

Northern Provincial Council
CITIZENS BUDGET
2021

Introduction

A citizens' budget is essentially a simpler, less technical version of the government's budget that is specifically designed to present key information to the public. A key duty of the government is to ensure that citizens have a firm understanding of the many ways the budget affects their lives. Therefore, by presenting the budget information in a more accessible format, the citizens' budget aims to foster greater understanding of how public money is managed. The citizens' budget is a vital process for promoting transparency, accountability, and public engagement in the government's budgeting process.

As per the 13th amendment, the provincial councils have vested their powers on devolved subjects. As such, the public has a right to know what they are getting from their provincial councils. In 2021, the Northern Provincial Chief Secretariat initiated a citizen's budget formulation process under the

chairmanship of the chief secretary.

The Northern Provincial Council (NPC) hopes to produce citizens' budgets as a token of commitment to present the budget clearly and coherently to the public. The NPC's mission and vision are to ensure good governance, and hence, the citizens budget is also a tool to ensure responsiveness and transparency at a macroeconomic level. The NPC intends to make this initiative an annual exercise and will evaluate the lessons learned in 2021 and 2022, to develop better citizens' budgets in the future.

This publication provides a snapshot of the Northern Province, the budget process and the budgetary allocations allotted to the relevant sectors in a concise and summarised manner. A brief overview of key achievements and challenges in the current budgeting year is provided in the hopes of helping citizens understand and effectively engage with the budget.

Budget Goals:

The Northern Province has a mission to restore livelihoods by providing opportunities and an enabling environment for growth.

The NPC's objectives for 2021 include:



To create opportunities for economic advancement with inclusive development.



To provide conducive socio-economic and physical infrastructure for growth.



To increase provincial GDP growth by 2%

2

Northern Province: An Overview

Sri Lanka's Northern Province is home to approximately 1.25 million people.¹ The Northern Province is divided into 5 districts, namely, Jaffna, Kilinochchi, Mullaitivu, Mannar and Vavuniya.

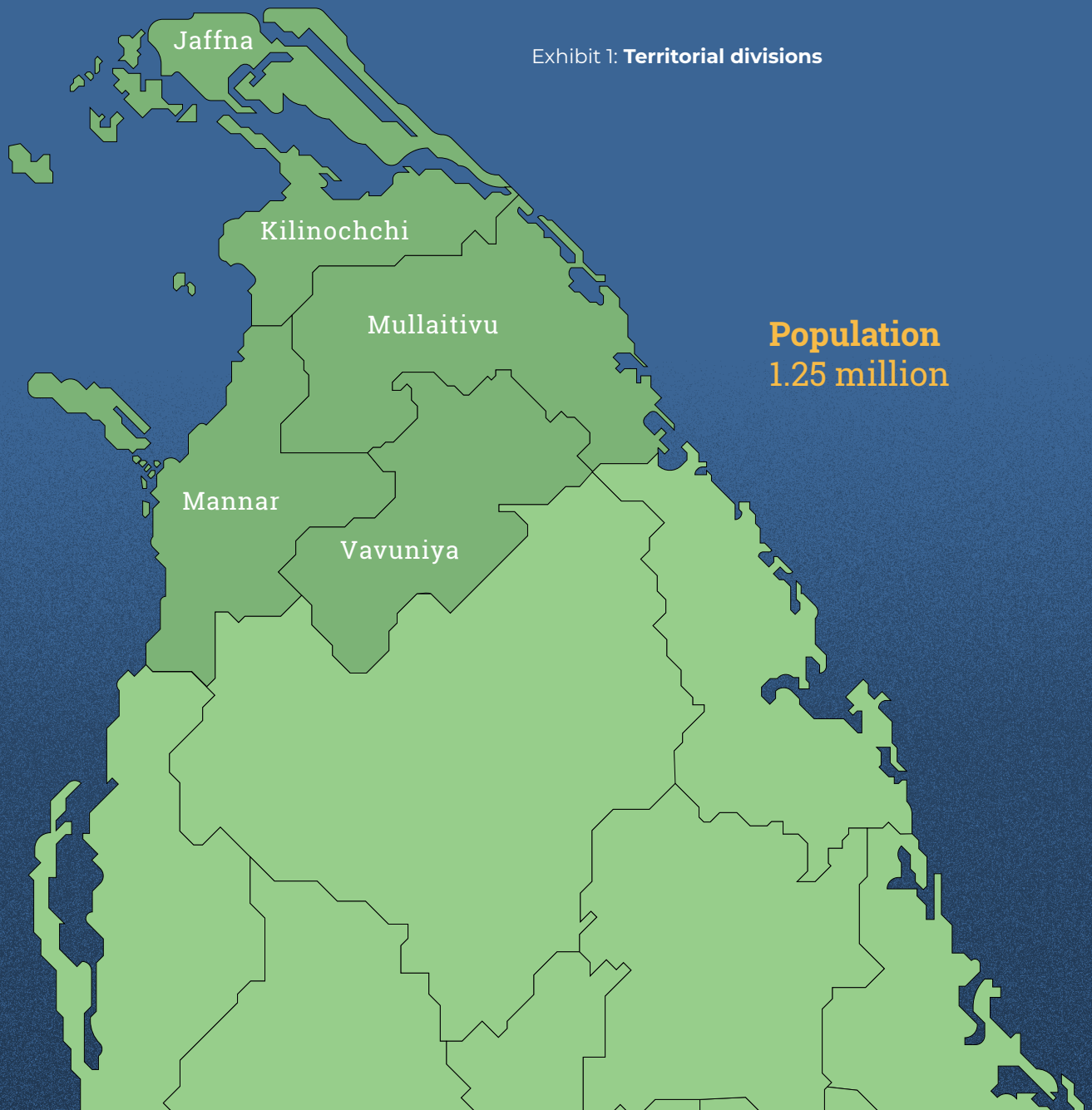
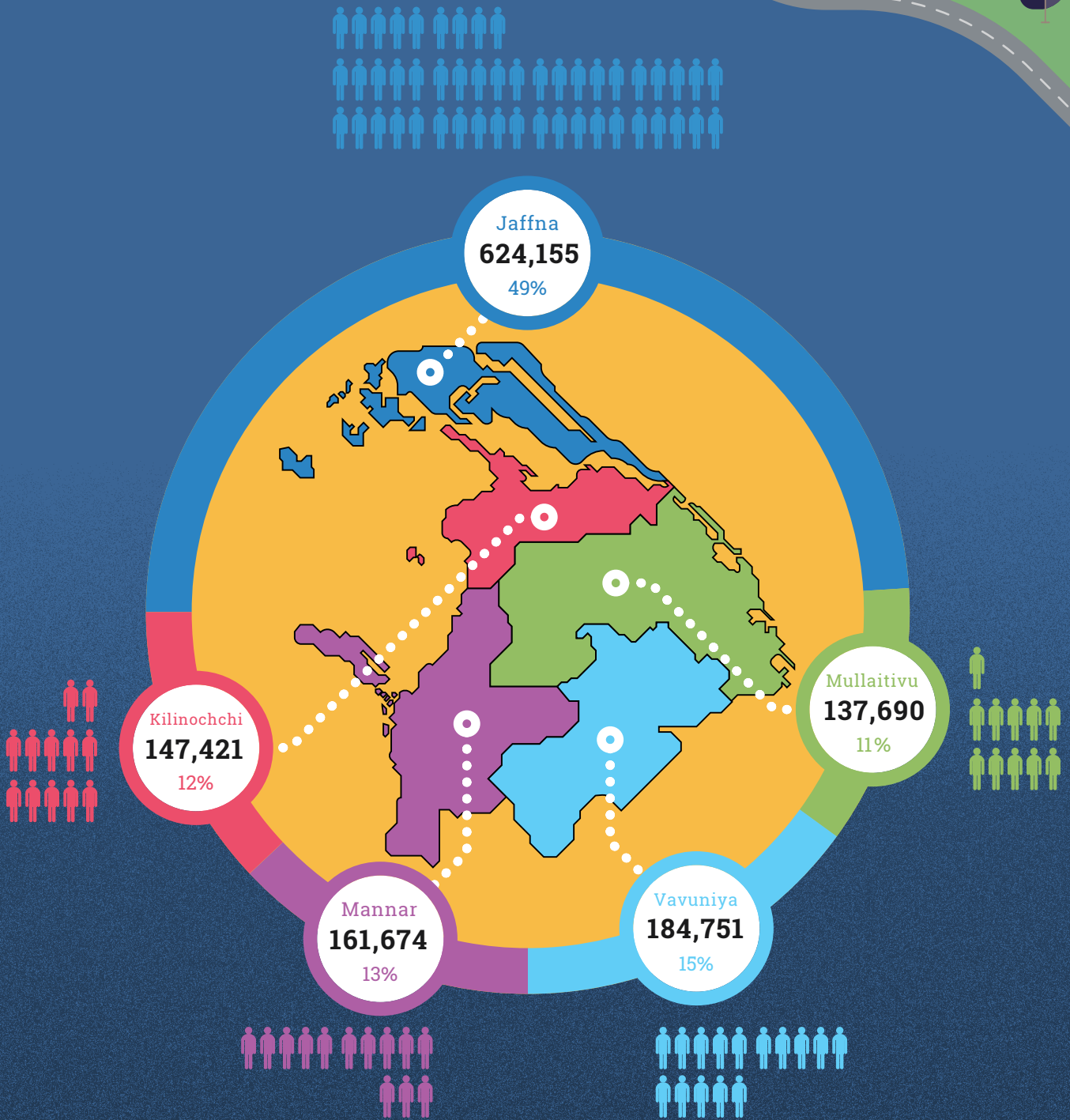
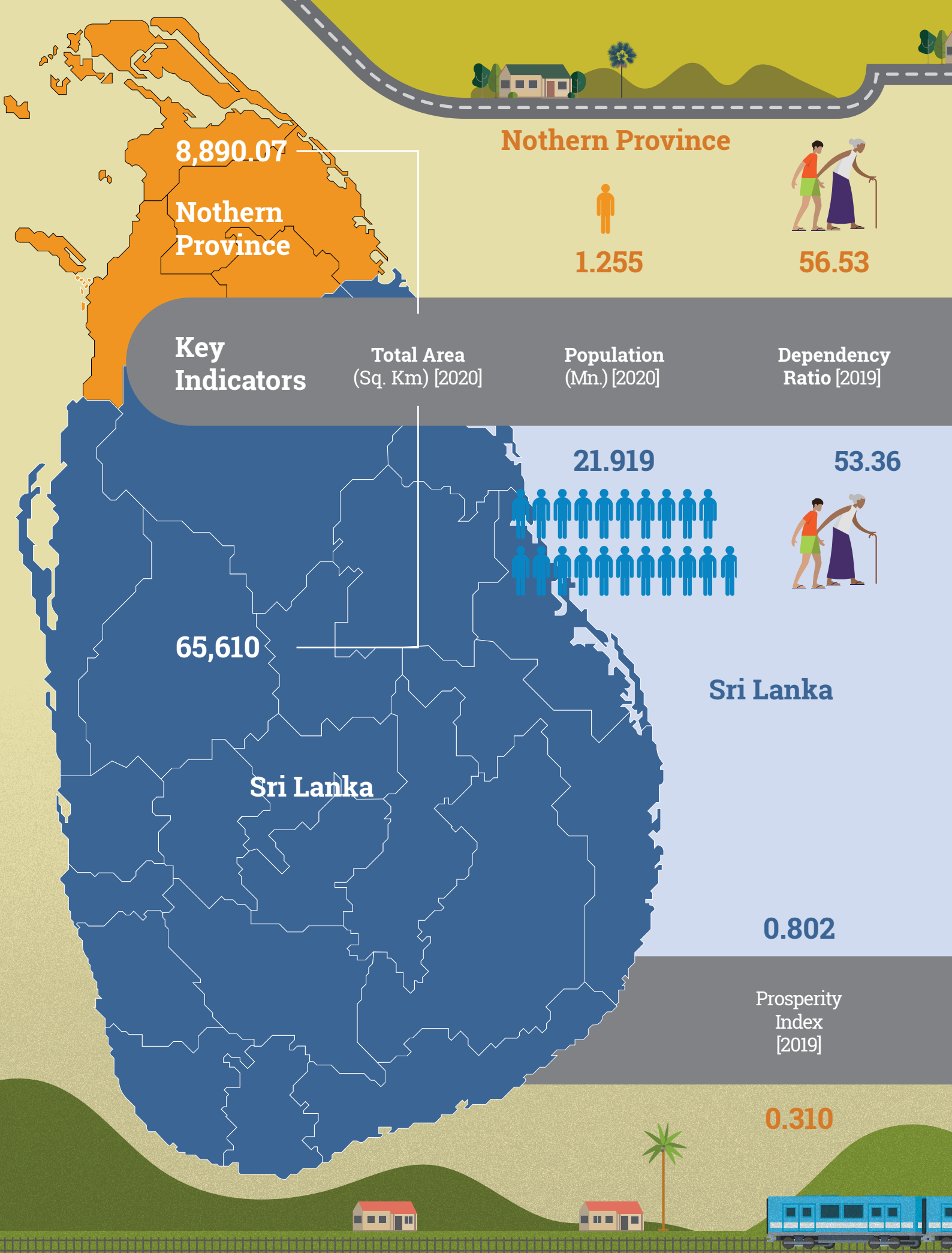
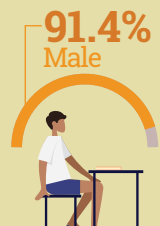
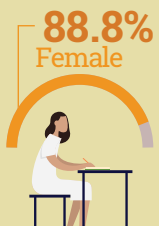
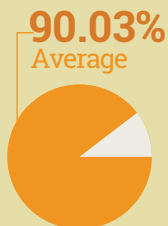
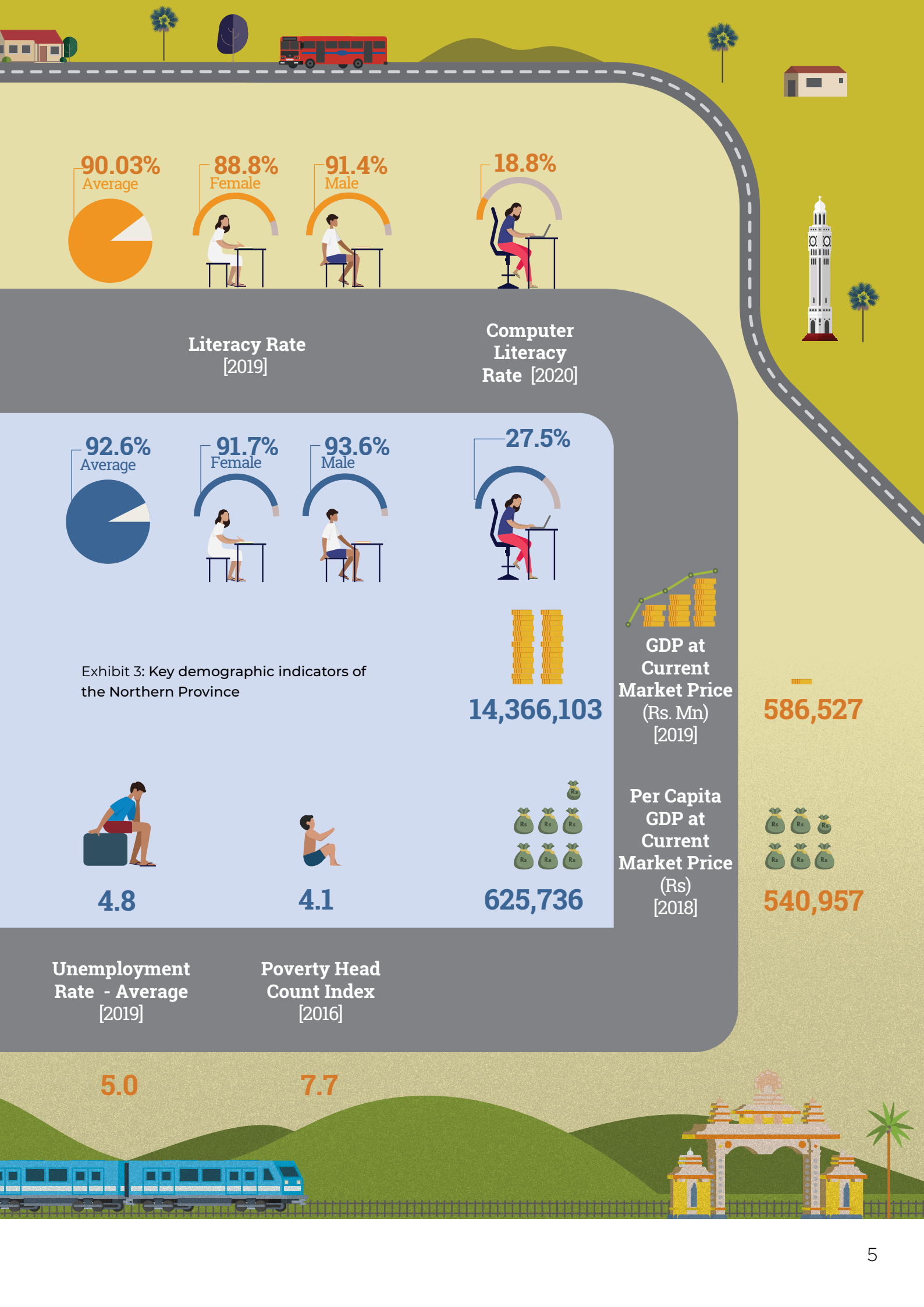


