



2017 ANNUAL REPORT

 **Finance Commission**

Annual Report of the Finance Commission



2017

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CHAIRMAN'S MESSAGE

A Time for Reflection and Introspection

Following the passage of the 13th Amendment to the Constitution of Sri Lanka, witnessed the birth of the Finance Commission in 1988.

It is an opportune time for reflection and the introspection on the journey of the Finance Commission over the last 3 decades in the accomplishment of its mandate, which is mainly pivoted on Balanced Regional Development (BRD) of the country. In achieving BRD, the Commission apportions the available funds on a rational basis among the nine provinces. However, the published statistics point to the fact that such allocations constitute a meager fraction of the government's total annual budget, and intra and inter-regional disparities yet continue. This is mainly due to allocative inefficiencies, regarding which, in the recent past, the Commission has taken a number of positive steps, including promotion of resource mapping, master planning, Database / Management Information System (DBS/MIS) development. Action has also been taken for improved coordination between the relevant government ministries/departments, and other agencies.

The Annual Report of the Commission gives a detailed account of the activities and accomplishments during the financial year 2017. During the year the Commission had initiated a number of steps and embarked on some special studies on redressing the regional disparities, and framing important policies. These include identification of weaknesses and anomalies between fund allocations to provinces due to lack of coordination in overall macro planning, budgeting and accounting aspects and unbefitting needs assessment methods.

With development planning gaining emphasis, reformulating and re-articulating theoretical

and policy views on the globalization of regional development is critical. In this regard the Finance Commission should join hands with other



Finance Commissions and parallel institutions elsewhere, especially in the Asian Region. The wealth of experience amassed by the Finance Commissions as well as other similar institutions created for sub-national affairs should be shared by all for spatial economic perspectives in national planning.

Our task is to model the Finance Commission to play an integral role in the transformation of Sri Lanka to a prosperous nation. To this end, the Commission, among other matters, dived into some major policy initiatives and adopted a Code of Governance in December 2017. The ongoing discussions of the Independent Commissions with the Constitutional Council and the Finance Commission Act will pave the way for an effective and prudent management for the long-term success of the Commission for setting its strategic aims and ensuring a framework of prudent and effective controls.

On behalf of the Commission I wish to place on record my deep appreciation to H.E. the President, the Hon. Prime Minister and the Constitutional Council, Provincial Councils and the Auditor General and their staff for unstinted support and cooperation in the affairs of the Commission. The continued support of the fellow members, and the staff of the Commission too deserve recognition.

A handwritten signature in black ink, appearing to be 'U.H. Palihakkara'.

Chairman
U.H. Palihakkara

SECRETARY'S MESSAGE

“Align Provincial Investment with SDG”

The major responsibilities of the Finance Commission as indicated in the 13th Amendment to the Constitution are recommending to the government that adequate funds be provided to the provinces and recommending principles to H.E. the President on the apportionment of such funds between the provinces for achieving Balance Regional Development.

To perform this task, the Finance Commission has to assess the needs of the provinces and develop fund apportionment methodologies between the provinces. Providing proper guidelines for Provincial Development Investment is also very important to align provincial investments with the National Development Policies and Strategies. In this context, alignment with Sustainable Development Goals (SDGs) is also a vital requirement, as Sri Lanka has focused on achieving SDGs by 2030.

Therefore, the Finance Commission has given due consideration in the guidelines issued in 2017 on the contribution for SDGs of provinces by providing a common platform for the nine provinces to develop their Annual Development Plans for 2018 indicating the contribution of their investments for the set SDGs and Targets. The Finance Commission will review Provincial Development Plans in

future within this common planning framework.

This Annual Report provides information on the role and functions of the



Commission, its initiatives in 2017 with narrow briefs on the past performance.

As the Chief Executive Officer of the Finance Commission, I am pleased to extend my gratitude to the Chairman and Members of the Commission for their valuable guidance and support during the year and record my appreciation to the staff of the Commission Secretariat for their commitment and dedication for delivering services expected by the Commission and for the preparation of this Annual Report.

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

THE FINANCE COMMISSION

VISION

A prosperous Sri Lanka with balanced regional development

MISSION

Recommendation of policies for achieving balanced regional development of the country recognizing different provincial specific needs.

THRUST AREAS

- 1) Need assessment and apportionment of funds on a logical basis to achieve sustainable balanced regional development
- 2) Guidance for provincial development planning and plan implementation.
- 3) Availability of data and information for policy making process
- 4) Development of human and institutional capacity of the Finance Commission

The Finance Commission was established by the 13th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka in 1987 with the objective of achieving balanced regional development in the country and facilitating the process of transfer of funds to the Provinces for provincial development. The main functions and responsibilities of the Finance Commission as indicated in Article 154 R (3), (4), (5) and (6) of the 13th Amendment to the Constitution are as follows:

- 1) The Government shall, on the recommendation of, and in consultation with, the Commission, allocate from the Annual Budget, such funds as are adequate for the purpose of meeting the needs of the Provinces.
- 2) It shall be the duty of the Commission to make recommendation to the President as to:
 - a) the principles on which such funds as are granted annually by the Government for the use of Provinces, should be apportioned between the various Provinces; and
 - b) any other matter referred to the Commission by the President relating to provincial finance.
 - c) the Commission shall formulate such principles with the objective of achieving balanced regional development in the country, and shall accordingly take into account the population of each Province, per capita income of each Province, the need progressively to reduce social and economic disparities and the need progressively to reduce the difference between the per capita income of each Province and the highest per capita income among the Provinces”.

As per the Article 154 R (7) of the Constitution “The President shall cause every recommendation made by the Finance Commission under the above article to be laid before Parliament and shall notify Parliament as to the action taken thereon”.

Within the context of constitutional mandate, the Finance Commission is responsible for the following functions in respect of provincial development.

- Issue guidelines and circulars to the Provinces on preparation of Annual Provincial Development Plans
- Assess provincial needs on both capital and recurrent expenditure and recommend to the General Treasury on bulk amounts annually needed for the Provinces.

- Apportion bulk amount of funds between the Provinces using suitable criteria for capital and recurrent needs and advise the Provinces accordingly.
- Assess the Provincial Development Plans and grant concurrence for their implementation, using relevant criteria, particularly, on feasibility, policy coherence, regional potentials and comparative advantages.
- Submit recommendations to His Excellency the President on principles with regard to apportionment of funds between the Provinces, and appropriate measures to be taken for minimization of inter and intra - regional disparities in development.
- Provide guidance to the Provinces on preparation, implementation, monitoring and evaluation of development plans.
- Collaborate with the relevant stakeholders in the assessment of optimal cadre requirements at sub national level with a view to improving productivity and efficiency of the agencies.
- Direct provincial authorities to adhere to government financial regulations for promoting accountability, transparency and governance, particularly, in procurement activities.
- Conduct studies on current issues for facilitating the formulation of policies and strategies for development at sub-national level.

COMMISSION MEMBERS – 2017



Mr.U.H.Palihakkara
Chairman

U.H. Palihakkara is a Chartered Accountant, Investment Banker and Management Consultant with over 40 years of professional experience. He holds a MBA from the Aston University, Birmingham UK, where his dissertation was awarded the Best Management Thesis of the year by the British Institute of Management in 1981.

During his professional career, he has held leadership positions in several Public and Private Sector establishments including the Ceylon Electricity Board, Development Finance Corporation, People’s Merchant Bank, Merchant Bank of Sri Lanka, Acland Insurance Ltd., the Securities Council of Sri Lanka, the National Enterprise Development Authority and the Postgraduate Institute of Management. In addition, he had served as a Financial Management Specialist in the Commonwealth Secretariat (CFTC), UK. He had also worked in a number of programmes and projects funded by the World Bank (WB), the Asian Development Bank (ADB), the African Development Bank (AFDB), the International Fund for Agricultural Development (IFAD) and the European Development Bank. His Professional achievements include: President – The Organization of Professional Associations (OPA) of Sri Lanka, President – The Institute of Chartered Accountants of Sri Lanka, President – The Chartered Institute of Management Accountants (CIMA) UK (Sri Lanka Branch), President – The Association of Chartered Certified Accountants (UK) (Sri Lanka Branch). In recognition of services, he was inducted into the Hall of Fame of Chartered Accountants of Sri Lanka in 2014.

In 2016, the National Apex Award was presented to him in recognition of outstanding contribution to the profession and the nation by the Organization of Professional Association of Sri Lanka.

In June 2017 he was awarded the “People Leader - Finance 2017, by the Institute of Personnel Management (IPM) Sri Lanka in partnership with the Institute of Chartered Accountants of Sri Lanka (ICASL)”, in recognition of the contribution towards promoting sound and vibrant people management practices in the world of work.

In September 2017, he was honoured with a Recognition Award for his outstanding leadership and valuable contribution and exceptional service to CIMA Sri Lanka and the profession.

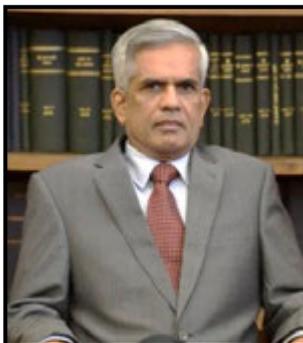


Dr. Indrajith Coomaraswamy
Ex-Officio Member

Dr. Indrajith Coomaraswamy has been the Governor of Central Bank of Sri Lanka since July 2, 2016. Dr. Coomaraswamy has 30 years of experience in policy making and providing economic advisory services, on both macroeconomic and structural issues at National and Intergovernmental levels. He served as Director of Economic Affairs at the Commonwealth Secretariat. He was an official in the Central Bank of Sri Lanka from 1974 to 1989. He worked in the Economic Research, Statistics and Bank Supervision divisions. During this time, he was also seconded to the Ministry of Finance and Planning from 1981 to 1989.

He was reemployed by the Commonwealth Secretariat from 1990-2008. During that time, he held the positions, inter alia, of Director, Economic Affairs Division and Deputy-Director, Secretary-General's Office. He was subsequently Interim Director, Social Transformation Programme Division, and Commonwealth Secretariat (Jan-July 2010). He was involved in advising the Prime Minister and the Minister of Economic Reform, Science and Technology, Sri Lanka on negotiating with Bretton Woods Institutions and other major donors, Central Bank of Sri Lanka and the Ministry of Finance & Planning on matters relating to macroeconomics and structural reforms.

Dr. Coomaraswamy served as a Director of Sarvodaya Development Finance Limited. He also served as a Non-Executive Independent Director at Tokyo Cement Company (Lanka) PLC from March 2011 to July 3, 2016. He served as an Independent Non-Executive Director of John Keells Holdings PLC from February 7, 2011 to July 8, 2016 and as Director of MMBL-Pathfinder. Dr. Coomaraswamy obtained his B.A. (Hons) and Masters in Economics from the Cambridge University of UK in 1972 and subsequently obtained a Doctorate from the University of Sussex in 1981. He has represented and led Sri Lanka National Rugby team. He led Sri Lanka National Rugby team 1974 in Rugby Asiaad while he also played first class Cricket in Sri Lanka.



Dr. R.H.S. Samarathunga
Ex-Officio Member

Dr. Samarathunga is currently the Secretary, Ministry of Finance and Mass Media and the Secretary to the Treasury, Sri Lanka. He counts more than 30 years of experience in the public sector. In his capacity as the Secretary to the Ministry of Finance, he also serves as ex-officio member of the Monetary Board of the Central Bank of Sri Lanka and the Finance Commission of Sri Lanka.

He started his career as a Cadet (SLAS), Ministry of Public Administration in 1984 and joined the Department of National Planning as an Assistant Director in 1985 and was promoted as Director, Macro Economic Planning in 2004. He was then promoted to Additional Director General, Department of Fiscal Policy in 2005. He was the pioneering Director General of the Department of Trade, Tariff and Investment Policy which was established in 2006. In February 2008, he was appointed as the Deputy Secretary to the Treasury.

In April 2010, he was appointed as the Secretary to the Ministry of Environment and in 2012 as the Secretary, Ministry of Petroleum Industries. In January, 2015, he was appointed to Secretary to the Ministry of Finance and Secretary to the Treasury.

Dr. Samaratunga holds a Ph.D in Economics from the La Trobe University, Melbourne and MBA from the University of Sri Jayawardenepura, Sri Lanka. He also holds MSc (Agriculture Economics) from the University of Wisconsin Madison, USA and B.A. (Hons) Economics from University of Peradeniya, Sri Lanka.

He was a Member of the Boards of several Public Enterprises and Government-linked companies such as Bank of Ceylon, Ceylon Electricity Board, Mihin Lanka (Private) Limited, De La Rue Lanka Currency and Security Print (Private) Limited, Securities and Exchange Commission of Sri Lanka, Insurance Board of Sri Lanka, Sri Lanka Export Credit Insurance Corporation, the Postgraduate Institute of Management - University of Sri Jayawardenepura, National Institute of Education, Postgraduate Institute of Agriculture - University of Peradeniya. He was also the Chairman of the Carbon Fund. He also served as a Commissioner of the Presidential Commission on Taxation 2009-2010.



Mr. V.Kanagasabapathy
Member

Mr. V.Kanagasabapathy holds a Master's Degree in Public Administration from Harvard University, U.S.A. and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Association of Public Finance Accountants and Institute of Certified Management Accountants of Sri Lanka. He is also a member of the Chartered Institute of Public Finance Accountants (CIPFA) London.

He is presently the Advisor, Hotel Developers (Lanka) PLC (Fully owned Government Company owning Hilton Colombo) and serves as a member of the Council of Management of the University of Jaffna. He is also the President of the Association of Public Finance Accountants, the public-sector wing of the Institute of Chartered Accountants of Sri Lanka and serves as a Chairman of the Public-Sector Accounting Standards Committee. He also serves as a member of the Governmental and public-sector Enterprise Accounting Committee of the South Asian Federation of Accountants.

Mr. Kanagasabapathy was the Financial Management Advisor to the Ministry of Finance & Planning and Senior Financial Consultant of the Academy of Financial Studies. He has over forty years of service in the public sector in several senior capacities and retired as Director General of Public Enterprise in the Treasury. He also served as a Financial Management Reform Coordinator in the Ministry of Finance & Planning.

He served as a member of the Board of Bank of Ceylon, People's Bank, Merchant Bank of Sri Lanka, State Mortgage & Investment Bank and several other Public Enterprises. He has also served as a Director/Financial Consultant of the Associated Newspapers of Ceylon Limited and executive Director of Hotel Development (Lanka) PLC.



**Prof. H.M.Zafrullah
Member**

Prof. Hareed Mohamed Zafrullah holds a LL.B. (Hons) degree from the University of Colombo (First in Order of Merit) and a LL.M. degree from Monash University, Australia. He is an academic and practitioner of the law. He is a lawyer of International repute in the areas of Public Law, Banking and Commercial Law. He has distinction of teaching law in five Common Law jurisdictions. He has taught law to both law and non-law students at the undergraduate and post-graduate levels at the University of Colombo, Mannix College, Monash University, University of Malaya, National University of Singapore, Nanyang Technological University, Singapore and the City University of Hong Kong. He has extensive publications to his credit, He is the author of the first serious study on the present Constitution of Sri Lanka, titled "Sri Lanka's Hybrid Presidential and Parliamentary System & the Separation of Powers Doctrine. His most recent presentation has been "Colombo Port City as an International Financial Centre -The Challenges Ahead"

SENIOR MANAGEMENT STAFF

Secretary

- Mr. A.T.M.U.D.B.Tennakoon

Management Team

- Mr. S.M.R.S.Bandara - Director
- Mr. M.L.A.Chandradasa - Director
- Mr. R.A.S.K.Ranasinghe - Chief Accountant
- Ms. T.Prashanth - Director (Actg.)
- Ms. S.N.Sanjeewani - Director
- Ms. D.S.Gunawardana - Accountant
- Ms. A.W.K.S.Ranasinghe - Internal Auditor
- Ms. D.P.L.E.N.Gunasekera - Assistant Director
- Mr. P.R.N.Sujeewa - Assistant Director
- Ms. T.Abeysekera - Assistant Director



Left to Right,

First Row: Mr. R.A.S.K.Ranasinghe (Chief Accountant), Mr. S.M.R.S.Bandara (Director), Mr. U.H.Palihakkara (Chairman), Mr. A.T.M.U.D.B.Tennakoon (Secretary), Ms. T.Prashanth (Director (Actg.)), Mr. M.L.A.Chandradasa (Director)

Second Row: Ms. D.P.L.E.N.Gunasekera (Assistant Director), Mr. P.R.N.Sujeewa (Assistant Director), Ms. T.Abeysekera (Assistant Director), Ms. A.W.K.S.Ransinghe (Internal Auditor), Ms.D.S.Gunawardana (Accountant), Mr. G.T.Thisara Kasun Pushpasiri (ICT Officer), Ms. R.M.D.Nimali Rathnayake (Statistical Officer)

1. OVERVIEW OF THE SRI LANKAN ECONOMY

Sri Lanka with the vision of striving its economic status to an upper middle-income level by 2025, has achieved a per capita income of US\$ 4065 at current market prices in 2017.

In 2017, the Gross Domestic Product (GDP) of the country was Rs. 13,289 billion at current market prices. However, the real GDP growth (in constant prices) was 3.1% compared to the previous year. The Department of Census and Statistics attributes this slow growth rate to the declining agriculture output due to the drought conditions since 2016. Services sector contribution for GDP was 55.8% while contribution of the sectors of agriculture and industries were 7.7% and 27.2% respectively. The main sources of foreign exchange earnings of the country continue to be the workers' remittances and export earnings, derived particularly by textiles and garments, tourism, transport, tea, telecommunication, computer and information services, rubber products and petroleum products, spices, food, beverages and tobacco.

Sri Lanka met most of the Millennium Development Goals and adopted the 2030 Agenda for Sustainable Development in 2016. The 17 Sustainable Development Goals (SDGs) are to be achieved through 169 targets and the Finance Commission (FC) has already taken steps to mainstream them in the provincial development process. The United Nations Development Programme (UNDP) focuses on key areas including poverty alleviation, democratic governance, peace building, climate change, disaster risks and economic inequalities, innovation, sustainable consumption, peace and justice through SDGs. Localizing of this global agenda was initiated taking into account the country's development policy framework and strategic development priorities. The country has recorded a decline in Poverty Head Count Ratio to 4.1% in 2016 from 6.7% in 2012/13. Furthermore, in terms of Human Development Index (HDI), Sri Lanka is on the top of the South Asian Countries in 2015, as experienced over the recent past years. (As indicators of the HDI, Life Expectancy was 75 years, Per Capita Gross National Income was US\$ 3746, and Mean Years of Schooling was 10.9 years in 2015.)

The report on "The State of Food Security and Nutrition in the World 2017" of the Food and Agriculture Organization of the United Nations recently revealed that Sri Lanka is the second in under nourishment among the South Asian nations recording 22.1% of the population is under-nourished. Hence, the public-sector development programs should have a focus on enhancing the food security and nutrition, as healthy workforce is a vital factor for enhancing efficiency of the economy.

Unemployment is not a major challenge for the economy, as it is 4.2%. Nevertheless, youth unemployment is relatively high, as it is 18.5% in 2017 indicating that the economy has to adopt strategies to absorb this energetic human resource. Further, escalation of the level of women's labour force participation rate to 36.6% in 2017 should be given special concern in the development process.

The total expenditure and net lending in 2017 was Rs.2573.06 billion and around 8% of that amount was spent through Provincial Councils by way of capital and recurrent expenditure. The total public expenditure is 19.4% of the GDP. This percentage has declined from 19.6% in the previous year reflecting the efforts taken to rationalize government expenditure. The recurrent expenditure as a percentage of GDP was 14.5% in nominal terms. It has increased compared to the previous year mainly due to increase in interest payments and expenditure incurred on disaster relief. In addition to interest payments and disaster relief, this expenditure consists of welfare programmes such as free education, free health, subsidized transport and safety net programmes. The capital expenditure and

net lending as a percentage of GDP was 4.9% while it was 4.8% in 2016. It is noteworthy that this expenditure is to provide required economic infrastructure paving the way for stimulating private sector investment. It is also noted that the overall budget deficit was 5.5 percentage of the GDP, the reasons being the reduction in the revenue collection and high recurrent expenditure.

Table 1 : The National Accounts and Selected Indicators 2013 - 2017

Indicator	2013	2014	2015	2016	2017
(1) Aggregates at Current Market prices (Rs. Mn.)					
Gross Domestic Product (GDP)	9,592,125	10,361,151	10,950,621	11,906,752	13,289,466
Three Major Economic Activities of GDP (Value Added)					
Agriculture	735,382	829,577	896,229	890,659	1,024,117
Industry	2,797,328	2,931,998	2,975,232	3,248,987	3,614,916
Services	5,406,544	5,895,618	6,283,379	6,770,667	7,412,033
(2) Aggregates at Constant Prices 2010 (Rs. Mn.)					
Gross Domestic Product (GDP)	7,846,202	8,235,429	8,647,833	9,034,290	9,315,488
Three Major Economic activities of GDP (Value Added)					
Agriculture	611,676	639,696	669,725	890,602	639,273
Industry	2,119,080	2,218,711	2,267,725	2,399,285	2,492,286
Services	4,405,644	4,618,501	4,894,717	5,124,016	5,289,227
As a Share of GDP % (at Constant (2010) Prices)					
Agriculture	7.8	7.8	7.7	7.1	6.9
Industry	27.0	26.9	26.2	26.6	26.8
Services	56.2	56.1	56.6	56.7	56.8
(3) Per-capita GDP					
At Current Prices (Rs.)	465,976	498,828	522,304	561,560	619,729
At Current Prices (US\$)	3,609	3,821	3,842	3,857	4,065
At Constant (2010) Prices (Rs.)	381,272	396,487	412,469	426,085	434,410
(4) Macro Indicators					
Unemployment Rate	4.4	4.3	4.7	4.4	4.2
Real GDP Growth	3.4	5.0	5.0	4.5	3.1
Annual Average of Inflation	6.9	3.3	2.2	4.0	6.6

Source: Department of Census and Statistics, Central Bank of Sri Lanka

In 2017, earnings from exports amounted to US\$ 11.36 billion and expenditure on imports was US\$ 21.0 billion leading to trade deficit to US\$ 9.62 billion. The main exports of Sri Lanka in 2017 consisted of textiles and garments, tea, rubber products, petroleum products, spices, food, beverages and tobacco, machinery and mechanical appliances, coconut and gems, diamond and jewellery while main imports comprised of fuel, textiles and textile articles, machinery and equipment, building material, chemical products and vehicles. The balance of trade account represents the difference between export and import of merchandise goods. In dollar terms this has increased from -8,873 million to -9,619 million during the last two years.

