

Performance of the Finance Commission

(For the period of 01st January 2017 to 31st December 2017)

Performance of the Finance Commission during 2017 is presented by this report. It includes main activities and financial information of the Commission.

01. Recommendations for 2018

The functions and responsibilities of the Finance Commission are indicated in Article 154R of the 13th Amendment to the Constitution. One of the major Constitutional mandate is to make recommendations to H .E. the President on principles relating to apportionment of funds (Capital & Recurrent) among the provinces.

Recommendations for 2018 were prepared in three languages and submitted to the Parliament on 06th November 2017 on apportionment of funds between the provinces for Capital and Recurrent Expenditure in 2018.

02. Provincial visits and granting concurrence for the Provincial Annual Development Plans

In 2017, The Chairman and the Secretary along with other relevant officers of the Finance Commission visited all provinces to review plans and ongoing projects. The Chief Secretaries and other responsible officers including heads of Provincial Ministries/Departments/Authorities attended those meetings.

All Provincial Development Plans of 2017 were granted concurrence by the Finance Commission for implementation of the development plans subject to make some revisions, as agreed upon.

03. Sending Budget Guidelines on Recurrent and Capital needs Assessment - 2018

The Finance Commission issued Guidelines to the provinces regarding the Needs Assessment of both Recurrent and Capital work and preparation of Provincial Annual Development Plan for the forth coming year. Guideline for need assessment of 2018 was sent to the provinces and received their replies.

04. Introduction of Common Planning Platform for Development Planning - 2018 aligning with SDGs

One of the main tasks of the Finance Commission is providing guidelines to the provinces on developing plans for the capital allocations coming under PSDG to ensure maximum utilization of limited provincial resources.

In the year 2017 the Finance Commission introduced new format with components and sub-components under each sector matching with Sustainable Development Goals (SDGs). The components and sub-components are common to all nine provinces and relevant SDG targets which linked with each components have to be indicated. In addition to the common components and sub-components provinces have to identify broad activity areas they are willing to implement and list of activities on which provinces make investments.

05. Revisions of Provincial Annual Development Plans - 2017

Based on the requests made by the provinces, concurrence was granted in principle for revisions by the provinces up to broad activity areas which comes under thrust areas and sectors of the Annual Development Plans 2017.

06. The Annual Report of the Finance Commission - 2016

The **Annual Report for 2016** was prepared in the three official languages and submitted to H.E the President. On the 5th of December, 2017 the Cabinet of Ministers decided to table the Annual Report in the Parliament.

07. Review of Strategic Plan / Implementation

Preparation of the Strategic Plan through a Participatory Approach was completed and forwarded to the Commission. It was approved in principle by the Commission.

08. Preparing reports on Provincial Audit Reports

Provincial Audit reports of the Auditor General's Department were studied and observations of the Finance Commission were sent to the Chief Secretaries of the provinces. It is expected that this Observations of the Finance Commission will improve transparency and accountability and reduce the audit queries at provincial level.

09. Construction of New Building for the Finance Commission

Construction work of the Administration Building of the Finance Commission (FC) was in progress. Twelve progress review meetings were held at the Finance Commission and regularly monthly technical meetings were held at the site with the participation of Project Consultancy Unit (Faculty of Architecture, University of Moratuwa) and the Contractor. The total expenditure as at 31st December was Rs. 134 Mn. , out of the approved amount of Rs. 300mn. It was noted that the project was behind schedule about 109 days as at 31st December 2017. The Contractor was advised to complete the project on the scheduled completion date scheduled viz 28th February 2018. On account of this long delay the Commission has requested the Consultant to

organize weekly site meetings and increase the number of Progress Review Meetings from January 2018 onwards.

10. Finance Commission Data Base and MIS

The Finance Commission Data Base (DB) and MIS is crucial in functioning of the Commission and fulfillment of its mandated role. In this regard in April 2017 the Commission negotiated with The Information and Communication Technology Agency (ICTA) a letter addressed to the Chairperson. Subsequent to this a number of meetings between the Finance Commissions and ICTA were held with view to steering the project. However, due to restructuring of the ICTA, no meaningful results could be achieved. The Commission decided that this matter should be attended to expeditiously as otherwise the funds from the Asia Foundation would be withdrawn, and accordingly by the Finance Commission initiated discussions with the University of Colombo School of Computing (UCSC) for the proposed MIS/DB deviating from the previous plan of enlisting the support of ICTA. However ICTA will continue to play a critical role in developing the MIS/DB by providing instructions to develop the system.