Exhibit 2: Population density per district



1. Department of Census and Statistics, Population distribution by province, (2020).





Literacy Rate
[2019]

Computer Literacy Rate
[2020]

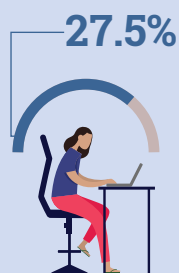
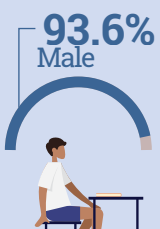
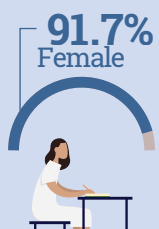
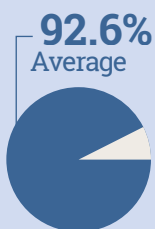


Exhibit 3: Key demographic indicators of the Northern Province



586,527



4.8



4.1



625,736



540,957

Unemployment Rate - Average
[2019]

5.0

Poverty Head Count Index
[2016]

7.7

3

Provincial Council Budget Process

The preparation of the provincial council budget begins with a financial needs assessment for the province. During this stage, an internal consultation process takes place from the provincial council members, all the way up to the sectoral

ministry level. Consolidating all financial needs, the draft estimates are then sent to the Finance Commission. After a review and adjustment process, the 'Annual Financial Statement' is presented to the provincial assembly by the chief minister.

Exhibit 4: Provincial council budget process



4

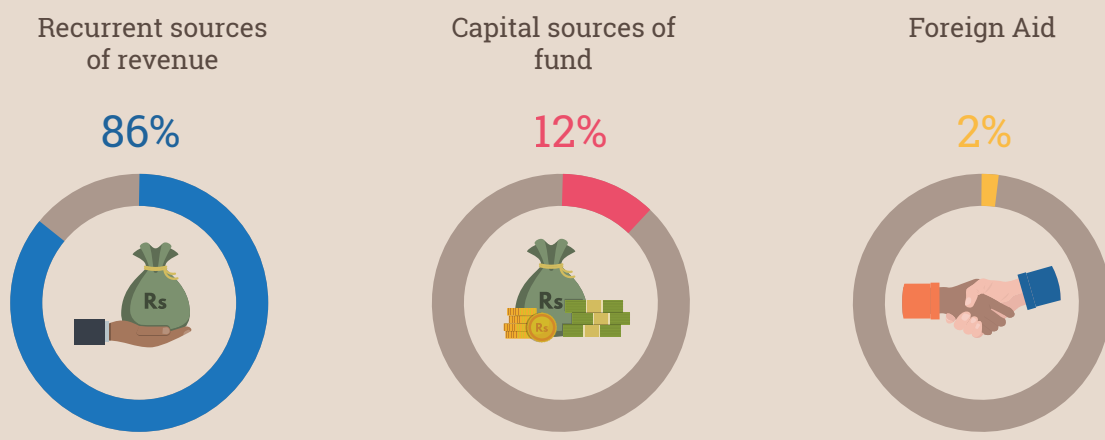
Sources of Funds

The central government allocates funds for the annual budget of the Northern Province on the recommendation of the Finance Commission.

