THE FINANCE COMMISSION

RECOMMENDATIONS TO H.E. THE PRESIDENT

On

APPORTIONMENT BETWEEN THE PROVINCES OF FUNDS TO BE ALLOCATED FROM THE ANNUAL BUDGET

2013

(In terms of the Article 154R (4) of the Constitution)

March 2013

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FINANCE COMMISSION
(Established under Article 154 R of the Constitution)

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No.48, Vajira Road
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March 2013

His Excellency Mahinda Rajapaksa
President of the Democratic Socialist Republic of Sri Lanka
Presidential Secretariat
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Your Excellency,

The Finance Commission is mandated by the Article 154 R of the 13th Amendment of the Constitution of Democratic Socialist Republic of Sri Lanka to submit the recommendation of the Commission in respect of the apportionment of funds to be allocated from the Annual Budget for use in the provinces.

I hereby submit the Recommendation of the Finance Commission for the year 2013 to be tabled in the Parliament.

Yours respectfully,

Ariyaratne Hewage
Chairman
Finance Commission

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1. Mandate of the Finance Commission

The Thirteenth Amendment to the Constitution of Democratic Socialist Republic of Sri Lanka, made provisions for the establishment of the Finance Commission (FC). The main responsibilities of the Commission are to make recommendations to the Government and formulate principles, policies and guidelines on the apportionment of funds between the nine provinces with the objectives of achieving a balanced regional development in the country. The mandate of the Finance Commission as indicated in Article 154 R (3), (4) and (5) of 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.

3. The Commission shall formulate such principles with the objective of achieving balanced regional development in the country, and shall accordingly take into account-
   i. the population of each province;
   ii. the per capita income of each province;
   iii. the need, progressively, to reduce social and economic disparities; and
   iv. the need, progressively, to reduce the differences between the per capita income of each Province and the highest per capita income among the Provinces.

Article 154 R (7) of the Constitution requires that "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".

1.1 Key Legal Instruments of Devolution

Establishment of the provincial council system in 1987 introduced substantial power transfer changes in the political and administrative structure prevailing in Sri Lanka. The key instruments of devolution of power are based on a number of pillars of legislation. A summary of this legal framework is given below;

1.1.1 The Thirteenth Amendment to the Constitution

Devolved governance with a provincial setup was created by the Thirteenth Amendment to the Constitution by introducing legislative, executive and financial authority to be exercised by the provincial councils. The power between national government and the provinces is included in the three lists given in the Thirteenth Amendment as the Reserved List (powers of the national government); the Provincial List (powers devolved to the provinces) and the Concurrent List (areas of shared responsibilities). The Thirteenth Amendment to the Constitution also created three distinctive tiers of governance, i.e. the National Government, Provincial Councils and Local Authorities.

Extensive list of devolved powers included in the provincial list covers subjects such as Education and Educational Services, Local Government, Provincial Housing and Construction, Roads and Bridges and Ferries, Social Services and Rehabilitation, Agriculture and Agrarian Services, Rural Development, Health, Indigenous Medicine, Food Supply and Distribution, Cooperatives, Land, Irrigation, Animal Husbandry, Entertainment and Sports etc.

The provincial list also included the sources of revenue to be collected by the provincial councils and these revenue sources refer to different types of taxes and fees described in the Chapter 4 of this report. The provincial councils are expected to utilize the revenues collected to meet the provincial requirements. The Government allocates from its annual budget required additional funds to bridge the gaps in meeting the needs of the provinces.

The Thirteenth Amendment to the Constitution provided the legislative basis for the following;

i. Establishment of Provincial Councils
ii. Appointment of the Governors of Provinces
iii. Membership and tenure of Provincial Councils
iv. Appointment and powers of the Chief Minister and the Board of Ministers
v. Legislative powers of the Provincial Councils
vi. Alternative arrangements when failures occur in the administrative machinery
vii. Establishment of the High Courts of the Provinces
viii. Establishment of the Finance Commission

1.1.2 The Provincial Councils Act No 42 of 1987

Provincial Councils Act No. 42 of 1987 provides the detailed procedures to be followed by provincial councils in relation to;

i. Membership of Provincial Councils
ii. Meetings and conduct of business in Provincial Councils

iii. Financial procedures of Provincial Councils
iv. Establishment of Provincial Public Service Commission
v. Appointment of Chief Secretary and other officers

1.1.3 The Eighteenth Amendment to the Constitution

The Eighteenth Amendment to the Constitution of Sri Lanka in 2010 introduced changes to the system of appointment of the seven commissions. The Chairman and members of the Commissions referred to in Schedule 1 under Article 41 A (1) shall be appointed by the President. In making such appointments, the President shall seek the observations of a Parliamentary Council established under the same Article. The Finance Commission is included in the list of seven Commissions under the Schedule 1.

1.1.4 Local Authorities and the Legal Base

Local Authorities stand as the third and lowest tier of the government and are responsible for providing a variety of public services including roads, sanitation, drains, housing, libraries, public parks and recreational facilities. All local authorities comprise members elected by the people.

The Thirteenth Amendment to the Constitution brought local government as a devolved subject of the Provincial Councils. Local Authorities operate under three legal entities namely Municipal Councils, Urban Councils and Pradeshiya Sabhas. There are 23 Municipal Councils, 41 Urban Councils and 271 Pradeshiya Sabhas operating in the country at present.

Provincial councils are also empowered with the supervision of Local Authorities including the power of dissolution. However, constitutional amendments ensured that Local Authorities exercise powers vested with them under the provisions of the relevant ordinances and acts.

- **Municipal Councils**

Municipal Councils Ordinance No: 16 of 1947 sets out the powers of a Municipal Council. There are more than 40 amendments to the Municipal Councils Ordinance. An Urban area can be declared as a Municipal Council considering such factors as revenue, population, road network, industrialization and communication.

- **Urban Councils**

Powers of urban councils are specified in the Urban Councils Ordinance No: 61 of 1939.There are 44 amendments to the Urban Council Ordinance.

Main duties of Municipal and Urban Councils can be listed as given below;

(a). Maintain and cleanse all public streets and open spaces vested in the Council or committed to its management; (**b)**. Enforce the proper maintenance, cleanliness and repair of all private streets; (**c)**. Supervise and provide for the growth and development of their area of jurisdiction by planning and widening of streets, the reservation of open spaces, and the execution of public improvements; (**d)**. Abate all nuisances; (e**)**. Establish and maintain (subject to the extent of its resources) any public utility service which is authorized to maintain under this Ordinance and which is required for the welfare, comfort or convenience of the public; (**f).** Promote the public health, welfare and convenience, and the development of sanitation and amenities of the council areas.

- **Pradeshiya Sabhas**

The Pradeshiya Sabhas Act No: 15 of 1987 established Pradeshiya Sabhas in place of Town Councils and Village Committees which existed as local authorities previously.

The Pradeshiya Sabhas have powers relating to public health, public utility services and public thoroughfares and generally with regard to the protection and promotion of the comfort, convenience and welfare of the people and provision of all amenities within the area.

1.1.5 Local Authority Fund

Local Authority legislations empower any local authority to establish a local authority fund for its financial purposes such as Municipal Councils fund, Urban Council fund and Pradeshiya Sabha fund. These legislations empower local authorities to take necessary action to ensure that revenue generation takes place according to the needs of the local authorities.

2. Transfer of Government Funds to the Provinces

The Thirteen Amendment to the Constitution requires that Government in consultation with the Finance Commission allocate adequate funds to meet the fiscal needs of the provinces. The Finance Commission is entrusted with the responsibility of apportioning such funds between the provinces in order to achieve balanced regional development. The Finance Commission engages in two main functions in order to fulfill this responsibility;

a. Estimate the fiscal needs of the provinces based on the analysis of the needs submitted by the provinces and ensure that they are in line with national policy directives and priorities. The Commission informs such needs to the Government with regard to allocation of funds from the Annual Budget which are adequate to meet their needs.
b. Apportion such funds between the provinces with the objective of reducing regional disparities.

It is expected that the apportionment of funds allocated from the annual budget meet the needs of provinces in order to achieve inter and intra balanced regional development. The process of allocation and apportionment of such funds to the provinces is performed through the following grants.

2.1 The Block Grant

The Block Grant is to meet recurrent expenditure needs of provinces for the purpose of sustaining and improving the service delivery system. Salaries and wages of provincial staff constitute the major part of recurrent expenditure to be paid to the cadre approved by the Management Services Department (MSD). Accordingly, the assessment of salaries and wages is calculated taking into account the actual living cadre within the approved staffing limit.

This grant also includes transfers to Local Authorities to meet expenditure with regard to the reimbursement of allowances of members and salaries and wages of staff.

The recommended block grant allocation and release from the year 2008 to 2012 are given in Table 1.

Table 1: Allocation and Release of Block Grant 2008 – 2012

Rs. mn

Province	2008		2009		2010		2011		2012	
	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release
Western	6,500	6,021	1,923	2,749	6,100	6,100	7,170	8,979	9,011.25	8,893.77
Central	12,950	11,937	12,176	12,487	13,000	13,000	13,270	13,697	13,762.75	13,048.62
Southern	10,200	9,607	10,298	10,085	10,500	10,500	11,172	11,760	11,802.99	11,906.59
Northern	8,100	7,518	8,349	7,963	8,400	8,700	9,153	9,318	8,556.79	8,500.30
Eastern	8,500	8,104	9,891	9,421	10,100	10,100	10,473	10,952	11,385.07	10,737.26
North Western	12,500	11,500	12,294	11,868	12,300	12,299	12,656	13,018	12,651.07	11,920.59
North Central	6,500	6,068	6,270	6,513	7,300	7,300	7,386	7,596	7,005.42	6,776.02
Uva	8,250	7,684	7,907	7,807	8,300	8,300	8,897	8,948	9,458.83	9,031.70
Sabaragamuwa	9,000	8,337	8,893	8,493	9,000	9,000	9,823	10,335	11,243.32	10,736.94
Total	**82,500**	**76,773**	**77,999**	**77,386**	**85,000**	**85,299**	**90,000**	**94,602**	**94,877.48**	**91,551.79**

Source: Finance Commission and General Treasury

2.2 The Criteria Based Grant (CBG)

This is a grant meant to meet the capital expenditure for improving the socio-economic conditions of the people in a manner that contributes towards reducing regional disparities. The funds provided under this grant are available to the provinces for discretionary spending on work related to development. However, the provinces are required to allocate this grant, adhering to the guidelines issued by the Commission Circular FC/PSDG&CBG/CIRCULAR/2011/1 dated 26th July 2011.

