<u>Performance Report of the Finance Commission</u>

(From 01st of January 2019 to 31st of December 2019)

The Finance Commission performs its mandatory functions in line with the provisions under the constitution of Sri Lanka. The establishment of the Finance Commission and its functions and responsibilities are defined in Article 154 R of the 13th Amendment to the Constitution.

This report presents the major activities performed by the Finance Commission during the period from 01st of January to 31st of December 2019.

1. Annual Budget Allocation to the Provincial Councils for the Year 2020

One of the key functions of the Finance Commission is to make recommendations to the Government on allocation of annual budget to meet the needs of the provinces and apportionment of funds among nine provinces with the objective of achieving balanced regional development in the country.

The recommendations for the financial year 2020 was prepared comprehensive manner in three languages and submitted to H.E. the President by the Finance Commission in September 2019. The recommendations of the Finance Commission mainly include i) the budget recommendation with apportionment of funds among Provinces in a rational manner, provision of adequate funds under the Government Grants to Provincial Councils and ii) the policy recommendations to achieve balanced regional development with higher socio-economic standards of the people in the country and for effective implementation of public investment programme and service delivery at sub national level. The Commission also recognized and highlighted the major issues and limitations in achieving balanced regional development and for effective implementation and submitted its recommendations to overcome such issues.

The recommendation of the Commission was tabled at the Cabinet of Ministers and decided at the Cabinet meeting on 29th October 2019 i) to request the Minister of Finance to consider the recommendations at the time of preparation of budget for the year 2020 and ii) to grant approval to present the recommendations in Parliament in terms of Article 154 R (7) of the Constitutions, notifying Parliament that action will be taken to give to such recommendations, subject to the decision (i) above.

In general, the Finance Commission informs the apportionment and budget allocation to the Provincial Councils once the budget approved is by Parliament. However, in place of the annual budget 2020, a Vote on Account for four months was passed by Parliament on 23rd October 2019. Accordingly, the Finance Commission informed Provincial Councils the allocated amounts under Vote on Account along with the recommended grants for the year 2020 for their information and necessary action.

2. Reviewing Provincial Annual Development Plans - 2019

The Finance Commission received the Annual Development Plans from all nine Provincial Councils which were prepared by them in a common and effective structure in line with the guideline issued by the Finance Commission. The Finance Commission reviewed carefully the Annual Development Plan of each Provincial Council. A team comprising the Chairman, Commission Members, Secretary and other relevant Officials of the Finance Commission along with the Officials from the Department of National Planning and Department of National Budget visited each Provincial Council for review discussion on respective Annual Development Plans including on-going and completed projects in the province. The Chief Secretary, Provincial Secretaries, Heads of Department and other Senior Officials from Provincial Councils participated at these annual plan review meetings.

During the first two quarters of the year, the Annual Development Plans of all Nine Provincial Councils for implementation in the year 2019 were reviewed and concurrence of the Finance Commission were granted to the respective Provincial Council for implementation, subject to certain revisions as discussed and agreed at the review meetings.

3. Guidelines on Provincial Needs Assessment (Recurrent and Capital) for Ensuing Year

The Finance Commission issues guidelines annually to Provincial Authorities facilitating to carry out the Need Assessment of both recurrent and capital budget requirements for next year. Detailed guidelines in respect of the provincial recurrent and capital need assessment for the year 2020 were prepared by the Finance Commission with necessary formats and sent them to all Chief Secretaries of the Provincial Councils in the 1st quarter of 2019.

The need assessment formats included in the guidelines were used by the Provincial Councils enabling them to carry out the provincial recurrent and capital need assessment in an effective manner and submit it to the Finance Commission.

4. Assessment of Provincial Needs Submitted by the Provincial Councils (Recurrent and Capital)

Provincial Councils submitted their recurrent and capital budget requirements seeking fund allocation from national budget for the financial year 2020, in line with guideline issued by the Finance Commission to the Provincial Councils. During the 3rd quarter, the recurrent budget requirements received from all Provincial Councils were reviewed by the Finance Commission with necessary clarifications and discussions were held with the relevant officials of the respective Provincial Councils. The information on cadre deployment and financial requirements from the key Line Ministries were also collected and considered them for recurrent budget requirement. In addition, the Finance Commission organized meetings with the participation of Deputy Chief Secretary Finance and Director Budget of all Provincial Councils and the Officials of the General Treasury to review and finalize the Recurrent Needs of the Provincial Councils and requirements under the Block Grant for the year 2020 to each Provincial Councils.