In 2021, the total Northern Provincial Council budget was estimated at **Rs. 32,557,000,000** and the main sources of revenue were:

- Recurrent sources of revenue (e.g., grants, provincial taxes)
- Capital sources of fund (e.g., provincial specific development grants)
- Foreign Aid (e.g., General Education Modernizing Project (GEM))

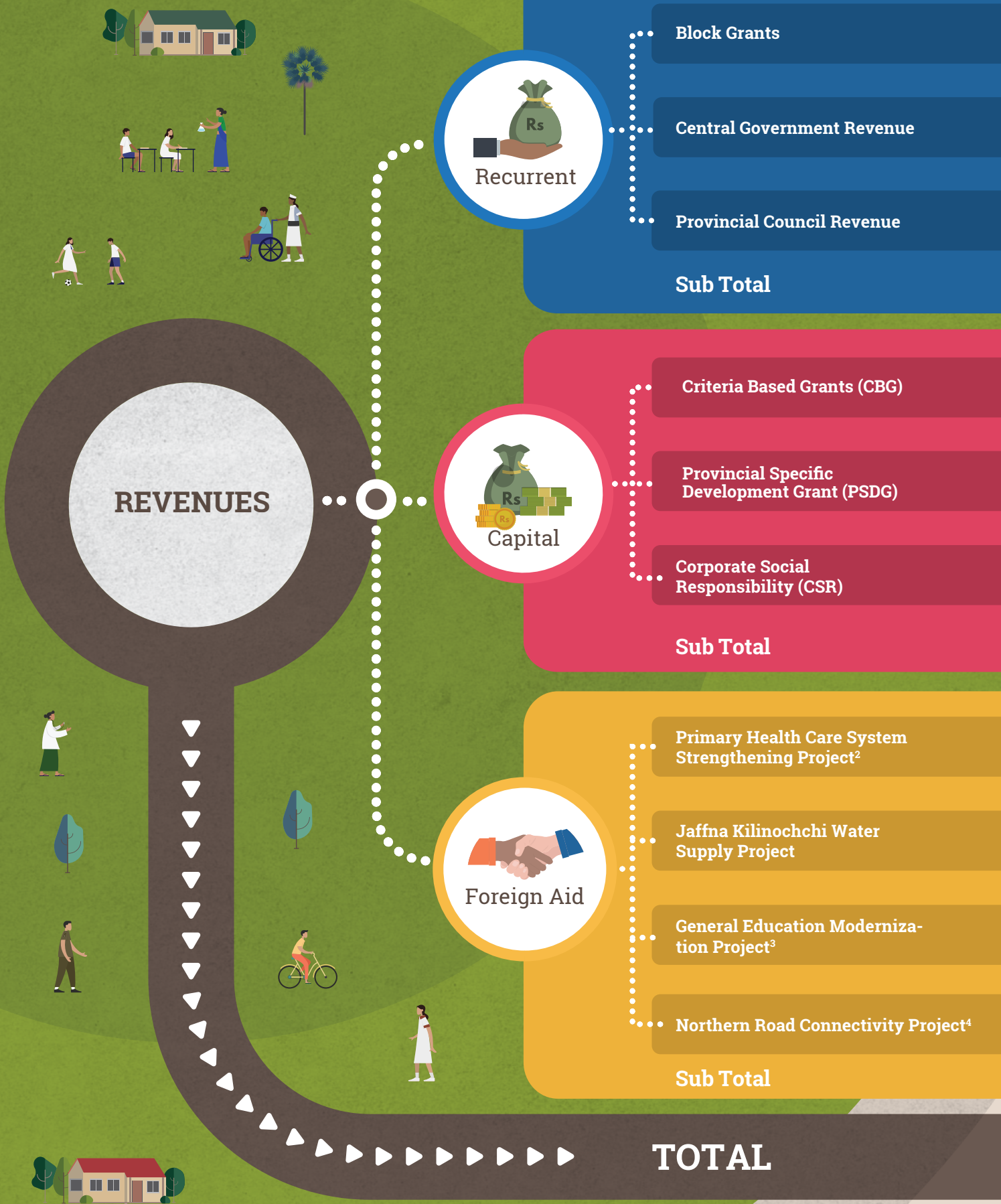
Exhibit 5: **Capital, recurrent and foreign aid revenue estimates in 2021**



- According to 2021 estimates, recurrent revenue is the largest source of funding and makes up 86% of the total budget allocated to the NPC.
- Recurrent sources of revenue such as block grants from the central government are continuing sources of revenue that are very important for provincial councils.

- Revenue from foreign aid is most often used for the funding of certain projects. For example, the General Education Modernizing Project (See exhibit 7 for a full list of projects in 2021).

Exhibit 6: Capital, recurrent and foreign aid revenue sources – 2019-2021 (Rs. Mn)



2019
(Actual revenue)

2020
(Actual revenue)

2021
(Estimated revenue)

21,438

25,102

26,353

2,388

517.3

700

506

903.1

1,035

24,332

26,742

28,088

300

253.8

646

1,627

1,575

3,233

10.0

15.0

40

1,937

1,844

3,919

149.9

240.0

330

99.8

-

-

-

45.0

220

-

19.3

-

249.7

304.3

550

26,519

28,890

32,557

2 The World Bank has funded this programme since 2019 as budget support for provincial health activities

3 The World Bank has funded this programme since 2018 as budget support for general education activities

4 This programme commenced in 2014 and is supported by the Asian Development Bank

Exhibit 7: Capital, recurrent and foreign aid revenue 2019 to 2021 (Rs. Mn)

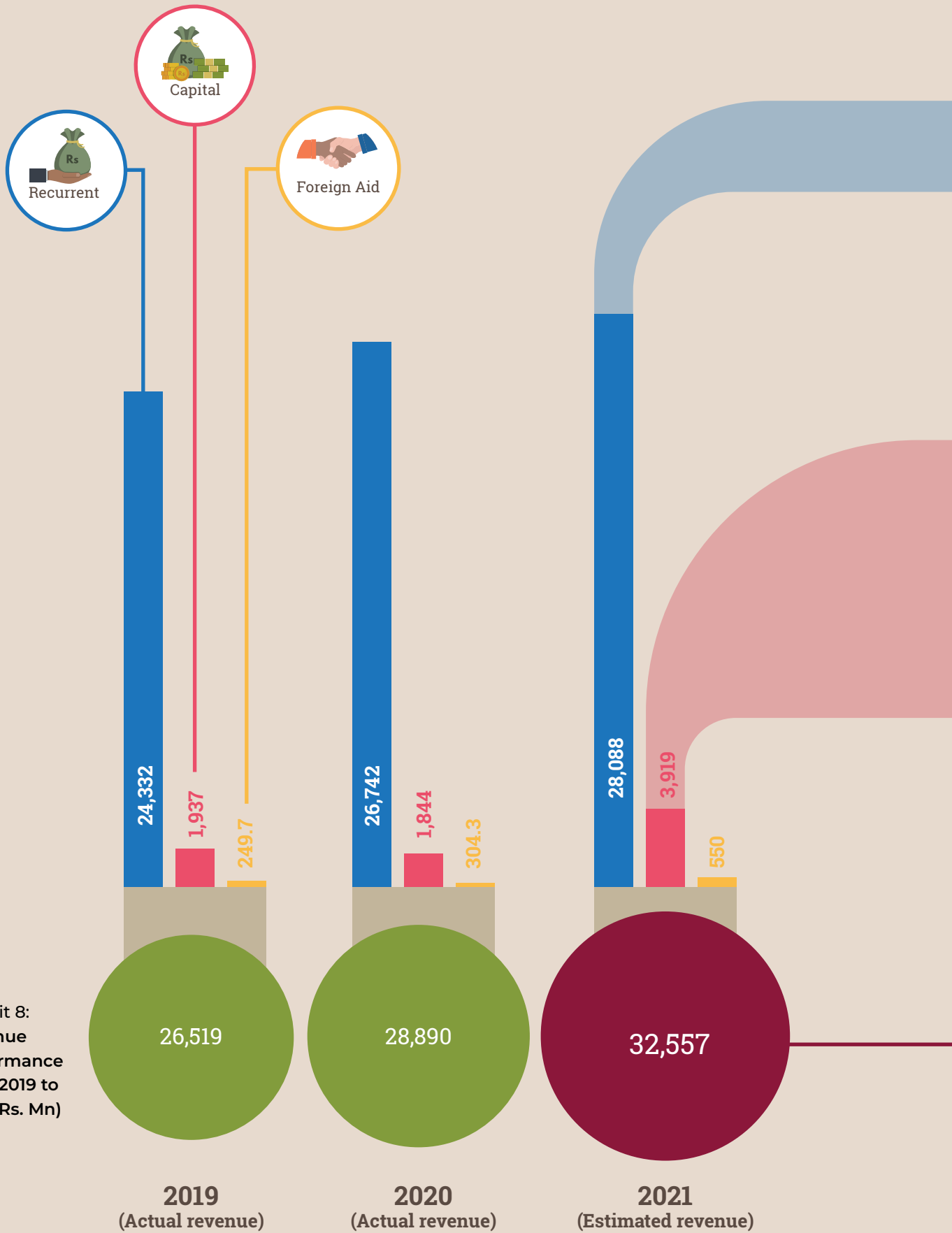


Exhibit 8:
Revenue performance from 2019 to 2021 (Rs. Mn)

GRANTS

Block Grants

81%

of total provincial revenue

Criteria Based Grants

Provincial Specific Development Grant

92%

is sourced from grants

- Most of the revenue for the Northern Province (approximately 92% in 2021) is sourced from grants, of which block grants make up approximately 81% (in 2021) of total provincial revenue.
- Total recurrent revenue is estimated to have increased from 2019 to 2021. This is despite the removal of the Nation Building Tax by the central government in 2019, which was a large source of revenue for the province.
- The estimated increase in revenue can be attributed to increases in other sources of tax revenue such as provincial Excise and Stamp Duty and Vehicle Registration Fees.
- Capital revenue too is estimated to rise significantly from 2020. Current estimations depict a 113% increase in 2021. These types of revenue are mainly in the form of development grants and criteria-based grants.