The CBG allocation and release from the year 2008 to 2012 are given in Table 2.

Table 2: Allocation and Release of Criteria Based Grant 2008 – 2012

Rs.mn

Province	2008		2009		2010		2011		2012	
	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release
Western	1,000	127	510	375	450	383	400	660	427	180.41
Central	613	335	446	306	410	308	375	337	400	218.40
Southern	656	310	426	230	350	298	325	292	347	189.46
Northern	280	185	332	241	300	255	275	247	294	160.52
Eastern	370	341	382	197	325	276	250	230	267	145.78
North Western	525	301	370	272	300	255	300	270	320	174.72
North Central	279	202	297	137	260	260	275	1,277	*1,616.63	1420.0
Uva	292	185	373	206	300	255	300	240	320	174.72
Sabaragamuwa	485	317	416	311	380	323	335	301	357	194.92
Total	**4,500**	**2,304**	**3,550**	**2,276**	**3,075**	**2,612**	**2,835**	**3,855**	**4,348.63**	**2,858.93**

Source: Finance Commission and General Treasury
****with supplementary allocation***

2.3 The Province Specific Development Grant (PSDG)

The PSDG is allocated mainly for financing capital nature development projects, paying special attention to infrastructure development under different devolved subjects with a view to improving the quality of life of people. When provinces submit their development plans, the Commission and respective provincial authorities discuss and agree to ensure that such plans would address the provincial needs and that they are also within the National Development Policy Framework of the Government. For each investment, measurable results (output, outcome and impact) need to be identified, in the form of pre-defined indicators and periodical monitoring and evaluation of achievements should be undertaken on the basis of such indicators. All provincial authorities are expected to use the relevant formats introduced by the Finance Commission for results based monitoring and evaluation.

- The PSDG for 2013 was provided to provinces on the basis of the Agency Results Framework (ARF) prepared by the provinces. According to the ARF approach, PSDG are allocated on an agency basis. All provincial agencies are expected to utilize the funds allocated to achieve their vision, mission, goals and targets on the basis of pre-defined output/outcome indicators. Provincial agencies have prepared the agency results framework and the respective provinces have consolidated them as medium-term development plans for 2013 -2017. Respective provincial agencies are expected to submit annual development plans choosing priorities from the medium- term development plan considering the amounts allocated to such agencies. The

Finance Commission has provided necessary training to the provincial officers on the preparation of results based plans according to the formats developed by the Commission.

The identified agencies/sectors for providing funds for 2013 are given below.

1. Roads
   1.1 Rehabilitation of Provincial Roads
   1.2 Estate Roads
2 Transport
3 Land
4 Education
5 Health (Western Medicine)
6 Indigenous Medicine
7 Sports
8 Local Government
   8.1 Local Authority Roads
   8.2 Local Authority Services
   8.3 Waste Management
9 Probation and Childcare
10 Social Services
11 Housing
12 Cultural Affairs
13 Agriculture
14 Livestock
15 Inland Fisheries
16 Irrigation
17 Rural Infrastructure
18 Small Industries
19 Rural Alternative Energy
20 Co-operative Development
21 Tourism

- **Special Projects for Balanced Regional Development**

An amount is provided for the projects under balanced regional development for implementing medium scale projects, identified and formulated by provinces aiming at reducing regional disparities between them and subject to the concurrence of the Commission. Such projects are required to be formulated and implemented, for a period of one to three years. These projects are expected to bring about positive impacts on value addition, poverty reduction and employment generation in the areas they cover and consequently the provinces.

- **Flexible Allocation**

An amount is earmarked under this category for "gap filling'' and to attend to urgent requirements which are not included in the original plan.

- **Foreign and locally funded projects designed and agreed at national level**

Allocations are provided under this category, for special projects to be included in the provincial budget, designed by and agreed on at national level. These projects are implemented by using assistance from bilateral and multilateral donors and local funds.

The allocation and release of PSDG from 2008 to 2012 are given in Table 3.

Table 3: Allocation and Release of Province Specific Development Grant 2008 – 2012

Rs. mn

Province	2008		2009		2010		2011		2012	
	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release	Allocation	Release
Western	2,435	1,050	1,726	1,567	1,755	1,737	1,736	1,380	1,990	491
Central	2,045	1,368	2,572	1,606	2,145	1,895	2,490	1,369	3,013	856.88
Southern	2,037	1,293	1,727	1,102	1,773	1,656	1,535	1,283	1,818	813.85
Northern	1,469	764	1,877	1,946	2,807	2,365	3,068	1,306	3,568	947.37
Eastern	1,641	747	4,702	1,202	3,273	1,730	5,079	1,135	3,917	1,108.25
North Western	2,018	1,332	1,530	1,056	1,633	1,613	1,542	1,265	1,836	816.85
North Central	1,930	1,222	1,701	1,202	2,350	1,956	2,808	1,141	2,806.5	717.72
Uva	1,917	916	2,338	1,173	2,007	1,888	3,169	1,210	3,117	805.81
Sabaragamuwa	2,008	1,177	2,259	1,143	1,737	1,564	2,028	1,110	2,648	709.66
Total	**17,500**	**9,872**	**20,431**	**11,998**	**19,480**	**16,403**	**23,455**	**11,199**	**24,713.5**	**7,267.39**

Source: Finance Commission and General Treasury
Note: Including Development Projects

3. Criteria used for Apportionment of Resources between Provinces

According to the Constitution, the Finance Commission is responsible for formulating the principles for achieving balanced regional development in the country through the provincial councils. In keeping with this objective, the Commission apportions funds between the provinces considering the following main criteria.

1. Total population of each province
2. The per capita income of each province
3. The need of reducing socio-economic disparities between the provinces.

The Commission engages in an extensive review exercise to ensure reducing the regional socio-economic disparities between the provinces. The following main macro indicators are used in this exercise.

- Provincial Gross Domestic Product (GDP)
- Poverty Headcount Index
- Provincial Per Capita Income
- Provincial share of GDP
- Average share of economic sectors in provinces
- Annual provincial growth rate
- Population share of the provinces

In the process of resource apportionment, adherence to the policies and strategies set out in the Mahinda Chinthana Vision for the Future: the Development Policy Framework of the Government is ensured while giving due consideration to the concept of ''minimum level of wellbeing of the people''. The pattern of allocation of resources between the provinces under foreign and locally funded projects is also considered in the apportionment of capital funds.

A description of some selected macro indicators used in the fund apportionment process is given below.

- **Provincial GDP**

Assessment of provincial GDP over a period is an important indication of regional growth which is also used to identify strategies in reducing disparities between provinces. Analysis of provincial GDP also provides an important benchmark for the assessment of the thrust areas to initiate balanced regional development. The Commission uses provincial GDP published by the Central Bank of Sri Lanka in this assessment.

Table 4: Provincial Contribution to GDP (%)

Province	2007	2008	2009	2010	2011
Western	46.5	45.4	45.8	44.8	44.4
Central	9.6	9.8	9.8	10.0	9.8
Southern	10.5	10.5	10.5	10.7	11.1
Northern	2.9	3.2	3.2	3.4	3.7
North Western	9.9	9.9	9.6	9.5	10.0
North Central	4.0	4.7	4.6	4.8	4.6
Uva	4.9	4.5	4.5	4.5	4.5
Sabaragamuwa	6.4	6.4	6.1	6.3	6.2
Eastern	5.2	5.6	5.8	6.0	5.7
Total	100	100	100	100	100

Source: Central Bank

When analyzing the sector-wise composition of the provincial GDP, it can be observed that the three main sectors namely agriculture, industry and services for the years 2009, 2010 and 2011 play varied role in the provincial economies. The details of the sector-wise contribution are given in Tables 05, 06 and 07.