Sri Lanka's vision, to be a rich country by 2025, transforming the economy into the hub of the Indian Ocean was declared in 2017. It is to be attained through the major targeted areas of raising income per capita up to US\$ 5000 per year, creating one million new jobs, increasing annual FDI up to US\$ 5 billion, and doubling export income to US\$ 20 billion per year. In this endeavor, Provincial Councils (PCs) have to play a crucial role in upgrading economic infrastructure and enhancing human capital. In this regard, it is vital important to provide adequate financial resources to PCs by the Government.

Although, country has been able to achieve a considerable progress in relation to socio-economic development at national level, as explained by the indicators like Per-Capita Income, Prosperity Index and the Poverty Head Count Ratio, the disparity between rich and poor groups of the society and developed and less-developed regions in the country has not reduced as expected. This requires serious attention of the policy makers since this may have detrimental effects on sustainability of the development process in the long-run.

Table 2 : Some Key Socio- Economic Indicators

No	Indicator	Unit	2015	2016	2017
1	Per Capita Income	US\$	3842	3857	4065
2	Growth Rate	%	5.0	4.5	3.1
3	Prosperity Index	%	0.685	0.746	-
4	Unemployment rate	%	4.7	4.4	4.2
5	Inflation Rate	%	2.2	4.0	6.6
6	Savings Ratio	As a % of GDP	28.8	32.8	33.9
7	Investment Ratio	As a % of GDP	31.2	35.0	36.5
8	Budget Deficit	As a % of GDP	-7.6	-5.4	-5.5
9	Computer Literacy Rate	%	27.1	27.5	28.3*
10	Infant Mortality Rate ***	Per 1,000 live birth	9.16	8.20	9.00
11	Maternal Mortality Rate ***	Per 100,000 live birth	33.7	33.8	-
12	Poverty Head Count Ratio	%	6.7**	4.1	-

*Note : * For the first six months of 2017, ** For the year 2012/13, ***Family Health Bureau, Ministry of Finance and Mass Media*

Data Source : Central Bank, Dept of Census and Statistics,

2. SOCIO-ECONOMIC VARIATIONS IN PROVINCES

The Government through its annual budget allocates resources for continuation of welfare programmes and delivery of public services by way of recurrent expenditure and improvement of the economic infrastructure of the country which has a direct link with the growth process, through capital expenditure. Although, there is no direct link between the growth and recurrent expenditure, it is of vital importance to ensure social equity and smooth process of development coupled with growth. In Sri Lankan context, the major issue is that proportion of the recurrent expenditure is around 80% of the total budget, thus providing a little room for improvement of the capital infrastructure which is very needed for stimulation of private investments. In this scenario, the government should pay due attention to implement prudent expenditure management measures mainly characterized by rationalizing welfare programmes to the needy groups. At the same time, the existing regional disparities in socio-economic development need to be given special attention when allocating resources through annual budgets.

This chapter reviews the existing of regional development disparities using some province-wise indicators in 2016

Table 3: Population, Land, Gross Domestic Product and per capita GDP by Province - 2016

Province	Midyear Population (,000)	Land area (sq. Km)	GDP (Rs. Mn.)	GDP Share (%)	GDP per Capita (Rs.)	Difference from the highest per-capita (Rs.)
Western	6,028	3593	4,723,810	39.7	783,645	0
Central	2,690	5575	1,254,934	10.5	466,518	317,126
Southern	2,584	5383	1,196,923	10.1	463,205	320,439
Northern	1,107	8290	497,950	4.2	449,819	333,825
Eastern	1,645	9361	684,465	5.8	416,088	367,557
North Western	2,477	7506	1,269,511	10.7	512,520	271,125
North Central	1,330	9741	690,728	5.8	519,344	264,300
Uva	1,333	8335	691,011	5.8	518,388	265,257
Sabaragamuwa	2,009	4921	897,417	7.5	446,698	336,946
Sri Lanka	21,203	62,705	11,906,752	100	561,560	

Source: Central Bank, Department of Census and Statistic

Mid-year Population of the country was 21.2 million in 2016. Almost 28% of the population in the country is concentrated in the Western Province whereas the least number of people live in the Northern Province. In addition, the Western Province continually keeps the highest contribution to GDP and highest position in Per-capita GDP, though it owns the least land area compared to all other

Provinces. The Central, Southern and North Western Provinces are more successful in achieving higher performances in relation to GDP and Per-capita GDP, compared to other provinces. Though the North Central and Uva Provinces have reported somewhat less GDP, these two provinces have claimed for higher Per-capita GDP. The overall increase in economic growth of other provinces resulted in lowering the share of GDP of the Western Province. The difference between the highest per-capita income (Western Province) and that of each of the other Provinces is significantly high. The Eastern Province shows the highest difference while the North Central Province shows the least.

Table 4: Sectoral Contribution of GDP by Province 2015 - 2016

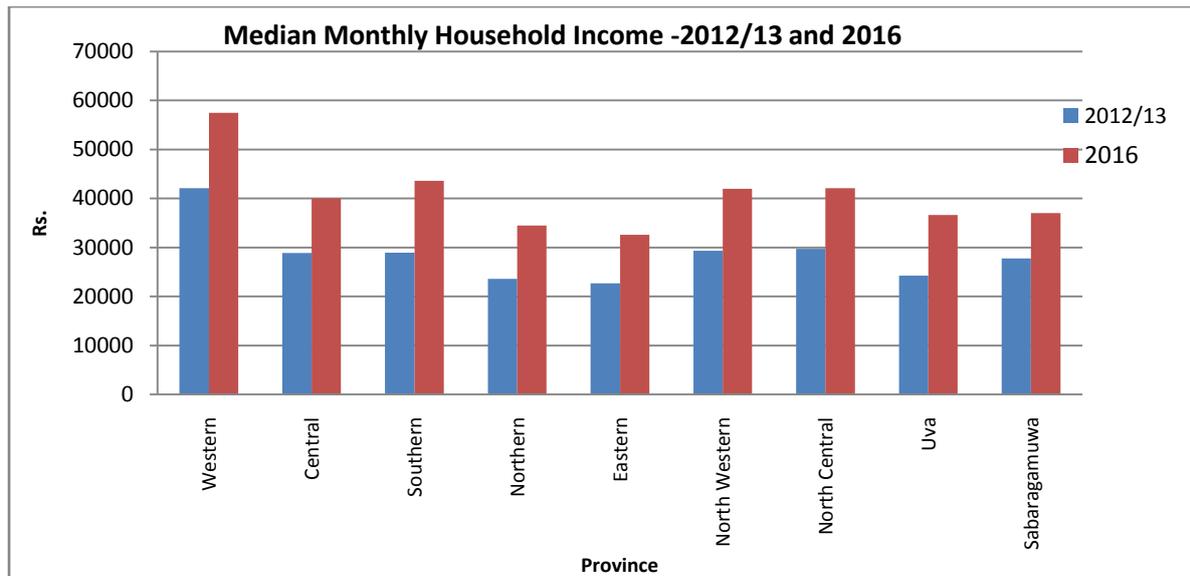
Province	Agriculture		Industry		Services	
	2015	2016	2015	2016	2015	2016
Western	2.1	2.0	34.4	33.5	56.1	56.1
Central	10.8	10.4	21.2	21.1	60.7	60.0
Southern	14.6	13.4	16.8	17.3	61.4	60.8
Northern	12.3	12.5	22.8	24.8	57.7	54.3
Eastern	13.2	12.1	24.5	25.1	55.0	54.4
North Western	11.6	10.0	26.6	26.7	54.6	54.9
North Central	12.8	10.7	18.9	19.4	61.1	61.4
Uva	14.8	13.0	25.2	27.6	52.7	51.0
Sabaragamuwa	8.7	7.6	24.1	26.0	60.0	58.0
Sri Lanka	8.2	7.5	27.2	27.3	57.4	56.9

Source: Central Bank of Sri Lanka

The Agriculture sector contribution to Provincial Gross Domestic Product (PGDP) has ranged from 2.1 to 14.8 per cent in 2015. When compared to 2015, the contribution of the Agriculture Sector to the GDP has slightly increased in the Northern Province, while slight decreases are observed in other Provinces.

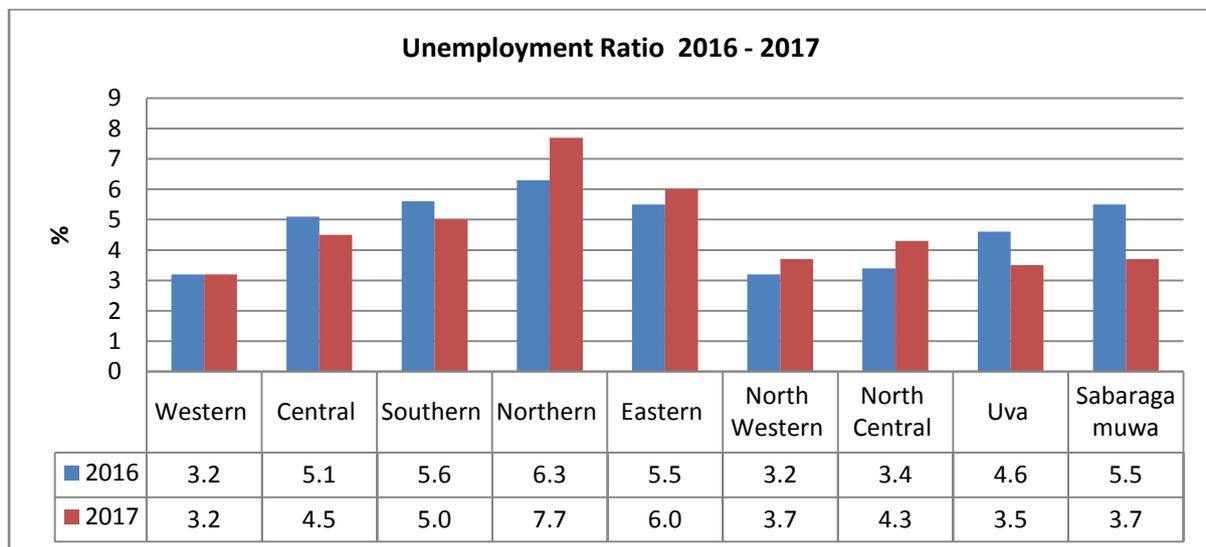
The Industrial Sector contribution to PGDP has decreased in the Western and Central Provinces in percentage terms while increases were recorded in all other Provinces. In 2016, the largest contribution to PGDP from industrial activities has recorded in the Western Province while the lowest share was reported from the Southern Province.

The Services Sector plays a major role in GDP in all provinces with contributions ranging from 52.7 percent to 61.4 percent of the PGDP in 2015 and between 51.0 percent and 61.4 percent in 2016. However, the contribution from the Services Sector has declined in the Provinces of Central, Southern, Northern, Eastern, Uva and Sabaragamuwa, in 2016, compared to 2015.

Figure 1 : Median Monthly Household Income by Province -2012/13-2016

Source: Department of Census and Statistics

Figure 1 shows the median monthly household income by province. The median household income in every Province is significantly higher in 2016, compared to that of 2012/13. High income is seen in the Western, Southern, North Western and North Central provinces while other provinces except the Eastern and Sabaragamuwa have increased the income by more than ten thousand rupees. Provinces except the Western and Southern show low household income, compared to the national average.

Figure 2 : Unemployment by Province 2016 - 2017

Source: Department of Census and Statistics

Figure 2 shows the unemployment ratios in 2016 and 2017 by province. The highest unemployment ratio is reported from the Northern Province followed by the Eastern Province in 2017 and the lowest unemployment ratio is reported in the Western Province. Unemployment has decreased in Uva, Sabaragamuwa, Central and Southern provinces in 2017 compared to 2016. However, in the Northern, Eastern, North-Western and North-Central Provinces, the unemployment ratio has increased during the period concerned.

Table 5: Poverty Headcount Ratio by Province 2012/13 and 2016

Province	Poverty Head Count Index (%)		Rank (Prior year ranking in brackets)
	2012/13	2016	
Western	2.0	1.7	1 (1)
Central	6.6	5.4	5 (3)
Southern	7.7	3.0	3 (5)
Northern	10.9	7.7	9 (7)
Eastern	11.0	7.3	8 (8)
North Western	6.0	2.7	2 (2)
North Central	7.3	3.3	4 (4)
Uva	15.4	6.5	6 (9)
Sabaragamuwa	8.8	6.7	7 (6)
Sri Lanka	6.7	4.1	

Source: Department of Census and Statistics

Table 5 shows the Poverty Headcount Index (percentage of population below the official poverty line) in 2013 and 2016. Among the all provinces there is a significant decline of Headcount Index, compared to 2013. A remarkable decline in the Poverty Head Count Index can be observed in the Uva, Southern and North Central Provinces.

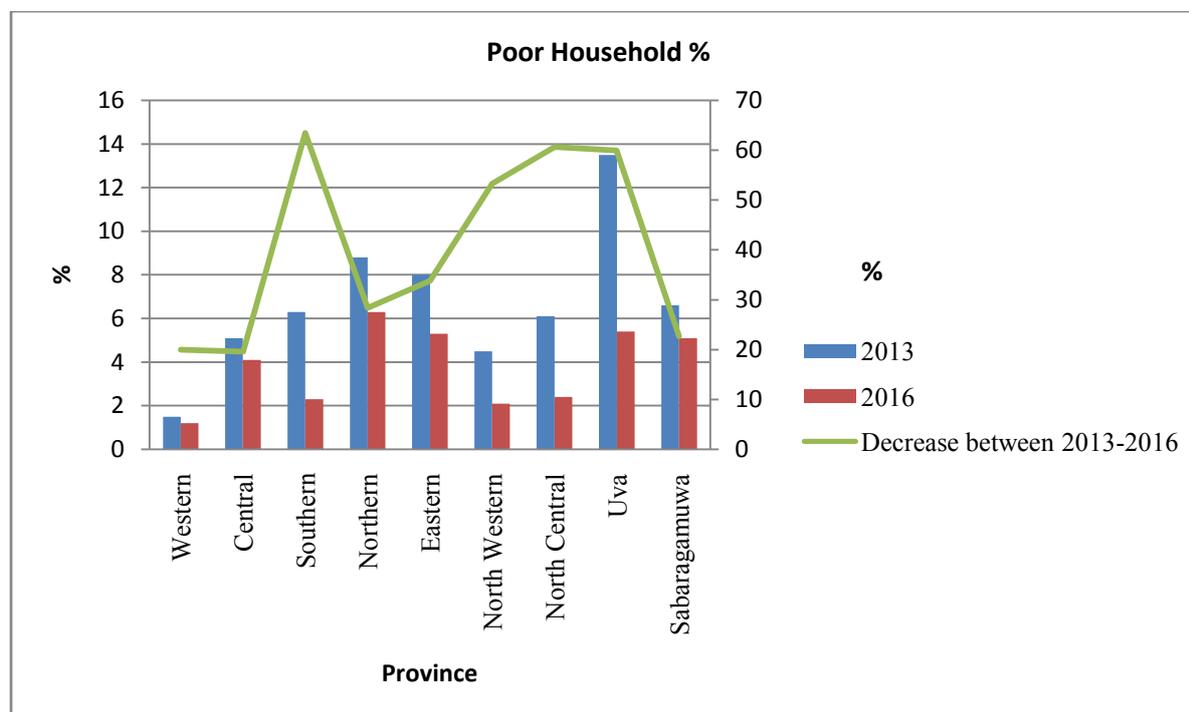
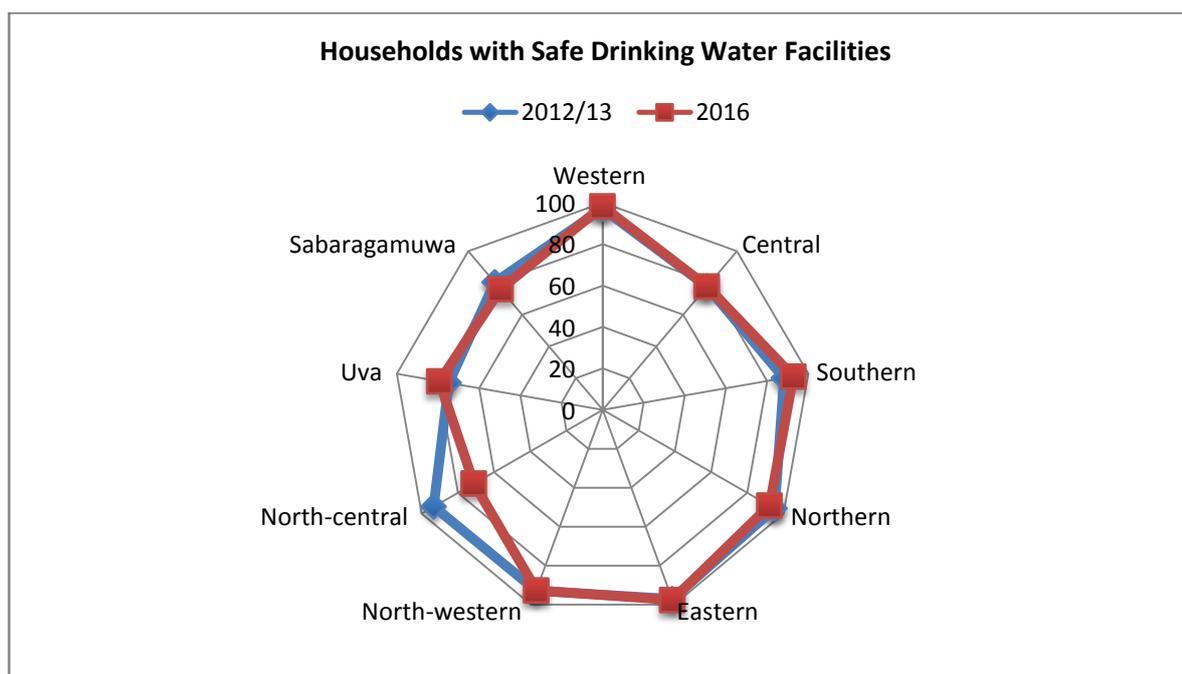
Figure 3 : Poor Household Percentage by Province 2012/13 - 2016

Figure 3 shows poor household percentage and percentage differences in 2012/13 and 2016 by province. The poor household percentages were less in 2016, compared to 2013. The Poverty Head Count Index of the Southern Province has decreased to 3% in 2016 from 7.7% in 2012/13. Similarly, the North Central and Uva Provinces record a considerable progress by almost halving their poverty level.

Figure 4 : Percentage Distribution of Households with Access to Safe Drinking Water 2012/13 and 2016

Source:- Department of Census and Statistics

Figure 4 displays percentage of households with safe drinking water facilities by province for 2012/13 and 2016. Safe drinking water is still a significant problem for around 20% - 25% households in the Central, North Central, Sabaragamuwa and Uva Provinces. The households in the Western Province with facilities of pipe borne water hold the highest percentage of safe drinking water facilities, compared to other provinces.

Table 6 : Percentage Distribution of Households by Availability of Toilet Facilities - 2012/13 and 2016

Province	Exclusive of the household %		Not exclusive of the household %	Households % which has no toilets
	2012/13	2016	2016	2016
Western	91.0	93.0	6.9	0.1
Central	89.3	91.5	8.3	0.1
Southern	93.1	92.8	7.0	0.1
Northern	83.9	89.1	9.9	1.0
Eastern	82.5	90.6	7.4	1.9
North-western	91.4	90.3	8.8	0.8
North-central	90.4	88.7	10.6	0.7
Uva	89.3	92.4	7.5	0.1
Sabaragamuwa	91.2	91.8	8.1	0.1
Sri Lanka	89.9	91.7	7.9	0.4

Source: Department of Census and Statistics

Table 6 shows the information on toilet facilities of households by province in 2012/13 and 2016. In the country, 91.7% of households have own toilet facilities and this was an improvement from 89.9% in 2012/13. However, the Northern and North Central Provinces were somewhat behind compared to other Provinces in 2016. Generally more households with no toilets facilities, are visible in the provinces of the Northern, Eastern, North Western and North Central.

Table 7: Government Schools, Students, Teachers, Students who sat for A/L and University Qualified Students - 2016

Province	No. of govt. schools	No. of Students in govt. Schools	No. of Teachers in govt. Schools	Student Teacher Ratio	No. of Students sat for - A/L	Percentage of Students Qualified for University Entrance
Western	1,360	968,832	44,361	22	57,254	64.38
Central	1,521	544,208	33,469	16	26,654	61.99
Southern	1,114	526,270	29,027	18	29,620	63.79
Northern	971	243,314	16,559	15	12,327	64.53
Eastern	1,106	394,080	20,854	19	14,979	62.03
North Western	1,259	504,620	27,805	18	23,833	61.52
North Central	805	286,924	16,699	17	12,307	59.27
Uva	895	288,423	19,801	15	14,393	63.29
Sabaragamuwa	1,131	386,659	24,180	16	20,498	66.58
Sri Lanka	10,162	4,143,330	232,555	18	211,865	63.36

Source: Ministry of Education, Department of Examinations

Table 7 shows the number of Government Schools, Students, Teachers, Students-Teacher Ratios, Students who sat for the G.C.E. A/L examination by province in 2016 and the Percentage of Students Qualified for University Entrance. As shown in the table, 4,143,330 students studied in 10,162 government schools in the country in 2016. The Western Province held the highest numbers of students and teachers. The North Central Province has the least number of schools and students who sat for the A/L examination. The Northern Province held the least number of students and teachers. It is noteworthy that the educational performance in terms of Percentage of Students Qualified for University Entrance is so high in the Sabaragamuwa Province.