All Provincial Councils submitted their requirements of capital grant from national budget in line with the guidelines sent by the Finance Commission and within the framework of the Medium-Term Development Plans of the respective Provincial Councils. The Finance Commission reviewed the capital budget requirement submitted by the respective Provincial Councils. Sector meetings were organized for relevant sectors with the participation of Provincial Secretaries and Provincial Directors. Further, comprehensive discussions were held with the Deputy Chief Secretaries (Planning) of all the Provinces on capital fund requirements of sectors and finalized required amounts from capital grants to the Provincial Councils under National Budget.

5. Supplementary Budget Allocations (Recurrent) to the Provincial Councils 2019

A total amount of Rs. 14, 024 million supplementary recurrent budget allocations was recommended to the Provincial Councils during the year 2019. Rs. 3, 770 million was allocated initially and the balance amount Rs. 10, 254 million was recommended later as requested by the Provinces.

A request for supplementary budget allocations Rs. 176.4 million under the Block Grant was received from the North Central Provincial Council in the fourth quarter 2019. However, it was not considered by the Finance Commission as it has been included in the initial recommendations for the year 2019.

6. Review the Cadre of Provincial Councils

The assessments of cadre requirements of the Provincial Councils were carried out jointly by the Department of Management Services in collaboration with the National Salaries and Cadre Commission and the Finance Commission. In this process, the officials of the Finance Commission participated twelve meetings organized by the National Salaries and Cadre Commission during the year and reviewed the cadre requirements of institutions under the Provincial Councils.

7. The Annual Report of the Finance Commission 2017, 2018 and 2019

The Annual Report - 2017 of the Finance Commission prepared in three languages was presented to H. E. the President Maithripala Sirisena by Mr. U.H. Palihakkara, the Chairman of the Finance Commission on 29th January 2019. The Commission Members of the Finance Commission, Dr. Indrajith Coomaraswamy, Dr. R.H.S. Samaratunga, Prof. M. M. Zafrullah, Mr. V. Kanagasabapathy and the Secretary of the Finance Commission, Mr. A.T.M.U.D.B Tennakoon also attended in this occasion. This report was tabled at Parliament in March 2019.

The Annual Report for 2018 together with the following three Annexes of the Cabinet Memorandum were prepared in three languages and submitted to the President's Office on 19th June 2019 to table at the Cabinet of Ministers.

- Performance Report of the Finance Commission for the year 2018
- Audit Report for the year 2018 and the measures taken to remedy the shortcomings as highlighted in the Audit Report
- Summary of medium term measures to be adopted in order to raise the performance of the Finance Commission.

A comprehensive Annual Report of the Finance Commission for the year 2018 for publication was prepared and completed in three languages and the electronic version of this report was uploaded in the official web site of the Finance Commission.

At the same time, the preparation of Annual Report of the Finance Commission for the year 2019 has commenced. It is in progress and expected to publish by July 2020.

8. Performance Report of the Finance Commission

The Quarterly Performance Reports of the Finance Commission are produced regularly and submitted to the Constitutional Council to table in Parliament. The 4th Quarter Performance Report and Annual Performance Report for the year 2018 were produced and submitted to the Constitutional Council and Parliament in early 2019.

The 1st Quarter Performance Report of the Finance Commission for the year 2019 was tabled in Parliament on 04th July 2019 and the 2nd Quarter Performance Report of the Finance Commission was submitted to Parliament on 28th October 2019 on receipt of the approval from the Constitutional Council. The 3rd Quarter Performance Report of the Finance Commission was submitted to the Constitutional Council on 27th November 2019 and approval was granted on 12th December 2019.

9. Ceremonial Opening of the New Building of Finance Commission

New office building for the Finance Commission at 03, Sarana Mawatha, Rajagiriya was ceremonially declared opened by H. E. the President Maithripala Sirisena in the presence of Hon. Speaker Karu Jayasuriya, Hon. Dr. Harsha de Silva, Hon. Governors of Provincial Councils and Hon. Chief Ministers of Provincial Councils. Other invitees and officials also attended this occasion.

10. Appointment of Members to the Finance Commission

His Excellency the President has re-appointed the following members of the Finance Commission on 18th of February 2019 with effect from 13th of November 2018 under Article 41B and 154 R(1)(C) of the Constitution.

Chairman : Mr. Uditha Harilal Palihakkara
Member : Mr. V. Kanagasabapathy
Member : Prof. H.M. Zafrullah

In addition, Prof. W. D. Lakshman, the Governor of the Central Bank of Sri Lanka and Mr. S. R. Attygalle, Secretary to the Treasury served as Ex-officio Members of the Finance Commission from 21st of December and 20th of November 2019 respectively according to Article 154 (R) (1) (a) and (b) of the Constitution.