Exhibit 9: Tax revenues - 2019 to 2021 (Rs. Mn)

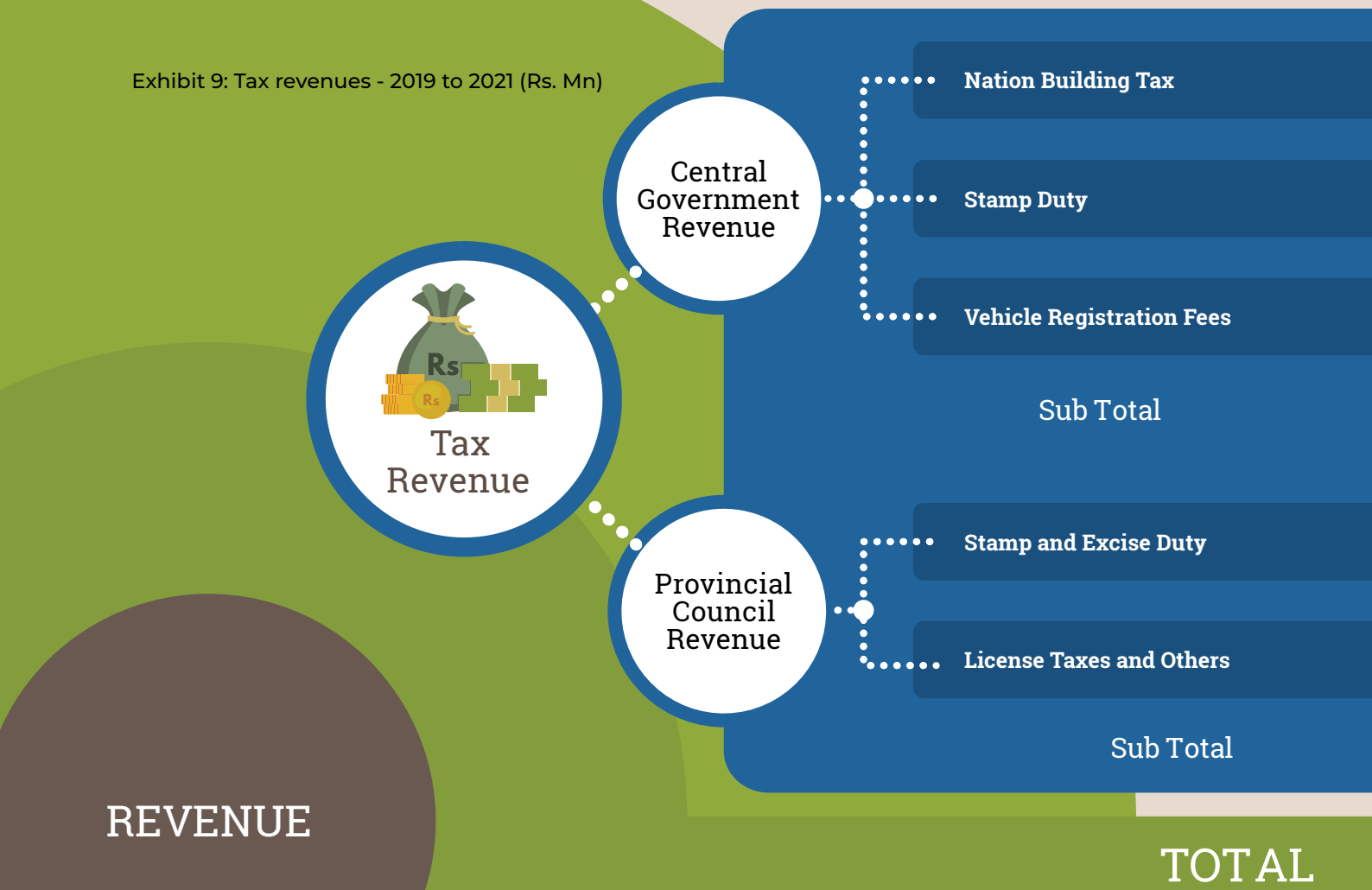
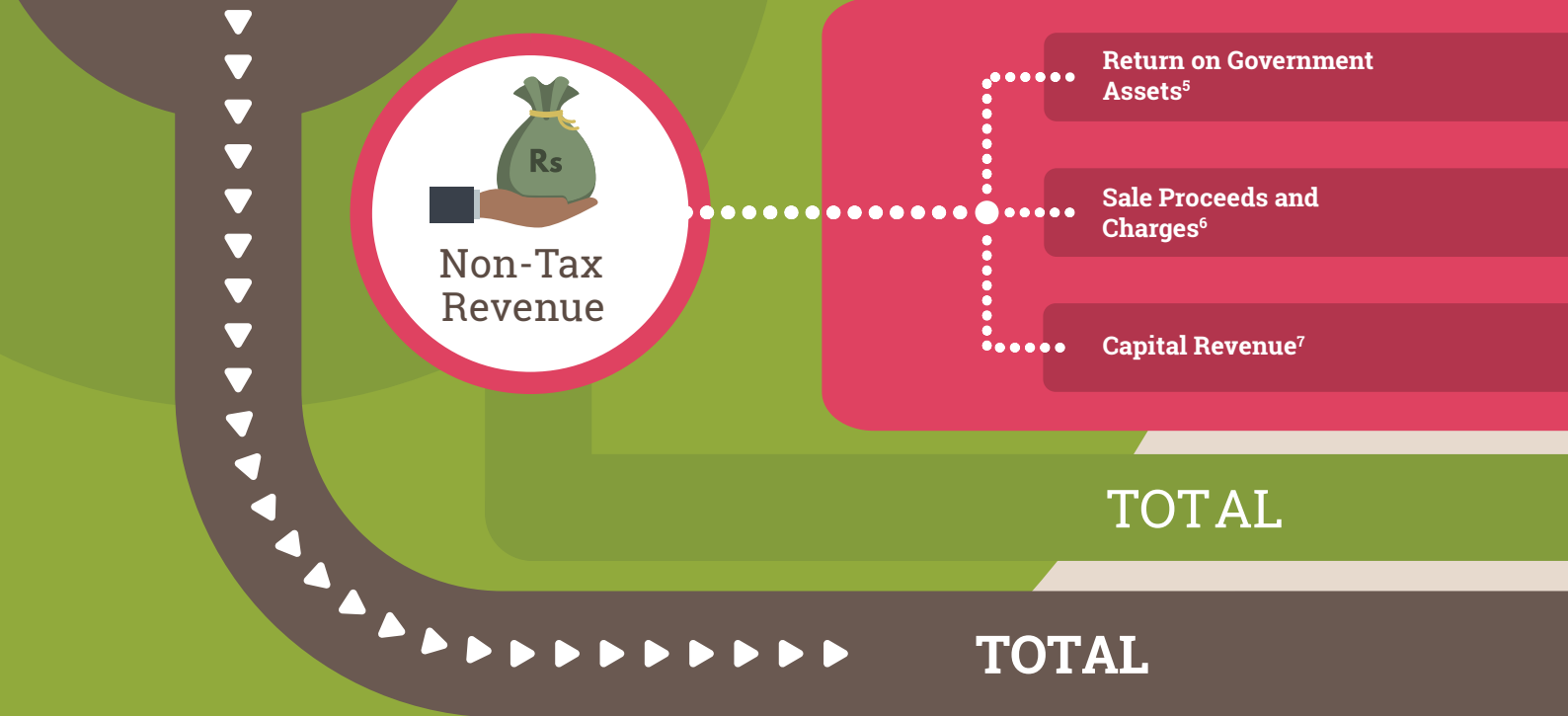










Exhibit 10 : Non-tax revenues - 2019 to 2021 (Rs. Mn)



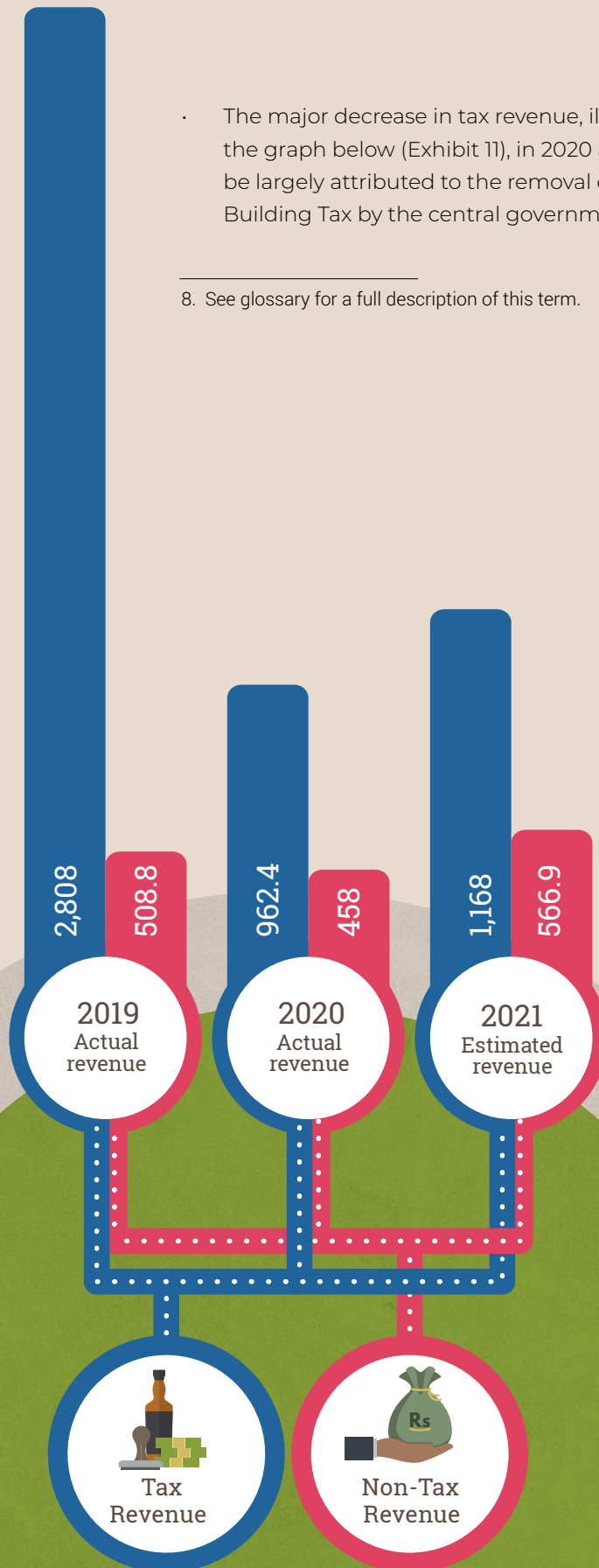
5. Return on Government Assets: e.g.; rents of government buildings and lease of state lands and interest on loan advances to public officials and provincial government investments.