Student-Teacher Ratio is a widely accepted indicator for measuring the quality of education. A considerable variation can be observed among the provinces regarding this indicator.

Table 8: Availability of Medical Personnel - 2015

Province	Number of Doctors	Number of Nurses	Officers per 100,000 Population	
			Medical	Nursing
Western	7,324	11,570	122	194
Central	1,825	4,166	69	157
Southern	1,564	4,051	61	158
Eastern	673	1,078	62	98
Northern	1,236	2,198	77	136
North Western	1,238	2,873	51	117
North Central	873	1,969	67	150
Uva	674	1,772	51	135
Sabaragamuwa	893	2,303	45	116
Sri Lanka	16,300	31,980	78	153

Source: Ministry of Health, Nutrition and Indigenous Medicine

The Western Province owns the least land area and the highest population. The Western Province has the highest number of medical officers per 100,000 population and the highest number of nursing officers per 100,000 population. The second highest number of nursing officers per 100,000 can be seen in the Southern Province. The Northern Province holds the second highest number of Medical officers per 100,000 population. The Sabaragamuwa Province has the least number of medical officers per 100,000 population. The least number of nursing officers per 100,000 population is seen in the Eastern Province.

3. GOVERNANCE AND COMPLIANCE

Governance constitutes the entire accountability framework of the Finance Commission and is the set of responsibilities and practices of the Commission and the Executive Management with the goal of achieving its objectives efficiently, effectively and responsibly.

3.1. COMPLIANCE WITH LAWS AND REGULATIONS

Key principles with regard to good governance systems and procedures in the Finance Commission and their compliance are given below.

Table 9: Compliance with Laws and Regulations

Key Principles	Requirement	Status	Compliance
A. Strong commitment to integrity, ethical values, and the rule of law	The Finance Commission should adhere to good governance when appropriate, paying due attention to Statutory Regulations, Codes, Circulars and other relevant guidelines.	The Finance Commission has complied with the relevant statutory Regulations and Guidelines	√
	Commission Meetings should be held regularly.	Commission Meetings and Sub Committee Meetings were held on a regular basis, at least once a month to achieve the objectives of the Finance Commission.	√
B. Openness and comprehensive stakeholder engagement	All stakeholders' interests should be considered in decision making process.	The Finance Commission worked closely with the relevant stakeholders namely the Presidential Secretariat, the Constitutional Council, the Central Bank of Sri Lanka, the General Treasury, Line Ministries, Provincial Councils and Local Authorities with regard to relevant subject matters.	√
	Provide guidance for matters pertaining to planning, budgeting and monitoring.	The Finance Commission has maintained a harmonized and an effectively coordinated communication system with all the stakeholders to ensure smooth functional relationship.	√
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits and determining the interventions, necessary to optimize the achievement of intended outcomes	The Commission shall adopt an effective strategic planning process to ensure strategies and action plans are formulated to achieve the objectives of the Commission.	The Finance Commission adopted its Strategic Plan to achieve sustainable outcomes.	√
		The Finance Commission has analyzed risks and managed the performance through regular monitoring to achieve Sustainable Development.	√
		Emphasis was made on follow up actions in achievement of the Activity Plan 2017.	√

D. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.	Every staff member should receive appropriate training. It should be regularly reviewed and agreed on the training development needs of the staff.	Members and staff of the Finance Commission were encouraged to improve their knowledge, skills and attitude to carry out their roles effectively.	√
		Budgetary provisions were made to meet the training requirement.	√
		Guest lectures were organized at least once a month to enhance the knowledge of the staff.	√
		Officers of the Finance Commission were encouraged to make presentations on their subject area, on weekly basis to improve the skills knowledge of the staff.	√
	The Commission encourages its staff to adopt a „Team Spirit“ approach with the objective of improving productivity and efficiency.	Staff meetings were held on a regular basis through open discussions on important matters and day to day activities of the Commission, thereby ensuring smooth functioning.	√
		Performance of staff was assessed on regular basis.	√
E. Managing risks and performance through robust internal control and strong public financial management. Implementing good practices in transparency and reporting to deliver effective accountability	The Finance Commission should establish a process of monitoring and evaluation of budget, plans and related risks.	Appropriation Account and Advance B Accounts were reviewed by the Auditor General’s Department.	√
		Annual Financial Performance for 2017 were prepared and submitted to Parliament.	√
		Limits of Authority and Financial Delegation were prepared according to the Financial Regulations.	√
		The Statement of Compliance and the Financial Statements of the Finance Commission were tabled at monthly meetings of the Commission.	√
		Actions were initiated to set up a sound integrated Data Base/MIS in relation to the Finance Commission and the Provinces, on planning, budgeting and monitoring in line with the e-governance policy.	√
	The Audit Committee should review and monitor the financial reporting process of the Finance Commission.	The Internal Audit Division reported to the Secretary regularly, evaluated the Internal Control System across the organization and its findings were discussed at the Audit Committee quarterly and Internal Audit Reports were thereafter reported to the Commission for information.	√

3.2. CODE OF GOVERNANCE

The Governance Statement of the Finance Commission was adopted by the Commission in December 2017. The Code of Governance includes, among other matters the roles and responsibilities of the Chairman, Secretary and Senior Staff. The Code purports to be more than a set of rules.

The Code of Governance will provide a sound basis for the Finance Commission to improve its Governance Structure for the best practices, ushering in a radical transformation of the Commission's performance and image. The premise is that an organization that is well governed is transparent and accountable to its stakeholders, including the broader community. It also seeks to provide a set of principles to harmonize the Commission's Mandate with the government's vision and values of the society.

The conformance dimension of the Code of Governance includes among other matters, the roles of the Chairman and the Secretary, the roles and composition of the Commission and its Committees, control assurance and compliance with rules and regulations.

3.3. GOVERNANCE IN THE PROVINCIAL COUNCIL SYSTEM

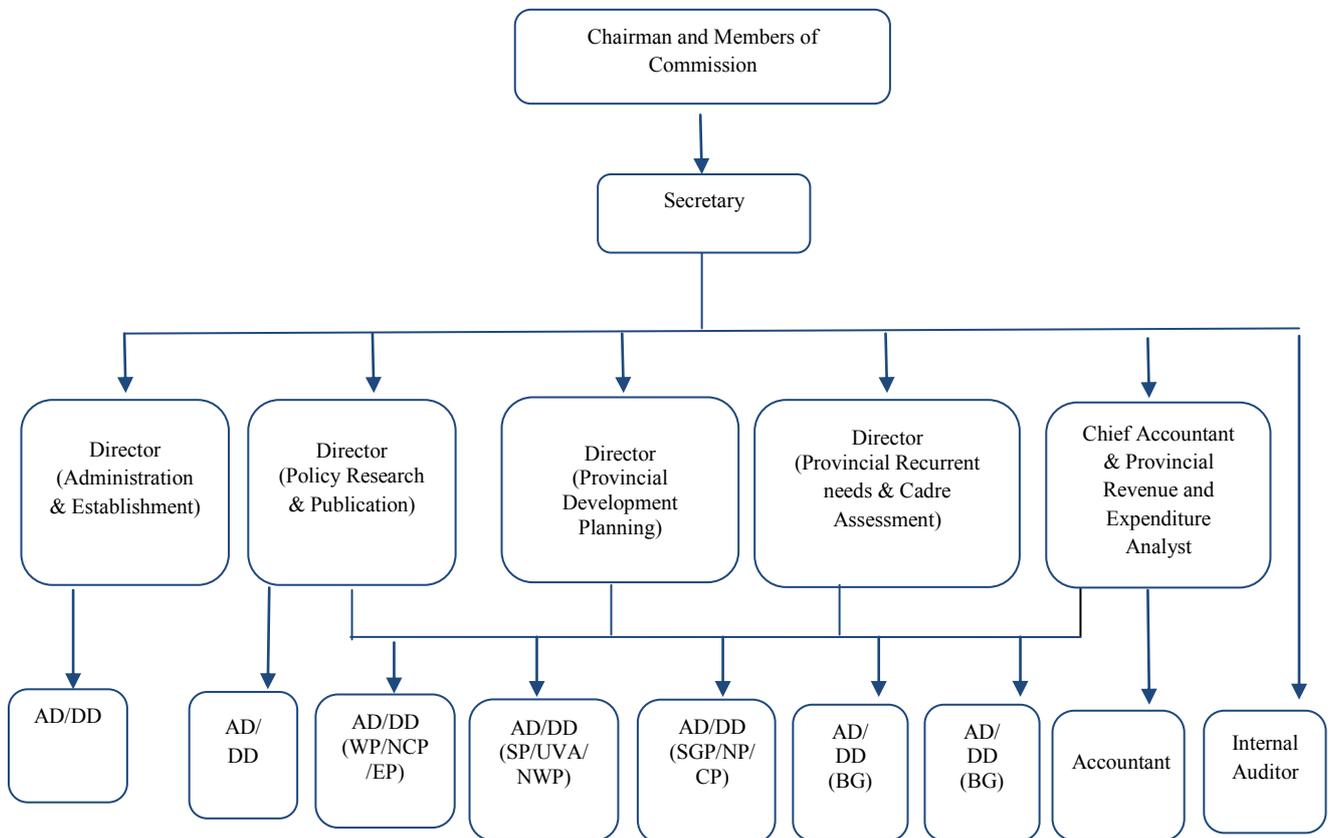
Provincial Councils are responsible for ensuring that their activities are conducted in accordance with the laws and regulations, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Finance Commission provides necessary support to the provinces and the Local Authorities in this regard.

3.4. HUMAN RESOURCES MANAGEMENT

3.4.1. Organization Chart

The Commission recognizes the importance of improved Human Resources in performing its intended tasks. The Strategic Plan already prepared has recognized the importance of having a sound organization structure. The existing Organization Chart is given in Figure 5.

Figure 5 : Organization Chart

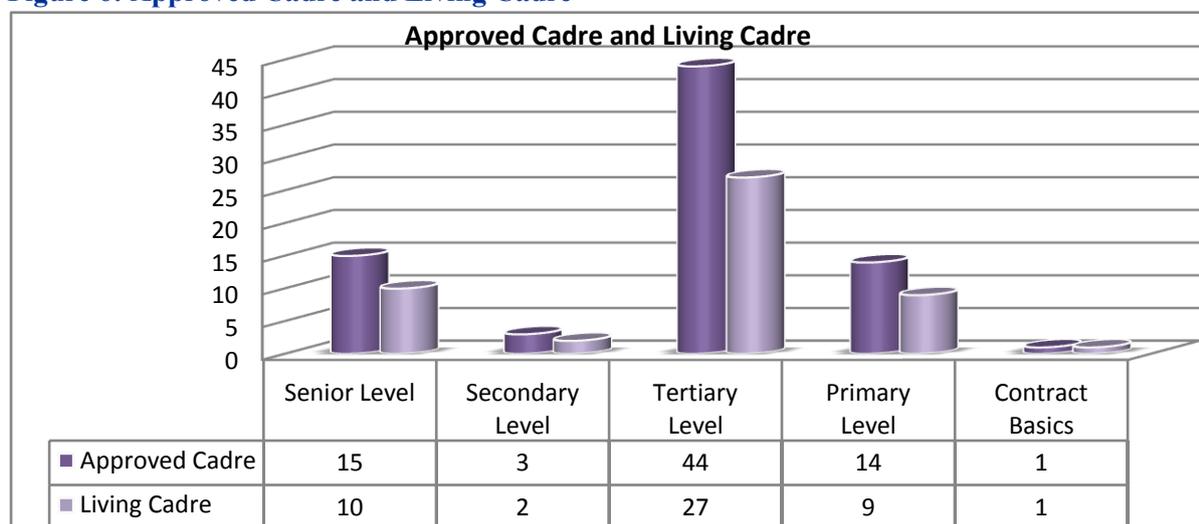


DD/AD - Deputy Director/Assistant Director

3.4.2. Staff of the Finance Commission

In 2017, the staff of the Finance Commission comprised 49 members although its approved cadre was 77. The Finance Commission experience lack of specialist at senior level while there were 17 vacancies at tertiary level which includes Assistant Research Officers, Development Officers, Management Assistants. More details in this regard are presented in Figure 6 below.

Figure 6: Approved Cadre and Living Cadre

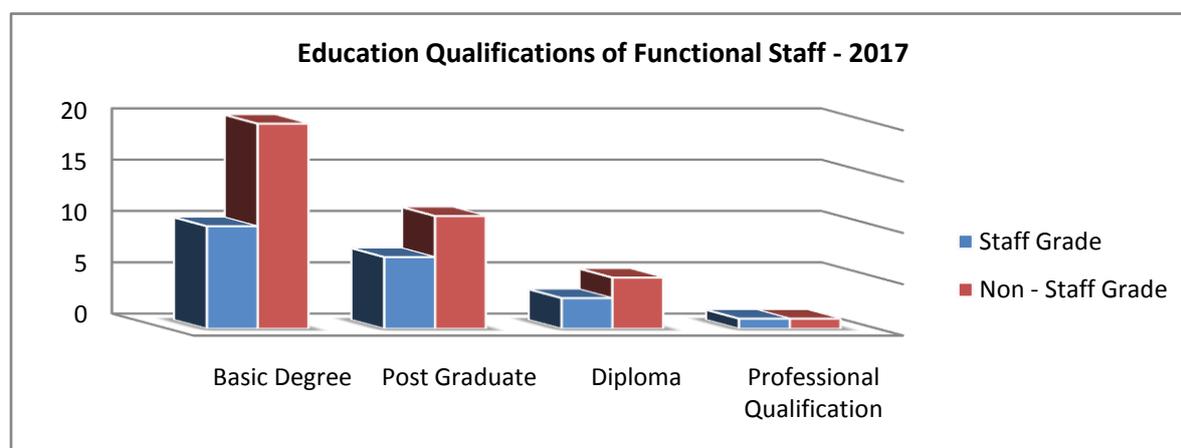


The educational qualifications of the staff are given in Table 10 and Figure 7.

Table 10: Education Qualifications of Functional Staff – 2017

	Basic Degree	Post Graduate	Diploma	Professional Qualification
Staff Grade	10	7	3	1
Non - Staff Grade	20	11	5	1
Total	30	18	8	2

Figure 7: Education Qualifications of Functional Staff - 2017



All staff officers in the Commission have basic degrees and 07 officers hold post-graduate qualifications. Of the non-staff level officers, 20 officers hold basic degrees and 11 officers hold post-graduate qualifications.

3.4.3. Capacity Development of the Officers

Foreign Training Programmes – 2017

The Finance Commission provides opportunities to build capacities of the staff at local and foreign training institutes. Accordingly, the following officers participated in foreign training programmes held in China and India in 2017.

Table 11: Participants of the Foreign Training Programmes -2017

NO	Name & Designation	Programme	Country
01	Mr. P.R.N.Sujeewa (Assistant Director)	2017 Seminar on Public Financial Management for Caribbean and South Pacific Countries	China
02	Mr. T.A.S.Chandra Kumara (Programme Officer)	2017 Seminar on Public Financial Management for Caribbean and South Pacific Countries	China
03	Mrs. D.P.L.E.N.Gunasekara (Assistant Director)	People's Livelihod Ensurance for the Belt and Road Countries of 2017	China
04	Mrs. E.H.M.D. Herath (Programme Officer)	People's Livelihod Ensurance for the Belt and Road Countries of 2017	China
05	Mr. A.T.M.U.B.Tennakoon (Secretary)	Sri Lanka Delegation Knowledge Exchange "Role of Women in Local Governments in Delivering Services in Kerala, India"	India

4. ACTIVITIES AND ACHIEVEMENTS

Main activities and achievements of the Finance Commission in 2017 are given in the summary form below.

4.1. NEEDS ASSESSMENT

Needs assessment being the key area of activity, the Finance Commission issued guidelines for 2018 in relation to provincial capital and recurrent needs with the objective of assessing their needs properly.

Requests for capital and recurrent financial needs submitted by the provinces are carefully examined in the assessment by the Finance Commission before making recommendations to the Government. Furthermore, the development policy of the government, public expenditure management, medium-term development plans of the provinces and previous performances on spending public funds in the provinces were taken into consideration in this exercise.

In assessing the provincial capital needs, the Commission paid attention to the following in line with the National Policy Framework and Provincial Medium-Term Plans.

- Reduction of inter and intra regional disparities.
- Optimum utilization of physical and human resources.
- Improvement of service efficiency.
- Achievement of planned results effectively.
- Avoidance of duplication of work and waste of resources.
- Priority needs.
- Capacity development of provincial agencies.
- Scope and relevance.
- Sustainable Development Goals.

When assessing the recurrent needs, the Commission paid attention to the following:

- Approved cadre.
- Actual living cadre and vacancies of the Provinces.
- New appointments agreed by the line ministries for provincial councils
- Estimates of personal emoluments, salary arrears and staff loans.
- Estimates of other recurrent expenditure including maintenance of capital assets.
- Allowances for elected members.
- Transfers to the local authorities and other agencies.
- Relevant Government Circulars.

The Finance Commission's Data Base and MIS

The Data Base (DB) and MIS are crucial for the Finance Commission in fulfilling its mandated role and functions. In this regard, the Commission negotiated with the Information and Communication Technology Agency (ICTA) and a number of meetings were held between the Finance Commission and ICTA, with a view to steering the project. However, due to restructuring of the ICTA, no meaningful results could be achieved. Therefore, the Finance Commission initiated discussions with the School of Computing of the University of Colombo (UCSC) with regard to the proposed MIS/DB, to be financed by the Asia Foundation.

Research Studies

A Research Unit was established mainly for assisting in decision-making process of the Commission by maintaining a proper database and conducting research studies on current issues.

In 2017, a number of special studies were carried out in support of the Commission activities. These include.

- A study on Provincial GDP Disparities
- Study on Expenditure of the 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
- Inter-governmental Financial Relations in Sri Lanka
- Road Maintenance Expenditure and a proposal for Cost Recovery.
- Cadre and Provincial Councils, Provincial Authorities and Local Authorities
- Study on some selected Municipal Councils
- Utilization of Capital Funds by the Provinces
- Study on Fiscal Imbalances in the Municipal Councils

The Commission initiated action to have a joint exercise on information gathering and making policy recommendations for Balance Regional Development with the participation of Central Bank of Sri Lanka, Department of National Planning and Department of Census and Statistics.

Study Visits to Local Authorities

- The Chairman and the Secretary of the Finance Commission and the relevant staff visited the Dehiwala - Mt. Lavinia Municipal Council and Kesbewa Urban Council, to study among other matters the Council structure, their duties and responsibilities, revenue and expenditure assessment and budgeting, revenue collection, development projects, library management, maintenance of infrastructure, waste management, pre-school education, welfare activities, savings and investment and cadre management.



Guest Lectures

As a regular task, guest lectures were held during the year and this provided an opportunity to improve the knowledge of the staff in the performance of their work.

- 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 particular attention on financing”.
- Dr. H.N.Thenuwara, **Iowa University’s Adjunct Professor** and former Assistant Governor for Economic and Price Stability, Central Bank of Sri Lanka, 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, PPP and Procurement Advisor of the USAID made a presentation on Public-Private Partnership (PPP) with a special focus on the need of PPP, recent private investment in Sri Lanka, differences of traditional finance and PPP variants and fundamentals of PPP.
- Dr. Mahim Mendis, Senior Lecturer in Mass Communication of the Open University made a presentation on Good Governance for the Finance Commission.

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

The decisions and recommendations made at the workshop on Improvement of Development Process through Optimum Coordination between National and Provincial Levels were followed up effectively with the intervention of the Presidential Secretariat.

The Secretary to the President convened two meetings during the year 2017 to discuss the progress of the recommendations made at the workshop. Senior officers of the relevant ministries and other relevant institutions participated in the meetings. Based on the requests made by the President’s Office, the Finance Commission reviewed the progress of activities agreed upon.

Stakeholder Relations

Working in collaboration with all relevant institutions is crucial for the realization of the Finance Commission's Vision.

In 2017, among others the Finance Commission interacted with the Presidential Secretariat, the Constitutional Council, the Institute of Constitutional Studies, the Ministry of Finance and Mass Media, the Ministry of Provincial Councils and Local Government, the Department of Management Services, the Provincial Councils and Local Government Institutions, The Auditor General's Department, the Salaries and Cadre Commission, and other relevant Institutions. This process has paved the way for enhancing the mutual understanding between the Commission and the relevant Institutions leading to improving the service delivery.

Financial Highlights of the Provincial Audit Reports

The Auditor General carries out audit of financial statements of the Provincial Councils in terms of the provisions in Article 154 (1) of the Constitution of Democratic Socialist Republic of Sri Lanka and Section 23 (1) of the Provincial Councils Act. No 42 of 1987, and refer the audit reports to the Governors of the respective Provincial Councils and the Finance Commission. The Governors in turn submit the above reports to the Provincial Councils, as per the Financial Regulations for observations and follow-up actions. The Provincial Public Accounts Committee (PPAC) examines their reports.

On receipt of provincial audit reports from the Auditor General, the Finance Commission make of observations and send to Governors, the Auditor General and Provincial Chief Secretaries. Some of the general observations made on the Provincial Audit Reports for the Financial Year 2016 are given below.