11. Evaluation of Independence Commission in their First Three Years

Consequent to the two national symposiums on the role of Independent Commissions the Institute for Constitutional Studies carried out a full detail evaluation of the Independent Commissions in their first three years of existence. It was conducted by the former Chairman of the Finance Commission, Mr. Asoka Gunawardena appointed by the Institute for Constitutional Studies.

In this task Mr. Gunawardena had brief discussions with the officers of the Finance commission and his report was submitted to the Institute for Constitutional studies in October 2019.

12. Database and MIS of the Finance Commission

The software developer for MIS of the recurrent expenditure "Theekshana" submitted the final version of the Software Programme with the source code and the User Manual to the Finance Commission. Since some modifications are required in user manual, the developer was asked to correct and re-submit it. "Theekshana" and the Finance Commission staff jointly conducted few meetings to confirm compatibilities in the system with the original requirement of the Finance Commission.

In consultation with The Asia Foundation, the Finance Commission proposed for a six-month maintenance agreement with "Theekshsna" without any additional cost to carry out rectifications and necessary modifications. It was under consideration to sign the agreement in January 2020. However, the commission has adopted MIS with the assessment of 2020 recurrent budget estimates of the Provinces with the assistance of the System Developer.

13. Finance Commission Bill

As agreed at the discussion at the Attorney General's Department on 11th September 2019, the revised draft of the Finance Commission Bill was submitted to the Legal Draftsman's Department on 03rd October 2019.

The Sub-committee of the Finance Commission was of the view that adequate powers to the Commission should be granted by in the act to perform its Constitutional mandate effectively. The draft was amended at the Sub-Committee meeting of the Finance Commission held on 04th November 2019, incorporating some key provisions to the Draft Bill and sent the same to the Legal Draftsman's Department on 05th November 2019.

The main parts included in the Draft Bill are as follows:

Part I : Powers of the Commission
Part II : Finance

Part III : Staff of the Commission
Part IV : Conduct and Proceedings of the Commission
Part V : General

14. Audit and Management Committee Meeting

The four Internal Audit and Management Committee meetings were held during the year. The Director, Department of Management Audit also participated these audit committee meetings chaired by the Secretary, Finance Commission. Decisions of the meeting were informed to all staff of the Finance Commission for necessary follow up action. In this connection, the Commission directed that Internal Audit to deal with performance aspects giving importance, in addition to regularity aspects.

15. Review and Observations of the Commission on Provincial Audit Reports

The Finance Commission received the Audit Reports of the Financial Year 2018 in respect of all Provincial Councils from the National Audit Office in 2019. The reports were reviewed and the highlights of the audit findings were tabled at the Commission meetings and the observations of the Commission were referred to the Provincial Governors, the Chief Secretaries and the Ministry of Internal & Home Affairs and Provincial Councils & Local Government for follow up action.

16. Compliance Report of the Finance Commission

The Commission ensures that all compliances required in its functioning are met. In this regard Compliance Reports are submitted to the Commission on monthly basis.

17. Revision of the Strategic Plan of the Finance Commission

The current version of the Strategic Plan of the Finance Commission was reviewed and redeveloped. A series of discussions on this were held with the participation of the staff of the Finance Commission and the draft document of the new version of Strategic Plan was presented to the Commission.

18. Institutional Development & Work Study

A consultant provided by the Asia Foundation carried out the work study exercise at the Finance Commission. The preparation of Report of the Work Study by the consultant was under way and expected to submit the report to the Finance Commission in January 2020.

19. Human Resources Policy

As per the Public Administration Circular No. 02/2018, Human Resource Development Plan of the Finance Commission for the year 2019 has been developed by the Administration Division to enhance the skills and capacity for better performance of the staff in the Finance Commission. This will be reviewed in the light of the revised strategic plan.

20. Internal Audit Charter

During the 2nd quarter 2019, an Internal Audit Charter for the Finance Commission has been developed. This charter provides the Mission, Scope, Authority, Independence and Responsibility, Code of Ethics to be followed by the Internal Audit Division of the Finance Commission.

21. Discussion on Provincial Budget 2020

A meeting was conducted by the Finance Commission on 14th November 2019 with the participation of Chief Secretaries, Deputy Chief Secretaries of Planning and Deputy Chief Secretaries of Finance from all Provincial Councils to discuss on Provincial Budget for the year 2020. The Chairman along with two Commission Members, Secretary and senior staff of the Finance Commission also participated at this meeting. The following major subjects were discussed at this meeting.

1. As a Vote on Account has been approved and not passed the National Annual Budget as usual, consideration of recommended amounts in preparation of Annual Budget by Provincial Council for the year 2020.
2. Settlement of bills in hand of the year 2019 and 2020, using the allocation under the Vote on Account to the Provincial Councils.