11. Draft Finance Commission Act

The Act was formulated and submitted to H.E. the President. The Presidential Secretariat sent observations on the draft and the Finance Commission responded. Consequently the Commission was informed the H. E. the President has forwarded a cabinet paper on 15th December 2017 for approval for preparation of an Act for the Finance Commission.

12. Study Visits

The Secretary of the Finance Commission and other relevant staff visited the Dehiwala - Mt. Lavinia Municipal Council and Kesbewa Urban Council. The objectives of the visits were to study the Council structure, Duties and Responsibilities, Classification of revenue and expenditure, Collecting Revenue, Development Projects, Library Management, Maintenance of Infrastructure, Waste Management, Pre-school Education, Welfare Activities, Saving and Investment and Cadre Management.

13. Capacity building of the staff

13.1. Local Training

Some Finance Commission Officers were provided training opportunities on the following selected fields

- Effective Managerial skills
- Project Proposal Formulation
- Digital Government
- Cyber Security and Ethics Cyber Space
- Project Management
- Typesetting & Desktop Publishing
- Library Management
- Payroll
- Preparation of Bid documents
- File management & General Office Administration
- Microsoft Excel- Advanced Analysis Tools
- Integrated Treasury Management Information System (ITMIS)

13.2. Foreign Training

Four officers of the Commission attended short term (2-3 week) training programmes on Public Financial Management for Caribbean & South Pacific Countries and People's Livelihood Ensurance for the Belt and Road Countries. The programmes were held in China.

13.3. Guest Lectures

- Mr. Shunichiro Honda, Adviser, JICA made a presentation on “Japanese Local Government System; an Overview with a focus on Japanese Local Government System, with a focus on financing”.
- **Lowa University’s Adjunct Professor** and former Assistant Governor for Economic and Price Stability, Central Bank of Sri Lanka, Dr H.N.Thenuwara made a presentation on **Public Economic Policy and Public Finance**. In this presentation key areas such as where policy is needed, steps of policy Design and Implementation, Policy Acceptance and Economic Functions of the Government were covered.
- Mr. Sarath Muthugala, a PPP and Procurement Advisor of USAID made a presentation on Public–Private Partnership (PPP) with focus on need of PPP, Recent Private investment in Sri Lanka, Differences of traditional finance and PPP variants and Fundamentals of PPPS.
- Open University, Senior Lecturer in Mass Communication, Dr. Mahim Mendis, made a presentation on making sense of Good Governance for the Finance Commission.

13.4. Staff Studies

The Finance Commission Officers made presentations on the basis of further studies done under the assigned duties.

13.5. Presentation on enhancing Revenue Generation for Regional Development

The Asia Foundation, Executive Director, Mr. Subakaran Arumaithurai, made a presentation on enhancing Revenue Generation for Regional Development on 31st October 2017 for the Commission.

14. 33rd Chief Ministers Conference

The 33rd Chief Ministers Conference was held under the patronage of H.E. the President at the Cinnamon Lodge, Habarana on 06th May 2017. The Chairman and the Secretary of the Commission participated at this conference.

The main objective of the Conference was to provide an opportunity to Provincial representatives to discuss the issues relating to provincial level and make necessary recommendations.

15. Meeting on the matters related to Agriculture, Irrigation and Livestock sectors in Western Province.

A meeting with Provincial Directors of the Provincial Departments of Agriculture, Livestock, and Irrigation, was held on 03rd October 2017 at the Finance Commission.

The main objective of the meeting was to provide an opportunity to Provincial staff to discuss the issues relating to provincial level and make necessary recommendation.

16. Meetings on Budgetary Allocation, Guidelines and Preparation of Annual Development Plan 2018

Two special meetings were organized to discuss on Budgetary Allocation, Guidelines and Preparation of Annual Development Plan 2018 on 20th October 2017 and 21st November 2017 at the Finance Commission. The Chief Secretaries and the Deputy Chief Secretaries (Planning) of all Provinces participated at those Meetings.

17. Meeting with Provincial Heads of the Departments

The meetings with Provincial Directors / Commissioners of the Provincial Departments of Agriculture, Livestock, Education, Probation & Child Care, Western Medicine, Indigenous Medicine, Irrigation, and Road were held on 05th & 08th December 2017 at the Finance Commission.