	2019 (Actual revenue)	2020 (Actual revenue)	2021 (Estimated revenue)
	1,749	136.4	-
	570	323.2	610
	68.6	57.7	90
	2,387	517.3	700
	42.4	44.4	53.0
	378.8	400.6	415.1
	421.2	445.1	468.1
	2,808	962.4	1,168
	164.9	158.4	171.0
	329.9	286.8	377.4
	13.9	12.8	18.5
	508.8	458.0	566.9
	3316.8	1,420.4	1,734.9

6. Sales Proceeds and Charges: e.g.; sale of products produced by relevant departments (agriculture, industries etc). Charges refer to any payments imposed by the statute to the public, service industry and private sector businesses.

7. Capital Revenue: Sale of capital assets such as vehicles, machinery and other equipment condemned by the Board of Survey

Exhibit 11 : Tax revenue vs non-tax revenues from 2019 to 2021 (Rs. Mn)



- The major decrease in tax revenue, illustrated by the graph below (Exhibit 11), in 2020 and 2021 can be largely attributed to the removal of the Nation Building Tax by the central government in 2019⁸

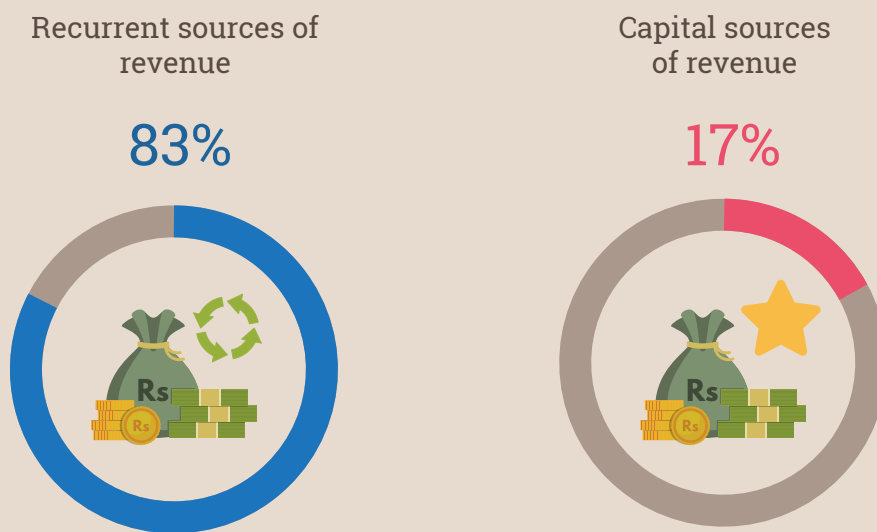
8. See glossary for a full description of this term.

5

Expenditure

- The government uses its revenue to fund the acquisition of various goods and services which are divided into *capital and recurrent costs*. These include but are not limited to public investments, transfer payments, and social services such as the building of schools and hospitals.
- The total expenditure for the Northern Province in 2021 is estimated at **Rs. 34,331,000,000 (34.3 billion)**. Most of the Northern Province expenditure in 2021 was allocated to the Department of Education (Rs.13.9 billion) which amounts to 40.5% of the total budget.

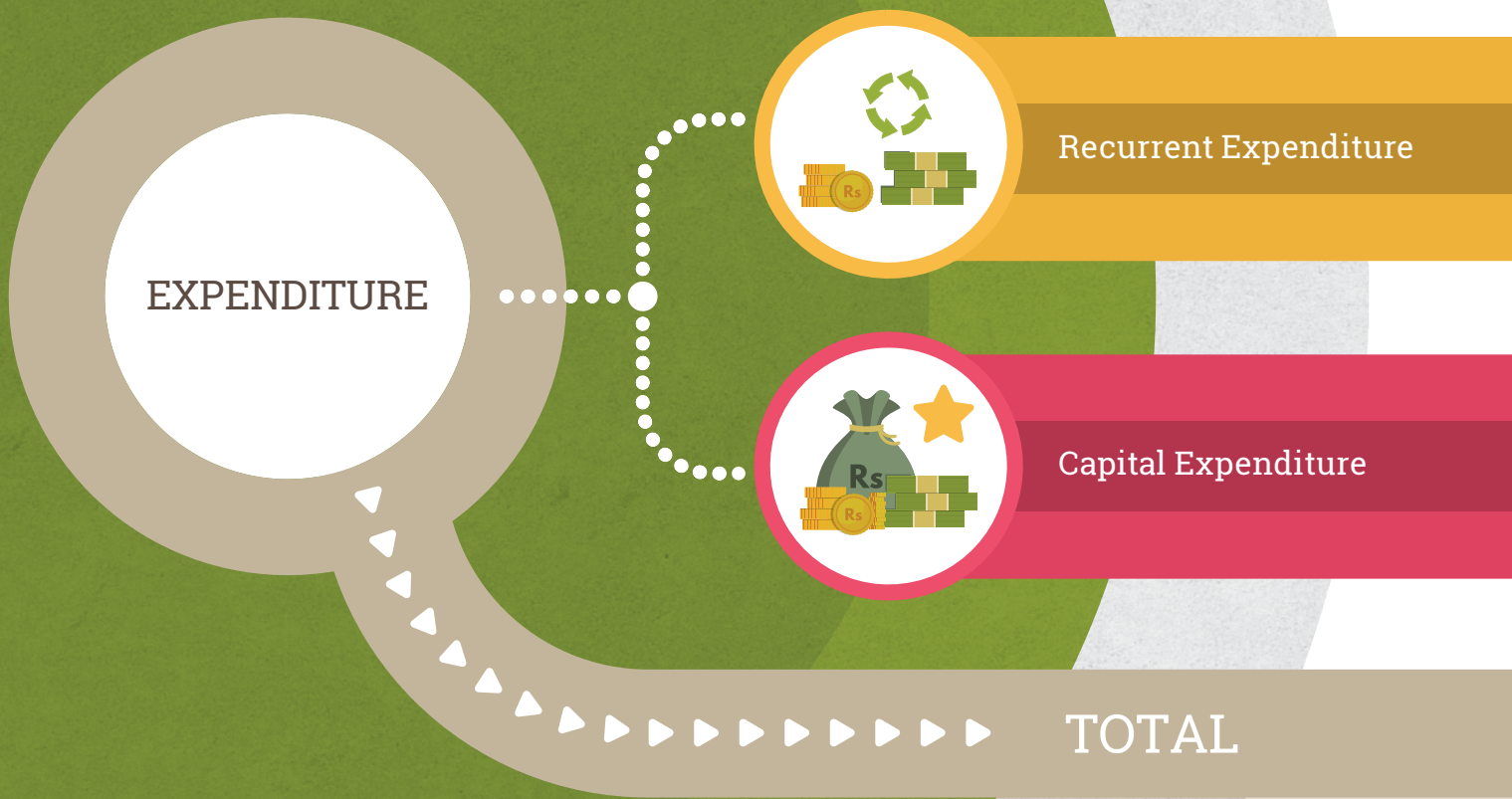
Exhibit 12 : Recurrent vs capital expenditure in 2021



- The recurrent nature of the expenses for the Northern Province indicates that most of the expenditure in 2021 (approximately 83% of total expenditure) is allocated towards costs that take the form of salaries, maintenance expenditure, and supplies.⁹

9. This can include salaries to public servants, maintenance of public services and subsidies and support for public livelihoods

Exhibit 13 : Changes in expenditure (2019-2021) (Rs. Mn)



- The expenditure trend (see Exhibit 14) illustrates rising costs for the Northern Province.
- Between 2020 and 2021 an increase of approximately 19.5% is estimated. This rise can be partly associated to an increase in provincial expenditure related to COVID -19.