22. Discussions with Officials of the General Treasury on the Vote on Account 2020

A discussion on Vote on Account for the year 2020 was held at the Finance Commission with the participation of the Deputy Secretary to the Treasury and senior officials of National Budget Department and the National Planning Department on 26th November 2019.

The discussions were focused on areas such as; allocating adequate funds to the Provincial Councils, the allocation under Vote on Account, settlement of bills in hand of 2019 and preparing the Provincial Annual Development Plan 2020.

23. Meeting with Hon. Governors and Chief Secretaries of the Provinces

The Commission convened a meeting at the Finance Commission to discuss the allocations and imprests granted by the Government for capital expenditure with the participation of the Hon. Governors and Chief Secretaries of all nine Provinces on 26th July 2019. The Chairman and a Commission Member, Secretary and the Senior Staff of the Finance Commission also participated in this meeting. The other Commission members were unable to present at this meeting due to unavoidable circumstances. The Governors unanimously proposed and expressed their views and agreed to consider for taking up the matters with the relevant authorities. It was proposed the necessity to increase the government capital grant to the Provincial Councils to meet the capital requirements under devolved and shared responsibilities and divert to the Provinces by some of fund allocated to the respective Line Ministries. The following matters were discussed at the meeting;

i. According to the Article 154R (3) of the 13th Amendment to the Constitution, The government shall allocate adequate funds to the Provinces based on the Recommendation of the Finance Commission.

ii. The Recommendation of the Finance Commission for fund allocation to provinces to be reflected in national budget

iii. It is the responsibility of Provincial Council obtaining the funds recommended by the Finance Commission and secure imprest from the General treasury on time.

iv. Implementation of foreign funded projects under the devolved subjects by national ministries cannot achieve the objectives effectively without the involvement of Provincial agencies. Therefore, these projects should be implemented through Provincial Councils within an agreed development policy framework.

v. Almost all are collected by the Central Government and therefore, the funds should be distributed between the Government and the Provincial Councils appropriately taking in to the consideration the extent of service delivery by two parties. Accordingly, the Hon. Governors proposed a resolution to provide at least 25% of the total capital budget expenditure in the national budget as capital grant to the Provincial Councils from 2020 onwards.

vi. Hon. Governors of the Provinces agreed to seek legal clarifications on their constitutional rights for adequate funds and on implementation of devolved subjects by the line ministries and departments.

vii. Hon. Governors suggested to organise a meeting with H.E. the President on the fundamental issues pertaining to the Provincial Councils with the participation of all the Governors, Chief Secretaries, Secretary of the Finance Ministry, Members of the Finance Commission and other relevant officials.

24. Presentation of Medium-term Development Plans of Five Provincial Councils

Five year Medium-term Development Plans prepared by Uva, Sabaragamuwa, Central, North Central and North Western Provincial Councils with the technical support of UNDP were presented at the Finance Commission to the Expert Committee comprising the Secretary of Finance Commission, Secretary - State Ministry of Provincial Councils and Local Government, Director General of Sustainable Development Council, representatives of Departments of National Budget, Department of Census and Statistics, Deputy Chief Secretaries (Planning) of respective Provinces and representatives of UNDP.

It was a forum to obtain valuable comments from the expert committee for further development of the plans and to recognize them as overall Medium-term Plans of those Provinces. The plan preparation team of these provincial plans among others comprised experts from University Academia along with Senior Staff of the Provinces.

25. Developing the Terms of Reference for Study on Balanced Regional Development

Following a discussion held on 8th of March 2019 at the Finance Commission on Balance Regional Development with the participation of the Department of Census and Statistics, Central Bank, Department of National Planning and Department of Fiscal Policy, the Terms of Reference (TOR) were prepared by the Operational Committee and forwarded to the Steering Committee. The proposed Steering Committee consists of the Chairman and the Secretary of the Finance Commission, the Director Generals of Departments of Census and Statistics, National Planning, Fiscal Policy, National Budget and representatives from the Economic Research and Regional Development Departments of the Central Bank.

26. Discussion with Director, Department of Regional Development, CBSL

A discussion initiated by the Finance Commission was held at Central Bank of Sri Lanka on 27th May 2019 with the Regional Development Department of CBSL on Rural Credit Facilities. The Directors and Assistant Directors of the Finance Commission participated at this discussion. The Subjects on financial inclusiveness, rural development and rural credit facilities and its applicability on provincial programme were discussed in productive manner.

27. Joint Research Studies with Sri Lanka Institute of Local Governance (SLILG)

The Sri Lanka Institute of Local Governance initiated to carry out research studies related to Provincial Councils and Local Government in collaboration with the Finance Commission. TOR was developed and the proposals received from consultant teams were evaluated jointly by SLILG and Finance Commission.

