expenditure ceiling may be initially reviewed no sooner after 5 years from the date of coming into operation of this Act, and be reviewed every 5 years thereafter

Deviations from Primary Expenditure Ceiling – Sec.16

- Allowed only in the unanticipated events or natural disaster posing significant threats to national security, national economic security or the public health and safety of the country
- Minister of Finance shall request by way of resolution, the approval of Parliament for the deviation from the primary expenditure ceiling and supplementary appropriations in excess of the primary expenditure ceiling
- Such request shall include, at a minimum [Report publish as per section 16 \(5\) of Public Financial Management Act No 44 of 2024.pdf](#)
 - Statement explaining the circumstances, supporting data, and how those circumstances justify the deviation
 - A recovery plan that shall contain information and targeted actions to be taken to manage the circumstances including additional spending, and actions to be taken to return to compliance, and the timeframe for such return to compliance
 - A supplementary estimate proposal
 - An updated medium-term fiscal framework

Guarantee Limit – Sec. 17

- The aggregate stock of outstanding Government guarantees at the end of each F/Y shall not exceed 7.5% of the average GDP (“guarantee limit”) of the relevant financial year and preceding two financial years
- The guarantee limit shall be reviewed every 5 years after the date of coming into operation of this Act
- Any breach of the guarantee limit , the Minister of Finance shall submit to Parliament and publish on the official website of the Ministry a report specifying, at a minimum
 - Reason for such breach
 - Actions for compliance in the future