The main objective of the meetings were to provide an opportunity to Provincial staff to discuss the process of preparation of Annual Development plan – 2018.

18. Discussion on Provincial Cadre Creation and Filling Vacancies.

A discussion organized by the Finance Commission was held with Department of Management Services and National Salary and Cadre Commission on 20th December 2017 at the Finance Commission. The main objective of the discussion was to clarify the role of each institution on recommendations and approval of provincial cadre and take policy decisions on management of provincial cadre.

19. Symposium on the Role of Independent Commissions

A meeting was held on 17th October 2017 chaired by the Hon. (Dr.) Jayampathy Wicramaratne, Member of Parliament, with representation of the Commissions .The Chairman along with 3 other members of the Finance Commission participated in the meeting.

The objective of the Conference was to provide an opportunity to all representatives to discuss the issues of the Commissions and make necessary recommendations to the Constitutional Council.

20. Meeting with the Constitutional Council

A meeting with the Constitutional Council was held on the invitation of the Chairman of the Constitutional Council Hon. Karu Jayasooriya. At this meeting it was noted that the performance of the Independent Commissions have hampered due to lack of competent staff and it was decided that the Commissions should take appropriate measures in this regard . As per the decision the Finance Commission has submitted a letter on “Separate Staff Structure of the independent Commissions” to the Secretary General of Parliament. The new cadre requirements (with specialist on contract basis) is being carried out.

21. Participation /Attendance Seminars and Workshop

Some senior Staff of the Finance Commission attended a number of Seminars on Sri Lankan Economy, Public Investment Programme, Sustainable Development Goal, Public Private Partnership (PPP), Education, and Health etc.

22. Internal Audit Committee

The Management and Audit Committee was established 03 Meetings were held with participation of an Audit Superintendent and the Director, Department of Management Audit. Decisions of the meetings were informed to the all staff of the Finance Commission, for

necessary follow up actions. The Commission decided that Internal Audit, in addition to regularity aspects should deal with performance aspects as well.

23. Follow up on Workshop on Improvement of Development Process through Optimum Coordination between National and Provincial Level.

To follow-up the decisions and recommendations made at the workshop held on 15th June 2015, the Commission prepared a checklist based on the identified issues and recommendations. The checklist along with an Activity Plan was submitted to the Presidential Secretariat. Consequently, the Secretary to the President convened two meetings to discuss the progress of the recommendations made at the workshop. Senior officers of relevant ministries and other relevant institutions participated at these meetings. Based on the request made by the President's Office, the Finance Commission reviewed progress in this regard during the year.

24. Public -Private Partnership (PPP)

The FC has participated at several workshops on Public -Private Partnership (PPP) organized by the Department of Public Finance with the collaboration of the United States Agency for International Development (USAID). FC notes the Procurement Commission will develop guidelines in collaboration with USAID.

25. Performance Reports of the Finance Commission

At the end of each quarter of 2017, Quarterly Performance reports were submitted to the Parliament.

26. Code of Governance

The Finance Commission at its meeting held on 28th December adopted the Code of Governance for the Commission. This will improve transparency, accountability and performance of the Commission.

27. Special Studies

A number of Special studies were carried out for the support of FC activities.

These include

- A Report on Provincial GDP Disparities.
- Study on Expenditure of Health Sector.
- Study on Authorities Functioning in Provincial Councils.

- Progress of Provincial Revenue Collection 2006-2016.
- Inter Provincial Comparison of Recurrent Expenditure -2015.
- Study on Allocations and Expenditure for Major Sectors in 2015.
- Intergovernmental Financial Relations in Sri Lanka.
- Road Maintenance Expenditure and proposal for Cost Recovery.
- Cadre and Provincial Councils, Provincial Authorities and Local Authorities.
- Expenditure on Personal Emoluments and Cadre by Provinces.
- Funding Gaps of Provincial Development between 2016-2017.
- Study on some Municipal Councils.
- Utilization of the Capital Funds.
- Study on Fiscal Imbalances in the MCs.

28. Recruitment of the staff

An Internal Auditor, Chief Accountant and Director (Admin) were appointed to the Commission.

