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நிதி ஆணைக்குழு

(அரசியலமைப்பின் 154 "ண" ஆம் உறுப்புரையின் கீழ் தாபிக்கப்பட்டது)

FINANCE COMMISSION

(Established under Article 154 "R" of the Constitution)

03, සරණ මාවත,
රාජගිරිය, ශ්‍රී ලංකාව.

இல. 03, சரண மாவத்தை,
ராஜகிரிய, இலங்கை.

03, Sarana Mawatha,
Rajagiriya, Sri Lanka.

මගේ අංකය எனது இல. My No	FC/PDP/01/01/2026	ඔබේ අංකය உமது இல. Your No		දිනය திகதி Date	07.10.2025

Chief Secretary
Sabaragamuwa Province

<u>Guidelines for the Preparation of the Provincial Annual Development Plan-2026</u>

01. Issuing of Guidelines for the year 2026 in Advance

The following guidelines are issued this year well in advance with the intention of expediting the planning process of the Provincial Annual Development Plan (ADP) for the ensuing year (2026). It is expected that this arrangement will help to avoid the possible delays experienced in the past in the preparation of the ADP by Provincial Councils, as the availability of funds was communicated in the past only after the passage of the Appropriation Bill for the following year.

02. Availability of Capital Grants for the Year 2026

Estimated budgetary provisions for all spending agencies, including the Provincial Councils, have been stated in the Appropriation Bill for the ensuing year, which was published in the Gazette dated 17.09.2025. These figures cannot be considered as final provisions until those are approved by Parliament, which has full control over public finance. Since the amounts specified in the Appropriation Bill for the year 2026 are based on the "binding ceiling" fixed in terms of Section 15 of the Public Financial Management Act No. 44 of 2024, it has become possible to communicate these figures this time with more certainty for the use in the preparation of the Annual Development Plan unlike in the past.

Therefore, based on the information available in the said Appropriation Bill, as well as the information obtained from the General Treasury, the tentative amounts of capital grants available for the year 2026 to your Province are as follows:

		Rs.mn
I.	Provincial Specific Development Grant (PSDG)	8,004
II.	Criteria Based Grant (CBG)	751
III.	Foreign Funded Projects and Locally Funded Special Projects	770
IV.	Total Capital Grant	9,525

Accordingly, you are kindly requested to prepare the ADP for PSDG based on the tentative amount of Rs.8,004million. The sectoral breakdown of the PSDG is attached as **Annex 1**.

Please note that these figures are provisional and may be subject to adjustment after the approval of the Appropriation Bill by Parliament.

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03. Overall Guidance

In the preparation of the Annual Development Plan, you are expected to be guided by the following matters.

a. List of devolved subjects as specified in the Provincial List of the Ninth Schedule of the Constitution.
b. The National Policy Framework "A Thriving Nation- A Beautiful Life" approved by the Cabinet on 03.03.2025
c. National Budget Circular No. 02/2025 (Budget Call-2026) - Guidelines for the preparation of Annual Budget Estimate -2026 dated 30.06.2025 issued by the Secretary to the Treasury
d. Sustainable Development Goals
e. Critical development needs of the Province
f. Medium Term Development Plan of your Province
g. Intra-regional disparities including disadvantaged groups

04. Ensuring the Efficient Use of Funds through Proper Planning

In order to derive the maximum benefits from the limited funds made available to Provincial Councils, such funds must be used prudently as has been repeatedly stated in the past. The renewed emphasis on the need for the management of public funds efficiently, effectively, and economically while improving transparency and fiscal responsibility has been made through the enactment of the Public Financial Management Act No. 44 of 2024.

As provided under Section 62(1) of the said Act, Provincial Councils and Local Authorities are required to adhere to the principles of transparency and fiscal responsibility stipulated in the Act, subject to the provisions of the Constitution and other relevant written laws. The Finance Commission observes that the Provincial Financial Rules provide a very sound governance framework including planning methodology which are embodied in the said Act.

Therefore, you are urged to ensure the followings:

I. Ensure proper functioning of Provincial Ministerial Planning Units referred to in the Provincial FR 4.2.4 and the Provincial Planning Committee referred to in Provincial FR 80.1, and also the Provincial Planning Department referred to in Provincial FR 79.3 and in Schedule 5 of the Provincial FR.