2018
(Actual spending)

2019
(Actual spending)

2020
(Actual spending)

2021
(Estimated expenditure)

22,109

24,463

26,628

28,534

3,463

2,588

2,082

5,797

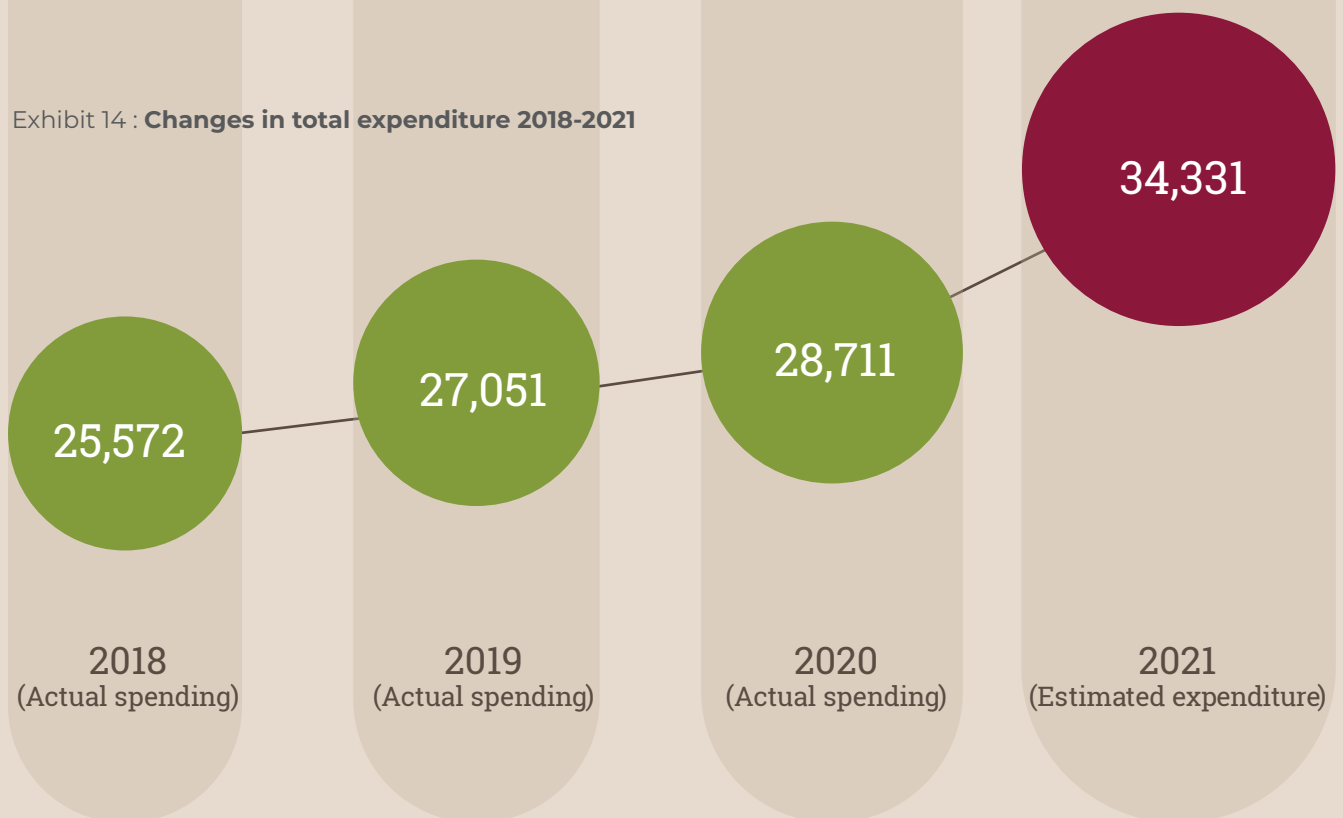
25,572

27,051

28,711

34,331

Exhibit 14 : **Changes in total expenditure 2018-2021**

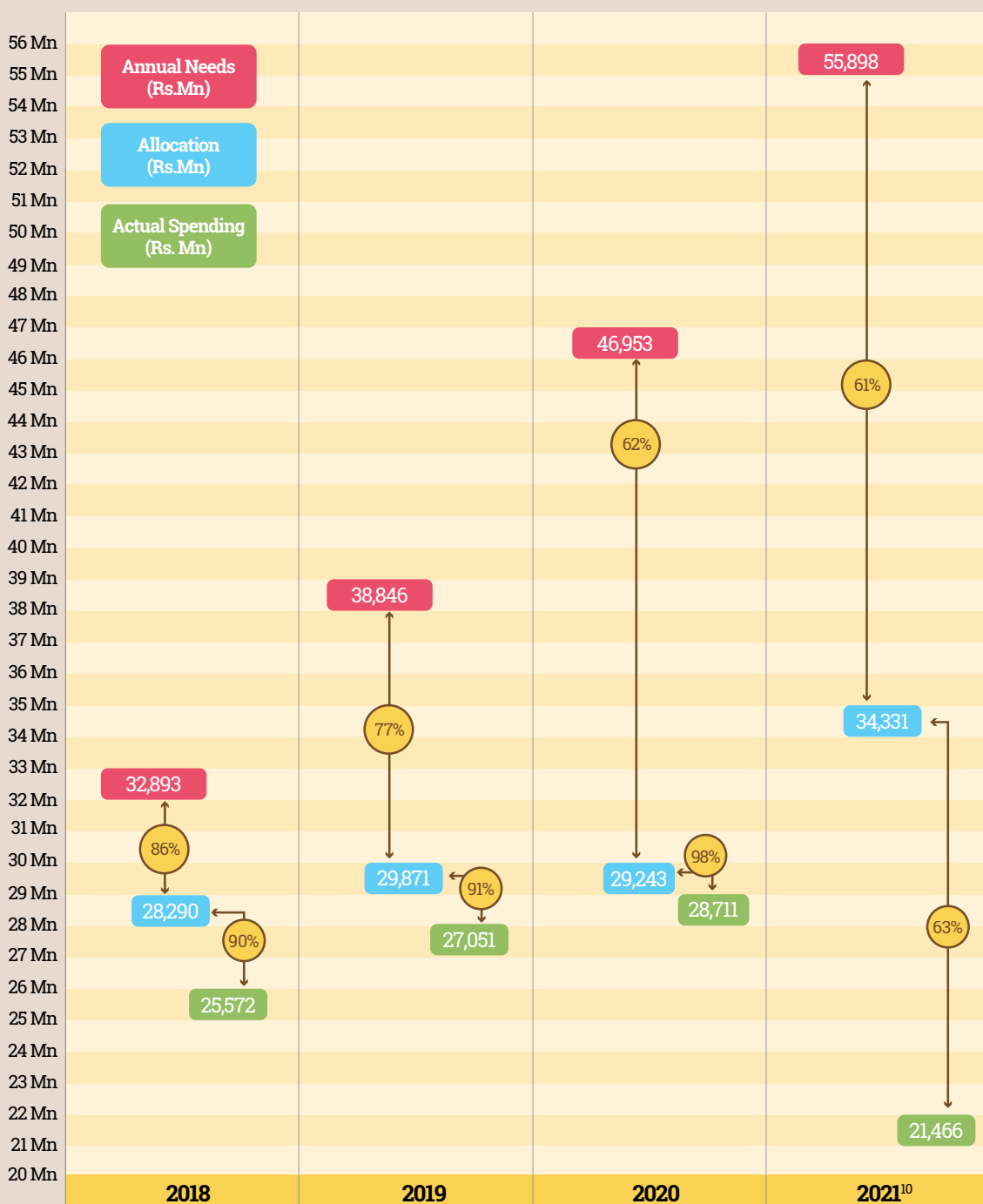


5.1 NPC Gap Analysis – Annual Needs vs Allocated Amount vs Amount Expended

A key challenge for provincial councils is the fiscal gap between the annual capital financial requirements, and the resources that get allocated to the province each year. This could be attributed to central government fiscal constraints for additional allocations to provincial councils and price escalations.

The infographic below illustrates the differences between the annual needs, which is the amount requested by the province based on their analysis of fiscal needs, against the amount allocated by the government and the amount that is expended by the province in each fiscal year.

Exhibit 15: Annual capital needs vs. allocation vs. spending (2017-2021)



5.2 Sectoral Allocations

Capital expenditures for each sector are based on the Northern Provincial Council's needs assessment while recurrent expenditure is based on the current/planned cadre and movable and immovable assets.

- In 2021, the Department of Education received the largest share of the Northern Provincial Council budget, with almost half of the entire budget (43%) as the province has approximately 206,000 students.
- The Department of Health received the second largest share, approximately one quarter of the provincial budget (27%).

Exhibit 16: Expenditure allocations for the department of health and education for 2021

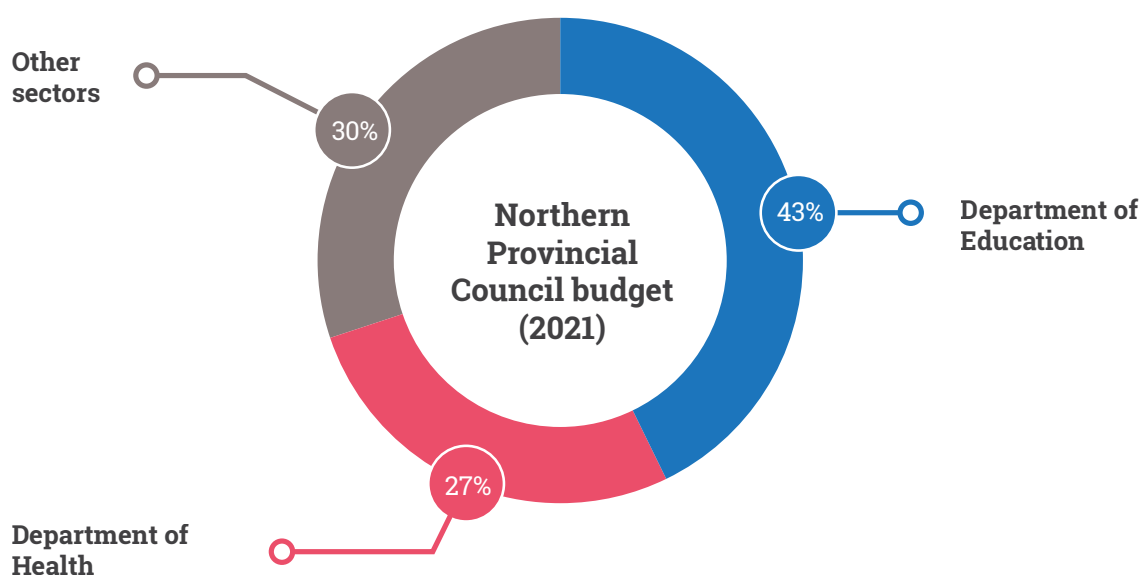


Exhibit 17: Sectors with the highest estimated expenditure allocations for 2021 (Rs. Mn)
(See Annexure 3 for institution breakdown)