Table 5: Provincial GDP Contribution by Sector -2009

Province	Agriculture	%	Industry	%	Services	%	GDP	%
Western	60,955	3	732,406	33	1,422,985	64	2,216,346	100
Southern	88,036	17	163,563	32	257,453	51	509,052	100
Sabaragamuwa	58,642	20	75,630	26	160,387	54	294,659	100
Central	90,700	19	128,536	27	254,180	54	473,416	100
Uva	67,263	31	44,750	20	107,280	49	219,293	100
Eastern	63,879	23	93,667	34	121,817	44	279,363	100
North Western	87,734	19	137,572	30	240,735	52	466,041	100
North Central	67,902	31	44,043	20	109,348	49	221,293	100
Northern	28,582	18	14,534	9	112,711	72	155,827	100
Sri Lanka	**613,693**	**13**	**1,434,701**	**30**	**2,786,896**	**58**	**4,835,290**	**100**

Source: Central Bank

Table 6: Provincial GDP Contribution by Sector -2010

Province	Agriculture	%	Industry	%	Services	%	GDP	%
Western	76,083	3	804,394	32	1,644,764	65	2,525,241	100
Southern	100,336	17	208,954	35	291,032	48	600,322	100
Sabaragamuwa	76,792	22	85,486	24	188,776	54	351,054	100
Central	101,795	18	161,048	29	295,641	53	558,484	100
Uva	82,243	33	48,046	19	121,659	48	251,948	100
Eastern	74,038	22	97,202	29	160,364	48	331,604	100
North Western	96,620	18	163,173	31	267,888	51	527,681	100
North Central	79,381	30	53,813	20	133,016	50	266,210	100
Northern	30,622	16	27,151	14	133,786	70	191,559	100
Sri Lanka	**717,910**	**13**	**1,649,267**	**29**	**3,236,926**	**58**	**5,604,103**	**100**

Source: Central Bank

Table 7: Provincial GDP Contribution by Sector -2011

Province	Agriculture	%	Industry	%	Services	%	GDP	%
Western	93,308	3	948,994	33	1,862,858	64	2,905,159	100
Southern	112,346	15	254,228	35	360,422	50	726,996	100
Sabaragamuwa	85,675	21	103,327	25	217,564	54	406,566	100
Central	113,245	18	170,503	27	360,412	56	644,159	100
Uva	88,073	30	57,167	20	147,223	50	292,463	100
Eastern	60,670	16	118,608	32	196,011	52	375,288	100
North Western	110,615	17	193,791	30	347,729	53	652,136	100
North Central	70,062	23	65,036	22	164,945	55	300,042	100
Northern	58,464	24	45,005	19	137,730	57	241,200	100
Sri Lanka	**792,458**	**12**	**1,956,658**	**29**	**3,794,893**	**58**	**6,544,009**	**100**

Source: Central Bank

While the growth of the economy of the country has been increasing in recent times, (over 6% GDP growth rate) a phenomenon that can be observed is that the growth performance of the three major sectors of the economy, namely agriculture, industry and services, has been diverse. The growth in the agriculture sector has been the most volatile and also made the least contribution among the three sectors. Although, the growth in the industrial sector has remained more or less constant, growth rate in the services sector has risen sharply. Even though, the contribution from the agriculture sector accounts for less than 13% of national GDP, a large proportion of the population (about 48%) continues to be dependent on the agriculture directly or indirectly.

When taking a closer look at provincial situation, the GDP of three provinces namely Uva, North Central and Northern accounts nearly 300 billion rupees in the year 2011 which is low compared to other provinces. However, the GDP of the Eastern province has exceeded this amount possibly due to improved infrastructure facilities during the post conflict period.

It can be observed that the value of the service sector has been increasing in all provinces from 2009-2011 while the agriculture sector in the Central province has exhibited a robust growth in 2010. Obviously, the contribution of the service sector in the Western province has continued to be the leading sector which is almost 20 times of that of the agriculture sector. The contribution of the industrial sector to the GDP in all provinces has been the second position except the Uva, North Central and Northern Provinces in 2011.

- **Poverty Head Count Index**

In 2000, all countries endorsed the United Nation's Millennium Development Goal 1 (Eradication of Extreme Poverty) of halving the incidence of poverty by 2015. Sri Lanka has already achieved a significant progress in reducing poverty. It declined from 26% in 1990/1991 to 8.9% in 2009/2010 which shows a sharp reduction of two third of the poverty long before the targeted year. The Medium-Term Development Plan of the Government which dovetailed the Budget Speech-2013 and was tabled before Parliament, forecasts a poverty free middle income economy and to go beyond MDGs by 2016. In this context, focus on combating poverty should continue as a priority in provincial development as well. It should be integrated and made complimentary to the government's poverty reduction strategy. Although an overall achievement is visible in this regard, there are considerable regional disparities across provinces and districts. As revealed by the Household Income and Expenditure Survey conducted by the Department of Census and Statistics in 2009/2010; incidence of poverty has remained in the highest position in the Eastern Province compared with other provinces. In all provinces except Western and North Central, the poverty incidence is higher than the national average of 8.9%.

All provinces have shown a progressive reduction in the Poverty Head Count Index, during the past 20 year period. The highest reduction of poverty incidence during this period can be observed in Central and North Central provinces while the lowest reduction recoded in the Uva province. More details on trend of the poverty incidence by province during the past 20 year period are in Table 8.

Table 8: Achievement of MDG Target - 1 by Province

Province	Poverty Head Count Index - Survey Period					2015 Millenium Divelopment Goal Target 1(as per the PHC)
	1990/91	1995/96	2002	2006/07	2009/10	
Western	19.1	16.3	10.8	8.2	4.2	9.55
Central	30.7	36.2	25.1	22.3	9.7	15.35
Southern	30.2	32.6	27.8	13.8	9.8	15.1
Northern	*	*	*	*	12.8	
North Western	25.8	27.7	27.3	14.6	11.3	12.9
North Central	24.5	24.7	21.5	14.2	5.7	12.25
Uva	31.9	46.7	37.2	27.6	13.7	15.95
Sabaragamuwa	31.0	41.7	33.6	24.2	10.6	15.5
Eastern	*	*	*	10.8	14.8	
Sri Lanka	26.1	28.8	22.7	15.2	8.9	13.05

Source: Household Income & Expenditure Survey Reports of the Department of Census and Statistics 1990/91, 1995/96, 2002, 2006/07, 2009/10
Note: *Data not available

Considering the above trends in the incidence of poverty, it could be recommended that attention should be paid to pockets of poverty in less developed areas and measures taken to divert more resources outside the developed areas. The reduction of poverty particularly in isolated pockets is a priority area in the investment strategy promoted by the Commission. This strategy mainly includes sustainable agriculture, employment generation through alternative livelihood and improvement of basic infrastructure in rural areas. The Commission continues to encourage the provincial authorities to adopt these strategies in the implementation of their development plans and programmes.

- **Mean Per Capita Income (MPCI)**

Although, mean per capita income is used as a rough indicator to measure purchasing power of a society, it does not take into account the income distribution among different strata in the society. The purchasing power indicates the level of the socio-economic status such as incidence of poverty and living standards of the people. The latest estimation of mean per capita income of the country is based on the Household Income and Expenditure Survey, conducted by the Department of Census and Statistics in 2009/2010. The province-wise mean per capita income is given in Table 9.

Table 9: Mean Per Capita Income by Province - 2009/10

Province	Mean Per Capita Income (Rs.)
Western	11,561
Central	8,040
Southern	8,035
Northern	5,515
Eastern	5,663
North Western	9,280
North Central	9,132
Uva	7,343
Sabaragamuwa	9,132
Sri Lanka	**9,104**

***Source: Expendit**ure Survey of the Department of Census and Statistics 2009/10*

As can be observed in the above Table, there is a clear disparity between the Western Province and other provinces. Although, Northern and Eastern provinces indicate the lowest mean per capita income during 2009/10, the present situation may be different due to post-conflict development activities undertaken in these provinces.

- **Access to Basic Infrastructure Facilities**

In the exercise of resource apportionment, the Finance Commission considered access to two main infrastructure facilities namely availability of electricity at household level and the extent of roads in the provinces.

Availability of electricity can be considered as a paramount indicator of the level of infrastructure and social well-being of the people. The number of households using electricity as the principal type of lighting as a percentage of total occupied households is given in table 10.

Table 10 : Percentage of Households Using Electricity as a Principal Type of Lighting

Province	District	2001 Census	2011 Census
Western	Colombo	85.9	97.9
	Gampaha	82.9	96.6
	Kalutara	71.8	94.1
Central	Kandy	70.4	93
	Matale	50.5	84.9
	Nuwara Eliya	53.7	88.9
Southern	Galle	72.6	94.1
	Matara	71.5	94.1
	Hambantota	48.6	89.3
Northern	Jaffna	N.A	73.3
	Mannar	N.A	63.9
	Vavuniya	N.A	71
	Mullaitivu	N.A	23.6
	Kilinochchi	N.A	10.2
Eastern	Baticaloa	N.A	67.5
	Ampara	49.8	81.9
	Trincomalee	N.A	78.1
North Western	Kurunegala	51	86
	Puttalm	52.3	83.9
North Central	Anuradhapura	48.6	83.4
	Polonnaruwa	45.1	83.6
Uva	Badulla	58.9	86.5
	Moneragala	31.6	70.6
Sabaragamuwa	Ratnapura	45.1	83.5
	Kegalle	56.6	88.7

Source: Population and Housing Census- 2001 and 2011

It is encouraging to note that access to electricity in all provinces has improved remarkably from 2001 to 2011 and this can be attributed to massive development projects commissioned in the recent years.

As shown in the above Table, the highest number of households with access to electricity as the main source of lighting in 2011 can be observed in the district of Colombo (97.9%).The other districts with more than 90% households having electricity are Gampaha, Kalutara, Galle, Matara and Kandy. It should be noted that electricity supply has been extended to lagging areas particularly Northern and Eastern provinces under regional development initiatives of the government during the recent years.

The roads graded as C and D are vested with the provincial councils and their development and maintenance is a responsibility of the provincial road authorities. Since road accessibility is considered as an important factor, the length of the provincial roads is taken as an indicator in the fund apportionment process. The existing extent of roads in the provinces are given in Table 11.

Table 11 : Extent of C & D Roads

Province	Extent of Roads (Km.)	
	C grade	D grade
Western	998	954
Central	1666	578
Southern	1026	816
Northern	1524	443
Eastern	726	372
North Western	1091	1155
North Central	1427	623
Uva	1521	216
Sabaragamuwa	1247	1097

Source: Finance Commission 2011

3.1 Methodology Used for Apportionment of Resources

The Commission has introduced an updated formula for the apportionment of funds under the Criteria Based Grant (CBG) and the Province Specific Development Grant (PSDG). A brief description of the formula used for the year 2013 is given below.