1. Non-Compliance with the provisions of Laws, Rules & Regulations
2. Revenue Management Deficiencies
3. Management Inefficiencies
4. Operating Inefficiencies
5. Transactions of Contentious Nature
6. Non-Utilization of Funds
7. Idle and Underutilization of Assets
8. Issues relating to Human Resources Management
9. Issues on Vehicle Utilization
10. Issues on Systems and Controls

As per the Auditor General's report, special attention is needed in respect of the following areas of systems and controls.

- Accounting
- Control over Fixed Assets
- Revenue Administration
- Contract Administration
- Human Resources Management
- Debtors and Creditors

4.2. RECOMMENDATIONS AND APPORTIONMENT OF FUNDS

The Finance Commission prepared its recommendations for 2018 in three languages and submitted them to H.E. the President on 21st August 2017. Subsequently, the recommendations have been forwarded to Parliament by H.E. the President after obtaining the approval of the Cabinet of Ministries.

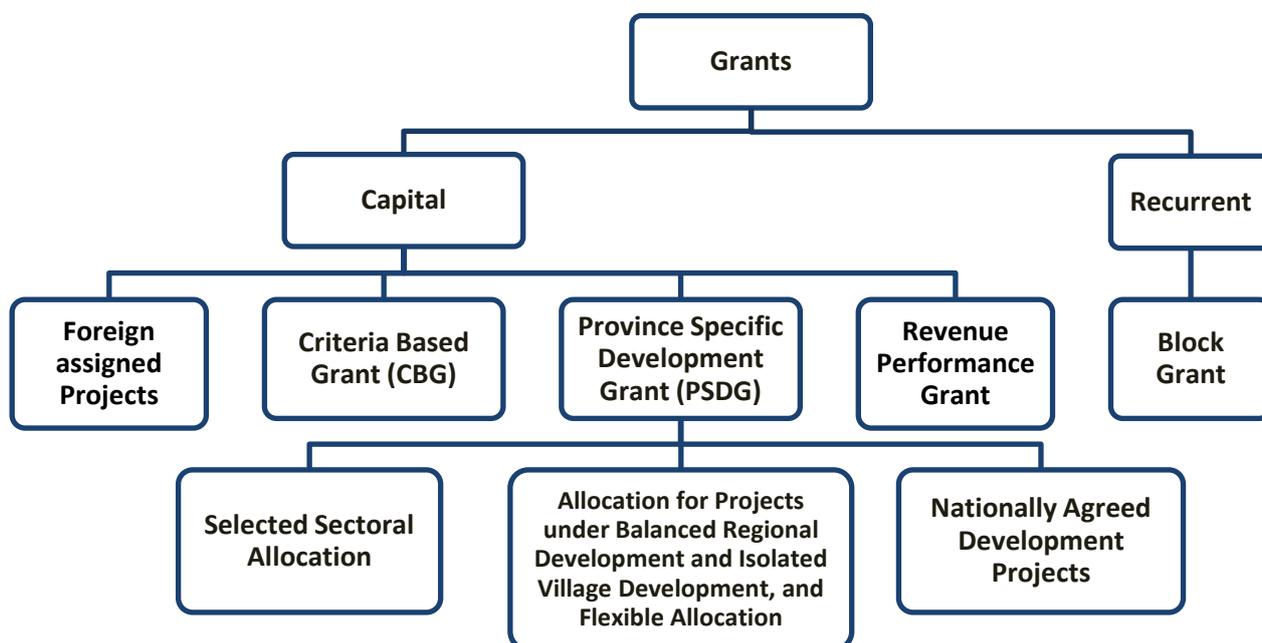
The key recommendations, other than Provincial Apportionment of Funds are given below.

- Currently the total financial needs of each province is expected to be considered in the fund apportioning process. However, the current system is not geared to determine the total provincial needs. A review of the current assessment system has been proposed.
- Funds disbursed for development sectors under the devolved subjects need to be channeled through Provincial Councils in the implementation of projects, identified under devolved subjects by the Line Ministries.
- Establishment of a common framework for national and sub-national planning system without undermining the concept of devolution.
- Establishment of strong inter-governmental fiscal relations ensuring flow of required data and information on investments at regional level.
- High priority should be given for enhancement of human resources in the Provincial Councils.
- Enhancement of provincial revenue through untapped revenue sources.
- Enhancement of skills development of the youth in the Provinces.
- Provision of special incentives for private investment in selected regions.

Apportionment of Funds to the Province and Provincial Expenditure

The Finance Commission is mandated for operationalizing the devolved governance by apportionment of funds allocated by the government, and guiding the Provinces for sound development planning. An outline of the fund allocation process is given below (Figure 8).

Figure 8 : Financial Resources Allocation



Capital Funds

Apportionment of Funds to the Provinces

The grants are made to the provinces on the recommendation of the Finance Commission. The Commission analyzed the annual provincial needs sent by each province paying attention to Government policies and provincial medium- term development plans.

In 2017, Finance Commission analyzed provincial needs were submitted to the General Treasury to allocate capital grants for the year 2018. The General Treasury allocated a bulk amount of Rs. 12,026 Mn. for PSDG and Rs. 4,000 Mn. for CBG under Capital Expenditure. The Finance Commission apportioned among the provinces adopting a statistical methodology developed in collaboration with the Department of Census and Statistics. In the fund apportioning formula of capital funds, the following socio-economic indicators were taken into account.

- Population of each Province in the year 2015
- Provincial Per Capita Income in the years of 2012-2013
- Provincial GDP in the year 2014
- Persons per Medical Officer in the year 2013
- Candidates qualified for Universities in Science Stream (Province-wise %) during the year 2015.

After apportionment of funds among the provinces, allocations for different sectors were determined. In this exercise, sectoral weights presented by the provinces were taken into consideration by the Finance Commission.

Revenue Performance Grant

The Finance Commission recommended a new grant called “Revenue Performance Grant” in order to encourage provincial revenue. This is a development oriented grant, based on incremental devolved revenue collection. The provinces have the discretionary power to use this grant for capital related development programmes.

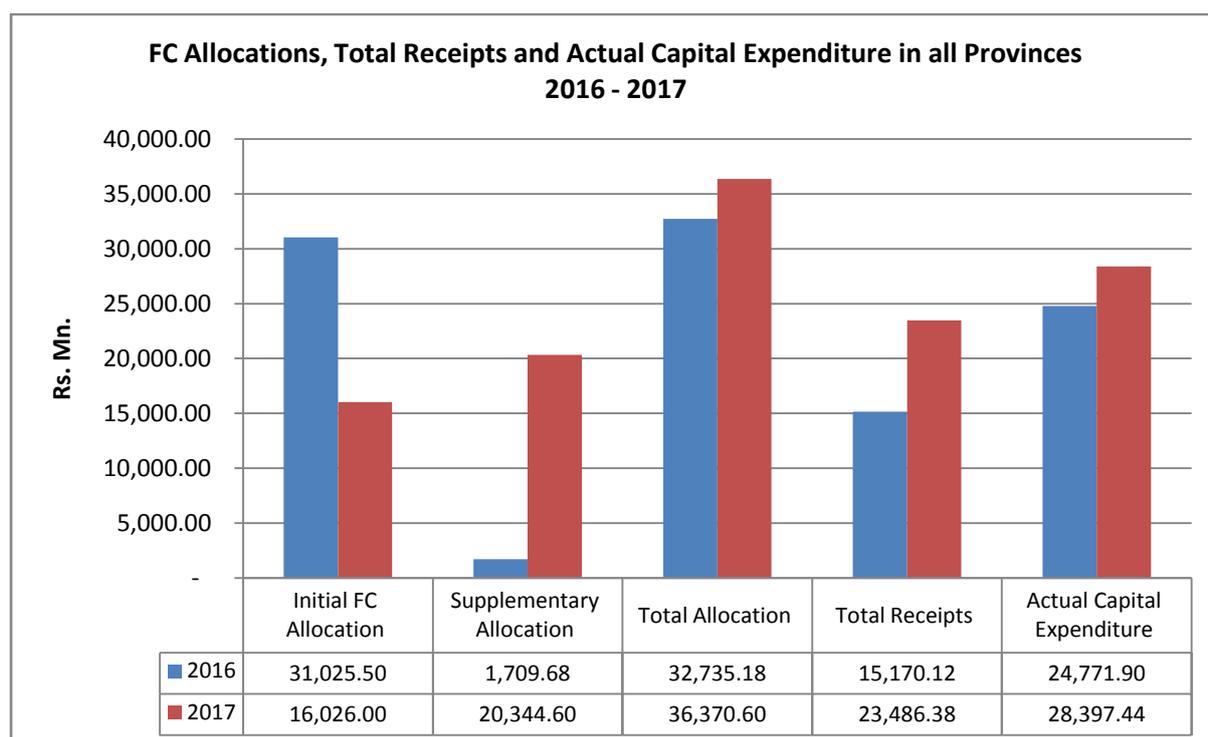
Apportionment of Capital Funds - 2018

Table 12: Apportionment of Capital Funds - 2018

							(Rs. Mn.)
Province	CBG	PSDG	Sub-Total	% of Provincial Share	Foreign Funded Projects	Total	% of Provincial Share
Western	254.40	1,306.10	1,560.50	6.36	408.00	1,968.50	6.94
Central	388.80	1,996.11	2,384.91	9.72	425.00	2,809.91	9.91
Southern	388.40	1,994.05	2,382.45	9.71	413.00	2,795.45	9.86
Northern	551.20	2,829.87	3,381.07	13.78	442.00	3,823.07	13.48
North Western	408.40	2,096.73	2,505.13	10.21	419.00	2,924.13	10.31
North Central	481.60	2,472.54	2,954.14	12.04	439.00	3,393.14	11.97
Uva	559.60	2,873.00	3,432.60	13.99	423.00	3,855.60	13.60
Sabaragamuwa	454.00	2,330.85	2,784.85	11.35	415.00	3,199.85	11.29
Eastern	513.60	2,636.83	3,150.43	12.84	431.00	3,581.43	12.63
Total	4000.00	20,536.08	24,536.08	100	3,815.00	28,351.08	100

Source: Finance Commission

Table 12 shows the capital funds allocated among the provinces for 2018 under PSDG, CBG and foreign funded projects. The Uva Province has been allocated the highest amount while the Western Province has been provided the least. The relevant provincial shares were 13.60 and 6.94 respectively.

Figure 9 : Capital Expenditure 2016-2017

Sources: Finance Commission, imprest released report by TOD, PC monthly expenditure reports

Figure 9 illustrates the allocation of capital funds, total receipts and actual capital expenditure during the period from 2016 to 2017. In 2017, Rs. 16,026 Mn. was provided to all provinces by the Finance Commission initially. The General Treasury provided an additional amount of Rs. 20,344.60 Mn. for settlement of the bills in hand of the previous year. Altogether, the total capital allocation was Rs. 36,370.6 Mn. This represents an increase of total allocations by 11% during the period under review.

Recurrent Funds

Allocation of Grants for Recurrent Needs

The Block Grant is meant for recurrent expenditure of the Provinces in respect of providing services. It amounts to 86 percent of the total funds recommended to the provinces by the Finance Commission. Allocations for recurrent needs are used to implement not only provincial functions but also those of the Government at provincial level. The Block Grants for the financial year 2017 and 2018 from the Government Budget are shown in Table 13.

Table 13: Apportionment of Block Grant 2017-2018

Province	2017			2018
	Initial Block Grant	Supplementary allocation	Total allocation	Initial Block Grant
(1)	(2)	(3)	(4)=(3)+(2)	(5)
Western	14,867	224	15,091	14,261
Central	22,489	831	23,320	25,383
Southern	19,204	1,829	21,033	22,858
Northern	16,477	601	17,078	18,651
North Western	21,587	279	21,866	21,991
North Central	13,526	303	13,829	14,707
Uva	15,899	216	16,115	15,711
Sabaragamuwa	19,195	155	19,350	21,441
Eastern	17,361	1,318	18,679	19,751
Total	160,605	5,755	166,360	174,755

Source: Finance Commission & Imprest Release for provincial Councils

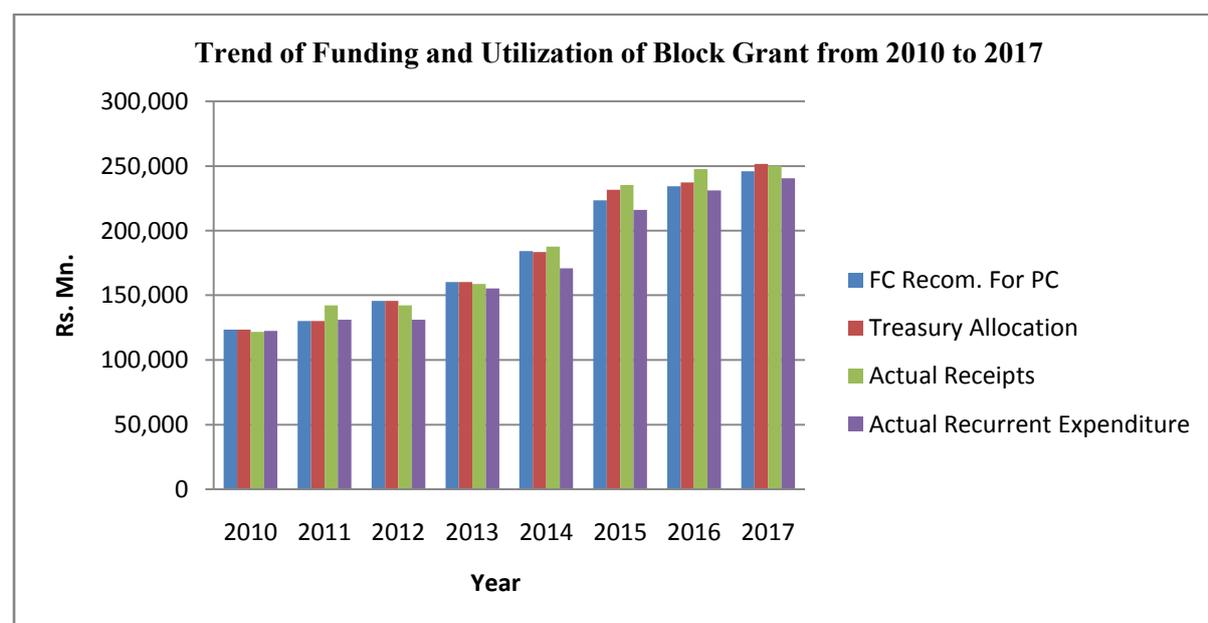
The initial Block Grant of Rs. 160,605 Mn. for 2017 has increased up to Rs. 166,360 Mn. with an allocation of supplementary grant of Rs. 5,755 Mn. In comparison with the initial allocation for 2018 which amounts to Rs. 174,755 Mn, the total allocation of funds has increased by 5.05% compared to the previous year. The Table 13 reveals that the highest amount has been allocated for the Central Province while the lowest for the North Central Province in 2017.

Table 14: Funding and Utilization of Recurrent Expenditure 2010 - 2017

	(Rs. Mn.)							
	2010	2011	2012	2013	2014	2015	2016	2017
FC Recom. For PC	123,430	130,063	145,617	160,211	184,112	223,387	*234,418	245,926
Treasury Allocation	123,430	130,068	145,617	160,211	183,396	231,553	*237,194	251,681
Actual Receipts	121,805	142,108	142,234	158,853	187,563	235,256	247,718	250,113
Actual Recurrent Expenditure	122,390	131,086	131,086	155,269	170,961	216,158	231,143	240,383

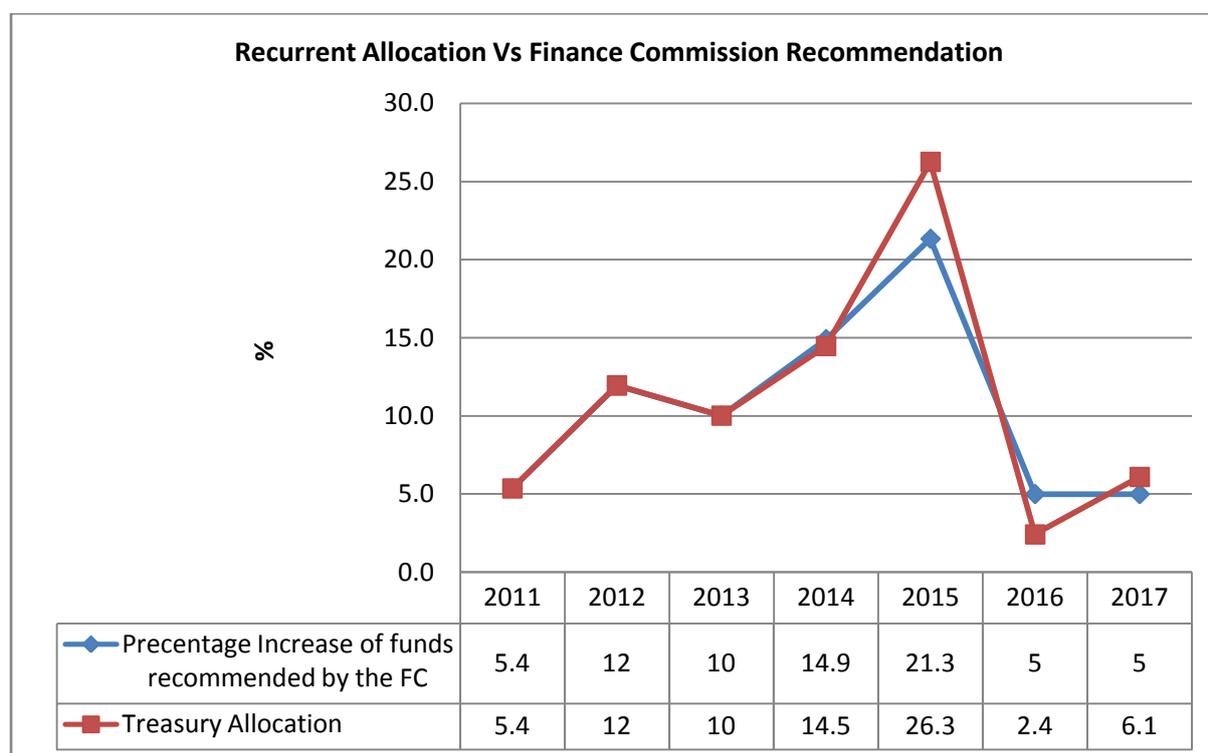
Sources: Finance Commission, impressed released report by TOD, PC monthly expenditure reports

*Amended figures including SD and CF

Figure 10 : Trend of Funding and Utilization of Block Grant from 2010 to 2017

During the period from 2010 to 2017, the recommendation of the Finance Commission on the Block Grant has increased from Rs. 234,418 Mn. to Rs. 245,926 Mn. This represents an increase by 5%. It is also noted that the allocations made by the General Treasury have also increased from Rs. 237,194 Mn. to Rs. 251,681 Mn. representing an increase by 6.5%. Similarly, the total actual expenditure of the Provincial Councils has shown an increase during the period concerned, recording a growth of 4%. The total actual expenditure with regard to the Block Grant was Rs. 240,383 Mn. in 2017. This increase is mainly attributed to the increase of personal emoluments and other recurrent expenses of the Provinces

Figure 11 depicts information on the recommendation of the Finance Commission and allocation of the General Treasury with regard to recurrent needs under the Block Grant.

Figure 11 : Recurrent Allocation Vs Finance Commission Recommendation

The above chart shows the percentage increase of funds recommended by the Finance Commission and the allocations made by the Treasury from 2011-2017. During the period, the Finance Commission's recommendation and the Treasury allocations are more or less similar. However, in 2015 and 2016 a remarkable difference between recommendations and allocation can be observed. This is mainly due to the salary increase of the public officials after finalization of the recommendations by the Finance Commission. The allocations for 2016 by the General Treasury is less than the Finance Commission's recommendation. The total Treasury allocation is greater than the Finance Commission's recommendation on account of supplementary allocations made after the Finance Commission's recommendation.

Provincial Investments in Major Sectors under PSDG

This section reviews PSDG investments in selected five major sectors of the economy by province.

Education Sector

“To reach excellence in global society through competent citizens who share the Sri Lankan identity” is the vision of the Ministry of Education where the educational policies for the nation is decided. Even Provincial Councils should be aligned with those policies to approach the nation to this vision.

The 4th Sustainable Development Goal is “Quality Education”. This goal is to assure equal and absorption education (every social stage get the opportunity) and promote the opportunities to get educated in life time as follows,

- Every male and female child should be educated with quality education both primary and secondary equally.
- Every child should be entitled for quality early childhood development.

In the education sector, available physical and human resources are managed with the expectation of more productive learning and teaching process. Adequate physical infrastructure has to be provided with use of capital funds. (eg:- Schools with all the facilities, Teacher Training Institutions, Higher Educational Institutions, Educational Administration Institutions.)

It is important that the responsibility of the provincial educational authorities is to focus on pre-school, primary and secondary education, leaving the responsibility of higher education to national authorities. Both provincial authorities and the relevant national agencies are responsible for ensuring the provision for vocational skills to school leavers.

The provincial education sector which is a major service provider, has been allocated funds from provincial capital budget in the following manner.

Table 15: Province-wise PSDG Investments in the Education Sector (2013-2017)

(Rs. Mn.)					
Province	2013	2014	2015	2016	2017
Western	176	176	108	976	164
Central	112	139	129	871	175
Southern	127	166	176	253	480
Northern	247	260	278	583	530
North Western	146	502	212	455	752
North Central	125	121	124	510	642
Uva	179	861	288	275	442
Sabaragamuwa	203	336	247	325	660
Eastern	128	167	193	299	587
Total	1,315	2,561	1,755	4,547	4,432

Source: Provincial Expenditure Reports

Note: The figures do not include the funding through line ministries, other local institutions and donor projects

The above amounts have been invested annually using the PSDG funds. It is observed that during the last two years, total capital expenditure was almost doubled when compared to previous years.