INSTITUTION	TOTAL EXPENDITURE (AS OF OCTOBER 2021)	% OF TOTAL EXPENDITURE
Social Infrastructure	19,199	56%
Community Services	2,371	7%
Economic Infrastructure	1,474	4.3%
Provincial Administration	769	2.2%
Agriculture	742	2.2%
Industries	19.8	0.1%

5.3 Major Sector Breakdown

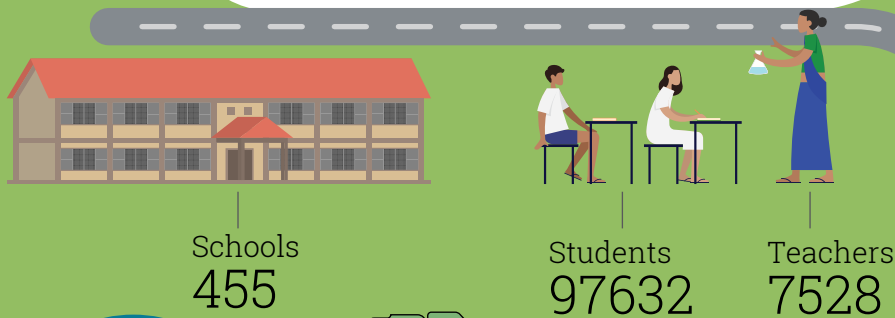


Ministry of Education

The Departments of Education, Sports and Cultural Affairs come under the purview of this ministry. The Northern Province has a total of 995 schools, 14456 provincial teachers and 206877 students.

Its capital allocation goes into the construction and improvement of school buildings, water and sanitation facilities at schools, supply of furniture and equipment, training and development of teachers and the supervision and monitoring of teachers and students.

The per capita allocation of education in the Northern Province is around Rs.66,706 per student.



Per Capita Allocation of Education (Rs.)
3,098.66

Capital Allocation (Rs. Mn) 302.5

Recurrent Expenditure (Rs. Mn) 6,796

% of Total Provincial Expenditure

22%

Jaffna

Exhibit 18: Breakdown of allocations per district for the education sector



Per Capita Allocation of Education (Rs.)
5,768.27

Capital Allocation (Rs. Mn) 152.3

Recurrent Expenditure (Rs. Mn) 1,418

% of Total Provincial Expenditure

4.82%

Mannar



Mullaitivu



Teachers
— 1676

Schools
127

Students
22502

Per Capita
Allocation of
Education (Rs.)
6,765.53

Capital Allocation (Rs. Mn) 152.2

Recurrent Expenditure (Rs. Mn) 1,494

% of Total
Provincial
Expenditure

5.02%

Vavuniya



Schools
174

Per Capita
Allocation of
Education (Rs.)
5,395.0

% of Total
Provincial
Expenditure

6.19%

Students
31199

Teachers
2174

Capital Allocation (Rs. Mn) 168.3

Recurrent Expenditure (Rs. Mn) 1,848

Kilinochchi



Schools
104

Students
29143

Teachers
1767

% of Total
Provincial
Expenditure

4.75%

Per Capita
Allocation of
Education (Rs.)
2,742.55

Capital Allocation (Rs. Mn) 79.9

Recurrent Expenditure (Rs. Mn) 1,468

Budget priority areas in the Ministry of Education:

Strengthen equity in education:
equitable learning opportunities for all children

Improve the quality of general education

Strengthen stewardship and service delivery of general education

Enhance education policy, planning and research-based monitoring and evaluation



Ministry of Health (MoH)

The Department of Health Services, Department of Indigenous Medicine and the Department of Probation come under the purview of this ministry. There are 148 provincial hospitals and 803 doctors in the Northern Province. The capital budget is allocated for the supply of medical equipment and the construction and improvement of hospital units, MoH offices and staff quarters.

The per capita allocation of health in the Northern Province is approximately Rs. 907.85

The Eastern Province per capita allocation for health is around Rs. 4,484.99

Exhibit 19: Breakdown of allocations per district for the health sector



58
Hospitals

211
Doctors



Jaffna

Per Capita
Allocation of
Health (Rs.)
1,076.50

Capital Allocation (Rs. Mn)

671.9



25
Hospitals

136
Doctors

Mannar



Per Capita
Allocation of
Health (Rs.)
1,633.07

Capital Allocation (Rs. Mn)

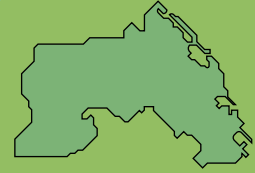
264.0



26
Hospitals



130
Doctors



Capital Allocation (Rs. Mn)

243.4

Per Capita
Allocation of
Health (Rs.)
1,771.28

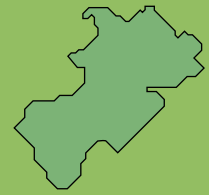
Mullaitivu



22
Hospitals



179
Doctors



Capital Allocation (Rs. Mn)

262.3

Per Capita
Allocation of
Health (Rs.)
1,380.92

Vavuniya

Per Capita
Allocation of
Health (Rs.)
894.25

Kilinochchi



Capital Allocation (Rs. Mn)

131

17
Hospitals



147
Doctors

Budget priority areas in the Ministry of Health:

1.
Improvement of curative
services

2.
Improvement of preventive
services

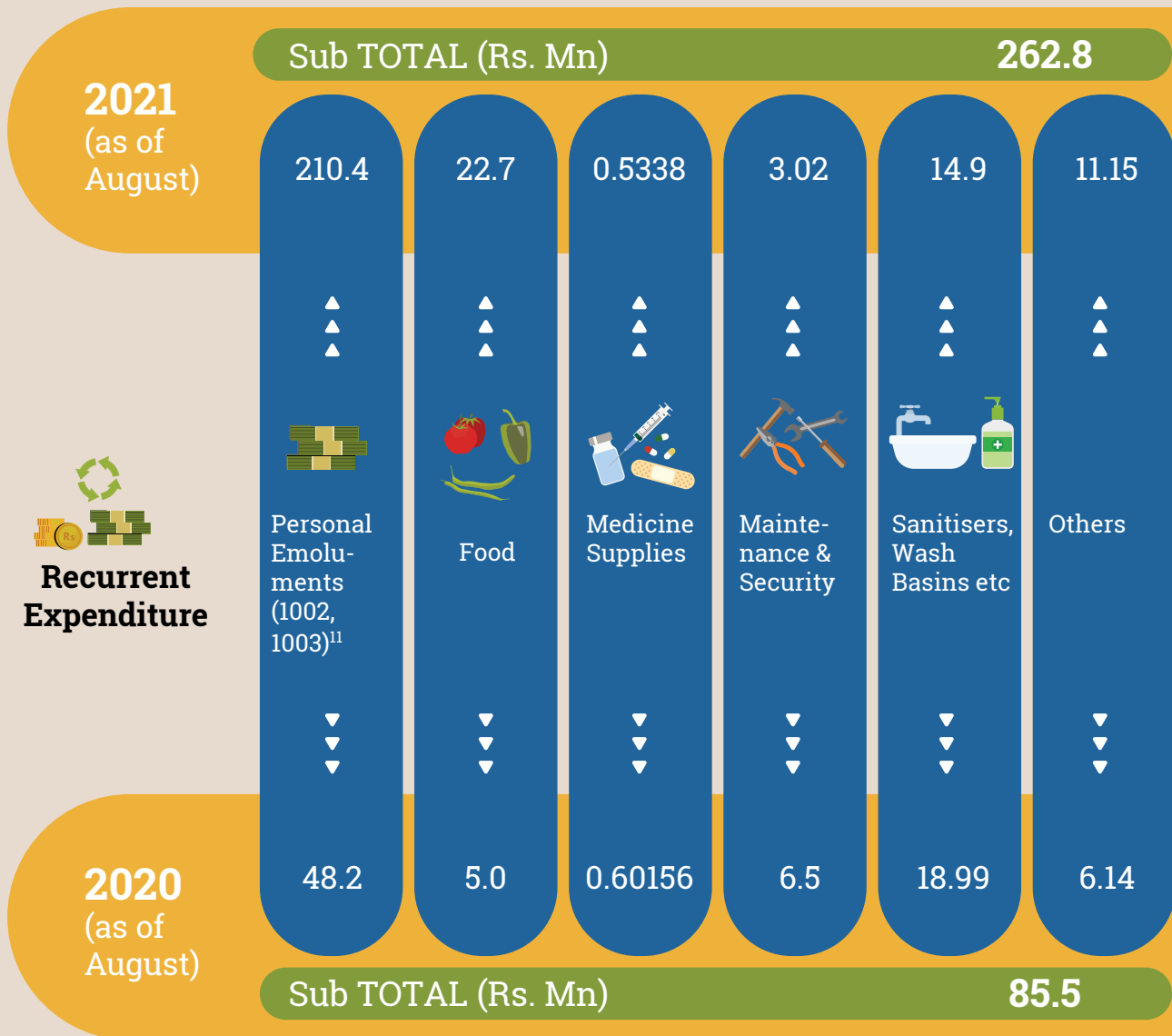
3.
Organizational and
management development

6

New Measures

The Government has taken necessary steps to control public expenditure (including capital expenses) to allocate the necessary funds for COVID-19 vaccinations, expansion of health services and essential relief programmes.

