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MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

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Date }

Public Enterprises Circular No. 01/2024

All Secretaries to Ministries  
Chairmen of Commercial Corporations,  
Statutory Boards, Government Owned Companies and State Banks

**Expenditure Management and Business Sustainability of State Owned Enterprises (SoEs) monitored by the Department of Public Enterprises**

Provisions of this circular are applicable to the Commercial Corporations, Statutory Boards and Government Owned Companies except State Banks which are monitored by the Department of Public Enterprises (PED). However, section 12 of this circular is applicable to the State Banks as well.

02. State Owned Enterprises (SoEs) play a crucial role in uplifting the economy by providing public necessities and investment income to the country. In this context, it is expected to improve the performance of SoEs to contribute to the national economy by enhancing revenue generation through value addition, focusing on export oriented products and services to improve the foreign exchange inflows while developing import substitutions where possible to reduce the foreign exchange outflows. However, given the limited revenue generation avenues to the government, increase in government expenditure and limited fiscal space, SoEs are required to maintain strict financial discipline to curtail expenditure and ensure business sustainability by adhering to the following directions.

**03. Employee Allowances**

3.1 Ensure that neither new allowances nor amendments to the existing allowances for employees will be introduced without obtaining the prior approval of the General Treasury. Further, the operational/performance linked incentive schemes should be submitted to the PED for approval as per the Section 3.2 (v) of the Operational Manual for State Owned Enterprises, issued by the PED.

#### **04. New Recruitments**

- 4.1 Approvals for new recruitments are considered by the Director General of Department of Public Enterprises only for posts which are essential to implement the Business Plan of the entity to ensure the business continuity and sustainability. However, it is emphasized that such cadre and the Scheme of Recruitment (SoR) should be approved by the Department of Management Services.

#### **05. Welfare Expenditure**

- 5.1 SoE funds should not be transferred to the employees' welfare societies and other forms of welfare activities, such as death donations, scholarships for children etc.

#### **06. Communication Expenditure**

- 6.1 All SoEs should shift to electronic communication platforms and reduce paper usage as much as possible, in a way that maximum cost-effectiveness is ensured.
- 6.2 All SoEs are encouraged to conduct meetings, workshops, conferences and seminars etc. through online methods whenever possible.
- 6.3 Establishment of effective communication systems is encouraged to reduce the overall communication expenditure of SoEs.

#### **07. Utility Services**

- 7.1 Usage of all utility services, including fuel, electricity and water, should be strictly managed with proper internal controls and rigorous monitoring through analyzing expenditure against budgets and take necessary actions accordingly. It is also encouraged to move towards energy saving modes, such as renewable energy sources, and to ensure the settlement of the utility bills on time.

#### **08. Foreign Training and Employees for Foreign Divisions/Missions**

- 8.1 Suspend the foreign trainings by using domestic funds or foreign loans. However, allowances (incidental, combined etc.) related to the foreign trainings which are fully funded by the donor agencies could be paid as per the provisions in the letter No.MF/06/23/50/2023 dated 20.03.2023 issued by the Secretary, Ministry of Finance, Economic Stabilization and National Policies.
- 8.2 A transparent methodology should be adopted by the SoEs in selecting the most suitable participant/s for foreign trainings, seminars and business discussions funded by donor agencies or foreign funded projects. The Board of Directors and the CEOs of the SoEs should be responsible for the selection/nomination procedure in order to ensure the sustainability and continuity of the SoEs.

- 8.3 Mandatory recruitments/assignment of employees to Foreign Divisions/ Missions of SoEs should be done with clear targets/KPIs. Board of Directors of the SoEs should review the progress of such units quarterly and take necessary action, such as replacement of employees, enabling the SoEs to achieve the set objectives.

#### **09. Local Training**

- 9.1 When providing local training opportunities under expenditure pertaining to staff training, such training opportunities should only be provided in connection with training and development policy of the SoE based on the entity specific succession plans. In such cases, SoEs are encouraged to refer to government training institutions.

#### **10. Construction and Renting of Buildings**

- 10.1 Suspend the entering into new rent or lease agreements for renting out or leasing out of new buildings, without obtaining the prior approval of the PED. However, such existing agreements can be extended based on a proper need assessment and a cost benefit analysis with the approval of the Board of Directors.
- 10.2 New constructions should not be undertaken without obtaining the prior approval of the PED.