A multivariate statistical technique called Principal Components Analysis (PCA) was used to calculate the composite indices for all provinces using the variables closely related to the living standards of the people. The following four categories were taken into account for the resource allocation formula.

i. Income and poverty
ii. Health
iii. Education
iv. Infrastructure facilities

The Income and poverty category consists of three variables,

- Mean per capita income
- Poverty head count index
- Unemployment rate.

The Health category consists of two variables,

- Neo-natal Mortality Rate
- Low weight births

The Education category comprises,

- Student enrollment
- Learning achievements of grades 4,5,9,O/L and A/L exams.

The category of infrastructure facilities includes

- Number of houses without electricity
- Length of C, D roads.

The above four categories were assigned with weights by population share of each province. The allocation formula can be expressed as:

$$x_i = a_1 V_{1i}\bar{B} + a_2 V_{2i}\bar{B} + \dots + a_n V_{ni}\bar{B}, \quad \sum_{i=1}^{n} ai = 1$$

Where x_i is the allocation for province *i*,

V_{ni} is the score value of variable category n for province *i*,

a_n is the weight for variable category V_n

The assigning of weights (a_i) for categories was determined by the Commission taking into account the factors related to the regional development priorities of the Government. The assigned weights for PSDG were

- Income and Poverty 40%
- Health 15%
- Education 15%
- Infrastructure 30%

In the case of the CBG weights were assigned on the following basis.

- Population 35%
- Per Capita Income 20%
- Poverty Head Count Index 20%
- Unemployment Rate 25%

The Composite Indices (CI) scores used for the apportionment of PSDG and CGB for 2013 are given in Table 12 below.

Table 12: Composite Indices for Apportionment of Funds

Province	CI Scores for PSDG	CI Scores for CBG
Western	0.141776	0.215716
Southern	0.119078	0.120791
Sabaragamuwa	0.119396	0.105867
Central	0.125506	0.125938
Uva	0.105193	0.083533
Eastern	0.105971	0.091885
North Western	0.105490	0.110560
North Central	0.085104	0.072859
Northern	0.092487	0.072850

Source: Finance Commission 2011

The amount allocated by the Treasury was apportioned between the provinces based on the above formula. The provincial apportionment of capital funds (PSDG and CGB) was basically done on the basis of above composite indices. However, considering some practical aspects like funds allocated under foreign and locally funded projects at national level and the revenue generated by each province, some improvements was made in this exercise. The detailed amounts are given in Table 22 in Chapter 5.

3.2 Factors Considered for Apportioning Resources among Sectors

Sectors/subject areas accord varied degree of importance in the different provinces based on their resource potentials, diversified geographic and socio-economic conditions and comparative advantages. The Finance Commission has taken this realistic phenomenon into consideration when apportioning PSDG funds among agencies responsible for various sectors/subject areas. To ensure the adherence of this principle, the Finance Commission and higher provincial authorities engaged in a series of discussions and decided the percentages to be allocated among identified development sectors. In addition, following aspects were considered in deciding the percentages for each sector.

i. Views and suggestions expressed by the senior officers of key national ministries and agencies in relation to national scrotal policies, strategies and targets to align with the national policy framework and avoid duplication of work.

ii. Funds allocated for special projects through other sources of funding which have ripple effects in each province.

iii. Maintenance of minimum well-being of the people in every province for narrowing the disparities among different income groups.

iv. Involvement of private sector through Public-Private Partnership (PPP) arrangements for development projects.

v. Views and suggestions on provincial development needs and requirement of funds presented by the senior provincial officers who participated at the Results Based Management workshops held in the provinces.

vi. Observations and recommendations presented at the launching of Provincial Medium Term Development Plans prepared by provinces under the patronage of Secretary to the President, held at the Sri Lanka Institute of Development Administration.

vii. Specific instructions to allocate required funds for the restoration of small schools threatened with closure in line with the initiative of the Presidential Secretariat.

The Commission will continue to focus on improving equity in recommending allocations based on the prioritized needs of provinces and pay attention to ensure sustainable development in provinces through effective management of resources. However, some researches argues that under the existing system, a significant proportion of the expenditure incurred by the provinces, relates to operational/recurrent expenditure, while a relatively smaller proportion of funds is being invested in the creation of economic and social assets. As a result, the improvement to the delivery of services to the community, the capacity to promote entrepreneurship, ability to create new jobs and increase income of the people, has become constrained and limited. Currently the Finance Commission is in the process of conducting research on this matter and is of the view of provincial recurrent expenditure has contributed tremendously to the achievement of better results in human development leading towards millennium development goals. The major proportion of recurrent expenditure is incurred on delivering the services of Health and Education. Further, provincial recurrent expenditure on other sectors meets the required human resources to implement the development programmes of national ministries. Hence, provincial recurrent expenditure supports not only the provincial development investment but also the national ministries development investments.

4. Revenue of Provinces

The provincial revenue is originated from two main sources;

i. Transfer of Government Revenue
ii. Revenue collected from devolved Sources.

4.1 Transfer of Government Revenue

According to a policy decision made by the government the BTT was abolished and a new system of sharing nationally collected revenue was introduced with effect from 2011. The national authorities, namely the Commissioner General of Inland Revenue, Director General of Customs and Commissioner General of Motor Traffic transfer the collected revenue to the provinces on the following basis according to the Fiscal Policy Circular No: 01/2010.

i) 33 1/3% of the Nation Building Tax (NBT)
ii) 100% of Stamp Duty
iii) 70% of Vehicle Registration Fees

The collected NBT and Stamp Duty should be shared between the provinces fortnightly using dedicated bank accounts on the following percentages, subject to their being re-fixed periodically by the Treasury with the concurrence of the Finance Commission.

Province	Ratio
Western	48%
Central	9%
Southern	9%
North Western	9%
Sabaragamuwa	5%
North Central	5%
Uva	5%
Eastern	5%
Northern	5%

Details of government revenue transferred to the provinces in 2011 and 2012 (up to September) are given in Table13.

Table 13: Transfer of Government Revenue – 2011 and 2012

Rs. mn

Province	**2011**		**2012**	
	Target	**Transfer**	**Target**	**Transfer up to September ****
Western	15,360	12073*	15,360	10,157
Central	2,880	2,210	2,880	1,919
Southern	2,880	1,677	2,880	1,747
Northern	1,600	1,187	1,600	958
North Western	2,880	2,101	2,880	2,142
North Central	1,600	1,179	1,600	1,039
Uva	1,600	1,115	1,600	1,073
Sabaragamuwa	1,600	1,180	1,600	922
Eastern	1,600	1,021	1,600	990
Total	**32,000**	**23,743**	**32,000**	**20,947**

Source: Monthly Revenue Reports of provincial councils – 2011 and 2012
****Rs. 1,000 million of supplementary allocation is included***
*****Provisional***

Although, the figures appearing in Table 13 show that lesser amounts were received by the provinces than the targeted amounts, it is observed that the revenue of the provinces excluding the Western Province was higher than the provincial revenue compared with the period prior to 2011.

4.2 : Revenue Collected from Devolved Sources

Provincial revenue is collected through tax revenues and non-tax revenues as listed from 36.01 to 36.20 of the Ninth Schedule of the Thirteenth Amendment to the Constitution and some main sources of provincial revenue are, Motor Vehicle License Fees, Excise Duty, Stamp Duty and Court Fines.

Provincial revenue collected from devolved sources in 2011 and 2012 is shown in Tables 14 and 15.

Table 14: Provincial Revenue Collection by Source - 2011

(Rs'000)

Province	BTT*	Motor Vehicle license Fees	Excise Duty	Stamp Duty	Court Fines	Others**	Total
Western	2,186,050	2,573,020	263,620	6,354,370	571,370	1,936,320	13,884,750
Central	417,388	492,551	184,817	607,923	67,754	211,875	1,982,308
Southern	381,374	428,622	63,420	828,365	166,487	291,542	2,159,810
Northern***	-	-	-	-	-	80,983	80,983
North Western	193,607	551,466	69,136	899,307	309,164	247,035	2,269,715
North Central	116,525	284,387	24,110	50,150	193,097	239,840	908,109
Uva	115,311	143,481	53,750	125,550	96,156	129,357	663,605
Sabaragamuwa	129,659	351,105	44,037	304,804	112,351	178,506	1,120,462
Eastern	112,216	215,508	28,684	133,313	74,127	128,011	691,859
Total	**3,652,130**	**5,040,140**	**731,574**	**9,303,782**	**1,590,506**	**3,443,469**	**23,761,601**

Source: Monthly Revenue Reports of provincial councils – 2011
****Collection of due BTT up to 2010***
*****Others include rents, interests, examination fees, sale of capital assets, betting tax etc.***
******No provincial revenue collection mechanism available***

Table 15: Provincial Revenue Collection by Source (Upto September) – 2012*

Rs. mn

Province	BTT**	Motor Vehicle license Fees	Excise Duty	Stamp Duty	Court Fines	Others***	Total
Western	65.27	2,407.19	108.79	5,184.66	486.58	1,208.79	9,461.28
Central	39.70	464.89	107.57	645.96	49.36	140.28	1,447.76
Southern	25.74	386.82	20.62	1,169.75	185.90	173.43	1,962.25
Northern****	-	-	-	-	-	59.22	59.22
North Western	52.00	647.69	42.97	671.91	243.69	8.26	1,666.52
North Central	9.40	295.64	21.03	36.73	139.33	93.85	595.99
Uva	2.18	152.86	27.04	98.88	57.51	127.96	466.42
Sabaragamuwa	-	211.64	25.20	87.00	92.41	155.01	571.27
Eastern	-	99.75	18.31	0.02	51.55	106.74	276.38
Total	**194.30**	**4,666.48**	**371.53**	**7,894.91**	**1,306.33**	**2,073.54**	**16,507.08**

Source: Monthly Revenue Reports of provincial councils – 2011

** Provisional*
***Collection of due BTT up to 2010*
****Others include rents, interests, examination fees, sale of capital assets, betting tax etc.*
*****No provincial revenue collection mechanism available*

The Western Province continues to be the highest revenue collector and its average contribution to the total annual provincial revenue is approximately 58% in 2011. It is observed that the contribution from the Western Province to the total revenue shows a decreasing trend when compared with the previous years. It was 66% in 2008, 61% in 2009 and 62% in 2010. The mechanism of sharing the nationally collected revenue between the provinces has helped the backward provinces to improve their revenue with an increased contribution to the total provincial revenue.