29. Commission Meetings/ Co-group Meetings/ Staff Meetings

- Commission Meetings 15 were held
- The Commission Sub Committee met regularly before each Commission Meeting
- Co-group Meetings - Weekly Co-group meetings continuously held.
- Staff meetings 5 were held

30. Financial Information

In 2017, the Finance Commission was allocated Rs. 50.1 Mn for the recurrent and utilization rate for recurrent expenditure was 96%. Personal Emoluments represents the significant portion of the Recurrent Expenditure. Mainly due to the increased overtime and other allowances with the implementation of new salary structure with effect from 1st January 2017 a slight growth in Personal Emoluments was observed. Recruitments of new officers to Finance Commission has also caused the above enhancement.

The Finance Commission was allocated Rs. 102.9 Mn. for the Capital Expenditure and Rs. 100 Mn. was for the Construction of new office building at Rajagiriya. Utilization for capital expenditure was 85%. In 2016, the total capital expenditure allocation was Rs. 203 Mn. which included Rs. 200 Mn. for the new office building and utilization rate was 46% due to delay in construction.

Budgetary allocations and actual expenditure for 2017 and 2016 is shown in the following table.

Vote	Payment Type	2017 (Rs. 000)		2016 (Rs. 000)		Balance Allocation Available 2017 (Rs. 000)	Expenditure % 2017
		Estimate	Actual	Estimate	Actual		
	Recurrent Expenditure	50,160	48,278	44,694	43,682	1,882	96%
	Personal Emoluments	31,239	30,107	26,617	26,338	1,132	96%
1001	Salaries & Wages	16,935	16,082	12,500	12,276	853	95%
1002	Overtime and Holiday payments	400	377	365	328	23	94%
1003	Other Allowances	13,904	13,648	13,752	13,733	256	98%
	Travelling	248	231	160	124	17	93%
1101	Travelling Local (Domestic)	168	159	100	72	9	95%
1102	Travelling Foreign	80	72	60	53	8	90%
	Supplies	2,447	2,380	1,790	1,643	67	97%
1201	Stationery & Office Requisites	685	677	550	425	8	99%
1202	Fuel	1,330	1,283	1,100	1,099	47	97%
1203	Diets and Uniforms	25	24	40	32	1	96%
1205	Other Supplies	407	395	100	86	12	97%
Vote	Payment Type	2017 (Rs. 000)		2016 (Rs. 000)		Balance Allocation Available 2017	Expenditure % 2017
		Estimate	Actual	Estimate	Actual		
	Maintenance	2,116	2,116	2,650	2,565	0	100%
1301	Vehicles Maintenance	1,400	1,400	2,000	1,928	0	100%
1302	Plant and Machinery Maintenance	711	711	631	630	0	100%
1303	Buildings and Structures Maintenance	5	5	19	8	-	100%
	Services	13,310	12,689	12,742	12,295	621	95%
1401	Transport (Services)	2,700	2,317	722	681	383	86%
1402	Postal & Communication (Services)	1,205	1,195	1,240	1,226	10	99%
1403	Water & Electricity (Services)	1,725	1,567	1,800	1,704	158	91%
1404	Rents and Local Taxes (Services)	5,280	5,280	5,280	5,280	-	100%
1409	Other (Services)	2,400	2,331	3,700	3,405	69	97%
	Transfers	800	756	735	717	44	95%
1506	Interest for loans	800	756	735	717	44	95%
	Capital Expenditure	102,900	87,838	203,000	70,552	15,062	85%
	Rehabilitation and Improvement of Capital Assets	800	701	800	-	99	88%
2002	Plant Machinery eq. rehab & Improve	300	205	300	-	95	68%
2003	Vehicles	500	497	500	-	3	99%
	Acquisition of Capital Assets	1,200	1,145	1,200	1,100	55	95%
2102	Furniture and Office Equipment	330	312	360	265	18	95%
2103	Plant, Machinery and Equipment	870	833	840	835	37	96%
	Capacity Building	900	863	1,000	896	37	96%
2401	Staff Training	900	863	1,000	896	37	96%
	Building & Structures	100,000	85,129	200,000	68,556	14,871	85%
2104	Building & Structures	100,000	85,129	200,000	68,556	14,871	85%

The details of the ‘Public Officers Advance B Account’ are given below Table, accordingly the Finance Commission has been able to operate within the authorized limits.

Description	Limits Authorized	Actual Limits
Maximum Limit of Expenditure	3,200,000.00	3,186,426.00
Minimum Limit of Receipts	800,000.00	1,662,272.65
Maximum Limit of Debit Balance	12,000,000.00	7,910,182.85