II. All project proposals on development activities/projects that are expected to be included in the ADP of the Province must be appraised before being incorporated, in accordance with Provincial FR 4.2.2 and 4.2.3. With regard to the projects which are acceptable after the preliminary appraisal, action should be pursued as stipulated in the Provincial FR 4.2.3.

III. Accordingly, all project proposals should undergo a preliminary appraisal by the Planning Division of each respective Provincial Ministry, as stipulated in Provincial FR 4.2.3 and further detailed appraisal by the Deputy Chief Secretary (Planning) as necessary taking also into consideration (V) below.

IV. Ensure that appraisal of projects/activities is carried out taking into consideration as to whether the projects/activities:

a) are in line with Sri Lanka's National Policy Framework approved by the Cabinet on 03.03.2025
b) adhere to the stipulations in the National Budget Circular No. 02/2025
c) are well within the Agenda 2030 on Sustainable Development Goals
d) reflect the felt needs of the region/district/Province
e) are the topmost priorities within the sector
f) derive maximum benefits to a larger number of people in the community
g) ensure value for money
h) can be commenced without delay in terms of the project preparedness
i) can be implemented in an integrated manner in order to harness the synergies of other sectors.

V. In undertaking the detailed appraisal, the relevant planning authority can decide whether the cost-benefit analysis should be conducted in respect of projects/activities on small scale common assets such as rural roads, irrigation structures, service providing constructions, if (a) – (i) of (IV) above are satisfied.

05. General Guidelines

As previously mentioned, it is imperative to ensure the prudent and well-planned utilization of the limited budgetary allocations available especially for capital investments. Therefore, all Provinces should give priority on designing projects that directly contribute to the economic development and improvement of living conditions of the people in the Province through employment creations and income generations. Accordingly, the Finance Commission has directed me to request you to pay due attention to the following key areas as well in the preparation of the Provincial Annual Development Plan for the year 2026 in your Province.

5.1 Financial Governance

i. Provincial Councils should adhere to the relevant rules, regulations, and circulars issued from time to time by the Government and to comply with the rules and regulations of respective Provincial Councils to ensure proper financial management at the sub-national level.

ii. Provincial authorities are responsible for adopting government procurement procedures in the implementation of development plans. Therefore, you are requested to follow the common rules and regulations of the government to ensure uniformity between National and sub-national level expenditure management.

5.2 Strategic Planning and prioritization

i. The Annual Development Plan has to be based on the Master Plans which need to be developed for major sectors recognizing the sectoral priorities spelt out in the National Policy Framework approved by the Cabinet on 03.03.2025 and those referred to in the guidelines sent to you last year by my letter no. FC/PDP/01/01/2025 dated 29.12.2024 to avoid haphazard development activities. (Please see 06 below)

ii. Resource mapping exercises need to be carried out on a sectoral basis with a view to tapping regional/ locational advantages and diverting resources to the disadvantaged groups/ localities.

iii. Before committing funds for projects, their feasibility, quality/standards and maintenance aspects and future cost should be given due consideration.

iv. Based on logical need assessment, prioritization of projects is very important to optimal utilization of resources determining outcomes while promoting allocative efficiency of limited funds.

v. In case, the completion of a project exceeding one year, it needs to be phased out properly indicating funding requirement for the ensuing years. In doing so, the success of previous stages should be properly reviewed before commencing the later stages of the project.

vi. When creating common assets, due attention should be paid to lagging areas.

vii. Integrated development approach should be adhered to as a policy within the Provincial Council by coordinating relevant government and non-governmental organizations to avoid duplications and overlapping of activities.

viii. Paying due attention to cross-cutting subjects such as commercial and trading enterprises, environment, disaster prevention, women affairs and youth affair to incorporate them in all development sectors since they have to be addressed through an integrated manner.

ix. Areas lagging behind in relation to socio economic indicators have to be identified and root causes of issues need to be addressed with fair distribution of funds for those areas with a view to minimize intra-regional disparities.

x. The relevant projects need to be designed in alignment with the National Physical Plan of Sri Lanka.

xi. Priority should be given to the development of physical infrastructure essential for the public.

xii. Keeping an appropriate portion of funds in each sector is required to meet unexpected expenditures pertaining to provision of useful services. (e.g. urgent renovation, rehabilitation)

xiii. Accordingly, the Provincial Annual Sectoral Plans should be prepared for the following 23 sectors as per the prescribed Forms 3, 3a which are used for the preparation of ADPs.