Annual Budget – Sec. 20

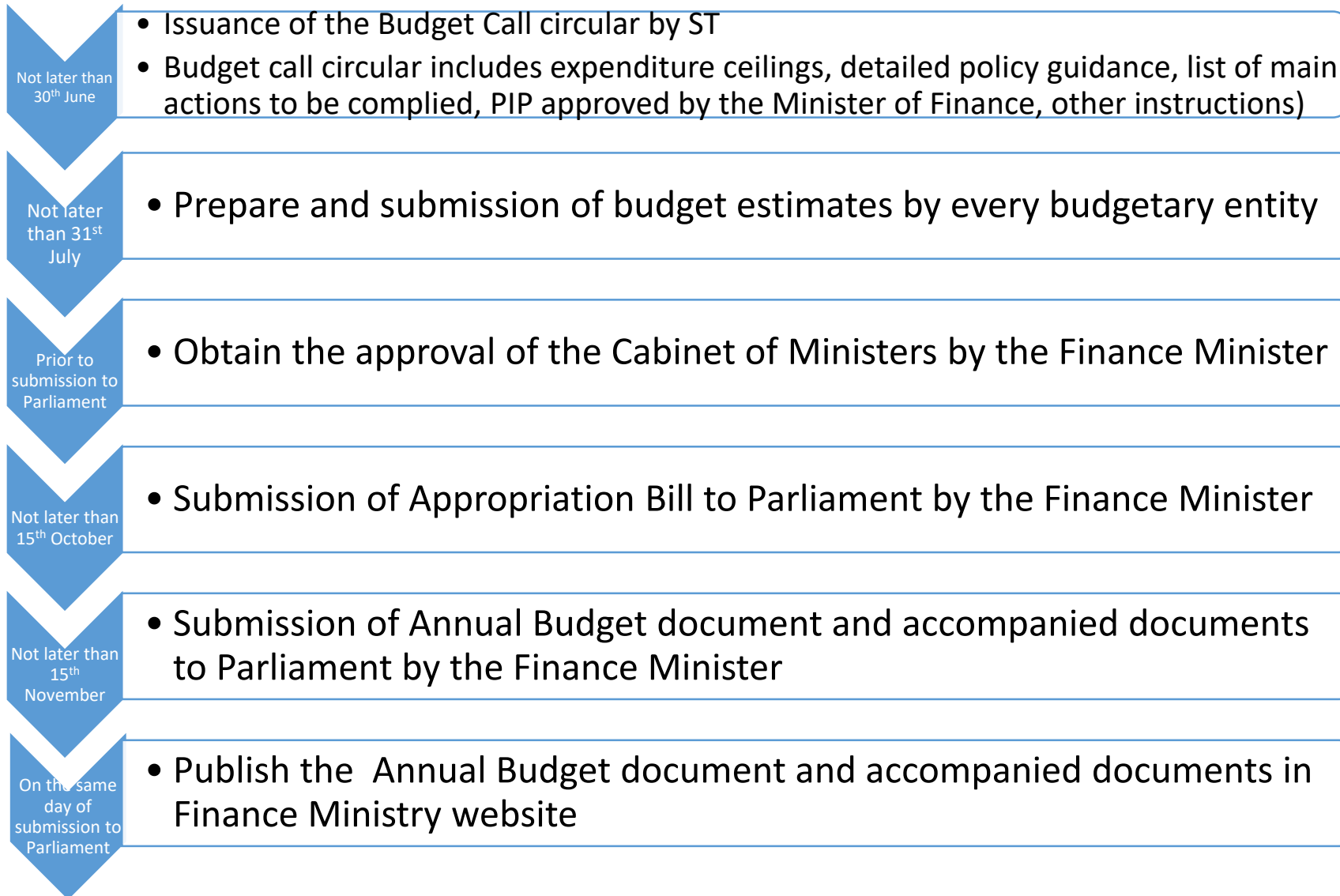
Annual Budget Document

- The estimates of revenue and expenditure as per prescribed forms
- Appropriation Bill that includes inter-alia, the estimates of expenditure, and borrowing ceiling

Accompanying documents

- Budget speech
- A public-friendly version of the annual budget
- Fiscal strategy statement and the budget, economic and fiscal position report
- Medium-term debt management strategy and annual borrowing plan
- List of ongoing and newly approved public investment projects, including PPP projects
- List of outstanding loans and outstanding guarantees provided by the Gov. and other contingent liabilities including those related to PPP projects
- A summary of public service employment across budgetary entities
- A statement of tax expenditures
- Any other document, as legally required

Annual Budget Process – Sec. 21



Vote on Account – Sec. 23

- In the event the Appropriation Bill for the succeeding year is not approved by Parliament by 31st of December of the current year, the Minister of Finance shall submit a vote on account to Parliament.
- Under Vote on account, Parliament shall allocate funds for ongoing projects and continuously provide specified public services.
- Shall allocate funds for not exceed 4 months and shall be followed by the adoption of the Appropriation Act integrating the expenditure of the vote on account

Adjustments to the Annual Budget During the Year

- Virement Procedure – Sec. 24
- Annual Budget Reserve – Sec. 25
 - This is an appropriation for contingencies
 - Shall not exceed 2% of the proposed estimate of primary expenditure
- Supplementary Estimates – Sec. 26
 - For unforeseen and unavoidable circumstances such as major economic downturn, severe external shocks, natural disaster, emergence of major contingent liabilities or any such other eventuality in the opinion of the Cabinet of Ministers
- Excess Expenditure – Sec. 27
 - Excess of the amount appropriated by the Appropriation Act for the relevant year, or from the Contingencies Fund or supplementary estimate
 - Relevant Budgetary entity shall place before Parliament a statement on excess expenditure not later than 90 days after the closure of the financial year
 - shall be a ground for a disciplinary action against the responsible officers