The statutes passed by the respective Provincial Councils in terms of the provisions of the Thirteenth Amendment to the Constitution require that the revenue collected by the provinces by way of stamp duty and court fines be transferred annually to the respective Local Authorities. Revenue collected through stamp duty is higher than that of the court fines. Please see Tables 14 and 15.

4.3 Setting Provincial Revenue Targets

The system of setting the revenue targets for the provinces is based on two main sources of provincial revenue.

1. The annual amount to be transferred to all provinces decided by the General Treasury in terms of the Fiscal Policy Circular No: 01/2010 of 29.12.2010. Transfers of Government Revenue to the provinces for the year 2013 have been forecast based on the following percentages agreed by the Finance Commission and the General Treasury.

Province	Ratio
Western	48%
Central /Southern/ North Western	9%
Sabaragamuwa /North Central/ Uva/ Eastern/ Northern	5%

2. The targets for the devolved revenue set by the Finance Commission, based on the assessment of revenue collection submitted by the provincial authorities and the past performance of provincial revenue collection.

The total amount of revenue targets set under the above two systems is deducted from the assessed recurrent expenditure needs under the Block Grant to the provinces. When setting the revenue targets for the provinces, the Finance Commission engages in a consultative process with the General Treasury and provincial authorities.

4.4 Revenue Forecast for 2013

The Finance Commission analyzed the performance of actual revenue collected by the provinces for the previous years and the first six months of 2012 as a basis of the forecast for 2013. The Finance Commission's forecast for devolved revenue sources of all provinces for 2013 including stamp duty and court fines is Rs.19,412 million. The revenue forecast of the Finance Commission for 2013 excluding stamp duty and court fines is Rs. 9,775 million. The revenue forecast for devolved sources estimated by the provinces and the forecast of the Finance Commission for the year 2013 are given in Table 16.

Table 16: Revenue Forecast for 2013

(Rs'000)

Province	Revenue Forecast Including Stamp Duty & Court Fines			Revenue Forecast Excluding Stamp Duty & Court Fines		
	Provincial Estimate	FC Forecast	FC Forcast as a %	Provincial Estimate	FCe Forecast	FC Forecast as a %
Western	7,602,520	10,450,000	54	3,062,520	4,850,000	50
Central	1,766,999	1,841,000	9	836,999	911,000	9
Southern	1,853,369	1,858,500	10	1,043,369	1,043,500	11
Northern	188,000	188,000	1	188,000	188,000	2
North Western	2,173,000	2,173,000	11	1,023,000	1,023,000	10
North Central	699,892	701,000	4	467,892	469,000	5
Uva	568,573	589,410	3	413,573	414,410	4
Sabaragamuwa	939,915	940,000	5	539,915	540,000	6
Eastern	671,200	671,200	3	336,200	336,200	3
Total	**16,463,468**	**19,412,110**	**100**	**7,911,468**	**9,775,110**	**100**

Source: Provincial budget estimates 2013 and Finance Commission

The forecast amount of stamp duty and court fines to be transferred to the Local Authorities from the total devolved revenue for 2013 is Rs 9,637 million and the details are given in Table 17.

Table 17: Stamp Duty and Court Fines to be Transferred to the Local Authorities for 2013

(Rs'000)

Province	Stamp Duty	Court Fines	Total	%
Western	5,000,000	600,000	5,600,000	58
Central	860,000	70,000	930,000	10
Southern	640,000	175,000	815,000	8
Northern	-	-	-	-
North Western	825,000	325,000	1,150,000	12
North Central	52,000	180,000	232,000	2
Uva	100,000	75,000	175,000	2
Sabaragamuwa	300,000	100,000	400,000	4
Eastern	260,000	75,000	335,000	3
Total	**8,037,000**	**1,600,000**	**9,637,000**	**100**

Source: Finance Commission

In terms of the Fiscal Policy Circular No: 01/2010, Rs. 38,000 million from the nationally collected revenue will be transferred to the provinces for 2013. Transfers of Government revenue to the provinces for 2013 are given in Table 18.

Table 18: Transfers of Government Revenue to the Provinces – 2013

(Rs'000)

Province	Transfers	%
Western	18,240,000	48
Central	3,420,000	9
Southern	3,420,000	9
Northern	1,900,000	5
North Western	3,420,000	9
North Central	1,900,000	5
Uva	1,900,000	5
Sabaragamuwa	1,900,000	5
Eastern	1,900,000	5
Total	**38,000,000**	**100**

Source: Finance Commission

4.5 Productive Utilization of Provincial Revenue

When analyzing the opportunity available in the provinces it is evident that there is a great potential to improve revenue from the devolved sources and also to support the Local Authorities to enhance their revenue collection.

4.5.1 Collection of Revenue from Devolved Sources

There are enormous opportunities in the provinces to enhance their revenue base if the revenue collection system could be improved. Therefore, it is an inevitable fact that the Provincial Authorities should explore the possibilities of utilizing their resources in an optimum manner for the improvement of the revenue base.

The Provincial Authorities should seriously consider introducing innovative approaches to revenue collection from 'other revenue sources' included in the sub para 36.20 of the Ninth Schedule which reads as follows;

"Other taxation within the province in order to raise revenue for provincial purposes to the extent permitted by or under any law made by Parliament''.

It is therefore, recommended that provincial authorities obtain credible advisory services with a view to improve existing and funding the new ways and means of revenue collection.

4.5.2 Effective Utilization of Human Resources in Revenue Collection

There are over 500 staff members employed in provincial revenue departments of all provinces. Since the abolition of BTT in 2011, the services of these officers are not being utilized in an optimum manner particularly with regard to collection of revenue from devolved sources other than BTT. In addition, there are many opportunities for revenue collection at Local Authority level. For example, rates from properties have not been properly collected and updated for several years. If measures could be taken to effectively utilize the services of presently redundant manpower in the provincial revenue departments to support the collection of such revenue, total revenue of local authorities would also be increased. Therefore, provincial authorities should consider introducing appropriate systems and alternative approaches in the practice of revenue collection. Chief Ministers and Chief Secretaries of the provinces have also suggested introducing a mechanism to utilize the services of provincial revenue officers in an effective manner.

4.5.3 Productive Utilization of Revenue

It has been observed that some amount of collected revenue is used for the activities not directly related to development purposes of the provinces. Some research studies have pointed out that most of the infrastructure development activities are confined to urban areas neglecting the basic amenities in rural areas such as culverts, footbridges, rural roads, footpaths and steps. It is therefore recommended that any revenue left after spending for recurrent purposes should be utilized by the provincial authorities for productive purposes which provide benefits to the community.

Although, stamp duty and court fines are expected to be transferred to the local authorities by the provincial councils, there had been several instances where such revenue was retained with the provincial councils without being transferred. The main reason for this situation is the complication of calculating court fines to be claimed by the respective local authorities. The Finance Commission is engaged in a dialogue with the Ministry of Justice in order to rectify this situation and following it up by preparing a formula on transferring the collected revenue through court fines to the Local Authorities. Subsequently, at the request of the Secretary to the President, the Finance Commission submitted the formula for necessary action. The Secretary to the President has directed the Ministry of Justice to implement the recommendation of the Commission through the court system.

5. Assessing and Apportioning Funds to Provinces - 2013

The Finance Commission engages in a laborious process in calling for required provincial needs and analyzing them using the criteria included in the budget guidelines. In this process, a series of consultative meetings are held with the relevant provincial officers and a wide range of data and information on provincial development priorities, required service delivery and actual cadre are given due consideration. Subsequently, the Finance Commission submits its assessment of provincial fund requirements to the General Treasury. After consulting the Finance Commission, the General Treasury agrees upon the bulk amount to be allocated between the provinces. Once the bulk amount is decided, it is apportioned between provinces based on the set of criteria developed by the Commission. The constitutional provisions require the Finance Commission to submit its recommendations with regard to principles of apportioning funds from the annual budget between provinces to H.E. the President.

5.1 Main Sources of Government Funding

There are three types of grants provided to the provinces by the Government from the annual budget. They are namely,

(i) Block Grant

This is to meet recurrent expenditure needs of the provinces for the purpose of sustaining and improving the service delivery system. This includes salaries and other allowances paid to the staff and the allowances to the elected members of the provincial councils and local authorities.

(ii) Criteria Based Grant (CBG)

This is a grant meant to meet the capital expenditure needs aiming at improvement of socio-economic conditions of the provinces. The funds under CBG are available for discretionary spending by the provincial councils for development within the guidelines issued by the Commission.

(iii) Province Specific Development Grant (PSDG)

The PSDG is mainly expected to invest in development projects of capital nature, paying special attention to socio-economic infrastructure needs of the provinces aiming at improving the quality of life of people.