28. The World Bank-funded General Education Modernization Project

The General Education Modernization Project (GEM) was launched in 2018 and funded by the World Bank a grant of US$ 100 million with the objectives of improving the quality and strengthening stewardship of the General Education System and modernize the Primary and Secondary Education System, in line with international development in middle-income and high-income education system in Sri Lanka. The project implementation period is 2018-2024. Key project components are enhancing quality and strengthening stewardship of primary and secondary education and project operation and technical support.

A Steering Committee consisting of 48 members has been appointed for implementation of the project. The Chairman, Finance Commission serves as one of the members of the Steering Committee. The Steering Committee meetings are held on a quarterly basis.

29. Formulation of New Provincial Road Development Project

The objective of the project is to improve access and asset management of Provincial Road Network and strengthen the systems and processes of provincial road agencies. There are two major components in this project, namely Provincial Road Program Financing and Asset Management, road safety and institutional strengthening. Under the provincial road program financing component, construction/ rehabilitation/ improvement of about 500 km of prioritised provincial roads in nine provinces will be carried out with a 5 year maintenance period. The asset management will encompass road safety and institutional strengthening component, improving framework for asset management, road safety, establishing linkages for agriculture/logistic value chains and institutional capacity. Official of the Finance Commission participated at project formulation and review meetings.

30. Implementation of National Guideline for the Child Day Care Centres in Sri Lanka

Meeting on the above was held on 16th May 2019 at the Presidential Secretariat, for the purpose of reviewing the guidelines collectively prepared by The National Child Protection Authority and the Ministry of Child and Women Affairs. It was agreed to invite all Provincial Commissioners for further consideration. Official of Finance Commission also participated at this meeting.

31. Citizen Budget

The Eastern Provincial Council has produced first "Citizen Budget" with the assistance of UNICEF and ceremonially launched on 6th November 2019 in Trincomalee. The Citizen Budget is a vital tool for public accountability and increased civic participation and enabling citizen to gain a better understanding of how public finances are managed and used. The Chairman and Secretary of the Finance Commission participated at this initiative ceremony.

32. Workshop on Components and Sub Components for Early Childhood Development Sector

A workshop was arranged by the Finance Commission on 04th December 2019 with the participation of the Directors of Line Ministry of Education, Provincial heads of the Early Childhood Development (ECD) Sector to discuss and determine the Component and Sub Component for of the Early Childhood Development Sector. An improved version of Component and Sub Component for ECD Sector were developed for incorporation in the FC Guidelines for preparation and implementation of Annual Development Plans of the Provincial Councils.

33. Meeting on Provincial Sports Sector Development

A meeting with the Directors of the Department of Sports of nine Provinces was held on 17th January 2019 at the Finance Commission. Director General of Department of Sports also participated for this meeting.

The objective of this meeting was to provide an opportunity to all representatives to discuss issues and problems faced by the Sports Sectors in all Provinces, with a view to making appropriate policy decisions.

34. Meetings on Sectors of Co-operative, Probation & Childcare, Social Services and Early Childhood Development

The main objectives of the meeting were to review progress of previous years, discuss relevant issues /challenges and make necessary recommendations.

35. Workshop on Improving Governance in Provincial Councils

A one-day workshop on improving Governance in Provincial Councils was organized by the Finance Commission and conducted on 30th March 2019 at the Finance Commission. The Chief Secretaries, Deputy Chief Secretaries (Finance, Planning, Engineering, Administration and Personnel & Training) and Chief Internal Auditor of all nine Provincial Councils and official of Finance Commission were actively participated at this workshop.

The Governor of the Central Bank of Sri Lanka, Deputy Secretary to the Treasury, Commission Members and Mr. Asoka S. Gunawardena, Former Chairman of the Finance Commission made speeches with presentations and participated in the panel discussion.

36. Facilitating Colombo Municipal Council in Preparing Effective Annual Development Plan

On a request of the Western Provincial Council, a meeting was held on the above at the Finance Commission with the participation of the Secretary and Senior Officials of Finance Commission and Deputy Chief Secretary-Planning of Western Provincial Council and Municipal Commissioner and Heads of Divisions of CMC and discussed on preparation of effective and structured Annual Development Plan for CMC.

A one-day workshop was arranged by Municipal Commissioner at his office with the participation of relevant officials of CMC. Director (PRP), Director (PDP) and Asst. Director (RNA & CR) of the Finance Commission facilitated for this workshop as resource persons. A structured outline for Annual Development Plan with Component and Sub-component for all relevant sectors under purview of CMC was developed at this workshop.