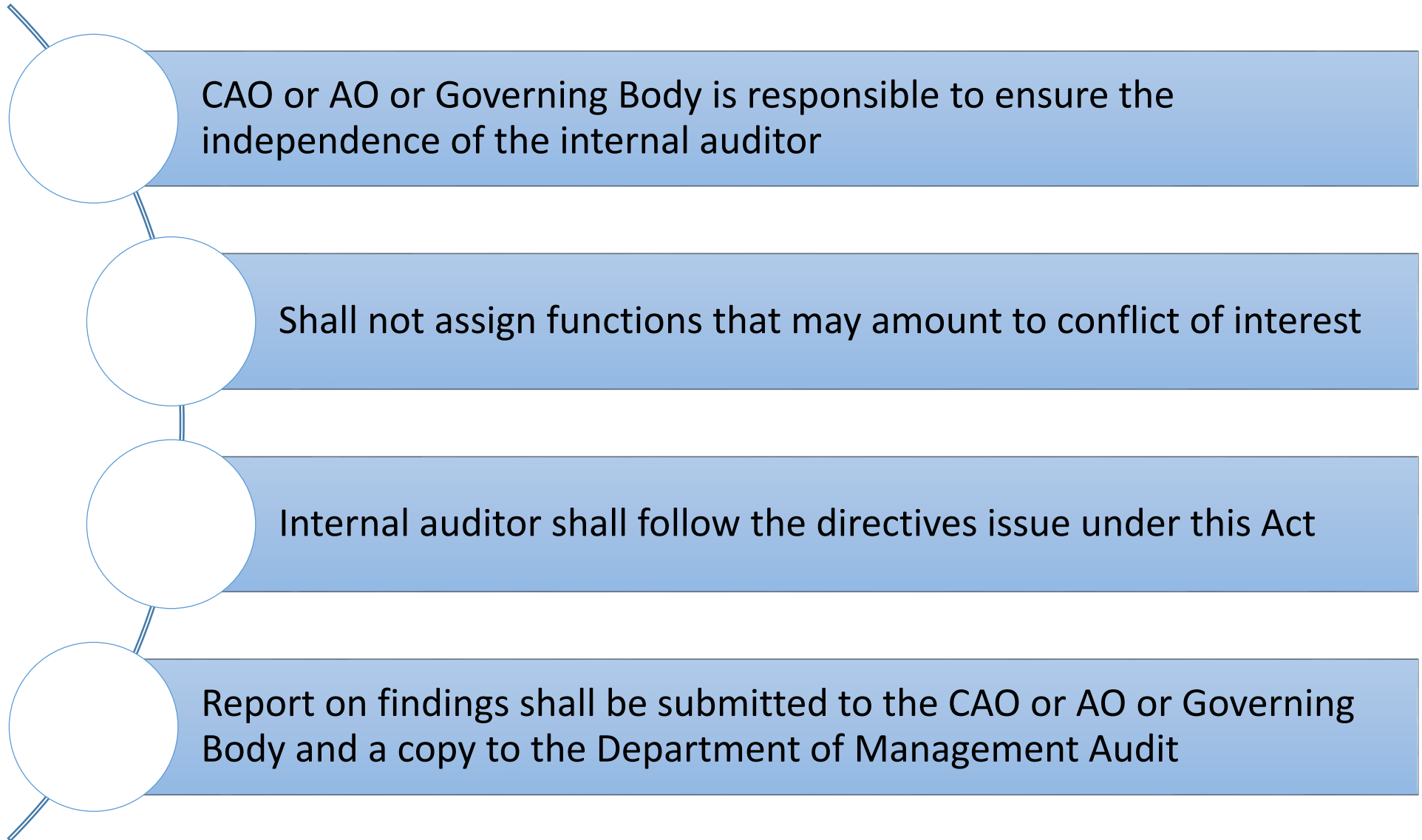
Procurement – Sec. 32

Every public entity shall procure the goods, services, works, consultancy services and information systems in compliance with the procurement procedures specified in written laws and guidelines issued from time to time by the National Procurement Commission.

Submission of Annual Procurement Plan

Relevant Section of the Act	Entity Category	Submission to Whom
32 (2) (a)	Budgetary entities	Secretary to the Treasury
32 (2) (b)	Statutory Funds and Trusts to which public finances are allocated	Respective Chief Accounting Officer
61 (1) (b)	State Owned Enterprises	Secretary to the Treasury

Internal Audit – Sec. 33



Financial Management – Sec. 34 & 35

- Composition of the Committee on Cash Flow Management
 - Secretary to the Treasury
 - Deputy Secretaries to the Treasury
 - Heads of Treasury Departments
 - CGIR
 - DG Customs
 - CGE
- There shall be a treasury single account to maintain the revenue and expenditure of the Consolidated Fund
- ST or an officer on behalf of ST shall authorize the opening, maintenance and closure of official bank accounts
- Governing body of a public entity which is not subject to the treasury single account, shall have power to open, maintain, and close bank accounts

Foreign grants and Domestic grants made to the Government – Sec. 37

The ST shall, subject to the approval of the Cabinet of Ministers have the authority to (except Cabinet approves a specific public entity);

- Sign all agreements with foreign governments, or international organizations in respect of foreign grants
- Receive any grant from other foreign donors or domestic donors on behalf of the Government

Public Investment Management – Sec. 41

- There shall be a public investment programme consisting of all ongoing and prospective public investment projects, including PPP projects planned based on the national development policy framework.