Health Sector

Recent health indicators show a significant progress in the health sector. The provincial health service plays a crucial role in achieving this progress. In the year 2017, the highest amount has been invested by the Sabaragamuwa Province for the health sector while the largest investment was by made the Central Province in 2016. When considering the health sector allocations as a whole, it seems that they have been doubled in 2016 and 2017, compared to the previous years.

Table 16: Province-wise PSDG Investments in the Health Sector (2013-2017)

(Rs. Mn.)					
Province	2013	2014	2015	2016	2017
Western	155	127	172	548	119
Central	166	180	30	651	262
Southern	164	102	170	214	305
Northern	188	209	283	438	497
North Western	118	136	159	252	503
North Central	95	79	104	258	314
Uva	168	220	162	287	431
Sabaragamuwa	178	203	433	444	848
Eastern	117	150	175	248	505
Total	1,349	1,406	1,687	3,703	3,782

Source: Provincial Expenditure Reports

Note: The figures do not include the funding through line ministries and donor projects

It is observed that, during the period from 2013 to 2017, the investments in the health sector under PSDG has increased by 187% in nominal term.

Road Sector

The investments in the road sector which is presented in the Table 17 are expected to maintain the provincial road network well. This investment has led to enhance the efficiency of all other sectors by way of saving time on transport, reducing cost, providing access to technical and agricultural centers, and providing safe transportation for local partnerships.

The main responsibility of the Provincial Road Division is to construct and maintain the roads of C and D categories ensuring the connection with the national road network (A & B roads and expressways) and the rural roads.

Accordingly, allocations are made under the PSDG through the components of Provincial Roads and Local Government Roads. Further, financial provisions are made under recurrent expenditure for maintenance of the provincial road network.

The largest proportion of the PSDG has been channeled to the Road Sector from 2013 to 2015. It is observed that in the Southern, Uva, Sabaragamuwa and Eastern Provinces, the investment in the Road Sector has increased significantly when compared to the previous years.

Table 17: Province –wise PSDG Investments in the Road Sector (2013-2017)

Province	(Rs. Mn.)				
	2013	2014	2015	2016	2017
Western	490	474	375	276	145
Central	401	431	291	469	176
Southern	241	314	240	130	406
Northern	207	102	150	320	202
North Western	256	336	285	236	257
North Central	177	198	141	229	51
Uva	216	322	259	322	436
Sabaragamuwa	242	336	551	287	506
Eastern	129	146	60	184	257
Total	2,359	2,659	2,352	2,452	2,435

Source: Provincial Expenditure Reports

Note: The figures do not include the funding through line ministries and donor projects

Agriculture Sector

Sri Lanka attempts to achieve a higher growth of the GDP while achieving a significant improvement in productivity in the Agricultural Sector. Through this, it is expected to upgrade the socio-economic status of the people and ensure food security. Table 18 shows that in the year 2014 the investment has increased by 34%, compared to 2013. In line with the national food programme of 2016, provinces have invested higher amounts in agriculture. Accordingly, the investment in 2017 is around three times of the investment that incurred in recent years, except 2016.

Table 18: Province-wise PSDG Investments in the Agriculture Sector (2013-2017)

Province	(Rs. Mn.)				
	2013	2014	2015	2016	2017
Western	21	25	26	112	15
Central	40	40	50	223	52
Southern	21	40	44	82	196
Northern	9	60	91	216	159
North Western	37	48	53	131	168
North Central	24	42	54	159	78
Uva	92	50	50	144	299
Sabaragamuwa	29	40	39	159	155
Eastern	74	119	89	145	153
Total	346	464	495	1,370	1,275

Source: Provincial Expenditure Reports

Note: The figures do not include the funding through line ministries and donor projects

Livestock Sector

The livestock sector which is developed along with the agriculture sector has also achieved a significant growth in the recent past. Table 19 shows investments by the Provincial Councils in the sector from PSDG funds, recording the highest investment of Rs. 793 Mn. in 2016. It is observed that the sector investment has decreased by 47% during the period from 2016 to 2017.

Table 19: Province-wise PSDG Investments in the Livestock Sector (2013-2017)

Province	(Rs. Mn.)				
	2013	2014	2015	2016	2017
Western	15	15	16	85	12
Central	25	27	32	137	35
Southern	15	21	26	53	45
Northern	13	29	44	111	79
North Western	20	30	35	82	77
North Central	10	19	29	68	45
Uva	28	30	30	80	44
Sabaragamuwa	24	40	31	68	21
Eastern	29	38	52	110	101
Total	179	248	293	793	459

Source: Provincial Expenditure Reports

Note: The figures do not include the funding through line ministries and donor projects

Vertical and Horizontal Fiscal Imbalances in Sri Lanka - 2018

The provincial vertical and horizontal imbalances for 2018, are depicted in Table 20 and Table 21 respectively. The vertical imbalances indicate that all government grants made to the provinces are in sufficient to meet both capital and recurrent needs. The horizontal fiscal imbalances refer to mismatch between the revenue and the expenditure of the Provincial Councils in relation to both recurrent and capital expenditure.

The provincial ranking of the vertical and the horizontal imbalances can be observed from the two tables given below.

Table 20: Vertical Fiscal Imbalances in Sri Lanka - 2018

(Mismatch of the Total Revenues and Provincial Needs)

Province	Estimated Provincial Needs Assessments			Estimated Provincial Revenue (Receipt)					Vertical Imbalance	Rank
	Capital	Total Recurrent Expenditure	Total	Capital	Block Grant for Recurrent Expenditure	Estimated Revenue Transfers (NBT, SD and VRF)	Estimated Devolved Revenue	Total		
Western	3,116	49,851	52,967	1,306	16,151	26,400	7,300	51,157	1,810	9
Central	4,763	34,904	39,667	1,996	28,229	4,950	1,725	36,900	2,767	7
Southern	4,758	31,286	36,044	1,994	24,426	4,950	1,910	33,280	2,764	8
Northern	6,752	24,310	31,062	2,830	20,810	2,750	750	27,140	3,922	2
North Western	5,003	32,457	37,460	2,097	25,567	4,950	1,940	34,554	2,906	6
North Central	5,900	20,452	26,352	2,473	16,602	2,750	1,100	22,925	3,427	4
Uva	6,855	21,076	27,931	2,873	17,236	2,750	1,090	23,949	3,982	1
Sabaragamuwa	5,562	27,108	32,670	2,331	22,928	2,750	1,430	29,439	3,231	5
Eastern	6,292	25,420	31,712	2,637	21,750	2,750	920	28,057	3,655	3
Total	49,000	266,864	315,864	20,536	193,699	55,000	18,165	287,400	28,464	

TRE- Total Recurrent Expenditure, NBT- Nation Building Tax

Source: Finance Commission Reports

As far as the vertical fiscal imbalances are concerned, the worst situation can be seen in the Uva Province, followed by the Southern Province.

Table 21: Horizontal Fiscal Imbalances in Sri Lanka - 2018
(Mismatch of Devolved Revenue and Provincial Needs)

(Rs. Mn.)

Province	Estimated Provincial Needs Assessment			Estimated Devolved Revenue excluding SD and CF	Horizontal Imbalance	Rank
	Capital	Recurrent	Total			
Western	3,116	49,851	52,967	7,300	45,667	1
Central	4,763	34,904	39,667	1,725	37,942	2
Southern	4,758	31,286	36,044	1,910	34,134	4
Northern	6,752	24,310	31,062	750	30,312	7
North Western	5,003	32,457	37,460	1,940	35,520	3
North Central	5,900	20,452	26,352	1,100	25,252	9
Uva	6,855	21,076	27,931	1,090	26,841	8
Sabaragamuwa	5,562	27,108	32,670	1,430	31,240	5
Eastern	6,292	25,420	31,712	920	30,792	6
Total	49,000	266,864	315,864	18,165	297,699	

CF-Court Fines, SD-Stamp Duty

Source: Finance Commission Reports

According to the ranking, the most adverse situation in terms of horizontal fiscal imbalance was in the Western Province.

4.3. GUIDELINES TO THE PROVINCES FOR PREPARATION OF ANNUAL DEVELOPMENT PLAN

The Finance Commission issued Guidelines to the Provinces regarding the conduct of Needs Assessment and preparation of Provincial Annual Development Plan for 2018 with regard to both recurrent and capital expenditure. A specimen format was developed and sent it to the provinces for assessing the needs.

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

One of the main tasks of the Finance Commission is to provide guidelines to the provinces on preparing development plans using the capital allocations, come under PSDG to ensure maximum utilization of limited provincial resources.

In 2017, the Finance Commission introduced a new format with components and sub-components in consultation with the Department of National Planning (NPD) on Sustainable Development Goals (SDGs). The components and sub-components are common to all provinces and relevant SDG targets linked with each component are expected to be indicated. In addition to the common components and sub-components, provinces have to identify broad activity areas for implementation and list of activities on which provinces intend to make investments in relation to SDGs.

The list of components, sub-components and newly introduced formats intended to be used in 2018 are given in Annex I.

4.4. REVIEW OF ANNUAL DEVELOPMENT PLANS

In 2017, the Chairman and the Secretary along with other relevant officers of the Finance Commission visited all Provinces to review Provincial Annual Development Plans and ongoing projects. Mr. V.Kangasabapathy, a Commission Member also joined some provincial visits. The Chief Secretaries and other responsible officers including Heads of Provincial Ministries/Departments/Authorities attended the review meetings.

The Finance Commission studied the Annual Development Plans, submitted by all Provinces and identified issues prior to the visits and discussed with the relevant staff. Concurrence for all Provincial Development Plans have been granted by the Finance Commission for implementation, subject to some revisions, agreed upon.

Selected Development Activities Captured at Provincial Visits

Discussion on Eastern Province Annual Development Plan - 2018



Northern Province



Point Pedro Hospital - Surgical Unit



Urumparai Agri.Farm

Uva Province



Uva Training Centre, at Ohiya



District Ayurveda Hospital Diyatalawa -
Manufacturing of Medicine

Eastern Province

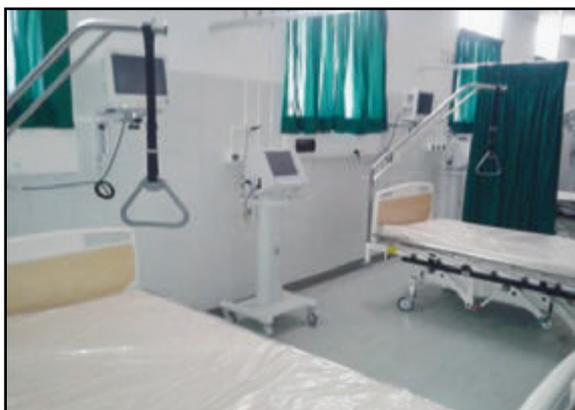


Newly constructed building for a
Garment Factory – Seethananvelly
(PPP project)



Construction of a two storied Building at
Perathuweli Muslim Vidyalaya

North Western Province



Newly constructed Galgamuwa
Base Hospital Wards



Garbage Disposal Centers – Galgamuwa

4.5. OTHER ACTIVITIES AND ACHIEVEMENTS

Construction of the Office Building for the Finance Commission

Construction of the office building at Sarana Mawatha, Rajagiriya is expected to be completed by the end July 2018. The Commission is planning to move to the new building in August 2018.



New office building of the Finance Commission at Rajagiriya

Finance Commission Act

The Draft Finance Commission Act was formulated and submitted to H.E. the President. The Presidential Secretariat sent their observations on the draft in March 2017 and the Finance Commission responded thereon April 2017. In December 2017, H.E. the President submitted the memorandum on “Formulation of the Finance Commission Act” to the Cabinet of Ministers. They decided that the Act be referred to the Legal Draftsman to make necessary legislation.

Strategic Plan (2017-2020)

The Commission approved in principle its first Strategic Plan in 2017 and decided that it should be reviewed periodically and make revisions, as appropriate.

Certificate of Recognition of the National Award Ceremony for High level of Performance

The Committee on Public Accounts of Parliament (COPA), under the direction of its Chairman Hon. Lasantha Alagiyawanna, implemented a web-based computer programme to evaluate all the 831 state institutions island-wide that come under the purview of the Committee. The data relating to the Financial Year 2015 obtained from all the relevant institutions namely the Ministries and Departments of the Government, Provincial Councils, District Secretariats and Local Government Authorities have been evaluated through this system.



Awarding of the Certificate of Recognition

A Certificate of Recognition was awarded on 13th of November 2017, at Parliament to recognize the institutions that showed a high level of performance for the financial year 2015. This Certificate of Recognition was presented to the Finance Commission for the satisfactory performance achieved. H.E. the President was the Chief Guest while Hon. Prime Minister and Hon. Speaker were the Guests of Honour. The Ministers, Members of Parliament, Officials of state institutions and Parliament and other invitees were also present.

Tabling the Annual Report 2016 in Parliament

The Annual Report for 2016 was prepared in three languages and submitted to H.E. the President. On the 05th of December, 2017 the Cabinet of Ministers decided to table the Annual Report in Parliament.



Handing over of the Annual Report - 2016 to H.E. the President

Tabling Quarterly Performance Reports in Parliament

At the end of each quarter of 2017, the Quarterly Performance Report of the Finance Commission was submitted to Parliament.

4.6. MEETINGS OF THE FINANCE COMMISSION

Commission Meetings

The Commission, as a matter of policy, meet at least monthly. In addition, special Commission Meetings are held depending on the requirements.

Table 22: Finance Commission Meetings held during the Year 2017

Finance Commission Meetings held during the Year 2017					
Date	Chairman, FC Mr. Uditha Harilal Paliakkara	Governor Central Bank of Sri Lanka Dr. Indrajith Coomaraswamy	Secretary to the Treasury Dr. R.H.S. Samaratunga	Member Mr. V. Kanagasabapathy	Member Prof. H.M.Zafrullah
02-02-2017	√	√	√	Overseas	√
23-02-2017	√	√	Excused.	√	√
05-03-2017	√	√	Excused.	√	Excused.
04-04-2017	√	√	√	√	√
17-05-2017	√	√	√	√	Excused.
20-05-2017 (Special Discussion)	√	√	√	√	Excused.
03-06-2017	√	√	√	√	√
07-07-2017	√	√	√	√	√
03-08-2017	√	√	Excused.	√	√
19-08-2017	√	√	√	√	Excused.
30-09-2017	√	√	√	√	√
31-10-2017	√	√	√	√	Excused.
24-11-2017	√	√	Excused.	√	√
07-12-2017	√	Excused.	Excused.	√	√
28-12-2017	√	Excused.	Excused.	√	√

Sub Committee Meetings

The Sub Committee of the Commission meets regularly before each Commission Meeting.

5. PROVINCIAL REVENUE

Provincial revenue consists of transfers of revenue to the Provinces by the Government and revenue collected by the provinces through devolved sources. These revenue sources are included in the sections from 36:1 to 36:20 of the Ninth Schedule of the 13th Amendment to the Constitution, as set out in the Annex II.

5.1. PROVINCIAL REVENUE SHARING SYSTEM

The Finance Commission sets revenue collection targets of the Provinces and the amounts to be disbursed to the Provinces from the national revenue mainly on the basis of GDP as decided by Fiscal Policy Circular No. 01/2010 issued by the Secretary to the Treasury on 29th December 2010.

The Provincial Council's main source of revenue until year 2010 was the Business Turnover Tax (BTT). BTT was charged in addition to other similar national taxes, and it acted as a tax upon tax, creating a high tax burden, especially on Small and Medium Enterprises (SMEs) and consumers. Therefore, the collection of BTT was abolished in 2011.

The reduction in revenue resulting from the abolition of BTT was met by a "special revenue sharing system" introduced by the National Budget - 2011. Consequently, as per the Fiscal Policy Circular No. 01/2010, issued by the Secretary to the Treasury on 29th December 2010, the revenue collected under specific heads by national authorities such as the Commissioner General of Inland Revenue, the Director General of Customs, and the Commissioner General of Motor Traffic, has to be transferred to the Provinces on the following basis, with effect from 01st January 2011.

- a. 33 1/3 % of the Nation Building Tax (NBT)
- b. 100 % of Stamp Duty
- c. 70% of Vehicle Registration Fees

The collected revenue from NBT and Stamp Duty is divided among the Provinces according to the percentages given below; (Table 23)

Table 23: NBT and Stamp Duty Dividing Percentages

Province	Ratio (%)
Western	48
Central	09
Southern	09
North Western	09
Sabaragamuwa	05
North Central	05
Uva	05
Eastern	05
Northern	05

Note:- Relevant data is annexed herewith in a separate sheet.

5.2. DEVOLVED REVENUE

The details of the revenue collected by the Provincial Councils through devolved sources and the targeted revenue for 2017 are given in the Table 24.

Table 24: Provincial Revenue Collection by Source – 2017

(Rs. Mn.)

Province	Target Including SD & CF 2017	Revenue Collected form Devolved Sources						Total
		BTT*	Motor Vehicle Revenue license Fees	Excise Duty	Other**	Stamp Duty	Court Fines	
Western	22,800	16	3,988	659	2,452	16,030	993	24,137
Central	3,314	3	901	367	490	1,695	96	3,551
Southern	3,175	1	1,176	142	563	1,759	448	4,090
Northern	1,068	0	324	47	292	648	172	1,483
North Western	3,649	4	1,295	141	419	1,869	447	4,174
North Central	1,251	1	570	64	501	176	209	1,522
Uva	1,140	3	420	102	365	363	115	1,367
Sabaragamuwa	1,750	1	712	96	442	695	154	2,100
Eastern	1,175	0	464	101	303	477	143	1,488
Total	39,321	29	9,849	1,720	5,827	23,711	2,778	43,913

Source: Monthly Revenue Reports of provincial councils – 2016

*Collection of due BTT up to 2010

**Others include rents, interests, examination fees, sale of capital assets, betting tax etc.

According to the Table, some variations of actual devolved revenue collection against the targets can be identified. The actual revenue collected has been above the targeted amounts in all the provinces. It is observed that the collection of revenue in the Western Province has been comparatively higher than the other Provinces.

A comparison of province-wise devolved revenue forecast for 2018 is given in Table 25. The amounts forecast by the Finance Commission are comparatively higher than the amount estimated by the Provinces. The reason may be due to the fact that the Provincial Councils tend to underestimate the provincial revenue, on the assumption that the allocations to respective provinces are likely to increase. However, this will be an additional financial burden to the General Treasury.

Table 25: Devolved Revenue Forecast for 2018

(Rs. Mn.)

Province	Revenue Forecast Excluding Stamp Duty & Court Fines			Revenue Forecast Including Stamp Duty & Court Fines		
	Provincial Estimate	FC Forecast	% of Provincial Share of FC Forecast	Provincial Estimate	FC Forecast	% of Provincial Share of FC Forecast
Western	7,012	7,300	40.2	23,437	23,725	54.4
Central	1,665	1,725	9.5	3,410	3,492	8.0
Southern	1,681	1,910	10.5	3,581	4,010	9.2
Northern	725	750	4.1	1,180	1,220	2.8
North Western	1,900	1,940	10.7	4,290	4,340	10.0
North Central	1,013	1,100	6.1	1,358	1,490	3.4
Uva	636	1,090	6.0	1,231	1,570	3.6
Sabaragamuwa	1,142	1,430	7.9	1,892	2,245	5.1
Eastern	750	920	5.1	1,270	1,520	3.5
Total	16,524	18,165	100.0	41,649	43,612	100

Source: Provincial budget estimates 2017 and Finance Commission

5.3. TRANSFERS OF GOVERNMENT REVENUE TO PROVINCIAL COUNCILS

Based on the Fiscal Policy Circular No. 01/2010, issued by the Secretary to the Treasury on 29th December 2010, the transfer of the government revenue and revenue targets from 2015 to 2018 are given in the Table 26. The transfer of government revenue has been invariably fallen marginally as against the amount targeted in 2017. These variations may indicate that either basis on which targets are set has to be revised, or that a more concentrated effort need to be made by the Government to transfer the amount targeted.

Table 26: Transfer of Central Government Revenue to Provincial Councils

(Rs. Mn.)