37. Human Resource Development of the Staff

37.1 Capacity Building of the Staff

Guest lectures are arranged regularly at the Finance Commission to enrich the knowledge and skills of the staff. The following guest lecturers made presentations on specialised topics for the staff of the Finance Commission during the year 2019.

Name	Topics	Date
Prof. Nalin Abeysekera, Senior Lecturer, Open University	For better 2019	1 Jan. 2019
Dr. P.Vishaka Hidellage	Disasters in Sri Lanka	10 Jan. 2019
Prof. Ajith de Alwis	Creative Thinking	24 May 2019

Dr.Dinesh Attygalle, Dr. Shantha Amarasinghe, Mr. Weragoda from the Moratuwa University	Material Science and Economy	27 May 2019
Dr. Ajith Rohana Colonne	Success	25 Jun. 2019
Dr. Vinya Ariyarathne	Balanced Regional Development	19 Sep. 2019
Dr. Bart Klem	Devolution and Provincial Councils	31 Oct. 2019
Mrs. Louise Moreira Daniels	Citizen Budget	22 Nov. 2019
Mr. Thulsi Aluvihare	Colombo Port City Project and its Implications on the Economy of Sri Lanka	27 Nov. 2019
Mr. A. G.K. M. U. Gamakumara	Psychoactive Environment	04 Dec. 2019

37.2 Training Programmes participated by the Staff

The following officers have participated in training programmes during the year 2019.

- **Local Trainings**

Name	Topic	Duration
Mrs. W. D.I. D. Ireshika Mrs. Wijitha Abeywikrama	Stores and Inventory Management	25-26 Apr. 2019
Mrs. S.N.Sanjeewani	Procurement Procedures for Executive Officers	06,13 & 20 Jun. 2019
Mrs. K.A.M. Lankani	Procument Procedure in Government Sector	18-26 Jul. 2019
Mrs. Thiloka Abeysekara Miss. Chandra Malani Mrs. Nimali Rathnayake	Research in Economics Conducted by CBSL	2019.07.05 - 2019.09.06 (Every Friday Only)
Mr.S.D.C. Chandrasiri	Government Payroll System	4-6 Sep. 2019
Mr.S.M.R.S. Bandara	Annual Conference, on SDGs Organized by OPA Sri Lanka	18 Sep. 2019
Mrs. S. N. Sanjeewani	Performance Appraisal & Setting KPI's	25 Nov. 2019
Mrs. Thiloka Abeysekara	Procurement Guideline Planning and Regulations	27-29 Nov. 2019
Directors, Assistant Directors, Assistant Research Officers Development Officers and Graduate Trainees (34 staff)	Training on Computer Application in Statistics (designed training course for F C staff on requirement)	09-20 Dec. 2019
Mr. S. R. Idampitiya Ms. Nadeeka Damayanthi	Discipline Procedure	18-20 Dec. 2019

- **Foreign Trainings and Conference Attended**

Name	Topic	Date/s
Mr. V. Mahendrarajah	Cross Country Learning Conference on Gender Responsive Budgeting - Goa, India	11-12 Sep 2019
Mr. P.R.N. Sujeewa	Seminar on China's Development Experience & Its Reforms and Openings for Policies for Sri Lanka - China	02 Sep – 01 Oct. 2019
Mrs. T.G.C.Malani Mrs. A.W.K.S.Ranasinghe	2019 Ministerial Workshop on International Development Cooperation for Developing Countries - China	18-24 Sep. 2019
Mr. S. M. R. S. Bandara	2019 Ministerial Workshop on Development Financing and International Poverty Alleviation for Developing Countries - China	15-24 Oct. 2019

38. Recruitment and Transfers

The following officers joined the Finance Commission during the year 2019.

Name	Position	Joined Date
Mr. V.Mahendrarajah	Director	01 Jan. 2019
Mr.S.D.C. Chandrasiri	Accountant	25 Jun. 2019
Mrs. S.K. Kothalawala	Chief Accountant	02 Jul. 2019
Miss. S. A. Hansani Sadamali	ICT Assistant	01 Jul. 2019
Mr. D.V.U. Gunawardhane	OES Casual	01 Aug. 2019
Mr. S. P. P. Wijesinghe	Assistant Director	12 Dec. 2019
Mr. K. P. D. Nandana	Driver	16 Dec. 2019

The following officer was released from Finance Commission on transfer

Name	Position	Transferred Date
Mr. Susantha Ranasinghe	Chief Accountant	02 Jul. 2019

In addition, 15 Graduate Trainees were placed at the Finance Commission on 1st of August 2019.

39. Staff Studies

In the task of fulfilling the mandatory duties, the Finance Commission continuously carries out staff studies/research work. During the year the following small studies were carried out by staff.