1. Education
2. Western Medicine
3. Indigenous Medicine
4. Provincial Roads
5. Irrigation
6. Agriculture
7. Livestock Development
8. Inland Fisheries
9. Small Industries
10. Sports
11. Probation and Childcare
12. Social Services
13. Cultural Affairs
14. Co-operative Development
15. Early childhood Development
16. Estate Infrastructure
17. Transport
18. Housing
19. Rural Electrification (within the scope of item no. 34 of the Provincial List)
20. Local Government
21. Tourism
22. Rural Development
23. Land Development

xiv. In addition to the allocations for the above sectors under PSDG, an amount has been earmarked as the flexible allocation that can be used for special development projects, completion of already started special development projects and urgent requirement of development nature which are not anticipated in the original plans. If you intend to implement special development projects for the year 2026, relevant project proposals should be prepared for the identified development projects with information of relevant feasibility studies and submit to the Finance Commission for the concurrence. The Guidelines on preparation of special development projects will be issued in due course.

5.3. Inclusive Development and Social Equity

i. Participation of beneficiaries especially the youth in the area should be ensured in the identification and implementation of projects/ activities giving opportunities for integrated planning, social auditing and transparency.

ii. Paying due attention to SDG 5 (indicator 5.C.1), projects need to be identified to promote women's participation in the labor force through sufficient gender responsive budgeting and women's empowerment and leadership. Accordingly, at least 25% of allocation has to be made available for projects directly benefiting women from the projects implemented for Rural Economic Development within the government policy framework. Wherever applicable, Provincial Authorities need to maintain gender-disaggregated budget details for further analysis.

iii. Provincial Authorities need to pay attention to the Multi-Sectoral Framework "National Action Plan for Disabled (NAPD) in Sri Lanka" for empowering differently-abled persons. Hence, a fair contribution has to be ensured to implement the NAPD paying special attention to improving the accessibility for people with disabilities adhering to Disabled Persons (Accessibility) Regulations, No.01 of 2006.

5.4. Climate Resilience and Sustainable Development

i. Sri Lanka, as a Member State of the United Nations, adopted the Agenda 2030 for Sustainable Development, which comprises 17 Goals and 169 Targets. The adoption of the Agenda commits Sri Lanka to a universal, transformative, inclusive, and integrated framework of sustainable development with the overall pledge of "leaving no one behind". The Provincial Council should also adhere to the Agenda 2030 which constitute the overarching framework for an integrated approach to sustainable development.

ii. At the Paris Climate Conference (COP21) in December 2015, 195 countries including Sri Lanka adopted the first-ever universal, legally binding global climate deal. Accordingly, the Provinces have to adopt the key elements of the Paris Agreement while paying attention to scaling up their efforts and support actions to reduce emissions, build resilience and decrease vulnerability to the adverse effects of climate change.

iii. The Provincial Council is required to systematically identify expenditure components related to climate risk reduction, disaster response, mitigation, adaptation, and management of potential climate-related risks under its purview. Provincial ADPs shall therefore incorporate projects and activities that address these vulnerabilities, to minimize the impact of climate change and enhance community resilience.

5.5 Efficient Resource Management

i. Allocations provided under PSDG and CBG, firstly should be utilized for the settlement of bills in hand if any. Therefore, the funds should be allocated to complete the activities already started in 2025 or before which have not been completed, in order that such assets created could be effectively utilized. Accordingly, the List of activities prepared in advance could be curtailed to meet such cost. Details of Bills in Hand and Continuations have to be submitted to the Finance Commission by 15.01.2026 as per the Form 4.

ii. The Province needs to take every effort to complete the programs/ projects as planned out during the financial year of 2026.

iii. Idled capital assets belonging to the Provincial Councils and Local Authorities have to be transformed into productive assets focusing promotion of local productions through relevant agreements preferably with the private sector. Possible ways and means have to be identified to use such assets without further investing government funds on them.

iv. If possible, the financial contribution of the relevant stakeholders (e.g.: Local Authorities, NGOs, CBOs etc.) could be taken into account to reduce the burden on the government budget.

v. In estimating the cost of infrastructure/ construction nature projects, the cost of all components which are required to generate desired output should be considered. Irrational "packaging" of the project/ activity to circumvent the limits imposed in the Procurement Guidelines should be avoided as it leads to the creation of incomplete assets leading to wastages of scarce resources.