Province	2015		2016		2017		2018	
	Target	Transfer	Target	Transfer	Target	Transfer	Target	Transfer (1 st Quarter)
Western	18,960	15,785	17,568	18,248	22,080	20,361	26,400	5,509
Central	3,555	2,997	3,294	3,439	4,140	3,834	4,950	1,039
Southern	3,555	2,883	3,294	3,388	4,140	3,728	4,950	1,048
Northern	1,975	1,592	1,830	1,873	2,300	2,100	2,750	415
North Western	3,555	3,035	3,294	3,465	4,140	3,917	4,950	1,029
North Central	1,975	1,618	1,830	2,064	2,300	2,153	2,750	462
Uva	1,975	1,645	1,830	1,915	2,300	2,120	2,750	572
Sabaragamuwa	1,975	1,314	1,830	1,952	2,300	2,142	2,750	546
Eastern	1,975	1,643	1,830	1,924	2,300	2,137	2,750	577
Total	39,500	32,512	36,600	38,268	46,000	42,491	55,000	11,197

Source: Provincial Councils Reports

6. FINANCIAL PERFORMANCE

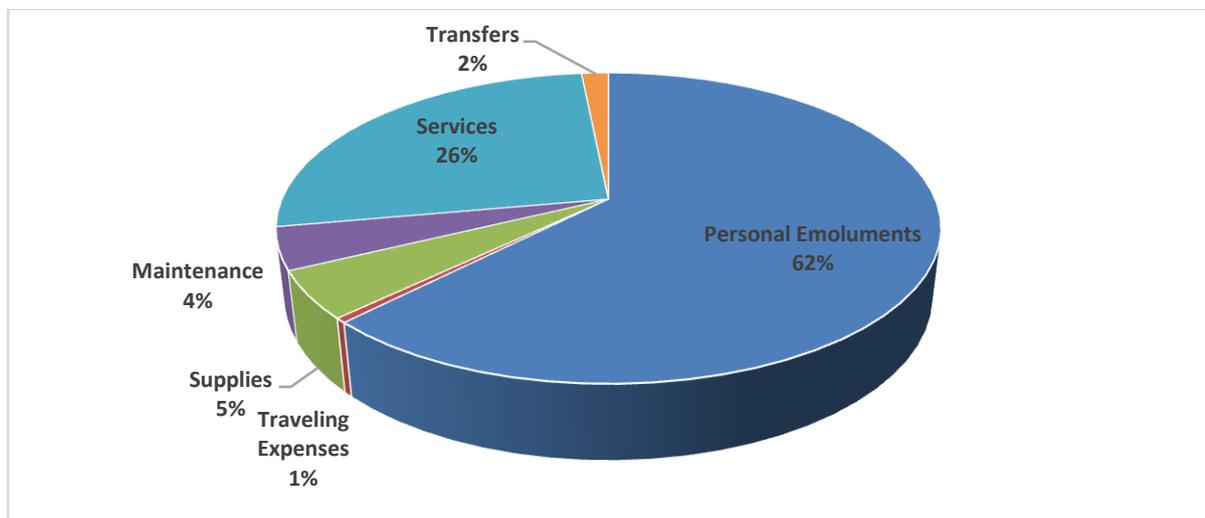
The Finance Division of the Commission is responsible for securing financial operations of the Commission and ensuring proper management of finances. The main duties of the Finance Division are summarized below.

- Submission of financial reports before due dates
- Minimizing the time taken in payment process by way of streamlining the process
- Utilization of annual budget provisions by 100%
- Reduction of the number of audit queries received by the Auditor General Department and Internal Audit
- Elimination of mistakes and omissions
- Ensuring the protection and maintenance of assets with the application of computerized system

6.1. RECURRENT EXPENDITURE

In 2017, the Finance Commission was allocated Rs. 50.1 Mn. for the recurrent purposes and the utilization rate was 96%. Total recurrent expenditure has increased by 11%, compared to the last year. The recurrent expenditure in nominal term for 2016 was 43.7 Mn.

Figure 12 : Composition of the Recurrent Expenditure 2017



As shown in the Figure 12, Personal Emoluments represent a significant portion of the recurrent expenditure. This is mainly due to increased overtime and other allowances with the implementation of new salary structure, with effect from 1st January 2017. The recruitments of new officers to the Finance Commission was also responsible for the increase in recurrent expenditure.

Services represent 26% of the total recurrent expenditure and they include mainly rent expense for the office building, security expenses, and payments for cleaning services, electricity, water and other utility services.

Table 27: Recurrent Expenditure 2012 - 2017

Description	2017 (Rs.'000)	2016 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)	2012 (Rs.'000)
Personal Emoluments	30,107	26,338	21,148	17,781	18,156	20,419
Travelling Expenses	231	124	128	184	340	136
Supplies	2,380	1,643	1,612	2,009	1,737	2,007
Maintenance	2,116	2,565	2,819	2,369	2,235	1,872
Services	12,689	12,295	9,727	10,026	8,759	9,616
Transfers	756	717	603	623	816	690
Total	48,279	43,682	36,037	32,992	32,043	34,740

6.2. CAPITAL EXPENDITURE

According to Table 28, in 2017, the Finance Commission was allocated Rs.102.9 Mn. for the capital expenditure, of which Rs. 100 Mn. was for the construction of the new office building at Rajagiriya. The utilization rate of capital expenditure was 89%. During the year 2016 the total capital allocation was Rs. 203 Mn. which includes Rs. 200 Mn. for the new office building. However, capital expenditure utilization rate was 46% due to delay in construction of the new office building.

Procurements are made in accordance with the Procurement Plan which was in line with the Action Plan and the Budget. The Procurement Committee and the relevant Technical Evaluation Committees are jointly responsible for procurement decisions that should be in transparent manner and aligned with the concept of value for money.

As per P.A 259/2017 Circular, appropriation and all other accounts of the Finance Commission have been submitted to the Department of State Accounts and the Department of Auditor General, before due dates.

The details on financial provisions, expenditure and financial performance of the Finance Commission for 2017 are given below (Table 28).

Table 28: Financial Provisions, Expenditure and Financial Performance – 2017

Object Code	Description	Provision Rs. (,000)	Transfers for FR Rs. (,000)	Supplementary Rs. (,000)	Net Grant Rs. (,000)	Expenditure Rs. (,000)	Financial performance
Recurrent							
1001-1003	Personal Emoluments	27,800	-200	3,639	31,239	30,107	96%
1101-1102	Travelling Expenses	350	-102	0	248	231	93%
1201-1205	Supplies	1,800	417	230	2,447	2,380	97%
1301-1303	Maintenance	2,136	-20	0	2,116	2,116	100%
1401-1409	Services	11,200	-95	2,205	13,310	12,689	95%
1506	Transfers	800	0	0	800	756	95%
Total		44,086	0	6,074	50,160	48,279	96%
Capital							
2002-2003	Plant, Machinery and Vehicles Rehabilitation & Improvement	800	0	0	800	701	88%
2102-2103	Furniture and Office Equipment Acquisition	1,100	100	0	1,200	1,146	95%
2401	Training and Capacity Building	1,000	-100	0	900	863	96%
2104	Building and structures	100,000	0	0	100,000	85,129	85%
		102,900	0	0	102,900	87,838	85%
Grand Total							
		146,186	0	6,074	153,060	136,117	89%

Table 29: Advance Account Activities

Description	Maximum limit to Expenditure Rs. (,000)	Minimum limit of Receipts Rs. (,000)	Maximum limit of Debit Balance Rs. (,000)
Provision	3,200	800	12,000
Actual	3,186.426	1,662.272	8,283.402

7. CHALLENGES AHEAD AND WAY FORWARD

7.1. CHALLENGES AHEAD

As stipulated in the Thirteenth Amendment to the Constitution, the main responsibility of the Finance Commission is to undertake the mandate of reducing regional disparities in the country by directing and facilitating the provinces towards realizing it. In fulfilling this mandate, the Commission meets the challenges given below.

- (i) In the present devolved financial system, the provinces face two types of imbalances namely “vertical” and “horizontal”. The vertical imbalances are related to the inadequacy of resources transferred from centre to the provinces and the horizontal imbalances are tied with the inadequate revenue generation in the provinces as against the financial needs at provincial level. Since, these two phenomena have led to retard the efforts towards reducing regional disparities, the realization of the above constitutional mandate has become an issue.
- (ii) Although, the Finance Commission is meant be one of the independent commissions, appointed by the Constitutional Council, in practice, it is observed that the term “independence” is not clear since all administrative and financial functions are carried out in accordance with the guidelines and circulars of the line ministries and agencies, similar to a government department. Accordingly, lack of clear definition for the so called term “independence” is an another challenge confronted by the Commission.
- (iii) When performing the functions of the Commission with the aim of reducing regional disparities in the country, having a quality staff with adequate training and experience with regard to the fields of Economics, Public Finance, Administration, Law, Auditing and Taxation is a must. In this context, the composition of the staff and their recruitment procedures need to be evaluated and make effective changes accordingly.
- (iv) At present, there is no competent Research Unit in the Commission to undertake research studies on current issues and make recommendations to the Commission Members so that they can make effective policy decisions to rectify the issues. These recommendations can also be used to assess the provincial financial needs and make recommendations to H.E. the President on provincial finance and other related matters.
- (v) It is obvious that Provincial Councils and Local Authorities in the country are highly dependent on public funds allocated by the Government in undertaking their day to day activities and providing the required services to the public. This is mainly because they are not concerned about the potentiality of devolved revenue sources that they have been assigned and there is no serious attempt to cope with the private sector in implementing income generating projects at their jurisdictions. The less attention on dealing with alternative financing at both provincial and local levels has been a serious issue in financing the real needs of people at peripheral level.
- (vi) The absence of a versatile database/MIS seriously affects the performance of the Finance Commission. Although several attempts have been made to fulfill this requirement, the Finance Commission had not been able to achieve any desired results. Therefore, the

Commission is now in the process of getting it done with the support of the Asia Foundation.

7.2. WAY FORWARD

Although, the country has spent thirty years with the provincial council system, it appears that the objectives of establishing the system are not realized as expected. This situation has been associated with a number of reasons of which financial and administrative aspects are so vital. In this background, the following suggestions are made to the relevant authorities for their serious consideration.

- (i) The present demarcation of “provincial and concurrent” lists has created so many problems leading to duplication of work and waste of resources. Therefore, the government should pay its serious attention to re-visit the power sharing system and make revisions in the above two lists giving an opportunity to the provinces to undertake their functions assigned by the 13th Amendment to the Constitution without unnecessary interventions and bottlenecks.
- (ii) Provinces should be mindful to work hand in hand with the private sector, particularly in establishing strong SME sector in their jurisdictions. The incentives and other facilities offered by the Government should be used by the provinces to develop their areas with the support of private sector, banking sector and local NGOs. This will also lead to ease the burden of the national budget with respect to provincial financing.
- (iii) In the development of provinces using local raw materials and inputs, a close and strong relationship with the relevant local authorities is a must. Therefore, provincial authorities should maintain a close dialogue and working relationships with the local authorities in their jurisdictions in the preparation of development plans and implementation of them at ground level. This close relationship is more useful to ensure people’s participation in the planning process since the local authority system is so close to the community.
- (iv) Although, the Poverty Headcount Index (Poverty Ratio) has decreased to 4.1% at national level, sharp regional variations can be observed in some provinces, keeping some segments of the community in acute poverty. In line with the accelerated poverty alleviation programmes implemented by the government under different projects, the provinces should pay serious attention to neglected and isolated areas with high poverty incidence, in allocating resources within the province.
- (v) It appears that the recurrent expenditure of the provinces is so high and it constitutes almost 85% of the total budget. The immediate result of this situation is lowering the share of capital expenditure thus limiting the development work within the provinces. In this scenario, all provinces must be mindful to curtail their recurrent expenses particularly through avoiding unnecessary recruitments and creation of new institutions.

8. FINANCIAL STATEMENTS

The following items have been included in the Financial Statements of the Finance Commission for the year of 2017.

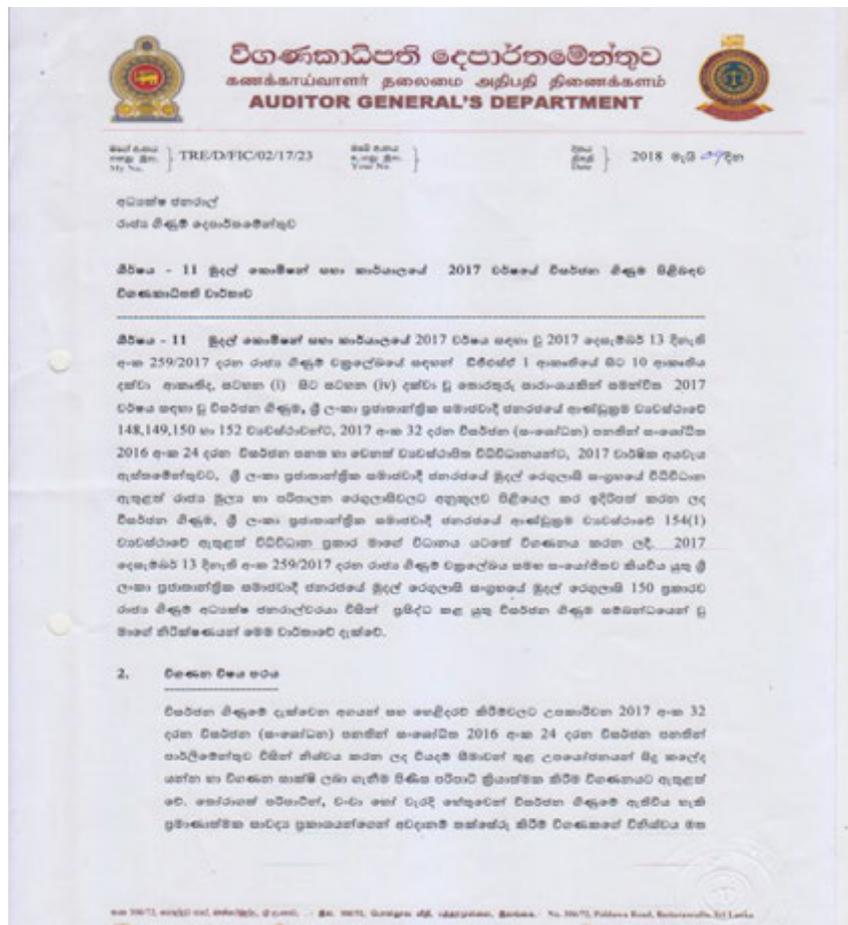
- i) Auditor’s Report
- ii) Appropriation Accounts
- iii) Statement of Financial Performance
- iv) Statement of Financial Position
- v) Statement of Cash Flow

As per the Circular No. 252/2017 of the Department of State Accounts, Appropriation and Other Accounts of the Finance Commission have been submitted to the Auditor General before the due dates.

The Finance Commission has maintained adequate accounting records and an effective system of internal controls and complied with laws and regulations.

The Auditor General is responsible for reporting on whether the Financial Statements are fairly presented. Their report for 2017 is given below. The Auditor General has given an unqualified opinion on the Financial Statements of the Finance Commission.

i) Auditor’s Report





පදනම් වේ. එම අවදානම් කක්ෂේරු කිරීමටදී, අවස්ථාවේදී උචිත විගණන පරිපාටි සැලසුම් කිරීම පිණිස කොමිෂන් සභා කාර්යාලයේ විසර්ජන ගිණුම් පිළියෙල කිරීමට සහ සාධාරණ ලෙස ඉදිරිපත් කිරීමට අදාළ වන්නාවූ අභ්‍යන්තර පාලනය විගණක සැලකිල්ලට ගන්නා නමුත් කොමිෂන් සභා කාර්යාලයේ අභ්‍යන්තර පාලනයේ සඵලදායීත්වය පිළිබඳව මතයක් ප්‍රකාශ කිරීමට අදහස් නොකරයි. කළමනාකරණය විසින් අනුගමනය කරන ලද ඇස්තමේන්තුවල සාධාරණත්වය ඇඟවීම මෙන්ම විසර්ජන ගිණුමේ සමස්ථ ඉදිරිපත් කිරීම පිළිබඳ ඇඟවීමද විගණනයට ඇතුළත් වේ.

3. විසර්ජන ගිණුම් සම්බන්ධයෙන් ගණන්දීමේ නිලධාරීන් වගකීම

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 52 ව්‍යවස්ථාව සමඟ කියවිය යුතු ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ මුදල් රෙගුලාසි සංග්‍රහයේ මුදල් රෙගුලාසි 124 හා 125 හි දක්වා ඇති කාර්යභාරයන් සම්බන්ධයෙන් වූ රාජ්‍ය මූල්‍ය පරිපාලනයේ ප්‍රමාණවත් බව තහවුරු කිරීම සඳහා ප්‍රධාන ගණන්දීමේ නිලධාරීන් මුදල් අමාත්‍යවරයාට වගකිව යුතු අතර අමාත්‍යාංශයේ හා අමාත්‍යාංශය යටතේ ඇති දෙපාර්තමේන්තුවල මුදල් කටයුතු අධීක්ෂණය කිරීමේ වගකීම භාණ්ඩාගාරයේ විධානයන්ට යටත්ව ප්‍රධාන ගණන්දීමේ නිලධාරීන්ට හා ගණන්දීමේ නිලධාරීන්ට පැවැරේ. ඒ අනුව විසර්ජන ගිණුම් ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 148,149,150 හා 152 ව්‍යවස්ථාවන්ට, වෙනත් ව්‍යවස්ථාපිත විධිවිධානයන්ට, රාජ්‍ය මූල්‍ය හා පරිපාලන රෙගුලාසිවලට අනුකූලව පවත්වා ගෙනයාම, පිළියෙල කිරීම හා ඉදිරිපත් කිරීම ගණන්දීමේ නිලධාරීන් වගකීම වේ. වංචා හෝ වැරදි හේතුවෙන් ඇති විය හැකි ප්‍රමාණාත්මක සාවද්‍ය ප්‍රකාශනයන්ගෙන් තොර වූ විසර්ජන ගිණුම් පිළියෙල කිරීමට හැකි වනු පිණිස අවශ්‍යවන අභ්‍යන්තර පාලනය සැලසුම් කිරීම, ක්‍රියාත්මක කිරීම හා පවත්වා ගෙන යාම මෙම වගකීමට ඇතුළත් වේ.

4. විගණන නිරීක්ෂණ

2017 වර්ෂය සඳහා ශීර්ෂය - 11 මුදල් කොමිෂන් සභා කාර්යාලයේ විසර්ජන ගිණුම් පහත දැක්වෙන 4.1 ඡේදයේ සිට 4.4 ඡේදය දක්වා වූ කරුණු දැක්වීමට යටත්ව සතුටුදායක ලෙස පිළියෙල කර ඇති බව නිරීක්ෂණය විය.



4.1 මූල්‍ය කාර්ය සාධනය

සමාලෝචිත වර්ෂය සඳහා සලසා තිබුණු පුනරාවර්තන හා මූලධන ශුද්ධ ප්‍රතිපාදනයෙන් වර්ෂය අවසානය වන විට උපයෝජනය කිරීම් පිළිබඳ විස්තර පහත දැක්වේ.

වැය විස්තරය	ශුද්ධ ප්‍රතිපාදනය	තර්ථ වියදම්	ඉතිරිවීම	ඉතිරිවීම් ශුද්ධ ප්‍රතිපාදනයේ ප්‍රතිශතයක් ලෙස
	රු.	රු.	රු.	%
පුනරාවර්තන	50,160,000	48,278,389	1,881,611	4
මූලධන	102,900,000	87,837,860	15,062,140	15
එකතුව	153,060,000	136,116,249	16,943,751	

4.2 ප්‍රාග්ධන වැය විෂයයක් සඳහා අධි ප්‍රතිපාදන සැලසීම හේතුවෙන් වර්ෂය තුළ උපයෝජනය කළ පසු ඉතිරිය ශුද්ධ ප්‍රතිපාදනයෙන් සියයට 15 ක් එනම් රු.14,871,354 ක් වී තිබුණි.

4.3 2017 දෙසැම්බර් 27 දිනැති අංක 03/2017 දරන ජාතික අයවැය චක්‍රලේඛයේ සඳහන් කරුණුවලට පටහැනි ලෙස වැය විෂයයන් දෙකක් සඳහා ප්‍රතිපාදන ඉක්මවා බැරකම්වලට එළඹීමට වටිනාකම රු.46,180 ක් විය.

4.4 භාණ්ඩ සමීක්ෂණ මණ්ඩල වාර්තා

(අ) 2016 මාර්තු 31 දිනැති අංක 05/2016 දරන රාජ්‍ය මුදල් චක්‍රලේඛය ප්‍රකාර ඉදිරිපත් කළයුතු භාණ්ඩ සමීක්ෂණ වාර්තා 2018 මැයි 01 දින විගණනයට ඉදිරිපත් කර තිබූ අතර එම වාර්තාව අනුව භාණ්ඩ වට්ටෝරු පොත් ශේෂය, තර්ථ ශේෂය සමඟ සැසඳීමේදී භාණ්ඩ වර්ග 35 ක් භාණ්ඩ ඒකක 198 ක් අතිරික්තව පවතින බව නිරීක්ෂණය විය.

(ආ) අංශ සඳහා වෙන් වෙන්ව භාණ්ඩ වට්ටෝරු පොත් පවත්වා නොතිබූ අතර විධායක මේස, ලිපිකරු මේස, සාකච්ඡා මේස, වාගේ මේස ලෙස වෙන් වෙන්ව මේස වට්ටෝරු ගතකර නොතිබුණි.

(ඇ) වායු සමන යන්ත්‍ර, පරිගණක උපාංග හා මුද්‍රණ යන්ත්‍ර වැනි තාක්ෂණික භාණ්ඩ වෙළඳ නාමයෙන් වට්ටෝරු පොත්වලට ඇතුළත් කර තිබුණි.



4

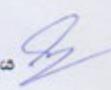


සාමාන්‍ය විගණකාධිපති දෙපාර්තමේන්තුව
 General Auditor's Department
 Auditor General's Department

5. පාර්ලිමේන්තුව වෙත වාර්තා කිරීම

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 154(6) ව්‍යවස්ථාව ප්‍රකාර මා විසින් ශීර්ෂය - 11 මුදල් කොමිෂන් සභා කාර්යාලයට අදාළව ක්‍රියාකාරීත්වය සම්බන්ධයෙන් වූ විගණකාධිපති වාර්තාව යථා කාලයේදී පාර්ලිමේන්තුවේ සභාගත කරනු ලැබේ.