- Transfer of central government revenue to provincial councils
- Indirect revenue (nation building tax) collection by provinces.
- The Administration Division of the Finance Commission prepared a Draft manual on Human Resource Policy of the Finance Commission
- Balanced Regional Development - the practice of NPD and FC
- Provincial Planning Process – the practice of EPC
- Study on Allocation of Adequate Funds from Annual Budget to meet the Needs of the Provinces

- Study on Relationship on Geographic Development Planning & Poverty
- Study on Financial Distribution of Budgetary Allocations among Provinces by the Line Ministries
- A Study on Balanced Regional Development Indicators
- Developing Rational Indicators for each Sector for Fund Apportion
- Relationship on Geographic Development Planning & Poverty
- Sector Studies on Health & Education

40. Sector Studies and Presentation

The Finance Commission recommends apportionment of funds available under government budget among the Provincial Councils and the financing arrangements for Provincial Annual Development Plan incorporating the programme of 23 sectors coming under the purview of Provincial Councils. In this task the Finance Commission carries out studies on potentials, status, performance and investment of each sector.

Assistant Research Officers, Development Officers and Graduate Trainees in the Finance Commission were assigned specific sectors to carry out studies and make presentation with the findings. The main objective of this practice is to enhance the skill and capacity of the staff in the Finance Commission on specific relevant sectors and make use of the findings and output of this study for the decisions and directions of the Commission. Accordingly, presentations were made by the respective officers during the year and the information and findings were useful and recognized for adopting in preparation of sector guidelines and recommendations.

41. Rationalization of Committees

With a view to streamlining the activities of the Commission and making the staff more effective especially the technical categories, the Commission decided that action should be taken with immediate effect to rationalise the committees in relation administrative and financial functions of the Commission.

42. Productivity Improvement

The Commission noted the importance of improving its efficiency and recognition. Accordingly it was decided that this aspect should be properly studied by all the directors taking into account the potential for automation of the Commission's activities. The work in this regard is in progress.

43. Finance Commission Meetings

- Eleven Commission meetings were held during the year.
- The Sub Committee of the Commission met regularly before each Commission Meeting and other special discussions.
- Core-group meetings were conducted on a weekly basis.
- Staff Meetings were held on a regular basis.

44. Important Decisions taken at the Commission Meetings

- Assessment of Provincial Capital and Recurrent Expenditure Requirements for 2020
- Application of Population Under Poverty Line instead of Poverty Head Count Ratio in the Composite Index for Capital Expenditure Distribution
- Provincial Councils should find ways and means for increasing their revenue and joint research, carried out by the Fiscal Policy Department by the support of the Finance Commission

- From 2020 Onward Revenue enhancement proposal should be called from Provincial Councils when they submit their fund request
- FC Recommendations 2020 to H.E. the President (budget and policy recommendation)
- Development of Norms for the Provincial budgeting purpose
- The information on financial situation of selected municipalities in the Colombo District
- Criticisms in paper articles against the Provincial Councils system
- Effect on the Provincial finance due to abolitions of Nation Building tax
- Interim report on Work Study
- Evaluation of Independent Commission in their first three years: information gathering instrument

45. Important Decisions taken at the Core-group Meetings

- Arranging Sector Meeting for Need Assessment
- Meeting with NDP on Integrated Planning System
- Quality Development of the Finance Commission
- Preparation of the HR Plan
- Develop Rational Indicators for each Sectors for Fund Allocations
- Meeting with Financial Inclusion
- Determination of Expenditure Incurred by Line Ministries on Provinces
- HR needs assessment for year 2020
- Rational Indicators presentation on evaluation sectors
- Finance Commission Bill
- Article on inter relationship between geography, poverty, development and planning
- Provincial Capital Expenditure vs. Recurrent Expenditure
- Energy Audit
- Preparation of Annual Development Plan Guideline 2020

46. Budget Allocation to the Finance Commission

In 2019, the Finance Commission was allocated Rs 74.91 million for the recurrent expenditure and the utilization rate for recurrent expenditure was 94%. Personal Emoluments represents the significant portion of the recurrent expenditure mainly due to the increase of basic salary, overtime and other allowances with the implementation of the new salary structure (Circular no 03/2016) with effect from 2016.

Apart from the recurrent expenditure that Rs 119.39 million was allocated for the capital expenditure. The utilization rate of capital expenditure was 95%. Payment for the construction of new office building represents a significant portion of the capital expenditure.

Budgetary allocations and actual expenditure for 2019 and 2018 are shown in the following table.