5.2 Request for Provincial Capital Needs

The provincial authorities were requested to submit their estimates of financial needs in respects of the financial year 2013 in accordance with the "Guidelines on Presentation of Request for Finances" issued by Finance Commission on 16th February, 2012. Provinces were instructed to use the Form 2 attached to the guideline when submitting their annual capital needs.

Provincial requests on capital needs under the PSDG for 2013 are given in Table 19.

Table 19: Provincial Requests on Capital Needs (PSDG) -2013

(Rs. mn)

Province	Total Estimates	%
Western	13,672	21
Central	4,212	6
Southern	11,874	18
Northern	4,521	7
North Western	6,398	10
North Central	4,978	8
Uva	9,181	14
Sabaragamuwa	6,645	10
Eastern	4,382	7
Total	**65,863**	**100**

Source: Provincial budget estimates-2013
Note: Excluding nationally agreed Foreign and locally funded Projects

5.3 Request for Provincial Recurrent Needs

Recurrent expenditure consists mainly of two components viz. personal emoluments and other recurrent expenditure. The personal emoluments include salaries and wages, overtime and holiday payments and allowances for the employees. The other recurrent expenditure consists of traveling expenses, supplies, maintenance, contractual services, transfers to other agencies, grants, subsidies and interest payments etc. The provincial recurrent needs are submitted by provinces using the specimen formats attached to the guidelines of the Finance Commission.

Recurrent expenditure needs requested by provinces for 2013 are given in Table 20.

Table 20: Provincial Requests on Recurrent Expenditure – 2013 Including Local Government Transfers, Stamp Duty and Court Fines

(Rs'000)

No.	Province	Personal Emoluments	%	Other Recurrent Expenditure	%	Total Recurrent Expenditure
1	Western	23,660,407	61	14,914,450	39	38,574,857
2	Central	17,267,704	75	5,855,523	25	23,123,227
3	Southern	14,737,423	77	4,307,197	23	19,044,620
4	Northern	10,079,725	78	2,891,676	22	12,971,401
5	North Western	16,715,277	77	5,130,171	23	21,845,448
6	North Central	8,751,685	78	2,458,545	22	11,210,230
7	Uva	10,603,896	76	3,380,321	24	13,984,217
8	Sabaragamuwa	13,459,072	77	4,111,829	23	17,570,901
9	Eastern	11,663,249	76	3,602,807	24	15,266,056
	Total	**126,938,438**	73	**46,652,519**	27	**173,590,957**

Source: Provincial budget estimates – 2013

The requests on the other recurrent expenditure needs of the provinces are given in Table 21.

Table 21: Provincial Requests on Other Recurrent Expenditure – 2013 Excluding Local Government Transfers, Stamp Duty and Court Fines

(Rs'000)

Province	Other Recurrent Expenditure
Western	4,480,674
Central	3,553,696
Southern	3,003,312
Northern	1,950,631
North Western	3,095,239
North Central	1,947,728
Uva	2,799,860
Sabaragamuwa	3,055,091
Eastern	2,499,336
Total	**26,385,567**

Source: Provincial budget estimates – 2013

5.4 Assessment of Provincial Needs

Requests for capital and recurrent expenditure needs submitted by the provinces are carefully examined and assessed by the Finance Commission before making recommendations to the Government. In the assessment of provincial needs, the alignment with the Government Development Policy Framework, Guidelines issued by the Finance Commission, the Medium-Term Development Plans for the provinces, Circulars issued by the Treasury and the Ministry of Public Administration and previous performances on spending public funds in provinces are taken into consideration.

In assessing the provincial capital needs, the Commission undertakes a comprehensive analysis, based on the following main aspects within the National Policy Framework and Provincial Medium-Term Plans.

(i) Maintenance of service delivery.
(ii) Improvement of service efficiency.
(iii) Achievement of planned results effectively.
(iv) Avoidance of duplication of work and wastage of resources.
(v) Special attention to priority needs.
(vi) Implementation capacity of provincial agencies.
(vii) Relevance and scope.

5.4.1 Assessment of Capital Needs

Provincial capital needs assessed by the Finance Commission for 2013 are given in Table 22.

Table 22: Capital Needs for 2013 Assessed by the Finance Commission

(Rs. mn)

Province	PSDG		CBG	
	FC Recommendation	%	FC Recommendation	%
Western	5,671	14.2	1,726	21.6
Central	5,020	12.6	1,008	12.6
Southern	4,763	11.9	966	12.1
Northern	3,699	9.2	583	7.3
North Western	4,220	10.5	884	11.1
North Central	3,404	8.5	583	7.3
Uva	4,208	10.5	668	8.4
Sabaragamuwa	4,776	11.9	847	10.6
Eastern	4,239	10.6	735	9.2
Total	**40,000**	**100**	**8,000**	**100.0**

Source: Finance Commission

5.4.2 Assessment of Recurrent Needs

When assessing the recurrent needs submitted by the provinces, the Finance Commission takes in to account the following main elements;

(i). Cadre approved by the Department of Management Services
(ii). Actual living cadre and vacancies.
(iii). New appointments agreed to by the line ministries and provincial councils
(iv). Estimation of personal emoluments, salary arrears and staff loans.
(v). Estimation of other recurrent expenditure including maintenance of capital assets.
(vi). Allowances for elected members.

(vii). Transfers to the local authorities and other agencies.

Provincial recurrent needs including personal emoluments for provincial living cadre for 2013 are shown in Table 23.

Table 23: Assessed Personal Emoluments of the Provincial Living Cadre – 2013

NO	Province	Living Cadre	%	Personal Emoluments (Rs'000)							
				Salaries & wages	%	Overtime & Holiday pay	%	Other Allowances	%	Total (PE)	%
1	Western	53,864	18	14,542,555	20	825,578	12	5,395,502	18	20,763,635	19
2	Central	40,274	14	9,473,757	13	1,067,787	15	3,697,401	13	14,238,945	13
3	Southern	35,234	12	8,686,194	12	701,843	10	3,475,024	12	12,863,061	12
4	Northern	23,814	8	5,309,886	7	507,976	7	2,260,120	8	8,077,982	7
5	North Western	38,580	13	9,294,663	13	655,636	9	3,677,089	13	13,627,388	13
6	North Central	20,803	7	4,789,964	7	578,461	8	2,043,863	7	7,412,288	7
7	Uva	26,198	9	5,887,818	8	913,047	13	2,492,095	9	9,292,960	9
8	Sabaragamuwa	27,679	9	7,092,620	10	902,086	13	3,155,084	11	11,149,790	10
9	Eastern	29,743	10	7,164,112	10	906,477	13	3,061,403	10	11,131,992	10
Total		**296,189**	**100**	**72,241,569**	**100**	**7,058,891**	**100**	**29,257,581**	**100**	**108,558,041**	**100**

Source : Provincial budget estimate 2013 and Finance Commission
Note : Excluding vacant cadre

Other recurrent expenditure for the provinces without local government transfers and with local government transfers are given in Table 24.

Table 24: Assessed Other Recurrent Expenditure for the Provinces – 2013 Excluding Stamp Duty and Court Fines

(Rs'000)

No.	Province	Other Recurrent Expenditure without Local Government Transfer	%	Local Government Transfer	%	Total Other Recurrent Expenditure with Local Government Transfer	%
1	Western	4,480,092	18	4,738,096	46	9,218,188	26
2	Central	2,393,920	9	1,355,555	13	3,749,475	11
3	Southern	3,000,112	12	852,719	8	3,852,831	11
4	Northern	2,814,387	11	740,310	7	3,554,697	10
5	North Western	3,094,879	12	759,678	7	3,854,557	11
6	North Central	1,944,241	8	275,567	3	2,219,808	6
7	Uva	2,799,860	11	405,261	4	3,205,121	9
8	Sabaragamuwa	2,655,091	10	516,902	5	3,171,993	9
9	Eastern	2,119,336	8	652,225	6	2,771,561	8
	Total	**25,301,918**	100	**10,296,313**	100	**35,598,231**	100

Source: Finance Commission

5.5 Apportionment of Funds between Provinces

Apportionment of funds between the provinces is a major function preformed by the Finance Commission, as a mandatory requirement of the Constitution, after agreeing with the Treasury on the bulk amount to be allocated from the annual budget. Since all provincial agencies prepare their annual budgets and submit them for the approval of the provincial councils, the Commission considers the assessed needs of the provinces thoroughly in the apportionment exercise. The apportionment of capital funds (PSDG and CBG) between the provinces for 2013 is depicted in Table 25. This Table includes development projects funded by foreign and local sources at national level as well.

Table 25: Apportionment of Capital Funds – 2013

(Rs. mn)

Province	CBG	PSDG	Sub Total	%	Development Projects *	Total	%
Western	370	1,266	1,636	13.02	435	2,071	7.68
Central	321	1,229	1,550	12.33	2,025	3,575	13.26
Southern	295	1,229	1,524	12.12	405	1,929	7.16
Northern	195	1,030	1,225	9.75	2,663	3,888	14.42
North Western	270	1,137	1,407	11.19	730	2,137	7.93
North Central	230	1,000	1,230	9.79	1,140	2,370	8.79
Uva	240	1,144	1,384	11.01	1,452	2,836	10.52
Sabaragamuwa	252	1,145	1,397	11.11	1,620	3,017	11.19
Eastern	217	1,000	1,217	9.68	3,915	5,132	19.04
Total	**2,390**	**10,180**	**12,570**	**100**	**14,385**	**26,955**	**100**

Source: Finance Commission

****Nationally agreed foreign and locally funded projects.***

As stated above, the Block Grant is meant to meet recurrent needs of the provinces. The apportionment of Block Grant for 2013 is given in Table 26.