එස්.එම්.ඩී.එස්.සුදීප් රෝහිත
 සහකාර විගණකාධිපති
 විගණකාධිපති වෙනුවට

✓ පිටපත - ලේකම්, මුදල් කොමිෂන් සභා කාර්යාලය 

ii) Appropriation Accounts

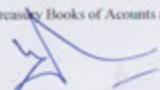
DGSA 1

Appropriation Account - 2017

Expenditure Head No: 11 Name of Ministry / Department / District Secretariat: Finance Commission

Programme Number given in Annual Estimates	Title of the Programme given in Budget Estimates	(1)	(2)	(3)	(4)	(5)	(6)	Page No. (Reference to relevant DGSA 2 format)
		Provision in Budget estimates	Supplementary Provision and Supplementary Estimate Allocation	Transfers in terms of F.R.66 and F.R.69	Total Net Provision (1+2+3)	Total Expenditure	Net Effect Savings (Excesses) (4-5)	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
	Recurrent	44,086,000	6,074,000	735,000	50,160,000	48,278,389	1,881,611	3
				(735,000)				
	Sub Total (Recurrent)	44,086,000	6,074,000	0	50,160,000	48,278,389	1,881,611	
	Capital			270,000	102,900,000	87,837,860	15,062,140	4
		102,900,000		(270,000)				
	Sub Total (Capital)	102,900,000			102,900,000	87,837,860	15,062,140	
	Grand Total	146,986,000	6,074,000	0	153,060,000	136,116,249	16,943,751	

Detailed Accounting Statements in DGSA format Numbers 2 to 10 presented in pages from ...02..... to15..... and other Notes presented in pages from16..... to20..... are integral parts of this Appropriation Account. We hereby certify that the figures in this account, other detailed Statements and Notes are correct and relevant accounts were reconciled with Accounts were reconciled with Treasury Books of Accounts and found correct.

Chief Accounting Officer
 Name : 
 Designation :
 Date : 19/02/2018
 ජී. ඩී. ඩී. රෝහිත
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 මහ. 48, වැජිරා පාර
 කොළඹ - 04

Accounting Officer
 Name :
 Designation :
 Date :

Chief Financial Officer/Chief Accountant/Director (Finance)/ Commissioner (Finance)
 Name :
 Designation :
 Date : 19/02/2018
 R. A. Susantha Kumara Ranasinghe
 Chief Accountant
 Finance Commission
 48, Vajira Road
 Colombo 04

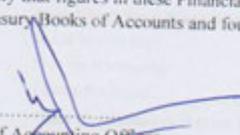
iii) Statement of Financial Performance

Budget 2017		Note	Actual		Rs.
			2017	2016	
-	Revenue Receipts				
-	Income Tax	1	-	-	
-	Taxes on Domestic Goods & Services	2	-	-	} ACA-1
-	Taxes on International Trade	3	-	-	
-	Non Tax Revenue & Others	4	-	-	
-	Total Revenue Receipts (A)		-	-	
-	Non Revenue Receipts				
-	Treasury Imprests		127,748,000	114,776,500	ACA-3
-	Deposits		12,507,480	156,420	ACA-4
-	Advance Accounts		1,662,273	1,290,360	ACA-5
-	Other Receipts		1,879,215	1,106,348	
-	Total Non Revenue Receipts (B)		143,796,968	117,329,628	
-	Total Revenue Receipts & Non Revenue Receipts C = (A)+(B)		143,796,968	117,329,628	
-	Less: Expenditure				
-	Recurrent Expenditure				
31,239,000	Wages, Salaries & Other Employment Benefits	5	30,106,745	26,337,815	} ACA-2(ii)
15,721,000	Other Goods & Services	6	15,084,805	13,938,029	
800,000	Subsidies, Grants and Transfers	7	756,162	716,979	
-	Interest Payments	8	-	-	
2,400,000	Other Recurrent Expenditure	9	2,330,677	2,689,083	
50,160,000	Total Recurrent Expenditure (D)		48,278,389	43,681,906	
-	Capital Expenditure				
800,000	Rehabilitation & Improvement of Capital Assets	10	701,031	-	} ACA-2(ii)
101,200,000	Acquisition of Capital Assets	11	86,273,738	69,656,177	
-	Capital Transfers	12	-	-	
-	Acquisition of Financial Assets	13	-	-	
900,000	Capacity Building	14	863,090	895,573	
-	Other Capital Expenditure	15	-	-	
102,900,000	Total Capital Expenditure (E)		87,837,860	70,551,750	
-	Main Ledger Expenditure (F)		7,391,773	2,404,710	
-	Deposit Payments		4,205,347	106,470	ACA-4
-	Advance Payments		3,186,426	2,298,240	ACA-5
-	Total Expenditure G = (D+E+F)		143,508,023	116,638,366	
-	Imprest Balance as at 31st December 2017				
-	H = (C-G)		288,945	691,262	

iv) Statement of Financial Position

Statement of Financial Position As at 31 st December- 2017			
	Note	Actual	
		2017 Rs	2016 Rs
Non Financial Assets			
Property, Plant & Equipment	ACA-6	456,624,258	112,901,967
Financial Assets			
Advance Accounts	ACA-5	8,283,402	6,386,030
Cash & Cash Equivalents	ACA-3	288,945	691,262
Total Assets		465,196,606	119,979,259
Net Assets / Equity			
Net Worth		(118,730)	6,286,030
Property, Plant & Equipment Reserve		456,624,258	112,901,967
Current Liabilities			
Deposits Accounts	ACA-4	8,402,133	100,000
Imprest Balance	ACA-3	288,945	691,262
Total Liabilities		465,196,606	119,979,259

Detail Accounting Statements in ACA format Nos. 1 to 6 presented in pages from1.... to ..48 and other Notes to accounts presented in pages from 49. to ..58.... are form integral parts of these Financial Statements. We hereby certify that figures in these Financial Statements, Notes to accounts and other relevant accounts were reconciled with Treasury Books of Accounts and found correct.

Chief Accounting Officer Name:  Designation: 28/06/2018 Date:	Accounting Officer Name: Designation: Date:	Chief Financial Officer/ Chief Accountant/ Director (Finance)/ Commissioner (Finance) Name:  Date: 28/06/2018
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A. T. M. U. D. B. Tennakoon
Secretary
Finance Commission

R. A. Susantha Kumara Ranasinghe
Chief Accountant
Finance Commission
48, Vajira Road
Colombo 04

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v) Statement of Cash Flow

Statement of Cash Flows for the Period ended 31 st December- 2017		
	2017 Rs.	Actual 2016 Rs.
Cash Flows from Operating Activities		
Total Tax Receipts	-	-
Fees, Fines, Penalties and Licenses	-	-
Profit	-	-
Non Revenue Receipts	129,627,215	115,113,446
Total Cash generated from Operations (a)	129,627,215	115,113,446
Less - Cash disbursed for:		
Personal Emoluments & Operating Payments	41,500,410	41,465,773
Subsidies & Transfer Payments	-	-
Finance Costs - Imprest Settlement to Treasury	-	2,404,660
Total Cash disbursed for Operations (b)	41,500,410	43,870,433
NET CASH FLOW FROM OPERATING ACTIVITIES(C)=(a)-(b)	88,126,805	71,243,013
Cash Flows from Investing Activities		
Interest	-	-
Dividends	-	-
Divestiture Proceeds & Sale of Physical Assets	-	-
Recoveries from On Lending	-	-
Total Cash generated from Investing Activities (d)	-	-
Less - Cash disbursed for:		
Purchase or Construction of Physical Assets & Acquisition of Other Investment	87,837,860	70,551,751
Total Cash disbursed for Investing Activities (e)	87,837,860	70,551,751
NET CASH FLOW FROM INVESTING ACTIVITIES(F)=(d)-(e)	(87,837,860)	(70,551,751)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (g)=(c) + (f)	288,945	691,262
Cash Flows from Financing Activities		
Local Borrowings	-	-
Foreign Borrowings	-	-
Grants Received	-	-
Total Cash generated from Financing Activities (h)	-	-
Less - Cash disbursed for:		
Repayment of Local Borrowings	-	-
Repayment of Foreign Borrowings	-	-
Change in Deposit Accounts and Other Liabilities	-	-
Total Cash disbursed for Financing Activities (i)	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES (J)=(h)-(i)	-	-
Net Movement in Cash (k) = (g)-(j)	288,945	691,262
Opening Cash Balance as at 01st January	-	-
Closing Cash Balance as at 31st December	288,945	691,262

ANNEXURES

Annexure I

(Form 3)

Annual Development Plan - 2018
Provincial Specific Development Grant (PSDG)

Ministry :

Department/ Agency :

Sector:

Total Budget for the Sector (Rs. Mn.)

S.No.	Component and Budget (Rs.Mn.)	SDG Target No.	Sub Component and Budget (Rs. Mn.)	Outcomes			Broad Activity Area	Output	Budget (Rs. Mn.)		
				KPIs	Target						
					2015	2018				2019	
1			1.1				1.1.1				
							1.1.2				
							1.1.3				
			1.2						1.2.1		
									1.2.2		
									1.2.3		
			1.3						1.2.1.		
2			2.1				2.1.1				
							2.1.2				
			2.2						2.2.1		
									2.2.2		
									2.2.3		
Sub Total											

(Form 3 a)

Annual Development Plan - 2018
Provincial Specific Development Grant (PSDG)

Ministry :

Department/ Agency :

Sector:

Total Budget for the Sector (Rs. Mn.)

Component 1 :

Total Budget for the Component 1 (Rs. Mn.)

Sub Component and Budget (Rs.)	Broad Activity Area and Budget (Rs.)	List of Activity	Budget (Rs.)		
			District 1	District 2	District 3
1.1	1.1.1	i			
		ii			
	1.1.2	i			
		ii			
1.2	1.2.1	i			
		ii			
	1.2.2	i			
		ii			
Total					

Components and Sub Components

1. Sector : Education

Components	Sub Components
1. Strengthen equity in education: equitable learning opportunities for all children	1.1 Implementation of 13 year mandatory education policy. 1.2 Improving access to and participation primary and secondary education. 1.3 Ensuring free-education policy. 1.4 Ensuring safe and attractive learning environment in schools. 1.5 Improving students' health and nutrition status. 1.6 Implementation of systematic career guidance and counseling programs
2. Improve quality of general education.	2.1 Development of science, technology and mathematics and English education for improving human capital. 2.2 Broader approach to education focusing on improving skills, socio-emotional skills, value education and ethics. 2.3 Teacher development, teacher education and teacher management. 2.4 Improving assessments and evaluation systems. 2.5 Improving attractive teaching and learning environment: promoting digital-based teaching and learning. 2.6 Improving learning outcomes of students: establish international linkages in general education system.
3. Strengthen stewardship and service delivery of general education.	3.1 Strengthening the empowerment of schools through the implementation of SBM / EPSI. 3.2 Improving the quality and standards of the primary and secondary education through establishing school inspectorate. 3.3 Strengthening education administration and management provincial, zonal and divisional levels. 3.4 Implementation of long-term professional development programs.
4. Enhance education policy, planning, research and results-based monitoring and evaluation.	4.1 Strengthening education policy and planning, research and results-based monitoring and evaluations. 4.2 Creation of public awareness programs on education achievements.

2. Sector : Health

Components	Sub Components
1. Improvement of Curative Services	1.1. Hospital services improvement 1.2. Investigative services improvement 1.3. Emergency service improvement 1.4. Improvement of NCD and other clinical services 1.5. Strengthening hospital based maternal and child services 1.6. Medico legal services 1.7. Blood bank services improvement
2. Improvement of Preventive Services	2.1. Non communicable disease control 2.2. Communicable disease control 2.3. Oral Health 2.4. Strengthening MCH/FP (RH) programme 2.5. Nutrition 2.6. School Health programme 2.7. Health programmes for elders, disabled, adolescents and other vulnerable groups 2.8. Occupational health and safety 2.9. Estate Health 2.10. Mental Health 2.11. Environmental Health 2.12. Emerging and Re-emerging diseases
3. Organizational and management development	3.1. Health planning and management capacity development 3.2. Strengthening of Monitoring & Evaluation capacity including Information Systems 3.3. Strengthening of financial and procurement management capacity 3.4. HRH management 3.5. Disaster preparedness

3. Sector : Indigenous Medicine

Components	Sub Components
1. Development of Curative Care	1.1. Hospital services improvement (Quality, safety and equity) 1.2. Investigative services quality improvement 1.3. Improvement of NCD and other clinic services 1.4. Provision of equipment 1.5. Ayurvedic research and development 1.6. Production of medicine and quality control
2. Development of Preventive Care	2.1 Health promotion programs 2.2 Nutrition programs 2.3 Control of Communicable and Non Communicable Diseases 2.4 Research and development
3. Conservation and development of traditional system of medicine	3.1 Research and documentation 3.2 Promotion of traditional medical systems
4. Capacity Development	4.1 Implementation of proper resource mapping , planning, supervision and monitoring system

4. Sector : Sports

Components	Sub Components
1. Enhancement of skills of sportsmen and women for provincial / national / international sports competitions	1.1 Development of infrastructure facilities 1.2 Educational programs for coaches and athletes 1.3 Conducting training for sportsmen and sportswomen 1.4 Conducting sports competitions and evaluations 1.5 Provision of equipments and sports goods
2. Motivating General Public to participate in community sports activities and exercises for healthy living	2.1 Conducting training 2.2 Persuading people for exercises 2.3 Promoting recreational sports
3. Capacity Development	3.1 Enhancement programs for sports Clubs 3.2 Capacity development of government institutions.

5. Sector: Probation and Childcare

Components	Sub-components
1. Protection the rights and safeguarding vulnerable children	1.1 Educate the society on rights of children 1.2 Protect children against abuse 1.3 Rehabilitation of drug addicted children 1.4 Rehabilitation of abused / exploited children 1.5 Prevention of institutionalization 1.6 Implementation of court orders / judiciary decisions 1.7 Prevention of Child Trafficking
2. Physical and mental healthy growth of destitute/ misled /orphanage children / probationers	2.1 Provision/Improve infrastructure facilities of children's homes 2.2 Improve health and nutrition status of the children 2.3 Skill development and Vocational training 2.4 Socialization of institutionalized children 2.5 Rehabilitation and socialization of probationers
3. Planning and Management capacity development	3.1 Improve management capabilities of children's homes 3.2 Institutional development of the department

6. Sector: Social Services

Component	Sub-component
1. Relief for poor, disabled persons, women in need and specified diseases	1.1 Provision of aid for poor, disabled, women in need and specified diseases 1.2 Support for self employment activities of disabled persons in poor families
2. Solving social problems of elderly, poor disabled persons and disrupted family units	2.1 Provision of financial support and infrastructure facilities for home for elders and orphanages 2.2 Providing equipment for disabled persons 2.3 Celebration of social functions 2.4 Attitude changing for caring of elders and disabled within the family units 2.5 Prevention of alcohol and drug addiction
3. Rehabilitation of persons referred by judiciary	3.1 Provide accommodations 3.2 Human resource development
4. Planning and Management capacity development	4.1 Social Service Department 4.2 Service providing institutions

7. Sector: Cultural and Religious Affairs

Components	Sub Components
1. Recognition, promotion and conservation of cultural heritage and its value	1.1 Preservation and conservation of cultural treasures and heritage sites and indigenous communities 1.2 Collection and recording of indigenous cultural and artistic events 1.3 Collection and printing of books related to folk stories, folk lore and various cultural events
2. Bringing to the forefront the role of our culture and heritage ,religious faith and aesthetic values	2.1 Teaching, developing and sharing our cultural values, rituals, arts, crafts, music, dance, cinema etc. 2.2 Celebration of religious and national festivals
3. Capacity development	3.1 Institutional development of cultural organizations 3.2 Capacity development of government organizations

8. Sector: Housing

Components	Sub Components
1. Housing Development	1.1 Housing development through provision of loans 1.2 Housing development through provision of grants
2. Capacity Development	2.1 Institutional development of housing constructions volunteer organizations 2.2 Capacity development of Government institutions

9. Sector: Cooperatives

Component	Sub-component
1. Strengthening cooperative societies to enhance service delivery	1.1 Facilitation development of cooperative services 1.2 Facilitation diversification of services 1.3 Quality improvement of income generating activities
2. Capacity development for planning and management	2.1 Cooperative department 2.2 Cooperative societies

10. Sector: Provincial Roads

Components	Sub Components
1. Establishment and operation of a quality road network in the Province	1.1 Road rehabilitation 1.2 Road Improvement 1.3 Road maintenance 1.4 Construction of new roads 1.5 Road safety improvement 1.6 Reconstruction of major structures
2. Enhancement of Planning and management	2.1 Implementation of proper planning, supervision and monitoring system 2.2 Maintaining existing capital assets and provision of new assets

11. Sector: Estate Infrastructure

Components	Sub Components
1. Physical Infrastructure Development	1.1 Housing 1.2 Access Roads 1.3 Education Related Infrastructure 1.4 Health Related Infrastructure
2. Human Development	2.1 Education Development 2.2 Health and Nutrition 2.3 Income Generation and Social Services

12. Sector: Transport

Components	Sub Components
1. Provision of quality passenger service	1.1 Development of Amenities for passengers 1.2 Enhance comfort and safety of passengers 1.3 Developing passenger friendly attitude among bus crew 1.4 Enforcement of Law
2. Expansion of the passenger service coverage	2.1 Introduction of new routes 2.2 Improvements of alternative transport modes
3. Capacity development	3.1 Capacity development of government organizations

13. Sector: Land

Component	Sub-component
1. Efficient utilization of government lands	1.1 Identification and survey of government lands 1.2 Facilitation for alienation of lands 1.3 Regularization of encroached lands 1.4 Settlement of land disputes and other related problems 1.5 Protection of reservations 1.6 Acquisition of lands
2. Land development and productivity improvement in colonies	2.1 Infrastructure development 2.2 Water and soil conservation 2.3 Agriculture development
3. Capacity development for planning and management	3.1 Institutional Development

14. Sector: Agriculture

Components	Sub Components
1. Production and productivity improvement	1.1 Quality improvement of seed, planting materials and crops. 1.2. Introduction of new technologies and good management practices. 1.3 Crop diversification and Crop zoning. 1.4 Homestead Development. 1.5 Soil and water conservation
2. Marketing and Technology development	2.1. Institutional Development. 2.2. Introduction of pre and post-harvest technologies. 2.3. Linking producers with markets / Market extension.
3. Promotion of agro-industries	3.1. Technology support for ongoing/new agro based industries. 3.2. Public and private partnerships. 3.3. Development of individual / group entrepreneurs.
4. Capacity Building	4.1. Institutional development of beneficiaries. 4.2. Capacity development of government organizations.

15. Sector: Livestock

Components	Sub Components
1. Production and Productivity development in the Livestock Sector.	1.1. Milk production development. 1.2. Meat production development. 1.3. Egg production development.
2. Marketing, value additions and Livestock related income generating activities.	2.1 Quality improvement and technical guidance. 2.2 Market linkages and market development. 2.3 Industries and enterprise promotion with the private sector.
3. Promotion of Veterinary Public Health	3.1 Zoonotic diseases control
4. Capacity Development	4.1 Institutional development of beneficiaries. 4.2 Capacity development of government organizations

16. Sector: Inland Fisheries

Components	Sub Components
1. Development of Fish Production	1.1 Fish Cultivation 1.2 Ornamental fish cultivation 1.3 Fish breeding centers 1.4 Conservation of aquatic environment
2. Marketing Promotion	2.1 Provision of marketing facilities 2.2 Building of market linkages
3. Capacity Development	3.1 Institutional and fishing efforts development of fisheries community 3.2 Capacity development of Government organizations

17. Sector: Irrigation

Components	Sub Components
1. Improving the availability of irrigation water for agriculture	1.1 Maintenance of existing irrigation systems 1.2 Rehabilitation to irrigation, drainage and salinity exclusion system 1.3 Improvements to irrigation, drainage and salinity exclusion system 1.4 New constructions 1.5 Follow up of proper water management practices
2. Capacity development	2.1 Enhancement of farmer participation and farmer organization development 2.2 Implementation of proper resource mapping , planning, supervision and monitoring system 2.3 Institutional development and maintaining assets

18. Sector: Rural Development

Components	Sub Components
1. Rural infrastructure development	1.1 Improvement of rural accessibility 1.2 Provision of water for household requirements 1.3 Construction / Improvements of community centers
2. Mitigating of disasters	2.1 Lightning protection 2.2 Measures for mitigating of natural disasters
3. Institutional Capacity Development	3.1 Capacity development of individuals / families and organizations

19. Sector: Small Industries

Components	Sub Components
1. Development of micro/small industries and handicrafts	1.1 Quality improvement 1.2 Market development
2. Skill and vocational development	2.1 Improvements to existing vocational centers to meet the market demand 2.2 Entrepreneurship development 2.3 Appropriate technology transfer and vocational training 2.4 Career guidance
3. Planning and management development	3.1 Capacity development of government organizations

20. Sector: Rural Electrification

Components	Sub Components
1. Providing access to electricity for households not served at present by national grid	1.1 Extension of the national grid 1.2 Augmentation
2. Development of alternative energy in remote/rural areas that cannot be served by national grid	2.1 Implementation of different types of alternative energy programs 2.2 Start/expand income generating activities / enterprises
3. Capacity development	3.1 Capacity development of government organizations

21. Sector: Tourism

Components	Sub Components
1. Diversification and development of tourists attraction and marketable products	1.1 Development of Infrastructure facilities of tourist attractions 1.2 Introduction and development of products and services
2 Marketing and promotion of tourism	2.1 Propaganda and promotion programs 2.2 Training and manpower development 2.3 Tourism information centers
3. Ensure the Income Generation for the Local Community through promotion of tourism	3.1 Training and technical guidance 3.2 Facilitate local entrepreneurs 3.3 Enhancement of Community participation
4. Capacity Development	4.1 Institutional development of the communities involved in tourism 4.2 Capacity development of government organizations

22. Sector: Local Government

Components	Sub Components
1. Local Authority Roads	1.1 Road rehabilitation 1.2 Road improvement 1.3 Road maintenance 1.4 Construction of new roads 1.5 Road safety improvement
2. Community Water Supply	2.1 New water supply schemes 2.2 Maintenance of water supply projects 2.3 Supply of drinking water using bowser trucks
3. Waste Management	3.1 Sewerage Treatment 3.2 Scientific Disposals 3.3 Recycling 3.4 Composting
4. Other Local Government Services	4.1 Commercial-Oriented Facilities 4.2 Service-Oriented Facilities 4.3 Recreation Facilities

Provincial Revenue Sources as per the 13th Amendment to the Constitution

No. as per 13 th Amendment	Source of Revenue
36.01	Turnover taxes on wholesale and retail sales within such limits and subject to such exemptions as may be prescribed by law made by Parliament.
36.02	Betting taxes, and taxes on prize competitions and lotteries, other than National lotteries and lotteries organized by the Government of Sri Lanka;
36.03	License taxes, arrack, toddy rents, tapping license fees, and liquor license fees;
36.04	Motor vehicle license fees within such limits and subject to such exemptions as may be prescribed by law made by Parliament;
36.05	Dealership license taxes on drugs and other chemicals;
36.06	Stamp duties on transfer of properties such as lands and motor cars;
36.07	Tool collections;
36.08	Fees imposed by courts;
36.09	Fees charged under the Medical Ordinance;
36.10	Fees charged under Motor Traffic Act;
36.11	Department fees in respect of any of the matters specified in this list;
36.12	Fees under Fauna and Flora Protection Ordinance;
36.13	Fees on lands alienated under the Land Development Ordinance and Crown Lands Ordinance;
36.14	Court fees, including stamp fees on documents produced in court;
36.15	Regulatory Charges under Weights and Measures Ordinance;
36.16	Land revenue, including assessment and collection of revenue, and survey and maintenance of land records for revenue purposes;
36.17	Taxes on land and buildings, including the property of the state to the extent permitted by law made by Parliament;
36.18	Taxes on mineral right within such limits and subject to such exemptions as may be prescribed by law made by Parliament;
36.19	Licensing fees on the possession, transport, purchase and sale of intoxicating liquors;
36.20	Other taxation within the Province in order to raise revenue for Provincial purposes to the extent permitted by or under law made by Parliament;

Annexure III
(Rs. Mn.)