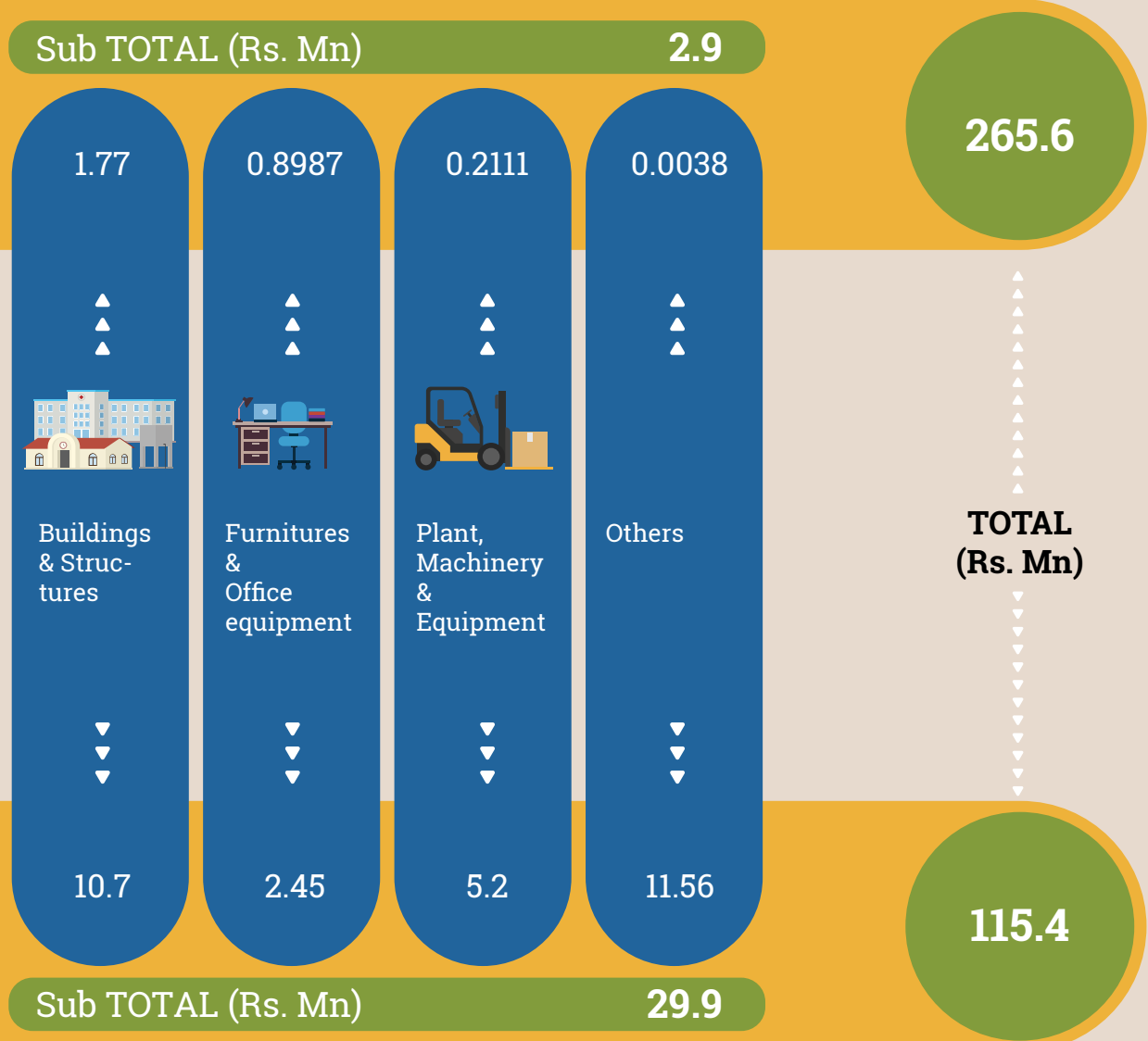
Exhibit 20: COVID-19 expenditure 2020 to August 2021 (Rs. Mn)



¹¹ This includes salaries and wages, overtime and holiday payments and other allowances



Capital Expenditure



Annexure 1:

Glossary of Terms

Budget: A comprehensive financial plan for a specified time period. It is an estimation of revenue, expenditure, deficit/surplus, and debt to understand how finances will be allocated.

Budget cycle: This refers to the major stages of developing, planning, implementing, and monitoring a budget.

Budget estimates: The estimated cost of activities before the start of a financial year.

Block Grant: The Block Grant is a transfer from central government to provincial councils for recurrent expenditure. The estimated revenue of the province for a particular year is deducted from the estimated recurrent needs for the same year and the balance is recommended as Block Grants.

Capital expenditure: describes expenditure aimed at improving a government's/sector's longer-term productivity and efficiency (i.e., construction of hospitals and clinics, the purchase of medical devices, the training of medical staff).

Criteria Based Grants: The grant provided by central government to provincial councils to meet capital expenditure for improving the socio-economic conditions of citizens in a manner that contributes towards reducing regional disparities. Criteria such as population, area and per capita income are used to distribute the allocation within the territorial areas.

Dependency Ratio: The dependency ratio relates the number of children (0-14 years old) and older persons (65 years or

over) to the working-age population (15-64 years old). This demographic indicator gives insight into the number of people of non-working age, compared with the number of those of working age. It is also used to understand the relative economic burden of the workforce and has ramifications for taxation.

Fiscal policy: Fiscal policy is the country's policies with respect to government revenues, expenditures, and debt management, as these relate to country services, programs, and capital investments. A fiscal policy provides a set of principles for the planning and programming of budgets, uses of revenues, and financial management.

Fiscal Deficit/Gap: The difference between annual revenue and annual expenditure of the government is termed as the fiscal deficit.

Fiscal Sustainability: Fiscal sustainability is the ability of a government to maintain public finances at a credible and serviceable position over the long term. Ensuring long-term fiscal sustainability requires that governments engage in continual strategic forecasting of future revenues and liabilities, environmental factors and socio-economic trends in order to adapt financial planning accordingly.

Foreign Direct Investment: Foreign direct investment (FDI) is a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy.

Gross Domestic Product (GDP): This refers to the value of economic activity within a country. It is the total monetary value of all the finished goods and services produced in a country for a specific time period. It is used as a marker to measure economic growth.

Literacy rate: The literacy rate is defined by the percentage of the population of a given age group that can read and write. The adult literacy rate

Annexure 2:

Feedback Form

Date: _____

D.O.B: _____ Email: _____

Name: _____

Location/Address: _____

Contact details: _____

Employer (if applicable): _____

Kindly rate the questions below based on the following criteria:

5 – Strongly agree, 4 – Agree, 3 – Undecided, 2 – Disagree, 1 – Strongly Disagree

1. Is the publication informative?

Using the scale above, please rate based on how useful, educating and enlightening this publication is to you.

Section						Additional Comments
Overview of the Northern Province	5	4	3	2	1	
Provincial Council Budget Process	5	4	3	2	1	
Sources of Funds	5	4	3	2	1	
Expenditure	5	4	3	2	1	
EPC Gap Analysis	5	4	3	2	1	
Territorial Allocations	5	4	3	2	1	
Sectoral Allocations and Major Sector Breakdown	5	4	3	2	1	
New Measures	5	4	3	2	1	
Glossary	5	4	3	2	1	

2. Is the publication understandable?

Please rate using the point scale and criteria above.

Section						Additional Comments
The content is logical and well organised	5	4	3	2	1	
The language is simple for me to understand	5	4	3	2	1	
The examples given are helpful	5	4	3	2	1	
The figures given are helpful	5	4	3	2	1	
The graphs, tables and illustrations aid in understanding the text better	5	4	3	2	1	

3. Is the publication readable?

Please rate using the point scale and criteria above.

Section						Additional Comments
The font used is easy to read	5	4	3	2	1	
The colour scheme is appealing	5	4	3	2	1	
The overall design is appealing	5	4	3	2	1	
The format used is easy to access	5	4	3	2	1	

4. How do you intent to use the publication?

Please encircle most applicable answer(s).

- For advocacy, education, communication work
- Information input for research work and analysis
- Reference for engaging in the budget process
- General information purposes
- Other (please specify if possible):

5. Which portions of the citizens budget were most useful?

Most useful: _____

Least useful: _____

6. What other information would you have liked to see included?

7. Would you recommend this publication to others?

Please encircle

a. Yes

b. No

8. Other comments and suggestions:

Annexure 3:

Institution Breakdown

1. Provincial Administration

Governor's Secretariat
Provincial Public Services Commission
Provincial Council Secretariat
Chief Secretary's Secretariat
Office of the Deputy Chief Secretary – Administration
Office of the Deputy Chief Secretary - Finance
Office of the Deputy Chief Secretary - Planning
Office of the Deputy Chief Secretary – Personal and Training
Management Development Training Unit
Provincial Department of Motor Traffic
Provincial Department of Revenue & Taxes
Chief Minister's Ministry
Provincial Ministry of Agriculture
Provincial Ministry of Education
Provincial Ministry of Health
Provincial Ministry of Women's Affairs
Provincial Co-operative Employees Commission
Provincial Department of Industries

2. Economic Infrastructure

Office of the Deputy Chief Secretary - Engineering
Provincial Department of Irrigation
Provincial Department of Buildings
Provincial Department of Road Development

3. Social Infrastructure

Provincial Department of Social Services
Provincial Department of Probation & Child Care Services
Provincial Department of Health, General Administration
Provincial Department of Health, Patient Care Services
Provincial Department of Health, Community Services
Provincial Department of Ayurvedic Medicine
Provincial Department of Education, General Administration
Provincial Department of Education and General Education

4. Community Services

Provincial Department of Local Government
Provincial Department of Co-operative Development
Provincial Department of Rural Development
Provincial Department of Cultural Affairs
Provincial Department of Sports

5. Agriculture

Provincial Department of Agriculture
Provincial Department of Animal Production & Health
Provincial Department of Land Administration

6. Industries

Textile & Handloom Industries

Contact Points and Follow Up

If users are interested in learning more about the budget as a whole, the budget process, or specific aspects of the budget, please contact the following information points:

Name	Designation	Contact Details	Address
Hon. Governor	Administrative Office	Tel : 0212220660 E-Mail :npcgovernor@gmail.com	Old park, Kandy Road, Chundukkuli ,Jaffna
Chief Secretary	Administrative Office	Tel : 0212220840 E-Mail :chiefsecnpc@gmail.com	Kandy Road, Kaithady
Provincial Public Service Commission	Administrative Office	Tel : 0212219981 E-Mail :gprathiban1167@gmail.com	393/48 Temple Road, Nallur



வட மாகாண சபை
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