• National Planning Department

Prepared
By

• Minister of Finance

Approved
By

• Official website of the Finance Ministry

Publish In

• Annually

Update

Public Investment Committee (PIC) – Sec. 40 (2-5)

Composition

- Secretary to the Treasury - Chair
- DGs of NPD, PFD, FPD, NBD, PDMO, ERD, TOD, PED, MSD, PMD
- Authority in charge of PPP

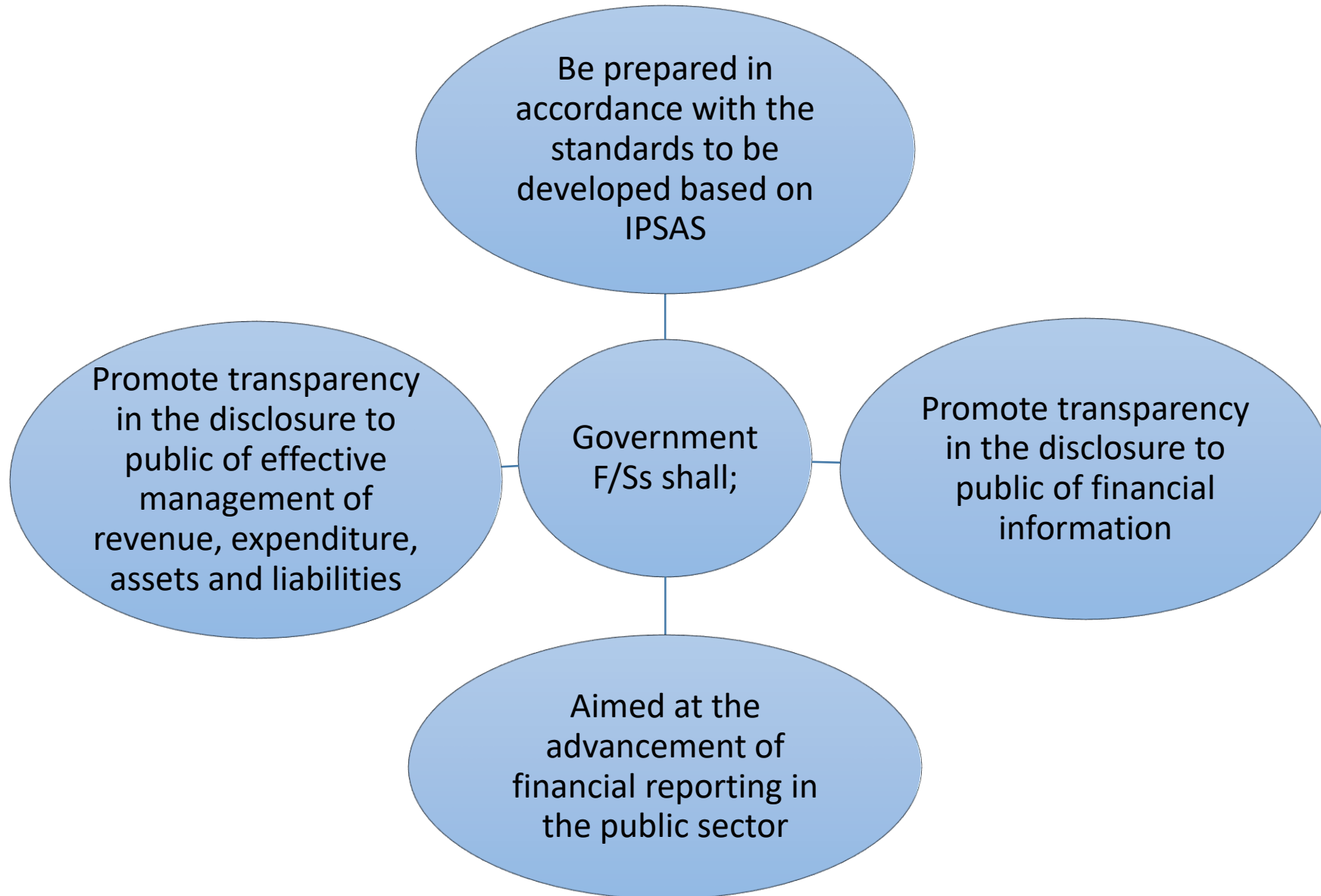
Responsibilities

- Selection of public investment projects including PPP projects based on the criteria published by the Minister of Finance
- Make recommendations to the Minister of Finance on the mode of financing for such project
- Supervising the implementation of the provisions of this Act and the regulations made thereunder pertaining to public investment projects

Government Borrowings and Guarantees – Sec.46

The policy framework on management of public debt and Government guarantees shall be in accordance with the provisions of Part III (Fiscal Responsibility) of this Act and subject to the relevant laws.