Allocation under Provincial Specific Development Grant (PSDG) - 2017

No.	Sector	WP	CP	SP	NP	NWP	NCP	Uva	Sab.	EP	Total
1	Social Infrastructure	355.00	612.00	498.00	737.00	536.00	642.00	715.00	613.00	555.00	5,263.00
1.1	Education	180.00	260.00	220.00	260.00	230.00	250.00	300.00	250.00	190.00	2,140.00
1.2	Western Medicine	130.00	275.00	170.00	335.00	190.00	260.00	300.00	240.00	220.00	2,120.00
1.3	Indigenous Medicine	12.00	35.00	25.00	35.00	50.00	40.00	38.00	40.00	45.00	320.00
1.4	Sports	5.00	7.00	15.00	15.00	15.00	15.00	15.00	12.00	15.00	114.00
1.5	Probation and Childcare	14.00	21.00	25.00	40.00	25.00	35.00	30.00	25.00	35.00	250.00
1.6	Social Services	4.00	5.00	25.00	25.00	10.00	20.00	15.00	20.00	25.00	149.00
1.7	Cultural and Religious Affairs	5.00	4.00	8.00	10.00	10.00	10.00	5.00	12.00	10.00	74.00
1.8	Housing	4.00	3.00	8.00	12.00	5.00	8.00	7.00	10.00	10.00	67.00
1.9	Co-operative	1.00	2.00	2.00	5.00	1.00	4.00	5.00	4.00	5.00	29.00
2	Economic Infrastructure	308.00	425.00	563.00	788.00	555.00	669.00	840.00	620.00	857.00	5,625.00
2.1	Provincial Roads	150.00	176.00	140.00	200.00	178.00	175.00	270.00	240.00	225.00	1,754.00
2.2	Estate infrastructure	4.00	15.00	8.00	-	-	-	25.00	25.00	-	77.00
2.3	Transport	17.00	8.00	22.00	25.00	15.00	20.00	20.00	25.00	30.00	182.00
2.4	Land	1.00	1.00	2.00	4.00	1.00	4.00	10.00	3.00	5.00	31.00
2.5	Agriculture	15.00	60.00	85.00	135.00	90.00	85.00	145.00	60.00	125.00	800.00
2.6	Livestock	12.00	35.00	30.00	80.00	50.00	50.00	40.00	50.00	100.00	447.00
2.7	Inland Fisheries	3.00	2.00	20.00	25.00	25.00	10.00	15.00	12.00	24.00	136.00
2.8	Irrigation	10.00	15.00	50.00	46.00	40.00	85.00	50.00	30.00	100.00	426.00
2.9	Rural Development	10.00	10.00	30.00	30.00	15.00	25.00	40.00	35.00	35.00	230.00
2.1	Small Industries	6.00	8.00	25.00	15.00	10.00	25.00	20.00	25.00	40.00	174.00
2.11	Rural Electrification	4.00	5.00	6.00	8.00	6.00	10.00	15.00	15.00	8.00	77.00
2.12	Tourism	10.00	20.00	20.00	30.00	35.00	50.00	30.00	60.00	40.00	295.00

Allocation under Provincial Specific Development Grant (PSDG) - 2017 (Cont.)

(Rs. Mn.)

No.	Sector	WP	CP	SP	NP	NWP	NCP	Uva	Sab.	EP	Total
2.13	Local Government	66.00	70.00	125.00	190.00	90.00	130.00	160.00	40.00	125.00	996.00
	2.13.1 - Local Authority Roads	32.00	32.00	50.00	88.00	43.00	71.00	87.00	21.00	54.00	478.00
	2.13.2 - Community Water Supply	10.00	15.00	33.00	44.00	20.00	26.00	30.00	8.00	29.00	215.00
	2.13.3 - Waste Management	16.00	16.00	29.00	40.00	18.00	20.00	30.00	8.00	29.00	206.00
	2.13.4 - Other Services	8.00	7.00	13.00	18.00	9.00	13.00	13.00	3.00	13.00	97.00
	Sub Total	663.00	1,037.00	1,061.00	1,525.00	1,091.00	1,311.00	1,555.00	1,233.00	1,412.00	10,888.00
	Projects under Flexible Allocation	11.86	11.93	11.73	12.18	11.86	11.93	12.44	11.95	12.14	108.02
	Projects for Backward and Isolated Villages Development	90.00	120.00	95.00	120.00	125.00	125.00	115.00	120.00	120.00	1,030.00
	Total	764.86	1,168.93	1,167.73	1,657.18	1,227.86	1,447.93	1,682.44	1,364.95	1,544.14	12,026.02

Source : Finance Commission

Annexure IV
(Rs. Mn.)

Allocation and Release of Funds for Block Grant 2009-2017

Province	2009		2010		2011		2012		2013		2014		2015		2016		2017	
	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release
Western	2,923	2,749	6,100	6,100	8,979	8,979	9,011	8,894	8,502	9,691	11,699	11,699	18,842	18,842	21,743.80	21,741	15,090.98	14,989
Central	12,526	12,487	13,000	13,000	13,696	13,696	13,763	13,048	14,864	15,687	17,917	17,917	23,542	23,542	23,374.90	23,374	23,319.63	23,233
Southern	10,299	10,085	10,500	10,500	11,760	11,760	11,803	11,907	12,908	13,586	15,785	15,785	21,459	21,459	20,507.80	20,507	21,032.82	21,084
Northern	8,349	7,963	8,700	8,700	9,318	9,318	8,557	8,500	10,075	10,795	12,642	12,642	16,268	16,268	16,757.20	16,754	17,077.53	17,034
North Western	12,294	11,868	12,300	12,299	13,018	13,018	12,651	11,921	14,118	14,846	16,413	16,413	21,705	21,634	20,829.10	20,821	21,866.19	21,788
North Central	6,550	6,513	7,300	7,300	7,596	7,596	7,005	6,776	7,346	7,765	10,595	10,595	13,616	13,616	14,174.10	13,722	13,828.65	13,686
Uva	7,907	7,807	8,300	8,300	8,948	8,948	9,459	9,032	10,263	10,758	12,500	12,500	16,237	16,237	16,422.30	16,249	16,114.89	15,971
Sabaragamuwa	8,893	8,493	9,000	9,000	10,335	10,335	11,243	10,737	13,089	13,606	14,809	14,809	18,410	18,410	18,219.20	18,218	19,350.28	19,281
Eastern	9,891	9,421	10,100	10,100	10,952	10,952	11,385	10,737	11,635	12,066	13,783	13,783	17,475	17,475	17,166.10	16,996	18,667.53	18,430
Total	79,632	77,386	85,300	85,299	94,602	94,602	94,877	91,552	102,800	108,800	126,143	126,143	167,554	167,483	169,195	168,382	166,349	165,497

Note : Including Supplementary Allocation

Source : Annual Report of the Finance Commission : Finance Commission Recommendation and Imprest Release for Provincial Councils

Annexure V

Recommendation of Funds for Block Grant 2009-2017

Province	2009		2010		2011		2012		2013		2014		2015		2016		2017	
	FC Recommendation	Government Allocation																
Western	1,923	2,923	6,100	6,100	7,170	8,979	9,011	9,011	8,502	8,502	11,234	11,699	15,993	18,842	21,744	21,743.80	15,812	15,090.98
Central	12,176	12,526	13,000	13,000	13,270	13,696	13,763	13,763	14,864	14,864	17,628	17,917	22,304	23,542	23,375	23,374.90	24,397	23,319.63
Southern	10,298	10,299	10,500	10,500	11,172	11,760	11,803	11,803	12,908	12,908	15,511	15,785	20,333	21,459	20,508	20,507.80	20,304	21,032.82
Northern	8,349	8,349	8,400	8,700	9,153	9,318	8,557	8,557	10,075	10,075	12,552	12,642	15,598	16,268	16,757	16,757.20	18,611.64	17,077.53
North Western	12,294	12,294	12,300	12,300	12,656	13,018	12,651	12,651	14,118	14,118	13,595	16,413	21,302	21,705	20,823	20,829.10	22,511.30	21,866.19
North Central	6,270	6,550	7,300	7,300	7,386	7,596	7,005	7,005	7,346	7,346	16,413	10,595	13,262	13,616	12,957	14,174.10	14,525.11	13,828.65
Uva	7,907	7,907	8,300	8,300	8,897	8,948	9,459	9,459	10,263	10,263	10,436	12,500	15,503	16,237	16,422	16,422.30	16,390	16,114.89
Sabaragamuwa	8,893	8,893	9,000	9,000	9,823	10,335	11,243	11,243	13,088	13,088	12,312	14,809	18,196	18,410	18,219	18,219.20	19,576	19,350.28
Eastern	9,891	9,891	10,100	10,100	10,473	10,952	11,385	11,385	11,635	11,635	14,606	13,783	16,896	17,475	16,997	17,166.10	19,263	18,679.53
Total	78,001	79,632	85,000	85,300	90,000	94,602	94,877	94,877	102,799	102,799	124,287	126,143	159,387	167,554	167,802	169,195	171,391	166,360.50

Note: Including Supplementary Allocations

Source: Annual Report of the Finance Commission : Finance Commission Recommendation and Imprest Release for Provincial Councils

Annexure VI

Total Living Cadre of the Provinces 2009 – 2017

Province	2009	2010	2011	2012	2013	2014	2015	2016	2017
Western	51,979	52,402	52,133	53,288	56,067	54,074	55,962	56,691	56,893
Central	40,745	39,910	41,311	39,849	39,284	39,775	41,494	42,394	43,630
Southern	35,398	35,365	35,509	35,390	34,785	35,950	38,936	37,331	40,809
Northern	23,599	23,607	24,146	23,679	24,485	27,061	26,631	28,604	28,907
North Western	38,370	38,370	38,499	38,269	41,031	38,740	39,481	41,414	40,689
North Central	22,689	23,214	21,613	21,316	20,483	21,316	22,934	24,595	24,952
Uva	25,104	28,287	27,940	27,354	26,926	27,133	26,176	30,659	30,208
Sabaragamuwa	29,271	27,166	27,723	28,068	29,038	31,239	30,364	34,644	34,888
Eastern	29,559	29,341	29,906	29,559	29,534	28,884	30,125	30,696	31,165
Total	296,714	297,662	298,780	296,772	301,633	304,172	312,103	327,028	332,141

Source: Provincial Budget Estimate and Annual Reports of the Finance Commission

Note : Excluding Cadre of the Local Government and Authorities

Annexure VII

DMS Approved Cadre of the Provinces

Province	2013.01.31	2015.05.26	2016.12.31	2017.12.31
Western	60,658	60,994	60,357	62,652
Central	44,888	45,372	46,197	46,208
Southern	41,841	42,769	42,186	43,182
Northern	28,101	29,515	31,490	36,801
North Western	42,944	47,558	47,818	48,014
North Central	26,783	27,211	27,213	29,183
Uva	29,170	32,102	29,863	30,189
Sabaragamuwa	31,178	33,318	35,453	37,218
Eastern	30,927	32,336	32,301	35,787
Total	336,490	351,175	352,878	369,234

Source: DMS Cadre review books and Provincial Councils Reports

Note : Excluding Cadre of the Local Government and Authorities

Annexure VIII

Criteria Based Grant 2009 - 2017

(RS. Mn.)

Province	2009						2010					
	Recommended	%	Actual Expenditure	%	Actual Release	%	Recommended	%	Actual Expenditure	%	Actual Release	%
WP	509.69	14.36	3,551.29	44.12	375	16.48	450	14.63	3,120.04	40.29	382.5	14.65
CP	446.42	12.58	559.21	6.95	306.35	13.46	410	13.33	579.64	7.48	307.5	11.77
SP	425.99	12	375	4.66	230	10.11	350	11.38	1,272.27	16.43	297.5	11.39
NP	331.62	9.34	277.46	3.45	240.78	10.58	300	9.76	299.43	3.87	255	9.76
NWP	369.63	10.41	287.58	3.57	272.1	11.96	300	9.76	279.78	3.61	255	9.76
NCP	296.84	8.36	314.61	3.91	136.6	6	260	8.46	402.71	5.2	260	9.96
Uva	372.63	10.5	2,071.26	25.73	206.3	9.07	300	9.76	1,156.95	14.94	255	9.76
Sab.	415.63	11.71	368.72	4.58	311.49	13.69	380	12.36	366.81	4.74	323	12.37
EP	381.5	10.75	244.44	3.04	197	8.66	325	10.57	266.59	3.44	276.25	10.58
Total	3,549.95	100	8,049.57	100	2,275.62	100	3,075.00	100	7,744.22	100	2,611.75	100

Criteria Based Grant 2009 - 2017 (Cont.)

(RS. Mn.)

Province	2011						2012					
	Recommended	%	Actual Expenditure	%	Actual Release	%	Recommended	%	Actual Expenditure	%	Actual Release	%
WP	700.00	16.83	2,939.94	42.60	660.00	17.12	427.00	14.12	5,465.52	54.41	180.41	6.31
CP	375.00	9.01	439.70	6.37	337.30	8.75	400.00	13.22	359.27	3.58	218.40	7.64
SP	325.00	7.81	727.00	10.53	292.00	7.57	347.00	11.47	687.79	6.85	189.46	6.63
NP	275.00	6.61	261.80	3.79	247.33	6.42	294.00	9.72	208.92	2.08	160.52	5.61
NWP	300.00	7.21	287.38	4.16	270.00	7.00	320.00	10.58	180.61	1.80	174.72	6.11
NCP	1,300.00	31.25	1,338.70	19.40	1,277.00	33.13	293.00	9.69	272.84	2.72	1,420.00	49.67
Uva	300.00	7.21	356.80	5.17	240.00	6.23	320.00	10.58	2,227.09	22.17	174.72	6.11
Sab.	335.00	8.05	321.41	4.66	301.33	7.82	357.00	11.80	291.96	2.91	194.92	6.82
EP	250.00	6.01	229.33	3.32	230.00	5.97	267.00	8.83	350.89	3.49	145.78	5.10
Total	4,160.00	100	6,902.06	100	3,854.96	100	3,025.00	100	10,044.87	100.00	2,858.93	100

Criteria Based Grant 2009 - 2017 (Cont.)

(RS. Mn.)

Province	2013						2014					
	Recommended	%	Actual Expenditure	%	Actual Release	%	Recommended	%	Actual Expenditure	%	Actual Release	%
WP	370.00	15.48	5,055.00	62.18	370.00	16.34	925.00	23.87	5,857.00	56.76	292.50	13.42
CP	321.00	13.43	314.00	3.86	192.60	8.51	430.00	11.10	382.00	3.70	129.00	5.92
SP	295.00	12.34	479.00	5.89	177.00	7.82	380.00	9.81	1,046.00	10.14	255.00	11.70
NP	195.00	8.16	194.00	2.39	195.00	8.61	280.00	7.23	391.00	3.79	280.00	12.84
NWP	270.00	11.30	246.00	3.03	162.00	7.16	504.50	13.02	506.00	4.90	290.00	13.30
NCP	230.00	9.62	1,011.00	12.44	742.00	32.77	350.00	9.03	867.00	8.40	192.50	8.83
Uva	240.00	10.04	416.00	5.12	144.00	6.36	330.00	8.52	410.00	3.97	179.00	8.21
Sab.	252.00	10.54	239.00	2.94	151.20	6.68	335.00	8.65	534.00	5.18	335.00	15.37
EP	217.00	9.08	175.00	2.15	130.20	5.75	340.00	8.78	325.00	3.15	227.00	10.41
Total	2,390.00	100	8,129.00	100	2,264.00	100	3,874.50	100	10,318.00	100	2,180.00	100

Criteria Based Grant 2009 - 2017 (Cont.)

(RS. Mn.)

Province	2015						2016					
	Recommended	%	Actual Expenditure	%	Actual Release **	%	Recommended	%	Actual Expenditure	%	Actual Release	%
WP	525.00	13.87	314.51	6.90	2,286.20	12.99	460.00	11.50	432.97	9.64	200.00	6.59
CP	500.00	13.21	382.00	8.38	1,890.00	10.74	423.00	10.58	352.67	7.85	116.51	3.84
SP	385.00	10.17	766.17	16.80	1,990.00	11.31	413.00	10.33	315.25	7.02	368.84	12.15
NP	400.00	10.57	379.23	8.32	1,840.00	10.46	475.00	11.88	123.96	2.76	437.00	14.40
NWP	425.00	11.23	158.06	3.47	1,750.00	9.94	375.00	9.38	443.58	9.87	360.00	11.86
NCP	375.00	9.91	1,056.27	23.16	2,217.00	12.60	400.00	10.00	372.69	8.30	400.00	13.18
Uva	375.00	9.91	463.80	10.17	1,725.00	9.80	475.00	11.88	1,272.66	28.33	415.00	13.67
Sab.	400.00	10.57	686.00	15.04	2,437.24	13.85	514.00	12.85	631.95	14.07	293.12	9.66
EP	400.00	10.57	354.12	7.77	1,462.00	8.31	465.00	11.63	547.14	12.18	445.00	14.66
Total	3,785.00	100	4,560.16	100	17,597.44	100	4,000.00	100	4,492.87	100	3,035.47	100

** Actual Release for 2015 includes PSDG and CBG

Criteria Based Grant 2009 - 2017 (Cont.)

(Rs. Mn.)

Province	2017					
	Recommended	%	Actual Expenditure	%	Actual Release	%
WP	254.40	6.36	248.12	3.15	100.00	3.09
CP	388.80	9.72	404.74	5.14	200.00	6.18
SP	388.40	9.71	3,365.56	42.78	400.00	12.36
NP	551.20	13.78	533.27	6.78	589.20	18.21
NWP	408.40	10.21	396.84	5.04	400.00	12.36
NCP	481.60	12.04	650.10	8.26	300.00	9.27
Uva	559.60	13.99	494.98	6.29	315.00	9.73
Sab.	454.00	11.35	1,276.61	16.23	431.74	13.34
EP	513.60	12.84	497.51	6.32	500.00	15.45
Total	4,000.00	100	7,867.73	100	3,235.94	100

Annexure IX

OTHER STAFF OF THE FINANCE COMMISSION	
ICT Officer	
Mr. G.T.Thisara Kasun Pushpasiri	
Statistical Officer	
Mrs. R.M.D.Nimali Rathnayake	
Assistant Research Officers	
Mrs. M.C.Damayanthi	Mrs. P.Indradevi
Mrs. T.M.C.Kumarihami	Mrs. K.A.S.D.Nilanthi
Mrs. A.R.Marina	Mrs. R.R.Ranasinghe
Mrs. S.Y.Dissanayake	Mr. S.K.K.Gaminda
Mrs. W.P.C.R.P.Hangamporuwa	Mrs. D.D.Janaki Kumari
Mr. M.B.M.A.Bandara	
Programme / Development Officers	
Mrs. E.H.M.Dinusha Herath	Mrs. Gangani Kuruppumulla
Mr. T.A.Sarath Chandra Kumara	Mrs. K.A.T.N. Perera
Mrs. Navodani Abeysooriya	
Mrs. P.D.C.Niroshi	
ICT Assistant	
Mrs. Y.B.M.A.K.Yapa Bandara	
Public Management Assistants	
Mr. Lakshman Illeperuma	Mr. D.K.D.Kannangara
Mrs. Sumudu Idampitiya	Mrs. P.A.Vinodani De Silva
Mr. J.B.A.Ajith	Mrs. Pushpa Kaluarchchi
Mrs. P.Gamage	Mrs. W.D.I.D.Weerasinghe
Mr. G.G.Samarabandu	Mrs. K.W.S.Abywickrama
Mrs. Chandrika Attygalle	
Office Employee Assistants	
Mr. T.Jayamini	Ms. G.A.I.A.Sandarenu
Mr. A.W.R.J.Kumara	Mrs. R.A.N.M.Ranasinghe
Mrs. W.A.S.D.Iresha	
Drivers	
Mr. M.K.R.Preemal	Mr. K.M.A.C.D.Perera
Mr. W.G.W.Kumara	
Mr. M.I.P.K.Silva	

Finance Commission
No. 03, Sarana Mawatha, Rajagiriya