Vote	Payment Type	2019 (Rs. 000)				2018 (Rs. 000)			
		Estimate	Actual Expenditure	Savings	Actual Expenditure as a % of Estimate	Estimate	Actual Expenditure	Savings	Actual Expenditure as a % of Estimate
	Recurrent Expenditure	**74,910**	**70,609**	**4,340**	**94%**	**58,350**	**55,984**	**2,366**	**96%**
	Personal Emoluments	**41,700**	**40,741**	**959**	**98%**	**35,100**	**33,853**	**1,247**	**96%**
1001	Salaries & Wages	28,700	28,354	346	99%	23,400	23,116	284	99%
1002	Overtime & Holiday Payments	1,200	1,098	102	92%	600	579	21	97%
1003	Other Allowances	11,800	11,289	511	96%	11,100	10,158	942	92%
	Travelling	**1,000**	**894**	**106**	**89%**	**630**	**604**	**26**	**96%**
1101	Travelling Local (Domestic)	450	415	35	92%	200	174	26	87%
1102	Travelling Foreign	550	479	71	87%	430	430	0	100%
	Supplies	**4,528**	**4,251**	**277**	**94%**	**3,640**	**3,517**	**123**	**97%**
1201	Stationary & Office Requisites	1,550	1,443	107	93%	1,100	1,099	1	100%
1202	Fuel	2,400	2,241	159	93%	2,250	2,130	120	95%
1203	Diets & Uniforms	28	28	0	100%	40	40	0	100%
1205	Other Supplies	550	539	11	98%	250	248	2	99%
	Maintenance	**4,652**	**3,316**	**1,336**	**71%**	**2,100**	**2,057**	**43**	**98%**
1301	Vehicle Maintenance	1,900	1,751	149	92%	1,500	1,468	32	98%
1302	Plant & Machinery Maintenance	1,452	1,007	445	69%	600	589	11	98%
1303	Building & Structure Maintenance	1,300	558	742	43%	0	0	0	0%
	Services	**22,030**	**20,659**	**1,371**	**94%**	**16,080**	**15,172**	**908**	**94%**
1401	Transport (Services)	3,800	3,715	85	98%	3,300	3,240	60	98%
1402	Postal & Communication (Services)	2,000	1,643	357	82%	1,500	1,364	136	91%
1403	Water & Electricity (Services)	6,300	5,921	379	94%	2,500	2,221	279	89%
1404	Rent & Local Taxes (Services)	820	805	15	98%	1,320	1,320	0	100%
1406	Interest Payment for Leased Vehicles	810	809	01	100%	-	-	-	-
1409	Other (Services)	8,300	7,766	534	94%	7,460	7,027	433	94%
	Transfers	**1,000**	**748**	**252**	**75%**	**800**	**782**	**18**	**98%**
1506	Interest for Loans	1,000	748	252	75%	800	782	18	98%
	Capital Expenditure	**119,390**	**113,119**	**6,191**	**94%**	**310,950**	**217,495**	**93,455**	**70%**
	Rehabilitation & Improvement of Capital Assets	**1,300**	**408**	**892**	**31%**	**2,050**	**1,568**	**482**	**76%**
2002	Plant Machinery and Equipment Rehabilitation & Improvement	300	0	300	0%	300	278	22	93%
2003	Vehicles	1,000	408	592	41%	1,750	1,290	460	74%
	Acquisition of Capital Assets	**116,090**	**111,953**	**4,137**	**96%**	**307,850**	**214,903**	**92,947**	**70%**

2102	Furniture & Office Equipment	9,500	7,343	2,157	77%	2,500	2,470	30	99%
2103	Plant, Machinery & Equipment	5,700	3,729	1,971	65%	18,500	18,470	30	100%
2104	Building &Structures	100,000	100,000	0	100%	286,850	193,963	92,887	68%
2108	Capital Payment for Leased Vehicles	890	881	9	99%	-	-	-	-
	Capacity Building	**2,000**	**838**	**1,162**	**42%**	**1,050**	**1,024**	**26**	**98%**
2401	Staff Training	2,000	838	1,162	42%	1,050	1,024	26	98%

The details of the "Public Officers Advance B Account" are given in below table; accordingly, the Finance Commission has been able to operate within the authorized limits.

Description	**2019** (Rs)		**2018** (Rs)	
	Limits Authorized	**Actual Limits**	**Limits Authorized**	**Actual Limits**
Maximum Limit of Expenditure	3,200,000.00	3,071,691.40	3,200,000.00	2,999,593.50
Minimum Limit of Receipts	1,400,000.00	2,578,449.98	1,000,000.00	1,923,284.07
Maximum Limit if Debit Balance	13,000,000.00	9,927,441.22	13,000,000.00	9,359,711.28