Table 26: Apportionment of Block Grant – 2013

(Rs'000)

No.	Province	Block Grant
1	Western	8,501,755
2	Central	14,863,832
3	Southern	12,908,465
4	Northern	10,075,295
5	North Western	14,118,105
6	North Central	7,345,621
7	Uva	10,263,208
8	Sabaragamuwa	13,088,463
9	Eastern	11,635,256
	Total	**102,800,000**

Source: Finance Commission

The allocated amount of 2013 for personal emoluments of the new staff to be recruited by the line ministries for the provinces includes 50% of the requirement.

5.6 Financing Local Authorities

Transfer of funds from provinces to Local Authorities for payment of salaries and allowances of approved living cadre and members is a major element of recurrent expenditure. At present, the total amount paid for salaries of the staff is reimbursed from the funds provided under the Block Grant. Since the part of the contract and casual basis cadre previously paid by the collected revenue of the Local Authorities has been absorbed into the cadre approved recently, the total salary bill is to be paid by the funds transferred under the Block Grant. Under these circumstances, it can be observed that the revenue collected by Local Authorities need not be spent on the payment of salaries to contractual staff. It is recommended that the collected revenue be utilized for the improvement of the service delivery to the public.

Amounts allocated for the payment of member allowances and reimbursement of staff salaries are shown in Table 27.

Table 27: Allocation of Allowances to Members and Reimbursement of Staff Salaries of Local Authorities – 2013

(Rs'000)

Province	MC	UC	PS	Tot LG	Members' Allowance		Reimbursement of Staff Salaries		Grand Total
					No of Members	Allowance	Living	Amount	
Western	7	14	27	48	882	61,914	16,183	4,676,182	4,738,096
Central	4	6	33	43	634	42,895	5,025	1,312,660	1,355,555
Southern	3	4	42	49	582	39,126	2,935	813,593	852,719
Northern	1	5	28	34	398	27,030	2,587	713,280	740,310
North Western	1	3	29	33	492	32,976	2,485	726,702	759,678
North Central	1	0	25	26	294	20,034	942	255,533	275,567
Uva	2	1	25	28	319	21,948	1,304	383,313	405,261
Sabaragamuwa	1	3	25	29	424	28116	1,731	488,786	516,902
Eastern	3	5	37	45	448	31,680	2,079	620,545	652,225
TOTAL	**23**	**41**	**271**	**335**	**4473**	**305,719**	**35,271**	**9,990,594**	**10,296,313**

Source: Provincial budget estimates and Finance Commission-2012

6. Way Forward in Provincial Development

The Commission introduced appropriate approaches in provincial planning taking into account new trends of post-conflict development strategies initiated by the government to ensure optimum utilization of resources for balanced regional development as spelt out in the National Development Policy Framework. Key elements of this approach are presented below;

6.1 Aligning with Regional Development Initiatives

The Development Policy Framework of the Government has identified province-specific development initiatives to be implemented in the provinces based on uniqueness, diversified resources, potentials and comparative advantages of each province. The programmes identified for the provinces are as follows;

- *Rajarata Udanaya* - North Central
- *Kandurata Udanaya* – Central
- *Pubudamu Wellassa* **-** Uva
- *Sabaragamuwa Arunalokaya* – Sabaragamuwa
- *Uthuru Wasanthaya* – Northen
- *Negenahira Navodaya* – Eastern
- *Wayamba Pubuduwa* – North Western
- *Ruhunu Udawa* – Sourthern
- *Ran Aruna* – Western

The Finance Commission issued guidelines to the provinces in line with the above national strategies enabling them to prepare and implement Medium Term Development Plans and Annual Development Plans.

6.2 Minimizing Regional Disparities

Although, socio-economic development has taken place throughout the country in general, some indicators used for measuring development at regional level reveal, inter-regional and intra-regional disparities still exist in isolated backward geographical pockets. Taking this adverse situation into consideration, the Finance Commission paid special attention in its guidelines to the provinces to give high priority in resource utilization to ensure “Minimum Level of Wellbeing of the People”. This is a concept recommended by development economists to maintain equity in human development through fair distribution of resources.

6.3 Agency Results Framework Approach

The Finance Commission introduced the Results Based Management (RBM) approach as a pragmatic planning device to the provinces from 2011. It was observed that provincial authorities experienced some difficulties in practicing this approach on a sector basis. Having realized this situation, the Finance Commission shifted from a sector based approach to an Agency Based Approach introducing ARF which is an improved version of RBM. The Commission conducted a series of workshops on ARF Approach at provincial level in order to help improve planning skill of the senior provincial officers.

The Finance Commission instructed the provinces to prepare Medium-Term Development Plans using the ARF approach from 2013 and introduced a new set of formats (see Annex I) for this purpose as given below.

i. Form 1: Agency Results Framework – This form has been designed to submit a provincial medium term development programme with provincial resource profile, vision, Mission, thrust areas, goals and outcome indicators.
ii. Form 2: Annual Provincial Needs – PSDG – This form is to submit the expected budget under different sectors and agencies for the forthcoming fiscal year
iii. Form 3: Annual Development Plan – PSDG – This form is to submit the annual provincial investment plan prepared in terms of the available budget under PSDG.
iv. Form 4: Amounts required for Continuation Work and Bills in Hand – This form is to submit the required amount for the continuation work and bills in hand.

All provincial agencies are required to identify results (output and outcome) in relation to each Thrust Area with Key Performance Indicators and targets for a period of five years (2013-2017). It is expected that all provincial agencies will utilize their resources in a more productive manner with good returns from each investment package.

Provincial Chief Secretaries were requested to integrate all agency plans as consolidated Provincial Medium Term Development Plans. The consolidated Provincial Medium Term Development Plans were formally launched at a meeting held on 06th November 2012 under the patronage Secretary to the President. The provincial authorities were also requested to submit their annual development plans using the relevant formats after selecting the priorities from the Medium Term Development Plans.

6.4 Results Based Monitoring and Evaluation

The Finance Commission realized that there was no proper and uniform system for the monitoring and evaluation of the implementation of provincial development plans. To fill this lacuna, the Finance Commission introduced a results based monitoring and evaluation system in the provinces from 2013 in line with the ARF. Two formats (see Annex I) were introduced to use for the purpose of monitoring and evaluation of progress as follows

i. Form 5: Monitoring at Policy Level – This form is intended for use to monitor the annual investment plan at a policy level committee consisting of Chief Secretary, Deputy Chief Secretaries, Secretaries to Provincial Ministries and Heads of Departments.
ii. Form 6: Monitoring at Implementation level – This form is intended to monitor the implementation plan based on physical and financial outputs as well as immediate objectives. An implementation level committee consisting of the Heads of the Departments and Unit Heads will lead this monitoring.

6.5 Optimizing Provincial Cadre

Cadre of respective agencies is an indicator of the human resource base of the provincial councils and Local Authorities aimed at delivering satisfactory service for the public. Consequently, identifying an optimum cadre for the provincial councils and Local Authorities and assessing the annual financial requirements is a major task performed by the FC. Several authorities at provincial and local levels requested to consider providing required cadre for their agencies over the past few years. The government decided to appoint a committee comprising of the Ministry of Local Government and Provincial Councils, the Salaries and Cadre Commission and the Department of Management Services and the Finance Commission to assess the optimum cadre for each province and local authority. The committee completed its task and the formal approval was granted by the Treasury to the recommended cadre.

6.6 Developing the Capacity of Local Authorities

Prior to the enactment of Thirteenth Amendment to the Constitution in 1987 the subject of Local Government was vested with the national Ministry of Local Government with the powers of overall administration of Local Authorities including dissolution. Under this system, Local Authorities exercised their powers derived from the relevant Acts of Parliament. Since Local Government was included as a devolved subject in the Thirteenth Amendment to the Constitution, administration of Local Authorities was vested with provincial councils. Subsequent to this change, Local Authorities became the third tier, the provincial councils being the second tier below the national government with the powers to provide directives and monitor Local Authorities. The status of Local Authorities was weakened in respect to their financial and administrative powers due to these changes.

Having realized the reduced capacity of Local Authorities, the Finance Commission introduced special areas of funding for the Local Authority functions relating to service delivery in addition to providing grants for meeting their recurrent expenditures. A separate allocation was provided for local authority roads and other Local Government services including supply of drinking water, solid waste management etc.

6.7 Effective Utilization of Services of Provincial Revenue Officers

As a result of abolishing BTT and introducing the system of sharing nationally collected revenue with the provinces in 2011, the workload of provincial revenue officers was drastically reduced. Although, representations were made by the provincial revenue officers for absorption into the national revenue officers' service, the request was turned down for various reasons. Utilization of the services of provincial revenue officers effectively in an alternative manner was discussed at different fora without a final decision. As there are several sources of provincial and local revenue which are not fully tapped, it is proposed to use the services of provincial revenue officers to collect such revenue. It has been observed that large amounts of revenue supposed to be collected by local authorities have not been collected over the last several years. The reasons for non-collection of such revenue are manifold, such as delay in valuation of assets, lack of human resources, non availability of reliable data base and deliberate non collection of revenue. It is recommended to utilize the services of the provincial revenue officers to study and develop a mechanism to collect the potential provincial and local revenues in an effective manner. In addition, it is suggested that a suitable system to pay an incentive allowance to the provincial revenue officers based on the performance of revenue collection also be introduced.

6.8 Study on Benefits Accrued from Recurrent Expenditure

The general impression about the recurrent expenditure is that it is a waste of money without appreciable return to the agency and the society. Usually, about 80% of total expenditure accounts for expenses of a recurrent nature, mainly payment of salaries and other allowances. Even though such a large proportion is incurred as recurrent expenditure, there is a plethora of benefits accruing to the society although they are not obviously visible. A large number of personnel enlisted in the education and health sectors account for almost 40% of the total provincial cadre including teachers, nurses and medical and para-medical staff. The services delivered by these personnel have a direct bearing on the lives of the people although they are not been evaluated.