#### **11. Expenditure Control of Vehicles and Fuel**

- 11.1 Suspend the entering into new agreements for rent out or lease out of vehicles. However, extension or replacement of existing agreements shall be approved by the Board of Directors based on a proper need assessment.
- 11.2 Suspend the purchasing of new vehicles for Government institutions. In special cases, for the procurement of essential utility vehicles/land vehicles for public service and development activities as and when required, such requests should be forwarded for the approval of the Secretary to the Treasury through the PED with a proper need assessment and Board approval.
- 11.3 In the event where the monthly fuel limit is not sufficient to carry out official duties assigned to the Chairman of any SoE under special circumstances, additional fuel cost borne by them may be reimbursed based on the actual additional usage of fuel with the approval of the Secretary to the relevant line Ministry. Accordingly, the provisions in the section 1.2 of the circular No. PED 01/2020 is hereby amended. The additional actual fuel cost of the other entitled officers paid in terms of PED circulars may be reimbursed on the approval of the Board of Directors.
- 11.4 Only one vehicle should be assigned to officers who are entitled for official vehicles as per the circular No. PED 01/2015, although they work for more than one SoE under any employment basis.

- 11.5 Unless the manufacturer has recommended a particular type of fuel for an official vehicle, the calculations of the fuel allowances should be based on the prices published by the Ceylon Petroleum Corporation for Lanka Petrol 92 Octane and Lanka Auto Diesel.

## **12. Sponsorships, Donations, Corporate Social Responsibility (CSR) Expenses**

- 12.1 Suspend all kind of sponsorships, donations, CSR expenses and non-business-related promotional expenses. Any such expenditure up to Rs.100,000, which is essential in nature, can only be met with the approval of the Director General, PED and for the expenditure beyond Rs.100,000 should be sent to the PED for the approval of the Hon. Minister of Finance, Economic Stabilization and National Policies.

## **13. Value-added Export-oriented Products**

- 13.1 The Board of Directors should pay special attention to innovative approaches for producing export oriented value added products and/or encouraging import substitution products where possible through maximum utilization of available resources.

## **14. General Guidelines**

- 14.1 Avoid all expenditure related to the ceremonial activities, except for the national ceremonials which have specifically been mentioned and provisions have been allocated in the annual estimates.
- 14.2 SoEs should establish a process to ensure compliance with laws and regulations relating to statutory obligations, including the payment of contribution for Employees' Provident Fund, Employees' Trust Fund and taxes.
- 14.3 Strategic Plan, Action Plan, Annual Budget and Annual Reports should be prepared as per the instructions given in the Annexure I and the Annexure III of the Guidelines on Corporate Governance for State Owned Enterprises.
- 14.4 SoEs should forward monthly, quarterly and annual performance reports to the Line Ministry and General Treasury in such formats as required. Board of Directors of SoEs should ensure that such financial performance is uploaded to the PED Management Information System.
- 14.5 The Board of Directors of the parent SoEs should also ensure that their subsidiaries adopt effective measures on expenditure control in line with the provisions of this circular. In this regard, a proper mechanism should be discussed at the Board level and introduced to the Subsidiary Policy of the parent SoE to review the progress of subsidiaries in achieving expenditure control and business sustainability.
- 14.6 In an event where the imprest released by the General Treasury are not utilized for the expected activities within the year or if there is any saving out of the released

imprest, such imprest should be remitted before the end of the financial year to the Department of Treasury Operations, in order to surcharge the respective vote.

- 14.7 The provisions of this circular are applicable until further notice. All Chief Accounting Officers, Accounting Officers, the Board of Directors and the Senior Management of the SoEs are responsible to follow above directions strictly with immediate effect.
- 14.8 The circular No. PED 04/2022, dated 08.08.2022, is hereby revoked.
- 14.9 Should you need further clarification on this Circular, please contact the Additional Director General (Policy), Department of Public Enterprises, via 011 2484627.



K.M. Mahinda Siriwardana  
Secretary to the Treasury

Copies:

1. Secretary to the President
2. Secretary to the Prime Minister
3. Auditor General
4. Secretary to the Cabinet of Ministers