Accounting and Reporting – Sec. 47 (1)



Submission and Publication of Annual F/Ss and Reports

Relevant Section	Relevant Entity or Person	Annual F/S or Report	Timeframe
47 (2)	Budgetary Entities	Annual F/S to AG	As specified in the relevant written laws
47 (4) (a)	Budgetary Entities	Annual Performance Report	Not later than 180 days after the closure of F/Y to Parliament
47 (4) (b)	Statutory Funds, Trusts and SOEs	Annual Report	Not later than 180 days after the closure of F/Y to Parliament
49 (1)	Minister of Finance	Budget, Economic and Fiscal Position Report	On the day fixed for the second reading of the Appropriation Bill in Parliament
50 (7)	Minister of Finance	Mid-year Fiscal Position Report	Publish in Finance Ministry website by 31 st October
52 (1)	Secretary to the Treasury	Pre-election budgetary position report	Within three weeks of the publication of proclamation or Order requiring the holding of a General Election
51 (4)	Minister of Finance	Final Budget Position Report	Publish in Finance Ministry website not later than 6 months from the end of F/Y

State Owned Enterprises (SOEs)

- A public corporation within the meaning of the Constitution;
- Entities established and operated under the Companies Act, No.07 of 2007 in which the State has direct or indirect controlling interest by virtue of its shareholding; or
- State-Owned Corporations, converted in terms of the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No.23 of 1987, or such other Acts in terms of which any business entity has been vested with the Government,

with the exception of the Central Bank of Sri Lanka

Powers of Finance Minister on SOEs – Sec. 56

- Provide an opinion to the Cabinet of Ministers regarding proposals for the establishment, closure, or merger of each SOE
- Issue corporate governance guidelines
- Exercise financial oversight over SOEs
- Exercise any other power as may be specified by any other written law

Budget of an SOEs – Sec. 59

- Every SOE shall prepare their budget
- It should be approved by the Governing Body of the SOE 15 days prior to the commencement of the Financial year
- If any SOE is funded by the Annual Budget, they should prepare their budget in line with Budget Call Circular
- SOEs shall adhere to the regulations made under PFM Act for capital expenditure of the budget

Levy or Dividend – Sec. 60

- There shall be a dividend policy set by the respective governing bodies of SOEs, in consultation with the ST
- Minister of Finance may impose a levy on SOE where applicable and may exempt an SOE
- Dividends or levy from SOEs shall be paid into the Consolidated Fund and reflected in the annual budget presented to the Parliament
- ST shall disclose such sums collected as levy or dividend in the annual report of the Finance Ministry

SOEs' Responsibility to Submit Reports to the ST – Sec. 61 (1) & (2)

- A medium-term strategic or corporate plan;
- An annual budget, an annual action plan including information on their capital projects and procurement plan;
- An annual report; and
- Any other report as may be prescribed.

The Secretary to the Treasury shall from time to time publish the formats, timelines and directions of the reports

Draft Annual Report for Audit and Annual Report Publication – Sec. 61 (3) & (4)

- SOE shall submit a draft annual report to the Auditor General, not later than 2 calendar months from the end of FY, with approved Financial Statements
- Upon receiving the AG's report and not later than 180 days from the end of FY, SOE shall submit the AR to Parliament
- Copies of the AR should be submitted to relevant Minister and Finance Minister and it should be published in the SOE's official website

Provincial Councils and Local Authorities

– Sec. 62

- Subject to the provisions of the Constitution and relevant written laws, Provincial Councils and Local Authorities shall adhere to the principles of transparency and fiscal responsibility stipulated in this Act in the management of public finance.
- The Secretary to the Ministry of the Minister to whom the subject of Provincial Councils and Local Authorities are assigned shall submit reports on revenues and expenditures and other financial information of the Provincial Councils and Local Authorities, as may be requested by the Minister of Finance.

Cadre Management – Sec. 63 (1) & (2)

- Minister of Finance shall be vested with the power of cadre management of the public entities, as may be prescribed
- Subject to the provisions of the Constitution and the approval of the Cabinet of Ministers, the responsibilities of the Minister of Finance with regard to cadre management, shall include the determination of the salaries and wages and other payments, to the officers and other employees of public entities

*Thank
you*