The Finance Commission decided to undertake a study on the benefits of recurrent expenditure relating to sectors of Health, Education, Agriculture, Livestock, Irrigation, Social Services and Roads. The required data for this study has been called from the relevant provincial agencies and the Finance Commission will analyze the data and prepare a report for dissemination.

7. Conclusion

The government has accorded high priority to eliminate poverty in the country by 2016 and this policy directive was highlighted in the Budget Speech 2013 presented to the Parliament by H.E. the President. It is stated in the Budget Speech that ‘’the aim of our Government is to claim that Sri Lanka is a poverty free middle income economy and to go beyond Millennium Development Goals by 2016’’.

In the instructions sent out by the Secretary to the Treasury to Chief Secretaries of all provinces requested they ensure that the aim of investing public funds should be improving the living standards of economically and socially disadvantaged families in isolated and remote areas of the country. With the intention of ensuring a poverty free Sri Lanka by 2016, provinces have been guided to prepare development projects and programmes aimed mainly at income generation, employment creation and value addition which will help reduce poverty. In their development strategies, provincial authorities are expected to obtain the private sector participation particularly in the management of assets created by the government with a view to ensuring their sustainability.

In pursuant to this policy directive, the Finance Commission sent out guidelines to the provinces requesting the provincial authorities to utilize the provincial revenue on projects aimed at generating income with a view to eliminating poverty, particularly in remote geographical pockets. Adhering to the instructions given by the Secretary to the President, the Finance Commission facilitated the provinces to adopt the Agency Results Framework (ARF) Approach based on the Results Based Management (RBM) Technique in the preparation of Medium-Term and Annual Development Plans. All provinces extended their fullest cooperation to the Finance Commission in this regard, and projects and programmes have been prepared ensuring optimal utilization of resources while linking development activities for intended results, measured by way of output and outcome. To ensure efficient monitoring at policy and implementation levels, several Key Performance Indicators (KPIs) have been developed by provinces. The Finance Commission instructed the provincial authorities to prepare Medium-Term Development Plans based on the ARF approach and emphasized the need to go beyond outputs to results (outcome, impact) for the achievement of improving the quality of life of people.

Considering the heavy responsibility entrusted by the 13th Amendment to the Constitution, the Finance Commission maintained a close dialogue with the General Treasury in determining the required funds for provincial needs and revenue targets to be met by the provinces. In the apportionment of such funds between provinces, criteria such as Per Capita Income, Poverty Headcount Ratio, Share of the Population and Unemployment Rate have been given due consideration with a view to achieving the objective of minimizing regional disparities in the country. Furthermore, attention has been paid to maintain a ''Minimum Level of Wellbeing of the People'' with particular attention to isolated backward geographical pockets.

In respect of construction of buildings and other physical structures, provinces were directed to focus on essential infrastructure development and use eco-friendly and cost-effective construction technologies paying due attention to accepted procurement procedures ensuring sustainable development in the country. The Finance Commission worked with the Information and Communication Technology Agency (ICTA) to build awareness on e-government policy and developing organizational websites for the Commission linked with the provinces. This facilitated the process of preparing Provincial Development Plans by connecting the Finance Commission and provinces through electronic communication.

The government has clearly emphasized the Public-Private Partnership (PPP) approach as a strategy for obtaining private sector participation for bridging the investment gap, at every level. Although, this approach is being adopted for selected sectors (eg. ports and energy sectors) at national level, there is no significant progress at provincial and local level in the application of this approach. In general, the provincial and local level institutions are used to utilize only public funds for their development activities resulting in a heavy burden on the national budget. In this scenario, government has given high priority for the adoption of PPP approach at sub-national level, as an alternative investment strategy. The Finance Commission has proposed to promote the PPP approach at local level for specific areas such as tourism, delivering public services and marketing of local products and provision of public conveniences, once more on an intra and inter regional basis. The local authorities have been requested to use public investments mainly for creation of assets and development of an effective mechanism for regulation of the activities of the private sector both intra and inter regionally. Provision of services (eg: rest areas, sales centers, vehicle parks, eating places etc.) should be managed by private entities allowing them to charge a reasonable fee. The operation and maintenance cost is to be met from the fees collected from customers.

Finally, it is noteworthy to state that many provinces have invested resources on programmes aimed at improving the quality of life of people particularly in remote areas. This can be observed mainly in the achievements of education and health standards and rapid improvements visible in infrastructure facilities such as roads, electricity, water supply etc in the rural areas. These areas too can be developed not merely on an intra regional basis, but also on an inter regional basis, thus providing development in both a wider area and in a cost effective manner.

In presenting this recommendation, the key factors stated above have been considered in the apportionment of funds between the provinces to ensure achieving a balanced regional development in the country.

Ariyaratne Hewage
Appointed Member & Chairman

P.B.Jayasundera
Ex-Officio Member

Ajith Nivard Cabraal
Ex-Officio Member

M.N.Junaid
Appointed Member

C.P.E.Gunasingam
Appointed Member

Annex I

Form 1

Agency Results Framework

(Results Framework for Planning)

Province: …………………………..

Ministry:…………………………………..

Department/ Agency: …………………………..

Vision

Vision indicates a word picture of a dream of the guiding members of the organization

- A long term goal and value system (what is necessary to be achieved in the next 05 years in line with national strategy)
    - Positive
    - Futuristic
    - Motivating
    - End result

Mission

Mission indicates "in what business are we in/ should we be in"

- Identity of the organization (the reason why and purpose for which the organization exists)
    - Services provided (what)
    - Focus groups (to whom)
    - Methods of provision (how)
    - Value system
        - Social responsibility
        - Ethical concept
        - Organization philosophy

Thrust Areas

Thrust areas of an organization indicate the key functions we should carry out in order to achieve our mission (thrust areas should not exceed 05 for an agency)

- Cross – cutting activities
- Key organizational functions

Goals

Goal is an end result, output or an outcome that the organization strives in its thrust areas so as to accomplish its mission

Key Performance Indicators (KPIs)

KPIs indicate how the organization could monitor its achievement of goals over the period of time (this covers mainly the outcomes but as a starting point outputs are also allowed)

KPIs should be SMART:

- S – Specific
- M – Measurable
- A – Achievable
- R – Realistic/ Related
- T – Time bound

Baseline

Baseline indicates the level of achievement of the goal at the beginning

Target

Target indicates the level of achievement during each year under review

Medium-Term Agency Results Framework

Department/Agency:………………………………………………………..

Thrust Area 1: ....

Goal No.	Goals	Key Performance Indicators (KPIs)	Baseline 2011	Targets					
				2012	2013	2014	2015	2016	2017
1.1									

Form 2

Annual Provincial Needs – PSDG

Province: …………………………………………………………………..

Provincial Ministry: …………………………………………………

Department/ Agency: ……………………………………………..

Thrust Area 1: ……………………………………………..

Goal No.	Goals	KPIs	Baseline	Target		Projects In order of priority	Budget for 2013 (Rs.Mn
			2011	2012	2013		
Sub Total							

Thrust Area 2: ……………………………………………..

Goal No.	Goals	KPIs	Baseline	Target		Projects In order of priority	Budget for 2013 (Rs.Mn
			2011	2012	2013		
Sub Total							

Summary of Needs under Thrust Areas

Thrust Area	Sub Total (Rs.Mn)
1.	
2.	
Cumulative Total	

Form 3

Annual Development Plan (PSDG) – 2013

Province: ……………………………..

Ministry : ……………………………………………

Department/ Agency: ……………………………………………….

Thrust Area 1: ………………………………………………………….

Budget for the Thrust Area 1 (Rs.Mn):……………………………………

Goal No.	Goals	KPIs	Baseline	Target		Projects In order of Priority	Broad Activity Areas to achieve the KPI	Budget for 2013 (Rs.Mn)
			2011	2012	2013			
						1.	1.1	
							1.2	
							1.3	
						2.	2.1	
							2.2	
							2.3	
Sub Total								
Special Remarks:-								

Form 4

Department/ Agency : ………………………………………………….

Amounts required for Continuation Work and Bills in Hand

Rs.Mn

Project	Continuation Work	Bills in Hand	Total
1.			
2.			
3.			
Total			

Summary of the Annual Budget

Rs.Mn

Amount required for new work as per Form 3	
Amount required for continuation work and bills in hand	
Total	

Form 5

Agency Results Framework
Results Monitoring at Policy Level

Province: ………………………………
Ministry : ……………………………………………
Department/ Agency: ………………………………………………….

Thrust Area 1: ……………………………………………………………………..

Goal No.	Goals	Key Performance Indicators (KPIs)	Baseline 2011	2012		2013		Source of Data	Responsibility for Data Collection
				Target	Achievement	Target	Achievement		

Note:- KPIs and Targets have to be extracted from Form 1

Form 6

Agency Results Framework

Results Monitoring at Implementation Level

Province: ………………………………
Ministry : ……………………………………………
Department/ Agency: ………………………………………………………

Thrust Area 1: ………………………………………………..

Goal No.	KPIs	Target Achieved	Project	Broad Activity Areas to achieve the KPI (Performance)	Physical Progress						Financial Progress (Rs.Mn)						Output (Based on KPIs)	By whom
					Jan - Jun		Jul - Sep		Oct - Dec		Jan - Jun		Jul - Sep		Oct - Dec			
					Pland.	Actual	Pland.	Actual	Pland.	Actual	Pland.	Actual	Pland.	Actual	Pland.	Actual		

Note:- KPIs and Targets have to be extracted from Form 1