vi. Proper estimation of the project is the most important step in the process. The total budgetary requirement to complete the project during the entire project period should be indicated as the Total Estimated Cost (TEC), whereas, only the cost to be incurred during the year 1 should be shown under the current year budget.

vii. The practice of providing government assistance in the form of concessionary loans in place of 50% outright grants given for income generating projects/ activities hitherto should be pursued vigorously. Therefore, you are requested to introduce an appropriate loan scheme in place of 50% government contribution given as a grant. However, if pilot projects are to be implemented to demonstrate a new technology or practices, Provincial Councils could bear a certain percentage of the cost to minimize the risk.

viii. Outright grants may be confined to sectors such as Probation and childcare, Social Services which cater especially to vulnerable and marginalized groups in the society.

ix. For economic infrastructure projects excluding those referred to in (v) of Section 4 above, cost-benefit analysis should be conducted while applying the cost-effective principle for social infrastructure projects

5.6 Monitoring and Evaluation

i. A proper monitoring mechanism should be established to monitor the implementation and quality of the output of all projects/ activities implemented by the Provincial agencies as stipulated in the Provincial FR 5.5, 76.2.9 and 4.2.4(ඊ). It is recommended to adopt a Management Information System (MIS) for the purpose of regular monitoring and upgrade the existing system to meet the present requirements as necessary.

ii. Bill of Quantities and other basic information should be made available in an appropriate manner for the information of beneficiaries to ensure the active participation in the monitoring of relevant constructions/ rehabilitation as communicated to you by my letter No. FC/PDP/01/01/2025-II dated 05.05.2025.

iii. The results and impacts of projects and activities should be evaluated to determine the extent to which their objectives have been achieved. The Province shall formulate an appropriate methodology for evaluation process.

iv. Data and information related to the Development Plans and its progress need to be made available for relevant organizations to facilitate the development of policies, and designing of programs/ projects through relevant studies.

06. Application of the Guidelines of 2025 for 2026

All the matters referred to in the Section 4 (Sectoral Priorities) and onwards in the guidelines on the preparation of ADP-2025 issued by my letter number FC/PDP/01/01/2025 dated 29.12.2024 will remain in effect for the preparation of the Annual Development Plans for 2026 as well. Accordingly, Sectoral Priorities of each sector mentioned above, methodology of preparation of the Annual Development Plan, Provincial Planning Framework (including sector component, and sub components) and annexures referred in the last year guidelines will be effective for the purpose of ADP preparation for 2026. Therefore, you are required to adhere to those guidelines and include all the necessary information in your Provincial ADPs - 2026.

07. Deadline for submission of ADP

In order to facilitate the Provincial Councils to implement their Annual Development Plans from the beginning of the year 2026 without delay, the Finance Commission intends to conduct the ADP review meeting well in advance probably during first two weeks of December, 2025. Therefore, you are kindly requested

(a) to prepare Annual Development Plan of your Province for the year 2026 and submit 2 hard copies as well as a soft copy (email: info@fincom.gov.lk) of the same to the Finance Commission Office on or before **15th of November 2025.**

(b) to include an endorsement in the covering letter to the effect that the ADP has been prepared in accordance with the above guidelines.

08. These Guidelines are issued as per the directions given by the Finance Commission.

Your cooperation in this regard is highly appreciated.

A.T.M.U.D.B. Tennakoon
Secretary
Finance Commission

Copies:

1.	Secretary to the President, Presidential Secretariat	- For information please
2.	Secretary to the Prime Minister, Prime Minister's Office	- For information please
3.	Secretary, Ministry of Finance, Planning & Economic Development	- For information please
4.	Secretary, Ministry of Public Administration, Provincial Councils and Local Government.	- For information please
5.	Auditor General, Department of Auditor General	- For information please
6.	Deputy Secretary to the Treasury, General Treasury	- For information please
7.	Director General, Department of National Budget	- For information please
8.	Director General, Department of National Planning	- For information please
9.	Deputy Chief Secretary (Planning), Sabaragamuwa Province	- For necessary action please
10.	Deputy Chief Secretary (Finance), Sabaragamuwa Province	- For necessary action please
11.	Assistant Auditor General, Sabaragamuwa Province	- For information please